

## BAROMETER

### COUNTRY AND SECTOR RISKS BAROMETER - Q2 2023



By the Coface  
Economic  
Research team

## Lost illusions and great expectations

**T**he year 2023 began with great enthusiasm, not to say exuberance, but in all likelihood it will not be the year that most observers and investors were expecting. While it is of course too early, halfway through this new exercise, to draw any definitive conclusions, the first few months of 2023 have nonetheless reinforced some of our convictions: no, inflation will not spontaneously and painlessly return to its target (2%) in developed countries; no, the major central banks will not 'pivot' between now and the end of the year; and no, the mere lifting of health restrictions will not enable China to play the role of relay engine for the global economy. The tangible recession finally recorded by Germany at the turn of the year - and in which the country still seems to be mired - and the turbulence observed since early March in the financial sector - for the time being limited to US regional banks - could be added to the list of lost illusions. These examples have the merit of reminding us of two essential things that the market had lost sight of: access to abundant, cheap energy remains absolutely central to the functioning of the global economic system, and monetary policy has far more (direct) impact on asset valuations and financial stability than on consumer prices.

The macroeconomic and financial outlook to the end of 2024 remains closely linked to inflation trends and the monetary response of the main central banks. While core inflation will only fall very gradually and marginally as long as labour markets remain under pressure, the risk of a rebound in headline inflation in the second half of the year seems to be receding, and with it the risk of further, and certainly excessive, tightening by the monetary authorities. The scale and nature of China's recovery - which is much less vigorous than expected and driven mainly by services - coupled with record levels of natural gas stocks in Europe and an oil market that is still adequately supplied, suggest that the second half of 2023 and the winter of 2024 will be far less complicated on the energy front. This raises hopes of a significant rebound in activity in Europe (mainly Germany and the UK) in 2024, which would offset the sharp slowdown expected in the US, resulting in virtually stable global growth on average over the full year (+2.3%, after +2.2% in 2023). Slightly more pessimistic than the consensus, our forecasts are nonetheless subject to a number of downside risks, foremost among them the supply of energy and credit, whose disruptions are likely to thwart even the greatest expectations.

In this context, we modified 15 country assessments (13 upgrades and 2 downgrades) and 26 sector assessments (13 upgrades and 13 downgrades), highlighting a significant improvement in the outlook, in an environment which nonetheless remains very demanding and uncertain (**see page 10**).



**The resilience of the global economy is confirmed, but the outlook remains gloomy**

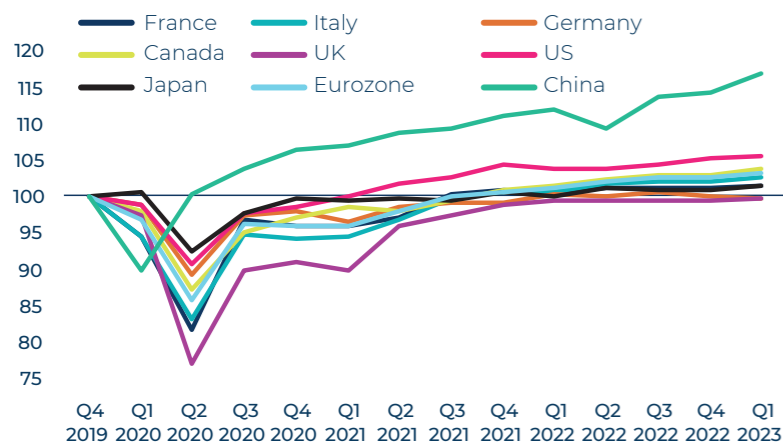
The positive news surrounding early 2023 has been reflected in the macroeconomic data published so far. Specifically, GDP growth figures for the first quarter of 2023 in the world's major economies (Chart 1) have confirmed that the feared spectre of recession has receded, at least for the time being. As we mentioned in our previous Barometer<sup>1</sup>, the worst-case scenario of a recession triggered by a disruption in energy supply has been avoided in Europe. However,

recent revisions to GDP data in Germany have indicated that the Eurozone's largest economy did not escape a technical recession after all. In North America and China, resilience has come from a surge in consumption. Household spending was revived by the lifting of health restrictions and the reopening of the economy in China, while in the United States it was supported by a job market that, month after month, is showing its resilience in the face of the Federal Reserve's (Fed) unprecedented cycle of monetary tightening. Following in China's footsteps, the emerging economies also largely confirmed their resilience.

Following the publication of data for the first quarter, our growth forecast for the global economy in 2023 has even been revised slightly upwards (+0.3 pp) compared with the 1.9% presented at the beginning of February (Chart 2). The main drivers of the global economy, led by China, but also the United States and Europe, have contributed to this upward revision (Chart 3). These prospects are reflected in our assessments, with a total of 13 countries upgraded and only 2 downgraded. With the exception of Ireland and Greece (upgraded to A3 and A4, respectively) the upgrades mainly involve emerging countries: Malaysia, Philippines, Saudi Arabia, Qatar, Tanzania, Niger, Nigeria, Cape Verde, Bosnia-Herzegovina, Kazakhstan and Uzbekistan. In terms of sectors, 7 of the 13 upgrades apply to the transport sector, which is benefiting from the upturn in tourism (Box 1) and the easing of tensions in supply chains.

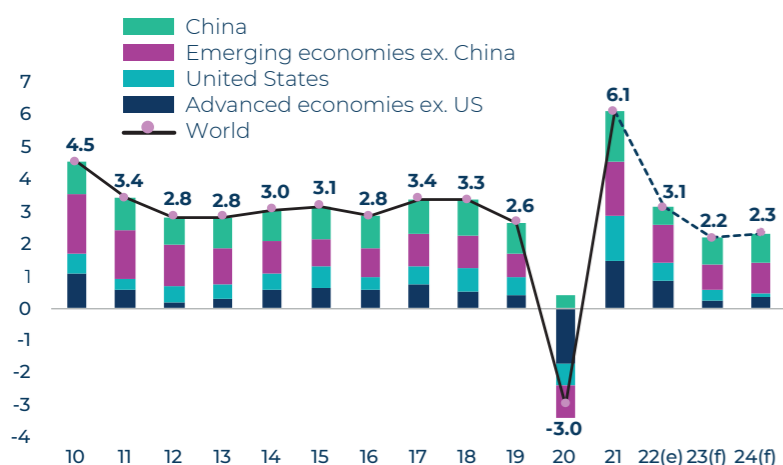
Although more positive, the outlook for economic activity remains lacklustre for 2023 and beyond, particularly in advanced economies. Our forecasts suggest that growth is unlikely to rebound significantly in 2024, remaining just above the 2% threshold. This reflects the fact that the global economy is likely to remain stagnant (or close to it), with continued weakness in the US, a (very) timid recovery in Europe and Chinese growth remaining below pre-pandemic standards.

