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PANORAMA

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Barometer of sector risks in the world

COFACE ECONOMIC PUBLICATIONS

By Coface Group Economists



Coface updates its risks outlook for 12 business sectors in 6 regions every quarter. For the first time, these regional assessments are accompanied by detailed sectoral assessments for 17 countries (see *appendixes page 6*): United States, Japan, Germany, France, United Kingdom, Italy, Spain, China, India, Brazil, Mexico, Poland, Russia, Turkey, Saudi Arabia, UAE and South Africa. While the "balance of risks" currently seems to be more even than in Q1 (6 downgrades for 7 upgrades, compared to 9 downgrades for only 2 upgrades in Q1), it continues to mask marked differences from one region to

the next. In particular, sectoral risks continue to increase in the emerging world, where 5 of the 6 downgrades have been noted, whereas they have fallen in Europe despite the risks linked to the result of the British referendum.

Unsurprisingly, the sectors linked to commodities retain a high-risk level in all regions, with the slight rise in their prices that occurred during Q2 being of a very modest size at this stage to form a real breath of fresh air. Conversely, the business sectors that rely on household consumption are holding

on better in emerging countries, due to the trend towards growth in revenue as well as low inflation being still favourable for consumers. The main exceptions are Brazil, South Africa, Russia and the Middle East (downgrades in distribution, textiles, automotive and food-processing), where the policies of cuts in public spending, subsidies under scrutiny and stricter credit conditions are affecting consumers in the region's countries. The latter are also a source of weakness for the construction sector in Asia, where many companies are highly indebted.

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