COFACE ECONOMIC PUBLICATIONS

JUNE 2018

Feels like déjà vu

Rising sovereign spreads in the eurozone, increased protectionism, higher oil prices, capital outflows from major emerging countries: warning signals multiplied in the second quarter of 2018. Many of these provoke a feeling of déjà vu, evoking the 2012-13 period. At that time, the International Monetary Fund[1] (IMF) stressed that the crisis in the euro area was still relevant, and that rising geopolitical tensions and their consequences on oil prices were among the main risks weighing on global growth. And, although the IMF reminded us that optimism was in order with regard to the American economy, the risks of falling back into recession ("double-dip") after the brief 2010-2011 lull made headlines in many countries throughout 2012. World trade was struggling to recover, in part because of continued protectionist measures from 2009 onwards. A little over a year later, massive outflows of capital, following communications from the US Federal Reserve (Fed), were penalising some major emerging markets. Admittedly, this comparison is rapidly reaching its limits, as several of these signals are not exactly the same nowadays: the price of a barrel of Brent oil then was close to 110 US dollars (against only around USD 75 in the first half of June 2018), while, at 3%, the yield on a 10-year Italian government bond remains half that it was at the beginning of 2012.

However, these signals today confirm that we have passed the peak of global growth, and that corporate credit risk is increasing. In this increasingly hectic global environment, Coface has downgraded Italy's country assessment (to A4). Argentina (C), Turkey (C), India (B), and Sri Lanka (C), have also been downgraded: these four emerging countries each have current account balances that have deteriorated over the past two years as a result of dynamic domestic demand and a higher energy bill. Combined with increasing internal political risks (to varying degrees), these external imbalances make them vulnerable to the recent rise in risk aversion and the trend towards capital outflows from emerging markets. On a more positive note, corporate credit risk is decreasing in Malaysia (A3) and Oman (B). Rising oil prices are obviously related to these changes, and help explain the reclassification of the energy sector assessment in five countries. Finally, US protectionist announcements are a double-edged sword: although they have led Coface to downgrade the information and communication technologies sector in China and the metals sector in Canada, they have also led to an upgrade for the metals sector in the United States. These changes are part of the twenty sector assessment changes (eleven downgrades and nine upgrades) analysed in this barometer.

2 ADVANCED ECONOMIES: ITALY IS THE CENTRE OF ATTENTION

3 EMERGING COUNTRIES: AN AIR OF 2013

7 THE UNITED STATES VS. THE REST OF THE WORLD: TRADE WAR IS HERE

10 COUNTRY RISK ASSESSMENT CHANGES

12 SECTORIAL RISK ASSESSMENT CHANGES

1 International Monetary Fund, 2012. *World Economic Outlook, April 2012 – growth resuming, dangers remain,* Washington, D.C.: IMF.

ALL OTHER COFACE ECONOMIC PUBLICATIONS ARE AVAILABLE ON:
www.coface.com/Economic-Studies-and-Country-Risks

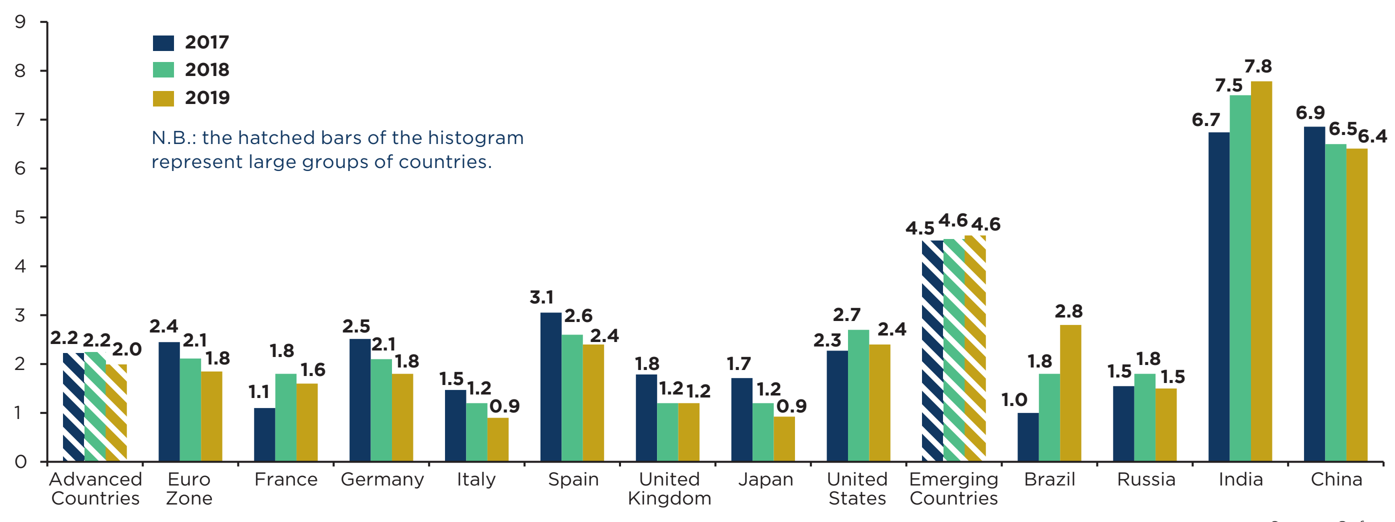
1 ADVANCED ECONOMIES: ITALY IS THE CENTRE OF ATTENTION

After a start to the year marked by a loss of business confidence in Europe, the United States, and Asia[2], spring largely confirmed this downwards trend: first quarter gross domestic product (GDP) figures of most advanced economies, published in April and May, showed a slowdown in growth (notably Japan, Germany, France, the United Kingdom, and Italy). While they remain moderate, the different growth rate levels expected in advanced economies this year and in 2019 are thus somewhat lower than in 2017 (see **Chart 1**). In particular, companies seem more concerned about export prospects, a sign that the protectionist rhetoric is beginning to affect their morale. These concerns have been accentuated by Italy's new coalition government: not only are both member parties highly critical of the European Union and the euro zone, the implementation of their economic programme would significantly deteriorate the country's public finances. Against this background of increasing worries about Italy's membership of the eurozone, the Italian sovereign spread has increased, as did the spreads of Spain, Greece, and Portugal (to a lesser extent).

Corporate credit risk is therefore likely to increase in Italy, leading Coface to downgrade the country's rating to A4. Companies that are particularly indebted and who will have to renew short-term financing are the most vulnerable to tighter financing conditions. According to Coface calculations[3], 5.3% of Italian companies could be described as "zombies" as per the end of 2016, i.e. too indebted and too unprofitable for investment and growth, but still alive thanks to the very favourable financing conditions allowed by the European Central Bank's accommodating policy. These companies would be the most exposed in a context of rising interest rates. The aforementioned rising sovereign spread trend could indeed rapidly lead to tighter financing conditions for companies, with links between sovereign risk and banking risk being increasingly close. In most eurozone countries, local public debt now accounts for a larger share of total assets in the banking sector than in 2010, and the Italian banking sector is by far the most exposed to local sovereign risk (around 25%, against 20% in 2010). Therefore, in the event of an anticipated deterioration in the solvency of the Italian state following the announcement of possible large-scale fiscal expansion measures by the new government, Italian banks would likely tighten credit conditions for households and businesses more rapidly.

In this less favourable environment, the United States appears to be the exception: US activity still shows no sign of running out of steam. Growth should therefore be stronger in 2018 than in 2017 (2.7% after 2.3%). Job creation remains high, to the point that the unemployment rate is now at its lowest level in 18 years (3.8% in May 2018). The protectionist risk (see **Chapter 3**) therefore does not seem to be affecting US consumer morale at this stage, despite the expected effects on inflation, and hence household purchasing power, in the months ahead.

