Lloyd's List Intelligence
Maritime intelligence | informa

Trade and fleet outlook

Christopher Pålsson
Head
Lloyd's List Consulting

Niklas Bengtsson
Director
Lloyd's List Consulting

Disclaimer

This presentation and accompanying material is provided by the Lloyd's List Group ("LLG") for the use of the recipient only and is not to be copied or distributed to any other person. No representation, warranty or undertaking (express or implied) is given and no responsibility is accepted by LLG or its clients, or by any of their respective partners, officers, employees, advisers or agents for the completeness or accuracy of any information contained in, or of any omissions from, this presentation or any supplementary information and any liability in respect of such information or omissions is hereby expressly disclaimed.

Agenda

Lloyd's List Intelligence
Maritime intelligence | informa

- GDP, trade & energy
- Crude oil market
- LNG market
- Dry bulk market
- Container market

Global GDP growth on a healthy track; +$16Tn the next five years

- China & India almost 20% of global GDP
- Growth in India lower than its potential
- China is rebalancing the economy
  - Positive:
    - Closing down inefficient production could benefit imports
    - Focusing on innovation requires knowledge transfer
    - BRI / OBOR
  - Negative:
    - Slower than planned
    - Fewer speculative real-estate investments
- UK below Euro area 2019-20

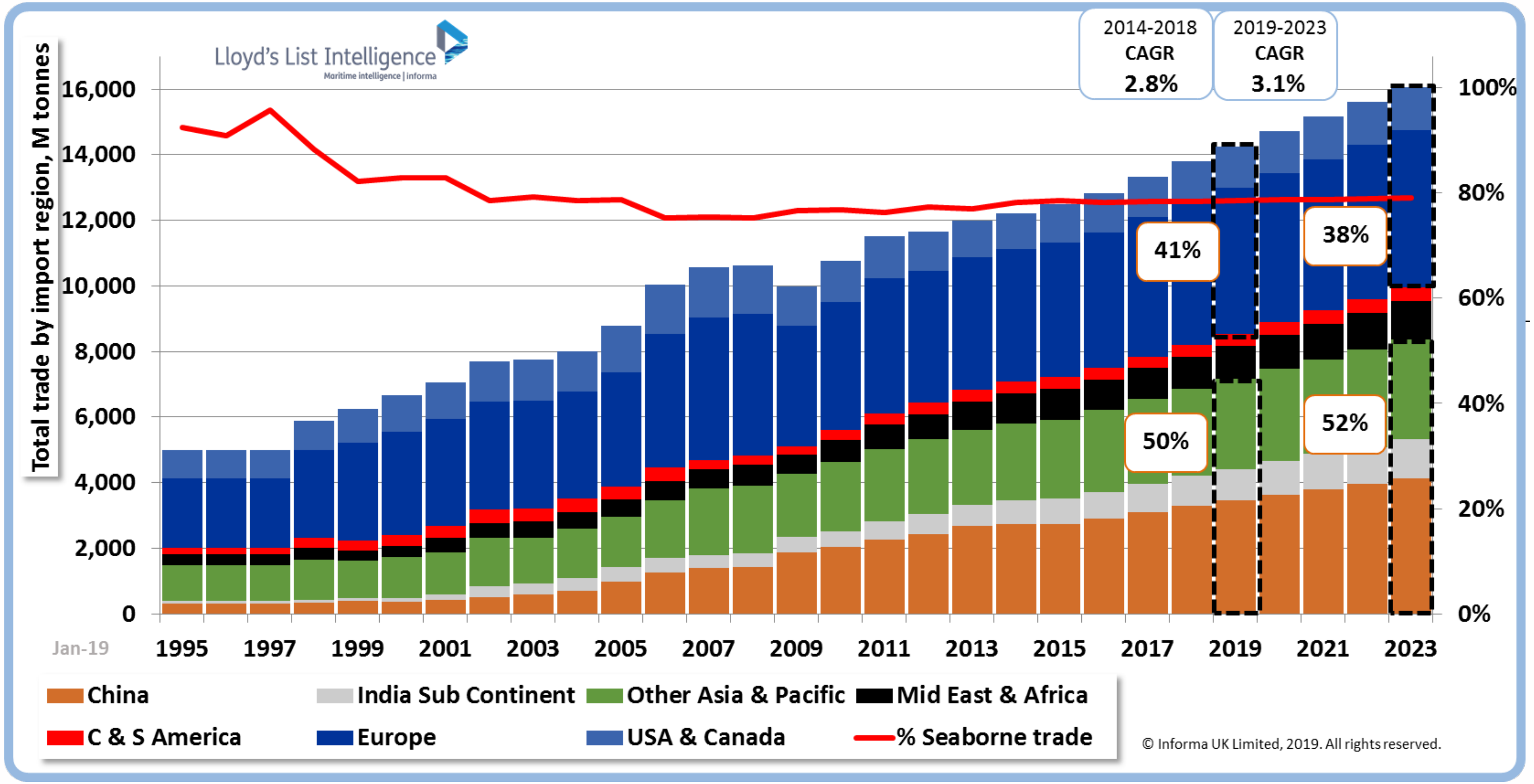

Four years of Modi: an era of all round disaster


Analysis Indian politics & policy

India's shadow banks fear credit crunch will deepen

Debt market liquidity squeeze prompts concerns about serious hit to economic growth

Halted growth, but still imports to China and India add a lot of volumes; +1.12Bn tonnes up to 2023. This is 50% of the total!



Global trade 2018 was 13.8Bn tonnes

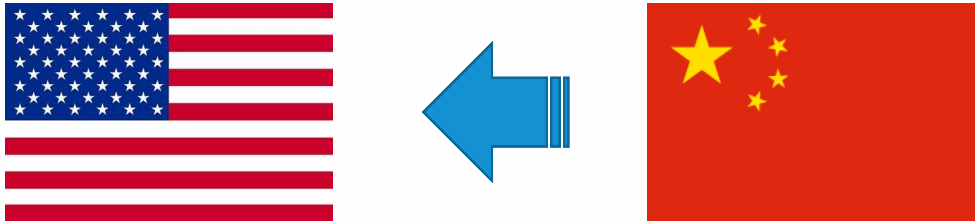
78% was seaborne!

Lloyd's List Intelligence
Maritime intelligence | informa

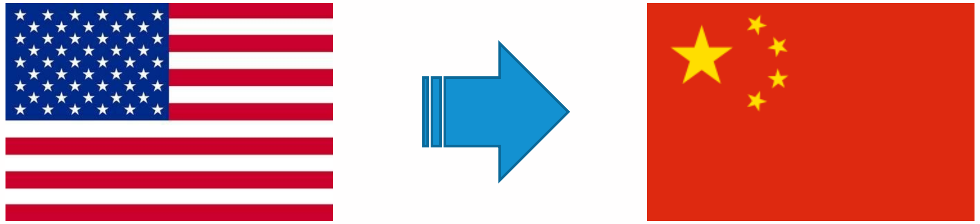
US – China trade tensions

Lloyd's List Intelligence
Maritime intelligence | informa

- **US seaborne imports from China:**
  - 8% of US total seaborne imports (ton)
  - 35% of US containerized imports
  - The tariffs approximate targets:
    - Container 32%
    - Dry bulk 22%
    - Wet bulk 36%
    - General cargo 70%



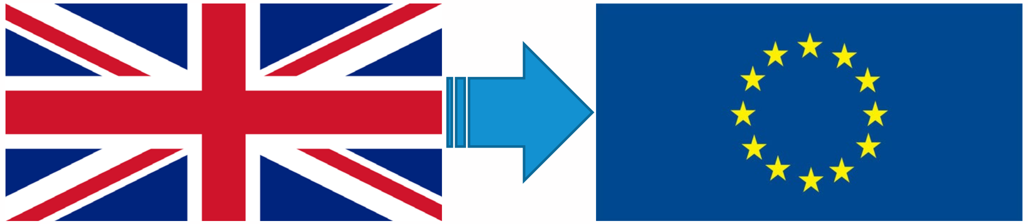
- **China's seaborne imports from the USA:**
  - 5% of China's total seaborne imports (ton)
  - 24% of China's containerized imports
  - The tariffs approximate targets:
    - Container 26%
    - Dry bulk 92%
    - Wet bulk 46%
    - General cargo 0%



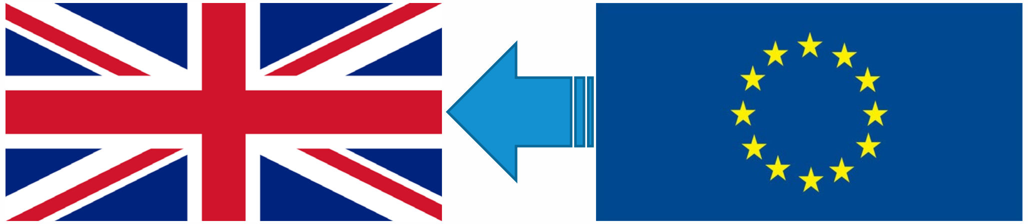
UK seaborne trade
A high proportion of general cargo is with the EU

Lloyd's List Intelligence
Maritime intelligence | informa

- 150Mt exports from the UK:
  - 7 of top 10 countries are EU
  - 63% of total to EU
- 26Mt general cargo exports
  - 83% to EU
    - Iron & steel, food, cars, chemicals

