

October  
2023 ISSUE  
VOL XXXX

# CRIF INDUSTRY WATCH

A monthly edition on Data, Risk and Economic Insights

## INSIDE THIS ISSUE

- Analysis and Studies
- Import and Export Snapshot
- Product Analysis
- Article of the Month



# Analysis and Studies

Take under control changes affecting worldwide business partners



**Companies operating at a worldwide level must take into account the current geopolitical and economic overview. Missing a change can lead to unexpected impacts both from customer and supplier point of view**

The current economic scenario is now particularly under pressure, considering past years affected by the pandemic and now by the Russia-Ukraine war. As well as relationships between countries are becoming more and more complicated.

In such a scenario, relationships between business partners operating in different countries must be supported by robust and reliable information. If analyzing in-depth suppliers' or customers' performances is a mandatory starting point, also knowing if changes are affecting companies is a very crucial and critical point with the aim to face risks and take opportunities.

It's a fact that companies are facing different kinds of issues, some of them coming from the worldwide economic scenario, some others linked to the country's specific, then related to internal strategies and decisions.

It means that companies, especially ones dealing overseas, present aspects that must be taken into account and continuously analyzed.



Companies operating at a worldwide level must take into account the current geopolitical and economic overview. As the overall outlook is showing a lot of turmoil, there is a high risk of negative impact on businesses.

Definitions like historic partners or 'very well know partners are very old concept that belonged to the economic scenario markets by stability or expansions.

Now, it's totally different: missing a change can lead to unexpected or underestimated impacts on economic results, both from customers' and suppliers points of view.

Even if now there is huge attention on changes market by a negative profile, a variation could hide unexpected opportunities. Changes impacting companies can be very different. Some of them are linked to the organization itself for example change in management. Some others are more related to performance. In this case, performance can be affected by external events. This last category is especially evident in economic crisis contexts like the one we're currently facing. It's clear that a decline in consumption means putting at risk manufacturing companies with a contraction in financial results. This is a quite simple example every change affecting a company can hide risks. And only having a good picture of change is the best way to be in the position to define and implement policies, confirming existing ones or considering that they're no anymore fit for the overall scenario.

Changes affecting a company can be related to changes in management and shareholding showing a new scenario in terms of governance, or to a new balance availability giving a new financial view, then finding out that negative events are identified impose to better assess reliability. Then, considering all elements, a new assessment in terms of rating, scoring, and credit appraisal it's important to evaluate the company itself. Simplifying the concept, it's a matter to have updated information to be able to evaluate a subject considering if something is changing.

In fact, if a recurrent customer is showing a worsening in financial stability, it may require a credit policies revision or, on the opposite side, an extension of the appraisal. In both cases, it's clear that a revision of in relationship is required, in the first case to avoid critical impact, in the second case to better exploit the opportunity. Or, if changes in management are too frequent or with too often redefinition of shareholding structure, there is a question mark in governance to take under control. Of course, if negative events are reported, it's clear the critical alert that maybe require a revision of the relationship. If a change impacts the rating, then is a matter to understand if the risk level is improving or worsening and decide how to proceed.



For example, knowing that a customer changes negative risk profile allows to strictly monitor if payments are regular, and if the subject is a supplier, maybe can be useful to start looking for additional partners to avoid any interruption in the supply chain. If changes related to a customer have a positive impact, may it be possible to expand the credit line or put in place some cross-selling actions.

## Updated data availability and related data collection processes are very different worldwide level due to legislation or other barriers at a political or technical level



If also the improved situation is related to a supplier, it's possible to decide to buy more with a closer relationship.

