Southampton SOLENT University

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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.

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Editorial comments

- Trends in ***ship operating costs*** are likely to resume an upwards trend this year and in the next twelve months, according to a regular survey conducted by a consultancy firm (item 1). Last year there was a marginal decline. Among cost items, repairs and maintenance and spares are the categories likely to see the most significant rises.
- The ongoing global pattern of ***new vessel ordering activity*** is closely followed, as an indicator of potential for assisting, or disrupting, the trend towards more balanced shipping markets. During 2017 there has been a modest pick up from the exceptionally low new orders volume placed in the previous twelve months (item 3).
- Observers looking for signs of ***potential for reshaping global shipping patterns*** as a result of China's Belt and Road Initiative have not seen much evidence emerging so far (item 5), although this mega-project is still in an early development phase. Commodity-intensive infrastructure projects could result in substantial extra seaborne movements of numerous commodities in the longer term, but the extent and timing of the overall impact remains unclear.
- A characteristically trenchant ***commentary on the global shipping scene*** by one critic focuses attention on many problems facing the industry, as it strives to make a full recovery from the crisis which engulfed it almost a decade ago (item 6). However, some observations appear to portray an excessively negative view of the outlook, perhaps with the aim of enlivening debate.

Richard Scott MA MCIT FICS
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(1) Moore Stephens, 26 October 2017

Ship operating costs are set to increase for 2017 and 2018

Vessel operating costs are expected to rise in both 2017 and 2018, according to our latest survey. Repairs & maintenance and spares are the cost categories which are likely to increase most significantly in each of the two years.

The survey is based on responses from key players in the international shipping industry, predominantly shipowners and managers in Europe and Asia. Those responses revealed that vessel operating costs are likely to rise by 2.1% in 2017 and by 2.4% in 2018.

The cost of repairs & maintenance is expected to increase by 2.0% in both 2017 and 2018, while expenditure on spares is predicted to rise by 2.0% in 2017 and by 1.9% in 2018. Drydocking expenditure, meanwhile, is expected to increase by 1.7% and 1.8% in 2017 and 2018 respectively.

The survey revealed that the outlay on crew wages is expected to increase by 1.7% in each of the years under review, with other crew costs thought likely to go up by 1.6% in 2017 and 1.5% in 2018.

The increase in expenditure for lubricants is expected to be 1.6% in both 2017 and 2018. Meanwhile, projected increases in stores are 1.5% and 1.7% in the two years under review, while management fees are expected to rise by 0.7% and 1.0% in 2017 and 2018 respectively.

The cost of hull and machinery insurance is predicted to rise by 0.5% and 1.0% in 2017 and 2018 respectively, while for P&I insurance the projected increases are 0.7% and 1.1% respectively.

The predicted overall cost increases were highest in the offshore sector, where they averaged 4.8% and 3.8% respectively for 2017 and 2018. By way of contrast, predicted cost increases in the container ship sector were just 1.1% and 0.8% for the corresponding years.

Operating costs for bulk carriers, meanwhile, are expected to rise by 1.9% in 2017, and by 2.4% the following year, while the corresponding figures for tankers are 2.1% and 2.7%.

Respondents to the survey highlighted various areas of concern likely to result in increased operating costs over the next two years. Crew costs were high on the list, with one respondent noting, “Crew costs are 60% of our operating expenditure, and weigh heavily when there is high demand for – but a limited supply of – manpower and when employers are required to meet increasingly onerous requirements.”

Another noted, “Crew and insurance related expenses are the two major factors in our operating expenses but, while we expect insurance costs to fall over the next two years, we anticipate that crew costs will remain the same.” Another still said, “Most shipping companies, but especially those operating tankers and chemical and gas carries, are facing the prospect of increases in costs through 2018 for hiring qualified crew.”

The increasing cost of regulatory compliance was referenced by a number of respondents, one of whom said, “New regulations are certainly going to have a major impact on our operating costs.” Elsewhere it was noted, “Retrofitting vessels with technology which has not been fully vetted for compliance with existing and new regulation can destroy cashflow.”

One respondent in the offshore sector, meanwhile, emphasised, “There is a constant trend in terms of charter hire, whereby earnings are gradually going down while expenses under different heads are following an upward trend.”

