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Analysis and Studies

CRIF Austria study: Coronavirus causes credit risk to rise



- 84% of banking experts expect credit risk to increase in 2021
- Similarly pessimistic forecast for 2020 did not materialise in retrospect
- Risk grows equally in the private and corporate client segments
- Planned investment in risk management primarily in technologies

Whether for building a house, buying a flat or for making business investments – due to low interest rates, credit is highly attractive as a form of financing for both private individuals and companies. However, the Covid-19 pandemic and its consequences increase the risk that borrowers will not be able to repay the loans granted to them in accordance with the contract – this is the result of a current study by CRIF Austria, in the context of which banking experts were surveyed on the development of credit risk. According to this, 84% see the credit risk as increasing in 2021.

Comparing the expert opinions of the past years, the negative influence of the health crisis becomes clear: At the beginning of 2020, i.e. before the outbreak of the Covid-19 pandemic in Austria, 51% of the respondents expected a growing credit risk; in 2019, it was 44%, and in 2018 only 17%. A survey of bank representatives after the first lockdown in 2020 showed a similar picture as today: 82% expected credit risk to pick up at that time. After the end of the year and the corresponding evaluation, however, this expectation has only come true for 46% from today's perspective. In retrospect, 32% assess the risk as remaining the same, 22% even as decreasing.



"The critical assessment of the situation is hardly surprising, since the coronavirus pandemic has far-reaching consequences for the economy and society. Even though the government's aid packages and short-time work are keeping businesses afloat and many employees are receiving continued salary payments, the economic effects are already being felt and unemployment is also at a record level. This increases the risk that companies and private individuals will not be able to repay their loans on time or at all", explains Jürgen Krenn, the Head of Financial Sales at CRIF Austria.

