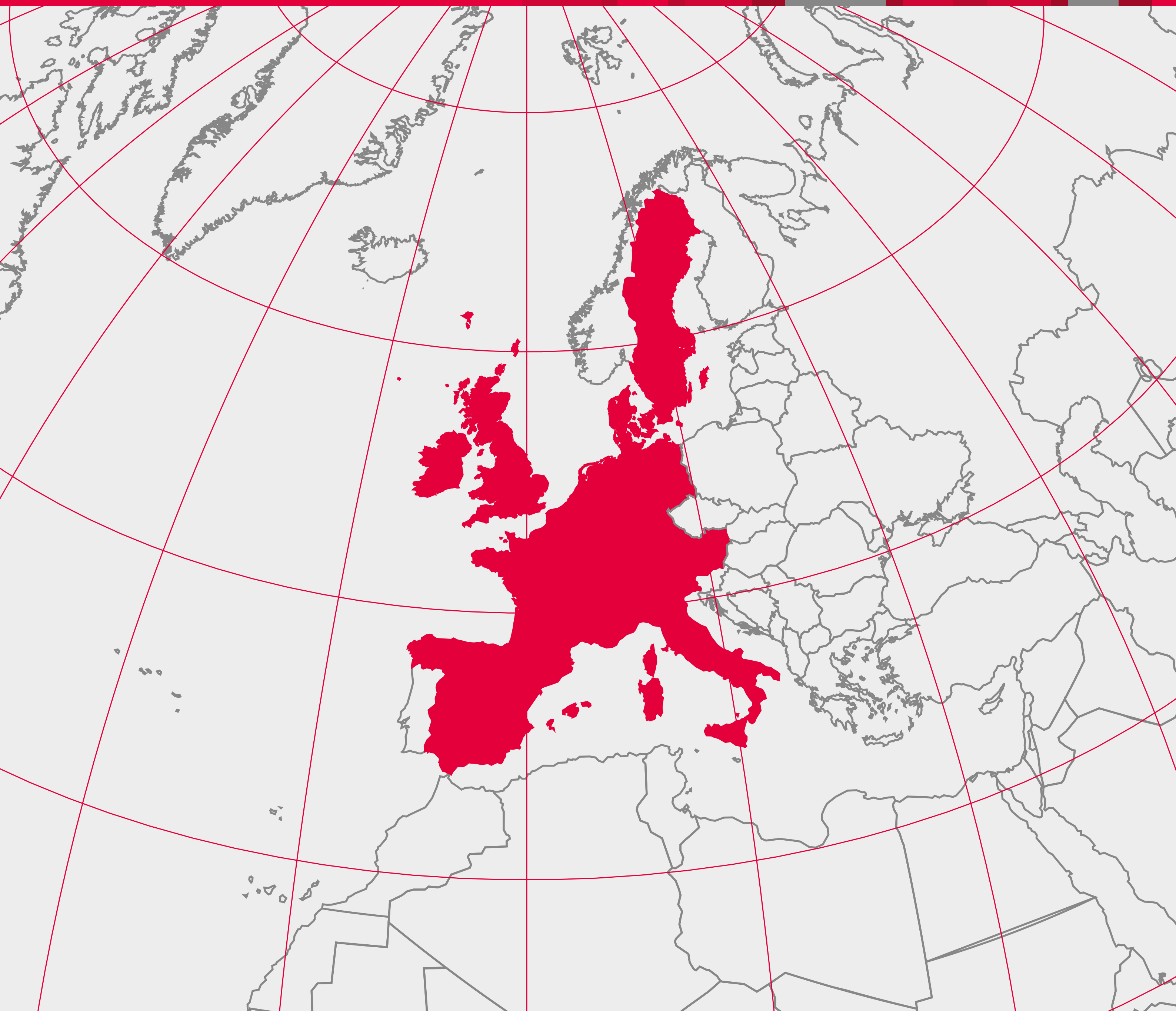
Atradius
Managing risk, enabling trade

Atradius Country Report

Main Western European Markets - May 2018



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Managing risk, enabling trade

Contents

Austria

Main import sources (2016, % of total)	
Germany:	42.5 %
Italy:	6.0 %
Switzerland:	5.2 %
Czech Republic:	4.4 %
The Netherlands:	4.1 %

Main export markets (2016, % of total)	
Germany:	29.9 %
USA:	6.3 %
Italy:	6.2 %
Switzerland:	5.3 %
France:	4.4 %

Key indicators	2015	2016	2017	2018*	2019*
Real GDP growth (y-on-y, % change)	1.1	1.5	3.1	2.5	2.0
Inflation (y-on-y, % change)	0.8	1.0	2.2	2.0	1.9
Real private consumption (y-on-y, % change)	0.4	1.6	1.5	1.8	1.9
Real government consumption (y-on-y, % change)	1.4	2.1	1.2	1.8	1.4
Industrial production (y-on-y, % change)	2.0	2.9	3.3	3.0	2.2
Unemployment rate (%)	5.7	6.0	5.5	5.1	4.8
Real fixed investment (y-on-y, % change)	1.2	3.6	4.9	3.1	2.4
Real export of goods and services (y-on-y, % change)	2.9	2.2	6.2	4.8	3.2
Fiscal balance (% of GDP)	-1.0	-1.6	-1.1	-0.8	-0.4
Government debt (% of GDP)	84.3	83.5	79.7	77.4	75.2

* forecast Source: Macrobond

Austrian industries performance forecast


Excellent:
The credit risk situation in the sector is strong / business performance in the sector is strong compared to its long-term trend.


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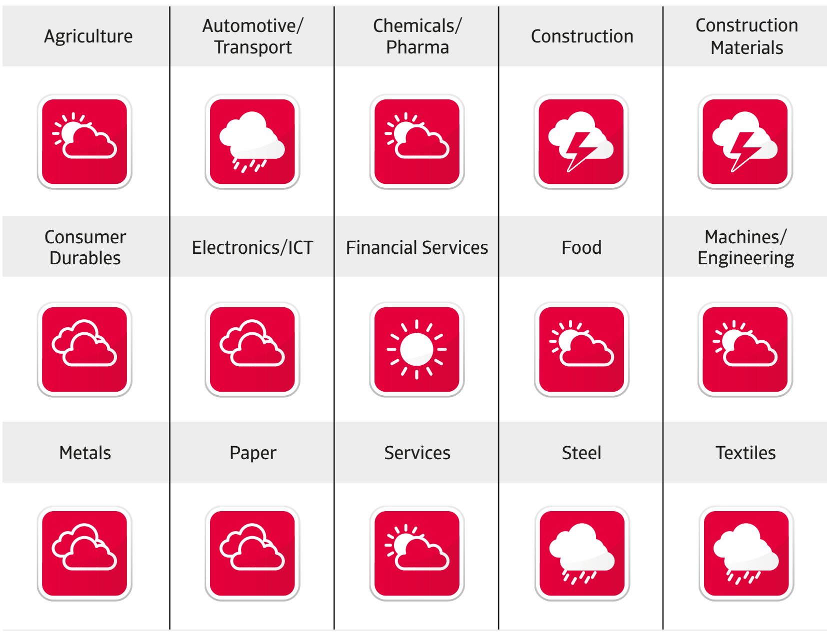
May 2018



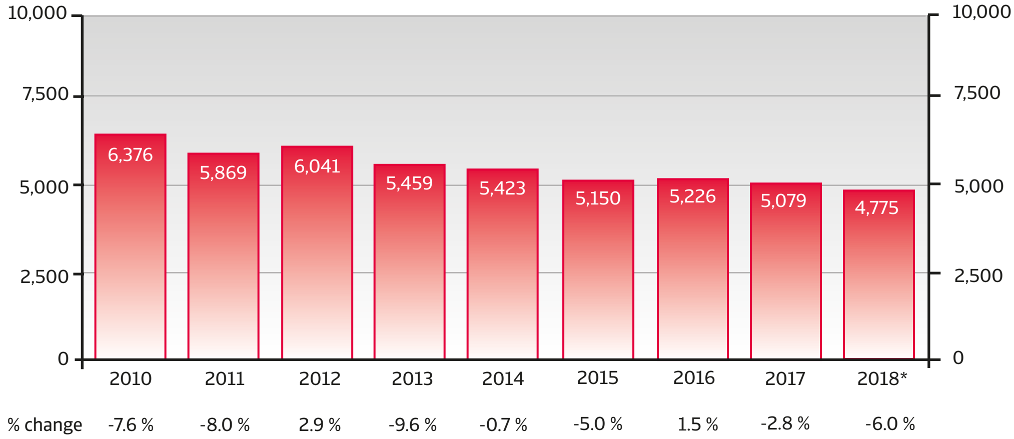
The insolvency environment

Further insolvency decreases expected in 2018

After decreasing three years in a row, Austrian business insolvencies increased by 1.5% in 2016. In 2017, accelerated economic growth led to a decrease of 3%, and business failures are expected to decline further in 2018.

