



Prospects for the major bulks

Oct 2024

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Agenda

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Maritime Research

Rigorous analysis – Practical advice



DrewryOnDemand – a digital platform

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A digital platform to explore

A platform, such as the one from Drewry, is based on the results from forecasting techniques. Some of the following slides will show some of the results from using complex forecasting techniques.

DrewryOnDemand

Maritime Research Knowledge Centre

Dry Bulk

LNG

LPG

Crude

Product

Welcome to OnDemand!

Drewry OnDemand is a powerful new platform which will transform the way you explore and interact with our Maritime Research. With core data updated in real-time and market analysis and opinions provided by our lead analysts, it gives you a detailed picture of the current market and its future development.

> Request a demo



Insights and forecasts on one portal

research.drewry.co.uk/market-forecast/?sectorID=3

Sector at a Glance | Opinion | Market Insight | **Drewry Forecast** | Latest Market Data | My Resources

Executive summary | **Demand** | Supply | Rates | Prices | Last updated Aug 24

Sub-sections

- Dry bulk
- Iron ore**
- Coking coal
- Non-coking coal
- Grains
- Minor bulk

Filter by

View option: Overview | **Detail view**

Region/ country: All

Scenario: All

Frequency: Annual

Iron Ore imports: World

Year	High case	Low case	Base case
2019	1500	1500	1500
2020	1550	1550	1550
2021	1550	1550	1550
2022	1500	1500	1500
2023	1600	1600	1600
2024	1700	1650	1680
2025	1750	1680	1700
2026	1800	1700	1750
2027	1850	1720	1800
2028	1900	1750	1850
2029	1950	1780	1900

Iron Ore imports, YoY change: World

Year	High case	Low case	Base case
2019	0%	0%	0%
2020	3%	3%	3%
2021	2%	2%	2%
2022	-1%	-1%	-1%
2023	4%	4%	4%
2024	7%	5%	6%
2025	3%	2%	3%
2026	2%	2%	2%
2027	2%	2%	2%
2028	2%	2%	2%
2029	2%	2%	2%

Iron Ore prices dropped to their lowest in a year in June 2024

Drewry projects a 0.9% growth in iron ore imports for 2024, marking a significant reduction from earlier estimates, as demand recovery remains sluggish in advanced economies like Japan, South Korea, and Taiwan. While most major economies experienced a decline in imports, China saw a 3.3% YoY increase in 1H24.

Despite subdued steel production, China's iron ore imports in 1H24 reached historically high levels, driven by strategic stockpiling and expectations of demand recovery following government measures to boost the real estate sector. However, high existing inventories are likely to limit further stockpiling, although seasonal factors and low prices are expected to support a 1.8% rise in imports for the full year.

Drewry's analysis suggests that while the global steel industry is gradually shifting towards electric arc furnace (EAF) production, which relies on ferrous scrap, the current lack of recycled metal means that demand for iron ore will remain robust. The slow transition to scrap-based production, combined with growing steel demand, will sustain high iron ore trade volumes well into the future.

Prompt resolution of queries

Direct access - just a click away!

The screenshot shows the DrewryOnDemand website interface. At the top, there is a navigation bar with the breadcrumb "DrewryOnDemand / Dry Bulk / Ask the analyst", a search icon, a "Contact Us" link, and a user profile for "James Harley". Below the navigation bar is a main menu with "Dry Bulk" selected, and sub-menus for "Sector at a Glance", "Opinion", "Market Insight", "Drewry Forecast", "Latest Market Data", and "My Resources".

The "My Queries" section features a "Sort By: Open" dropdown and a prominent "Ask the analyst" button. Below this button, it states "No comments found".

The "Latest Opinion" section displays three article snippets:

- 20 Mar 2024**
Ukraine's grain exports continue to flourish after Black Sea Grain Initiative
Despite the expiration of the Black Sea Grain Initiative, Ukraine's grain shi...
> Read more
- 9 Nov 2023**
Declining utilisation in dry down rates
A significantly low utilisation 2023 has pulled rates subs...
> Read more
- 7 Nov 2023**
Dry bulk market braces for transit restrictions
The tightening transit restric Canal are predominantly im...
> Read more

A red dashed box highlights the "Ask the analyst" button and a modal form. The modal form includes a profile picture of **Rahul Sharan**, Dry Bulk, Lead Research Analyst, and input fields for "Subject" and "Message". A "Submit" button is located at the bottom of the modal. A red dashed arrow points from the "Ask the analyst" button to the modal form.

Direct access to lead analyst:

Speedy resolution of data queries, seek further insights into market development and address any custom research requests.



Major bulk : a snapshot

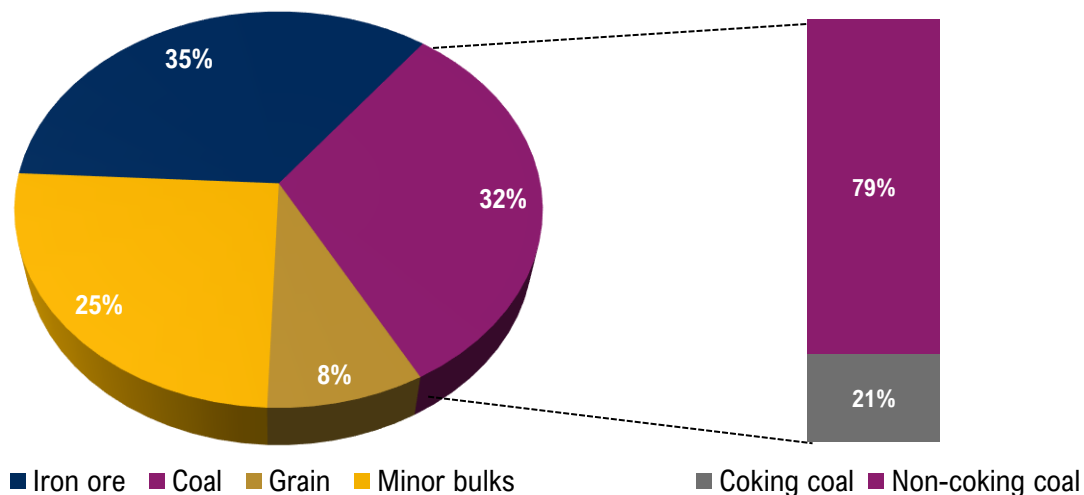
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Key drivers

Dry bulk shipping industry transports raw materials (mineral ores and semi-finished products) over long distances. The interplay of the demand for various commodities (mineral ores and semi-finished products) and the supply of vessels determines the earnings in dry bulk shipping. The market is highly liquid and its earnings are highly volatile.

Share in dry bulk shipping demand (2023)



Key downstream drivers of dry bulk shipping demand

Commodities	Main Demand Driving Sector
Iron Ore	Steel industry
Coal	Power generation, steel industry
Grain	Human consumption, industrial food
Minor Bulk such as Steel products, Bauxite, Fertiliser, Soybean, Raw sugar (comprising over 40 commodities).	Various industries, renewable power generation, steel production, human consumption, industrial food, etc.

Key takeaway

- The marine industry provides the only practicable and cost-effective means of transporting large volumes of basic commodities and finished products over long distances.
- Dry bulk cargoes consist primarily of the major and minor bulk commodities.
- The dry bulk shipping industry is characterised by high liquidity and high earnings volatility.
- Iron ore contributes the most to the dry bulk shipping demand, with a share of 35%, followed by coal at 32%.



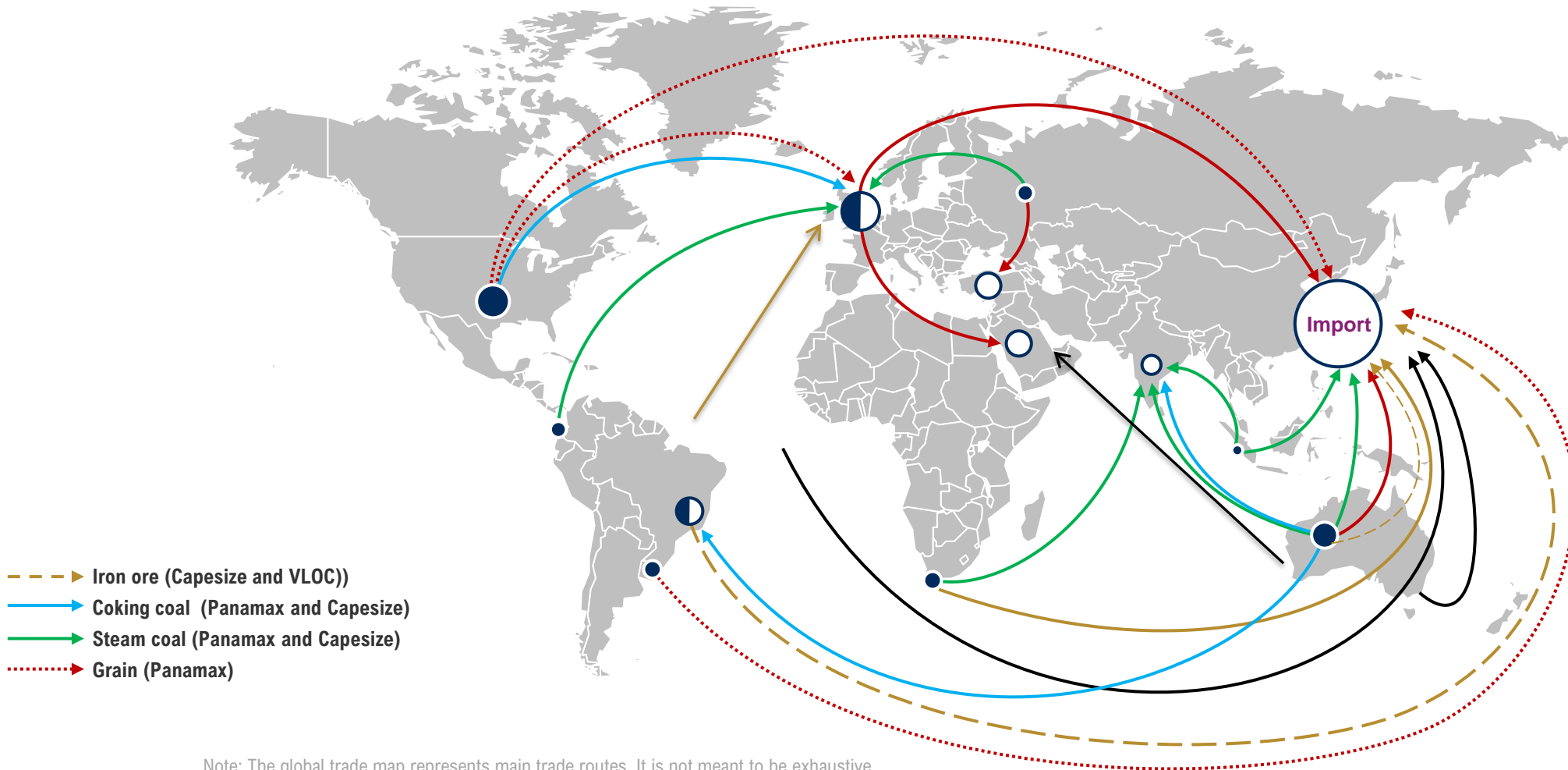
Major trade lanes

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Global dry bulk trade overview: major bulk

China contributes nearly 45% to the major bulk imports, playing the most significant role in the total dry bulk trade, with its role remaining equally crucial in the coming five years. Capesize vessels mainly carry coal and iron ore and occasionally carry other cargoes.