Another respondent commented, “We do not expect income to increase significantly over the next 12 months, which in turn will limit the available budget for operating expenses.” Other respondents, too, expressed doubts about factors which are likely to constrain their earning capacity at a time when operating costs are increasing. Areas of concern included such familiar items as continued tonnage overcapacity in some trades and the cost of finance.

One respondent said, “Excess capacity, and the amalgamation and acquisition of existing operators and assets, could lead to a market which is shared by a small number of operators.” Another complained, “Over supply of tonnage, most notably that built in China, has caused a significant fall in charter hire.”

Other, more general, comments, included, “Markets across the board will be nervous, with sharp ups and downs,” and: “Prospects look gloomy, with no clear horizon in sight.”

Respondents were asked to identify the three factors that would most affect operating costs over the next 12 months., Overall, 21% of respondents (similar to last year's survey) identified finance costs as the most significant factor, followed by crew supply, which stood at 19% and displaced competition in second place. Competition itself was down from 19% to 15% and from second to equal third place, which it shared with the cost of new regulations, which was included in the survey for the first time. Demand trends and raw material costs, meanwhile, shared fourth place at 10%, with labour costs fifth at 9%, all significantly down on the figures in last year's survey, which were respectively 17%, 11% and 13%.

Richard Greiner, Partner, Shipping & Transport, says, "The predicted 2.1% and 2.4% increases in operating costs for 2017 and 2018 respectively compare to an average fall in actual operating costs in 2016 of 1.1% across all main ship types recorded in our recent OpCost study.

"One year ago, expectations of operating cost increases in 2017 averaged 2.5%, so the fall now in that expectation to 2.1% must be regarded as good news. Predicted increases in operating expenditure are a matter of concern for any industry, and particularly one such as shipping in which a range of factors have conjoined in recent years to inhibit (and, in some cases, eradicate) profit margins. But shipping has seen a lot worse. If it does transpire that operating costs rise by 2.4% in 2018, for example, that will still be less than one-sixth of the actual operating cost increases absorbed by the industry ten years previously.

"It is significant that, for the first time, new regulations were included in the list of factors which respondents could cite as most likely to influence the level of operating costs over the next 12 months. It was even more significant, perhaps, that 15% of respondents did indeed identify the cost of regulatory compliance as a major consideration when weighing future operating cost increases. The Ballast Water Management convention, now with an extended implementation window, is still potentially the most expensive item on the menu, but by no means the only one. Tellingly, one respondent referred to new regulations which "most of the time are unclear and indefinite."

"The fact that repairs & maintenance and spares emerged as the items with the largest projected cost increases in both 2017 and 2018 was perhaps unsurprising in that they are two items of expenditure on which owners and operators might conceivably have economised or delayed in previous years, and such economies cannot be sustained over longer periods without impacting safety.

"Elsewhere, there were some interesting predicted cost increases in the individual market sectors. The offshore industry, for example, is predicted to be facing increases of 3.5% in crew wages for 2018, compared to the 1.4% predicted for bulkers and the 0.7% for container ships. Indeed, the offshore sector is facing the biggest increases in operating costs in the next two years in every category of expenditure covered by the survey.

"Offshore is going to be a challenging sector for operators and investors alike for some time to come, and the survey reveals exactly why a year can be a long time in shipping. In last year's Future Operating Costs report, the container ship sector led the way in terms of the highest predicted overall cost increases for 2016 and 2017, with the offshore sector returning the lowest figures. Now, the position is completely reversed, with container ships expected to have to bear increased costs in 2017 which are little more than one-fifth of those expected to be encountered by offshore operators.

"It was evident from the responses to our survey that the shipping sector is concerned about the conflation of higher operating costs and the potential reduction in revenue earning opportunities which it faces over the next two years. As one respondent succinctly observed: "The problem with shipping is not so much costs, but income." There is certainly some truth in that. Shipping has gone through – and is still navigating – a prolonged downturn. It is a cyclical industry, but cycles imply movement both up and down, and there has not been enough of the former in recent years. The cyclical nature of the industry also increases volatility in the likes of charter rates and vessel values which may adversely affect earnings.

"There is however, evidence to support the view that an appetite still exists for ongoing investment from both traditional and external investors, supported by a number of recent indicators of positive sentiment. This is in an industry whose attractions currently include low prices and comparatively limited ordering of new tonnage. That is good news, because it is such investment that shipping will need if it is to meet the rising cost of operating in the industry."

