Major Country Risk Developments
August 2024

By Byron Shoulton

Overview

The U.S. and Japan warned of a growing Chinese threat to regional and global stability; and outlined the most significant upgrade to their joint military alliance since 1990. Both allies cited China's aggressive posture which they believe pose the greatest strategic challenge in the Indo-Pacific region and beyond.

At a recent bilateral meeting the two allies sought to bolster security ties in response to what they view as a growing threat from China. They discussed how China employs political, economic and military coercion of countries, and companies and agreed to upgrade U.S. military command structure in Japan. This involves placing greater operational control in the hands of locally based U.S. leadership.

Coordination between both countries had long been hampered because although roughly 50,000 U.S. military personnel are based in Japan, the U.S. Forces Japan (USFJ) lacked command and control authority. Japan has had to deal with U.S Indo-Pacific Command in Hawaii, which is 19 hours behind Tokyo and located 6,500 kilometers away.

The military upgrade involves placing a three-star commander and accompanying staff in Japan. The USFJ will be reconstituted as a joint force headquarters to allow their militaries to cooperate and plan more seamlessly, particularly in a crisis such as a Taiwan conflict.

The details were unveiled three months after leaders

of both countries agreed at a summit in Washington to modernize their alliance structure. In a joint statement, the U.S. and Japan pledged to bolster bilateral training and exercises in the Nansei Islands in Japan's southwest, where China has recently increased its naval presence.

Meanwhile, on July 24, Russia and China flew a joint strategic bomber patrol near Alaska for the first time, highlighting the growing scale and capability of their military partnership that has raised concern among the U.S. and its allies.

U.S. and Canadian fighter jets detected, tracked and intercepted two Russian TU-95 and two Chinese H-6 aircraft, according to the North American Aerospace Defense Command (Norad), under which the U.S. and Canada jointly operate satellites, radars and fighters. The four bombers did not enter U.S. or Canadian airspace but operated in the Alaskan air defense identification zone (ADIZ) and did not present a threat. An ADIZ is a self-declared buffer zone in international airspace in which countries monitor flight movements for potential security threats. It is not unusual for Russian bombers flying through the [Alaska] ADIZ to be intercepted, but it is the first occurrence of a joint Russian and Chinese flight in that zone.

Russia's defense ministry acknowledged the joint patrol took place in a new area of joint action over the Arctic and northern Pacific oceans over a five-hour period. It confirmed that Russian fighter jets provided cover for the bombers during the flight. Russians also confirmed that the planes acted in accordance with international legal statutes and "did not violate the airspace of foreign countries." China confirmed it had conducted joint strategic air patrols with Russia over the Bering Sea, according to its annual plan for joint military engagements. The defense ministry said the maneuver deepened bilateral strategic mutual trust and co-ordination. The Chinese-Russian maneuver marks a further expansion of their alliance and substantial military co-operation.

Senior U.S. defense officials reported earlier this year that the U.S. military was revising its force structure and planning to consider Chinese-Russian military co-operation in a potential future conflict.

Although Beijing and Moscow do not have a mutual defense treaty, they have been training together for years. That activity has intensified over the past six years, with the countries' forces conducting annual joint naval exercises since 2018 and starting joint patrols with bombers in 2019. Both countries have continued to hold joint military maneuvers after Russia's full-scale invasion of Ukraine in 2022. China is engaged in a partnership that enables and sustains Russia's ability to wage war on Ukraine.

Last August, an 11-ship flotilla of Russian and Chinese warships sailed into waters close to Alaska during a bilateral naval exercise. But the two militaries' bomber patrols had previously only extended to airspace around Japan and over the western Pacific Ocean, east of Taiwan and the Philippines. The latest patrol was notable for being the first intercept of Chinese military aircraft near Alaska.

Defense experts say the joint drills and patrols offered more practical benefits for China's People's Liberation Army, which has not fought a war since 1979 and could learn from the Russian military's recent and ongoing

combat experience. For Moscow, the military alignment with Beijing strengthens its claim to being a global military power.

In July, a Singapore-flagged vessel was damaged in an attack by Houthi militants southwest of Yemen in the Gulf of Aden. Houthi military spokesperson confirmed that the group had launched ballistic missiles and drones towards the ship. Another Liberian-flagged oil tanker was forced to turn back to assess damage and investigate a potential oil spill after being attacked by the Houthis in the Red Sea. The group has so far sunk two vessels and seized another, killed at least three sailors and severely disrupted global trade by forcing ship owners to avoid the Suez Canal trade shortcut. The U.S. and UK have conducted retaliatory strikes since February, shooting down drones and bombing Houthi attack sites in Yemen.

