Tanker Shipping Market Overview and Outlook

Export disruptions increasingly hurting tanker demand

August 2026

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Supply/demand

Assuming the Strait of Hormuz reopens within the fourth quarter, **we forecast that crude tanker ship demand will fall 10.5% to 12.5% in 2026 but grow 17-19.5% in 2027**. Supply growth is estimated at between 0 and -1% in 2026 and 7-8% in 2027.

Product tanker demand is forecast to fall 0% to 2% in 2026 assuming the Strait of Hormuz reopens within the fourth quarter. Demand is expected to grow 2.5-4.5% in 2027. Supply growth is forecast to end at 4.5-5.5% in 2026 and 7.5-8.5% in 2027.

Even if the Strait of Hormuz reopens within the fourth quarter, **the overall supply/demand balance may weaken in 2026 in both markets**. In 2027, the crude tanker market balance could improve but as disruptions fade, freight rates could fall.

It is unclear when the Strait of Hormuz will reopen. **Should the strait remain closed during 2026 and 2027, both markets will weaken significantly during both years**.

Demand

The IMF forecasts that the **world economy will grow 3.0% and 3.4% in 2026 and 2027 respectively** assuming a solution to the Strait of Hormuz is imminent. Continued disruption could weaken growth prospects.

According to the IEA, **global oil supply will fall 4.3 mbpd in 2026 but grow 8.3 mbpd in 2027** if the Strait of Hormuz conditions normalise during the fourth quarter of 2026.

The IEA forecasts **oil demand will fall 1.6 mbpd in 2026 and increase by 2.4 mbpd in 2027**. An oil supply surplus of on average 4.6 mbpd could exist in 2027.

Supply

The **crude tanker fleet is expected to grow 9.6% between end-2025 and end-2027**. The crude tanker order book/fleet ratio has increased to 28%. 22% of the fleet's capacity is provided by ships 20 years old or older.

The **product tanker fleet is forecast to grow 13.0% between end-2025 and end-2027**. The order book/fleet ratio has reached 21% while ships 20 years old or older provide 19% of the capacity.

Average crude tanker sailing speed has increased 0.15 knots year-to-date while product tanker sailing speed remains in line with 2025 sailing speeds.

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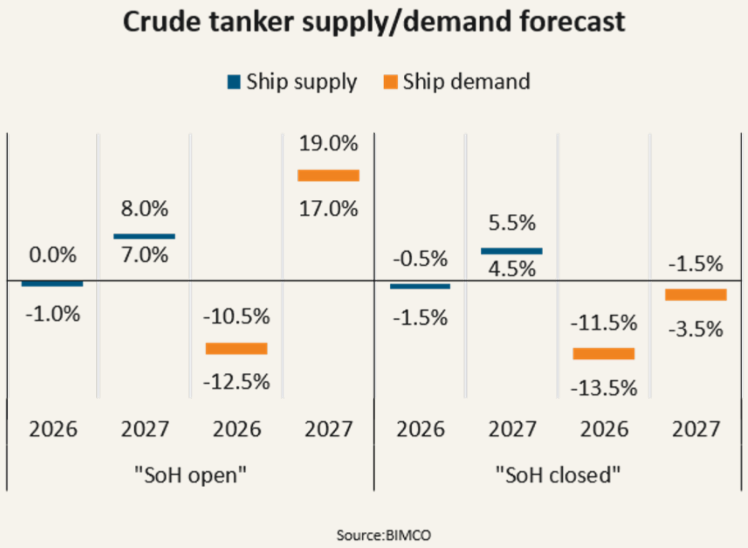
Supply/demand balance

Tanker markets are facing mounting pressure as export disruptions continue to curb seaborne volumes, while declining oil stocks raise the risk of higher oil prices, of weaker economic growth and lower tanker demand.

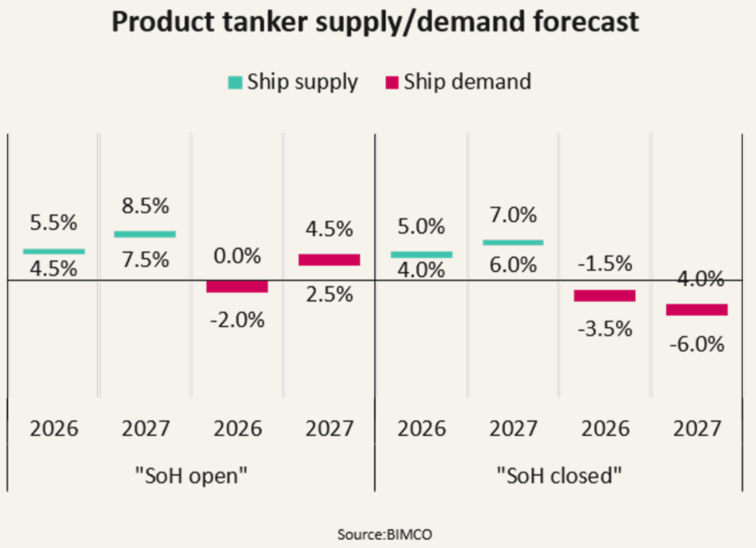
Although the Memorandum of Understanding (MoU) signed by the US and Iran on 17 June briefly raised hopes of a reopening of the Strait of Hormuz, negotiations have since stalled and safe passage through the strait remains far from assured. **As uncertainty continues, we maintain two outlook scenarios**: “SoH open” and “SoH closed”, for an open or a closed Strait of Hormuz respectively.

Overall tanker market demand has weakened considerably since the beginning of the Iran War. In both scenarios, supply/demand conditions are expected to deteriorate during 2026, with crude tankers facing the greatest pressure. However, the extent and duration of the weakening will depend heavily on when normal oil export flows can be restored.

In our “SoH open” scenario, we assume a gradual normalisation of conditions in the Strait of Hormuz during the fourth quarter of 2026. Our assumption is that current conditions will prevail throughout the third quarter, after which Persian Gulf exports will gradually recover, and global oil supply will begin to normalise. We also assume a gradual improvement in conditions affecting Russian and Saudi Arabian Red Sea exports. Under this scenario, supply/demand conditions for crude tankers will improve during 2027 as cargo volumes recover and depleted oil stocks start to be rebuilt.