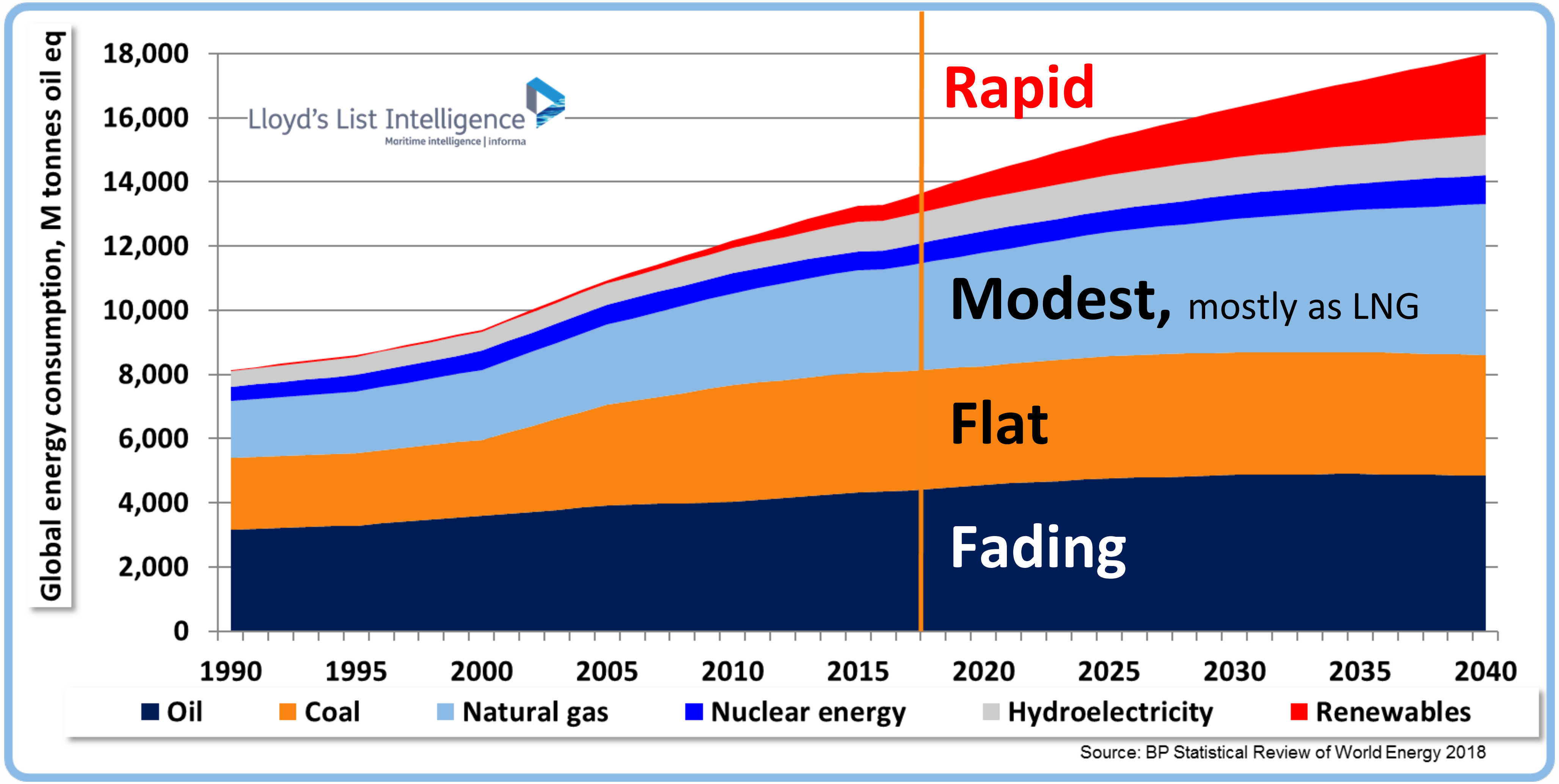


- 233Mt imports to the UK:
  - 43% of total from EU
- 53Mt general cargo imports
  - 84% from EU
    - Forest products, food, iron & steel, paper



Population and economic development drives energy demand.

Wind turbines, solar panels, bio-fuels, bans on fossil fuelled cars; still the fossil fuel era is far from over.

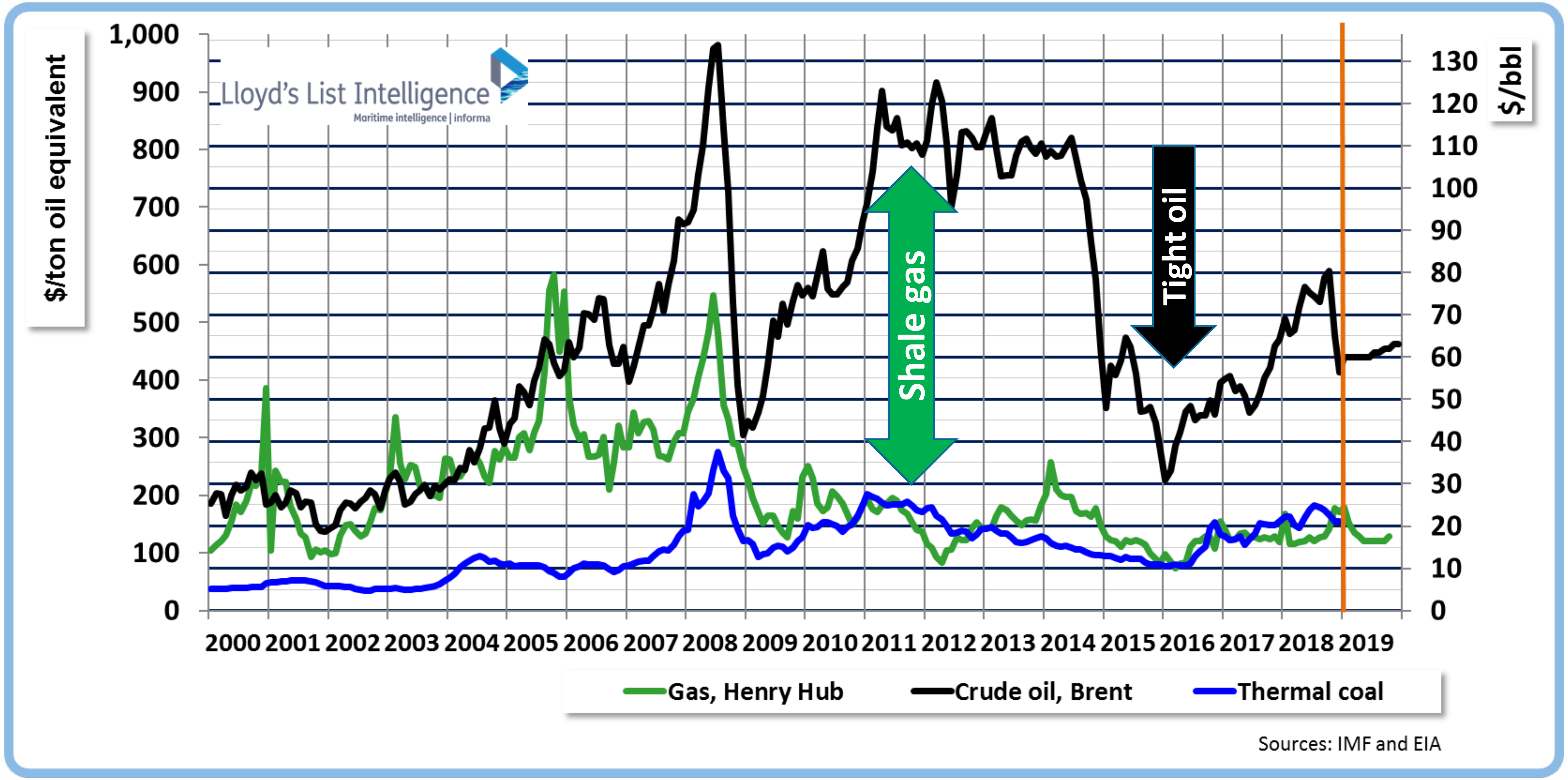


Share 2017	% CAGR	Share 2030
4.3%	7.9%	9.5%
6.9%	17%	7.1%
4.3%	1.8%	4.7%
24%	1.8%	25%
29%	0.2%	23%
33%	0.8%	30%

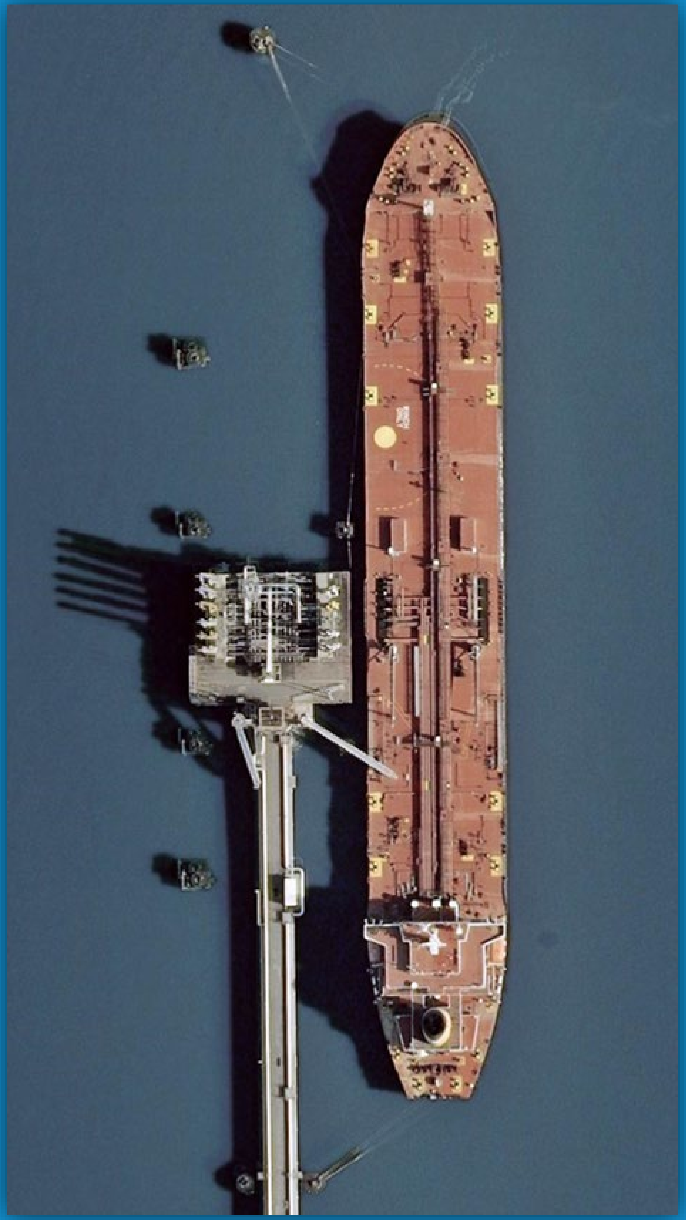
45% of seaborne trade is energy.

Lloyd's List Intelligence
Maritime intelligence | informa

Shale technology changed the game. Now it is again about geo-politics, the environment and basic EME development.

