



SHIP MANAGEMENT SURVEY

July – December 2013

1. SHIP MANAGEMENT REVENUES FROM NON-RESIDENTS¹

Ship management revenues increased to €417 million during the second half of 2013, up from €402 million during the first six months of 2013. Most of these revenues originated from Germany, despite a reduction in its contribution when compared with previous periods. Most companies (43%) generated revenues in the range of €1,2 million - €15 million. Furthermore, 41% of the companies did not manage to exceed the €1,2 million benchmark during the period under consideration. In terms of industry concentration, the top 29% of ship management companies generated 82% of the industry's revenues.

Ship management revenues increased during the second half of 2013, from €402 million to €417 million (**Chart 1**). The size of the industry (in terms of turnover) as a percentage of GDP, increased to 5,1%, due to the decline in the GDP of the country. This is the highest contribution since the beginning of the survey and signifies the robustness of the industry.

¹ The survey is conducted by the CBC's Balance of Payments Section and concentrates primarily on transactions between resident ship management companies and non-resident owners/shipping related entities. Please refer to the **Appendix** for more details.

CHART 1 Ship management revenues (€ million)

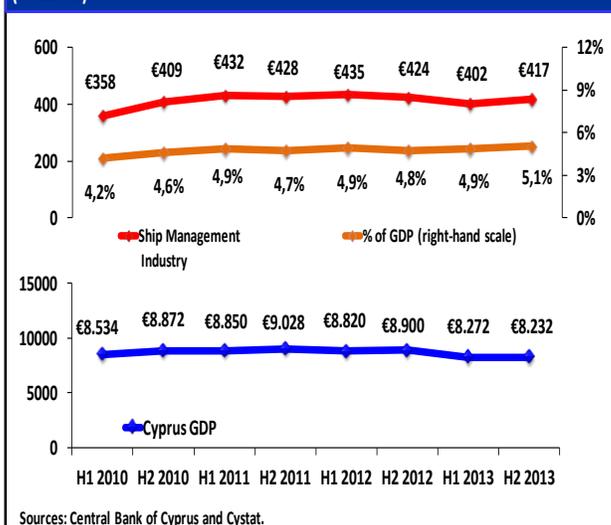
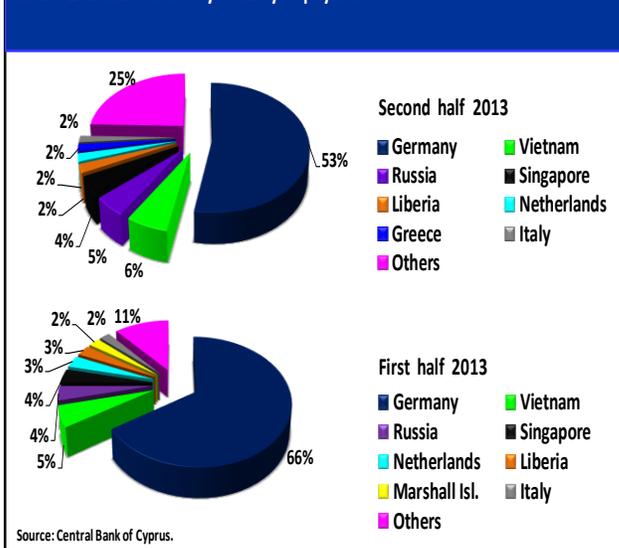


CHART 2 Market share by country of payment



In **Chart 2**, the industry’s revenues are decomposed by country of payment. The majority of payments for the first and second halves of 2013 originated from Germany with 66% and 53%, respectively. The contributions by the other important countries remained relatively stable, except from an increase by Greece and a decrease by the Marshall Islands.

