

The Institute of Chartered Shipbrokers – Greek Branch

The impact of the economic Crisis on the
Shipping Industry

The owner's perspective

By Ted Petropoulos
MD

Petrofin S.A.

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www.petrofin.gr



The financial crisis from the owners' perspective

The effects of the current crisis from the following fundamental to the industry perspectives:

- Ship finance
 - Chartering
 - Operations



Ship finance

Results of the bankers' survey

On the 31st October we concluded a survey which consisted of posing some crucial questions to 24 top bankers who amongst them control over \$210bn in shipping loans.

In a nutshell, the results of the majority of the bankers' opinion were:

- Shipfinance will not modestly resume for another 6-12 months.
- Dry cargo freight markets have bottomed already.
- Vessel prices shall bottom in about 12 months' time
- -China's growth will fall to 6-9% in 2009



Ship finance

Results of the bankers' survey *cont.*

- Global ship finance portfolio will reduce by up to 10%
- For their own institution, most bankers said their portfolio will stay the same
- Spreads will further increase and terms shall become tighter
- The number of shipping banks worldwide will reduce by 10-20%
- Bad shipping loans will consist of more than 5% of overall portfolio by the end of 2009.



Ship finance

Results of the bankers' survey *cont.*

- Newbuilding cancellations will be in the order of over 15% of order book
- The number of listed shipping companies will reduce by up to 20%
- Banking regulatory environment will become harsher
- Recession will last up to 2 years. Thereafter a recovery.

end of bankers' survey



Ship finance

The effects of the virtual paralysis of shipfinance to:

-vessel values

-newbuilding finance

-cargo transportation

How have vessel values and freights falls in the container market and their collapse in the drybulk market, affect shipping

The changing attitude of banks towards owners

Bank willingness to restructure debt and waive financial covenant defaults

Changing bank terms for ongoing credits

In short, the financial support of banks is crucial to owners' ability not only to survive the industry slump but also to take advantage of market opportunities

Chartering

- Many owners now feel the full effects of the fall in freight rates in the spot market or via earlier vessel redelivery in the case of dry cargo.
- How liquid / committed are charterers now?
- What has been charterers' performance thus far?
- Are charterers trying to take advantage of a difficult situation?



Chartering

- Dry cargo: charterers trying to lock in long charters at extremely low rates
- Is there a point in owners' committing their vessels to these long period charters?
- Tanker / container charters still performing
- Discussions / claims between charterers increasing and owners.



Chartering

- Charterers' default insurance now very expensive / rare / of doubtful value.
- Do FFAs effectively protect owners / charterers?
- Spot trading makes more sense now that difference between spot and period is negligible?





Operations and running the vessels

- Operating costs are also affected by the crisis.
- As more vessels are scrapped or laid up, crew wages/availability shall stabilise.
- Insurance costs (especially P&I) are expected to rise.
- Maintenance costs have risen.
- Operating disputes are increasing in number and amounts.



Adjusting owner's strategy

- Survival / financial strategy
- Relationships with banks
- Access to capital
- Assessing opportunities



Conclusions

Turning a problem into an opportunity

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