

Capital Link 1

12 September 2017

**Global Shipping & Shipbuilding Markets
Overview & Outlook**

Dr Martin Stopford

Non- executive President, Clarkson Research

Global Shipping & Shipbuilding Markets

ISSUES IN THIS PRESENTATION

- PART 1: MARKET OVERVIEW
- PART 2: MARKET CYCLE TODAY
- PART 3: MARKET PRICES TODAY
- PART 4: THE DEMAND SIDE OF THE MARKET
- PART 5: THE SUPPLY SIDE OF THE MARKET
- PART 6: SUPPLY-DEMAND ANALYSIS

THE SIX ISSUES



Global Shipping & Shipbuilding Markets

PART 1: MARKET OVERVIEW

The main markets are now past the trough of the cycle and, despite continuing low freight rates, there should be a gradual improvement ahead as the world industrial growth picks up and the growth rate of the cargo fleet slows. But the trough is not over yet and the pace of recovery will depend on whether the economic upswing can be sustained in a turbulent world, and how effectively the industry manages the slow down of the world cargo fleet.

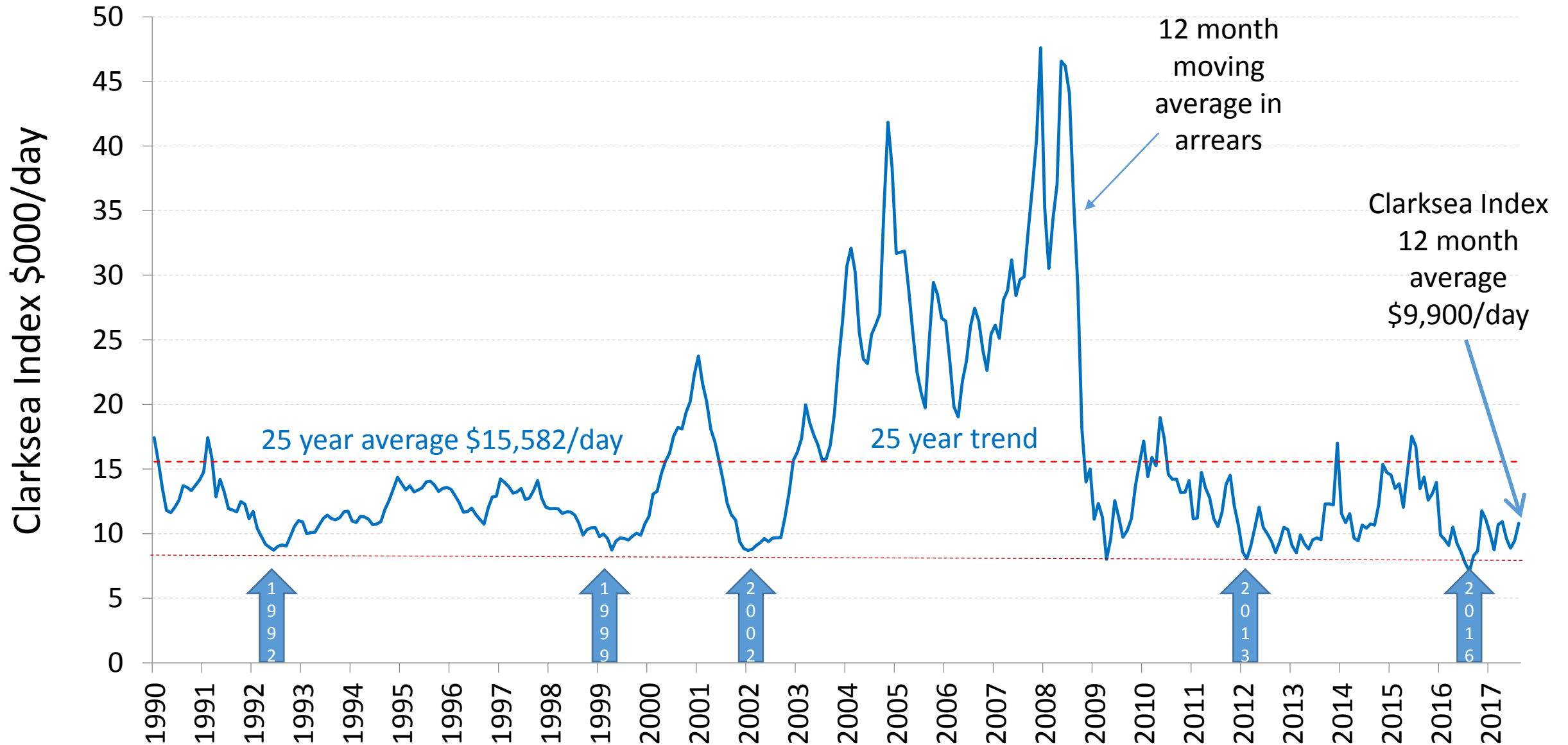
S1: SUMMARY OF TOPICS TO COVER

1. Clarksea index \$10,806/day, still well below trend
2. World industry cycle upturn – now growing at 3.8%
3. Sea Trade growth 3.5% in 2017, up from 2.7% last year
4. China imports growing at 8% pa in year to May
5. Shipyard orderbook down to 9.5% fleet
6. Deliveries steady at 100 m dwt, but set to fall 40%
7. Fleet growth 2017 about 3.7% pa, but slower in 2018
8. Expect “bumpy” improvement over next three years

Global Shipping & Shipbuilding Markets

PART 2: THE SHIPPING MARKET CYCLE TODAY

S2: The Shipping Cycle – 12 month average falls below \$10,000/day

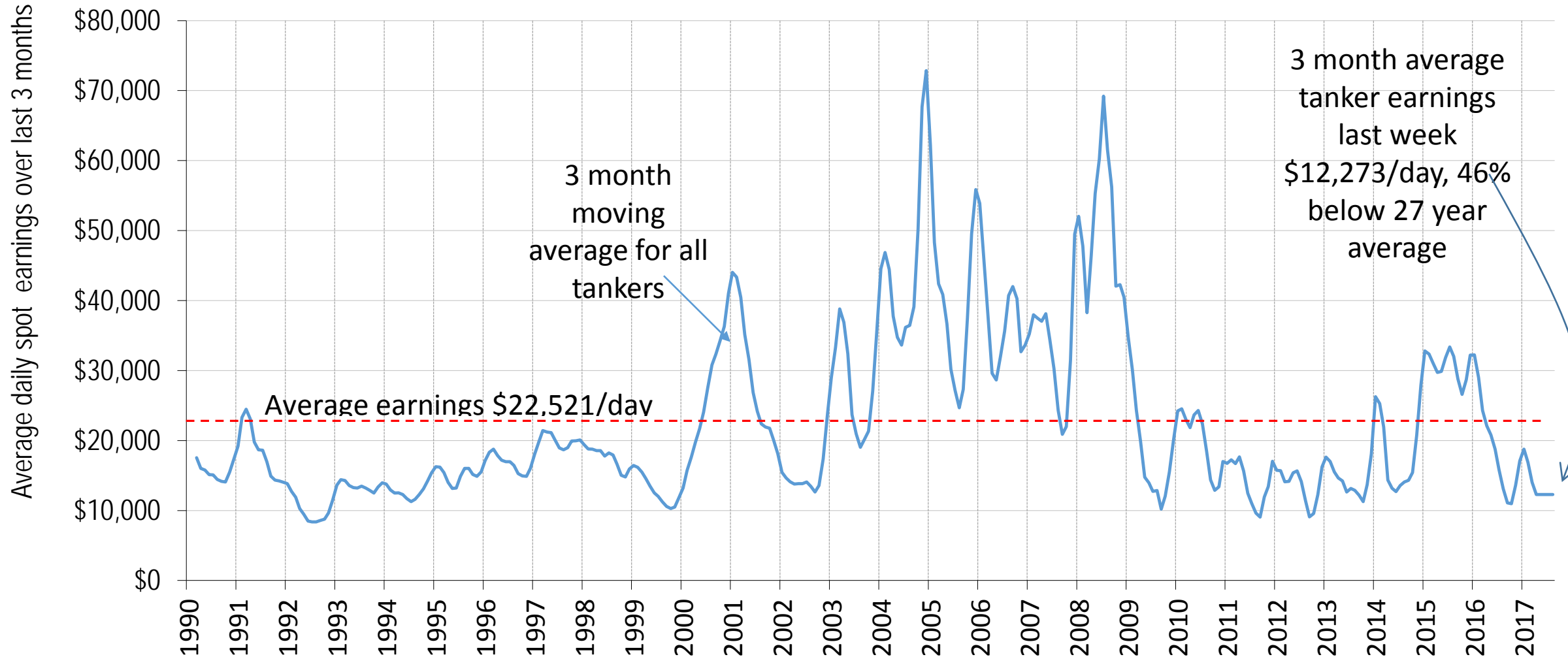


The Clarksea index shows the average earnings of tankers, bulkers, containerships & gas

S3: Crude tankers market ... close to 25 year low.

