



2019 Review: ClarkSea Index Up 24%

The final year of the decade saw further improvements across the shipping markets with a 24% increase in our ClarkSea Index taking it to its highest level since 2010, principally driven by gains in the tanker and gas segments. Meanwhile the impact of “headline” growth in seaborne trade (1.1% to 11.9bn tonnes) and world fleet (4.1% to 2.1bn dwt) were supplemented by IMO 2020 related “adjustments”.

ClarkSea Improvements...

Across 2019, our weighted average earnings index, the ClarkSea, increased by an encouraging 24% y-o-y to \$15,082/day, its highest level since 2010. The principal driver was the tanker market, where improving fundamentals, briefly “turbo charged” in October (see *SIW 1393*), helped VLCCs average \$41,364/day for the year, up 166%. There were also good gains across the gas segments, with a continuing positive outlook, while in the container market there was a big ship trending upwards / small ship sluggish split to developments (see next week’s *Analysis*). The bulkcarrier segment was marginally down on a weighted basis but there was also a split: clear 1H “pain” / 2H improvement. In other segments, car carrier charter rates remained weak, Ro-Ro started to ease and offshore continued its gradual improvements with our index reaching 58 (start 2019: 49, see *Offshore Intelligence Network*).

Trade Downgrades...

The concerns we mentioned in last year’s review around the world economy and global trade filtered through, resulting in growth of just 1.1% to 11.9bn tonnes - the lowest growth rate since the financial crisis (tonne-miles did marginally better at 1.6%). Only the gas trade grew above trend, although the oil trade, supported by long haul US exports and IMO 2020 related changes to flows, is projected to increase by ~5% in tonne-miles in the coming year. The majority of the slowdown in dry bulk trade related to Brazilian iron ore supply disruption in the first half. Let’s hope the more positive recent news around Chinese stimulus and potential for

trade war resolution plays out: for the moment we are projecting more a healthier 2.8% trade growth in 2020 to 12.3bn tonnes (3.5% tonne-miles).

A 2bn Dwt Fleet...

In a year when world tonnage reached 2bn dwt, the fleet growth rate increased marginally to 4.1% (2018: 2.6%), with shipyard output up (yards seem to have reduced their delivery slippage) and market share, basis CGT, of 34% for China, 29% for South Korea and 25% for Japan. However some of this fleet growth was offset by scrubber retrofitting activity (at year end, ~269 vessels / 35m dwt were in repair yards compared to ~32 vessels / 3m dwt at the start of the year) and slower speeds. Despite more announcements towards the end of the year, newbuilding orders were down 32% leaving the orderbook at 9% of the fleet and at its lowest in tonnage terms since 2004. Across 2019, the share of the orderbook that is LNG fuel capable increased to 19%, up from 14% at the start of the year. We are currently forecasting that fleet growth will slip to a “helpful” 2.9% in 2020.

Value Trends...

For the first year since 2014, reported tanker S&P volumes (34m dwt) were higher than bulkcarriers (33m dwt) reflected in tanker pricing increasing by 15-20% across the year while bulker pricing was more mixed. Scrap pricing ended down ~10% y-o-y but with increasing focus on the impact of EU and IMO regulation. Have a good 2020!

The author of this feature article is Stephen Gordon. Any views or opinions presented are solely those of the author and do not necessarily represent those of the Clarksons group.

2019 At A Glance

	2018	2019	+/- %
1. ClarkSea Index			
Index (\$/day, average)	12,144	15,082	24%
2. World Trade, m. tonnes			
Oil	3,086	3,053	-1.1%
Gas	416	455	9.4%
Dry Bulk	5,224	5,281	1.1%
Containers	1,844	1,886	2.3%
Others	1,237	1,263	2.1%
Total	11,807	11,939	1.1%
3. Tonnage Supply, M. Dwt			
<i>Bulk Fleet (end)</i>			
Tankers	588.6	622.2	6%
Bulkcarriers	845.4	879.0	4%
Global Fleet	1,981.4	2,062.2	4%
<i>Orderbook (end)</i>			
Tankers	69.1	51.0	-26%
Bulkcarriers	104.8	86.6	-17%
Global Orderbook	227.0	187.5	-17%
<i>Scraping</i>			
Tankers	20.3	3.5	-83%
Bulkcarriers	4.4	7.1	61%
Global Total	30.8	17.0	-45%
<i>Scrap Prices, \$/dwt (end)</i>			
Tankers	415.0	365.0	-12%
Bulkers	420.0	365.0	-13%
4. Revenue, Average Earnings, \$/day			
<i>Oil Tankers</i>			
VLCC, c.2010 built	15,561	41,364	166%
Suezmax, c.2010 built	16,466	31,560	92%
Aframax, c.2010 built	16,175	26,225	62%
MR (Clean), c.2010 built	8,750	13,740	57%
Weighted Average (nos)	15,561	24,022	54%
<i>Bulk Carriers</i>			
Capesize, c.2010 built	14,026	15,527	11%
Panamax, c.2010 built	12,867	13,030	1%
Supramax, c.2010 built	12,112	12,027	-1%
Weighted Average (nos)	12,249	11,480	-6%
5. Asset Values, end period			
<i>Newbuilding, \$m</i>			
VLCC	92.5	92.0	-1%
Suezmax	60.5	61.5	2%
Aframax	48.0	48.5	1%
MR	36.5	35.8	-2%
<i>5 Yr old Vessel, \$m</i>			
VLCC	66.0	75.0	14%
Suezmax	46.0	53.0	15%
Aframax	33.0	41.0	24%
MR	27.5	30.0	9%
<i>Newbuilding, \$m</i>			
Capesize	50.0	49.5	-1%
Kamsarmax	28.0	27.5	-2%
Ultramax	26.0	25.5	-2%
<i>5 Yr old Vessel, \$m</i>			
Capesize (ECO)	41.3	37.5	-9%
Kamsarmax	23.5	23.5	0%
Ultramax	22.8	22.0	-3%
6. Turnover, Volume M. Dwt			
<i>New Orders</i>			
Tankers	27.1	22.5	-17%
Bulkcarriers	44.5	24.6	-45%
Global Total	95.3	64.8	-32%
<i>Secondhand</i>			
Tankers	32.0	34.2	7%
Bulkcarriers	40.4	33.1	-18%
Global Total	85.7	78.2	-9%

Figures subject to revision. Global totals include other ship types. Source: Clarksons Research.

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Commodity Quay, St Katharine Docks
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