Resilience Amid Uncertainty: Ship Finance in 2024–25

by Ted Petropoulos
July 2025

Nafs

The shipping industry sailed through in unpredictable waters during 2024, confronting a landscape marked by regulatory upheaval, rising geopolitical tensions, and intense competition from non-bank lenders. Yet despite this volatility, the global banking sector remained a steadfast force in maritime finance—adapting, innovating, and holding fast.

Top 40 banks' ship finance activity may have posted a modest 2% growth, but the true story lies in its resilience (Graph 1). Traditional institutions recalibrated strategies under the weight of Basel IV incoming preparations, high interest rates, and shifting trade flows, while ESG ambitions fuelled a wave of newbuildings. This period was not just about stability—it was about strategic evolution. As the market braces for further disruption in 2025 under the Trump administration, the banking industry finds itself at a pivotal crossroads, navigating toward an era defined by uncertainty, change, agility, sustainability, and geopolitical implications.

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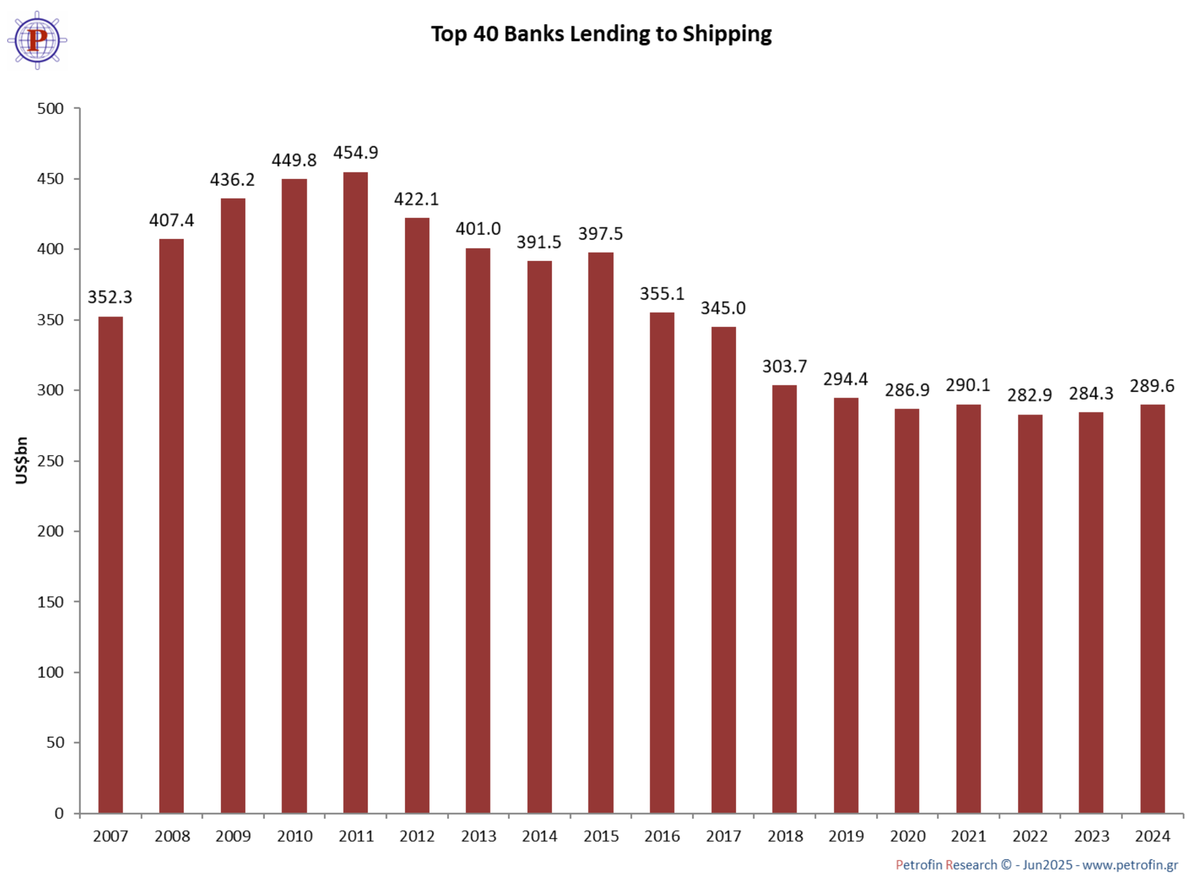
Graph 1 - Top 40 Banks Lending to Shipping



Macro Trends and Shipping Dynamics

According to the International Monetary Fund, global GDP in 2024 reached 3.2%, while international trade grew by 2.2%.

