



# Trade Finance Survey: Major Findings

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# About the Survey

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- ▶ Online survey conducted in Q4 of 2012
- ▶ To quantify and identify gaps for trade finance and their relation to economic growth and poverty reduction.
- ▶ 106 ADB partner banks and 138 companies respondents



# Quantifying Trade Finance Gaps

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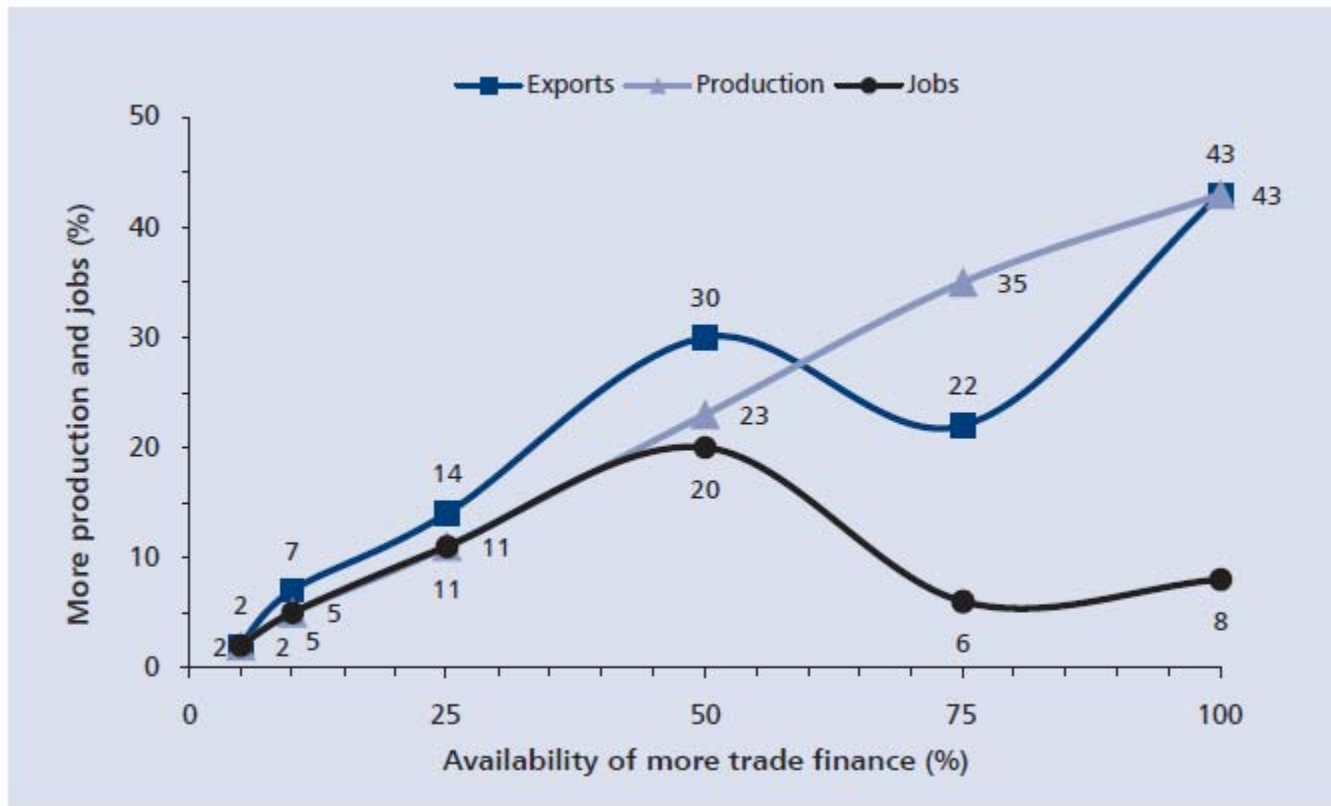
## Proposed trade finance, globally and in Asian developing economies

Region	Total (\$ bil)
<b><i>Global</i></b>	
Value of proposed trade finance	4,598.08
Value of trade finance rejected	1,643.76
<b><i>Asian Developing Economies</i></b>	
Value of proposed trade finance	2,076.01
Value of trade finance rejected	424.72



