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*The **Global Maritime Weekly Digest**, based at **Southampton SOLENT University**, provides a regular flow of maritime news and analysis, of significance in a global context.*
Topics covered include shipping fleets and management, seaborne trade, ports, shipbuilding, ship recycling, maritime policy and regulations, and seafarers' labour.

Contents

Editorial comments

- Some ***worries about global seaborne trade growth*** are receding. Historically, growth in sea trade has been higher than growth in global economic activity (based on GDP) but in the past two years the ratio plummeted (item 1). In the current year, 2017, there are signs of a revival as estimated trade expansion accelerates and exceeds the forecast increase in GDP.
- Of great importance for shipping next year, ***prospects for world economic activity*** look quite cheerful. The OECD organisation's latest predictions suggest that expansion may be marginally stronger than this year's improved performance (item 3). But concerns are raised in the report about trends in business capital investment and productivity.
- Among many ***maritime policy challenges*** facing the International Maritime Organization, a strategy for reducing greenhouse gas emissions from shipping is at the forefront (item 4). Other problem areas are ship safety, new emerging technologies including autonomous vessels, ocean governance, cyber crimes, facilitation of international trade, and the human element.
- The ***employment of women in shipping*** was a focus of attention at a recent seminar organised by the Women's International Shipping & Trading Association. Ideas were discussed to support and advise female employees in the industry (item 5).
- Shipping markets may not be booming, but ***secondhand ship sales*** are strong. Sales in 2017 will be much higher than seen last year and the highest in a decade, based on the number of sales but not on their value (item 6). Bulk carrier and container ship transactions have been especially buoyant this year. Greek shipowners' sales and purchases are notable.

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(1) Clarksons Research, 28 November 2017

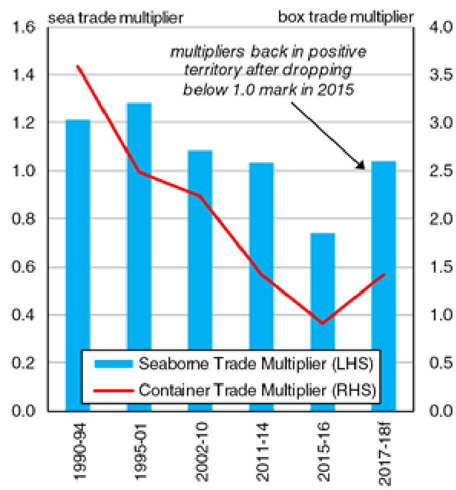
Seaborne Trade: Back To More Bang For The Buck?

Shipping industry cycles are constantly influenced by the twin factors of supply and demand, and for investors if it's not time to worry about one, it's the other that's causing concern. With much of the post-financial crisis era focussed on supply-side issues, albeit following a huge shock to demand, risks to seaborne trade growth began to feature more prominently in recent years, but how do things look today?

Graph of the Week

How Much Do You Get For Your Buck These Days?

The graph shows the development of two 'multipliers'; the ratio between estimated growth in world seaborne trade and global GDP, and the ratio between estimated global container trade growth and world GDP expansion (for calculation purposes, the average 'multipliers' exclude the outlier years when global seaborne trade contracted). For further 'multiplier' and seaborne trade data see *Seaborne Trade Monitor* on *Shipping Intelligence Network*.



Source : Clarksons Research

Multiple Worries

As the Analysis in SIW 1028 (5th Feb 2016) pointed out, in 2015 worries began to emerge over the state of world seaborne trade. Growth slowed to 2.1%, and the multiple of growth in seaborne trade over global GDP expansion dropped to just 0.6. Turbulence in the Chinese economy in the second half of the year and a drop in global coal imports had weighed heavily, and with seaborne trade accelerating in 2016, but only as far as 2.8%, the average 'multiplier' over GDP growth in 2015-16 (see graph) stood at 0.7 cementing observers' worries over the lack of 'bang for the buck' and the long-term prospects for trade growth. The boom of 2002-07, when seaborne trade growth averaged nearly 5% per annum, backed by a rapidly expanding Chinese economy hoovering up bulk cargoes and rapid container trade growth supported by outsourcing of production from the west to Asia, seemed a bit like a distant memory.

Time To Buck The Trend?

