

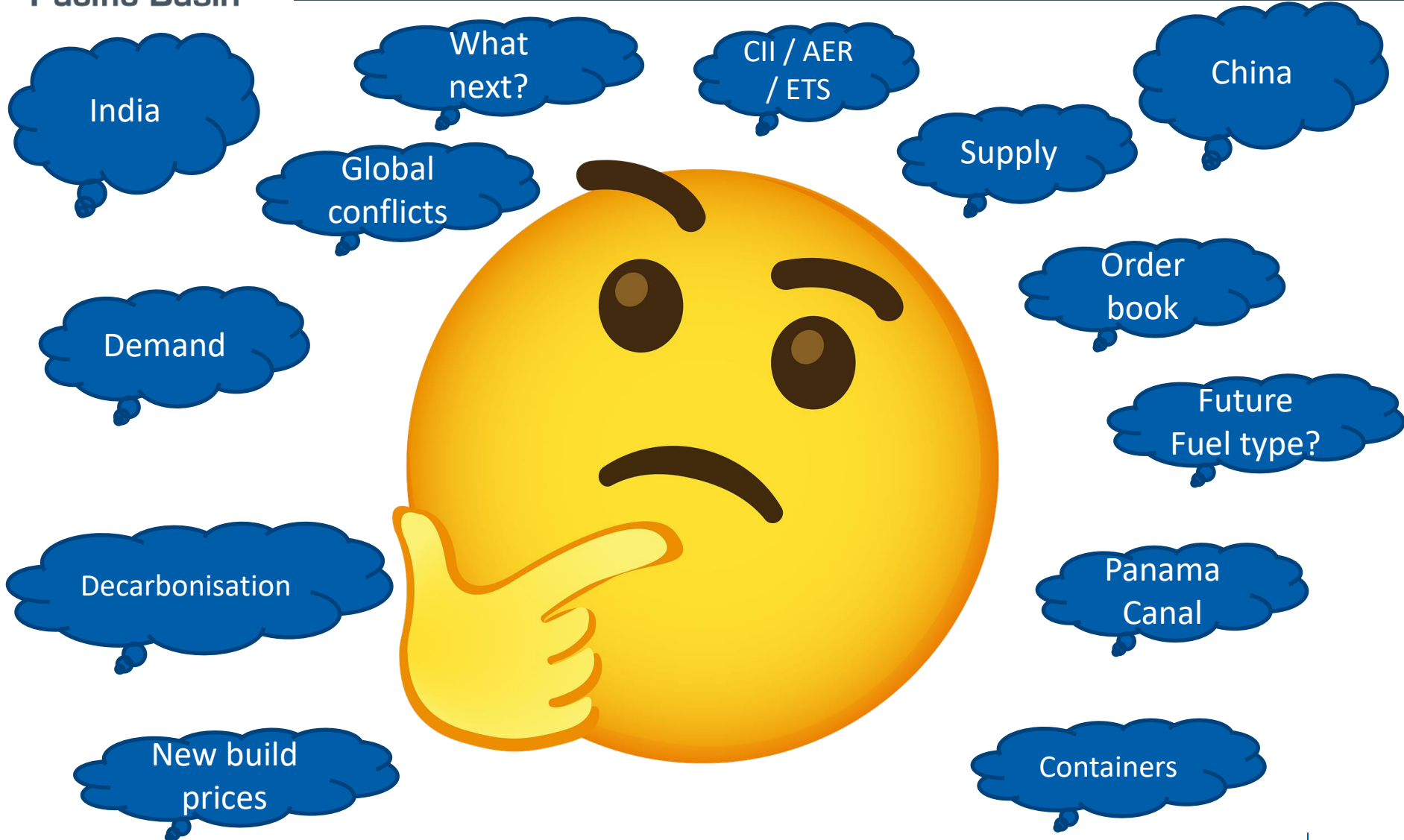
The Dry Bulk Market in an unsettled world



PETER AMAT
Pacific Basin Vancouver



What to think?





- **FREIGHT MARKET**

- The market has been resilient in the face of economic headwinds in China and elsewhere
- Freight rates have returned to a more normal seasonality

- **ECONOMIC BACKGROUND**

- After China's exit from Covid lockdown, the economy has been weaker than expected
- Chinese property market
- Central banks have increased interest rates to weaken inflation pressure
- Geopolitical risks remain – Ukraine, Middle East

- **DRY BULK DEMAND**

- Despite weak growth in China, its dry bulk imports have been strong, led by coal and iron ore
- Grain trades have been weak in the first half of the year but picked up in the second

