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The U.S. leads the race to global recovery, emerging markets lag behind

More than a year after the onset of the COVID-19 pandemic, uncertainties about its evolution continue to shape trends in the global economy. Despite the acceleration of the vaccination process, the prospects for a return to normalcy are both uneven and uncertain across industries and geographies. In our scenario, as in the previous quarter¹, we assume that the economic recovery will gain momentum from the summer onwards, once the U.S. and Europe have vaccinated a sufficiently large share of their population. However, there is a risk that the rollout of vaccines will be delayed, notably due to supply constraints from producers resulting from shortages of certain components and/or export restrictions from major exporting countries (e.g. India).

The ineffectiveness of vaccines in response to virus mutations is also a risk to the global economy. Ultimately, in any of these cases, the freedom of

movement of people would remain restricted and economic activity would be hampered for longer. However, on the bright side, our global growth forecast has been revised upwards by half a percentage point to 5.1% in 2021, thanks to stronger than expected growth in the U.S. In this more favorable macroeconomic context, Coface is upgrading 35 sectors of activity (compared to only 3 downgrades). In addition to the United States, several other sectors of the world economy have already or will have returned to their pre-crisis level of activity by summer, i.e. even before collective immunity is reached, in the best of cases: industry, international trade and of course China. Conversely, others are lagging behind: service activities requiring physical contact with the customer and European economies in particular. Finally, in some major emerging economies, the recovery is also being held back by rising inflation, which is forcing central banks to tighten their monetary policy.

¹ Country & Sector Risk Barometer: Q4 2020 Quarterly Update / Publications / News and Publications - Coface