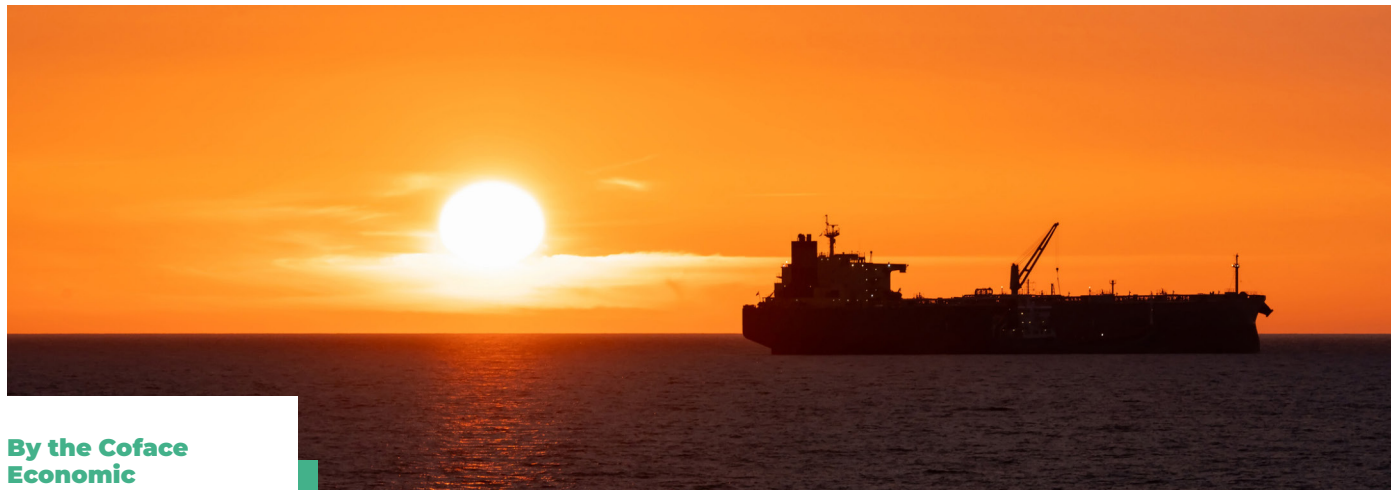


COFACE RISK REVIEW

COUNTRY AND SECTOR RISKS (June 2026)



By the Coface
Economic
Research team

EDITORIAL by Jean-Christophe Caffet, chief economist

HYDRATION BREAK IN THE PERSIAN GULF

The situation in the Middle East is still as confused and shaky as ever at the time of writing, but the Memorandum of Understanding signed last week between the US and Iran nonetheless comes as a huge relief. This is particularly true for the countries in the region, which have been ground down by more than fifteen weeks of conflict that was supposed to last just seven days, or one month based on the worst-case scenario, according to US authorities and the predictions of most observers. The MoU is also good news for the rest of the world and particularly for those countries most dependent on goods that usually transit the Strait of Hormuz, chiefly the emerging economies of South and South-East Asia and those situated on the east coast of Africa, which are among the poorest in the world. We cannot hammer it home enough: the crucial importance of the Middle East as a supplier of materials essential to the functioning of the global economy – hydrocarbons and their derivatives and by-products – foreshadowed a shock from which few countries could hope to escape.

The global economy has held up fairly well so far, with the shock being cushioned by stockpiles and/or a reduction in demand that has proven inexpensive in terms of economic activity, barring a few exceptions. However, this does not mean that it will emerge unscathed. The second-quarter national accounts due for publication in July should bear this out. While inflation is again on the rise across the globe, the tightening of financial conditions triggered by interest-rate hikes announced by several central banks, including a recent one by the ECB, points to a sizeable slowdown in demand that AI investments will struggle to counter, even in the US. This is especially true given that fiscal headroom is extremely tight – if not inexistent – amid an environment of even higher interest rates for an ostensibly longer period.

Although we have already revised downwards our global growth forecasts for this year and next (-0.6 percentage points cumulatively over two years, to +2.3% in 2026 and +2.5% in 2027), we believe the risks are mainly on the downside. Given the scale of the prevailing uncertainty and in light of recent events ranging from ceasefire breaches, postponed negotiations and the like, we believe it would be premature to rule out the adverse scenarios broached in recent weeks. The end of the war, a temporary or lasting pause, a resumption of hostilities, or an escalation and even a spread of the conflict: the next sixty days will be absolutely decisive for the entire region. And for the global economy that, whatever happens, is under intense stagflationary pressures that are determined to play extra time.

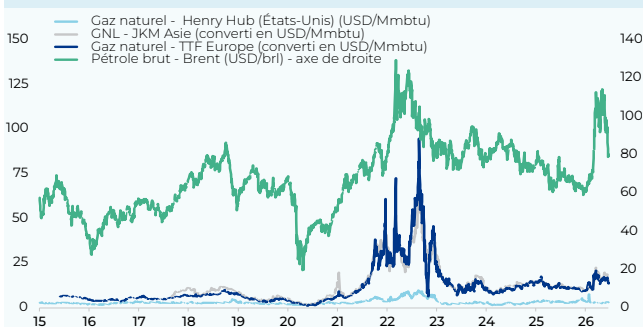
Against this backdrop and as part of our country and sector risk assessment exercise, we have downgraded 8 countries and have made over 45 changes to our sector assessment, namely 41 downgrades compared with a mere 4 upgrades.

OPENING

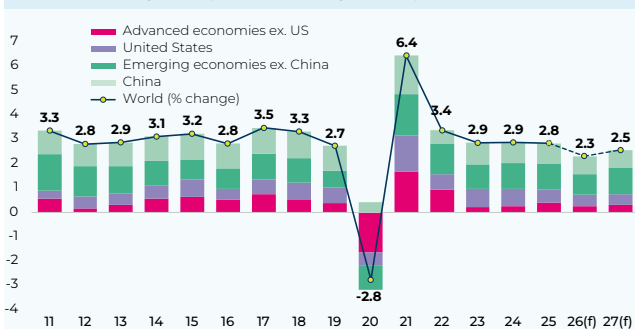
INTERNATIONAL RELATIONS

by Thomas Gomart, director of IFRI

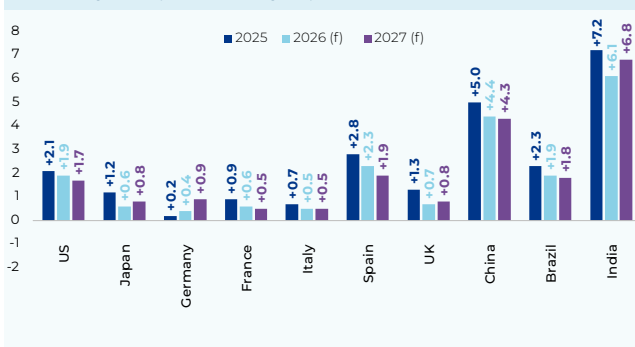
Russia and the US — both oil and gas exporters — have found themselves locked in a strategic impasse for varied reasons. The former has been at war with Ukraine for over twelve years. The special military operation launched in February 2022 has turned into a war of attrition. Battling Ukraine's long-underestimated resistance, Russia is churning through its soldiers like an endless conveyor belt. It has lost the European gas market and must rely on a ghost fleet to export its crude oil. It has failed to increase its gas exports to China, to whom it is bound in an increasingly skewed relationship. Encouraged by Israel and the blitz operation in Venezuela, the US launched military strikes on 28 February which killed Ali Khamenei, Iran's Supreme Leader. Donald Trump and Benjamin Netanyahu believed that by decapitating the regime, an automatic regime change would ensue. They were proved wrong, especially since the Islamic Republic of Iran has blocked the Strait of Hormuz (at least up to the agreement of the 17 of June), which used to be the maritime route for oil and gas exports transiting from the Gulf states. Although the move had long been anticipated by the strategic community, the decision to close the waterway took the Trump administration by surprise, as it was convinced it could resolve the situation within a matter of days. The macroeconomic consequences are severely affecting the Middle East, Europe and Asia. As nuclear powers, the US and Russia have been checkmated, with one significant difference: the scale of their human and material losses. Russia's trajectory is permanently shaped by the cost of the war in Ukraine. The US, however, has the resources—and in particular the technological superiority—to weather the shocks it has itself provoked. Accordingly, it has sent a message to the world and its allies that is likely to alter the course of globalisation. From now on, Washington will refuse to guarantee freedom of navigation and does not intend to restore it by force. No other power, including China, is prepared to do so, which has enabled Tehran to charge a toll for transit passage through the strait. This is a textbook case in geopolitics: the strategic community clearly identified a risk but it took economic actors by surprise as they were ill-prepared for military retaliation.

