



# GLOBAL ECONOMIC OUTLOOK

## STAGFLATION AHEAD

HOW CAN DATA HELP YOUR BUSINESS DURING  
AN ECONOMIC CRISIS?

APRIL 7, 2022

# AGENDA AND YOUR REFERENTS



01

GLOBAL ECONOMIC OUTLOOK  
STAGFLATION AHEAD

**JEAN CHRISTOPHE CAFFET**  
Coface Chief Global Economist



02

HOW CAN DATA HELP YOUR  
BUSINESS DURING  
AN ECONOMIC CRISIS?

**DOROTA ANGOTTI**  
Regional Business Information  
Director Credit Management Services

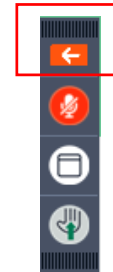


# QUESTIONS?

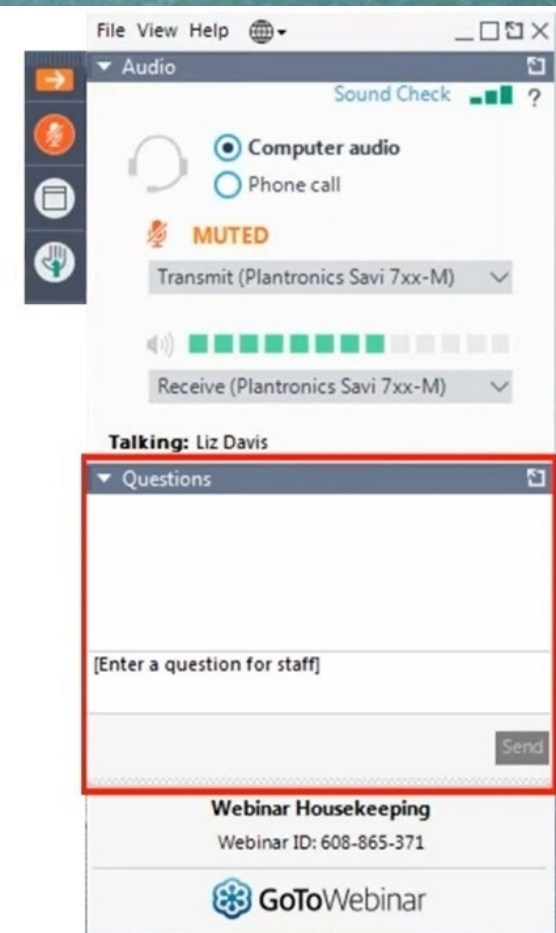


Please feel free to ask your questions via the question panel on the right sidebar menu.

(1) Open the sidebar menu



(2) Enter your question



# KEY TAKEAWAYS

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## **THE SITUATION HAS STRONGLY AND QUICKLY DETERIORATED**

- › The post-pandemic recovery was on track, albeit losing momentum, with advanced economies leading the way
- › The Russian # Ukraine conflict reshuffles the deck
- › Ways to end the crisis still unknown

## **HARSH SANCTIONS LIKELY TO ASPHYXIATE THE RUSSIAN ECONOMY**

- › Increasingly severe and broad sanctions : export bans, SWIFT disconnection, freeze of CBR FX reserves...
- › Russia (almost) completely isolated, and probably for a long time

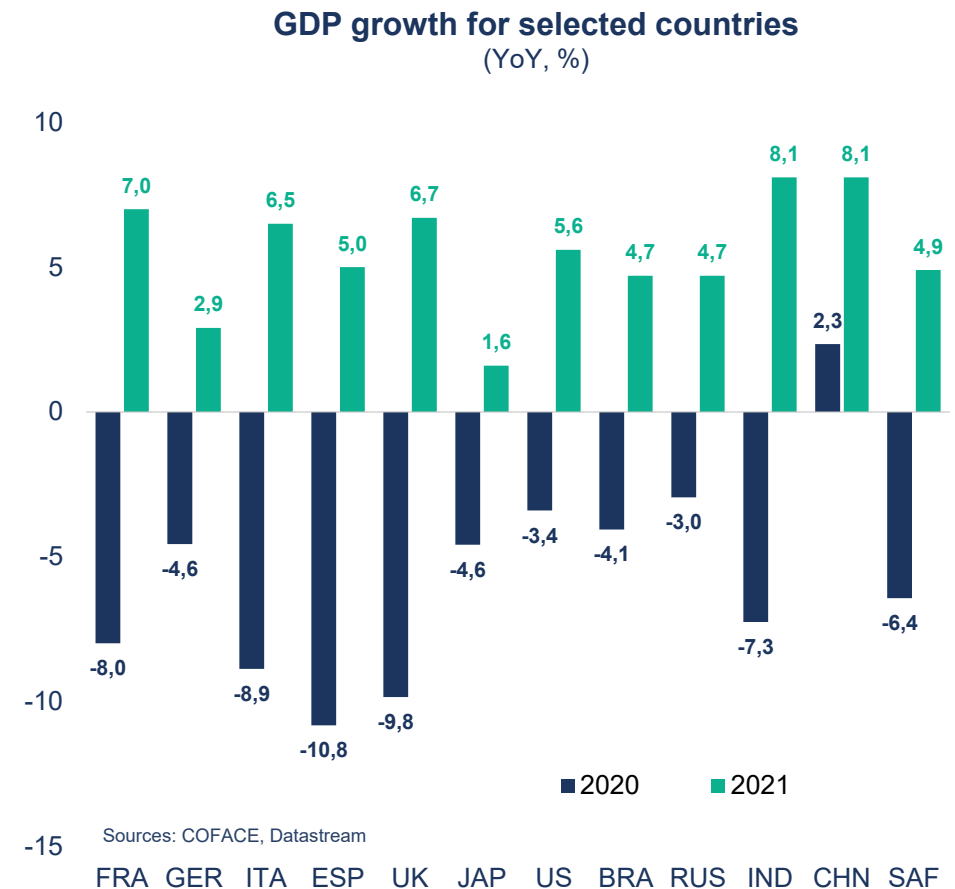
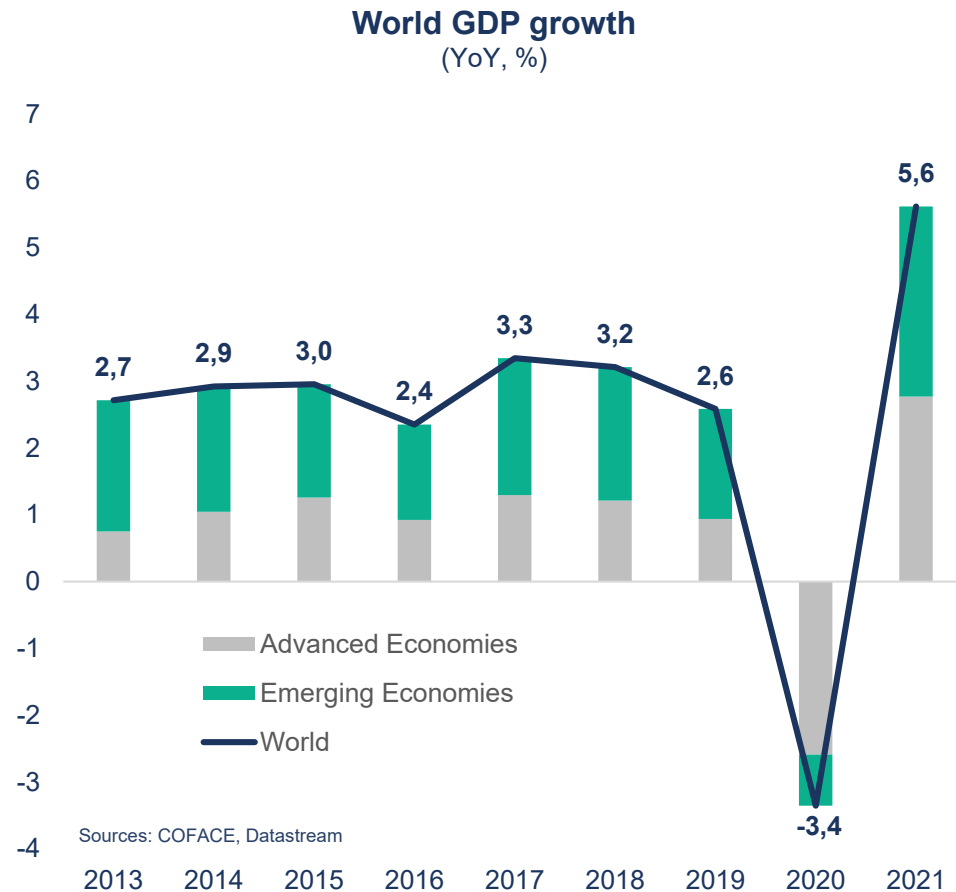
## **GLOBAL ECONOMY: GDP DOWN, INFLATION UP**

- › Commodity prices and supply chain disruptions to increase the risk of stagflation
- › Europe on the front line of this new crisis
- › Social unrest and political turmoil likely to be on the agenda

## **ALL SECTORS WILL BE AFFECTED**

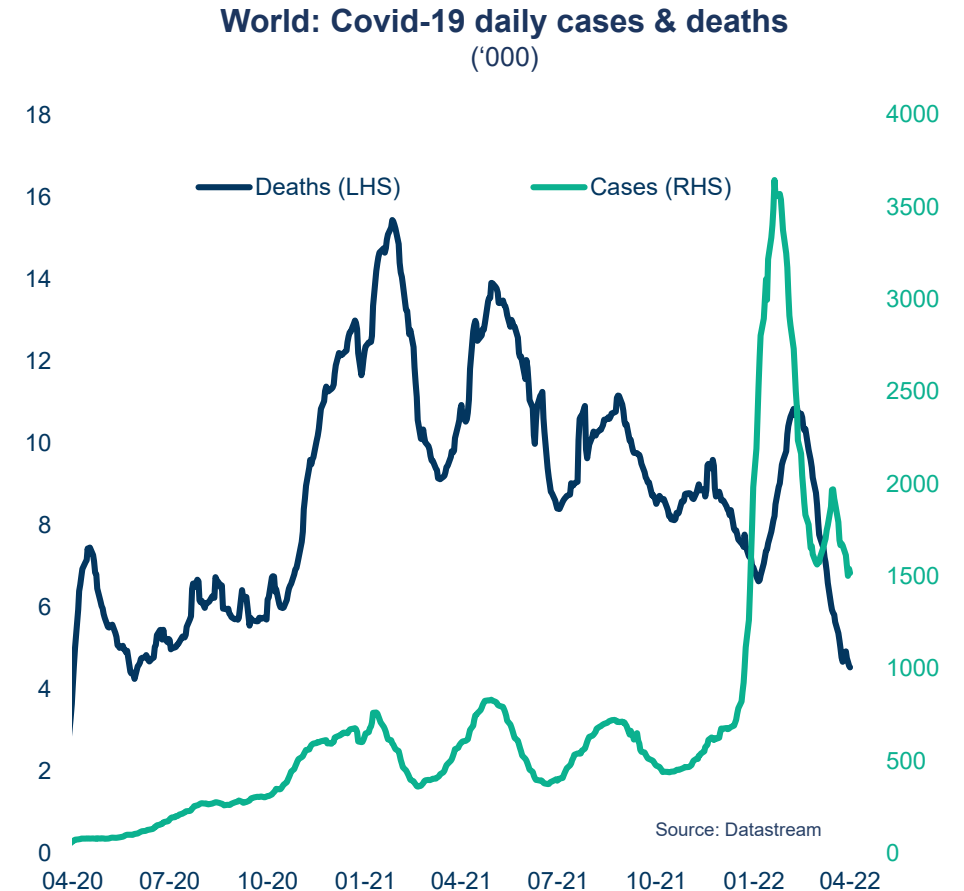
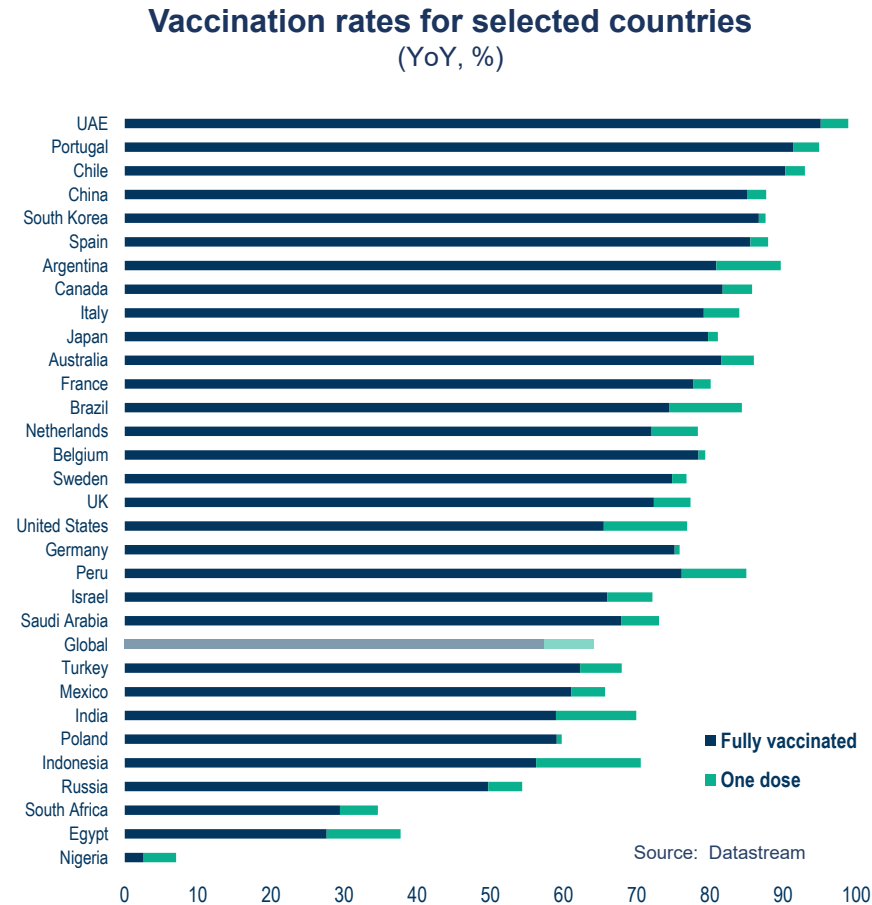
- › Transports, agri-food (meat), chemicals and automotive sectors more particularly impacted
- › Natural gas dependency to worsen the situation in some countries (Germany, Italy, Baltics...)

