

# Shipping Markets: Status & Perspectives

30<sup>th</sup> May 2018

[xclusiv]  
shipbrokers

# **Key facts on Sale & Purchase and Demolition**

# The S&P Market

## SECONDHAND SALES:

- 2018 - 573 Sales (233 Bulkers, 132 Tankers) \$6.9bil usd
- 2017 - 1561 Sales (680 Bulkers, 355 Tankers) \$21bil usd
- *Greek buyers 20% (1 out of 5 ships)*  
*Greek buyers both 25% (in both DWT & Capital spent)*
- 2016 - 1240 Sales (650 Bulkers, 330 Tankers) \$15bil usd
- 2015 - 1383 Sales (439 Bulkers, 471 Tankers) \$28bil usd
- 2014 - 1501 Sales (468 Bulkers, 525 Tankers) \$27bil usd
- 2013 - 1340 Sales (509 Bulkers, 430 Tankers) \$18bil usd

# Demolition - Scrapping

## SHIPS SOLD FOR DEMOLITION:

- 2018 – 390 Ships – 16mil tons DWT (1.9mil BC – 12mil WET)
- 2017 – 1121 Ships – 38mil tons DWT (15mil BC – 11.6mil WET)
- 2016 – 1270 Ships – 46mil tons DWT (29mil BC – 3.4mil WET)
- 2015 – 1240 Ships – 40mil tons DWT (30mil BC – 3.3mil WET)
- 2014 - 1408 Ships - 35mil tons DWT (16mil BC – 10mil WET)
- 2013 – 1685 Ships - 50mil dwt DWT (23mil BC – 15mil WET)

**Every year we record about 7.5 - 9million tons LDT  
@ an average \$400 per ton = \$7bil - \$9bil USD  
is spent for demo deals every year.**

# **The global economic and trade background**

# There is synchronized momentum but also risks

## Synchronized Momentum

- +3.2% in 2016 global GDP growth
- +3.7% in 2017
- +3.7% in 2018 (e)
- +3.9% in 2019 (e)
- 120 countries experiencing stronger growth – synchronized global growth!

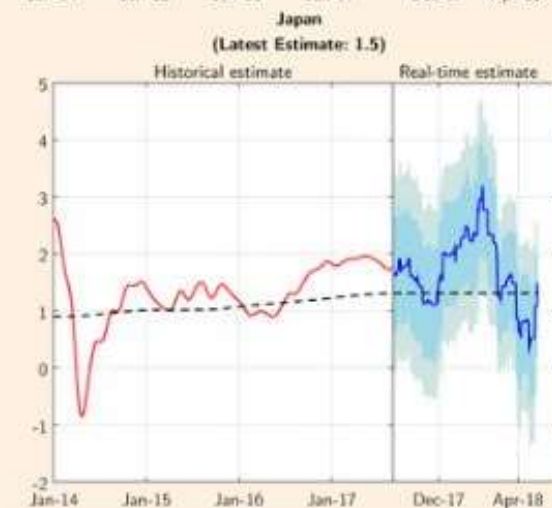
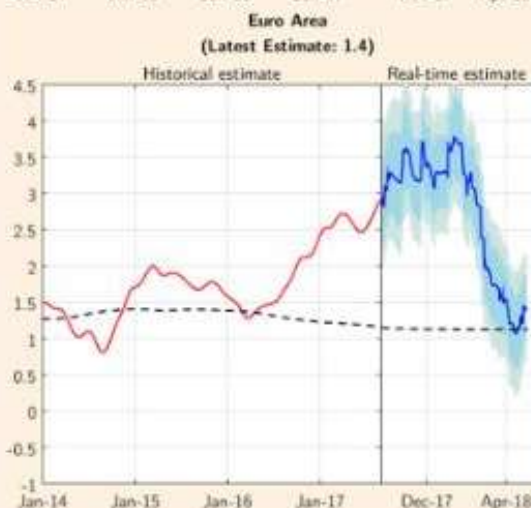
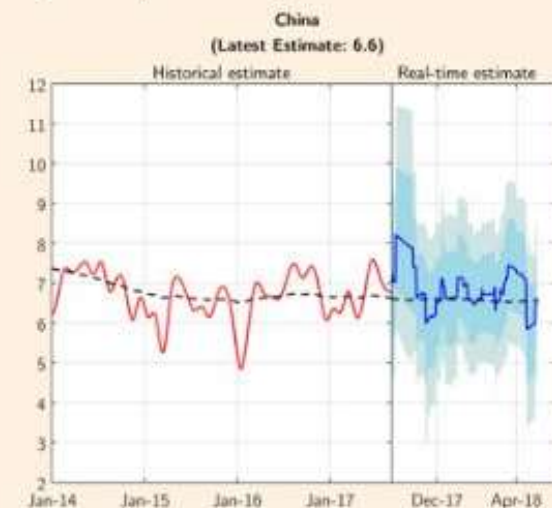
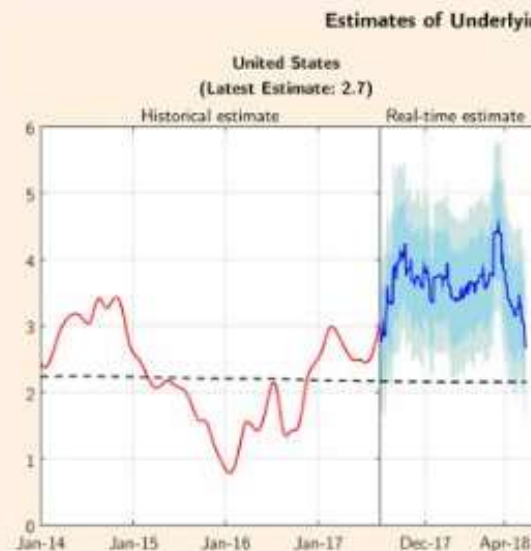
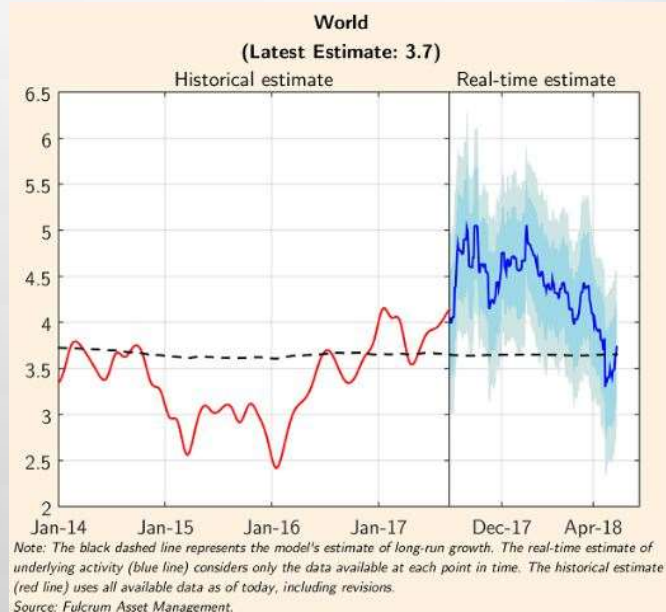
## Risks

- Geopolitics (Korea, neo Cold War, Turkey, Middle East, etc)
- Financial fragility
- Environmental risks
- Trade wars
- Terrorism, cybersecurity

*Source: IMF*

***Multilateral cooperation is essential!***

# Real-time estimate of Global Economy

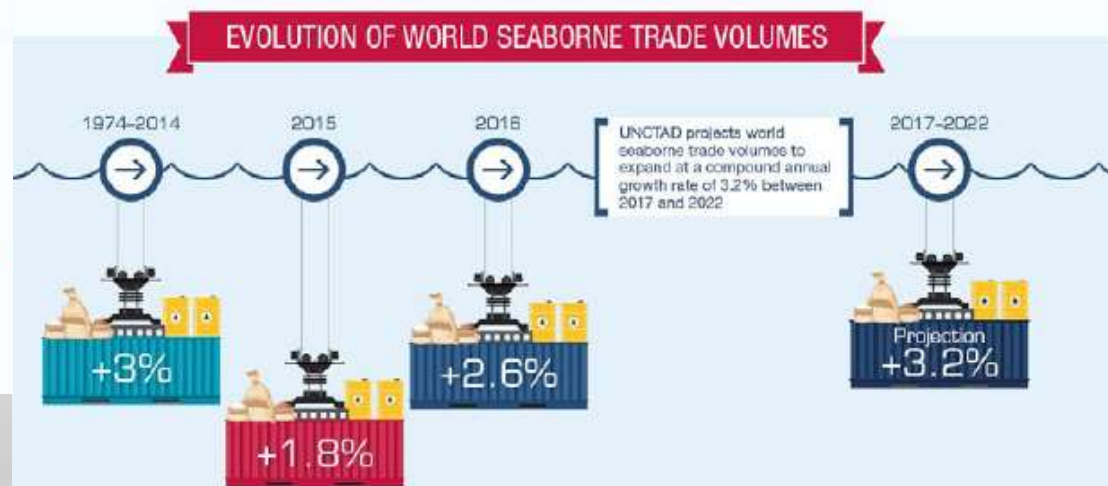
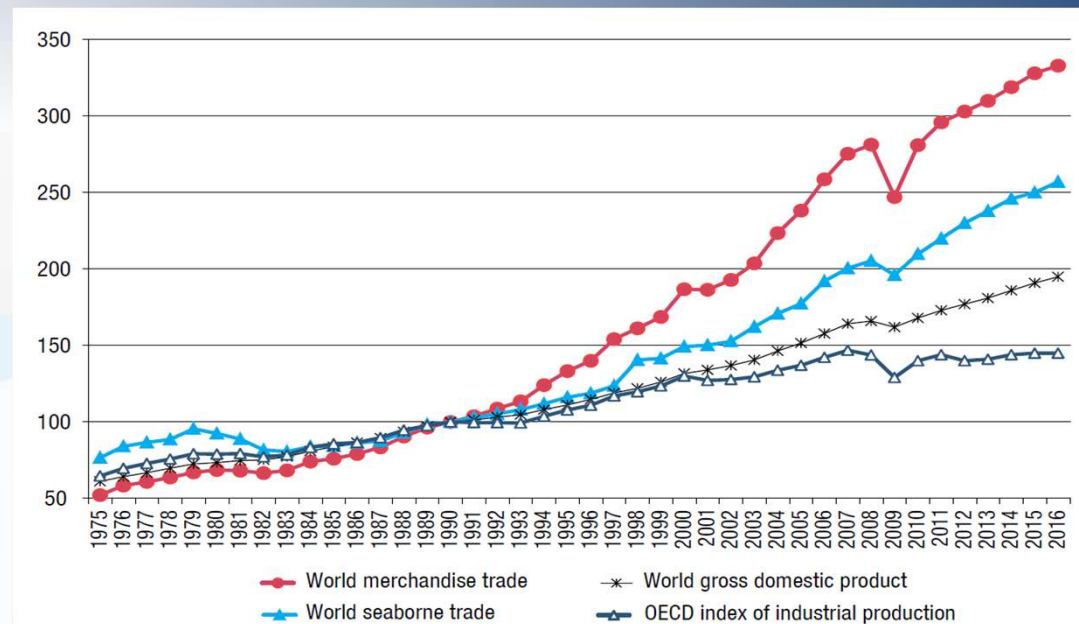


Source: Fulcrum Asset Management.

