

Dry Bulk Market Overview & Outlook Q3 2022

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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

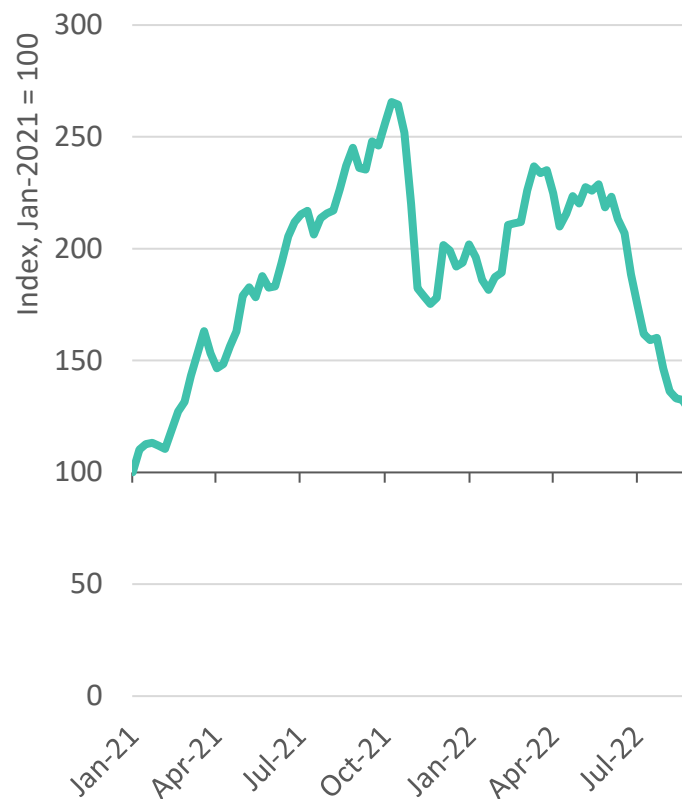
— Baltic Dry Index



Source: Baltic Exchange

Time charter rates

— Time charter rate index (1-year period)

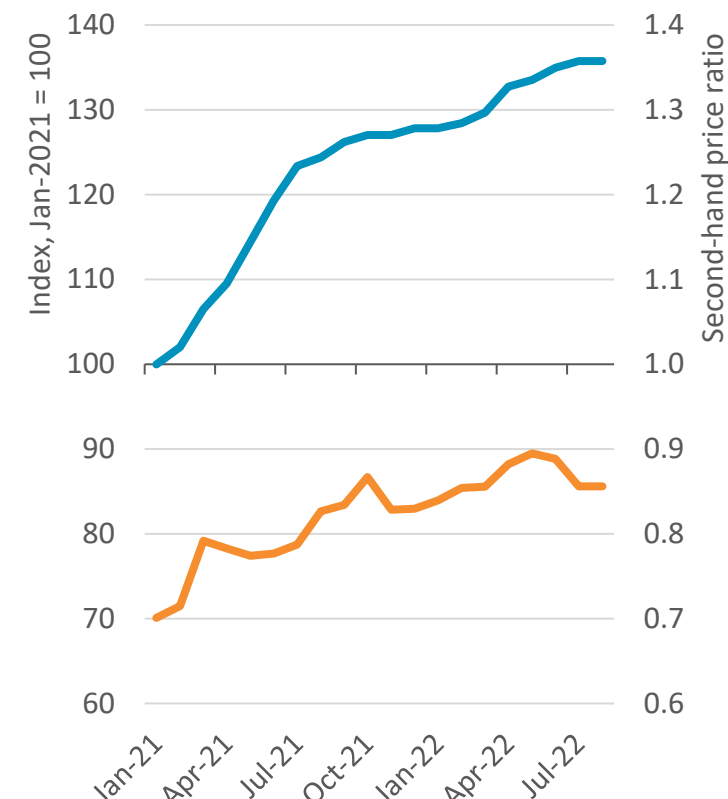


Source: BIMCO, Clarkson Shipping Intelligence Network

Asset prices

— Newbuilding price index

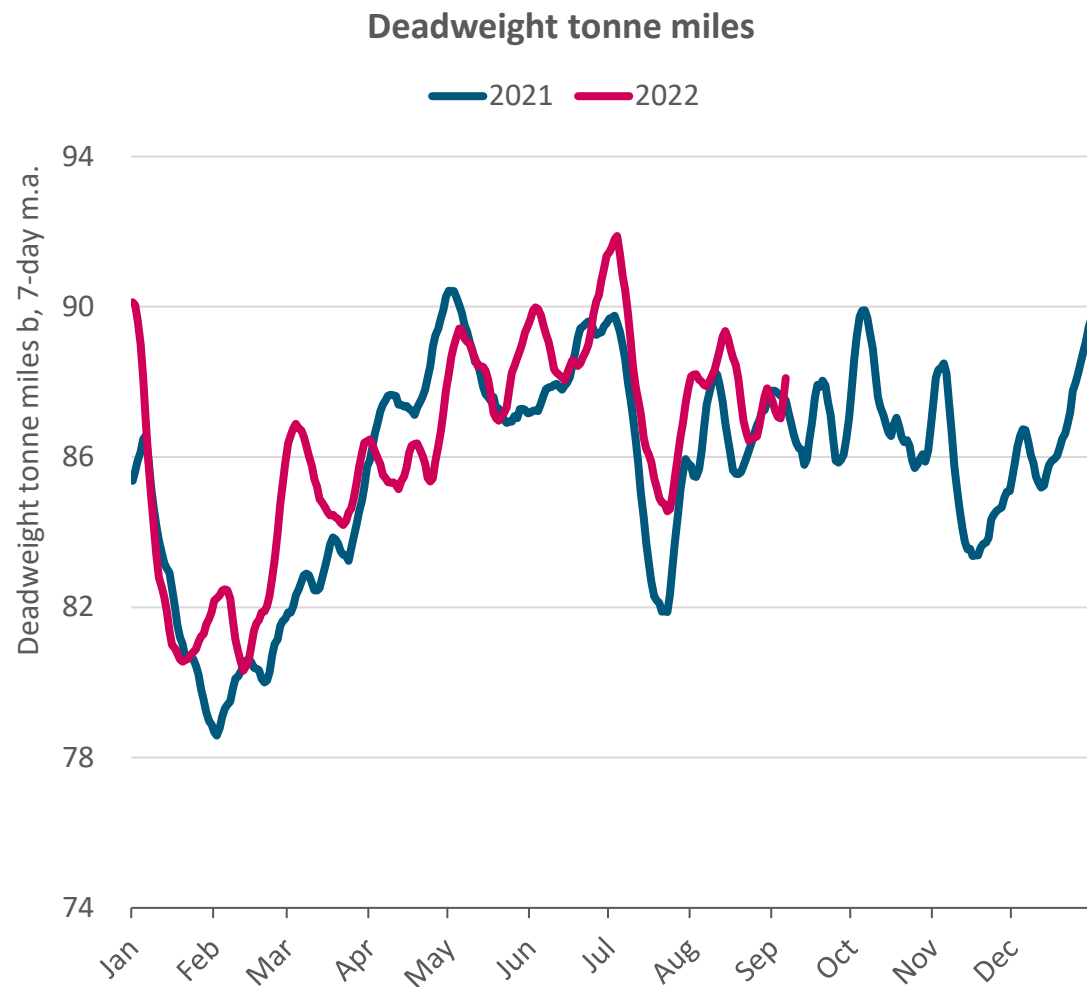
— Second-hand (5-yr old)/newbuilding price ratio



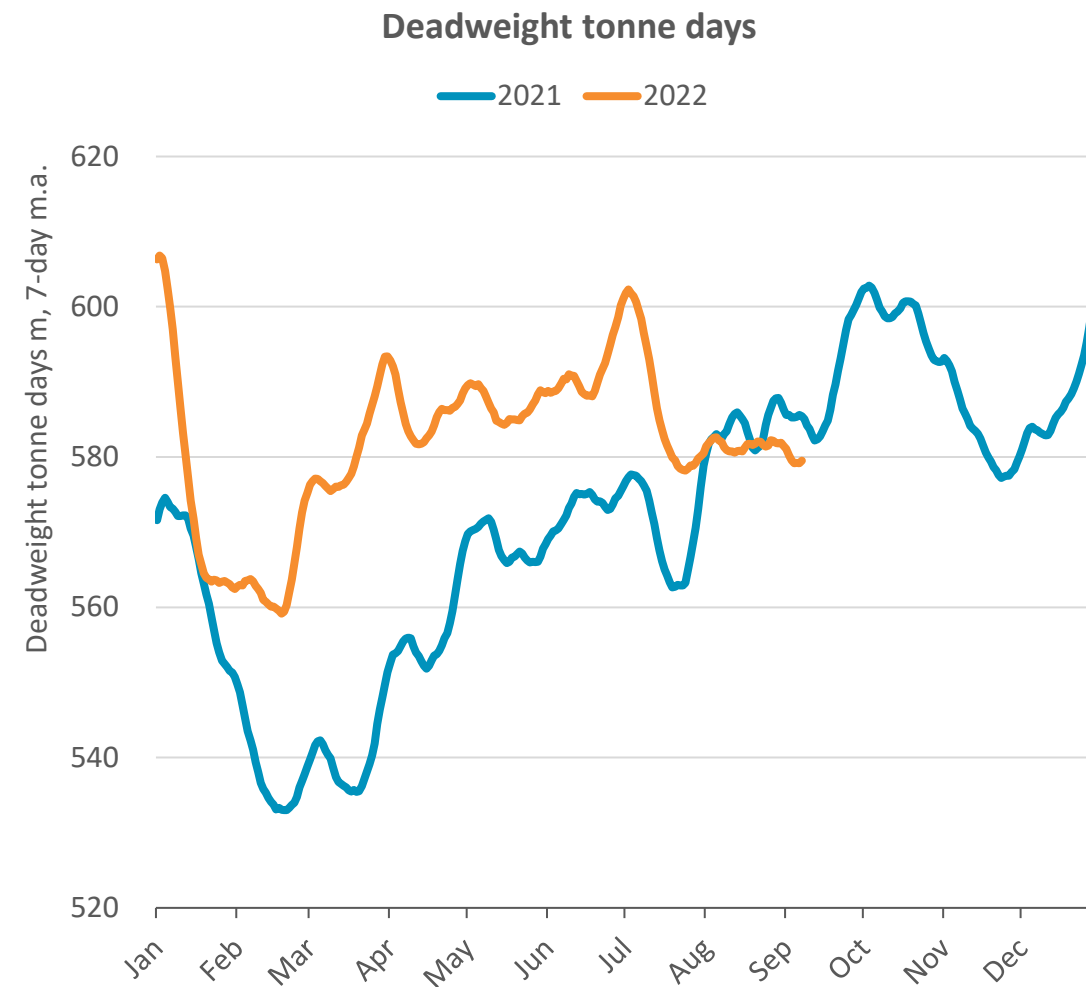
Source: BIMCO, Clarkson Shipping Intelligence Network

