



# Global Shipping Markets

## Capital Link Cyprus Shipping Forum

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[Maritime Research](#)

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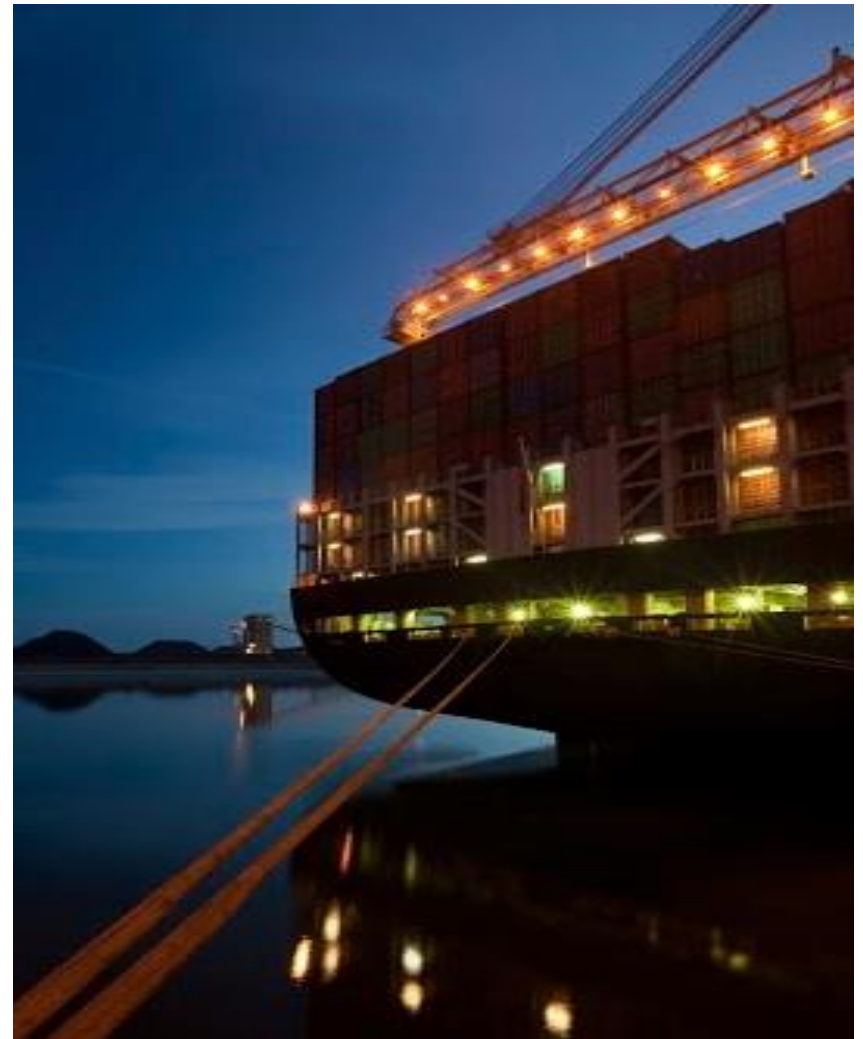
[Maritime Financial Research](#)

# Welcome to Drewry

**Drewry** is a leading provider of research and consulting services to the maritime and shipping industry. The company has unrivalled experience and expertise across all market sectors from containers and ports to tankers and dry bulk.

From our origins in 1970 in London to a 21st century maritime and shipping consultancy, **Drewry** has established itself as one of the most widely used and respected sources of impartial market insight and industry analysis. This in-depth understanding and objectivity provides our clients with actionable advice and recommendations they need to achieve their ambitions and stay ahead of the market.

We provide our services through four business units: **Drewry Maritime Advisors** supports the needs of shipping and financial institutions; **Drewry Supply Chain Advisors** provides sea freight procurement support to retailers and manufacturers; **Drewry Maritime Research** publishes market-leading research on every key maritime sector; and **Drewry Maritime Financial Research** delivers investment research services on listed companies operating in the industry.



# Our four Business Units

## Maritime Research



Our research provides robust analysis and balanced opinion for those within shipping, finance and logistics who need to make informed business decisions. The range of titles and reports we publish keeps our clients up to date on every key maritime sector, from dry bulk to chemicals and from LPG to ferries, with detailed analysis and insightful commentaries on past, present and future sector performance.

## Maritime Advisors



Our Maritime Advisors offer a wealth of experience across maritime sectors and lead the industry in their respective areas of specialisation. Our sector expertise covers ports, bulk shipping, liner shipping, shipyards, ferry and RoRo, and technical ship management. Our combination of deep sector understanding, technical expertise and market-leading insight increases our confidence in our actions and ability to deliver the right results for our clients.

## Supply Chain Advisors



We focus on advising users of international multi-modal transport services, taking our extensive understanding of the industry and applying it to all stages of the supply chain. Through our supply chain research catalogue and industry knowledge, we offer a range of procurement support services that empower importers and exporters. Our services provide them with the tools, resources and tailored advice they need to more effectively manage their transport service provider and international supply chains.

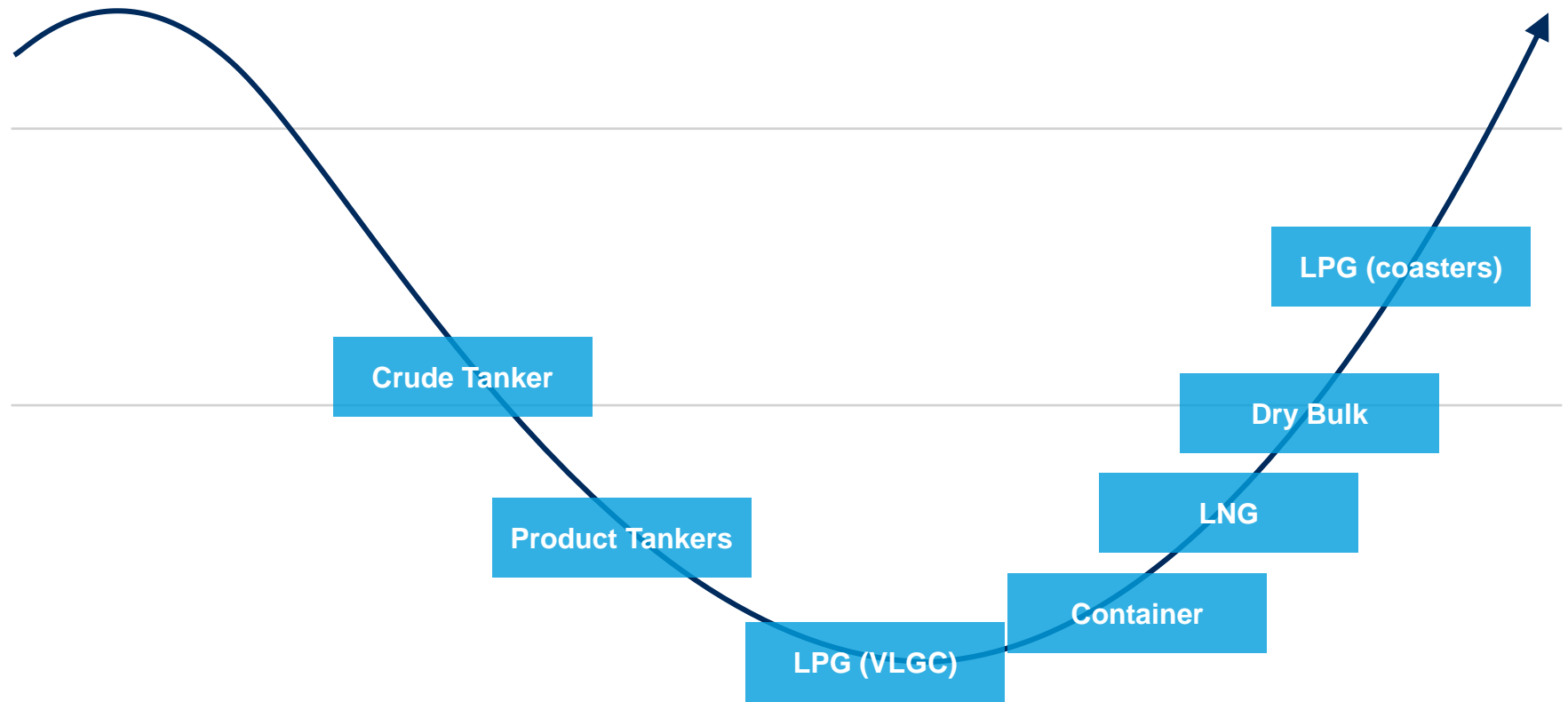
## Maritime Financial Research



Combining our market-leading resources with seasoned sector expertise and commercial awareness, we are now able to offer highly differentiated and comprehensive investment research service to prospective investors in publically listed maritime and shipping companies. Our services cover a range of report formats, supporting resources and sector-orientated webinars aimed at providing our clients with a complete picture of the organisations under our coverage.

