Launch Event – Drought Stress Testing

Key Findings and Results

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Results in China, Mexico & US:

- 2,500 companies from 11 different sectors
- 10%-20% downgraded
- SME firms more affected vs. large companies
- Industrial concentration
- **Conclusion:** Geographical concentration key driver for risks.

- 2 portfolios tested
- 65%-100% downgraded but small probability of default
- Industrial areas responsible for losses
- Biggest losses in oil & gas, food manufacturing
- **Conclusion:** MEX affected more severely due to geographical layout.

- 2 portfolios tested
- 4 out of 5 scenarios little impact due to high ratings and gov’t support => low default risk
- 60%-100% downgraded, portfolio losses up ten-fold
- **Conclusion:** Portfolios/industries less vulnerable to droughts.
Results in Brazil

Portfolio 1:
• 60% - 75% of companies downgraded
• Significant drop in revenues & increase in costs with biggest impact Scenario 5
• Expected losses under all scenarios higher compared to non-drought
• No differences between SME and large companies

Portfolio 2:
• 90% of companies downgraded
• Biggest losses in crop production
• Expected losses 4-9 times higher in droughts

Conclusion: Reliance on hydropower and geographical concentration of industries key drivers for the observed results.
Key Findings

(1) Development Process:
• Starting Point
• Standardisation
• Adaptability

(2) Role of Data:
• Precondition
• Availability
• Integration

(3) Geographical Concentration:
• Natural hazard
• Industrial/production areas
• Diversification
Thank you for your kind attention.

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