Atradius
Managing risk, enabling trade

October 2017

market monitor

Focus on machines/engineering performance and outlook

Disclaimer

In this issue...

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

Excellent Good Fair Poor Bleak

Many businesses running well, while some face troubles

The short-term outlook for the machines/engineering industry in most countries covered in this issue of the Market Monitor is 'Fair' or even "Good", as the engineering and electrical machinery subsectors are performing rather well in most markets. However, many machinery businesses related to the oil and gas sector have been severely affected by an investment curb due to low energy prices. This underlines that the whole industry is highly sensitive to changes in the priorities and budgets of end-market customers. At the same time, the machinery sector is highly exposed to geopolitical uncertainty and volatility in worldwide economic conditions, including the threat of rising protectionism and increased trade barriers.

Earnings of machines/engineering businesses from developed markets are increasingly squeezed by competition from emerging markets, especially in the lower value-added product segment. A good example is the German machinery sector, where profit margins are affected by Chinese machinery builders increasingly capable of producing high quality machines, forcing German businesses to compromise on price.

China

- A positive development in 2016 and 2017, but challenges remain
- Financial troubles for smaller businesses as banks are reluctant to lend
- Average payment duration of 90-150 days

Overview

Credit risk assessment	significantly improving	improving	stable	deteriorating	significantly deteriorating
Trend in non-payments over the last 6 months			✔		
Development of non-payments over the coming 6 months			✔		
Trend in insolvencies over the last 6 months			✔		
Development of insolvencies over the coming 6 months			✔		
Financing conditions	**very high**	**high**	**average**	**low**	**very low**
Dependence on bank finance		✔			
Overall indebtedness of the sector		✔			
Willingness of banks to provide credit to this sector				✔	
Business conditions	**significantly improving**	**improving**	**stable**	**deteriorating**	**significantly deteriorating**
Profit margins: general trend over the last 12 months			✔		
General demand situation (sales)			✔		

Source: Atradius

The Chinese machinery industry recorded a turnover increase of 7.4% in 2016, reaching CNY 24.55 trillion (EUR 3.16 trillion). Profits of Chinese machinery businesses grew 5.5% last year, to CNY 1.68 trillion (EUR 216 billion). However, despite this expansion, the industry is facing some challenges; the cooling down of the Chinese economy since 2013 caused a slowdown in machinery sales growth. In particular, demand for engineering machinery, heavy machinery, mining machinery and petroleum machinery remains subdued compared to the very high growth rates seen in the years before 2013.

Additionally, in 2016 growth in Chinese machinery investments slowed for the fifth consecutive year. More specifically, the growth ratio decreased to just 1.7% in 2016, 8 percentage points lower than in 2015 and 6.4 percentage points lower than the whole manufacturing sector. Foreign trade remained weak in 2016, as exports decreased 3.6% (to EUR 313.2 billion), after already declining in 2015. However, foreign trade is expected to rebound in the coming months.

Lower demand from key buyer industries and high overcapacity has led to decreasing net profit margins for some businesses over the last two years. 12 out of 100 machinery companies registered losses in 2016, and total loss for these 12 companies increased 6.3% (compared with total profit growth of 5.5% for the sector). This indicates a performance gap within the industry, with healthy and profitable companies recording higher profits, while unprofitable businesses are incurring larger losses.

As machinery manufacturing is a highly capital-intensive business with large investments in fixed assets, financing requirements and gearing are high in this sector. However, Chinese banks are increasingly reluctant to lend, due to a large amount of non-performing loans accumulated in recent years and because

China: Engineering sector

	2016	2017f	2018f
GDP growth (%)	6.7	6.7	6.3
Sector value added growth (%)	6.6	8.8	5.4

Sector share in the national economy (%)	3.2
Average sector growth over the past 3 years (%)	6.0
Average sector growth over the past 5 years (%)	7.0
Degree of export orientation	medium
Degree of competition	high

Sources: Macrobond, Oxford Economics, Atradius

of the economic slowdown. This less favourable lending policy mainly affects privately-owned small and medium-sized businesses. If bank loans are provided, additional security is usually required, such as fixed assets and personal property guarantees.

