COFACE ECONOMIC PUBLICATIONS

BAROMETER
COUNTRY AND
SECTOR RISKS
BAROMETER

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**By the Coface
Economic
Research team**

In spite of a gradual recovery, political risks are on the rise

Similar to last quarter, the uncertainties surrounding the forecasts presented in this barometer are very high. They are primarily linked to the global health situation: since June, the pandemic has continued to gain momentum. While waiting for a vaccine and/or a treatment, businesses and households have postponed spending and investment projects, both out of constraint (during the containment period) and as a precaution. Overall, Coface anticipates a global growth rate of -4.8% in 2020, followed by a 4.4% rebound in 2021. According to these forecasts, GDP in the Eurozone and in the United States at the end of 2021 would remain 3.5 points and 2 points below the 2019 levels, respectively. This means that at least 3 years would be required to return to pre-crisis levels of production. The observation is similar regarding world trade: the rebound anticipated next year (+3.5% in Q4 2021 compared to Q4 2020) will be far from offsetting the drop expected for this year (-13%).

This trend is not homogeneous: according to our forecasts, among the 20 economies that would achieve the strongest cumulative growth in these two years (at least 5 percentage points higher than in 2019),

about half are in Asia (including China and Vietnam). The other half is composed exclusively of African countries. At the other end of the spectrum, among the 15 worst performing economies (i.e. with a 2021 GDP at least 7 percentage points lower than in 2019), 7 are in Latin America. South Africa and Nigeria are also in this group. This sustained lower level of economic activity compared to pre-crisis levels is expected to have consequences on employment and corporate insolvencies. Therefore, it is also likely to foster a rise in social discontent.

The annual update of Coface's Political Risk Index, published in this barometer, highlights a dual trend: on the one hand, a decrease in the risk of conflict at a global level, but on the other, an increase in the risk of political and social fragility. Iran and Turkey are among the countries whose level of social risk increased the most. Given the unique context this year, we have constructed an exposure indicator to the COVID-19 crisis, in order to identify the most affected populations who are more likely to turn against their governments. This analysis shows that several Latin American countries (Brazil, Mexico, Peru, Colombia), as well as South Africa, have both a high political and social risk, and a high exposure to the COVID-19 crisis.

coface
FOR TRADE

After a mechanical "post-lockdown" recovery, the hardest challenges lie ahead

Similar to last quarter, the uncertainties surrounding the forecasts presented in this barometer are very high. They are primarily linked to the global health situation: since June, the pandemic has gained momentum in many emerging and developing countries (India and, to a lesser extent, Indonesia, Morocco, Algeria and Argentina, for instance), while slightly weakening but remaining at a significant intensity in others (Russia, South Africa, Brazil and Mexico). In Europe, the "second wave" seems to be approaching faster than initially anticipated by the most pessimistic experts, particularly in Spain and, to a lesser extent, in France. In the United States (U.S.), the situation remains worrying in several states, despite a modest improvement at the national level since mid-summer. The different testing policies from one country to another increase the difficulty in reading these trajectories. In some countries, the low number of tests translates into an underestimation of the scale of the epidemic (like in India), while in others, the high number of tests since the end of the containment period in May-June makes comparisons with the number of new cases in the previous period obsolete (particularly in Europe). Public opinion and governments are determined to avoid a second strict lockdown at all costs, as it would plunge economies back into deep recession. While Coface's central scenario does not include the implementation of such measures, this risk cannot be excluded. Incidentally, on 11 September, Israel became the first country to announce a second national lockdown.
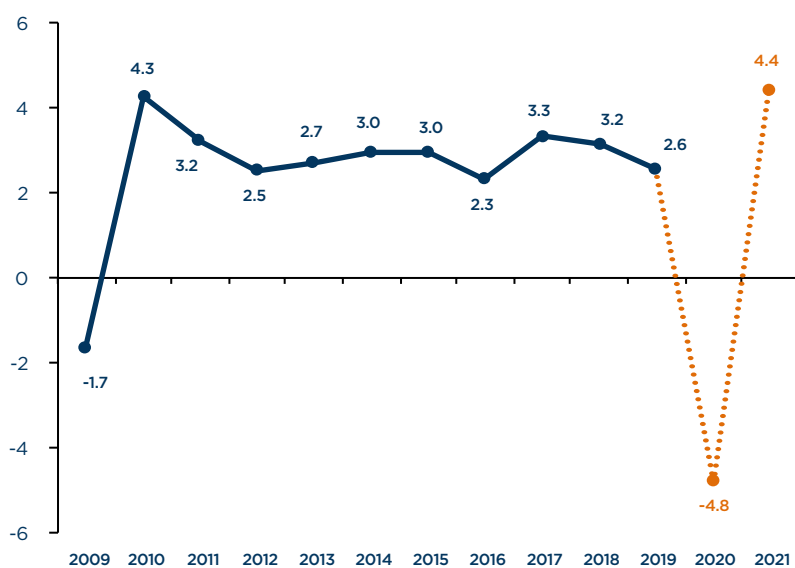
In this context of extreme uncertainty pending the availability of a vaccine, companies have been cautious: they cancelled or postponed many investment projects during the containment period, due to the combined effects of reduced outlets and/or temporarily interrupted production lines during lockdown. This has caused the destruction of many jobs. According to the latest estimates of the International Labour Organization (ILO), the number of hours worked dropped by 14% worldwide in the first half of 2020, which is equivalent to around 400 million jobs! The largest drop was observed in North and Latin America (-18%). The reasons behind these non-worked hours differ from one country to another: while in many cases, they reflect jobs that have actually been destroyed, in others, they are mainly linked to hours not worked as part of short-time work schemes. The destroyed jobs have primarily penalized the least qualified workers, for whom it is generally more difficult to work remotely. In other words, this crisis is likely to be a catalyst for inequality and social frustration (see section on political risk p. 06).

Moreover, consumers have also been cautious, as they face an increased risk of unemployment. Firstly, they were somewhat constrained during the containment period, since they could not consume several goods and services (see Coface barometers published in April[1] and June[2] of 2020). Subsequently, it has been by choice since the end of lockdown: significant precautionary savings are meant to cope with potential future health and/ or economic difficulties. Thus, savings amounted to 33% of U.S. household income in April, twice as much as the previous historical record observed in the mid-1970s! Although the figure has fallen rapidly since spring, it still stood at nearly 18% in July, ten points higher than before the onset of the crisis.

Unsurprisingly, the easing of containment measures enabled a mechanical rebound of the world's main economies since May. In this first "post-lockdown" phase, business confidence and household confidence have recovered after reaching historic lows, notably in several European countries. The other commonly used monthly barometers of the economic environment (such as industrial production and retail sales) were following a similar trend at the beginning of the third quarter, in both Europe and the U.S. The same goes for indicators extracted from mobile phone data[3] and other new high-frequency indicators that have flourished in the context of this singular crisis: mobility in the major metropolises worldwide, restaurant reservations, shop attendance, leisure facilities, public transport, business premises, etc.