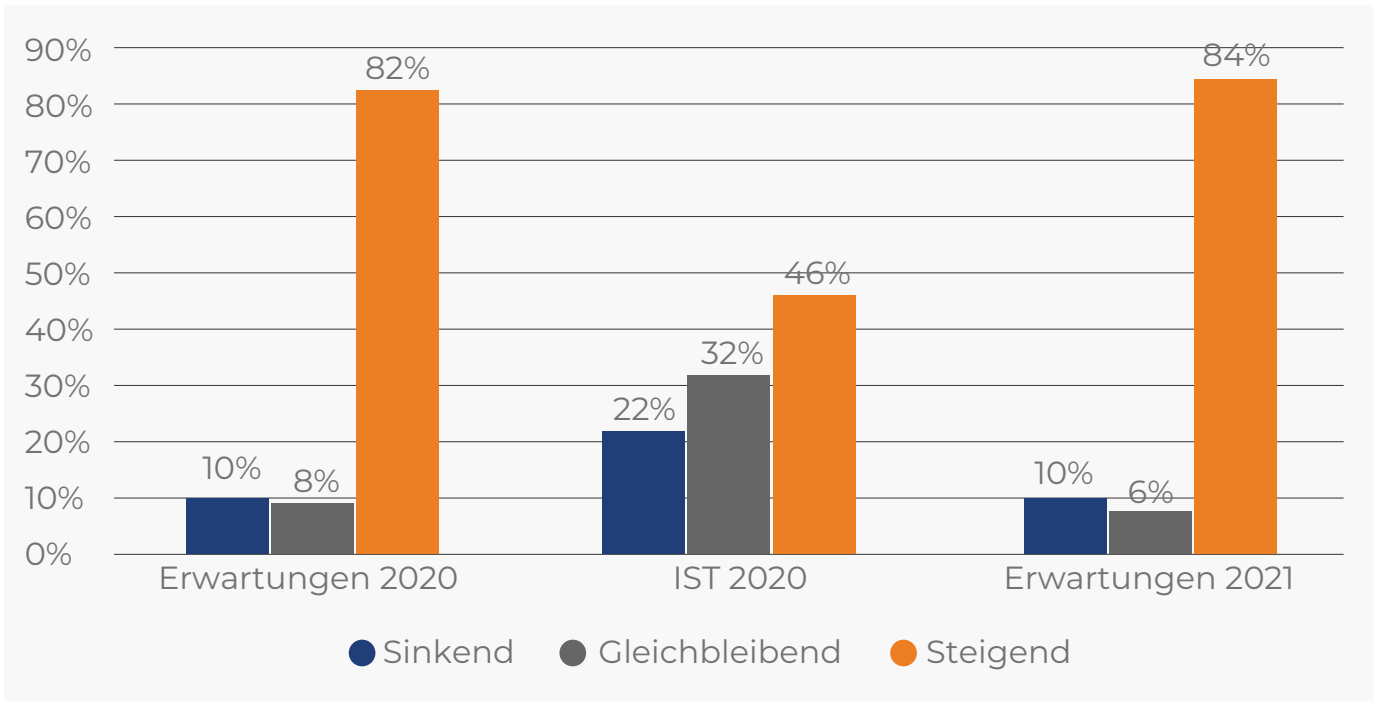


Fig 1 : Credit Risk in general

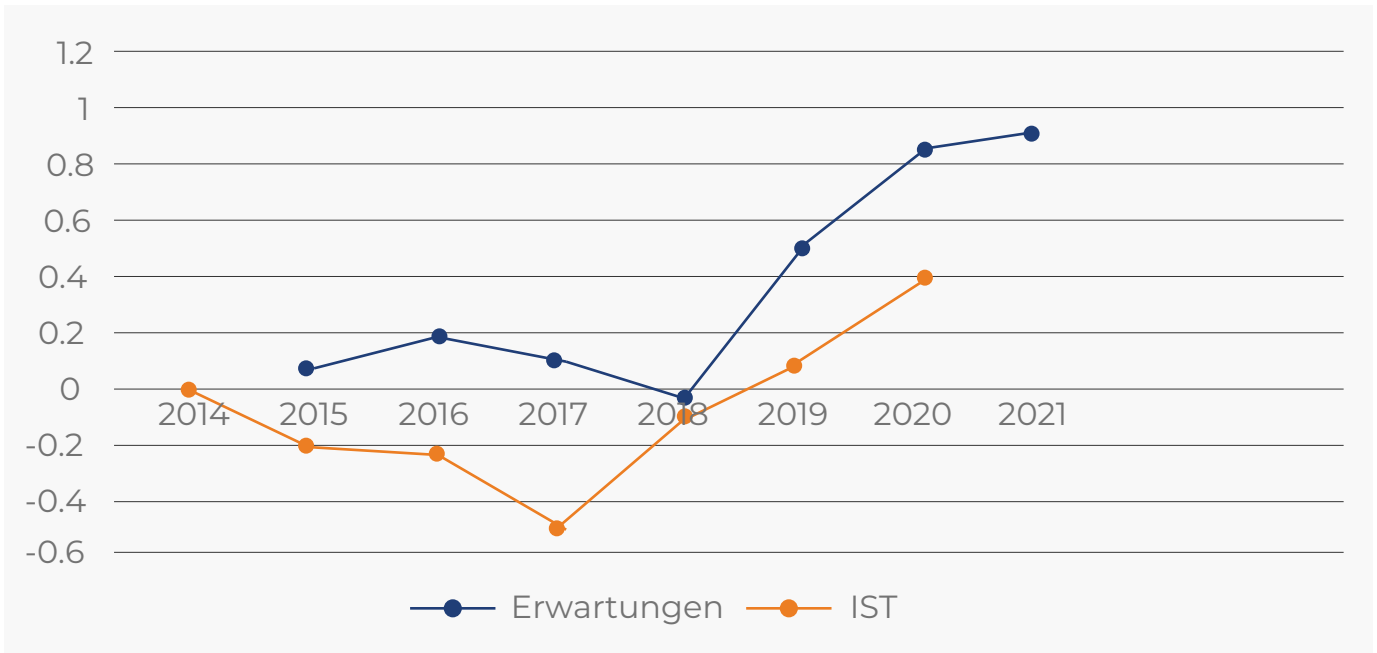


Fig 2 : Credit Risk trend in general

Increasing credit risk in the private and corporate client segment.

