

# Tanker Shipping Market Overview & Outlook

Strong tanker markets as oil consumption reaches record high

Q2 2023

A decorative graphic at the bottom of the slide, consisting of several overlapping, wavy shapes in various shades of blue, creating a modern, abstract wave effect.

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## Q2 2023 Highlights



### Demand



The IMF forecasts that the **global economy will grow by an average of 3.0% during 2023-2024**, 2.8% in 2023 and 3.0% in 2024. Risks remain tilted to the downside.



**Oil production in 2024 is forecasted to end 3.2 mbpd higher than in 2022.** Production increases will be mainly in the Americas and Europe.



The EIA expects **record high consumption of 102.7 mbpd in 2024.** Increased activity in China and a global rebound in land and air travel are key drivers.



As a result of the EU's ban on Russian oil imports, **average hauls are expected to increase by 3% in 2023.**

### Supply



As the order book is very small, the **crude tanker fleet is expected to grow by only 2.5% between 2022 and 2024.**

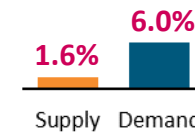


**Fleet growth for the product tanker will be only 2.0% from 2022 to 2024,** as a small order book limits the growth potential.

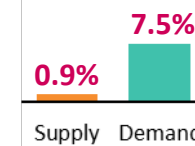


We predict that **average sailing speed will reduce supply by 1% in 2023** in both the crude and product tanker segment.

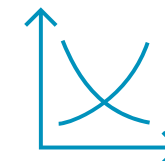
### Supply/demand



In the **crude tanker market, supply and demand are expected to grow respectively 1.6% and 5%-7% from 2022 to 2024.**



In the **product tanker market, supply and demand are expected to grow respectively 0.9% and 6.5%-8.5% from 2022 to 2024.**



**The supply/demand balance is expected to tighten significantly for both crude and product tankers.** A combination of increased oil consumption and longer hauls are driving the market up.

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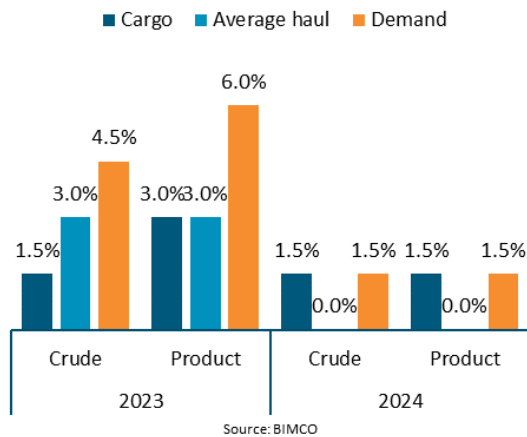
## Strong tanker markets as oil consumption reaches record high



### Demand

We have increased the cargo demand forecast in our base case scenario and now estimate that crude tanker volumes will increase by between 1% and 2% in both 2023 and 2024. This is an increase of 1 percentage point in 2023. For the product tanker market, we similarly increase our 2023 cargo demand growth forecast by 1 percentage point to between 2.5 and 3.5%, while we maintain an estimate of 1% to 2% for 2024.

Demand forecast



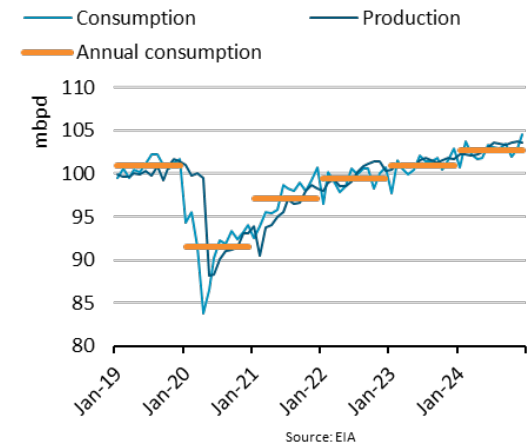
We also still expect that an increase in average haul will add 3 percentage points to demand growth in 2023 for both the crude and product tanker market. This represents the estimated impact of the changed trade patterns since the European Union banned imports of Russian oil and oil products. We expect that these sanctions will remain in place throughout 2023 and 2024 even if the war in Ukraine should come to an end.

Since our last report, the US Energy Information Administration (EIA) has increased its oil production and consumption estimates. The EIA now estimates that consumption will increase by 1.6 million barrels per day (mbpd) (1.6%) in 2023 and by another 1.7 mbpd (1.7%) in 2024.

