

**Q1.21**  
**FEB 2021**

## Export Credit Business Confidence Trends Index

Tracking perceived demand, risk appetite and claims in the export credit insurance industry, based on quarterly surveys of Berne Union Members

Both demand and claims are expected to increase through the first quarter of 2021, while export credit insurers balance their risk appetite accordingly

From 2021, the Berne Union has launched a new continuous *Business Confidence Index* to provide an indicator of the overall perception of demand, risk appetite and claims in the export credit insurance industry.

The Index is based on quarterly snapshots of our Members’ assessment of their current and imminent business situation with respect to these factors. In line with industry norms, we distinguish between short-term (ST) and medium to long-term (MLT) commercial and/or political risk.

The results of the first survey, conducted in January 2021 are presented in this report.

Across both business lines, the overall picture is of growing demand, rising claims and cautiously optimistic risk appetite. Public Members anticipate slightly higher demand, driven by increasing utilisation of schemes associated with public support for businesses or other government investments relating to the COVID pandemic.

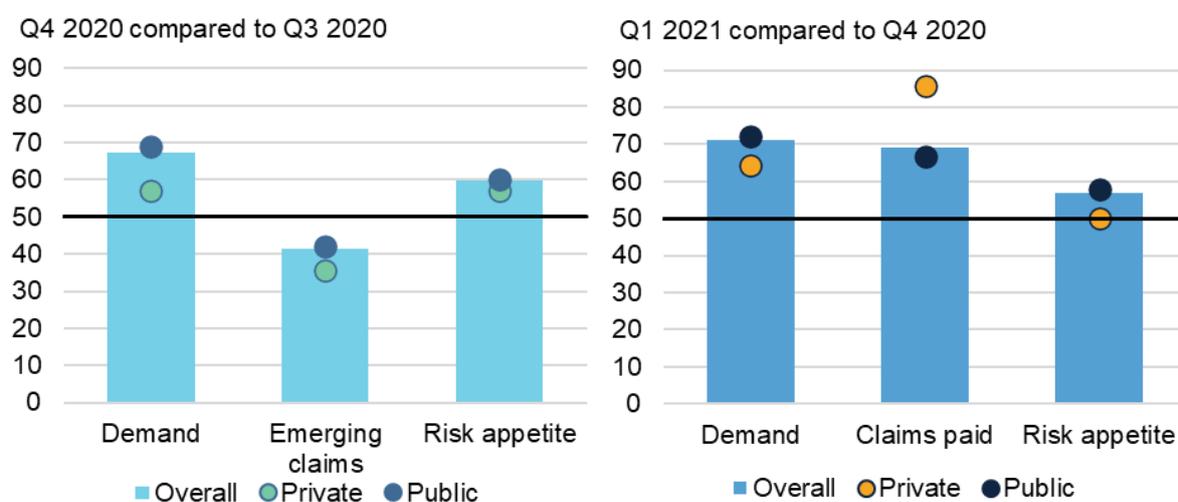
Claims expectations are also similar across both lines, with the level of emerging claims decreasing in the fourth quarter but claims paid increasing in the first quarter of 2021. However, the scale was generally more pronounced for ST as illustrated by emerging claims for MLT being unchanged to slightly lower in Q4 2020.

Risk appetite increased slightly in Q4 2020 and while this is expected to continue in Q1 2021, there is some divergence between public and private Members, with the private market showing more caution, while public Members reference their broadening mandate as a reason for increased risk appetite. Overall, Berne Union Members are expecting the consequences of COVID – in the form of emerging non-performing loans and bankruptcies – to start materialising in the coming months. The general takeaway message is that *risk appetites may change quickly in these uncertain times*.

**Short-term commercial and political risk**

The figures below present Berne Union Members’ perception of the current and future business situation for short-term commercial and/or political risk. The Members were asked regarding their perception of demand, level of claims and overall risk appetite.

**Figure 1 & 2: Current and expected future business situation for short-term commercial and/or political risk**



Note: A score above 50 indicates a higher/increasing level, while a score below 50 indicates a lower/deteriorating level.

**Demand increased in Q4 2020, and this trend is expected to continue in Q1 2021**

Berne Union Members experienced a higher level of demand in the last quarter of 2020 than in the third quarter. They noted more overall demand for short-term support, more requests for extension as well as new buyer applications.

The prevailing trend of increasing demand is expected to continue in 2021 and Members anticipate this to be higher again in the first quarter of the year compared to Q4 2020. Members are broadly expecting an increase in the volume of cover with some mentioning cover for liquidity loans as one of the reasons.

**While emerging claims\* were lower in Q4 2020, Members are expecting to see higher claims paid in Q1 2021**

The level of *emerging claims* was lower in Q4 2020 with Berne Union Members noting that the impact of COVID had not yet materialised at that point. While the majority of Members recorded relatively subdued levels of claims situations, some noted that these have been slowly picking up throughout the year of 2020.

Contrastingly, the broad consensus is that *claims paid* will start increasing in first quarter of 2021. This expectation is based on the anticipated realisation of COVID-related claims which have so far been developing through the natural claims cycle. Private insurers in particular, who are dominant in the short-term export credit insurance market, express the strongest expectation for increasing claims payments.

Overall, Berne Union Members had a higher risk appetite in the fourth quarter of 2020. However, they highlighted a higher than usual monitoring of the business environment. Some public Members noted a broader public mandate which increased their appetite to provide cover to new areas.