Note: The global trade map represents main trade routes. It is not meant to be exhaustive
Filled circle denote origin while semi-filled circle represent origin and destination both. Empty circles denote destination
Source: Drewry



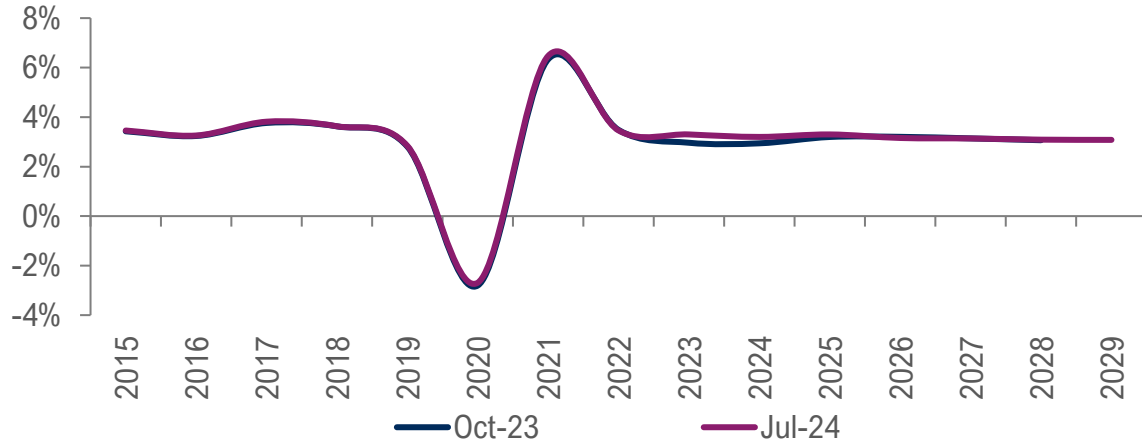
Economy

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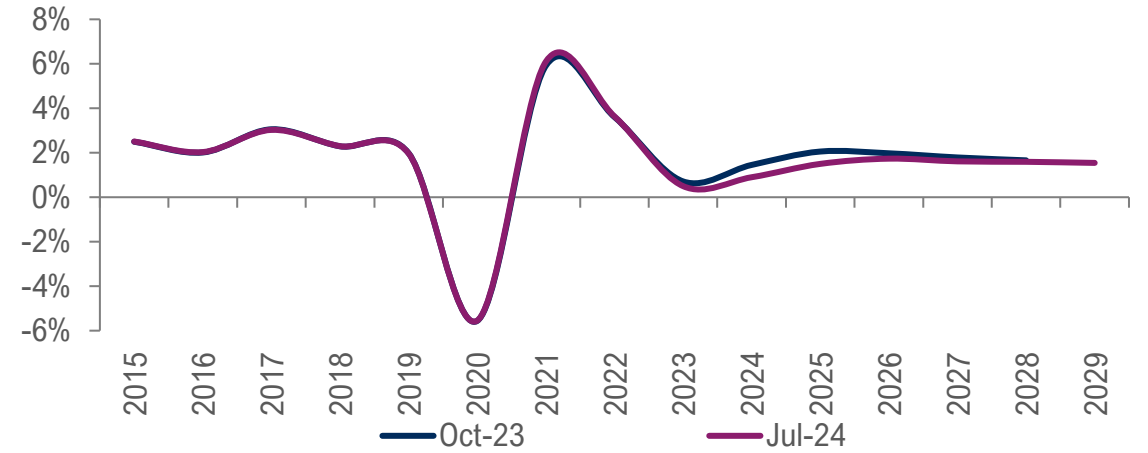


Economic growth (GDP)

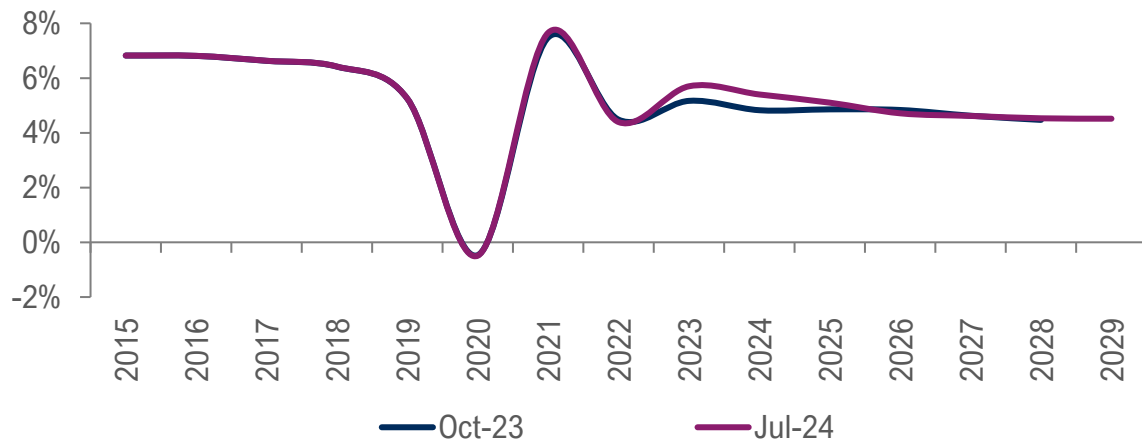
World



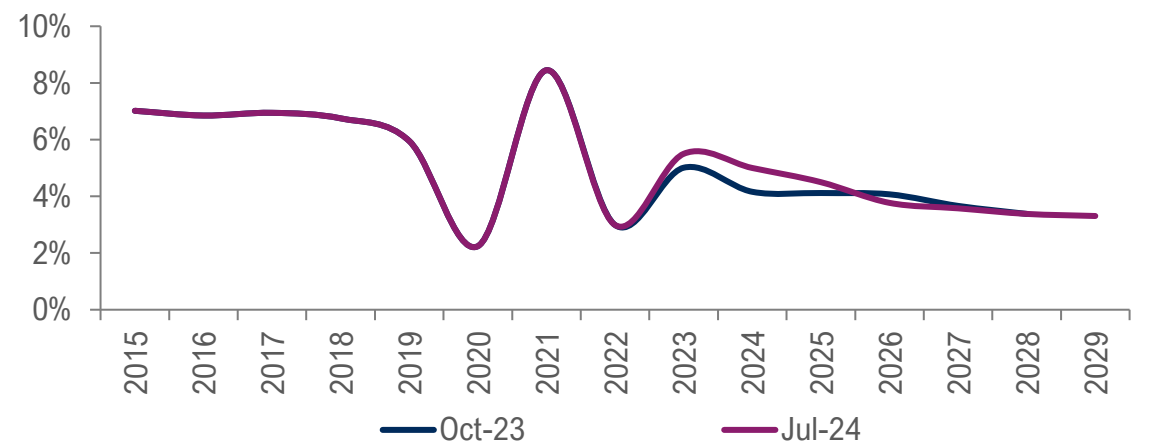
European Union



Emerging and developing Asia

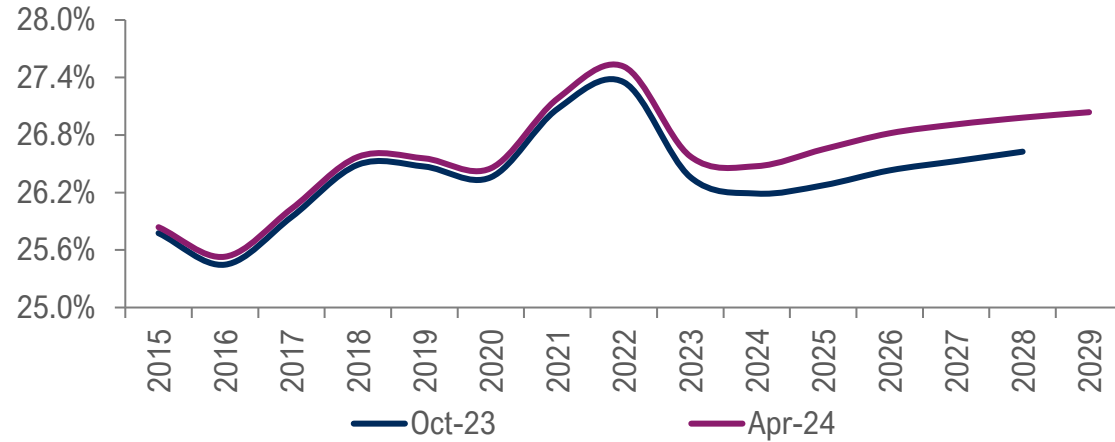


China

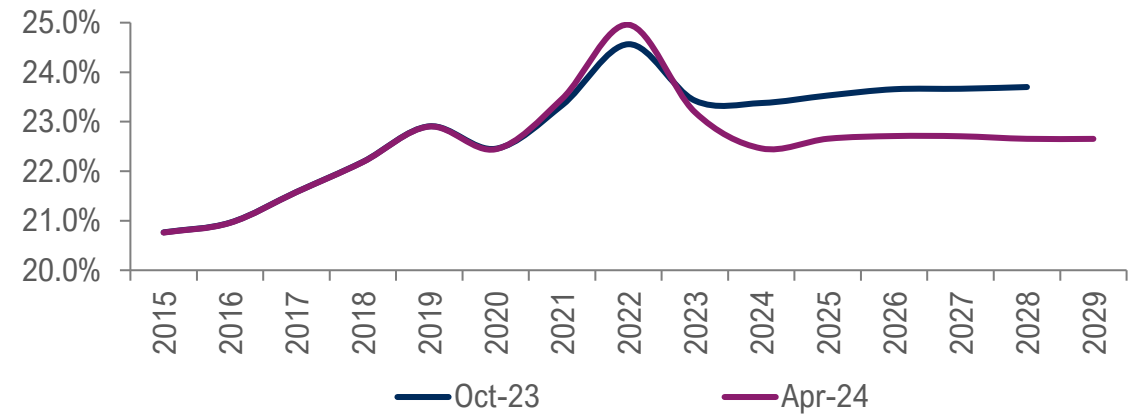


Investment as % of GDP

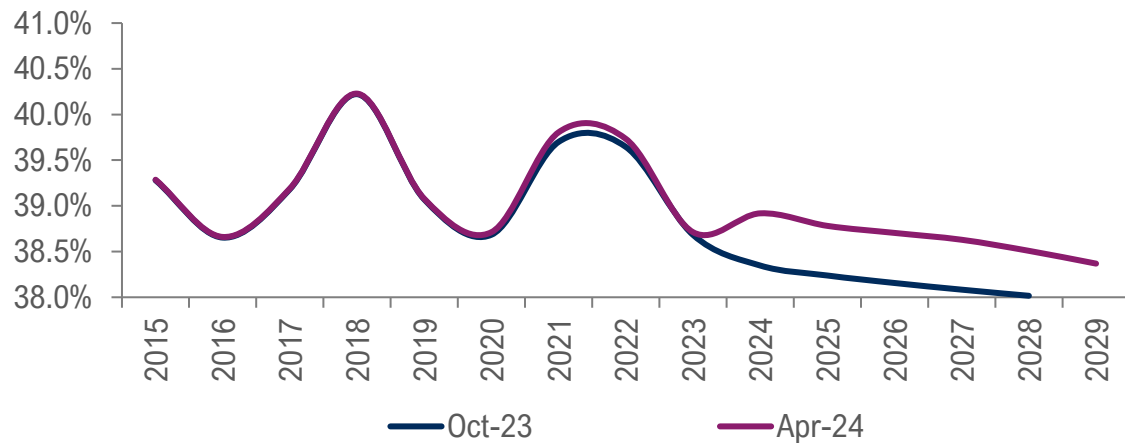
World



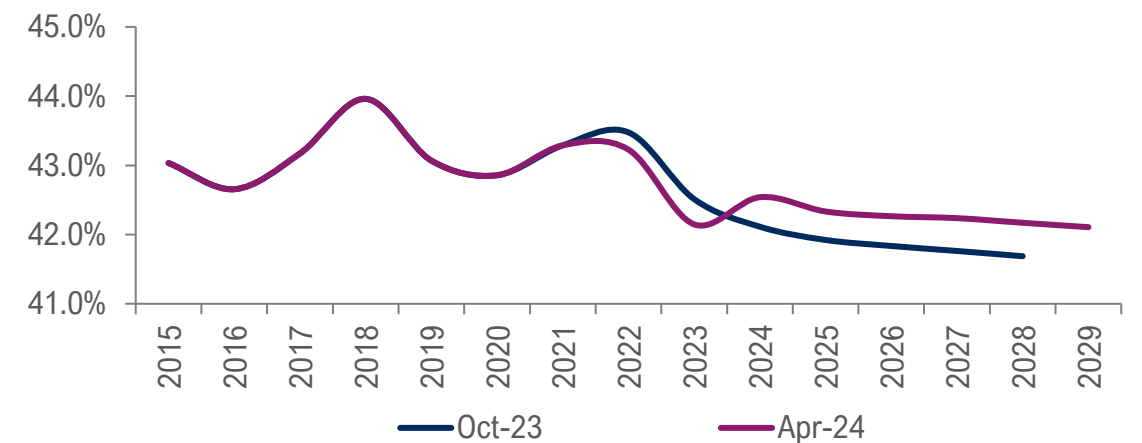
European Union



Emerging and developing Asia



China





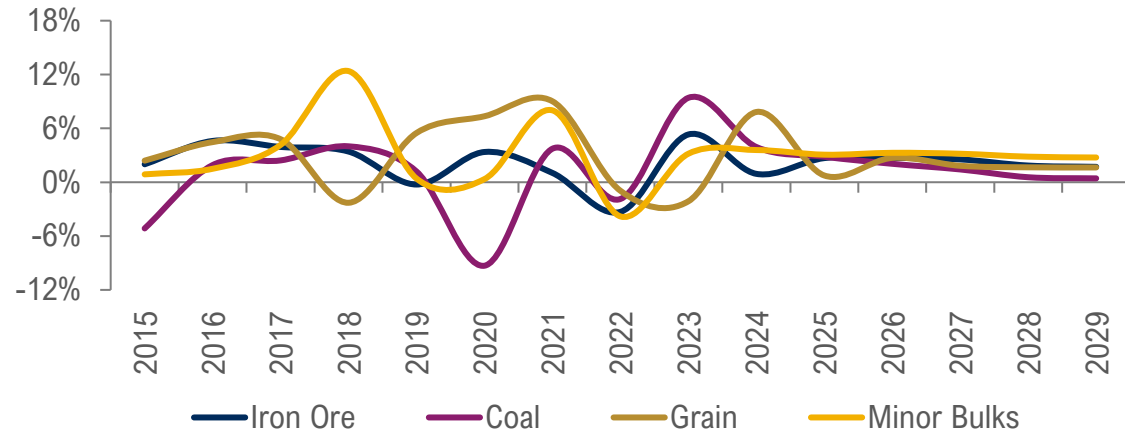
Demand

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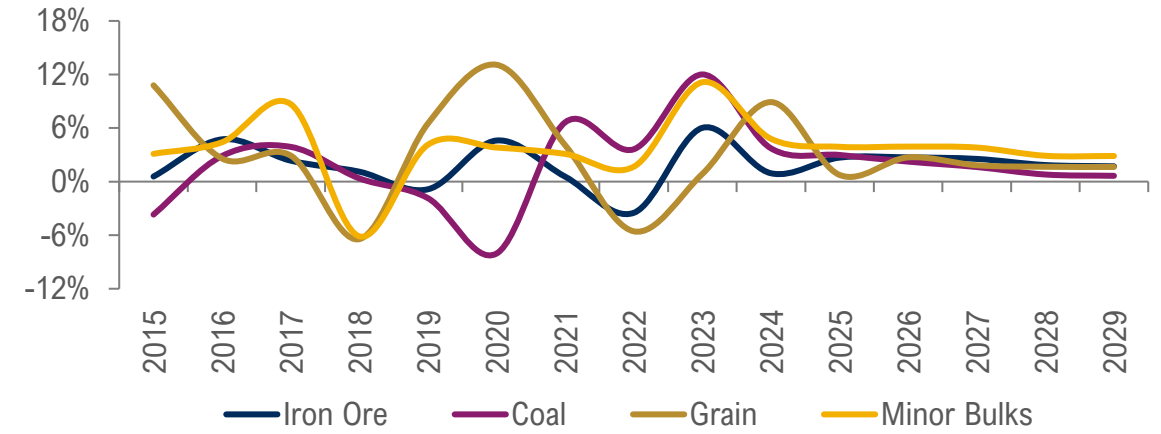


