no. 1197

Global Sector Outlook

Reconciling economic (dis)illusions and financial risks

Euler Hermes Economic Research Department

Economic Outlook

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Keys to symbols

- Note **A** — **Positive fundamentals & outlook**
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- 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.

►The forecasts cover a total of 72 countries — spread accross the six major regions as defined by Euler Hermes — which together account for 95% of world GDP . 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 2012 GDP) of the forecasts of the countries concerned._

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Editorial

What steroids are the sectors on?

International business sector forecasts

A → **Positive fundamentals & outlook**

- Food & beverages
- Pharmaceuticals
- Automobiles
- Chemicals

B → **Signs of weaknesses**

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

C → **Structural weaknesses**

- Construction
- Air transport

D → **Imminent or recognised crisis**

For this special *Tour de France* outlook, we have not chosen to focus on the cycling industry, but rather to look at which sectors are on steroids and what stimulants they are using – easier to detect than with racing cyclists! Unsurprisingly, the EPO used by most sectors of activity remains consumption, notably in the food and beverages industry (and distribution), chemicals, pharmaceuticals and IT (equipment and services). Nevertheless, this mad dash could be partly slowed by winding mountain passes forming on the horizon. The Alpe d'Huez of these sectors is without a doubt the slowdown in new markets, notably among middle classes in Latin America and Eastern Europe. This promise of new sources of growth has in fact been jeopardized by economic tensions (Brazil, Turkey), but also by the natural slowdown in imports in leading countries such as the United States and the euro zone. If we combine this with more structural changes – the consumer society becoming a user society, deflation linked to the planned obsolescence of certain products, or even the resurgence of protectionism – it becomes more difficult for companies to imagine double-digit growth in export revenues. In recent years, other sectors have also suffered withdrawal symptoms from illicit substances: the tax and banking subsidies that gave them wings! In transport, infrastructure and construction, financial doping is now old news: public and private deleveraging – and the announced end of accommodating monetary policies – constitute a much greater threat than already-high ownership rates in developed countries. So a real difference will appear between sectors that can afford their debt (chemicals, aeronautics) and the rest. Or rather, the companies, or even the types of companies in these sectors... An example? Leveraged buyouts (LBO), those financing operations to acquire another company mostly with the use of bank or bond debt. For those set up just prior to the crisis, the repayment of these acquisitions generates a drain on cash flow that is not at all in line with the expected dynamism of the activity when the financial arrangements were made. For some companies in construction or distribution, this could mean a flat tire._*Ludovic Subran*

Overview

Reconciling economic (dis)illusions and financial risks

On the whole, global growth is too weak for most sectors. Too mixed and imbalanced, it offers highly disparate gains to the same sectors in different countries.

With real GDP growth of +2.4% expected in 2013 (and +2.5% for trade), the pace of global activity allows only a very small number of sectors to gain from it in a large number of countries simultaneously. Food and beverages, chemicals, and pharmaceuticals are the only three sectors to have been assigned a "positive fundemantals and outlook" in most countries, although the assessment for IT (equipment and services) and distribution is also " positive" in a great number of countries. For most sectors (12 out of the 17 in our sample), the most common situation is one of "signs of weaknesses". This is particularly the case in more than half of the countries for six sectors, namely, in ascending order of appearances, the steel sector (50% of countries), IT and telecom equipment, consumer electronics, automotive components, paper and pulp, and machinery (74% of countries).

Transport and construction stand out for being the two sectors with the most frequent "structural weaknesses", although the latter is also the sector that registers a situation of "imminent or recognized crisis" in the largest number of countries, ahead of distribution, textiles and the steel industry.

All in all, construction and transport are the two sectors that count the most situations of "structural weaknesses" and "imminent or recognized crisis", ahead of the steel, textile, household equipment and distribution sectors. However, this overall picture needs to be adjusted according to the relative weight of each country in the global economy and by the fact that some industries and sectors exist only marginally or not at all in certain countries. After making these adjustments, the international outlook paints a slightly less overcast picture for these sectors, with more weight now given to sectors in a "positive" situation and with "signs of weaknesses" – more than 50% of the countries for the majority of sectors (13 out of 17) – and proportionately less to sectors in "imminent or recognized crisis". Seen in this light, two sectors now present a particularly more positive outlook: aeronautics and automobiles. Nevertheless, the outlook remains just as poor in most countries for the construction, transport and textile sectors.

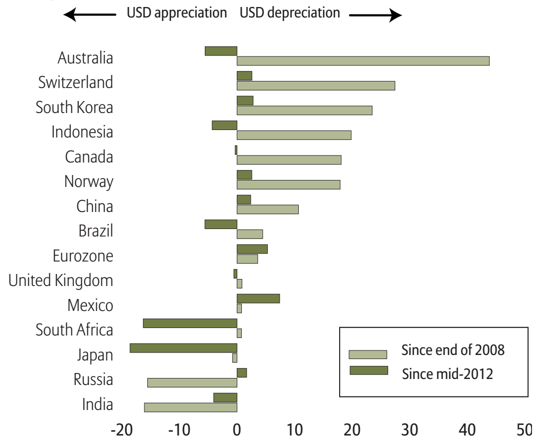
The downtrend in global economic growth since 2010 carried over into the first half of 2013, weighing on a growing number of sectors, in particular in Latin America and Eastern Europe.

Worldwide, not only did the situation deteriorate in more sectors than it improved during H1 2013, the gap

▶

Exchange rate

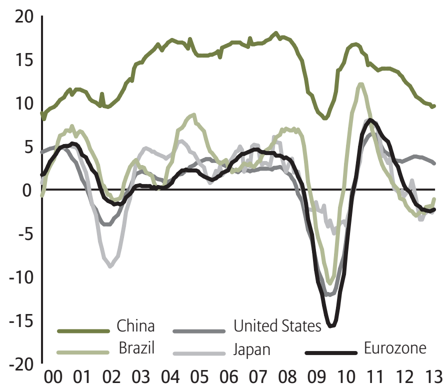
Change in value of USD as of June 2013, in %



Sources: IHS Global Insight, Euler Hermes

Industrial production (excluding construction)

Cumulative 12 months, yearly change in %



Sources: CPB, IHS Global Insight

Hourly compensation costs

Manufacturing average

	2011	Change since 2009	
	in USD	in USD	excl. exchange rate effect
Norway	64.2	21%	11%
Switzerland	60.4	20%	1%
Sweden	49.1	20%	5%
Germany	47.4	4%	4%
Australia	46.3	39%	15%
Netherlands	42.3	2%	2%
France	42.1	4%	4%
Ireland	39.8	-1%	0%
Italy	36.2	5%	5%
Japan	35.7	19%	5%
United States	35.5	4%	4%
United Kingdom	30.8	4%	2%
Spain	28.4	2%	2%
Greece	21.8	-4%	-4%
South Korea	18.9	26%	13%
Czech Republic	13.1	15%	8%
Brazil	11.7	43%	27%
Poland	8.8	14%	9%
Mexico	6.5	14%	5%
China	2.0	30%	25%
India	1.3	12%	7%

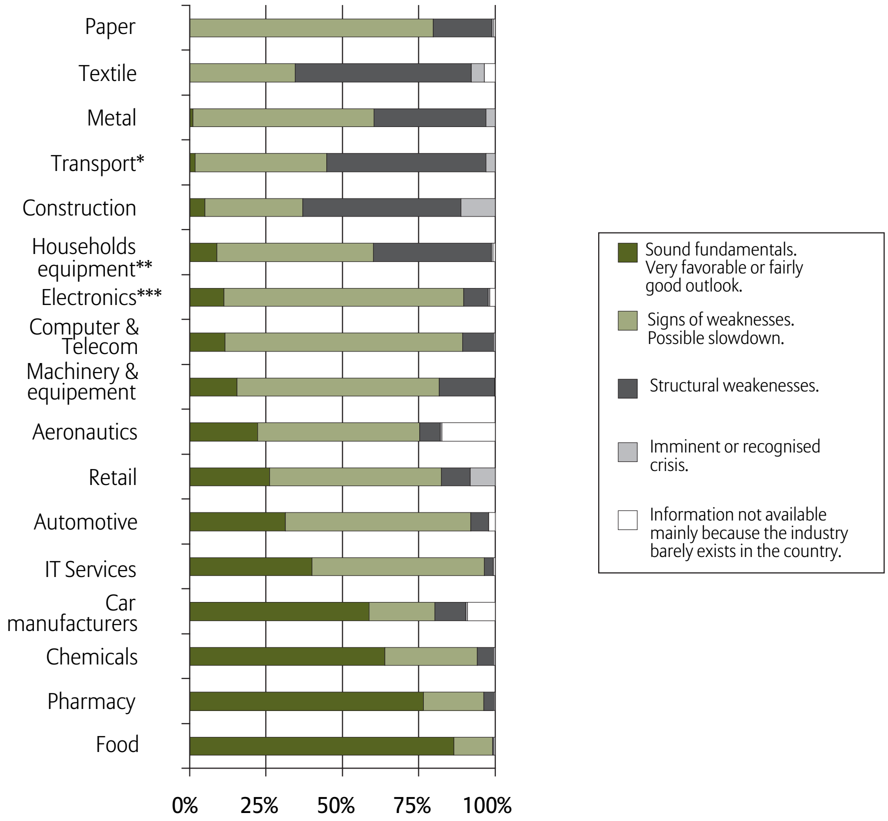
Sources: Bureau of Labor Statistics, Euler Hermes between the two widened considerably between Q1 and Q2 because of a surge in downward revisions (32 in Q2 after 23 in Q1). This was the case particularly in Latin America, where Brazil, facing a weaker-than-expected recovery, rising inflation and an increase in key interest rates, saw a deterioration in a number of sectors (eight during H1), ahead of Chile (four). This trend was even more pronounced in Eastern Europe (16), hampered by the recession in Western Europe, ongoing austerity and tightening credit conditions. In this region, outlooks were adjusted above all in distribution and in the food and beverages industry, while half were recorded in Slovenia and Cyprus, the latter rocked by capital flight. In Western Europe, the negative trend that persisted in the early part of the year undoubtedly eased in the second quarter, although this did not result in a positive change in prospects for any sector. The situation remains unfavorable in particular in Southern Europe, which has a disproportionate number of sectors with "structural weaknesses" or in "imminent or recognized crisis". In this context, North America and Asia-Pacific stand out as exceptions. Sector outlooks have stabilized in the United States, despite persistent difficulties in construction, transport, and textiles, and in Canada. Sector outlooks have continued to improve in Asia, particularly in the trio of the Philippines, Malaysia and Indonesia thanks to more upbeat prospects in construction and in IT and telecoms, and including in Japan, where the government's stimulus measures, or "Abenomics", are boosting prospects at least in the short term.

Persistent gaps in economic performances between and within regions have rekindled volatility and uncertainty, and have exacerbated sector risks, with the exception – in most cases – of Asia-Pacific.

Divergent growth rates may remain in place for several quarters, given, in the short term, the resilience without

Mid-2013 international business sector forecasts

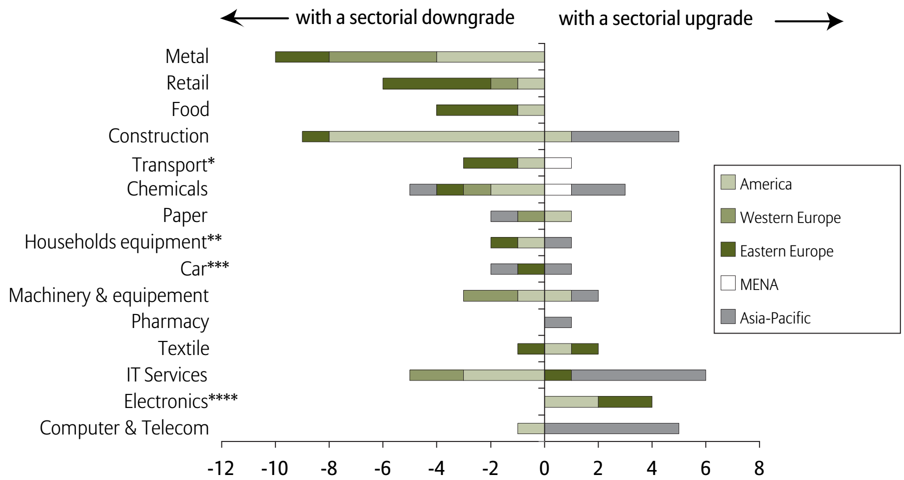
For each sector, breakdwon by the % of the number of countries (countries weighted by their share in 2012 world GDP)



* Focus on air transport ** Focus on consumer electronics
*** Focus on semi-conductors and components
Source: Euler Hermes

H1 2013 changes in international business sector forecasts

In number of countries for each sector



* Focus on air transport ** Focus on consumer electronics
*** Automotive & manufacturers **** Focus on semi-conductors and components
Source: Euler Hermes

acceleration in the United States and Japan's temporary *stimulus*, while the eurozone is struggling to lift itself out of recession and emerging countries are still in a slowdown phase, including the Chinese growth engine. The first effect is to continue to fuel market risk. This is the case in developed countries, with weaknesses in job markets, public finances and overall debt levels, which could delay the recovery in their domestic demand and increase competitive pressure, often to the detriment of less competitive domestic supply. This is also the case in emerging countries, where the change in model in favor of more domestic growth drivers is not yet sufficiently advanced, which limits real potential in the short term to the detriment of countries seeking growth drivers in these regions. The second effect, which results from the first, is to rekindle sources of instability, in particular financial. In addition to possible tremors linked to sovereign risk, adjustments in central bank monetary policies, especially by the BoJ in Japan (doubling of the money supply and the inflation target) and the Fed in the United States (forthcoming reduction in the pace of asset purchases) are also sources of disruption for companies, the effects of which are felt via currency markets (cost of imported inputs, export sales prices, competitiveness) and credit markets (access to financing and conditions), while (i) this gives rise to knock-on effects between countries (such as the hike in key interest rates in several emerging countries) and (ii) there are already marked disparities between companies depending on their geographical situation and their size – with a worrying contraction in credit to SMEs in the eurozone.

