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STRAIT TALK

Shipping confidence up despite ongoing geopolitical uncertainty

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SINCE 2008, shipping accountant Moore Stephens has produced its insightful quarterly Shipping Confidence Survey. However, back in February a press release announced that the firm had merged with another accountancy group, BDO, and the Moore Stephens name would disappear. So it is now the BDO Shipping Confidence Survey.

Confusingly, I have been invited to the Singapore Shipping Forum 2019, which will consider Current Shipping Developments and Green Shipping, to be held on April 11 at The Westin. According to the invitation, it will be hosted by Moore Stephens LLP and BNP Paribas Singapore as part of the wider Singapore Maritime Week and supported by the Singapore Shipping Association. After some research into the matter, it turns out that the global Moore Stephens network, including Moore Stephens LLP of Singapore and even Moore Stephens UK, is still very much alive and well. However, Moore Stephens LLP, in the UK only, has parted company with the other firms of the same name and is now BDO, which produces the survey.

Whatever the name of the host, the seminar looks like it will be well worth attending. According to the invitation, it aims to provide updates and insights on critical industry and market developments, and provide a platform for shipowners, financiers and other industry players to network and interact. "This year," it says, "being the final year before the IMO 2020 rules take effect, the seminar casts additional spotlight on shipping environment issues, offering insights into the latest regulatory developments, updates on the industry's compliance readiness, and potential financing solutions for the industry to tap on."

But to get back to the survey, it appears confidence in the shipping industry has risen in the last three months despite ongoing geopolitical uncertainty.

The average confidence level rose to 6.2 out of a maximum score of 10.0 in Q1 2019 compared to 6.0 in Q4 2018.

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However, there seems to be a slight touch of jitters in this part of the world. While confidence was up in Europe, from 6.1 to 6.3, and in North America, from 5.2 to 5.6, in Asia, meanwhile, there was a drop in overall confidence levels to 5.8 from the 12-month high of 6.3 recorded in the previous quarter.

Richard Greiner, BDO's shipping & transport partner, commented: "It is encouraging to begin the year with a small uptick in confidence. Despite continuing doubts and fears about trade wars, China's GDP, uncertainty over exchange rates, President Donald Trump's decision-making, Brexit and general political instability in many parts of the world, shipping can still find reasons to be cheerful."

He continued: "Net freight rate sentiment remains positive in all three main tonnage categories, and there is a growing recognition that shipping is emerging from an extremely difficult period as a leaner and greener industry. A number of respondents noted that the financial difficulties faced by many companies in recent years have changed the dynamics of the industry, with an increase in consolidation, restructuring and mergers & acquisitions."

Slightly more controversially, he asserted: "At the same time, there appears to be general recognition that the likes of the IMO 2020 and ballast water management regulations will help rid the industry of poorly maintained tonnage and increase both the viability and the pedigree of the world fleet. This will also appeal to potential investors looking to back environmentally compliant and technologically savvy industries. It seems that the shipping industry must prioritise achieving the benefits of regulatory compliance and technological innovation over the coming years."

Perhaps he is right but we have been looking for a real squeeze on sub-standard tonnage for a long time. Putting a scrubber on a rust bucket won't turn her into a good quality ship.

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