



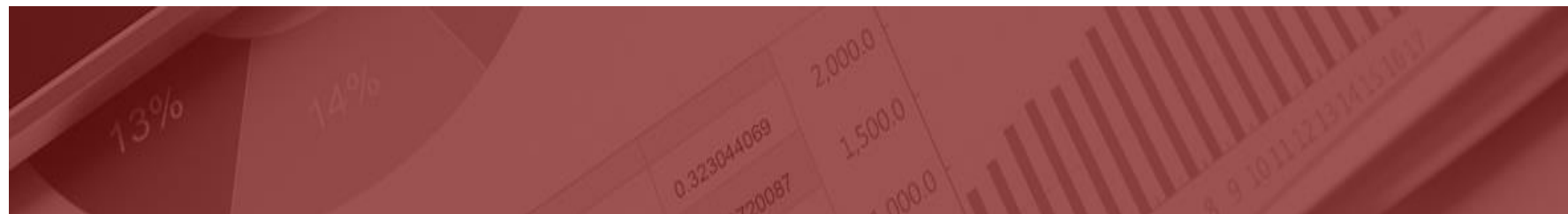
WHERE KNOWLEDGE IS POWER

COVID-19: Commercial Bank Portfolio Risk Analysis

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Objective: Identify threats, mitigate risks and find safe opportunities

COVID-19 Shock Assessment Tool:

- An offline product designed to assist commercial banks in analysing external shocks, like the coronavirus.

My IBISWorld:

- A customised way for banks to retrieve information and analysis from *my.ibisworld.com*.

The Challenge: Setting actionable priorities unique to your organization

Information overflow:

- What is important to my organization?

Information quality issues:

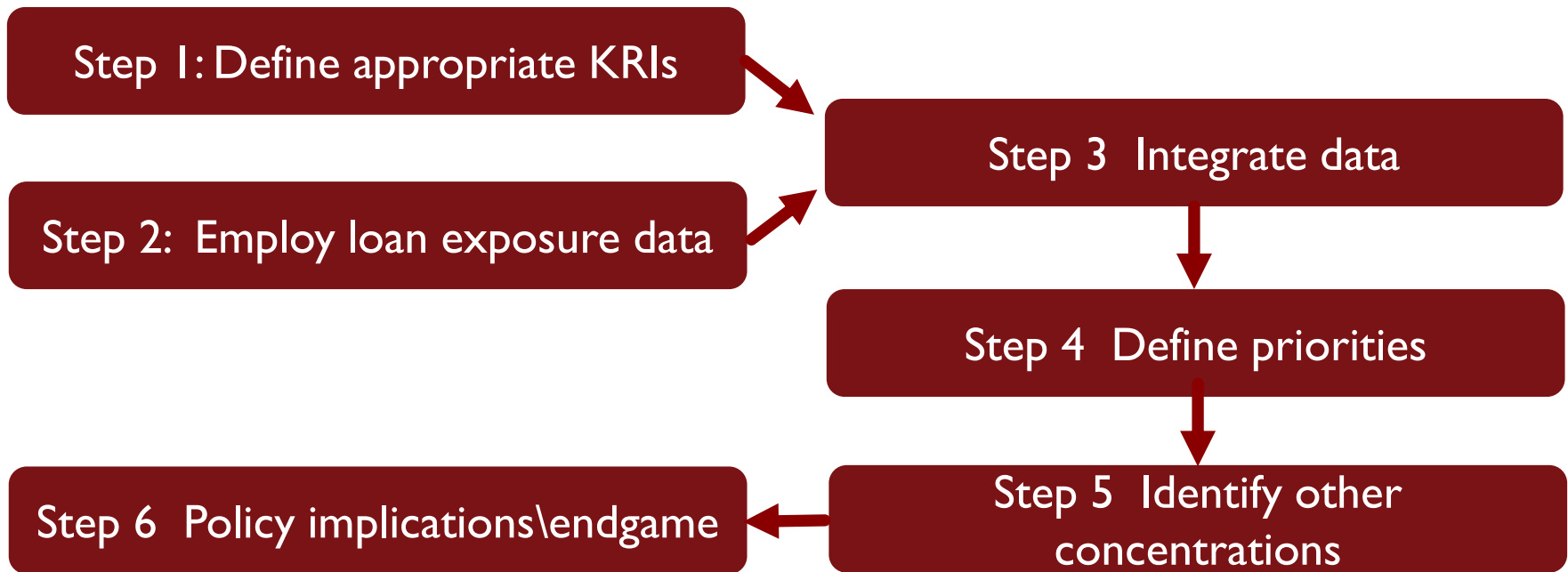
- What sources of information/analysis are trustworthy and relevant?

