

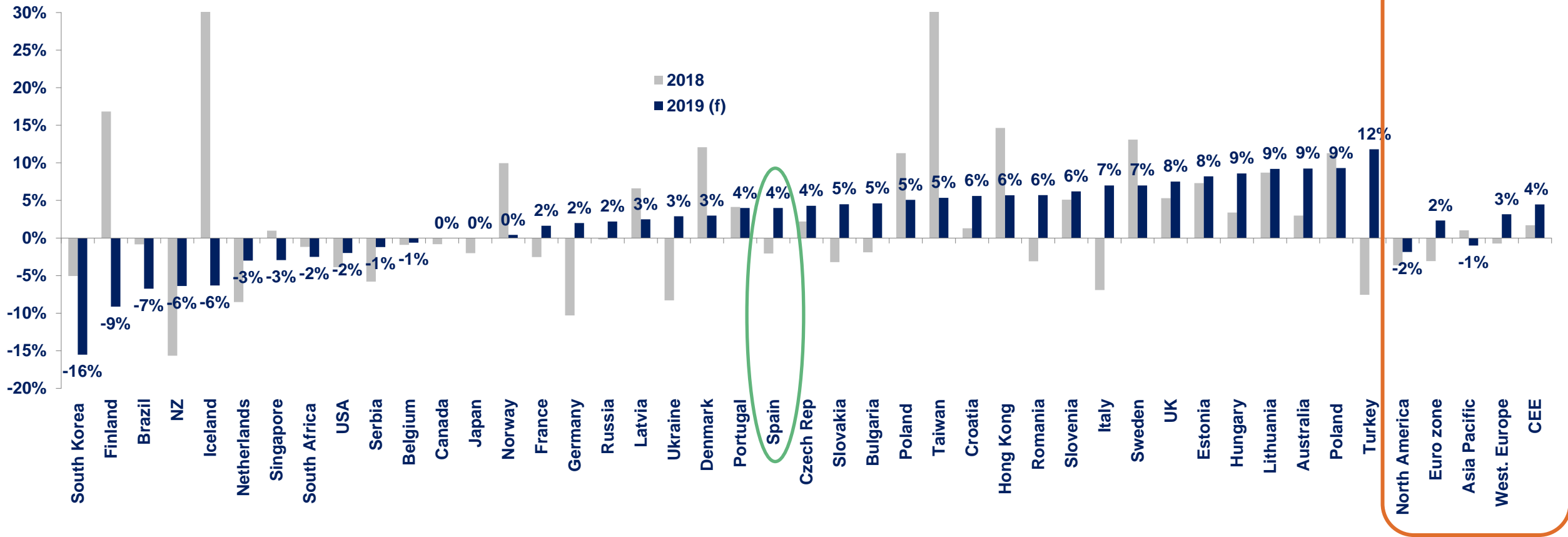


**GLOBAL ECONOMIC OUTLOOK:
POLITICAL RISKS AND THE INDUSTRY
CYCLE CAN BOTH BE BLAMED FOR
THE DOWNTURN**

**JULIEN MARCILLY
CHIEF ECONOMIST**

MORE BUSINESS INSOLVENCIES IN 2019, BUT FROM A LOW STARTING POINT

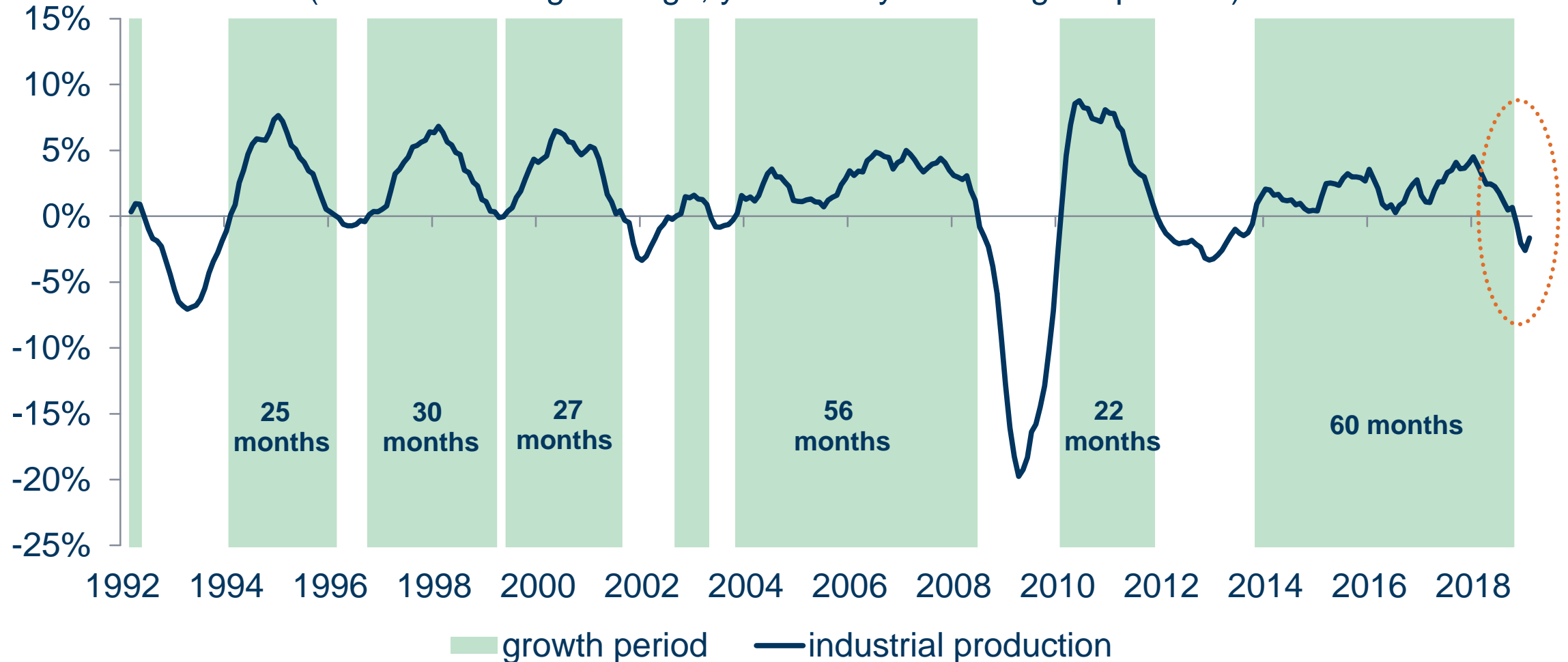
Business insolvencies:
Coface 2019 growth forecast



INDUSTRY IN THE EUROZONE: THE END OF A VERY LONG EXPANSION CYCLE

Euro Area: Industrial Production

(3 month moving average, year-over-year change in percent)