# Cyclicality in shipping sectors

Recovery in LPG, Dry Bulk to continue



Source: Drewry research

# Dry bulk shipping

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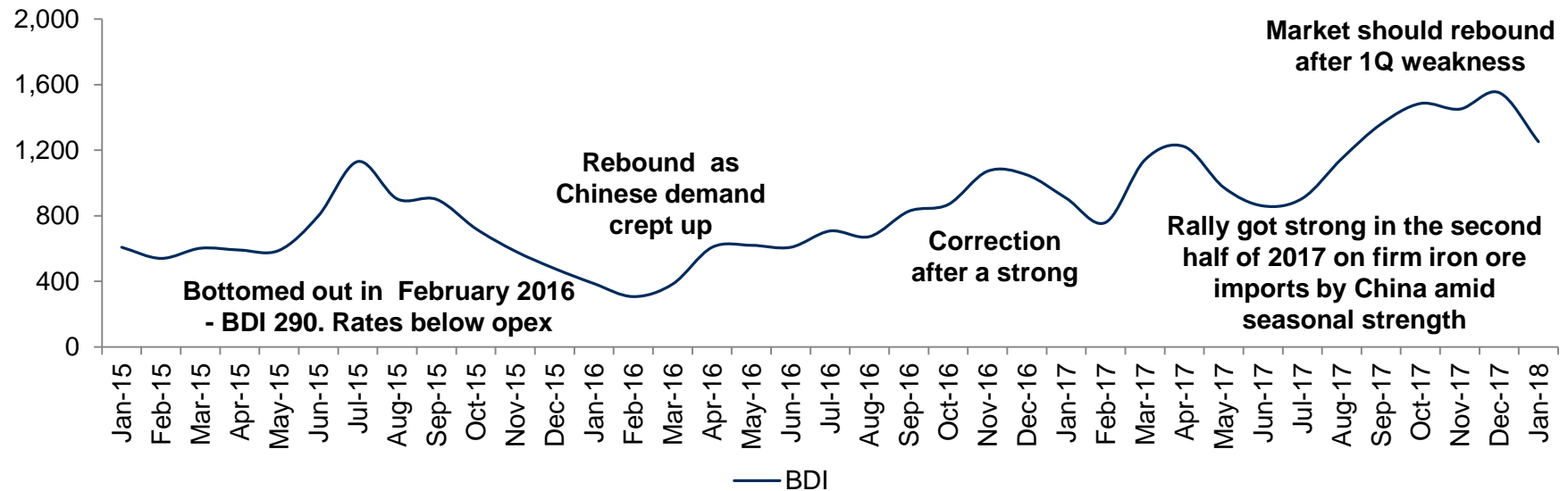
## Container shipping

## Crude tankers

# Dry bulk shipping

## Fragile recovery

Baltic dry Index (BDI)



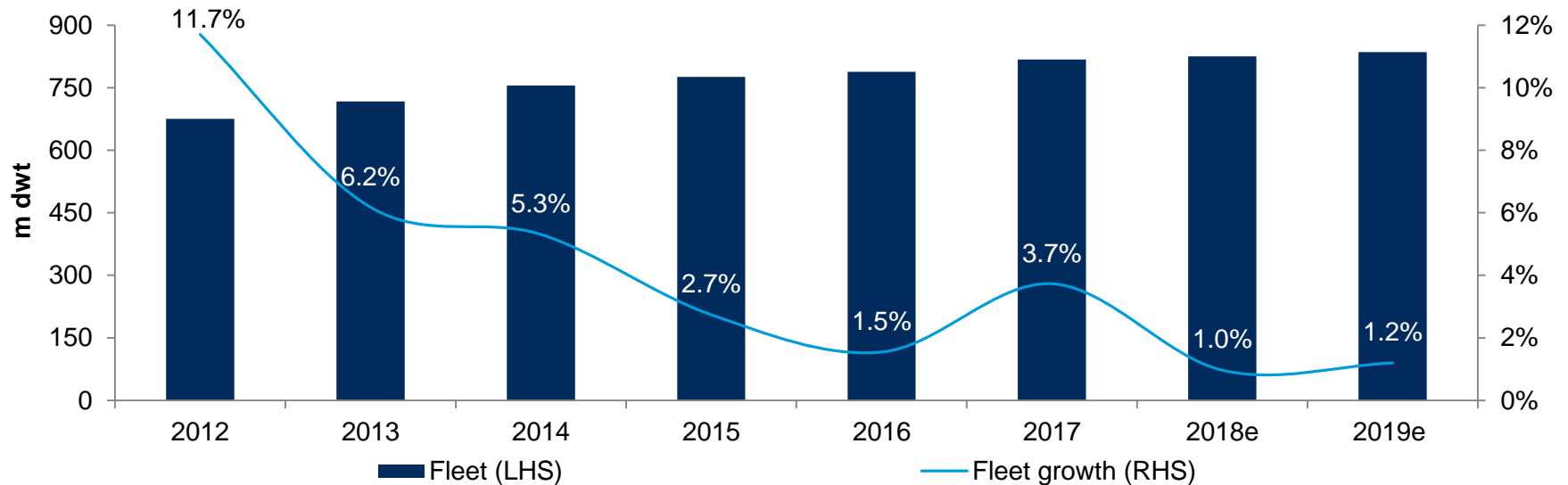
Source: Bloomberg, Drewry research. Based on monthly average

- Strong recovery following the dip in 2016
- Recovery sputters as China cuts steel production in winter
- Demand expected to pickup after the 1st quarter

# Dry bulk shipping

## Benign fleet growth in 2018 and 2019

### Dry bulk fleet growth



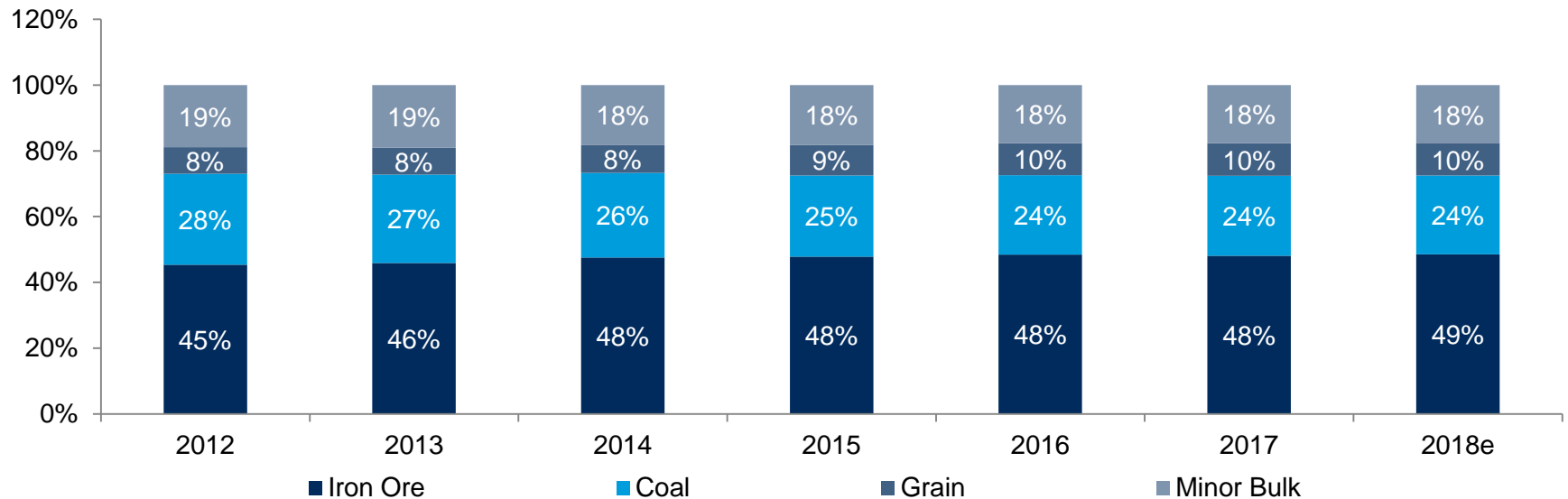
Source: Bloomberg, Drewry research

- Dry bulk fleet growth of 1% compared to 3.7% in 2017
- We forecast 23m dwt actual fleet growth in 2018 (adjusting for slippage)
- Orderbook stands at 9.9% of the current fleet