Our “SoH closed” scenario instead assumes that current disruptions will persist throughout 2026 and 2027. In this scenario, supply/demand conditions will weaken further during 2027 as reduced export volumes, inventory depletion and weaker economic activity increasingly weigh on tanker demand while fleet growth accelerates.



Developments since the beginning of the war provide an indication of how these scenarios may evolve. **Year-to-date, oil and heavy-product exports have fallen 5.7% while clean-**

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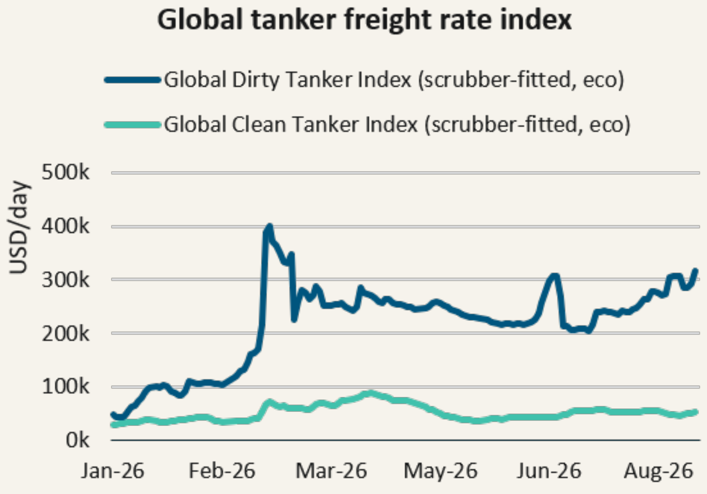
product exports have fallen 11.2% compared to the same period last year. Persian Gulf exports remain well below previous levels, Saudi Arabia's Red Sea exports have recently weakened, and Russian exports have become increasingly affected by attacks on refineries, oil infrastructure and shipping. Together, these developments have significantly reduced seaborne cargo availability.

At the same time, **global oil stocks are being drawn down rapidly to compensate for lost production**. According to Citigroup, global oil and product stocks have already fallen by more than 500 million barrels. As they decline further, the potential for inventory releases to offset supply disruptions may diminish, increasing the risk of higher oil prices and thus weaker economic growth.

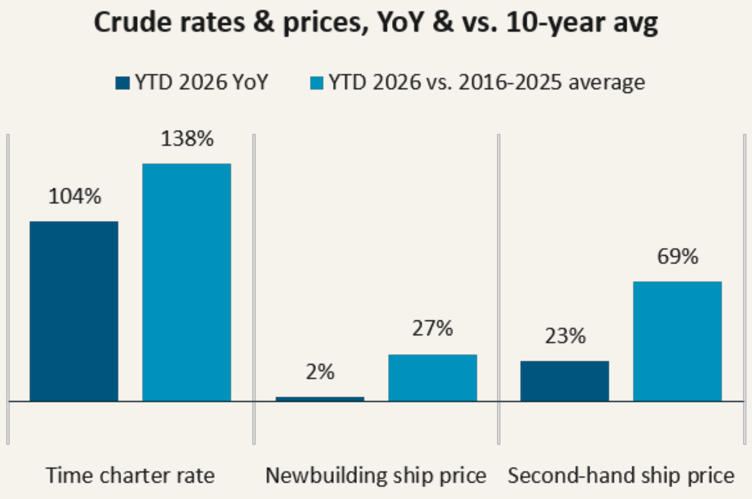
Crude tankers have been affected particularly hard by the current environment. Year-to-date crude tanker tonne-mile demand has fallen 10.3% compared to the same period last year, due primarily to the loss of Persian Gulf export volumes. Product tankers have proven more resilient, with demand increasing 2.3% year-on-year as LR2s have captured growing volumes of crude oil and heavy products.

Despite weaker cargo demand, dirty tanker freight rates increased after the outbreak of the US-Iran war and have remained elevated. Disruptions reduced effective tanker supply as delays, stranded ships and lower fleet productivity tightened availability, while sharply higher war-risk premiums increased shipowners' costs. Clean tanker freight rates also increased, but by much less due to fleet growth and their lower dependence on the Persian Gulf.



Source: Platts S&P Global Energy

Higher freight rates have also pushed time charter rates and second-hand ship prices upwards in both sectors. In line with the freight rate developments, crude tankers have, however, benefitted more.



Source: Clarksons Research

Looking ahead, the demand recovery potential in the "SoH open" scenario is significant. However, instead of driving freight rates even higher, the combination of an end to disruptions and of growing supply is likely to result in a gradual normalisation of freight rate levels. Should disruptions persist as assumed in our "SoH closed" scenario, freight-rate volatility could remain high. However, rates may

