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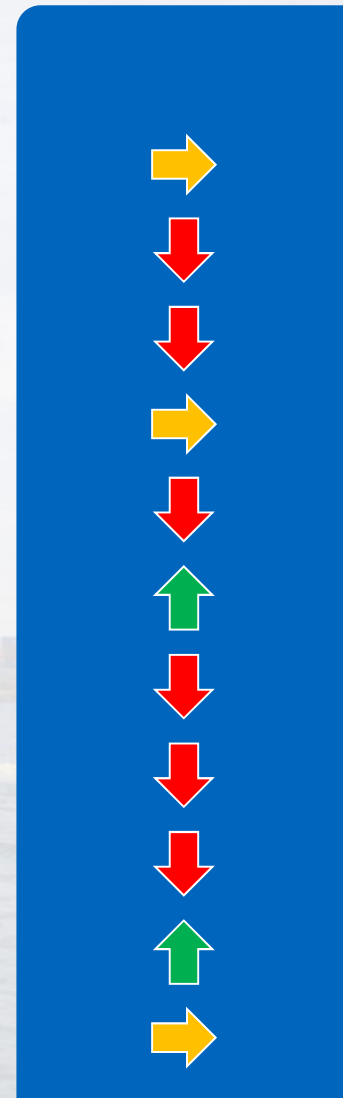
# Shipping: “Quo Vadis?”

SINGAPORE MARITIME FORUM

Presentation | 27 April 2017

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# Growth is slowing in most shipping sub-sectors





## Macro-economic drivers of future trade

Loss of dynamism / new protectionism

Rationalization of global supply chain/ near-shoring

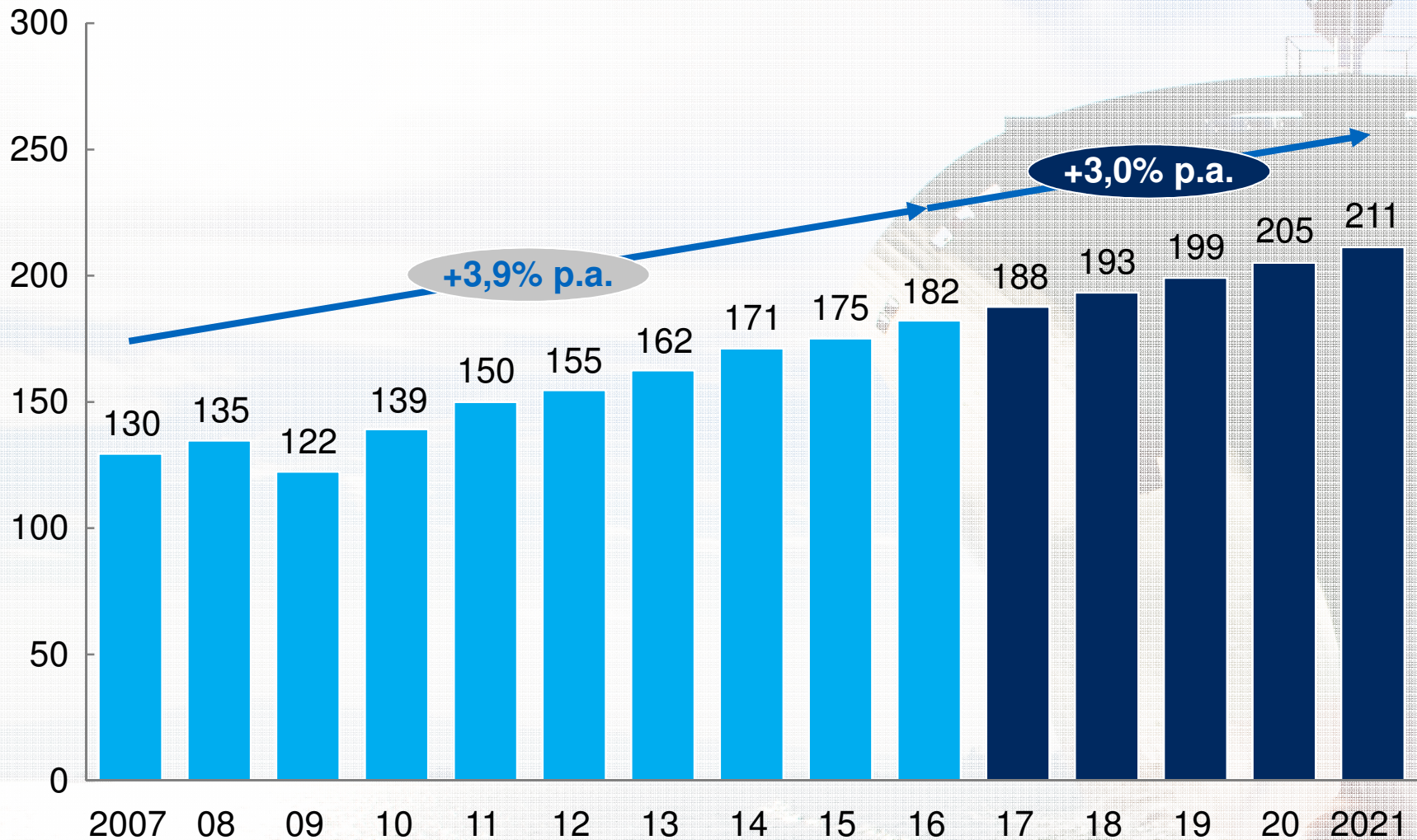
Increase in trade between developing economies (south-to-south trades)

Services flow increase (faster than physical goods) driven by technological innovations

