Crisil Coalition Greenwich

Reviewing Strategies for U.S. Companies that Need More Support in International Banking

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The combination of a post-pandemic rebound in international trade and the rerouting of global supply chains is reshaping the competitive landscape for international banking services among U.S. companies.

Over the past year, large U.S. corporates have been seeking assistance when rethinking key functions that support international business and operations, including cash management, trade finance and other areas. As part of this process, companies are adding new banks to their roster of international providers.

Every year, Coalition Greenwich tracks the number of U.S. companies employing providers of international banking services to cater for their outbound business needs into Western and Central Europe, APAC, EMEA, and Latin America. From 2022 to 2023, the share of companies employing one or more banks increased in every one of those regions. To some extent, this growth in international banking rosters reflects a rebound after cutbacks during the COVID-19 crisis, when international trade ground to halt.

However, we believe the increased demand for international banking services also reflects the more secular trend of supply chain diversification. Reducing reliance on China means diverting manufacturing and other operations to new markets, and, in many cases, multiple countries and locations. This process is making supply chains and international operations more complex, prompting U.S. companies to seek enhanced support. For example, from 2022 to 2023, Mexico rose as the top U.S. trading partner, while U.S. imports from Vietnam doubled from 2018 to 2023.

National Banks for International Coverage

Historically, the first stop for many companies in the search for more support has been international banks that can immediately step in with robust networks and specialist expertise in specific countries and regions. Increasingly, however, companies are also exploring another option: international banking relationships with the largest U.S. national banks.

Large corporates that introduce U.S. national banks to their international banking rosters are hoping to benefit in two ways. First, companies are looking to tap into the rapidly improving capabilities of the national banks that are often supported by more sophisticated digital capabilities. Second, by allocating fee-based business in international banking, cash management and trade finance to national providers, companies hope to solidify their relationships with these important institutions and ensure the continued flow of credit and other forms of support—across both the international and domestic arenas.

Going forward, we expect more companies to consider this strategy, especially in centralized businesses and industries where actual boots on the ground are less important. As we noted in a recent blog post, while the national U.S. banks pull back their balance sheet commitments, they are not cutting across the board. To the contrary, national banks are actually working to deepen ties with the biggest and strongest-rated U.S. companies.

For companies on the borderline of that threshold, it makes sense to consolidate fee-based business in cash management, trade finance and other areas with national providers in order to make themselves more attractive as profitable clients for these critical sources of capital. In many cases, international banking business would be part of that package.

National banks, with their rapidly improving and expanding international capabilities, could also become an increasingly interesting option for large U.S. corporates that rely on mega-regional banks as their primary bank providers. It's unlikely that regional U.S. banks—even the biggest ones—will have the networks and capabilities needed to meet companies' growing needs in international markets.

For clients of the mega-regionals, supplementing bank rosters with national providers for international banking service probably makes sense, especially when done in conjunction with existing relationships with foreign banks that have specialization in specific countries and regions.

Tobias Miarka and Matthew Noujaim are the authors of this publication.

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www.greenwich.com | ContactUs@greenwich.com

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