

# What next for the BRIC countries?



By Dieter Berg, 20th September 2016

This year's Olympic Games drew international attention to Brazil – its colour and flair - but also the stiff social, political and economic challenges it faces. The country deserves praise for successfully hosting the Rio de Janeiro games amid its own struggles and financial strains.



Brazil's economic situation, a protracted recession after years of dynamic growth, must be viewed in a global context. It is of course related to years of misguided economic policies including excessive regulation, but is also the direct result of the weak commodity market. Long looked upon as the growth engine of Latin America, the country is heavily reliant on exports. With China as its main trading partner, the slowdown in that country's economic growth hits Brazil especially hard.

However, Brazil is certainly not alone. The decline in China's economic growth continues to have worldwide consequences. The country's industrial production is stagnating and its demand for commodities has collapsed, with a direct impact on the global trade volume, the shipping industry and in turn the marine insurance market as well.

At the same time, the cooling Chinese economy can be seen as a healthy correction. In the context of the downward adjustment of its growth forecasts, referred to as the "new normal", Beijing has pledged to encourage more domestic consumer spending. China appears to have avoided a hard economic landing, and is positioned to benefit from private sector growth as it develops. Elsewhere in Asia, positive signals are coming from emerging countries such as India, Indonesia and Thailand. The recovery in the oil market offers additional fresh hope. The outlook for Latin America, including Brazil, is cautiously optimistic.

The implications of these global trends for marine insurance will be among the topics discussed at the annual IUMI Conference in Genoa, taking place on 18 to 21 September, under the heading "Effective underwriting in a changing environment". In this context, I would like to draw special attention to the role of consistent technical underwriting in view of a changing and challenging economic and commercial environment. But I also wish to emphasise the need for creativity and innovative spirit. With the right attitude and ideas, marine insurers can respond to changing market needs and benefit from the positive signs appearing on the horizon.