Austrian business insolvencies

(year-on-year change)

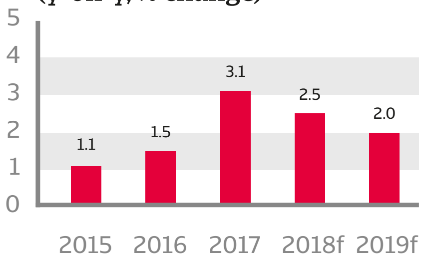


*forecast

Sources: National Statistics Office, Macrobond, Atradius Economic Research

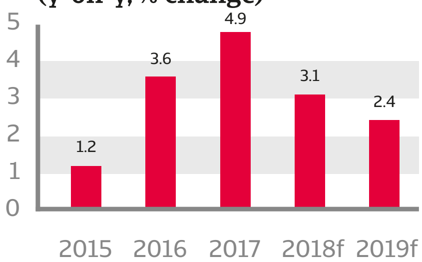
Economic situation

Real GDP growth
(y-on-y, % change)



Source: Macrobond

Real fixed investment
(y-on-y, % change)



Source: Macrobond

Robust growth expected in 2018

Austrian GDP growth accelerated to more than 3% in 2017, mainly fuelled by robust growth in investments and exports.

Private consumption growth is sustained by decreasing unemployment and improved consumer confidence.

In 2018, economic growth is expected to remain above 2%, sustained by domestic and international demand. Growth momentum is forecast to slow down somewhat in 2019.

The indebtedness of the non-financial private sector remains moderate compared to that of other advanced countries. However, the banking sector has a big exposure to countries in Central and Eastern Europe.

Belgium

Main import sources (2016, % of total)	
The Netherlands:	16.1 %
Germany:	13.6 %
France:	9.5 %
USA:	8.1 %
United Kingdom:	4.8 %

Main export markets (2016, % of total)	
Germany:	16.8 %
France:	15.5 %
The Netherlands:	11.3 %
United Kingdom:	8.9 %
USA:	5.8 %

Key indicators	2015	2016	2017	2018*	2019*
Real GDP growth (y-on-y, % change)	1.4	1.5	1.7	1.7	1.5
Inflation (y-on-y, % change)	0.6	1.8	2.2	1.8	1.8
Real private consumption (y-on-y, % change)	0.9	1.7	1.2	1.5	1.5
Real government consumption (y-on-y, % change)	0.5	0.5	0.7	0.4	0.5
Industrial production (y-on-y, % change)	0.0	4.2	3.6	2.9	1.9
Unemployment rate (%)	8.5	7.9	7.2	6.4	6.1
Real fixed investment (y-on-y, % change)	2.7	3.6	1.1	2.6	1.9
Real export of goods and services (y-on-y, % change)	3.3	7.5	4.2	3.8	3.7
Fiscal balance (% of GDP)	-2.5	-2.5	-1.7	-1.5	-1.2
Government debt (% of GDP)	106.0	105.7	103.8	102.9	101.3

* forecast Source: Macrobond

Belgian industries performance forecast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May 2018

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction	Construction Materials
				
Consumer Durables	**Electronics/ICT**	**Financial Services**	**Food**	**Machines/ Engineering**
				
Metals	**Paper**	**Services**	**Steel**	**Textiles**
				

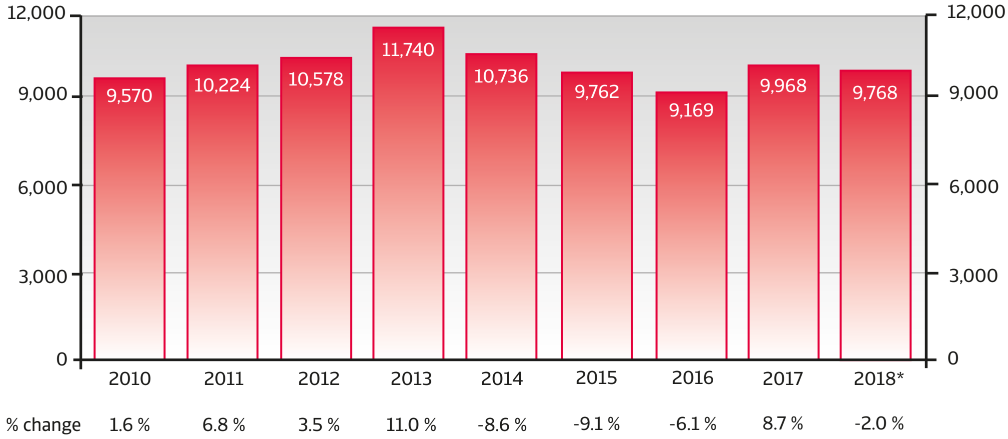
The insolvency environment

High level of corporate insolvencies despite forecast decrease in 2018

Belgian corporate insolvencies are expected to decrease by 2% year-on-year in 2018 after an increase of 8.7% in 2017. With about 9,750 cases forecast this year, the number of insolvencies will still be higher than the levels seen before the start of the global credit crisis in 2008 (about 7,700 cases in 2007).

Belgian business insolvencies

(year-on-year change)

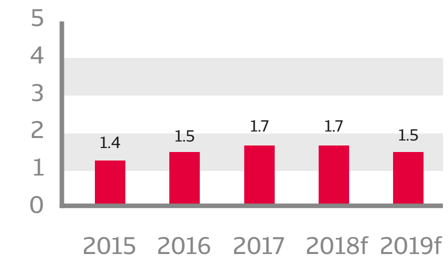


*forecast

Sources: National Statistics Office, Macrobond, Atradius Economic Research

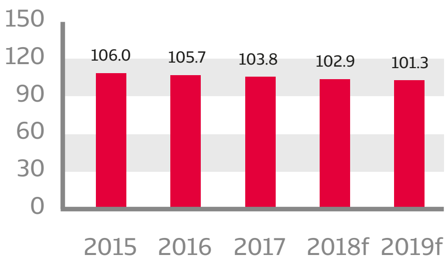
Economic situation

Real GDP growth (y-on-y, % change)



Source: Macrobond

Government debt (% of GDP)



Source: Macrobond

Domestic demand drives growth

The Belgian economy grew 1.7% in 2017, as domestic demand was supported by increased business investment and higher household consumption, fuelled by increasing employment and wage growth.

Inflation has increased to more than 2% in 2017, partly due to higher indirect taxes.

In 2018 GDP is expected to increase again by 1.7%, still driven by domestic demand. Export growth is expected to slow down somewhat; competitive gains subside due to higher wages.

Despite annual decreases, public debt remains high at more than 100% of GDP, one of the highest in the European Union in terms of the government debt-to-GDP ratio. Further fiscal consolidation seems to be necessary in the medium term.

Denmark

Main import sources (2016, % of total)	
Germany:	21.6 %
Sweden:	12.1 %
The Netherlands:	8.1 %
China:	7.3 %
Norway:	5.5 %

Main export markets (2016, % of total)	
Germany:	16.3 %
Sweden:	12.0 %
USA:	8.2 %
United Kingdom:	6.5 %
Norway:	6.1 %

Key indicators	2015	2016	2017	2018*	2019*
Real GDP growth (y-on-y, % change)	1.6	2.0	1.9	2.1	1.6
Inflation (y-on-y, % change)	0.5	0.2	1.1	1.5	1.7
Real private consumption (y-on-y, % change)	1.6	2.1	1.6	2.3	2.1
Real government consumption (y-on-y, % change)	1.1	0.3	1.0	1.0	1.2
Industrial production (y-on-y, % change)	1.6	3.5	1.5	2.7	1.7
Unemployment rate (%)	4.6	4.2	4.3	4.0	3.9
Real fixed investment (y-on-y, % change)	3.1	6.0	1.9	2.6	3.1
Real export of goods and services (y-on-y, % change)	2.3	2.8	3.8	3.5	2.7
Fiscal balance (% of GDP)	-1.5	-0.4	-0.3	-0.9	-1.0
Government debt (% of GDP)	39.9	37.9	35.1	34.5	34.1

* forecast Source: Macrobond

Danish industries performance forecast

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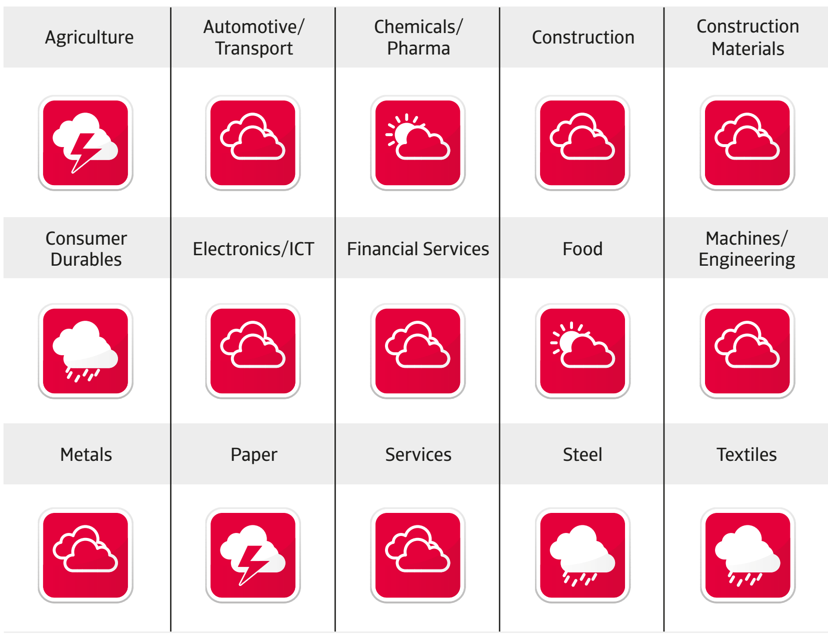
May 2018