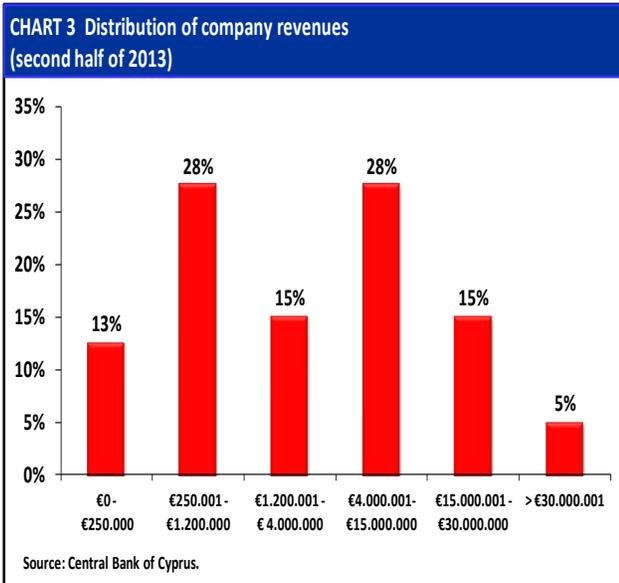


Chart 3 summarises the distribution of revenues. It classifies companies into different size segments (based on their revenues for the period 01/07/2013 to 31/12/2013) and reports the percentage of companies belonging to each segment.

The horizontal axis segments the range of revenues into six distinct groups and the vertical axis measures the percentage of companies belonging to each group. The results suggest that: 43% of the companies generated (half-yearly) revenues within the range of €1,2 million - €15 million, 20% in excess of €15 million and 41% less than €1,2 million.

The level of concentration in the industry is depicted in **Chart 4**. The ranked cumulative percentage of companies contributing to ship management revenues is measured on the horizontal axis (e.g. the

29% level corresponds to the top 29% of companies in the industry in terms of half-yearly revenues). The vertical axis measures the respective (aggregated) percentage revenue contribution of these companies. Of particular interest is the turning point² on the chart. The top 29% of the companies accounted for 82% of the industry’s revenues, signifying the presence of a small number of large companies.

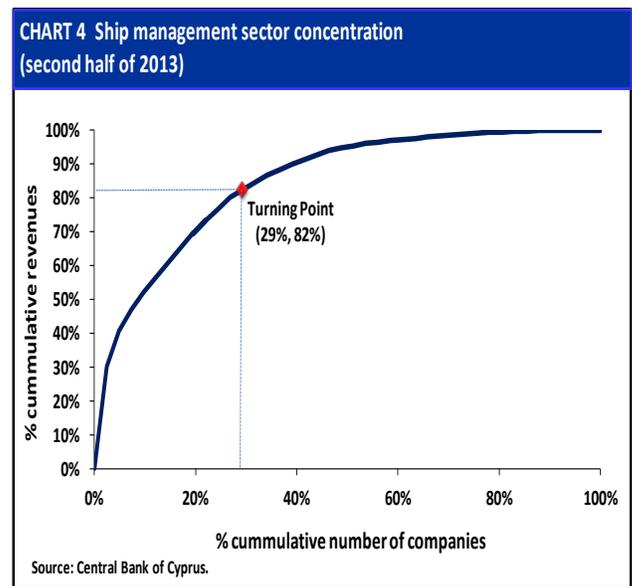
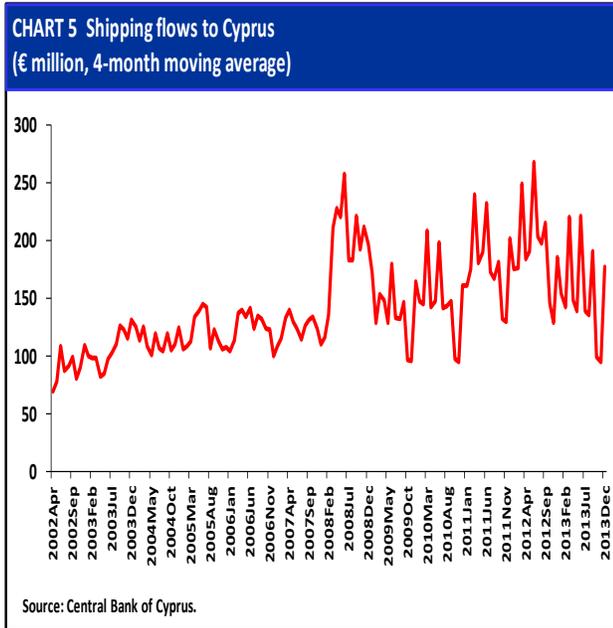


Chart 5 illustrates historical time series information on the level of inward transactions (flows) that were received by the industry since 2002. These transactions concern aggregated revenues from the provision of shipping services abroad (both ship management and ship owning) and were compiled from monthly transaction volume data collected

² The turning point indicates the level at which a decline in the marginal contribution of companies to the industry’s revenues is observed. Specifically, a 1% increase in the number of companies beyond the turning point provides less than a 1% increase in the cumulative revenues of the industry.

from a variety of sources, including local banks. This time series information is useful in order to examine features such as the long-run trend, the seasonality and the volatility of revenues in shipping.