# THE RECOVERY IS (WAS?) ON TRACK, ALBEIT LOSING MOMENTUM



AN UNEVEN RECOVERY, WITH EMERGING LAGGING BEHIND

# ONE-HALF OF WORLD POPULATION FULLY VACCINATED

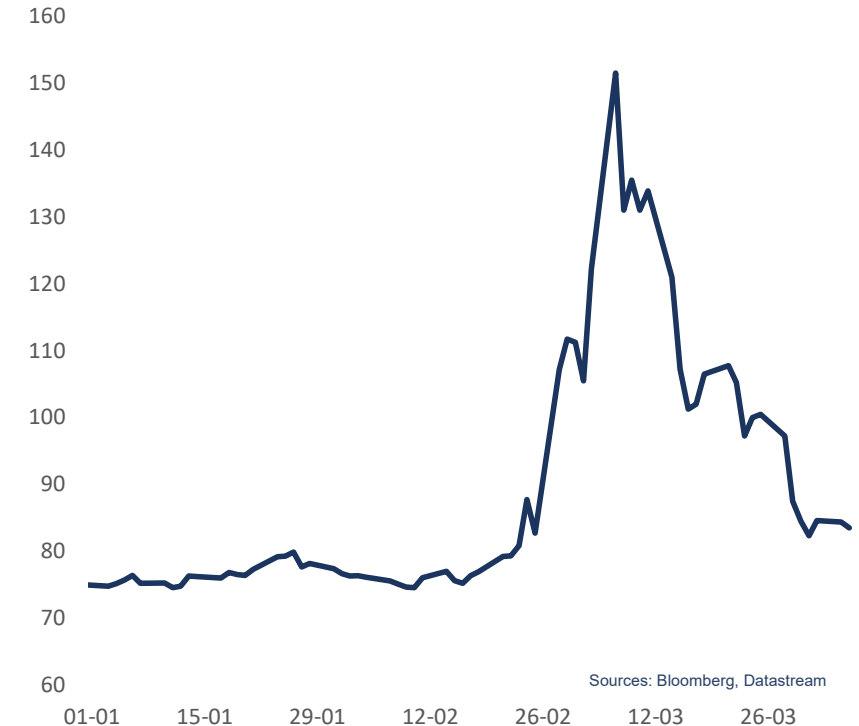


BEYOND OMICRON, NEW VARIANTS REMAIN A MAJOR DOWNSIDE RISK

# UNPRECEDENTED **SANCTIONS** AGAINST **RUSSIA**

- ❖ **Disconnection** of some Russian banks from **SWIFT** (global messaging system)
    - ➔ Short-term disruptions of financial flows, hence external trade
  - ❖ **Export bans** on high-tech items (semiconductors, chips, telecom, electronics, aircrafts, oil refinery equipment...)
    - ➔ Long-term negative impacts on the Russian economy
  - ❖ **Freezing** of CBR's **FX reserves** + **US ban** on financial transactions with CBR
    - ➔ CBR unable to intervene in the market
- + Ban on Russian sovereign debt trading, closing of European airspace to Russian aircrafts, suspension of Nordstream 2 pipeline, freezing of some public officials' and oligarchs' assets...

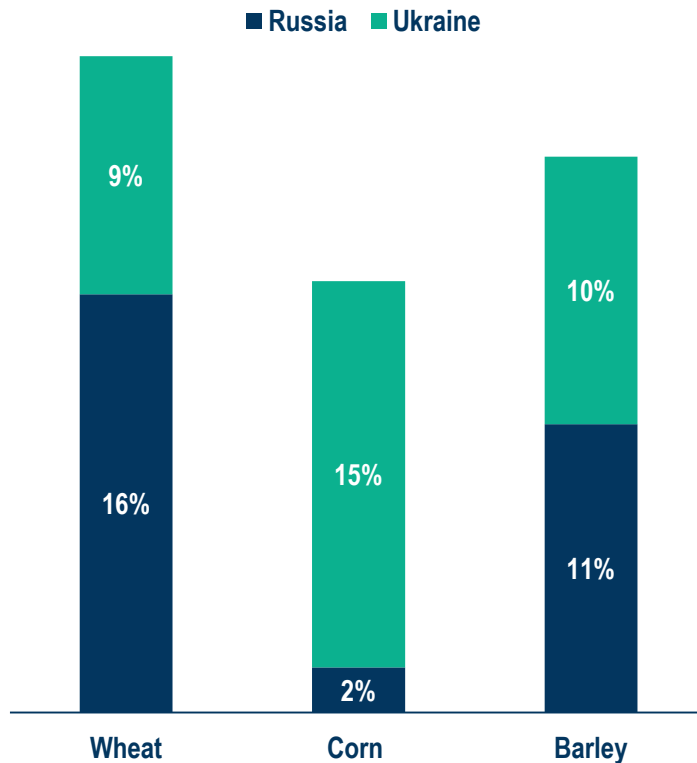
USD/RUB exchange rate in 2022  
(1 USD = ... RUB)



**DEEP RECESSION EXPECTED IN 2022**

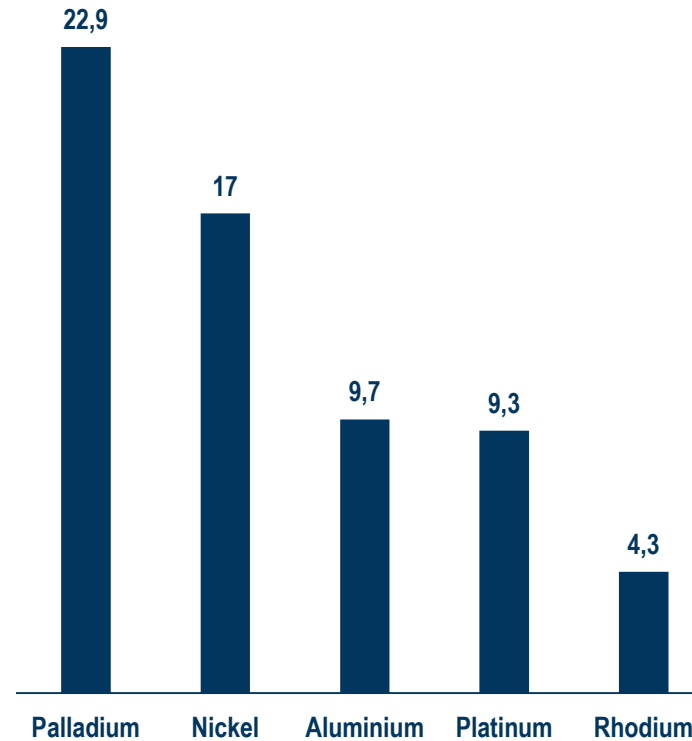
# A STRONG HIT TO COMMODITIES FLOWS

Russia and Ukraine's share in global exports of selected grains (%)

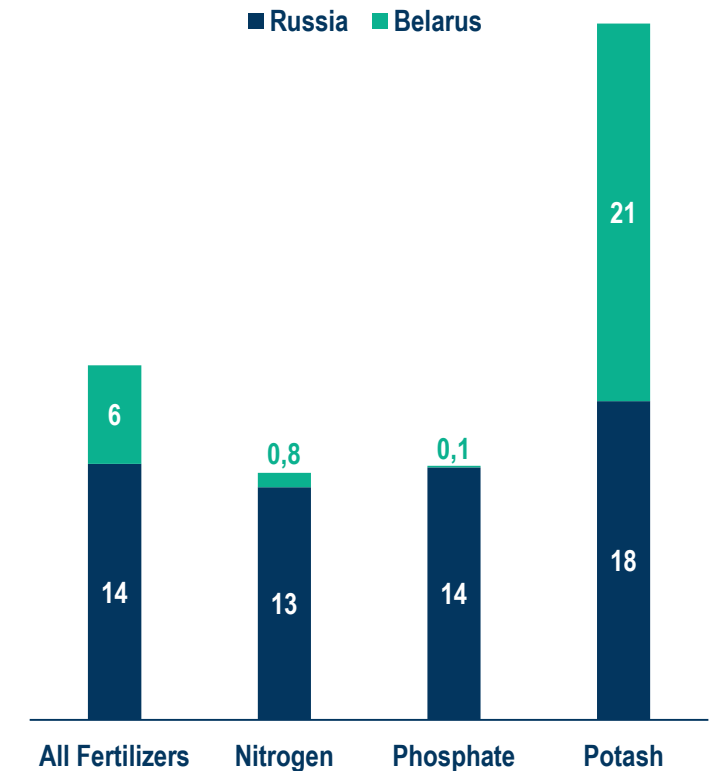


Sources: Trademap, COFACE

Russia's share in global exports of selected unwrought metals (%)



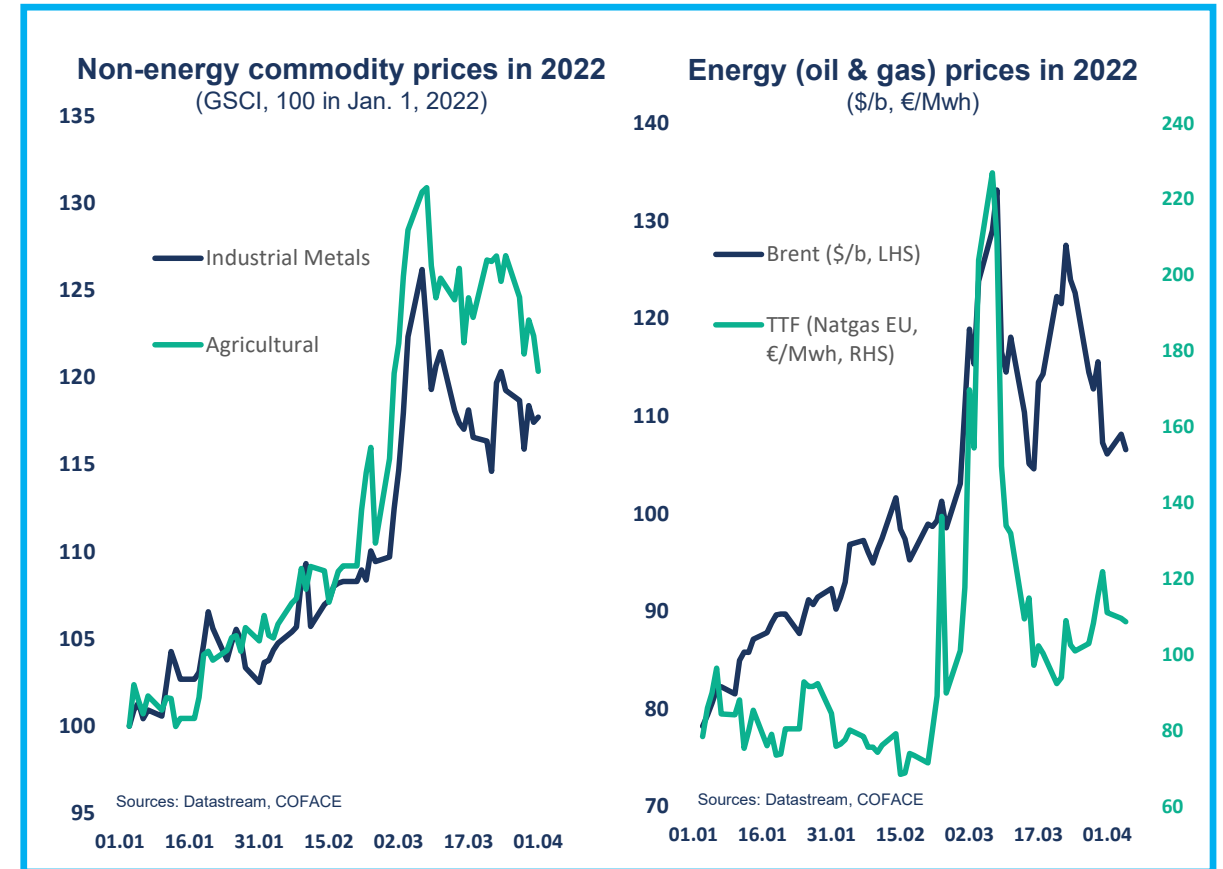
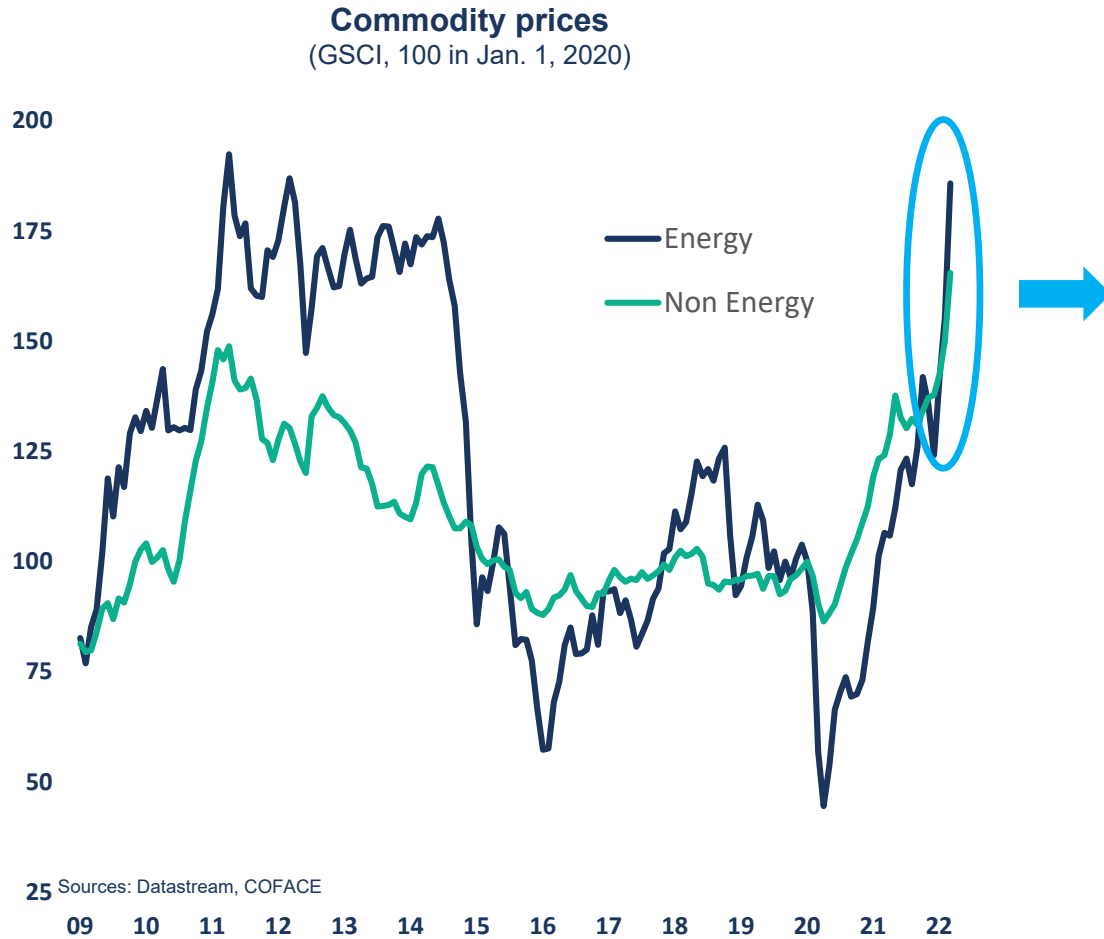
Russia and Belarus's share in global exports of selected fertilizers (%)



