Managing risk, enabling trade

July 2016

market monitor

Focus on chemicals performance and outlook

Disclaimer

In this issue...

On the following pages we indicate the general outlook for each sector featured using these symbols:

Excellent Good Fair Poor Bleak

More challenges ahead

Globally the chemicals industry still seems to be performing quite well, with generally robust business financials, good payment performance and low insolvency rates compared to other industries. The chemicals sector's performance in all countries covered in this issue of the Market Monitor is rated between 'Excellent' and 'Fair'.

However, chemicals is a cyclical business, highly dependent on changes in the global economy and reliant on basic commodity costs, especially oil and gas. The sector is also dependent on the health of other manufacturing industries, mainly construction, automotive and electronics. Globally there are four main key developments and challenges that currently shape the chemicals business environment:

- China´s economic slowdown and reduced demand from other main emerging markets has negatively affected international chemicals exporters.
- Oil prices have remained at low levels far longer than expected, and continued global oil production discourages any significant increase in crude oil prices. This impacts chemicals companies both positively and negatively, depending on the segment.
- The impact of the strong US dollar differs substantially geographically; benefitting large diversified European chemicals companies, but hurting US chemicals exports.
- Many chemicals companies are aggressively re-evaluating their portfolios and divesting non-core assets, resulting in an industry-wide uptick in acquisitions.

France

- **Growth continues while international competition increases**
- **Insolvency decrease expected in 2016**
- **High labour costs and strict regulation remain a burden**

Overview

Credit risk assessment	significantly improving	improving	stable	deteriorating	significantly deteriorating
Trend in non-payments over the last 6 months			✔		
Development of non-payments over the coming 6 months		✔			
Trend in insolvencies over the last 6 months			✔		
Development of insolvencies over the coming 6 months		✔			
Financing conditions	very high	high	average	low	very low
Dependence on bank finance		✔			
Overall indebtedness of the sector			✔		
Willingness of banks to provide credit to this sector	✔				
Business conditions	significantly improving	improving	stable	deteriorating	significantly deteriorating
Profit margins: general trend over the last 12 months		✔			
General demand situation (sales)			✔		

Source: Atradius

The French chemicals sector has proved to be resilient in recent years, despite subdued growth rates of the French economy. According to the French chemicals association UIC, French chemicals production grew 0.9% in 2015 after a 2.8% increase in 2014. As a strategic export industry, the French chemicals sector generated a trade surplus of EUR 7.3 billion in 2015. An increase of 5.6% in imports indicates that French chemicals production lost domestic market share in 2015.

In 2016, production growth of 1% is expected, supported by increased investments, low oil and natural gas prices, a benign EUR/USD exchange rate, and low interest rates. However, the more subdued global growth outlook acts as a break on additional expansion.

Looking at subsectors, mineral chemicals and soap and perfumes are forecast to increase 1.0% in 2016. Organic chemicals, one of the most important segments of the French chemicals industry, contracted 1.6% in 2015, but is expected to grow 0.5% in 2016. Specialty chemicals are expected to increase 1.5% in 2016 after growing 9.9% in 2015. The good performance of this segment is due to increased demand for paints, essential oils and lubricants.

Given that the chemicals sector´s export share (mainly in Europe) amounts to more than two thirds of overall sales, French businesses are in strong competition with international players, especially with US chemicals businesses that benefit from lower energy prices. Other issues for the French chemicals industry are high labour costs and stricter regulation than in most other countries. That said, the industry has benefitted from comparatively low electricity prices and the lower exchange rate of the euro against the US dollar. Moreover, French chemicals production is concentrated around a few large international players who have wide access to financing and diversified markets.

