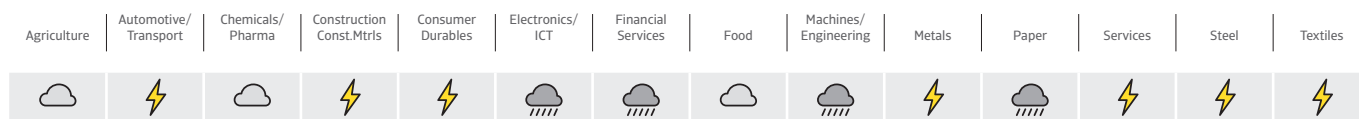




Spain

September 2020



Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Agriculture



Remains fair

The sector was initially affected by the consequences of the lockdown (e.g. transport issues and lack of foreign seasonal workers) and is currently impacted by a high rate of coronavirus infections among foreign seasonal workers active in the fruit and vegetables subsector. While agriculture value added is forecast to contract by more than 5% in 2020, the prospects for a fast rebound are still good.

Automotive/Transport



Remains Bleak

Regarding transport, the sector has been severely affected by the pandemic and subsequent containment measures adopted, especially in the passenger transportation segment. Value added is expected to decrease 15% in 2020. In the automotive sector, both vehicle production and sales are expected to decrease sharply in 2020, with industry value added forecast to decrease 35%. Due to comprehensive lockdown measures, most companies active in this sector temporarily shut down their activities early this year. This has caused a major decrease in margins and results for manufacturers, suppliers and car dealers in H1 of 2020, with no strong rebound expected in H2. Payment delays and insolvencies have increased over the past couple of months, and are expected to rise further in the coming months.

Chemicals/Pharmaceuticals



Up from Poor to Fair

Many chemical businesses suffer due to deteriorated demand from key buyer sectors domestically and globally. Chemicals value added is forecast to contract by about 2% in 2020, while for pharmaceuticals, a 1% growth is expected. However, the cosmetic subsector has been severely affected by lower household consumption and by the comprehensive closure of retailers during the lockdown.

Construction/ Construction Materials



Remains Bleak

Despite a rebound since the credit crisis, the industry was still struggling before the coronavirus outbreak, with increased credit risk mainly to smaller players. Due to the ongoing recession, businesses are affected by postponement of projects and reduced order volumes, especially in the public works segment. While tenders were reinitiated in May 2020, investment is expected to rebound in the medium- and long-term only. In the residential construction segment, demand is affected by rising employment and a deteriorated investment climate due to the economic contraction. That said, over the last couple of months, the housing remodeling market has significantly improved.

Construction value added is expected to shrink by almost 14% in 2020, while construction materials value added is forecast to contract by 9%. Both payment delays and insolvencies are expected to increase again in the coming months, after some stabilization seen recently with the end of the lockdown.

Consumer Durables



Remains Bleak

Private consumption of non-food consumer goods has deteriorated due to the coronavirus impact, with many businesses temporarily closed due to the lockdown. After the lifting, deteriorated consumer sentiment and sharply increased unemployment seem to hamper a rebound in the short-term, as household consumption is expected to decrease by more than 12% this year, and retail value added is forecast to contract by more than 15%. The financial strength of many businesses has seriously deteriorated, and payment delays and insolvencies are expected to increase further in coming months.

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Electronics/ICT



Remains Poor

Sales have deteriorated due to the closure of businesses during the lockdown. Deteriorated consumer sentiment, rising unemployment and sharply decreasing household consumption seem to hamper a strong rebound in the short-term. While increasing e-commerce and sales of equipment for telecommunication have partly compensated the decline, ICT value added is nevertheless expected to decrease by more than 5% in 2020. Payment delays have increased over the last couple of months.

Financial Services



Remains Poor

The sector is severely impacted by the general economic downturn, with increased financial troubles for businesses and consumers alike. This could lead to increased non-performing loans, although these would be partially mitigated by guarantees provided by the Spanish government to the banks. Due to the poor economic prospects and expectations about low interest rates in the long-term, Spanish banks have sharply increased assets impairment in H1 of 2020. Consequently, results have been marked by large provisions and deteriorating profits. Finance sector value added is expected to contract by 1.5% in 2020.

