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BAROMETER COUNTRY AND SECTOR RISKS BAROMETER - Q4 2021

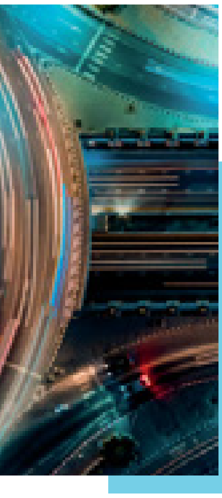
By the Coface Economic Research team

The global recovery continues in 2022, but a bumpy road lies ahead

Two years after the onset of the pandemic, the global economy continues to recover, but still faces significant challenges. After the relative lull of the third quarter, the emergence of the Omicron variant and its rapid spread to every region of the world has highlighted the unpredictability of the pandemic, despite the progress in vaccination. Consequently, the health situation has once again required the implementation of new restrictions this winter in a majority of countries. However, while some European countries have introduced partial lockdowns, the measures overall have been much less drastic in most countries than during previous waves. As a result, the direct effects on economies are becoming less significant with each additional wave, although the consequences remain particularly negative for directly affected sectors such as air transport, tourism, hotels and restaurants. In other words, the world has learnt to live with the pandemic.

Nevertheless, this new wave has exacerbated one of the main factors affecting the global recovery: supply-chain disruptions. After initially affecting the automotive industry, supply difficulties have spread to most of the manufacturing and construction sectors, remaining particularly acute in early 2022. While the time of return to normality remains hard to predict, it seems that the consensus – which we shared until very recently – of a progressive easing starting in H1 might be too optimistic: supply-chain disruptions are unlikely to be solved by next summer, even if pressures from the pandemic will certainly ease with the return of sunny days. Therefore, the other major risk highlighted in our previous Barometer[1], namely a lasting inflation slippage, is also becoming increasingly significant, especially as the commodity price rally, fuelled by the short-term inertia of supply and geopolitical tensions, is going the extra mile. Still sustained by energy prices, inflation is now firmly rooted in manufacturing prices in many (advanced) economies, as companies pass on increases in production costs to consumer prices. However, it should be noted that inflation dynamics are not uniform across countries: while core inflation is very high in the United States and the United Kingdom, it remains subdued in most Eurozone countries, where underlying inflationary pressures remain on average quite muted. Such heterogeneity obviously results in diverging monetary policies between both sides of the Atlantic (and the Channel!), which is already having a substantial impact on financial markets and will, in all likelihood, further affect international capital flows. Indeed, while the ECB remains in a

1 Coface Country & Sector Risk Barometer – Q3 2021: Supply chain and inflation headwinds hamper the recovery. October 21, 2021. URL: https://www.coface.com/News-Publications/Publications/Country-Sector-Risk-Barometer-Q3-2021-Quarterly-Update



wait-and-see stance and has announced that its asset purchases will not stop in the near future, the Bank of England already increased rates in December. Surprised by the recent surge in inflation and blamed by most observers for being behind the curve, the Fed has suddenly pivoted and hinted that a rate hike is imminent, with more to come throughout the year, prompting monetary tightening in some emerging countries – especially those facing downward pressures on their foreign exchange rate and significant external financing needs. China appears to be an exception in this context, as public authorities have decided to ease monetary policy in order to provide some breathing room to the real-estate sector and stabilize its economy, whose slowdown might turn into some kind of hard landing.

In the fourth quarter of 2021, given a still very uncertain environment, Coface has made few changes to its risk assessments, following the waves of upgrades in the previous quarters. In total, four country risk assessments were upgraded, including Denmark (A1), and two were downgraded. In terms of sector risks, Coface upgraded twelve assessments, notably in the paper and wood industries, where prices remain buoyant, and made five downgrades, mainly in the energy sector in Europe, where suppliers are particularly affected by the surge in prices.

Wave after wave

While the global economic trends discussed in our last barometer were largely confirmed at the end of last year (we had mentioned the possibility of a new variant emerging), the extremely rapid spread of the Omicron variant, even in countries with very high vaccination coverage, illustrates the unpredictable nature of the pandemic. This new variant has led to a dramatic increase in the number of cases, which have reached record levels on all continents. The high vaccination rates and lower severity associated with this variant meant that – with a few exceptions - drastic restrictions were not implemented.

Northern Europe was hit noticeably by the Omicron variant, which led to the return of several lockdown measures and a very cautious behaviour of the population in winter 2021/22. While there was a full severe lockdown in early winter in the Netherlands, Germany reacted with a full lockdown for the non-vaccinated. This led to small or even negative economic growth rates at the end of the year in the Northern European countries. In contrast, in most other European countries, governments chose to impose lighter restrictions, for instance, by closing nightclubs in France, Italy, Portugal or the region of Catalonia.

On 1 February 2022, Denmark was the first EU country to remove all remaining COVID-19 restrictions. During the pandemic, the Danish economy proved to be very resilient and is in a strategically advantageous position with a focus on pharmaceutical products, renewable energy (e.g. wind-turbines) and food products (especially dairy). The authorities reacted fast and with flexibility to the pandemic (with one of the most developed vaccination campaigns in Europe), which led to a lesser impact on the services sector. The strong digitalization of the country also helps to cushion the impact of pandemic-related measures. Together with its political stability and Coface's good experience with the Danish payment behaviour, this resulted into an upgrade of the Danish country risk assessment to A1.

In Central and Eastern European (CEE) countries, household spending could be limited in the first quarter of 2022, as the Omicron variant has spread amid vaccination rates mostly lower than in other EU countries. On the other hand, fixed asset investments should not lose momentum. While high capacity utilization rates already triggered an acceleration, NextGenerationEU (NGEU) will be a significant boost for CEE economies over the next two years.

