Tanker market outlook for 2025

The tanker sector was unexpectedly weak in the fourth quarter of 2024 and faces a growing supply of tonnage and slower demand growth this year.

Marcus Hand, Editor

January 15, 2025

In the fourth part of our shipping market outlook series we are focusing on the tanker sector with Maritime Strategies International (MSI) Analyst Tim Smith. Speaking to the Seatrade Maritime Podcast Smith notes a swing on the supply side with a growing orderbook and 60 million dwt of new tonnage order in 2024.

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

A look back at 2024 and changing market dynamics

Looking back on 2024 Smith says Q4 certainly went against expectations when an improved market is normally expected but there was a deterioration in conditions which was apparent for VLCCs and other sectors such as product tankers.

On the supply side of the equation there is a growing orderbook "It was the second highest year of contracting for the sector around 60 million deadweight ordered," Smith says.

There were also structural changes taking place to the market, in particular in terms of Chinese demand. "2024 actually we saw a real flattening off in terms of Chinese oil demand and that's coming about partly because there are factors impacting such as vehicle electrification. We're seeing very strong sales of electric vehicles in China and also an increasing use of gas in the trucking fleet as well. So, these are factors that are going to be impacting the market for some time."

Related:US sanctions 'unprecedented number' of shadow fleet ships

Expectations for the tanker market in 2025

"Our expectation for 2025 is that tanker market conditions relative to 2024 average levels will drop as a consequence of increasing deliveries as well as normalising demand growth," Smith says.

There is a caveat though and that is "unless we see some other major disruptive event impacting the market, conditions are likely to soften".

Note this interview was conducted prior to the last round of sanctions by the US targeting tankers in the dark fleet and the immediate impact that has had on spot rates

The expected softening of the market is not restricted to 2025 and MSI sees fundamental shifts in demand and supply in the coming years.

"That's our view, not only into 2025 but generally I think the tanker market has seen exceptional demand growth for several years and we are thinking that oil demand itself is going to come under some pressure from China. We don't see those factors as ones that are going to go away. So structurally all demand growth is going to decelerate and trade growth eventually will track that."

There was also weakening of the refining sector in 2024 and softer refining margins are playing into the tanker sector.

Fleet growth to outpace demand

Smith says fleet growth will pick-up in 2025 although levels will not be unmanageable, he also notes there has been very little in the way of scrapping.

“Deliveries are picking up, but we do expect fleet growth to outpaced demand growth in 2025. We probably be looking at somewhere around 2 to 2.5% on fleet growth and 1.5 to 2% for demand growth.”

While the gap between demand and supply is not huge further OPEC cuts or a reversal in Red Sea and Suez Canal diversions could negatively impact the market.

The Trump factor

US President-elect Donald Trump is pro-oil and gas but other factors such as tariffs could come into play as well.

“Donald Trump in his election campaign was very pro-oil production increases and the phrase ‘drill baby drill’ was quoted a number of times,” Smith notes.

“But actually when you listen to some of the producers then in the US Oil producers are more concerned about the impact of for example tariffs that might have on their supply chain which is very cost conscious and shareholder orientated. Those are perhaps the bigger factors in reality that could actually impinge on production.”