no. 1185

Global Sector Outlook

Economic sectors put to the test

Euler Hermes Economic Research Department

Economic Outlook

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Editorial

The industrial marathon is underway

International business sector forecasts

A

- Food & bevarages
- Pharmaceuticals
- Automobiles
- Chemicals

B

- Consumer electronics
- Automotive components
- Rail, maritime & aeronautics equipment
- Machinery
- Manufacture of IT & telecoms equipment
- Paper & pulp
- Steel
- Semiconductors & components
- Distribution
- Information & communication technologies

C

- Construction
- Air transport

D

Londoners will forever remember the summer of 2012 for two reasons. Firstly, it was in the City of London that Mario Draghi, the President of the European Central Bank (ECB) chose to issue a stern message to the Euro's detractors: "*The ECB is ready to do whatever it takes to preserve the euro. And believe me, it will be enough*" he announced. We can therefore expect a particularly eventful return from the holidays, marked by a new series of political and monetary measures aimed at relieving the financial pressures which Greece, Spain and Italy have been under for more than a year now (and indirectly the rest of Europe due to the ricochet effect). Meanwhile, on the other side of the Thames, it will be the 30th modern Olympic Games which people will remember. For a few weeks at least, these Olympics (the third to be held in London) will banish the particularly downbeat economic mood which currently exists in the United Kingdom. Amidst the feats and achievements of more than 10,000 athletes who are gathered here for the occasion, international political tensions will temporarily subside as people cheer on their country's teams. In our industry news, we have focused on the effects which particularly difficult budgetary adjustments are having on industry dynamics. Has austerity become a sector-specific problem? Cost-driven management has become increasingly prevalent in the main business sectors in Europe. On the other side of the Atlantic, the process of re-industrialisation is underway but the property market and the possibility of a brutal end to key tax incentives are all causes for concern. Finally, in the emerging economies, a slowdown in global trade is forcing these countries to focus on domestic demand and on the much-needed structuring of their industries. The continued lacklustre progress with achieving worldwide recovery is proving sorely trying for a number of sectors. Their resistance and endurance are being tested to the full, sometimes with painful consequences. So who are the winners in this industrial marathon? The gold medal is shared, with a tie between the chemicals/pharmaceuticals sector and the food industry, which are still being spurred on by diversified demand. The silver medal goes to the equipment manufacturers (particularly in the automotive sector) and to the IT and electronics industry in the wider sense which continue to stand up well though with some difficulties. Finally, the bronze medal goes to the construction and air transport sectors. The first is exhausted due to a lack of growth drivers or public intervention while the second suffers from a low level of profitability due to stiff competition and reduced margins._*Ludovic Subran*

Overview

Economic sectors put to the test

Existing sector-specific difficulties exacerbated by austerity measures

Month after month, a trend is emerging of lacklustre consumption, falling industrial production, slowing corporate investment and weak global growth. Europe is in recession, held back by the major difficulties experienced by the economies of southern Europe which are introducing successive austerity plans in an effort to reduce their public deficits and to regain investor confidence. American growth, which had previously been thought of as solid, has been showing signs of running out of steam over the last few months, as confirmed by the unemployment figures which are barely falling. Although the American automotive industry has returned to double-digit growth, problems in the construction sector show that the ill effects of the crisis have not yet been fully overcome. Faced with this general slowdown, the emerging nations have lost some of their potential markets and are consequently seeing their own growth rates slowing too.

An increasing number of industries experiencing difficulties in Europe

The main European countries, particularly those of the South, are introducing ever more austerity plans, which are eating into the purchasing power of households and therefore reducing their consumption. Two sectors are particularly hard hit as a result of this fall in revenue and the lack of visibility: construction, for which there is little scope for a turnaround in the short term, and, naturally, distribution. To this must be added car sales, which have been struggling for five years now. The market should slip below the 13 million vehicle level, i.e. 3 million less than before the economic crisis. We would be dreaming if we thought that with unemployment rates of 10%, 15% (or even almost 25% as in Spain) the market will bounce back in the short term. In something of a vicious circle, the round of restructuring announced within the automotive industry will lead to increased unemployment, all the more so as this will have a knock-on effect further upstream in the steel industry. Similarly, the service sector which is chiefly dependent upon domestic demand is treading water this year. We should also not forget the difficulties of the airline companies faced with competition from low-cost operators and companies from the Gulf states equipped with modern, high-performance fleets. Despite all of this, it's not all doom and gloom in Europe as several sectors are continuing to thrive. These sectors include the food and pharmaceuticals industries for which demand, even domestic, continues to rise. The chemicals industry and the automotive equipment manufacturers with their global strategies have successfully benefited from growth areas while adapting their production resources in declining regions. Finally, we should add the enviable health of the aeronautical construction sector with its bulging order books.

In the United States, the property market is still an obstacle

It had been hoped that the upturn in the US in early 2012 would lead the way for a global recovery. But here too, over the months, cracks have been appearing as shown by the falling household ▶

Keys to symbols

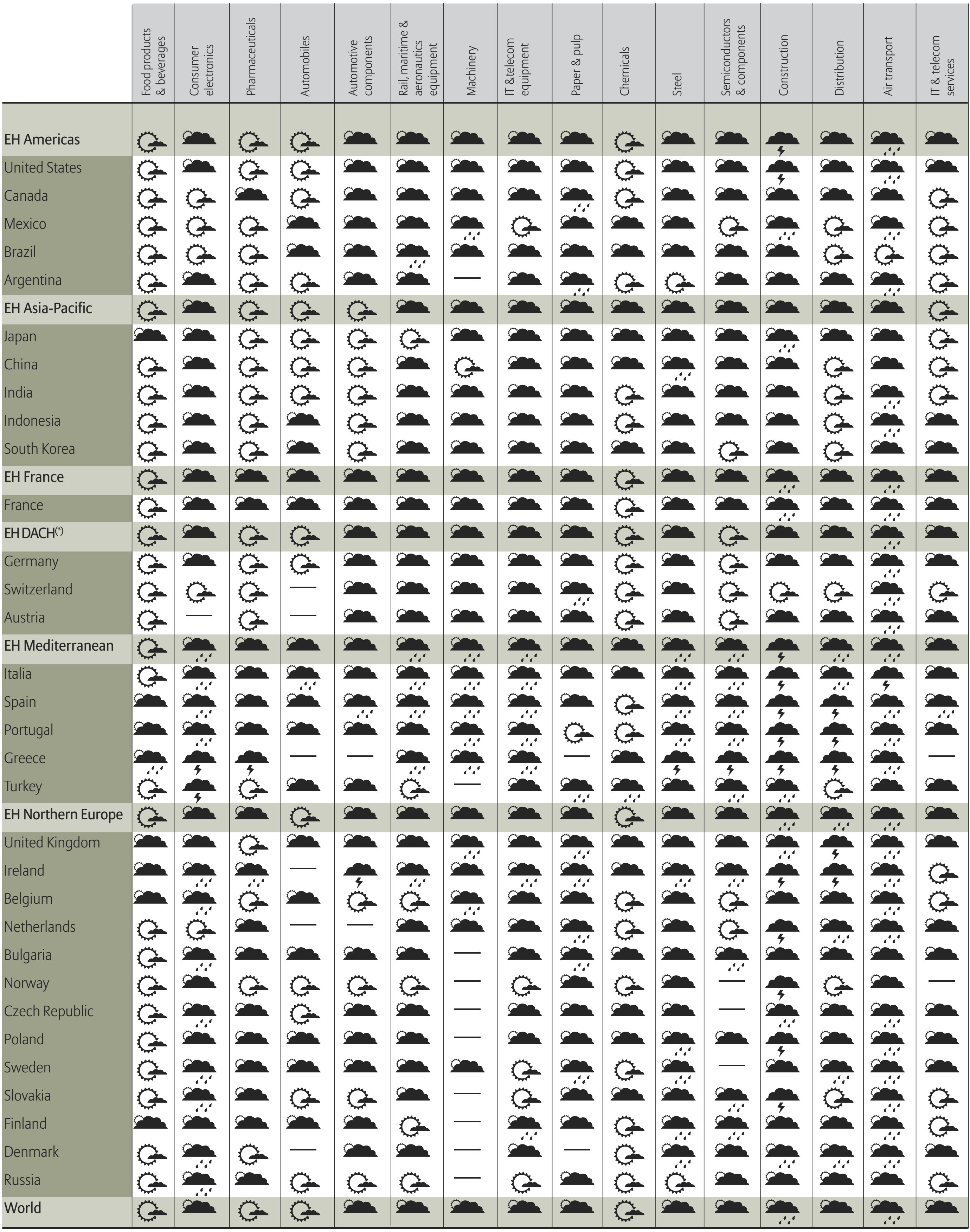
- Note A — **Positive fundamentals & outlook**
- Note B — **Signs of weaknesses**
- Note C — **Structural weaknesses**
- Note D — **Imminent or recognised crisis**
- — — **Not available**

▶Our business sector forecasts are a rating system founded upon the microeconomic expertise of Euler Hermes group underwriters and analysts, who closely monitor risk in companies worldwide through our network of more than 50 local subsidiaries. This results in a qualitative assessment of the health and outlook of a sector. Generally, although not in every case, this assessment includes growth forecasts for a given sector. We focus more on the health of businesses (in terms of margins and solvency) than on their growth in turnover.

▶Starting this year, the forecasts cover a large number of countries — 32 in total — spread across the six major zones as defined by Euler Hermes. The number of modalities under the ratings has been cut to 4, compared to 5 previously, to avoid arriving at an average level that is little representative of the realities. The category 'Not available' indicates a sector that is not present in a country or an aggregate that cannot be calculated. The sector forecast for a given zone is the weighted sum (by GDP) of the forecasts of the countries concerned._

International

Business sector forecasts



(*) Germany - Austria - Switzerland

Source: Euler Hermes

consumption figures seen for three months now. In fact, the United States is still suffering from the same problems: the collapse of the property bubble has not yet been fully digested. The property market remains depressed, with households carrying too much debt while their assets have been devalued. Additionally, though falling, the default rate on property loans still remains above its pre-crisis level. The property market has still not stabilized, although stocks of vacant homes are gradually declining. However, standing at 2.2 million units this is still way above its pre-crisis level. At the other end of the scale, we see the double-digit growth of the automotive market (and production) which has been amazingly consistent since early 2010. After a major round of restructuring with 18 factories closed during the crisis period, this industry has recovered its profitability and its strength to expand worldwide. Overall, American industry is progressing favourably, whether we consider the chemicals, pharmaceuticals or food industries or the aeronautical sector with its enviably healthier outlook, just like that of its European competitor. Finally, through their sheer discipline, the American companies are seeking to optimise their capacity usage levels. The consolidation of the key players in the industry is certainly not complete, but the way forward has been clearly laid out. Until the liabilities of the crisis in the American real estate sector have been fully absorbed, the recovery risks being a chaotic one.