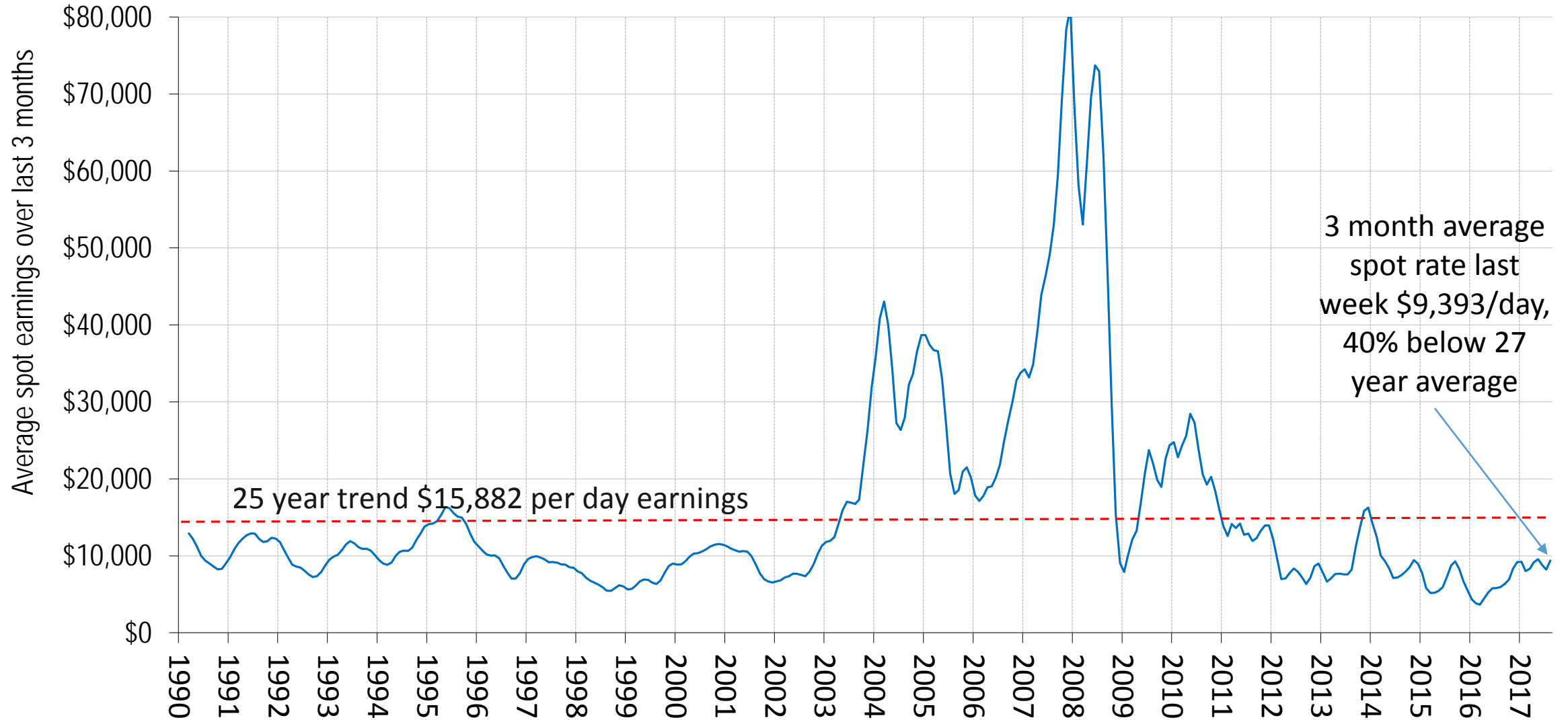
The freight earnings for crude oil tankers 1990-2017 (average over last 3 months)

Note: the line shows the 3 month average spot earnings of VLCCs, Suezmaxes, Aframaxes & MRs over the previous 3 months



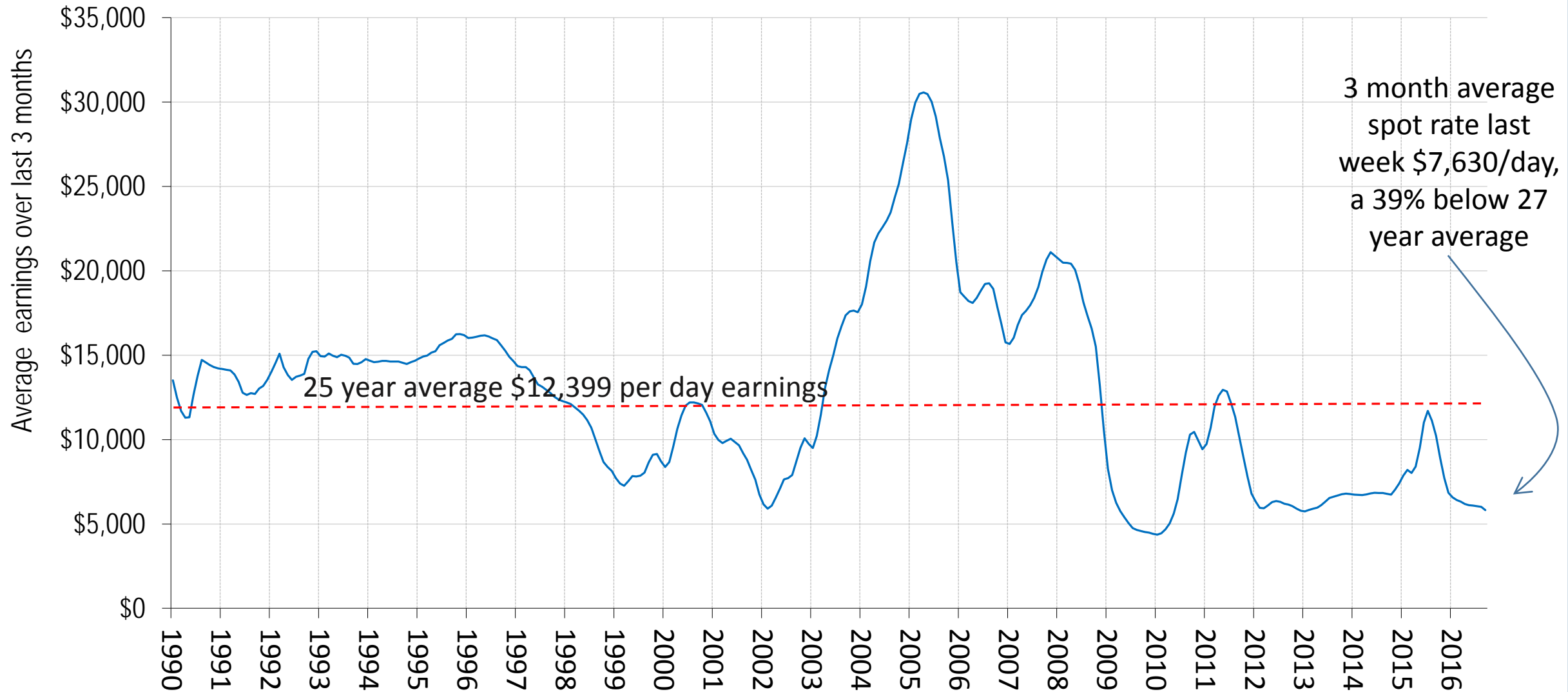
S4: Dry Bulk market 3 month average 27% below trend

