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CRIF INDUSTRY WATCH

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INSIDE THIS ISSUE

- Analysis and Studies
- Import-Export
- Product Analysis
- Article of the Month
- Quick Infographic



Analysis and Studies

CRIF and Nomisma Study: Against the wind companies for future Italian growth rate

Companies 'Against the wind': it is essential that the component that drives the country manages not to lose momentum. If there was a retreat the damage would be incalculable.

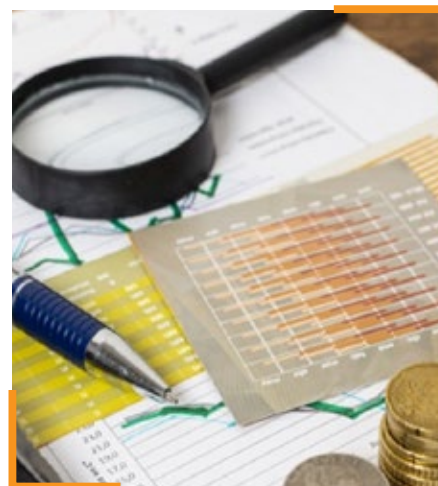


'Against the wind', how companies can navigate in a time of emergency Coronavirus? This is the research presented by Nomisma and CRIF; a study able to identify some structural factors that ensure companies a greater propensity to competitiveness such as geographical location, the size of the company, belonging to certain sectors.

As well known, after years of stagnant growth, at the end of 2018 Italy entered a technical recession; the aggregate figure however, is not in a position to catch the differences that characterize the course of the single industrial sections and the entrepreneurial truths that operate on the territory. Within a Country that has stopped, there are manufacturing sectors and companies able to record excellent results and act as a driving force.

From these considerations comes a methodological approach that, starting from 71,115 companies representing the size and structural configuration of Italian manufacturing (revenues of 741 billion euros % over 70% of the market), allowed to identify a small group of companies (4,829) capable of navigating the 'Against the wind'.

The boundaries of 'Against the wind companies' are established by strict performance criteria with respect to the main economic and financial variables: Revenues, EBITDA, Value Added. The identified thresholds require a performance equal to or higher than the manufacturing average and define the competitiveness standard of 'Against the wind'.



Data Analysis

The 4,829 companies 'Against the wind' represent 6.8% of manufacturing companies in 2018, generate 7.7% of revenues, 12.3% of value added and 18.8% of total EBITDA. They record revenues growing at least 5% each year, more than 11% between 2018 and the result obtained on average in the previous five years, with a high average margin (21.6% of revenues) that does not suffer setbacks.

Paradigmatic of the towing capacity of this minority component but very performing is the trend of EBITDA, whose final result 2018 (0.7%) is the compensatory effect of 27% marked by companies 'Against the wind' and -3,9% by Non-Against the wind' (93.2% of manufacturing enterprises).

Profile

But what are the peculiar characteristics of 'Against the wind companies'? Is it possible to identify some factors that increase the probability of navigating 'Against the wind'? The configuration of 'Against the wind companies' in terms of location of companies, size classes, distribution of revenues and sectoral representativeness differs from what can be seen by observing the manufacture as a whole.

In 'Against the wind companies' the importance of the productive fabric of the North-East regions grows (Trentino 17% in the number of companies and 65% in revenues, Emilia Romagna 16% and 55%, Veneto 16% and 21%); the share of medium-sized enterprises between 50 and 250 employees grows (37% number and 15% revenue contribution) ; revenues are distributed more evenly: 10% of the largest companies generate 68% of revenues compared to 76% of manufacturing.



Even at sectoral level, specific patterns can be identified: some sectors see their relevance accentuated, while others, on the contrary, undergo a downsizing. This is also because within segments with moderate and/or negative growth rates, individual companies with an innate ability to achieve significant performance, responding effectively to the growing competitive challenges to which their economic environment is subject.