BEYOND OIL&GAS, RUSSIA (AND UKRAINE) HAS A PROMINENT PLACE IN GLOBAL COMMODITY SUPPLY

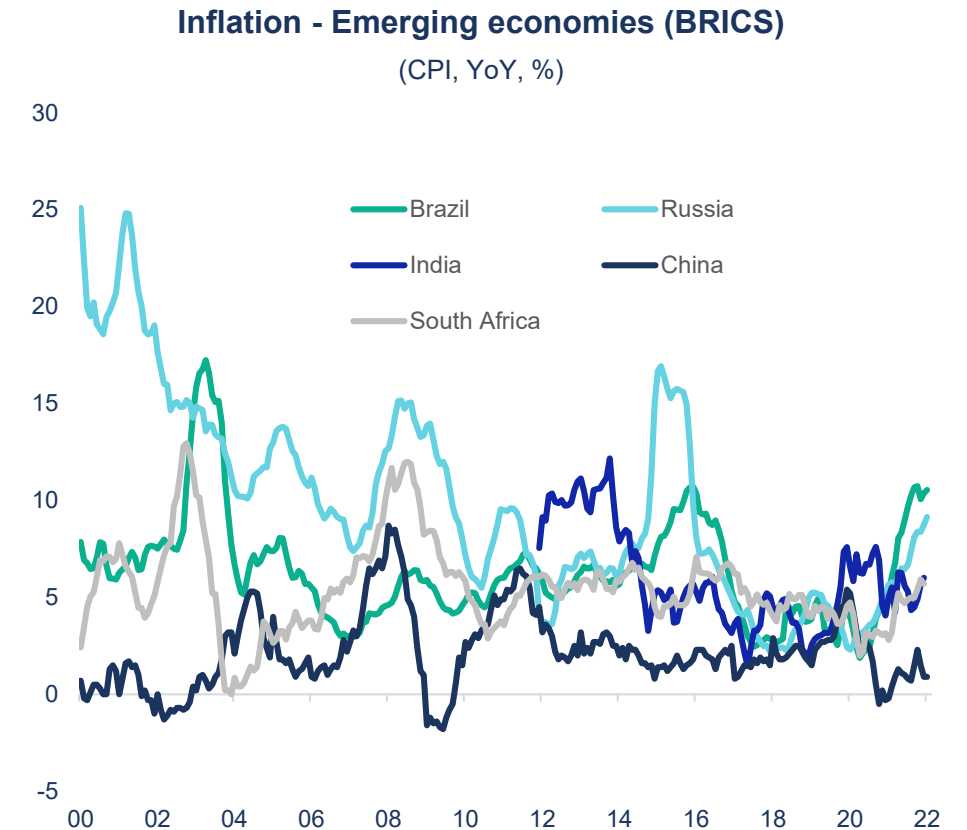
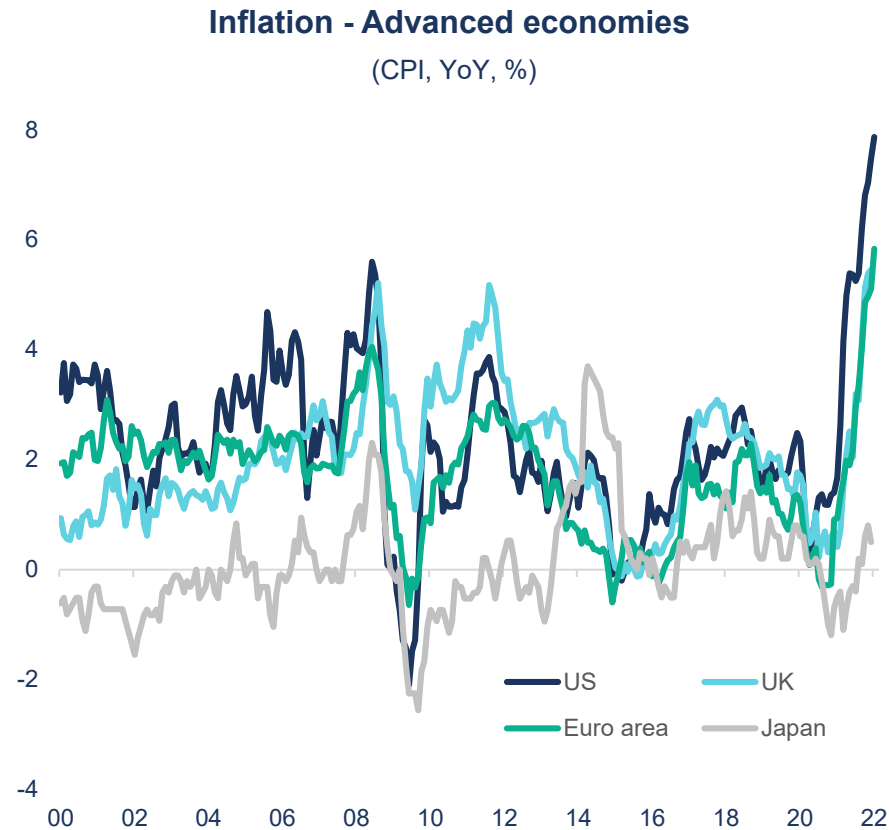