# Dry bulk shipping

## Drybulk shipping demand – iron ore remains the mainstay

Dry bulk tonne-mile demand by commodity



Source: Drewry research

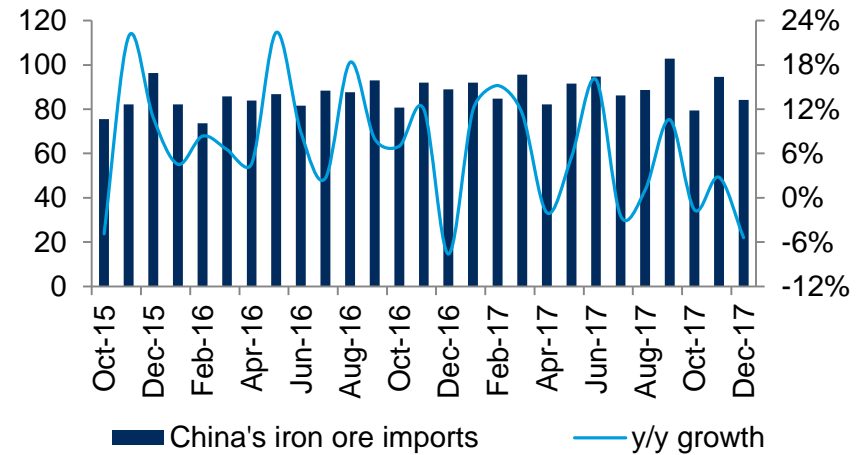
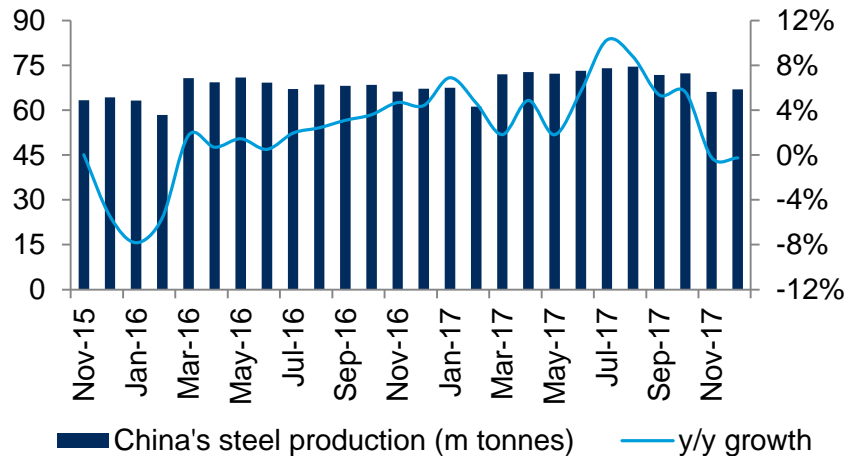
- Iron ore main tonne mile demand driver with share increasing to 49%
- Coal share declined to 24%
- Minor bulk and grain trade steady



# Dry bulk shipping

## China's iron-ore imports to moderate

Chinese steel production and iron-ore imports to be lower in 2018



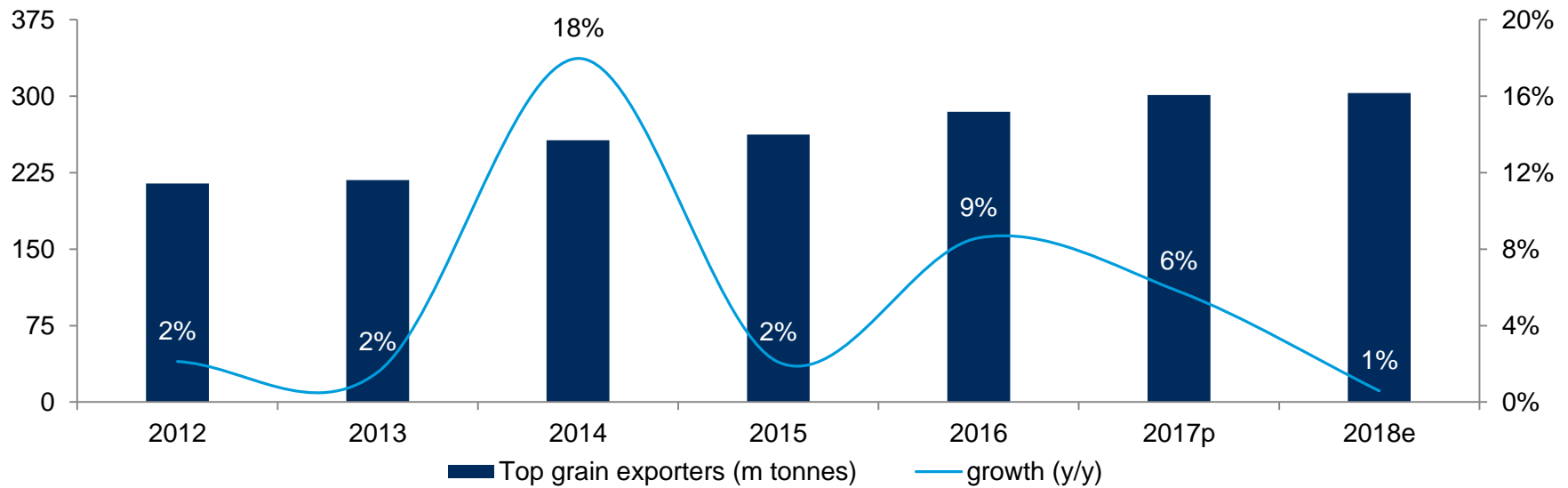
Source: Bloomberg, Drewry research

- 28 cities accounting for 30% of China's steel production offline from November'17 to March'18.
- This reduction is likely to result in 3-4% iron ore import growth in 2018, down from 6% import growth in 2017.
- China iron ore imports flatten