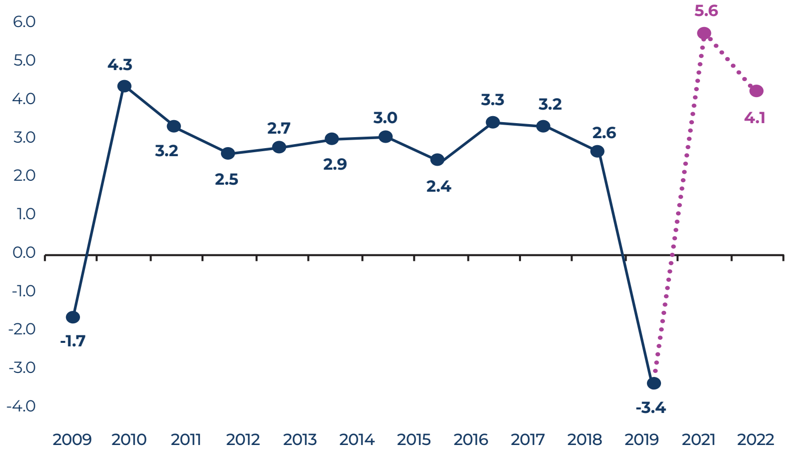
In Latin America, despite a significant acceleration in vaccination in second half of 2021, new cases soared again in early January due to the arrival of the Omicron variant. For now, at least, the pace of hospitalizations and deaths has grown at a much slower pace than that of contaminations. In this context, governments in the region have not adopted new relevant measures to restrict mobility.

Supply chain disruptions will run the extra mile

While the direct effects of the pandemic on economies are diminishing with each additional wave, and that the shock is concentrated on sectors affected by restrictions such as air transport, tourism and hospitality, the emergence of the Omicron variant is still leading to significant indirect impacts. Due to the strong reaction of governments in some countries that are pivotal in global supply chains - especially China, where tougher quarantine rules and partial lockdowns were imposed in several port cities, the current disruptions and material shortages are expected to last even longer. As a result, supply difficulties reached record levels this winter in the U.S. and Europe, both in industry and in the construction sector.

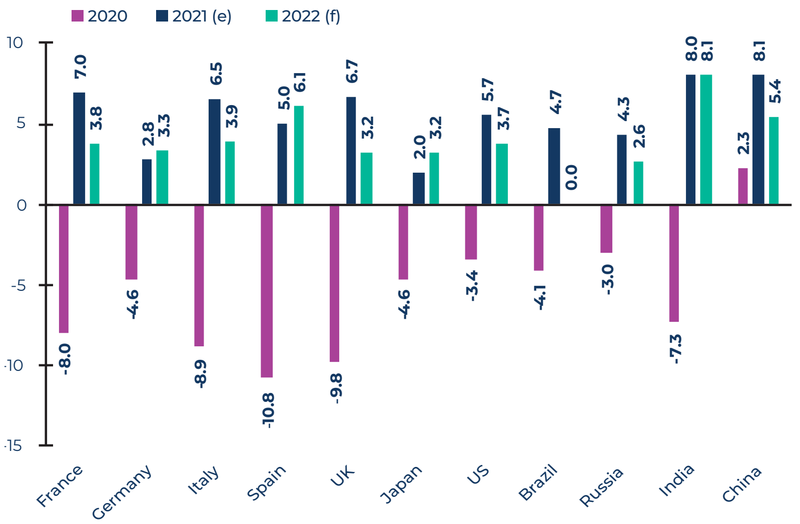
Consequently, we lowered our 2022 GDP forecasts for several countries in Europe, as well as for the U.S. and China **(Chart 2).** Although the recovery is still underway (with still solid growth figures), the number of insolvencies, still very low for now in most countries (including the United States, France and Germany), is expected to gradually rise again in 2022. This is already the case in the United Kingdom, where since August 2021, monthly insolvencies have returned to their pre-crisis levels, following the withdrawal of the furlough scheme and the expiry of the moratorium on insolvencies.

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



Sources: IMF, National authorities, Refinitiv Datastream, Coface

Chart 2:
Coface GDP evolution forecast (selected countries, annual average, %)



Sources: IMF, National authorities, Refinitiv Datastream, Coface

While all countries are affected by the ongoing supply-chain disruptions, it is especially hurting economic activity in countries highly dependent on manufacturing and/or foreign trade, like Germany and the Netherlands. CEE countries, in particular the Czech Republic and Slovakia, are also significantly exposed to these supply-chain disruptions, as many car manufacturers have set up plants in the region over the last decades.

While China's aggressive "zero-Covid" approach, which consists in implementing local lockdowns to contain even small outbreaks, has worked well so far, we cannot rule out that the more contagious Omicron variant will trigger stricter lockdown measures that could exacerbate supply-chain issues and create a massive global bottleneck.

High commodity prices: the usual big winners

As a further consequence of the strong recovery and the current imbalance between supply and demand, raw material prices soared in 2021. The prices of many commodities, which have broken records or reached multi-year highs, are continuing to increase at the time of writing. This is true for food, wood, metals (although steel prices have receded slightly in recent weeks, in connection with the slowdown in the Chinese property sector) and energy. While the concerns are oriented more around natural gas supply - with prices remaining very high in Europe and Asia - than crude oil, the latter hit a seven-year high in late January (at USD 91 for a barrel of Brent). Furthermore, energy price volatility is exacerbated by geopolitical tensions at the Ukraine-Russia borders.

Commodity exporters will continue to benefit from this particularly favourable environment. The Gulf region is thus expected to record strong growth performances in 2022. The gradual removal of OPEC+ quotas on oil production will also be a driver of growth. Big-ticket events such as Dubai Expo (to be held until March 2022) and the World Cup in Qatar (scheduled to take place between November and December 2022) will positively impact sectors such as tourism, construction and retail sales. On the other hand, the improvement of relations between Arab countries themselves, and with Israel, would represent new investment and trade opportunities for the region as a whole. Although higher economic activity and energy prices will help budget deficits to narrow, the Gulf countries will follow prudent fiscal policies to contain debt levels. This would weigh on the expansion pace of private consumption and investments.