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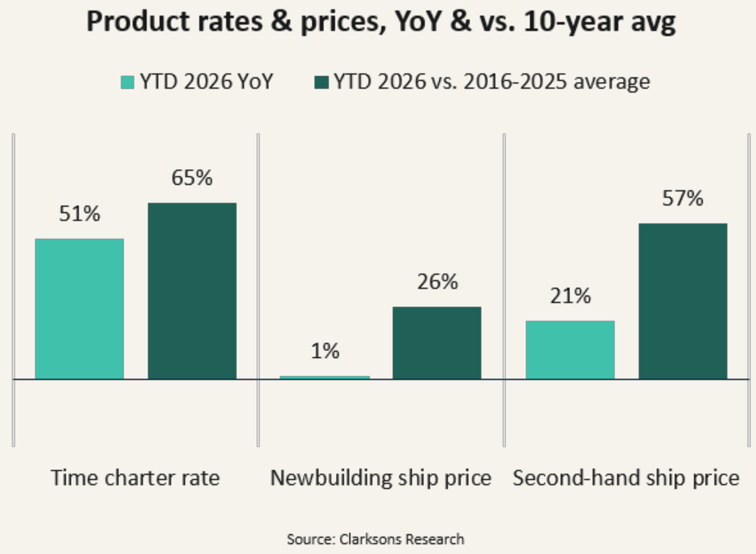
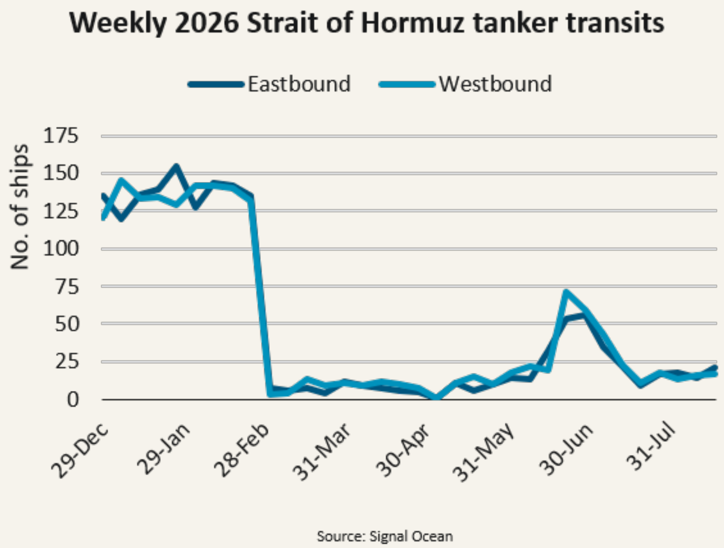
eventually fall as markets adapt to a “new normal” with tanker demand weakening further during 2027 and more ships being delivered from shipyards.

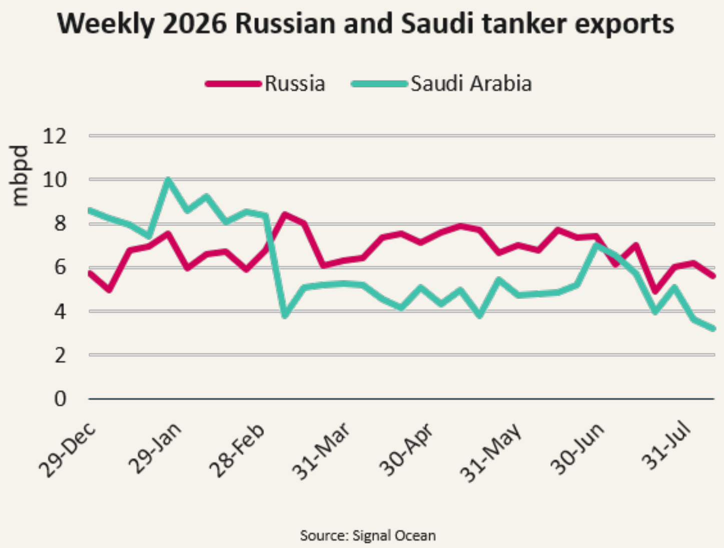


Macro environment

Since our last report, t**he Memorandum of Understanding (MoU) signed by the US and Iran on 17 June briefly raised hopes** that trade through the Strait of Hormuz could soon normalise. However, the agreed 60-day negotiation period has passed without an agreement.



More tankers did transit the Strait of Hormuz immediately following the signing of the MoU. But five weeks later, transits had returned to pre-MoU levels. Transits subsequently increased again but are still significantly below pre-conflict levels, as ships continue to be attacked while attempting to pass through the strait.



Two additional threats to seaborne oil exports have emerged elsewhere. The Houthi-announced maritime embargo against Saudi-linked ships in the Red Sea has significantly reduced Saudi Arabia’s Red Sea tanker exports in recent weeks, diverting volumes to the Sumed pipeline from Ain Sokhna to Sidi Kerir rather than directly to Asia.

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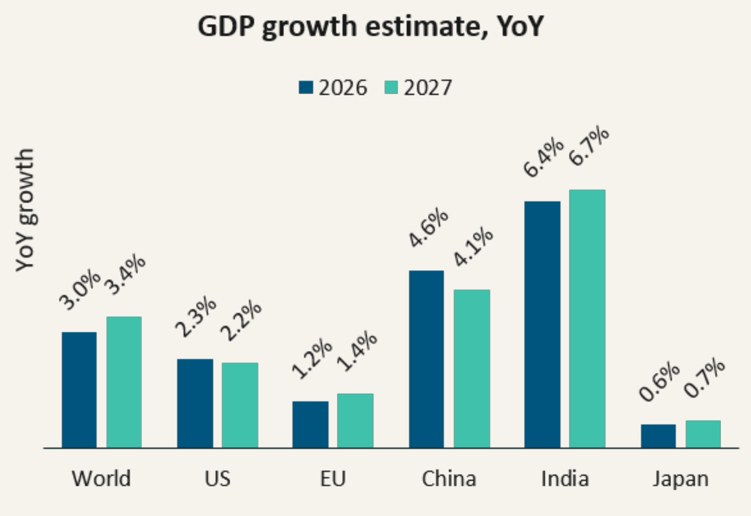
Meanwhile, Ukrainian drone attacks on Russian refineries, oil infrastructure and ships in the Sea of Azov and Black Sea have hurt Russian exports. Russia has imposed export bans on clean products, while Black Sea exports have fallen sharply in recent weeks.

Unless normal oil export volumes can soon be restored, declining stocks could become an increasingly important threat to tanker demand. According to Citigroup analysts, global oil and product stocks have already fallen by more than 500 million barrels. Refined product stock levels, particularly diesel, are especially strained, and OECD stocks could fall to 70 days of cover by late 2027. China's recent increase in imports may add further pressure to stocks elsewhere. As they decline, the risk of higher oil prices rises while the ability for inventory releases to offset supply disruptions diminishes.

The longer oil supplies are strained and prices remain elevated, **the risk of oil demand destruction and reduced global economic growth also increases**.

