

COFACE RISK REVIEW

COUNTRY AND SECTOR RISKS (October 2026)



By the Coface
Economic
Research team

EDITORIAL by Jean-Christophe Caffet, chief economist

RATES AGAINST THE MACHINE

Just as we expected – and we made it our headline last June¹ – the relief following the signing of a memorandum of understanding (MoU) between the US and Iran at the start of the summer proved to be short-lived. Hostilities erupted again midway through July, triggering a fresh surge in hydrocarbon prices (+50 per cent for oil and +100 per cent for natural gas) and petrochemical derivatives. At a time when agricultural commodity prices were spiking (+40 per cent year-on-year notably for wheat) due to an escalation of the conflict between Ukraine and Russia that saw airstrikes on grain terminals on the Black Sea and when Europe was gripped by heatwaves and drought, the spectre of another inflationary crisis was in already there in the making. All the more so as transport costs – fuel, freight rates to mention a few – have also been rising. On top of this, supply lead times are lengthening, with the prospect of shortages of certain products also looming on the horizon. Put simply, value chains are again coming under severe strain.

In such an environment, it is no surprise that the spate of interest rate hikes that (re)emerged at the start of the year extended throughout the summer. The trend even accelerated given the shift in tone employed by several central banks, some of which are determined to quicken the pace of the hikes, as opposed to others that are keen to preserve their sacrosanct credibility. The Fed has followed in the ECB's footsteps, in contrast to the Bank of England, which is for the time being the only major central bank to maintain the status quo. Rising (imported) inflation, interest rates, current expenditure and/or investment: the situation is becoming a thorn in the side for many countries, especially those that have already reached their debt limits and have limited fiscal headroom. Viewed over the short term, this is where one of the main risks to financial, economic and social stability resides – a risk that was previously hidden but is now plain to see. And the primary stage for the resurgence of this risk may well be Europe.

The global economy is holding up for the time being – driven in particular by AI investments and the associated wealth effects – and the risks are obviously on the downside. The stabilisation in economic activity that we forecast for next year (+2.6 per cent, following +2.5 per cent in 2026) not only implies that these risks do not materialise, but above all, that a lasting solution can be found to a conflict whose impact on the global economy will increase, as is often the case. At present we forecast that it will lop off half a percentage point of GDP cumulatively over 2026 and 2027. Against this backdrop, and as part of our country and sector risk assessment process, we have carried out 4 country upgrades and 3 downgrades, as well as 8 sector upgrades and 12 downgrades.

¹ See the COFACE Barometer, June 2026: Hydration Break in the Persian Gulf

OPENING

INTERNATIONAL RELATIONS

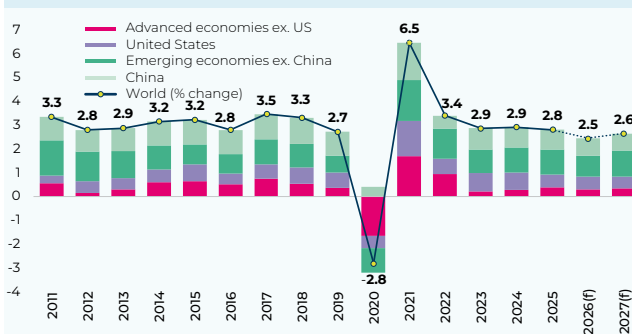
by Thomas Gomart, director of IFRI

Since February 2026, Israeli-American strikes on the Islamic Republic of Iran have led to significant pressure on energy prices. By killing the Supreme Leader and several key leaders, Israel and the United States were pursuing a twofold objective: to destroy Iran's nuclear programme and to bring about regime change in Iran with the support of the population. Whilst the first objective was partially achieved, the second was not. Tehran responded with a form of strategic guerrilla warfare – that is, operations designed to disrupt the flow of regional trade, with global consequences. Clearly, Israeli and American planners had not anticipated the closure of the Strait of Hormuz.

Yet this is a textbook case in strategic thinking. International trade is conducted mainly by sea for reasons of flexibility and carrying capacity. The container ship symbolises globalisation more than any other mode of transport. This makes straits critical chokepoints from which it is possible to exert pressure that is felt in distant markets. Subject to heavy sanctions for over a decade, the Iranian regime is reminding the world that it can also impact advanced economies, which remain dependent on oil and gas transiting through Hormuz and Bab el-Mandeb.

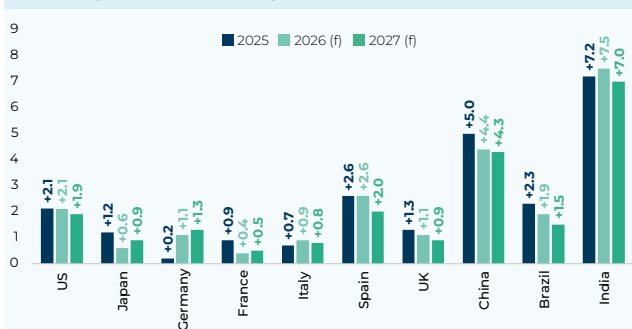
The Europeans had to weather the energy crisis triggered by Russia in 2022; they must now weather the one triggered by the United States in 2026. These two oil-producing nations now find themselves, moreover, in a strategic impasse. This is why the Europeans must rethink the parameters of their energy security. The United States has become their leading supplier, which further destabilises the transatlantic relationship. They must also remember that the Suez Canal was closed for eight years following the Six-Day War. In other words, the smooth flow of trade is never entirely guaranteed. The situation in Hormuz and Bab el-Mandeb serves as a reminder of this.

Chart 1:
Global real GDP growth (market exchange rate, %)



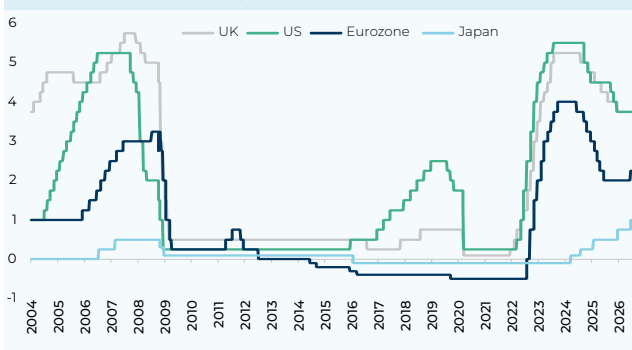
Sources: IMF, national statistical institutes, Refinitiv Datastream, Coface forecasts

Chart 2:
Real GDP growth (annual average, %)



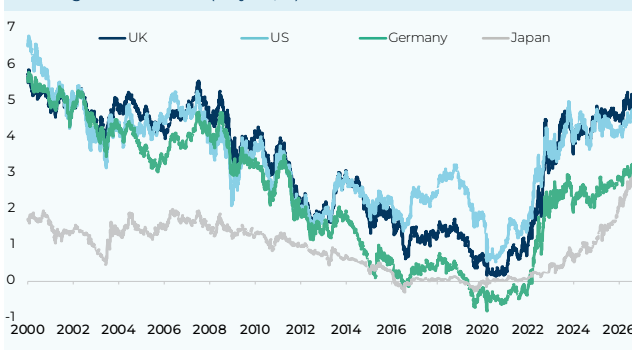
Sources: IMF, national statistical institutes, Refinitiv Datastream, Coface forecasts

Chart 3:
Central Bank's base rates (%)



Sources: BoE, Fed, BOJ, Coface, Macrobond

Chart 4:
Sovereign interest rates (10-year, %)



Sources: Macrobond, Coface

GLOBAL ECONOMY

Almost eight months after the start of the war in the Middle East, maritime traffic remains disrupted in the region. Oil prices rose above the threshold of US\$100 per barrel in September. The prospects for an end to the crisis remain unclear. Whilst crude oil prices have avoided reaching historic highs, the markets for refined products are under greater strain, suffering from reduced refining capacity due to the situation in the Middle East, as well as the intensification of Ukrainian strikes on Russian infrastructure. Beyond oil, prices across the board for commodities experienced a particularly volatile end to the summer (see 'Commodities' box on p. 7).

With fears of inflationary pressures prompting central banks to adopt more restrictive monetary policies, we forecast a cumulative total cost of 0.5 percentage points to global growth, spread across 2026 and 2027 (chart 1). Whilst most economies held up relatively well in the first half of 2026 – prompting us to revise our global growth forecast upwards from 2.3 per cent to 2.5 per cent – the negative effects of inflation and widespread monetary tightening will be felt more keenly towards the end of the year and in early 2027.

The apparent (slight) rebound in global growth in 2027 to 2.6 per cent is misleading: the vast majority of economies will slow down or, at best, record growth similar to that of 2026 (chart 2). Only the Gulf states (should the ongoing conflict be resolved) and, to a lesser extent, countries implementing massive fiscal stimulus programmes, such as Germany or Japan, are expected to accelerate next year. The US and Chinese economies are expected to continue to slow gradually, as are the major emerging economies.

Despite differing dynamics, particularly in terms of domestic demand, the Fed, the ECB and the Bank of Japan are all expected to raise their key interest rates once more by the end of the year, having already done so at the start of the autumn (chart 3). The continuation and extent of tightening next year remain, of course, uncertain at present and will depend on geopolitical developments. Against this backdrop of persistent inflationary pressures and growing financing needs, long-term sovereign bond yields have risen to levels not seen for two decades (chart 4). This further complicates the fiscal situation in most advanced economies and raises the spectre of sovereign crisis once again.

