



Some observations on bulk shipping

WP6 Workshop with non-
OECD economies & industry
4-5 December 2008



Source of material

The Material used in this presentation was drawn from a report titled:

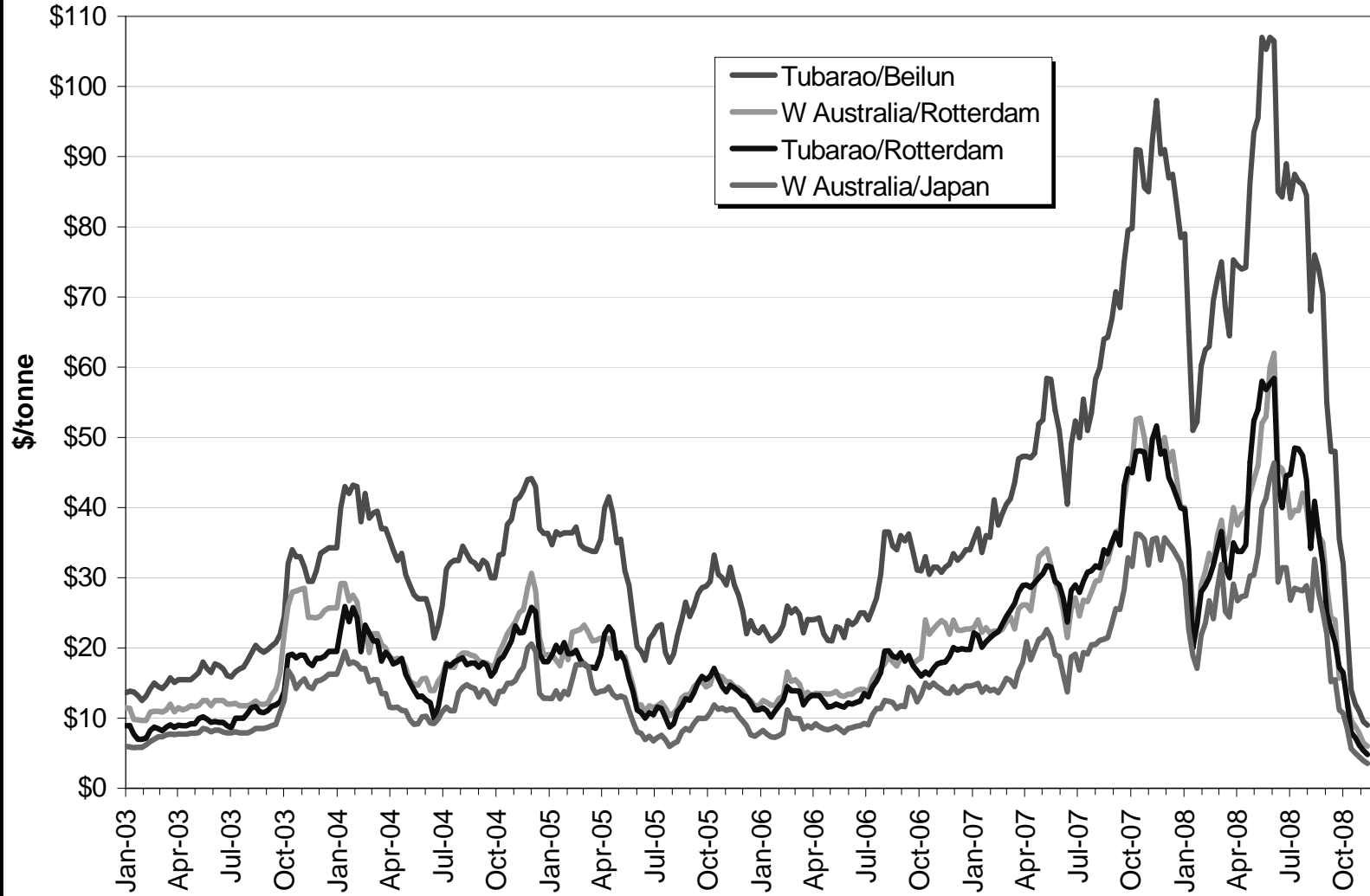
- Steel and Transport: Issues and Outlook
 - prepared for the OECD by SSY Consultancy and Research