The coming months will be challenging for both exporters/importers and shipping line operators. The Red Sea crisis impact is not limited to only the Asia-Europe trade lane but has expanded to the global trade routes. Diverting ships around the Cape of Good Hope has tightened the tonnage capacity as 2-3 more ships are needed to plug each supply gap. The shortage in tonnage supply is lifting the freight rates. Ships that were previously idled are being pushed into various services (regardless of the size of the vessel), which is limiting the shipping lines capability to meet growing demand. Shipping networks are being negatively impacted by equipment shortages and constrained capacity from Red Sea disruptions, which affects both alternative routes and transshipment hubs.

In Venezuela, the authoritarian president Nicolas Maduro claimed victory in the July 29th elections despite a slew of independent polls showing him trailing his main opposition challenger by 20 to 30 percentage points. Not only were the votes of millions not counted, but soldiers loyal to Maduro captured ballot boxes. Then the government-controlled election authority proclaimed Maduro the winner without providing a detailed breakdown of the voting. They couldn't either because it would show that Maduro lost; and it appears that the government may have destroyed the evidence.

Much is at stake in Venezuela. The nation has the world's largest proven oil reserves and was once among South America's wealthiest countries. Following years of woeful mismanagement which destroyed three-quarters of its economic output and triggered the migration of close to nine million people (25% of the population), Vene-

zuela is now an impoverished nation. Its people are left scattered across the region in the worst refugee crisis in the Americas. Many more will now be forced to leave the country given the sense of desperation and hopelessness that now prevails.

Venezuelans have taking to the streets to protest the stolen election and neighboring countries have expressed support for their plight. There can be no recognition of this illegitimate government.

No doubt Russia and possibly China will find it easy to come to Maduro's defense and provide the regime with military support to stay in power contrary to the will of the Venezuelan people.

Copper, oil & gas outlook

The world's largest copper miners are predicting closer collaboration with end-users from car manufacturers to utilities, upending a hitherto fragmented supply chain as shortages of the crucial metal to green technologies are set to flare up in the years ahead.

Executives at leading mining groups are expecting increasing shifts toward direct deals with cable manufacturers and other big buyers to secure supply of the so called "metal of electrification" at affordable prices. Longer-term supply contracts and secure raw material supply sources will be needed at relatively steady prices.

Ultimately those that will be utilizing the copper - whether for charging stations, grid buildout or vehicles-are developing a greater interest in how to secure steady access to copper going forward. The expectation is that markets will likely see a greater interest in direct linkages between the miners and those ultimate end-users. Countries like Argentina, Democratic Republic of Congo, Kenya, Chile, among others, will experience upticks in demand for new mining contracts and new investment opportunities.

BHP's foiled $45 billion takeover bid for Anglo American as well as copper prices spiking to an all-time high above $11,000 per ounce earlier this year shone a spotlight on the predicted shortages of copper later this decade. Although demand for renewables, grid upgrades and electric cars continue to rise globally, new mines are becoming ever harder to build and exploit.

Bank of America predicts copper supply will be 15% lower than demand by 2030. The bank forecasts the rollout of renewables, grid infrastructure spending and electric cars globally to double annual copper demand growth to 4% per year, from its historical average of 2%.

Industry insiders point to several factors blocking construction of larger projects, including deteriorating geology, lengthening permitting times, and surging costs because of inflation and sustainability considerations. Investors' demand for dividends versus growth, and volatile copper price swings have posed problems for miners. Debate rages within the industry as to whether miners need to consolidate into "supermajors" or become more open to partnering to build complex multibillion-dollar

projects- both moves that have precedent in the oil industry. It is getting harder to settle on politically stable jurisdictions to invest in copper mining given multiple cost pressures and increasingly difficult operating environments.

Increasing supply chain integration is one option in addressing the concerns of end-consumers, concerned about higher prices resulting from consolidation, and middling miners, vulnerable to takeovers by majors such as BHP, Glencore, Freeport-McMoRan and Rio Tinto.

Some predict that copper could follow the examples of lithium, nickel and cobalt in having car manufacturers finance mines in return for supply or could look to how utilities have signed long-term deals with miners to fast-track new uranium supply. For renewable energy developers and EV makers, volatile commodity prices can mean the difference between profits and bankruptcy.

