

Tanker Shipping Market Overview & Outlook

Growing oil market imbalances drive tanker improvements

Q4 2023

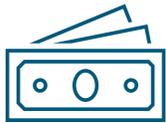
A decorative graphic at the bottom of the slide features overlapping, semi-transparent blue shapes that create a wave-like effect, extending across the entire width of the page.

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Highlights



Demand



The IMF forecasts that the **global economy will grow by 2.9% in 2024 and 3.2% in 2025** both 2023 and 2024. The US and China are expected to slow down significantly vs. 2023.



Supply growth will come from the Americas. An end to Saudi Arabian and Russian production cuts could create surplus supply in H1 2024 and allow rebuilding of inventories.



Global oil consumption is expected to hit a new record of 102.9 mbpd in 2024. Growth continues to be driven by China.



New oil supply is coming mainly from the Americas while new refinery capacity is added mainly in Asia, causing **longer sailing distances for both crude and product tankers.**

Supply



Due to a small order book, deliveries of new ships remain muted. However, recycling of ships is also low. **Crude tanker fleet is forecast to grow 0.7% in 2024 and 1.1% in 2025.**



The product tanker fleet is estimated to grow 1.9% in 2024 and 4.4% in 2025. Orders for new ships have increased during 2023 and delivery of these ships will start in 2025.



Crude and product tankers have sailed faster in 2023 and experienced less congestion. **We do not expect any further increase in sailing speed during 2024 and 2025.**

Supply/demand



Supply growth is expected to be the same as fleet growth. **Crude tanker supply should grow 0.7% and 1.1% in 2024 and 2025, product tanker 1.9% and 4.4%.**



Increased sailing distances and record oil consumption underpin demand. **Crude tanker market will grow 5-6% in 2024 and 2-3% in 2025, product 5-6% and 1.5-2.5%.**



Limited supply growth combined with record oil consumption and longer sailing distances drive the market. **Supply/demand balance should tighten further in 2024 and 2025.**

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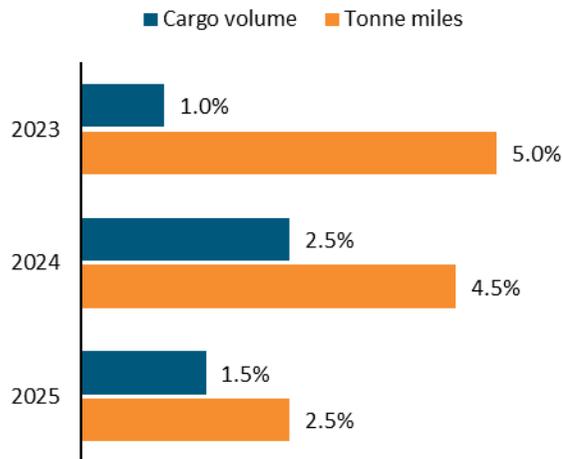
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Demand

We forecast that the crude tanker market will end 2023 with cargo volume growth of between 0.5% and 1.5% but see tonne miles increase between 4.5% and 5.5%. Cargo volume growth is predicted to accelerate to between 2% and 3% in 2024 and moderate to between 1% and 2% in 2025.

Crude tanker demand growth

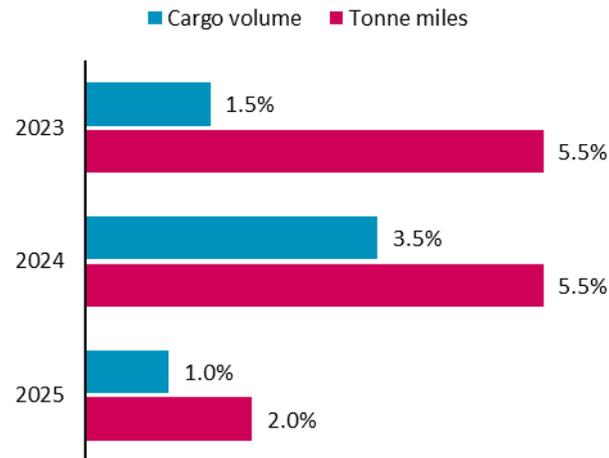


Source: BIMCO

As sailing distances are expected to continue to increase, we forecast that tonne miles will grow

between 4% and 5% in 2024 and between 2% and 3% in 2025.

