Dry Bulk Shipping Market Overview & Outlook

Slower demand growth pressures freight rates

October 2024

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Supply/demand

Supply is forecast to grow 2.5% in 2025 and 2.6% in 2026. Recycling of older tonnage is expected to increase amid weaker market conditions.

Demand is forecast to fall 1% in 2025 and grow 2.5% in 2026 if ships fully return to the Red Sea in 2025. We expect low cargo demand growth over the next two years.

We expect a weakening of market conditions in 2025 and 2026 as supply grows faster than demand.

There is **high uncertainty regarding when ships can fully return to the Red Sea**. Upon their return, demand is expected to fall by 2%.

Demand

According to the IMF, **global GDP is forecast to grow by 3.2% in 2025 and 3.3% in 2026.** Without adequate stimulus, China's economic growth is expected to slow.

Iron ore shipments are estimated to grow 0.5% from 2024 to 2026. Weak Chinese steel demand and higher recycled steel production will limit growth in shipments.

Coal shipments are forecast to fall by 3.5% between 2024 and 2026. Higher electricity generation from renewables and higher mining in India and China are weakening the outlook.

Between 2024 and 2026, grain shipments are forecast to increase by 1.5%. The global maize supply remains tight amid weaker volumes from Ukraine.

Supply

The fleet is expected to grow 5.2% between end 2024 and end 2026. Stable deliveries and increased recycling will slow fleet growth.

14.6m DWT are expected to be recycled between 2024 and 2026. It is expected to increase from a low baseline as freight rates weaken. In 2024, it was the lowest since 2007.

Sailing speed could slow by up to 1.0% in 2025 amid lower freight rates. There is an absence of new global regulations coming into effect, which would encourage slower speed.

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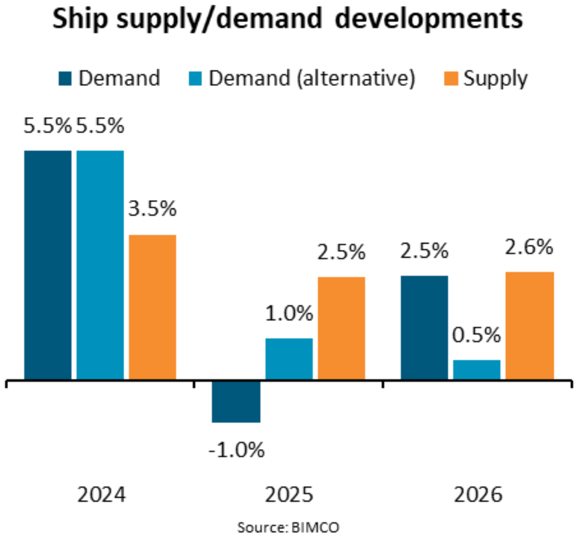
Supply/demand balance

During 2024, the supply/demand balance has improved and the full year is expected to end stronger than 2023. However, **in our main scenario we expect a weakening of market conditions in 2025 and 2026**.

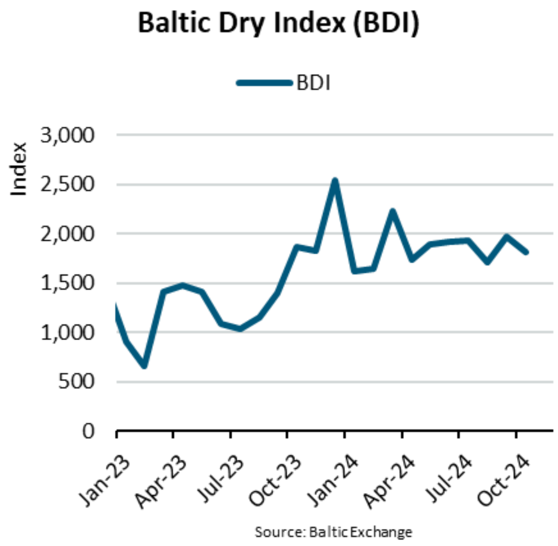


For both years we are working with **two demand scenarios depending on when ships can fully return to the Red Sea**. In our base scenario we assume that ships will return to Red Sea and Suez Canal routings in 2025, whereas our alternative scenario assumes this will only happen in 2026.