British Petroleum (BP) has raised its forecasts for oil and gas demand in the latest sign that the transition to clean energy has slowed. The oil major made the projections in its closely watched annual outlook as renewable power sources such as wind and solar fail to increase at a fast enough pace to keep up with the growth in global energy demand. BP warned that delaying the clean power transition could be "costly" as it said oil would continue to "play a significant role in the global energy system for the next 10-15 years." The report showed oil demand would be about 97.8mn barrels per day in 2035 under BP's scenario that captures the current trajectory of the global energy system.

This is up more than 5% compared with last year's projection when BP slashed its growth forecasts for both oil and gas. When net zero targets — the reduction of CO_2 emissions by about 95% from current levels — are factored into calculations, the projection for oil demand is 80.2 million barrels per day by 2035, up 10% on last year's forecast. The oil demand projection is 76.8 million barrels per day by 2050 in the current trajectory, according to the outlook, compared with last year's figure of 73 million barrels a day. The world currently consumes about 100 million barrels a day of oil. BP's forecast for natural gas demand for 2035 under the current trajectory was 3% higher compared with last year.

The oil demand projection for 2030 was last raised in 2022, while gas was raised back in 2018. The group's fore-

casts for CO_2 emissions are also higher than last year's projection, but despite the greater projected demand for fossil fuels, emission levels end up lower by 2050 under both the current trajectory and when net zero is accounted for. While no direct reason for the upward swing in the oil and gas demand forecasts were given in the report, it noted that under the current trajectory, the decline in the use of oil in road transport is offset by the increasing use of oil in the petrochemicals industry. The report added that in emerging economies, "increasing levels of prosperity and rising living standards" support a more resilient demand for oil.

The world is in an "energy addition phase" where the consumption of both low-carbon energy, such as renewables, and fossil fuels is increasing, says BP. The challenge is to move to a phase in which low-carbon energy increases sufficiently quickly to more than match the increase in global energy demand, allowing the consumption of fossil fuels and carbon emissions to decline.

USA

A shaky start to the corporate earnings season has fueled concerns that consumer strength in the U.S. might have peaked, despite data showing stronger than expected GDP growth. Markets were encouraged by data that showed the U.S. economy grew at 2.8% annualized rate in the second quarter, a sign of continued consumer resilience that could influence the Federal Reserve to begin cutting interest rates.

The monthly consumer price index showed inflation hovering at around 3% - as the central bank seems to be succeeding at bringing price pressures down without triggering a recession. Consumer spending rose 2.3%, an acceleration from the first quarter's 1.5% pace. One closely watched data that strips out inventories, trade and government spending, rose 2.6%.

Still, other data shows household consumption is slowing with growing concerns that the labor market has softened, and U.S. manufacturing leaning toward increasing layoffs. Many believe that the challenges for the economy are building. The U.S. unemployment rate is now just above 4%, but the figure remains historically low. The consensus is that the Federal Reserve will cut rates in September. The Fed maintains that there is still a path to a "soft landing," whereby inflation comes down toward the 2% target without triggering a surge in job losses. The data confirms the U.S. growth is a leader among advanced economies, which are expected to grow 1.8% in 2024. That is slower than the 3.2% pace projected globally.

More economists expect U.S. consumers to rein in their spending during the second half of this year, because pandemic savings are depleted, some households increasingly have maxed-out on credit and employment growth is expected to cool. A recent measure of U.S. consumer sentiment fell to its lowest level in eight months as inflation and election uncertainty weakened the economic outlook. The University of Michigan's consumer sentiment index registered a final reading of 66.4 in July, the lowest since November. High prices continue to drag down spending, particularly for those with lower incomes. Over the past several weeks many high-profile companies across a variety of sectors have cautioned about softening demand.

Meanwhile, housing costs continue to escalate. With insufficient housing stock, a slowdown in new home construction, against an ever growing demand driving prices higher –and stoking frustration among potential buyers.