## Annualized growth rate in global industrial production:

- peaked 5.5% 2017q4,
- currently region 3-4%
- Global GDP growth is expected 3.9% (2018)
- some further decline seems likely in coming months as excess inventories are run down.

# World Seaborne Trade



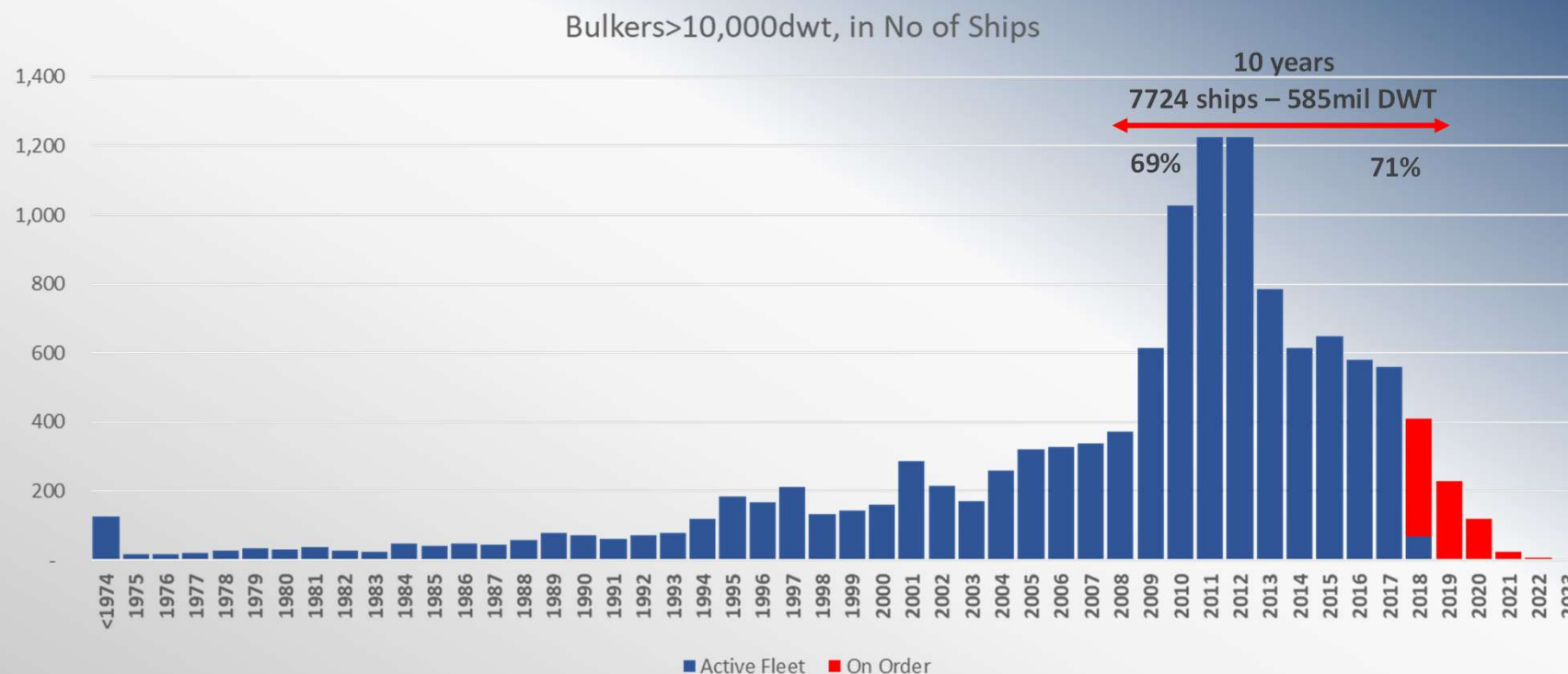
Source: UNCTAD



# **The status of shipping markets Dry, Wet, Container**

# Fleet/Age Profile

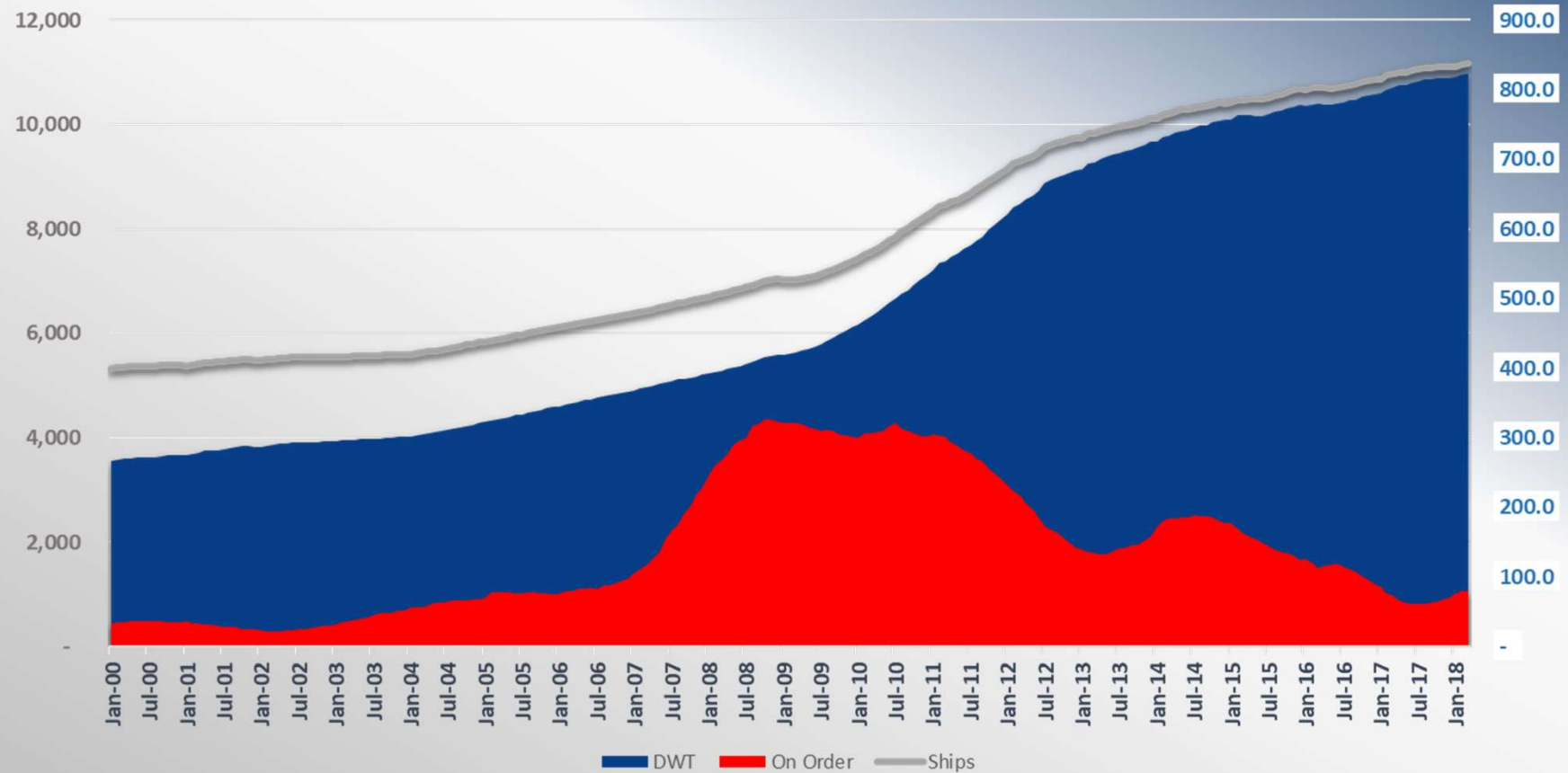
## BULKERS



- In Service 11,220 Ships - 827mil DWT
- On Order 721 Ships - 78.9mil DWT
- Orderbook to Fleet Ratio is 6.4% in terms of Ships and 9.5% in terms of total DWT
- Over 20years old, 1646 Ships - 58.4mil DWT (14% - 7%)
- 15-20years old, 1112 Ships - 67.8mil DWT (10% - 8%)

## Fleet/Orders Growth Profile

## BULKERS



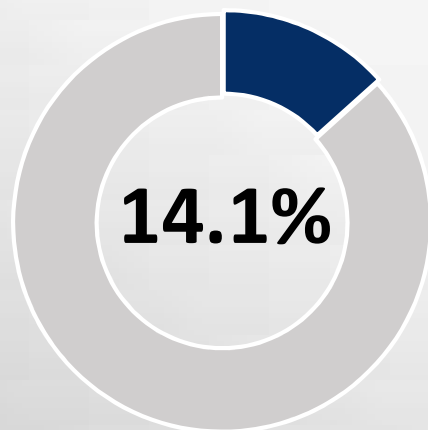
Since Jan 2000

- From 5,327 Ships to 11,220 Ships (111% increase)
- From 267mil DWT to 827mil DWT (210% increase)