However 2017 has seen a turn for the better, and, with the end of the year almost in sight, the projection for seaborne trade growth stands at a healthy 4.1%, with the global total on course to reach 11.6 billion tonnes. Container trade is growing at a rate of more than 5% this year, 44% above projected global GDP growth of 3.6%. Taking into account our forecast for next year the seaborne trade multiplier is set to average more than 1.0 again in 2017-18. This change has reflected a number of dynamics. Oil trade growth may have slowed slightly in 2017 constrained by OPEC cuts, but dry bulk trade is projected to have grown by more than 4%, with Chinese imports proving resilient, and healthy mainlane and intra-regional growth has supported a return to form in box trade growth. Next year looks relatively healthy too with seaborne trade growth currently projected to reach 3.5%.

Who Was 'Bang On'?

It goes to show that those who thought 'the glass was still half full' back in 2015, weren't entirely off the mark, and that positive drivers still hold weight; cycles take time to turn and sometimes this is hard to see clearly. Negative geopolitical factors have not (yet) quite had the impact some expected and the influence of China, and Asia as a whole, still has some way to go.

Still Has Some Legs
Clearly, the industry still needs to watch closely, and trade growth in reality is probably moderating gradually. Political and economic risks are still evident, and technology is likely to have a huge say in the future. But from today's standpoint, things haven't turned out as badly as the pessimists had originally feared. Trading pattern dynamics have a long way to go but the positive news right now is that seaborne trade is back to providing some bang for the GDP buck.
Source: Clarksons
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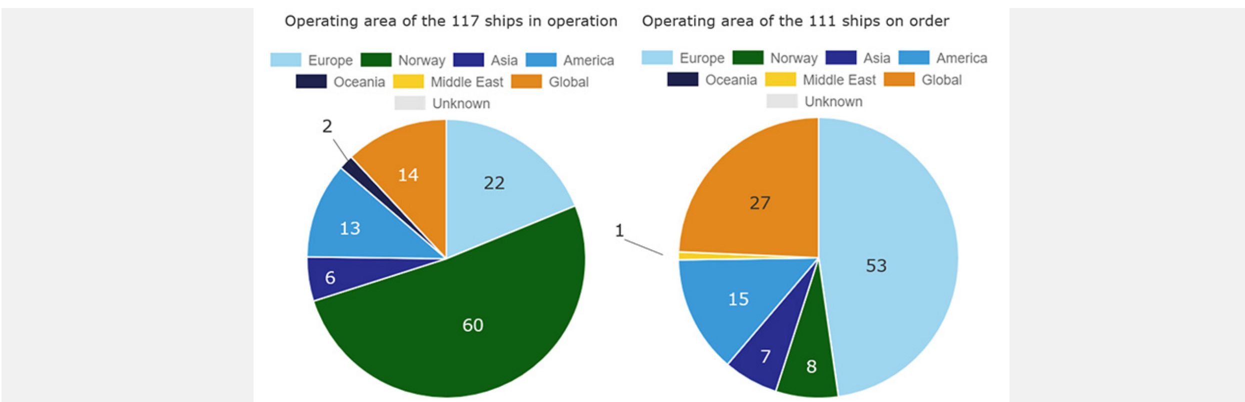
(2) Hellenic Shipping News, 27 November 2017/ DNV-GL

Uptake of LNG as a fuel for shipping

Using natural gas as a fuel has long been hailed as the future of shipping. However, it has proven remarkably difficult to establish exactly when this particular future will arrive. In 2012, DNV GL predicted that by 2020, the LNG-fuelled fleet would comprise around 1,000 vessels. Three years later, this figure was revised downwards to between 400 and 600 vessels, with low oil price and slower than expected development of bunkering infrastructure cited as key reasons.

Today, there are 117 vessels burning LNG, of which more than two-thirds are operating in Europe. A confirmed order book of 111 vessels will see that figure double. In addition, there are 114 vessels that are classified as LNG-ready. A quicker uptake of LNG as a fuel for shipping is thus clearly visible.



Area of operation of LNG fuelled vessels

Bunkering boom
The conditions needed for an acceleration are in place. In particular, bunkering options are expanding on a global scale. Today, there are 60 supply locations worldwide, including Singapore, the Middle East, the Caribbean as well as Europe, according to the latest data in DNV GL's LNGi business intelligence portal. A further 28 facilities have been decided and at least 36 are under discussion.
By the beginning of 2018, six LNG bunker vessels will be in operation globally, and four more projects are confirmed. Major players including Total, Shell, Gas Natural Fenosa, ENN and Statoil have announced plans for new LNG bunker vessels, which, according to DNV GL's Senior Consultant for Environmental Advisory, Martin Christian Wold, are likely to materialize in the near future at key locations in northern Europe, the Middle East, the Gulf of Mexico, Singapore, and the Mediterranean.