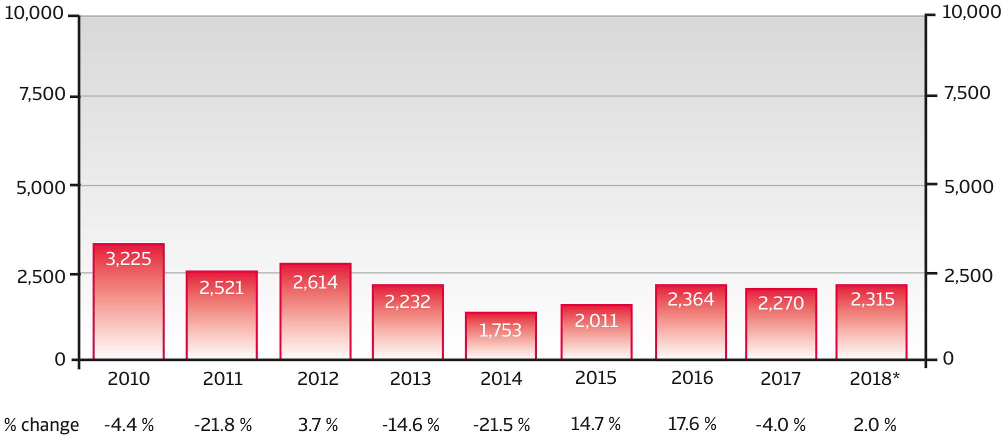


The insolvency environment

Insolvency increase expected in 2018

Danish business insolvencies increased sharply in 2015 and 2016 due to the introduction of a new form of company in official statistics and the clearing of a backlog of insolvencies. It is expected that business failures will increase slightly this year, to about 2,315 cases.

Danish business insolvencies
(year-on-year change)

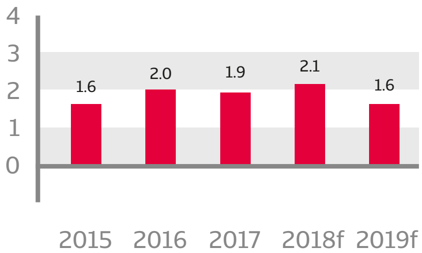


*forecast

Sources: National Statistics Office, Macrobond, Atradius Economic Research

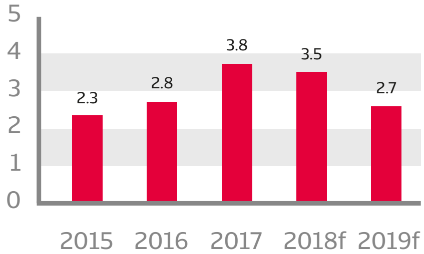
Economic situation

Real GDP growth (y-on-y, % change)



Source: Macrobond

Real exports of goods and services (y-on-y, % change)



Source: Macrobond

Robust domestic demand sustains growth

The Danish economy is expected to grow by about 2% in 2018, driven by robust domestic demand, with private consumption and investment picking up.

Private consumption is sustained by historically low interest rates, rising disposable incomes and moderate inflation.

Household debt has decreased since 2014, but remains high at more than 240% of disposable income. However, credit conditions have been tightened for borrowers with very high liabilities. This should help reduce the chances of a housing bubble, especially in the Copenhagen area.

The export performance is expected to remain robust with 3.5% growth forecast in 2018. The Danish economy has regained some of its international competitiveness due to structural reforms that addressed the issue of high labour costs.

Brexit could have a negative impact on exports, as the United Kingdom is Denmark's 4th largest export market.

Public finances are healthy, with government debt below 35% of GDP. This provides room for fiscal stimulus if required.

Print this article

France

Main import sources (2016, % of total)	
Germany:	19.9 %
Belgium:	10.7 %
The Netherlands:	8.0 %
Italy:	7.9 %
Spain:	7.1 %

Main export markets (2016, % of total)	
Germany:	16.1 %
Spain:	7.6 %
USA:	7.3 %
Italy:	7.3 %
United Kingdom:	7.0 %

Key indicators	2015	2016	2017	2018*	2019*
Real GDP growth (y-on-y, % change)	1.0	1.1	1.9	2.0	1.9
Inflation (y-on-y, % change)	0.1	0.3	1.2	1.5	1.4
Real private consumption (y-on-y, % change)	1.4	2.1	1.3	1.8	1.7
Real government consumption (y-on-y, % change)	1.1	1.2	1.5	1.4	1.3
Industrial production (y-on-y, % change)	1.8	0.3	2.3	2.6	1.8
Unemployment rate (%)	10.1	9.8	9.1	8.7	8.4
Real fixed investment (y-on-y, % change)	0.9	2.7	3.7	3.1	2.7
Real export of goods and services (y-on-y, % change)	4.0	1.9	3.5	3.6	3.1
Fiscal balance (% of GDP)	-3.6	-3.4	-2.9	-2.7	-2.5
Government debt (% of GDP)	95.8	96.6	96.2	95.9	95.3

* forecast Source: Macrobond

French industries performance forecast

May 2018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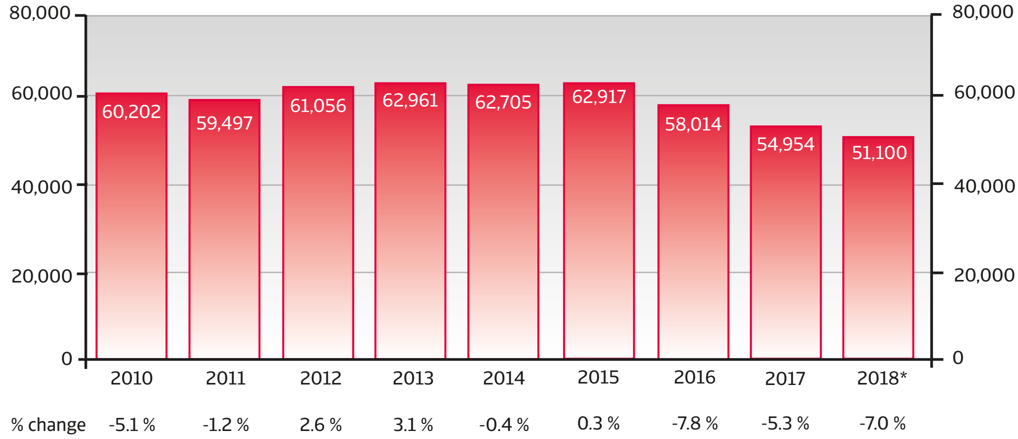
Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction	Construction Materials
				
Consumer Durables	Electronics/ICT	Financial Services	Food	Machines/ Engineering
				
Metals	Paper	Services	Steel	Textiles
				

The insolvency environment

Despite a decrease the insolvency level remained high in 2017

French business insolvencies decreased by about 5% in 2017, and in 2018 another 7% decline is expected, in line with the on-going economic rebound. However, with about 55,000 cases in 2017 the number of business insolvencies was still as high as in 2008.

French business insolvencies
(year-on-year change)

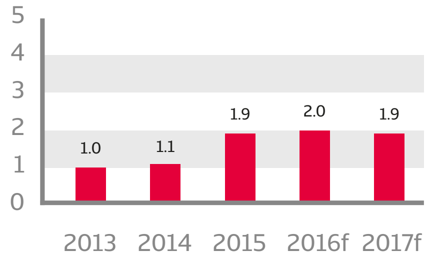


*forecast

Sources: National Statistics Office, Macrobond, Atradius Economic Research

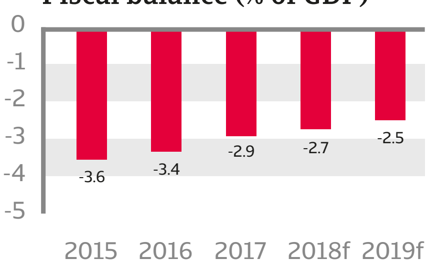
Economic situation

Real GDP growth
(y-on-y, % change)



Source: Macrobond

Fiscal balance (% of GDP)



Source: Macrobond

Print this article

Growth finally picked up in 2017

After several years of rather feeble GDP increases of around or even less than 1%, French economic growth picked up in 2017 growing 2%. This rate is expected to continue in 2018 and 2019.

The rebound is driven by higher export growth and improved business and consumer confidence. Lower business taxes support investment growth, while some labour market reforms help to reduce unemployment and to support household consumption.

However, corporate debt has increased to more than 70% of GDP, and further increases could make French businesses vulnerable to faster than expected interest increases by the European Central Bank.

After repeatedly failing to meet the Maastricht deficit threshold of 3% of GDP, the budget deficit decreased below this threshold in 2017 and is expected to remain so in 2018 and 2019.

However, at about 95% of GDP (up from 67% of GDP in 2008), French public debt remains among the highest in the eurozone. It seems that more measures are required to curb public spending, which, at 57% of GDP, is the highest in the eurozone.

