STRONG INCREASE IN OFFICIALLY SUPPORTED OECD EXPORT CREDIT ACTIVITY

{Highlights}

The export credit business has now markedly reversed a long decline of almost ten years, according to the majority of Member countries of the OECD. The decline, due to oil shocks and debt crises, was detrimental to world trade, especially with developing countries.

The Group had first noted a bottoming-out two years ago: the level of long term export credits stagnated at around SDR 10 billion - half of what it was in the early 1980's. Recent reporting showed large increases: 61 per cent in 1991 and another 57 per cent in 1992. Preliminary figures for the first half of 1993 show another sharp increase. Total export credit business in 1992 amounted to nearly SDR 49 billion.

Among the most important reasons for this reversal are the needs of the central and eastern European countries and the Commonwealth of Independent States. Much of this business is for large projects on long repayment terms and is comparatively risky. Thus, the increased activity represents a major effort of the OECD countries to support the development of these newly created countries.

The majority of OECD Member countries participating in a recent meeting of the OECD’s Export Credits and Credit Guarantees Group reported an increase in the level of their activities in 1992 and the first half of 1993.

The 1992 total of new officially-supported export credits rose to SDR 48.5 billion, equal to the level last achieved in the mid-1980s. This constituted a halt to the long decline in officially-supported export credits that started with the debt crisis of 1982. The upturn is largely due to a sharp increase in long-term export credits (i.e. of more than five years).
Group Members reported that long-term business increased by 61 per cent to SDR 12 billion in 1991 over 1990 levels, and by another 57 per cent to SDR 16.8 billion in 1992. This represented a return to the high level of activity recorded from the middle 1970s to the early 1980s. This upward trend was maintained in the first half of 1993. The main reason for the 1992 upturn was the significant volume of new credits extended to the Commonwealth of Independent States (CIS) and central and eastern European countries.

The gradual increase in medium-term (1-5 years) and long-term amounts at risk has continued since 1989 after the fall by 24 per cent from an end-1983 peak of SDR 285 billion to SDR 218 billion at the end of 1988. Such exposure grew slightly to SDR 246 billion in the first half of 1992, but apparently fell in the second part of the year. Exposure for the year as a whole is likely to be incremental once all OECD Member countries complete their activity reporting for the full year.

Medium- and long-term exposure in Category 1 (developed) countries continued to increase over the period 1991 to mid-1993, accounting for 28 per cent of the total medium- and long-term exposure, compared with 17 per cent at the end of 1990. This indicates that the historical trend for such exposure to be concentrated in the developing countries has apparently come to end.