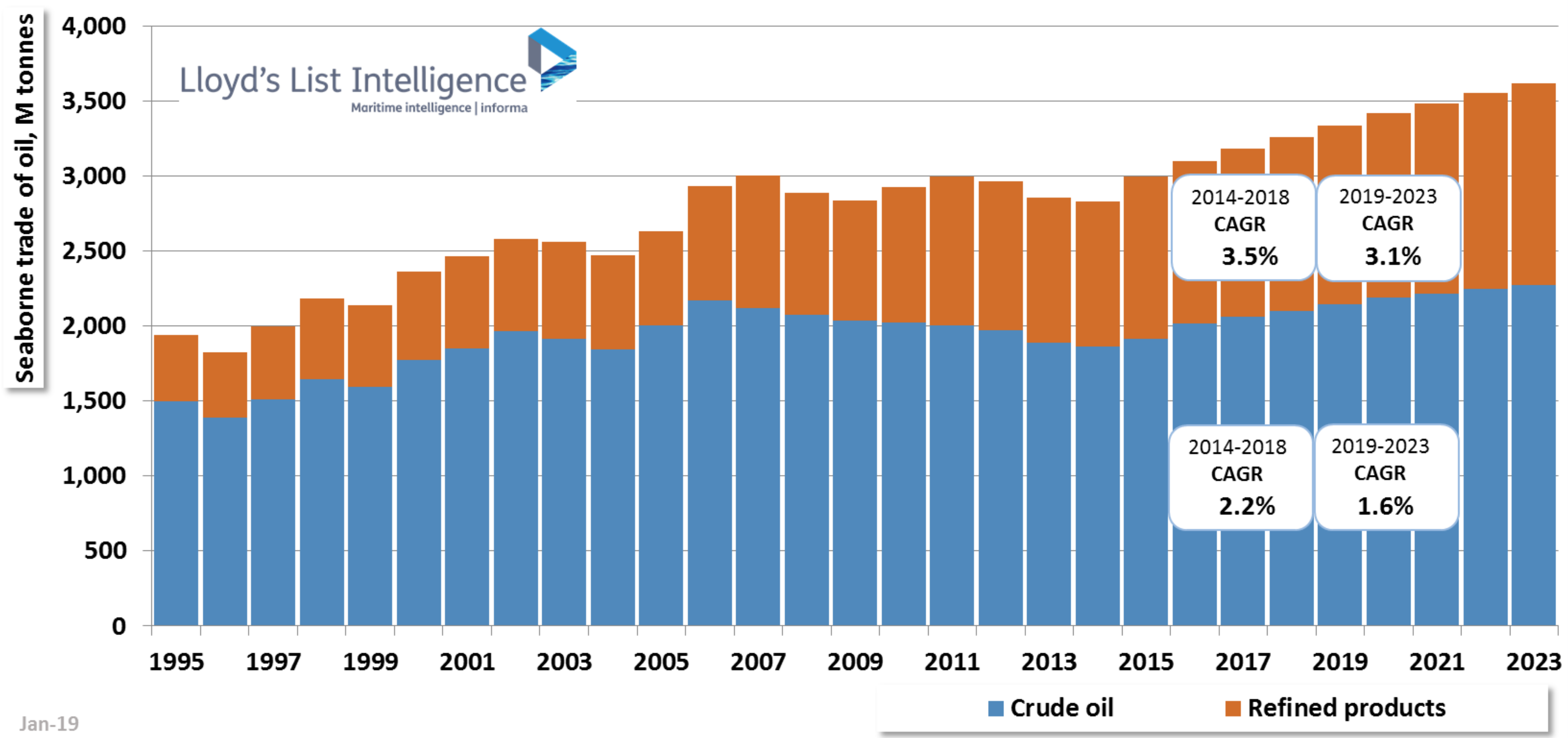


Liquid Bulk



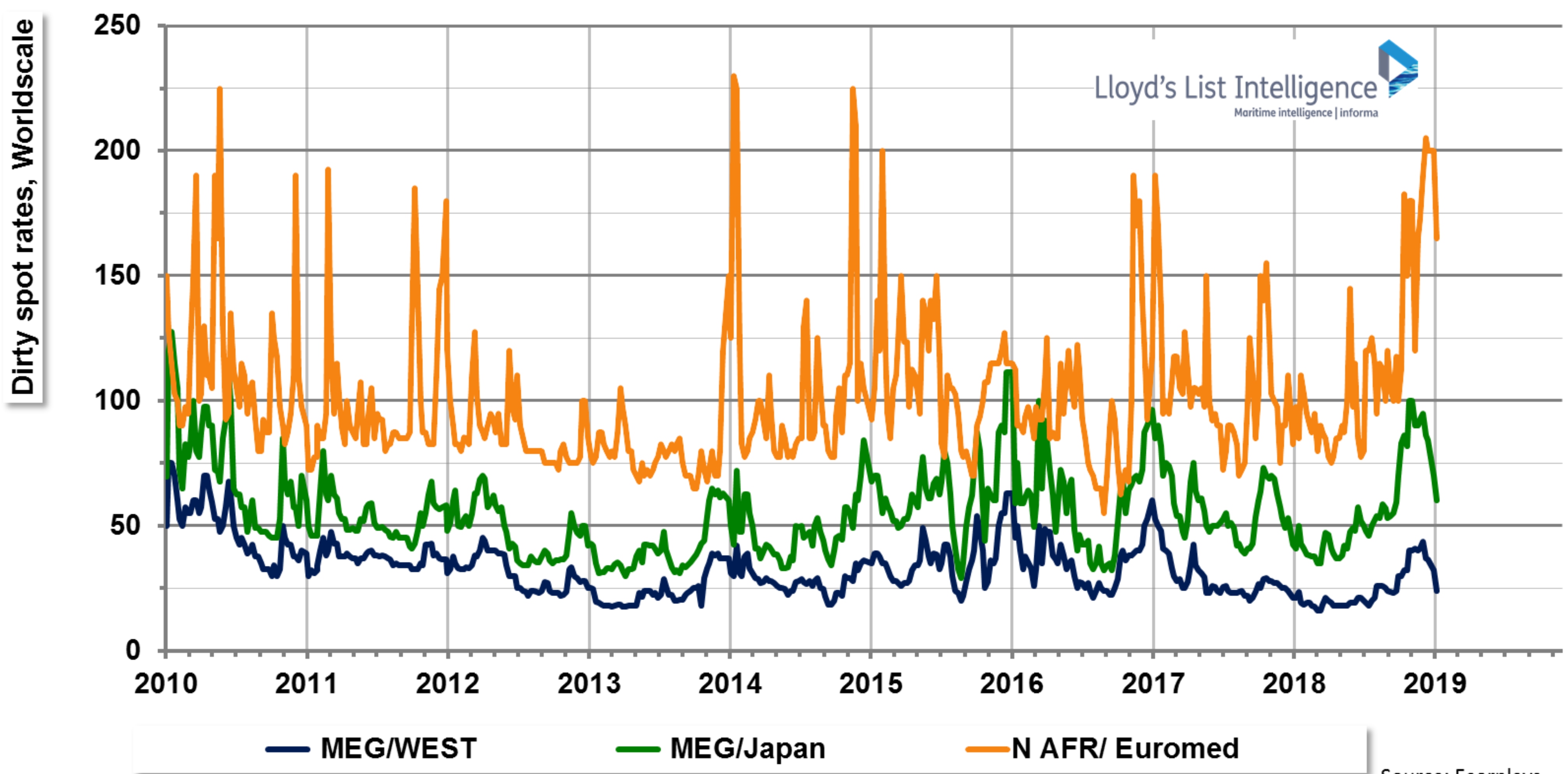
Tanker trade volumes: healthy growth outlook for products, stagnating growth for crude

Lloyd's List Intelligence
Maritime intelligence | informa



Crude oil carriers: Heavy new ship ordering and few scrapping candidates, fleet growth will outpace demand growth → low freight rates?

