



Weekly Briefing

Greece economy briefing:

The International Shipping Exhibition “Posidonia 2022” and the importance of the Greek shipping for the economy

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Summary

The briefing presents the outcome of the International Shipping Exhibition “Posidonia 2022” held in Athens in early June. It analyses the importance of the Greek shipping sector and its contribution to the national economy. Moreover, the significance of the Greek ports, especially the Port of Piraeus, for the sector is also examined.

Introduction

The Greek-owned shipping maintains its leading role in the industry. The International Shipping Exhibition “Posidonia 2022” underlined once again the importance of the sector for the global and national economy, as well as the current challenges and future goals. It is evident, that the shipping sector can work as a factor of stability during unpredictable times, such as the COVID-19 pandemic and the current Ukrainian crisis. Due to the later and the decision of the EU to drastically reduce oil imports from Russia, the shipping sector becomes even more important and Greece, as the biggest EU shipping force, has the capacity to contribute to the energy security of the Union. In addition, the country leads the shipping “green” transition, which is projected to benefit the sector in the long term. Furthermore, the increased capacity and connectivity, during the last years, of Piraeus Port has greatly contributed to the success of shipping in Greece. Thus, the continuation of the effective management and capacity expansion of the port is of a great importance for the shipping sector and consequently of the national economy.

The International Shipping Exhibition

From 6 until 10 June 2022 the International Shipping Exhibition “Posidonia 2022” was held in Athens, in Metropolitan Expo, the largest exhibition center in Attica. The exhibition was held for the first time after four years, due to the pandemic. Participation reached a new record, with 1,900 companies and exhibitors participating, a number higher than 2018. Exhibitors originated from 88 countries all over the world, with 24 national pavilions from Europe, North America and Asia in the exhibition center. Despite, COVID-19 travel restrictions in several countries, such as China, the participation was still strong. In fact, China and the US were among the countries with the most organized presence (1).

It should be mentioned that in parallel with the Exhibition, 68 conferences and seminars were organized, along with numerous receptions held mostly by Greek shipping companies. In the framework of the Exhibition the European Commissioner for Transport, Adina Valean, as well as at least ten Ministers and Vice Presidents of maritime nations visited Posidonia. In addition, more than 18,000 international visitors attended the Exhibition (1). It is estimated that the contribution of Posidonia to the national economy, including tourism inflows and events organisation, excited 60 million euros (2).

Traditionally the Greek Prime Minister inaugurates the exhibition. Thus, this year PM K. Mitsotakis in his speech welcomed the participants and outlined the importance of the shipping industry, its opportunities and challenges, as well as the main goals for the future. Specifically, he presented the importance of the shipping sector to the Greek, as well as the global economies, especially during the current geopolitical instability. Mitsotakis mentioned “(Greek shipping sector) a true champion of the seas, since for decades the country has stood firmly at the top of the world rankings. And of course, a valuable blood donor of the Greek economy and society, as it offers 7% of national GDP and 200,000 jobs to our citizens”. Greek PM also referred to the war in Ukraine. He stressed that the European Council has decided to reduce Russian oil imports by approximately 90% in response to the Russian invasion of Ukraine. Hence, according to Mitsotakis, the importance of the shipping sector is becoming central for the transportation of natural gas. Hence, shipping works as a shield against the energy crisis and the price increases that negatively affect the budget of the households and businesses (3).

In his speech, Mitsotakis, also mentioned that times are changing, therefore the shipping sector will need to adapt. Specifically, he stated that currently oil, gas and other chemicals account for the 1/3 of maritime transports. However, in the long run, their importance will be gradually reduced for the national economies. This means that the future goals of the states for climate neutrality will affect the shipping industry. According to the PM, the sector will need to gradually become energy neutral and the ones that will first grab the change and look for alternatives and new commercial roads will be also greatly benefited. Moreover, Mitsotakis stated that 2.5% of total greenhouse gas emissions comes from the shipping industry. For this reason, in his letter to the President of the European Commission, Ursula von der Leyen, requested that the shipping sector will become a European priority. Among others he proposes the development of technologies for alternative fuels, to renew European legislation to ensure equal terms in the sector of transport, to fairly distribute the revenue from the European Emissions Trading Scheme among the member states, to apply the mechanism of “the polluter pays”, with the pilot responsible instead of the ship owner. The PM urged the Greek ship owners to be the protagonists and pioneers in this change towards a “green” shipping (3).

The impact of Greek shipping sector to the national economy

According to the Annual Report of the Union of the Greek Shipowners 2020-21, despite COVID-19 pandemic, Greece remains the largest ship-owning nation in the world, with a fleet of 4,901 vessels in total. The Greek-owned fleet represents 19.42% of global deadweight tonnage (dwt) and 58% of the EU-controlled fleet. It should be mentioned that in 2020 Greece's fleet grew by more than 4%, that is approximately 346 million dwt, since 2019. Japan and China come next in the ranking with approximately 200 million dwt, as presented in figure 1. In particular, Greece obtains the 30.25% of the world's tanker fleet, 16.64% of the world's product and chemical tankers, 15.58% of the global LNG/LPG carriers, 20.04% of the world's bulk carriers and 9.53% of the world's containerships (4). Moreover, Greek ship owners, since 2020, ordered the construction of new vessels in Japan, China and South Korea. Specifically, 84 oil tankers, 20 bulk carriers, 3 container ships, 41 liquid gas carriers, 33 chemical and product tankers and 8 cargo and other vessels are on order (5).

