SVENSK SJÖFART

SWEDISH SHIPOWNERS´ ASSOCIATION

VÄLKOMNA TILL ÖPPET INFORMATIONSMÖTE

- Sjöfartens utveckling och framtid

Kl. 14.00-15.00

Program

1. Svensk Sjöfart 2017 – VD har ordet
2. Vad har hänt under året?
3. Presentation: Global markets and outlook
4. Svenska redare reder sig – eller?
5. Vart är vi på väg? - Ordförande har ordet

SVENSK SJÖFART 2017




SVENSK SJÖFART
SWEDISH SHIPOWNERS' ASSOCIATION

Vad är Svensk Sjöfart?

- Svensk Sjöfart sedan 2015 (tidigare Sveriges Redareförening)
- 9 anställda
- 55 medlemmar
- **Ordförande**: Ragnar Johansson, VD, Svenska Orient Linien
- **Fokusområden**: Tillväxt & konkurrenskraft, miljö/klimat, sjösäkerhet, forskning & innovation

SVENSK SJÖFART

SKA ERBJUDA DEN MEST

HÅLLBARA SJÖFARTEN

I EUROPA FÖR ETT

KONKURRENSKRAFTIGT SVERIGE

SVENSK SJÖFART
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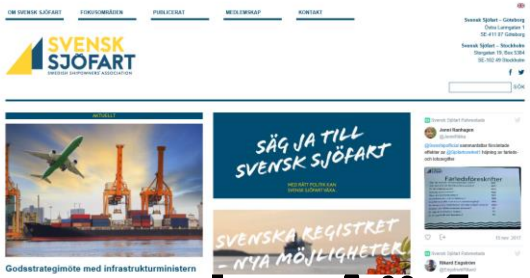


BLÅTILLVÄXT

Infrastrukturminister Tomas Eneroth 2017-11-09

Sveriges Riksdag
100 12 Stockholm

Hej Tomas,

Föreningen Svensk sjöfart

Medlemmar

- Sysselsätter **9760** personer
- Omsätter **10, 1** miljard
- **25** miljarder i investeringar
- Finns i hela Sverige

Viktiga frågor

- Nettomodellen
- Tonnageskatten
- Föreslagna avgiftsföreskrifter
- Early-movers
- Ökade forsknings- och innovationsmedel
- Flagg-förutsättningarna
- IMO, ECSA, ICS…

Vad har vi gjort under året?

- Över 35 remissvar
- Över 50 möten med beslutsfattare, politiker och myndighetspersonal
- Möten med infrastrukturminister och departement
- Flera möten i International Maritime Organization – spelar en viktig roll
- Över 90 artiklar om sjöfart, seminarier, konferenser & medlemsmöten

SVENSK SJÖFART
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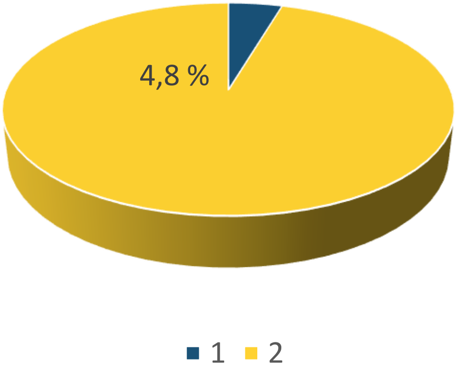
Sysselsatt 100 000 personer i hela Sverige

Andel av totala sysselsättningsgraden som är sysselsatta i sjöfarten



SVENSK SJÖFART
SWEDISH SHIPOWNERS' ASSOCIATION

Transporterat 30 miljoner passagerare med utrikes sjöfart

SVENSK SJÖFART
SWEDISH SHIPOWNERS' ASSOCIATION

Transporterat över 171 miljoner ton gods till Sverige

Vad har hänt under året?