Lloyd's List Intelligence
Maritime intelligence | informa



Source: Fearnleys

-1999

140 ships

23.1 mdwt

2000-

1,982 ships

380.3 mdwt

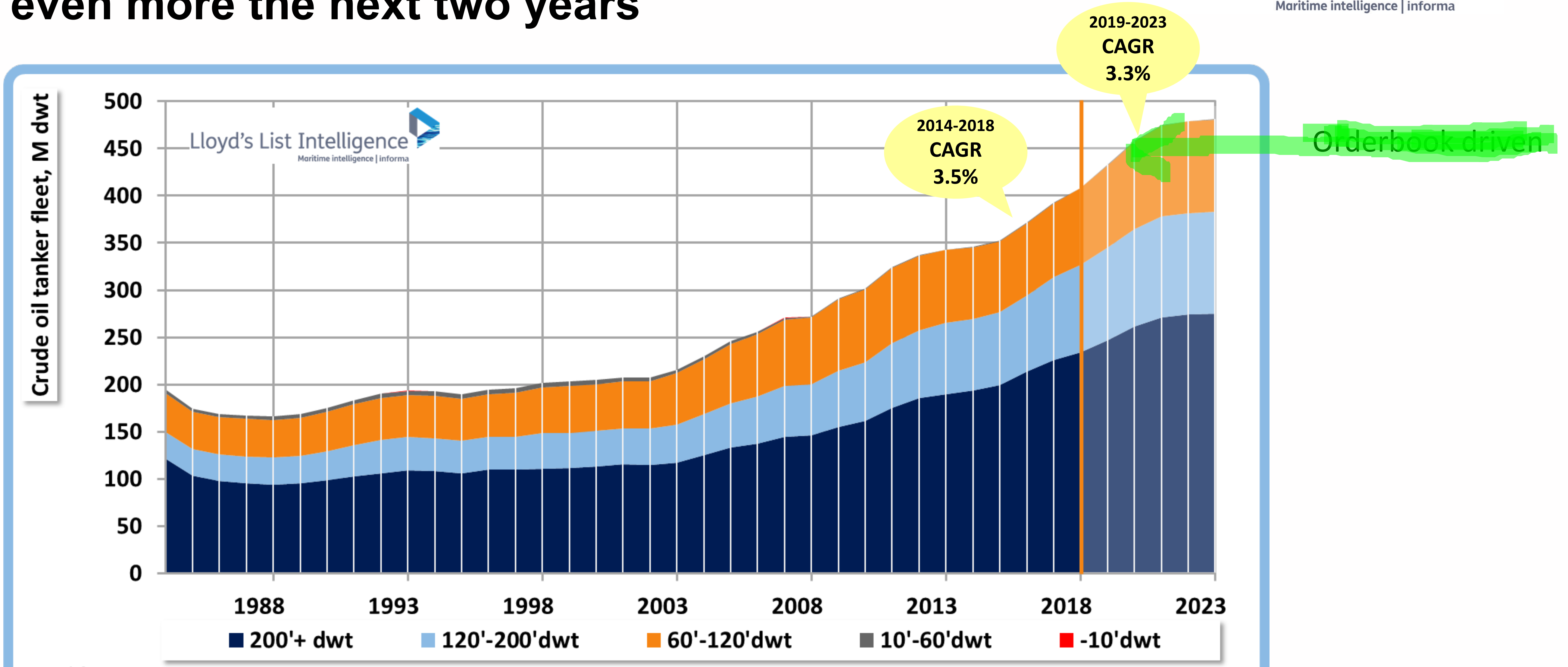
Orderbook

485 ships

93.8 mdwt

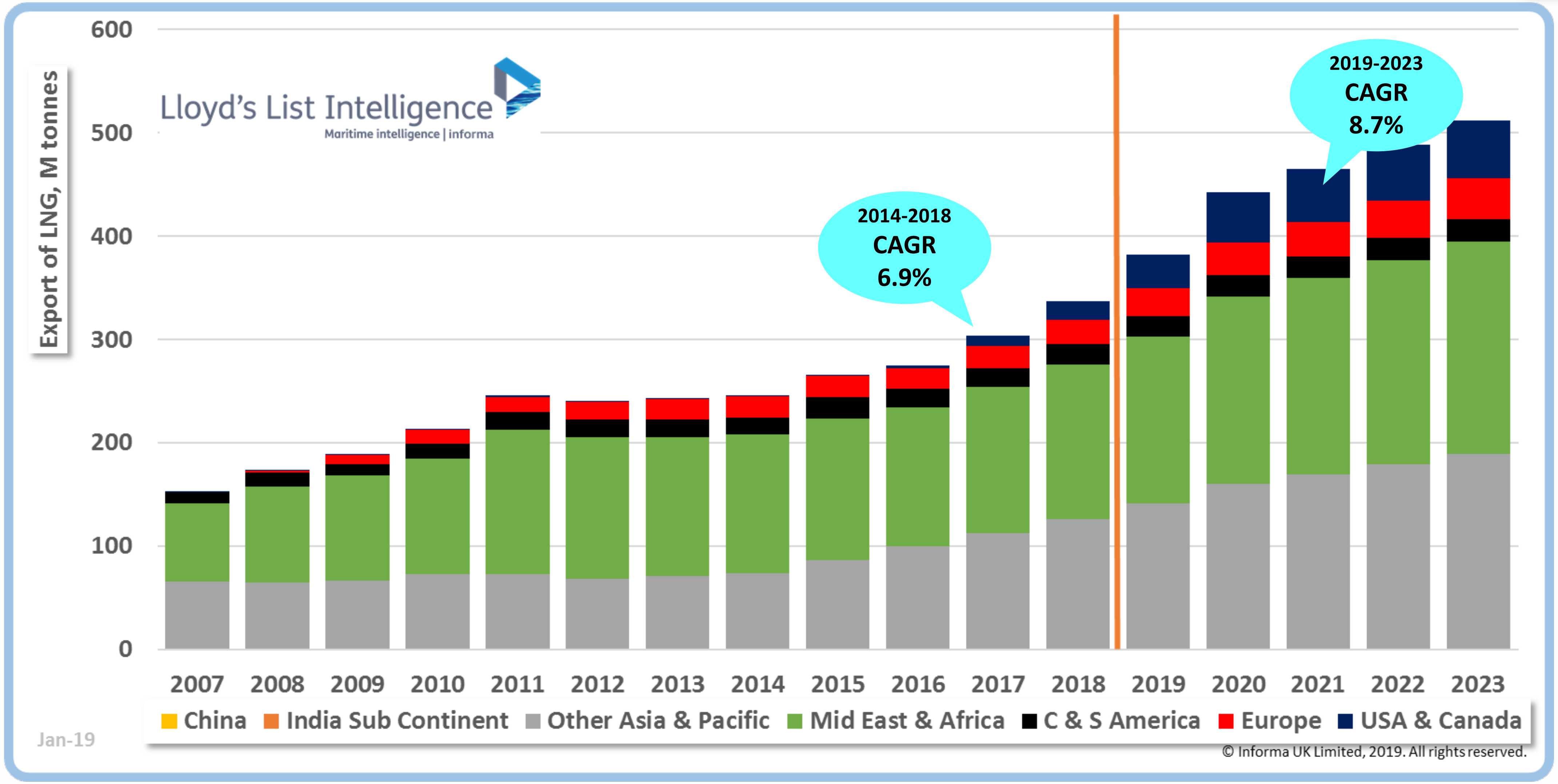
23% of fleet

Fleet growth twice the trade growth, even more the next two years



Jan-19

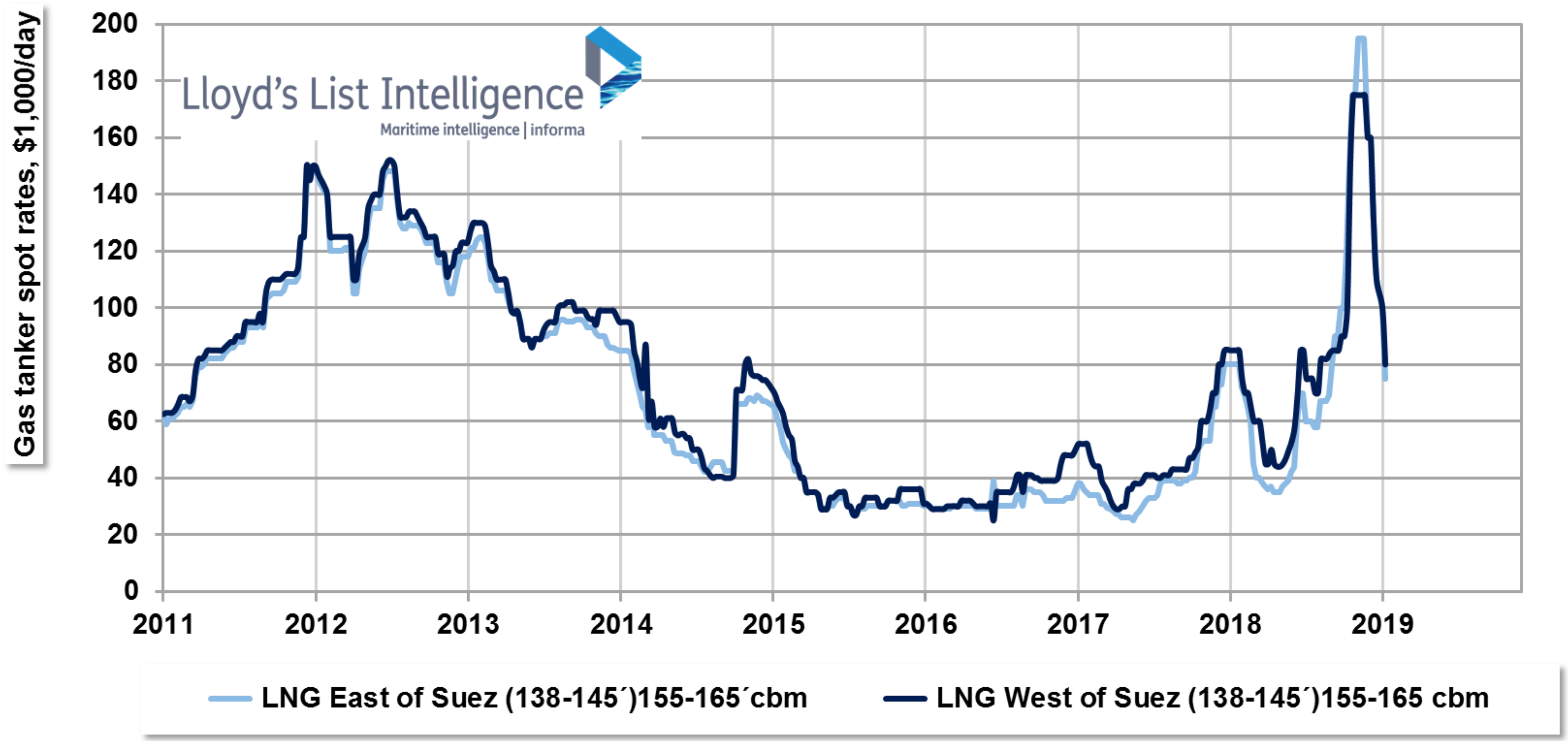
Strong growth with upside potential for gas exports from the US – particularly to China, but ...



Lloyd's List Intelligence
Maritime intelligence | informa

When demand for LNG shipping capacity over shoots short term supply, rates really take off. Still very few spot contracts!

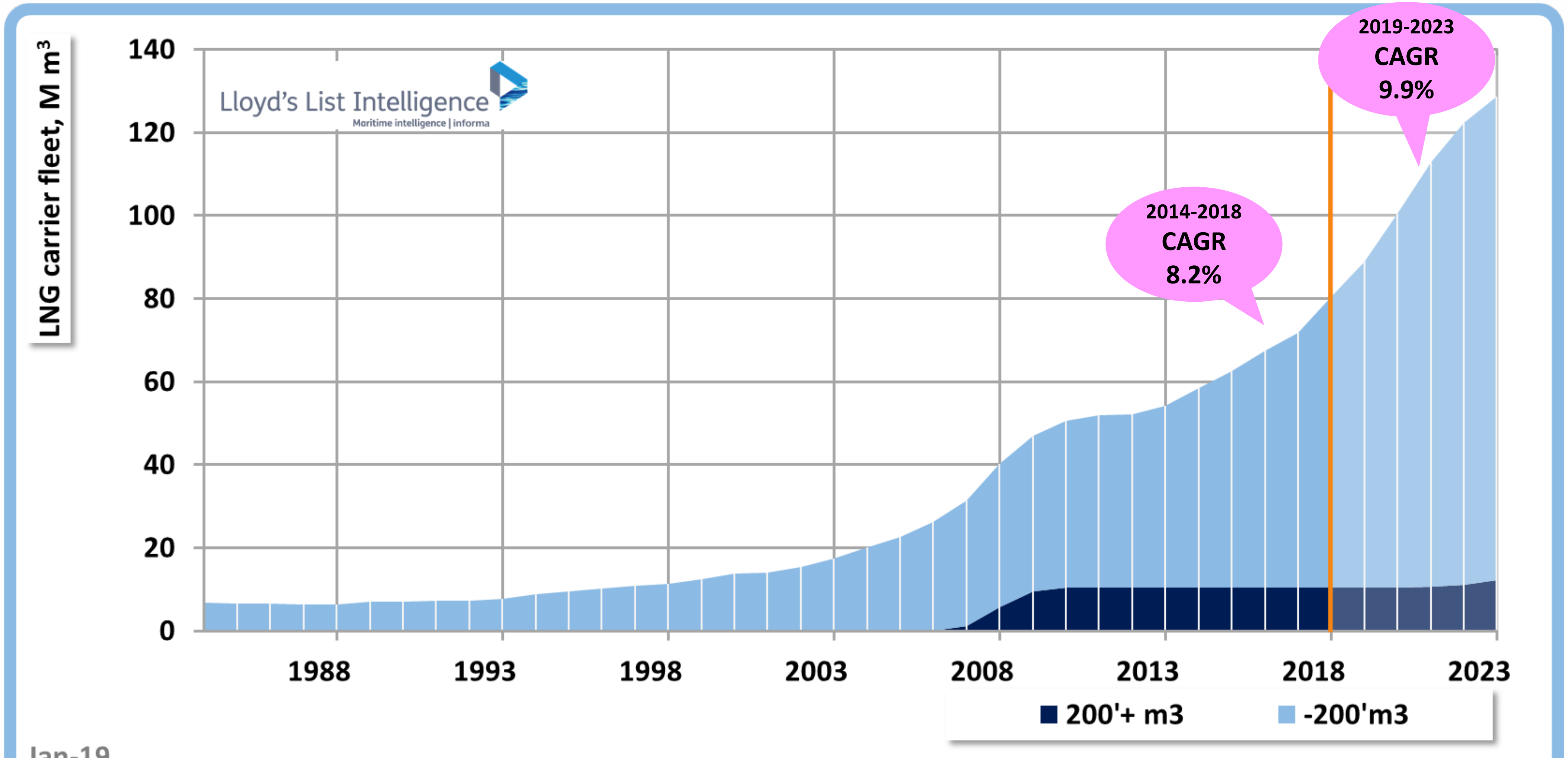
Lloyd's List Intelligence
Maritime intelligence | informa