The outlook is favourable in the emerging economies for sectors focused on domestic demand

The slowdown in global demand is naturally adversely affecting exports and with it the activity levels of the emerging countries. Despite this, most of these countries have some room for manoeuvre from a budgetary viewpoint enabling them to stimulate their domestic demand. They are achieving this through spending on infrastructure (roads and railways) as is the case with Brazil which will be committing USD 30 bn by lowering interest rates as in China and India to encourage the financing of small businesses in addition to the purchasing of cars and real estate, or finally through the introduction of customs barriers (protectionism) in Brazil and Russia, with increases in import taxes. Our roundup of industry news also shows that the economic environment for companies continues to be generally healthy and the various sectors remain profitable. Despite this, although the emerging nations have made great headway in certain sectors such as semi-conductors or telecommunications equipment, huge swathes of their industries still need to be (re)structured. Examples include the iron and steel or automotive industries in China where the number and weakness of the companies present in the market make them uncompetitive and above all not particularly innovative. However, there are also successful examples proving that the emerging nations can make headway in most sectors, as seen with South Korea's acquired leadership in the consumer electronics industry to the detriment of the Japanese, or the remarkable turnaround of the British carmaker Jaguar Land Rover following its acquisition by the Indian group Tata._*YL*

Overall summary analysis of the six Euler Hermes regions

EH Americas

Strengths

- **The IT sector:** the US enjoys a historically strong position in this market with a high level of R&D.
- **The food industry:** a strong presence in the worldwide export markets for agricultural commodities.
- **The financial autonomy** of the United States and its capacity to stimulate growth
- The rise in shale gas production, **which has injected new life into the** American **chemical sector.**
- The recovery of the American **automobile industry.**

Weaknesses

- **The construction sector** in the United States has been penalised by stocks of available housing for sale and by mortgage debts.
- **Air transport**: profitability remains low despite something of a clear-out in the market.
- **Consumer electronics**: final consumption remains lacklustre.
- **Pharmaceuticals**: laboratories hard hit by the expiry of patents for blockbuster drugs.

Threats

- Risks of financial problems for the public **Medicare/Medicaid** programmes.
- The accumulation of **public debt.**
- The temptation to introduce **protectionist measures** (Brazil).

Opportunities

- A need for **infrastructure and housing** in South America.
- **Aeronautical construction**: strong demand for aircraft (increase in production throughput and consistently healthy order levels).
- **Air transport**: strong expansion in South America.
- **The "Obamacare" law** providing access to health care for an additional 30 million Americans.

EH Asia-Pacific

Strengths

- **China's trade surpluses**.
- The presence of **IT equipment manufacturers**, including in the growth sector of telecommunication equipment.
- **Air transport**: companies which also possess sizeable freight businesses.
- A dominant position in the **electronic components and consumer electronics sectors**.

Weaknesses

- **Chemicals**: being positioned far upstream in the value chain (thereby generating lower added value), which means greater sensitivity to variations in energy costs.
- **Pharmaceuticals**: the varying and unequal quality of drug refund programmes.
- **The increasing value of the yen** in comparison to USD/EUR is harming the profitability of Japanese companies and industry as a whole.
- The difficulty of controlling **property prices** in China.

Threats

- Increases in the **price of housing**.
- A slowdown in growth, particularly in Europe and the United States, which will adversely **affect exports**, particularly from China.
- Increasing environmental risks in the **chemicals and pharmaceuticals industries**.

Opportunities

- Represents more than a third of the global population, with increasing **purchasing power**.
- **The food industry**: a sharp rise in the consumption of processed food products and changing consumption patterns (meat, dairy products, etc.).
- **Air transport**: strong expansion (well-managed in China, though more difficult in India).
- The need for **infrastructure and housing.**

EH DACH(*)

Strengths

- A healthy structural **trade surplus**.
- A flourishing **automotive industry**, gaining market share on all continents.
- Positioned in the top of the **range chemical sector**, due to the strength of German companies (Basf, Bayer, Lanxess and Evonik).
- Moderation in **real estate prices**.

Weaknesses

- Declining population growth, which is having an effect on the **construction industry**.
- The recession in the Eurozone will hit **German exports**.

Threats

- **Air transport**: a sector which is sensitive to economic difficulties and strong competition from low-cost carriers and Gulf airlines.
- **Pharmaceuticals**: measures to reduce the deficits of the health insurance programmes.
- **The electronics sector** is dependent on investments from other countries in the Eurozone.

Opportunities

- **Aeronautical construction**: strong demand for aircraft (increase in production throughput and consistently healthy order levels).
- Success in **worldwide exports**, benefiting from the growth of the emerging nations.
- An attractive **property market** in the major urban areas.

(*) Germany, Austria, Switzerland

EH Northern Europe

Strengths

- The strength of the British **financial industry**.
- The recovery of the British **automotive industry** with large-scale foreign investments.
- **The food industry**: a strong presence in the worldwide export markets.
- **The United Kingdom's monetary autonomy** in comparison to the Eurozone.

Weaknesses

- The economic crisis looks set to continue a while longer for the **construction sector** in the absence of any support measures.
- **Consumer electronics**: production costs are insufficiently competitive.

Threats

- Austerity measures, which are stifling **household consumption** (the UK and Ireland).
- **Air transport**: vulnerable to economic difficulties and strong competition from low-cost carriers and the Gulf airlines.

Opportunities

- **Construction**: requirement for renovation work in Poland and Russia in addition to environmental upgrades in all countries.
- **Aeronautical construction**: strong demand for aircraft (increase in production throughput and consistently healthy order levels).
- **The food industry**: changes in consumption patterns in Eastern Europe and Russia.

EH France

Strengths

- **Pharmaceuticals**: a high performance production base (Sanofi is one of the world's 5 leading laboratories).
- A strong global position in the **luxury goods sector** for textiles, leather goods and spirits.
- **The food industry**: a diversified production base and a reputation for excellence regarding certain products.
- **Construction** groups among the world leaders in the industry.

Weaknesses

- **The trade deficit** has seriously worsened over the last decade.
- Gradual de-industrialisation and the difficulties of the **carmaking industry**.
- The restructuring of the **petrochemicals sector**, resulting in measures to reduce excess capacity.
- Significant relocation of the production of **electronic, IT and telecommunication equipment**.

Threats

- **Air transport**: vulnerability to economic difficulties and strong competition from the low-cost carriers and Gulf airlines.
- **The elimination of certain tax loopholes** which will affect the construction industry in particular (i.e. the scrapping of the "Sellier" law giving considerable tax reductions on property).
- Measures to reduce the **deficits of the health insurance** programme.

Opportunities

- **Aeronautical construction**: strong demand for aircraft (increase in production throughput and consistently healthy order levels).
- The development of **preventive medicine**: vaccine production.
- **Construction** in France: marked by a chronic deficit of more than 500,000 homes and dynamic population growth.

EH Mediterranean & Africa

Strengths

- **Very low production costs** in the countries of north Africa, facilitating the expansion of local industry.
- A strong **luxury goods industry** in Italy for clothing, footwear and vehicles.

Weaknesses

- **The construction industry** in Spain is being adversely affected by stocks of existing housing available for sale.
- **Lacklustre consumption and investment**, with austerity plans in Italy, Spain, Portugal and Greece.
- Determined measures **to reduce the deficits of the health insurance** programme.

Threats

- The **Spanish economy** lacks growth drivers.
- **Air transport**: vulnerability to economic difficulties and strong competition from low-cost carriers and the Gulf airlines.
- Loss of market share by the **Italian vehicle manufacturers**.

Opportunities

- **The economic expansion** of the countries of northern Africa.
- **The creation of a car industry** in Morocco.
- **Lower labour costs** in southern Europe, Spain and Portugal favourable to exports.

Commodities
From hope to disillusionment

An erratic first half-year

After a start to the year buoyed by hopes of a long-term recovery in the global economy, the reality of the consequences of the 2008-2009 economic crisis have since sunk in. Debts, public deficits and the ever- higher financing costs of certain states, weaker than expected American growth and a slowdown in the emerging nations all combined to produce lower growth in global demand and with it a fall in the prices of raw materials. A classic example of this changing situation can be seen with the movements in oil prices, which have fallen by more than -20% in 3-4 months. However, the International Energy Agency considers that oil prices have now bottomed out. The slide in prices has also affected non-ferrous metals but to a lesser extent: zinc (-1.4% between June 2012 and December 2011), copper (-1.5%), aluminium (-3.7%) and above all nickel (-11.7%). On the other hand, during this first half year we have not seen a reduction in the price of steel which has remained generally stable in line with global production which has flatlined for several months under the 1.5 bn tonnes per annum mark. The soar in the prices of precious metals, gold and silver, is also behind us. Although their prices are very slightly down since the start of the year, they are still trading at very high levels as they continue to be seen as a safe haven during this chaotic economic and financial period. This is also the case for the prices of agricultural raw materials, which have fallen overall by around -10%. Quite apart from economic constraints, however, the prices of agricultural raw materials also vary according to climatic conditions. The drought that has affected both the United States and Russia could well have a major impact on cereal crops and lead to a sharp hike in prices.

More uncertainty ahead

Raw materials prices are the consequence of the interaction between supply and demand. However, demand is a direct consequence of economic growth. As we are all aware, this is weakening month after month. With recessions in Europe and a slowdown in the United States and the emerging nations, the demand for raw materials is growing more slowly and prices may continue to fall. This could be the case for industrial raw materials including ferrous and non-ferrous metals for which the main markets (particularly construction and car making) are stagnating. On the other hand, oil prices could well have bottomed out and may begin rising in response to the geopolitical crisis concerning the Strait of Hormuz. Finally, the prices of agricultural raw materials should see a fresh period of growth influenced by such factors as unfavourable climatic conditions and growth in demand from emerging nations, where consumption habits are changing and increasingly mirroring those of the developed nations. In this situation the food industry may once again see its margins deteriorating, unless it passes on the increase to the end consumer, thereby generating inflation. It is difficult to imagine that this would happen, as the fight against inflation is central to the policies of the emerging countries, and purchasing power is falling in the developed economies under the effect of austerity programmes._*YL*

