September 2020

Trade sector snapshots

On the following pages we indicate the general outlook for each sector featured using these symbols:

Excellent
The credit risk situation in the sector is strong / business performance in the sector is strong compared to its long-term trend

Good
The credit risk situation in the sector is benign / business performance in the sector is above its long-term trend

Fair
The credit risk situation in the sector is average / business performance in the sector is stable

Poor
The credit risk in the sector is relatively high / business performance in the sector is below its long-term trend

Bleak
The credit risk in the sector is poor / business performance in the sector is weak compared to its long-term trend

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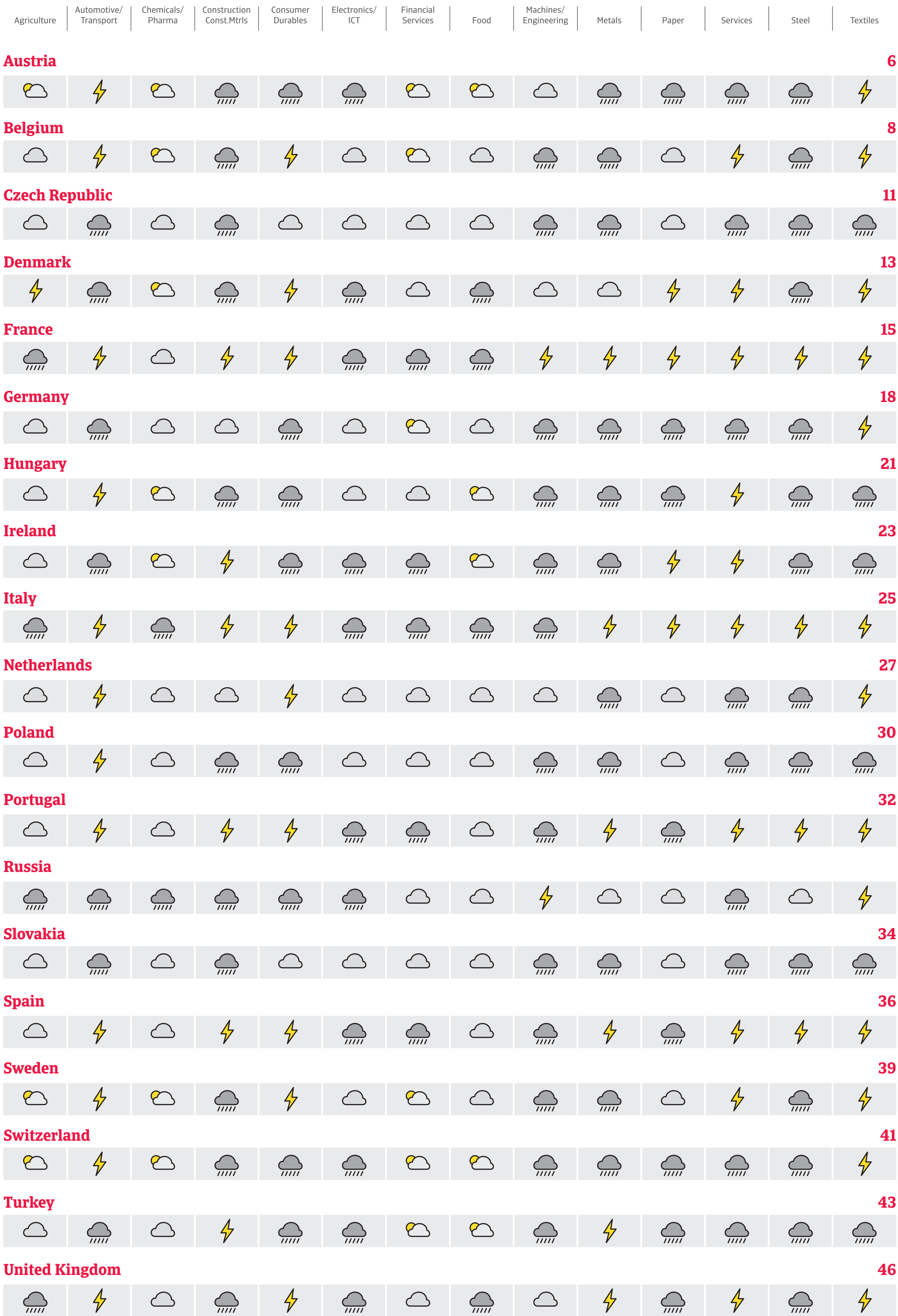

Agriculture
Automotive/ Transport
Chemicals/ Pharma
Construction Const.Mtrls
Consumer Durables
Electronics/ ICT
Financial Services
Food
Machines/ Engineering
Metals
Paper
Services
Steel
Textiles
Austria 6
Belgium 8
Czech Republic 11
Denmark 13
France 15
Germany 18
Hungary 21
Ireland 23
Italy 25
Netherlands 27
Poland 30
Portugal 32
Russia
Slovakia 34
Spain 36
Sweden 39
Switzerland 41
Turkey 43
United Kingdom 46


Agriculture
Automotive/ Transport
Chemicals/ Pharma
Construction Const.Mtrls
Consumer Durables
Electronics/ ICT
Financial Services
Food
Machines/ Engineering
Metals
Paper
Services
Steel
Textiles
Brazil 49
Canada 51
Mexico 54
USA 57
Australia 60
China 63
Hong Kong 66
India 68
Indonesia 70
Japan 73
New Zealand
Singapore 76
South Korea 78
Taiwan 80
Thailand 82
United Arab Emirates 85

Austria

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Agriculture

Remains Good

The sector has been impacted by the consequences of the lockdown (e.g. transport and supply chain issues, lack of foreign seasonal workers). While agriculture value added is forecast to contract by more than 7% in 2020, the prospects for a quick rebound are good. Value added is expected to rebound by more than 8% in 2021.

Automotive/Transport

Remains Bleak

Automotive producers and suppliers suffer from globally deteriorating sales for passenger cars and commercial vehicles, which has led to severe liquidity strains and cash shortfalls. Margins were already under pressure before the coronavirus outbreak, due to disappointing sales in 2019 and increased investment to cope with the shift away from combustion engines towards e-mobility. Automotive value added is expected to contract by 27% in 2020

Chemicals/Pharmaceuticals

Remains Good

Businesses active in the chemicals and pharmaceuticals industries generally have robust business financials, good payment records and a low insolvency rate compared to other industries. Pharmaceutical producers and wholesalers will benefit from increasing health expenses. That said, deteriorating domestic and global demand have a negative impact on chemicals performance, with value added expected to decrease by almost 2% in 2020.

Construction/ Construction Materials

Remains Poor

The industry was already performing poorly before the coronavirus outbreak. Operating margins are very tight, with increased credit risk mainly for smaller players. Due to the ongoing recession, businesses are additionally affected by postponement of projects and reduced order volumes. Construction value added is expected to shrink by 3% in 2020.

Consumer Durables

Remains Poor

Private consumption of non-food consumer goods has deteriorated due to the coronavirus impact, with many businesses temporarily closed due to the lockdown. Subdued consumer sentiment and rising unemployment could hamper a rebound in the short-term. Retail value added is expected to contract by more than 13% in 2020. The number of payment delays and insolvencies in the non-food retail segment is expected to increase in Q4 of 2020, when temporary measures to the insolvency regime (made in order to prevent an early bankruptcy increase) expire.

Electronics/ICT

Remains Poor

Sales have sharply deteriorated due to the temporary closure of businesses with the lockdown. Value added of the ICT sector is forecast to level off in 2020.

Financial Services

Remains Good

The sector remains relatively robust. However, increased financial troubles for businesses and consumers alike due to the economic downturn could lead to more loan defaults for banks and tighter lending conditions. Currently finance sector value added is forecast to contract by about 4% in 2020, followed by an 8.5% rebound in 2021.

Food

Remains Good

Despite ongoing sales, the sector has been impacted by the consequences of the lockdown (e.g. transport and supply chain issues). After two years of growth, value added is forecast to contract by about 1.5% in 2020, followed by a rebound of more than 4% in 2021.

Austria

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Machines/Engineering

Remains Fair

The business outlook has deteriorated as orders on hand and production have sharply decreased. Domestic and international demand from key buyer sectors like automotive has deteriorated. After growing 5.8% in 2020, engineering value added is expected to contract by 9% in 2020, followed by an 8% rebound in 2021.

Metals

Remains Poor

Metal producers suffer due to deteriorating demand from key buyer sectors (automotive, construction and machines). Metals manufacturing value added is forecast to contract by 12% in 2020.

Paper

Remains Poor

Paper producers are impacted by less demand due to lockdown measures and the ongoing digitalization. Value added of the industry is expected to contract by 8% in 2020

Services

Remains Poor

Due to the comprehensive lockdown measures in face of the coronavirus outbreak and the ongoing pandemic, many segments are expected to suffer heavily, especially hotels and catering, restaurants, bars, entertainment and cultural events, travel agencies and tour operators. Hotel and catering value added is expected to contract by more than 16% in 2020. The number of payment delays and insolvencies in the non-food retail segment is expected to increase in Q4 of 2020, when temporary measures to the insolvency regime (made in order to prevent an early bankruptcy increase) expire.

Steel

Remains Poor

In 2019 decreasing demand from domestic key buyer industries like construction already affected the performance of many Austrian steel suppliers, while exports were impacted by subdued global demand. The steel market is characterised by overcapacity and strong competition. Pressure on margins has increased in an industry where many businesses have already shown low profitability in the past. In 2020 the situation has further worsened due to the massive domestic and global economic downturn triggered by the coronavirus pandemic. Steel sector value added is expected to decline by more than 10% in 2020 after a 6.2% contraction in 2019. In 2021 an 8% rebound is forecast.

Textiles

Remains Bleak

Producers, wholesalers and retailers already suffered before the coronavirus outbreak from fierce competition, thin margins, lower sales, changes in customer behavior and increased competition from new online retailers. Their performance has further deteriorated due to low sales during the lockdown. Textiles value added is expected to shrink by more than 10% in 2020. The number of payment delays and insolvencies in the non-food retail segment is expected to increase in Q4 of 2020, when temporary measures to the insolvency regime (made in order to prevent an early bankruptcy increase) expire.

Belgium

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Agriculture

Remains Fair

The sector has been impacted by the consequences of the lockdown (e.g. transport and supply chain issues and lack of foreign seasonal workers). While agriculture value added is forecast to contract in 2020, the potential for a quick rebound remains, despite adverse price developments, lower sales for export oriented segments like potato or pork meat, and more adverse weather conditions.

Automotive/Transport

Remains Bleak

Automotive value added is forecast to decline by almost 30% in 2020, while transport will contract 8%. The automotive sector suffers from deteriorating sales for passenger cars and commercial vehicles, while transport has been impacted by decreased traffic and demand for logistics due to the coronavirus-related lockdowns and the subdued economic performance. The impacts are also felt in the port handling businesses and cargo linked to air transport. Due to severe liquidity strains for businesses, payments have increased, and insolvencies are expected to rise in the coming months.

Chemicals/Pharmaceuticals

Remains Good

Deteriorating domestic and global demand have had a negative impact on industry performance, with chemicals value added forecast to decrease by 6% in 2020. Businesses are impacted by decreasing orders and the negative impact of logistic issues. Among subsectors, petrochemicals, and oil & gas are most impacted. However, the Belgian chemicals industry has performed well over the past couple of years, with generally robust business financials, good payment records and low insolvency rates compared to other industries. The same accounts for pharmaceutical businesses, which will benefit from increasing health expenses.

Construction/ Construction materials

Remains Poor

The Belgian construction sector remains highly fragmented, and consolidation in the market is ongoing. In 2019 the construction sector performed quite well in terms of volumes, but already suffered from very low margins due to high competition, especially in the public tendering business. The bargaining power of (smaller) subcontractors and suppliers has decreased. High labour costs, restricted access to bank loans, high day sales outstanding and rising insolvencies were issues before the coronavirus pandemic.

During the lockdown, construction and construction materials activities declined to a level below 30%, with delays in most projects. However, infrastructure activity has continued. In 2020 the performance will be further hit by the economic slowdown, with more pressure on the margins, supply chain disruptions and decrease in efficiency (e.g. social distancing during works). Construction value added is expected to contract by almost 9% in 2020. However, there are also opportunities, as due to the pandemic, demand for houses with gardens and/or open space has increased. Additionally, the renovation segment sees increased business opportunities.

Consumer Durables

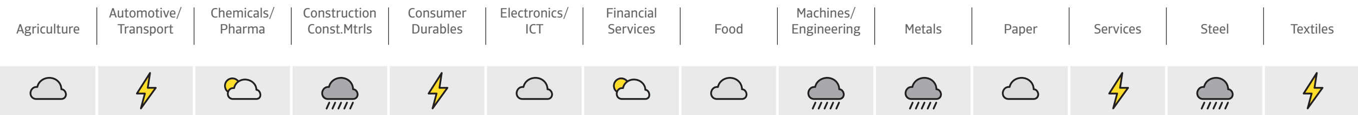
Remains Bleak

Since 2018 we have increasingly tightened our underwriting stance for smaller retailers across all subsectors, as they commonly faced difficulties in competing with the market power of large players, which are able to offer a highly diversified product range at lower prices. Strong competition and increasing e-commerce have put downward pressure on prices and upward pressure on services.

Sales of non-food consumer goods have deteriorated due to the coronavirus impact, and many businesses have faced serious troubles due to the lockdown, mandatory sanitary measures and a bad summer sales period. Subdued consumer sentiment and rising unemployment hamper a rebound in the short-term. Retail value added is expected to contract by more than 14% in 2020. The amount and frequency of payment delays has increased, and insolvencies are expected to increase further in the coming months. This is particularly true among smaller non-food retailers, businesses linked to furniture, and retail and wholesalers of leisure articles and domestic appliances.

Belgium

September 2020



Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Electronics/ICT

Remains Fair

The industry has been impacted by decreasing sales due to the temporary closure of businesses related to the lockdown and supply chain disruptions, with value added expected to decrease 4% in 2020, after growing 3% in 2019. Subdued consumer senti¬ment and rising unemployment could hamper a strong rebound in the short-term. However, spending from businesses and employees on digital goods and services has increased due to the expansion of remote working.

Financial Services

Remains Good

The sector remains still resilient, but will be impacted by the general economic downturn. Increased financial troubles for businesses and consumers alike could lead to more loan defaults for banks and tighter lending conditions. Sector value added is forecast to decrease 8% in 2020, but in 2021 a 10% rebound is expected.

Food

Remains Fair

In the food retail segment, the market entry and expansion of two large Dutch supermarket chains in 2019 has added to more competition with higher pressure on prices, impacting profit margins of Belgian retailers and food producers/processors alike. Pressure on prices and margins persists among all subsectors. Our underwriting stance is more restrictive on the food retail, meat and fish subsectors, while remaining neutral in regards to beverages and dairy for the time being. Currently, all subsectors are negatively impacted by the pandemic and the subsequent sanitary measures. Sales are more modest, due to lower demand from the hospitality sector and some closures of distribution channels. Food value added is expected to contract 1% in 2020.

Machines/Engineering

Remains Poor

The business outlook has deteriorated, as orders on hand and production have decreased due to postponed investments. Domestic and international demand from key buyer sectors like automotive and aeronautics has deteriorated. Engineering value added is expected to contract by about 14% in 2020.

Metals

Remains Poor

Orders and output are negatively impacted by the downturn of the Belgian economy. Demand from key buyer sectors like construction, automotive and machinery has decreased, while metal producers and traders additionally have suffered form supply chain disruptions. Metal manufacturing value added is forecast to decrease by almost 9% in 2020, after already shrinking 4% in 2019. In H1 of 2020, the number of payment delays and non-payments increased. Further increases are expected in the coming months.

Paper

Remains Fair

Paper producers are impacted by less demand due to the economic slump and sanitary measures, and continue to encounter the pressure of the ongoing digitalization. Sector value added is forecast to decrease by 4.5% in 2020.

Services

Remains Bleak

Due to the comprehensive lockdown, additional sanitary measures and lower demand because of the coronavirus pandemic, many segments suffer heavily, especially hotels and catering, restaurants, bars, entertainment and cultural events, training and education, travel agencies and tour operators. Service value added is expected to decrease by almost 10%, and the hotel and catering segment to contract 20% in 2020. After already rising in the past couple of months, payment defaults and insolvencies are expected to increase further.

Belgium

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Steel

Remains Poor

Orders and output are impacted by the economic downturn in Belgium, with steel producers and traders suffering from deteriorating demand from key buyer sectors. Iron and steel value added is forecast to decrease by more than 17% in 2020, after already shrinking 8.5% in 2019.

Textiles

Remains Bleak

Producers, wholesalers and retailers already suffered before the coronavirus outbreak from fierce competition, thin margins, lower sales, changes in customer behaviour and increased competition from new online retailers. The performance has further deteriorated due to subdued sales during and after the lockdown period. Textiles value added is expected to shrink by 8% in 2020. Stationary retailers of clothing and footwear are heavily impacted as they experience a sharp rise in non-payments, and insolvencies are expected to increase in the coming months. The outlook for 2021 remains subdued, with a hard Brexit being an additional downside risk.

Czech Republic

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Agriculture

Remains Fair

In 2019 a draught resulted in lower crop yields, while costs for energy, labour, and animal feed have increased. The sector has been impacted by the consequences of the lockdown (e.g. transport and supply chain issues). While agriculture value added growth is forecast to level off in 2020, the prospects for a rebound are good.

Automotive/Transport

Remains Poor

Automotive producers and suppliers suffer from globally deteriorating sales for passenger cars and commercial vehicles, which has led to severe liquidity strains and cash shortfalls. Margins were already under pressure before the coronavirus outbreak, due to disappointing sales in 2019 and increased investment to cope with the shift away from combustion engines towards e-mobility. Automotive value added is expected to contract by more than 22% in 2020. While no substantial increase in payment delays or insolvencies was recorded in H1 of 2020, both are expected to rise in the coming months.

Chemicals/Pharmaceuticals

Remains Fair

Chemicals and pharmaceuticals businesses generally show robust business financials, good payment records and low insolvency rates compared to other industries. As many chemical businesses supply the automotive sector, they suffer from decreased demand, with value added expected to shrink by more than 5% in 2020. Within the pharmaceuticals industry, many businesses request longer payment terms, but value added is forecast to grow modestly by about 0.5% in 2020, due to higher health care expenses.

Construction/ Construction materials

Remains Poor

Operating margins are very tight in this industry, with increased credit risk mainly for smaller players. Due to the ongoing recession, businesses are additionally affected by postponement of projects and reduced order volumes. Construction value added is expected to contract 2% in 2020. While no substantial increase in payment delays or insolvencies was recorded in H1 of 2020, both are expected to rise in the coming months.

Consumer Durables

Remains Fair

Private consumption of non-food consumer goods has deteriorated due to the coronavirus impact, with many businesses temporarily closed due to the lockdown. However, e-commerce and online sales of consumer durable goods have increased. Subdued consumer sentiment and rising unemployment could hamper a rebound in the short-term. Retail value added is expected to contract by about 6% in 2020, followed by a 7% rebound in 2021.

Electronics/ICT

Remains Fair

Sales of electronics/ICT products have been negatively affected by the temporary closure of businesses due to the lockdown. While smaller stationary stores have struggled to survive, e-retailers have been able to partly offset the overall decrease by increasing online sales, although at the expense of lower margins. Value added of the ICT sector is forecast to increase 2% in 2020, driven by higher demand for home-office equipment (phones, laptops, etc.) due to the increase in remote working.

Financial Services

Remains Fair

The sector remains relatively robust, but is impacted by the general economic downturn. Increased financial troubles for businesses and consumers alike could lead to more loan defaults for banks and tighter lending conditions. Value added of the industry is forecast to contract by about 3% in 2020.

Czech Republic

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Food

Remains Fair

Since last year, a major decline in sugar prices (due to a surplus after the lifting of the EU quota) has caused losses for sugar refineries, while meat processors have been affected by rising pork prices. Additionally, energy and labour costs have increased. While many food producers have benefited from higher domestic demand in H1 of 2020, exporters have been impacted by the consequences of the coronavirus-related lockdown (e.g. transport and supply chain issues). Food value added growth is forecast to increase by less than 1% in 2020.

Machines/Engineering

Remains Poor

In 2019 machines demand from manufacturing slowed down, leading to lower production and revenues. Rising energy and labour costs had a negative effect on margins. Since Q1 of 2020, investments of manufacturers in machines and related items have deteriorated, while engineering companies faced issues with coronavirus-related restrictions in cross-border employee traffic in early 2020. After levelling off in 2019, engineering value added is forecast to contract by more than 8%. Although no significant increase in payment delays or insolvencies was recorded in H1 of 2020, it cannot be excluded that the numbers will rise in the coming months.

Metals

Remains Poor

Metals demand from manufacturing already slowed down in 2019, leading to lower production and revenues, while rising energy and labour costs had negative effect on margins. Currently, metal producers continue to suffer due to deteriorating demand from key buyer sectors (automotive, construction and machines). Metals value added is forecast to contract by more than 14% in 2020. While no substantial increase in payment delays or insolvencies was recorded in H1 of 2020, both are expected to rise in the coming months.

Paper

Remains fair

The sector remains impacted by the ongoing digitalization, which has led to decreasing demand over the last couple of years. Value added growth of the industry is expected to level off in 2020, after a 4% increase in 2019.

Services

Remains Poor

Due to lockdown measures and subsequent business closures in H1 of 2020, many segments have suffered heavily, especially hotels and catering, restaurants, bars, entertainment and cultural events, travel agencies and tour operators. Hotels and catering value added is expected to shrink 11% in 2020. It is expected that insolvencies will increase after the temporary special protection of debtors against creditors (implemented as an amendment to the insolvency law as a response to the coronavirus-related repercussions) expire in Q3 of 2020.

Steel

Remains Poor

In 2019 steel demand from manufacturing already slowed down, while steel producers were affected by rising energy and production costs and continued import of cheaper Chinese steel. Environmental regulations put additional pressure on the industry. In 2020 steel producers and traders suffer due to deteriorating demand from key buyer sectors (automotive, construction and machines). After a 5.5% decrease in 2019, steel value added is forecast to contract by more than 8% in 2020. It is expected that insolvencies will increase after the temporary special protection of debtors against creditors (implemented as an amendment to the insolvency law as a response to the coronavirus-related repercussions) expire in Q3 of 2020.

Textiles

Remains Poor

Producers, wholesalers and retailers already suffered before the coronavirus outbreak from fierce competition, thin margins, lower sales, changes in customer behaviour and increased competition from new online retailers. The performance has further deteriorated due to low sales during the lockdown. Textile value added is expected to shrink by more than 6% in 2020, and business failures will increase in the coming months.

Denmark

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Agriculture

Remains Bleak

Increased commodity price volatility has had a negative impact on the sector. Danish farmers are among the most indebted in Europe and are heavily exposed to price deterioration. Large pork producers have been especially over-investing over the past couple of years. Many of them are insolvent and may not be able to survive in case of rising interest rates or another major crisis (e.g. further spread of the African swine fever). Fur farming is particularly challenging, as market conditions have deteriorated. It is expected that many fur farms will close down their production in late fall or early winter.

Automotive/Transport

Remains Poor

The automotive sector suffers from deteriorating sales of passenger cars and commercial vehicles, along with an adverse market sentiment, while transport is impacted by decreased demand for logistics (e.g. from the retail sector). Automotive value added is expected to decline by 3% in 2020, while transport is forecast to shrink by 4%.

Chemicals/Pharmaceuticals

Remains Good

Some chemical businesses suffer from a drop in demand linked to disruptions in their downstream chain and lower demand from key buyer industries. However, chemicals sector value added is expected to increase by more than 5% in 2020. Pharmaceutical businesses will benefit from increasing health expenses. Chemicals and pharmaceuticals businesses generally show robust business financials, good payment records and low insolvency rates compared to other industries.

Construction/ Construction materials

Remains Poor

Competition is fierce and operating margins are very tight in this industry, with increased credit risk mainly for smaller players. While order books are still at satisfying levels in terms of short-term activity, there are fewer new projects in the pipeline. Architects and engineering consulting firms have already voiced concerns over this lack of projects, which will slow, but likely still affect construction businesses. Sector value added is expected to shrink by more than 6% in 2020, after a 0.4% contraction in 2019.

Consumer Durables

Remains Bleak

Private consumption of non-food consumer goods has deteriorated due to the coronavirus impact, with many businesses temporarily closed due to the lockdown. Subdued consumer sentiment and rising unemployment could hamper a rebound in the short-term. Retail sales are expected to decrease by more than 4% in 2020, with growth recorded only in the online segment. Insolvencies of non-food brick and mortar retailers are expected to increase in the coming months after some essential government support measures (support for wages and fixed costs) expired at the end of August.

Electronics/ICT

Remains Poor

Spending from businesses and employees on digital goods and services has increased due to the sharp rise of remote working. However, after initial investments, many larger projects will be delayed or cancelled until there is more certainty over the economic outlook. Subdued consumer sentiment and rising unemployment could hamper a rebound in the short-term. ICT value added is expected to contract by about 0.5% in 2020.

Denmark

September 2020

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Financial services

Remains Fair

The sector remains relatively resilient for the time being. However, increased financial troubles for businesses and consumers alike due to the economic downturn could lead to more loan defaults for banks and tighter lending conditions.

Food

Remains Poor

The hospitality and food service segments have been severely hit by the lockdown and the ongoing pandemic. Hotel and catering value added is expected to shrink by more than 10% in 2020, and insolvencies are expected to increase in the coming months, after some essential government support measures (support for wages and fixed costs) expired at the end of August. However, there are also growth segments. As people create and enjoy more of their meals at home, retail food has been able to increase sales, especially online ordering services such as those offering "meal boxes".

Machines/Engineering

Remains Fair

The sector remains relatively resilient for the time being, with many businesses showing robust financials. However, deteriorating demand from key buyer sectors like agriculture and construction could lead to fewer orders and sales. The industry is also highly dependent on industry investment levels in its main export markets. Therefore, a slow economic rebound in Europe in the coming months would pose a serious challenge for new orders.

Metals

Remains Fair

The sector remains relatively resilient for the time being. However, deteriorating demand from key buyer sectors like construction could lead to lower orders and sales. Metals value added is expected to decrease 5% in 2020.