Shipping demand in 2024 increased evidenced by a 5.9% increase in ton miles, driven by a global cargo deviation due to geopolitical factors. Yet scrapping values for older vessels declined sharply by 20% year-on-year, reflecting weaker returns and a preference for newer tonnage. Fleet expansion was uneven across segments: tankers increased by just 0.9%, bulkers by 3% and container ships surged by 10%, according to Clarkson's data.

Cashflow remained sufficient across all shipping sectors to meet debt obligations, supported by a rise in vessel orders fuelled by environmental, social and governance (ESG) mandates. ESG

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compliance not only stimulated demand for newbuildings but also reignited interest in ship finance, particularly through sustainability-linked structures.

Competitive Pressures and Regulatory Transition

The banking sector's dominance was challenged by more agile and aggressive financing models, especially Chinese leasing, which also offered shipowners relatively flexible terms. The anticipation of Basel IV regulations, effective January 1, 2025, introduced stricter capital requirements and prompted banks to reassess their lending frameworks. Even so, competition among lenders remained fierce, with institutions accepting tighter margins to preserve market share.

High US Dollar interest rates and strong shipowner liquidity prompted early loan repayments. In response, banks offered sustainability-linked loans aligned with the Poseidon Principles, tying terms to key performance indicators and environmental goals. In addition, banks competed more actively for newbuilding finance. Graph 2 shows KPI related sustainability linked loan percentages against the non-sustainability linked portfolio for selected banks.

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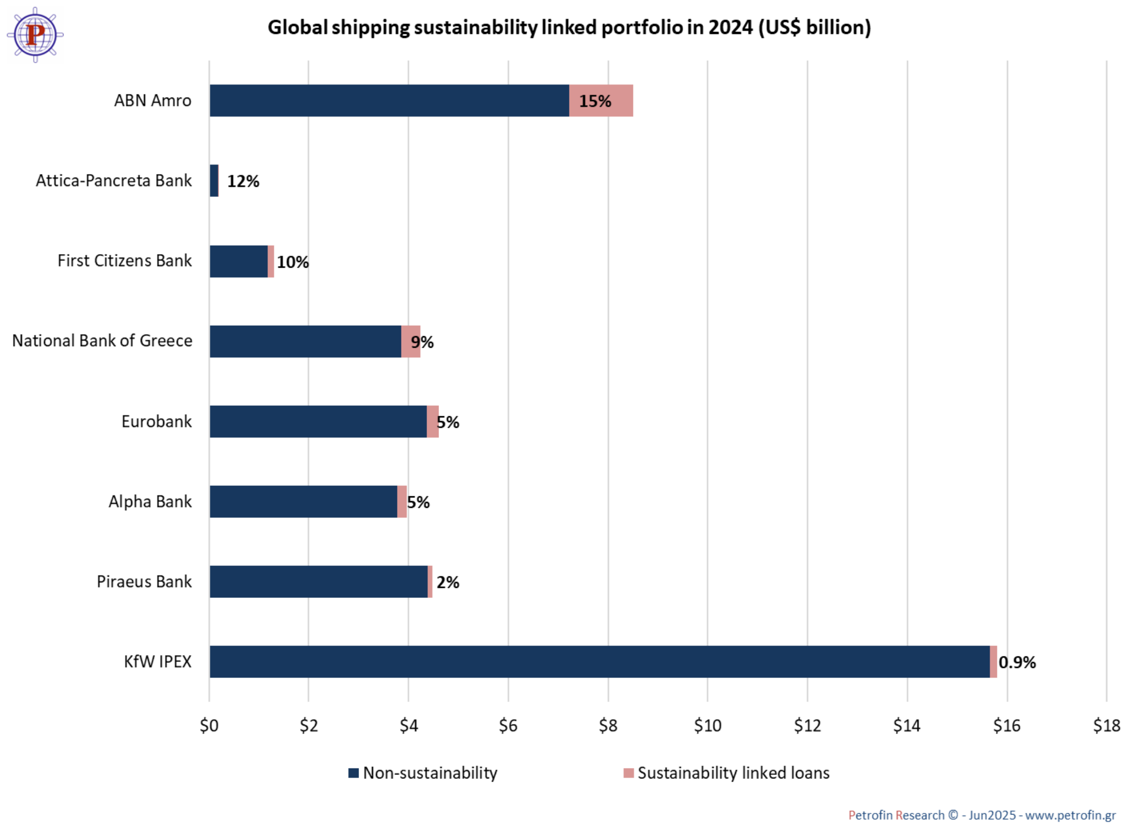
Graph 2 - Sustainability linked loan portfolio



Geopolitical Headwinds and Lending Landscape

Geopolitical disruptions—spanning the Ukraine conflict, expanded sanctions, attacks in the Red Sea, and the war in Gaza—disrupted trade flows but had limited direct impact on ship finance. However, they exacerbated trade volatility and pressured certain regional markets.