Commercial banks:

- How can we define our priorities?
- What should an actionable process look like?

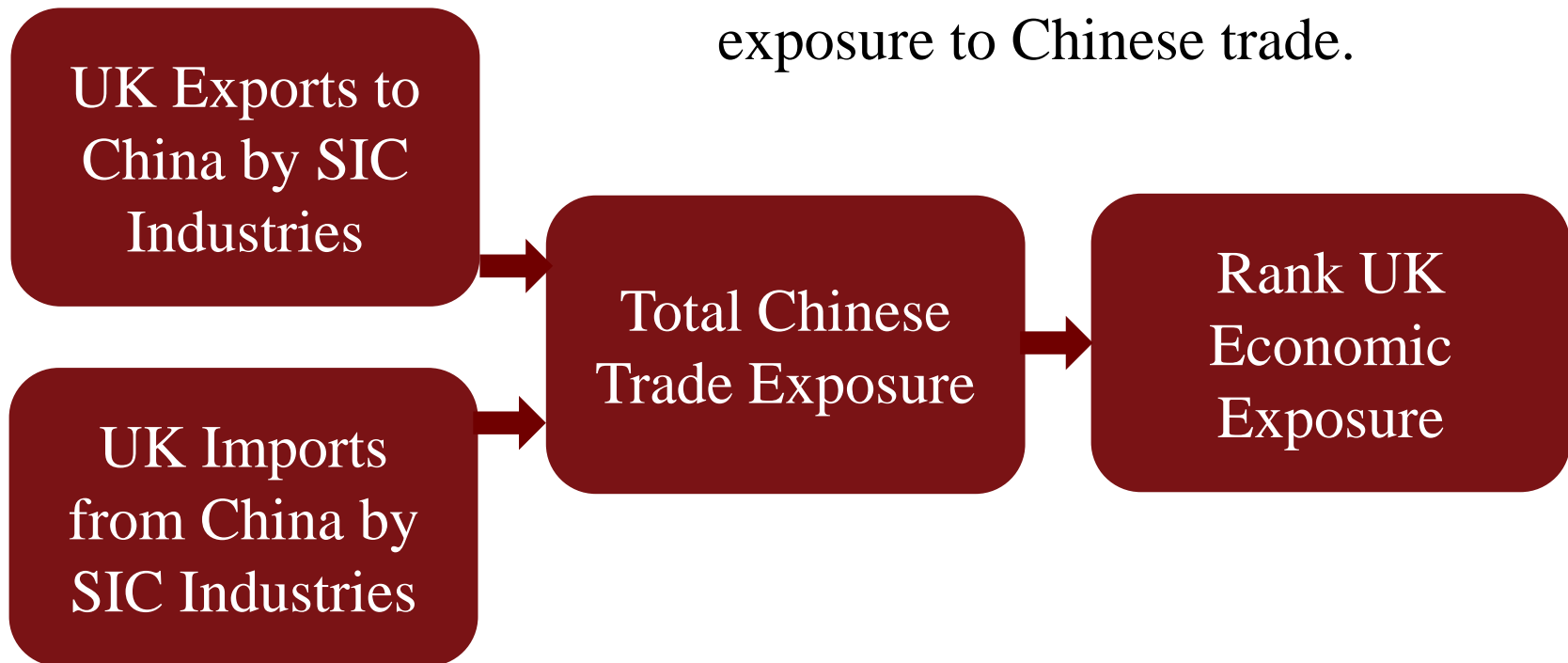
The Process: Achieving actionable outcomes

- Identifying quality & relevant Key Risk Indicators (KRIs).
- Integrating these with bank specific exposures.
- Defining a process.
- Logical conclusions.



Step 1: Define Appropriate Key Risk Indicators

Using SIC data, let's start with the exposure to Chinese trade.



Sample: Ranking trade exposure

More than 135 industries exposed...