LNG bunkering infrastructure is developing rapidly

Meanwhile, government-backed initiatives are getting underway in China, Korea and Japan, as these countries strive to meet ambitious national targets for combating local pollution and reducing greenhouse gases (GHGs).

Wold explains: “For suppliers, it’s very much a question of timing. They won’t bring these facilities online until they see sufficient confirmed orders for LNG-fuelled tonnage to justify the investment. Yet, they are also jostling to secure an anchor customer and gain first-mover advantage to deter their rivals from setting up nearby.”

Shell, for example, has just signed a long-term charter agreement for a 4,000m3 bunker barge to supply LNG bunkers along the U.S. east coast. Meeting growing demand for LNG from cruise lines was cited as the major impetus behind the decision.

The regulatory outlook too is now much more certain, thanks to IMO setting 2020 as a fixed date for the introduction of its global cap on fuel sulphur content. Because of the political currency attached to the decision, any softening of the regulation or significant slippage is regarded as unlikely.

“Evaluating whether LNG as a fuel will provide a competitive edge is difficult enough for ship owners. Having to anticipate various regulatory scenarios on top of that complicated matters further. IMO’s decision brings much-needed clarity to owners considering switching to LNG and other alternative fuels,” says Wold.

Inflection point

Both SEA\LNG, a multi-sector industry coalition working to facilitate and accelerate the widespread adoption of LNG as a marine fuel, and the Society for Gas as a Marine Fuel (SGMF), a non-governmental organisation dedicated to promoting the safe handling of LNG as a fuel, have watched these developments unfold and believe that an inflection point for LNG uptake is closer than ever.

SEA\LNG General Manager Steve Esau says that the pivot will hinge on global availability of bunkering infrastructure close to traditional bunkering ports. “Nine of the top ten oil bunkering ports already offer LNG or have firm plans to do so by 2020,” he says. Slicing the statistics another way, there are already large scale terminals nearby 24 of the world’s top 25 ports ranked by trade volume. With a little more investment in the ‘last mile’ to bring LNG from the bulk infrastructure to ships, he believes the foundations are in place for a wider switch to LNG from 2020.

SGMF’s main objective is to provide guidance for safe and responsible use of LNG as fuel, and General Manager Mark Bell has been watching the development from the start: “Right now just 0.2% of the addressable global fleet is running on LNG. But with regulatory clarity and established standards for safe handling of gas as a marine fuel, I believe we will see LNG fuel for ships become a mainstream option within the next five to seven years.”

Boxship breakthrough

The concept is increasingly appealing to container lines, with several now giving serious consideration to LNG for their newbuild fleets. Maersk Line raised many eyebrows when it publicly stated it views ‘alternative fuels’ as a better long-term solution to meet tougher environmental regulation than exhaust gas scrubbers in combination with conventional engines running on heavy fuel oil (HFO).

Just recently, CMA CGM made an announcement timed to coincide with the COP23 talks in Bonn, Germany, that it will equip nine 22,000 TEU vessels with engines burning LNG, thereby improving their EEDI by some 20% over comparable HFO fuelled tonnage.
Endorsements for LNG by such major operators could serve as the catalyst that triggers a stampede. DNV GL’s Wold comments: “While speculation about orders for large LNG fuelled container ships on the Far East-Europe route had been mounting, few had expected a breakthrough contract to arrive this year. It marks a significant turning point for LNG as a fuel and the shipping business more generally.”

Zero-carbon transition
LNG fuel as a solution to curb harmful emissions is indisputable. It emits zero sulphur oxides (SOx) and virtually zero particulate matter (PM). Compared to HFO, it emits up to 90% less nitrogen oxides (NOx). The environmental agenda is today shifting to focus more on greenhouse gases. Employing current best practices and appropriate technologies to minimize methane leakage, gas offers the potential for up to a 25% reduction. “Gas is not a silver-bullet, but it is a step in the right direction when it comes to reducing carbon emissions,” says SGMF’s Bell.
SEA\LNG’s Esau believes there is considerable scope for refinements and improvements to be made. “Advances in dual fuel technology and propulsion, enhanced control systems and future use of gas turbines present further opportunities for greater GHG reductions.”
His optimism is not unjustified. Engine manufacturers have invested huge sums in R&D to improve the efficiency and environmental performance of conventional HFO burning engines, spurred by a combination of regulatory push and demand from end users for better fuel consumption. With a similar level of focus and engineering ingenuity, there is little reason to doubt they could achieve major advancements for engines operating on LNG.
In the longer term, the possible addition of renewable natural gas – or biomethane – into the energy mix could offer further benefits. Today, biomethane is only produced in small quantities. However, as the incentives and momentum for reducing GHGs grow, production is likely to grow as well. Notably, the Port of Rotterdam is already exploring its potential. It is too early to say whether enough can be produced to fuel more than a handful of vessels, nonetheless Esau believes this is an opportunity that must be “vigorously pursued”.
While conventional LNG alone cannot cut CO_2 to the extent required by the COP21 agreement, it remains the best commercially available and proven technology to reduce CO_2 emissions for most ship types and trades, states Wold: “With no definitive zero-emissions solutions yet on the horizon, it makes sense to do what you can today to improve air quality and lessen the carbon entering the atmosphere.”