Services

Remains Bleak

Due to comprehensive lockdown measures and subsequent business closures, as well as due to the ongoing pandemic, many segments have suffered heavily. Amongst these are hotels and bars, entertainment and cultural events, travel agencies and tour operators. Service value added is forecast to decrease by more than 2% in 2020, with hotel and catering even by more than 10%. Payment delays and insolvencies are expected to increase in the coming months after some essential government support measures (support for wages and fixed costs) expired at the end of August.

Steel

Remains Poor

Steel producers and traders suffer due to deteriorating demand from key buyer sectors (automotive, construction and machines) and/or supply chain disruptions. After a 7.4% contraction in 2019, value added is expected to shrink again, by more than 7%. Businesses' financials were already strained in 2019, and payment delays and insolvencies are expected to increase in the coming months, after some essential government support measures (support for wages and fixed costs) expired at the end of August.

Textiles

Remains Bleak

Producers, wholesalers and retailers already suffered before the coronavirus outbreak from fierce competition and thin margins, and have additionally been affected by deteriorating sales due to the lockdown. The pandemic has accelerated the shift towards online sales at the expense of stationary retail. Textiles value added is forecast to decrease by more than 6% in 2020. Among brick-and-mortar textile retailers, insolvencies are expected to increase in the coming months, after some essential government support measures (support for wages and fixed costs) expired at the end of August.

France

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Agriculture

Remains Poor

The industry has been impacted by higher input prices and environmental issues, while sales prices have remained subdued. The sector has been impacted by the consequences of the lockdown (e.g. transport and supply chain issues). Agriculture value added is forecast to shrink by almost 4% in 2020 after a modest 0.6% contraction in 2019.

Automotive/Transport

Remains Bleak

Automotive producers and suppliers suffer from globally deteriorating sales for passenger cars and commercial vehicles, which has led to severe liquidity strains and cash shortfalls. Margins were already under pressure before the coronavirus outbreak, due to disappointing sales in 2019 and increased investment to cope with the shift away from combustion engines towards e-mobility. Automotive value added is expected to contract by more than 43% in 2020.

Despite comprehensive stimulus measures (e.g. direct spending and tax break measures), many Tier 1 and Tier 2 subcontractors, and even some medium-sized businesses, are facing increased credit risk. Due to this and the subdued performance outlook of the industry, it is expected that the number of insolvencies will increase substantially in the coming six to twelve months. A suspension of the obligation for businesses facing severe liquidity issues to file for court proceeding expired at the end of August.

Chemicals/Pharmaceuticals

Remains Fair

Many chemical businesses are suffering from a drop in demand linked to disruptions in their downstream chain. Logistic issues also have had a negative impact, although to a lesser extent on pharmaceuticals than on chemicals businesses. Chemicals value added is forecast to contract 11% in 2020, while a 4% growth rate is expected for pharmaceuticals.

Construction/ Construction Materials

Remains Bleak

The industry was already performing poorly before the coronavirus outbreak, with increased cash difficulties for businesses due to difficulties funding their working capital requirements. Operating margins are very tight, with increased credit risk mainly to smaller players. Construction value added is expected to shrink by 18% in 2020. Due to the economic slump and lockdowns, businesses are affected by a significant decrease in activity, postponement of projects and reduced order volumes, which has reduced the level of incoming cash flow and hurts profitability. Insolvencies are expected to substantially increase in the coming six to twelve months. A suspension of the obligation for businesses facing severe liquidity issues to file for court proceeding expired at the end of August.

Consumer Durables

Remains Bleak

Private consumption of non-food consumer goods has deteriorated due to the coronavirus impact, with many businesses temporarily closed due to the lockdown. There has been a significant drop in activity with a reduced level of incoming cash flow. Despite ongoing stimulus measures by the government, subdued consumer sentiment and rising unemployment seem to hamper a rebound in the short-term. Retail value added is expected to decrease by 13% in 2020, and insolvencies are forecast to sharply increase in the coming six to twelve months. A suspension of the obligation for businesses facing severe liquidity issues to file for court proceeding expired at the end of August.

Electronics/ICT

Up from Bleak to Poor

Sales have sharply deteriorated due to the closure of businesses related to the lockdown in H1 of 2020. Some retail businesses face a reduced level of incoming cash flow. However, spending from businesses and employees on digital goods and services has increased due to the sharp rise of remote working. While ICT value added is expected to decrease by more than 5% in 2020, the decrease in activity will be less than in other sectors, and the rebound will happen faster (a 7% ICT value added rebound is forecast for 2021).

France

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Financial Services

Up from Bleak to Poor

Rising financial troubles for businesses and consumers alike leading to increased non-performing loans remains a major downside risk for the industry. However, the financial sector is supported by a significant amount of cash injected by the government to support businesses (state guaranteed loans) and by the fact that private households savings have increased, providing additional resources.

Food

Remains Poor

An increasing number of businesses are suffering from the closure of several distribution channels, the most drastic one being the outside home consumption (restaurants and snacking), which will continue to remain closed for the time being. This and the negative effects on the catering distribution channel are impacting the whole food industry, with value added forecast to contract 0.5% in 2020.

Machines/Engineering

Remains Bleak

The business outlook has deteriorated as orders on hand and production have sharply decreased. Domestic and international demand from key buyer sectors like automotive and aeronautics has deteriorated, and is expected to remain subdued in the coming months. Engineering value added is expected to contract by more than 11% in 2020, and for many businesses, the high level of fixed costs will be difficult to absorb. It is expected that insolvencies will increase in this sector in the coming six to twelve months.

Metals

Remains Bleak

Metal producers and traders have suffered due to deteriorating demand from key buyer sectors (automotive, aeronautics, construction and machines) and/or supply chain disruptions. The demand situation will remain subdued in the coming months, with no major rebound expected. Metal manufacturing value added is expected to contract by more than 17% in 2020 and to recover by only 6.5% in 2021. Many metal businesses struggle with decreased cash flow while facing high fixed costs, and it is expected that insolvencies will increase in this sector in the coming six to twelve months.

Paper

Remains Bleak

Paper producers are impacted by less demand due to lockdown measures and the ongoing digitalization. After a 3.3% contraction in 2019, value added is expected to shrink again, by 2%.

Services

Remains Bleak

Due to the comprehensive lockdown measures and the ongoing pandemic, many segments suffer heavily, especially hotels and catering, restaurants, bars, entertainment and cultural events, travel agencies and tour operators. In Q2 of 2020 alone, business to consumer services decreased 38% year-on-year. Hotels and catering value added is forecast to contract 20% in 2020. The government has implemented several stimulus measures to support the sector. However, many businesses have not reopened yet and may never even do so. The outlook for the next six months is subdued, and any recovery is expected to be slow.

France

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Steel

Remains Bleak

Steel producers and traders have suffered due to deteriorating demand from key buyer sectors (automotive, aeronautics, construction and machines) and/or supply chain disruptions. The demand situation will remain subdued in the coming months, with no major rebound expected. After a 6% decrease in 2019, steel value added is expected to contract by more than 21% in 2020, followed by a 10% increase in 2021. Many steel businesses struggle with decreased cash flow while facing high fixed costs, and it is expected that insolvencies will increase in this sector in the coming six to twelve months.

Textiles

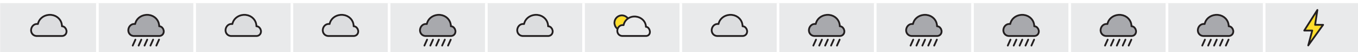
Remains Bleak

Producers, wholesalers and retailers already suffered before the coronavirus outbreak from fierce competition and thin margins, and have been additionally affected by deteriorating sales due to the lockdown and declining private consumption. Activity in both textile production and retail is expected to remain low in the coming months. After shrinking in 2018 and 2019, textiles value added is expected to contract again in 2020, by 16%. Mainly brick-and-mortar retailers struggle with low cash flow while facing high fixed costs, and it is expected that insolvencies will increase in the coming six to twelve months.

Germany

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles



Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Agriculture

Remains Fair

The industry is impacted by tighter environmental regulations and low sales prices due to high pressure from processors and retailers. With the coronavirus outbreak, the sector has been additionally affected by the lockdown measures (e.g. lack of foreign seasonal workers and/or additional costs caused by tighter health care regulations for said workers). Additionally, the third dry summer in a row negatively affects the crop harvest, which will hurt farmers with livestock breeding (shortage and/or higher prices for animal feed). While agriculture value added is forecast to shrink by more than 2.5% in 2020, the prospects for a quick rebound are good.

Automotive/Transport

Remains Poor

Automotive producers and suppliers suffer from globally deteriorating sales for passenger cars and commercial vehicles, which has led to severe liquidity strains and cash shortfalls. Margins were already under pressure before the coronavirus outbreak, due to disappointing sales in 2019 and increased investment intended to cope with the shift away from combustion engines and towards e-mobility. Automotive value added is expected to contract by 32% in 2020.

It is expected that insolvencies among suppliers will increase in H1 of 2021 (the current suspension of the obligation to file for insolvency will expire by the end of December 2020). The amount of this increase will strongly depend on sector performance in Q3 and Q4 of 2020 and the subsequent effect on businesses´ balance sheets, in particular liquidity.

Chemicals /Pharmaceuticals

Remains Fair

Chemicals businesses remain financially resilient compared to their peers in other sectors. However, already in 2019, the sector was affected by lower global economic growth, increasing competition from Asia and the debate on climate change (stricter environmental regulations). The performance in 2020 will be severely affected by the global economic downturn, and value added is expected to decrease by more than 2%. The pharmaceuticals sector benefits from current health issues, with value added expected to grow about 3% in 2020.

Construction/ Construction Materials

Remains Fair

After performing well over the past couple of years, businesses have been affected by supply chain problems, postponement of projects and reduced order volumes due to the coronavirus impact and subsequent lockdowns. Construction value added is expected to shrink by 2.5% in 2020, but to rebound 3.5% in 2021.

Consumer Durables

Remains Poor

Digital transformation poses a major challenge for the sector, as changing consumer behaviour is increasingly putting stationary retailers under pressure. Private consumption of non-food consumer goods has deteriorated due to the coronavirus impact, especially during the lockdown. Despite a rebound since May and implementation of stimulus measures (e.g. VAT decrease), retail value added is expected to decrease 7.5% in 2020. Payment delays and insolvencies are expected to substantially increase in H1of 2021 (the current suspension of the obligation to file for insolvency will expire by the end of December 2020). Mainly affected will be stationary non-food retailers.

Electronics/ICT

Remains Fair

Sales have deteriorated due to the temporary closure of businesses with the lockdown, and supply chain disruptions have had an additional negative impact. However, spending from businesses and employees on digital goods and services has increased due to the sharp rise of remote working. ICT value added is expected to shrink by 2.5% in 2020, followed by a 4% rebound in 2021.

Financial services

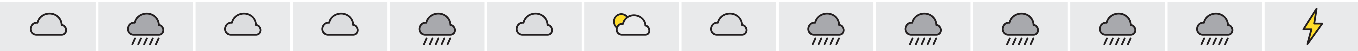
Remains Good

The sector remains relatively robust. However, increased financial troubles for businesses and consumers due to the economic downturn could lead to more loan defaults for banks and tighter lending conditions. Finance value added is expected to decrease 3% in 2020.

Germany

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles



Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Food

Remains Fair

The German food retail market is the most competitive in Europe, with low market prices due to the overwhelming power of the leading food retailers and discounters. Tough competition and price wars in the retail market indicate that food producers, processors and suppliers have difficulties passing on costs. With food processing companies and retailers demanding longer payment terms from their immediate suppliers to improve their working capital, a wave of longer payment terms is being created along the whole supply chain.

Value added is expected to decrease by more than 4% in 2020. Food producers and processors supplying hotels, restaurants, canteens, catering etc. have been severely affected by the lockdown measures and the only modest rebound in the hospitality segment since the lifting. On the contrary, suppliers to the food retail sector have been generally less affected, sometimes even benefitting.

Machines/Engineering

Remains Poor

The highly export-dependent Germany machinery sector suffers from deteriorated global demand, with a major decrease in orders and production expected in 2020 and the years beyond. The slowdown started already in 2019 due to increased trade disputes worldwide. After shrinking 2% in 2019, engineering value added is expected to contract again in 2020, by more than 15%. Insolvencies are expected to increase in H1 of 2021 (the current suspension of the obligation to file for insolvency will expire by the end of December 2020).

Metals

Remains Poor

In 2019 the downturn in the domestic automotive and machinery sectors already started to seriously affect the performance of many German metals suppliers, while exports were impacted by subdued global demand. Many metals businesses have suffered from higher transport, labour and energy costs, along with overcapacity and strong competition. Pressure on margins has increased in an industry where many businesses have already shown low profitability in the past.

In 2020 the situation has further worsened due to the economic downturn triggered by the coronavirus pandemic. Metals value added is expected to decline by more than 13% in 2020. Insolvencies are expected to increase in H1 of 2021 (the current suspension of the obligation to file for insolvency will expire by the end of December 2020).

Paper

Remains Poor

Paper producers and the packaging segment have been impacted by less demand due to lockdown measures and the ongoing digitalization. Value added of the paper industry is expected to contract by 7% in 2020, while packaging is forecast to decrease 9%.

Services

Remains Poor

Due to the lockdown measures in face of the coronavirus outbreak, many segments have suffered heavily, especially hotels and catering, restaurants, bars, entertainment and cultural events, fairs, airports, bus cruisers, tourism, travel agencies and tour operators. Despite the lifting of lockdown measures, the rebound remains subdued and hotel and catering valued added is expected to decrease by more than 12% in 2020. Currently, it cannot be ruled out that payment delays and insolvencies will increase after the expiry of stimulus measures and the end of the current insolvency moratorium.

Germany

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Steel

Remains Poor

In 2019 the downturn in the domestic automotive and machinery sectors already started to seriously affect the performance of many German steel suppliers, while exports were impacted by subdued global demand. Many steel businesses have suffered from higher transport, labour and energy costs, along with overcapacity and strong competition. Pressure on margins has increased in an industry where many businesses have already shown low profitability in the past. In 2020 the situation has further worsened due to the economic downturn triggered by the coronavirus pandemic. Steel sector value added is expected to decline by more than 11% in 2021. Insolvencies are expected to increase in H1 of 2021 (the current suspension of the obligation to file for insolvency will expire by the end of December 2020).

Textiles

Remains Bleak

Producers, wholesalers and retailers already suffered before the coronavirus outbreak from fierce competition and thin margins, and have been additionally impacted by deteriorating sales due to the lockdown. A comprehensive market consolidation is expected. Additionally, the large technical textiles segment is negatively affected by decreasing demand from the automotive industry. Valued added is expected to decrease by more than 13% in 2020 after already contracting in 2018 and 2019. Payment delays and insolvencies are expected to increase sharply in H1 of 2020 (the current suspension of the obligation to file for insolvency will expire by the end of December 2020).

Hungary

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Agriculture

Remains Fair

The sector has been impacted by the consequences of the lockdown (e.g. transport and supply chain issues). While agriculture value added is forecast to contract by 6% in 2020, the prospects for a quick rebound are good.

Automotive/Transport

Remains Bleak

Automotive value added is forecast to decline by 23% in 2020. Automotive producers and suppliers suffer from globally deteriorating sales for passenger cars and commercial vehicles, while transport has been impacted by decreased traffic and lower demand for logistics due to the coronavirus-related lockdown. Many suppliers are exposed to the German market, which already faced decreasing demand before the coronavirus outbreak. While many automotive businesses face increased liquidity issues, more investment is needed to cope with the shift away from combustion engines and towards e-mobility.

Transport value added is forecast to contract by more than 3% in 2020. While the parcel logistic segment has recorded high demand, forwarding agencies focused on cross-border transport (mainly to Western Europe) faced 20-30% less cargo freight.

Chemicals

Remains Good

Chemicals and pharmaceuticals businesses generally show robust business financials, good payment records and low insolvency rates compared to other industries. However, chemical businesses suffer from decreased demand from key buyer industries, with value added expected to shrink by more than 5% in 2020. Mainly affected is the petrochemicals segment, due to its dependence on the automotive manufacturing chain. Pharmaceuticals value added is forecast to grow by about 3% in 2020, due to higher health care expenses.

Construction/ Construction Materials

Remains Poor

In 2020 construction orders and output are impacted by the economic downturn expected in Hungary, as GDP is forecast to contract by more than 6% this year. Construction activity decreased 7.4% year-on-year in H1 of 2020. Construction value added is forecast to decline by more than 4% in 2020 after two years of subsequent growth. Operating margins are very tight, with increased credit risk mainly for smaller construction businesses. Larger players are expected to be less impacted due to government orders. While insolvencies have not yet increased, rising numbers cannot be ruled out in the coming months.

Consumer Durables

Remains Poor

Private consumption of non-food consumer goods has deteriorated due to the coronavirus impact, with many businesses temporarily closed as a result of the lockdown. Subdued consumer sentiment and sharply rising unemployment could hamper a strong rebound in the short-term. Retail value added is expected to shrink by more than 5% in 2020, and the payment behaviour has already deteriorated over the past couple of months.

Electronics/ICT

Up from Poor to Fair

Sales decreased in H1 of 2020 due to the temporarily closure of businesses following the lockdown. However, spending from businesses and employees on digital goods and services has increased (e.g. due to the rise of remote working). It is expected that state-related projects will provide some additional demand in the coming months. While ICT value added is expected to decrease 3% in 2020, a robust 8% rebound is expected in 2021.

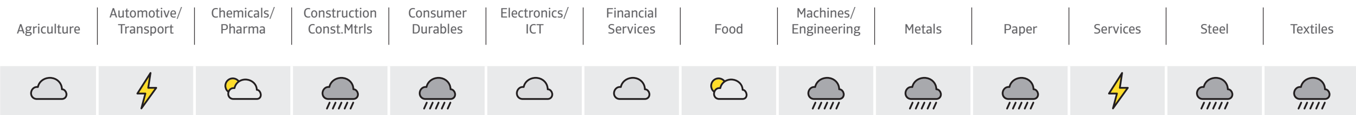
Financial services

Remains Fair

The sector remains relatively robust. Interest rates in the Hungarian economy will remain low, as the Central Bank's monetary policy supports credit growth. Lending to the private sector will be driven by demand from manufacturing businesses and mortgages for private households.

Hungary

September 2020



Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Food

Remains Good

The sector has been impacted by the consequences of the lockdown (e.g. transport and supply chain issues). However, food demand is less impacted by the coronavirus pandemic than other industries, and value added is forecast to increase by 4% in 2020.

Machines/Engineering

Remains Poor

The investments of manufacturing businesses in machines and related items have sharply deteriorated in Hungary and the whole EU. Engineering value added is expected to contract by more than 8% in 2020. However, for the time being, a substantial increase in insolvencies is not expected.

Metals

Remains Poor

Metal producers suffer due to deteriorating demand from key buyer sectors (automotive, construction and machines). Metals value added is forecast to contract by more than 14% in 2020, after a 0.1% decrease in 2019. The situation is particularly challenging for those metal producers which already faced liquidity issues before the coronavirus outbreak, lacking the financials strength and/or the capability for innovation required to adapt to changing market demand (e.g. the new equipment needed for the upcoming electric car production).

Paper

Remains Poor

Paper producers are impacted by less demand due to lockdown measures and the ongoing digitalization. Value added of the industry is expected to contract by more than 6% in 2020, and the number of businesses active in the industry is decreasing.

Services

Remains Bleak

Due to the comprehensive lockdown measures and the ongoing pandemic, many segments suffer heavily, especially hotels and catering, restaurants, bars, entertainment and cultural events, travel agencies and tour operators. Tourism arrivals are expected to decrease by 55% year-on-year in 2020, despite the gradual lifting of restrictions. Hotels and catering value added is forecast to decline by more than 11% in 2020. In the affected service segments, a sharp increase in business closures and insolvencies has not yet materialised, but cannot be excluded in the coming months.

Steel

Remains Poor

In 2019 steel demand from manufacturing already slowed down, while steel producers were affected by rising energy and production costs, and imports of cheaper Chinese steel continued. In 2020 steel producers and traders are suffering due to deteriorating demand from key buyer sectors (automotive, construction and machines). Steel production decreased 16.1% year-on-year in the first five months of 2020. After a 1.7% decrease in 2019, steel value added is forecast to contract by more than 17% this year. However, raw material prices are decreasing, which should lead to cheaper production costs once demand recovers. In 2021 steel value added is forecast to rebound 13%.

Textiles

Remains Poor

Producers, wholesalers and retailers already suffered before the coronavirus outbreak from fierce competition, thin margins, lower sales, changes in customer behaviour and increased competition from new online retailers. The performance has further deteriorated due to low sales during the lockdown. Textile value added is expected to shrink by more than 6% in 2020, and business failures are expected to further increase.

Ireland

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Agriculture

Remains Fair

The sector has been impacted by the consequences of the lockdown (e.g. transport and supply chain issues). Additionally, uncertainty over the future trade relationship between the EU and the United Kingdom persists (as the UK is a large importer of Irish agricultural products). While agriculture value added is forecast to contract by more than 6% in 2020, the prospects for a short-term rebound are good.

Automotive/Transport

Remains Poor

The automotive sector suffers from lower sales of passenger cars and commercial vehicles, while transport has been impacted by decreased traffic and demand for logistics due to the coronavirus-related lockdown. Transport value added is expected to shrink by more than 12% in 2020. During the lockdown, there was a large number of payment delays. However, most of those have been repaid or are in payment plans. Still, it is expected that payment problems in the industry will increase again in the coming months, and that highly leveraged buyers will face a higher insolvency risk.

Chemicals/Pharmaceuticals

Remains Good

As one of Europe's leading producers and exporters of pharmaceutical and biotech products, businesses will likely benefit from increasing health expenses globally. Pharmaceuticals businesses' financials are generally robust. Furthermore, these businesses have generally had good payment records and low insolvency rates compared to other industries. Healthcare value added is expected to increase by almost 13% in 2020.

Construction/ Construction Materials

Remains Bleak

Construction orders and output deteriorated during the lockdown in early 2020 but rebounded quickly after the lifting. They are currently operating at 90% of pre-lockdown levels. However, investment and new project announcements are decreasing again, mainly due to the ongoing economic slowdown (in 2020 Irish GDP is expected to contract by more than 6%). Construction value added is expected to decline by more than 7% in 2020, and both payment delays and insolvencies are expected to increase in the coming months.

Consumer Durables

Remains Poor

Private consumption of non-food consumer goods has deteriorated due to the coronavirus impact, with many businesses temporary closed as a result of the lockdown. Despite a 2% VAT reduction starting on September 1st, subdued consumer sentiment and rising unemployment could hamper a rebound in the short-term. After two years of solid growth, retail value added is expected to decline by about 2% in 2020.

Electronics/ICT

Remains Poor

ICT sales have sharply deteriorated due to the temporary closure of businesses during the lockdown, currently remaining constrained due to subdued consumer sentiment. However, spending from businesses and employees on digital goods and services has increased due to the sharp rise of remote working. ICT value added is expected to shrink by 6% in 2020, followed by a 12% rebound in 2021. There has been no increase in insolvencies so far in this industry.

Ireland

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Financial Services

Remains Poor

The sector is severely impacted by the general economic downturn, with increased financial troubles for businesses and consumers alike leading to increased non-performing loans and deteriorating profits. Sector value added is expected to contract by more than 13% in 2020.

Food

Remains Good

The sector has been impacted by the consequences of the lockdown (e.g. transport and supply chain issues), and value added is forecast to decrease by about 1% in 2020. Despite the efforts of food exporters to diversify shipments away from Britain, a hard Brexit remains a major threat. Any future imposition of tariffs by the UK on food imports from the EU after leaving could be devastating for the Irish food sector. A hard Brexit could also cause delays in shipments of fresh food to Europe, increasing costs and reducing competitiveness (almost 80% of Irish exports to Europe go via the UK).

Machines/Engineering

Remains Poor

The investments of manufacturing businesses in machines and related items have sharply deteriorated. Sector value added is expected to contract by more than 27% in 2020, and payment delays have increased since Q2 of 2020. Insolvencies are expected to increase in Q4 of 2020 and Q1 of 2021.

Metals

Remains Poor

Orders and output are impacted by the economic downturn in Ireland, as GDP is expected to contract by more than 6% in 2020, and demand from key buyer sectors is decreasing. Metals value added is expected to decline by 8% in 2020, and business insolvencies are forecast to increase in 2021, mainly as a consequence of sharply decreasing metals demand from the construction industry.

Paper

Remains Bleak

Besides the ongoing digitalization that has led to decreasing demand over the past couple of years, paper producers are impacted by deteriorating sales due to lockdown measures and the economic slump. Value added of the industry is expected to contract by more than 8% in 2020.

Services

Remains Bleak

Due to the comprehensive lockdown measures in face of the coronavirus outbreak, many segments have suffered heavily, especially hotels and catering, restaurants, bars, entertainment and cultural events, fairs, airports, bus cruisers, tourism, travel agencies and tour operators. Service sector value added is forecast to contract by 10% (hotel and catering by more than 20%) in 2020. Both payment delays and insolvencies have sharply increased since Q2 of 2020, and are expected to rise further in the coming months.

Steel

Remains Poor

Orders and output are impacted by the economic downturn in Ireland, as GDP is expected to contract by more than 6% in 2020, and demand from key buyer sectors is decreasing. Metals value added is expected to decline by 7.5% in 2020, and business insolvencies are forecast to increase in 2021, mainly due to sharply decreasing metals demand from the construction industry.

Textiles

Remains Poor

Producers, wholesalers and retailers already suffered before the coronavirus outbreak from fierce competition, thin margins, lower sales, changes in customer behaviour and increased competition from new online retailers. The performance has further deteriorated due to low sales during the lockdown. Textile value added is expected to shrink by more than 14% in 2020. Payment delays have significantly increased over the past couple of months, and insolvencies are expected to increase in Q4 of 2020 and in early 2021.

Italy

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Agriculture

Remains Poor

The sector has been impacted by the consequences of the lockdown (e.g. transport and supply chain issues, as well as lack of foreign seasonal workers). Agriculture value added is forecast to shrink by more than 6% in 2020.

Automotive/Transport

Remains Bleak

Automotive producers and suppliers suffer from globally deteriorating sales for passenger cars and commercial vehicles, which has a led to severe liquidity strains and cash shortfalls. Margins were already under pressure before the coronavirus outbreak, due to disappointing sales in 2019 and increased investment to cope with the shift away from combustion engines towards e-mobility. Automotive value added is expected to contract by 36% in 2020 after shrinking 8.7% in 2019. Transport value added is forecast to decrease 11% in 2020. Payment delays and insolvencies are expected to sharply increase in the coming months.