Food



Remains fair

In general, profit margins are tight in the industry, as price pressure from large distributors forces food producers and processors to adjust. Many food businesses show high short-term gearing. The global economic downturn and a potential escalation of the EU-US trade dispute remain downside risks that could lead to a deterioration of businesses' credit risk, especially of export-dependent food companies. Due to the previous lockdown and the poor evolution of tourism (mainly because of new outbreaks of coronavirus), food suppliers to hotels and restaurants (especially beverage companies) suffer from deteriorating sales. Value added is forecast to contract about 0.5% in 2020 after growing 1.9% in 2019. Although payment delays have decreased over the past couple of month on a monthly basis, they have increased year-on-year from March to July 2020 on an aggregated level, and are expected to increase further in the following months. That said, insolvencies are not expected to increase sharply for the time being.

Machines/Engineering



Remains Poor

The business outlook has deteriorated, as orders on hand and production have sharply decreased. Demand from key buyer sectors has deteriorated, and supply chain disruptions in early 2020 had a negative impact. Engineering value added is expected to contract by 15% in 2020, and payment delays and insolvencies are expected to increase sharply. Although payment delays have decreased over the past couple of month on a monthly basis, they have increased year-on-year from March to July 2020 on an aggregated level. Both payment delays and insolvencies are expected to rise further in the coming months.

Metals



Remains Bleak

Metal producers and traders suffer due to deteriorating demand from key buyer sectors (automotive, construction and machines). Metals value added is expected to contract by more than 19% in 2020, and the financial strength of businesses has seriously deteriorated. Although the increase of payment delays has softened over the past couple of months, insolvencies have increased further, expected to continue rising in the coming months.

Paper



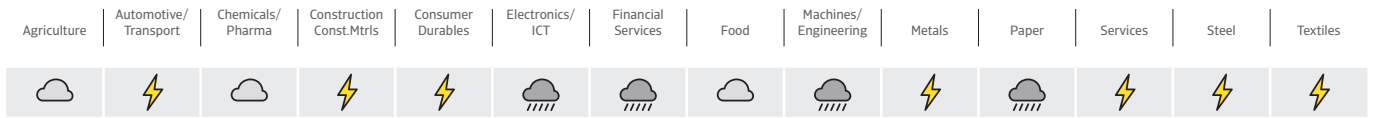
Remains Poor

Paper producers and printing are structurally impacted by the ongoing digitalization process. Supply chain disruptions due to lockdown measures had a negative effect. Cardboard packaging performed better than other segments due to stable demand from the food industry and increased e-commerce during the lockdown period. However, paper industry value added is expected to shrink by more than 6% in 2020. Although payment delays have decreased over the past couple of month on a monthly basis, they have increased year-on-year from March to July 2020 on an aggregated level, and are expected to rise further in the coming months.



Spain

September 2020



Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Services



Remains Bleak

Due to the comprehensive lockdown measures in face of the coronavirus outbreak, many segments suffered heavily in H1 of 2020, especially hotels and catering, restaurants, bars, entertainment and cultural events, travel agencies and tour operators. The hope for a strong rebound in the holiday season has been dashed by the recent resurgence of coronavirus infections in Spain. Services value added is expected to contract by 10% in 2020 (hotel and catering down 19%). Insolvencies in the hotel, restaurants and all touristic-related segments have sharply increased over the past couple of months, and this downward trend is expected to continue in the coming months.

Textiles



Remains Bleak

Producers, wholesalers and retailers already suffered before the coronavirus outbreak from fierce competition and thin margins, and have been additionally affected by deteriorating sales domestically and internationally. After shrinking 5% in 2019, textile value added is expected to contract again in 2020, by 14%. Small retailers are particularly affected by the negative effects of the lockdown and subdued consumer sentiment, and payment delays and insolvencies are expected increase further in coming months.

Steel



Remains Bleak

Steel producers and traders suffer due to deteriorating demand from key buyer sectors (automotive, construction and machines). After a 3.3% contraction in 2019, value added is expected to shrink by more than 22% this year. The financial strength of businesses has seriously deteriorated. Although payment delays have decreased over the past couple of month on a monthly basis, they have increased year-on-year from March to July 2020 on an aggregated level, and are expected to rise further in the coming months. The same accounts for business failures, which started to rise recently.