AIS data from LNGi shows that LNG fuelled ships are already covering a large area

Reputable Reference
Industry associations SGMF and SEA\LNG are engaging with shipping companies, LNG suppliers, industry regulators and other stakeholders to promote a safe and accelerated uptake for LNG as a marine fuel. They aim to instil investor confidence for its adoption through a combination of education and outreach.
“Our work must be based on objective data, as it may feed into investment decisions running into the tens of millions dollars,” remarks SEA\LNG’s Steve Esau. To this end, both are capitalizing on DNV GL’s LNGi

business intelligence portal, which provides comprehensive insights on worldwide bunkering availability and keeps a close eye on fleet development.

It is now supported by LNG Fuel Finder, an online tool that lets ship owners and charterers register their interest in using LNG as a ship fuel, and alerting LNG suppliers to the fact. Esau believes this digital marketplace will boost transparency and raise confidence in the availability of LNG as a bunker fuel. “It could provide an effective channel for buyers to meet sellers.” Mark Bell of SGMF echoes this sentiment: “As a consolidated source of credible data, LNG Fuel Finder could remove the suppositions from the equation.”

Source: DNV-GL

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(3) OECD, 28 November 2017

OECD sees global economy strengthening, but says further policy action needed to catalyse the private sector for stronger and more inclusive growth

The world economy has strengthened, with monetary and fiscal stimulus underpinning a broad-based and synchronised improvement in growth rates across most countries, according to the OECD’s latest Economic Outlook.

Annual growth of the world economy is projected to improve slightly in 2018, but remains below the pre-crisis period and that of past recoveries. Longer-term challenges inhibit stronger, more inclusive, and more resilient economies.

The Outlook notes persistent effects of prolonged sub-par growth on private sector performance including investment, trade and productivity. Employment rates are now above pre-crisis rates in many OECD economies and unemployment is falling, but this has yet to produce solid real wage gains. In the absence of a clear sign of change in underlying trends, growth across the OECD is projected to weaken in 2019. “Growth has picked up momentum and the short-term outlook is positive, but there are still clear weaknesses and vulnerabilities,” said OECD Secretary-General Angel Gurria. “There is a need to focus structural and fiscal action on boosting long-term potential as monetary policy support is reduced. Countries should implement reform packages that catalyse the private sector to promote productivity, higher wages and more inclusive growth.”

Household and corporate debt in many advanced and emerging market economies is high, creating vulnerabilities and raising questions about the sutainability of growth in the medium term. A special chapter in the Economic Outlook, on “Resilience in a Time of High Debt,” calls for an integrated policy approach, drawing not only on macroeconomic and macroprudential instruments but also tackling underlying structural issues.
A sounder and healthier financial system would reduce the tax bias towards debt, deepen equity markets and improve the design of insolvency regimes. Removing tax subsidies for housing and making housing supply more fluid would mitigate the tendency to boom-and-bust cycles.

The OECD projects that the global economy will grow by 3.6 percent this year, 3.7 percent in 2018 and 3.6 percent in 2019. The projections reflect slight improvements in the global economy since the previous Interim Economic Outlook in September 2017, but also concerns about long-term momentum.
In the United States, growth is estimated at 2.2 percent in 2017, rising to 2.5 percent in 2018, then dropping back to 2.1 percent in 2019.

The euro area is projected to grow at a 2.4 percent rate in 2017 and a 2.1 percent pace in 2018 – upward revisions from previous projections driven by stronger growth in key European countries – before slowing to a 1.9 percent pace in 2019.
Germany is forecast to grow by 2.5 percent in 2017, 2.3 percent in 2018, and 1.9 percent in 2019. France is projected to grow by 1.8 percent over the 2017-18 period and 1.7 percent in 2019, while Italy will see a 1.6 percent growth rate this year, a 1.5 percent rate in 2018 and a 1.3 percent rate in 2019. The revised projections reflect stronger-than-expected performance in the first half of 2017, in the context of rising employment, accommodative monetary policy and stronger consumption growth and investment.
In the United Kingdom, the growth slowdown is expected to continue through 2018, due to continuing uncertainty over the outcome of negotiations around the decision to leave the European Union and the impact of higher inflation on household purchasing power. In this context, the UK is projected to grow by 1.5 percent this year, 1.2 percent in 2018 and 1.1 percent in 2019.

