

SHIPPING

SHIPPING CONFIDENCE SURVEY

SEPTEMBER 2021



RIDING THE CREST OF A WAVE?

The upward trend in industry confidence has continued over the past six months. Overall confidence has risen again as has the intention to make a major investment. The rising tide of confidence is taking everyone with it with growing confidence across all business types and regions.

Overall confidence now stands at 7.2 out of 10. This is the highest confidence level reported since the survey began in May 2008. Both Brokers and Managers have reached record levels of confidence with scores of 7.4 and 8.0 out of 10 respectively. Asia leads the way with confidence at 7.7 out of 10 but Europe has also reached unprecedented levels of confidence at 7.2 out of 10.

Confidence



“ Looking forward to a 'golden' decade in the dry bulk market. ”

As part of our August survey, we asked respondents about their expectations for the Baltic Dry Index (BDI).

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SURVEY ANALYSIS

The very high levels of overall confidence are reflected as well in the likelihood of respondents making a major investment or significant development. This has reached 6.1 out of 10 overall, again a record high over the life of the survey. All business types saw large rises in their scores as do both Asia and Europe. Managers went from 5.7 to 6.8 out of 10 and Europe went from 5.1 to 6.3 out of 10.

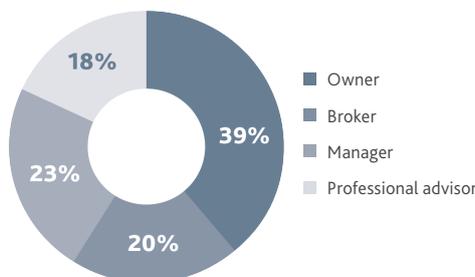
Finance costs are expected to increase with the net score rising from +20% in February 2021 to +43% in August. We have seen substantial rises in the expectations across Owners and Brokers and a small rise in the expectations of Managers. While Europe has seen a very large rise in the expectation of rising finance costs, Asia has seen a small overall rise with some respondents also expecting lower finance costs.

Business performance factors

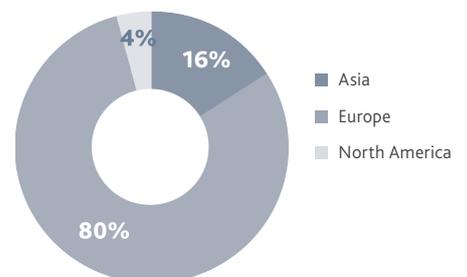
The top three business performance factors remain the same with demand trends, competition and finance costs scoring 31%, 19% and 12% respectively. Tonnage supply scored 11% again to almost break into the top three factors.



Respondents by type



Respondents by location



Net sentiment*

+57
TANKER



+19
DRY BULK



-20
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

Whilst the current market remains depressed, the net freight rate sentiment in tankers has continued to climb and has reached +57%. Owners and Managers are the business types driving this unprecedented high score. Regionally the net sentiment is very positive in both Europe and Asia.

The overall proportion of respondents expecting higher dry bulk rates has dropped again since February and the net sentiment sits at +19%. Expectations have weakened across all business types and in Europe and Asia. The fall has been most pronounced in Asia where the net sentiment has dropped from +55% to -16%.

Container ship rates expectations have risen from an unprecedented -36% low in February to -20%. The net expectations are lowest among Brokers and in Asia although they remain negative across all business types and regions. As noted in the last survey, this softening of future sentiment should be seen in the context of sector rates being at exceptionally high levels over the course of the year to date.

BALTIC DRY INDEX (BDI)

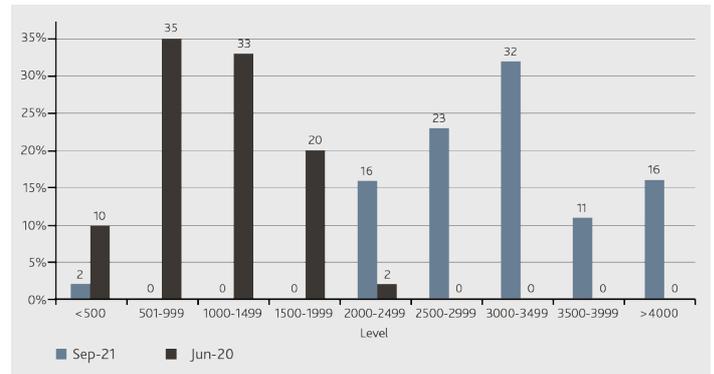
Our special question for this edition was about expectations for the Baltic Dry Index in 12 months' time. A third of respondents expect the BDI to be between 3,000 and 3,499. Two-thirds of respondents expect the BDI to stand between 2,500 and 4,000.

Expectations have changed significantly from when we last asked this question in May 2020. Then more than two-thirds (68%) expected the BDI to be between 501 and 1,499.

Whilst the BDI remains at high levels today, the data suggests that our respondents do not expect growth to continue at the same pace in the medium term.

“ There will develop a shortage in bulk carrier capacity due to late ordering of newbuildings. ”

Baltic Dry Index predictions



CONCLUSION

Shipping has, clearly, turned the corner on the COVID-19 pandemic. This is a famously resilient sector and that resilience is now translating into rarely seen levels of confidence about the future. The overall level of confidence is at 7.2 out of 10. The intention to make a major investment has reached 6.1 out of 10, again reflecting the growing sense of confidence as the industry emerges from the pandemic. Both these measures are the highest reported since the survey began in May 2008.

Maintaining the strong positive sentiment will be important as the industry faces a number of significant challenges ahead. Most importantly against a backdrop of ever increasing environmental awareness, the industry must adapt so that it can continue to play its role in meeting the future transport requirements of the world.

As economies around the globe have emerged from the pandemic, seaborne trade has recovered and should continue to grow through the coming years. Given this, the shipping industry has every reason to remain confident about its future.