Being updated about changes is important wherever the company is located even if complexity is very high. Updated data availability and related data collection processes are very different at the worldwide level due to legislation or other barriers at a political or technical level. Considering that currently there isn't a homogenous system in file data related to companies that countries are obliged to follow as different legislations are imposing different rules, it's possible to simplify by saying that in Western and Central Europe data are proactively registered and updated into local public central bodies, so access to them is relatively easy. At the same time, balance sheet registration into public sources is presenting differences inside the same geographic area. If in Italy and France, for example, corporate companies have to file balance sheets, in Switzerland only listed ones must proceed in this way. In addition to updating and data availability, also data management organization is playing an important role. In a country with a central body managing all company information, barriers to data are very low. On the opposite, if there isn't such a local structure but data are managed at the local level without any link, access to data is really hard to manage. The level of digitalization represents also a crucial point as the highest is, the lowest is the difficulties in dealing with information. For example, in some African countries, the combined situation of a lack of central bodies and a low digitalization level generates difficulties in accessing data first and trust in updating level.

To summarize, the most important barriers related to data availability are linked to legislation: it means that particular countries are not requiring companies to disclose information about the company themselves. The second area is represented by nations in which processes related to data collection, processing, and updating are presenting some issues at a different level.



**A snapshot of how business partners are performing is more powerful if there is also the possibility to receive updated information, allowing to apply adjustments if required**



In such a complex scenario, in which every country can present a different approach to company data, it's necessary to sort out the lack of data availability in order to give the market the right tools to evaluate business partners. Particular processes and flow can be adopted in order to be in the position to perform an assessment process able to be adapted if changes occur.

After having analyzed how each business partner is performing and, if appropriate, related changes, a step forward to consider is the overall cluster related to each of them, in particular, related to risk performances. For example, understanding how all customers are acting or how all suppliers are performing is very useful to define the right company policy and orientate resources at best. In fact, having the possibility to have a snapshot related to how business partners are performing is the way to be in the right position to define strategies. For example, identify the overall risk level to understand if there are potential issues that can affect the company's results. On the opposite side, also identifying if there are opportunities not very well exploited is a matter to support business development. A snapshot of how business partners are performing is more powerful if there is also the possibility to receive updated information, allowing to apply adjustments if required.



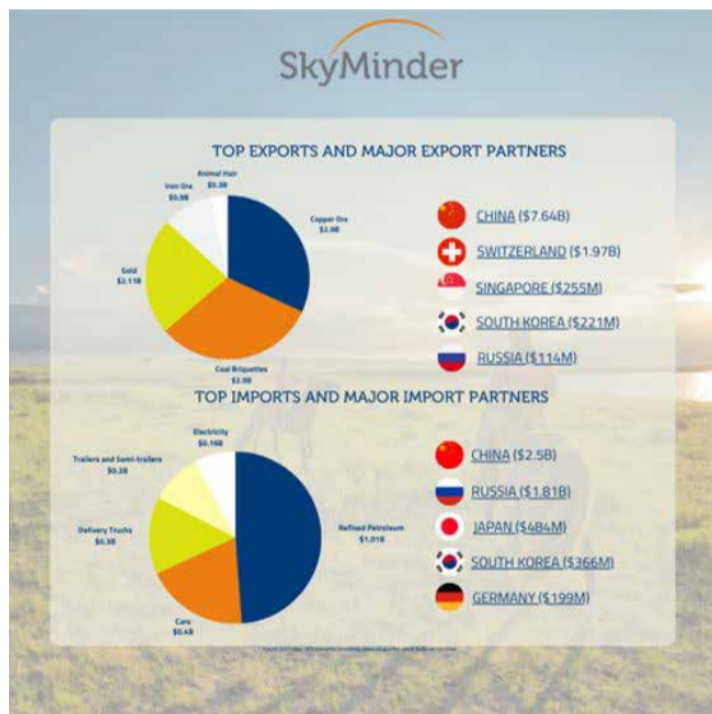
# Import and Export

## Mongolia: A Look At The Market



**With a real GDP of \$39.063 billion Mongolia is ranked 124th economy in the world, whereas its GDP per capita is \$11,700. Furthermore, in 2021, Mongolia was the number 95 in total exports, number 129 in total imports.**

The peoples of Mongolia have a long history under a number of nomadic empires, but most famously, they are known for the big Mongol Empire created and ruled by Gengis Khan in the middle ages. Mongolia later fell under the rule of the Manchus of the Chinese Qing Dynasty. Following the collapse of the Chinese imperial family in 1911, Mongolia declared its independence, achieving it with help from the Soviet Union in 1921. Therefore, Mongolia became a socialist state up until the dissolution of the USSR in 1989. During the 1990s Mongolia became a democratic state with an open market economy.

