

2
Sector barometer
Sector risk assessment

5
Sectoral files
Energy
Automotive

5 ICT
7 Retail

9
11

PANORAMA

May 2016

Barometer of sector risks in the world

COFACE ECONOMIC PUBLICATIONS

By Coface Group Economists



For the first time, Coface updates its global quarterly sector risk assessments for 12 sectors, in 6 regions worldwide (compared to 3 regions previously). In the current context of flagging global growth, the balance between downgrades and upgrades has unsurprisingly shifted towards downgrades, by nine against two.

The two pieces of good news are due to Western Europe. After the catching-up that began in 2013, car sales in this region are now gathering momentum. Coface even expects investments in this sector in 2016, in order to meet strengthened demand from Europe. Furthermore, the ageing European population is underpinning the pharmaceuticals sector, whose companies are no longer affected by the fiscal austerity measures in Europe. This sector has therefore been reclassified as medium risk.

In the wake of the recovery in Western European countries, Central Europe still

posts a lower risk level than other regions, even though the chemicals sector is suffering from the Chinese slowdown and the contraction in activity in Russia.

In North America, the number of insolvencies linked to shale oil extraction is on the rise. With oil prices close to \$40, investments in this area are not profitable. The risks linked to the energy sector are therefore very high. Risks are also increasing in the automotive sector, even though demand remains vigorous in the United States. Risky consumer loans (subprime) are currently growing sharply.

In emerging countries, and Latin America in particular, energy and metals are, unsurprisingly, negatively affected by the low commodity prices. Pharmaceuticals, one of the sectors least affected by the economic downturn, is suffering from the drastic government spending cuts in many countries in the region.

In Turkey and the Middle East, the sectoral risks remain under pressure. Construction

is negatively affected by the Turkish central bank's monetary tightening, in its bid to fight the depreciation of the lira against the dollar (-28% year-on-year, at end-February 2016). Residential housing sales increased by 11% in 2015. The number of residential housing units built fell by 11% in 2015. The metals sector, already affected by a sharp fall in prices linked to Chinese overcapacity (see studies), is suffering from this contraction in residential investments and has been reclassified to very high risk.

Finally, in emerging Asia, the electronics sector should be watched closely, as companies in this sector are recording a large number of late payments. The retail and information and communication technologies (ICT) sectors have been downgraded, given the weight of electronics.

This overview of sectoral risks is also an opportunity to carry out a more detailed analysis of ICT, energy, the automotive sector and retail.

ALL OTHER GROUP PANORAMAS ARE AVAILABLE ON
<http://www.coface.com/News-Publications/Publications>

coface
FOR SAFER TRADE