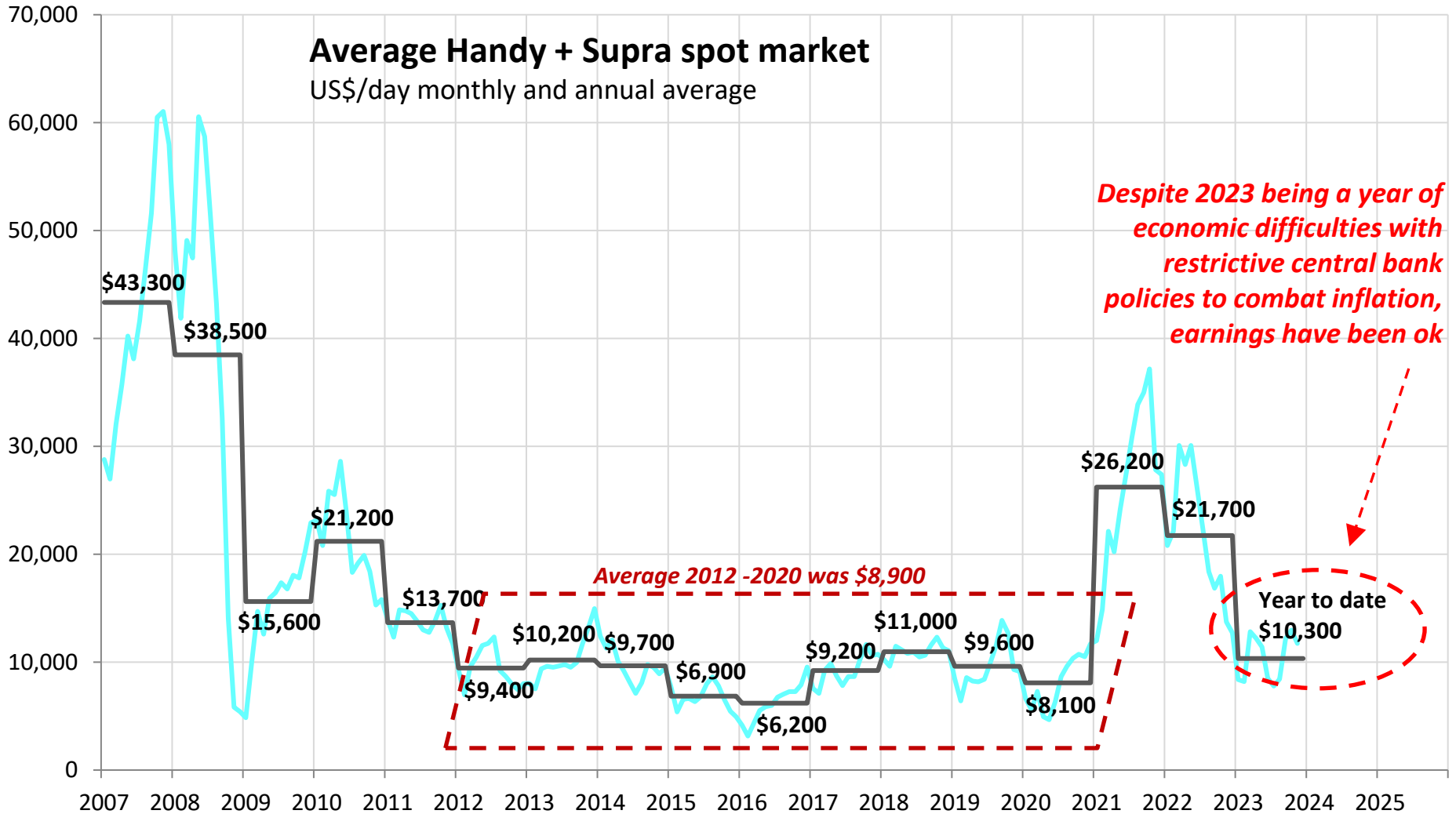
- **DRY BULK SUPPLY DEVELOPMENT**

- Dry Bulk ordering continues to be held back due to uncertainties over future fuel choices
- Dry Bulk orderbook remains near a multi-decade low and although the pace of deliveries is low, it is higher than last year
- Demolition sales are already near zero so have significant upside
- Vessel speed has reduced to a new low
- Incoming environmental regulation will over time lead to fleet capacity reductions
- New builds are historically expensive – what to build.



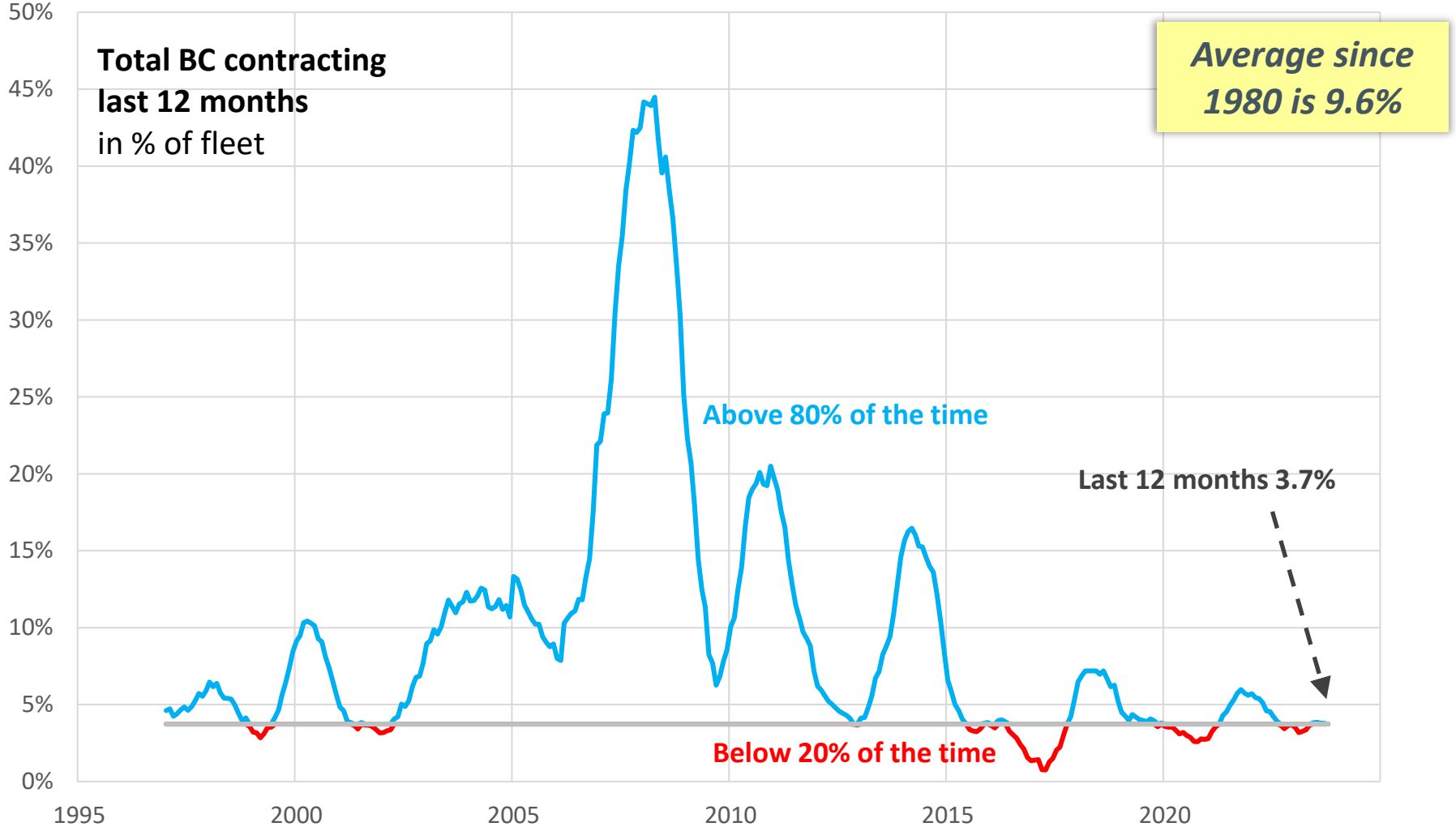
Handysize and Supramax Earnings Overview