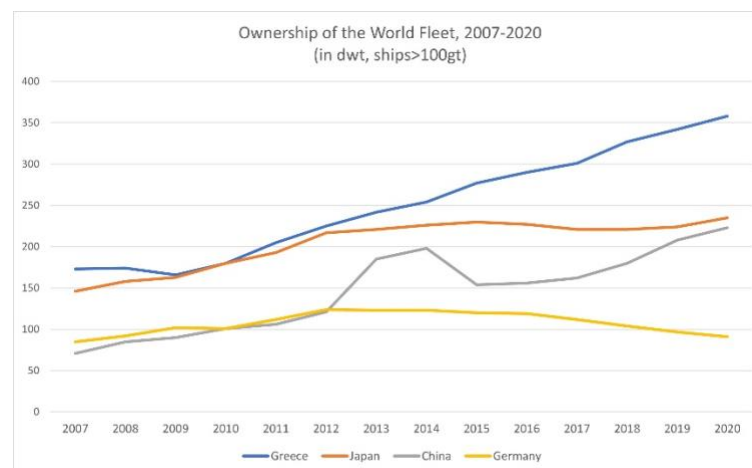


Figure 1: Authors own elaboration, source:

Union of the Greek Shipowners Annual Report 2020-21 (4)

Based on the data of the Estimation Model of the Bank of Greece, in the fourth quarter of 2021, the country carried out the commercial management of more than 3,000 ships with a total capacity of approximately 202 million tons (dwt), a significant increase since 2015. The gross receipts from maritime transport services in the period 2015-2021 exceeded 13 billion euros per year on averages, which is about 7.5% of GDP. It should also be mentioned, that in February 2019 the Greek state and the Maritime Community agreed that the Maritime Community will assist the State through a voluntary contribution of 10% on the amounts imported into Greece. The total amount to be paid would be at least 40 million euros per year (6).

Hence, the Greek-owned shipping and the wider maritime cluster have played a crucial role in the recovery of the Greek economy, by contributing to its GDP growth directly or indirectly. The sector is a major employer and plays an import role in covering the investment gap of the Greek economy, since shipping companies invest in numerous sectors related to shipping. In these terms, as the Governor of the Bank of Greece, Yiannis Stournaras, has also stated, attracting more merchant ships to Greece, as well as expanding its maritime cluster services could increase the contribution of shipping to the country's GDP, as well as the extroversion of the Greek economy (6).

The importance of the Greek ports

One of the most important contributors to the increase of the container traffic in Greece is the development of the port of Piraeus under COSCO's Shipping Ports Ltd management, one of the largest port operators in the world. Specifically, during the last five years, container handling in Piraeus port has increased by 28% reaching 5.3 million TEU. In addition, Piraeus port is currently the fifth largest port in Europe and the third largest in the Mediterranean region (7).

Moreover, the port has expanded its accommodation capacity. At the end of 2021, 9% of the ships entering the port had capacity of 12,500-18,000 TEU, with 5% of them concerning ships with a capacity more than 18,000 TEU. It should be mentioned that from 2018, Piraeus port served container vessels with a capacity of over 20,000 TEU. Moreover, the connectivity of the port has increased. The port is currently connected to 72 ports in 30 different countries in Europe, Asia and Africa. Direct routes connect the Piraeus Port with the some of the largest ports in the world, such as Singapore, Port Klang in Malaysia, Rotterdam and others (7).

The presence of the Piraeus Port Authority S.A. (PPA) in this year's Posidonia exhibition was strong, indicating its latest achievements. PM Mitsotakis along with Ioannis Plakiotakis, Minister of Maritime Affairs and Insular Policy and Xiao Junzheng, Chinese ambassador to Greece visited the stand of the PPA. They had the opportunity to speak with the Chairman of PPA, Yu Zenggang, and discuss the achievements and prospect of Piraeus Port. The Chairman of PPA stated that PPA with its presence wanted to honour the flagship international exhibition "Posidonia" and showcase the investments at the Port of Piraeus implemented in a comprehensive and sustainable way during the last years (8).

The port in Thessaloniki also contributes, to a lesser extent, to the increase of container traffic in Greece. After its privatization, the port has increased its connectivity by 62% and its accommodation capacity concerning the size of the ships has doubled. The port is currently directly connected to 22 ports in 12 countries (7).

Conclusion

The achievements of the Greek shipping sector are undoubtable. The country maintains its leading position in the industry globally and carves the way for the shipping “green” transition. However, in order to preserve its leading role, the country needs to continue increasing the capacity and connectivity of its ports, proceed with the renewal of its fleet and adapt to the new environmental requirements for zero carbon emissions. In addition, the sector needs to remain adaptable to the new geopolitical environment, overcome the arising challenges and seize the available opportunities.

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