Growth in Japan is projected at 1.5 percent for 2017, which is slightly below the forecast in the September 2017 Interim Economic Outlook, and to remain close to 1 percent in 2018 and 2019 as fiscal consolidation resumes and the decline in the working-age population accelerates.
The Canadian economy is bouncing back to 3 per cent growth rate this year, before slowing to 2.1 percent in 2018 and 1.9 percent in 2019 as policy stimulus is withdrawn.
Expansion in the major emerging market economies is improving, on the back of renewed infrastructure investment in China and recovery from recession in major commodity-exporting economies, but remains softer than in the past.
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Growth in China is projected at 6.8 percent in 2017, 6.6 percent in 2018, and 6.4 percent in 2019, partly reflecting the ongoing rebalancing in China’s growth model.
In India, growth is projected at 6.7 percent in 2017 and 7.0 percent in 2018, before picking up to a 7.4 percent rate in 2019, thanks to reforms that are expected to boost investment, productivity and growth.
Russia is rebounding from recession, and is projected to grow by 1.9 percent in 2017 and 2018 and 1.5 percent in 2019. Brazil is also expected to exit recession, with a 0.7 percent growth rate in 2017, 1.9 percent in 2018 and 2.3 percent in 2019.

“The global economy is flying low and at risk of financial turbulence,” said OECD Chief Economist Catherine Mann. “The only strategy is to pursue an integrated policy approach that will balance actions to boost growth, mitigate risks in the financial sector and improve resilience. We cannot afford to be complacent and assume that today’s economy is as good as it gets – future generations have a right to ask for better.”
Source: OECD
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(4) International Maritime Organization, 27 November 2017

IMO Secretary-General outlines challenges facing the Organization

The Secretary-General of the International Maritime Organization (IMO), Mr. Kitack Lim, has urged Member States to seize the opportunity to set bold and ambitious goals, when they adopt an initial strategy for reducing greenhouse gas emissions from international shipping in 2018.

Speaking at the opening of the Organization's 30th Assembly session, Secretary-General Lim told delegates the whole world would be watching IMO in 2018, looking for something of real substance.

"Next year really will be a time when the world will expect IMO Member States to deliver a clear vision as the first stage of the approved roadmap. I urge you, be bold; set ambitious goals that really will make a difference. You have a real opportunity here to do something of lasting significance. Make the most of it," he told the packed plenary hall at IMO Headquarters in London. IMO's Marine Environment Protection Committee (MEPC) is set to adopt an initial GHG strategy in April 2018.

More than 1,500 delegates from IMO Member States, international governmental and non-governmental organizations have registered to attend the 30th session of the IMO Assembly meets from 27 November to 6 December.

Mr. Lim outlined the key elements of the new "Strategic Plan for the Organization" for 2018 to 2023, which is expected to be adopted by the Assembly.

"The seven strategic directions point us now towards more effective rule-making and implementation processes by integrating new and advancing technology to respond to our challenges, among others, to increase ship safety, including addressing new emerging technologies such as autonomous vessels, our contribution to combat climate change, engagement in ocean governance, mitigation of cyber-crimes, and facilitation of international trade, whilst continuing to take due consideration on the human element factor," Mr. Lim said.

He highlighted his ambition to transform IMO into a "knowledge based Organization", with appropriate analysis to support and improve the already effective rule making process and enhance implementation. The rapidly increasing pace of change in every sphere raised a fundamental issue, since technology will move far quicker than the regulatory process, he said.

"Digital disruption will arrive in the shipping world very soon; and, when it does, IMO must be ready," Mr. Lim said. "For me, this means the regulatory framework for shipping must be based firmly around goals and functions rather than prescriptive solutions. This is the only way to ensure that measures adopted by IMO are not rendered obsolete by the time-lag between adoption and entry-into-force. I know we have already made good steps in that direction but we must go further and faster in the coming years."

The Organization as a whole needed to become more effective, more nimble and more adaptive, Mr. Lim said, drawing attention to his determination to push forward a "Knowledge based Organization" concept, embracing data in the Secretariat's work and in the decision-making processes.