Chart 1:
Oil and Natural Gas Prices

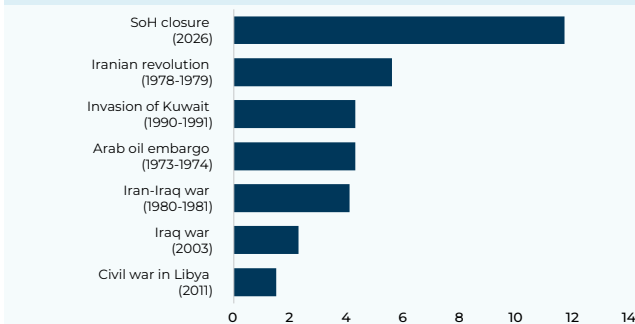
Sources: Intercontinental Exchange (ICE), CME Group, Macrobond, Coface

Chart 2:
Global real GDP growth (market exchange rate, %)

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

Chart 3:
Real GDP growth (annual average, %)

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

Chart 4:
Initial oil supply losses in selected historical episodes (In millions of barrels per day)

Sources: IEA, World Bank, Coface

GLOBAL ECONOMY

With the war in the Middle East and the near closure of the Strait of Hormuz, geopolitical risk - consistently identified in our recent Risk Reviews as a key downside risk - has materialised. These events have led to supply chain disruptions and soaring prices for, among other things, certain variables relating to crude oil, petroleum products, fertilisers, aluminium, etc (**Chart 1**). The resulting inflationary pressures weigh on household consumption worldwide and force central banks to adopt more restrictive monetary policies. As a result, we have revised our global growth forecast downwards by 0.3 percentage points to 2.3% in 2026 (**Chart 2**), compared with our pre-war projection. This revision comes mainly from the Gulf states, South-East Asia and, to a lesser extent, Europe. As the economic impacts of the conflict - namely supply chain disruptions, inflation, and monetary tightening - are expected to persist until at least late 2026, global growth is projected to rebound only modestly next year, to 2.5%. The US and Chinese economies are set to continue slowing gradually. The slight acceleration in the Eurozone, to 1%, will be driven exclusively by the expected recovery in Germany, supported by the stimulus package (**Chart 3**). Therefore, the rebound in global growth is expected to mainly be driven by the Gulf states, which are more heavily affected in the short term, but where activity is expected to recover strongly once the conflict ends.

Oil prices are expected to remain fairly high through 2027, following what is the largest oil supply disruption in history (**Chart 4**). It is very uncertain when flows and production will return to normal. Meanwhile, demand will be supported by the replenishment of strategic and commercial stocks, which, at the time of writing, continue to deplete at a rapid pace. We therefore forecast an average price of USD 85 per barrel in 2026 and USD 75 the year after, around 30-40% above our pre-conflict projections. These higher prices are expected to fuel inflationary pressures and encourage their pass-through to manufactured goods and services.

However, in most economies, demand conditions appear far less conducive to sharp price increases than in 2022, and labour markets - less tight than in the post-COVID period - pose fewer risks of second-round effects on wages. Despite these mitigating factors, central banks everywhere have adopted a more restrictive stance. Those for which markets were expecting to cut their key interest rates, such as the Fed and the Bank of England, are likely to keep them unchanged at best. Those initially expected to remain on hold, such as the ECB, have begun to straighten their rates out. The extent of the tightening remains uncertain at this time, and largely depends on the negotiations between the United States and Iran.

AMERICAS

NORTH AMERICA

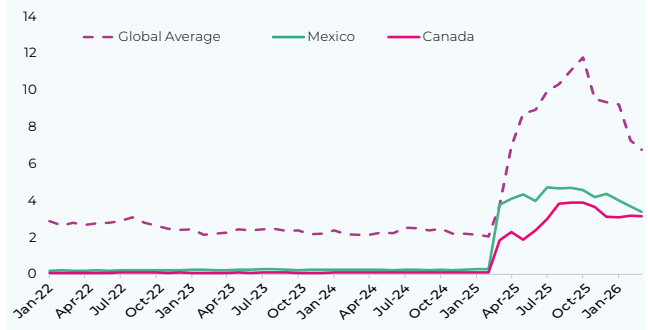
The US economy should remain resilient in the face of the inflationary shock induced by the Hormuz crisis. Driven predominantly by gasoline prices, headline inflation rose from 2.4% in February to 4.2% in May, leading to the first annual contraction in real wages since April 2023 (**Chart 6**). The hit to purchasing power is being softened by windfall tax refunds from the One Big Beautiful Bill Act (0.3% of GDP boost in Q2), and a continued positive wealth effect fuelled by the equity rally. With the phaseout of this fiscal stimulus in H2, the drag from higher inflation should become more visible, leading to a modest slowdown in consumption growth extending into early 2027. Capex will continue to be fuelled by AI infrastructure spending in 2026, though the effects of supply bottlenecks (workforce, inputs, tighter regulation) will become a noticeable headwind in 2027. Concerns about labour market weakness have abated in recent months, with job creation picking up, unemployment stabilizing around 4.4%, and jobless claims close to the lows of 2022. Market expectations for Fed policy rates have pivoted from a pre-war expectation of three cuts to one or two hikes. For now, we maintain an extended pause scenario, as the Fed assesses how lasting the impact of the Hormuz shock on prices will be.

The North American trade environment remains in flux, with the USD 166 billion IEEPA¹ reimbursement process encumbered by the government's legal appeals, and USMCA² negotiations expected to drag on well past the beginning of the joint review on July 1st. Whether USMCA gets extended until 2042 - and under what terms - will strongly shape the region's growth performance in the coming years. Currently, the treaty shields exports from most of the tariffs imposed by the US (**Chart 5**). If an extension comes at the cost of significantly stricter constraints (higher US content, higher labor costs, etc.), the rationale underpinning integrated North American supply-chains could be challenged. Conversely, trilateral ratification would lift uncertainty and lead to the release of pent-up foreign investment. Both Canada and Mexico are expected to post weak growth of around 1% in 2026, as the trade shock increasingly transmits to the domestic economy, hoping that USMCA progress can lift growth in 2027.

1 The International Emergency Economic Powers Act (IEEPA) is a federal law passed in 1977 authorising the President to regulate trade after declaring a national emergency. In February 2026, the Supreme Court struck down the tariffs imposed by President Trump on this basis.

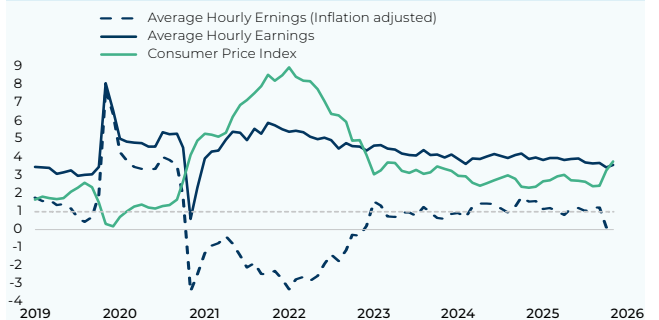
2 Free trade agreement signed under the 1st Trump presidency, succeeding the NAFTA.

