Global ship financing hits 10-year low

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European banks see steep decline as Asia increases global share

Europe's share in global ship financing has dropped by 20% since 2010.
SHIP FINANCING stood at its lowest level since 2007 at the end of 2016, as dominant finance hubs continued to desert their positions, according to a study conducted by Petrofin Research.

The 40 biggest shipping lenders had combined ship finance portfolios of $355.3bn at the end of 2016, down from $395.7bn in 2015. DnB was the world's largest ship financier with a $21bn portfolio, just ahead of the Bank of China's $20bn portfolio.

The presence of three Asian banks among the world's five largest ship financiers reflects an evident trend of the current decade; European ship financing is declining while Far East money is extending its reach.

Financing from European banks has dropped every year since 2010, when it stood at $374bn, compared with $221bn in 2016. This translates to a 20% drop in the region's global share, bringing it to 62.2%.

Financing from the Far East and Australasia peaked in 2015 at $128bn after steadily increasing since 2010, before dropping to $117bn in 2016. This gave the region a 33% stake in global financing up from just 14.8% in 2010.

"Loan portfolios of banks have slimmed as a result of vessel sales, write-offs, loan sales and normal reductions via repayments. This has been useful for western banks seeking to contract their lending as a result of capital constraints. The one ray of hope is the US banks, who are coming out of the difficult years in a more robust way and whose capital ratios are stronger and which have room to expand," Petrofin said.

Despite the Far East's growing market share, lending was targeted at larger companies, while leasing and export financing were an important part of that share, Petrofin reported.

The research firm, expected to see some growth in the number of banks lending to small and medium-sized owners over the next few years.