Source: Moore Stephens

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(2) Clarksons Research, 27 October 2017

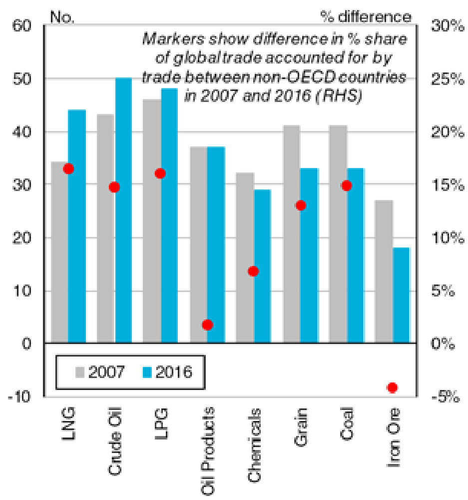
Counting On The Global Seaborne Trade Network…

Global seaborne trade grew by 31% between 2007 and 2016 to 11.1 billion tonnes, with non-OECD developing economies playing an increasingly key role. While seaborne trade in all the major commodity groups clearly expanded in this period, albeit by varying degrees, drilling down to an individual trade route provides some interesting additional perspectives.

Graph of the Month

Accounting For The Patterns Of World Seaborne Trade

The bars show the number of trade routes (LHS) with a volume greater than 0.5% of global seaborne trade in each commodity, in 2007 (grey) and 2016 (blue). The red markers show difference in the percentage share of global seaborne trade accounted for by trade between non-OECD economies in each commodity in 2007 and 2016. Grain trade includes soybean trade; commodities in order of the increase in the number of routes 2007-16 left to right. Data based on customs statistics. A wide range of seaborne trade data can be found in *Seaborne Trade Monitor* on *Shipping Intelligence Network*.



Source : Clarksons Research

Counting Up The Routes

In the last decade, increasing population and economic expansion in a range of developing economies has contributed significantly to seaborne trade expansion. However, while trade patterns for some commodities have clearly become more diverse, in terms of the number of key bilateral trade routes, the opposite can be said for some other commodities. The bars on the graph show the number of 'significant' trade routes (accounting for >0.5% of global trade) in 2007 and 2016 for each commodity. Seaborne LNG trade saw the largest increase in number of trade routes over the decade (17%, from 34 to 44 routes), reflecting the start-up of liquefaction capacity in a number of countries and growing demand in Asia. Seaborne crude oil and LPG trade has also become more diverse in terms of number of routes (with 9 routes added between them combined), on the back of robust growth in demand in a number of developing economies (e.g. China and India) which have increased imports from a number of sources.

Or Counting Down

However, trade has not become more diverse for all commodities. For the featured dry bulk cargoes (grain, coal and iron ore), the number of 'significant' trade routes has dropped. This reflects the increasing dominance of trade by Chinese imports over the period; Chinese seaborne imports of these commodities combined rose from 457mt in 2007 to 1,335mt in 2016, accounting for 33% of the expansion in world seaborne trade. The number of key exporters has remained limited and volumes from some emerging, but often higher cost, sources, have dropped away following the crash of commodity prices.

Developing World Counts

Nevertheless, increasing import demand in a number of developing countries, including China and India, has notably driven global seaborne trade growth in recent years. Moreover, seaborne trade between developing nations has played a growing role. The share of world seaborne trade in the featured commodities accounted for by routes between non-OECD economies is estimated to have risen from 29% in 2007 to 37% in 2016. Across most of the featured commodities, this share rose notably, boosted by firm growth in emerging economy imports, as well as growing export capacity in some developing nations. However, the share of seaborne iron ore trade fell by 4%, with Australia growing its share of exports from 34% in 2007 to 57% in 2016.

So, while global trade has expanded over the last decade, the core patterns have become more diverse for some commodities and less so for others. However, trade between developing economies, backed by developments in their economies and populations, is playing an increasing role in world seaborne volumes.