Germany

Main import sources (2016, % of total)	
The Netherlands:	13.3 %
France:	7.3 %
China:	7.3 %
Belgium:	6.1 %
Italy:	5.5 %

Main export markets (2016, % of total)	
USA:	8.9 %
France:	8.4 %
United Kingdom:	7.1 %
The Netherlands:	6.5 %
China:	6.4 %

Key indicators	2015	2016	2017	2018*	2019*
Real GDP growth (y-on-y, % change)	1.5	1.9	2.5	2.4	2.0
Inflation (y-on-y, % change)	0.1	0.4	1.7	1.7	2.0
Real private consumption (y-on-y, % change)	1.6	1.9	2.1	1.5	1.8
Real government consumption (y-on-y, % change)	2.9	3.7	1.6	1.8	1.6
Industrial production (y-on-y, % change)	0.5	1.2	3.4	2.7	1.7
Unemployment rate (%)	6.7	6.1	5.7	5.5	5.4
Real fixed investment (y-on-y, % change)	1.0	2.9	3.9	3.3	2.4
Real export of goods and services (y-on-y, % change)	4.7	2.4	5.3	4.4	3.8
Fiscal balance (% of GDP)	0.6	0.8	1.1	0.8	0.5
Government debt (% of GDP)	70.9	68.2	64.3	61.4	58.4

* forecast Source: Macrobond

German industries performance forecast

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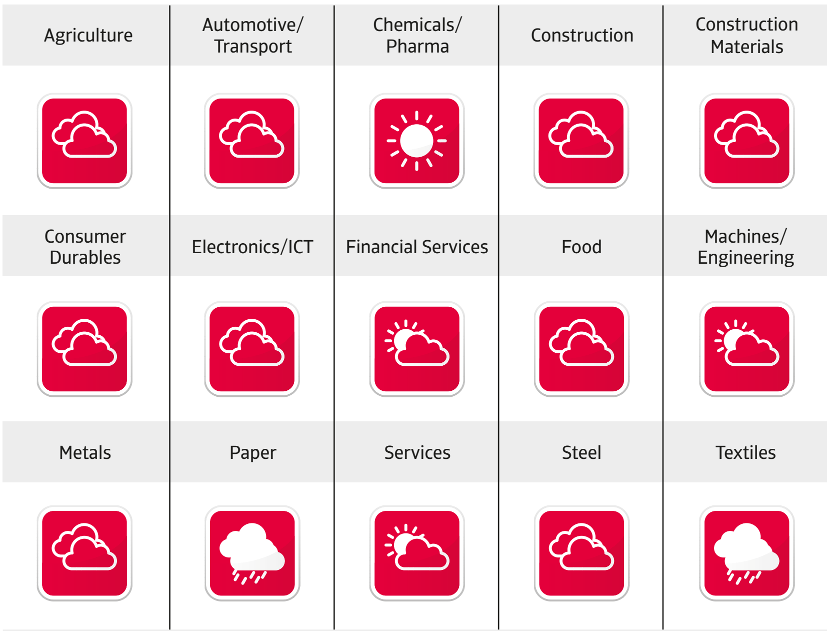
May 2018

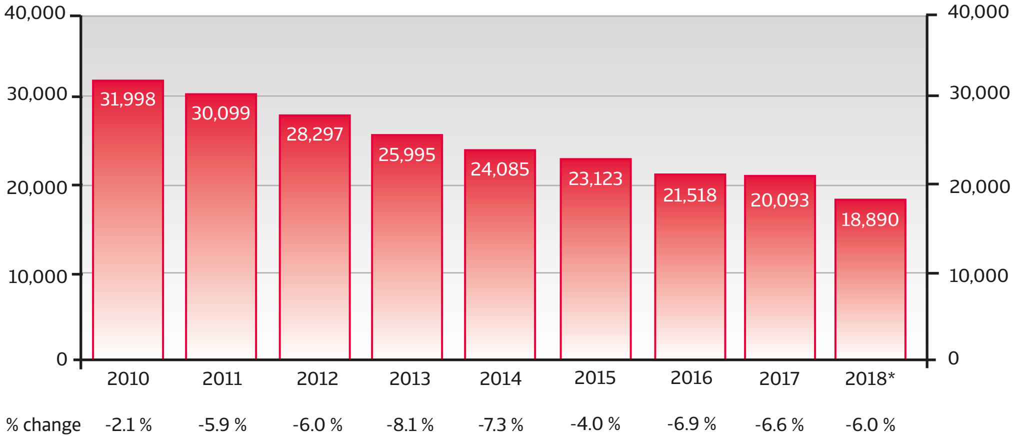


The insolvency environment

Fewer insolvencies, but increased outstanding claims in 2017

Germany's consistent economic performance since 2010 has resulted in another decrease in business failures. In 2017 business failures decreased by 6.6%, to about 20,000 cases. At the same time, creditors´ outstanding claims increased to EUR 29.7 billion in 2017 from EUR 27.4 billion in 2016, as more larger and economically relevant businesses failed in 2017.

German business insolvencies
(year-on-year change)

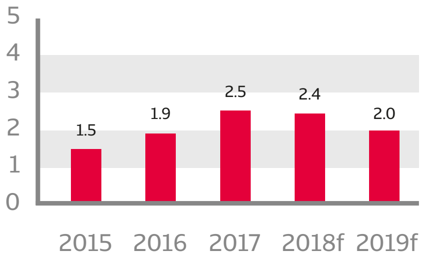


*forecast

Sources: National Statistics Office, Macrobond, Atradius Economic Research

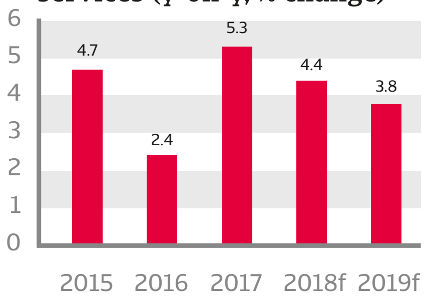
Economic situation

Real GDP growth (y-on-y, % change)



Source: Macrobond

Real export of goods and services (y-on-y, % change)



Source: Macrobond

The economic expansion continues to remain broad-based

The German economy remains resilient, with a solid growth rate of 2.4% forecast for 2018. The economic expansion remains broad-based, driven by private consumption and business investments, while export growth is sustained by the eurozone demand.

Both consumer and business sentiment are high, while credit growth remains solid.

However, the appreciation of the euro is slowly turning into a headwind for export growth to destinations outside of the eurozone.

The uncertainty over the outcome of the Brexit negotiations casts a shadow, as the United Kingdom is Germany´s third largest export market. Any disruptions of global trade caused by protectionist measures (e.g. triggered by US economic policy shifts) would also pose a downside risk for the German economy.

The federal government has achieved slight budget surpluses since 2015, largely due to higher tax revenues and lower government transfer payments for unemployment. In 2018 and 2019 the budget surplus is expected to be maintained.

Print this article

Ireland

Main import sources (2016, % of total)	
United Kingdom:	28.9 %
USA:	16.4 %
France:	12.7 %
Germany:	10.1 %
The Netherlands:	4.7 %

Main export markets (2016, % of total)	
USA:	26.2 %
United Kingdom:	12.9 %
Belgium:	12.6 %
Germany:	6.7 %
Switzerland:	5.5 %

Key indicators	2015*	2016	2017	2018**	2019**
Real GDP growth (y-on-y, % change)	25.5	5.1	6.5	4.0	3.1
Inflation (y-on-y, % change)	-0.1	-0.2	0.3	0.6	1.3
Real private consumption (y-on-y, % change)	4.2	3.1	2.3	2.5	2.5
Real government consumption (y-on-y, % change)	1.8	5.2	2.2	3.5	3.5
Industrial production (y-on-y, % change)	36.9	0.7	-2.2	2.8	1.6
Unemployment rate (%)	10.0	8.4	6.7	5.8	5.2
Real fixed investment (y-on-y, % change)	27.9	59.7	-17.0	7.0	5.0
Real export of goods and services (y-on-y, % change)	38.5	4.7	4.9	4.9	3.8
Fiscal balance (% of GDP)	-1.9	-1.7	-0.4	-0.3	-0.4
Government debt (% of GDP)	77.1	72.9	69.3	66.3	63.3

* The extraordinary high growth rate seen in 2015 is due to a statistical revision, after which foreign companies that switched their base to Ireland were included in the value of its corporate sector. ** forecast Source: Macrobond

Irish industries performance forecast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May 2018

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Atradius
Managing risk, enabling trade

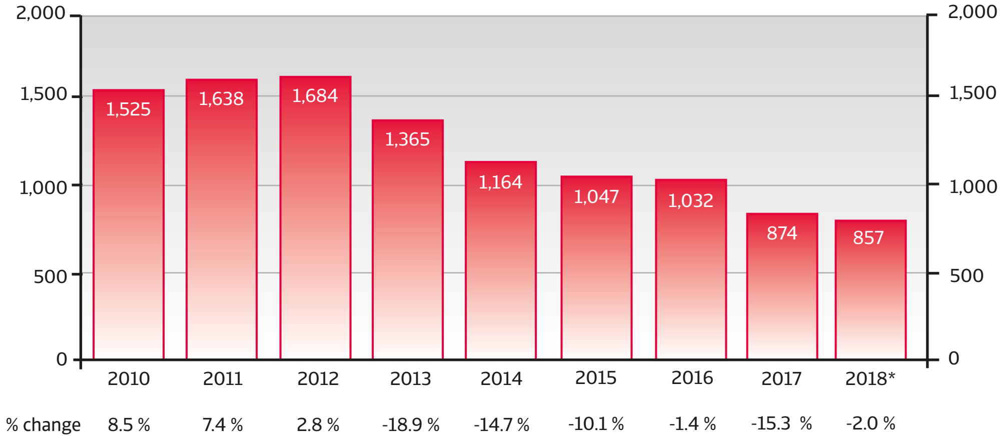
The insolvency environment

Insolvency decrease expected to slow down in 2018

After six years of increases, Irish business insolvencies finally started to decline in 2013, and in 2017 business failures decreased 15%. However, this positive trend is expected to slow down in 2018, forecast to see a decrease of 2%.