AMERICAS

NORTH AMERICA

A sturdy **US** consumer and a still buoyant AI industry continue to fuel momentum, and we expect this to continue in 2027. The job market remains solidly near full employment (jobless rate ~4%, low-hire low-fire), advanced manufacturing sectors (pharmaceuticals, semiconductors/computing equipment, batteries, aerospace/defense) are driving industrial output at a 4% annualized rate. An acute and durable degradation of global energy markets or a major disappointment in AI industry profits are material risks looming over this outlook.

In August, the Treasury's attempts at suppressing bond yields only aggravated investor's concerns over the US's institutional credibility. Against this backdrop, the Fed must send a strong independence signal and is therefore likely to deliver an additional 25 bps hike by year-end, on top of September's increase. We remain agnostic regarding the Fed's appetite for further hikes in 2027, as the prolonged stalemate in the Strait of Hormuz makes the future path of inflation particularly uncertain. Financial conditions trend toward tightening, but the strongest impact remains concentrated on rate-sensitive sectors, notably construction (through mortgage rates) and borrowers dependent on private credit. However, the Fed's July Senior Loan Officer Opinion Survey does not yet signal a tightening of lending standards (**chart 5**), and lending to corporates continues growing (**chart 6**). In the aggregate, corporate credit is becoming pricier, but not necessarily harder to obtain.

The decision not to extend the USMCA in July, while not affecting the agreement's validity for at least another decade, was followed by an escalation in trade tensions with **Canada**. The US imposed 50% tariffs on USD 20 billion of Canadian goods (0.4% of Canadian GDP), prompting equivalent Canadian retaliation (0.05% of US GDP). In addition, tariffs on automobiles and auto parts, a sector largely spared so far, are set to rise to 50% and extend to previously exempt USMCA-compliant goods from January 1st unless an agreement is reached. Meanwhile, **Mexico** and the US are reportedly inching toward an interim deal formalizing partial advances. Neither of these developments are definitive markers of where the trilateral relationship will eventually land: Mexico and the US can still clash on thornier issues post-midterms, while the fault lines could move on the Canada front as we approach January 1st.

Chart 5:
US Corporate borrowing rates, bonds and banks

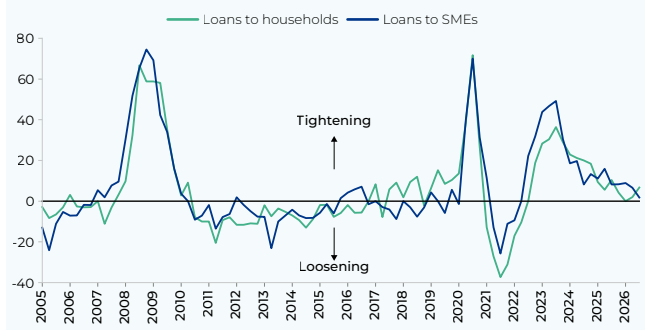
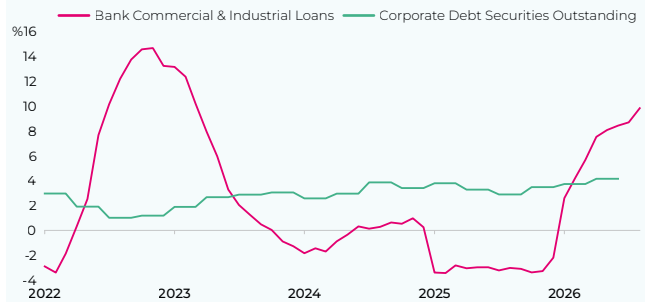


Chart 6:
US: growth in bank lending and debt securities outstanding, non-financial corporations (YoY, %)



SOUTH AMERICA

Brazil's GDP growth slowed to 0.5% QoQ in Q2, from 1.1% in Q1, as weaker private consumption partly reversed earlier gains. Against this backdrop, and with the Central Bank's inflation forecast for the relevant policy horizon (Q1 2028) close to target at 3.2%, policymakers cut the Selic rate by 25bps to 13.75% in September (**chart 7**) and signaled room for further easing, depending on how conditions evolve. Even so, the outlook for 2027 remains clouded by still restrictive credit conditions and by the prospect of a relatively tighter fiscal stance, regardless of who wins in the closely contested presidential runoff this month.

Meanwhile, Argentina's economy slid by 0.6% QoQ in Q2 (**chart 8**), amid a drop in domestic demand that offset the contribution of surging exports. Looking ahead, growth is expected to slowly regain traction (GDP forecasts: 2.1% in 2026 and 2.9% in 2027), as investments, particularly in the mining and oil & gas sectors, improve at the margin and private consumption benefits from expected lower inflation. However, the risks remain skewed to the downside, given the current high level of household loan delinquency (12.9% of total bank credit in July 2026) and the presidential election in October 2027, which could trigger greater market volatility next year.

As for Chile, the economy festered in Q2, accumulating a 0.3% YoY slide in H1 2026, weighed down by supply-side disruptions, affecting fishing, mining, and agriculture. A more meaningful recovery is expected to take hold in 2027 (GDP forecasts: 0.7% in 2026 and 2.8% in 2027), supported by a strong pipeline of mining investment projects and a more business-friendly environment. Recently, a gradual reduction in corporate income tax rate was approved from 27% to 23% by 2029.

Still, the El Niño economic impact on the region is likely to intensify in the coming months. So far, the most visible effects include a reduction in daily vessel authorized to cross through the Panama Canal (from roughly 36 to 32 ships) and a sharp decline in Peru's fishing activity, which fell 33% YoY in the year through July.

Chart 7:
Brazil: Inflation and interest rates (annual, %)

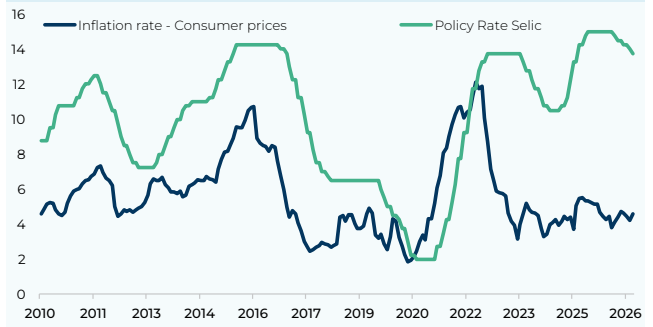
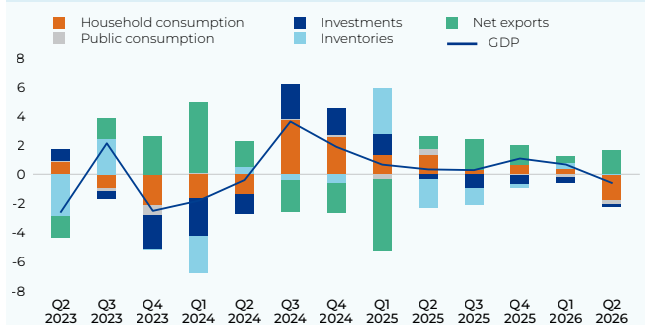


Chart 8:
Argentina: real GDP growth - quarterly evolution (QoQ, seasonally adjusted)



EUROPE

WESTERN EUROPE

The outlook continues to darken for the **French** economy with less than a year to go before elections that are as decisive as they are uncertain. As anticipated, the resilience of economic activity, driven mainly by exports and public spending, did not last. Private domestic demand, which has been sluggish since late 2024 (**chart 9**), will struggle to recover given the political and fiscal uncertainty, given the scale of the challenge facing public finances.

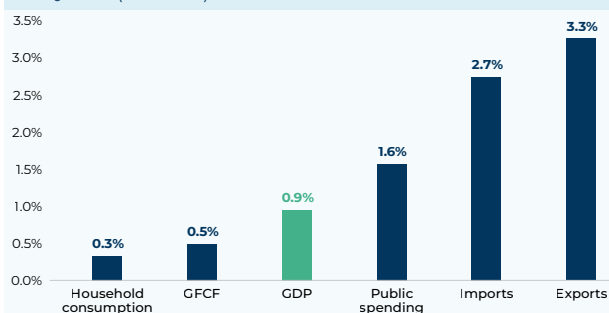
The public deficit will widen once again in 2026 to 5.4% of GDP, and debt will reach 120% of GDP. The greatest cause for concern is interest payments (€75 billion in 2026, or 2.5% of GDP), which will continue to rise rapidly over the coming years as bonds issued at very low rates gradually mature and are refinanced. Against the backdrop of soaring global interest rates, French government bonds are therefore particularly vulnerable, pushing the French 10-year bond yield to almost 5 per cent and, above all, widening the yield spread with Germany to levels not seen since the eurozone sovereign debt crisis (**chart 10**). The more interest charges rise, the greater the primary effort required to stabilise the debt will be (in the region of €170 billion by 2032, should rates remain at 4.5% for a sustained period). And this is taking place against a backdrop of social and political instability, with no consensus on the restoration of public finances.

The **German** economy has shown surprising signs of resilience during the summer months, helped by better-than-expected exports (mainly to the EU) and robust performance in the chemicals and electrical engineering sectors. Business confidence indicators have been improving for five consecutive months but consumer confidence has moved lower over the summer months as households are impacted by record-high fuel prices. Problematically, credit risk is still rising. Insolvencies are increasing (+7% YoY in H1 2026) and the share of companies that are reporting being impacted by payment delays has risen to 82%, its worst reading since 2019, according to the Germany Corporate Payment Survey 2026.