Chart 1:
Coface GDP growth forecasts (%)



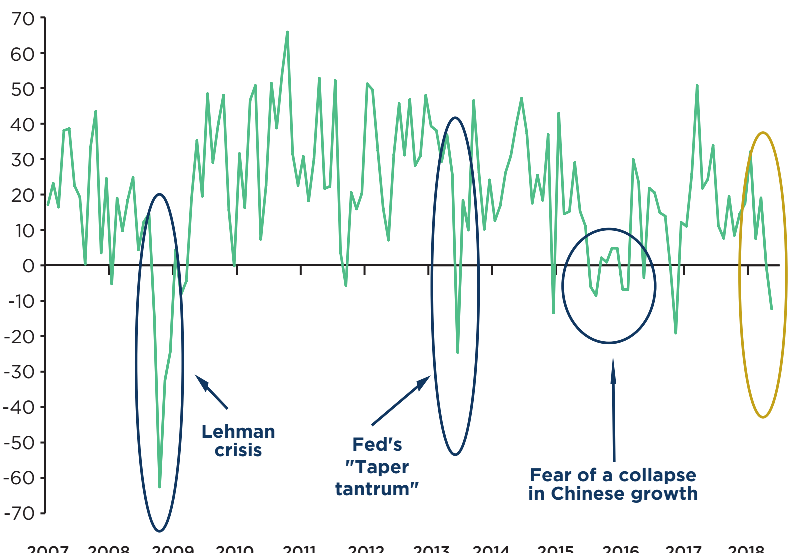
Source: Coface

2 Coface Economic Research Department, 2018. *Barometer Q1 2018, beyond the peak of global growth*, Paris: Coface.
3 Aït-Yahia, K., De Moura Fernandes, B. & Weil, P., 2018. *Companies in France: fewer business insolvencies, but still just as many "zombies"*, Paris: Coface.

2 EMERGING COUNTRIES: AN AIR OF 2013

As for emerging countries, while the recent rise in oil prices offers a breath of fresh air for oil-exporting countries (see **Insert 1**), it contributes to reducing the trade balance of those who import it. The latter have also been suffering from international investors' reduced appetite for emerging equities and bonds since April 2018. According to estimates by the Institute of International Finance (**Chart 2**), net purchases of such assets by non-residents from 25 emerging countries fell by USD 12 billion in May, reminiscent of the May 2013 episode following changes to monetary policy expectations in the United States.

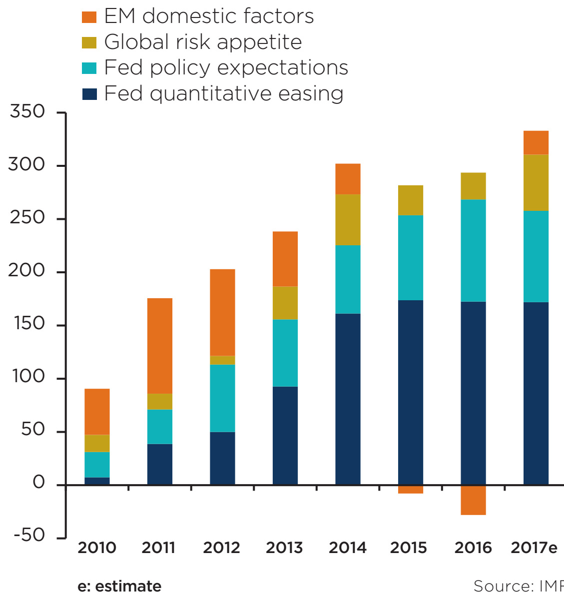
Chart 2:
Net non-resident purchases of equities and bonds in 25 emerging markets (USD billions per month)



Source: Insititute of International Finance

Monetary easing policies have indeed supported capital flows to emerging countries in recent years. According to IMF calculations[4], USD 260 billion of portfolio investment in emerging countries can be attributed to the unconventional monetary policy conducted by the Fed, as shown in **Chart 3**. Many emerging countries have taken advantage of these very favourable external financing conditions to reduce their vulnerabilities (debt reduction and/or accumulation of foreign exchange reserves). But for others who have seen their external imbalances continue to widen, the current tightening of monetary conditions makes them more vulnerable to a reduction in capital inflows.

Chart 3:
Estimated contribution to capital flows to emerging countries (in USD billion)



e: estimate

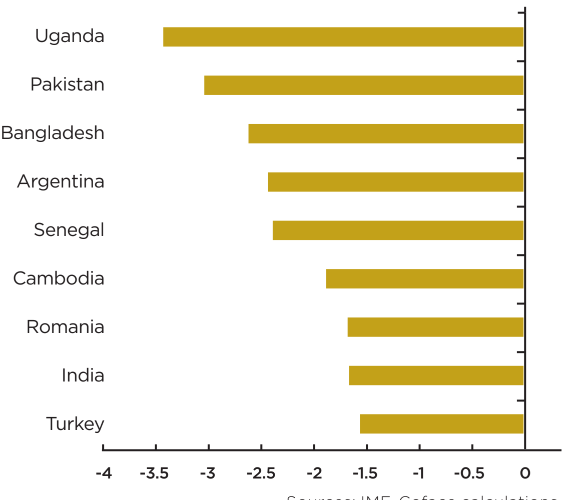
Source: IMF

For the most troubled companies, this complicates refinancing on the capital markets and penalises productive investment. The normalisation of this American monetary policy partly explains the capital outflows observed since April. According to the IMF, this alone could reduce capital flows by USD 35 billion per year in 2018 and 2019.

This less favourable global environment makes emerging economies – who already had current account deficits, which have deteriorated further in recent years – more vulnerable. Admittedly, the current account balance of emerging and developing economies as a whole has stopped widening: after having fallen continuously between 2007 and 2016 (from +4.8% of GDP to -0.3%), it reached -0.1% in 2017 (the same level expected by the IMF for 2018). However, this improvement is not homogeneous: it has mainly benefited commodity exporting countries, whose prices rebounded in 2017. In contrast, the current account balance deteriorated for many others, such as Argentina, Turkey, and India (**Graph 4**), whose external accounts are penalised by robust domestic demand (encouraging dynamic import growth) and a higher energy bill (linked to the rise in the prices of the oil they import).

4 International Monetary Fund, 2017. *World Economic Outlook, October 2017* [Online] Available at: https://www.imf.org/en/Publications/WEO/Issues/2017/09/19/world-economic-outlook-october-2017 [Accessed 12 June 2018]

Chart 4:
10 emerging and developing countries with current account deficits above 2% in 2016, and which deteriorated the most between 2016 and 2018 (in percentage points of GDP)



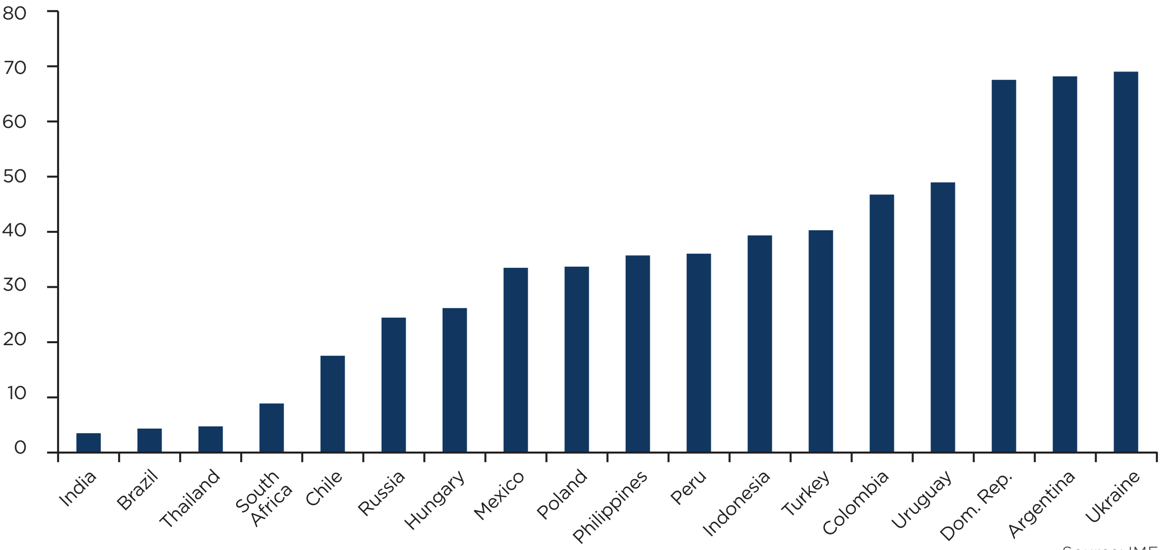
Sources: IMF, Coface calculations

In addition to the current account balance level, a country's external financing needs also depend on debt securities held by non-residents maturing in the short term, as these need to be renewed. Here too, Turkey is among the major emerging countries with the highest external financing needs (along with South Africa, Poland, Malaysia, Chile, and Romania).