Chart 5:
United States: Observed Tariff Rate (Collected Duties/Imports, %)



Sources: US Census Bureau, Macrobond, Coface

Chart 6:
United States: Inflation and Wage Growth (YoY, % change)



Sources: Bureau of Labor Statistics (BLS), Macrobond, Coface

SOUTH AMERICA

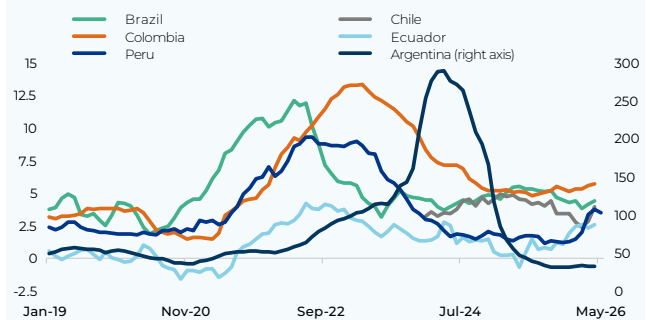
Tensions in the Middle East pushed inflation higher across Latin America (**Chart 7**), despite policy efforts to limit the pass-through from rising global energy costs. Risks to inflation remain tilted to the upside, with the expected onset of El Niño in H2 2026, which could raise food prices, disrupt agricultural output, and strain hydroelectric generation—particularly in **Ecuador, Colombia, and Brazil**.

Against this backdrop, and following a cumulative 0.75 percentage points cut in the policy rate over three consecutive meetings through June 2026 (bringing it to 14.25%), the scope for further monetary easing in **Brazil** has largely narrowed. Economic activity strengthened in Q1 2026 (**Chart 8**), with GDP expanding 1.1% QoQ (from 0.3% in Q4 2025), supported by resilient private consumption—amid a tight labour market and higher income tax thresholds—as well as investment, aided by base effects and oil platform imports. However, recovery is expected to prove short-lived, and should moderate as tight credit conditions persist.

In **Argentina**, the GDP proxy indicates that activity slowed in Q1 2026, growing 0.4% QoQ, down from 0.8% in Q4 2025, as persistently high inflation (33.2% in May 2026) weighed on consumption. Early Q2 indicators point to solid external demand but weak domestic conditions (including in manufacturing and construction). A strong 2026 agricultural crop should continue to support exports and help rebuild much-needed foreign currency reserves. In addition, investment is also expected to strengthen in 2026–27, especially in energy and mining, supported by lower lending rates and an improved regulatory framework for mining investments in glacial and periglacial areas.

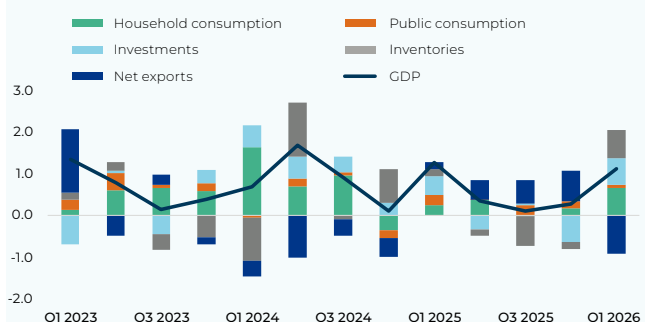
In **Chile**, GDP contracted by 0.3% QoQ in Q1 2026, down from 0.5% growth in Q4 2025, reflecting a broad slowdown across agriculture, mining, and manufacturing. Growth is expected to remain weak through 2026 due to external headwinds—including its status as a net energy importer—and a temporary rise in inflation. A recovery is likely in 2027, supported by a stronger investment pipeline (notably in mining) and expected progress in Congress of the National Reconstruction Bill, which aims to boost activity through tax relief and regulatory simplification.

Chart 7:
Latin America: Inflation (% 12 months accumulated)



Sources: National Statistical Institutes, Macrobond, Coface

Chart 8:
Brazil: Real GDP growth (QoQ, seasonally adjusted)



Sources: IBGE, Macrobond, Coface

EUROPE

WESTERN EUROPE

The **UK** appeared to enter 2026 on a stronger footing, with robust growth supported by improving household sentiment and consumption. However, rising energy prices are rapidly eroding this momentum, a trend expected to intensify as housing-related energy costs increase in the second half of the year. Household sentiment has also been dampened by domestic political uncertainty following poor local election results in May for the governing Labour Party, which have prompted leadership challenges from Wes Streeting and Andy Burnham. Burnham, elected as MP on June 18, is expected to pursue more left-leaning policies if successful. His agenda is likely to prioritise devolution – granting greater powers to local authorities – alongside increased public spending and housing-related tax reforms, while maintaining Labour's pledge not to raise income tax, VAT or National Insurance.

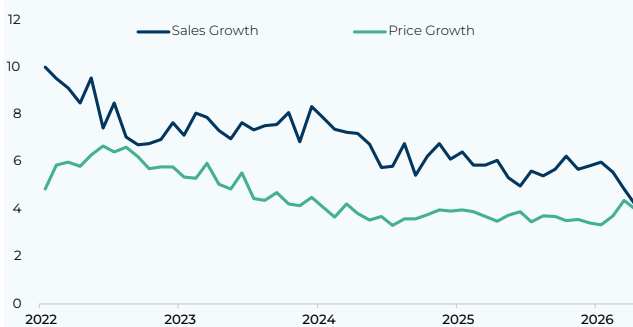
These developments have contributed to heightened uncertainty in government bond markets and weakened business sentiment, already under pressure from the Iran conflict, which has driven up costs and reduced export orders, leaving the sales outlook at its weakest in years (**Chart 9**). Business investment, already declining in Q1 2026, is expected to deteriorate further. Additionally, the Bank of England, previously expected to continue cutting rates, is now expected to pause, but could implement a further hike depending on price developments, as well as business and labour market effects of the conflict, before any possibility of easing in the latter half of 2027.

Although **Germany** saw a solid start to the year (+0.3% QoQ real GDP growth in January to March), it faces a challenging 2026, as its already weakened manufacturing sector is disproportionately exposed to Chinese competition. Meanwhile, the labour market continues to deteriorate, with unemployment reaching a twelve-year high of 3 million, equivalent to an unemployment rate of 6.6%. Consumer confidence also remains on a downward trend, falling to its lowest level since early 2023. Business confidence had already begun to decline prior to the outbreak of the war, with the escalation further exacerbating this trend. That said, growth is still expected to recover to a comparatively sound 0.9% in 2027 (following an anticipated expansion of 0.4% this year), thanks to government spending.

In **France**, even before the effects of the war were felt, economic activity had declined in the first quarter, hampered, once again, by sluggish domestic demand (**Chart 10**). The wait-and-see attitude among economic agents, illustrated by a household savings rate that has risen again despite already being at historic levels (18% of disposable income compared with 14% pre-COVID), may well not dissipate until the outcome of the presidential and parliamentary elections scheduled for spring 2027.

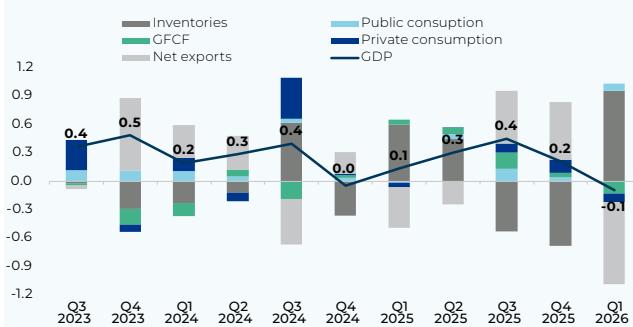
Despite a positive start for **Italy** in the first quarter (0.3% QoQ), its growth will remain sluggish, held back by the impact of the conflict. Geopolitical uncertainty and inflationary pressures are weighing on consumer confidence (**Chart 11**), purchasing power and thus, private consumption, the recovery of which was already fragile. Investment will be driven by the disbursement of EU funds. For its part, **Spain** will gradually slow down whilst maintaining solid growth, driven by private consumption and investment.