In the **UK**, the first half of 2026 was underpinned by resilient consumer spending, stable investment and export growth. However, the full impact of higher energy costs has yet to feed through to households, with heating and electricity prices expected to rise further, particularly in Q1 2027. Fiscal uncertainty ahead of the first budget under Andy Burnham's Labour government is also weighing on sentiment, amid concerns over spending plans and fiscal headroom. Combined with tighter liquidity and higher interest rates for businesses, these pressures are likely to reverse the recent improvement in insolvencies.

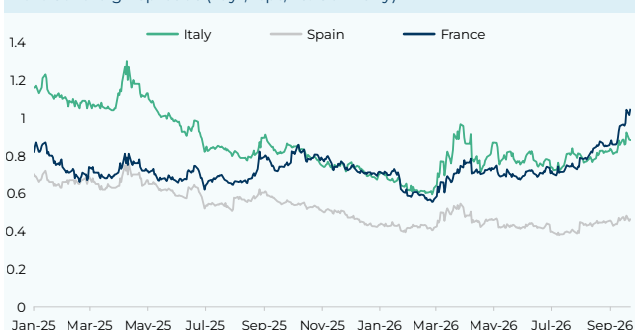
Italy's economy proved more resilient than expected in H1 2026, with quarterly GDP growth of 0.3% in Q1 and 0.2% in Q2. Investment is supported by EU-funded infrastructure projects, offsetting the decline in residential construction (**chart 11**). The **Spanish** economy remains on a solid footing, thanks to immigration-fueled employment growth and EU funds. While private consumption has held up well so far in both countries, persistent inflationary pressures are expected to have a more tangible impact in the coming quarters.

Chart 9:
France: cumulated change in GDP components between Q4 2024 and Q2 2026 (in volume)



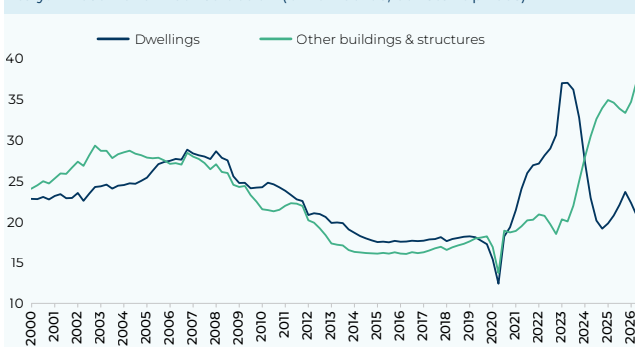
Note: GFCF: Gross Fixed Capital Formation
Sources: INSEE, Macrobond, Coface

Chart 10:
Euro sovereign spreads (10yr, %pt, vs. Germany)



Sources: Macrobond, Coface

Chart 11:
Italy: Investment in construction (billion euros, constant prices)



Sources: Istat, Macrobond, Coface

Chart 12:
Central and Eastern Europe: change of goods exports in 2026 (volumes)



Source: Eurostat, Coface

CENTRAL & EASTERN EUROPE

Improved economic activity in Germany, a key trading partner for CEE, has provided an important tailwind for the region, partly offsetting unfavorable geopolitical developments. Goods export volumes have accelerated in Q2 and are now growing year on year in most countries (**chart 12**). At the same time, imports from Germany have also increased, reflecting CEE's growing importance as a consumer market for German goods.

Investment is another factor supporting regional growth. Defense and dual-use spending under the SAFE European programme, together with accelerating infrastructure investment financed by RRF funds, is feeding into the regional economy¹. Capital expenditure has supported some of the EU's fastest-growing economies in Q2, including **Poland**, **Slovenia** and **Lithuania**. These inflows should continue at least through the remainder of the year and the beginning of 2027.

On the other hand, intensifying inflationary pressures pose a risk to the growth outlook. Although central banks across the region maintain divergent policy stances, recent months have brought a broad hawkish shift. The National Bank of Poland has stopped considering rate cuts, the Hungarian National Bank has paused its easing cycle, and the Czech National Bank has reiterated upside risks to interest rates. Rate hikes by the European Central Bank are also putting pressure on sovereign central banks from the region.

¹ SAFE (Security Action for Europe) is an EU programme that provides financial support to boost joint defence procurement and strengthen Europe's defence industry and military capabilities and RRF (Recovery and Resilience Facility) is the EU's flagship recovery fund, providing grants and loans to support reforms and investments that strengthen economic growth, resilience, and the green and digital transitions.

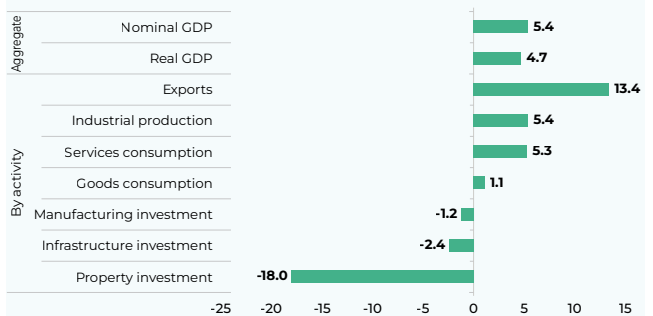
ASIA

CHINA

China's domestic momentum has notably weakened since Q2 (chart 13). Slower fiscal spending, weak corporate profitability and anti-involution campaigns weighed on investment. In response, the July Politburo meeting highlighted the "six-network" scheme, covering power grids, computing power and next-gen communications, to offset declining investment in transport and water conservancy. For consumption, auto and home appliance sales declined as trade-in subsidy effects faded, while consumer sentiment remained subdued amid a housing downturn. To reduce delivery risks and restore buyer confidence, authorities plan to gradually phase out the presale model. But this could lead to more cautious land purchases, further weighing on property investment and local government revenues.

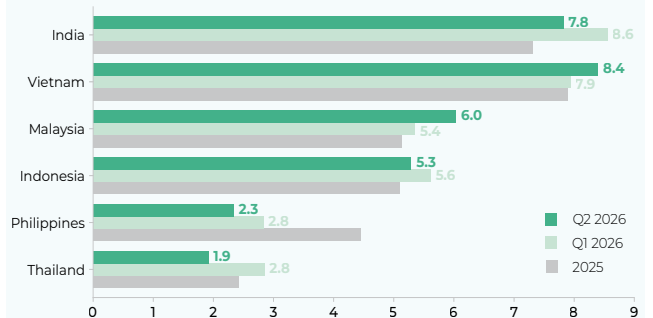
Meanwhile, exports remained supported by demand for AI-related and green-tech products. Export prices have also risen YoY since April, particularly for chemicals, metals and ICT goods. However, overall export prices remain at 2023 levels, and concerns over China's low-cost competition are gaining ground, especially in Germany. Despite growing calls in the EU for tougher trade measures against China, both sides agreed on further negotiations. Nevertheless, meaningful trade rebalancing appears unlikely within a short period, making product-specific friction in areas like PHEVs (Plug-in Hybrid Electric Vehicles), chemicals and steel still possible.

Chart 13:
China: economic activity (YoY, H1 2026, % change)



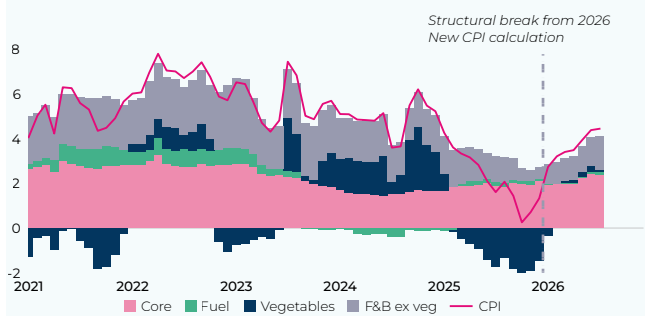
Sources: NBS, Coface

Chart 14:
Emerging Asia: real GDP Growth (YoY, %)



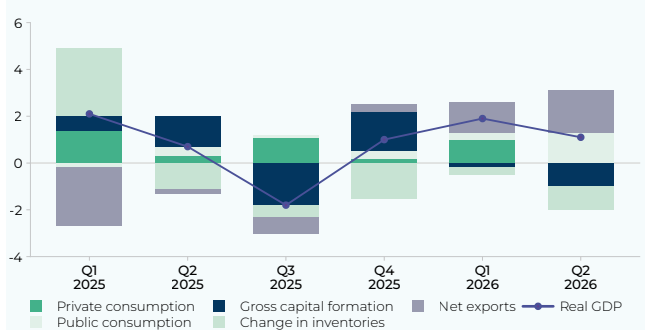
Sources: government sources, Coface

Chart 15:
India: contribution to the inflation (YoY, %)



Source: MoSPI, Coface

Chart 16:
Japan: real GDP (QoQ, % saar)



Sources: Cabinet office, Coface

EMERGING ASIA

Southeast Asia's economies have been fairly resilient though their outlook remains challenging. Government measures in some regional economies mitigated the impact of the Middle East conflict but growth across the region is diverging sharply (chart 14). **Vietnam** and **Malaysia** are outperforming, supported by technology exports linked to the global AI-infrastructure buildout. Although **Indonesia** remained resilient, growth has become increasingly dependent on government spending, raising questions about its sustainability, while renewed anti-corruption protests have added political uncertainty. **Thailand** and the **Philippines** are the weaker links. Thai growth slowed in Q2, with consumption, manufacturing and tourism hit by higher energy costs despite strong electronics exports and investment. The Philippines growth slowed to a post-pandemic low, as weaker consumption, shrinking investment and delays to public infrastructure projects, weighed on activity. Persistent inflation has undermined business and consumer confidence.