Average bulk carrier (Cape, Panamax and Handy) over last 3 months



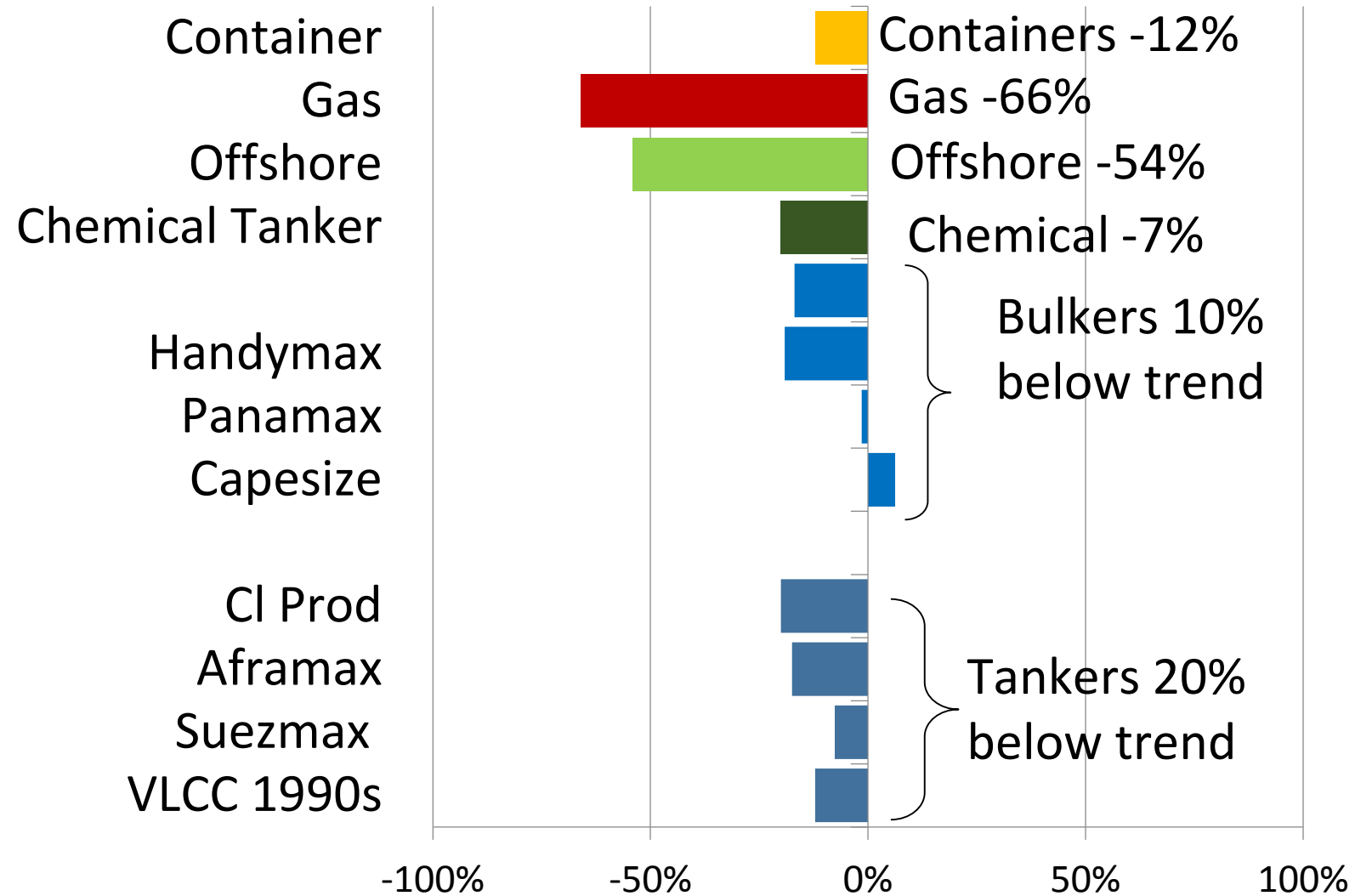
S5: Where the Containership market is now – about 40% below trend

The earnings of average smaller containerships (1,000;1700; 2500; 4400)) over last 3 months



S6: Cycle status in 12 markets: last 12 months as % seven year trend

- Chart shows average earnings in last 12 months as a % of average earnings in last 7 years (Sept 2010 to September 2017)
- Improvement since 2016
- Bulk carriers and tankers much better than 12 months ago
- Gas market now well below trend



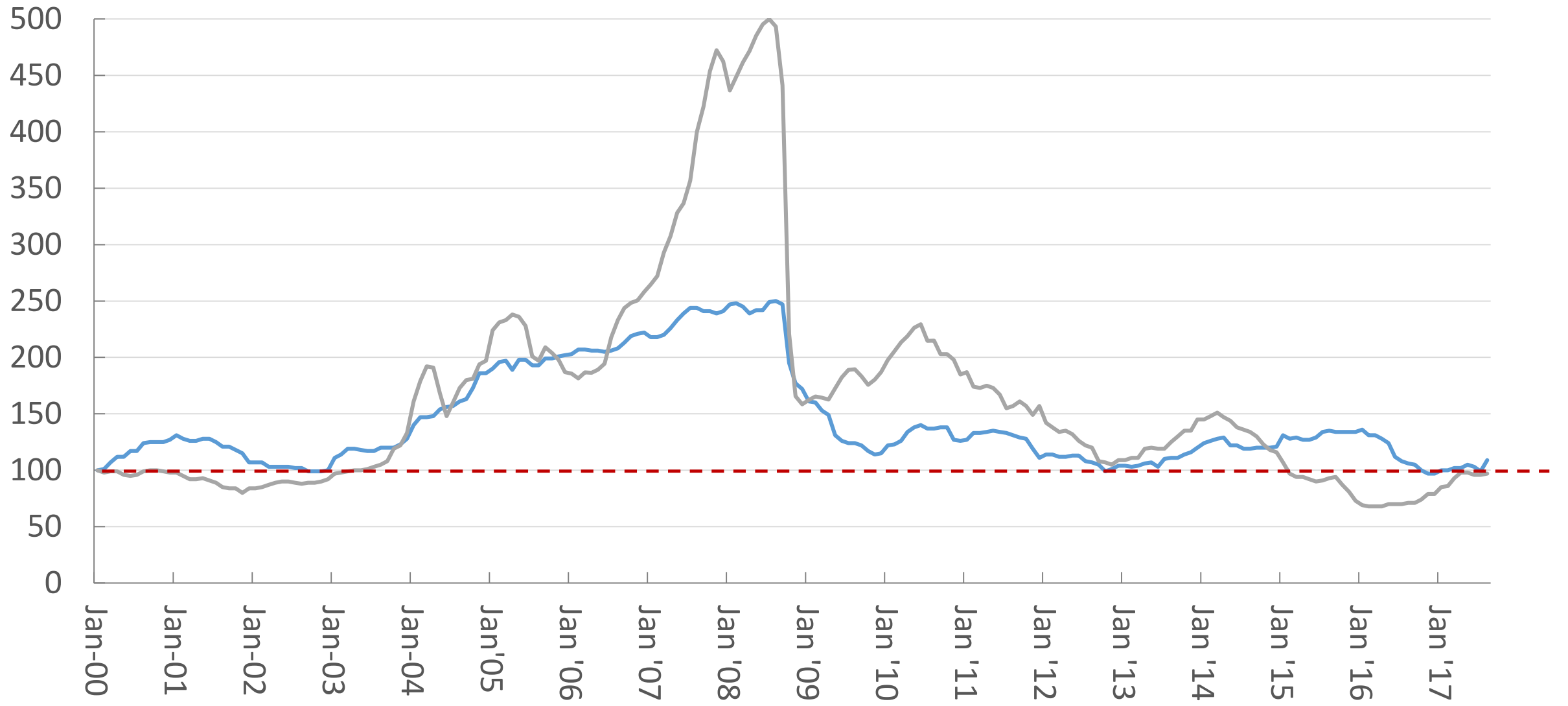
Data to 26th September 2016

Global Shipping & Shipbuilding Markets

PART 3: SHIPPING MARKET PRICES TODAY

S7 Tanker & Bulker second hand price index – wandering around 100

— Tanker price Index — Dry bulk carrier index



S8: Second hand Bulk carrier price change Sept 2016-August 2017

	Size	Age	Sep-16	Aug-17	\$m	%
Cape	180,000	Resale	36.5	45	8.5	23%
Cape	170,000	5 yrs	24	33	9.0	38%
Cape	170,000	10 yrs	14	21	7.0	50%
Cape	170,000	15 yrs.	8	15	7.0	88%
Panamax	82,000	Resale	24.5	28.5	4.0	16%
Panamax	82,000	5 yrs	14	21	7.0	50%
Panamax	73,000	10 yrs	8	13.5	5.5	69%
Panamax	73,000	15 yrs.	4.5	9	4.5	100%
Supramax	61,000	Resale	21.6	26.5	4.9	23%
Supramax	56,000	5 yrs	13.3	16.3	3.0	23%
Supramax	56,000	10 yrs	8.5	12.5	4.0	47%
Supramax	52,000	15 yrs.	4.5	8.5	4.0	89%
Supramax	45,000	20 yrs.	2.8	5	2.2	79%
Handy	37,000	Resale	17.6	21.5	3.9	22%
Handy	32,000	5 yrs	9.5	14	4.5	47%
Handy	32,000	10 yrs	6.8	8.5	1.7	25%
Handy	28,000	15 yrs.	4	5	1.0	25%
Total	1,399,000		222.1	303.8	81.7	37%

Top \$
5 yr old
Capesize

Top %
15 yr old
Panamax

Total Profit of
\$81.7 m

S9: Second hand Tanker price change Sept 2016-August 2017

	Size	Age	Sep-16	Aug-17	\$m	%
VLCC	310,000	Resale	86	83	- 3.0	-3%
VLCC	310,000	5 yrs	62	63	1.0	2%
VLCC	300,000	10 yrs	41	39	- 2.0	-5%
VLCC	300,000	15 yrs.	26	21.5	- 4.5	-17%
Suezmax	160,000	Resale	58	55	- 3.0	-5%
Suezmax	160,000	5 yrs	45	40	- 5.0	-11%
Suezmax	150,000	10 yrs	32.5	25	- 7.5	-23%
Aframax	105,000	15 yrs.	48	44	- 4.0	-8%
Aframax	105,000	Resale	33	30	- 3.0	-9%
Aframax	105,000	5 yrs	21	20	- 1.0	-5%
Panamax	73,000	10 yrs	44	39	- 5.0	-11%
Panamax	73,000	15 yrs.	31.5	26.5	- 5.0	-16%
Panamax	70,000	Resale	21	17	- 4.0	-19%
MR	51,000	5 yrs	34	33	- 1.0	-3%
MR	47,000	10 yrs	23	23.5	0.5	2%
MR	45,000	15 yrs.	16.5	16	- 0.5	-3%
MR	45,000	resale	11	9	- 2.0	-18%
Handy	37,000	5 yrs.	20	21	1.0	5%
Handy	37,000	10 yrs.	15	13	- 2.0	-13%
Total	2,483,000		668.5	618.5	- 50.0	-7%

