



# SHIP MANAGEMENT SURVEY

## July – December 2020

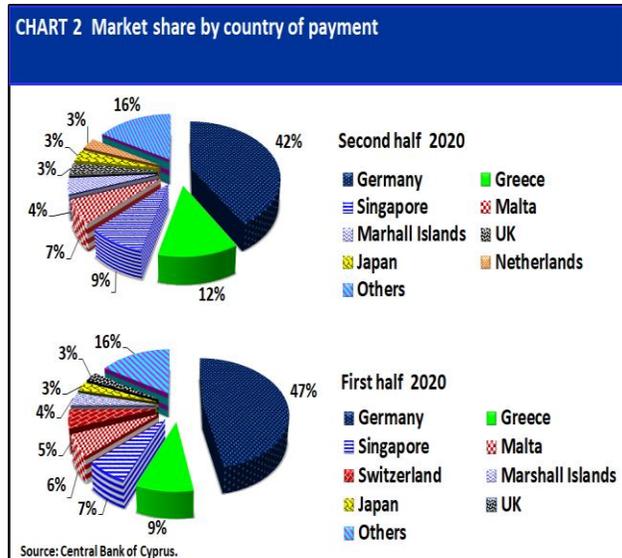
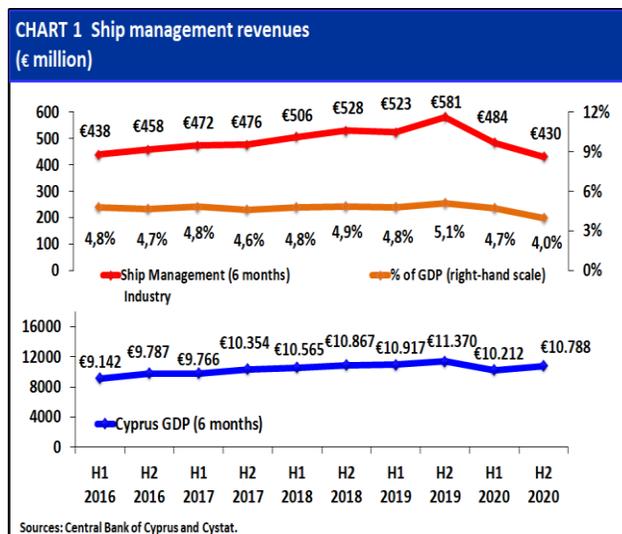
### INTRODUCTION

The *Ship Management Survey* (SMS) is conducted by the Statistics Department of the Central Bank of Cyprus (CBC) and concentrates primarily on transactions between resident ship management companies and ship owning/shipping related entities<sup>1</sup>.

### 1. SHIP MANAGEMENT REVENUES FROM NON-RESIDENTS

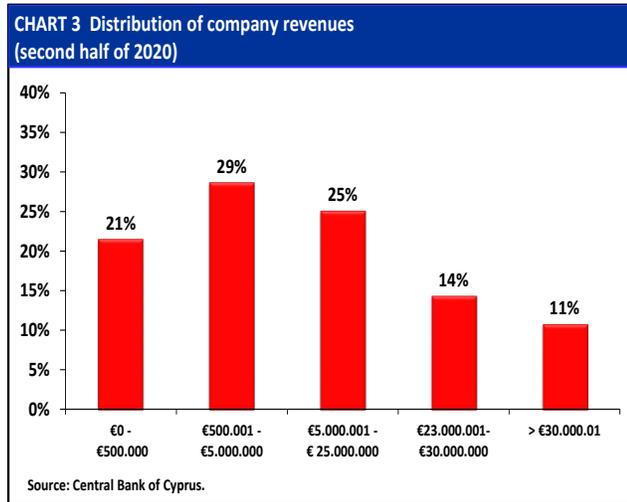
Cyprus's ship management revenues dropped further to €430 million during the second half of 2020 (2020H2) or 4% of Cyprus's GDP (as turnover), as a result of the transport/travel restrictions triggered by the COVID-19 pandemic and the associated decline in economic activity (**Chart 1**). When compared with the respective second half of 2019 (2019H2), it represents a 26% decline in revenues.