Chemicals/Pharmaceuticals

Remains Poor

Many chemical businesses are suffering from deteriorated demand from key buyer sectors like automotive. Chemicals value added is forecast to contract by more than 7% in 2020, while for pharmaceuticals, a 4.5% contraction is expected.

Construction/ Construction Materials

Remains Bleak

Over the past couple of years, the industry has been negatively impacted by the subdued performance of the Italian economy. Construction has suffered from low demand, fierce competition, uncertainty about the future spending capacity of public bodies and their persistent bad payment behaviour. There has been high gearing coupled with tight lending conditions and elevated insolvency levels, including the failure of several larger players in 2019. The massive economic contraction in Italy due to the coronavirus pandemic will additionally hit the industry, with value added expected to contract 12.5% in 2020.

Consumer Durables

Remains Bleak

Private consumption of non-food consumer goods has deteriorated due to the coronavirus impact, with many businesses temporarily closed during the lockdown. Deteriorated consumer sentiment and sharply rising unemployment could hamper a rebound in the short-term. The financial strength of many businesses has seriously deteriorated. Retail value added is expected to decrease by 9% in 2020, with the domestic appliances segment forecast to decline by 22%.

Over the past couple of months there has been some rebound due to the end of the lockdown period, and the expected sharp increase in insolvencies has not materialised. However, it cannot be excluded that business failures will start to rise towards the end of the year.

Electronics/ICT

Remains Poor

Sales have deteriorated due to the closure of businesses related to the lockdown. Deteriorated consumer sentiment and sharply rising unemployment could hamper a strong rebound in the short-term. ICT value added is expected to decrease by almost 3% in 2020. That said, certain segments have benefited from increasing digitalisation. Spending from businesses and employees on digital goods and services has increased due to the expansion of remote working.

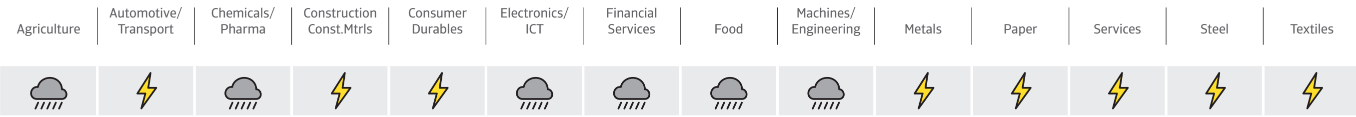
Financial Services

Remains Poor

The sector is severely impacted by the general economic downturn, with increased financial troubles for businesses and consumers alike, leading to increased non-performing loans and deteriorating profits. Sector value added is expected to contract 5% in 2020.

Italy

September 2020



Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Food

Remains Poor

A large number of businesses has suffered from the temporary closure of several distribution channels, the most drastic one being the outside home consumption (restaurants and bars). This and the negative impact on the catering distribution channel has impacted the whole food industry, which already operated on thin margins before the pandemic. The rebound in the hotels, restaurants and catering segment is expected to remain subdued in H2 of 2020, and food value added is forecast to contract 2% this year. The number of payment delays has started to increase, and could rise further after the end of the summer season.

Machines/Engineering

Remains Poor

This export-oriented industry was among the better performing Italian sectors over the past couple of years. However, the business outlook has deteriorated as orders on hand and production have sharply decreased. Domestic and international demand from key buyer sectors like automotive has deteriorated, and supply chain disruptions had a negative impact in H1 of 2020. Engineering value added is expected to contract by 23.5% in 2020.

Metals

Remains Bleak

Metal producers and traders suffer due to deteriorating demand from key buyer sectors (automotive, construction and machines) and/or supply chain disruptions. Metals value added is expected to contract by 21% in 2020. The financial strength of businesses has seriously deteriorated, and payment delays and insolvencies are expected to increase in the coming months.

Paper

Remains Bleak

Paper producers and printing have been impacted by supply chain disruption due to lockdown measures and the ongoing digitalization, leading to less demand. Paper value added is expected to shrink by 12% in 2020. The printing and publishing segment is forecast to shrink by more than 10%. Payment delays and insolvencies are expected to increase in the coming months.

Services

Remains Bleak

Due to the comprehensive lockdown measures in face of the coronavirus outbreak and the ongoing pandemic, many segments have suffered heavily, especially hotels and catering, restaurants, bars, entertainment and cultural events, travel agencies and tour operators. Services value added is expected to contract by more than 5% in 2020 (hotels and catering down 14%). So far, the increase in payment delays has been moderate. However, after the end of the holiday season, additional liquidity distress could emerge for many businesses. This would lead to a substantial increase in payment delays and insolvencies in Q4 of 2020.

Steel

Remains Bleak

Steel producers and traders suffer due to deteriorating demand from key buyer sectors (automotive, construction and machines) and high iron ore prices. After a 3% contraction in 2019, value added is expected to shrink again, by 20%. The financial strength of businesses has seriously deteriorated, and payment delays and insolvencies are expected to increase in the coming months.

Textiles

Remains Bleak

Producers, wholesalers and retailers already suffered before the coronavirus outbreak from fierce competition and thin margins, and have been additionally affected by deteriorating sales domestically and internationally. After shrinking 7% in 2019, textile value added is expected to contract again in 2020, by 20%. Payment delays and insolvencies are expected to sharply increase in the coming months.

The Netherlands

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Agriculture

Remains Fair

While agriculture has been less impacted by the consequences of the lockdown (e.g. transport and supply chain issues) than other sectors, value added will nevertheless contract 1.5% in 2020. While exports of flowers and plants quickly recovered after a huge contraction in March and April, the performance of growers of fruits and vegetables is mixed. Demand from hotels and catering has decreased, but has been compensated by demand from supermarkets. Good weather conditions resulted in a good harvest, but this will also lead to more pressure on sales prices.

Automotive/Transport

Remains Bleak

The automotive sector suffers from deteriorating sales for passenger cars and commercial vehicles, while transport is impacted by decreased traffic and demand for logistics due to coronavirus-related lockdowns. In the transport sector, air transport in particular is the most affected segment. In 2020 automotive and transport value added are expected to shrink by 29% and 6% respectively. It is expected that insolvencies will increase as of Q4 of 2020 after the abatement or expiry of government stimulus measures meant to support businesses.

Chemicals/Pharmaceuticals

Remains Fair

While demand for pharmaceuticals is robust and value added is forecast to increase by about 2% in 2020, orders and output in the chemicals subsectors are impacted by the domestic and global economic downturn. Chemicals value added is expected to contract by more than 4% in 2020. Demand from key buyer sectors like construction and automotive has decreased, while additional demand for hygiene products and plastics has had a positive influence.

Construction/ Construction materials

Remains fair

After several years of robust performance, construction growth started to cool down in 2019. The main reasons for slower growth were a general slowdown of the Dutch economy, capacity problems (staff and building permission bottlenecks) and environmental issues that led to a massive delay of building projects. While businesses in the sector have benefited from the upturn in recent years and insolvencies have decreased, performance will be hit by the ongoing economic downturn. Another negative factor is the potential impact of the environmental laws (reduction of Nitrogen and PFAS emissions). After growing 4.6% in 2019, construction value added is forecast to decrease by 3% in 2020. However, in 2021, a 5% rebound is expected.

Consumer Durables

Remains Bleak

Private consumption of non-food consumer goods has deteriorated due to the coronavirus impact, with many businesses temporarily closed due to the lockdown. Subdued consumer sentiment and rising unemployment could hamper a rebound in the short-term (currently, household consumption is forecast to decrease by more than 6% in 2020). However, some segments like DIY retail and gardening centers have even benefited from the pandemic. Retail value added is expected to contract 6% in 2020. Due to comprehensive government measures to support the economy, a substantial increase in payment delays and insolvencies has not yet materialised in this industry. However, insolvencies are forecast to increase by Q4 of 2020, after the abatement or expiry of fiscal measures meant to support businesses.

Food retail is still doing very well as it benefits from the huge drop in consumer spending in restaurants. Clothing retailers are having especially difficult times. Market outlook is not good, given declining consumer confidence and consumer spending.

The Netherlands

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Electronics/ICT

Remains Fair

Sales have sharply deteriorated due to the temporary closure of businesses related to the lockdown. Subdued consumer sentiment and rising unemployment could hamper a strong rebound in the short-term. ICT value added is expected to contract by about 1% in 2020.

Spending from businesses and employees on digital goods and services has increased due to the sharp rise of remote working. The wholesale of hardware benefits from rising sales figures. In 2021 ICT value added is expected to increase by almost 5%. However, a longer lasting economic slump is a downside risk, as this would lead to decreasing business spending on ICT.

Financial Services

Remains Fair

The sector remains relatively robust, but is impacted by the general economic downturn. Increased financial troubles for businesses and consumers alike could lead to more loan defaults for banks and tighter lending conditions. Value added is expected to decrease by 3.5% in 2020.

Food

Down from Good to Fair

After two years of growth, value added is forecast to contract by 2% in 2020. While the dairy sector is still doing well, the closure of the catering industry affects almost the entire food industry. Food wholesale to hotels, catering and restaurants has significantly decreased, and a rebound in the short-term does not seem probable. The meat segment has been negatively affected by lower international sales, due to lockdowns in other European countries and less demand from China. This also affects the potato processing industry. Additionally, a hard Brexit is still a downside risk.

Machines/Engineering

Remains Fair

The investments of manufacturing businesses in machines and related items is decreasing in the Netherlands and the EU. Engineering value added is expected to level off in 2020.

Metals

Remains Poor

Orders and output are impacted by the economic downturn in the Netherlands, as GDP is expected to contract by 5% in 2020. Demand from key buyer sectors like construction has decreased. Metals value added is expected to decrease by more than 10% in 2020. However, mainly due to stimulus measures to sustain businesses, payment delays and insolvencies have not yet increased.

Paper

Remains fair

The paper industry is of minor relevance in the Netherlands compared to other sectors. The impact of the coronavirus pandemic could be both positive for some subsectors (more people having time to read), but also negative (decreasing advertisement revenues due to the economic slump could force some magazines or newspapers to leave the market). Paper value added is expected to contract 10% in 2020 after growing 2.2% in 2019. Mainly due to stimulus measures to sustain businesses, payment delays and insolvencies have not yet increased, and no substantial rise is expected in H2 of 2020.

The Netherlands

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Services

Down from Fair to Poor

Due to the comprehensive lockdown measures in face of the coronavirus outbreak and the ongoing pandemic, many segments suffer, especially hotels and catering, restaurants, bars, entertainment and cultural events, fairs, airports, bus cruisers, tourism, travel agencies and tour operators. Hotels and catering value added is forecast to contract by about 10% in 2020, with the whole service sector declining by 4%. Apart from some taxi companies going bankrupt, a substantial increase in payment delays and insolvencies has not yet materialised in this industry. This is mainly due to comprehensive government measures meant to support the economy. However, insolvencies are forecast to increase sharply in the coming months, after the abatement or expiry of fiscal measures intended to support businesses.

Steel

Remains Poor

Orders and output will be impacted by the economic downturn in the Netherlands, as GDP is expected to contract by 5% in 2020. Demand from key buyer sectors like construction, offshore and shipbuilding has sharply decreased. Iron and steel value added is expected to contract by 15% in 2020. However, mainly due to stimulus measures meant to sustain businesses, payment delays and insolvencies have not yet increased, and no substantial rise is expected in H2 of 2020.

Textiles

Remains Bleak

While producers, wholesalers and retailers already suffered before the coronavirus outbreak from fierce competition and thin margins, they are additionally affected by deteriorating sales due to the lockdown. Textile value added is expected to decrease by 11% in 2020, with mainly retailers impacted. So far, a substantial increase in payment delays and insolvencies has not yet materialised, mainly due to comprehensive government measures meant to support the economy. However, insolvencies are forecast to increase sharply in the coming months, after the abatement or expiry of fiscal measures meant to support businesses.

Poland

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Agriculture

Remains Fair

The sector has been impacted by the consequences of the lockdown (e.g. transport and supply chain issues and lack of foreign seasonal workers). While agriculture value added is forecast to contract by about 5% in 2020, the prospects for a quick rebound are good.

Automotive/Transport

Remains Bleak

The automotive sector suffers from lower sales for passenger cars and commercial vehicles. In 2020 automotive and transport value added are expected to shrink by almost 30%. The transport subsector is hit by travel restrictions, supply chain disruptions and the economic slowdown. Many businesses are more indebted than their counterparts in other sectors. Payment delays are higher than in other sectors and have increased in H1 of 2020. In both the automotive and transport segment, it is expected that the number of business failures will increase in the coming months.

Chemicals/Pharmaceuticals

Remains Fair

Businesses active in the chemicals and pharmaceuticals industries generally have sufficient business financials, good payment records and a low insolvency rate compared to other industries. Pharmaceutical producers and wholesalers will benefit from increasing health expenses, and value added is expected to increase by more than 11% in 2020. That said, deteriorating domestic and global demand have a negative impact on chemicals performance, with value added expected to shrink by about 1% in 2020.

Construction/ Construction materials

Remains Poor

Operating margins are very tight in this industry, with increased credit risk mainly for smaller players. Due to the ongoing recession, businesses are additionally affected by postponement of projects and reduced order volumes. Construction value added is forecast to contract by more than 5%. So far, payment delays and insolvencies have not increased in the previous months. It is expected that construction business failures in 2020 will remain at the same level as in 2019.

Consumer Durables

Remains Poor

Private consumption of non-food consumer goods has deteriorated due to the coronavirus impact, with many businesses temporarily closed due to the lockdown. Subdued consumer sentiment and rising unemployment could hamper a strong rebound in the short-term. Retail value added is expected to contract by about 2% in 2020, but no major increase in retail insolvencies is expected.

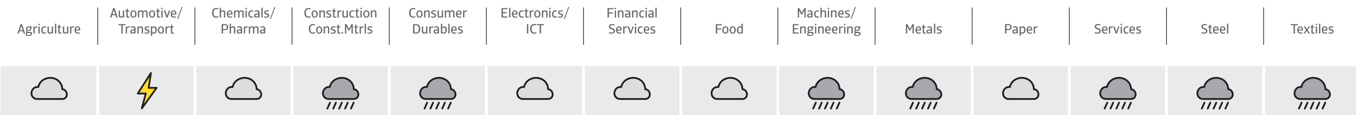
Electronics/ICT

Remains Fair

The lockdown in April has accelerated digitalization trends in many companies and households (at least in remote working/learning area) and therefore supported ICT sales. E-commerce has boomed, helping not only softwarehouses developing solutions, but also electronics retailers. At the same time, the impact of the coronavirus pandemic on IT integration projects remains to be seen. Government stimulus measures have so far improved the short-term liquidity of electronics and ICT companies. ICT value added is expected to grow by about 1% in 2020, followed by a 5% increase in 2021.

Poland

September 2020



Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Financial Services

Remains Fair

The sector remains relatively robust, but it is impacted by the general economic downturn. Expected financial troubles led to increased provisions, which decreased profits. The current low-interest rate environment forces financial institutions to redesign their business models and optimize their processes. Finance value added is expected to decrease 5% in 2020.

Food

Remains Fair

Food is one of Poland's strongest industries, accounting for a 9% share in the EU food industry. Competition in the Polish food market is high and businesses´ profit margins low, especially in the food retail segment. Many smaller and independent retailers are working on tiny and even negative margins. The meat production segment struggles with low margins, price pressure and the repercussions of repeated outbreaks of African swine fever. The number of protracted payments is generally high in the food industry, as larger businesses use their leverage against suppliers, demanding long payment terms or prolonged payments in order to improve their own cash flow. Food value added is expected to increase 1% in 2020.

Machines/Engineering

Remains Poor

The business outlook has deteriorated, as orders on hand and production have sharply decreased. Domestic and international demand from key buyer sectors like automotive has sharply declined. After growing 4% in 2020, engineering value added is expected to contract by more than 9% in 2020, followed by a 8% rebound in 2021. For the time being, a sharp increase in payment delays and insolvencies is not expected.

Metals

Remains Poor

After initially benefitting from the lockdowns in Italy and Spain, metal producers and traders suffer due to deteriorating demand from key buyer sectors since the beginning of Q2 of 2020. This is particularly due to the downturn of automotive production, but also due to lower demand from construction. Metals value added is forecast to contract by 17% in 2020. It is expected that after the expiry of government support, the number of insolvencies will start to increase in Q1 of 2021.

Services

Remains Poor

Due to the comprehensive lockdown measures in face of the coronavirus outbreak, many segments have suffered, especially hotels and catering, restaurants, bars, entertainment and cultural events, tourism, travel agencies and tour operators. Hotels and catering value added is expected to decrease by more than 7% in 2020, and a large number of restaurants has gone bankrupt or ceased activities.

Steel

Remains Poor

Steel manufacturers, processors and distributors have suffered due to deteriorating demand from key buyer sectors since the beginning of Q2 of 2020. This is particularly a result of the downturn of automotive production, but also lower demand from construction. Both domestic and export sales are expected to remain subdued over the coming months, and steel value added is forecast to contract by more than 12% in 2020.

So far, payment delays increased only in March and April 2020. With the implementation of government stimulus measures (like the PFR Financial Shield amounting to about EUR 22 billion), businesses received large financial support and could improve their cash position. However, it is expected that after the expiry of government support, the number of insolvencies will start to increase in Q1 of 2021.

Textiles

Remains Poor

Producers, wholesalers and retailers are suffering from deteriorated sales due to the lockdown and decreasing private consumption. Value added is expected to decrease by more than 14% in 2020, after annual growth in 2018 and 2019. Textile retailers insolvencies are expected to increase in the coming months.

Portugal

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Agriculture

Remains fair

The sector is affected by the consequences of the lockdown (e.g. transport issues and lack of foreign seasonal workers). While agriculture value added is forecast to contract 5% in 2020, the prospects for a fast rebound are good.

Automotive/Transport

Remains Bleak

Automotive suppliers and car dealers are suffering from sharply deteriorating sales for passenger cars and commercial vehicles, which is leading to an overall decrease in margins, therefore causing severe liquidity strains. Automotive value added is expected to contract 34% in 2020, while the transport segment is forecast to decrease 15%. Payment delays and insolvencies are expected to increase in following months.

Chemicals/Pharmaceuticals

Up from Poor to Fair

Many chemical businesses are suffering from the deteriorated demand from key buyer sectors domestically and globally. Chemicals value added is forecast to contract by about 3% in 2020, while pharmaceuticals value added is expected to increase 7%, due to higher health expenses.

Construction/ Construction Materials

Remains Bleak

The industry was already performing poorly before the coronavirus outbreak, with increased credit risk mainly to smaller players. Due to the ongoing recession, businesses are additionally affected by supply chain problems, postponement of projects and reduced order volumes. Construction value added is expected to shrink by more than 8% in 2020. Payment delays and insolvencies have increased in H1 of 2020, and this negative trend is expected to continue in the coming months.

Consumer Durables

Remains Bleak

Private consumption of non-food consumer goods has deteriorated due to the coronavirus impact, with many businesses temporarily closed due to the lockdown. Deteriorated consumer sentiment and sharply rising unemployment could hamper a rebound in the short-term. The financial strength of many businesses has seriously deteriorated, and payment delays and insolvencies will continue to increase in the coming months. Retail value added is expected to decrease by more than 11% in 2020.

Electronics/ICT

Remains Poor

Sales have deteriorated due to the closure of businesses resulting from the lockdown. Deteriorated consumer sentiment, decreasing household consumption and sharply rising unemployment could hamper a strong rebound in the short-term. While increasing e-commerce and sales of equipment for telecommunication have partly compensated the decline in sales, ICT value added is nevertheless expected to decrease by more than 7% in 2020. Insolvencies have increased over the past couple of months, and this negative trend is expected to continue.

Financial Services

Remains Poor

The sector is severely impacted by the general economic downturn, with increased financial troubles for businesses and consumers alike leading to increased non-performing loans and deteriorating profits. Sector value added is expected to contract by 9% in 2020.

Food

Remains fair

In general, profit margins are tight in the industry, as price pressure from large distributors forces food producers and processors to adjust. Many food businesses show high short-term gearing. Businesses delivering to hotels and restaurants are severely impacted by the coronavirus pandemic, particularly beverage companies. That said, value added is still forecast to increase by about 1% in 2020.

Portugal

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Machines/Engineering

Remains Poor

The business outlook remains deteriorated as orders on hand and production have sharply decreased. Demand from key buyer sectors like automotive and construction remains subdued. Engineering value added is expected to contract 7% in 2020, and payment delays and insolvencies have increased over the last couple of months. This negative trend is expected to continue in H2 of 2020 and early 2021.

Metals

Remain Bleak

Metal producers and traders suffer due to deteriorating demand from key buyer sectors (automotive, construction and machines). Metals value added is expected to contract by more than 7% in 2020, and the financial strength of businesses has seriously deteriorated. Although insolvencies have decreased over the past couple of months, payment delays have increased. It cannot be ruled out that business failures will rise in the coming months.

Paper

Remains Poor

In 2019 the industry was severely hit by a persistent price increase for pulp in international markets, coupled with a very competitive market environment. This has led to a deterioration of business margins, while even some of the sector's leading companies suffered substantial losses. Further deteriorating demand due to the current economic downturn will lead to an expected value added contraction of almost 10% in 2020. Payment delays and insolvencies have increased over the past couple of months, and are expected to continue further increasing in coming months.

Services

Remains Bleak

Due to the comprehensive lockdown measures in face of the coronavirus outbreak, many segments have suffered heavily, especially hotels and catering, restaurants, bars, entertainment and cultural events, travel agencies and tour operators. Services value added is expected to contract by almost 7% in 2020 (hotel and catering down 21%), and payment delays and insolvencies continue to increase.

Steel

Remains Bleak

Steel producers and traders suffer due to deteriorating demand from key buyer sectors (automotive, construction and machines) and/or supply chain disruptions. After a 4.5% contraction in 2019, value added is expected to shrink again, by almost 9%. The financial strength of businesses has seriously deteriorated. Payment delays and insolvencies have increased over the past couple of months, and are expected to continue to increase further in coming months.

Textiles

Remains Bleak

Producers, wholesalers and retailers already suffered before the coronavirus outbreak from fierce competition and thin margins. They have been additionally affected by deteriorating sales domestically and abroad. After shrinking 4.6% in 2019, textile value added is expected to contract again in 2020, by 11%. Payment delays and insolvencies continue to increase in coming months, mainly affecting smaller retailers that had to close their shops during the lockdown period.

Slovakia

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Agriculture

Remains Fair

In 2019 a draught resulted in lower crop yields, while costs for energy, labour, and animal feed have increased. The sector has been impacted by the consequences of the lockdown (e.g. transport and supply chain issues). While agriculture value added is forecast to contract by almost 2% in 2020, the prospects for a rebound are good.

Automotive/Transport

Remains Poor

Automotive producers and suppliers suffer from globally deteriorating sales for passenger cars and commercial vehicles, which has led to severe liquidity strains and cash shortfalls. Margins were already under pressure before the coronavirus outbreak, due to disappointing sales in 2019 and increased investment to cope with the shift away from combustion engines towards e-mobility. Automotive value added is expected to contract by more than 19% in 2020. While no substantial increase in payment delays or insolvencies was recorded in H1 of 2020, both are expected to rise in the coming months.

Chemicals/Pharmaceuticals

Remain Fair

Chemicals and pharmaceuticals businesses generally show robust business financials, good payment records and low insolvency rates compared to other industries. As many chemical businesses supply the automotive sector, they suffer from decreased demand, with value added expected to grow only 2% in 2020. Within the pharmaceuticals industry, many businesses request longer payment terms, but value added is forecast to grow by more than 12% in 2020, due to higher health care expenses.

Construction/ Construction materials

Remains Poor

Operating margins are very tight in this industry, with increased credit risk mainly for smaller players. Due to the ongoing recession, businesses are additionally affected by postponement of projects and reduced order volumes. Construction value added is forecast to contract 13% in 2020. While no substantial increase in payment delays or insolvencies was recorded in H1 of 2020, both are expected to rise in the coming months.

Consumer Durables

Remains Fair

Private consumption of non-food consumer goods has deteriorated due to the coronavirus impact, with many businesses temporarily closed due to the lockdown. However, e-commerce and online sales of consumer durable goods have increased. Subdued consumer sentiment and rising unemployment could hamper a rebound in the short-term. Retail value added is expected to contract by about 2% in 2020, followed by a 6% rebound in 2021.

Electronics/ICT

Remains Fair

Sales of electronics/ICT products have been negatively affected by the temporary closure of businesses due to the lockdown. While smaller stationary stores have struggled to survive, e-retailers have been able to partly offset the overall decrease by increasing online sales, although at the expense of lower margins. Value added of the ICT sector is forecast to increase by about 3% in 2020, driven by higher demand for home-office equipment (phones, laptops, etc.) due to the increase in remote working.

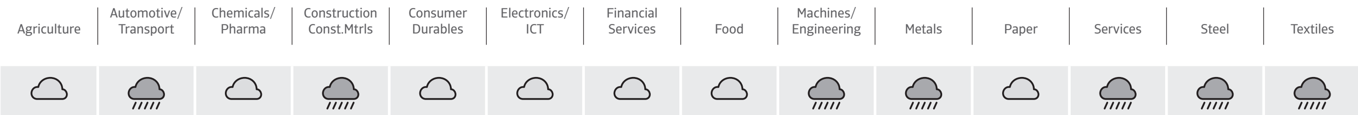
Financial Services

Remains Fair

The sector remains relatively robust, but is impacted by the general economic downturn. Increased financial troubles for businesses and consumers alike could lead to more loan defaults for banks and tighter lending conditions.

Slovakia

September 2020



Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Food

Remains Fair

Since last year, a major decline in sugar prices (due to a surplus resulting from the lifting of the EU quota) has caused losses for sugar refineries, while meat processors have been affected by rising pork prices. Additionally, energy and labour costs have increased. While many food producers have benefited from higher domestic demand in H1of 2020, exporters have been impacted by the consequences of the coronavirus-related lockdown (e.g. transport and supply chain issues). Food value added growth is forecast to level off in 2020.

Machines/Engineering

Remains Poor

In 2019 machines demand from manufacturing slowed down, leading to lower production and revenues. Rising energy and labour costs had a negative effect on margins. Since Q1 of 2020, investments of manufacturers in machines and related items have deteriorated, while engineering companies faced issues with coronavirus-related restrictions in cross-border employee traffic in early 2020. Engineering value added is forecast to contract by 2.5%. Although no significant increase in payment delays or insolvencies was recorded in H1 of 2020, it cannot be excluded that the numbers will rise in the coming months.