The experts do not see a big difference in the private and corporate client segment: 82% of private clients and 85% of corporate clients expect credit risk to grow in 2021. The forecasts were also almost identical in the previous year after the first lockdown, when 81% saw an increasing risk in the private and 84% in the corporate client segment. However, this prediction actually came true for only 43% of private borrowers, while 32% say in retrospect that the credit risk has remained the same and 25% even see it as decreasing. Similar figures also apply to corporate clients: From today's perspective, the credit risk was only increasing for 43% of the banking experts, for 33% it has remained the same and for 24% it has decreased.



Planned investments mainly in technologies.

Since risk management is of enormous importance, especially in times of crisis, CRIF also asked the banking experts about planned additional investments in this area. The result: Investments in 2021 will mainly be made in technologies and expertise (93%). 39% plan to invest in external data and 15% in employees. A comparison of the figures with those from the previous year shows that the willingness to invest in technologies decreased somewhat after the first lockdown.

Accordingly, 86% of the experts planned additional investments in new technologies before the lockdown; after the lockdown, it was only 73%. Interest in data, on the other hand, increased. 37% wanted to focus particularly on this before the lockdown; after the lockdown, it was 57%. 14% of the experts said they would invest in employees before the lockdown; after the lockdown, it was 19%.

"The digital transformation does not stop at risk management. Those who do not follow suit here will be left behind by the competition. To remain competitive, it is essential to invest in suitable technologies and data strategies. These investments pay off. Coronavirus has emphasised this need once again: Those who are digitally well positioned are now more efficient in crisis management", Krenn explains.

Import-Export Snapshot

Belgium-Luxembourg



Belgium-Luxembourg is the 13th largest export economy in the world.

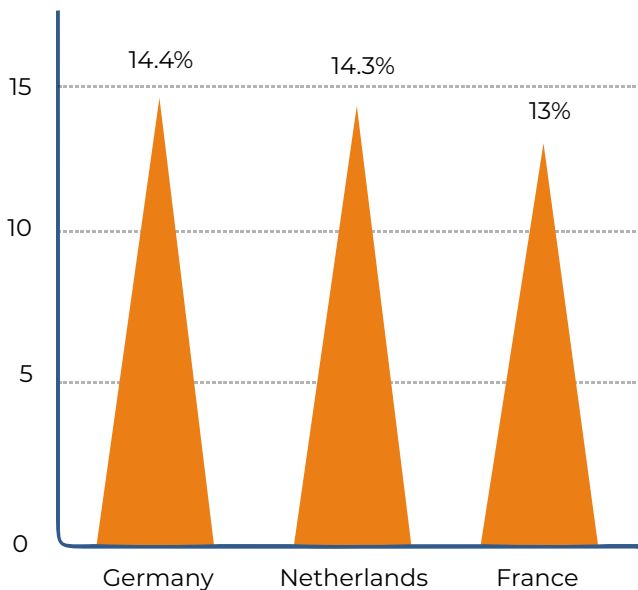
In 2017, Belgium-Luxembourg exported \$344B and imported \$406B, resulting in a negative trade balance of \$61.6B.

In 2017 the GDP of Belgium-Luxembourg was \$492.7B and its GDP per capita was \$47.8K.