Product tanker demand growth

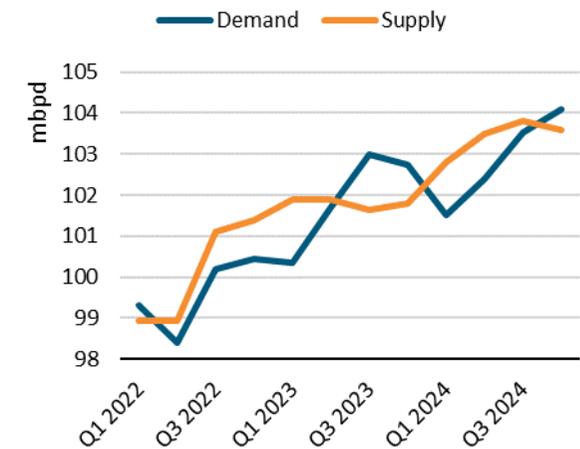


Source: BIMCO

Our forecast is for cargo volume growth in the product tanker market to end 2023 between 1% and 2%, to accelerate to between 3% and 4% in 2024, and to slow to between 0.5% and 1.5% in 2025. We predict that sailing distances will increase throughout the period and that tonne miles demand will grow between 5% and 6% in both 2023 and 2024 and between 1.5%

and 2.5% in 2025.

Global oil supply & demand



Source: IEA

Global oil supply did not follow demand upwards in the second half of 2023 as Russia and Saudi Arabia stuck to self-imposed production and export cuts. As a result, global oil inventories were drawn down and transportation demand did not grow. However, the International Energy Agency (IEA) expects supply to outpace demand in the first half of 2024 and we forecast that the need to refill

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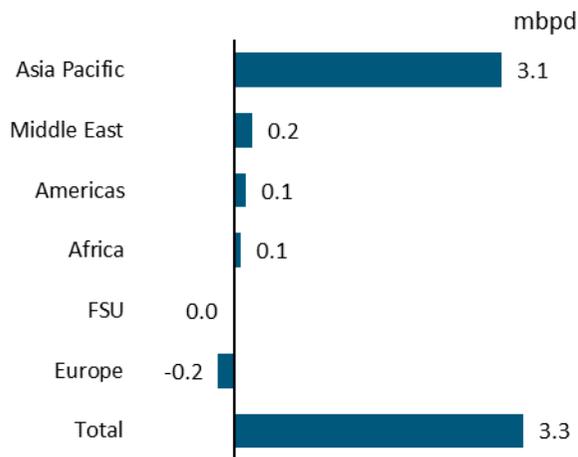
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inventories will result in solid growth in transportation demand.

China remains the key driver of oil demand growth and the IEA estimates that China has contributed 1.8 mbpd of the 2.4 mbpd that oil demand has grown in 2023. The IEA predicts that global oil demand will grow a further 0.9 mbpd in 2024 to end at 102.9 mbpd, and that Chinese demand will contribute 0.6 mbd of that growth.

Oil demand 2024 vs. 2022



Source: International Energy Agency

Oil demand in the Americas grew 1.1% in 2023 but is expected to fall 0.6% in 2024. Like Europe, it appears that the region has reached peak oil. In Europe, demand fell an estimated 0.7% in 2023 and is forecast to fall another 0.5% in 2024. Only the Middle East joins the Asia Pacific region in showing demand growth during both 2023 and 2024.

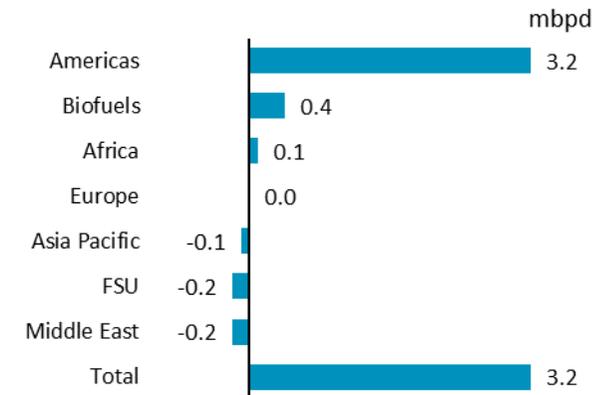
Jet fuel has seen the biggest demand growth in 2023 but naphtha is expected to be the key driver in 2024. This highlights the expected future demand pattern for oil where demand for fuel will stop growing and eventually fall, while demand for petrochemicals is expected to continue to grow.

Neither the IEA nor the US Energy Information Agency (EIA) have released demand predictions for 2025. In our forecasts we have assumed that growth will slow further and end around 0.5%.