The average payment duration in the Chinese machinery industry is 90-150 days. As credit conditions have been tightened, many smaller and/or privately owned machinery businesses face liquidity issues, leading to slower payments and even payment defaults. We have observed many small machinery companies shutting down their businesses since 2014, and this trend is expected to continue. In order to optimise economies of scale, mergers and reorganisations of smaller companies have increased.

In contrast to their smaller/privately owned peers, larger and state-owned machinery companies are doing better, as it is much easier for them to get financial support from a parent company or the government when in trouble. Therefore, their payment records are better and the resilience of their businesses is higher.

In general, our underwriting strategy is rather restricted for smaller/privately owned businesses, while we are more open to companies with state/government or multinational group background. Our underwriting stance also differs according to the performance of the downstream industry, i.e. we are open for automotive-related machinery, neutral on electrical machinery, and restrictive on textile machinery and mining machinery.

Chinese machines/engineering sector

Strengths	Very large market for machinery
	Domestic demand will continue to grow in the long-term
	Cheap labour force and high productivity help Chinese companies expand
Weaknesses	High level of overcapacity in the sector
	High dependence on bank finance
	Many small-scale businesses are burdened by low levels of efficiency and poor economies of scale

Source: Atradius

France

- **Growth in most segments continues**
- **Machinery businesses related to farming equipment still face troubles**
- **Strain on production capacity should encourage investments**

Overview

Credit risk assessment	significantly improving	improving	stable	deteriorating	significantly deteriorating
Trend in non-payments over the last 6 months		✔			
Development of non-payments over the coming 6 months			✔		
Trend in insolvencies over the last 6 months			✔		
Development of insolvencies over the coming 6 months			✔		
Financing conditions	**very high**	**high**	**average**	**low**	**very low**
Dependence on bank finance		✔			
Overall indebtedness of the sector		✔			
Willingness of banks to provide credit to this sector		✔			
Business conditions	**significantly improving**	**improving**	**stable**	**deteriorating**	**significantly deteriorating**
Profit margins: general trend over the last 12 months			✔		
General demand situation (sales)		✔			

Source: Atradius

In 2016 the French machinery sector recorded sales growth in most segments, driven by increased domestic demand (from the metals and construction industries) and rising exports. Machine tool sales increased 6.9%, while the lifting and handling materials segment even recorded an increase of 18%. This was triggered by rising exports and a turnaround after several years of subdued domestic business investments, mainly in the construction sector.

However, as in 2015, machinery businesses related to agriculture/farming equipment continued to face a very competitive environment and decreasing sales and margins, mainly affecting smaller wholesalers. Sales continued to decrease in 2016 (down 2.6%) as farming equipment buyers reduced their investments further due to lower revenues. At the same time, the boiling equipment machinery segment recorded a decrease of 2.9% in sales, still impacted by low investments from the oil and gas industry.

French machinery sales growth increased about 3% in H1 of 2017, mainly driven by overseas demand, especially from Asia and South America, and exports are expected to increase further in the coming months. At the same time, domestic demand remains robust, with an upbeat business climate and more French companies are willing to increase their investment in equipment and machinery. Real fixed investment in France is expected to grow above 2% annually in 2017 and 2018.

In this capital intensive industry, financing needs are high. As a result, businesses in this sector can incur large debts that weak-

France: Engineering sector

	2016	2017f	2018f
GDP growth (%)	1.1	1.6	1.6
Sector value added growth (%)	0.6	0.2	3.6

Sector share in the national economy (%)	0.7
Average sector growth over the past 3 years (%)	1.3
Average sector growth over the past 5 years (%)	0.5
Degree of export orientation	high
Degree of competition	high

Sources: Macrobond, Oxford Economics, Atradius

en their financial structure and overall solvency, putting undue stress on liquidity. However, in many cases advance payments can improve suppliers' cash situations, while banks are willing to lend to the machinery sector. Profit margins have increased over the last 12 months due to the benign business environment and support by fiscal measures. However, in the coming 12 months a slight margin decline cannot be ruled out due to increased energy spending.

