Dry Bulk Market Overview & Outlook
Q3 2022
Niels Rasmussen
Chief Shipping Analyst
Webinar
13 September 2022
Agenda

1. Recent developments
2. Demand drivers
3. Supply outlook
4. Conclusions
1. Recent Developments
2. Demand Drivers
3. Supply Outlook
4. Conclusions
Rates & Prices
Weakening demand and lower congestion hurts Capesizes

**Freight rates**
- Baltic Dry Index

**Time charter rates**
- Time charter rate index (1-year period)

**Asset prices**
- Newbuilding price index
- Second-hand (5-yr old)/newbuilding price ratio

Source: Baltic Exchange, BIMCO, Clarkson Shipping Intelligence Network
Demand
Tonne day demand slips below 2021 levels as congestion eases

Deadweight tonne miles

2021 2022

Deadweight tonne days

2021 2022

Source: Signal Ocean
Key Demand Contributors
The loss of Ukrainian grain caused volumes to slump

Major bulk exports, departure date
- Iron Ore
- Coal
- Grains

Shipments from key exporters, departure date
- Australia
- Brazil
- Indonesia

Shipments to key importers, arrival date
- China
- European Union
- Japan

Source: BIMCO, Oceanbolt
1. Recent Developments

2. Demand Drivers

3. Supply Outlook

4. Conclusions
World Economy

Tightening of monetary policy is cutting back economic growth

Key importers GDP forecast, y/y

<table>
<thead>
<tr>
<th>Country</th>
<th>2022</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>3.3%</td>
<td>4.6%</td>
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<tr>
<td>Euro Area</td>
<td>2.6%</td>
<td></td>
</tr>
<tr>
<td>India</td>
<td></td>
<td>6.1%</td>
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<tr>
<td>Japan</td>
<td>1.7%</td>
<td>1.7%</td>
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</table>

World GDP forecast

Source: IMF

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Source: IMF

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Russia/Ukraine
Shipments rebound in Q3 despite lower Black Sea activity

Deadweight tonne miles out of Russia & Ukraine by region, ytd

- Pacific: 11.4%
- Arctic: 6.2%
- Baltic Sea: 4.4%
- Black Sea: -31.3%

Source: Signal Ocean

Deadweight tonne days out of Russia & Ukraine

2021: 2022:
Jan: 40 - 35
Mar: 35 - 30
May: 30 - 25
Jun: 25 - 20
Aug: 25 - 20
Oct: 20 - 15
Dec: 15 - 10

Source: Signal Ocean

Deadweight tonne miles out of Russia & Ukraine

2021: 2022:
Jan: 6 - 5
Mar: 5 - 4
May: 4 - 3
Jun: 3 - 2
Aug: 2 - 1
Oct: 1 - 0
Dec: 0 - -1

Source: Signal Ocean
Commodity Prices
Russia-Ukraine grain deal curbs rising grain prices

Source: World Bank
Iron Ore and Steel
Demand remains weak in key iron ore importers

Crude steel production vs April demand forecast
- World: -5.4%
- China: -6.4%
- Japan: -4.9%
- South Korea: -3.4%

Local government special purpose bonds in China
- New issues (until the end of Jul-22): 2019: 2.2%, 2020: 1.0%, 2021: 1.0%, 2022: 1.1%

Source: World Steel Association, China's ministry of finance

Crude steel production vs April demand forecast

Source: World Steel Association
Coal

EU coal ban is boosting average haul

Global coal consumption, tonnes b

- China
- India
- EU
- Rest of World

EU seaborne coal imports since the start of the war in tonnes (arrow width), Mar-Aug y/y

Source: IEA Coal Market Update July 2022

Source: Oceanbolt

Dry Bulk Market Overview and Outlook
Grains

Large wheat harvest in Russia helps cover Ukraine’s drop in exports

**Wheat exports, tonnes m**
- Russia
- EU
- Canada
- US
- Ukraine
- Others

**Maize exports, tonnes m**
- US
- Brazil
- Argentina
- Ukraine
- Others

**Soybean exports, tonnes m**
- Brazil
- US
- Others

Source: USDA Grain World Markets and Trade

Source: USDA Oilseed World Markets and Trade
Minor bulks
Weakening container rates will increase competition for minor bulks

Bulk exports in tonnes, Jan-Aug y/y

- Iron ore: -0.5%
- Coal: 3.3%
- Grains: -3.0%
- Minor bulks: 4.8%

Minor bulk exports in tonnes, Jan-Aug y/y

- Fertilizers: -2.7%
- Ores: -1.0%
- Aggregates: 8.6%
- Steel: 4.4%
- Cement and clinker: 8.0%
- Forest products: 7.3%
- Other: 9.6%
- Bauxite: 5.9%
- Petcoke: 14.4%

Source: BIMCO, Oceanbolt

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Sailing Speed, Average Haul & Congestion

Congestion falls across the board in August

**Sailing speed**
- Laden vs. Ballast

**Average haul**

**Congestion index**

Source: Signal Ocean

Source: Oceanbolt

Source: BIMCO, Signal Ocean
Fleet Development
Demolition to pick up in 2023 as rates normalize

Contracting, DWT m
- Contracted
- Forecasted contracting

Deliveries & Demolition, DWT m
- Delivered
- Demolished
- Deliveries from orderbook
- Forecasted demolition

Source: BIMCO, Clarkson Shipping Intelligence Network

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<tr>
<th>Year</th>
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<th>Forecasted Contracting</th>
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<table>
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<th>Year</th>
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<th>Deliveries from Orderbook</th>
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Fleet Size
Low orderbook and higher scrapping to limit fleet growth

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Conclusions
EU’s ban on Russian coal lifts demand despite economic headwinds

- The Baltic Exchange Dry Index (BDI) peaked in late May and has since fallen sharply as lower Chinese demand and adverse global economic developments have impacted expectations.

- The IMF has lowered its global economic growth forecast to 3.2% for 2022 and 2.9% for 2023.

- Year-to-date bulk volumes have increased 1.9% y/y with minor bulks continuing to lead the way.

- We estimate demand growth in the 1-2% range for 2022 and 2-3% for 2023. Challenges regarding energy prices, inflation and COVID outbreaks in China could further reduce growth.

- Contracting has remained low, and the order book has reduced to 7.5% of the fleet size.

- The fleet is expected to grow by 2.7% in 2022 and by 2.2% in 2023, but capacity supply is expected to grow by only 1% rest-of-year and by 0-1% in 2023.

- We expect an improvement in the supply/demand balance during the rest of 2022 as the EU’s ban on Russian coal will add tonne miles, and Chinese demand could also rebound. We forecast further improvement in 2023.

- Risks of a global recession have increased, and lower economic growth could harm bulk demand.
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