COFACE ECONOMIC PUBLICATIONS

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BAROMETER COUNTRY AND SECTOR RISKS BAROMETER - Q2 2022

By the Coface Economic Research team, in collaboration with Institut français des relations internationales (IFRI)

A recession to avoid stagflation? The world economy at a crossroads

Four months after the start of hostilities in Ukraine, some initial lessons can be drawn: the conflict, which is set to last, has already upset the global geo-economic balance, triggering new tectonic movements whose repercussions are still difficult to discern and circumscribe - let alone quantify. In the short-term, the war is exacerbating tensions in a production system already severely damaged by two years of pandemic and heightening the risk of a hard landing for the world economy. While the latter was seemingly under the threat of stagflation a few weeks ago, the change in tone of the main central banks, faced with a continuous acceleration of inflation, has resurrected the prospect of a recession - particularly in the advanced economies.

Although the extremely high volatility observed in March/April has given way to a relative stabilisation of commodity prices, the latter are still very high, in particular for food and energy, and will probably remain so until global economic growth slows down significantly. The room for manoeuvre on the supply side is increasingly narrow, as export restrictions on food products accumulate, while Western sanctions and Russian counter-sanctions now target all forms of energy supply. A sustained or enhanced transmission of input price increases to the prices of goods and services (which is still in its infancy in some countries/ sectors) seems inevitable, especially as wage pressures will intensify. In other words, the risk of stagflation has grown considerably, and the first signals can already be observed.

Accordingly, the ECB has gradually tightened its stance, following in the footsteps of the U.S. Federal Reserve and the Bank of England, to the point of pre-announcing its future rate hikes for the year-end. Like the other major central banks (excl. Bank of Japan), the ECB has no other choice, within the strict framework of its mandate, than to tighten its guard significantly, despite the fact that this could trigger a brutal slowdown in activity and rekindle fears of a fresh European sovereign crisis. That being said, the ECB immediately proceeded to dispel these fears by reaffirming its intention to avoid any excessive fragmentation of the financial markets.

Nonetheless, our central scenario does not assume these extreme developments: economic activity is expected to decelerate gradually, dragging consumer prices down with it. While a soft landing for the global economy is still possible, albeit much more at risk compared with the beginning of the year: the ridge that could avoid both recession and stagflation is getting narrower and the necessity to trigger the former to avoid the latter is growing. The price to be paid, in the event of failure, will be particularly high, as the policy mix would become particularly unclear and destabilising, between monetary austerity and budgetary compensation. One can fear that by trying to avoid one at the cost of the other, we might end up with both.

In this complex environment, we downgraded 19 countries, including 16 in Europe - Germany, France, the United Kingdom and Spain in particular - and upgraded only 2 - Brazil and Angola. Regarding sectors, the 76 downgrades of this quarter, against 9 upgrades, highlight the progressive spread of these shocks across all sectors, both energy-intensive (petrochemicals, metals, paper, etc.) and those more directly linked to the credit cycle (construction). As the horizon continues to darken, the risks are bearish and no scenario can be completely ruled out.

Introduction by IFRI: The return of war and the growing polarisation of international relations

While the war in Ukraine is becoming a long-term issue, as are its effects on strategic balances and international trade, another crisis theatre is raising serious concerns: the Taiwan Strait. Washington is strengthening its relations with the island, and its military support in the event of a Chinese offensive is now beyond doubt. Beijing, for its part, is maintaining the pressure and vigorously reaffirming its determination to respond to any provocation and to fight militarily against any attempts at independence, "whatever the cost". The war in Ukraine and the tensions surrounding Taiwan reinforce the ideological divide between democracies and autocracies, and accelerate the technological decoupling between these two poles.

The Russian economy is showing some resilience given the severity of the sanctions. Not only are they unlikely to be lifted or eased, but they probably have not peaked yet. The Russian army, which proved to be highly disorganised and suffered numerous setbacks at the beginning of the conflict, is managing to gain ground against Ukrainian forces that are now entirely dependent on Western weapons supplies. Given the state of the balance of power after four months of conflict, any kind of peace process seems out of reach in the short-term. Gradually, and despite heavy losses, Russia will continue to seize territories, where it will organise referendums on independence. The long-term goal is to turn Ukraine into a failed state, and ultimately subdue Kyiv.

In the United States, the return of high inflation threatens the future of the Biden administration, which could lose both houses of Congress in the 8 November elections. However, this should not upset the U.S. President's foreign policy, which is based on a solid bipartisan consensus. The war in Ukraine also provides an opportunity to strengthen NATO and transatlantic relations more broadly. The Biden administration is demonstrating that it is not shying away from its Indo-Pacific strategy or its desire to contain China, notably by consolidating its network of alliances in the region (QUAD, AUKUS), and by trying to hinder the development of Chinese technologies and their deployment around the world.

For China, the war in Ukraine is a major uncertainty for the international order and for trade, but remains secondary to the current, more pressing domestic challenges. The new draconian lockdowns from March onwards have hit the economy hard in an extremely sensitive political context, a few months ahead of the 20th Communist Party Congress in the autumn, which is expected to see Xi Jinping re-elected for a third term. Xi's political future should not be threatened, however, rising social tensions (linked to the "zero-Covid" policy and the deteriorating economic outlook), as well as the volatile international context and the rivalry with the U.S., could aggravate the trend of radicalization of power and its unpredictability.

The slowdown in activity is becoming clearer

The risk of stagflation - a regime of low growth combined with high inflation - mentioned in our two previous Focuses (March[1] and May[2] 2022) appears to be materialising, as the global economy is bending but not breaking (yet), while inflation continues to increase.