On average, payments in the French machinery sector take 70-80 days. The level of protracted payments has been low over the past two years. In H1 of 2017 non-payments decreased and are expected to level off in the coming six months. Despite a forecast decrease of 7% in French business insolvencies , in 2017 business failures in the machinery sector are expected to level off. This can be explained by the fact that the level of machinery insolvencies is already low compared to other industries.

In view of the positive outlook, our underwriting stance remains open for most segments, however, we are still more cautious with machinery businesses related to the agriculture/farming segment due to the issues mentioned above. The same accounts for machinery businesses dependent on the oil and gas sector (like piping machinery).

French machines/engineering sector

Strengths	Leadership in some key products
	Diversity of outlets
	Technical knowledge
	Good worldwide position (France is the 6th largest player)
Weaknesses	High financial needs
	Dependency on export markets

Source: Atradius

Italy

- **Competition remains strong in the domestic market**
- **Payment duration is 100 days on average**
- **Insolvencies are expected to decrease again in 2017**

Overview

Credit risk assessment	significantly improving	improving	stable	deteriorating	significantly deteriorating
Trend in non-payments over the last 6 months			✔		
Development of non-payments over the coming 6 months			✔		
Trend in insolvencies over the last 6 months		✔			
Development of insolvencies over the coming 6 months		✔			
Financing conditions	**very high**	**high**	**average**	**low**	**very low**
Dependence on bank finance			✔		
Overall indebtedness of the sector			✔		
Willingness of banks to provide credit to this sector			✔		
Business conditions	**significantly improving**	**improving**	**stable**	**deteriorating**	**significantly deteriorating**
Profit margins: general trend over the last 12 months		✔			
General demand situation (sales)		✔			

Source: Atradius

The Italian machines/engineering sector has proved to be relatively resilient during the downturn of Italy´s economic performance after 2008, due to its export orientation, high specialisation and added value products in precision mechanics. Value added growth of the industry increased above 3% in 2016, and is expected to rise further in 2017 and 2018, by about 1.5% annually.

As in previous years, competition remains strong in the domestic market, especially among small and medium-sized machinery companies dependent on construction businesses. While domestic capital investment growth has picked up again since 2016, the construction and road machinery segment performance is still hampered by the slow construction rebound in Italy. The earthmoving machinery segment is highly dependent on public works and therefore exposed to structurally slow payments by public entities. At the same time, demand for machinery related to the oil and gas sector remains subdued.

In contrast, the machinery segment dependent on the manufacturing sector continues to benefit from export growth and increased domestic market demand (especially from the automotive and food sectors). Larger and more diversified machinery companies and export-oriented SMEs are expected to improve performance and cash generation. Overall, profit margins of Italian machinery businesses rebounded in 2016 and are expected to improve further in 2017.

Payment duration in the Italian machinery sector is 100 days on average. Payment experience has been good over the past two years, and the level of protracted payments is low. Non-payment notifications have been stable over the last 12 months, and are expected to remain low in the coming months. The number of insolvencies in the machinery sector is relatively low. Machinery insolvencies are expected to decrease further in 2017, by about 5%.

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Italy: Engineering sector

	2016	2017f	2018f
GDP growth (%)	0.9	1.2	1.0
Sector value added growth (%)	3.2	1.4	1.6

Sector share in the national economy (%)	2.2
Average sector growth over the past 3 years (%)	1.4
Average sector growth over the past 5 years (%)	0.1
Degree of export orientation	high
Degree of competition	high

Sources: Macrobond, Oxford Economics, Atradius

Our underwriting approach remains generally open, especially for larger businesses and niche export-focused subsectors (e.g. high precision mechanical works). Those businesses usually show solid financials and a good liquidity profile.