These changes represent almost exclusively a decline in the passenger ships segment of the industry. Concerning the merchant ships segment (e.g. dry bulk carriers, tankers, containers, LNG carriers) the impact was significantly smaller. The gradual recovery in economic activity that is currently taking place since the beginning of 2021, as well as, the global rebound in international seaborne trade should be expected to also benefit the ship management sector in subsequent periods.



<sup>1</sup> Please refer to the Appendix for more details.

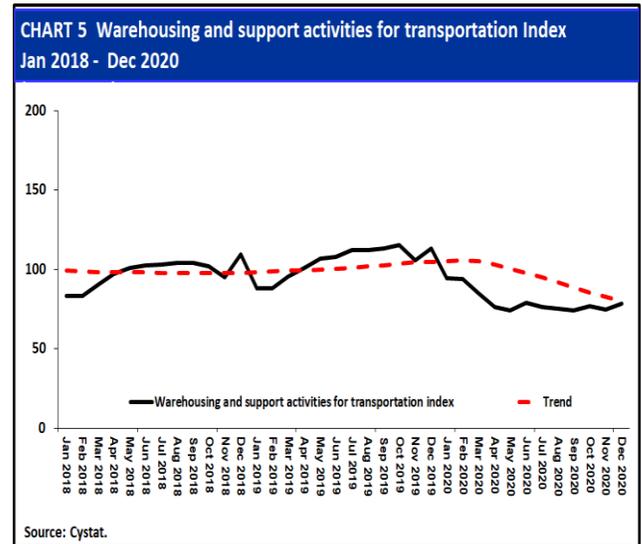
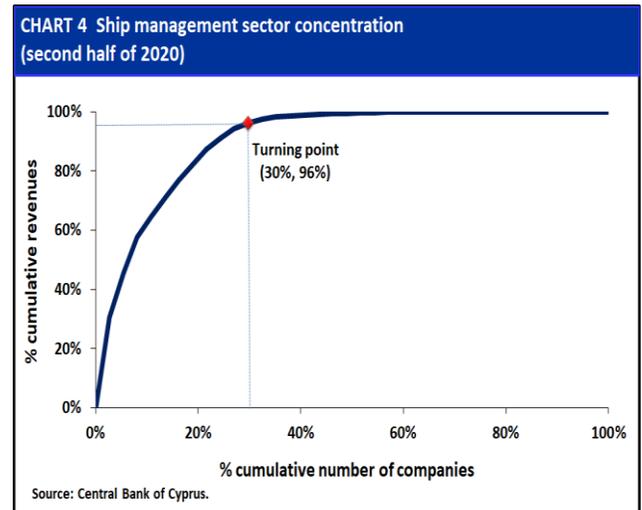
In **Chart 2** the industry’s revenues are decomposed by country of payment. Unlike the previous period, Germany’s contribution dropped from 47% in 2020H1 to 42% in 2020H2. A decline was also recorded for Switzerland. In contrast, there was an increase in the share contributions by Greece (12%), Singapore (9%), Malta (7%) and the Netherlands (5%).



In **Chart 3**, the ship management companies are classified into non-overlapping revenue segments, as depicted on the horizontal axis. The vertical axis measures the percentage of companies belonging to each segment size. During 2020H2, 29% of the companies managed to generate revenues in the range of €0,5 - €5 million each, while only 25% of the companies managed to generate revenues in the range of €5-€25 million.

The level of concentration in the ship management industry is depicted in **Chart 4**, where the companies are ranked in terms of their revenue size. The horizontal axis depicts, in percentage terms, the largest companies while the vertical axis measures the respective (cumulative) percentage revenue contribution of the companies. The turning point indicates the presence of a small number of large companies that dominate the industry. During the second half of 2020, the top 30% of the companies accounted for 96% of the industry’s revenues.