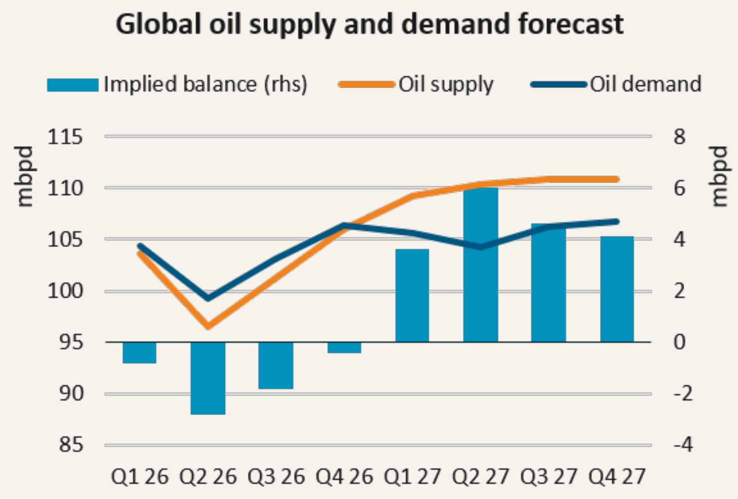
In July, **the International Monetary Fund (IMF) forecast global economic growth of 3.0% and 3.4% in 2026 and 2027 respectively**. Its forecast assumed that the Strait of Hormuz would begin to reopen in mid-July 2026, with conditions gradually improving before normalising by March 2027.



Source: IMF

Compared to the base case released in April, **the IMF reduced its growth estimate for 2026 by 0.1 pp while increasing the 2027 forecast by 0.2 pp**. Changes to individual country forecasts were similarly modest.

If Strait of Hormuz conditions do not normalise as assumed, **there is a risk that global economic growth could fall well short of the forecasts**, especially if disruptions persist well into 2027. The Organisation for Economic Co-operation and Development (OECD) earlier estimated that such a prolonged disruption could lower global GDP growth to 2.1% in 2026 and 1.8% in 2027.



Source: IEA

In its global oil market forecast, **the International Energy Agency's (IEA) global oil market forecast also assumes a gradual normalisation of Persian Gulf oil flows**. Global oil supply is forecast to exceed 2025 levels towards the end of

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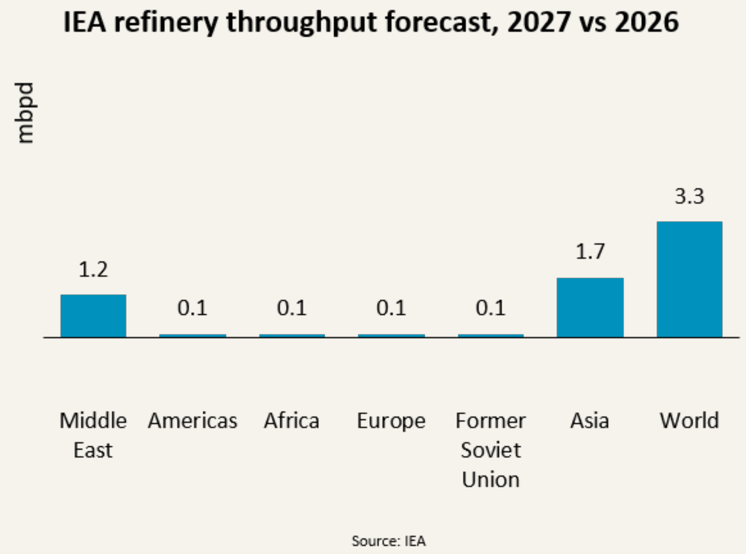
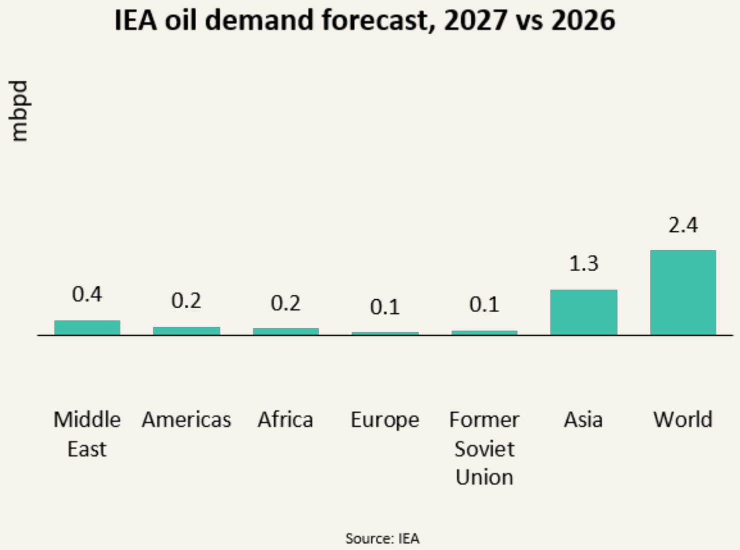
the fourth quarter of 2026 and to surpass demand around the same time, potentially allowing inventory rebuilding to begin. The IEA forecasts a persistent supply surplus throughout 2027, averaging 4.6 million barrels per day (mbpd) and peaking at 6.0 mbpd in the second quarter.

Global oil supply is forecast to increase by 6.8 mbpd in 2027, primarily due to the assumed return of Middle East volumes, although supply from the Americas is also expected to expand. The 2027 supply forecast is 3.5 mbpd higher than 2025 levels.



Refinery throughput is estimated to climb 3.3. mbpd in 2027. The return of Middle East volumes combined with continued expansion of Asian refinery capacity are the main drivers. Compared to 2025, throughput in 2027 is forecast to end 1.0 mbpd higher due mainly to higher throughput in Asia and the Americas.



Global oil demand is expected to increase 2.4 mbpd in 2027 but only be 0.8 mbpd higher than in 2025. Compared to 2025, demand is expected to grow in Southeast and South Asia, Africa and the Americas. It is, however, noteworthy that demand in China is not expected to be higher in 2027 than in 2025.

