IHS Maritime & Trade Insight: 2016 Global Trends Outlook

CHINA'S SLOWDOWN SHRINKS COMMODITY SHIPMENTS

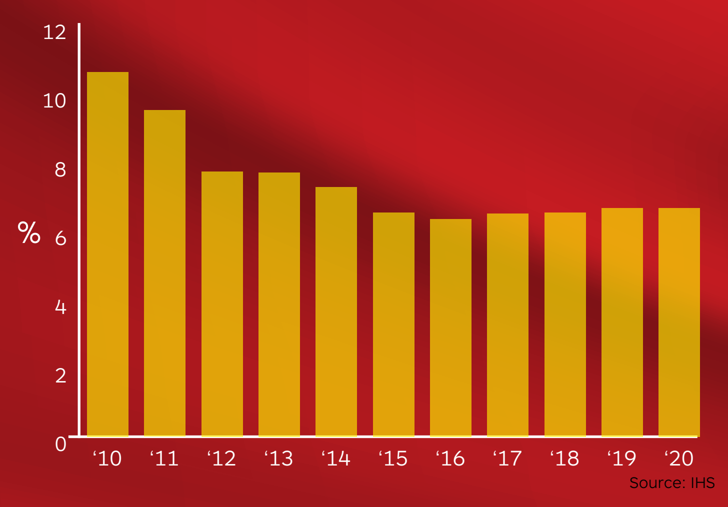
Iron ore and coal make up almost two-thirds of the dry bulk shipping market and China accounts for the lion's share of the demand. But as China's GDP growth slows to the mid-6% range, its demand for commodities slows. As a consequence, the maritime industry has seen demand for dry bulk shipments slow in 2015-16. A modest rebound is expected in 2017.

Before the China slowdown, China imported 70% of the world's seaborne iron ore and 20% of its coal. Coking coal imports declined by 12% in September 2015.

Chinese container trade is expected to grow with volume on routes to the Western United States expected to rise 8% in 2016 and European routes by 6%.

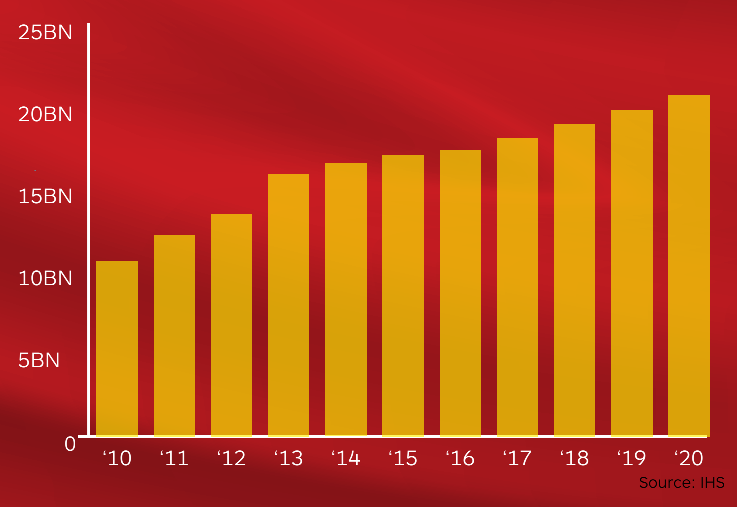
China GDP growth (2010-2020)

(Percent change from a year earlier)



China dry bulk metric tons

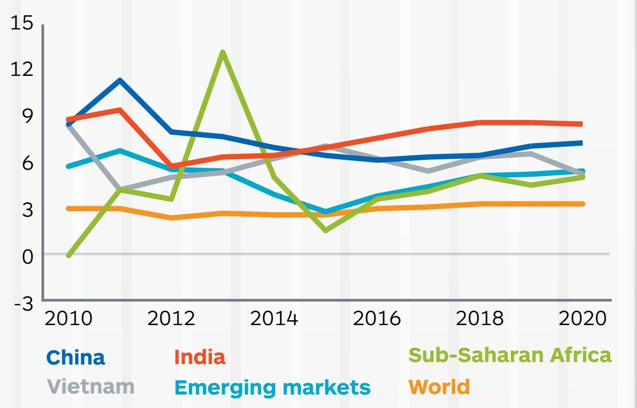
(Percent change from a year earlier)