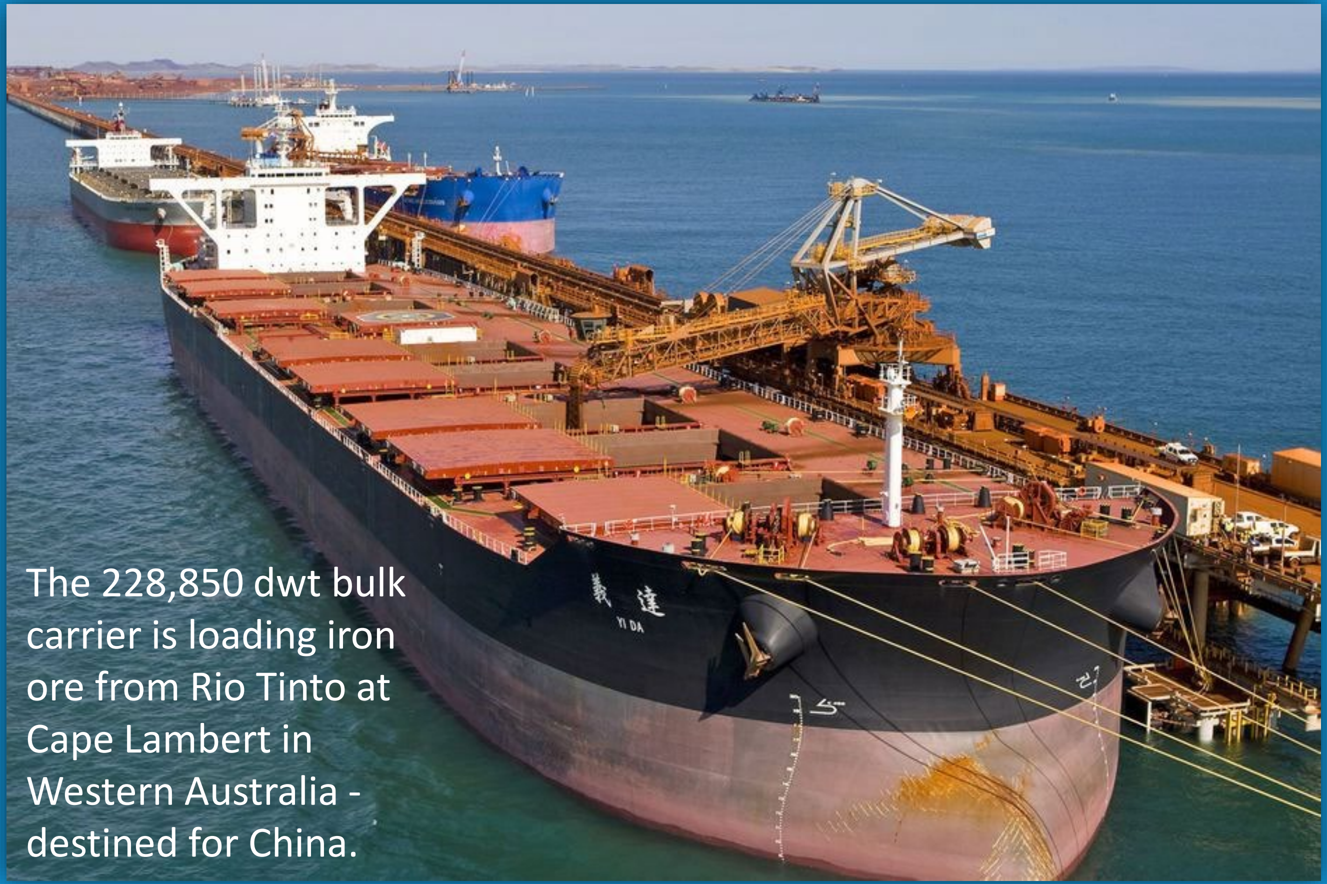
Source: Fearnleys

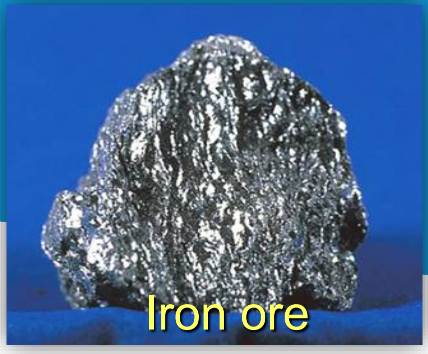
The demand growth expectations drive an extraordinary fleet growth – which can prove to be modest.

Lloyd's List Intelligence
Maritime intelligence | informa



Dry Bulker

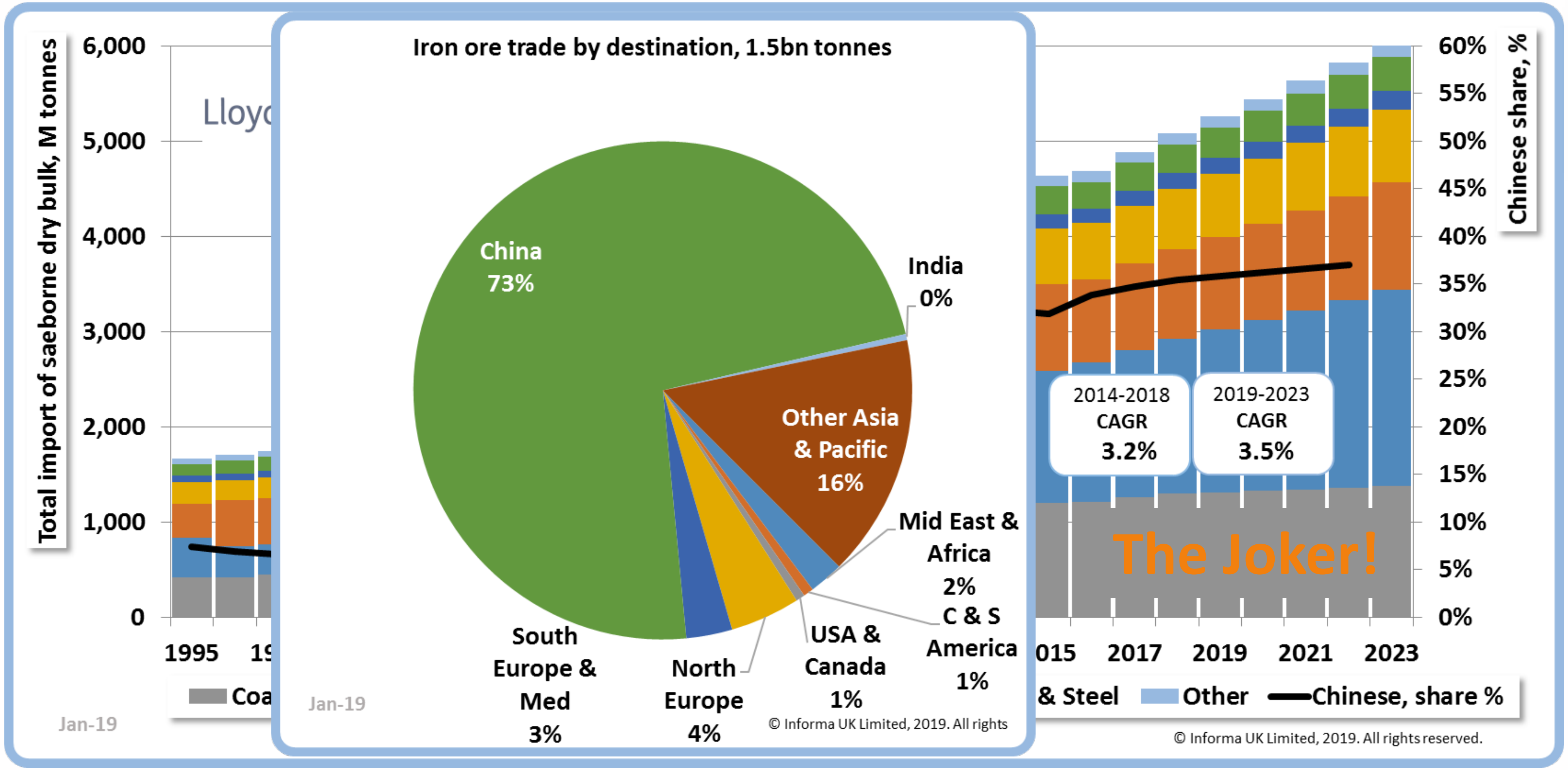

The 228,850 dwt bulk carrier is loading iron ore from Rio Tinto at Cape Lambert in Western Australia - destined for China.



In 15 years, China has gone from 10%→35% of the total dry bulk seaborne trade.

Lower growth than before, still 3.5% yearly.