SIC Code	SIC Description	Total China Exposure	Level
C32.400	Game & Toy Manufacturing in the UK	64.5%	High
C23.410	Ceramic Household & Ornamental Article Manufacturing in the UK	63.7%	High
C17.230	Paper Stationery Manufacturing in the UK	51.4%	Medium
C27.400	Electric Lighting Equipment Manufacturing in the UK	49.3%	Medium
C26.300	Communication Equipment Manufacturing in the UK	47.3%	Medium
C32.300	Sporting Goods Manufacturing in the UK	46.0%	Medium
C25.720	Lock & Hinge Manufacturing in the UK	44.9%	Medium
C26.200	Computer & Peripheral Equipment Manufacturing in the UK	42.6%	Medium
C13.920	Household Textile & Soft Furnishing Manufacturing in the UK	40.7%	Medium
C27.510	Electrical Appliance Manufacturing in the UK	40.4%	Medium
C25.730	Tool Manufacturing in the UK	39.7%	Low
C25.120	Metal Door & Window Manufacturing in the UK	33.4%	Low
C17.210	Cardboard Packaging & Paper Bag Manufacturing in the UK	32.5%	Low
C26.400	Consumer Electronics Manufacturing in the UK	29.9%	Low
C25.940	Fastener & Screw Machine Product Manufacturing in the UK	29.8%	Low
C23.700	Stone Cutting, Shaping & Finishing in the UK	29.4%	Low
C20.510	Explosives Manufacturing in the UK	29.3%	Low
C23.420	Ceramic Sanitary Fixtures Manufacturing in the UK	28.6%	Low
C23.120	Flat Glass Shaping & Processing in the UK	28.3%	Low
C30.200	Railway Equipment Manufacturing in the UK	27.5%	Low

Additional KRIs for Step 1

Mortgage Rate

Business Capital Expenditure

Consumer confidence index

Real private consumption expenditure

Business profit

FTSE 100

Number of residential property transactions

Real government consumption expenditure

Real GDP

House price index

Housing starts

Industrial production index

National unemployment rate

Total labour force

Real household disposable income

Household savings ratio

Official bank rate

Business software investment

Business Capital Expenditure

Value of goods exports

Value of goods imports

Real effective exchange rate

Demand from commercial building construction

Demand from residential building construction

World GDP

World price of crude oil

10-year bond rate

Plastic Packing Goods Manufacturing in the UK
Computer & Peripheral Equipment Manufacturing in the UK
Fibre-Optic Cable Manufacturing in the UK
Electric Lighting Equipment Manufacturing in the UK
Engine & Turbine Manufacturing in the UK

Identify key industries impacted.

Step 2: Employ bank exposure data to the industry list

Step 3: Integrate data

Step 4: Set priorities

Steps 2 and 3:

Use IBISWorld SIC data tables extracting bank exposure data to populate industry list compiled in Step 1.

In Step 3, some clients may use IBISWorld's industry risk ratings and volatility metrics found in our industry early warning system.

Step 4:

Set priorities according to size of balances outstanding and commitments for each industry.

We suggest narrowing down the list to the top 15-20% of total exposures to start.

Example: Steps 1 - 4 might look like this...Created by a bank using IBISWorld tools

SIC Codes	SIC Industry Description	Bank Loan Exposure (£)		
		Outstanding Loans	Credit Lines	Total
A01.110	Cereals, Leguminous Crops & Oilseed Growing in the UK	20,000.00	1,124,800.00	1,144,800.00
A01.130	Vegetable Growing in the UK	100,000.00	807,000.00	907,000.00
A01.190	Flower & Plant Growing in the UK	75,000.00	145,000.00	220,000.00
A01.200	Fruit Growing in the UK	263,000.00	100,000.00	363,000.00
A01.410	Dairy Cattle Raising in the UK	280,800.00	1,701,000.00	1,981,800.00
A01.450	Sheep Farming in the UK	20,000.00	530,000.00	550,000.00
A01.470	Poultry Raising in the UK	20,000.00	150,000.00	170,000.00
A02.000	Forestry & Logging in the UK	350,000.00	50,000.00	400,000.00
A03.110	Marine Fishing in the UK	50,000.00	207,000.00	257,000.00
A03.210	Aquaculture in the UK	251,500.00	1,300,000.00	1,551,500.00
B05.100	Hard Coal Mining in the UK	350,000.00	100,000.00	450,000.00
B06.000	Crude Petroleum & Natural Gas Extraction in the UK	50,000.00	22,500.00	72,500.00
B08.110	Stone Quarrying in the UK	150,000.00	148,000.00	298,000.00
B08.120	Gravel, Sand & Clay Extraction in the UK	75,000.00	43,400.00	118,400.00
B08.910	Chemical & Fertiliser Mineral Mining in the UK	249,300.00	1,388,000.00	1,637,300.00
B08.930	Salt Extraction in the UK	3,239,000.00	194,000.00	3,433,000.00
B09.100	Petroleum & Natural Gas Support Activities in the UK	2,330,000.00	330,000.00	2,660,000.00
C10.110	Meat Processing in the UK	215,000.00	149,000.00	364,000.00
C10.120	Poultry Meat Processing in the UK	437,700.00	10,000.00	447,700.00
C10.130	Meat Product Manufacturing in the UK	40,000.00	50,000.00	90,000.00