Metals

Remains Poor

Metals demand from manufacturing already slowed down in 2019, leading to lower production and revenues, while rising energy and labour costs had negative effect on margins. Currently, metal producers continue to suffer due to deteriorating demand from key buyer sectors (automotive, construction and machines). Metals value added is forecast to contract by 4% in 2020. While no substantial increase in payment delays or insolvencies was recorded in H1 of 2020, both are expected to rise in the coming months.

Paper

Remains Fair

The sector remains impacted by the ongoing digitalization, which has led to decreasing demand over the past couple of years. Value added of the industry is expected to decrease 1% in 2020.

Services

Remains Poor

Due to lockdown measures and subsequent business closures in H1 of 2020, many segments have suffered heavily, especially hotels and catering, restaurants, bars, entertainment and cultural events, travel agencies and tour operators. Hotels and catering value added is forecast to shrink by more than 6% in 2020. Both payment delays and insolvencies are expected to increase in the coming months.

Steel

Remains Poor

In 2019 steel demand from manufacturing already slowed down, while steel producers were affected by rising energy and production costs and continued import of cheaper Chinese steel. Environmental regulations put additional pressure on the industry. In 2020 steel producers and traders suffer due to deteriorating demand from key buyer sectors (automotive, construction and machines). Steel value added is forecast to contract by 2.5% in 2020, and business insolvencies are expected to increase in Q4 of 2020.

Textiles

Remains Poor

Producers, wholesalers and retailers already suffered before the coronavirus outbreak from fierce competition, thin margins, lower sales, changes in customer behaviour and increased competition from new online retailers. The performance has further deteriorated due to low sales during the lockdown. Textile value added is expected to shrink by more than 17% in 2020, and business failures are expected to increase further.

Spain

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Agriculture

Remains fair

The sector was initially affected by the consequences of the lockdown (e.g. transport issues and lack of foreign seasonal workers) and is currently impacted by a high rate of coronavirus infections among foreign seasonal workers active in the fruit and vegetables subsector. While agriculture value added is forecast to contract by more than 5% in 2020, the prospects for a fast rebound are still good.

Automotive/Transport

Remains Bleak

Regarding transport, the sector has been severely affected by the pandemic and subsequent containment measures adopted, especially in the passenger transportation segment. Value added is expected to decrease 15% in 2020. In the automotive sector, both vehicle production and sales are expected to decrease sharply in 2020, with industry value added forecast to decrease 35%. Due to comprehensive lockdown measures, most companies active in this sector temporarily shut down their activities early this year. This has caused a major decrease in margins and results for manufacturers, suppliers and car dealers in H1 of 2020, with no strong rebound expected in H2. Payment delays and insolvencies have increased over the past couple of months, and are expected to rise further in the coming months.

Chemicals/Pharmaceuticals

Up from Poor to Fair

Many chemical businesses suffer due to deteriorated demand from key buyer sectors domestically and globally. Chemicals value added is forecast to contract by about 2% in 2020, while for pharmaceuticals, a 1% growth is expected. However, the cosmetic subsector has been severely affected by lower household consumption and by the comprehensive closure of retailers during the lockdown.

Construction/ Construction Materials

Remains Bleak

Despite a rebound since the credit crisis, the industry was still struggling before the coronavirus outbreak, with increased credit risk mainly to smaller players. Due to the ongoing recession, businesses are affected by postponement of projects and reduced order volumes, especially in the public works segment. While tenders were reinitiated in May 2020, investment is expected to rebound in the medium- and long-term only. In the residential construction segment, demand is affected by rising employment and a deteriorated investment climate due to the economic contraction. That said, over the last couple of months, the housing remodeling market has significantly improved.

Construction value added is expected to shrink by almost 14% in 2020, while construction materials value added is forecast to contract by 9%. Both payment delays and insolvencies are expected to increase again in the coming months, after some stabilization seen recently with the end of the lockdown.

Consumer Durables

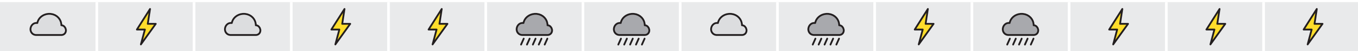
Remains Bleak

Private consumption of non-food consumer goods has deteriorated due to the coronavirus impact, with many businesses temporarily closed due to the lockdown. After the lifting, deteriorated consumer sentiment and sharply increased unemployment seem to hamper a rebound in the short-term, as household consumption is expected to decrease by more than 12% this year, and retail value added is forecast to contract by more than 15%. The financial strength of many businesses has seriously deteriorated, and payment delays and insolvencies are expected to increase further in coming months.

Spain

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles



Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Electronics/ICT

Remains Poor

Sales have deteriorated due to the closure of businesses during the lockdown. Deteriorated consumer sentiment, rising unemployment and sharply decreasing household consumption seem to hamper a strong rebound in the short-term. While increasing e-commerce and sales of equipment for telecommunication have partly compensated the decline, ICT value added is nevertheless expected to decrease by more than 5% in 2020. Payment delays have increased over the last couple of months.

Financial Services

Remains Poor

The sector is severely impacted by the general economic downturn, with increased financial troubles for businesses and consumers alike. This could lead to increased non-performing loans, although these would be partially mitigated by guarantees provided by the Spanish government to the banks. Due to the poor economic prospects and expectations about low interest rates in the long-term, Spanish banks have sharply increased assets impairment in H1 of 2020. Consequently, results have been marked by large provisions and deteriorating profits. Finance sector value added is expected to contract by 1.5% in 2020.

Food

Remains fair

In general, profit margins are tight in the industry, as price pressure from large distributors forces food producers and processors to adjust. Many food businesses show high short-term gearing. The global economic downturn and a potential escalation of the EU-US trade dispute remain downside risks that could lead to a deterioration of businesses´ credit risk, especially of export-dependent food companies. Due to the previous lockdown and the poor evolution of tourism (mainly because of new outbreaks of coronavirus), food suppliers to hotels and restaurants (especially beverage companies) suffer from deteriorating sales. Value added is forecast to contract about 0.5% in 2020 after growing 1.9% in 2019. Although payment delays have decreased over the past couple of month on a monthly basis, they have increased year-on-year from March to July 2020 on an aggregated level, and are expected to increase further in the following months. That said, insolvencies are not expected to increase sharply for the time being.

Machines/Engineering

Remains Poor

The business outlook has deteriorated, as orders on hand and production have sharply decreased. Demand from key buyer sectors has deteriorated, and supply chain disruptions in early 2020 had a negative impact. Engineering value added is expected to contract by 15% in 2020, and payment delays and insolvencies are expected to increase sharply. Although payment delays have decreased over the past couple of month on a monthly basis, they have increased year-on-year from March to July 2020 on an aggregated level. Both payment delays and insolvencies are expected to rise further in the coming months.

Metals

Remains Bleak

Metal producers and traders suffer due to deteriorating demand from key buyer sectors (automotive, construction and machines). Metals value added is expected to contract by more than 19% in 2020, and the financial strength of businesses has seriously deteriorated. Although the increase of payment delays has softened over the past couple of months, insolvencies have increased further, expected to continue rising in the coming months.

Paper

Remains Poor

Paper producers and printing are structurally impacted by the ongoing digitalization process. Supply chain disruptions due to lockdown measures had a negative effect. Cardboard packaging performed better than other segments due to stable demand from the food industry and increased e-commerce during the lockdown period. However, paper industry value added is expected to shrink by more than 6% in 2020. Although payment delays have decreased over the past couple of month on a monthly basis, they have increased year-on-year from March to July 2020 on an aggregated level, and are expected to rise further in the coming months.

Spain

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Services

Remains Bleak

Due to the comprehensive lockdown measures in face of the coronavirus outbreak, many segments suffered heavily in H1 of 2020, especially hotels and catering, restaurants, bars, entertainment and cultural events, travel agencies and tour operators. The hope for a strong rebound in the holiday season has been dashed by the recent resurgence of coronavirus infections in Spain. Services value added is expected to contract by 10% in 2020 (hotel and catering down 19%). Insolvencies in the hotel, restaurants and all touristic-related segments have sharply increased over the past couple of months, and this downward trend is expected to continue in the coming months.

Steel

Remains Bleak

Steel producers and traders suffer due to deteriorating demand from key buyer sectors (automotive, construction and machines). After a 3.3% contraction in 2019, value added is expected to shrink by more than 22% this year. The financial strength of businesses has seriously deteriorated. Although payment delays have decreased over the past couple of month on a monthly basis, they have increased year-on-year from March to July 2020 on an aggregated level, and are expected to rise further in the coming months. The same accounts for business failures, which started to rise recently.

Textiles

Remains Bleak

Producers, wholesalers and retailers already suffered before the coronavirus outbreak from fierce competition and thin margins, and have been additionally affected by deteriorating sales domestically and internationally. After shrinking 5% in 2019, textile value added is expected to contract again in 2020, by 14%. Small retailers are particularly affected by the negative effects of the lockdown and subdued consumer sentiment, and payment delays and insolvencies are expected increase further in coming months.

Sweden

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Agriculture

Remains Good

The sector performed well in 2019, and the impact of the coronavirus pandemic on the industry has been limited so far. While agriculture value added is forecast to contract about 2% in 2020 after robust 8.4% growth in 2019, the prospects for a fast rebound are good.

Automotive/Transport

Remains Bleak

Automotive producers and suppliers suffer from deteriorated demand and supply chain disruptions, which has led to severe liquidity strains and cash shortfalls. Margins were already under pressure before the coronavirus outbreak, and automotive value added is expected to contract a staggering 23% in 2020. Payment delays and insolvencies are expected to increase in the coming months.

Chemicals/Pharmaceuticals

Remains Good

Some chemical businesses are suffering from a drop in demand linked to disruptions in their downstream chain and lower demand from key buyer industries. After solid growth in 2019, chemicals sector value added is expected to decrease about 1%. Pharmaceutical businesses will benefit from increasing health expenses, with value added forecast to increase by more than 11%. Chemicals and pharmaceuticals businesses generally show robust business financials, good payment records and low insolvency rates compared to other industries.

Construction/ Construction Materials

Remains Poor

Total domestic construction investment decreased 4% in 2019, with investment in new residential buildings contracting 14%, as restrictions for consumer credits imposed by the state on banks have curbed loans to households for house purchases. Construction businesses are often highly indebted, especially those active in the real estate and housing construction segment. Banks are reluctant to lend to this subsector. In 2019 the level of protracted payments and the number of insolvencies was high compared to other industries. Value added is forecast to decline by 3.5% in 2020, and both payment delays and insolvencies are expected to increase further.

Consumer Durables

Remains Bleak

Despite the lack of comprehensive lockdown measures, private consumption of non-food consumer goods has deteriorated. Subdued consumer sentiment and rising unemployment could hamper a rebound in the short-term. Retail value added is expected to contract by 6% in 2020, and insolvencies of non-food retailers are expected to increase in the coming months.

Electronics/ICT

Remains Fair

Despite the lack of comprehensive lockdown measures, sales have decreased. Subdued consumer sentiment and rising unemployment could hamper a strong rebound in the short-term. ICT value added is expected to decrease by 1.5% in 2020, followed by a 4% rebound in 2021.

Financial Services

Remains Good

The sector remains resilient for the time being. However, increased financial troubles for businesses and consumers alike due to the economic downturn could lead to more loan defaults for banks and tighter lending conditions. Finance value added is expected to decrease 4% in 2020.

Sweden

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Food

Remains Fair

In 2019 and in early 2020, many food importers struggled with decreasing margins due to the weaker Swedish krona exchange rate. Food value added is expected to contract by about 1.5% in 2020.

Machines/Engineering

Remains Poor

The business outlook has deteriorated, as orders on hand and production have sharply decreased. Demand from automotive as the key buyer industry has especially sharply decreased. Engineering value added is expected to contract by 6.5% in 2020.

Metals

Remains Poor

Metal producers and traders suffer due to deteriorated demand from key buyer sectors like automotive and construction. After a 5.5% contraction in 2019, value added is expected to shrink again, by more than 11%. Businesses' financials were already strained in 2019 and early 2020, and insolvencies are expected to increase in the coming months.

Paper

Remains Fair

The sector remains impacted by the ongoing digitalization, which has led to decreasing demand over the past couple of years. Value added of the industry is expected to contract by 0.5% in 2020 after a 3.2% decline in 2019.

Services

Remains Bleak

Despite the lack of comprehensive lockdown measures in Sweden, the service sector feels the impact of the coronavirus pandemic, with hotels and catering, restaurants, bars, entertainment and cultural events, travel agencies and tour operators facing severe difficulties. Hotel and catering value added is expected to contract by about 12% in 2020, and insolvencies in the affected service segments are forecast to increase in the coming months.

Steel

Remains Poor

Steel producers and traders have suffered due to deteriorating demand from key buyer sectors like automotive and construction. After a 6% contraction in 2019, value added is expected to shrink again, by 9%. Businesses' financials were already strained in 2019 and early 2020, and insolvencies are expected to increase in the coming months.

Textiles

Remains Bleak

While producers, wholesalers and retailers already suffered before the coronavirus outbreak from fierce competition and thin margins, deteriorating sales due to the lockdowns across Europe added to the woes in sector performance. Textile value added is forecast to decrease 7.5% in 2020.

Switzerland

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Agriculture

Remains Good

The sector has been impacted by the consequences of the lockdown (e.g. transport and supply chain issues, lack of foreign seasonal workers). While agriculture value added is forecast to level off in 2020, the prospects for a quick rebound are good.

Automotive/Transport

Remains Bleak

Automotive suppliers suffer from globally deteriorating sales for passenger cars and commercial vehicles, which has led to severe liquidity strains and cash shortfalls. Margins were already under pressure before the coronavirus outbreak, due to disappointing sales in 2019 and increased investment intended to cope with the shift away from combustion engines and towards e-mobility. Automotive value added is expected to contract 8% in 2020.

Chemicals/Pharmaceuticals

Remains Good

Businesses active in the chemicals and pharmaceuticals industries generally have robust business financials, good payment records and a low insolvency rate compared to other industries. Pharmaceutical producers and wholesalers will benefit from increasing health expenses, and sector value added is expected to increase by about 4% in 2020 and more than 6% in 2021. That said, deteriorating domestic and global demand have a negative impact on chemicals performance, with value added forecast to decrease by about 3% in 2020, followed by a 3.5% rebound in 2021.

Construction/ Construction Materials

Remains Poor

The industry was already performing poorly before the coronavirus outbreak. Operating margins are very tight, with increased credit risk mainly for smaller players. Due to the ongoing recession, businesses are additionally affected by postponement of projects and reduced order volumes. Construction value added is expected to shrink by 1.5% in 2020.

Consumer Durables

Remains Poor

Private consumption of non-food consumer goods has deteriorated due to the coronavirus impact, with many businesses temporarily closed due to the lockdown. Subdued consumer sentiment and rising unemployment could hamper a rebound in the short-term. Retail value added is expected to contract by more than 4% in 2020. The number of payment delays and insolvencies in the non-food retail segment is expected to increase in Q4 of 2020, when temporary measures to the insolvency regime (made in order to prevent an early bankruptcy increase) expire.

Electronics/ICT

Remains Poor

Sales have sharply deteriorated due to the temporary closure of businesses due to the lockdown. However, value added of the ICT sector is forecast to increase by almost 1% in 2020.

Financial Services

Remain Good

The sector remains relatively robust, but is impacted by the general economic downturn. However, increased financial troubles for businesses and consumers alike could lead to more loan defaults for banks and tighter lending conditions. Sector value added is expected to decrease by about 4% in 2020, followed by a 3% rebound in 2021.

Switzerland

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Food

Remains Good

Despite ongoing sales, the sector has been impacted by the consequences of the lockdown (e.g. transport and supply chain issues). Value added is forecast to increase by about 1% in 2020.

Machines/Engineering

Remains Poor

The business outlook has deteriorated, as orders on hand and production have sharply decreased. Domestic and international demand from key buyer sectors like automotive has deteriorated. Engineering value added is expected to contract by 7% in 2020.

Metals

Remains Poor

Metal producers suffer due to deteriorating demand from key buyer sectors (automotive, construction and machines). Metals manufacturing value added is forecast to contract by more than 5% in 2020.

Paper

Remains Poor

Paper producers are impacted by less demand due to lockdown measures and the ongoing digitalization. Value added of the industry is expected to contract by almost 6% in 2020.

Services

Remains Poor

Due to the comprehensive lockdown measures in face of the coronavirus outbreak, many segments are expected to suffer heavily, especially hotels and catering, restaurants, bars, entertainment and cultural events, travel agencies and tour operators. Hotel and catering value added is expected to contract by more than 21% in 2020. The number of payment delays and insolvencies in the non-food retail segment is expected to increase in Q4 of 2020, when temporary measures to the insolvency regime (made in order to prevent an early bankruptcy increase) expire.

Steel

Remains Poor

In 2019 decreasing demand from domestic key buyer industries like construction already affected the performance of many Swiss steel suppliers, while exports were impacted by subdued global demand. The steel market is characterised by overcapacity and strong competition. Pressure on margins has increased in an industry where many businesses have already shown low profitability in the past. In 2020 the situation has further worsened due to the massive domestic and global economic downturn triggered by the coronavirus pandemic. Steel sector value added is expected to decline by more than 7% in 2020, after a 2.8% contraction in 2019.

Textiles

Remains Bleak

Producers, wholesalers and retailers already suffered before the coronavirus outbreak from fierce competition, thin margins, lower sales, changes in customer behavior and increased competition from new online retailers. Their performance has further deteriorated due to low sales during the lockdown. Textile value added is expected to shrink by 7% in 2020. The number of payment delays and insolvencies in the non-food retail segment is expected to increase in Q4 of 2020, when temporary measures to the insolvency regime (made in order to prevent an early bankruptcy increase) expire.

Turkey

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Agriculture

Remains Fair

The sector has been impacted by the consequences of the lockdown (e.g. transport and supply chain issues). While agriculture value added is forecast to contract by more than 9% in 2020 after two years of growth, the prospects for a quick rebound are good.

Automotive/Transport

Remains Poor

The highly export-oriented Turkish automotive sector suffers from globally deteriorating sales demand, which has led to a sharp decrease in production of cars and car parts. Businesses suffer from severe liquidity strains and cash shortfalls. The domestic market is impacted by low consumer demand, high inflation and increased taxes. Automotive value added is forecast to contract by almost 17% in 2020. As banks restructured loans of businesses with payment delays, and all bankruptcy and debt enforcement claims were suspended until June 15, 2020, there was no increase in payment delays and insolvencies in H1. However, it is expected that in the coming months, business failures will sharply increase, especially among smaller suppliers and car dealers.

Chemicals/Pharmaceuticals

Remains Fair

Pharmaceutical businesses will benefit from increasing health expenses, and sector value added is expected to increase 3% in 2020. The pharmaceuticals distribution segment shows generally robust business financials, good payment records and low insolvency rates compared to other industries.

Deteriorating domestic and global demand have a negative impact on chemicals performance, with segments dependent on commodity imports suffering from the lira depreciation. Plastics value added is forecast to decrease by more than 6% in 2020 after a 3.7% decrease in 2019.

Construction

Remains Bleak

Demand for construction has decreased since 2019, while prices for building materials have increased. Competition is fierce, with substantial pressure on business margins. Oversupply, along with the high indebtedness and weak liquidity of many construction businesses, poses a substantial downside risk. After a 8.7% contraction in 2019, construction value added is expected to decrease again in 2020 by 4.6%.

The coronavirus outbreak has caused additional strains to an industry which is linked to more than 200 subsectors along the value chain, including cement, ready-mixed concrete, bricks and machinery. The closure of construction sites and temporary halt in business activities due to the pandemic has led to millions of job losses in the sector. As bankruptcy and debt enforcement claims were suspended until June 15th 2020, there was no increase in payment delays and insolvencies in H1. However, it is expected that in the coming months business failures in both the construction and construction materials segments will sharply increase.

Consumer Durables

Remains Poor

Private consumption is negatively impacted by the economic downturn, low consumer sentiment, currency depreciation and rising unemployment. Retail value added is expected to shrink by 9% in 2020, and the financial strength of many smaller non-food retailers has seriously deteriorated during the lockdown period. That said, online retailers could increase sales of electronics, furniture and white goods. Delays in bank payments by smaller non-food retailers increased during the pandemic, and insolvencies and business closures are expected to increase in the coming months.

Turkey

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Electronics/ICT

Remains Poor

Electronics value added is expected to shrink 3.5% in 2020, negatively impacted by low consumer sentiment, rising unemployment and currency depreciation. While in June 2020 sales volumes for electronics and computers increased, the profitability of many businesses continues to shrink due to the sharp lira depreciation. Most electronics/ICT items have to be imported, but many businesses still hesitate to reflect the exchange rate in their prices, avoiding a decrease in turnover and a cut in their cash flow. As the financial strength of many businesses is further deteriorating, payment delays and insolvencies are expected to increase in the coming months.

Financial Services

Remains Good

The banking sector is well regulated and adequately capitalized. Banks are not directly exposed to foreign exchange risks, as they are not allowed to carry significant foreign exchange open positions. However, increased financial troubles for businesses and consumers alike due to the economic downturn could lead to rising non-performing loans.

Food

Remains Good

Despite ongoing sales, the sector has been impacted by the consequences of the lockdown (e.g. transport and supply chain issues). Market competition is fierce, and margins remain tight in most segments. After two years of growth, value added is forecast to increase again in 2020 by about 2%.

Machines/Engineering

Remains Poor

The sector is negatively impacted by deteriorating global and domestic demand from key domestic buyer industries like automotive, construction and metals. Value added already contracted 5.8% in 2019, and it is expected to deteriorate further in 2020, by 5%. Payment delays have sharply increased in H1 of 2020, and it is expected that this will continue in the coming months.

Metals

Remains bleak

Metal producers suffer due to deteriorating demand from key buyer sectors (automotive, construction and machines), the domestic economic downturn and currency volatility. Metals manufacturing value added is forecast to contract by more than 8% in 2020 after a 4.5% decrease in 2019. Payment delays have increased in H1 of 2020, and it is expected that this will continue in the coming months.

Paper

Remains Poor

Paper producers and printing have been impacted by supply chain disruptions due to lockdown measures. The ongoing economic downturn and progressing digitalization are leading to less demand. Value added of the paper industry is forecast to decrease by 5% in 2020. Payment delays have increased, especially among producers of cardboard food packages for restaurants and cafes.

Services

Remains Poor

Due to comprehensive lockdown measures and travel bans/travel warnings in face of the coronavirus outbreak, many segments are expected to suffer heavily, especially hotels and catering, restaurants, bars, entertainment and cultural events, travel agencies and tour operators. Services value added is expected to contract by more than 7% in 2020 (hotel and catering down almost 14%). In July 2020 the hotel occupancy rate was at 31.4% (compared to 75.6% in July 2019) and 33% in January-July 2020.

Turkey

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Steel

Remains Poor

In 2019 the industry was already impacted by strong competition from abroad (China) and subdued demand, leading to increased payment delays. Crude steel manufacturing contracted 4.1% in H1 of 2020 after a 4.5% decrease in 2019. Production and turnover continued to decline due to deteriorating demand from key buyer sectors like construction and automotive. The easing of lockdown measures had a positive effect on domestic revenues. However, export revenues remain subdued due to a lack of demand and EU import limitations. Over the past couple of months, payment delays have increased, while the number of insolvencies remained relatively low.

Textiles

Remains Poor

The textile sector has already been particularly vulnerable over the past couple of years due to excess capacity, lack of branded production, strong competition from East Asia, low capitalisation of businesses and diminishing domestic and export demand. In early 2020 the forced closure of shops due to the lockdown was an additional blow to demand. While the level of payment delays and insolvencies was high in 2019, there was no increase in H1 of 2020, as banks restructured loans of businesses with payment delays, and all bankruptcy and debt enforcement claims were suspended until June 15th 2020.

After the lift of the lockdown, many stores experiencing losses were not reopened again. The outlook for the industry in the coming months is far from positive, and it's expected that insolvencies will increase, especially among smaller players. Textile value added is forecast to shrink 5% in 2020.

United Kingdom

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Agriculture

Remains Poor

A very dry spring and labour challenges exacerbated by coronavirus pandemic have created challenging market conditions for the UK agricultural sector. Additionally, lingering uncertainty over the final Brexit outcome and the future of trade relations with the EU have dampened business sentiment. Value added is forecast to level off or he contract slightly in 2020, after a 1.2% contraction in 2019.

Automotive/Transport

Remains Bleak

Supply chain disruptions have negatively impacted manufacturing capability and stock availability, with shortages and lengthened factory shutdowns throughout the sector. With a depressed demand outlook for automotive across the globe, the sector has entered a protracted period of depressed revenue generation. After a 9% contraction in 2019, automotive value added is forecast to decrease by more than 34% in 2020. Transport value added is forecast to decrease by more than 18%.

Due to comprehensive government measures to support the economy, an increase in payment delays and insolvencies has not yet materialised. However, insolvencies are expected to increase after the abatement or expiry of fiscal measures intended to support businesses.

Chemicals/Pharmaceuticals

Remains Fair

The petrochemicals segment is suffering from extreme volatility and recent deterioration in oil prices. Other chemical subsectors are affected by sharply decreasing demand from key buyer industries like automotive. Chemicals value added is forecast to decline by more than 4% in 2020. Pharmaceuticals value added is expected to increase 1.5% due to increasing health expenses.

Construction/ Construction Materials

Remains Poor

Brexit-related uncertainty and reluctance of investors had a negative effect on industry performance before the coronavirus outbreak. The sector is characterised by fierce competition, especially at the lower end of the value chain. Liquidity remains an issue, with difficulties accessing bank finance. The level of protracted payments and payment delays was high in 2019, and insolvencies increased by more than 6%. The current economic downturn will aggravate the situation, with construction value added forecast to contract by almost 9% in 2020.

Due to comprehensive government measures to support the economy, an increase in payment delays and insolvencies has not yet materialised. However, insolvencies are expected to increase after the abatement or expiry of fiscal measures to support businesses.

Consumer Durables

Remains Bleak

Many brick-and-mortar retailers already faced severe troubles before the coronavirus pandemic, suffering from high operating costs, decreasing turnover and increasing competition from online retailers, all of which have led to deteriorating margins. The level of shop closures and insolvency of larger retailers was exceptionally high in 2019. The countrywide shutdown of retail operations due to the lockdown has caused additional financial distress for weaker players.