Demand drivers

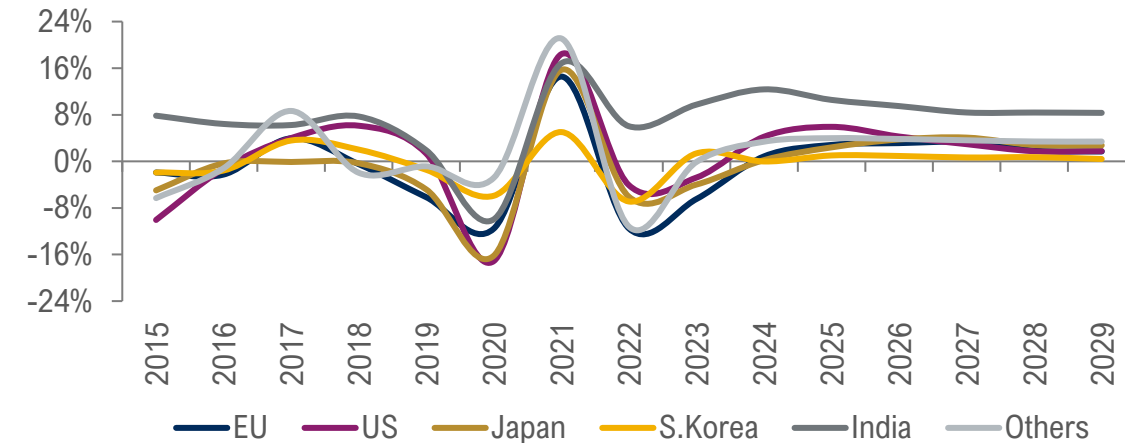
Dry bulk trade growth



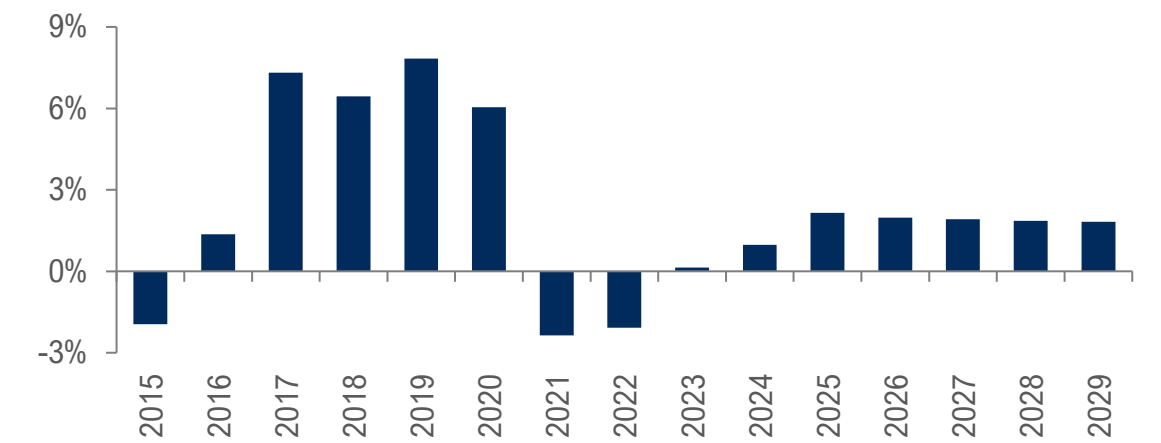
Dry bulk shipping demand growth



Steel production growth - ex. China

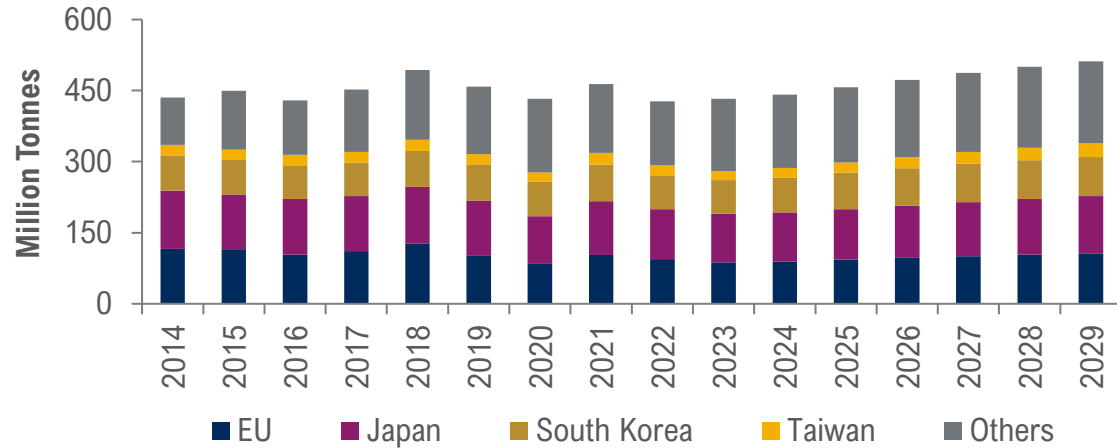


China's steel production growth

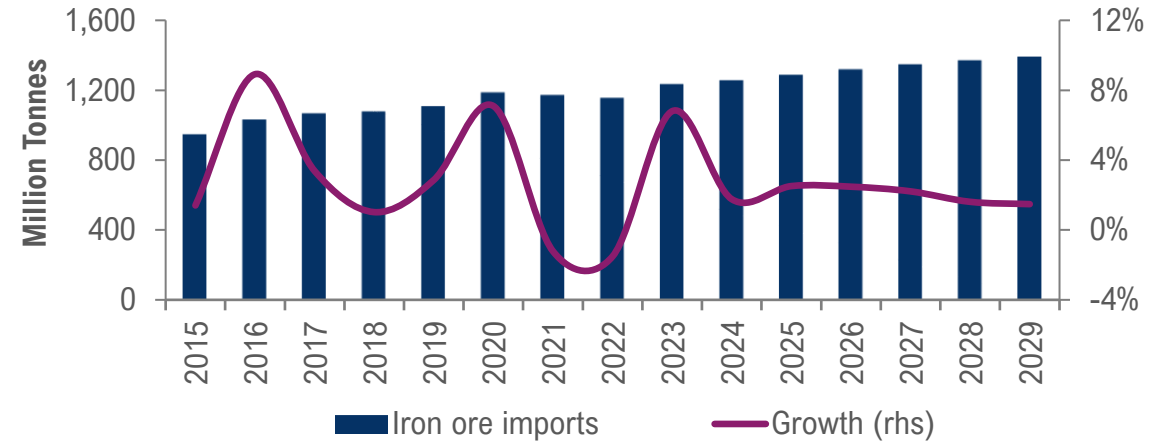


Iron ore

Iron ore imports - ex. China



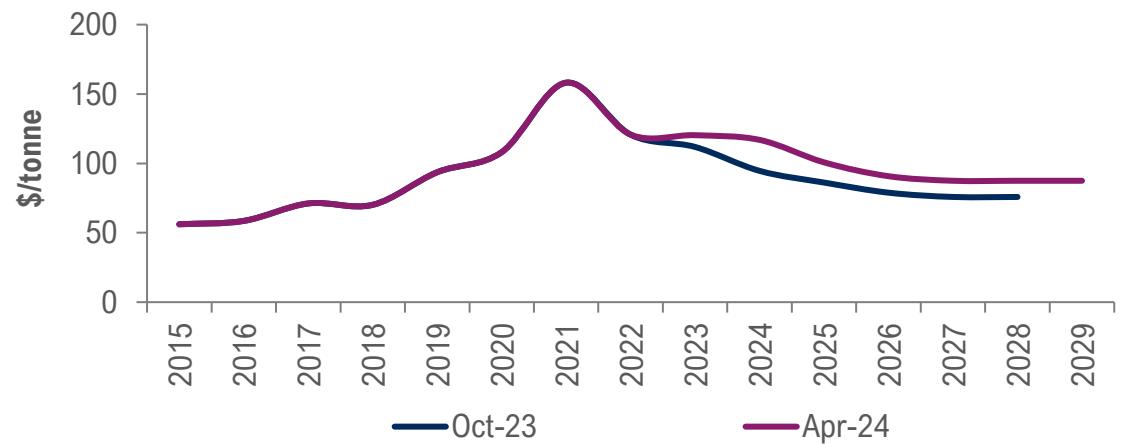
China's iron ore imports



Iron ore inventory at Chinese ports

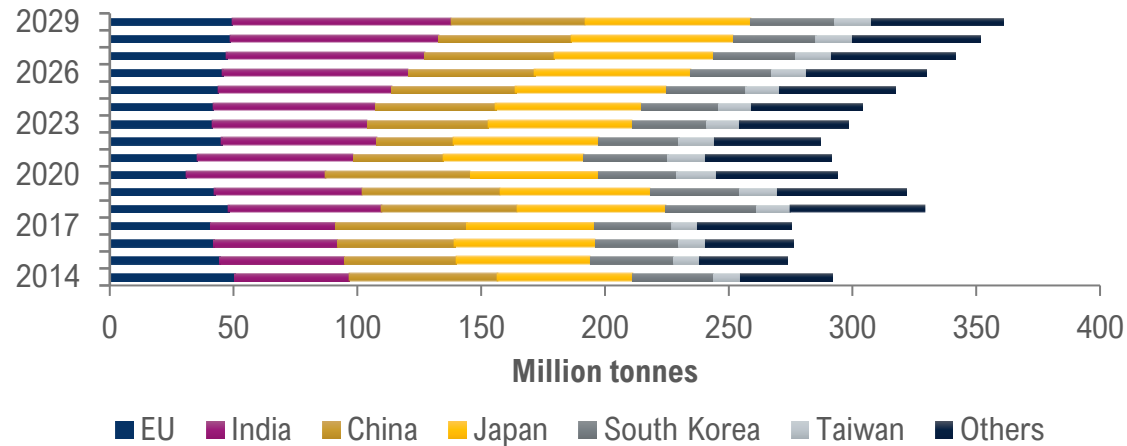


Iron ore price

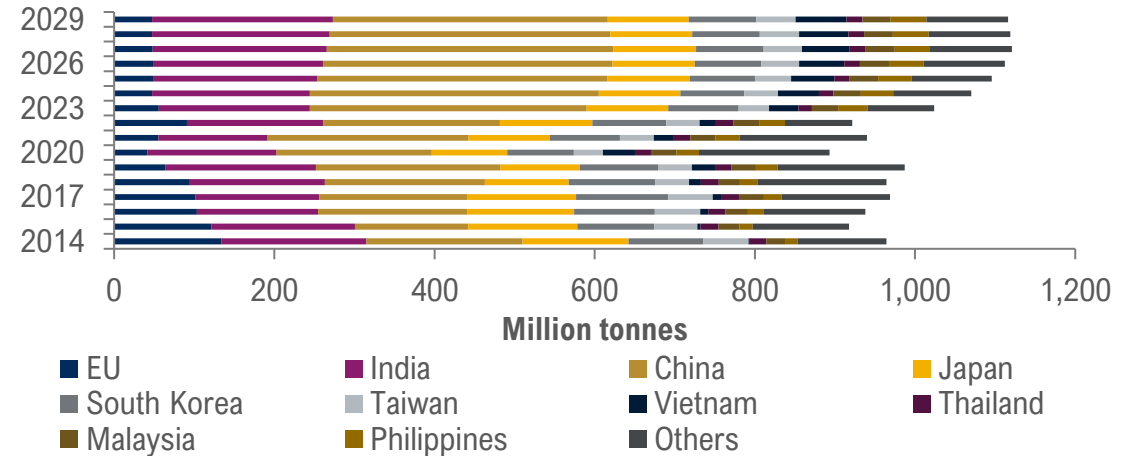


Coal trade dynamics

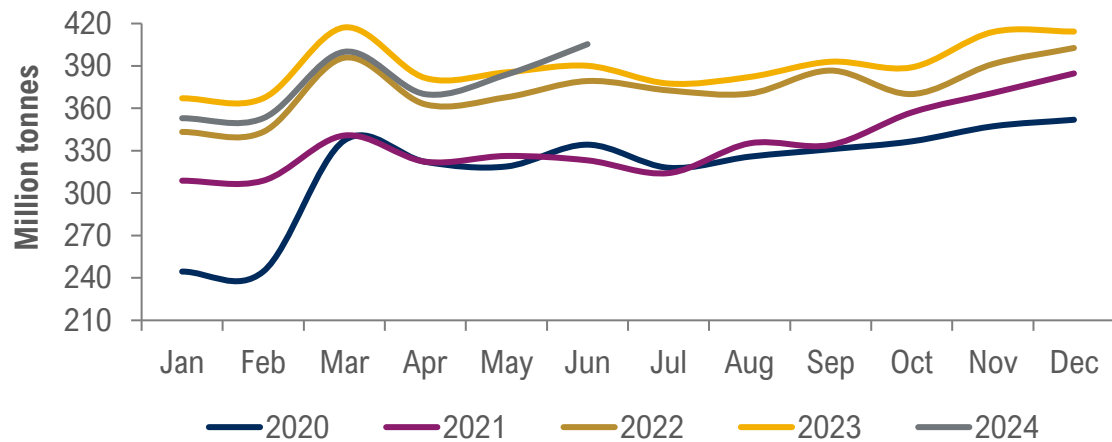