Fredrik Larsson
Ansvarig för miljö- och klimatfrågor

Christina Palmén
Säkerhet och miljöfrågor

Carl Carlsson
Ansvarig för säkerhetsfrågor

Pia Berglund
Vice VD
Ansvarig för näringspolitik

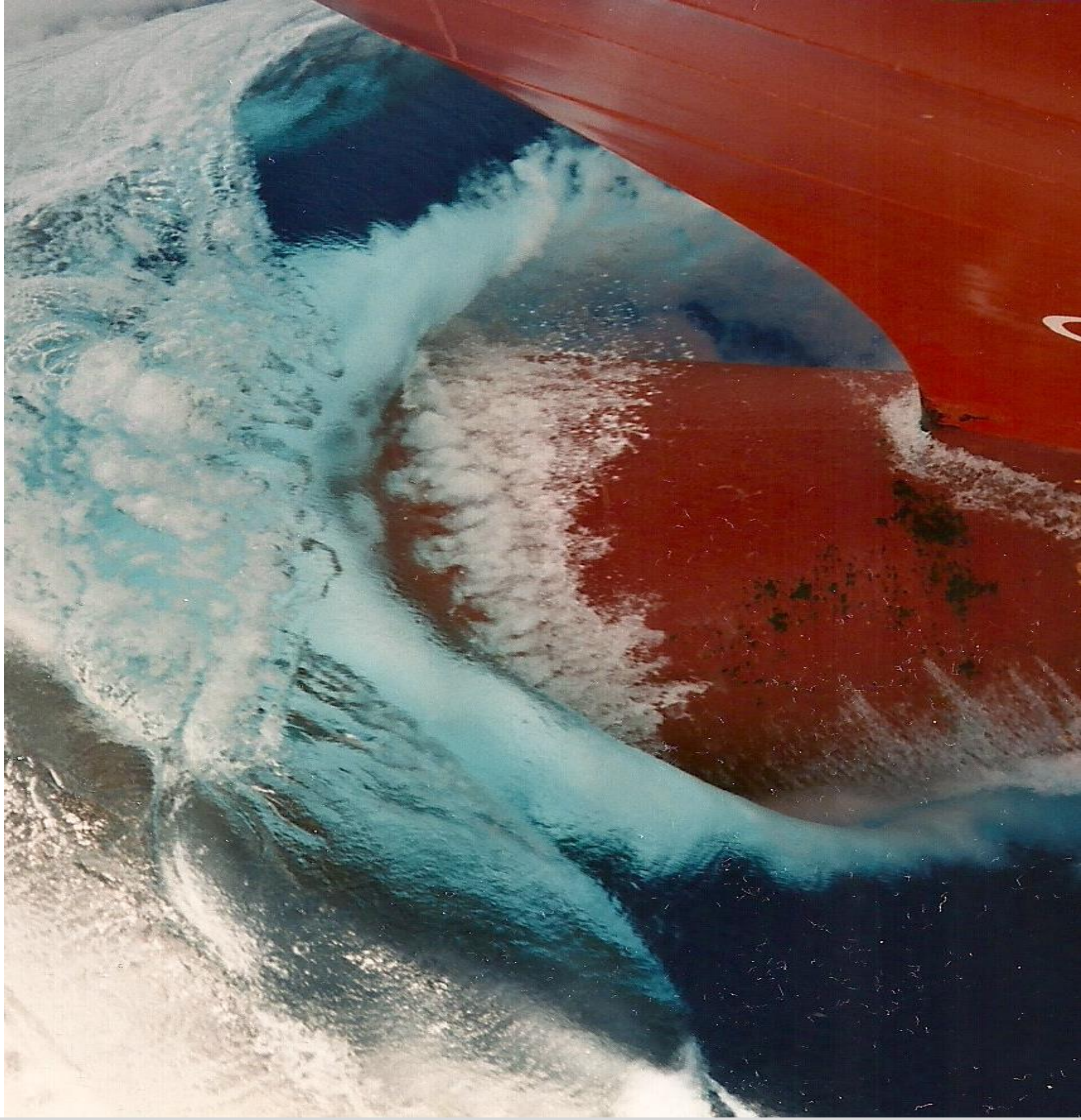
Rikard Engström
VD, Svensk Sjöfart

Shipping & Offshore

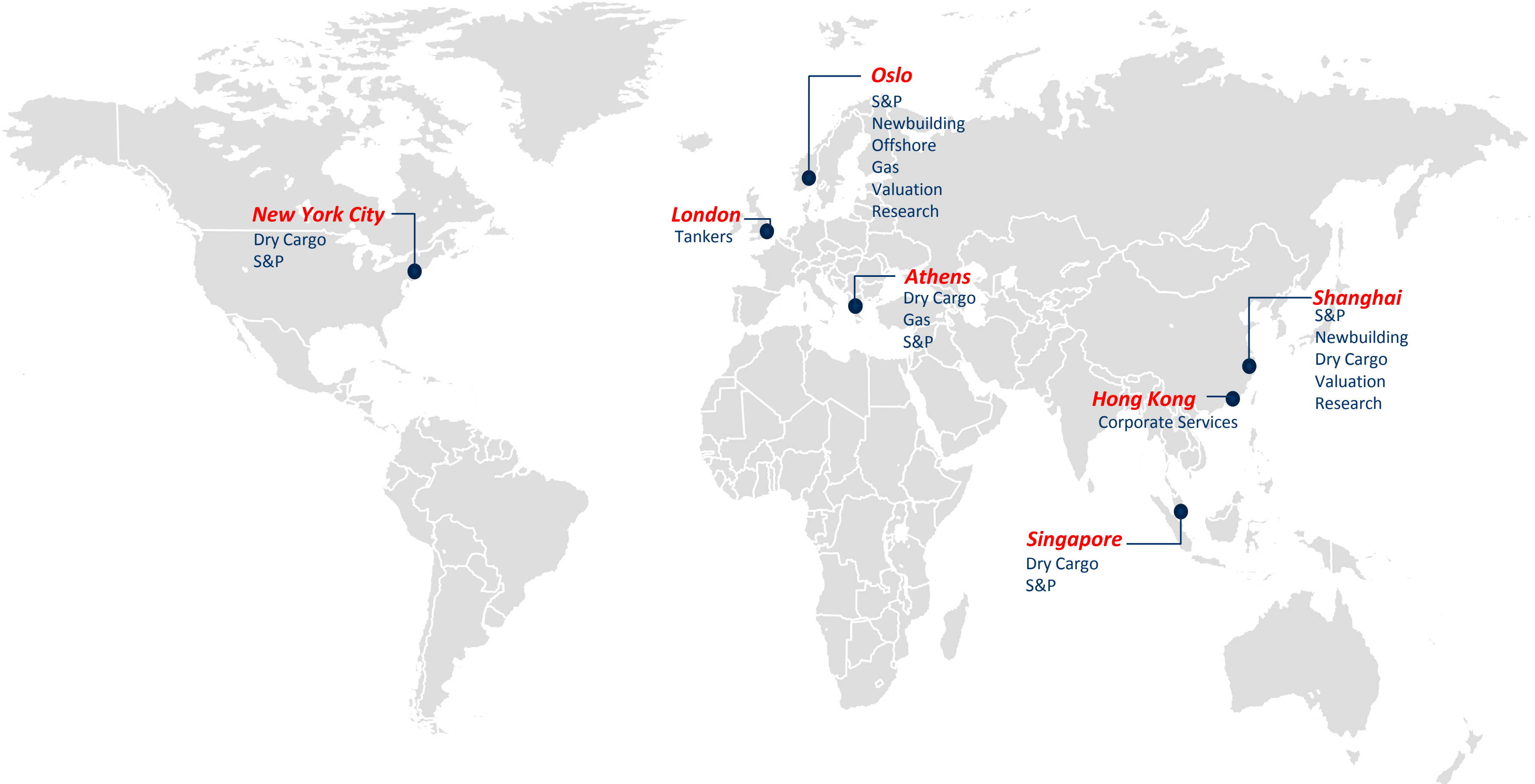
Global markets and outlook

Svensk Sjöfart

17th November 2017



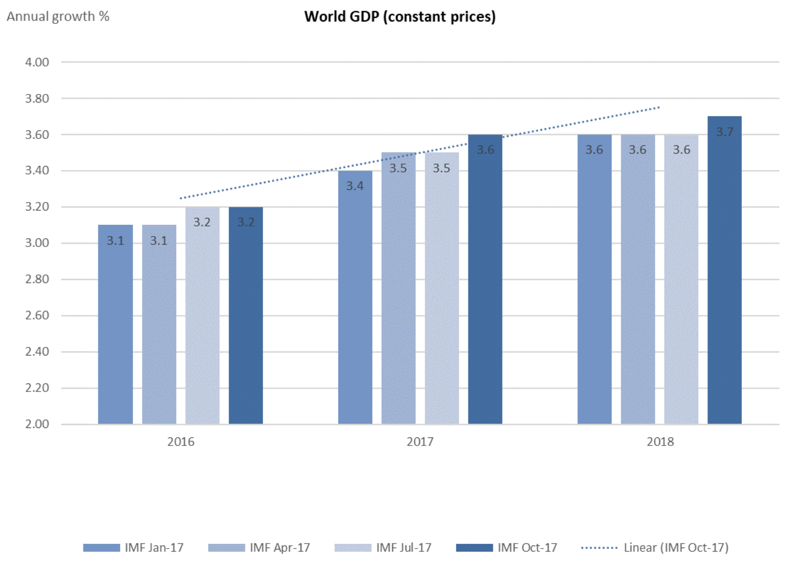
L&S' Global Presence



www.lorstem.com

World economic outlook

- World GDP growth of 3.6% expected in 2017, up from 3.2% in 2016 (IMF Oct-17)
- Broad-based recovery, growth picking up both in industrialized and emerging economies
  - ✓ Projections lowered for US due to tighter fiscal & monetary policies, while adjusted higher for Euro Area and Japan
- Prospects improving from buoyant financial markets and cyclical recovery in manufacturing
- Trade growth (volume) nearly doubling to 4.2% in 2017 from 2.4% in 2016 (IMF)
- Uncertainties/concerns
  - ✓ Rising geo-political tensions
  - ✓ Productivity growth slowing
  - ✓ Inward looking trade policies posing risk to trade growth (US, post Brexit)
  - ✓ High income inequality
  - ✓ Deleverage of Government bonds, US$ 13,000 billion issued globally since 2008
  - ✓ Chinese credit growth and financial market leverage



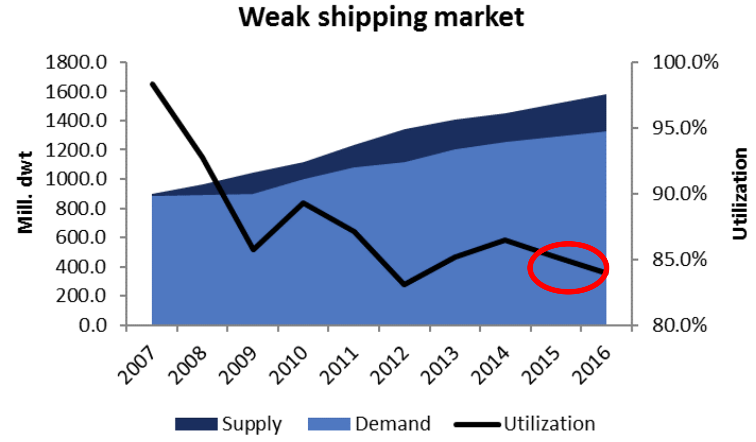
	2015	2016	2017	2018
U.S.	2.90%	1.50%	2.20%	2.30%
Euro area	2.00%	1.80%	2.10%	1.90%
Japan	1.10%	1.00%	1.50%	0.70%
China	6.90%	6.70%	6.80%	6.50%
India	8.00%	7.10%	6.70%	7.40%
World	**3.40%**	**3.20%**	**3.60%**	**3.70%**

