

Greek shipping: Quality growth amidst the economic and shipping crisis

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The crisis onslaught that has been in progress for 9 months at least, has radically changed the outlook of all shipping sectors.

When the crisis hit in October 2008, Greek shipping was still in the process of expansion via enormous fleet investments and higher bank lending mostly involving young vessels and newbuildings. The combined adverse effects of the banking crisis, the economic recession, the slowdown in international trade and the shipping crisis have all brought about a radical change in the outlook of the shipping industry. The latter is additionally plagued by the enormous order book and the key question of how much new capacity will be added to the existing fleet over the next 3 years.

Despite some newbuilding cancellations and delays, as well as the pickup in scrapping, the outlook for all shipping sectors remains challenging. At the same time, the banking industry is facing acute problems of its own, which render it less able to assist owners than in previous crises. The oncoming of a shipping recession was not in doubt. What has caught everyone by surprise is the swiftness, immediacy and depth of the current one. We will now examine the position and trends of Greek shipping at the time the crisis struck and provide some analysis.

Due to primarily the high rate of deliveries of newbuildings, the practically non-existent scrapping at that time, together with the vigorous S&P activity throughout most of 2008, the actual number of vessels of the Greek fleet has gone up to a record high **4763**, i.e. up by 218 vessels of all types and sizes (see Table 1) or up by 4.8% in the last year (growth the previous year was 4.58%, i.e. 199 vessels). This figure represents vessels of any type, any tonnage and any flag under Greek ownership / management.



Table 1

Year	2001	2002	2003	2004	2005	2006	2007	2008	2009
Number of vessels in the Greek-based, Greek-owned fleet	4110	4142	4085	4184	3970	4164	4346	4545	4763
Change from previous year		32	-57	99	-214	194	182	199	218

The number of vessels has continued to rise substantially for the 4th year running.

These vessels comprising the whole Greek fleet are managed by 773 shipping companies, their average age has fallen to 17.6 years of age as opposed to 18.4 years of age in 2008 and have an average DWT of 49,819mtons, as opposed to an average of 48,926mtons last year.

In 2007, there were 4346 vessels, managed by 725 companies, with an average age of 18.7 years and an average DWT 47,860mtons.

Therefore, growth with quality was achieved.