Retail value added is forecast to contract by 15% in 2020. Due to comprehensive government measures to support the economy, an increase in payment delays and insolvencies has not yet materialised. However, insolvencies are expected to increase sharply after the abatement or expiry of fiscal measures intended to support businesses.

Electronics/ICT

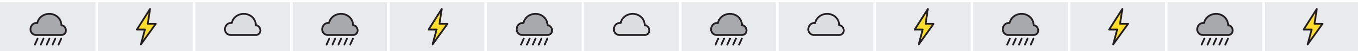
Remains Poor

The industry has suffered from supply chain disruptions in the first months of 2020, and demand is expected to remain volatile for some segments/products. ICT value added is expected to contract by more than 4% in 2020, electrical machinery by 12%.

United Kingdom

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles



Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Financial services

Remains Fair

The sector remains resilient for the time being, but could potentially be impacted by increased financial troubles for businesses and consumers alike, leading to increased non-performing loans and deteriorating profits. Sector value added is expected to contract by 1.5% in 2020.

Food

Remains Poor

Over the past couple of years, exchange rate volatility and its impact on costs of commodities and food items was an issue for many British food producers and processors reliant on imports. The increasing market success of discounters has put pricing under pressure and weighed on suppliers along the food supply chain. Due to an inability to absorb higher input costs and increased pressure on margins, both payment delays and insolvencies have increased in this sector since 2019. Food value added is expected to decrease 1% in 2020.

Machines

Remains Fair

The sector has been rather resilient so far, with most businesses in a stable financial situation. However, deteriorating global and domestic demand from key domestic buyer industries like automotive and construction is a major downside risk. Engineering value added is expected to decrease by more than 20% in 2020.

Metals

Remains Bleak

Following a subdued performance in 2019, the coronavirus pandemic is had a major effect on the sector´s supply chain and individual businesses´ ability to trade in H1 of 2020. As this industry is highly reliant on working capital financing, the downturn in trade is exacerbating any underlying liquidity problems of businesses. Metal manufacturing value added is expected to contract by more than 8% in 2020.

Paper

Remains Poor

Paper producers and printing are structurally impacted by the ongoing digitalization process. Currently, supply chain disruptions due to lockdown measures have had a negative effect. Paper value added is expected to shrink by more than 3% in 2020.

Services

Remains Bleak

With the UK economy being mainly service sector driven, the lockdown measures and the sharp deterioration of GDP growth directly impact this industry´s performance, with hotels restaurants, tourism, travel agencies and the entertainment segment most severely affected. Service value added is expected to contract by more than 4% in 2020, with the hotel and catering segment deteriorating more than 42%.

Due to comprehensive government measures to support the economy, an increase in payment delays and insolvencies has not yet materialised. However, insolvencies are expected to increase sharply after the abatement or expiry of fiscal measures intended to support businesses.

Steel

Remains Bleak

Following a subdued performance in 2019, the expected recovery, particularly for steel stockholders, has not materialised in early 2020. The coronavirus pandemic is having a material effect on the sector´s supply chain and individual businesses´ ability to trade. As this industry is highly reliant on working capital financing, the downturn in trade is exacerbating any underlying liquidity and cash flow problems of individual businesses. Steel value added is expected to contract by more than 18% in 2020, after shrinking 1.8% in 2019. Due to comprehensive government measures to support the economy, an increase in payment delays and insolvencies has not yet materialised. However, insolvencies are expected to increase after the abatement or expiry of fiscal measures intended to support businesses.

United Kingdom

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Textiles

Remains Bleak

Producers, wholesalers and retailers already suffered before the coronavirus outbreak from fierce competition and thin margins. Brick-and-mortar fashion retailers are especially severely affected by rising online sales, and many larger businesses went insolvent in 2019. Deteriorating sales due to the lockdown have exacerbated the market crisis. Textiles value added is forecast to contract by 14% in 2020, after shrinking 0.7% in 2019. It is expected that insolvencies of stationary retailers will increase after the abatement or expiry of fiscal measures intended to support businesses.

Brazil

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Agriculture

Remains Fair

Some businesses in the fertilizers distribution segment have been affected by higher import costs of commodities (mainly agrochemicals) due to the real volatility against the USD, which negatively impacted margins. However, a record harvest and the still unsolved issues between China and the US favor Brazilian agricultural exporters, who also benefitted from the low exchange rate. However, a severe draught affects the south of Brazil.

Automotive/Transport

Remains Bleak

Both automotive manufacturing and sales suffer from deteriorating demand. This has led to severe liquidity strains and cash shortfalls among many businesses. Automotive value added is forecast to contract by 43% in 2020, and increasing payment delays and insolvencies among suppliers and car dealers in the coming months cannot be ruled out. In the transport sector, it seems that due to increasing online sale deliveries and a good harvest, the truck segment faces robust demand in the coming months.

Chemicals/Pharmaceuticals

Remains Good

Both chemicals and pharmaceuticals businesses have improved their results and margins over the past couple of years, and payment experience has been good over the past two years. Demand for medicines/specialised drugs will grow, and the market mainly consists of resilient distributors and retailers.

However, in the chemicals subsector, most raw materials have to be imported, and production costs are exposed to exchange rate volatility, especially in the agrochemicals (pesticides) subsector. At the same time, demand from key buyer industries has declined. Chemicals value added is expected to decrease by about 6% in 2020.

Construction/ Construction Materials

Up from Bleak to Poor

Operating margins are very tight, with increased credit risk mainly to smaller players. The current economic downturn will aggravate the situation of many businesses, with further deteriorating margins. However, there has not been a substantial increase in business failures yet. Low interest and inflation rates are supporting the market, and there is demand for larger apartments. Consumers divert money otherwise spent on travel or entertainment to home restructuring.

Consumer Durables

Up from Bleak to Poor

Private consumption of non-food consumer has decreased due to the coronavirus impact, and the financial strength of many retailers has seriously deteriorated. Retail value added is expected to decrease by more than 4% in 2020.

While a considerable number of retailers has asked for payment extensions, a substantial increase in credit insurance claims has not yet materialized. Some segments currently benefit from a strong increase in the online business, while shopping malls have reopened. Government assistance to poorer households (e.g. cash handouts) has supported the retail segment. Meanwhile, an increasing number of purchases by middle class consumers currently working from home has benefitted certain businesses, particularly the small appliances and white goods segments. While a substantial increase in default rates is not expected for the time being, the credit risk for smaller retailers that own no online business and/or have been impacted by the lockdown without material support from banks remains elevated.

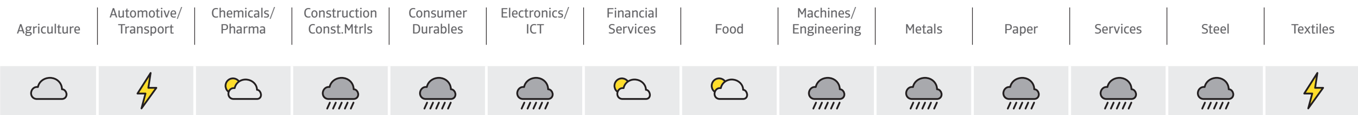
Electronics/ICT

Up from Bleak to Poor

ICT value added is expected to level off or decrease slightly in 2020. After an initial slowdown in March and April, ICT sales have benefited from strong demand for laptops and connectivity items, as many companies have switched to remote working. It seems that this trend will continue even after the end of social distancing and lockdown measures in the future. However, it is still expected that payment delays of those small and mid-sized players that have been substantially impacted by the lockdown (in particular in the first part of Q2 of 2020), and that have lacked financial support by banks will increase.

Brazil

September 2020



Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Financial Services

Remains Good

The sector remains relatively robust. However, increased financial troubles for businesses and consumers alike due to the economic downturn could lead to more loan defaults for banks and tighter lending conditions. Financial industry value added is expected to decrease by about 3% in 2020.

Food

Remains Good

Despite ongoing sales, the sector has been impacted by the consequences of the lockdown (e.g. transport and supply chain issues). Value added growth is expected to contract 3.5% in 2020, but to rebound strongly by more than 7% in 2021.

Machines/Engineering

Up from Bleak to Poor

Engineering value added is expected to decrease by more than 9% in 2020, as demand from key buyer industries has decreased and capital investment is contracting. However, domestic machinery builders benefit from the fact that machine imports have become very expensive due to real depreciation. A rebound of sales in H2 of 2020 could mitigate the sharp contraction seen in H1.

Metals

Up from Bleak to Poor

Metals value added is expected to decrease by more than 15% in 2020, as demand from key buyer industries has decreased. However, a substantial increase in credit insurance claims has not yet materialized, and sector performance is expected to improve in the coming months.

Paper

Remains Poor

Paper producers have been impacted by less demand due to lockdown measures, the economic recession and the ongoing digitalization. Value added of the industry is expected to contract by 10% in 2020, and the default rate of paper businesses is increasing.

Services

Remains Poor

Due to the comprehensive lockdown measures in face of the coronavirus outbreak and rising unemployment, many segments are expected to suffer heavily, especially hotels and catering, restaurants, bars, entertainment and cultural events, travel agencies and tour operators. Hotel and catering value added is expected to contract by more than 8% in 2020. The overall liquidity drain in the services sector has triggered a significant increase in payment delays and insolvencies.

Steel

Up from Bleak to Poor

Steel value added is expected to decrease by more than 15% in 2020, as demand from key buyer industries has decreased. However, a substantial increase in credit insurance claims has not yet materialized, and sector performance is expected to improve in the coming months.

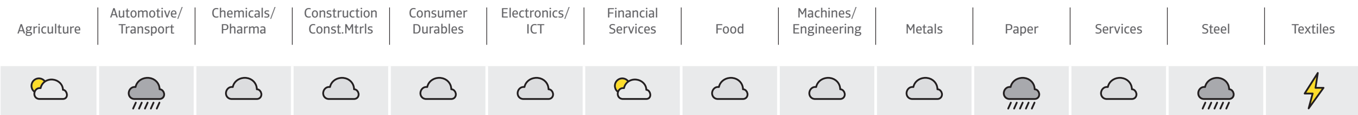
Textiles

Remains Bleak

Producers, wholesalers and retailers already suffered before the coronavirus outbreak from fierce competition, thin margins, changes in customer behaviour and increased competition from new online retailers. Their performance has further deteriorated due to low sales that resulted from lockdowns and rising unemployment. Textile value added is expected to shrink by more than 15% in 2020 after annual contractions in 2018 and 2019, and payment delays and business failures have increased.

Canada

September 2020



Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Agriculture

Remains Good

Canadian farmers have faced labor shortages due to lockdown measures, as they strongly rely on seasonal workers from abroad. This has adversely affected crop yields, reducing supply and revenues. Additionally, increased sanitation requirements and scrutiny have affected production and distribution efforts. While sector value added is forecast to decrease by 9.5% in 2020, a rebound of more than 10% is expected in 2021.

Automotive/Transport

Remains Poor

Automotive manufacturing, including tier I –III supplier production, is a significant industry sector in Canada. Globally deteriorating demand for vehicles has led to liquidity strains and cash shortfalls among many businesses. Automotive value added is forecast to contract by more than 37% in 2020. The credit risk of tier 2 and tier 3 suppliers has especially increased, as businesses active in those segments often produce low-tech/substitutable products and have weaker financials. Particularly among those players the number of non-payments and insolvencies could substantially increase after the expiry of current fiscal measures implemented to support smaller businesses.

Chemicals/Pharmaceuticals

Remains Fair

Chemicals businesses remain financially resilient compared to their peers in other sectors. However, due to the significant decrease in oil prices, the energy/fuel subsector continues to suffer from a severe decline in investments and revenues. There will be strong pressure on profit margins of businesses in the coming months. Other chemicals subsectors suffer from deteriorating demand from key buyer sectors like automotive. After annual growth in 2018 and 2019, chemical value added is expected to decrease 10% in 2020. However, in 2021, a 13% rebound is expected. Pharmaceuticals demand should benefit from rising health expenses.

Construction/ Construction Materials

Remains Fair

Businesses have been affected by supply chain problems, postponement of projects and reduced order volumes due to the lockdowns and the ongoing economic recession. Construction value added is expected to shrink by more than 5% in 2020, followed by a rebound of about 6% in 2021. While downside risks have increased, especially for smaller businesses, there have not been any signs of a deterioration of payment behaviour yet. However, the number of non-payments and insolvencies could increase after the expiry of current fiscal measures meant to support smaller businesses.

Consumer Durables

Remains Fair

Private consumption of non-food consumer goods has deteriorated due to the coronavirus impact, and retail value added is expected to decrease by more than 18% in 2020. However, comprehensive support to consumers and SMEs provided by the government has mitigated the negative effects on retail businesses for the time being (e.g. in mid-June it was announced that more small businesses would be able to access interest-free loans of up to CAS 40,000). Other measures, such as the ban on commercial evictions in certain provinces, aim to keep businesses from being forced out for failing to pay rent. Consumer sentiment has started to rebound recently among strong employment gains over the past three months.

Electronics/ICT

Remains Fair

The performance of businesses operating in this sector differs widely, depending on the diversification of supply chains and the impact of coronavirus-related lockdowns and factory closures on manufacturing operations and supply availability. At the same time, spending from businesses and employees on digital goods and services has increased due to the sharp rise of remote working. While ICT value added is forecast to contract 6.5% in 2020, a 10% rebound is expected in 2021.

Canada

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Financial services

Remains Good

In June of 2020, it was expected that a prolonged economic decline, with many businesses temporarily shut down or operating at lower activity levels and high unemployment/low consumer confidence, could cause higher past dues, loan defaults and bankruptcies. However, this has not materialized, and the Canadian government has a strong financial support system program in place, with the Canadian banking system remaining resilient for the time being.

Food

Remains Fair

Competition in the sector is persistently fierce, especially in the distribution and retail segments. Increasing costs of raw materials and energy, as well as changing consumer preferences due to healthier lifestyles, are having a negative impact on margins and profitability of many businesses active in food manufacturing. Food distributors shipping to restaurants and hotels remain particularly vulnerable, while restaurant business closures and insolvencies have increased. So far, there has been no increase in payment delays among food manufacturers or distributors. Food value added is expected to decrease 5% in 2020, followed by a 13% rebound in 2021.

Machines/Engineering

Remains Fair

The sector has been rather resilient so far, with most businesses in a stable financial situation, until recently benefitting from robust demand from construction and automotive. However, a persistent downturn of demand from those key buyer industries would pose a major downside risk. After annual growth in 2018 and 2019, engineering value added is expected to decrease by 15% in 2020, followed by a 14% rebound in 2021.

Metals

Remains Fair

The sector has been rather resilient, with most businesses in a stable financial situation, until recently benefitting from robust demand from construction and automotive. However, a persistent downturn of demand from those key buyer industries would pose major downside risks. The adverse effect of a 10% additional tariff recently imposed by the US on certain aluminum products manufactured in Canada remains to be seen.

Paper

Remains Poor

The ongoing digitalization process structurally affects paper producers and printing businesses, and supply chain disruptions due to lockdown measures have had an additional negative effect. Paper value added is expected to contract by more than 16% in 2020 after decreasing 8% in 2019.

Services

Remains Fair

Some subsectors like hotels and catering, restaurants, bars, entertainment and cultural events, travel agencies and tour operators have been heavily affected by decreased footfall and closures due to the coronavirus pandemic. Hotel and catering value added is forecast to decrease by more than 24% in 2020. Most other service subsectors are impacted by decreasing demand from their customers. For instance, advisors and consultants are expected to experience difficulties renewing contracts with key accounts. Service value added is forecast to contract by almost 7% in 2020.

While comprehensive support to consumers and SMEs provided by the government somehow mitigate the negative effects, insolvencies amongst restaurants, smaller hotel operations, nightclubs and tour operators have increased.

Canada

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Steel

Remains Poor

The steel industry is impacted by decreased demand from automotive, oil and gas as key buyer industries, while iron ore prices have increased. Turnover and margins are deteriorating for steel producers and traders alike. Iron and steel value added is expected to contract by more than 33% in 2020. The number of non-payments and insolvencies could increase after the expiry of current fiscal measures intended to support businesses.

Textiles

Remains Bleak

Producers, wholesalers and retailers already suffered before the coronavirus outbreak from fierce competition and thin margins. Deteriorating sales due to the lockdown have exacerbated the market crisis. The amount of both smaller and larger clothing retailers´ insolvencies has increased. In June of 2020, Canadian retailers recorded a large increase in sales, but it remains to be seen in the coming month if this rebound will last, or if it was simply the result of a temporary spending spree from consumers immediately after restrictions were lifted. Textile value added is forecast to contract by almost 20% in 2020 after shrinking 2.7% in 2019.

Mexico

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Agriculture

Remains Poor

Businesses are affected by higher import costs of commodities (especially agrochemicals) due to the peso volatility against the USD, which negatively impacts margins. Agriculture value added is expected to decrease by about 1.5% in 2020. However, the mid-term outlook is more positive, as some segments (e.g. meat) will benefit from government measures to promote self-sufficiency and support of the coffee sector. The implementation of the US-MCA agreement should also help sustain sector growth in 2021.

Automotive/Transport

Remains Poor

Beyond the current slump due to the coronavirus pandemic, a decrease in production is expected in the medium-term, with fewer sales of personal and commercial vehicles both in Mexico and the US. Automotive value added is forecast to decrease by more than 25% in 2020. The impact on businesses' credit risk could be lower than in other industries, given the financial strength of large groups participating in the vehicle assembly chain. However, non-payments have increased over the past couple of months, and further increases are expected in H2 of 2020.

In the transport sector, the main impact of the coronavirus pandemic is on passenger transport services. Transport value added is forecast to decrease by more than 6% in 2020.

Chemicals/Pharma

Remains Fair

Chemicals value added is forecast to decrease moderately, by about 1.5%, in 2020. While many chemical businesses selling to the automotive, construction or textile sectors are severely affected by the economic downturn, manufacturers of items and goods destined for the food and healthcare sectors benefit in terms of sales.

The peso volatility against the USD and the lower oil derivatives prices could have an impact on the liquidity of several companies, as there is a large number of chemical businesses that depend on basic chemicals and/or refined oil product imports from abroad (mainly from the US). More than 80% of chemicals businesses in Mexico are small or medium sized, and the main funding vehicles in the industry are supply chains. A slight increase in overdue payments has been recorded over the past couple of months and, due to tighter liquidity, more payment delays are expected in the coming months, although the increase should not be very high.

Pharmaceutical businesses are usually financially robust and well established, and are expected to face higher demand for drugs in H2 of 2020. However, supply chain issues for imported drugs could emerge, while sales prices could be affected by decreasing household purchase power in Mexico.

Construction

Remains Bleak

The sector already performed poorly in 2019, and the economic downturn due to the coronavirus pandemic has aggravated the situation for many businesses. Sector value added is expected to decrease by more than 9% in 2020 after shrinking 5.0% in 2019. In H1 of 2020, the level of credit insurance claims was lower than in 2019. However, in H2 and early 2021, an increase in payment delays and claims is expected, due to the ongoing slowdown in economic activity. In 2021 only a 3% growth rebound is expected for the construction industry.

Consumer Durables

Remains Poor

Sales of non-food consumer goods are deteriorating due to the coronavirus impact, with private consumption expected to decrease by more than 7%, and unemployment sharply rising in 2020. In Q2 of 2020, department stores reported a sales drop between 50% to 70%, mainly due to lockdown measures. The Q3 performance will probably provide a clue to whether the downturn will bottom out. Currently, retail value added is expected to decrease by 8.5% in 2020. Due to the sharp contraction in H1 of 2020, the financial strength of many businesses has seriously deteriorated, and non-payments have sharply increased over the past couple of months.

Mexico

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Electronics/ICT

Up from Poor to Fair

The electronics/ICT performance was not as negatively affected by the coronavirus pandemic as initially forecast. Rather, it performed rather well compared to many other industries. ICT sales have benefited particularly from increased remote working and the need of many companies to upgrade their platforms in order to keep operating. Most ICT businesses reported stable or even rising revenues in H1 of 2020, and sector value added is expected to increase by more than 5% in 2020. While electrical machinery value added is forecast to decrease 3% in 2020, a significant increase in payment delays is not expected in H2.

Financial Services

Remains Fair

While the financial services sector is resilient, consumers will start draining saving accounts in the coming months, leading to an increase in payment delays of indebted consumers and companies. This could cause banks to experience losses at P&L levels, as cash will have to be used to increase reserves for bad debt.

Food

Remains Fair

Food and non-alcoholic drink spending will continue to perform well throughout 2020, as consumers prioritise essential items and stay at home, boosting opportunities for food deliveries. A potential downside risk for certain segments could be tighter regulations on food and drink for health reasons (e.g. other states following Oaxaca banning the sale of junk food and sugary drinks to children in August 2020).

Machines/Engineering

Remains Bleak

Businesses in this industry are affected by more expensive imports of products due to exchange rate volatility, while demand from key buyer sectors in Mexico and the US has deteriorated. Capital investment in Mexico is expected to contract 15%, and engineering value added is forecast to decline 13% in 2020. Payment delays and business failures have increased in H1 of 2020. This negative trend is expected to continue in the coming months, as peso appreciation and ongoing contraction of industrial activity will avoid a quick rebound of the machines/engineering sector.

Metals

Remains Bleak

The industry is suffering from peso depreciation, volatility of metal prices and decreased demand from key buyer sectors, due to the economic downturn. Businesses´ financials are increasingly strained, and metals value added is forecast to decline by 6% in 2020 after a 10% contraction in 2019. Payment delays and business failures are expected to increase in the coming months due to the ongoing economic slump in Mexico.

Paper

Remains Poor

Subsectors like newspaper printing are severely impacted by higher prices for raw material imports and decreasing demand due to the ongoing recession. However, businesses in some subsectors like packaging are not as negatively affected, with some benefitting from increased online shopping. Paper value added is expected to decrease 6% in 2020 and 3% in 2021. Non-payments have sharply increased in H1 of 2020, and this negative trend is expected to continue in the coming months.

Mexico

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Services

Remains Poor
Due to lockdown measures, closing of borders and the economic contraction, many segments suffer heavily, especially hotels and catering, restaurants, bars, entertainment and cultural events, airports, tourism, travel agencies and tour operators. Hotel and catering value added is expected to decrease by almost 8% in 2020. Non-payments in the small restaurant, cafeteria and hotel service segments have increased, as many businesses have not been able to cover operating expenses, only allowed to operate at 30% of their capacity. Approximately 15% of bars and nightclubs and 20% of small restaurants in Mexico have already been closed, and further closures and rising payment delays due to lack of liquidity are expected in Q4 of 2020 and in early 2021.

Steel

Remains Bleak
The industry has suffered from peso depreciation, higher iron ore prices and decreased steel consumption from key buyer sectors like automotive and construction. Steel businesses´ financials are increasingly strained, and steel value added is forecast to decline by more than 8% in 2020, after a 10.5% contraction in 2019. Payment delays and business failures are expected to increase in the coming months. Payment delays and business failures have sharply increased in H1 of 2020, and further increases are expected in the coming months.

Textiles

Remains Poor
Producers, wholesalers and retailers already suffered before the coronavirus outbreak from fierce competition and thin margins. Deteriorating sales due to the coronavirus pandemic have exacerbated the market crisis. Textiles value added is forecast to contract by more than 10% in 2020 after shrinking 4% in 2019. Payment terms in the industry are extensive, reaching up to 120 days, and non-payments are expected to increase in the coming months.

United States

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Agriculture

Remains Fair

The industry is largely supported by government programs, including the Coronavirus Food Assistance Program and the SBA Paycheck Protection Program. Increases in fruit and nut crop revenue are expected to offset a decline in corn, wheat, cotton and soybean revenues. Cash receipts for poultry and livestock are expected to decrease by more than 8%. Exports in the fiscal year 2021 are expected to increase, driven by soybeans (demand from China) and corn (higher volumes). While agriculture value added growth is forecast to shrink 2% in 2020, a rebound of more than 6% is expected in 2021.

Automotive/Transport

Remains Poor

Following the initial coronavirus spread in early 2020, automotive demand decreased significantly due to lockdown measures and the spike in unemployment. This has led to liquidity concerns throughout the automotive supply chain. While major OEMs halted production for several weeks in April and May, production has rebounded again. Meanwhile, volumes are rising as capacity returns, and operators restock after running down inventory levels during the shutdowns. However, production volumes remain well below pre-coronavirus levels, and the cash flow of many businesses remains under pressure. Uncertainty related to future demand and a potential second coronavirus wave in the coming months remain downside risks. Automotive value added growth is forecast to decrease 27% in 2020.

Transport value added growth is forecast to contract by about 8% in 2020. Airlines have dramatically reduced number of flights, and cruise lines have suspended sailings until October at the earliest. Businesses in both subsectors continue to burn cash at a significant pace, given the sharp decrease in demand. Payment delays and defaults are expected to increase towards the end of the year.

Chemicals/Pharmaceuticals

Remains Fair

Due to the significant decrease in oil prices, the energy and fuel subsector continues to suffer from a severe decline in investments and revenues. There has been strong pressure on profit margins of businesses, and insolvencies have substantially increased in this segment, particularly within exploration and production. Other subsectors within the chemicals trade group continue to suffer from deteriorating demand from key buyer end markets such as automotive. Chemicals value added growth is forecast to decrease 4.5% in 2020, while pharmaceuticals is expected to contract by almost 4%.

Construction

Remains Fair

Construction value added growth is forecast to contract 6% in 2020, after several years of robust growth in line with the solid economic performance of the US before the coronavirus pandemic. In H1 of 2020, total new construction projects decreased 14% year-on-year (residential down 5%, non-residential down 22%, and non-building infrastructure down 14%). Fewer new projects in 2020 as a result of the pandemic adversely affect forecasts for 2021, as about 50% is spent in the year after a project starts.

At the same time, lumber costs have increased 120% since Q1 of 2020, while labour costs have risen due to a shortage of skilled workers. Labour productivity suffered from coronavirus related protocols, and many projects have been delayed or even cancelled. However, despite those challenges, the residential housing market should benefit from low interest rates, while big box retail outlets and nationwide wholesalers have been reporting high profits.

United States

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Consumer Durables

Remains Poor

Retail value added growth is forecast to decrease by 8.5% in 2020. Non-food retail (in particular the brick-and-mortar segment) has suffered from store closures, subdued private consumption and increased unemployment due to the spread of coronavirus in the US.