India's growth has remained one of Asia's strongest performers, supported by infrastructure investment, resilient domestic demand and robust construction activity. However, growth may soften in the coming quarters as tighter financial conditions and elevated energy costs weigh on activity. Inflation risks have broadened, while a weaker monsoon and El Niño conditions could pressure agricultural output and food prices (chart 15). RBI measures in June have attracted strong capital inflows, supporting the rupee and strengthening external buffers.

ADVANCED ASIA-PACIFIC

South Korea and **Taiwan** remained supported by an AI-driven boom in chip and server exports, which lifted facility investment. Higher corporate tax revenues also created room for subsidies and cash handouts to cushion Middle East war impact. Strong order pipelines and capex plans suggest growth will remain resilient in the near term, but the outlook depends on the durability of the AI cycle. Sectoral divergence may also persist, with limited spillovers to non-tech sectors such as textiles and autos. Even within ICT, AI-related products have outperformed consumer-oriented segments such as LEDs, tablets and cells.

Japan, while benefiting from AI demand through semiconductor chemicals and equipment exports, has experienced softer domestic activity (chart 16). Household consumption and business investment moderated amid Middle East uncertainties. Nevertheless, inflation expectations remain anchored by rising wages and corporate earnings, together with fiscal support from a record FY2027 budget request, a 14-year JPY370 trillion strategic investment plan and a food tax cut. As such, the Bank of Japan raised rates in September, only three months after its previous hike. The move departs from its six-month per hike norm and signals a faster tightening cycle.

Australia's private demand was resilient in H1 2026, underpinned by healthy household finances and strong datacentre investment. The robust project pipeline should sustain inflationary pressures, compelling the RBA to maintain a restrictive stance.

EMERGING ECONOMIES

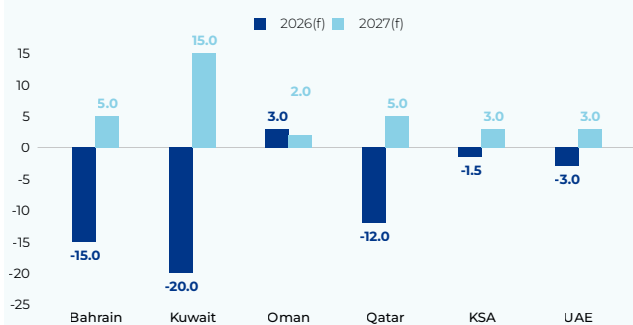
MIDDLE EAST

Economic activity across the GCC is expected to contract in 2026 as the regional conflict continues to disrupt energy production, trade, transportation and investment (**chart 17**). **Saudi Arabia** has become more exposed following attacks on energy infrastructure, ships in the strait of Bab el-Mandeb and the East-West pipeline, while the UAE remains vulnerable through its dependence on the Strait of Hormuz. **Qatar** has been particularly affected by LNG export disruptions (around 90% of total exports) weighing on production and export earnings. For **Kuwait**, interrupted oil shipments have a larger fiscal impact as hydrocarbons account for around 92% of exports and 90% of government revenues. **Bahrain** also faces pressure from weaker regional activity and limited fiscal buffers. Looking ahead, geopolitical uncertainty, higher shipping and insurance costs, and tighter financing conditions are expected to weigh on corporate profitability and payment capacity. A gradual normalization of energy production and trade flows should support a recovery in 2027, although the outlook remains highly dependent on the evolution of the conflict.

Israel's growth in 2026 is expected to remain constrained and similar to 2025 (3%) as the conflict continues to weigh on activity through labor shortages, supply-chain disruptions and weaker investment. However, growth would strengthen in 2027, supported by easing supply constraints as well as further monetary easing by the central bank in line with moderating inflation. Renewed military escalation remains the main downside risk.

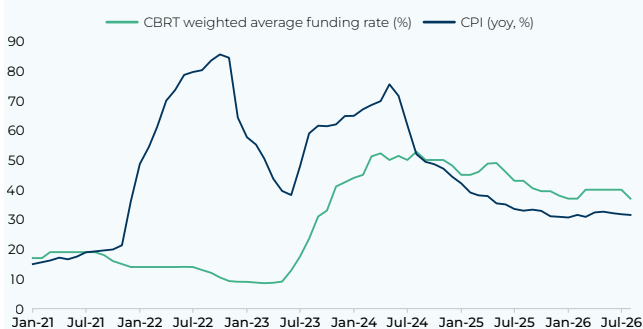
Türkiye's growth will remain moderate (3%) in 2026 amid tight financial conditions, weaker domestic demand and the impact of elevated energy prices (**chart 18**). The disinflation process should allow monetary policy to become gradually less restrictive, supporting consumption and investment. Growth should strengthen gradually in 2027 supported by further monetary easing, improving purchasing power as inflation declines and a recovery in domestic demand. Although lower, inflation is yet likely to remain elevated, requiring the central bank to maintain a cautious policy stance. Persistent geopolitical tensions, renewed energy price pressures and exchange-rate volatility remain the main downside risks to the outlook.

Chart 17:
GCC: real GDP growth projections for 2026 & 2027 (YoY, % change)



Source: Coface

Chart 18:
Türkiye: CBRT funding rate vs. inflation



Sources: CBRT, Coface

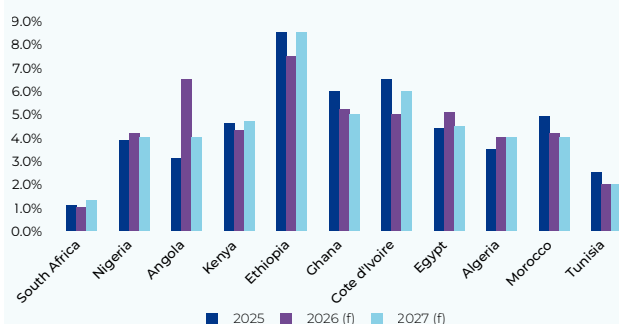
AFRICA

In H1, the overall impact of the conflict in the Middle East on sub-Saharan Africa has been contained (**chart 19**). Most countries did experience a temporary spike in inflation in the April-June period, but of limited amplitude. This is because of two main factors. First, food inflation slowed quite significantly on the continent, which partly offset energy inflation. Second, imported inflation was limited, as most currencies have held until now thanks to favourable commodity prices, still robust FDI inflows and investors' appetite for African bonds.

2026 should be better than initially expected. However, there are now more significant risks to the outlook in 2027 because the potential for additional inflation in sub-Saharan Africa is probably higher than in other regions. As we expect agro-commodity prices to increase significantly due to El Niño, food inflation will push headline inflation higher, especially as energy prices will also remain high. While external accounts have benefited from some tailwinds, investor confidence is still shaky and international bond markets are under stress. In case of capital flight due to risk-off episodes, depreciation pressures on currencies would intensify, triggering additional inflation and larger financing gaps.

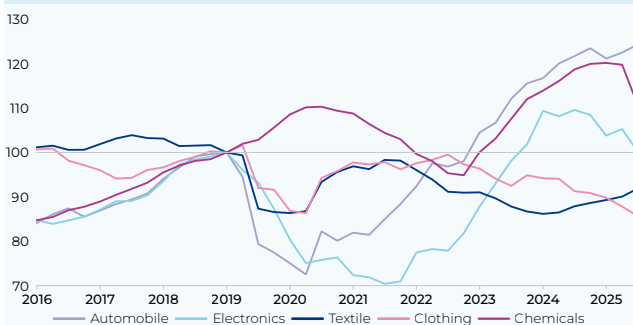
In North Africa, **Morocco** remains the best performer, thanks to its high attractiveness for foreign visitors and capital, and strong domestic demand. Nonetheless, some of its industries are experiencing a slowdown due to higher input prices and exposure to European demand (**chart 20**). **Algeria**, **Egypt** and **Tunisia** are controlling their imports to develop local production and preserve their foreign exchange reserves. Even though hostilities in the Iran war have decreased in intensity, Egypt and Tunisia are suffering from the aftermath, such as higher energy and other input prices, and cautiousness from foreign visitors. Moreover, grain imports are becoming more expensive due to the fighting in the Black Sea.

Chart 19:
African economies: Annual real GDP growth (%)



Sources: National data, IMF, World Bank, Coface calculations

Chart 20:
Morocco: Industrial production (2019 = 100, 4-quarter moving average)



Sources: Haut-Commissariat au Plan, Macrobond, Coface

IN THE SPOTLIGHT

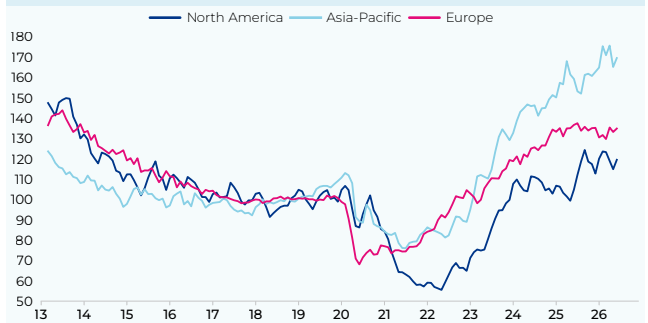
INSOLVENCIES

The first half of 2026 underscored increasingly divergent global insolvency trends (**chart 21**). North America was the main driver of the increase, with US insolvencies rising by almost 20% YoY. In contrast, Asia-Pacific saw a broad improvement, although recent months have pointed to renewed momentum in insolvency growth, particularly in Japan, Australia and Taiwan. In Europe, insolvency growth remained concentrated in France and Germany (both +7% year-on-year), with a more modest increase in Italy (+2%), while Spain, the Netherlands and the UK all recorded declines of around 5%.