However, much of this mechanical rebound already seems outdated, especially since the uncertainties regarding the health situation are still relevant in most countries. After a rapid recovery in June and July, business confidence in August had in fact returned to a level indicating almost zero GDP growth in the Eurozone. The number of restaurant

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

Sources: IMF, National authorities, Datastream, Coface

1 https://www.coface.com/News-Publications/Publications/Country-Sector-Risk-Barometer-Q1-2020-Quarterly-Update
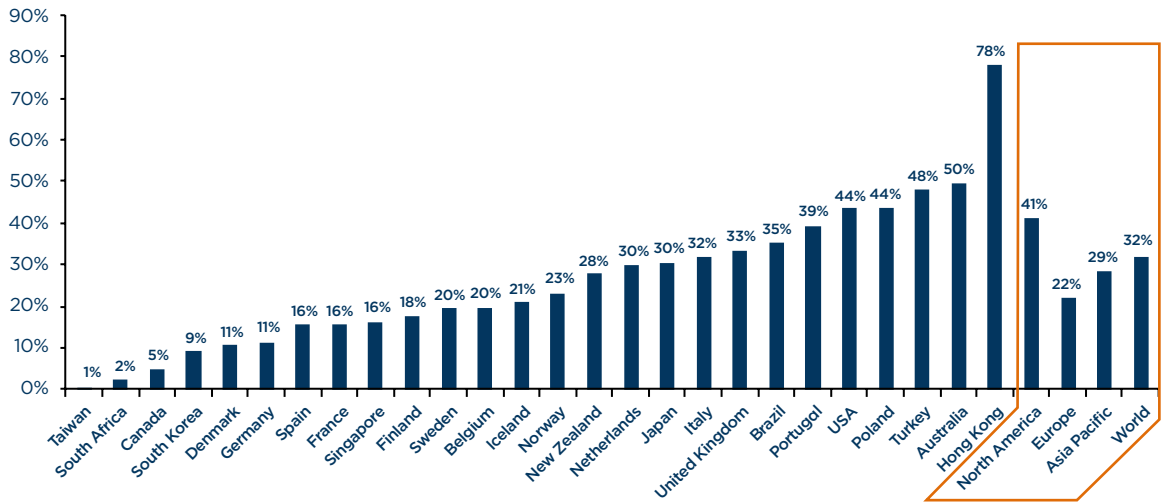2 https://www.coface.com/News-Publications/Publications/Country-Sector-Risk-Barometer-Q2-2020-Quarterly-Update
3 Source: Google trends

Chart 1b:
Coface GDP evolution forecast (selected countries, annual average, %)

■ 2020 (e)   ■ 2021 (f)
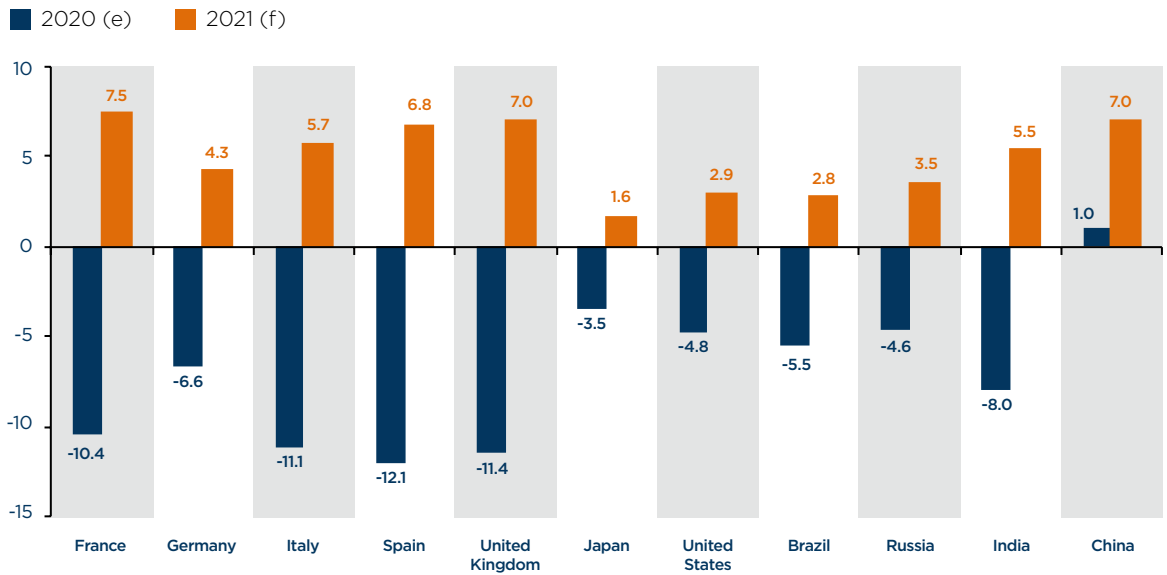
Sources: IMF, National data, Coface

Chart 2:
Evolution of corporate insolvencies over 2020 and 2021 per country compared to 2019 (in %)

Sources: Coface, National data

reservations worldwide remained at around 30%[4] below the pre-crisis level as of mid-September. Furthermore, at its best, mobility within the largest cities in the world was 20%[5] lower than at the beginning of the year.

Overall, Coface anticipates a global growth rate of -4.8% in 2020, followed by a 4.4% rebound in 2021 (see **Charts 1a and 1b**). According to these forecasts, GDP in the Eurozone and in the United States at the end of 2021 would remain 3.5 points and 2 points below the 2019 levels, respectively. This means that at least 3 years (or most probably 4) would be required to return to pre-crisis levels of production. For Spain and Italy, the gap would even reach 7 and 5.5 points, respectively. The

observation is similar regarding world trade: the rebound anticipated next year (+3.5% in Q4 2021 compared to Q4 2020) will be far from offsetting the anticipated drop for this year (-13%), as per our model, which uses oil prices, the confidence of American manufacturing companies, the Baltic index of maritime transport prices and South Korea's exports as explanatory variables for international trade. This partial rebound in the volume of goods traded internationally has been confirmed by the recent evolution of sea and air freight. Finally, in addition to job losses (see above), the limited rebound of global economic activity should cause more corporate insolvencies worldwide by the end of 2021 (see **Chart 2**).

4 Source: Opendata
5 Source: Citymapper

Financing conditions for businesses are still favourable thanks to central banks and guaranteed loan schemes

In many countries, the shock to companies was mitigated by the support programmes of governments and central banks, who reacted quickly to avoid a tightening of credit conditions for businesses like in 2008-09. Guaranteed loan mechanisms are consistent with this logic and should be sustained, as the maximum amounts allocated by various governments are nowhere near exhaustion. In Europe, these guaranteed bank loan programmes have several features in common: they were announced at the same time (late-March or early-April) and are bank loan guarantees, with 70% to 90% of the loan being covered by the guarantee. A majority (but not the entirety) of the loan is under the guarantee, so that the concerned bank bears at least a small part of the risk. According to Bruegel's calculations, the size of the amounts allocated so far do not necessarily match that of the envelopes initially announced in late-March or early-April. For instance, the funds allocated to date in Germany account for only 1% of GDP, the lowest level among the major European economies. In total, only 4% of the total amount announced in end-March had been disbursed by end-June. This is much less than in Spain (42%), France (35%), the United Kingdom (18%) and Italy (13%). In the case of Germany, but also in Italy and the United Kingdom, where these guaranteed loans account for less than a quarter of new loans granted during the first half of the year, these figures suggest that companies do not use of this type of support very much, perhaps because they were already benefiting from other measures (e.g. short-time work, deferral of charges, etc.). Another potential explanation could be the slow implementation pace of the programmes. In these three countries, the remaining room for manoeuvre pleads for an extension of these schemes for companies into 2021. In contrast, while this scheme did play a key role in financing businesses in Spain and in France (around 50% of the total volume of bank loans has been granted) during the first part of the year, its success may require an increase in the total budget, in order to enable its extension into next year.