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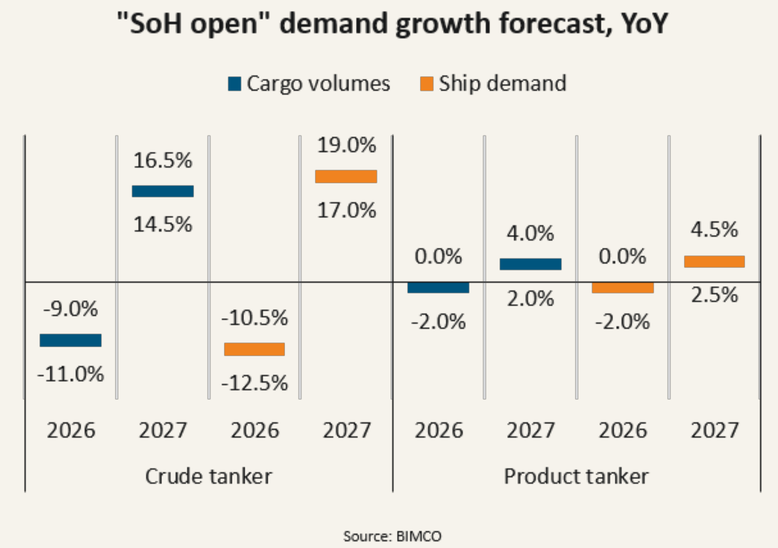
Demand forecast



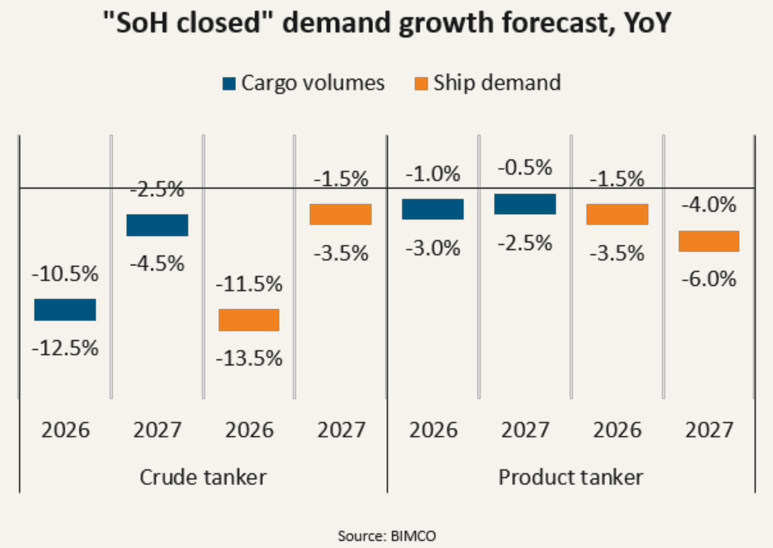
In our "SoH open" forecast scenario, we assume a gradual normalisation of conditions in the Strait of Hormuz during the fourth quarter of 2026. We assume that current conditions will prevail for the rest of the third quarter. Though unrelated to the situation in the Strait of Hormuz, we also assume a gradual normalisation of conditions in the Black Sea and the Red Sea which will allow Russian, Kazakh and Saudi Arabian exports to return to previous levels and routings.

Relative to our previous report, we now assume that the normalisation of Strait of Hormuz conditions will begin one quarter later. This significantly weakens our demand forecast for the second half of 2026 and has led us to **lower the combined 2026 growth estimate for crude and product tankers**.

Conversely, **we have increased the combined 2027 cargo volume forecast**. The IEA forecasts a larger oil surplus for 2027 than we had previously assumed, potentially allowing depleted stocks to be replenished more rapidly and supporting additional tanker volumes. Together with the lower 2026 base, this has resulted in higher growth estimates for 2027.

A further increase in crude oil and heavy products loaded by product tankers has improved the outlook for product tankers at the expense of crude tankers. LR2s have captured most of the additional volumes with the US Gulf and Libya contributing the largest increases. We estimate that product tankers will carry 1.5 mbpd more crude oil and heavy products in 2026 than in 2025, largely offsetting the loss of clean-product volumes.

In our "SoH closed" scenario, we do not include any changes to the current conditions in the Strait of Hormuz. Our scenario also assumes that Russian exports will continue to be limited by Ukrainian attacks on oil infrastructure and ships in the Sea of Azov and Black Sea.



Our "SoH closed" cargo volume and ship demand growth forecasts are weaker for both 2026 and 2027 than in the "SoH open" scenario. The forecast for 2026 is impacted by the absence of the fourth quarter normalisation assumed in

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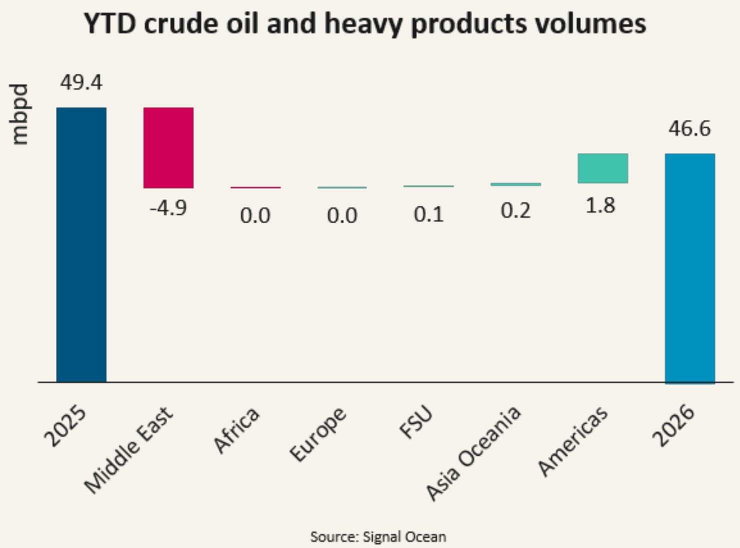
our “SoH closed” scenario. The lack of seaborne supply could lead to continued depletion of global oil stocks and eventually, the inventory releases that have helped prop up global supply in 2026 could end.



