

Seatrade Maritime News

Ship finance returns to growth for first time in 11 years



Global ship finance grew in 2021, the first time since 2010, as demand surged across all shipping sectors apart from tankers.

David Glass | Sep 12, 2022

As 2021 developed and Covid-19 restrictions waned, the global economy's GDP recovered from -3.1% to +5.9% year-on-year, seaborne trade from -3.5% to +4% year-on-year, whilst the shipping fleet's growth was limited to a 2.9% increase.

Further, Athens-based Petrofin Research in its annual review of Global Ship Finance reports the Petrofin Index for Global Ship Finance which commenced at 100 in 2008 is up by one point, from 62 in 2021 to 63, showing a rise for the first time in 11 years.

At the same time, the lending by the top 40 banks' backing shipping in 2021 was higher at \$290.12bn up from \$286.9bn in 2020. This 1.12% growth year-on-year may appear small, but it does represent the first rise since 2011. ^[1]_{SEP}

Petrofin Research says the turnaround was assisted by continuing central banks' monetary easing, low interest rates and a resurgence of demand for goods and commodities leading to increased congestion and fleet inefficiency.

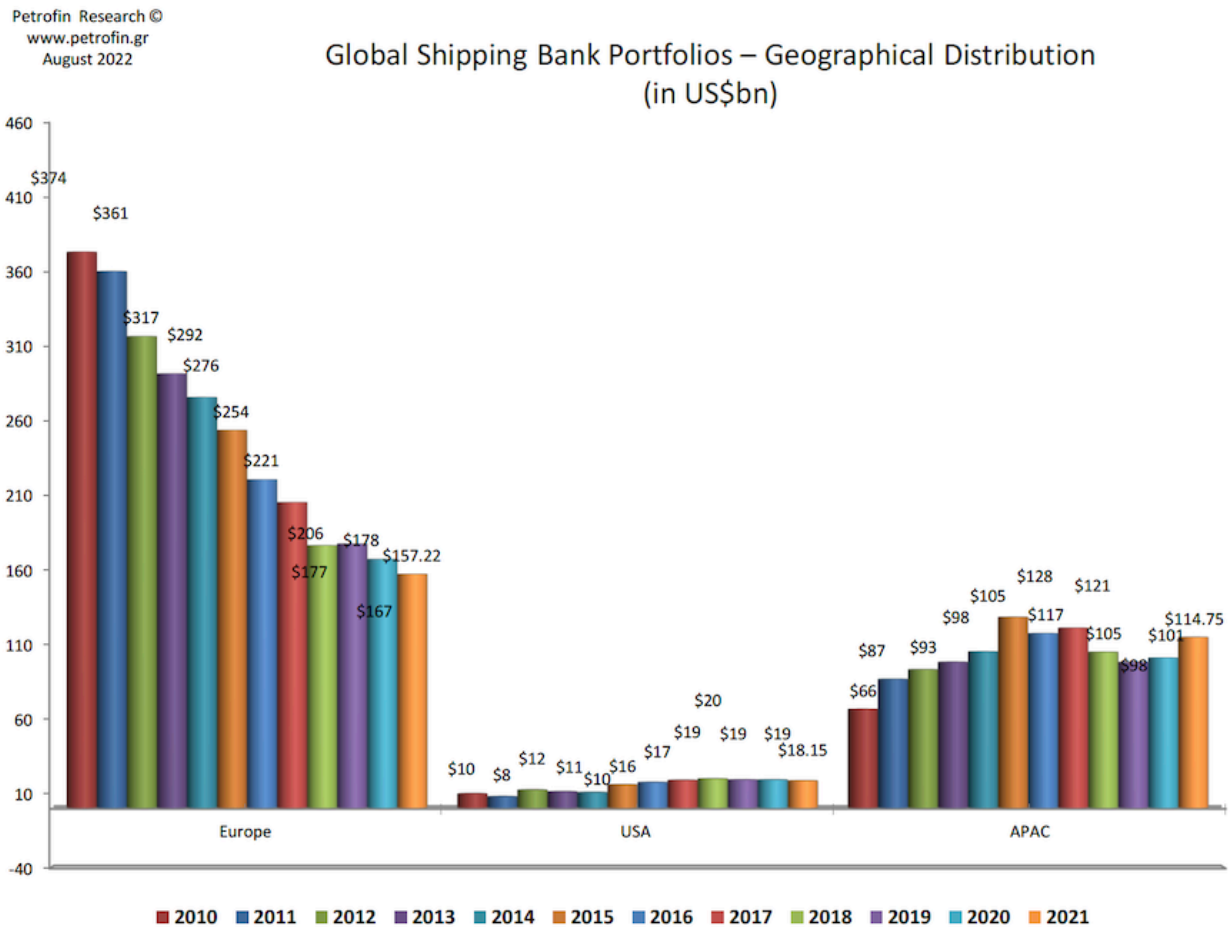
As a result of these developments, charter rates across most sectors (except for tankers) shot up, by 50% for LNGs, up to 185% for dry bulk and multi-fold for containers according to Clarkson's statistics. Vessel values followed suit, whilst scrapping decelerated. All in all, a remarkable turnaround, says Ted Petropoulos, head of Petrofin Research.

"Banks, under these favourable conditions and prospects, faced increased demand for loans, as well as competition from other non-banking lenders," says Petroloulos.

Within the top 40, twenty-one banks are based in Europe, 16 are Asian/Australia based, and three North American based.

Asian and Australian banks (APAC) show the only growth, from \$100.85bn to \$114.75bn APAC increased their share of the global portfolios from 35% to 39.5%. European banks' share declined further by \$9.78bn 5.8% year-on-year.

Graph 5: Breakdown of Global shipfinance portfolios according to geographical area, in US\$bn



Within Europe, the big decline continues by German banks although the trend has slowed. Greek banks showed a year-on-year growth of 14.2 %, whilst Scandinavian banks continued their overall decline de-emphasising lending in favour of use of their services to shipping. [1] [SEP]

Relative newcomers / small banks such as Bank of Cyprus, Hellenic Bank of Cyprus, Norway's Pareto, the US' M&M bank, grew during 2021 and provided plurality to the available sources of bank finance.

Petrofin Research said it can provide "a cautious, indicative figure for global ship finance, including all forms of lending, leasing and alternative providers, of approx. \$500bn".

“The total global bank lending of all banks, including local banks, amounts to approx. \$340bn, or some two-thirds of the global ship finance total,” said Petrofin. ^[1]_[SEP]

It warns however, there is increasing evidence that due to the Russian invasion of Ukraine, together with the high energy prices, geographical sanctions, higher interest rates, slowdown in global growth and concerns over an incoming recession, bank lending in 2022 has been disrupted as caution prevails amongst banks.

Further, the Chinese selective lockdowns and economic slowdown has added to the concerns and is having a temporary impact on Chinese leasing as well.