Demand

Tonne day demand slips below 2021 levels as congestion eases



Source: Signal Ocean

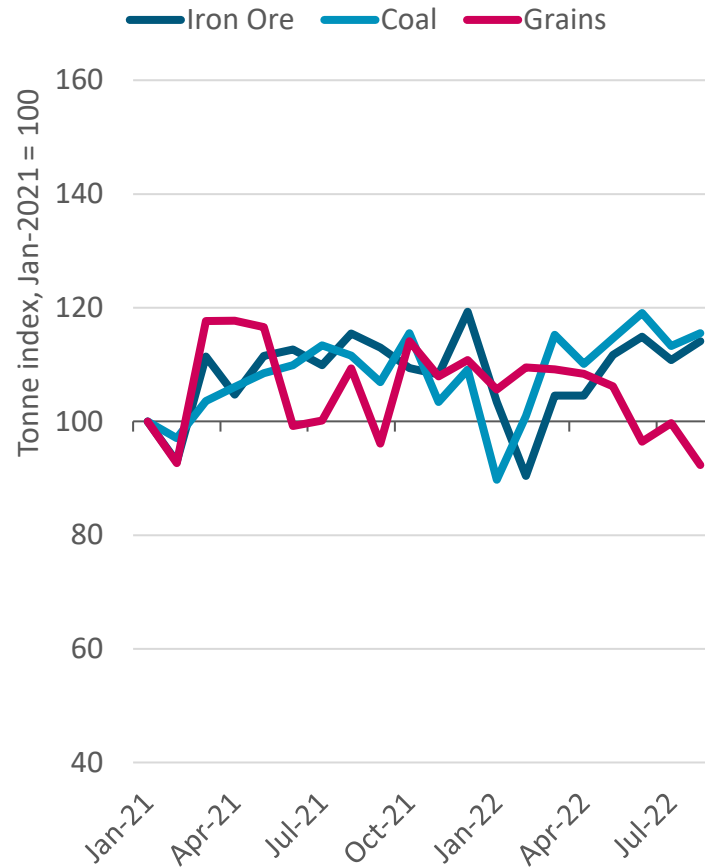


Source: Signal Ocean

Key Demand Contributors

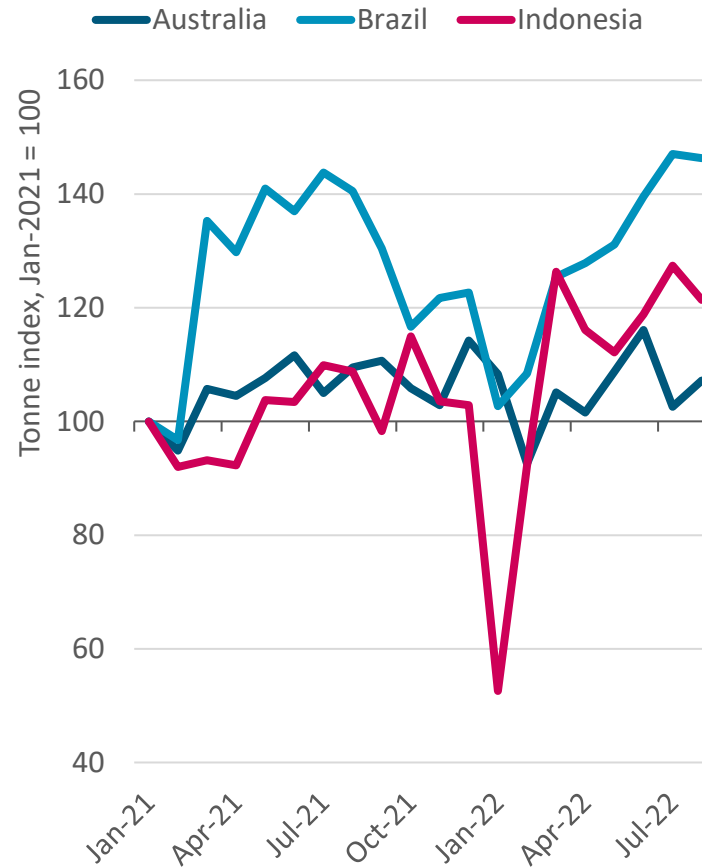
The loss of Ukrainian grain caused volumes to slump

