Trade expected to grow in 2018 despite increased risk environment

Credit insurers see growth in 2018, but higher claims and a soft market provide a cautious footnote

Amsterdam / London, 1st March 2018 - Members of the International Union of Credit and Investment Insurers (Berne Union) and the International Credit Insurance and Surety Association (ICISA) indicate a positive, but cautious outlook for 2018 in their latest joint annual state of the industry survey. Overall, they expect an increase in insured turnover, coupled with a rise in the volume of claims. Developed markets are expected to remain soft, while emerging markets are thought to remain neutral to hard.

Short-term trade credit insurance

The trade credit insurance members of the Berne Union and ICISA signal positive expectations for 2018. The vast majority of the respondents (85%) anticipate an increase in insured commitments, while the remainder expect business volumes to be comparable to 2017. This is attributed to a relatively positive global economic outlook and corresponding increase in business confidence, combined with an attractive financing environment to increase exports. Some members also cite internal drivers of growth including product development and expansion into new markets. At the same time almost 45% of members expect at least a small increase in volumes of claims over 2018, confirming an ongoing higher risk environment. “Following the credit crisis we have seen high but sustainable levels of claims. While the number and volumes of claims will likely grow due to the increase in business, loss ratios are not expected to change significantly.” commented Vinco David, Secretary General of the Berne Union.

Broadly speaking, there is a divide between developed markets (Europe, North America, Australia), which are currently seen as quite soft, and emerging markets (Asia, MENA, Sub-Saharan Africa and Latin America), which are seen as neutral to hard. Over the course of 2018, members expect a potential softening in Latin America. For all other regions, the current status quo is expected to be maintained.

The respondents particularly expect growth in new insured commitments in Asia (69%), Europe (62%), North America (41%) and MENA (40%). The top regions where claims are expected (MENA - 57%, Europe - 54% and Asia - 43%) somewhat mirror those for new insured commitments. “Credit insurers continue to have a positive risk appetite despite the elevated claims environment. A rise in fraud remains a concern, but does not deter insurers from supporting their clients to grow in new markets.” explains Rob Nijhout, Executive Director of ICISA.

Medium and long-term export credits

78% of respondents anticipate an increase in MLT cover provided through the course of 2018, both on the basis of new enquiries and offers in pipeline to be realised.

Rising oil prices are driving expectations of increased investment in large resource infrastructure projects along with a corresponding rise in capital goods exports. Along with infrastructure and transport, energy production and transmission are seen as presenting the best opportunities, while metals and mining are viewed as currently more fragile. MENA (76%), S.S. Africa (68%) and Asia (62%) are highlighted as regions most likely to attract growth in new business.

Recent indemnifications and restructurings may have helped produce some relative stability with respect to claims in MLT business, which for 2018 is likely to be comparable to the previous year. Almost 60% of respondents to the survey indicated *no expected change*, while 90% recorded *no significant change*. However, despite the recent rebound, commodities producing countries remain vulnerable to adjustments in oil price and there is some potential for increased defaults here.

Berne Union President, Topi Vesteri comments that “broadly speaking, the economic environment seems to be on an upward trend; but at the same time this has effectively de-coupled from geopolitics, which is in many ways now more unpredictable than ever. Public and private insurers of export credit continue to adapt to these circumstances and we expect to see more innovation through technology, policy, and better risk sharing.”

Surety bonds

Expectations of surety members of ICISA are roughly in line with those of the trade credit insurers. Most respondents (62.5%) anticipate growth in the volume of insured commitments. New insured commitments are especially expected in developed markets, while exposures in emerging markets are thought to remain stable.

A smaller number of respondents (50%) foresees a slight increase in claims. Claims are expected to rise in Africa, Europe, MENA, North America and Latin America. The claims environment in Asia and Australia/Oceania is thought to remain stable. The developed markets are currently considered to be soft, while emerging markets are mostly considered neutral, with the exception of Sub-Saharan Africa which is generally considered hard. Changes in these market conditions are not anticipated for 2018. Jos Kroon, President of ICISA comments: “While the construction industry has recovered, contractors can still go insolvent. In Europe in particular the outlook for claims is less positive, making the need for surety bonds as important as ever.”

Note to the editor

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About ICISA

The International Credit Insurance & Surety Association (ICISA) brings together the world's leading companies that provide trade credit insurance and/or surety bonds. Founded in 1928 as the first trade credit insurance association, the current members account for 95% of the world's private trade credit insurance business. Today, with almost USD 3 trillion in trade receivables insured and billions of dollars worth of construction, services and infrastructure guaranteed, ICISA members play a central role in facilitating trade and economic development on all five continents and practically every country in the world.

ICISA members: Afianzadora Latinoamericana - Arch Re - Argo Surety - Aserta - PT. Askrindo (Persero) - Aspen Re - Atradius - AXA Winterthur – AXIS Capital - BTG Pactual - Catlin Re Switzerland Ltd - CESCE - China National Investment & Guaranty Co., Ltd - China Pacific Insurance Co. Ltd. - Chubb - CLAL Credit Insurance Ltd - Coface - COSEC - Credendo - Credit Guarantee - ECICS Limited - Euler Hermes - Fianzas Atlas - The Guarantee Company of North America - Groupama Assurance-crédit & Caution - Hannover Re - ICIC - Liberty - Lombard Insurance Company - Mitsui Sumitomo - MS Amlin - Munich Re - Nationale Borg - PartnerRe Ltd - PICC Property and Casualty Company Limited - Ping An P&C - Qatar Re - QBE - R+V Re - SACE BT - S2C S.p.A. - SCOR Global P&C SE - Seoul Guarantee Insurance Company (SGI) - SID-First Credit - Sompo International - Sompo Japan - Swiss Re - Tokio Marine & Nichido Fire Insurance - Tokio Marine HCC - Travelers - Tryg Garanti - Zurich

For more information on ICISA, please visit www.icisa.org

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 equivolent to approximately 12% 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.

BERNE UNION members: ABGF - AIG - Altum -AOFI - ASEI - ASHRA - ATI - Atradius - BAEZ - Bancomext - BANDEX - BECI - Bpifrance Assurance Export - CESCE - Chubb - Coface - COSEC - Credendo Group - Credit Oman - Dhaman - ECGC - ECGCZ - ECGE - ECIC SA - ECICS - ECIE - ECIO - EDC - EFIC - EGAP - EGFI - Euler Hermes - EIAA - EKF - EKN - EXIAR - EXIM Hungary - EXIM Jamaica - EXIM Romania - Eximbanka SR - Eximgarant - FCIA - Finnvera - GIEK - HBOR - HKEC - IE Singapore - ICIEC - IGA - JLGC - KazexportGarant - KREDEX - KSURE - KUKE - LCI - Liberty - LPEI - MBDP - MEXIM - MIGA - NAIFE - NEXI - NZECO - ODL - OeKB - OPIC - PICC - PwC - SACE - SEP - SERV - SID Banka - Sinosure - SLECIC - SONAC - Sovereign - QDB - TEBC - Thai Eximbank - Turkeximbank - UK Export Finance - Ukreximbank - US Eximbank - Uzbekinvest - XL Insurance - Zurich

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