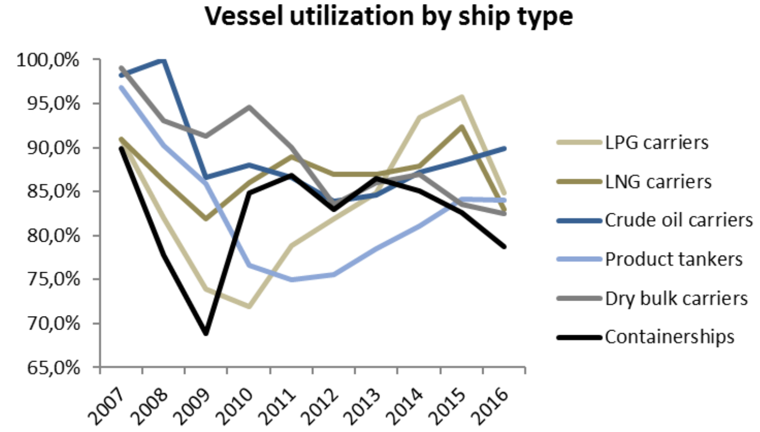
World economic recovery is gaining pace!

Source: IMF, L&S Research

Shipping market coming out of a 30-year-low

Vessel capacity utilization bottoming out at 84% on average



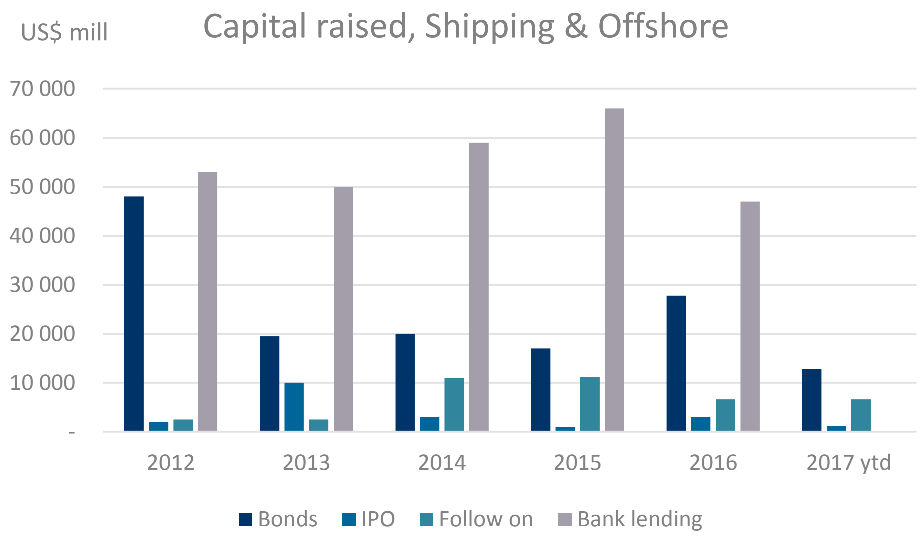


- Fleet expansion in most segments has for several years been too high to be absorbed by trade growth, boosted by funds seeking higher return investments
- Capacity expansion was driven by optimistic trade expectations and ample access to capital
- Vessel demand as a ratio of supply dropping to **84%** in 2016, approaching the lowest point in modern history
- The recovery will take time
  - ✓ Economic growth and trade expansion will most likely be slower than seen in the first decade of the 21st century
  - ✓ Trade becoming less raw material intensive (new technologies, sharing economy, renewable energy)
  - ✓ Chapter 11, companies do not go bust but are refinanced and continue operations (low cost capital is still available)
  - ✓ Shipping fleets are young in historical context, tonnage volumes likely to be scrapped are relatively small
  - ✓ Orderbooks are slimming, but deliveries in several shipping segments remain high this year

Source: Lorentzen & Stemoco Research

Capital raised for shipping & offshore was high during 2012-2014

Bank lending contracted sharply in 2016 as some large banks withdrew from shipping sector

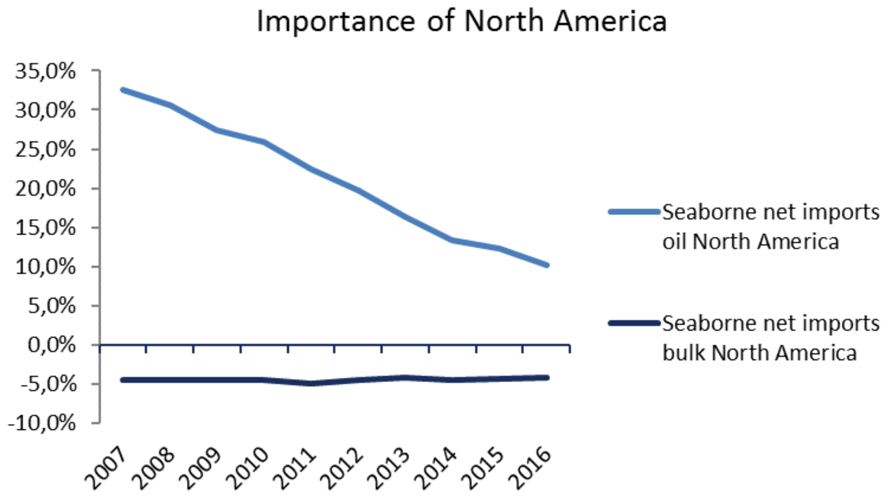


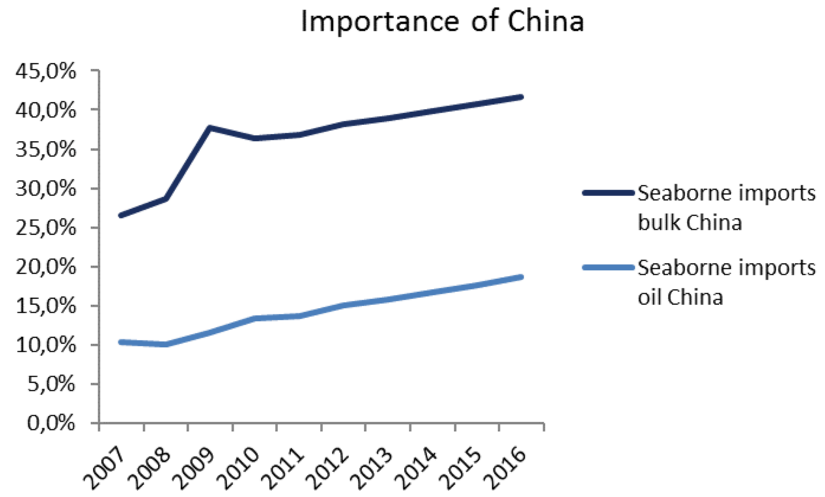
- Some banks withdrew from shipping altogether
- Shipping banks reduced new lending in 2016
- Bond market contracted sharply after 2012 as many newcomers were «burnt»
- Equity market has also contracted from a peak in 2013, with many PE funds exiting the market
- The shipping market requires US$ 40 billion in new capital annually for the fleets to be sustained