Chart 9:
UK: Expected business growth over coming 12 months (Annual growth in %)



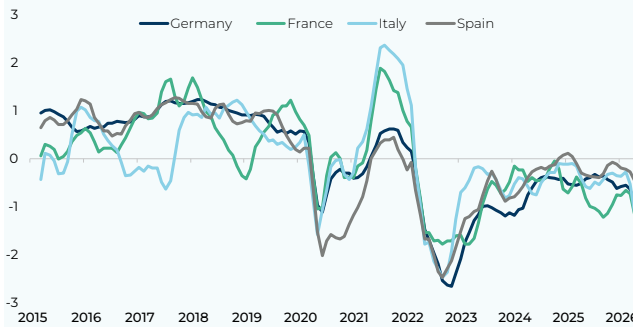
Sources: Bank of England, Macrobond, Coface

Chart 10:
France: Contribution to quarterly real GDP growth (%)



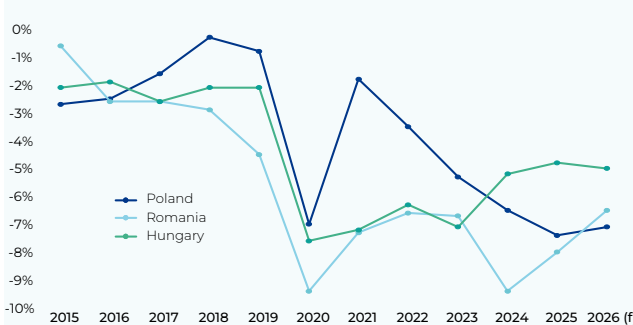
Sources: INSEE, Macrobond, Coface

Chart 11:
Eurozone: Consumer confidence indicator (normalized, SA, 3-month moving average)



Sources: Eurostat, Macrobond, Coface

Chart 12:
Hungary, Romania, Poland: Government Deficit (% of GDP)



Source: Eurostat, Macrobond, Coface

CENTRAL & EASTERN EUROPE

Hungary's economy expanded by 1.7% YoY in Q1 2026, its strongest outturn since Q2 2022. While partly driven by one-off campaign-related transfers, recent political developments paved the way to unlock EU funds (16.4 bln EUR, 13% of GDP). This will help reverse the prolonged investment stagnation that has weighed on growth since 2022. Hungary is set to be among the few countries in the region to have witnessed an improvement in its economic outlook since the start of the year, in spite of the supply shock following the Middle East conflict. In contrast, **Romania's** situation has deteriorated. The economy fell into a deeper contraction in Q1, with GDP declining by 1.1% YoY. Political instability has intensified these challenges, as the government collapsed following a successful no-confidence vote against PM Ilie Bolojan. Both economic and political turbulence are tied to ongoing fiscal consolidation. Despite short-term costs, these measures have helped reduce the fiscal deficit, which is on track to meet the (still high) 6.2% target for 2026 (**Chart 12**).

Meanwhile, **Poland** is projected to record a fiscal deficit of approximately 7% of GDP this year, likely exceeding that of Romania. However, the broader economic context differs: GDP growth in Q1 recorded a robust 3.5% YoY. According to our forecasts, Poland is set to become one of the fastest-growing economies in the European Union in 2026 (3.3%), while simultaneously maintaining the one of the largest fiscal deficit.

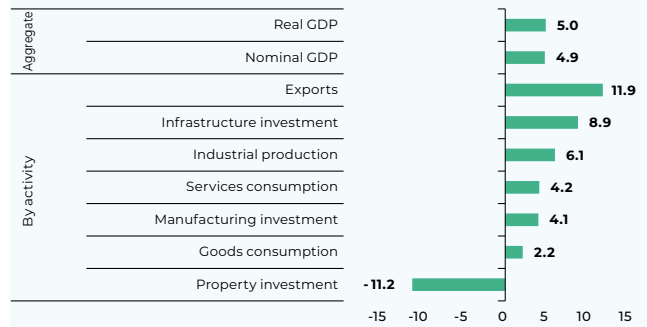
ASIA

CHINA

China's GDP grew 5% in Q1 (Chart 13), reaching the upper end of a lower official growth target (4.5-5%). But it was marked by sharp imbalances between external and domestic demand, which may persist into H2. Exports rose 14.5% YoY in Jan-Apr, led by AI-related electronics and EVs. The rollback of IEEPA tariffs also supported shipments to the US, while recent Trump-Xi summit may prevent significant near-term trade frictions. Domestically, retail sales weaknesses were broad-based, with notable declines in auto and household appliances, reflecting payback effects from trade-in program. Investment remained subdued amid a continuing housing investment slump, despite green shoots in railways, ships and aerospace investment tied to new Five-Year Plan projects.

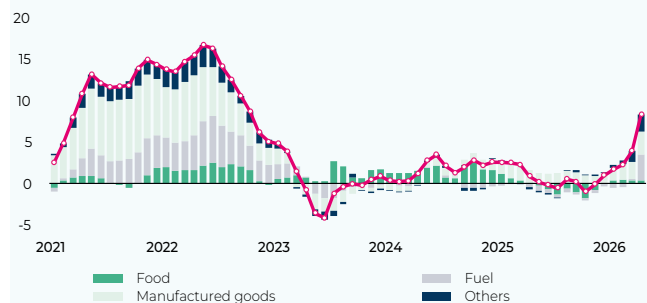
The shock stemming from the conflict in Iran has been buffered by domestic coal supply, rapid renewable expansion as well as strategic petroleum reserves. However, supply disruptions are emerging in petrochemicals, with ethylene and sulfuric acid output turning negative in April. Cost pressures are more evident: PPI has turned positive since March, driven by surging global energy and AI-related materials prices. But rising inflation has been concentrated in upstream sectors, while weak passthrough among downstream sectors, constrained by muted consumer demand, could pressure their profitability.

Chart 13:
China: Economic activity (YoY, Q1 2026, % change)



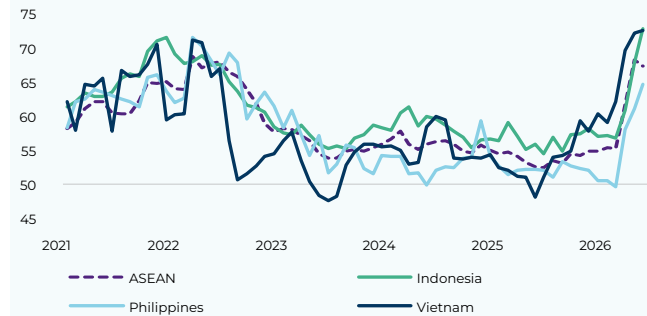
Sources: NBS, Coface

Chart 14:
India: Contribution to wholesale price index (% points)



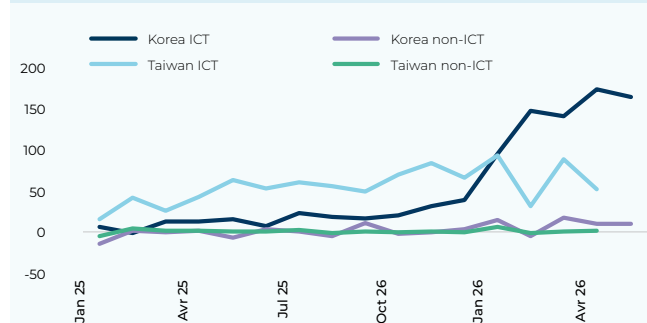
Sources: MoSPI, Macrobond, Coface

Chart 15:
ASEAN: PMI manufacturing: Input prices (50 = no change on prior month, s/adj)



Source: S&P Global, Macrobond, Coface

Chart 16:
South Korea and Taiwan export (YoY, % change)



Sources: South Korea MOTIE, Taiwan MOF, Macrobond, Coface

EMERGING ASIA

Three months into the Middle East conflict, **India** has avoided widespread energy shortages. The adjustment to higher energy prices is underway, and the burden is shared between the public and private sector, with retail fuel prices being raised four times in May (Chart 14). India's challenges this year include managing the pressure on its balance of payments and the rupee, which stem from a lack of capital inflows.