The economic agents (including governments), who – despite poor creditworthiness – indebted themselves during the post-crisis period to take advantage of favourable financing conditions, are now at risk. Thus, in 2017, the strong growth in international bond issues benefited the riskiest issuers the most: almost 40% of sovereign issues were carried out by entities rated BB or lower by rating agencies, against only around 20% in 2014. Moreover, currency depreciation caused by capital outflows increases the local currency value of the debt of economic agents who have financed themselves in foreign currencies. For example, almost 70% of Argentine and Ukrainian government debt is denominated in foreign currency (**Chart 5**). The depreciation of currencies then deteriorates the solvency of the state and limits its investment and expenditure capacities.

In other countries, it is businesses that are experiencing vulnerabilities. In absolute terms, corporate debt increased by a factor of 4.5 between 2004 and 2014. Relative to GDP, it increased by 26 percentage points over the same period. This upward trend concerns most of the major emerging countries, even if the extent of the increase differs from one country to another. Chinese companies are at the top of the " debt race", followed by Turkey (approximately +30 points), Brazil, and Russia. More specifically, corporate debt denominated in US dollars is now the focus of attention. Here too, its nature and weight vary greatly from one country to another. These can be loans from international banks, or bonds issued on international markets by large companies through their foreign subsidiaries, but they are also dollar-denominated loans obtained by small and medium-sized enterprises (SMEs) from their local bank. While the massive debt of Chinese companies is mainly in local currency, this is not the case for Turkey, exposing domestic companies to currency risk[5].

Chart 5:
Share of government debt denominated in foreign currencies (% of total)

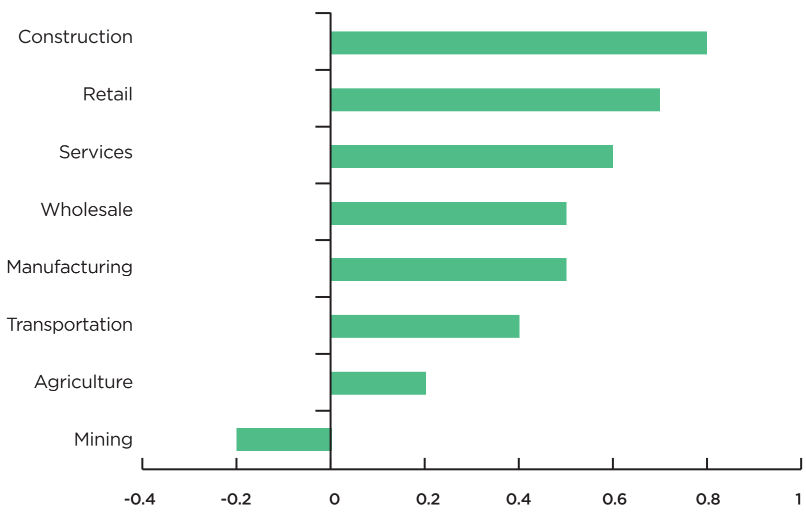


Source: IMF

5 However, it should be noted that this currency risk may be limited by hedging instruments (derivatives). Companies whose revenues are mainly denominated in US dollars (e.g. within the energy and mining sectors) benefit from a "natural cover".

However, in countries where companies appear to be vulnerable to currency risk, not all firms are on an equal footing (**Chart 6**).

Chart 6:
Sensitivity of Equity Returns to Exchange Rate Changes by sector



Source: IMF

Sectors whose production process requires importing inputs without selling their final product in foreign currency (i.e. whose outlets are mainly on the domestic market) are more affected than others. Indeed, the higher price of imports will increase the cost of production. Companies in the construction sector, for example, are in this situation. Businesses in sectors whose sales depend on cyclical household consumption are also seeing their risk level rise, as the increase in imported prices induced by the depreciation of the local currency generates upward pressure on consumer prices. In Turkey, this transmission effect between the exchange rate and the consumer price index averages at 15% after one year, according to the country's central bank. Consumer inflation, at 12.1% year-on-year in May, should therefore accelerate further in the coming months (all the more so as producer prices are already up by more than 20% year-on-year). Distribution will likely also be one of the first sectors affected. In this context, Coface has downgraded the distribution sectors in Argentina and Turkey, as well as the construction sector in Argentina.

Insert 1

Oil Prices: Towards a new cycle, but bearish factors remain

Brent crude oil prices[6] have risen by nearly 20% since the beginning of 2018, by more than 75% since reaching a low of USD 45 in 2017, and exceeded USD 80 in May 2018: their highest level since the end of 2014. This price increase corresponds to a rebalancing of oil market fundamentals, but also to increasing geopolitical risk within oil-producing countries.

The production limitation agreement between the members of the Organization of the Petroleum Exporting Countries (OPEC)[7] and their partners[8] (including Russia, the world's leading producer), the goal of which was to end a protracted oversupply situation that led to the price collapse – eventually bore fruit after hardly perceptible results in the first six months of 2017. Commercial stocks in OECD countries[9] fell, and in April 2018, descended past their five-year average for the first time in four years (see **Chart 7**), the target set by the OPEC+[10] group. This achievement was facilitated, albeit unintentionally, by the collapse of production in Venezuela, which continues to suffer from an economic, social, and political crisis: while the country was expected to reduce its production by 95,000 barrels per day under the agreement, in April 2018, 631,000 fewer barrels were produced than the reference level (see **Chart 8**). The natural decline of proven exploitable reserves is also weighing on production in many countries, particularly in Africa (Algeria, Angola, Gabon, Equatorial Guinea). If political uncertainty in the Middle East (Yemen, Iraq, Syria) has been a factor in price increases in recent months, it is US President Donald Trump's decision to withdraw from the Joint Comprehension Plan of Action, better known as the Iranian nuclear deal, which has made it possible to exceed the USD 80 threshold. Indeed, this decision is synonymous with the re-imposition of sanctions that had been lifted under this agreement signed in 2015. The impact on oil production of one of the main world producers could thus reduce the supply of black gold on the market. In 2011-12, when sanctions had been tightened by the United States, the EU, and the United Nations, Iranian production had been cut by an average of some 800,000 barrels a day, and exports by half. The decision of the United States, isolated this time, should not have an impact of the same magnitude, but, in a now tight oil market, a reduction with an estimated minimum of 200,000 barrels per day would increase the risk of undersupply.

6 The price of Brent, a mixture of oil from the North Sea, is the world reference.
7 Algeria, Angola, Ecuador, Equatorial Guinea, Gabon, Iraq, Iran, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates (UAE), Venezuela. Nigeria and Libya are exempt from the agreement due to known production disruptions in 2016.
8 Azerbaijan, Bahrain, Brunei, Kazakhstan, Malaysia, Mexico, Oman, Russia, Sudan, Southern Sudan.
9 Organisation for Economic Co-operation and Development. The list of member countries is available at the following link: http://www.oecd.org/fr/apropos/membresetpartenaires/liste-des-pays-de-l-ocde.htm
10 OPEC member countries and partners participating in the agreement.

At the same time, the synchronised recovery in growth in recent quarters has fuelled the appetite for "black gold", particularly in Asia, where China became the leading importer of crude oil last year. Despite some signs of a slowdown in global activity, the relatively robust economic environment should continue to stimulate demand, with consumption being increased due to cold winters in both the United States and Europe. The main risk is that demand will be destroyed by a surge in oil prices: in May, the International Energy Agency lowered (modestly) its demand forecast for 2018 in response to the already-observed increase.

A return to prices of USD 100 per barrel in the second half of 2018 nevertheless seems premature. The continuous increase in production in the United States, which could become the world's leading producer of crude oil by the end of the year after having supplanted Saudi Arabia at the end of 2017, should continue. On the 31st May, the increase in the price differential to over USD 11 between Brent and West Texas Intermediate barrels (the widest differential since the first quarter of 2015), with the latter's price being more sensitive to US domestic developments, attests to the downward factor that such an increase in production could represent.