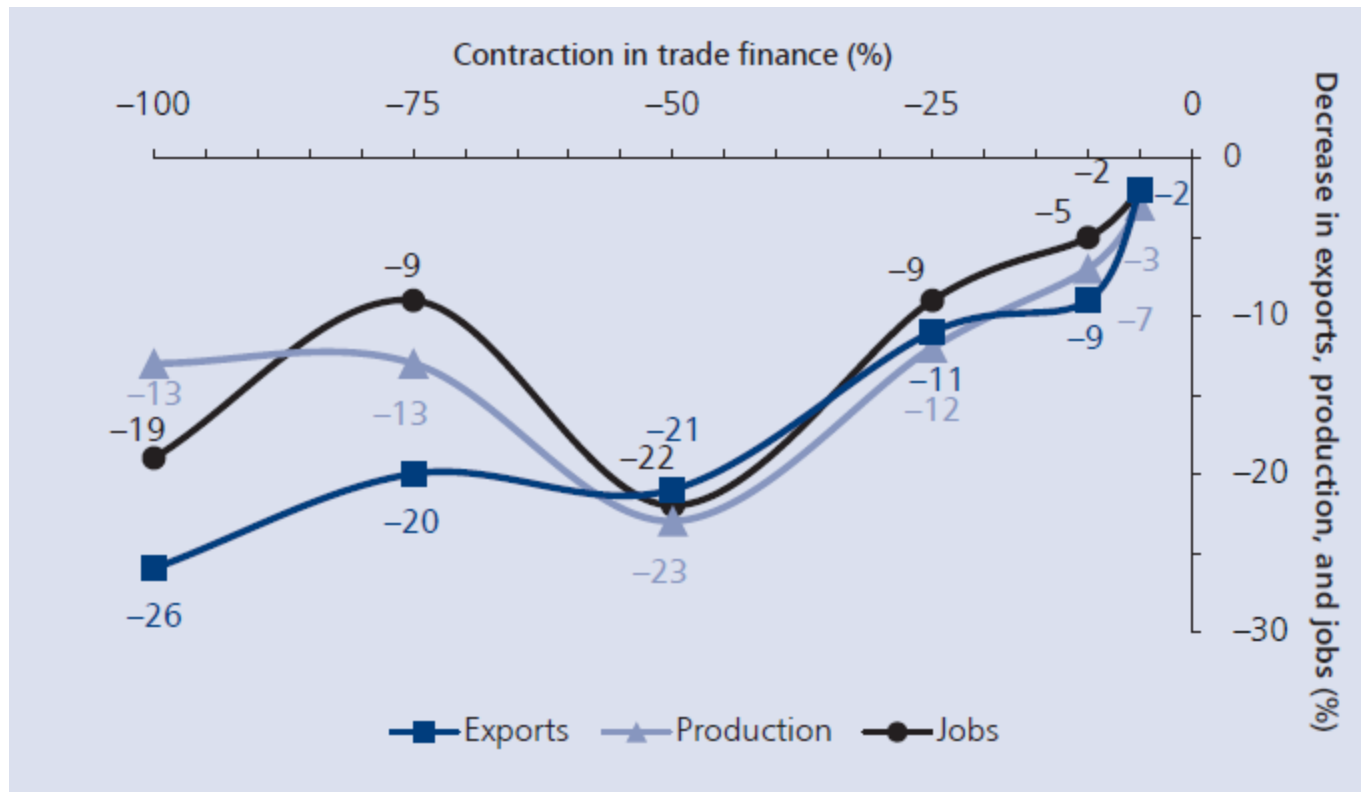
# Impact of Gaps on Growth and Trade

## Correlation between trade finance growth and exports, production, and jobs



# Impact of Gaps on Growth and Trade

## Correlation between contraction in trade finance and exports, production, and jobs



# Impact of Gaps on Growth and Trade

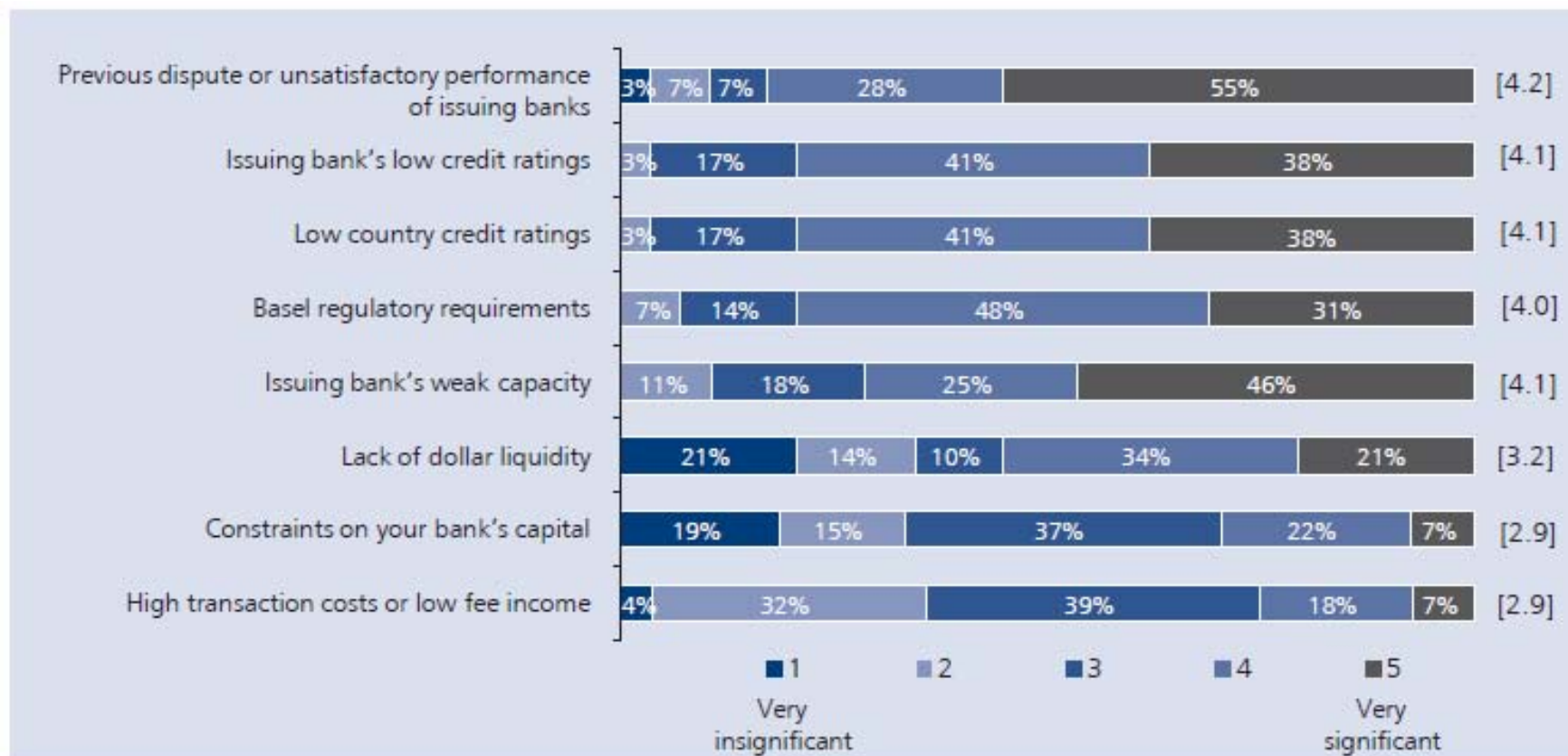
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Increasing or decreasing trade finance support to companies will result in corresponding