

SHIPPING

SHIPPING CONFIDENCE SURVEY

JUNE 2020



CONFIDENCE FALLS BUT WHAT NEXT?

We are beginning to see the impact of the global events that occurred since our last survey report. The COVID-19 pandemic, global stock market volatility and the significant fall in oil prices have all had an impact.

Overall confidence has undoubtedly taken a hit since our last survey, falling from 6.0 to 5.1 out of 10. This is the lowest it has been since early 2016. Owners and Brokers confidence has fallen to 4.0 and 4.3 from 6.0 and 5.4 respectively. Managers' confidence has dropped just 0.1 to 6.3. Confidence has also fallen in Europe and Asia from 6.0 to 5.2 and from 5.7 to 3.6 respectively.

The shipping industry was in good shape before these substantial headwinds emerged. It is not yet clear whether the overall downward trends that have emerged are reflective of longer-term expectations in the industry.

In this edition, we also asked respondents about the Baltic Dry Index.

Confidence



“ The current COVID-19 situation makes it impossible to make a fact-based assessment. ”

“ As Jack Ma said, if you survive the current crisis, consider that you have made a profit. ”

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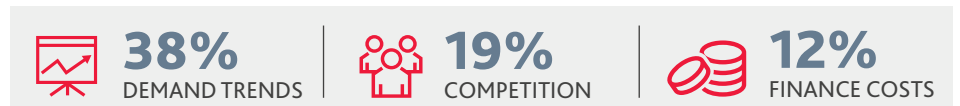
SURVEY ANALYSIS

Respondents are again less likely to make a major investment or significant development over the coming year. This has continued a downward trend that began in November 2019, falling to 4.0 from 5.0 out of 10. Brokers' intentions of making a major investment fell from 4.0 to 1.0.

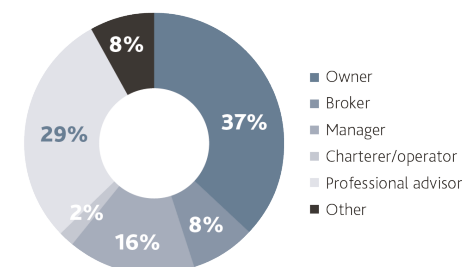
Expectations that finance costs will rise have strengthened moving to a net score +23% up from +13% in February 2020. This has reversed a downward trend that began in August 2019. The biggest change was seen amongst Brokers with 75% expecting higher finance costs compared with just 18% three months ago.

Business performance factors

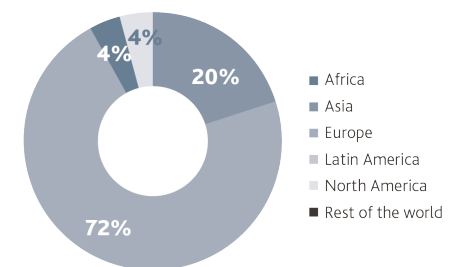
Demand trends continues to be the factor expected to influence performance most significantly over the next 12 months and that sentiment strengthened noticeably in the quarter. It is followed by competition and finance costs.



Respondents by type



Respondents by location



Net sentiment*

-64
TANKER



+30
DRY BULK



+10
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 has continued its yearlong fall. It has fallen to -64% from +1% in March. This has been driven by Owners and Brokers, most of whom expect lower rates.

The overall proportion of respondents expecting higher dry bulk rates has fallen slightly to +30% from +35% in February. The proportion of Managers expecting lower rates is up 25% from 0%.

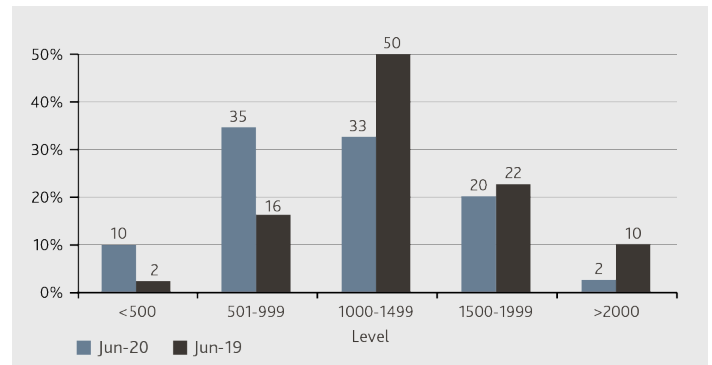
Container ship rates expectations have seen the smallest overall change with a net +10% down slightly from +13%. Expectations of lower rates are strongest amongst Brokers with 75% expecting lower rates compared to just 18% in February.

BALTIC DRY INDEX (BDI)

We asked respondents to predict the level of the Baltic Dry Index in 12 months' time. We offered respondents 500 index points' brackets and this year, similar to last year, two-thirds predicted that the BDI would be between 501 and 1499 index points, with 35% choosing 501-999 (last year 16%) and 33% picking 1000-1499 (last year 50%). 20% predicted the BDI would be between 1500 and 1999 index points (last year 22%) while 10% (last year 2%) predicted a BDI lower than 500.

Given the recent increases, it will be interesting to see the actual level of the BDI in a year's time.

Baltic Dry Index predictions 12 months



CONCLUSION

This survey shows that, unsurprisingly, the COVID-19 pandemic has had a negative impact on confidence in the industry. The impact has been felt across the board; all types of business and all regions have been affected to some degree.

If we are expecting Asia to lead a recovery as it emerges first from the COVID-19 pandemic, there is little sign at present that recovery has started. Confidence in Asia fell from 5.7 to 3.6. This is the lowest it has been since before 2008. Given the uncertainty over containment of COVID-19 and possible second waves in China, we may have to be patient.

We may have to wait a bit longer to see when and where the first signs of a recovery emerge. However whilst confidence in the industry has fallen, it seems that the shipping industry continues to demonstrate its resilience under pressure. As respondents to the survey highlighted, what comes next will in large part be determined by the timing of the recovery in demand.