Source: Lorentzen & Stemoco Research, Dealogic

Shipping markets are experiencing large shifts in trade flows

Commodity trade flows are increasingly heading to Asia





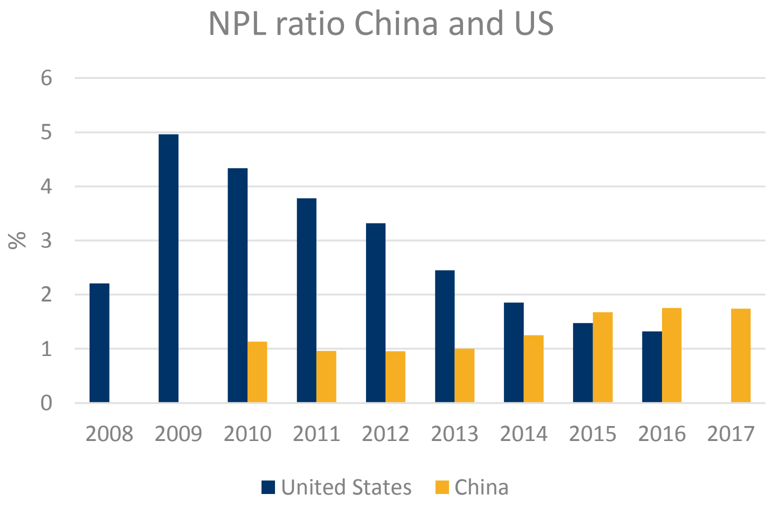
- Demand for seaborne commodities in Asia means shipping activity is moving East
- China is by far the largest importer of dry bulk commodities and now also the largest importer of crude oil
- In contrast, North America is seeing a decline in exports of dry bulk commodities and imports of crude and oil products. The country is becoming a leading exporter of LPG and large exporter of natural gas (LNG & pipeline gas), as well as crude oil

Source: Lorentzen & Stemoco Research

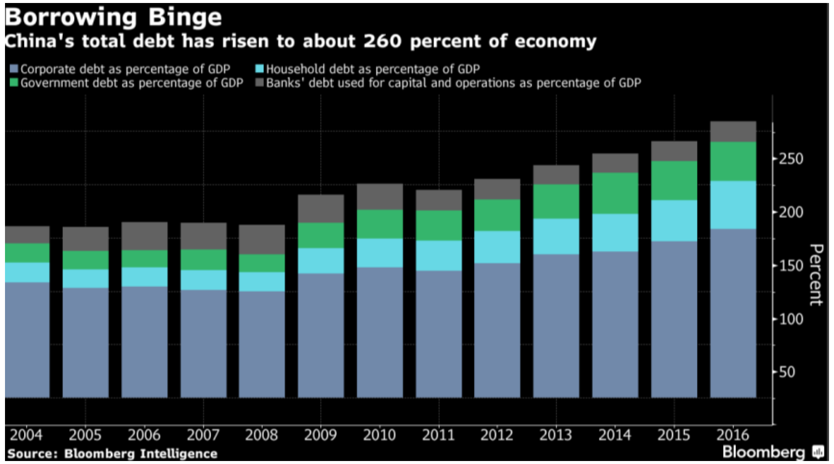
Does China have a debt problem?

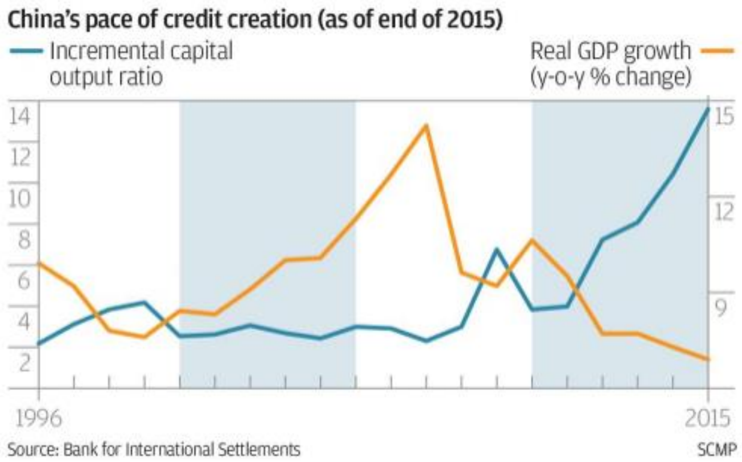
Leveraged economic growth

- China debt-to-GDP ratio has seen exceptional rise since 2009
- Aggregate debt swelling to 260% of GDP by end of 2016 (around same that Greece has before the crisis)
- Most debt held domestically – not to external lenders
- Share of non-performing loans understated?
- Infrastructure investment efficiency has not been efficient for a decade
- Beijing reintroduced debt-to-equity swaps program in 2016



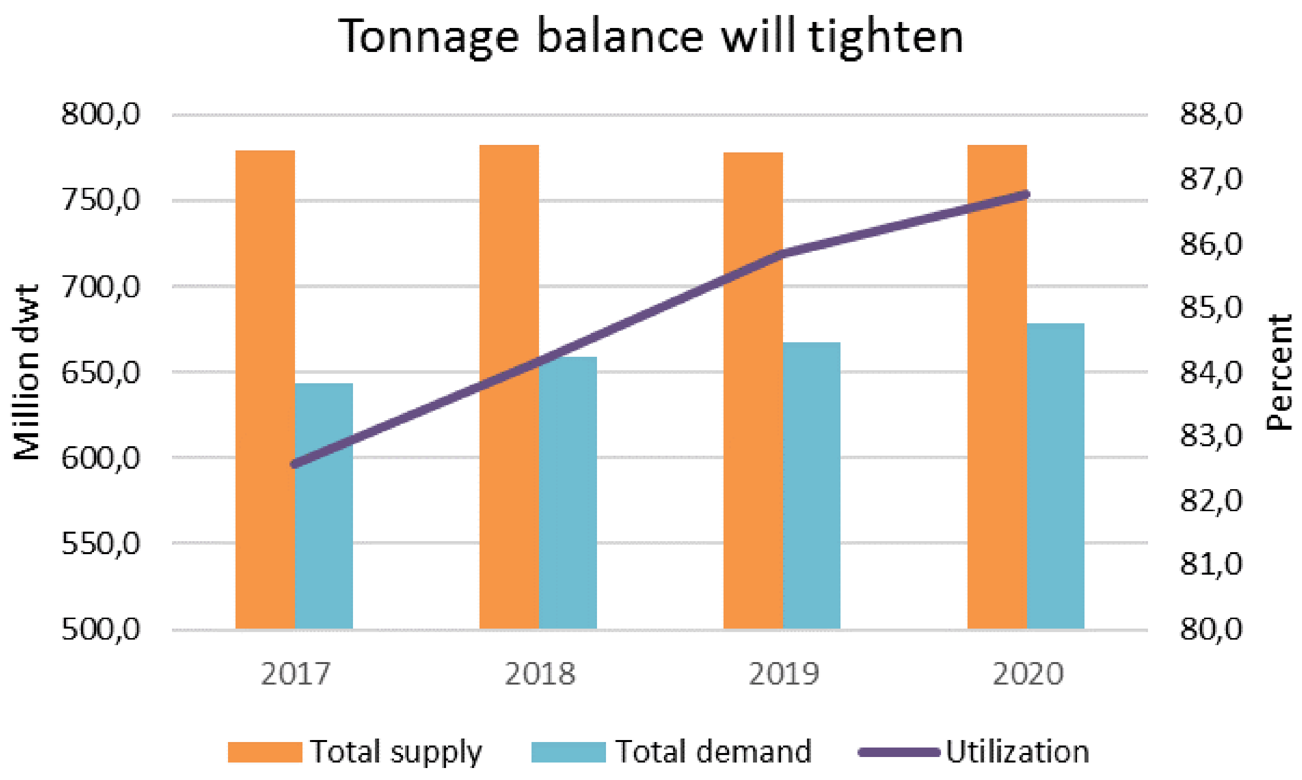
Source: Lorentzen & Stemoco Research, Zerohedge, World Bank