# INFLATIONARY PRESSURES TO INTENSIFY IN THE SHORT TERM



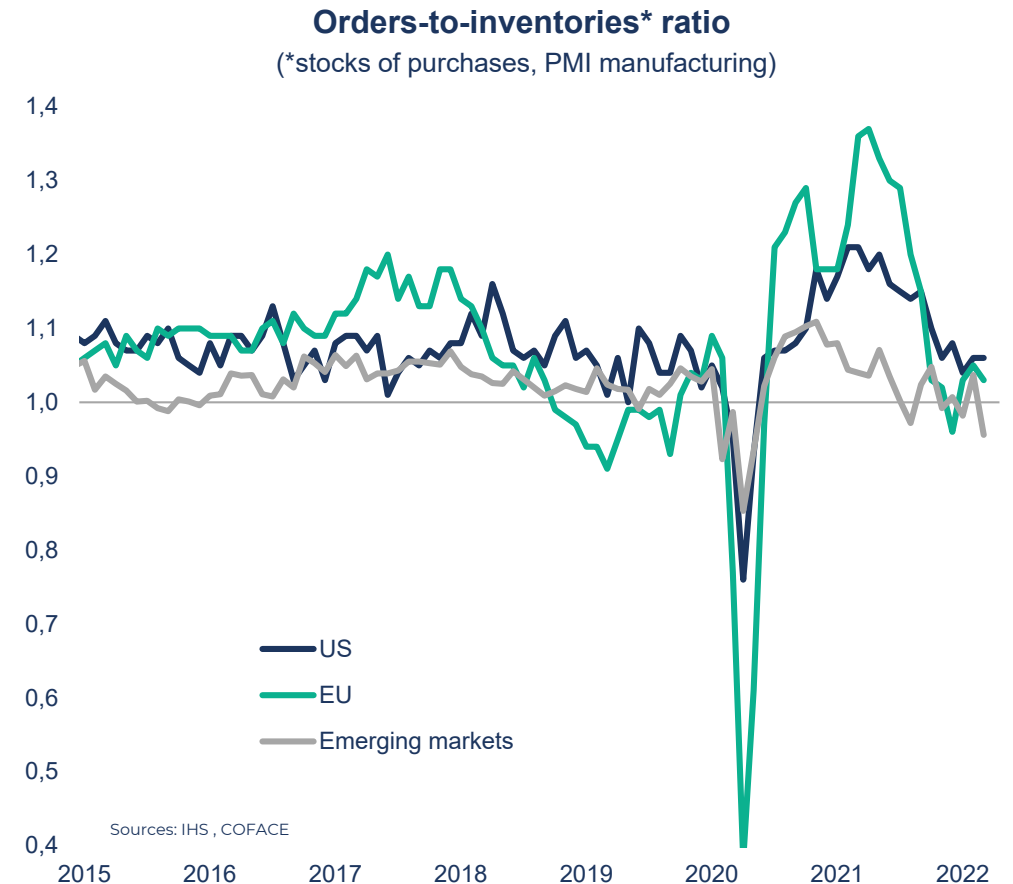
FEARS OF SUPPLY DISRUPTIONS DRIVING UP COMMODITY PRICES

# INFLATION ALREADY AT DECADES' HIGH IN ADVANCED ECONOMIES



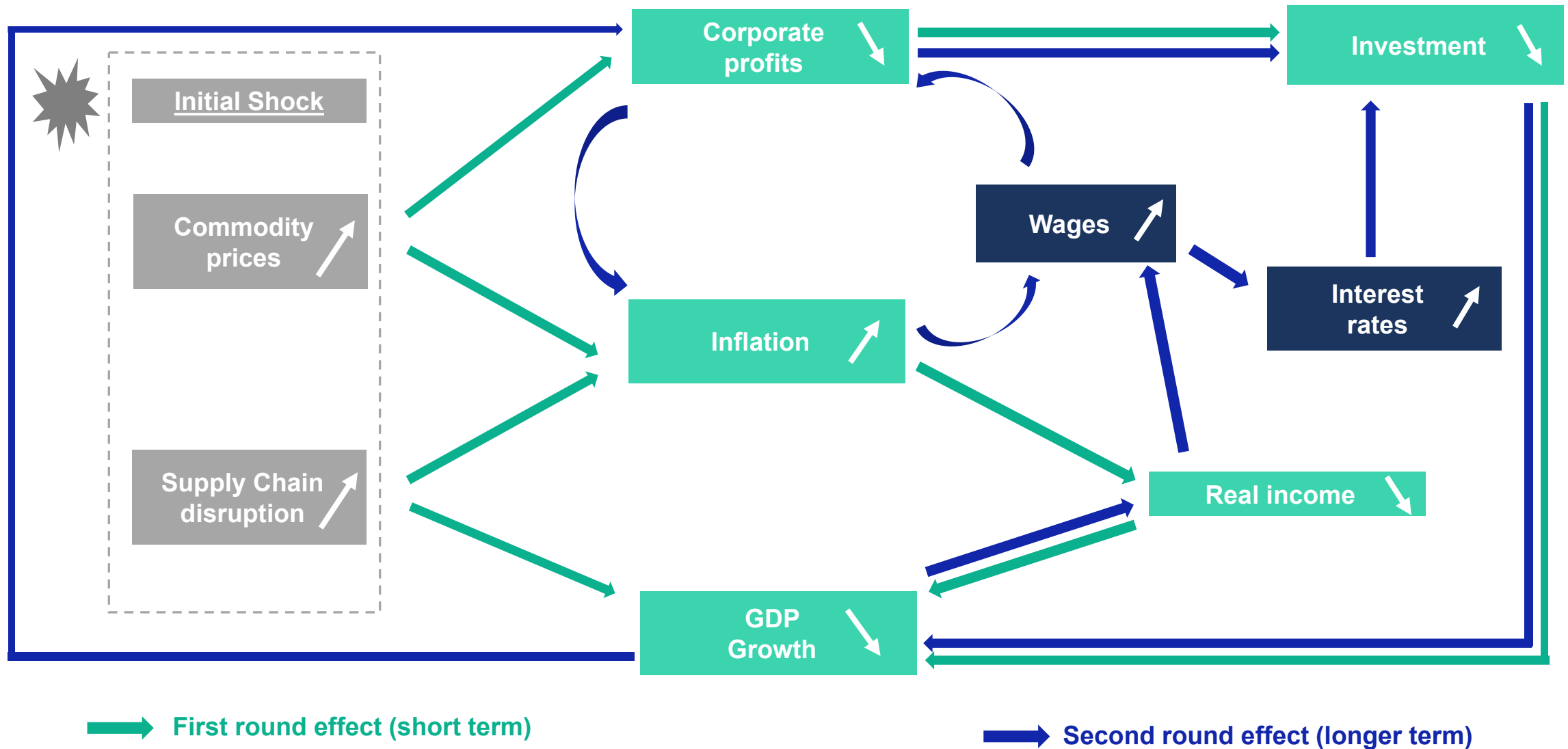
**INFLATION TO GO EVEN HIGHER IN THE COMING MONTHS/QUARTERS  
FROM « TRANSITORY » TO « PERSISTENT » TO... « PERMANENT »?**

# SUPPLY CHAINS DISRUPTIONS: BIS REPETITA?

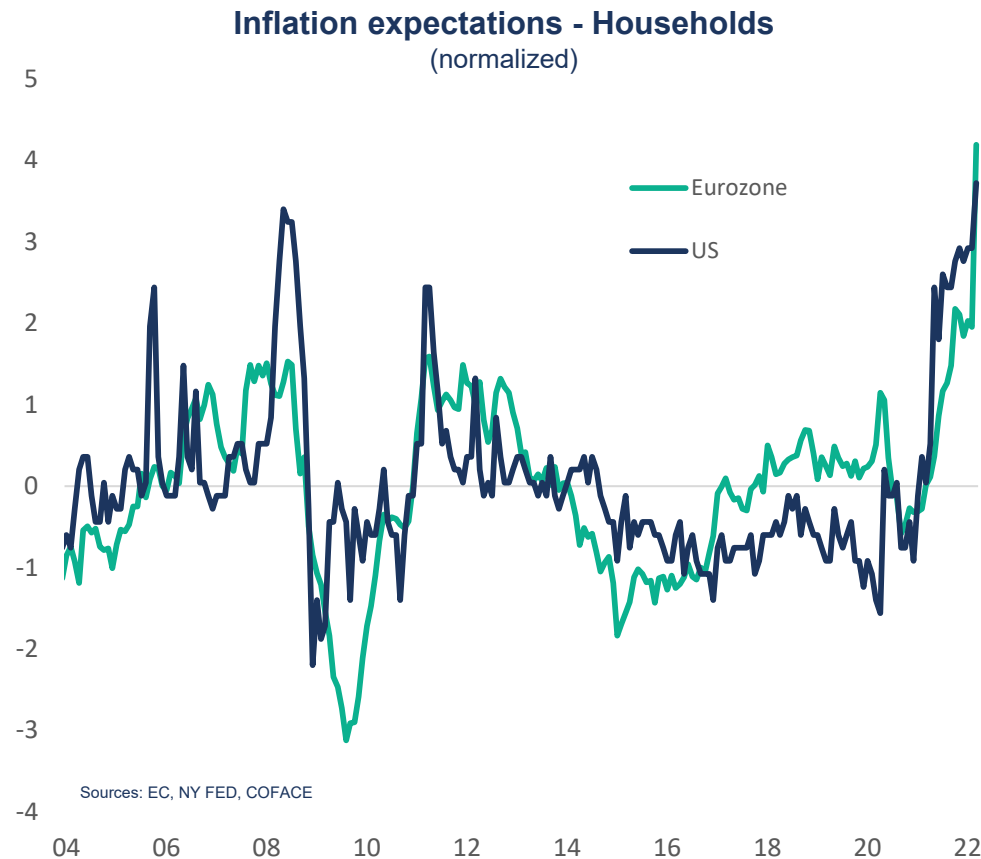


**AFTER LAST YEAR'S END EASING, EXPECT SUPPLY CHAINS  
TO BE ONCE AGAIN HEAVILY DISRUPTED**

# INCREASING RISKS OF **STAGFLATION** IN THE MEDIUM TERM



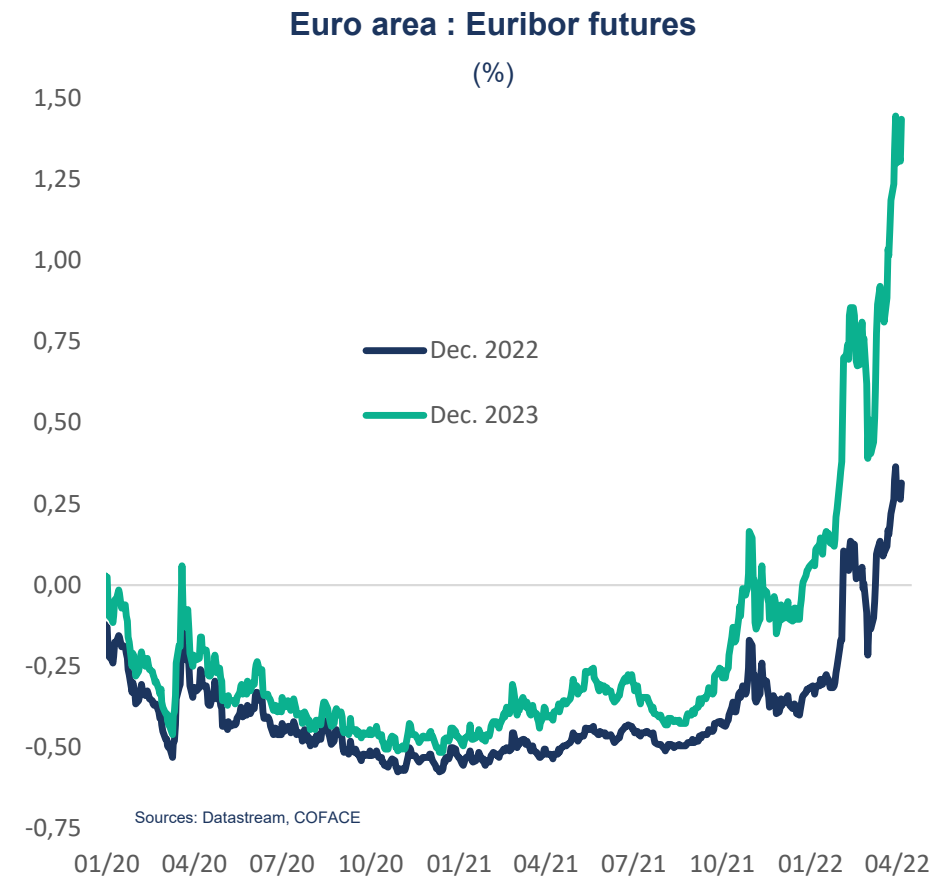
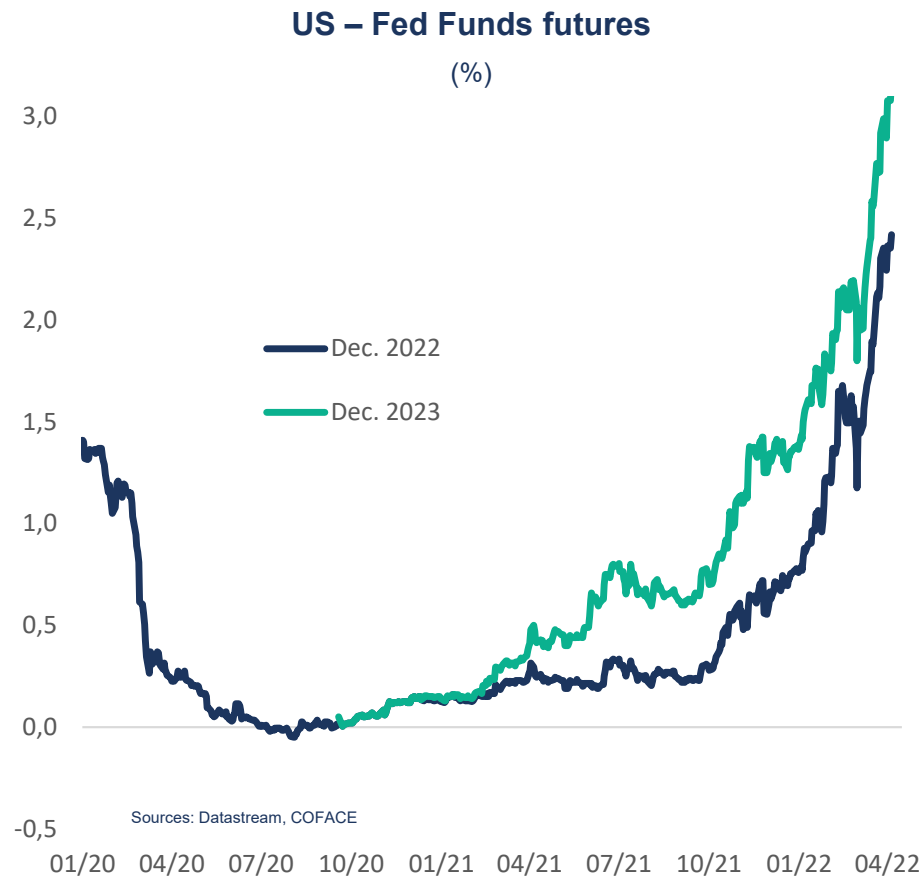
# INFLATION EXPECTATIONS : FIRST SIGNS OF DE-ANCHORING



