

TRADE CREDIT, BONDING, FINANCING

General trends

While business failures are predicted to rise sharply, the liquidity provided by the major developed countries in their economies has supported growth in those states, boosted global trade and demand for logistics, and led to skyrocketing international freight costs.

The Russian-Ukrainian war and the new waves of Covid with factory closures in China have strongly destabilized activity, bringing growth forecasts down as a result of strong inflation on agricultural and non-agricultural commodities, leading to an increase in interest rates by central banks.

Growth has begun to slow and the scenario of a recession is fast approaching. This rise in the number of business failures in France and internationally, and the increases in interest rates, will weaken countries and companies with high levels of debt.

On the other hand, the energy crisis could have major consequences in the event of a blackout next winter, which could further weaken growth.

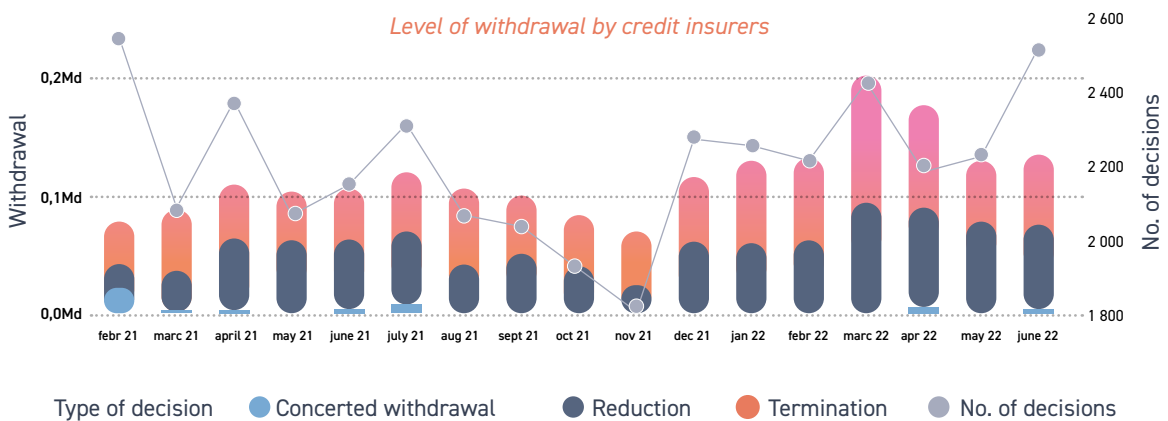
Market capacity

The level of risk appetite among credit insurers has been very high since mid-2020 and this type of environment could challenge the doctrine that has dominated for more than two years. The main indicator to follow will be the evolution of the level of corporate failures to determine the capacity of credit insurers to continue their support.

Developments in coverage

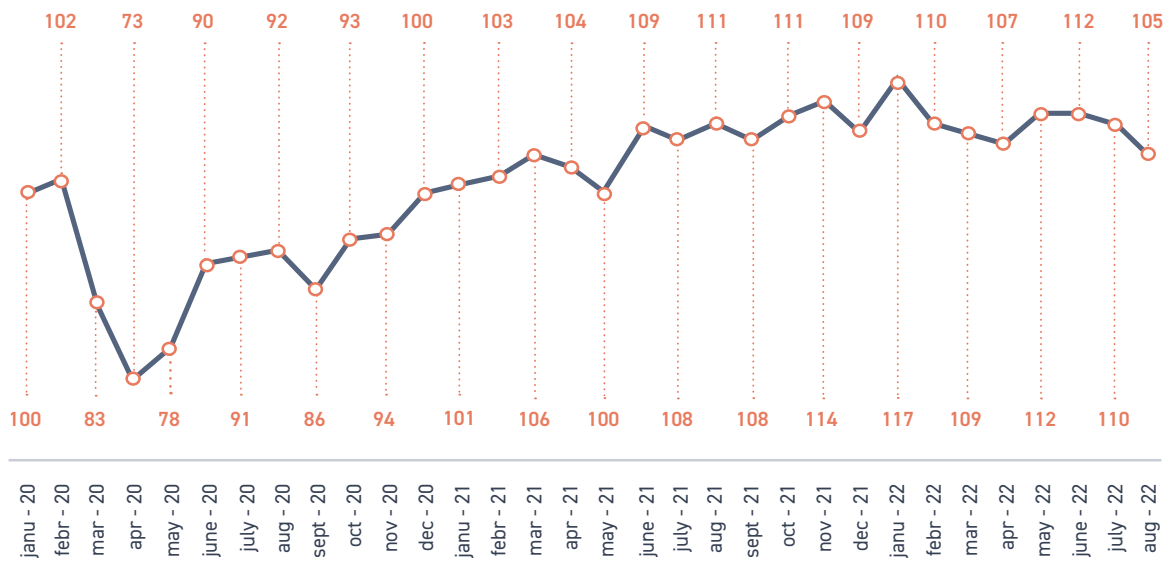
Diot-Siaci Cr dit publishes a quarterly indicator based on:

- The withdrawal rate, which measures reductions and terminations of coverage.
- The acceptance rate, which measures the coverage provided against the coverage requested, adjusted for withdrawals.



We saw an upward trend in withdrawals on the part of credit insurers in the first half of 2022. Unsurprisingly, it is the very small businesses that are beginning to show obvious signs of difficulty.

Satisfaction rate: 100 index in Jan 2020



Credit insurers provide coverage with integrated risk prevention over a 6-9 month period.

Since the summer of 2020, the level of risk appetite on the part of credit insurers has continued to rise.

In the first half of 2022, the rate rose slightly, largely due to the inflationary effect and the growing need for coverage to cope with the rise in the price of commodities and energy.

However, we saw a sharp decline in our index in August 2022 (-5pts) due to the impact of restrictive responses in the energy sector.

Pricing trends

Given the low level of claims, the global credit insurance market has been trending downwards on premium rates since the beginning of 2021.

Buoyed by strong growth in their turnover and a very low claims rate, companies are trying, no doubt before an increase in claims and therefore in rates, to negotiate new, more favorable conditions by freezing rates over time or negotiating clauses that are more difficult to put in place.

Depending on the force of the downturn, claims could start with higher frequency before moving to higher intensity, which would mean a reversal of the trend in premium rates.

Philippe Puigventos
Chairman of
Diot-Siaci Crédit



About Diot-Siaci Credit:

Diot-Siaci Credit, through the merger of the Diot and Siaci groups, has become the leading broker in France specializing in credit insurance, bonds and financing. It is supported around the world by the most powerful network of agents (ICBA - more than 600 specialists - 50 countries) which means we are able to assist and support large groups in their international development.

We have a team of 115 specialists and draw on high-performance technological tools to deliver quality reports to our clients. With web services that give us access to the coverage issued by insurers to clients, we are able to track more than 100 billion euros of coverage.

In an increasingly uncertain environment, our teams are mobilized to provide effective and innovative solutions in corporate financing and by using the insurance market to place bonds.