Lloyd's List

Greek ship finance sees off national economic malaise

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- by David Osler

Ted Petropoulos.

Shipowners still have access to funds and will be able o borrow even in the event of sovereign debt

GREEK shipowners are not finding their access to funds ampered by their home country's worsening economic crisis, and would still be even to borrow in the unlikely even sovereign default, according to a leading ship finance analysis.

Petrofin managing director Ted Petropoulos is sticking to the optimistic prognosis despite wides read speculation that the Greek government will find the current debt burden unsustainable for either economic or political reasons.

The credit default swaps market currently pricing in a 0% probability of default in the next five years, and a one in five chance of default in 2011.

In addition, a number of leading economists, including l Krugman, Joseph Stiglitz and Kenneth Rogoff have urged Athens to consider partial default rather than continu to support its huge debt at prohibitive interest rates.

But such a move would see major bondholders take a hit, and that likely trigger the collapse of Greek financial institutions, which provide around 25% of the funding requirements of the Greek shipping industry.

National Bank of Greece, for instance, has a $3bn ship rtfolio, making it the fifth-largest lender to Greek owners after Royal Bank of Scotland, Deutsche Schiffsbank, Cr dit Suisse and HSH Nordbank.

However, Mr Petropoulos contends that Greece is no longer borrowing from the markets, but from the European Union and the International Monetary Fund, and would only st p lending if the government failed to carry out commitments into which it had entered.

“I cannot see what would be the trigger point of default that would push the country over the edge,” he argued. “At the moment, there is assured borrowing . The trigger event is when you run out of money, and that hasn’t happened.”

Even if Greek banks were to go bust, shipowners would still have to service their debt at full face value, as they would be taken over by another bank, said Mr Petropoulos.

“Owners are not affected, either way. They don’t get any benefits, but they don’t get any penalty, either,” he went on.

Unlike Greek sovereign debt, Greek shipping debt had “an excellent reputation”.

Mr Petropoulos argued: “Greek shipping debt is not part of Greek debt, it is part of international debt, because the ships are international anyway.

“Some of the Greek owners are resident in this country, any of them are not in this country. They are in London, New York, Monte Carlo, whatever. Greek shipping is an inte national business that has very little to do with Greece, apart from the nationality of the managers and the owners.

“If there is a problem, because they remain very liquid hey will probably seek out opportunities to buy assets and invest.”

Meanwhile, Greece’s central bank governor George Provopoulos yesterday [MONDAY] ruled out any restructuring, even though the economy is set to shrink by at least 3% this year, on top of a 4.5% contraction last year.

"[Restructuring] is not necessary because we can achieve our targets if we implement policies correctly … It's not desirable because it would have catastrophic consequences for the ability of the government and the private sector to access markets," he said.

"There would also be very negative consequences for pen ion funds, banks and individuals who have invested in Greek government paper."

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