Tanker Shipping Market Overview & Outlook

Tanker supply growth accelerates as oil demand growth slows

November 2024

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BIMCO

Supply/demand

A **slight strengthening of the crude tanker supply/demand balance is forecast for 2025, but it could weaken in 2026** if ships can return to normal routings.

Product tanker supply/demand balance is forecast to weaken slightly in 2025 and substantially in 2026 as the fleet grows faster and routings are assumed to return to normal.

In 2025, rates and prices are expected to be close to 2024 levels but weakening could start in 2026, especially in the product tanker sector.

If OPEC+ unwinds production cuts **significant oil oversupply could increase tanker demand**. New **US import tariffs could hurt growth.**

Demand

The IMF estimates that **the global economy will grow 3.2% in 2025 and 3.3% in 2026**. Growth is slowing in key countries such as the US, China and India.

The IEA estimates that **crude supply increases 0.6 mbpd in 2024 and 2.1 mbpd in 2025.** Unwinding of OPEC+ production cuts could increase supply.

The IEA expects an oil demand increase of 0.9 mbpd in 2024 and 1.0 mbpd 2025. Demand continues to grow mainly in Asia while OECD demand has stagnated.

We have assumed a return to normal Red Sea routing throughout 2026. The resulting shorter sailing distances will significantly hurt tanker demand.

Supply

The **crude tanker supply is estimated to grow 1.3% in 2025 and 2.1% in 2026** as the order book remains small.

Product tanker supply growth is expected to be 3.7% in 2025 and 7.3% in 2026 as deliveries from the large order book ramps up.

The predicted weakening of tanker fundamentals are expected to lower sailing speed in 2026. In 2025, sailing speed is not expected to change significantly compared to 2024.

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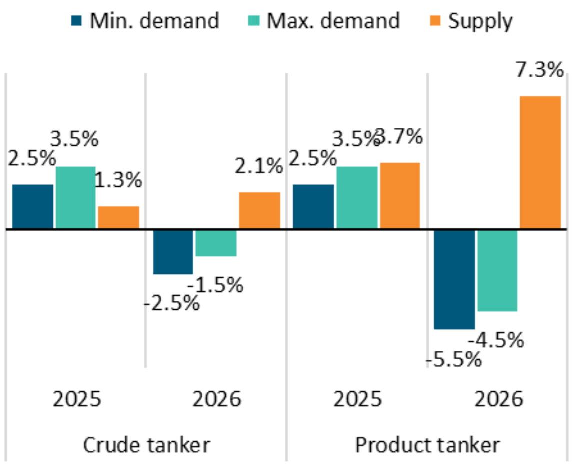
Supply/demand balance

For 2025, we forecast a slight strengthening of market conditions for crude tankers and a slight weakening for product tankers. Our demand forecast for both sectors is an increase of 2.5%-3.5% in 2025 but the product tanker market will have to contend with faster growth of the fleet and supply.

Supply/demand development



Source: BIMCO

Our forecast assumes that **throughout 2025, the ratio of ships that avoid the Red Sea and Suez Canal will remain at the same level as during 2024**. However, should ships return to normal routings earlier than that, both markets could begin to weaken.

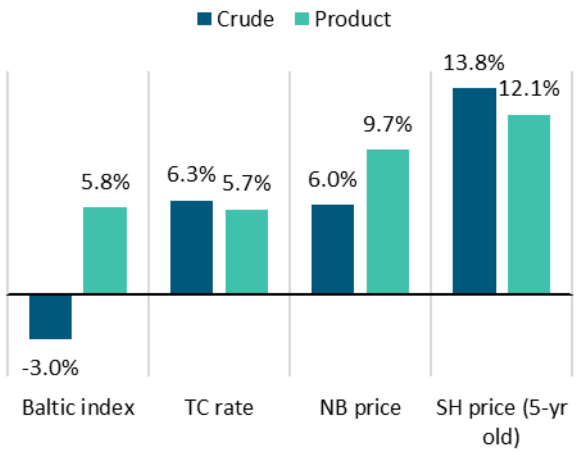
In 2026, we expect market conditions to worsen for both sectors. We have assumed that ships will return to normal routings, which causes sailing distances to shorten.