Beyond the United States, a likely easing of the OPEC+ agreement at its semi-annual meeting scheduled for the 22nd–23rd June should allow countries with additional production capacity (Saudi Arabia, Russia, the UAE, and Kuwait in particular) to compensate for the expected declines in Iran and Venezuela. Exempted from the agreement given the disruptions in 2016, Libya and Nigeria could also continue to increase production in the coming months. Moreover, it is wise to remember that while the return of stocks to their five-year average indicates a normalisation on the oil market, the average's increase of 240 million barrels compared to 2014 puts this into perspective. Measured in days, OECD inventories, estimated at 60.6 days, are also higher than pre-oil counter-shock levels. Furthermore, a scenario of insufficient supply on the market in the coming months, pushing prices above USD 100, seems unlikely. Nevertheless, as a result of oil price developments in the first half of the year and our assessment of the oil market, Coface has decided to raise its oil forecast to USD 75 per barrel on average in 2018. Corresponding to a price increase of 30% compared to its average price in 2017 (USD 54.79), this price level would enable many exporters in the Gulf countries (Iraq, Kuwait, UAE, Oman, Qatar) and Central Asia (Azerbaijan, Kazakhstan, Turkmenistan, Uzbekistan) to reach, or at least approach, a fiscal and external breakeven[11].

Chart 7:
Commercial inventories OECD
(in million barrels)

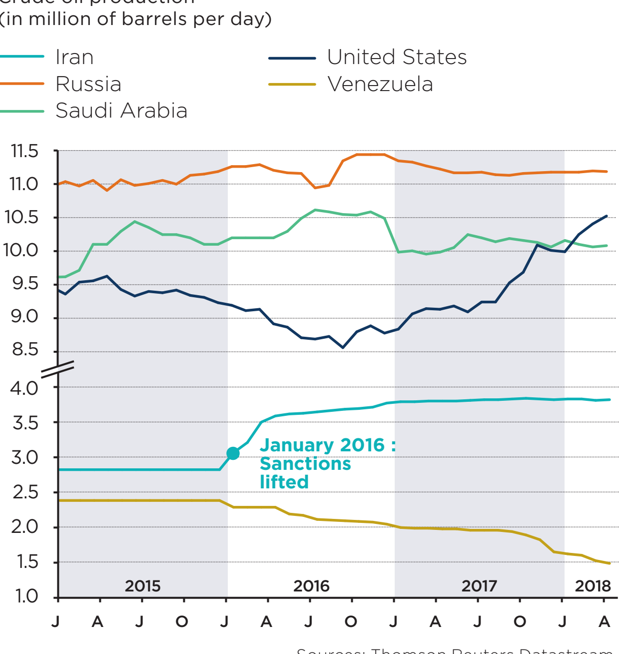
5-year range
Commercial inventories OECD
5-year average

3,200
3,100
3,000
2,900
2,800
2,700
2,600
2,500

2014 2015 2016 2017 2018
J A J O J A J O J A J O J A J O J A

Sources: U.S. Energy Information Administration, Coface

Chart 8:
Crude oil production
(in million of barrels per day)



Sources: Thomson Reuters Datastream, U.S. Energy Information Administration, Coface

11 According to IMF data, the median price level needed to achieve fiscal balance in MENAP (Middle East, North Africa, Afghanistan and Pakistan) and CCA (Central Asia and Caucasus) countries is USD 71.5. The median to reach external equilibrium is 75.5 USD.

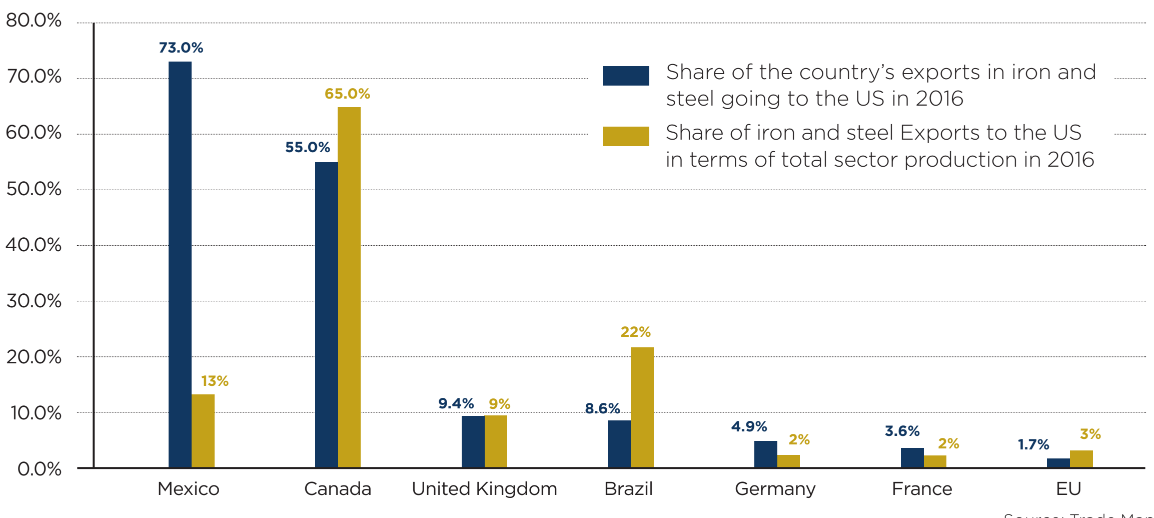
3 THE UNITED STATES VS. THE REST OF THE WORLD: TRADE WAR IS HERE

The early signs of a potential trade war that emerged at the beginning of the year[12] have been confirmed in the second quarter of 2018: global trade war is here. Initiatives by the United States' administration in this area have taken several forms. First of all, they concern trade relations with China: although the increasing Sino-American tensions at the start of the year temporarily subsided thanks to a joint declaration in May, they were reignited over the same themes[12] this month, when the United States announced a series of protectionist measures against China, who subsequently announced their own retaliatory measures. This is not surprising, given that the details of the agreement that should flow from the joint statement of the two nations[13] remain vague at the time of writing. Moreover, this declaration of intent suggests that Chinese authorities would only conform to a selection of the wishes expressed by the White House over the past several months, such as the wish to reduce the US-China trade deficit to around USD 200 billion by 2020 (compared to approximately USD 350 billion in 2017). In the aforementioned declaration of intent, China pledged to buy more "American", but without advancing any figures. This chronic trade deficit, due to the low savings rate, cannot therefore be reversed overnight. Assuming the same import growth rate as in 2017, China would have to reduce its exports to the United States by 13% per year on average for two years to reduce its surplus with the United States to USD 200 billion. Such a sharp fall in Chinese exports to the United States would harm US consumers.

The US protectionist policy also intensified in the second quarter with respect to steel and aluminium imports. Following the March announcement of tariffs of 25% on the former and 10% on the latter, the US administration had temporarily exempted several countries, including EU member states, Mexico, and Canada. These exemptions were finally lifted and the measures came into force on the 1st June. Canadian steel and aluminium producers will be more affected than their Mexican and EU counterparts (**Chart 9**).

The US administration now seems inclined to decide on protectionist measures in the automotive sector. Although their scale remains very uncertain at this stage, they would likely affect the German automotive sector at least, and in particular the "premium" brands, often singled out by President Donald Trump. The US administration also considers that its country's trade deficit vis-à-vis Germany is too large (USD 55 billion in 2017). According to what seems to be President Trump's now "tried" strategy, this threat to the German automotive sector could be a means of obtaining trade concessions (customs duties for importing cars into the EU from the United States are 10%, against only 2.5% in the opposite direction). The German automotive sector is very important for the country's economy: it represents about 20% of Germany's manufacturing industry turnover, and directly employed about 480,000 people in 2017.