Sector trends suggest growing pressure on both consumers and businesses. Higher prices and weaker consumer sentiment contributed to rising insolvencies across discretionary sectors, including retail and recreation services, while financial services also showed signs of deterioration. In Asia-Pacific, insolvencies increased across parts of the transportation and logistics sector, potentially signalling the early effects of trade and supply-chain disruptions associated with the Iran conflict.

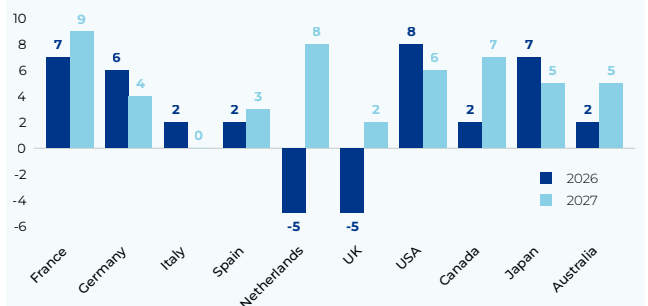
We still expect insolvencies to rise by around 6% in 2026, followed by a further 5% increase in 2027 (**chart 22**). The rise will be driven by continued growth in North America, led by the US (+6%) and Canada (+7%), alongside a reacceleration in Europe, with the largest increases expected in France (+9%) and the Netherlands (+8%). More moderate rises are forecast in Germany (+4%), Spain (+3%), and the UK (+2%), while Italy is expected to remain broadly stable. Japan and Australia are both projected to see insolvencies rise by 5%, representing a slowdown in the former and an acceleration in the latter. If realised, 2027 would mark a sixth consecutive annual increase, leaving insolvencies around 40% above their pre-pandemic average.

Chart 21:
Regional Insolvency Indices (Index [same month in 2017-19 = 100], 3-month rolling)



Sources: national sources, Macrobond, Coface

Chart 22:
Global insolvency forecast (%)



Sources: national sources, Macrobond, Coface

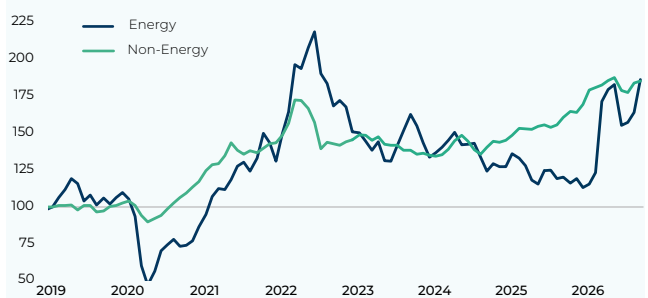
COMMODITIES

Having fallen following the peak observed in the spring, commodity prices have strengthened significantly since mid-July (**chart 23**). Geopolitical and climatic factors have played a major role in this trend. Firstly, energy flows through the Strait of Hormuz remain disrupted by the resumption of tit-for-tat reprisals between Washington and Tehran, whilst the growing involvement of the Houthi rebels has affected one of the few alternative shipping routes. **Oil prices**, which have once again crossed the US\$100 per barrel threshold, and even more so those of refined products – with diesel reaching record levels – have also been buoyed by the intensification of Ukraine's campaign against Russian energy infrastructure.

Furthermore, **agricultural** commodity prices also rose over the summer, particularly for cereals, which were hit by adverse weather conditions in several major production regions as well as logistical disruptions in the Black Sea (**chart 24**). The intensification of the El Niño phenomenon is also helping to prop up prices. Crop output will be especially exposed in Brazil, South and Southeast Asia, Australia and South Africa. Weaker harvests and rising food prices will weaken food security in vulnerable economies and add fresh momentum to global food inflation. **Industrial metals**, whose prices had been stable at the start of the year, have also recovered. Metal prices rebound as supply constraints persist, such as in Chile and in the Democratic Republic of Congo. Mine production setbacks and disruptions to GCC aluminum exports have tightened global markets, while robust demand from energy transition and digital infrastructure projects keep consumption buoyant.

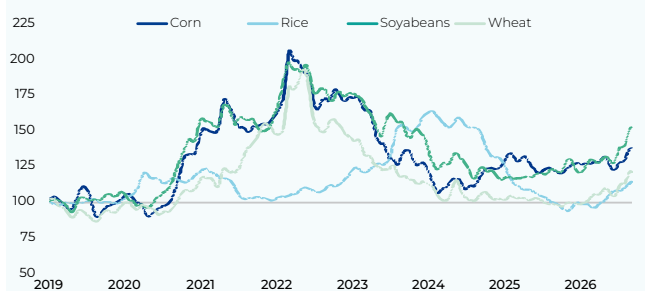
However, one of the most striking developments in recent weeks has been in the **natural gas market**. In both Europe and Asia, prices have reached their highest level in six months. The virtual halt in Qatari supplies since July has reignited concerns about winter supply. These tensions have been exacerbated by sustained demand linked to summer heatwaves (and consequently demand for air conditioning) and, in Europe, by stock levels that remain significantly below their historical average. Whilst a return to the 2022 energy crisis remains unlikely, the safety margin has narrowed significantly. Without a resumption of Qatari supplies in the coming weeks, a cold winter and potential disruptions to US LNG supplies could continue to drive prices higher.

Chart 23:
Commodity prices (GSCI, 100=01/2020)



Sources: S&P Global, Macrobond, Coface

Chart 24:
Cereals & oilseeds prices (index, 2019=100)



Sources: IGC, Macrobond, Coface

Assessment changes

Country Risk

Countries	CRA changes		
 QATAR	A3	↘	A4
 SAUDI ARABIA	A3	↘	A4
 UAE	A2	↘	A3
 BAHAMAS	B	↗	A4
 EL SALVADOR	D	↗	C
 MONTENEGRO	C	↗	B
 ZAMBIA	D	↗	C

Qatar

[Downgrade from A3 to A4] ↘

Qatar's economy is heavily reliant on hydrocarbons, which generate around 80% of fiscal revenues, 90% of exports and 35% of GDP. The country is particularly vulnerable to disruptions in the Strait of Hormuz, through which all hydrocarbon exports are shipped. Direct damage to LNG production infrastructure following missile and drone attacks on Ras Laffan Industrial City, has significantly weakened economic activity in 2026. The war is also expected to trigger a 20% year-on-year decline in tourism arrivals, a sector accounting for around 8% of GDP, adding further pressure on growth. Declining new orders and weak demand conditions are hitting business activity, while fragile business sentiment and persistent uncertainty are rising inflationary pressures in the non-energy economy.

Saudi Arabia

[Downgrade from A3 to A4] ↘

Economic activity weakened significantly in KSA, driven by a sharp contraction in oil activities (25% year on year in Q2) and a loss of momentum in the non-oil economy, where growth slowed from 3% in Q1 to below 1% in Q2. Increased risks to both the Strait of Hormuz and Bab el-Mandeb are raising concerns over export flows. The temporary shutdown of the East-West Pipeline following a drone attack highlights the vulnerability of alternative export infrastructure. Shipping disruptions, higher tanker rates, and rising security, fuel and insurance costs are weighing on corporate costs. The risk of further Fed tightening is also expected to keep financing costs elevated.

United Arab Emirates

[Downgrade from A2 to A3] ↘

The UAE's growth outlook has weakened significantly. The country remains highly vulnerable to disruptions in the Strait of Hormuz, through which around 75% of its hydrocarbon exports transit. Persistent regional tensions continue to weigh on trade, transportation, tourism and investment. Heightened geopolitical uncertainty also raises the risk of renewed disruptions to shipping routes, aviation networks, and energy infrastructure. Further Fed tightening could lead to higher financing costs, while lower profit margins are increasing corporate payment risks.

Bahamas

[Upgrade from B to A4] ↗

Bahamas's fiscal outlook is underpinned by sustained fiscal consolidation, which has enabled a return to moderate fiscal deficits and the maintenance of primary surpluses. This is supporting a downward public debt trajectory,

BUSINESS DEFAULT RISK

A1 Very Low	B Fairly High
A2 Low	C High
A3 Satisfactory	D Very High
A4 Reasonable	E Extreme

 Upgrade
 Downgrade

as reflected in Moody's upgrade from B1 to Ba3 in April 2026. Political stability and an enhanced anti-money laundering and counter-terrorism financing framework strengthen the predictability of economic policies and the continuation of structural reforms. Ongoing investments in energy, port and tourism infrastructure are supporting growth prospects and helping address structural bottlenecks. The country's dynamic tourism sector supports economic growth, fiscal revenues and foreign exchange earnings.

El Salvador

[Upgrade from D to C] ↗

Economic growth in El Salvador has gained momentum in recent years, driven by a strong expansion in the tourism and construction sectors, supported by improved security conditions and a broad deregulatory push. Remittance inflows, equivalent to roughly 23% of GDP, have also remained resilient, underpinning household consumption and supporting domestic demand. In addition, the authorities reached a staff-level agreement with the IMF in September 2026 on the combined second and third reviews of the USD 1.4 billion Extended Fund Facility (EFF). The Fund welcomed the continued implementation of prudent macroeconomic policies and acknowledged progress in strengthening fiscal and external buffers.