Coking coal imports



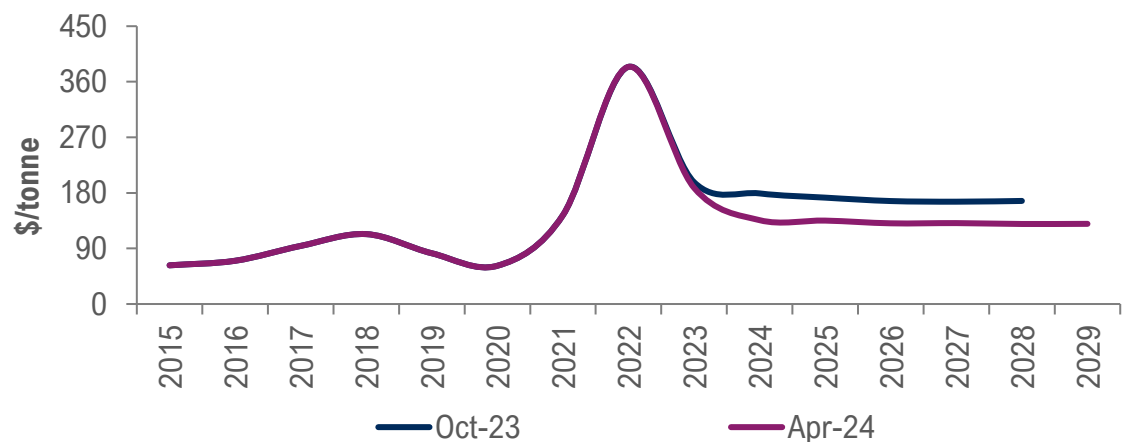
Thermal coal imports



China's domestic coal production

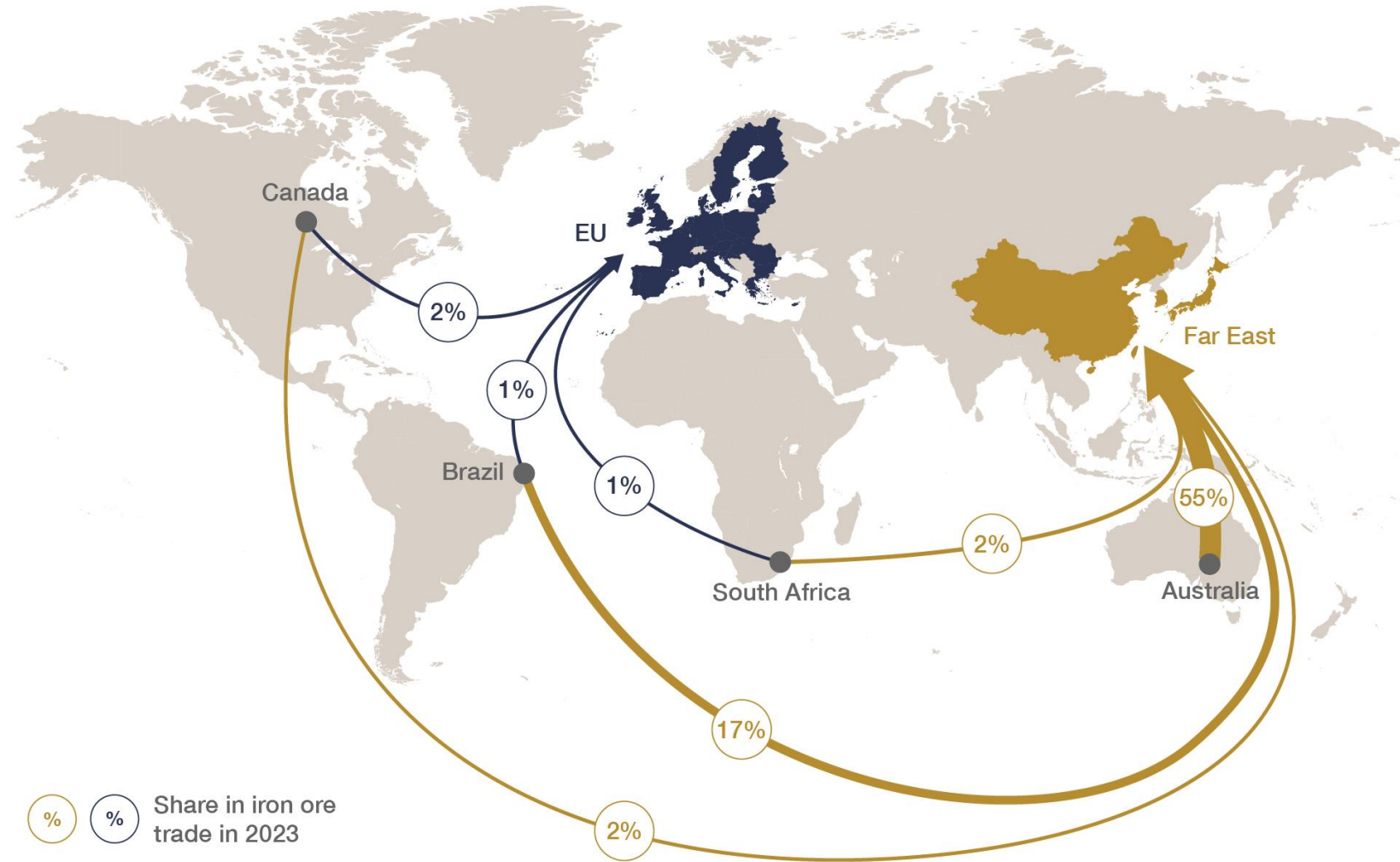


Coal price



Major routes – iron ore

Major iron ore trade routes

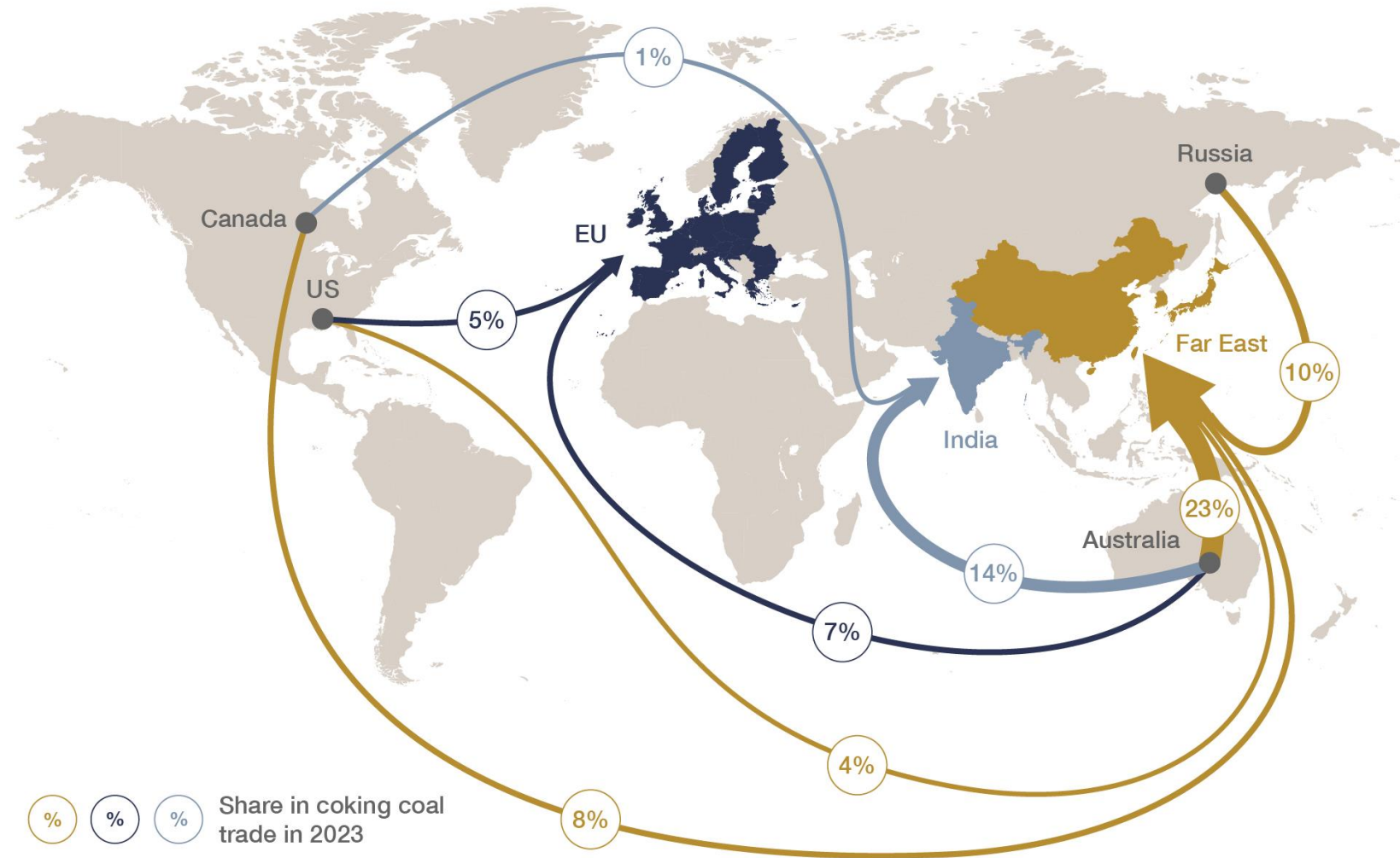


Trade volume (million tonnes)

Exporter	Importer	2022	2023
Australia	Far East	910	915
Brazil	Far East	257	281
South Africa	Far East	39	40
Canada	Far East	26	28
Canada	EU	23	25
Brazil	EU	21	19
South Africa	EU	13	12

Major routes – coking coal

Major coking coal trade routes

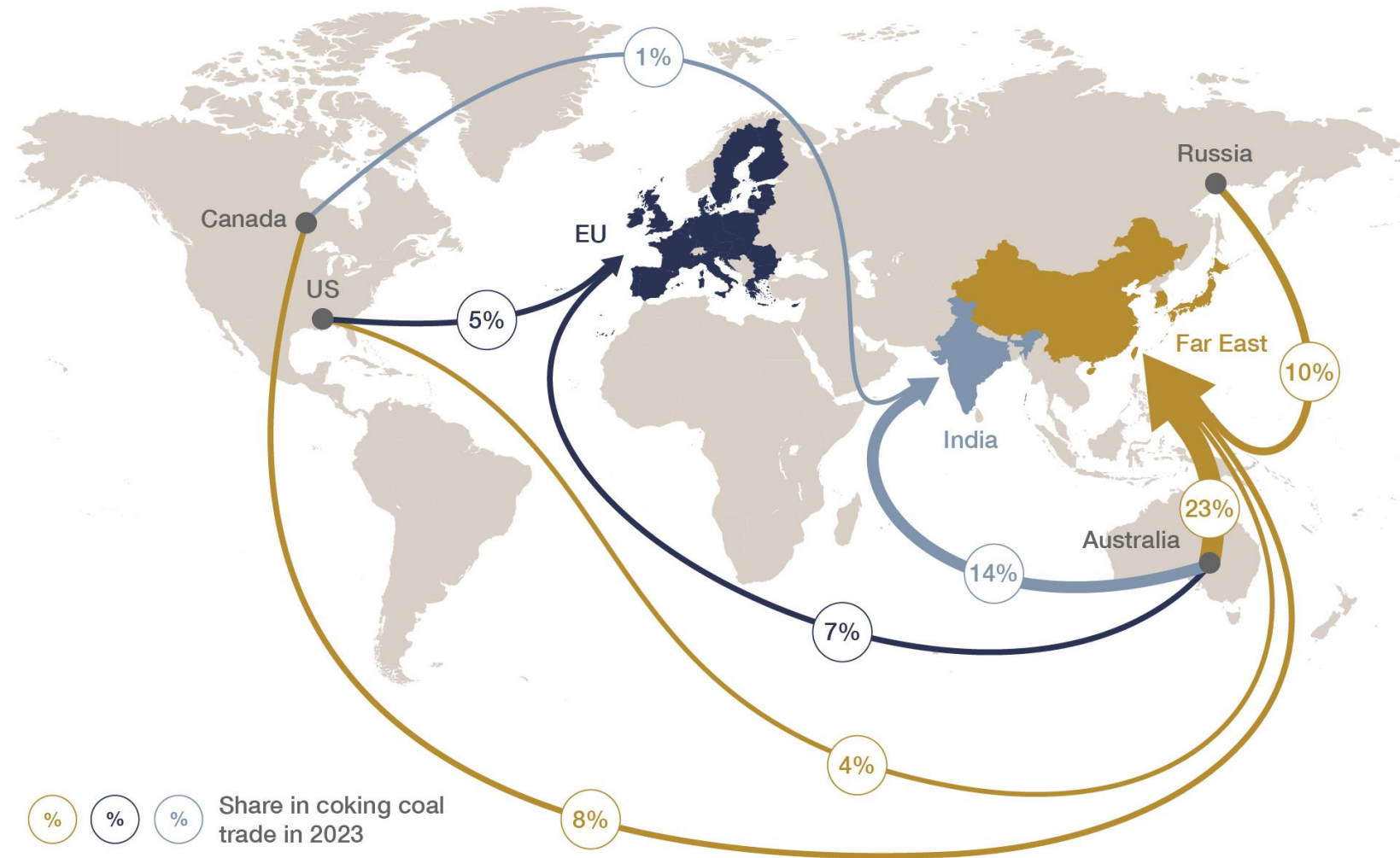


Trade volume (million tonnes)