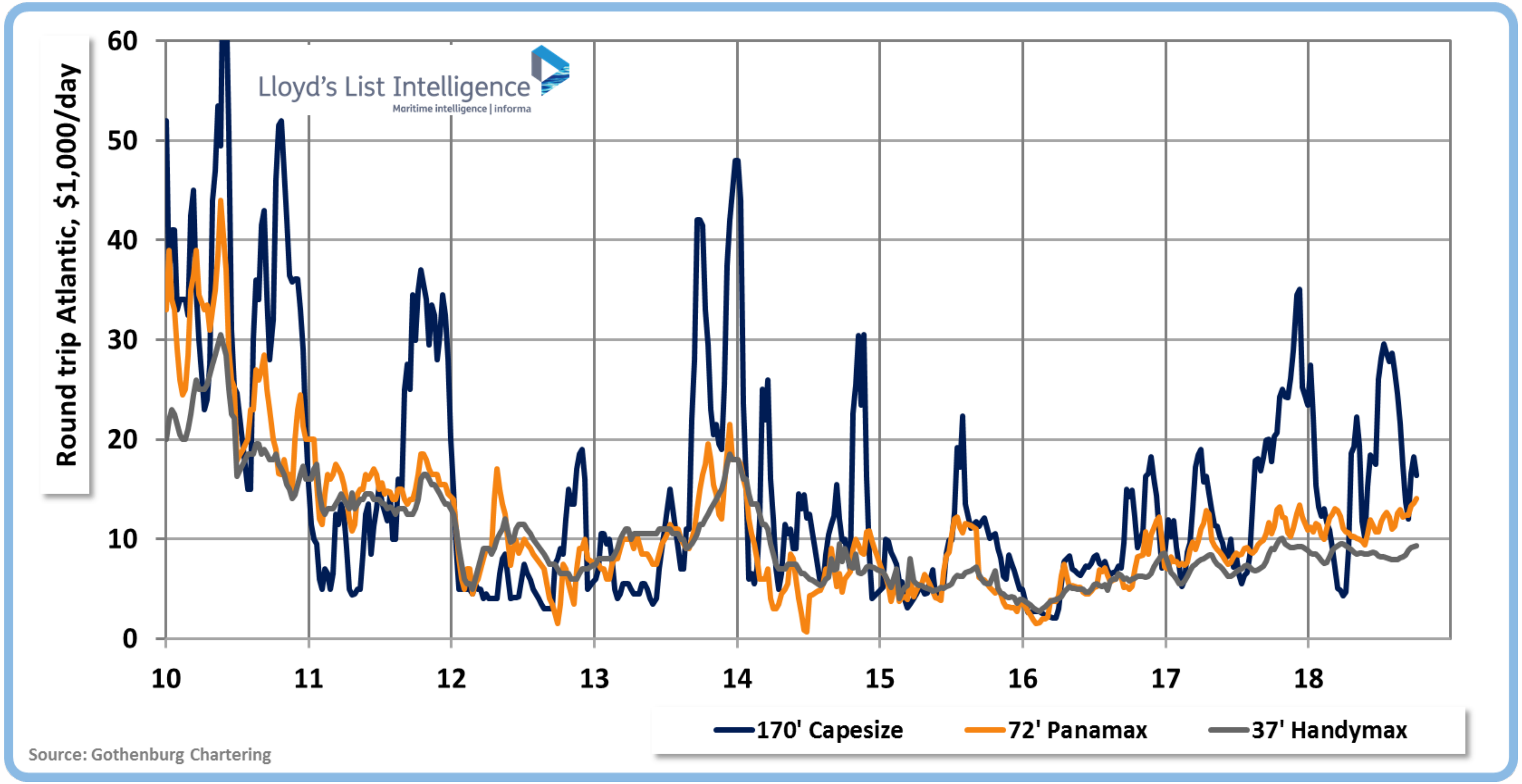
Lloyd's List Intelligence
Maritime intelligence | informa



The destination for much of the cargo is China.

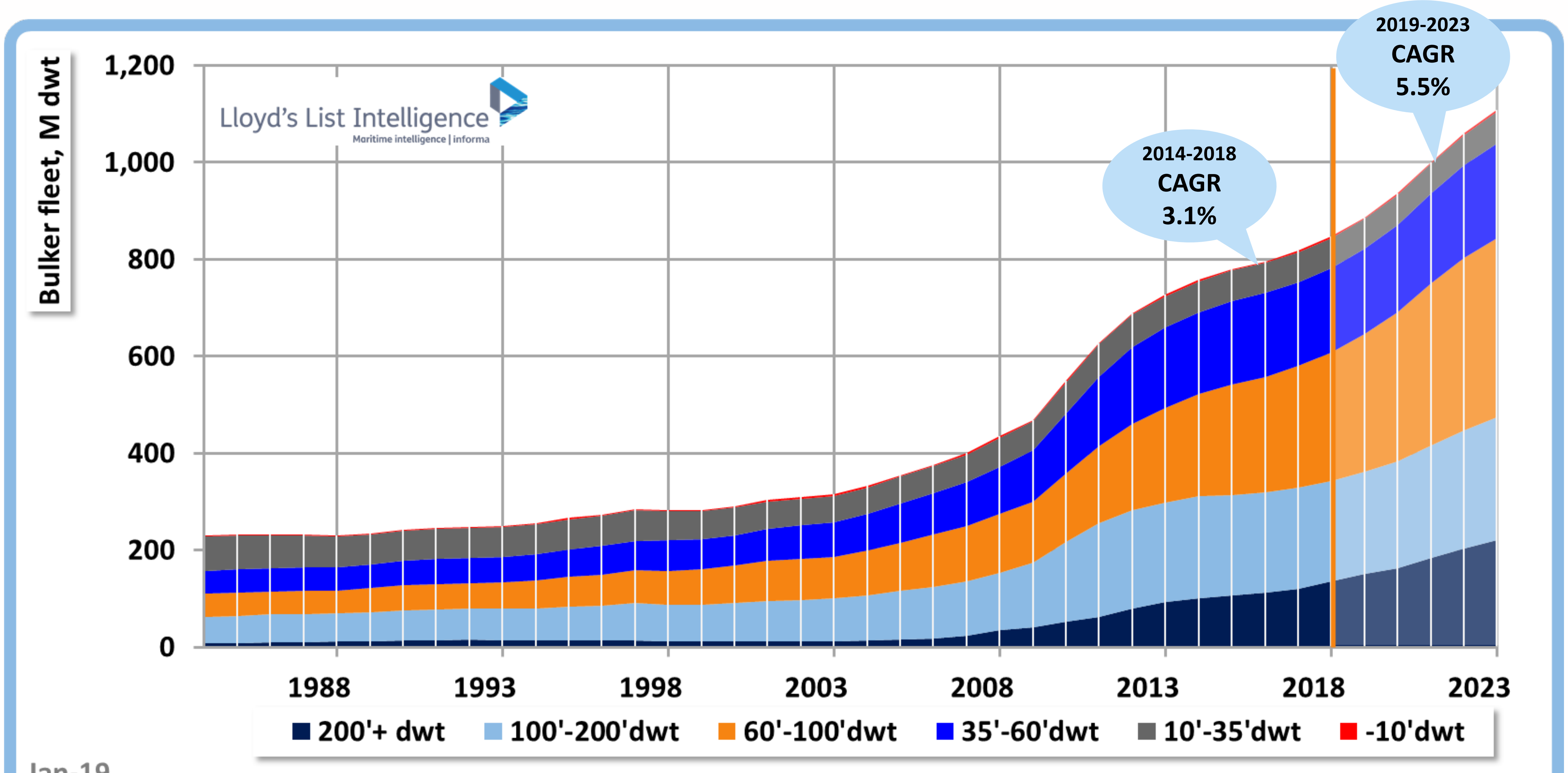
Steel for "One belt, one road" Coal is a Joker!

2017-2018 has meant better earnings for dry bulkers, the bottom came in March 2016 – today there are basically NO idle ships



…the orderbook is healthy but China will order and build more…

The fleet growth will pick up in pace – but the balance will be OK for the next couple of years

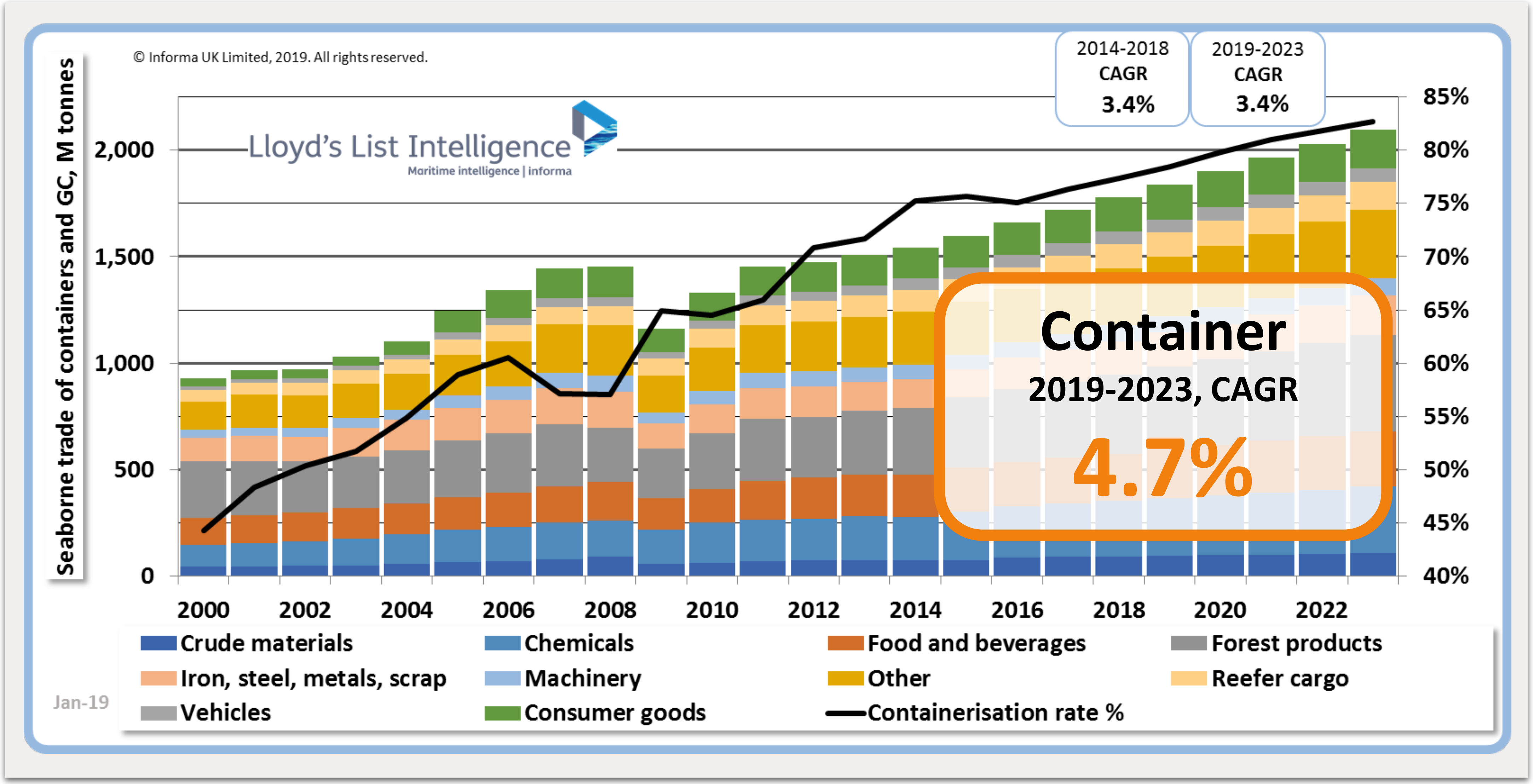


Lloyd's List Intelligence
Maritime intelligence | informa

Container
(stuffed with general cargo)