**STRONG RISE IN INFLATION EXPECTATIONS SINCE THE BEGINNING OF THE UKRAINE # RUSSIA CONFLICT**

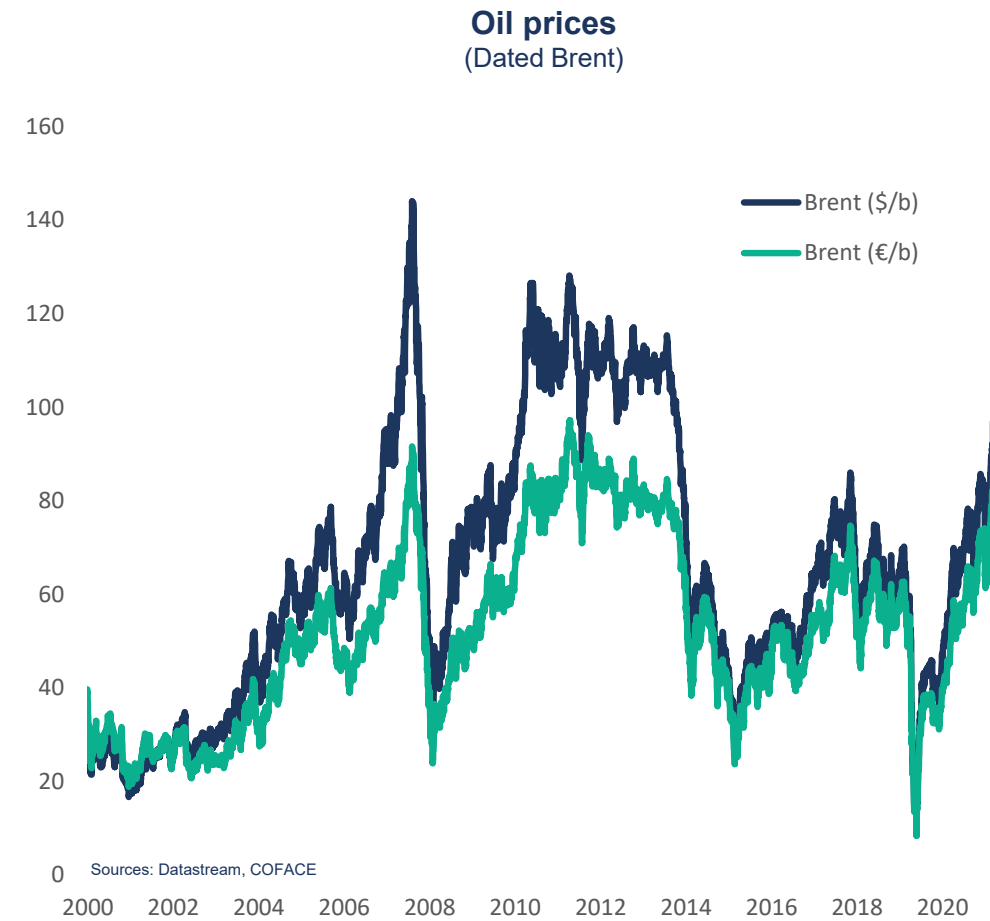
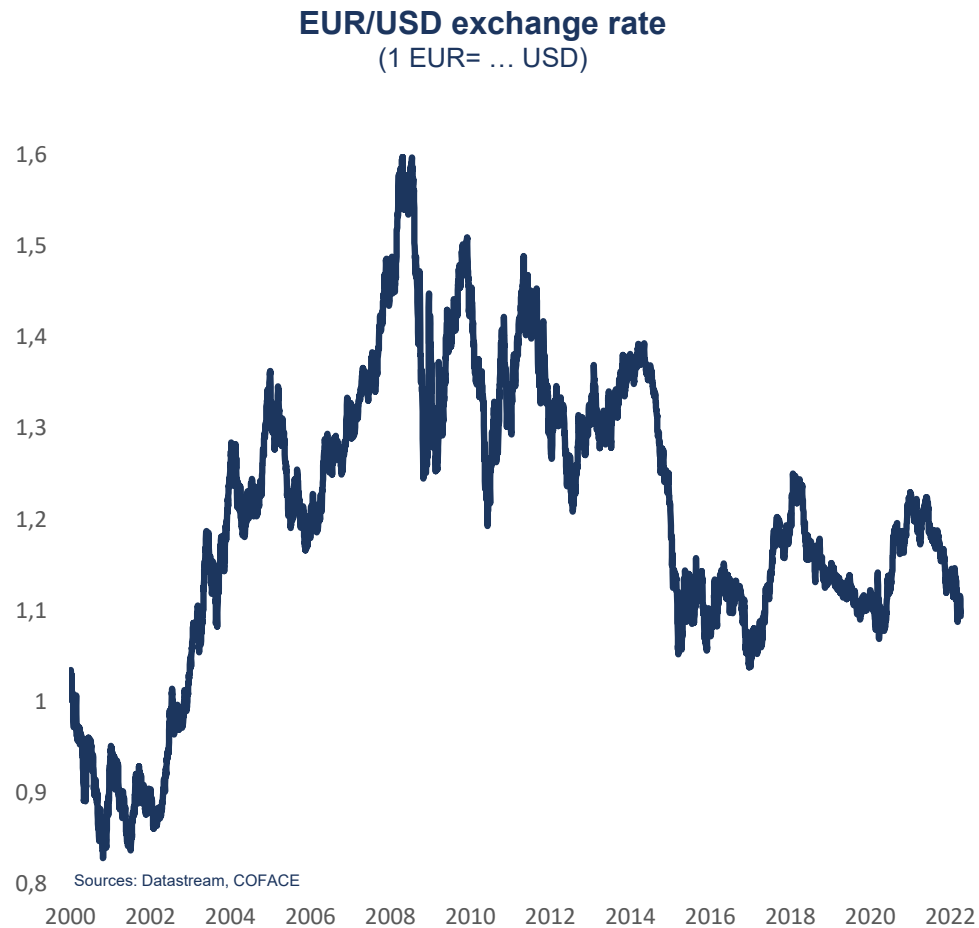


# MONETARY POLICIES: HOW MANY RATE HIKES IN THE PIPE ?



**RIISING INFLATION INCREASES THE RISKS OF A (MONETARY) POLICY MISSTEP**

# EVEN STRONGER INFLATIONARY PRESSURES IN EUROPE



**BEYOND (POTENTIAL) SUPPLY DISRUPTIONS, EUROPE HAS NO NATURAL HEDGE  
AGAINST SURGING COMMODITY PRICES**

# EUROPE ECONOMIC GROWTH WILL BE STRONGLY IMPACTED

## TRANSMISSION CHANEL AND COSTS:

- › Lower private consumption (purchasing power)
- › Lower external trade (supply chain disruptions & Russia sanctions)
- › Lower business investment (economic sentiment)
- › No huge stimulus to expect (supply shock)

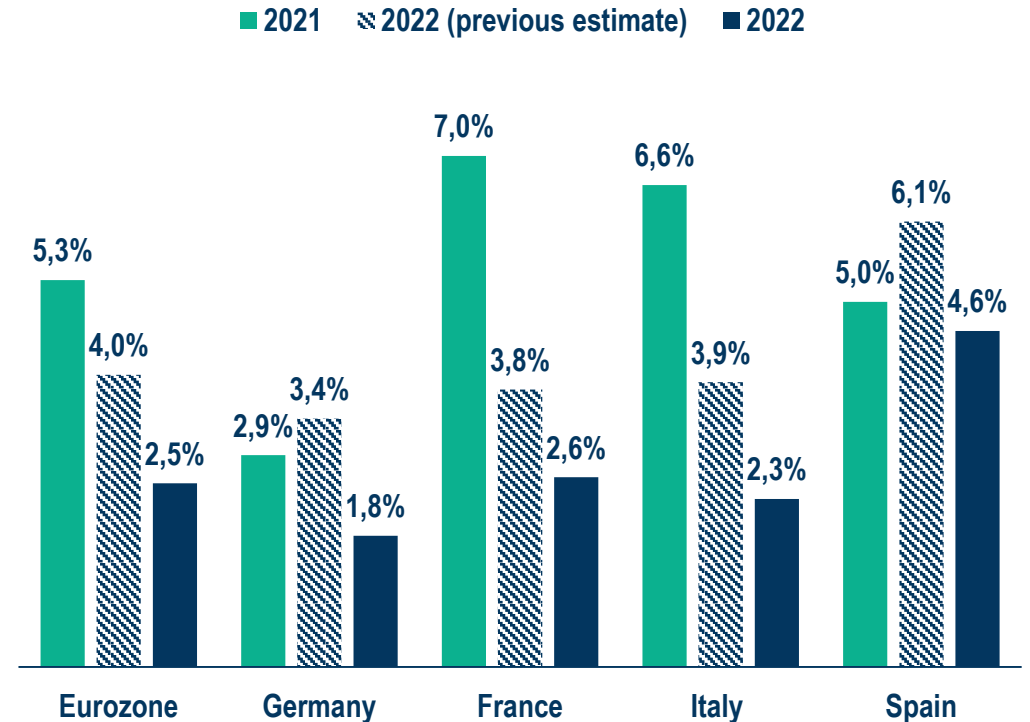
- › Current situation (April 7<sup>th</sup>):

**+2.5 ppts in inflation** in 2022  
**-1.5 ppts in GDP growth rate** in 2022

- › In the event of a complete halt of gas imports from Russia (40% of European gas supply):

**-4 ppts in GDP growth rate** in 2022 (at least)

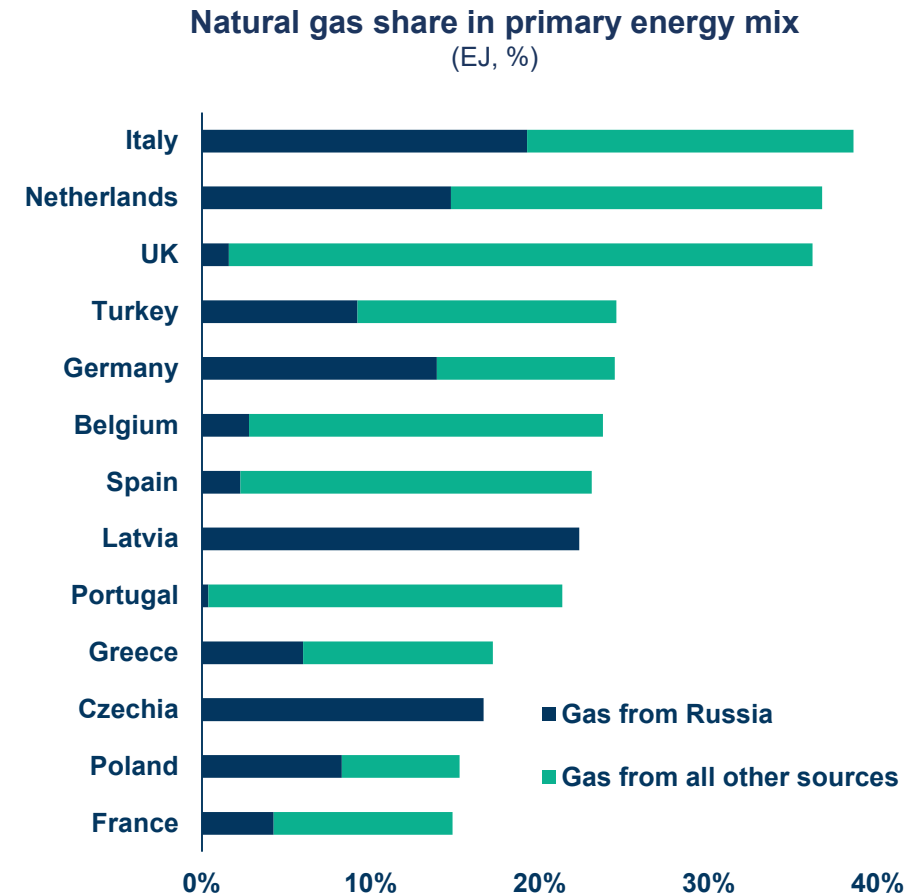
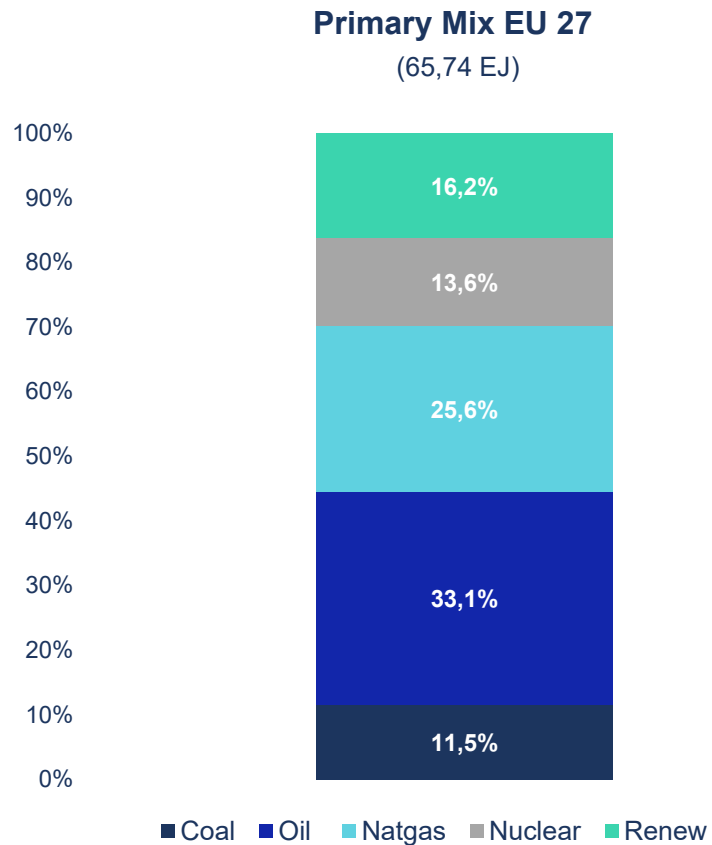
Coface GDP growth forecasts  
(as of April 7)