In this more challenging environment, which, in addition, is characterized by an upturn in corporate insolvencies, the four main sectors to have registered an improvement in their situations and prospects in a large number of countries during the first half of 2013 were IT and telecoms services and equipment, construction and electronics. These four sectors captured two thirds of the improvements – exactly the same figure as for Asia-Pacific, which, for the time being, is proving the most capable of weathering the world's current difficulties._ML

In a nutshell

EH Americas

Strengths	Weaknesses
→ Thriving chemicals industry. → Strong US presence in worldwide markets for agricultural commodities. → Very cheap energy supply costs (boom in unconventional gas production). → Strong growth in car sales and production in the United States. → Brazil's strongly performing agricultural and food industry. → The low labor cost in Mexico, which encourages productive investment in particular in the automotive sector for export to the United States.	→ Rising house prices in the United States. → Pharmaceutical laboratories hit heavily by expiring drug patents in 2012. → Non-residential sector penalized by budget cuts in the United States.
Threats	**Opportunities**
→ Recovery in construction may be jeopardized by a sustained rise in interest rates in the United States. → Insufficiently contained risks of pollution in the shale gas industry. → A reduction in the US defense budget could affect military aeronautics. → Risks of financial collapse of public Medicare/Medicaid regimes. → Mounting public debt. → Competitiveness of Brazilian industry in international markets hampered by the exchange rate of the real.	→ Infrastructure investment plans in Latin America. → Ongoing reindustrialization in the United States, providing opportunities in the capital goods sector. → Ongoing concentration and stabilization of performances of traditional US airlines. → Obamacare providing access to health care for an additional 30 million Americans. → In the United States, an already large civil aeronautics industry that still presents growth prospects. → Strong growth in air transport in South America.

EH Asia-Pacific

Strengths	Weaknesses
→ China's trade surpluses. → Asia is dominant in electronic components, which are omnipresent in product manufacturing. → Buoyant domestic market for electronic consumer goods. → Dam construction plan in China out to 2015.	→ The chemicals industry's upstream positioning in less profitable activity. → Very unequal quality of public drug reimbursement programs. → Overcapacity in the Chinese steel sector, with very low levels of profitability. → Policy to redirect spending at the expense of the real estate sector. → Still restrictive regulations governing the arrival of international distributors (India, Vietnam to a lesser degree). → Mass retailing in Indonesia is limited by supply chain inadequacies and the lack of a cold chain. → Marked worsening in car sales in India.
Threats	**Opportunities**
→ Renewed Sino-Japanese tension over the Senkaku Islands weighing on sales of Japanese products in China. → Slowdown in growth, particularly in Europe, is weakening exports especially from China. → The chemicals industry, the source of increasingly problematic environmental pollution. → Commercial pressure from pharmaceutical companies on medical personnel (China).	→ Continued growth in household purchasing power. → Growing consumption of processed food products and changing consumer patterns (meat, dairy products). → Strong growth in air transport (well managed in China, more difficult in India). → Growth drivers in construction in new emerging countries. → Development of a Chinese civil aeronautics industry. → Unsaturated retail market in India and in mainland Chinese provinces.

EH DACH(*)

Strengths

→ A reputation of quality that favors worldwide exports.
→ The *premium* car industry benefits from its internationalization, in particular in the world's largest markets of China and the United States.
→ Very strong German chemicals industry, driven by world leader BASF.
→ Some branches of the food sector (including pig farming) are highly competitive in exports.

Weaknesses

→ The recession in the eurozone is weighing on German exports, in particular in the automotive sector where production has fallen markedly.
→ Sharply rising energy bill relative to non-EU competitors.
→ Rising property prices in Germany under the effect of immigration and investments to secure assets.

Threats

→ Air transport, currently undergoing strategic reconfiguration and restructuring, is still grappling with adverse economic conditions in 2013.
→ Tightening of quality controls in the pharmaceuticals industry.
→ Slowdown in the electronics sector following a fall in investments in Europe.

Opportunities

→ Still strong demand for aircraft (increase in production throughput and consistently healthy order books).
→ Successful in worldwide exports, benefits from growth in emerging countries.
→ Upturn in housing construction in Germany.

(*) Germany - Austria - Switzerland

EH Northern Europe

Strengths

→ The United Kingdom's monetary autonomy with respect to the eurozone.
→ The financial strength of the City of London.
→ One of the few growing automobile markets in Europe.
→ Dynamism of food producers on the worldwide export markets.

Weaknesses

→ Slowing of construction in Eastern European countries.
→ Struggling manufacturers in the high-tech sector, particularly in Finland.
→ Insufficiently internationalized pharmaceutical companies.
→ Stocks of vacant offices in Hungary.

Threats

→ Worsening automobile sales in Russia.
→ 2013 is a difficult year for some traditional national airlines faced with serious financial difficulties and weakened government shareholders.
→ Doubts over loans from the European funds.

Opportunities

→ Significant potential in the renovation sector in Russia, strengthened by the 2014-2020 European funds program.
→ Aeronautics construction: strong demand for aircraft (increase in production throughput and consistently healthy order books).
→ A developing middle class in Russia that is opening up a market for food manufacturers and retailers.
→ Housing renovation needs in the United Kingdom.
→ Growth of low-cost airlines.

EH France

Strengths

→ A high-performing aeronautics industry.
→ Luxury goods sectors that remain buoyant thanks to Asia.
→ Export competitiveness of the pharmaceuticals industry.
→ Good international positioning of French construction groups.
→ Recognition of the expertise of construction companies.

Weaknesses

→ A sharp deterioration in construction activity in 2012 and 2013.
→ Ongoing fall in car production and major ongoing restructurings.
→ Overcapacity in the steel industry, with a downturn in its two main sources of demand (construction and automotive sectors).
→ Higher energy bill in the chemicals industry than for non-EU competitors.
→ Production infrastructure of the food industry is still fragmented and the cooperative sector is little oriented towards foreign markets.

Threats

→ Air transport, currently undergoing strategic reconfiguration and restructuring, is still grappling with adverse economic conditions in 2013.
→ Measures to boost construction ineffective in the face of the deteriorating financial situation of households.
→ Mounting deflationary pressures linked to measures to reduce health care deficits.

Opportunities

→ Still strong demand for aircraft (increase in production throughput and consistently healthy order books).
→ Competitive specialty chemicals industry.
→ Rise in unmet housing needs.

EH Mediterranean

Strengths

→ Very low production costs in North African countries for local industry to develop.
→ Strong luxury goods industry in Italy for clothing, footwear and cars.
→ Structural reforms to improve the competitiveness of Italian industry.
→ Growth and wealth in the Gulf countries.

Weaknesses

→ The construction sector is mired in crisis with the stock of available housing fuelled by foreclosures.
→ Lackluster consumption and investment, with austerity plans in Italy, Spain, Portugal and Greece.
→ Greek pharmaceutical sector in decline.
→ Slump in steel production in Italy.

Threats

→ 2013 is a difficult year for some traditional national airlines faced with serious financial difficulties and weakened government shareholders.
→ Ongoing decline in car production in Italy and repercussions for the sector.
→ Changing consumption patterns accelerated by economic difficulties (dynamism of supermarket own-brand products at the expense of equivalent branded products, reduced packaging).
→ Food retailing highly exposed to struggling households.

Opportunities

→ Infrastructure investment plans.
→ Gas pipeline network capable of benefiting from shale gas exploration in the Mediterranean Basin.
→ The decline underway in the labor cost in Spain is favorable to an upturn in car production.

Focus on
Commodities& Energy

Price levels still high, despite a fresh decline in 2013

In the first half of 2013, commodity prices remained firm on the whole and, for the main indicators, at levels relatively close to those seen in 2012.

From a historical viewpoint, the markets are more or less where they were at in the spring of 2008, just before the economic crisis. The shock that began around 2005-2006 therefore continues, despite the attention given by the media to a few spectacular falls, from gold to Arabica coffee and including rubber and maritime freight; because of its duration, this shock resembles that which characterized the 1970s, especially considering that the situation in the main markets far from suggests an end to this commodities supercycle.

The overall stability of the energy market reflects the solidity of oil but masks major upheaval caused by shale gas.

The price of Brent oil remains above USD 100 per barrel, with a fresh rise in WTI despite rising production in the United States. Indeed, the development of shale gas has helped keep the price of natural gas at very low levels in the United States (although twice as high as the lows of 2012) and, as a ripple effect, has brought downward pressure to bear on the price of coal, which is now once again the cheapest source of energy outside the United States. Nevertheless, the oil market is benefiting from geopolitical tensions in the Middle East, oil producing and exporting countries' need for revenues and the inevitable rise in energy needs in emerging countries. In other words, forecasts for an average Brent price of USD 100 per barrel could quickly prove to be somewhat pessimistic.

Agricultural markets remain under pressure, in particular grains.

The 2012-2013 season ended with limited closing stocks and low reserves for leading exporters, while needs have increased in the Mediterranean and China. In an optimal weather scenario, the 2013-2014 harvests are expected to be exceptional which, logically, should lead to a fall in global prices, particularly for corn and soybeans in the fall. By contrast, the decline in sugar should be confirmed whereas clouds of uncertainty continue to linger over the wheat market.

The decline in the prices of agro-industrial and mining commodities remains linked to the situation in China.

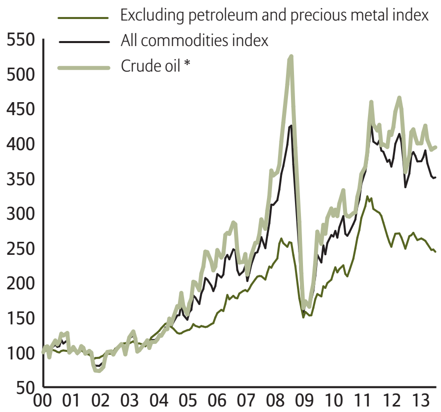
Nearly always the world's largest consumer, China remains the key variable for extremely jittery markets, as reflected by iron ore, which is the most reliable indicator of Chinese uncertainty – even more so than copper, which is much more sensitive to speculative activity on the Shanghai exchange. Yet recent months in China have seen a marked slowdown in growth and therefore in imports, although it is difficult to clearly distinguish between real needs of Chinese industry and the building up of public or private stocks, as was the case with cotton and wheat.

Coming months to be determined by China, the weather and the dollar.

