Belgium

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Agriculture

Remains Fair

The sector has been impacted by the consequences of the lockdown (e.g. transport and supply chain issues and lack of foreign seasonal workers). While agriculture value added is forecast to contract in 2020, the potential for a quick rebound remains, despite adverse price developments, lower sales for export oriented segments like potato or pork meat, and more adverse weather conditions.

Automotive/Transport

Remains Bleak

Automotive value added is forecast to decline by almost 30% in 2020, while transport will contract 8%. The automotive sector suffers from deteriorating sales for passenger cars and commercial vehicles, while transport has been impacted by decreased traffic and demand for logistics due to the coronavirus-related lockdowns and the subdued economic performance. The impacts are also felt in the port handling businesses and cargo linked to air transport. Due to severe liquidity strains for businesses, payments have increased, and insolvencies are expected to rise in the coming months.

Chemicals/Pharmaceuticals

Remains Good

Deteriorating domestic and global demand have had a negative impact on industry performance, with chemicals value added forecast to decrease by 6% in 2020. Businesses are impacted by decreasing orders and the negative impact of logistic issues. Among subsectors, petrochemicals, and oil & gas are most impacted. However, the Belgian chemicals industry has performed well over the past couple of years, with generally robust business financials, good payment records and low insolvency rates compared to other industries. The same accounts for pharmaceutical businesses, which will benefit from increasing health expenses.

Construction/ Construction materials

Remains Poor

The Belgian construction sector remains highly fragmented, and consolidation in the market is ongoing. In 2019 the construction sector performed quite well in terms of volumes, but already suffered from very low margins due to high competition, especially in the public tendering business. The bargaining power of (smaller) subcontractors and suppliers has decreased. High labour costs, restricted access to bank loans, high day sales outstanding and rising insolvencies were issues before the coronavirus pandemic.

During the lockdown, construction and construction materials activities declined to a level below 30%, with delays in most projects. However, infrastructure activity has continued. In 2020 the performance will be further hit by the economic slowdown, with more pressure on the margins, supply chain disruptions and decrease in efficiency (e.g. social distancing during works). Construction value added is expected to contract by almost 9% in 2020. However, there are also opportunities, as due to the pandemic, demand for houses with gardens and/or open space has increased. Additionally, the renovation segment sees increased business opportunities.

Consumer Durables

Remains Bleak

Since 2018 we have increasingly tightened our underwriting stance for smaller retailers across all subsectors, as they commonly faced difficulties in competing with the market power of large players, which are able to offer a highly diversified product range at lower prices. Strong competition and increasing e-commerce have put downward pressure on prices and upward pressure on services.

Sales of non-food consumer goods have deteriorated due to the coronavirus impact, and many businesses have faced serious troubles due to the lockdown, mandatory sanitary measures and a bad summer sales period. Subdued consumer sentiment and rising unemployment hamper a rebound in the short-term. Retail value added is expected to contract by more than 14% in 2020. The amount and frequency of payment delays has increased, and insolvencies are expected to increase further in the coming months. This is particularly true among smaller non-food retailers, businesses linked to furniture, and retail and wholesalers of leisure articles and domestic appliances.

Belgium

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Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Electronics/ICT

Remains Fair

The industry has been impacted by decreasing sales due to the temporary closure of businesses related to the lockdown and supply chain disruptions, with value added expected to decrease 4% in 2020, after growing 3% in 2019. Subdued consumer senti¬ment and rising unemployment could hamper a strong rebound in the short-term. However, spending from businesses and employees on digital goods and services has increased due to the expansion of remote working.

Financial Services

Remains Good

The sector remains still resilient, but will be impacted by the general economic downturn. Increased financial troubles for businesses and consumers alike could lead to more loan defaults for banks and tighter lending conditions. Sector value added is forecast to decrease 8% in 2020, but in 2021 a 10% rebound is expected.

Food

Remains Fair

In the food retail segment, the market entry and expansion of two large Dutch supermarket chains in 2019 has added to more competition with higher pressure on prices, impacting profit margins of Belgian retailers and food producers/processors alike. Pressure on prices and margins persists among all subsectors. Our underwriting stance is more restrictive on the food retail, meat and fish subsectors, while remaining neutral in regards to beverages and dairy for the time being. Currently, all subsectors are negatively impacted by the pandemic and the subsequent sanitary measures. Sales are more modest, due to lower demand from the hospitality sector and some closures of distribution channels. Food value added is expected to contract 1% in 2020.

Machines/Engineering

Remains Poor

The business outlook has deteriorated, as orders on hand and production have decreased due to postponed investments. Domestic and international demand from key buyer sectors like automotive and aeronautics has deteriorated. Engineering value added is expected to contract by about 14% in 2020.

Metals

Remains Poor

Orders and output are negatively impacted by the downturn of the Belgian economy. Demand from key buyer sectors like construction, automotive and machinery has decreased, while metal producers and traders additionally have suffered form supply chain disruptions. Metal manufacturing value added is forecast to decrease by almost 9% in 2020, after already shrinking 4% in 2019. In H1 of 2020, the number of payment delays and non-payments increased. Further increases are expected in the coming months.

Paper

Remains Fair

Paper producers are impacted by less demand due to the economic slump and sanitary measures, and continue to encounter the pressure of the ongoing digitalization. Sector value added is forecast to decrease by 4.5% in 2020.

Services

Remains Bleak

Due to the comprehensive lockdown, additional sanitary measures and lower demand because of the coronavirus pandemic, many segments suffer heavily, especially hotels and catering, restaurants, bars, entertainment and cultural events, training and education, travel agencies and tour operators. Service value added is expected to decrease by almost 10%, and the hotel and catering segment to contract 20% in 2020. After already rising in the past couple of months, payment defaults and insolvencies are expected to increase further.

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Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Steel

Remains Poor

Orders and output are impacted by the economic downturn in Belgium, with steel producers and traders suffering from deteriorating demand from key buyer sectors. Iron and steel value added is forecast to decrease by more than 17% in 2020, after already shrinking 8.5% in 2019.

Textiles

Remains Bleak

Producers, wholesalers and retailers already suffered before the coronavirus outbreak from fierce competition, thin margins, lower sales, changes in customer behaviour and increased competition from new online retailers. The performance has further deteriorated due to subdued sales during and after the lockdown period. Textiles value added is expected to shrink by 8% in 2020. Stationary retailers of clothing and footwear are heavily impacted as they experience a sharp rise in non-payments, and insolvencies are expected to increase in the coming months. The outlook for 2021 remains subdued, with a hard Brexit being an additional downside risk.