However, we are still more cautious about companies operating in still difficult end-sectors (e.g. construction) and which are dependent on public entities. We closely monitor machinery businesses which produce components for the oil and gas sector, as investments in this industry have deteriorated over the past two years due to lower energy prices.

Italian machines/engineering sector

Strengths	High specialisation and technological know-how
	Export orientation and good geographical diversification in end markets
	Large engineering corporates, usually with sound financials
Weaknesses	High number of small companies
	Low bargaining power of smaller businesses

Source: Atradius

United Kingdom

- Exporters have benefitted from a weaker Pound Sterling
- Payment duration is between 60 and 90 days on average
- The true implications of Brexit remain to be seen

Overview

Credit risk assessment	significantly improving	improving	stable	deteriorating	significantly deteriorating
Trend in non-payments over the last 6 months			✔		
Development of non-payments over the coming 6 months			✔		
Trend in insolvencies over the last 6 months			✔		
Development of insolvencies over the coming 6 months			✔		
Financing conditions	**very high**	**high**	**average**	**low**	**very low**
Dependence on bank finance			✔		
Overall indebtedness of the sector			✔		
Willingness of banks to provide credit to this sector			✔		
Business conditions	**significantly improving**	**improving**	**stable**	**deteriorating**	**significantly deteriorating**
Profit margins: general trend over the last 12 months			✔		
General demand situation (sales)			✔		

Source: Atradius

Export-oriented British machinery businesses have benefitted from the weakness of the GBP following the Brexit decision in June 2016, recording higher demand and activity. However, this has to some degree been offset by increasing import costs, while the bulk of British machinery businesses, whose revenue is generated mainly/entirely in the domestic market, is impacted by slower economic growth in the UK and lower capital investments due to increased uncertainty. Real fixed investment growth in the UK slowed down to 0.5% in 2016, and is expected to decrease further, to 0.4% in 2017 and 0.2% in 2018.

Ultimately, the profitability of individual machinery businesses very much depends on their engineering expertise, efficient production and access to funding. Furthermore, it is heavily influenced by the activity and health of the end markets they supply, such as retail, food and agriculture, construction, oil and gas exploration and power generation. Overall, profit margins have remained fairly stable in the industry over the last 12 months. However, there has been increased pressure on margins for machinery businesses dependent on the oil and gas market, while companies supplying alternative energy growth markets or the nuclear industry have recorded growing profits. Rising energy and steel prices surely have an impact on machinery businesses' margins, however, in most cases those can be passed on to customers for the time being. While access to funding is certainly key for this capital-intensive sector, obtaining bank loans and tapping into the capital market is currently not an issue for the majority of machinery companies.

Payments in the British machinery sector take 60-90 days on average. Payment experience has been satisfying over the past two years, and payment delays are not expected to increase in the

United Kingdom: Engineering sector

	2016	2017f	2018f
GDP growth (%)	1.8	1.6	1.4
Sector value added growth (%)	-1.2	5.4	0.7

Sector share in the national economy (%)	0.5
Average sector growth over the past 3 years (%)	-3.4
Average sector growth over the past 5 years (%)	-4.3
Degree of export orientation	low
Degree of competition	medium

Sources: Macrobond, Oxford Economics, Atradius

coming months. While UK business insolvencies are forecast to increase 2% in 2017 and 4% in 2018, the machinery sector is not expected to follow this deteriorating trend.

For the time being, our underwriting stance remains generally open to neutral for the machinery sector. However, we closely monitor the on-going Brexit negotiation process and the consequences for the British economy, as the machinery sector is heavily reliant on the domestic market. While the true implications of Brexit still remain to be seen, any sharp increase in economic uncertainty, accompanied by deteriorating fixed capital investment and tighter access to funding, would severely affect the industry.