# Orderbook / Fleet Ratio (DWT)

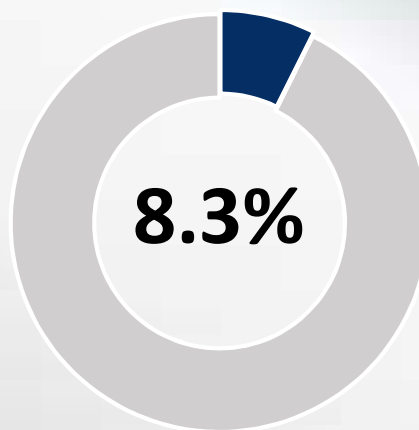
## BULKERS

VLOC & Capesize



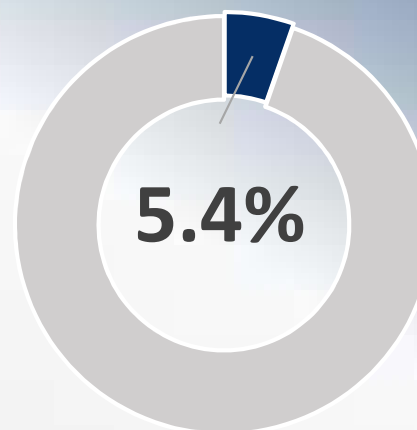
■ On Order □

Panamax



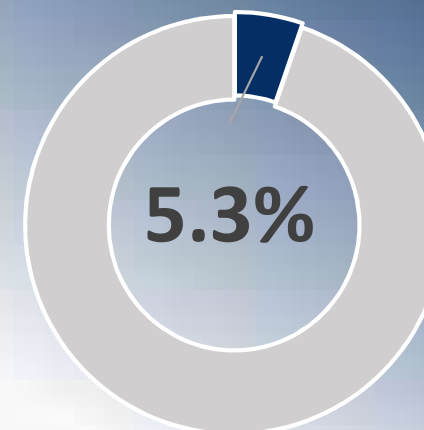
■ On Order □

Supramax & Handymax



■ On Order □

Handysize



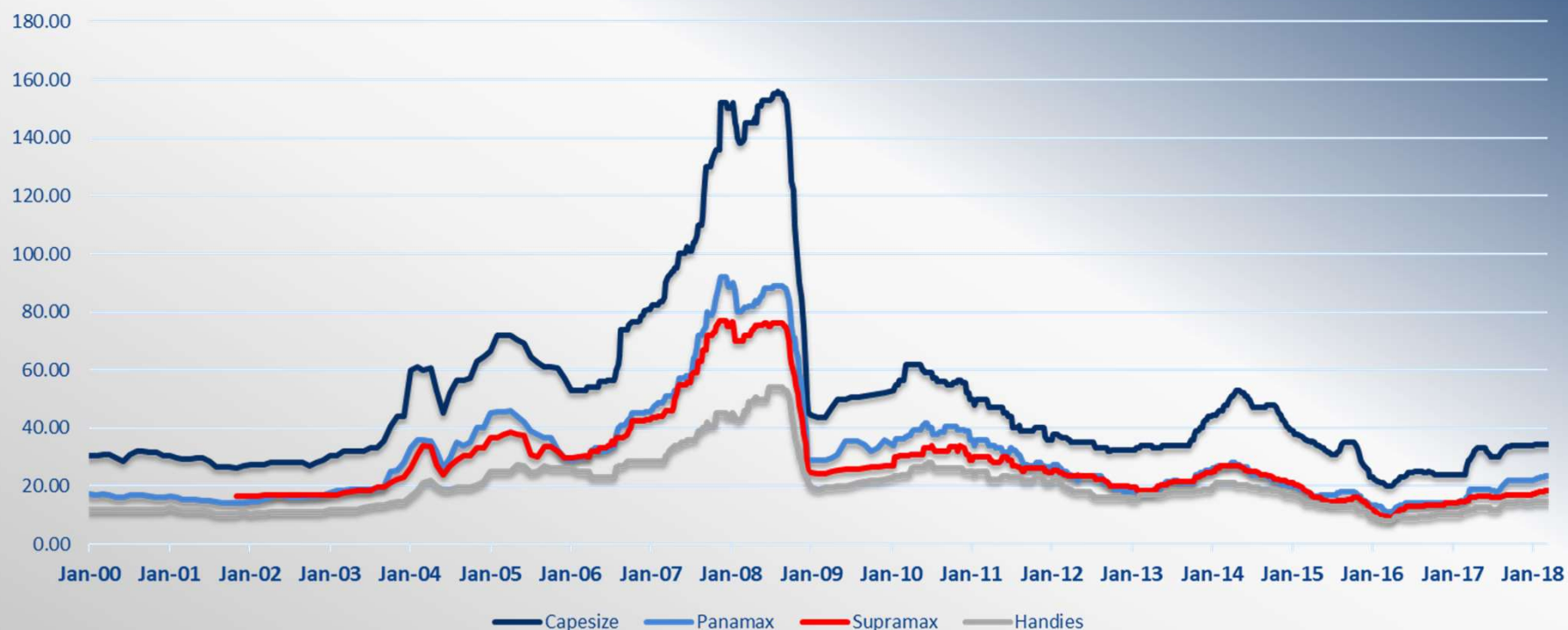
■ On Order □

Ship Size Segment	Active ships	On Order ships	Ratio	Active mil DWT	On Order mil DWT	Ratio
VLOC & CAPESIZE	1,711	180	10.5%	326	46.1	14.1%
PANAMAX	2,530	209	8.3%	204	16.9	8.3%
SUPRAMAX & HANDYMAX	3,584	175	4.9%	199	10.7	5.4%
HANDYSIZE	3,395	157	4.6%	98	5.2	5.3%
<b>Totals</b>	<b>11,220</b>	<b>721</b>	<b>6.4%</b>	<b>827</b>	<b>78.9</b>	<b>9.0%</b>

# 5Y Secondhand Prices

## BULKERS

### DRY BULK 5Y SECONDHAND PRICES



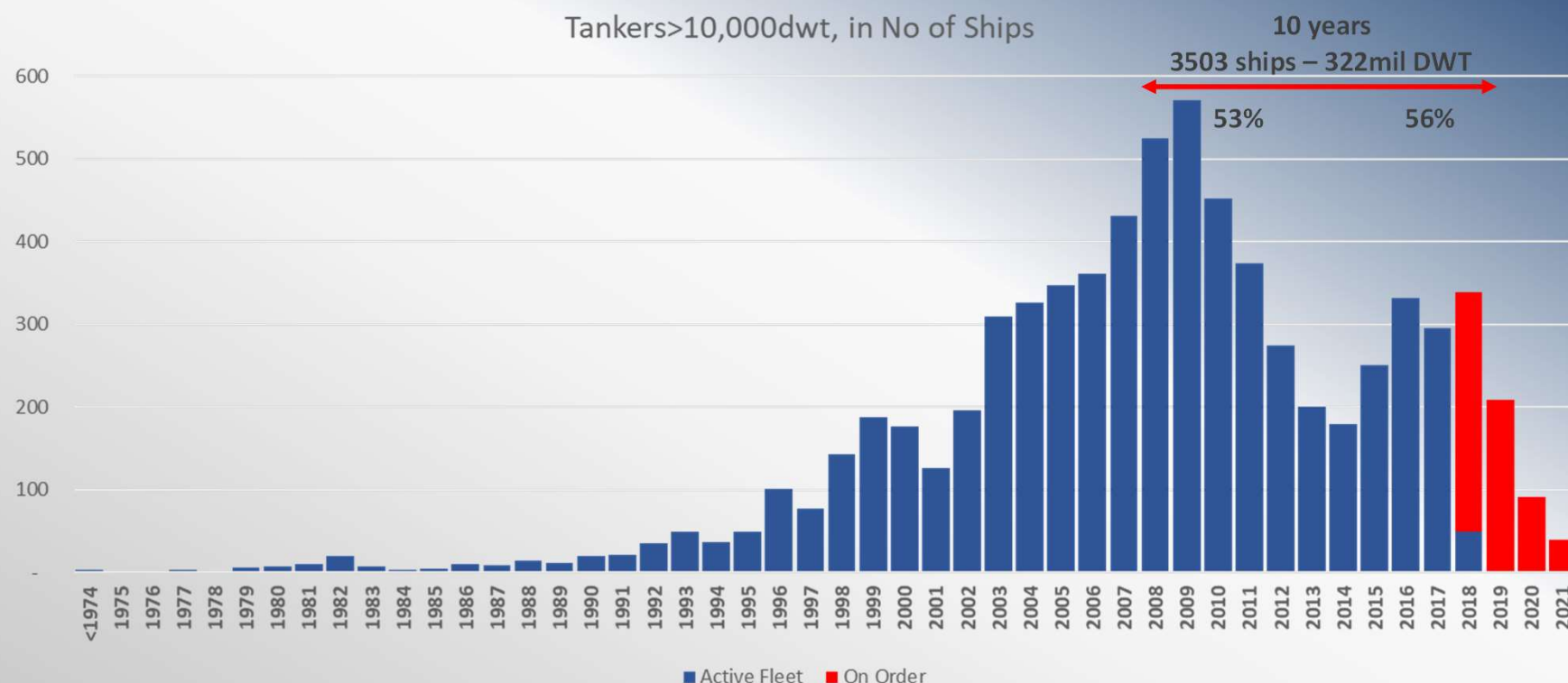
- **Spring 2016** - Historically we saw the lowest recorded S/H prices
- **May 2018** - Prices have firmed since the lowest point of 2016
- **Capes up by 57% - Panamax up by 76%**
- **Supramax up by 51% - Handy up by 59%**

From 2016 lows

5y old	Cape	Pmax	Supra	Handy
2016	23.2	13.6	12.2	9.4
2017	30	18.1	16	12
2018	36.5	24	18.5	15

# Fleet/Age Profile

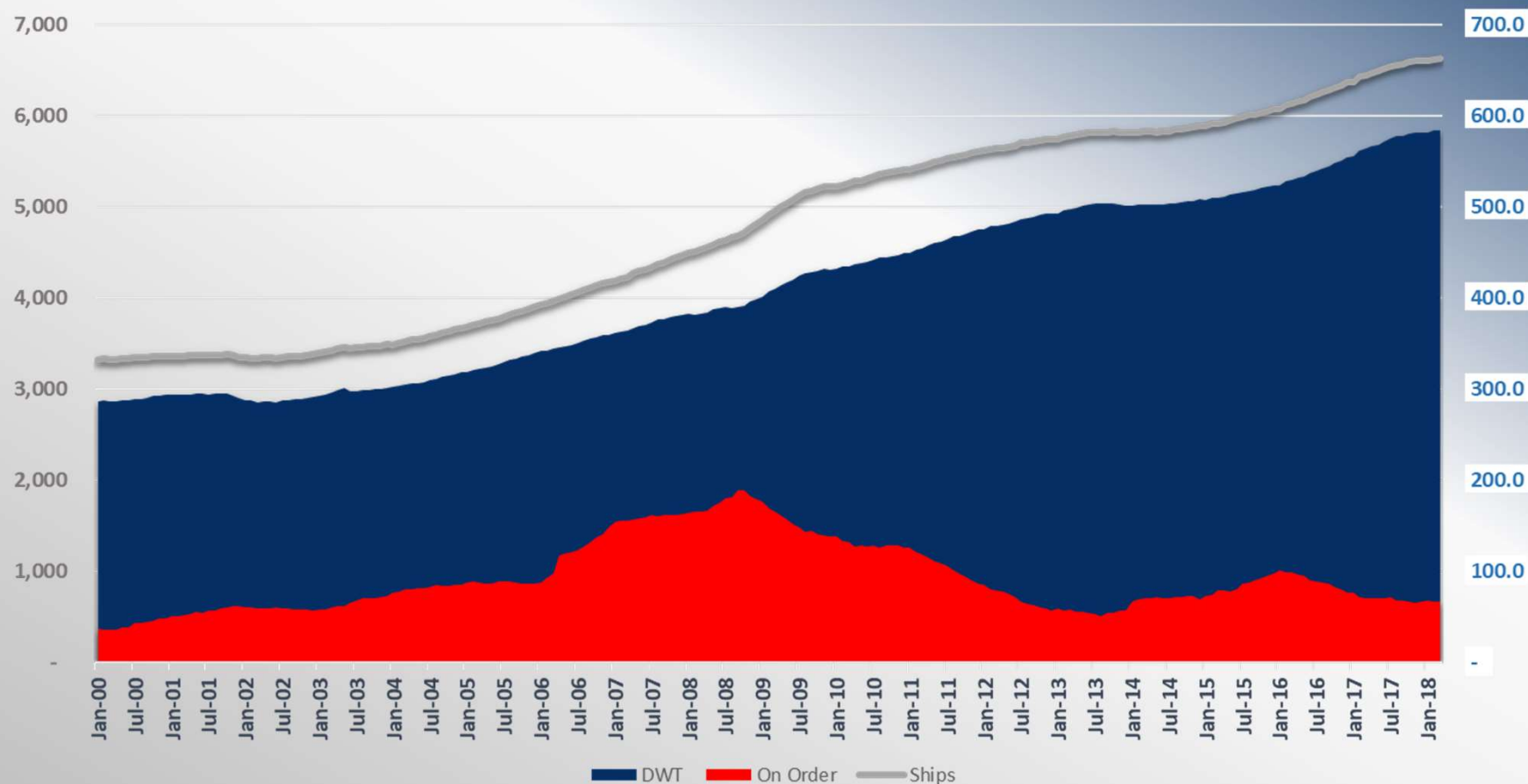
## TANKERS



- In Service 6623 Ships - 583mil DWT
- On Order 634 Ships - 67.3mil DWT
- Orderbook to Fleet Ratio is 9.5% in terms of Ships and 11.5% in terms of total DWT
- Over 20years old, 503 Ships - 28.5mil DWT (8% - 5%)
- 15-20years old, 1141 Ships - 114mil DWT (17% - 20%)

