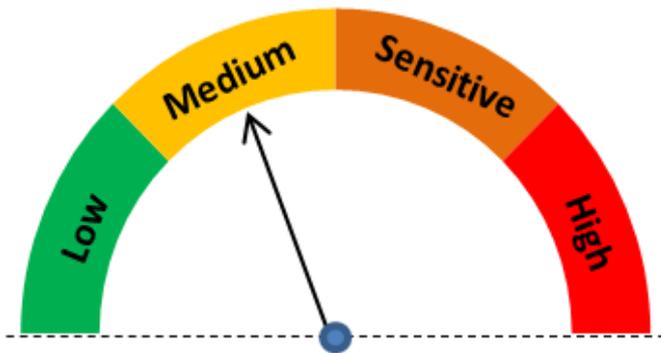


Sector Risk Rating



What to Watch?

- Volatility of household consumption drives fluctuations in sales
- Increasing price pressures to persistently affect margins
- Rising e-commerce activities challenging traditional players
- Convergence of consumer electronics and appliances

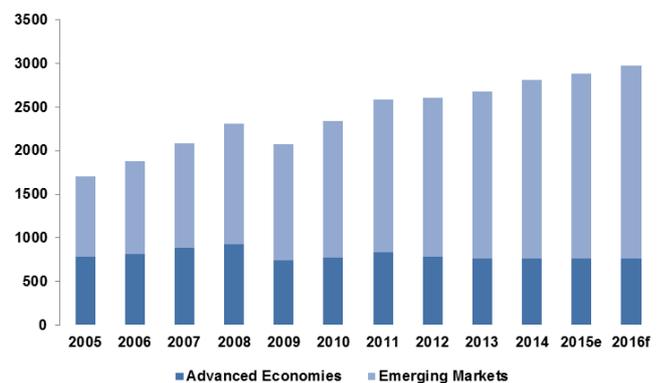
Growth goes on despite deflationary pressures

In 2015, the household equipment sector grew by +2.6%, well below its long term trend (+5.4% over the last decade). The sector is at the boundary between household investment and consumption, comprising appliances or “white goods” (65%), consumer electronics aka “brown goods” (20%), and furniture (15%). It is highly globalized and sensitive to the economy as a whole. Long-term sales growth has therefore remained weak because of (i) price pressures, and (ii) the close linkage with the construction sector, in itself still weak in many countries.

Despite this global structure, a strong dichotomy persists between: (i) advanced economies where the sector faces stagnation or is slightly decreasing in value (-0.3% per year since 2005); and (ii) emerging markets where it enjoys steady growth (+6% over the last 10 years).

Growth in advanced economies depends to a large extent on technological innovations and household decisions on equipment renewal. External mega events can boost the market: think, for example, about what the football world cup or the Olympic Games mean for ultra HD TV. Televisions specifically rely on growing markets where consumers gain access to high end equipment.

Household Equipment Gross Output
(Nominal USD)



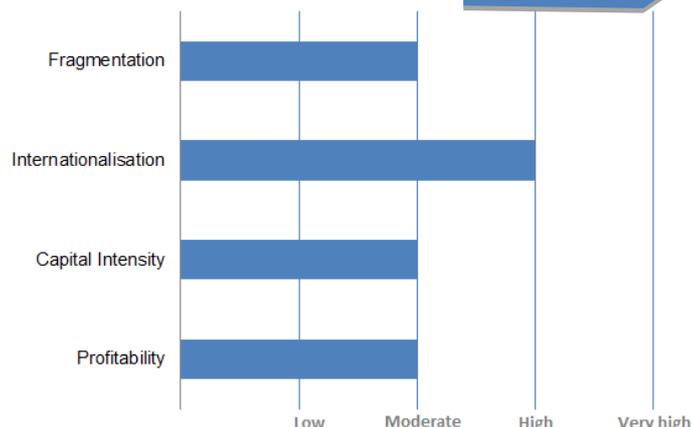
Sources: Oxford Economics, Euler Hermes

Sector Value:
753bn
USD

Key Players

Country	Role	Sector Risk
China	#1 producer #1 exporter	●
United States	#1 importer #2 producer	●
Germany	#2 exporter #2 importer #3 producer	●

ID Card



Strengths

- New market opportunities thanks to a growing middle class in emerging markets
- Innovative and interconnected products expected by consumers and quickly adopted
- Structural growth due to population growth
- Global, high-volume market

Weaknesses

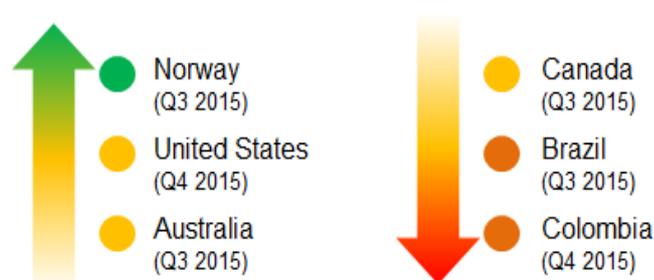
- High sensitivity to household income and savings rate
- Extremely competitive sector where low cost products play a major role
- Household expenditures allocated to many different services and products
- Reliant on the cyclical construction market

Subsectors Insights

Semiconductors: A capital intensive activity concentrated in Asia (main actors in Taiwan) and highly dependent on economic growth fluctuations. The market will probably continue to perform well for the next 5 years.

Appliances and consumer electronics: Increase in volumes due to first acquisitions and renewal of products.

Recent Sector Risk Changes



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