In the short term, China and weather conditions will constitute two major risks weighing on global markets, alongside the trend in the dollar, the likely strengthening of which (below USD 1.25 against the euro) should add to downward pressure on the markets. In the medium term, delays in terms of productive investments and a gradual return to global growth in excess of 3% will once again bolster the markets._*ML*

Commodity index and oil prices

Monthly indices and prices based on nominal USD, 2000=100

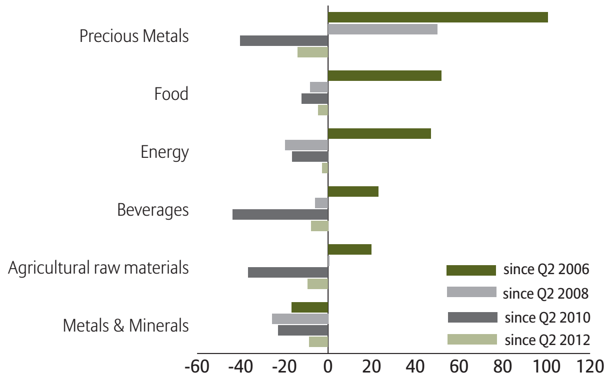


(*) Brent-Dubai-WTI average

Sources: CyclOpe, World Bank, Euler Hermes

Commodity indices as of Q2 2013

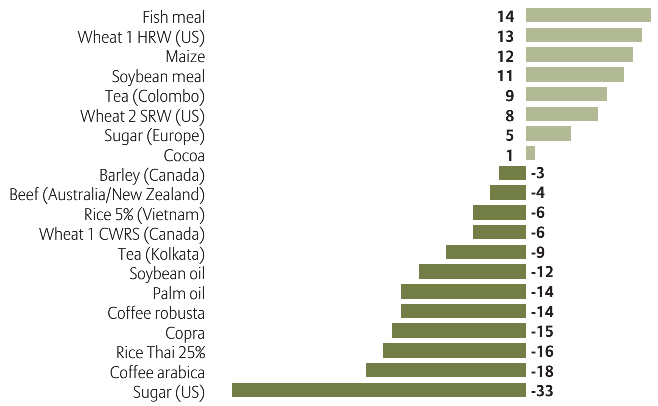
Indices based on nominal USD, 2005=100, change in %



Sources: CyclOpe, World Bank, Euler Hermes

Food and beverages prices 2013/2012

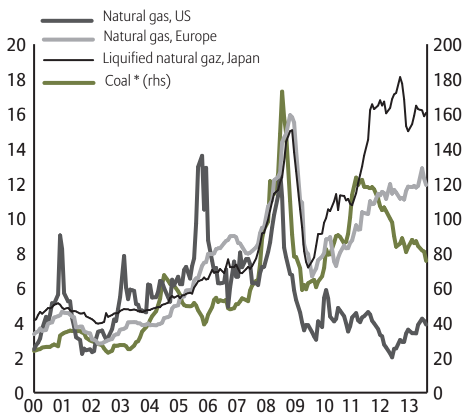
Yearly change of monthly prices as of June 2013, in %



Sources: CyclOpe, World Bank, Euler Hermes

Natural gas & Coal

Monthly prices on USD/mmbtu (lhs) and USD/mt (rhs)

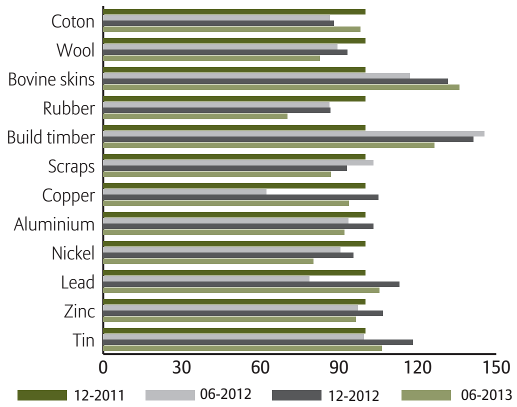


(*) Australia, Colombia and South Africa prices average

Sources: CyclOpe, World Bank, Euler Hermes

Agricultural raw materials, Metals & Minerals

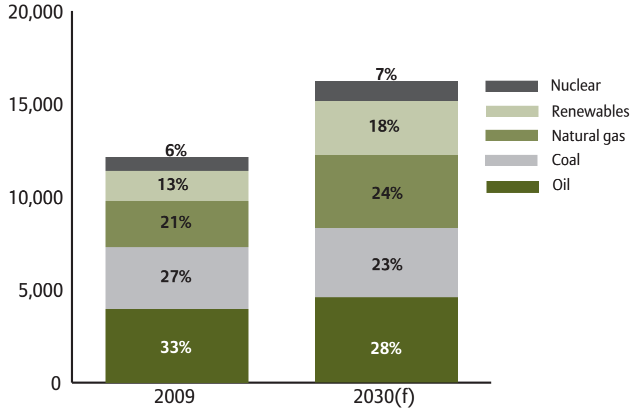
Monthly indices based on nominal USD, December 2011=100



Sources: CyclOpe, World Bank, Euler Hermes

Long-term change in world energy mix

Million tonnes of oil equivalent



Sources: IAE, Cédigaz forecasts

World Grade
A

Food products & beverages
Still under duress

A glimpse of respite
Revenues in the global food and beverages industry are expected to reach USD 5,700 billion in 2013, up around +3.6% compared with 2012 thanks mainly to growth in production volumes. After a second half of 2012 under pressure, the stabilization of commodity prices in the first two quarters of 2013 (respectively -0.5% q/q and +0.8% q/q for the Food and Agriculture Organization's food price index) will help contain pressure on operating margins in the sector over the coming months. This overall easing nevertheless remains relative, as the price level is still high and with disparities between subsectors. Eventually, the food and beverages industry continues to be stuck between fluctuations in commodity markets upstream and the extreme price sensitivity of food retailing downstream.

The European Union continues to lag
The significant deterioration in the economic climate within the European Union constitutes an additional shock for the regional food and beverages sector. Output in the sector stagnated in the first quarter (+0.3% q/q) according to Eurostat, while, at the same time, agricultural and food trade (excluding beverages) between Member States declined slightly by -1.2% y/y (in tons, +4.9% in value terms). The sector has nevertheless showed highly positive signs in the area of extra-regional exports. Indeed agricultural and food exports (outside the region) grew by +19.9% y/y (in tons, +10.3% in value terms) during the first three months of 2013. An analysis of this performance should nevertheless take into account the significant contribution of grain shipments. In this context, industry consolidation and acquisitions in more buoyant markets are also expected. Opportunities to diversify funding also appear to be opening up to the sector, as illustrated by the recent bond issues by French group Soufflet.

The United States on the right track
Spurred on by a more buoyant economic environment, production in the US food industry increased by +2.2% in the first five months of 2013. The improvement in after-tax profitability in the first quarter (still below results during the 2007-2010 period) points to a better year on the whole. The acquisition of Heinz by a consortium of investors for USD 28 billion is a sign of the financial markets' confidence in the robust prospects in the sector at the national and global levels. By seizing opportunities and/or implementing strategic guidelines, American groups have still proven reactive in the management of their activities' portfolio (Constellation Brands Inc., for example, has become the third-largest supplier of beer in the US market). Moreover, large groups are exploring all avenues to strengthen their positions. Mondelez International, for instance, has been seeking to extend payment terms with advertising agencies it works with. Lastly, substantial long-term investments carried out recently by large chocolate makers in cocoa production show an industry that has no choice but to completely integrate the "commodity" dimension into its own strategic plans.

Emerging regions prominent
In order to secure supply for a fast-growing domestic market all the while meeting high sanitary standards, Chinese food companies continue to be very active in Western countries, for example in dairy products (among others, partnership between Biostime and French cooperative Isigny Sainte-Mère) and pork products (proposed takeover of US leader Smithfield Foods by Shuanghui International). Lastly, a few announcements illustrate clearly a growing vibrancy in the African continent: creation in South Africa of a joint venture between the French company Eurogerm and the grain trading division of the US group Seaboard; expansion of production capacity at a Mars factory in Egypt (investment of USD 83 million)._*BG*

To watch…

- **►Prices of agricultural commodities and packaging supplies.**
- **►Plans to label food and drink products according to nutritional characteristics.**
- **►Changes in consumer habits accelerated by social media._**

Business sector forecasts

	Jul-13	Jan-13
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		
Italy		
Spain		
Portugal		
Greece		
Turkey		
EH Northern Europe		
United Kingdom		
Ireland		
Belgium		
Netherlands		
Romania		
Norway		
Czech Republic		
Poland		
Sweden		
Slovakia		
Finland		
Denmark		
Russia		
World		

Source: Euler Hermes
* Germany - Austria - Switzerland

Major world companies

Rank	Nationality	Company	Turnover 2012	Change 2011	Operating profit	Change 2011
(USD bn)						
1	United States	Cargill	133.9	12.0%	2.0%	-42.7%
2	Switzerland	Nestlé	98.8	10.2%	15.1%	11.7%
3	United States	ADM	90.6	12.3%	2.2%	-27.2%
4	United States	PepsiCo	65.5	-1.5%	13.9%	-5.4%
5	United States	Coca-Cola	48.0	3.2%	22.4%	6.0%
6	Belgium/Brazil/United States	AB InBev	39.8	1.8%	32.1%	1.3%
7	United States	Mondelez International	35.0	-2.2%	10.5%	5.4%
8	United States	Mars	nc	nc	nc	nc
9	United States	Tyson Foods	33.3	3.1%	3.8%	-2.9%
10	United Kingdom/Netherlands	Unilever	31.1*	6.0%	14.5%	3.0%
11	United Kingdom	SAB Miller	23.2	6.7%	19.0%	11.2%

* Only fod and beverage activity
Sources: companies, based on most recent accounts data, Bloomberg

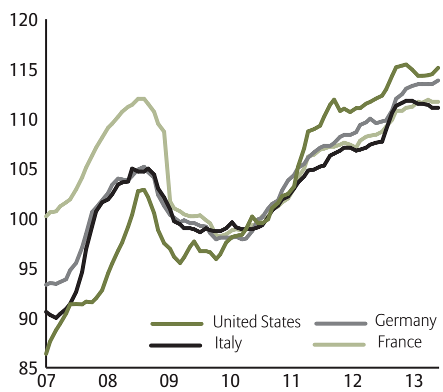
Change in food and beverage industry output

(Output)	Change 5 months 2013 5 months 2012	Change 2012 2011
Germany	0.4%	0.4%
France	-1.9%	-0.7%
Italy	-0.3%	-1.1%
Brazil*	0.0%	-1.5%
United States*	2.2%	3.7%

* beverages excluded
Sources: Eurostat, national statistics

Change in producer price index

Basis, 2010=100



Sources: national statistics

World Grade (1)

B

(1) Food and non food retail

Food retail

Tracking consumption

Global expansion

The world's top 100 listed food retailers revenue amounted to around USD 1,800 billion in 2012, up by +5% compared with 2011. In lockstep with household consumption, the sector (like many others) nevertheless needs to be viewed under separate regional lenses: strong growth in emerging countries, where middle classes are developing, and difficulties in mature Western markets, reflecting the many pressures bearing down on private consumption. In the latter, while it is virtually inelastic in volume terms during periods of economic turbulence, demand for food products is evolving, leading households to engage in arbitrages guided by bargain hunting. Given upstream inflation stoked by agricultural commodity prices, pressures are mounting in distribution and are weighing on performances.

Slowdown in European markets

Against the backdrop of a depressed economic climate in the eurozone, private consumption declined by -1.3% in 2012, and although this decline is expected to be less pronounced in 2013, the result is expected to be similar (-0.6% according to our forecasts). European retailers, whose activity remains concentrated in the region (70% of the sales of Metro and Carrefour are within Europe), are suffering the effects on their sales. For example, revenues generated in domestic markets in 2012 stagnated for Carrefour (+0.5% in France) and declined for Metro (-1.7% in Germany). Consumer appetite for cheap products is leading large retailers to engage in further price wars. Thus, in the first quarter of 2013, growth in the prices of consumer food products slowed in Germany (+0.6% q/q) and France (+0.5% q/q), while they even declined slightly in Spain (-0.1% q/q). Distribution therefore needs to integrate new consumption methods to find growth sources via an adjustment in store concepts, supply (own-brand products) or distribution (increase in channels such as the drive-through format, which has met an enthusiastic response on the part of consumers). The constant search for sales vigor in emerging markets logically still constitutes a growth lever.

Heightened vigilance in the United States

After having increased by +1.9% in 2012 in the United States, private consumption is expected to continue along a moderate growth path in 2013 (+2.2% according to our forecasts). Following a mixed start to the year in terms of activity, the average operating margins of leading US large retailers deteriorated slightly in Q1 2013, declining from 3.1% to 2.8% according to the Census Bureau. This figure is in the lower range of past performances. Activity in food retailing is nevertheless expected to feel the effects of more upbeat private consumption. Lastly, strategic repositioning by companies in North America bears testament to a sector in the process of adapting to these challenges. With a view to consolidate its market shares, Canadian group Empire Company Ltd acquired, via its subsidiary Sobeys Inc, the Canadian assets of US company Safeway for USD 5.7 billion. Likewise, Kroger, seeking to strengthen its presence in the US Southeast, bought Harris Teeter for USD 2.5 million.