France: Chemicals sector

	2015	2016f	2017f
GDP growth (%)	1.2	1.3	1.5
Sector value added growth (%)	1.7	2.0	2.3

Sector share in the national economy (%)	1.1
Average sector growth over the past 3 years (%)	1.5
Average sector growth over the past 5 years (%)	1.1
Degree of export orientation	high
Degree of competition	average

Sources: IHS, Atradius

Thanks to lower input costs and economic stimulus initiated by the French government, the chemicals industry improved its profit margins in 2015. According to the economic research institute Xerfi, EBITDA margins increased from 7.6% in 2014 to 8.4% in 2015. The danger of losing competitiveness has clearly led to some strategic restructuring measures by French chemicals businesses, such as focusing on core business activities and diversification of activities into specific segments with higher margins (paint, ink, glue, herbal-pharmaceutical products, essential oils). In order to improve their margins, smaller companies continue to focus on niche markets, investing in research and development and on developing additional services for technical support of customers.

The volume of protracted payments and non-payments is expected to remain low. The industry is characterised by a low level of insolvencies. It is expected that the number of insolvencies will decrease further in 2016. However, given the value chain structure of the sector, insolvency of a major player would have a severe impact on suppliers.

Due to the overall good performance and the low frequency and value of credit insurance claims, our underwriting approach is positive across all subsectors. When underwriting chemicals businesses, it is also important to identify end-markets (for instance the French construction sector as one of the major chemicals buyer industries still shows no comprehensive rebound).

French chemicals sector

Strengths
- High share of export sales
- Concentration of a few global players
- Electricity cost lower than the European average

Weaknesses
- High labour costs
- Burdensome legislation

Source: Atradius

Germany

- **Growing production, but decreasing sales prices**
- **Payments take 45 days on average**
- **Robust solvency and liquidity**

Overview

Credit risk assessment	significantly improving	improving	stable	deteriorating	significantly deteriorating
Trend in non-payments over the last 6 months			✔		
Development of non-payments over the coming 6 months			✔		
Trend in insolvencies over the last 6 months			✔		
Development of insolvencies over the coming 6 months			✔		
Financing conditions	**very high**	**high**	**average**	**low**	**very low**
Dependence on bank finance			✔		
Overall indebtedness of the sector			✔		
Willingness of banks to provide credit to this sector	✔				
Business conditions	**significantly improving**	**improving**	**stable**	**deteriorating**	**significantly deteriorating**
Profit margins: general trend over the last 12 months			✔		
General demand situation (sales)			✔		

Source: Atradius

The German chemicals industry (including pharmaceuticals) is the largest chemicals industry in Europe and the fourth largest in the world. Of the about 2,000 companies that produce chemical products, more than 90% are small and medium-sized enterprises (SMEs) with less than 500 staff members. SMEs employ one third of the workforce and account for almost one third of total chemicals industry sales. Unlike in other industries, chemicals SMEs are often customers, not suppliers of large chemicals companies.

2015 was a rather subdued year for the German chemicals industry due to the economic slowdown in many major emerging markets like China, while the economies of Brazil and Russia even contracted. As a supplier to almost all industrial sectors and highly export-oriented, the German chemicals sector was immediately affected by those events. At the same time, domestic demand for chemical products was subdued. After a good performance in H1 of 2015 chemicals businesses had to reduce their production in H2.

According to the German chemicals association VCI, production excluding pharmaceuticals decreased 0.7% in 2015 (including pharmaceuticals: up 0.7%), while turnover decreased 0.4%, to EUR 190 billion. Producer prices decreased 2.8%, and with more sluggish sales, falling raw material prices had to be passed on to customers. The production of polymers (up 0.3%) and inorganic chemicals (up 0.7%) barely grew, while manufactures of consumer chemicals (down 3.4%) and petrochemicals (down 3.1%) recorded setbacks.

In 2016, the VCI expects production to increase 1% and turnover to decline 1%, as producer prices continue to decrease. Domestic demand is expected to remain subdued due to modest industrial growth, while exports are expected to pick up. However,

Germany: Chemicals sector

	2015	2016f	2017f
GDP growth (%)	1.7	1.6	1.5
Sector value added growth (%)	1.2	1.7	2.1

Sector share in the national economy (%)	2.4
Average sector growth over the past 3 years (%)	1.9
Average sector growth over the past 5 years (%)	1.0
Degree of export orientation	very high
Degree of competition	high

Sources: IHS, Atradius

increased international competition forces chemicals businesses to immediately pass on lower commodity prices to customers.

