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FINANCE

Chinese banks show prowess as game-changers in ship finance

Panellists discuss the sector's shift from West to East and how Chinese banks want a piece of the 'whole supply chain'

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ON-STAGE OFFERINGS: Moore Stephens senior partner Mick Aw (above) and ICBC Financial Leasing senior financing manager Stacy Zhang (right)

Photo: Spencer Tan

"The Future of Shipping: Game Changers" was the theme widely explored during the annual Singapore Shipping Forum — an event hosted by Moore Stephens and organised in conjunction with co-sponsor BNP Paribas.

Running in its 8th edition, the forum focused attention on the shift in ship financing from West to East.

Mick Aw, a senior partner at Moore Stephens, highlighted that ship finance has become more difficult in recent years as the shipping downturn continues and traditional financiers and banks increasingly decide to exit the industry.

On the other side of the coin, Asian banks have expanded their shipping portfolios. Three Chinese banks that have made notable expansion in shipping assets are Bank of China (BOC), ICBC Financial Leasing and China Development Bank (CDB).

BOC's shipping assets have grown from $13bn to $21bn between 2010 and 2015, while ICBC's more than tripled from $5bn to $18bn. CDB's grew from less than $2bn to $11bn.

During a panel discussion, Stacy Zhang, ICBC Financial Leasing's senior financing manager, said her company entered ship leasing activity 10 years ago and had since built up a sizeable portfolio.

"It was a good and unique time to enter the ship-leasing sector as Western banks were cutting down their activities," Zhang said.

"It gave ICBC the opportunity to work with shipowners. We are aware of the risks involved in this business and are trying to balance it."

Chinese banks and leasing companies have been active in funding conventional commercial vessels such as bulkers and containerships.

But it appears they are ready to go beyond that.

Jerry Yang of Minsheng Financial Leasing said his firm had interests in the upstream and offshore segments, adding that it wanted to be involved in the "whole supply chain".

With the shipping industry still in turbulent waters, McKinsey & Company executive partner Steve Saxon said growth was slowing down in most shipping sub-sectors.

Saxon added that he thought seaborne iron ore demand would peak in the medium-term while seaborne thermal coal would remain flat into 2021.

"Given the demand outlook and supply overhang, we are cautiously optimistic for certain vessel segments if no extra capacity is ordered," Saxon said.

He viewed the LNG and cruise sectors as good areas with high single-digit growth, while he classed dry bulk and crude businesses to be "bad with no growth to decline".

During the real-time polling and live interaction exercise, a majority of attendees (39%) believed that there should not be any investments made on assets even though there was optimism about market recovery. However, 33% thought bulkers would be the best place to park their money, followed by tankers with 14% of the vote.