Best performer \$ 5 yr old VLCC

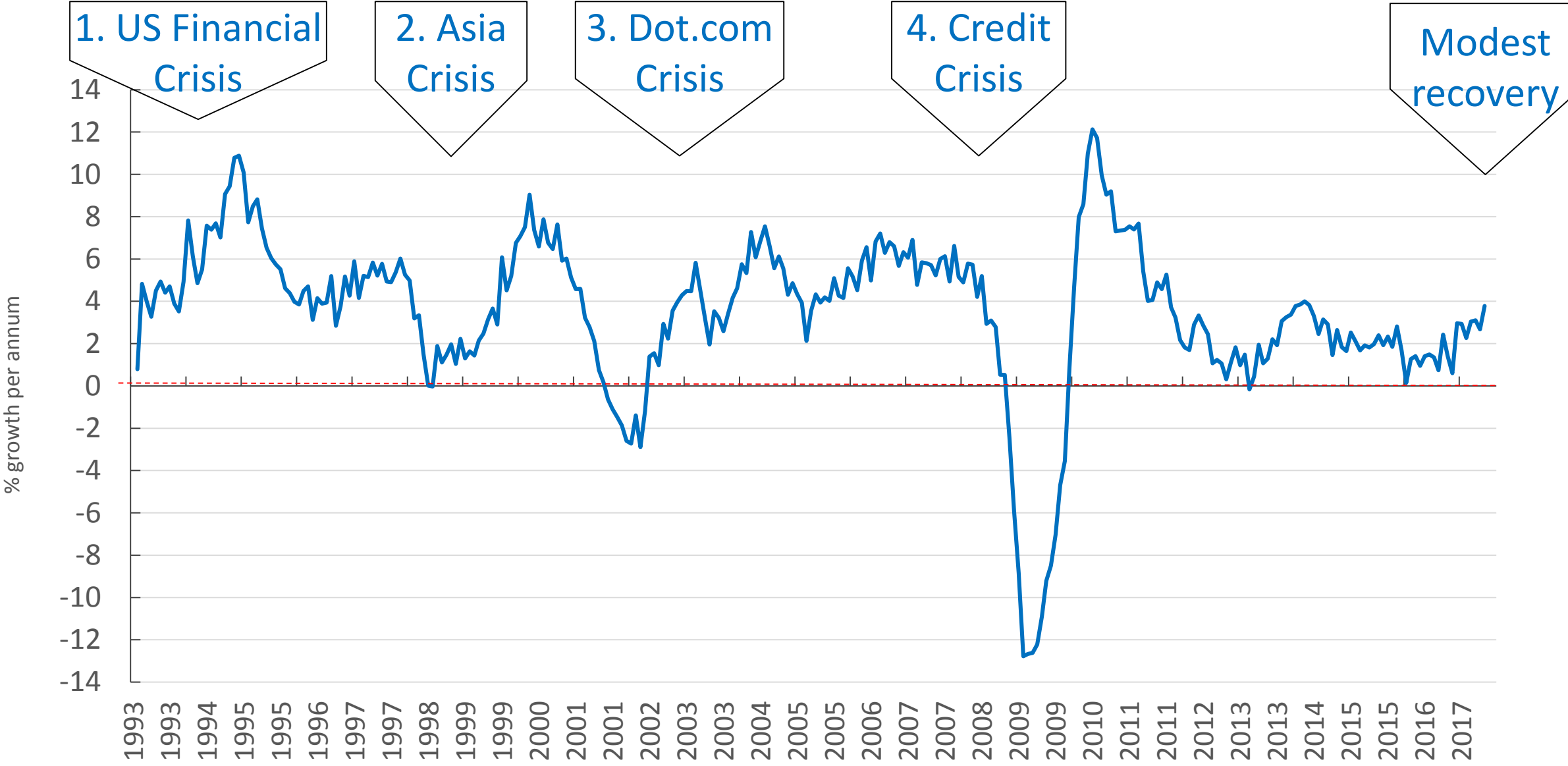
Worst performer 10 year old Suezmax

Total loss of \$50 m

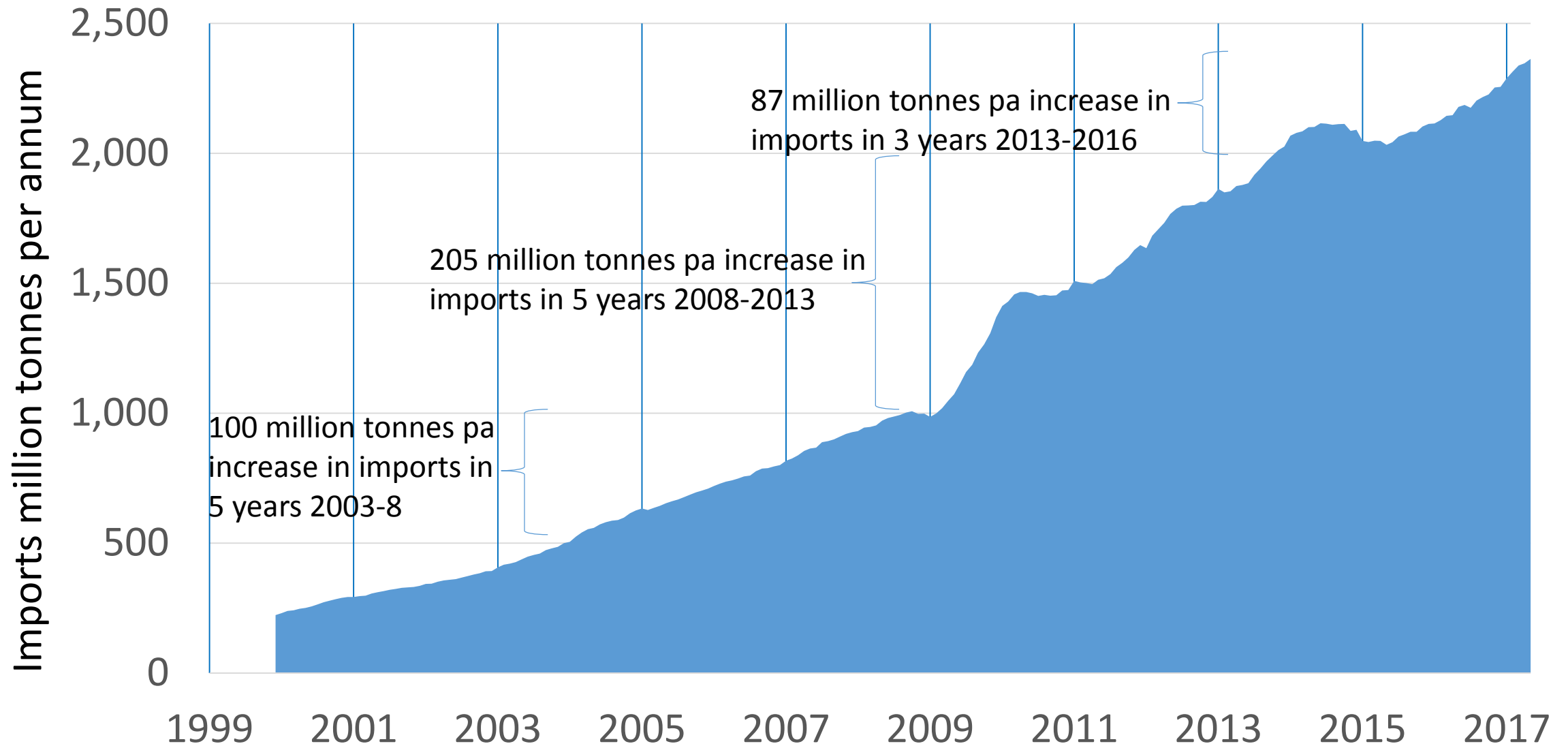
Global Shipping & Shipbuilding Markets

PART 3: THE DEMAND SIDE OF THE MARKET

S10: World Industrial Production 1993-2017 (June) picking up (patchy)

