International Shipping Market: Challenges of the Global Downturn

Colin Cridland, Head of Market Analysis
Leipzig, 27 May 2009
www.clarksons.com
IMF GDP – Worst Case Scenario?

- World
- China
- Japan
- United States
- European Union

% change (y.o.y)


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Commodity Demand & Trade
World Oil Demand vs. GDP

Graph showing the year-on-year change in oil demand and GDP from 1981 to 2010.
China Oil Demand vs. GDP
Seaborne Crude Imports

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[Graph showing seaborne imports and growth from 2002-Q1 to 2009-Q1 with y-o-y % change from -12% to 12%]
### Total Oil Products Imports

#### Key Figures:

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Imports (kmt)</th>
<th>Y-o-Y Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002-Q1</td>
<td>150,000</td>
<td>0%</td>
</tr>
<tr>
<td>2002-Q3</td>
<td>160,000</td>
<td>8%</td>
</tr>
<tr>
<td>2003-Q1</td>
<td>170,000</td>
<td>4%</td>
</tr>
<tr>
<td>2003-Q3</td>
<td>180,000</td>
<td>0%</td>
</tr>
<tr>
<td>2004-Q1</td>
<td>190,000</td>
<td>-4%</td>
</tr>
<tr>
<td>2004-Q3</td>
<td>200,000</td>
<td>0%</td>
</tr>
<tr>
<td>2005-Q1</td>
<td>210,000</td>
<td>8%</td>
</tr>
<tr>
<td>2005-Q3</td>
<td>220,000</td>
<td>4%</td>
</tr>
<tr>
<td>2006-Q1</td>
<td>230,000</td>
<td>0%</td>
</tr>
<tr>
<td>2006-Q3</td>
<td>240,000</td>
<td>-4%</td>
</tr>
<tr>
<td>2007-Q1</td>
<td>250,000</td>
<td>0%</td>
</tr>
<tr>
<td>2007-Q3</td>
<td>260,000</td>
<td>8%</td>
</tr>
<tr>
<td>2008-Q1</td>
<td>270,000</td>
<td>4%</td>
</tr>
<tr>
<td>2008-Q3</td>
<td>280,000</td>
<td>0%</td>
</tr>
<tr>
<td>2009-Q1</td>
<td>290,000</td>
<td>-4%</td>
</tr>
</tbody>
</table>

**Source:** www.clarksons.com
Dry Bulk Seaborne Trade

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World Trade & GDP

OECD World Imports of Goods
IMF GDP

World Imports % y-y vs. GDP % y-y over time from 1972 to 2010.

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Vessel Supply
Vessel Ordering

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Tanker Age Profile
Bulker Carrier Age Profile

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Bulk Carrier Fleet Changes

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Bulk Carrier Fleet Development

deadweight (million)

Handysize
Handymax
Supramax
Panamax
Capesize


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Containership Age Profile

The diagram illustrates the age profile of different types of containerships from 1980 to 2014. The categories include Small feeder, Large feeder, Panamax, Post-Panamax, Super-Post Panamax, and ULCS. The x-axis represents the years from 1980 to 2014, while the y-axis indicates the number of vessels. The chart shows a significant increase in the number of containerships, particularly in the later years, reflecting the growth and expansion of the international shipping market during that period.
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Containership Fleet Changes

- deletions
- additions
- fleet growth

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Containership Fleet Development

The chart illustrates the development of various container ship types from 1997 to 2012. The types include small feeders, large feeders, panamaxes, post-panamaxes, super-post-panamaxes, and ULCS (Ultra Large Container Ships). The data shows an increase in the total capacity (TEU million) over the years, with distinct growth patterns for each type.

- **Small Feeders**:
  - 1997: 1.0 million
  - 2012: 2.0 million

- **Large Feeders**:
  - 1997: 1.5 million
  - 2012: 3.0 million

- **Panamaxes**:
  - 1997: 2.0 million
  - 2012: 5.0 million

- **Post-Panamaxes**:
  - 1997: 2.5 million
  - 2012: 7.5 million

- **Super-Post-Panamaxes**:
  - 1997: 3.0 million
  - 2012: 10.0 million

- **ULCS**:
  - 1997: 3.5 million
  - 2012: 15.0 million

The chart indicates a steady increase in the total TEU capacity from 1997 to 2012, reflecting the growth in the international shipping market.
Markets
Crude & Product 1 yr tc rates

Aframax

MR

$ per day

Jan-90 Jan-91 Jan-92 Jan-93 Jan-94 Jan-95 Jan-96 Jan-97 Jan-98 Jan-99 Jan-00 Jan-01 Jan-02 Jan-03 Jan-04 Jan-05 Jan-06 Jan-07 Jan-08 Jan-09
Dry bulk & Container 1yr tc rates

$ per day

Jan-90 Jan-91 Jan-92 Jan-93 Jan-94 Jan-95 Jan-96 Jan-97 Jan-98 Jan-99 Jan-00 Jan-01 Jan-02 Jan-03 Jan-04 Jan-05 Jan-06 Jan-07 Jan-08 Jan-09

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# EBITDA levels per sector (in $ per day)

<table>
<thead>
<tr>
<th></th>
<th>Aframax</th>
<th>MR</th>
<th>Pmax bulker</th>
<th>Pmax Container</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avg. 2006</td>
<td>31,290</td>
<td>20,387</td>
<td>17,832</td>
<td>19,404</td>
</tr>
<tr>
<td>Avg. 2007</td>
<td>25,343</td>
<td>20,845</td>
<td>48,552</td>
<td>21,889</td>
</tr>
<tr>
<td>Avg. 2008</td>
<td>40,751</td>
<td>18,017</td>
<td>40,998</td>
<td>18,793</td>
</tr>
<tr>
<td>Av. 2009</td>
<td>13,044</td>
<td>6,727</td>
<td>5,528</td>
<td>2,081</td>
</tr>
<tr>
<td>Now (as Apr. 09)</td>
<td>7,442</td>
<td>35</td>
<td>6,319</td>
<td>934</td>
</tr>
</tbody>
</table>

*EBITDA = Earnings Before Interest, Tax, Depreciation & Amortization*
Daily Costs & Earnings - Tanker

**Aframax Tanker**
- Capital Expenses
- OPEX
- Current TCE
- Current 1yr tc
- 25,000
- 20,000
- 15,000
- 10,000
- 5,000
- 0

10yr old Ship

New Ship

**MR product tanker**
- Capital Expenses
- OPEX
- Current TCE
- Current 1yr tc
- 20,000
- 16,000
- 12,000
- 8,000
- 4,000
- 0

10yr old Ship

New Ship

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Summary & Conclusions

- Uncertain economic outlook
  - 3.8% adjustment to 2009 outlook in 7 months
- Oil demand closely linked to GDP but energy efficiency and alternative energy impacting
- Seaborne crude trade already fallen by 7.4% in Q1 2009 (y-o-y)
- Seaborne dry bulk trade forecast to fall by 8.4% in 2009
- Container trade forecast to fall by 5.5%
- OECD forecast of 13% drop in world trade 2009 seems PESSIMISTIC
- Shipyard ordering boom over but massive orderbook overhang remains
- Massive fleet capacity growth in the next three years
  - Tanker 30%, bulk 42% and container 37%
- Earnings (1yr TC) substantially reduced since last summer
  - Product tanker 30%, crude tanker 55%, dry bulk 80% and container 75%
- Earnings for all modern vessels currently below cost
- WARNING! – New regulations impose more cost on shipping...WHO PAYS?
  (MR Product tanker minimum $2,500 extra per day)
Thank you