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Factoring gets new life with growth in Cross Border Open account trade

[David Gustin](#) - June 25, 2014 10:43 AM

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I have written a few pieces around Factoring over the last few months and certainly while B2B and Supplier Networks are booming in the news, factoring growth continues to churn along at a pretty good clip. While the model is labor intensive and seller focused, and typically supports those industries with high labor intensity (ie, apparel and textiles), the growth would be the envy of B2B companies.

Some of the key findings from [Factors Chain International 2013 worldwide factoring report](#):

- The world factoring market turnover was US \$ 3.07 trillion, with domestic factoring accounted for 82 per cent of the total.
- Cross border factoring has grown at twice the rate of domestic factoring over a five year time horizon (25% vs. 13% for domestic). Part of the increase in cross border factoring is due to the explosion in open account trade, and part due to new emerging markets opening up.
- China is the largest factoring market in the world today and is increasing at a rate of 54% per annum. It accounts for over 20% of the global cross border factoring volume today!
- From a regional perspective, Europe is the largest factoring market in the world, accounting for 60% of the world total

Factors Chain International commented, “*The results illustrate that exporters and importers around the world are becoming more and more familiar with the advantages to be derived from a factoring arrangement: working capital, credit risk protection and collection service for the exporter, while the importer benefits from purchasing on open account terms.*”

The explosion of supply chain finance and B2B and supplier networks present a different model for factors, one that for now, they have not embraced. Given the above growth story, it’s understandable.

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