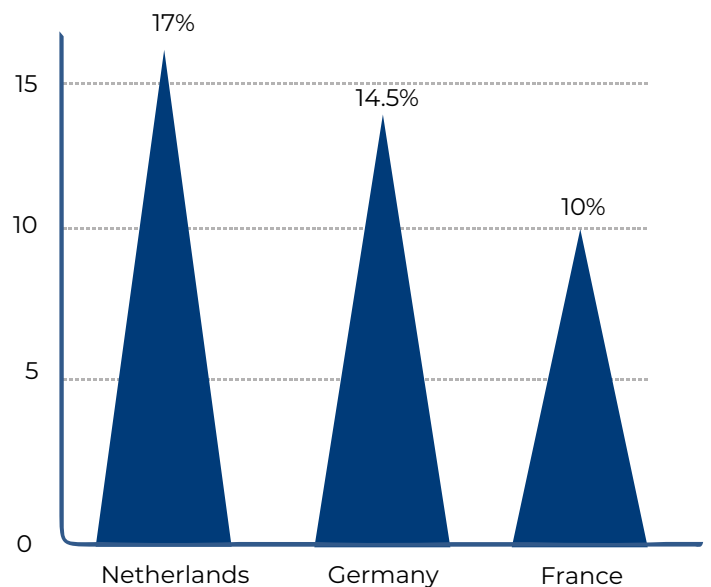
Belgium-Luxembourg is a member of UE, World Bank and WTO.

Belgium-Luxembourg is classified as high income economy by World Bank.

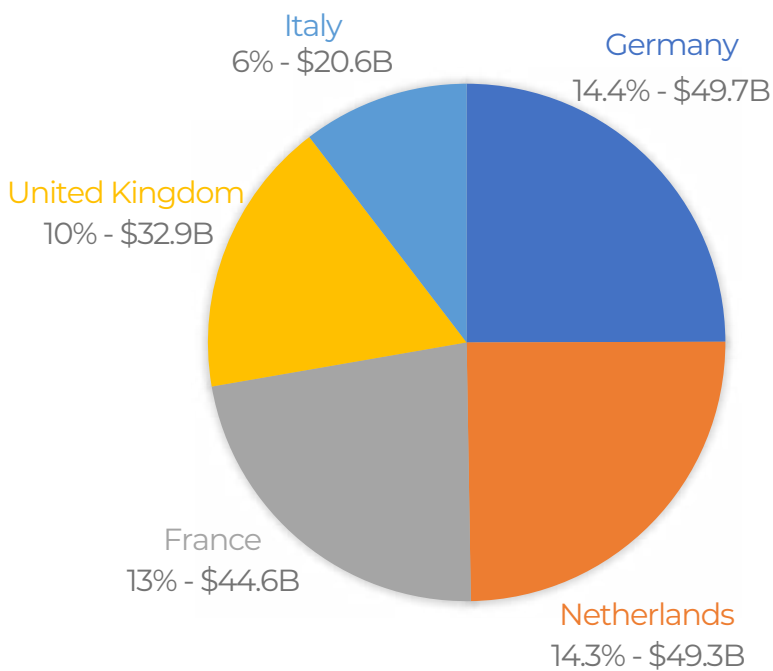
Top 3 Export Destinations (overall value \$344B)



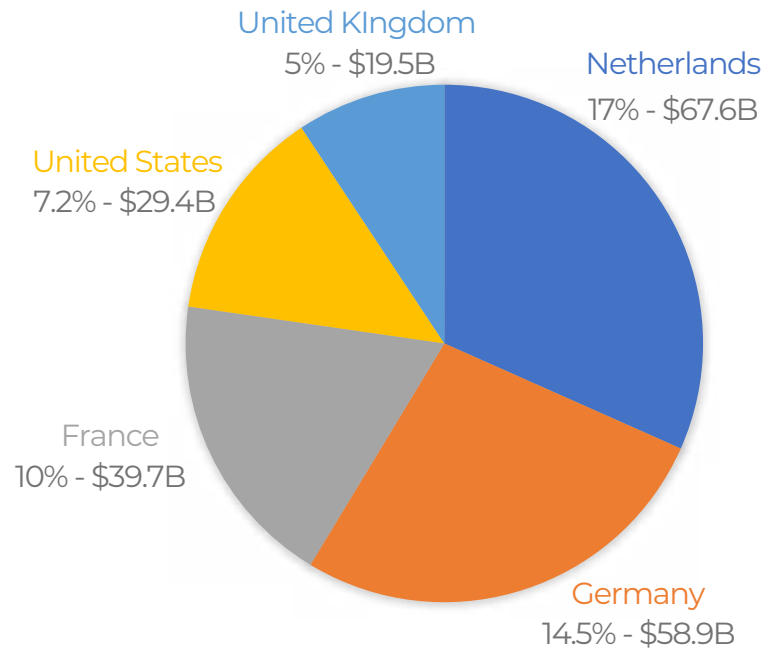
Top 3 Import Origins (overall value \$406B)