# Container growth remains healthy

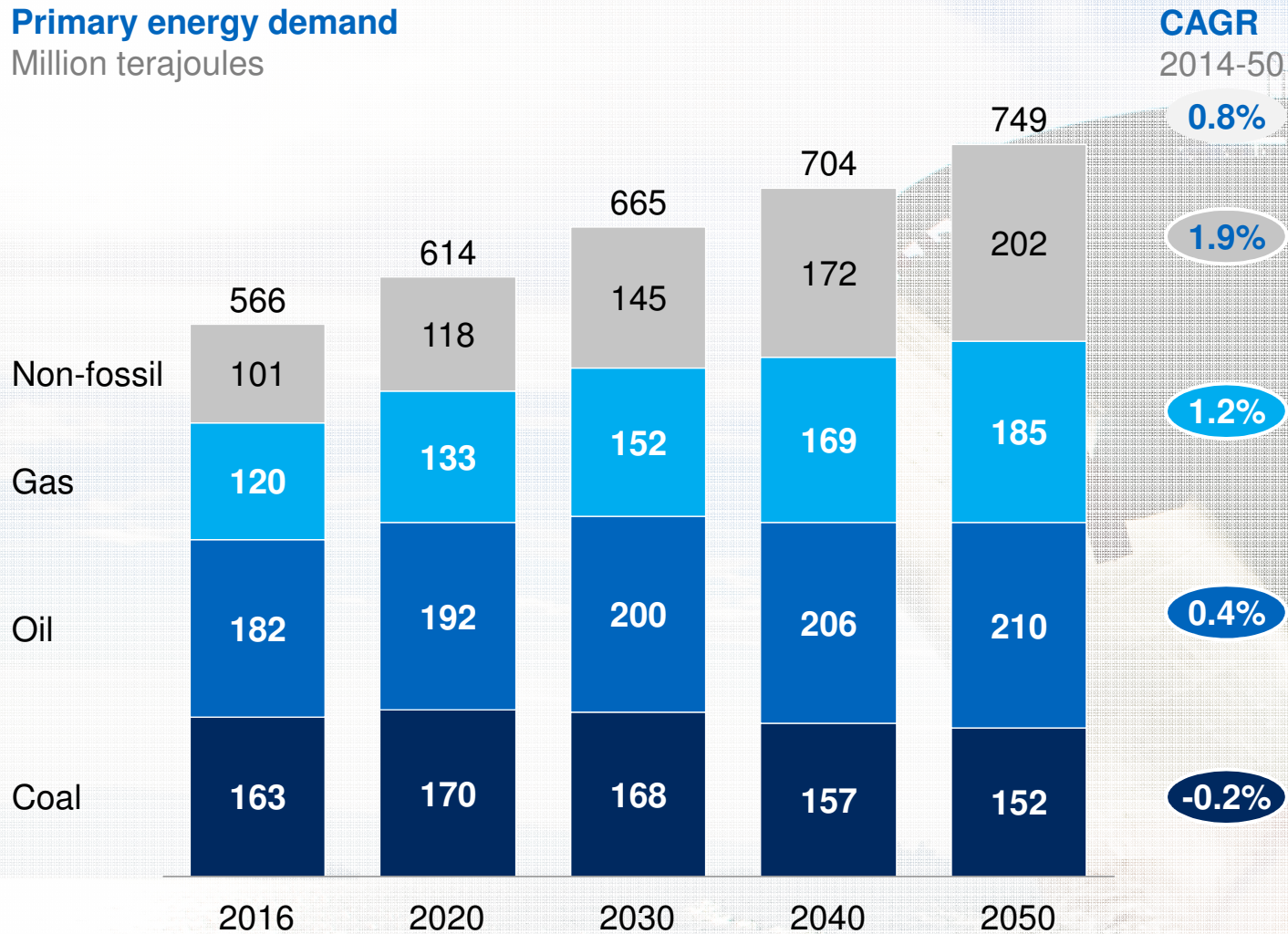
## Container trade volume

Million TEU



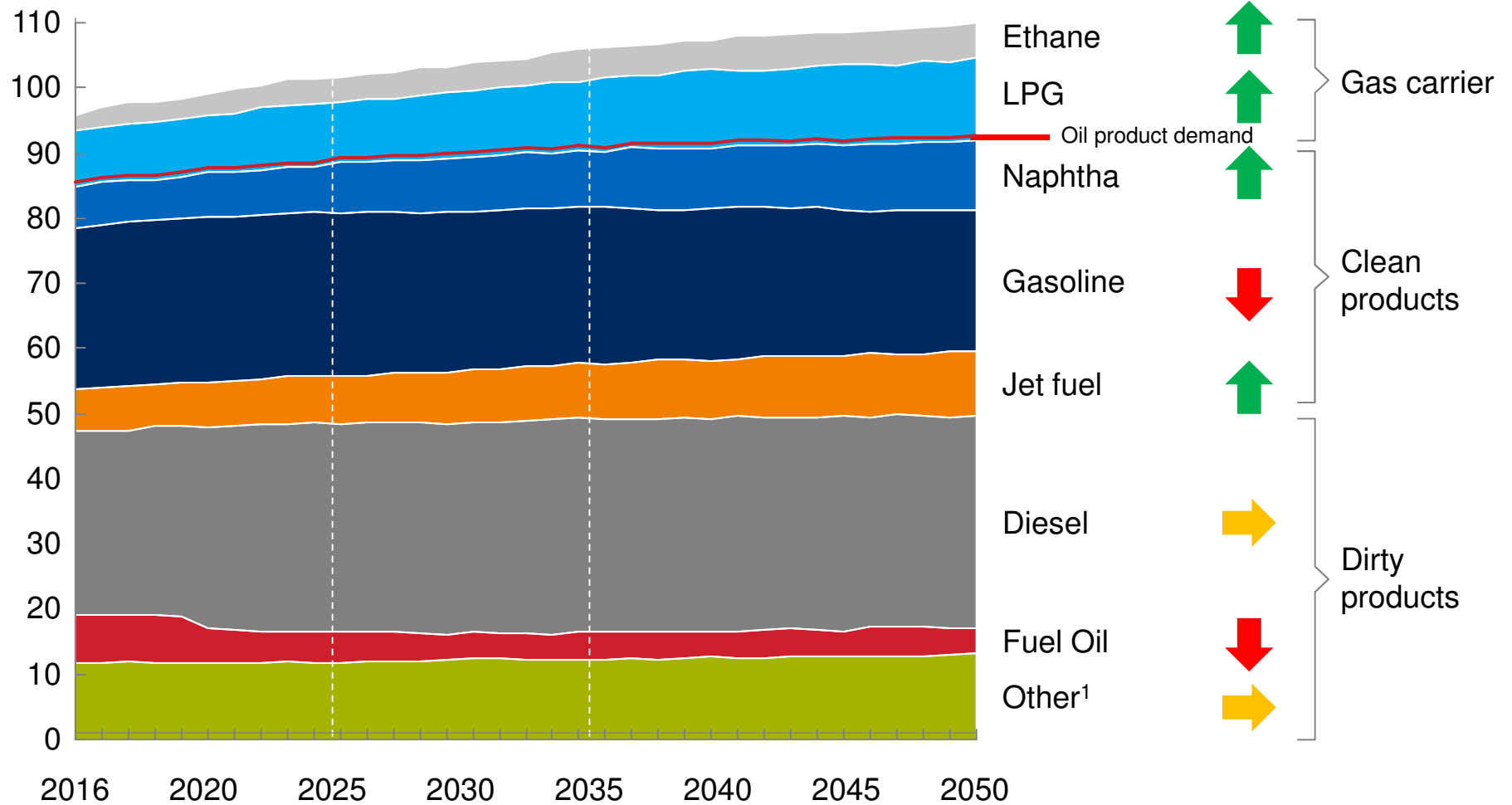
Coal will peak by 2020, oil will slow down and peak around 2050, gas continues to grow