Montenegro

[Upgrade from C to B] ↗

Montenegro's economy is growing at a solid pace, supported by declining unemployment, which is driving private consumption. Economic activity is broadly unaffected by the consolidation of fiscal deficit, which will likely lead to reduction of the deficit to 3.5% of GDP in 2026. The ongoing EU accession process, officially targeted for 2028 but more realistically expected around 2030, is already driving reforms in the areas of rule of law, anti-corruption and governance. The prioritization of EU accession has also helped to ease the ethnic and political divisions by giving the political elite a common objective.

Zambia

[Upgrade from D to C] ↗

Having nearly exited sovereign default and completed its IMF-supported programme in 2026, Zambia is expected to maintain fiscal consolidation. Growth has remained relatively solid, supported by the mining sector and structural reforms. Supported by strong copper demand, FDI inflows into the mining sector and improved investor confidence, the currency has remained resilient and continued to support disinflation. Zambia's economy remains highly dependent on mining and poorly diversified. El Niño could affect agriculture, hydroelectricity generation and mining output. However, improved macroeconomics fundamentals and strong copper demand and prices should improve resilience to such shocks. Pro-business reformist Hakainde Hichilema was re-elected in the August 2026 elections.

Changes in sectors assessment

DOWNGRADES			
 Agri-food			
 ARGENTINA			
 AUSTRIA			
 FRANCE			
 POLAND			
 SAUDI ARABIA			
 UAE			
 Automotive			
 ARGENTINA			
 Construction			
 CANADA			
 Wood			
 FRANCE			
 Pharmaceuticals			
 SOUTH KOREA			
 Transport			
 SAUDI ARABIA			
 UAE			

Across Europe, the deterioration in the agrifood sector is primarily the result of the extreme weather conditions that marked the summer of 2026. In **France**, intense heatwaves severely reduced cereal yields, with maize output suffering particularly sharp losses, while the livestock and dairy industries remain under pressure. In **Austria**, a combination of drought and extreme temperatures led to an exceptional rainfall deficit, weighing heavily on crop production. **Poland** has faced similar challenges. Overall, adverse weather conditions have emerged as the main driver of rising sector risk across the region.

In the **UAE** and **Saudi Arabia**, vulnerability stems less from domestic production than from a heavy reliance on food imports. Tensions in the Strait of Hormuz and the Red Sea have heightened the risk of supply-chain disruptions, longer shipping routes and higher freight, insurance and financing costs. The resulting squeeze in distributors' margins is increasing supply risks, particularly for fresh products and imported agricultural inputs.

In **Argentina**, the sector continues to operate in a challenging financial environment marked by insolvencies among agricultural players, elevated costs and compressed margins. Crop prospects remain relatively supportive thanks to the expected positive impact of El Niño on rainfall, particularly for corn and soybeans. However, an excessively strong event could trigger flooding and disrupt farming operations, limiting the climate-related upside.

BUSINESS DEFAULT RISK



Low risk



Medium risk



High risk



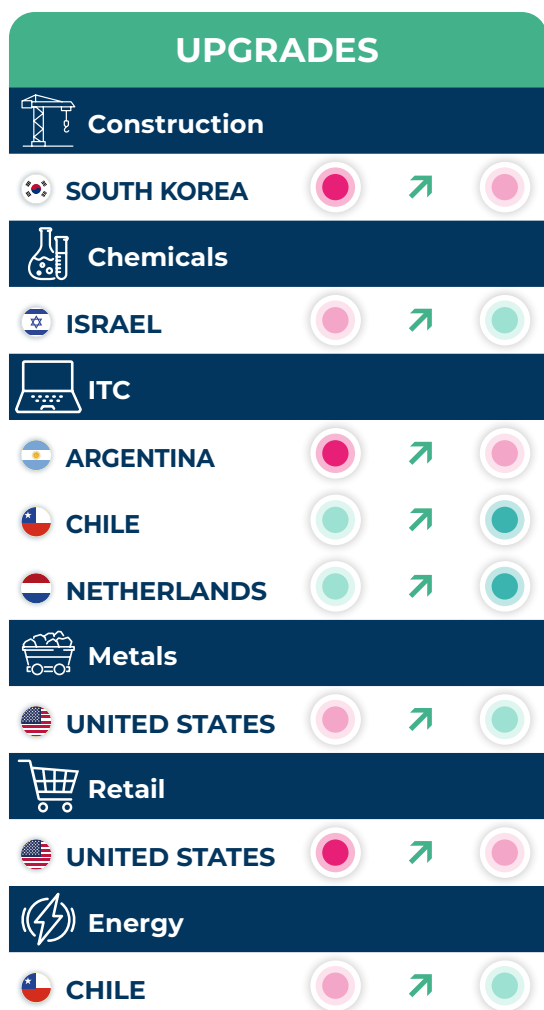
Very high risk



Upgrade



Downgrade



The US retail industry has weathered the trade war and Hormuz shocks better than expected. Real goods sales are growing around 2% y/y, broadly in line with the pre-pandemic trend. This resilience reflects a favorable wealth effect from strong equity markets, a still-stable labor market, and a boost to disposable income from exceptionally large tax refunds in Q2 2026. Tariff pressures have also eased following the Supreme Court's February decision striking down IEEPA tariffs and the resulting refunds. We expect this resilience to persist into 2027. However, risks remain unevenly distributed. Spending strength is concentrated among middle- and upper-income households, while lower-income consumers gain little from asset appreciation and continue to face purchasing power erosion. As a result, we expect weakness in staples retail (food, household essentials and discount chains). Department stores remain pressured by the shift toward e-commerce, while home furnishings and hardware retailers continue to suffer from the housing downturn.