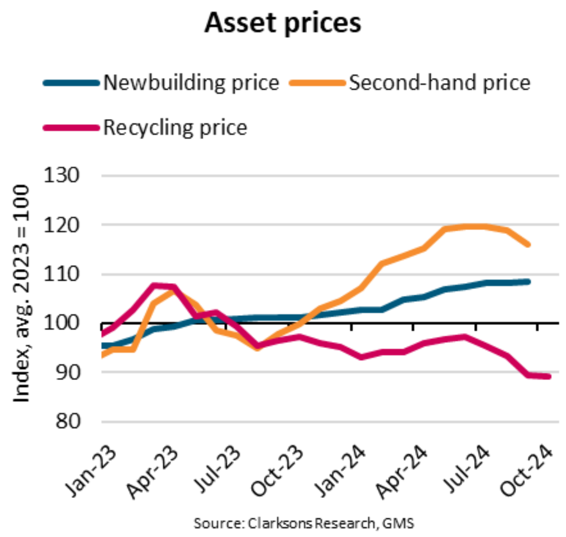
In both scenarios, **the supply/demand balance will be weaker in 2026** than in 2024. In the base scenario, the balance will significantly weaken in 2025, as demand for ships falls 0.5-1.5% but grows 2-3% in 2026. In the alternative scenario, the market weakens more gradually as demand grows 0.5-1.5% in 2025 and up to 1% in 2026. Supply is forecast to grow by 2-3% in both 2025 and 2026 regardless of scenario.

We assume that in either scenario ships will have fully returned to the Red Sea in all of 2026. Should the attacks persist for longer, the dry bulk market will be stronger than forecast. However, even then, the 2026 market is expected to be weaker than in 2024.

As the supply/demand balance weakens, the expectation is that **freight rates** will do the same. A significant decrease is expected once ships are allowed to return to the Red Sea. Rates may weaken the most for panamax ships amid high fleet growth and a weakening in coal shipments. Conversely, capesize freight rates could be the most resilient due to low fleet growth.



So far in 2024, the **Baltic Dry Index** has remained firm amid strong cargo demand and longer sailing distances. Capesize ships have seen the largest increase in earnings, with the Baltic Exchange's Capesize 5TC up 75% y/y on average, outperforming a 50% increase in the overall Baltic Dry Index. The smaller segments in particular have benefited from the longer distances via the Cape of Good Hope as ships rerouted away from the Red Sea and the Panama Canal.



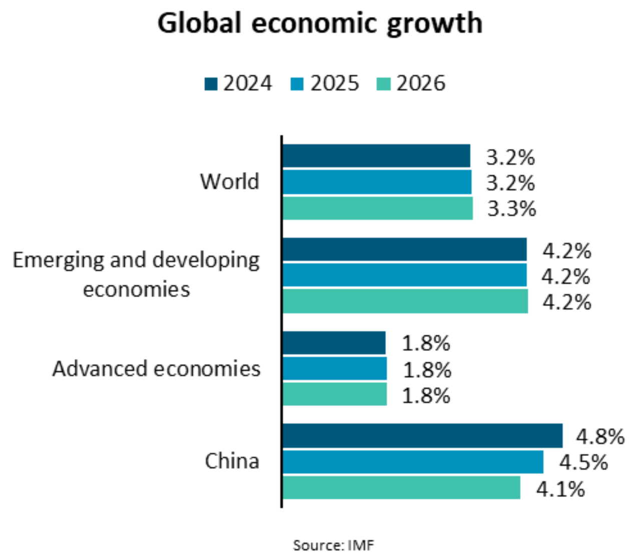
Asset prices could start to fall over the next two years and **second-hand prices** are expected to weaken together with freight rates. They have significantly strengthened throughout 2024, peaking in July. In September 2024, a five-year-old ship sold on average for 94% of the price of a newbuild.

Newbuilding prices are unlikely to significantly strengthen and could even fall unless bulk contracting significantly increases. Chinese yards are expanding and we do not currently expect a surge in contracting activity from other main sectors.