Moreover, in addition to these guaranteed loan programmes, monetary policies should remain lastingly accommodative and contribute to favourable financing conditions for businesses. This period of accommodative monetary policies could even last longer than expected (compared to before summer): at its annual summer symposium in Jackson Hole, the U.S. Federal Reserve (Fed) announced a major change in the framework of its monetary policy, by modifying the way it monitors inflation relative to the target. It will now target an average rate "of 2% over time", which means that if inflation was below 2% for a given period and then rises above the level during the next period, monetary tightening would no longer be a necessity. This change occurred in a context where the Fed

is concerned about a possible upturn in inflation (above this threshold) whilst the economic situation remains poorly oriented. This decision coincided with a decline of the dollar against major currencies, particularly the euro, therefore suggesting that the monetary policy will remain very accommodative for a longer-than-expected period. The growing public debt in the United States, its relative withdrawal from political and commercial matters, as well as the rise of Asia in the world economy have also contributed to the abovementioned depreciation, raising concerns that the dollar might lose its role as a global reserve currency. Moreover, not surprisingly in this context, the first monetary policy committee following this announcement validated it, specifying that the monetary policy with rates close to zero will be maintained at least until end-2023. This decision of the Fed will have consequences on the monetary policies of many other central banks around the world, bound by the risk of their local currency appreciating against the dollar in the event of excessive interest rate differentials.

## Scattered recovery in emerging countries: Asia leads, Latin America lags behind

This fall of the dollar at least had the merit of enabling emerging currencies to offset part of the depreciation observed in March because of massive capital outflows in the context of historically high global risk aversion. To put it another way, while these capital outflows were substantial in March, they did not last: net portfolio investment flows to emerging markets overall were positive every month from April to August, thus cancelling two-thirds of the historically high outflows recorded in March alone[6]. Nonetheless, this general trend has not been without exceptions: capital outflows were observed in June, July and August in Turkey, South Africa, Malaysia and Ukraine, which signals that exchange rate risks have not completely disappeared in the emerging world. The persistent mistrust expressed by international investors and residents of these countries can be explained by the weaknesses of their economies. For instance, South Africa was the country with the largest fall in activity during the second quarter: its GDP dropped by half compared to the previous quarter! This is twice as much as India, the second worst performer among the major emerging economies (see **Chart 3**).

There are several other reasons for these collapses, which in some cases are greater than in advanced economies. First, like in India, Mexico and South Africa, the shock is striking already weakened economies. In South Africa, average growth has been below 1% over the last five years and the unemployment rate already exceeded 30% in the first quarter of 2020. The drop in tourism revenues, lower transfers from expatriate workers or even the anticipated cuts in public spending in the most indebted countries are all potential shocks for emerging economies, as we pointed out last April (see **Coface Focus**[7] on emerging economies). The recovery has also been

Chart 3:
GDP growth rate of main emerging economies excl. China (% change, QoQ, seasonally adjusted)
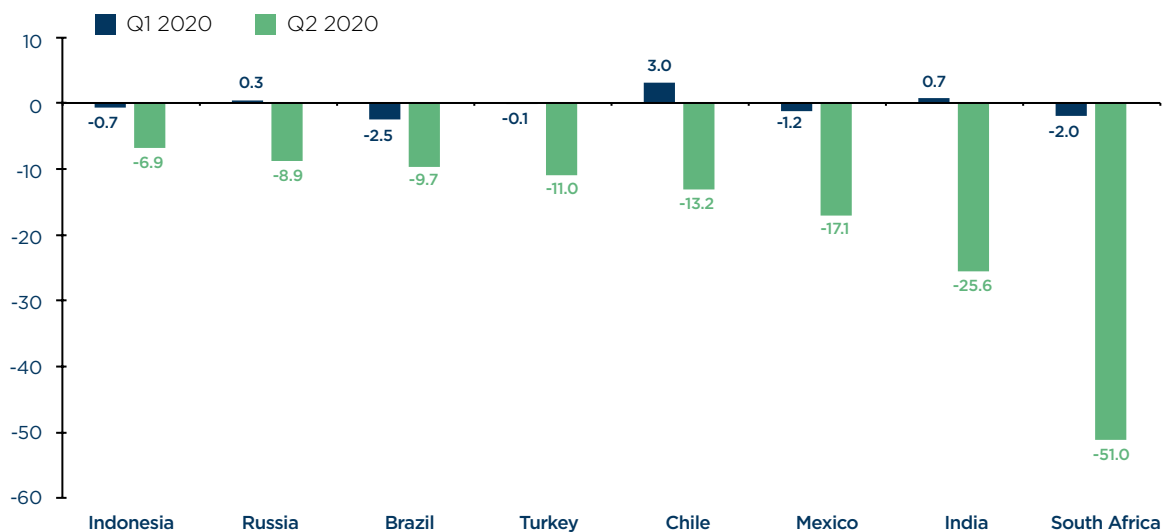
Sources: Coface, National data

hampered by high inflation, due to disruptions in the supply chains of agricultural products (which represent a greater weight in the average consumer basket compared to mature economies). Currency depreciations following the massive capital outflows in March and April also contributed to this trend, which prevented central banks from lowering their key rates as much as initially wished. Nevertheless, this rising inflation trend could disappear in the coming months, as service prices continue to increase, at best, at a subdued pace.

Ultimately, in order to assess the impact of this crisis on emerging countries, both the recession in 2020 and the partly mechanical recovery on the back of catch-up and base effects in 2021 should be taken into account. By measuring the difference between the GDP in volume anticipated by Coface in 2021 and that of 2019 for 113 emerging and developing countries, we noticed that the consequences of the pandemic on growth have been very different from one country to another. Among the 20 economies that would achieve the strongest cumulative growth during these two years, about half are in Asia (including China and Vietnam). The other half is exclusively composed of African countries (including Côte d'Ivoire, Ghana, Rwanda and Tanzania). At the other end of the spectrum, among the 15 worst performing economies (i.e. with a 2021 GDP at least 7 points lower than in 2019), 7 are in Latin America: Mexico, Venezuela, Argentina, Ecuador, Peru, Belize and Nicaragua. South Africa, Nigeria and Israel are also in this group. This sustained low level of economic activity is likely to have social consequences, as it leads to rising unemployment and social inequality.

COVID-19, a catalyst for political risks

For several years now, political risk – which includes increased protectionism, Brexit, social unrest on all continents, internal conflicts and terrorism – has been a recurrent theme in the news. Coface has regularly insisted, from as early as the beginning of 2020, on the impact of a more unstable political environment on economic activity. The COVID-19 pandemic, alongside its human and economic impacts, has relegated these concerns to the background. Nevertheless, far from having disappeared, these political risks could be exacerbated by the COVID-19 pandemic. More specifically, the risks of civil unrest could be increased tenfold because of COVID-19. Indeed, crisis-related grievances could amplify social movements inherited from the pre COVID-19 era, like those in Hong Kong, France, Chile, etc. Sometimes considered too lenient, sometimes too restrictive, containment measures aimed at limiting the spread of the coronavirus are a new source of tension and will not affect countries with pre-crisis social upheavals only. Tensions will also arise from the impact of the recession on employment, household income and inequality. Moreover, after governments around the world introduced record stimulus packages to contain the impact of the crisis, potential austerity measures could certainly mix political and sovereign risks, particularly in emerging economies.