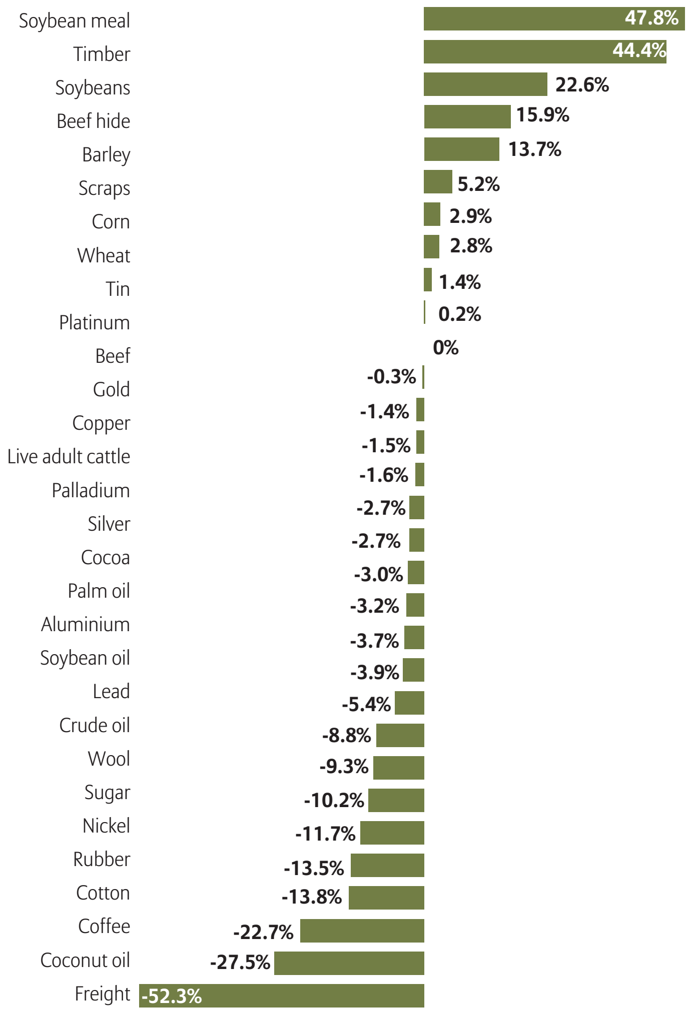
Commodities prices

USD		Dec. 2011	June 2012
Soybean meal	USD per tonne	281.52	416.1
Build timber	1,000 board feet	256.18	370
Soybeans	USD per bushel	11.24	13.78
Bovine skins	USD cents per pound	72.07	83.5
Barley	USD per tonne	211.67	240.76
Scraps	USD per tonne	596.1	627.07
Corn	USD per bushel	6.13	6.31
Wheat	USD per bushel	6.07	6.24
Tin	USD per tonne	19,375.01	19,650.00
Platinum	USD per once troy	1,454.59	1,458.00
Beef	USD per pound	1.83	1.83
Gold	USD per once troy	1,640.55	1,635.00
Zinc	USD per tonne	1,908.32	1,881.00
Copper	USD per tonne	7,569.59	7,459.5
Live adult cattle	USD cents per pound	122.2	120.26
Palladium	USD per once troy	645.04	627.70
Silver	USD per once troy	30.59	29.75
Cocoa	USD cents per tonne	2,216.75	2,150.95
Palm oil	USD cents per tonne	972.86	941.5
Aluminium	USD per tonne	2,018.73	1,944.75
Soja oil	USD cents per pound	50.2	48.25
Lead	USD per tonne	2,015.98	1,907.50
Crude oil	USD per baril	108.11	98.62
Wool	USD per kilo	9.54	8.65
Sugar	USD cents per pound	23.13	20.77
Nickel	USD per tonne	1,8187.96	1,6055.00
Rubber	USD cents per pound	333.92	289
Coton	USD cents per pound	94.94	81.8
Coffee	cents per pound	189.39	146.36
Coconut oil	USD cents per pound	65.7	47.63
Freight	BFI/BDI index (1,000=1988)	1,839.09	878.00

Sources: CyclOpe, Euler Hermes

Commodities prices forecasts for 2012

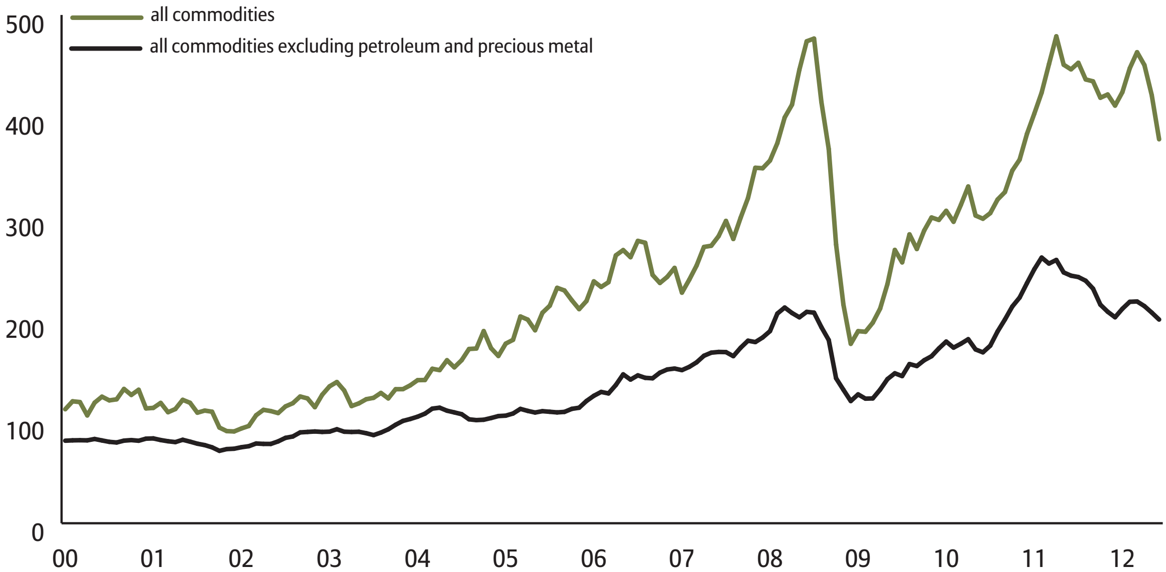
2012 compared with 2011 annual average, in %



Sources: CyclOpe, Euler Hermes

CyclOpe indicators

basis, 1988=100



Sources: CyclOpe, Euler Hermes

World Grade

A

Food products & beverages

The importance of a clear strategy

Limited visibility for late 2012
In 2011, global sales for this sector exceeded USD 5,400 bn (*source: IHS Global Insight*), up by +15% in comparison to 2010, approximately two thirds of which was accounted for by production prices. For 2012, global production should continue to increase at the same pace (+5 to 6%), once again being driven on by the emerging markets. On the other hand, the recent pressure on the market prices for corn, wheat and soya should eventually reverse the downward trend seen with global agricultural commodities prices since the start of the year (-9.8% for the first half of 2012 in comparison to 2011, according to the FAO food price index). Furthermore, the increase in the number of takeovers in the global food industry since the start of 2012 (with 116 underway or completed in comparison to 88 in 2011, according to *Bloomberg*) shows that the companies are seeking growth and synergy drivers to boost their organic performance, eroded by economic difficulties.

2012 is expected to be mediocre in Europe

The lacklustre household consumption in Europe is adversely affecting the results of the players in the industry (regardless of their size) present in these markets. In the worst hit countries, the international groups are duplicating business strategies already applied in the emerging regions, including reducing portion sizes or reformulating recipes to ensure that their brands remain competitive faced with the private label products gaining ground in this environment.
Furthermore, consolidation in this sector is pressing ahead voluntarily (with the merger of the Arla Foods and Milk Link dairy cooperatives, respectively Danish/Swedish/German and British owned) or under duress (following the possible dismantling of the French poultry group Doux). The European companies are breaking free of this straitjacket by investing in the emerging nations, but also in more promising activities (with GBP 1 bn invested in the production of Scotch whisky over 5 years by Diageo). Finally, the acquisition of the Czech brewer Starbev by the American company Molson Coors for EUR 2.65 bn confirms that Eastern Europe remains a region full of potential.

Adapting business portfolios in the United States

The profitability of the American food industry (excluding beverage) continued to improve in the first quarter of 2012 (with a profitability after tax of 4.2% according to the Census Bureau) in comparison with its low point reached in the third quarter of 2011, but still remains well below the annual averages of 2009 and 2010 (5.9% and 5.6% respectively). The groups are constantly reviewing the perimeter of their activities or investing massively to establish themselves in segments for which the outlook appears favourable. Proof of this can be seen with the heightened interest in the yoghurt sector including the acquisition of Yoplait by General Mills in 2011 (USD 1.15 bn), Danone's investment of USD 100 mn to increase its production capacity, and the creation of a joint company between Theo Muller and PepsiCo, in particular in order to dethrone the leader in the growing Greek yoghurt market, Chobani. Also demonstrated by the acquisition of Bolthouse Farms by Campbell Soup (USD 1.55 bn), this interest in chilled foods offering health and well-being benefits has resulted from the mounting pressure on the food industry groups regarding the nutritional quality of their product ranges.

Enthusiasm for the emerging economies

Still attractive due to the expansion in regional demand, the emerging countries continue to generate immense international interest. A further new sign of this (among others) is the announcement of the major increase in Coca-Cola's expansion in India, where it plans to invest not USD 2 bn as revealed last year but USD 5 bn by 2020. Conversely, with the acquisitions of the British company Weetabix and the French company Diva, the Chinese company Bright Food has shown that local businesses plan on taking advantage of Chinese dynamism while also basing their growth on Western brands, which are seen by Chinese consumers as a guarantee of health and quality, and which provide an additional attraction often exceeding that of domestic competitors and frequently commanding a higher sales price. The prospect of using Western distribution networks acquired on the same occasion to export Chinese products is also an added motive for these external acquisitions._*BG*

To watch…

►The prices of agricultural raw materials, packaging and energy.

►Consumption trends, which now change very quickly in the wake to certain campaigns (e.g., against obesity)._

Business sector forecasts

	Jul-12	Jan-12
EH Americas	🌤	🌤
United States	🌤	🌤
Canada	🌤	🌤
Mexico	🌤	🌤
Brazil	🌤	🌤
Argentina	🌤	🌤
EH Asia-Pacific	🌤	🌤
Japan	☁	☁
China	🌤	🌤
India	🌤	🌤
Indonesia	🌤	🌤
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EH France	🌤	🌤
France	🌤	🌤
EH DACH(*)	🌤	☁
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Bulgaria	🌤	🌤
Norway	🌤	🌤
Czech Republic	🌤	🌤
Poland	🌤	🌤
Sweden	🌤	🌤
Slovakia	🌤	🌤
Finland	☁	☁
Denmark	🌤	🌤
Russia	🌤	🌤
World	🌤	🌤

(*) Germany - Austria - Switzerland

Source: Euler Hermes

Major world food and beverages companies

Rank	Company	Nationality	Turnover 2011	Change 2011/2010
USD bn				
1	Cargill	United States	119,5	18,0%
2	Nestlé	Switzerland	93,9	7,5%
3	ADM	United States	80,7	30,8%
4	PepsiCo	United States	66,5	15,0%
5	Kraft Foods	United States	54,4	10,5%
6	Coca-Cola	United States	46,5	32,5%
7	AB InBev	Belgium/Brazil/United States	39,0	4,6%
8	Tyson	United States	32,3	13,5%
9	Unilever	United Kingdom/Netherlands	31,7!	6,0%
10	SAB Miller	United Kingdom	31,4	10,7%

! only food activity

Source: companies, based on most recent accounts data

Food production growth, selected countries

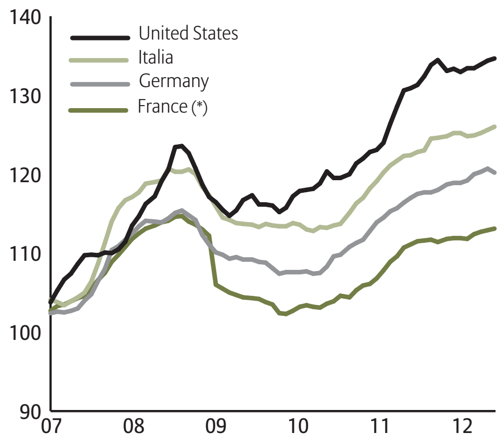
by volume	Change 2010/2009	Change 2011/2010
Germany(*)	1,2%	0,9%
Brazil	-0,1%	4,3%
United States	2,3%	-0,1%
France	4,0%	-0,5%
Japan(*)	-0,1%	0%

(*) beverages and tobacco products included

Source: National statistics

Change in food products price index

basis, 2005=100



(*) beverages and tobacco products included

Source: National statistics

World Grade

B

Consumer electronics sector

A digital future

A deflationary virus

Consumer electronics, which includes all high-tech products intended for sale to private clients, may end up with a growth level in 2012 which is less impressive than we anticipated, at around 2.5%. Expected to be around USD 1,010 bn in value terms, the market for consumer electronics owes its growth for sustained demand from the emerging countries whose equipment requirements remain significant. To this should be added the effects of the digital convergence underway in the industry, linked to a pace of product innovation driven mainly by manufacturers from the United States (Apple), South Korea (Samsung and LG) or Japan (Panasonic, Sony or Sharp). Sports events attracting a worldwide audience such as the Olympic Games in London this summer are also encouraging consumers to purchase better quality screens, even if this dynamic trend has slowed due to the effects of the current crisis.