Exporter	Importer	2022	2023
Australia	Far East	72	70
Australia	India	46	42
Canada	Far East	20	23
Russia	Far East	24	29
Australia	EU	20	20
US	EU	16	14
US	Far East	7	10
Canada	India	3	3

Major routes – non-coking coal

Major non-coking coal trade routes

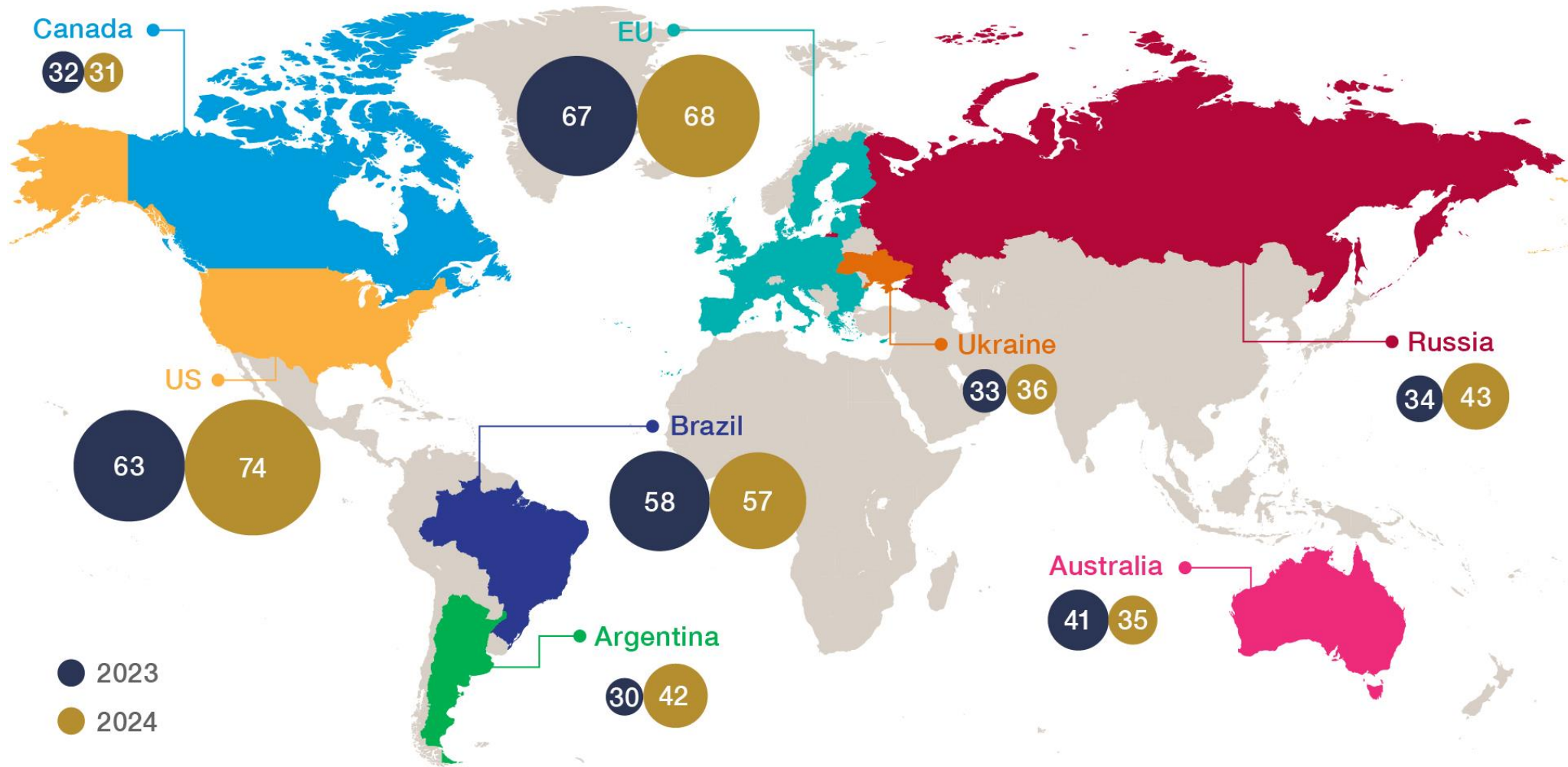


Trade volume (million tonnes)

Exporter	Importer	2022	2023
Indonesia	FE	168	203
Australia	FE	88	105
Indonesia	India	74	78
Indonesia	SEA	38	46
Russia	FE	59	63
Australia	SEA	4	4
South Africa	India	13	19
Russia	EU	14	3
Australia	India	9	8

Grain trade

Grain exports - million tonnes





Many other factors influence demand for shipping





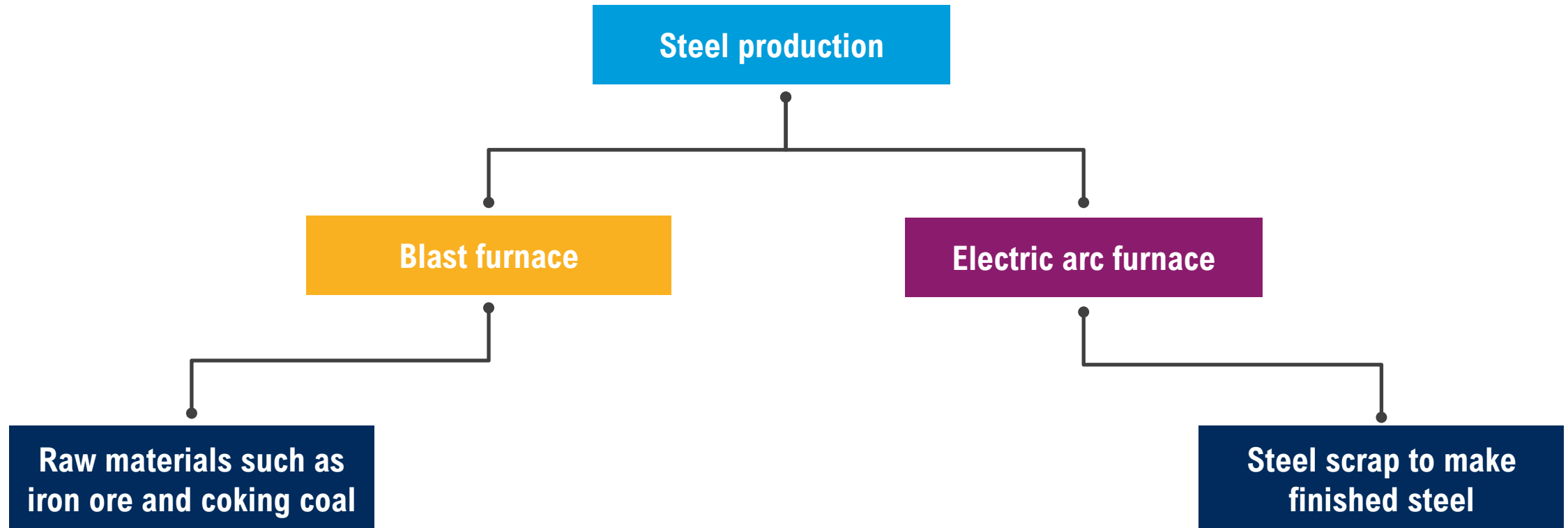
Will a shift in steel making processes wipe out iron ore demand?

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Steel making processes

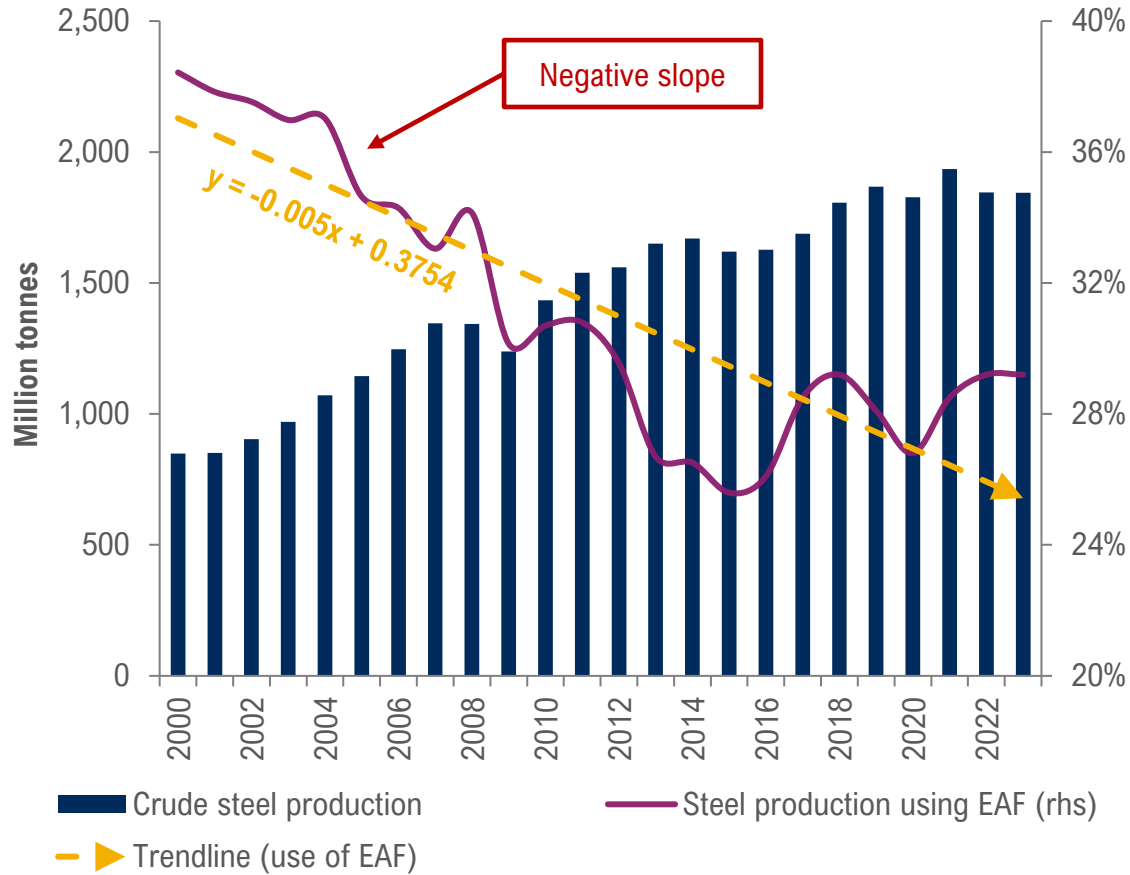
A typical way under the BF process – Iron ores are first reduced to iron, also known as hot metal or pig iron. This iron is then converted into steel in the Basic oxygen furnace while the Electric arc furnace relies heavily on metal scraps



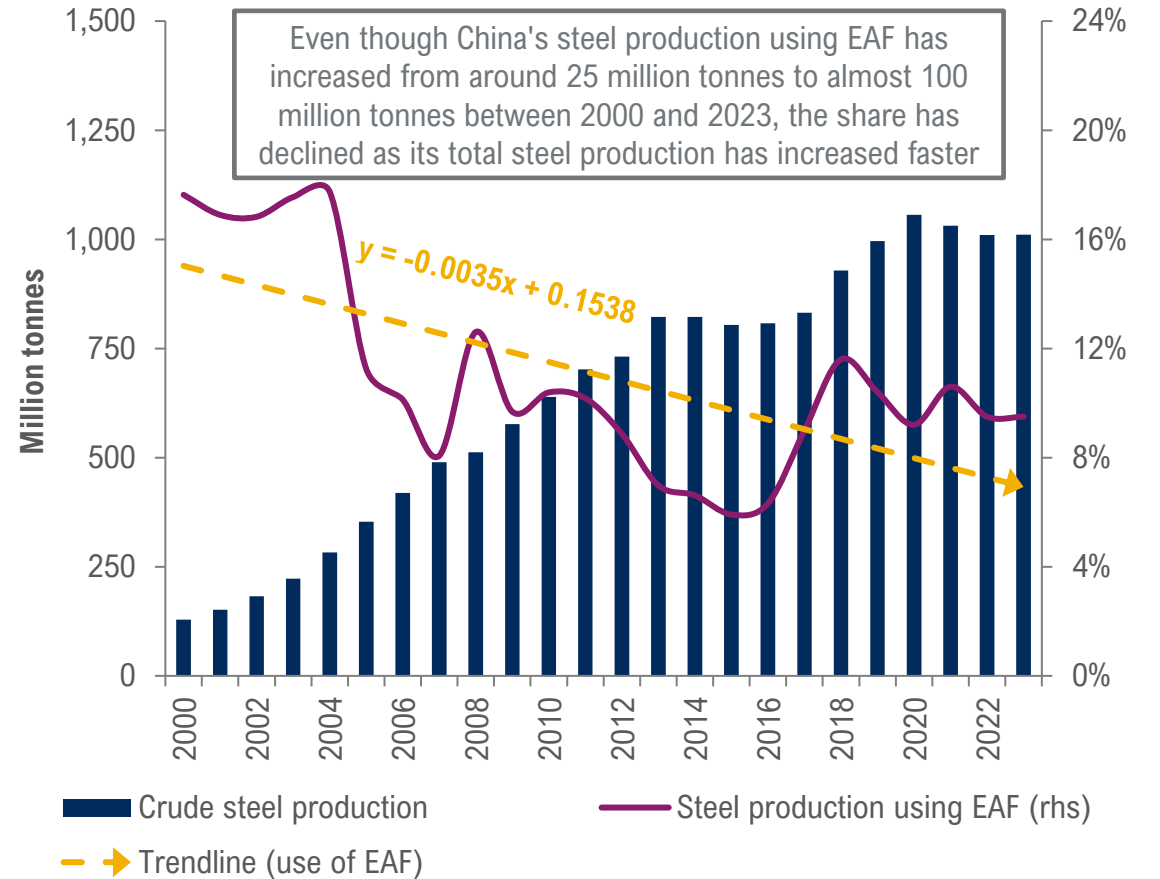
Is increasingly use of electric arc furnace making iron ore irrelevant?