"We are in the era of digitalization and at the United Nations level we are already looking at frontier issues that include emerging technologies such as artificial intelligence, and the benefits they could have in society as a whole, and to remain relevant," Mr. Lim said.

"For IMO, we need to have more detailed and deeper analysis of statistics and data so that we can really understand underlying trends and causal factors behind shipping casualties; and we must make sure that additions and amendments to the regulatory framework are also based, wherever possible, on relevant statistics, studies and analysis. This would pave the way for better regulation, one that not only takes into account the work carried out to reduce administrative burdens, but to avoid disproportionate requirements, as well as addressing obsolete and unnecessary ones."

IMO's work to support the 2030 Agenda for Sustainable Development and the associated Sustainable Development Goals was also stressed. "Because most of the elements of the 2030 Agenda will only be realized with a sustainable transport sector supporting world trade and facilitating the global economy, aspects of IMO's work can be linked to almost all of the individual SDGs," Mr. Lim said.

Mr. Lim concluded by referring to the forthcoming anniversary in 2018, marking 70 years since the Convention establishing IMO was adopted in March 1948. "The theme we have selected for next year – "Our heritage – better shipping for a better future" – looks both at the past and into the next 70 years that

lie ahead. It provides an opportunity to reflect and showcase how IMO has adapted over the years as a crucial player to the global supply chain," he said.
The Rt Hon Mr. John Hayes CBE MP, Minister of State for Transport Legislation and Maritime of the United Kingdom Government, also welcomed delegates to the Assembly, as the representative of the Host State.
The outgoing President of the Assembly, Mr. Federico Trillo-Figueroa y Martínez-Conde, Ambassador of the Kingdom of Spain to the United Kingdom and Permanent Representative of Spain to IMO, and the incoming President, His Excellency Mr. Rolando Drago Rodríguez, Ambassador Extraordinary and Plenipotentiary and Permanent Representative of Chile to IMO, also addressed the Assembly.

Election of Officers

The Assembly elected the following officers:

Assembly President

His Excellency Mr. Rolando Drago Rodríguez, Ambassador Extraordinary and Plenipotentiary and Permanent Representative of Chile to IMO.

Vice-Presidents

1st Vice-President: His Excellency Mr. Euripides L. Evriviades, High Commissioner and Permanent Representative of Cyprus to IMO; and
2nd Vice-President: Her Excellency Ms. Tamar Beruchashvili, Ambassador Extraordinary and Plenipotentiary and Permanent Representative of Georgia to IMO.

IMO Assembly

The 30th Assembly of IMO is meeting in London at IMO Headquarters from 27 November to 6 December 2017. More than 1,500 delegates from IMO Member States, international governmental and non-governmental organizations have registered to attend the Assembly, IMO's highest governing body.
All 172 Member States and three Associate Members are entitled to attend, as are the intergovernmental organizations with which agreements of co-operation have been concluded, and non-governmental organizations in consultative status with IMO.
The Assembly normally meets once every two years in regular session. It is responsible for approving the work programme, voting the budget and determining the financial arrangements of the Organization. It also elects the Council.
Source: IMO
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(5) Lloyd's List, 29 November 2017

Wista UK seeks mentors to keep women in shipping

Programme to offer support and advice to women in maritime sector and target potential entrants still at school

THE Women's International Shipping & Trade Association is calling for volunteer mentors as part of a new initiative to be launched in 2018.

The group aims to start with about 10 mentors and gradually build up the programme by the end of next year, said Wista's UK president Sue Terpilowski.

The idea is to "nurture" women in the maritime industry, giving support and advice to ensure they stay on in the sector.

Susan Oatway, who was appointed vice-chair of the Institute of Chartered Shipbrokers in October, called on women in shipping to help strengthen the careers of those following in their footsteps.

Speaking at a Wista event in London on Tuesday, Mrs Oatway, who has been in the industry for 30 years, spoke of the institutional, automation and cultural challenges that still plagued the sector. "I don't treat this industry like a club," she said.

Change had to come from within, she said, adding that teaching and mentoring was crucial. "It's about engendering curiosity, continuous learning."

She is the first female to have such a high ranking at the ICS, which was founded in 1911.

Earlier this year, Wista and ICS offered 10 scholarships for a one-year course to develop practical and commercial skills from chartering in the various segments to ship operations and management, law, insurance and finance.

Another initiative that Wista is looking to develop, in partnership with the ICS and HiTide, is an educational drive in schools, with the aim of getting more girls interested in shipping.

