PRESS RELEASE

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Coface Quarterly ‘Panorama Sectors’

Positive changes in North America and Asia

Risks stabilise in Europe as the textile industry invests in innovation

Risks have been upgraded to ‘moderate’ in the retail and automobile industries in North America and the services industry in emerging Asia

In Asia and North America, dynamic private demand continues to improve sector risks. According to the synthetic risk indicator[1] developed by Coface economists and enhanced by its underwriters' experience of companies’ payment behaviour, the improvement in credit risk is focused on these two regions.

- In North America, automobile and retail risks eased from ‘medium' to ‘moderate’ on a positive trend in household consumption.

  The automobile industry has seen new car sales return to pre-crisis levels, boosted by renewal requirements. In parallel, automakers' cash flows have increased 19% over the last year.

  In the Canadian and US **retail**, sales have risen 3.9% for online and traditional retailers over the last year. Turnover, up 5% at end-October 2013, also reflects this renewed buoyancy.

- In emerging Asia, Coface considers the **services industry’s** credit risk to be ‘moderate’. Turnover and profitability have increased noticeably on the back of 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 stabilising as the eurozone climbs out of recession. But sluggish domestic demand in Southern Europe is affecting European sector risks, and no one sector yet has ‘moderate’ credit risk

[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: the change in turnover, profitability, net indebtedness ratio, cash flow and claims observed by Coface analysts. It is broken down into **four risk categories: moderate, medium, high and very high.**

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

European textiles: innovation is key to success

Weakened by major upheavals caused by globalisation and by demand shocks from a spate of financial crises, the textile and clothing industry had a ‘medium’ credit risk in the three regions under review. In Europe, the textile is relatively robust, but sales in the clothing sector are suffering due to dwindling consumption. The French situation confirms the textile sector’s newfound energy. The number of insolvencies in this sector has almost halved since 2009, despite remaining close to an all-time high for French companies as a whole. At end-October 2013, of the 62,431 insolvencies recorded by Coface in a year, only 83 were in the textile sector.

The European textiles remain 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 textile 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 real 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 led 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 sport, furniture, medicine, agriculture and the environment. So, by developing R&D, the textile industry is contributing to the move upscale in other sectors and to the positive trend towards specialisation, particularly in Europe and France.

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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 companies’ payment behaviour and on the expertise of its 350 underwriters located close to clients and their debtors.

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