



P R E S S R E L E A S E

COVID-19, a catalyst for political risks

Coface Barometer Q3 2020

Bucharest, October 5, 2020 - The annual update of Coface's Political Risk Index, published in the Coface Q3 Barometer, highlights a dual trend: on the one hand, a decrease in the risk of conflict at a global level, but on the other, an increase in the risk of political and social fragility. The latter is exacerbated in the countries most exposed to the coronavirus pandemic.

Similar to last quarter, the uncertainties surrounding the forecasts presented in this barometer are very high. They are primarily linked to the global health situation: since June, the pandemic has continued to gain momentum. While waiting for a vaccine and/or treatment, businesses and households have postponed spending and investment projects, both out of constraint (during periods of lockdown) and as a precaution.

Coface anticipates a global growth rate of -4.8% in 2020, followed by a 4.4% rebound in 2021. GDP in the Eurozone and in the United States would remain 3.5 points and 2 points below the 2019 levels, respectively. At least 3 years would be required to return to pre-crisis levels of production. Similarly, the rebound in world trade will only be partial: +3.5% expected by Coface in 2021 after -13% this year.

This persistently lower level of economic activity compared to pre-crisis levels is expected to encourage an increase in poverty, income inequality and thus social discontent.

The annual update of **Coface's [Political Risk Index](#)**, published in this Barometer, shows the extent to which the COVID-19 pandemic – in addition to its human and economic impacts – exacerbates these political risks. In addition to the traditional indicators used to measure these risks, this year Coface has added a pandemic exposure index that measures the public's opinion regarding authorities' management of the health crisis. In addition to causing a potential increase in civil unrest, grievances linked to COVID-19 could also amplify social movements inherited from the pre-COVID period, such as those seen in Hong Kong, France, and Chile, to name a few.

- Among mature economies, the degree of dissatisfaction of public opinion with the management of the health crisis is highest in Spain, the United States, the United Kingdom and France.
- In the emerging world, Iran and Turkey are among the countries with the highest level of social risk. Several Latin American countries (Brazil, Mexico, Peru, Colombia), as well as South Africa, present both a high political and social risk and high exposure to the COVID-19 crisis.



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