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Trade Finance Market Assessment, By Trade Activity [Trade Credits, Trade Loans, Factoring, Forfaiting, Export Credit Agencies], By Transaction Size [Small-scale Transactions, Medium-scale Transactions, Large-scale Transactions], By Technology Adoption [Traditional, Digital, Blockchain-based], By Application [International, Domestic], By Provider [Banks, Insurance Companies, Trade Finance Houses, Others], By End-user [Traders, Importers, Exporters], By Region, Opportunities and Forecast, 2017-2031F

Market Report | 2024-11-27 | 250 pages | Market Xcel - Markets and Data

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Report description:

Global trade finance market is projected to witness a CAGR of 5.55% during the forecast period 2024-2031, growing from USD 51.96 billion in 2023 to USD 80.05 billion in 2031. The market is experiencing growth at a considerable rate, and this has been encouraged by several key factors, such as increased cross-border transactions in need of effective financing solutions. The rapid growth of e-commerce has amplified the market trend as businesses seek to capitalize on the international markets, which requires robust trade finance options. It, however, would be reflected in increased demand for financial products capable of handling risks and optimizing cash flows. Technologies, such as blockchain and fintech, improve transparency and reduce transaction costs, generally making trade finance more accessible. Supportive government and international organizations promote trade finance initiatives. The increased political stability and economic growth in emerging markets are driving international trade. Increasing awareness of geopolitical risks has helped businesses hedge against potential losses by unlocking the power of trade finance.
Trade finance facilitates international transactions between the importing and exporting parties. Trade finance reduces the risks

associated with crossing borders in terms of trading as it offers financing, payment protection, and logistics facilitation. The most popular forms of trade finance include letters of credit, trade loans, and supply chain financing. In January 2024, a landmark trade finance partnership was launched by the Asian Development Bank (ADB) and British International Investment (BII), a United Kingdom-based finance institution, to promote green trade in Asia-Pacific. Green trade finance managed by ADB's Trade and Supply Chain Finance Program will focus on renewable energy, energy efficiency, and climate-smart agriculture to minimize fossil fuel dependency.

Globalization of Trade to Boost Market Growth

The interdependence being advanced by economic ties is deepening linkages of economies with each other, and businesses are scouting for locations beyond their country's borders of their country to operate. This will necessitate robust financing arrangements for international cross-border transactions. Improved technological and communicative capacities that bridge international markets closer to the firm through better access have spurred this outward expansion. In October 2024, Standard Chartered PLC, a British multinational banking and financial services company, launched sustainable finance variants of Borrowing Base Trade Loans (BBTL). The new product will be available in the United States, the United Kingdom, UAE, South Africa, Singapore, and Hong Kong. BBTL is a secured revolving credit facility that has been specifically customized to address the unique funding needs of businesses that are typically market-aligned with commodity exposure. It helps companies obtain finance by providing security over a wide variety of collaterals, such as cash, inventory, or receivables, and helps enhance working capital management.

With companies opting for global opportunities, trade finance products, such as letters of credit and supply chain financing, are experiencing a rising need. E-commerce has further aggravated this trend as it enables SMEs to participate in global trade. In such an environment, trade finance works toward the minimization of risks in the conclusion of international transactions, including delayed payments and currency fluctuations. It implies that globalization increases complications in international commerce and gives impetus to growth in the trade finance market as businesses continually look toward financial tools to work through these challenges and pursue new opportunities.

Technological Advancements to Drive Market Growth

Technological advancements are driving the growth of the trade finance market with immense efficiency, transparency, and accessibility. Innovations such as blockchain are revolutionizing how transactions can be carried out by providing security through immutable records and helping with documentation, thereby reducing fraud. Moreover, fintech solutions simplify processes related to applying and approving trade finance products so that businesses, especially SMEs, can easily access financing. Digital platforms enhance the live tracking of shipments and payments, which in turn raises cash flow management while reducing risks associated with cross-border transactions. In May 2024, BNP Paribas, a trade finance company in France, launched an innovative program that infused AI and machine learning to transform how companies performed. The launch accelerates the data processing of work, enhances traceability from the import-export chain, and gives the clients more control over information. It further utilizes OCR and AI for automatic identification and data capture, hence accelerating work. Additionally, this program improves compliance checks, such as anti-money laundering measures.

Process automation in trade finance reduces the occurrences of human errors that hinder transaction processing, making it easier for companies to engage in cross-border transactions. As these technologies advance, they help in an integrated and efficient world of trade finance. Newcomers will soon find their way to change the nature of this field, introducing advanced technologies into the system and solving traditional problems associated with trade finance, as well as opportunities for businesses to draw global market dynamics and drive market growth.

