

BAROMETER COUNTRY AND SECTOR RISK BAROMETER Q2 2017



By the Group
Economists

A gust of optimism is blowing over the world economy

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At the end of the first quarter of 2017, we were wondering whether the timid global economic recovery was a flash in the pan. Three months later, the ongoing recovery seems to be a lasting one, given the economic rally in a considerable number of industrial sectors and in Europe, even if a few rain clouds on the horizon, in the United States and in China, darken the picture.

In this barometer, we observe that in the United States, the slowdown in consumption, the still unclear outlines of the fiscal stimulus and the investment plan announced by the White House, as well as the rise in interest rates are elements to be monitored. In the euro area, good news are accumulating: the easing in credit conditions finally boosts business investment; growth exceeds expectations; business confidence has been at its highest for six years; consumer sentiment is on the rise. With the notable exception of the United Kingdom, we estimate that business insolvencies will decline in Europe and we thus upgrade Spain to A2 from A3 and Portugal to A3 from A4.

In Russia (upgraded to B from C), recovery is turning up, for example in the automotive sector (whose assessment is being revised up). It is also good news for its neighbors in the Commonwealth of Independent States (CIS). Uzbekistan is also seeing its assessment improving from D to C. However, there are still greys

areas in some countries of the CIS region: political risk remains high and the banking sector fragility is still worrying in countries such as Kazakhstan and Azerbaijan.

The second quarter marks the end of good news for China. In April and May, all the indicators are flashing orange, or even red, including confidence of some economic players. Under these conditions, the risk of insolvency increases. Let us therefore be cautious and watch closely in the next few months the evolution of the second world economic power.

Other examples of the fragility of this recovery in global growth: several emerging countries are downgraded, particularly in Africa (Namibia, Mauritius) and in the Middle East (Qatar, Bahrain).



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