

SHIPPING

SHIPPING CONFIDENCE SURVEY

MARCH 2021



STILL HEADING IN THE RIGHT DIRECTION

The industry can see the bright light at the end of the COVID-19 tunnel. The progress being made in tackling the pandemic continued to drive up confidence. This generally positive outlook is broadly present in all business types and across regions.

Overall confidence has risen to 6.6 out of 10 from 6.0 in November 2020. This was driven predominantly by Brokers, up to 6.3 from 4.8 out of 10. Confidence has also increased among Owners and, finally, Managers' confidence has gone from 6.9 to a historic high of 7.1 out of 10. Confidence has gone from 6.6 to 6.7 out of 10 in Asia and confidence in Europe is closing the gap from the previous quarter by climbing from 6.1 to 6.5.

Confidence



“ Many factors in the overall market are changing on a regular basis ”

In this edition, we also asked respondents about the outlook for oil prices.

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SURVEY ANALYSIS

The likelihood of respondents making a major investment or significant development over the coming year, having recovered from the low point of 4.0 out of 10 in May 2020, fell slightly from 5.3 last time to 5.2 this time. The increases across most business types and in Asia were offset by a fall in Europe from 5.5 to 5.1.

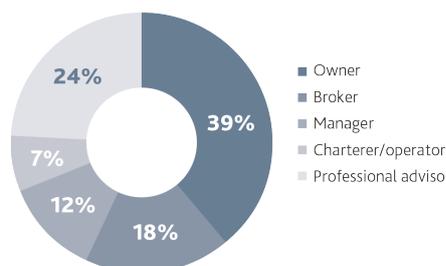
Expectations that finance costs will rise have strengthened slightly with a net score of +20% up from +18% in November 2020. Brokers saw the biggest upward shift in expectations followed by Owners. Managers' expectations weakened but remained positive. Expectations in Europe remained largely unchanged and Asia saw a slight strengthening from an expectation that costs would stay the same in November 2020.

Business performance factors

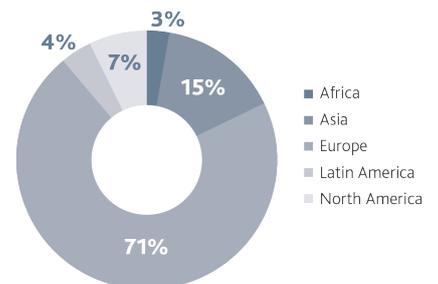
There has been very little overall change in business performance factors with demand trends still the factor expected to influence performance most significantly over the next 12 months, being cited by some 32% of respondents. It is followed once again by competition at 18% and finance costs at 15%.



Respondents by type



Respondents by location



Net sentiment*

+38
TANKER



+38
DRY BULK



-36
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 net freight rate sentiment in tankers almost doubled, rising from +21% to +38%. Managers are the only business type to buck the overall trend and while sentiment in Asia was unchanged, Europe saw a small increase.

The net balance of respondents expecting higher dry bulk rates has dropped by just a point to +38%. Owners' and Brokers' expectation have weakened slightly while Managers' expectations have strengthened marginally. Expectations have weakened slightly in both Europe and Asia but remain clearly positive.

Container ship freight rate expectations have fallen sharply to a net balance of -36% from a score of +11% in November 2020. Unsurprisingly this is reflected in big falls across all business types and in Europe and Asia. It is worth noting that this softening of future sentiment is against a background of sector rates being at a high point not seen in more than ten years.

OIL PRICES

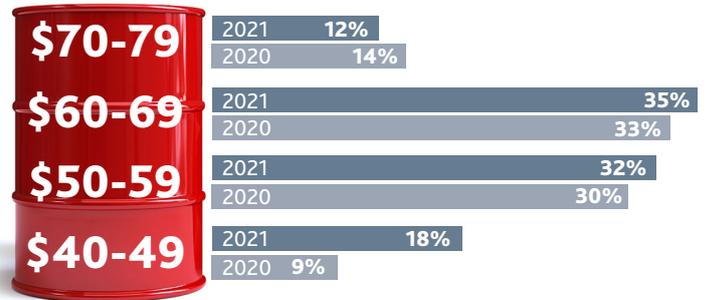
The special question in this edition was about expectations of oil prices in 12 months' time. Two thirds of respondents believed the crude oil price will sit in the \$50-59 and \$60-69 brackets with scores of 32% and 35% respectively. Very few respondents expected oil prices to drop below \$40 or climb above \$80.

These responses are very similar to those we received when we last asked this question a year ago.

“ There could be slight increase as a result of post-Covid-19 trade increase. ”

Crude oil price predictions

12 months, per barrel



CONCLUSION

COVID-19 continues to be a fact of everyday life but the deployment of vaccines provides light at the end of the tunnel. Shipping has, perhaps, been more resilient than other sectors and the continued and growing confidence illustrated by this report is testament to this resilience. However, there was a slight easing in the expectation of making a major investment, which may be an indicator that the way ahead will not always be smooth.

COVID-19 led to a 4% decrease in seaborne trade in 2020. This fall, while not insignificant, was not as large as predicted by some analysts. There are good reasons to believe that seaborne trade will recover through 2021 and even exceed pre-COVID-19 levels by the end of the year.

The prospect of getting through the worst of the pandemic is very welcome. However, it might be misguided to assume everything will be plain sailing from now on. Some of the comments from respondents suggest that despite the positive overall picture many in the industry still face substantial volatility.

The industry also still faces a substantial challenge in how it responds to climate change, an issue that can only become more prominent, and how it tackles decarbonisation. Certainly the shipping industry needs to maintain its confidence to help meet these challenges.