Growth figures for the first quarter were thus below expectations in most developed economies. For the second consecutive quarter, GDP in the Eurozone grew only marginally (+0.3% QoQ, after +2.2% in Q2 and Q3 2021), with a decline of 0.2% in France - the economy that had, until now, recovered the most from the effects of the pandemic. This was due to a substantial drop in household consumption against a backdrop of declining

1 Coface Focus: Economic consequences of the Russia-Ukraine conflict: Stagflation ahead. March 7, 2022. URL: https://www.coface.com/News-Publications/Publications/Russia-Ukraine-conflict-Stagflation-ahead

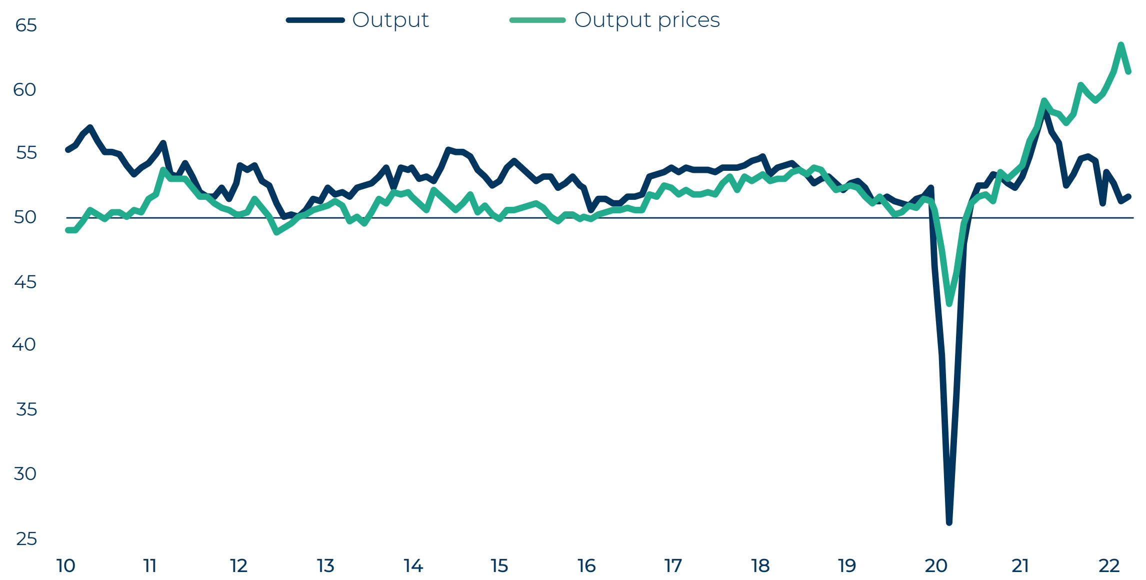
2 Coface Focus: War in Ukraine: many (big) losers, few (real) winners. May 3, 2022. URL: https://www.coface.com/News-Publications/Publications/War-in-Ukraine-Many-big-losers-few-real-winners

purchasing power caused by accelerating inflation, now at its highest in several decades. Despite the good performance of household spending, activity also declined in the United States (-1.5% QoQ annualised), hampered by foreign trade and the difficulties experienced by the manufacturing sector in replenishing its inventories, in a context of major disruptions in value chains.

These growth figures are all the more worrying as the economic consequences of the war in Ukraine, notably the surge in commodity prices (gas, oil, coal, metals, cereals and fertilisers), have just started to bite, as the first two months of the year were marked by the post-Omicron rebound. Moreover, although the COVID-19 wave in China now seems under control, its repercussions will continue to be felt over the next weeks, insofar as the restrictions implemented between mid-March and end-May in many economic hubs, such as Shanghai or Shenzhen, have led to a further aggravation of the tensions on global supply chains. Regardless, the determination of the Chinese authorities to implement their zero-COVID policy will continue to threaten additional lockdowns in the coming months - encouraging firms to (over)stockpile, maintaining bottlenecks in the process. Considering the sharp acceleration in inflation around the world, the deterioration in agents' expectations and the accelerated tightening of global financial conditions, second quarter activity data are not looking much better in the advanced economies, and considerably less favourable in the emerging economies.

While it is perhaps too early to confirm that the global economy has entered a stagflationary regime - a prolonged period of low growth and high inflation - the signals in recent months are largely consistent with this view. Beyond the hard data, purchasing managers' survey data (PMI) indicate an unprecedented decoupling of the outlook for prices and activity over the coming months **(Chart 1)**.

Chart 1:
Global Composite PMI - Production and Price Outlook (above/below 50 = increase/decrease)



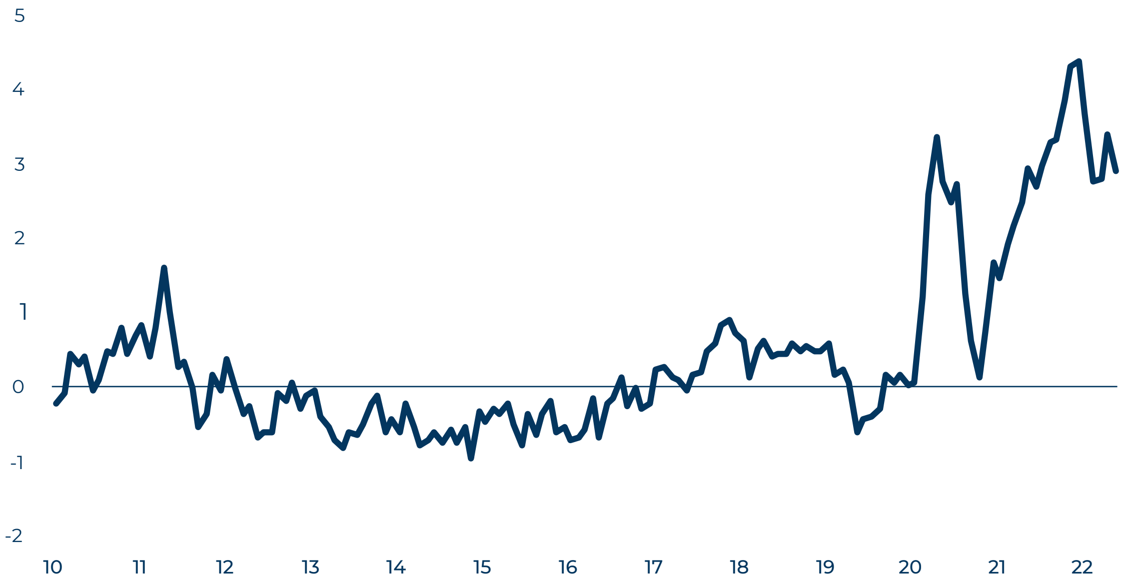
Sources : S&P Global, Refinitiv Datastream, Coface

The high number of downgrades in sector risk assessments this quarter (76) highlights the deterioration of the economic environment **(see p. 11 for the table of sector assessments)**. The war in Ukraine is a further blow to value chains, which have been under strain from the disruptions caused by the COVID-19 pandemic for two years **(Chart 2)**. Despite a slight improvement, these tensions remain historically high. Moreover, PMI survey data by sector illustrate that they affect a wide range of industries **(Chart 3)**.