The **weakening of the product tanker market could be quite substantial**, as the gap between supply and demand growth is forecast to be 12 percentage points. In the crude tanker market, we forecast the same gap to be 4 percentage points.

Should ships not be able to return to the Red Sea and Suez Canal in 2026, we estimate that the supply and demand growth gap would narrow to 1 and 6 percentage points for crude and product tankers respectively.

Year-to-date in 2024, both sectors have seen higher time charter rates, second-hand ship prices and newbuilding prices than last year. The product tanker market has also enjoyed a higher Baltic Exchange Clean Tanker Index (BCTI) while the Baltic Exchange Dirty Tanker Index (BDTI) has posted a decrease.

Rates & Prices (YTD 2024 y/y)



Source: Baltic Exchange, Clarksons Research

During the first three quarters of the year, the BDTI was ahead of last year, but relatively weaker rates in October and November has left the YTD average behind last year. Compared to 2023, the average BCTI was strong during the first seven months of the year but has since lagged behind.

Given the supply and demand growth we forecast for 2025, **we expect that 2025 freight rates should improve slightly for crude tankers and weaken slightly for product tankers**. **In 2026, both markets are forecast to see lower freight rates.**

Year-to-date, the weaker crude tanker freight rates compared to last year have not caused time charter rates and second-hand prices to fall below last year's levels. However, **in line with freight rates, we have recently seen time charter rates for both sectors fall behind last year's levels**.

We expect that both time charter rates and second-hand prices will follow freight rates, ie minor changes in 2025 followed by reductions in 2026.

Newbuilding prices have continued upwards as the global order book has increased. Container ships and gas tankers continue to dominate the order book but it is new contracting of tanker ships that has driven most of the year-on-year increase in the order book.

At the same time, container ship contracting has been higher than we previously expected which is why the container order book has remained stable. Also, the bulk carrier order book has remained mostly stable at around 10% of the fleet size.

We still expect that newbuilding prices must be near their peak but must also acknowledge that container ship owners' appetite for new ships has continued to surprise. Furthermore, an increase in bulk carrier contracting could still drive prices upwards.

Macro environment

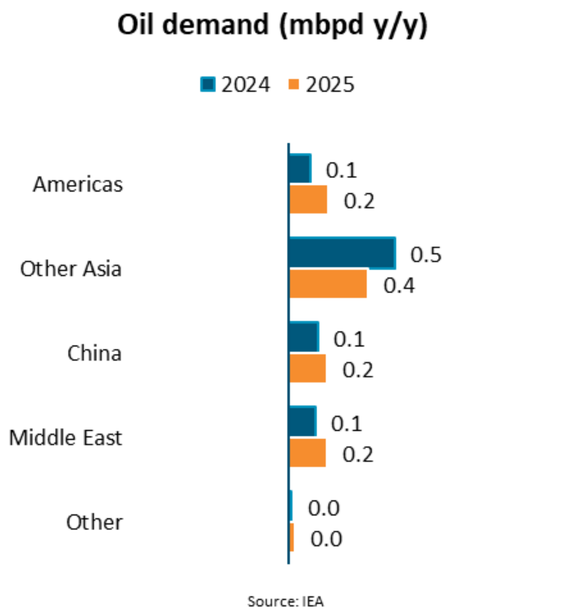
Transit of the Red Sea and the Suez Canal continues to be impacted by Houthi attacks. As no solution appears in sight, we have changed our base case to now reflect **continued rerouting of ships throughout 2025 while assuming that ships may be able to return to normal routings throughout 2026.**

Similarly, **sanctions of Russia oil and oil product exports remain in place**, and we assume this will continue during both 2025 and 2026.