Major bulk exports,
departure date



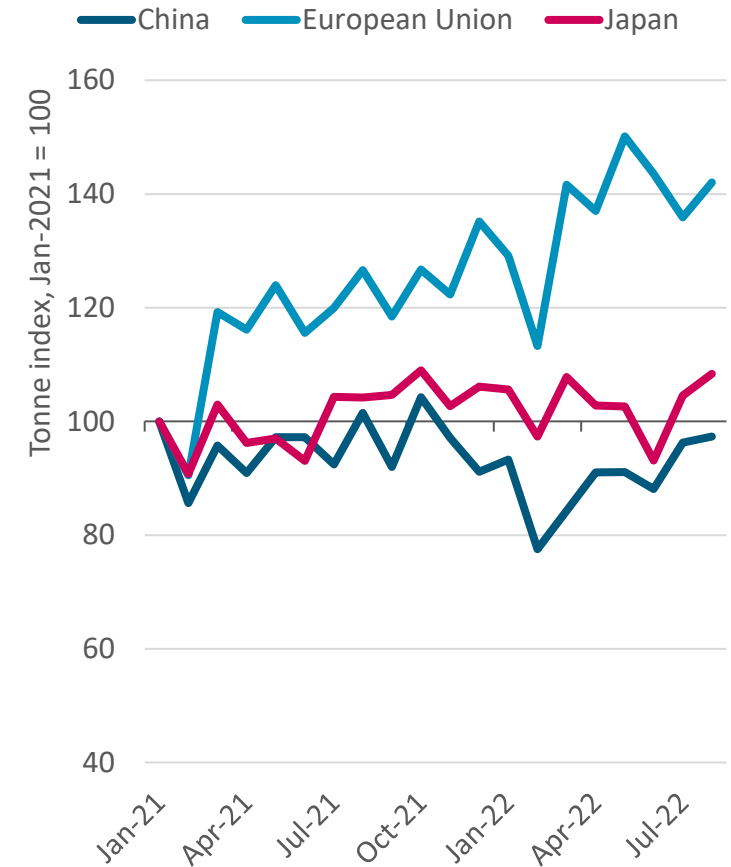
Source: BIMCO, Oceanbolt

Shipments from key exporters,
departure date



Source: Oceanbolt

Shipments to key importers,
arrival date



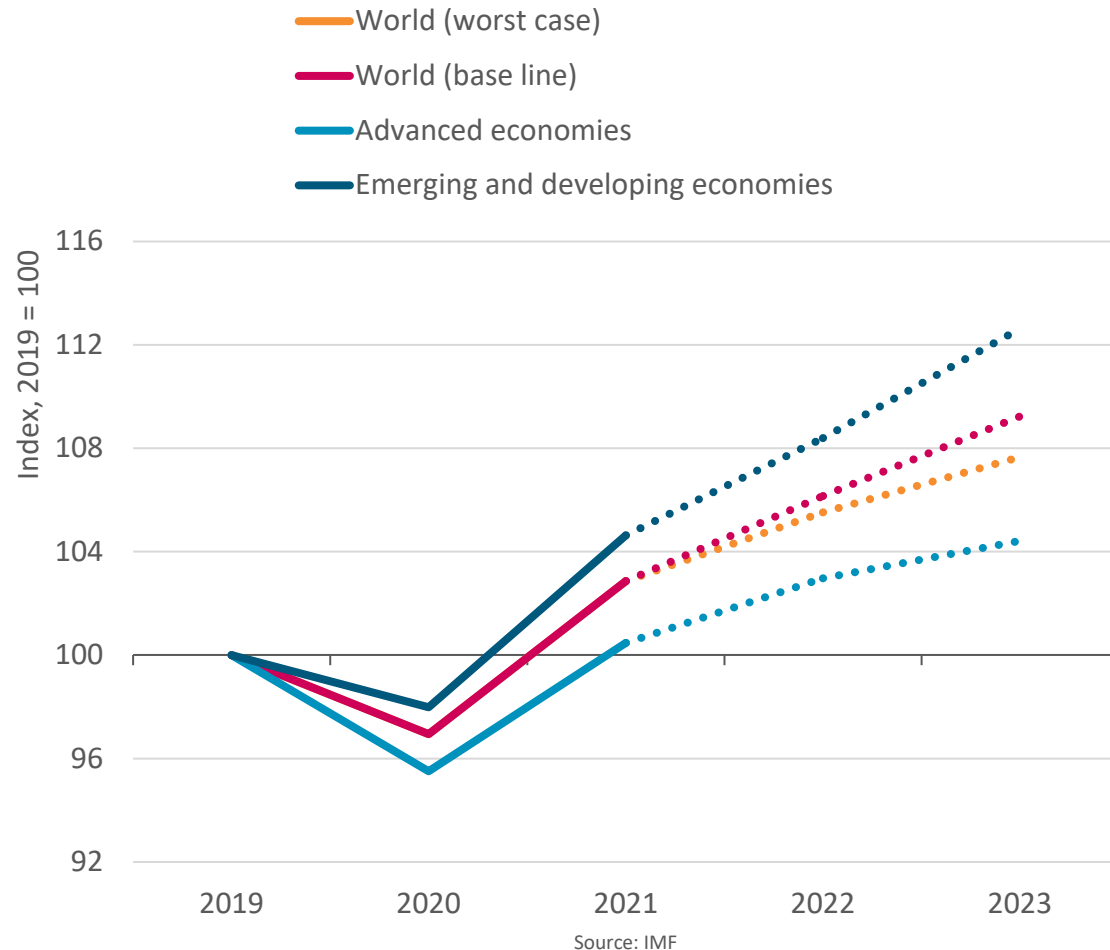
Source: Oceanbolt

1. Recent Developments
- 2. Demand Drivers**
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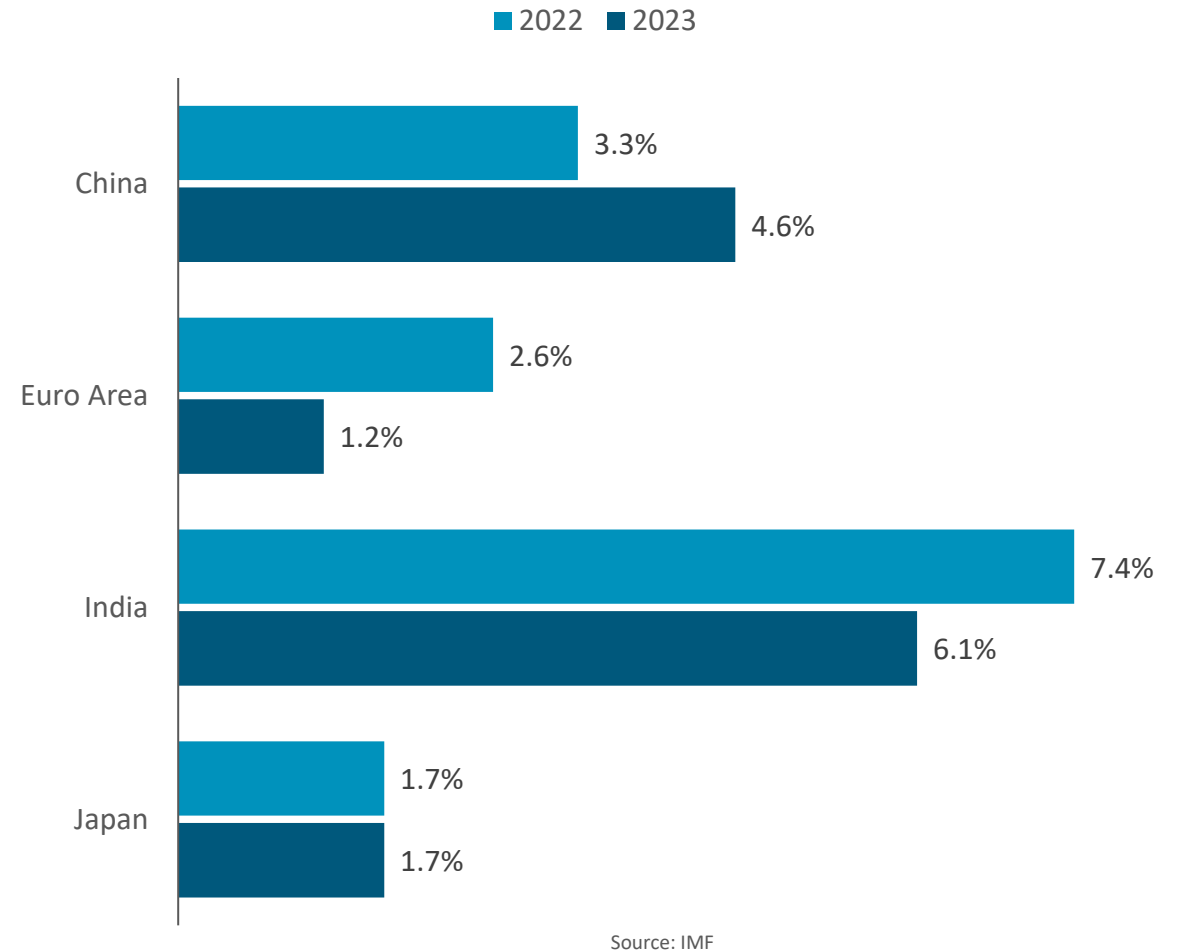
World Economy

Tightening of monetary policy is cutting back economic growth

World GDP forecast



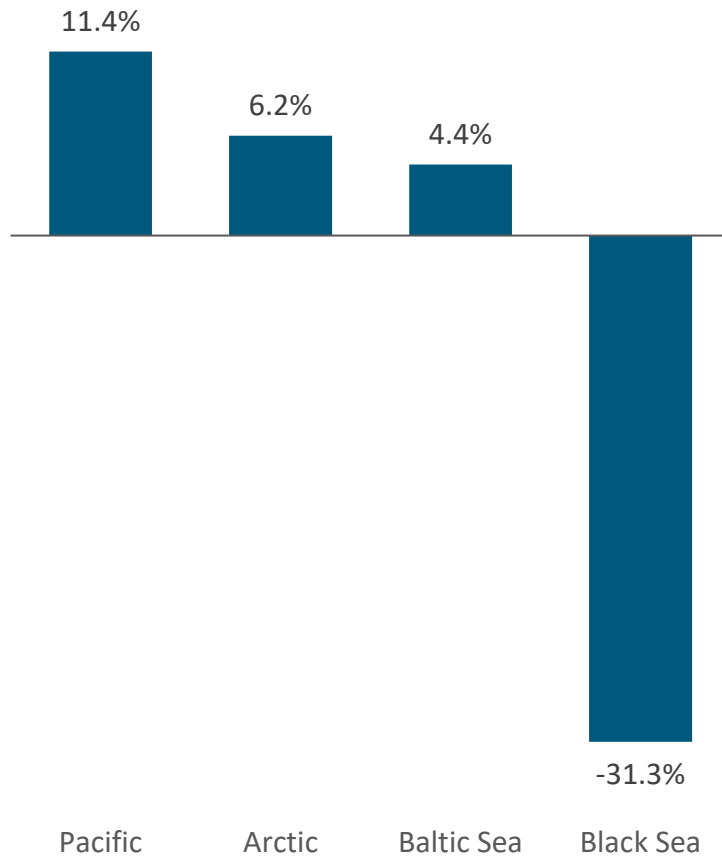
Key importers GDP forecast, y/y



Russia/Ukraine

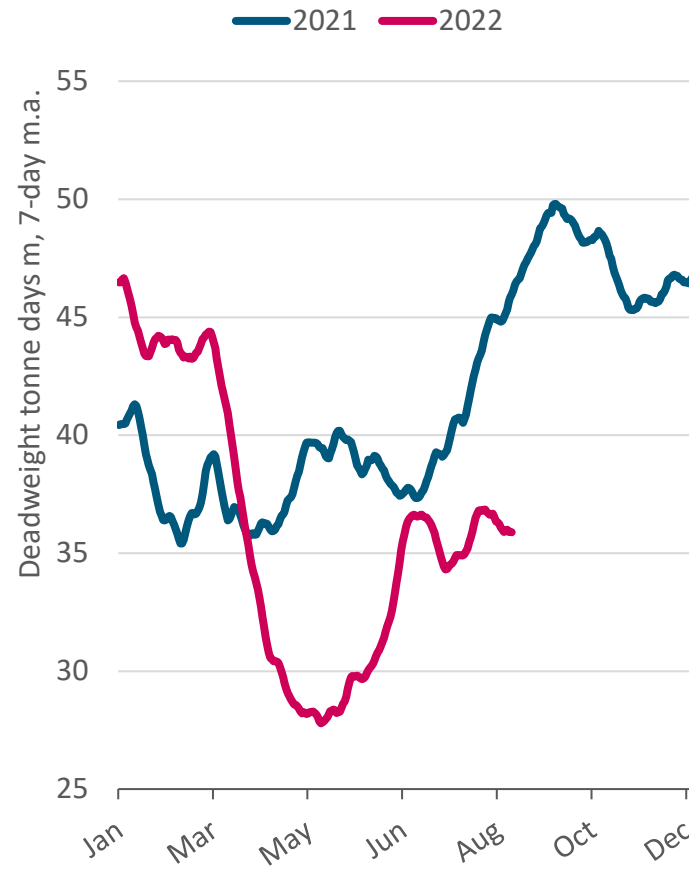
Shipments rebound in Q3 despite lower Black Sea activity