The household appliances segment has performed quite well so far under the given circumstances. However, persistently high unemployment would cause consumers to delay upgrading their household appliances. The furniture segment has experienced a rebound recently due to a combination of pent up demand, home remodeling and remote work/school. Large payment delays from early in the pandemic are recovered, but major uncertainties over the performance in the coming months remain.

Companies with a strong online presence and/or the ability to shift to remote sales have been capable of maintaining a solid operating profile. However, due to fierce market competition and substantial downside risks, many businesses continue to suffer, in particular brick-and-mortar retailers. In this segment, payment delays and insolvencies have already increased sharply, and a second wave of coronavirus infections could trigger another spike. Competitive pressure ahead of the holiday season could also lead to further rising insolvencies.

Electronics/ICT

Remains Fair

ICT value added growth is forecast at almost 4% in 2020. Currently, the performance of businesses operating in this sector differs widely. It depends on the diversification of their supply chains, as well as on the impact of coronavirus-related lockdowns and factory closures on their manufacturing operations and supply availability. ICT businesses focusing on enterprise cloud, mobility and remote connectivity have generally performed well. Consumer electronics retailers with a strong online presence have also recorded steady demand, as consumers established home offices for remote work/learning. Most ICT businesses have sought to conserve liquidity in light of the coronavirus-related uncertainty with a combination of cost cutting measures and drawing down on lines of credit.

Financial Services

Remains Fair

In general, financial service institutions are much more resilient now than during the 2008/2009 credit crisis. At the beginning of the coronavirus crisis, a significant number of businesses drew down borrowings against committed capital. This was largely a proactive measure to bolster liquidity, and some companies subsequently paid down the additional borrowings. However, many continue to recognize increased borrowings (cash on hand) to protect against volatile demand and uncertainty. In July of 2020, the Federal Reserve noted intentions to extend the emergency lending facilities established during the pandemic until the end of the year, in order to support short-term liquidity in the financial markets.

Food

Remains Fair

Value added of the food sector is expected to level off in 2020. Competition in the sector is persistently fierce, especially in the distribution and retail segments. Increasing raw material and energy costs, as well as changing consumer preferences due to pursuit of healthier lifestyles, are having a negative impact on margins and profitability of many businesses active in food manufacturing. Food distributors shipping to restaurants or hotels have recorded a sharp decrease in demand. Business closures in the restaurant sector have significantly increased, putting additional financial pressure on the distribution channel.

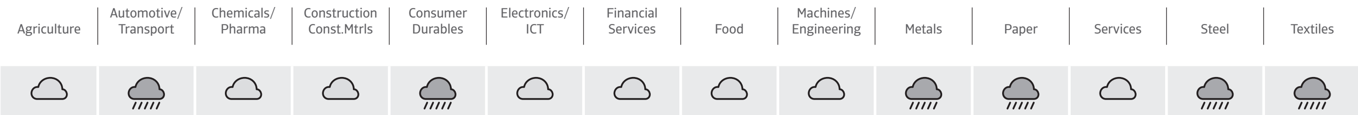
Machines/Engineering

Remains Fair

Coronavirus-related shutdowns have negatively impacted the sector. Additional safety protocols have caused increased costs for many businesses, while reduced capital spending and project delays have reduced demand. Electrical machinery value added growth is expected to decrease by about 10%, while engineering value added is expected to decline by more than 11% in 2020. Payment delays are expected to increase for businesses dependent on particularly vulnerable end markets (e.g. automotive).

United States

September 2020



Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Metals

Down from Fair to Poor

Metals manufacturing value added growth is expected to decrease by 12% in 2020 after annual growth in 2018 and 2019. The individual performance of metal businesses is largely dependent on the strength of the respective end market. Businesses reliant on automotive and aerospace industries have recorded considerable revenue declines, increasing pressure on their profitability. The Oil Country Tubular Goods (OCTG) subsector has been under pressure in light of the pricing environment within the energy sector. While production resumption has improved with demand in the automotive sector, major uncertainty remains. Payment delays and insolvencies are expected to increase further in the coming months.

Paper

Remains Poor

Paper producers and printing were structurally impacted by the ongoing digitalization process even before the coronavirus outbreak. The mandated restrictions imposed on offices, schools and universities have only accelerated the shift from paper to digital formats. At the same time, companies are limiting their discretionary spending and have cut back on advertising/marketing costs, leading to a decline in commercial printing demand. Paper value added growth is expected to contract by more than 5% in 2020, after decreasing 2.5% in 2019.

Services

Remains Fair

Service value added is expected to decrease by almost 4% in 2020. Demand for healthcare, education and government services is expected remain stable or even increase. However, some subsectors like hotels and catering, restaurants, bars, entertainment and cultural events, travel agencies and tour operators have been heavily affected by sharply decreased footfall and closures due to the coronavirus pandemic.

Value added of the hotel and catering segment is expected to contract 17% in 2020. The increasing number of coronavirus cases in parts of the US will likely slow the recovery in travel and lodging demand that started over the past few months as economies reopened. Payment delays and business failures are expected to increase in the most impacted segments, with predictions that 10-15% of hotels may become insolvent.

Steel

Remains Poor

Iron and steel value added growth is expected to contract by 15% in 2020. The steel industry has been severely impacted by the sharp decline in demand from the automotive and oil and gas sectors. While demand has somewhat improved with the production resumption in the automotive sector, major uncertainty remain, and volumes and capacity levels remain depressed. The Oil Country Tubular Goods (OCTG) subsector is under significant pressure due to lack of spending within the energy exploration and production industry. While steel businesses supplying to a diverse selection of end-markets have performed better in the current environment, payment delays and insolvencies are expected to increase as the impact of initial government stimulus dissipates.

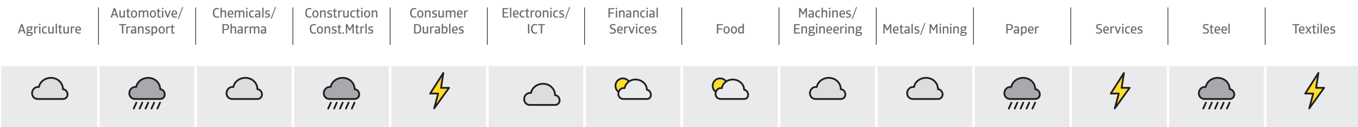
Textiles

Remains Poor

Textiles value added growth is forecasted to contract by more than 11% in 2020 after shrinking 2% in 2019. Producers, wholesalers and retailers already suffered before the coronavirus outbreak from fierce competition and thin margins. Deteriorating sales due to coronavirus-related lockdowns have exacerbated the market crisis, and clothing retailers' insolvencies have sharply increased over the past couple of months, with further increases expected in the coming months. As many retailers are trying to regain some of the losses incurred in H1 of 2020 by offloading their goods, deep discounts should abound, increasing the competitive environment in the 2020 holiday season.

Australia

September 2020



Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Agriculture

Remains Fair

Agriculture value added growth is forecast to contract by more than 3% in 2020. The sector has been partially impacted by lockdown measures (e.g. transport and supply chain issues). Coronavirus clusters at some abattoirs in the state of Victoria have recently led to restriction of operations. After years of prolonged drought, the East Coast of Australia recorded the first favourable weather conditions since early 2020, positively affecting the sector and the grain harvest in particular. However, China's imposed tariff of 80% on Australian barley and an export ban of four of Australia's largest abattoirs have hurt related segments. In August 2020, China also announced it will conduct an anti-dumping investigation into Australian wine, and a further deterioration of Australia's relationship with China (with more import bans and tariffs) remains a downside risk.

Automotive/Transport

Remains Poor

After a rather subdued performance in 2019, the automotive sector suffers from deteriorating sales for passenger cars and commercial vehicles. In the January-July 2020 period, vehicle sales decreased by 19% year-on-year, and automotive valued added is expected to decrease by more than 16% in 2020. Demand from commercial fleet buyers, such as rental cars, has declined significantly due to a decline in bookings, while demand for car aftermarket parts has remained strong.

Industry revenue is expected to decline further in the coming months and into 2021, as the negative economic downturn with high unemployment and underemployment is limiting household discretionary incomes. The shift in consumer preferences toward smaller, cheaper and fuel-efficient cars negatively affects local car manufacturers that traditionally produced large cars. Many operators are currently taking on additional debt, which poses a downside risk as automotive demand continues to drop.

It is expected that payment delays and defaults will increase as soon as government subsidy payments and insolvency protection laws expire, currently expected after 31 December 2020.

Chemicals/Pharmaceuticals

Remains Fair

Deteriorating domestic and global demand have had a negative impact on chemicals´ performance, with chemicals value added forecast to decrease by 1.5% in 2020. However, the chemicals industry has performed rather well over the past couple of years, with generally robust business financials and good payment records. The agri-chemicals segment will increase sales to agriculture businesses due to improved harvest expectations.

Pharmaceutical businesses have been affected by some supply chain disruption, but will benefit from increasing health expenses. The industry has been classified as an essential sector, and pharmaceuticals value added is forecast to increase by 12.5% in 2020.

Construction/ Construction Materials

Remains Poor

2019 was already a difficult year for the industry, with lower building activity and decreasing value added (down 3.9%). Residential construction output continued to decline, due to more restrictive lending practices and falling property prices. The portfolio payment experience has been bad over the past two years, and the number of non-payment notifications and value of credit insurance claims was already high in 2019. Underperforming projects and rising costs led to more high profile business failures in 2019, and the ongoing economic downturn will additionally increase the already elevated credit risk of many construction companies, especially smaller players.

Construction value added is expected to shrink by 6% in 2020. The government is stimulating the sector with the "HomeBuilder" program worth AUD 680 million and is looking to fast track infrastructure projects worth AUD 72 billion over the next two years. Currently it is too early to predict the outcome, however, rising payment delays and insolvencies cannot be ruled out in Q4 of 2020 and in 2021.

Australia

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals/ Mining	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Consumer Durables

Remains Bleak

Private consumption of non-food consumer goods has deteriorated due to the coronavirus impact, with many brick-and-mortar retailers temporarily closed due to lockdowns. While the pressure on this segment is mounting, especially in the state of Victoria, e-commerce operators have sharply increased their sales. Electrical household appliance retailers have benefited, as consumers are working from home and have upgraded some of their household appliances (e.g. coffee machines, computer electronics, refrigerators, etc.) However, this uptick seems to be short-lived. In the longer term, subdued consumer sentiment and rising unemployment cast a shadow on any substantial rebound. Retail value added is forecast to contract 10% in 2020.

There has been a significant increase in payment delays as businesses struggle to pay their invoices. It is expected that retail insolvencies will increase in the coming months, after the scaling back of stimulus measures (e.g. Job Keeper and Job Seeker) and rent moratoriums.

Electronics/ICT

Remains Fair

In general, ICT is a profitable segment with steady margins, apart from the ICT wholesale and retail segment, where the market is very competitive and cost pressure is high. Payment experience over the past two years has been good and the level of protracted payments and insolvencies remains low compared to other industries, especially in the IT producer and service segment.

ICT value added is expected to increase by about 1% in 2020. Currently online and national chain retailers show good results due to increased demand for IT and home office equipment, while retailers dependent on physical stores struggled. The credit risk in this segment has increased, especially for smaller ICT retailers that already had liquidity issues before the pandemic. Subdued consumer senti¬ment and rising unemployment could hamper higher growth in the short-term future, especially as the spike in spending in remote working items is abates. That said, public bodies and the education sector remain key investors in IT projects.

Financial Services

Remains Good

The sector remains relatively robust. However, increased financial troubles for businesses and consumers alike due to the economic downturn could lead to more loan defaults for banks and tighter lending conditions. Profitability in the sector is impacted by very low interest rates in Australia.

Food

Remains Good

After two years of robust growth, food value added is forecast to contract by about 1% in 2020. Despite ongoing sales, the sector has been impacted by the consequences of lockdown measures (e.g. transport and supply chain issues). Food and beverage wholesalers and smaller retailers exposed to the food service and hospitality sectors are impacted by low demand as a result of government restrictions. In August 2020, China announced it will conduct and anti-dumping investigation into Australian wine, which could foreshadow a hike in import duties, as diplomatic ties between China and Australia remain strained. China is Australia's biggest export market for wine and rapidly growing.

Machines/Engineering

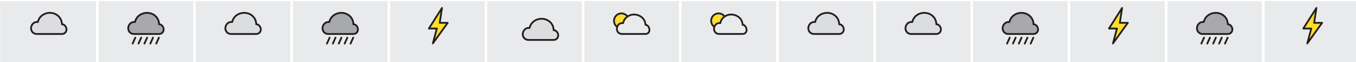
Remains Fair

Companies in this industry are in general financially resilient compared to other industries. However, the business outlook is impacted by decreasing orders on hand and lower production due to the economic downturn. Demand from key buyer sectors like construction and mining has decreased, while demand from the agricultural industry has increased. Engineering value added is expected to decrease 7% in 2020.

Australia

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals/ Mining	Paper	Services	Steel	Textiles



Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Metals/Mining

Remains Fair

The mining sector amounts for about 10% of economic output and is highly export-driven, with China as the biggest export market, followed by Japan and South Korea. The mining industry has seen some notable changes in H1of 2020, mainly related to the coronavirus pandemic and the subsequent economic consequences. Gold and iron ore prices have increased. Oil and gas prices have rebounded again from the historic low seen in early 2020, but this recovery will remain constrained. Demand for iron ore and lithium is increasing, whilst demand and pricing for nickel, zinc, aluminum and coal are expected to decline because of weaker consumption.

Both higher export volumes and a lower AUD exchange rate support commodity exports, estimated worth AUD 293 billion in 2019-2020. However, price weakness is likely to cut export earnings significantly in the coming months, while political and economic tensions between Australia and China remain a downside risk.

Paper

Remains Poor

Paper producers are impacted by reduced demand due to the lockdown measures, lower economic growth and the ongoing digitalization process. The sector is impacted by fierce competition and working capital pressure for many businesses. Businesses producing standard or newsprint paper products have experienced a major drop in sales, due to a decline in office activity and in advertising. However, the sanitary paper segment has benefited from a significant increase in demand. Value added of the industry is expected to contract by about 4% in 2020.

Services

Remains Bleak

Due to the lockdown measures over the past couple of months, many segments have suffered sharply deteriorating revenues, especially hotels and catering, restaurants, bars, entertainment and cultural events, travel agencies and tour operators. It is expected that consumer spending in those areas will remain modest even after lockdowns are lifted, due to higher unemployment, an end to bank deferral on mortgages, and subdued consumer sentiment. Hotel and catering value added is expected to contract 38% in 2020. There has been an increase in payment delays in the service industry over the last couple of months, and it is expected that defaults and insolvencies will sharply increase after September when government stimuli start to unwind. This will particularly hit the entertainment and restaurant segment.

Steel

Remains Poor

The coronavirus outbreak has added additional woes to an already challenging steel market. Global production has deteriorated due to a sharp drop in demand and production disruptions, with steel producers cutting supplies. Steelmakers are suffering from slim profit margins due to higher iron ore prices. The steel wholesale shows modest signs of recovery due to increased demand from local and state government projects. Steel value added is forecast to decrease 16% in 2020 and to level off in 2021. Payment delays and insolvencies are expected to increase in the coming periods.

Textiles

Remains Bleak

Textile value added is expected to shrink by more than 22% in 2020. Wholesalers and retailers are negatively affected by changes in customer behaviour and increased competition from new online retailers. Their performance has further deteriorated due to low sales during the lockdowns. Logistical delays and reduced manufacturing activity in China are anticipated to strongly inhibit wholesalers' ability to source low-cost goods. Due to subdued consumer sentiment, a comprehensive rebound is rather unlikely.

Many businesses engaged in synthetic and natural textile manufacturing (e.g. yarn and wool fabrics) are expected to close, while others offshore operations or turn to cheaper imported products to cut costs and improve profit margins. Lower demand from commercial and industrial building construction will impact the carpet textile segment.

Currently, many suppliers are offering extended payment terms. It is expected that insolvencies will increase in the coming months, especially among some small and unprofitable businesses, such as carpet manufacturers.

China

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Agriculture

Remains Excellent

China is the world´s largest importer of agricultural products. The sector has been only partially impacted by lockdown measures in early 2020 (e.g. transport and supply chain issues). Agricultural imports are expected to increase further in 2020, and sector value added is forecast to increase 5.5% in 2020.

Automotive/Transport

Remains Poor

Both automotive production and sales started to rebound in Q2 of 2020 due to government stimuli and large discounts by manufacturers and dealers. The recovery is expected to continue in H2 of 2020, albeit modestly. Mainly due to the sharp decline in Q1, automotive added value is expected to decrease 7% in 2020. Year-on-year production and sales contracted 11.8% and 12.7% respectively in the January-July 2020 period.

The credit risk of many smaller players in the market has deteriorated due to the coronavirus pandemic. The number of overdue payment cases increased during the lockdown period, but this trend has abated since then. However, the overall payment period in the industry is very long (up to one year). This adds additional pressure to the margins and capital base of smaller and/or private owned suppliers. Low-cost manufacturers that currently produce basic parts are particularly expected to leave the market.

With large stocks on hand and sharply deteriorated demand in Q1 of 2020, many smaller car dealers had to close their businesses and lay off staff. While the situation has improved in Q2, all car dealers still had to offer discount rates, which squeezed their margins.

Chemicals/Pharmaceuticals

Remains Fair

In H1 of 2020, deteriorating demand from key buyer sectors had a negative impact on chemicals performance. Revenues and profits decreased by 10.5% and 32% respectively. In H2 of 2020, the situation is expected to improve, and chemicals value added is forecast to grow 1% in 2020.

The short-term outlook for pharmaceuticals is more benign, as demand has increased due to increased health expenses. Value added is expected to grow by more than 4% in 2020. China has experienced rapid growth in this industry, up from the worldwide 9th largest pharmaceutical market in 2007, to the second largest in 2019. However, local manufacturers still focus on low-end products and record low R&D investments, and the distribution segment is highly fragmented. However, in the long term, the government will increase investment in the pharmaceutical sector and encourage domestic businesses to increase their R&D expenditures and improve their innovation ability.

Construction/ Construction Materials

Remains Poor

In 2019 construction and related industries (e.g. cement) were impacted by excess capacity, with many businesses being highly indebted. Operating margins were very tight, with increased credit risk mainly for smaller and private-owned players. The severe economic downturn in Q1 has led to higher payment defaults of private-owned and smaller players, as their working capital was not sufficient during the lockdown period. However, in H2 of 2020 and into 2021, construction will benefit from large infrastructure investments by the government meant to sustain the economy.

China

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Consumer Durables

Up from Poor to Fair

In Q1 of 2020, private consumption of non-food consumer goods sharply deteriorated due to the coronavirus impact, with many businesses temporarily closed due to the lockdown. While retail sales decreased 19% in Q1, they have rebounded since then. While retail sales growth was still negative in H1 of 2020 (down 11.4%), it improved to a negative 1.8% in June. Online retail sales increased 7.3% in H1. In 2020 a 4% retail sales contraction is forecast, followed by a rebound of more than 14% in 2021. While in Q1 of 2020 the number of payment delays increased in the industry, since May 2020, the payment behaviour has improved again.

Electronics/ICT

Remains Fair

The coronavirus pandemic has posed both challenges and opportunities to the Chinese ICT industry. Thanks to online education encouraged by the Chinese government and the shift towards online sales, consumer demand for PCs and tablets has increased. Commercial ICT demand suffered in Q1 of 2020, but has bounced back since Q2. H2 of 2020 is expected to be a peak season. Value added growth of the ICT sector is forecast to increase 3% in 2020. 5G, AI, IoT, ICloud, etc. remain promising segments, characterized by innovative technology, high demand and high entry barriers.

However, for Chinese ICT manufacturers, competition has become fiercer, especially from overseas businesses. Oversupply in some subsectors like panels, printed circuit boards and lithium batteries has caused worries about price wars. At the same time, a further escalation of the Sino-US trade war poses a substantial downside risk to the Chinese ICT industry, given the heavy reliance of the sector on export sales and imported technology. The impact of US sanctions imposed on Chinese ICT companies would be different along subsectors. Segments with rather low technological requirements could replace US items with domestic ones. However, businesses requiring high-tech key components (e.g. semiconductors and chips) would face difficulties in easily substituting US technology.

Financial Services

Remains Excellent

Thanks to the credit easing policy meant to support the economy, China's commercial banks remain healthy for the time being, posting a net profit growth rate of 5% year-on-year in Q1 of 2020. However, downside risks have increased for some segments. While large state-owned commercial banks are in good shape, smaller banks record eroding asset quality and increasing credit risk. This is because the quality of loans to small- and medium-sized businesses (many of them severely damaged by the pandemic) is deteriorating.

Food

Remains Good

Despite ongoing sales, the sector has been impacted by the consequences of the lockdown (e.g. transport and supply chain issues) in Q1 of 2020. As a consequence of the lockdown, demand for frozen and convenience food has increased. The pandemic has also triggered two significant trends in the Chinese food industry for the immediate future. First, fresh food e-commerce has become popular, since people increasingly tend to eat at home. Second, due to increased health concerns, demand for healthy foods like nutraceuticals is expected to increase significantly.

Machines/Engineering

Remains Fair

Companies in this industry are generally more financially resilient compared to other industries. In 2019 revenue growth of China's machinery industry weakened to 2.5%, weighed down by automotive as a main buyer industry. However, while the automotive-related machinery segment was a significant underperformer, robot and intelligent manufacturing related machinery reported high growth. In 2020 the industry will benefit from large infrastructure investments by the government. Machinery industrial production grew by 15.6% year-on-year in July 2020, far above China's industrial production growth of 4.8%.

China

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Metals

Remains Bleak

Even before the coronavirus outbreak, the industry already suffered from decreasing demand from key buyer sectors, mainly due to China´s ongoing economic deleveraging program. Meanwhile, the China-US trade dispute negatively impacted domestic business sentiment in 2019. In the metals sector, excess capacity is a major issue, with many businesses being highly indebted and experiencing very tight operating margins.

Demand from automotive and property construction will remain subdued in 2020. The credit risk situation of many private-owned metal producers is deteriorating, and both payment delays and insolvencies are expected to increase in the coming months.

Paper

Remains Poor

Paper producers were impacted by less demand due to the lockdown measures in early 2020, lower growth and the ongoing digitalization. Mainly affected were the printing paper and packaging paper segments, while the performance of household paper has been relatively stable, as people spend more time at home. The sector is impacted by overcapacity, fierce competition and working capital pressure for many businesses. Additional environmental restrictions and structural changes to demand could lead to further industry consolidation.

Services

Remains Poor

Due to the comprehensive lockdown measures in early 2020, many segments suffered heavily, especially hotels and catering, restaurants, bars, entertainment and cultural events, travel agencies and tour operators. Hotels and restaurants have gradually reopened since March 2020, and it is common to see intensive promotions intended to attract consumers and recover business. Additionally, the government is promoting local tourism (e.g. free entry policy and the loosening of the Hainan province's duty free regulations). That said, domestic tourism is expected to decline, to CNY 5,500 billion (2019: CNY 6,630 billion). In 2020 hotel and catering value added is expected to contract by more than 30%. Service business failures have risen in H1 of 2020, with further increases expected in the coming months.

Steel

Remains Bleak

Even before the coronavirus outbreak, the industry suffered from decreasing demand from key buyer sectors, mainly due to China´s ongoing economic deleveraging program. Meanwhile, the China-US trade dispute negatively impacted domestic business sentiment in 2019. In the steel sector, excess capacity is a major issue, with many producers being highly indebted and experiencing very tight operating margins. The majority of private Chinese metals and steel traders do not have sufficient fixed assets, thus suffering from slim margins and very limited bank facilities.

Given supportive fiscal policies, many steel businesses believe that infrastructure investment will boost steel demand in H2 of 2020. However, demand from property construction and the automotive industry is expected to remain weak, dampening the outlook.

While leading state-owned steel makers still show some resilience, many private-owned steel and metals producers and traders face serious trouble, with both payment delays and insolvencies expected to increase in the coming months of 2020.

Textiles

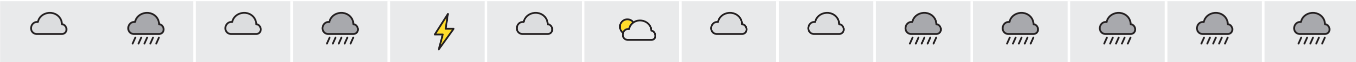
Remains Poor

Producers already suffered in 2019 from overcapacity, fierce competition and working capital pressure. Wholesalers and retailers are negatively affected by changes in customer behaviour and increased competition from new online retailers. Their performance has further deteriorated due to low sales during the lockdown in early 2020, with only a modest rebound in Q2 of 2020. Textile value added is expected to decrease by almost 10% in 2020. Given the difficult market condition, payment defaults and business failures are expected to increase in the coming months.

Hong Kong

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles



Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Automotive/Transport

Down from Fair to Poor

Due to supply chain disruptions and lower consumer and investor sentiment, sales of passenger cars and commercial vehicles are decreasing. Automotive value added is expected to contract by 14.5% in 2020. Import and export activities have been adversely impacted by worldwide lockdown policies. Transport value added is expected to decline by almost 9% in 2020.

Chemicals/Pharmaceuticals

Remains Fair

Local demand for pharmaceutical products should benefit from rising health awareness and related expenses. However, due to less demand from mainland China, pharmaceuticals value added is expected to grow only 0.2% in 2020.

Construction/ Construction Materials

Down from Fair to Poor

Due to sharply increasing property prices, the Hong Kong government has adopted various measures to control prices and expand land supply. Social unrest as of mid-2019 has caused rising resident outflow and decreasing inflow. The inflow decrease accelerated due to the lockdown, which in turn has lowered demand for flats. Following a 5.8% decrease of value added in 2019, construction is forecast to record a consecutive decline of about 6% in 2020.

Consumer Durables

Remains Bleak

Sector performance has deteriorated with the beginning of social unrest in mid-2019, as shops and malls were closed when protests took place in certain districts. Due to the lockdown policy as of February 2020, tourists from the mainland (who used to be a main revenue source for the sector) are banned from entering Hong Kong. Decreased consumer sentiment and rising unemployment hamper a rebound in the short-term. After a 6% decline in 2019, retail value added is forecast to decrease 18% in 2020. Due to mounting cashflow issues, both closures and insolvencies of local shops have increased.

