

Prague, 9<sup>th</sup> December 2014

**Coface quarterly sector risks assessments:  
14 sectors in three major regions of the world**

**North American chemicals, transport, textiles and clothing  
upgraded from "medium risk" to "low risk"**

**In North America, sector risk has improved due to the positive economic  
outlook and the drop in oil prices**

For Coface, this year-end shows a clear improvement in the North American sector risk. After a short-lived downturn due to the poor climate conditions in the first quarter, the United States has resumed solid and balanced growth (forecast at 2.0% in 2014 and 2.5% in 2015). Companies have taken advantage of the favourable momentum in consumption and investment, as is shown by the high level of their profits. This favourable economic climate, coupled with the recent fall in oil prices, has especially benefitted three sectors, which Coface has upgraded to "low risk".

- **Chemicals**

North American chemicals stand out favourably compared to Western Europe (which is confronted with a sluggish recovery) and to emerging Asia (where the outlook for the sector remains fragile). As the favoured region for a number of players in the sector, North America has made the most of gains in competitiveness resulting from its lower production costs.

Its industrial production increased by 3.2% over one year in the third quarter 2014. It is buoyed by the strong activity of the sector's two major markets - the automotive and construction industries. Automotive sales are up by 1.4% over the first 10 months of the year, compared to 2013, in a consumer context boosted by households. And on the construction side, activity and prices are up, although still without reaching pre-crisis levels.

- **Transport**

Encouraged by rising global growth this year, for the first time since 2010, and through the expected acceleration in international trade in 2015, the transport sector has recorded solid performances. While in Europe air freight has suffered from the effects of the Russian embargo on its trade exchanges and strong competition from low-cost airlines, in North America this sector has benefitted from the positive effects of past restructuring. Whereas the market has shown signs of its maturity, with growth of only 2.8% at the end of September<sup>1</sup>, the profitability of companies remains above that observed in Europe. Furthermore, booming growth in the United States has contributed to the resurgence of

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<sup>1</sup> Source: RPK, IATA

demand in business and in freight.

- **Textiles and clothing**

The growth in this sector seems to have stabilised in North America, at around 2% annually, with abundant supply and steady demand. Cotton harvests in this region, which is the third largest global producer, could reach 2012/2013 levels with an expected rise of 24% in volume to reach 3.5 million tonnes<sup>2</sup>. Due to the resilience of American employment and consumer spending, the demand momentum in this sector is relatively favourable compared to Europe.

### **Warning for the distribution sector in Western Europe**

The weak recovery in Western Europe and the unresolved overcapacity issues in the sectors connected to infrastructure investment in emerging countries in Asia have led Coface to leave its sector risk assessments unchanged for these regions.

However, one sector is now being watched carefully. This is the distribution sector in Western Europe, which is considered for the moment as a "medium risk". In contrast to emerging countries in Asia and to North America (where the sector is classified under "low risk"), the prolonged sluggishness of consumer spending in Europe, combined with the export ban on certain foodstuffs to Russia, are adversely affecting distributors' margins and are resulting in downward pressure on prices.

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#### **About Coface**

The Coface Group, a worldwide leader in credit insurance, offers companies around the globe solutions to protect them against the risk of financial default of their clients, both on the domestic market and for export. In 2013, the Group, supported by its 4,440 staff, posted a consolidated turnover of €1.440 billion. Present directly or indirectly in 98 countries, it secures transactions of over 37,000 companies in more than 200 countries. Each quarter, Coface publishes its assessments of country risk for 160 countries, based on its unique knowledge of companies' payment behaviour and on the expertise of its 350 underwriters located close to clients and their debtors.

In France, Coface manages export public guarantees on behalf of the French State.

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<sup>2</sup> Source: ICAC

## APPENDIX

SECTORIAL RISK ASSESSMENT			
Sectors	Western Europe	Emerging Asia	North America
Agro-food	●	●	●
Automotives	●	●	●
<b>Chemicals</b>	●	●	● ↗
Construction	●	●	●
<b>Electronics, IT</b>	●	●	●
<b>Energy</b>	●	●	●
Engineering	●	●	●
Metals	●	●	●
Paper-Wood	●	●	●
Pharmaceuticals	●	●	●
<b>Retail</b>	●	●	●
Services	●	●	●
<b>Textile-clothing</b>	●	●	● ↗
<b>Transportation</b>	●	●	● ↗

Sources : Datastream, Coface

● Moderate risk ● Medium risk ● High risk ● Very high risk