In order to assess political risks, Coface uses an index, released in March 2017[8] and updated annually (see **Box 1**: Methodological overview of Coface's Political Risk Index). In the 2020 iteration of our updated indicator, the global average score remains almost unchanged, continuing to develop at high levels. In detail, a slight decrease in the conflict indicator was offset by an increase in the social and political fragility indicator. The change in the global conflict indicator is consistent with the number of conflicts and associated deaths, which declined for the second consecutive year in 2019 (**Chart 4**).

Chart 4:
Number of conflicts and victims of conflicts in the world, 1989-2019
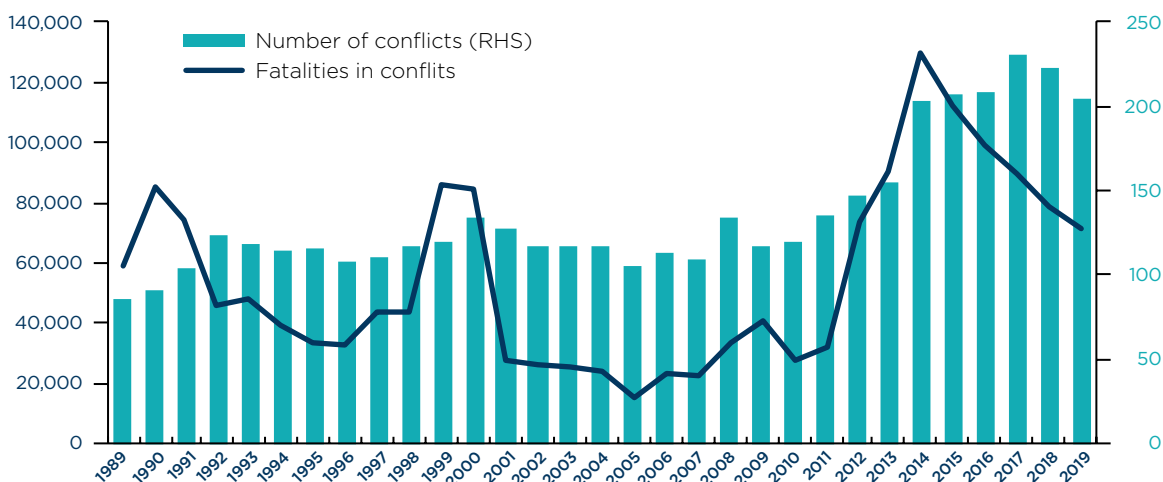
Sources: Uppsala Conflict Data Program (UCDP), Coface

BOX 1:

Methodological overview of Coface's Political Risk Index

Coface's political risk model is a synthetic indicator of political risk on a 0-100% scale. 0% indicates zero risk, while 100% indicates maximum risk. It is based on two major categories of risk:

- **Security risks[9]:** built on the observation of conflicts (between countries or between factions within a given territory) throughout the world. They are measured using a synthetic index calculated by taking into account the occurrence of clashes, the intensity of the conflict and the number of associated victims.

- **Risk associated to political and social fragility,** which is the combination of three distinct indexes:

    1. **Social risk index:** it integrates two categories of variables. Firstly, pressure for change, which measures the degree of social frustration by taking into account socio-economic factors: inflation (a high level indicates a deterioration in purchasing power), the unemployment rate (measuring access to employment), income inequalities measured by the GINI coefficient, GDP/capita (in level and evolution), perception of corruption, the population's ability to express itself and the homicide rate. Secondly, instruments (2) to express these socio-economic frustrations, including the following variables: the rate of enrolment in higher education, the adult literacy rate, internet access, the proportion of young people in the population, the fertility rate, the urbanization rate and the female participation rate.

    2. In order to identify the cracks in the foundations of the political system, Coface also produces **a fragility index,** constructed according to the nature of the political system, ethnic and linguistic fragmentation, as well as the degree of political freedom and civil rights that populations have.

    3. **Populism index:** specific variables from the Manifesto Project database, constructed from the textual analysis of the content of political parties' electoral programmes and meant to capture the rise of populism, in order to better understand the rise in social frustration in some democracies.

The social and political fragility indicator, which is relevant to analyze the increased risks of social unrest, shows a slight deterioration in its score at the global level, obscuring the different trajectories from one country to another (**Table 1**). While the five riskiest countries based on this indicator remain unchanged, other developments are noteworthy.

Iran reinforced its position at the top of this indicator. In the top 10, the deterioration of Turkey's score is worth mentioning, as it continues to slide in Coface's indicator of political and social fragility, suffering particularly from the repercussions of the Turkish lira crisis (recession, rise in inflation and unemployment) on the social risk index. Over the twelve-year history of this indicator, only Venezuela's score increased more than that of Turkey. The deterioration of Mali's score is also noteworthy, as a political crisis leading to the arrest of President Ibrahim Boubacar Keïta and his Prime Minister agitated the country this summer.

At the other end of the spectrum, most of the decreases in this index scoring concern countries whose risk levels are among the highest worldwide. Kuwait, Eritrea and Kazakhstan benefited from improvements in their social risk indexes and dropped from last year's top 10 in the Political and Social Fragility Index. Ethiopia benefited from an improvement in its fragility index - although risk levels remain very high - reflecting the opening-up reforms undertaken by Prime Minister Abiy Ahmed.

9 The terrorism index, applied as a penalty to the political risk indicator, was discontinued this year.

Table 1a:
10 riskiest countries according to the political and social fragility risk indicator

	Score	2020 Ranking	Ranking change compared to 2019	
Iran	83.8%	1	→	0
Sudan	77.6%	2	→	0
Syria	76.9%	3	→	0
Venezuela	74.2%	4	→	0
Bahrain	70.5%	5	→	0
Laos	68.7%	6	↗	+5
Iraq	68.6%	7	↗	+10
Gabon	68.2%	8	↘	-1
Uzbekistan	67.8%	9	↗	+4
Turkmenistan	67.5%	10	↗	+2

Source: Coface

Table 1b :
Top 10 and Bottom 10 of the evolution of the political and social fragility risk indicator score among emerging and developing countries

| Top 10				Bottom 10		
Pays	Score	Evolution (pp)		Pays	Score	Evolution (pp)
Iran	84%	4.3		Namibia	49%	-3.8
Bangladesh	50%	4.0		Malaysia	51%	-3.2
Nicaragua	60%	3.9		Armenia	43%	-3.2
Liberia	53%	3.2		Yemen	65%	-3.0
Mali	57%	3.2		Kuwait	66%	-2.9
Turkey	61%	3.2		Ethiopia	62%	-2.8
Bosnia and Herzegovina	63%	2.9		Eritrea	67%	-2.6
Malawi	51%	2.6		Ecuador	48%	-2.4
Burkina Faso	48%	2.4		Oman	65%	-2.4
El Salvador	43%	2.1		Kazakhstan	66%	-2.3