Europe has been seriously weakened

The European Union suffers from the fact that it has no shield against falling prices in the consumer electronics sector, as in comparison to the manufacturer, the distributor is free to set prices as long as the products are not sold at a loss. This means that online vendors have something of an advantage as they are not taxed at the same level as real world "bricks and mortar" stores. The European consumer electronics market is suffering as a result, with the deflationary effect having a heavy (or even excessive) influence faced with the surging volumes of certain promising segments such as tablet PCs or flat screen devices meeting advanced standards (OLED, LED or "smartTV"). Viewed from this angle, France is among the markets faring worst. As an example, we are expecting a fall of -7% in the number of television sets sold in 2012 compared to 2011 after several years' growth. Within the industry, the slowdown in the pace of ground-breaking innovations may not be enough to reverse this trend in the short term.

The United States is licking its wounds

The price war raging in the North American market is also eating into consumer electronics manufacturers' margins. Fuelled by the remarkable performance of Apple in the smartphone and tablet sector, the pace of new products launched across the Atlantic accelerates their degree of obsolescence leading to a rapid fall in their average sales prices. The manufacturers have responded to this with a special policy for the US, the "Unilateral Minimum Retail Price Policy" which involves setting a minimum price for each of their products, to be practised by physical or online distributors, failing which the products may be withdrawn or supplies cut off without this being considered in any way illegal. This has helped to attenuate the mediocre outlook for 2012, particularly for televisions for which we estimate that sales in the United States should fall in volume terms by approximately 3% unless consumption becomes more dynamic.

With the exception of Japan, Asia is reaping the benefits

The Japanese consumer electronics manufacturers who were formerly dominant in this industry had mostly made heavy losses at the end of their last financial year. This was particularly the case for Panasonic (- USD 10 bn) which may come as some surprise when we compare this to the healthy profits of its competitor Samsung, which has become the global leader in this sector. The cause of this divergence lies in the fact that the Japanese consumer electronics manufacturers do not seek to differentiate themselves from one another. Instead, they compete on an excessively wide range of similar products. Their R&D investments remain lacklustre, without being any more effective in terms of additional added value which could justify higher prices. Televisions are a perfect example. Until the middle of the previous decade, the Japanese virtually "monopolised" half of this market. Today however, it is their Korean competitors who have the upper hand, with LG and Samsung alone representing almost a third of the global market share for flat screen TVs in 2011._*ML*

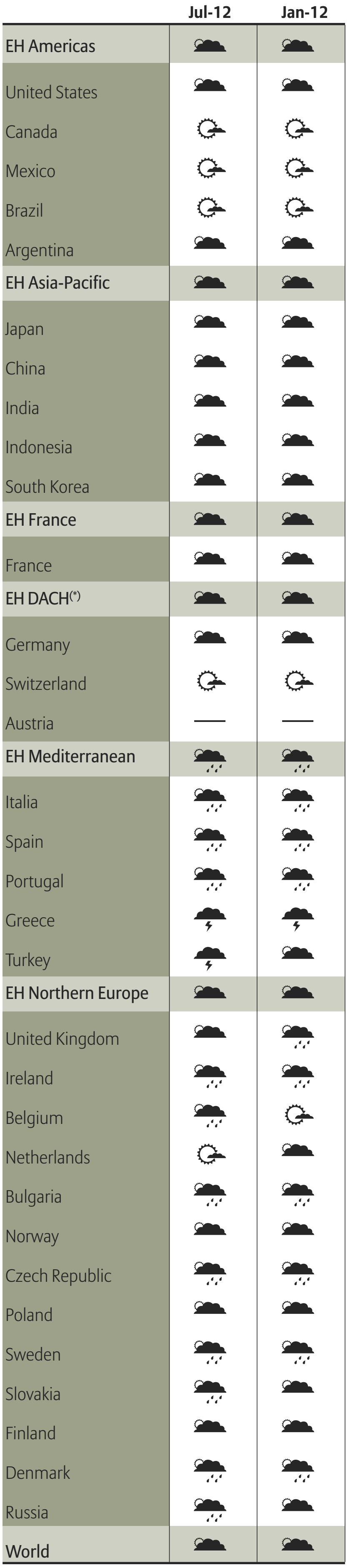
To watch…

►**Stagnant household consumption in the developed nations.**

►**Any restructuring underway by the Japanese manufacturers.**

►**A slowdown in the pace of product innovation in the industry._**

Business sector forecasts



(*) Germany - Austria - Switzerland
Source: Euler Hermes

Major world consumer electronics companies

Rank	Company	Nationality	Turnover *USD bn* 2011	Change 2011/2010
1	Samsung	South Korea	126	12%
2	Panasonic	Japan	98	-10%
3	LG	South Korea	88	6%
4	Apple(*)	United States	81	88%
5	Sony	Japan	80	-11%
6	Sharp	Japan	31	-18%
7	TPV	China	11	5%
8	Philips	Netherlands	7	-4%

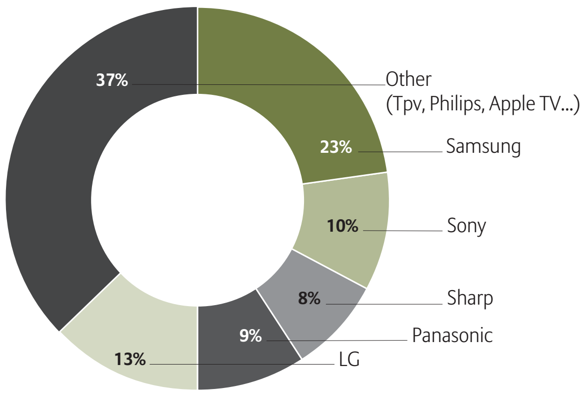
(*) EA surge in turnover related to the soaring sales of the iPad
Source: companies, based on most recent accounts data

Share of smartphone market in Western Europe, per system

Operating systems	Owner	2011	Trend
Androïd	Google (United States)	59%	↗
iOS	Apple (United States)	23%	→
Symbian	Nokia (Finland)	7%	↘
Blackberry	Rim (Canada)	6%	↘
Autres	-	5%	nc

Source: IDC

Global market share of TV set manufacturers in 2011, in %



Source: DisplayResearch

World Grade

A

Pharmaceuticals

Healthy growth

The basic market indicators are looking good
Expected to be worth some USD 920 bn in 2012, the outlook for the global pharmaceuticals market is enviably encouraging. Its annual average growth has stabilised at around 4% over the last two years. Apart from a demographic and “wealth” effect, pharmaceuticals are benefiting from a long period of faster growth in health expenditure in relation to GDP in countries in which such expenditure is covered by a public financing scheme. However, this must also take account of the high levels of deficit some of them are running. At the same time, the major laboratories are seeking to limit the negative impact upon their accounts of the expiry of patents for their blockbuster drugs generating more than USD 1 bn in average sales. By 2020, the main growth driver for pharmaceuticals will be access to medicines in the emerging countries.

Europe faced with the expiry of patents

Generating almost a third of global pharmaceuticals sales, Europe (including Russia) will need to deal with the expiry of a number of highly profitable drug patents. Although the European laboratories are lamenting the loss of these patents, the states tolerate this as they see this as an effective means of offsetting the current deficits in their health insurance programs. Once a drug enters the public domain, it is open to competition from generic copies sold at a lower price through pharmacies as they do not have to bear the R&D costs of the original drug. This means a lower margin for the major laboratories, unlike the generic producers who see their product ranges expanding, enabling them to meet growing demand. It is for this reason that most of the European Big Pharma companies have chosen to diversify. They are developing generic activities within their own organisations, such as Novartis with Sandoz, or increasing their range of vaccines (as is the case with Sanofi) to combat the scourge of dengue fever. In as far as they are immune to the generic “virus”, vaccines offer protection from the threat of purchased volumes later being cut.

Hard times for the US laboratories

Although it accounts for almost 40% of global pharmaceutical sales, the American continent has not escaped the difficulties of this particular sector. However, care must be taken to make a distinction between the sector overall and its local key players. Following the constitutional approval of the so-called “Obamacare” law in June, an extra 30 million Americans will have access to a health insurance policy. This is increasing American pharmaceutical demand, whereas it has faced with the colossal deficits of the Medicaid and Medicare public health schemes. The balancing variable risks being the price to pay. The US Big Pharma companies have reacted sharply. They have increased the pace of concentration in the industry, with the result being mass redundancies (105,000 jobs lost over three years). Or else they are making cuts in their R&D budgets to protect their margins faced with intense generic competition, with three of the world’s six leading generics manufacturers being American. To this should be added the intervention of the FDA, which no longer hesitates in handing out large fines to laboratories marketing their drugs outside the authorised perimeter in the United States. The latest examples to date are the USD 1.6 bn paid by Abbott to bring an end to the regulator’s legal action concerning the use of Depakote, or the USD 3 bn inflicted upon GSK for its Paxil, Wellbutrin and Avandia drugs.

The growth potential of the emerging nations

Accounting for less than 20% of the global pharmaceuticals market, the emerging countries are still a long way from replacing demand from the developed countries. Especially as the drugs are not marketed at the same pricing levels. The indicator of their respective purchasing power amply explains why the emerging countries must only be seen as a medium-term growth driver: the GDP per inhabitant of these two regions (the emerging countries and the mature economies) in 2010 has varied by a factor of 1 to 6. Despite this, aware of the need to provide better medical coverage for their people, the governments of the emerging nations are committing massively to investments for new health infrastructure.
_ML

To watch…

- ►**The expiry of patents for blockbuster pharmaceutical products in 2012.**
- ►**Changes in the financial situation of public health insurance schemes.**
- ►**The consequences of the “Obamacare” law upon the American activity levels for the laboratories.**
- ►**The growth of the market for generic products in Europe._**

Business sector forecasts

	Jul-12	Jan-12
EH Americas		
United States		
Canada		
Mexico		
Brazil		
Argentina		
EH Asia-Pacific		
Japan		
China		
India		
Indonesia		
South Korea		
EH France		
France		
EH DACH[(*)]		
Germany		
Switzerland		
Austria		
EH Mediterranean		
Italia		
Spain		
Portugal		
Greece		
Turkey		
EH Northern Europe		
United Kingdom		
Ireland		
Belgium		
Netherlands		
Bulgaria		
Norway		
Czech Republic		
Poland		
Sweden		
Slovakia		
Finland		
Denmark		
Russia		
World		

[(*)] Germany - Austria - Switzerland
Source: Euler Hermes

Major world pharmaceutical companies

Rank	Company	Nationality	Turnover 2011 *USD bn*	Change 2011/2010
1	Pfizer	United States	67	1%
2	Johnson & Johnson	United States	65	6%
3	Novartis (+ Alcon)	Switzerland	59	17%
4	Merck	United States	48	4%
5	Roche	Switzerland	48	5%
6	Sanofi	France	46	7%
7	GSK	Royaume Uni	44	0%
8	Abbott	United States	39	11%
9	AstraZeneca	Royaume Uni	34	2%
10	Eli-Lilly	United States	24	4%
11	BMS	United States	21	8%

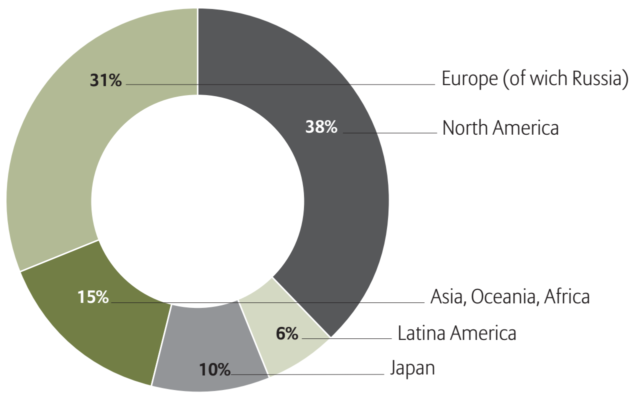
Source: companies, based on most recent accounts data

Expiry of drug patents (in the United States) in 2012

Drug name patented	Nationality	Laboratory drug concerned	Turnover 2011 *USD bn*
Plavix	United States	Bms	6.0
Diovan	Switzerland	Novartis	2.5
Seroquel	United Kingdom	AstraZeneca	3.1
Actos	Japan	Takeda	2.9
Singulair	United States	Merck	3.2
Tricor	United States	Abbott	1.0

Sources: FT, IHS, Global Insight

Global share of world pharmaceutical sales, 2011
Share of world market per zone, in %



Source: BMI

World Grade

A

Automobiles

Sales growth in the emerging countries is suffering a sharp slowdown

Worldwide growth fuelled by the American and Japanese recoveries

The global car market should succeed in maintaining a positive growth path in 2012, although this will probably be towards the bottom end of our previous forecasts, at 3%. Although the United States and Japan are continuing to improve, sales growth in the emerging nations is slowing significantly and new registrations in Europe are continuing their long decline. The American groups, occasionally under *Chapter 11* restrictions, have massively restructured their production resources and returned to profitability while the Europeans, particularly those manufacturing general purpose vehicles, are having to face major overcapacity in production, which is eating away at their profitability. Attention should also be paid to the scale of industrial investment in China, which could rapidly generate excess capacity and result in a price war in what is currently a very profitable market.

