

Balli Steel Warns Limited Credit Insurance Continues To Hamper Steel Market



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Industry: [Industrial](#)

Balli Steel has warned that the limited availability of credit insurance is continuing to have a serious impact on the global steel market. The current lack of credit insurance means that whilst the demand for steel has increased over the past quarter trading volumes have remained static.

Credit insurance is a critical element in the supply chain as it provides suppliers of raw materials with guarantees that outstanding balances will be paid in the event of a steel manufacturer failing. In turn, credit insurance also protects steel producers themselves in the event of manufacturers defaulting on contracts. Steel traders and distributors are also heavily reliant on this insurance to be able to buy and sell on the commodities market.

[Nasser Alaghband](#), Director of Balli Steel commented: "The trade finance sector of the steel industry is heavily reliant on bank finance and credit insurance. In the past three months bank finance has returned to normal trading, however, insurers remain unwilling to provide business credit insurance. This bottleneck is crippling companies' abilities to trade with each other and could have far reaching consequences across the European economy just as the first signs of economic recovery are presenting themselves."

[Balli Steel](#) highlights that this is an industry wide issue affecting even the largest organisations. For example in February 2009, Euler Hermes reduced the amount of cover it was willing to supply to Corus, the UK's largest steel manufacturer, due to weakening global demand for steel.

Balli Steel highlights that as the banking crisis unfolded during 2007 and 2008, central banks stepped in to provide liquidity in the markets and eventually brought stability to the system. However, with the exception of AIG in the United States, insurers have not received the same level of assistance from Government and this is having a considerable impact on the sector.

Balli Steel believes that governments and central banks should assist in providing guarantees in the re-insurance market to provide the confidence to enable insurers

to provide the necessary cover. If necessary, governments should be willing to become shareholders in institutions which require financial assistance.

Nasser Alaghband, continued: "The restoration of free flowing credit insurance market is essential for normal trading in steel to be resumed. We have first hand experience of European steel distributors being unable to complete deals worth several hundred thousand pounds due to a lack of available insurance. This is bringing paralysis to certain sections of the steel market and is hampering economic recovery. We therefore believe where necessary governments and central banks should be willing to underwrite insurers to ensure business can resume."

Notes for Editors

About

Balli

Holdings

Balli Holdings is a large private, multi-national corporation, headquartered in London, with offices in Dubai and other key business hubs around the world.

[The Balli Group](#) was established in 1982 and operates a number of affiliated companies specialising in commodity trading, industrial, real estate and private equity with operations in over 20 countries. Together with its affiliated companies, Balli employs over 2,000 people worldwide.

Balli Steel is the company's principal operating subsidiary, and is one of the largest independent traders of steel in the world. Balli Steel provides raw materials and steel to a number of market segments including steel mills, steel service centres, pipe and tube makers, the oil and gas industry and other designated end-user segments such as the packaging products industry.

The company's real estate operations currently have are invested in a significant property portfolio comprised of over 900,000 sq ft of property under development with a Gross Development Value of some \$800 million, and an additional 2 million sq ft and a GDV of almost \$2.5 billion in the pipeline.

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