**Primary energy demand**  
Million terajoules



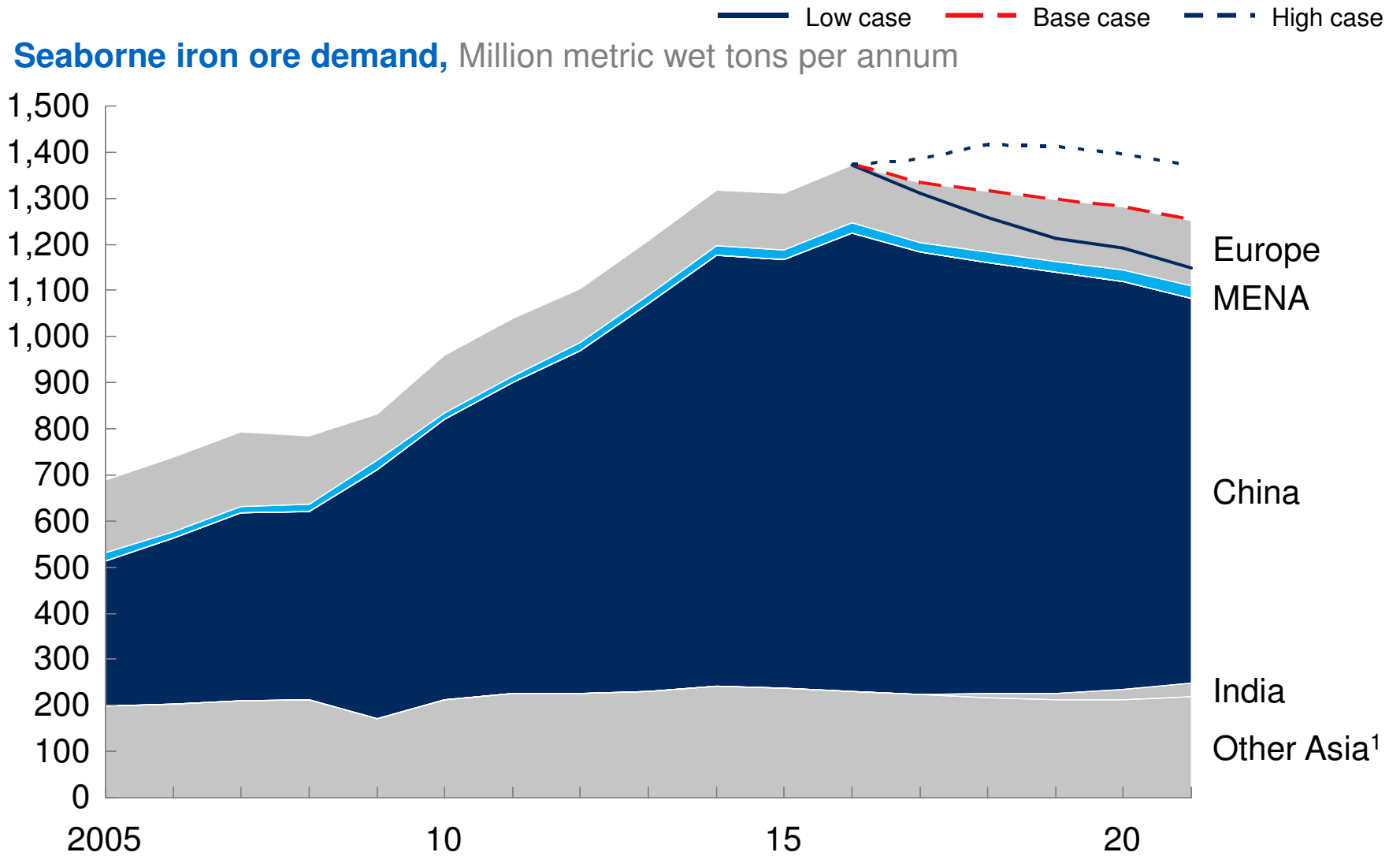
# Oil product demand plateaus after 2020, growth mostly in clean products

**Liquids demand by product**  
Million barrels/days



<sup>1</sup> Other products includes lubricants, bitumen, waxes, pet coke, refinery gas, refinery olefins, white spirit