Supply Shipping & Offshore Markets

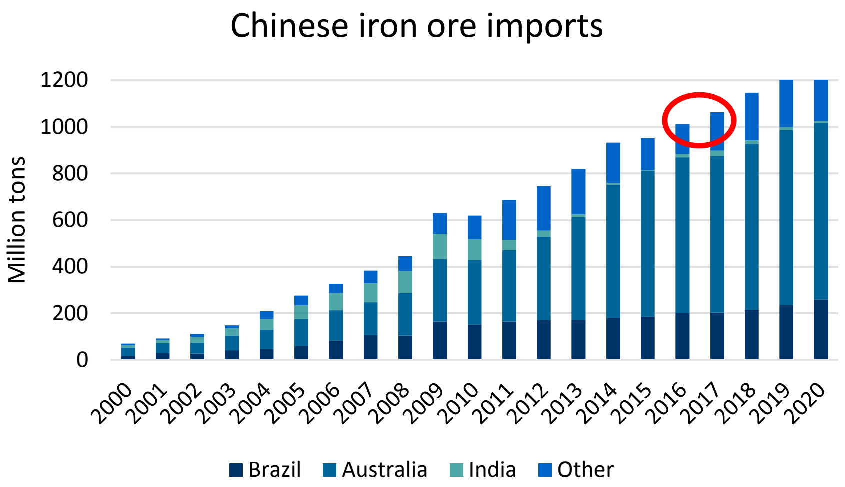
Bulk carrier capacity utilization expected to firm up

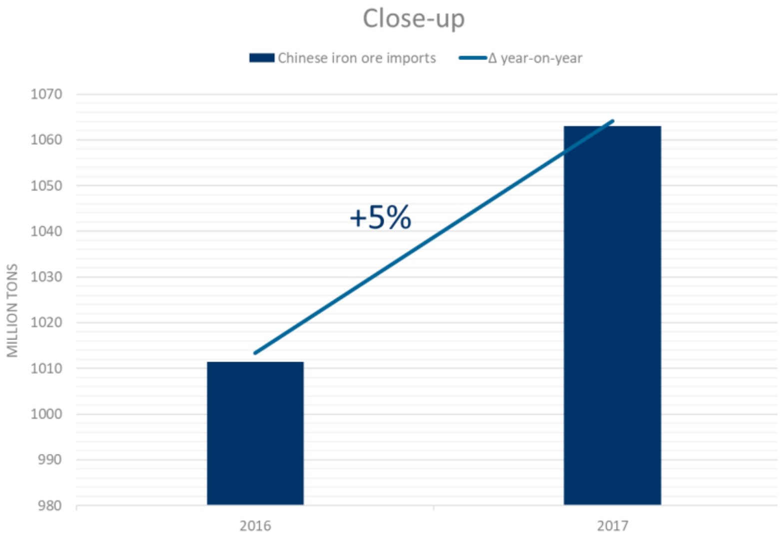


- The dry bulk fleet is not expected to grow materially from 2017 to 2020, despite the influx of Valemax bc
- Meanwhile, growth in the dry bulk demand will tighten the tonnage balance
- Vessel capacity utilization will firm from 82.6% in 2017 to 86.8% in 2020

Source: Lorentzen & Stemoco Research

Growing demand for iron ore





Global

- Iron ore imports surged to over 100 mill. tons in September 2017, smashing earlier records
- Actual imports in 2017 will exceed our forecasts of increase >50 million tons in 2017, from 47 million tons in ‘16
- Uncertainty looms over a potential shift in production from integrated steel mills to electric arc furnaces
- Moreover, higher iron ore prices over US$ 60 per ton could lead to domestic mines returning to production

Europe – improving balance

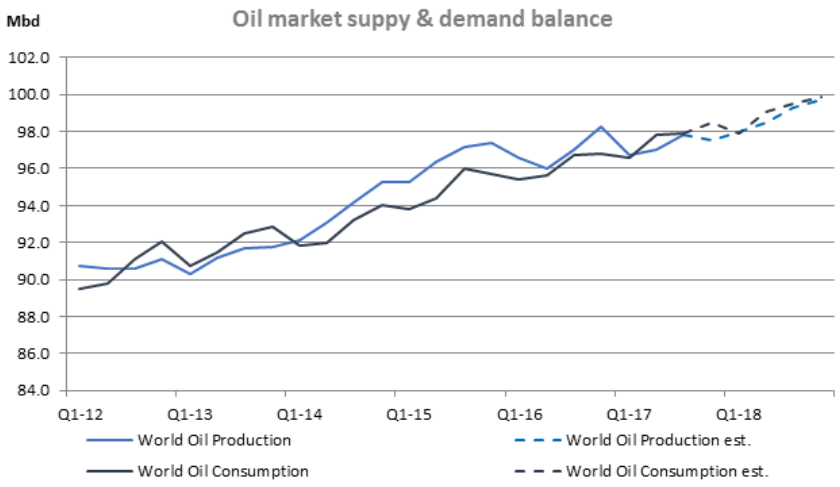
- Recovery in the European economy with 1.9% projected for 2017
- In the European market, close to 80% of general cargo vessels 2000-4500dwt are above 17 years
- Very few newbuildings on order, and improved S&P market for modern units
- TC rates improving after the summer for 6,500dwt and below with an average of EUR 1400/day

Source: Lorentzen & Stemoco Research, MSI

Oil market outlook

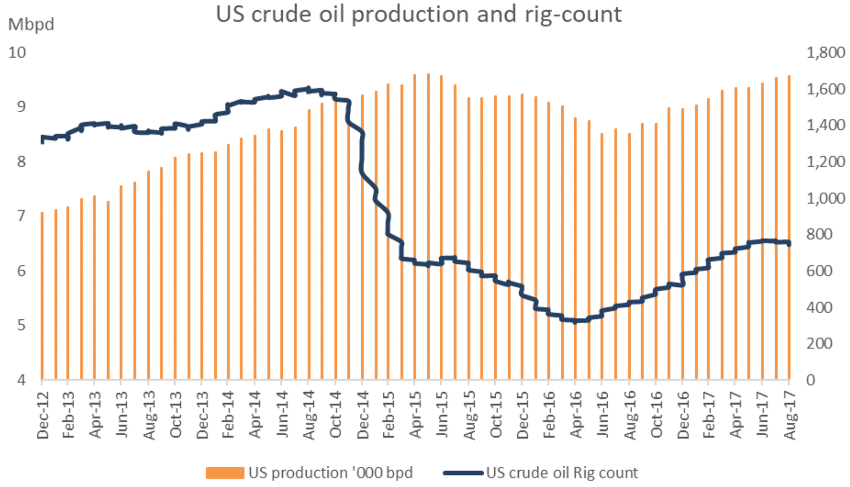
Oil demand

- Oil market tightening further into 2018.
- World oil demand growth revised upwards, to 1.5 mb/d in 2017, up from 1.3 mb/d in 2016 as OECD demand is stronger than expected