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



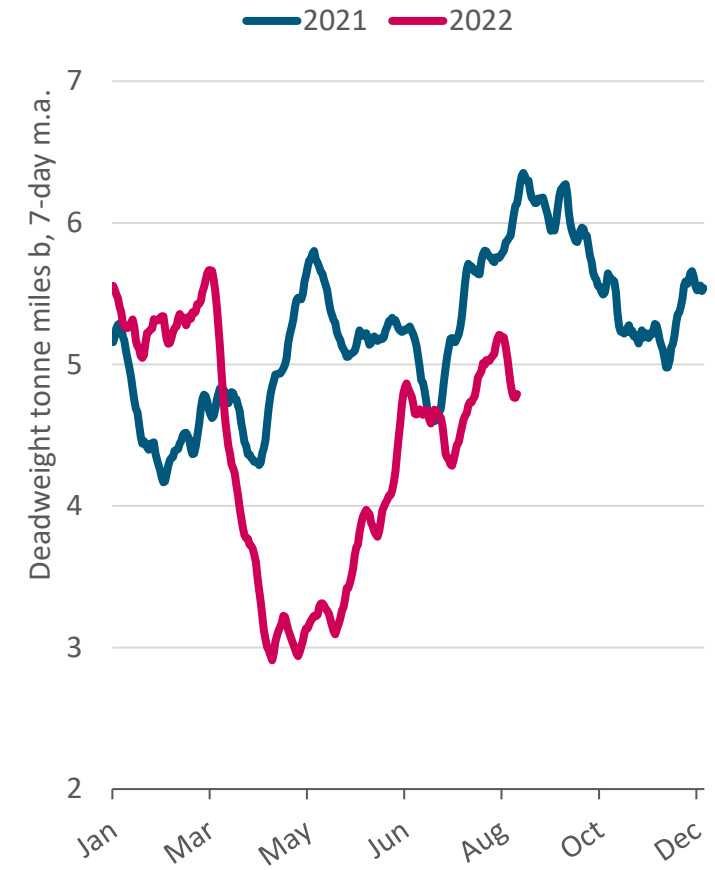
Source: Signal Ocean

Deadweight tonne days out of Russia & Ukraine



Source: Signal Ocean

Deadweight tonne miles out of Russia & Ukraine



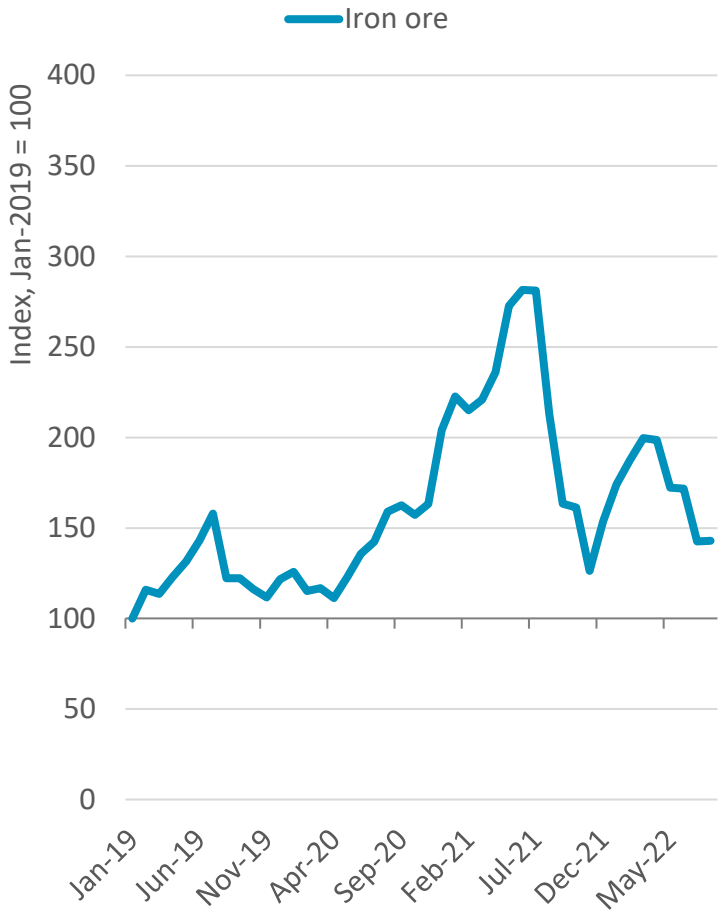
Source: Signal Ocean

Commodity Prices

Russia-Ukraine grain deal curbs rising grain prices

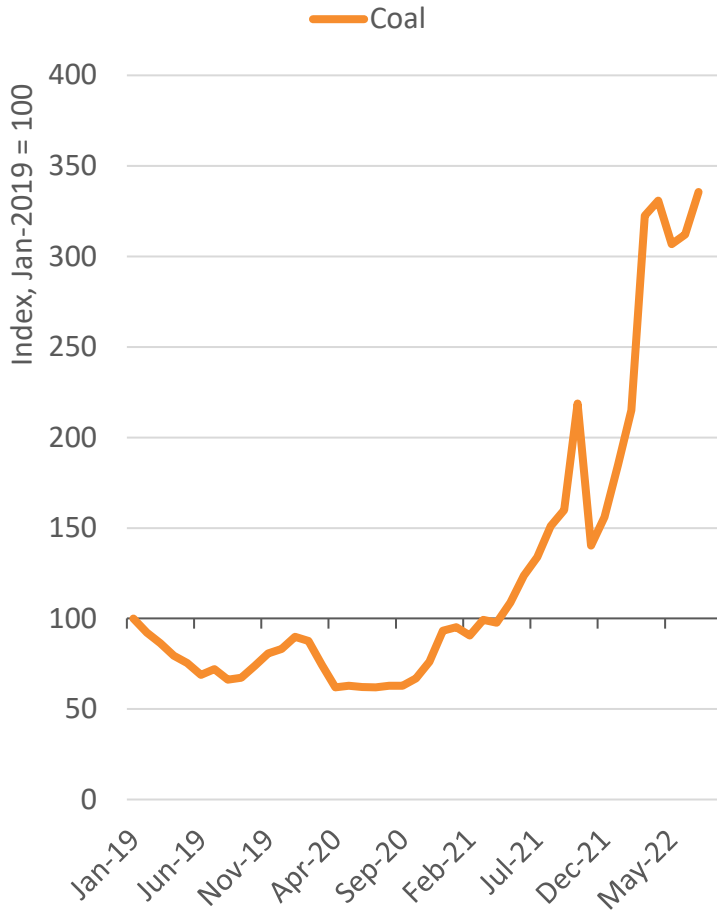


Iron ore prices



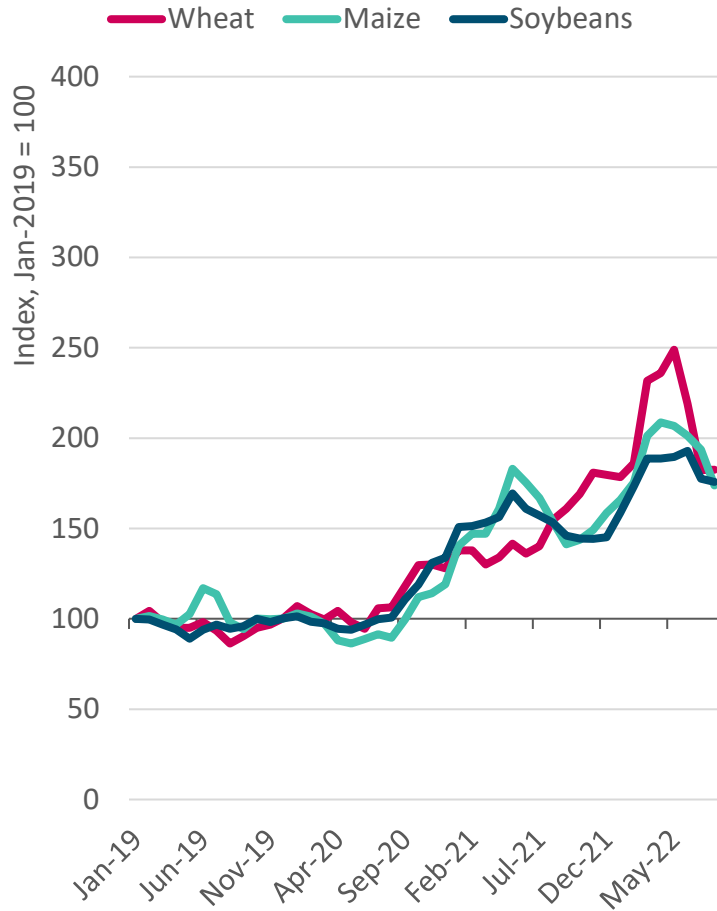