Consumption in 2023 is expected to reach 101.0 mbpd and exceed 2019 levels for the first time since the pandemic. In 2024, consumption is forecast to hit 102.7 mbpd, a new record high. China (34%), India (16%), USA (16%), and the Middle East (12%) combined account for 81% of the

estimated increase in consumption between 2022 and 2024. The end to COVID-19 restrictions in China is obviously a key driver and especially drives increased demand for jet fuel.

Global production and consumption



The additional production needed to cover consumption is forecasted to come mainly from North America, but Central and South America and Europe will also contribute. As Russia has been quite successful in finding new buyers for their crude and products, the EIA now forecasts that Russian production will fall only 4% between 2022

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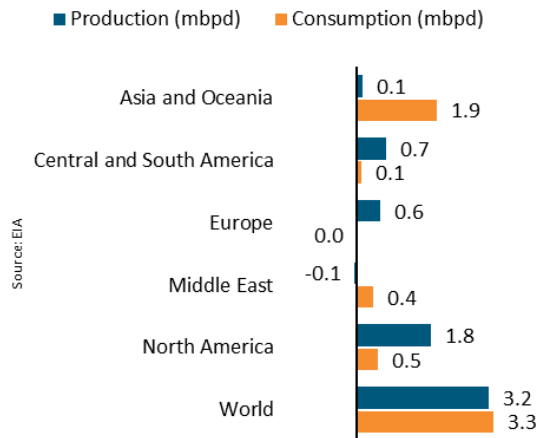
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and 2024 instead of the 10% fall previously forecasted.

As a result of production cuts announced, OPEC's production is expected to fall 1.2% in 2023 before rebounding in 2024.

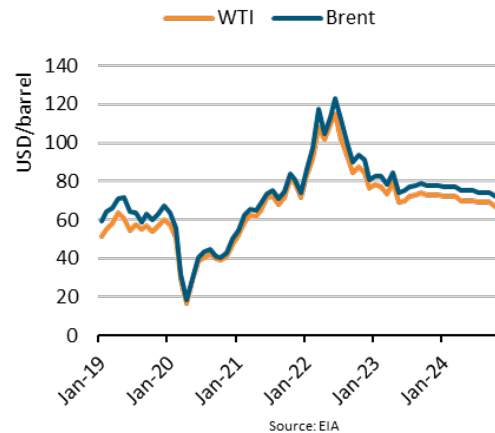
### Main developments 2024 vs. 2022



These production cuts may put some upward pressure on oil prices, and the EIA forecasts that prices will increase by USD 5/barrel between May and September 2023 before beginning to recede. Brent is expected to average USD 79/barrel in 2023 and USD 75/barrel in 2024.

The potentially higher prices as well as any adverse developments in the global economy could hurt demand.

### Crude oil prices

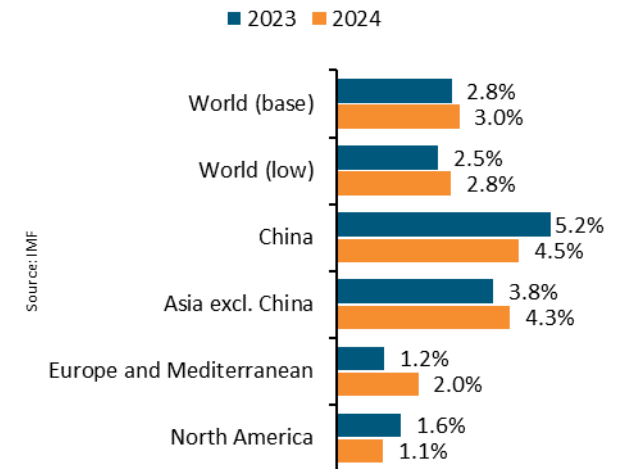


In their base case, the International Monetary Fund (IMF) predicts economic growth of only 2.8% in 2023 and 3.0% in 2024.

However, risks remain firmly tilted towards the downside and the IMF also presents a low case scenario. Tighter financial conditions could reduce growth to 2.5% and 2.8% in 2023 and 2024 respectively. The advanced economies are likely to suffer

a greater negative impact and specifically the US, the EU, and Japan are predicted to see 0.4 percentage point lower growth in 2023 than in the base case. Economies with close ties to the US such as the Mexican and Canadian are at greater risk of suffering a slowdown than economies with looser ties to the US.