Lastly, **recycling prices** are expected to remain subdued as Chinese exports of low-priced steel will remain strong in our forecast.

Macro environment

The International Monetary Fund (IMF) forecasts the **global economy** to grow by 3.2% in 2025 and by 3.3% in 2026. The IMF reports a weaker outlook for China, Latin America and the European Union.



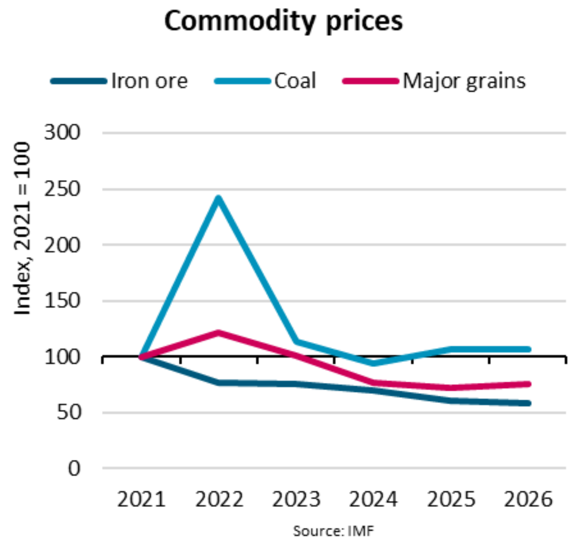
Inflation has continued to abate since our last update and advanced economies have started easing interest rates. Consequently, the currencies of emerging and developing economies are strengthening, assisting their fight against inflation. If interest rates stay high for longer than necessary, economic growth could slow but a risk of a global recession has largely subsided.

The **Chinese economy** is forecast by the IMF to grow by 4.5% in 2025 and 4.1% in 2026. In 2024, China's GDP grew by only 4.7% y/y and by 4.6% y/y in the second and third quarters. China could therefore miss the government's target of 5% growth in 2024.

China's fiscal stimulus measures were not accounted for in IMF's economic forecast, however, but the IMF has said that the measures are not expected to impact growth significantly. The government has announced that it will raise debt to support the Chinese economy but the size of the package has not been disclosed. The IMF further highlights that for China's economy to grow, consumer spending's share of GDP must grow too and that the recent changes in monetary policy are unlikely to significantly achieve that. We expect that the stimuli will provide moderate support to dry bulk demand.

China continues to be hindered by **weak domestic demand and a crisis in the property sector**. During the first nine months of 2024, new real estate starts fell by 22% y/y and are now 57% below the ten-year-average. Furthermore, deflation remains a concern, with producer prices continuously weakening. Exports have provided some relief for the economy partly due to higher consumption in the US. However, trade barriers are starting to be imposed on Chinese goods which could stifle economic growth.

India's economy, on the other hand, is forecast to grow the fastest of all the major economies with 6.5% forecast in 2025 and 2026. Growth is expected to weaken compared to 2024, since demand accumulated during the pandemic has now been exhausted.



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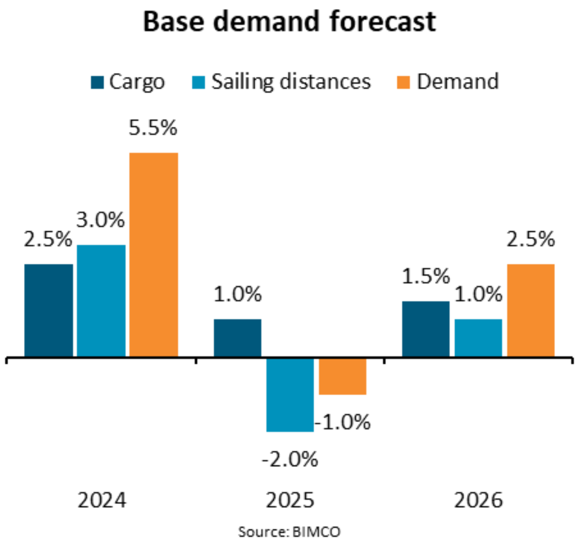
Dry bulk commodity prices have been low throughout 2024 which has encouraged inventory build-up. Over the next two years, the IMF forecast a notable decrease in iron ore prices likely due to timid domestic demand in China.