Emerging regions, unsurprising growth engines

Revenue for the sector's leading Asian players recorded double-digit growth on average in 2012 (+11%) although their operating margins contracted to 2.2% (2.8% in 2011). The sector should continue to grow in 2013, mainly driven by two regional engines: first, China, where the increase in the minimum wage in the mainland provinces added further impetus to primary goods consumption; and second, Indonesia, where the combination of rising purchasing power and urbanization have been positive factors for food retailing. Besides, the sales of the leading South American food retailers increased by +5% in 2012, with a stable average operating margin at 4.5%. In Brazil, which remains a heavyweight in distribution in Latin America, sales of food products are expected to record a somewhat modest growth rate of below +2% in volume terms in 2013._*MG*

To watch…

►**The extent of the decline in private consumption in the eurozone.**

►**Pressure on margins in the face of changing consumer habits (bargain hunting).**

►**Loss of vigor in the hypermarket format and the development of new formats (for example small stores and drive-through)._**

(1) EH panel comprising the eight largest listed companies in Asia-Pacific and the six largest in South America.

Business sector forecasts (1)

	Jul-13	Jan-13
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		
Italy		
Spain		
Portugal		
Greece		
Turkey		
EH Northern Europe		
United Kingdom		
Ireland		
Belgium		
Netherlands		
Romania		
Norway		
Czech Republic		
Poland		
Sweden		
Slovakia		
Finland		
Denmark		
Russia		
World		

Source: Euler Hermes
* Germany - Austria - Switzerland
(1) Food and non food retail

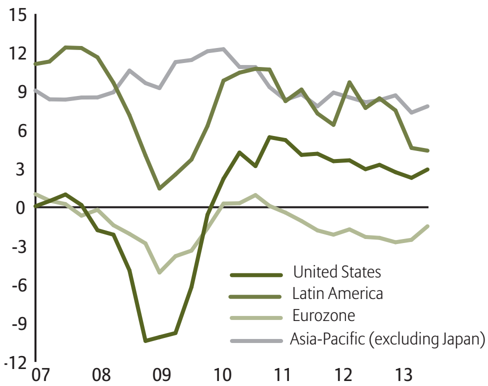
Major world companies

Rank	Nationality	Company listed	Turnover 2012	Change 2011	Operating profit	Change 2011
(USD bn)						
1	United States	WalMart	469.2	5.0%	5.9%	4.7%
2	United Kingdom	Tesco	102.9	1.4%	3.4%	-47.7%
3	United States	Costco	99.1	11.5%	2.8%	12.7%
4	France	Carrefour	97.9	1.3%	1.8%	n/a
5	United States	Kroger	96.8	7.1%	2.9%	116.3%
6	Germany	Metro	85.8	1.2%	2.1%	-34.2%
7	United States	Target	73.3	4.9%	7.1%	-2.1%
8	France	Auchan	60.3	5.8%	2.7%	-14.0%
9	France	Casino	54.0	22.1%	5.7%	71.0%
10	Japan	Seven & i	50.7	-3.4%	7.1%	1.2%

Sources: companies, based on most recent accounts data, Bloomberg

Change in real retail sales

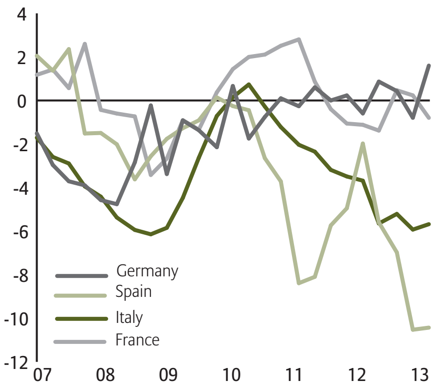
y/y 3 months average, in %



Source: IHS Global Insight

Change in food retail sales

y/y 3 months average, in %



Sources: IHS Global Insight, Eurostat

World Grade

A

Pharmaceuticals

In good health

(Good) health report

Estimated to be worth USD 930 billion in 2012, the global pharmaceutical sector comprises three drug families: patented drugs (68 % of the total), generics (25%) and self-medication (7%) requiring no prescription. While annual growth has stabilized at around +4%, pharmaceuticals are becoming less resilient, as rising life expectancy linked to medical advances has struggled to offset deflationary pressures in the sector. The largest laboratories, located in mature economies, are suffering from competition from generic drugs, boosted by demand from middle classes in emerging countries hungry for effective and cheap medication. They are also faced with the expiration of patents for some of their flagship drugs, the consequence being eroding revenues as they struggle to replace them with more innovative drugs.

European pharma on a diet

Reducing budgetary deficits is the new motif in European policy. Yet these deficits are fuelled among other by holes in public health insurance regimes. Under pressure from the markets to keep a tighter lid on debt, European governments are all seeking to reduce growth in their health expenditure. They have tightened criteria for the approval of innovative drugs, the flipside of which, when these are approved, are high regulated sales prices. The reimbursement rates of new drugs of debatable effectiveness have been revised downwards sharply, that is when cost has not been passed on exclusively to patients. For a given line of medication, there is also a preference for generic versions over patented drugs. The 20 leading European laboratories therefore no longer enjoy the financial health they once did, as illustrated by the -3.3% y/y decline in 2012 total revenues (in local currency).

US pharma contaminated

While the situation is not as severe on the US side of the Atlantic, given the primarily private funding methods, it is becoming imperative for the United States to rein in health expenditure. This is one of the consequences of the Affordable Care Act (ACA) signed into law in 2010 . Its implementation through Medicare has opened up access to healthcare to demand that was previously excluded, the flipside being that the federal government can force laboratories to reduce the price of their drugs. The recent expiration of a series of patents, to the benefit of generic makers, aids this process considerably. In 2012, the “lost” revenues of US laboratories because of patented drugs having fallen into the public domain amounted to USD 38 billion; it is estimated at USD 30 billion for 2013. For lack of new drug launches, US laboratories are restructuring to the point of splitting into several specialized entities. This can be seen in the cases of Pfizer or Abbott, the latter having spun off its pure pharmaceuticals business in late 2011 to form new company Abbvie. They must also compromise with severe regulators, which are imposing harsher penalties on laboratories found guilty of transgressing the therapeutic scope of their drugs, as in the case of J&J, which has been ordered to pay a fine of USD 1.1 billion for misrepresenting Risperdal.

New drugs, new markets

Expiring patents aside (their dates being known long in advance), the two Achilles’ heels of pharmaceutical companies in mature economies are the fall in the productivity of their R&D and price reductions following measures to reduce the deficits in health insurance regimes. These are weighing on the global revenues – expressed in US dollars – of prescription drugs, which posted a decline of -1.6% in 2012 compared with 2011. To reinvigorate sales, laboratories are turning to new markets, which represent one fifth of the global pharmaceuticals market. While growth in annual sales volumes remains present, that in prices has reached its limit. This is because countries like India and China want to broaden access to medication among their populations, which have (very) low purchasing power. Big Pharma is also refocusing R&D on biotech drugs, which are difficult to copy. Such drugs are expected to account for at least half of global pharmaceutical sales by 2020._*ML*

To watch…

- **The expiration of blockbuster drug patents in 2013.**
- **Issues in plugging public health insurance deficits in mature economies.**
- **Trends in the shares of generic and biotech drugs in global sales.**
- **The decline in R&D budgets of pharmaceutical companies since 2010._**

Business sector forecasts

	Jul-13	Jan-13
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		
Italy		
Spain		
Portugal		
Greece		
Turkey		
EH Northern Europe		
United Kingdom		
Ireland		
Belgium		
Netherlands		
Romania		
Norway		
Czech Republic		
Poland		
Sweden		
Slovakia		
Finland		
Denmark		
Russia		
World		

Source: Euler Hermes
* Germany - Austria - Switzerland

Major world companies

Rank	Nationality	Company	Turnover 2012* (USD bn)	Change 2011	Operating profit	Change 2011
1	United States	Pfizer	47	-11%	21%	-7%
2	Switzerland	Novartis	45	-3%	21%	-2%
3	United States	Merck	41	-2%	19%	-6%
4	France	Sanofi	38	-2%	22%	4%
5	Switzerland	Roche	38	1%	27%	9%
6	United Kingdom	GSK	33	-5%	25%	7%
7	United Kingdom	Astrazeneca	27	-16%	28%	-28%
8	United States	J&J	24	5%	25%	5%
9	United States	Abbvie	23	3%	31%	42%
10	United States	Eli-Lilly	20	-9%	22%	-21%

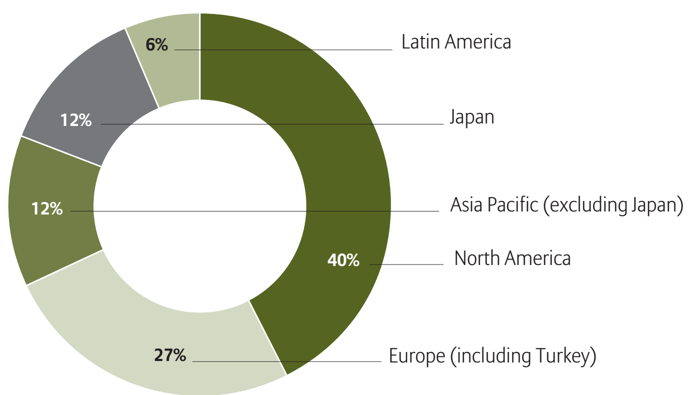
* Worldwide prescription drugs (EvaluatePharma)
Sources: companies, based on most recent accounts data, Bloomberg

Turnover of Top 7 selling drugs in the world (in 2012)

Drug (USD bn)	Company	Turnover 2012	Change 2011
Humira	Abbvie (ex-Abbott)	9.6	17%
Enbrel	Pfizer	8.5	8%
Seretide	GSK	8.1	-2%
Remicade	J&J/Merck	7.6	6%
Rituxan	Roche	7.2	5%
Crestor	AstraZeneca	6.8	-5%
Lantus	Sanofi	6.4	17%

Sources: Euler Hermes, EvaluatePharma

Breakdown of worldwide pharmaceutical sales in 2012



Source: Efpia

World Grade

A

Automobiles

Global growth driven by the two biggest markets, China and the United States

A market with divergent regional trends

Worldwide sales have continued to grow this year at around +3%. This figure masks highly differing trends between regional markets. While the United States and China recorded growth rates of above +10% y/y for the 12 months to end-May 2013, Europe continued its five-year-old decline with a fall at end-May of close to -8%; Japan, meanwhile, dipped into negative territory with 2.6%. Excluding China, such contrasting trends also appeared clearly among emerging countries, with growth of +13% in Brazil and a fall of -9% in India. It is therefore imperative for manufacturers to have a global presence to benefit from growth regions and offset those in difficulty. This need is glaring for European volume carmakers, where losses are mounting and restructurings proving to be insufficient.

Europe bottoming out in late 2013?

The European market continued its fall in the year to end-May, down -7.6%, at 12.1 million units, a long way off its pre-crisis level of nearly 16 million units. Over the full year, the decline in the market is expected to reach -6.6% and the volume of sales to reach a low of 11.7 million units, with 2014 likely to see a slight trend reversal. However, it will still be many years before registrations return to their pre-crisis level and overcapacities will continue to weigh on manufacturers' margins, while the price war to preserve market shares continues. Against this very downbeat backdrop, the United Kingdom is the only country to stand out, with year-on-year sales growth of +8% in the 12 months to end-May (2.15 million units), thanks to very low interest rates and attractive promotional offers for small, fuel-efficient models after a sharp increase in oil prices. Although the British market is one of the few to be growing in 2013, it also remains below its pre-crisis level of 2.4 million vehicles sold.

The US market continues to grow to the benefit of national manufacturers

The US market continues to grow, up by +9% y/y in the 12 months to end-June 2013 to nearly 15.5 million vehicles sold. While this is still below its pre-crisis level of 17 million units sold, the market is growing for the third year in a row. And for the first time in 20 years, US carmakers have regained market share, up +0.2 percentage point to 46.3% in the first half. Sales of pick-ups, in which they are the main specialists, have benefited in particular. This growth has benefited local production considerably: since its 2009 low, employment in the sector has grown by +30%. By contrast, the Japanese market declined by -2.6% y/y in the 12 months to end-May and is expected to close the year with a fall of between -10% and -15%, a mechanical effect tied to the +27% growth recorded in 2012. These figures still result from base effects caused by the *tsunami* in 2011, a year in which the market collapsed by more than -15%.

Cracks appearing in the Eldorado of emerging countries

Trends are increasingly contrasted in the BRIC countries, between ongoing strong growth in China and Brazil and a decline in Russia and India. China has reaffirmed its status as the world's largest market, with 16.4 million vehicles sold in the 12 months to end-May for a growth rate of +11%. For the full year, volumes are expected to increase by +10% in a market of 17 million units. Brazil should maintain a positive growth rate for the full year, thanks to a very propitious start. Its market is expected to grow by +4% and reach 3 million units in 2013. By contrast, the Russian and Indian markets have been showing clear signs of slowing for several months. For the full year, we expect a sales volume of 2.75 million units in Russia, down -6%. In India, the fall in the market in the 12 months to end-May exceeded -9% y/y, although the launch of new models in the second half of the year is expected to slightly reverse this trend; for 2013, we expect a decline of -6% for a volume of 1.8 million units, compared with 2 million in 2012._*YL*

To watch...