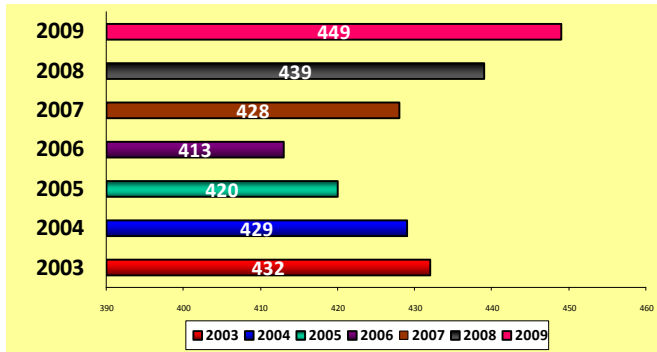
Vessels of over 10,000 DWT

Graph 1

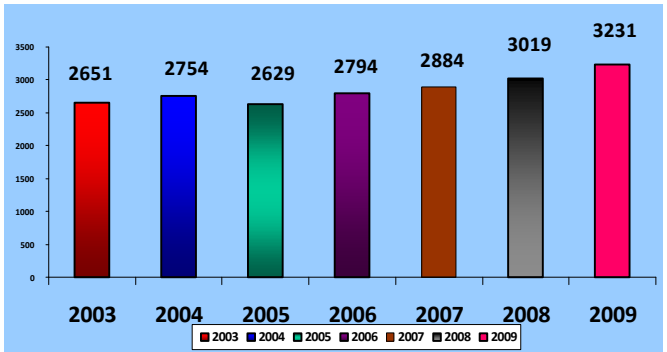


Vital Statistics of the GREEK FLEET
as per **VESSELS** over 10,000 DWT - 2009

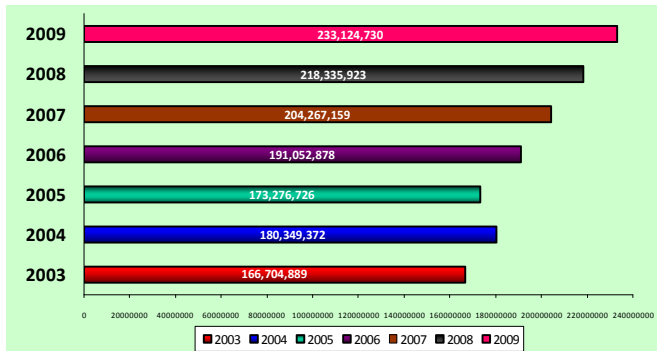
Number of Shipping Companies managing VESSELS over 10000 DWT



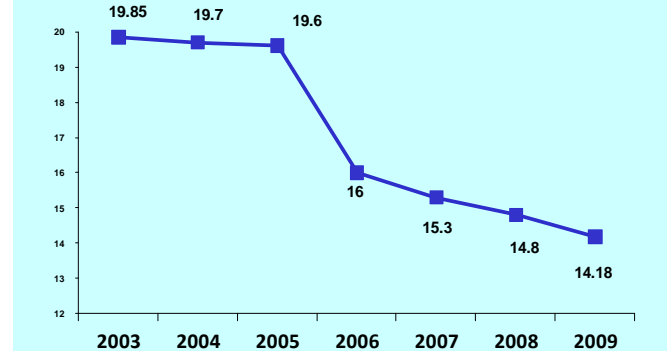
Number of vessels over 10000DWT



Total DWT of VESSELS over 10000 DWT



Average Age of VESSELS over 10000 DWT



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Graph 1 shows that vessels of over 10,000tons DWT represent a total tonnage of 233,124,730 representing 98.25% of the total Greek fleet in DWT terms and managed by 449 Greek shipping companies. The companies running these vessels have gone up by 10. 14,788,807mtons were added in vessels over 10,000DWT, similar to last year's addition of 14,068,764mtons DWT showing that a steady rise momentum had been established right up to the global economic crisis.

The above tonnage represents 212 more vessels in 2009, as opposed to 135 more vessels in 2008 as opposed to 90 more vessels in 2007. We have a slight decrease in the average vessel tonnage for the first time, by 168 tons, as this year it stands at **72,152**mtons, as opposed to **72,321** in 2008, as opposed to 70,828 tons DWT per vessel in 2007, 68,380 in 2006, 65,904 in 2005, 65,486m tons in 2004.

The Greek fleet's age has continued to improve substantially for this tonnage category. Average age is now 14.18 years as opposed to 14.8 last year and 15.3 years in 2007. Vessels are indeed getting much younger but average size remains largely the same.