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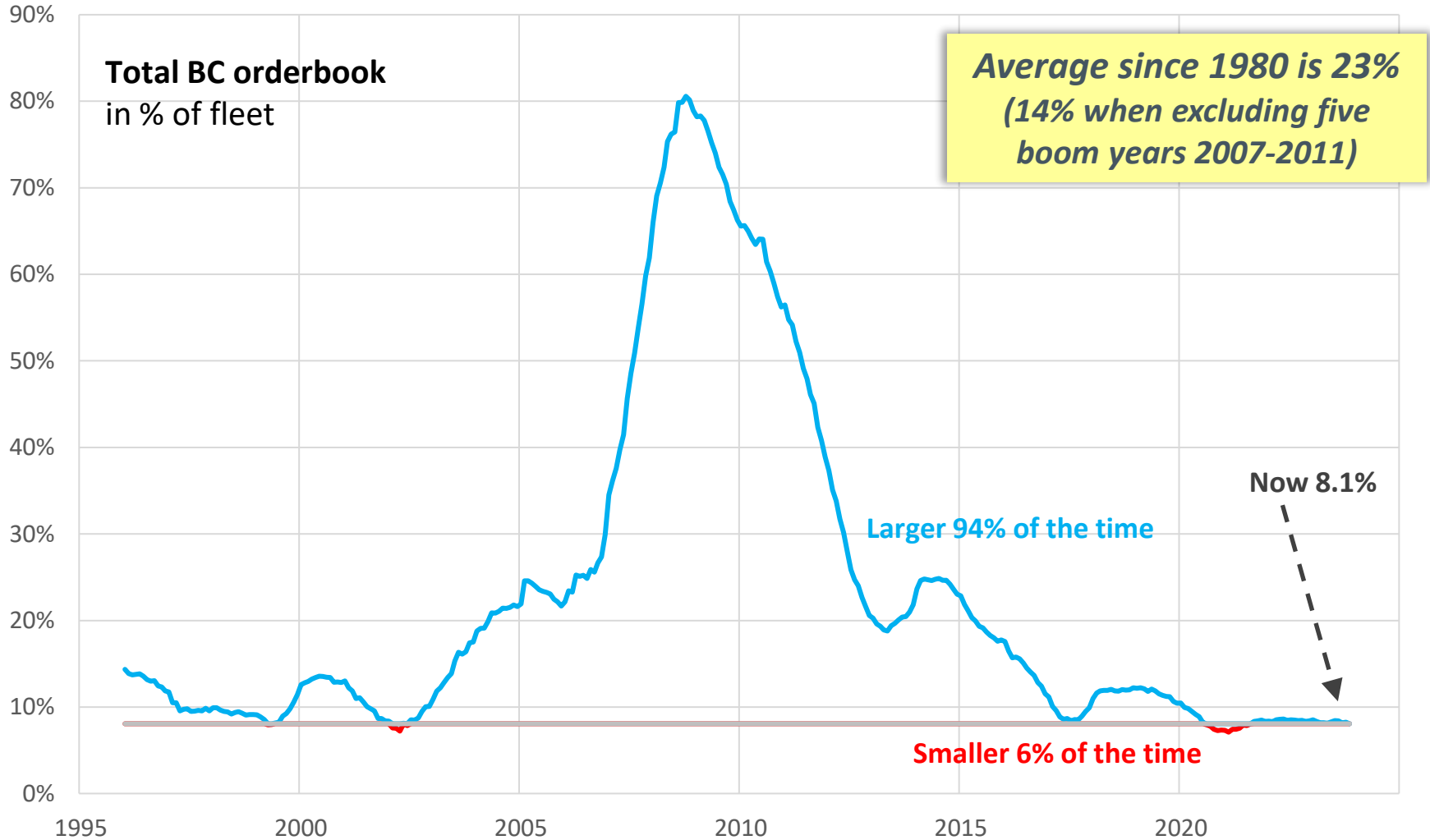


Unusually low contracting since 2015....





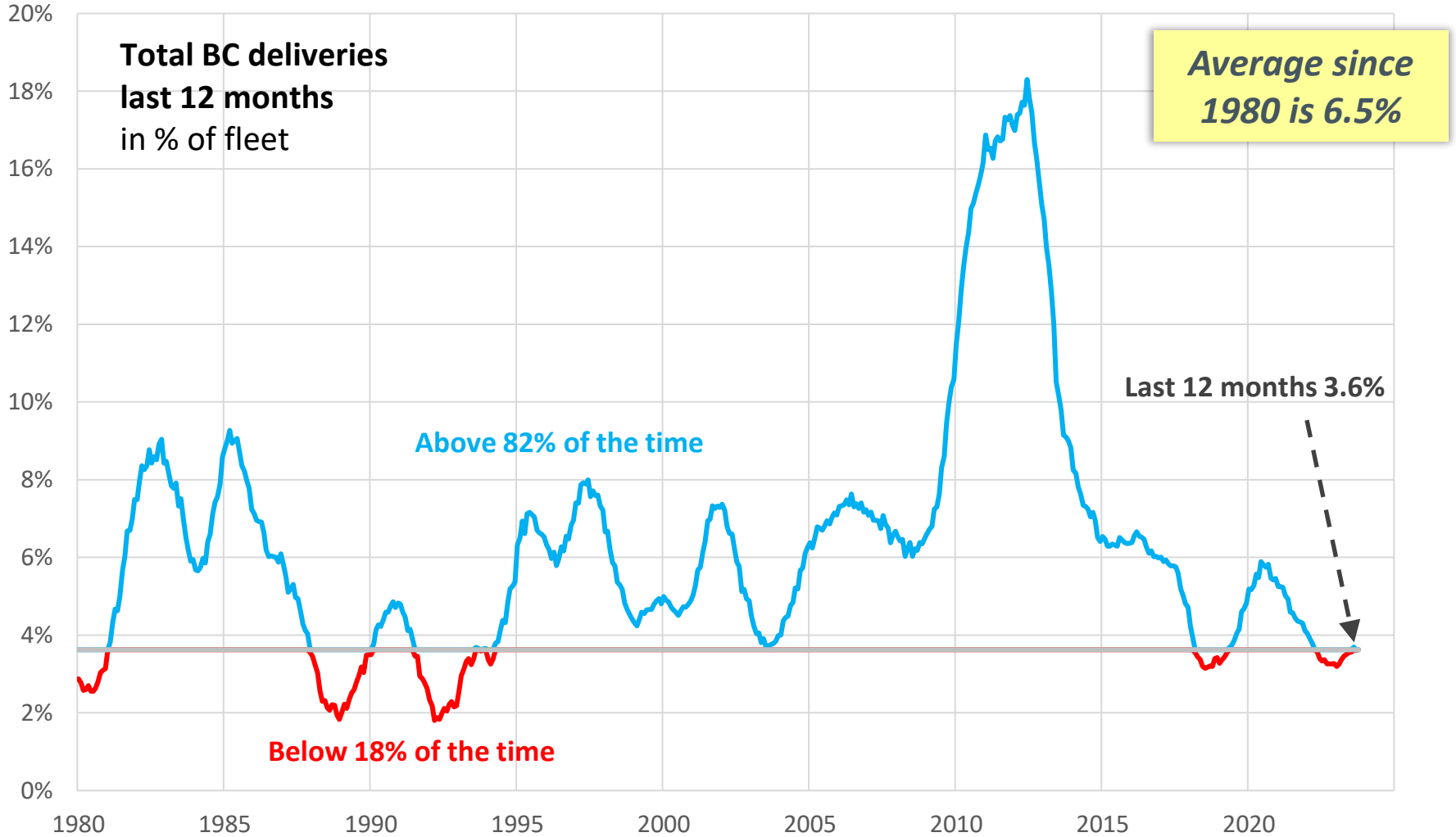
....has resulted in a record-low orderbook





