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Global data for the export credit and investment insurance industry confirm a challenging trade environment in the first half of 2019. Insurers reported a declining volume of new commitments alongside a 21% increase in claims paid, citing uncertainty fuelled by increasingly negative trade policy and deteriorating macro-economic conditions.

Hyderabad, 23rd October 2019 – A global delegation of 220 senior executives of the export credit and investment insurance industry are gathered in Hyderabad for the 2019 Annual General Meeting of the Berne Union, hosted by ECGC India.

Insurers of short-term trade credit (ST) reported USD 1.7 trillion aggregate credit limits issued at the end of June – no real change since the end of 2018, reflecting a lack of growth in underlying trade volumes.

Insurers of medium and long-term export credits (MLT) reported a significant 27% drop in new commitments, compared to 2018: USD 59 billion in new cover and lending in the first half of the year. This is most pronounced in a 48% decrease in new commitments towards corporate obligors, largely located in North America and ASEAN. Exports of capital goods have suffered due to investment uncertainty, financial constraints on emerging economies and a decline in the number of ‘mega-deal’ project transactions materialising in pipelines since last year.

USD 27 billion in new cover of Political Risk Insurance (PRI) is a 50% increase relative to 2018 H1. The size of the increase is heavily influenced by the investment portfolio of a single large member. PRI providers in general have indicated a modest increase in demand / enquiries for this product and expressed a robust appetite for selected risks.

Berne Union members paid just over USD 3 billion in claims for the first half of 2019, 1.5 bn for MLT, 1.3 bn ST and the rest PRI. Overall this is 21% up on the first half of 2018. In ST business, Latin America and Europe saw the largest % increases in claims payments. North America was the only region not to see an increase in claims/exposure ratio. Latin America dominates MLT claims by any measure. Along with Sub-Saharan Africa it saw the biggest % increases. Notable in MLT business is the continued increase in political claims (as opposed to commercial non-payment) which, although still only accounting for 31%, have risen steadily from just 10% in 2016.

Berne Union President, Beatriz Reguero comments that, “trade is facing a huge number of risks globally. Many of these are interconnected and affected by a complex mix of political, social, structural and cyclical factors. Understanding and protecting against these risks is the business of the export credit and investment insurance industry and the collective perspective of our industry, seen through the lens of the Berne Union, acts as a powerful barometer of the health of international trade, generally.”

Secretary General, Vinco David adds: “The most powerful factor negatively affecting trade at present is the high degree of uncertainty facing businesses. Under these circumstances it is unsurprising that we see lower volumes of insured trade than last year. With a number of hotspots facing specific economic and political challenges we also expect to see a continuation of elevated claims. Although the trade environment is certainly deteriorating, the export credit and investment insurance industry is well placed to manage the risks in support of exporters and investors.”

The meeting this week is the 4th General Meeting of the Berne Union hosted in India by ECGC, who have been members since their foundation in 1957. It is also a landmark occasion for the Berne Union, which celebrates its 85th anniversary this year.

Quote from Mrs Geetha Muralidhar, Chairman-cum-Managing Director, ECGC: “India is committed to multilateralism in every field of activity that assists in growth and prosperity for all. We at ECGC, the Indian export credit agency, are proud to host the AGM of the BU on its 85th anniversary. The countercyclical role of ECAs is the need of the hour to mitigate the heightened risk situation affecting the world trade today and the deliberations in this AGM will enable augmentation of the specific role”.

Also at the AGM this week:

Robert Suter, Head of International Relations and Business Policy at SERV has been elected Chair and Irene Gambelli, Senior Advisor International Relations at SACE has been elected Vice Chair of the MLT Committee. In the Prague Club Committee, Imaad Al Harthy, General Manager of Credit Oman is elected Chair and Martina Jus, Executive Director at HBOR Vice-Chair.

For further information on any of the details in this press release please contact Paul Heaney, Associate Director at the Berne Union.

About the Berne Union

The Berne Union is the international association of export credit and investment insurers. The 85 members include government-backed export credit agencies, private credit and political risk insurers and multilateral agencies from 73 countries – representing all aspects of the industry worldwide.

Members collectively provide payment risk protection equivalent to approximately 13% of annual world trade, compensating banks and exporters for losses suffered due to defaults by buyers or other obligors and providing flexible risk capacity to support international trade transactions.

More information on the Berne Union and its members via www.berneunion.org