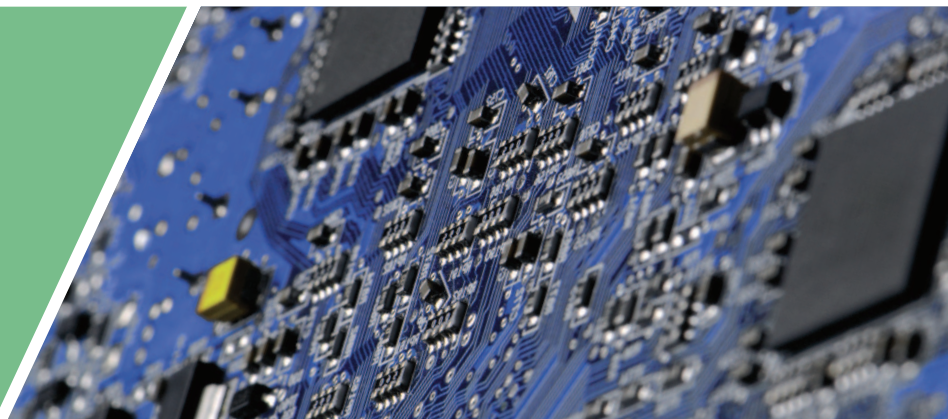


Panorama sectors

*Publication by the direction
of the Economic Research
Group, Paris*



CONTENTS

/02 Sector barometer

by Khalid AIT YAHIA,
Jennifer FOREST and
Emmanuelle HIRSCH

/05 Electronics in Asia: innovation, engine of growth and risk factor

by Christophe BARBE,
Emmanuelle HIRSCH,
and Rocky TUNG

We start this first 2014 Panorama dedicated to our global sector barometer, which assesses credit risk by key economic sectors in three of the world's major regions.

North America remains on track, with companies posting constantly improving results. Their confirmed financial strength stabilises sector risks at relatively comfortable levels. In Western Europe, the return to economic growth may only be gradual, but it is real. Without making any major changes, we note that sector risks tend to stabilise, particularly in the countries most affected by the last recession. Finally, Emerging Asia is now a cause for concern. The economic slowdown in China reveals structural difficulties that impact corporate profitability. Sectors suffering from overcapacity must inevitably restructure and this unavoidable process carries with it higher risks. The risk assessment of the metals industry, which epitomises every possible excess, has deteriorated in this environment.

We then propose a focus on the electronics industry in Emerging Asia, a region that has become in a matter of years the world's workshop for many electronic components. As Japan did previously, emerging countries in Asia have positioned themselves as key sector players. However, the model has its limits, and credit risk now tends to increase, as confirmed by the Coface survey of Chinese companies: medium-sized Asian players depend excessively on large foreign firms. Their margins are shrinking and they have to invest increasing amounts to keep up with rapid change. It is the case for Mainland China but also to a lesser extent for Taiwan and Hong Kong. Asian companies in the sector symbolise the success of emerging economies and are inevitably moving up the value chain. But do they have what it takes to limit the associated increase in risks?

RESERVATION

This document is a summary reflecting the opinions and views of participants as interpreted and noted by Coface on the date it was written and based on available information. It may be modified at any time. The information, analyses and opinions contained in the document have been compiled on the basis of our understanding and interpretation of the discussions. However Coface does not, under any circumstances, guarantee the accuracy, completeness or reality of the data contained in it. The information, analyses and opinions are provided for information purposes and are only a supplement to information the reader may find elsewhere. Coface has no results-based obligation, but an obligation of means and assumes no responsibility for any losses incurred by the reader arising from use of the information, analyses and opinions contained in the document. This document and the analyses and opinions expressed in it are the sole property of Coface. The reader is permitted to view or reproduce them for internal use only, subject to clearly stating Coface's name and not altering or modifying the data. Any use, extraction, reproduction for public or commercial use is prohibited without Coface's prior agreement. Please refer to the legal notice on Coface's site.