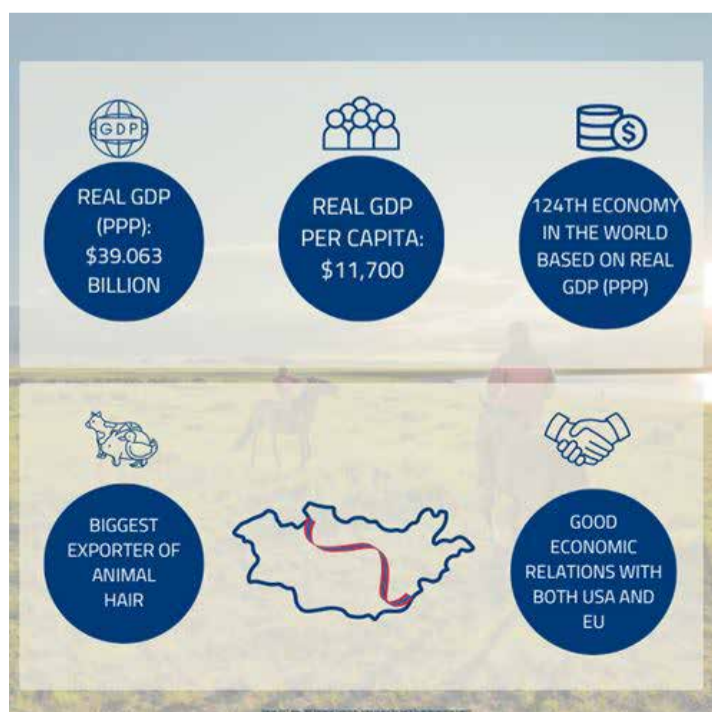


Mongolia is considered as an East Asian economy with a lower middle income. In the last decades, it developed significant gains in human capital, and it is rich in agricultural and other natural resources. The COVID-19 pandemic exacerbated the economy, but it saw a significant development after the end of the pandemic. Moreover, in the last years, Mongolia experienced growth and poverty fall primarily in rural areas.

Mongolia's foreign relations are focused on preserving its autonomy by balancing relations with China and Russia, as well as

its other major partners, Japan, South Korea, and the US.

With a real GDP of \$39.063 billion Mongolia is ranked 124th economy in the world, whereas its GDP per capita is \$11,700. Furthermore, in 2021, Mongolia was the number 95 in total exports, the number 129 in total imports.



Being rich in natural resources and other raw materials, the top exports of Mongolia are Copper Ore (\$2.9B), Coal Briquettes (\$2.74B), Gold (\$2.11B), Iron Ore (\$945M), and Animal Hair (\$325M). Its major export partners are China (\$7.64B), Switzerland (\$1.97B), Singapore (\$255M), South Korea (\$221M), and Russia (\$114M).

On the other hand, Mongolia imports mostly Refined Petroleum (\$1.01B), Cars (\$420M), Delivery Trucks (\$303M), Trailers and semi-trailers (\$204M), and Electricity (\$161M). Its major importing partners are mainly from China (\$2.5B), Russia (\$1.81B),

Japan (\$484M), South Korea (\$366M), and, finally, Germany (\$199M).