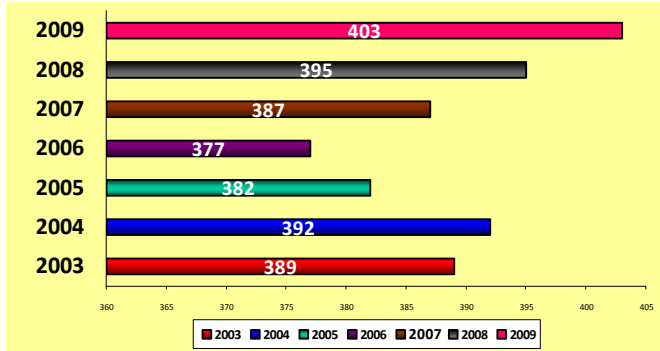
Vessels of over 20,000 DWT

Graph 2

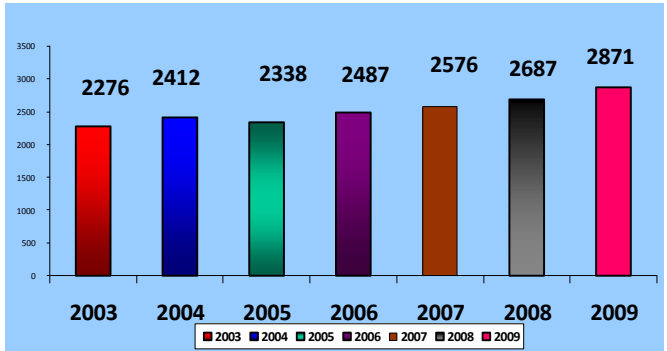


Vital Statistics of the GREEK FLEET
VESSELS over 20,000 DWT - 2009

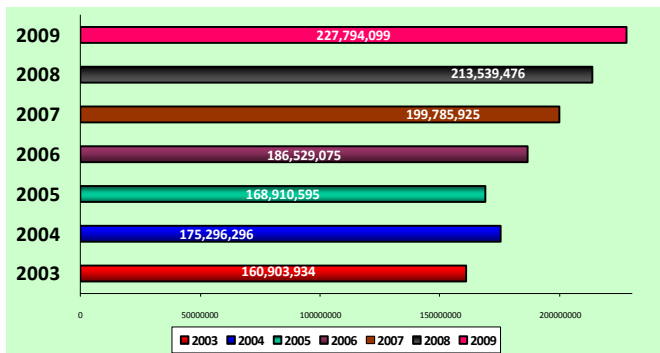
Number of Shipping Companies managing VESSELS over 20000 DWT



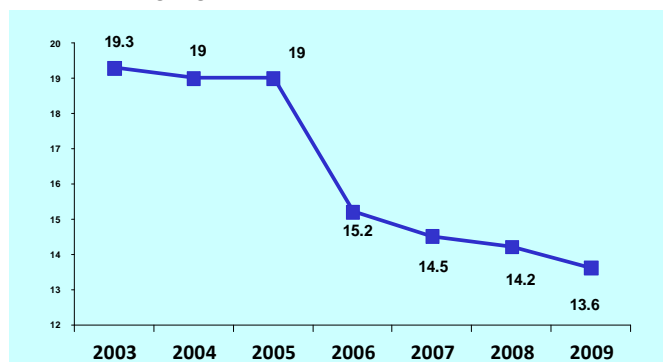
Number of VESSELS over 20000 DWT



Total DWT of VESSELS over 20000 DWT



Average Age of VESSELS over 20000 DWT



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The situation is similar for the bigger vessels only. Typically and as with the over 10,000 DWT vessels, those over 20,000DWT collectively went up to 227,794,099 DWT, from 213,539,476 DWT in 2008, from 199,785,925 tons DWT in 2007, and 186,529,075 in 2006 and are owned by 403 Greek shipping companies. The over 20,000 DWT vessels represent 96% of the total of the Greek fleet, same as last year and as the year before.

The total number of vessels over 20,000 DWT has also gone up to 2871 from 2687 in 2008, from 2576 in 2007, i.e. 184 more vessels, compared to 111 more vessels last year, as opposed to 89 more vessels in 2007. The average DWT of each vessel in this category again shows a very small decrease down to 79343 DWT, compared to last year's leap to 79,471 DWT from 77,557 DWT in 2007 and 75,000 DWT in 2006.

The average age has reduced again, significantly down to 13.6 years, as opposed to 14.2 last year and 14.5 years the year before.

In the table 2 below, we see in a nutshell the progress of the Greek fleet over the last 9 years.

Table 2

	Total Fleet DWT	No. of vessels	Average DWT	Average Age	No. of Cos.
Ships over 20,000 DWT 2009	227,794,099	2,871	79,343	13.6	403
Ships over 20,000 DWT 2008	213,539,476	2,687	79,471	14.2	395
Ships over 20,000 DWT 2007	199,785,925	2,576	77,557	14.5	387
Ships over 20,000 DWT 2006	186,529,075	2,487	75,002	15.2	377
Ships over 20,000 DWT 2005	168,910,595	2,338	72,246	19	382
Ships over 20,000 DWT 2004	175,296,296	2,412	72,677	19	392
Ships over 20,000 DWT 2003	160,903,934	2,276	70,696	19.3	389
Ships over 10,000 DWT 2009	233,124,730	3231	72,152	14.18	449
Ships over 10,000 DWT 2008	218,335,923	3,019	72,321	14.8	439
Ships over 10,000 DWT 2007	204,267,159	2,884	70,828	15.3	428
Ships over 10,000 DWT 2006	191,052,878	2,794	68,380	16	413



