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BAROMETER
COUNTRY AND SECTOR RISKS BAROMETER
Q1 2021

By the Coface Economic Research team

The U.S. leads the race to global recovery, emerging markets lag behind

More than a year after the onset of the COVID-19 pandemic, uncertainties about its evolution continue to shape trends in the global economy. Despite the acceleration of the vaccination process, the prospects for a return to normalcy are both uneven and uncertain across industries and geographies. In our scenario, as in the previous quarter[1], we assume that the economic recovery will gain momentum from the summer onwards, once the U.S. and Europe have vaccinated a sufficiently large share of their population. However, there is a risk that the rollout of vaccines will be delayed, notably due to supply constraints from producers resulting from shortages of certain components and/or export restrictions from major exporting countries (e.g. India).

The ineffectiveness of vaccines in response to virus mutations is also a risk to the global economy. Ultimately, in any of these cases, the freedom of movement of people would remain restricted and economic activity would be hampered for longer. However, on the bright side, our global growth forecast has been revised upwards by half a percentage point to 5.1% in 2021, thanks to stronger than expected growth in the U.S. In this more favorable macroeconomic context, Coface is upgrading 35 sectors of activity (compared to only 3 downgrades). In addition to the United States, several other sectors of the world economy have already or will have returned to their pre-crisis level of activity by summer, i.e. even before collective immunity is reached, in the best of cases: industry, international trade and of course China. Conversely, others are lagging behind: service activities requiring physical contact with the customer and European economies in particular. Finally, in some major emerging economies, the recovery is also being held back by rising inflation, which is forcing central banks to tighten their monetary policy.

1 Country & Sector Risk Barometer: Q4 2020 Quarterly Update / Publications / News and Publications - Coface

The U.S. economy is seeking to reach the "high pressure" regime

Since the beginning of 2021, the balance of surprises has tilted towards the positive, despite the still numerous health uncertainties. The strength of Chinese growth (see **Chart 2**) is boosting the prices of many commodities (see **Box 2** on agricultural commodities). While this benefits producer countries, it is detrimental to importing countries.

The expected growth gap between the Eurozone and the United States is customary, particularly in a recovery phase. It is usually partly the result of weaker automatic stabilizers in the U.S. in times of crisis, which accelerate adjustments in employment and income. However, the reasons for the gap in favour of the U.S. are different this time. Less restrictive mobility restrictions than in the Eurozone, both in 2020 and in early 2021, is one of them. The faster rollout of vaccines for the population in this first part of 2021 is another.

Moreover, differences in economic policy may also explain this performance gap. Regarding the monetary policy, while the U.S. Federal Reserve (Fed) had increased the size of its balance sheet more (its asset purchase program increased by about 13 points of GDP in 2020, compared to 9 points for the ECB), it is now at the same level in both zones (about 30% of GDP). Finally, and most importantly, greater fiscal support will allow the U.S. economy to return to its pre-crisis GDP level (2019) as early as this year, while the Eurozone will have to wait until 2022. In the European Union, after the delay in the second half of 2020 in the implementation of the EUR 750 billion recovery plan announced in the summer, following disagreements between Hungary and Poland on conditionality, in particular, the ratification process was delayed again. The ratification process was suspended in Germany by the Federal Constitutional Court on March 26, due to an appeal against the proposed common debt mechanism. However, the petition for suspension was rejected by the Court on April 21, which is enabling the German President to sign into law the text that had been passed by both houses of parliament.

Meanwhile, in the United States, the USD 1.9 trillion stimulus package adopted in March 2021 will bring the total fiscal response to the crisis to the equivalent of 27% of U.S. GDP, more than in any other mature economy. This large-scale stimulus is part of a strategy to put the U.S. economy under "high pressure", to use Okun's 1973 thesis, recently taken up by Treasury Secretary J. Yellen. According to this thesis, one should not be afraid to take the risk of implementing economic policies (monetary and fiscal) that are too expansionary and that could lead to overheating, because the latter are essential for the least employable people (the long-term unemployed or those who are inactive because of hopelessness, the low-skilled and categories of people who suffer discrimination in hiring) to find a job: when the labour market becomes tighter as a result of the recovery, companies have no choice but to turn to these people who were initially the furthest from employment[2]. The latter are also more likely to increase their income and their level of qualification, as companies have to train them.

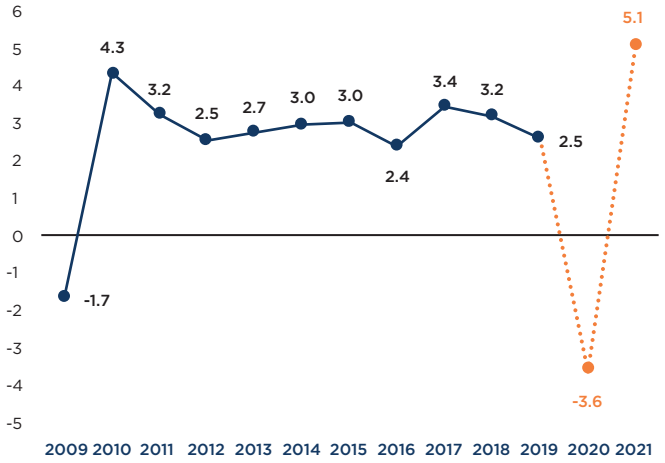
Eurozone: corporate insolvencies remain "hidden"

In this context, the Eurozone would only return to its pre-crisis GDP level in 2022. If the main measures restricting mobility and activity are lifted by the end of the summer, this should go hand in hand with a gradual lifting of business support measures (in particular the financing of short-time working, which is very costly for public finances and loses its *raison d'être* if the restrictions are lifted), which could lead to a rise in unemployment. The savings accumulated by force and as a precaution in 2020 should therefore only be partially reabsorbed, as households remain worried about the risk of losing their jobs, which will limit the pace of the recovery. Furthermore, the increase in corporate debt, made possible on favorable terms through government-guaranteed loans, is likely to limit their investment capacity for the long term.

