

Source: Atradius

Industry performance

Changes since January 2021 · Sources: Atradius, Oxford Economics

Agriculture



Remains Fair

In 2020 the sector was impacted by the consequences of the lockdowns (e.g. transport and supply chain issues and lack of foreign seasonal workers) and pandemic-related sanitary measures. The potential for a quick rebound remains, despite adverse price developments and more moderate levels of sales for export-oriented segments (e.g. pork and potatoes). Weather conditions of the 2020-2021 winter season have been benign for cereals, grain, and potato growth.

Automotive/Transport



Up from Bleak to Poor

Automotive value added declined by 20.3% in 2020, and in H1 of 2021 the sector performance was impacted by supply chain issues, mainly due to semiconductor shortages. While sales of passenger cars increased 14% year-on-year in the period January-May 2021, they have not yet reached pre-pandemic levels. That said, new registrations of commercial vehicles increased 34%. It is expected that the sector rebound should gain momentum in H2 of 2021, and value added is expected to increase by 11.5% in 2021.

Transport value added decreased 4.6% in 2020 as the sector was impacted by decreased traffic and demand for logistics, due to coronavirus-related lockdowns, the repercussions of Brexit, and the subdued economic performance. However, transport performance has stabilised since Q4 of 2020, with a slight rebound in the port-handling businesses and cargo-linked air transport. While container traffic has been impacted by the recent Suez Canal obstruction, due to high demand for commodities both dry bulk and break bulk businesses have recorded good results since the beginning of 2021. While transport value added is forecast to increase by about 2% in 2021, payment delays and insolvencies are expected to increase slightly in H2 of 2021. With the expiry of government support measures some businesses are facing liquidity strains.

Chemicals/Pharmaceuticals



Remains Good

Deteriorating domestic and global demand had a negative impact on industry performance in 2020, with chemicals value added decreasing 4.8%. However, the sector has started to rebound, and value added is expected to increase by more than 4% in 2021. The Belgian chemicals industry shows generally robust business financials and good payment records compared to other industries. That said, the margins of petrochemicals businesses remain under pressure. Pharmaceutical companies have benefited from increasing health expenses and business activities linked to the vaccination rollout. Pharmaceuticals value added is forecast to increase by 11% in 2021 after growing by the same amount in 2020.

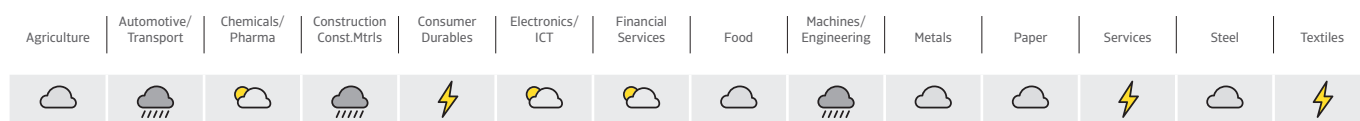
Construction/ Construction Materials



Remains Poor

The Belgian construction sector remains highly fragmented, and consolidation in the market is ongoing. The industry suffers from very low margins due to high competition, especially in the public tendering business. The bargaining power of smaller subcontractors and suppliers remains low. High labour costs, limited building grounds available, restricted access to bank loans, high days sales outstanding and elevated insolvency levels were already issues before the coronavirus pandemic.

Construction value added contracted 4.7% in 2020. Last year's performance was affected by the economic downturn, with more pressure on businesses' margins, supply chain disruptions, increased raw materials prices and a decrease in efficiency (e.g. social distancing during works and infected workers leading delays to the project deliveries). In the first months of 2021 construction and construction materials activities remained impacted by delays in projects and lower order volumes. However, residential and infrastructure construction output have started to rebound. As the economic recovery will gain momentum in H2 of 2021, sector value added is expected to increase by more than 6% this year. Demand for houses with gardens and/or open space remains elevated, and business opportunities for the renovation segment have increased, in particular for energy-efficient building renovation (heating, ventilation, isolation and renewable energy). However, due to the expected expiry of government support measures in September it cannot be ruled out that construction insolvencies will start to increase towards the end of the year.



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Consumer Durables



Remains Bleak

After a 14.3% contraction in 2020 retail value added is forecast to rebound by only 6% in 2021. Since Q2 of 2021 shops have increasingly re-opened, but have to find ways how to finance stocks for the summer season, in combination with orders for the winter season. Despite the economic recovery and rising consumer sentiment the credit risk situation of smaller retailers remains tense. Across all subsectors retailers commonly face 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, which has triggered performance issues among larger players as well. The amount and frequency of payment delays remains elevated, and insolvencies are expected to increase in H2 of 2021, after the expiry of government support measures.

