Analysis

Shipping's Half Year Report…

After the resilience and then strong recovery of recent years, it has been another exceptional half year for shipping with our cross-segment ClarkSea averaging $38,844/day, up 7% on 2H 2021 and 157% on the 10-yr average (and only just below the 1H 2008 record!). And with geopolitical turmoil added to Covid-19 disruption, shipping has again been placed at the centre of global events.

Records...

Although 1H was not quite a record (1H 2008: $39,129/day), markets remain in exceptional territory. Though skewed by containers (freight was steady on 2H 2021, charter rates rose to another record $85,731/day: a strong short term outlook seems balanced by 8% fleet growth in 2023, a slowing economy and, eventually, an easing of congestion) nearly all markets are well above trend. Bulkers have eased back ($24,440/day from $32,519 in the previous half) but still had their second best half since 2008 (world economy is a concern but a short orderbook and potential for some Chinese stimulus is more encouraging). Tankers, buoyed by a very strong performance on products but held back by VLCC, averaged $25,698, up from three consecutive quarters <$10,000. Car Carriers (supported by congestion) have hit all time highs; LNG term rates are unsurprisingly above trend. Offshore, reflecting encouraging trends/outlook in utilisation/day rates, moved above trend.

Demand…

As macro-economic headwinds and inflation pressures build, seaborne trade growth has slowed below trend and needs monitoring carefully (we are now projecting 12.2bn tonnes, down from a 12.4bn forecast at start year). For shipping there are some mitigating factors: tonne-mile growth is still close to trend reflecting changing trade patterns of European imports / Russian exports, congestion remains elevated tying up capacity and a complex sanction regime has created further "inefficiencies".

Supply...

The global fleet grew below trend at 1.4% to reach 1.51bn GT / 2.2bn dwt (fleet value rose 10% to $1.4tr), continuing a theme of "manageable", and, in some sectors, "favourable" supply. Structural opportunities from "short" orderbooks (tankers at 5% of fleet, bulkers 7%, and with container (28% of fleet capacity on order), LNG (40%) and PCC (12% - all dual-fuel) dominating much of the short term yard capacity). Of the $56bn of newbuild orders placed in 1H, we already have an annual record for LNG orders (94 ships, 16m cbm and $19.7bn). S&P volumes (>71m dwt of $28bn) have remained strong, although were slowing a little as we head for the summer. Demolition activity was weak (just 8m dwt: the second lowest six month period since 2008).

Energy Transition And Security

Our reviews of recent years have all advised "extra classes" around Green Transition. Re-enforcing this, a record 61% of newbuild orders (GT) were alternative fuelled in the 1H and the introduction of EEXI, CII and EU ETS is now six months away. Fleet renewal and impacts of emissions policies on fleet supply will be themes for the decade. But as we discussed in our LNG review, and as we are seeing with increased offshore oil and gas activity, energy security has also moved rapidly up the agenda. So strong cashflow in most segments but plenty of uncertainties to ponder: perhaps one for after the summer! Best wishes from Clarksons Research.

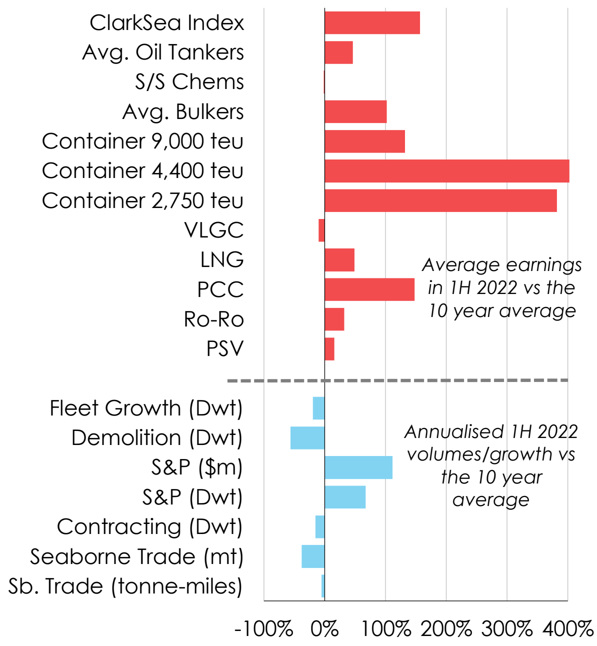
Graph of the Week

Managing Disruption, Going Green… And Now Geo-Politics

The red bars show the percentage difference between average earnings in 1H 2022 and the ten year average in each sector. The blue bars show the percentage difference between annualised fleet growth (in percentage terms) or demolition, sales (in value and dwt) and contracting volume (in dwt) in 1H 2022 compared to the annual average in the 2011-21 period. The bars for seaborne trade compare projected growth this year, compared to the annual average growth rate in 2011-21.

A more detailed half year review of the shipping markets will be released next week on *SIN*.

The author of this feature article is Stephen Gordon. Any views or opinions presented are solely those of the author and do not necessarily represent those of the Clarksons group.



Source : Clarksons Research

***Shipping Intelligence Weekly*, 01 July 2022**
Published by:
Clarkson Research Services Limited
Commodity Quay, St Katharine Docks
London E1W 1BF, England.
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E-mail: sales.crs@clarksons.co.uk
On-line Shop: www.crsl.com
Website: www.clarksons.com/services/research
Shipping Intelligence Network: https://sin.clarksons.net/
World Fleet Register: www.clarksons.net/wfr
Printed on FSC/PEFC certified paper.
Shipping Intelligence Weekly is available each Friday on Shipping Intelligence Network.
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