Irish business insolvencies

(year-on-year change)

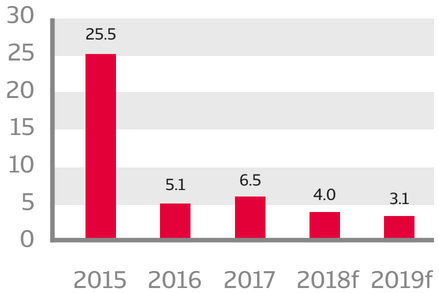


*forecast

Sources: National Statistics Office, Macrobond, Atradius Economic Research

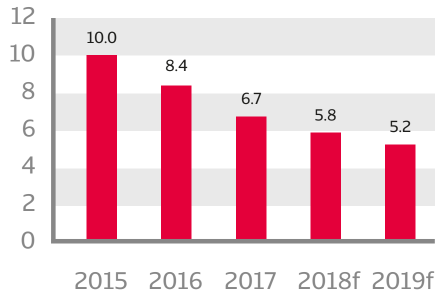
Economic situation

Real GDP growth (y-on-y, % change)



Source: Macrobond

Unemployment rate (%)



Source: Macrobond

The Brexit decision casts its shadow

The Irish economy grew robustly in 2017, based on solid domestic demand and export growth. In 2018 and 2019 GDP expansion is expected to continue, although at a slower pace (up 4.0% and 3.1% respectively).

However, economic prospects are more uncertain than in the past. As the British market accounts for about 15% of Irish goods and 20% of services exports, a potential economic downturn in the UK and the outcome of the on-going EU-UK negotiations (towards a “soft leave” or “hard leave”) will in any case affect Ireland´s economic performance.

Another issue is the high indebtedness of some households and businesses. Non-performing loans account for about 13% of outstanding loans, impairing the Irish banking system and leading to a more restrictive loan policy (especially for SMEs). The high indebtedness makes the economy vulnerable to faster than expected interest increases by the European Central Bank.

Due to past fiscal austerity, the budget deficit has diminished and public debt, while still high, has decreased.

Print this article

Italy

Main import sources (2016, % of total)	
Germany:	16.3 %
France:	8.9 %
China:	7.5 %
The Netherlands:	5.5 %
Spain:	5.4 %

Main export markets (2016, % of total)	
Germany:	12.8 %
France:	10.6 %
USA:	8.9 %
United Kingdom:	5.4 %
Spain:	5.1 %

Key indicators	2015	2016	2017	2018*	2019*
Real GDP growth (y-on-y, % change)	0.9	1.1	1.6	1.4	1.1
Inflation (y-on-y, % change)	0.1	0.0	1.3	0.9	1.1
Real private consumption (y-on-y, % change)	2.0	1.5	1.4	1.2	1.0
Real government consumption (y-on-y, % change)	-0.6	0.5	1.0	0.8	0.5
Industrial production (y-on-y, % change)	0.9	1.9	2.8	2.7	1.6
Unemployment rate (%)	11.9	11.7	11.3	11.1	10.8
Real fixed investment (y-on-y, % change)	1.7	3.0	3.1	2.7	2.0
Real export of goods and services (y-on-y, % change)	4.2	2.6	5.1	4.5	4.1
Fiscal balance (% of GDP)	-2.6	-2.5	-2.3	-2.1	-2.3
Government debt (% of GDP)	131.6	131.9	133.3	132.9	132.7

* forecast Source: Macrobond

Italian industries performance forecast

Excellent:
The credit risk situation in the sector is strong / business performance in the sector is strong compared to its long-term trend.

Good:
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May 2018

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction	Construction Materials
				
Consumer Durables	**Electronics/ICT**	**Financial Services**	**Food**	**Machines/ Engineering**
				
Metals	**Paper**	**Services**	**Steel**	**Textiles**
				

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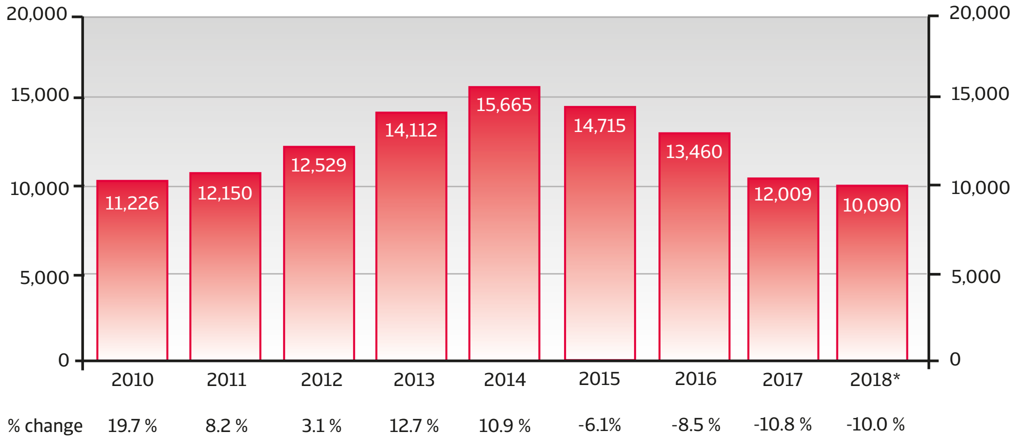
The insolvency environment

Insolvencies decreasing, but to remain at a high level

In line with Italy´s weak economic performance over past years, corporate insolvencies registered annual increases between 2008 and 2014, mainly with double-digit growth rates. Since 2015 insolvencies have decreased and in 2018 a 10% decline is expected. However, the forecast number of about 10,000 cases is still much higher than that registered in 2008 (7,500 cases).

Italian business insolvencies
(year-on-year change)

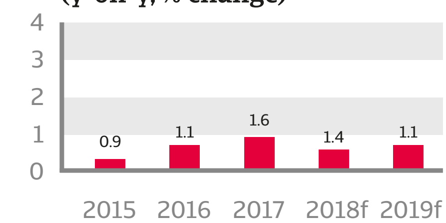


*forecast

Sources: National Statistics Office, Macrobond, Atradius Economic Research

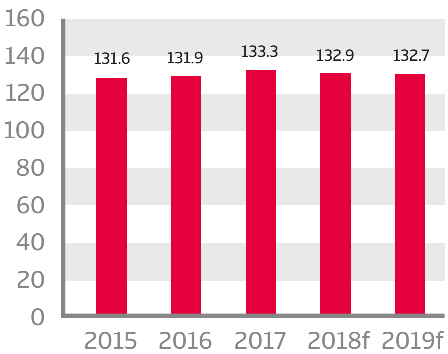
Economic situation

Real GDP growth (y-on-y, % change)



Source: Macrobond

Government debt (% of GDP)



Source: Macrobond

A modest rebound with potential downside risks

GDP growth has picked up in 2017, and is expected to continue in 2018. The rebound is broad-based, mainly driven by investments (mostly in machines and equipment) and export growth. Both business and consumer confidence have increased.

However, major downside risks remain. Reform efforts (e.g. in the labour market) have, thus far, been insufficient to boost higher growth rates, and Italy´s competitiveness has not significantly improved compared to its EU peers.

While the state of the Italian banking sector has improved in 2017 due to certain government actions (e.g. recapitalisation), many banks still suffer from non-performing loans, high operating costs and low profitability.

Despite some efforts for fiscal consolidation, the government debt-to-GDP ratio remains high, at more than 130%. In order to decrease the debt ratio substantially, a nominal annual growth rate of 3% would be required. Fiscal policy remains vulnerable to interest rate increases.

Political uncertainty remains a serious issue. In the March 2018 general elections populist and eurosceptic parties gained a major victory, and coalition talks are likely to become lengthy and cumbersome. The most likely outcome seems to be a hung parliament and even a snap election cannot be ruled out.

The Netherlands

Main import sources (2016, % of total)	
Germany:	17.2 %
Belgium:	9.8 %
China:	9.1 %
USA:	8.7 %
United Kingdom:	5.5 %

Main export markets (2016, % of total)	
Germany:	24.4 %
Belgium:	10.8 %
United Kingdom:	9.5 %
France:	8.9 %
Italy:	4.3 %

Key indicators	2015	2016	2017	2018*	2019*
Real GDP growth (y-on-y, % change)	2.3	2.1	3.2	2.7	2.4
Inflation (y-on-y, % change)	0.2	0.1	1.3	1.5	1.8
Real private consumption (y-on-y, % change)	2.0	1.5	1.9	2.1	2.0
Real government consumption (y-on-y, % change)	-0.2	1.1	1.0	2.8	1.8
Industrial production (y-on-y, % change)	-3.3	2.1	1.6	2.5	1.7
Unemployment rate (%)	6.9	6.0	4.9	4.2	3.7
Real fixed investment (y-on-y, % change)	11.0	5.2	6.1	2.7	1.9
Real export of goods and services (y-on-y, % change)	4.4	5.0	3.5	3.5	4.4
Fiscal balance (% of GDP)	-2.1	0.4	1.1	0.7	0.4
Government debt (% of GDP)	64.6	61.8	55.8	52.4	49.4

* forecast Source: Macrobond

Dutch industries performance forecast

Excellent:
The credit risk situation in the sector is strong / business performance in the sector is strong compared to its long-term trend.