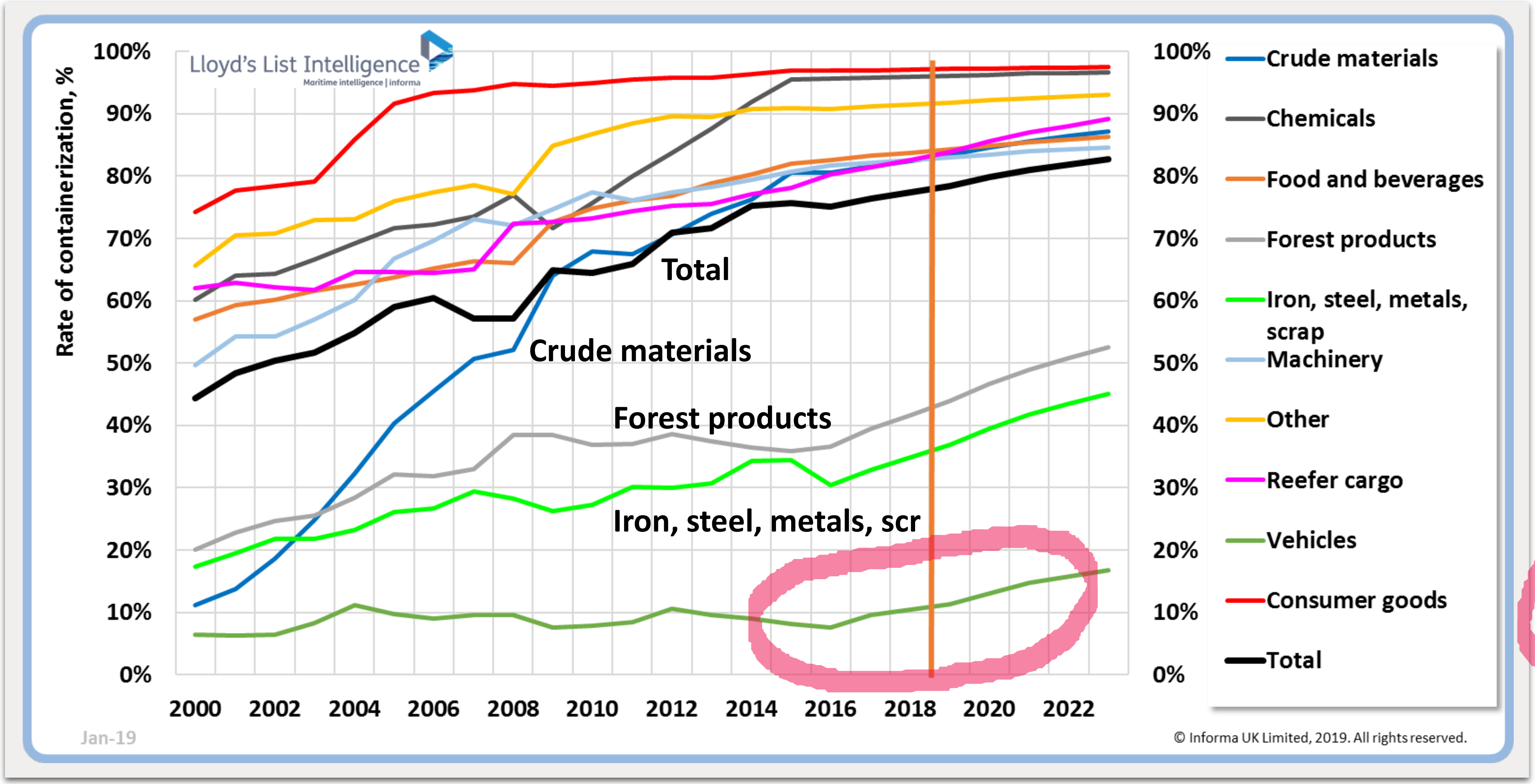
The box still attracts more cargo; 79% of general cargo is containerized – and increasing. Forest products and chemicals the largest groups.

Lloyd's List Intelligence
Maritime intelligence | informa



Forest products and Iron/steel/metals are the fastest movers, but still below the average containerisation rate

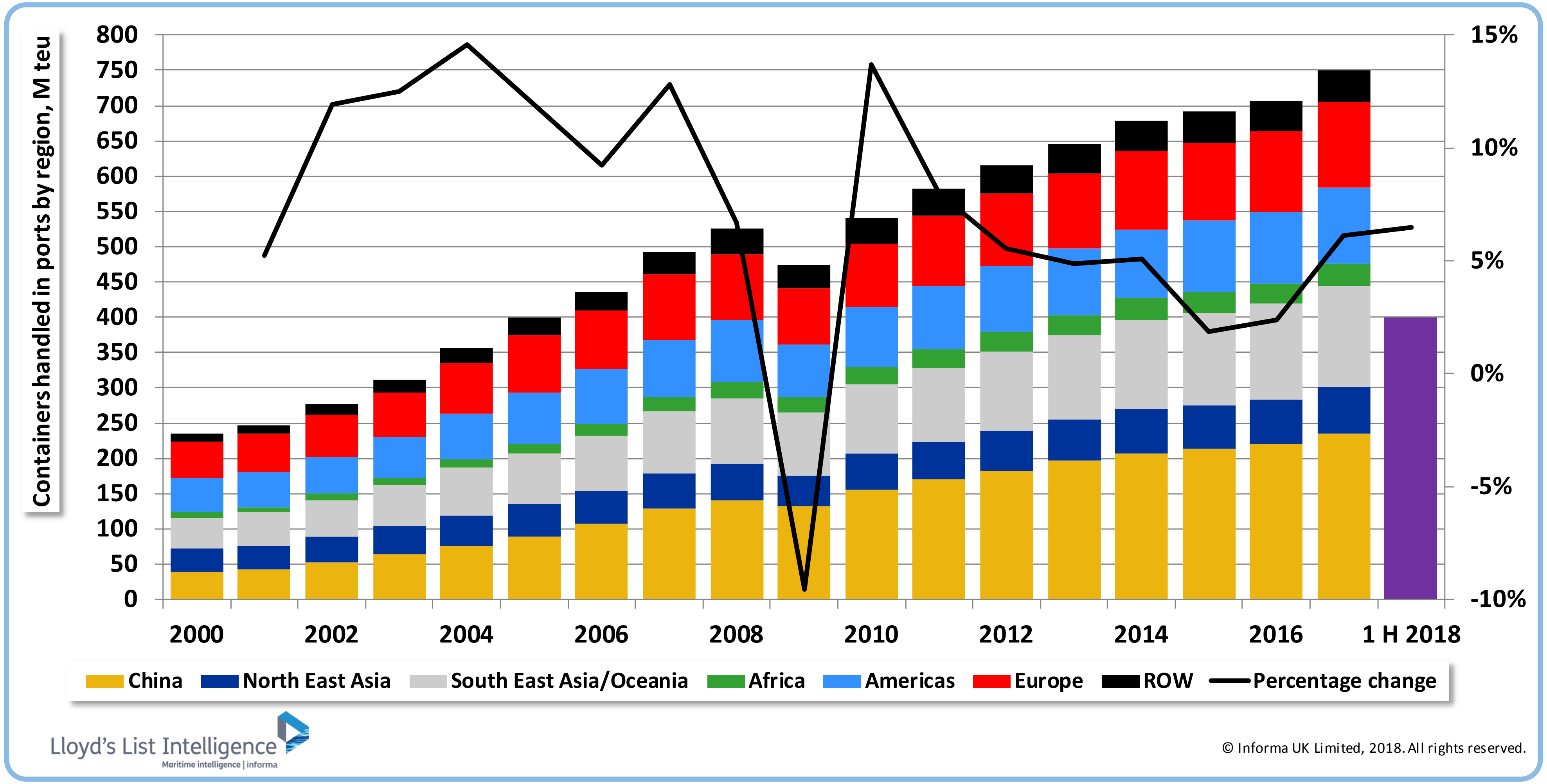
Lloyd's List Intelligence
Maritime intelligence | informa



Are vehicles the next mover???

Global container port throughput increased by 6% in 2017, the total surpassed 750M teu and China handled 31%. 1H 2018 up 6.5%