Ships over 10,000 DWT 2005	173,276,726	2,629	65,910	19.4	420
Ships over 10,000 DWT 2004	180,349,372	2,754	65,486	19.6	429
Ships over 10,000 DWT 2003	166,704,889	2,651	62,884	19.85	432
Ships over 10,000 DWT 2002*	166,117,271	3,451	48,136	20.75	487
Ships over 10,000 DWT 2001*	152,092,312	3,491	43,567	21.13	505
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Table 3

Top fleets

Top owners and the percentage they hold of the total of Greek fleet in DWT terms				
	Top 30 owners	Top 50 owners	Top 70 owners	Total fleet DWT
2007	104,049,575	106,551,097	147,429,915	208,001,159
	50.02%	51.23%	70.88%	
2008	111,643,505	139,772,288	157,349,073	222,368,331
	50.21%	62.86%	70.76%	
2009	118,473,829	147,699,624	166,380,212	237,288,216
	49.93%	62.24%	70.12%	

In table 3 we present the tonnage held by the top Greek owners.

As the top owners increase their fleet DWT in leaps and bounds, so do the smaller ones. This explains the virtually unchanging percentage they hold in the total of DWT terms. We must always bear in mind that newbuildings are not included but only deliveries up to 1 year ahead whose building will or have already started.

The 2009 Greek fleet analysis reflects robust growth based on decisions that were taken in 2008 in the middle of a very buoyant shipping market. The development of Greek shipping continued unabated for vessels of all sizes and types, as well as ages, including newbuildings with an emphasis towards younger and bigger vessels.

Consequently, the Greek fleet continued to increase its size and so did the number of companies involved in Greek shipping. The very robust shipping market across all vessel types over the last 4 years has resulted in a reversal of the downward trend in the number of shipping companies which had taken place until 2006. In good times, the opportunity to invest and share in the golden Greek shipping story proved too hard to refuse.



Although the current shipping crisis will undoubtedly impact future results, it is not expected that the trend towards bigger and more modern vessels shall slowdown. Despite newbuildings cancellations and delays, the newbuilding projections remain historically high. In addition, the higher scrapping will assist to maintain the youth of the Greek fleet.

Thus far, forced sales have been extremely limited for Greek owners with most looking for opportunities to acquire relatively inexpensive but young tonnage. Should the shipping crisis, though, persist for a long time, no doubt some consolidation in the number of owners and amongst primarily the smaller owners with overage fleets is expected.

On the other hand, despite the cancellations and delays, the Greek order book remains large and it is primarily the lack of finance that is holding back some owners from continuing to perform under existing newbuilding contracts. The same lack of finance hinders the acquisition of new tonnage by willing buyers.

Greek shipping will face increasing competition from Chinese owners who are assisted during such difficult times by the still buoyant Chinese economy and the influx of new Far East financing banks.

The longer the crisis the more likely it shall be that Greek shipping may not be able to maintain its number 1 position ahead of China which is expected to grow sharply. This, however, shall not mean that Greek shipping will cease to expand and modernise and to remain the biggest shipping nation by far in Europe and one of the biggest in the world.

Of course, in the last analysis everything depends on the timing and robustness of the recovery of world trade. Here we could pose three very important questions:

1. When world trade resumes, will it be within the framework of the same power balance as before? i.e., China importing, exporting, the US importing and the rest of the world somewhere in the middle? Therefore, when world trade resumes, will it still have long sea transportation in its core?
2. When banks clear up their act, and return to lending, under more stringently monitored and checked conditions, will they show the same keenness in lending to transportation as before?



3. Will Greek shipping continue to attract the interest of Greek investors, banks and the public and private equity markets?

4.

Greek shipping has always benefited from the market challenges and opportunities brought about by the shipping cycles. No doubt for many Greek owners the same will hold true for this crisis. The difference this time round is that Greeks have committed a good part of their liquidity and fleets to a record number of newbuildings which are both a sign of strength but also one of potential weakness should the shipping crisis persist.

