

Petrofin global ship finance index sinks to a record low

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Traditional bank lending to shipping has plunged to new depths, according to an index tracking the volume of finance available to the industry.

With 100 serving as a reference point back in 2008, when Petrofin Bank Research founder Ted Petropoulos started compiling the Petrofin Global Index, the measure dropped to 77 at the end of last year. That is its lowest reading ever, the research house said in a note this week.

Last year marked a particularly sharp decline, considering that the index had held steady at about 86 over the previous three years.

"The fall is mostly attributed to the decline of interest and ability by Western banks to maintain their loan portfolios," said Petropoulos in the report.

Royal Bank of Scotland and Commerzbank were removed from the sample of the world's 40 largest lenders, in a move that accounted for much of a \$42.5bn drop in estimated total shipping portfolios last year.

Shipping lending by Chinese banks has also stopped growing, given a "sharp increase" of Chinese leasing companies' exposure to the sector.

"Bank sentiment is still affected by loan losses and high provisions, sales of portfolios to financial institutional funds, international and European restrictions and the still not-so-bright outlook of shipping, which makes shipping banks quite cautious and seeking safety through known and large clients, higher margins and low finance percentages, as well as stringent terms," the report said.

However, credit contraction has not kept the global fleet from growing. New vessels are increasingly financed through a combination of equity, leasing, funds and private individuals' equity.

Banks may be down, but they are not out yet, Petropoulos said, arguing there might be a silver lining on the horizon.

Lending could pick up

Bank lending may have reached rock bottom and could pick up in the years ahead.

Established players such as Credit Suisse, ING, BNP Paribas, ABN Amro and DVB have not lost their appetite for shipping and may assist in a lending revival.

These banks naturally target blue-chip, quality shipping companies. However, new bank houses primarily catering to smaller owners, such as Maritime & Merchant Bank or MM Warburg bank, may be about to make a visible impact, Petropoulos said.