Lloyd's List Intelligence
Maritime intelligence | informa

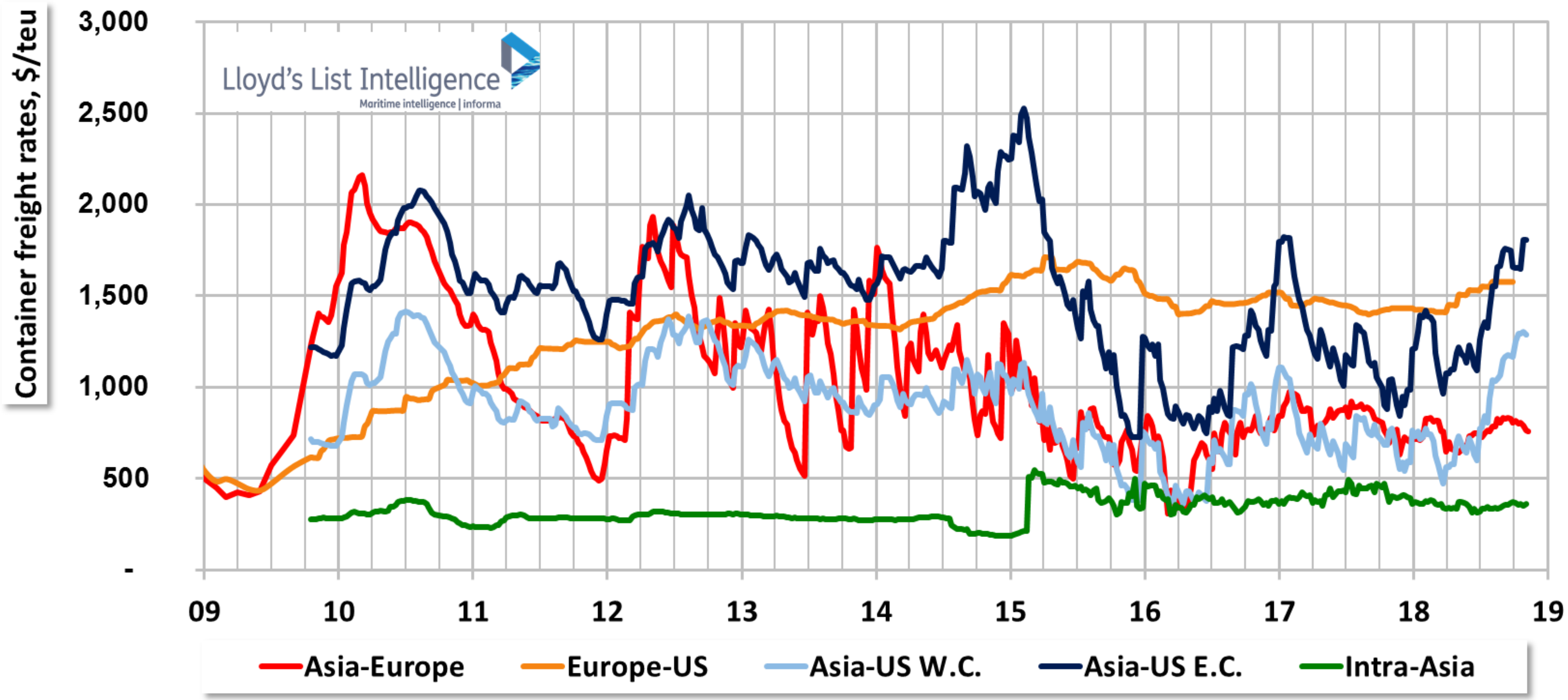


Port \ Mteu	2017	2018	Δ %
Busan	20.47	21.67	6%
Chittagong	2.56	2.80	9%
Shanghai	40.25	38.30	-5%
Singapore	33.67	36.00	7%
Tanjung Pelepas	8.26	9.00	9%
Colombo	6.20	7.00	13%
Hong Kong	20.76	19.72	-5%
Kaohsiung	10.27	10.37	1%
Long Beach	7.54	8.02	6%
Los Angeles	9.34	9.33	0%
Vancouver BC	3.25	3.41	5%
Antwerp	10.45	11.00	5%
Valencia	4.83	5.10	6%
St Petersburg	1.92	2.13	11%
Hamina/Kotka	0.69	0.66	-5%

Asia is involved in 65% of ALL container trade. The share is still increasing!

The past 12 months, container freight rates have risen for US trades, whereas Europe-Asia and Intra Asia have stayed the same.

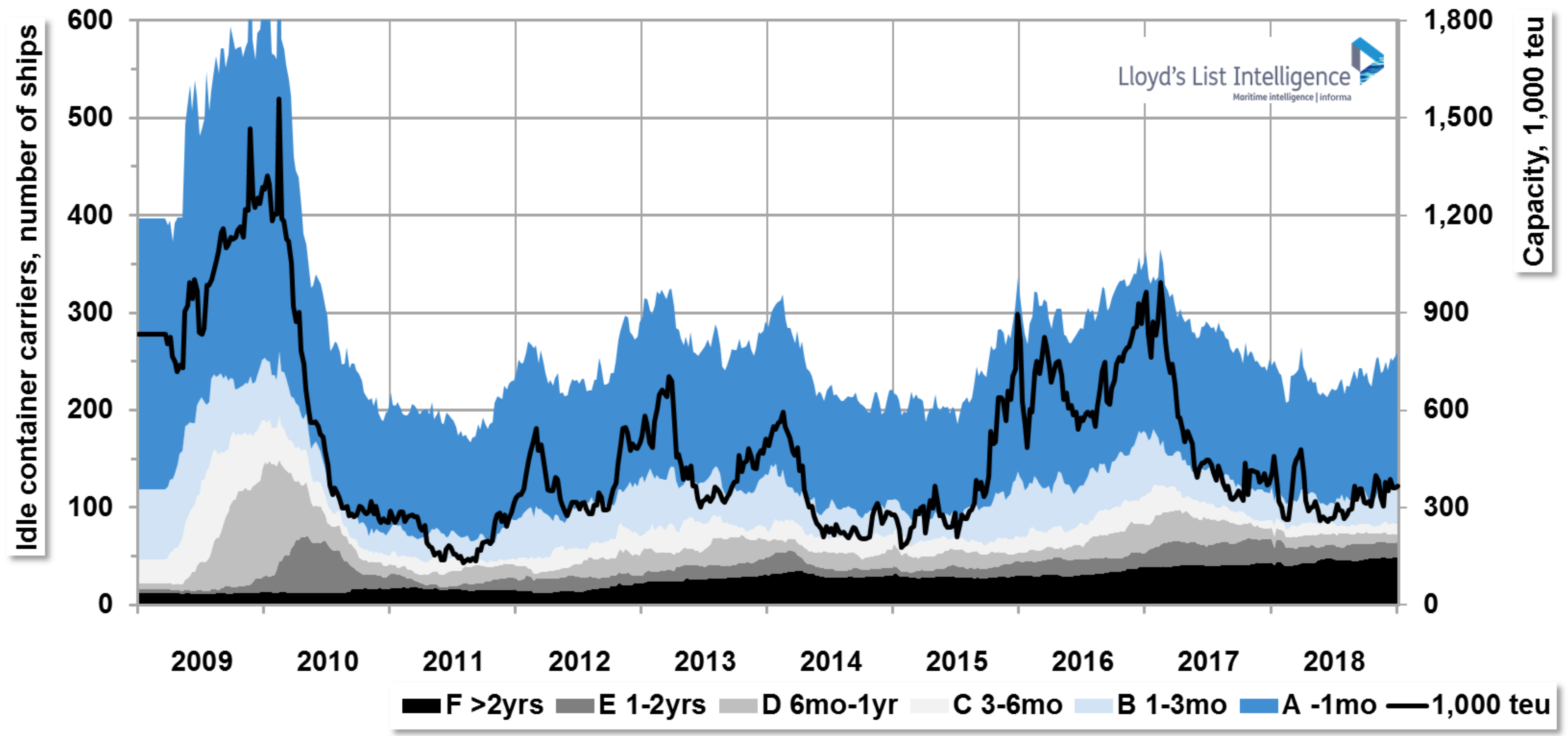
Lloyd's List Intelligence
Maritime intelligence | informa



Source: Federal Statistics Office Germany, Chinese Shipping Net, OANDA

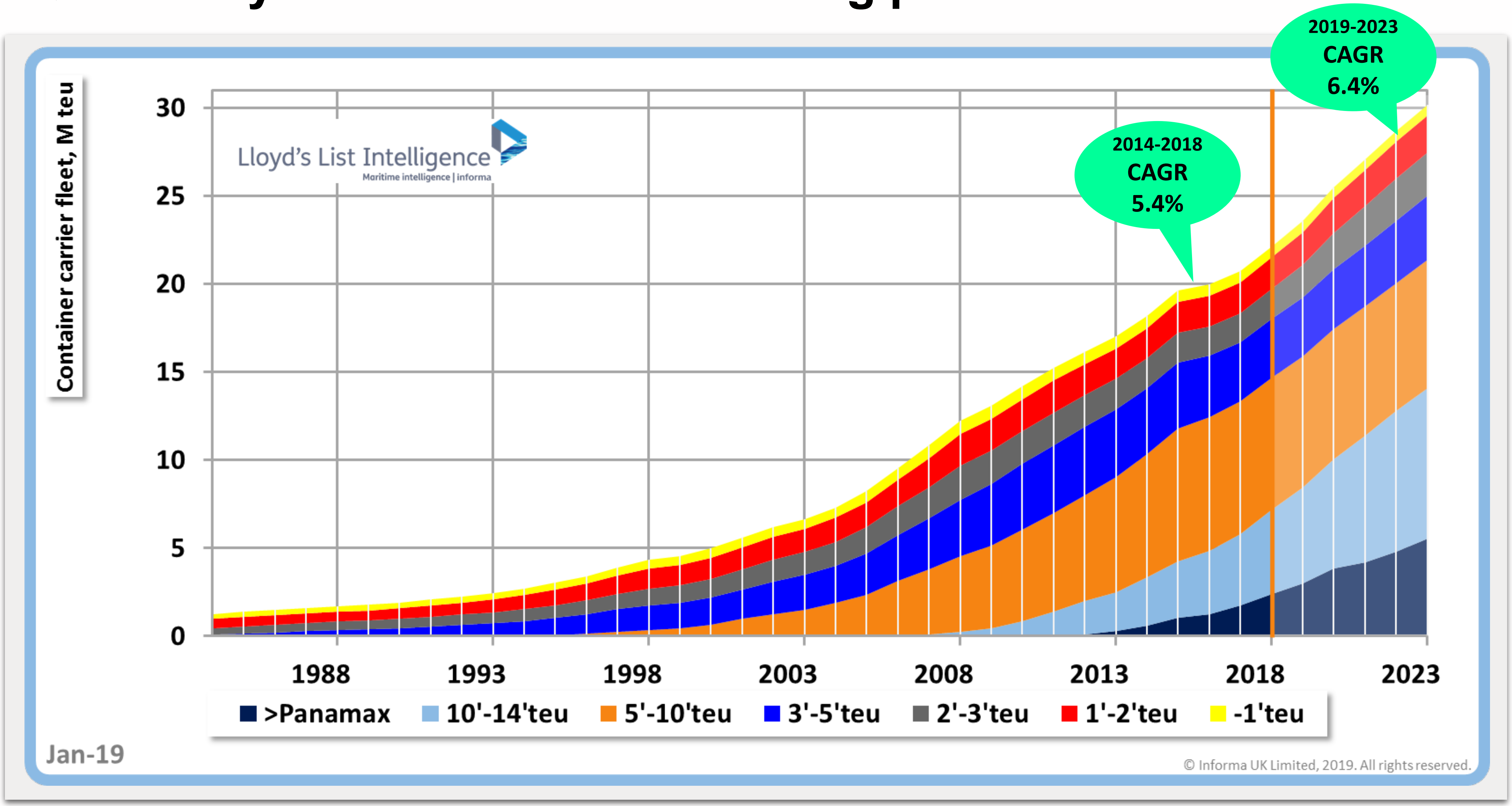
Higher rates for the US trades have kept the idle container ship capacity low and steady in 2018

Lloyd's List Intelligence
Maritime intelligence | informa



Demand growth strong, supply growth stronger!
Low freight rates — more cargo to be containerized.
M&A activity to continue + new trading patterns evolve.

Lloyd's List Intelligence
Maritime intelligence | informa



Lloyd's List Intelligence
Maritime intelligence | informa

Thank you!