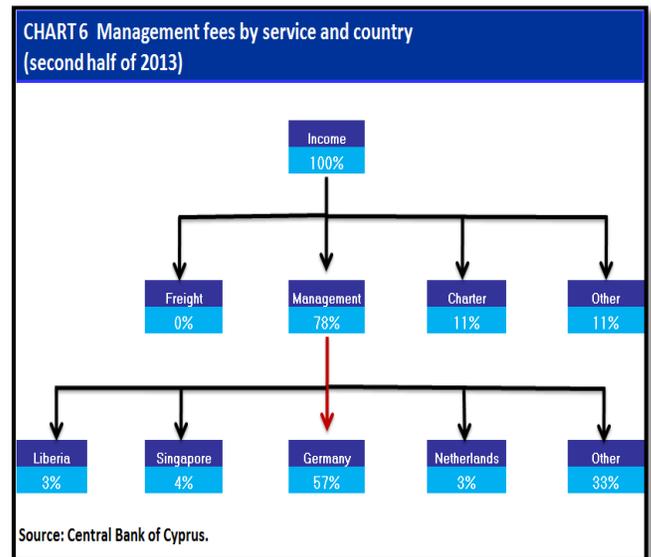


Since the raw data consisted of highly volatile daily transaction records, a four-month moving average was applied, enabling us to identify the key characteristics of the series. Despite an increasing trend and strong seasonal and cyclical characteristics in the series since the beginning of 2008, the level of transactions decreased in 2013. This is primarily due to a reduction in ship owning revenues.

2. SHIP MANAGEMENT SERVICES

Most of the industry’s revenues emanated from the provision of full, crew and technical management services. Full management services remained the most important segment with notable contributions from Russia and Malta. In the case of crew management services, nearly half of the revenues originated from Germany.

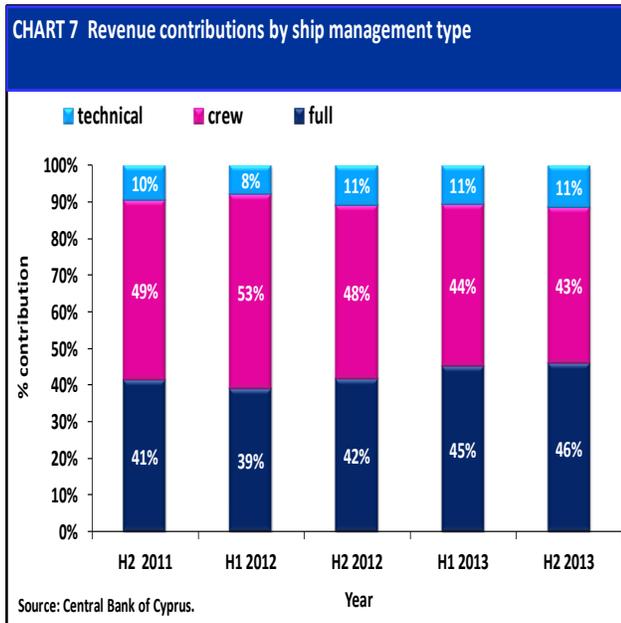
Chart 6 uses a tree diagram in order to decompose the revenues of the industry by type of service and country. The first level of the tree diagram lists the most important types of services offered by the industry, namely freight, ship management and chartering services. There were no revenues from the provision of freight services during the second half of 2013. In contrast, ship management and chartering services accounted for 78% and 11% of the industry’s revenues, respectively.



The second level of the tree diagram decomposes the ship management revenues by country. When compared with the previous period, Germany’s contribution dropped from 70% to 57%. The contributions by the other countries remained significantly lower.