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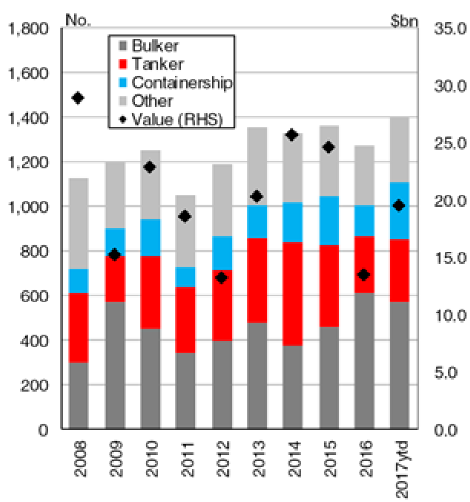
(6) Clarksons Research, 24 November 2017

The Secondhand Market: A Hive Of Activity In 2017

With two months of 2017 still to go, the number of secondhand sales this year has reached the highest annual level since 2007, even if this has not been the case in value terms, with secondhand prices hovering at low levels this year in many sectors. Sales activity has been particularly firm in the bulkcarrier and boxship sectors, and the usual owner nations have been actively buying and selling vessels.

Graph of the Month

Growing Global Secondhand Sales Activity



The bars on the graph show the total annual number of secondhand sales reported over the last decade, split into the three major vessel sectors as well as others. The black diamonds represent annual sales in terms of reported value. A wide range of secondhand sales data, including information on individual sales, can be found on the *Shipping Intelligence Network*.

Source : Clarksons Research

Sale And Purchase Swarm

As of start November 2017, 1,400 vessels of a combined 79.4m dwt have been sold on the secondhand market this year, the largest annual number since 2007 and the second largest in terms of dwt. On an annualised basis, the total volume in dwt terms would become the highest annual sales level on record. Despite this firm level of sales activity, in value terms total sales are still below historical highs, with year to date sales totalling $19.4bn, significantly lower than the 2007 value and also below 2014-2015 levels. This is partly a consequence of numerous vessel sectors experiencing relatively low secondhand prices this year, with the Clarksons Secondhand Price Index beginning the year at 75 points, its lowest recorded level since 1988, although the index has begun to increase again, with the start November figure at 91 points.

Which Markets Are Buzzing?

There have been particularly firm sales volumes so far this year in both the bulkcarrier and containership sectors. 573 bulkers of a combined 40.4m dwt have been reported sold so far this year, the second highest level on record after 2007 on an annualised basis. In numerical terms, 62% of bulker sales have been smaller Handymax and Handysize units, while Capesize and Panamax vessels account for a combined 38%. Meanwhile in the containership sector, 250 ships of a combined 0.95m TEU have been reported sold, already an annual record in TEU terms. In the tanker sector, 284 vessels of a combined 23.9m dwt have been reported sold, an amount comparable to historical average levels.

Greek Owners: Busy Bees

As has traditionally often been the case, Greek owners have been the most active buyers and sellers of secondhand tonnage in the year to date, selling a reported 194 units of a combined 13.4m dwt, accounting for 17% of global sales in dwt terms. While Greek owners have been in the top two owner nations (in terms of tonnage sold in 2017 so far) in all three major vessel sectors, the other leading spot has been occupied by US owners in the tanker sector, Chinese owners in the bulker sector, and German owners in the boxship sector. Greek owners have also been the most active reported buyers of tonnage so far this year, acquiring 214 units of 17.2m dwt. In fact, 33% of year to date sales in dwt terms have reportedly involved either a Greek seller or buyer.

So, the secondhand sales market has been highly active in 2017 so far, and total sales dwt volumes look set to reach record levels by the end of the year. This has been particularly driven by larger sales volumes of containerships and bulkcarriers, while Greek owners have continued to be the dominant sale and purchase players. Against this backdrop, it will be interesting to see whether the momentum in the secondhand market can continue into 2018 and beyond.

Source: Clarksons

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(7) Lloyd's List, 28 November 2017

Fleet overview: The year of recovery, finally?

Economic and trade growth could outstrip fleet expansion in more optimistic scenarios

IF THE old saying that shipping is the bloodline of global trade holds true in 2018, owners will finally welcome the long-awaited year of recovery — albeit cautiously.

There are catalysts for a market upturn in nearly all merchant shipping sectors, yet at the same time the fragile recovery could be easily derailed by continued fleet growth and macroeconomic risks.

For now, the most cited reason for optimism, namely improving global economic prospects, is still there, supporting underlying confidence among owners.

The latest forecast of the International Monetary Fund puts the world's economic growth rate next year at 3.7% in 2018, compared with 3.6% in 2017 and 3.2% in 2016. Global growth of real gross domestic product is projected to accelerate to 2.9% next year from 2.7% this year, according to the World Bank.