## Fleet/Orders Growth Profile

## TANKERS

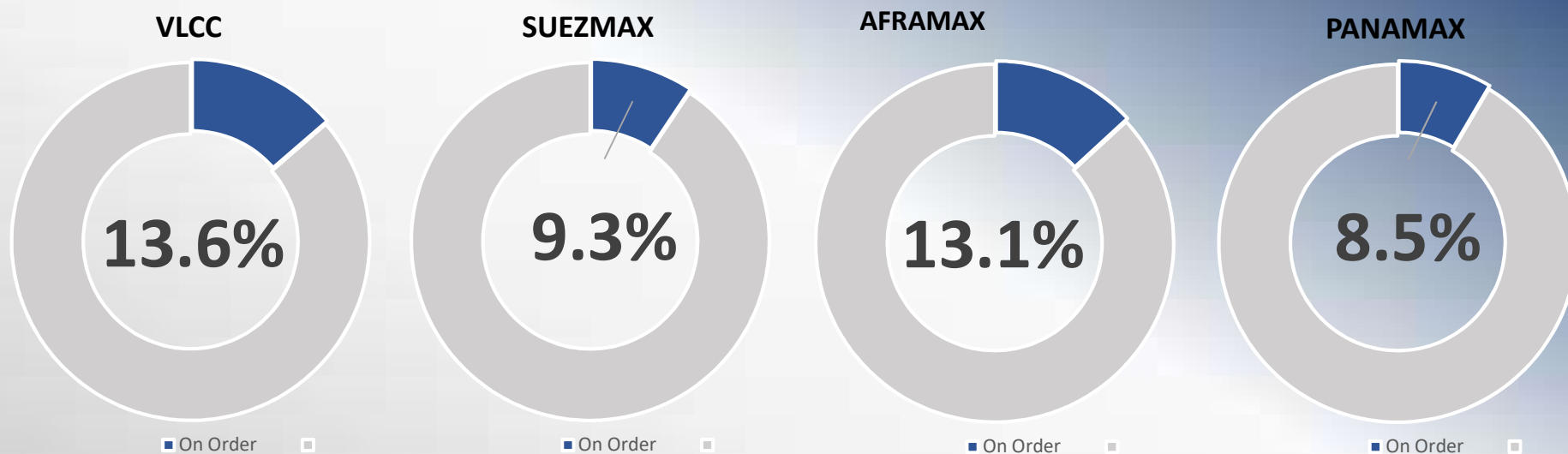


Since Jan 2000

- From 3,319 Ships to 6,623 Ships (100% increase)
- From 286mil DWT to 583mil DWT (103% increase)

# Orderbook / Fleet Ratio (DWT)

## TANKERS



Ship Size Segment	Active ships	On Order ships	Ratio	Active mil DWT	On Order mil DWT	Ratio
VLCC	733	100	13.6%	224	30.5	13.6%
SUEZMAX	565	53	9.4%	91	8.5	9.3%
AFRAMAX	999	127	12.7%	109	14.3	13.1%
PANAMAX	452	40	8.9%	33	2.8	8.5%
50K – 10K	3873	312	8.0%	126	11.1	8.8%
<b>Totals</b>	<b>6624</b>	<b>632</b>	<b>9.5%</b>	<b>583</b>	<b>67.2</b>	<b>11.5%</b>



# 5Y Secondhand Prices

# TANKERS

TANKER 5Y SECONDHAND PRICES

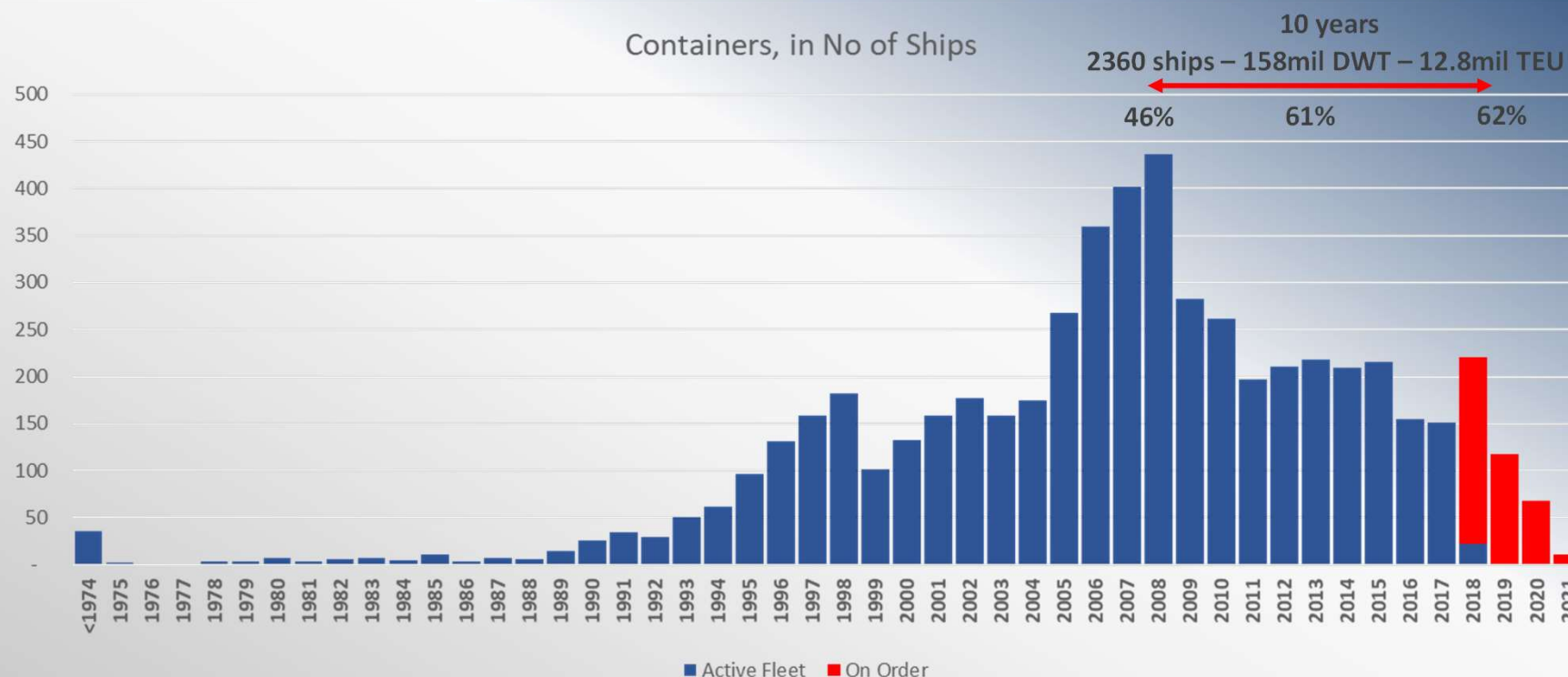


- **August 2017 – approached low levels of 2012/2013 and of 2002**
- **April 2018 –** Prices have firmed slightly
- **VLCC up by 3.5% - Suezmax up by 2.3%** ← From 2017
- **Aframax up by 5% - MR up by 8%**

5y old	VLCC	Suez	Afra	LR1/Pan	MR
2002	54.5	37	27.3	22	20.5
2012/3	55	38	27	24	22
2017	62	42	29	27	24
<b>2018</b>	<b>64</b>	<b>43</b>	<b>30.5</b>	<b>28</b>	<b>26</b>