Electronics/ICT

Remains Fair

Hong Kong is mainly a re-export hub for electronic components sold to/by Chinese factories, and an ICT services provider. In H1 of 2020, the sector suffered from global lockdown measures, supply chain disruptions and deteriorating demand. Due to the ongoing US-China trade war and US sanctions on Chinese ICT businesses, Hong Kong electronics/ICT manufacturers with Chinese factories could suffer revenue losses. Some manufacturers resort to relocating their factories to Southeast Asia (e.g. Vietnam and Malaysia) in order to avoid US tariffs. ICT value added is expected to contract by almost 2% in 2020 and rebound in 2021 by more than 3%, given that supply chain issues are overcome and demand resumes.

Financial Services

Remains Good

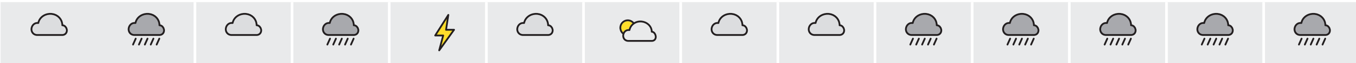
The financial sector is of major importance to the Hong Kong economy. Over the past decade, the sector has benefited from active cross-border financial and fund-raising activities. However, 2020 has been a volatile year so far for the industry amid the coronavirus pandemic. The stock market plunged in February and March due to immerse uncertainty, but started to recover again in April, thanks to quantitative easing by the US Federal Reserve and hot money flowing to the market. Due to listing restrictions on Chinese companies by the US, some mainland Chinese companies, such as Alibaba and JD.com, resort to raising funds in Hong Kong, which boosts the local IPO market.

The coronavirus outbreak has impacted cash flow and liquidity of local companies, which could lead to more loan defaults and tighter lending conditions. However, provisions of guarantee by the Hong Kong government were established to assist SMEs in seeking adequate bank loans. Finance sector value added is forecast to grow by about 1% in 2020.

Hong Kong

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles



Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Food

Remains Fair

Despite ongoing sales, the supply chain has been impacted by the consequences of the lockdown. With the coronavirus pandemic, dining at home has become more frequent, which has increased consumers´ purchases at supermarkets/wet markets. At the same time, almost all restaurants have been severely impacted, facing many restrictions due to social distancing measures. After a slight 0.5% growth in 2019, value added is forecast to slightly contract by 1.5% in 2020.

Machines/Engineering

Remain Fair

Local machines/engineering companies have set up their factories mainly in China and Southeast Asia, and Hong Kong serves as a middleman between mainland Chinese factories and overseas end-buyers. In Q1 of 2020, the nationwide lockdown in China delayed production schedules and disrupted the supply chain. Due to the still subdued global economic outlook, factories receive less orders and have reduced their production scale. The re-export volume from Hong Kong is expected to decrease, and sector value added is forecast to contract by almost 8% in 2020.

Metals/Steel

Remains Poor

Metal and steel factories are rarely found in Hong Kong, with local businesses in this sector mainly serving as traders. Metals and steel demand has been negatively affected by lower demand from end-sectors, such as construction, automotive and shipbuilding.

Paper

Down from Fair to Poor

The paper industry is of minor relevance in Hong Kong compared to other sectors. Due to the economic slump and decreasing advertisement revenues, some magazines and newspapers have left the market. Due to increased remote working, demand for office paper has decreased. Paper value added is expected to contract by 14.5% in 2020.

Services

Remains Poor

The services sector is one of the most important industries in Hong Kong. In 2019 revenues were already negatively affected by social unrest and a slight decline in the number of tourists. This has been exacerbated by the coronavirus pandemic. Due to the lockdown policy, the monthly number of tourists has decreased by 90% year-on-year since February 2020. To counter the local outbreak, the Hong Kong government temporarily banned the operation of entertainment businesses, beauty salons, fitness centres, etc. Nighttime dine-in services were also prohibited for restaurants. Hotel and catering sector value added is forecast to decline by almost 40% in 2020.

Suffering from high rents and loss of revenues, many local service providers started to face cashflow issues and have chosen to cease business, and both payment delays and insolvencies are expected to rise in the coming months.

Textiles

Down from Fair to Poor

Local textile companies have set up their factories mainly in China and Southeast Asia, and Hong Kong serves as a middleman between mainland Chinese factories and overseas end-buyers. Due to the still subdued global economic outlook, factories have received fewer orders and have reduced their production scale. Due to ongoing US-China trade war, Hong Kong textile manufacturers with factories on the mainland could suffer revenue losses. Some manufacturers have started to relocate their factories to Southeast Asia in order to avoid US tariffs. In the domestic market, wholesalers and retailers are facing declining sales due to lower consumer sentiment. Textiles value added is forecast to contract by almost 10% in 2020.

India

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Agriculture

Remains Fair

The sector has been impacted by lockdown measures to some extent (e.g. labour, agriculture sales and purchase of fertiliser were affected by transport and supply chain issues and restriction of movement). Agriculture value added growth is forecast to increase by 1% in 2020 and 8% in 2021.

Automotive/Transport

Remains Poor

After a subdued performance in 2019, the automotive sector suffered from further deteriorating sales for passenger cars and commercial vehicles in H1 of 2020. Automotive value added is forecast to decline by more than 40% in 2020, after a 13.5% contraction in 2019. Besides the sales downturn, several auto manufacturer plants remained closed during the lockdown. In the coming months there could be a slow recovery in demand, due to the beginning of the festive season and the increasing preference of personal cars over public transport resulting from the pandemic. While payment delays in the industry have not yet increased, a surge in the coming months cannot be ruled out, due to severe liquidity strains for automotive and transport businesses (especially among smaller players).

Chemicals/Pharmaceuticals

Remains Fair

Deteriorating domestic and global demand have a negative impact on chemicals performance. Many chemical businesses are suffering from the subdued demand from key buyer sectors, and sector value added growth is forecast to shrink by more than 12% in 2020, followed by a 16% rebound in 2021.

The short-term outlook for pharmaceuticals is more benign, as demand has increased due to higher health expenses. However, in early 2020, production was impacted by supply chain disruptions from China, and the subsequent lack of commodities has led to lower production. Ongoing political issues between India and China still affect the supply chain, and pharmaceuticals value added is expected to decrease by more than 9% in 2020, followed by a forecast 15% rebound in 2021.

Construction/ Construction Materials

Remains Poor

In 2019 construction and related industries (e.g. cement) were already impacted by lower demand than in previous years. Operating margins are very tight, especially for smaller players. Delays and postponement of many building projects are expected, due to the overall slowdown in the economy, which will additionally increase the credit risk of many businesses. Construction value added is expected to shrink by more than 5% in 2020, with payment delays increasing over the past couple of months.

Consumer Durables

Remains Poor

Private consumption of non-food consumer goods has deteriorated due to the coronavirus impact, with many businesses temporarily closed due to the lockdown. While sales deteriorated between April and June 2020, there has been a gradual recovery since July due to pent-up demand. The rebound is set to continue in the coming months with the beginning of the festive season. However, subdued consumer sentiment and rising unemployment could still hamper the recovery. Retail value added is expected to contract by 7% in 2020, and the number of payment delays has increased and is expected to rise further in the coming months.

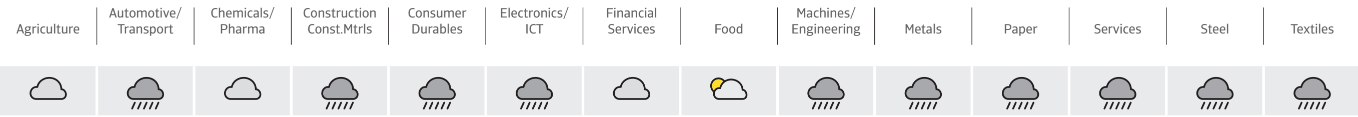
Electronics/ICT

Remains Poor

Over the past couple of years, ICT key drivers were robust economic growth, growing disposable income and penetration into rural markets. However, ICT sales deteriorated due to the temporary closure of businesses during the lockdown measures, and value added growth of the ICT sector is forecast to level off in 2020, after a 5.8% increase in 2019. Payment delays in the ICT sector have started to increase. That said, some ICT businesses have benefited, as demand for laptops and IT products saw some increase as more people have started working from home and home schooling increased.

India

September 2020



Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Financial Services

Remains Fair

The Indian banking sector (especially the public sector bank segment) remains under stress, with a high level of non-performing assets, which has resulted in tightening of lending conditions and of due diligence processes. However, a government recapitalization programme, including consolidation of banks, is ongoing to support the sector. Additionally, the Insolvency and Bankruptcy Code from 2016 has helped to improve corporate repayment discipline to some extent.

Food

Remains Good

Despite ongoing sales, the sector has been impacted by the consequences of the lockdown (e.g. transport and supply chain issues). After two years of robust growth, value added is forecast to decrease 2.5% in 2020 (up 6.9% in 2019).

Machines/Engineering

Remains Poor

The business outlook has deteriorated, as orders on hand and production have decreased due to postponed investments. Domestic and international demand from key buyer sectors like automotive and construction have deteriorated. Engineering value added is expected to contract by more than 9% in 2020.

Metals

Remains Poor

Even before the coronavirus outbreak the industry already suffered from fierce competition and lower demand. Many Indian metal businesses are highly leveraged and heavily depend on bank financing for their working capital requirements. However, banks have been unwilling to provide credit to the industry, which has caused additional liquidity issues for many businesses. Due to subdued economic growth in 2020, metals value added is expected to decrease by more than 5% in 2020, and payment delays have increased.

Paper

Remains Poor

Paper producers have been impacted by less demand due to the lockdown measures in H1 of 2020, lower economic growth and the ongoing digitalization. The sector is impacted by fierce competition and working capital pressure for many businesses. Value added of the industry is expected to contract by more than 11% in 2020.

Services

Remains Poor

Due to the comprehensive lockdown measures in early 2020 and the ongoing coronavirus pandemic, many segments have suffered heavily, especially hotels and catering, restaurants, bars, entertainment and cultural events, travel agencies and tour operators. Hotel and catering value added is expected to contract 8.5% in 2020. In the affected segments, payment delays have started to increase.

Steel

Remains Poor

In 2019 the steel industry already suffered from muted demand and oversupply, leading to fierce competition and deteriorating prices, all putting pressure on profit margins. Many Indian steel businesses are highly leveraged and heavily depend on bank financing for their working capital requirements. However, banks have been unwilling to provide credit to the industry, which has caused additional liquidity issues for many businesses. Several steel businesses went insolvent last year. Due to subdued economic growth in 2020, steel value added is expected to decrease by more than 5% in 2020, with rising payment delays.

Textiles

Remains Poor

Exporters of textiles and cotton suffered in 2019 from fierce competition (e.g. from Vietnam), lower demand from overseas and working capital pressure. In early 2020 textile producers were negatively affected by supply chain disruptions due to the coronavirus-related lockdowns. At the same time, the performance of wholesalers and retailers has deteriorated due to low sales. Domestic and export sales are expected to remain subdued in the coming months, and textile value added is expected to shrink by 3% in 2020. While payment delays have increased over the past couple of months, they are expected to stabilize on an elevated level in Q4 of 2020.

Indonesia

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Agriculture

Remains Fair

Agriculture is not overly affected by the coronavirus pandemic, and the government continues to distribute aid and assistance to farmers in order to increase production. In Q2 of 2020, the agricultural sector was the highest contributor to national economic growth compared to other industries. In 2020 value added is expected to increase by almost 2%.

Automotive/Transport

Remains Poor

According to the Association of Indonesian Automotive Industries (Gaikindo), the sales volume of vehicles with at least four wheels amounted to 290,000 units in H1 of 2020, compared to 500,000 units in H1 of 2019. Motorcycle sales decreased by about 30% year-on-year. A rebound is expected as of Q4 of 2020 at the earliest. In 2020 automotive value added is expected to contract by almost 30%, transport value added by more than 6%.

Chemicals/Pharmaceuticals

Remains Fair

Chemicals and pharmaceuticals businesses generally show robust business financials and good payment records compared to other industries. Consumption of chemicals in the construction materials sector is currently quite low, while still good in the food and pharmaceutical industries. Chemicals value added is expected to decrease by almost 6% in 2021, followed by a 9% increase in 2021.

Pharmaceuticals value added is forecast to increase by more than 2% in 2020, driven by higher health spending. About 90% of the pharmaceutical companies active in Indonesia focus on the downstream sector in producing medicines.

Construction/ Construction Materials

Remains Fair

In 2020 construction added value is expected to decrease 4%. Most of the larger construction companies have started to suffer from sales declines due to the economic slowdown and project delays, with construction activity not expected to rebound before early 2021. However, there are still some projects in the residential, hotel and industrial sectors that are reportedly running according to schedule. The same accounts for infrastructure projects in North Sumatra and North Sulawesi. In 2021 construction value added is forecast to rebound by 9%.

Consumer Durables

Remains Fair

In 2020 annual private consumption growth, a main driver of Indonesia´s economic expansion over the past years, is expected to contract 2.3% year-on-year. Although household spending on non-essential goods has substantially decreased, a large portion of Indonesia's spending is on essential goods, with sales remaining relatively stable. Many retailers temporarily closed due to lockdown measures, and ongoing subdued consumer sentiment and rising unemployment could hamper a rebound in the short-term. Retail value added is expected to contract by more than 6.5% in 2020, but has shown annual growth rates above 4% in 2018 and 2019. Payment delays from retailers directly affected by lockdown measures (e.g. operating in shopping malls) have increased.

Indonesia

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Electronics/ICT

Remains Fair

Domestic ICT sales have deteriorated due to the temporary closure of businesses during the lockdown and subsequent delays in the completion of projects. However, this has been mitigated by higher demand from businesses and the education sector for laptops, tablets and servers in order to support remote working and learning. Until recently, the financial profile of ICT service providers has been generally good, with the majority of companies generating high revenues and profits, coupled with strong balance sheets. However, even before the coronavirus outbreak, ICT wholesalers and retailers already operated in a highly competitive environment, with generally low profit margins, which makes them susceptible to downside risks. ICT value added is forecast to decrease by about 3.5% in 2020.

Financial Services

Remains Good

In Q1 of 2020, credit growth was 2.8% percent, but decreased gradually to 1.5% in June, while financing company receivables contracted 7.3%. Since July there are signs of an improvement, and the government will continue to provide various stimuli to support the performance of the financial sector. These stimuli includes interest subsidies, placement of funds in banks, and credit guarantees for micro, small and medium enterprises, as well as corporations.

Food

Remains Fair

The sector has been impacted negatively by the lockdown measures, and food businesses supplying tourism sites, hospitality and food services recorded decreasing demand. The volume of food production has decreased in H1 of 2020. After robust 6% growth in 2019, value added is forecast to decrease by about 1% in 2020. The depreciation of rupiah against major currencies has also added burden to the cash flow of businesses dependent on raw materials and food imports.

Machines/Engineering

Remains Fair

The Heavy Equipment Industry Association Hinabi expects that in H1 of 2020, heavy equipment manufacturers produced only around 35%-40% of the year-end target (usually manufacturers can produce about 55%-60% of the year-end target. Nevertheless, the machines/engineering industry rating still remains “fair”, as many businesses are still supplying to manufacturing, which has a more positive performance outlook compared to construction, mining and logistics (the main buyer sectors of the heavy equipment segment).

Metals/Mining

Remains Poor

Lower demand from China and deteriorating prices have hit producers and exporters in the mining and energy industries, which already faced a difficult year in 2019. While exports are currently helped by a lower exchange rate, investments in the industry will nevertheless decrease in 2020. Mining and quarrying value added is forecast to decrease 4% in 2020.

Paper

Remains Fair

The sector remains impacted by the ongoing digitalization, which has led to decreasing demand over the last couple of years. Lockdown measures have additionally led to lower demand in H1 of 2020, and value added growth of the industry is expected to contract by about 6% in 2020. However, demand for brown paper used for packaging is still relatively stable, and the growth of e-commerce has increased demand for paper packaging, especially from the food and beverage and the fast-moving consumer goods industries.

Indonesia

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Services

Remains Poor

Due to the comprehensive lockdown measures in early 2020 and the ongoing pandemic, many segments have suffered heavily, especially tourism-related hotels, restaurants, bars, entertainment and cultural events, travel agencies and tour operators. Hotel and catering value added is expected to contract by more than 8.5% in 2020. In order to revive tourism inflow, the government prepared IDR 298.5 billion in funds (IDR 98.5 billion for airlines and travel agencies, IDR 103 billion for tourism promotion, IDR 25 billion for tourism activities, and IDR 72 billion for influencers). Nevertheless, both payment delays and insolvencies are expected to increase in the tourism-related service segments.

Steel

Remains Poor

In 2019 the value added of the steel industry contracted 2.6% amid lower demand and rising pressure on margins. In 2020 the situation has further worsened due to the economic downturn triggered by the coronavirus pandemic. Demand from construction material, automotive and mining sectors continues to decline, and payment delays in the steel sector could increase in the coming months.

Textiles

Remains Poor

Producers already suffered in 2019 from overcapacity, fierce competition and working capital pressure. Wholesalers and retailers are negatively affected by changes in customer behaviour and increased competition from new online retailers. Their performance has further deteriorated due to low sales during the lockdown in early 2020. Textile value added is expected to shrink by about 7% in 2020 after a contraction in 2019, with rising payment delays and defaults.

Japan

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Agriculture

Down from Good to Fair

The sector has been impacted by lockdown measures (e.g. transport and supply chain issues) and the ongoing spread of the pandemic. After several years of increases, agriculture value added growth is forecast to decrease by about 4% in 2020, and the prospects for a comprehensive short-time recovery still look muted, with a modest 2% rebound expected in 2021.

Automotive/Transport

Remains Poor

While margins were already under pressure before the coronavirus outbreak, Japanese automotive producers and suppliers now suffer from globally deteriorating sales for passenger cars and commercial vehicles. This has led to a sharp decrease in production, liquidity strains and cash shortfalls among many businesses in H1 of 2020. The credit risk of Tier 2 suppliers has especially increased, as they often produce low-tech/substitutable products and have weaker financials. While the number of non-payments and insolvency cases was low in 2018 and 2019, in H1 of 2020 bankruptcies in the automotive/transport manufacturers segment increased 25% year-on-year.

Major Japanese automotive manufacturers have resumed most of their production since July 2020, and a gradual recovery is expected in H2 of 2020, although major market uncertainties remain. Despite this rebound, automotive value added is forecast to contract by more than 15% in 2020.

Chemicals/Pharmaceuticals

Remains Good

Chemicals and pharmaceuticals businesses generally show robust business financials, good payment records and low insolvency rates compared to other industries. However, the deteriorating demand from key buyer sectors like automotive has a negative impact on chemicals performance, and sector value added is forecast to decrease by almost 6% in 2020. Pharmaceuticals demand should benefit from rising health expenses.

Construction/ Construction Materials

Remains Poor

In 2020 construction orders and output will suffer from the severe economic recession (GDP is forecast to contract 6%). Construction value added is expected to shrink 4.5% in 2020 (construction materials down 5.5%). Despite implementation of comprehensive fiscal measures to support the liquidity position of companies, the level of payment delays and defaults is expected to increase in the coming months, especially among smaller businesses.

Consumer Durables

Remains Poor

Private consumption of non-food consumer goods deteriorated since Q4 of 2019, due to a VAT increase in October 2019, and the impact of the coronavirus pandemic has accelerated this downturn, as many businesses temporarily closed due to lockdown measures. The sector is affected by the sharp decrease in household consumption, which is forecast to contract almost 6% in 2020. Ongoing subdued consumer sentiment, rising unemployment, and a second wave of the pandemic could hamper a rebound in the short-term. Retail value added is expected to contract by up to 10% in 2020, and the number of payment defaults and business closures is increasing in the non-food retail segment, despite comprehensive fiscal measures to support the liquidity position of businesses. Currently, only a modest 2.5% retail rebound is forecast for 2021.

Japan

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Electronics/ICT

Remains Fair

ICT production has been severely impacted by supply chain disruptions and deteriorated demand from China in Q1 of 2020. At the same time, domestic ICT sales deteriorated due to the temporary closure of businesses during the lockdown in early 2020, while lower global demand hampered exports. Value added growth of the ICT sector is forecast to decrease by about 1.5%, after solid growth rates in 2018 and 2019.

Until recently, the financial profile of ICT producers and service providers has been generally good, with the majority of companies generating high revenues and profits, coupled with strong balance sheets. However, even before the coronavirus outbreak, ICT wholesalers and retailers already operated in a highly competitive environment with generally low profit margins, which makes them susceptible to downside risks.

Financial Services

Remains Good

The sector remains relatively robust. However, increased financial troubles for businesses and consumers alike due to the economic downturn could lead to more loan defaults for banks and tighter lending conditions. Sector value added is expected to decrease 3.5% in 2020, followed by a 3% rebound in 2021.

Food

Remains Good

Despite ongoing sales, the sector has been impacted by the consequences of lockdown measures (e.g. transport and supply chain issues). After two years of growth, value added is forecast to level off or to slightly contract in 2020.

Machines/Engineering

Remains Fair

Companies in this industry are in general financially resilient. However, the business outlook has been impacted by decreasing orders on hand and lower production due to the economic downturn. Domestic and international demand from key buyer sectors like automotive has deteriorated. Engineering value added is expected to contract by almost 9% in 2020. Thus far, however, there was no significant increase in insolvencies, as businesses have benefitted from comprehensive fiscal measures to support their liquidity position.

Metals

Remains Poor

Due to subdued economic growth in 2020, metal manufacturing value added is forecast to shrink by more than 11% this year. Major non-ferrous metal producers and traders in Japan are experiencing a decrease in both demand and commodity supply, due to sluggish production by car manufacturers (which are the main buyers for the industry), and the temporary cession/hold-up of mining activities in South America and Africa (as the result of lockdown measures by the local authorities).

Paper

Remains Fair

The paper industry is of minor relevance in Japan compared to other sectors. The impact of the coronavirus pandemic could be both positive (more people having time to read), but also negative (decreasing advertisement revenues due to the economic slump forcing some magazines or newspapers could leave the market). Sector is forecasted to contract by 8% in 2020.

Japan

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Services

Remains Poor

Due to the comprehensive lockdown measures in early 2020, many segments have suffered heavily, especially hotels and catering, restaurants, bars, entertainment and cultural events, travel agencies and tour operators. Hotel and catering value added is expected to contract by 17% in 2020. In H1 of 2020, insolvencies in the hotels segment increased sharply, by 122% year-on-year. Due the ongoing pandemic and the economic downturn, a rebound in the short-term is not expected, and insolvencies are forecast to increase further in the affected service segments, despite implementation of comprehensive fiscal measures intended to support the liquidity position of businesses. In 2021 only a 0.5% rebound is expected for the hotel and catering segment.

Steel

Remains Poor

This industry is experiencing a sharp drop in demand due to a decrease in orders from car manufacturers and construction companies, which are the main customers for Japanese steelmakers. In addition, given that steel production in China has resumed and the demand remains weak, oversupply and the downward pressure on steel price is a concern for the industry. Steel value added is forecasted to contract by more than 15% in 2020, with only a modest 5% rebound in 2021. So far there was no significant increase in insolvencies, as businesses benefit from comprehensive fiscal measures to support their liquidity position.

Textiles

Remains Poor

Wholesalers and retailers are negatively affected by changes in customer behaviour and increased competition from new online retailers. Their performance has further deteriorated due to low sales during the lockdown in early 2020 and subdued consumer sentiment. Textiles value added is expected to shrink by more than 10% in 2020, with rising payment defaults and business failures. Currently only a 0.5% value added rebound is expected in 2021.

Singapore

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Automotive/Transport

Remains Poor

Due to the economic downturn, domestic sales of passenger cars and commercial vehicles are decreasing, which has led to increased credit risk for the car retail segment. The weak economic outlook is likely to hinder consumer's willingness to make larger purchases such as vehicles in 2020. Sector value added is forecast to decrease by 2.4% in 2020, with a 6.6% recovery expected in 2021. The transport segment has been impacted by lockdown measures and decreased demand for logistics, with the airline segment severely hit. Transport value added is forecast to contract by more than 8% this year.

Chemicals/Pharmaceuticals

Remains Fair

Chemicals and pharmaceuticals businesses generally show robust business financials, good payment records and low insolvency rates compared to other industries. However, deteriorating demand from key buyer sectors domestically and abroad has a negative impact on chemicals performance, and sector value added is forecast to decrease by 3.5% in 2020. That said, pharmaceuticals demand benefits from rising global health expenses leading to higher exports, and sector value added is expected to increase by more than 19% in 2020.

Construction/ Construction Materials

Remains Bleak

Subdued economic growth in 2019 already impacted private construction activity (residential and commercial) last year, with businesses facing fierce competition, tighter margins, slow payments and increasing insolvencies.

The situation has further deteriorated as a result of the coronavirus, since the majority of projects (including ongoing public infrastructure and civil engineering works) were put on hold due to lockdown measures and the high infection rate among foreign construction workers (which made up the majority of coronavirus cases reported in Singapore). As of mid-August, all 330,000 workers in dormitories have been tested, and the authorities are cautiously planning for the gradual and safe release of workers back on sites. All construction sites are assessed for a special Building and Construction Authority´s approval as per COVID-Safe Restart Criteria before they are allowed to resume works. The downturn in the construction sector is projected to be deeper and more protracted than previously anticipated due to the longer time taken to clear and rearrange foreign workers residing in dormitories. Construction output contracted 59.3% year-on-year in Q2 of 2020, deteriorating from the 1.2% decrease recorded in Q1. Since July, payment delays and and credit insurance claim cases are increasing.

Consumer Durables

Remains Poor

In response to the coronavirus outbreak, the government imposed Circuit breaker (lockdown) from April 7th to June 1st. This severely affected the non-food retail sector, as department stores and other retail shops were closed. Government subsidies and rental rebates from some landlords were provided to the affected retailers during the period.

Retail outlets have been allowed to reopen since June 19th, but the deteriorated economic condition (private consumption is forecast to shrink 5.5% in 2020) and restrictions on tourist visas continue to pose challenges to the sector in the near future. Retail value added is expected to contract by 13% in 2020, and the number of payment defaults and business closures is increasing in the non-food retail segment.

Electronics/ICT

Remains Fair

While ICT was impacted by supply chain disruptions and deteriorated demand from China in H1 of 2020, production has gradually resumed since then, as global ICT companies have restarted their operations. Spending from businesses and employees on digital goods and services has increased due to the sharp rise of remote working. The industry will benefit from the roll-out of 5G and the growing need for data centers.

