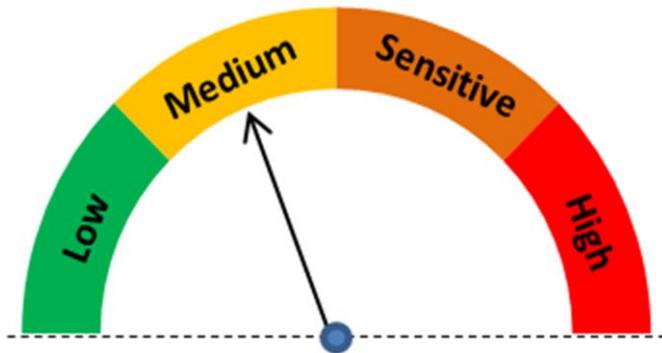


Sector Risk Rating



What to Watch?

- Volatility of household consumption and interest rate drives fluctuations in sales
- Increasing price pressures to persistently affect margins
- Rising e-commerce activities challenging traditional players
- Risk of cannibalization between new product lines due to the convergence of their functionalities

Growth goes on despite deflationary pressures

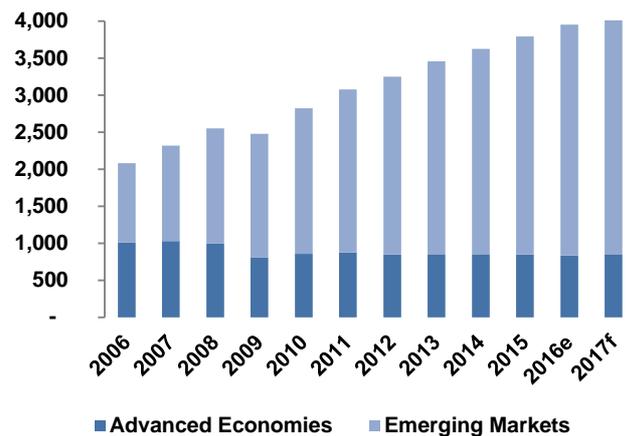
In 2016, the household equipment sector grew by +4.2%, well below the long-term trend (+8.0% over the last decade). The sector is at the boundary between household investment and consumption, comprising appliances or “white goods” (65%), consumer electronics aka “brown goods” (10%), and furniture (25%). It is highly globalized and sensitive to the economy as a whole. Long-term sales growth has, therefore, remained weak because of price pressures, and the close linkage with the construction sector, in itself still convalescent in many countries.

Despite this global structure, a strong dichotomy persists between advanced economies where the sector faces stagnation or is slightly decreasing in value (-1.4% per year since 2005) and emerging markets where it enjoys steady growth (+14.2% over the last 10 years).

Growth in advanced economies depends to a large extent on technological innovations and household decisions on equipment renewal.

The sector is also linked to the breakdown of households' current spending items between food, clothing, and leisure. The structure of these expenditures, which is specific to each country, is harmonized with the rise in the standard of living of households.

Household Equipment Gross Output
(real USD bn)



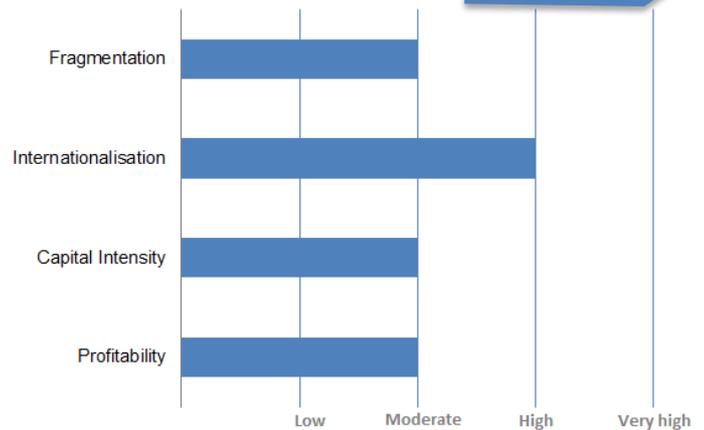
Sources: Oxford Economics, Euler Hermes

Sector Value:
788bn
USD

Key Players

Country	Role	Sector Risk
China	#1 producer #2 exporter	●
Japan	#2 producer #7 importer	●
United States	#1 importer #3 producer #5 exporter	●

ID Card



Strengths

- New market opportunities thanks to a growing middle class in emerging markets
- Highly adaptive to consumer expectations of innovative and interconnected products
Structural growth due to population growth
- Global, high-volume market

Weaknesses

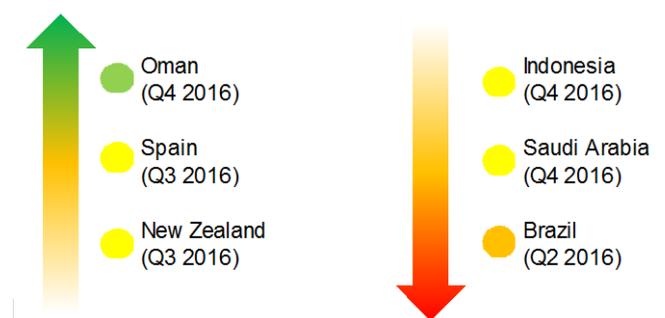
- High sensitivity to household income and savings rate
- Extremely competitive sector where low-cost products play a major role
- Household expenditures allocated to many different services and products
- Reliant on the cyclical construction market

Subsectors Insight

Semiconductors: A capital intensive activity concentrated in Asia (main actors in Taiwan) and highly dependent on economic growth fluctuations. The market will probably continue to perform well for the next 5 years.

Appliances and consumer electronics: Increase in volumes due to first acquisitions and renewal of products.

Recent Sector Risk Changes



DISCLAIMER

These assessments are, as always, subject to the disclaimer provided below.

This material is published by Euler Hermes SA, a Company of Allianz, for information purposes only and should not be regarded as providing any specific advice. Recipients should make their own independent evaluation of this information and no action should be taken, solely relying on it. This material should not be reproduced or disclosed without our consent. It is not intended for distribution in any jurisdiction in which this would be prohibited. Whilst this information is believed to be reliable, it has not been independently verified by Euler Hermes and Euler Hermes makes no representation or warranty (express or implied) of any kind, as regards the accuracy or completeness of this information, nor does it accept any responsibility or liability for any loss or damage arising in any way from any use made of or reliance placed on, this information. Unless otherwise stated, any views, forecasts, or estimates are solely those of the Euler Hermes Economics Department, as of this date and are subject to change without notice. Euler Hermes SA is authorised and regulated by the Financial Markets Authority of France.

© Copyright 2017 Euler Hermes. All rights reserved.

View all Euler Hermes
Economic Research online
<http://www.eulerhermes.com/economic-research>

Contact Euler Hermes Economic
Research Team
✉ research@eulerhermes.com

Last review: February 2017
Sector Risk Analyst: Didier Moizo
✉ didier.moizo@eulerhermes.com