Year-to-date 2026, oil and heavy-product volumes have fallen 2.8 mbpd (5.7%) year on year. Volumes from the Middle East have understandably been hurt particularly hard. Record-high exports from the US, Brazil and Guyana, along with increased Venezuelan volumes, have only partly been able to offset.

Despite an overall 27% year-on-year reduction in Middle East volumes, **the UAE has managed to increase volumes 16% year-on-year,** driven mostly by more than doubling Fujairah exports. Stocks have been drawn down, and the use of the ADCOP pipeline from Habshan to Fujairah has been maximised to bypass the Strait of Hormuz. To further reduce dependence on the Strait of Hormuz, the UAE is developing the West-East pipeline project, which will double export pipeline capacity to Fujairah. Although the pipeline could be completed in early 2027, Fujairah export volumes may not increase materially until mid-2027.

Saudi Arabia has limited export volume losses to 19% year-on-year by more than tripling volumes exported via Yanbu in the Red Sea. This has been achieved by maximising the use of the East-West pipeline that runs from the Abqaiq oil field in the Eastern Province to Yanbu. Saudi Arabia also appears to be considering an expansion of the pipeline’s capacity, but additional capacity is unlikely to become operational before 2028.

Saudi Arabia’s Red Sea exports have, however, come under pressure since the Houthis’ announcement on 20 July of a maritime embargo against Saudi-linked ships transiting the Red Sea. Crude and heavy-product exports from Yanbu averaged 3.8 mbpd since the beginning of the Iran war but have fallen to 3.0 mbpd following the Houthi embargo. In recent weeks, exports have even fallen below 2.0 mbpd.

The Houthi threat has also completely changed the destination of the Yanbu exports. Before the embargo, 80% of exports headed to Asia but that has since dropped to slightly more than 25%. Instead, more than 50% of volumes are now heading to the Egyptian Red Sea port of Ain Sokhna where the Sumed pipeline can pump them to the port of Sidi Kerir on the Mediterranean for onwards loading. The pipeline has a capacity of 2.5 mbpd and could significantly limit Yanbu exports if volumes cannot continue to flow via other routes as well.

From an import perspective, China accounts for 2.4 mbpd of the overall 2.8 mbpd reduction in volumes. It has instead relied on stocks accumulated during 2025. Chinese imports have begun to recover since the start of the third quarter but remain significantly below 2025 levels.

Year-to-date volumes of clean products have fallen 1.9 mbpd (11.2%) compared to the same period of 2025. Lower Middle East exports have been the main driver. However,

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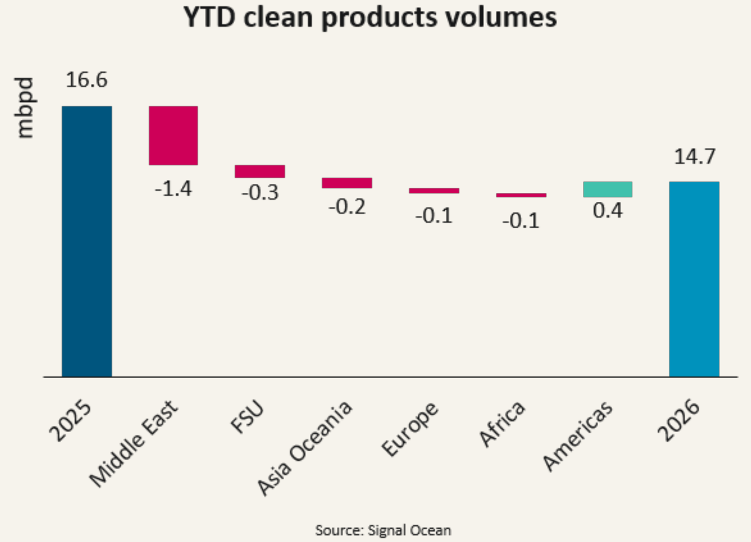
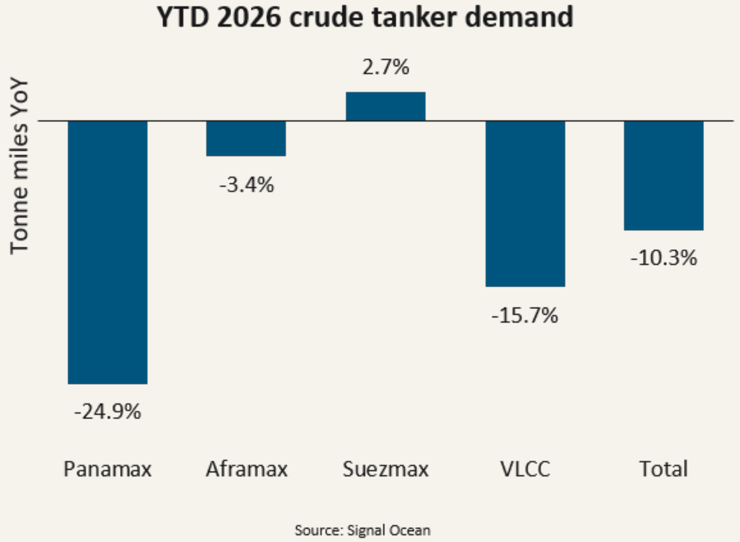
Russian export bans implemented following Ukrainian drone attacks on refineries and export restrictions in China have also impacted volumes.