British machines/engineering sector

Strengths	A lower pound helps machinery exports
	Engineering excellence
Weaknesses	Increased business uncertainty after the Brexit decision
	Skills shortage

Source: Atradius

Market performance snapshots

Indonesia

- **Industrial expansion strategy helps the sector**
- **A low insolvency level expected in 2017**
- **Payment duration is about 90 days on average**

The Indonesian economy is expected to grow about 5% in 2017 and 2018 annually, mainly driven by strong domestic demand and an ambitious industrial expansion strategy by the government, which aims at increasing the country's industrial portfolio by thousands of both large- and small and medium-sized enterprises. This industrial development scheme is expected to stimulate demand for machines and engineering, particularly in the manufacturing, construction, telecommunications and electricity industries.

Profit margins of Indonesian machinery/engineering businesses have remained stable at around 8%- 15% over the past 12 months, and are forecast to remain steady over the next 6 months. However, as competition is fierce in the market (also due to the activity foreign competitors), price wars cannot be ruled out, particularly among businesses operating in the lower quality segment. This could negatively affect profitability of domestic businesses in the medium-term.

Through the nature of their operations, businesses in the machinery/engineering industry display high levels of gearing and are highly dependent on bank financing in order to manage working capital requirements. The level of gearing and the payment history of the buyer, along with the performance of the business, are considered to evaluate the financial risk level of individual machinery businesses.

Indonesian machinery/engineering businesses need, on average, 90 days to pay their invoices. Payment behaviour is average compared to other sectors, and the level of protracted payments has been low over the past year. The number of non-payment cases registered in the Indonesian machinery/engineering industry has been very low over the past 12 months, and this stable trend is forecast to continue in the coming six months. The current insolvency level in the industry is average, and no major increase in business failures is expected over the coming six months.

Our underwriting stance is open for electrical and construction-related machinery businesses. While businesses in engineering machinery face challenges like strong competition, this segment should benefit from growing investments by Indonesian manufacturers in the coming months. We are more cautious with machinery businesses related to the mining sector (especially coal mining) due to volatile coal prices.

United States

- Construction growth supports the industry
- A modest decrease in insolvencies expected
- Payment duration is 30 days on average

The US is the world's largest market for machines/engineering, as well as the third largest supplier. US machinery manufacturers' share of the domestic market is about 50%. Revenues of the engineering services industry have rebounded since 2015 after some years of decrease, as greater liquidity in financial markets helped to boost spending on new construction. The US machines/engineering sector is expected to record value added growth of 2.7% in 2017 and even 4.0% in 2018.

Construction-related machinery businesses are expected to benefit in 2017 from construction starts in the United States which are forecast to increase 5.9%. Infrastructure spending is also expected to expand in 2018, supporting the sector. Quality engineering products will remain in very high demand throughout most industrial segments in 2017 and 2018.

That said, machinery businesses related to the oil/gas or the mining segments have been affected by lower capital spending on purchasing machinery and equipment. However, with oil and gas prices forecast to rise in 2018, this could increase capital spending on equipment next year.

In general the dependency on bank financing of this capital-intensive industry is high, and US banks are principally willing to provide loans to the sector. The average payment duration in the US machinery industry is 30 days, however, payment terms can be longer as capital equipment can carry a higher price tag. Payment experience over the last two years has been good, with a rather low number of non-payment cases, and it is expected that those will decrease further in the coming six months.

Compared to other US industries the number of insolvencies is low in the machinery sector. Business failures are expected to decrease about 4% in 2017 and 2% in 2018, in line with the overall US business insolvency development.

Due to the rather moderate credit risk, our underwriting stance for the US machinery sector is generally open. However, some caution is still advised on machinery businesses dependent on the oil/gas and the mining industry due to their still uncertain business outlook. The same applies to machinery companies and their buyers located in areas affected by Hurricane Harvey (mainly Texas and Louisiana). Therefore, our sector outlook for the US machinery sector remains "Fair" for the time being.

