

Credit insurers cautiously optimistic as merchandise trade returns to pre-pandemic levels – *but positive indicators belie continuing uncertainty on longer time frames and acute challenges remain in certain sectors and regions*

BUDAPEST 12th October 2021 – *The International Union of Credit and Investment Insurers (Berne Union) is holding its 2021 Annual General Meeting in Budapest, hosted by Member and Hungarian Export Credit Agency, EXIM Hungary.*

This is the first face to face meeting of Berne Union Members since October 2019, as well as one of the first in-person international gatherings for the export finance industry since the start of the COVID-19 pandemic. The meeting will be attended by over 160 individuals, from 52 Berne Union Member Organisations.

EXIM Hungary CEO Gergely Jákli comments:

“The last period has significantly affected the work of this professional community, as well as the mindset of all those involved in global trade and FDI projects around the world. This situation presents us with opportunities and challenges, alike: cooperation is becoming increasingly important between the various players of the financial world, in order to be able to act as facilitators who support the implementation of important projects, who embrace innovation and social, health and infrastructural inclusion where necessary, and who are at the forefront of financing projects that respect and promote sustainability.”

As well as discussions around business trends, policy and the ongoing response to the COVID-19 pandemic, AGM participants will discuss the evolving business environment in Sub-Saharan Africa, where economic and investment opportunities in some areas are affected by high sovereign debt and political instability. Members are also exploring the path towards net zero export credit with a panel of ECAs discussing their transition strategy and challenges faced.

Berne Union President Michal Ron comments: “Climate policy has become a prime and integral component of the overall strategy of an increasing number of Export Credit Agencies. Managing the transition presents distinct yet significant challenges for each institution. The diversity of business supported by our industry, in terms of both geography and sector, demands a careful and subtle balance between climate considerations and other sustainability priorities, such as energy access and essential infrastructure. This is an area where there are great opportunities to learn from the approaches of our peers who are often grappling with similar challenges.”

During the meeting the Berne Union will release initial figures for industry performance in the first half of 2021. Highlights below:

Short term trade is back, buoyed by high commodity prices, strong business confidence and low claims

Berne Union Members reported outstanding USD 1.8 trillion in aggregate credit limits issued for Short Term credit insurance at the end of H1, 7% higher than in the first half of 2020, and

exceeding the pre-pandemic levels of 2019 by +3%. The rebound has been most pronounced in advanced economies and is in line with the reported increase in underlying merchandise trade¹, which has itself benefited from the strong price of oil and other commodities.

Risk appetite has remained high, encouraged by improving economic prospects and an incredibly benign levels of claims, despite the phasing out of governments' support both for the industry, and wider economy. Berne Union Members paid just over USD 1 billion in claims for short term insurance policies in 2021 H1, 38% lower than in the previous half year period and overall resulting in the lowest short term claims / commitments ratio for any period in Berne Union records.

Despite the overwhelmingly positive conditions, the mood of underwriters is predominantly cautious optimism, with the current stability counterbalanced by considerable remaining uncertainty when looking beyond a 12 month time horizon.

Medium and long term business remains depressed, with the transportation sector still suffering from sustained increases in claims

New commitments for all of the longer-tenor business lines remain depressed, with political risk insurance (PRI) and untied cross-border credit (OCB) falling further below 2020 levels, and now significantly below 2019 levels (USD -15 bn combined).

New Commitments for (MLT) Medium and Long Term Export Credit were almost flat year on year, but still 11% lower than 2019 levels (USD -6 bn). Sub-Saharan Africa, Europe, and South Asia regions buck the trend here, returning to parity with pre-pandemic levels, while North America grew quite considerably.

Members paid just over USD 2 billion in MLT credit claims, plus another USD 789 million for OCB and just USD 52 million for PRI policies. Overall, broadly a continuation of the previous period. The biggest driver here is from claims relating to the transportation sector, which account for 50% of the total alone.

Domestic support normalises, but the long-term trend is still upwards

Domestic export support, predominantly working capital and internationalisation loan guarantees, saw a huge spike in 2020 (up 41%) as companies of all sizes found suffered liquidity pressures. Despite a drop in new commitments so far this year (-15%), levels are still higher than 2019, indicating this as a longer term trend

Recoveries also favour short term and domestic business

It is a similar story with recoveries, with strong performance in short term and domestic business where members collected USD 330 mn and USD 553 mn respectively, matching or surpassing the pre-pandemic levels of 2019. MLT recoveries of USD 546 million are historically relatively low, both for commercial (USD 205 mn) and political (USD 341 mn) claims. Political recoveries were likely dampened somewhat due to the IMF Debt Service Suspension Initiative (DSSI).

¹ https://www.wto.org/english/news_e/news21_e/rese_24jun21_e.htm

Attachment: 2021 Data Snapshot: New Business, Claims and Recoveries
All figures in USD millions

New Business *	2019 H1	2020 H1	2021 H1	Δ 19-21	Δ 20-21
ST	1,725,678	1,667,123	1,777,918	3%	7%
MLT	55,657	50,146	49,736	-11%	-1%
PRI	25,904	20,839	17,176	-34%	-18%
OCB	14,817	9,409	8,013	-46%	-15%
Domestic	24,453	32,367	27,542	13%	-15%

Claims Paid	2019 H1	2020 H1	2021 H1	Δ 19-21	Δ 20-21
ST	1,320	1,441	1,002	-24%	-30%
MLT	1,681	1,187	2,018	20%	70%
PRI	114	23	52	-55%	121%
OCB	229	756	789	245%	4%
Domestic	891	292	147	-84%	-50%

Recoveries	2019 H1	2020 H1	2021 H1	Δ 19-21	Δ 20-21
ST	355	196	330	-7%	68%
MLT	1,247	590	546	-56%	-7%
PRI	9	1	5	-39%	279%
OCB	6	7	7	7%	-1%
Domestic	64	76	553	769%	625%

Notes

* in case of ST 'new business' is aggregate Credit Limits at period end (stock data). For other business lines it is new commitments (flow data)

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>

Note to the editor

Export credit insurance is a vital instrument in support of international trade. It indemnifies exporters and financing banks against the risk of non-payment, due to commercial and political risks. As a through-the-cycle risk-mitigation tool, credit insurance is designed to support trade through both benign and challenging environments, by helping to manage risk and liquidity for exporters. <https://bit.ly/3FsrtmK>

About the Berne Union

The Berne Union is the international association of export credit and investment insurers. The 81 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>