Commodity price pressures are settling in

Although commodity prices have been relatively stable in recent weeks, after extreme volatility in March and April, they remain at very high levels, except for metals prices (for which demand fell sharply during the COVID-19 wave in China), which could increase again if health restrictions are significantly/lastingly eased. Despite the slowdown in Chinese demand, oil prices have not fallen below USD 98 per barrel since the beginning of the war, as fears of a potential supply shortage in the market have remained significant. These concerns were heightened by the confirmation, after weeks of negotiations, of an EU embargo on Russian seaborne oil **(Box 1)**. The announcement by the OPEC+ coalition[3], three days later, of a faster than expected increase in production did not dispel these fears, keeping the price of oil around USD 120 per barrel. The group announced that it would increase its production by 648,000 barrels per day in July and August (50% more than anticipated). However, the news brought no relief to oil prices, as the increase in the target was spread across all OPEC+ members, many of which have little room to increase production, most notably... Russia. Moreover, this agreement means that spare capacities will be reduced to low levels. Therefore, despite the projected production increases outside the OPEC+ coalition (United States, Brazil, Canada, Guyana, etc.), and even if demand slows down in the coming months, supply tensions should maintain prices high.

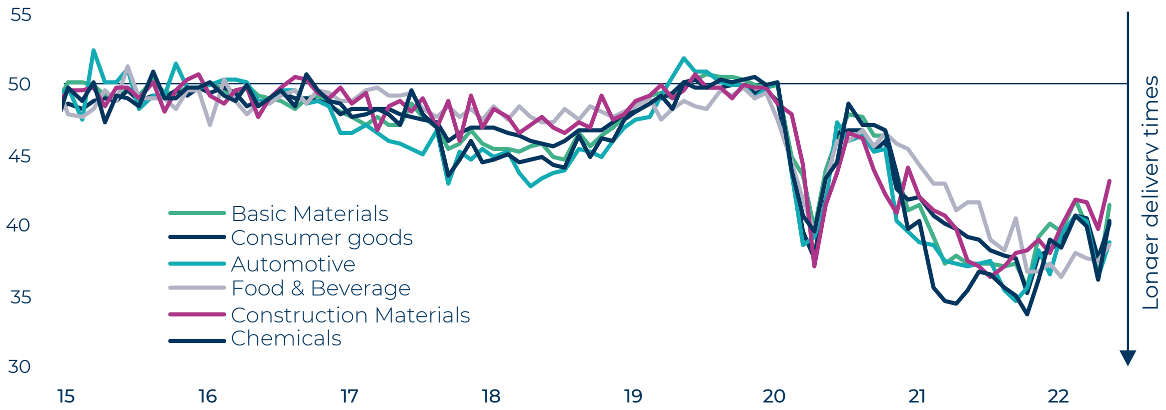
Chart 2::
Global Supply Chain Pressure Index (normalised)



Sources : New York Federal Reserve, Refinitiv Datastream, Coface

3 Organisation of the Petroleum Exporting Countries and 10 allies (including Russia)

Chart 3:
Global PMI index in selected key sectors, delivery times



Sources : S&P Global, Refinitiv Datastream, Coface

Box 1 :

EUROPE AT THE HEART OF THE ENERGY CRISIS, BY IFRI

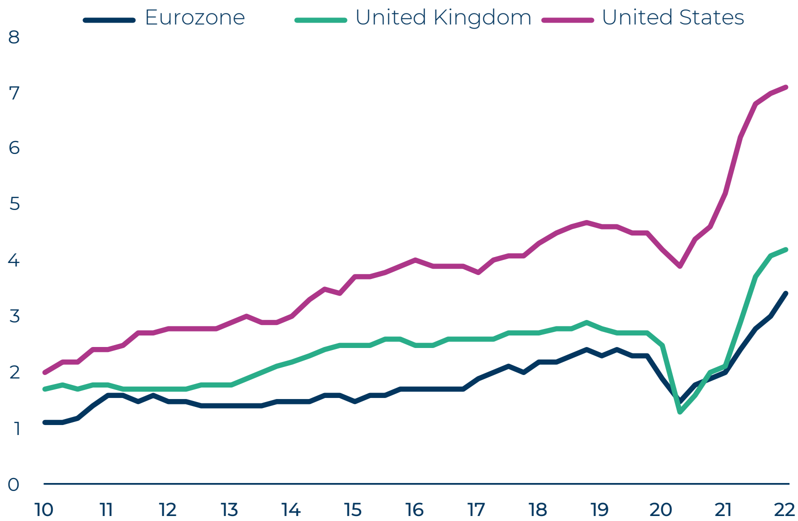
Europe is now slipping from a situation of multiple energy price crises to heightened physical tensions over oil, gas and metals supplies. Russia is engaged in a tug of war over military, societal and economic resilience with Europe and believes it can win by attrition. For Europeans, high prices will become entrenched over time, household purchasing power and business competitiveness are weakened and the next few months will be even harder. The brutal decoupling from Russia is irreversible.
The solutions are twofold and must remain coherent: in the short-term, diversifying supplies in the emergency, reducing demand and carrying out targeted social transfers, and in the medium-term, accelerating the energy transition and mobilising low-carbon technologies, the only real asset for Europeans. For the time being, the European Union (EU) is the champion of ambitions (Climate Law, Fit for 55 package, RePowerEU: raising the targets for renewable energy, energy efficiency, hydrogen, clean mobility, carbon taxation, etc.). However, funding is limited, approaches are becoming fragmented, national withdrawal and the easing of constraints are gaining ground, the industrial strategy has its limits, the electricity market needs to be adjusted, none of the large Member States can claim leadership, and some transition tools (ETS, nuclear) are being questioned. If this mobilisation fails, the EU may lose part of its energy-intensive industries and be forced to import the technologies it needs, in addition to LNG and oil, keeping in mind that acceleration costs are soaring. Ultimately, Europe would weaken dangerously. The next months will be decisive, as the third anniversary of the Green Deal approaches.

This context will be favourable to commodity exporters, and more particularly of oil. The only two country risk upgrades carried out this quarter concern Brazil and Angola. Moreover, more than half of the 9 sector risk upgrades concern the energy sectors of producing countries (United States, Canada, Brazil, Saudi Arabia, United Arab Emirates). Conversely, energy sectors in countries where companies are located downstream in the production chain, mainly in Europe, were downgraded. Similarly, industries whose value chains are energy-intensive in their production processes accounted for the largest number of downgrades this quarter. These

include, in particular, paper, chemicals, metals, and agri-food. The latter is one of the sectors with the highest number of downgrades this quarter, and almost all regions are affected. In addition to being an energy-intensive sector, it is also heavily affected by the consequences of the war in Ukraine[4] on food security.