# Seaborne iron ore demand has peaked in the medium-term



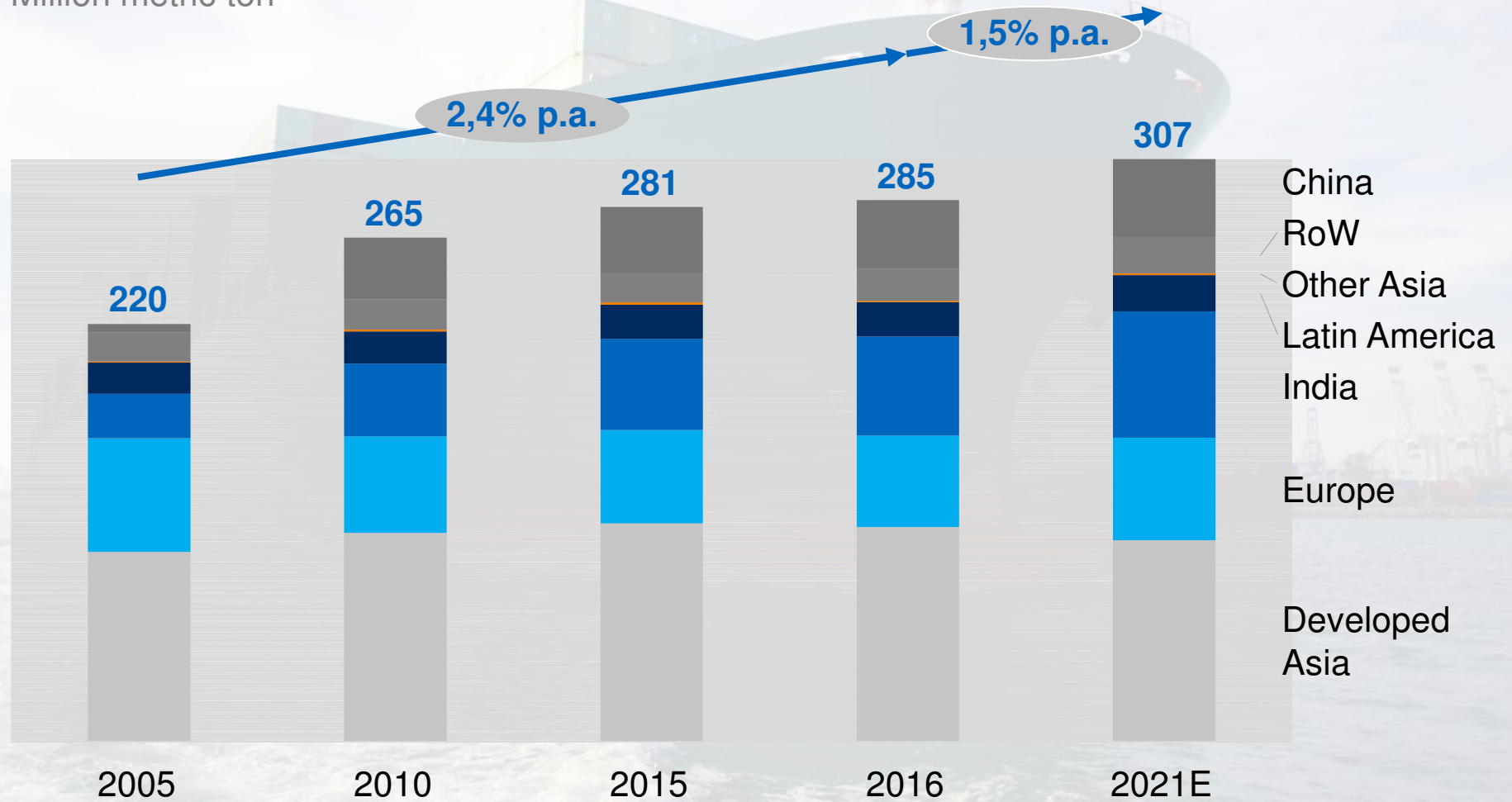
<sup>1</sup> South East Asia and Developed Asia <sup>2</sup> 2015 is estimated and 2016 to 2025 is forecasted

SOURCE: Global steel and raw materials model\_2015Q3; McKinsey iron ore team analysis