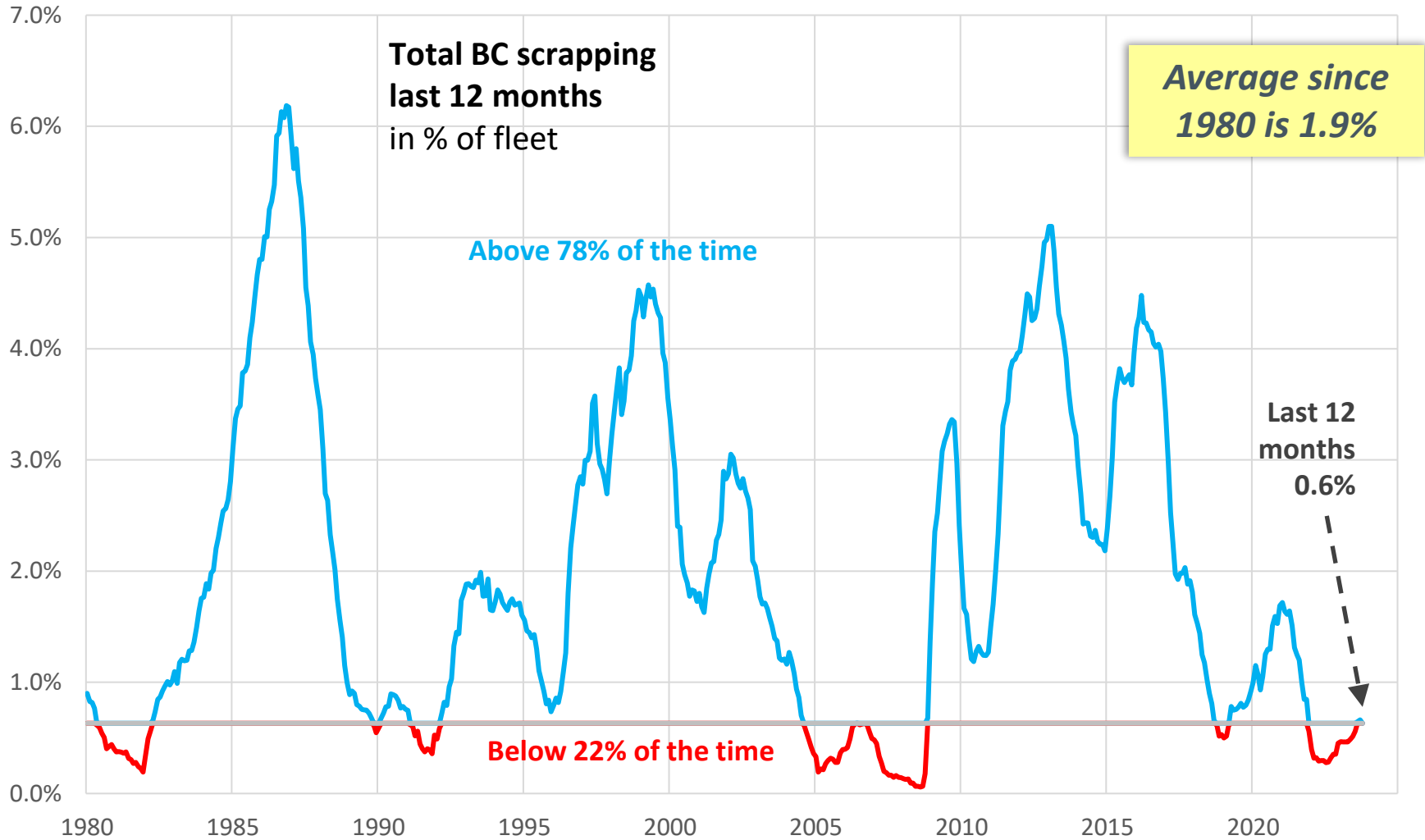
Deliveries are at their lowest level since the early 1990s

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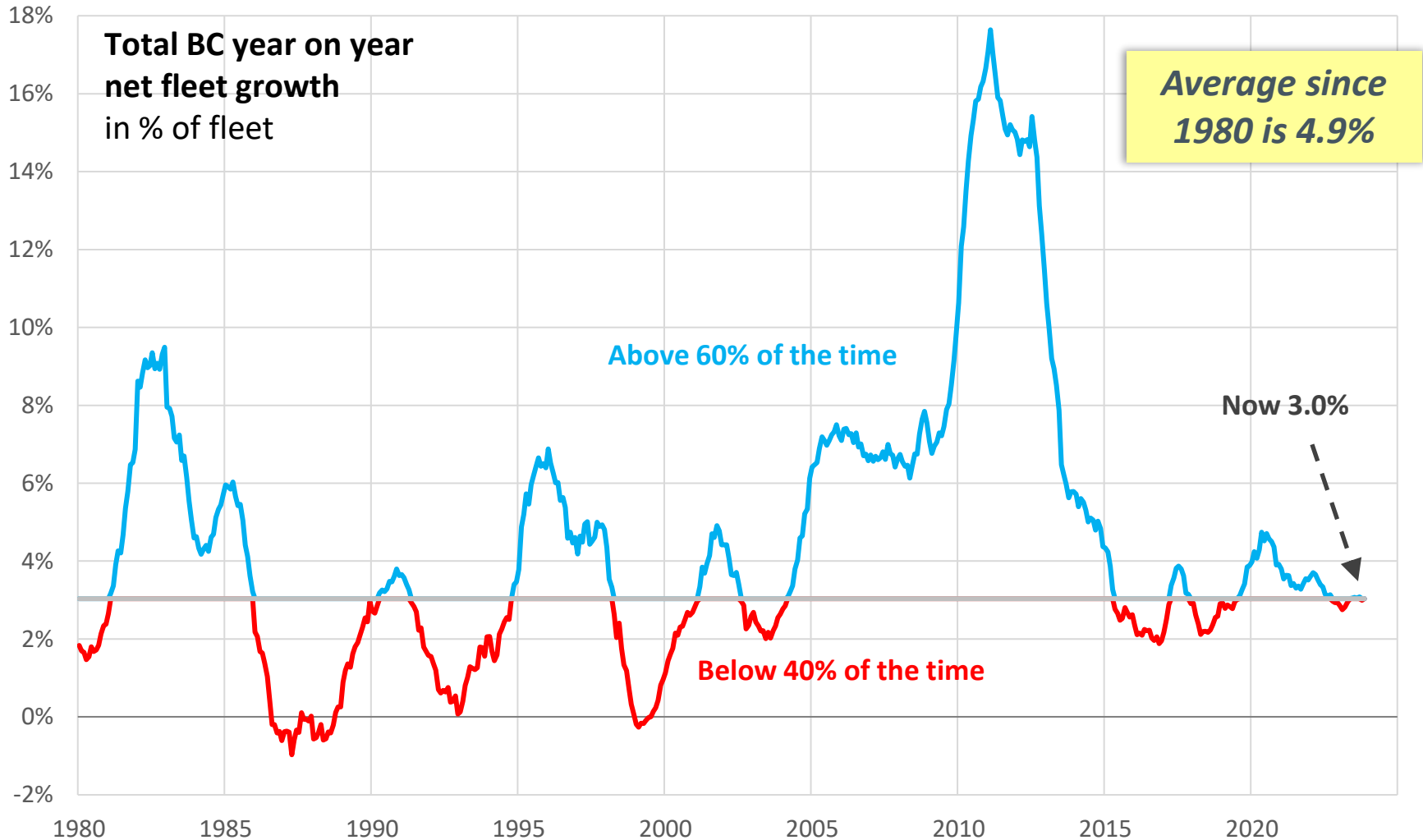