In Europe, Norway (Country Risk Assessment of A1) posted the highest goods trade surplus in its history thanks to buoyant oil & gas exports, as well as metals and food (with fish being one of the main exported goods).

In this overall supportive environment for the region, the economic recovery remained on track in Africa in the fourth quarter of 2021, despite the resurgence of the pandemic in some countries at the end of the year, against a background of low vaccination coverage. Many African countries, even those affected by armed conflicts or political upheavals, still benefited from the high prices for energy, minerals (precious: gold, diamonds and platinum, or not: coal, copper, cobalt, nickel, aluminium), wood, and agricultural products (coffee, cocoa, tea, vanilla, oilseeds, cattle, cotton, tobacco). In this context, Morocco and South Africa have both benefited from exceptional harvests, as well as from phosphate fertilisers for the former and high metal ores prices for the latter. On the other hand, they are both suffering from their specialization in the struggling automotive and tourism industries. Furthermore, Egypt has seen its transport-related revenues (Suez Canal) increase, while Nigeria benefited from its financial and telecommunications services. Côte d'Ivoire, Ghana, Kenya and Senegal are also doing well.

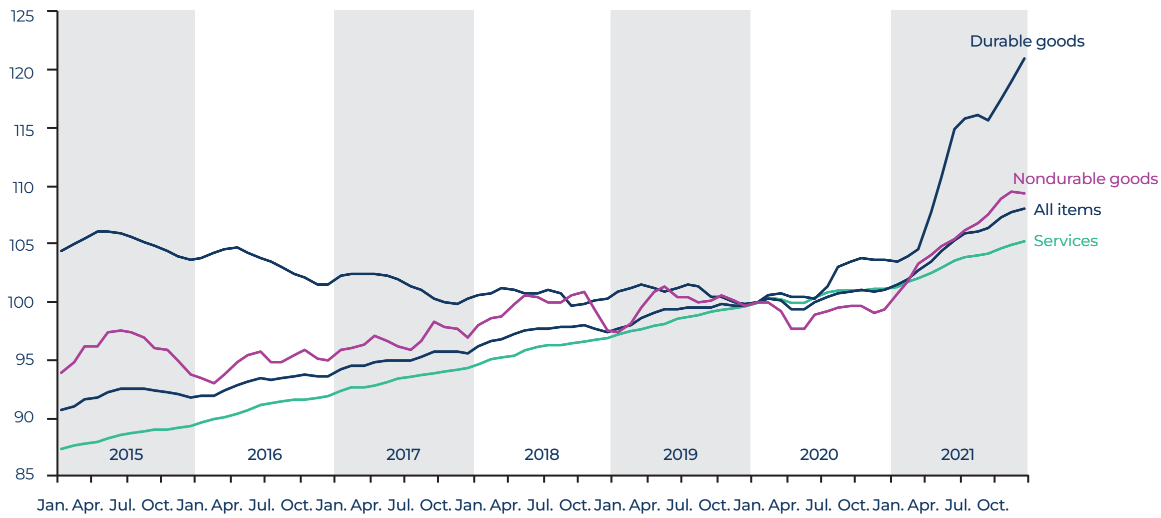
Hawkish Fed puts pressure on emerging markets

In the U.S., signs that supply-side issues and inflation hampered the recovery momentum in the second half of 2021 – highlighted in Coface's previous Barometer[2] – continue to accumulate. While GDP growth is expected to remain brisk in 2022 (3.7% after a 5.7% rebound last year), these factors are also expected to keep weighing on activity and will be the main downside risks to our forecast.

Most notably, in Q4 2021, price pressures showed little signs of easing, as the annual inflation rate measured by the Consumer Price Index soared to a 40-year high of 7.0%. Inflation reports continue to suggest that the excess inflation remains mostly associated with the extraordinary circumstances of COVID-19, and, more specifically, to the shift in U.S. consumer demand from services to durable goods caused by the pandemic **(Chart 3).** This has translated into a surge of inflationary pressures coming from the latter, a sharp reversal from recent trends, while the rate of inflation for services remains in line with recent standards. Our baseline scenario remains that inflation is nearing a peak and will cool as energy prices and supply-chain bottlenecks ease, particularly in the second half of the year. Two years after the onset of the pandemic, consumption patterns are expected to shift back to services, at the expense of spending on durable goods. Excess inflation associated with the latter would thus abate. However, as price increases have broadened, inflation will probably remain high throughout 2022, as services inflation is likely to pick up and the price of shelter maintains some upward pressure. A return to the 2% inflation target of the Federal Reserve (Fed) seems unlikely by the end of the year. Moreover, as labour shortages continue to support wage growth - average hourly earnings were up by 4.7% YoY in December 2021 (vs. a 2.8% average between 2015 and 2019), a wage-inflation spiral, which would entrench higher inflation, remains a risk to monitor. Persistently high inflation would imperil economic growth, as it would dent households' consumption (more than 2/3 of U.S. GDP). For businesses, higher input costs could erode margins, but this seems to be limited for now. Businesses reported record profit margins in 2021[3], while most firms seem to be passing at least some of the cost increase to consumers[4].

With inflation running at a multi-decade high and far above its 2% target, the Fed has turned more aggressive. At its December meeting, policymakers at the Fed decided to accelerate the unwinding of the asset purchase program and the median forecast pencilled three 25 basis points rate hikes in 2022. Furthermore, in January, the Fed Chairman, Jerome Powell, indicated that the U.S. central bank was ready to accelerate the removal of the extraordinary support implemented to respond to the pandemic. While three rate hikes in 2022 remains a baseline, the Fed will almost certainly bring forward its first interest rate rise to March, opening the door to more tightening. It is also likely to start shrinking the size of its balance sheet, which has swelled to nearly USD 8.8 trillion (about 40% of GDP), possibly from May, in order to reduce liquidity. While letting inflation run hot for too long is a key risk, the Fed tightening, if premature and/or excessive, could also choke economic activity.