# Fleet/Age Profile

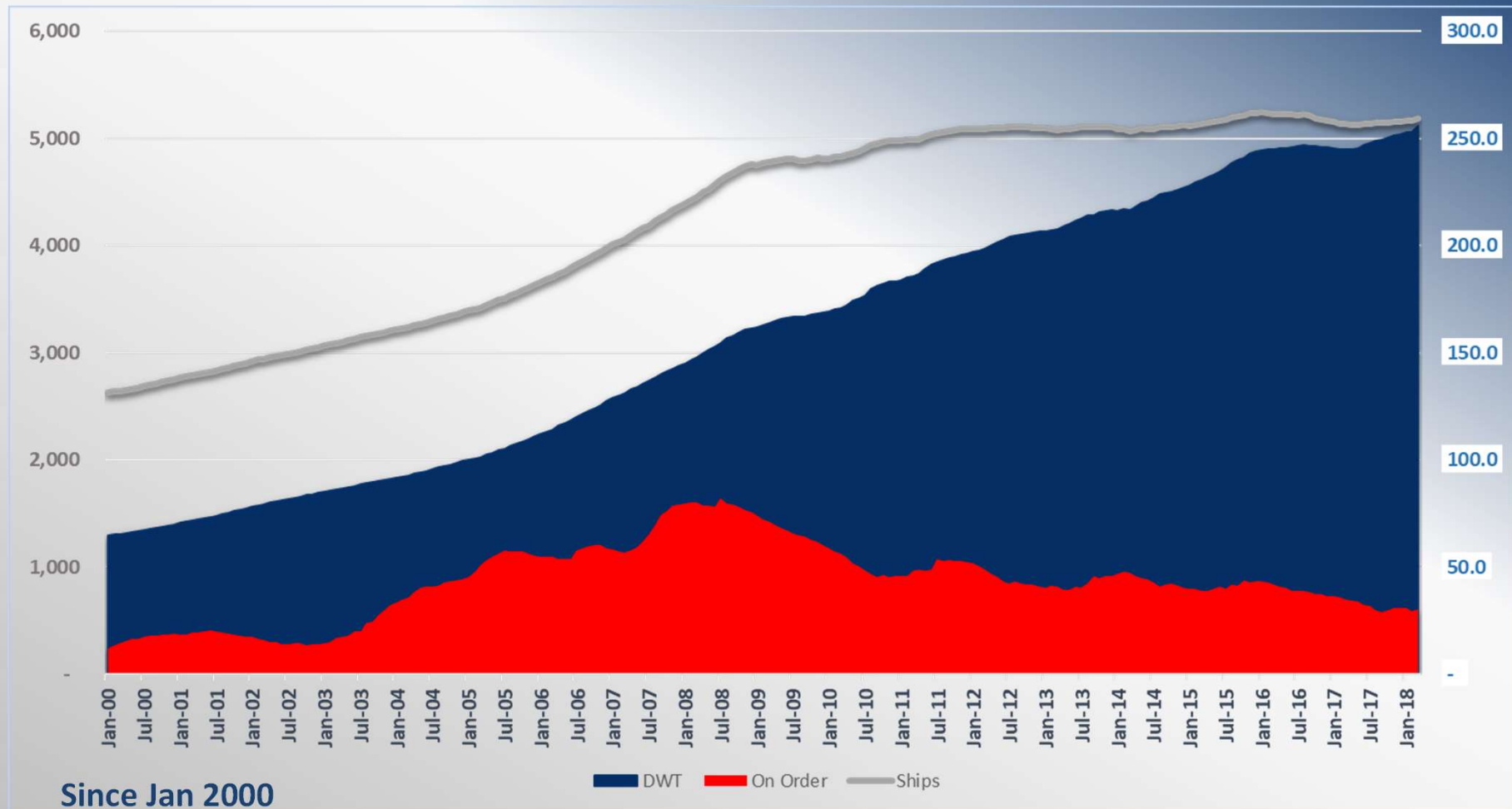
## CONTAINERS



- In Service 5206 Ships - 258mil DWT – 21.3mil TEU
- On Order 369 Ships – 29mil DWT – 2.6mil TEU
- Orderbook/Fleet Ratio 7% in Ships & 11% in terms of DWT & 12% in TEU
- Over 20years old, 708 Ships – 13.8mil DWT – 0.9mil TEU (14% - 5% - 4%)
- 15-20years old, 909 Ships – 32.7mil DWT - 2.5mil TEU (18% - 13% - 12%)

## Fleet/Orders Growth Profile

## CONTAINERS



- From 2,618 Ships to 5,206 Ships (99% increase)
- From 65mil DWT to 258mil TEU (300% increase)
- From 4.5mil TEU to 21.3mil TEU (370% increase)

# Orderbook / Fleet Ratio (DWT)

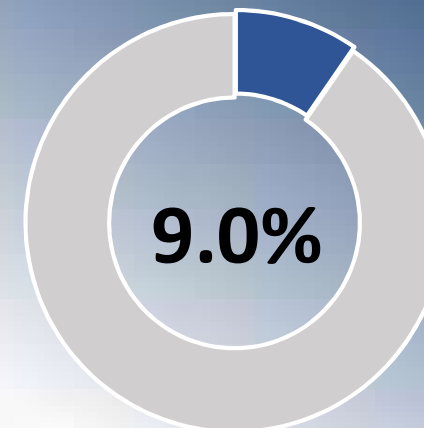
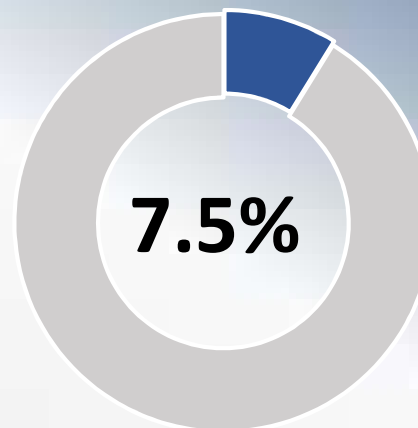
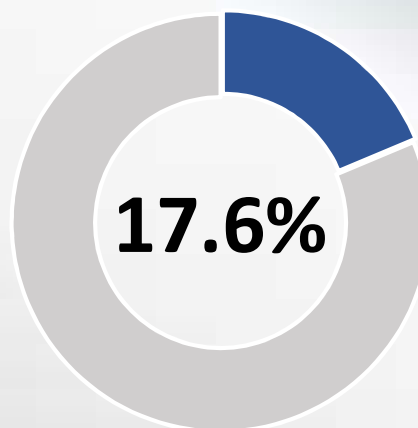
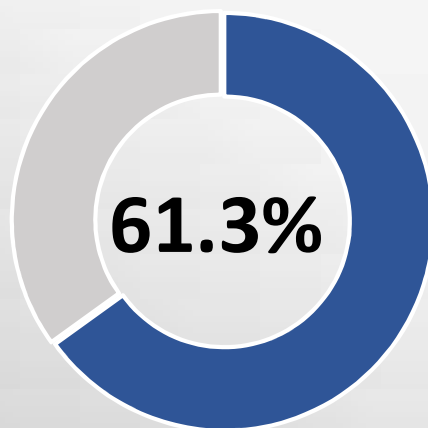
# CONTAINERS

>15000

12,000 - 15,000

8,000 - 12,000

FEEDER



■ On Order □

■ On Order □

■ On Order □

■ On Order □

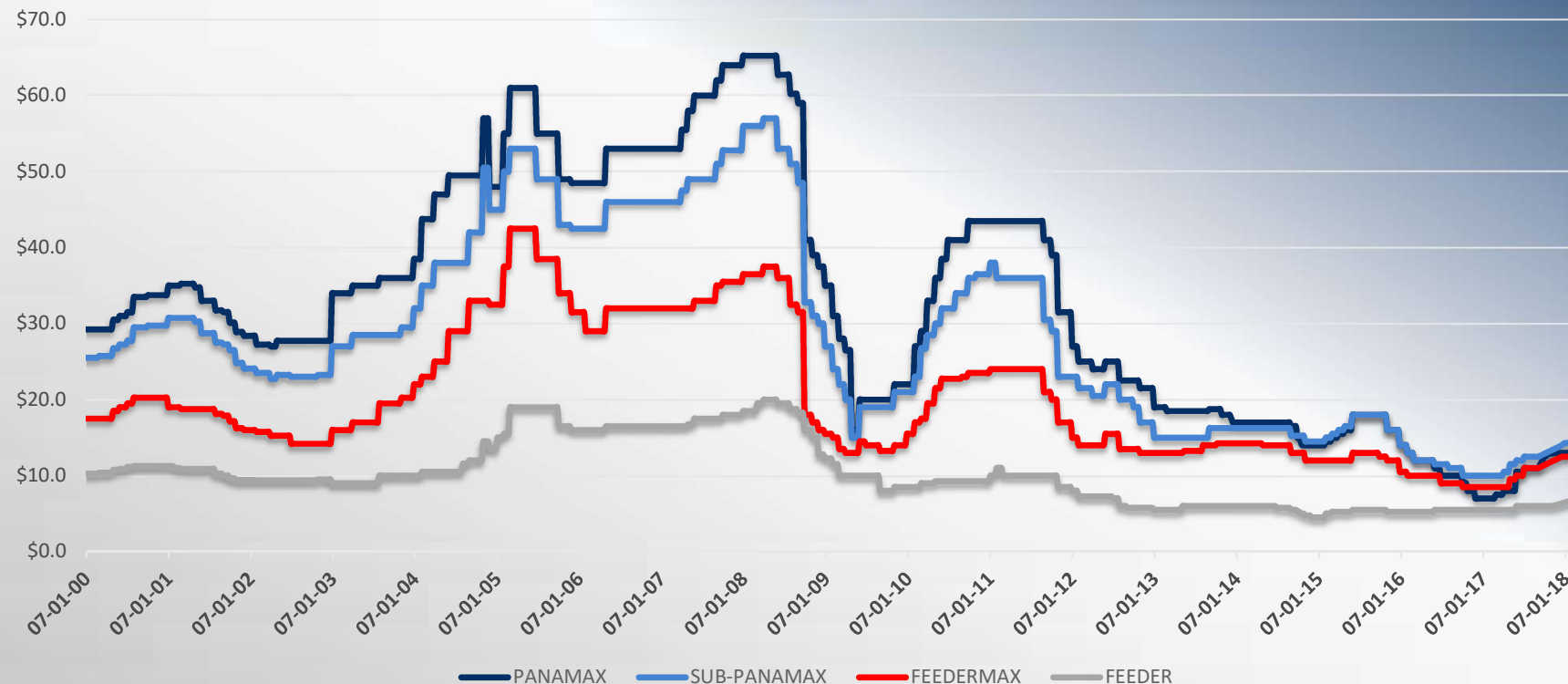
Ship Size Segment	Active ships	On Order ships	Ratio	Active mil TEU	On Order mil TEU	Ratio
>15000	106	62	59%	1,967	1,205	61.3%
12,000 - 15,000	223	39	17.5%	3,034	535	17.6%
8,000 - 12,000	611	39	6.4%	5,635	423	7.5%
6,000 - 8,000	268	0	0.0%	1,798	0	0.0%
3,000 - 6,000	1,089	21	2.0%	4,874	76	1.6%
FEEDER	2,909	208	7.1%	3,989	361	9.0%
<b>Totals</b>	<b>5,206</b>	<b>369</b>	<b>7.0%</b>	<b>21,297</b>	<b>2,600</b>	<b>12.2%</b>

[Xclusiv]

# 5Y Secondhand Prices

## CONTAINERS

CONTAINER 5Y SECONDHAND PRICES



- Feeder lowest \$4.5mil early 2015 – Today \$7mil
- Feedermax lowest \$8.5mil 2016 early 2017 – Today \$12.9
- SubPanamax lowest \$10mil all of 2016 early 2017- Today 14.8mil
- Panamax lowest \$7mil end 16 early 17 – Today \$13.5mil
- Post Panamax lowest \$16mil 2016-early 2017 – Today \$25mil

# WORLD FLEET

## World Cargo Fleet

- Since 2008 fleet has grown by 60% in DWT
- 2018: 93,000 ships 1,862m.DWT
- 2008: 90,500 ships 1,120m.DWT
- 2000: 86,000 ships 795m.DWT - incr. 133%
- 1990: 78,000 ships 630m.DWT