# Seaborne coking coal is still predicted to grow modestly driven by India

## Seaborne coking coal demand

Million metric ton

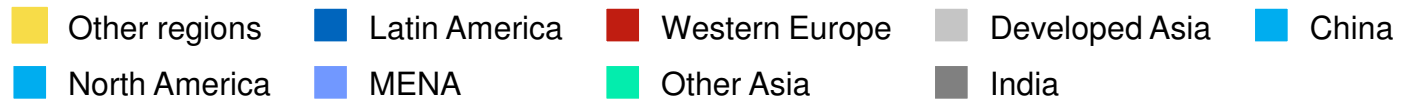


1 Asia share includes China, India, Developed Asia and Other Asia

SOURCE: McKinsey steel raw material demand model

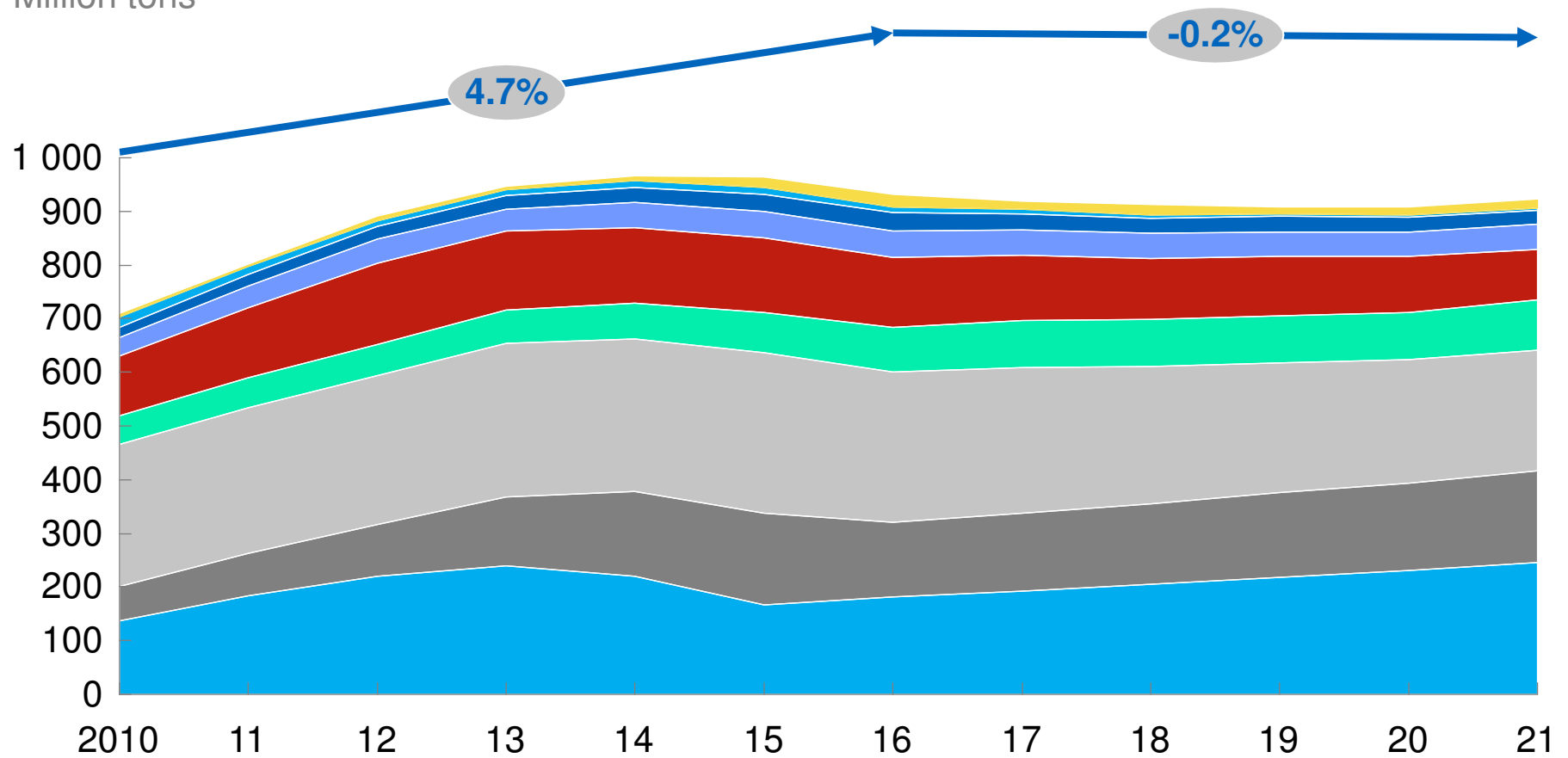


# Seaborne thermal coal remains flat



## Thermal coal seaborne consumption by region

Million tons



Given demand outlook and supply overhang we're cautiously optimistic for certain vessel segments if no extra capacity is ordered

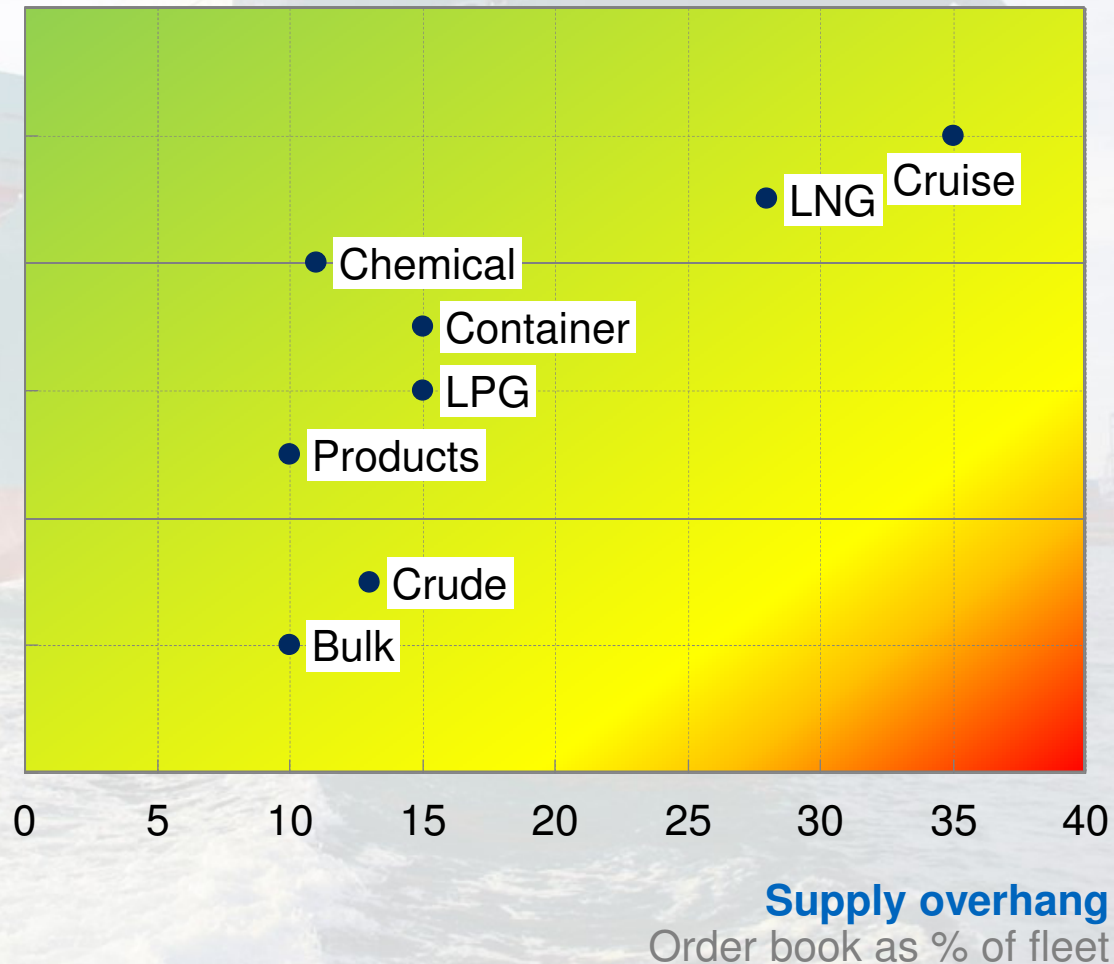
**Medium term demand outlook**  
Relative ranking