Chart 3:
United States: Consumer Price Index, by special aggregate



Sources : Bureau of Labor Statistics, Refinitiv Datastream, Coface

2 Coface Country & Sector Risk Barometer – Q3 2021: Supply chain and inflation headwinds hamper the recovery. October 21, 2021. URL: https://www.coface.com/News-Publications/Publications/Country-Sector-Risk-Barometer-Q3-2021-Quarterly-Update
3 The net operating surplus of non-financial corporations as a percentage of gross value added exceeded 19 % for the first time since 2014. The S&P 500 also reported its highest profit margin since 2008.
4 According to a survey by the Federal Reserve Banks of Richmond and Atlanta in collaboration with Duke University's Fuqua School of Business, to handle rising costs, about 80% of firms experiencing price pressures are reporting this strategy.

Beyond the consequences for the domestic economy, any Fed decision entails spillovers to emerging markets. Indeed, faster-than-expected Fed rate hikes could lead to significant capital outflows and currency depreciation abroad. Some emerging markets have already started to adjust their monetary policy last year, driven by concerns about domestic inflation, especially in Latin America.

Despite early monetary tightening, all inflation-targeting countries in the region ended 2021 with an above-target figure. In 2022, inflation is expected to lose some steam, albeit still likely to remain above the target in all countries. Here too, risks are mostly tilted to the upside, vulnerable to a slower-than-expected dissipation of global supply-chain disruptions, the evolution of energy and agriculture prices (amid La Niña impact in South America affecting the harvest 2021/2022). Therefore, and to mitigate the spillovers of Fed tightening, monetary authorities will continue to raise their benchmark rates, switching to a restrictive policy stance in 2022. This is the case of Brazil, Chile, Colombia, Mexico and Peru. Therefore, Latin America's GDP growth rate is expected to decelerate to 2.1% in 2022, after an estimated increase of 6.3% in 2021.

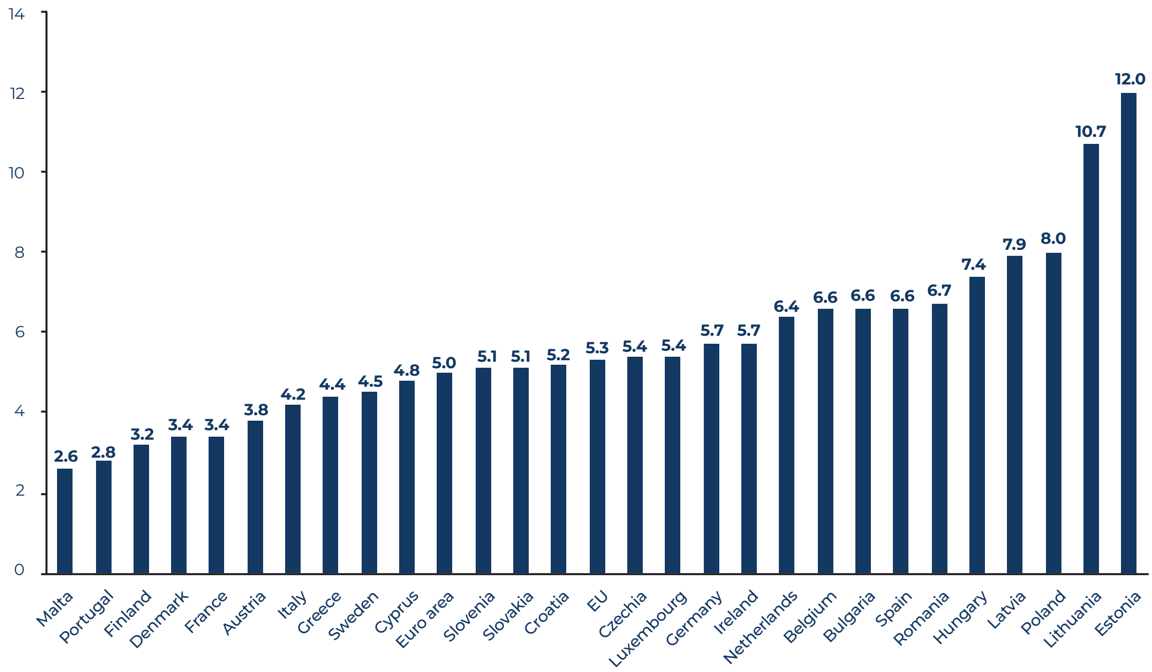
Another emerging country particularly vulnerable to Fed tightening is Turkey. Nevertheless, the latter decided to move in the opposite direction and further ease its monetary policy, despite spiralling inflation. Inflationary pressures, a high level of dollarization and uncertainty over the monetary policy will remain the biggest economic challenges this year. While production and export dynamics are expected to remain resilient, corporates will remain strongly exposed to negative impacts from the high volatility of the local currency. Although employment levels in services and industries have returned to pre-pandemic levels, households will continue to suffer from high inflation. Consequently, Turkey's economy is expected to decelerate sharply, from 9.8% in 2021 to 3.5% in 2022, which led to the downgrade of the Turkish country risk assessment to C.

While energy prices have driven inflation upward, its dynamic is somewhat uneven across Europe

In Europe, the supply-chain disruptions, alongside strong demand, led to higher producer and energy prices. In Germany, this mixture led to the highest input-price inflation since 1949 (in December 2021) and to the highest consumer price inflation in over 30 years. Similar but slightly lower figures were observed in the Netherlands and Scandinavia too.

