Analysis

2023 Shipping Market Review

Although our average day rate index, the ClarkSea, fell y-o-y (driven by "normalised" container markets), it remained 33% above ten year trend with gas, tanker, offshore and car carrier all experiencing strong conditions and dry bulk and containers (Red Sea disruption) rallying late on. With a return to trade growth and a good flow of newbuild and S&P, it was another positive year for many.

Energy Shipping Strength

Across 2023, there were strong day rates across "energy" shipping, led by LPG (all-time high VLGC rates $91,625/day) and also supported by another strong year for tankers, LNG rates that were down but still healthy and a continued offshore recovery ("Floater" drilling rigs hit 90% utilisation for the first time since 2014). Car Carrier charter rates remained at all time highs (since 2019, trade has grown by 19% and fleet by 1%). Despite a soft year (down 40% y-o-y), bulkers experienced a better fourth quarter and with a low orderbook (6% of fleet) will be hoping for an improved average in 2024. Container freight / charter rates fell 71% / 68% y-o-y and the outlook suggested rates would "bump along at the bottom" in 2024. But with Red Sea disruption (over 300 vessels of 4m teu have now diverted via the Cape), Shanghai to Europe freight rates are up 220% (but still 65% lower than the Covid-19 peak).

Trade: Recovery & Distance

After stalling in 2022 (and despite the sometimes gloomy economic forecasts), global trade increased by 3% to 12.4bn tonnes (we are projecting 12.6bn in 2024 but will monitor economic "vulnerabilities"). Top performing trades were Cars (+15%), LPG (+6%) and, supported by China's reopening, Dry Bulk (+4.3%) while container volumes remained weak (but bottomed out in the summer). And a 5% increase in tonne miles (a full year of redistribution of Russian oil flows supported oil / oil products tonne mile growth of 7% / 10%) represents the biggest growth since 2017: a helpful "distance kicker". In Cruise, passenger volumes returned to pre-Covid-19 levels of 31m and some market optimism is creeping back.

Supply: Fleet Renewal

World fleet supply grew by a moderate 3.2% to 2.3bn dwt, with the tanker fleet growing only 1.9% but container by 8%. Global shipyard output increased 10% y-o-y to 35m CGT (with China delivering 50% of output for the first time) and there was a good flow of orders (down in CGT, steady by DWT and GT) with an increase in tanker orders (+235% by dwt, albeit from a low base). The orderbook is still overall only 12% of the fleet but highly skewed to container and gas in the coming years (meaning some potential constraints for tanker and bulker supply). Yard "forward cover" is a healthy ~3.6 years and our overall newbuild price index rose 10%. The average age of the world fleet increased to 12.6 years (2013: 9.7yrs) and we estimate 31% of tonnage will report D or E ratings under CII. S&P volumes have remained at elevated levels (steady y-o-y at 129.9m dwt) with tanker and bulker prices up ~15%. Scrap volumes remained low (10.7m dwt) with pricing steady ($510/ldt). Financiers reported an active year but with strong competition for "top tier" and early repayments. Capital markets were generally quiet.

Disruption & Green ...

So, along with plenty of "managing disruption" (see our briefs on the Red Sea / Panama) and "going green" (EEXI, CII and now EU ETS, net zero commitment from IMO), it has been another resilient and overall healthy year for many across shipping. Happy New Year and our best wishes for 2024!

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.

2023 At A Glance

	2022	2023	+/- %
1. ClarkSea Index			
Index ($/day, average)	37,253	23,629	*-37%*
2. Revenue, Average Earnings, $/day			
Tankers	40,766	40,775	*0%*
VLCC (c.2010-built)	23,885	43,206	*81%*
MR (c.2010-built)	31,775	26,948	*-15%*
Bulkers	20,478	12,371	*-40%*
Capesize (c.2010-built)	11,877	12,429	*5%*
Supramax Trip	23,467	12,422	*-47%*
Containerships (Charter)	69,025	22,106	*-68%*
Box Freight, SCFI (Index)	3,410	1,006	*-71%*
VLGC (eco)	54,088	91,625	*69%*
LNG 160k cbm, Spot	131,517	97,077	*-26%*
6,500 ceu PCTC 1yr TC	72,167	111,250	*54%*
3. Asset Values, end period			
Secondhand, $m/Index			
Secondhand Price Index	146.1	149.1	*2%*
VLCC 5yo	95.0	105.0	*11%*
Capesize 5yo	43.0	52.3	*22%*
4,500 TEU Boxship 10yo	29.0	21.0	*-28%*
2,750 TEU Boxship 5yo	30.0	28.5	*-5%*
VLGC 5yo	77.0	89.0	*16%*
Newbuilding, $m/Index			
Newbuilding Price Index	161.8	178.4	*10%*
VLCC	120.0	128.0	*7%*
Capesize	60.5	67.0	*11%*
15,500 TEU Boxship	153.0	168.5	*10%*
2,750 TEU Boxship	42.0	41.3	*-2%*
VLGC	95.5	113.5	*19%*
LNG 174k cbm	248.0	265.0	*7%*
4. World Trade, m. tonnes			
Oil	3,023	3,116	*3.1%*
Dry Bulk	5,299	5,527	*4.3%*
Containers	1,851	1,852	*0.0%*
Gas	534	555	*3.8%*
Others	1,303	1,324	*1.6%*
Total	12,010	12,374	*3.0%*
Total, bn tonne-miles	59,369	62,312	*5.0%*
5. Tonnage Supply, M. Dwt			
Fleet (end)			
Tankers	676.0	689.2	*1.9%*
Bulkcarriers	973.2	1,002.8	*3.0%*
Global Fleet	2,268.9	2,341.3	*3.2%*
Orderbook (end)			
Tankers	30.1	47.9	*59%*
Bulkcarriers	83.4	86.8	*4%*
Containerships, m TEU	7.6	6.9	*-9%*
LNG Carriers, m cbm	53.8	58.0	*8%*
Global Orderbook, m dwt	250.0	268.3	*7%*
% Orderbook Alt Fuel (GT)	44.9%	49.7%	
Scrapping			
Tankers	4.9	0.8	*-84%*
Bulkcarriers	4.3	5.5	*26%*
Global Total	11.1	10.7	*-4%*
Scrap Prices, $/ldt (end)			
Bulkers (India)	530.0	510.0	*-4%*
6. Turnover, Volume M. Dwt			
New Orders			
Tankers	9.9	33.1	*235%*
Bulkcarriers	35.9	40.2	*12%*
Containerships, m TEU	2.8	1.6	*-43%*
LNG Carriers, m cbm	31.5	11.3	*-64%*
Global Total, m dwt	103.6	108.6	*5%*
% Contracts Alt Fuel (GT)	53.8%	44.2%	
Secondhand			
Tankers	65.3	57.5	*-12%*
Bulkcarriers	47.4	54.4	*15%*
Global Total	130.5	129.9	*0%*

Source: Clarksons Research.

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