Source: Clarksons

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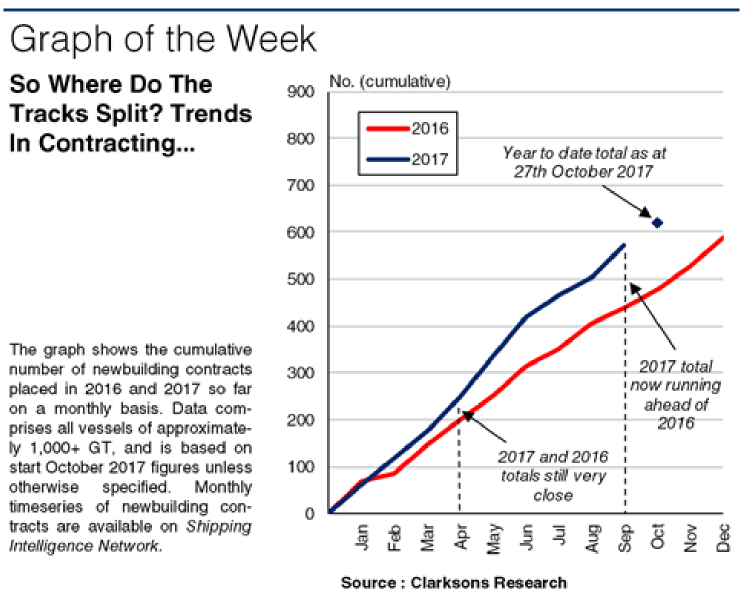
(3) Clarksons Research, 27 October 2017

2017 Contracting Statistics – Worth A Second Look

Following the lowest year of contracting volumes for over thirty years in 2016, newbuilding market observers could have been forgiven for not looking too hard every month for signs of improvements on last year's figures. In the early part of 2017 they would probably have been justified, but with more positive sentiment building, recent months have seen an increasing degree of upside on last year.

On The Same Track

After four months of 2017, the year to date number of newbuild contracts stood at 248. This compared favourably to the 200 recorded in the first four months of 2016, but in relative terms, given the historically depressed nature of last year's contracting statistics, it looked very much like things were on a similar track. Statistics in other units backed up this feeling. In Jan-April 2017 the 13.8m dwt ordered was down compared to the same period in 2016 (15.8m dwt), as was the 9.8m GT (2016: 9.9m GT). Statistics in CGT and value, meanwhile, showed the same kind of limited improvement as in numerical terms. Jan-April 2017 saw orders placed for 5.8m CGT (2016: 4.7m CGT) of an estimated total $16.4bn (2016: $14.7bn).



Divergent Path

However, five months later, the situation merits a second look. The number of contracts from Jan-Sep stands at 573 (and late reporting might bolster this further). Since the spring, newbuild activity has started to take a different path to 2016. By end July the running total stood at 465, up by 116 on Jan-July 2016, and by the end of September the figure stood at 573, up by 135 on the 438 in the first nine months last year. This figure stands only 15 below last year's full year total of 588, and the total today has reached 620.

The statistics in other units also support the more positive trend. In dwt terms, Jan-Sep contracting stands at 47.9m dwt, already up by 53% on last year's full year total. In CGT, year to date contracting stands at 15.9m CGT, up 24% on 2016's overall figure, and the Jan-Sep 2017 value stands at $44.1bn, up 20%. Of course, the percentages sound big but are from a very low base. But, still, across the summer and into the autumn there has been a move away from last year's extremely depressed levels of activity, even if activity remains subdued in historical terms.

Heading Up

Improved market conditions in some sectors, and a generally more positive sentiment across many parts of the industry have certainly helped. Looking across the sectors, there have been 54 more oil tanker orders (a total of 170) in the first nine months compared to Jan-Sep 2016, and over 100 more bulker contracts placed (to total 150). Gains have been made by Korean yards which have taken 133 contracts (versus just 45 last year).

Look Once, Look Twice

So, following early 2017, when newbuild contracting activity seemed to track 2016's depressed performance fairly closely, recent months have seen things take a different road, with an improvement in the volume of activity, however limited the overall total remains. Like many things in life, the newbuilding scene this year has been worth a second look.

Source: Clarksons

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(4) BIMCO, 31 October 2017

Chinese Crude Oil Demand Needs 45 Additional VLCC's To Support Growth

In 2019, global oil demand is forecast to pass the symbolic 100 million barrels per day threshold (International Energy Agency). Developing countries account for almost all of the growth and Asia dominate.

BIMCO stated in its forecast for 2017, that the tanker demand growth for 2017 is expected to come predominantly from the greater Asia region, led by China. China has met expectations by ramping up its import of seaborne crude oil by 13% for the first nine months of 2017 compared to the same period last year. As China is importing crude oil from further afield in 2017 than in 2016, the tonne miles generated has surged 18%.