- ►**Trends in sales and profitability of European carmakers.**
- ►**Overcapacities in production in some emerging countries with disappointing sales performances.**
- ►**Renewed investments in clean, electric, hybrid and hydrogen energies._**

Business sector forecasts

	Jul-13	Jan-13
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	☁	☁
Italy	🌧	🌧
Spain	☁	☁
Portugal	☁	☁
Greece	—	—
Turkey	☁	☁
EH Northern Europe	☁	☁
United Kingdom	☁	☁
Ireland	—	—
Belgium	☁	☁
Netherlands	—	—
Romania	☁	☁
Norway	—	—
Czech Republic	☁	⛅
Poland	☁	☁
Sweden	🌧	🌧
Slovakia	⛅	⛅
Finland	☁	☁
Denmark	—	—
Russia	⛅	⛅
World	⛅	⛅

Source: Euler Hermes
* Germany - Austria - Switzerland

Major world companies

Rank	Nationality	Company	Turnover 2012	Change 2011	Operating profit	Change 2011
(USD bn)						
1	Japan	Toyota	267.0	13.4%	6.0%	213.0%
2	Germany	Volkswagen	247.8	11.7%	5.9%	-15.0%
3	United States	General Motors	152.3	1.3%	-2.1%	NS
4	Germany	Daimler	147.0	-0.9%	7.1%	-13.0%
5	United States	Ford	134.3	-1.5%	4.7%	-22.0%
6	Japan	Honda	1,19.5	18.7%	5.5%	90.0%
7	Japan	Nissan	1,16.5	-2.3%	5.4%	-6.0%
8	Italy	Fiat	108.0	30.2%	4.5%	13.0%
9	Germany	BMW	98.8	3.1%	10.8%	-7.4%
10	South Korea	Hyundai	75.0	6.7%	10.0%	-3.0%
11	France	Peugeot	71.3	-12.5%	-1.0%	NS
12	France	Renault	53.1	-10.6%	1.8%	-31.0%

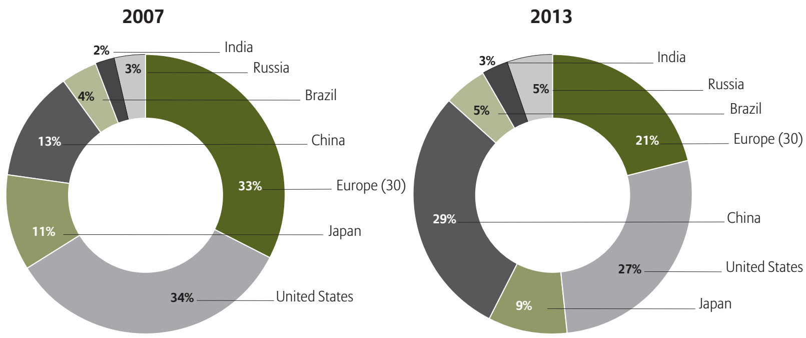
Sources: companies, based on most recent accounts data, Bloomberg

Variation in car registrations per region

(Private Vehicules mn annual average at the end of May)	2013	2012	Change 2012
Europe (30)	13.1	12.1	-7.6%
Russia	2.8	2.9	2.8%
United States	13.9	15.4	10.4%
Brazil	2.6	2.9	13.3%
Japan	5.2	5.1	-2.6%
China	14.8	16.4	11.0%
India	2.0	1.9	-9.1%

Source: national statistics

Weight of the main market in the world sales in 2007 and in 2013



Sources: national statistics, Euler Hermes

World Grade

B

Automotive components

Investing in buoyant markets

The need to be globalized but maintain organizational flexibility
More than ever, diverging market trends make it indispensable for automotive equipment manufacturers to have a presence in all the world's markets. From the ongoing fall in activity in Europe, the fall in India since the start of 2013, the recovery in growth in the United States to regular, sustained growth in China, component manufacturers constantly need to adapt their production tools and invest in research and development (R&D) to increase their worth in the eyes of car manufacturers and to protect their profitability. Between a necessary reduction in costs on the one hand and massive investments on the other, such is life for the sector's major players. A paradox in the sector is the need for global size at the same time as more flexibility and responsiveness.

Cost cutting in Europe

Car production continues to wane, and not only in Western Europe, as shown by the -23% fall in production in Poland in 2012 after, among others, the relocation of the Fiat Panda assembly line to Italy. By contrast, Slovakia saw its production volumes increase by more than +40% y/y on the back of increased development by Volkswagen, Peugeot-Citroën and Kia in the country. So component manufacturers are constantly forced to adapt their production tools and maintain operational flexibility at all times through the use of temporary and fixed-term employment contracts, before sometimes having to take the more drastic decision to shut down production sites. Overall, European production fell by approximately -8% in 2012 and could fall a further -6% to -7% in 2013. The squeeze on costs is not over yet. Between declining volumes and restructurings, the profitability of manufacturers in Europe is expected to deteriorate over the course of 2013.

Gaining from US growth

In recent years, US carmakers have diversified their supply sources significantly to the benefit notably of European component manufacturers, which have invested massively in the country. The expertise of European manufacturers is renowned both in technical aspects – notably in reducing fuel consumption and thereby CO2 emissions – and in terms of product quality – interior fitting for vehicles. Yet they are not the only ones, and US manufacturers are also benefiting from the renewed growth. As a whole, manufacturers in the Americas region therefore are posting very satisfactory growth rates and profit margins, but also a high level of investment to keep pace with the +20% growth in US car production in 2012 and a further +10% in 2013.

Adapting to divergent trends in emerging markets

Automobiles remain a high-tech industry, with a high level of R&D that can only be financed by mass production volumes. As 70% to 80% of a vehicle's parts are purchased from component manufacturers, size and investment capacity are factors of success. Western component manufacturers dominate the sector in this respect, and have increased their number of production facilities in Asia. This is particularly the case in China, where many new plants will open for production in 2013 and 2014. While China has become the world's biggest market, no local player is yet to assert itself. This is also the case in Brazil, India and Russia. Technological barriers are difficult to overcome. Nevertheless, one counterexample can be found in the performances of South Korean component manufacturer Mobis, which, with the backing of its shareholders – the Hyundai Kia conglomerate – has risen into the world top 10. For emerging countries, success first requires building a strong local automotive industry, on the back of which national component manufacturers will then be able to develop._YL

To watch…

►**Plans to harmonize technical and environmental standards between the United States, the European Union and Japan to pave the way for a reduction in production costs.**

►**Poor performances in some emerging countries.**

►**Component manufacturers' capacity to maintain their sales prices in a very difficult environment, particularly in Europe.**

Business sector forecasts

	Jul-13	Jan-13
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		
Italy		
Spain		
Portugal		
Greece	—	—
Turkey		
EH Northern Europe		
United Kingdom		
Ireland		
Belgium		
Netherlands	—	—
Romania		
Norway		
Czech Republic		
Poland		
Sweden		
Slovakia		
Finland		
Denmark		
Russia		
World		

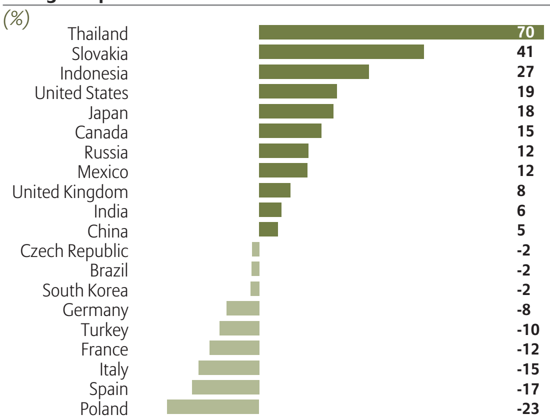
Source: Euler Hermes
* Germany - Austria - Switzerland

Major world companies

Rank	Nationality	Company	Turnover 2012 (USD bn)	Change 2011	Operating profit	Change 2011
1	Germany	Bosch	67.5	1.9%	2.5%	-51.0%
2	Japan	Denso	43.1	13.5%	7.3%	72.4%
3	United States	Johnson Controls	42.0	2.7%	4.2%	-11.1%
4	Canada	Magna	30.8	8.4%	4.9%	45.3%
5	Japan	Aisin Seiki	30.5	9.8%	5.9%	22.9%
6	South Korea	Mobis	27.3	17.1%	9.4%	13.4%
7	France	Faurecia	22.3	7.3%	3.0%	-50.0%
8	United States	TRW	16.4	1.2%	7.2%	-12.2%
9	United States	Delphi	15.5	-3.3%	9.5%	-1.7%
10	France	Valeo	15.1	8.2%	5.7%	-7.8%

Sources: companies, based on most recent accounts data, Bloomberg

Changes of production between 2011 and 2012



Source: OICA

All vehicules production per country

(Units bn)	
China	19.27
United States	10.33
Japan	9.94
Germany	5.65
South Korea	4.56
India	4.15
Brazil	3.34
Mexico	3.00
Thailand	2.48
Canada	2.46
Russia	2.23
Spain	1.98
France	1.97
United Kingdom	1.58
Czech Republic	1.18
Turkey	1.07
Indonesia	1.07
Slovakia	0.90
Italy	0.67
Poland	0.65

Source: OICA

World Grade

B

Aeronautics

Make way for production!

Another record year

The global market for commercial aircraft (more than 100 seats) is expected to reach a high in 2013: approximately USD 104 billion and 1,245 aircraft delivered, thus realizing another highly positive year. The single-aisle aircraft segment continues to receive substantial order volumes, while the recent Paris Air Show marked a commercial revival for the more lucrative long-haul aircraft. With growing order books now representing 7 to 8 years of activity, the current challenge for manufacturers consists in the industrial development of new programs and increasing delivery output without destabilizing subcontracting. Lastly, in 2013, the financing of fleets seems to be in the midst of a transformation, with greater use than expected of the bond markets and a decline in the share of bank loans backed by export credit agencies.

Europe still under favorable auspices

Airbus reached two milestones in the first half of 2013: the maiden flight of the A350 (on a tight schedule, certification and industrialization are the next critical phases of the program) and the official launch of construction at the A320 assembly site in the United States. In this same period, Airbus achieved solid sales performances (722 net orders) and industrial performances (295 deliveries, compared with 279 in 2012 and 258 in 2011). In the wake of this substantial growth in activity, major players have helped tackle the sector's increasing cash requirements and investment upstream, in particular for SMEs: in France, 6-month guarantees on orders to suppliers to help secure bank financing; establishment of "Aerofund 3", a specialized investment fund created to provide capital backing in the sector. The trend towards consolidation in the subcontracting network (encouraged by their customers) will allow the emergence of players with a critical size capable of keeping pace with growth in the market and bearing a larger share of risk and costs. Lastly, raw materials procurement seems to represent an additional source of pressure on cash flows for the sector's manufacturers.

Positive outlook in North America

Boeing has also demonstrated real commercial vitality (754 net orders) over the first 6 months of 2013. Moreover, by achieving 306 deliveries over this period, Boeing has confirmed it has overcome the nearly 4-month stoppage to deliveries of the B787 following the incidents last January (rollout of a safety system for batteries throughout the entire fleet). Moreover, this program has seen major advances in two other areas: beginning of the assembly of the first B787-9 and official launch of the stretched version, B787-10. Longer term, Boeing has unveiled plans for a successor to the very popular B777 by 2020. In addition, suppliers will be put under more pressure to improve their productivity and reduce costs for Boeing (creation of a "no-fly" list of companies either unable or unwilling to meet these expectations and which will therefore be excluded from future projects). Just like in Europe, following the industry's transfer upstream of a growing share of program development and industrialization phases, financial constraints and the resulting technological challenges are leading both to consolidation within the sector and to takeovers targeting specific areas of expertise. Lastly, the scheduled maiden flight of the CSeries by Canadian manufacturer Bombardier could spell the end of the Boeing-Airbus duopoly in the single-aisle segment.

