ROUGH SEAS AHEAD FOR **SHIPPING INDUSTRY**

The global shipping industry, which is responsible for transporting as much as 90% of world trade, is expected to face challenges over the next 12 to 18 months, including geopolitical uncertainties such as the US-China phase two trade negotiations and the UK-EU and US-EU negotiations, says Moody's Investors Service.

Continued restrictions on the movement of people and some goods also bode ill for the global shipping industry's prospects, the international rating agency says.

Moody's believes that supply is likely to exceed demand significantly in the dry bulk and container segments, with tankers helped by a temporary dislocation in the oil market.

"We expect the supply of new vessels in 2020 to be slightly lower than last year, with further postponements and cancellations likely, but still exceeding the lacklustre demand," it says in a July 7 report.

Not helping matters, global trade is seen to contract 11.9% this year.

The rating agency now expects the aggregate earnings before interest, taxes, depreciation and amortisation (Ebitda) of rated shipping companies to fall by 16% to 18% in 2020, widening from its previous projection of a drop of 6% to 10%.

"Although the introduction of the International Maritime Organization's lower global sulphur cap on marine fuels from Jan 1, 2020 caused less disruption than we expected in the first quarter of 2020, in part because of the recent sharp decline in crude oil prices, the effects of this legislation are still filtering through," says Moody's. The new rules require all shipping operators to use fuel that has less than 0.5% sulphur content mass by mass compared with 3.5% m/m previously.

Meanwhile, according to Allianz Global Corporate & Specialty's latest *Safety and Shipping Review*, the global shipping sector saw the number of reported total shipping losses of vessels over 100 gross tonnage (GT) decline again in 2019 to 41 — the lowest total this century and a fall of close to 70% over 10 years.

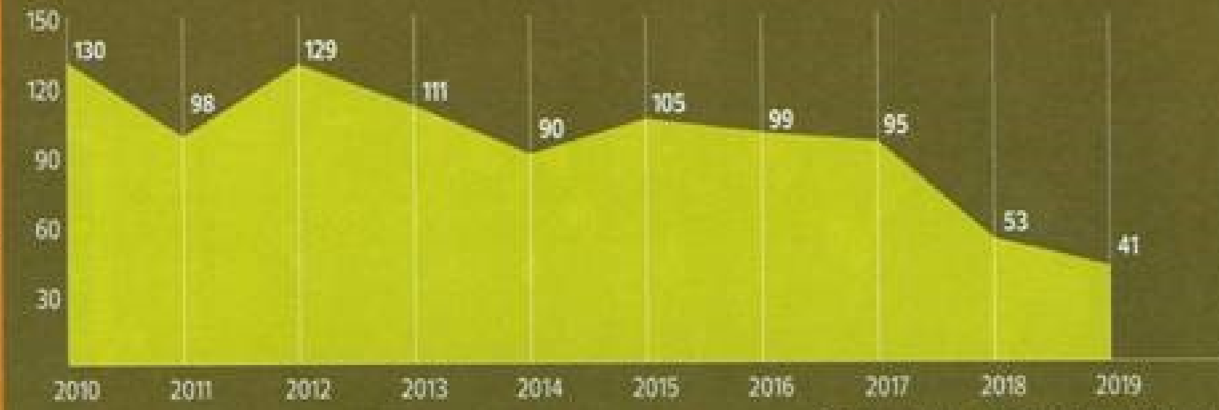
It says improved ship design and technology, stepped-up regulation and risk management advances such as more robust safety management systems and procedures on vessels are some of the factors behind the long-term improvement in losses.

SOURCE: MOODY'S INVESTORS SERVICE AND ALLIANZ GLOBAL CORPORATE & SPECIALTY | COMPILED BY KANG SIEW LI | INFOGRAPHIC BY JOANNE SOO / THE EDGE

TOTAL LOSSES BY YEAR

68% DECLINE OVER A DECADE

Annual shipping losses are now at their lowest total for the 21st century, having fallen from 130 in 2010 to 41 by end-2019



Vessels over 100 gross tonnage only

Source: Lloyd's List Intelligence Casualty Statistics
Data analysis and graphic: Allianz Global Corporate & Specialty

Supply will outstrip demand in the dry bulk and container segments

	DRY BULK (DWT)	CONTAINERS (TEU)	TANKERS (DWT)
Fleet as at Dec 31, 2019 (million DWT, thousand TEU)	890	23,154	509
Fleet as at Dec 31, 2020 (million DWT, thousand TEU)	912	23,372	512
Expected supply growth (%)	3	1	1
Expected demand growth (%)	-4	-12	0
Excess of supply growth over demand growth (%)	7	13	1
Segment views	Negative	Negative	Stable

Source: Drewry Maritime Research and Moody's Investors Service estimates

DWT = deadweight tonnes   TEU = twenty-foot equivalent unit