### Global economic growth



Given the consumption forecasts, developments in China are of particular concern to the tanker market. The Chinese economy grew 4.5% y/y in the first quarter

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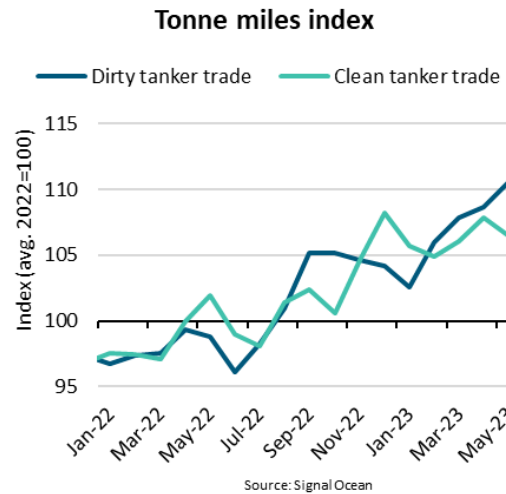
of 2023, slightly behind IMF's full year growth forecast of 5.2%. Growth is challenged by so far insufficient domestic demand and a challenging global environment. From a tanker demand perspective it has, however, been very positive to see the resurgence in both ground and air travel.

Overall, we estimate that cargo demand in 2023 could end 1 percentage point lower than our base case if global economic growth ends near IMF's low case.

However, year-to-date demand in both the dirty and clean tanker trades have developed very favourably. Tonne miles in the dirty tanker trade have year-to-date been 9.4% higher than in 2022 and the clean tanker trade has seen a 7.5% increase.

As expected, the gains have been a combination of an increase in average haul and increased cargo volumes. Crude imports to China have been particularly strong due to domestic demand as well as an increase in oil product exports. As

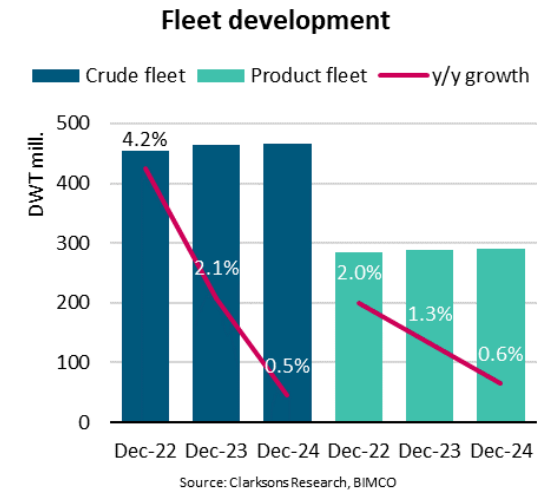
expected, Russian exports and EU imports have driven much of the increase in average haul.



For now, we therefore believe there is only a minor risk that demand will move lower than our base case forecast.

### Supply

It appears that our previous estimate for ship recycling was too high. Year-to-date, ship recycling has been significantly less than we expected. We have therefore reduced our recycling estimates, which in turn has increased our estimate for fleet growth.



However, we still estimate that fleet growth will remain quite limited. We expect the crude tanker fleet will grow only 2.5% from end 2022 to end 2024 and the

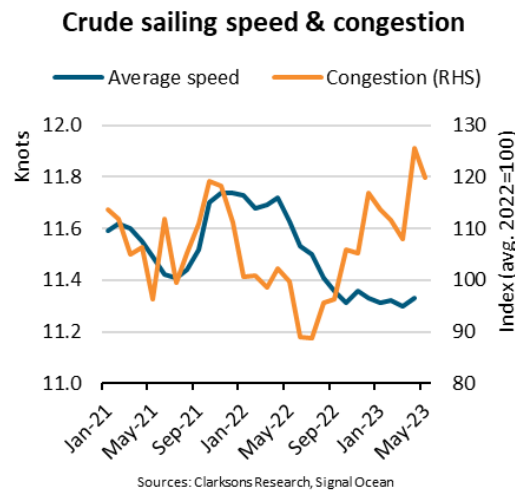
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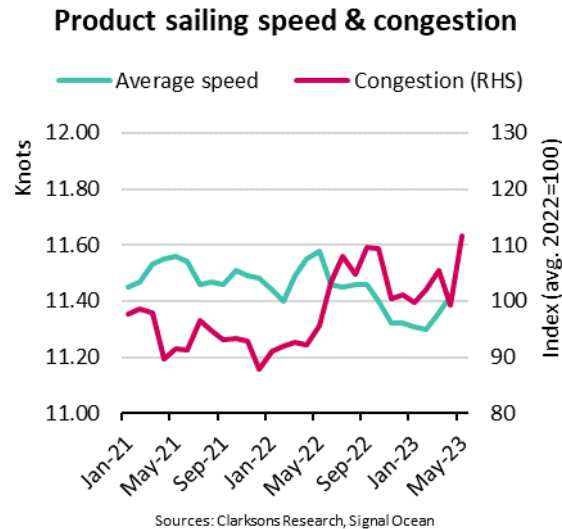
product tanker fleet growth is expected to be 2.0%.