Earnings in several sectors failed to match escalating vessel prices, complicating capital investment. Clarkson's price index for ships climbed from 149 to 176 over the year. To navigate this environment, shipowners accepted lower loan-to-value (LTV) ratios, leveraging liquidity amid high interest rates.

Public capital markets underperformed, with few successful IPOs or follow-ons. Nonetheless, shipping bonds doubled—from $7.4 billion in 2023 to $14.5 billion in 2024—providing much-needed support.

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The Rise of Two-Tier Financing and Regional Growth

A bifurcated ship finance market emerged. Traditional banks, constrained by regulatory and capital considerations, largely offered low LTV financing, except for ESG-compliant newbuildings. Meanwhile, Chinese, Japanese, and Korean sale-and-leaseback (SLB) structures—often offering 70–75% LTV—alongside specialist shipping funds such as Neptune, Australis, Entrust, Sole and others, attracted owners seeking tailored solutions and higher leverage.

Regional and national banks also grew bolder, especially in the Middle East and Japan. Japanese lenders, backed by domestic banks, expanded SLB offerings to local and international clients, while Middle Eastern banks aggressively backed local owners, reshaping regional finance dynamics.

Looking Ahead: 2025 and Beyond

The year 2025 opened with seismic shifts in global trade dynamics, spurred by US policy under President Trump's revived "America First" doctrine. Protectionist tariffs targeting China, the EU, Canada and many others, stalled trade routes and cast a shadow over negotiations. The threat of punitive tariffs triggered caution among exporters and forced re-evaluation of market strategies. The IMF expectations for 2025 are for a less robust growth at 2.8%, down from 3.8% estimate published in January but is still subject to revision on account of the ongoing tariff issues.

Among the most disruptive proposals were proposed US penalties on Chinese vessels entering American ports and efforts to limit China's shipbuilding dominance. Though implementation has been delayed by a grace period, some vessels now avoid US ports entirely, impacting stakeholders beyond China as it seems that more levies will be imposed in the future.

Despite this turbulence, the banking industry remains steady. Loan volumes have held up, margins remain contained, and defaults are rare due to sound liquidity across ownership groups. Newbuildings in the tanker and dry cargo sectors have boosted bank lending, even as second-hand sales slow due to high asset values.

A notable trend in the first half of 2025 is the shift away from Chinese leasing. Concerns over political / trading risks perception—especially among publicly listed US entities—are prompting owners to refinance with conventional bank loans. Reports indicate Western banks are competing on margins and longer maturities. This pivot is complicated by Chinese banking regulations that restrict bilateral bank lending to non-Chinese entities, forcing some international deals to channel through Hong Kong. In general, the Chinese leasing industry is looking for clarity and whether the US penalties on Chinese owners / operators will apply and thus require a change in Chinese leasing / banking structures.

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The unresolved US–China trade tensions continue to cloud vessel valuations and lease financing, while China's leasing model shows signs of stress amid geopolitical uncertainty.

Interest Rates, Vessel Values, and Fleet Expansion

The expected reduction in US interest rates has yet to materialise, as the Federal Reserve weighs inflation and labour market implications from the administration's policies. While vessel values are trending downward, the adjustment appears measured. Most owners—private and public—are poised to expand their fleets once clarity returns.

Shipbuilding trends reflect strategic rebalancing. As of June 2025, China held 67% of the global orderbook, with South Korea at 18% (Table A). For new orders placed in 2025, China's share stood at 53%, while South Korea's was 32% (Table B), suggesting geopolitical considerations may be influencing buyer decisions.

Table A

Total orderbook by builder country

as of Jun 2025

Builder Country	No. Vessels	DWT	% share of total orderbook
China P.R.	3902	257,845,298	67%
South Korea	692	70,033,992	18%
Japan	739	41,973,023	11%
Other countries	1855	16,249,764	4%
Total orderbook	**7188**	**386,102,077**	

Source: Clarkson's *Petrofin Research © - Jun 2025*

Table B

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Orders placed in 2025 by builder country
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Builder Country	No. Vessels	DWT	% share of 2025 orderbook
China P.R.	366	22,329,151	53%
South Korea	108	13,764,628	32%
Japan	75	3,656,856	9%
Other countries	171	2,662,736	6%
2025 orderbook	**720**	**42,413,371**	

Source: Clarkson's *Petrofin Research © - Jun 2025*

Conclusion

The global banking industry has weathered the challenges of 2024 with poise and remains adaptable in the face of ongoing uncertainties. As 2025 unfolds, trends such as the recalibration of Chinese leasing, shifting shipbuilding preferences, and evolving trade policies will be central to the industry's trajectory. In this complex environment, flexibility and foresight will be key for both banks and shipowners seeking to navigate the next chapter of maritime finance.