For the time being, the main government support measures implemented in 2020 have not been withdrawn: guaranteed loans, short-time working mechanisms, or temporary changes to corporate insolvency schemes. This support has prevented many companies affected by the crisis from going bankrupt, and the number of corporate insolvencies has even reached a historic low in many countries. As we pointed out in our previous quarterly barometer, this aid has also helped to avoid the failure of companies that would have been insolvent even without the COVID-19 crisis. To quantify these "missing" insolvencies, we have therefore simulated the financial health of companies in the four main economies of the Eurozone (Germany, France, Italy and Spain) by calculating a sectoral solvency ratio (gross operating surplus/net debt), taking into account both the negative shock to revenues and the positive effect of public aid[3]. We carried out these simulations on six sectors of activity, using data on turnover, recourse to short-time working, state-guaranteed loans and, for France, the Solidarity Fund. Our simulation shows that, despite the stabilizing effect of government aid, the financial health of companies has deteriorated significantly during 2020 - which should normally lead to an increase in insolvencies. According to our model, insolvencies in 2020 should have increased by 19% in Spain, 6% in France, 6% in Germany and 7% in Italy. The fact that they have decreased suggests that many insolvencies have been postponed rather than prevented, which means that 2020 has left us with a large number of "hidden insolvencies" that are taking much longer than usual to materialize. We thus estimate the number of hidden insolvencies at around 44% of insolvencies recorded in 2019 for France, 39% for Italy, 34% for Spain and 21% for Germany.

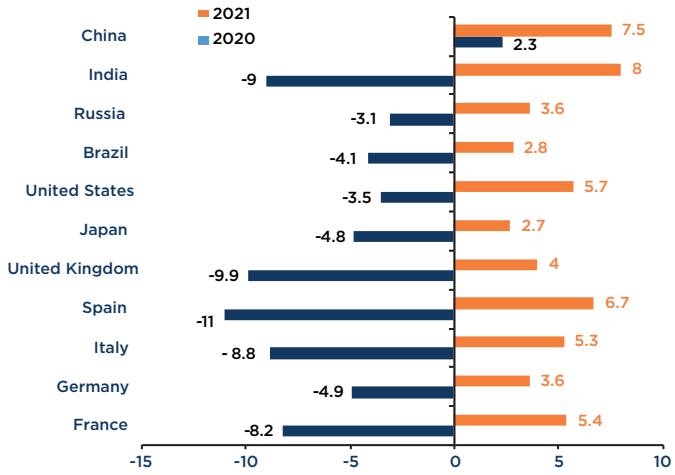
2 "Upward mobility in a high-pressure economy", A.Okun, W.Fellner, A.Greenspan. Brookings Papers on Economic Activity 1973 (1), 207-261
3 The business insolvency paradox in Europe: miracle and mirage / Publications / News and Publications - Coface

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

Emerging economies: rising inflation forces central banks to tighten their monetary policy

According to the IMF's April 2021 forecast, emerging economies will be more permanently affected by the current crisis than mature economies, unlike in the global financial crisis of 2008-2009. In 2024, emerging economies' GDP will be 4 percentage points lower than it would have been without the COVID-19 crisis. For mature economies, the gap would be only one percentage point (compared to 10 during the global financial crisis). There are several reasons behind this expected gap between the expected recovery of mature and emerging economies.

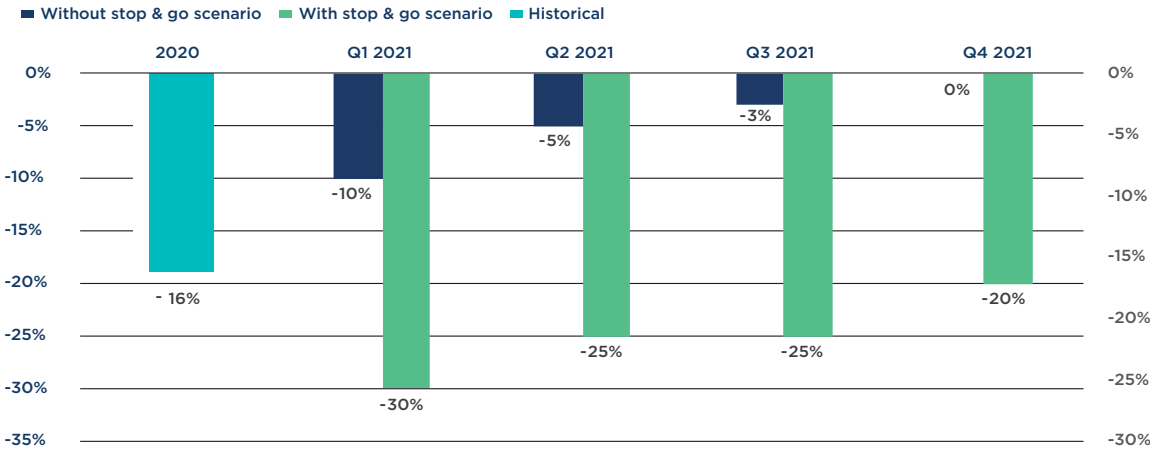
First, in terms of health, the vaccination process is more advanced in the former, although some emerging economies are exceptions: United Arab Emirates, Chile and, to a lesser extent, Turkey and Morocco. At least 10% of the population had already been fully vaccinated (i.e. received two doses) by April 8. However, apart from these few cases, the reservation of the majority of available vaccines by the United States and Europe have left few doses available for the others. Among the four main vaccine-producing areas (China, the United States, Western Europe and India), the temptation to implement protectionist measures is growing. For instance, India has already announced a temporary halt to the export of vaccines in order to prioritize their deployment on the national territory, where the number of cases has increased significantly since the beginning of March. The authorities have announced that foreign sales could resume in June, but only if the pandemic is contained in India. A definitive halt to vaccine supply by India would delay the achievement of a global population vaccination rate of at least 4% by three months[4]. In Africa, the delay would be by 2 months. Other regions would be less significantly affected (only about 10 days for Latin America). If China were to adopt the same type of measure (in a context where the country has been accelerating the vaccination of its population since the last week of March in response to the increased risk linked to the variants), the impact would be even more significant in many countries.

In addition to these still high health uncertainties, many emerging economies remain penalized by their exposure to sectors of activity that have been durably hampered by the crisis (tourism, transport, textile-clothing in particular). However, on the positive side, the increase in metals, oil and key agricultural commodity prices is a breath of fresh air for economies that suffered from the opposite trend last year (see boxes below and the section on Country Risk Assessment changes). Furthermore, the positive outlook for U.S. consumption should fuel strong export volumes, especially among consumer goods producers. Using an analysis based on a historical estimate of a potential trade balance[5], Coface estimates that the U.S. deficit could be up to USD 56 billion higher in 2021 than it would have been without the stimulus package. Bilateral deficits with Mexico and Saudi Arabia, but also, to a lesser extent, Brazil and India, could widen as a result[6]. These countries would be among the main beneficiaries outside the United States of the U.S. stimulus package passed in March. The effects of the U.S. budget deficit on emerging economies are therefore positive via imports.