EMERGING MARKET CONSUMPTION DRIVES CONTAINER SHIPPING

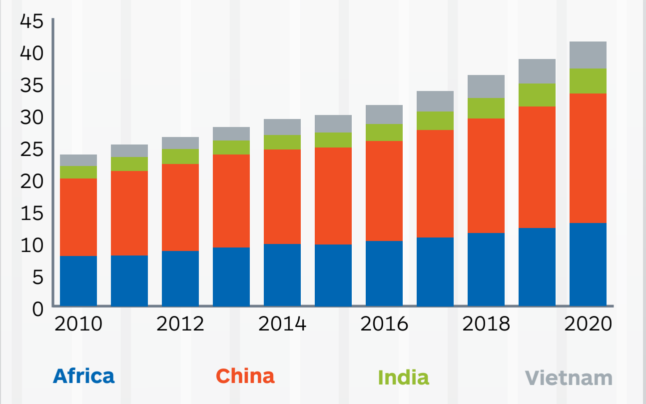
Economic growth and rising incomes in emerging markets translate to an increase in the demand for imported goods. Even as China's GDP growth moderates, consumer spending is increasing as a percent of GDP. Likewise in Africa, India, Vietnam, and other Asian countries. That's good news for the global seaborne container market.

Emerging market consumption growth % change



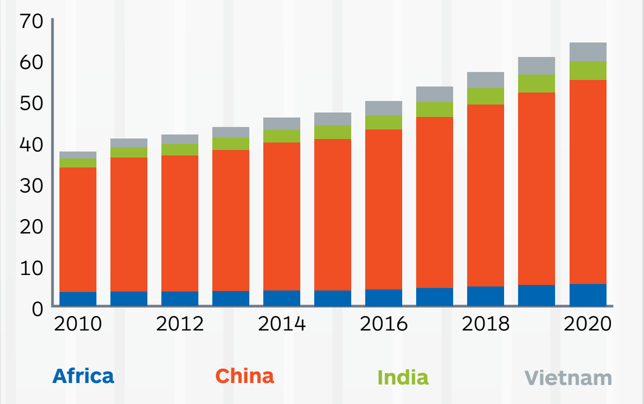
Source: IHS

Container import volume of TEUs



Source: IHS

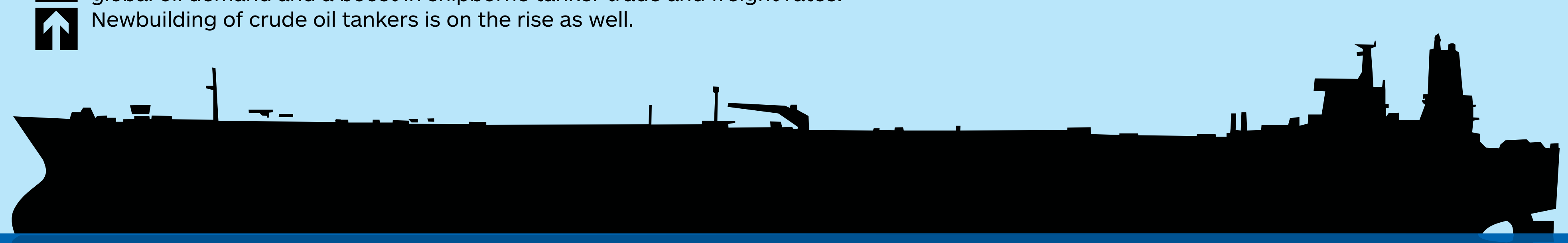
Container export volume of TEUs



Source: IHS

LOWER OIL PRICES DRIVE UPTICK IN TANKER BUSINESS

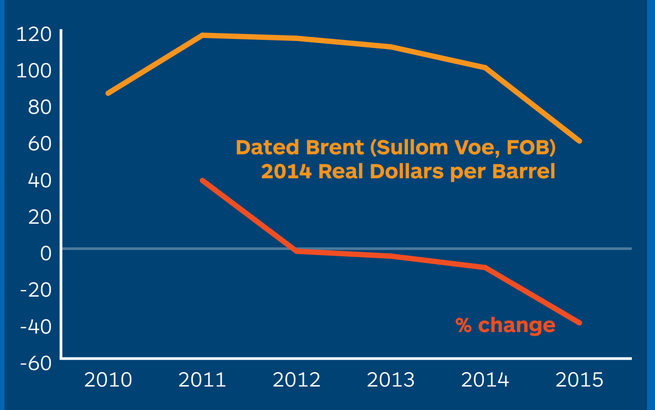
The precipitous drop in oil prices since mid-2014 has led to an uptick in global oil demand and a boost in shipborne tanker trade and freight rates. Newbuilding of crude oil tankers is on the rise as well.



Unlike dry bulk shipping, the drop in crude oil price has resulted in increased consumption/ demand. While there is an oversupply of crude oil, there is a healthy demand (unlike coal and iron ore in dry bulk shipping) which is driven by low prices, availability of funds in developed countries and refineries throughput.

