

BAROMETER COUNTRY AND SECTOR RISKS BAROMETER

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Global economy in 2020: general slowdown despite the action of central banks

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As usual, many political events marked the summer: another episode of the Argentine exchange rate crisis, an unexpected change of government in Italy, major demonstrations in Hong Kong and Russia, an ever more challenging continuation of the “Brexit” process and an attack on oil installations in Saudi Arabia. The multiplication of areas of political uncertainty, combined with the risks mentioned at length in the first semester and still relevant today (decline of world trade in volume, high volatility in oil prices or even decline in automobile sales in Europe and China) continued to affect corporate morale. Now, in addition to Europeans and Asians firms, American companies are also openly concerned about President D. Trump’s protectionist rhetoric. Should this pessimism, expressed by manufacturing companies, be seen as a temporary phenomenon without the risk of contagion to service activities, or on the contrary as a sign of a deep recession as in 2009? An intermediate scenario, similar to the one observed in 2001-2002 following

the bursting of the “Internet bubble” now seems most likely: a gradual and partial transmission of the industrial recession to services and a notable slowdown of growth in 2020 in the main advanced economies. The only good news is that the central banks of the United States, the Eurozone and many emerging countries have taken measure of the situation by announcing monetary easing measures. In this context, there were two changes in country evaluations this quarter. They concern Hong Kong (downgraded from A2 to A3) and Mauritania (upgraded from D to C). As for the business sectors, after the series of downgrades concerning the automotive sector in June, the changes are less numerous this quarter but still indicate an increase in risks (13 downgrades but no upgrades). The automotive sector is still concerned (downgraded in three new countries) as well as the sectors that depend on it (chemicals in Germany for example). Corporate credit risks are also on the rise in the paper sector in North America. Finally, new victims of the rise of trade protectionism are to be reported (ICT sector in Korea notably).