'Dream is over', warns analyst

Top shipping bankers believe the industry is in for a recession lasting up two years with financing becoming tougher to obtain and more expensive.

A survey conducted in late October by Athens-based analyst Petrofin and presented by Ted Petropoulos at the Greek Shipping Summit 2008 in Athens polled 23 international bankers who collectively hold over $210.6bn in shipping-loan portfolios.

Finding financing now could be tough, the survey shows, with almost 35% of the bankers saying they expect shipping-finance activity to recommence within three to six months and a further 30% setting the date within six to 12 months.

Just over 43% of the bankers believe that freight rates have now bottomed out but as far as vessel prices are concerned their opinions vary wi close to 35% expecting them to reach their lowest level more than 12 months ahead.

As for the global shipping-finance portfolio including loans and commitments, over 39% of bankers believe it will reduce by up to 10% in the next year. A further 35% are even more pessimistic, predicting it will fall by over 10%.

To avoid the possibility that some bankers might have been reluctant in the current climate to make any forecast, the analyst did not offer the option of answering "don't know".

Concerning their own institutions, more than 43% of the bankers think their loan portfolio will be unchanged in the coming year, while an equal number (17.4%) see a reduction of more than 10% or an increase of up to 10%.

Money will be more expensive, the bankers say. Almost 35% see increases of up to 10% in loan spreads over the next 12 months, another 26% say the increase will be up to 20% and 22% predict it will be more than 20%.

The sources of financing may also decrease. Close to 95% of those polled believe the number of worldwide shipping banks will fall in the next year. An equal percentage, 39.13%, saw a reduction of up to 10% and a reduction of 20%. More than 17% believe the drop will be more than 20%.

Bankers also expect that despite restructures, bad loans will rise significantly in 2009. More than 43% believe non-performing shipping loans will make up over 5% of the banks' shipping portfolios.

Newbuilding cancellations will reach over 15% of the total orderbook for all sectors, according to a whopping 87% of the bankers qu zzed, while 56.5% of them think listed shipping companies will be reduced by more than 20% as a result of privatisation, mergers and/or bankruptcies.

"The dream is over, now for the nightmare," warned Petropoulos.

He advises owners to keep costs low, to hold on to their liquidity, to keep communications and negotiations with their banks open and to negotiate with charterers.

The analyst also predicts sweeping changes arising from the credi nch.

In the future, he says, owners, banks and charterers w ll need to closely co-operate and flexibility in the new year will be requir by both banks and owners. But on a more optimistic note, Petropoulos believes the survivors will reap the benefits of low vessel prices when the market recovers.

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