Appliance manufacturer, Whirlpool, opined that consumer seemed "weary" and that demand was particularly weak from discretionary buyers – people looking to upgrade refrigerators or washing machines rather than replace something that was broken. Shares in UPS, the delivery company often seen as a bellwether for the broader economy, fell 12% after it missed analyst estimates and scaled back its forecasts for the rest of the year. Separately, several airlines report overestimating how strong demand would be in the second quarter. One of the biggest suppliers of potatoes to restaurants such as McDonald's and Chick-fil-A, warned that falling demand had accelerated in recent months and will probably continue. Franklin Templeton Investment Solutions cite reports from consumer staples which concluded that consumers are shifting to value-oriented goods; and lower-end consumers taking more loans and spending less. One Federal Reserve governor pointed to the return of discounting by retailers such as Target and Walmart as highlighting customers' increasing unwillingness to tolerate the high prices of recent years. Several national retailers have announced plans to lower prices on certain items and there is increasing evidence that higher-income shoppers are trading down to discount stores.

Still, other companies have struck a cautiously positive note. Colgate-Palmolive said it was "watchful" of consumers in the U.S. where retailers have been cutting some prices to boost business, but the company was generally positive on demand around the world. The company reported sales volumes had increased by 4.7% year-on-year in the second quarter and it raised its performance forecast for the year. Meanwhile, Coca-Cola reported signs of pressure in various consumer segments across developed markets, but also noted that sales of some expensive products such as juices and mineral water were growing. The company also raised its sales forecast for the full year.

Meanwhile, banks and other lenders are seizing control of distressed commercial properties at the highest rate in nearly a decade, a sign that the sector's punishing downturn is entering its next phase and approaching a bottom. In the second quarter, portfolios of foreclosed and seized office buildings, apartments and other commercial property reached $20.5 billion, according to data provider MSCI. That is a 13% increase from the first quarter and the highest quarterly figure since 2015.

Defaults and other kinds of distress have been steadily building in the commercial-property market to near historic levels because of high interest rates and the slow return of workers to office buildings. Until recently, though, many lenders have been reluctant to take over properties in hopes of a recovery and to avoid the expense and losses of foreclosure actions.

Turkey

Turkey returned a $5 billion deposit to Saudi Arabia in a show of economic confidence. The move underlines progress in the country's $1 trillion economy since its pivot to a more conventional monetary policy. Policymakers, led by the finance minister have made it a prior-

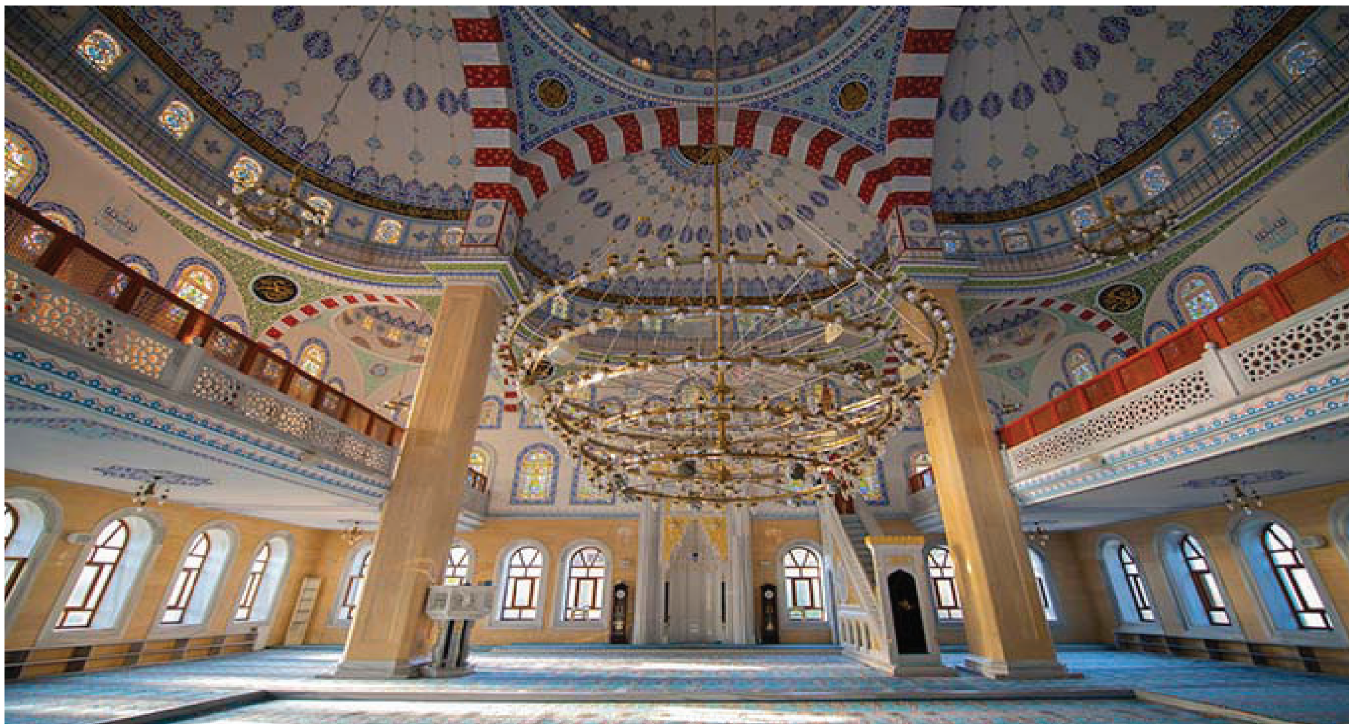
ity since the new economic program was put into action to refill Turkey's depleted foreign currency coffers.