Step 5: identify other concentrations - Consider Both upstream and downstream exposures

SIC Code	SIC Industry Description: Upstream	Bank Exposure (£)
C29.200	Trailer, Caravan & Motor Vehicle Body Manufacturing in the UK	230,200
C29.300	Motor Vehicle Parts & Accessories Manufacturing in the UK	219,450
	Total	449,650

SIC Code	SIC Industry Description
C29.100	Motor Vehicle Manufacturing in the UK
Total Direct Exposure (£)	2,321,430
Downstream Exposure (£)	460,650
Upstream Exposure (£)	449,650
Grand Total (£)	3,231,730

Take a high exposure industry in this example

SIC Code	SIC Industry Description: Downstream	Bank Exposure (£)
C29.200	New Car & Light Motor Vehicle Dealers in the UK	235,000
C29.300	Motor Vehicle Parts Wholesaling in the UK	225,650
	Total	460,650

Step 6: Policy implications: Some endgame Utilities

- **Managing concentration risks**: Identifying pockets of risk pools, assessing limits and determining appropriate risk pricing of loan segments while adjusting risk appetite statements.
- **Refining grading models**: Providing updates for dual risk rating systems, early warning systems, heat maps and commercial scorecards.
- **Capital planning and stress-testing**: Reevaluating economic capital, regulatory capital requirements. Scenario analysis.
- **Business development**: Identifying safe and sound lending opportunities under times of stress.

- **In short, we are providing decision support, actionable tools for efficient/effective credit portfolio and enterprise risk management.**

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my.ibisworld.com

UK Industry (UK SIC)

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UK INDUSTRY (UK SIC) REPORT C17.220

Sanitary Product Manufacturing in the UK

Report by: Biagio Olivieri | January 2020

About

COVID-19 (Coronavirus) Impact Update

IBISWorld's analysts constantly monitor the industry impacts of current events in real-time – here is an update of how this industry is likely to be impacted as a result of the global COVID-19 pandemic:

- Demand for industry products such as tissues has surged in the short term due to the coronavirus outbreak which has led to households stockpiling. For more detail, please see the Demand Determinants chapter.
- Wood pulp prices are expected to increase in the short term due to factory closures and disruption to supply chains. For more detail, please see the Current Performance chapter.
- Stockpiling and rising wood pulp prices will be affected industry revenue volatility and costs structure. For more detail, please see Cost Structure Benchmark and Revenue Volatility chapters.

Note: The content in this report is currently being updated to reflect the trends outlined above.

Industry Definition

Cleaning up: Imports are capturing an increasing share of the UK market, limiting revenue

Industry operators convert sanitary paper stock, wadding, pulp or paper into sanitary products such as toilet paper, facial tissues, handkerchiefs, table napkins, kitchen towels, disposable nappies, sanitary towels and tampons. The final products are sold to wholesalers for distribution, straight to retailers or directly to large commercial customers.

GLOBAL / PRESS RELEASES

Coronavirus Impact on Industries & Sectors Around the World

by IBISWorld
Mar 30 2020

IBISWorld, a global leader in industry market research, is closely watching the impact of COVID-19 (coronavirus) on industries around the world. To provide you with information on industries that affect you, your clients and prospects, we've centralized our resources here. Check back frequently for updated information or contact your Client Relationship Manager for additional guidance.

Coronavirus Resources from IBISWorld

Exposure Analysis Tool

IBISWorld has developed an [Industry Exposure Tool](#) to help companies understand which industries have high trade exposure to China. This exposure analysis tool will help you detect potential points of exposure that will inform your strategy. Our top-level analysis provides an indicator of exposure to early disruptions already resulting from the virus, as well as areas of interest for potential further research.

Fast Facts

A [Coronavirus Update: Industry Fast Facts](#) list that outlines how the spread of the virus is impacting sectors across the countries where IBISWorld operates, including Australia, Canada, Germany, New Zealand, the UK and the US.

Webinars (all are free and available on demand)

- United States
 - [Risk Exposures in Commercial Banking Amid COVID-19](#)
 - [COVID-19 Economic and Industry Impact](#)
- Canada
 - [COVID-19 Economic and Industry Impact - Canada](#)
- Australia
 - [COVID-19 Economic and Industry Impact](#)

Trending Insights

Mar 05 2020	Coronavirus Impact on Industries & Sectors Around the World
Jan 15 2019	Top 10 Industries Expected to Expand in 2019
Mar 05 2020	Coronavirus Update: Industry Fast Facts
Feb 13 2020	Industry Impacts of the Coronavirus
Oct 18 2018	Mapping Canada's Top Manufacturing Industries