# Dry bulk shipping

## Grain trade growth expected to slow in 2018

Higher grain exports to support smaller vessels



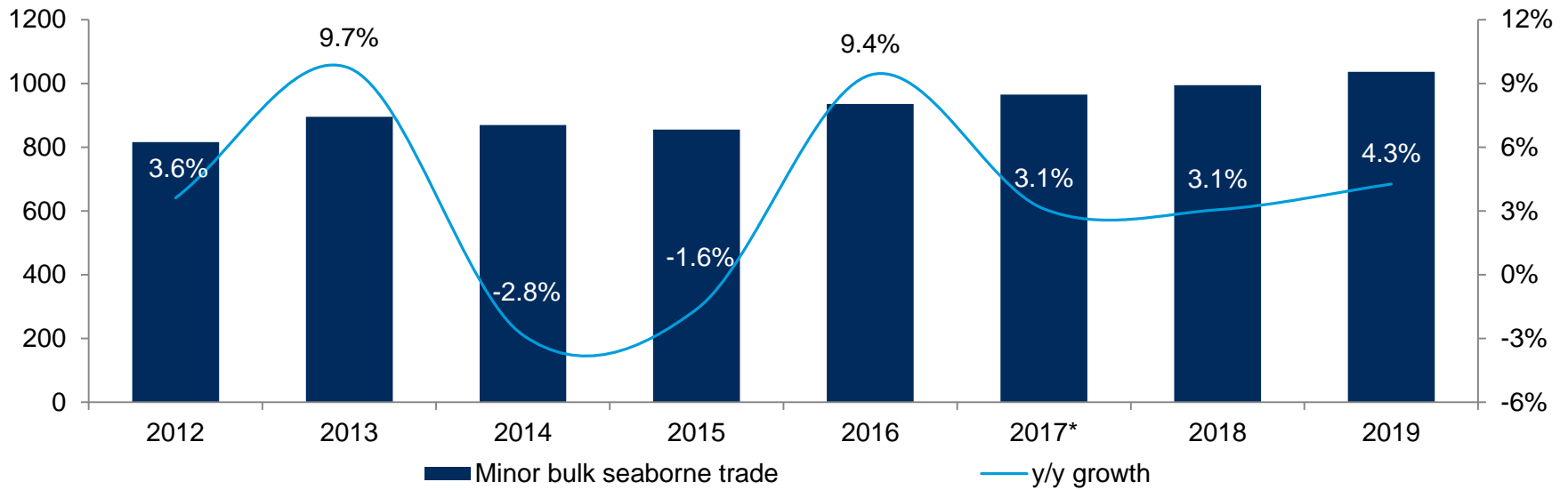
Source: Bloomberg, Drewry research

- Over the last two years, Asia and the Middle East drove strong growth in grain trade
- Grain trade growth expected to moderate in 2018

# Dry bulk shipping

## Minor bulk trade to remain firm in 2018/19

Growth in minor bulk trade to be steady



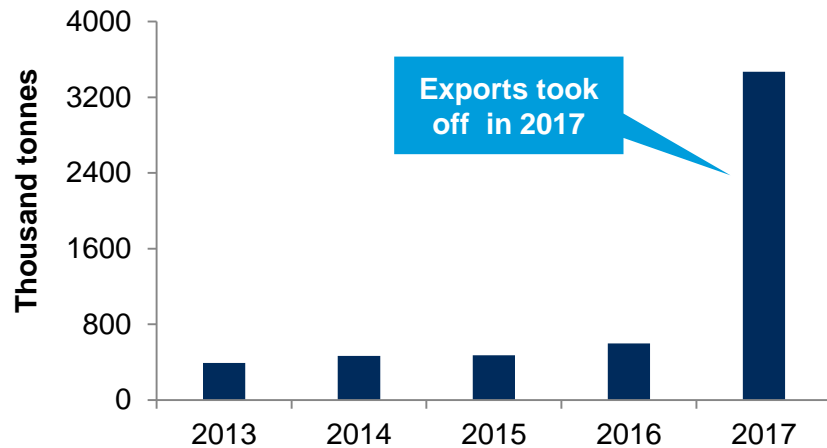
Source: Bloomberg, Drewry research

- Growth in Soybean, Bauxite, Nickel etc trade to support small bulk segment
- Increased long haul trades for minor bulk commodities such as US/ China, Brazil/ China, Guinea/ China

# Dry bulk shipping

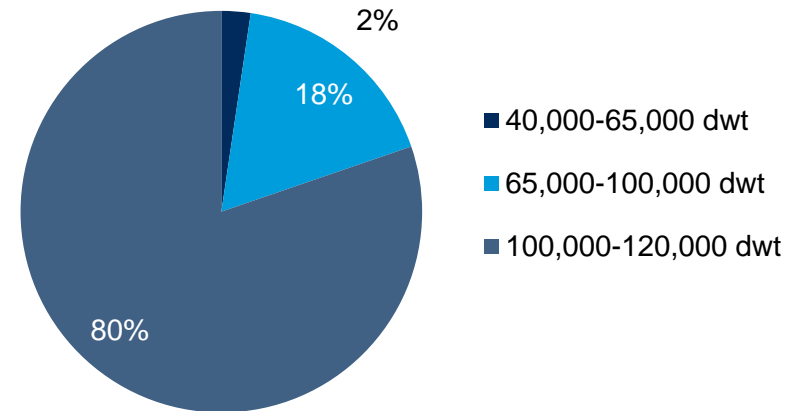
## Spodumene trade

### Australia's spodumene exports



Source: GTIS, Drewry research

### Share of vessel (in dwt) in port headland's spodumene export

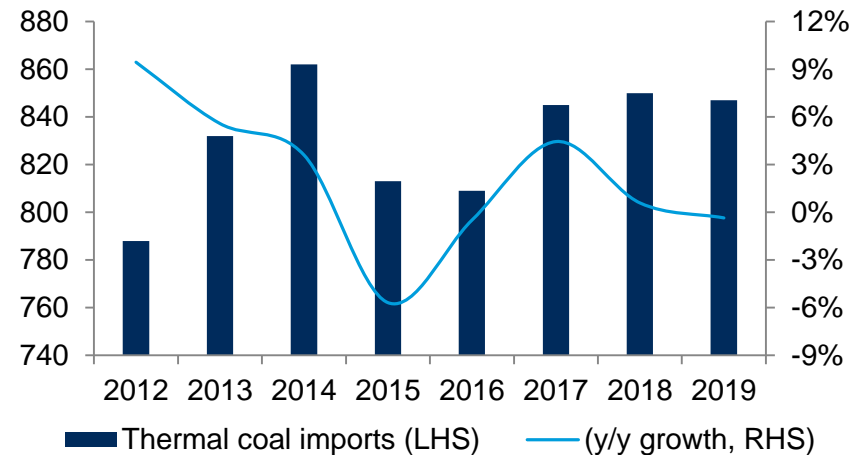
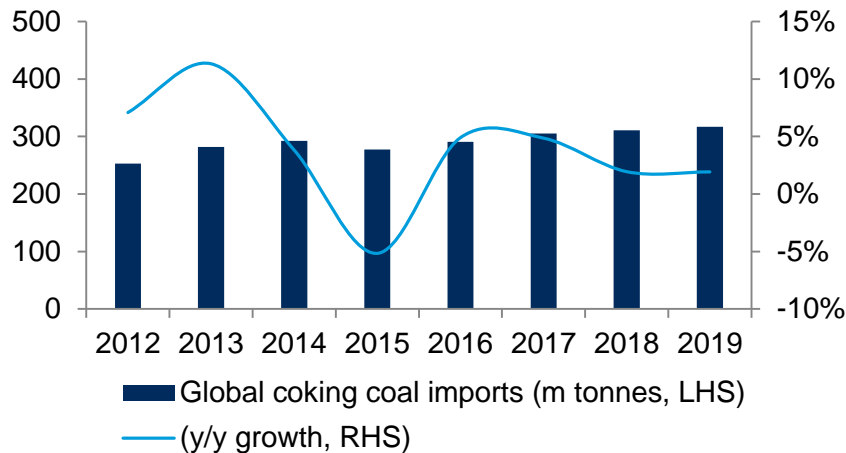


- Sixfold increase in Australian Spodumene exports
- Spodumene used for producing Lithium batteries
- China aims to manufacture 2 million electrical vehicles by 2020

# Dry bulk shipping

## Coal trade to moderate on lower import growth by Asian countries

Global coal imports



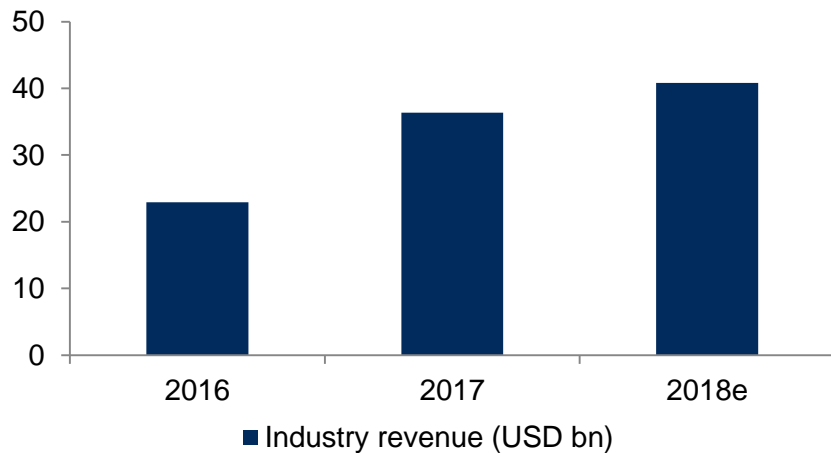
Source: Bloomberg, Drewry research

- Thermal coal imports trade expected to moderate
- Switch to renewables and LNG
- Increased domestic production in India