On the supply side, North and Latin America remain the key areas for growth whereas the IEA expects supply from the Middle East to fall.

Biofuels are expected to be the second largest contributor to increased supply.

Oil supply 2024 vs. 2022



Source: International Energy Agency

Demand growing in Asia Pacific while supply is growing in the Americas causes the market imbalances to increase. This in turn leads to growing transportation volumes and longer sailing distances. In essence, as the market imbalance grows faster than global supply and demand, then crude tanker volumes will also grow faster. As long as the number of transits through the Panama Canal remains constrained, this will further add to increased sailing distances.

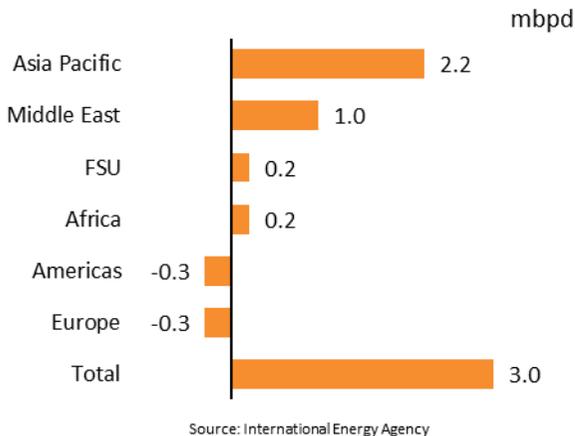
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Product tankers are also impacted by a shift in trades as refinery capacity and throughput is forecast to grow in Asia Pacific, Middle East, and Africa but fall in Europe and the Americas. This is likely to increase volumes traded between regions while also increasing average sailing distances and benefit product tankers.

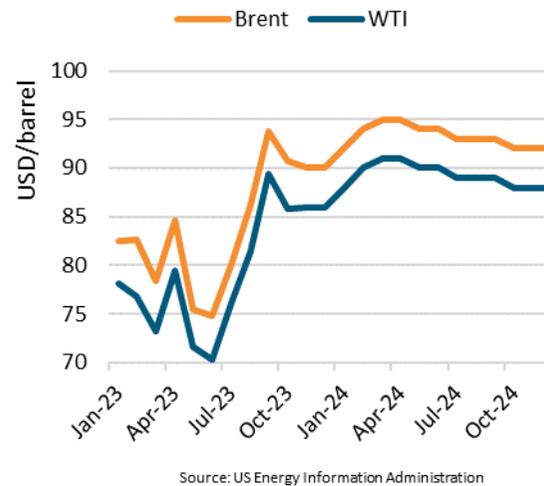
Refinery throughput 2024 vs. 2022



The changes in both crude and product tanker flows will naturally come on top the significant changes that the G7-led sanctions on Russian oil and oil products exports have led to. We assume that those sanctions will remain in place throughout 2024 and 2025 but should

they be fully or partly lifted it could lead to lower sailing distances and lower tonne miles demand.

Oil prices

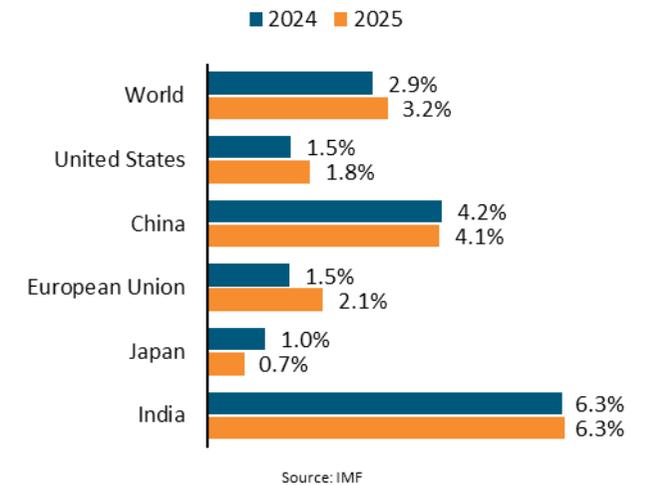


Oil prices increased as the production cuts by Saudi Arabia and Russia took hold but have since fallen back on worries about demand in China. The EIA predicts that prices will again move upwards in the first quarter of 2024 and Brent is expected to average USD 93/barrel during the year. There is a risk that this could

hurt demand, but we judge that the impact on our demand forecasts would be minor.