Chart 1: Real GDP (100 = Q4 2019)



Sources: National statistical institutes, Refinitiv Datastream, Coface

Chart 2: World real GDP growth (annual average, %)



Sources: IMF, National statistical institutes, Refinitiv Datastream, Coface forecasts

<sup>1</sup> Coface Barometer - From excessive pessimism to excessive optimism? 6 February 2023. URL: <https://www.coface.com/News-Publications/Publications/From-excessive-pessimism-to-excessive-optimism-Coface-Barometer-Q4-2022>

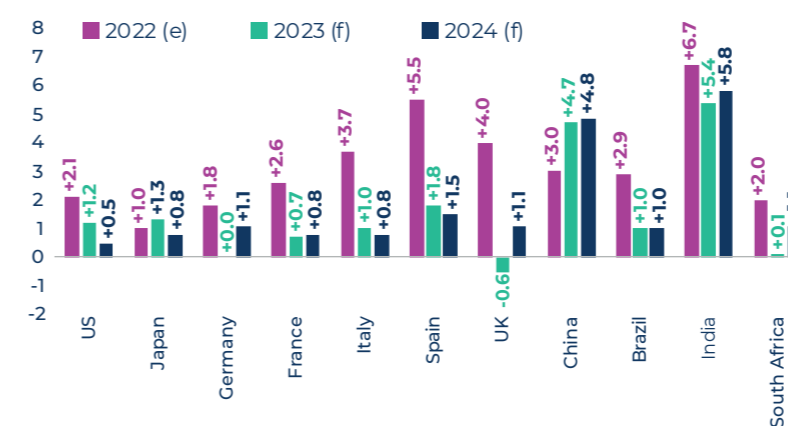
Besides, the list of economic, financial, geopolitical, social and climate-related risks continues to grow.

**Inflation down, but not out**

The risk of more persistent inflation remains high on the list. In this regard, our expectations of a "mechanical" fall in inflation in the first half of the year have broadly been confirmed: the repercussions of the Russian invasion of Ukraine on energy prices are fading, dragging down inflation rates in their wake in most economies. On the other hand, as we also pointed out, the signs of more entrenched inflation have also been confirmed. Core inflation, which excludes volatile components such as energy and unprocessed food, has not turned as convincingly in advanced economies, stabilising at high levels in the Eurozone, the UK and the US. While it is lower in Japan, it has exceeded the central bank's 2% inflation target for the past year (Charts 4 and 5).

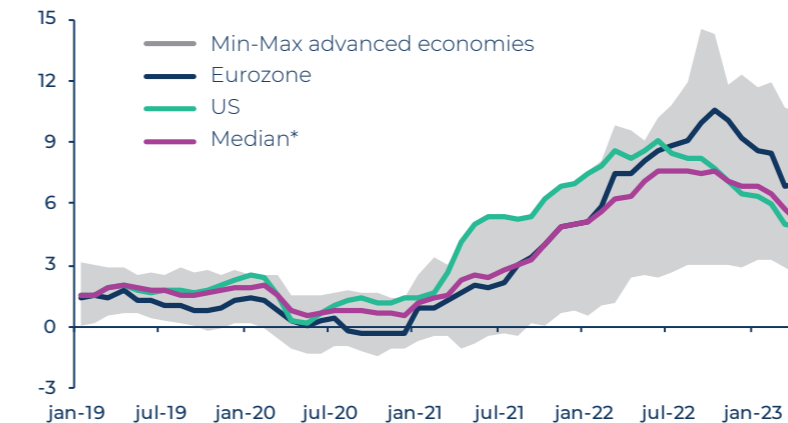
Moreover, as we pointed out in our previous Barometer, the risks of renewed inflationary pressures are still on the horizon if economic activity were to accelerate. The recent lull in international energy prices, largely due to weak demand (and expectations), will not necessarily last. China's recovery, particularly that of its manufacturing industry, has not yet reached its full potential and is likely to exert upward pressure on gas supplies, which remain durably impacted by the war in Ukraine. While the very comfortable level of gas reserves in Europe means that - barring extreme weather conditions or a major incident at a gas production/liquefaction site - we can rule out the possibility of shortages next winter, competition for available supply is likely to intensify over the coming months. In addition, although far from the peaks reached in the summer of 2022, spot prices on TTF contracts, the benchmark for European gas, are still twice as high as they were before the pandemic, and future contracts for delivery next winter are still three times higher.

Chart 3: Real GDP growth (annual average, %)



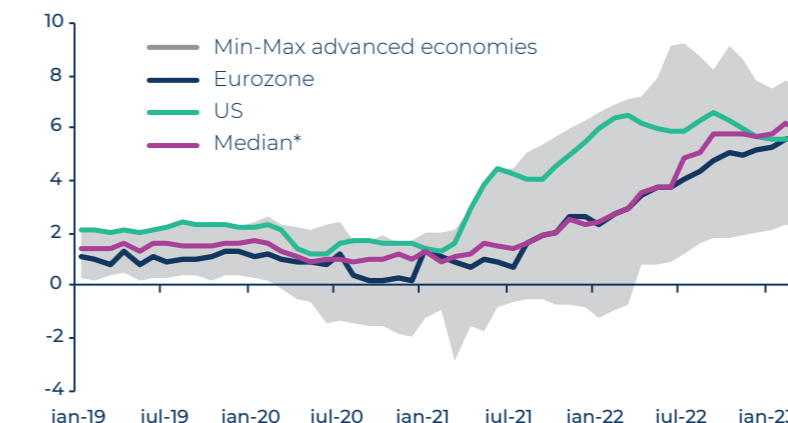
Sources: IMF, National statistical institutes, Refinitiv Datastream, Coface forecasts

Chart 4: Annual inflation (%)



\* median of the world's major 40 economies  
Sources: Refinitiv Datastream, Coface

Chart 5: Annual core inflation (%)



\* median of the world's major 40 economies  
Sources: Refinitiv Datastream, Coface



**Box 1:**  
**TRANSPORT IN MOTION**

**The transport sector<sup>2</sup> records the highest number of sector risk assessment upgrades in this Barometer**

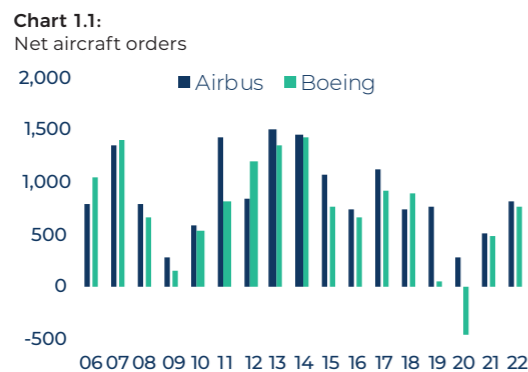
Nevertheless, it remains at high risk levels overall, due to high energy costs and declining global demand. The reasons for the upgrades vary from one region of the world to another, but are essentially linked to the consequences of the reopening of China, the recovery in tourism and the impact of public policies (for instance, passenger rail traffic in Germany).

Among the various transport industries, air transport has suffered the most from the consequences of the Covid-19 crisis, despite the gradual reopening of borders since the second half of 2021. In Asia, China only reopened its borders at the beginning of the year, following the end of its “zero-Covid” policy, while Japan’s air borders only reopened at the end of 2022, with travel conditions for international tourists easing in May. The lifting of these restrictions will support the recovery. Already, the major rail and air companies are returning to profit. For example, the two main airlines, Japan Airlines and All Nippon Airways (ANA), have posted profits of JPY 34.4 and 89.4 billion (USD 246 and 639 million) respectively for 2022. Consequently, we are upgrading Japan’s transport sector risk assessment from high risk to medium risk (Table p. 13).