Market performance at a glance

Denmark

- The export-oriented Danish machines/engineering sector has performed well over the past 2-3 years. Profit margins have increased for about 60% of businesses over the last 12 months, and are expected to rise further in 2017 and 2018, as valued added sector growth is expected to continue rising by about 1%-2% annually. Growth is driven by exporters of energy optimisation products used in areas such as heating, cooling, and water treatment. The same accounts for suppliers to the globally growing wind turbine sector and for producers of machines for automatisation in the manufacturing process.
- That said, some machinery segments are still struggling, such as businesses dependent on the offshore oil and gas industry, which performed weakly in 2016. However, there are signs of a rebound due to a stabilisation of oil and gas prices, which could help to improve machinery demand again.
- The outlook for producers of agricultural machines remains subdued due to low investments made in the European farming sector. That said, recent improvements in milk/crop/meat prices give room for some optimism, while financing conditions for Danish farmers are improving.
- Payments in the Danish machinery sector take 90 days on average. Payment experience has been good over the past two years, and the number of payment delays, defaults and insolvencies is expected to remain stable in 2017 and 2018. However, a modest increase in defaults cannot be ruled out, as a new EU legislation allows the faster restructuring of troubled entities. Insolvencies in the machinery sector mainly affect smaller players who are overly dependent on a few, large customers, coupled with high production costs, and where restrictive access to bank financing has put pressure on liquidity. Therefore, we monitor smaller players more closely, while our general underwriting stance on the sector remains generally open to neutral.

Germany

- The German machines/engineering sector is one of the main drivers of the German economy, accounting for 3% of GDP. The general outlook remains positive, with annual production forecast to grow 3% in 2017 and 2018, according to the German engineering association VDMA.
- Due to its high export ratio of more than 75%, the industry is highly dependent on demand from abroad, and is therefore susceptible to certain risks (deterioration of the global economy, rising geopolitical risks, exchange rate volatility and the threat of rising protectionism).
- The industry is characterised by high investments (IT and equipment) and increased labour costs. The equity ratios of Machinery businesses is higher than the German industry average, as necessary investments can often be financed by own resources (cash slow, shareholder and/or mezzanine loans). Due to this, many machinery businesses are not excessively reliant on bank finance, and bank indebtedness is rather low.
- Margins are relatively high, especially in niche segments. However, margins have come increasingly under pressure in recent years due to rising competition, especially from China. In the global market, Chinese machinery builders are increasingly capable of producing high quality machines, forcing German businesses to compromise on price.
- Compared to other German industries, the machinery/engineering sector's payment behaviour and default/insolvency rate is good. The number of non-payment notifications and business failures is expected to remain low in 2017 and 2018.
- Given the general financial strength of Germany's machinery businesses, our underwriting approach remains generally relaxed. However, we are more cautious with machinery businesses involved in the paper/print subsector, as the shift towards digitalisation has resulted in shrinking profit margins, and many companies are still restructuring to adjust their production to customers' needs. Another segment with difficulties is textile machinery, but this subsector represents only a minor share of the German machinery industry.

The Netherlands

- The Netherlands is one of the world's leading countries in food processing machinery. About two-thirds of the Dutch machinery production is exported, accounting for 20% of total Dutch export value. While about 60% of Dutch machinery exports is still going to countries in Europe, the share of exports to overseas markets is steadily increasing. The export share to Asia for food industry-related machinery is already 18%, while the importance of markets in Latin America and Africa is also increasing.
- Turnover increased 16.5% year-on-year in H1 of 2017, with export turnover rising 18.7% and domestic turnover 7.9%. Value added growth in the Dutch machinery sector is expected to exceed 8% in 2017, driven by rising exports and domestic business investment. Currently production growth in the Dutch machinery industry is 24% higher than in mid-2016, due to advanced automatization and robotization of the manufacturing and assembling processes. However, sales prices declined in 2016 and H1 of 2017, mainly in overseas markets. That had an adverse effect on businesses' profit margins which, despite robust sales, levelled off or even decreased slightly over the past 12 months.
- Payment behaviour has been good over the last two years and the number of payment delays, and defaults is expected to remain low in 2017. While the overall indebtedness of machinery businesses is high, banks are willing to provide loans to the sector. Machinery insolvencies are expected to decrease further in 2018, by about 5%.
- Our underwriting stance remains generally open for the industry. We pay attention to businesses´ investment capacity, realised margins, access to funds and order book. Due to its high export share, the sector is highly susceptible to adverse changes in international economic trends and market developments. Particularly currency fluctuations can affect both demand and financial results.

