

BAROMETER COUNTRY AND SECTOR RISKS BAROMETER

Q3 2021

By the Coface
Economic
Research team

Supply chain and inflation headwinds hamper the global recovery

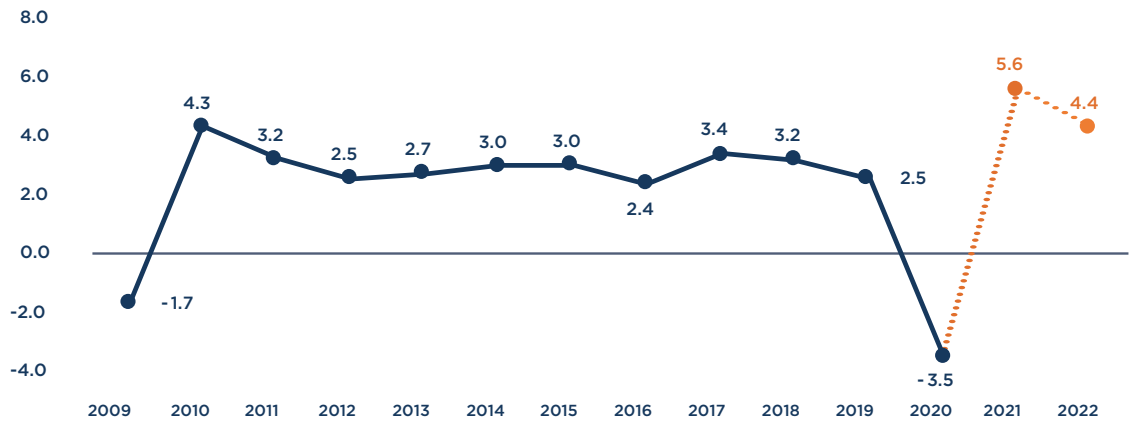
More than 18 months after the global recession triggered by the COVID-19 pandemic started, the economic recovery continues. This trend owes much to progress in the vaccine rollout over the summer, particularly in advanced economies, allowing for the easing of mobility restrictions. In turn, this is spurring a rebound in consumption of high-contact services, such as brick-and-mortar retail, food services, accommodation and recreation. High household savings accumulated last year - as consumer spending plummeted during the strict lockdowns, and income increased, bolstered by massive government support - are a key factor behind the rebound in household spending in advanced economies. The situation remains heterogeneous in emerging economies: this rebound is benefitting export-oriented countries, while service-dependent economies continue lagging.

Despite the positive outlook - our 2021 and 2022 global GDP growth forecasts remaining unchanged (see **Chart 1**) - signs that the global recovery is losing momentum are accumulating. In the context of rebounding demand, pandemic outbreaks in critical links of the supply chain have resulted in supply disruptions, feeding, in turn, price pressures. Supply chains disruptions due to port congestions, lack of containers and ships, as well as overstretched production capacities have

entailed shortages and price hikes, are starting to affect manufacturers' production and sales across the globe. The mismatch between supply and demand prompted a rise in commodity and input materials prices, which is feeding higher inflation in many countries, as they are passed down to consumers. Headwinds represented by supply concerns, labour shortages, and inflation, alongside the lingering threat of COVID-19, add to the list of risks and uncertainties. Meanwhile, an economic slowdown in China is also contributing to a less favourable recovery momentum.

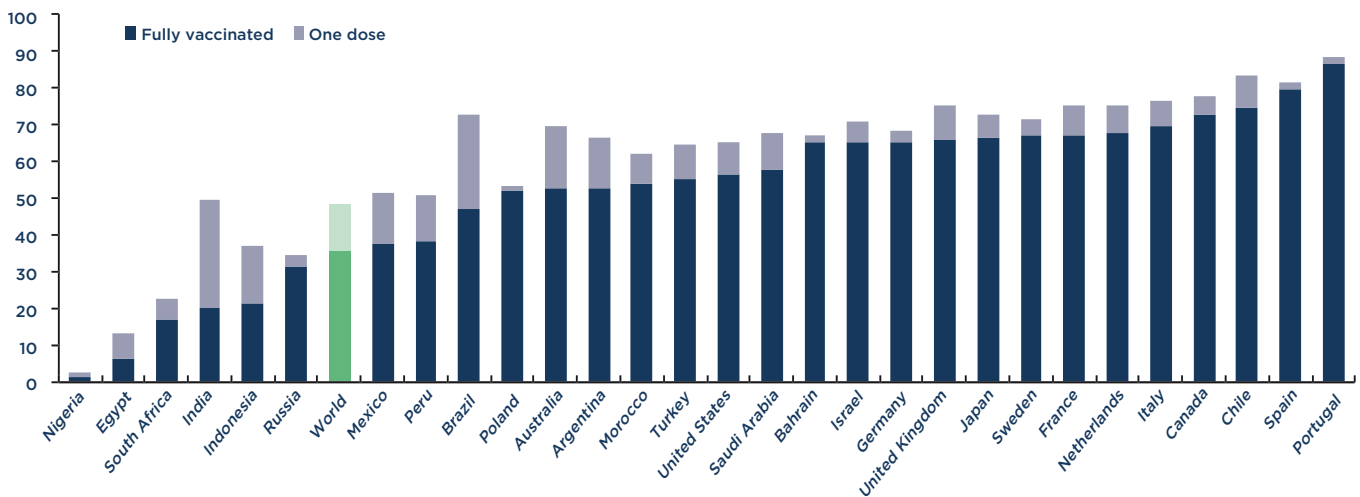
In Q3 2021, in light of the continued recovery, Coface upgraded its risk assessments for 26 countries, including Germany (A2), France (A2), Italy (A4), Spain (A2), and Portugal (A2). Strong exports of manufactured goods to advanced markets are prompting upgrades for export-oriented economies in Central and Eastern Europe (Poland, Hungary, Czechia, etc.), in Asia (South Korea, Singapore, Hong Kong) and in Turkey (B). After downgrading 78 country risk assessments in the wake of the pandemic last year, these 26 upgrades are in addition to the 16 already implemented in the first half of the year. This quarter, they are accompanied by 30 sectoral assessment upgrades, also reflecting improvements after widespread downgrades in the first half of 2020.