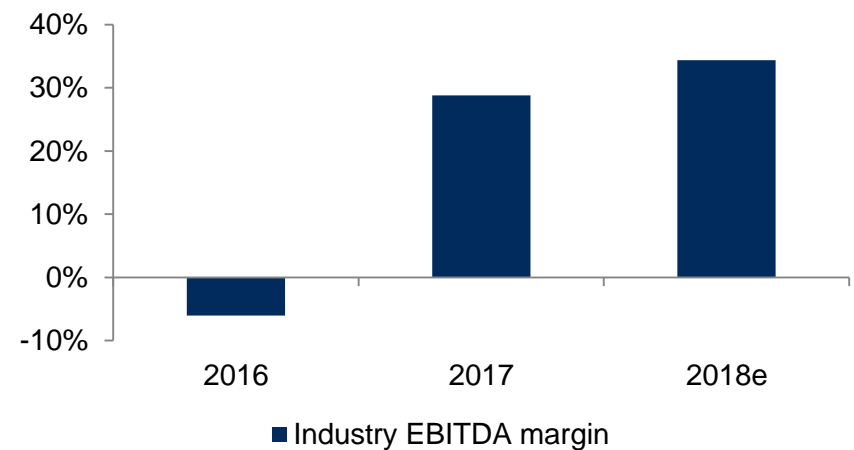
# Dry bulk shipping

## Industry profitability to increase

Revenue to increase but at lower pace than in 2017



Profitability to enhance further in 2018



Source: Bloomberg, Drewry research

- Industry EBITDA expected to increase from 30% in 2017 to 35% in 2018
- Smaller vessels to benefit from higher utilization

**Dry bulk shipping**

**Container shipping**

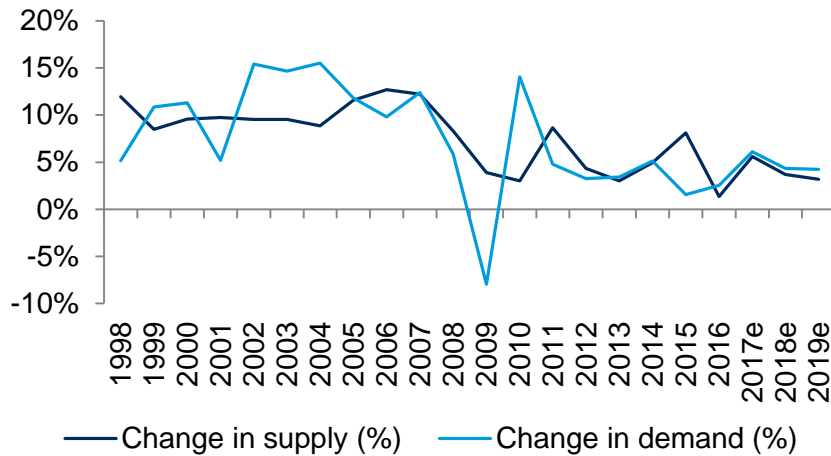
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**Crude tankers**

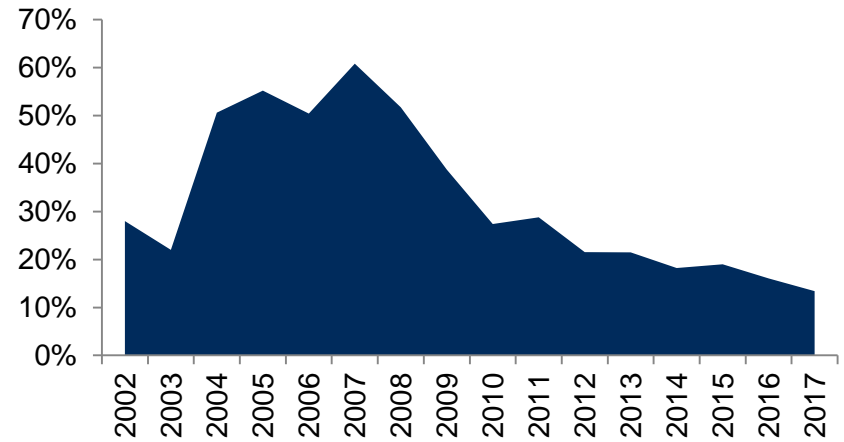
# Container shipping

## Orderbook to fleet ratio at historical low

### Supply-demand gap has narrowed



### Order book-to-fleet at historical lows



Source: Drewry research

- Supply to marginally exceed demand growth
- Orderbook at a record low of 13.4%
- Front-loaded delivery schedule to dampen near term rate increases



# Container shipping

## Capacity growth skewed to larger vessel sizes

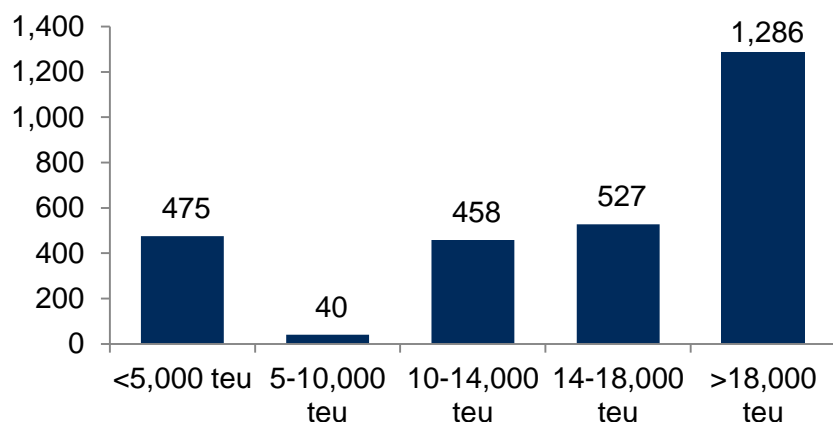
- 5.6% fleet growth in 2018
- Capacity skewed to >10k TEU
- Number of vessels greatest in <5k TEU

### Adjusted global containership orderbook ('000 teu)

	2015	2016	2017	2018F	2019F	2020F
Scheduled delivery*	1,889	1,321	1,540	1,965	1,450	1,279
Less slippage	171	432	303	491	290	128
Less cancellations	0	0	0	0	0	0
<b>Delivery Total</b>	<b>1,718</b>	<b>889</b>	<b>1,237</b>	<b>1,474</b>	<b>1,160</b>	<b>1,151</b>
Scrapping	193	654	400	315	340	430
Total global fleet	19,735	19,970	20,807	21,966	22,786	23,507
% orderbook delivered	90.9%	67.3%	80.3%	75.0%	80.0%	90.0%
<b>Fleet growth</b>	<b>8.4%</b>	<b>1.2%</b>	<b>4.2%</b>	<b>5.6%</b>	<b>3.7%</b>	<b>3.2%</b>
<b>Future orders</b>			<b>0</b>	<b>50</b>	<b>500</b>	<b>500</b>

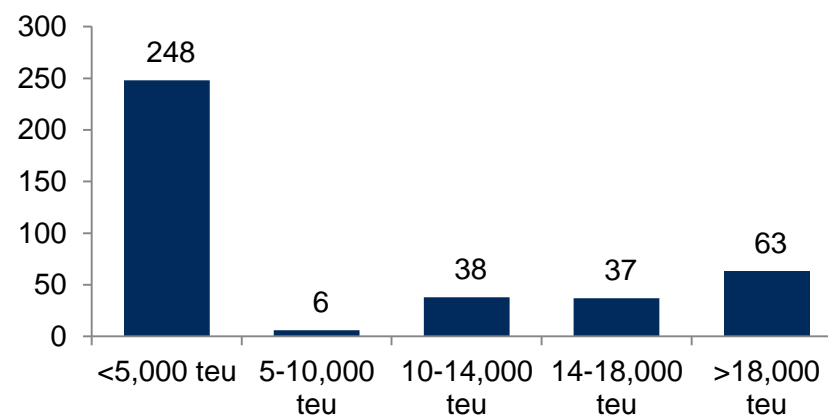
Source: Drewry research, Data as of 1 Oct 2017