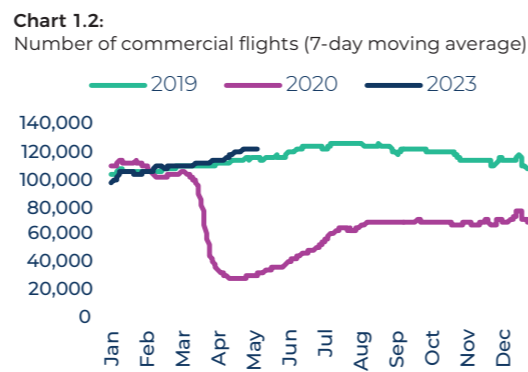
In Western Europe and the United States, Airbus and Boeing have also returned to better results in terms of net aircraft orders in 2022 compared with previous years: 774 aircraft (+61.7% compared with 2021) for Boeing and 820 (+61.6%) for Airbus respectively (Chart 1.1).

The coming months will show whether this trend is confirmed. The upturn in the number of commercial flights (Chart 1.2) is also underway, and has now surpassed the ‘pre-Covid’ levels. The reopening of China should of course confirm this trend. Nevertheless, total passenger traffic remains currently below the levels seen before the health crisis, despite a rebound of over 52% year-on-year in March (IATA data).

In France, it is clearly the dynamism of the aeronautics industry that is driving the sector’s recovery. The same is true in Germany, to which can be added the positive prospects for rail passenger traffic, helped by the introduction of a single fare on all lines. The recovery in tourism has also boosted air passenger traffic in Spain, where we are also upgrading the transport sector.



Sources: Boeing, Airbus



Sources: FlightRadar24, Coface

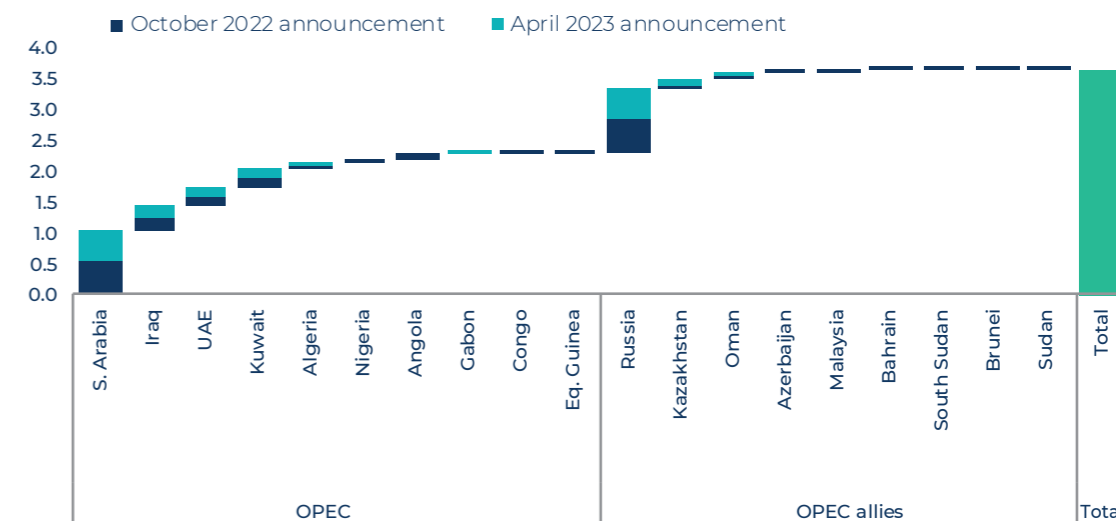
<sup>2</sup> Coface’s sectoral analysis methodology for the transport sector includes air, road, rail and sea transport. We analyse different types of transport-related activities, from equipment manufacturers to companies in charge of transporting people and goods.

Meanwhile, despite the recent fall in spot prices, the oil market appears potentially tighter following OPEC+’s announcement in April of a production cut of 1.2 million barrels per day, in addition to the 2 million barrels announced in October 2022. Furthermore, Russia, itself a member of OPEC+, announced a cut in its production from March, in response to the implementation of sanctions targeting its oil sector (price caps and a ban on its maritime exports of oil and oil products to Europe). Collectively, OPEC+ thus withdrew the equivalent of around 3.7% of global demand from the market (Chart 6). At the June meeting, the group already agreed to extend its production cuts until the end of 2024, while Saudi Arabia added a «voluntary (downward) adjustment» of a further million barrels. Nevertheless, oil markets’ pessimism about the outlook for global demand is currently keeping prices well below last year’s levels. After five months, Brent crude oil prices have averaged around USD 81/barrel, compared with around USD 100/barrel in 2022. However, given the low level of oil product stocks and the market

imbalance (flows) expected in the second half of the year (US driving season, Chinese tourism, etc.), we believe that oil prices could again reach USD 100/barrel by the end of the year. We are therefore maintaining our forecast of an annual average of around USD 90/barrel. Barring a further global slowdown, tensions in the oil market are likely to persist beyond 2023, and we expect Brent crude to average USD 95/barrel in 2024. Consequently, our forecasts for energy prices still suggest a risk of rising inflation.

Beyond energy prices, agricultural commodity prices are also worth monitoring. While their decline in recent months has not necessarily been passed on to consumer prices, new upside risks are already emerging for 2023 and 2024. Firstly, the Russia-Ukraine war will continue to exert pressure on prices, especially as the agreement on the export of Ukrainian cereals via the Black Sea, signed in Istanbul in July 2022, was only extended by two months on 17 May, and looks fragile. In addition, the climate phenomenon known as El Niño appears to be on the horizon from the second half of 2023.

**Chart 6:**  
Production cuts announced by OPEC+ members compared with August 2022 (as a % of global oil demand)



Sources: OPEC, International Energy Agency (IEA), Coface



Characterised by a warming of the waters of the tropical Pacific, it influences rainfall and temperature patterns. El Niño could therefore lead to warmer conditions and intense water deficits in some parts of the world, influencing production and prices in 2023-24. Production of Australian wheat, Indian and Brazilian sugar, and Indonesian and Malaysian palm oil, for example, could be affected (Box 2).