Southeast Asia's outlook deteriorated in the second quarter as the energy shock and rising input costs began to weigh more visibly on activity (Chart 15). Business conditions weakened across the region, with May PMI data highlighting the strongest margin squeeze in four years in **Indonesia, the Philippines and Thailand** as manufacturing input costs surged. Thailand's economic drivers also softened, with weaker private consumption and a moderation in tourism revenues, alongside its goods trade deficit widening to a record level in April. Inflationary pressures are intensifying across the region while growth momentum is easing, contributing to broad currency depreciation pressures, with the notable exceptions of **Singapore** dollar and **Malaysian** ringgit. Policymakers in Indonesia and the Philippines have responded with rate hikes to stabilise their currencies amid widening external imbalances, while rising fuel subsidy burdens in Malaysia and Indonesia are increasingly straining fiscal positions.

ADVANCED ASIA-PACIFIC

Advanced North Asian economies have been the main beneficiaries of the AI capex boom. **Japan** saw a lift from exports of chipmaking materials and machinery. This, alongside improving real disposable income and a capex upcycle aided by fiscal support under Prime Minister Takaichi, drove a 0.5% QoQ growth in Q1. **South Korea's** semiconductor exports surged 153% YoY in the first five months, buoyed by AI-server demand, tight memory supply and rising memory chip prices (Chart 16). **Taiwan** remained on a strong growth trajectory, growing 14.6% YoY in Q1 on robust AI-led export and investment. **Hong Kong** also benefited from re-exports of high-end electronics from Southern China. However, high energy import dependency makes them exposed to prolonged disruptions stemming from the Middle East conflicts. So far, ample inventories, combined with improved fiscal capacity (i.e. chip-related corporate taxes), have mitigated physical shortages and enabled supply diversification. Still, higher prices have lifted inflation expectations, raising the risk of tighter monetary conditions. This could worsen growth imbalances, particularly in South Korea and Taiwan, where non-tech sectors and domestic consumption have underperformed.

Despite being an energy supplier, **Australia's** net exports deteriorated in March due to refined fuel and datacentres-related imports. Private demand is expected to be hampered by inflationary pressures and by tighter financing conditions.

EMERGING ECONOMIES

MIDDLE EAST

GCC countries are heavily hit by the conflict (**Chart 17**). **Oman** is a relatively positive outlier in this respect, as its geographic location enables it to avoid relying on the Strait of Hormuz for export routes. In contrast, all the other GCC countries are experiencing weaker growth and moderately rising inflation, alongside a deterioration in fiscal and external balances. **Qatar, Bahrain** and **Kuwait** are projected to experience sharp economic contraction due to the closure of the Strait of Hormuz on which their exports depend heavily, missile attacks on their hydrocarbon facilities and oil storage constraints. Growth in the **United Arab Emirates** will stagnate due to disrupted logistics, trade and tourism activity, lower investor sentiment. **Saudi Arabia's** economy will slow markedly, though the country's ability to export oil via the Red Sea and its larger domestic market will help mitigate some of the negative impacts. GCC growth is expected to rebound in 2027. The MoU signed by the US and Iran should support the outlook, as transit in the Strait of Hormuz is expected to improve. However, the increase in non-oil activity will depend more on the restoration of investor confidence.

The negative spillovers of the conflict, particularly in terms of labour market disruption, weaker private consumption and declining business and consumer confidence, also impacted **Israel's** economy, with growth expected to stand at 3% in 2026. Inflation remains low at 1.9% within the official target of 1-3%. However, the (geo)political situation, rising energy prices and supply chain disruptions continue to pose an upside risk.

In **Türkiye**, elevated inflationary pressures have resulted in the central bank maintaining a tight policy and imposing further restrictions on banking loan caps (**Chart 18**). This will likely exacerbate the financial risks already facing the manufacturing sector, which is grappling with high levels of debt, financing constraints, elevated production costs and ongoing cash flow issues. Furthermore, weaker domestic demand and a negative contribution from net exports are expected to keep overall economic growth below its long-term average.

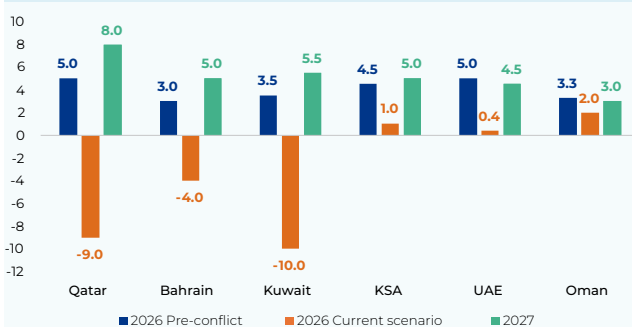
AFRICA

The direct impact of the Middle East conflict on African economies will be uneven. Although oil products are a significant component of the continent's energy mix, their consumption is concentrated in the continent's most industrialized economies (South Africa, Egypt, Nigeria and Morocco). Indeed, many countries on the continent are not yet sufficiently developed for oil to be significant in energy consumption and will be relatively less affected by supply shortages. However, all African countries will be affected by the new inflationary shock - especially if food prices start to increase substantially due to input price pressures, fertilizer shortages and adverse weather conditions - and its spillover effects, leading to lower GDP growth in 2026 and 2027 (**Chart 19**).

Countries with deteriorated public finances (**Senegal**) and/or external accounts (**Malawi**) will be particularly at risk. Less favourable financing conditions following a tightening of monetary policy could lead to new crises, especially as the fiscal space available is much more limited. As commodity prices are set to remain high, countries that export minerals and hydrocarbons (Algeria, Angola, Guinea, Zambia) will have additional resources to cushion the blow and currencies that will perform relatively better.

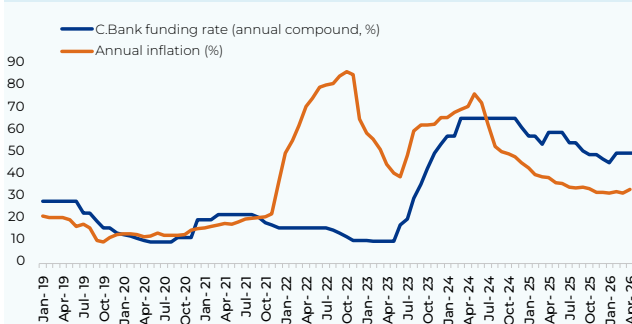
Egypt is highly exposed to the Middle East conflict. Inbound tourism is impacted by security concerns, despite the distance, as well as airspace closures and flight cancellations affecting regional hubs and airlines. Air transport disruptions also hinder some merchandise exports (jewellery, fruits and vegetables) to the Gulf countries, while less precious and perishable exports (copper, steel, textile, machinery) can use alternate but possibly suboptimal routes (Saudi Red sea ports and road through the Peninsula). Remittances inflows are also expected to be hit by the loss of activity in Saudi Arabia and, above all, the UAE, where large Egyptian expatriates community are concentrated. Suez Canal revenues, which were barely recovering from Houthi attacks, have fallen back. Oil and gas import prices rocketed, pushing gasoline and electricity prices higher. Part of the rise was passed on to consumers, the rest falling on budget. Inflation has increased (**chart 20**), while the already high public deficit is expected to increase. Finally, the UAE and Qatar might be temporarily distracted from their USD 35 and 30 billion multi-activity ventures on the Mediterranean coastline, respectively Ras El-Khaimah and Alam El-Roum. In these difficult times, the country has the support of its multilateral partners who appreciate that the course of reforms is being maintained.