On the other hand, simultaneously, the widening of the U.S. budget deficit is encouraging capital outflows from emerging markets, or diverting them away from these markets as the upward revisions of U.S. GDP growth prospects due to the stimulus plan, are encouraging an increase in long-term interest rates in the United States, a narrowing of the gap

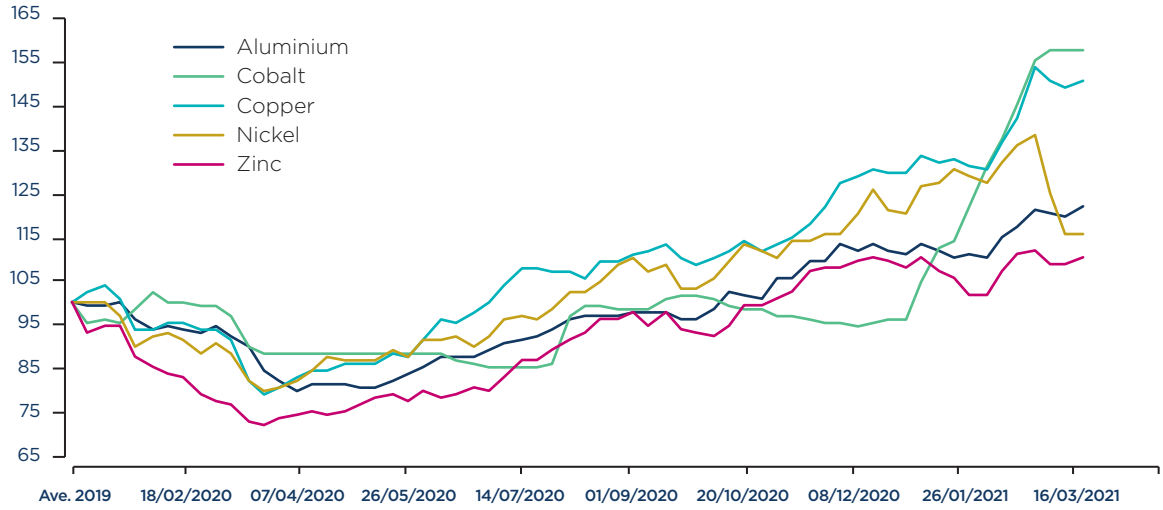
4 « Halting India's Vaccine Exports: The Fallout », University of St Gallen and Airfinity, March 31, 2021.
5 USA: recovery plan paves way for record trade deficit / Publications / News and Publications - Coface
6 These estimates do not factor in the 8-year investment plan (especially in infrastructure) proposed on 31 March by the Biden administration, but which has not been voted yet.

CHART 3:
Textile-Clothing: COVID-19 impact on global turnover compared to a situation without COVID-19



Sources: Refinitiv Datastream, Coface

CHART 4:
Weekly metals prices evolution, base 100 = average 2019



Sources: LME, Refinitiv, Datastream, Coface

with its counterparts in emerging countries, and, beyond that, a lesser attractiveness of the latter for financial markets. These volatile capital outflows are reflected in the depreciation of emerging currencies, notably in Turkey and Brazil. These two economies have in common that they have current account deficits, as well as liquid local equity and bond markets. Moreover, local political uncertainties are high: in March, the Turkish president appointed the fourth central bank governor in four years, while the Brazilian president's handling of the pandemic is increasingly contested with just over a year to go before the next presidential election.

Last quarter, we pointed out that the vast majority of emerging economies no longer had room for further monetary policy easing, due to rate cuts in 2020 (150 basis points on average for 23 emerging economies), and/or strong external constraints (fixed exchange rate, insufficient foreign exchange reserves or high current account deficit). In addition, since February, there have been: 1) capital outflows resulting from the increase in long-term bond yields in the United States (and thus the reduction in the yield spread with emerging country debt securities); 2) an increase in inflation, mainly driven by the rise in food prices: +5.7% year-on-year in February in Russia, +4.7% in Mexico in March, +6.1% in Brazil and 16.1% in Turkey. In all these countries, price increases are now above the target set by the central bank.

These external and internal constraints have therefore prompted several central banks to increase their key interest rates (Brazil, Turkey and Russia in particular). This rise in interest rates could force governments to make greater commitments to reduce public spending in order to stabilize public debt. In Brazil, for example, despite the expected rebound in growth this year, and assuming an optimistic reduction in the primary budget deficit (from 9.5% in 2020 to only 2.5% this year), the increase in the 10-year sovereign interest rate (from an average of 7% last year to 9.5% in 2021) would increase the public debt-to-GDP ratio to 94% in 2021 (from 90% in 2020 and 74% in 2019). The extension of certain support measures to households and companies, which is increasingly likely, would put an additional burden on the public debt.

Box 1:

Post-pandemic recovery drives a tighter crude oil market

Coface increased its Brent price forecast for 2021 to an average of USD 60, up from USD 50. Since the news broke of availability of effective COVID-19 vaccines in the fall of 2020, crude oil prices have recovered substantially. Since late October, prices for the international benchmark Brent crude futures have risen by about 70%, averaging USD 61 in Q1 2021, thus returning to their pre-pandemic levels. Recovering oil consumption, and output restraints by the Organization of Petroleum Exporting Countries and allies (OPEC+), have tightened the oil market, after last year's pandemic-related drop in demand and brief price war contributed to a surge in stocks.

Going forward, we expect the market to keep tightening throughout 2021. On the demand side, oil consumption will recover in line with economic growth. Rebounding manufacturing activity and a slow resumption of mobility globally are expected to drive demand for oil in the remainder of the year in both developed and emerging economies.