**Towards a credit squeeze**

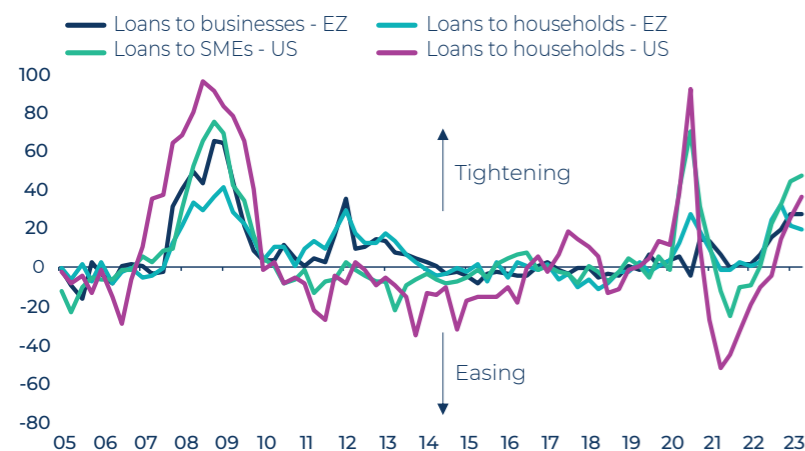
The effects on inflation of the unprecedented monetary tightening in recent months are still largely to be seen, particularly in terms of service prices. The latter are still rising faster than before the pandemic, at levels that are still difficult to reconcile with the 2% inflation target. Nevertheless, and as we anticipated, after the aggressive monetary tightening since the start of 2022, the main central banks continue to slow the pace. The rhetoric that followed the Fed's decision to raise its key rate target by 25 basis points (bps) in May to 5.00-5.25% seems to confirm that a pause in rate hikes is on the cards for the next few months. In doing so, it would follow in the footsteps of the Bank of Canada and the Reserve Bank of Australia, which refrained from increasing their policy rates at their most recent

meetings. Conversely, the Bank of England (BoE) is expected to hike its rate by another 25 bps in June, and the European Central Bank (ECB) will probably be forced to raise them again at its next two meetings.

While persistent inflationary risks could lead them to resume rate hikes in several months' time, the central banks' dilemma is becoming clearer, and they are considering a short-term pause to assess the impact of the rate hikes that have been underway for over a year in most cases. This issue has been at the heart of concerns since the recent difficulties in the US regional banking sector. The collapse of Silicon Valley Bank (SVB), which triggered this turbulence, was partly attributable to the delayed impact of the Fed's monetary tightening. Rapidly followed by difficulties for Crédit Suisse in Europe, these events highlighted the risks to financial stability associated with a particularly aggressive rate hiking cycle. This turmoil in the banking sector can legitimately raise concerns about a credit squeeze, which is already clearly visible in surveys of European and US banks (Chart 7). As the slowdown in new lending to households and businesses drags down domestic demand - and therefore ultimately inflation and economic activity - it also calls for a more cautious stance from central banks. However, with inflation persistently above 2%, it is hard to believe that central banks will lower their policy rates between now and the end of 2023 - unless, of course, there is a recession.

The full impact of the banking turmoil, like that of monetary tightening, has yet to be felt. As far as risks to financial stability are concerned, although recent events may echo those of 2008, the current crisis seems to be concentrated mainly on small and medium-sized banks in the United States. The US banking market, which is still highly fragmented, is likely to undergo another wave of consolidation, continuing the trend of the last 40 years: the number of US commercial banks has fallen from over 14,000 in the 1980s to fewer than 4,200 today. As far as bank lending is concerned, the data do not point to a "sudden stop" in new flows for the time being, but a scarcity of available credit seems inevitable given the recent results of

**Chart 7:** Change in lending conditions compared with the previous quarter (balance of answers)



Sources: ECB, Fed, Coface

**Box 2:**  
**AGRICULTURAL COMMODITIES UNDER PRESSURE**

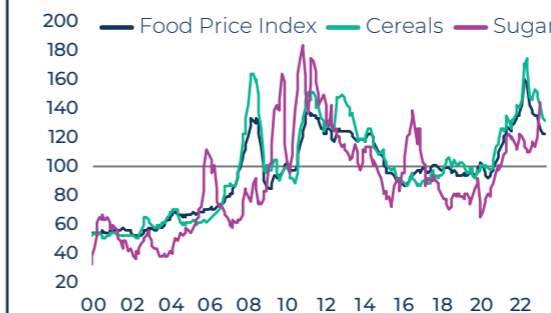
**Concerns about agricultural commodities are growing in Q2 2023.** High production costs, trade tensions and increased weather risks will weigh on global agricultural production in the coming months. Since mid-2022, food price levels - according to the FAO index - have been declining, but remain high compared with historical trends over the past six years (Chart 2.1). Meanwhile, in the second half of the year, several countries, led by India, will maintain the restrictions on food exports introduced almost a year ago, putting strain on global trade. This is all the more true given that current cereal stocks appear to be highly concentrated: China, for instance, holds more than 50% of the world's wheat stocks (Chart 2.2).

**Concomitantly, agricultural commodities remain at the centre of the geopolitical game.** Grain supplies are clearly part of Vladimir Putin's coercive strategy. This lever - formalised by the creation of a maritime corridor in the Black Sea, established by a tripartite agreement between Kiev, Moscow and Ankara, under the aegis of the United Nations - is destined to last as long as the conflict. The agreement, which is very fragile, since the decision to extend it is taken every two months, *de facto* confirms the pressure on global cereal supply chains.

**Finally, the increasing frequency of climatic and meteorological anomalies will only increase the volatility of agricultural commodity prices on the markets.** In the northern hemisphere, the current early periods of intense heat and the significant water deficit will affect cereal yields until the end of the year (wheat, maize). Furthermore, the increasing likelihood (>80%) of an El Niño event from Q3 2023 onwards will only add to the pressure on agricultural commodities. Synonymous with warmer - and drier-than-normal weather in the Indo-Pacific, it will exacerbate the underlying effects of climate change. In concrete terms, the production of several agricultural commodities (sugar, palm oil, cereals) will be affected from the end of 2023.

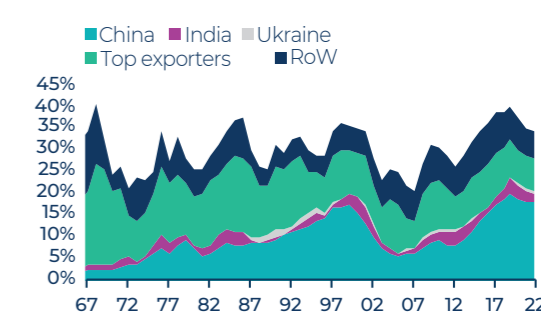
**Against this backdrop, agricultural commodity prices are set to rise again, as is the case for sugar.** In fact, sugar encompasses all the current risks: it is subject to export restrictions by major producers such as India, at a time when Brent crude oil prices (although they have been lower in recent months) are supporting demand for sugar to produce bioethanol, and weather forecasts are increasing uncertainty about production levels in 2023 by the world's largest producers (Brazil, India, EU).

**Chart 2.1 :** FAO agricultural commodity price index (World; 100 = 2014-2016)



Sources: FAO, Coface

**Chart 2.2:** Distribution of wheat stocks by country (1960-2022, % of world consumption)



Sources: USDA, Coface



bank surveys. As the Eurozone is more dependent on bank lending than the US, a shock of the same magnitude to credit conditions would have even greater repercussions (Chart 8).

Accordingly, companies will have to contend with an adverse environment of higher prices and tighter credit conditions, while facing sluggish domestic demand. In addition, after an overall increase in margins in 2022 - fuelling inflationary pressures - businesses are likely to see their operating profits decline in 2023 and 2024, under the combined effects of the fall - albeit very gradual - in core inflation and the rise in unit labour costs. As a result, the marked increase in corporate insolvencies since the start of the year in most advanced economies (Chart 9) is likely to continue, and even intensify, over the coming months.

