



## P R E S S R E L E A S E

London, 10 April 2018

### **Country and sector risks worldwide**

#### **Now that peak growth has been reached in the United States and Europe, businesses are preparing for supply side constraints and the risk of protectionism**

- **End of cycle warning signs are appearing in advanced countries**
- **An intensifying risk of protectionism**
- **Nigeria, South Africa and the energy sector in Brazil, Argentina and Chile are taking advantage of the rise in commodity prices**

#### **Business confidence is starting to be affected by the risk of a trade war**

Particularly strong global growth (a forecast of 3.2% in 2018 by Coface) seems to have reached its peak and is beginning to show some signs of weakness in advanced countries. The trend in company insolvencies confirms this. The year 2017 saw an unprecedented drop in their number, and in 2018 the downward trend is expected to run out of steam: -7% in the euro zone and -5% in the United States. **Portugal**, which enjoys extremely dynamic growth, has seen its assessment upgraded to A2.

Usually, the US economic cycle is ahead of those in the eurozone and emerging countries. If business confidence and the utilisation rate of production capacity in the United States suggest a record duration of the current cycle, the fall in corporate profits (-10.3% year-on-year at the end of 2017) and the risk of the job market overheating herald a phase change. In the eurozone, after several records in 2017, business confidence indexes now clearly show that the peak of economic growth has been exceeded. This turning point coincides with strong supply constraints and a level of political risk that remains high.

The protectionist fever that has swept the globe since the election of Donald Trump and the spectre of a global trade war may partly explain this impairment of business confidence. Coface expects President Trump to continue announcing protectionist measures ahead of the mid-term elections in November 2018, which could affect corporate performance. In the short term, the recent measure imposing tariffs on a selection of Chinese products will have no significant impact on the real economy or on the smooth dynamics of world trade (forecast of + 3.7% by Coface in 2018). In the longer term, an open trade war between China and the United States could intensify in some sectors such as ICT.



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### Lower overall corporate risk

In this context of increased global demand, the rise in oil prices has led Coface to upgrade **Nigeria's** risk assessment, the world's 8th largest exporter of oil, by a notch to C as well as the sector energy assessment in Brazil ("medium risk"), Argentina ("medium risk") and Chile ("low risk"). The upgrade of **South Africa's** assessment to B also takes this into account, in addition to the acceleration of economic recovery, which has boosted production in the **chemical** (now "medium risk"), and **paper sectors** ("medium risk") as well as sales in **retail** ("medium risk"). On the other hand, more expensive commodities penalize importing countries like **Tunisia** whose assessment has been downgraded to C.

Despite western sanctions, recovery is confirmed in **Russia**, with household consumption as the main driver and, to a lesser extent, the return of business investment, and results in improved assessments in three sectors: **chemicals** (now "low risk"), **paper** ("medium risk") and **construction** ("high risk").

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**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

### MEDIA CONTACT

Trevor BYRNE - T. +44 (0)1923 478393 [trevor.byrne@coface.com](mailto:trevor.byrne@coface.com)

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## Country risk Assessment Changes

COUNTRY	Country risk previous		Country risk new
<b>SOUTH AFRICA</b>	C	↑	B
<b>NIGERIA</b>	D	↑	C
<b>PORTUGAL</b>	A3	↑	A2
<b>COSTA RICA</b>	A4	↓	B
<b>SWEDEN</b>	A1	↓	A2
<b>TUNISIA</b>	B	↓	C



## Sector risk Assessment Changes

REGIONAL SECTOR RISK ASSESSMENTS

	Central & Eastern Europe	Emerging Asia	Latin America	Middle East & Turkey	North America	Western Europe
Agri-food	Medium risk	Medium risk	High risk	High risk	Medium risk	Medium risk
Automotive	Low risk	High risk	Medium risk	High risk	Medium risk	Low risk
Chemical	Medium risk	High risk	High risk	High risk	Low risk	Medium risk
Construction	High risk	Very High risk	High risk	Very High risk	Medium risk	Medium risk
Energy	Medium risk	High risk	High risk	High risk	Medium risk	High risk
ICT*	Medium risk	Medium risk	Medium risk	High risk	Medium risk	Low risk
Metals	Medium risk	High risk	High risk	High risk	High risk	High risk
Paper	Medium risk	High risk	Medium risk	Medium risk	Medium risk	High risk
Pharmaceutical	Low risk	Low risk	Medium risk	Medium risk	Low risk	Low risk
Retail	Medium risk	Low risk	Medium risk	High risk	High risk	Medium risk
Textile-Clothing	Medium risk	High risk	High risk	High risk	Very High risk	High risk
Transport	High risk	Medium risk	High risk	Medium risk	Low risk	Medium risk
Wood	Medium risk	High risk	High risk	High risk	Medium risk	Medium risk

\*Information and Communication Technologies  
Source: Coface