Similarly, the respective turning point in the previous period (2020H1) was at (30%, 94%).

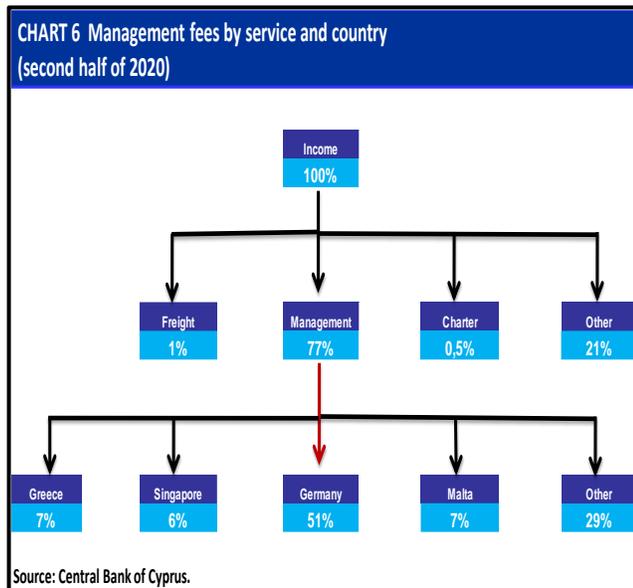


**Chart 5** depicts Cyprus’s “warehousing and support activities for transportation” index for the period January 2018 – Dec 2020 that is compiled using the NACE Rev. 2 classification system and is published by the Cyprus Statistical Service (Cystat). Among other activities (e.g. operating of transport infrastructure, cargo handling and the activities of transport agencies), this index covers the provision of ship management services. The chart also includes a smoothing estimate (dashed line) generated using statistical methods that better reflects the underlying core trend in the series. There is a decline in the general level of the index throughout 2020, with the

change between Dec 2019 and Dec 2020 representing a 31% decline.

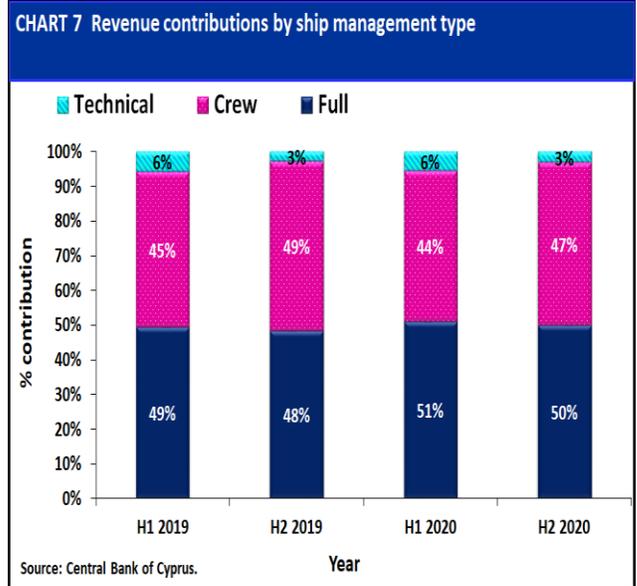
## 2. SHIP MANAGEMENT SERVICES

In **Chart 6** the industry’s revenues are decomposed using a tree diagram, which classifies revenues by type of ship management service and country of payment. Core ship management services (which encompass crew, technical and full management operations) accounted for 77% of the industry’s revenues during the period under review.