**Emerging economies will continue to drive global growth in 2024, but pockets of vulnerability remain**

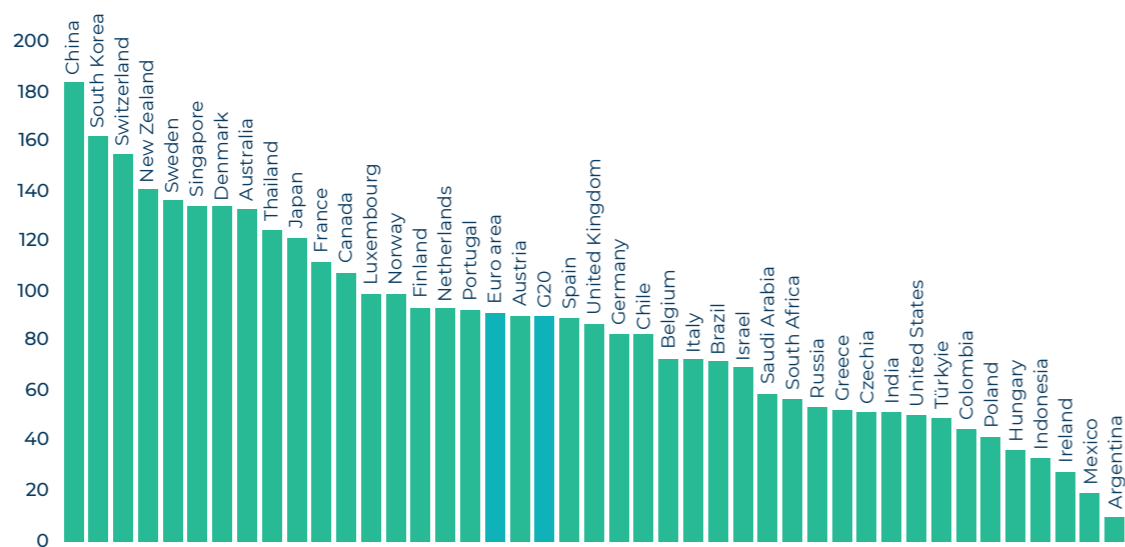
While the advanced economies will see their growth edge down from 1% to 0.9% in 2024, mainly due to the slowdown in the United

States, emerging countries should accelerate, according to our forecasts. With growth of 3.9% in 2024, they will record their strongest expansion since 2018, although remaining much less dynamic than in the 2010s (4.9% on average).

This resilience of emerging countries is part of a relatively favourable environment for most of them. The main factor will be the gradual recovery of the Chinese economy, which will benefit commodity producers. The second factor is the looming end of the Fed's monetary tightening cycle, ahead of a possible easing in 2024, which will give the central banks of emerging countries some breathing room. Brazil and Chile, where the monetary authorities began to raise their key rates as early as 2021, should thus be in a position to cut them over the coming months.

As a result, we are upgrading energy-exporting countries such as Saudi Arabia, Qatar, Nigeria and Kazakhstan this quarter. Meanwhile, Malaysia and the Philippines, which will benefit from increased demand from China

Chart 8: Bank credit to the non-financial private sector (as a % of GDP, Q3 2022)



Sources: Bank for International Settlements (BIS), Coface

and an influx of Chinese tourists, are returning to their pre-pandemic assessments.

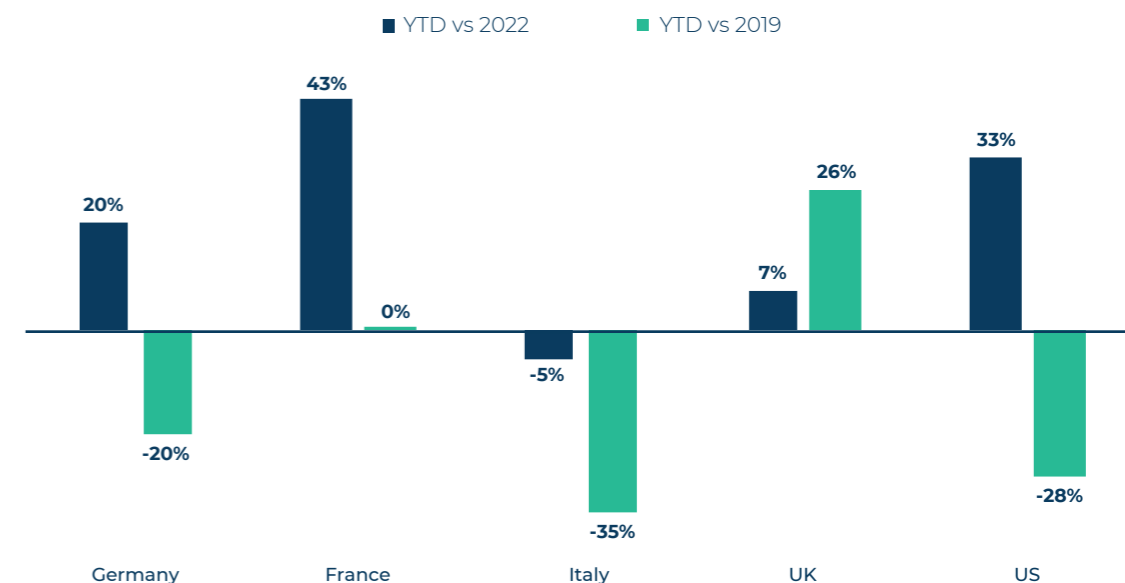
However, it should be stressed that while pressure on this front should gradually ease, the substantial and rapid tightening of global financing conditions has put many countries at risk of default. We downgraded Egypt in October 2022 and Ghana last February. While these countries have finally benefited from IMF assistance, it is always obtained at the condition of a major fiscal and monetary adjustment, with a considerable impact on activity. In the same vein, we are downgrading Kenya (from B to C) and Bolivia (from C to D) this quarter.

The Kenyan central bank has seen its foreign exchange reserves melt away like snow in the sun, to the extent that they covered just 3.6 months of imports in the first quarter. The significant depreciation of the Kenyan shilling since the beginning of the year (10% against the US dollar) has further increased the burden of servicing the country's external debt. In order to meet a USD 2 billion payment due in June 2024, the authorities will probably

be forced to make major budgetary and monetary adjustments between now and then. The situation is even more worrying in Bolivia, where reserves also represent 3.5 months of imports, but mainly in the form of gold and very little in foreign currency. In response to the confidence crisis in the currency, the Senate passed a law in early May authorising the central bank to sell its gold reserves. However, given the structural fall in gas exports and, in their wake, foreign exchange reserves, this reform is not a lasting solution.

While the more favourable outlook for emerging markets has led to more upgrades than downgrades for the first time since the fourth quarter of 2021, significant pockets of vulnerability remain.

