PANORAMA

OCTOBER 2016

Country Risk Barometer Q3 2016

Concern again focused on oil prices, the emerging market thermometer

COFACE ECONOMIC PUBLICATIONS

By Coface Group Economists

The beginning of the summer was on everyone's mind, and the idea that the United Kingdom could leave the European Union (EU) seemed unlikely. The Brexit shock of 23 June shook the global financial markets. All eyes then turned to the UK, but the British Prime Minister Theresa May has only just announced hat she will trigger Article 50 before the end of March 2017. The process of withdrawing from the EU will then begin, and will theoretically take two years, but in reality could prove much longer. Unsurprisingly, this shock has prompted us to revise our evaluation of the country down to A3, with significant uncertainty weighing on agents' confidence and a potentially worrying negative impact when the UK actually leaves the EU.

Beyond Brexit, a number of uncertainties continue to weigh on the global economy. Weak global trade is again at the centre of discussion, and a strong recovery is not expected. In addition, oil prices did not recover significantly and are barely over USD 50 per barrel for Brent, which has led to further downgrades of several countries whose activities are closely related to trends on the oil market and, more generally, to commodities (Nigeria, Oman, Mongolia, Trinidad and Tobago). The last OPEC meeting on 28 September led to an agreement on a production level of around 33 million barrels a day (Mbd). Called "historic", this agreement is however unlikely to threaten the existence of weak market fundamentals, and will only lead to a moderate rise in oil prices. This is all the more true since OPEC countries must still agree on their production targets on 30 November, and they must then respect them. This is no small challenge, with short-term needs often taking priority over long-term reason. In addition, at the end of the year, the focus will be on the Fed, which could raise rates at its monetary policy committee meeting in December.

There is however some relative good news from Brazil and Russia. Although these economies continue to face a very difficult situation, the low point in macroeconomic terms seems to be behind them, and these countries now look set to gradually enter a period of convalescence. This has not yet, however, been reflected in signs of improvement at company level.

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

coface
FOR SAFER TRADE