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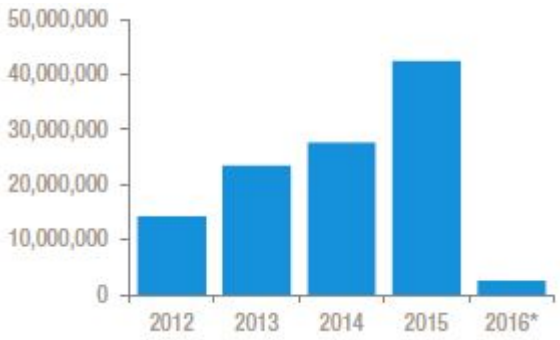
Scanty ordering bodes well for tanker shipping

London, UK, 9 May 2016 – Newbuilding orders of tanker ships have seen a sharp reduction, but the slowing trend needs to be sustained for the longer-term health of the market, according to the latest edition of the *Tanker Forecaster*, published by global shipping consultancy Drewry.

After numerous orders in recent years, newbuilding activity in the tanker market declined sharply in the first quarter of 2016 as only 34 vessels (2.6 million dwt) were ordered during the period, far below the hefty 368 vessels (45 million dwt) ordered in 2015.

Tanker newbuild orders (DWT)



*YTD

Source: Drewry Maritime Research

Challenging conditions in capital markets and tight credit availability from banks have subdued new ordering. Although this will not arrest the strong fleet growth and corresponding decline in freight rates over the next two years, as many vessels are scheduled to be delivered in 2016-17, it bodes well for the future, especially if this is a reflection of cautious ordering by owners.

However, if the current decline is just a breather after the hefty ordering in 2015, when owners increased orders to avoid stringent Tier III regulations for the vessels ordered from 1 January 2016, any increase in ordering in the coming months will hurt the longer-term outlook for the tanker market.

Despite the slowdown in ordering in the first quarter of the year, the total orderbook remains high at 63.7 million dwt, 18.6% of the crude tanker fleet. About 80% of the vessels in the orderbook are scheduled to be delivered in the next two years, and we expect more than 200 crude tankers to be delivered by the end of 2017.

“Newbulding prices declined during the quarter on account of the slowdown in tanker ordering, which coincided with weakness in newbuilding activity in other sectors as well, keeping prices under pressure. If ordering remains weak in the coming quarters, newbuilding prices could soften further,” said Rajesh Verma, Drewry’s lead analyst for tanker shipping.

“The tanker market is expected to be oversupplied in the next two years due to hefty deliveries and relatively slow growth in the crude oil trade. If the slowdown in ordering continues further it will keep fleet growth in check in the later years, which in turn will support tonnage utilisation in the tanker market”, added Verma.

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“Tanker Forecaster" is a quarterly report published by Drewry Maritime Research and is priced at £2,115 for an annual subscription. The report is available from the Drewry website www.drewry.co.uk.

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