The **International Energy Agency (IEA) now predicts that global oil demand will increase 0.9 million barrels per day (mbpd) in 2024** to end at 102.8 mbpd. The 0.9% year-on-year increase is expected to be followed by a 1.0% increase in 2025 to 103.8 mbpd. This compares to the 2.6% expansion in demand in 2022 and 2.0% in 2023.

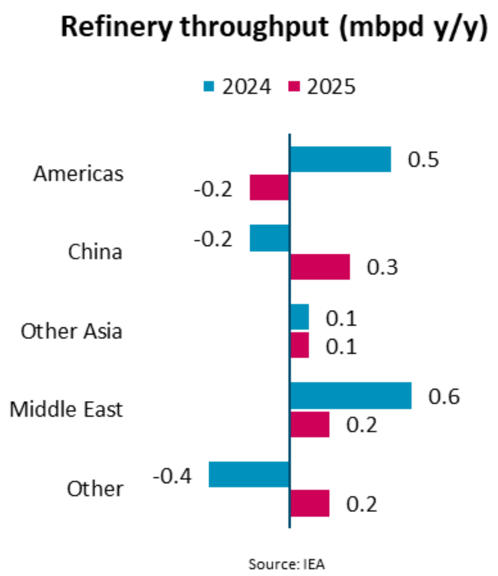
Crude oil throughput at refineries is forecast to end at 82.8 mbpd in 2024 and increase to 83.4

mbpd in 2025. This translates into a 0.7% year-on-year increase in both years.



Compared to when we released our last Tanker Shipping Market Overview & Outlook report in August, the IEA **has lowered its demand forecast by 0.3 mbpd for 2024 and 0.2 mbpd for 2025.** It has also **reduced its refinery throughput forecast by 0.5 mbpd for both years.**

Oil demand and refinery throughput during the second half of 2024 have ended much lower than the IEA previously predicted. In particular, the third quarter was weaker than predicted.



Oil demand in the second half of 2024 is now forecast 0.3 mbpd lower than previously while refinery throughput is expected to end 0.8 mbpd lower than the August forecast.

Chinese demand and refinery throughput has been particularly disappointing as both are now projected to be 0.5 mbpd lower than in August. Refinery throughput is forecast to end 0.2 mbpd lower than in 2023 despite capacity additions, while overall demand is forecast to increase only 0.1 mbpd.

The continued increase in **EV (electric vehicle) sales and a boost in sales of LNG powered trucks is reducing demand growth**. At the same time, the real estate sector continues to struggle and activity in the manufacturing sector remains tepid as domestic demand growth remains weak.

Russian refinery throughput also suffered during the third quarter of 2024 as Ukraine renewed attacks on the refining infrastructure.

Looking ahead to 2025, the IEA expects that **Chinese demand growth will remain muted** and that it will be **South and Southeast Asia that will be the main drivers of growth** instead, with an increase of 0.4 mbpd. Specifically, India is forecast to see increased demand of 0.2 mbpd.