### Containership deliveries by size ('000 teu)



Source: Drewry research, Data as of 1 Jan, 2018

### Containership deliveries by no of vessels

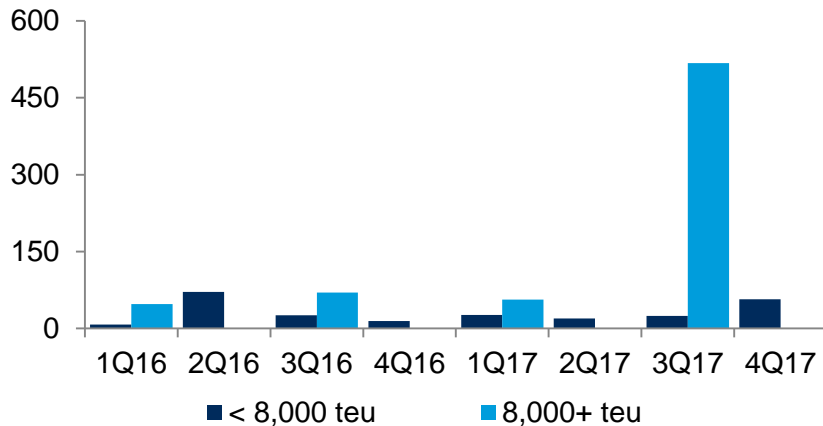


Source: Drewry research, Data as of 1 Jan, 2018

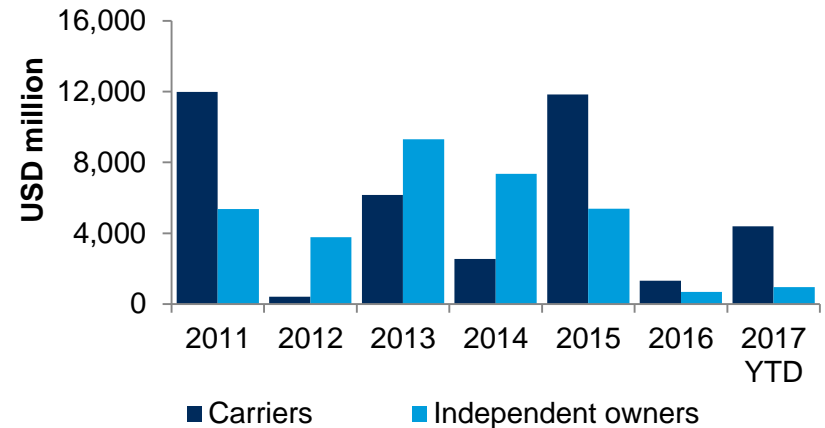
# Container shipping

## Carriers make significant investments in newbuildings

Recent orders by vessel size ('000 teu)



Industry investment in new builds (USD million)



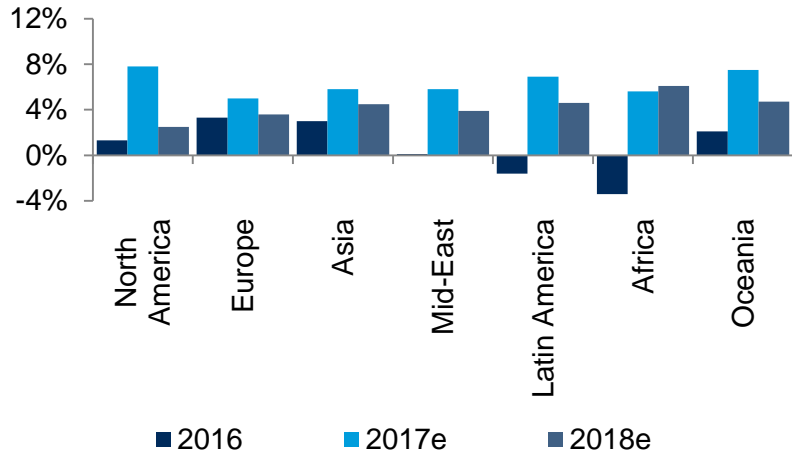
Source: Drewry research, Various  
\* 2017 data to Nov 2017

- 3rd quarter 2017 most profitable for the liner industry in the past seven years. All major carriers barring HMM posted a profit.
- Profits ploughed back into new vessel orders
- Orders predominantly in the ultra large vessel segment
- Most recent orders are from carriers rather than independent owners

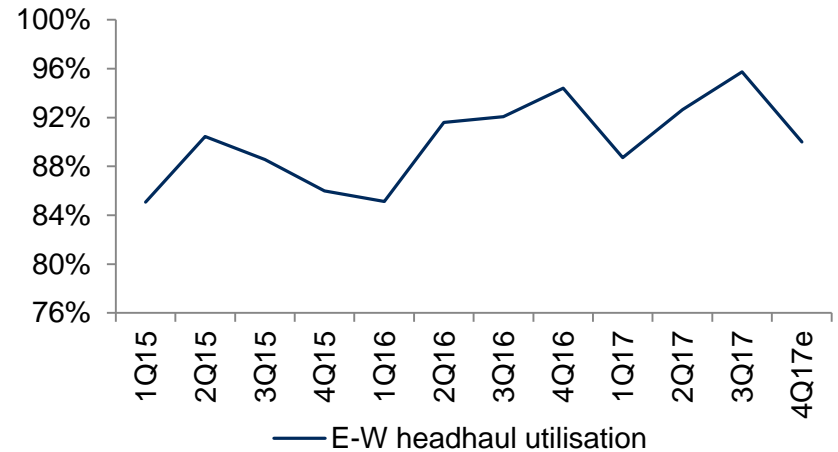
# Container shipping

## Load factors and port throughput should remain healthy

Port throughput growth is expected to be positive on all trade lanes



Load factor on East-West trade remains at comfortable level



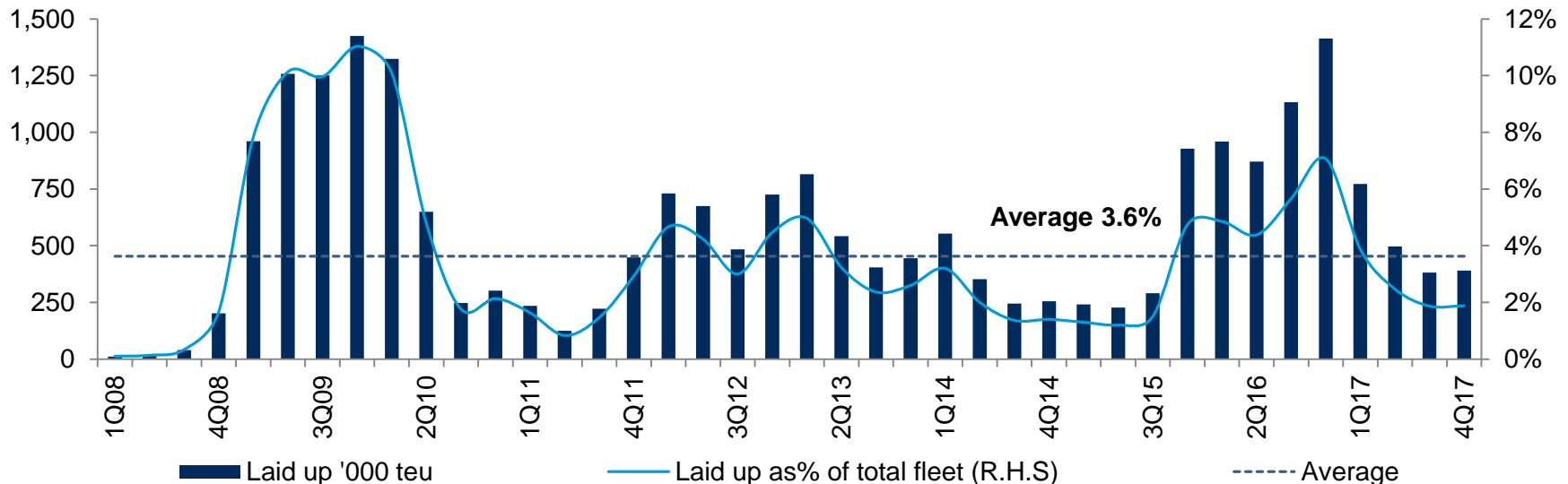
Source: Drewry research

- Port throughput grew 6% or 42m TEU in 2017
- Growth expected to moderate in 2018
- East-West head-haul ship utilization continuing upward trend

