



Richard Clayton, Chief Maritime Analyst, IHS Maritime

Richard Clayton has spent his 30-year career observing and writing about the merchant shipping industry. After six years as Editor of IHS Fairplay, a weekly news and analysis publication, he has taken the role of Chief Maritime Analyst at IHS Maritime. He trained as a shipbroker and gained his Master's in International Shipping at Plymouth University, UK, before moving into journalism.

Clayton's new role will see him writing thought leadership, analytical, and insight pieces for IHS Maritime publications and research papers. He will also represent IHS Maritime at industry events, conference.

Signs of Recovery Ahead



Container ships loading at Singapore for the long haul to Europe
Southern Cross Maritime

For years, shipping people have talked about the fluctuating cycles of the market, with periods of growth reaching a peak, sliding to a low point, and a further period of recovery. This is the pattern followed by container shipping, dry bulk, and tankers – the three main sectors of shipping. Rarely did the cycles of the big three exactly coincide, so ship owners could transfer some of their investment between the sectors in order to maintain a steady flow of revenue.

But this comfortable pattern was dramatically interrupted with the Lehman crash in September 2008, marking the culmination of a period of increasing weakness. For five years since Lehman, the shipping markets have reflected cautious and risk-averse economies in Europe and North America.

Chinese economic expansion has underpinned market rates, but shipping is global and no one economy can drive an international industry like shipping on its own.

What makes the months from mid-2013 to mid-2014 noteworthy is that, at long last, there are signs of sustainable economic recovery in the developed nations of the west, and in those parts of the Asia Pacific region such as Japan which are dependent on global trade for their expansion. It is much too early to say how strong this recovery will be, and many analysts caution that revival can easily be killed off by investors moving in on opportunities before they have understood the risks.

However, there are complicating factors that have a bearing on shipping's recovery, and 2014 is likely to see some of these emerge even more significantly than last year.

Among these is the support shown by governments for shipbuilders, often providing financial incentives to ship owners at unusually attractive terms. Shipping companies planning a push into the product tanker sector or the ultra-large container ship sector, for example, will find plenty of yards ready and able to meet their requirements.

Even though there is strong evidence that demand for the shipment of refined products will increase as investment in refineries is reduced, and the data analysts have shown conclusively that the economies of scale provided by ships carrying 16,000 containers or more is strong, the danger of ordering too many ships is very real. Alongside the old certainty that shipping moves in cycles is another truth that warns that too many ships chasing too few cargoes leads to weakening freight rates.

Other factors to be monitored are the price of heavy fuel oil, low-sulfur diesel, and liquefied natural gas, and ships' fuel efficiency figures. Together, these will determine ship owners' preferred choice of fuel. Also under scrutiny will be regulatory measures including the new Maritime Labour Convention, governing how seafarers should be treated, and decisions regarding the treatment of ballast water and emissions into the air.

Moreover, the bankers at Lehman have turned traditional ship finance institutions into much more cautious lenders. So even though freight rates might rise on the back of recovering demand, ship owners and operators still have much to ponder as they plan the year ahead.