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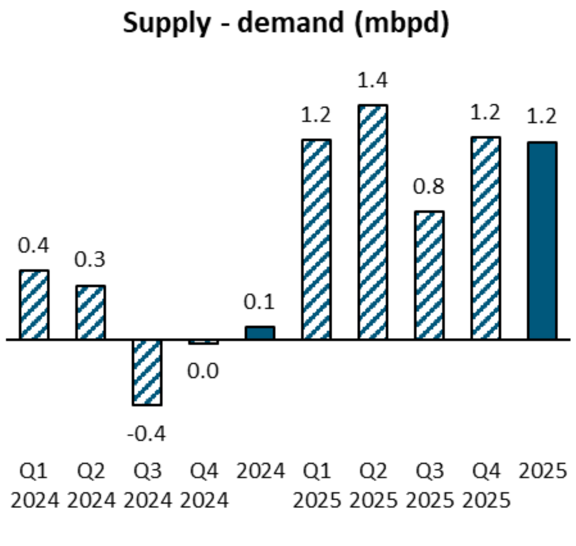
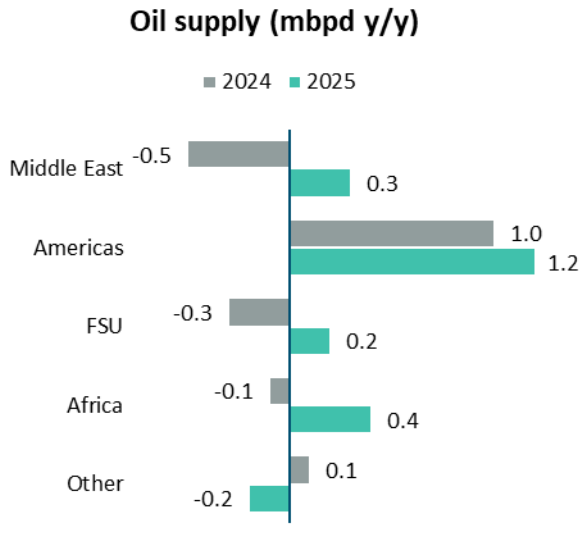
Demand from the members of the Organisation of Economic Co-operation and Development (OECD) is expected to fall 0.1 mbpd following three years with stagnating demand. It is European countries that are driving demand downwards.



Source: IEA

Refinery throughput in China is expected to recover in 2025 and end higher than in 2023 despite the fall in throughput in 2024. **Southeast and South Asia, along with the Middle East, are expected to be the other main drivers of throughput growth**.

Oil supply is forecast to expand faster than demand in 2025 and **lead to an oversupply of 1.2 mbpd.**

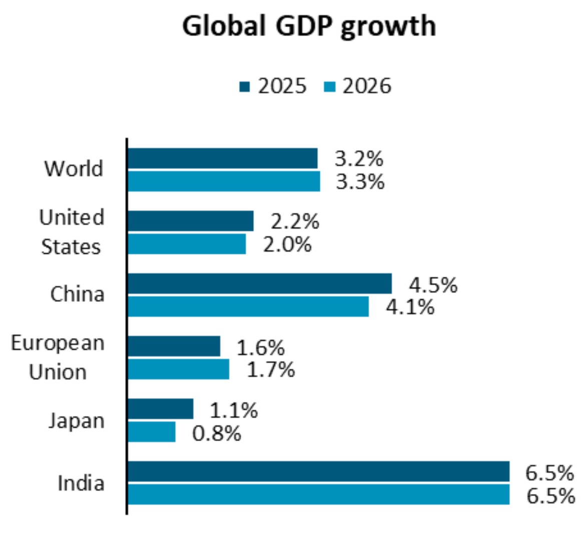


Source: IEA

Should the Organization of Petroleum Exporting Countries (OPEC) along with other non-members (OPEC+) begin to **unwind the jointly agreed production cuts, the oversupply could end closer to 2 mbpd.** This oversupply could pressure oil prices, which in turn could support demand and encourage importers to build inventories.

The US, Canada, Brazil, Guyana and Norway are driving up non-OPEC+ supply.

In the **global economy, there are no signs that an acceleration of growth** could drive significant oil demand growth beyond the IEA's forecasts.