China's crude steel production increased by 3.1% in May 2024 and further by 0.5% in June 2024 (YoY)

Global steel production

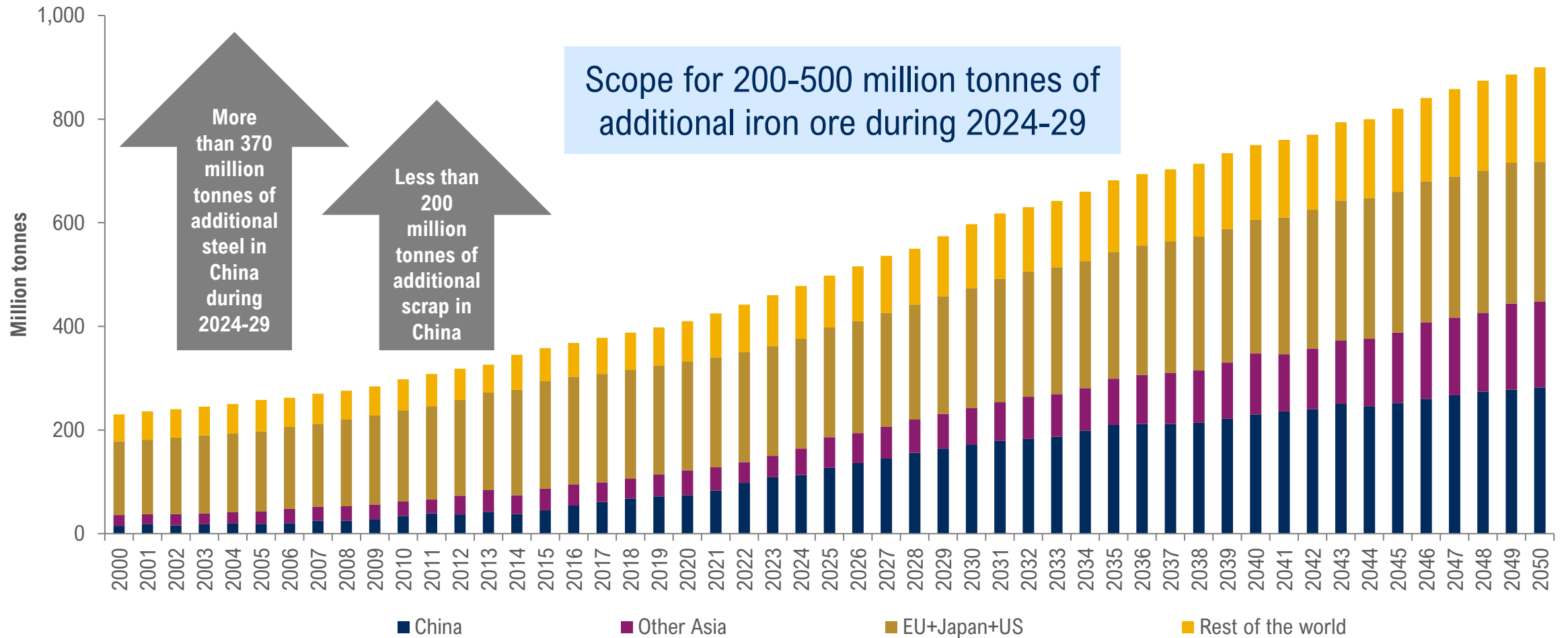


China's steel production



End-of-life scrap availability

As per *Worldsteel*, around 115 million tonnes of additional ferrous scrap will become available in 2029 ; while as per *Drewry's* forecast more than 340 million tonnes of 'more' steel will be produced globally in 2029





Changing coal trade pattern...

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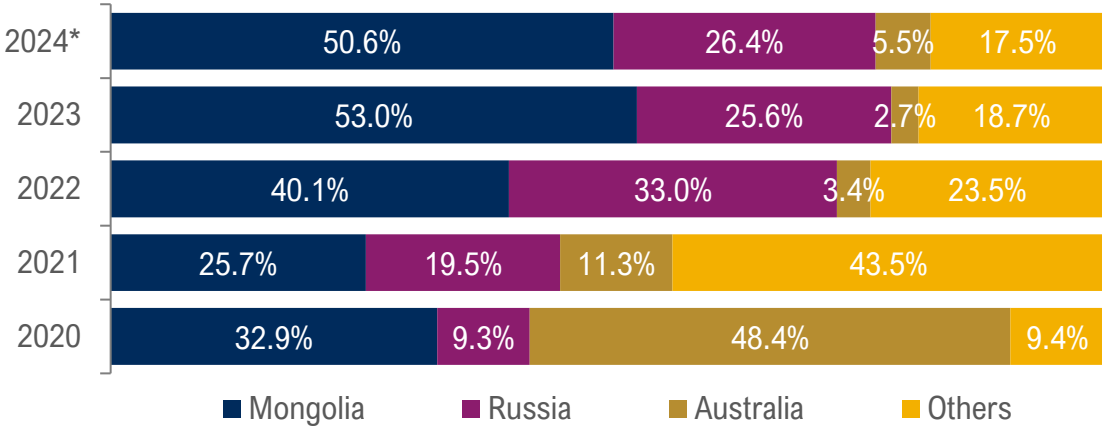


China replacing Australia?

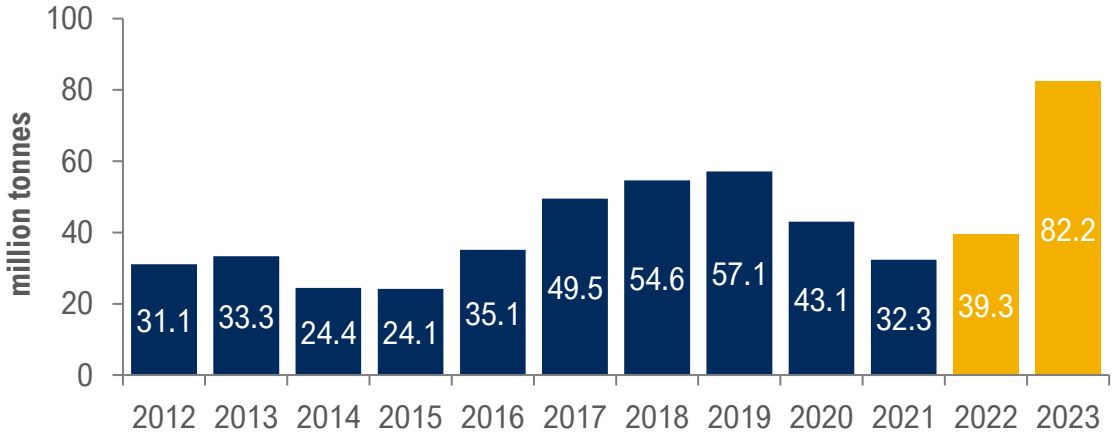
China's total coking coal imports (January-April)



Share of trade partners in China's coking coal imports



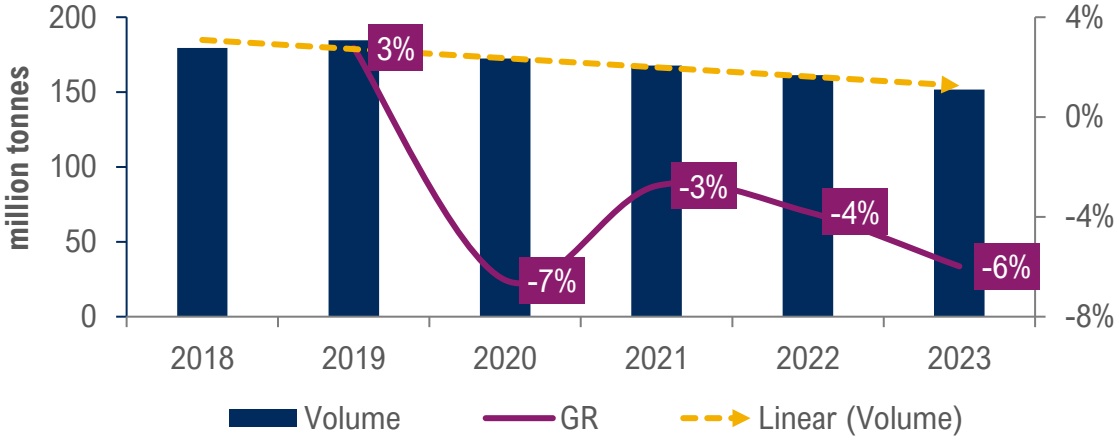
Coal production in Mongolia (in million tonnes)



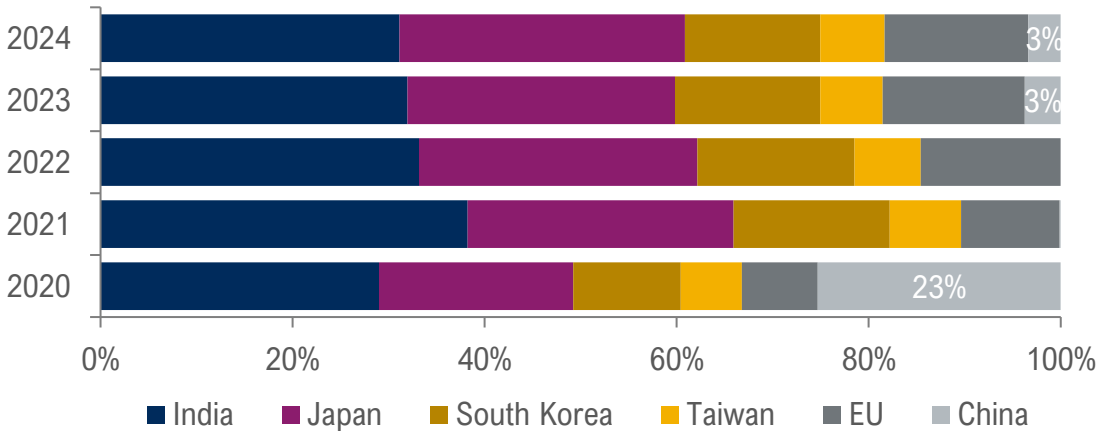
- The burgeoning trade with Mongolia will curtail seaborne trade
- Massive potential trade growth is expected between Mongolia and China due to the commencement of the railway network between the two countries in 2023 and the construction of two additional rail networks underway
- Higher imports from Russia over Australia will dampen the shipping demand

Shifting coking coal source away from Australia

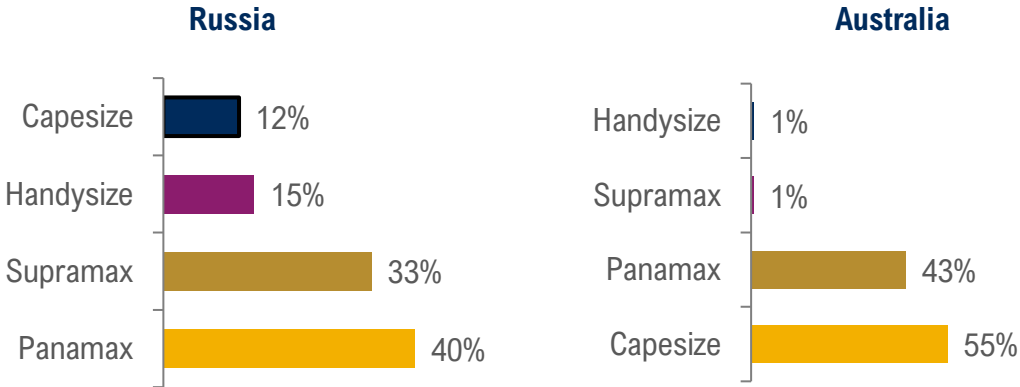
Australia's coking coal exports



Australia's coking coal trade partners



Coking coal shipments to China



- China is diversifying its imports, leading to a higher preference for Russian coal than Australian coal
- For every tonne of coal switched from Australia to Russia, the tonne-mile demand might reduce by 62%
- A shift in trade from Gladstone (Australia) – Caofedian (China) to Vanino (Russia) – Caofedian (China), will decrease shipping distance from 4,416 nautical miles to 1,645 nautical miles
- The Capesize market will be the most impacted as most coal exports from Australia are shipped on these vessels.



