

Buyers' Market in Asian Trade Finance Continues - At Least for Now

2016 Greenwich Leaders: Asian Large Corporate Trade Finance

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Executive Summary:

Asian trade finance remains a buyers' market, with companies able to secure rock-bottom pricing from a host of banks fighting to win their business. However, both banks and corporates are starting to adjust to the new normal of low rates and relatively commoditized products and services.

In fact, new research from Greenwich Associates shows the first signs of market participants settling into a new equilibrium. From companies' perspective, the commoditization of trade finance has reduced differences among providers—at least in plain vanilla products and services. That evolution, and the fact that trade finance is an inherently “un-sticky” business with relatively low switching costs, enables companies to easily shop among providers for the best price. This, in turn, has provided opportunities for Japanese banks, regional Asian banks and even local country providers to compete for new-to-bank, large corporate relationships through aggressive pricing.

However, the same low pricing currently enjoyed by Asian companies has pushed margins for providers to such thin levels that global banks are rethinking their approach to the business. Many banks in this group are forgoing strategies built around market share in favor of those more narrowly focused on targeting banks' most important clients and the region's largest companies.

Methodology:

From April to June of 2016, Greenwich Associates conducted 589 interviews in trade finance with financial officers (e.g., finance directors and treasurers) at companies in China, Hong Kong, India, Indonesia, Malaysia, the Philippines, Singapore, South Korea, Taiwan, Thailand, and Vietnam. Subjects covered included product demand, quality of coverage and capabilities in specific product areas.

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