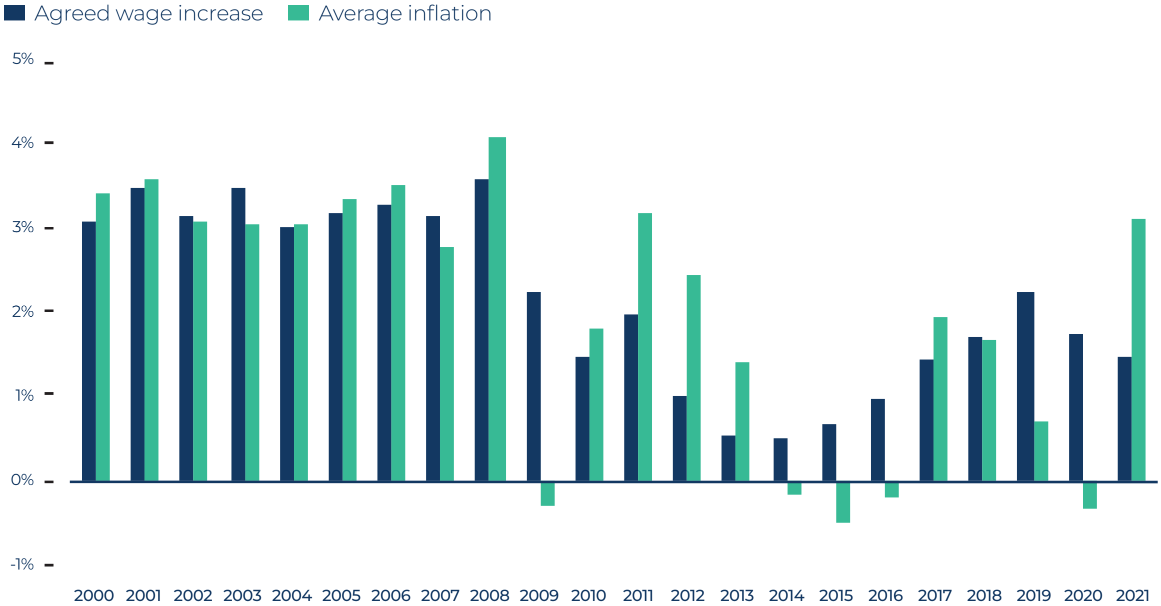
The situation is somewhat heterogeneous in the rest of the Eurozone: while inflation has remained rather moderated in France, prices have soared in Spain, where inflation was higher than in Germany in December (**Chart 4**). This discrepancy is mostly attributable to energy prices, as core inflation is similar in both countries (around 2%). Energy prices in Spain are very volatile, as 40% of households have subscribed to the regulated tariff that is indexed to the wholesale market. In France or in Portugal, electricity prices are is reviewed once or twice per year, with governments trying to limit the impact on consumers.

Chart 4:
European Union: HICP inflation rates (%) in December 2021



Sources: Eurostat, Coface

Chart 5:
Spain: Wage increase agreements vs inflation



Sources: Ministry of Labour and Social Economy, INE, Coface

While manufactured goods prices are rising, as higher costs are passed on consumers, wage growth in the Eurozone remains subdued. In Spain, the wage increase agreed in collective bargaining agreements was lower than 1.5% in 2021 (**Chart 5**). It is worth mentioning that, as every year, the vast majority of 2021's collective agreements (85% of the total) were signed in January 2021, when the last known inflation figure was negative. It is therefore possible that the 2022 collective agreements, most of which should be signed in January, will result in much higher wage increases. However, this is not guaranteed, as the few collective agreements signed between October and December 2021 agreed on wage increases of around 1.5%, despite already high inflation.

In the United Kingdom, inflation reached 5.4% in December and has been increasingly broad based, with, for instance, used car prices soaring over the last months. In order to curb inflationary pressures, the Bank of England was the first major central bank to raise its interest rate in December 2021, from 0.1% to 0.25%. After raising it to 0.5% earlier this month, the BoE is expected to conduct three additional hikes this year.

Inflation has also accelerated in CEE economies. Price increases have been sharp in Poland, Hungary and Romania, while the latest data also showed soaring prices in Baltic economies, which, as Eurozone members, were not able to use the monetary policy as a response tool. In Poland, inflation was fuelled by the depreciating currency due to both the pressure coming from the conflict with the EU on the rule of law and a delayed start of monetary tightening. Some CEE countries, including Poland and Hungary, decided to implement anti-inflationary measures (temporary tax cuts and price caps, respectively) that are likely to limit only slightly the increase in prices.

Energy and food inflation are likely to exacerbate further social pressures

While lower wage increases put a brake on second-round effects, it also means declining purchasing power for households that could result in increased social tensions, which are already high due to ongoing or new health-related restrictions. Inflation and purchasing power will definitely be one of the key topics of the French presidential election in April, along with the pandemic.

Thus, in addition to the risks that Coface had highlighted in the Q2 2021 Barometer[5], i.e. that the inequalities resulting from the pandemic would lead to an increase in social pressures, there is now a risk that the sharp rise in inflation, particularly in energy and food, will exacerbate these pressures in emerging and developing countries. In Africa, for instance, high energy and food prices, which weigh heavily on households, have constrained consumption to such an extent that food insecurity and poverty have increased. Fiscal support, which was already very limited on the continent due to the high public debt, has been withdrawn and unemployment is high in most countries (South Africa, Angola, Nigeria, etc.). In addition to high global commodity prices, the region has to cope with the additional costs associated with the continued closure of some land borders, as well as the persistence of domestic and international transport issues. South Africa, Algeria, Angola, Mozambique, Nigeria, DRC, Zimbabwe, Ethiopia, Guinea and Tunisia are examples of countries with increasing social pressures attributable to the crisis and to the current environment.