Chart 1:
Coface’s World GDP Growth Forecast
(annual average, %)



Sources: IMF, National authorities, Refinitiv Datastream, Coface

Chart 2:
Share of the population vaccinated against COVID-19 in selected countries (%)



Sources: Our World in Data, Refinitiv Datastream, Coface

Progress with the vaccination still supports the recovery

Global economic trends highlighted in our latest barometer¹ have been largely confirmed in the third quarter. Progress with the vaccination in Western Europe and North America – where, in most cases, over 60% of the population has received a dose of the vaccine against COVID-19 – helped to avoid new waves of strict mobility restrictions (**Chart 2**), and is fuelling optimism that a repetition of last year’s fall/winter lockdowns will be avoided. In the European Union, almost 70% of the adult population had received at least one shot of the vaccine in mid-October, catching up with countries that were ahead in their respective vaccination campaigns earlier this year (United States, United Kingdom, Israel, etc.).

The front-runners at the global and European level are Portugal and Spain (both upgraded to A2), with a vaccination rate nearing 90%. Other countries, like France (upgraded to A2), which was lagging

behind at the end of the spring, have also caught up with the leaders. Increased access to vaccine supply, the introduction of the “health passport” (in bars, restaurants, cultural and leisure venues, and for long-distance travel) in July, alongside the prospect of COVID-19 tests not being free anymore for the non-vaccinated, contributed to a rapid vaccination push in Europe this summer. As a result, European governments are able to avoid the most restrictive COVID-19 measures, like in Denmark, where COVID-19 is increasingly handled like a common influenza pandemic. Central and Eastern Europe (CEE) countries have stalled below the European Union (EU) average in terms of vaccination. However, while Poland, Lithuania, Hungary, Czechia are close to 60% of fully vaccinated populations, vaccination rates in Bulgaria, Romania and several Balkan countries are much lower.

The global manufacturing sector has recovered fast since mid-2020, prompted by increased

¹ Coface Barometer Q2 2021 : A Two-Speed World. <https://www.coface.com/News-Publications/News/Coface-Barometer-Q2-2021-A-two-speed-world>

spending on consumer goods. Because of robust final demand, strong trade flows continue to be a key support for economic growth, notably in Asia-Pacific. Demand for electronics and commodities are indeed benefiting several markets in the region, such as South Korea (upgraded to A2) and Taiwan. They continue to record robust annual export growth rates of 26.5% and 30.1% in the third quarter of 2021. Meanwhile, the economy of several key commodity exporters (Russia, Ukraine, South Africa, Chile, Algeria, etc.) are also supported by higher prices. For instance, Australia and Indonesia, registered annual export growth rates of 25.9% and 37.8% for the January-August period, respectively. In CEE, the region’s competitive exports and the wide integration in European supply chains is also supportive of export growth.

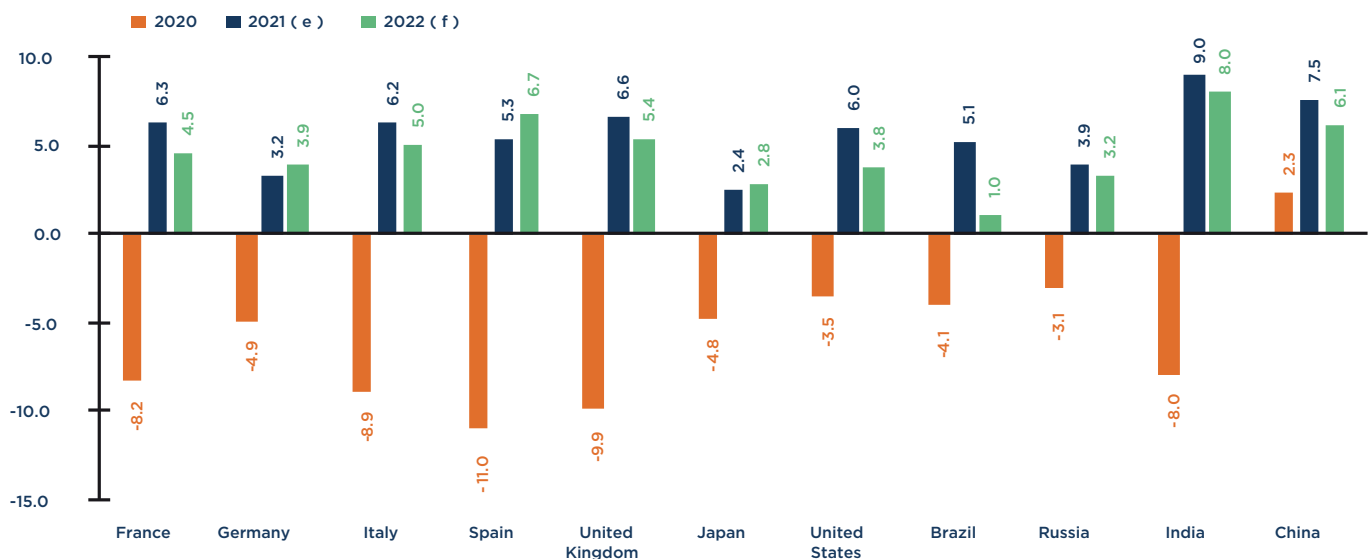
In terms of sectoral trends, the easing and lifting of restrictions in countries where vaccination rates are the highest is contributing to a shift of household spending towards high-contact services, for which pent-up demand is high after 18 months of “stop-and-go”. This notably benefits brick-and-mortar retail, hospitality and recreation. The recovery of the tourism sector remains more challenging, particularly for countries where vaccination rates are lower.

In the context of the recovery, Coface upgraded its Country Risk Assessment for 10 Western European countries, reversing downgrades decided on at the beginning of the pandemic. Switzerland, Luxembourg and Norway are notably upgraded in A1, becoming the first countries since the beginning of the pandemic to obtain Coface’s lowest risk assessment. Also worth noting, Germany is upgraded to A2, after two downgrades in late 2019 and early 2020 (from A1 to A3). While the downgrades reflected (1) a recession in the manufacturing sector, which started in the autumn of 2018, and (2) the impact of the COVID-19 crisis, an improvement on both grounds prompts this

quarter’s upgrade. First, the manufacturing sector is experiencing a renaissance as the demand for German products increased sharply in the first half of the year. Second, many restrictions were lifted and a return to a strict lockdown is unlikely. The German Bundestag election results, which will probably lead to the very first three-party-coalition, have not added significantly to the outlook. Coface also upgraded 9 CEE countries, which are benefitting from the improved outlook in Western Europe, as well as positive domestic investment and consumption dynamics: Poland (A3), Hungary (A3), Czechia (A3) and the three Baltic states are among these upgrades. Country risk assessments were also upgraded for Singapore (A2), South Korea (A2), Hong Kong (A3), Turkey (B), Egypt (B) and Algeria (C).