Given the current high degree of uncertainty, many governments, fearing for the food security of their populations, have introduced protectionist measures. This was reflected, for instance, in the decision by India, the world's second-largest wheat producer, to ban the export of all types of wheat on 13 May 2022, as the harvest was hit by an unusual heat wave. In addition, there are also restrictions on exports of sugar, of which India is the world's second largest producer (after Brazil) and one of the largest exporters (7 million tonnes of sugar in FY 2021-22). India is not an isolated case: China, Turkey, Argentina, Indonesia, Malaysia and Kazakhstan have also implemented restrictions on the export of certain food products in order to ensure adequate supply for their own populations. However, the proliferation of such decisions is fuelling tensions on food prices and, therefore, risks to global food security.

Chart 4:
Vacancy rates



Sources : Refinitiv Datastream, Coface

In this environment of persistently high commodity prices, it is likely that companies, which had started to pass on (but not fully) the increase in their production costs to their sales prices, will continue to do so. Thus, even if commodity prices were to stabilise - a scenario highly uncertain in the current context - present levels will continue to feed the rise in consumer prices over the coming months, particularly in sectors with significant pricing power. This is notably the case in the pharmaceuticals sector, where a small number of companies dominate the global market. Moreover, medicines remain vital goods, the demand for which is relatively inelastic to prices. Already identified and anticipated as one of the most resilient, it is the only sector with "low risk" assessments in our barometer this quarter (Asia-Pacific and Europe).

Finally, the sustainability of inflationary pressures will be determined by potential second-round effects, where inflation leads to wage increases, which in turn fuel higher costs for businesses and, ultimately, further price increases. The likelihood of such a scenario is particularly high given the tightness of labour markets in many countries, with record vacancy rates in the UK, the Eurozone and, above all, the U.S. **(Chart 4)**, where average hourly earnings have risen by 5.2% year-on-year. Nevertheless, the trend over the past three months indicates a moderation in wage increases, despite inflation being at its highest for 40 years, suggesting that the price-wage loop has not (yet?) fully set in.

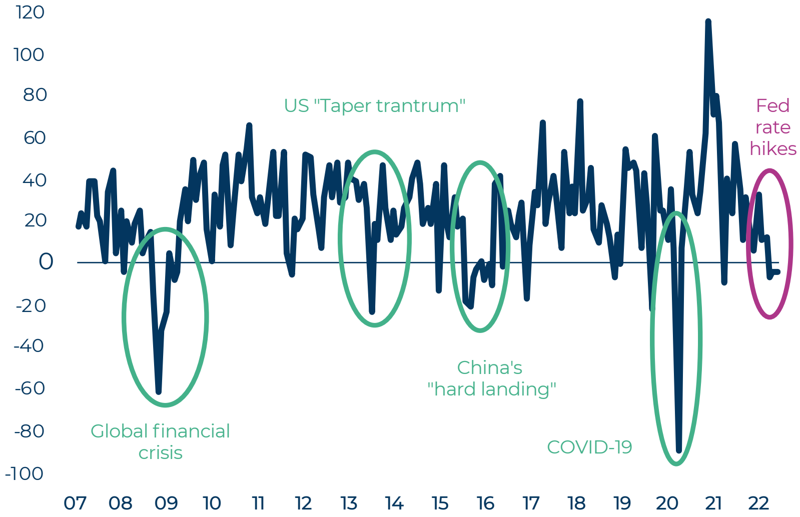
Central banks are slamming on the brakes

Faced with a growing risk of de-anchoring of inflation expectations, central banks are forced to react and tighten their monetary policy, notably by increasing their key rates. While the Bank of England (BoE) was the first to act last December, the U.S. Federal Reserve (Fed) has warned of a particularly aggressive and rapid tightening, leading, as always in these instances,

4 See Coface Focus Medium and long-term knock-on effects of the war in Europe on global sectors trends: will there be resilient sectors? By the economists of Coface's Economic Research Department, May 2022.
URL: https://www.coface.com/News-Publications/Publications/Medium-and-long-term-knock-on-effects-of-the-war-in-Europe-on-global-sectors-trends-will-there-be-resilient-sectors

to capital outflows in emerging economies **(Chart 5)** and an appreciation of the USD against most other currencies **(Chart 6).** Since March, the Fed has raised its policy rate by 150 basis points (bps), including a 75 bp increase on 15 June, the largest in almost three decades. A further increase of at least 50 bp seems guaranteed at its July policy meeting, confirming the fastest pace of tightening since the mid-1990s. The Fed also initiated the process of reducing its balance sheet on 1 June 2022, which had doubled in size with the asset purchase programmes implemented in response to COVID-19.

Chart 5:
Net portfolio inflows to 36 emerging economies (USD billion)



Sources : IIF, Coface

Chart 6:
USD nominal effective exchange rate (DXY)

Sources : Refinitiv Datastream, Coface

In order to limit capital flight, almost all emerging economies' central banks raised rates in May and June, ranging from 50 bp in Mexico to 200 bp in Egypt. In Latin America, the monetary authorities of Argentina (+200 bp), Chile (+200 bp) and Brazil (+150bp) continued their monetary tightening. In India, the central bank raised its rate by 90 bp. In Africa, the two largest economies, Nigeria (+150 bp) and South Africa (+50 bp), also hiked their interest rates. In Europe, outside the Eurozone, Poland and Hungary raised rates by 150 and 50 bp.

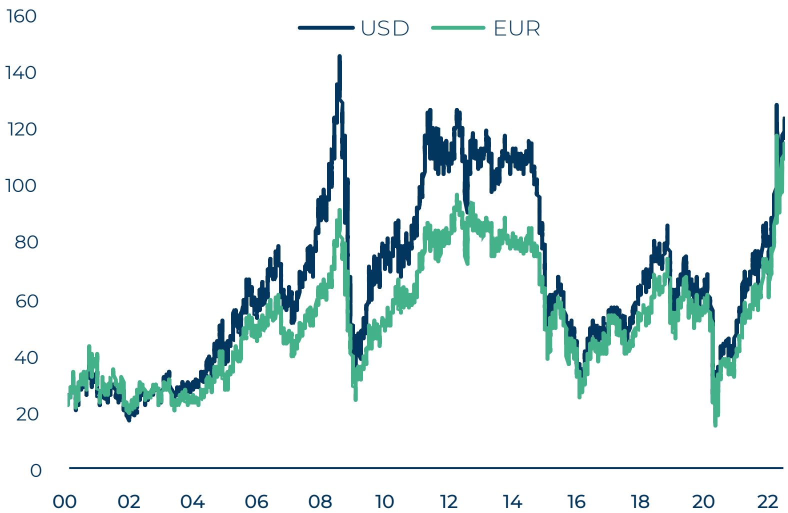
In this context, three emerging economies have pursued countercurrent monetary policies in recent weeks. For one, as the rouble has more than corrected its initial collapse, Russia's central bank has cut its policy rate sharply from 20% to 9.5%, after more than doubling it at the start of the invasion and the first Western sanctions. For its part, Turkey has kept its extremely accommodative monetary policy unchanged since the beginning of the year, despite galloping inflation that reached 73.5% in May (compared to 36% in December 2021). Finally, the Chinese monetary authorities have kept most of their benchmark rates unchanged in recent months, and even lowered the five-year loan prime rate (LPR) on 19 May to support growth. As the restrictions linked to the pandemic strongly affected activity throughout the second quarter, the authorities also extended and increased fiscal support measures at the end of May, with the aim of moving closer to the official growth target of 5.5% in 2022, which, however, seems out of reach.