Banks to Dominate the Trade Finance Market Share

Banks are expected to dominate the global trade finance market share as they are backed by infrastructure expertise and a very comprehensive range of services. As traditional financial institutions, banks can offer a lot of differentiated trade finance options ranging from letters of credit and export financing to documentary collections. Their assessment and provision of credit-risk-based products make them indispensable partners to businesses entering international trade, effectively managing international transactions and ensuring safety for payment infrastructure. In June 2024, The International Finance Corporation joined Deutsche Bank, a banking group from Germany to structure up to USD 230 million targeted to boost trade finance in Africa, which focuses on poor, frail, and post-conflict countries.

An increase in international trade complexity, besides the requirement for higher risk management, enhances banks' position in this sphere. In addition, along with geopolitical uncertainty and fluctuations in economies, businesses seek banks' support and provide a major source of finance to ensure smooth trade. With continuous investments in technology and digital transformation, banks are streamlining their trade finance capabilities to be more competitive in such a fast-changing market. Therefore, the banks segment is most likely to continue to remain at the top of the trade finance landscape.

North America to Dominate the Trade Finance Market Share

North America is expected to lead the global trade finance market share due to sound economic settings, high-end infrastructure, and established financial establishments. The network of banks and other financial service providers spread far and wide across the region, making a lot of trade finance solutions available to large corporations and small and medium-sized enterprises (SMEs). With a focus on innovation and technology, North American banks are looking increasingly towards digital solutions for more streamlined trade processes, increased efficiency, and reduced risk involved in international transactions. In addition, the presence of significant trading partners and favorable trade agreements further boosts cross-border commerce, fueling the demand for trade finance. As businesses expand worldwide, solid funding arrangements support international trade operations, continuing to play a vital role. Strategic benefits in North America contribute to the region maintaining its lead in the global trade finance market share. In 2023, Citigroup Inc., a financial services company based in New York, launched the Trade and Working Capital eLoans solution for the United States clients of Citi Commercial Bank, said to be beneficial in addressing their working capital currently and in the forecast period. The eLoans facility is easy to use, secure, and highly accessible. However, the key benefits are speedy liquidity to keep enterprise operations, streamlined processes with no manual steps, and effective management of outstanding loans through an option of repaying. The system provides enhanced self-service capabilities through automated notifications and robust reporting features.

Asia-Pacific is quickly gaining prominence in the global trade finance market, dominated by robust economic growth and ever-increasing integration into global trade networks. Strong demand for trade finance solutions supporting cross-border transactions has been unfolding, given the push to expand exports from countries such as China, India, and Japan. It, in turn, opens opportunities to smaller and larger businesses alike due to booming e-commerce and digital trade platforms. Advances in technology innovations, blockchain facilities, and improving efficiency are increasing the transparency of trade finance processing. This will likely continue to shape trade finance in Asia-Pacific, becoming an increasingly important trading hub.

Future Market Scenario (2024 – 2031F)

- The increasing adoption of digital platforms and technologies, such as blockchain and AI, will make processes more efficient, reduce costs, and make various digital tools available.
- Access to trade finance for small and medium enterprises will be greatly increased by better use of technology and enabling regulatory environments.
- Geopolitical shifts and changes in various trade agreements mean that trade routes and financing needs will require developments in trade finance to be flexible.
- There are going to be a lot more partnerships and alliances between banks and fintech companies so that the borderline between traditional banking expertise and innovative technology gets blurred and more holistic trade finance offerings are brought out.

Key Players Landscape and Outlook

The major players of the trade finance market are targeting acquisitions of regional firms that would help them tap into their local expertise and customer bases, thus enhancing their market reach and competitive positioning in diverse geographical areas. Along these lines, the leaders are making significant investments in research and development to introduce new solutions to answer the emerging needs of these businesses engaged in international trade. Innovation is critical in a highly competitive environment where incumbent firms vie against each other and new entrants for market share. To enhance their competitiveness, leading players execute many strategies, including strategic alliances, partnerships, and joint ventures. This pooling together of their resources, technologies, and expertise eventually allows them to offer better services, thereby satisfying customers. In doing this, with burgeoning markets in trade finance, these strategic moves shall be required to ensure sustainable growth and progress in issues of complex global trade operations.

In May 2024, The Asian Development Bank (ADB), an Asia-based development bank, and Citigroup Inc., a New York-based financial services corporation, joined forces to establish a master risk participation agreement aimed at improving supply chain financing for small and medium-sized enterprises (SMEs). This collaboration is expected to facilitate over USD 100 million in additional annual trade across Asia-Pacific.

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*Companies mentioned above DO NOT hold any order as per market share and can be changed as per information available during research work.

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