Despite the rather subdued performance since H2 of 2015, most German chemicals companies remain generally satisfied with their business situation. Given the persistently low oil price, most companies still do good business, even with decreasing sales. Generally, German chemicals and pharmaceuticals businesses have robust equity, solvency and liquidity. Profit margins are expected to remain stable.

The German chemicals sector's payment behaviour has always been better than average with no notable payment delays. In our experience payments take, on average, 45 days – even fewer for domestic payments, as most chemical products are exported to destinations with longer payment terms than the domestic market. We have seen no change in payment behaviour or increase in notifications of non-payment in the last six months and this trend is expected to continue in the coming months. The insolvency environment is stable with insolvencies expected to remain at a low level. Our underwriting stance for this sector remains generally relaxed, with normal external monitoring and buyer reviews.

German chemicals sector

Strengths	Motor for innovations / high R&D investments / high expertise
	Restructuring and concentration process well advanced
	Strong market position / large number of highly specialised businesses
Weaknesses	Dependency on oil and energy prices
	High dependency on global economy due to high export rates
	Competition, especially from China and the US

Source: Atradius

Italy

- **Domestic demand has finally picked up**
- **Payments take 60 days on average**
- **Businesses dependent on construction still face higher risks**

Overview

Credit risk assessment	significantly improving	improving	stable	deteriorating	significantly deteriorating
Trend in non-payments over the last 6 months				✔	
Development of non-payments over the coming 6 months			✔		
Trend in insolvencies over the last 6 months			✔		
Development of insolvencies over the coming 6 months			✔		

Financing conditions	very high	high	average	low	very low
Dependence on bank finance				✔	
Overall indebtedness of the sector				✔	
Willingness of banks to provide credit to this sector		✔			

Business conditions	significantly improving	improving	stable	deteriorating	significantly deteriorating
Profit margins: general trend over the last 12 months			✔		
General demand situation (sales)		✔			

Source: Atradius

In 2015 Italian chemicals/pharmaceuticals production increased 1.3%, to EUR 82 billion. Exports increased 4.2% in volume and 3.9% in value, driven by increased demand from the US (up 15%), China (up 13%) and India (up 20%), while exports to Russia and Turkey decreased. In Europe, exports to Germany and Spain decreased 2%, while deliveries to the UK (up 6%) and the Netherlands (up 20%) increased.

Finally, domestic demand started to contribute positively in 2015 (up 2.5% in volume). However, demand from Italian buyers still remains uneven: while demand from the automotive sector and consumer goods grew, demand from the textile and construction sectors is still weak. Along subsectors, fine and specialty chemicals businesses (paints, inks and adhesives, detergents and cosmetics) are performing well due to a high export share, lower impact of raw material prices and energy costs compared to the basic chemicals segment, and good margin ratios.

That said, the refining segment suffered from overcapacity in the past few years: in 2014 only 68% of the capacity was used, causing the closing and conversion of five plants. However decreasing oil prices since H2 of 2014 has helped to boost demand, and the refining segment benefitted from an increase in the plant usage, but margins in this segment have remained under pressure in 2016.

Compared to manufacturers, chemicals wholesalers and retailers usually have a lower solvency and higher gearing ratios to finance the working capital.

In 2016 chemicals production growth of 1.4% is expected. Export growth will continue, helped by a lower euro exchange rate, but at a slower pace than in 2015 (up 3%), accompanied by further rising domestic demand (up 1.5%). Expected improvements in domestic demand will gradually reduce the difference between

Italy: Chemicals sector

	2015	2016f	2017f
GDP growth (%)	0.8	1.1	1.2
Sector value added growth (%)	2.5	2.3	1.7

Sector share in the national economy (%)	1.2
Average sector growth over the past 3 years (%)	1.2
Average sector growth over the past 5 years (%)	-1.7
Degree of export orientation	high
Degree of competition	high

Sources: IHS, Atradius

strongly export-oriented businesses and companies highly dependent on the domestic market. Nevertheless, the rebound in domestic demand is expected to remain slow, as customers' purchasing behaviour remains cautious because of liquidity constraints, a deflationary environment and oil price uncertainty.

