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The Danish fleet is growing in leaps and bounds. Between April 2017 and April 2018, the Danish flagged merchant fleet has grown by 25 pct. in size. This corresponds to a growth in gross tonnage by 3.8 million GT in just one year - the largest leap ever for the Danish fleet. By April 2018, 703 ships fly the Danish flag. More than half of these are offshore vessels and specialized vessels - but measured in gross tonnage, the container segment by far accounts for the largest part of the fleet.

The Danish fleet breaks all-time growth record
After years of steady growth in the Danish flagged fleet, the growth almost exploded in 2018. 19.4 million GT was under Danish flag in April 2018, and this is almost four million extra gross tonnage than in April 2017. This is the largest increase in size ever for the Danish flagged fleet.

The major leap in the last year was experienced in the recent six months. This coincides with the abolishment of the Danish ship registration fee and the launch of the Danish government’s plan for growth in the maritime sector. The massive reflagging of vessels to the Danish flag in the first four months of 2018 underlines Denmark’s position as a strong and attractive shipping nation and as a global maritime power hub.

Underpinning the 25 pct. increase in the total size of the fleet in gross tonnage, the number of vessels has experienced a smaller growth amounting to approximately three pct. The fleet now contains 703 ships. Container ships account for the largest segment measured in gross tonnage, followed by tankers. However, measured in number of vessels, offshore and specialized vessels account for the largest segment.
Danish Shipping Exports

Shipping exports recover
Between 2012 and 2015, the exports from the Danish shipping industry were at a stable level at approximately 200 billion DKK. However, in 2016 the exports decreased to 167 billion DKK. This trend was turned around in 2017, thus the exports from the Danish shipping industry increased to 189 billion DKK. The exports from shipping increased by 12.5 pct. in 2017 compared to 2016. Today, the exports from shipping are almost at the same level with the exports between 2012 and 2015.

Because of the increase in the exports, shipping’s share of total Danish exports rose from 16 to 17 pct. in one year. Furthermore, exports from shipping were accountable for 43 pct. of the total Danish exports of services. The increase in exports consolidates shipping as the largest export industry in Denmark.

In 2017 the quarterly exports from Danish shipping outperformed each corresponding quarter in 2016. This confirms that the increase in exports from shipping is steady and not a ‘one-quarter-phenomenon’.

Billion DKK

Shipping is the most global industry
The 2017 export figures show once more that two thirds of the value creation of Danish shipping companies take place outside of the EU. This contrasts with the rest of the Danish export industry where only one third of the exports take place outside the EU.

China and USA are Danish shipping’s largest export markets. In 2017 they grew further in size. As an export market China grew by 15.9 pct. while USA grew by 16.3 pct. As a result, 14 pct. and 9 pct. of the exports from Danish shipping are allocated to China and USA, respectively.
WHAT IS BLUE DENMARK?
The maritime cluster includes all maritime companies and operations in Denmark, including shipping companies. The cluster is referred to as Blue Denmark. It accounts for approximately 25 pct. of total Danish exports.

Employment in Danish Shipping Sector

<table>
<thead>
<tr>
<th>Year</th>
<th>Danish seafarers</th>
<th>EU seafarers</th>
<th>Seafarers of other nationalities</th>
<th>Land-based employment in Denmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>5,935</td>
<td>6,112</td>
<td>6,237</td>
<td>6,157</td>
</tr>
<tr>
<td>2015</td>
<td>6,689</td>
<td>6,250</td>
<td>7,316</td>
<td>6,516</td>
</tr>
<tr>
<td>2016</td>
<td>2,638</td>
<td>3,211</td>
<td>2,662</td>
<td>2,642</td>
</tr>
<tr>
<td>2017</td>
<td>7,786</td>
<td>7,648</td>
<td>7,783</td>
<td>7,635</td>
</tr>
<tr>
<td>2018</td>
<td>7,783</td>
<td>7,640</td>
<td>7,640</td>
<td>7,635</td>
</tr>
</tbody>
</table>

Source: Danish Shipping

Seafarers' nationalities in Danish Shipping Sector

The number of seafarers remains at status quo...
As shown in the figure above, the number of seafarers in Danish shipping companies has remained at status quo for four consecutive years. In 2018, the total number of seafarers at sea employed in Danish shipping companies rose by eight seafarers. The number of total seafarers and Danish seafarers has been constant throughout the range of years despite fluctuating conjunctures for the shipping segments. The same goes for the ratio of Danish, international and EU seafarers, which remains at the same level. The largest fluctuation is observed with regard to the land-based employment.

