

## Tanker shipping market outlook for H2 2024

**Disruption has built on disruption for the tanker markets generally keeping rates at high levels while newbuilding deliveries remain low.**

[Marcus Hand](#) | Jul 26, 2024

In a five-part series mid-year we take stock of shipping markets in the first six months of the year and look ahead to the remainder of the 2024 with experts Maritime Strategies International (MSI).

In this fourth part the Seatrade Maritime Podcast talks with Tim Smith from MSI about the performance and outlook for the tanker shipping market.

***You can listen to the full interview as a podcast in the player above***

### **The current state of the market**

“Actually, the spot market's been drifting lower a bit over Q2 so we've seen rates coming down from kind of high points around May, towards the end of May, in number of sectors. So overall rate levels remain strong,” Smith tells the Seatrade Maritime Podcast.

### **What is supporting the market?**

In common with other markets the Red Sea crisis and diversions via the Cape of Good Hope have been a contributing factor. Tim notes that the level of diversions varies across different sectors – the LR1 and LR2 product tanker sectors have seen very high levels of diversions while for the [aframax](#) sector it has been less so.

Smith says that the tanker market has had disruption building on disruption, with sanctions against Russia significantly bolstering the market over the last two years, and the cumulative effects have kept markets high.

“When we look at that kind of disruption side...it's difficult to say exactly when that's going to end, particularly in terms of the situation in the Middle East, but there are some kind of mega-themes underlying the market which provide support for underlying utilization and earnings for tankers,” he says.

### **Tanker demand**

“We've seen more and more oil production and exports come from the Americas, both the US and regions in South America as well, and that on the crude side, adds more potential ton mile demand for the sector,” Smith explains.

By contrast OPEC+ has kept production cuts in place, although following a recent a meeting members plan to increase production, however given the scale and timeframe Smith sees the impact as limited.

Increased refining capacity in the Middle East has seen growth in exports in Europe and with much of this diverting via the Cape of Good Hope this has buoyed product tanker demand.

### **Tanker supply**

“This year, in Q1 we saw a burst of [VLCC](#) contracting with around 30 vessels ordered in Q1 2-24 we've seen that continue, perhaps not quite at the same volume. But the current situation for tankers is that we're at multi decade lows in terms of deliveries this year,” Smith says.

“Those vessels being ordered now aren't coming into the system for some time. Meanwhile, the tanker delivery profile is very low, so that supply side is also providing support to the market.”

### **The outlook for H2**

“So, it's a positive outlook for the tanker sector in terms of overall levels. We aren't expecting major gains in terms of the market levels over the second half,” he explains.

“We are expecting something similar to the first half, where spot markets remain volatile, but average levels remain strong, and the period market is also very high in a number of cases.”