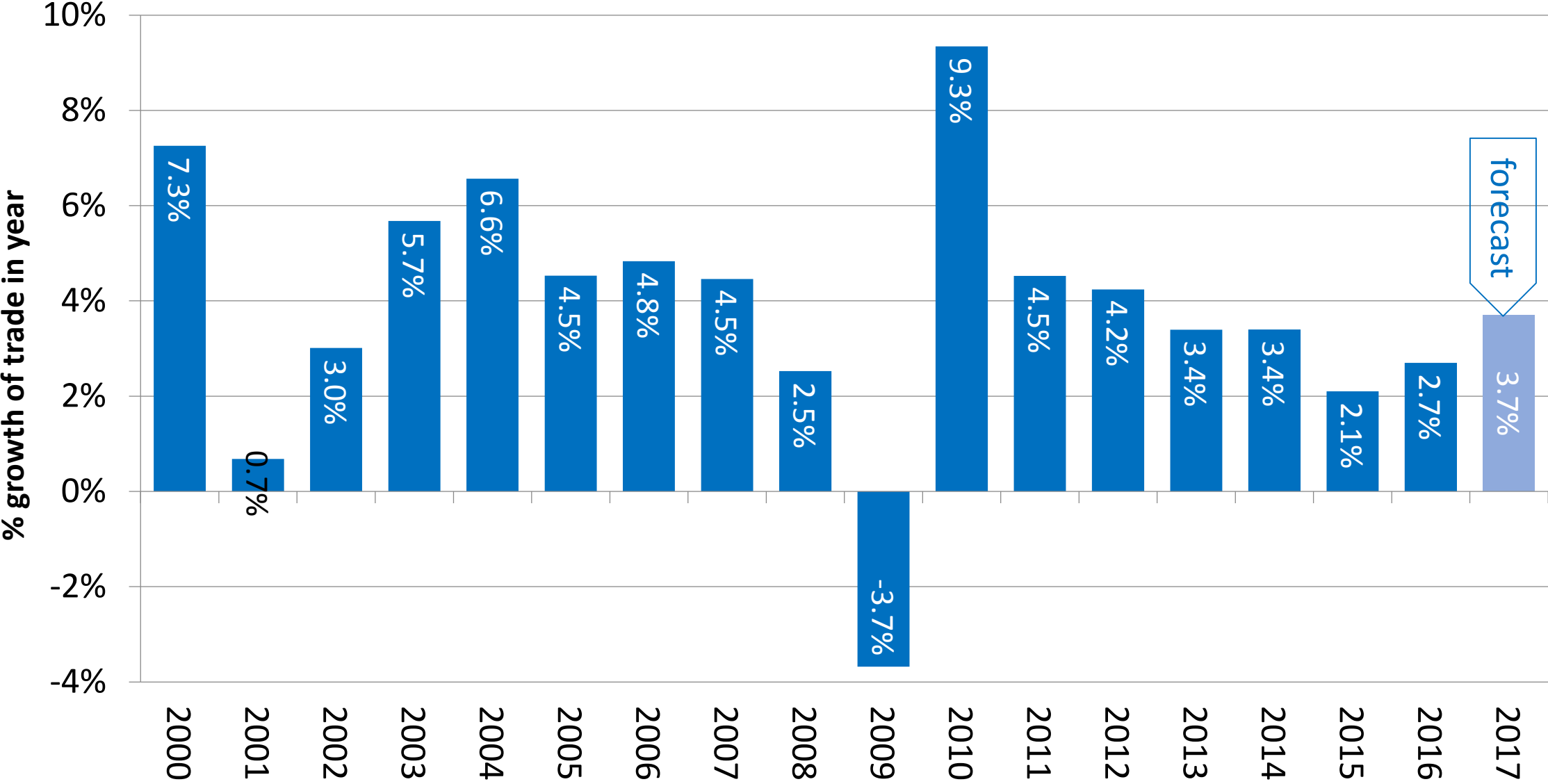


S11: China Trade – imports back on more gentle growth trend



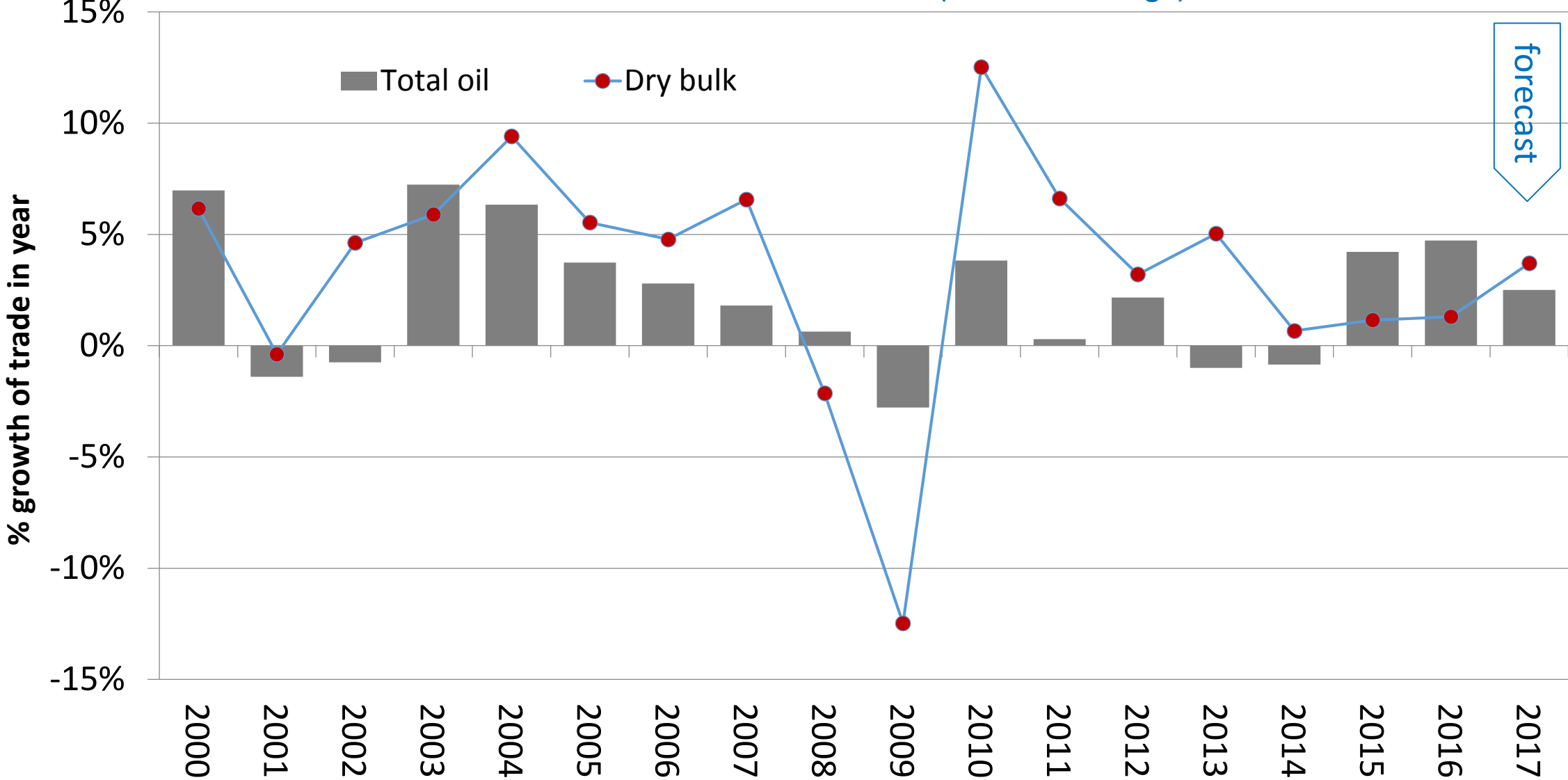
S12: Sea trade growth edges up - about 3.7% growth likely in 2017

Growth of sea trade 2000-2016 (annual % change)