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



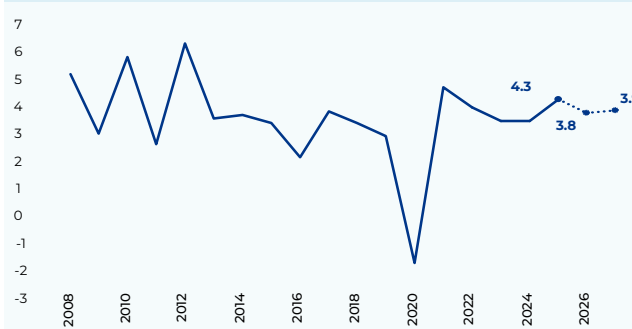
Source: Coface

Chart 18:
Türkiye: Central bank funding rate vs. inflation



Sources: TSI, Macrobond, Coface

Chart 19:
Africa: Annual real GDP growth (%)



Sources: IMF, World Bank, national data, Coface

Chart 20:
Egypt: Inflation and interest rate (%)



Sources: Egypt CAPMS, Central Bank of Egypt, Macrobond, Coface

IN THE SPOTLIGHT

INSOLVENCIES

Insolvencies in advanced economies rose for the fourth consecutive year, increasing by around 6% in 2025. Data for Q1 2026 indicate a reacceleration, with insolvencies rising by 12% year-on-year. This sharper increase is driven primarily by the US, where insolvencies are up 22%. In Asia-Pacific, Japan and South Korea also recorded renewed acceleration (up 8% and 28%, respectively), while in Europe, Germany, France and Switzerland saw notable rises (+8%, +8% and +70%, respectively), with the latter reflecting legislative changes. Despite this, Europe recorded the smallest regional increase (+4%), preceded by Asia-Pacific (+8%) and North America (+20%).

The impact of the Iran conflict is barely visible in Q1 data, as it may have only affected insolvency developments from late March onward. However, rises were observed in construction and transportation across several countries, including France, Germany and Japan, alongside rises in wholesale & retail and services. In the US, larger insolvencies have increased in materials, energy & utilities. For the remainder of 2026, pressures are expected to persist, particularly in energy-intensive sectors, those exposed to scarce inputs, and in transportation and construction.

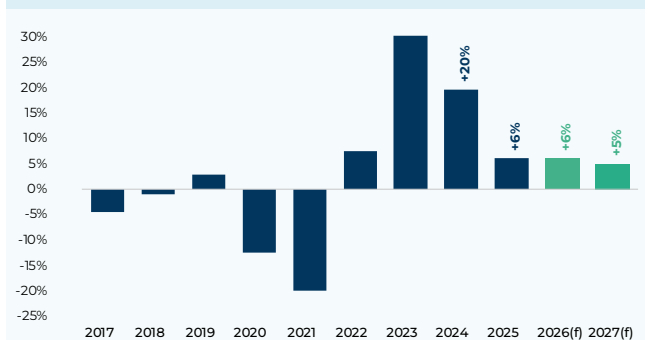
For 2026 as a whole, insolvencies are projected to rise by 6%, more than double the increase expected in January, reflecting higher costs, weaker sentiment and tighter corporate credit conditions. Significant increases are expected in the US (+8%), France (+8%) and Japan (+7%). Germany and the Netherlands are projected to rise by 5%, with more moderate increases of 2-3% in Australia, Spain, and the UK. Looking ahead, a further 5% rise is projected in 2027, marking a sixth consecutive annual increase and bringing insolvencies to around 40% above the 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 growth and forecast (%)



Sources: National sources, Macrobond, Coface

TRANSPORT

The transport sector has been on the front line of the Middle East conflict. In the region, air and maritime operations have been disrupted, though the latter more severely. The Strait of Hormuz has nearly closed, with only 145 ship transits recorded in May compared with more than 3,330 in the same month a year earlier. The induced partial rerouting of flows has led to greater reliance on multimodal solutions including road haulage.

Traditionally a key chokepoint for global hydrocarbons as well as fertilisers, methanol, helium or sulphur exports, its closure has repercussions on supply chains. Businesses are already reporting longer delivery times, early signs of shortages and rising input prices, prompting precautionary stockpiling. Meanwhile, increased marine fuel costs and its reduced availability – with bunker prices² peaking at around twice pre-conflict levels in the second half of March and still over 35% higher as of 18 June – participated to higher sea freight rates. Consequently, the global supply chain pressure reached a four-year high in April (Chart 23). Nevertheless, it has remained lower than the all-time record high recorded during the post-pandemic recovery at the end of 2021 and is expected to remain so, reflecting weaker demand and manufacturing momentum.

While less central to trade flows, air transport has also been significantly affected. In the Middle East, activity at the main airport – Dubai International Airport – has partially recovered, with aircraft movements reaching 60% of pre-conflict levels by mid-June. Globally, jet fuel prices surged. The spike was particularly notable in Asia, peaking at 2.6 times pre-conflict levels at the end of March, in part linked to shortage concerns. With already thin margins, airlines have responded by scaling back operations, leading to the first decline in the number of commercial flights (Chart 24) and in global passenger traffic since the COVID-19 pandemic in April. While still acute in emerging Asian countries, risks of fuel shortage in Europe have been mitigated by the EU's decision to allow broader use of Jet-A³ fuel in early May.

2 Taking the average price of Very Low Sulfur Fuel Oil (VLSFO) at 20 ports

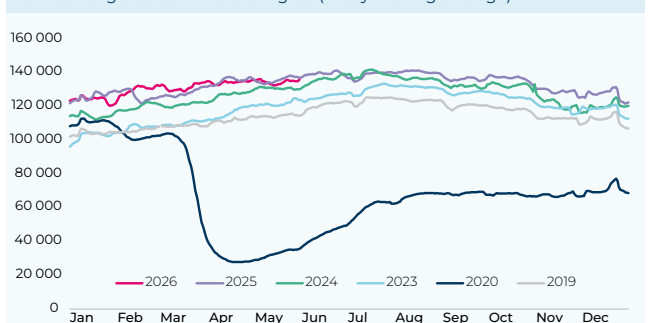
3 Jet-A is produced and mostly used in the United States. Its main difference with the international standard, the Jet-A1, is its freezing point of -40°C (vs. -47°C for Jet A1).

Chart 23:
Global Supply Chain Pressure Index (standard deviation from average value)



Sources: Federal Reserve Bank of New York, Macrobond, Coface

Chart 24:
Number of global commercial flights (7-day moving average)



Sources: FlightRadar24, Coface

Assessment changes

Country Risk

Countries	CRA changes		
 CAMBODIA	C	➔	D
 INDONESIA	A4	➔	B
 KUWAIT	A4	➔	B
 MADAGASCAR	C	➔	D
 MALAYSIA	A4	➔	B
 PHILIPPINES	A4	➔	B
 TANZANIA	B	➔	C
 VIETNAM	A4	➔	B

Cambodia

[Downgrade from C to D] ➔

Heavy reliance on imported refined fuel and limited energy security sees Cambodia's economic outlook deteriorating sharply amid the Middle East conflict. Rising fuel and LPG costs are driving broad-based inflation and eroding real incomes, weakening consumption. Higher transport and logistics costs are straining manufacturing and exports, while agriculture faces rising input costs and supply disruptions. Tourism remains weak, further weighing on growth and incomes. Financial sector vulnerabilities are increasing, with NPLs at decade highs and expected to rise further.

Indonesia

[Downgrade from A4 to B] ➔

Indonesia's growth outlook has weakened, with external balances weakened by higher costs and currency depreciation. Its current account deficit is expected to widen meaningfully. Rupiah has been among Asia's weakest performers, prompting monetary tightening to support the currency. Inflation remains contained partly due to fuel subsidies, but expanded subsidies raise further concerns over fiscal slippage. The move to centralise key commodities under a state-owned entity adds an additional layer of policy uncertainty. Financial stability risks are also gradually rising across sectors.