However, so far this year supply has grown slower than the fleet. Average sailing speed has reduced while congestion has increased, both factors taking supply out of the market.



Crude tankers have sailed on average 3.3% slower (0.4 knots) year-to-date than during the same period last year. At the same time, congestion measured in ship days has increased by 15%.

The impact on the product tanker fleet has been slightly less as year-to-date average sailing speed has fallen 1.1% y/y (0.1 knots) while congestion has increased 12%.



For now, we will stick to our previous assumption that lower average sailing speed will reduce supply for both crude and product tankers by 1% in 2023. Although year-to-date data points to higher congestion than last year, we have decided not to include a full year impact on supply.

All in all, we estimate supply growth in the crude tanker segment of 1.1% and 0.5% in 2023 and 2024 respectively. The corresponding figures for the product tanker segment are 0.3% and 0.6%.

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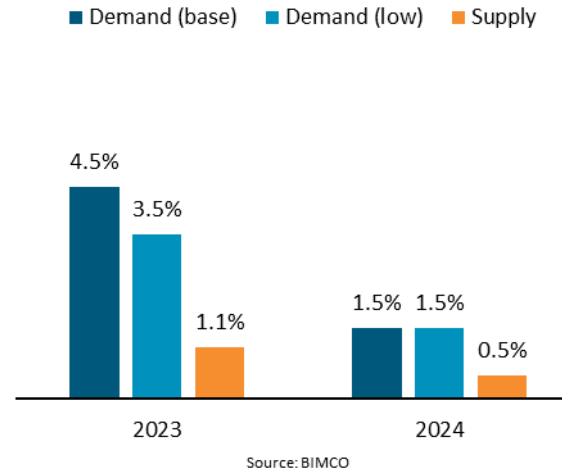
### Supply/demand balance

Even though cargo volumes and tonne miles quickly recovered from a seasonal dip early in the year, freight rates have not yet been able to fully match the peaks of the 4<sup>th</sup> quarter 2022. Earnings, however, remain solid and time charter rates and second-hand ship prices are at their highest levels since the financial crisis of 2008.

The outlook for both the crude tanker and product tanker sector also remains firmly positive. Fleet growth is limited by a very small order book, while oil consumption in 2023 will exceed 2019 levels for the first time since the COVID-19 pandemic and grow further in 2024.

The increase in average hauls caused by the changed trading patterns following the EU ban on Russian oil imports will remain key to the success of the tanker sector. We assume that these sanctions will remain in place during 2023 and 2024, regardless of whether the war in Ukraine ends or not.

#### Crude supply/demand

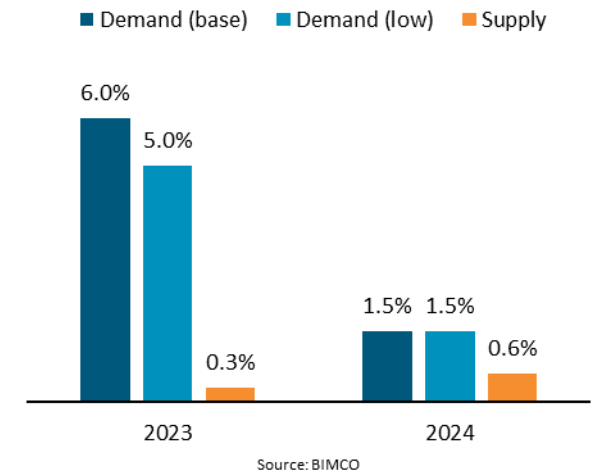


Even though fleet growth is limited by the small order books, supply could still increase if operators decide to increase sailing speeds. So far, operators have, however, decreased sailing speeds and we believe they will remain below 2022 levels in the coming years, not least because CII and ETS regulations encourage a reduction in greenhouse gas emissions.

The outlook for the product tanker sector is slightly more positive than for the crude tanker sector. Fleet growth is expected to

be smaller, while new refineries in oil producing countries must be expected to convert some crude shipments to product shipments. Cargo growth is therefore higher in the product tanker segment.

#### Product supply/demand



However, both sectors can look forward to a continuation of the very favourable trading conditions experienced during the past year and the longest period of market strength since the financial crisis.

## About BIMCO

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