



SHIP MANAGEMENT SURVEY

Jan – Jun 2020

INTRODUCTION

The *Ship Management Survey* (SMS) is conducted by the Statistics Department of the Central Bank of Cyprus and concentrates primarily on transactions between resident ship management companies and ship owning/shipping related entities¹.

1. SHIP MANAGEMENT REVENUES FROM NON-RESIDENTS

Following the shutdowns and transport/travel restrictions triggered by the COVID-19 pandemic, Cyprus's ship management revenues dropped to €484 million during the first half of 2020 (2020H1), (Chart 1). It represents a 7,5% decline in revenues, when compared with the first half of 2019 (2019H1) and corresponds to 4,8% of Cyprus's GDP (as turnover). As a percentage, it is very close to the levels observed during the first half of 2019 (4,9%).

Globally, the passenger ships segment of the industry experienced the most severe consequences from the COVID-19 restrictions, whilst with regards to the merchant ships segment of the industry (e.g. containers, dry bulk carriers, tankers, LNG carriers) the impact was smaller. Accordingly, this negative development is also reflected in the revenues of the various segments of the Cyprus shipping industry. Even though uncertainty remains in the economic environment, a rebound should be expected once restrictions have been removed.

CHART 1 Ship management revenues (€ million)

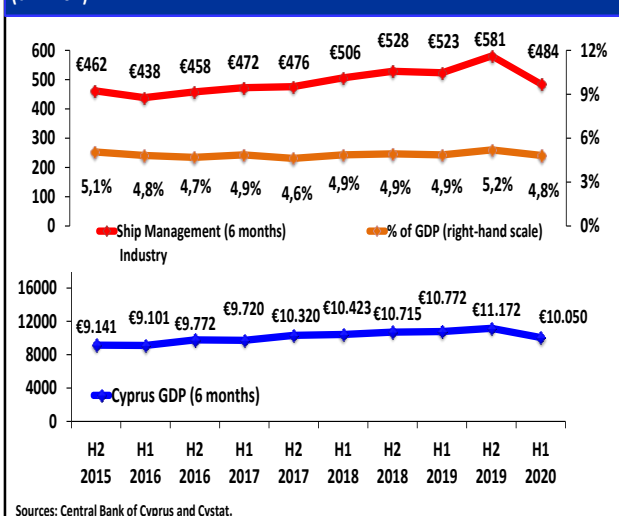
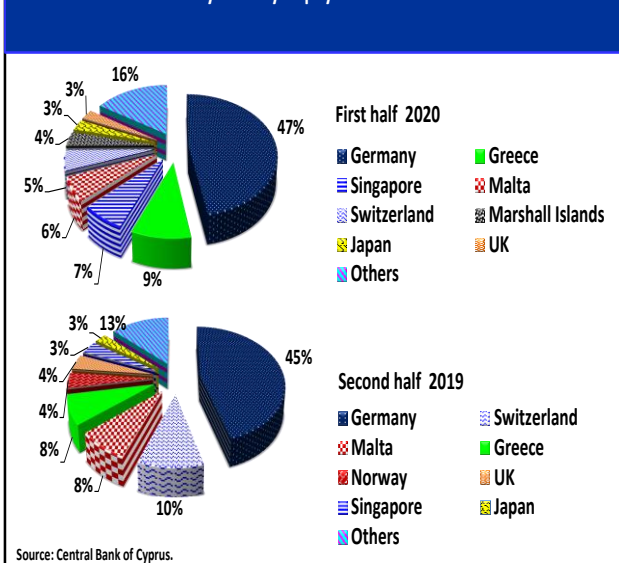
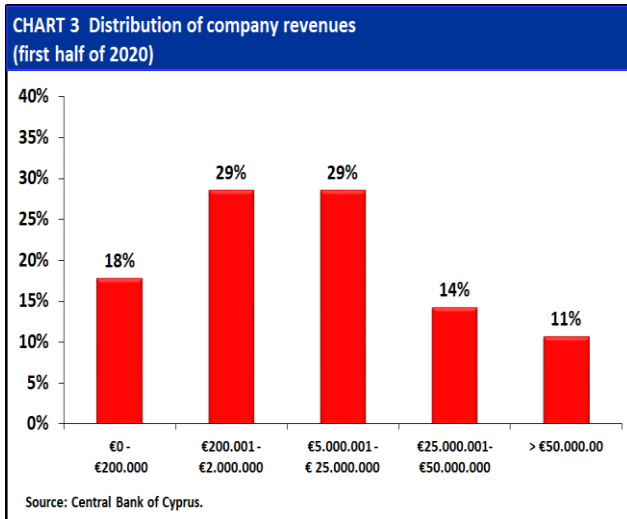


CHART 2 Market share by country of payment



¹ Please refer to the Appendix for more details.