increases or decreases in their export activities, production, as well as job levels



# Obstacles Aggravating Trade Finance Gaps

## Obstacles aggravating the trade finance gap for international banks



# Obstacles Aggravating Trade Finance Gaps

- ▶ Previous dispute or unsatisfactory performance of issuing banks
- ▶ Issuing bank's low credit ratings
- ▶ Low country ratings
- ▶ Basel regulatory requirements

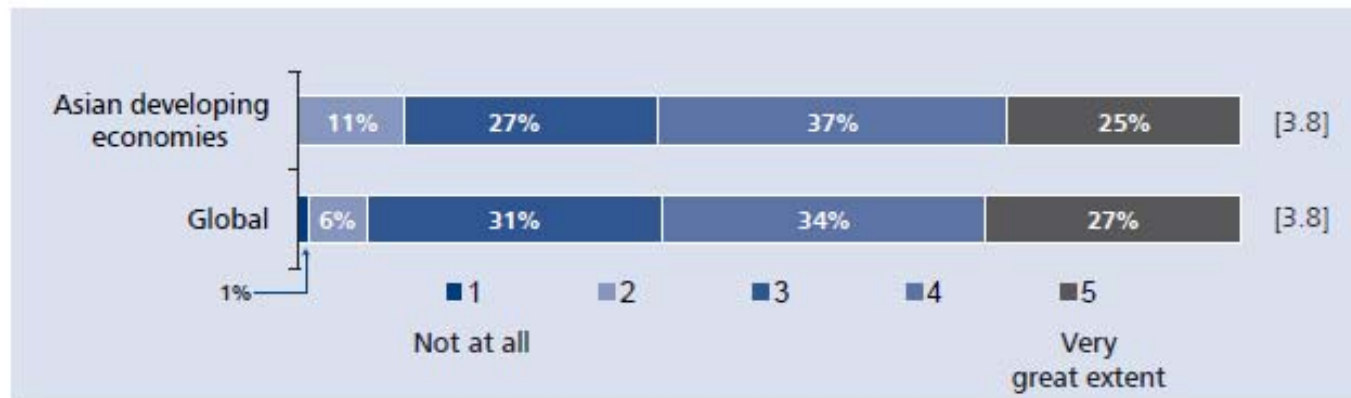
Reduction in bank support if Basel III is fully implemented

