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

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Country and sector risks worldwide

Business confidence is picking up again, despite persistent political risk

Main economic surprise of early 2017: the rise in business confidence is perceptible, but is not yet generating a positive widespread upturn in country and risk assessments.

Global scenario: slight acceleration in GDP growth, trade and the price of oil

The PMI company confidence indices are up considerably, despite a context of persistently high political risks in the USA (the commercial and foreign policies of the new Government) and in Europe (several elections with uncertain outcomes). At this stage, the financial markets, one of the traditional channels of transmission of political risk, and business confidence are buoyant. Households and companies are not delaying their investment and consumption decisions. Behind this phenomenon can also be seen the lessening of the risk of deflation in the advanced economies and in China and the highly favourable financing conditions in the Eurozone (except for Portugal and Greece).

This marked upturn in business confidence in the advanced economies, and economic recovery in the emerging countries (forecasts: Russia +1, Brazil +0.4%) have led Coface to upgrade the global growth forecast to +2.8% and that of global trade to +2.4% (after +1% in 2016).

Effects still hard to detect

These signs of improvement are still too tentative to take shape in a generalised improvement of country and sector assessments. The activities of businesses 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 (newly upgraded to A2) and **Latvia** (newly upgraded to A3), which are increasingly well integrated in the European chain of production, will continue to display fairly sustained growth this year and will benefit from an upturn in public investment. Czech Republic benefits from solid car sales dynamics in the EU. **Israel** (newly upgraded to A2) combines solid growth with low levels of unemployment and inflation, thereby improving the prospects for the sectors oriented toward the domestic market.
After undergoing an initial 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

Good news for metals in China and Brazil, and for construction in France and Brazil

In terms of sector risk, **the metals sector** has for the last three years been the most at-risk sector, whatever the region of the world, but improvements in the situation are beginning to be make themselves felt. The growth in metals production is slowing down considerably in China, while the prices of increasing, sustained by a high level of activity in construction and automotive in the USA and improvement of these sectors in Western Europe. The imposition of customs tariffs on Chinese steelmaking products has also given respite to steelmakers in Europe and Latin America. In this context, Coface is updating the assessments of the sector from "very high risk" to **"high risk" in Latin America, driven by Brazil, and in emerging Asia**, thanks in particular to the rise in domestic demand **in China**.

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

Lastly, in Western Europe, two sectors stand out. In **France**, **construction** is now "**medium risk**", benefiting from an upturn in the building of new housing, thanks to low interest rates and tax incentive mechanisms. The **United Kingdom** is facing stagnation in the purchasing power of households, affected by inflation, which explains the downgrading of the risk for the **retail** sector of the country to **"high"**.

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About Coface

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