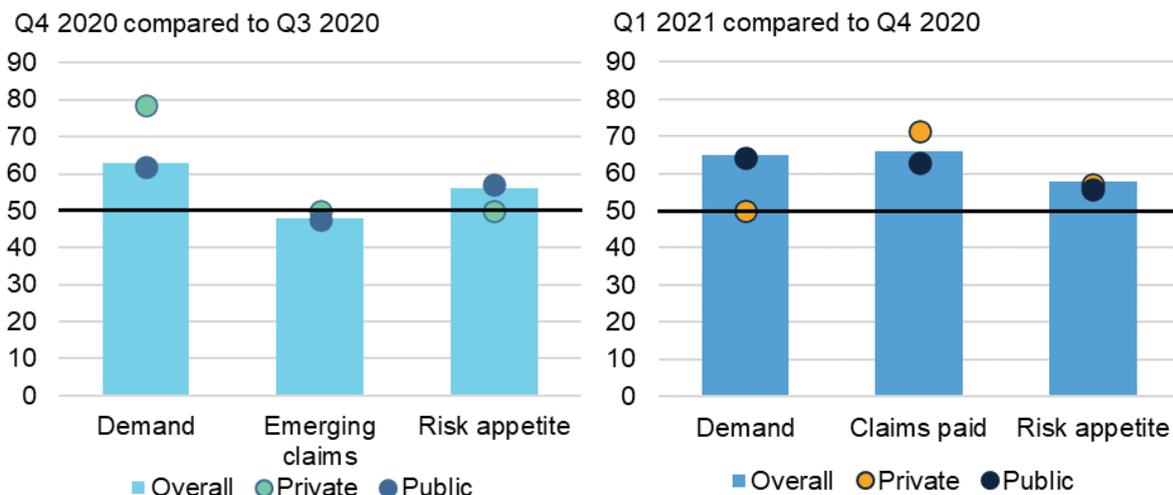
**Risk appetite increased marginally in Q4 2020 but Members are cautious looking through Q1 2021**

In Q1 2021, risk appetite is expected to increase marginally, but this is driven by public Members while the private market overall expects this to stay unchanged. Members are still very vigilant in monitoring emerging risks and are expecting that emerging non-performing loans and bankruptcies may limit their risk appetite going forward.

**Medium and long-term commercial and political risk**

The figures below present Berne Union Members’ perception of the current and future business situation for Medium to long-term (MLT) commercial and/or political risk. The Members were asked regarding their perception of demand, level of claims and overall risk appetite.

Figure 3 & 4: Current and expected future business situation for Medium to long-term risk



Note: A score above 50 indicates a higher/increasing level, while a score below 50 indicates a lower/deteriorating level.

**Demand continues to increase in Q1 2021, but at a more subdued rate than that reported for Q4 2021, especially for private insurers**

As with short-term business, Berne Union Members experienced a higher demand for MLT cover in the last quarter of 2020 compared to the preceding quarter. Several Members noted that while overall demand was higher, postponement of some larger scale projects, such as in the infrastructure space, had a negative impact on this.

Eyeing the start of 2021, the consensus among Members is that demand for cover will increase in the first quarter compared to Q4 2020. It should be noted that this increase is driven by Public Members' expectations and private Members are expecting MLT demand to remain flat.

**Emerging claims were roughly unchanged in Q4 2020, but claims paid are expected to increase in Q1 2021**

Q4 2020 saw an unchanged to slightly lower level of *emerging claims*. Notably, in this area Members have more divergent experiences and variously reported both increasing or decreasing emerging claims in the fourth quarter.

Members are more aligned in their expectation with respect to *claims paid* and indicate here an increase in Q1 2021. They cite the materialisation of COVID impacts along with increasing debt levels in many countries and sectors as the main reasons for this assessment. Some Members remarked that they believe the real impact of COVID may emerge later, in Q2 2021 or even in the second half of the year.

**Members' risk appetite was slightly increasing in Q4 2020 and this is expected to continue in Q1 2021**

The risk appetite of Berne Union Members increased in the last quarter of 2020, driven largely by robust appetite from Public Members. As a caveat, Members generally noted that they have been monitoring the business situation carefully while assessing risks.

For Q1 2021, overall, Members are expecting this situation to continue. Widening public mandates and slight optimism about the economy are the main drivers for this. However, several Members emphasise their caution and note that they are postponing making any final decisions regarding risk appetite until more insight into the financial situation becomes clear. For example: availability of financial reports for 2020, better understanding of vaccine rollouts and the true impact of easing restrictions.

Berne Union Members have been proactive and vital in supporting businesses during the COVID pandemic. Now, more than ever, it is important to have a finger on the pulse of movements and trends within the export credit and investment insurance industry.

We hope this Business Confidence Index will make a positive contribution to understanding of the risk situation and business dynamics in the export credit insurance industry, now and in the following quarters, as we build up a picture of long-term trends.

For more information on the report, measures and analysis, please contact Jonathan Steenberg at the Berne Union Secretariat. – [jsteenberg@berneunion.org](mailto:jsteenberg@berneunion.org)

\* Note: 'emerging claims' indicates pre-claim situations upon which the underwriter anticipates a high probability of paying claims at a later date – e.g. due to notifications of possible problems with a buyer.