Despite these upgrades, it is worth noting that the threat of COVID-19 has not completely disappeared. Lower vaccination rates in emerging market – particularly in low-income countries – still pose the risk of the emergence of COVID-19 variants resistant to currently available vaccines. For instance, the Delta variant hit South and Southeast Asia hard this summer, prompting authorities to enforce renewed restrictions and lockdowns. These measures not only weighed on mobility and consumer spending, but also on manufacturing production in some countries, undermining economic activity and delaying, in some cases, the region’s return to pre-pandemic business conditions, especially in sectors hard-hit by the pandemic (tourism and travel). Consequently, we lowered our 2021 GDP forecasts for several countries in the Asia-Pacific region, including Japan, Australia and four countries in Southeast Asia. The wave of COVID-19 linked to the Delta-variant, starting in communities where vaccine hesitancy has been the highest, is also one of the factors behind the downward revision to our 2021 GDP forecast for the United States from 6.5% to 6.0%, as consumer confidence ebbed in response to higher infections (**Chart 3**).

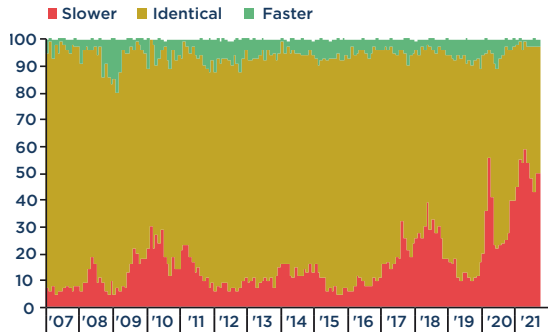
Chart 3:
 Coface GDP evolution forecast
 (selected countries, annual average, %)



Sources: IMF, National authorities, Refinitiv Datastream, Coface

Supply chain issues and inflation hamper the recovery momentum

Chart 4:
Supplier deliveries, survey of manufacturers
(% of respondents)



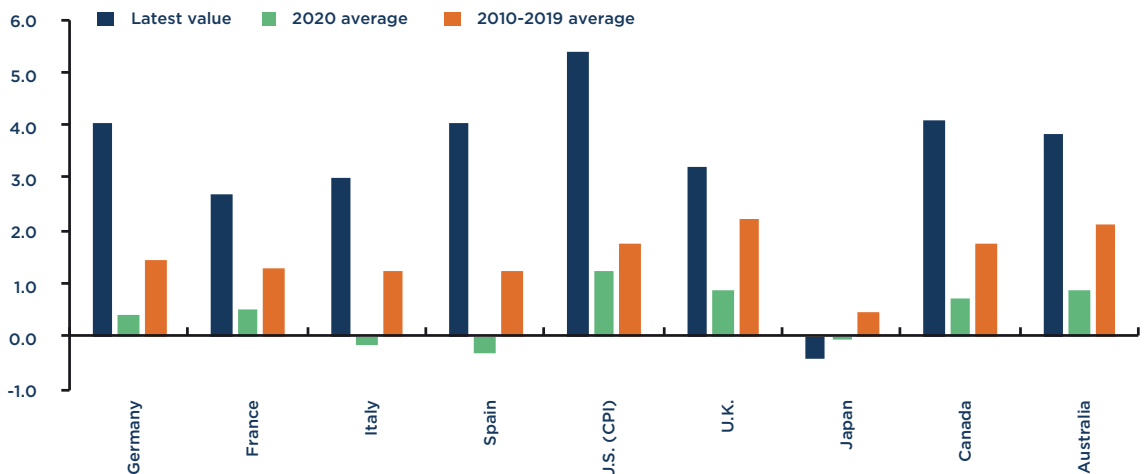
Source: Institute for Supply Management, refinitiv Datastream, Coface

Furthermore, while the recovery is still on track, headwinds are accumulating, particularly on the supply-side of the economy. High level of savings in high-income countries - as consumer spending plummeted during the strict lockdowns, and income increased, bolstered by massive government support - prompted a rapid recovery in consumer spending. However, concomitantly, pandemic disruptions in different parts of the global created breaks in the supply chain. As a result, longer-than-anticipated supply chain disruptions are hampering business activity (Chart 4). Competition for commodities and input goods is strong, hindering industrial production at the global level and, in some instances, having an impact on sales. Despite new investment projects like the construction of new plants, it will take a long time before capacity can be ramped up to meet demand. This is notably true for the shortage of semiconductors, which is impacting a wide-array of industries from the automotive to ICT² sectors both in advanced and emerging economies.

Supply chain disruptions are unlikely to disappear overnight, but a surge in global corporate capital expenditure in 2021³ and a somewhat cooling demand (as spending shifts away from consumer goods to high-contact services) should ultimately alleviate shortages. The CEE region is among the regions experiencing a surge in investment. Countries in the region will still widely use the EU funds as a substantial co-financing tool for various investments, while the Recovery and Resilience Facility (one of the largest component of the Next Generation EU program) is expected to bring a further boost. Furthermore, the region remains an attractive location for foreign companies, because of postponed projects planned for 2020, but also companies' willingness to reshape their existing supply chains. Indeed, the CEE region could benefit from near-shoring trends thanks to competitive labour costs, educated and skilled workforce as well as the geographical proximity to Western Europe.