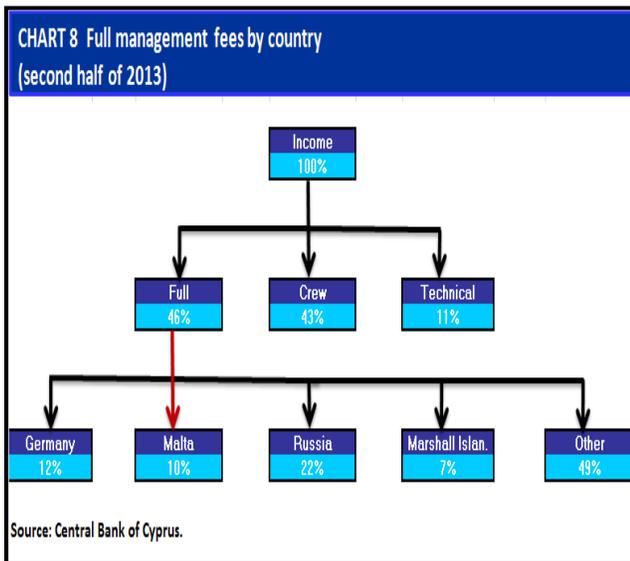
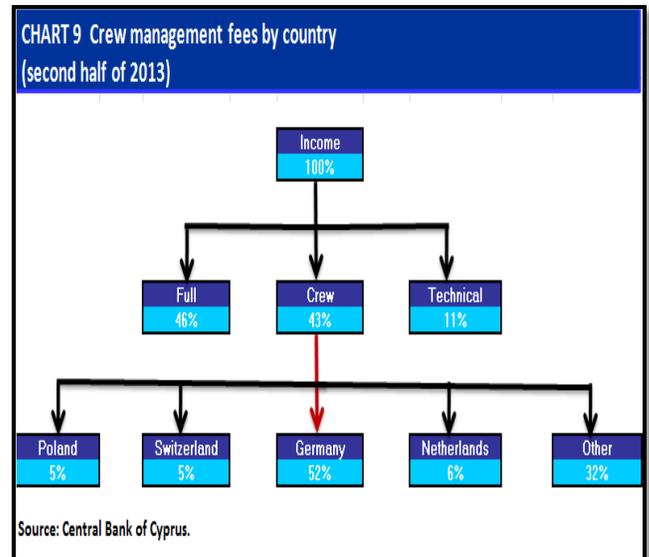
Chart 7 illustrates the ship management revenues by type of ship management service offered, namely technical, crew and full management services. The contribution of crew management services dropped further to 43%. In contrast, the contribution of full management services increased to 46%, thus remaining higher than the contribution of crew

management services for the second half of the year.



The results presented in **Chart 7** emphasize the industry’s specialisation in the provision of crew management services, since full management contracts encompass crew management operations.

services – full and crew management. Germany’s share in full management contracts is small, just 12%. No country stands out in this segment despite some notable contributions from Russia and Malta with 22% and 10%, respectively. This is not the case for crew management services. Germany remained the main source of revenues with a share of 58%.



Charts 8 and 9 provide tree diagram decompositions of the two basic categories of ship management

3. COUNTRY PORTFOLIOS

The provision of ship management services to ship owners using the Cyprus flag remained above the 10% threshold for the second consecutive period. The top 10% of ship management companies account for 43% of the industry’s revenues. These companies typically handle portfolios consisting of more than 40 ship owning companies. In some important markets like Russia, Greece and Japan, there are opportunities for expanding further the industry’s exports of ship management services.

In **Chart 10**, the ship management revenues are analysed based on the flag registration of the ships under management. Despite a reduction, the share of revenues earned from the provision of services to ships carrying the Cyprus flag remained above the 10% threshold (at 15%) for the second consecutive

period. The respective share for the first half of 2013 was 18%.

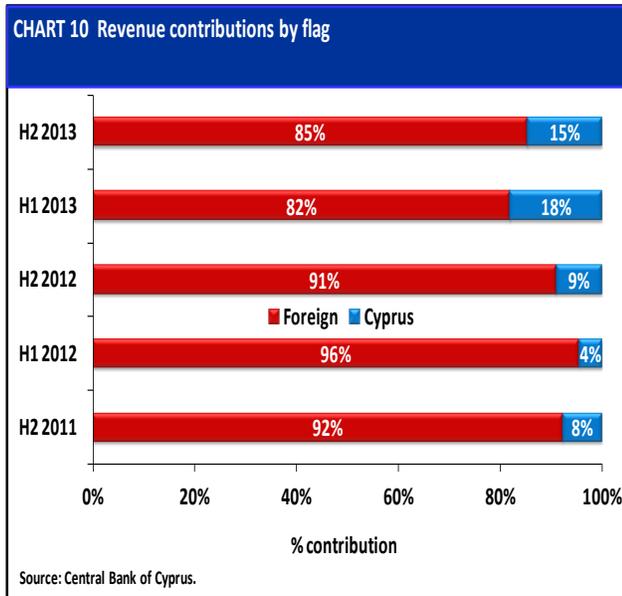


Chart 11 splits the revenues earned by country of residence of the beneficial ship owners whose ships are managed by Cypriot companies. The results bare strong resemblance (and the share movements are similar) with those of Chart 2. Germany was again the major source of revenues, despite the reduction in its contribution.