S13: Oil weaker & dry cargo trades firmer in 2017

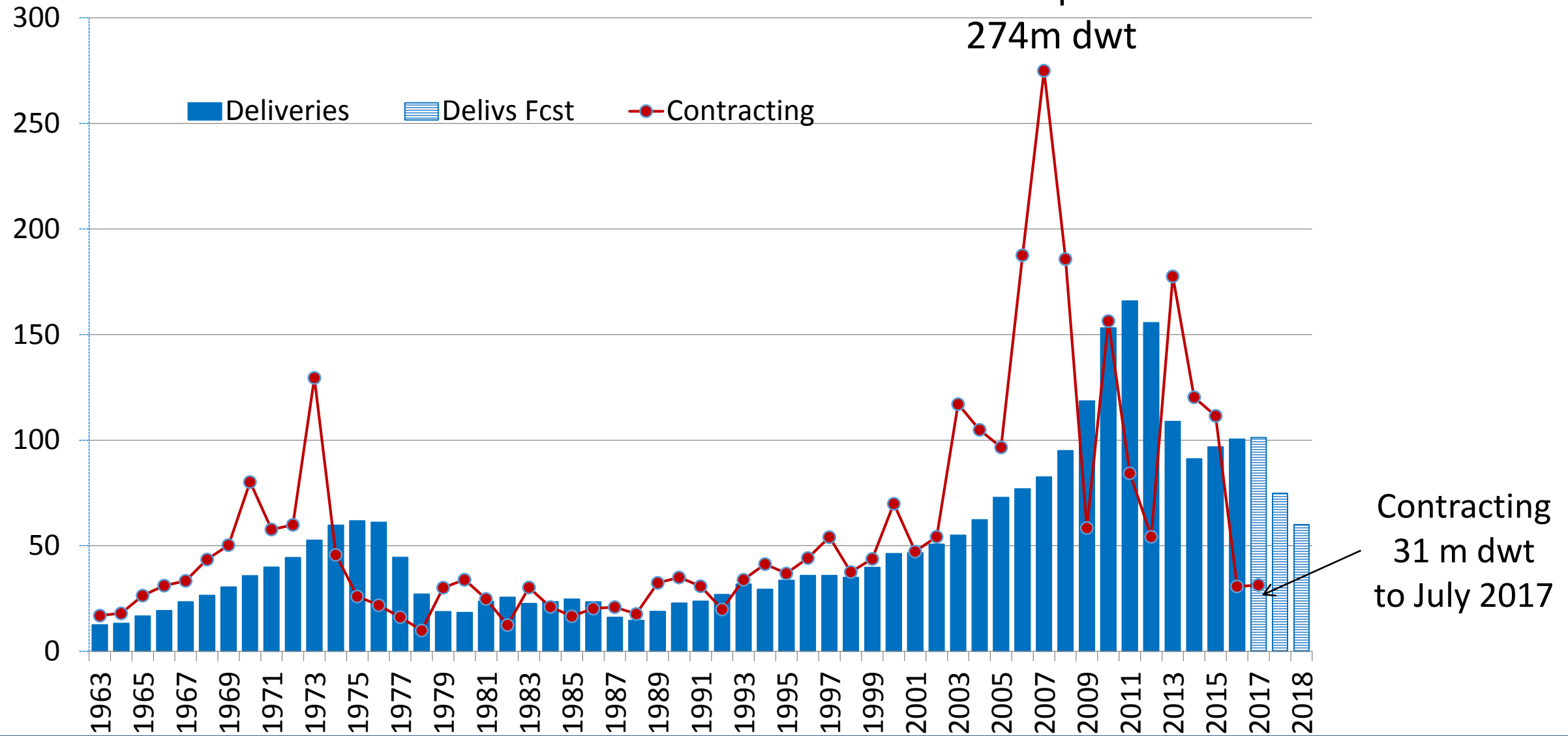
Growth of sea trade 2000-2017 (annual % change)



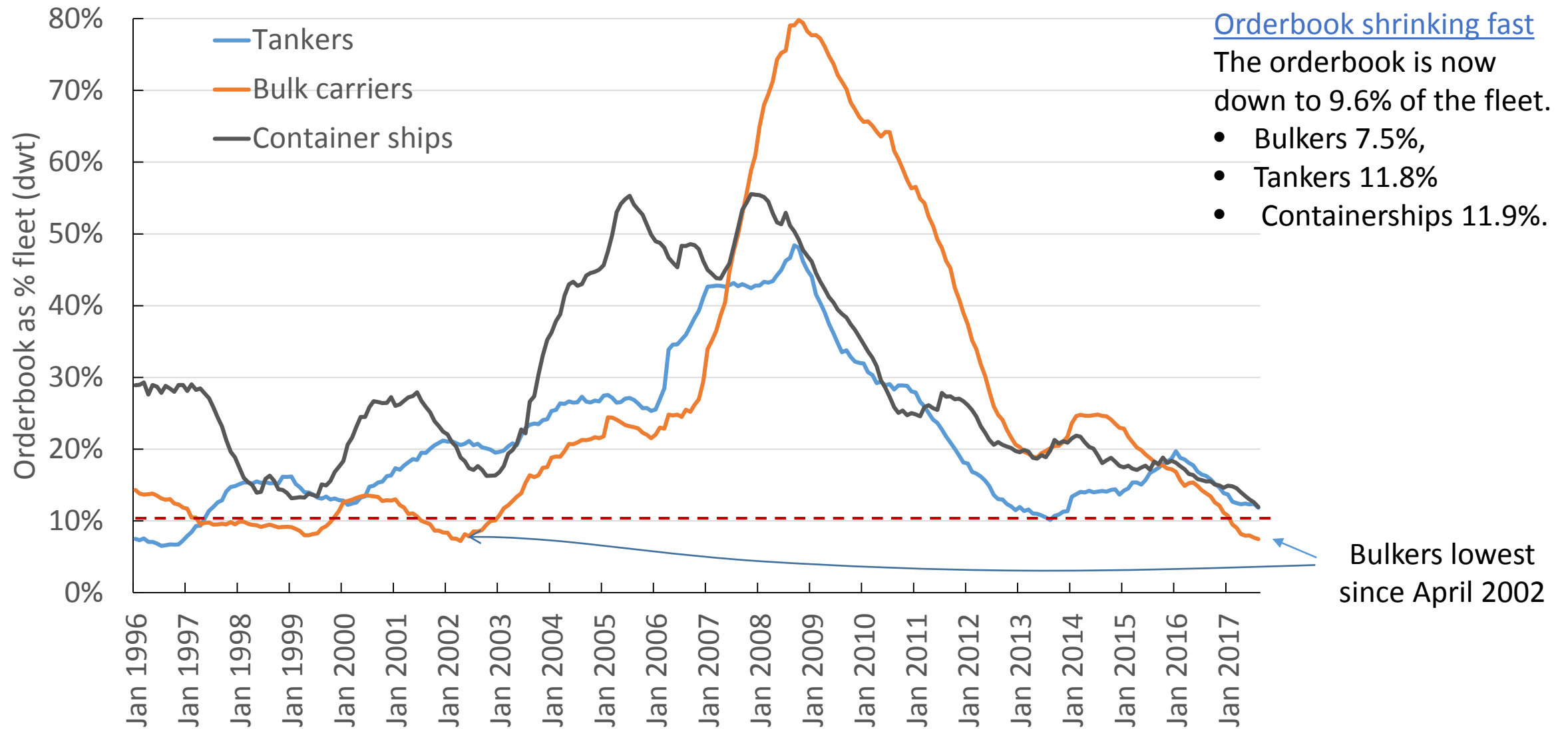
Global Shipping & Shipbuilding Markets
PART 4: THE SUPPLY SIDE OF THE MARKET