Source: World Bank

Coal prices



Source: World Bank

Grain prices

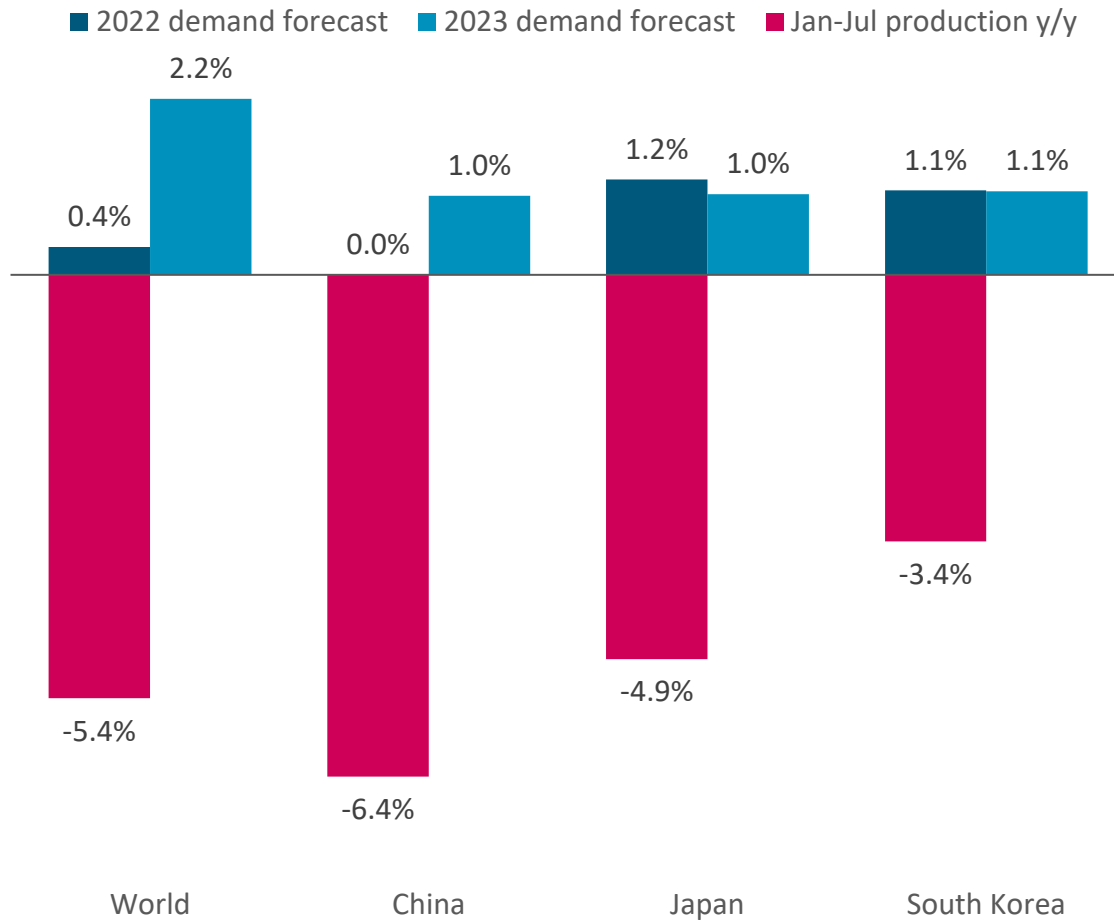


Source: World Bank

Iron Ore and Steel

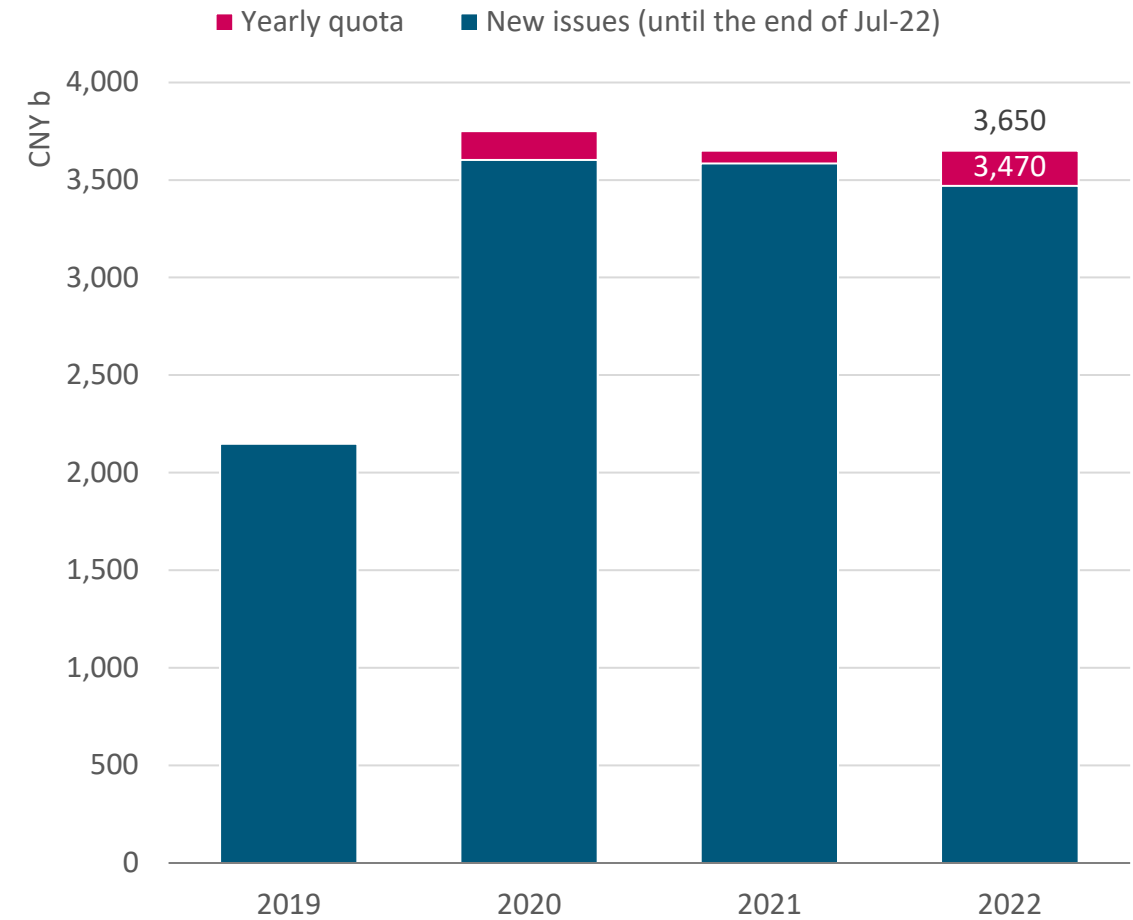
Demand remains weak in key iron ore importers

Crude steel production vs April demand forecast



Source: World Steel Association

Local government special purpose bonds in China

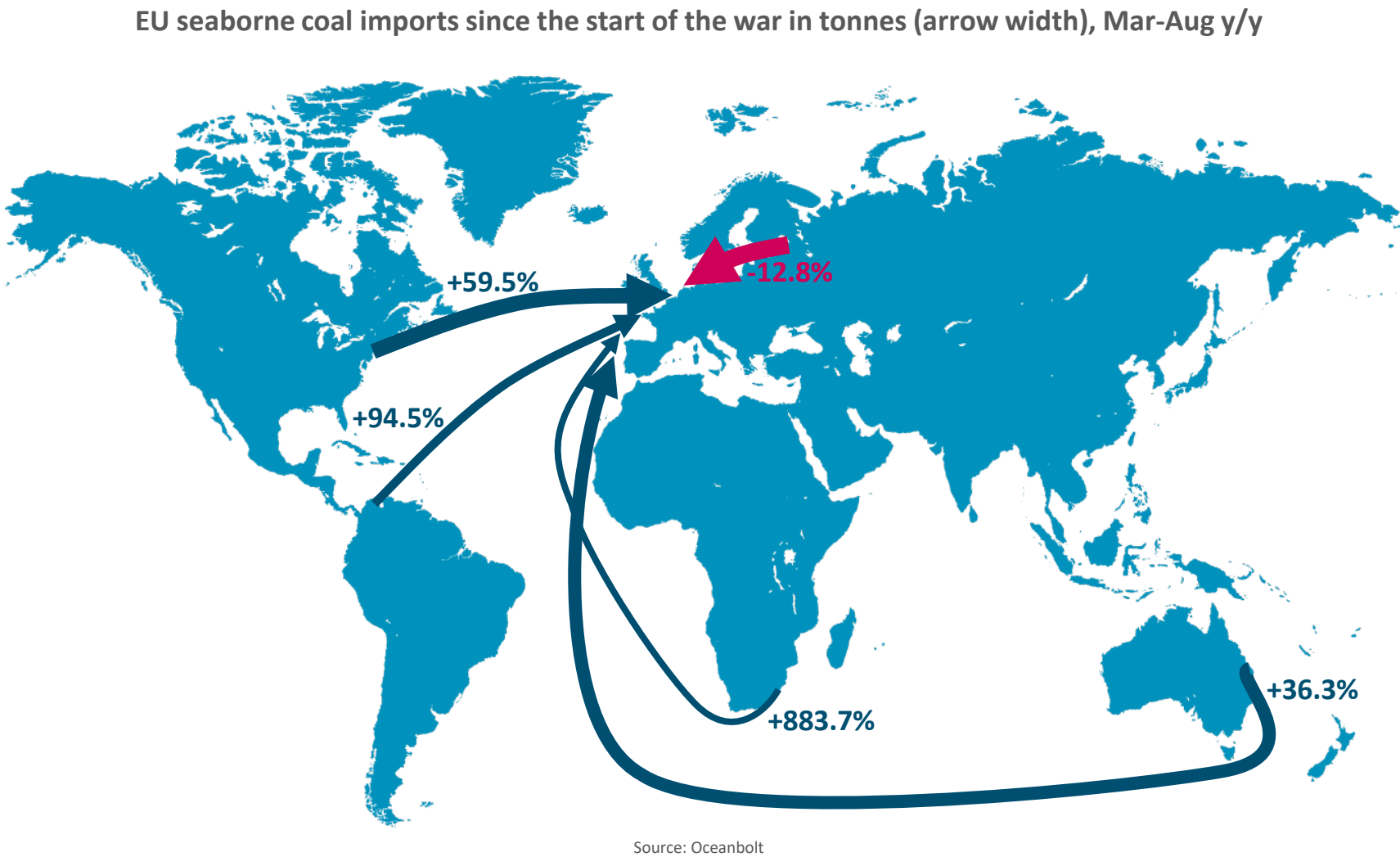
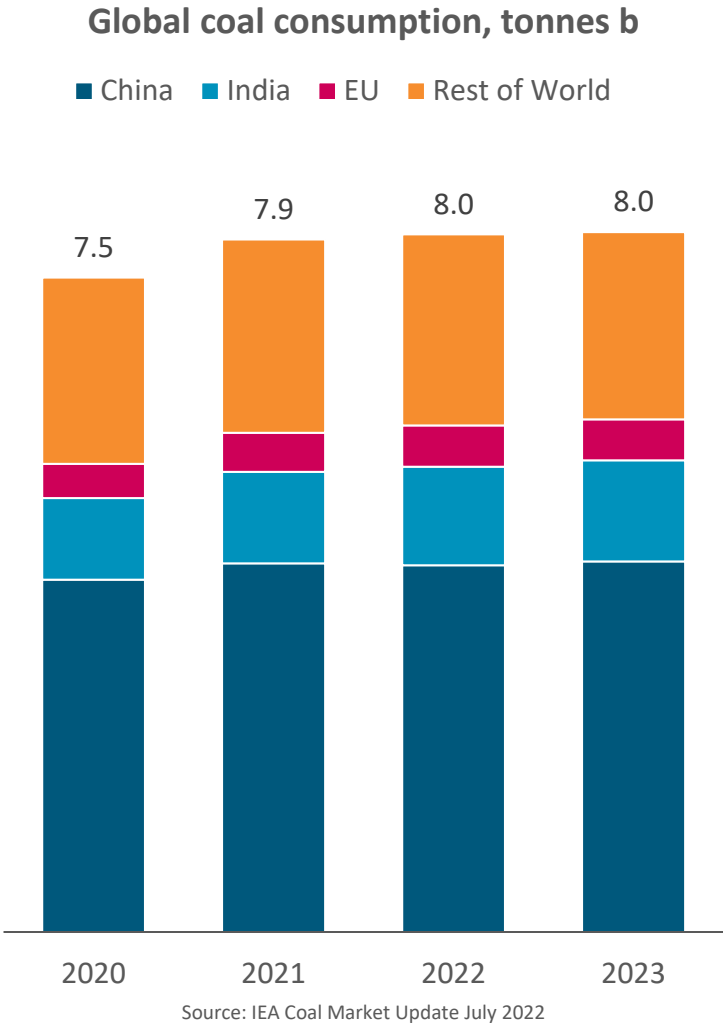