Additionally, in order to boost the economy and support businesses recovering from the coronavirus repercussions, the Singaporean government has announced it will spend an estimated SGD 3.5 billion on ICT procurement in the financial year (FY) 2020, an increase of 30% from FY 2019 projected spending of SGD 2.7 billion. The increased spending will help the government accelerate digitalization, as technology becomes increasingly vital in enabling citizens and workers to resume normal activities, and businesses to reopen safely after the Circuit breaker.

Singapore

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Financial Services

Remains Good

Bucking the overall trend, the financial services sector grew 5% in H1 of 2020. However, increased financial troubles for businesses and consumers alike due to the economic downturn and job losses could lead to more loan defaults for banks and tighter lending conditions. While the Monetary Authority of Singapore expects sector growth to slow in H2 due to weaker credit demand and lower interest rate margins, a contraction seems to be unlikely.

Food

Remains Fair

Supply chain disruptions from Malaysia and other countries have slowly eased, as most countries have lifted movement restrictions. However, food wholesalers and distributors continue to be impacted by the deteriorated demand from hotels, restaurants and caterers. While businesses are slowly back in operations, most of them are still not operating at full capacity. It is expected that the rebound of the food industry will remain slow over the coming months. Value added is expected to increase by 1% in 2020.

Machines/Engineering

Remains Fair

While companies in this industry are generally financially resilient, the business outlook has been impacted by decreasing orders on hand and lower production due to the economic downturn. Electrical machinery value added is expected to contract 3.5% in 2020. However, the precision engineering segment benefited from a stronger than expected demand for semiconductors and semiconductor equipment in Q2 of 2020, and this trend is expected to persist in H2.

Metals

Remains Poor

In 2020 the situation has further deteriorated, due to the economic downturn triggered by the coronavirus pandemic, with less demand from construction as a key buyer industry. Additionally, production has been hampered by lockdown measures and supply chain disruptions. Metal value added is expected to decline by almost 6% in 2020, and payment delays and insolvencies will increase in the coming months.

Paper

Remains Fair

The paper industry is of minor relevance in Singapore, with products mainly coming from other countries like Indonesia. The impact of the coronavirus pandemic could be both positive (more people having time to read), but also negative (decreasing advertisement revenues due to the economic slump could force some magazines or newspapers to leave the market). So far, the paper sector has been neither severely affected nor boosted.

Services

Remains Bleak

Due to the comprehensive lockdown measures in H1 of 2020, service segments suffered heavily, especially hotels and catering, restaurants, bars, entertainment and cultural events, travel agencies and tour operators. The accommodation and food services sector contracted 41.4% in Q2 of 2020 after a 23.8% decrease in Q1. Hotel and catering added value is forecast to decrease 26% in 2020. Payment delays and insolvencies are increasing in the affected service segments.

Steel

Remains Poor

In 2019 the steel industry already showed a subdued performance, with lower demand from key sectors like construction and rising pressure on margins. In 2020 the situation has further worsened, due to the economic downturn triggered by the coronavirus pandemic, with demand decreasing further. Both payment delays and insolvencies are expected to increase this year.

Textiles

Remains Poor

Wholesalers and retailers are negatively affected by changes in customer behaviour and increased competition from new online retailers. Their performance has further deteriorated due to low sales during the lockdown in Q2 of 2020 and ongoing subdued consumer sentiment. Clothing value added is expected to shrink by more than 7% in 2020, with rising payment defaults and business failures among retailers.

South Korea

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Agriculture

Remains Fair

The sector has been impacted by lockdown measures (e.g. transport and supply chain issues) in Q1 of 2020. After increases in 2018 and 2019, agriculture value added growth is forecast to grow by only 0.5% in 2020. However, a quick rebound is expected once the pandemic eases.

Automotive/Transport

Remains Poor

South Korean automotive producers and suppliers have been severely impacted by supply chain disruptions from China in Q1 of 2020, triggered by the coronavirus outbreak. Additionally, they currently suffer from globally deteriorating sales for passenger cars and commercial vehicles. This has led to declining production, liquidity strains and cash shortfalls among many businesses. Automotive value added is forecast to contract by almost 8% in 2020, after a 0.3% decline in 2019. While the number of non-payments and insolvency cases was low in 2019 and in H1 of 2020, an increase cannot be ruled out in the coming months, as a comprehensive rebound is still not on the horizon.

Chemicals/Pharmaceuticals

Down from Good to Fair

Chemicals and pharmaceuticals businesses generally show robust business financials, good payment records and low insolvency rates. However, the deteriorating demand from key buyer sectors has a negative impact on chemicals performance, and sector value added is forecast to contract by more than 4% in 2020. Pharmaceuticals demand should benefit from rising health expenses, with value added expected to grow by more than 7% in 2020.

Construction/ Construction Materials

Remains Poor

Value added in the construction industry contracted 3.6% in 2019, mainly due to a slump in residential construction. In 2020 value added is forecast to decrease again, by about 2%, as construction output is impacted by the country's economic slowdown. Construction materials value added is expected to contract by more than 8%. Residential construction is expected to decrease further, while commercial construction is impacted by manufacturers' reluctance to invest. At the same time, it will take some time until public infrastructure projects will materialise. In 2021 only a modest construction rebound below 1% is forecast. Payment delays and insolvencies in the industry are expected to increase, especially among smaller businesses.

Consumer Durables

Remains Poor

Consumption of non-food consumer goods has decreased due to the coronavirus pandemic (e.g. lockdown measures), and private consumption is expected to contract this year due to low consumer sentiment and rising unemployment. Retail value added is expected to contract by about 5% in 2020, and payment delays and insolvencies are expected to increase among non-food retailers in the coming months.

Electronics/ICT

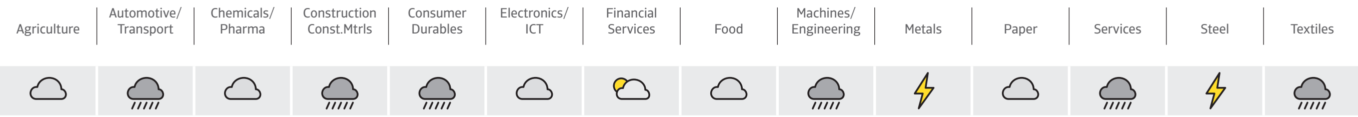
Remains Fair

South Korea is the world's leading producer of displays and memory semiconductors. For the time being, the financial profile of ICT producers and service providers remains generally good. Payment behaviour over the past two years has been good, with low number of protracted payments. However, in 2019, a global slowdown in demand and prices for semiconductors took a toll on equipment investment. Export growth deteriorated on the back of increased trade tensions and China's growth slowdown. Additionally, ICT production has been severely impacted by supply chain disruptions and deteriorated demand from China in Q1 of 2020.

As the lockdowns in China were lifted, production resumed and demand for electronic products rebounded in Q2 of 2020. Demand for tablet, computer and television items recovered compared to Q1, due to increased remote working and higher household demand. However, global shipment of smartphones still remained at a low level. Currently, ICT value added is expected to grow 4.5% in 2020.

South Korea

September 2020



Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Financial Services

Remains Good

The sector remains relatively robust. Interest rate cuts and financial support to SMEs and self-employed assist to maintain a healthy financial market. Sector value added is expected to grow about 4% in 2020.

Food

Down from Good to Fair

Despite ongoing sales, the sector has been impacted by the consequences of lockdowns (e.g. transport and supply chain issues) and the ongoing spread of the pandemic. In 2020 value added is forecast to decrease 3%, while in 2021 a rebound of about 2.5% is expected.

Machines/Engineering

Down from Fair to Poor

Companies in this industry are in general financially resilient. However, the business outlook has been impacted by decreasing orders on hand and lower production due to the economic downturn. Demand from key buyer sectors like automotive has deteriorated. Engineering value added is expected to contract significantly by 3.5% in 2020.

Metals

Remains Bleak

In 2018 and 2019 the metals industry already showed a subdued performance, with lower demand from key sectors like shipbuilding and rising pressure on margins. In 2020, the situation has further worsened, due to the economic downturn triggered by the coronavirus pandemic, prompting less demand from automotive. Metal value added is expected to decline by about 6% in 2020, after two years of annual contraction. Payment delays and insolvencies could increase in the coming months.

Paper

Remains Fair

The paper industry is of minor relevance in South Korea compared to other sectors. Due to the economic slump and decreasing advertisement, some magazines and newspapers have left the market. Paper value added is expected to contract by about 6% in 2020.

Services

Remains Poor

Due to the comprehensive lockdown measures in early 2020, many segments have suffered heavily, especially hotels and catering, restaurants, bars, entertainment and cultural events, travel agencies and tour operators. The sector has rebounded somewhat since Q2 of 2020, as demand from local customers increased, but uncertainties about the impact of a second wave of the pandemic remain. Hotel and catering value added is expected to contract by more than 6% in 2020. Both payment delays and insolvencies are expected to increase in the affected service segments.

Steel

Remains Bleak

In 2018 and 2019 the steel industry already showed a subdued performance, with lower demand from key sectors like shipbuilding and rising pressure on margins. In 2020 the situation has further worsened, due to the economic downturn triggered by the coronavirus pandemic, with less demand from automotive and construction. Steel value added is expected to decline by more than 5% in 2020 after two years of annual contraction, and payment delays and insolvencies are expected to increase in the coming months.

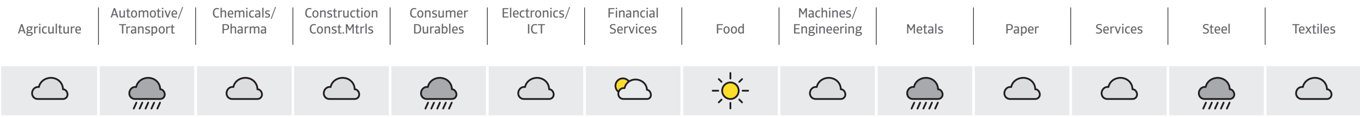
Textiles

Down from Fair to Poor

Wholesalers and retailers are impacted by lower sales due to lower consumer sentiment and higher employment rate. Textiles value added is forecast to contract by about 8% in 2020.

Taiwan

September 2020



Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Automotive/Transport

Remains Poor

Due to the economic downturn, sales of passenger cars and commercial vehicles are decreasing, and automotive valued added is forecast to decline by more than 6%. The transport segment has been impacted by lockdown measures and decreased demand for logistics, with value added expected to contract by about 4% in 2020.

Chemicals/Pharmaceuticals

Remains Fair

Chemicals and pharmaceuticals businesses generally show robust business financials, good payment records and low insolvency rates. However, the deteriorating demand from key buyer sectors has a negative impact on chemicals performance, and sector value added is forecast to decrease by about 4% in 2020. Pharmaceuticals demand should benefit from rising health expenses, with value added expected to grow by about 1.6%.

Construction/ Construction Materials

Remains Fair

Construction orders and output will be impacted by the economic downturn. Construction value added is expected to increase modestly or to level off in 2020 after two years of annual growth.

Consumer Durables

Remains Poor

Consumption of non-food consumer goods has decreased due to lockdown measures, and household consumption is expected to contract this year. Retail value added is expected to decline by 1.5% in 2020 after growing 2.5% in 2019.

Electronics/ICT

Remains Fair

Until recently, the financial profile of ICT producers and service providers has been generally good, with the majority of companies generating high revenues and profits, coupled with strong balance sheets. Payment behavior over the past two years has been good, and the number of protracted payments low.

However, electronics/ICT exports (which account for about 33% of total Taiwanese exports) already decreased in 2019, due to less global demand and the impact of the Sino-US trade dispute. In early 2020, the lockdowns of several Chinese cities hampered the flow of electronics/ICT related goods to and from Taiwan, leading to delays in downstream production and shortage of upstream raw materials.

In H1 of 2020, shipments of both tablets and smart phones decreased by double-digit rates, while robust growth in the PC market was observed due to the global surge of remote working. ICT value added is forecast to level off in 2020, as demand will remain subdued due to the economic slowdown in mainland China, followed by a modest 2.5% increase in 2021.

The increasing US restrictions on several Chinese ICT businesses are affecting some major Taiwanese suppliers of semiconductors and chips. However, it is currently expected that Taiwanese ICT businesses can compensate by supplying their items to other smartphone producers.

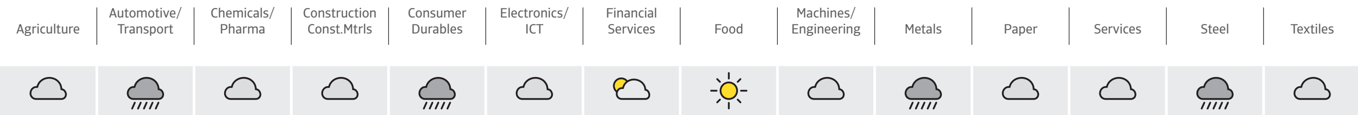
Financial Services

Remains Good

The sector remains relatively robust. However, increased financial troubles for businesses and consumers alike due to the economic downturn could lead to more loan defaults for banks and tighter lending conditions. Finance value added is expected to level off or to decrease slightly in 2020.

Taiwan

September 2020



Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Food

Remains Excellent

Despite ongoing sales, the sector has been impacted by the consequences of the lockdown (e.g. transport and supply chain issues). After two years of growth, value added is forecast to decrease by 3% in 2020. However, businesses' financials are resilient for the time being.

Metals

Remains Poor

In 2019 the metals industry already showed a subdued performance, with lower demand from key sectors and rising pressure on margins. In 2020 the situation has further worsened, due to the economic downturn triggered by the coronavirus pandemic. Metal manufacturing value added is expected to decline by more than 4% in 2020, and payment delays and insolvencies will increase in the coming months. However, thanks to a diversified product portfolio, key players in this sector still recorded a positive profit and loss accounts in H1 of 2020.

Services

Remains Fair

Service sector value added is expected to level off in 2021, after growing 2.3% in 2019. However, due to comprehensive lockdown measures in early 2020 and the ongoing global coronavirus pandemic, some service segments are suffering. Amongst these are hotels and catering, restaurants, bars, entertainment and cultural events, travel agencies and tour operators. In Q1 of 2020, the hotel occupancy rate in major cities decreased by more than 70%. Despite a recovery in Q2 of 2020 supported by government incentives, the hotel segment recorded a wave of bankruptcies in H1 of 2020. Hotel and catering value added is expected to contract by more than 5% in 2020, and both payment delays and insolvencies are expected to increase further in all tourism-related segments. A rebound in those segments strongly depends on a global containment of the pandemic.

Steel

Remains Poor

In 2019 the steel industry already showed a subdued performance, with lower demand from key sectors and rising pressure on margins. In 2020 the situation has further worsened, due to the global economic downturn triggered by the coronavirus pandemic (steel exports account for about 40% of domestic production). Steel value added is expected to decline by 3% in 2020, and payment delays and insolvencies could increase in the coming months, especially among businesses dependent on exports. That said, key players still recorded a positive profit and loss accounts in H1 of 2020, due to relatively stable domestic demand.

Thailand

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Agriculture

Remains Fair

The sector has been impacted a severe drought and lockdown measures (e.g. transport and supply chain issues). After several years of increases, agriculture value added growth is forecast to level off or to grow only modestly in 2020, but the prospects for a rebound are good.

Automotive/Transport

Remains Poor

Many automotive producers have cut costs through employee layoffs and reduced production. Even before the coronavirus outbreak, this sector already suffered from weaker domestic demand and lower exports resulting from Baht appreciation. After a 2.8% decrease in 2019, automotive value added is forecast to contract by more than 28% in 2020. The supply chain line suffers, as many car manufacturers in China and Japan have lowered production. The credit risk of Tier 2 suppliers has especially increased, as they often produce low-tech/substitutable products and suffer from liquidity strains and cash shortfalls.

In the transport segment, airlines have been severely impacted by the coronavirus outbreak. Thai Airways International has entered into a rehabilitation process under the Central Bankruptcy Court. In order to alleviate losses, the company has cut salaries and other allowances of executives by 15%-25% for six months as of March 1, 2020. Transport value added is expected to decrease by almost 7%.

Chemicals/Pharmaceuticals

Remains Fair

Chemicals and pharmaceuticals businesses generally show robust business financials, good payment records and low insolvency rates compared to other industries. The coronavirus pandemic is driving higher spending on health personnel, medical equipment and drugs, with pharmaceuticals value added expected to grow by more than 3% in 2020. However, the deteriorating demand from key buyer sectors like automotive has had a negative impact on chemicals performance, and sector value added is forecast to decrease by about 4% in 2020.

Construction/ Construction Materials

Remains Fair

In 2020 construction orders and output will suffer from the severe economic recession (GDP forecast down almost 6%). Construction value added is expected to shrink by 10% in 2020, after two years of solid annual growth. In 2021 a rebound of more than 10% is expected. Currently, construction activity is sustained by some major public infrastructure projects, such as the Airport High-Speed Rail link in Bangkok and the expansion of Map Ta Phut Seaport. However, late payments have recently increased in the industry.

Consumer Durables

Remains Poor

Private consumption of non-food consumer goods has deteriorated due to the coronavirus impact, with many businesses temporarily closed due to the lockdown. Demand for household appliances, furniture, jewellery and leisure articles has sharply decreased. Ongoing subdued consumer sentiment and rising unemployment could hamper a rebound in the short-term. Purchasing patterns have completely changes, as consumers are placing a greater focus on essential spending categories. Retail value added is expected to contract by 7.5% in 2020, and the number of late payment and store closures in the non-food retail segment is expected to increase in the coming months.

Electronics/ICT

Remains Fair

The electronics/ICT sector has been severely impacted in short-term by supply chain disruptions during the lockdown. While the market situation has started to recover, pressure remains due to weak purchasing power. Domestically, demand for electronic components from the automotive industry has deteriorated. There is also a weaker demand in key export markets for hard disk drives. In H2 of 2020, demand for PCs, notebooks and related devices is expected to increase again due to the reopening of schools and New Year spending. ICT added value is expected to decrease by more than 4% in 2020, followed by a 6.5% rebound in 2021.

Thailand

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Financial Services

Remains Good

The Thai banking sector is healthy, as banks are well capitalized. However, increased financial troubles for businesses and consumers alike due to the economic downturn could lead to more loan defaults for banks and tighter lending conditions. Finance value added is forecast to decrease by about 1% after solid growth rates in 2018 and 2019.

Food

Remains Good

Food exports remain a major asset to Thailand´s export performance, due to large overseas demand for rice, seafood, frozen food, processed food products and ready-made foods. Food value added is expected to increase 1% in 2020

Machines/Engineering

Remains Fair

Companies in this industry are generally financially resilient. However, the business outlook has been impacted by decreasing orders on hand and lower production due to the economic downturn, especially subdued demand from key buyer sectors like automotive. Engineering value added is expected to contract by about 8% in 2020, followed by a 5.5% rebound in 2021.

Metals

Remains Poor

In 2019 the metals industry already showed a subdued performance, with rising pressure on margins and lower demand from key sectors like automotive. In 2020 the situation has further worsened due to the economic downturn triggered by the coronavirus pandemic, including suspension of automobile production and holding off on new projects from the private sector. Metal value added is expected to decline by about 8% in 2020, after a 0.7% contraction in 2019, and payment delays could increase in the coming months.

Paper

Remains Poor

Production in the books and print media segment continues to decrease, as demand for printing, writing paper and newsprint is declining, due to the increasing importance of digital media and the internet. Environmental issues (e.g. green economy) also play a role in this. Printing and publishing value added is forecast to decrease by 3.5% in 2020.

Services

Remains Poor

The impact of the coronavirus pandemic is particularly felt in Thailand’s tourism sector, weighing on the performance of the services sector. Tourism generates more than 10% of Thailand’s GDP, while Chinese tourists accounted for more than 25% of tourism revenues in 2019. Due to the comprehensive lockdown measures in early 2020 and the ongoing entry restrictions, many segments have suffered heavily, especially hotels and catering, restaurants, bars, entertainment and cultural events, travel agencies and tour operators. Hotel and catering value added is expected to contract by 20% in 2020. Payment delays have started to increase in the affected service segments, while many hostels, guesthouses, tour operators, and restaurants have shut down.

Steel

Remains Poor

Since 2005, Thailand has consistently recorded a trade deficit in steel. In 2019 the steel industry already showed a subdued performance, with lower demand from key sectors like automotive, and rising pressure on margins. In 2020 the situation has further worsened, due to the economic downturn triggered by the coronavirus pandemic, including suspension of automobile production and cancellation of new projects from the private sector. Steel value added is expected to decline 12% in 2020, after a 7.5% contraction in 2019.

Thailand

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

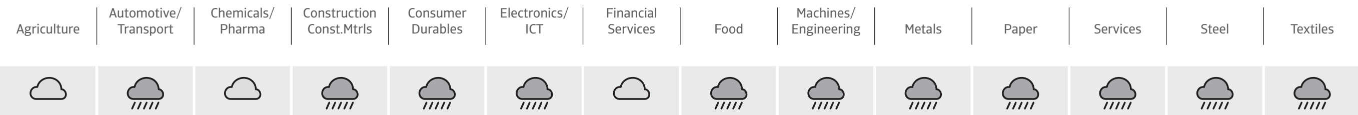
Textiles

Remains Bleak

Producers already suffered in 2019 from overcapacity, fierce competition and working capital pressure. Wholesalers and retailers are negatively affected by changes in customer behaviour and increased competition from new online retailers. Their performance has further deteriorated due to low sales during the lockdown in early 2020. Garment and textile exports are also expected to drop by 40-50% due to order cancellation from foreign buyers. Textiles value added is expected to shrink by 11% in 2020, after large contractions in 2018 and 2019, with further rising payment delays and business failures. Currently, it is expected that about 50% of textile and textile-related businesses will be forced to shut down, leaving up to 200,000 people unemployed.

United Arab Emirates

September 2020



Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Automotive/Transport

Remains Poor

Due to the economic downturn, domestic sales of passenger cars and commercial vehicles decreased 30% year-on-year in H1 of 2020, which has led to increased credit risk for the car retail segment. Due to low business and consumer sentiment, there is no comprehensive rebound on the horizon, and automotive value added is expected to decline 20% in 2020. The same accounts for the transport segment, which has been impacted by lockdown measures and decreased demand for logistics, with the airline segment severely hit.

Chemicals/Pharmaceuticals

Remains Fair

Until recently, chemicals and pharmaceuticals businesses have shown acceptable business financials. However, the deteriorating demand from key buyer sectors has had a negative impact on chemicals performance. Payment performance of businesses in the plastic and related segments remains poor, while the payment performance of pharmaceutical businesses is better, given increased demand for medicines and medical products due to the pandemic.

Construction/ Construction Materials

Remains Poor

The industry was already performing poorly before the coronavirus outbreak, as modest economic growth over the past couple of years prevented higher spending on building projects. This already led to increased cash difficulties and tight margins for construction businesses, especially for smaller players. Construction businesses are adversely impacted by the ongoing recession, especially by reduction in government spending, low capital expenditure from corporates and decreased demand for housing. Many high-profile building projects have been delayed or stopped. Sector value added is expected to contract by 5% in 2020.

Consumer Durables

Remains Poor

The domestic consumer durables market remains characterised by high competition (online and offline), single-digit margins, low entry barriers, high indebtedness of businesses and prudent bank support with loans. Consumption of non-food consumer goods has decreased due to comprehensive lockdown measures (e.g. temporary closure of shopping malls and commercial centres), and the fact that about 5% of the population (approximately 500,000 mainly expatriate workers) have left the country due to pandemic. Retail value added is forecast to contract 7% in 2020. Distributors present in Dubai's free trade zones and redistributing to the wider Middle East and Africa are impacted by sharply decreased demand in those end-markets.

Payment delays and protracted defaults continue to remain high due to deteriorating demand, cash flow problems, fierce competition and lack of support from banks. The level of non-payment notifications and credit insurance claims in the non-food retail sector is expected to increase further, particularly in Dubai.

Electronics/ICT

Remains Poor

The ICT value chain in the UAE encompasses vendors, distributors, power retailers, resellers and other small retailers. There is no manufacturing. Most of the vendors and distributors are in Dubai's free trade zones and redistribute to the wider Middle East. The market is characterised by stiff competition, low and declining margins, low entry barriers and a lack of support from banks. While domestic demand for ICT products has been sustained by the general movement restrictions and more reliance on digital connectivity, re-export sales have deteriorated, and non-payment notifications have sharply increased year to date in 2020.

Financial Services

Remains Fair

The banking sector has proved largely resilient in 2018 and 2019, despite a subdued economic performance and deteriorating government finances, both triggered by low oil prices. However, increased financial troubles for businesses and consumers alike due to the ongoing recession have led to increased non-performing loans and problematic assets. As a result, lending conditions remain tight in the UAE.

United Arab Emirates

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Food

Remains Poor

Sales have been negatively impacted by lockdown measures, a decreasing population (approximately 500 thousand people, mainly expatriate workers, have left the country due to pandemic), declined consumer confidence and less demand from still struggling hotels and restaurants. As a result, payment defaults are expected to increase in this segment.

Machines/Engineering

Remains Poor

The business outlook has worsened due to decreasing orders on hand, which resulted from the economic downturn. Domestic demand from key buyer sectors like construction and oil and gas has deteriorated. Engineering value added is expected to contract by more than 9% in 2020.

Metals and Steel

Remain Poor

In 2019 the metals industry already showed a subdued performance, with lower demand from key sectors like construction, along with rising pressure on margins. In 2020 the situation has further worsened, due to the severe economic downturn triggered by the coronavirus pandemic. Reduced demand from both local and offshore re-export business has impacted metal and steel providers. Steel value added is forecast to decrease almost 7% in 2020.

Services

Remains Poor

Due to the comprehensive lockdown measures in early 2020 and the ongoing pandemic, many service businesses suffered heavily in H1 of 2020, especially hotels and catering, restaurants, bars, entertainment and cultural events, travel agencies and tour operators. Hotel and catering value added is expected to contract by 34% in 2020.

Service sectors in Dubai have been especially severely affected by the massive deterioration in tourism inflow. Many hotels, private tourist related businesses and restaurants have closed, while establishments which have reopened are still running below optimal utilization levels. This leads to stress on the financial performance, and both payment delays and insolvencies are expected to increase.

Textiles

Remains Poor

Wholesalers and retailers are negatively affected by changes in customer behaviour and increased competition from new online retailers. Their performance has further deteriorated due to low sales during the lockdown in early 2020 and subdued consumer sentiment. Textiles value added is forecast to decrease almost 8% in 2020.

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