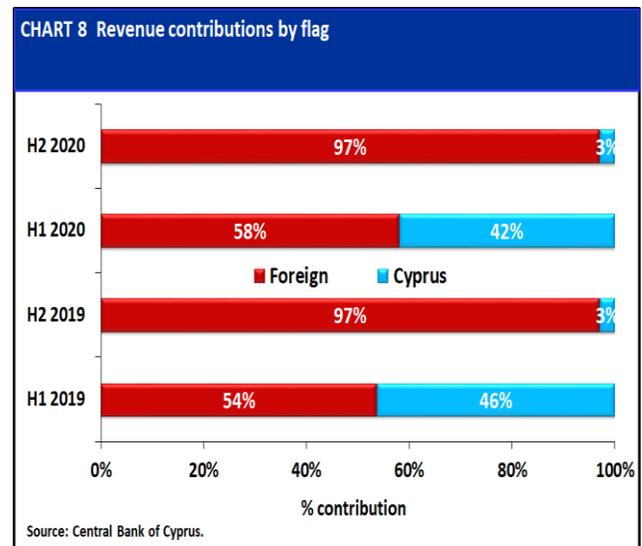


The main source countries associated with these ship management revenues are provided in the second level of the tree diagram. Germany is the most important source in this segment, with a contribution of 51%, followed by Greece and Malta with 7% each.

The three main types of ship management operations and their contributions are depicted in **Chart 7**. The share of full management services dropped slightly to 50% of the total amount of ship management revenues in 2020H2, while crew-management services increased to 47%. Nevertheless, these contributions are close to the levels observed in previous periods.



In **Chart 8** the industry’s revenues are decomposed by flag registration. The choice of flag is a strategic decision in ship owning operations, particularly in the case of open registries that provide ship owners with considerable advantages in terms of the legal and regulatory framework surrounding ship operations.



Unlike the previous period, the share of revenues collected from the provision of ship management services to ships carrying a foreign flag, increased to 97% of the total revenues in 2020H2 (it was 58% in

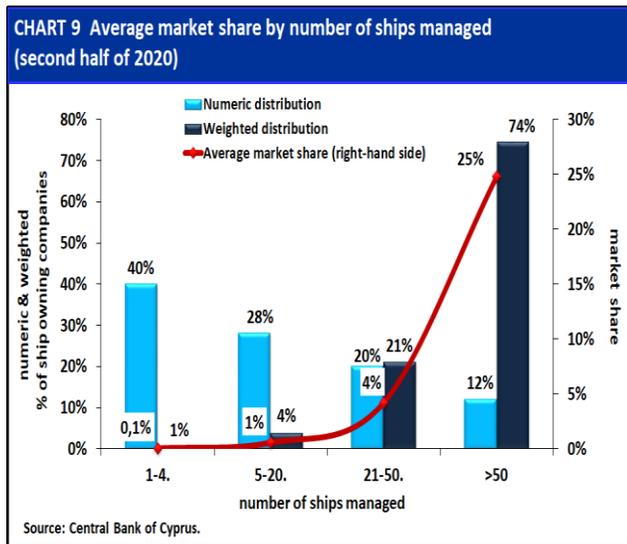
2020H1), which is consistent with the contribution recorded in 2019H2.

### 3. COUNTRY PORTFOLIOS

**Chart 9** examines the relationship between the number of ships managed and the market share of ship management revenues during 2020H2. The horizontal axis is segmented into four different size ranges (groups) in ascending order. Specifically, ship management companies that manage:

- (i) between 1 and 4 ships
- (ii) between 5 and 20 ships
- (iii) between 21 and 50 ships
- (iv) more than 50 ships.

The vertical axis on the left-hand side of the chart measures the numeric and weighted distribution of each group of companies. The right-hand vertical axis measures the average market share in each group.