According to the International Monetary Fund (IMF), the world economy is expected to grow by 3.0% in 2023, down from 3.5% in 2022. The European Union's economy only grew 0.7% in 2023 because of high inflation, higher interest rates and the war in Ukraine. In particular, the economy in Germany suffered and is expected to end 2023 with negative growth of 0.5%.

GDP growth



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The IMF has forecast that global growth will slow further to 2.9% in 2024 but recover to 3.2% in 2025.

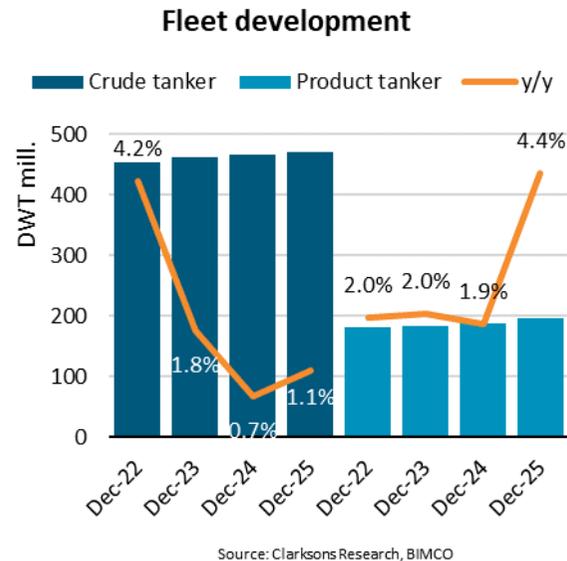
The US is expected to suffer the consequences of the high interest rates, while the real estate sector remains a concern in China. Given recent positive data and actions by the Chinese government aimed at the real estate sector, there is a chance that Chinese growth could end 0.4 percentage points higher in both 2023 and 2024. India meanwhile is still expected to be the fastest growing major economy.

Risks to global economic growth remain, however, the IMF forecasts that they are both smaller and less likely to come true than in previous forecasts.

For crude and product tanker demand, the main risks are considered to be an extension of production cuts by Saudi Arabia and Russia, significant price increases hurting demand, and a reversal of sanctions on Russian exports.

Supply

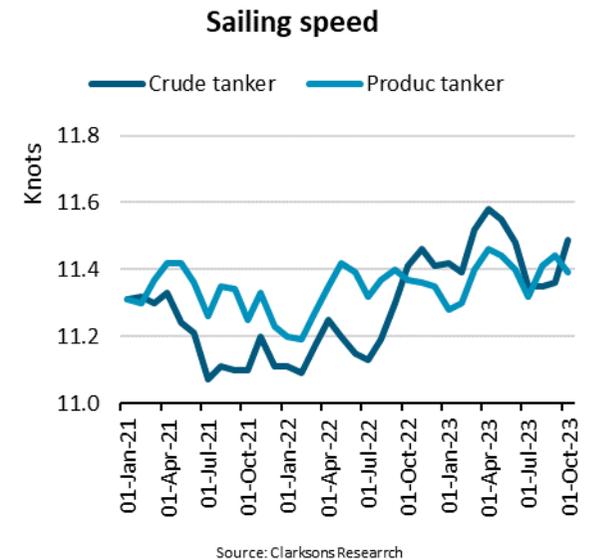
We estimate that the crude tanker and product tanker fleet will end 2023 up 1.8% and 2.0% respectively on last year.



Crude tanker growth will also remain muted in the coming few years as the order book to fleet ratio remains very low at 4.3%. Contracting of product tankers has in the meantime increased significantly during 2023 and the order book to fleet ratio has increased from 6.0% at the

beginning of 2023 to 10.6%. As many owners have secured delivery of newbuildings in 2025, fleet growth is set to increase.

We therefore estimate that the crude tanker fleet will grow only 0.7% and 1.1% in 2024 and 2025 respectively whereas the product tanker fleet is forecast to grow 1.9% and 4.5% in 2024 and 2025 respectively.