Analyzing the different contribution of the sectors to the generation of the three main economic items investigated in the two sets (Revenues, EBITDA and Added Value) Nomisma reaches the identification of three distinct groups:

1- Winning Industries: in which the relative incidence of the three variables (Revenues, EBITDA and Added Value) is always higher in 'Against the wind': packaging and pharmaceuticals are among the others;

2- Fluctuating Industries: in which there are relatively more competitive sectors on some parameters, but weaker in others. This is the case, for example, of car manufacturers who see their relative contribution decrease in terms of revenues in 'Against the wind', but they remain more than significant in the generation of the margin with an overweight of 4%;

3- Losers Industries: in which there is room for compartments that see their relevance contracted on all three indicators and whose companies are therefore less likely to enter into 'Against the wind'.

However, sectoral membership is not a sufficient condition to compete 'Against the wind': within the sectors some size classes show a superior competitive strength and represent an additional push factor.

In Packaging, a winning sector, emerging as 'Against the wind companies' are the most structured among the large, those with over 500 employees, while they downsize the medium and small. In pharmaceuticals, on the other hand, the composition of revenues in 'Against the wind' reflects rather faithfully the general configuration: large companies play a predominant role in the generation of total business volume, while small companies, although more numerous, a smaller quota is required. In this case, therefore, the size class of belonging does not appear as a discriminating factor to ensure greater relative competitiveness within the sector itself.



Moving to two sectors 'losers' according to a logic of relative competitiveness, the paradigm appears completely reversed. Both in the food industry and in the nautical (two very different sectors for type of product, size and number) to fall in 'Against the wind' are mostly small and medium-sized enterprises. In the nautical one, where an important resumption of competitiveness has been recorded beginning from 2015 after years of heavy recession and narrowing of the market, companies with 50-99 employees show the best performance despite the majority of revenues in the sector is due to a few large operators. In the same way in the food industry large and very large companies fail to meet the stringent parameters of 'Against the wind' (especially in terms of operating margin) and leave room for more dynamic and smaller companies.



After Coronavirus perspectives

"Why is this research important at a time when the country is facing the Coronavirus emergency? The messages that can be drawn are of two kinds of reasons. Firstly, it is all the more important that the group of companies that drive the country should not lose too much momentum. If this head group were to fall back on relevant measurement, the damage would be incalculable', says Lucio Poma, Nomisma's Scientific Director for Industry and Innovation.

Fortunately, the investigation of the packaging (counterwind peak sector) carried out by the MECS Confindustria-UCIMA study center, and presented today at the same time as 'Against the wind', shows that the sector is substantially holding. Finally, it should not be forgotten that the generation and accumulation of a liquidity buffer and the maintenance of a solid financial and capital structure are also essential to face any downturn situations, such as the current emergency COVID-19.



In this sense, the liquid resources generated and maintained even for sudden financial needs, have become in recent months a key lung to enable the very survival of companies. In the course of the work was also presented a study carried out by Crif-Rating aimed at understanding the liquidity situation of the group of 'Against the wind companies'.

Last three years

In the last three years, the 'Against the wind companies' have shown an increasing ratio between cash and current liabilities and that reached 50% at the end of 2018 compared to the median figure of 17% for the universe of Italian companies. This clearly puts them in an advantageous position to survive in a highly critical and volatile environment such as the current lockdown and to more easily switch on engines in phase 2. Encouraging signs, therefore, that we leave open glimmers of light for the recovery of our country.

Import-Export Snapshot

Canada



Canada is the 12th largest export economy in the world and 15th as importer.

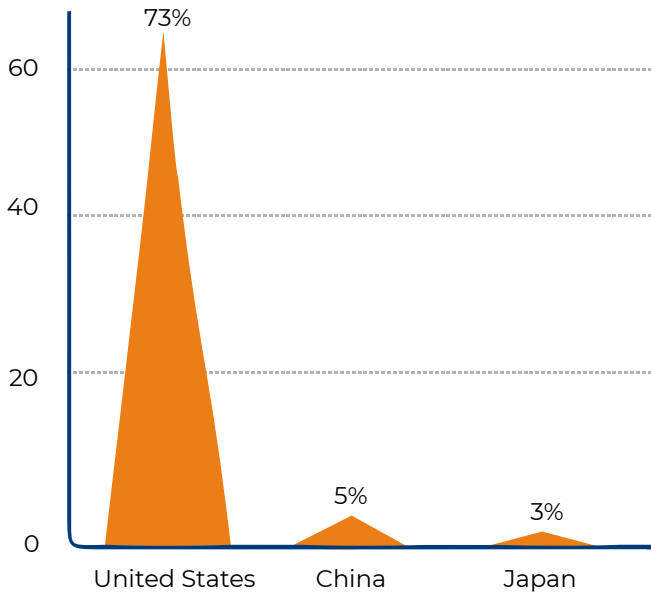
In 2017, Canada exported \$377B and imported \$326B, resulting in a positive trade balance of \$51.2B.

