

If the downturn can't go on forever, it still has teeth

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Michael Gove might just be right about experts, at least when it comes to shipping

Source: ferdyboy/Shutterstock.com Risky business: Trade wars — not to mention nuclear wars, if Donald Trump and Kim Jong-un cannot sort out their differences — could easily wreck projections for world trade growth.

RICHARD Nixon's economic adviser Herbert Stein will forever be remembered for coming up with the exceedingly wise aphorism, "If something can't go on for ever, then it won't."

I first heard the expression in the far-off days before the global financial crisis, deployed by sundry Cassandras anxious to call BS on the unhinged optimism that prevailed in the early years of this century.

Not even Lloyd's List was exempt from the general hyperbole.

In March 2007, for instance, it ran an article under the headline "Shipping prospects buoyant across board".

It summarised a 100-page report from HSBC, which concluded — and this is a verbatim quote from the bank, not us — that the industry could place "growing confidence in an elevated demand cycle, the shipping equivalent of the commodities super-cycle".

Yeah, right. The last decade has not exactly been like that, has it? It couldn't go on forever, and so it didn't.

But while Stein's Law is a useful corrective in periods of irrational exuberance, it can also be something of a morale booster in dark times. Downturns can't go forever, either.

Some people now say they spy the green shoots of recovery for shipping, not least the mighty Clarksons. That firm's research department is undoubtedly one of the sector's premier intellectual powerhouses, so the proclamation has to be taken seriously.

Sure, there are the usual caveats about the need for caution.

But the overall message of Clarksons' annual results is unmistakable: "This year the shipping market has displayed some early signs of a recovery following a sustained period of challenging trading conditions for the industry."

Wave of optimism

Maritime Strategies International, a London-based research consultancy, is also feeling the joys of spring. While downside risks are still to be seen, "the current wave of optimism evident in the shipping markets remains justified", it tells us.

And for those of us for whom the phrase "the shipping forecast" means more than Radio 4's iconic weather bulletin, there is plenty of such punditry on offer. Let me pick a few examples,

We are assured that 2018 is the year in which car carriers will see volume return to their 2007 peak. Feeder boxships are trading at well above breakeven, with positive expectations, while rapid consolidation could even boost the fortunes of their lacklustre larger cousins.

Dry bulk seems well-starred after last year's dramatic 42% gain for the BDI. Both demand from China and a sharply reduced orderbook feed the good vibes.

Elsewhere in the forest, consolidation, a low orderbook and world economic growth will likely mean "dark grey ink" for heavylift, according to Dynamar.

Tankers? Best not go there.

If the Organisation of the Petroleum Exporting Countries continues to restrict output and the US continues to reduce imports, this year will be as painful as last. As my excellent colleague [Inderpreet Walia](#) reported earlier this week, we are already booking year-to-date lows in deep minus territory.

In terms of the big picture, most projections for world trade growth are pretty encouraging. But trade wars — not to mention nuclear wars, if Donald Trump and Kim Jong-un cannot sort out their differences — could easily wreck that scenario.

But let me leave you with an unkind closing thought.

For a run of several years in the early part of the 2010s, Greek ship finance research house Petrofin used to run an annual survey of top shipping banker sentiment, which included a question on when they foresaw the recovery arising.

These guys, remember, draw substantial pay cheques precisely for their ability to get these things right. And, in the main, they failed miserably.

Back in 2011, for instance, not a single one of them could see the shipping crisis extending beyond 2014. Indeed, almost two-thirds of them thought we'd be done and dusted within two years.

And so on and so on, for several woeful years, until Petrofin stopped asking the question. Read the results for yourself [here](#).

By all means take heart from the fact that the expert consensus for shipping right now is optimistic. But — in the famous last words of pro-Brexit Tory Michael Gove — British people "have had enough of experts". Maybe the shipping industry has, too.