



## Shipping Decades: How Did This One Fare?

As we close in on the end of the decade, this week's analysis compares data from shipping's last forty years. It's certainly been a tough decade, much of it spent dealing with the aftermath of the financial crisis and working through shipping's surplus capacity. But it's been far from a "dead decade": trade growth of 3.7bn tonnes, 1.2bn dwt of deliveries and an improving ClarkSea Index as we close out...

### Feeling The Pain...

With a week before we "close the books" it looks like the ClarkSea Index will average marginally above the 90s but half of the "booming" 2000s. A decade ago, we suggested the 2010s would not be quite as challenged as the 80s, envisaging a 90s type scenario but with a few more spikes and with the low interest environment providing some welcome relief. While only gas carrier earnings improved their averages (US energy exports have helped), there have been a number of spikes, most recently with tankers. We have argued previously that, across the decade, the container market has had the toughest run, although since 2014 the offshore market has been struggling with a deeper recession, with structural overcapacity gradually being worked through.

### Trade Trends...

More trade was added in this decade (3.7bn tonnes) than the 00s (2.4bn tonnes) and, perhaps surprisingly, the same was true for China (10s: 1.5bn tonnes of imports, 00s: 1.2bn tonnes), albeit helped by a number of fiscal stimulus policies early in the decade. China's maturing economy (imports grew by ~18% per year in the 00s but have trended down to ~5% per year since 2015) will provide challenges but also new opportunities (e.g. LNG imports are up 16% this year). Despite increasing discussion around the short term business cycle outlook, growing geopolitical tensions (although our analysis suggests the direct "Trade War" impact on shipping is more manageable than the headlines suggest) and the longer term impact of the environment and energy transition on trade

(~40% of shipping is energy transportation), the 2010s were an impressive decade of trade growth.

### Shipbuilding...

A staggering 1.2bn dwt of deliveries through the decade (fourfold increase on the 90s, helping the fleet grow by 70%!) only tells half the story. Initially dealing with the delivery of a record orderbook that was very profitable "on paper", shipbuilding production peaked in 2011 with Chinese yards achieving a ~40% market share. Output has since declined by 30%, with current market share of 34% for China, 28% for Korea and 25% for Japan. Although we forecast output will be marginally up y-o-y in 2019 (yards are generally delivering on time with reduced slippage), with an orderbook at 9% of the fleet (2010: 45%) and the active yard count (orders above 20,000 dwt) down to ~80 yards (2010: ~173) we will certainly start the new decade with a less "frightening" supply situation.

### 2020s?

So what of the 2020s? Taking some highlights / suggestions from our "Shipping to 2030" seminar: a "green" agenda accelerating in importance (surely next decade's review will include trend analysis on carbon output & alternative fuel uptake!); an improved earnings environment; a recovery in shipbuilding output; an energy transition impacting trade trends; further changes to the ship finance landscape; consolidation; digital technology; an LNG fleet outgrowing the VLCC fleet; an LNG fuel capable fleet outnumbering the scrubber fleet. Lots to debate & consider: have a good Christmas & next decade!

### The Decade At A Glance: 2010s Compared To Previous Decades

Indicator	1980s	1990s	2000s	2010s
<b>Earnings (\$/day; average)</b>				
ClarkSea Index	9,461	12,019	22,239	12,087
Avg. Bulker Earnings		8,278	20,935	11,043
Capesize 1yr TC	9,635	14,383	48,467	17,299
Avg. Tanker Earnings		14,436	31,087	16,413
VLCC 1yr TC	11,243	25,546	48,117	30,390
Avg. Boxship Earnings		13,114	15,697	12,087
Avg. Gas Carrier Earnings		12,283	16,077	25,260
<b>Asset Prices (\$m; average)</b>				
VLCC 5 y.o. Price	22.7	58.2	92.4	70.4
Capesize 5 y.o. Price	19.8	34.2	59.9	37.1
NB Prices (Index)	110.6	137.7	142.3	132.0
<b>World Fleet (m dwt)</b>				
Fleet (end decade)	649	787	1,207	2,063
Fleet Growth (avg)	-0.9%	2.0%	5.1%	4.8%
Deliveries (total)	195	299	716	1,152
Recycling (total)	190	166	189	381
<b>Seaborne Trade (mt; end decade / avg. growth)</b>				
Global Trade	4,086	5,886	8,258	11,938
Avg. Trade Growth*	0.3%	3.7%	4.3%	3.1%
Total Chinese Imports	62	265	1,509	2,992
China's Share of Total	2%	5%	18%	25%
Crude Oil Trade	1,067	1,590	1,807	2,001
Iron Ore Trade	373	399	897	1,453
Coal Trade	306	458	804	1,285
Container Trade	231	546	1,096	1,886
LNG Trade	52	93	183	351
<b>Economic Indicators (end decade / avg. growth)</b>				
Global GDP (\$bn)	20.0	32.8	60.4	86.6
Avg. GDP Growth	3.2%	3.1%	3.9%	3.7%
Global Population (bn)	5.33	6.14	6.96	7.79
Trade per Cap. (tonnes)	0.77	0.97	1.20	1.55
Avg. US 6mth LIBOR	10.6%	5.5%	3.4%	1.0%

\*Excluding trade growth in 2009/10, which was significantly impacted by the global financial crisis.

Source: Clarksons Research

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.

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