Oil supply

- US oil production growing faster than expected, now above record 2015 levels
- US crude production was 9.62 mb/d in week 44, versus 9.30 mb/d expected for calendar 2017 (EIA)
- US energy sector capital spending totaled US$ 19.8 bn in Q1-17, a near trebling compared to Q1-16
- OPEC ‘s 1.2 mb/d cuts rolled over through Q1-18
- Non-OPEC’s cuts rolled over through Q1-18
- Cut in OPEC crude production and backwardation in oil prices leading to international draw-down of stocks, despite record US exports



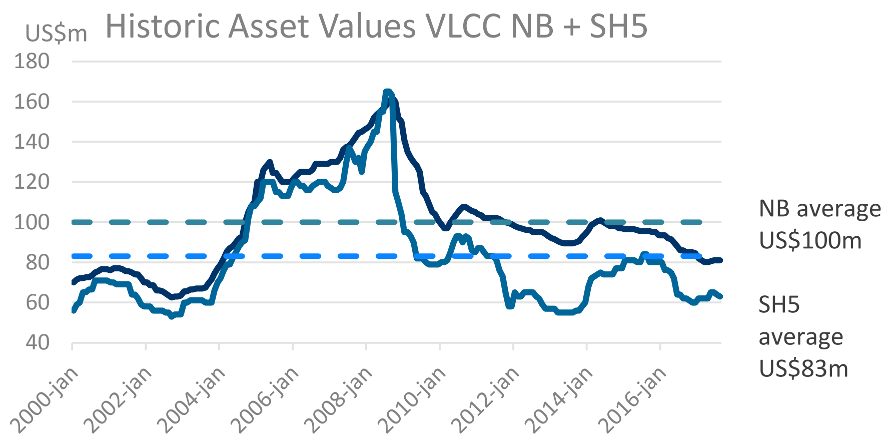
Oil prices

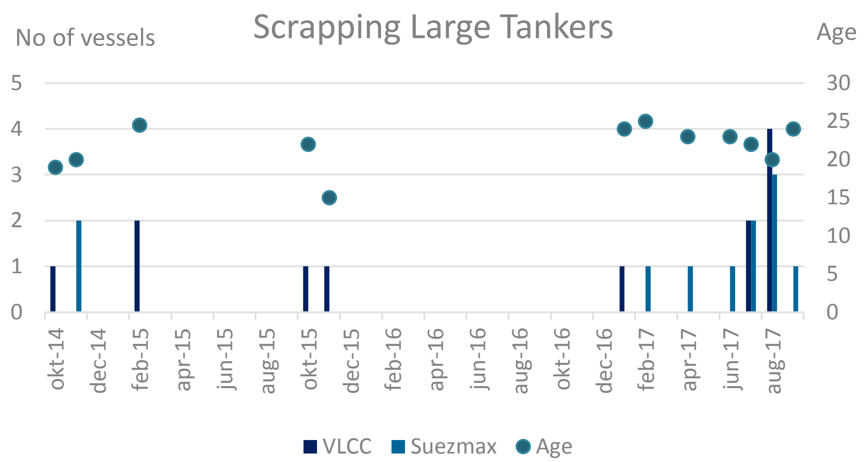
- L&S oil price forecast for 2017 of US$ 55.7 bl
- Longer term, depletion of reserves and declining production of large fields still need to be addressed to prevent future price shocks

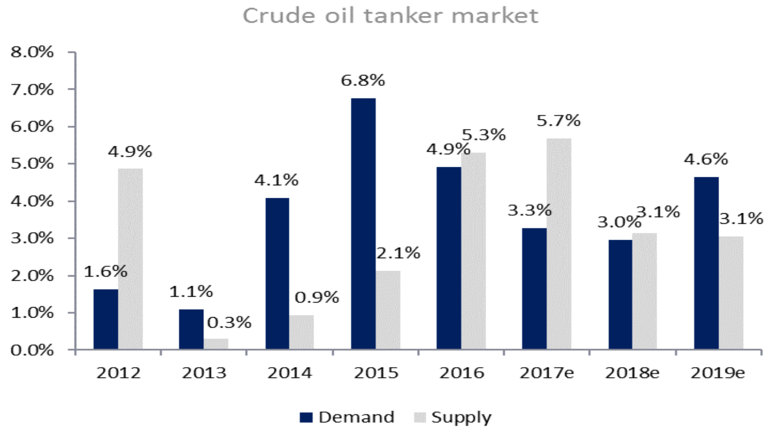
Source: Lorentzen & Stemoco Research, EIA

Crude oil tanker Market

Fundamentals in place, market subdued short-term by supply overhang





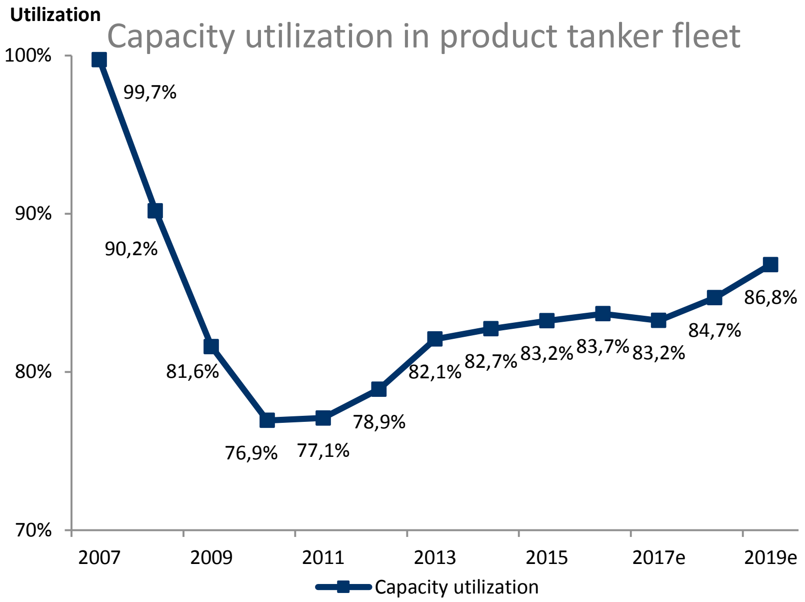


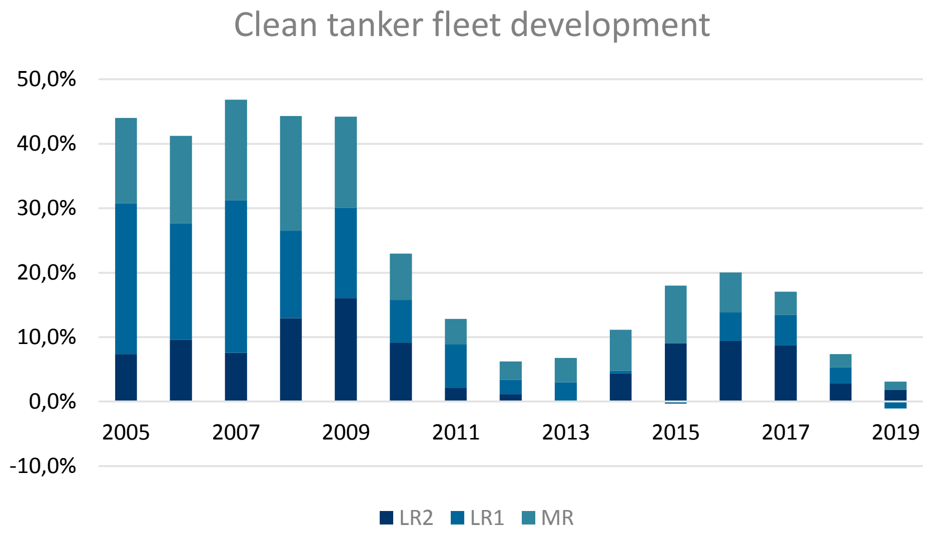
Source: Lorentzen & Stemoco

- NB asset values picking up marginally from lowest nominal levels since 2004, current ordering at very manageable levels – yards providing price floor
- Orderbook as percentage of fleet lower than in years – VLCC and Suezmax at 12% and 10%, respectively.
- New regulations likely to help scrapping levels in coming years, 16% of VLCC fleet currently over 15 years of age