Source: Eurostat, Datastream, Coface

COFACE SECTOR ASSESSMENTS IN WESTERN EUROPE

	Western Europe	Austria	France	Germany	Italy	Netherlands (the)	Spain	Switzerland	United Kingdom
Agri-food	Medium Risk	Low Risk	Medium Risk	Medium Risk	Medium Risk ↓ High Risk	Medium Risk	Medium Risk	Medium Risk	High Risk
Automotive	Medium Risk	Medium Risk	Medium Risk	Medium Risk	Medium Risk	Low Risk ↓ Medium Risk	Medium Risk	Low Risk	High Risk
Chemical	Medium Risk	Low Risk	Medium Risk ↓ High Risk	Low Risk ↓ Medium Risk	Medium Risk ↓ High Risk	Low Risk ↓ Medium Risk	Medium Risk	Low Risk	Medium Risk ↓ High Risk
Construction	Medium Risk	Medium Risk	Medium Risk	Low Risk	Very High Risk	Medium Risk	Medium Risk	High Risk	Very High Risk
Energy	Medium Risk	Medium Risk	Medium Risk	Medium Risk	High Risk	Medium Risk	High Risk	Medium Risk	High Risk
ICT*	Medium Risk	Medium Risk	Low Risk	Low Risk	High Risk	Medium Risk	Medium Risk	Medium Risk	Medium Risk
Metals	High Risk	Medium Risk	High Risk	Medium Risk	High Risk	Medium Risk	Medium Risk	High Risk	Very High Risk
Paper	High Risk	Low Risk	High Risk	High Risk	High Risk	High Risk	Medium Risk	High Risk	High Risk
Pharmaceuticals	Low Risk	Low Risk	Low Risk	Low Risk	Medium Risk	Medium Risk	Medium Risk	Low Risk	Medium Risk
Retail	Medium Risk	Medium Risk	Low Risk ↓ Medium Risk	Medium Risk	Medium Risk	Medium Risk	Low Risk ↓ Medium Risk	Medium Risk	High Risk
Textile-Clothing	High Risk	High Risk	High Risk	High Risk	High Risk	High Risk	Medium Risk	Medium Risk	High Risk
Transport	Medium Risk	Medium Risk	Medium Risk	Medium Risk	Medium Risk	Medium Risk	Low Risk	Medium Risk	Medium Risk
Wood	Medium Risk	Medium Risk	Medium Risk	Medium Risk	High Risk	Medium Risk	Medium Risk	Medium Risk	High Risk