... But Danish shipping companies strive to strengthen the pipeline of Danish seafarers
In 2017, Danish Shipping presented a new strategy for the years 2018-2021 with the headline: “Ahead of the curve”. Here, the shipping companies have agreed on an ambition not only to ensure growth in the Danish fleet by 10 pct. in 2022, but also to increase the number of land-based employees to 7,000 persons and at least retain the number of Danish seafarers.

With almost no unemployment for Danish seafarers, it is necessary to strengthen the pipeline of Danish seafarers in the years to come. In January 2018, the Danish government presented the plan for maritime growth. Here, it was agreed to perform a future proving and reality check of the maritime educations. Furthermore, the government declared support to the ambitious proposal from Danish Shipping to ensure a guarantee for 350 cadet positions for seafarers.

Shipping is vital to cities and rural districts
According to figures from Danish Shipping, 98 pct. of the Danish controlled tonnage is operated from Copenhagen and Hellerup, a suburb to Copenhagen. This contributes to the industry perception that the Copenhagen cluster remains a large and attractive hub for shipping companies. In recent years, even more shipping companies have established themselves in Copenhagen – strengthening the maritime cluster and creating jobs.

However, shipping companies deliver a solid and valuable imprint in the Danish rural districts as well. In 2017, Danish Shipping was appointed to the Maritime Strategy Team for “businesses and professions with large volume in rural districts”. One of the reasons for this is the recent analyses that have identified the rural footprint of Danish shipping companies. By 2017, two thirds of all Danish seafarers live in peripheral and rural municipalities of Denmark. Thus, the maritime employment in rural areas is very dependent on good framework conditions for the shipping companies, whose offices are to a large extent situated in Copenhagen.

Seafarers Over-represented in the Peripheral and Rural Municipalities

34% Percentage of seafarers living in the 46 peripheral and rural municipalities
66% Percentage of adults living in the 46 peripheral and rural municipalities

Source: Danish Shipping
Danish shipping companies are concerned for qualified labour, but believe growth in revenue is sustainable

The supply of qualified labour is a concern to Danish shipping companies. As shown in the figure below, Danish shipping companies concern about the shortage of qualified labour is increasing. In other words, it is still more difficult for the shipping companies to recruit employees.

However, the Danish shipping companies believe the increase in exports from Danish shipping is sustainable and will continue next year. This is expressed by the Danish shipping companies' expectations to future revenue.

Danish Shipping has asked CEOs from the Danish shipping industry about their expectations to revenue for the next 12 months compared to today. As indicated in the figure below, the CEOs have raised their expectations each time they have been asked during the last 18 months. Thus, the representatives' expectations confirm the positive trends surrounding Danish shipping during the last 18 months. Furthermore, it shows that the increase in value creation by the shipping industry is viable and is likely to develop in an even more positive way in 2018.

The CEOs' increased confidence in the market is not without legitimacy. As shown on page 16 and 17 in this report, the world trade and economy improved in 2017 and are estimated to increase even further next year.

Furthermore, in a wide range of shipping segments the freight rates have improved during the last 12 months, which is shown on page 18 to 21 in this report. Therefore, both numbers and the CEOs' expectations indicate a positive 2018 for Danish shipping.

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**Expectation of Revenue**

<table>
<thead>
<tr>
<th>Month</th>
<th>2016</th>
<th>2017</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>November</td>
<td>5.8</td>
<td>6.3</td>
<td>6.6</td>
<td>6.9</td>
</tr>
<tr>
<td>June</td>
<td>5.3</td>
<td>4.6</td>
<td>4.9</td>
<td>4.2</td>
</tr>
</tbody>
</table>

Source: Danish Shipping

Participants were asked to respond on a scale from 0-10, where 0 is significantly negative expectations, and 10 are significantly positive expectations.
In just one year, Denmark has advanced from number eight to number six on the global list of operator nations. Denmark is now ahead of both Germany and South Korea – and only 1.5 million GT away from the global top five.

Denmark moves up the list of global operator nations
Operated tonnage indicates how much tonnage is commercially controlled from the respective countries - thus making the list quite different from the list of flag states. A vessel can often be controlled from one country, while flying the flag of another country. By April 2018, almost 63 million GT are commercially operated from Denmark. This is an increase of more than 10 pct. since the beginning of 2017.