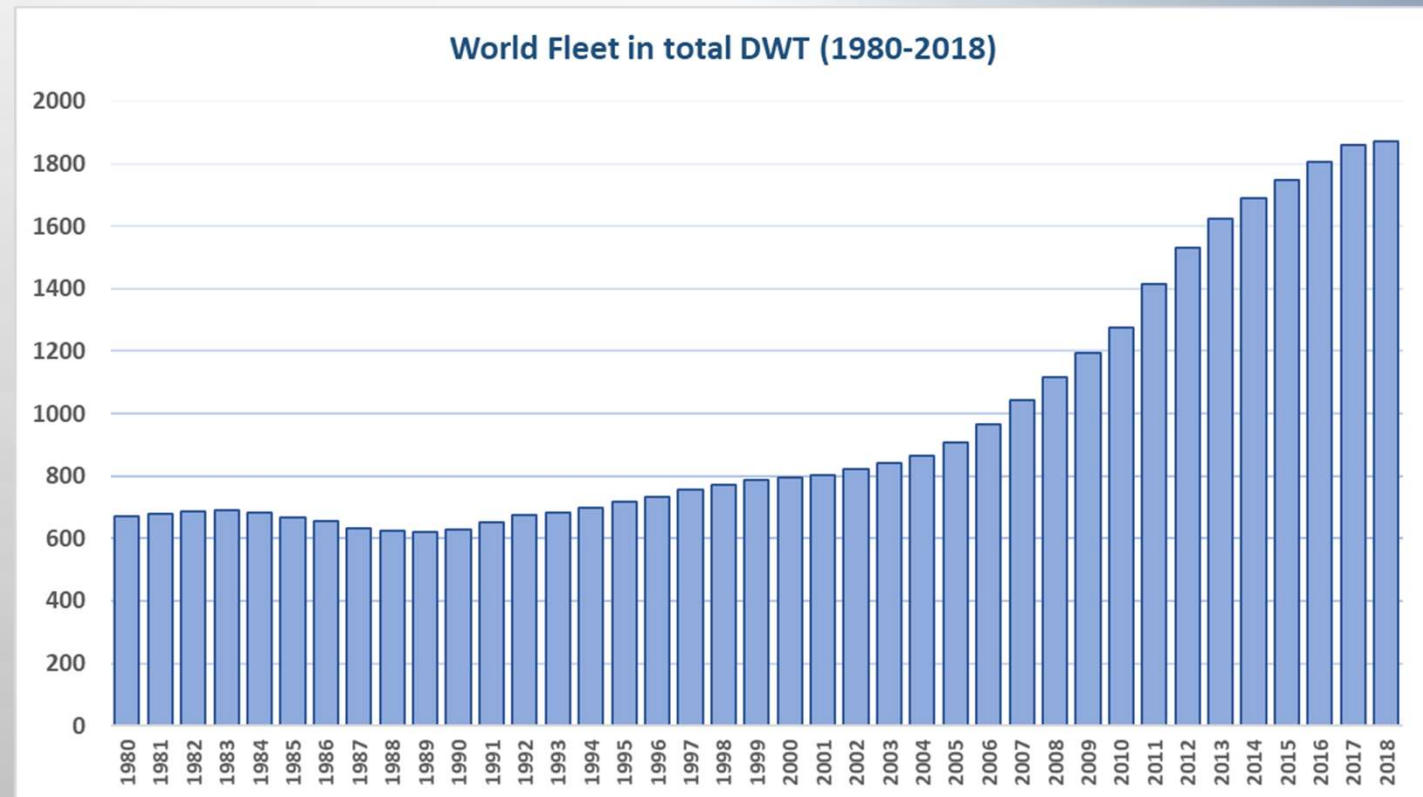
## Global OrderBook

- 2008 was 50%
- 2018 is now 10%

The world fleet has grown continuously since the beginning of the 1990s.

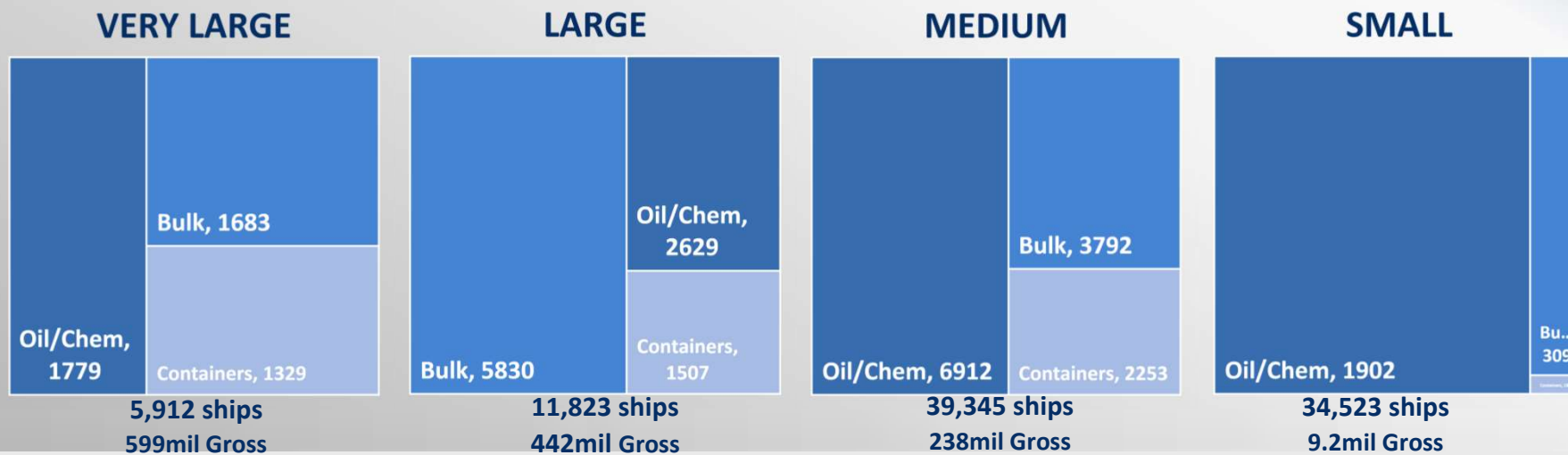
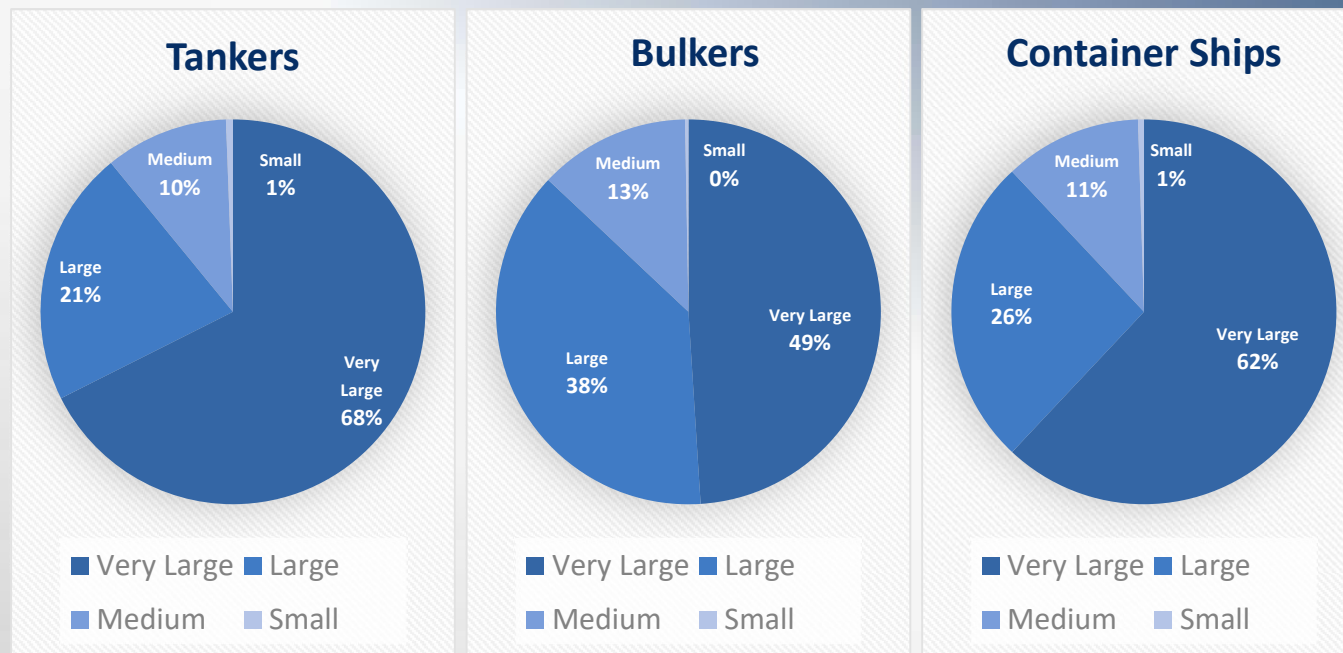
This growth accelerated in 2005. As a result, in 2017, the world fleet reached 1.9 billion dwt, twice the size as it had 12 years ago.

Today, bulk carriers account for 43 per cent of the fleet, followed by oil tankers (29 per cent) and container ships (13 per cent).





# WORLD FLEET



Small 100-500, Medium 500-25000, Large 25-60000, Very Large >60000 Gross Tons

# WORLD FLEET

Rank (Deadweight)	Country or Territory	No Of Vessels	DWT (mil tons)	% (DWT)	Rank (\$)	Total Value (mil USD)	Average value per ship (mil USD)
1	Greece	4,199	309.23	20%	3	72,538	17.3
2	Japan	3,901	223.85	14%	2	77,989	20.0
3	China	5,206	165.42	11%	4	65,044	12.5
4	Germany	3,090	112.03	7%	8	38,412	12.4
5	Singapore	2,599	104.41	7%	7	39,182	15.1
6	Hong Kong (China)	1532	93.63	6%	9	25,767	16.8
7	Republic of Korea	1656	80.97	5%	11	20,983	12.6
8	United States	2104	67.10	4%	1	96,182	45.7
9	Norway	1842	51.82	3%	5	58,134	31.7
10	United Kingdom	1360	51.12	3%	6	40,671	29.9
11	Bermuda	440	48.06	3%	13	19,962	44.8
12	Taiwan (prov of China)	926	46.90	3%	17	10,857	11.7
13	Denmark	920	36.53	2%	15	18,974	20.3
14	Monaco	338	31.65	2%	23	7,903	23.4
15	Turkey	1563	27.78	2%	20	9,055	5.8
16	Switzerland	405	23.68	2%	22	8,456	20.9
17	Belgium	263	23.55	2%	27	6,505	24.7
18	India	986	22.65	1%	25	6,938	7.0
19	Russian Federation	1707	22.05	1%	19	9,081	5.3
20	Italy	768	20.60	1%	10	23,184	30.2

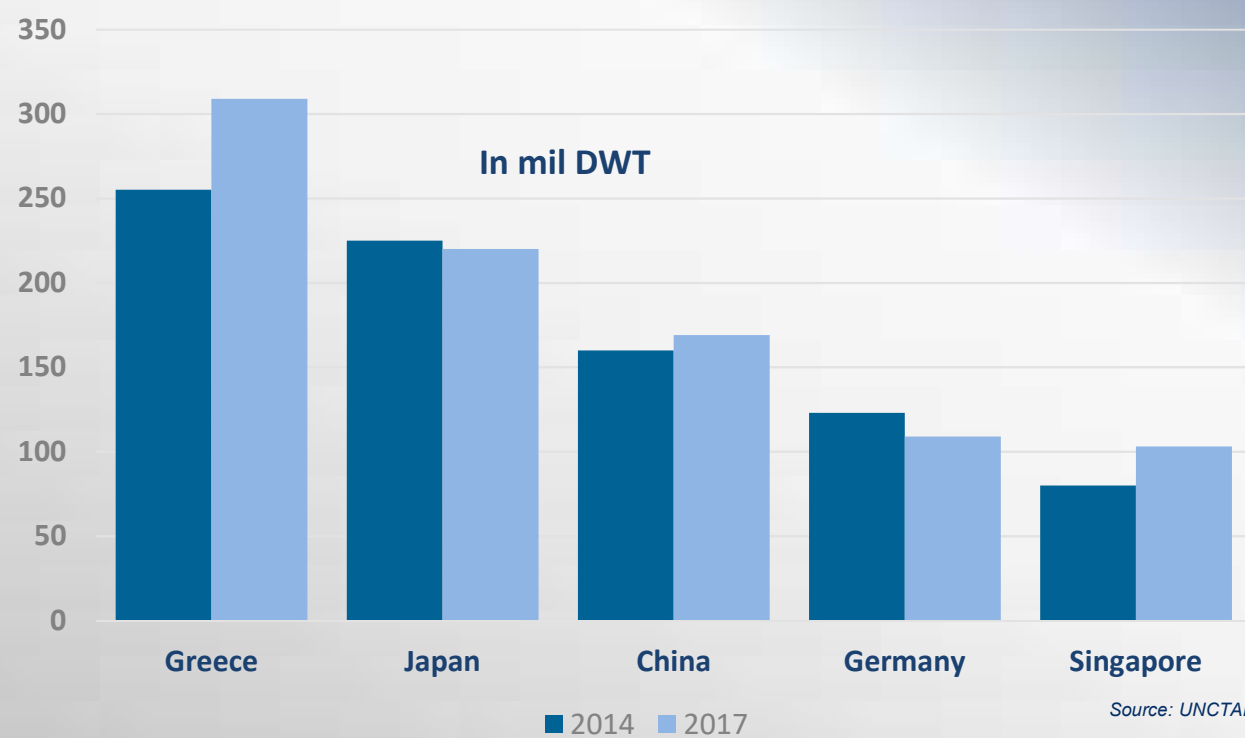
Top5 nations  
control 59%  
in dwt.