Chart 9: Change in corporate insolvencies since the start of 2023<sup>3</sup>



Sources: National data, Coface

<sup>3</sup> At the time of writing, insolvency data is available up to February for Germany, March for France, Italy and the United States, and April for the United Kingdom.

# Country Risk Assessment Changes

AREA		Previous Assessment		Current Assessment
<b>BOLIVIA</b>		C	↘	D
<b>BOSNIA-HERZEGOVINA</b>		D	↗	C
<b>CABO VERDE</b>		C	↗	B
<b>GREECE</b>		B	↗	A4
<b>IRELAND</b>		A4	↗	A3
<b>KAZAKHSTAN</b>		C	↗	B
<b>KENYA</b>		B	↘	C
<b>MALAYSIA</b>		A4	↗	A3
<b>NIGER</b>		D	↗	C
<b>NIGERIA</b>		D	↗	C
<b>PHILIPPINES</b>		B	↗	A4
<b>QATAR</b>		A4	↗	A3
<b>SAUDI ARABIA</b>		B	↗	A4
<b>TANZANIA</b>		C	↗	B
<b>UZBEKISTAN</b>		C	↗	B

## BUSINESS DEFAULT RISK

<b>A1</b>	Very Low
<b>A2</b>	Low
<b>A3</b>	Satisfactory
<b>A4</b>	Reasonable
<b>B</b>	Fairly High
<b>C</b>	High
<b>D</b>	Very High
<b>E</b>	Extreme
↗	Upgrade
↘	Downgrade

### Bolivia

#### (Downgrade from C to D) ↘

- Bolivia is experiencing a currency confidence crisis since March 2023, when locals began to face difficulties in acquiring US dollars in banks and exchange offices. Overall, gross foreign currency reserves have strongly dried up in the last decade, from a peak of USD 15.5 billion in November 2014 to only USD 3.5 billion on 8 February 2023 (covering roughly 3.5 months of imports). Even more worrisome, net reserves (in hard currency) stood at only USD 372 million, according to the last available figure. The remaining is gold (USD 2.6 billion) and USD 538 million in Special Drawing Rights (SDR) from the International Monetary Fund (IMF).

### Bosnia and Herzegovina

#### (Upgrade from D to C) ↗

- GDP Growth was at 3.9% in 2022, better than expected since the beginning of the war in Ukraine. It is forecast to remain on the same trend in 2023.

### Cabo Verde

#### (Upgrade from C to B) ↗

- Inbound tourism has almost returned to its pre-covid level in 2022: 90% for receipts, 102% for the number of visitors, 80% for hotel nights. Outlook is good for 2023. Foreign direct investment, particularly the one related to tourism, was over (+10%) its 2019 level in 2022.

### Greece

#### (Upgrade from B to A4) ↗

- The Greek economy has surprised positively through the post-pandemic rebound and is expected to remain resilient despite the broader Eurozone slowdown. The tourism receipts, thus far stronger than expected, will continue to play an important role. The risk of political instability has decreased following incumbent New Democracy's better than expected electoral results. Government bonds are soon expected to recover investment grade status, further improving the ability to attract capital.

### Ireland

#### (Upgrade from A4 to A3) ↗

- GDP growth was 12.2% in 2022 and is expected to be around 2.8% in 2023. Private consumption is expected to be robust and investments to be stable (albeit slightly falling). Uncertainty about the trading relationship with the UK has been resolved and despite the change of corporate tax rate from 12.5 to 15% in 2024 (as according to OECD agreement), no multinational has indicated intent of moving operations.

### Kazakhstan

#### (Upgrade from C to B) ↗

- GDP Growth was at 3.2% in 2022, better than expected since the beginning of the war in Ukraine, and will stay at a similar level in 2023. It will be supported by the exports of oil and hydrocarbons.

### Kenya

#### (Upgrade from B to C) ↘

- In the current environment of a funding squeeze for many developing economies, Kenya is facing pressures on the servicing of its external debt. The Kenyan government is facing a cash crunch, and has to make tough decisions on whether to pay salaries or service millions of dollars in external debt.

### Malaysia

#### (Upgrade from A4 to A3) ↗

- Although export growth engine suffers from the current global economic slowdown, domestic demand and the recovery in tourism will support activity this year. Political situation is more stable, with the passage of the 2023 budget reflecting a working parliament.

### Niger

#### (Upgrade from D to C) ↗

- GDP growth will get close to 7% in 2023 and could pass that post in 2024 thanks to the completion of the oil pipeline to Benin coast in H2 2023 that will enable to increase crude oil production considerably.



**Nigeria**

**(Upgrade from D to C) ↗**

• Thanks to its roughly 3% growth since 2021, the economy was back to its pre-covid level in Q3 2022. It is expected to follow the same path in 2023 and 2024. General elections went well earlier this year. The launch of the huge Dangote refinery in 2023 (added to the recent opening of the neighboring fertilizer plant) will alleviate the external liquidity constraint by reducing import needs.

**Philippines**

**(Upgrade from B to A4) ↗**

• Although export growth engine suffers from the current global economic slowdown, domestic demand and the recovery in tourism will support activity this year. Inflation reached a 14-year high but finally started to slow in February 2023. The central bank has paused monetary tightening in May.

**Qatar**

**(Upgrade from A4 to A3) ↗**

• Low public debt, strong public accounts, high per-capita income, high natural gas prices expected to support GDP (hydrocarbon revenues around 40% of GDP), high fiscal and current account surpluses.

**Saudi Arabia**

**(Upgrade from B to A4) ↗**

The country's strong fiscal and external balance sheets, significant fiscal buffers in the form of deposits and other public sector assets. Low government debt. Strong real growth in the non-oil private sector in 2023, supported by higher government capex, investments by the Public Investment Fund including giga projects, robust credit growth, ongoing development of retail and entertainment sectors and employment gains among Saudis and expats.

**Tanzania**

**(Upgrade from C to B) ↗**

• Solid and stable growth rate, low inflation relative to regional standards, stable currency. Mining potential in gold and copper, tourism assets, increase in exports of manufactured goods.

**Uzbekistan**

**(Upgrade from C to B) ↗**

• GDP Growth was at 5.7% in 2022, better than expected since the beginning of the war in Ukraine and will stay at a similar level in 2023. It will be supported by exports of gold.