Source: IEA

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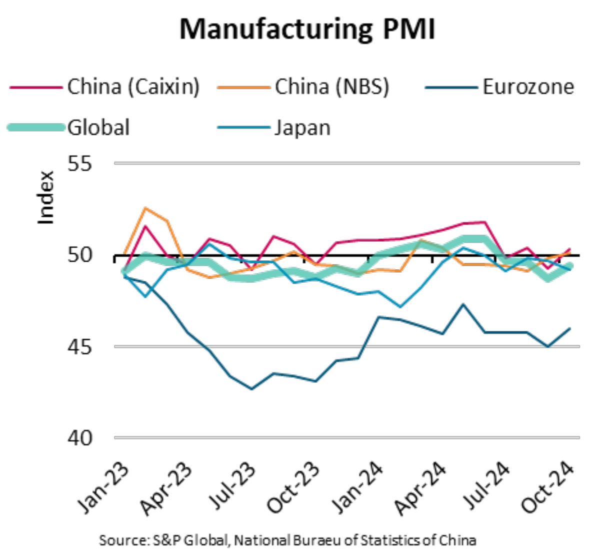
The International Monetary Fund (IMF) forecasts that global GDP growth will end at 3.2% in 2025 and 3.3% in 2026, in line with the 3.2% estimated for 2024.

Of the five largest economies, only **the European Union and Japan are forecast to see their economies grow faster than in 2023**. The acceleration, however, comes from a very low level of growth in 2023, namely 1.1% in the European Union and 0.3% in Japan.

Growth in the US, China and India is forecast to slow compared to 2023. India is however still forecast to see very impressive growth rates. Conversely, growth in China is expected to hit 4.8% in 2024 (missing the government's target of 5%) and slow in coming years.

Measures recently implemented by the Chinese government to support the economy could lift growth beyond the IMF's estimates, although most analysts appear underwhelmed by the steps taken and doubt they will significantly alter the growth path of the Chinese economy.

Newly-elected governments across the world could in the meantime impact the outlook significantly. Specifically, President-elect Donald Trump's apparent plans to significantly **increase all US import tariffs, and tariffs on Chinese imports even more, could have a negative impact on growth in the US and the world.**



Manufacturing PMIs (Purchasing Managers' Index) from around the world also do not point to an increase in oil demand growth from that sector. In fact, **during the last four months, the global manufacturing PMI has pointed to contraction in activity** (below 50).

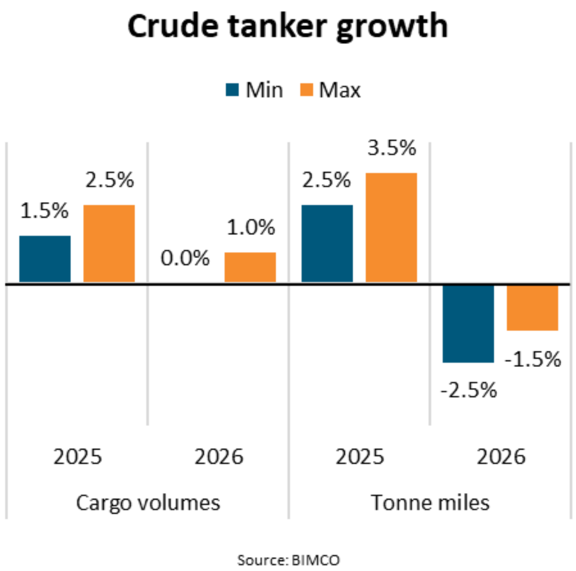
The **manufacturing sector in the eurozone has continued to suffer** and the PMI has now been below 50 throughout the last twenty-eight months. The sector has fared better in **China**, but both the **PMI compiled by Caixin and the National Bureau of Statistics (NBS) have recently been uncomfortably close to 50** – slightly higher in some months – but since July they have more often below 50, indicating contraction.

As mentioned, **oil demand from mobility is negatively impacted** by the increase in EVs. Depending on the source, EVs displaced 0.8 mbpd (IEA) or 1.7 mbpd (Bloomberg NEF) of oil demand in 2023 and EV sales appear to have increased 21% in 2024. The demand for gasoline and diesel is still growing, however.

In more positive news, **demand for jet fuel in 2024 exceeds the 2019-level for the first time since COVID**. It is supported by an increase in air travel. The International Civil Aviation Organization (ICAO) reports that from January to August, Available Seat Kilometres were 3.1% higher than in 2019.

