SECTOR RISK METHODOLOGY

The Sector Risk Rating by Euler Hermes Economic Research assesses the risk of nonpayment by companies in 18 sectors across 70 countries around the world. It is measured on a four-level scale from Low to High.

Sector risk assessments are based upon the forward-looking evaluation of four key determinants - demand, profitability, liquidity and business environment – using Euler Hermes internal data and expert judgments, as well as hard data from secondary sources.



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"Our grading system uses a unique methodology which combines data and expert judgments to assess the risk of nonpayment at a sector level across the top 70 countries of the world."



4 levels of risk based on 4 key components

The Sector Risk Rating is based on the evaluation of four components that are analyzed globally for each sector:

Demand: Outlook for companies' turnovers based on the organic growth, fundamentals and The indicators are based on Euler Hermes interprice competition of the sector;

Profitability: Outlook for companies' margins and profits depending on the evolution of prices in raw materials/commodities, on labor costs and fluctuations in supply and capacity;

Liquidity: Outlook for companies' cash positions and financing risks, based on access to financing and payment performance, and

Business environment: Any technological innovations, new government subsidies and changes in legal framework that can alter business models and companies' strategies.

A quantitative and qualitative grading system

Our grading system is a unique combination of indicators and expert judgements dedicated to assessing the short-term outlook of the four subcomponents of our sector risk ratings.

nal data and hard data from secondary sources.

The expert judgments capitalize on the microeconomic expertise of Euler Hermes credit analysts, who closely monitor risk in companies all over the world, and the sector advisors of the Economic Research team, who analyze industry trends globally.

These judgments are collected using a standardized and consistent quarterly questionnaire.

Sector risk ratings are designed to complement Euler Hermes' Country Risk ratings and individual buyer risk assessments.

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