Meanwhile, in a context of imbalance between supply and demand, commodity prices, input costs and freight rates have surged since the summer of 2020. Many commodities broke record levels or reached multi-year highs. This has been notably the case with energy - particularly as European and Asian gas prices soared - and metals prices (see Box). Widespread price increases for commodities and inputs has also translated into increasing consumer prices. The harmonized inflation rate in the Eurozone reached 3.4% in September 2021, the highest level in 13 years. This echoes a rise in inflation observed in most parts of the globe, most notably in the United States, where the inflation rate measured by the Consumer Price Index has also been hovering a 13-year high of 5.4% in the last four months to September (Chart 5). While some of the current price pressures continue to be linked to supply chain disruptions and one-off shocks (e.g. temporary changes in the VAT, higher taxes on CO₂-emissions, droughts, export

Chart 5:
Selected advanced economies: headline inflation rate, %YoY



Source: National Statistics Office, Refinitiv Datastream, Coface

² Information and communication technologies

³ S&P Global Ratings forecast capital expenditures will rise by 13% in 2021. https://www.spglobal.com/_assets/documents/ratings/research/100288873.pdf

restrictions, stockpiling of food stocks), some concerning higher production costs could embed inflation for longer than initially envisioned. A peak in inflation is expected soon in advanced economies, but risks are tilted to the upside.

The inflation conundrum could be complicated by reports of labour shortages. In the United Kingdom (UK) and the United States, wage growth has picked up, as businesses offer higher compensations to fill job vacancies. In the United Kingdom, the government even had to give

temporary visas to fuel tanker and food lorry drivers, as well as poultry workers, to address the issue. Although lorry driver shortage was already an issue before the pandemic in the UK, it has been exacerbated since the country formally left the European Union (EU). An increase in labour costs could mean more persistent inflationary pressures, i.e. inflation levels above the targets of major central banks.

Box:

Metals and energy prices reach multi-year highs

With the gradual reopening of economies across the globe, metal prices rose sharply. Supply could not keep up with demand, as the easing of restrictions around the world not only followed the closure of metal processing plants and mines, but also years of underinvestment in the sector. Indeed, mining and metal processing companies have had to preserve cash in order to redistribute it to investors after the end of the “commodity supercycle” at the beginning of the century. Today, after the rapid surge, prices appear to have stabilized as the slowdown in Chinese economic activity is taking hold.

While remaining at high levels, some metal prices are expected to keep decreasing after a peak in 2021. Shortage of microchips, disruptions affecting maritime freight, and higher inputs prices for the manufacturing sector are expected to reduce production from customers of the metals industry, notably car output. IHS Markit cut its global 2021 vehicle production forecast (done in September) by around 5 million units compared to the previous forecasting exercise during spring 2021 (75.8M vs 80.82M). Furthermore, the ongoing clean up of the Chinese real estate sector could affect construction and infrastructure projects, and thus will cool demand for steel, copper, tin and zinc.

Iron ore, which is tightly related to steel, as it is a core raw material for this alloy, is also witnessing lower demand as Chinese authorities are trying to curb emissions by shutting down polluting steel plants and struggling to contain the rise in input prices, which is impacting a lot of downstream sectors, notably on the manufacturing side. Even though prices are increasing lately, this move will be short lived, as it is mainly the sequel of a restocking frenzy. Lastly, with higher energy prices (natural gas and coal above all), the Chinese manufacturing sector has suffered from power outages, and thus could be forced to cut output.

For copper, two opposite forces are acting on prices. While demand from low-emissions technologies could help sustained high prices, a big default in the Chinese real estate sector could negatively affect the domestic construction sector and thus demand for copper. This downside risk offsets the momentum induced by the global energy transition. The boom of electric vehicles in 2020, with higher sales levels in Europe and China (but not in the United States), will foster the use of copper, but also aluminum, and lithium, to name a few. As for nickel, power rationing in China could constrain supply through the stainless steel channel, and, in turn, impact prices. However, strong demand from battery manufacturers will definitely exert a positive upward pressure on prices.

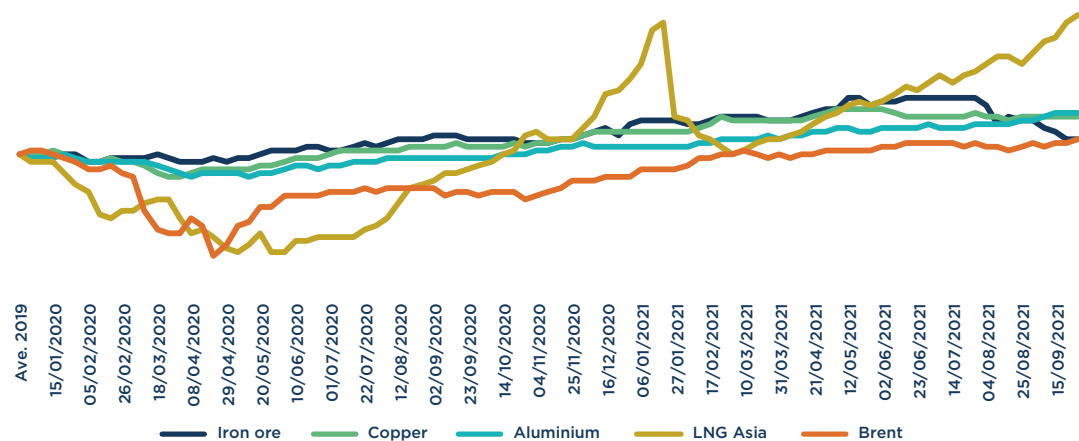
As for energy, oil, coal and natural gas prices are soaring as demand overwhelms a constrained supply. In the first half of 2020, oil consumption collapsed, suffering the hit from the lockdowns implemented in the first half of 2020 and restrictions on international travel. Prices followed suit, falling to their lowest levels in decades. The resumption of manufacturing activity since mid-2020 has supported a strong rebound in consumption, and with it, of prices. Prices were further supported by large production cuts (equivalent to about 10% of the 2019 global oil consumption) implemented by the OPEC+. With the group cautiously returning these barrels to the market since the beginning of the year and muted production growth in the U.S. due to greater capital discipline in the oil patch, it has prompted a rapid recovery in crude oil prices. In October, and after falling as low as USD 15 in April 2020, the Brent international exceeded USD 80 per barrel, a three-year high. The hit from Hurricane Ida on U.S. oil production facilities and higher gas prices have pushed prices to break that level. As a result, Coface forecasts that, after averaging 42.3 USD in 2020, Brent will average about USD 70 in 2021. Nonetheless, Coface expects

prices to peak soon, as consumption growth is expected to slow, in line with economic growth and as OPEC+ keep unwinding its output cuts, boosting global supply. Moreover, U.S. producers are also likely to increase production in response to higher prices. Coface forecasts a barrel of Brent to average USD 75 in 2022.