The industry's revenues are decomposed by country of payment in **Chart 2**. Germany's contribution (the main trading partner of the industry) increased from 45% in 2019H2 to 47% in 2020H1. There were also increases in the share contributions by Greece (9%), Singapore (7%) and the Marshall Islands (4%). In contrast, there was a decline in the share of revenues from Switzerland, Malta and Norway.



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. The 2020H1 results suggest that 29% of the companies managed to generate revenues in the range of €5 - €25 million each, while only 25% of the companies managed to generate revenues in excess of €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 first half of 2020, the top 30% of the companies

accounted for 94% of the industry's revenues. This finding indicates that concentration in the industry decreased (albeit on a small scale) when compared with 2019H2, since the respective turning point in 2019H2 was at (24%, 97%).

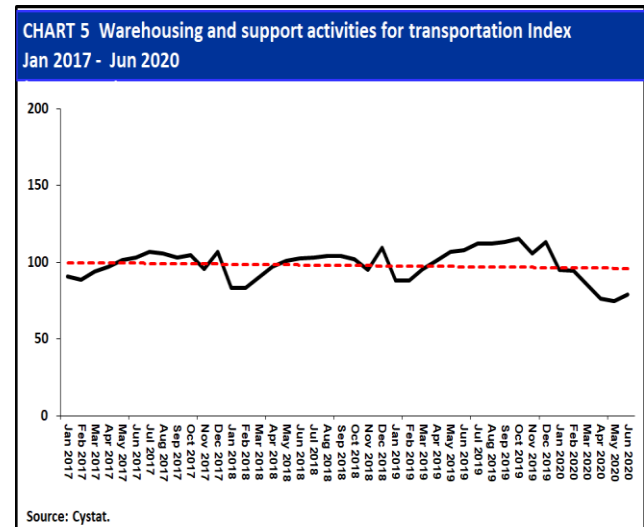
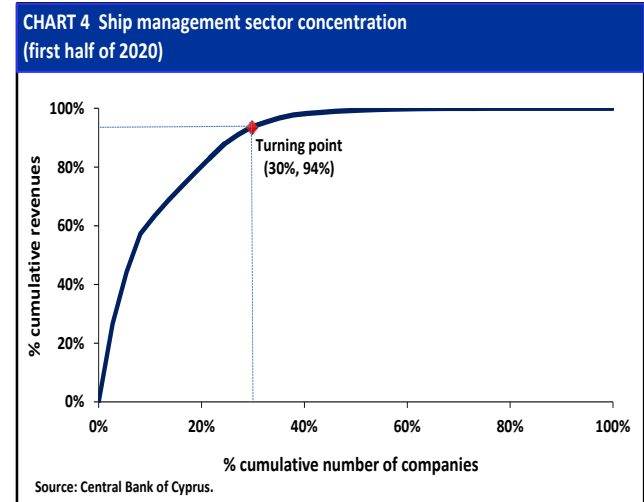
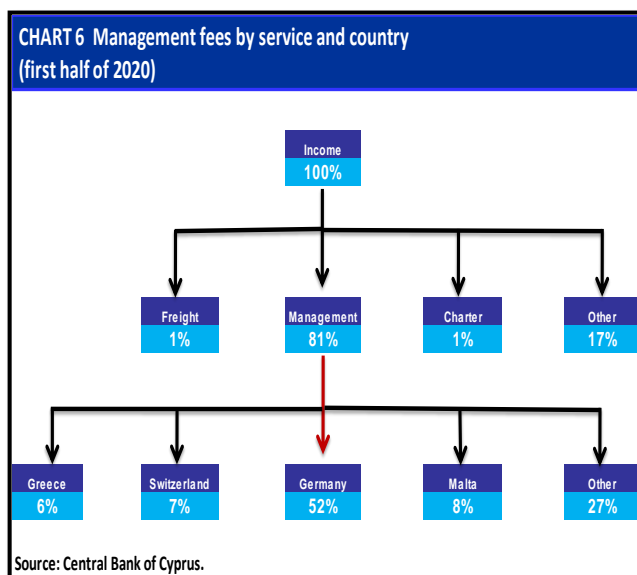