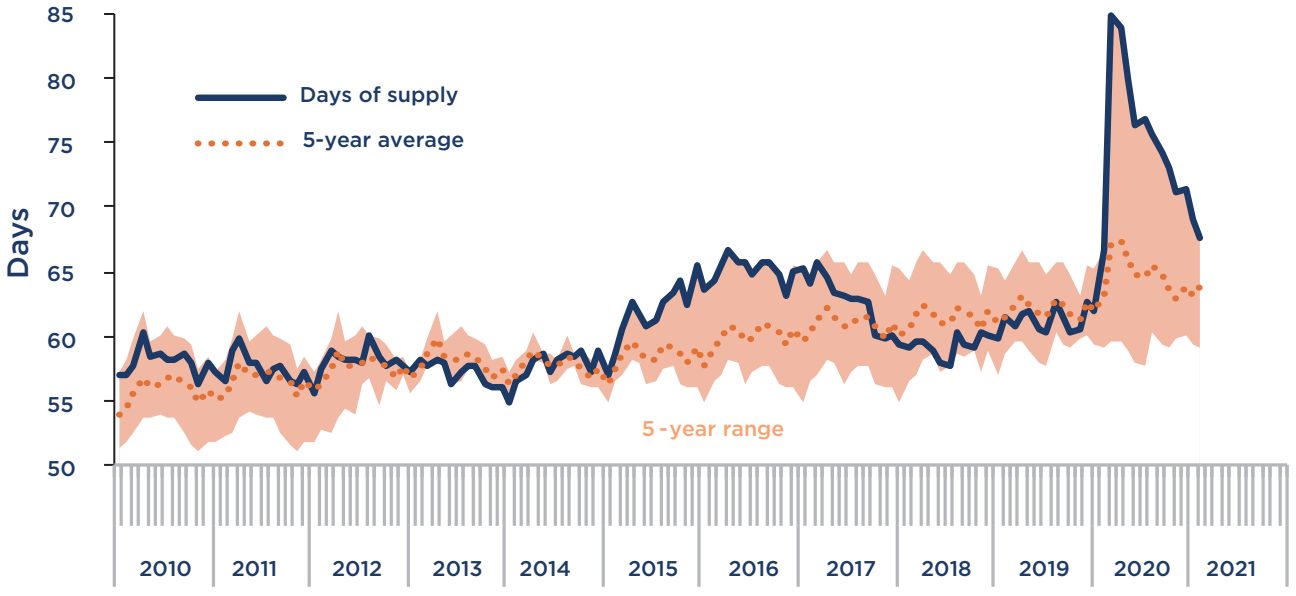
On the supply side, output growth is expected to be slower than consumption growth. OPEC+ will certainly be the main driver of growth of crude production. After a brief oil price war, the group decided in April 2020 to cut its oil output by 9.7 million barrels per day (mb/d, compared to an October 2018 baseline). As the global economy started to recover in the second half of the year, OPEC+ adjusted this cut to 7.2 mb/d by January 2021. However, in light of new COVID-19 infections waves in the winter, the cartel has not returned barrels to the market since, with Saudi Arabia even committing to a further voluntary cut of 1 mb/d since February. At the time of writing, reports indicated that OPEC+ had agreed to gradually return some barrels to the market going forward: 350,000 b/d in May and in June and approximately 400,000 b/d in July, while Riyadh's voluntary adjustment would gradually be eased, beginning with monthly output increases of 250,000 b/d in May and in June. Although unclear, output increases are expected to continue in the second half of the year.

Non-OPEC+ output is expected to remain constrained, particularly because the U.S. shale oil production, one of the main sources of output growth in the past decade, will probably recover slowly, as several energy firms indicated that they were willing to prioritize profitability over market shares after a tough year 2020 for the oil patch. After falling by about 3 mb/d in the spring of 2020 from a Q1 2020 peak nearing 13 mb/d, U.S. crude production has averaged less than 11 mb/d in the last two quarters.

Despite prospects of a tighter market, prices are not expected to surge meaningfully from the current USD 60 level. The high level of OPEC+ spare capacity would give the group ample scope to accelerate the unwinding of the deal, should the market become too tight. Otherwise, despite the more disciplined approach of the U.S. oil sector, a further price increase would probably embolden them to a more significant output increase. Furthermore, we still expect oil consumption this year to be lower than in 2019, prior to the COVID-19 pandemic. Thus, inventories will probably return to their 5-year average soon, but, by historical standards, this level still means an ample crude stockpile (see **Chart 5**).

The current level of prices and the OPEC+ prudent output increase strategy are non-negligible upside risks to our USD 60 forecast. Risks tilted upwards also include the recovery gaining further momentum, particularly in Europe. The recovery could also be a downside risk, should the recovery stall, particularly if the global COVID-19 vaccine rollout faces unforeseen challenges. Geopolitical risks are also to be monitored: tensions over the peace process in Libya could lead to renewed production outages and higher prices. Conversely, the new U.S. administration's attempt to resume talks over an Iranian nuclear deal could depress them, if it leads to the removal of sanctions targeting the energy sector of one of the leading oil exporters.

Chart 5:
OECD crude oil and liquid fuels commercial inventories' days of supply



Sources: U.S. Energy Information Administration, Refinitiv Datastream, Coface

Box 2:

Taking stock on the strong increase in food prices

Global food prices have sharply increased since the beginning of the year. Last March, the UN Food and Agriculture Organisation (FAO) released its food price index (which tracks price variations for cereals, vegetable oils, sugar, dairy and meat) for the month of February. The index increased during nine consecutive months, expanded by 27% between May and February and reached its highest level since 2014. The steepest increases came from the sugar (+6.4% MoM in February) and vegetables oils (+6.2%) sub-indexes. This is putting strong pressure on the agri-food sector (see **Chart 6**).

This recent rise in food prices is the result of the knock-on effects of the COVID-19 crisis, in the context of the ongoing global economic recovery and meteorological phenomenon.
The meteorological factor that is most contributing to these commodity price increases is a "La Niña" episode. La Niña is caused by a below-than-average sea surface temperature in the Southern Pacific Ocean that causes weather perturbations around the world. This has led to drier than usual weather in the Americas and excessive rainfall in Asia-Pacific, negatively affecting crops. According to the latest monthly report on "La Niña" by the International Research Institute for Climate and Society of Columbia University, there is a 59% probability for this La Niña episode to last until April 2021.

China has been ahead of the ongoing global economic recovery, after both a supply and demand shock in the first quarter (Q1) of 2020, at the peak of the outbreak in the country[7]. The dynamism of the Chinese economy has led actors in the sector to rebuild agricultural commodities inventories, which strongly decreased, particularly in the first semester (H1) last year. Consequently, there has been a strong increase in agricultural commodities demand from China, which strongly affects global food prices. This happened, in a context of the rebuilding of the Chinese hog herd, which had decreased by 50% in recent years because of the African Swine Fever (ASF). This has contributed to a higher protein need, and thus higher imports of agricultural commodities, notably soybean.

Moreover, sea freight rates have soared since Q4 2020, on the back of the rebound in global trade and the economic recovery. As container shipping decreased in H1 of 2020, many empty containers were left on site in Europe and the U.S. Then, when the demand for Asian goods from western markets rebounded, a lack of empty containers in Asia pushed prices up. From November 2020 to January 2021, the shipping cost of a 40-foot container from Asia to Northern Europe increased from USD 2,000 to USD 9,000.