Moreover, since the vast majority of commodities are denominated in dollars, the appreciation of the U.S. currency further increases the bill for commodity importing countries. This is particularly the case for Eurozone countries, which are facing imported

inflation exacerbated by a remarkably weak euro, lifting the price of a barrel of Brent to over EUR 110, nearly 30% above the levels observed during the previous oil price spikes in 2008 and 2012 **(Chart 7)**. In British pound terms, the increase is over 30% compared to the 2008 peak.

In this context of high inflation, the central banks of advanced economies have no other option than to tighten their monetary policy, and even the European Central Bank (ECB) should finally raise its deposit rate in July

Chart 7:
Brent crude oil price in USD and EUR



Sources : Refinitiv Datastream, Coface

and then in September, to 0.25% (from the current -0.5%). The Bank of England, for its part, announced that it would continue to normalise its monetary policy despite the explicit probability of a recession in the coming quarters. In Sweden, Norway, South Korea, Australia, New Zealand, Canada and Israel, the monetary authorities are also tightening policy.

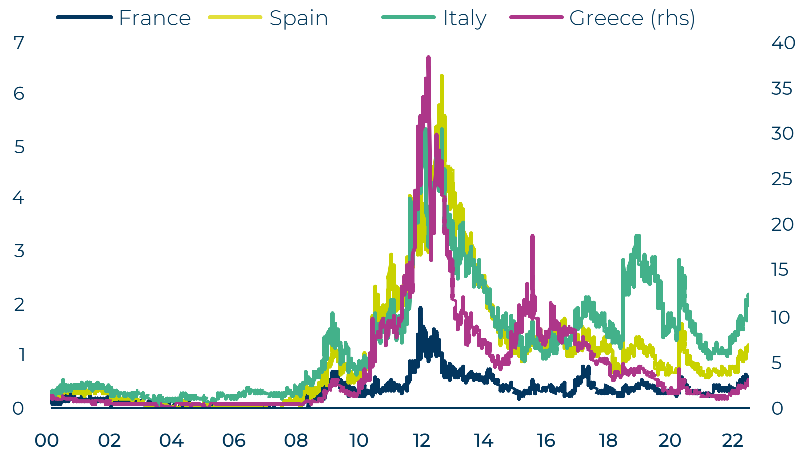
The clouds are gathering for 2023

Coface has downgraded the country risk assessment of 16 countries on the European continent, including all the major economies - with the exception of Italy, which was already rated at A4, the highest risk level in Western Europe.

In an environment characterised by tightening credit conditions, the construction sector appears as one of the most vulnerable. Therefore, it is affected by a large number of downgrades, particularly in Central and Eastern Europe, but also in Western Europe and North America. It is now considered “high” or “very high” risk in all regions. Rising borrowing costs are expected to affect the housing market and, ultimately, construction activity. This has started in the U.S. where housing sales are declining rapidly. After the very strong recovery recorded over the last two years, rising mortgage rates (+200 bp since the beginning of the year) and housing prices (+20% year-on-year) are cooling demand. In the U.S., as in the rest of the world, the sector is also facing rising input costs, especially for lumber, which remains high.

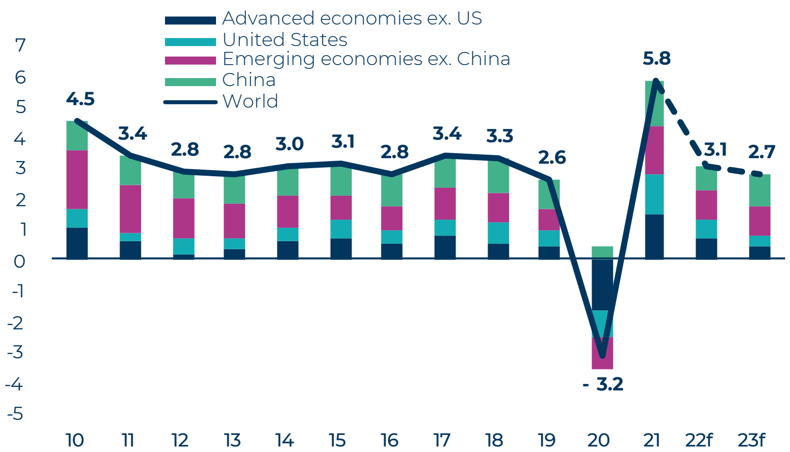
While most governments have been quick to implement measures to support households and, to a lesser extent, businesses in recent months, persistently high public deficits are already prompting questions about the sustainability of public finances in some countries in an environment of rising interest rates. This is particularly true in the Eurozone, where the effects of the ECB’s cessation of net bond purchases and the onset of rising interest rates will combine. Even before this change in monetary policy stance materialises, this simple prospect has led to a rise in borrowing rates for all the countries in the zone and, above all, to an increase in the spread between the country with the most favourable financing conditions, Germany, and the others. Signalling that the market discrimination mechanism has already

Chart 8:
Spreads against the German borrowing rate (%)