Good:
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May 2018

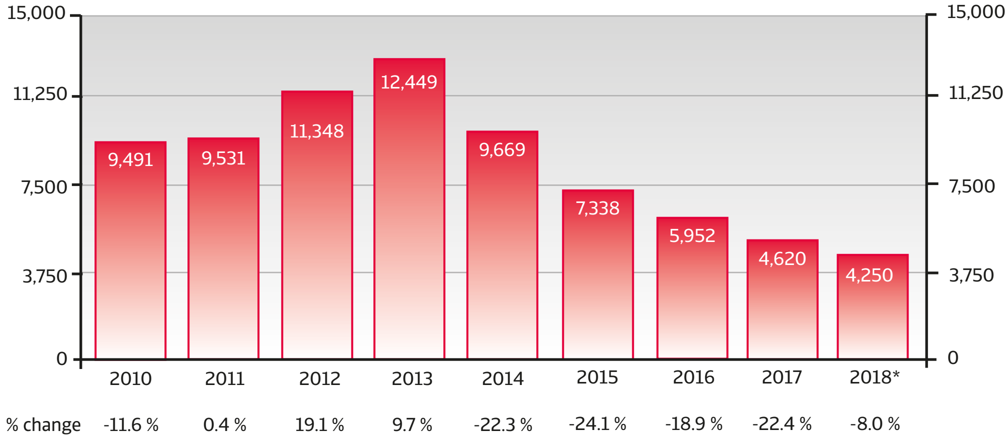
Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction	Construction Materials
				
Consumer Durables	Electronics/ICT	Financial Services	Food	Machines/ Engineering
				
Metals	Paper	Services	Steel	Textiles
				

The insolvency environment

Rate of decrease in corporate insolvency expected to slow down in 2018

The economic slowdown in 2012 and 2013 triggered sharp increases in business insolvencies. Due to the economic rebound since 2014 business failures started to decrease again, declining 22.4% to 4,620 cases in 2017 (including sole proprietorships). While the positive trend is expected to continue in 2018, the improvement is expected to slow down to 8% year-on-year.

Dutch business insolvencies
(year-on-year change)

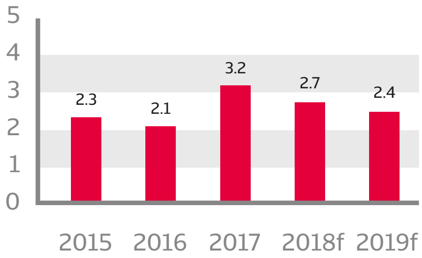


*forecast

Sources: National Statistics Office, Macrobond, Atradius Economic Research

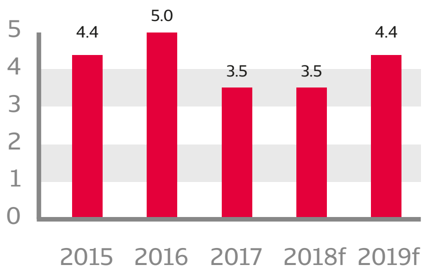
Economic situation

Real GDP growth (y-on-y, % change)



Source: Macrobond

Real export of goods and services(y-on-y, % change)



Source: Macrobond

Solid growth to continue in 2018 and 2019

The Dutch economy is forecast to continue its robust growth in 2018 and 2019 after expanding 3.2% in 2017. All spending categories are expected to contribute to the economic expansion.

Both business and consumer sentiment are high. Private consumption benefits from decreasing unemployment (which has decreased substantially over the past three years), an increase in disposable income and a strong rebound in house prices since 2013.

Solid external demand from the eurozone supports export growth, while business investment growth is sustained by high business confidence, low interest rates and sustained demand.

However, a potential downside risk would be another deterioration in house prices, given high levels of mortgage debt and banks' exposure to the housing market. Any major downward correction in the property market would negatively affect household consumption and the stability of the finance sector.

Another downside risk is the looming uncertainty around Brexit, due to very close trade and investment ties between the Netherlands and the UK. The sectors that would see the biggest impact are chemicals, electronics, food and metals.

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Spain

Main import sources (2016, % of total)	
Germany:	14.7 %
France:	12.2 %
China:	7.1 %
Italy:	6.7 %
The Netherlands:	5.2 %

Main export markets (2016, % of total)	
France:	15.7 %
Germany:	11.7 %
United Kingdom:	8.1 %
Italy:	7.9 %
Portugal:	7.1 %

Key indicators	2015	2016	2017	2018*	2019*
Real GDP growth (y-on-y, % change)	3.4	3.3	3.1	2.7	2.2
Inflation (y-on-y, % change)	-0.6	-0.3	2.0	1.4	1.7
Real private consumption (y-on-y, % change)	3.0	3.0	2.4	2.4	1.7
Real government consumption (y-on-y, % change)	2.1	0.8	1.6	1.3	0.9
Industrial production (y-on-y, % change)	3.3	1.9	2.9	2.3	2.0
Unemployment rate (%)	22.0	19.6	17.2	15.1	13.5
Real fixed investment (y-on-y, % change)	6.5	3.3	5.0	4.5	3.0
Real export of goods and services (y-on-y, % change)	4.2	4.8	5.0	4.6	4.3
Fiscal balance (% of GDP)	-5.3	-4.5	-3.0	-2.6	-1.7
Government debt (% of GDP)	99.4	99.0	97.3	95.0	92.9

* forecast Source: Macrobond

Spanish industries performance forecast

May 2018


Excellent:
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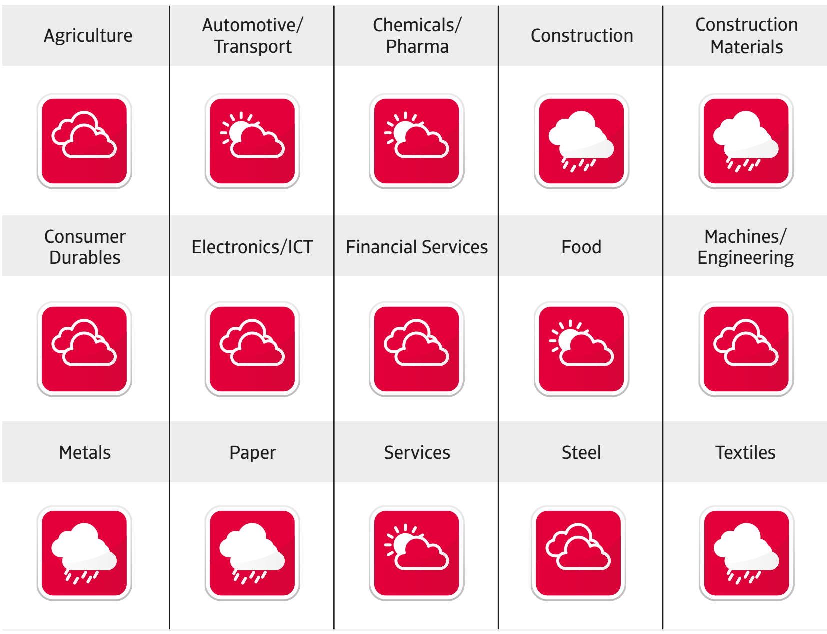


The insolvency environment

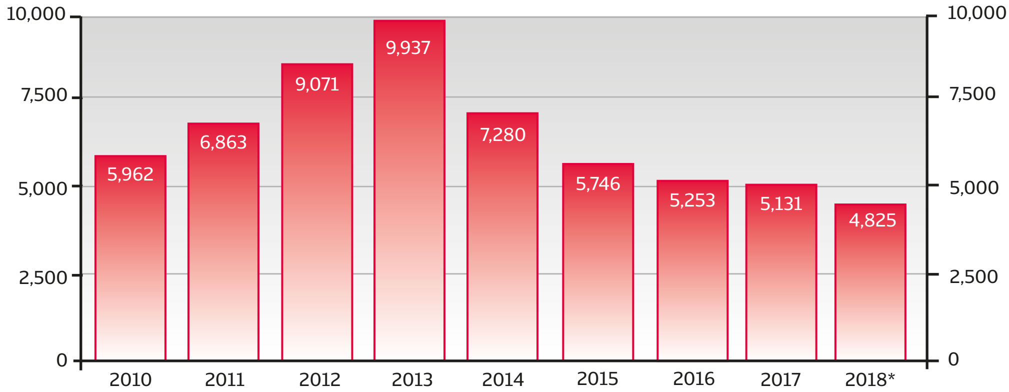
More improvement in insolvencies expected in 2018, but numbers remain high

Corporate defaults have closely reflected economic conditions, with high year-on-year increases seen from 2011 to 2013. With the economic rebound since 2014 insolvencies have been declining, and this positive trend is expected to continue, with business failures forecast to decrease 6% in 2018.

However, this would still leave business insolvencies at a high level of about 4,800 cases. This is four times higher than in 2007, when about 1,150 cases were recorded.