Business Default Risk

Low Risk

Medium Risk

High Risk

Very High Risk

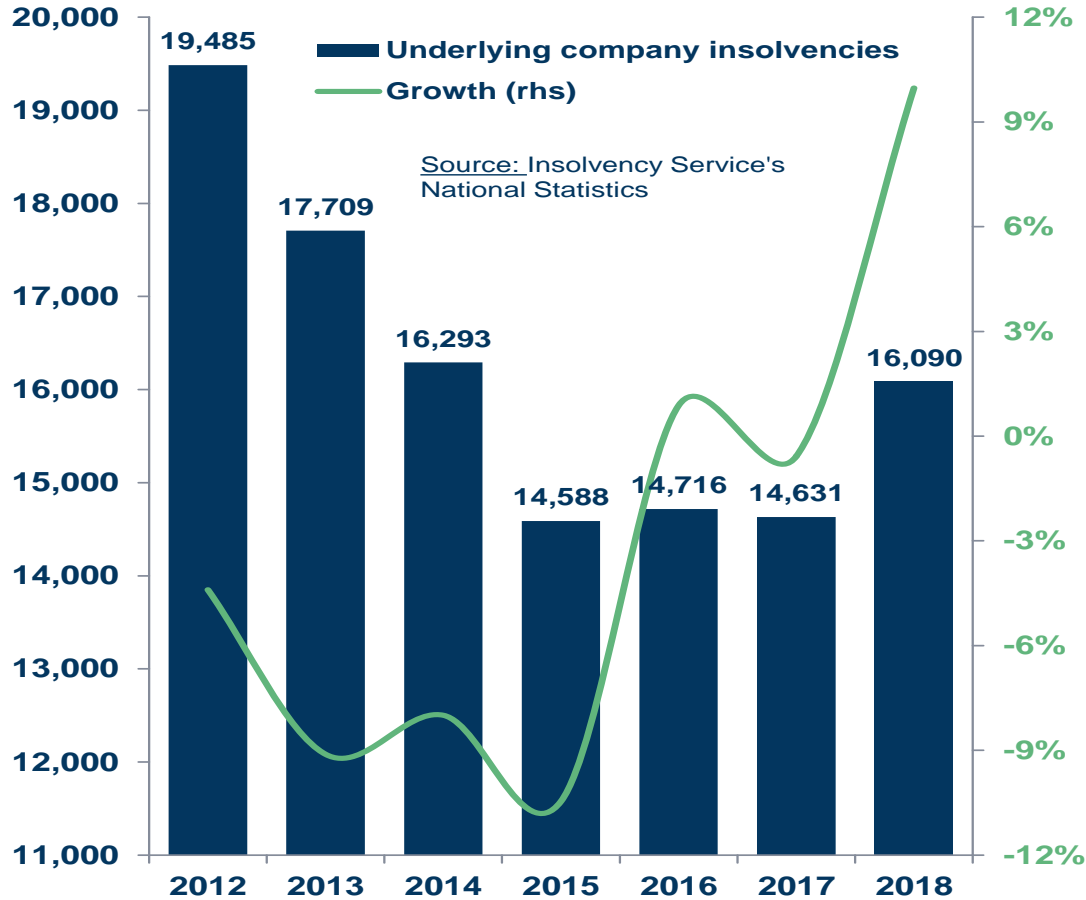
Upgrade

Downgrade

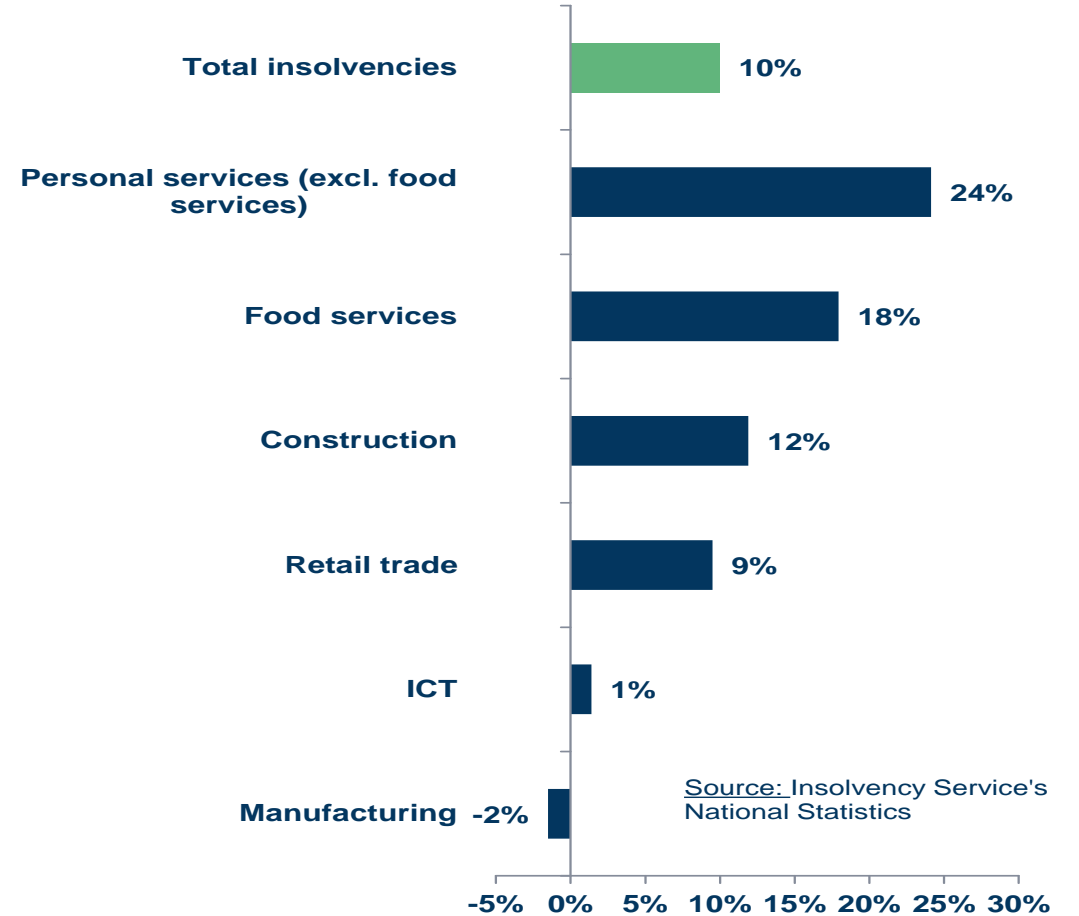
4 | COFACE, THE MOST AGILE GLOBAL TRADE CREDIT PARTNER IN THE INDUSTRY

UK: POLITICAL UNCERTAINTIES STILL AFFECT BUSINESSES

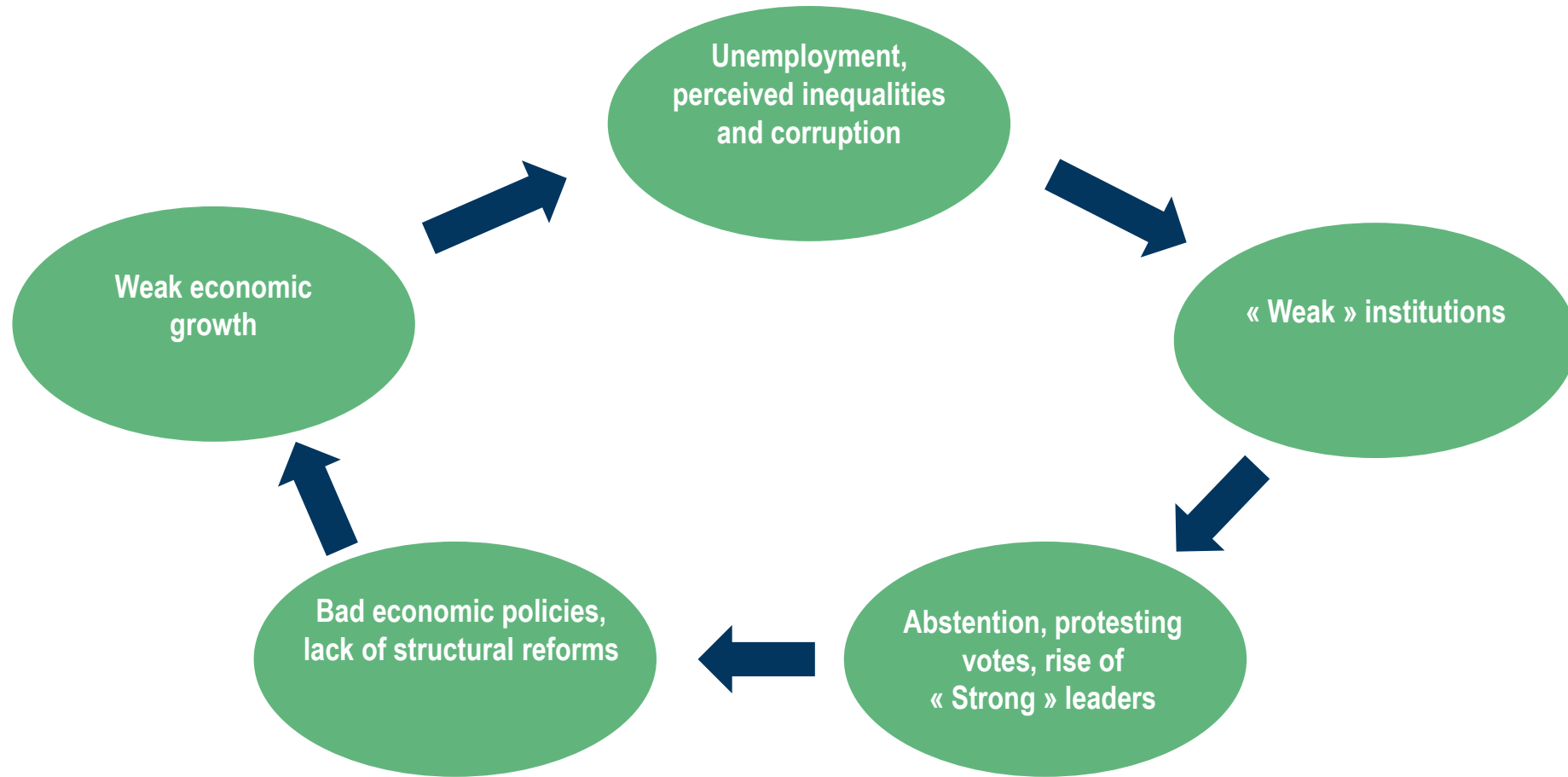
Company insolvencies



Growth in insolvencies in 2018

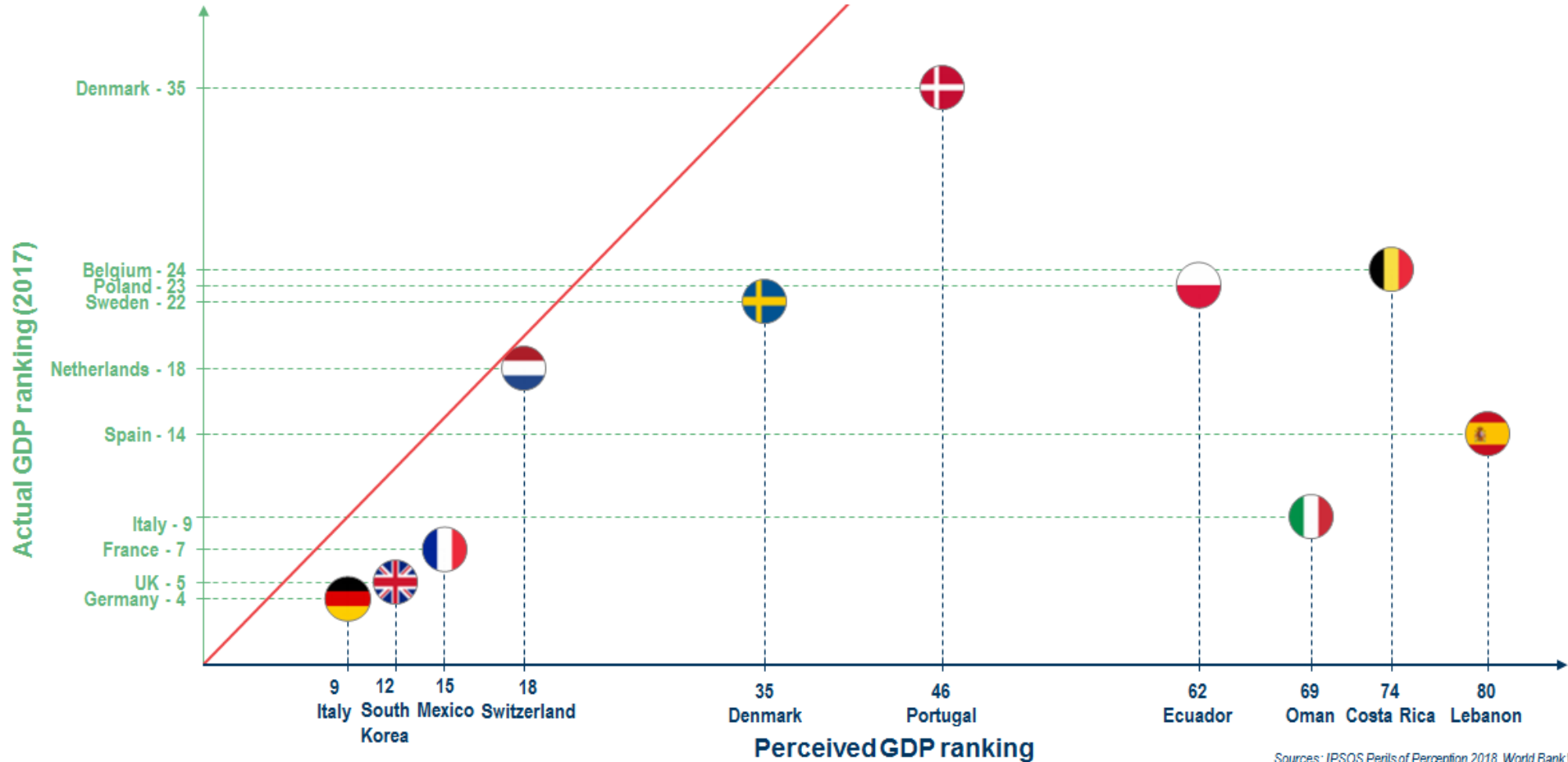