good  
bad

**'Good'**  
(high single digit growth)

**'Neutral'**  
(low single digit growth)

**'Bad'**  
(no-growth to decline)

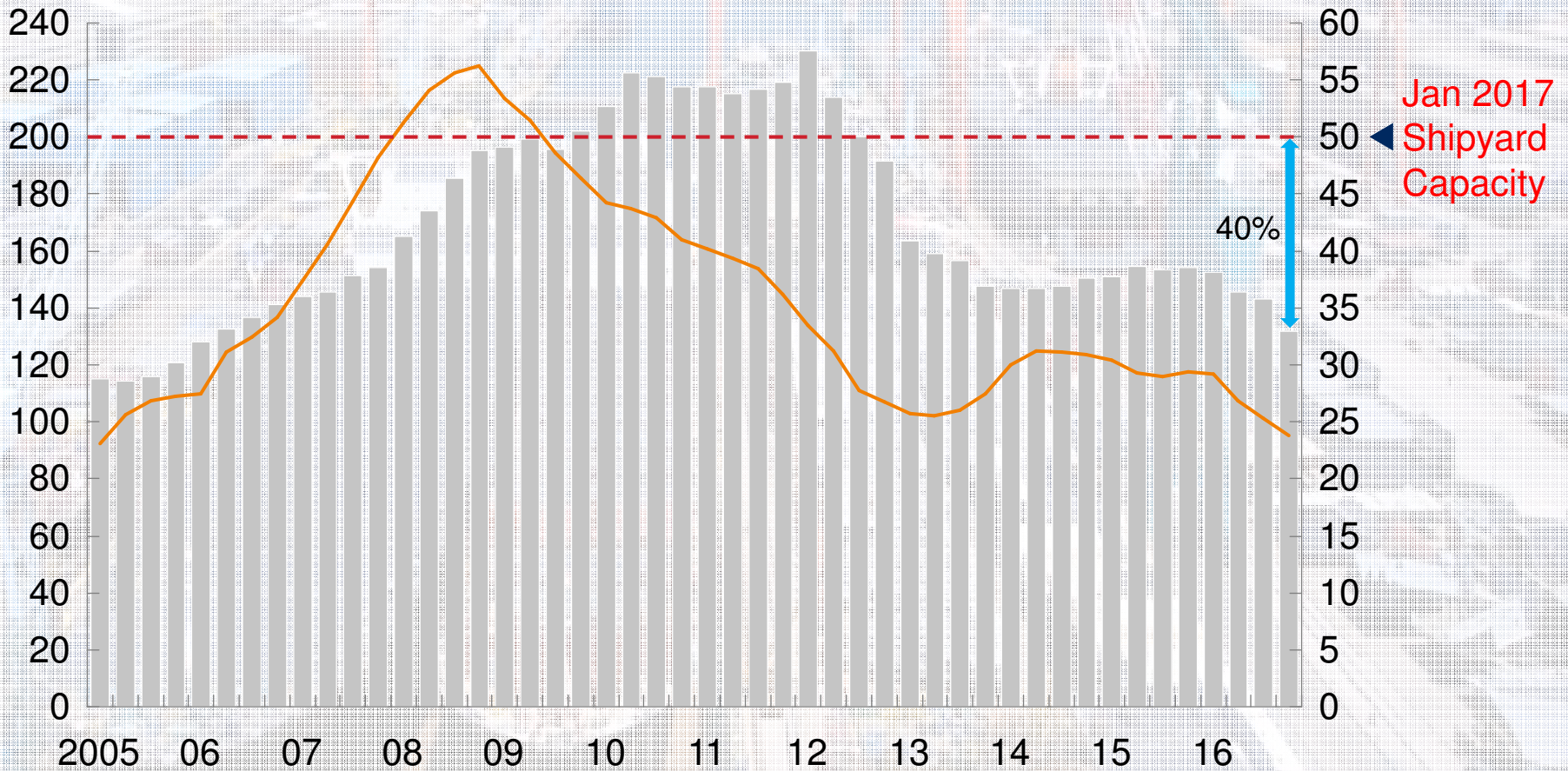


However, shipyards are the white elephant in the room as they aggressively trying to fill their shrinking order books