S14: Shipbuilding contracts & deliveries 1963-2017 & forecast

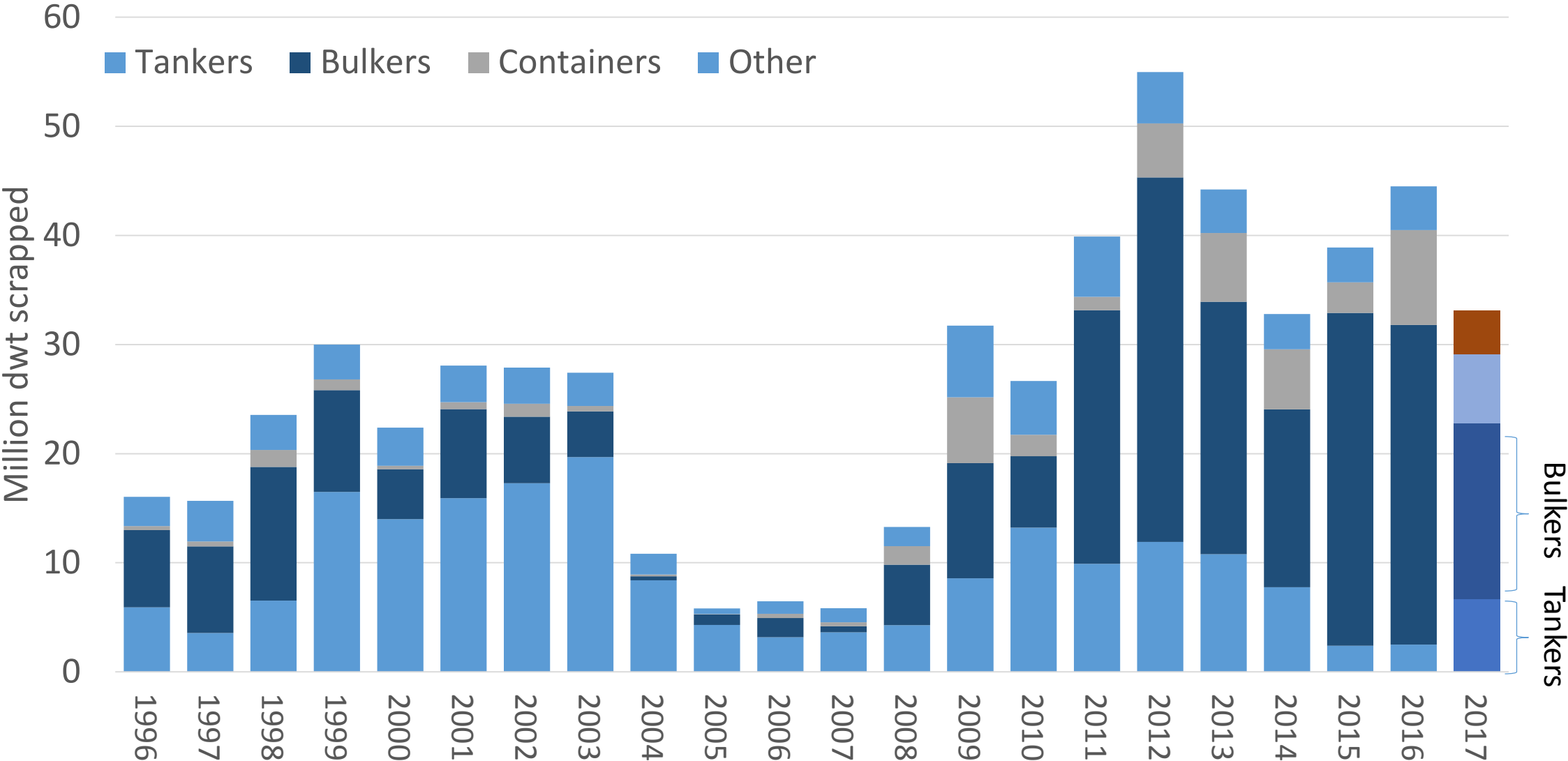
Million dwt contracts



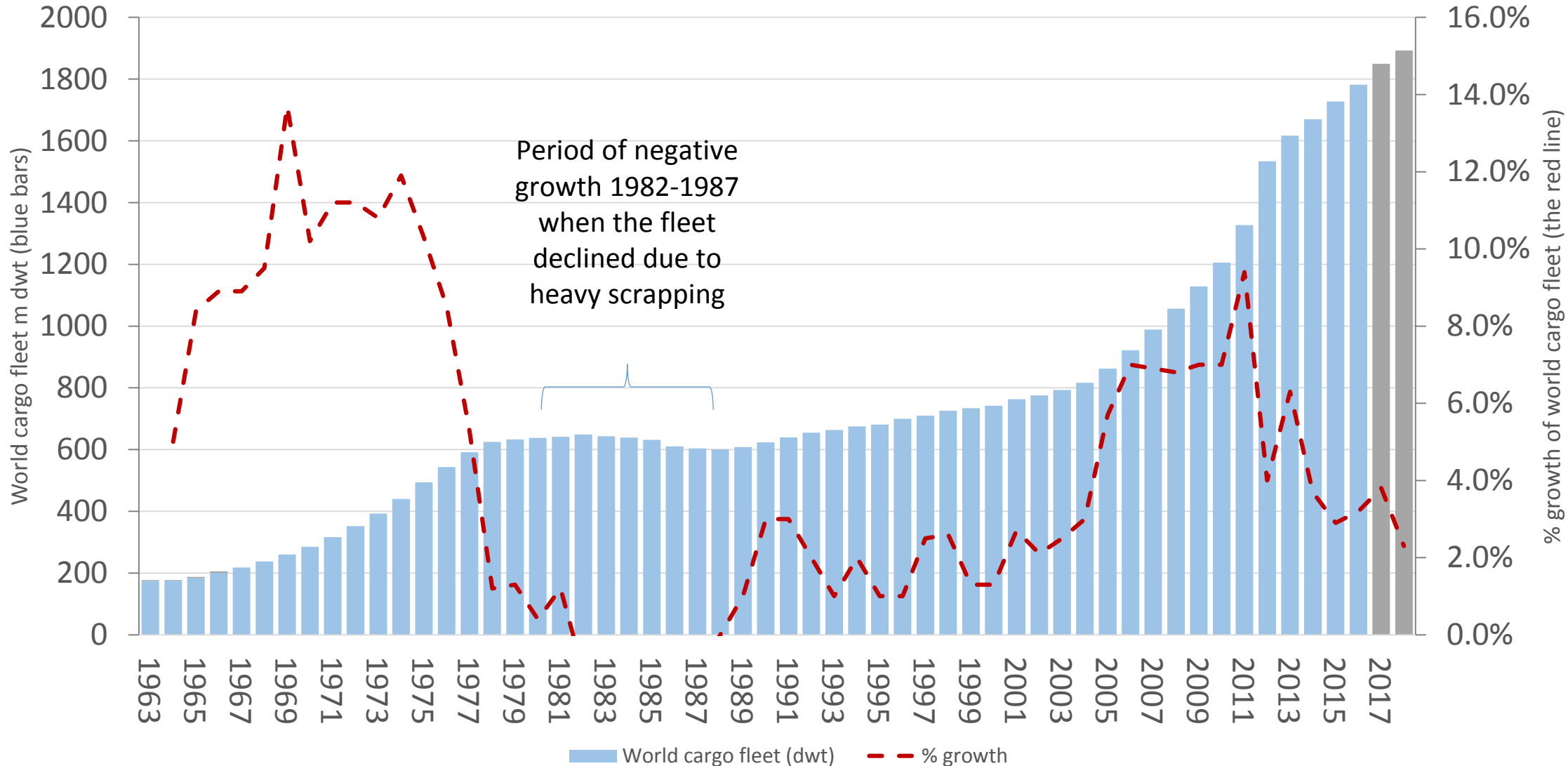
S15: Merchant Orderbook September 2017 as % Fleet