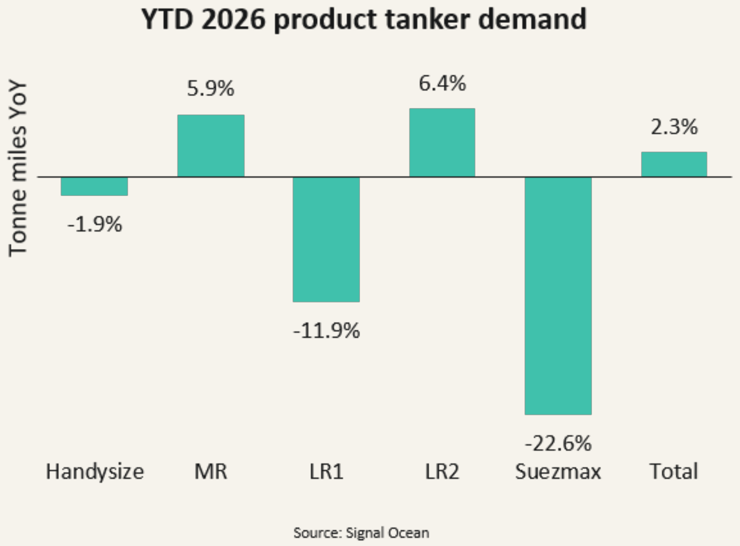


Supported by high US refinery utilisation and releases from US stocks, increased exports from t**he Americas have offset more than one third of the decline in Middle East clean-product exports**. This is a larger contribution than in crude oil and heavy products, where increased Americas exports have offset 26% of the Middle East decline. Nevertheless, lower exports from other key suppliers have caused global clean-product volumes to fall more sharply than crude oil and heavy-product volumes.



Due to the shift of volumes to LR2s, **crude tankers have year-to-date lost 10.3% tonne-mile demand compared to the same period last year**. VLCC tonne mile demand has fallen by a similar amount because the Middle East normally accounts for more than half of the segment's tonne-mile demand. Despite this significant fall in overall tonne-mile demand, Suezmaxes have seen increased demand due to increased volumes from Brazil, Venezuela and Guyana.

The crude oil and heavy-product volumes gained by LR2s have helped lift **year-to-date product tanker tonne miles demand by 2.3% compared to 2025**. LR1s have been affected by lower volumes from both the Middle East and India while MRs have benefitted from increased US clean-product exports, mainly to the rest of the Americas and Europe.



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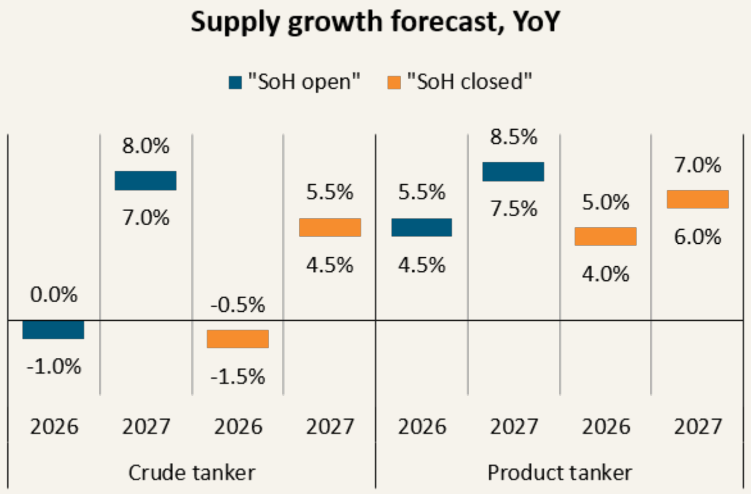
Supply forecast

Compared to our previous report, **we have increased our supply growth forecast for both crude tankers and product tankers**. Recycling activity has remained low, and we have changed our forecast accordingly. In addition, some ships were able to leave the Persian Gulf earlier than we had assumed in the last report.

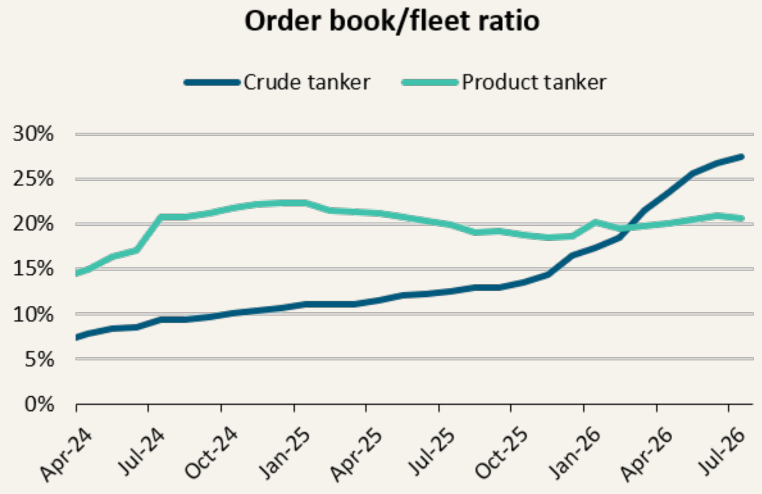


Source: BIMCO

In **our "SoH open" scenario, we assume that all the remaining ships will rejoin the fleets gradually during the rest of 2026.** In this scenario, we forecast that crude tanker supply growth will end between -1% and 0% in 2026 and 7-8% in 2027. As relatively fewer ships have been stuck in the Persian Gulf, supply growth for product tankers has been impacted less. We forecast that product tanker supply will grow 4.5-5.5% and 7.5-8.5% in 2026 and 2027 respectively.

In our "SoH closed" scenario, we assume that the ships currently trapped in the Persian Gulf will remain there, leading to slower supply growth in both 2026 and 2027. Crude tanker supply growth is estimated to fall by between 0.5% and 1.5% in 2026 and grow by between 4.5 and 5.5% in 2027. Product tanker supply growth is expected to end at 4-5% in 2026 and 6-7% in 2027.

Year-to-date, **crude tanker contracting has already surpassed the previous full year record,** and the order book is currently the biggest it has ever been. Product tanker contracting has been lower but has still reached its second highest seven-month total since the financial crisis. The product tanker order book is similarly the largest since the financial crisis. VLCCs make up 71% of the crude tanker capacity on order while LR2s make up 52% of the product tanker capacity on order.



Source: Clarksons Research

More than 70% of the crude tanker capacity on order and more than 50% of the product tanker capacity are scheduled for delivery in 2028 and beyond. These ships will therefore not affect fleet growth in 2026 or 2027 but highlight the potential for significant expansion during the latter part of the decade.