The Organisation for Economic Co-operation and Development also expects global growth to go on an upward trajectory in 2016-2018.

The momentum is widespread among advanced and emerging economies, except for Brexit-plagued Britain, the forecasters said, painting a rosy outlook for general maritime trades because a broad recovery tends to favour shipments between regions.

But there are also risks. The World Trade Organisation said the growth of global merchandise volume should fall to 3.2% in 2018 from 3.6% this year, although added that the expansion could be as much as 4.4% or as little as 1.4%. Higher base, tighter monetary policy in developed countries and Beijing's efforts at reining in fiscal expansion and easy credit are behind the deceleration, the WTO said.

In terms of seaborne trade, Clarksons has predicted an annual growth of 3.5% next year, lower than the 2017 level of 4.1%, but higher than the 10-year compound annual growth rate of 3.1%.

Moreover, overall fleet growth is likely to remain high next year, in part owing to slippage from 2016 and 2017. Lloyd's List Intelligence expects growth to reach 4.3% in deadweight tonne terms in 2018, compared with 3.8% this year. At the end of 2018, the world's fleet will consist of 126,260 vessels, totalling 2.1bn dwt.

Crude and product tankers

Based on forecast supply-demand fundamentals, tanker owners might enjoy a soft recovery at best in 2018.

With the large number of newbuilding deliveries, LLI has expected fleet growth for crude tankers to reach 6.4% in 2018 against 6.6% in 2017. As for product tankers, fleet growth is projected to marginally fall to 4.1% from 4.3%, when those vessels that can carry both oil and chemical products are combined.

But the owners can find hope on the demand side, with the Organisation of Petroleum Exporting Countries predicting a healthy oil demand growth of 1.5m barrels per day next year, which is the same as in 2017. The International Energy Agency has predicted growth of 1.4m bpd for 2018.

Most analysts expect earnings of product tankers to recover before crude tankers, because the former's oversupply could ease soon on more shipments after the destocking process completes.

"Consistent consumption growth should draw down inventory levels along with seasonality stronger rates in the winter months," Stifel said in a note. "Combining that with lower supply growth, eventually product tanker rates should improve."

Gas carriers

Having endured depressed market conditions in the past few quarters, liquefied natural and liquefied petroleum gas carriers could enjoy some respite. Many analysts are expecting LNG shipping to be the star performer in 2018, with trade growth in this sector outpacing fleet expansion.

Based on LLI forecasts, the trading fleet of LNG carriers will expand by 8.8% in terms of cu m, compared with 4.8% in 2017, with large newbuilding tonnage. But global LNG trade growth will accelerate to 13% from 10%, according to Clarksons. The pace of recovery will be slower in LPG shipping, with flattening trade demand growth, even as the number of newbuilding deliveries is falling.

The global fleet of LPG carriers will expand its capacity by 7.6% next year, compared with 9.6% in 2017, according to LLI.

Bulkers

The dry bulk shipping markets are about to enjoy their best trading periods since 2013-2014 — but it remains to be seen whether owners can really make net profits.

The easing oversupply has given owners hope, because some analysts predict net fleet growth of less than 1% in 2018 if scrapping picks up ahead of new International Maritime Organization rules taking effect.

However, some other estimates are more conservative. The trading fleet's capacity expansion rate could still be as high as 4.2%, compared with 3.3% this year, according to LLI, driven by deliveries in the segment of 200,000 dwt vessels or larger.

There are also mixed signals on the demand side, with iron ore and coal imports to China, the world's largest dry bulk trading nation, supported by healthy economic growth but potentially curbed by environmental policies.

Jefferies has predicted global dry bulk trade growth of 2%-3% in 2018, similar to this year's level.

Containerships

As 2017 is turning out to be a better-than-expected year, container carriers are getting a chance to keep their heads above water.

Next year, the fleet growth is expected to accelerate owing to scheduled deliveries and large slippage from 2017, but trade growth will hold firm as global economy recovers.

LLI has forecast the annual fleet growth rate will increase to 5.6% in teu terms in 2018 from 3.8% this year, mainly owing to the larger number of newbuilding deliveries of 10,000 teu vessels or larger.

But seaborne container trade will expand by 5% next year, the same as in 2017, Clarksons has predicted, citing strong trade prospects in both main lanes and non-main lanes.

"It seems that the foundations for a more lasting improvement in the market environment are being put into place," according the brokerage's latest Container Intelligence Quarterly.

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