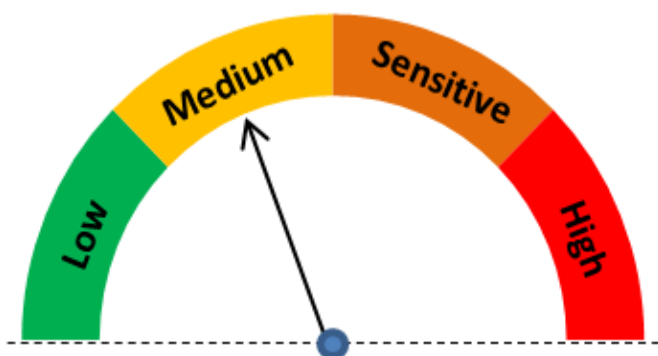


Sector Risk Rating



What to Watch?

- Successful launches of new products and services which make current products obsolete
- Frequent mergers & acquisitions weakening medium-sized companies
- The current phase of digitalization could increase the risk of an IT services bubble
- Ongoing price pressures despite robust innovation

Long-term growth sustained by innovation

The Information and Communication Technology sector (ICT), comprising a wide range of activities from electronic components to telecommunication services, will continue to enjoy dynamic growth in 2017. We expect revenues to increase by +4.0% after +3.6% in 2016.

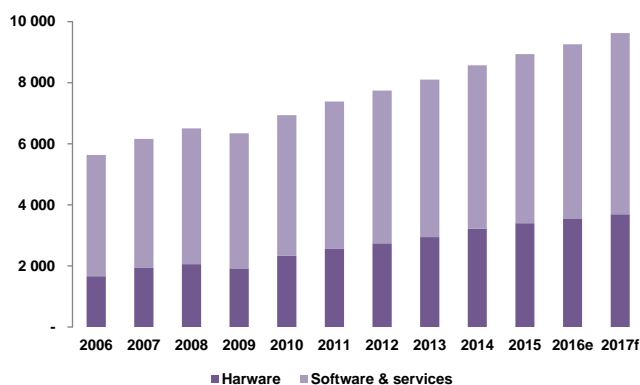
At present, the services segment represents the main part of the sector with 65% of sales. While all segments are expanding in emerging economies (+4.8% expected in 2017), especially the hardware (+4.9%) segment, lower growth in advanced economies (+3.2% in 2017) is boosted by the telecom equipment (+3.7%) segment.

Being the bedrock of innovation and the source of a multitude of game-changing products, the sector's influence goes far beyond its estimated 6% share of global GDP.

Digital innovation revolutionizes the value chain and promotes new actors while the *smart-cities* trend offers opportunities for new services and operators.

Despite its apparent maturity, the sector remains under constant pressures from: (i) declining prices; (ii) the need to constantly renew the goods and services offered; and (iii) relations between manufacturers and service providers.

Information & Communication Technologies Gross Output (real USD bn)



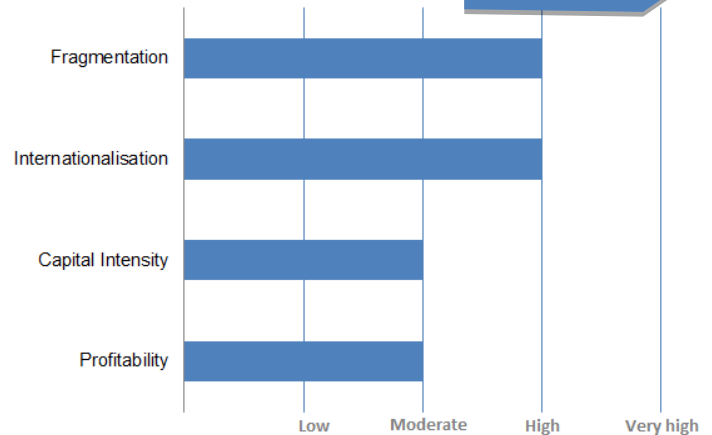
Sources: Oxford Economics, Euler Hermes

Sector Value:
3,112bn
USD

Key Players

Country	Role	Sector Risk
China	#1 producer #1 exporter #1 importer	●
United States	#2 exporter #2 importer #3 producer	●
Japan	#3 producer #6 importer	●

ID Card



Strengths

- High capacity to innovate
- Widespread adoption of new technologies
- Driver of growth and productivity of the global economy
- Increasingly interconnected systems and objects ("Internet of Things")

Weaknesses

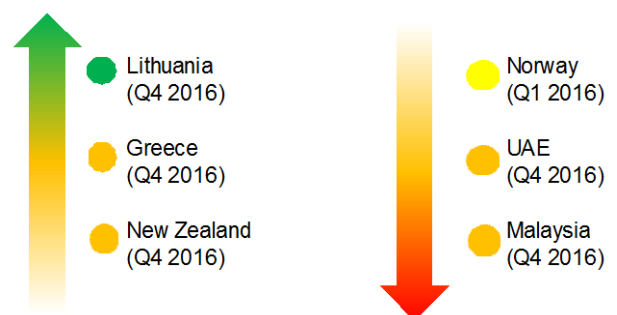
- Low value-added for a few standard products
- Consolidation in IT services comes on the heels of growth boosted by digitalization
- Retailers and manufacturers have unequal purchasing powers
- High R&D intensity

Subsectors Insight

Network equipment: A highly competitive market with sustained expected growth. Network equipment is required to support widespread adoption of technological advancements related to big data and cloud computing.

Services: Huge demand spurred by the digitalization of the economy, yet suffering from price pressures.

Recent Sector Risk Changes



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