Turkey's central bank handing back the Saudi $5 billion deposit, underscores Ankara's progress in replenishing its foreign currency reserves as part of its economic turnaround effort. The deposit agreement Turkey forged with the Saudi Fund for Development in March 2023 was terminated by mutual agreement, the Turkish central bank acknowledged.

Turkey's move to unwind the agreement is the latest sign of how President Recep Tayyip Erdoğan's pivot to more conventional policies following his re-election in May 2023 is steadying the country's economy. "Turkey is on the right track and is moving towards its goals with sure steps," Erdoğan told members of his Justice and Development party in parliament, pointing to the recent decision by Moody's Ratings to increase Turkey's junk-level credit rating two notches. Policymakers, led by the finance minister, have made it a priority since the new economic program was put into action a year ago to refill Turkey's foreign currency coffers that were depleted in recent years.

President Erdoğan's previous insistence on holding interest rates at ultra-low levels despite scorching inflation had sent Turkish citizens and businesses rushing into dollars. The low rates combined with huge pre-election giveaways also ignited runaway demand for imported goods, sharply widening the current account deficit. The race into dollars and stubborn current account deficits severely eroded the central bank's foreign currency reserves and were widely seen by local and foreign investors as a major economic vulnerability. The $5 billion Saudi Arabian injection was seen as a show of confidence that Ankara would eventually turn around its economy.

A series of interest rate rises that began in June 2023, which have brought the central bank's main interest rate from 8.5% to 50%, has lifted the rates Turks can earn from holding lira. That has prompted local savers to be-



gin swapping some of their dollar holdings back into local currency. At the same time, a strong influx of dollars and euros from international tourists and a moderation in consumer demand for imported goods has helped reduce Turkey's current account deficit, relieving pressure on the central bank's reserves. Foreign investors have also been warming to Turkey's markets, pumping about $12.5 billion into local government debt since last June. Reserves have strengthened because of increased foreign resource inflows, reverse dollarization and decreasing external financing needs under the new economic program, says the finance ministry.

Net foreign assets, a proxy for foreign exchange reserves, have recovered to about $38 billion from minus $21 billion directly after the May 2023 election, according to official data. The removal of the Saudi deposit is not expected to affect the net figure since it sat both in the bank's gross reserves and liabilities.

The Turkish finance ministry gave assurances that despite the termination of the deposit agreement, "our co-operation with Saudi Arabia on economic and financial matters will continue." In a sign of how a years-long normalization process between the two countries remains intact, two senior Saudi officials visited Turkey in July. They signed a memorandum of understanding with Turkish defense companies, while Saudi foreign minister Prince Faisal bin Farhan signed a protocol to create a co-ordination council after meeting with President Erdoğan in Istanbul. During his visit, Prince Faisal emphasized significant progress in Saudi-Turkish relations across political, economic and security domains, according to a statement published by the official Saudi Press Agency.

India

Prime Minister Narendra Modi's government has announced a spending splurge for its new coalition partners alongside job creation schemes to shore up public support following a shock election setback in June. Modi's Bharatiya Janata party (BJP) was elected to a historic third term in June but lost its ruling majority, making it dependent on two regional parties to form a governing coalition.

In the new government's first annual budget, for the year ending March 2025, finance minister Nirmala Sitharaman, announced plans to keep capital investment at a record $133 billion while trimming the fiscal deficit to 4.9% of GDP, from its current 5.1% target. The finance minister described India, the world's fastest-growing large economy, as "the shining exception" to slowing global growth.

