

# COFACE COUNTRY & SECTOR RISKS HANDBOOK 2023

## MAJOR TRENDS OF THE WORLD ECONOMY

ANALYSIS AND FORECAST FOR 160 COUNTRIES AND 13 SECTORS



**coface**  
FOR TRADE

# This handbook is intended for:

- Corporate executives with decisions to make in terms of export, project launches, or investment in high risk countries;
- Managers of risk or international operations in banking, multilateral financial institutions, and insurance or reinsurance companies (acting in a private capacity or on behalf of government);
- Government managers concerned with country risk;
- Consultants and lawyers specialized in international business;
- Researchers, academics, and students interested in country risk.

## With contributions from:

- **Coface Economic Research Department:**  
Khalid Aït-Yahia, Bernard Aw, Eve Barré, Jean-Christophe Caffet, Marcos Carias, Aroni Chaudhuri, Violette Dollé, Andreea-Alexandra Draghici, Emeric Durand, Bruno De Moura Fernandes, Dominique Fruchter, Gabriel Gervais, Seltem Iygun, Diana Karachanski, Patricia Krause, Simon Lacoume, Erwan Madelénat, Ruben Nizard, Sarah N'Sondé, Laurine Pividal, Grzegorz Siewicz, Christiane von Berg and Youcef Yahiouche.

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By Xavier Durand,  
CEO of Coface



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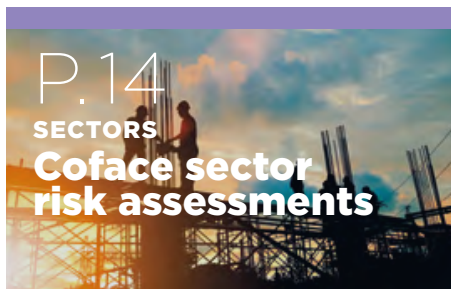
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# 2023, a pivotal year

— **Xavier Durand** —  
CEO of Coface

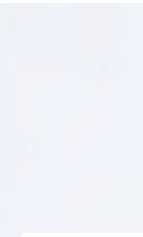
The “soft landing” that we expected for 2022 has been achieved. While global growth will be well below expectations, at around 3%, or 1 percentage point below our initial forecast, the figure remains consistent with the trend growth of the world economy. This is certainly disappointing, given the short-term potential that still existed for closing the output gaps inherited from the pandemic, especially since the rebound in activity in 2021, although unmatched since the first oil shock (+5.9%), was severely hampered by supply chain disruptions. However, there is also some relief as strong headwinds quickly emerged and blew, without interruption, throughout the year.

The war in Ukraine, which broke out on 24 February, was obviously one of the risks we had in mind, although we could not concretely imagine such atrocities returning to European soil. Its consequences are severe and, presumably, long-lasting. However, they have taken longer than initially expected to be felt in terms of global economic growth, despite the acceleration of inflation caused by the rise in commodity prices. The very strong Chinese slowdown, which is to a large extent linked to the zero-COVID policy that the authorities have been sticking to until very recently, is the second reason behind significantly lower global growth compared with our initial forecast. Thus, for the first time in over 30 years (1990), China’s weight in the world economy is likely to have declined last year. Under these conditions, we feel that we should be rather satisfied with 2022, especially as the end of the year should ultimately have avoided the much-feared slide into recession of the advanced economies – owing to climatic anomalies that are worrying, to say the least.



What will 2023 bring? While a few months ago we might have feared a pronounced recession in Europe, as announcements of industrial site closures multiplied and winter approached, it will



probably not happen. Growth is likely to remain sluggish overall (close to zero), as in the United States (below 1%) and in most developed countries. Global growth will be driven almost exclusively by the emerging economies, especially commodity producing countries, which will benefit from both the reduced activism of Western central banks – led by the Federal Reserve – and the recovery of the Chinese economy. After an expected epidemic peak at the turn of spring, activity in China should rebound significantly, buoyed by domestic demand that has been particularly sluggish over the past two years, particularly at the household level, where excess savings seem likely to finance a very strong recovery in consumer spending. Given the growing discontent of the population, the government also seems eager to support activity, as suggested, for instance, by the recent relaxation of control measures or prudential constraints on some sectors (ICT, real estate, etc.).



**“Most of last year’s themes will remain at the heart of the agenda, first and foremost the energy crisis and the inflationary hydra.” — Xavier Durand**



Needless to say, this rather optimistic view is not risk-free. The transformation of the world is accelerating and the multidimensional crisis we are experiencing is not about to end. Most of last year’s themes will remain at the heart of the agenda, first and foremost the energy crisis and the inflationary hydra. The latter are obviously not solely cyclical and linked to the sanctions against Russia and the impact of the pandemic, but are also, and above all, the legacy of chronic underinvestment in the energy system and, most certainly, the price to be paid for its decarbonisation. While undeniably welcome, the decline in inflation in recent months may therefore be only transitory, and the price surge observed since the reopening of the economies could be the prelude to a new, structurally higher inflation regime. This is even truer as isolationist forces, inherently inflationary, are resurfacing and raising the risk of fragmentation, which is clearly not in the interest of either the collective or any specific country. So how will the monetary and fiscal authorities react, even if we look at the problem only from this angle? Will the fight against inflation, which is at the heart of the mandate of the former, come into open conflict with the objectives of governments? As you can see, the year ahead is fraught with risks on all

fronts – macroeconomic, financial, social, political, etc. – and could see the world economy, depending on the choices that are made, fall into recession or finally get on the (right) track for sustainable, inclusive and virtuous development.

The twenty-seventh edition of this handbook addresses all these questions and attempts to answer them by adopting, as customary, a dual geographical and sectoral approach. I wish everyone an enjoyable read of this document, which Coface publishes every year.