The good news is that domestic and international trade are ramping up again. Most concerns with weak demand from the COVID-19-recessionary economy are waning. However, as commerce heats up, new trade risks are developing. Balance sheets have been damaged with losses of the past 18 months. Higher sales require working capital from lenders, suppliers or shareholders. Supply-chain bottlenecks have led to some product shortages. Increased demand has led to higher and much more volatile commodity prices. The resulting anticipated higher inflation will lead to higher interest rates and borrowing costs.

There will be winners and losers. The challenge of any vendor is to identify those customers and prospects that will thrive or that will fail, especially against the background of private-company limited financial transparency.

As trade credit and political risk experts, we know that the greatest risk is when business is in a rapid growth phase after a downturn. Over each of the next four weeks, NFP will explore in more detail four major issues impacting suppliers and clients over the next year.

1. **The international export environment** – Higher government deficit will impact growth and political risk while many developing countries, such as India and Brazil, are having challenges in expanding vaccinations and putting COVID-19 behind them.

2. **Higher, volatile commodity prices and inflation squeezes** – Customer limits in many industries, such as steel and lumber, have doubled or tripled. How has this impacted customer health and how is NFP supporting clients' need for higher customer credit limits?

3. **Zombie companies that won't die and end of the line businesses that may not continue** – Large does not equal good, as a huge number of North America's largest companies do not earn sufficient income to cover their debt expense. What will happen if lender funding dries up and debt service costs increase? COVID-19 government subsidies and extremely low interest rates have only given these zombies a temporary reprieve.

4. **Working capital constraints on sales growth** – Do clients have access to the capital they require to finance the higher demand and growth? Are there risk transfer solutions that help secure better financing?

We will explore these risks, the tools available to mitigate them and how some risks can be turned into opportunities to better compete and grow.
HOW NFP CAN HELP

NFP's trade credit specialty practice is well established with clients across most industries. We work with you to quantify risks and deploy the most up-to-date, best-in-class risk management tools to help you trade profitably. We will help identify profitable opportunities, appropriate risk treatment that will give a high return on investment and solutions to optimize borrowing and working capital availability to help you grow. As your partner, NFP works with you to understand your business so we can offer a custom solution with better decision-making tools to support stable and profitable growth consistent with your corporate strategies.

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