Emerging countries are gathering momentum

The reaffirmation of a first delivery of Irkut's single-aisle MS-21 (with a high proportion of Western technology) in 2017, United Aircraft Corporation's launch of production of composite components in a new site and the activity of leasing company IFC show the ambitions of Russia's commercial civil aeronautics industry remain intact. Lastly, in the regional aviation segment, the success of Embraer at the 2013 Paris Air Show, with 300 firm orders and options, is particularly noteworthy._*BG*

To watch…

- ►Technical incidents with recent aircraft.
- ►Ramping up of the production.
- ►Euro/dollar exchange rate.
- ►Trends in fleet financing._

Business sector forecasts

	Jul-13	Jan-13
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	☁	☁
Italy	☁	☁
Spain	☁	☁
Portugal	☁	☁
Greece	—	🌧
Turkey	—	—
EH Northern Europe	🌧	🌧
United Kingdom	🌧	🌧
Ireland	☁	☁
Belgium	🌧	🌧
Netherlands	☁	☁
Romania	—	—
Norway	—	—
Czech Republic	—	—
Poland	—	—
Sweden	⛅	⛅
Slovakia	—	—
Finland	—	—
Denmark	—	—
Russia	—	—
World	☁	☁

Source: Euler Hermes
* Germany - Austria - Switzerland

Major world companies

Rank (USD bn)	Nationality	Company	Turnover 2012	Change 2011	Operating profit	Change 2011
1	United States	Boeing Commercial Airplanes	49.1	35.8%	9.6%	34.8%
2	Netherlands	Airbus Commercial	47.7	18.6%	3.0%	107.2%
3	Canada	Bombardier Aerospace	8.6	0.4%	4.7%	-19.3%
4	United States	Gulstream	6.9	15.2%	12.4%	17.7%
5	Brazil	Embraer	6.2	6.5%	9.9%	92.4%
6	United States	Cessna	3.1	4.0%	2.6%	36.7%
7	France	Dassault Aviation*	2.9	10.2%	n/c	n/c
8	France/Italy	ATR	1.4	10.8%	n/c	n/c
9	United States	Hawker Beechcraft	n/c	n/c	n/c	n/c

* Falcon
Sources: companies, based on most recent accounts data, Bloomberg

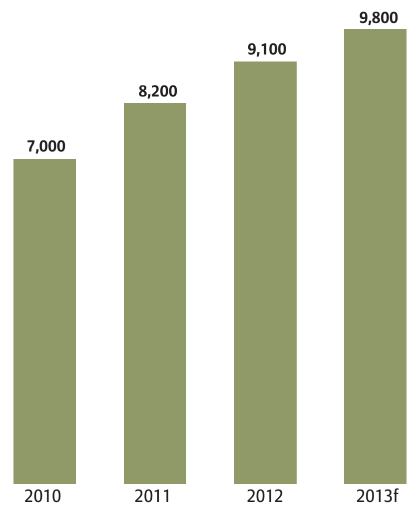
Net orders in the first half 2013

In units	Airbus Commercial	Boeing Commercial Airplanes	Bombardier Aerospace*
Net orders **2013**	722	754	28*
Net orders **2012**	230	440	68*

* Q1
Source: companies

Consolidated book orders for the main manufacturers

In units



f: Euler Hermes forecasts
Source: companies

World Grade

A

Chemicals

Under pressure

A reshuffling of the cards
Estimated at USD 3,000 billion excluding pharmaceuticals, global chemical production had a mixed year in 2012 (+2.5%). In Japan and the EU, production declined by -4.5% and -1.4% respectively compared with 2011, offset by growth in production in the United States (+2.5%), Latin America (+1.8%) and Asia (+7.5%). Trends in production will remain uneven in 2013. First, this is because chemicals are sensitive to changes in GDP in the various regions of the world, the recovery in the US economy contrasting with the persistent crisis in Southern Europe for example. In addition, it depends on the health of other manufacturing industries, chief among which car manufacturing (15% of revenue in the chemicals sector) and construction (10% of revenue), not to mention electronics. At the global level, it is nevertheless expected to post growth of +2.2% in volume terms in 2013 on the back of the Americas and Asia.

America is back

The US chemicals industry is expecting growth of +2.8% in 2013. This growth is largely attributable to the shale gas boom, with recoverable reserves having been estimated at some 20,000 billion m3 in the United States. The result has been a gas price that is three times cheaper in the United States than anywhere else, which constitutes an outrageous advantage for highly energy-intensive downstream industries such as chemicals. Ethane produced from shale gas is prevailing over naphtha, its liquid rival, as the most important chemical material both as a source of energy and as a feedstock of ethylene, in particular for the plastics industry. It is consolidating the trade balance, as chemical exports increased by +1.8% to USD 190 billion in 2012. Specialty chemicals are also benefiting from renewed vigor in their major sources of demand, the automobile and construction sectors. In light of lucrative activity prospects, investment in chemicals is increasing in the United States. The US chemical trade association, the American Chemistry Council, counts around 50 companies currently planning to substantially increase capacities out to 2017.

Asia at full volume

Asia is not to be outdone by the renewed competitiveness of the US chemical industry. While, just like Europe, it suffers from high energy costs, it also benefits from buoyant regional demand due to its fast-paced industrialization and its enormous infrastructure needs. Excluding Japan (+1%), Asian chemical production is expected to increase by +8% in volume terms in 2013. Strong demand allows sufficiently high price levels and thus acceptable margins. Nevertheless, this market should not be viewed as risk-free. Overcapacities could appear as a result of massive investments in basic chemicals over the past five years, both by local and foreign players. Excess supply is fast reducing margins at Asian chemical companies, (too) many of which are still small with varying levels of financial solidity. While the Asian chemical industry suffers from the slowdown in export trade, this is offset by healthy domestic demand in its two main markets, the automobile industry and Chinese construction.

Europe bringing up the rear

The European chemical industry has not regained its pre-crisis production level, estimated at 8% below its peak. According to Cefic, chemical production in Europe declined by -2.1% in the first quarter of 2013, and this trend was gaining momentum in May compared with the same period in 2012, with a decline of -2.5%. Explanatory factors include (i) the impact of the European petrochemical crisis, having fallen by -11% y/y because of higher energy supply costs than among its competition on the other side of the Atlantic; and (ii) the persistent weakness in its downstream markets – automobile and construction – in the eurozone. Alone, agricultural chemicals (+5%) and cosmetics (-0.4%) are unable to make up for the shortfall in the sector. While the former benefits from buoyant demand for fertilizer and phytosanitary products, the latter is tied to the trend in household consumption, which has been at a standstill for the past two years. The European chemical industry nevertheless remains competitive internationally, accounting for approximately 40% of intra- and extra-EU trade.*ML*

To watch…

►**Trends in oil and natural gas prices.**

►**Crisis in Southern European markets.**

►**Heightened competition from the US(petro)chemical industry.**

►**Agricultural chemicals benefiting from harvest levels._**

Business sector forecasts

	Jul-13	Jan-13
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		
Italy		
Spain		
Portugal		
Greece		
Turkey		
EH Northern Europe		
United Kingdom		
Ireland		
Belgium		
Netherlands		
Romania		
Norway		
Czech Republic		
Poland		
Sweden		
Slovakia		
Finland		
Denmark		
Russia		
World		

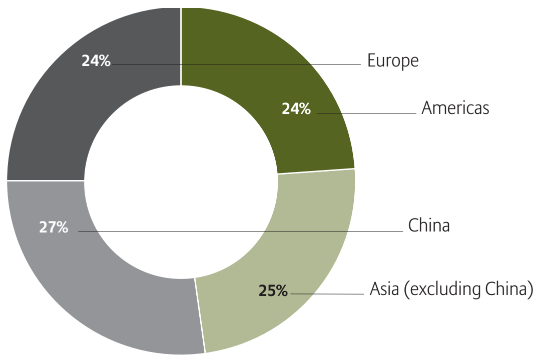
Source: Euler Hermes
* Germany - Austria - Switzerland

Major world companies

Rank (USD bn)	Nationality	Company	Turnover 2012	Change 2011	Operating profit	Change 2011
1	Germany	BASF	93	-3%	9%	-4%
2	China	Sinopec	64	-3%	4%	-4%
3	United States	Exxonmobil	61	-6%	12%	8%
4	United States	Dow Chemical	57	-5%	7%	-2%
5	Saoudi Arabia	Sabic	50	0%	22%	8%
5	Netherlands	Shell	48	-4%	8%	-5%
6	United States	Lyondellbasell	45	-6%	10%	8%
8	Japan	Mitsubishi Chemical	37	-4%	2%	2%
9	United States	Dupont de Nemours	39	2%	9%	12%
10	United Kingdom	Ineos	28	1%	nc	nc

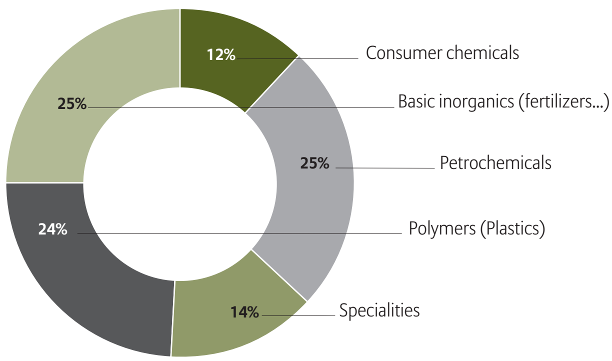
Sources: companies, based on most recent accounts data, Bloomberg

Worldwide chemical turnover by region (in 2012)



Source: Cefic

Chemical turnover by subsegment (in 2012)



Sources: Bloomberg, IHS Global Insight

World Grade

C

Construction

No big *stimulus* plans, but changes and opportunities

Key sector subject to many constraints

The construction sector has not been spared by the crisis. At +1.8%, growth in 2012 was weak in light of existing needs. A number of risks linger over the sector: demographics, economic development, climate challenges, household and government debt, interest rates, and also political timetables and sporting events. There are as many markets as there are countries and the sector comprises three different industries: public works, construction and renovation. At the global level, the sector represented EUR 8,000 billion in 2012, around 50% of which was realized in developed countries where it is growing on average half as fast as in many emerging countries. The sector has often been the beneficiary of major stimulus plans, but it now needs to make do with targeted support measures.

Renewed growth in emerging countries

Emerging countries offer important opportunities for infrastructure and housing construction. China, for example, has become the world's largest market ahead of the United States followed by Japan, which could quickly lose its place to fourth-ranked India, itself having launched vast projects such as Delhi's regional rail network. Other changes are afoot: the pace of growth in construction in China has slowed following measures to rein in the property bubble and emerging Asia stands out with the arrival of new Tigers (Indonesia, Philippines, Thailand and Malaysia). The regions of Africa and the Middle East, with growth of +3.5%, are also host to differing situations, with countries such as Nigeria (+9%), Qatar and Indonesia (+10%) standing out from the pack. Despite the economic difficulties, there are growth prospects in construction in South America. The residential sector has slowed in Brazil due to a reallocation of investments following the social unrest and in Mexico because of a difficult financial environment.

From convalescence to recovery in North America

The various indices released unanimously indicate that the recovery in the sector initiated in 2012 continues. Unsold housing stocks in the United States have remained below the level of 2 million for the past six months. After a chaotic period, prices have increased markedly over the past two months to their March 2004 level, which coincides with the midpoint in the property bubble. Orders in the residential sector are also rising and timber prices remain at a high level. On the other hand, any rise in interest rates could jeopardize this improvement. Similarly, public spending cuts are having a detrimental effect on the non-residential sector and public works. For the time being, employment in the construction sector has risen to 70% of its 2007 peak. In Canada, building permits increased by +3% in 2012, with marked regional disparities, while prices increased by +2.5%. This trend is reinforced by several projects, including the construction of a large-scale wind farm.

