



P R E S S R E L E A S E

Paris, March 23, 2017

Coface Country and Sector Risk Update:

Business Confidence Is Picking Up, Despite Persistent Political Risk

Global trade credit insurer Coface today released its quarterly economic update for country and sector risk. The main surprise of early 2017 is the rise in business confidence, leading Coface to positively adjust its global growth forecast to +2.8%. Countries upgraded were Czech Republic (A2), Israel (A2), and Latvia (A3). Mozambique was downgraded to the highest risk level (E). Looking at sectors, the risk level has improved in metals in Asia and Latin America. The construction sector in Latin America and Western Europe was upgraded, while the retail sector in the UK was downgraded.

Global Outlook: Slight Acceleration in GDP Growth, Trade and the Price of Oil

Business confidence and the financial markets are up despite persistently high political risks in the USA and Europe. Households and companies are starting to spend. The risk of deflation in the advanced economies and in China has decreased, and most of the Eurozone is seeing highly favorable financing conditions.

The upturn in business confidence in the advanced economies, along with an economic recovery in the emerging countries, particularly in Russia (+1%) and Brazil (+0.4%) have led Coface to upgrade the global growth forecast to +2.8% and the global trade forecast to +2.4%, compared to +1% in 2016.

Tentative Improvements at the Country Level

These signs of improvement are still too tentative to be widely reflected in Coface country and sector assessments. Business activity will remain constrained by high and increasing debt in the emerging economies, along with the threat of protectionist, political, and social risks in the advanced and emerging countries.

Czech Republic (upgraded to A2) and **Latvia** (upgraded to A3) are increasingly integrated into the European supply chain, and will continue to display fairly sustained growth this year. Czech Republic benefits from solid auto sales in the EU. **Israel** (upgraded to A2) combines solid growth with low levels of unemployment and inflation thus improving the outlook for the sectors selling into the domestic market.

After undergoing a downgrade last June, **Mozambique** is further downgraded to E, "extreme risk," on account of serious threats to its political stability and the payment default situation.



P R E S S R E L E A S E

Sector Outlook: Good News for Metals and Construction

In terms of sector risk, the **metals** sector has been the most at-risk sector globally for the last three years, but signs of improvement are showing. The growth in metals production is slowing considerably in China, while prices are increasing, sustained by a renewal in construction and automotive in the USA and Western Europe. The imposition of customs tariffs on Chinese steelmaking products has also given respite to steelmakers in Europe and Latin America. As a result, Coface has upgraded the metals sector from "very high risk" to "high risk" in Latin America, driven by Brazil, and in emerging Asia, mainly due to the rise in domestic demand in China.

In Latin America, and Brazil in particular, there is a positive trend in **construction** thanks to a rapid fall in central bank interest rates, and in energy, despite uncertainties concerning investment projects. The risk for these sectors has improved to "high" level.

In Western Europe, two sectors stand out. **Construction** in France is now "medium risk," benefiting from an upturn in housing starts due to low interest rates and tax incentives. The United Kingdom, affected by inflation, is seeing stagnation in household purchasing power, leading Coface to downgrade the UK **retail** sector to "high."

NORTH AMERICA MEDIA CONTACT: Sue Hinton – sue.hinton@coface.com - +1 212 389 6484

About Coface

Coface, a world-leading credit insurer, offers 50,000 companies around the globe solutions to protect against the risk of financial default of their clients, both on domestic and export markets. The Group, which aims to be the most agile global credit insurer in the industry, is present in 100 countries, employs 4,300 people, and posted consolidated turnover of €1.411 billion in 2016. Coface publishes quarterly country and sector risk assessments based on its unique knowledge of company payment behavior and on the expertise of its 660 underwriters and credit analysts located close to clients and their debtors.

www.coface.com

Coface SA. is listed on Euronext Paris – Compartment B
ISIN: FR0010667147 / Ticker: COFA