Source: Coface

To identify the countries where the risks of social unrest are most likely to be amplified by the pandemic and its economic repercussions, we have, in a scatter plot (**Charts 5a** and **5b**), the political and social fragility indicator (on the vertical axis) and surveys regarding satisfaction with the management of the pandemic by governments, carried out in twenty countries by the Yougov polling institute (horizontal axis)[10]. A combination of high scores and dissatisfaction could lead to significant social problems. Spain and the United States, the advanced countries where the indicator is highest and where less than 40% of the population expressed satisfaction, experienced anti-lockdown demonstrations as early as spring of 2020 and seem particularly vulnerable to political risks in the coming months, especially since the risk of a "second wave" is high. The fragility of the Sanchez government and the particularly divisive elections in the U.S. will undoubtedly provide a fertile ground for social unrest. The situation is similar in France and the United Kingdom. Sweden, where the government did not apply a

national lockdown, stands out as a country where the score significantly deteriorated. It also sits alongside the countries on the left of the vertical axis, highlighting a split opinion (52% satisfied) on the singular response adopted by its government. This result is even more striking, as it contrasts with that of its neighbors Denmark, Norway and Finland, where over 70% of surveyed express satisfaction.

Among emerging economies, the two countries in the upper left corner, Mexico and the Philippines, will be particularly worth monitoring. Presidents Andrés Manuel López Obrador (Mexico) and Rodrigo Duterte (Philippines) could face major social upheavals in the coming months. Isolated in the lower left-hand corner is Poland, where only 40% of surveyed expressed satisfaction. While Poland has a lower score for political and social fragility, it has deteriorated by nearly 6 percentage points since 2013. Therefore, the dissatisfaction generated by the crisis could be added to a political risk that is worsening.

10 Pour chaque pays, les données utilisées sont les dernières disponibles au moment de la rédaction de cette étude. https://yougov.co.uk/topics/international/articles-reports/2020/03/17/perception-government-handling-covid-19

Chart 5a:
Coface indicator of political and social fragility and surveys of satisfaction regarding government response in advanced countries
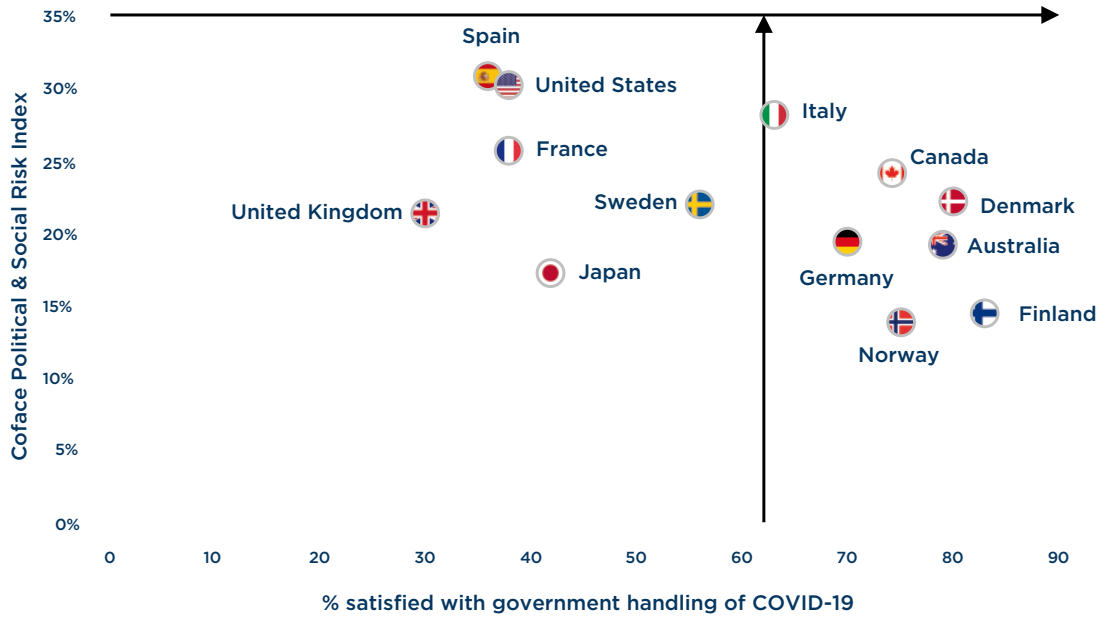
Sources: Coface Political Risk Model, Yougov

Chart 5b:
Coface indicator of political and social fragility and surveys of satisfaction regarding government response in emerging countries
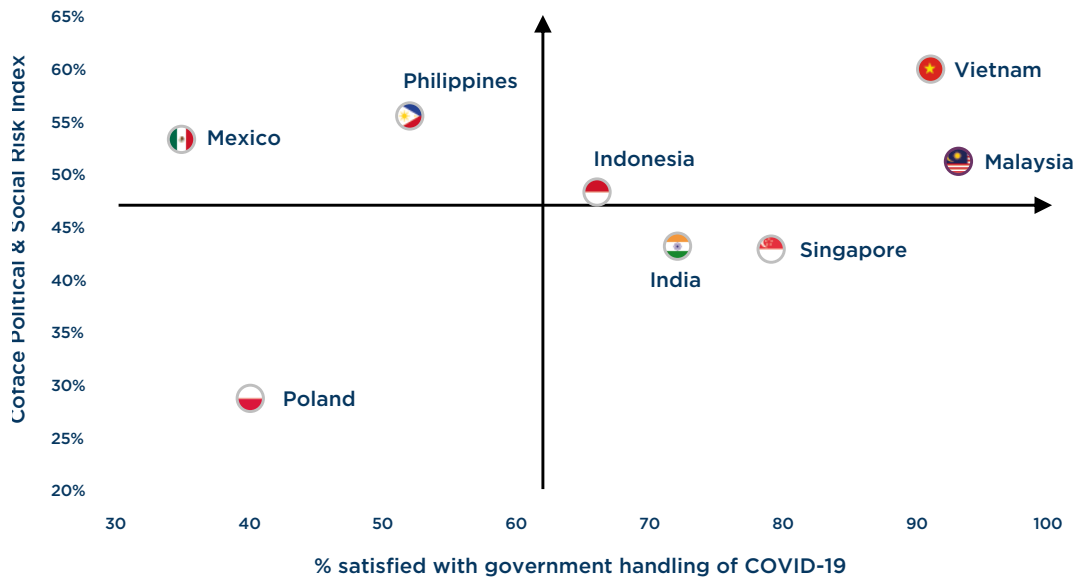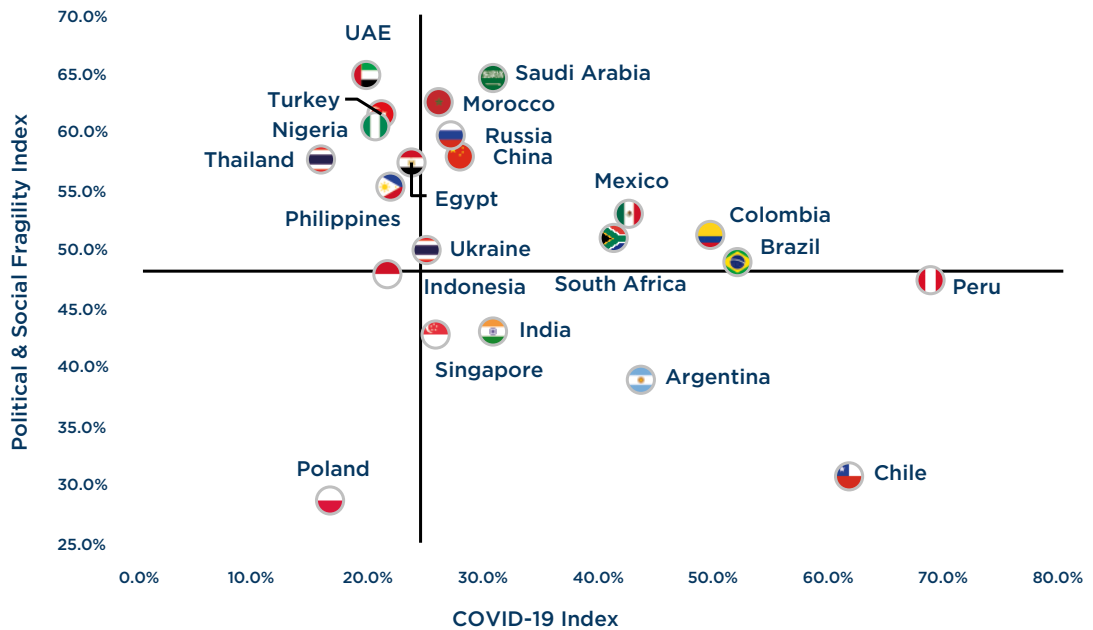