Product tanker market

Product tanker supply balance set to improve in 2019



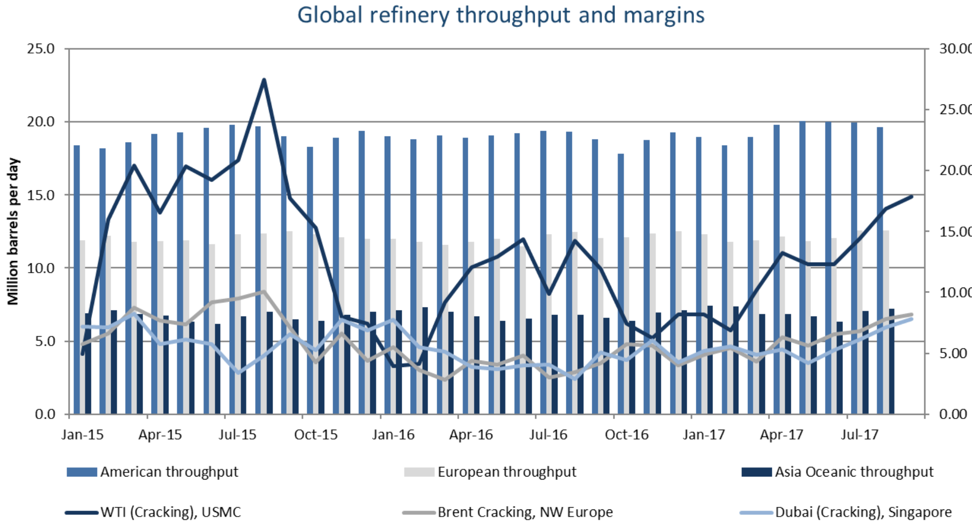


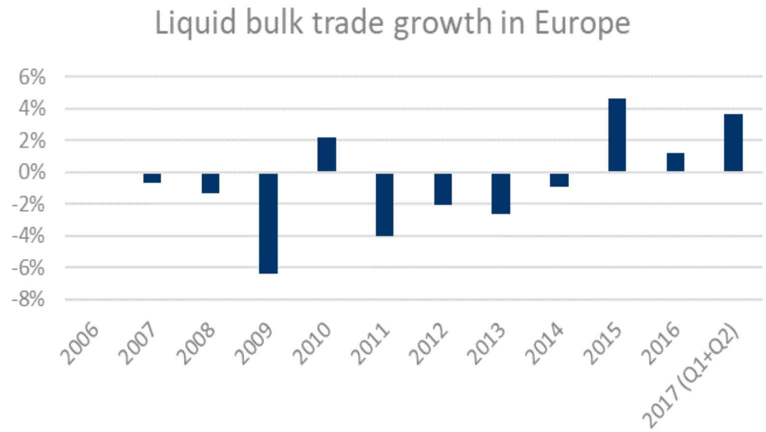
- Limited newbuilding activity in 2016 and 2017 despite attractive asset pricing, so far few vessels scheduled for delivery 2019
- Diminishing shipyard capacity and lack of readily available finance helps to cap newbuilding potential
- Growth in oil demand (reaching 100mbpd in 2019) continuing to support supply demand balance
- Environmental regulations and recovery in scrapping prices likely to induce more scrapping candidates in current fleet
  - 10%, 6% and 3% of the LR2, LR1 and MR fleets respectively, are older than 15 years

Source: Lorentzen & Stemoco

Product demand

Refinery margins set to increase product tanker demand in Q4 and into 2018





- High refinery margins in 2015 led to build up of inventories, putting pressure on margins and throughput in 2016
- Refinery capacity growth in 2016 only 400kbpd, versus 10-year average of 1mbpd, causing utilization to rise into 2017
- Strong demand growth has been drawing down inventories in 2017, likely to continue the improvement in product market into 2018
- Shut down of production also indicative of increased inventory drawdown, supporting demand for product tanker market

Source: BP Statistical Review of World Energy, Thompson Reuters, EIA, IEA

Offshore market review & outlook

Bottom is behind us

2017

- Offshore E&P spending declining 15% (YoY), vs. 12% growth globally due to sharp gains in US on-land
- Some renewed sector interest following break-even levels reductions of up to 50% for new projects in North Sea and Gulf of Mexico since 2014
- Spot day rates for certain types of offshore support vessels have improved while others still under pressure
  - ✓ PSVs (production support vessels) > 900 m2 have made solid spot market rate gains over 2016 levels
  - ✓ AHTs (anchor handling tugs) > 20k bhp have seen spot rates coming under pressure
- TC rates for most types of offshore support vessels have been fairly stable at low historical levels
- Rates for drilling rigs, both Jack-Up and Floaters are still under pressure
- Ongoing industry consolidation will ease price competition

2018 onwards

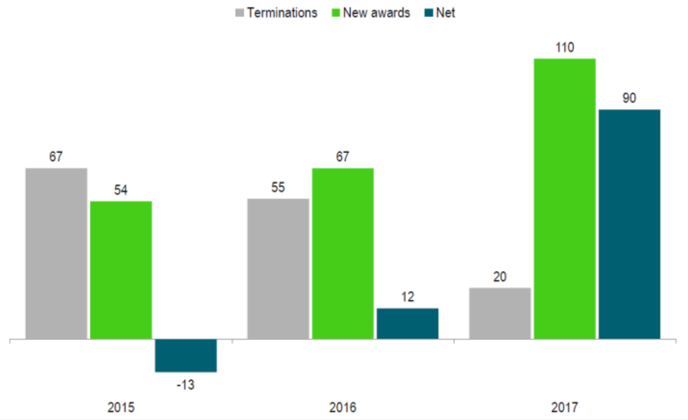
- Offshore E&P spending is expected to grow modestly in 2018 from the 2017 level assuming crude prices in the mid-US$ 50's bl
- Pick-up in activity in the North Sea and Gulf of Mexico where investments have become more interesting based on firming oil prices and sharply lower operating costs
- Depletion of reserves and decline in production from large oil fields have been "off the agenda" for some time, but needs to be addressed through increased offshore E&P spending in the next 2-3 years
- The expected increase in E&P spending will boost demand for drilling rigs and offshore supply ships

