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Petrofin analyst predicts shipping slump will last

Greek shipowners will need to invest increasing amounts of capital to maintain — let alone grow — their fleets given the current harsh environment, claims a local analyst.

In Petrofin's annual research on the Greek fleet and shipping companies, Athens-based analyst Ted Petropoulos notes that a weak shipping market across all sectors, an enormous orderbook and the continuing imbalance between vessel supply and demand point to a longer-term shipping slump.

This, Petropoulos believes, will result in increased scrapping of older vessels and some distressed sales.

The main beneficiaries of the situation will be the financially strong — whether public or private.

"Market conditions are especially favourable for large owners to grow even larger and we anticipate that the percentage of the fleet held by the top Greek names shall increase further," Petropoulos said.

The analyst also warns that he expects substantial consolidation to occur.

He believes there will be some newbuilding cancellations but also predicts the majority of orders will materialise, although possibly with some delay.

Petropoulos claims that finance is tight but the attitude of banks toward foreclosures is a key element. The analyst anticipates banks will become more demanding as the shipping slump continues but says he does not expect numerous bankruptcies.

"The reason is that banks are wiser and regard foreclosures as a true last resort only when [the] bank-client relationship has vanished," the report noted.

Fleet disposals are more likely to be accomplished on a "softly, softly" basis, with co-operation between owners and banks when these become inevitable.

But irrespective of all the foregoing red flags, Petrofin, carrying out its 14th annual report, found that despite the uncertain financial and shipping environments, the development of the Greek fleet has been "remarkable".

The fleet peaked in 2009 with the number of vessels at 4,763 and, following a heavy slump of 108 ships in 2010, recovered to 4,714 vessels in 2011.

The analyst bases his numbers on ships of over 20,000 dwt for bulkers, tankers and containerships but uses a 10,000-dwt cut-off for the whole fleet to measure the number of companies operating. Also, unlike other analysts, Petrofin only takes into consideration newbuildings slated for delivery up to and including 2012, believing that orders with later delivery dates could be subject to cancellations, sales and delays.

Petropoulos also highlights the ever-rising Greek fleet's total dwt, as owners favour larger vessels.

While ship sizes are increasing, age is declining. Petrofin's research shows that in 2001 the average Greek-owned ship was 21.41 years old and 36,734 dwt. This year, the figures are 15.92 years and 54,343 dwt.

"The growth of scrapping will have a profound effect on the average age of the fleet, which is expected to decline to well under 15 years by 2012," the analyst said.

Petrofin calculates that there are currently 762 Greek-based shipmanagers, up by four from last year.

Interestingly, the number of companies with larger fleets has increased noticeably, with those operating between 16 and 24 vessels growing from 33 to 37 and companies with over 25 vessels up from 31 to 34.

Yet Petrofin says the popular size in 2011 is the one to two-vessel company, which increased by 10 to 350 outfits.

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