POLITICAL RISKS: STILL THE SAME VICIOUS CIRCLE



POLITICAL RISK IN EUROPE: MEASUREMENT VERSUS PERCEPTION

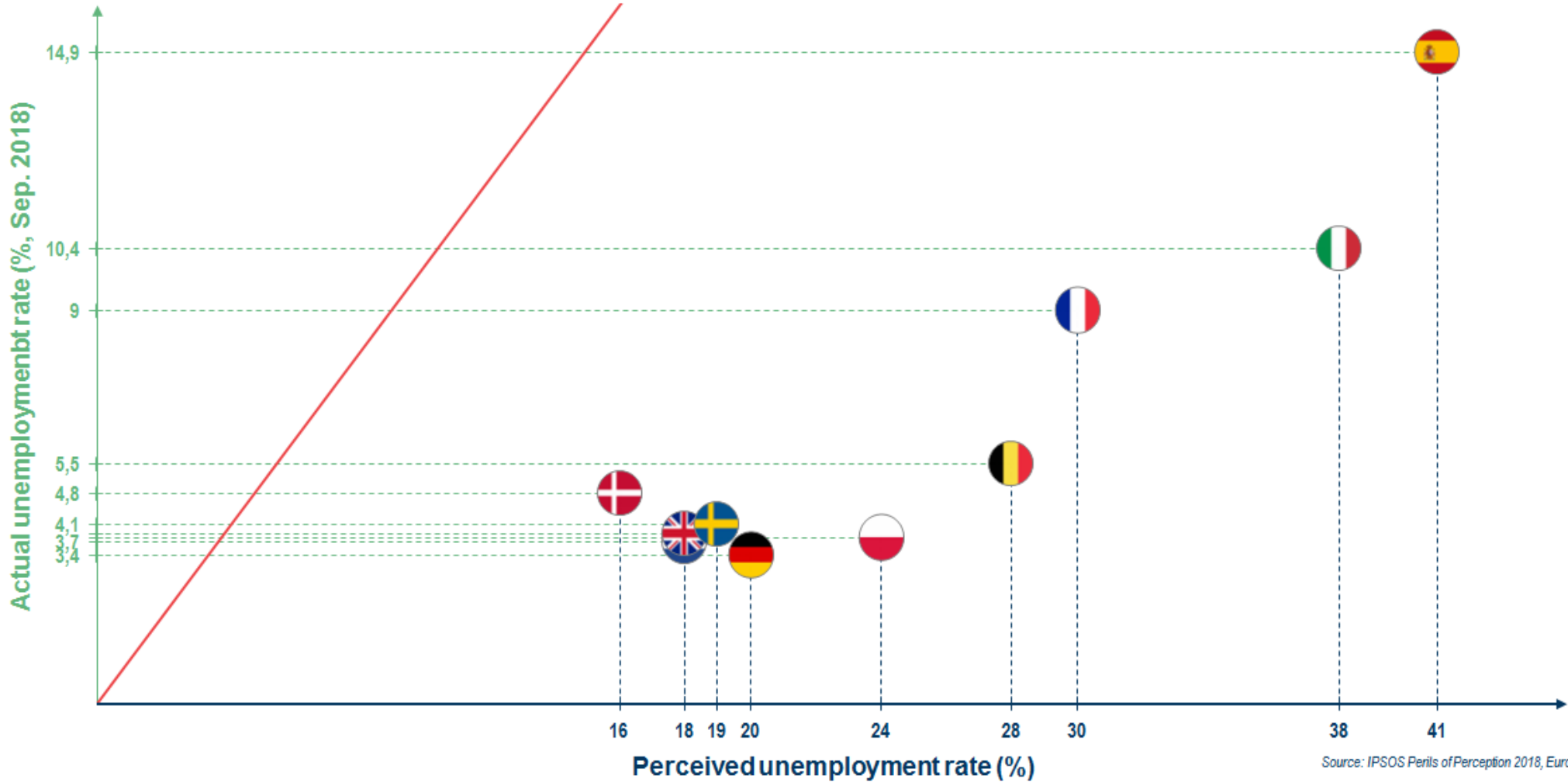
Where do you think your country ranks in the world's top 200 economies?



Sources: IPSOS Perils of Perception 2018, World Bank WDI

POLITICAL RISK: MEASUREMENT VERSUS PERCEPTION

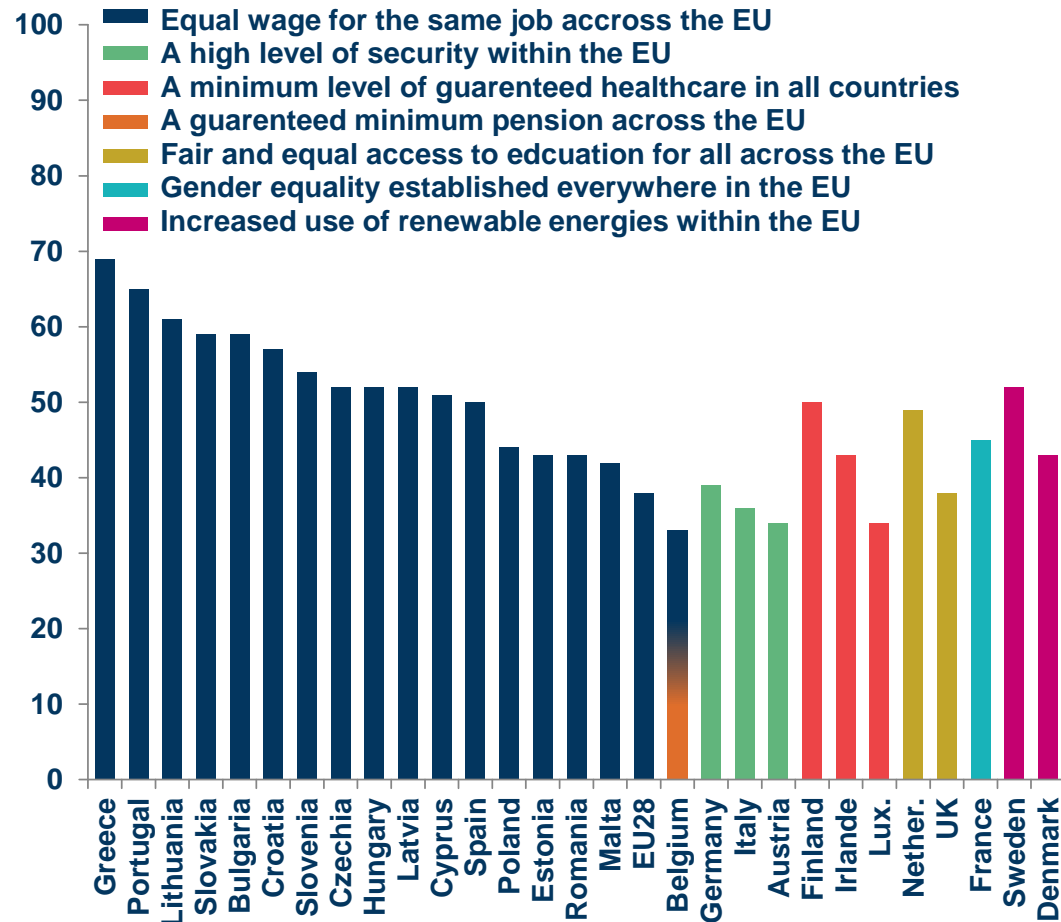
What do you think your country's unemployment rate is?