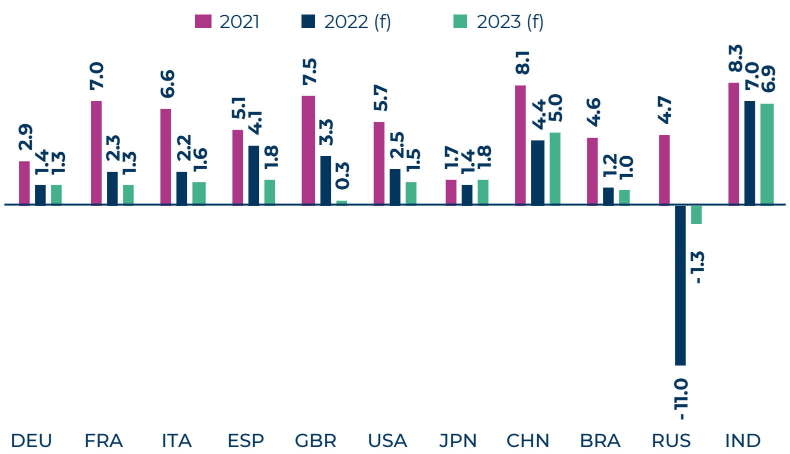
Sources :Refinitiv Datastream, Coface

Chart 9:
World GDP growth (annual average, %)



Sources : IMF, National statistical institutes, Refinitiv Datastream, Coface forecasts

Chart 10:
GDP growth (selected countries, annual average, %)



Sources : IMF, National statistical institutes, Refinitiv Datastream, Coface forecasts

begun to take hold, as is usually the case in times of crisis when risk aversion is higher, the spreads of Italy and Greece, the most indebted countries in the Eurozone, have risen much faster than that of the other members **(Chart 8)**. In order to ease these tensions, the ECB announced that it would not hesitate to redirect its maturing investments into the bonds of distressed countries to bring down their borrowing rates if necessary and that it was working on a new "anti-fragmentation" tool. However, despite the authorities' efforts to achieve a soft landing, no scenario can be ruled out in a global economy where risks are mounting - even if the situation is not the same as it was ten years ago (notably the rebalancing of external accounts).

Our central scenario suggests a significant slowdown in activity over the next 18 months, allowing inflation to decelerate very (too?) gradually. Our growth forecasts are particularly poor for the advanced economies **(Charts 9 and 10)**: excluding 2020, the year of the pandemic-related recession, they would record their lowest growth rate in 10 years. There are many downside risks for the global economy, while the upside risk to inflation remains. To curb inflation, central banks now seem tempted to push the economy into a recession, which they hope will be milder than if prices continue to slide, forcing them to implement a more violent monetary shock later. The risk, which cannot be ruled out, would be that demand would fall and inflation would remain high, due to commodity prices that would struggle to ease because of chronic supply shortages. This is particularly relevant given that many governments have announced that they will continue to subsidise energy spending (through tax cuts or rebates), thereby thwarting the adjustment of demand.

Country Risk Assessment Changes

AREA	Previous Assessment		Current Assessment
ANGOLA	D	↗	C
BRASIL	C	↗	B
AUSTRIA	A2	↘	A3
BELGIUM	A2	↘	A3
CZECH REP.	A3	↘	A4
ESTONIA	A2	↘	A3
FRANCE	A2	↘	A3
GERMANY	A2	↘	A3
HUNGARY	A3	↘	A4
IRELAND	A3	↘	A4
KAZAKHSTAN	B	↘	C
LATVIA	A3	↘	A4
LITHUANIA	A3	↘	A4
POLAND	A3	↘	A4
PORTUGAL	A2	↘	A3
RWANDA	A4	↘	B
SERBIA	B	↘	C
SLOVAKIA	A3	↘	A4
SPAIN	A2	↘	A3
UNITED KINGDOM	A3	↘	A4
UZBEKISTAN	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

Sector Risk
Assessment Changes
(Q2 2022)

REGIONAL SECTOR RISK ASSESSMENTS

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

* Information and Communication Technologies
Source: Coface

ASIA-PACIFIC

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

LATIN AMERICA

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

** Information and Communication Technologies*
Source: Coface

MIDDLE EAST & TURKEY

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

* Information and Communication Technologies
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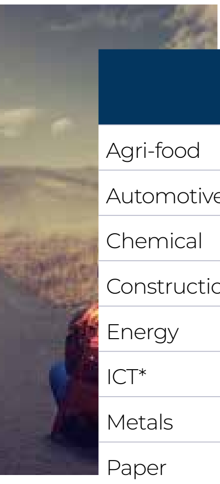
NORTH AMERICA

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

* Information and Communication Technologies
Source: Coface

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 ↘ High	Medium ↘ High	Medium ↘ High	Medium ↘ High	Medium ↘ High	Medium	Medium ↘ High	Medium ↘ High	Medium ↘ High
Automotive	High	High	High	High	Very High	High	High	High	Very High
Chemical	Medium ↘ High	Medium ↘ High	Medium ↘ High	Low ↘ High	Medium ↘ High	Low ↘ Medium	Medium ↘ High	Low ↘ Medium	Medium ↘ High
Construction	Medium ↘ High	Medium ↘ High	Medium ↘ High	Medium ↘ High	Medium ↘ High	Low ↘ Medium	Medium ↘ High	Medium	High ↘ Very High
Energy	High	Medium ↘ High	Medium ↘ High	High	High	High	High ↘ Very High	Medium	High
ICT*	Medium	Medium	Medium	Medium	Low ↘ Medium	Medium	Medium	Medium	Medium
Metals	Medium ↘ High	Medium ↘ High	Medium ↘ High	Medium ↘ High	High	Medium	Medium ↘ High	Medium ↘ High	Medium ↘ High
Paper	Medium ↘ High	Medium	Medium ↘ High	Medium	Medium ↘ High	Medium	Medium ↘ High	High	High
Pharmaceuticals	Low	Low	Low	Low	Low	Low	Low	Low	Low
Retail	Medium ↘ High	Medium	Medium ↘ High	High	Medium ↘ High	Medium ↘ High	Medium ↘ High	Medium	High
Textile-Clothing	Very High	High	Very High	Very High	Very High	High	Very High	Very High	Very High
Transport	High ↘ Very High	High	High	High ↘ Very High	High	High	Very High	High	Very High
Wood	Medium	Medium	Medium	Medium	Medium	Medium	Medium ↘ High	Medium	Medium ↘ High

* Information and Communication Technologies
Source: Coface

OTHER COUNTRIES

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

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BUSINESS DEFAULT RISK
- Low Risk
- Medium Risk
- High Risk
- Very High Risk
- ↗ Upgrade
- ↘ Downgrade

Decoding the WORLD ECONOMY

2nd quarter 2022

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162 LANDEN ONDER DE LOEP GENOMEN