The margins of many chemicals/pharmaceuticals businesses remain affected by high energy and labour costs, despite lower oil prices. Italian specialty chemicals producers have not benefitted from the significant commodity price decrease.

Competition in the low value added chemicals segment is high due to overcapacities and modest domestic demand, which is still below the pre-crisis level. Competition in the high value added segment is lower due to high entry barriers. The gearing of businesses in this industry is rather low, as they usually have above average solvency ratios and good margins, in general higher than the average for Italian manufacturers, allowing regular debt repayment.

On average, payments in the Italian chemicals sector take around 60 days. Payment experience is good, and the level of protracted payments has been low over the past couple of years. Payments generally occur on time. Non-payment notifications are low, and even decreased further over the last six months. The number of non-payment cases is expected to remain at a low level in H2 of 2016. The level of chemicals/pharmaceuticals insolvencies is low, and this is expected to remain unchanged in H2 of 2016, sustained by further economic growth in Italy.

Considering the positive outlook for the industry, the low level of bank bad debts and the above-average solvency, our underwriting approach to the Italian chemicals sector remains relaxed. However, subsectors and businesses dependent on construction, construction materials, consumer durables, and furniture still require particular attention, as the expected rebound of the Italian economy is still modest. A more cautious approach is also applied to the refining segment, as performance is strictly linked to price dynamics, and margins of businesses have recently decreased.

Italian chemicals sector

Strengths	High degree of internationalisation
	The sector records above average solvency and margin ratios compared to Italian manufacturing
	Lowest bank bad debt ratio of industry sectors in Italy
Weaknesses	High energy and labour costs affect margins
	Problems remain for chemicals producers in the fertilizer segment dependent on domestic construction, textiles and leathers
	Increasing competition, especially from Asia

Source: Atradius

The Netherlands

- Lower turnover due to decreased producer prices
- Production expected to rebound in 2016
- Increasing competition from China, the US and the Middle East

Overview

Credit risk assessment	significantly improving	improving	stable	deteriorating	significantly deteriorating
Trend in non-payments over the last 6 months		✔			
Development of non-payments over the coming 6 months		✔			
Trend in insolvencies over the last 6 months	✔				
Development of insolvencies over the coming 6 months	✔				
Financing conditions	**very high**	**high**	**average**	**low**	**very low**
Dependence on bank finance			✔		
Overall indebtedness of the sector			✔		
Willingness of banks to provide credit to this sector		✔			
Business conditions	**significantly improving**	**improving**	**stable**	**deteriorating**	**significantly deteriorating**
Profit margins: general trend over the last 12 months			✔		
General demand situation (sales)		✔			

Source: Atradius

Chemicals is one of the leading Dutch industries, and business conditions are very favourable for this sector, e.g. important raw materials are available or can be easily imported, while an extensive transport network provides access to the European market. Furthermore, the Netherlands is among the leading countries in terms of chemicals research and development. The Dutch chemicals industry spends about 1.25% of its turnover on in-house research and development.

According to the Dutch chemicals association VNCI, in 2015 chemicals production in the Netherlands decreased 2.5%, while turnover decreased 13%, to EUR 42 billion. This decline was mainly due to decreased producer prices (down 11%), the slowdown in China's economic growth, strains in some large emerging market economies and lower commodity prices.

In Q1 of 2016 production rebounded (up 1%), while turnover still decreased (down 2.5%) due to declining producer prices. However, the outlook for the remainder of 2016 remains positive, as businesses' confidence in the industry has improved and Dutch chemicals are expected to benefit from some rebound of demand domestically, in Europe and overseas markets, coupled with a weaker euro exchange rate and the lower energy prices. Businesses' margins are expected to pick up again.

In recent years competition especially from China and the Middle East has increased, and heavily oil-based segments have felt a competitive disadvantage to their US competitors, who benefit from lower production costs due to cheaper shale gas and oil. The currently low oil price provides some relief for Dutch chemicals firms. However, if oil prices rise in the future, competitive pressure from the Middle East, China and the US will grow again.