Source: China's ministry of finance

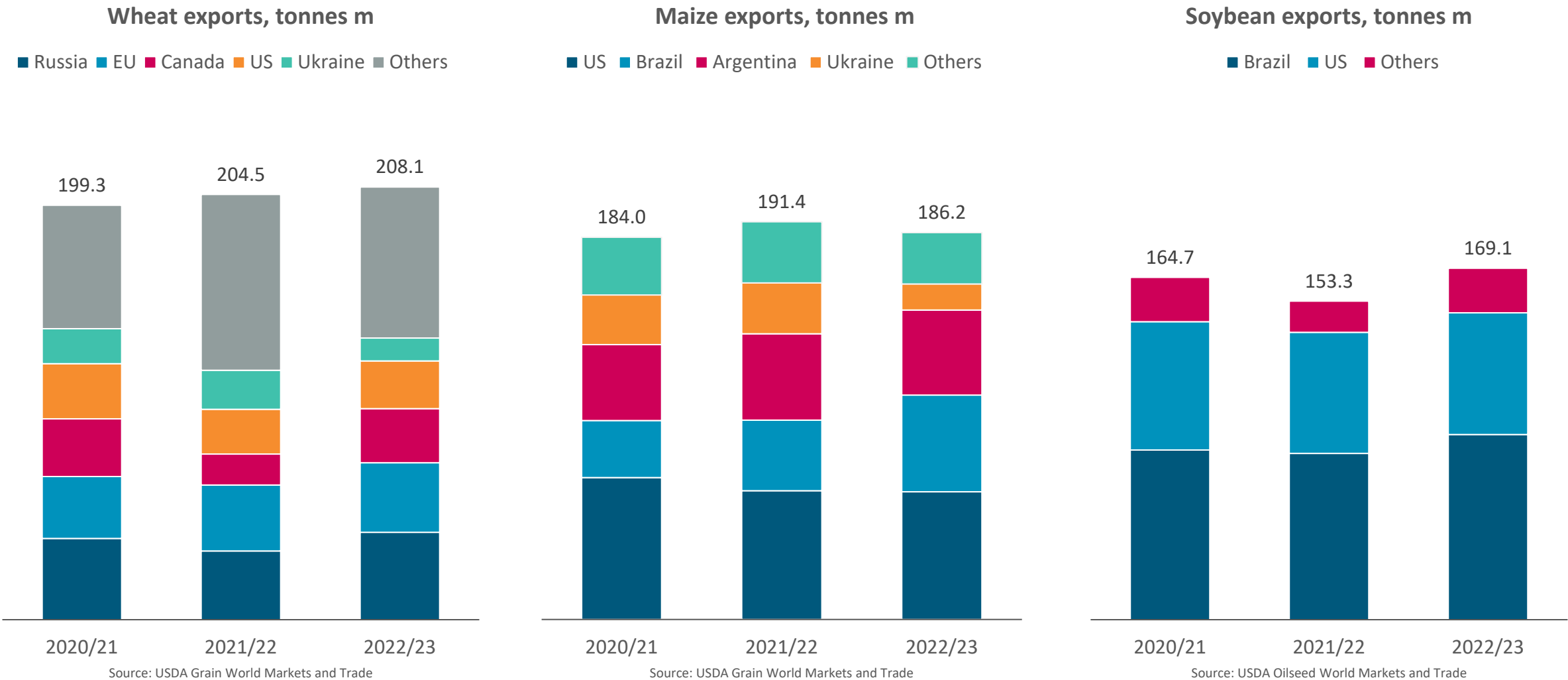
Coal

EU coal ban is boosting average haul

BIMCO



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

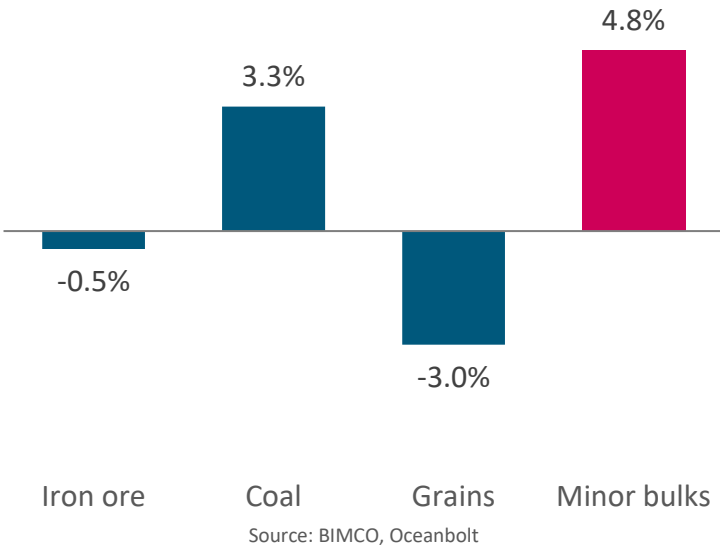


Minor bulks

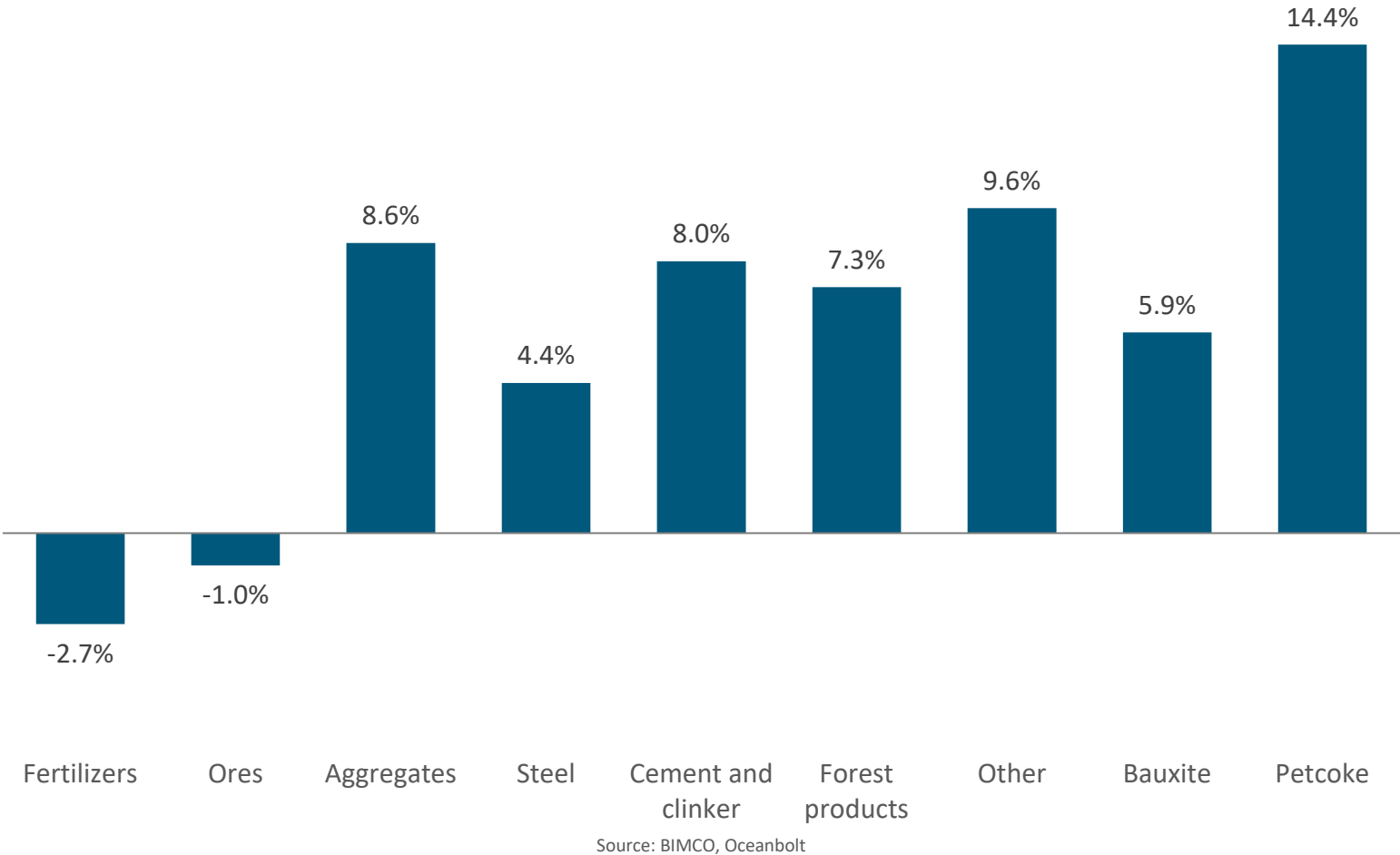
Weakening container rates will increase competition for minor bulks