This increase in volume amounts to an additional demand of 33 million tonnes of crude oil, equivalent to more than 0.9 million barrels per day on average during the first three quarters of 2017. Thereby, China's increasing demand is directly affecting the crude oil tanker shipping industry by requiring 45 more VLCC's to support the growth in demand for crude oil so far for 2017.

BIMCO's Chief Shipping Analyst Peter Sand comments: "China's longer sailing distances for crude oil imports are more than welcomed by the tanker shipping industry, but the market is already awash with tonnage and therefore supply still outstrips demand.

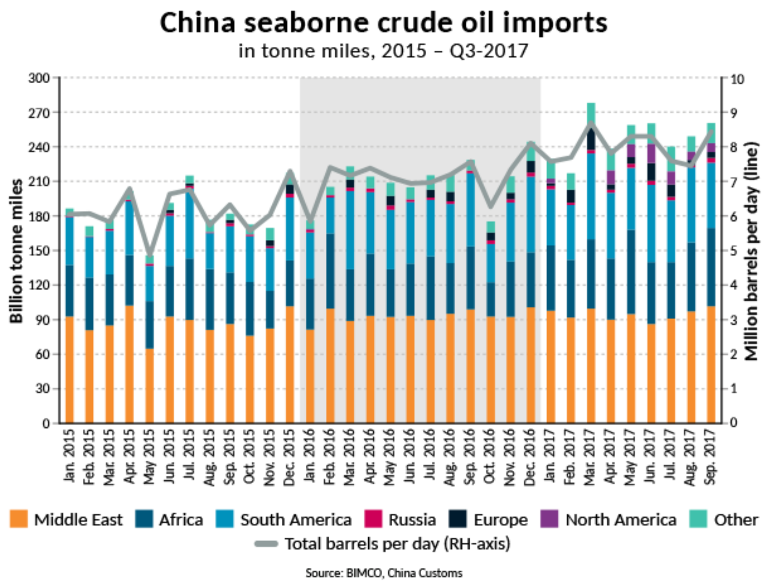
As we move into the November – January period, better rates will come around, as this is historically the peak season for oil tankers. BIMCO doesn't however, expect the same rates as last peak season, as the fundamentals have weakened".

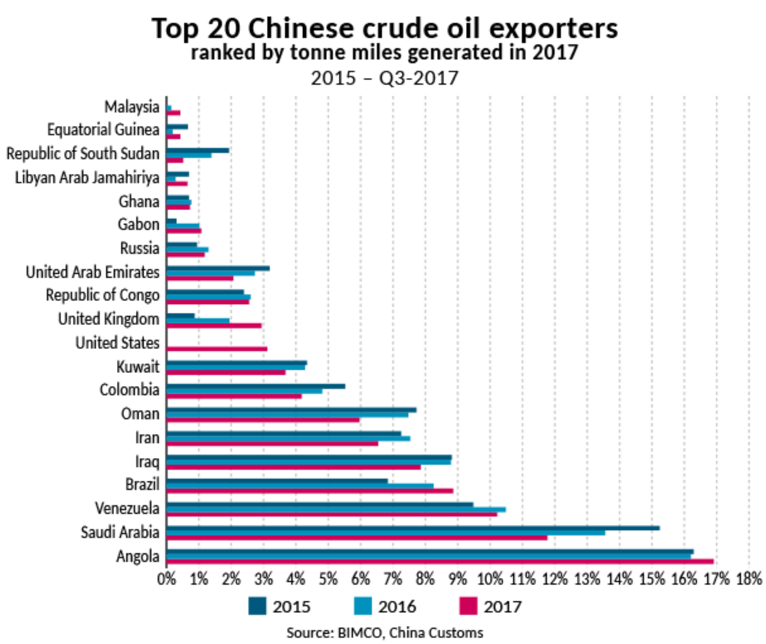
Angola takes the lead, US in top 10 and Russia doesn't only use pipelines

The longer sailing distances for crude oil imports are evident when ranking 2017 against prior years. The countries exporting larger amounts in 2017 than 2016 and 2015 are most notably Angola, Brazil, Venezuela, United Kingdom, Republic of Congo and United States (US). All countries with a longer sailing distance to Chinese ports than their Middle Eastern partners who are encountering declining significance.