The level of payment delays and insolvencies has been low in 2015, and this is expected to remain the case in 2016. Businesses in the sector generally show average levels of indebtedness,

The Netherlands: Chemicals sector

	2015	2016f	2017f
GDP growth (%)	2.0	1.5	1.7
Sector value added growth (%)	2.2	1.2	2.1

Sector share in the national economy (%)	2.0
Average sector growth over the past 3 years (%)	0.9
Average sector growth over the past 5 years (%)	0.5
Degree of export orientation	high
Degree of competition	high

Sources: IHS, Atradius

Dutch chemicals sector

Strengths	Part of one of the strongest chemicals clusters in the world (Antwerp-Rotterdam-Rhine-Ruhr area)
	High expenditures on R&D
	High diversification of export markets
Weaknesses	Dependency on oil and energy prices
	Competition especially from China, the US and the Middle East

Source: Atradius

and banks are willing to provide loans. Therefore, and due to the improved business outlook for 2016, our underwriting stance remains generally open for this sector. We monitor business performance by seeking the most recent financial information from buyers and asking our customers to notify us of their trading experience, orders on hand and outstanding payments.

Market performance snapshots

Belgium

- **Payments take 30 days on average**
- **Growth expected to continue in 2016**
- **Weakening competitiveness due to high labour costs and environmental standards**

The Belgian chemicals and pharmaceuticals industry is of major importance for the Belgian economy. The sector accounts for 20% of total manufacturing employment and, thanks to high productivity, for about 30% of the value added of the entire Belgian manufacturing industry. More than 75% of the production is exported, while, in international comparison, the Belgian chemicals sector benefits from a very high degree of specialisation. Chemicals account for more than 30% of Belgian exports. The sector includes a wide range of segments, from basic organic and inorganic products to pharmaceuticals, biotechnology, products for agriculture, paints, glues, detergents, cosmetics, rubber and plastics processing and many other specialty products such as chemicals for the photography industry.

In 2015, the chemicals sector continued its good performance seen in 2014. Turnover increased to almost EUR 65 billion, while investments in research and development amounted to EUR 3.6 billion. The 2016 outlook remains positive, with turnover forecast to grow 1.5% and stable profit margins expected.

Payments in the Belgian chemicals sector take 30 days on average. The number of payment delays is low, and expected to remain so in 2016. Insolvencies are expected to remain stable, given the already low number registered in the chemicals sector.

However, despite its structural resilience, the Belgian chemicals sector also has some weaknesses: competitiveness is weakening due to labour costs being among the highest in Europe and competition from China has increased. At the same time, Belgian chemicals companies compete with businesses from countries where environmental regulations are less strict and/or energy prices are lower. Further investments and innovations are crucial for the Belgian chemicals sector to preserve its international competitiveness.

That said, given the industry´s continued robust performance, financial health and low insolvency rate, our underwriting stance remains relaxed for the time being. Buyers are reviewed at least once a year on the basis of new accounts or when new information is received. The latest balance sheet is always requested and we also seek to obtain interim results from more sensitive buyers.

Sweden

- Payments take between 30 days and 60 days on average
- Growth expected to continue in 2016
- Increasing competition from Asia and the Middle East

The Swedish chemicals industry is a strong and expanding trade sector, accounting for around 34,000 full-time jobs and consisting of about 1,000 companies in 2015. The ten largest businesses and corporates account for more than 50% of employees. Chemicals accounted for 16% of total Swedish exports in 2015 (about EUR 12 billion), and as one of the basic industries, it provides an important foundation for other industries and industrial development.

While overseas demand has been the main driver of the Swedish chemical output in the past few years, Swedish chemicals companies are now increasingly facing new competition from the Middle East and Asia.

2016 is expected to be another satisfying year for the industry, with a value added sector growth rate of 0.4%. Growth in 2017 is forecast to accelerate to 1.9%. Swedish chemicals businesses will benefit from another year of low oil prices, as many companies rely on oil-derived raw materials, especially in the plastics and rubber subsectors. Higher demand from Europe and the US is expected to partly compensate for the decline in other markets. But the slowdown in emerging economies like China and Brazil could reduce growth in key chemicals customer sectors such as agriculture and personal care, impacting some major Swedish chemicals businesses.