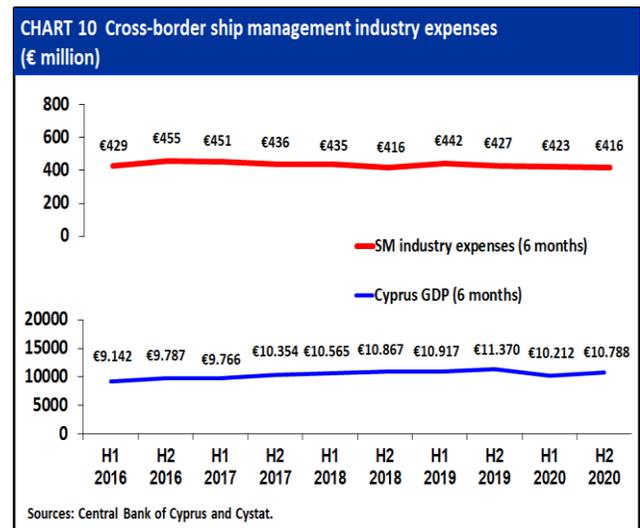


Companies managing between 1 and 4 ships accounted for 40% of ship management companies but generated only 0,1% of the industry's revenues. The average company market share in this group was 0,1%. Companies managing between 5 and 20 ships accounted for 28% of ship management companies, generated 4% of the industry's revenues and scored an average share of 1%.

The last two segments (21-50 and >50) correspond to companies with a higher number of managed ships per period. Specifically, 20% of these companies managed between 21 and 50 ships during 2020H2 and claimed 21% of the industry's revenues. A large number of ships (in excess of 50) were managed by only 12% of the companies but accounted for 74% of the total revenues. The average market shares in these two groups were 4% and 25% respectively.

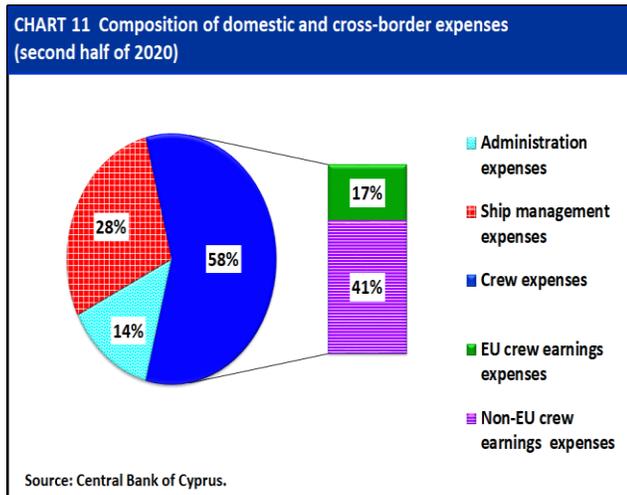
### 4. SHIP MANAGEMENT EXPENSES

**Chart 10** provides information regarding the level of cross-border expenses associated with the operations of the ship management industry in Cyprus. Unlike Cyprus's GDP, ship management expenses declined further to €416 million in 2020H2. When compared with the level of expenses in the respective second half of 2019 (2019H2) it represents a 1,7% decline in expenses.



The main categories of expenses incurred in the industry are depicted in **Chart 11**. Historically, the industry exhibits a relatively stable structure of expenses. The majority of these concern crew expenses, which accounted for 58% of the total amount in 2020H2. Most of these payments were directed to non-EU seafarers (41%). Administration expenses accounted for 14% and ship management

expenses (e.g. spare parts, lubricants, dry-docking, etc.) for 28% of the total amount.



## APPENDIX: SHIP MANAGEMENT SURVEY

The *Ship Management Survey* (SMS), which was launched in March 2009, is conducted biannually by the External, Economic and Government Finance Section of the CBC's Statistics Department and is addressed to resident ship management companies who provide relevant services to ship owning companies, both resident and non-resident.

Through the SMS, the CBC collects data from a representative sample of financial transactions, which, *inter alia*, include:

1. Revenues by type of service provided to non-resident ship owning companies.
2. Revenues received from non-resident ship owning companies, by country from where the revenue is derived.
3. Revenues by country of flag registration of the ships whose ship management is performed by the resident ship management companies.
4. Revenues by country of residence of the ship owner, whose ships are managed by the resident ship management companies.

5. Payments made by resident ship management companies, by country of residence of the recipient.

Moreover, the SMS includes additional variables, which enable the carrying out of economic analysis as regards the following:

- Size of the ship management industry as a percentage of Cyprus GDP (not in value added terms but as turnover).
- Level of concentration in the industry.
- The size of client portfolios of ship management companies.
- Percentage of resident ship management companies which operate in different countries (analytically by country).
- Magnitude of total expenses in the industry.