Source: DNB Markets, SEB, Lorentzen & Stemoco Research

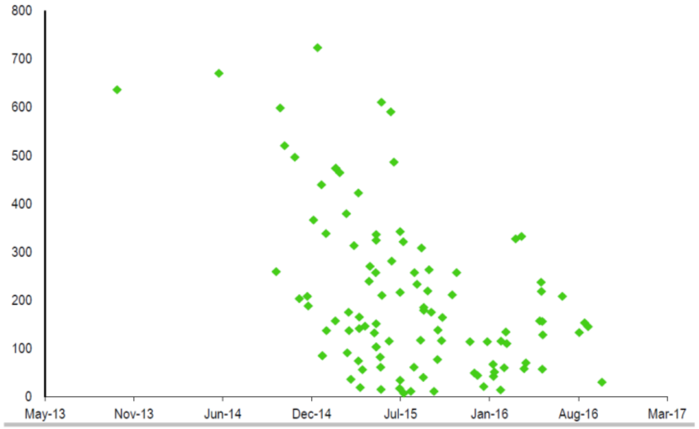
Offshore market improving from bottom

Difference between true and apparent supply as market recovers

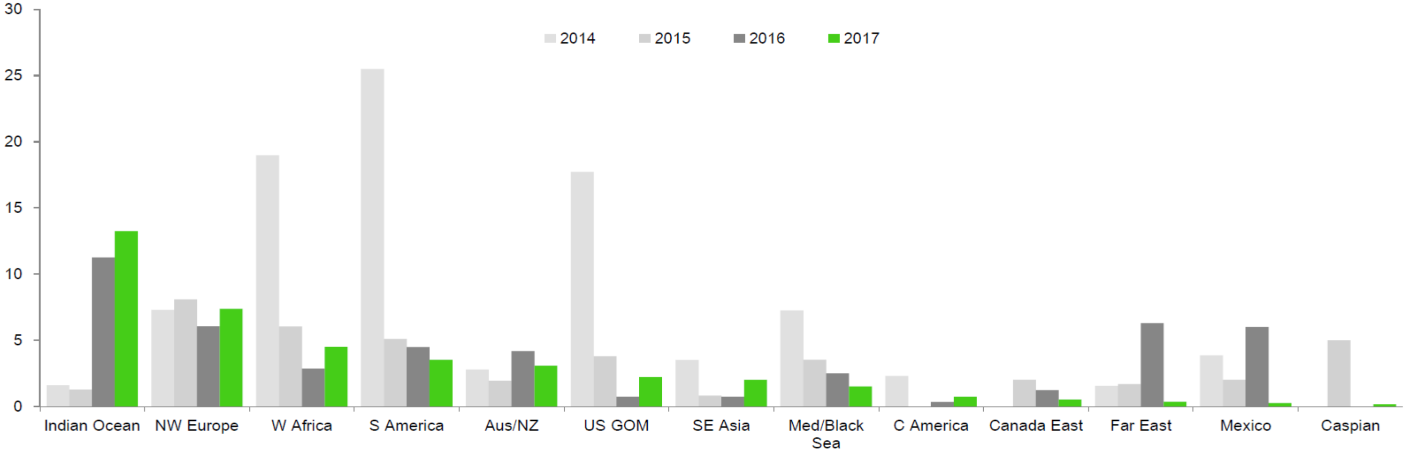
Floater terminations, new awards and net awards 2015-2017



The offshore driller panic chart: number of days from end of contract to cold stacked



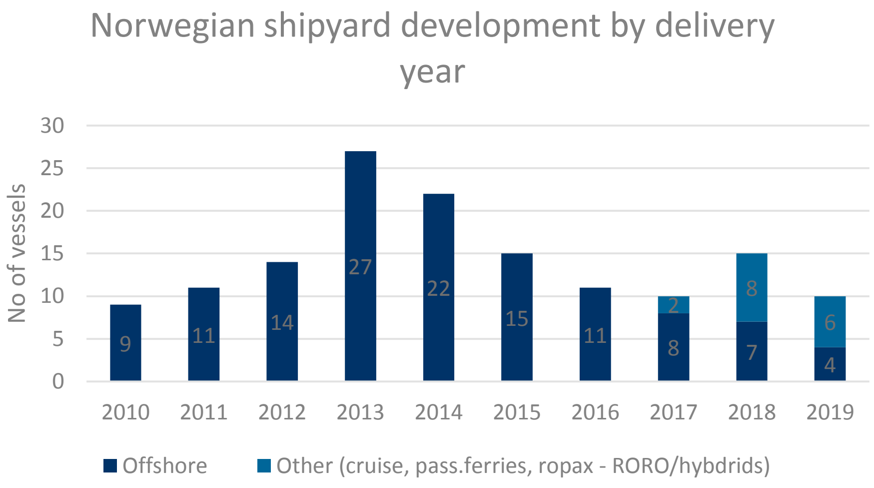
Rig years awarded by region 2014-2017 YTD



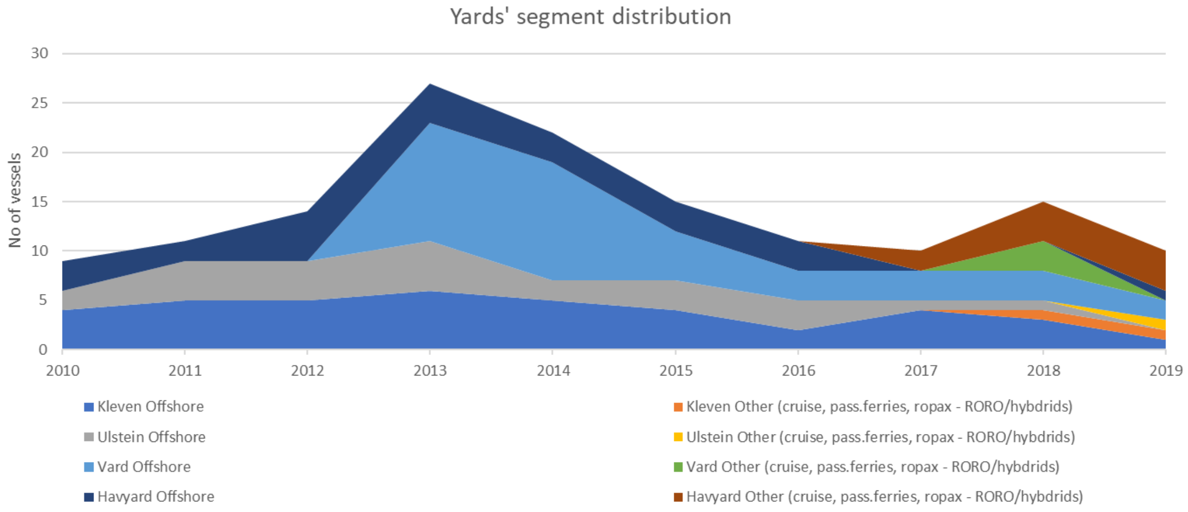
Source: SEB, OBS Petrodata

- Difference in true and apparent supply, as cost of reactivating assets becomes paramount
- Could mean more scrapping and recovery of newbuilding orders than previously thought
- Owners spend less time and cost before cold stacking than before

Norwegian yards



- Offshore industry downturn forcing Norwegian yards to think outside the box
- New business models
- New markets



Source: Yards, Lorentzen & Stemoco

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SVENSK SJÖFART
SWEDISH SHIPOWNERS' ASSOCIATION

Svenska redare reder sig – eller?

Ragnar Johansson
Marthe Lamp Sandvik

Svenska redare reder sig

STOR BESTÄLLARE. De stora rederikoncernerna Stena och Wallenius står för en betydande del av nyinvesteringarna, som totalt värderas till cirka 25 miljarder kronor.

Av KIM LUNDIN
Publicerad: 15 augusti 2017, 21:00

Trots tuffa marknadsförhållanden ökar svenska rederier beställningarna av nya fartyg. Totalt har orderboken svällt till 25 miljarder kronor. Men utflaggningsvågen där allt fler redare flyr svensk flagg fortsätter och på Stockholmsbörsen blåser motvind för rederierna.

Frågor?

Ordförande har ordet

Ragnar Johansson
Ordförande Svensk Sjöfart
VD Svenska Orient Linien

TACK!




SVENSK
SJÖFART
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