Chart 9:
Canada and Mexico much more impacted by the tariffs than the EU



Source: Trade Map

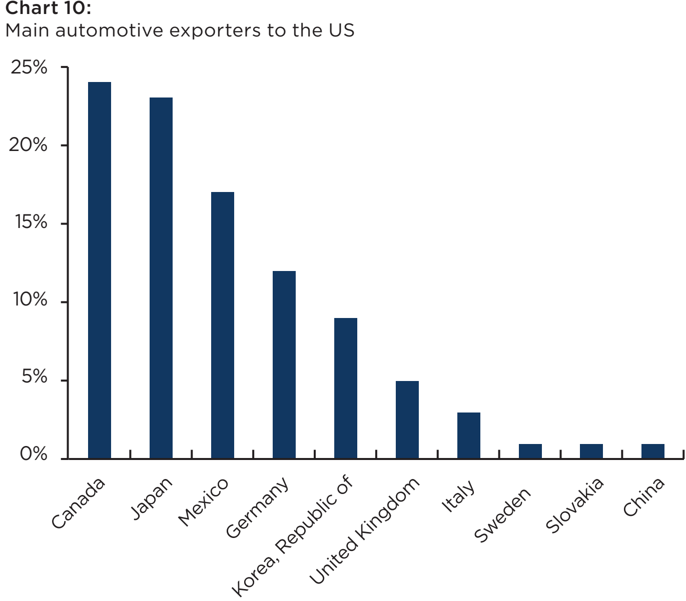
12 Coface Economic Research Department, 2018. Protectionism risk – more to come. In: *Barometer Q1 2018, beyond the peak of global growth.* Paris: Coface, pp. 6-8.

13 The White House, 2018. *Joint Statement of the United States and China Regarding Trade Consultations.* [Online] Available at: https://www.whitehouse.gov/briefings-statements/joint-statement-united-states-china-regarding-trade-consultations/ [Accessed 12 June 2018].

In the worst case scenario, the US administration could decide to impose tariffs on all vehicle imports (including components). This would have a much greater economic impact than the steel and aluminium tariffs, with vehicle imports accounting for nearly USD 300 billion in 2017 (12% of total imports). In addition, related indirect effects can be anticipated: 23% of intermediate production stages in the automotive sector are carried out internationally, making it the sector with the most internationalised production chain. This could seriously affect the European automotive market, where parts are assembled from different EU countries. Germany and the United Kingdom would be the first to be penalised (see **Chart 10**). In the case of the UK, the automotive sector is already in difficulty because of the uncertainties linked to Brexit[14].

As a result, several countries (including Canada and members of the EU) have already announced retaliatory measures that are likely to fuel the escalation of protectionist measures at the global level, in a context where other points of tension regarding US trade policy[15] have since emerged, such as the country's decision to withdraw from the Iranian nuclear agreement.

Chart 10:
Main automotive exporters to the US



Sources : UN ComTrade, Coface

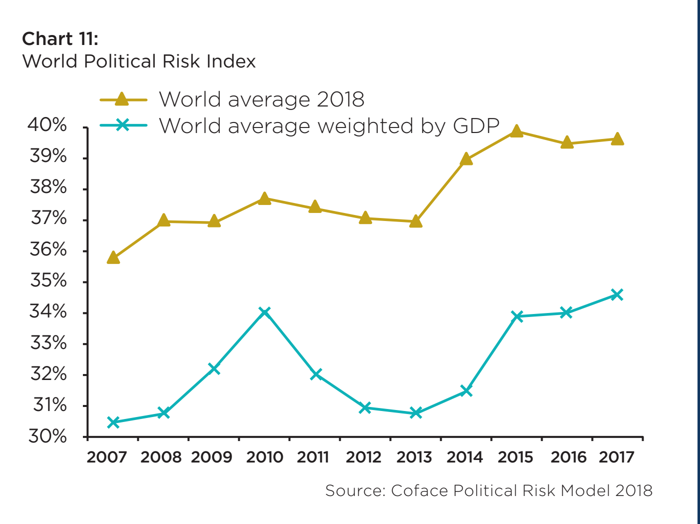
Insert 2

Coface's political risk indicator rises again in 2017

Events like the United States' withdrawal from the Iranian Nuclear Agreement, or the rise of populism in Italy, reminds us of the importance of political risk and the consequences it can have on the global economy. The Coface political model, created in 2017, combines three main dimensions of political risk: risk of conflict, risk of terrorism, and risk of political and social fragility. They are measured from sub-indices that influence a country's overall score[16]. The updated model allows us to present the scores for the 145 countries analysed for the year 2017[17].

After increasing sharply in 2014 and 2015, political risk remains high at the global level (see **Chart 11**). The average score weighted by GDP even indicates a slight increase, mainly as a result of the rise in the political and social fragility index (notably the component measuring populism), and a greater contribution from the terrorism index.

Chart 11:
World Political Risk Index



Source: Coface Political Risk Model 2018

14 Aït-Yahia, K., 2017. *The UK automotive sector and Brexit – or, how to slow a rolling industry?* [Online] Available at : http://www.coface.com/News-Publications/Publications/The-UK-automotive-sector-and-Brexit-or-how-to-slow-a-rolling-industry [Accessed 12 June 2018]

15 More commonly known as the Iranian Nuclear Agreement, the Joint Comprehensive Plan of Action (JCPoA), signed in Vienna in July 2015, is a multiparty non-proliferation agreement signed by China, Russia, France, the United Kingdom, Germany and the EU as well as Iran (and the United States before their withdrawal).

16 For more details on the construction of the Coface political risk model, please consult: Daudier, J.-L., Nizard, R. & Tozy, S., 2017. *The rise and rise of political risks*. [Online] Available at: http://www.coface.com/News-Publications/Publications/The-rise-and-rise-of-political-risks [Accessed 12 June 2018]

17 Based on the Global Terrorism Database, the terrorism index takes into account the number of incidents recorded, and also the intensity of the damage, both human (number of deaths and injuries) and material (estimated cost of damage). In order to improve the accuracy of the model, the intensity of human damage measured was weighted by the population of the country. This improvement led to a change in the scores of some countries, such as China and India, and led to a decrease in the overall score of the model compared to the results produced in the previous edition.

The risk of conflict has remained high. The risk from political fragility has increased somewhat, although the leading countries in this ranking have remained unchanged (Eritrea, Laos, and Iran), with the exception of the Central African Republic, whose score has improved slightly. The same is true for social risk, for which the score has deteriorated overall. Unsurprisingly, Syria, Venezuela, and Libya remain the countries where this risk is the highest. However, new countries are entering the "Top 10", such as Oman and Azerbaijan, with Russia and Egypt descending the ranks.

Political risk has increased more in advanced countries than in emerging markets: the weighted index increased by 2.3 percentage points (pp) in North America from 26.7% in 2016 to 29% in 2017, and by 1.1pp in the EU (from 22.1% in 2016 to 23.2% in 2017). In the United States, political fragility and terrorist risk scores have increased. The increase in risk in the EU is mainly due to an 8pp increase in populism. The score of this populism index, which measures pressures that are likely to "shake up" established political systems based on political party manifestos in past elections, deteriorated mainly in Bulgaria (+51pp), France (+28pp) and Germany (+19pp). However, it has improved in Ireland and Croatia.

Although its level remains the highest, political risk in sub-Saharan Africa increased only slightly (+0.8pp), with a decrease observed in Botswana, Senegal, and Cape Verde. The increase in risk in the region is due to the performance of South Africa, Angola, and Ethiopia. The most marked deteriorations were recorded in the Republic of Congo and Mozambique (+8pp and +5pp respectively). The score for the Middle East and North Africa region improved slightly (with a slight decrease in the terrorism index), thanks to Kuwait, Israel, Qatar and the United Arab Emirates. Oman, Bahrain, and Egypt's scores have also deteriorated. Risk levels also declined slightly in Latin America (despite rising social risks in Trinidad and Tobago, Cuba, Argentina, Chile, Ecuador, and Panama) and the Commonwealth of Independent States (-0.3pp and -0.6pp respectively). Ukraine is the country where the political risk has decreased the most, but the scores of Russia, Tajikistan, and Belarus have also improved. While political fragility has increased, the recovery observed in several of the region's countries has helped to reduce social risk. This is the case in Russia, as well as in Belarus and Armenia.