Top 5 Export Countries



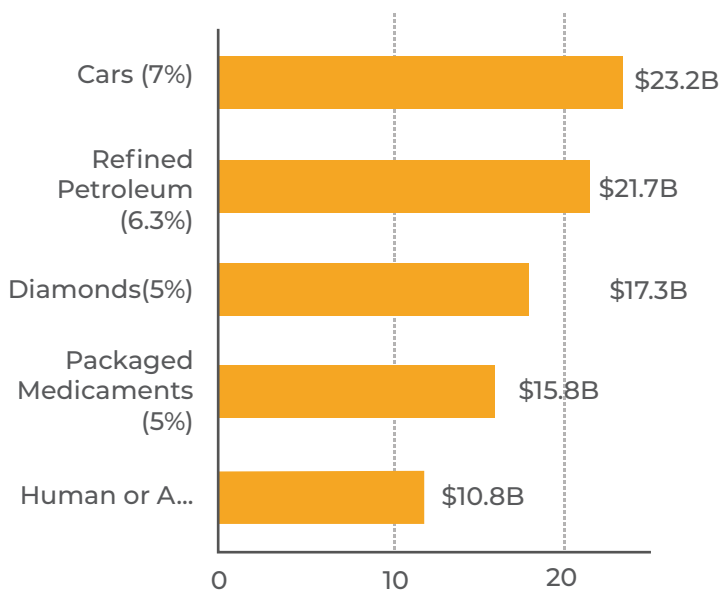
Top 5 Import Countries



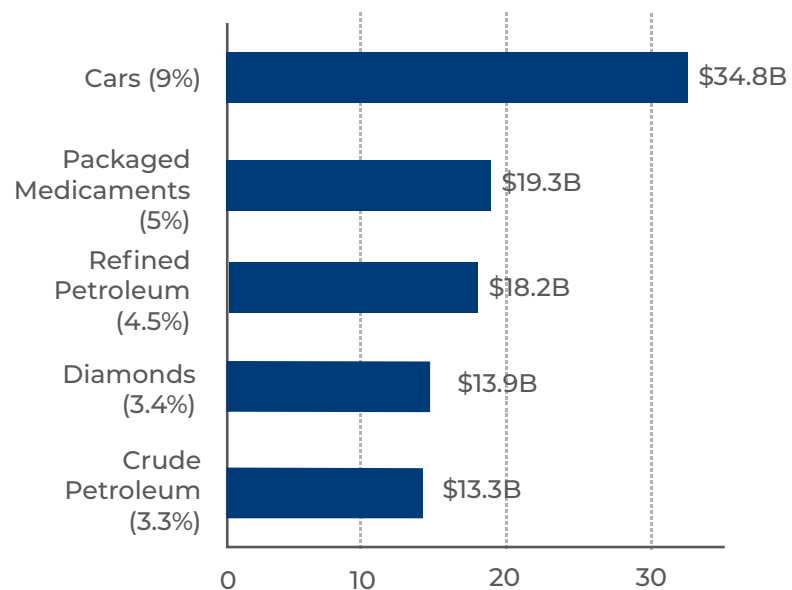
SOURCE:<https://oec.world/en/profile/country/blx/>

What does Belgium- Luxembourg Imports and Exports?