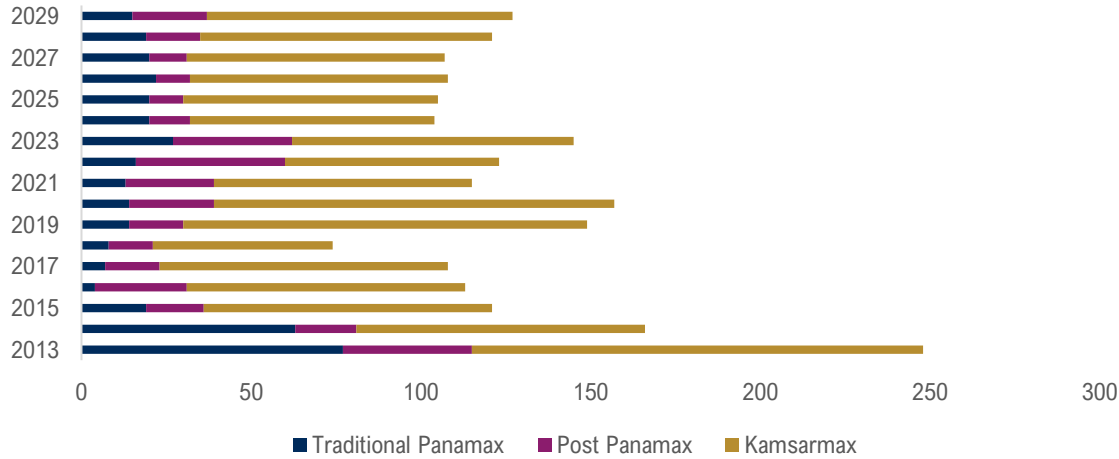
Supply

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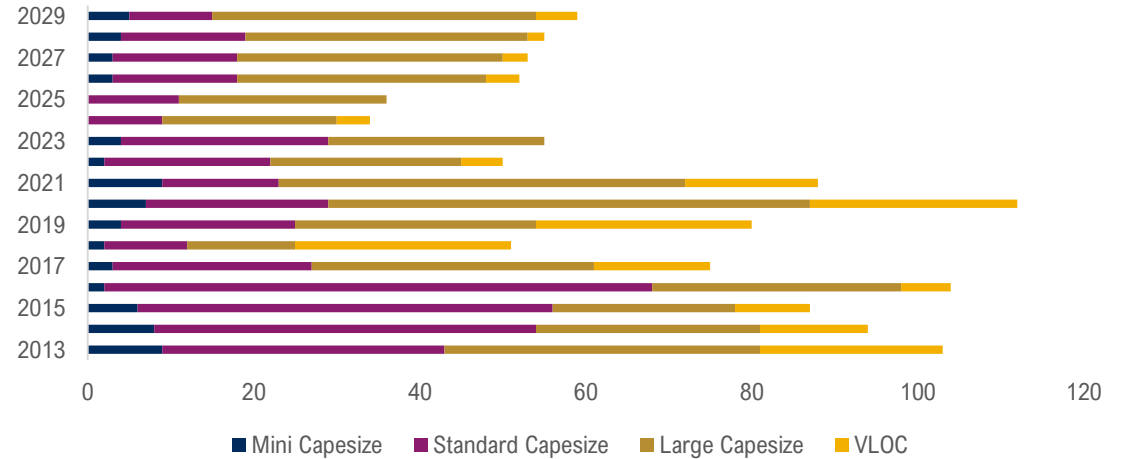


Deliveries and demolitions

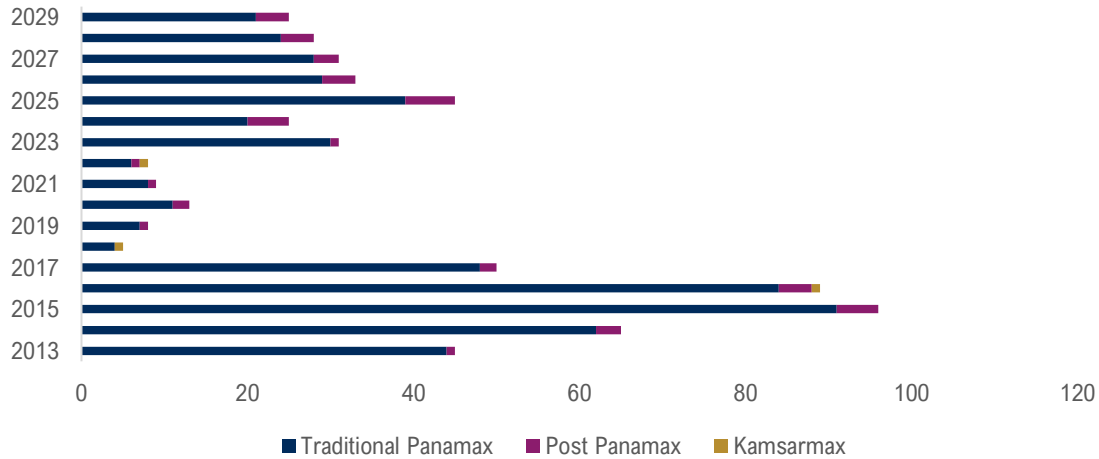
Panamax deliveries (no. of vessels)



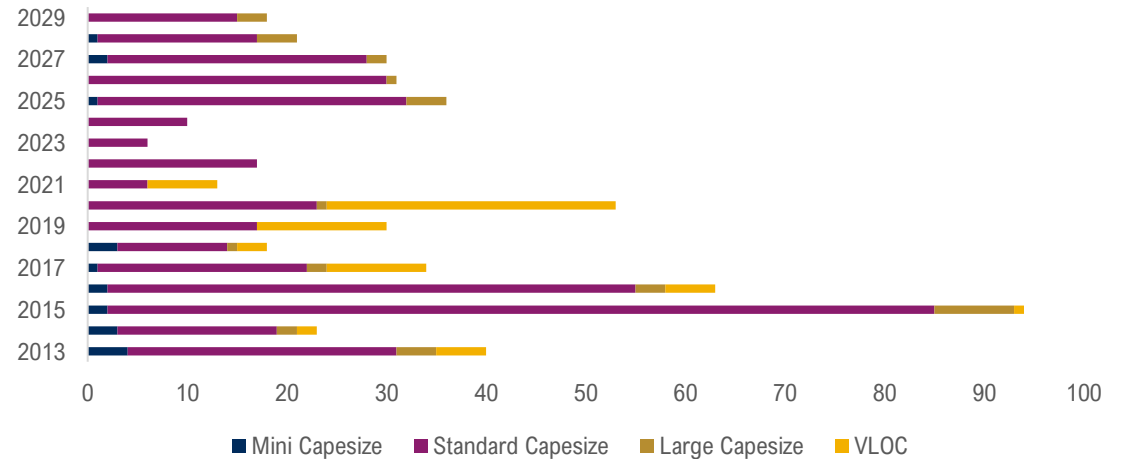
Capesize deliveries (no. of vessels)



Panamax demolitions (No. of vessels)

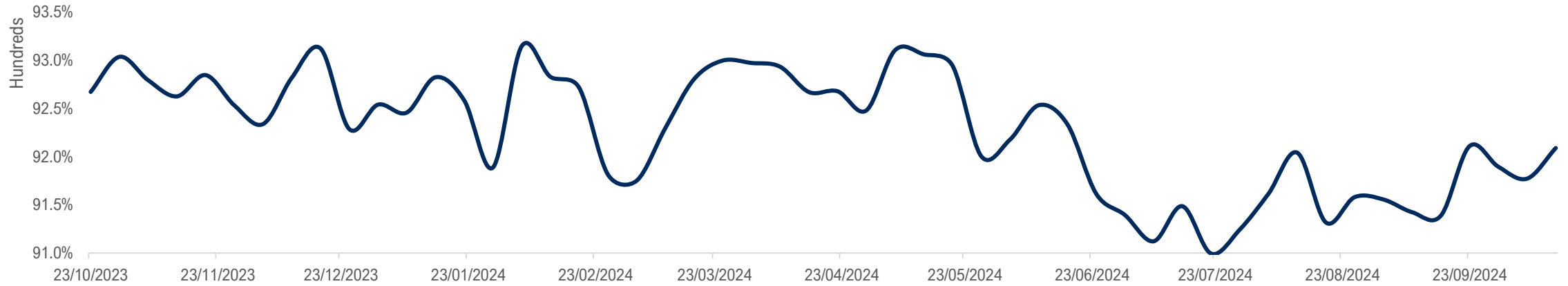


Capesize demolitions (No. of vessels)

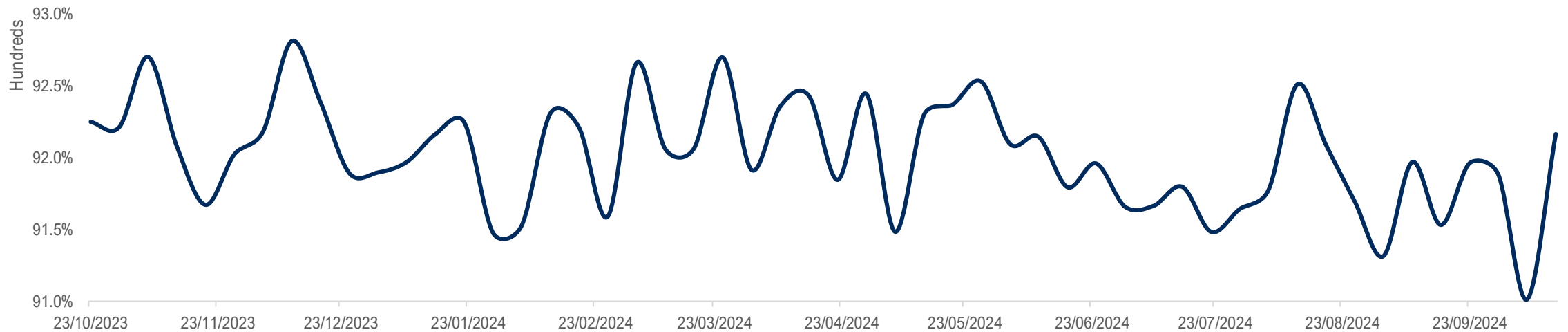


Utilisation

Panamax utilisation

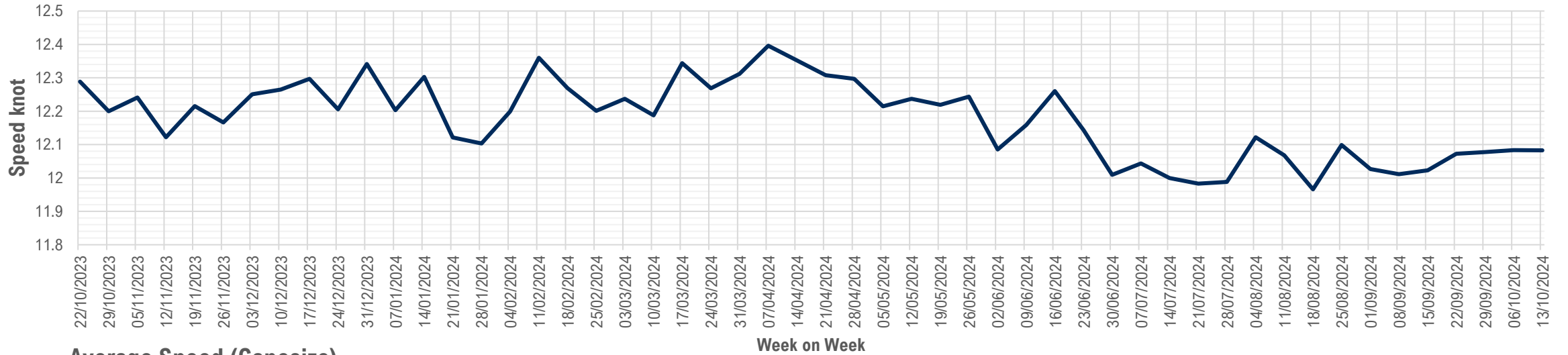


Capesize utilisation

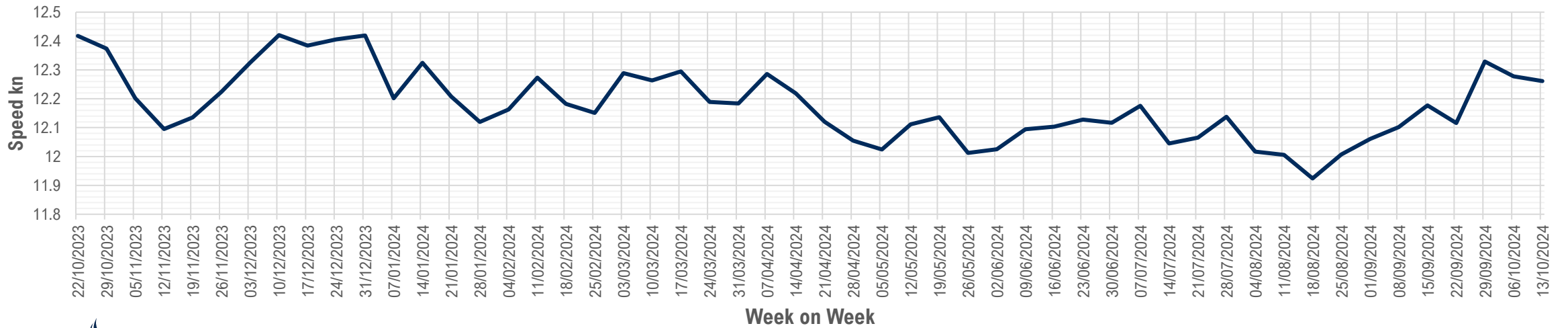


Speed

Average Speed (Panamax)