European manufacturers are faced with the challenges of a market suffering from a long-term lack of demand

The European market is enduring a long-term crisis. Over the year 2012, it should contract a further -5% passing under the 13 million-unit level, well below the 16 million vehicles sold in 2007 before the crisis. The collapse in demand from the southern European countries is the main cause of this, with the number of registrations divided by three in Greece, by two in Spain or Portugal, and down by -40% in Italy. Sales in the United Kingdom are stabilising at 2 million units but are still -20% below their pre-crisis level. New registrations in France are well down this year and should finish at a volume of below 2 million units, slightly below their pre-crisis level. Germany has recovered its pre-crisis volume, at 3.2 million units. This sharp fall in volumes in Europe, with a loss of 3 million vehicles sold, is leading to significant overcapacity which cannot be absorbed by the downsizing of factories (i.e. the reduction of the number of production lines). The time has come for more drastic structuring measures if the general purpose vehicle manufacturers wish to recover their lost profitability in a market in which a price war has been underway for several years now.

Markets and their manufacturers are enjoying a clear upturn in the United States and Japan

Over the year 2012, registrations both in the United States and Japan will see growth levels in excess of 10%, benefiting from the "catch-up effect", but will still remain below their pre-crisis levels. Annual sales should reach 14.5 million units in the United States, still very far from their pre-crisis level of 17 million units. Despite this, the American manufacturers have significantly restructured their production plants during the crisis, with many sites closed, enabling them to generate a high level of profitability once again. Similarly, Japanese manufacturers have overcome the effects of the earthquake and tsunami, with production volumes increasing by 13%. Although their profitability has risen sharply, they continue to be penalised by the high value of the yen in relation to other currencies.

A sharp fall in the pace of growth in the emerging countries, where major investments are concentrated, with the resulting risk of overcapacity

New car registrations in China should "only" grow by 5% in 2012, far from the double-digit growth seen in 2010 and 2011. After the scrapping of aid packages, it is the entry-level models which have been hardest hit (with a fall of -24% over the first five months of the year) while the sales of premium models continue to grow (+27% for so-called "luxury" vehicles). This slowdown needs to be watched carefully in light of the production investments already made and currently underway. Despite this, the Chinese market remains the world's largest and we estimate that it should achieve a volume of 15.2 million units in 2012. A slowdown is also being observed in the Indian and Brazilian markets, which should virtually stagnate this year, at a little over 2 million units for the first and 2.7 million for the second._*YL*

To watch…

►**The persistent decline of the European market The falling profitability of the European general purpose vehicle manufacturers and the necessary industrial restructuring this engenders.**

►**The scale of investments in China, which may lead to overcapacity.**

►**The return on investment of expenditure related to the development of clean energy._**

Business sector forecasts

	Jul-12	Jan-12
EH Americas	⛅	⛅
United States	⛅	⛅
Canada	⛅	⛅
Mexico	☁	☁
Brazil	☁	⛅
Argentina	⛅	⛅
EH Asia-Pacific	⛅	⛅
Japan	⛅	⛅
China	⛅	⛅
India	⛅	⛅
Indonesia	☁	☁
South Korea	☁	⛅
EH France	☁	☁
France	☁	☁
EH DACH(*)	⛅	⛅
Germany	⛅	⛅
Switzerland	—	—
Austria	—	—
EH Mediterranean	☁	☁
Italia	🌧	🌧
Spain	☁	☁
Portugal	☁	☁
Greece	—	—
Turkey	☁	☁
EH Northern Europe	⛅	⛅
United Kingdom	☁	☁
Ireland	—	—
Belgium	☁	☁
Netherlands	—	—
Bulgaria	☁	☁
Norway	⛅	☁
Czech Republic	⛅	⛅
Poland	☁	⛅
Sweden	☁	☁
Slovakia	⛅	⛅
Finland	☁	☁
Denmark	—	—
Russia	⛅	⛅
World	⛅	⛅

(*) Germany - Austria - Switzerland
Source: Euler Hermes

Major world automakers

Rank *USD bn*	Company	Nationality	Turnover 2011	Change 2011/2010
1	Toyota	Japan	232.9	-2%
2	Volkswagen	Germany	221.5	26%
3	General Motors	United States	150.3	11%
4	Daimler	Germany	148.1	9%
5	Ford	United States	136.3	6%
6	Nissan	Japan	117.9	7%
7	Honda	Japan	99.6	-11%
8	BMW	Germany	95.7	14%
9	Peugeot (PSA)	France	83.3	7%
10	Fiat(1)	Italia	82.8	NS
11	Hyundai	South Korea	70.2	16%
12	Renault	France	59.3	9%

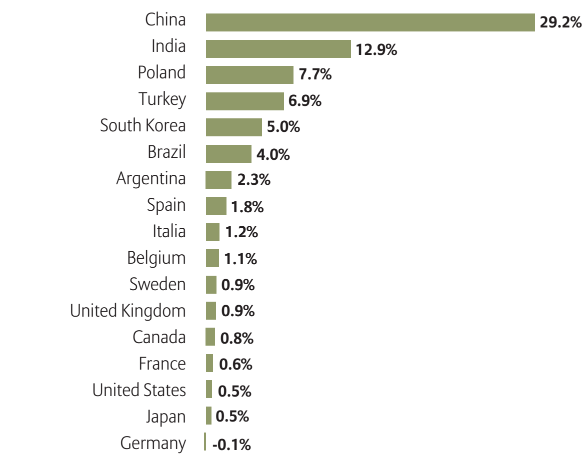
(1) Fiat with Chrysler
Source: companies, based on most recent accounts data

Variation in car registrations in units per region

in mn of Private Vehicules annual average	at the end of June 2012	at the end of June 2011	Change 2012/2011
Europe (30)	13.09	13.62	-3.9%
Russia	2.83	2.35	20.3%
United States	14.12	12.62	11.9%
Brazil	2.65	2.73	-3.0%
Japan	5.24	4.22	24.2%
China	14.98	14.17	5.7%
India	2.55	2.46	4.0%

Source: National Statistics

Annual growth in the ownership rate between 2000 & 2010



Source: CCFA

World Grade

B

Automotive components

Adapting and following demand as it changes location

Emerging stronger from the crisis
The major automotive equipment manufacturers have benefited from the continued growth of the global automotive market. Despite this however, growth in production has not been uniform, being divided between a collapse on one side including the United States (-22% between 2007 and 2011), Europe (-11%) and Japan (-34%) and an explosion in demand in other markets, such as China (123%) and South America (24%). The equipment manufacturers have had to massively restructure their production resources in the mature economies and commit huge investments in the emerging nations. At the same time, they have continued their research and development efforts, particularly in the new, so-called "clean" technologies. These efforts to adapt and innovate have improved their negotiating position. Though still turbulent, 2012 should be a year of continued growth (3%) in production, with healthy profit levels being maintained for the equipment producers.

Continued decline in Europe

At a time when the vehicle manufacturers are beginning to consider the possibility of closing sites, the presence of the nearby automotive equipment production plants will consequently lead to a fresh round of restructuring within this industry, which risks particularly being the case for Italy, France and Spain. However, not all European countries are in the same situation. Germany has recovered its pre-crisis production level and the UK is growing again thanks to production investments by Nissan, BMW Mini and Jaguar Land Rover belonging to the Indian Tata group. However, the advantage of the global automotive equipment manufacturers is that they are not dependent upon national manufacturers. For several years now, they have employed a globalisation strategy which has enabled them to be present in virtually all markets and with all vehicle manufacturers. Although some activities or sites may remain non-profitable locally, their global presence enables them to continue generating healthy financial results.

A clear upturn in activity in the United States and Japan

American automotive production has returned to double-digit growth after many years of decline. The whole industry has benefited from this and we are seeing rising sizes of the workforce after a decade of reductions. The return to growth has also enabled a number of them to recover a satisfactory level of profitability and to be able to invest and take advantage of market opportunities in new production areas. On the other hand, the Japanese situation is a little different. Although the tragic events of March 2011 (the earthquake and tsunami) drove production down for several months, activity during the first half of 2012 is showing a growth of around 20% based on annual data. However, it is the high level of the yen in comparison to other currencies which is holding back the profitability of the industry's main players. It cannot be ruled out that certain production resources will be moved to less costly production zones. In a globalised world, exchange rates can also influence industrial strategies.

Still very few global players from the emerging nations

The emerging nations have been and will be the driving force for growth, even if we are currently seeing a clear slowdown. However, this growth chiefly benefits the western automotive equipment manufacturers, (the Americans and Europeans) in addition to the Japanese. Currently, the Chinese industrial fabric within the automotive sector is extremely fragmented and often focused on low added value products. Some groups are beginning to emerge in the wake of the national manufacturers although these are far removed from the western groups in terms of size and R&D capacity. On the other hand, Indian capitalism has already enabled a number of large conglomerates to emerge, such as Mahindra or Tata, which possess indisputable financial firepower. In fact, over the recent history of the automotive industry, the success of the Korean model could be put forward as an example. The growth of the manufacturer Hyundai in all markets has helped its main equipment manufacturer (which it partially owns), carrying it to sixth place globally._*YL*

To watch…

►**Changes in vehicle sales for each region.**

►**The continued adaptation of production resources if sites are closed in Europe.**

►**The maintenance of a high level of profitability to finance R&D, particularly in the field of "clean" technologies._**

Business sector forecasts

	Jul-12	Jan-12
EH Americas		
United States		
Canada		
Mexico		
Brazil		
Argentina		
EH Asia-Pacific		
Japan		
China		
India		
Indonesia		
South Korea		
EH France		
France		
EH DACH(*)		
Germany		
Switzerland		
Austria		
EH Mediterranean		
Italia		
Spain		
Portugal		
Greece	—	—
Turkey		
EH Northern Europe		
United Kingdom		
Ireland		
Belgium		
Netherlands	—	—
Bulgaria		
Norway		
Czech Republic		
Poland		
Sweden		
Slovakia		
Finland		
Denmark		
Russia		
World		