# Sector Risk Assessment Changes (Q2 2023)

REGIONAL SECTOR RISK ASSESSMENTS

	Asia-Pacific	Central & Eastern Europe	Latin America	Middle East & Turkey	North America	Western Europe
Agri-food	↗	↘	↗	↘	↗	↘
Automotive	↘	↘	↘	↘	↘	↘
Chemical	↘	↘	↘	↗	↗	↘
Construction	↘	↘	↘	↘	↘	↘
Energy	↘	↘	↘	↘	↗	↘
ICT*	↗	↗	↘	↘	↗	↗
Metals	↘	↘	↘	↘	↘	↘
Paper	↗	↘	↗	↗	↘	↘
Pharmaceuticals	↗	↗	↗	↗	↗	↘
Retail	↗	↘	↘	↘	↘	↘
Textile-Clothing	↘	↘	↘	↘	↘	↘
Transport	↘	↘	↘	↘	↘	↗
Wood	↘	↘	↘	↘	↘	↘

\* Information and Communication Technologies  
Source: Coface

ASIA-PACIFIC

	Asia-Pacific	Australia	China	India	Japan	South Korea
Agri-food	↗	↗	↗	↗	↗	↗
Automotive	↘	↘	↘	↘	↘	↘
Chemical	↘	↗	↘	↘	↘	↘
Construction	↘	↘	↘	↘	↗	↘
Energy	↘	↗	↘	↘	↘	↘
ICT*	↗	↗	↗	↗	↗	↗
Metals	↘	↘	↘	↘	↗	↗
Paper	↗	↘	↗	↘	↘	↘
Pharmaceuticals	↗	↗	↗	↗	↗	↘
Retail	↗	↘	↗	↘	↘	↗
Textile-Clothing	↘	↘	↘	↘	↘	↘
Transport	↘	↘	↘	↘	↗	↘
Wood	↘	↘	↘	↘	↘	↗

\* Information and Communication Technologies  
Source: Coface



CENTRAL & EASTERN EUROPE

	Central & Eastern Europe	Czechia	Poland	Romania
Agri-food	High Risk	High Risk	High Risk	High Risk
Automotive	High Risk	High Risk	High Risk	Medium Risk (Upgrade)
Chemical	High Risk	High Risk	High Risk	High Risk
Construction	Very High Risk	High Risk	Very High Risk	Very High Risk
Energy	High Risk	High Risk	High Risk	High Risk
ICT*	Medium Risk	Medium Risk	Medium Risk	Medium Risk
Metals	High Risk	High Risk	High Risk	High Risk
Paper	High Risk	High Risk	High Risk	High Risk
Pharmaceuticals	Low Risk	Low Risk	Low Risk	Medium Risk
Retail	High Risk	High Risk	High Risk	Medium Risk
Textile-Clothing	Very High Risk	Very High Risk	Very High Risk	Very High Risk
Transport	Very High Risk	High Risk	Very High Risk	High Risk
Wood	High Risk	High Risk	High Risk	High Risk

\* Information and Communication Technologies  
Source: Coface

MIDDLE EAST & TURKEY

	M. East & Turkey	Israel	Saudi Arabia	Turkey	UAE
Agri-food	High Risk	High Risk	High Risk	High Risk	High Risk
Automotive	High Risk	High Risk	Medium Risk	High Risk	Medium Risk
Chemical	Medium Risk	Medium Risk	Medium Risk	High Risk	Medium Risk
Construction	Very High Risk	High Risk	High Risk (Upgrade)	Very High Risk	Very High Risk
Energy	High Risk	High Risk	Low Risk	Very High Risk	Medium Risk
ICT*	High Risk	Medium Risk	High Risk	High Risk	High Risk
Metals	High Risk	High Risk	High Risk	High Risk	High Risk
Paper	Medium Risk	Medium Risk	Medium Risk	High Risk	Medium Risk
Pharmaceuticals	Medium Risk	Low Risk (Downgrade)	Medium Risk	High Risk	Medium Risk
Retail	High Risk	High Risk	Medium Risk	High Risk	Medium Risk
Textile-Clothing	High Risk	High Risk	High Risk	High Risk	High Risk
Transport	High Risk	High Risk	High Risk (Upgrade)	High Risk	High Risk (Upgrade)
Wood	High Risk	High Risk	High Risk	High Risk	High Risk

\* Information and Communication Technologies  
Source: Coface

BUSINESS DEFAULT RISK

- ▾ Low Risk
- ▾ Medium Risk
- ▾ High Risk
- ▾ Very High Risk
- ↗ Upgrade
- ↘ Downgrade

LATIN AMERICA

	Latin America	Argentina	Brazil	Chile	Mexico
Agri-food	Medium Risk (Upgrade)	High Risk	Medium Risk	High Risk	Medium Risk (Upgrade)
Automotive	High Risk	Very High Risk	High Risk	High Risk	High Risk
Chemical	High Risk	High Risk	Medium Risk (Downgrade)	High Risk	Very High Risk
Construction	High Risk	High Risk	High Risk	High Risk	Very High Risk
Energy	High Risk	High Risk	Medium Risk	High Risk	Very High Risk
ICT*	High Risk	Very High Risk	High Risk	Medium Risk	Medium Risk
Metals	High Risk	High Risk	High Risk	High Risk	High Risk
Paper	Medium Risk	High Risk	Medium Risk	Medium Risk	High Risk
Pharmaceuticals	Medium Risk	Medium Risk	Medium Risk	Low Risk (Downgrade)	Medium Risk
Retail	High Risk (Downgrade)	Very High Risk	High Risk (Downgrade)	High Risk	High Risk
Textile-Clothing	Very High Risk	Very High Risk	Very High Risk	High Risk	High Risk
Transport	High Risk	High Risk	High Risk	High Risk	High Risk
Wood	High Risk	High Risk	High Risk	High Risk	High Risk

\* Information and Communication Technologies  
Source: Coface

NORTH AMERICA

	North America	Canada	United States
Agri-food	Medium Risk	Medium Risk	Medium Risk
Automotive	High Risk	High Risk	High Risk
Chemical	Medium Risk	High Risk	Medium Risk
Construction	High Risk	High Risk	High Risk
Energy	Medium Risk	Medium Risk	Medium Risk
ICT*	Medium Risk	Medium Risk	Medium Risk
Metals	High Risk	High Risk	High Risk
Paper	High Risk	High Risk	High Risk
Pharmaceuticals	Medium Risk	Low Risk	Medium Risk
Retail	High Risk	High Risk	High Risk
Textile-Clothing	Very High Risk	Very High Risk	Very High Risk
Transport	High Risk	High Risk	High Risk
Wood	High Risk	High Risk	High Risk

\* Information and Communication Technologies  
Source: Coface

BUSINESS DEFAULT RISK

- ▾ Low Risk
- ▾ Medium Risk
- ▾ High Risk
- ▾ Very High Risk
- ↗ Upgrade
- ↘ Downgrade



WESTERN EUROPE

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

\* Information and Communication Technologies  
Source: Coface

OTHER COUNTRIES

BUSINESS  
DEFAULT  
RISK

- ▲ Low Risk
- ▲ Medium Risk
- ▲ High Risk
- ▲ Very High Risk
- ↗ Upgrade
- ↘ Downgrade

	Russia	South Africa
Agri-food	High Risk	High Risk
Automotive	High Risk	High Risk
Chemical	High Risk Downgrade	High Risk
Construction	High Risk	High Risk
Energy	High Risk	High Risk
ICT*	High Risk Downgrade	Medium Risk
Metals	High Risk	High Risk
Paper	High Risk	High Risk
Pharmaceuticals	Medium Risk	Medium Risk
Retail	High Risk Downgrade	High Risk
Textile-Clothing	High Risk	High Risk
Transport	High Risk	High Risk
Wood	High Risk	High Risk

\* Information and Communication Technologies  
Source: Coface



Decoding the  
**WORLD ECONOMY**  
2<sup>e</sup> quarter 2023

coface  
FOR TRADE

Find all our publications  
on [www.coface.com](http://www.coface.com)