Sources: Statistical Offices, Datastream, Coface

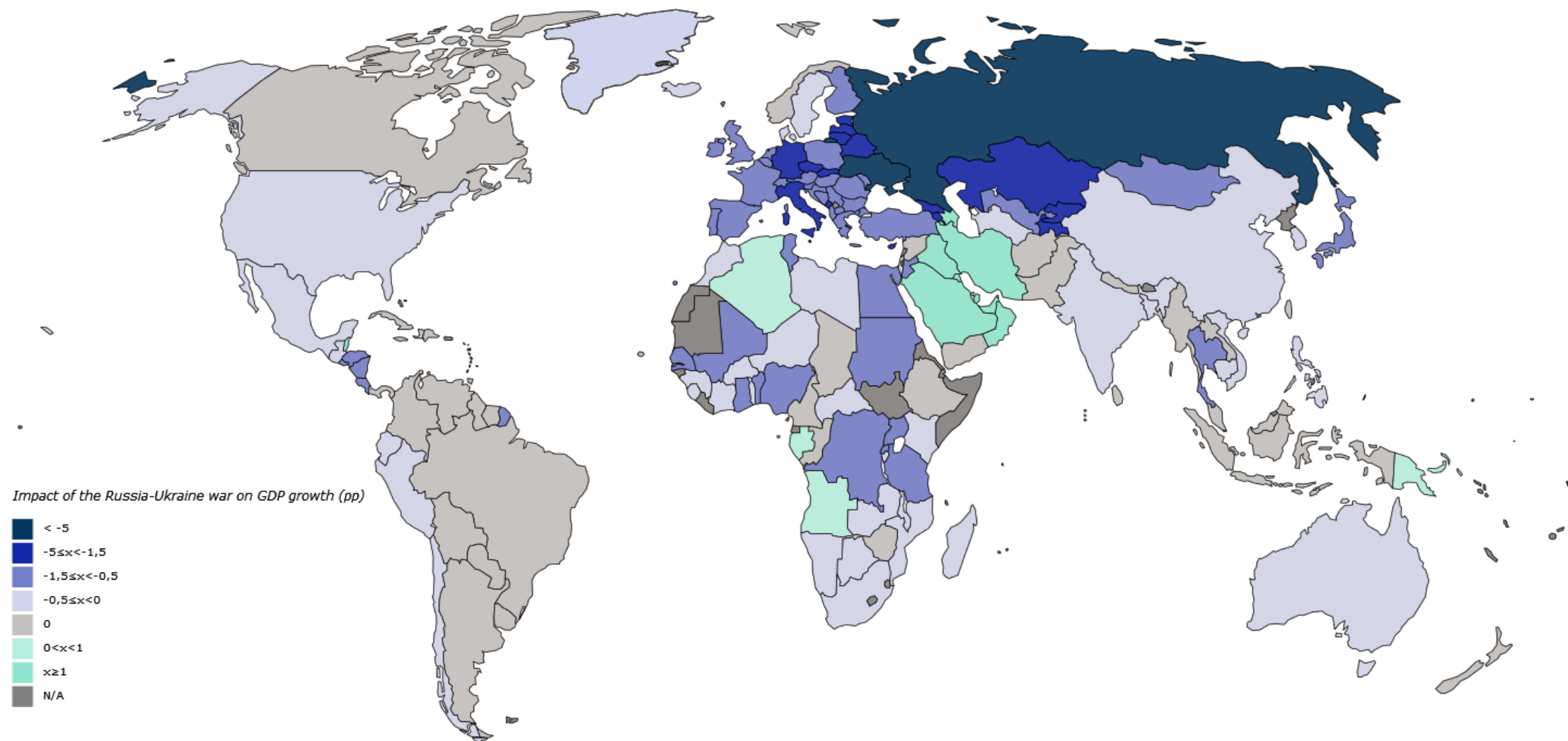
**EXPECT NEW DOWNWARD REVISIONS TO GDP GROWTH  
IN THE COMING WEEKS/MONTHS**

# NATGAS SUPPLY DISRUPTION WOULD BE VERY DAMAGING



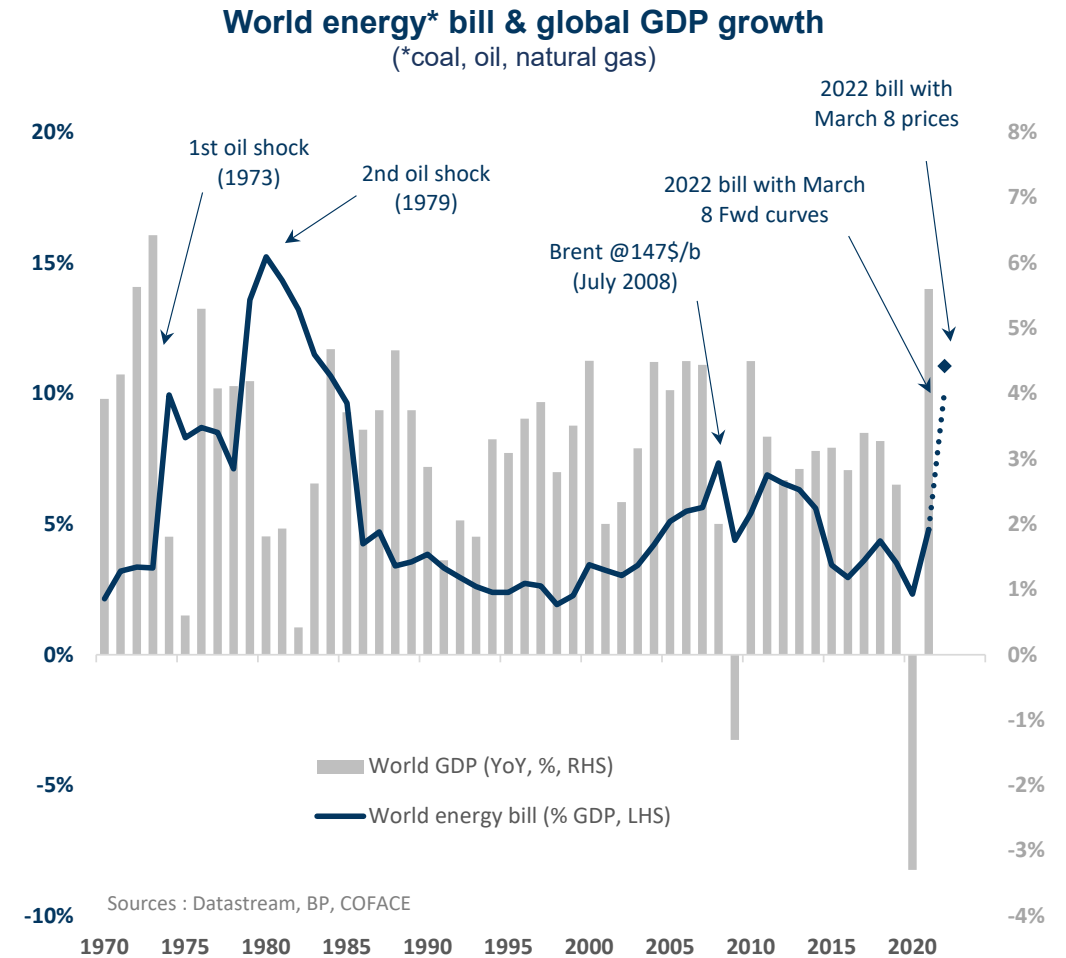
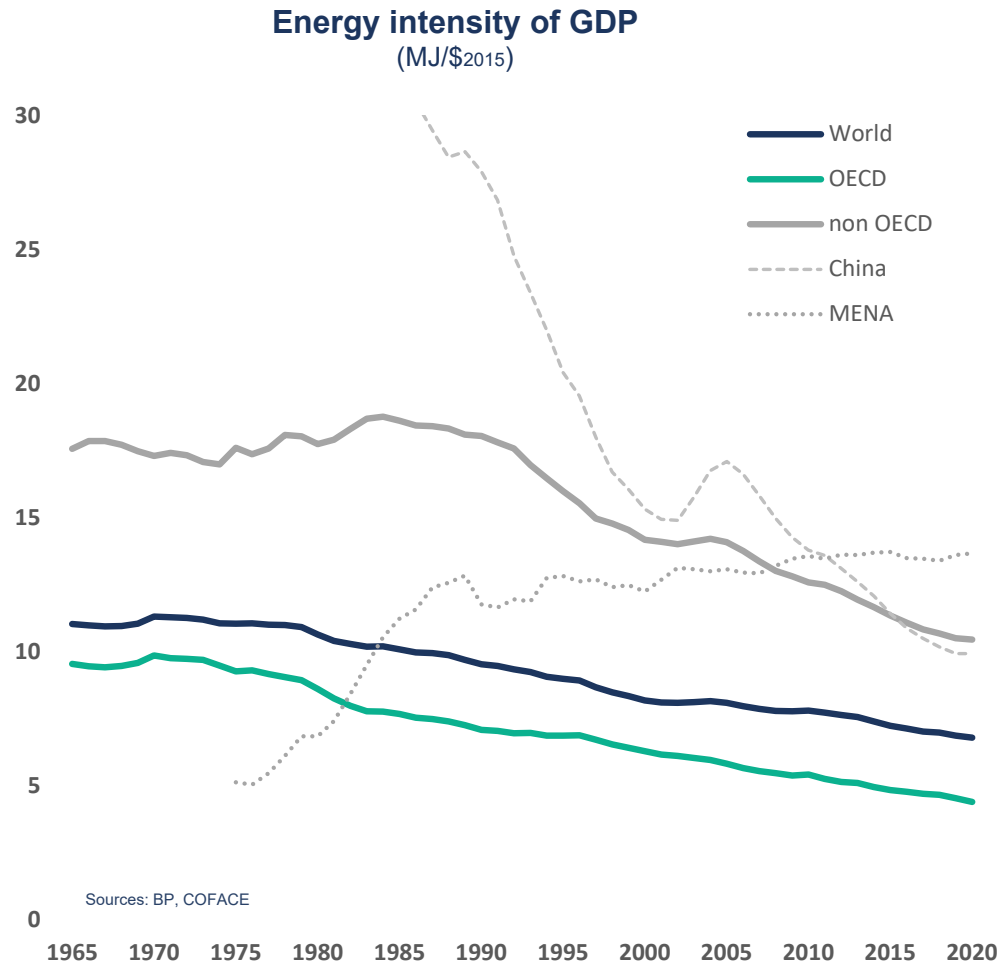
**STRONG HITS TO GERMAN & ITALIAN ECONOMIES  
IF NATURAL GAS FLOWS FROM RUSSIA WERE TO BE CUT**

# REVISIONS TO OUR GDP GROWTH FORECASTS FOR 2022





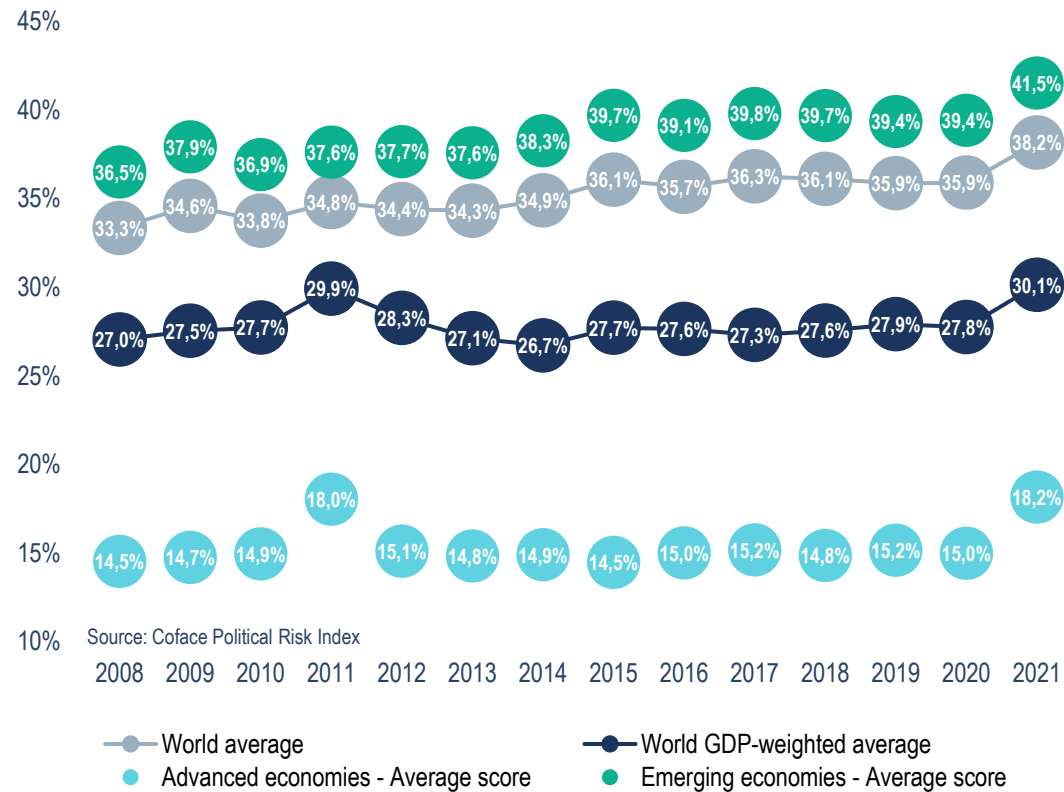
# A GLOBAL RECESSION SHOULD NOT BE RULED OUT



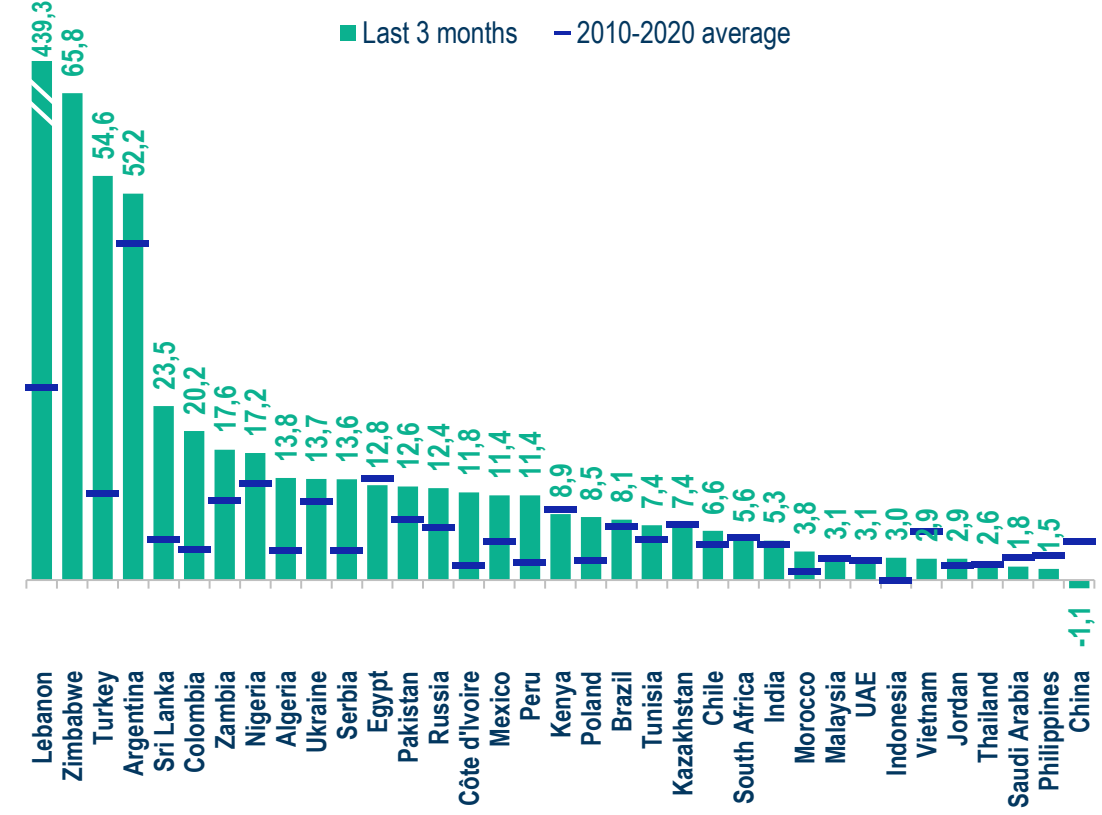
**DESPITE HUGE ENERGY EFFICIENCY GAINS,  
ENERGY PRICES COULD TRIGGER A SHARP(ER) ECONOMIC SLOWDOWN**