■ Deliveries<sup>1</sup>    — Order book    ↑ Over capacity

**Orderbook**  
Million CGT

**Deliveries**  
Million CGT



<sup>1</sup> Quarterly deliveries annualized

SOURCE: Clarkson

# Market concentration drives industry profitability

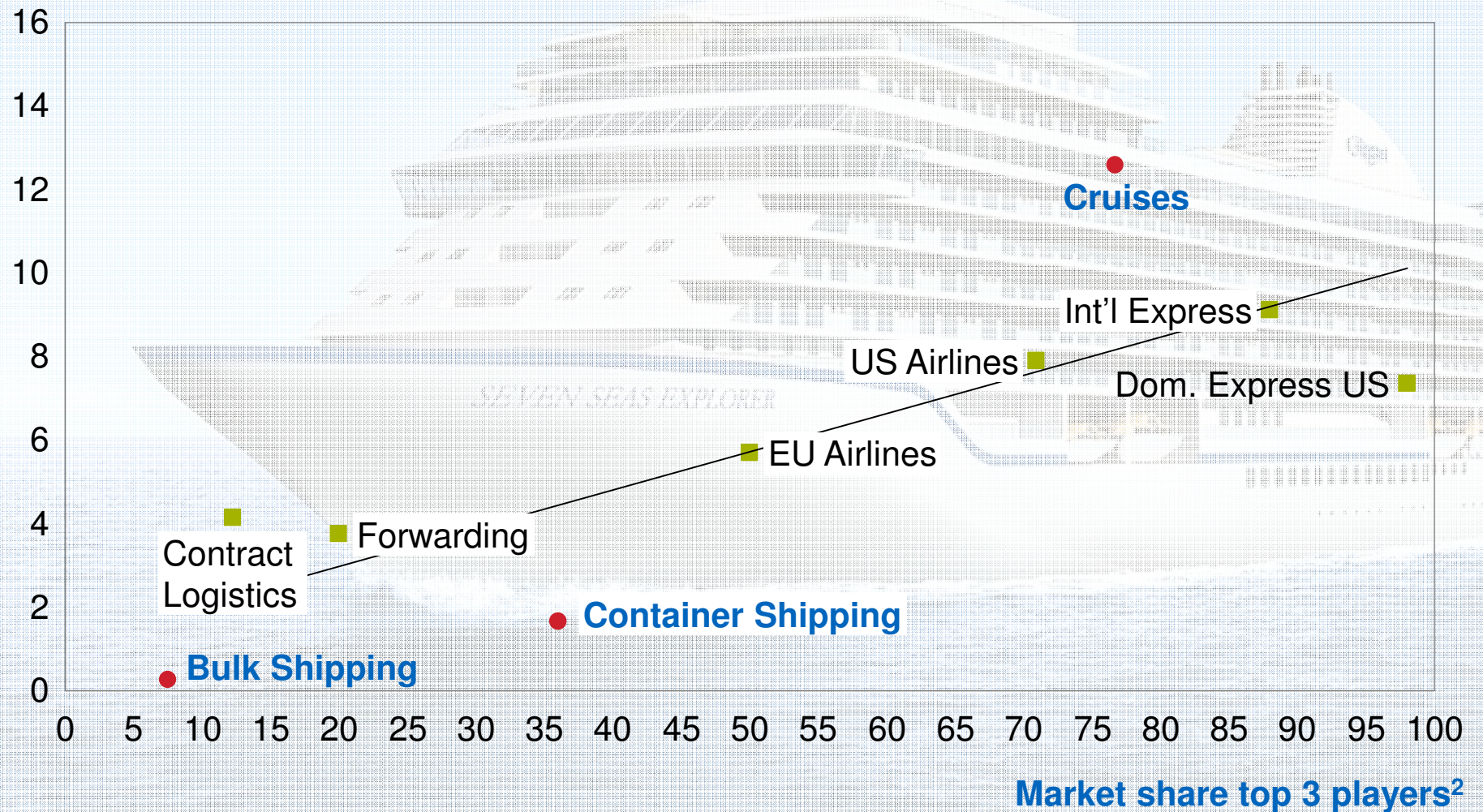
● Shipping

■ Other

ROUGH ESTIMATES

## Cycle-average profitability of Transportation sectors<sup>1</sup>

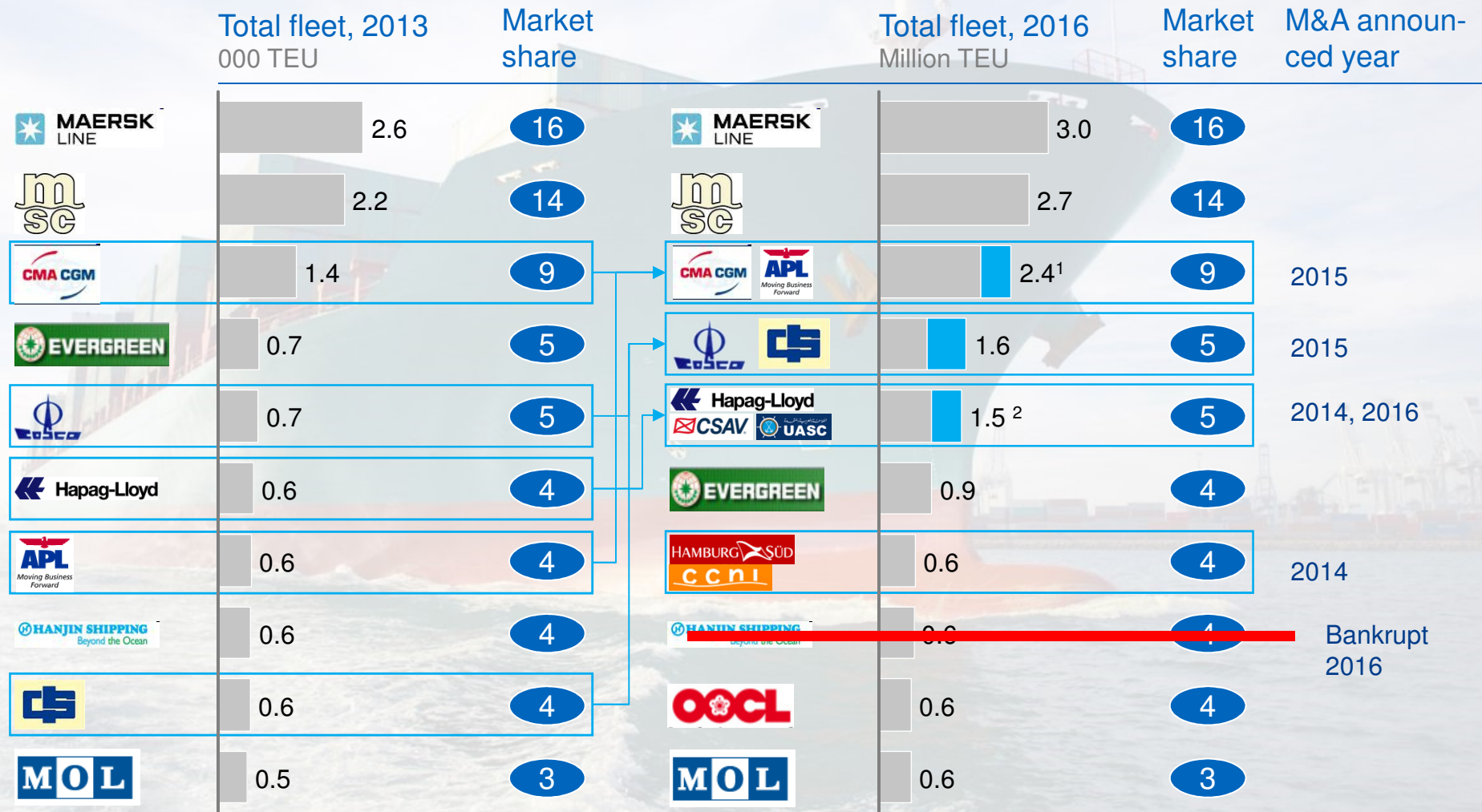
EBIT margin



<sup>1</sup> 2011 to 2015; <sup>2</sup> market share for 2015 except Int'l express for 2014