Natural gas is highly sought after, as inventories are low, after a summer with higher temperatures in the northern hemisphere, lower electricity generation from renewables compensated with natural gas use, an episode of drought in Brazil which precipitated the need of gas to replace hydro as a source of electricity, etc. Winter is

coming in the northern hemisphere and could witness low to very low temperatures, which may induce higher demand for this commodity. Furthermore, coal is experiencing a surge in its prices, notably due to higher consumption from China and India, while supply has been constrained by years of low investment. With higher natural gas prices, utilities are turning to coal, keeping this commodity alive. Higher expected energy prices will impact the manufacturing sector as many industries are energy intensive and need low electricity prices to keep producing in a profitable manner.

Chart 6:
Evolution of some selected commodity prices, logarithm scale, base 100 = ave. 2019



Sources: LME, Refinitiv, SteelHome, Coface

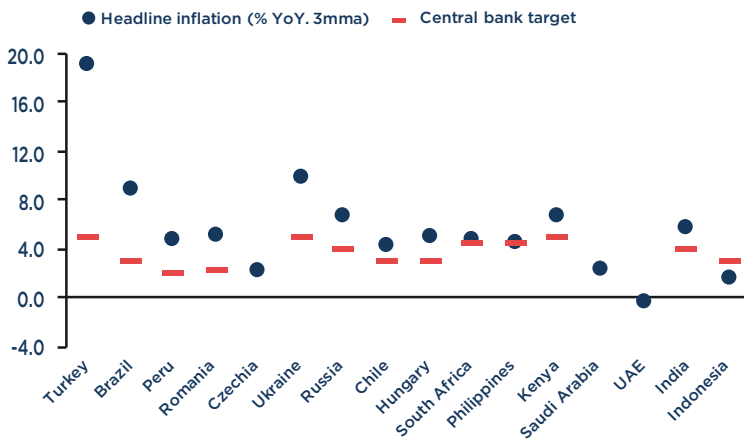
Faced with this risk, some of them have already signalled that the end of ultra-accommodating monetary policies is approaching. In the United States, the Federal Reserve (Fed) has strongly hinted that it would start tapering its asset purchase programme from mid-November onwards. Fed policymakers are eyeing a reduction from the current monthly pace of USD 120 billion in purchase of Treasuries and mortgage-backed securities. The latest projection from the Fed also signals a potential rate hike from the current record low level as early as next year. In the United Kingdom, the Bank of England, which is now forecasting inflation to peak above 4% and to stay high until Q2 2022, has raised the prospect of hiking interest rates, as it has dropped previous guidance that it would not tighten its policy before the economy had fully recovered. For its part, the European Central Bank (ECB) is closely monitoring the inflation dynamic with concern, but even if the bank wanted to adapt its expansionary monetary policy, this would only be possible in very small steps. In its latest forward guidance, the ECB noted that the current asset purchases under the Pandemic Emergency Purchase Programme (PEPP) would continue until at least the end of March 2022, totalling to an envelope of EUR 1,850 billion. In addition, the central bank made clear that those assets would be reinvested until at least the end of 2023. In the current environment, as the deposit rate of

the ECB is unlikely to be hiked without triggering major volatility on financial markets, especially for highly indebted countries, the only instruments left are the asset purchases under its normal asset purchase program (APP), and communication.

In emerging economies, several central banks had to hike their benchmark policy rates in recent months, due to concerns over rising inflation (**Chart 7**): Brazil, Mexico, Peru, Russia, Ukraine, Czechia, Hungary, Poland, or Romania are among them. Despite inflation remaining high, the Central Bank of Turkey bulked the trend and reduced its benchmark interest rate.

In advanced economies, the fiscal side of the equation will remain supportive. In Western Europe, while many national governments will continue to support their economy further until the end of the year, the EU recovery fund, with its envelope of EUR 750 billion, will slowly be paid out. Although the EU Fund with its huge investments could increase the supply-problem as it intensifies the competition for scarce input goods, it is seen as crucial to support growth outlook for several European countries, especially in Southern Europe and CEE. In this regard, the Italian economy is quickly becoming the poster-child for investment-led growth. Indeed, total gross fixed capital formation is estimated to be at least 5% above pre-pandemic levels as of

Chart 7:
Selected emerging economies: Headline inflation rate and central bank targets



Sources: National Statistics Office, Central Banks, Refinitiv Datastream, Coface

mid-2021. There are two reasons behind this trend. First and foremost, Italy is, in absolute terms, the largest beneficiary of the “Next Generation EU” recovery fund, with an allocation of EUR 205 billion. Second, Italy appears to have reached an uncharacteristically stable political equilibrium under the Mario Draghi Government. Beyond the first-order fiscal impulse, these two forces have restored business confidence after years (if not decades) of stagnation, unleashing further capital expenditure from the private sector. Further north on the European continent, the recovery fund is not expected to be used that much in 2021/2022, as many existing national financial support measures are used only partly.

In the United States, the next steps of the fiscal response are still uncertain. A bipartisan infrastructure plan, worth more than USD 1 trillion (including USD 579 billion in new spending), was approved by the Senate in August, but is still pending for the House of Representatives approval. The fate of the infrastructure bill has been tied to a USD 3.5 trillion budget proposal aiming at expanding the country’s social safety net, which is still being debated by Democrats in Congress. Autumn 2021 will thus prove decisive for President Joe Biden’s economic agenda.

The Chinese economy is experiencing some turbulence

Also of importance for the global economy, China’s economy showed signs of a slowdown heading into the second half of 2021. The Purchasing Managers Index (PMI)⁴ surveys indicate weakening growth in the manufacturing and service sectors in recent months. In September, the NBS manufacturing PMI notably signalled the first deterioration in factory conditions since February 2020 when the country went into lockdown. The slowdown was driven by small and medium-sized manufacturing enterprises. We forecast China’s economy to grow by 7.5% this

year, expecting a notably slower GDP growth in the second half after a first-half expansion of 12.6%.