Demand

For **crude tankers, we have maintained our cargo volume growth forecast at 1.5%-2.5%**. However, lower than expected cargo volumes in the second half of 2024 have meant that full year 2024 volumes will end lower than we previously predicted. Consequently, our absolute cargo volume forecast has been lowered compared to the last forecast.

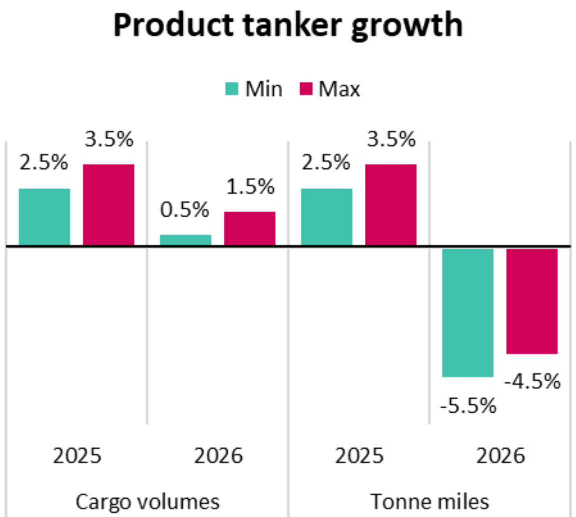


In **2026, we expect that oil demand growth will continue to slow** and have therefore also lowered the crude tanker cargo volume growth compared to 2025. We estimate growth of between 0% and 1%.

Compared to 2023, it has been **volumes into Europe, Northeast Asia and North America that have disappointed in 2024**. All these areas are now estimated to import less in 2024 than in 2023. We forecast that imports to China will return to growth in 2025 and, along with volumes to Southeast and South Asia, be the main drivers of growth in both 2025 and 2026. On the other hand, we expect that volumes into Europe will continue to decline as refinery capacity and refinery throughput also continue to decline.

As we now assume that Red Sea and Suez Canal rerouting may continue at the same level as in 2024 throughout 2025, we **have raised our tonne miles growth forecast to 2.5%-3.5% in 2025.** Slightly longer sailing distances are expected in 2025 as oil supply continues to expand in the Americas.

If, as we assume, tankers can return to the Red Sea and the Suez Canal in **2026, we forecast that tonne miles will fall 1.5%-2.5%** as sailing distances would shorten. Should they not be able to return, we expect that tonne miles will instead grow 0.5%-1.5%.



Source: BIMCO

We have **raised our cargo volume growth forecast for product tankers in 2025 to 2.5%-3.5%.** Volumes during the second half of 2024 were disappointing as more crude tankers than normal entered the clean product trade. We do not expect a repeat of this situation in 2025 and believe those volumes will again be lifted by product tankers, thus increasing the growth compared to our last forecast.

For **2026, we forecast that product tanker cargo volumes will grow 0.5%-1.5%.** As in 2025, we expect that Asia will be the main destination for the increased volumes.

Tonne miles are forecast to grow 2.5%-3.5% in 2025 but fall 4.5%-5.5% in 2026. We apply the same assumptions as in our crude tanker forecast, and it is the shorter sailing distances via the Red Sea and Suez Canal that are forecast to drive tonne miles down in 2026. Should ships not be able to return to normal routings, we forecast that tonne miles will expand by 1.5%-2.5% in 2026.

As mentioned earlier, there is a possibility that OPEC+ will begin to unwind production cuts in 2025. This could lead to a significant oversupply of oil and drive oil prices down. The **lower prices could support increased oil demand as well as an increase in inventories**. This could drive both crude and product tanker demand up compared to our forecast, even though inventory building could only have a temporary effect. Should prices later increase, importers could turn to those inventories rather than imports, causing a short-term reduction in crude tanker demand.