# Product Analysis

## Raw Silk: Import And Export



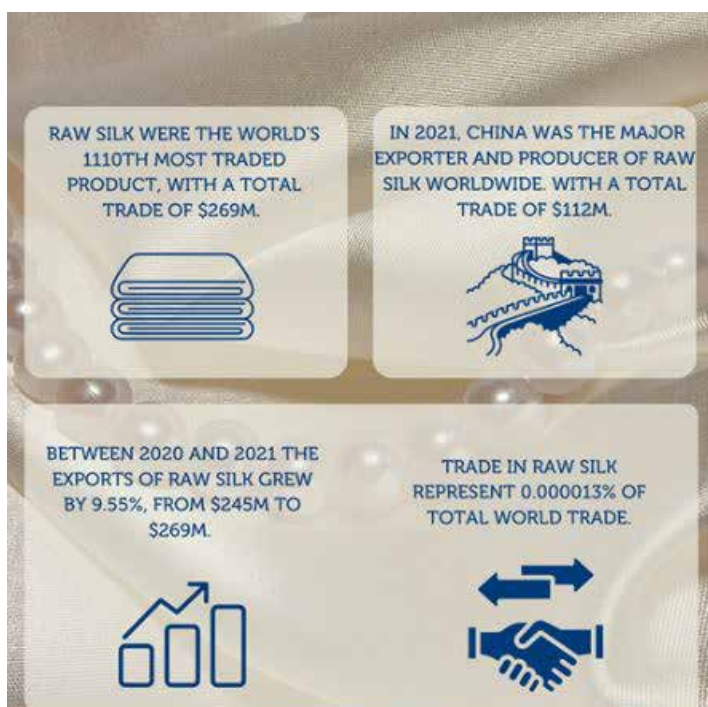
In 2021, Raw Silk was ranked as the 1110th most traded commodity globally, registering a total trade value of \$269 million.

Raw silk, also known as silk in its natural state, is a high-quality and luxurious textile material derived from the cocoon of the silkworm, scientifically known as *Bombyx mori*. It is one of the most prized natural fibers in the textile industry, renowned for its softness, sheen, and exceptional draping qualities.



Raw silk is used in a wide range of textile products, including clothing (such as dresses, suits, and blouses), accessories (like scarves and ties), and home furnishings (such as curtains and upholstery). It is often favored for its natural and organic appeal. Silk production, including raw silk, is generally considered sustainable compared to synthetic fabrics. Silkworms feed on mulberry leaves, and the production process requires relatively fewer chemicals and resources than some other textiles.

In 2021, Raw Silk was ranked as the 1110th most traded commodity globally, registering a total trade value of \$269 million. Over the course of one year, from 2020 to 2021, Raw Silk exports increased by 9.55%, climbing from \$245 million to \$269 million. Raw Silk trade contributed a mere 0.0013% to the overall global trade volume.



During 2021, China stood as the leading exporter of Raw Silk, with exports valued at \$112 million. Vietnam followed closely with \$70.5 million in exports, trailed by Italy with \$27.6 million, Uzbekistan with \$17.2 million, and Brazil with \$17 million.

In the same year, the primary importers of Raw Silk were India, importing \$108 million worth, followed by Romania at \$37.3 million, Italy at \$35.4 million, Vietnam at \$16.1 million, and Japan at \$11.6 million in imports.



# Article of the month

## | Crafting an Effective ESG Strategy: An Introductory Guide



**The development of an effective ESG strategy is not just about being socially responsible; it's about creating value and mitigating risks in a rapidly evolving global landscape**

Environmental, Social, and Governance issues, once considered peripheral, now hold the key to long-term success and resilience. As sustainability has become an imperative to embrace for companies, it is important to incorporate ESG considerations into a business's strategy.

This article will showcase a process to design an effective ESG strategy for an organization, with actionable steps to help identify, measure, and manage ESG performance.

### | The Roadmap to develop an effective ESG Strategy

To develop an effective and suitable ESG strategy, a business should adopt a holistic approach to define the strategy, that comprehends the different aspects of the ESG framework pursues an inductive method for the definition of targets and goals based on a company's sustainability assessment.

The process that leads to the definition of an ESG Strategy encompasses different phases which can be summarized as follows:

- Company ESG Assessment
- ESG objectives and targets set
- ESG action plan definition
- Performance monitoring and reporting
- Continuous improvement

#### **Company ESG Assessment**

The first step is to evaluate the organization's current ESG performance.

This initial assessment will help the company to understand its strengths, weaknesses, and potential areas for improvement.

To conduct a sustainability assessment, it is essential to consider the following elements:

#### **Benchmarking**

Compare the business ESG performance with peers in its industry.

This comparison will help to identify best practices and set realistic targets for improvement.