This has resulted in Denmark outperforming both South Korea and Germany, thus bringing Denmark very close to the global top five. However, there is a significant gap between Singapore at the global top four and place number five and six where the United States and Denmark are located. Currently, Denmark and the United States are almost 40 million GT behind Singapore at number four, who also experiences rapid growth in total operated tonnage.

Denmark is not the only country to move up the list within recent months. Since the last publication of Facts & Figures in the fourth quarter of 2017 - Hong Kong has also switched position with the United Kingdom in the bottom of the top ten list.

In the top of the list, there is no change in positions between the largest operator nations. Greece, Japan, China and Singapore are all expanding as operator nations, while the United States is losing ground.

Source: IHS/SEAWEB
The Danish flag grows more than any other EU flag
The last six months, the Danish flag has grown by almost four million GT. This is more than any other EU flag. In October 2017, Denmark left the UK and Italy behind on the list, and since then, Denmark has expanded the gap. Despite moving closer to Cyprus on the third place among EU flag states, Denmark is still on the fourth place in the EU, far from both Malta and Greece in the top. Among the major EU flag states there is almost status quo within the last six months. Apart from the massive growth in the Danish flag, also the Maltese register and the Portuguese (MAR) register are growing at a steady pace.

... which improves Denmark’s position among global flag states
The growth in the Danish flag means that Denmark is now number 12 among global flag states measured by gross tonnage, while being number 13 just six months ago. Denmark has moved ahead of Indonesia, but Denmark still has more than three million GT up to Cyprus on place number 11. In the global top ten, there have been no major changes in the last six months. Just like previous years, Panama, Marshall Islands and Liberia comprise the global top three. However, when counting the number of vessels instead of GT, China and Japan surpass both Marshall Islands and Liberia in the global top three.
As expected the world trade expanded faster than the global economy in 2017. However, the pace of the growth in both global trade and economy was a positive surprise. As a global industry, shipping loads and unloads goods all over the world and to all kind of economies. The developments in both trade and economic activity are extremely positive for shipping.

The growth in world trade once again exceeds the economic growth
World trade expanded faster than the economic growth in the past couple of decades. This changed in 2015 and 2016 where the economic growth outpaced the growth in global trade.

This had a negative impact on the shipping industry as 80 pct. of global trade by volume are seaborne, according to United Conference on Trade and Development, UNCTAD. However, in 2017 the growth in global trade once again outpaced the growth in the global economy.

In 2017 the global growth was the strongest since 2011 and 0.5 pct. points more than in 2016. The strong growth was driven by advanced as well as emerging markets and developing economies. Further, an increase in global investments are an important driver to the economic growth.

The real growth rate in global trade was 5 pct. in 2017. This is a result of an improved investment rate in emerging markets and developing economies as well as an increase in exports and imports in a range of advanced economics. Furthermore, forecasts predict an even stronger 2018 where growth rates in both global economy and trade will increase compared to 2017.

Even though 40 pct. of goods are loaded, and 61 pct. of goods are unloaded in Asia, the shipping industry loads and unloads goods all over the world, thus the strong global growth in trade as well as in economy is very positive for the industry.
Shipping Markets

Difficult environment for the tanker market
The past year has been tough on the tanker market and in January 2018 the time charter rates for the average product tanker were at 9,336 USD/day which has only been lower in July 2017 during the last four years. Further more, the yearly average time charter rate has now decreased for three consecutive years. The distressed tanker market should be seen in the light of a period between 2014 and 2016 where the time charter rates rose to a level not seen since before the financial crisis.

The upswing in time charter rates between 2014 and 2016 was driven by a global low oil price. As a result, stocks of oil were built in this period which still affect the tanker market negatively in 2018. On a positive note, the stocks are being reduced, while fewer tanker vessels are built which is beginning to shape a more balanced market.

Dry cargo market stabilizes
During the last 10 to 15 years the time charter rates have fluctuated a lot - of course peaking just before the financial crisis and dipping at the financial crisis. However, in the last couple of years the time charter rates for dry cargo have stabilized at around index 1,000 at the Baltic Dry Index, which is still well below the level before the financial crisis where it reached over 10,000 at the Baltic Dry Index.

