Lloyd's List

Top shipping bankers expect brighter 2014

- Wednesday 13 November 2013, 13:27
- by Nigel Lowry

Petrofin charts surge of confidence in market despite shrinking lending

Petropoulos: for the first time in years, none of the bankers surveyed expected a worsening market for bulkers.

BULLISHNESS about the medium-term future for shipping markets has crept in among the industry's top bankers, a new survey has found.

Petrofin Research's annual survey of attitudes among the bankers in charge of the world's biggest shipping portfolios underlines a clear change in outlook from the past two years, when virtually all the banks expected more of the same, or worse, to come.

The lurch towards optimism was most pronounced for the dry bulk sector, for which 55% of respondents now expect a higher freight market in 2014, the rest forecasting a similar story to this year.

For the first time in several years none of the bankers participating in the survey expect a worse market for bulkers.

In addition, an overwhelming majority — 75% — expect secondhand vessel prices to rise in 2014 although the consensus holds that 2015 is the year that will bring real balance between supply and demand.

There is also more bullishness in the banking sector about global economic growth, 80% expecting a 3%-4% rise in 2014-2015, which translates into a robust 5%-7% increase in world trade.

The survey was presented on Wednesday by Petrofin managing director Ted Petropoulos to the Informa Ship Finance & Investment Forum 2013, held in London.

The survey canvassed 20 top ship finance bankers, collectively holding about $200bn in shipping loan portfolios, or about half the combined portfolio of the top 40 banks in the industry, which Petrofin estimates at just over $400bn.

That represented a fall from a peak of $463bn in 2008.

For the tanker sector, again none of the bankers expect the market to worsen, although only 35% were confident of a recovery as soon as next year, according to the findings.

Last year 41% expected better things for tankers in 2013.

Sentiment was also positive for a brighter year ahead for container shipping, although that optimism was not universal.

Most responses were split between forecasting a higher market in 2014 or a similar market to today, but 10% of the bankers were braced for an even lower market.

Petrofin's analysis of the industry's total loan portfolio indicates that the downturn in lending has continued this year.

However, bankers themselves appear to think that the portfolio will finally stabilise next year, with 50% expecting it to stay at the current level and 20% expecting it to rebound by 10% or more.

When asked about their own institutions, however, half the bankers admitted they saw reductions of up to 10% for next year.

Looking to recovery specifically in European ship finance activity, opinion was more fragmented, with a majority now predicting this in 2016 or even later.

On the whole, the top banks see that spreads for new loans, currently about 300-450 basis points, will stay the same over the next 12 months, although a significant minority expected loans to become cheaper.

Most also see the number of non-performing loans staying the same in 2014. However, 35% of respondents to the question expected an increase in problems.

Most of the top banks, and hence the participants in the poll, are European, with a predominance in Germany and Scandinavia, although European bank exposure has dived from 83% of the combined portfolio of the top 40 banks to 72% today.

Despite this, none of the western bankers expected Asian banks to develop into major competitors in the next three to five years.

Petrofin estimated the global ship loan portfolio at $460bn, the top 40 banks having 86% of total exposure.

The largest lender was DnB with a $30bn portfolio, followed by Commerzbank with $21.6bn and Bank of China with an estimated $19bn.

Another two German banks completed the top five; KfW with an estimated $18bn portfolio and the HSH Nordbank core portfolio, estimated to contain about $17.5bn of loans.

Mr Petropoulos said ship finance now presented a "very attractive" risk-reward equation for western banks and predicted that interest in the business would gradually increase.

"Banks see that things are improving and they expect them to continue going up," he told Lloyd's List. "They also see that asset values are improving and this will solve some problems."

Article from Lloyd's List

http://www.lloydslist.com/ll/sector/finance/article432544.ece

Published: Wednesday 13 November 2013