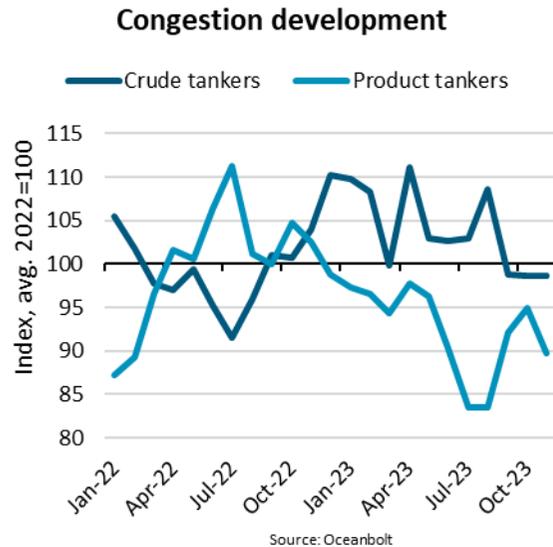
So far this year, crude tankers have sailed about 2% faster than last year, which will have increased supply by between 1% and 1.5%

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compared to 2022. Product tankers' average speed has on average been the same in 2022 and 2023.



Crude tankers have in the meantime seen 4.8% higher congestion year-to-date than last year, whereas congestion for product tankers has been 7.7% lower.

All in all, crude tanker supply has grown slower than fleet growth in 2023 whereas product tanker supply has grown faster.

It is very difficult to predict how sailing speed and congestion will develop. However, the compound effect of EEXI, CII and EU ETS should over time result in slower sailing speeds.

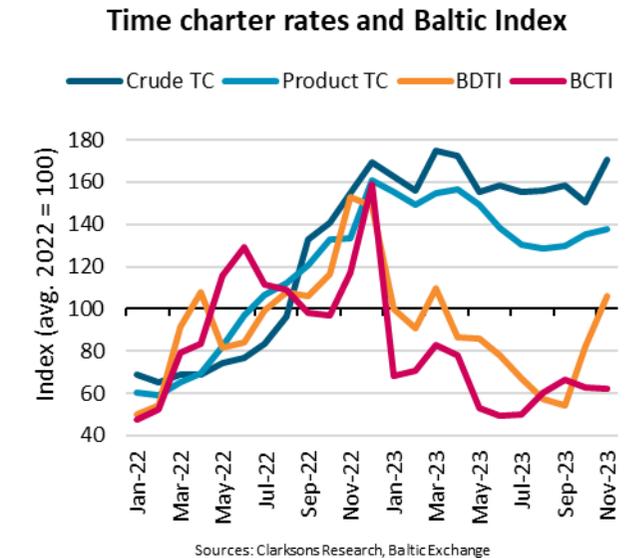
We have previously estimated that supply will therefore grow 1 percentage point slower than fleet growth in 2024. Given the relative strength of the tanker markets we have, however, decided not to include this in our current estimate and have not included an effect in 2025 either.

The main uncertainties regarding our fleet and supply forecast relate to slippage of newbuilding deliveries, recycling of ships, and sailing speed and congestion. Increased slippage and recycling can decrease our estimated fleet growth whereas changes in sailing speed and congestion will have a direct impact on supply developments.

Supply/demand

Though the spot markets for both crude and product tankers have suffered reductions during 2023, and crude tankers especially have seen significant volatility, both markets have remained attractive.

Time charter rates have remained near the highs of 2022 and second-hand ship prices have continued to increase.



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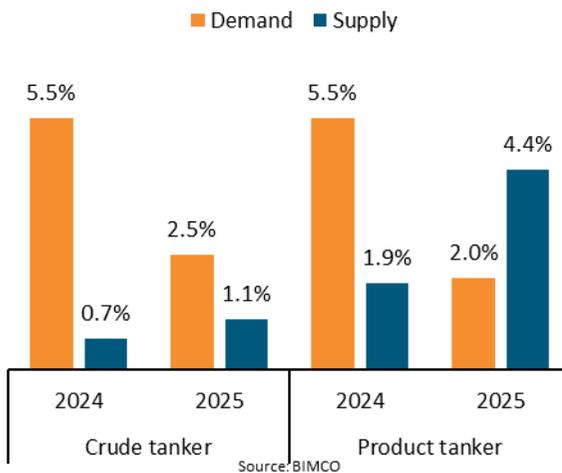
Both markets are expected to see a tightening of the supply/demand balance in 2024. Product tankers could see a weakening of conditions in 2025 as newbuilding deliveries appear to take supply growth above our forecasted demand growth.

The crude tanker market in particular, however, benefits from very low forecasted supply growth.

Should the demand growth end noticeably lower than our forecast, we expect that operators will slow ships down and supply growth would therefore also end lower than forecasted.

Overall, however, we remain confident that tanker owners and operators can look forward to two years of solid income both in the freight and time charter markets.

Supply/demand development



Demand risks naturally remain for both sectors and significantly higher oil prices and a weakening of demand in China are particular concerns.

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