(*) Germany - Austria - Switzerland
Source: Euler Hermes

Major world auto components companies

Rank	Company	Nationality	Turnover 2011	Change 2011/2010
USD bn				
1	Bosch	Germany	71.6	9%
2	Johnson Controls	United States	40.8	19%
3	Denso	Japan	39.5	1%
4	Aisin Seiki	Japan	35.5	2%
5	Magna	Canada	28.3	14%
6	Mobis	South Korea	23.7	19%
7	Faurecia	France	22.5	17%
8	TRW	United States	16.2	13%
9	Delphi	United States	16.0	16%
10	Valeo	France	15.1	13%

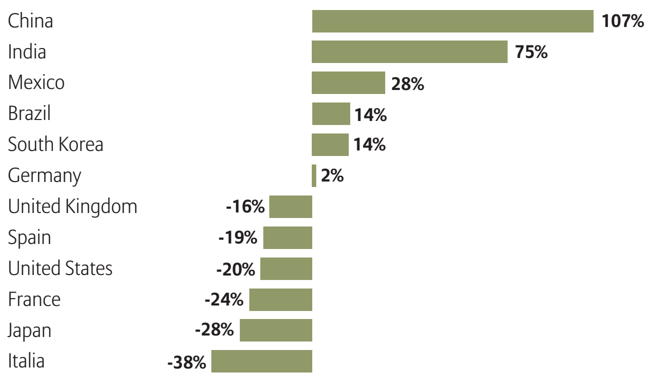
Source: companies, based on most recent accounts data

Operating margin

Operating profit/ Turnover	2007	2008	2009	2010	2011
Japan	7.9%	-0.8%	4.5%	6.0%	5.2%
United States	4.6%	3.7%	1.4%	5.3%	5.8%
Canada	4.4%	2.6%	-1.9%	5.1%	4.3%
Europe	5.6%	3.4%	2.1%	6.9%	7.1%
South Korea	7.3%	8.8%	9.8%	10.5%	10.0%

Source: main quoted companies

Vehicules production in units per region



Sources: OICA, Euler Hermes forecasts

World Grade

B

Aeronautics

Commercial aviation, the continued growth driver

Global upward trend expected in 2012 and 2013

The civil aircraft market is likely to amount to roughly USD 95 bn (USD 77 bn in 2011) (excluding the business aviation sector) before probably exceeding the USD 100 bn level in 2013. For aircrafts of more than 100 seats, net total orders will decrease in 2012 but this slowdown won't deteriorate the order books of the two main manufacturers, ensuring them a comfortable short-term visibility. Boeing recently assessed the commercial aviation market at USD 4,500 bn over the next 20 years, in response to the growth in international traffic (mostly in emerging regions) and the need to replace aircraft fleets. Nevertheless, the growing discrepancy between the difficulties facing airline industry and the buoyant outlook for deliveries may raise some questions about the financing sources for the aircraft manufacturers .

A strategic choice in Europe

For the first half 2012, Airbus increased its deliveries (279 aircrafts compared to 258 in 2011) in line with the forecast increase in production, and particularly those of its flagship model the A320 (set to reach 42 units per month by late 2012 compared to 40 currently). Net orders will doubtless fall to approximately half in 2012, as a result of the "A320neo effect" of 2011. The industrial challenge for Airbus is not simply that of managing the acceleration of production and the resulting supply chain-related tensions. It must also handle repairs of cracks in the entire A380 fleet (at an estimated cost of USD 260 mn in 2012) and above all successfully carry through the industrial deployment of the A350XWB programme in order to meet the commitments for an initial delivery by mid-2014 (one year behind the planned schedule). These two factors will have a negative effect upon the manufacturer's operating profits, which, however, are still expected to increase. Finally, by setting up an assembly line in the United States, Airbus is carrying out a strategic move in order to obtain natural protection from the fluctuating exchange rates between the euro and the dollar, and to gain an extra selling point when it comes to exploiting the potential of the local market.

North American leadership to reassert itself in 2012

In 2012, Boeing should regain assume the position of leader, not only for the number of deliveries in comparison with its European competitor (287 aircraft over the first six months, due to the increase in production across its entire range), but also commercially, due among other things to the re-engined version of its medium-haul model, the B737MAX (with a landmark order of 230 single-aisle models including 201 B737MAXs from the Indonesian carrier Lion Air). In April 2012, the new assembly site in North Charleston also delivered its first B787, a welcome sign of a "return to normality" after the major initial difficulties encountered with the project. Nevertheless, the increase in deliveries between now and May 2013 (from 3.5 B787 per month to 10 units) coupled with planned reductions in industrial costs constitute a critical step for this family of aircraft, which, just like the B747-8 programme, will affect adversely the operating profitability of Boeing Commercial in 2012. Finally, the Canadian company Bombardier, which booked the largest order for business aircraft in its history last June, should carry out the first flight of its CSeries single-aisle aircraft (110-150 seater), at the end of the year.

The emerging nations are increasingly active

After having abandoned plans to develop a 130-160-seat aircraft, the Brazilian manufacturer Embraer is increasingly focusing on maintaining its strong position in the market for regional aircraft (60-120 seater), including by introducing new engines for its twin jet models. In addition to the opening of a new production site for aerostructures in Portugal shortly, Embraer recently reached an agreement with the manufacturer COMAC to produce business jets in China on a partnership basis, thereby facilitating its access to the local market, which offers a healthy outlook in this segment (first delivery in 2013). Finally, the recent interest displayed by the Chinese company Superior Aviation Beijing for the aircraft manufacturer Hawker Beechcraft, which has been under chapter 11 since last May, also confirms this country's ambitions in all the segments of the aeronautics market._*BG*

To watch…

►**Tensions in the supply chain.**

►**The industrial advances by the major aircraft manufacturers.**

►**The financial health of the airline companies._**

Business sector forecasts

	Jul-12	Jan-12
EH Americas	☁	☁
United States	☁	☁
Canada	☁	☁
Mexico	☁	🌧
Brazil	🌧	☁
Argentina	☁	—
EH Asia-Pacific	☁	☁
Japan	⛅	☁
China	☁	⛅
India	☁	☁
Indonesia	☁	☁
South Korea	☁	☁
EH France	☁	☁
France	☁	☁
EH DACH(*)	☁	☁
Germany	☁	☁
Switzerland	☁	☁
Austria	☁	☁
EH Mediterranean	🌧	🌧
Italia	🌧	🌧
Spain	🌧	🌧
Portugal	☁	🌧
Greece	🌧	🌧
Turkey	⛅	—
EH Northern Europe	☁	☁
United Kingdom	☁	🌧
Ireland	🌧	☁
Belgium	⛅	🌧
Netherlands	☁	🌧
Bulgaria	☁	—
Norway	⛅	—
Czech Republic	☁	—
Poland	☁	—
Sweden	☁	☁
Slovakia	☁	—
Finland	⛅	☁
Denmark	☁	—
Russia	⛅	—
World	☁	☁

(*) Germany - Austria - Switzerland
Source: Euler Hermes

Major aeronautics manufacturers

(Civil aviation)

Rank	Company *USD bn*	Nationality	Turnover 2011	Change 2011/2010
1	Airbus Commercial	Netherlands	46.0	10.4%
2	Boeing Commercial Airplanes	United States	36.2	13.6%
3	Bombardier Aerospace	Canada	8.6	-2.3%
4	Embraer	Brazil	5.8	8.2%
5	Gulstream	United States	4.4(*)	13.7%
6	Cessna	United States	3.0	16.7%
7	Dassault Aviation	France	2.4(**)	-25.2%
8	ATR	France/Italia	1.3	n/c
9	Hawker Beechcraft	United States	n/c	n/c

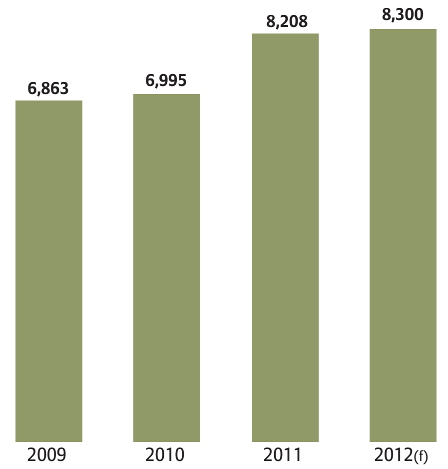
(*) Estimated/excluding services (**) Falcon range 1EUR=1.39USD
Source: companies, based on most recent accounts data

Net orders for the first half 2012

in units	Airbus Commercial	Boeing Commercial Airplanes	Bombardier Aerospace
Net orders on June 30, 2012	230	440	154(*)
Net orders on June 30, 2011	640	171	201
Firm orders, options and commitments Farnborough Show	115	396	52(*)

(*) firm orders, options and commitments
Source: constructors

Total order books for the main manufacturers
in units



(f) forecasts
Source: constructors

World Grade

A

Chemicals

Growth warnings

A new downturn on the way?

Estimated at EUR 2,300 bn excluding pharmaceuticals, the global chemical market fared well in 2011. It benefited in particular from a good first half of the year following hard on the heels of a healthy year 2010 after a very difficult 2009. 2012 looks more uncertain. The European economic slowdown of the last quarter of 2011 had already set the scene for a downward trend in the first half of this year. By late April 2012 for example, European chemical production was down by -2% in volume terms compared to the same period of 2011. This is not of great cause for concern to the chemical industry as it is still benefiting from its sales in Asia and an upturn in activity over the Atlantic, combined with cheaper energy thanks to shale gas. Asia (including Japan) accounted for 41% of global chemical sales, the EH Americas 27% and Europe 26%.

Europe is leading the way

The slight increase in European chemical production at the very beginning of 2012 cannot exclude the risk that it may end up with low or even no growth for the year as a whole. As an advanced indicator for industry thanks to its upstream position in the value chain, the chemical industry is suffering as a result of austerity plans introduced in the various countries of the European Union to limit the rise in their public debt. These risk stifling their GDP growth and therefore that of the chemical industry, more in the organic (or carbonaceous) market than in the mineral sector (fertilisers). To this should be added the downturn in the automotive sector in Europe (particularly in France) which along with construction accounts for approximately 20% of chemical sales. It's not all doom and gloom for the chemical sector however. Heavily restructured during the period 2008-2009, the European chemical industry benefits from the fact that it is positioned in the high added value markets enabling it to protect its prices and therefore its margins, while the relative fall in the value of the euro in relation to other currencies has enabled it to become more competitive for exports.

North America reaps the benefits of shale gas

The American chemical industry enjoys two advantages in comparison to that of the Old Continent. Firstly, it has been able to take advantage of the faster economic growth in the United States, boosted by the determination of the Obama government to support it at all costs. Viewed from this angle, the spectacular turnaround in the American automotive sector is helping to revitalize one of its main suppliers. Secondly, it also benefits from direct access to cheaper energy, thanks to the increasing availability of shale gas. The discovery of new gas fields in the United States coupled with improved drilling techniques have enabled American chemical manufacturers to significantly reduce their supply costs, (by up to -20%, according to the expert Roland Berger). This has the added and timely benefit of allowing them to reduce their prices, something which is necessary in order to gain additional volume, particularly from exports, without harming their profit margins. As a result, we are forecasting continued positive growth in American chemical production in 2012, even if this looks like being down in comparison to the +2.3% seen in 2011.