Top 5 products exported by Belgium- Luxembourg



Top 5 products imported by Belgium- Luxembourg



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

Product Analysis

| Propylene Polymers Top Exporter Saudi Arabia



- Propylene Polymers are the 83rd most traded product in the world.
- The value of the total export amount at \$40.4B.
- Saudi Arabia exports for \$4.59B, which represents the 11.4% of the world total.
- Propylene Polymers' top exporter are Saudi Arabia (\$4.59B), South Korea (\$3.98B), Belgium-Luxembourg (\$3.61B), the United States (\$3.44B) and Germany (\$3.15B).
- The top importers are China (\$6.04B), Germany (\$2.84B), Turkey (\$2.64B), Italy (\$2.27B) and Mexico (\$1.58B).

Article of the Month

| Argentina - An overview on economy and business environment

Argentina is a very large country, covering most of the Southern part of South America and bordering the South Atlantic Ocean, between Chile and Uruguay.

Argentina is the 3rd largest economy in Latin America. However, the historical instability of economic growth has hindered the country's development. The Covid 19 pandemic and social isolation as a way to manage it have worsened the situation. To counteract the impacts of the crisis, the Government has implemented a package of emergency measures to protect the most vulnerable and support companies during lockdown.

The economy is projected to expand in 2022, even if it will still be below pre-pandemic activity levels because persistent macroeconomic imbalances and new mobility restrictions will weigh on domestic demand and limit the recovery. Continued monetization of the fiscal deficit will keep inflation high. Job creation will slowly recover, but high informality remains a problem.

The social situation of the country is characterized by constant underlying tensions between the Government and trade unions over the reforms announced. The country is also split between central and decentralized authorities over the distribution of federal revenues. Almost one third of the population in Argentina lives below the poverty line. Infrastructure networks require more investment as access to electricity and water in rural areas is not always ensured.



Despite all the recent economic struggles, Argentina continues to play an important role within the global economy, especially with regards to its agricultural production. Within its 2.8 million square kilometers of territory, Argentina is rich in fertile lands. In 2020, even though every economical sector in Argentina was negatively impacted by the COVID-19 pandemic, the agricultural sector was the least affected.

The agricultural sector is mainly based on livestock farming, cereal cultivation (wheat, corn and transgenic soy), citrus fruits, tobacco, tea and grapes (mostly for the production of wine). Argentina is the world's largest exporter of soy-derived products and the world's third largest producer of such products. Soy and sugar cane are extensively cultivated for bio-fuel production.



As a result, the country is the world's largest exporter and sixth largest producer of bio-diesel. Additionally, given that the country is rich in energy resources, Argentina also has a great potential in terms of raw materials: it is the fourth largest natural gas producer in Latin America, and they have the world's third largest shale gas reserve and the fourth largest lithium reserve.

The industrial sector has vastly expanded in recent years. According to the latest data from the World Bank, the sector represented 23.41% of GDP in 2019 and employed 21.04% of the population in 2020. Food processing and packaging - in particular meat packing, flour grinding and canning - and flour-milling are the country's main industries. The industrial sector also demonstrates strength in motor vehicles and auto parts, consumer durables, textiles, chemicals and petrochemicals, pharmaceuticals, printing, metallurgy and steel, industrial and farm machinery; electronics and home appliances. In 2020, the manufacturing industry was among the sectors that were the most affected by the pandemic.



However, according to Reuters, even though Argentina's industrial production declined, the sector wasn't as negatively impacted as they had forecasted in the beginning of the COVID-19 crisis. On the other hand, some essential industries, such as food and beverages, chemicals, and medical equipment, had a significantly better performance than the rest of the industrial sector.

The service sector has been following the same upward trajectory as the industrial sector. It contributes 54.33% of the GDP and employs 78.86% of the active workforce. Argentina has specialized in areas of high-tech services and is highly competitive in software development, call centers, nuclear energy and tourism.



The telephone and ITC sectors are also developing dynamically, as well as tourism, which is increasingly becoming an important sector. However, that was one of the most affected sectors during the pandemic, as the number of tourists greatly decreased. Along with tourism, other services that were badly hit in 2020 were retail, hotels, restaurants, real estate, business services, and social, cultural and sports activities.