SOURCE: Transport Intelligence, Drewry, Alphaliner, Bloomberg, company reports, team analysis

# A spate of recent mergers will not be the last



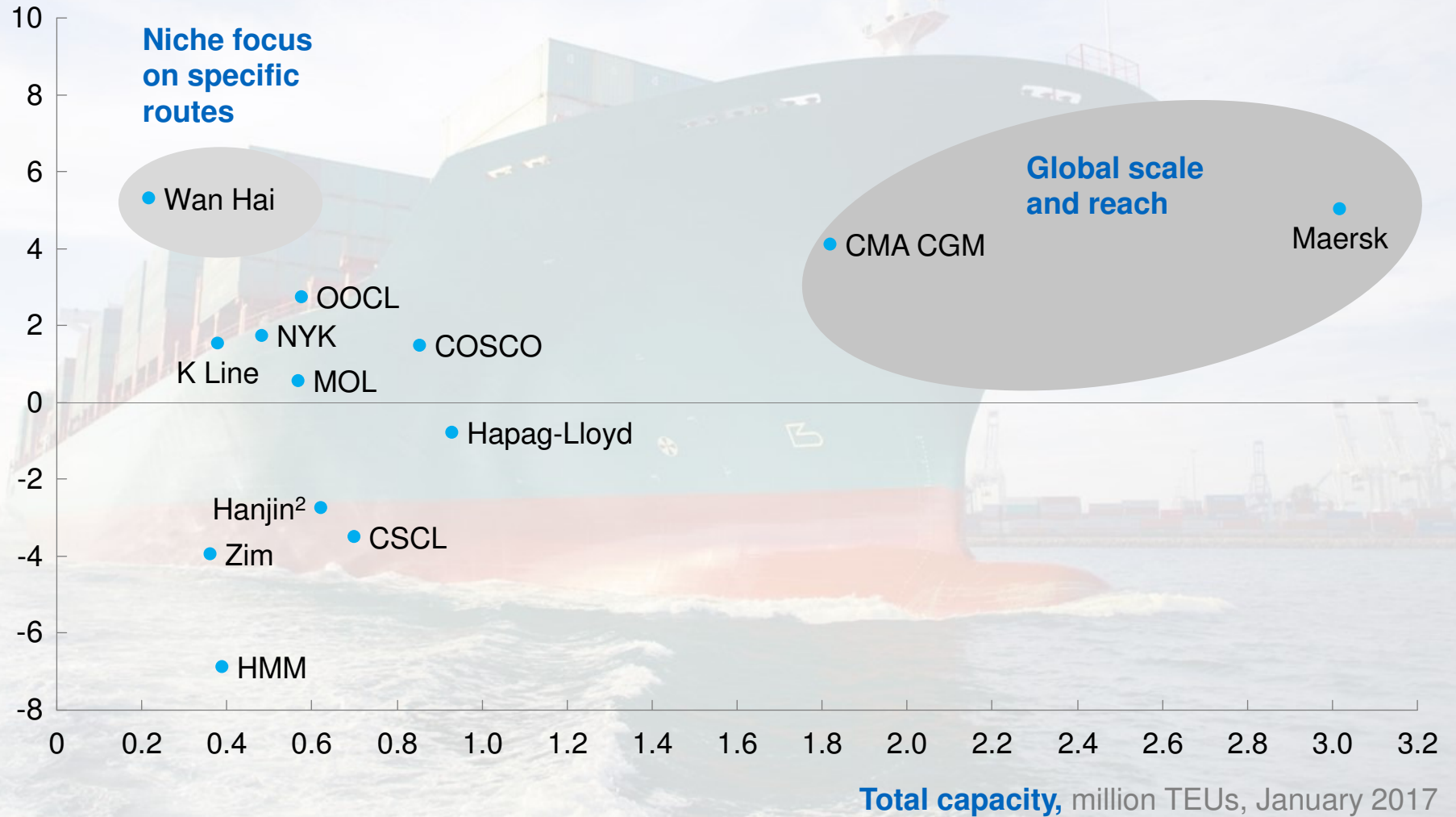
<sup>1</sup> Proposed

<sup>2</sup> HL merger with CSAV has completed, while UASC deal is still waiting for approval

# The largest container shipping companies enjoy higher operating margins

## Average operating profit margin

%, 2012–16<sup>1</sup>



<sup>1</sup> Latest 2016 figures where available

<sup>2</sup> Declared bankrupt in August 2016



Shipping, Quo Vadis?