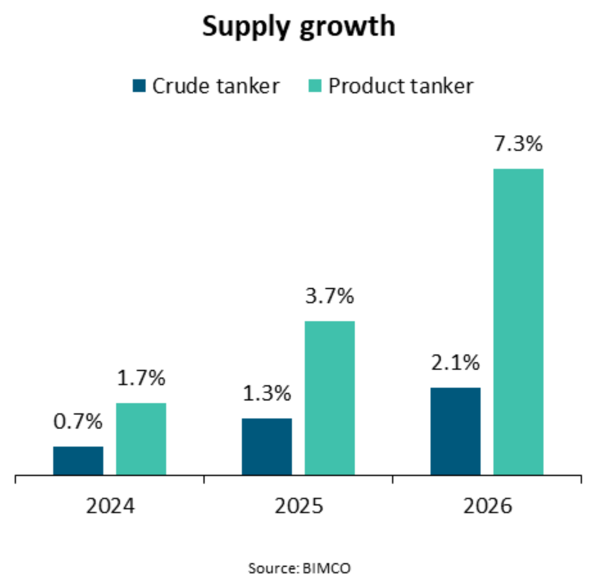
On the other hand, should President-elect Donald Trump's administration proceed with **the import tariffs** he promised during the election campaign, trading partners could retaliate, which would hurt both global trade and economic growth. That could in turn **lower global oil demand** as well.

Additional demand side risk exists if a resolution of the war in Ukraine were to lead to the European Union lifting sanctions on Russian oil exports. That could lead to a reversal of the trade shifts we have seen since the sanctions were implemented and thus lead to shorter sailing distances. We do, however, consider this scenario to be quite unlikely.

Tanker supply growth accelerates as oil demand growth slows

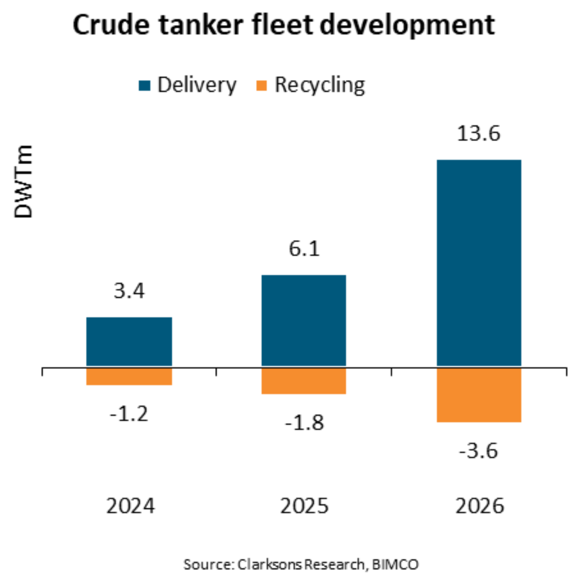
Supply

We forecast **renewed supply growth in coming years** as deliveries from the current order book begin to ramp up. However, we also expect that average sailing speed will begin to decline as supply growth outpaces demand growth.



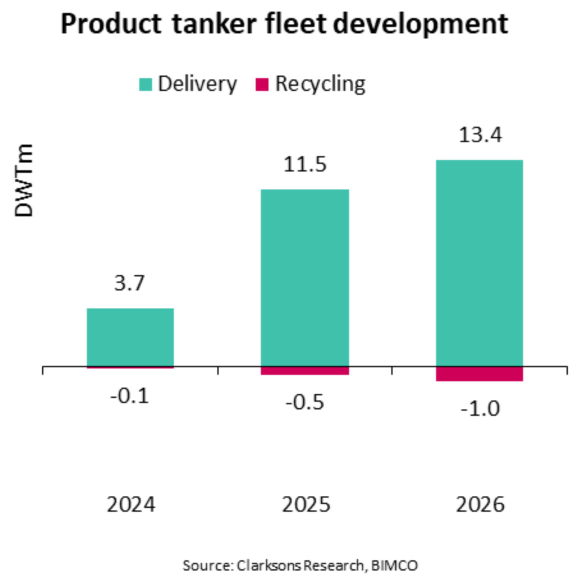
The forecast supply growth for 2025 is in line with the growth in the average monthly fleet.

