

2Sectorial
barometer**7**European airlines:
forced to change**+**Air transport companies: **7**
liberalisation...
how far?**+**New demand,
new entrants
How to adapt?**11****15**

PANORAMA SECTORS

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By Coface Group Economists in Paris



This panorama at the end of the summer holidays focuses primarily on assessing sector risk in 14 sectors of business in three major geographic regions. What are the main trends? North America's economy remains robust and dynamic, despite the rough winter weather in the first quarter of 2014. US companies have a strong capital base that enables them to keep risks at relatively low levels and to conquer new markets. The sectors in emerging Asia are enjoying steady growth, but the sword of Damocles - overcapacity - that is hanging over business activity in sectors like construction, chemicals or metallurgy is a risk which Coface's economists are factoring in. Restructuring will, therefore, take time.

Accordingly, we are downgrading the assessments of the construction sector to high risk and that for paper-wood to medium risk. In Western Europe, companies are gradually getting their heads above water. Without ignoring the difficulties associated with a recovery that has been too slow and uneven, depending on the country, we are upgrading the assessments for the metallurgy and automotive sectors in this region from very high risk to high risk.

This section is followed by a focus on the future of Europe's airlines. These companies are entering a pivotal period, which is prompting them to change. Since the liberalisation of the European domestic market in 1997, competitive pressures have been growing at a frenetic pace, which is making things diffi-

cult for the legacy airlines. On the one hand, they have not sufficiently developed their low-cost services, and on the other hand, foreign airlines from the Gulf, Asia or Turkey are gaining an ever-larger share of the long-haul market. The time has come for the major European players, which have now become the least profitable airlines in the world, to change. Changes on the US domestic market, where liberalisation took place in 1978, show the advantages and disadvantages of ever-greater concentration. What is the scenario for the single European sky? Will the Community institutions push for more openness in this very particular market or will we see the emergence of «mega players»?

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