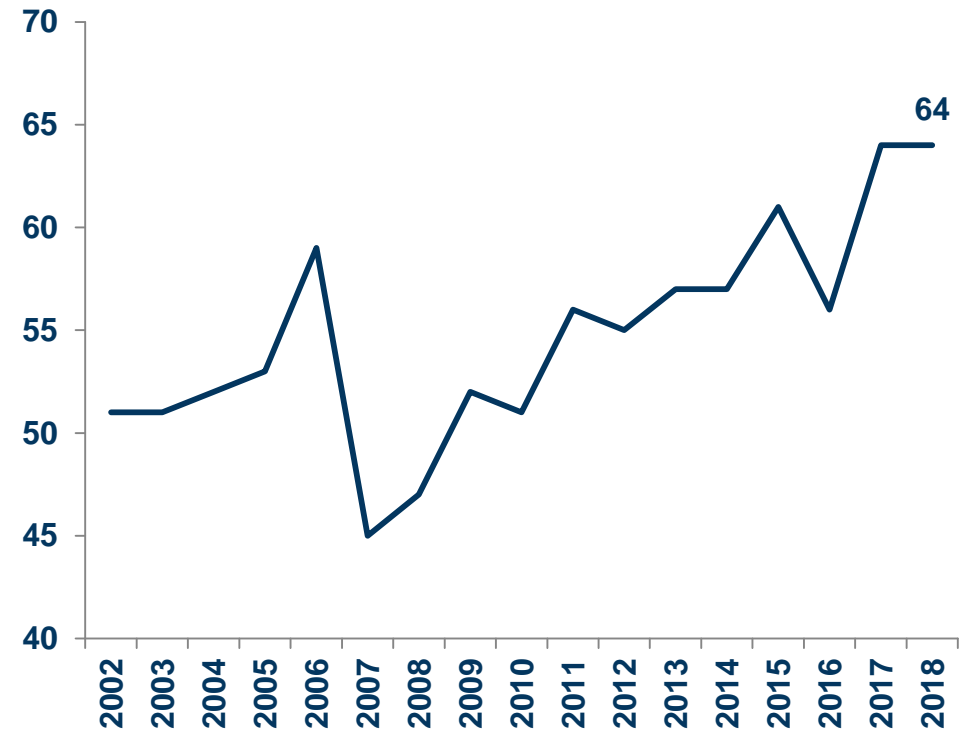
Source: IPSOS Perils of Perception 2018, Eurostat

DIFFERENT EXPECTATIONS ON THE EU'S ROLE, BUT STRONG SUPPORT FOR THE EURO

Which would best describe the ideal future of the EU?
(most mentioned answer by country, %)



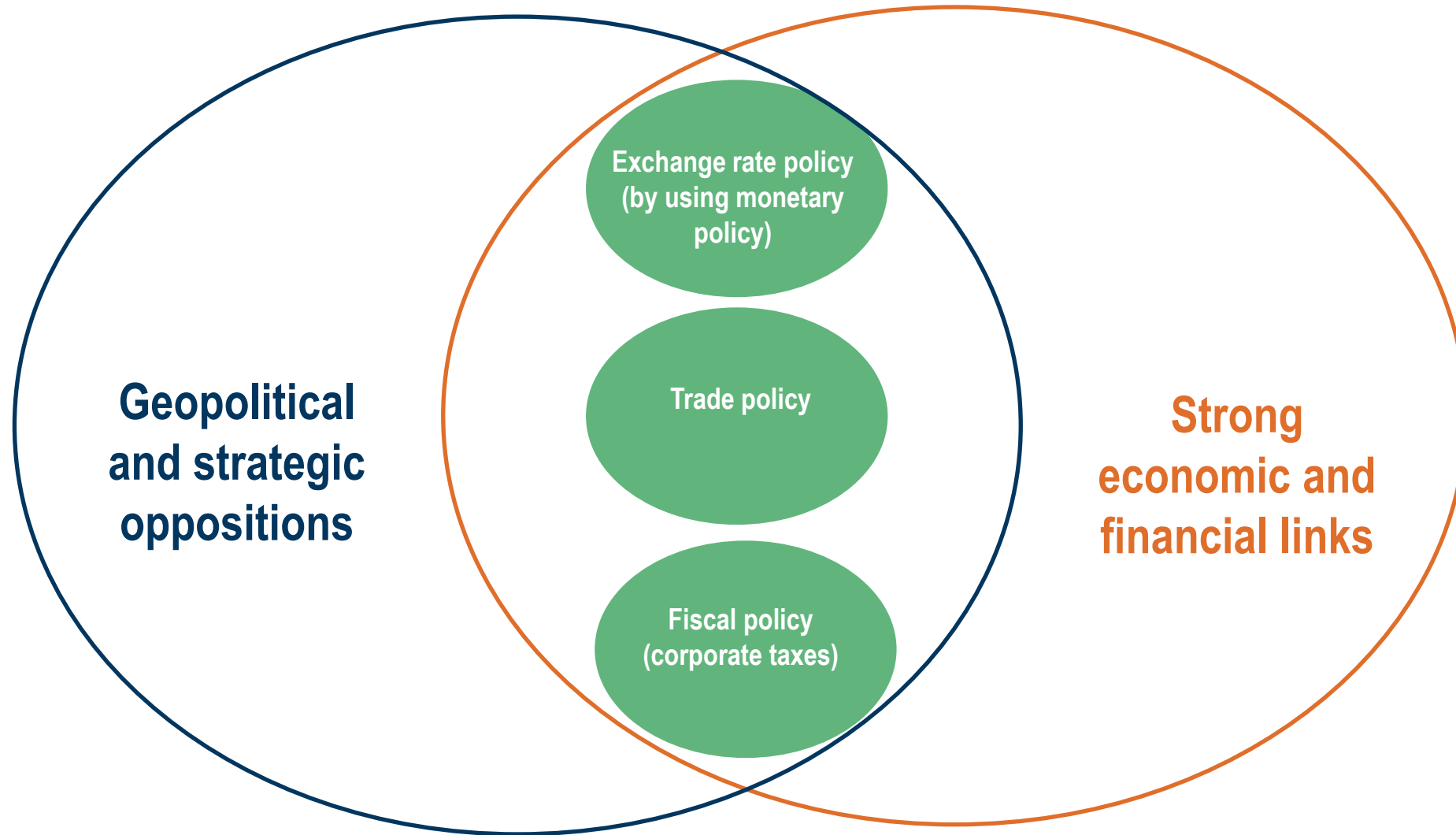
Euro is a "good thing" for my country
(% of respondents)