Bulk exports in tonnes, Jan-Aug y/y



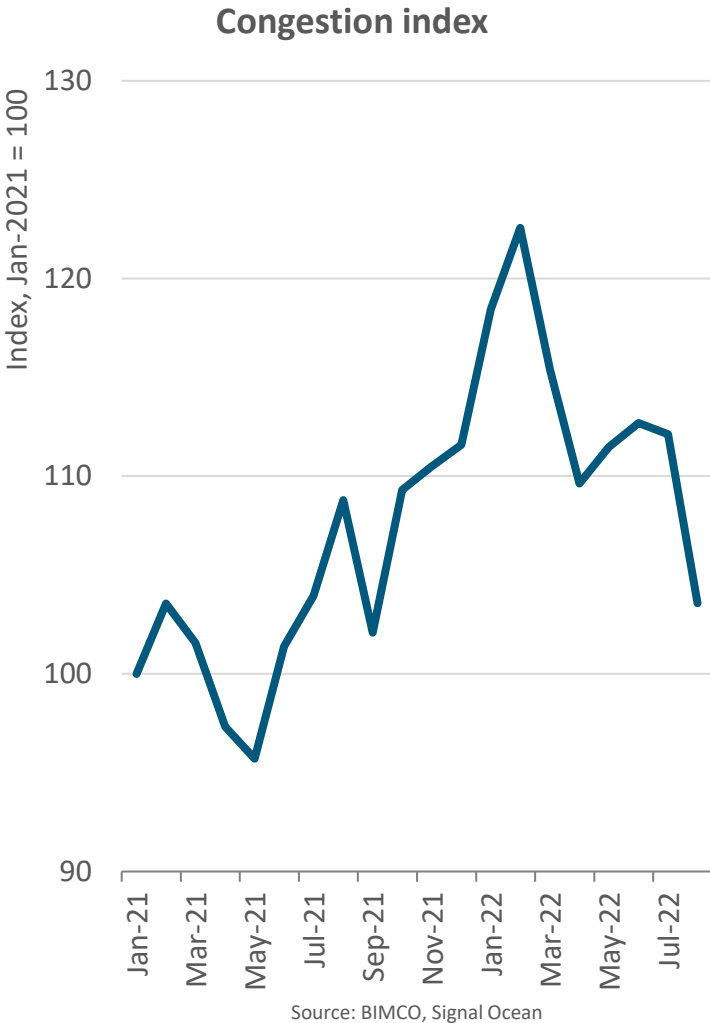
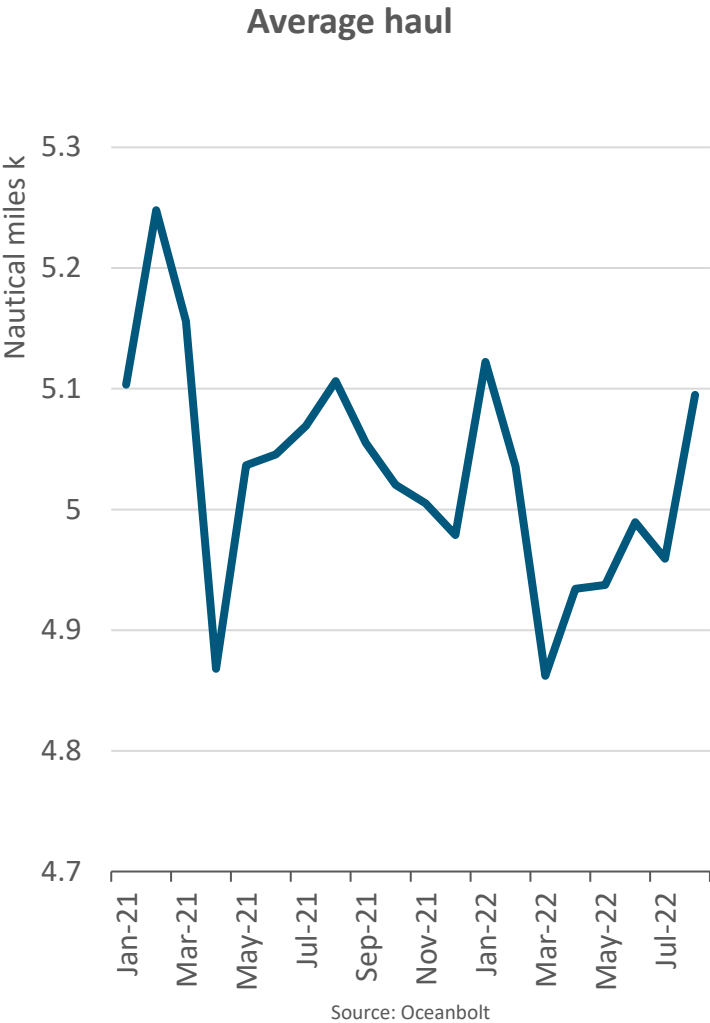
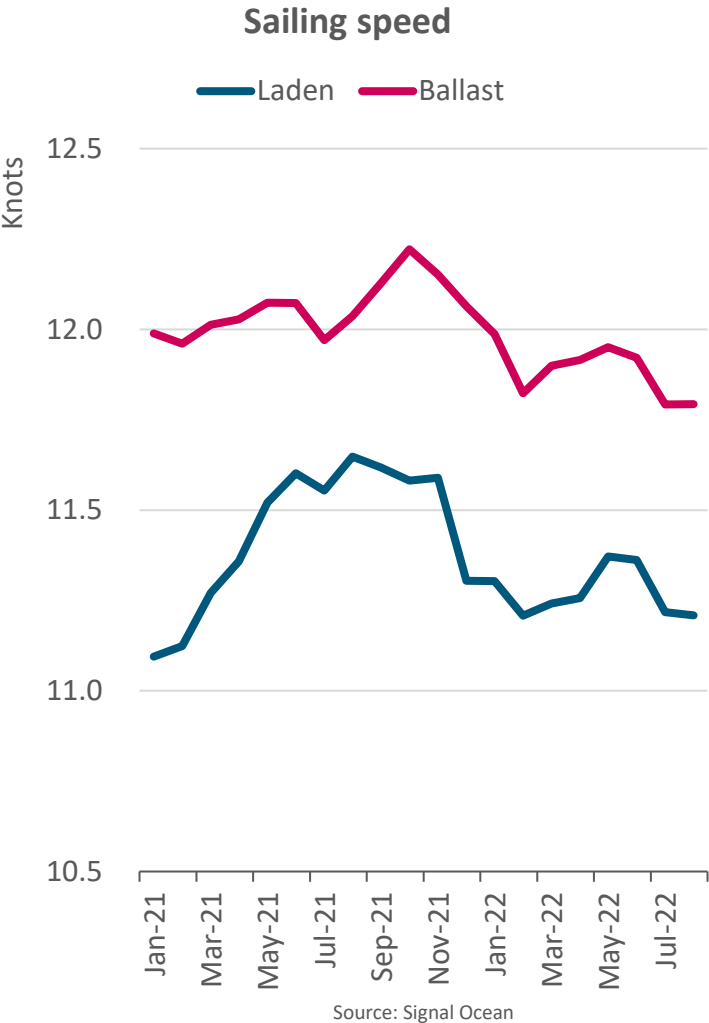
Minor bulk exports in tonnes, Jan-Aug y/y



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Sailing Speed, Average Haul & Congestion