# Container shipping

## Fewer idle vessels indicate buoyancy in demand

Lower than average idle fleet



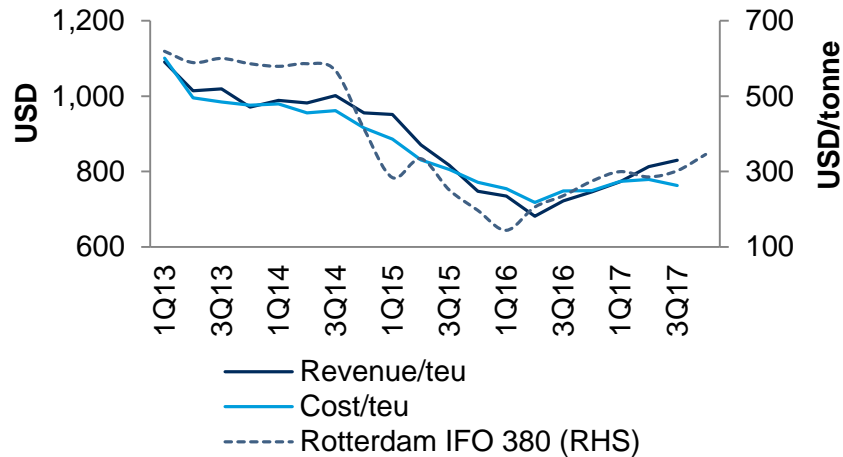
Source: Drewry research

- Idle fleet down from 1.4m TEU after Hanjin to 500,000 TEU today
- 54 idle ships reactivated from September to December 2017
- Reactivated ships mainly deployed on short term charter and so could find their way back to the idle vessel list if demand growth stagnates

# Container shipping

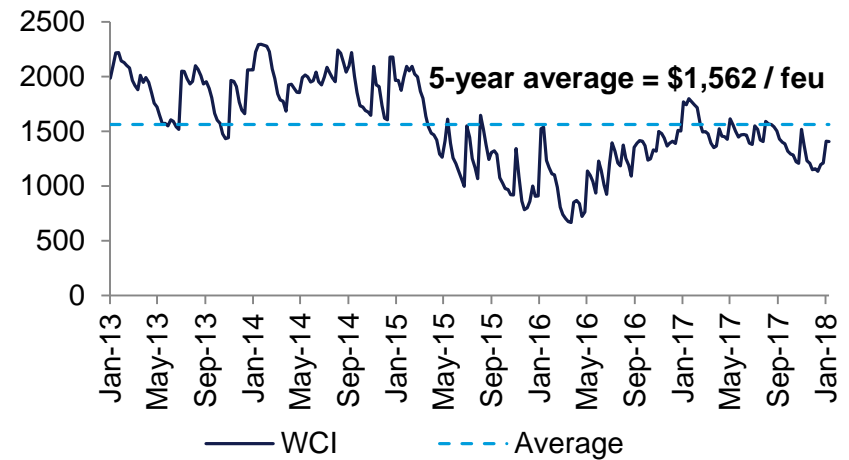
However, the risk of another price war remains...

Estimated industry freight rates, unit costs (USD)



Source: Drewry research

WCI spot rates assessed by Drewry (USD / 40ft container)



Source: WCI spot rates (assessed by Drewry), Drewry research

- Revenue increases may lag bunker price increases
- World Container Index (WCI) below 5 year average despite high utilization
- More consolidation needed

**Dry bulk shipping**

**Container shipping**

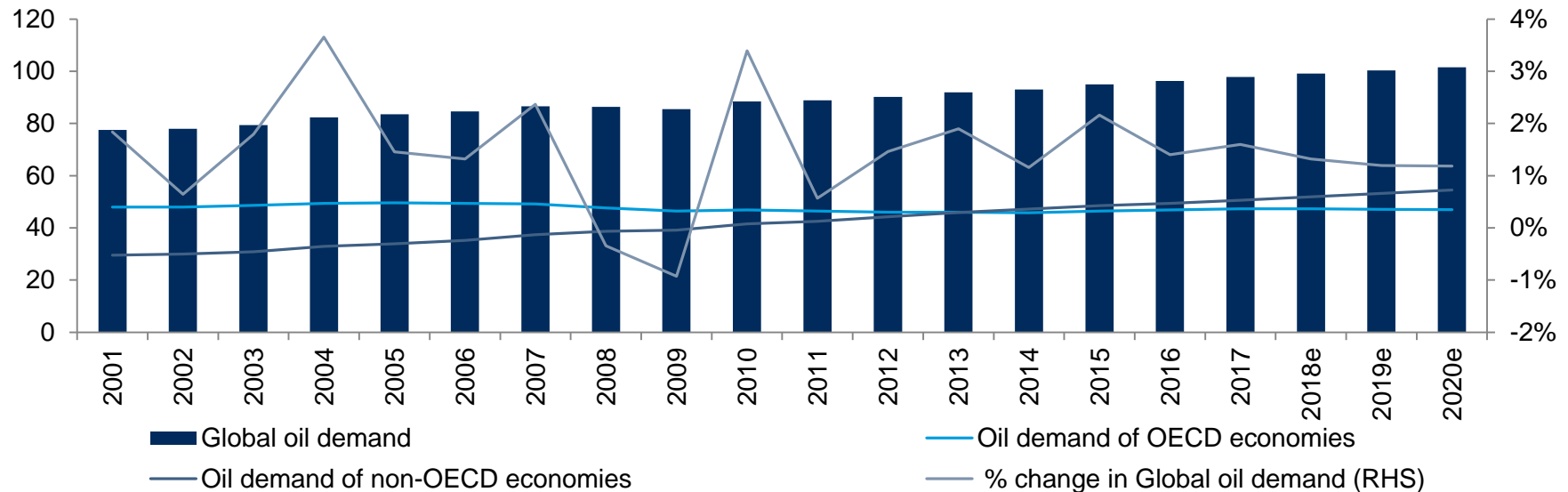
**Crude tankers**

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# Crude Tankers

## Asian countries to drive global crude oil demand

Global crude oil demand (mbpd)



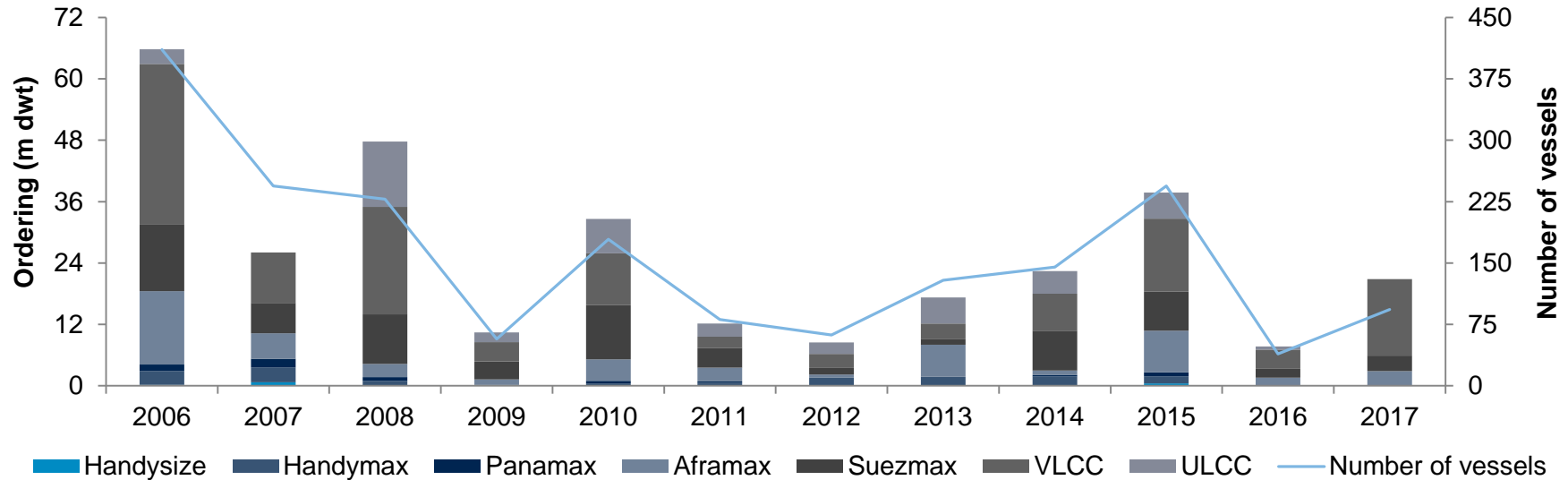
Source: Bloomberg, Drewry research

- Consumption expected to grow 1.3 mbpd in 2018
- Upcoming Asian refineries expected to drive tonne mile demand growth
- Contango and resumption of stocking activity can boost vessel demand