The Asian powerhouse

Dynamism in the emerging countries in comparison to the mature economies is the current trend in 2012 for the chemical industry. The market share accounted for by Asia in the global chemical market will continue to increase, fuelled by China's considerable need for new infrastructure. This is a factor which benefits Asia more than the Middle East, (the second growth region for the industry), because the comparative advantage of unbeatable material costs for the latter cannot offset the additional logistical costs caused by their sheer distance from their end clients. The major chemical groups are all investing in Asia to benefit both from low operating costs and strong local demand. This is the "windfall effect" from the combined growth in construction, vehicle production and the electronics industry (all too often forgotten) which together account for three quarters of the demand for chemicals. Despite this, all is not entirely rosy for the emerging economies as the automotive industry is beginning to show signs of running out of steam, particularly in China. When we add to this the uncertainties related to the difficult regulation of the Chinese real estate market, the perspective of a growth rate of +4% in the global chemical market in 2012 appears more plausible._*ML*

To watch…

- ►**Variations in the market price for oil.**
- ►**Restructuring in the European automotive and construction sectors.**
- ►**Changes in the growth in world trade in 2012._**

Business sector forecasts

	Jul-12	Jan-12
EH Americas	⛅	⛅
United States	⛅	⛅
Canada	⛅	⛅
Mexico	☁	☁
Brazil	☁	☁
Argentina	⛅	⛅
EH Asia-Pacific	☁	☁
Japan	☁	☁
China	☁	☁
India	⛅	⛅
Indonesia	⛅	⛅
South Korea	☁	⛅
EH France	⛅	⛅
France	⛅	⛅
EH DACH(*)	⛅	⛅
Germany	⛅	⛅
Switzerland	⛅	⛅
Austria	⛅	⛅
EH Mediterranean	☁	☁
Italia	☁	☁
Spain	⛅	⛅
Portugal	⛅	⛅
Greece	☁	☁
Turkey	🌧	🌧
EH Northern Europe	⛅	☁
United Kingdom	☁	☁
Ireland	☁	☁
Belgium	⛅	⛅
Netherlands	⛅	⛅
Bulgaria	☁	☁
Norway	⛅	☁
Czech Republic	☁	☁
Poland	☁	☁
Sweden	⛅	⛅
Slovakia	☁	☁
Finland	⛅	⛅
Denmark	⛅	☁
Russia	⛅	⛅
World	⛅	⛅

(*) Germany - Austria - Switzerland
Source: Euler Hermes

Major world chemicals groups

Rank	Company	Nationality	Turnover 2011	Change 2011/2010
USD bn				
1	BASF	Germany	96	13%
2	Dow Chemical	United States	60	12%
3	Sinopec (*)	China	58	20%
4	Lyondell Basell	United States	51	24%
5	Sabic	Saoudia Arabia	51	25%
6	Mitsubishi Chemical	Japan	39	2%
7	Dupont de Nemours	United States	39	21%
8	Ineos(*)	United Kingdom	38	9%
9	Bayer	Germany	25	6%

(*)estimated amount
Source: companies, based on most recent accounts data

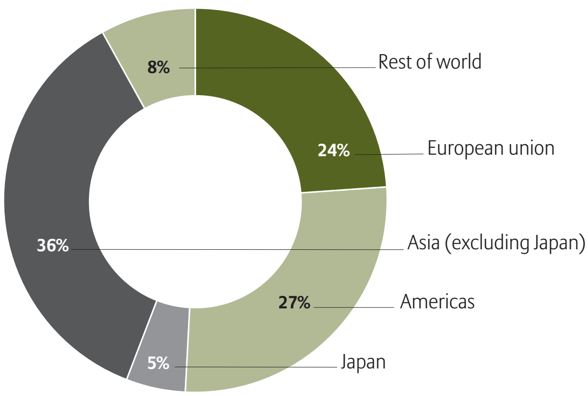
Annual growth rate of chemical production (in volume terms) per region

Region	2011	2012(f)
United States	2%	1,4%
Western Europe	3%	0,4%
Japan	0%	2,5%
Asia (excluding Japan)	9%	8,1%
World	**5%**	**4%**

(f) forecasts
Sources: ACC, ICIS

Share of global chemical sales

per major region of the global market, in %



Sources: Cefic, Euler Hermes

World Grade

C

Construction

The emerging economies to the rescue of the impossible recovery

Construction and growth go hand in hand
The construction sector is a strategic one: it supplies the infrastructures vital to economic development and meets the housing needs of the population. At a worldwide level, changes in the wealth of different nations (measured by GDP) and changes in activity in the construction sector are very similar. On average, construction accounts for approximately 9% of GDP and creates many jobs. In 2011, this market was worth EUR 6,200 bn and was growing by +7.7%, although this pace is slowing. Recovery has been pushed back, due especially to the high level of household debt in the various nations. Previous support measures in this industry have reached their limits, and have proved to be costly in relation to their effectiveness, while increases in income have not kept pace with the rising prices of housing. Needs vary according to the countries concerned, and a low level of growth is anticipated in 2012.

The construction industry is experiencing difficulties in Europe

The European construction sector, which accounts for one third of the global market, is having problems. Its growth, which was once kept buoyant by extending the repayment period for loans and by reducing interest rates, also benefited from financial support as part of the stimulation packages launched after the crisis in 2008. These methods can no longer be used and the difficulties of the Mediterranean states (Spain, Greece and Italy) are having an adverse effect on turnover in the Eurozone. Mortgage debts are high (approximately 50% on average in relation to GDP) and/or have significantly increased over the decade. The states' debt is equivalent to GDP. The construction sector in Europe does however have the potential to grow in the renovation market through the implementation of environmental standards aimed at saving energy and cutting CO_2 emissions. While the situation is worsening for residential housing, the upturn in early 2012 in the corporate real estate sector may also enable the industry to find growth outlets.

The low point has been reached in North America

The American construction sector was one of the first to have experienced difficulties, the impact of which has left its mark. The number of homes available for sale is still high (2.3 million by late May 2012) after having peaked at 3.2 million in May 2008. Similarly, the price index for houses is relatively stable, showing something of a lull following the burst of the property bubble. On the other hand, the partial price correction has not made it possible to get the sector moving again: the price index for houses is 50% above its level of January 2000. The fall in vacancy rates for offices, which stabilised at 16% in the first quarter of 2012, is also proving to be very gradual. The construction sector is currently at its low point but it will take time to recover, this being the time needed to bring stocks back down to an acceptable level of 2 million and to pay off mortgage debts, which represent 76% of GDP, and which are still all too often in excess of the value of the properties they finance. In Canada, the new starts index is showing a continued upturn. It is now halfway between its long-term average and the level seen in the prosperous period of January 2003 to September 2008.

The emerging countries remain the driving force behind the construction sector

The development of the construction sector is of strategic importance for the emerging countries in order for them to obtain the vital infrastructures they need for their economic expansion. This is clearly the case in Brazil, which is continuing with its "growth acceleration plan" which includes an infrastructure component. The sector also benefits from a twofold demographic effect: the increase in the size of the population and in its level of urbanisation. Consequently, in India the 16 million additional inhabitants in 2012 and the increase in the urbanisation rate of 30%, which is 2 to 2.5 times lower than the levels seen in other countries, will contribute to stimulating the construction of homes. In China, the construction sector accounts for 10% of GDP and this country is engaged in a home building program while at the same time controlling the real estate market with regulatory measures, with prices falling for several months now. Even if the construction markets in the emerging countries have not been spared by the crisis and are not shielded from the possibility of an economic relapse, it is these markets which will continue to drive growth in the global construction sector in 2013._*DM*

To watch…

- ►**The rarefaction of financing and investment by a worsening financial situation by both households and states.**
- ►**Falls in the prices of existing homes and the disposal of stocks of unsold homes.**
- ►**Erosion in the profitability of companies already weakened by the slowdown in activity, the heightened competition and the price level of raw materials.**
- ►**Signs of an upturn in the corporate real estate market and growth in the renovation market._**

Business sector forecasts

	Jul-12	Jan-12
EH Americas		
United States		
Canada		
Mexico		
Brazil		
Argentina		
EH Asia-Pacific		
Japan		
China		
India		
Indonesia		
South Korea		
EH France		
France		
EH DACH(*)		
Germany		
Switzerland		
Austria		
EH Mediterranean		
Italia		
Spain		
Portugal		
Greece		
Turkey		
EH Northern Europe		
United Kingdom		
Ireland		
Belgium		
Netherlands		
Bulgaria		
Norway		
Czech Republic		
Poland		
Sweden		
Slovakia		
Finland		
Denmark		
Russia		
World		

(*) Germany - Austria - Switzerland
Source: Euler Hermes

Major world building and civil engineering companies

Rank	Company	Nationality	Turnover 2011	Change 2011/2010
USD bn				
1	CRCC	China	71	2%
2	CRG	China	68	2%
3	Vinci	France	50	12%
4	CCC	China	46	13%
5	ACS	Spain	38	100%
6	China Metallurgical	China	36	17%
7	Bechtel	United States	32	15%
8	Hochtief	Germany	31	16%
9	Strabag	Austria	18	12%
10	Bouygues Construction	France	13	7%

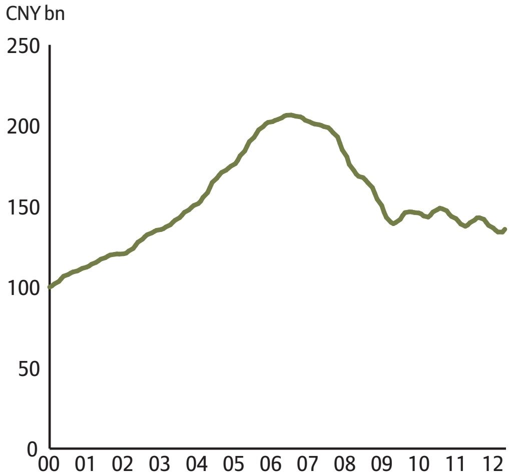
Source: companies, based on most recent accounts data

Construction market

USD bn	2010	2011	Change 2011/2010
North America	1,004	1,016	1,2%
Latin America	281	310	10,6%
Europe	1,873	1,967	5.0%
Asie	2,396	2,674	11.6%
Middle East	185	212	14.8%
Africa	57	60	5.6%
Total	**5,796**	**6,240**	**7.7%**

Sources: IHS, Global Insight, Euler Hermes

House price index in the United States



Sources: Standard & Poor's, Euler Hermes

World Grade

C

Air transport

Turbulence ahead

A further worldwide fall in profitability in 2012
The International Air Transport Association (IATA) is forecasting a fall in worldwide profits to USD 3 bn in 2012 on sales exceeding USD 620 bn, i.e. a nominal profitability for the sector of 0.5%. The outlook is not particularly reassuring for any of the three key factors (traffic/price/fuel costs). The relative downward trend in oil prices will certainly eventually provide a welcome respite, but the surge recorded at the start of the year will nevertheless leave its mark on margins in this sector. Directly mirroring global economic uncertainties, worldwide air passenger traffic will be somewhat less dynamic in 2012 at +4.8% compared to the previous financial year (+5.9% in 2011) and freight should stagnate (+0.3%) while prices leave no margin to improve profitability (respectively: +1.5% and virtually unchanged). These findings vary significantly from region to region as the markets and the competitive environments are quite different.

All attention is focused on costs in Europe

During the first quarter of 2012, as a portent of the difficult year ahead, the three main traditional European airline companies accumulated a total of EUR 1.2 bn in operating losses (- EUR 674 mn in 2011) once again under the combined effect of a mediocre economic situation and competition from low-cost airlines but also from Middle Eastern operators. Since then, drastic plans aimed at reducing costs and increasing productivity have been accelerated, generally focusing on several factors: reducing headcount (including 5,172 job losses expected for Air France and 3,500 in administrative posts at Lufthansa), the freezing or reduction of salaries and investments, increased flying times for air crews, the development of low-cost activities and the reorganisation of regional structures.
Following the integration of part of the airline BMI within the IAG group, mergers may continue over the following months (with potential targets being Aer Lingus and TAP) not excluding operators from the Middle East which, (like Etihad), faced with the vulnerability of the European operators (with the notable exception of the low-cost airlines) may acquire shareholdings and/or organise operational partnerships. Finally, we cannot rule out that the path to stabilization of the European market may involve further bankruptcies (after Cimber Sterling, Malev, Spanair).