Spanish business insolvencies

(year-on-year change)



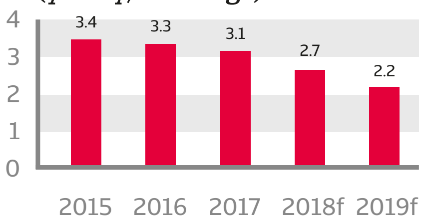
% change	-3.8 %	15,1 %	32.2 %	9.5 %	-26.7 %	-21.1 %	-8.6 %	-2.3 %	-6.0 %

*forecast

Sources: National Statistics Office, Macrobond, Atradius Economic Research

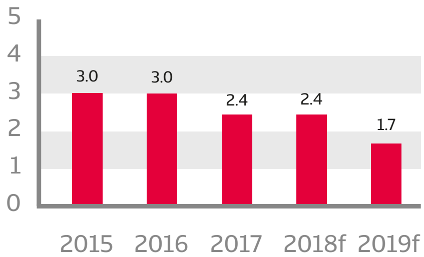
Economic situation

Real GDP growth (y-on-y, % change)



Source: Macrobond

Real private consumption (y-on-y, % change)



Source: Macrobond

The economic rebound continues

Spain's economic rebound gained further momentum in 2017, with GDP increasing by more than 3%. In 2018 and 2019 economic growth is expected to moderate somewhat, but to remain robust, with private consumption and investment remaining the key drivers. Spanish exports continue to benefit from the rebound in the eurozone.

The resilience of Spanish banks has improved further in 2017, in terms of asset quality and capital. However, the level of non-performing loans remained high compared to that of other EU-members.

In July 2016 the European Commission conceded Spain two additional years, until 2018, to lower the budget deficit to less than 3%. It is expected that this target will be met in 2018 and 2019.

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Sweden

Main import sources (2016, % of total)	
Germany:	18.8 %
The Netherlands:	8.2 %
Norway:	7.8 %
Denmark:	7.6 %
China:	5.6 %

Main export markets (2016, % of total)	
Germany:	10.6 %
Norway:	10.4 %
USA:	7.3 %
Denmark:	7.0 %
Finland:	6.8 %

Key indicators	2015	2016	2017	2018*	2019*
Real GDP growth (y-on-y, % change)	4.3	3.0	2.7	2.4	2.1
Inflation (y-on-y, % change)	0.0	1.0	1.8	1.8	1.8
Real private consumption (y-on-y, % change)	3.0	2.1	2.4	1.9	2.1
Real government consumption (y-on-y, % change)	2.1	2.6	0.8	1.8	1.3
Industrial production (y-on-y, % change)	2.7	3.1	4.6	2.7	2.4
Unemployment rate (%)	7.4	6.9	6.7	6.4	6.2
Real fixed investment (y-on-y, % change)	6.5	5.3	6.5	3.3	2.5
Real export of goods and services (y-on-y, % change)	5.5	5.2	3.0	3.7	3.1
Fiscal balance (% of GDP)	0.2	1.2	1.3	0.5	1.2
Government debt (% of GDP)	44.2	42.3	39.3	38.0	36.3

* forecast Source: Macrobond

Swedish industries performance forecast


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May 2018

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction	Construction Materials
				
Consumer Durables	**Electronics/ICT**	**Financial Services**	**Food**	**Machines/ Engineering**
				
Metals	**Paper**	**Services**	**Steel**	**Textiles**
				

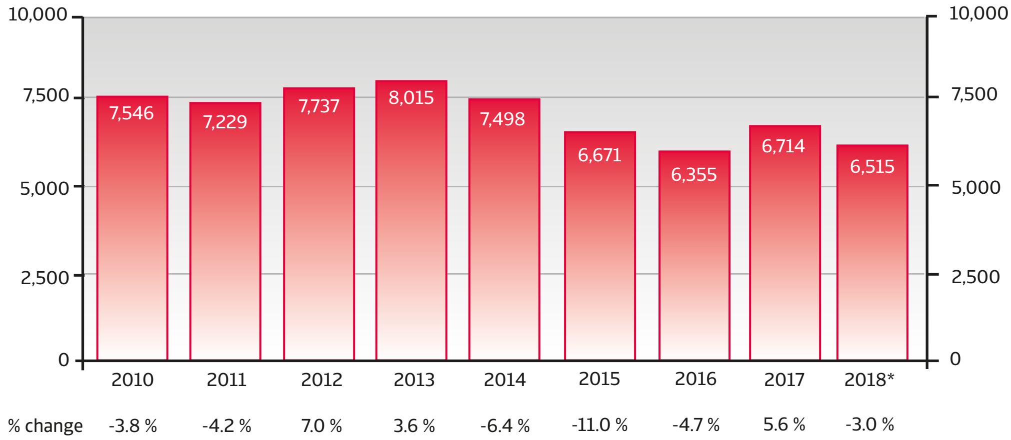
The insolvency environment

Insolvencies increased in 2017

Swedish business insolvencies increased 5.6% in 2017 after three years of annual decreases. However, in 2018 a turnaround is expected, with a 3% decrease forecast.

Swedish business insolvencies

(year-on-year change)

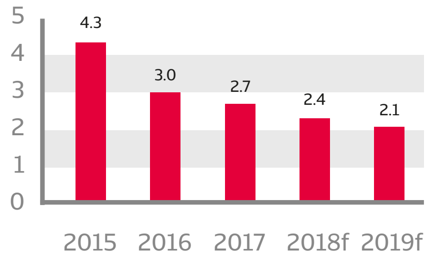


*forecast

Sources: National Statistics Office, Macrobond, Atradius Economic Research

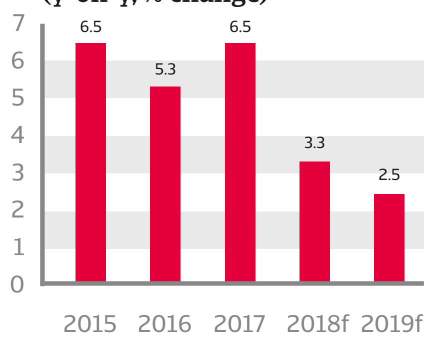
Economic situation

Real GDP growth
(y-on-y, % change)



Source: Macrobond

Real fixed investment
(y-on-y, % change)



Source: Macrobond

Growth slows down in 2018, but remains robust

The Swedish economy is forecast to grow 2.4% in 2018 after increasing 2.7% in 2017. Supported by negative interest rates, both household consumption and investment growth are expected to continue, although at a lower rate than in previous years.

In order to combat deflation and to weaken the currency, the Swedish Central Bank has repeatedly lowered the repo rate since July 2014, which has been -0.5% since February 2016. Inflation picked up again in 2017 and is expected to remain close to 2% in 2018. The expansionary monetary policy has driven investments and asset prices.

A potential downside risk to the economy could be high household debt, triggered by housing demand and easy access to credit. In 2017 the household debt-to-disposable-income-ratio was more than 180%, making private households vulnerable to sharp house price decreases and interest rate increases.

Switzerland

Main import sources (2016, % of total)	
Germany:	19.3 %
USA:	8.9 %
Italy:	7.3 %
United Kingdom:	7.1 %
France:	6.1 %

Main export markets (2016, % of total)	
Germany:	14.3 %
USA:	12.1 %
United Kingdom:	10.7 %
China:	9.0 %
Hong Kong:	6.1 %

Key indicators	2015	2016	2017	2018*	2019*
Real GDP growth (y-on-y, % change)	1.2	1.4	1.1	2.1	1.8
Inflation (y-on-y, % change)	-1.1	-0.5	0.5	0.9	1.3
Real private consumption (y-on-y, % change)	1.8	1.5	1.2	1.6	1.5
Real government consumption (y-on-y, % change)	1.2	1.6	1.0	1.3	1.0
Industrial production (y-on-y, % change)	-2.4	0.1	5.0	5.1	3.1
Unemployment rate (%)	3.2	3.3	3.2	2.8	2.8
Real fixed investment (y-on-y, % change)	2.3	3.0	3.1	2.4	2.5
Real export of goods and services (y-on-y, % change)	2.3	6.6	-0.7	2.1	2.0
Fiscal balance (% of GDP)	0.6	0.3	0.8	0.8	0.3
Government debt (% of GDP)	30.0	29.2	29.8	29.2	28.0

* forecast Source: Macrobond

Swiss industries performance forecast

May 2018

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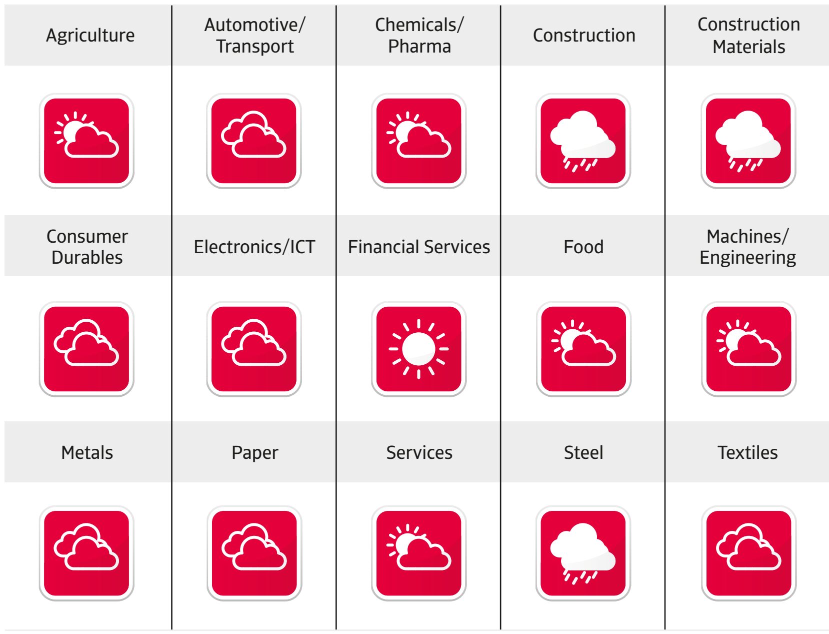
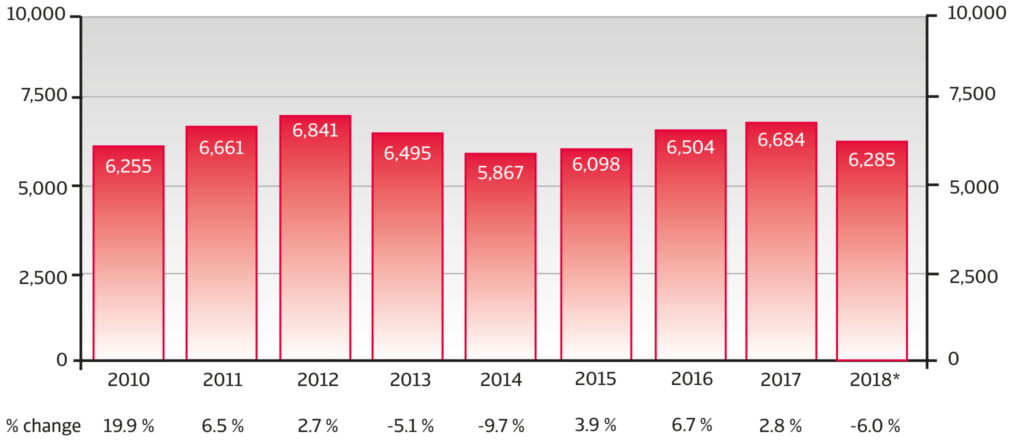