In 2017 the GDP of Canada was \$1.65T and its GDP per capita was \$46.7K.

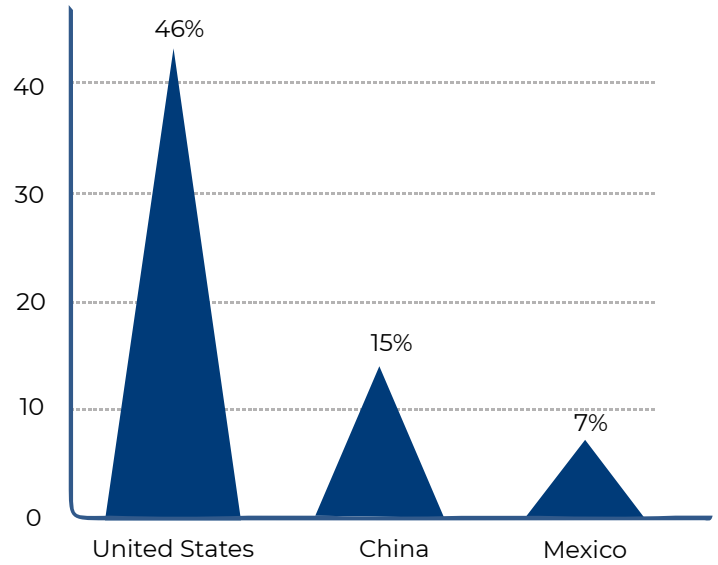
Canada is a member of UN, World Bank & WTO.

Canada is classified as high income economy by World Bank.

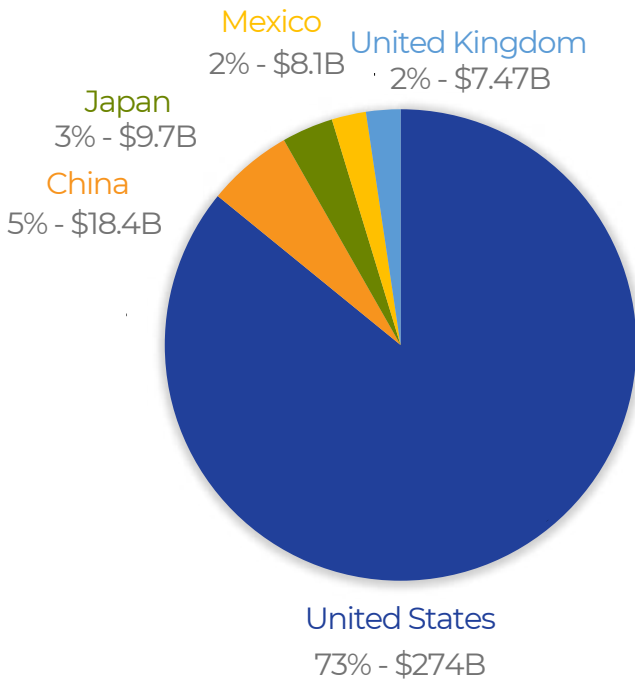
Top 3 Export Destinations (overall value \$377B)