Compared to other Swedish business sectors, the general equity, solvency and liquidity strengths of chemicals companies continue to remain above average. Profit margins are good and expected to remain stable in the coming months, while banks are generally willing to provide loans to the industry.

Payments take between 30 days and 60 days on average, and payment behaviour within the sector is generally good, with a low level of protracted payments. The insolvency level is low, and no increase in business failures in expected in 2016.

Given the generally good financial health of Swedish chemicals buyers and low insolvency rate, our underwriting stance remains relaxed for the time being.

Market performance at a glance

India

- The outlook for the Indian chemicals industry remains positive, as key end-user industry growth (e.g. construction, automotive, packaging, and electronics) is expected to drive demand, and investments by foreign chemicals businesses are increasing as procedures and rules have been simplified. At the same time, exports are increasing due to rising international competitiveness of Indian chemicals businesses.
- The government has announced a number of measures to improve competitiveness in the sector. 'Make in India' is expected to play a pivotal role in driving some of the key initiatives to stimulate industry growth. Government support for research and development is high.
- In India, per capita consumption of chemicals products is still far below the world average, pointing to the vast potential for growth in the industry, given rising income levels and increasing urbanisation. Speciality chemicals and pharmaceuticals segments are expected to be key growth segments.
- However, the government still has to improve business conditions and infrastructure in order to attract global and Indian firms to invest even more in chemicals manufacturing facilities in India. Shortage of skilled workers and technology gaps remain issues. For domestic players, cheaper imports and currency volatility remain risk factors.
- The average payment duration in the Indian chemicals industry is 90-120 days. The number of payment delays and insolvency cases was stable in 2015, and is not expected to increase in 2016. However, we observe some liquidity and solvency issues with businesses in the chemicals trade and wholesale segments. Therefore, our underwriting stance is more cautious in this segment than for chemicals manufacturers.

Mexico

- The Mexican chemicals industry has lacked sizeable investments in recent years, which has adversely affected competitiveness. Production of petrochemicals as the most important subsector has decreased over the last couple years, despite increased demand.
- Due to inefficiencies in supply and uncompetitive prices of basic petrochemicals, businesses depend on imports, in particular from the US.
- The sector is highly exposed to the price volatility of oil-derived commodities and foreign exchange fluctuations due to large imports of raw materials and the lack of refining capacities in Mexico. For some businesses, sales are made in Mexican pesos but nevertheless converted into US dollars, which might result in foreign exchange losses and slow payments.
- Despite those risks, further increasing domestic demand is a positive factor for the Mexican chemicals sector. It is expected that the industry growth will be above GDP growth in the medium term due to the energy reforms approved in 2015, which will move production and supply of refined products to the private sector, away from the state-owned Petróleos Mexicanos (Pemex).
- The average payment duration in the chemicals industry is 60 to 90 days. The number of payment delays increased in 2015, and is expected to increase further. However, an increase in insolvencies is not expected.
- Our underwriting stance on the sector is neutral. A more restrictive underwriting approach is required on buyers that provide services to the state-owned oil company Pemex, whose liquidity levels have deteriorated over the last two years due to depressed oil prices.
- We are also more cautious with smaller chemicals businesses, as those can be heavily affected by the Mexican peso exchange rate volatility.

Saudi Arabia

- The Saudi Arabian chemicals industry relies on the tremendous amounts of hydrocarbons in the country, including gases and liquids associated with crude oil and methane production. In addition to the substantial reserves of cheaply extractable feedstock, the sector also benefits from a supportive government economic policy. Saudi Arabia could become the second largest ethylene producer in the world (after the US) by 2020.
- The long-term outlook for the chemicals sector is benign, as the industry is confident of growing exports, despite the increasing use of shale gas as a feedstock for US petrochemicals production.
- However, the industry is currently affected by a slowdown in the country´s economic performance due to low oil prices, which has led to lower investments and decreased public spending. This will lead to a slow chemicals growth rate in 2016, together with squeezed cash flow in the market and increased global competition. Increased self-sufficiency in China and India at a time of slower global consumption growth will put downward pressure on prices in 2016.
- Until last year the payment experience in the chemicals sector has been good. However, given the current economic difficulties in Saudi Arabia, non-payments and business failures have increased, and are expected to rise further in the coming months. Many businesses suffer from tight liquidity and decreasing margins. Therefore, we maintain a cautious and prudent underwriting approach to the chemicals sector for the time being.