The insolvency environment

Corporate insolvencies expected to decrease, but to remain high

Since 2015 Swiss business insolvencies have recorded annual increases due to a more difficult economic environment. With the rebound of GDP growth, business failures are expected to decrease 6% in 2018, but to remain high at about 6,285 cases.

Swiss business insolvencies
(year-on-year change)

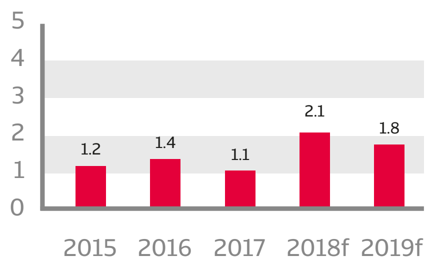


*forecast

Sources: National Statistics Office, Macrobond, Atradius Economic Research

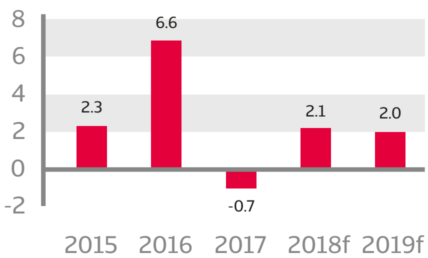
Economic situation

Real GDP growth (y-on-y, % change)



Source: Macrobond

Real export of goods and services(y-on-y, % change)



Source: Macrobond

Growth expected to pick up in 2018 and 2019

After a rather modest economic performance in 2017, Swiss GDP growth is expected to pick up in 2018 due to increased domestic demand and a rebound in exports.

Negative interest rates (the Central Bank has kept the benchmark interest rate at -0.75% since 2015) support private consumption and investment growth. Inflation is expected to remain below 1% in 2018.

After a contraction in 2017, exports (which account for 70% of GDP) are expected to increase 2% year-on-year in 2018 and 2019, helped by a surge in eurozone demand and a depreciation of the Swiss franc against the euro.

United Kingdom

Main import sources (2016, % of total)	
Germany:	13.6 %
USA:	9.3 %
China:	9.2 %
The Netherlands:	7.4 %
France:	5.2 %

Main export markets (2016, % of total)	
USA:	14.8 %
Germany:	10.7 %
France:	6.4 %
The Netherlands:	6.2 %
Ireland:	5.6 %

Key indicators	2015	2016	2017	2018*	2019*
Real GDP growth (y-on-y, % change)	2.3	1.9	1.8	1.7	1.7
Inflation (y-on-y, % change)	0.4	1.0	2.6	2.5	2.2
Real private consumption (y-on-y, % change)	2.6	2.9	1.7	1.0	1.5
Real government consumption (y-on-y, % change)	0.6	0.8	0.4	1.0	1.5
Industrial production (y-on-y, % change)	1.2	1.4	2.1	1.7	1.0
Unemployment rate (%)	5.4	4.9	4.4	4.5	4.3
Real fixed investment (y-on-y, % change)	2.8	1.8	2.7	1.4	1.2
Real export of goods and services (y-on-y, % change)	5.0	2.3	4.8	3.9	2.5
Fiscal balance (% of GDP)	-4.3	-3.0	-2.9	-2.8	-2.3
Government debt (% of GDP)	88.2	88.2	88.0	88.7	87.6

* forecast Source: Macrobond

British industries performance forecast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The credit risk situation in the sector is benign / business performance in the sector is above its long-term trend.


Fair:
The credit risk credit situation in the sector is average / business performance in the sector is stable.


Poor:
The credit risk situation in the sector is relatively high / business performance in the sector is below long-term trend.


Bleak:
The credit risk situation in the sector is poor / business performance in the sector is weak compared to its long-term trend.

May 2018

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction	Construction Materials
				
Consumer Durables	**Electronics/ICT**	**Financial Services**	**Food**	**Machines/ Engineering**
				
Metals	**Paper**	**Services**	**Steel**	**Textiles**
				

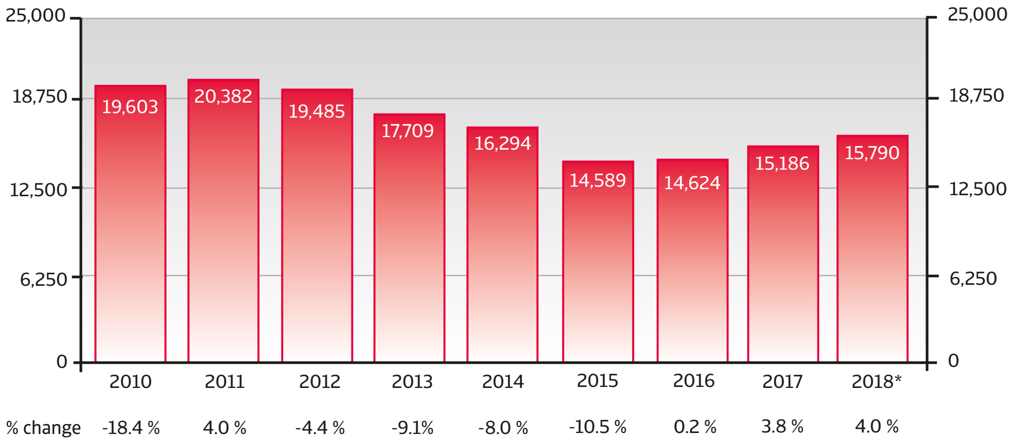
The insolvency environment

Another business insolvency increase in 2018

After an increase of 3.8% in 2017, British business insolvencies are expected to rise again in 2018. The expected increase is the result of the lingering uncertainty surrounding Brexit impacting business investment, reduced consumer spending power and higher input costs due to depreciation of the pound sterling. Businesses active in the construction, retail and hospitality sectors are the ones mostly affected by increasing insolvencies.

British business insolvencies

(year-on-year change)

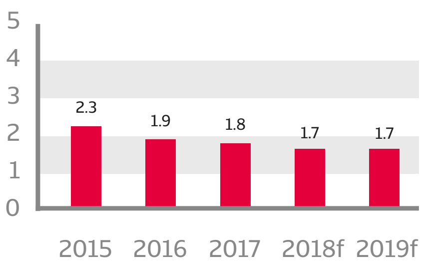


*forecast

Sources: National Statistics Office, Macrobond, Atradius Economic Research

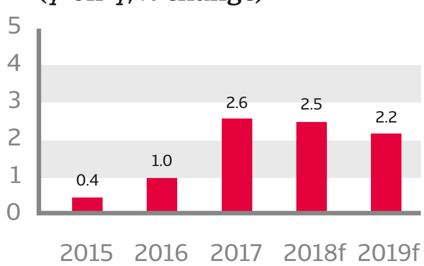
Economic situation

Real GDP growth (y-on-y, % change)



Source: Macrobond

Inflation (y-on-y, % change)



Source: Macrobond

Economic prospects are steady but fragile

In the aftermath of the June 2016 Brexit vote the UK economy has remained resilient, and GDP growth is not expected to record a major slowdown in 2018. However, the ongoing uncertainty surrounding Brexit could impact this rather positive outlook.

UK exports have benefitted from increased international competitiveness due to the weaker pound and higher global demand. Industrial production increased 2.1% in 2017 – the highest rate in seven years. Export growth is expected to remain robust in 2018.

While consumer spending has been the engine of economic expansion in the past, higher inflation due to the weaker pound and decreased real wages negatively affected household consumption in 2017. Higher interest rates and fiscal tightening will impact private consumption growth in 2018 and 2019.

Business investment growth slowed down in 2017 due to increased uncertainty over the course of the EU-UK negotiations and higher interest rates. It is expected to remain below average in 2018 and 2019. The March 2018 EU-UK agreement on a transition period following Brexit in March 2019 to December 2020 has offered at least some relief to British businesses, with brighter prospects for a "smooth" Brexit. But insecurity over the long-term future of the EU-UK trading relationship remains.

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