Along with the increase in newbuilding deliveries, we forecast a return to higher recycling activity.

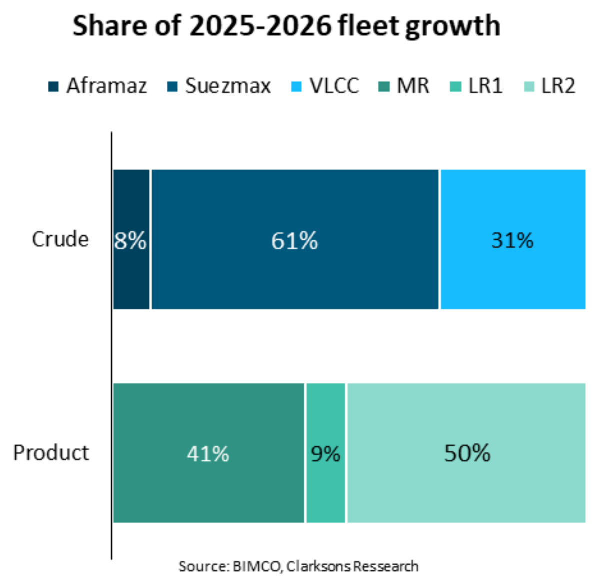


However, **due to sanctions on Russia, we expect that older tonnage will continue to be in greater demand** than otherwise would be the case. Our recycling estimate is therefore also lower than would normally be expected, given the estimated market conditions.

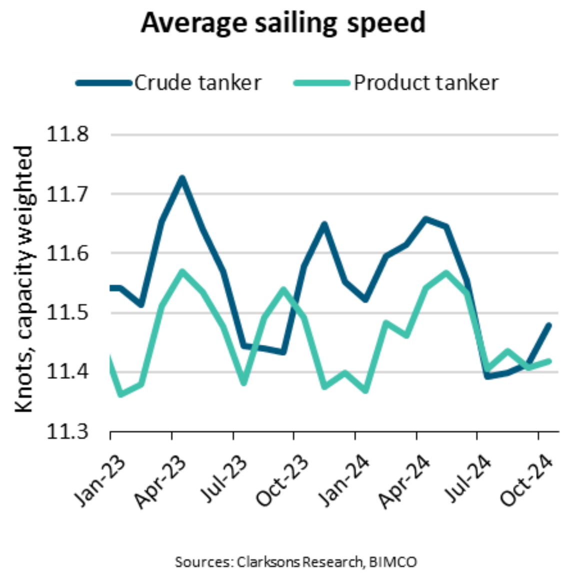
In total, we are forecasting that the **crude and product tanker fleets will expand by respectively 14.3m and 23.4m deadweight during 2025-2026**.



The Suezmax and VLCC segments will drive most of the crude tanker growth whereas MR and LR2 segments see most growth in the product tanker sector. Between the end of 2024 and 2026, the Suezmax and VLCC segments are expected to grow 8.5% and 1.6% respectively, whereas MR and LR2 segments should expand by 10.7% and 22.5%.



The downturn in the markets during the second half of 2024 has caused sailing speeds to fall but so far the year-to-date average remains in line with 2023. As mentioned in our supply forecast, we have **included a reduction in sailing speed in the coming years**.



Congestion has remained mostly in line with levels seen during 2023 and has therefore not had much of an impact on supply growth in 2024, nor have we included any impact on supply growth in the coming years.

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Tanker: February, May, August, and November
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Contact

Niels Rasmussen
Chief Shipping Analyst
nr@bimco.org

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