The long road to recovery in Europe

After stabilizing in 2011 (+0.2%), the European construction market dipped anew in 2012, by nearly -5%. The outlook for 2013 is gloomy, given the contraction in borrowing capacities, difficulties in access to credit and stagnant incomes. Nevertheless, 2013 appears likely to be a low point from which the market will gradually recover. Needs will increase in public works given the delays in infrastructure maintenance in Europe. Projects in sustainable development and energy efficiency are also opening up new prospects for activity. Green shoots, albeit weak, are appearing. This was the conclusion drawn in the latest sector-wide survey of SMEs carried out by the Federation of Master Builders (FMB) in the United Kingdom, especially considering that 75% of existing housing in the country is more than 40 years old and requires renovation work and that the government's "help-to-buy" program is adding impetus to the recovery. An increase of 200,000 new homes is expected in the residential sector in Germany from 2013 (immigration effect), a country oriented towards renovation._*DM*

To watch…

- ►**Upturn in interest rates.**
- ►**Risks of bubbles bursting.**
- ►**Household and government debt constraints.**
- ►**National measures to support the sector.**
- ►**Consolidation in North America and confirmation in new emerging countries.**
- ►**Consequences of Japan's declining population.**

Business sector forecasts

	Jul-13	Jan-13
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		
Italy		
Spain		
Portugal		
Greece		
Turkey		
EH Northern Europe		
United Kingdom		
Ireland		
Belgium		
Netherlands		
Romania		
Norway		
Czech Republic		
Poland		
Sweden		
Slovakia		
Finland		
Denmark		
Russia		
World		

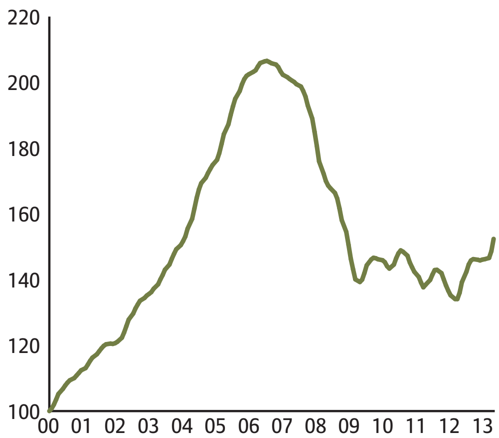
Source: Euler Hermes
* Germany - Austria - Switzerland

Major world companies

Rank	Nationality	Company	Turnover 2012	Change 2011	Operating profit	Change 2011
(USD bn)						
1	China	China Railway Construction Corp.	77	6%	2%	8%
2	China	China Railway Group	74	5%	2%	11%
3	France	Vinci	51	4%	9%	1%
4	Spain	ACS (including Hochtief)	50	35%	4%	25%
5	China	China Communication Construction	47	0%	6%	21%
6	US	Bechtel	38	15%	nc	nc
7	China	China Metallurgical	34	-3%	1%	-79%
8	France	Bouygues Construction Activities	34	6%	3%	-1%
9	Sweden	Skanska	19	9%	3%	-52%
10	UK	Balfour beatty	17	-1%	1%	-70%
11	Austria	Strabag Austria	17	-4%	2%	-41%
12	France	Eiffage	17	1%	9%	9%

Sources: companies, based on most recent accounts data, Bloomberg

House price index in the United States



Sources: IHS Global Insight, Standard&Poors

Construction market

EUR bn 2012	2012	2011	Change 2011
North America	1,216	1,242	2.1%
Latin America	411	426	3.7%
Western Europe	1,906	1,799	-5.6%
Eastern Europe	413	404	-2.1%
Asia-Pacific	3,760	3,965	5.5%
Middle East	271	281	3.9%
Africa	70	72	3.2%
World	**8,047**	**8,189**	**1.8%**

Sources: IHS Global Insight, Euler Hermes

World Grade

C

Air transport

In search of a model

Revival underway

For 2013, the International Air Transport Association (IATA) has forecast global air transport to realize industry-wide net profits of USD 12.7 billion on global revenues in excess of USD 700 billion. As modest as this result may be, it constitutes the third-best performance by the sector over the past 10 years. Although this improvement in profitability compared with 2012 is taking place in a less favorable environment, it reflects lower than expected oil prices and, especially, the first results of structural changes (control over seat capacity, cost-cutting efforts) carried out by the sector in search of business models less sensitive to economic fluctuations. The road ahead remains long, as illustrated by the disparities between regions. In 2013, the passenger segment is expected to break above the symbolic level of 3 billion travelers (expected growth in traffic of +5.2%) while freight is forecast to simply regain an upward trend (+1.5%).

Europe stranded midstream

For Air France-KLM, IAG and Lufthansa, 2013 began with a loss-making first quarter, which is no great surprise for an off-season. In a domestic market hit by the recession and facing low-cost competitors in better financial health, a number of multiyear plans initiated in 2011-2012 to cut costs and improve productivity are already seen as insufficient. Their short- and medium-haul activities are the center of concerns and, in response, are now the subject of an accelerated shift (personnel and planes) to low-cost entities still within the same groups but with lower operating costs (for example Germanwings for Lufthansa). There is also a growing number of initiatives to increase earnings: strict control of seat capacity, continued bolstering of alliances, improvement in the positioning of business classes, strengthening of maintenance activity and, for the long term, recent orders for new aircraft. By contrast, non-European companies are seizing investment opportunities in the Old Continent (Etihad Airways' interest in Serbian carrier JAT Airways and acquisition of 44% of Czech Airlines by Korean Air).

High spirits in the United States

The load factor on the domestic and international passenger flights of US airlines was 84.3% in May (78.4% for their European counterparts). This once again reflects carriers' discipline in the management of seat capacity (up only +0.3% in the first 5 months of the year while traffic was sluggish at +1.3%). Favored by successfully completed consolidation (finalization of the merger of US Airways and AMR), this position gives carriers a strong pricing power and enables optimal utilization of aircraft. The IATA expects this model, preceded and/or supplemented by sharp cuts in operating costs, to pave the way for the North American airline sector to amass USD 4.4 billion in earnings in 2013 (USD 2.4 billion in 2012). In the face of stagnant prices between January and May 2013 (-0.1%), traditional US carriers are seeking to further increase ancillary revenues from the sale of additional services, signaling change is underway in their revenue structure. Ticket prices themselves now represent only 70% of revenues (84% in 2000) according to the Department of Transportation.

Race for growth in emerging countries

In general highly exposed to freight activity, traditional Asian companies continue to suffer from downbeat international trade in certain regions: Asian cargo traffic contracted by -2.5% during the first 5 months of 2013. Moreover, in the growing domestic passenger segment (+5.6% in the same period), they are faced with the ambitions of leading low-cost competitors, such as Lion Air (which placed an order for 234 single-aisle aircraft in 2013). Finally, with a fast-growing middle class fuelling sustained growth in passenger traffic (+7.5% since the beginning of the year), the African continent is whetting the appetites of many, among which African airlines (South African Airways, Ethiopian and Kenyan Airways), airlines from both Europe – with a traditional strong presence – and the United States, Turkish Airlines as well as airlines from the Gulf._*BG*

To watch…

- ►**Oil prices.**
- ►**Trends in global trade.**
- ►**Trends in aircraft financing._**

Business sector forecasts

	Jul-13	Jan-13
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		
Italy		
Spain		
Portugal		
Greece		
Turkey		
EH Northern Europe		
United Kingdom		
Ireland		
Belgium		
Netherlands		
Romania		
Norway		
Czech Republic		
Poland		
Sweden		
Slovakia		
Finland		
Denmark		
Russia		
World		

Source: Euler Hermes
* Germany - Austria - Switzerland

Major world companies

Rank	Nationality	Company	Turnover 2012 (USD bn)	Change 2011	Operating profit	Change 2011
1	Germany	Lufthansa	38.9	4.9%	4.4%	-69.6%
2	United States	United Continental Holdings	37.2	0.1%	0.1%	-97.8%
3	United States	Delta Airlines	36.7	4.4%	5.9%	10.1%
4	France	Air France-KLM	33.1	5.2%	-3.4%	n/a
5	United States	AMR/American Airlines	24.9	3.7%	0.4%	n/a
6	United Kingdom/Spain	IAG	23.4	10.9%	-3.4%	n/a
7	UAE	Emirates	19.9	17.4%	3.9%	56.6%
8	Japan	All Nippon Airways	18.6	5.1%	7.0%	7.0%
9	United States	Southwest	17.1	9.1%	3.6%	-10.1%
10	Australia	Qantas	16.4	5.6%	-1.1%	n/a
11	Japan	Japan Airlines	15.5	2.8%	15.8%	4.4%

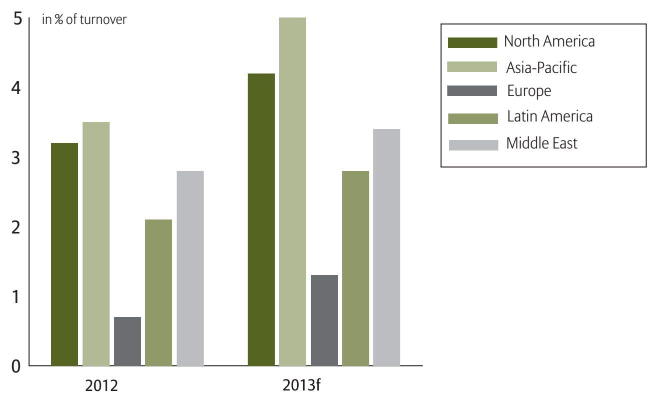
Sources: companies, based on most recent accounts data, Bloomberg

Rate of growth in annual passenger air traffic

(Domestic and international, in %)	2011	2012	2013f
Global	**5.9**	**5.3**	**5.3**
North America	2.3	1.4	1.7
Europe	9.0	4.4	4.0
Asia- Pacific	5.4	6.9	6.3
Middle East	8.5	13.9	15.0
Latin America	11.4	8.6	9.8
Africa	0.3	5.9	7.5

f: forecasts
Source: IATA

Cumulative operating earning in the main regions



f : forecasts
Source: IATA

World Grade

B

Information and Communication Technologies

Potentialities despite the widespread slowdown in 2012

New signs of weakness in Europe and in consumer electronics, but the ICT world remains promising

Information and communication technology (ICT) contributes 6% in value terms to global wealth. With revenue of EUR 3,168 billion in 2012, the sector grew by +2.7% (-1.2 percentage point compared with 2011). It includes IT and telecom equipment and services, consumer electronics goods and television services. Service activities are predominant (70%), but their growth stabilized in 2012. The three main geographical regions have market shares of between 28% and 30%. Asia is expected to overtake a stagnating North America in 2015, after having pushed ahead of Europe (-0.7 percentage point in 2012). Consumer electronic goods, which are more sensitive to the situation of households, declined in all regions (-7.5% all in all).

Growth potential for ICT remains in emerging regions

The Asia-Pacific region is the darling of the ICT sector. While former industry leader Japan declined by -2%, notably in consumer electronic goods, China and India remain dynamic, with growth of +8.5% in 2012. This region dominates global exports of electronic and IT components and equipment (75%), and their local use will continue to grow: the mobile phone penetration rate is 89% (128% in developed countries) and the household computer ownership rate is 31% (76% in Europe). The regions of Latin America, Africa and the Middle East are also emerging in the ICT industry, with 14% market share and growth of slightly less than +7% in 2012 despite very low ownership rates. 7% of households own a computer in Africa. While 60% own a mobile phone subscription, there are major disparities. In Latin America, growth in ICT reached +5% in 2012, slowed by the -2% decline in electronic consumer goods.

The United States is keeping pace with the world

With growth in the sector of +2.4% in 2012, North America sits just below the global trend. This is not such a bad performance when compared with Europe, for a region that played a key role in the creation of this sector. Telecom equipment (+3.7%) achieved the highest growth rate in 2012, thanks to new products and the ongoing rollout of new network infrastructure. But it was IT services that contributed the most to growth for the sector as a whole (47%) on the back of a recovery in business investment. Consumer electronic goods held up better than elsewhere, with a decline limited to -5.6%. The supremacy of North America was reflected by a strong US presence among the sector's leading companies in 2012, evidence of a large capacity to produce innovations and adopt them. This region also holds an advantage in the recovering semiconductor industry, and it has been at the forefront in the rollout of 4G.