Several factors are behind the deceleration in Chinese economic activity, some of which are long-term drivers. These include policy tightening in credit growth - particularly in the real estate market, softening domestic consumption reflecting a drag from Delta-variant outbreaks, and energy rationing for industries. Another factor is related to China’s “Dual carbon” goals to (1) ensure the country’s carbon emissions peak by 2030 and (2) that it achieves carbon neutrality by 2060. These climate change targets led to the imposition of policies constraining steel production, as the sector is among the heaviest polluter (around 15% of the country’s carbon emissions). As a result, the volume of monthly steel output has been falling from a peak of nearly 100 million tonnes in May to 83.2 million in August. Further steel output cuts are expected in 2021 as many of the steelmaking provinces continue lagging with their energy consumption reduction targets.

Furthermore, as China enters into its heating season, the country faces a power shortage in several provinces, prompting electricity rationing to safeguard fuel stocks. Nearly 20 provinces have been curbing power for industrial and, in some cases, residential users, since late August. The combined share of industry value-added in affected provinces is about 17% of China’s GDP, including key manufacturing hubs (Guangdong, Jiangsu, Shandong and Zhejiang), suggesting that temporary closures of factories will weigh on economic growth. Energy-intensive industries were the most affected. Furthermore, flooding in northeast China, which are key coal mining regions, hindered efforts to boost domestic coal production to ease the energy crunch.





















The increase in commodity prices, especially in energy, widened the gap between Chinese producer (9.5% YoY⁵ in August) and consumer prices (0.8% YoY in August) which, in turn, weighed on companies’ profitability. Upstream firms benefitted from higher raw material prices, recording a surge of 183% YoY in profits during the January-August period, but profit growth of mid-to-downstream firms was far smaller in comparison, with some even reporting a decline in profits (agri-food and electricity generation).

Considering the role of China in international trade and in regional supply chains, an economic slowdown would pose significant downside risks to Asian economic activity, but also in other emerging markets in Latin America, Middle East and Africa.

4 The PMI is a high frequency index of the direction of economic trends.

5 Year-over-year

Country Risk Assessment Changes

AREA		Previous Assessment		Current Assessment
ALGERIA		D	➔	C
EGYPT		C	➔	B
HONG KONG		A4	➔	A3
SINGAPORE		A3	➔	A2
SOUTH KOREA		A3	➔	A2
CROATIA		B	➔	A4
CZECHIA		A4	➔	A3
ESTONIA		A3	➔	A2
HUNGARY		A4	➔	A3
LATVIA		A4	➔	A3
LITHUANIA		A4	➔	A3
POLAND		A4	➔	A3
SLOVAKIA		A4	➔	A3
SLOVENIA		A4	➔	A3
ARMENIA		D	➔	C
TURKEY		C	➔	B
NORWAY		A2	➔	A1
ITALY		B	➔	A4
PORTUGAL		A3	➔	A2
SPAIN		A3	➔	A2

BUSINESS DEFAULT RISK

A1

Very Low

A2

Low

A3

Satisfactory

A4

Reasonable

B

Fairly High

C

High

D

Very High

E













Extreme



Upgrade



Downgrade

AREA		Previous Assessment		Current Assessment
BELGIUM		A3		A2
FRANCE		A3		A2
GERMANY		A3		A2
IRELAND		A4		A3
LUXEMBOURG		A2		A1
SWITZERLAND		A2		A1

BUSINESS
DEFAULT
RISK

A1
Very Low

A2
Low

A3
Satisfactory

A4
Reasonable

B
Fairly High

C
High

D
Very High

E
Extreme


Upgrade


Downgrade

Sector Risk Assessment Changes

(Q3 2021)

REGIONAL SECTOR RISK ASSESSMENTS

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

* Information and Communication Technologies
Source: Coface

BUSINESS DEFAULT RISK

-  Low Risk
-  Medium Risk
-  High Risk
-  Very High Risk
-  Upgrade
-  Downgrade

ASIA-PACIFIC

	Asia-Pacific	Australia	China	India	Japan	South Korea
Agri-food	Low Risk	High Risk Upgrade	Low Risk	Low Risk	Low Risk	Low Risk
Automotive	High Risk	High Risk	High Risk	Very High Risk	High Risk	High Risk
Chemical	Low Risk	Low Risk	Low Risk	High Risk	Low Risk	High Risk Upgrade
Construction	Very High Risk	High Risk	Very High Risk	Very High Risk	Low Risk	Very High Risk Upgrade
Energy	High Risk	Low Risk	High Risk	High Risk	High Risk	High Risk
ICT*	Low Risk	Low Risk	Low Risk	High Risk	Low Risk	Low Risk
Metals	Low Risk	High Risk Upgrade	Low Risk	High Risk	High Risk Upgrade	Low Risk
Paper	Low Risk	High Risk	Low Risk	High Risk	High Risk	Low Risk
Pharmaceuticals	Low Risk	Low Risk	Low Risk	Low Risk	Low Risk	Low Risk
Retail	High Risk	High Risk	High Risk	Very High Risk	High Risk	High Risk Upgrade
Textile-Clothing	High Risk	High Risk	High Risk	Very High Risk	High Risk	High Risk
Transport	High Risk	Very High Risk Upgrade	High Risk	High Risk	High Risk	High Risk
Wood	High Risk	High Risk	High Risk	High Risk	Low Risk	Low Risk

* Information and Communication Technologies
Source: Coface

CENTRAL & EASTERN EUROPE

	Central & Eastern Europe	Czechia	Poland	Romania
Agri-food				
Automotive				
Chemical				
Construction				
Energy				
ICT*				
Metals				
Paper				
Pharmaceuticals				
Retail				
Textile-Clothing				
Transport				
Wood				

* Information and Communication Technologies
Source: Coface

LATIN AMERICA

	Latin America	Argentina	Brazil	Chile	Mexico
Agri-food					
Automotive					
Chemical					
Construction					
Energy					
ICT*					
Metals					
Paper					
Pharmaceuticals					
Retail					
Textile-Clothing					
Transport					
Wood					

* Information and Communication Technologies
Source: Coface

BUSINESS DEFAULT RISK



MIDDLE EAST & TURKEY

	M. East & Turkey	Israel	Saudi Arabia	Turkey	UAE
Agri-food					
Automotive					
Chemical					
Construction					
Energy					
ICT*					
Metals					
Paper					
Pharmaceuticals					
Retail					
Textile-Clothing					
Transport					
Wood					