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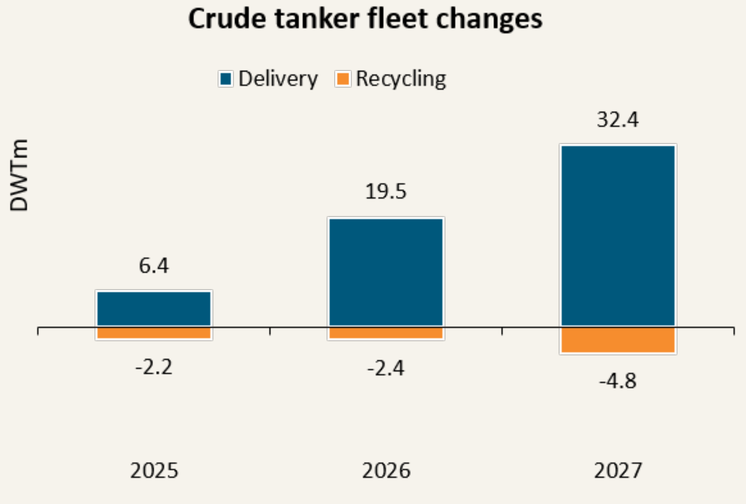
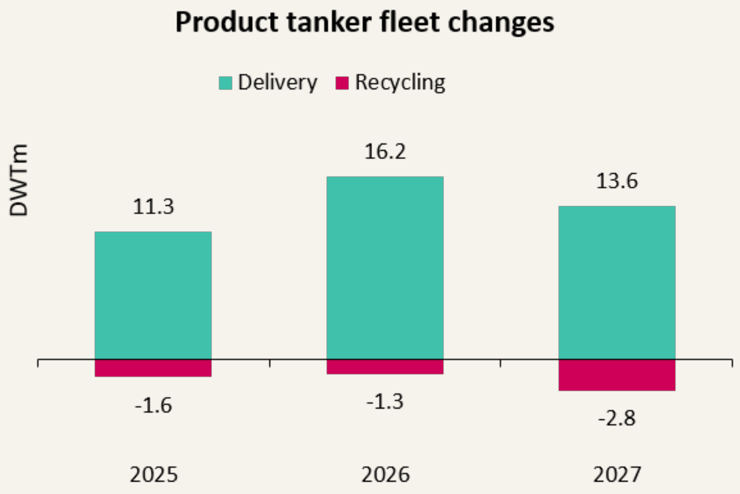
Fleet growth is independent of when the ships in the Persian Gulf can rejoin global trade. **We forecast that that crude tanker fleet will grow 9.5% between the end of 2025 and the end of 2027, and that the product tanker fleet will grow 13.0% during the same period.**



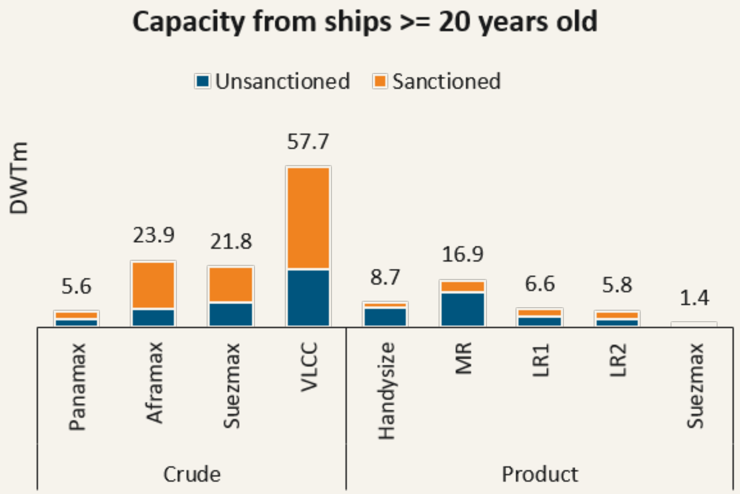
Source: Clarksons Research, BIMCO

Growth could end lower if recycling accelerates faster than we forecast. Significant potential exists as 22% of crude tankers, equal to 106m DWT capacity, are currently 20 years old or older whereas only 19% of product tankers and 39m DWT capacity are of the same age.



Source: Clarksons Research, BIMCO

Ship sanctions may, however, limit how many of those ships can be recycled. While there has recently been an increase in sanctioned tankers being recycled, sanctions remain an obstacle when trying to sell a sanctioned ship. Sanctioned crude tankers make up nearly two thirds of the capacity provided by ships 20 years old or older. For product tankers it is nearly one third.



Source: Clarksons Research

Sailing speeds could drive supply growth higher than our estimate. Year-to-date, crude tankers have sailed 1.2% faster than last year while product tanker speed has been 0.4% higher. We have, however, not included any sailing speed effect in our supply growth estimate as we judge that recent speed reductions will likely continue and that the average speed for the year will therefore end at a level similar to that of 2025.

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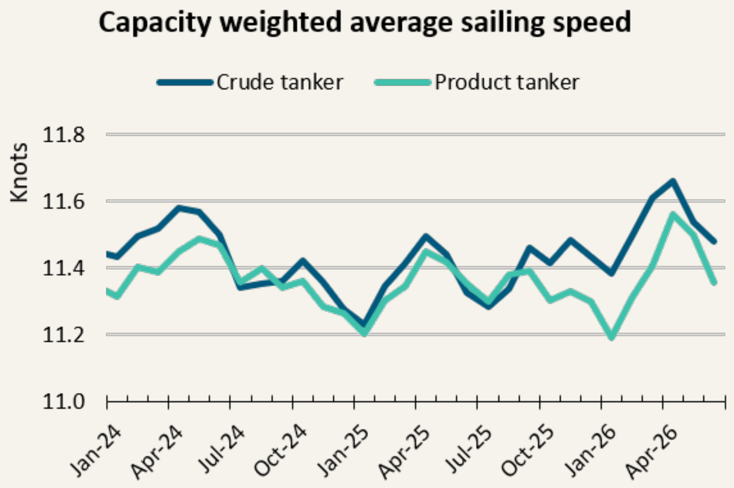

Source: Clarksons Research

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