Poland

- Polish GDP growth is expected to increase above 3% in 2017 and 2018, driven by robust consumer demand, rising business investment and increased investments linked to EU funding. This investment surge should help the Polish machinery sector, after some of the main subsectors suffered severely over the last two years.
- The mining machines segment has been affected by the downturn in the Polish coal mining industry since 2012, leading to a sharp decrease in investments (down 45% in 2015). Additionaly, mining related companies increased average payment terms and often paid late. As a consequence, many mining machinery businesses have shown deteriorated financial results and strained liquidity, leading to more insolvencies in 2015 and 2016. However, a recent increase in coal prices has led to better payment behaviour by mining businesses, while at least larger mining machines producers were able to increase their exports, compensating for declining domestic sales.
- EU subsidies helped to increase demand for agricultural machines until 2015. However, due to political issues affecting the payout of EU subsidies to farmers since the end of 2015, many agricultural businesses postponed purchases of agricultural machines (tractors, trailers), leading to a sharp decrease in machines sales. This triggered growing inventories and an increasing number of non-payment notifications in this segment. Should this sluggish demand continue, some agricultural machines distributors may face serious troubles.
- Due to deteriorated results and margins, as well as increased payment delays and insolvencies our underwriting stance remains restrictive for the machinery sector, especially the mining and agriculture-related segments.We also pay special attention to export-driven businesses dependent on sales to Russia, as demand there remains weak and Russian authorities tend to prefer Russian-made goods in public tenders. It still remains to be seen if Polish machinery will benefit from the projected domestic GDP growth and investment increase in the coming years.

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Industries performance forecast per country

October 2017

	Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services
Austria	⛅	🌧	⛅	⛈	☁	☁	☀
Belgium	☁	⛅	☀	🌧	☁	⛅	☁
Czech Rep.	⛅	☀	⛅	🌧	☁	☁	⛅
Denmark	⛈	☁	⛅	☁	🌧	☁	☁
France	🌧	☁	☀	🌧	☁	☁	⛅
Germany	☁	☁	☀	☁	☁	☁	⛅
Hungary	☁	☁	⛅	☁	☁	☁	☁
Ireland	☁	☁	⛅	☁	☁	☁	⛅
Italy	⛅	⛅	⛅	🌧	⛅	⛅	⛅
The Netherlands	⛅	☁	☀	☁	☁	☁	⛅
Poland	☁	🌧	☁	🌧	🌧	🌧	⛅
Portugal	☁	☁	🌧	🌧	☁	☁	🌧
Russia	🌧	☁	🌧	🌧	☁	🌧	☁
Slovakia	☁	⛅	⛅	⛈	☁	☁	⛅
Spain	☁	⛅	⛅	🌧	☁	☁	☁
Sweden	⛅	☁	⛅	☁	⛅	⛅	⛅
Switzerland	⛅	☁	⛅	🌧	☁	☁	☀
Turkey	⛅	⛅	☁	🌧	☁	🌧	⛅
UK	⛅	☁	⛅	🌧	☁	☁	☁
Brazil	☁	🌧	☁	🌧	⛈	⛈	⛅
Canada	☀	☁	☁	☁	☁	☁	☀
Mexico	☁	⛅	☁	🌧	☁	☁	⛅
USA	☁	⛅	⛅	☁	☁	⛅	⛅
Australia	⛅	🌧	☁	🌧	☁	⛅	⛅
China	☀	☁	☁	🌧	☁	☁	☀
Hong Kong	N/A	☁	☁	☁	☁	⛅	⛅
India	☁	☁	⛅	🌧	☁	☁	☁
Indonesia	☁	🌧	☁	⛅	☁	☁	☁
Japan	⛅	☁	☁	☁	☁	⛅	⛅
New Zealand	⛅	🌧	⛅	⛅	🌧	⛅	⛅
Singapore	⛅	🌧	☁	🌧	☁	☁	⛅
Taiwan	N/A	🌧	☁	☁	⛅	⛅	☁
Thailand	☁	☁	☁	☁	🌧	☁	☁
United Arab Emirates	⛅	☁	☁	🌧	🌧	🌧	☁

Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles
Good	Good	Fair	Fair	Good	Poor	Poor
Good	Good	Fair	Poor	Poor	Good	Poor
Good	Fair	Fair	Fair	Fair	Fair	Poor
Good	Fair	Fair	Bleak	Fair	Poor	Poor
Good	Fair	Fair	Poor	Fair	Fair	Poor
Fair	Good	Fair	Poor	Good	Fair	Poor
Fair	Good	Poor	Fair	Good	Poor	Poor
Good	Fair	Fair	Bleak	Poor	Fair	Poor
Good	Excellent	Fair	Fair	Good	Fair	Poor
Excellent	Fair	Fair	Fair	Good	Fair	Poor
Fair	Poor	Fair	Fair	Good	Fair	Fair
Fair	Fair	Poor	Fair	Good	Poor	Fair
Fair	Bleak	Fair	Fair	Poor	Fair	Fair
Good	Good	Fair	Fair	Fair	Fair	Poor
Good	Fair	Poor	Poor	Good	Poor	Poor
Good	Good	Poor	Fair	Fair	Poor	Poor
Good	Good	Fair	Fair	Good	Poor	Fair
Good	Fair	Bleak	Poor	Poor	Fair	Poor
Fair	Fair	Fair	Poor	Fair	Fair	Poor
Good	Poor	Poor	Fair	Fair	Poor	Poor
Good	Fair	Fair	Poor	Good	Fair	Bleak
Good	Fair	Poor	Good	Good	Poor	Poor
Good	Fair	Poor	Poor	Good	Poor	Poor
Good	Fair	Poor	Poor	Fair	Poor	Poor
Good	Fair	Bleak	Poor	Good	Bleak	Poor
Excellent	Fair	Poor	Fair	Good	Poor	Fair
Good	Fair	Poor	Good	Good	Poor	Fair
Good	Fair	Poor	Fair	Fair	Poor	Fair
Good	Fair	Fair	Fair	Good	Fair	Poor
Fair	Fair	Fair	Poor	Poor	Poor	Poor
Good	Fair	Fair	Fair	Good	Poor	Fair
Excellent	Fair	Poor	Fair	Good	Poor	Fair
Good	Fair	Fair	Fair	Fair	Poor	Bleak
Poor	Fair	Poor	Fair	Good	Poor	Poor

Excellent

Good

Fair

Poor

Bleak

Industry performance

Changes since September 2017

Europe

Germany

Construction

Down from Good to Fair

While the German construction sector records further growth in production and sales, the number of credit insurance claims remains on an elevated level. Mainly affected are smaller construction businesses with low equity and thin margins, therefore vulnerable to miscalculation when accepting large projects in a very competitive market. Another issue is the long payment duration by public bodies.

United Kingdom

Metals

Up from Poor to Fair

Steel

Up from Poor to Fair

Sales prices in both segments have rebounded since H2 of 2016, leading to improved business margins, while demand has been robust and the number of credit insurance claims has decreased. However, any introduction of new tariffs on imported metals and steel after the UK has officially left the EU could hurt the sector in the future.

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