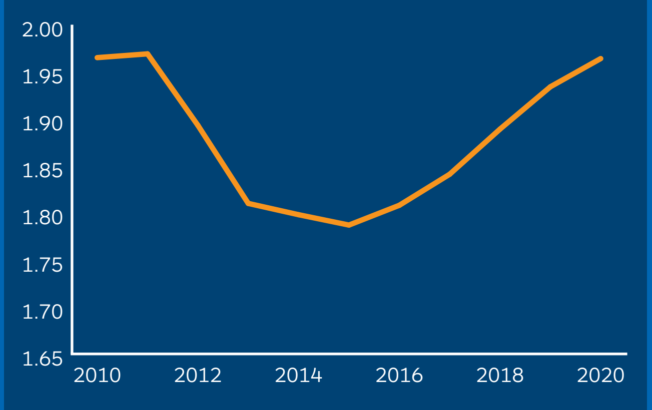
The demand for cargo space, coupled with a low number of deliveries during the last two years (Figure 3) incentivized earnings this year (Figure 4). The record earnings throughout 2015, propelled orderbook of new vessels. Thus a large number of deliveries along with consequently larger capacity fleet are expected in the near future (Figure 5).

Dated brent price **1**



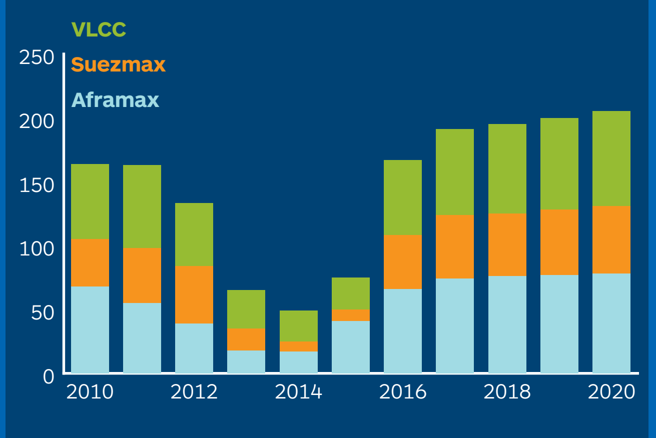
Source: IHS

World crude oil trade **2**



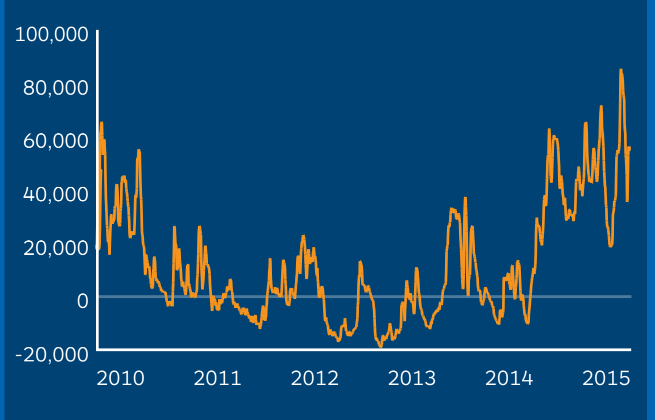
Source: IHS

Crude oil tankers – deliveries (number of ships) **3**



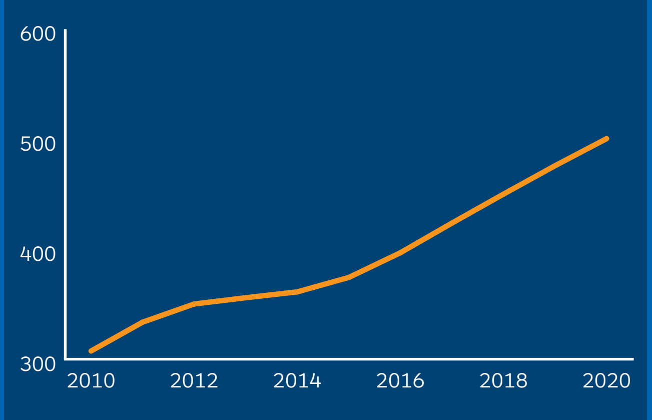
Source: IHS

VLCC-TCE tanker earnings (US$/day) **4**

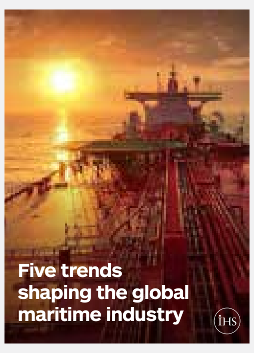


Source: Baltic Exchange

Crude oil tankers fleet total capacity (million dwt) **5**



Source: IHS



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