* Information and Communication Technologies
Source: Coface

NORTH AMERICA

BUSINESS
DEFAULT
RISK

- Low Risk
- Medium Risk
- High Risk
- Very High Risk
- Upgrade
- Downgrade

	North America	Canada	United States
Agri-food			
Automotive			
Chemical			
Construction			
Energy			
ICT*			
Metals			
Paper			
Pharmaceuticals			
Retail			
Textile-Clothing			
Transport			
Wood			



* Information and Communication Technologies
Source: Coface

WESTERN EUROPE

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

* Information and Communication Technologies
Source: Coface

BUSINESS
DEFAULT
RISK

-  Low Risk
-  Medium Risk
-  High Risk
-  Very High Risk
-  Upgrade
-  Downgrade

OTHER COUNTRIES

	Russia	South Africa
Agri-food		
Automotive		
Chemical		
Construction		
Energy		
ICT*		
Metals		
Paper		
Pharmaceuticals		
Retail		
Textile-Clothing		
Transport		
Wood		

* Information and Communication Technologies
Source: Coface

BUSINESS
DEFAULT
RISK

- Low Risk
- Medium Risk
- High Risk
- Very High Risk
- Upgrade
- Downgrade



Decoding the
WORLD ECONOMY
3rd quarter 2021

coface
FOR TRADE

Find all our publications
on www.coface.com

Follow us on  

162 COUNTRIES UNDER THE MAGNIFYING GLASS

A UNIQUE METHODOLOGY

- Macroeconomic expertise in assessing country risk
- Comprehension of the business environment
- Microeconomic data collected over 70 years of payment experience