Demand

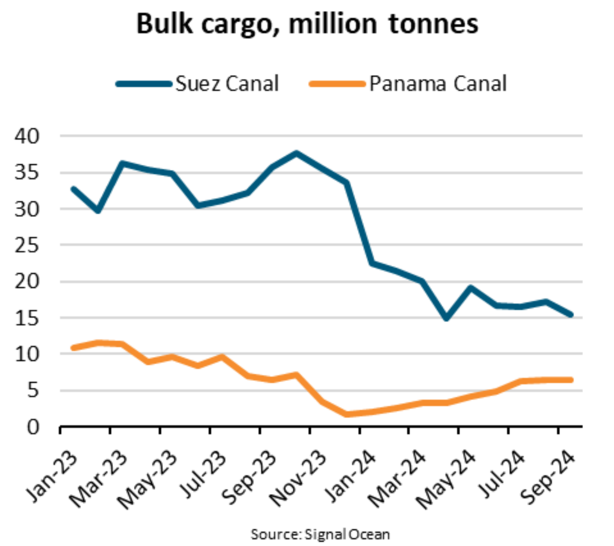
We expect that 2024 will end with **demand growth** of 5-6% but the coming years will display significantly weaker growth. In our base scenario, we forecast dry bulk demand to fall by 0.5-1.5% in 2025 and grow by 2-3% in 2026. In our alternative scenario, demand will grow by 0.5-1.5% in 2025 and 0-1% in 2026.



For 2025 and 2026 we are considering **two demand scenarios** based on when ships can fully resume operations in the Red Sea. In the base scenario we assume ships will return to Red Sea and Suez Canal routes in 2025. In the alternative scenario we assume this will occur in 2026. Should ships not fully return to the Red Sea by 2026, demand will be higher than forecast in either scenario. We estimate that the reroutings via the Cape of Good Hope are equivalent to a 2% increase in demand.

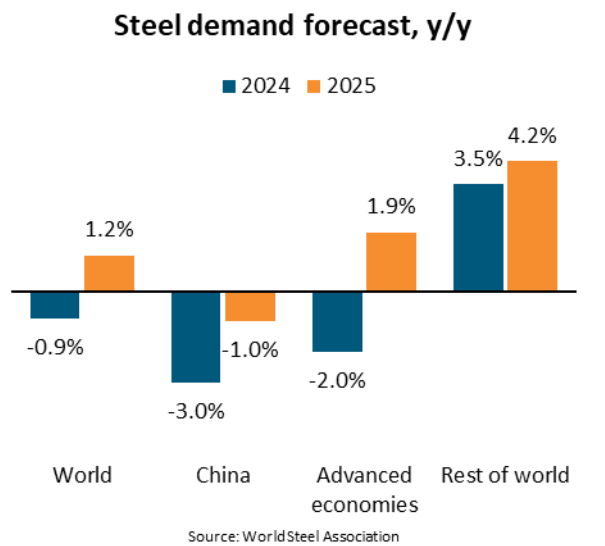
Average sailing distances are expected to lengthen 2.5-3.5% in 2024, shorten 1.5-2.5% in 2025 and lengthen again by 0.5-1.5% in 2026. In our alternative scenario distances will remain stable in 2025 but fall 0.5-1.5% in 2026.

Besides the rerouting from the Red Sea, other factors also influence distances. The return of ships to the Panama Canal will negatively impact demand in 2025. Conversely, we expect that stronger iron ore, grains and bauxite loadings in the South Atlantic will pull in the other direction. These cargoes typically sail towards Asia at above average distances. The Simandou iron ore project in Guinea will start production in 2025, ramping up over a 30-month period, and will significantly contribute to longer distances from 2026.