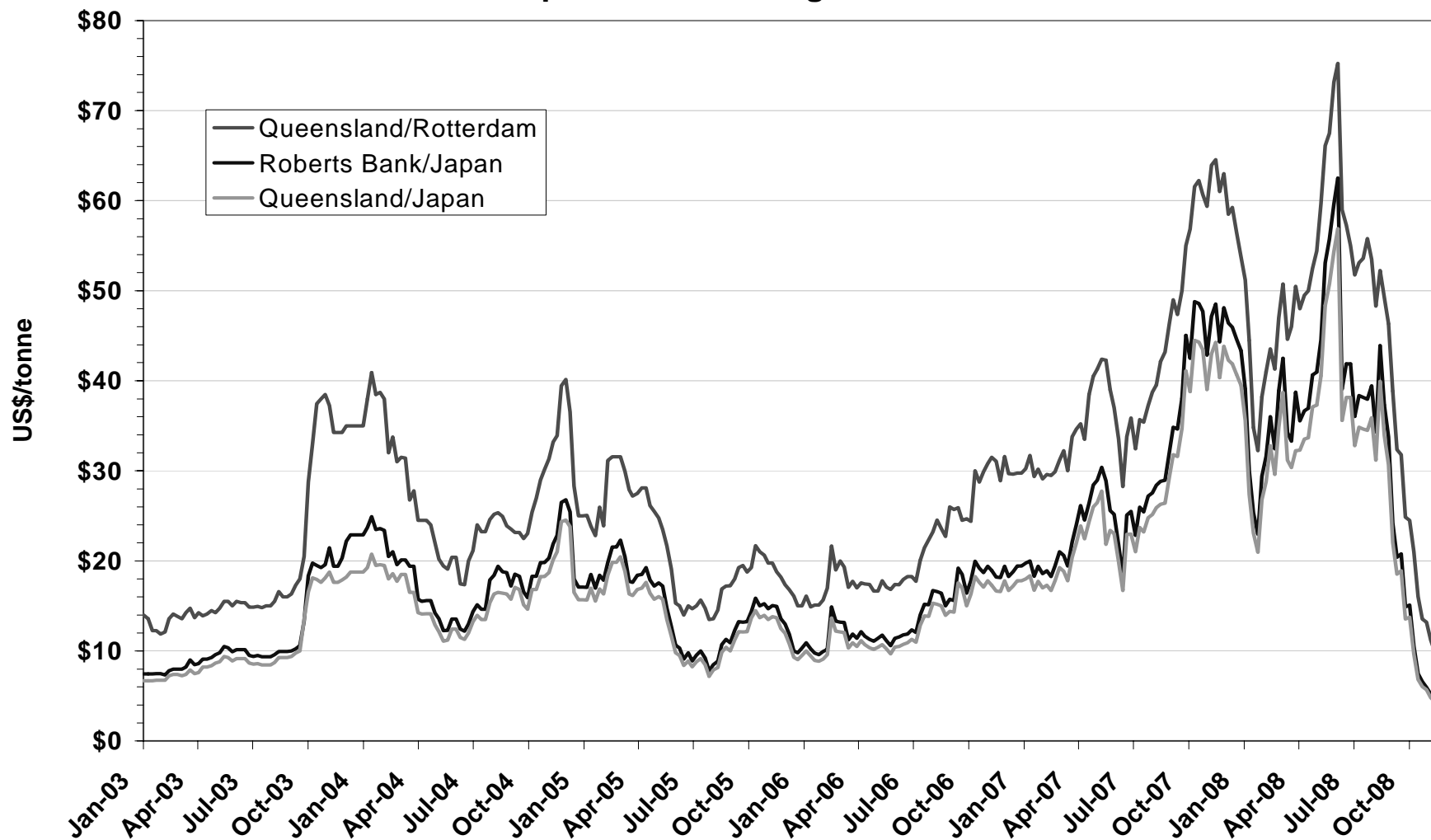
Impact of economic downturn on ship financing

- World economic conditions affect shipping, and therefore shipbuilding demand
- Freight rates and freight/charter contracts will in turn affect the availability and terms of finance for new constructions
- Bulk shipping in particular sensitive to this
- So, what has been happening to bulk freight rates?