Turkey

- Turkish chemicals sector growth levelled off in 2015 as domestic demand was affected by increased political volatility (two major general elections in June and November 2015). In 2016 chemicals sales and production are expected to grow again, driven by increasing demand from main buyer industries like construction and textiles.
- As the Turkish chemicals sector is mostly domestic market-oriented and dependent on imports, businesses' profit margins were negatively affected by increased exchange rate volatility over the last 12 months. Due to the expected stability of the exchange rate of the Turkish lira against the euro and the US dollar, it is forecast that profit margins will rebound in 2016. Lower oil prices also have a positive effect on industry performance.
- As foreign global players have entered the Turkish market (especially in the paint and pharmaceuticals segments) competition is high for local players, despite regulations to support domestic companies in some segments.
- The overall indebtedness of businesses is average in this sector, but has increased recently for many businesses due to the lira depreciation. That said, banks are generally willing to provide loans to the chemicals industry.
- The average payment duration in the Turkish chemicals industry is 150 days. The number of payment delays and insolvency cases was high at the end of 2015, with financially weaker players leaving the market. Insolvencies are expected to level off in 2016.
- Due to the currently more volatile economic and political situation in Turkey and the increase in insolvencies and deteriorated payment behaviour seen at the end of last year, our underwriting stance on chemicals is currently more restrictive, especially if the buyers are not part of a large group.

United States

- The US chemicals industry accounts for about 15% of global chemicals output and employs more than 800,000 people. Chemicals is a broad ranging sector and an ingredient in a variety of products, touching around 95% of manufactured goods in the US, and is therefore highly exposed to the broader economy and manufacturing activity.
- US chemicals production grew 3.5% in 2015, and is expected to increase 1.4% in 2016 and 3.5% in 2017. The US has moved from being a high-cost producer of key petrochemicals and resins to being the world's second lowest cost producer. However, the strong US dollar hurts US chemicals exports.
- The industry as a whole benefits from lower operating costs resulting from cost restructuring, generally high cash balances, and improved debt maturities profiles compared to a few years ago. Banks are generally willing to provide loans to the industry.
- US chemicals businesses' profit margins are generally stable, and the amount of protracted payments in this sector is low. On average, payments in the chemicals industry take between 30 and 90 days. After decreasing in 2015, chemicals insolvencies are expected to decrease further or to level off in 2016.
- Our underwriting approach to the chemicals sector remains generally positive to neutral. As the sector is highly fragmented and dependent on the broader economy and input costs, we scrutinise single subsector trends and end-markets.
- That said, our underwriting approach is more cautious for the energy and fuel/oil subsector, especially for smaller and regional players in this segment. Since the decrease in oil prices started in Q4 of 2015 we closely monitor liquidity and business outlook for public and private buyers in this subsector.