In a context of crisis and mature markets, investments in European telecoms are long-awaited

In 2012, Europe underperformed in terms of ICT, with zero growth in activity. Growth will remain weak in 2013. It was also the region whose nominal GDP fell by -3%. The sector declined the most in the countries facing the greatest difficulties: Greece, Italy and Spain, down 5%. By contrast, it increased slightly (+1.5%) in Germany and the United Kingdom. Beyond Europe's macroeconomic climate, the sector also suffers from the maturity of these markets, where new products replace old ones, as exemplified by the cannibalization of computers by smartphones and tablets. In the absence of new products, the consumer electronic goods sector fell by -6%. IT equipment and services markets also suffered under the effect of weak business investment. In the area of telecom services, intense competition is weighing heavily at a time when the sector needs to invest in its infrastructures. This has given rise to rumors of sector consolidation._*DM*

To watch…

- ►**The cost and funding of the rollout of new telecom networks.**
- ►**Intensity of competition and pressure on prices of equipment and services.**
- ►**The emergence of growth sources in new markets.**
- ►**Mergers in the industry._**

Business sector forecasts

	Jul-13	Jan-13
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	☁	☁
Italy	☁	☁
Spain	🌧	🌧
Portugal	☁	☁
Greece	—	—
Turkey	☁	☁
EH Northern Europe	☁	☁
United Kingdom	☁	☁
Ireland	⛅	⛅
Belgium	☁	⛅
Netherlands	☁	☁
Romania	☁	☁
Norway	⛅	⛅
Czech Republic	☁	⛅
Poland	☁	☁
Sweden	⛅	⛅
Slovakia	⛅	⛅
Finland	⛅	⛅
Denmark	⛅	⛅
Russia	⛅	⛅
World	☁	☁

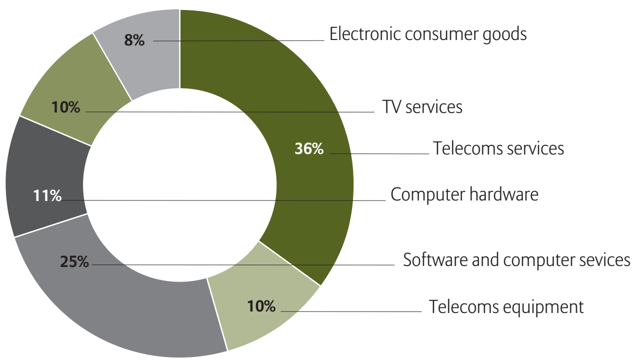
Source: Euler Hermes
* Germany - Austria - Switzerland

Major world companies

Rank	Nationality	Company	Turnover 2012 (USD bn)	Change 2011	Operating profit	Change 2011
1	South Korea	Samsung	176	22%	14%	88%
2	United States	Apple	157	45%	35%	63%
3	Japan	NTT	134	2%	11%	-2%
4	United States	AT&T	127	1%	10%	7%
5	United States	HP products et services	120	-5%	8%	-18%
6	United States	Verizon	116	4%	11%	2%
7	United States	IBM	105	-2%	20%	1%
8	Japan	Panasonic	92	-7%	2%	268%
9	Japan	Sony	85	5%	3%	ns
10	Germany	Deutsche Telekom	76	-1%	12%	-1%
11	United States	Microsoft	74	5%	38%	3%
12	United States	Dell	57	-8%	5%	-32%
13	United States	Cisco	46	7%	23%	22%
14	South Korea	LG	45	-6%	2%	231%
15	Finland	Nokia	39	-22%	-8%	ns
16	United States	Oracle	37	0%	39%	3%
17	China	Lenovo	34	15%	2%	35%
18	Sweden	Ericsson	34	0%	10%	2%

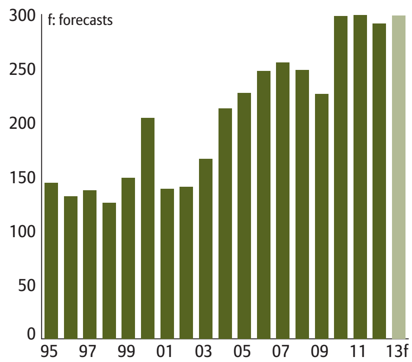
Sources: companies, based on most recent accounts data, Bloomberg

The market for information and communication technology (USD bn)



Sources: Idate, Euler Hermes

World semiconductors market



Sources: WSTS, Euler Hermes

Subsidiaries

Holding company: Euler Hermes SA — 1, place des Saisons — F-92078 Paris-La Défense Cedex
Tel. : + 33 1 8411 5050 — www.eulerhermes.com

►Argentina
Euler Hermes Argentina S.A.
Av. Corrientes 299 - 2° Piso
C1043AAC CABA Buenos Aires
Tel.: +54 11 4320 7157/77

►Australia
Euler Hermes Australia Pty Ltd.
Level 9, Forecourt Building
2 Market Street
Sydney, NSW 2000
Tel.: + 612 8258 5108

►Austria
Prisma Kreditversicherungs-AG
Himmelpfortgasse 29
1010 Vienna
Tel.: + 43(0) 5 01 02-0

Euler Hermes Collections GmbH,
Zweigniederlassung Österreich
Handelskai 388
1020 Vienna
Tel.: + 43 1 90 81 771

►Bahrain
Please contact United Arab Emirates

►Belgium
Euler Hermes Europe S.A. (NV)
Avenue des Arts - Kunstlaan 56
1000 Brussels
Tel.: + 32 2 289 3111

►Brazil
Euler Hermes Seguros de Crédito SA
Avenida Paulista, 2.421 - 3°andar
Jardim Paulista
São Paulo /SP 01311-300
Tel.: + 55 11 3065 2260

►Canada
Euler Hermes Services Canada Inc.
1155, René-Lévesque Blvd West
Suite 1702
Montréal (Québec) H3B 3Z7
Tel.: + 1 514 876 9656

►Chile
Euler Hermes Seguro de
Crédito SA
Ave. Presidente Kennedy 5735
Of. 801, Torre Poniente
Las Condes
Santiago
Tel.: + 56 2 246 1786

►China
Euler Hermes Consulting
(Shangai) Co.,Ltd
Unit 2103,Taiping Finance Tower, N°488
Middle Yincheng Road, Pudong New Area, Shangai, 200120
Tel.: + 86 21 6030 5900

►Colombia
Euler Hermes Colombia
Calle 72 6-44 Piso 3
Edificio APA
Bogota
Tel.: + 571 326 4640

►Czech Republic
Euler Hermes Europe SA
organizacni slozka
Molákova 576/11
186 00 Prague 8
Tel.: + 420 266 109 511

►Denmark
Euler Hermes Denmark
filial of Euler Hermes Europe SA, Belgien
Amerika Plads 19
2100 Copenhagen O
Tel.: + 45 88 33 3388

►Estonia
Please contact Finland

►Finland
Euler Hermes Europe SA
Suomen sivuliike
Mannerheimintie 105
00280 Helsinki
Tel.: + 358 10 8 50 8500

►France
Euler Hermes France SA
Euler Hermes Collection
Euler Hermes World Agency
1, place des Saisons
F-92048 Paris la Défense Cedex
Tel.: + 33 1 84 11 50 50

►Germany
Euler Hermes Deutschland AG
Friedensallee 254
22763 Hamburg
Tel.: + 49 40 8834 0

Federal Export Credit Guarantees
Friedensallee 254
22763 Hamburg
Tel.: + 49 40 8834 9000

Euler Hermes Collections GmbH
Zeppelinstr. 48
14471 Postdam
Tel.: + 49 331 27890-000

►Greece
Euler Hermes Emporiki SA
16 Laodikias Street &
1-3 Nymfeou Street
115 28 Athens
Tel.: + 30 210 69 00 000

►Hong Kong
Euler Hermes Hong Kong Services Ltd.
Suites 403-11, 4/F
Cityplaza 4
12 Taikoo Wan Road
Island East
Hong-Kong
Tel.: + 852 2867 0061

►Hungary
Euler Hermes Europe SA
Magyarorszagi Fioktelepe
Kiscelli u. 104
1037 Budapest
Tel.: + 36 1 453 9000

►India
Euler Hermes India Pvt.Ltd
5th Floor, Vaibhav Chambers
Opposite Income Tax Office
Bandra Kurla Complex- Bandra (East)
Mumbai 400 051
Tel.: +91 22 6623 2525

►Indonesia
PT Assuransi Allianz Utama Indonesia
Summitmas II. Building, 9 th floor
Jl. Jenderal Sudirman Kav 61-62
Jakarta 12190
Tel.: + 62 21 252 2470 ext 6100

►Ireland
Euler Hermes Ireland
Allianz House
Elm Park
Merrion Road
Dublin 4
Tel.: +353 (0)1 518 7900

►Israel
ICIC,
2, Shenkar street
68010 Tel Aviv
Tel: + 97 23 796 2444

►Italy
Euler Hermes Europe S.A.
Rappresentanza generale per l'Italia
Via Raffaello Matarazzo, 19
00139 Rome
Tel.: + 39 06 87001

►Japan
Euler Hermes Deutschland AG
Japan Branch
Kyobashi Nisshoku Bldg. 7F
8-7 Kyobashi, 1-chome,
Chuo-Ku
Tokyo 104 0031
Tel.: + 81 3 3538 5403

►Kuwait
Please contact United Arab Emirates

►Latvia
Please contact Poland

►Lithuania
Please contact Poland

►Malaysia
Euler Hermes Singapore Services Pte Ltd.
Malaysia Branch
Suite 3A_13A Level 13A, Block 3A
Plaza Sentral, Jalan Sentral
Jalan Stesen Sentral 5
50470 Kuala Lumpur
Tél.: +603 2264 8556 (or 8599)

►Mexico
Euler Hermes Seguro de Crédito S.A.
Torre Polanco
Calzada Mariano Escobedo No. 476, Piso 15
Colonia Nueva Anzures
Delegación Miguel Hidalgo
Mexico DF C.P. 11590
Tel.: +52 55 5201 7900

Subsidiaries

Holding company: Euler Hermes SA — 1, place des Saisons — F-92078 Paris-La Défense Cedex
Tel. : + 33 1 8411 5050 — www.eulerhermes.com

▶Morocco
Euler Hermes Acmar
37, bd Abdelattif Ben Kaddour
20050 Casablanca
Tel.: + 212 5 2279 0330

▶The Netherlands
Euler Hermes Nederland NV
Pettelaarpark 20
5216 PD's-Hertogenbosch
Tel.: + 31 73 688 9999

▶New Zealand
Euler Hermes New Zealand Ltd
Level 1, 152 Fanshawe Street
Auckland 1010
Tel.: + 64 9 354 2995

▶Norway
Euler Hermes Norge
Holbergsgate 21
P.O. Box 6875
St. Olavs Plass
0130 Oslo
Tel.: + 47 23 25 6000

▶Oman
Please contact United Arab Emirates

▶Philippines
Please contact Singapore

▶Poland
Towarzystwo Ubezpieczen Euler Hermes S.A.
ul. Domaniewska 50 B
02-672 Warsaw
Tel.: + 48 22 363 6363

▶Portugal
COSEC - Companhia de Seguro
de Créditos, S.A.
Av. da República, nº 58
1069-057 Lisbon
Tel.: + 351 21 791 3700

▶Qatar
Please contact United Arab Emirates

▶Romania
Euler Hermes Europe S.A.Bruxelles
Sucursala Bucuresti
Str. Petru Maior, nr.6,
Sector 1
011264, Bucarest
Tel.: + 40 21 302 03 00

▶Russia
Euler Hermes Credit Management OOO
Office C08, 4-th Dobryninskiy per.,8
Moscow, 119049
Tel.: + 7 495 98128 33 ext 4000

▶Saudi Arabia
Please contact United Arab Emirates

▶Singapore
Euler Hermes Singapore Services Pte Ltd
3 Temasek Avenue
03-02 Centennial Tower
Singapore 039190
Tel.: + 65 6297 8802

▶Slovakia
Euler Hermes Europe S.A, pobocka
poist'ovne z ineho clenskeko statu
2012: Plynárenská 7/A
821 09 Bratislava
Tel. : + 421 2 582 80 911

▶South Africa
Please contact Italy

▶South Korea
Euler Hermes Hong Kong Services
Korea Liaison Office
Room 1411, 14th Floor, Sayong
Platinum Building
156, Cheokseon-dong
Chongro-ku
Seoul 110 052
Tel.: + 82 2 733 8813

▶Spain
Solunion
Avda. General Perón, 40
28020 Madrid
+34 902 400 903
www.solunionseguros.com

▶Sri Lanka
Please contact Singapore

▶Sweden
Euler Hermes Sverige filial
KlaraBergsviadukten 90
P.O. Box 729
101 64 Stockholm
Tel.: + 46 8 55 51 36 00

▶Switzerland
Euler Hermes Deutschland AG,
Zweigniederlassung Zürich
Tödistrasse 65
8002 Zürich
Tel.: + 41 44 283 6 5 65

Euler Hermes Reinsurance
Tödistrasse 65
8002 Zürich
Tel.: + 41 44 283 65 85

▶Taiwan
Please contact Hong Kong

▶Thailand
Allianz C.P. General Insurance Co, Ltd
323 United Center Building
30th Floor
Silom Road
Bangrack, Bangkok 10500
Tel.: + 66 2638 9000

▶Tunisia
Please contact Italy

▶Turkey
Euler Hermes Sigorta A.s
Maya Akar enter
Buyukdere Cad. No:100k:7,
34394, Esentepe/Istanbul
Tel. : + 90 212 290 76 10

▶United Arab Emirates
Euler Hermes
c/o Alliance Insurance (PSC)
Warba Center, 4th Floor
Office 405
PO Box 183957
Dubai
Tel.: + 971 4 211 6005

▶United Kingdom
Euler Hermes UK
1 Canada Square
London E14 5DX
Tel.: + 44 20 7512 9333

▶United States
Euler Hermes North America
Insurance Company
800 Red Brook Boulevard
Owings Mills, MD 21117
Tel.: +1 410 753 0753

Euler Hermes UMA Inc.
(trade debt collection)
600 South 7th Street
Louisville, KY 40201-1672
Tel.: +1 800 237 9386

▶Vietnam
Please contact Singapore

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of Euler Hermes
1, place des Saisons 92048 Paris La Défense Cédex
E-mail: research@eulerhermes.com –
Tel. : +33 (0) 1 84 11 50 46