Chart 12:
Social Risk Index

90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
2017
2016
Syria
Venezuela
Libya
Yemen
Iran
Oman
Azerbaijan
Sudan
Lebanon
Bahrain
Saudi Arabia
Afghanistan
Russia
Egypt
Iraq
Turkmenistan
Algeria
Uzbekistan
Qatar
Brazil
Mexico

Source: Coface Political Risk Model 2018

Country Risk Assessment Changes

COUNTRY	Previous Assessment		Current Assessment
MALAYSIA	A4	↗	A3
OMAN	C	↗	B
ARGENTINA	B	↘	C
INDIA	A4	↘	B
ITALY	A3	↘	A4
TURKEY	B	↘	C
SRI LANKA	B	↘	C

BUSINESS DEFAULT RISK

A1 Very Low

A2 Low

A3 Satisfactory

A4 Reasonable

B Fairly High

C High

D Very High

E Extreme

↗ Upgrade

↘ Downgrade

Malaysia ↗

(upgrade from A4 to A3)

- The strong economic momentum seen in 2017 is set to continue in 2018.
- New administration is focusing on anti-corruption efforts, boosting inflows, and strengthening the currency.
- Cancellation of the Good and Services Tax (GST) should boost domestic consumption.

Oman ↗

(upgrade from C to B)

- Oman's fiscal breakeven point fell to USD 77 in 2018, down from USD 80.5 in 2017 and USD 101.7 in 2016. The recent increase in oil prices is therefore expected to support fiscal balances as well as growth performance in the short- to medium- term.
- Recovering hydrocarbon exports will likely help growth accelerate in 2018 (up to 2.5%) and 2019 (3.2%).

Argentina ↘

(downgrade from B to C)

- The recent deterioration of financial conditions in emerging markets, Argentina in particular, forced a faster tightening of macro policies (policy rate at 40% a year). Argentina's peso is the world's worst-performing currency this year (-33% year-to-date).
- The country's economy is particularly vulnerable due to its large twin deficits. Current account deficit stood at 4.8% of GDP in 2017 and nominal fiscal deficit (including interest payments) reached 6% of GDP.
- The strong depreciation should also take a toll on the already sticky inflation (currently at 25.5%).
- Activity should also be impacted by the sticky inflation, high interest rates and increased fiscal efforts. The treasury recently cut its primary deficit target for 2018 to 2.7% of GDP (from 3.2% previously) to reduce the country's dependence on capital markets given the lower appetite for Argentine debt.

India ↘
(downgrade from A4 to B)

- The higher growth in the first quarter of 2018 reflects base effects, a pickup in external demand, and the dissipation of both the negative effects of demonetisation and the GST.
- The current account deficit (-1.7% in FY 2017) will likely worsen to -1.8% in FY 2018 on the back of a larger trade deficit. Imports are set to increase alongside the increase in global commodity prices, as well as government measures to boost consumption. India remains a net importer of oil and gold. The net oil deficit expanded to -3.2% of GDP from -2.6% in 2017. A widening of the current account deficit and capital outflows are key reasons for poor performance of the Indian rupee, exacerbating inflationary pressures.
- The Reserve Bank of India (RBI) raised its benchmark interest rate for the first time since the National Democratic Alliance (NDA) took power in 2014, setting the stage for a gradual tightening cycle. The hardening of market interest rates in India mirrors the trend in other emerging markets, where a number of central banks have raised policy rates in response to weaker currencies and tighter global capital flows.
- The government deficit (-3.5% in Q1) will likely widen to 4% as a result of higher government spending ahead of the general elections in 2019. The NDA's ruling party is an alliance of several parties, of which the Bharatiya Janata Party (BJP) is the most important. The BJP has suffered setbacks recently, such as losing its simple majority in the lower house of Indian parliament in by-elections last month. In the recent Karnataka state elections, the opposition forged a post-poll alliance to prevent BJP from storming to power. BJP still rules 21 out of 29 Indian states, but has a tough battle ahead in the three state elections slated for this year.

Italy ↘
(downgrade from A3 to A4)

- The political turmoil in Italy has yet to affect its economic momentum: GDP registered a 0.3% increase in Q1 2018. However, business confidence has started to weaken, as has that of the financial market. The yield on two-year Italian debt broke through 2.7% for the first time since 2013, reaching as high as 2.73%, i.e. an increase of nearly 2 percentage points. At the same time, the yield on 10-year debt hit 3.388%.

Turkey ↘
(downgrade from B to C)

- The sharp depreciation of the lira since the start of 2018 will hit the private sector's balance sheets and payment terms, while entailing higher financing costs.
- The lira's depreciation will force the central bank to deliver more rate hikes, which will in turn increase funding costs of companies.
- Turkey's production activity is dependent on imported inputs. Higher import costs would mostly affect the agri-food (especially via fertilizer and fuel prices), metals, chemicals, automotive, textile, and paper sectors, as these are more dependent on imported raw materials.
- Higher inflation: private demand will suffer from the lira's devaluation

Sri Lanka ↘
(downgrade from B to C)

- Particularly low growth results in 2017 pushed the central bank to lower its main interest rates in April, in an attempt to foster activity.
- The strong depreciation of the Sri Lankan rupee against the US dollar since the beginning of 2018 has increased the country's weight of external debt servicing and has put foreign reserves under pressure. A new disbursement of the IMF loan in June 2018 should nonetheless help the country meet its short-term debt payment deadlines.
- Increasing ethnic tensions since the beginning of 2018: a state of emergency was declared for a month in March, following violent clashes against the Muslim community.
- Increasing tensions within the coalition government after its defeat at the local elections in February 2018, and an attempted motion of no-confidence that led to 16 defections within the president's party. The government lost its absolute majority in Congress.

Sector Risk Assessment Changes

REGIONAL SECTOR RISK ASSESSMENTS†

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

* Information and Communication Technologies
Source: Coface

BUSINESS DEFAULT RISK

Low Risk

Medium Risk

High Risk

Very High Risk

Upgrade

Downgrade

CENTRAL & EASTERN EUROPE

	Central & Eastern Europe	Czech Republic	Poland	Romania
Agri-food	Medium	Medium	Medium	Medium
Automotive	Low	Low	Low	Low
Chemical	Medium	Medium	Medium	Medium
Construction	High	Medium	High	High
Energy	Medium	Medium	Medium	Medium
ICT*	Medium	Medium	Medium	Medium
Metals	Medium	High	Medium	High
Paper	Medium	Medium	Medium	Medium
Pharmaceutical	Low	Low	Low	Low
Retail	Medium	Medium	Medium	Medium
Textile-Clothing	Medium	Medium	Medium	Medium
Transport	High	Medium	High	Medium
Wood	Medium	Medium	Medium	Medium

* Information and Communication Technologies
Source: Coface

† Regional assessments have changed for the Asia and Middle East & Turkey regions as a result of the inclusion of assessments for Japan and South Korea (Asia), and for Israel (Middle East & Turkey).

ASIA

	Asia	China	India	Japan	South Korea
Agri-food	Medium Risk	Medium Risk	Medium Risk	Medium Risk	Medium Risk
Automotive	High Risk	High Risk	Medium Risk	Medium Risk	High Risk
Chemical	Medium Risk	High Risk	High Risk	Medium Risk	Low Risk
Construction	Very High Risk	Very High Risk	High Risk	Medium Risk	Very High Risk
Energy	High Risk	High Risk	High Risk	High Risk	High Risk
ICT*	High Risk	Medium Risk ↘ High Risk	Medium Risk ↘ High Risk	Medium Risk	Medium Risk
Metals	High Risk	High Risk	High Risk	High Risk	High Risk
Paper	Medium Risk	High Risk ↗ Medium Risk	Medium Risk	High Risk	Medium Risk
Pharmaceutical	Low Risk	Low Risk	Low Risk	Low Risk	Medium Risk
Retail	Low Risk	Low Risk	High Risk	Medium Risk	Medium Risk
Textile-Clothing	High Risk	High Risk	High Risk	High Risk	Medium Risk
Transport	Medium Risk	Medium Risk	Medium Risk	Medium Risk	High Risk
Wood	High Risk	High Risk	Medium Risk	Medium Risk	Medium Risk

* Information and Communication Technologies
Source: Coface

CHINA

ICT ↘
(Medium Risk to High Risk)

- Products that receive benefits under "Made in China 2025" subject to US tariffs. A lot of ICT products are under the list of US sanctions. ICT companies Huawei and Lenovo are notably under investigation. Disruptions in production could impact suppliers.
- The sector is subject to some cyclical factors, including mobile phone technology cycles. Demand for mobile phones is likely to slow in the short-term, due to base effects as well as aspects related to the life-cycle of the iPhone. As mobile phones are the largest ICT export from China, this has implications for suppliers upstream. A lot of this supply chain is in China and Asia.