Source: Eurobarometer

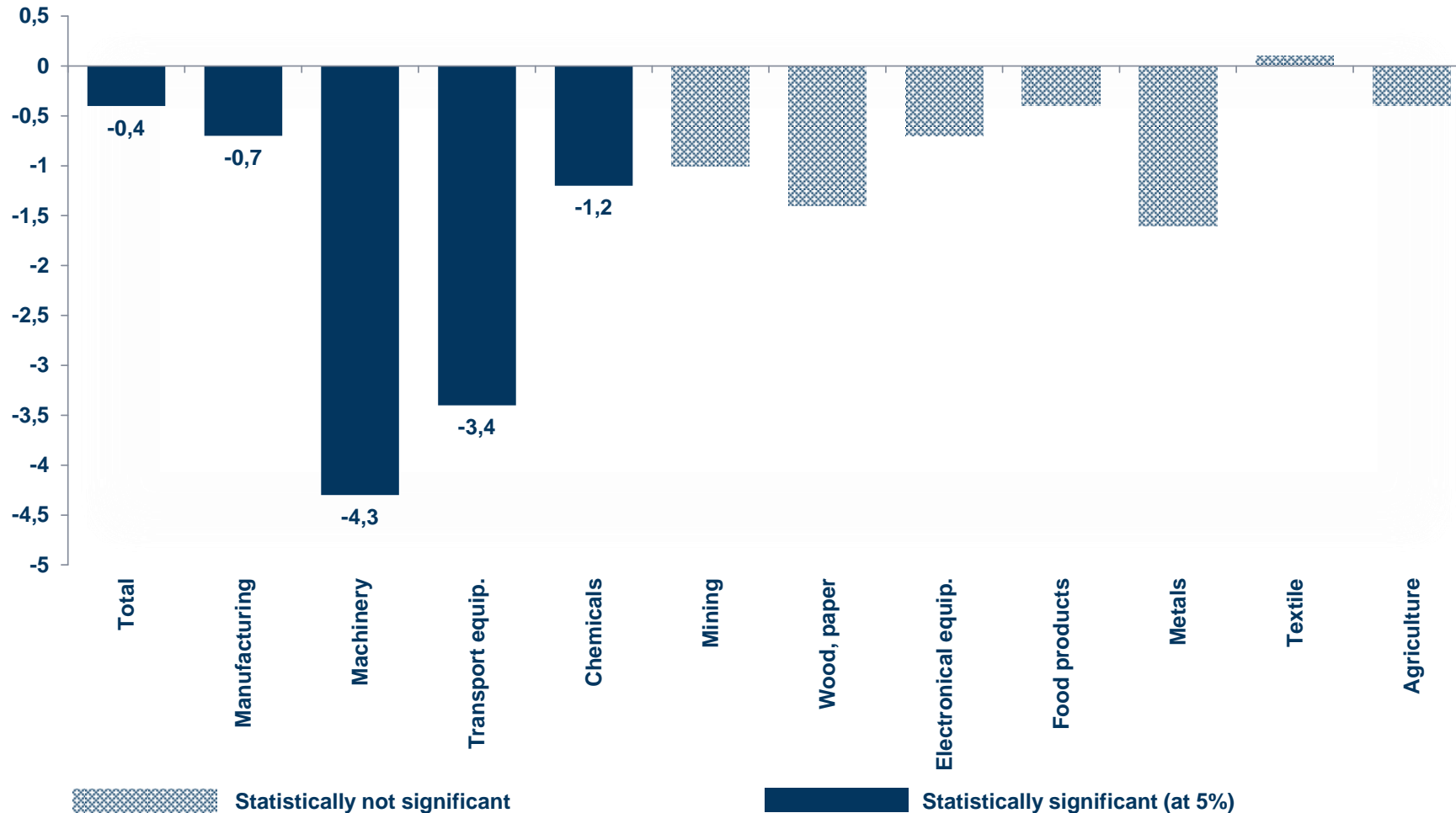
Source: Eurobarometer

THE U.S. VERSUS CHINA: FROM GEOPOLITICAL RISKS TO ECONOMIC POLICIES



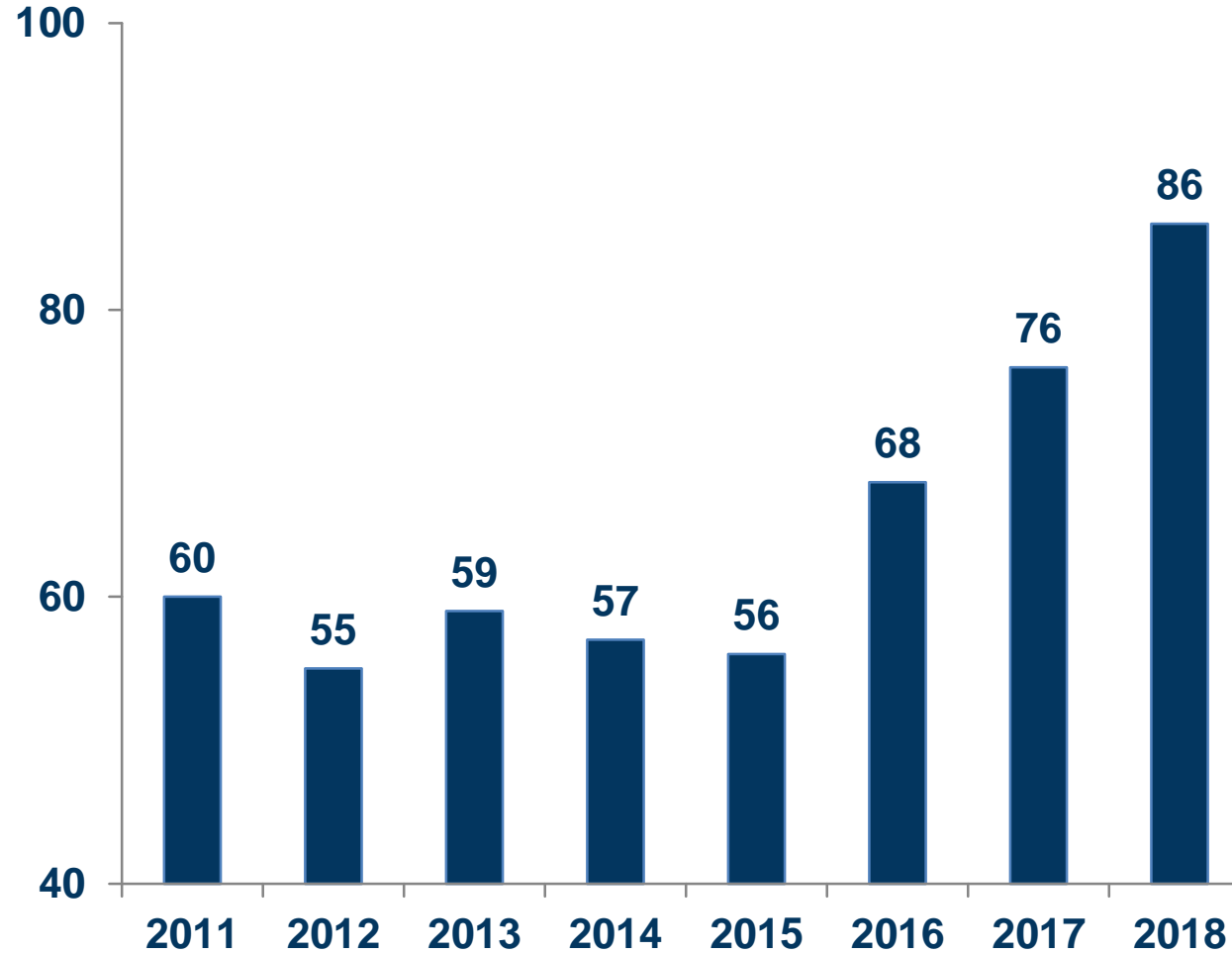
US-CHINA TRADE WAR: PAY ATTENTION TO INDIRECT EFFECTS ON EUROPEAN BUSINESSES

Elasticity of Domestic Value Added (DVA) Exports of Country X in relation to US tariffs on EU 15, the DVA receiver