After being second in 2016 and 2015, Angola has surpassed Saudi Arabia in 2017 in terms of volume. This will most likely also be the case by the end of 2017 as Saudi Arabia historically exports the largest amount of crude oil to China in the first half of the year. In terms of tonne miles, Angola has been the

country generating the largest amount for the past three years and has further established itself as the most dominant partner in 2017.
It is positive to note the rising export from the US in particular after not exporting anything to China in 2016 and 2015. As US crude oil to China is exported over long distances from the East and Gulf Coast, it is more significant for the crude oil tanker shipping industry than e.g. Russia, due to the high tonne miles generated. In raw volumes, Russia has exported almost five times more crude oil via the sea than the US during the first nine months of 2017 but generated 60% less tonne miles than the US.
The increase in Russian exports to China is coming more from shipping than pipelines. In 2015, Russia exported 40% of all its crude oil to China via the sea. This has increased to 51% so far for 2017, though the benefit for the crude oil tanker shipping industry remains limited due to the short sailing distances.





According to BIMCO calculations, average distance per tonne of crude oil imported by China was around 7,200 nautical miles in 2015, 7,100 nautical miles in 2016 and 7,500 nautical miles in 2017. The increase of 400 nautical miles per tonne is of great benefit for the crude oil shipping industry as tonnage is tied up for a longer period.

China's export of refined oil products is surging
China's export of refined oil products has surged by 8% in the first three quarters of 2017 compared to the same period in 2016. This may indicate, together with ongoing refinery expansion, that China is not only importing crude oil for domestic consumption.
Countries importing Chinese refined oil products are based close by geographically, mostly within East Asia with the top importers being Singapore, Hong Kong, Philippines and Malaysia. Due to the short sailing distances, the Chinese export of refined oil products does not generate high tonne miles, however, some of the oil products may be traded on to other destinations.
Source: Peter Sand, Chief Shipping Analyst; BIMCO
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(5) Hellenic Shipping News, 2 November 2017/ Reuters

China's Belt and Road boosts sentiment for commodities, not demand

One of the great hopes for a sustained bull run for commodities is China's Belt and Road initiative, with expectations of hundreds of billions of dollars in commodity-intensive projects over the coming years.
However, quantifying the impact on various commodities of China's ambitious plans to fund, build and benefit from infrastructure and other ventures along maritime and land corridors linking Asia to Africa and Europe is challenging.
In theory, the touted billions to be spent on ports, roads, railways, power plants and so on will serve as an ongoing stimulus for commodities such as iron ore, coal, copper, crude oil and a host of minor metals with industrial applications.
But so far, the "One Belt, One Road" concept promoted by Chinese President Xi Jinping, seems to have had virtually no impact on commodity demand in the world's largest producer, consumer and importer of natural resources.
If there was a flood of projects being financed and built by Chinese companies, it would be reasonable for this to show up in various economic indicators.
Starting with the money, and while there is some evidence of Belt and Road Initiative (BRI) investment, they are far from compelling numbers.
China's outbound, non-financial investment (ODI) fell 41.8 percent in the January to August period to $68.72 billion, the commerce ministry said on Sept. 14.
While much of the fall can be attributed to a clampdown on speculative capital outflows, there is also evidence from the earlier figures for January to July that BRI investment is a small component of total ODI.
ODI in 50 countries involved in the BRI totalled $7.65 billion in the January-July period, accounting for 13.4 percent of the total, according to the commerce ministry.
It also seems that much of the BRI-related spending is on buying stakes in existing companies and ventures, rather than on actual construction and infrastructure projects.
Given the lack of BRI investment, it's hardly any surprise that China's exports of commodities that would be expected to benefit has been muted.
No Belt, Road evidence
The main relevant finished commodity is steel, but exports of steel products are down 29.8 percent to 59.6 million tonnes in the first nine months of the year, compared to the same period in 2016.
Again, some of this decline will be because of the imposition of trade measures against Chinese steel exports by the European Union, the United States and India, among others.
But a look at where Chinese steel exports are heading also suggests that not much is being channelled into countries that should be at the forefront of BRI spending.
The U.S. Commerce Department's International Trade Administration said in a report published in August that the biggest buyer of Chinese steel was South Korea, which is not a BRI country.
In countries along the BRI trail, China's steel exports performed poorly, with the report showing shipments in the first half of 2017 to Pakistan were down 35 percent and by 32 percent to Vietnam, just two examples of a broader trend of weaker Chinese shipments.