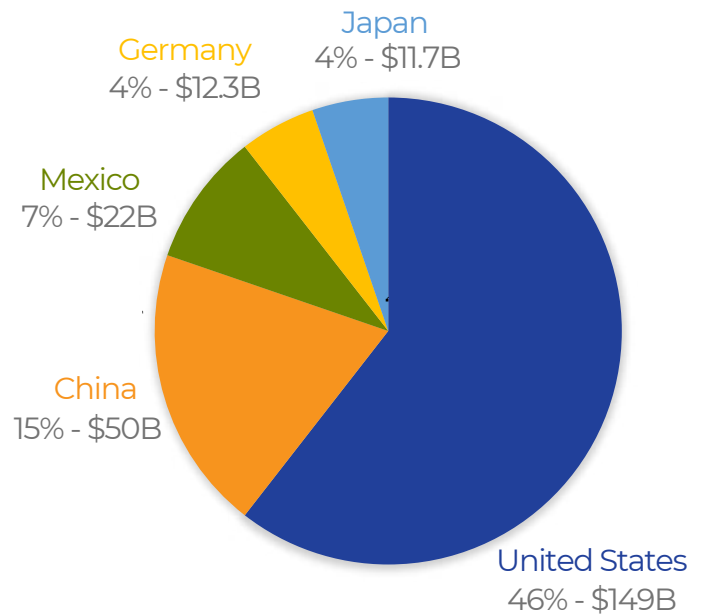
Top 3 Import Origins (overall value \$326B)



Top 5 Export Countries



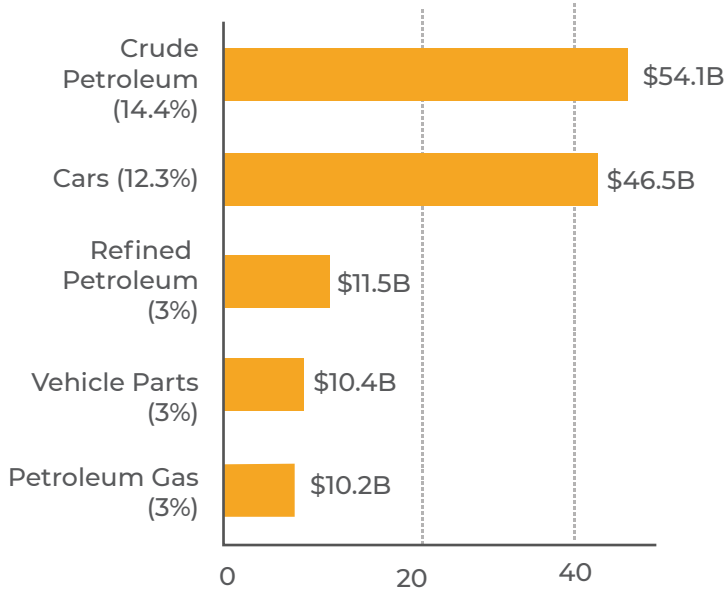
Top 5 Import Countries



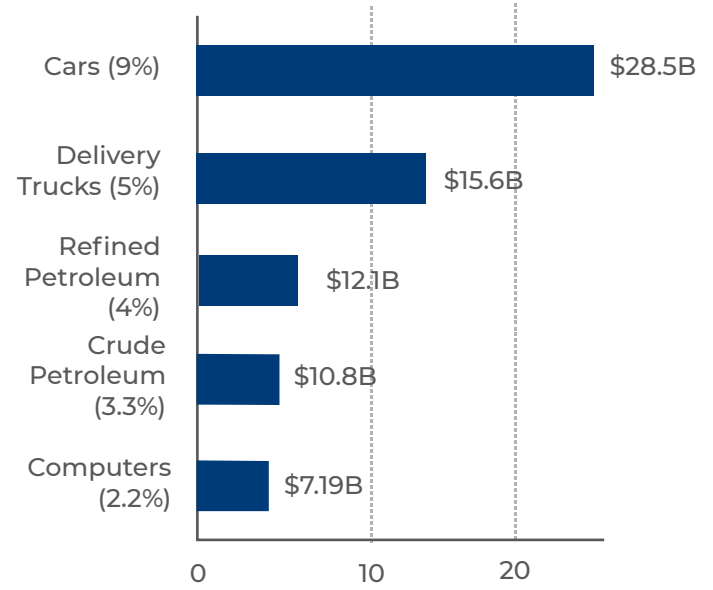
SOURCE: <https://oec.world/en/profile/country/can/>

| What does Canada Imports and Exports?