BUSINESS DEFAULT RISK

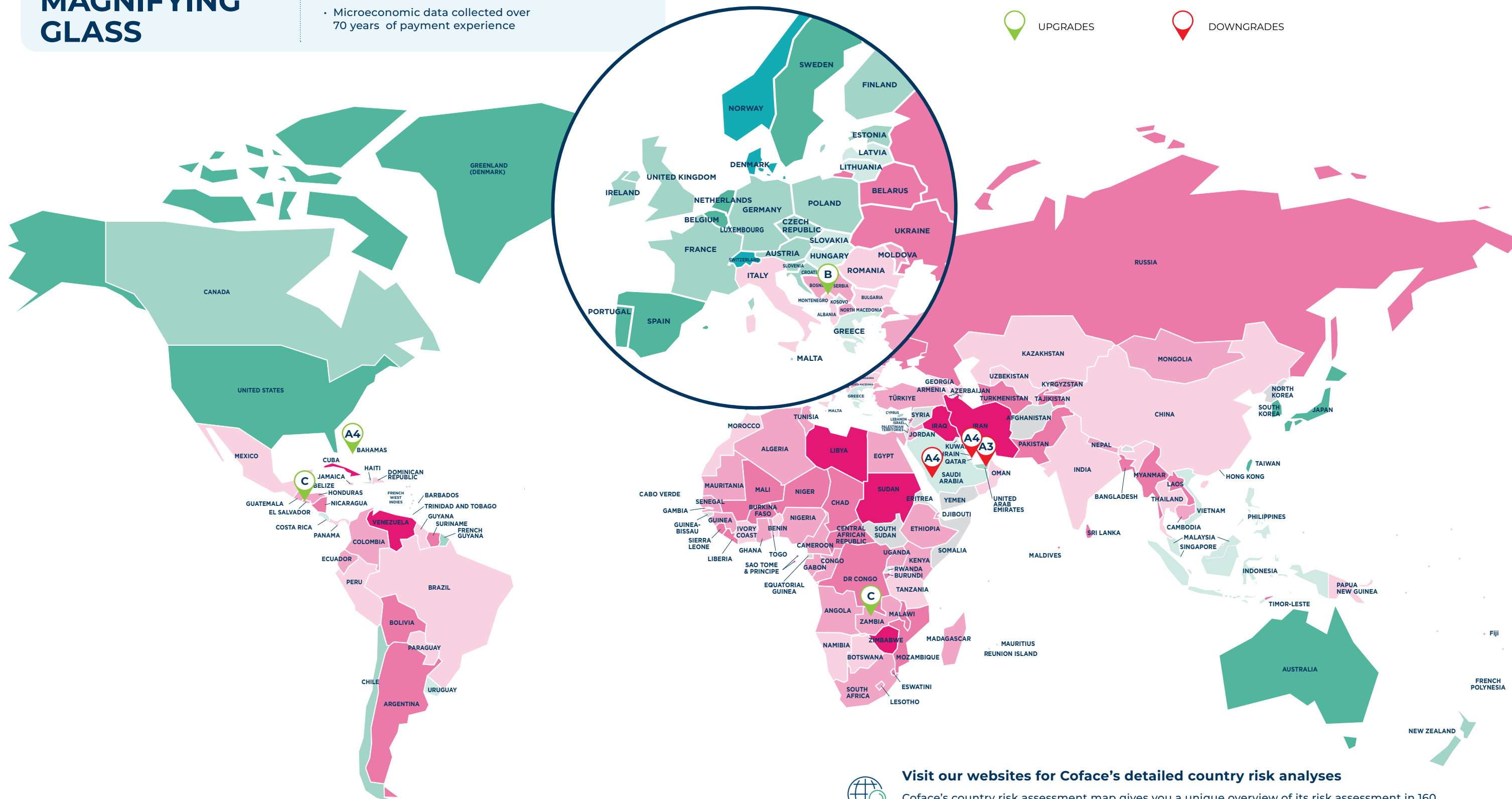


COUNTRY RISK ASSESSMENT MAP

160 COUNTRIES UNDER THE MAGNIFYING GLASS

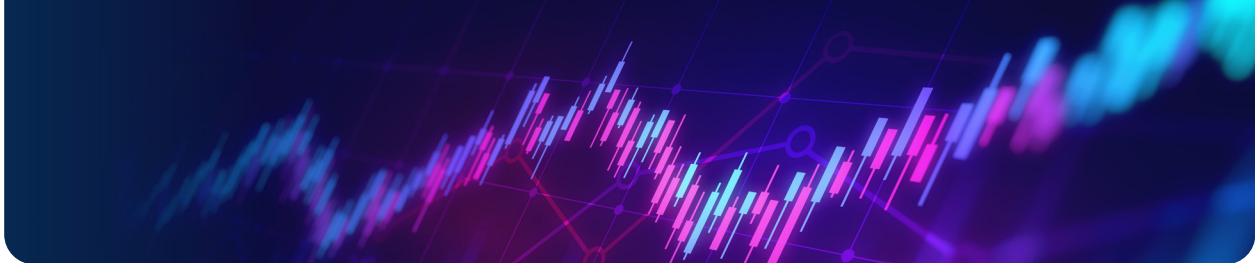
A UNIQUE METHODOLOGY

- Macroeconomic expertise in assessing country risk
- Comprehension of the business environment
- Microeconomic data collected over 70 years of payment experience



Visit our websites for Coface's detailed country risk analyses

Coface's country risk assessment map gives you a unique overview of its risk assessment in 160 countries worldwide. **Coface assesses the average credit risk of companies in a country.** To do this, it uses macroeconomic, financial and political data.



October 2026

- Low Risk

● Medium Risk
- High Risk

● Very High Risk
- ↗ Upgrades

↘ Downgrades



	 NORTH AMERICA	 CENTRAL & EASTERN EUROPE	 ASIA-PACIFIC	 SOUTH AMERICA	 WESTERN EUROPE	 MIDDLE EAST & TÜRKIYE
AGRI-FOOD	●	● ↘	●	●	●	●
AUTOMOTIVE	●	●	●	●	●	●
CHEMICAL	●	●	●	●	●	●
CONSTRUCTION	●	●	● ↗	●	●	●
ENERGY	●	●	●	●	●	●
ICT*	●	●	●	●	●	●
METALS	● ↗	●	●	●	●	●
PAPER	●	●	●	●	●	●
PHARMACEUTICALS	●	●	●	●	●	●
RETAIL	● ↗	●	●	●	●	●
TEXTILE-CLOTHING	●	●	●	●	●	●
TRANSPORT	●	●	●	●	●	●
WOOD	●	●	●	●	●	●

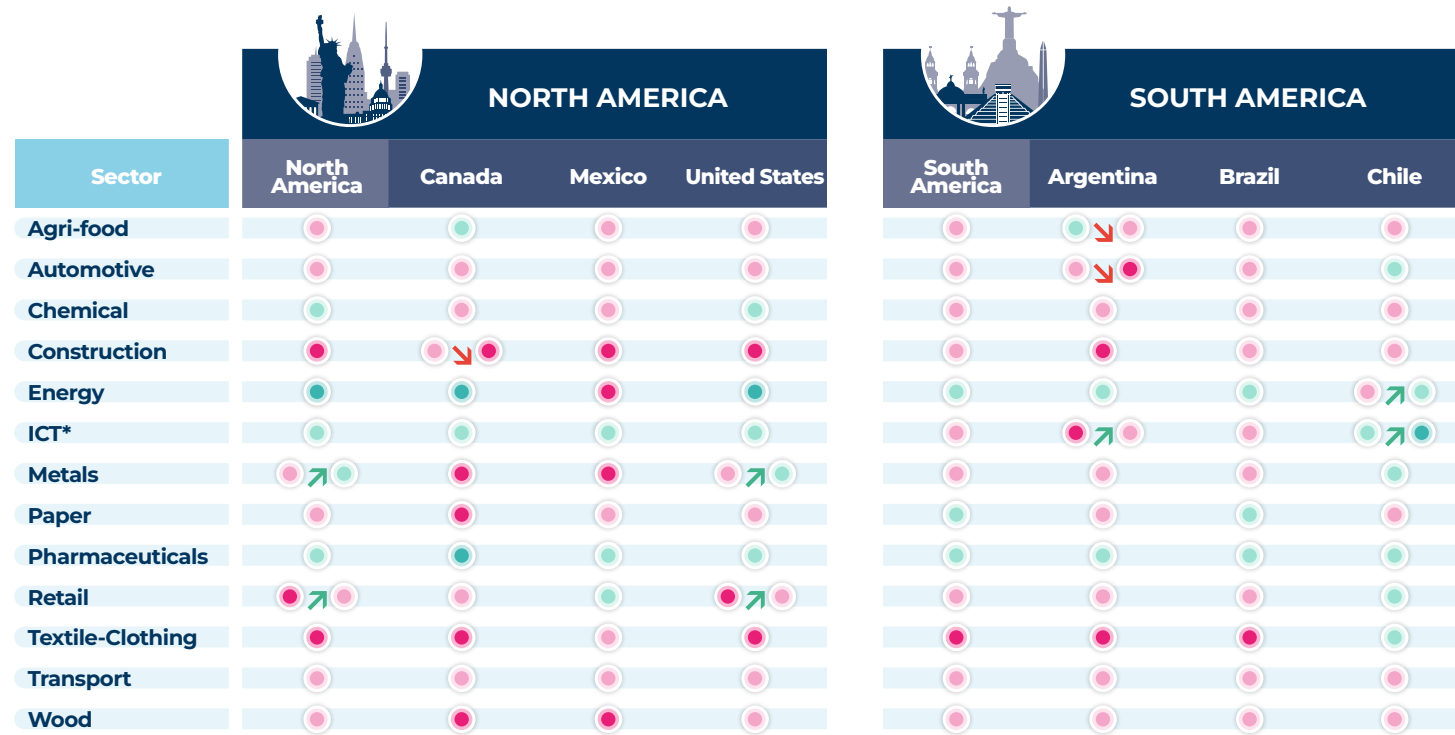


Visit our websites for Coface's detailed sector risk analyses

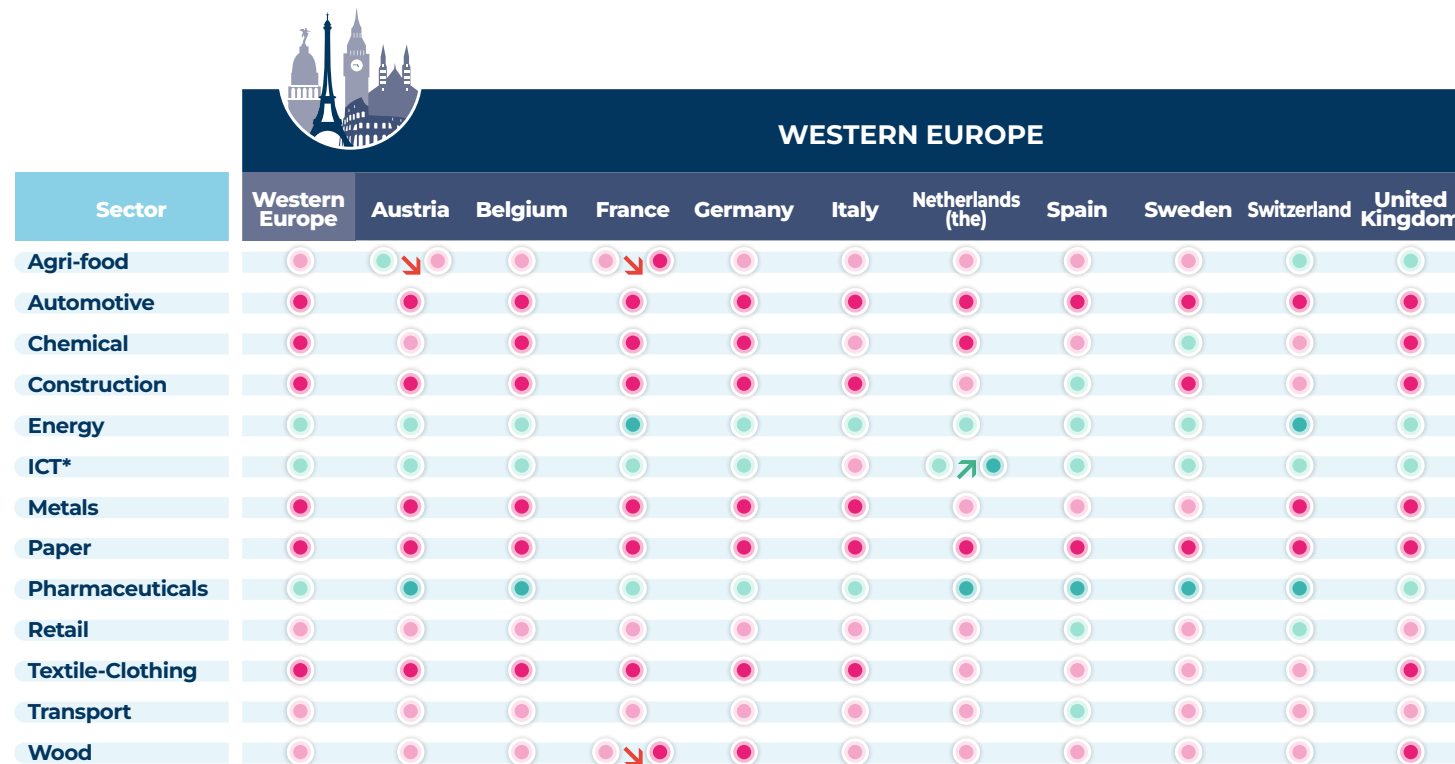
Every quarter, our economists assess 13 sectors from six geographical regions based on our expertise and financial data published by over 6,000 listed companies. Our credit risk statistical indicator simultaneously synthesizes the evolution of five financial indicators (changes in revenue, profitability, the net debt ratio, cashflow, and claims observed by our network).