The economic sector that includes finance, insurance, real estate, and business services accounts for one-fifth of GDP and employs about one-twelfth of the workforce. The central bank issues currency, sets interest and exchange rates, and regulates the money supply by deciding the amount of reserve cash that banks must hold. The peso is the monetary unit.

Prior to the establishment in the 1990s of the Southern Common Market (Mercado Común del Sur; Mercosur) with Brazil, Uruguay, and Paraguay, Argentine trade was mainly oriented toward Europe and the United States. Brazil is now Argentina's most important trading partner, representing about one-fifth of all foreign trade, followed by China, the United States, Germany, and Chile, among others.

Argentina generally has had a favorable balance of trade, although it has occasionally experienced years with trade deficits since the Mercosur pact was enacted. The country's major exports are still agricultural products, notably grain; also important are petroleum, machinery and transport equipment, and chemicals. About half of its imports, by value, are machinery and transport equipment. Chemical products and consumer goods are significant as well.

The most recent exports are led by Soybean Meal, Corn, Delivery Trucks, Soybeans, and Soybean Oil. The most common destination for the exports of Argentina are Brazil, China, United States, Chile, and Vietnam.

The top imports of Argentina are Cars, Refined Petroleum, Vehicle Parts, Petroleum Gas, and Soybeans, importing mostly from Brazil, China, United States, Germany, and Paraguay.



Despite the current world crisis due to the Covid-19 pandemic, Argentina is still one of the world biggest economies and one of the main important business partners for most countries. In order to establish profitable and long lasting relationship with Argentinian companies, especially in the current world crisis situation, it is important to get business information from the most accurate and reliable sources.



Thanks to SkyMinder, it is possible to receive the most complete and updated full report on all companies based in Argentina thanks to the expertise of the local providers.

On SkyMinder, all reports on Argentina are freshly investigated and local provider analysts can access all public registries and are expert in collecting information through interviews.

That's why with the support of SkyMinder it is possible to get a better insight into business partners thanks also to the credit rating and credit opinion allowing you to prevent credit risk by carefully selecting your customers or suppliers.

All SkyMinder reports include the following information (if available at local sources):

- Complete company identification details
- Company registration details: our local providers try to access local registries and to get registration number, company id, fiscal code, and any information that can be retrieved at the local registry.
- Directors and company structure: board of directors, shareholders and related companies
- Financials: balance sheet and profit and loss (if companies are willing to disclose them, as most of them do not want to release them to the public).
- Credit rating and suggested credit limit · Number of employees
- Activity details: sector and industry of the company, when possible also information on import and export activities.
- Negative information on the company
- SkyMinder offers also the fastest delivery times, by ensuring the most accurate and updated full report in a few working days. The reports are complete, updated and easy to read.

Thanks to SkyMinder full reports and the expertise of local providers, it is possible to establish safe and profitable business partnership with any Argentinian company.

Quick Infographic

| Supplier evaluation with CRIF's Business Information Report



Evaluate Your Vendors with CRIF's Supply Chain Due Diligence Report



What is Supply Chain Due Diligence?

It accounts for the efforts taken to investigate a potential business partner and associated risks that can disrupt the supply chain of your company. The main and vital purpose of the process is to ensure that the portfolio of the top-notch suppliers is available at the disposal of the company.

Key Benefits of Supply Chain Due Diligence



Increase performance visibility: The simple process of measuring the performance of the suppliers can help improve the overall performance of the company.



Leverage the supply base: Plan a better and new range of products and services based on a good understanding of its suppliers' expertise, vital capabilities, and performance levels.



Diminish risk factors: Identify potential threats under credit lines, operations, possible bankruptcy, defaults and eliminate any corruption risks.



Align customer and supplier business practices: Ensure suppliers run their business operations in alignment with their customers sharing similar business ethics and work towards the continuous improvement of their operations.

Keep your third-party due diligence in check.
Get your Business Information Report from CRIF today!

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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