EMERGING MARKETS – RISK #1: RISING CORPORATE CREDIT RISK IN CHINA

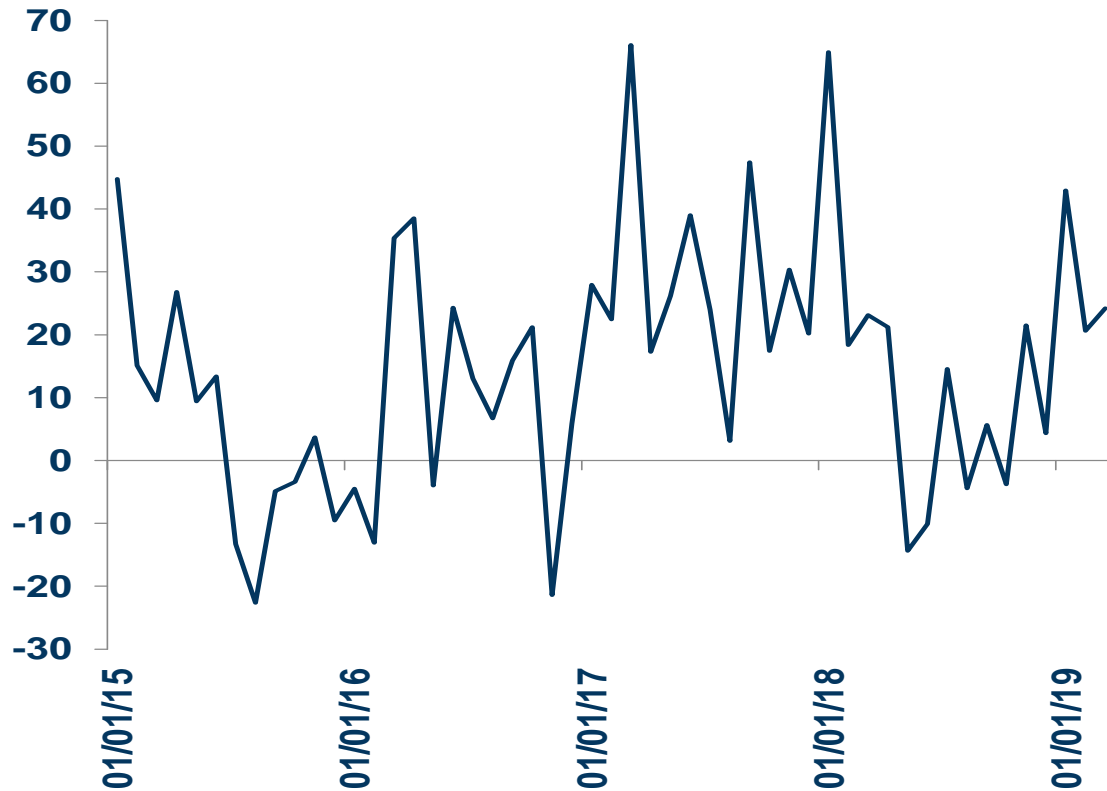
China: Coface Corporate Payment Survey
(credit terms, number of days)



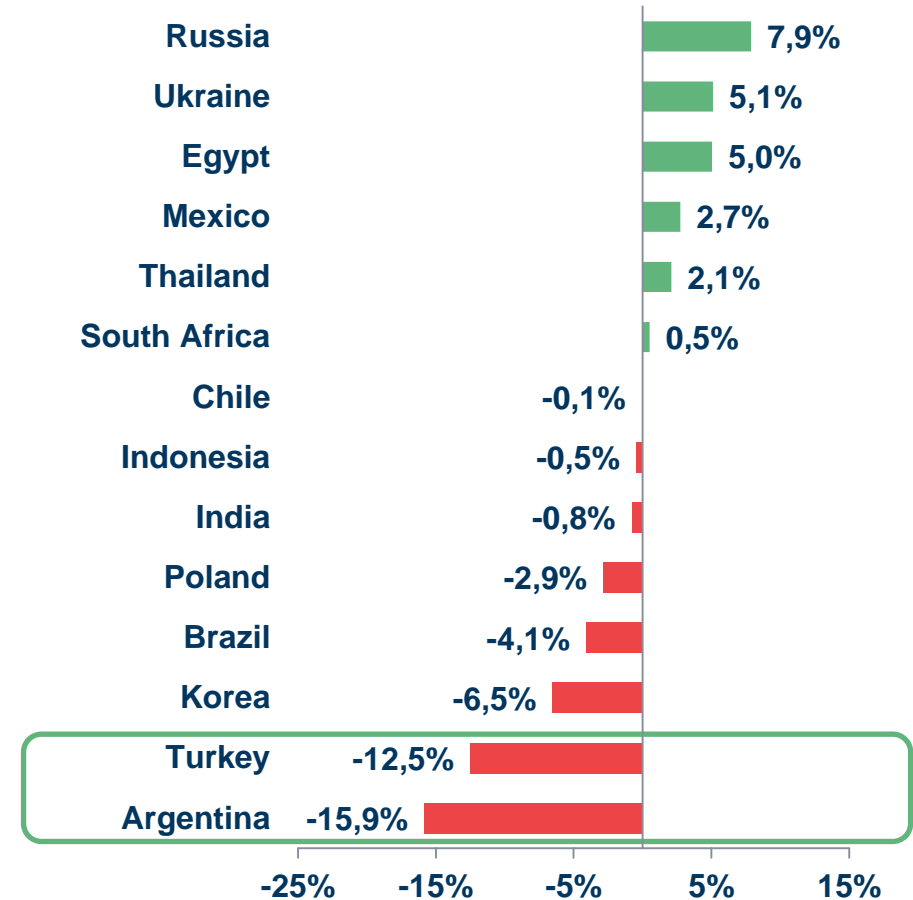
Source: Coface

EMERGING MARKETS – RISK #2: CAPITAL FLOWS AND EMERGING MARKETS, THE SAME USUAL SUSPECTS

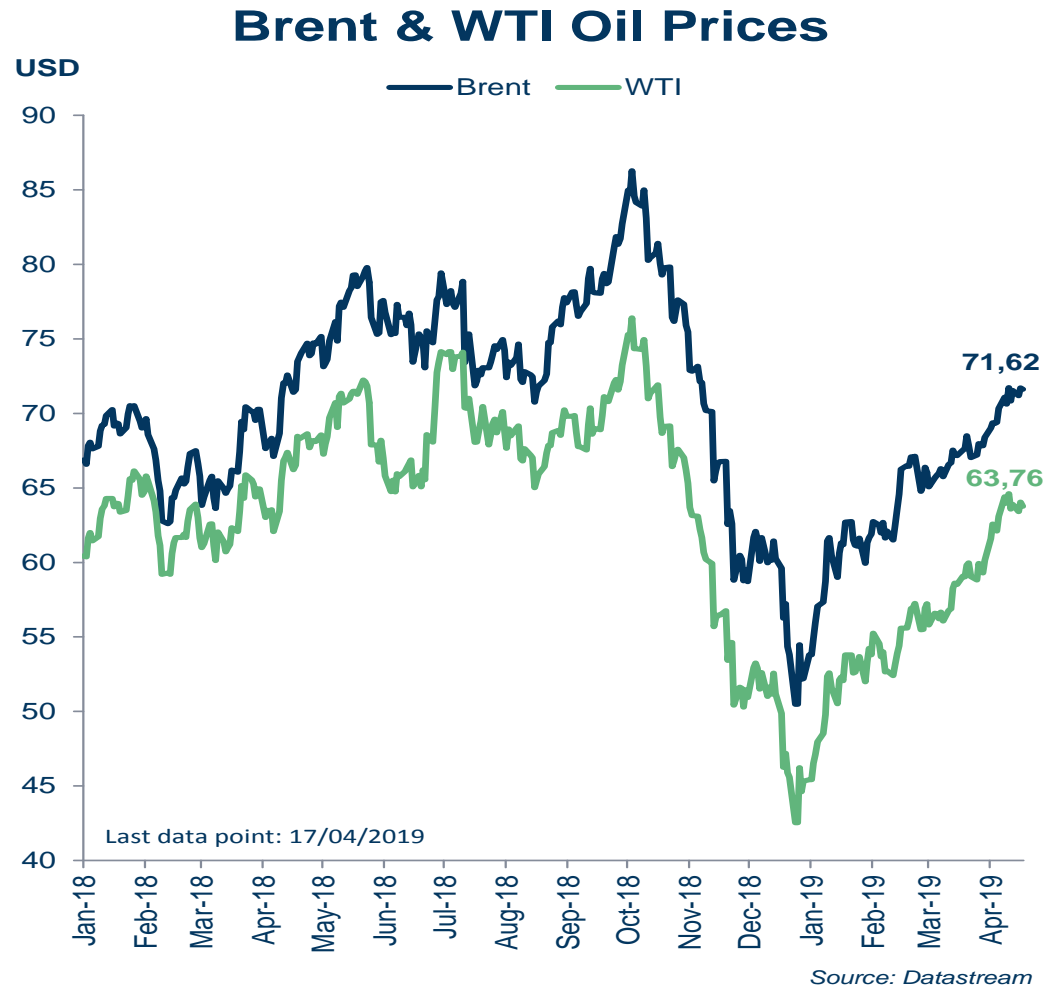
Net non-resident purchases of EM stocks and bonds (in USD bn, source: IIF)