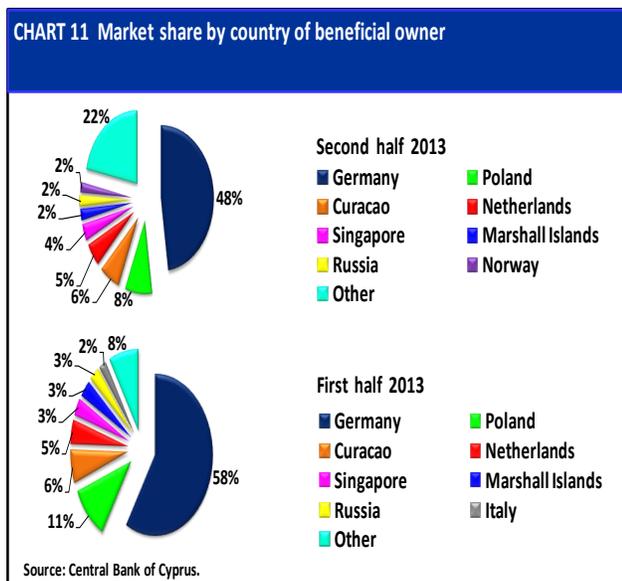
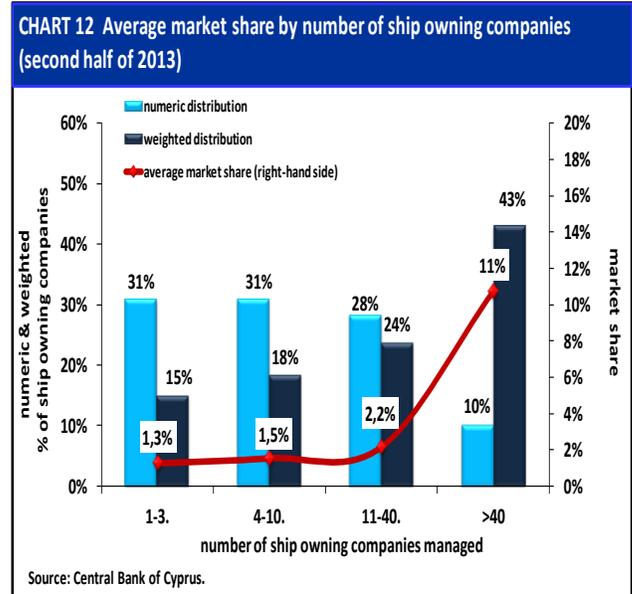


Chart 12 examines graphically the relationship between portfolio size (number of ship owning companies managed) and market share (in ship management revenues) during the second half of 2013.

The horizontal axis is segmented into four different size ranges (groups) in increasing order. In particular, ship management companies that managed:

- (i) between 1 and 3 ship owning companies.
- (ii) between 4 and 10 ship owning companies,
- (iii) between 11 and 40 ship owning companies and
- (iv) more than 40 ship owning companies.

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.



The results suggest that the companies in the first group (managing between 1-3 ship owning companies) accounted for 31% of the total population of ship management companies and generated 15% of the industry's revenues. The

average company market share in this group was 1,3%. Similarly, the companies in the second group accounted for 31% of the population of ship management companies, generated 18% of the industry’s revenues and scored an average share of 1,5%.

The last two segments suggest that 38% (28% + 10%) of the companies handled more than ten ship owning companies during the period under consideration, but strong market share performance is achieved with the handling of more than 40 ship owning companies. Only 10% of the companies managed to pool a base of more than 40 ship owning client companies and shared 43% of the industry’s revenues (this is also related with the relatively high level of concentration in the industry). The average market share in this latter group was 11%. The increasing average market share curve suggests a positive relationship between client portfolio size and market share performance.

