

22nd Shipping Finance and Investment Forum

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Once again this conference, held in London in November 2009, was full of informed debate and analysis on the outlook for the industry. Most of the discussion focused on the outlook for dry bulk, tanker and container shipping which probably has most relevance to NI members. Given that shipping is essentially a service industry dependent on the fortunes of international

trade, forecasts for growth in 2010 of world GDP and trade were all positive with estimates of +3 per cent for economic growth and +6 per cent for world trade, a sharp contrast with the past year.

However, the oversupply of tonnage and the world order book is still way in excess of demand. For instance, Galbraiths (www.galbraiths.co.uk) forecast that idle containerships would exceed 1 million TEUs in 2009, growing to a peak of 2-3 million TEUs in 2012 and falling to zero by 2015. On dry bulk carriers, Fred Doll (www.dollship.com) estimated that there were 786 capes; 725 panamax and 884 handymaxes still on order for delivery over the next few years. As there is little sign of cancellations so far, these deliveries would seem to depress future freight rates even further. On the other hand Jefferies (www.Jefferies.com) estimates that the outstanding order book is \$US 465 billion with only about 50 per cent of that amount actually financed, meaning that many orders would be cancelled or refinanced in an already severely stressed market.

Evidence of the financial stress in the shipping industry was supplied by Jefferies with a series of analyses comparing current freight rates with required break even rates for VLCC tankers, panamax bulk carriers and container ships. All are earning freight rates well below breakeven with the worst being 2700 TEU containerships where owners are estimated to be losing about \$US11000 a day.

But it was not all bad news. A survey of ship finance banks by Ted Petropoulos (www.petrofin.gr) indicated that most specialist banks believed that the recession in shipping had already or would soon bottom out for bulk carriers, tankers and container ships. A substantial majority of the banks also believed that new building deliveries would be postponed by an average of two years while about 25 per cent would be cancelled within the next four years so the pressure of excess capacity could be easing.

Overall the mood of the forum was much more positive this year than last but the basic problem of oversupply of tonnage remains a serious issue.