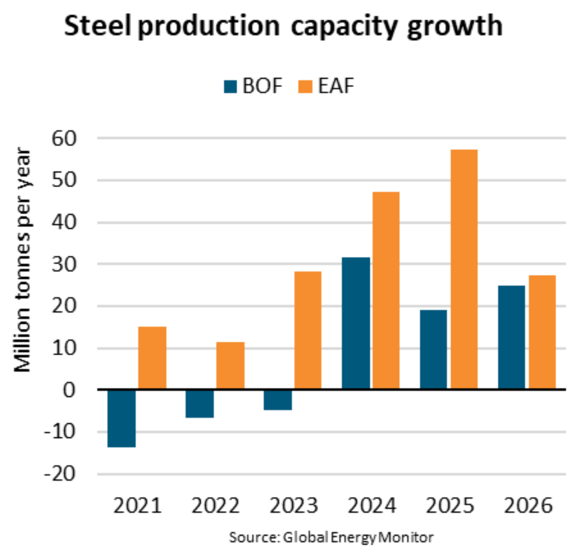


Cargo volumes are expected to grow by 2-3% in 2024, 0.5-1.5% in 2025 and 1-2% in 2026. Growth is slowing down due to low growth in iron ore and grain shipments and an expected decline in coal shipments. Minor bulks will be a significant growth driver over the next two years.

We estimate that **iron ore shipments** will grow by 2.5-3.5% in 2024, 0-1% in 2025 and stabilise in 2026. In 2024, shipments significantly strengthened amid lower global steel production largely due to higher virgin steel production and inventory build-up in China. In 2025 and 2026, these conditions are unlikely to repeat. Instead, an increase in global steel demand, and China's stimulus measures, are expected to keep shipments stable.



The World Steel Association forecasts **global steel demand** to fall 0.9% in 2024 and grow 1.2% in 2025. In China, domestic steel demand is estimated to fall by 3% in 2024 and 1% in 2025. The property crisis has led to a decline in construction activity which has affected steel demand.

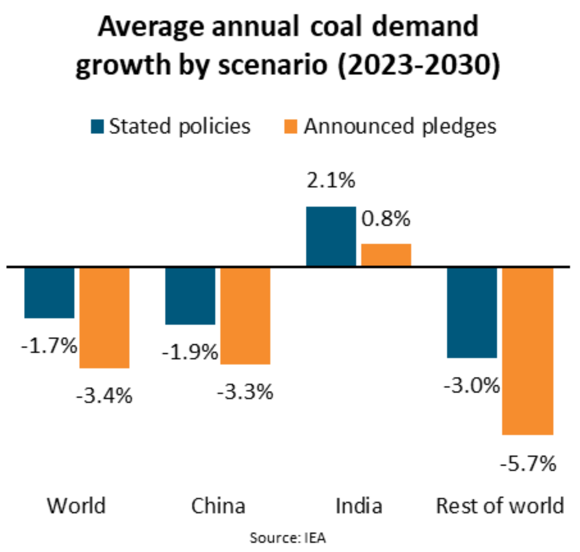


Globally, **steel production capacity** is expected to grow when considering capacity additions and planned retirements of steel mills. Electric Arc Furnaces (EAF) are leading the capacity additions as these are used to produce recycled steel. Unlike Basic Oxygen Furnaces (BOF), EAF do not consume iron ore and they emit less greenhouse gasses. BOF capacity is currently expected to grow over the next two years, but it is likely that more steel mills than announced will retire.

China plans to increase recycled steel production to 15% of steel production by the end of 2025. While we saw a weakening of recycled steel production in 2024 due to profitability, iron ore imports could weaken if the government prioritises reaching its target.

Coal shipments are forecast to grow 1-2% in 2024 and fall 1-2% in 2025 and 1.5-2.5% in 2026.

The International Energy Agency (IEA) estimates that **global coal demand** will decrease until the end of the decade. In their stated policies scenario, where only policies already in place are considered, demand will fall 1.7% on average each year until 2030. In their announced pledges scenario where countries deliver on committed climate targets, it will fall by as much as 3.4% per year. In July, the IEA also estimated that coal demand would increase 0.4% in 2024 and decrease by 0.3% in 2025.



Coal shipments to China are expected to stabilise or even fall from 2025 onwards. Electricity demand in the country has been rapidly growing but China has also been expanding its electricity generation from renewable sources. As generation from renewables continues to grow, it will limit generation from coal. Coal mining in China is also expected to expand which may affect import shipments. During the first half of 2024, mining fell due to safety concerns but these have now been resolved.