Scrapping doesn't get much lower so has significant upside from here





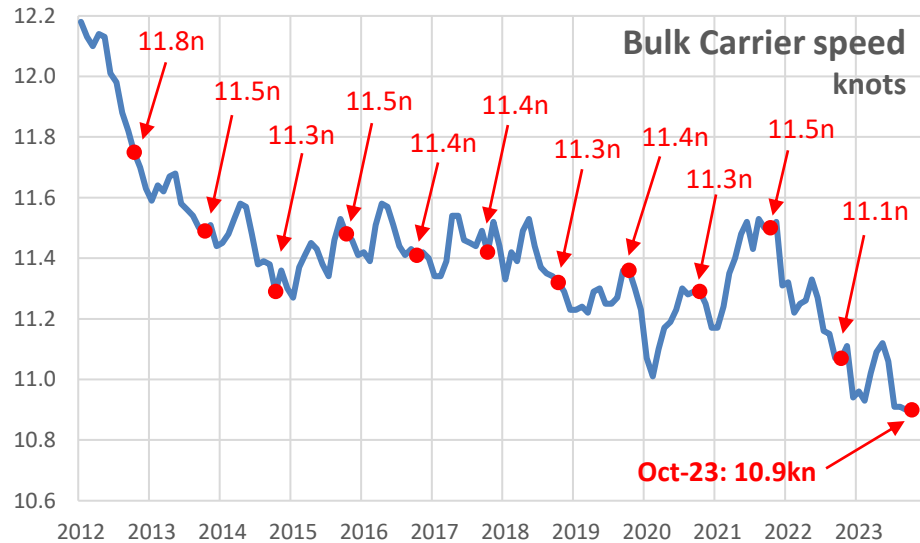
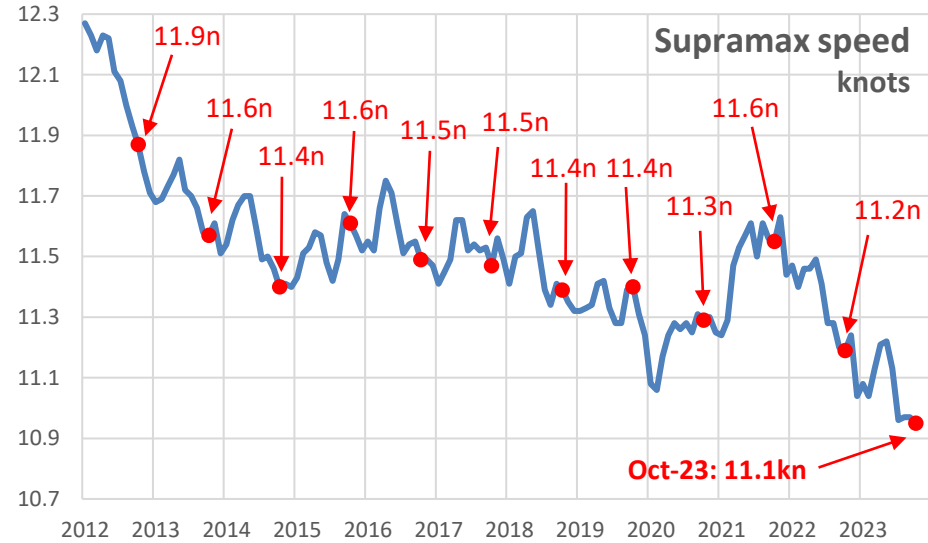
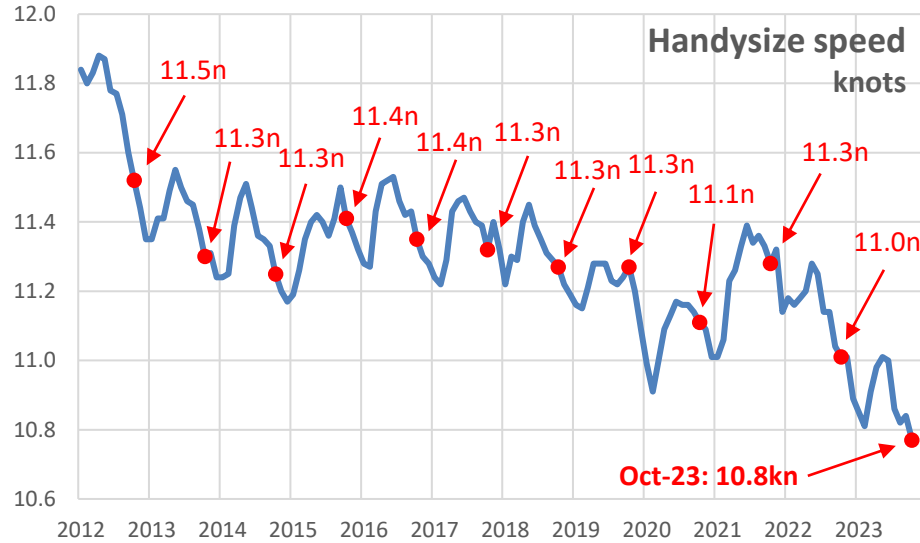
Despite little scrapping, the net fleet growth remains low





Bulk carrier speed has declined to new lows even before new CII rules are applied

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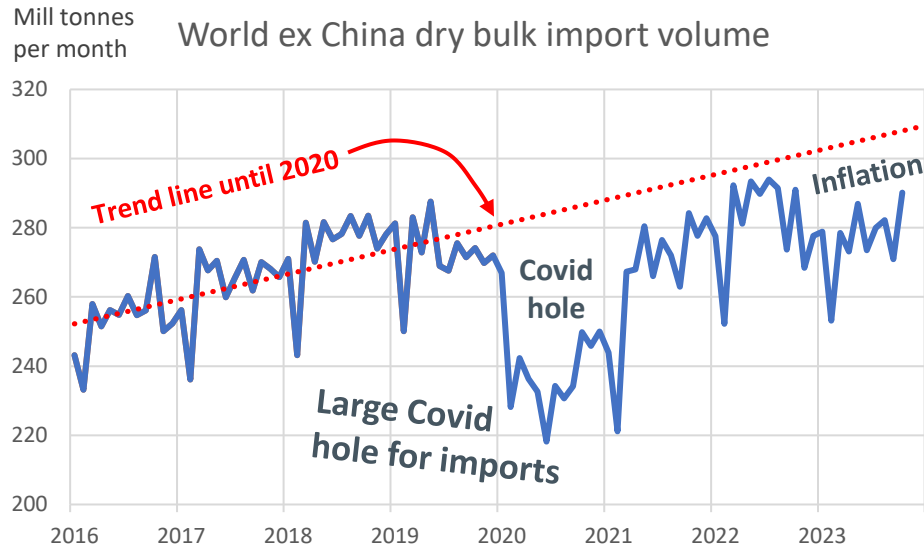
Speed is highly seasonal with a peak in Q2 and the bottom in Q4