Paper ↗
(High Risk to Medium Risk)

- Consolidation and capital expenditure reductions have lessened overcapacity concerns.
- Demand supported by packaging and tissue, which is expected to remain stable.
- Higher paper prices have boosted profits by 33%.

INDIA

ICT ↘
(Medium Risk to High Risk)

- Exposure to falling demand from China.

BUSINESS DEFAULT RISK

Low Risk

Medium Risk

High Risk

Very High Risk

Upgrade

Downgrade

LATIN AMERICA

	Latin America	Argentina	Brazil	Chile	Mexico
Agri-food	High Risk	High Risk	High Risk	High Risk	High Risk
Automotive	Medium Risk	Medium Risk	Medium Risk	Low Risk	High Risk
Chemical	High Risk	Medium Risk	High Risk	High Risk	High Risk
Construction	High Risk	Medium Risk ↘ High Risk	High Risk	High Risk	Very High Risk
Energy	High Risk	Medium Risk	Medium Risk	Low Risk	Very High Risk
ICT*	Medium Risk	High Risk	Medium Risk	High Risk	Medium Risk
Metals	High Risk	Medium Risk	High Risk	Low Risk	High Risk
Paper	Medium Risk	Medium Risk	Medium Risk	Medium Risk	Medium Risk
Pharmaceutical	Medium Risk	Medium Risk	Medium Risk	Low Risk	Low Risk
Retail	Medium Risk	High Risk ↘ Very High Risk	Medium Risk	Medium Risk ↗ Low Risk	Medium Risk
Textile-Clothing	High Risk	High Risk	High Risk	Medium Risk	High Risk
Transport	High Risk	Medium Risk	High Risk	Medium Risk	High Risk
Wood	High Risk	Medium Risk	High Risk	High Risk	High Risk

* Information and Communication Technologies
Source: Coface

BUSINESS DEFAULT RISK

Low Risk

Medium Risk

High Risk

Very High Risk

Upgrade

Downgrade

ARGENTINA

Construction ↘
(Medium Risk to High Risk)

- The strong depreciation of exchange from January to early May (roughly 21%) increased the costs of the imported capital goods.
- The government reduced its fiscal deficit target for 2018 from 3.2% of GDP to 2.7%. This will reduce the public resources available for public work, including a cut of 30 billion Argentine pesos (roughly USD 1.4 billion) in the infrastructure spending planned for 2018.
- To try to contain the strong volatility of the exchange rate, the central bank raised its policy rate by 1275 basis points within eight days. Reference interest rates currently stand at 40% a year. Such rates tend to take a toll on construction sector.

Retail ↘
(High Risk to Very High Risk)

- The distribution sector is set to suffer further from factors similar to those indicated for the Argentine construction sector.
- High and persistent inflation in Argentina (at 26.3% in 12 months accumulated until May 2018) will continue to have a negative impact on household consumption and the situation of companies in the sector.
- Inflation should remain at high levels, driven by the weakening of the Argentine peso. According to a bulletin from Argentina's central bank in May 2018, market agents expect a level of inflation of 27% at the end of the year (up from the April 2018 estimate of 22%).

CHILE

Retail ↗
(Medium Risk to Low Risk)

- In March 2018, retail sales accelerated to 4.1% year-on-year (up from 4.0% the previous month), with three-month moving average sales holding at a strong 4%.
- Low inflation (1.8% YOY in March 2018) and an expansionary monetary policy (policy rate at 2.5%), along with a recovering labour market, will likely help improve consumption.
- Consumer confidence has been optimistic over the last four months – a strong improvement after four years of pessimism.

M. EAST & TURKEY

	M. East & Turkey	Israel	Saudi Arabia	Turkey	UAE
Agri-food	High Risk	Medium Risk	High Risk	High Risk	High Risk
Automotive	Medium Risk	Low Risk	High Risk	Medium Risk	High Risk
Chemical	High Risk	Low Risk	High Risk	High Risk	High Risk
Construction	Very High Risk	High Risk	Very High Risk	Very High Risk	High Risk
Energy	Medium Risk	Medium Risk	High Risk ↗ Medium Risk	High Risk	High Risk ↗ Medium Risk
ICT*	High Risk	High Risk	High Risk	High Risk ↘ Very High Risk	High Risk
Metals	High Risk	Medium Risk	Very High Risk	High Risk	High Risk
Paper	Medium Risk	Medium Risk	Medium Risk	Medium Risk	Medium Risk
Pharmaceutical	Medium Risk	Medium Risk	Medium Risk	Medium Risk	Medium Risk
Retail	High Risk	High Risk	High Risk	High Risk ↘ Very High Risk	High Risk
Textile-Clothing	High Risk	High Risk	High Risk	High Risk	High Risk
Transport	Medium Risk	Medium Risk	Medium Risk	Medium Risk	Medium Risk
Wood	Medium Risk	Medium Risk	High Risk	Medium Risk	High Risk

* Information and Communication Technologies
Source: Coface

SAUDI ARABIA

Energy ↗

(High Risk to Medium Risk)

- The outlook on crude oil production in Saudi Arabia has followed the country's high level of compliance with the production limitation agreement of the OPEC (of which Saudi Arabia is a member) and its allies. However, from Q2 2018 onwards, oil production may trend upwards as the kingdom will likely bring its large spare production capacity into play, benefiting from an expected less restrictive OPEP deal agreement. Recovery in oil prices may indeed help producers to widen their margins. Declining growth performance in the domestic economy and muted growth in the Middle East region continue to present challenges.

TURKEY

ICT ↘

(High Risk to Very High Risk)

- Slowdown in domestic demand due to high interest rates, the lira's weakness, and declining consumer confidence.
- Thinner profit margins on lower sales, higher production, and import costs as the lira weakens.
- A weak capital structure leaves companies vulnerable to higher funding costs. Slowdown in economic activity and pre-electoral political situation may decelerate corporate demand for ICT sector products and services.

Retail ↘

(High Risk to Very High Risk)

- Depreciation of the Turkish lira, tax hikes, declining real incomes, double-digit inflation and more difficult access to credit of households due to higher interest rates are expected to restrain domestic demand recovery in 2018.

UNITED ARAB EMIRATES

Energy ↗

(High Risk to Medium Risk)

- Continuously low levels of oil prices narrowed companies margins until recently, and the OPEC production limitation deal dampened oil output. However, we expect companies in the sector to gradually return to growth from Q2 2018 onwards on the back of higher oil prices and expansion projects, which should contribute to increase oil production, and might somewhat offset the decline of maturing fields.

BUSINESS DEFAULT RISK

Low Risk

Medium Risk

High Risk

Very High Risk

Upgrade

Downgrade

NORTH AMERICA

	North America	Canada	United States
Agri-food	Medium Risk	Medium Risk	Medium Risk
Automotive	Medium Risk	Medium Risk	Medium Risk
Chemical	Low Risk	Low Risk	Low Risk
Construction	Medium Risk	High Risk	Medium Risk
Energy	Medium Risk ↗ Low Risk	High Risk ↗ Medium Risk	Medium Risk ↗ Low Risk
ICT*	Medium Risk	Medium Risk	Medium Risk
Metals	High Risk ↗ Medium Risk	High Risk ↘ Very High Risk	High Risk ↗ Medium Risk
Paper	Medium Risk	High Risk	Medium Risk
Pharmaceutical	Low Risk	Low Risk	Low Risk
Retail	High Risk	High Risk	High Risk
Textile-Clothing	Very High Risk	High Risk	Very High Risk
Transport	Low Risk	Low Risk	Low Risk
Wood	Medium Risk	High Risk	Medium Risk

* Information and Communication Technologies
Source: Coface

CANADA

Energy ↗
(Medium Risk to Low Risk)
- Energy production is bouncing back sharply, driven by the increasing oil price. As oil price is expected to remain high in 2018, energy production is likely to continue to rise.

