

Regional dry bulk sector strong despite downturn

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While the dry bulk sector of the global shipping industry continues to experience a rapid downfall, the sector's performance in the Middle East will remain profitable, although not at levels owners had expected, said a senior shipping executive.

The low dependence on debt compared to other regions and the nature of the regional set up as a major importer will continue to keep the sector afloat.

"It is not as bad as it is in other regions with established dry bulk operations because most of the transactions here are cash-based, so leverage is low," Rohan Shetty, Group Managing Director for Kellett and Singleton Group (KAS Chart), told Emirates Business.

"This region is also cargo centric because the daily life here largely depends on imported shipped cargo, so shipments have to be there."

Nearly 200 million tonnes of cargo are imported into the region annually.

The global dry bulk and container sectors have seen a sharp decline in freight rates in the second half of 2008 due to a slowdown in demand for commodities.

The Baltic Dry Index, a measure of cost for shipping dry bulk commodities such as coal, iron ore, steel and grains, has fallen about 93 per cent to 663 points, a 22-year low since December 1986, after notching a record 11,793 points on May 20.

Shetty said although the financial crisis had hit the shipping industry, it was being blown out of proportion, adding that the industry was too old and well established to be easily brought down. "The seven billion people around the world will not stop eating due to the financial crisis. We have seen worse situations," he said.

According to Denis Petropoulos, Executive Director, Braemar Shipping Services, the current fleet lay-ups in the dry bulk sector do not signify a collapse.

"There have been some lay-ups recently as the markets tumbled, but these are strategic steps by owners due to the artificial shortage of cargo and do not imply a collapse of the sector," he said at the Seatrade Middle East Maritime conference.

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