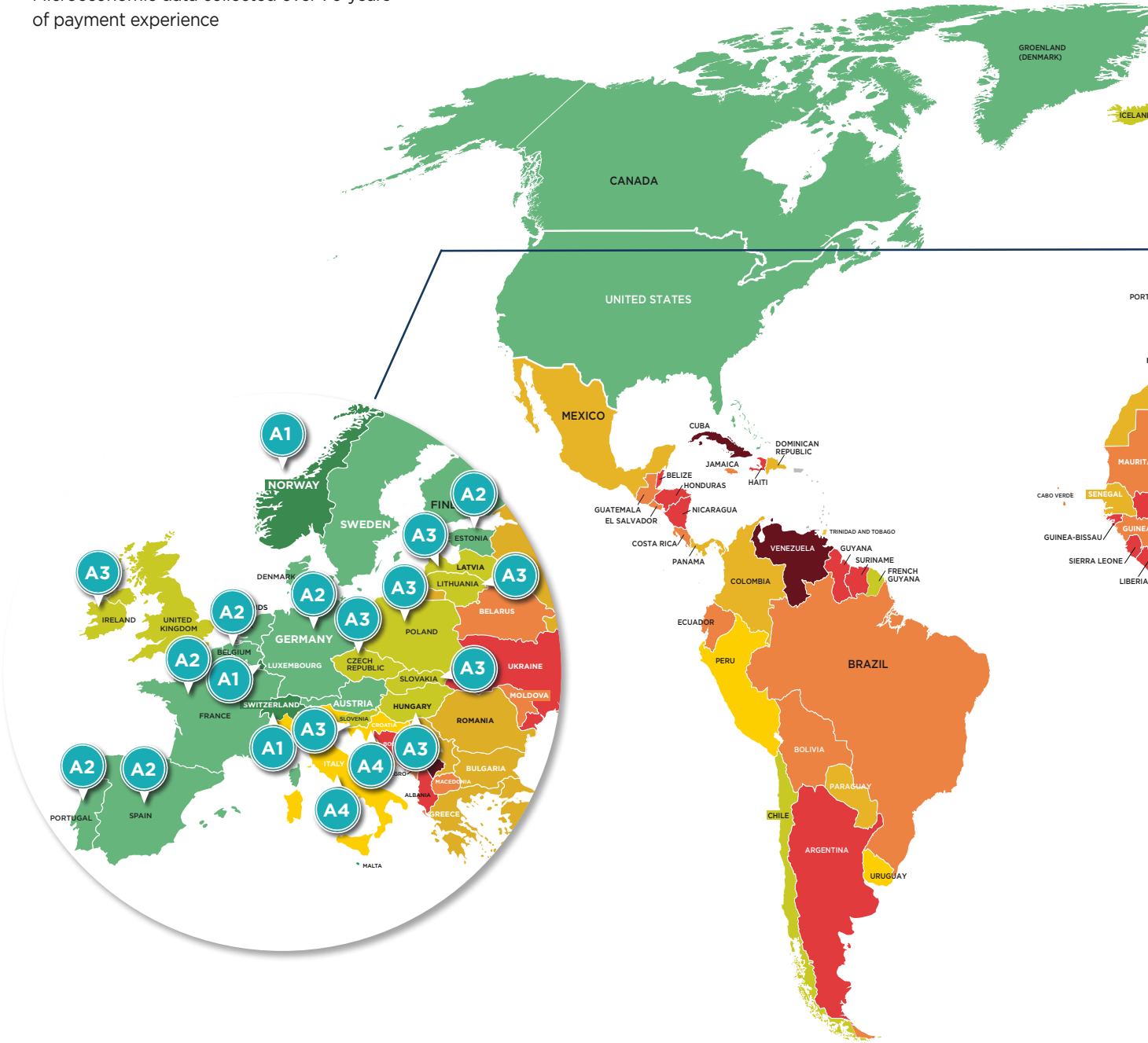
BUSINESS DEFAULTING RISK



UPGRADES



DOWNGRADES



SECTOR RISK ASSESSMENTS

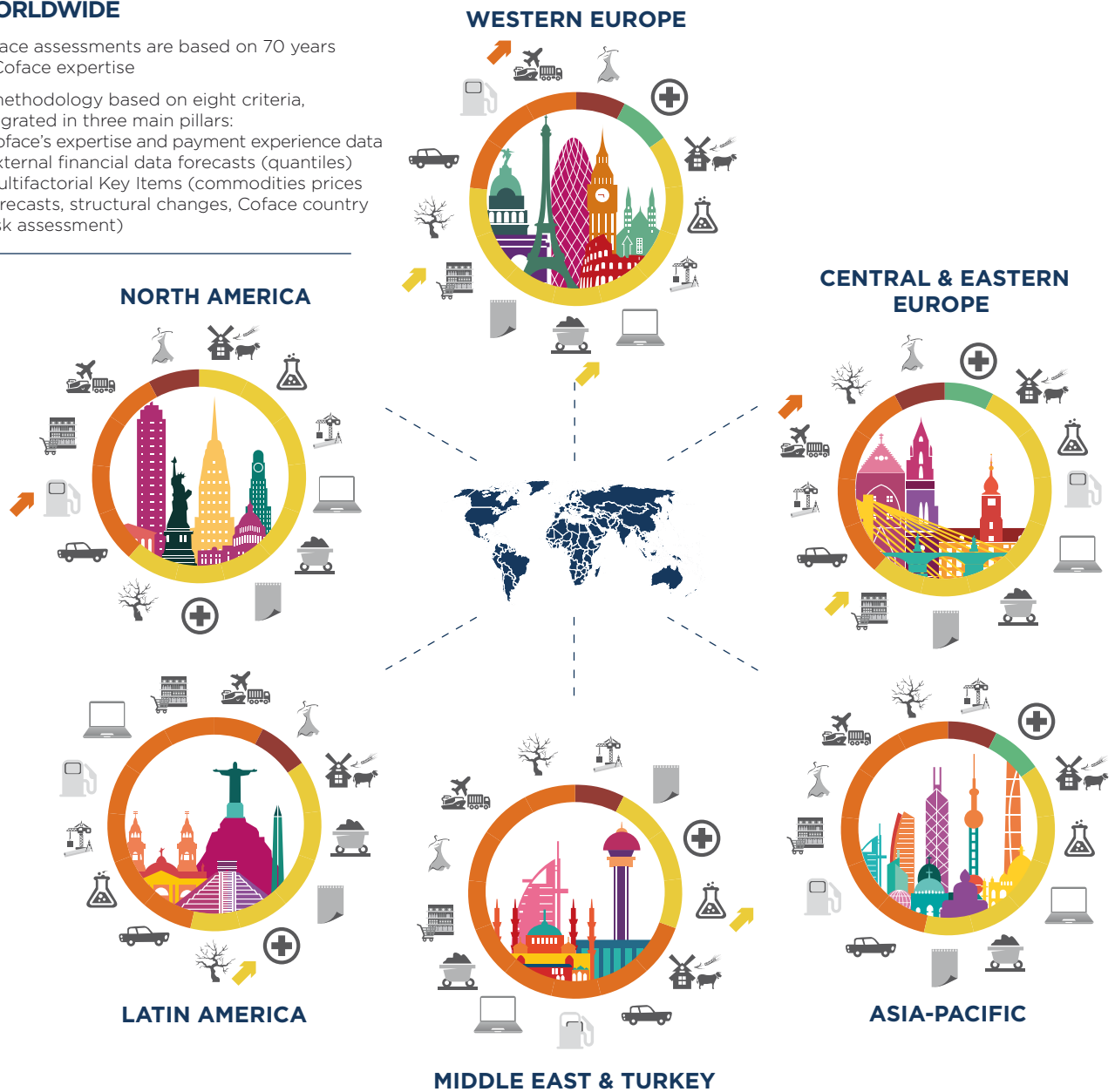
3rd quarter 2021

13 MAJOR SECTORS ASSESSED WORLDWIDE

Coface assessments are based on 70 years of Coface expertise

A methodology based on eight criteria, integrated in three main pillars:

- Coface's expertise and payment experience data
- External financial data forecasts (quantiles)
- Multifactorial Key Items (commodities prices forecasts, structural changes, Coface country risk assessment)



agri-food	ICT*	textile-clothing
automotive	metals	transport
chemical	paper	wood
construction	pharmaceuticals	
energy	retail	

* Information and Communication Technologies



COFACE GROUP ECONOMISTS

Sarah N'Sondé
Head of Sector Analysis
Paris, France

Bruno De Moura Fernandes
Economist, UK, France,
Spain, Portugal Belgium,
Switzerland and Ireland
Madrid, Spain

Bernard Aw
Economist, Asia-Pacific
Singapore

Christiane von Berg
Economist,
Northern Europe
Mainz, Germany

Dominique Fruchter
Economist, Africa
Paris, France

Erwan Madelénat
Sector Economist and
Data Scientist
Paris, France

Grzegorz Sielewicz
Economist, Central &
Eastern Europe
Warsaw, Poland

Khalid Aït-Yahia
Sector Economist and
Statistician
Paris, France

Marcos Carias
Economist, Southern
Europe
Paris, France

Patricia Krause
Economist, Latin America
São Paulo, Brazil

Ruben Nizard
Economist, North America
Toronto, Canada

Seltem Iyigun
Economist, Middle East
& Turkey
Istanbul, Turkey

With the help of **Aroni Chaudhuri**
Coordinator & Junior Economist
Paris, France

DISCLAIMER

This document reflects the opinion of Coface's Economic Research Department, as of the date of its preparation and based on the information available; it may be modified at any time. The information, analyses and opinions contained herein have been prepared on the basis of multiple sources considered reliable and serious; however, Coface does not guarantee the accuracy, completeness or reality of the data contained in this document. The information, analyses and opinions are provided for information purposes only and are intended to supplement the information otherwise available to the reader. Coface publishes this document in good faith and on the basis of an obligation of means (understood to be reasonable commercial means) as to the accuracy, completeness and reality of the data. Coface shall not be liable for any damage (direct or indirect) or loss of any kind suffered by the reader as a result of the reader's use of the information, analyses and opinions. The reader is therefore solely responsible for the decisions and consequences of the decisions he or she makes on the basis of this document. This document and the analyses and opinions expressed herein are the exclusive property of Coface; the reader is authorised to consult or reproduce them for internal use only, provided that they are clearly marked with the name "Coface", that this paragraph is reproduced and that the data is not altered or modified. Any use, extraction, reproduction for public or commercial use is prohibited without Coface's prior consent. The reader is invited to refer to the legal notices on Coface's website: <https://www.coface.com/Home/General-informations/Legal-Notice>.

COFACE SA

1, place Costes et Bellonte
92270 Bois-Colombes
France

www.coface.com

coface
FOR TRADE