Exports of cement slumped 33 percent in the first nine months of 2017 compared to the year earlier period, according to customs data released on Oct. 24.
The overall picture is that China's BRI is still largely a conceptual exercise, rather than a physical reality.
The positive impact on metals was a common theme at several events at this week's LME Week in London, but it was also apparent that the bullishness is only sentiment.
When markets are rising, traders, analysts and other participants are tempted to find narratives that support the price action, and this appears to be the case with the BRI.
While it's entirely possible that the BRI plans do ultimately result in significant spending on infrastructure and other projects across a swathe of developing nations by Chinese interests, right now there is little evidence this is the case.
There are other solid reasons why industrial commodities are performing strongly, but trying to fit the BRI into the narrative is stretching a very long bow.
Source: Reuters (Editing by Joseph Radford)
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(6) Hellenic Shipping News, 31 October 2017/ Paul Slater

Shipping into a changing World

After a summer of extraordinary disasters in the USA and other parts of the World the Global economy struggles to show growth and faces huge uncertainty over the future of World peace.
Shipping which still carries more than 90% of World physical trade has shown little growth in demand for its services and in some sectors a decline.
Shipping started this decade with an oversupply of ships and yet has continued to expand its capacity with an unprecedented newbuilding program in all sectors.
Despite greater ship scrapping which has reached its maximum capacity the surplus has grown and newbuilding orders continue to appear.
The majority of the new ship orders are now in Chinese shipyards which are supported by Chinese Export financing and the establishment of several huge Chinese leasing companies. China will continue to finance and deliver new ships provided they are chartered to Chinese interests as it continues to keep freight rates down on both its imports and exports.
Thus the carrying capacity of the ships in most sectors exceeds demand resulting in the spot market rates in the dry and wet bulk sectors barely covering the operating costs of the ships and their associated debt service.
This benefits the cargo interests in raw materials and the manufacturers of finished goods whose customers are across the oceans. The cost of shipping a container to the USA from China, Japan, Korea or Taiwan is far less than the trucking costs incurred onshore in the USA and there is no revenue for returning the empty box.
The tanker sector depends on shipping crude oil from its source to refineries and then moving the oil products and chemicals to the end users. The discovery and development of new sources of crude oil and natural gas in the USA, combined with new onshore pipelines has led to the country looking to shortly becoming energy independent and an exporter of natural gas.
The opening of the newly enlarged Panama Canal last year has fundamentally changed the supplying of natural gas from the USA to Korea and Japan and ultimately China. It also has enabled large, but not giant, container ships to transit and discharge at ports up and down the US east coast.
It will have a meaningful effect on shipping with countries in Central America and the Caribbean as the large ships that can transit the Canal can also dock at ports that the giant ships cannot.
The rush to build ever larger container ships is questionable as they are aimed at the export trades from China, Taiwan, Korea and Japan to the USA and Europe and rarely travel full on the backhaul routes.
The principal objective of the new US Administration is to bring manufacturing back to the USA along with trillions of dollars of US company profits that presently are legally held offshore. This will significantly reduce cargo volumes across the Pacific and many of the giant ships may well become albatrosses and the expensive port enlargements redundant.

Financial analysts have mixed views about the future for shipping, concentrating mainly on the supply of the existing fleets and the newbuilding orderbook. Little attention is paid to the cargo interests and their future demands for shipping services.
Globalisation is stalled as some nations still look for growth over the next decade while others face the reverse and countries such a China and India look for their growth in their domestic markets.
Oil for instance will be in great demand globally but the energy self-sufficiency objectives of the USA, the growth of tanker fleets in the Middle East and the demise of North Sea oil, Venezuelan oil and the decline of Nigerian exports all combine to suggest reduced demand for the large crude carriers, yet the orderbook continues to enlarge the fleets.
The dry cargo sector is still plagued with over-supply and too many different ship sizes. Its main markets are the movement of raw materials which will definitely change as the major nations revise their manufacturing policies and the devastated countries in the Middle East remain stagnant.
This all combines to remind shipowners and their investors that shipping is a service industry that has lost control of its markets. Too much of the activity in the capital markets has focused on ship values, encouraging newbuildings over continuing to operate well maintained and well managed existing ships that can operate for 20 years.
Yet the revenue streams are barely sufficient to cover operating costs and some debt service but fail to produce surpluses to support the equity needed in the future for fleet replacements.
Cargo interests can clearly afford to pay more for the shipping services they require and have historically committed to time charters to secure these services and develop close relationships with shipowners. The short-term mentality of today's investors has caused the breakdown of these relationships as the ships mostly trade on the spot markets with minimal expenditure on maintenance and can be sold at any time.
Whilst the spot rates are usually higher than the time charter rates the ships usually average less than 300 paid days, provide their own fuel and rarely have regular trading routes.
Despite the extraordinary rises in the US stock markets this year shipping stocks continue to show little or no growth and are treated like penny stocks traded by day traders.
Shipping needs to re-establish itself as it continues to carry 90% of physical world trade, get out from under the influences of the capital markets and re-secure the interests of the commercial banks by focusing on securing the revenue streams from the cargo interests.
Source: Article By Paul Slater
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(7) Hellenic Shipping News, 31 October 2017/ South China Morning Post