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

China: going against the grain

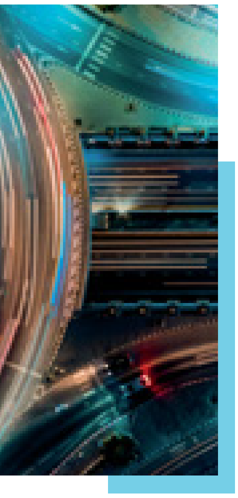
The self-inflicted slowdown in China deepened in the fourth quarter of 2021, with the economy expanding at annual growth rate of 4.0%, the slowest pace since the peak of the pandemic in early 2020. China's economic recovery has been hit by the property market downturn, the pursuit of the "zero-Covid" strategy (which impinged on household spending), subdued investment growth, and energy shortfalls. Investment in real estate rose by 4.4% in 2021, the weakest growth since 2015, while infrastructure investment levels were virtually unchanged last year compared to 2020. For the whole of 2021, China's GDP expanded by 8.1%, bolstered by a low base effect, as the two-year average GDP growth rate from 2019 to 2021 stands at a more sobering 5.2%.

The Chinese authorities have become increasingly concerned about the deepening economic slowdown, having warned about accumulating growth headwinds since the middle of 2021, and subsequently responded with a combination of fiscal measures and monetary easing. These included a series of policy rate cuts, and bringing forward a portion of the special bond issuance quota for 2022. While the tighter regulatory environment for some sectors aimed at "common prosperity" is here to stay, China's leadership has given strong indications during the annual Central Economic Work Conference that they intend to secure stability for the economy in 2022, which is a year of great political importance as the twice-a-decade Party Congress will take place later in the year.

Economic activity in the Asia-Pacific region picked up from the third quarter Delta wave shock towards the end of 2021, as mobility restrictions were relaxed in many economies. Most of the region's economies had returned to their pre-pandemic 2019 GDP level by the end of 2021, with the exception of Japan, Thailand and the Philippines. The sharp rise in producer prices contributed to consumer inflation pressures accumulating in Asia, but the rate of increase was noticeably slower than those observed elsewhere globally **(Chart 6)**. Several factors explain Asia's lower inflation. Food costs, which make up a larger proportion of consumer price index baskets in the region, increased much slower than in other regions, helped by India's solid harvest and China's hog recovery. Energy inflation was also more muted in Asia than in the United States and Europe. The availability of a wider network of alternative suppliers and the lower rise in transportation fees compared to Western economies helped to contain inflationary pressures. However, further recovery and wider economic reopening in 2022 could fan inflation forces, especially if labour supply conditions begin to tighten.

Chart 6:
Inflation rates (%) in Asia vs the US and the Eurozone

Sources: National sources, Coface



Country Risk Assessment Changes

AREA	Previous Assessment		Current Assessment
COSTA RICA	C	↗	B
DENMARK	A2	↗	A1
GUYANA	D	↗	C
HONDURAS	D	↗	C
SRI LANKA	C	↘	D
TURKEY	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

(Q4 2021)

REGIONAL SECTOR RISK ASSESSMENTS

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

* Information and Communication Technologies
Source: Coface

ASIA-PACIFIC

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

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	Medium Risk	Medium Risk	Medium Risk
Construction	High Risk	High Risk	High Risk	High Risk
Energy	Medium Risk	Medium Risk ↘ High Risk	Medium Risk	High Risk
ICT*	Medium Risk	Medium Risk	Medium Risk	Medium Risk
Metals	Medium Risk	Medium Risk	Medium Risk	Medium 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	High Risk	High Risk	High Risk
Wood	High Risk ↗ Medium Risk	High Risk	High Risk ↗ Medium Risk	High Risk

* Information and Communication Technologies
Source: Coface

LATIN AMERICA

	Latin America	Argentina	Brazil	Chile	Mexico
Agri-food	Medium Risk	High Risk	Medium Risk	High Risk	Medium 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	Very High Risk ↗ High Risk	High Risk	High Risk	Very High Risk
Energy	High Risk	High Risk	High Risk	Medium 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	Medium 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

BUSINESS DEFAULT RISK

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

MIDDLE EAST & TURKEY

	M. East & Turkey	Israel	Saudi Arabia	Turkey	UAE
Agri-food	High Risk	High Risk	High Risk	High Risk	Medium Risk
Automotive	High Risk	High Risk	High Risk	High Risk	High Risk
Chemical	Medium Risk	Medium Risk	Medium Risk	Medium Risk	Medium Risk
Construction	Very High Risk	High Risk	Very High Risk	Very High Risk	Very High Risk
Energy	High Risk	High Risk	High Risk ↗ Medium Risk	Very High Risk	High Risk
ICT*	High Risk	Medium Risk	High Risk	High Risk	High Risk
Metals	High Risk	High Risk	High Risk	Medium Risk	High Risk
Paper	Medium Risk	Medium Risk	High Risk	Medium Risk	High Risk
Pharmaceuticals	Medium Risk	Medium Risk	Medium Risk	Medium Risk	Medium Risk
Retail	High Risk	Medium Risk	High 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
Source: Coface