Top 5 products exported by Canada



Top 5 products imported by Canada



SOURCE: <https://oec.world/en/profile/country/can/>

Product Analysis

| Electrical Capacitors Top Exporter - Japan



- Electrical Capacitors are the 176th most traded product in the world.
- The value of the total export amount at \$18.4B.
- Japan exports for \$4.54B, which represents the 25% of the world total.
- Electrical Capacitors' top exporter is Japan (\$4.54B), China (\$3.03B), South Korea (\$1.27B), Germany (\$1.09B) and Malaysia (\$982M).
- The top importers are China (\$4.5B), Germany (\$1.85B), Hong Kong (\$1.48B), South Korea (\$1.03B) and Singapore (\$1.02B).

Article of the Month

| Assess Country Risk to improve worldwide business processes with EIU Country Risk Service and Country Report

Business processes in a worldwide environment are now more and more complex. This is why a good level of awareness related to country where business relationship are already established or under evaluation is necessary to prevent risks and exploit at best opportunities. To obtain an overall picture, this procedure must be combined to the assessment on partner, customer or supplier.

Evaluate a country risk means analyze economic crucial information able to understand the level of performance of a specific nation. Historical macroeconomic indicators can underline the performance and identify area in which results are good as well as weak ones. Based on this data, it's also possible to have an outlook and forecast future results and achievements. This is the right way to approach a country. It's important, of course with different purposes, both in case that business relationship are already in place in a specific nation or if it's under evaluation a new country due to new business partners' assessment.



Considering commercial needs and let aside purposes linked to economic studies, evaluate a country means get a set of information to better understand the economic environment in which a business partners, supplier or customer, is operating and identify risks and opportunities.

If business relationship are already in place, a country risk analysis is important for several reasons. A company risk can be linked not to performances themselves but to an unfavorable economic environment and this is something to be aware. On the opposite side, if a country is particularly supporting foreign companies, maybe there are some hidden opportunities to be better explored. Legislations, labor policies, bank sector or political approach can determine how a company is required to conduct business. There are countries more flexible in supporting relationship and investments coming from cross border countries and others with more restrictive and protectionists rules. Be aware of such information is mandatory in take the appropriate actions and be in position to change them quickly if required.



If environment is favorable, allows to evaluate is it's possible to expand business with new customers or find additional suppliers. If it's clear that economic policies are strongly affecting business companies, it's necessary to do not underestimate unstable political environment that can put at risk current relationship with apparently well-known business partners.

From one side, with a country risk analysis showing a positive economic and political scenario, is possible to better exploit business relationship already in place focusing also on future development. On the opposite side, hidden political turmoil or changes in approach versus cross border partners, can underline a situation could negatively change in a very near future, so it's important to decide how to proceed to protect business.



In case of relationship already in place, maybe no risk analysis was done when business started but now it's time to do it. Covid-19 pandemic in 2020 is affecting more or less all economies in the world: each country is adopting a set of actions to face decrease in GDP so it's important to know how countries where business partners are located are facing this period.

In such scenario, evaluate new customers or suppliers in new countries is now a priority, not a nice to have, otherwise risks can be very high with tough impacts. Know in advance for example if a country is adopting rules to support non-domestic companies is the starting point. Then, how labor policy is build, how flexible it is and finally but not less important how finance sector is structured. These evaluations have to be conducted very carefully and consider at the same time benefits that can be generated.

Analyze country risks means also be able to compare countries and focus on business partners located where economic, financial, political conditions are more favorable to international players.

Work with customers in countries with adverse conditions can negatively affect results with decrease in sales or delayed payments, for example. A supplier affected by a weak economic environment or in a country with political turmoil can suddenly cease supply or country itself could impose a very high taxation. It means difficulties in supply chain management or a stop in production.



Country Risk awareness isn't a way to limit cross-border commercial relationship but it's the right way to build more conscious and strong relationship with partners as risk and opportunities are carefully analyzed and proper actions are taken focusing on the areas presenting more development opportunities.