% reduction in bank support	Banks (%)
0	22
2	1
3	2
5	14
10	19
15	6
20	15
25	7
30	9
35	1
40	2
50	1
60	1
Total	100%
n	96
Average	13%



# Role of Multilateral Development Banks to Fill Gaps

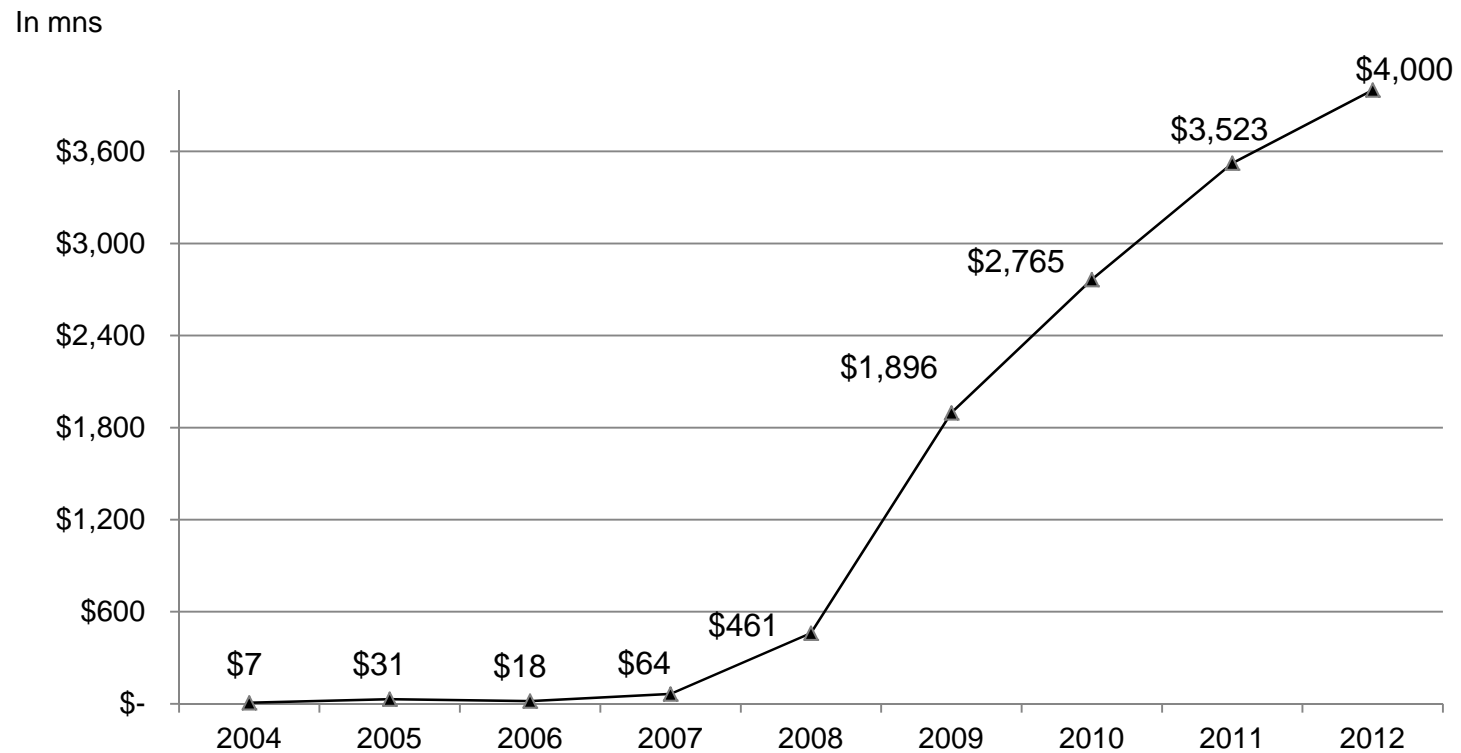
## Impact of MDB trade finance programs



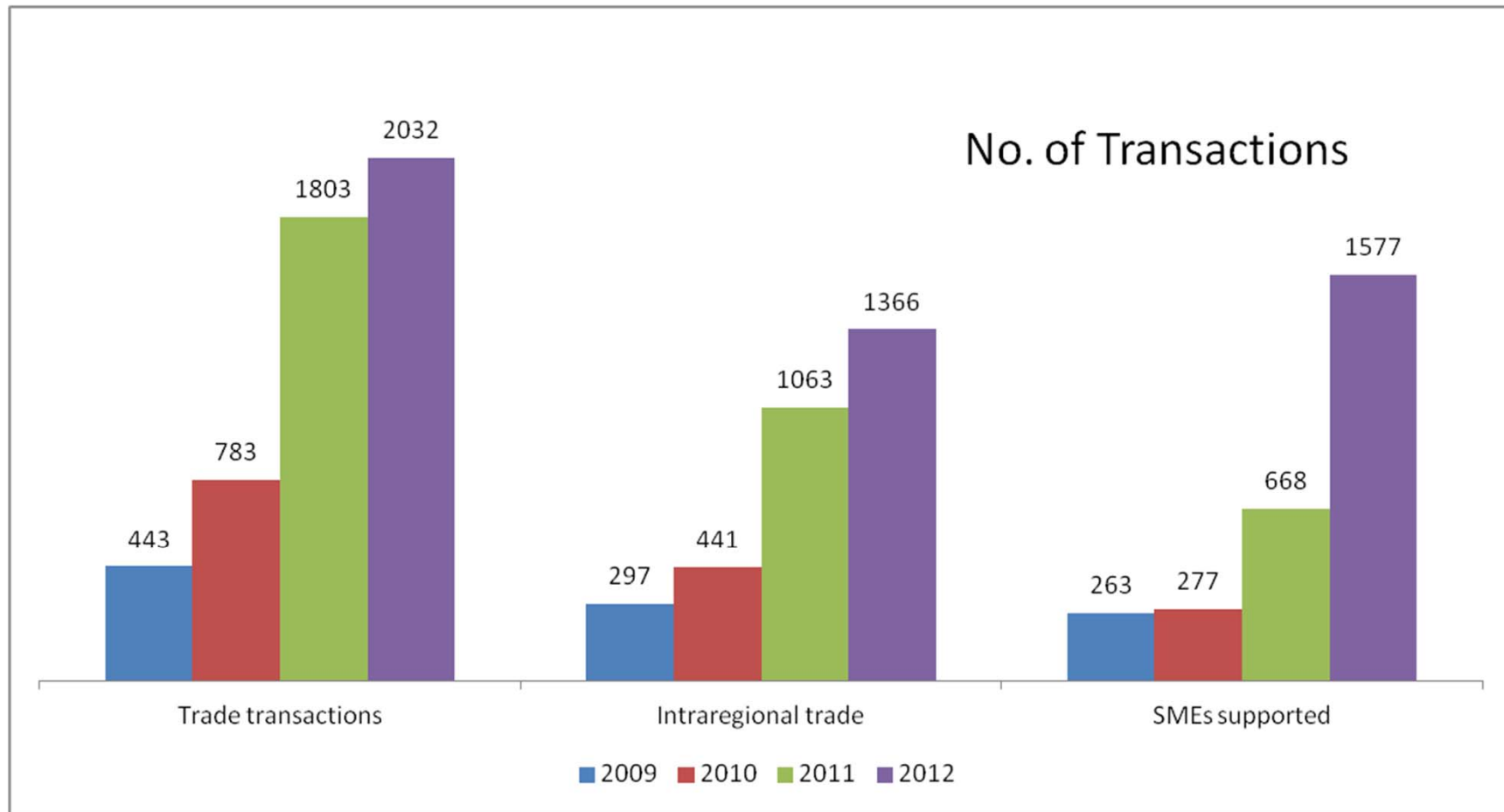
Trade finance programs of MDBs have helped fill the gaps for trade finance to a great extent, both globally and in Asian developing economies

# Results

## Growth of Transactions Supported 2004 - 2012



# High Development Impact



# Conclusion

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- ▶ \$425 billion of \$1.6 trillion unmet demand for trade finance is in developing Asia
- ▶ Trade finance impacts economic growth and job creation
- ▶ Increase of 5% in available trade finance could result in 2% increase in production and jobs
- ▶ MDBs help fill the gaps in trade finance



# Recommendations

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- ▶ More studies like these should be undertaken.
  - ▶ Bigger sample
  - ▶ Longer time series
- ▶ Further study other evidence that could:
  - ▶ Encourage private sector to invest in trade finance
  - ▶ Align regulatory requirements with low risk nature of trade finance
- ▶ Partner with other MDBs, governments, financial institutions and companies to increase availability of more trade finance

# Thank You

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- TFP WEBSITE: [www.adb.org/tfp](http://www.adb.org/tfp)