Incoming CII rules will work to discourage owners to speed up

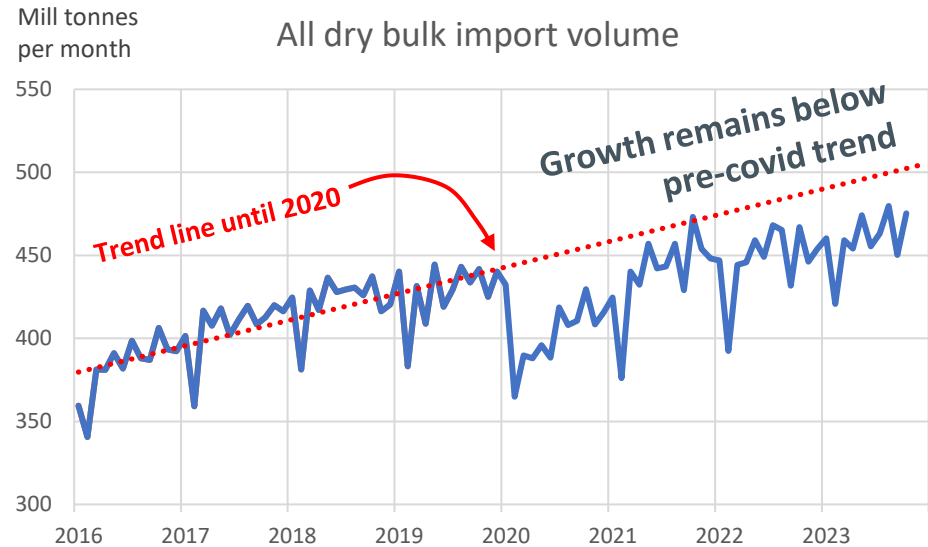
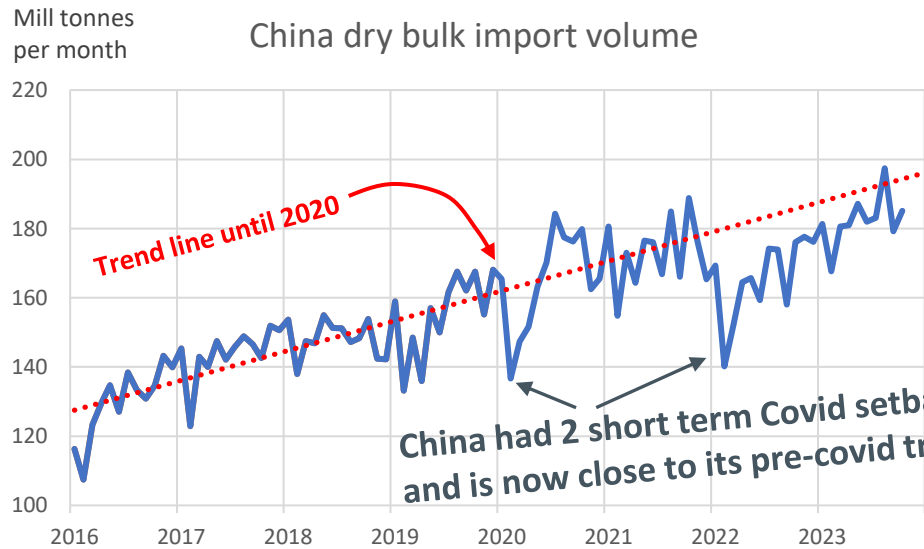


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Dry bulk cargo volume before and after Covid



Remains below pre-Covid trend

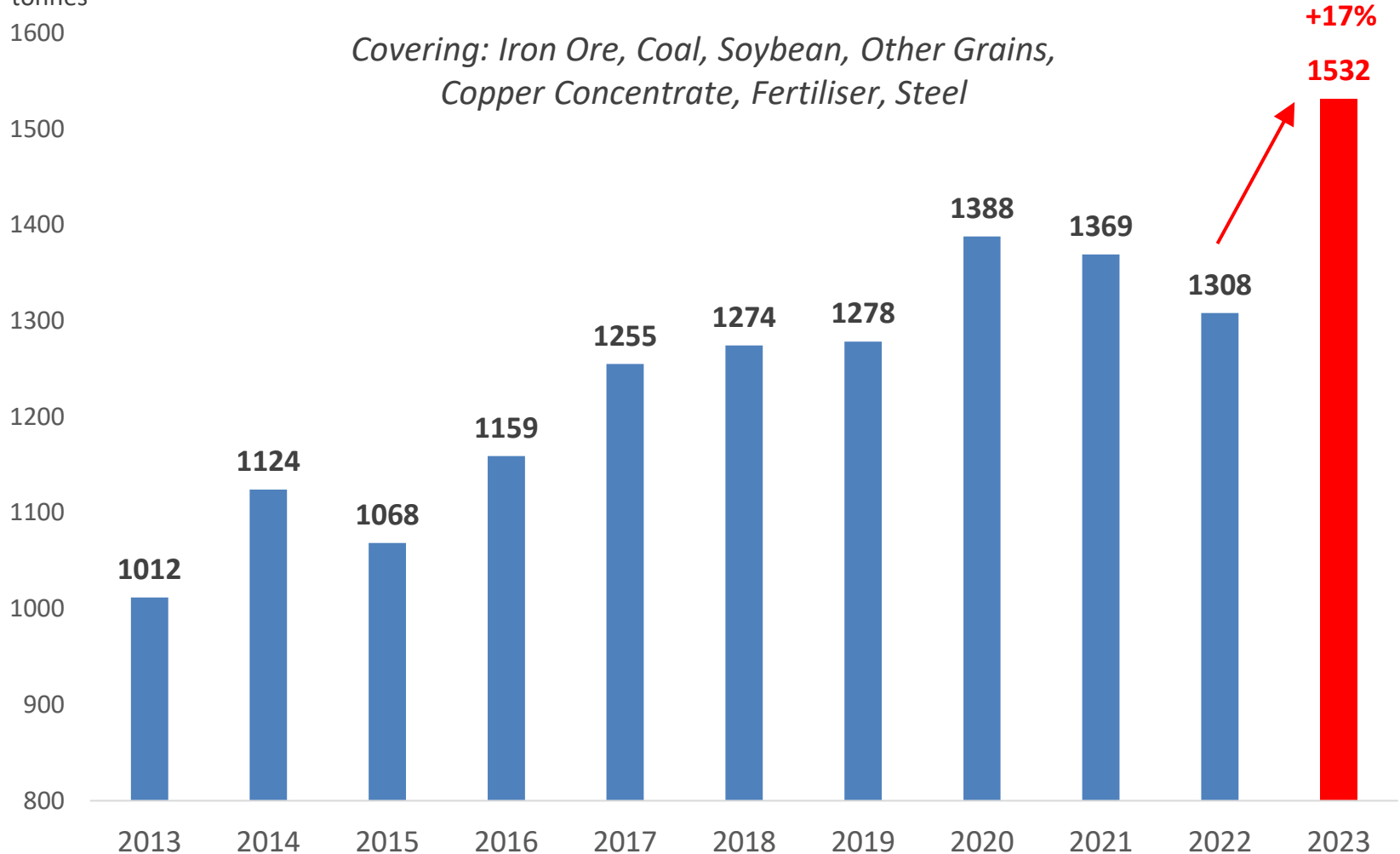


Despite reduced economic growth, China has in 2023 ramped imports of dry commodities

Million tonnes

China 7 dry commodity imports during Jan-Oct

Covering: Iron Ore, Coal, Soybean, Other Grains, Copper Concentrate, Fertiliser, Steel