Sector Risk Assessment Changes

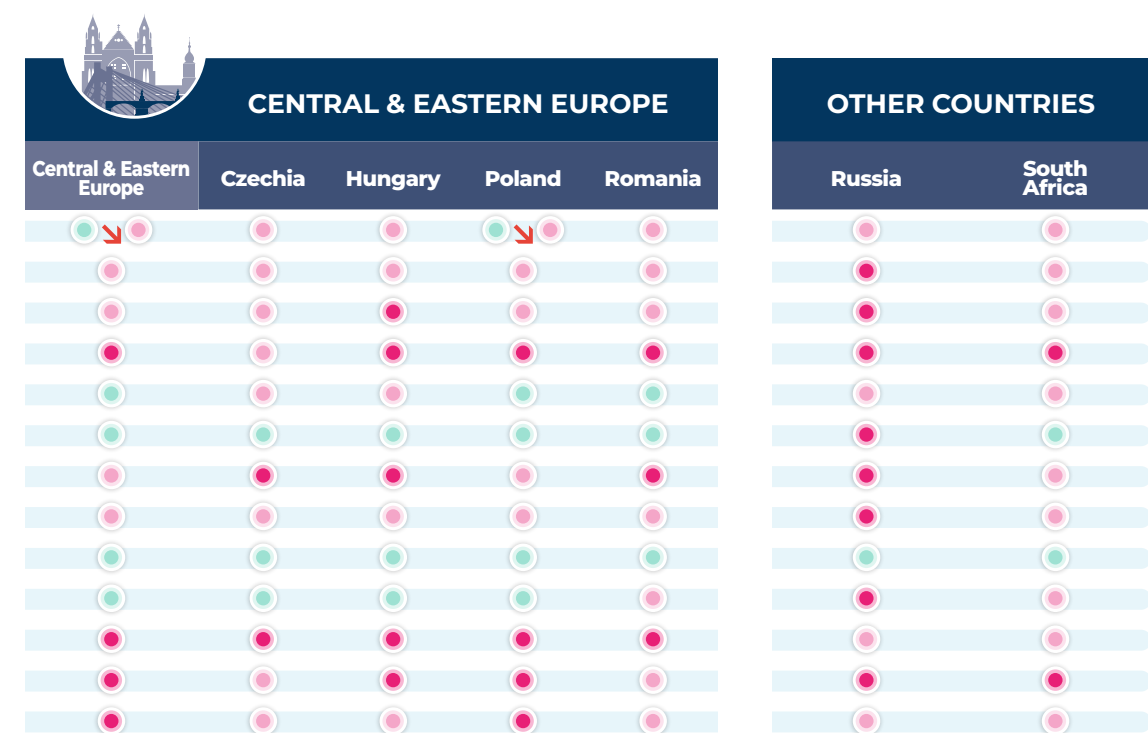
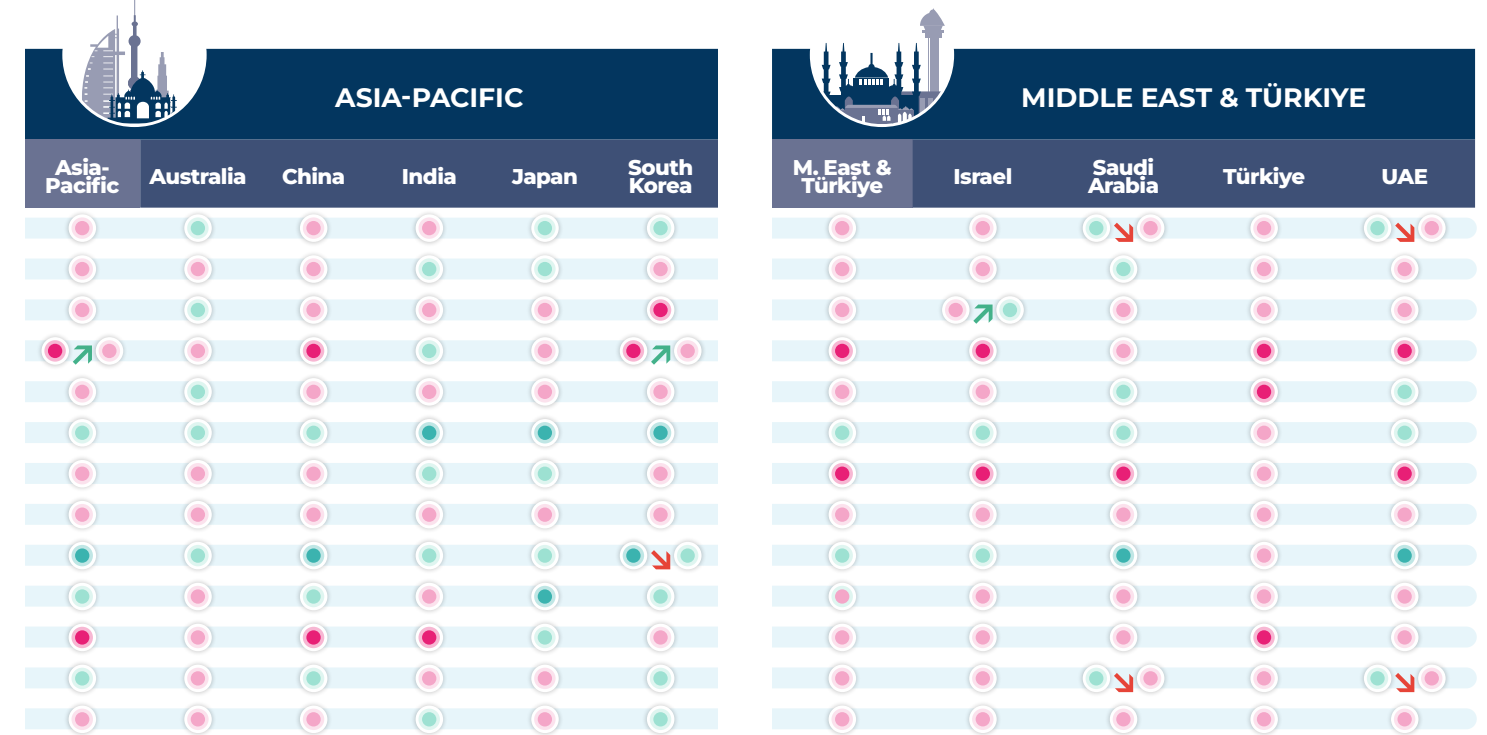
(JUNE 2026)



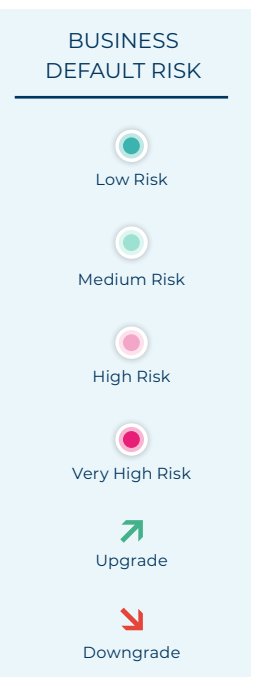
* Information and Communication Technologies
Mexico included since this year
Source: Coface



The assessment of sectors in Belgium, Sweden and Hungary is new.



The assessment of sectors in Belgium, Sweden and Hungary is new.



COFACE GROWTH FORECASTS

	2024	2025	2026 (f)	2027 (f)
World	2,9%	2,8%	2,5%	2,6%
Advanced economies	1,9%	1,7%	1,6%	1,6%
United States	2,8%	2,1%	2,1%	1,9%
Japan	0,1%	1,2%	0,6%	0,9%
United Kingdom	1,1%	1,3%	1,1%	0,9%
Australia	1,0%	2,0%	1,9%	1,6%
Canada	2,0%	1,7%	0,9%	1,5%
European Union	1,2%	1,5%	1,3%	1,5%
Euro Area	1,1%	1,3%	1,0%	1,3%
Germany	0,0%	0,2%	1,1%	1,3%
France	1,1%	0,9%	0,4%	0,5%
Italy	0,9%	0,7%	0,9%	0,8%
Spain	3,7%	2,6%	2,6%	2,0%
Emerging and developing economies	4,1%	4,1%	3,5%	3,9%
China	5,0%	5,0%	4,4%	4,3%
India	7,2%	7,2%	7,5%	7,0%
Russia	4,3%	0,5%	1,8%	1,3%
Brazil	3,4%	2,3%	1,9%	1,5%
Mexico	1,4%	0,6%	1,2%	1,5%
Turkey	3,3%	3,5%	3,0%	4,0%
Saudi Arabia	2,6%	4,5%	-1,5%	3,0%
South Africa	0,5%	1,1%	1,0%	1,3%
Nigeria	3,4%	3,9%	4,2%	4,0%

F = forecasts



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