Dr Martin Stopford
Non-executive President, Clarkson Research
Where we are in the shipping cycle today?

Dr Martin Stopford
Non-executive President, Clarkson Research
“Where are we in the shipping cycle?

COVERED IN THIS PRESENTATION

PART 1: MARKET CYCLE TODAY
PART 2: SHIP DEMAND, & WORLD ECONOMY
PART 3: SHIPBUILDING DYNAMICS
PART 4: FLEET BALANCE & UTILIZATION
PART 5: CONCLUSIONS
PART 1: THE SHIPPING MARKET CYCLE
The Shipping Cycle – Clarksea index passed $20,000/day in October

Clarksea Index monthly rate average $20,802/day, 32% over 25 year trend

25 year average $15,711/day

The Clarksea index shows the average earnings of tankers, bulkers, containerships & gas
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 2012 to Oct 2019)
- Bulk carriers are above the 7 year trend (but it was an easy target to beat)
- Tankers below trend
- Gas market now well below trend

Data to 17 Nov 2019
S8 Tanker & Bulker second hand price index – not much action

Tanker price Index  —  Dry bulk carrier index

[Graph showing price index values from 1976 to 2019, with tankers and bulk carriers data depicted over time, noting periods of less activity.]
S10 Bunker price Rotterdam $/tonne - very volatile

Supplier Sample - three parcels of LSFO Fuel Oil

<table>
<thead>
<tr>
<th>Sample</th>
<th>Sulphur (%)</th>
<th>Pour point (°C)</th>
<th>Density (kg/m³)</th>
<th>Viscosity (Cst)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sample 1</td>
<td>0.45%</td>
<td>30°</td>
<td>930</td>
<td>148.8</td>
</tr>
<tr>
<td>Sample 2</td>
<td>0.49%</td>
<td>-6°</td>
<td>988.5</td>
<td>72.5</td>
</tr>
<tr>
<td>Sample 3</td>
<td>0.45%</td>
<td>-21°</td>
<td>929.7</td>
<td>9.6</td>
</tr>
</tbody>
</table>

S10 Bunker price Rotterdam $511/tonne

Rotterdam Bunker Price $/tonne

- 380 CST Bunker price
- MGO Rotterdam
- VLSFO

VLSFO

Jan-00: 380 CST Bunker price
Jan-01: MGO Rotterdam
Jan-02: VLSFO
Jan-03: S10 Bunker price Rotterdam $511/tonne
Jan-04: Supplier Sample - three parcels of LSFO Fuel Oil
Jan-05: Sulphur (%)
Jan-06: Pour point (°C)
Jan-07: Density (kg/m³)
Jan-08: Viscosity (Cst)
Jan-09: Sample 1
Jan-10: Sample 2
Jan-11: Sample 3
Jan-12: 0.45%
Jan-13: 30°
Jan-14: 930
Jan-15: 148.8
Jan-16: 0.49%
Jan-17: -6°
Jan-18: 988.5
Jan-19: 72.5
Jan-20: 0.45%
Jan-21: -21°
Jan-22: 929.7
Jan-23: 9.6
Jan-24: $511/tonne
Jan-25: Rotterdam
PART 2: THE DEMAND SIDE OF THE MARKET
World Industrial Production 1993-2019 (to Sept 2019) slipping fast

1. US Financial Crisis
2. Asia Crisis
3. Dot.com Crisis
4. Credit Crisis

Industrial output slipping across the world – crisis looming?
2 questions on sea trade (for anyone planning to invest in new ships):

Question 1:
27% Growth since 2008. Can we sustain this growth rate?

Question 2:
37% of sea trade is fossil fuel – What will it be in 2050?
S12: Sea trade growth slowing to 2.7% in 2018, and about 1.4% in 2019

Growth of sea trade 2000-2019 (annual % change)
The world fleet, which was 988m dwt in 2007, will double to 2,000m dwt in 2020.

By end 2020, the cargo fleet will have doubled to 2 billion dwt since 2007.

Period of negative growth 1982-1987 when the fleet declined due to heavy scrapping and low ordering.
World fleet grew 3% in 2018, forecast 3.7% in 2019 & 2.6% in 2020

The cargo fleet has been growing at around 3%pa since the credit crisis.
China’s Iron ore imports expected to fall 1% in 2019 and coal not to grow. Main growth in oil (up 8%) the minor bulks (soya up about 5%). Steel products up 14% to 228 Mt. Total growth about 3%
PART 3: SHIPBUILDING DYNAMICS
Merchant Orderbook November 2019 as % Fleet – near historic low

Orderbook shrinking fast
The orderbook at end October is down to 9.2% of the fleet.
- Bulkers 10%,
- Tankers 7.9%
- Containerships 9.4%.
Shipbuilding contracts & deliveries 1963-2020 – surprisingly steady

Look how much faster contracting fell after the 1973 bubble than after the 2009 bubble

2007 peak 274m dwt

Projected deliveries fairly steady next 2 years. 2021 still quiet
S16: Demolition 31m dwt in 2018, about down to c.17 m Dwt in 2019,

This level of demolition leaves the cargo fleet growing at about 2.5% pa
PART 4: FLEET BALANCE & UTILIZATION
World ship demand sluggish – adding 30-40 million dwt demand pa growth pa

Demand M Dwt

million dwt supply/demand


scenario

blue bars show demand in million dwt)
World fleet supply demand balance – stuck with

Dark red line shows fleet capacity in million dwt (left axis)

blue bars show demand in million dwt)
S20: “Shadow” Surplus & Laid Up Tonnage

Shows “Shadow” surplus tonnage and the proportion laid up

“Shadow” Surplus – tonnage in excess of the dwt of ships needed to carry trade at full speed

“Shadow” surplus is soaked up by slow steaming today (21% fleet)

Is this “real” surplus or a new market variable?
QUICK OVERVIEW OF MAIN CONCLUSIONS

• Clarksea index $16,712/day, just above 25 year trend
• World industry cycle heading down – dangerous territory
• Sea Trade slowing too 2.7% in 2018, maybe 1.4% in 2019
• Shipyard orderbook slipped to 9.2% fleet, long term low
• Shipyards getting very hungry for 2021 workload.
• Investor sentiment uncomfortable with new technology
• However deliveries up 16% to 93 m dwt in 2019.
• Cargo fleet still growing faster than trade
• Bottom line: The supply side of the market is improving but demand is too weak for a sustained turnaround
• – so it’s “steady as she goes”.

16/12/2019
THE END
"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.
S21: World fleet supply demand balance – surplus not reducing much

Bars show surplus (+) & shortage (-) capacity as % of the fleet.

Dark red line shows fleet capacity in billion dwt (left axis).

Light blue line shows demand in billion dwt (right axis).

% surplus capacity at normal speed