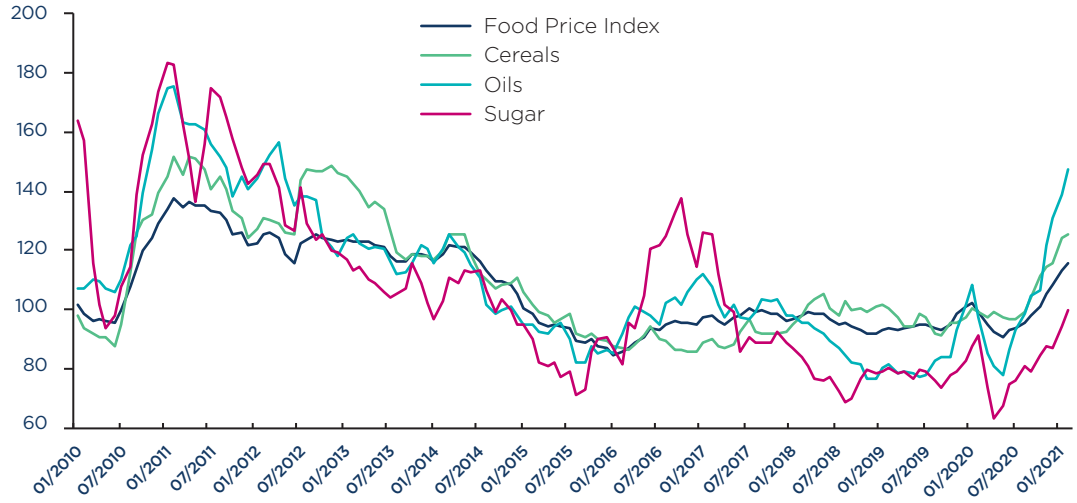
Lastly, some governments have implemented export restrictions on their commodities in the context of economic uncertainty since the beginning of the pandemic; which also put higher pressure on prices. For instance, Russia, a global leader in cereal production, decided to implement an export tax of EUR 50 per tonne of wheat from 1 March to June 30 2021, following a EUR 25 tax from 15 February to 1 March 2021. It also decided to implement export taxes on barley and corn. Ukraine, another major grain exporter, set a 24 million metric tons quota on corn exports until 30 June 2021, which represents 83% of corn exports in the previous marketing year (in Ukraine, the marketing year for corn starts on 1 July and ends on 30 June).

Rising food prices have a negative impact on all agri-food downstream activities
In the short to medium term, Coface anticipates that this increase in prices will have a negative impact on all industries downstream. The magnitude of this shock is, conditionally on the price variation, related to the capability of companies to defer the increase of input costs on prices and to the price elasticity of demand (the more it is important, the more a small price increase will lead to a high demand decrease). Besides, bars and restaurants would be particularly impacted if those prices remain high, as their economic situation is strongly affected by lockdowns, curfews or strict restrictions in countries where they can remain open, and as their demand is price sensitive. They would have either to extend the cost increase on their prices and suffer from lower demand or to diminish their margins. The story is different for agricultural commodity producers, as they may benefit from the price increase.

If this food price dynamic persists in the medium- to long-term, it may cause a serious threat to food security for food importing countries, as well as rising social and political risks. Indeed, such a situation would increase the number of hungry and malnourished people, in a context where economic inequalities within countries are likely to increase as a knock-on effect of the COVID-19 crisis, leading to increased political risks[8]. In fact, the risk of sociopolitical unrest is likely to increase within the 12 months following a pandemic. Thus, tensions regarding the population's access to food because of strong food inflation could act as a trigger for sociopolitical unrest.

7 Coface Economic Publication (8 February 2021), CRC Special Barometer, An unequal recovery
8 Coface Economic Publication (8 February 2021), CRC Special Barometer, An unequal recovery

Chart 6:
FAO Food Price Index (2014-2016 = 100)



Source: FAO, Coface - Latest point: February 2021

Box 3:

How long will semiconductor shortages last?

Semiconductor shortages since the beginning of the year have been particularly visible in the global automotive sector, but also affect other sectors. Global automakers have been facing semiconductor shortages, which started in late December 2020 and are ongoing, primarily affecting the Asian automotive sector. The region accounts for around 53% of global car production, with China and Japan being the main markets. Overall, global production losses could reach up to 1 million units according to Wards Intelligence and LMC Automotive, adding to the global auto sector's structural challenges, which existed before the COVID-19 crisis and remain[9].

This situation is due to several factors. First, the ongoing innovations in the automotive sector increasingly require the use of semiconductors. As such, electronic components are now estimated to account for 40% of the cost of a combustion engine car, making the auto industry as chip dependent as the electronic industry. This, in a context where the global auto sector dynamic had surprised positively towards the end last year, in a way that was not anticipated by carmakers, within the framework of 'Just In Time' (JIT) production processes. In China, auto sales in January-February 2021 were up 76.9% from the same period a year ago (hugely inflated by the lockdown), but up only 2.8% when compared to January-February 2019. Concomitantly, given the global pandemic, Asian automakers had cut chips (mainly made of semiconductors) orders, as they were anticipating a drop in sales induced by renewed lockdowns in the U.S. and in Europe, which also limited their production capacity.

Consequently, chipmakers shifted their production lines to high-end processors for consumer electronics due to a surge in demand for teleworking equipment or cloud services, on the back of the mobility crisis and acceleration of the global economy digitalization due to the pandemic. This reveals how critical and strategic ICT[10] products that require to be manufactured with semiconductors have become[11]. This phenomenon started years ago. Countries like South Korea, China and the U.S. were large actors in the ICT global value chain already at that time. This situation remains, but Taiwan is now the home country of the largest global semiconductor producer TSMC. Nowadays, the COVID-19 pandemic has accelerated this trend and all sectors and activities, ranging from food delivery applications to automotive, increasingly require integrated circuits and the recourse to digitalization, therefore the use of semiconductors.