The economy is estimated to expand between 6.5% and 7% this year. Modi declared that the budget will decide the direction for the next five years and be a strong foundation of the dream of a developed India. Much of the budget detailed billions of dollars' worth of spending for the government's coalition partners, the Telugu Desam party of southern Andhra Pradesh and Janata Dal (United) from Bihar in the north. This included a $64 million industrial corridor running through Bihar, $100 million for a new high-tech capital in Andhra Pradesh and funds for flood reconstruction and developing local temples. The government's budgetary firepower was bolstered by

a record $2 billion transfer from the Reserve Bank of India, giving it room to continue spending while lowering its fiscal deficit target. The government aims to bring the deficit under 4.5% the following year.

Indian strategists opined that the newly released budget was likely to alleviate worries about coalition problems. Important portion of the Reserve Bank of India transfers is being allocated towards rural development, jobs and the states of Andhra Pradesh and Bihar.

The BJP also sought to mollify widespread public frustration that many analysts blamed for its electoral disappointment, announcing schemes to tackle youth joblessness and boost agricultural productivity for farmers. A spokesperson for the opposition Indian National Congress, acknowledged that the government seems to have finally come around to tacitly admitting that mass unemployment is a national crisis.

India's benchmark Nifty 50 index fell more than 1 per cent following the budget release, after the government announced that it would raise the country's short- and long-term capital gains tax. Yields on 10-year government bonds fell to a two-year low on plans to cut borrowing levels. Most important is the focus of continuing investment in infrastructure of all kinds.

Young investors gambling on Indian stocks, which last year became the world's most populous country, has sought to capitalize on global investor interest in the economy as manufacturers and tech companies seek an alternative to China. It has attracted Apple to assemble iPhones in India, as well as a growing number of so-called global capability centers, in-house back offices for multinationals. But the economy has been plagued by chronic weaknesses including low job creation, rising inequality and tepid private investment. The budget struck broadly the right notes on the important issues including employment creation, maintaining macroeconomic stability and reducing the fiscal deficit. But the success of programs to address employment, agriculture and urban development will all depend on how well the schemes are designed and how well they're implemented. India has seen many schemes before.

As the country tries to position itself as an alternative manufacturing rival to China, the focus on employment shortfalls remains a sore point for the Modi government. Despite trumpeting India's growing global status, frustration over jobs appears to have cost the BJP at the ballot box which cost the party its parliamentary majority in the June elections.

The Reserve Bank of India released provisional data

that estimated the country added 46.7 million jobs in the fiscal year that ended in March, overshooting private surveys. The official unemployment rate of 3.2% is considered by some as hiding serious levels of low -productivity underemployment. Many analysts instead cite numbers from the Center for Monitoring Indian Economy, a Mumbai think-tank, which estimates an 8.2% unemployment rate and startling youth unemployment of around 40%. Many independent sources believe this presents a far more realistic picture.

Some brave voices remain willing to stick their necks out. A day following India's annual budget, Société General published a note stating: "India's employment challenge is real." It's a message the Modi government seems to have taken seriously. The budget outlined plans to spend $24 billion on a batch of job creating measures, training schemes and employment initiatives that are aimed at "generating opportunities for all."

India is catching up on China's spot as the largest country in a benchmark emerging-market index, underlining a quandary for global investors who are becoming increasingly exposed to its expensive stock market. Soaring share prices, stock sales and earnings growth by Indian companies have pushed India to just under a fifth of the MSCI emerging markets index while China has fallen to a quarter, from more than 40% in 2020. An MSCI index review scheduled for next month could elevate India to above 20%, eclipsing Taiwan and putting India's weighting directly behind China's.

Indian stocks are trading at 24 times their expected earnings next year, while China is at just 10 times. The shift has also underlined the power of indices in emerging markets.

India's exports to the lucrative Western markets recorded strong double-digit growth in the second quarter, re-

flecting the competitive strength of the economy. Latest data from the Commerce and Industry ministry show exports to the U.S. grew by 10.4%, while for The Netherlands the jump was 41.3% and to the UK export grew by 21.9%. Exports to Singapore and the UAE also surged by 26.6% and 17.6% respectively. The U.S. remained India's largest export market followed by the UAE and the Netherlands.

