

Press Release



London, 12 October 2017

HOSTED BY:



Strong first half of 2017 with over USD 1.3 trillion new commitments issued in support of global trade and investment by members of the Berne Union

London, 12th October – Last week, 260 participants representing 70 of the 82 Berne Union member organisations, plus external guests, gathered in Belgrade for the Berne Union's 2017 Annual General Meeting (AGM), hosted by Serbian Export Credit Agency (ECA), AOFI.

Members reported strong growth in new business across all committees, and although claims remain high, and the global risk environment challenging, most are optimistic about the coming months and into 2018.

AOFI CEO, Dejan Vukotić notes the significance of hosting this meeting, both for AOFI, and for the Serbian economy, commenting that “Nowadays, Serbia is a destination with very competitive conditions for foreign investments, and strongly committed to the development of SMEs. Thus, we believe the AGM 2017 held in Belgrade will further impact the recognition of Serbia as an attractive destination for foreign investors.”

Short Term Trade Credit Insurance (ST)

Members of the ST Committee have collectively issued credit limits of USD 1,188 billion at the mid-point of the year. This is 18% higher than the situation at year end 2016, where they stood at USD 1,007 billion.

Two thirds (67%) of members surveyed expect further increases in business volumes over the coming 12 months, and the majority of the remainder (27%) anticipate a stable continuation of the current state.

Growth is expected across developed markets generally, especially North America and the European Union, where economies are benefitting from improving fundamentals, relaxed lending conditions and increasing domestic demand. Any changes to interest rates are likely to have a significant impact on this situation.

There is some caution with respect to the impact of fluctuating oil prices – with the potential to adversely affect both oil exporters or net importers, depending on the direction of travel. For those countries reliant upon commodities exports more generally, there are also concerns, especially in Sub-Saharan Africa, where levels of national indebtedness are also high.

Members are keeping an eye on the banking sector in Asia, while in OECD countries traditional retail brings greater concern, due to competition coming from online sales.

Notwithstanding the challenges highlighted, 94% of ST members express optimism overall with respect to prospects for global economic growth in 2018.

Medium / Long-Term Export Credits (MLT)

ECA members of the Berne Union's MLT Committee underwrote USD 65,950 million of new business in the first half of 2017, a rather significant increase of 35% over the same period in 2016 (USD 48,960 million). MLT volumes have been declining fairly consistently since a peak in 2011, but have bounced back in the last 6 months due to strong growth, especially in Asia. Since second half results tend, on average to be some 20% higher than the first, new MLT business for 2017 appears to be on course to return to the levels of 2013/2014.

At USD 31,800 million, new MLT commitments to corporate obligors are up 70% on 2016 – accounting for almost 50% of total MLT business. This is also the highest value of commitments recorded to corporates for a 6-month period at any point in the past 5 years. Sovereign commitments also look strong, more than double first half of 2016 and making up around 30% of total. Bank business remains stable.

Trends in new business amongst members was mixed. When surveyed, 43% of MLT Committee members perceived an increase in new business, with an equal proportion indicating a decrease and around 14% remaining steady. Some individual members reported significant increases, while for those who saw a decline it was usually relatively minor – resulting in the overall boost to new business across the Committee.

71% of members expect growth in MLT business over the next 6 months. Because of the nature of this business line, there is considerable variability, depending on the size and value of the individual deals involved and to realise the anticipated growth requires larger projects in the pipeline to progress.

Investment Insurance (INV)

New INV commitments for H1 2017 totalled USD 56,439 million; quite comparable to the USD 55,937 million in the first half of 2016.

The spread amongst members is quite broad with 32% reporting increasing business, 16% decreasing and the rest remaining flat. There are indications that rising political risks are driving demand for PRI, but some Members also report sporadic deals and a lack of new large projects, especially in the oil and gas sector, meaning that business volumes are relatively lower than the number of applications received. Capacity for this business in the private market is good, and demand from banks is healthy, but some members expressed concern at a deterioration in the risk quality of applications.

77% of INV members expect business to increase in the year ahead. In particular, growing demand is being seen in Gulf Countries. Brazil and the Korean Peninsula are notable areas where underwriters are expressing more caution.

Claims Trends (All Committees)

2017 so far is showing a continuation of the high claims seen in 2016:

In short term USD 1,068 million for 2017 H1, compares with USD 1,208 million for 2016 H1, and USD 2,782 for the full year – still high, but falling slightly.

MLT claims are up 12% on 2016 levels, rising to USD 1,350 million for the first half of 2017, compared to USD 1,209 million in 2016 H1. We are seeing increasing levels of commercial claims paid, while political claims remain occasional. The split for 2017 claims so far is USD 1,179 million commercial (87%) vs. USD 171 million political (13%).

In MLT, over the past 5 years we have seen a general trend of decreasing Asian claims, countered by a gradual increase in European claims. On top of this, in the past couple of years a distinct 'bump' in claims in the Americas can be seen: At just less than USD 500 million, the largest region for MLT claims in 2017H1.

USD 200 million reported by members of the INV committee for 2017 H1, is a full two thirds of the USD 300 million total for 2016 full year – also showing a continuation of the high levels set in 2016.

Berne Union President and Deputy CEO of Finnish ECA, Finnvera, Topi Vesteri, observes that “2017 so far, shows a natural continuation of the trends seen in 2016: positive growth in new business, healthy demand and a continued appetite for risk from our members, despite an elevated claims environment”.

Business Focus and Challenges

In most areas, members of the Berne Union report competitive pressures presenting a challenge for their business. In short term business, 26% cited the soft market as a concern, while 30% focused on digitisation of processes and 19% on better provision for SMEs.

INV members cite concern about soft market pricing as well, but also see a challenge in distribution. In some areas a lack of demand, which may be overcome by improvements in marketing awareness of products to potential clients.

Since MLT business is more dependent on realisation of deal pipelines, sanctions, national content rules and banking regulation are the central issues of interest at present.

According to Secretary General, Vinco David, “The market for commercial credit insurance has seen a number of new well-capitalised entrants offering credit insurance at competitive rates. Due to the current low interest rates, capital markets parties are seeking higher returns and credit insurance may offer this. However, when interest rates begin to rise, this situation will reverse. As supply and demand establish a new balance, we would expect to see higher premium rates as a consequence”.

Berne Union Leadership

A number of new appointments to the Berne Union leadership have been made. As of the close of the 2017 AGM:

Dr. Hendrik Holdefleiss, Head of Underwriting & Risk Management Division at EULER HERMES (Germany) is appointed to serve as Chair of the MLT Committee

Pedro Pessoa Carriço, Executive Manager of ABGF (Brazil), is appointed to serve as Vice-Chair of the MLT Committee

Meelis Tambla, CEO of KREDEX (Estonia), is appointed to serve as Chair of the PC Committee

Danilo Ćirković, Member of the Executive Board of AOFI (Serbia), is appointed to serve as Vice-Chair of the Prague Club Committee

Verena Utzinger, Senior Relationship Manager at SERV (Switzerland), is re-appointed to serve as Chair of the ST Committee

Chunyi Xiao, Deputy General Manager of Export Trade Credit Underwriting Department of SINOSURE (PRC), is re-appointed to serve as Vice-Chair of the ST Committee

New rotating members of the Berne Union Management Committee are:

XL CATLIN; ZURICH; EXIMBANKA SR; US EXIM; ECGC; KSURE

Press enquires: please contact Paul Heaney at the Berne Union Secretariat.

E: pheaney@berneunion.org | T: +44 20 7841 1112

For further information on the Berne Union and members, please visit www.berneunion.org