



P R E S S R E L E A S E

January 8, 2014

Coface Sector Review: Credit Risk Eases for Automotive and Retail in North America, and the Services Industry in Asia

In its most recent [Panorama](#) economic publication, global credit insurer Coface reviews 14 key sectors in North America, Emerging Asia and the European Union. Coface's sector analysis is based on a unique indicator¹, developed by Coface economists and reflecting the payment experience of companies reviewed by its underwriters. The Panorama also takes a detailed look at the textiles industry in Europe.

Sector Risk Review

- In **North America**, automobile and retail risks eased from 'medium' to 'moderate.' The **automobile** industry has seen new car sales return to pre-crisis levels, boosted by the need to replace older vehicles. As a result, automakers' cash flows have increased 19% over the last year. In the Canadian and US **retail** sector, sales have risen 3.9% for online and traditional retailers over the last year, supported by increased household spending.
- In emerging **Asia**, Coface sees the credit risk of the **services** industry as 'moderate.' Sales and profitability have increased in corporate services, notably IT and engineering. Across the region, the emergence of a Chinese middle class is boosting tourism in Asian countries, a trend that will benefit from rising Chinese consumer income in the years ahead.
- In **Western Europe**, risks are broadly stabilizing as the eurozone climbs out of recession. But sluggish domestic demand in Southern Europe is affecting European sector risks, and no sector has 'moderate' credit risk.

European Textiles: Innovation Is the Key to Success

Weakened by major upheavals caused by globalization and by demand shocks from a spate of financial crises, Coface has assigned a 'medium' credit risk grade to the textiles and clothing sectors in Europe, North America and Asia. In Europe, the textiles sector is relatively robust, but sales in the clothing sector are suffering due to dwindling consumption.

¹ Coface's credit risk indicator is based on changes in financial data published by over 6,000 listed companies from Emerging Asia, North America, and the European Union of 15 countries. It encompasses the change in sales, profitability, cash flow, and the net indebtedness ratio observed by Coface analysts. There are four risk categories: moderate, average, high, and very high.



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The European textiles sector remains competitive despite low-cost products from emerging countries, but the real key to success lies in innovation. The struggle to survive has forced many companies to invest in technical textiles, generally in niche markets. The Scandinavian countries were the first to take the innovation leap by restructuring their textiles industry. Sweden, for example, traditionally invests more than the rest of Europe in R&D, with a spend equivalent to 3.4% of GDP compared with 2.25% in France and around 1.5% in Spain and Italy. It also trains engineers to meet the industry's specific needs.

The innovation drive is certainly paying off. But can there be lasting stability in a sector faced with raw material price fluctuation, the need to fund innovation and the threat of competition from emerging countries that are moving upmarket? Innovation is not set in stone, and to continue sustaining the upturn in European textiles, the industry needs to pursue the strategy that is leading to its comeback. One of its key assets is the ability to supply a variety of markets, since technical textiles can be applied to a wide range of fields, including sports, furniture, medicine, agriculture and the environment. So, by developing R&D, the textiles industry is contributing to the move upscale in other sectors and to the positive trend towards specialization, particularly in Europe.

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About Coface

The Coface Group, a worldwide leader in credit insurance, offers companies around the globe solutions to protect them against the risk of financial default of their clients, both on the domestic market and for export. In 2012, the Group posted a consolidated turnover of €1.6 billion. 4,400 staff in 66 countries provide a local service worldwide. Each quarter, Coface publishes its assessments of country risk for 158 countries, based on its unique knowledge of company payment behavior and on the expertise of its 350 underwriters located close to clients and their debtors. Coface is a subsidiary of Natixis, corporate, investment management and specialized financial services arm of Groupe BPCE. Learn more at www.coface-usa.com.

APPENDIX

Coface Credit Risk Index			
Sector	Emerging Asia	North America	European Union
Agro-food	●	●	●
Automotive	●	●	●
Chemicals	●	●	●
Construction	●	●	●
Electronics – IT	●	●	●
Energy	●	●	●
Mechanicals	●	●	●
Metals	●	●	●
Pharmaceuticals	●	●	●
Retail	●	●	●
Services	●	●	●
Textiles – Clothing	●	●	●
Transportation	●	●	●
Wood – Paper	●	●	●

Sources: Datastream Coface

● Moderate risk ● Medium risk ● High risk ● Very high risk