S16: Demolition about 45 m dwt pa, about 40% of 2016 deliveries

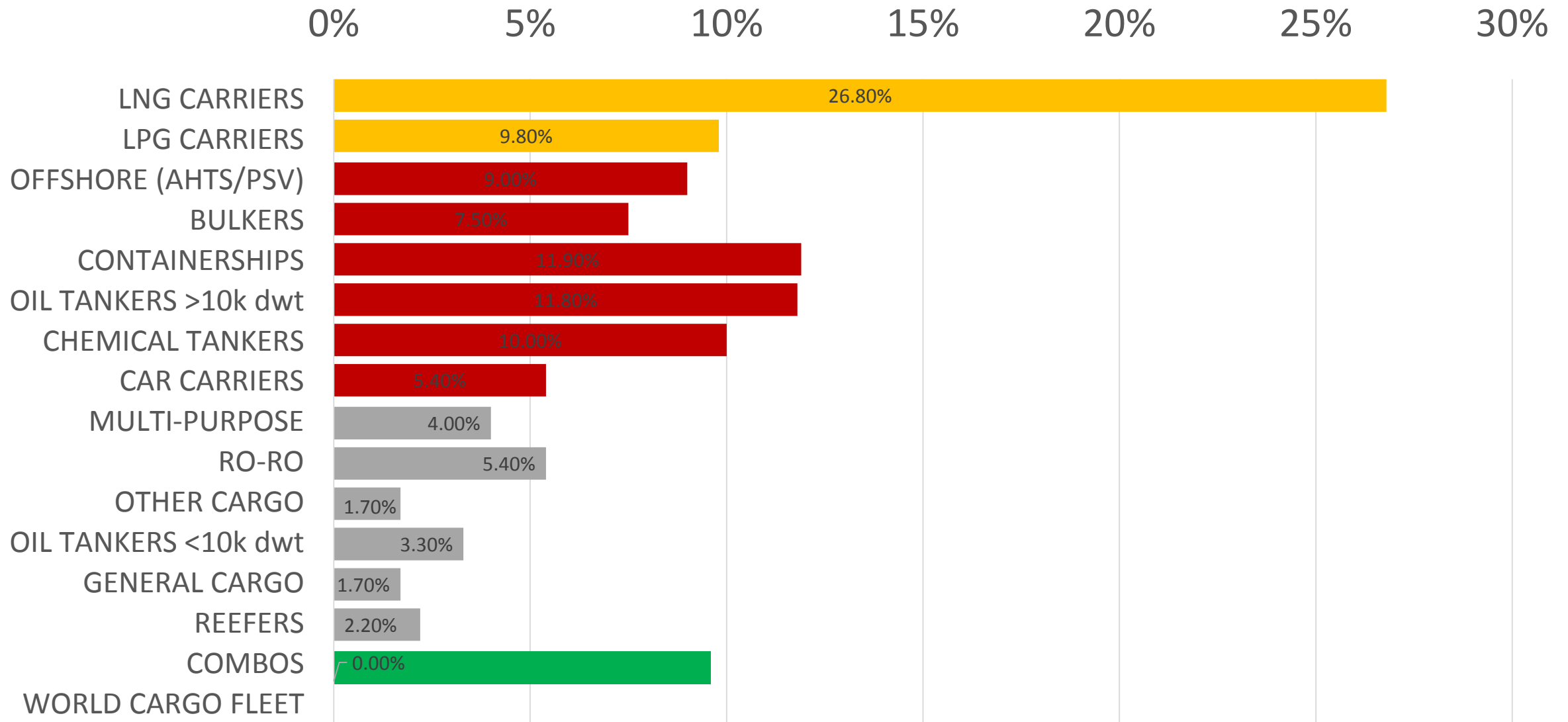


S17: World fleet – growth up 3.7% in 2017, and 2.8% pa in 2018



S18: Merchant Orderbook September 2017 by % Fleet

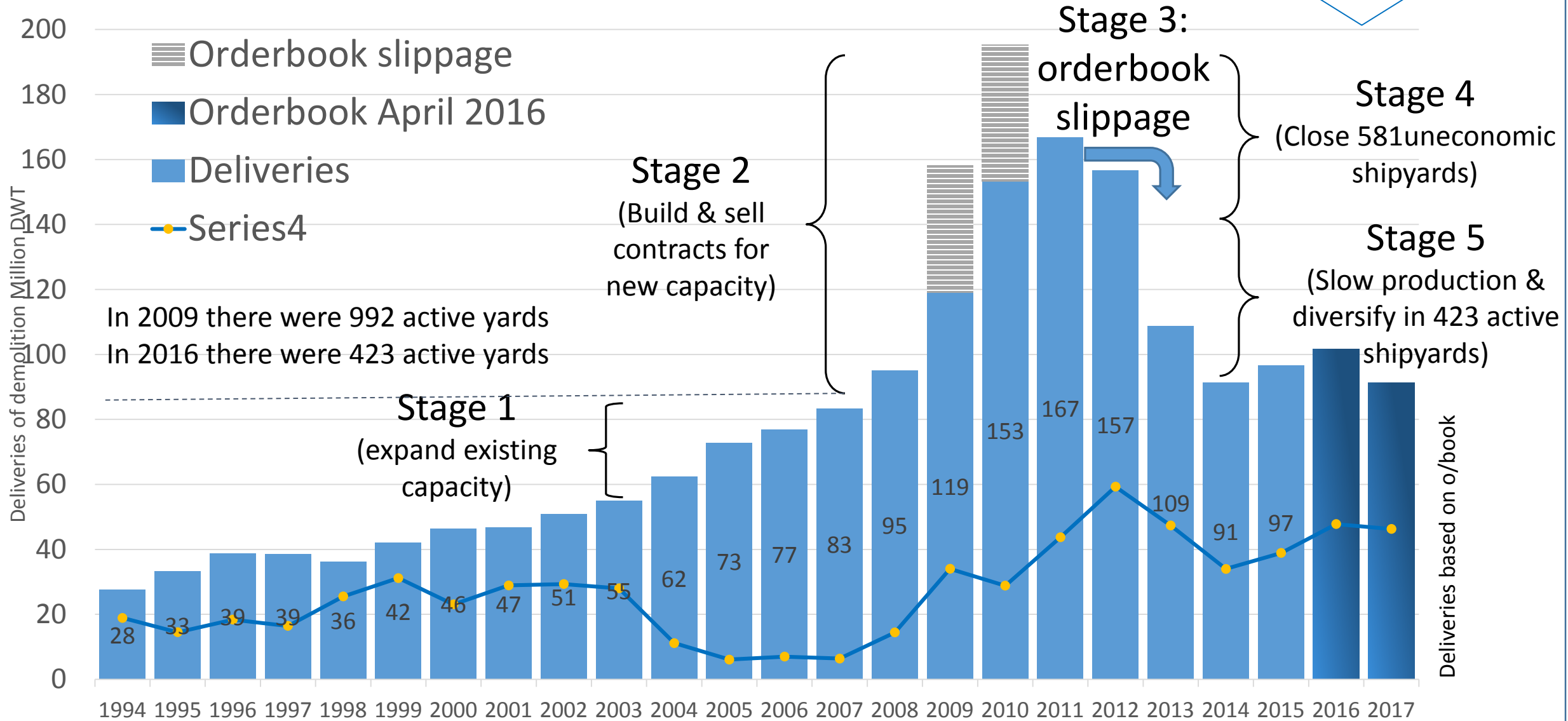
Total cargo orderbook 176 m dwt (down 25%) and average is 9.6% of fleet



Orderbook as % fleet in dwt

S19: World shipbuilding output & capacity 1994- 2017

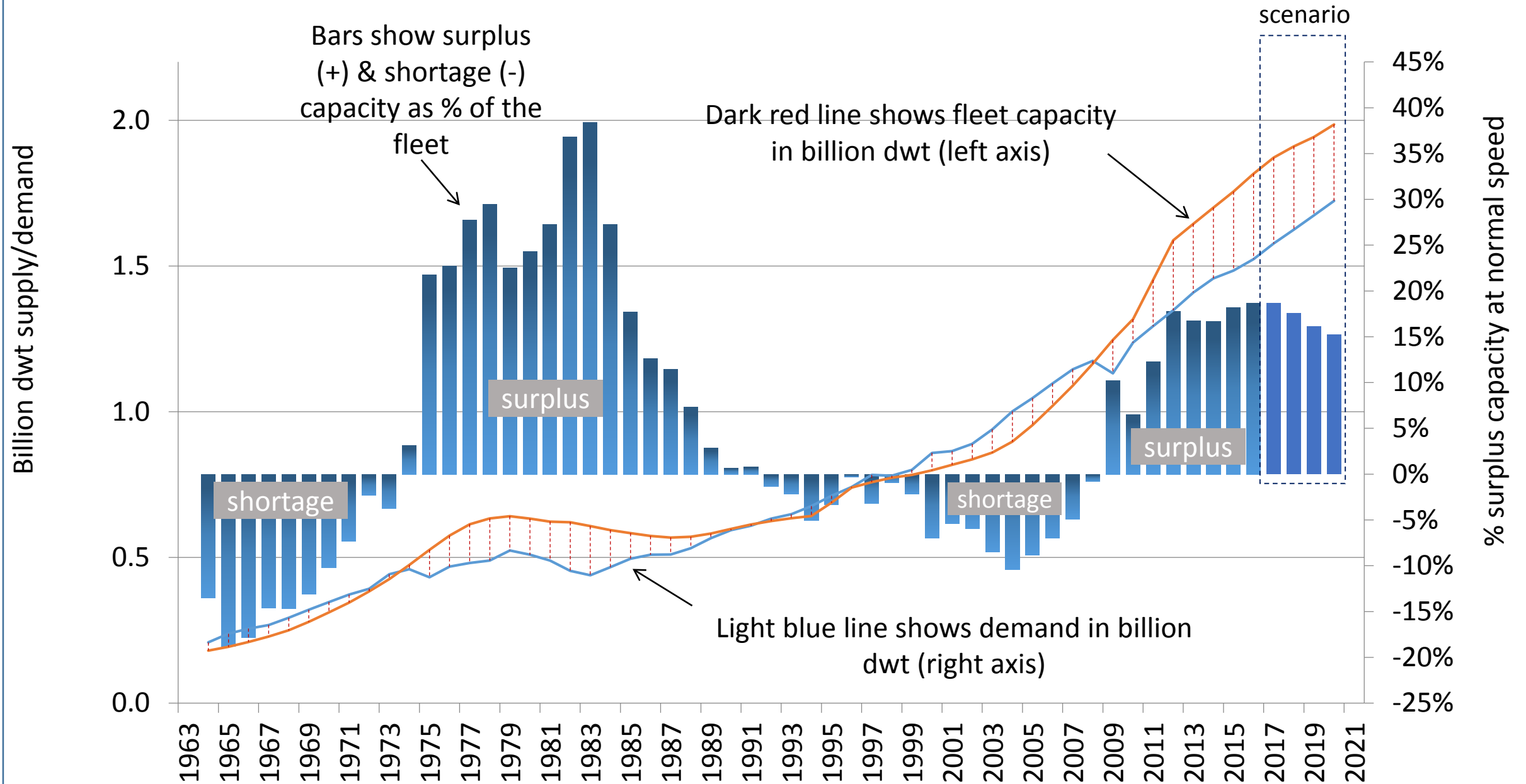
forecast



Global Shipping & Shipbuilding Markets

PART 5: THE BALANCE OF SUPPLY & DEMAND

S21: World fleet supply demand balance – surplus gradually falling



THE END

Disclaimer

“The statistical, graphical information contained in this paper are drawn from the Clarkson Research Services Limited ("CRSL") database and other sources. CRSL advises that: (i) some information in CRSL's database is derived from estimates or subjective judgments; and (ii) the information in the databases of other maritime data collection agencies may differ from the information in CRSL's database; and (iii) whilst CRSL has taken reasonable care in the compilation of the statistical and graphical information and believes it to be accurate and correct, data compilation is subject to limited audit and validation procedures and may accordingly contain errors; and (iv) CRSL, its agents, officers and employees do not accept liability for any loss suffered in consequence of reliance on such information or in any other manner; and (v) the provision of such information does not obviate any need to make appropriate further enquiries; (vi) the provision of such information is not an endorsement of any commercial policies and/or any conclusions by CRSL; and (vii) shipping is a variable and cyclical business and anyone who thinks they can forecast it needs their head examining. Where views are expressed they are in the context of this general presentation and should not be used or relied on in any other context without appropriate investigation, validation and the written permission of the author