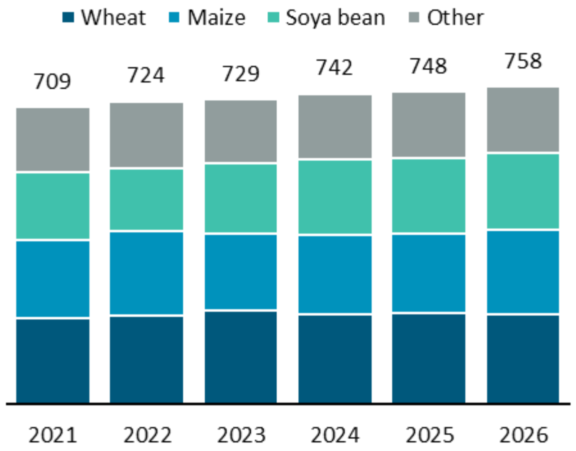
In India, coal demand and imports are expected to continue rising, but imports will be challenged by increased domestic mining. Higher electricity generation from hydro power could also lead to lower demand growth during the rest of 2024 and in 2025. A strong monsoon season boosted water levels in reservoirs by 19.9% y/y.

Shipments to advanced economies are expected to continue falling over the forecast period. Among developing economies, Southeast Asia will continue to be a key demand driver.

Grain shipments are estimated to grow by 3-4% in 2024, stagnate in 2025 and grow by 1-2% in 2026. In this update, our 2024 forecast deviates from the estimates provided by the United States Department of Agriculture

(USDA) as we expect higher wheat shipments.

Grain exports, million tonnes



Source: BIMCO, USDA

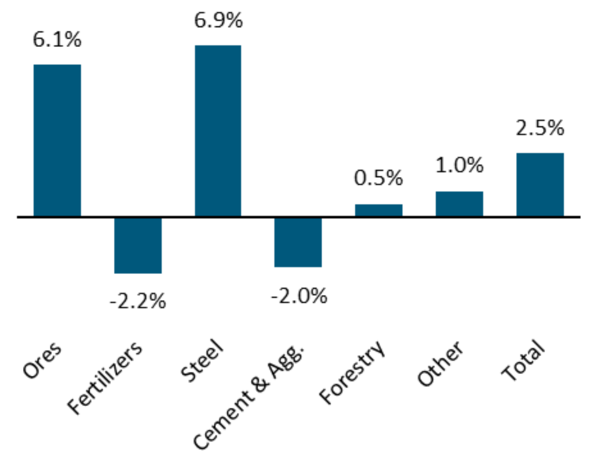
Maize shipments are forecast to weaken in 2025 after a recovery in 2024. The USDA forecasts a weakening in Ukrainian maize exports due to a smaller harvest, and it will be challenging for the other three large exporters to replace these cargoes. On the importer side, extreme weather has affected what looked like promising harvests in both EU and China. Given the low supply and high import demand, the outlook for 2025 could significantly change depending on the strength of the next southern hemisphere harvests.

Other grains are expected to grow slightly over the next two years. The end of El Niño is expected to support Australia's wheat harvest next quarter. Rice exports are expected to recover, given the removal of export restrictions in India and Pakistan.

Lastly, **safety has deteriorated for grain shipping in Ukraine**. Should safety not be restored, the dry bulk market could be impacted negatively.

We forecast that **shipments of minor bulk cargoes** will increase by 2-3% in 2024 and by 2.5-3.5% in 2025 and 2026. Low domestic steel demand in China will likely continue to encourage steel exports next year. Shipments of ores, especially bauxite, are expected to continue growing and benefitting from increased demand due to the energy transition. Lastly, US demand for construction cargoes such as cement has been weak. Since building permits in recent months have remained low, we do not currently anticipate a pick-up in shipments of those cargoes in the short to medium term.