At the same time, countries economic and political environment aren't always stable. It means also being in the position to constantly monitor countries and act as soon as changes occur. Changes aren't always negatives, can be also positives and this is the case to redefine strategies to maximize sales or purchase. Time is a critical point. Have a view on country economic outlook is a good way to define in strategies and actions if required.

Evaluate a foreign business partners, considering current worldwide environment, is based on two steps, strictly linked each other. First of all an analysis related to country where company is located. Then, the assessment of the firm itself. After having a clear view related to all of them, it's possible decide how to proceed, how to exploit opportunities, but also how to deal with potential risks.



Thanks to SkyMinder, CRIF portal of business information, it's possible to perform a 360° degree process from country risk to company risk evaluation.

Evaluate country risks

Thanks to an agreement with The Economist Intelligence Unit is possible to request via SkyMinder Country Risk Service and Country Report produced by The Economist Intelligence Unit.

Country Risk Service monitors credit risk in 131 developed and emerging markets on a continuous basis, combining The Economist Intelligence Unit's market-leading data capability and country expertise in a rigorous risk modelling framework. Analysis and forecast focus on several dimensions of cross-border credit risk posed by a country, including sovereign, currency and banking sector risk. And then Overall Country Risk. Every month per 12 months a new edition is available including changes impacting a country, if applicable.

Evaluate company risks

SkyMinder can be consider as an international trade enabler, giving access to in-depth credit and financial data on companies all over the world with a set of solutions able to cover different risk assessment needs, thanks to CRIF operations in Europe, Middle East and Far East Countries and very well established relationship with more than 30 local information providers. SkyMinder solutions to evaluate a business partner are:

- **Credit Report and Slim Report:** complete overview of a company, from firmographic data, to risk assessment and credit appraisal, to negative information, management and financials.
- **Monitoring Solutions:** different solutions to be updated when a change affect a company
- **KYC Report:** it helps to understand the ownership of a company with Beneficial Owner and Shareholders
- **Extended Check Report and Compliance Check Report:** to know involvement in money laundering, fraud, corruption, bribery or other criminal activities.
- **Cyber Risk Report:** evaluates how a company is exposed to a cyber attack



Quick Infographic

| Why you need CRIF's Business Information Report in 2021?



Why go for **CRIF's Business Information Report for 2021?**



Companies often look for the highest quality of business information before forging an association with a new partner in order to drive high profitability and healthy growth. CRIF's Business Information Report enables the global market to access commercial risk data with its freshly investigated reports.

Benefits of CRIF's Business Information Report



Get **risk assessment ratings** to get insights into a company's vulnerability with credit limits



Have a clear picture of the company's **legal events** such as acquisitions, bankruptcies, critical suits



Understand the **financial strength** of the company with the help of balance sheets, ratios and financial data



View not only the present but also the past of the company by **accessing historical data** involving company management

Stay one step ahead with **CRIF's Business Information Report in 2021**

About CRIF India

CRIF India is one of India's leading provider of Credit Information, Business Information, Analytics, Scoring, Credit Management and Decisions Solutions.

CRIF's Business Information Report, commonly known as the BIR Report, is a new way of thinking about data and information and how they are linked to each other. Available in 230 countries and territories, CRIF'S Business Information Report contains up to date information collected from various data sources. The report helps in determining a company's profitability, financial trends, and risk. It also provides an in-depth profile of a company, including financial information, legal cases, history of business, ownership details, operational information, and details on related firms and special events that occurred in the past involving company management. It's an industry standard for evaluating both new and existing credit relationships, especially medium-to-high risk accounts. Additionally, it supports a company's other efforts, like marketing and purchasing.

CRIF India's Business Information Offerings



| How is CRIF different?



We brought in new Sets of Data Points,
First in the Industry at a TAT less than 48hrs.



Global Data Environment
200 million companies across 230 countries,
2 Million directors on these companies,
400+ data points covered



Unmatched expertise in analysis
Our vast experience gives us an eye for better
assessment of information



Count on our TAT
Quality in expertise translates into
efficiency in outcome



Quality checks
We've set processes to ensure reliable
information is coming your way

Customized solutions for: Customer | Suppliers | Trade / Supply Chain solutions



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