A reasonably solid model in the United States

The American air transport sector (a combination of the five largest airlines) has remained in the black operationally during the first quarter of the year, despite the fact that this is traditionally one of the worst. Faced with lacklustre domestic demand (+1.4% according to IATA over the first five months of 2012), the recipe for this success (with AMR/American and United-Continental nevertheless incurring operating losses) is continued widespread discipline where capacity is concerned (+0.3%) which guarantees a high level of occupancy (82%) and leaves the airlines greater latitude concerning the prices they practice (+5.9% over the same period according to Airlines for America). Nevertheless, the most recent brutal increase in the fuel bill has claimed at least one victim: the regional carrier Pinnacle Airlines. Furthermore, US Airways has reiterated its interest for a merger with American Airlines (under *Chapter11*) an operation which would mark the ultimate step in the consolidation of the American market. Finally, we should note the initiative from Delta Airlines, which, to broaden its range of options to help it resist hikes in its kerosene bill, has announced its decision to acquire a refinery.

A changing competitive landscape in Asia and South America

As well as being sensitive to fluctuations in the price of kerosene and hard hit in their profitable activities (with lower dynamism for premium flights and freight), the traditional Asian carriers are also finding themselves under threat from the rapid expansion of the local low-cost airlines (which now carry approximately 25% of passengers in the region). As a response to this, a number of them (including among others Singapore Airlines, Japan Airlines and All Nippon Airways) have followed Quantas' example in developing low-cost activities within their own companies this year, for domestic and regional flights. Finally, in Brazil, as the merger between the national leader TAM and the Chilean company LAN Airlines proceeds, domestic transport is consolidating with the announced merger of Azul and Trip.*_BG*

To watch…

►**Oil prices.**

►**Financing modalities for aircraft purchases.**

►**Impact of CO2 emission control measures applied in Europe (and particularly the increasing tension between the European Union and China)._**

Business sector forecasts

	Jul-12	Jan-12
EH Americas		
United States		
Canada		
Mexico		
Brazil		
Argentina		
EH Asia-Pacific		
Japan		
China		
India		
Indonesia		
South Korea		
EH France		
France		
EH DACH(*)		
Germany		
Switzerland		
Austria		
EH Mediterranean		
Italia		
Spain		
Portugal		
Greece		
Turkey		
EH Northern Europe		
United Kingdom		
Ireland		
Belgium		
Netherlands		
Bulgaria		
Norway		
Czech Republic		
Poland		
Sweden		
Slovakia		
Finland		
Denmark		
Russia		
World		

(*) Germany - Austria - Switzerland
Source: Euler Hermes

Major world airlines companies

Rank	Company	Nationality	Turnover 2011	Change 2011/2010
USD bn				
1	Lufthansa	Germany	39.9	8.6%
2	United Continental Holdings	United States	37.1	8.8%
3	Delta Airlines	United States	35.1	10.6%
4	Air France-KLM	France	33.7	4.5%
5	AMR / American Airlines	United States	24.0	8.2%
6	IAG (British Airways + Iberia)	UK/Spain	22.7	10.4%
7	All Nippon Airways	Japan	17.7	4.0%
8	Emirates	UAE	16.7	16.2%
9	Southwest + AirTran	United States	15.7	29.3%
10	Qantas	Australia	15.4	8.1%
11	Japan Airlines	Japan	15.1	n/c

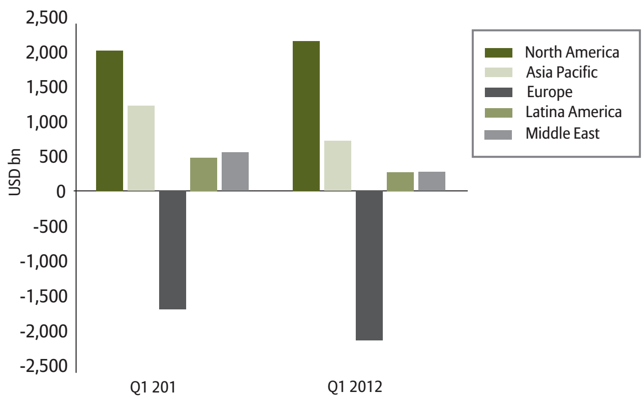
Source: companies, based on most recent accounts data

Rate of growth in annual air trafic

(passengers and cargo, in %)	2010	2011	2012(f)
Global	**10.4**	**4.1**	**3.5**
North America	9.9	1.7	0.5
Europe	5.0	6.7	2.3
Asia Pacific	12.6	2.4	3.9
Middle East	20.0	8.6	14.1
Latin America	14.5	9.8	6
Africa	15.0	-0.7	4.2

(f) forecasts
Source: IATA

Cumulative operating earnings in the main regions



Source: IATA

World Grade

B

Information and communication technologies

A digital world

Growth and services

At a worldwide level, companies selling hardware, services and software in the IT and telecommunications sector achieved sales of approximately EUR 2,500 bn in 2011, up by 4.6%. These technologies have become an integral part of the economy and society. The percentage accounted for by services has constantly increased, to a level of 75% in these markets. Current investments in telecommunications infrastructure and mobile terminals have injected fresh dynamism into the equipment manufacturers present in this segment, spurred on by the demand for smartphones and tablets. As cloud computing gradually becomes commonplace and with 4G set to take off, open data hasn't yet found its feet. The result is a favourable outlook for the various players in this sector. In 2012, the market for information and communication technology should increase by 4%, less than its previous pace and with regional disparities.

Europe is running out of steam

Information and communication technology is a major sector in Europe, accounting for approximately 8 million jobs and 6% of GDP. However, Europe occupies an intermediate position in this market, between the United States and the emerging countries. It is in second place in terms of market share (28.5%), but its market is suffering relative decline with the lowest growth rate, (1.4% in 2011). In Europe, this sector is having trouble getting back on its feet again. According to the country in question, various sector-specific factors play a role, benefiting telecommunication hardware in Sweden or electronic components in Germany. Postponements of investments are continuing at the risk of threatening the gains in competitiveness which these technologies could make possible. Despite this, the deployment of a high-speed fibre-optic network and the LTE network (Long Term Evolution - technological support for 4G) is necessary. Unless a solution is found to finance these investments, Europe will be unable to benefit from the 1.5 point of economic growth which could be contributed by a 10-points increase in the penetration rate for Very-High-Speed networks.

America still dominates

The American IT market is the largest, with a market share of 29.5% and its growth is more than double that of Europe, (i.e. 3.4%). The United States boasts major IT infrastructure, as identified by the Networked Readiness Index (NRI) which measures usage and the capacity of states to get the most from information and communication technology. This places the country in 8th position in its ranking, despite regulatory obstacles. Many of the world's leading players in the various market segments are American. The United States are also ahead in the growth of cloud computing, which could be worth USD 270 bn globally by 2020. The increase seen in 2011 concerns all segments of this market. On the other hand, it is the IT market which has made the most headway (+5.1%) and particularly hardware (+6.8%). IBM has once again become the manufacturer of the world's fastest computer with the Sequoia. However, the telecommunications markets, which are ahead in comparison to Europe, are beginning to stagnate (+1.5% in 2011). The upturn is derived in particular from IT investments by American companies and should continue in 2012.The sector as a whole could grow in America by 3.5%

The emerging countries, production regions and sources of potential consumption

The market for IT in the emerging nations is in third place globally (27.4%) but has the highest growth rate (+7.5% in 2011) and it may quickly overtake the other geographical regions. Upstream in the value chain, Asia enjoys a leading position in the semiconductors sector, accounting for 55% of global production. It also continues to make headway in IT equipment (12.8%) and particularly in telecommunications, with a heavy emphasis on exports but also through sales to the local markets which are more dynamic. As a result, a fall in the acquisition of mobile telephones in China in the first quarter of 2012 was all it took to drive down global sales in this sector by -2%. The equipment requirements of the emerging nations are considerable and improvements to their purchasing power may generate high volumes of demand. Although India and China are well-placed in the NRI ranking with 29th and 44th place respectively, the performance of Brazil (113th), Russia (91st) and Mexico (128th) leaves plenty of scope for considerable growth. Growth in IT technology is once again expected to be 7% in 2012 in the emerging countries._*DM*

To watch...

- **The risk of saturation of the existing networks.**
- **Financing for the deployment of very-high-speed networks.**
- **Management of the increasing volumes of data.**
- **Price pressure at a time of low growth._**

Business sector forecasts

	jul-12	jan-2012
EH Americas	☁	☁
United States	☁	☁
Canada	⛅	⛅
Mexico	⛅	⛅
Brazil	⛅	⛅
Argentina	⛅	☁
EH Asia-Pacific	⛅	⛅
Japan	⛅	⛅
China	⛅	⛅
India	⛅	⛅
Indonésia	☁	☁
South Korea	☁	☁
EH France	☁	☁
France	☁	☁
EH DACH(*)	☁	☁
Germany	☁	☁
Switzerland	⛅	⛅
Austria	☁	☁
EH Mediterranean	☁	☁
Italia	☁	☁
Spain	🌧	🌧
Portugal	☁	☁
Greece	—	—
Turkey	☁	☁
EH Northern Europe	☁	☁
United Kingdom	☁	☁
Ireland	⛅	⛅
Belgium	⛅	⛅
Netherlands	☁	☁
Bulgaria	☁	☁
Norway	—	☁
Czech Republic	☁	—
Poland	☁	☁
Sweden	☁	☁
Slovakia	⛅	⛅
Finland	⛅	☁
Denmark	☁	☁
Russia	⛅	⛅
World	☁	☁

(*) Germany - Austria - Switzerland
Source: Euler Hermes

Major world ICT companies

Rank *EUR bn*	Companies	Nationality	Turnover 2011	Change 2011/2010
	Telecom services			
1	AT&T	United States	127	2.0%
2	NTT	Japan	126	11.2%
3	Verizon	United States	111	4.0%
4	Deutsche Telekom	Germany	79	-5.3%
	Telecom equipment			
1	Cisco	United States	43	7.9%
2	Nokia	Finland	52	-8.2%
3	Samsung	South Korea	50	44.6%
4	Ericsson	Sweden	35	24.2%
	IT software and services			
1	IBM	United States	107	7.1%
2	Microsoft	United States	70	11.9%
3	HP products	United States	85	0%
4	Oracle	United States	37	4.2%
	IT equipment			
1	HP Services	United States	42	3.0%
2	Lenovo	China	30	37.0%
3	Dell	United States	62	0.9%
4	Acer	Taïwan	16	-18.9%

Source: companies, based on most recent accounts data

The ICT market

USD bn	2010	2011	Change 2011/2010
North America	697	721	3.4%
Europe	690	700	1.4%
Asia-Pacific	624	671	7.5%
Rest of World	331	357	7.9%
Total	**2,342**	**2,449**	**4,6%**

Sources: IDATE, Euler Hermes

Structure of the ICT in 2011

EUR bn	Information	Communication Technologies	Total
North America	389	332	721
Europe	340	360	700
Asia-Pacific	246	425	671
Rest of World	90	267	357
Total	**1,065**	**1,384**	**2,449**

Sources: IDATE, Euler Hermes

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