Industry Sectors

ACCOMMODATION	AGRICULTURE
CONSTRUCTION	EDUCATIONAL SERVICES
FINANCE &	FOOD SERVICES

<https://www.ibisworld.com/industry-insider/press-releases/ibisworld-monitors-the-coronavirus-impact-on-industries-around-the-world/>

GO TO SECTOR

All

Accommodation & Food Services

Administration & Business Support Services

Agriculture, Forestry, Fishing & Hunting

Arts, Entertainment & Recreation

Construction

Educational Services

Finance and Insurance

Healthcare & Social Assistance

Information

Manufacturing

Mining

Personal Services

Professional, Scientific & Technical Services

Public Administration and Safety

Real Estate, Rental and Leasing

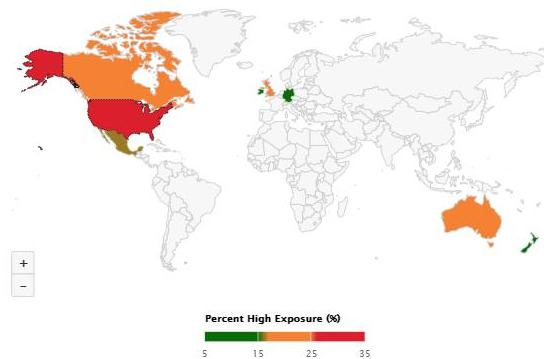
Retail Trade

Transportation and Warehousing

Utilities

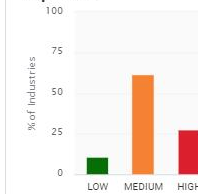
Wholesale Trade

Industry Exposure Intensity by Country



UNITED STATES OF AMERICA

Breakdown of Industry Exposure



Latest Update: March 20, 2020

As the COVID-19 (Coronavirus) crisis has progressed, IBISWorld has continued to evaluate best approaches to measuring exposures. The early impacts focused on trade have given way to solidifying domestic economic impacts with direct relationships to pandemic containment. As a result, the exposure model has been tilted toward the effects of social distancing efforts and the materializing impacts on demand. This has been accomplished by analyzing industries that rely on in-person business and including this exposure into the overall exposure intensity level. In addition to the inclusion of this variable, the list of business environment risks has been expanded to accommodate our evolving perspective on industry exposures. As the situation has deteriorated, exposures to consumer demand, employment disruptions, securities markets, and business investment have been added to the model.

March 18, 2020

- United Kingdom
 - [COVID-19 - UK Economic and Industry Impact](#)

Report Updates

We have fast-tracked updates to our industry research reports to reflect recent developments. Impacted industries now include a COVID-19 Impact Update at the top of the report. Check here for a [current list of reports](#) that have been updated based on relevant information and analysis surrounding the coronavirus outbreak.

COVID-19 (Coronavirus) Impact Update

IBISWorld's analysts constantly monitor the industry impacts of current events in real-time – here is an update of how this industry is likely to be impacted as a result of the global COVID-19 pandemic:

- The Battery Manufacturing industry will likely experience supply chain disruptions due to the industry's partial reliance on Asia Pacific suppliers
- The biggest threat to the industry is the possible delay in domestic electric vehicle production. Demand for domestically-produced lithium ion automotive batteries is one of the primary drivers of industry growth.
- Readjusting supply chains threaten the industry's potential for a profitable year.

Note: The content in this report is currently being updated to reflect the trends outlined above.

- INFORMATION
- MANUFACTURING
- MINING
- RETAIL TRADE
- REAL ESTATE
- TRANSPORTATION
- WHOLESALE TRADE
- UTILITIES

Analyst Insights

A series of Industry Insider articles discussing in-depth impacts of the coronavirus on industries in:

- United States
 - [Industry Impacts of the Coronavirus](#)
 - [Industry Impacts of Social Distancing - Part 1](#)
- Canada
 - [COVID-19 and its Impact on Canadian Healthcare](#)
- Australia
 - [COVID-19 Special Report](#)
 - [March Economic Update: COVID-19 and Cash Rate](#)
 - [COVID-19 Government Stimulus Measures](#)
- United Kingdom
 - [Swiftly Spreading: The Effects of Coronavirus on UK Industry](#)
- Germany
 - [Auswirkungen des Coronavirus auf die deutsche Wirtschaft \(Effects of the Coronavirus on the German Economy\)](#)
 - [Auswirkungen der COVID-19 Pandemie auf die Informations- und Kommunikationstechnik \(COVID-19 and its impact on information and communication technology\)](#)

<https://www.ibisworld.com/industry-insider/press-releases/ibisworld-monitors-the-coronavirus-impact-on-industries-around-the-world/>