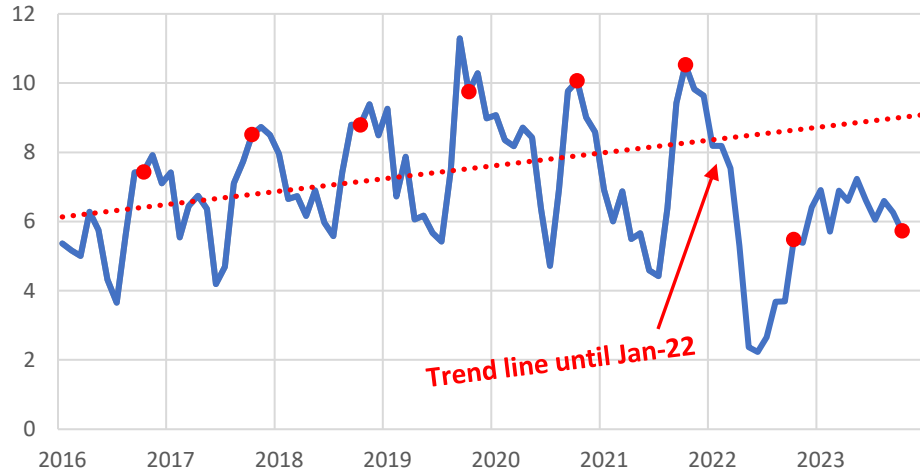


Dry bulk cargo volume out of Black Sea has declined due to the Ukraine war

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Mill tonnes per month

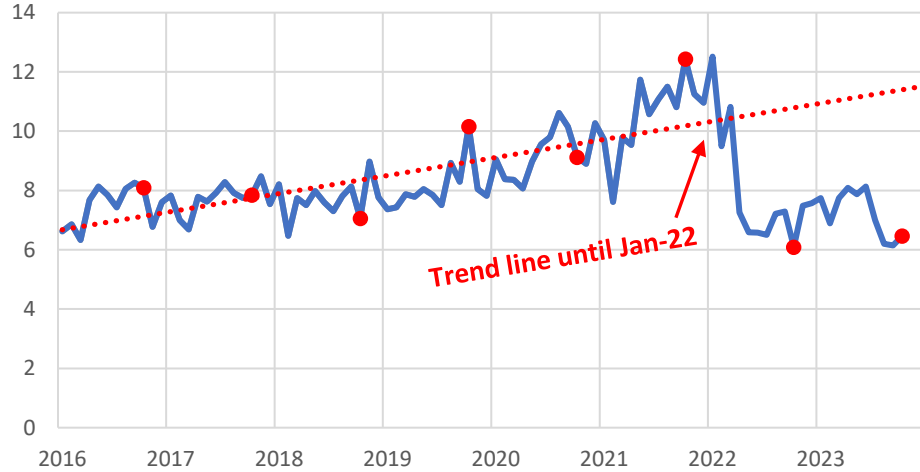
Black Sea grain loadings



Grain volume (just under 50% of the total) has increased from the bottom around mid 2022 but remain below the pre-war trend

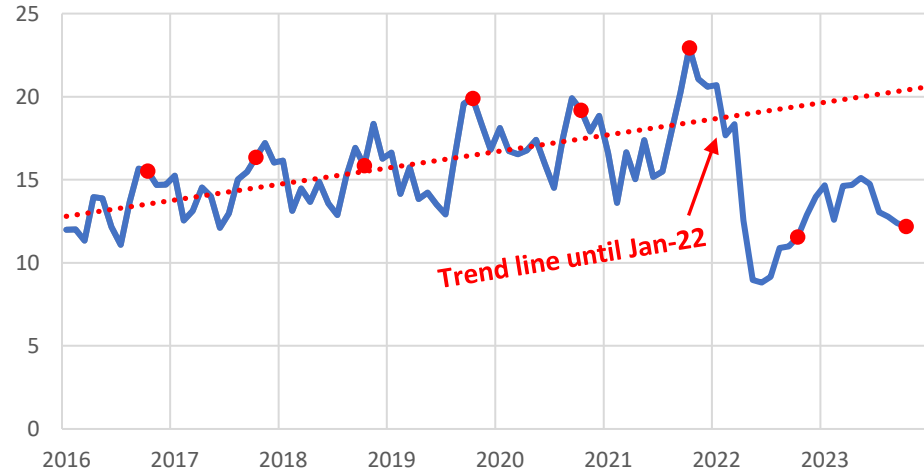
Mill tonnes per month

Black Sea non-grain loadings



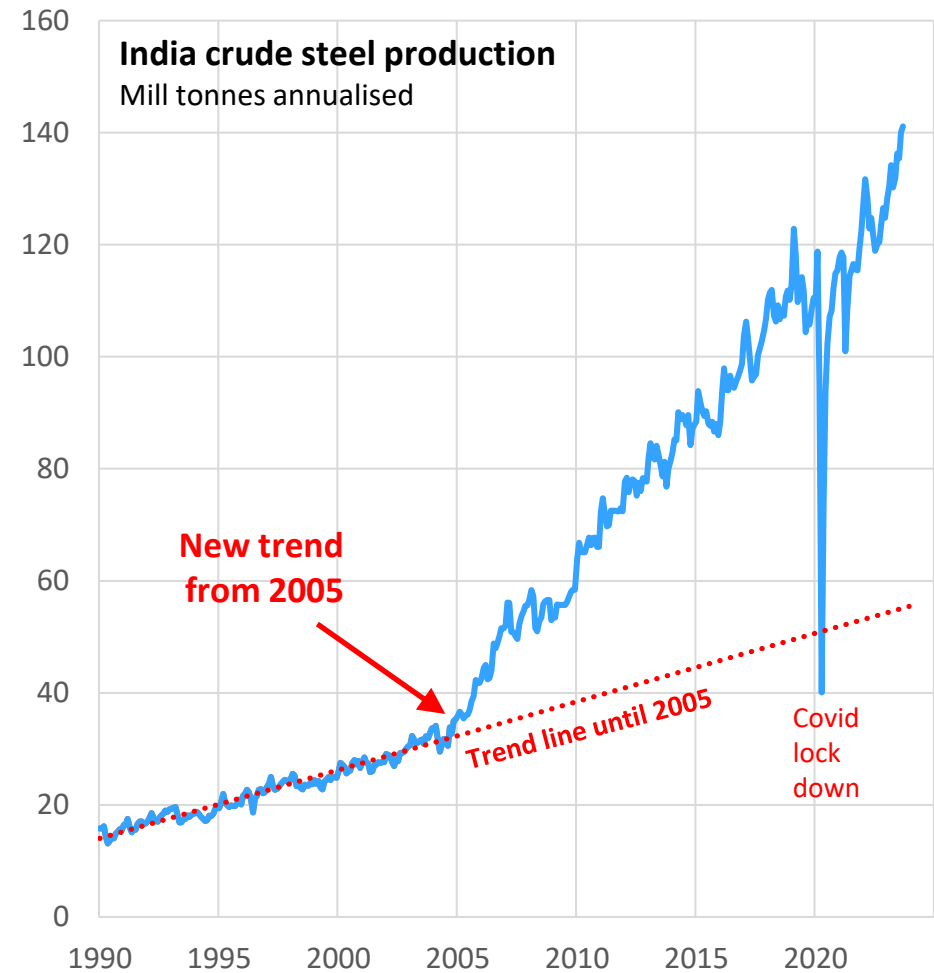
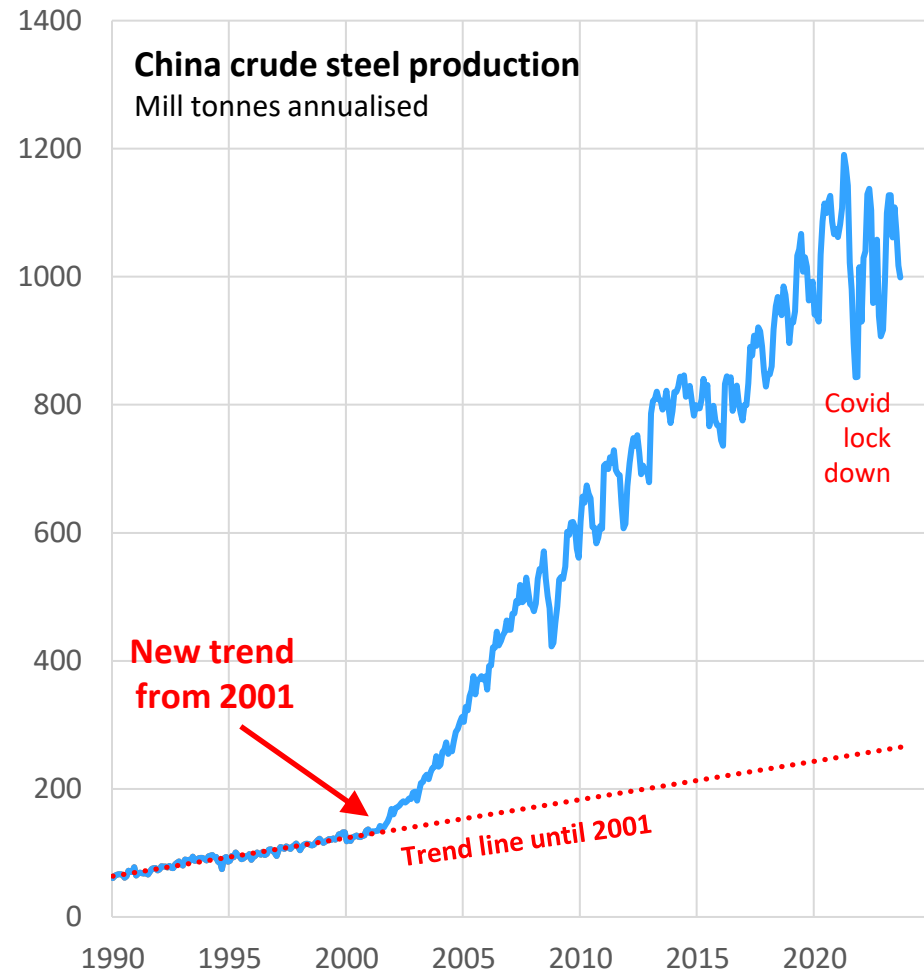
Mill tonnes per month

