

## **Stabilised trade and new investment in energy transition have helped generate real growth for export credit, but multiplying risks now threaten the fragile pandemic recovery**

**ISTANBUL 12<sup>th</sup> May 2022** – A global delegation of 74 Export Credit Agencies, multilateral institutions, private banks and credit insurers gathered this week in Istanbul for the Berne Union Spring Meetings, to discuss trends in risk underwriting and strategic priorities for the industry with respect to climate, energy and pandemic recovery.

Berne Union President, Michal Ron, comments:

*“Just as we were emerging from one of the most economically challenging periods in modern history a fresh crisis has re-amplified risk and uncertainty, threatening the fragile recovery we have been nurturing over the past 12 months.*

*As an industry, our most urgent priority is to support businesses through the acute geopolitical and economic stress of the war, widespread inflation and lingering trade disruption. But equally important in the long term is ensuring that we are equipped to tackle the unprecedented structural adjustments driven by climate change and global energy transition.”*

During the meeting the Berne Union released initial figures for industry performance up to year end 2021. Michal observes:

*“We have seen positive indications of recovery from business in 2021 and a return to growth of both trade and investment. We recognise huge potential opportunities for financing the technologies and economies of the future and despite the multitude of current challenges we remain hopeful that these can help to deliver a sustained recovery.*

*Going forward, as always, the importance of dialogue, cooperation and innovation cannot be overstated and I am grateful that this year we can continue to meet in person and engage fruitfully on these important matters within the Berne Union Community.”*

The meeting is hosted by local Berne Union Member, Turkeximbank and CEO Ali Güney adds that:

*“In a time when the world is faced with pressing geopolitical and financial challenges, the Berne Union’s Spring Meeting has been a crucially important gathering, keeping the pulse of investment and export credit insurance. We are more than glad to hold this meeting in Istanbul. As my colleague Michal has noted, it is indeed extraordinary times with broad implications on trade and development. The Berne Union, with its publications and the platform it provides for exchanges of valuable information as well as formations of critical partnerships, serves as a beacon across such an unpredictable economic landscape for the industry. On behalf of Turk Eximbank team, I would like to once again express my pleasure in taking part in the gathering of the spring meeting and thank all those who contributed”.*

### **About the Berne Union**

The Berne Union is the international association of export credit and investment insurers. The 83 members include government-backed export credit agencies, private credit and political risk insurers and multilateral agencies from across the globe. Members collectively provide payment risk protection equivalent to approximately 13% of annual world trade. <https://bit.ly/3iHbdEK>

## Highlights from BU Industry Data for H2 2021

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Newly released data from the Berne Union shows that during 2021 the industry provided new cover for USD 2.63 trillion of cross-border trade and investment, plus an additional USD 64 billion domestic cover in support of exports.

### **Real-terms growth despite the pandemic and rising inflation**

The figures show an aggregate increase of 11% over 2020, and 12% more than in 2019, thanks to a swift rebound and stabilisation of trade, helped along by various government support measures. The picture is somewhat complicated by the effects of rising inflation throughout last year, as well as fluctuating exchange rates versus the dollar. The net outcome is a somewhat lower percentage increase, but likely still real-terms growth, largely due to sustained demand for short-term credit insurance throughout the year.

### **New investment in energy transition helped boost a recovery in MLT business**

Following a huge -22% drop in new commitments during the peak of the pandemic in 2020, MLT business rebounded to USD 117 billion in 2021.

This has been driven by renewed investment in the transportation sector following a cliff edge during peak pandemic, as well as strong increases in manufacturing and renewable energy. Although renewable energy is still the smallest named sector by volume of new MLT commitments, it has shown consistent growth including during the peak of the pandemic, with new commitments of USD 6.8 billion in 2021 47% higher than for 2019.

Renewables transactions are increasing not only in volume but also in number and distribution: In 2019 14 members reported new commitments for renewable energy in 25 countries and by 2021 this has risen to 19 members and 38 countries.

Meanwhile investments in traditional energy and natural resources have continued to fall through both 2020 and 2021 – illustrating the ongoing structural shift towards energy transition.

### **Claims remain concentrated in transportation, but broader increases are expected**

Berne Union Members paid just over USD 9 billion in claims in 2021; about half a billion (+6%) more than during peak pandemic in 2020, and 17% higher than pre-pandemic levels in 2019.

However, claims for short term business remain historically low, while growth in MLT is highly concentrated in the transportation sector (USD 2.2 billion), which accounts for over 50% of total. Nonetheless, with the easing of restrictions on movement and international travel, prospects for the transportation sector are improving and longer-term recovery prospects are relatively good.

Members report an increase in claims situations arising through the first half of 2022 and are closely monitoring the impact of supply chain issues and rising costs, especially energy prices.

The deteriorating geopolitical environment and sanctions related to the war in Ukraine mean adjustment to the risk appetite and capacity of investors, financiers, underwriters and reinsurers and will likely lead to a more restricted market and tightened pricing if sustained over a longer period.

**Attachment: H2 2021 Data Snapshot: New Business, Claims and Recoveries**

All figures in USD millions

New Business	2019	2020	2021	Δ 19-21	Δ 20-21
ST	2,144,836	2,188,533	2,455,327	14%	12%
MLT	133,099	104,413	117,706	-12%	13%
PRI	34,970	30,780	24,090	-31%	-22%
OCB	46,649	39,261	34,609	-26%	-12%
Domestic	50,990	72,655	64,225	26%	-12%

  

Claims Paid	2019	2020	2021	Δ 19-21	Δ 20-21
ST	3,089	3,050	2,475	-20%	-19%
MLT	2,780	3,516	4,305	55%	22%
PRI	667	1,505	1,443	117%	-4%
OCB	117	26	182	56%	606%
Domestic	1,183	557	749	-37%	34%

  

Recoveries	2019	2020	2021	Δ 19-21	Δ 20-21
ST	838	548	599	-29%	9%
MLT	2,122	1,504	1,367	-36%	-9%
PRI	16	136	78	384%	-42%
OCB	46	18	6	-87%	-66%
Domestic	189	126	162	-14%	29%

**NOTES**

- **ST:** *Short Term Export Credit* - Export Credit / Trade-Finance Credit lending and Insurance of which the repayment term is less than 360 days
- **MLT:** *Medium / Long-Term Export Credit* - Insurance, Guarantees and lending for Export/Trade-Finance Credit of which the repayment term is greater than 360 days
- **PRI:** *Political Risk Insurance* - Insurance or Guarantee that indemnifies an equity investor or a bank financing the equity investment for losses incurred to a cross-border investment as a result of political risks
- **OCB:** *Other Cross-border Credit* - Insurance or Guarantee or direct loan relating to a debt-finance instrument, of which the debt obligor resides in a different country than the debt counterparty; AND the debt obligation is provided without any requirement that the debt capital be used to finance an export or international trade

More information about the business lines and products of Berne Union Members, here: <https://bit.ly/3FnfSWj>  
 For background data please consult our 2020 state of the industry report: <https://bit.ly/3oDFGr4>