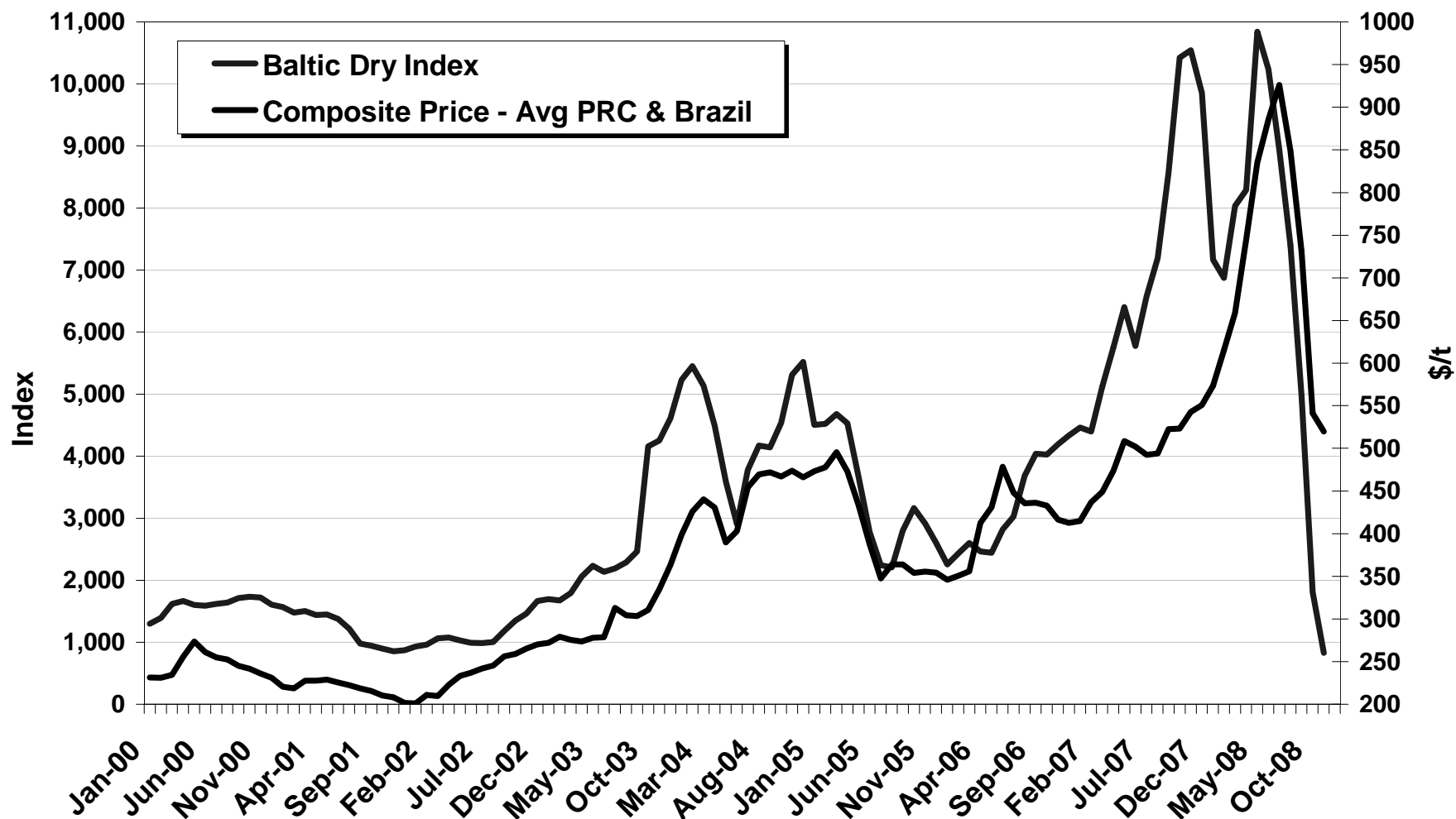
Capesize Iron Ore Freight Rates



Capesize Coal Freight Rates



Baltic Dry Index & Fob Steel Prices (Monthly Averages)





Some Observations

- Freight rates increased steeply (reflecting demand for shipping) from around 2006
- This in turn prompted ship buyers into new tonnage (as evidence by bulging order books)
- Encouraging shipbuilders into new capacity, including in large green-field developments
- Reversal in freight rates not gradual (like increase) but dramatic, which has left capacity/investment bubble
- What could be the impact on the bulk fleet?