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

* Information and Communication Technologies
Source: Coface

OTHER COUNTRIES

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

* Information and Communication Technologies
Source: Coface

BUSINESS DEFAULT RISK

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

Decoding the WORLD ECONOMY 4TH quarter 2021

coface FOR TRADE

COUNTRY RI

162 COUNTRIES UNDER THE MAGNIFYING GLASS

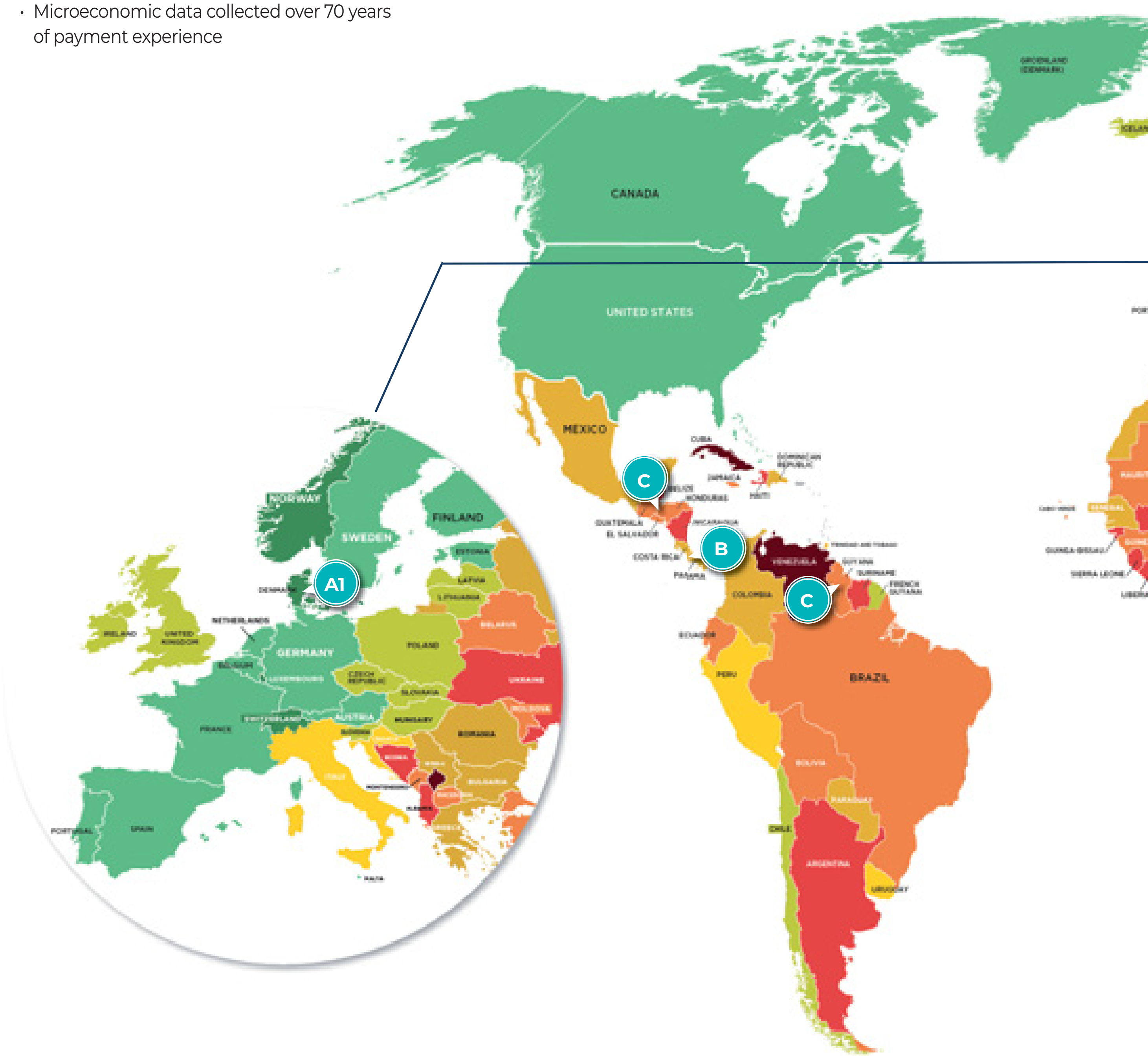
A UNIQUE METHODOLOGY