Kuwait

[Downgrade from A4 to B] ➔

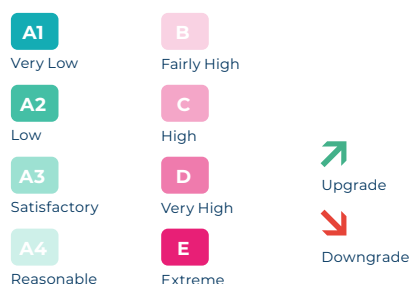
Kuwait remains highly exposed to the ongoing war with Iran, as it has no alternative export route to the Strait of Hormuz. With almost all hydrocarbon exports dependent on the Strait, prolonged disruption would severely affect oil exports, fiscal revenues, and external balances. The recent decline in non-oil private sector activity, including weaker output and new orders, indicates that the war is already having a widespread impact on the economy. Given Kuwait's limited economic diversification, the conflict will lead to a contraction of the economy in 2026.

Madagascar

[Downgrade from C to D] ➔

The economy of Madagascar was already under considerable pressure in 2025 and the conflict in the Middle East will add to existing challenges. Although the share of oil is relatively low in total energy consumption (11%), it is quite significant in electricity generation (34%). As an island-nation reliant on agriculture, Madagascar is particularly vulnerable to the increase in energy, fertilizer and transport costs. While development projects and investments in mining will support some growth, higher electricity prices and still challenging conditions for agricultural production will constrain consumption. Depending on the evolution of oil and fertilizer prices, inflation could breach 10% in 2026,

BUSINESS DEFAULT RISK



which would lead the central bank to tighten its stance, further constraining domestic demand. Furthermore, the return of El Nino at the end of 2026 could affect Madagascar. Finally, the political and social climate remains tense after Gen Z protests in 2025 and the coup d'Etat that followed.

Malaysia

[Downgrade from A4 to B] ➔

Malaysia's economic outlook is increasingly uncertain. Despite being a natural gas exporter, reliance on imported crude, refined fuels and coal exposes it to energy shocks from the Middle East conflict. Rising input, logistics and energy costs are pushing up business expenses, while delivery timelines have lengthened. Manufacturing conditions are weakening amid material shortages, cash-flow pressures, and softer demand. Inflation remains contained by targeted fuel subsidies, but fiscal constraints are forcing gradual reduction in these subsidies, adding to downside risks.

Philippines

[Downgrade from A4 to B] ➔

The Philippines' economy faces heightened risk due to heavy reliance on Middle East energy and remittances. Trade deficit has widened due to sharply higher petroleum import costs. Growth has weakened even before the war as domestic demand remained weak. Rising inflation is now eroding private consumption. Fuel price spikes are lifting transport, food and utilities costs, exacerbated by peso depreciation. The currency weakness may prompt further monetary tightening to stabilise it, with external vulnerabilities persisting in the near term.

Tanzania

[Downgrade from B to C] ➔

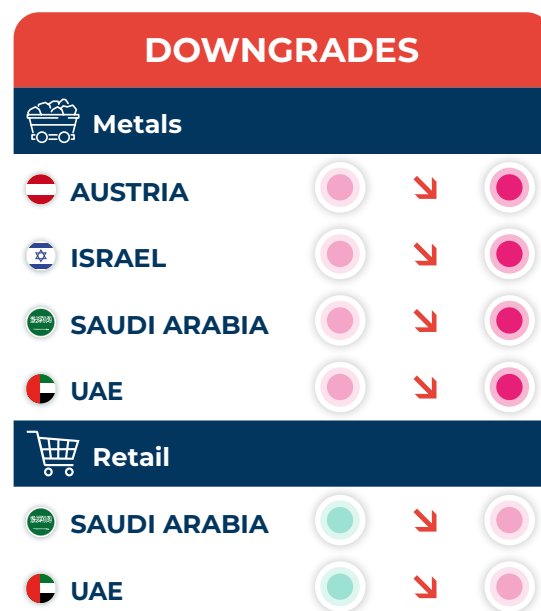
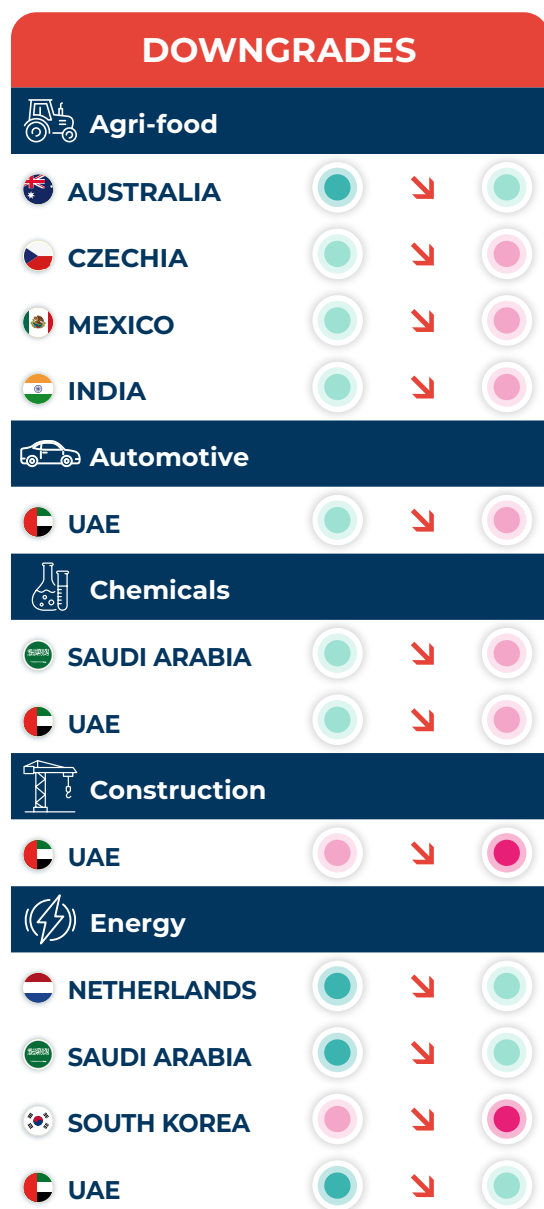
While Tanzania's growth performance should remain robust overall, the impact of the conflict will drag it below potential in 2026 and 2027. Tanzania's energy mix is not overly reliant on oil, but over 60% of oil imports originate from the Middle East, and the country is vulnerable to supply disruptions. Similarly, over 55% of fertilizer imports are sourced from Morocco and the Gulf, and agricultural production could be affected by supply issues, higher input prices and less favourable weather conditions as Tanzania is located in the part of Southern Africa that is directly affected by El Niño. Tanzania's macroeconomic fundamentals are robust relative to its level of development, and there are enough buffers to absorb an inflationary shock. However, lower consumption due to higher inflation, higher transport costs and worsening external balances will weigh on the outlook.

Vietnam

[Downgrade from A4 to B] ➔

Vietnam is highly exposed to oil supply shocks as a net energy importer with concentrated crude sourcing and limited reserves. Rising fuel, transport, and material costs are driving inflation higher, eroding consumption and pushing production costs to multi-year highs. The trade deficit widened further in May, reflecting growing external pressures. Manufacturing is strained by delays and cost escalation. While policy measures such as tax relief, fuel price fund utilisation and price monitoring provide some buffer, constrained fiscal space limits the scope for stronger support.