Beijing investment bank: why the bears are wrong about China's economy

Those who fear China is headed for a hard landing or a deep depreciation of its currency have overestimated the country's debt problem and underestimated its potential to urbanise, according to a leading Chinese investment bank.
China International Capital Corp (CICC) made the remarks in a research note on Monday, at a time of renewed optimism about the world's second biggest economy after Beijing engineered a rebound in expansion and curbed capital outflows over the past year.
Liang Hong, chief economist of the investment bank, wrote in the report that China's high leverage ratio was backed by high savings and "it does not mean there's any credit crisis or liquidity risks". For instance, while Chinese firms are accumulating debts, they are also sitting on big piles of money as "the amount of cash at the disposal of Chinese companies can cover about 40 per cent of corporate debts", Liang said in the report.
Meanwhile, China was not experiencing a housing glut because – nationwide – supply cannot meet demand, Liang noted, adding that the economic recovery had just begun and was expected to continue in the coming years.
The stock market rout and sudden yuan devaluation in the summer of 2015 fanned worries of a China crisis. Kyle Bass, founder of Hayman Capital, was one of those who feared the worst. In early 2016, he said losses at Chinese banks could be four times bigger than those suffered by American lenders during

the global financial crisis, predicting a 30 per cent devaluation of the Chinese currency.
Last week, Bass said President Xi Jinping “will be blamed for recklessly building the Chinese economy on a foundation of sand”, Bloomberg reported.
But the doomsday scenario has not materialised and the yuan instead appreciated against the dollar this year, while headline growth has gained speed. CICC said it expected the yuan to appreciate slightly against the US dollar towards 6.48 by the end of 2018 – from Monday’s level of 6.65.
CICC also raised its 2018 growth target for China by 0.2 percentage points to 6.9 per cent on Monday.
That is so far the most bullish estimate from a major research house – better than the World Bank’s 6.2 per cent forecast, 6.4 per cent from the International Monetary Fund and the market consensus of 6.4 per cent.
“The nominal and real growth of consumption are likely to accelerate in 2018, especially for daily necessities and product upgrades,” Liang wrote in the report.
Speaking at the recent Communist Party congress, Xi downplayed specific growth targets, instead vowing to push forward poverty reduction, coordinated development and economic rebalancing.
China’s economic growth has surprised the market in the past two years – the country recorded 6.7 per cent growth last year and 6.9 per cent in the first three quarters of this year.
Although doubts remain over the mounting debt problem and slowing credit supply, Hong Kong-listed CICC believed some key sectors would continue to perform well.
It expected growth in property investment next year, based on increased land sales and government-led construction of affordable housing. The brokerage house expected a 10 to 15 per cent increase in new property construction next year – up from growth of 8 to 9 per cent this year.
CICC expected manufacturers would be encouraged to invest based on improved profitability and a government push for innovation, while momentum in infrastructure construction growth would continue, albeit at a slower pace – from 25 per cent now to around 15 to 20 per cent in 2018.
But it said Beijing was unlikely to loosen its monetary policy any time soon, given that it wanted to avoid economic overheating and pursue more sustainable growth.
“The policy emphasis next year will be on the ‘quality’ of growth and its sustainability,” the report said.
That means more emphasis on urbanisation and reforms to the hukou household registration system, as well as efforts to reduce the income gap, improve efficiency at state-owned enterprises, carry out industrial upgrades and encourage innovation, it said.
Source: South China Morning Post
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