Chart 5 depicts Cyprus's "warehousing and support activities for transportation" index that is compiled using the NACE Rev. 2 classification system and is published by the Cyprus Statistical service (Cystat). The index covers the period January 2017 – June 2020 and, among other activities (e.g. operating of transport infrastructure, cargo handling and the activities of transport agencies), it 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. It can be observed that, beginning with March 2020, a decline was recorded in the value of the index in line with the outbreak of the COVID-19 pandemic in Cyprus. However, the June 2020 estimates in the same chart provide a first indication of a possible rebound.

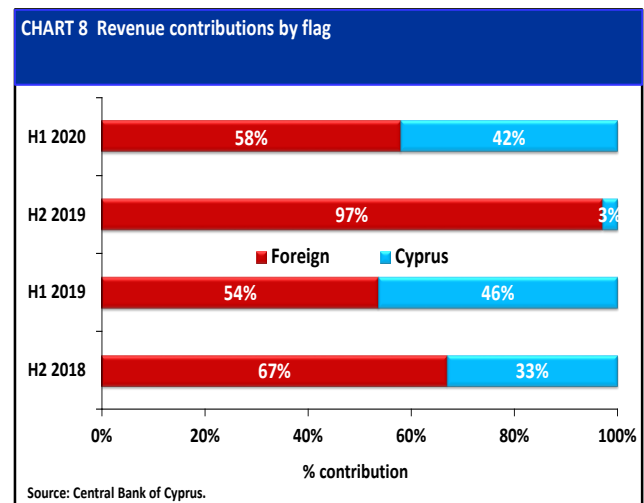
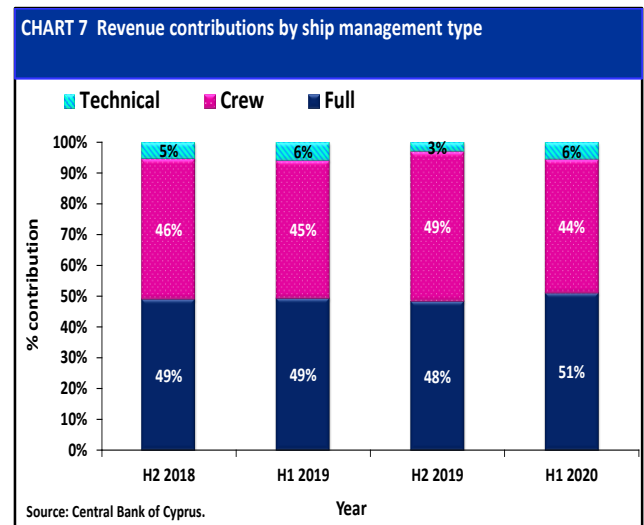
2. SHIP MANAGEMENT SERVICES

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 81% of the industry's revenues during the period under review, which is very close to the percentage recorded for the previous six monthly period. The main source countries associated with these ship management revenues are provided in the second level of the tree diagram. Germany remains the most important source in this segment, with a contribution of 52%, followed by Malta with 8%.



The three main types of ship management operations and their contributions are depicted in **Chart 7**. The

share of crew management services dropped to 44% of the total amount of ship management revenues in 2020H1, while full-management services increased to 51%. Nevertheless, the share contributions for 2020H1 remain close to their long run averages.



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.