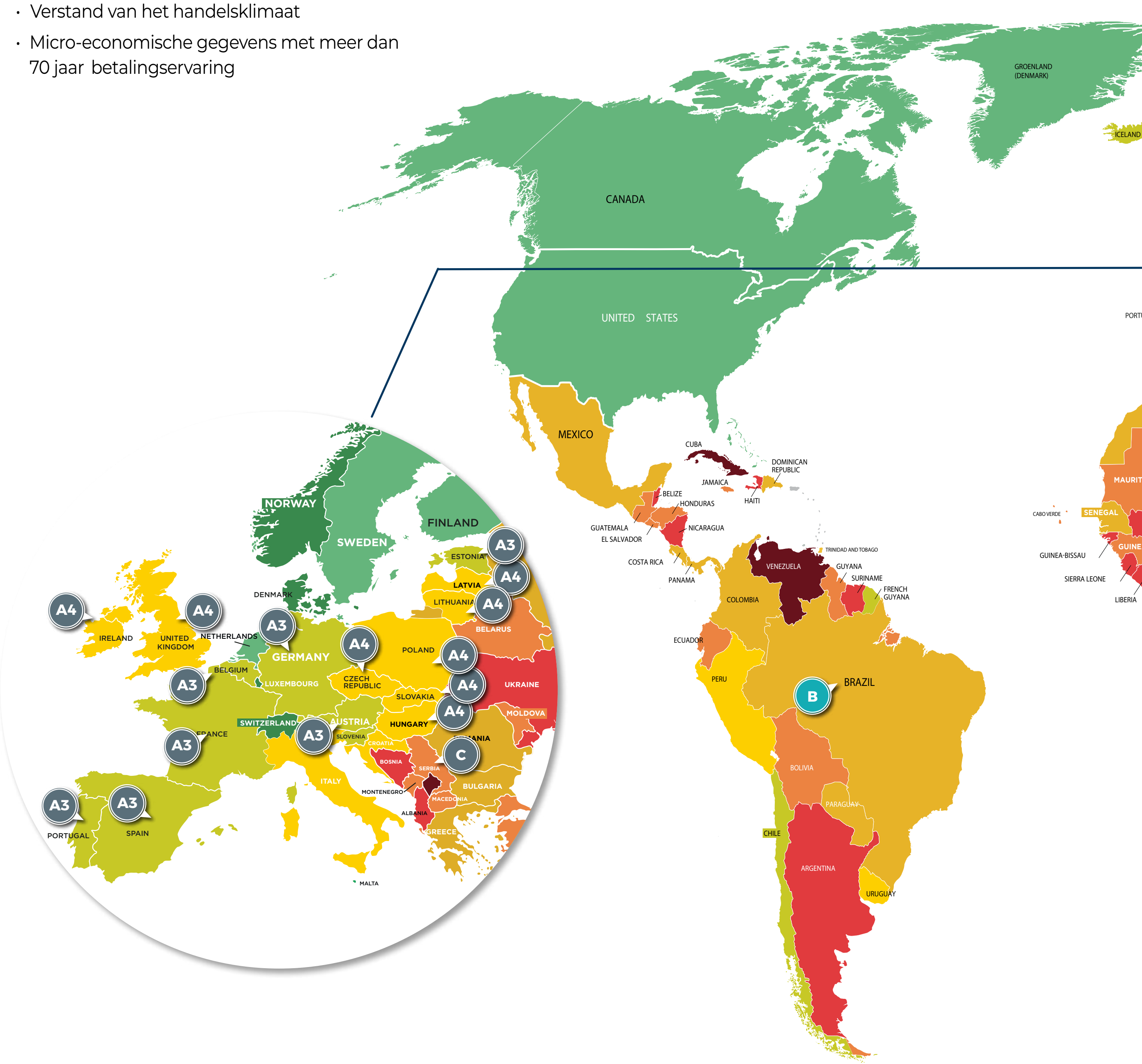
RISICO OP WANBETALING

UPGRADES

DOWNGRADES

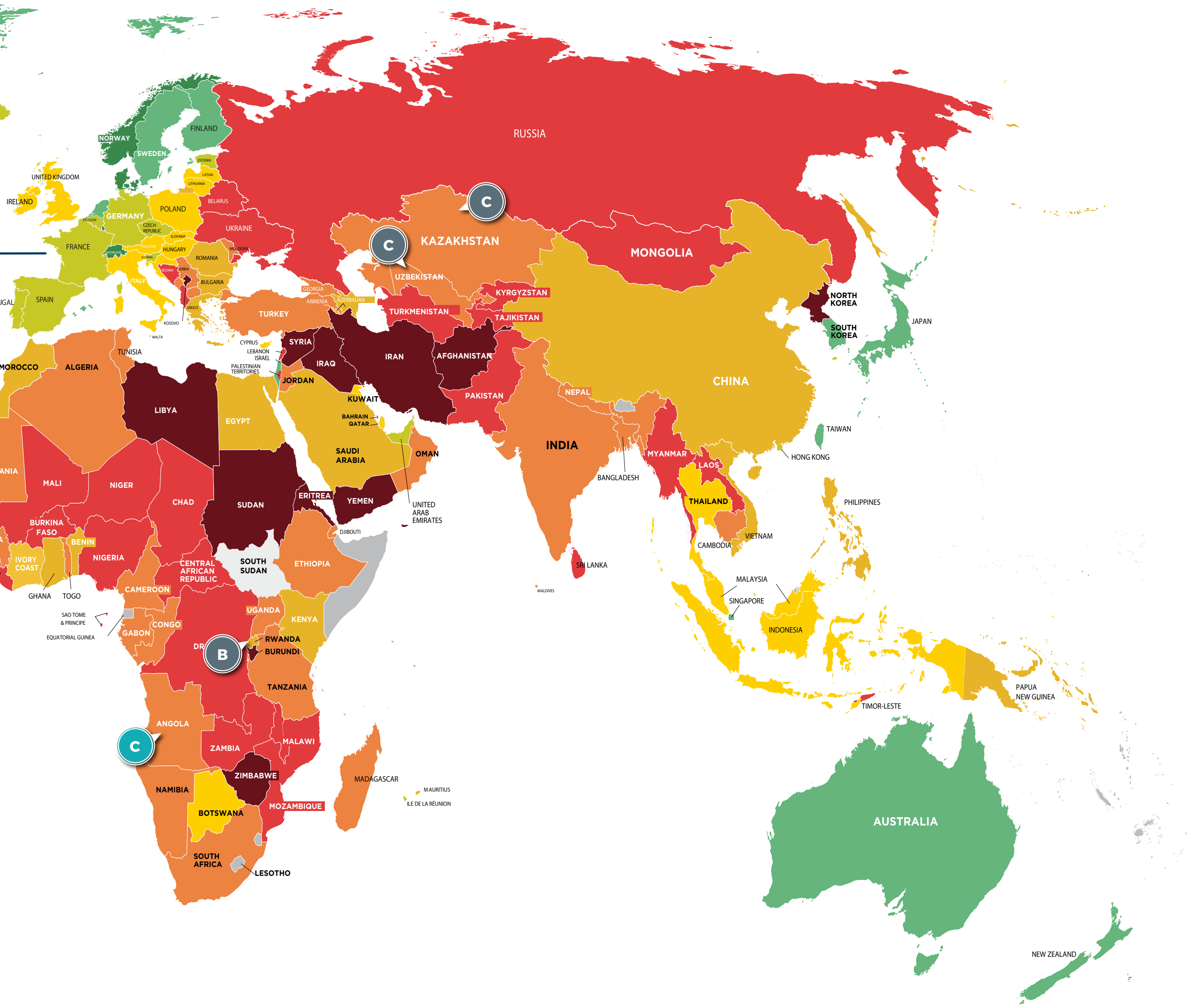
EEN UNIEKE METHODE

- Macro-economische expertise in het beoordelen van landenrisico's;
- Verstand van het handelsklimaat
- Micro-economische gegevens met meer dan 70 jaar betalingservaring



SICOBEOORDELINGEN

A1	A2	A3	A4	B	C	D	E
ZEER GERING	GERING	ZEER ACCEPTABEL	ACCEPTABEL	AANZIENLIJK	HOOG	ZEER HOOG	EXTREEM



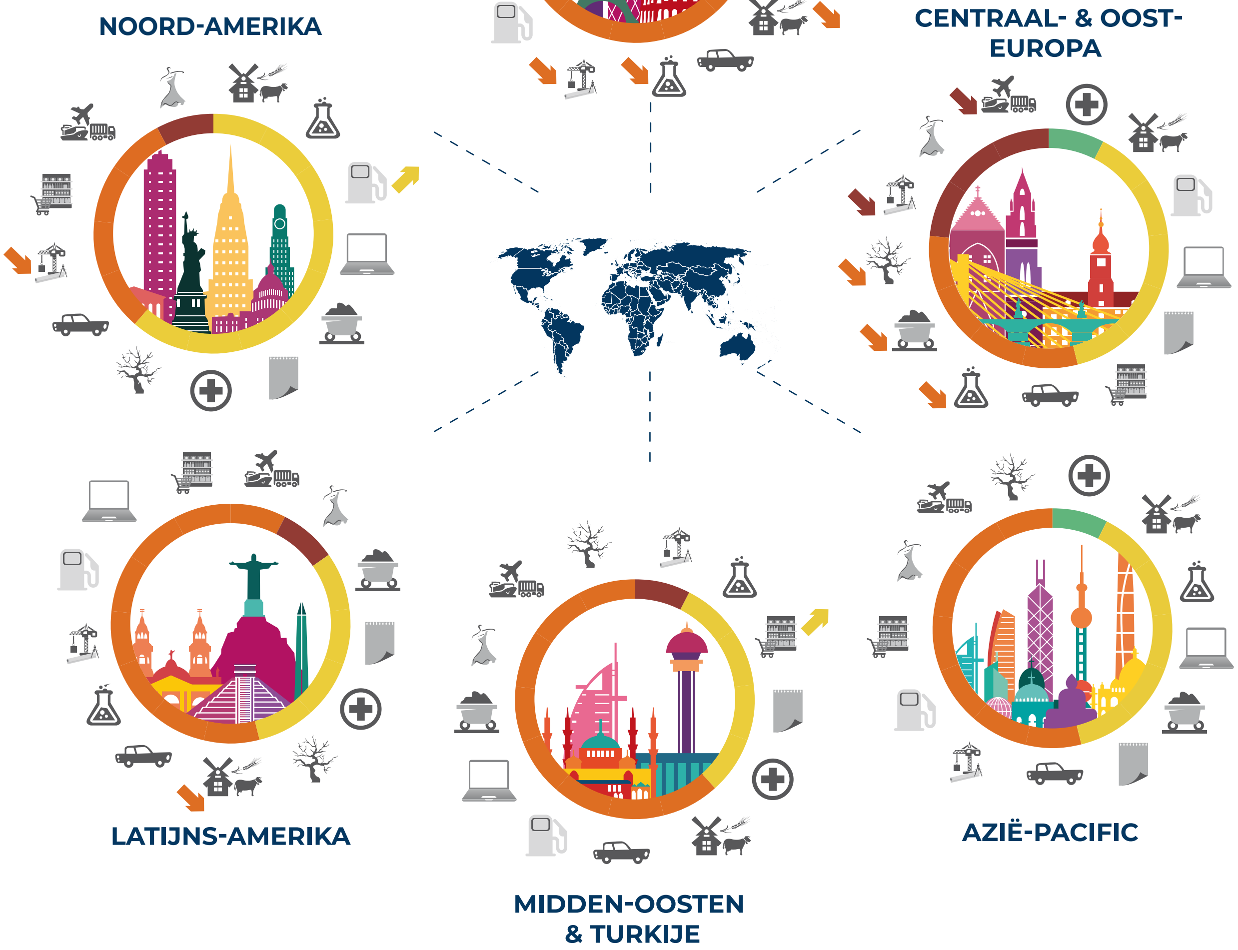
SECTOR RISICOBEOORDELINGEN
2de kwartaal 2022

13 BELANGRIJKE SECTOREN BEOORDEELD WERELDWIJD

De beoordelingen van Coface zijn gebaseerd op meer dan 70 jaar ervaring.

Een methode gebaseerd op acht criteria, verdeeld over drie hoofdpijlers:

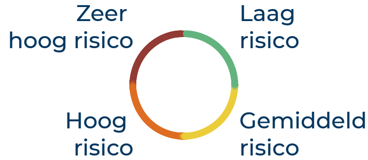
- Expertise van Coface en gegevens over betalingservaringen;
- Prognoses van externe financiële gegevens;
- Meerdere kerncijfers (prognoses grondstoffenprijzen, structurele veranderingen, landen risicobeoordelingen van Coface).



- food / agro
- automotive
- chemie
- bouw
- energie
- ICT*
- metaal
- papier
- pharma
- retail
- textiel / kleding
- transport
- hout

- Upgrade
- Downgrade

* Information and Communication Technologies



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