Electronics/ICT



Up from Fair to Good

In H1 of 2021 the industry was impacted decreasing sales due to the implementation of pandemic-related sanitary measures and supply chain disruptions. However, spending from businesses and employees on digital goods and services has increased due to the expansion of remote working, and ICT value added is expected to grow by almost 4% in 2021.

Financial Services



Remains Good

The sector remains resilient, but increased financial troubles for businesses and consumers alike have led to more loan defaults for banks and tighter lending conditions. After a 1.2% contraction in 2020, sector value added is forecast to increase by 2% in 2021.

Food



Remains Fair

In the food retail segment, the expansion of two large Dutch supermarket chains has added 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. Sales were still modest in the first months of 2021, due to subdued demand from the hospitality sector, company and school canteens, and hotels and restaurants. However, with the progressive easing of confinement measures as of Q2 of 2021 sales should increase again, and food value added is expected to increase by about 2.5% in 2021.

Machines/Engineering



Remains Poor

After a 14% contraction in 2020 engineering value added is forecast to rebound by about 7% in 2021. In H1 of 2021 orders on hand and production were still affected by postponed investments. Domestic and international demand from key buyer sectors like automotive and aeronautics remained subdued. However, as the economic rebound is gaining momentum in H2 of 2021, capital investments are expected to grow accordingly. After increasing in H2 of 2020, payment delays have decreased again in H1 of 2021.

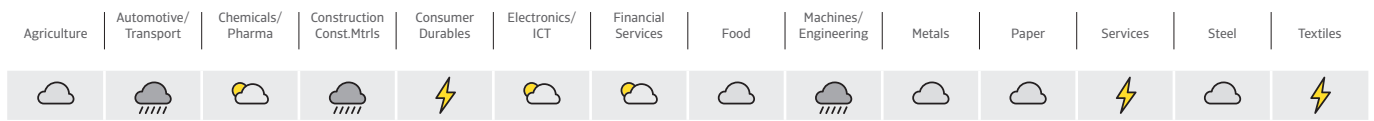
Metals



Up from Poor to Fair

After a 12.9% value added contraction in 2021, metals orders and output have started to pick up again in the first months of 2021. While payment delays and non-payments increased in H1 of 2020, the situation has stabilised again since H2 of 2020.

While demand from key buyer sectors like construction, automotive and machinery remained somewhat subdued in H1 of 2021, the rebound is expected to gain momentum in the coming months, and metals value added is expected to grow by about 13% this year. However, the sector performance remains highly dependent on raw material price developments and global logistic issues.



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Paper



Remains Fair

Paper producers have been impacted by less demand due to the economic slump and sanitary measures, continuing to encounter the pressure of the ongoing digitalization. However, packaging has benefited from increased e-commerce. While paper sector value added is forecast to decrease by 2% in 2021, the packaging segment expects growth of more than 4% this year.

Services



Remains Bleak

Due to the comprehensive lockdowns, additional sanitary measures and lower demand resulting from the coronavirus pandemic, many segments have suffered heavily in 2020 and early 2021, especially hotels and catering, restaurants, bars, entertainment and cultural events, training and education, hairdressers, travel agencies and tour operators. The benefits of the easing of some confinement measures in H1 of 2020 were impaired by adverse weather conditions.

The perspectives for a rebound in H2 of 2021 are based on further easings of confinement measures and the speed of vaccination rollout. Service value added is forecast to rebound only 1% in 2021 after a 4.1% decrease in 2020, while the hotel and catering segment should grow by 24% after a 30% contraction last year. Despite the recovery the credit risk situation of many businesses will remain under pressure in H2 of 2021, and rising payment defaults and insolvencies cannot be ruled out.

Steel



Up from Poor to Fair

After a 16.7% value added contraction in 2021, steel orders and output have started to pick up again in the first months of 2021. While payment delays and non-payments increased in H1 of 2020, the situation has stabilised again since H2 of 2020.

Demand from key buyer sectors like construction, automotive and machinery remained somewhat subdued in H1 of 2021. However, the rebound is expected to gain momentum in the coming months, and steel value added is forecast to grow by about 14% this year. The sector performance remains highly dependent on raw material price developments and global logistic issues.

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 the lockdowns.

In early 2021 adverse weather conditions were partly offset by improved consumer sentiment. With the easing of confinement measures companies are looking for ways how to finance stocks for the coming seasons. Textiles value added is forecast to increase by about 5% in 2021 after a 7.7% contraction in 2020. The credit risk of many clothing and footwear wholesalers and retailers remains elevated, with non-payments and insolvencies expected to increase in H2 of 2021.