Sources: Coface Political Risk Model, Yougov

The small sample base for which satisfaction surveys are available, particularly in emerging countries, limits this analysis. Therefore, in order to overcome this lack of data, we constructed an indicator of exposure to the COVID-19 crisis, to identify the populations most affected by the crisis and, therefore, more likely to turn against their governments. We factored in the following indicators:
• The number of deaths linked to COVID-19 per 100,000 inhabitants as of 31 August;
• The number of COVID-19 infections per 100,000 inhabitants as of 31 August;
• The stringency of containment measures measured by the Oxford COVID-19 Government Response Tracker [11] between 1 January and 31 August.

Chart 6:
Coface indicator of political and social fragility and the "COVID-19" index

Sources: Coface Political Risk Model, Yougov

The results for a selection of emerging countries are presented in the **Chart 6** scatter plot. Countries in the upper right-hand side, which combine a political and social fragility score above the global average while being particularly affected by the health crisis, can be considered the most likely to experience social unrest in the coming months. Latin America appears to be one of the regions to monitor, as Peru, Brazil, Colombia and Mexico particularly stand out in this analysis. South Africa can also be added to this category of countries. Although less affected by the health crisis than the five aforementioned countries, China, Russia, Saudi Arabia and Morocco could be added to this list of countries to watch.

While Chile, India, Argentina and Singapore seem less at risk according to our indicator of political and social fragility, the heavy impact of the health crisis on the lives of their populations entails that the risk of discontent should not be overlooked. Chile, already affected by large-scale events in 2019, and Argentina, where the COVID-19 crisis is amplifying the economic crisis, seem particularly vulnerable. For the countries in the top-left corner - United Arab Emirates, Turkey, Nigeria, Thailand, Egypt, Philippines and Indonesia - of the political and social fragility index, the health crisis will weigh on an already fragile political environment. Poland, the only country in the bottom-left corner, mainly owes its position to a less stringent lockdown compared to its peers. Nevertheless, with only 39% satisfied with the Polish government's response, it does not seem that this stance has proven beneficial.

11 Hale, Thomas, Noam Angrist, Emily Cameron-Blake, Laura Hallas, Beatriz Kira, Saptarshi Majumdar, Anna Petherick, Toby Phillips, Helen Tatlow, Samuel Webster (2020). Oxford COVID-19 Government Response Tracker, Blavatnik School of Government. https://www.bsg.ox.ac.uk/research/research-projects/coronavirus-government-response-tracker

Country Risk
Assessment Changes

AREA		Previous Assessment		Current Assessment
BELIZE	🏴	C	↘	D
HONG KONG S.A.R.	🏴	A3	↘	A4
INDIA	🏴	B	↘	C
NIGER	🏴	C	↘	D
SENEGAL	🏴	A4	↘	B

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

REGIONAL SECTOR RISK ASSESSMENTS

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

* Information and Communication Technologies
Source: Coface

ASIA-PACIFIC

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

*Information and Communication Technologies
Source: Coface*

BUSINESS DEFAULT RISK

- Low Risk (green)
- Medium Risk (yellow)
- High Risk (orange)
- Very High Risk (dark red)
- ↗ Upgrade
- ↘ Downgrade

LATIN AMERICA

	Latin America	Argentina	Brazil	Chile	Mexico
Agri–food	High	High	High ↗ Medium (Upgrade)	High	High
Automotive	High	Very High	High	High	Very High
Chemical	High	High	High	High	High
Construction	High	Very High	High	High	Very High
Energy	High	High	High	Medium	Very High
ICT*	High	Very High	High	High	High
Metals	High	High	High	High	Very High
Paper	High	High	High	High	Medium ↘ High (Downgrade)
Pharmaceuticals	Medium	Medium	Medium	Medium	Medium
Retail	High	Very High	High	High	High
Textile–Clothing	Very High	Very High	Very High	High	High
Transport	High	High	High	High	High
Wood	High	High	High	High	High

*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	High Risk
Automotive	High Risk	High Risk	High Risk	Very High Risk	High Risk
Chemical	High Risk	Medium Risk	High Risk	Very High Risk	High Risk
Construction	Very High Risk	High Risk	Very High Risk	Very High Risk	Very High Risk
Energy	High Risk	High Risk	High Risk	Very High Risk	High Risk
ICT*	High Risk	High Risk	High Risk	High Risk	High Risk
Metals	Very High Risk	High Risk	Very High Risk	Very High Risk	High Risk
Paper	High Risk	High Risk	High Risk	High Risk	High Risk
Pharmaceuticals	Medium Risk	Medium Risk	Medium Risk	Medium Risk	Medium Risk
Retail	High Risk	High Risk	High Risk	High Risk	High Risk
Textile-Clothing	High Risk	High Risk	High Risk	Very 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
Source: Coface*

