

London, 28 September 2017

Country and sector risks worldwide

Europe remains the big winner in the world economic upturn

World economic growth might not yet be at its highest (2.9% in 2017 and 2018), but there can be no denying that there are healthy signs. This quarter, once again, nearly all of the revised country and sector risk assessments from Coface show marked improvements.

Europe promises a return to growth

The global economy is continuing its recovery, with the growth in world trade stronger than anticipated at the start of the year. Europe's performance is buoyant and political risks (although not disappearing altogether) are fading. There are more and more positive signs in Brazil and Russia, while capital is once again flowing in some emerging countries. These positive trends have led Coface to improve several country ratings:

- **Hungary** (now **A3**) is demonstrating lively economic activity, supported by household consumption and renewed investments, thanks to flexible credit conditions and EU aid.
- **Finland** (now **A2**) has encouraging prospects in terms of corporate insolvencies (down 6% in 2016 and a further 19% in the first half of 2017) and growth (1.3% in 2017, with 1.7% expected for 2018), within a more favourable external context.
- **Cyprus** (now **A4**) is registering dynamic growth and has improved controls of its banking and public finance sectors.
- **Belarus** (now **C**) is benefiting from the upturn in activity in Russia and Europe, which is favouring both exports and household consumption.

Nevertheless, the outlook is not improving for the major English-speaking countries, as illustrated by lacklustre savings rates and wage dynamics in the USA and the UK. This is compounded by the lack of visibility around Donald Trump's policies and the outcome of Brexit negotiations.

Industry and industrial channels linked to consumption are benefitting most from the upturn

Within this more buoyant global economic environment, several sectors of activity are rebounding. Industry is the biggest winner, due to its pro-cyclical character. Following on from marked improvements observed in the metallurgical and automotive industries in several of the world's regions during the first half of 2017, other sectors are following suit:

- **The pharmaceuticals industry** is proving to be the lowest-risk sector in the world. In Western Europe, and particularly Italy, France and Germany, its risk is now judged

"low" on account of well-oriented production and demand. Corporate insolvencies are low.

- North America's **transport sector** is benefitting from public investment, hence its placement in the "low risk" category.
- **The ICT sector** is back on track in emerging Asian countries, China and Latin America. This dynamic illustrates the healthier condition of household consumption. In Brazil this positive trend follows a two year downturn in consumption. The risk is now rated "medium" in these regions and countries.
- Latin America has been the subject of another improvement, with **retail** joining the "medium risk" category at regional level and in Brazil, thanks to household consumption (aided by falls in inflation and the unemployment rate).

In two major emerging countries, Russia and South Africa, the **agrofood industry** is confirming its exit from crisis. The sector's risk is now assessed as "low" in both countries, but for different reasons. In Russia, local businesses are benefitting from the food embargo on Western products, while South Africa's excellent harvests have provided welcome relief this year.

Coface country assessments (160 countries) are ranked on an eight-level scale, in ascending order of risk: A1 (very low risk), A2 (low risk), A3 (quite acceptable risk), A4 (acceptable risk), B (significant risk), C (high risk), D (very high risk) and E (extreme risk).

Coface sector assessments (13 sectors in 6 geographical regions, 24 countries representing almost 85% of the world's GDP) are ranked on a four-level scale: low risk, medium risk, high risk and very high risk.

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






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Country risk assessments changes

COUNTRY		Country risk previous		Country risk new
BELARUS				
CYPRUS				
FINLAND				
HUNGARY				
OMAN				

Sectorial risk assessments changes

SECTOR RISKS ASSESSMENTS OF THE REGIONS

	Latin America	North America	Central and Eastern Europe	Western Europe	Emerging Asia	Middle East + Turkey
Automotive						
Agrofood						
Chemical						
Construction						
ICT*	  				  	
Energy						
Metals						
Paper						
Wood						
Pharmacy				  		
Retail	  					
Textile						
Transport		  				

* Information and Communication Technologies
Source: Coface