50% of World  
Fleet is owned by  
entities from Asia

Source: UNCTAD secretariat calculations, based on data from Clarksons Research.



## Top5 merchant fleet owning economies 2014-2017



# **Shipping Market Projections**

# Projections: Seaborne Trade Growth

Seaborne Trade	Developing	Developed	World
2011	5,297	2,982	8,784
<b>2016</b>	<b>6,046</b>	<b>3,595</b>	<b>10,287</b>
<b>Change</b>	<b>14.5%</b>	<b>20.6%</b>	<b>17.5%</b>

*Source: UNCTAD 2017 handbook of statistics*

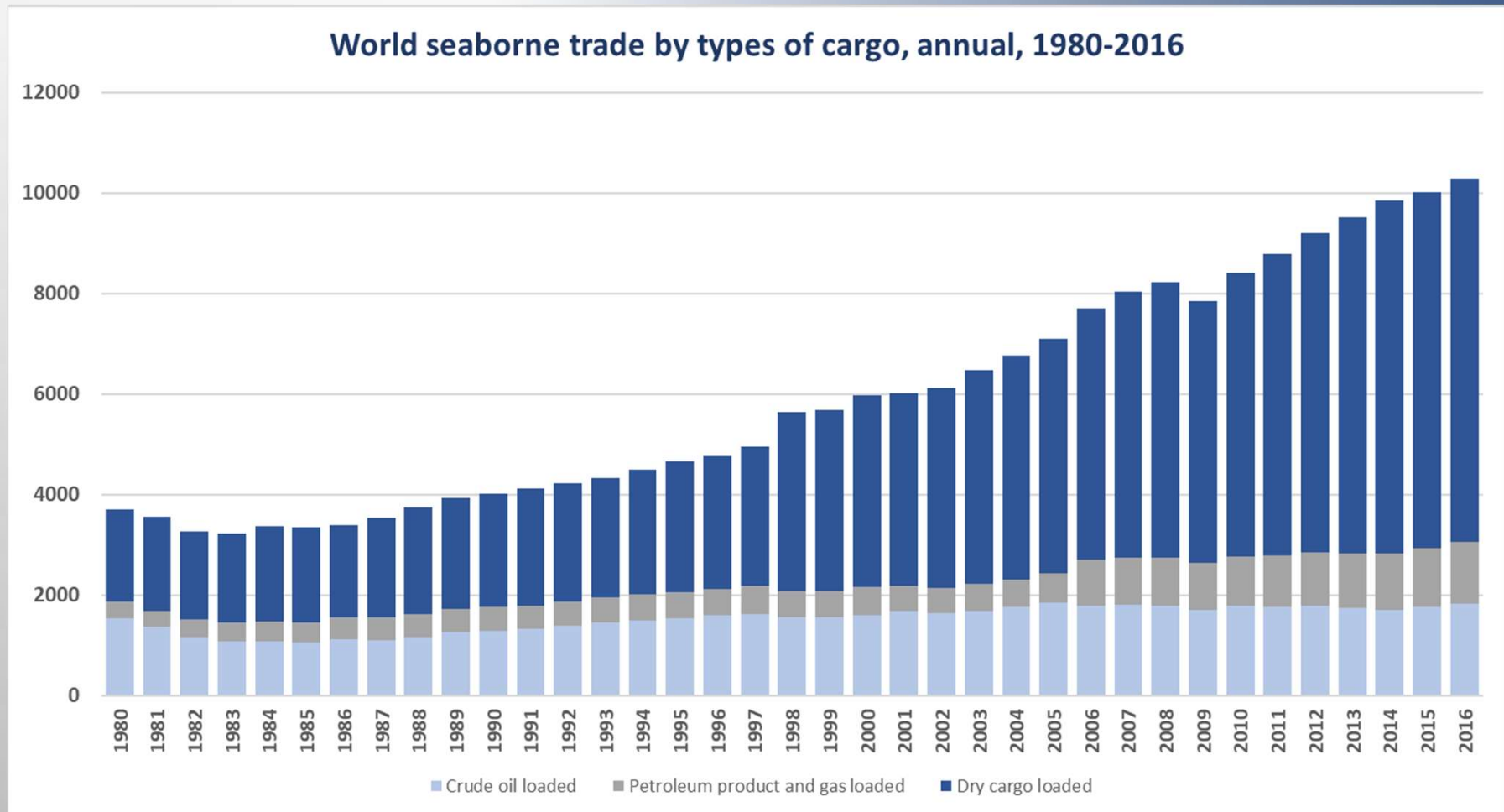
*Above Figures in Millions of metric tons*

- World Seaborne Trade amounts to 10.3billion tons in 2016
- Expected Seaborne trade growth 3.5% for 2018
- 58% of Seaborne Trade comes from Asia, including 25% from China
- China's Trade has grown 50% from 2007 to 2017
- Seaborne Trade for developed economies currently in balance
- 61% of goods delivered by sea are unloaded in Asian Seaports
- Developing economies unloading exceeds loading by 541million tons

# Projections: Seaborne Trade Growth

Seaborne Trade Growth	Projection Time Horizon	Source
3.1%	2017-2026	Lloyds List
2.7%	2016-2030	IHS Markit
3.2%	2017-2022	UNCTAD

# Projections: Seaborne Trade Growth



Source: UNCTAD 2017 handbook of statistics

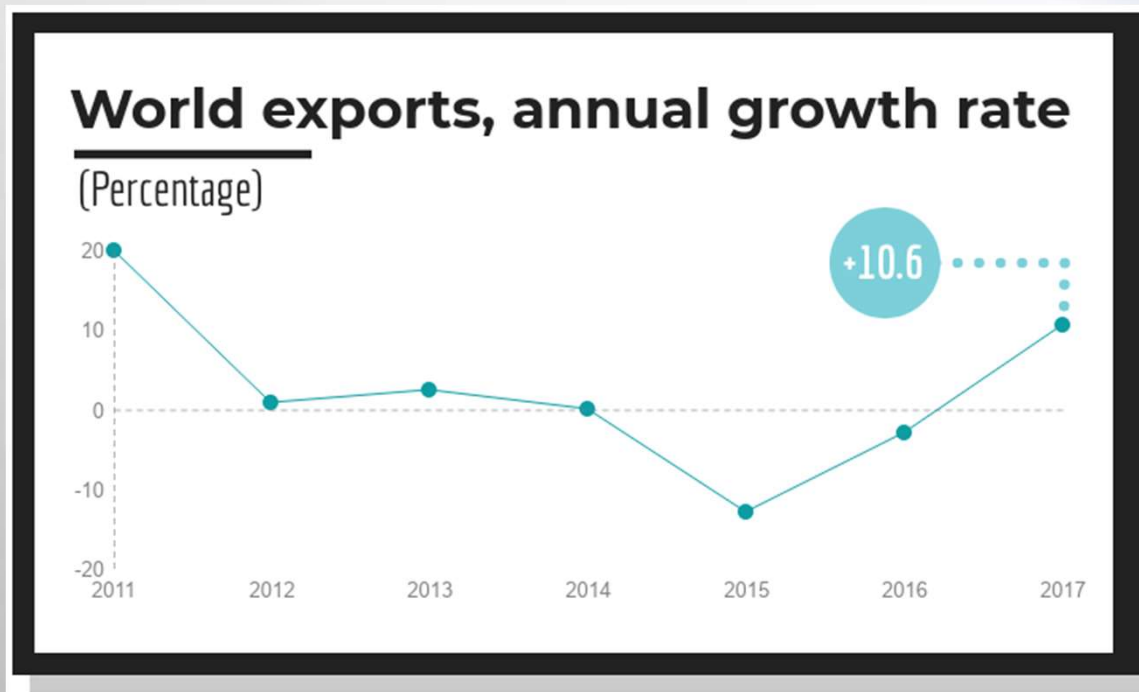
**World Seaborne Trade:**

**2009 931million metric tonnes – 2016 1220million metric tonnes – 31% increase**

[Xclusiv]

# Projections: Dry Bulk Trade Growth

Dry Bulk Trade Growth	Projection Time Horizon	Source
3.6%	2017-2026	Lloyds List
5.6%	2017-2022	UNCTAD



# Projections: Wet Trade Growth

Oi/Product Tanker Trade Growth	Projection Time Horizon	Source
2.5%	2017-2026	Lloyds List
3.4% Product	2018	McQuilling
1.2% Crude	2017-2022	UNCTAD
1.7% Product	2017-2022	UNCTAD

# Projections: Container Trade Growth

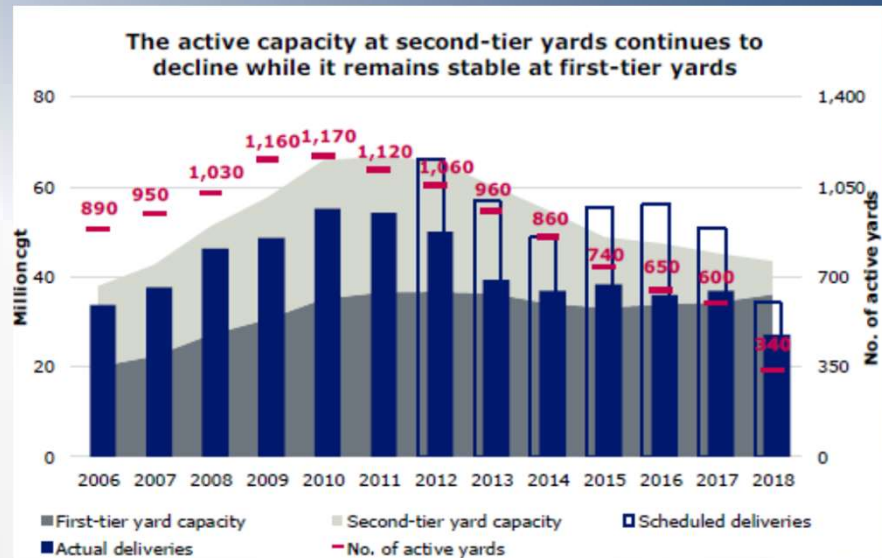
Container Trade Growth	Projection Time Horizon	Source
4.6%	2017-2026	Lloyds List
5.1%	2018	Clarksons
4.5%	2018-2019	MSI
5.0%	2017-2022	UNCTAD