Changes in sectors assessment



BUSINESS DEFAULT RISK



DOWNGRADES



Paper

	AUSTRIA		➔	
	FRANCE		➔	
	CHILE		➔	
	GERMANY		➔	
	ITALY		➔	
	NETHERLANDS		➔	
	SAUDI ARABIA		➔	
	SPAIN		➔	
	SWITZERLAND		➔	
	UAE		➔	
	UNITED KINGDOM		➔	



Pharmaceuticals

	CZECHIA		➔	
	POLAND		➔	
	INDIA		➔	



Textile-Clothing

	SAUDI ARABIA		➔	
	UAE		➔	



Transport

	FRANCE		➔	
	JAPAN		➔	
	SAUDI ARABIA		➔	
	SOUTH KOREA		➔	
	SWITZERLAND		➔	
	UAE		➔	
	UNITED KINGDOM		➔	

Profit margins and credit quality stand at historical lows in the global paper industry, reflecting years of soft demand growth and fierce price competition led by cost-efficient producers based in the Southern hemisphere (Chile, Uruguay, Brazil, Indonesia). The continuous conversion of graphic paper capacities, driven by the secular decline in graphic paper demand, to paper packaging capacities is also adding to this environment of heightened competitive intensity. We anticipate the protracted war in the Middle East to further dent profitability due to elevated energy costs and a deterioration in industrial production and consumer spending in key markets.

UPGRADES



Energy

	CANADA		↗	
	UNITED STATES		↗	



Metals

	ARGENTINA		↗	
	SOUTH AFRICA		↗	

BUSINESS
DEFAULT RISK

Low risk



Medium risk



High risk



Very high risk



Upgrade



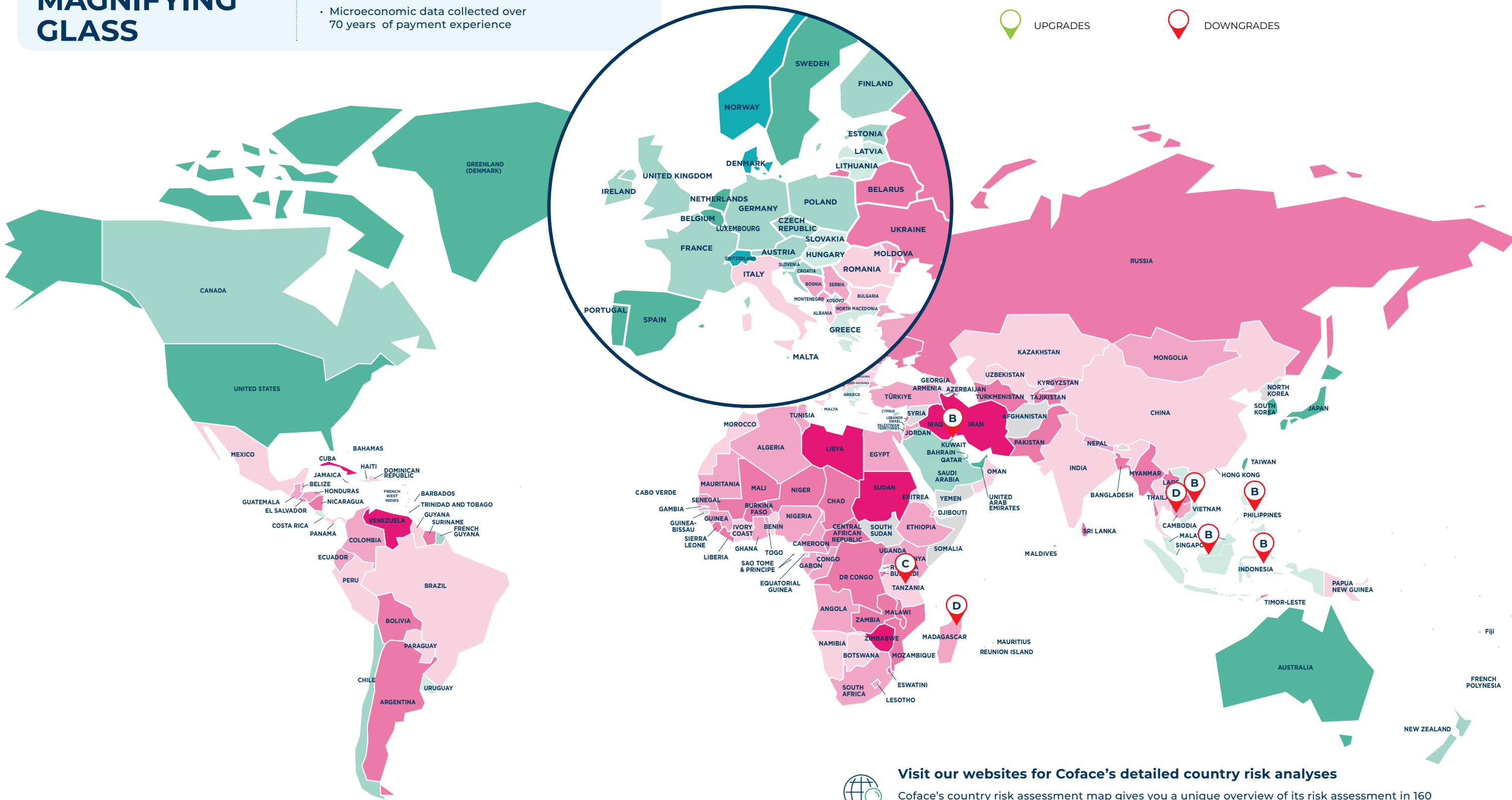
Downgrade

COUNTRY RISK ASSESSMENT MAP

160 COUNTRIES
UNDER THE
MAGNIFYING
GLASS

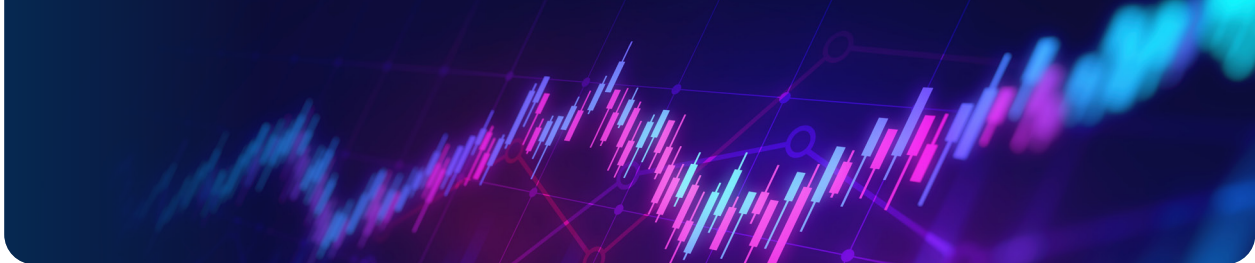
A UNIQUE METHODOLOGY

- 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.



June 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)

NORTH AMERICA					SOUTH AMERICA			
Sector	North America	Canada	United States	Mexico	South America	Argentina	Brazil	Chile
Agri-food								
Automotive								
Chemical								
Construction								
Energy								
ICT*								
Metals								
Paper								
Pharmaceuticals								
Retail								
Textile-Clothing								
Transport								
Wood								

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

WESTERN EUROPE									
Sector	Western Europe	Austria	France	Germany	Italy	Netherlands (the)	Spain	Switzerland	United Kingdom
Agri-food									
Automotive									
Chemical									
Construction									
Energy									
ICT*									
Metals									
Paper									
Pharmaceuticals									
Retail									
Textile-Clothing									
Transport									
Wood									

ASIA-PACIFIC					
Asia-Pacific	Australia	China	India	Japan	South Korea

MIDDLE EAST & TÜRKİYE				
M. East & Türkiye	Israel	Saudi Arabia	Türkiye	UAE

CENTRAL & EASTERN EUROPE			
Central & Eastern Europe	Czechia	Poland	Romania

OTHER COUNTRIES	
Russia	South Africa

BUSINESS
DEFAULT RISK

Low Risk

Medium Risk

High Risk

Very High Risk

Upgrade

Downgrade

COFACE GROWTH FORECASTS

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

F = forecasts



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