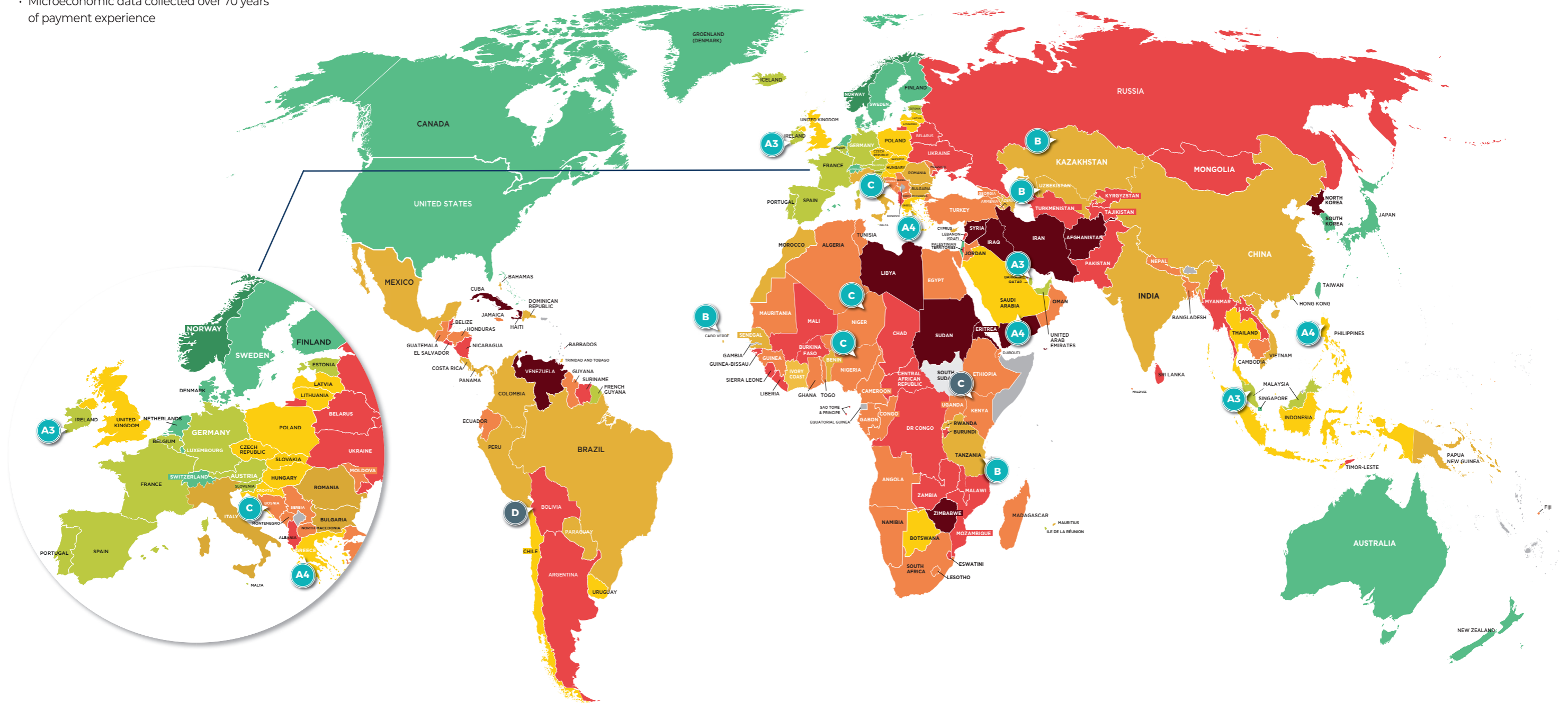
Follow us on

## 162 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

#### BUSINESS DEFAULTING RISK



**NORTH AMERICA**



**CENTRAL & EASTERN EUROPE**



**WESTERN EUROPE**



**MIDDLE EAST & TURKEY**



**ASIA-PACIFIC**



**LATIN AMERICA**



Low risk
  Medium risk
  High risk
  Very high risk

agri-food	ICT*	textile-clothing	Upgrade
automotive	metals	transport	
chemical	paper	wood	Downgrade
construction	pharmaceuticals		
energy	retail		

\* Information and Communication Technologies



## COFACE GROUP ECONOMISTS

### Jean-Christophe Caffet

Chief Economist

*Paris, France*

### Sarah N'Sondé

Head of Sector Analysis

*Paris, France*

### Bruno De Moura Fernandes

Head of Macroeconomic

Research

*Madrid, Spain*

### Ruben Nizard

Head of Political

Risk Analysis

Economist, North America

*Toronto, Canada*

### Bernard Aw

Economist, Asia-Pacific

*Singapore*

### Christiane von Berg

Economist,

Austria, Benelux,

Germany & Switzerland

*Mainz, Germany*

### Dominique Fruchter

Economist, Africa

*Paris, France*

### Erwan Madelénat

Sector Economist and

Data Scientist

*Paris, France*

### Grzegorz Siewiczy

Economist, Central &

Eastern Europe

*Warsaw, Poland*

### Khalid Aït-Yahia

Senior Sector Economist

and Statistician

*Paris, France*

### Simon Lacoume

Sector Economist

*Paris, France*

### Aroni Chaudhuri

Economist, Africa

& Coordinator

*Paris, France*

### Marcos Carias

Economist, Southern

Europe

*Paris, France*

### Patricia Krause

Economist, Latin America

*São Paulo, Brazil*

### Seltem Iyigun

Economist, Middle East

& Turkey

*Istanbul, Turkey*

### Jonathan Steenberg

Economist,

Ireland, United Kingdom

& Nordics

*London, United Kingdom*

### Laurine Pividal

Economist,

Spain,

*Paris, France*

---

## DISCLAIMER

This document reflects the opinion of Coface's Economic Research Department, as of the date of its preparation and based on the information available; it may be modified at any time. The information, analyses and opinions contained herein have been prepared on the basis of multiple sources considered reliable and serious; however, Coface does not guarantee the accuracy, completeness or reality of the data contained in this document. The information, analyses and opinions are provided for information purposes only and are intended to supplement the information otherwise available to the reader. Coface publishes this document in good faith and on the basis of an obligation of means (understood to be reasonable commercial means) as to the accuracy, completeness and reality of the data. Coface shall not be liable for any damage (direct or indirect) or loss of any kind suffered by the reader as a result of the reader's use of the information, analyses and opinions. The reader is therefore solely responsible for the decisions and consequences of the decisions he or she makes on the basis of this document. This document and the analyses and opinions expressed herein are the exclusive property of Coface; the reader is authorised to consult or reproduce them for internal use only, provided that they are clearly marked with the name "Coface", that this paragraph is reproduced and that the data is not altered or modified. Any use, extraction, reproduction for public or commercial use is prohibited without Coface's prior consent. The reader is invited to refer to the legal notices on Coface's website: <https://www.coface.com/Home/General-informations/Legal-Notice>.

---

## COFACE SA

1, place Costes et Bellonte  
92270 Bois-Colombes  
France

[www.coface.com](http://www.coface.com)

**coface**  
FOR TRADE