#### **Materiality assessment**

Identify the most relevant ESG issues to the organization and its stakeholders by conducting a double materiality assessment.

Engaging with stakeholders, such as investors, employees, and suppliers, can provide valuable insights into their priorities and concerns.

#### **Gap analysis**

Determine the discrepancies between the current ESG performance and the best practices in the reference industry.

This will help identify areas where the organization can improve and the current impacts of the company.

### | ESG objectives and targets

This will help identify areas where the organization can improve and the current impacts of the company.

After assessing the current ESG performance, it is important to set clear, measurable, and time-bound objectives for each ESG dimension (environmental, social, and governance).

These goals should be aligned with the organization's overall strategy and values.

To establish these targets the following should be considered:



## Global Standards alignment

When developing an ESG strategy it is fundamental to adopt recognized ESG frameworks, such as the United Nations Sustainable Development Goals (SDGs) or the Global Reporting Initiative (GRI) Standards, to guide the definition of ESG targets.

### SMART goals setting

Ensure the company's objectives are Specific, Measurable, Achievable, Relevant, and Time-bound.

This will facilitate progress tracking and help maintain accountability.

## ESG action plan

With clear objectives in place, it is time to develop an action plan to achieve them.

The action plan should outline the specific steps, resources, and timelines required to reach the company's ESG targets.

To create an effective ESG action the following activities should be implemented:

### Roles definition

Clearly define roles and responsibilities for ESG implementation across all levels of the organization.

### Stakeholders engagement

Include stakeholders in the development and execution of the ESG action plan to ensure their perspectives are considered and to foster a sense of shared responsibility.

### ESG integration in the decision-making process

Incorporate ESG considerations into the organization's decision-making processes, including investment decisions, risk management, and strategic planning.

### Performance monitoring and reporting

Regular monitoring and measurement are essential for tracking ESG performance and demonstrating progress to stakeholders.

To do so it is necessary to develop key performance indicators (KPIs) for each ESG objective and establish a process for collecting and analyzing data.

To effectively monitor and report ESG performance the following steps are deemed necessary:

### Reporting framework

Adopt a recognized ESG reporting framework, such as the Task Force on Climate-related Financial Disclosures (TCFD) or the Sustainability Accounting Standards Board (SASB), to ensure consistency and comparability in reporting.

### Progress communication

Share ESG performance with stakeholders through annual sustainability reports, investor presentations, and other communication channels.

Be transparent about challenges and setbacks to maintain credibility and trust.

## Continuous Development

ESG issues are dynamic, and an organization's strategy should be flexible enough to evolve with changing circumstances.

Continuously assessing ESG performance, learning from experiences, and refining the strategy to stay ahead of emerging risks and opportunities are important steps to take on a daily basis.

To foster continuous development, it is important to:

### Encourage a culture of learning

Promote a culture of continuous learning and improvement within the organization. Encourage employees to share ideas and provide feedback on ESG initiatives and performance.

### Revisit of objectives and targets

Regularly review ESG objectives and targets to ensure they remain relevant and aligned with the organization's strategy and stakeholder expectations.

### Stay informed

Keep abreast of emerging trends, best practices, and regulatory changes related to ESG issues. Attend industry conferences, engage with experts, and participate in industry forums to stay updated on developments in the ESG landscape.

## Conclusions

Developing an effective ESG strategy is a continuous and iterative process that requires a commitment to ongoing improvement and adaptation.

By assessing current ESG performance, setting clear objectives, developing an action plan, monitoring progress, and fostering a culture of continuous learning, an organization can navigate the complex ESG landscape and create long-term value for its stakeholders.

Embracing ESG as a core element of the overall business strategy will not only benefit the environment, society, and governance, but it will also enhance the brand's reputation and contribute to its long-term financial success.

# 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



CRIF Solutions (India) Pvt. Ltd.

Unit 601, Sixth Floor, Axis Centra, Survey No-62, 1/4, Baner, Pune, 411045, Maharashtra, India

Ph: +91 2067642900 | Email ID: [BSales.India@crif.com](mailto:BSales.India@crif.com) | Website: [www.crif.in](http://www.crif.in)