NORTH AMERICA

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

* Information and Communication Technologies
Source: Coface

OTHER COUNTRIES

BUSINESS DEFAULT RISK

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

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

* Information and Communication Technologies
Source: Coface

Decoding the
WORLD ECONOMY
3rd quarter 2020

coface
FOR TRADE

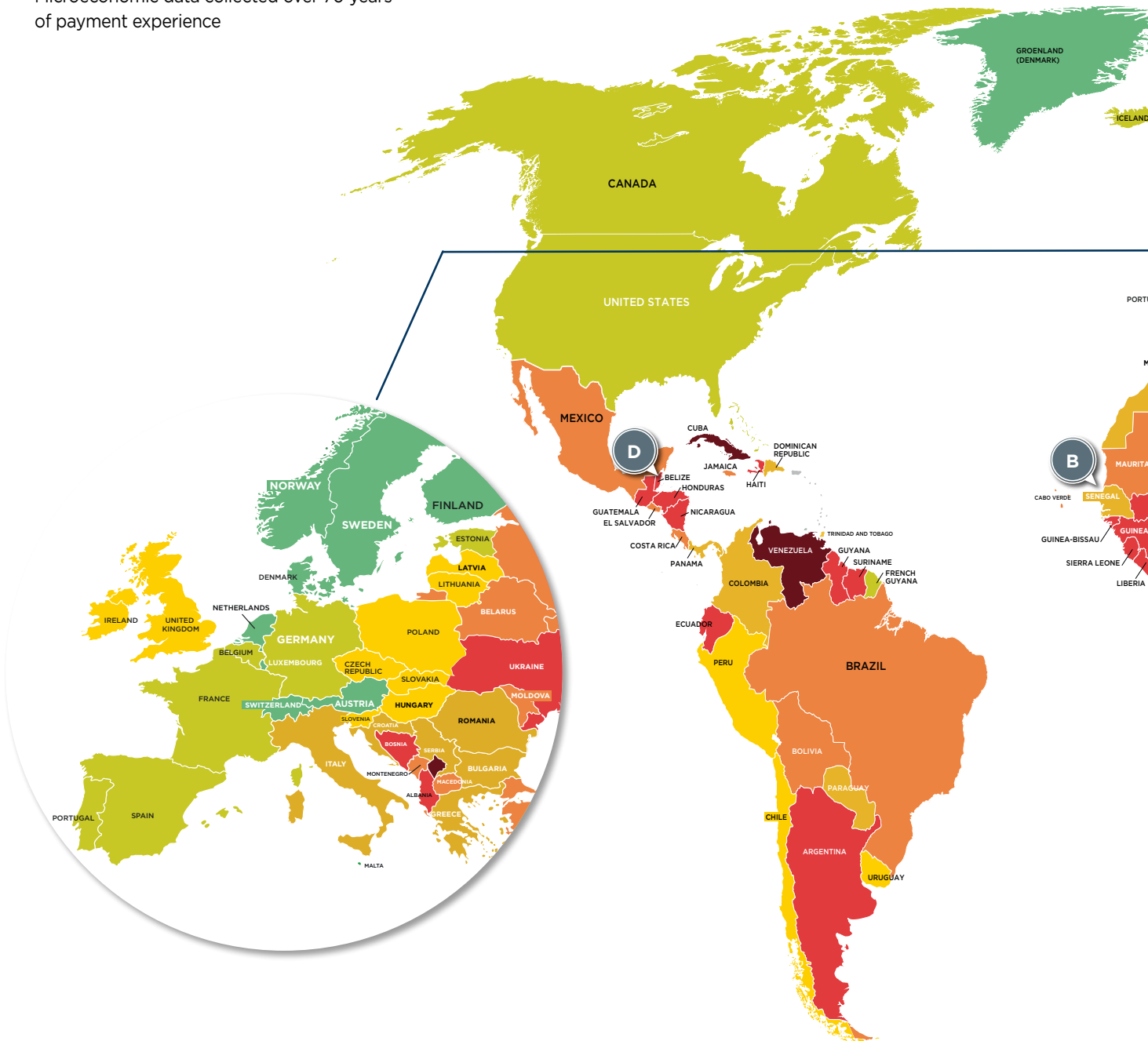# 162 COUNTRIES UNDER THE MAGNIFYING GLASS

A UNIQUE METHODOLOGY

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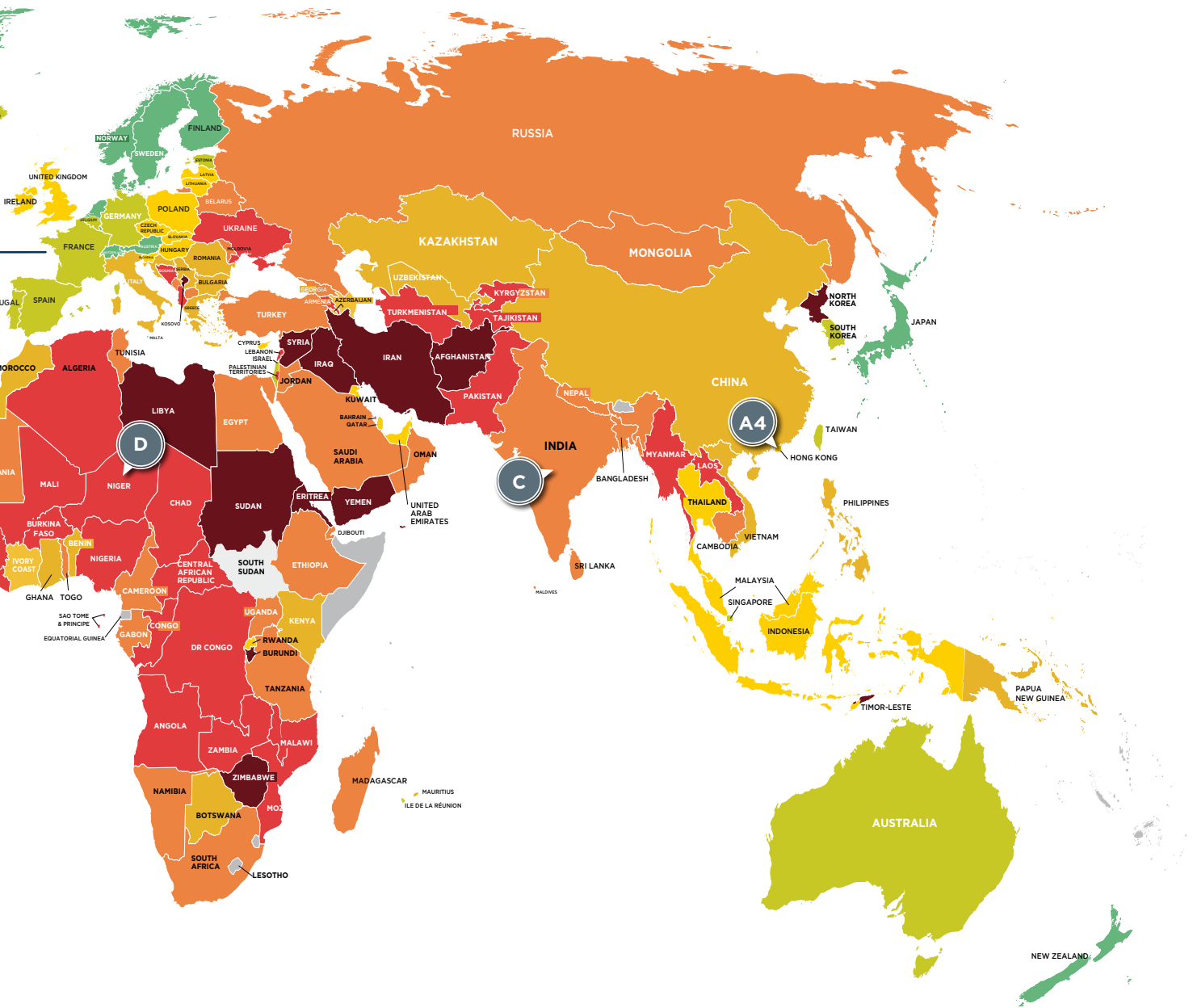- Microeconomic data collected over 70 years of payment experience

