At a CAGR of 7.4% | Trade Finance Market is Expected to Top Nearly $90,212 Million in 2030

Trade Finance Market

NEW CASTLE, DELAWARE, UNITED STATES, November 22, 2023 /EINPresswire.com/ -- Trade finance is projected to witness a significant growth, due to increased disruption and advances in technology, to enhance digitized supply chain finance in the market. The market is largely fragmented, due to higher involvement of several traders, importers, and exporters globally. In addition, traditional trade is changing the historic favorable letter of credit and promissory note and bill of exchange has become less common and replaced by an increase in open account trade and finance. Moreover, the development of technologies such as Optical Character Recognition (OCR) to read container numbers, Radio Frequency Identification (RFID) and Quick Response (QR) codes to identify and trace shipments, blockchain, and enhancing digitization of trade documents drive the trade finance market growth.

Trade finance providers have an immense potential to expand products and services in the market. Companies invest in high-end technology such as artificial intelligence, and machine learning that can not only integrate a trader's electronic communications and trades but also ensure firms to detect patterns across multiple data sets and can improve on its detections.

Allied Market Research published a report, titled, "Trade Finance Market by Product Type (Commercial Letters of Credit (LCs), Standby Letters of Credit (LCs), Guarantees, and Others), Provider (Banks, Trade Finance Houses, and Others), Application (Domestic and International), and End User (Traders, Importers, and Exporters): Global Opportunity Analysis and Industry Forecast, 2021-2030." According to the report, the global trade finance industry generated $44.09 billion in 2020, and is estimated to reach $90.21 billion by 2030, witnessing a CAGR of 7.4% from 2021 to 2030.

Drivers, restraints, and opportunities

Increase in need for safety and security of trading activities, surge in adoption by small & medium enterprises (SMEs) in developing countries, and new trade agreements drive the growth of the global trade finance market. However, increase in trade wars and high cost of implementation hinder the market growth. On the other hand, integration of blockchain in trade finance creates new opportunities in the coming years.

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Covid-19 Scenario

The Covid-19 pandemic impacted the capacity of banks in emerging countries to provide trade finance service efficiently. Moreover, there have been massive failures by traders in completing payments.
Many financial institutions such as Bank of America have been focused on trade digitization and innovation for both in-house and in partnership with other fintech firms. The adoption of technologies is expected to increase during the post-pandemic.
The commercial letters of credit (LCs) segment to continue its leadership status during the forecast period

Based on product type, the commercial letters of credit (LCs) segment contributing to the highest share in 2020, accounting for more than two-fifths of the global trade finance market, and is projected to continue its leadership status during the forecast period. This is due to increase in global trade, different laws in each country, language barriers, and difficulty in knowing each party personally. However, the guarantees segment is expected to witness the highest CAGR of 9.0% from 2021 to 2030.

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The importers segment to continue its lead during the forecast period

Based on end user, the importers segment accounted for the highest share in 2020, holding nearly three-fifths of the global trade finance market, and is projected to continue its lead during the forecast period. This is due to rise in operational costs, cutting-edge competition, and incremental risks such as data theft, increase in importers protection, highly publicized market abuse scandals, improper regulatory implementations, and steady expansion in direct trade execution. However, the traders segment is estimated to portray the largest CAGR of 15.5% from 2021 to 2030. This is attributed to availing money before delivery of exports and prevention of financial troubles. Moreover, trade finance improves supply chain efficiency for the traders.

Asia-Pacific, followed by Europe and North America, to maintain its dominant share by 2030

Based on region, Asia-Pacific, followed by Europe and North America, held the highest market share in 2020, accounting for nearly two-fifths of the global trade finance market, and is projected to maintain its dominant share in terms of revenue by 2030. Moreover, this region is projected to manifest the largest CAGR of 10.0% during the forecast period. This is due to increase in demand for trade finance for the security in trading transaction from verticals such as commercial facilities and banks in the region.

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Leading market players

Asian Development Bank
Bank of America Corporation
BNP Paribas S.A.
Citigroup Inc.
Euler Hermes Group
HSBC Holdings PLC
JPMorgan Chase & Co.
Mitsubishi UFJ Financial Inc.
The Royal Bank of Scotland Group plc
Standard Chartered PLC

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