# RISK OF SOCIAL UNREST COMPOUNDED BY INFLATION

Coface Political & Social Fragility Index



Food inflation in selected emerging economies: (YoY, %)



EXPECT BASIC NEEDS PRICE INFLATION AND RISING INEQUALITIES TO FUEL SOCIAL DISCONTENT

# ALL SECTORS WILL BE AFFECTED

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## CHEMICAL INDUSTRY TO SEE INPUT COSTS SOAR

- › Higher naphtha and ethane prices → squeeze in petrochemical industry margins
- › Fertilizers prices to surge as Russia (and Belarus) is a key exporter of nitrogen, potash and phosphate

## COST PRESSURES TO BE EXACERBATED IN THE AGRI-FOOD INDUSTRY

- › Commercial shipping suspended at Ukraine's ports + closing of the Azov Sea to commercial vessels → Increasing risks of supply disruptions. Leading grain traders suspended their operations in Ukraine
- › Higher cereals prices (corn, coarse grains) → higher meat prices
- › Higher natural gas prices → lower fertilizer production and/or higher prices → Lower agricultural yield.

## TRANSPORT SECTOR TO BE AFFECTED BY BANS AND HIGHER FUEL PRICES

- › Airlines = subsector most at risk (remaining restrictions from the pandemic + fuel accounting for ~30% of costs) + bans from country's airspace → higher costs (longer routes),
- › US & EU sanctions on Russian railways → rail freight disruptions between Asia and Europe

## ANOTHER BLOW FOR THE ALREADY STRAINED AUTOMOTIVE SECTOR

- › Disruptions in Ukrainian factories lead several major carmakers to announce plant closures in Western Europe
- › Shortages and high raw material prices (semiconductors, cobalt, lithium, nickel, magnesium, palladium, aluminium...) to be exacerbated



# INFORMATION SERVICES

HOW CAN DATA HELP YOUR BUSINESS DURING  
AN ECONOMIC CRISIS?





# GLOBAL SOLUTIONS, LOCAL SERVICES

**COFACE** is present either **DIRECTLY**, or indirectly through its **PARTNERS**, in **100 COUNTRIES**, providing support for customers in more than **200 COUNTRIES**. The Group uses its **OWN INTERNATIONAL NETWORK**, which is complemented by the “**COFACE PARTNER**” **NETWORK**

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## +200 COUNTRIES

Assessing risk from Companies in More than 200 countries

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**+67** Countries covered online  
REAL Time

---

## 50 DATA CENTERS

Dedicated to collect, process and analyze information

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## 130 MILLION

companies in our database  
worldwide

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**€ 525 Billion** worldwide  
credit outstanding managed by  
experts in Risk management





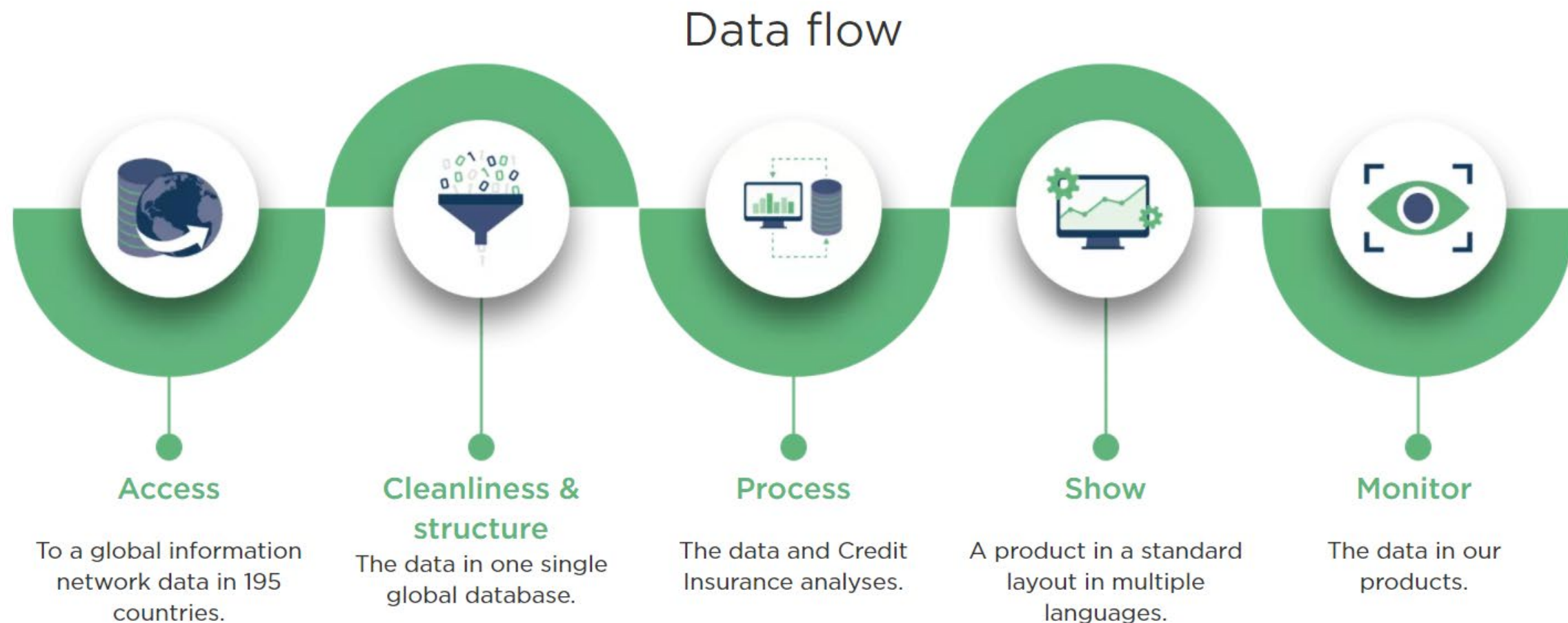
# OUR **UNIQUE VALUE**

- 1 GLOBAL APPROACH
- 2 PREMIUM DATA
- 3 EXCLUSIVE ACCESS TO EXPERTISE



# PREMIUM QUALITY DATA- NOT JUST INTEGRATOR

## TRADE CREDIT INSURANCE EXPERIENCE AND KNOW- HOW





# OUR ASSETS:

## Macro-Economic Insights

- Business climate
- Political environment
- Risk Terrorist attacks
- Risk of conflicts
- Public & Real sector vulnerability

## Payment Incidents

- Commercial Payment performance
- Credit insurers globally linked payment data

## Historical Trends

- Data & Insurers Analytics
- Probability of Default score
- Persons with significant control and Board Members

## Company Identity Data

- Company verification ID through the use of Government Agencies, Legal depositories, information partnerships and Coface's Global data network

## Balance Sheet Analysis

- Revenue
- Profitability
- Debt Ratio
- Cash flow

## Financials

- Legally registered financial data
- Unregistered management accounts data
- Group Financial strength

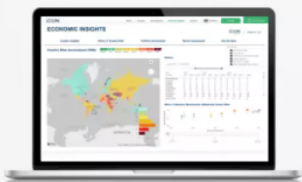
## Data Enhancements

- Company interviews
- Risk analyst opinion
- Underwriting decision
- Credit insurance claims
- Global Anti-fraud network
- Risk action plans
- Corporate Tree analysis



# BUSINESS INFORMATION SOLUTIONS STRATEGY & OPERATIONAL SUPPORT

To support your tactical & strategic decisions



## Economic Insights

Access unique insights into the economy of today based on Coface's scores and industry analysis.



## Portfolio Management

Coface Portfolio Management tools provide you with an overview of your counterparties' credit risk in a thorough and deep analysis.



## Business finder

Coface Business Finder searches the largest database in Central and Eastern Europe and helps you to select your target group.



## Credit Opinion

Coface Credit Opinions are recommendations on outstanding amount to help you manage your credit decisions with business counterparties.

To support you on operational level



## Score

The DRA, Debtor Risk Assessment measures the capacity of a company to honour its financial commitments such as counterparty obligations.



## Business reports

2 types of reports : a synthetic and a comprehensive report both including a risk profile, a Coface Insurance payment experience and a recommended Maximum Credit.



## Monitoring

Our risk management platform offers monitoring services to automate monitoring Business reports, Scores and Credit Opinions and inform you about changes.



## Cross Border Network

Discover the leading domestic and international business connections in Central and Eastern Europe, through our unique solution.



# CREDIT OPINIONS

## DIFFERENT SOLUTIONS FOR DIFFERENT CUSTOMER NEEDS

### ADVANCED CREDIT OPINION

A MAXIMUM RECOMMENDED AMOUNT ON OUTSTANDING, BASED ON A CUSTOMIZED RISK ASSESSMENT

A PURE INFORMATION PRODUCT

A HOLISTIC VIEW OF RISK PROFILE

- ✓ BENCHMARK PROSPECTS.
- ✓ EVALUATE RISKS ON PORTFOLIO
- ✓ MANAGE SUPPLY CHAIN RISKS

### @CREDIT OPINION

A RECOMMENDED LEVEL ON OUTSTANDING YOU CAN MANAGE WHEN DOING BUSINESS WITH A COMPANY

HIGH LEVEL RECOMMENDATION – EASY TO MANAGE

FOR HIGH TURNOVER PORTFOLIOS WITH LOW VALUE TRANSACTIONS

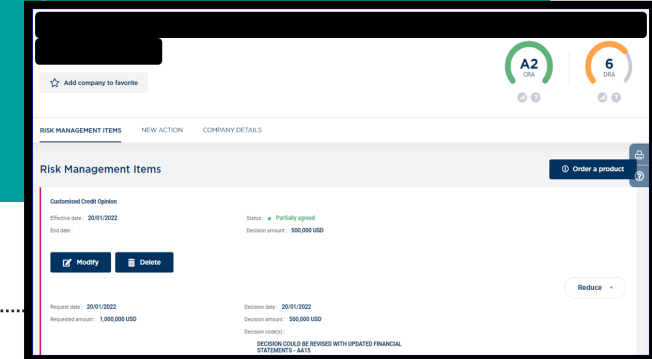
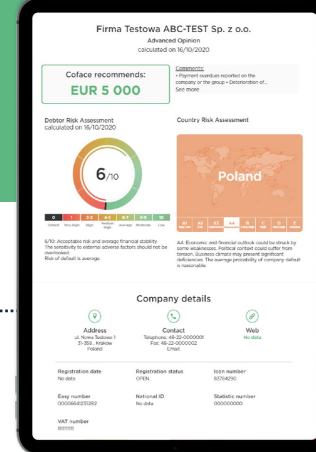
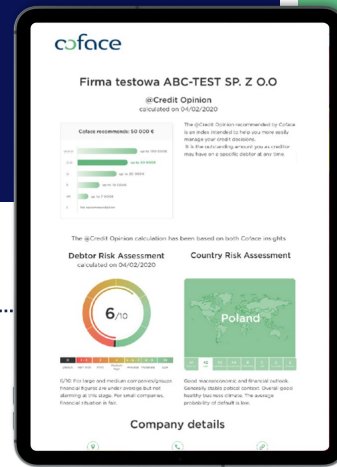
- ✓ SMALL APPRAISALS
- ✓ TEASER ON PROSPECTS
- ✓ PORTFOLIO MANAGEMENT

### CUSTOMIZED CREDIT OPINION

OPINION ON A COMPANY BASED ON A REQUESTED AMOUNT

STRICTLY LINKED TO TCI RULES.