In other words, the dry cargo segment is beginning to stabilize at a reasonable level. This can be the first sign of a more equal relationship between demand and supply in the market. In addition, the increase in global investments can have a positive effect on dry cargo as well.

Therefore, it is expected that the global circumstances will continue to influence the dry cargo market positively.

WHAT IS BALTIC DRY INDEX?
The Baltic Dry Index is an average of time charter rates in four dry bulk segments: Capesize, panamax, handymax and handy-size.

As such, the BDI can be considered as an indicator for future economic activity. The BDI was indexed at 1,000 at its introduction in January 1985.
Clarksons Average Containership Earnings

Time charter rates for container-ship continues to increase

In two years the time charter rates have increased by 45 pct. Thus, the time charter rates for containership were at 8,545 USD/day in January 2018, which is the highest level since July 2015. Even though the market for containerized goods are experiencing an increase in time charter rates, one should keep in mind that the rates are still less than a third of the rates before the financial crisis, and there is still an overcapacity in the market.

Nevertheless, global economic conditions are improving and growth in global seaborne container trade is projected to remain firm at around five pct. in 2018.

Ro-Ro 3,500-4,000 lane m. 1 Year Timecharter Rate

Strong time charter rates in the Ro-Ro market

As shown in above graph, the Ro-Ro market has experienced some impressive growth in the time charter rates the last four years. Since 2014, time charter rates for Ro-Ro vessels have increased by approximately 73 pct. Even though the time charter rates have decreased slightly the last six months, the overall impression is a market with steady time charter rates at a high level compared to a few years ago.

WHAT IS A RO-RO?

Roll-on/roll-off (Ro-Ro) ships are vessels designed to carry wheeled cargo, that is driven on and off the ship.
Ship Building and Recycling

A great part of the world fleet is built in Asia. When it comes to recycling of commercial vessels South Asia is a dominant region. Thus, 78 pct. of vessel recycling took place in Southeast Asia and 86 pct. of new buildings were built in Asia in 2017. Countries like China, Japan and Korea are great new building nations while a large share of recycling of vessels are taking place in India, Pakistan and Bangladesh.

New building countries
In 2017, China, Japan and Korea accounted for approximately 86 pct. of all vessel new buildings where China was the largest new building country in the world. Thus, China were building 41 pct. of all vessels build in 2017.

The three countries’ share of global new buildings has slightly decreased compared to 2016, but they are still by far the primary ship building countries. While bulk carriers mostly are built in Japan and China, Korea is specialized in building tanker vessels. Containerships are primarily built in China. Japan and Korea are however building this type of vessels as well.

Recycling
South Asia is known for its recycling industry. 31 pct. of vessel recycling is taking place in Bangladesh while India and Pakistan follow at respective-ly 28 pct. and 19 pct. Thus, more than 78 pct. of the world fleet is recycled in this region. However, in 2017 recycling of vessels decreased by 37 pct. compared to 2016. During the last couple of years, especially some Indian facilities have improved safety and environmental standards which is promising for future sustainable recycling.

While the amount of recycling of bulk carriers and containership has been rather stable in the last couple of years, the number of recycled tanker vessels has strongly increased in the last 12 months. The in-crease in recycling of tanker vessels is a result of the decrease in the time charter rates in the tanker market.

Danish-operated fleet is also built in Asia
Looking at the Danish fleet measured by operated tonnage, it becomes evident that China, South Korea and Japan remain the largest ship building countries of ships operated from Denmark. Almost half of the ships are built in South Korea, whereas 17 pct. of the ships are built in China and 15 pct. in Japan. Almost 80 pct. of the Danish fleet will thus be built in these three countries. 10 pct. of the gross tonnage in the current Danish-operated fleet is, however, still built in Denmark.

Danish merchant fleet
Denmark is ranked number 11th among countries with the largest pipeline of new buildings. As of April 2018, the Danish shipping companies have 87 ships on order. Measured in tonnage, Japan, Korea and China are the largest suppliers of vessels to Danish shipping companies. Thus, 80.5 pct. of all upcoming Danish vessels are built in these three countries.

Especially China is a popular shipbuilding hub for Danish shipping companies and more than 71 pct. of the Danish new building orders are placed here. Of existing vessels operated by Danish shipping companies almost half were built in South Korea while roughly 9 pct. were built in Denmark.

86% of new vessels were built in China, Korea or Japan in 2016.

Source: IHS/SEAWEB