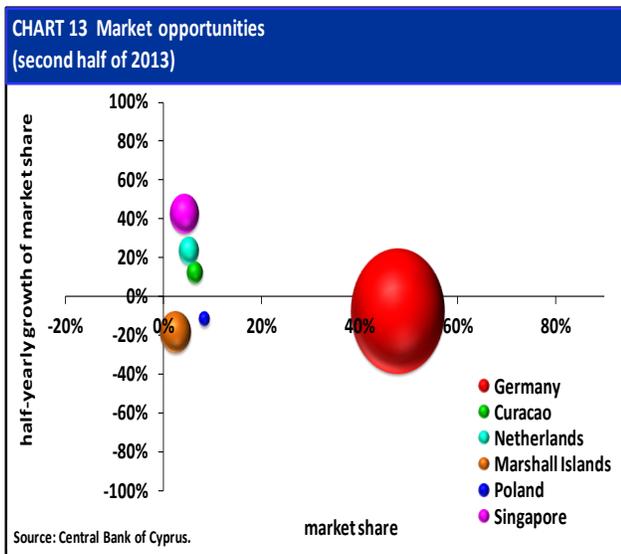
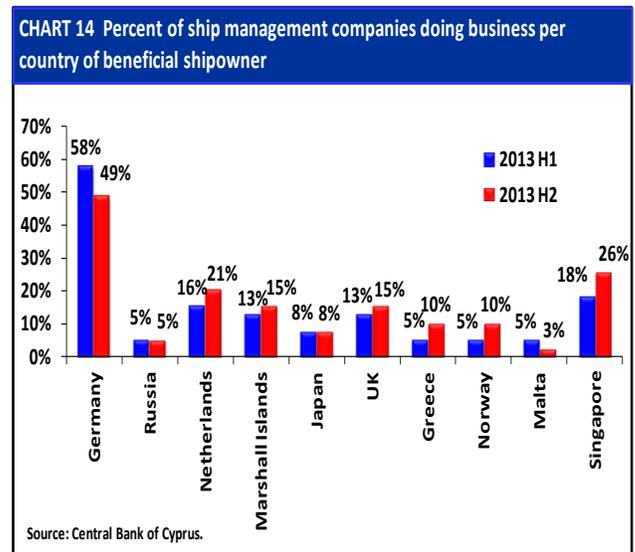


Chart 13 examines the relationship between market share and revenue growth by country. It is important for the industry to identify rising shipping markets with opportunities for higher revenues. The horizontal axis measures each country’s share in

revenues for the period under consideration. The vertical axis measures the percentage change (half-yearly growth) in the share of each country. The size of each bubble is proportional to the amount of revenues extracted from each country.

Germany, despite its large share, does not exhibit any further growth in revenues. The same is true for Poland and the Marshall Islands. Considerable growth opportunities currently exist in the Netherlands, Singapore and Curacao.



Competitive presence and international diversification in the provision of ship management services is an important consideration for the industry. **Chart 14** provides some helpful insights on this matter. Each country bar designates the percentage of companies registered in Cyprus that have offered services in the specific country. Nearly half of the ship management companies in Cyprus (49%) are providing services to German ship owners. Competitive presence is particularly low in the other countries, suggesting considerable opportunities for international expansion. Only in the case of Singapore and the Netherlands was there a noticeable increase in the number of companies offering services during the second half of 2013.

4. SHIP MANAGEMENT EXPENSES

Ship management expenses increased despite some significant reductions during the previous periods. Most of these expenses were directed to the Philippines, Poland and Ukraine and concerned crew wages (55%) paid to staff employed on board. Significant amounts were also paid in Cyprus (20%) and concerned primarily administration expenses.

The cross-border expenses³ of the industry increased to €368 million (Chart 15), despite significant reductions during the three previous periods. This is in line with the increase in operations and revenues reported in Chart 1. Nevertheless, total expenses remained below the maximum levels recorded during the second half of 2011 (€371 million).

