

SHIPPING

SHIPPING CONFIDENCE SURVEY

SEPTEMBER 2019



CONFIDENCE DIPS AS TRADE WARS INTENSIFY

In August 2019, the average confidence level expressed by respondents was 5.8 out of 10.0, compared to 6.1 in May 2019. Although this is the lowest rating since February 2017, owners, charterers and managers were all more confident than last time.

Confidence was highest in the chartering sector (up from 6.2 to 7.0), while the increased ratings for owners and managers were from 6.3 to 6.4 and from 5.8 to 5.9, respectively. The rating for brokers, however, was down from 5.7 to 5.1.

Confidence was up in Asia from 6.0 to 6.8 – the highest figure for this region since the survey was launched in May 2008 – with an overall rating for respondents in all geographical areas of 6.8 out of 10.0. However, the rating for Europe was down, from 6.1 to 5.7.

Confidence



“ Although shipping is going through challenging times, we are confident things will improve and that the industry will move into profit in the near future. ”

“ Confidence levels are being held back by the threat posed by international trade wars and by a slow-down in global economic growth, particularly in China. ”

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SURVEY ANALYSIS

The likelihood of respondents making a major investment or significant development over the coming year was up from 5.4 to 5.5 out of 10.0. Charterers' confidence in this regard was up from 5.6 to 6.8, and owners' from 6.3 to 6.5. The ratings for managers and brokers were also up, from 4.8 to 6.1 and from 3.9 to 4.4, respectively. Expectations were up in Asia, from 5.5 to 6.6 whilst in Europe they were unchanged at 5.4.

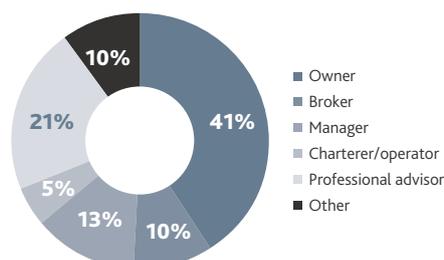
The number of respondents expecting finance costs to increase over the coming year was down from 48% to 25%. The figures for all major categories of respondent were down, and in the case of owners and managers to survey lows of 27% and 20%, respectively.

Business performance factors

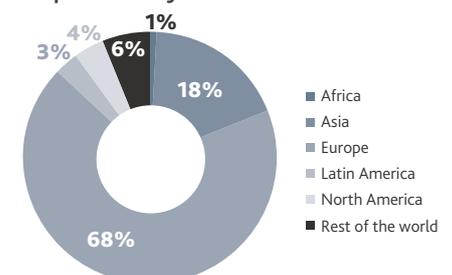
Demand trends overtook competition as the factor expected to influence performance most significantly over the next 12 months, then followed by finance costs.



Respondents by type



Respondents by location



Net sentiment*

+30
TANKER



+23
DRY BULK



-17
CONTAINER SHIPS



*'Net' figures are the balance of 'higher' and 'lower' responses. Positive 'net' figures imply more 'higher' responses than 'lower' and negative figures imply the opposite.

FREIGHT MARKETS

The number of respondents expecting higher tanker rates over the coming year was down by 12 percentage points to 43%, with the rating for charterers tumbling from 75% to just 25%.

In the dry bulk sector, expectations of rate increases were down from 48% to 39%, with charterers again recording the most marked decrease, from 80% to 25%. The numbers expecting higher container ship rates, meanwhile, fell from 35% to 19%.

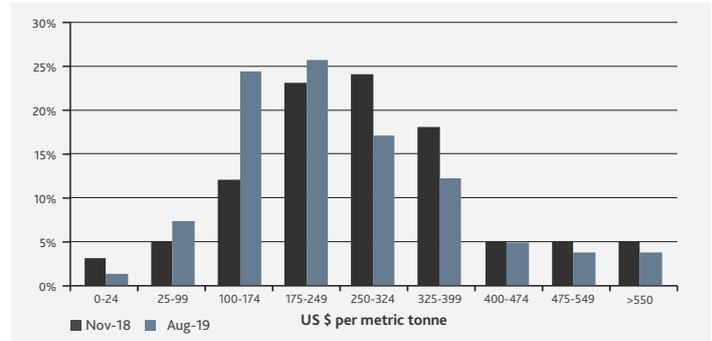
Net rate sentiment was positive in the tanker and dry bulk sectors, but negative in the container ship market.

IMO 2020 – COMPLIANT FUEL

26% of respondents said they expected the price differential between high-sulphur fuel oil and IMO-compliant low-sulphur fuel oil at 1 January 2020 to be between \$175 and \$249 per metric tonne. This compares to the 23% who thought likewise in November 2018. 24% put the figure at between \$100 and \$174, compared to 12% previously, while 17% estimated the cost at between \$250 and \$324 compared to 24% last time.

“ The doubts surrounding trade and the intervention of politics could create great uncertainty and market swings. ”

LSFO – HSFO PRICE DIFFERENTIALS 1 JANUARY 2020



CONCLUSION

Geopolitical uncertainty contributed significantly to the decline in confidence recorded in our latest survey, with a number of respondents expressing concern about burgeoning trade wars and political tension in various parts of the world. Ongoing indecision surrounding Brexit was also a salient factor.

But it was not all bad news. Confidence on the part of owners, charterers and managers was up on the previous survey, as was the likelihood of imminent major investment – in the case of owners, to an all-time survey high.

Indications from the freight markets were less encouraging, with a fall in expectations of higher rates in all three main tonnage categories. Indeed, net rate sentiment was negative in the container ship sector for the first time in almost four years. But shipping confidence must be weighed against the highly cyclical nature of the industry. Not every reversal in fortunes is a portent of significant decline.

Major challenges lie ahead, some of which will be beyond the control of the industry itself. But there will always be a role for the shipping industry, and particularly for one that is technically inventive and environmentally compliant and thereby attractive to investors.