9 See Coface global sector note on Automotive sector : https://www.coface.com/Economic-Studies-and-Country-Risks/Automotive
10 Coface's sector assessment methodology for the Information and Communication Technologies (ICT) sector incorporates several segments: telecommunications, electronics, media and a final segment comprising computers, software and IT equipment.
11 See Coface global sector note on ICT sector : https://www.coface.com/Economic-Studies-and-Country-Risks/ICT

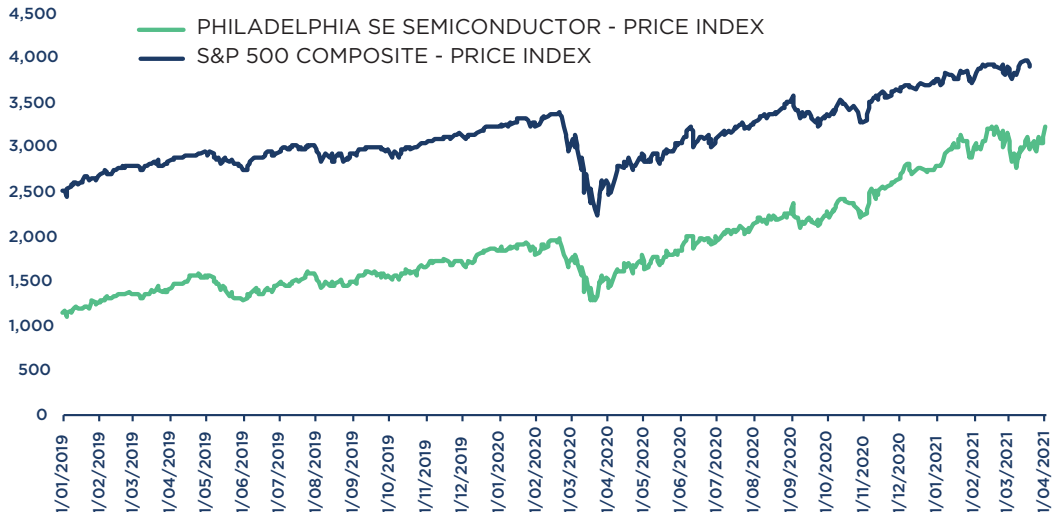
The global significant mismatch between strong demand for semiconductors and its supply constraints is likely to lead to continued shortages until at least the beginning of next year.
Many companies worldwide are facing the on-going global economic recovery phase, with very limited inventories overall. Such a situation adds to the already tense supply chain, due to the above-mentioned strong demand from several sectors requiring semiconductors. For instance, as of March 2021, global semiconductor equipment orders to production outputs time frames are extending to 10-12 months from 7-9 months, according to a JP Morgan report[12]. As a consequence, semiconductor companies are shipping 10-30% below current end-market demand.

Sustained high semiconductor demand is indeed expected for all type of end markets considering both ICT product manufacturing such as Hard disk drive (HDD), Soft disk Drive (SDD), data centers etc., as well as for other industries such as automotive. It will therefore take time for the supplying firms to catch up with the high global demand. Coface anticipates that this would require several quarters.

The situation will benefit some, to the detriment of others.
Semiconductors manufacturing companies are expected to benefit from the situation. The semiconductor industry is overall expected to grow by 10-12% in revenue this year, according to JP Morgan projections. By contrast, end market industries and companies are likely to be negatively impacted by the situation, given the supply disruptions, that could contribute to fuel semiconductor rising prices, as it is the case in the U.S. (see **Chart 7**).

However, the shortage is expected to become less acute with time, towards the beginning of next year, due to two main factors. The first is that semiconductors have become a key strategic product, high on governments' agenda, notably in the context of the race for innovation between the U.S. and China. For instance, the Chinese authorities plan to become self-sufficient in semiconductors in the short term. Moreover, the Taiwanese company TSMC, announced, early this year, its plan to fast-track auto chips by reallocating some production capacity in order to prioritize the automotive market, as well as a very large investment budget worth USD 28 billion. About 80% of this investment budget will be devoted to advanced processor technologies, which suggests that TSMC anticipates a surge in business for cutting-edge chipmaking

Chart 7:
PHLX Semiconductor Index (SOX).



Sources: Refinitiv Datastream, Coface

12 J.P. Morgan Semiconductor and Semiconductor Capital Equipment, Harlan Sur, March 2021.

Country Risk Assessment Changes

AREA	Previous Assessment		Current Assessment
CHILE	A4	↗	A3
GUATEMALA	D	↗	C
ISRAËL	A3	↗	A2
UAE	A4	↗	A3
UNITED- KINGDOM	A4	↗	A3

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

(Q1 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

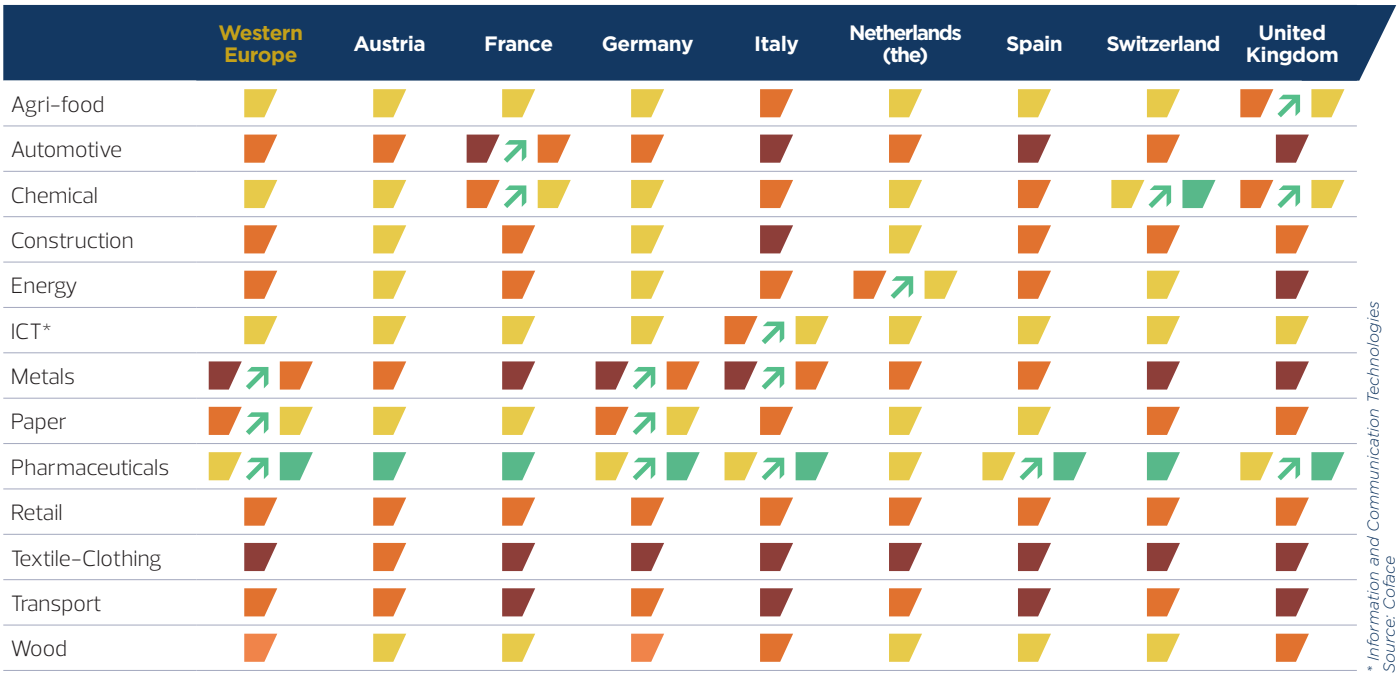
	North America	Canada	United States
Agri-food			
Automotive			
Chemical	↗		↗
Construction		↗	
Energy			
ICT*			
Metals			
Paper			
Pharmaceuticals			
Retail	↗	↗	↗
Textile-Clothing			
Transport			
Wood			