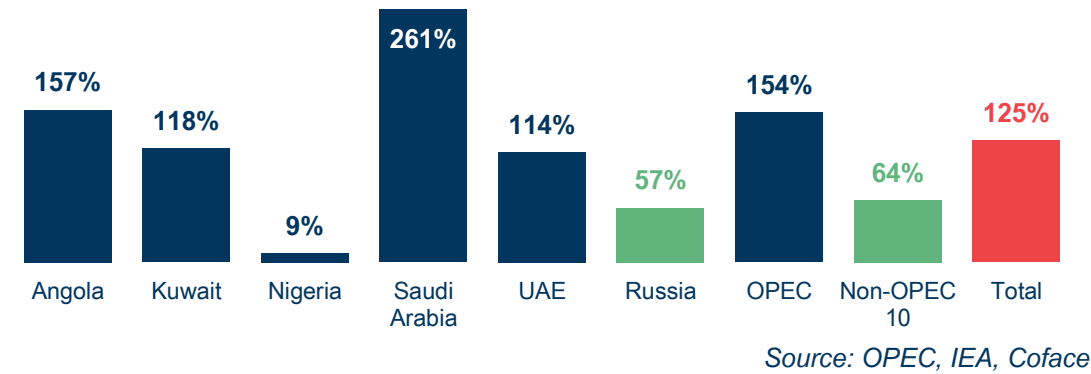
Local currency versus USD (YTD in %, 17 May 2019, source: Reuters)



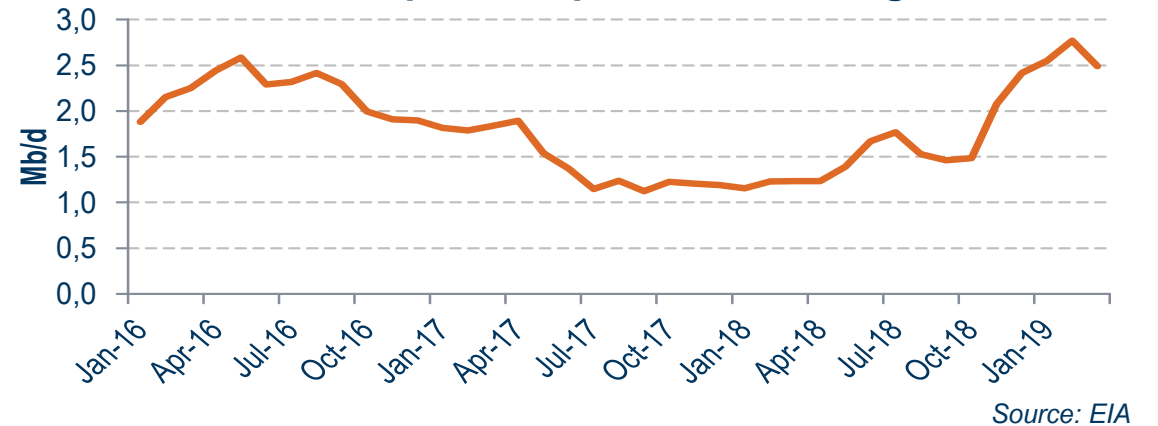
EMERGING MARKETS – RISK #3: VOLATILE OIL PRICES



Compliance to 2019 output deal (in % of pledged cut)

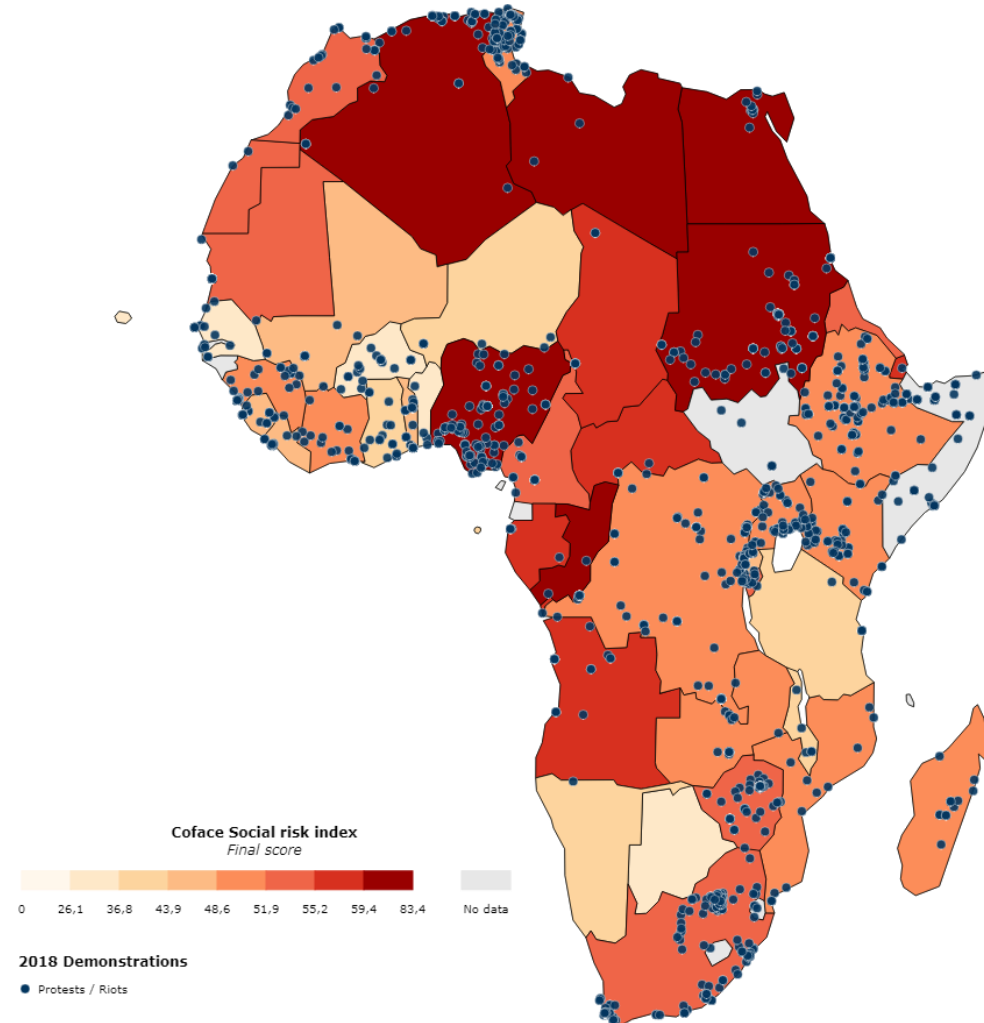


OPEC: Unplanned production outages



EMERGING MARKETS – RISK #4: A NUMBER OF HOT POLITICAL SPOTS IN 2019, ESPECIALLY IN AFRICA

Africa: Coface Social Risk Index in 2018



Sources: Coface, ACLED

COFACE COUNTRY ASSESSMENTS

BUSINESS DEFAULTING RISK

A1

A2

A3

A4

B

C

D

E

VERY LOW

LOW

SATISFACTORY

REASONABLE

FAIRLY HIGH

HIGH

VERY HIGH

EXTREME



UPGRADES



DOWNGRADES

161 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