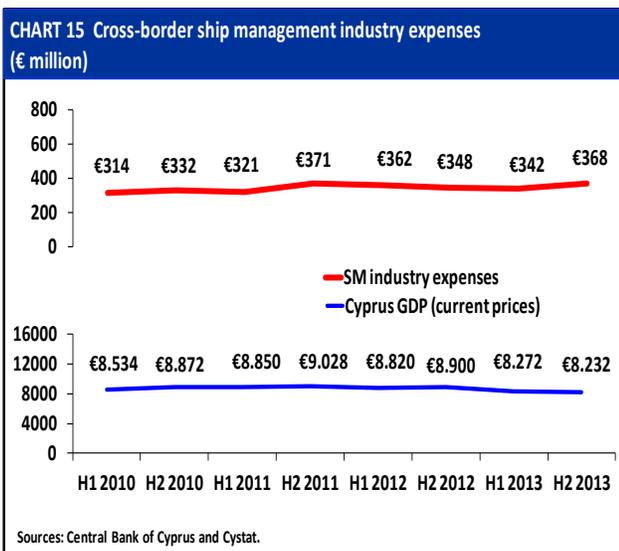
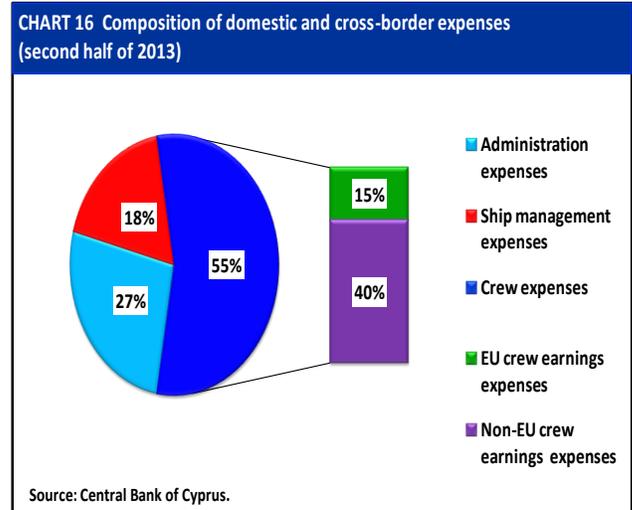


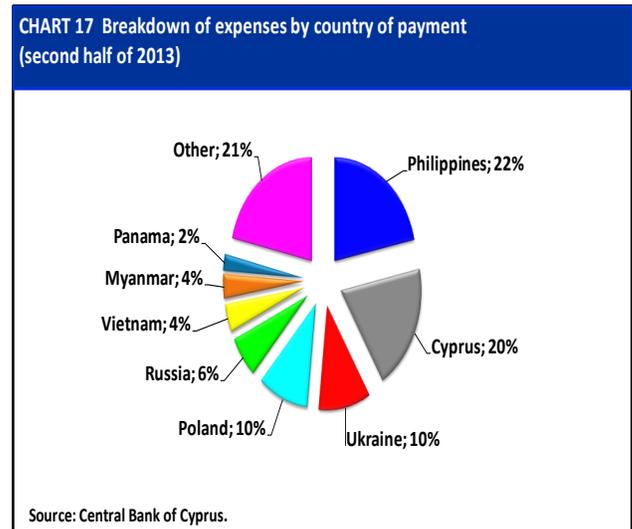
Chart 16 provides an analytical decomposition of the industry's total expenses (both in Cyprus and abroad). Unlike Chart 15, the results reported in this chart include expenses paid in Cyprus, which constitute the majority of administrative expenses.

³ The figures reported in Chart 15 exclude expenses paid in Cyprus and are therefore comparable with the revenues reported in Chart 1.

The majority of expenses concerned crew earnings, which accounted for 55% of the total amount. Of these, 40% were paid to non-EU citizens and 15% to EU citizens.



In Chart 17, the total expenses are decomposed by country. With the exception of Cyprus, expenses to all other countries represent imports of services from abroad and are used to compile Cyprus's current account in the balance of payments. Most of the expenses were directed to the Philippines (22%), Cyprus (20%), Poland (10%) and Ukraine (10%). In the cases of the Philippines, Poland and Ukraine the expenses concerned crew staff employed on board.



APPENDIX: SHIP MANAGEMENT SURVEY

The Ship Management Survey is conducted biannually by the Balance of Payments Section of Statistics Department. The survey was launched in March 2009 and covers residents of Cyprus who provide ship management services to ship owning companies registered both in Cyprus and abroad.

The survey collects data from a representative sample of financial transactions (revenues and expenses) carried out between resident ship management companies and non-residents of Cyprus. In particular, the survey requires, among other things, the submission of:

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.

The results of the survey include additional economic analysis, such as:

- Size of the ship management industry as a percentage of the Cyprus GDP (not in value added terms but as turnover).
- Level of concentration in the industry.
- Size of client portfolios of the ship management companies.
- Percentage of resident ship management companies which operate in different countries (analytically by country).
- Magnitude of total expenses in the industry.
- Identification of countries which offer market opportunities for further revenue growth.