Average Speed (Capesize)



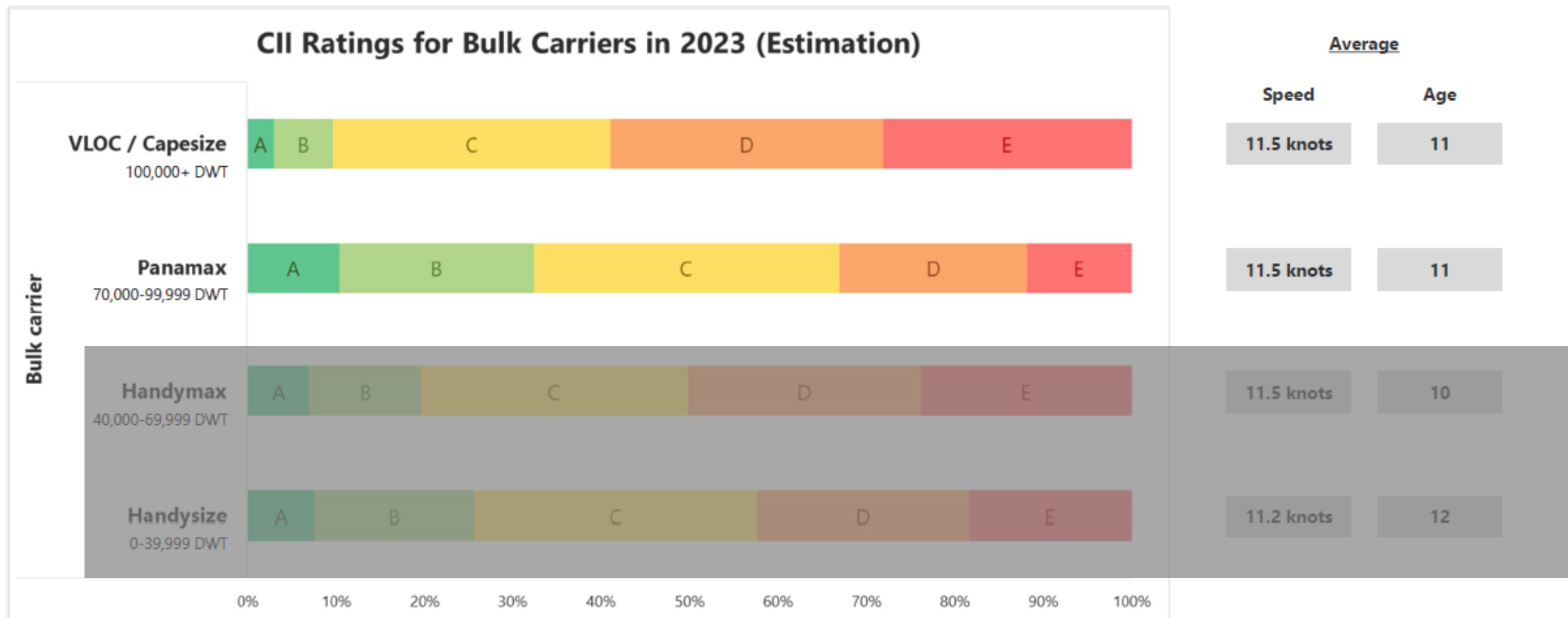


Environmental regulations – taking CII as example



Implications of CII in 2023

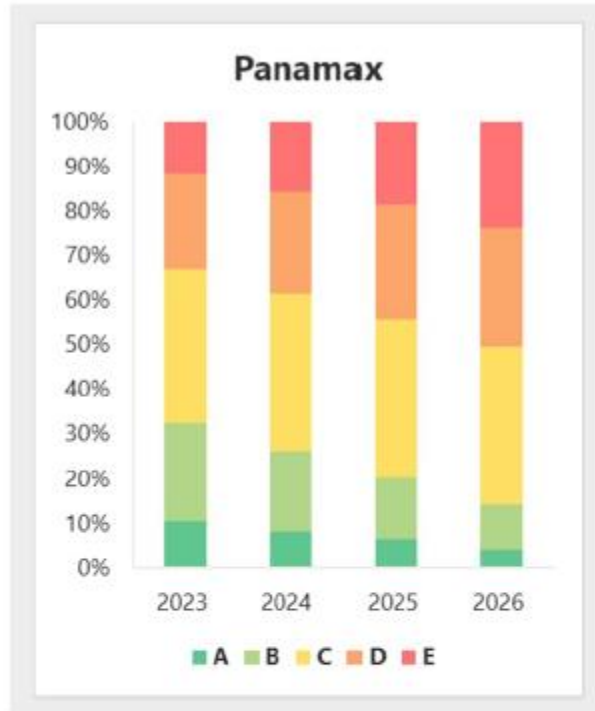
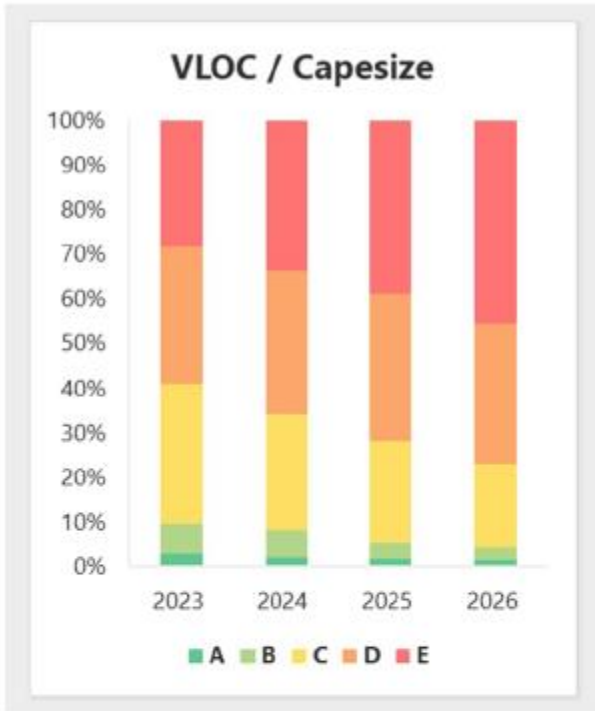
Those with 'D' and 'E' ratings will be required to undergo retrofitting of energy-saving devices and/or propulsion improvement devices and/or voyage optimisation or switch to low-zero carbon alternative fuel. The solution can potentially be a combination of different options. Some of the vessels may have to be scrapped as the retrofits may be uneconomic depending on the charter market conditions.



Source: IMO DCS 2021 data (verified by ClassNK only) and EU MRV 2021 data

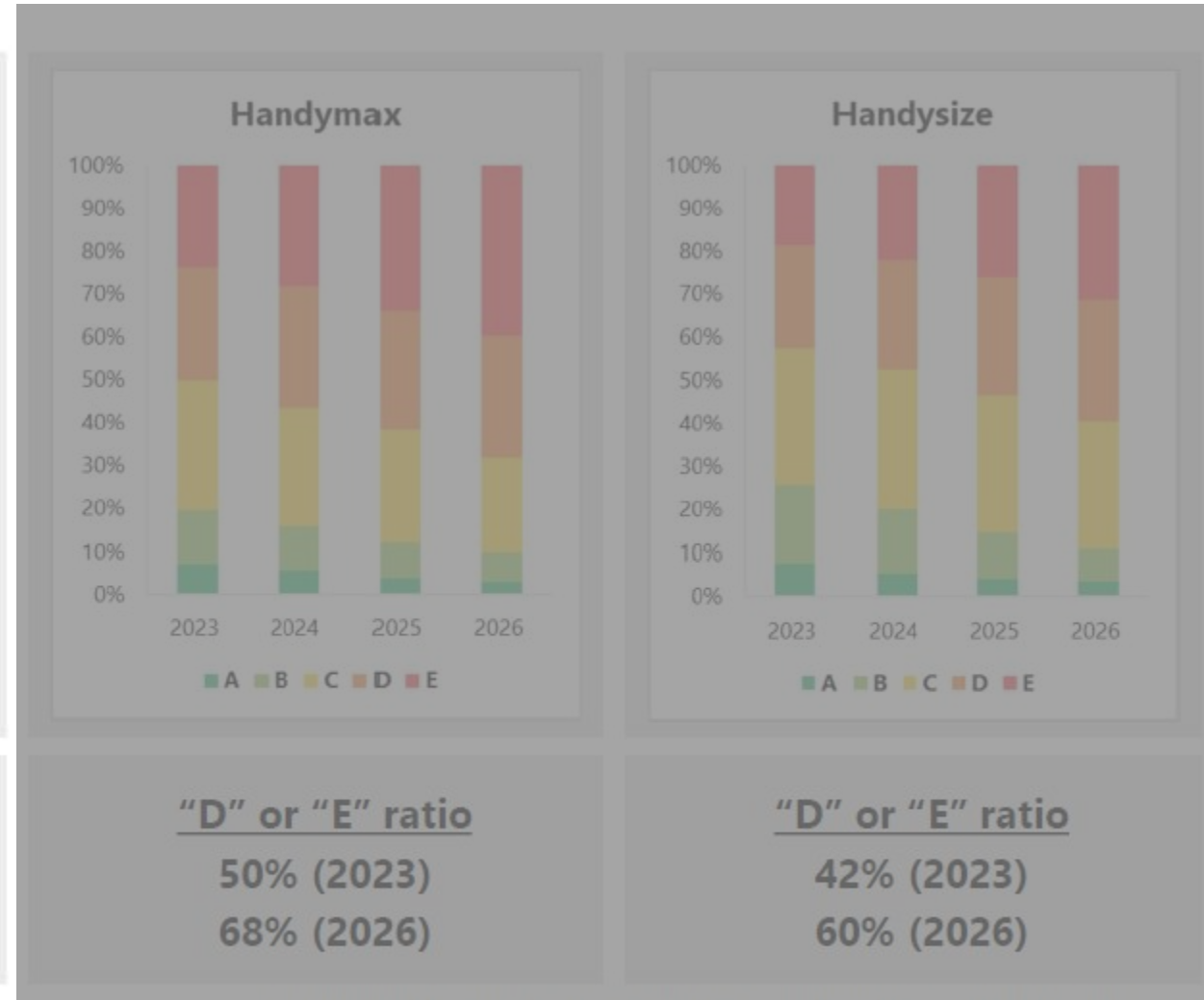
Implications of CII in 2026

About 60% of dry bulk vessels are likely to be rated “D” or “E” in 2026.



“D” or “E” ratio
59% (2023)
77% (2026)

“D” or “E” ratio
33% (2023)
50% (2026)



“D” or “E” ratio
50% (2023)
68% (2026)

“D” or “E” ratio
42% (2023)
60% (2026)

Source: IMO DCS 2021 data (verified by ClassNK only) and EU MRV 2021 data

Note: Estimation based on current fleet, trade, and operation

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Freight cost

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Benchmark rates

Capesize

Baltic routes such
as: C3, C5

Drewry's 1-year TC
rates & TCE on
major routes

Panamax

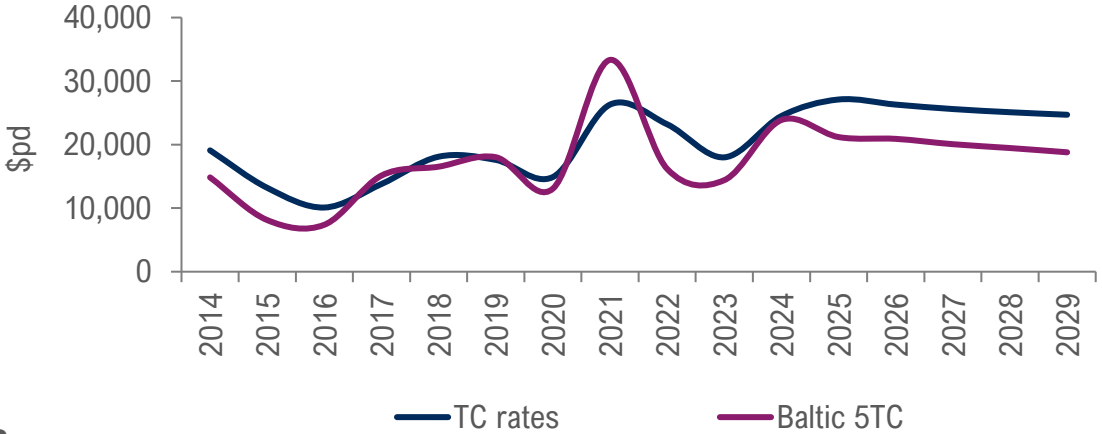
Baltic routes such
as: P1A_82, P7

Drewry's 1-year TC
rates & TCE on
major routes



A firm market...?

Capesize



Panamax





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