For second consecutive period, there was a noticeable change in the composition of revenues by flag registration. The share of revenues collected

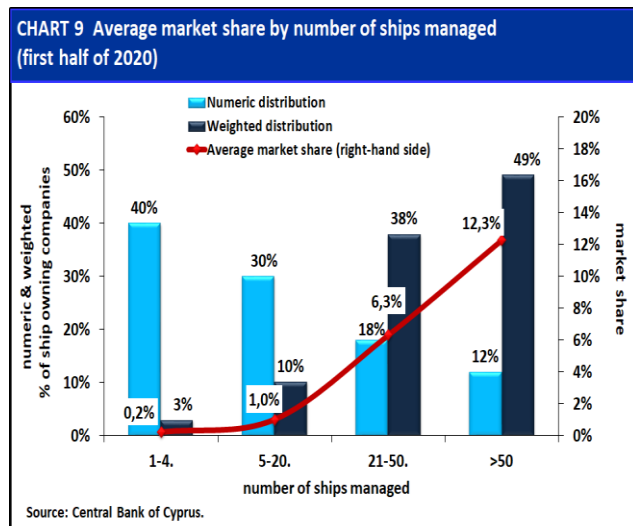
from the provision of ship management services to ships carrying Cyprus's flag, increased to 42% of the total revenues in 2020H1, from 3% of the total amount in 2019H2. These findings are similar to the percentage flag contributions recorded in 2019H1.

3. COUNTRY PORTFOLIOS

Chart 9 examines the relationship between the number of ships managed and the market share of ship management revenues during 2020H1. 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.



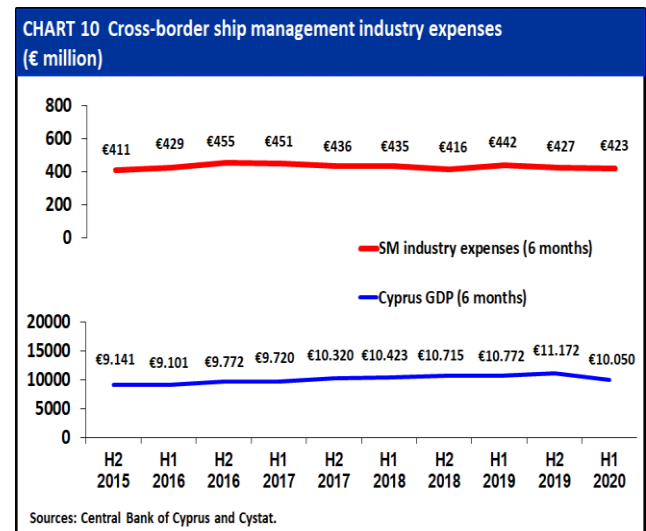
Companies managing between 1 and 4 ships accounted for 40% of ship management companies but generated only 3% of the industry's revenues. The average company market share in this group was 0,2%. Companies managing between 5 and 20 ships accounted for 30% of ship management companies,

generated 10% 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, 18% of these companies managed between 21 and 50 ships during 2020H1 and claimed 38% 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 49% of the total revenues. The average market share in this group was 12,3%.

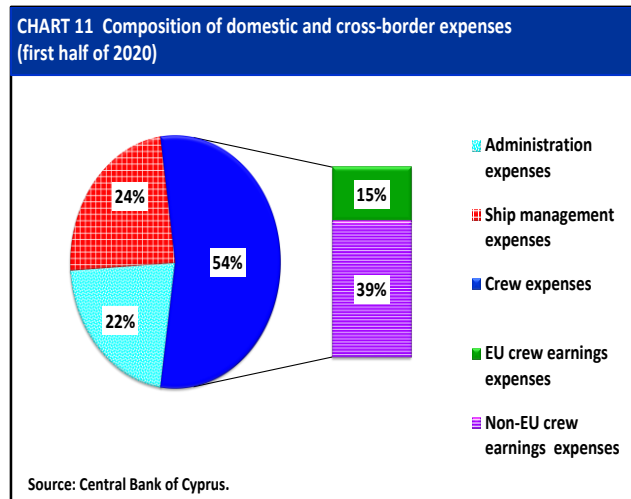
4. SHIP MANAGEMENT EXPENSES

Chart 10 provides information regarding the level of cross-border expenses associated with the operations of the ship management industry in Cyprus. Industry expenses decreased slightly to €423 million in 2020H1. When compared with the level of expenses in the respective first half of 2019 (2019H1) it represents a 4,3% decline in expenses, which is smaller than the respective decline in Cyprus's GDP.



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 54% of the total amount in 2020H1. Most of these payments were

directed to non-EU seafarers (39%). Administration expenses accounted for 22% and ship management expenses (e.g. spare parts, lubricants, dry-docking, etc.) for 24% 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.