All Black Sea loadings

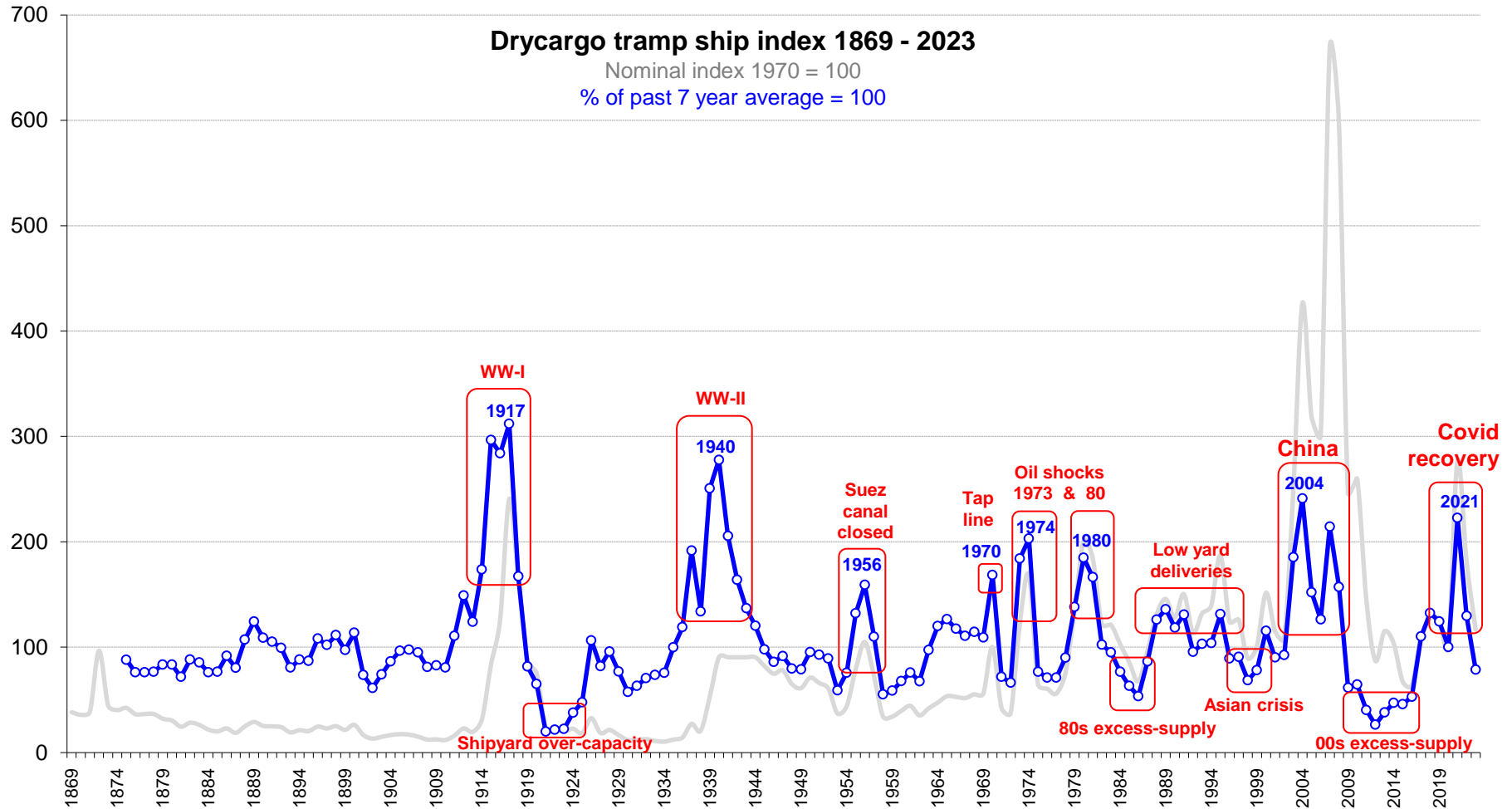


Non-grain volume (fertilisers and others) has remained low as a result of the war

India started to increase its steel production 4 years after China and still growing strongly



Extreme dry freight peaks can be linked to extreme events





Summary

- **MEDIUM TERM OUTLOOK**

- China is focused on economic growth through property, infrastructure and domestic consumption
- Food and energy security concerns supporting tonne miles globally
- Demand supported by growth in emerging markets such as India and ASEAN countries
- Current low economic growth will over time normalise at a higher level
- Shift towards a low carbon economy is expected to drive demand for commodities
- Environmental regulations, both existing and upcoming, will deter excessive new vessel orders

- **LONG TERM OUTLOOK**

- Significant global infrastructure spend required to drive development and “green transition”
- Global population growth to increase demand for food and agricultural products, further compounded by the trend towards higher protein diets
- Emerging economies will positively impact dry bulk demand and shipping patterns through urbanisation and industrialisation
- Environmental regulations will limit vessels speeds and drive a gradual transition to more expensive zero emission vessels
- Tightening EEDI & CII regulation will put more pressure on the existing fleet

- **THE UNEXPECTED**

- Unexpected events can create freight spikes – as we have seen in the past