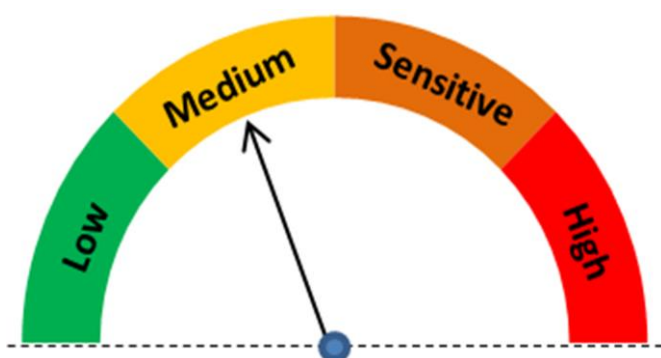


Sector Risk Rating



What to Watch?

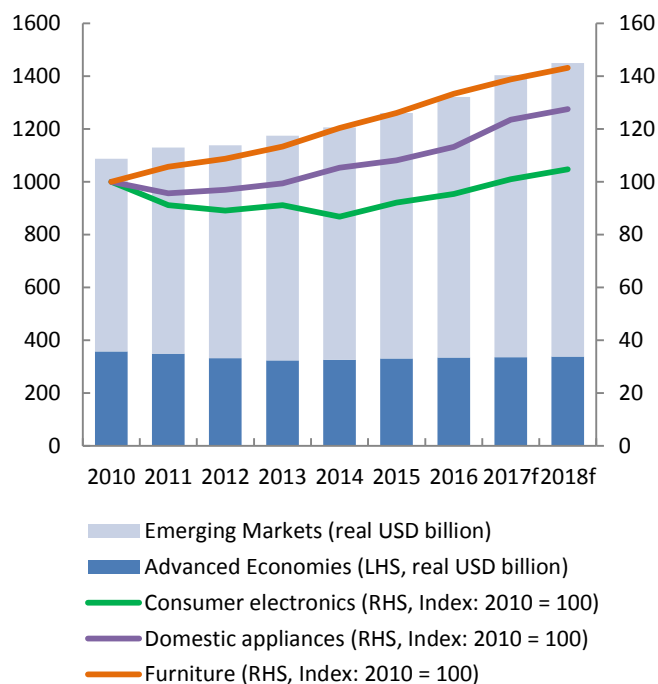
- Growing buyers bargaining power thanks to increasing simplicity of comparing products
- Counter measures by other countries responding to US protectionist measures regarding home appliances
- Continued consolidation driven by the need of major investments and economies of scale

When calling your device «smart» is not enough anymore

In 2018 the household equipment, being closely intertwined with the business cycle, should continue to face strong demand thanks to the pickup of the global economic growth. The trend not homogenous Developed markets are expected to continue to see only modest sales growth with most of the purchases being made as replacement sales, while emerging markets lead the way thanks to the expansion of the middle class who can now afford a larger variety of household products. We see a number of risks and challenges within the supply chain. The risk and challenges today lie mostly within the supply side of the equation.

The furniture manufacturers' main focus today is reducing costs at every part of their supply chain to stay competitive at even lower price points. Other industry segments also have to respond to the challenge of digitalization or, in other words, find their niche in the connected home of the future. Since 2000 when LG introduced the world's first "connected" fridge, the market has been flooded with Internet of Things devices, but even today the technological landscape remains very fragmented with devices from different manufacturers being unable to communicate with one another. Those companies that are able to deliver products that not only fulfill customer's needs but also anticipate them will gain a competitive advantage.

Household equipment sector sales by group of countries and by subsector



Sources: Oxford Economics, Euler Hermes

Key Players

Country	Role	Sector Risk
China	#1 producer #2 exporter	●
Japan	#2 producer #7 importer	●
United States	#1 importer #3 producer #5 exporter	●

Strengths

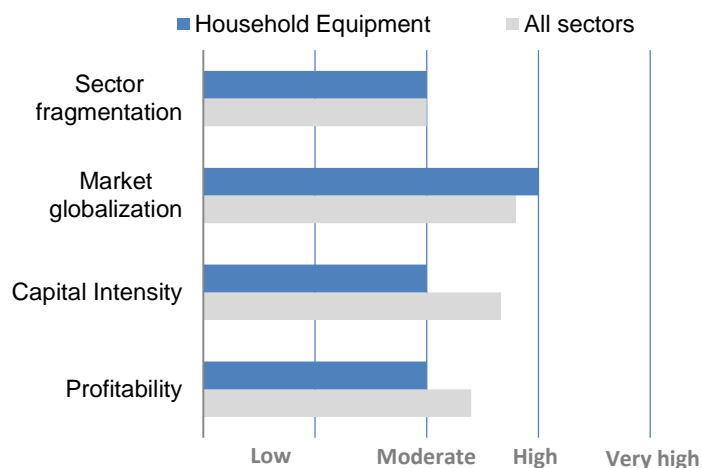
- New market opportunities thanks to the growing middle class in some emerging markets
- High difficulty of disruption considering the importance of R&D
- Rising importance of digital products inside homes

Subsector insights

Domestic appliances: Closer integration with retailers (for example, washing machines ordering detergent when running low)

Consumer electronics: Hisense and TCL, Chinese TV manufacturers, for the first time have earned their place among the world's top 10 LCD TV brands in terms of sales

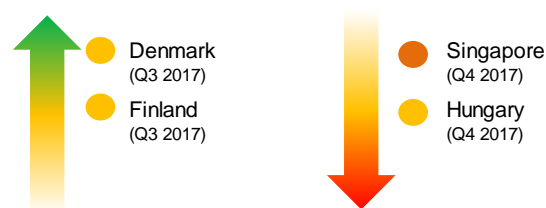
ID Card



Weaknesses

- High sensitivity to household income and savings rate
- Reliance on the cyclical construction market

Recent Sector Risk Changes



DISCLAIMER

These assessments are, as always, subject to the disclaimer provided below.

This material is published by Euler Hermes SA, a Company of Allianz, for information purposes only and should not be regarded as providing any specific advice. Recipients should make their own independent evaluation of this information and no action should be taken, solely relying on it. This material should not be reproduced or disclosed without our consent. It is not intended for distribution in any jurisdiction in which this would be prohibited. Whilst this information is believed to be reliable, it has not been independently verified by Euler Hermes and Euler Hermes makes no representation or warranty (express or implied) of any kind, as regards the accuracy or completeness of this information, nor does it accept any responsibility or liability for any loss or damage arising in any way from any use made of or reliance placed on, this information. Unless otherwise stated, any views, forecasts, or estimates are solely those of the Euler Hermes Economics Department, as of this date and are subject to change without notice. Euler Hermes SA is authorised and regulated by the Financial Markets Authority of France.

© Copyright 2018 Euler Hermes. All rights reserved.