- ✓ SUPPORT CUSTOMERS WITH APPRAISALS
- ✓ CAN BE TRANSFORMED TO CL UNDER A POLICY HOLDER CONTRACT
- ✓ REDUCE COST ON INSURED PORTFOLIO



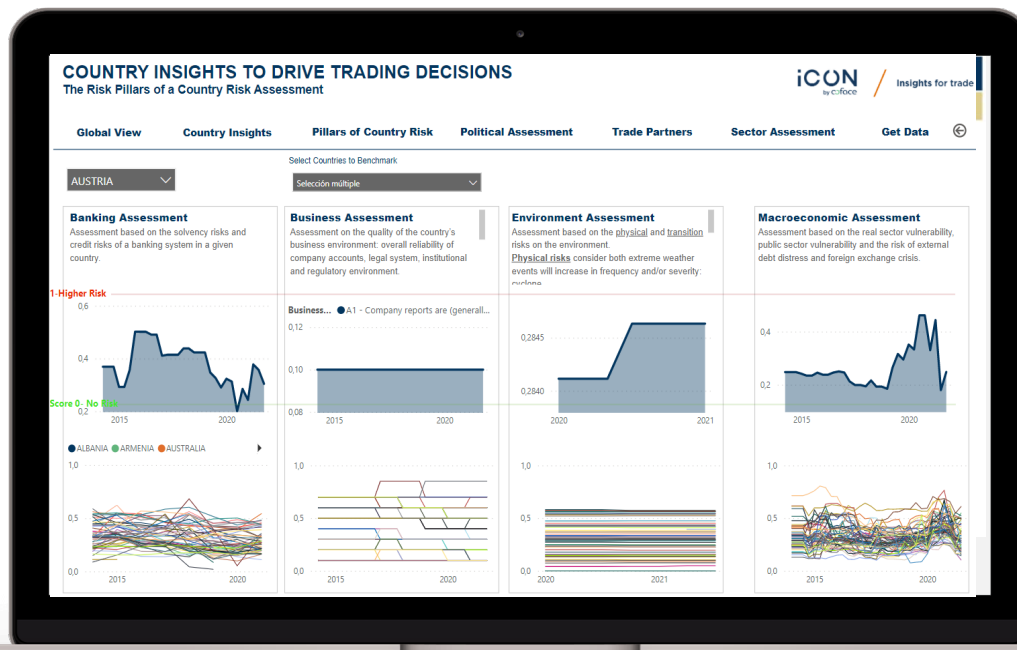
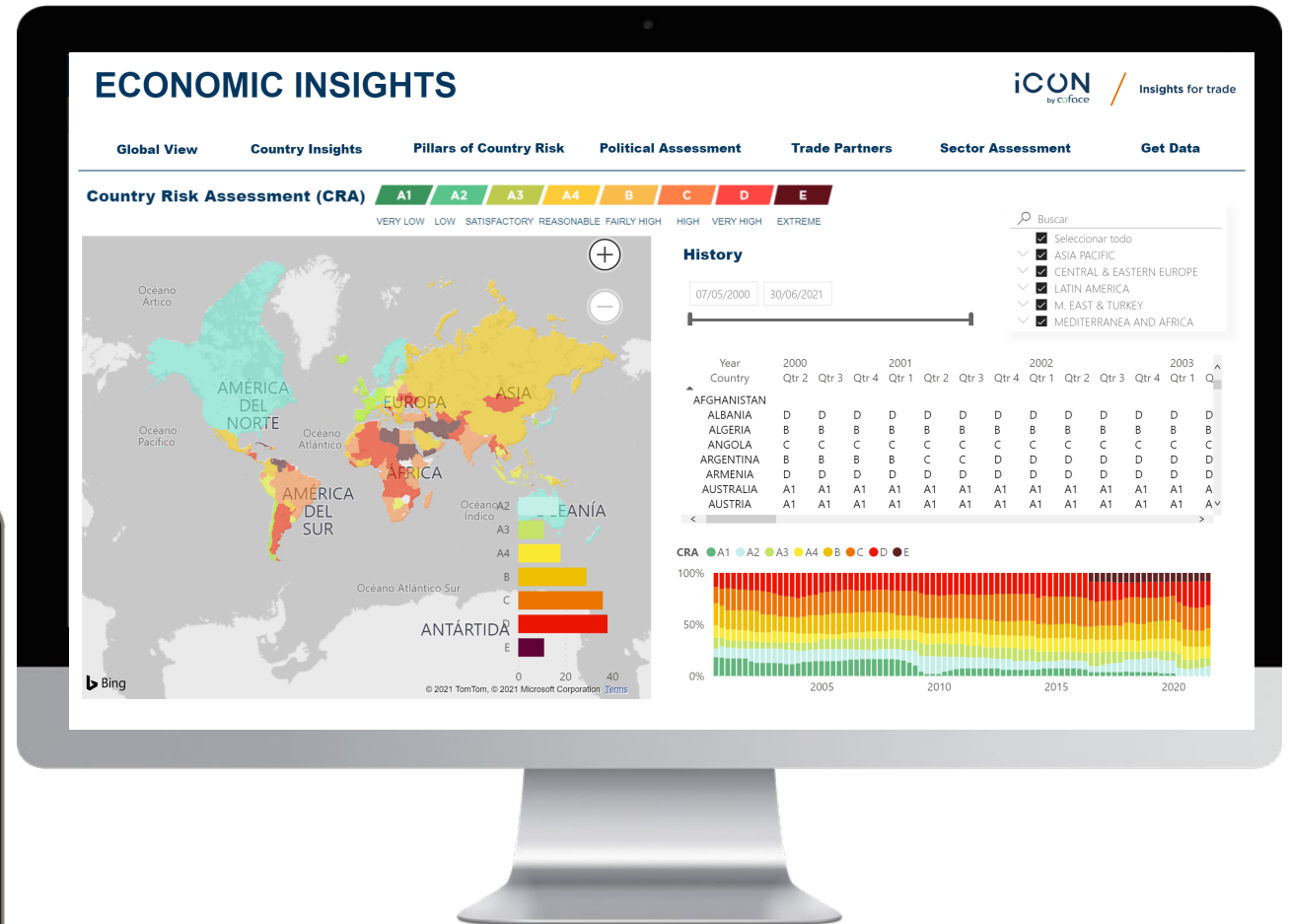


# ECONOMIC INSIGHTS

UNIQUE INSIGHTS & ASSESSMENTS  
INFLUENCING THE ECONOMY OF TODAY

TACTICAL & STRATEGIC DECISIONS

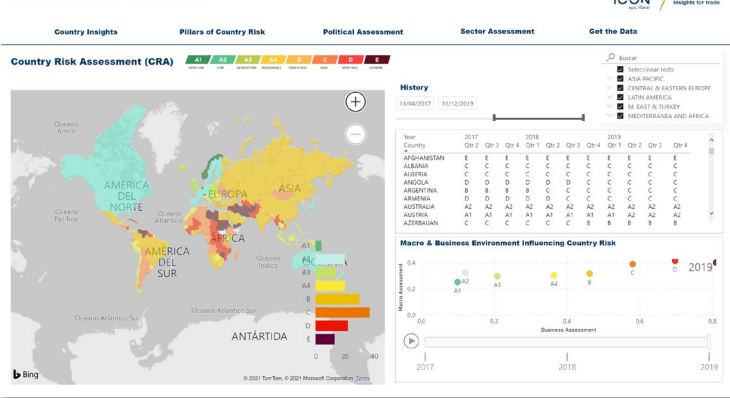
- + 15 scores, assessments and commentaries for 160 countries
- + 1000 data points with history.
- 160 countries
- 13 sectors



# ECONOMIC INSIGHTS

## 1. GET A UNIQUE GLOBAL VIEW Country and Sector Risks

### ECONOMIC INSIGHTS



## 2. ASSESS & BENCHMARK the different risks influencing a county, international trade partners, economies strengths and weaknesses.

## 3. GET THE INSIGHTS INTEGRATE INTO YOUR DECISION ENGINE

Get the data

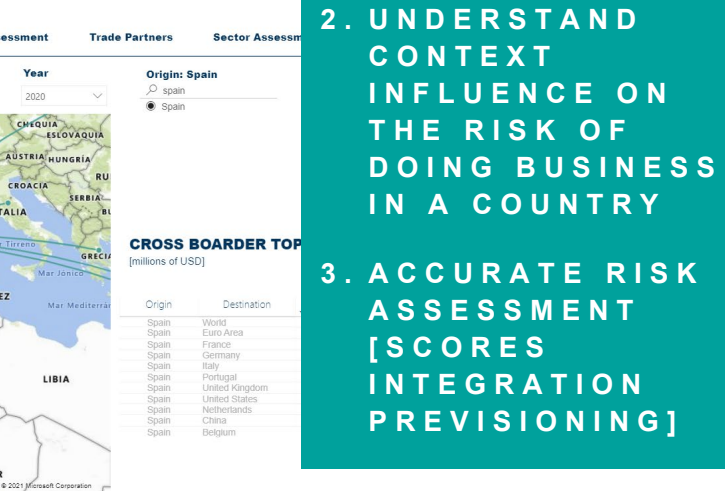
### GET THE INSIGHTS

The Risk Pillars of a Country Risk Assessment



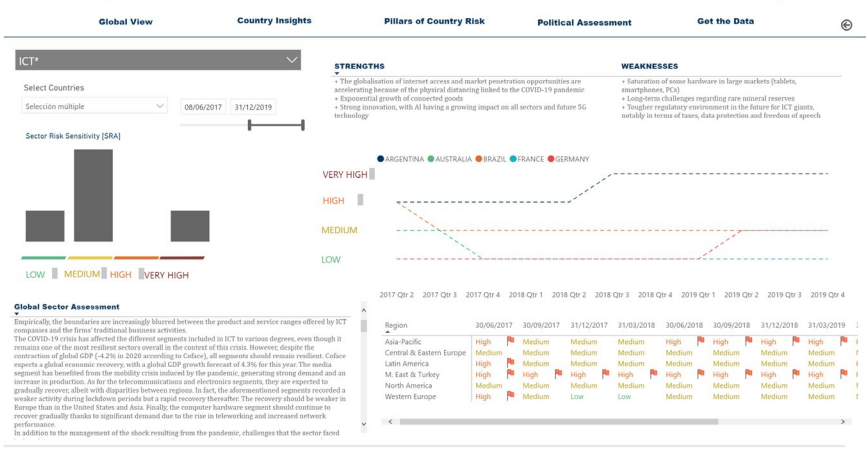
### COUNTRY INSIGHTS TO DRIVE TRADING DECISIONS

The Risk Pillars of a Country Risk Assessment



### SECTOR ASSESSMENTS

The Risk Pillars of a Country Risk Assessment



## USES

### STRATEGIC & TACTICAL

1. EXPANDING INTO NEW COUNTRIES SECTORS
2. UNDERSTAND CONTEXT INFLUENCE ON THE RISK OF DOING BUSINESS IN A COUNTRY
3. ACCURATE RISK ASSESSMENT [SCORES INTEGRATION PREVISIONING]

# HOW TO ACCESS OUR SERVICES

## INFORMATION AT YOUR FINGERTIPS



## FULLY AUTOMATE THE COMPANY SEARCH AND IDENTIFICATION



**THANK YOU** FOR YOUR ATTENTION

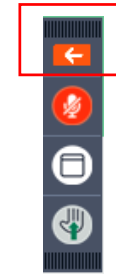
**Q&A**

# THANK YOU FOR YOUR ATTENTION

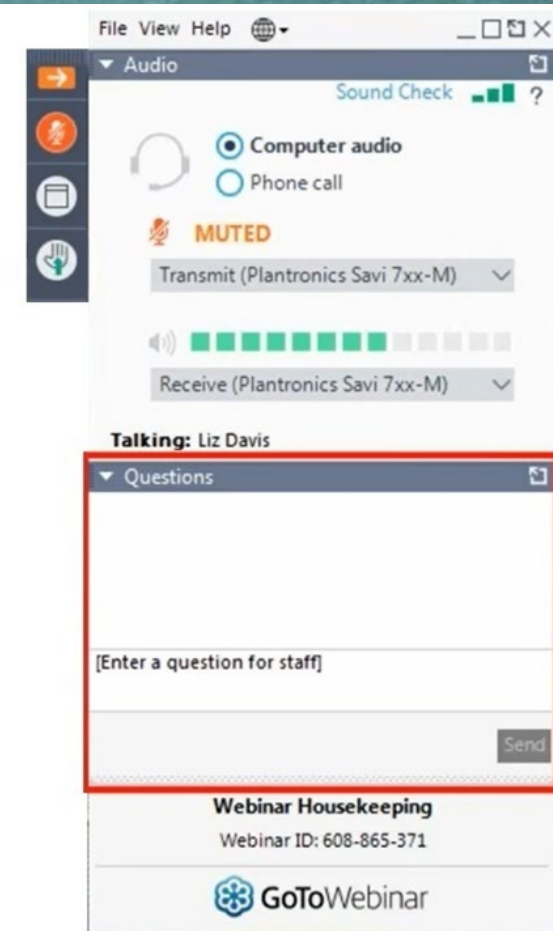


Please feel free to ask your questions via the question panel on the right sidebar menu.

(1) Open the sidebar menu




(2) Enter your question





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- WE ENCOURAGE YOU TO FOLLOW US ON COFACE LINKEDIN ACCOUNT FOR MORE ECONOMIC RESEARCH, COMPANY UPDATES, AND CAREER OPENINGS!
- [HTTPS://WWW.LINKEDIN.COM/COMPANY/COFACE](https://www.linkedin.com/company/coface)

The banner features a man with glasses and a beard, wearing a white t-shirt and a black strap over his shoulder, holding a tablet. He is standing in front of a large industrial structure, possibly a wind turbine, against a sunset background. The Coface logo is in the bottom left corner of the banner.

**Coface**

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For Trade. Credit insurance solutions to strengthen your business.

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