

# Shipping industry buoyed by optimism despite gloom

Dec 22, 2008

While the overall prognosis for the shipping industry remains cautiously gloomy due to the world economic slowdown, there are confusing signs that the industry is 'holding its own' due to a variety of factors and also depending on which sector of the industry is examined.

Furthermore, in general the bonus of cheaper fuel has become a lifeline to the ship operator just as it has given hope to the airline industry; both having made vital adjustments when fuel was at an all-time high, they are now better equipped to face the recession.

Cheaper fuel for ships is also likely to remain for the duration of the world economic slow-down despite the recent, historic cut in production by Opec, since the overriding factor is now less demand rather than strained supply.

## **Words of confidence**

Moreover, at Seatrade Middle East Maritime held in Dubai last week, comments regarding the regional outlook for shipping were positively upbeat by the chairman of Dubai World and chairman of Dubai Ports, Customs and Free Zone Corporation, when he conducted the official opening of the event.

Sultan Ahmad Bin Sulayem said that he did not see any immediate impact of the global economic crisis on the region's maritime industry, there being still heavy demand for cargo operations - both importing and exporting - between the Middle East and the rest of the world.

Such words of confidence are certainly encouraging, but since shipping is a global industry and the industry within this region is not insular, there are those that would disagree with such optimism.

Certainly there is now a marked slowdown for container ships, regardless of the region in which they operate, and tanker activity is now in direct proportion to oil-price factors.

Yet some signs are optimistic - and not just in this region. Following steep falls in charter rates since the summer, over the past two weeks a revival has been observed in the dry bulk sector with a rise of around 20 per cent in the Dry Bulk Index. Both Panamax and Capesize have demonstrated significant index gains, the latter boosted by Australian mining activity (predominantly BHP) that has been wooing the China market with reduced ore prices.

Some analysts are now predicting that any buoyancy in the rates for the larger size vessels will now carry over to smaller sizes that are already showing signs of recovery. Clarksons also reported a rise in demand for purchase of bulker tonnage with buyers that have the cash taking advantage of those that don't have it and who are wishing to sell.

Indeed, one such example is Thailand's Precious Shipping that has announced that it is planning to replace its 25 oldest vessels following the slump in ship prices. Indeed, the Company CEO was quoted by Exim India that this was "the opportunity of a lifetime!"

The newbuilding situation does however remain bleak in the Far East, with minimal additions to builder's order books especially regarding tankers and boxships, and with the added worry that more than 10,000 new vessels are set to boost the world fleet over the next two years.

## **Promising trend**

That is a factor that may be difficult for the industry to sustain. Yet while Korean and Japanese yards are reporting a significant famine in newbuilding orders, Indian yards remain relatively unaffected helped by their specialised activity in offshore support vessels that so far has shown no market decrease.

Thus, the picture remains confusing - certainly downward pressure is evident, but so too is resilience, and there is now a promising trend that suggests that the 'lowest common denominator' that gloom pundits were saying would be destructive, may turn out to be manageable after all.

2009 will certainly be a telling time for those near the breaking point.

{Zawya}