* 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

1st quarter 2021

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162 COUNTRIES UNDER THE MAGNIFYING GLASS

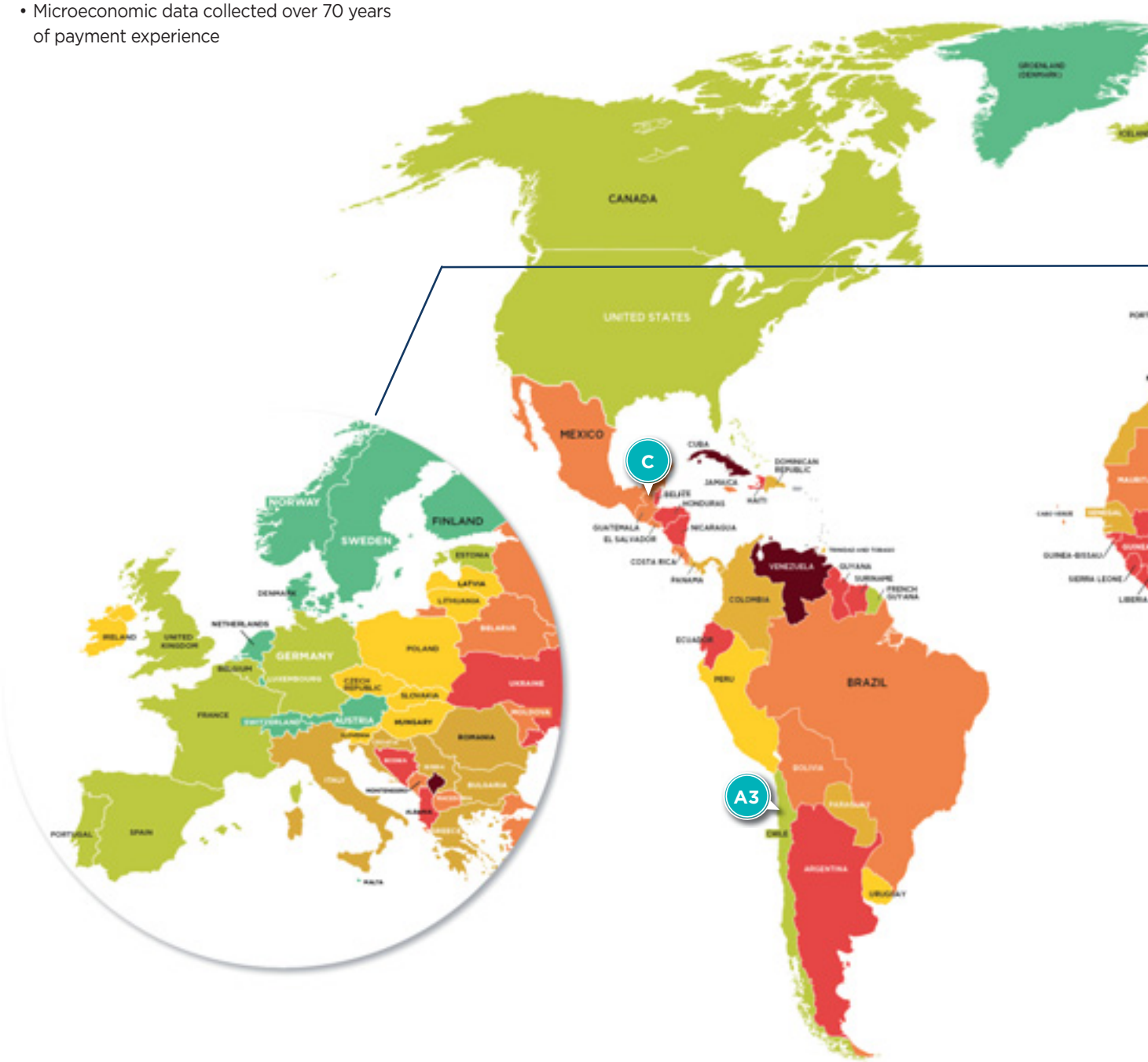
A UNIQUE METHODOLOGY

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

BUSINESS DEFAULTING RISK

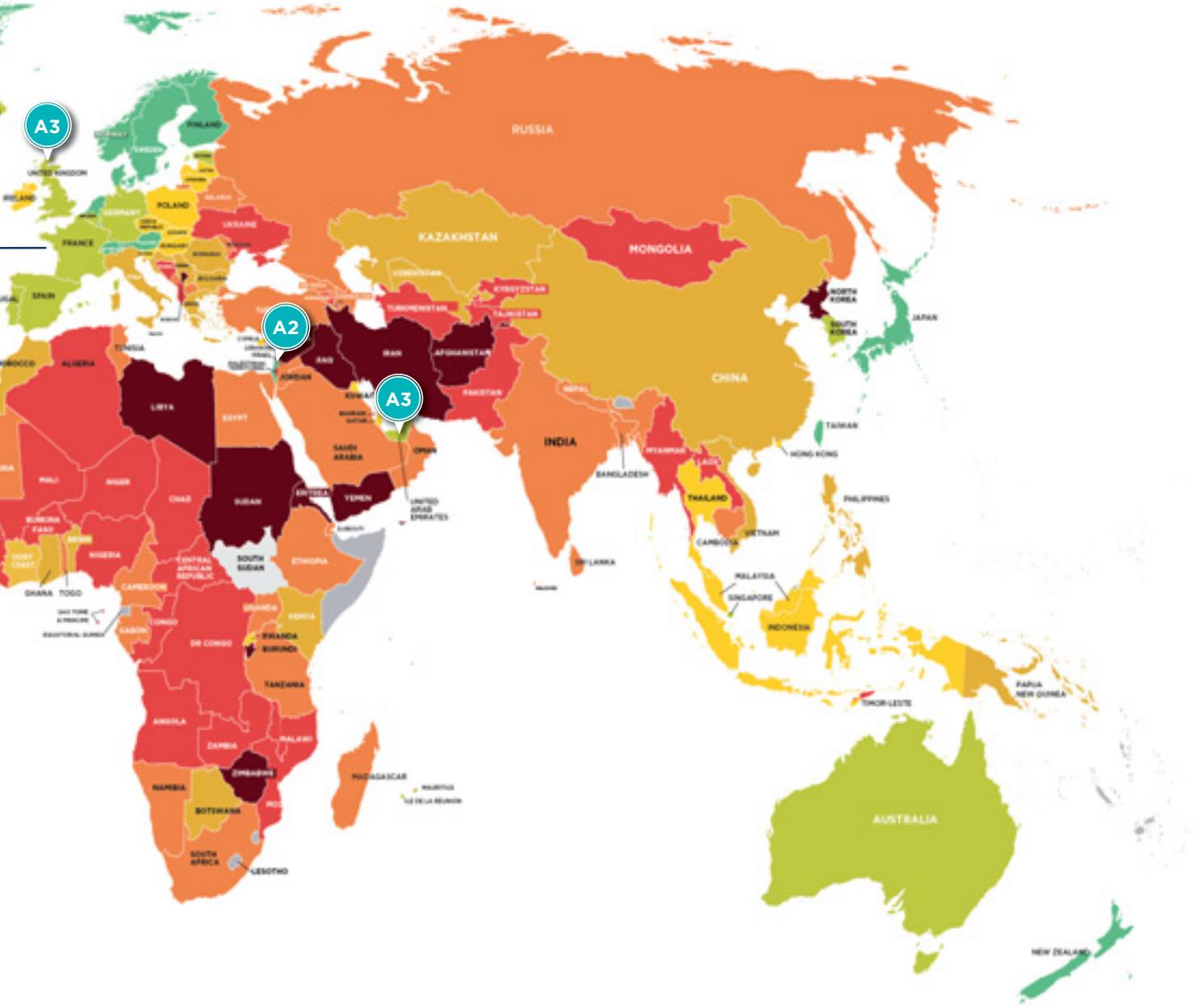