Congestion falls across the board in August

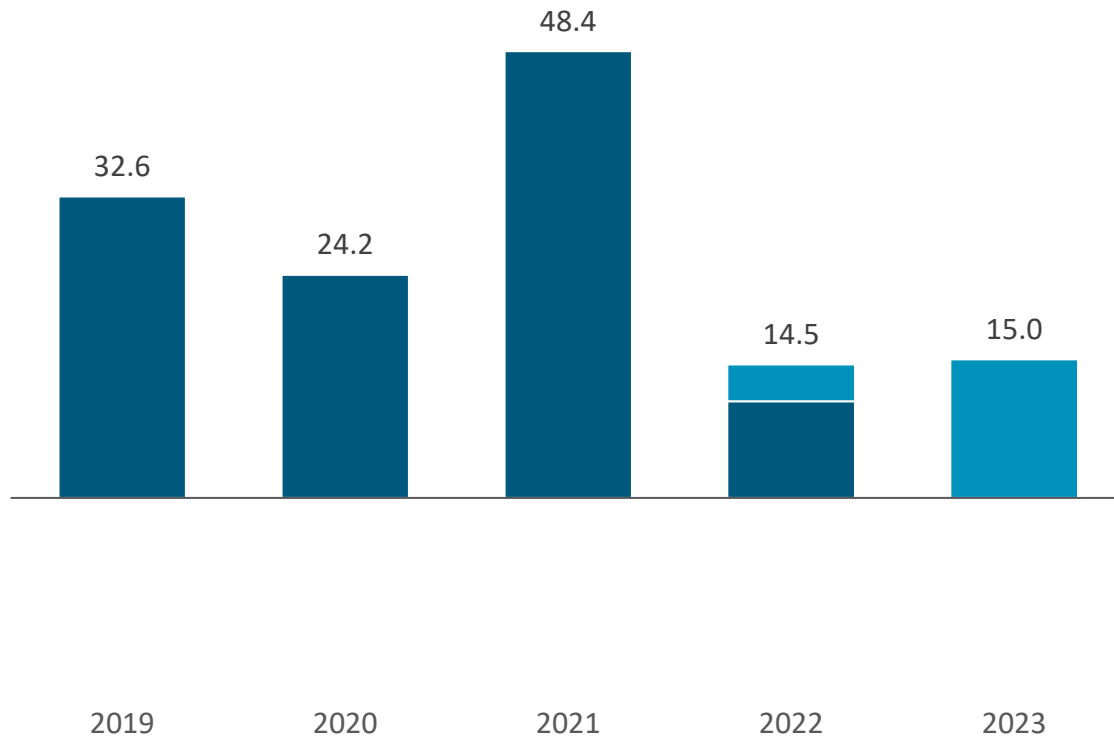


Fleet Development

Demolition to pick up in 2023 as rates normalize

Contracting, DWT m

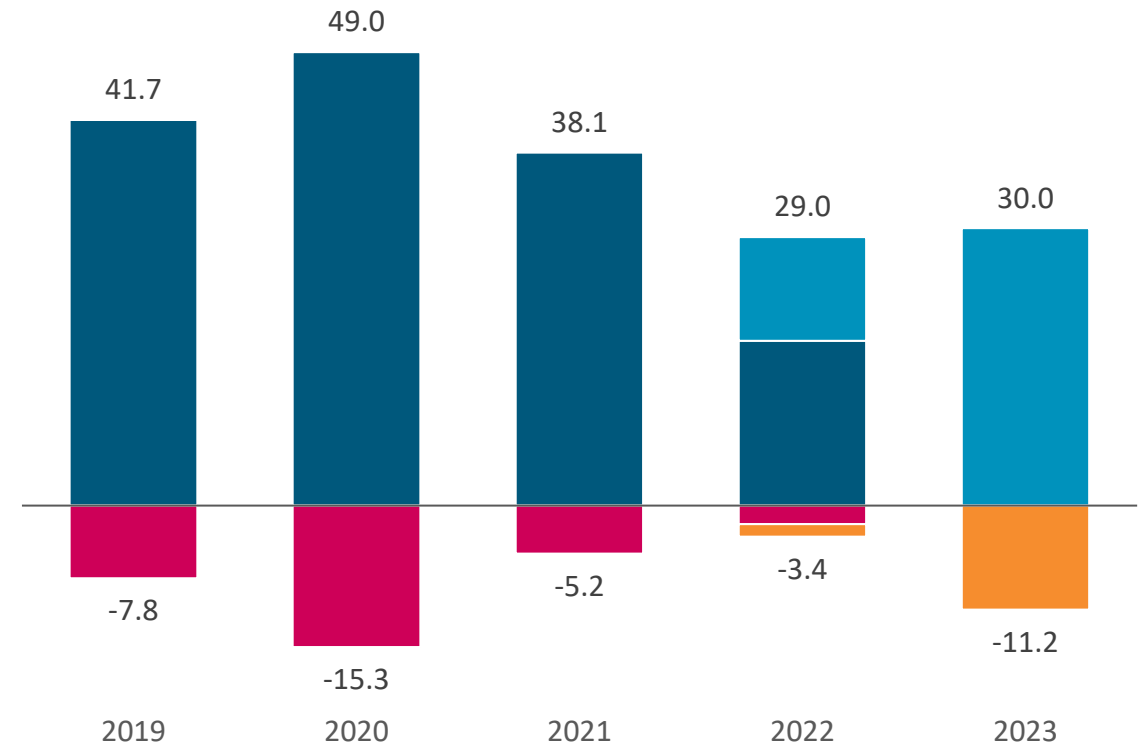
■ Contracted ■ Forecasted contracting



Source: BIMCO, Clarkson Shipping Intelligence Network

Deliveries & Demolition, DWT m

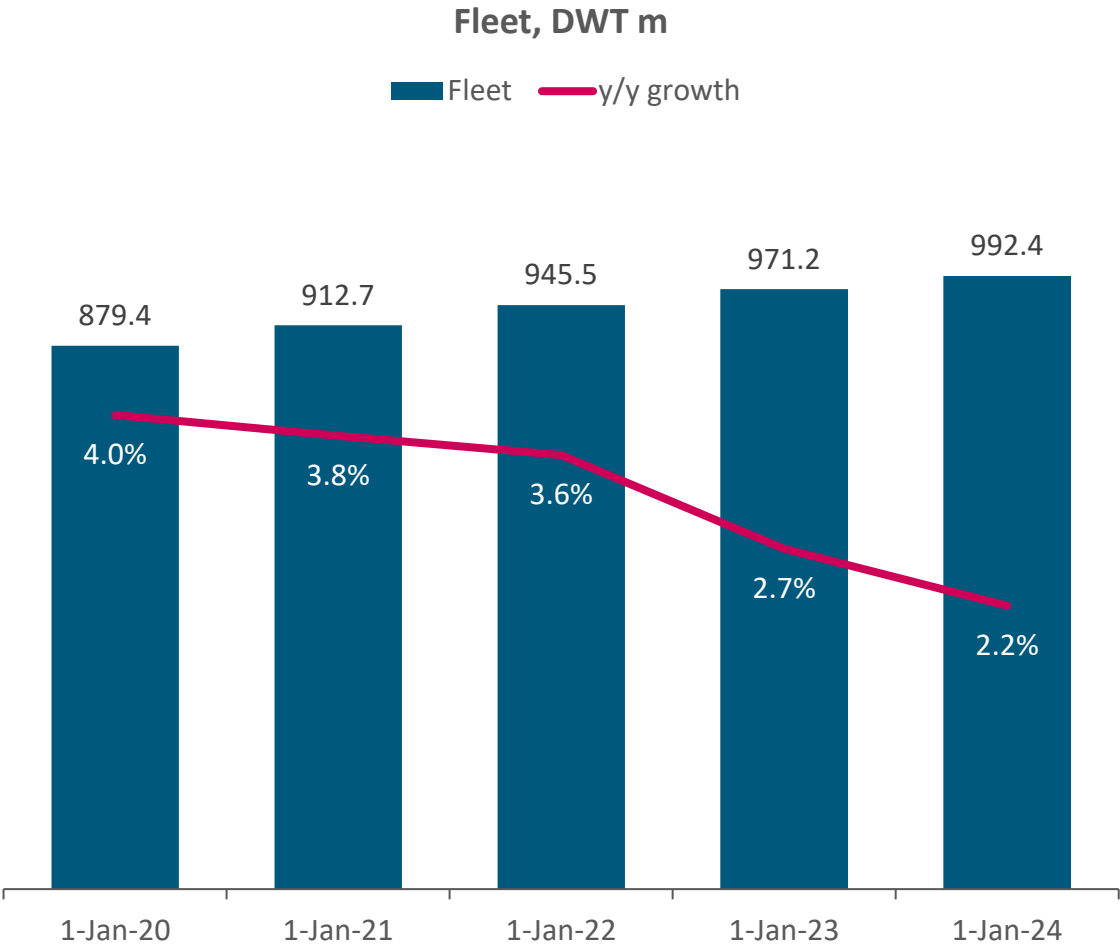
■ Delivered ■ Deliveries from orderbook
■ Demolished ■ Forecasted demolition



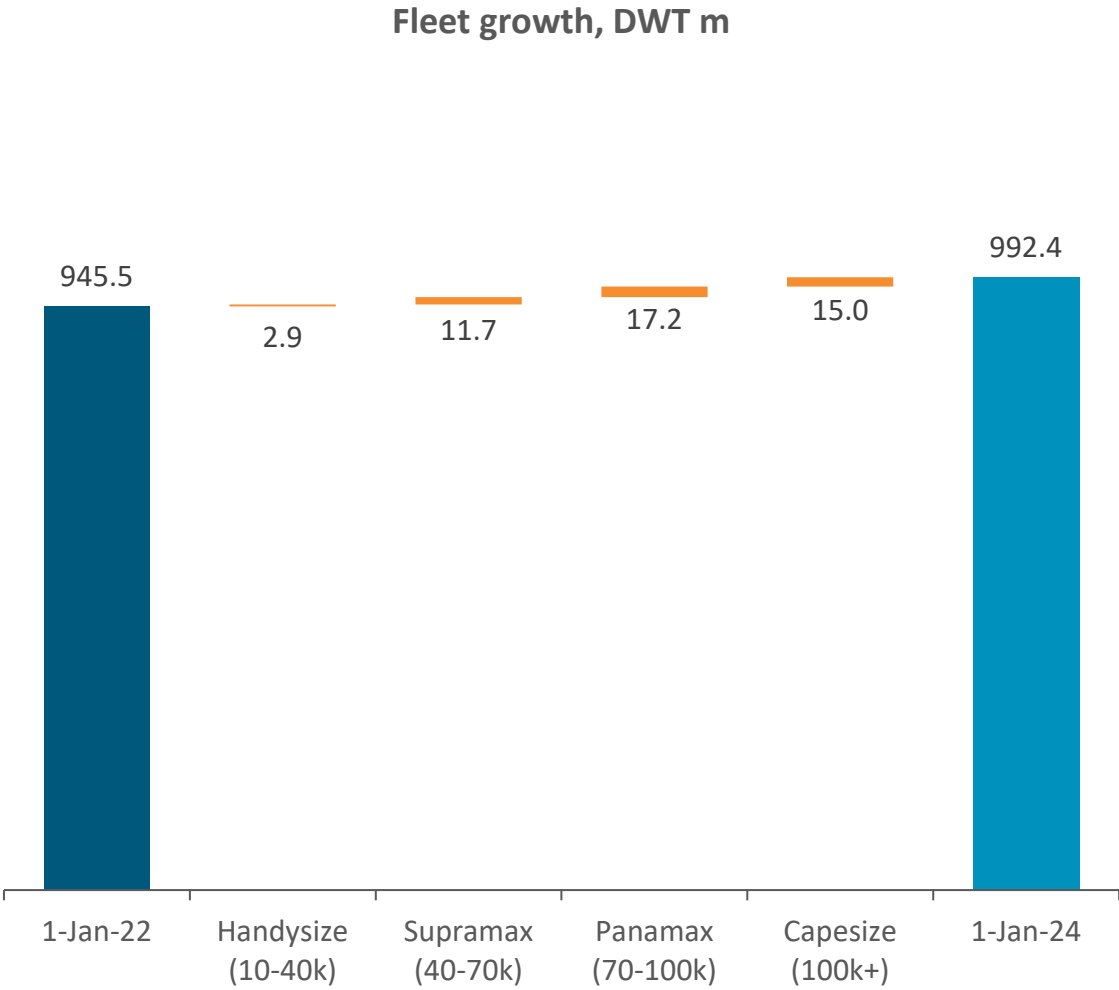
Source: BIMCO, Clarkson Shipping Intelligence Network

Fleet Size

Low orderbook and higher scrapping to limit fleet growth



Source: BIMCO, Clarkson Shipping Intelligence Network



Source: BIMCO, Clarkson Shipping Intelligence Network

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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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