# Shipbuilding

# Shipbuilding

- >90% of shipbuilding capacity in Japan, S. Korea, China
- Consolidation
- Rapid decline in shipyard capacity
- Highest delivery reliability in a decade.
- Out of the 600 yards about half have zero/minimal orderbook.
- First-tier yards 76% of capacity, 38% of yards, avg cover >2 years.
- Recent update: Sungdong into receivership for court protection. STX to continue operation upon 30% fixed-cost decrease and 40% layoffs.
- Fewer yards → price setters
- Fewer yard supply → higher shipbuilding prices



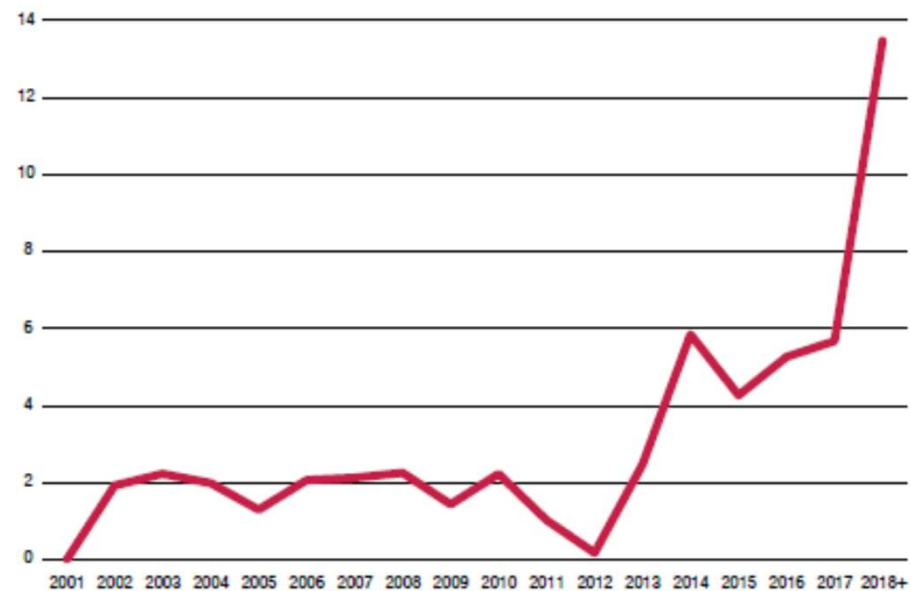
- In 2017, the number of Yards with at least 1 order over 1000 Gross Tons declined to 150, while in 2015 there were 277 Yards.
- In 2018 so far only 42 Shipbuilders have inked one order or more.

# Shipbuilding

- **New technologies & regulations will rejuvenate and redefine the industry**
- **Innovation race**

The routing possibilities for liquefied natural gas-powered vessels are limited by the relatively small number of ports providing liquefied natural gas bunkering facilities. However, this number is increasing, particularly along the main shipping Lanes.

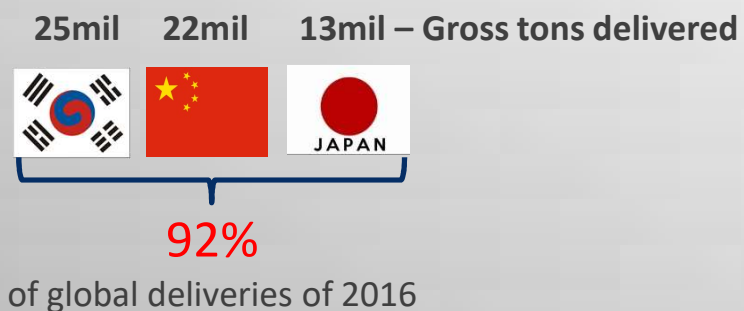
Figure 2.8. Share of liquefied-natural-gas-capable newbuildings, as of 2001  
(Percentage of gross tonnage)



# Shipbuilding

	October 2017			December 2016		
Nation	Ships	Capacity (Mil DWT)	Value (\$bil)	Ships	Capacity (Mil DWT)	Value (\$bil)
China	1,338	76.3	58.4	1,665	96.9	67.9
Japan	614	48.4	30.8	852	60.1	30.8
S. Korea	378	41.6	54.7	490	51.3	65.5

Orderbook by Shipbuilding nation



# Shipbuilding

Rank	Shipyard	Ships	m. CGT
1	Daewoo (DSME)	88	6.3
2	Hyundai HI (Ulsan)	73	3.5
3	Samsung HI	59	3.1
4	Shanghai Waigaoqiao	57	2.6
5	Imabari SB	30	1.8
6	Meyer Werft	13	1.8
7	Jiangsu New YZJ	83	1.7
8	STX France	11	1.7
9	Hudong Zhonghua	31	1.7
10	Hyundai Mipo	59	1.3

Orderbook by Shipyard

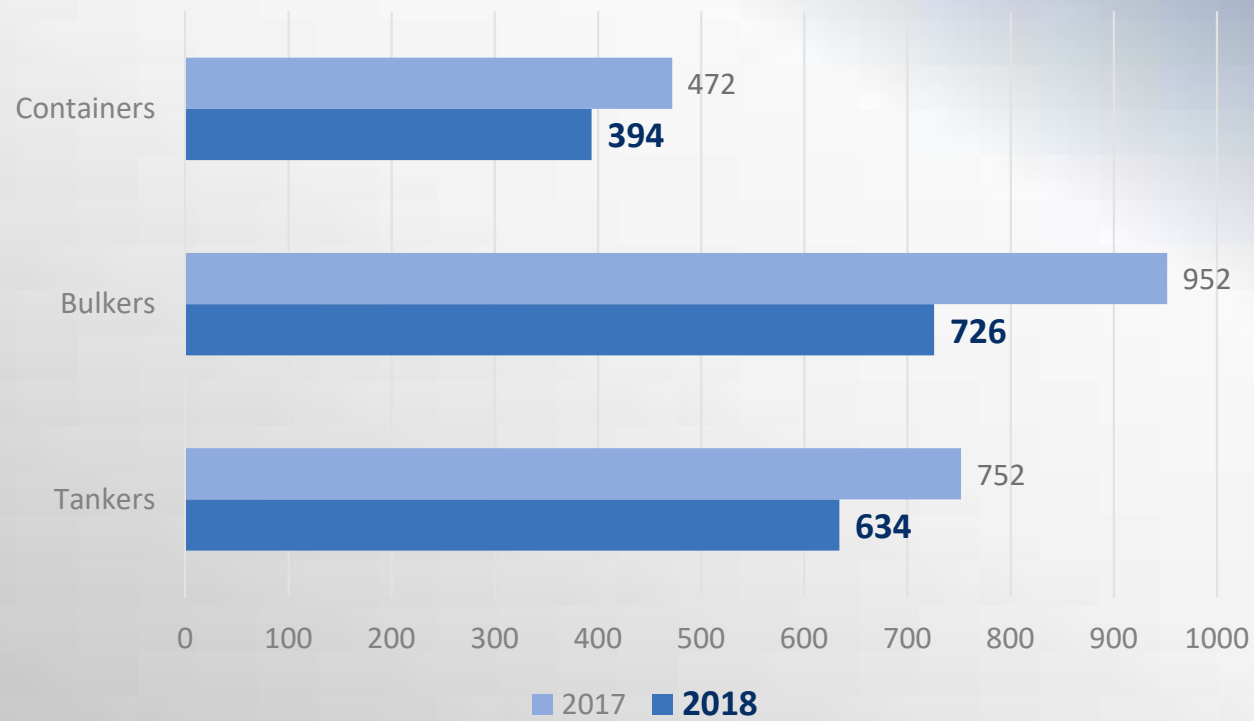
# Shipbuilding

Rank	Order Owner Nation	Ships	m. CGT
1	Japan	430	25.1
2	China P.R.	421	24.5
3	Greece	243	15.3
4	USA	175	8.6
5	Singapore	226	3.5
6	Norway	134	3.2
7	S. Korea	95	2.6
8	Italy	46	2.6
9	Canada	62	2.3
10	Denmark	70	2.1

Orderbook by Owner Country

[Xclusiv]

## Orderbook size by number of Vessels



# Seaports



# Seaports

- **Consolidation**
- **Links with hinterland**
- **Inter-port competition should encouraged**
- **Digitalization**
- **Security**

## **World Container Port Volumes:**

- *Asia 64%*
- *Europe 16%*
- *North America 8%*
- *America other 6%*
- *Africa 4%*
- *Oceania 2%*

# **Milestones & Perspectives**

# Structural Demand Trade

Economic growth is under structural –not just cyclical- change.

- Continued urbanization
- Silver economy (implications for Cruise)
- Shift towards services
- De-manufacturing
- Re-shoring
- De-carbonization
- 3D printing
- Finance scarcity
- Digitalization
- China's rebalancing
- Shale oil & gas

Not all shipping segments are homogeneously exposed to the structural shifts.

Container-trade growth has slowed since the financial crisis.

Global TEU<sup>1</sup> trade and real GDP growth



<sup>1</sup>Twenty-foot equivalent unit.

<sup>2</sup>Compound annual growth rate.

<sup>3</sup>Ratio of TEU growth to GDP growth.

McKinsey & Company | Source: Alphaliner; McKinsey analysis

# Key items going forward

- 2020
- Emissions
- Energy efficiency
- Pollution
- Blockchain, Cryptos
- Cybersecurity
- Digitilization
- Maritime piracy and security
- New –disruptive- technologies
- Smart, autonomous, unmanned Vessels

## RECAP

The last decade, we experienced shipping ***as good as it gets*** (2008) and the ***perfect storm*** Drybulk (2016), Containers (2016-17), Tankers (2017-18).

The Ocean Shipping Industry undergoes ***structural*** (not just cyclical) changes related to both Supply and Demand.

New Technologies, New Regulations, and the ***necessity*** for Green and Energy efficient Ships are transforming the industry.

In the era of ***Great Shipping Consolidation*** innovation is essential to survive and create true value.

Perhaps exaggerating, the inherent value hidden in ***Shipping Big Data*** maybe higher than the value of the shipping asset *per se*!



# Shipping Markets: Status & Perspectives

30<sup>th</sup> MAY, 2018

*Thank You!*

# Key References

- **Xclusiv Shipbrokers Proprietary Data**
- **IMF, UNCTAD, FT, Clarksons, McQuilling, McKinsey, MSI, Lloyds Maritime Intelligence.**