Metals ↘
(High Risk to Very High Risk)
- Very significant impact of the entry into force on the 1st June of the US protectionist measures on steel and aluminium imports: exports represent nearly 50% of steel production, and 87% of these exports are to the United States.

UNITED STATES

Metals ↗
(High Risk to Medium Risk)
- Primary metals (+1.2% YOY in January after +4.7% in Q4 2017) and fabricated metal products (+3.4% YOY after 7.1%) continue to bounce back after declining in 2016.
- Moreover, the recent US move to impose punitive tariffs on steel (25%) and aluminium (10%) in order to protect the US steel industry has been welcomed by most US steel producers.

Energy ↗
(Medium Risk to Low Risk)
- Energy production rose by 9.2% YOY in Q1 after a strong rebound in 2017 (from -1.3% in 2016 to +7%) driven by increasing oil prices.
- Both primary energy (+10% YOY) and converted fuel (+8.7%) production rose and remain buoyant.
- Oil and gas well drilling bounced back sharply (+19.9% YOY in Q1 2018).
- As oil price is expected to remain high in 2018, energy production is likely to continue to rise.

BUSINESS DEFAULT RISK

Low Risk

Medium Risk

High Risk

Very High Risk

Upgrade

Downgrade

WESTERN EUROPE

	Western Europe	Austria	France	Germany	Italy	Netherlands (the)	Spain	Switzerland	United Kingdom
Agri-food	Medium Risk	Low Risk	Medium Risk	High Risk ↗ Medium Risk	Medium Risk	Medium Risk	Low Risk	Medium Risk	Medium Risk ↘ High Risk
Automotive	Low Risk	Low Risk	Low Risk	Low Risk	Low Risk	Low Risk	Low Risk	Low Risk	High Risk
Chemical	Medium Risk	Low Risk	Medium Risk	Low Risk	Medium Risk	Low Risk	Medium Risk	Low Risk	Medium Risk
Construction	Medium Risk	Medium Risk	Low Risk	Low Risk	Very High Risk	Medium Risk	Medium Risk	Medium Risk ↘ High Risk	Very High Risk
Energy	High Risk ↗ Medium Risk	Medium Risk	High Risk ↗ Medium Risk	Medium Risk	High Risk	High Risk	High Risk	Medium Risk	High Risk
ICT*	Medium Risk	Medium Risk	Low Risk	Low Risk	High Risk	Medium Risk	Medium Risk	Low Risk ↘ Medium Risk	Medium Risk
Metals	High Risk	Medium Risk	High Risk	Medium Risk	High Risk	Medium Risk	Medium Risk	High Risk	Very High Risk
Paper	High Risk	Low Risk	High Risk	High Risk	High Risk	High Risk	Medium Risk	High Risk	High Risk
Pharmaceutical	Low Risk	Low Risk	Low Risk	Low Risk	Low Risk	Medium Risk	Medium Risk	Low Risk	Medium Risk
Retail	Medium Risk	Medium Risk	Low Risk	Medium Risk	Low Risk ↘ Medium Risk	Medium Risk	Medium Risk	Medium Risk	High Risk
Textile-Clothing	High Risk	High Risk	High Risk	High Risk	High Risk	High Risk	Medium Risk	Medium Risk	High Risk
Transport	Medium Risk	Medium Risk	Medium Risk	Medium Risk	Medium Risk	Medium Risk	Low Risk	Medium Risk	Medium Risk
Wood	Medium Risk	Medium Risk	Medium Risk	Medium Risk	High Risk	Medium Risk	Medium Risk	High Risk	High Risk

* Information and Communication Technologies
Source: Coface

FRANCE
Energy ↗
(High Risk to Medium Risk)
- Electricity and gas production rebounded in Q1 2018 (from -1.6% to 4.2% year-on-year), due to the periods of extreme cold in the country last February and March.
- The rise in oil prices is good news for French extractive companies, and the cyclical recovery should continue in 2018/19.
- Oil company Total has announced an agreement to purchase Direct Energie, the third largest retail electricity player in France. The USD 1.4 billion transaction would enable Total to acquire approximately 3 million customers in France, just behind Engie (4 million) but still far behind EDF (nearly 26 million customers; over 80% of market share).

ITALY
Retail ↘
(Low Risk to Medium Risk)
- Despite higher levels of consumer confidence, consumer spending is reducing as real wage growth has fallen into negative territory and the labour market is increasingly made up of part-time or contract workers, reducing long-term financial stability.
- Higher political uncertainty and increasing borrowing costs will likely weigh on consumption.

GERMANY
Agri-food ↗
(High Risk to Medium Risk)
- The sector has recorded a reasonably high level of sales, despite volatility in both prices and company margins, which remain relatively low.

SWITZERLAND
Construction ↘
(Medium Risk to High Risk)
- Companies' margins are under pressure due to an excessive offer of new dwellings and offices, as shown by the high level of vacancies.
- Prices have reached a very high level for households which are already heavily indebted.

ICT ↘
(Low Risk to Medium Risk)
- Boom in e-commerce is at the expense of traditional specialized trade

UNITED KINGDOM
Agri-food ↘
(Medium Risk to High Risk)
- In Q1 2018, food store sales fell for the third consecutive quarter (-0.6% YOY after -0.7% in Q4 2017). Food sales are affected by struggling consumer confidence and disposable income.
- Food prices continued to rise sharply in April (+2.6% YOY after +2.9% in Q1 and +4% in Q4 2017).
- In addition, food production decelerated in Q1 2018 (+1.7% YOY after +4.1% in Q4 2017), with dairy sector being particularly affected (-11% YOY in Q1)
- The number of food product manufacturers in difficult financial situations is increasing: +16% YOY in Q1 after +9% in 2017 (despite a low number of insolvencies: 80 per year).

BUSINESS DEFAULT RISK

Low Risk

Medium Risk

High Risk

Very High Risk

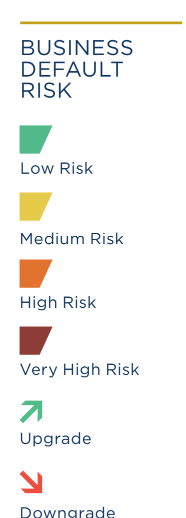
Upgrade

Downgrade

OTHER COUNTRIES

	Russia	South Africa
Agri-food	Low Risk	Low Risk
Automotive	Medium Risk	High Risk
Chemical	Low Risk	Medium Risk
Construction	High Risk	Very High Risk
Energy	Medium Risk	High Risk
ICT*	Medium Risk	Medium Risk
Metals	High Risk	High Risk
Paper	Medium Risk	Medium Risk
Pharmaceutical	Medium Risk	Medium Risk
Retail	Medium Risk	Medium Risk
Textile-Clothing	High Risk	Medium Risk
Transport	High Risk	High Risk
Wood	High Risk	High Risk

* Information and Communication Technologies
Source: Coface



COFACE GROUP ECONOMISTS

Julien Marcilly
Chief Economist
Paris, France

Sarah N'Sondé
Head of Sector Analysis
Paris, France

Bruno De Moura Fernandes
Economist, North America, France, and the United Kingdom
Paris, France

Carlos Casanova
Economist, Asia-Pacific
Hong Kong

Dominique Fruchter
Economist, CIS, the Balkans, and Switzerland
Paris, France

Khalid Aït-Yahia
Sector Economist and Statistician
Paris, France

Grzegorz Sielewicz
Economist, Central & Eastern Europe
Warsaw, Poland

Patricia Krause
Economist, Latin America
São Paulo, Brazil

Ruben Nizard
Economist, Sub-Saharan Africa
Paris, France

Seltem Iyigun
Economist, Middle East & Turkey
Istanbul, Turkey

Sofia Tozy
Economist, Euro Zone periphery & North Africa
Paris, France

With the help of **Elliot Shekell**,
Operations & Editorial Coordinator, *Paris, France*.

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.

June 2018 — Layout: increa * — Photo: Fotolia

COFACE SA
1, place Costes et Bellonte
92270 Bois-Colombes
France

www.coface.com