UPGRADES

DOWNGRADES



SK ASSESSMENT MAP

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

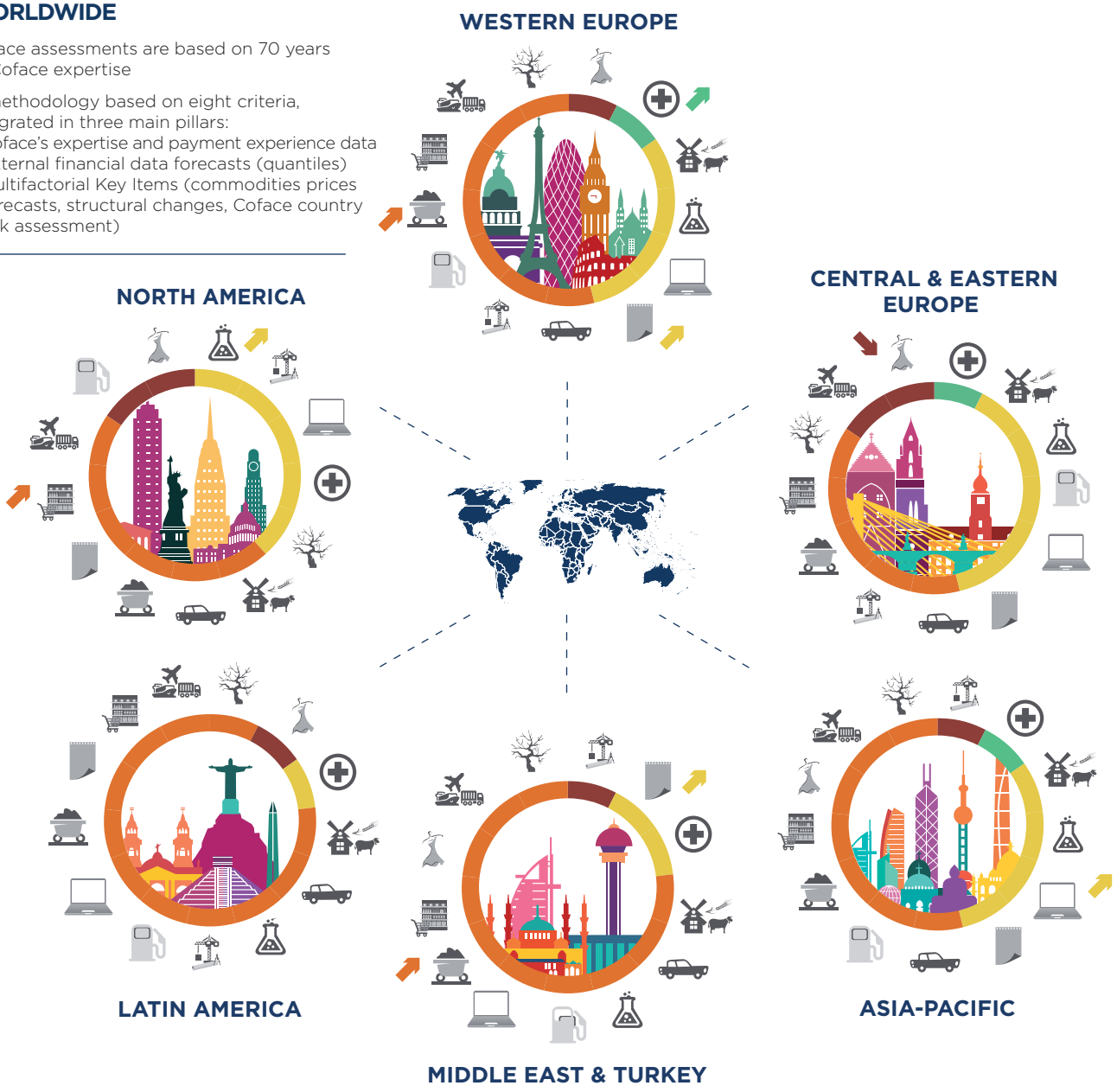


SECTOR RISK ASSESSMENTS
1st quarter 2021

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)



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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