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

BUSINESS DEFAULTING RISK

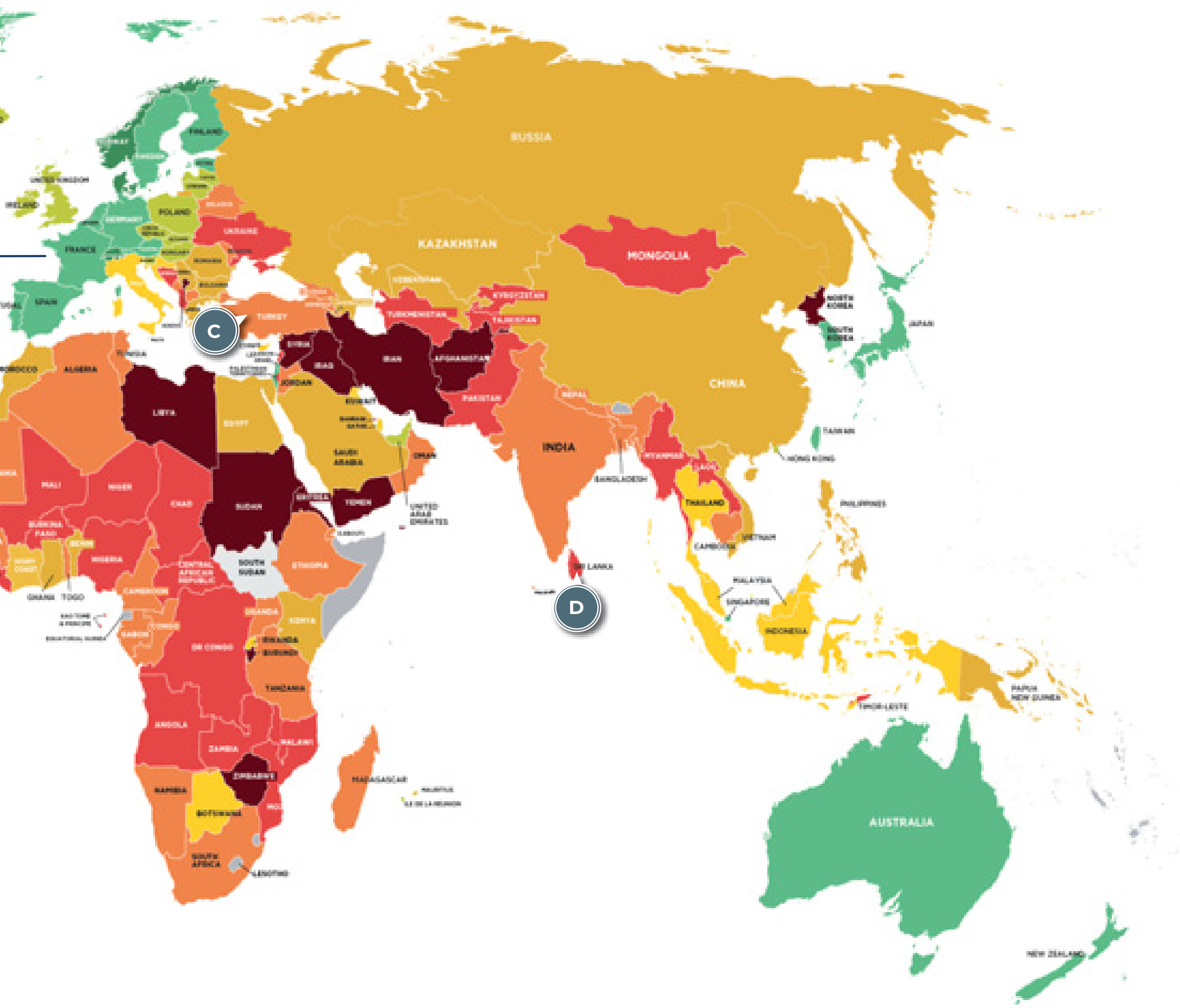
UPGRADES

DOWNGRADES



SK ASSESSMENT MAP

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

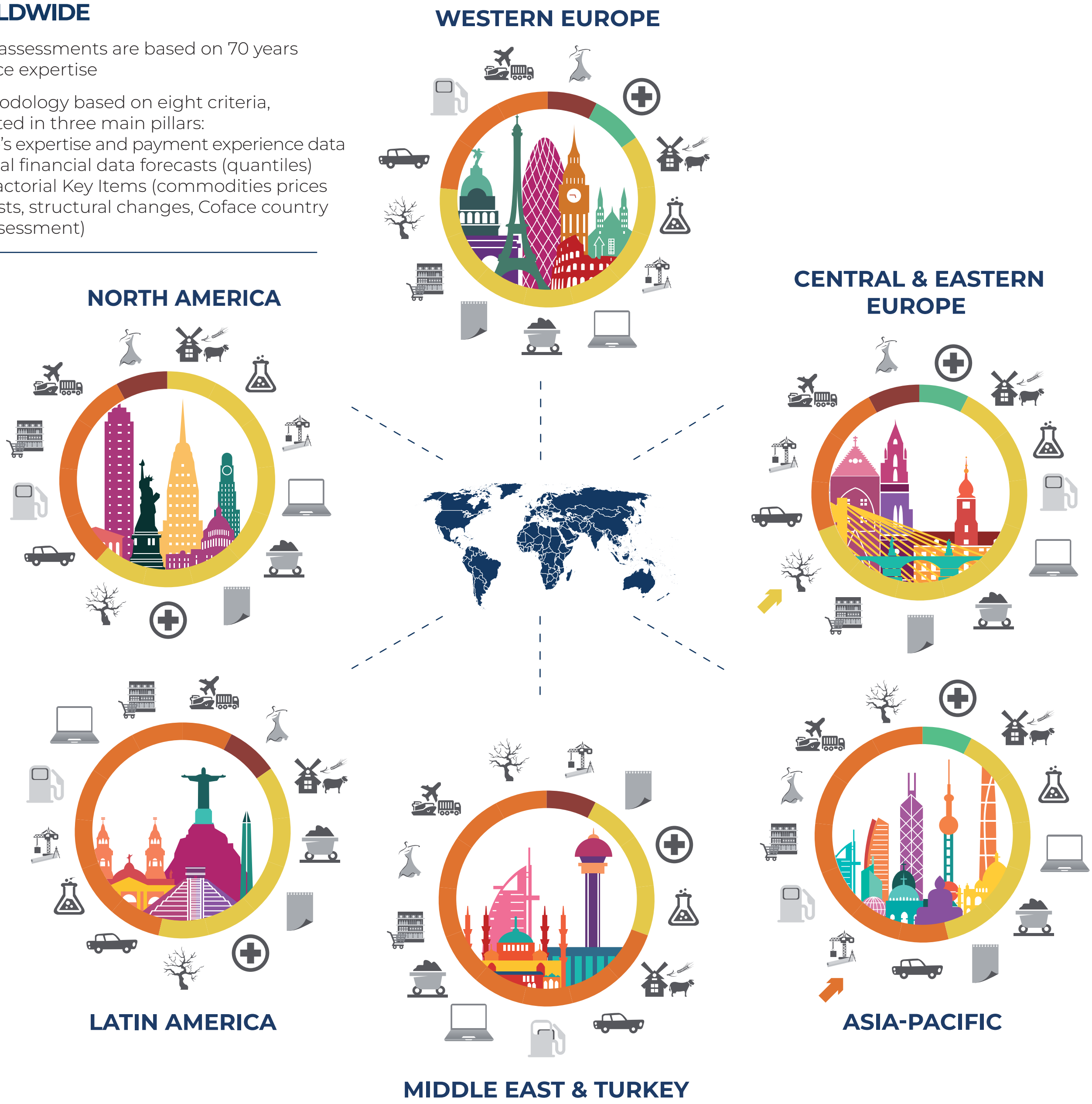


SECTOR RISK ASSESSMENTS
4th quarter 2021

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

* Information and Communication Technologies

- Upgrade
- Downgrade

Very high risk | Low risk | High risk | Medium risk

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FOR TRADE