

The sectors that can be counted upon in 2012

Analysis by credit insurer Euler Hermes of 16 sectors in 32 countries spanning six regions across the world

- **At the global level, food, pharmaceuticals, automobile manufacturers and chemicals are holding firm despite the economic slowdown.**
- **In Europe, some sectors are suffering from the slowdown in consumer spending and trade flows, especial retail and air transport.**
- **Growth is returning to the US, where the automobile sector is recovering at an impressive pace.**

Paris, 14 March, 2012 – After a difficult end to 2011, the start of 2012 looks just as uncertain. In the face of a sharp deceleration in world growth, the outlook remains depressed in most sectors, despite growing disparities between different regions of the world. European companies, especially in the south, will be affected by austerity programmes designed to lower government debt, whereas the economic recovery in the US, already well underway, will provide a supportive backdrop for their expansion. Emerging countries, although hit by the global economic slowdown, will continue to benefit from strong internal demand, particularly in Asia-Pacific and South America.

Some sectors showing resilience, while others suffer

Ludovic Subran, Euler Hermes' chief economist, observes, "The current situation in Europe is highly specific: this moderate crisis is seriously compromising the activity of the least resilient sectors and providing a few bright opportunities for the least exposed sectors. This is a true catalyst, or rather amplifier, of structural trends". Turmoil in Europe does not seem to be affecting the momentum of the automotive components or chemicals sectors, whose companies are in strong financial health. The same is true for the aerospace industry, whose order books have never been as full. At a more local level, particularly strong sectors can also be found in some euro-zone countries: in Germany, automobile and semi-conductor manufacturers, and, in France, the agri-food industry, which is performing particularly well.

In the US, Euler Hermes underlines the excellent performance of information technologies, which are benefiting from a high level of research and development in the high-tech industry. Chemicals, automobiles, agri-food and the aerospace industry are also particularly solid sectors that can be expected to grow in 2012. In contrast, construction is set to remain particularly problematic.

Among sectors most affected by the turbulent economic climate, retail will be badly hit by the downturn in household consumption. Likewise, the air transport industry, already hurt by the spike in its biggest cost item, oil, is facing growing competition from low-cost and Gulf-based carriers. It will also suffer from the slowdown in global cargo traffic and weaker demand.

New centres of gravity for certain sectors

Ludovic Subran adds, "Trade routes are developing more outside our continent. Europe needs to seek out sectoral growth opportunities in these regions in 2012". In effect, while air transport is slowing in the US and in Europe, it is expanding strongly in South America. In Brazil in particular, the aerospace and agri-food industries are also growing rapidly.

In Asia-Pacific, Euler Hermes noted the excellent resilience of IT and telecoms, food, pharmaceuticals and automotives. Along with robust growth in electronics in South Korea, infrastructure building and retail businesses are expanding strongly in China and India.

A few unexpected developments worth noting

In addition to these key trends, Euler Hermes has observed a few trends worth watching in 2012. Aside from the US automotive industry's faster-than-expected return to profitability, the European pharmaceutical industry is a textbook case, despite its resilience in 2011, with excellent financial results. According to **Marc Livinec**, sector analyst at Euler Hermes, "Although the leading pharmaceutical groups are still managing to generate remarkable margins of around 22%, the sector's cards are starting to be reshuffled with the mass expiry of patents and blockbuster drugs and the growing strength of new players in the form of generic manufacturers".

Conversely, construction is not faring as well as expected six months ago. "Even though the sector is set to grow at an annualised rate of 4% in France between 2000 and 2015, the short-term outlook reflects a delay in the recovery. And government policy measures, such as the densification of construction announced for the middle of the year, will not be very effective," *explains* **Didier Moizo**, sector analyst at Euler Hermes.

Methodology:

The Euler Hermes Sector Outlook, published every six months, is a rating system on a scale of A to D that draws on the microeconomic expertise of our analysts, who closely monitor the risks of companies across the world through a network covering more than fifty countries. This outlook provides a qualitative assessment of the health of a given sector in a country, region or globally. The analysis takes sales growth forecasts into account but is more a reflection of companies' health (margins and solvency) than their simple top-line growth. The Euler Hermes Sector Outlook covers 16 sectors in 32 countries spread across six major regions. The outlook for a sector in a given region is the GDP-weighted sum of the outlooks in all countries concerned.

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The complete analysis, entitled "Euler Hermes' Economic Outlook #1179 – International Sectors", is available on request.

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The company assumes no obligation to update any forward-looking statement.

Appendix

International Business sector forecasts

	Food products and beverages	Consumer electronics	Pharmaceuticals	Automobiles	Automobile components	Sea, mining and aerospace equipment	Machinery	Manufacture of IT and telecoms equipment	Paper and pulp	Chemicals	Steel	Semiconductors and components	Construction	Distribution	Air transport	IT and telecoms services
Americas	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
United States	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
Canada	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
Mexico	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
Brazil	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
Argentina	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
Asia-Pacific	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
Japan	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
China	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
India	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
Indonesia	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
South Korea	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
France	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
France	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
Germ. Austria Switz.	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
Germany	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
Switzerland	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
Austria	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
Mediterranean	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
Italy	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
Spain	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
Portugal	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
Greece	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
Turkey	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
Northern Europe	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
United Kingdom	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
Ireland	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
Belgium	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
Netherlands	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
Bulgaria	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
Norway	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
Czech Republic	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
Poland	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
Sweden	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
Slovakia	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
Finland	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
Denmark	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
Russia	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
World	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A

Source: EulerHermes

- A = favourable outlook (icon: sunny)
- B = signs of weakness (icon: cloudy)
- C = structural weaknesses (icon: showers)
- D = imminent or already existing crisis (icon: thunderstorm)