
Recession reports - Global shipping conditions set to worsen

Thursday, 17 Sep, 2009

Reuters reported that shipping companies expect conditions in the sector to worsen in the coming months with bank lending set to remain tight for at least 12 months. Around 90% of the world's traded goods by volume are transported by sea and the international economic downturn has hit the shipping industry hard since October 2008.

A survey canvassed by law firm Norton Rose among 153 global respondents in the shipping sector and published found 63% of those polled predicted widespread bank enforcement of troubled shipping loans.

Mr Chris Hobbs partner with Norton Rose said in the report that "Unfortunately, major bank enforcements would appear to be inevitable as owners continue to struggle with the high finance costs of their assets in a collapsed market. We are likely to see tougher action from the banks starting in the last quarter of 2009, and I would expect that to last for a period of around a year before it eases off."

The poll found that nearly 80% believed that lending will not return to pre crisis levels in the next 3 years, with 53% expecting bank lending to only start increasing in 12 to 24 months time. The pressures on the sector are expected to be compounded by an oversupply of ships, which will gather pace in the coming months.

Mr Dimitri Sofianopoulos partner with Norton Rose said that "In my view supply will worsen the situation one way or another as of second quarter of 2010, when many ships will come on to the water. Whatever the cancellations and delays might have been, there is too much on order for owners to sleep easy."

(Sourced from www.reuters.com)

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