



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

Sydney, 20 October 2015

Quarterly sector risk assessments update

Energy is more risky than ever, while Information and Communication Technologies is the only sector to receive a positive revision and the automotive industry is adjusting

Although world growth is slowing down (2.6% GDP forecast for 2015 vs 2.7% for 2014), sector dynamics still vary widely throughout the world. Coface has revised its risk assessment for three sectors this quarter: automotive in emerging Asia, energy in the three zones surveyed, and ICT in Western Europe. Despite the difficulties of the oil industry, North America remains the least risky region, thanks to its still buoyant activity.

Energy: the risk has intensified in the three regions

The new fall in oil prices has led Coface to downgrade the energy sector in the three zones surveyed. They now represent a "high" level of risk. The leading oil companies are reducing their investments, thus weakening the oil service companies.

- Of the regions, North America, which had already been downgraded by one notch last April, remains hardest hit by the fall in oil prices, despite the upturn in its economy in the 2nd quarter (forecast growth of 2.5% for 2015 and 2016). As well the drastic cuts in investments, exploration/production companies have a high level of debt, and prices are subject to downward pressure.
- In Western Europe, the industry has been hit by some countries halting the development of shale gas operations and by the collapse in oil prices, forcing some companies to reduce their capital expenditure.
- Although affected by the slowdown in China, the impact has been felt less in emerging Asia, since the public nature of the leading oil companies provides them with safeguards. However, there will be major repercussions for the players with less access to public financing.

Automotive in emerging Asia: downgraded to "medium" risk, given the economic slowdown

The automotive industry is undergoing some adjustments. It is doing well in North America, thanks in particular to an acceleration in luxury vehicle sales. In Western Europe, after many restructuring programmes designed to reduce costs, a return to growth is bringing hope to the sector. However, the Volkswagen scandal could cloud the picture, in particular for Germany and Central European countries where the group has a sizeable proportion of local sales.

The situation is more difficult in emerging Asia, which Coface has downgraded to "medium" risk. Sales growth fell to 2.6% in China for the first eight months of 2015. The slowdown in the Chinese economy and increased competition have had an impact on activity for



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manufacturers, who must adapt to a "new growth standard" far from the double-digit levels enjoyed in the past.

The risk is reduced for ICT, underpinned by the recovery in Europe

The assessment for the information and communication technologies sector is now the same for all the geographic zones since the risk level in Western Europe is now "medium". Lower costs, combined with the development of new video platforms, have contributed to maintaining demand, thanks to higher levels of private consumption. Lastly, good progress has been made in developing storage services for individuals. There is still market share to be captured by companies.

Although they have reached a slight saturation, the companies in emerging Asia could build on other relays, such as the development of 4G. In North America, players in the sector are faced with strong competitive pressure in telecommunications, with "new" players such as Facebook and Google.

Metals and paper/wood are under watch

- Like energy, the metals sector is also experiencing a worldwide fall in prices, especially in North America, and has been hard hit by the problems of overcapacity in emerging Asia.
- The paper/wood sector is faced with overcapacity problems and competition from electronic media. However, in emerging Asia it is boosted by processing for export.

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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 2014, the Group, supported by its 4,400 staff, posted a consolidated turnover of €1.441 billion. Present directly or indirectly in 99 countries, it secures transactions of 40,000 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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APPENDIX

SECTOR RISK ASSESSMENT			
Sectors	Emerging Asia	North America	Western Europe
Agrofood			
Automotive			
Chemicals			
Construction			
Energy			
Engineering			
ICT*			
Metals			
Paper-Wood			
Pharmaceuticals			
Retail			
Services			
Textile-clothing			
Transportation			

Source: Coface

Low risk Medium risk High risk Very high risk

The risk has improved

The risk has deteriorated

* Information and communications technologies

Sectorial risk assessment methodology

Coface's assessments are based on the financial data published by over 6,000 listed companies in three major geographic regions: Emerging Asia, North America and the European Union 15.

Our statistical credit risk indicator simultaneously summarises changes in four financial indicators: turnover, profitability, net indebtedness, and cash flow, completed by the claims recorded through our network.