BULKER MARKET EXPECTATIONS

(Presentation by SAJ)

This document by the Shipbuilders’ Association of Japan, will be presented at the second session of the Workshop with non-member economies on shipbuilding policies to be held on 18-19 December 2006.

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Bulker Market Expectations


The Shipbuilders’ Association of Japan

Fig. 1  Development of Bulker Freight Rates

Source: Clarkson

Still Historically High Level Zone
High level completions are expected thanks to brisk shipping demand.

Source: Clarkson Orderbook Monitor as of Oct 2006

Very Strong
13 % / year

1999 - 2007
Av. % / year
Total Bulk 5.0 %
Grain 3.1 %
Coal 4.8 %
Iron Ore 8.6 %

2002 - 2005
Very Strong
13 % / year

Source: Fearnleys Dry Bulk Market October 2006
Fig. 4  **IISI ; Real Steel Demand till 2015**

Future Steel Demand is key factor to Bulk Trade Growth.

<table>
<thead>
<tr>
<th>Region</th>
<th>Trend to 2010 (%/year)</th>
<th>2010f (mmt)</th>
<th>Trend 2010-15 (%/year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU (15)</td>
<td>2.0</td>
<td>157</td>
<td>1.3</td>
</tr>
<tr>
<td>EU (25)</td>
<td>2.5</td>
<td>183</td>
<td>1.7</td>
</tr>
<tr>
<td>CIS</td>
<td>5.0</td>
<td>87</td>
<td>4.0</td>
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<tr>
<td>NAFTA</td>
<td>3.9</td>
<td>60</td>
<td>2.4</td>
</tr>
<tr>
<td>South America</td>
<td>3.9</td>
<td>40</td>
<td>2.7</td>
</tr>
<tr>
<td>Japan</td>
<td>8.4</td>
<td>83</td>
<td>-0.1</td>
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<tr>
<td>India</td>
<td>7.0</td>
<td>54</td>
<td>7.7</td>
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<tr>
<td>China</td>
<td>8.4</td>
<td>499</td>
<td>6.2</td>
</tr>
<tr>
<td>South Korea and Chinese Taipei</td>
<td>3.1</td>
<td>78</td>
<td>1.9</td>
</tr>
<tr>
<td>Rest of World</td>
<td>4.0</td>
<td>177</td>
<td>4.0</td>
</tr>
<tr>
<td>World</td>
<td>4.9</td>
<td>1,319</td>
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</tr>
<tr>
<td>World excluding China</td>
<td>3.0</td>
<td>831</td>
<td>2.9</td>
</tr>
</tbody>
</table>

IISI outlook indicates positive effect on Bulker trade.

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**China and India, Key to Future Bulk Trade**

*(Demands for Energy, Steel, Food etc.)*

**China**  *As Domestic Demand Grows,*

- **Iron Ore Import ; Up**
- **Coal Export ; Down**  *China will become net importer.*

Chinese Coal Importing Countries such as Japan & Korea;
Need for alternative resources. Good effect on ton-mile trade.

**India**  *As Domestic Demand Grows,*

- **Iron Ore Export ; Down**

Indian Iron Ore Importing Countries such as China;
Need for alternative resources. Good effect on ton-mile trade.

- **Coal Import ; Up**
Negative Factors Affecting Future Trade

- Global Economic Slowdown (Economic Cycle)
- Environmental Concern
  Disadvantage for environment-unfriendly fossil fuels
- Government Policy Change

Fig. 5  Bulker - Existing Fleet by Year of Build
(Replacement Demand)

Source: Clarkson Shipping Review & Outlook, as of 1st Sep 2006
For Sustainable Bulker Market

● Future trade will increase. However, growth rate may slow down.

● Excessive newbuilding supply destroys shipping demand and supply balance.

Necessary to
1. Watch Market Development Constantly
2. Acceleration of Old Fleet Scrapping