Industries performance forecast per country

July 2016

	Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services
Austria	⛅	🌧	☀	☁	⛅	☁	⛅
Belgium	☁	⛅	☀	🌧	☁	⛅	⛅
Czech Rep.	⛅	☀	⛅	🌧	☁	☁	⛅
Denmark	⛈	☁	☀	☁	🌧	☁	☁
France	⛅	☁	☀	🌧	☁	☁	⛅
Germany	☁	☁	⛅	⛅	☁	☁	⛅
Hungary	☁	☁	⛅	☁	☁	☁	☁
Ireland	☁	☁	⛅	☁	☁	☁	☁
Italy	☁	☁	⛅	⛈	⛅	⛅	⛅
The Netherlands	⛅	☁	☀	🌧	🌧	☁	⛅
Poland	⛅	🌧	☁	🌧	🌧	☁	⛅
Portugal	☁	☁	🌧	🌧	☁	🌧	🌧
Russia	🌧	⛈	☁	🌧	🌧	🌧	🌧
Slovakia	🌧	⛅	⛅	⛈	☁	☁	⛅
Spain	☁	⛅	⛅	🌧	☁	☁	☁
Sweden	⛅	☁	⛅	☁	⛅	⛅	⛅
Switzerland	⛅	☁	⛅	☁	⛅	☁	☀
Turkey	⛅	⛅	☁	🌧	☁	🌧	⛅
UK	⛅	☁	⛅	🌧	☁	☁	☁
Brazil	☁	🌧	☁	🌧	⛈	⛈	⛅
Canada	☀	☁	☁	☁	☁	☁	☀
Mexico	☁	⛅	☁	🌧	☁	☁	⛅
USA	☁	⛅	⛅	☁	☁	⛅	⛅
Australia	⛅	🌧	☁	🌧	☁	⛅	⛅
China	☀	☁	☁	🌧	☁	☁	☀
Hong Kong	N/A	☁	☁	☁	⛅	⛅	⛅
India	☁	☁	⛅	🌧	☁	☁	☁
Indonesia	☁	🌧	☁	☁	☁	☁	☁
Japan	⛅	☁	☁	☁	☁	⛅	⛅
New Zealand	⛅	🌧	⛅	⛅	🌧	⛅	⛅
Singapore	⛅	🌧	☁	🌧	☁	☁	⛅
Taiwan	N/A	🌧	☁	☁	⛅	⛅	☁
Thailand	☁	☁	☁	☁	🌧	☁	☁
United Arab Emirates	⛅	☁	☁	🌧	🌧	🌧	⛅

Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles
Good	Good	Fair	Fair	Good	Poor	Poor
Good	Fair	Fair	Poor	Poor	Fair	Poor
Fair	Fair	Fair	Fair	Fair	Poor	Poor
Good	Fair	Fair	Bleak	Fair	Poor	Poor
Good	Fair	Fair	Poor	Fair	Fair	Poor
Fair	Good	Fair	Poor	Good	Fair	Poor
Fair	Good	Poor	Fair	Good	Poor	Poor
Good	Fair	Fair	Bleak	Poor	Fair	Poor
Good	Fair	Poor	Poor	Good	Poor	Poor
Good	Fair	Poor	Fair	Good	Poor	Poor
Fair	Fair	Fair	Fair	Good	Fair	Fair
Fair	Fair	Poor	Fair	Good	Poor	Fair
Poor	Poor	Poor	Fair	Poor	Poor	Poor
Fair	Good	Fair	Fair	Fair	Poor	Poor
Good	Fair	Poor	Poor	Fair	Poor	Poor
Good	Good	Poor	Fair	Fair	Poor	Poor
Good	Good	Fair	Bleak	Good	Poor	Fair
Good	Fair	Bleak	Poor	Poor	Fair	Poor
Fair	Fair	Bleak	Poor	Fair	Bleak	Poor
Good	Poor	Poor	Poor	Fair	Poor	Poor
Good	Fair	Fair	Poor	Good	Fair	Bleak
Good	Fair	Poor	Good	Good	Poor	Poor
Good	Fair	Poor	Poor	Good	Poor	Fair
Good	Fair	Poor	Poor	Fair	Poor	Poor
Fair	Fair	Bleak	Poor	Good	Bleak	Poor
Excellent	Fair	Poor	Fair	Good	Poor	Fair
Good	Fair	Poor	Good	Good	Poor	Fair
Good	Fair	Poor	Fair	Fair	Poor	Fair
Good	Fair	Fair	Fair	Fair	Fair	Poor
Fair	Fair	Fair	Poor	Poor	Poor	Poor
Good	Fair	Fair	Fair	Good	Poor	Fair
Excellent	Fair	Poor	Fair	Good	Poor	Fair
Good	Fair	Fair	Fair	Fair	Poor	Bleak
Poor	Fair	Poor	Fair	Good	Poor	Poor

Excellent

Good

Fair

Poor

Bleak

Industry performance

Changes since June 2016

Europe

Portugal

Agriculture

Down from Good to Fair

Food

Down from Good to Fair

Both sectors are negatively affected by lower exports (especially to Angola and Brazil) and lower investments.

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