# Crude Tankers

## Increased ordering activity

Increased ordering activity could prolong an already weak tanker market



Source: Drewry research

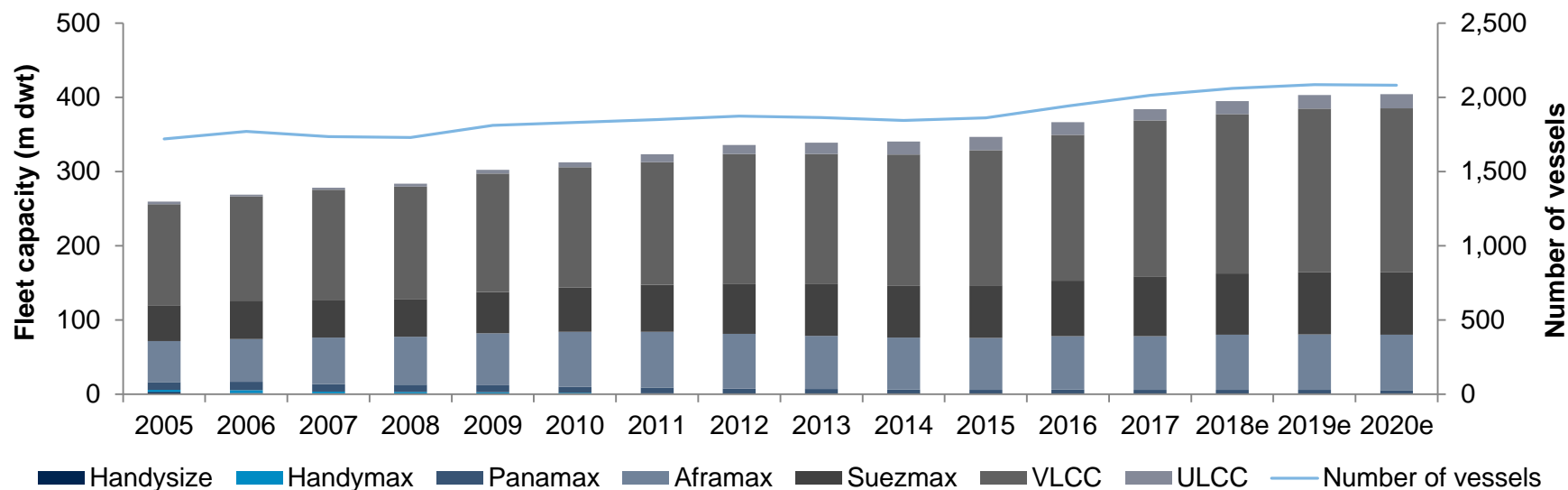
- Elevated ordering accompanied strong market in 2015
- Reduced stocking and OPEC production cuts hurt demand
- Ordering in 2017 will prolong current slump



# Crude Tankers

## Fleet expansion continues

Spate of newbuilding deliveries to outpace the demand growth



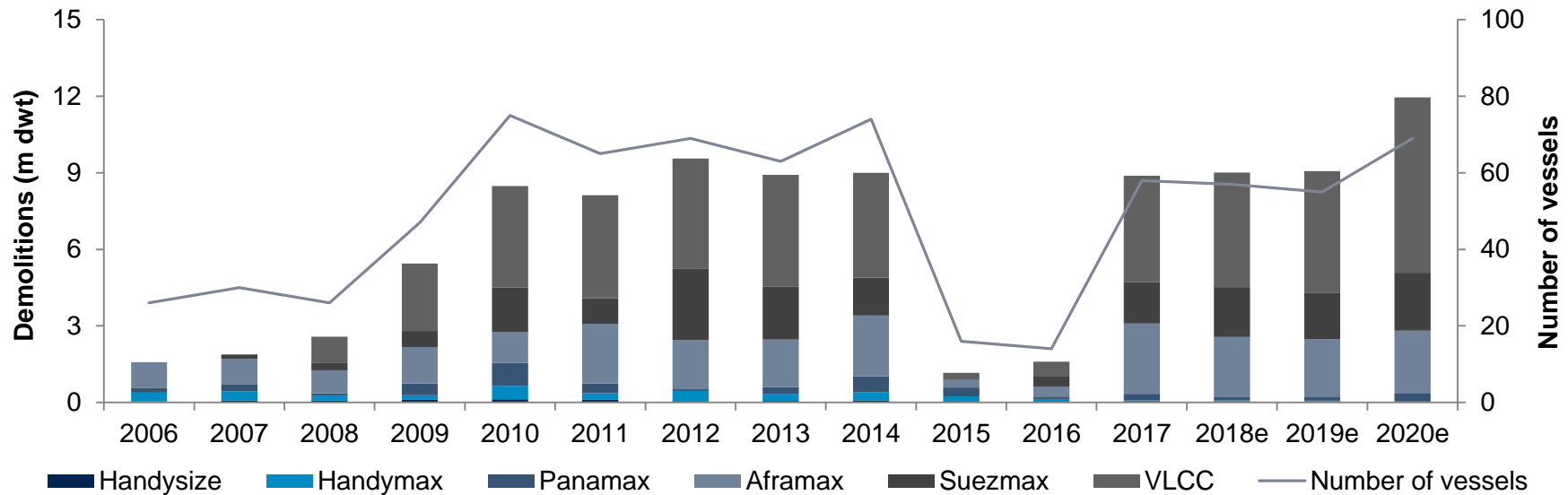
Source: Drewry research

- 4.8% fleet expansion - 49 VLCCs, 50 Suezmaxes and 31 Aframaxes delivered in 2017
- 35 VLCCs, 16 Suezmaxes and 40 Aframaxes to be delivered in 2018. Tonne mile demand to grow 1.8% against 2.7% tonne mile supply growth.
- 242 vessels comprising 12.5% of the current fleet on the orderbook

# Crude Tankers

## Rise in demolition could accelerate recovery

### Demolitions to increase in weak tanker market



Source: Drewry research

- 58 crude tankers of 8.9mdwt demolished in 2017
- We project 9mdwt to be scrapped annually in 2018 and 2019
- Scrapping expected to accelerate to 12mdwt in 2020

## Maritime Research

Robust, objective market analysis and forecasts to inform business decisions

### Market Sectors

Container Shipping  
Ports and Terminals  
Dry Bulk  
Gas Shipping  
Tanker Shipping  
Specialised Shipping  
Ship Management  
Logistics Management  
Intermodal Transport

## Maritime Advisers

Bringing together the expertise, insight and resources clients need to achieve their commercial ambitions

### Advisory Expertise

Market Analysis  
Strategy and Planning  
Market Entry Analysis  
Operational Due Diligence  
Technical Due Diligence  
IPO Support

## Supply Chain Advisers

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### Advisory Expertise

Ocean Freight Cost Benchmarking  
Ocean Freight Procurement Support  
Network Design and Optimisation  
Commercial Due Diligence  
Hinterland Logistics Analysis

## Maritime Financial Research

A truly independent investment research and advisory service on companies operating within the maritime industry

### Market Sectors

Container Shipping  
Container Manufacturing  
Ports and Terminals  
Dry Bulk  
Gas Shipping  
Tanker Shipping

### Advisory Expertise

Credit Analysis  
Bond Analysis

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