The figures also show that India's exports to China contracted by 2.8% while imports from China increased by 8.3%. India has recorded growth in exports over three consecutive months, despite geopolitical challenges such as the disruption in global trade flows due to Houthi attacks on shipping around the Red Sea region and the Russian-Ukraine war. India's overall growth in exports during the second quarter was a robust 8.4%, totaling $200.33 billion. If the trend continues the expectation is that this fiscal year's exports will exceed $800 billion.

During Prime Minister Modi's recent visit to Russia, both nations set an ambitious bilateral trade target of $100 billion by 2030. With current trade volumes between them at $65.7 billion, analysts deem this goal attainable. Notably, crude oil and petroleum now constitute 88% of India's imports from Russia.

Looking ahead, the Reserve Bank of India has said that global economic activity appears to be strengthening across advanced economies and emerging markets as global trade in goods and services gathers momentum – which augurs well for the India economy.

Europe

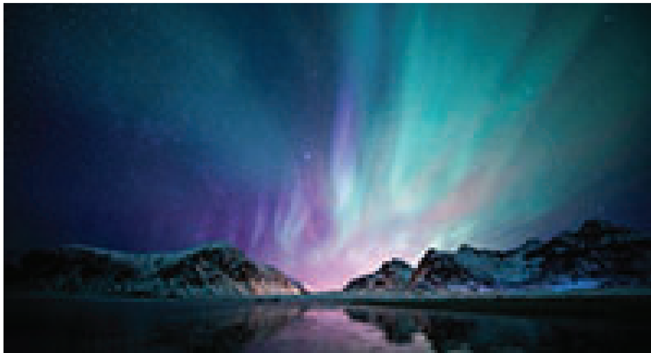
With mainland Europe approaching the August break, when many factories and metal yards will be closed for maintenance, the usual slowdown in business activity at this time of the year has resulted in reduced metal scrap availability in Poland and elsewhere.

The German metal market has entered a quieter phase owing to the summer recess at many plants. The official price for aluminum ingots has decreased for the first time in a very long period. Expectations of any surprising demand shifts over the summer remain low. Despite this slowdown, availability of recycled raw materials remains significantly limited.

Germany's industrial sector continues to experience a downturn. The sector saw further decrease in order, with a 1.6% fall compared to the previous month. This marks the fifth consecutive month of decline. Analysts had expected a modest increase of around 0.5%, while year-on-year orders fell by 8.6%. According to the Federal Ministry of Economic Affairs and Energy, the data suggests a subdued industrial outlook in the coming months

Aluminum alloy producers can expect a harder second half of 2024, with Siemens, Volkswagen and BMW seemingly losing their place in the electric vehicles race with China.

Russia's secondary aluminum producers are struggling to find markets for their metal amid the drop in orders from Asia. Several producers are reporting increased stocks and not being able to move their metal. Only with further recovery of global trade and the gradual revival of demand for industrial goods will cause order intakes to stabilize.



Prices for DIN 226 aluminum ingot, the most widely traded grade in mainland Europe, have been falling over the past several weeks, after strengthening for much of the last quarter. Germany, along with Italy and Poland, has had the highest pricing due to steady demand from the automotive sector, while most of the rest of mainland Europe has seen lower prices.

The secondary raw materials market in Spain and Italy were reportedly subdued and expected to persist with that trend through the current quarter. Demand has been decreasing for secondary aluminum, with lower numbers starting to emerge on aluminum ingots and secondary raw materials.

In Italy, consumption showed a recovery in June-July after declining in May, due to spending on goods and services for mobility. Consumption of cars recorded an increase of 25.7%, although heavy industry continued to decline, while investments and exports held their ground.

When compared to the first quarter of 2024, Spain's economy increased by 0.3% in the second quarter because of increased household spending, strong imports and the start of the high tourist season. The Spanish economy is expected to continue growing, overtaking most European economies, with and anticipated 2.4% increase in the country's GDP for the whole of 2024.

Still, while manufacturing industry and industrial production have also continued to expand, Spain is still struggling with high unemployment which has exceeded the 11.8% rate previously projected.

In the Nordic countries, there have been mixed signals, with not enough raw materials coming in, with a lack of activity, difficulty selling and high freight and logistics costs. Overall, market sentiment is not positive and there is less raw material available. Competition for scrap material is tough, with even the smallest deals turning into a big fight and margins adjusting downwards accordingly. Risks to political stability are expected to decline in the short term, although Mr. Sanchez's minority left-wing government remain intrinsically unstable owing to the high number of regional political parties on which it will depend.

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