Fleet Supply end 2008

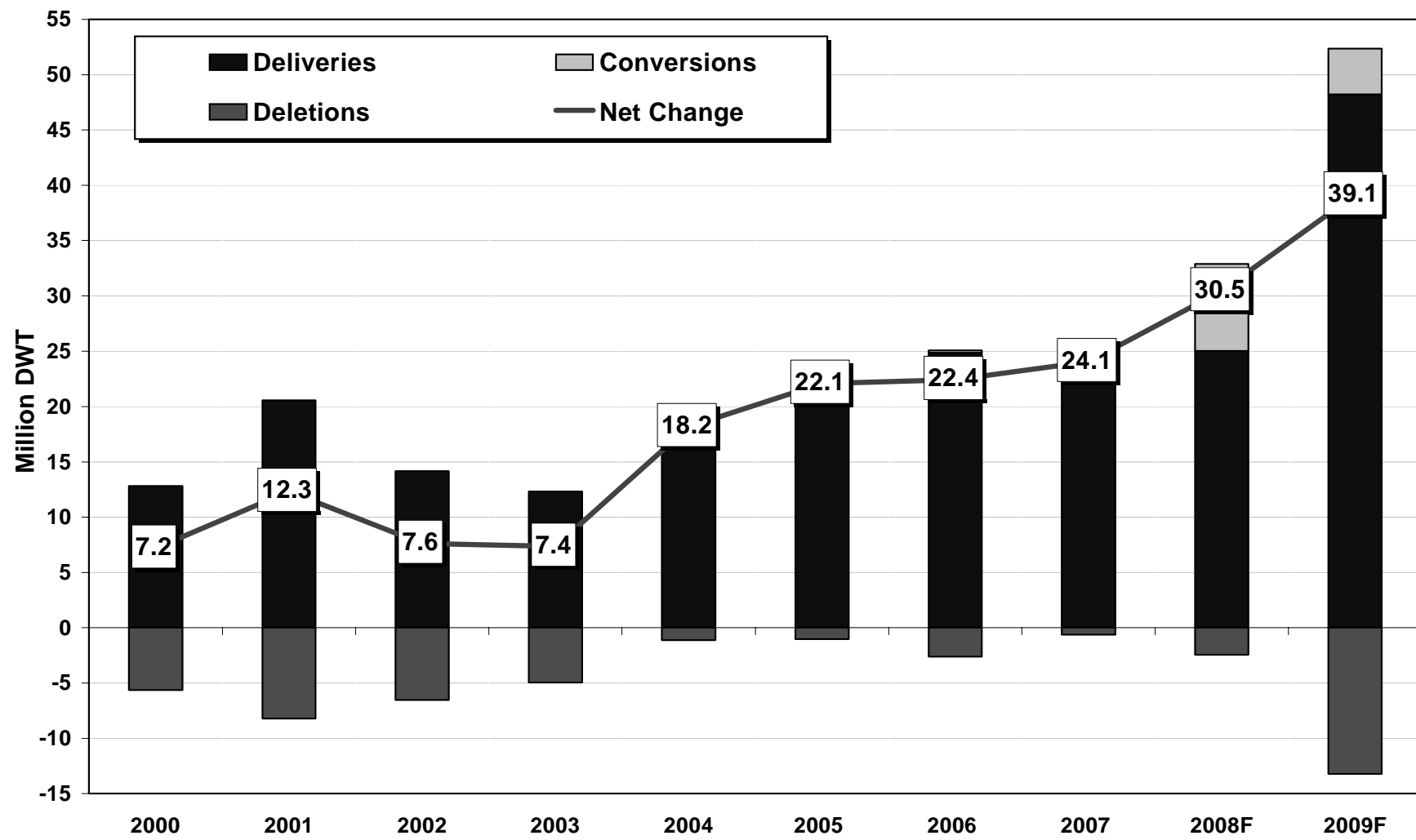
- SSY has estimated that newbuilding bulk carrier deliveries in 2008 (at around 25m dwt) to be similar to 2006 and 2007
 - Capesize 8.95 mdwt
 - Panamax 6.85 mdwt
 - Handymax 6.32 mdwt
 - Handysize 2.90 mdwt
 - Sub-total 25.02 mdwt
 - Add Conversions 7.87 mdwt
 - Less Deletions 2.49 mdwt
 - Total 30.50 mdwt



What happens next?

- SSY noted record dry bulk orderbook for 2009 and 2001
 - currently stands at 286.5 mdwt
- Pointed out some negative factors that would affect actual output:
 - ability of yards (especially new yards) to find guarantee finance,
 - ability of buyers to finance new vessels during recession
 - shortages of materials and skilled labour

Dry Bulk Carrier Net Fleet Changes (Including Conversions)



**Dry Bulk Carrier Fleet by Size/Age (Million Dwt):
As at End-October 2008**

<i>Built/Dwt</i>	<i>10-39,999</i>	<i>40-59,999</i>	<i>60-99,999</i>	<i>100,000+</i>	<i>Total</i>
Pre-1984	30.3	7.1	17.6	10.0	65.1
1984-88	16.7	11.1	9.8	16.7	54.2
1989-93	3.6	4.8	8.7	23.2	40.4
1994-98	9.5	16.7	22.0	26.5	74.7
1999-03	7.6	16.9	24.4	23.9	72.7
2004-08	9.2	23.8	33.9	43.1	110.0
Total Fleet	77.0	80.4	116.3	143.4	417.1
On Order	27.2	54.0	59.6	145.8	286.5
<i>% of Fleet</i>	<i>35.3%</i>	<i>67.2%</i>	<i>51.2%</i>	<i>101.7%</i>	<i>68.7%</i>
<i>% of 20+ Yr Fleet</i>	<i>57.9%</i>	<i>296.7%</i>	<i>217.5%</i>	<i>546.1%</i>	<i>240.2%</i>

Dry Bulk Seaborne Trade - Main Commodities