BUSINESS DEFAULTING RISK

UPGRADES   DOWNGRADES

SK ASSESSMENT MAP

A1	A2	A3	A4	B	C	D	E
VERY LOW	LOW	SATISFACTORY	REASONABLE	FAIRLY HIGH	HIGH	VERY HIGH	EXTREME

NORWAY
FINLAND
SWEDEN
UNITED KINGDOM
IRELAND
ESTONIA
LATVIA
LITHUANIA
GERMANY
POLAND
BELARUS
RUSSIA
CZECH REPUBLIC
FRANCE
AUSTRIA
SLOVAKIA
HUNGARY
ROMANIA
MOLDOVA
UKRAINE
KAZAKHSTAN
MONGOLIA
ITALY
BULGARIA
SPAIN
GREECE
UZBEKISTAN
KYRGYZSTAN
TURKEY
GEORGIA
ARMENIA
AZERBAIJAN
TURKMENISTAN
TAJIKISTAN
KOSOVO
MALTA
TUNISIA
CYPRUS
LEBANON
ISRAEL
SYRIA
IRAQ
IRAN
AFGHANISTAN
NORTH KOREA
SOUTH KOREA
JAPAN
MOROCCO
ALGERIA
PALESTINIAN TERRITORIES
JORDAN
KUWAIT
CHINA
PAKISTAN
TAIWAN
LIBYA
BAHRAIN
QATAR
EGYPT
SAUDI ARABIA
OMAN
INDIA
HONG KONG
D
NIGER
CHAD
SUDAN
ERITREA
YEMEN
UNITED ARAB EMIRATES
MYANMAR
LAOS
A4
MALI
C
BANGLADESH
NEPAL
BURKINA FASO
BENIN
NIGERIA
UNITED ARAB EMIRATES
DJIBOUTI
CENTRAL AFRICAN REPUBLIC
THAILAND
IVORY COAST
GHANA TOGO
CAMEROON
SOUTH SUDAN
ETHIOPIA
VIETNAM
CAMBODIA
SAO TOME & PRINCIPE
EQUATORIAL GUINEA
GABON
CONGO
UGANDA
KENYA
SRI LANKA
PHILIPPINES
MALDIVES
MALAYSIA
SINGAPORE
DR CONGO
RWANDA
BURUNDI
TANZANIA
INDONESIA
ANGOLA
ZAMBIA
MALAWI
PAPUA NEW GUINEA
NAMIBIA
ZIMBABWE
MADAGASCAR
MAURITIUS
ILE DE LA RÉUNION
TIMOR-LESTE
BOTSWANA
MOZ
SOUTH AFRICA
LESOTHO
AUSTRALIA
NEW ZEALAND

SECTOR RISK ASSESSMENTS
3rd quarter 2020

13 MAJOR SECTORS ASSESSED WORLDWIDE

Coface assessments are based on 70 years of Coface expertise

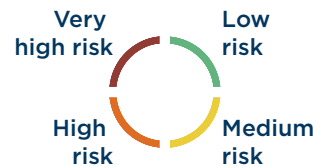Financial data published by listed companies from 6 geographical regions

5 financial indicators taken into account: turnover, profitability, the net debt ratio, cashflow, and claims observed by our risk managers
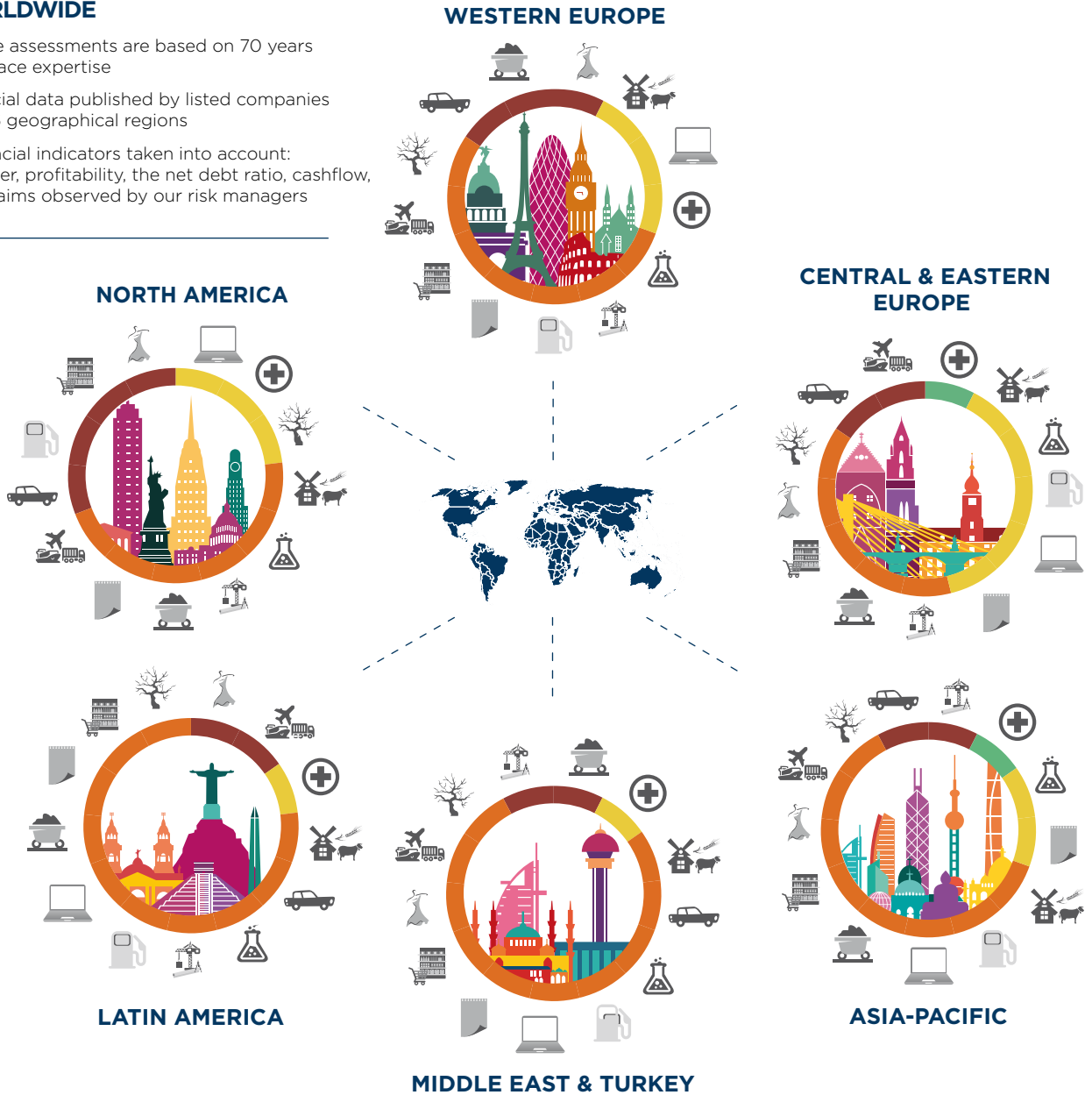
WESTERN EUROPE

NORTH AMERICA

CENTRAL & EASTERN EUROPE

LATIN AMERICA

MIDDLE EAST & TURKEY

ASIA-PACIFIC

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

Upgrade

Downgrade

Very high risk — Low risk — High risk — Medium risk

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