Minor bulk cargo Jan-Sep 2024, y/y



Source: Signal ocean

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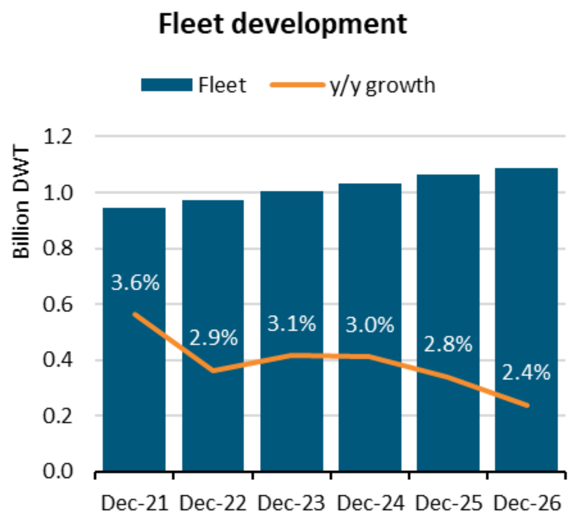
Supply

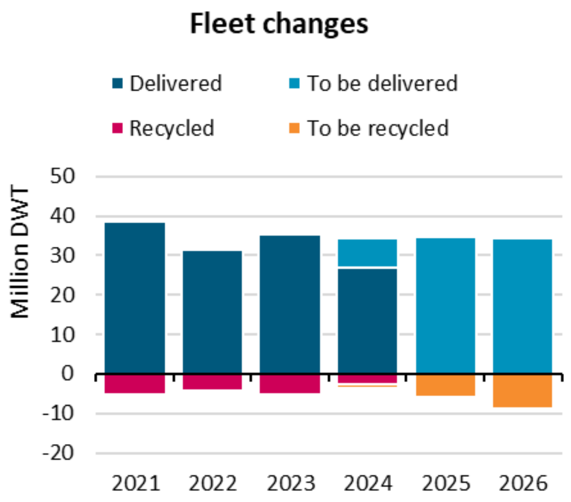
We estimate that dry bulk **supply** will grow by 3-4% in 2024 and 2-3% in 2025 and 2026.

The **dry bulk fleet** is forecast to grow by 3% on average in 2024 and in 2025 and by 2.6% in 2026. Stable deliveries and increased recycling will slow fleet growth.



Source: BIMCO, Clarkson Research

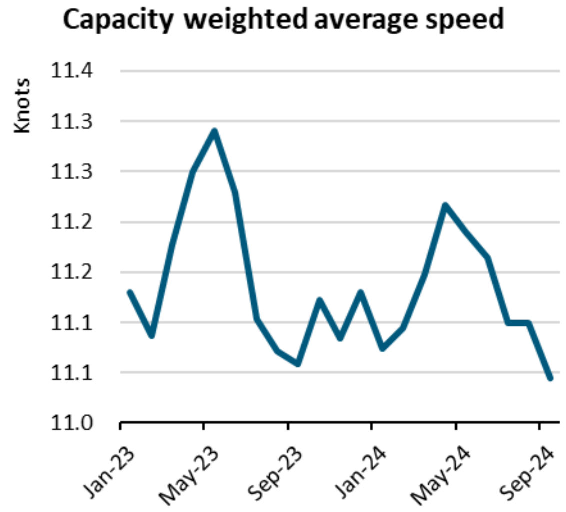
Ship **deliveries** are estimated to reach 34.2, 34.5 and 34.2 million deadweight tonnes (DWT) in 2024, 2025 and 2026 respectively. Smaller ships could still be ordered for delivery in 2026, but the delivered DWT are not expected to alter significantly. Panamax ships will see the highest deliveries, accounting for 35% of deliveries. Capesize deliveries will be strongest in 2026, while supramax deliveries may peak in 2025.



Source: BIMCO, Clarkson Research

The **dry bulk orderbook** stands at 105.3m DWT, equal to 10.2% of the current fleet. Out of these orders, 27.6% are expected to be delivered after 2026. During the first three quarters of 2024, newbuilding contracting slowed by 10.3% y/y.

Ship recycling is estimated to reach 3.7m DWT in 2024, the lowest since 2007, due to high freight rates. Recycling is forecast to increase to 5.8m DWT in 2025 and 8.7m DWT in 2026 as a weakening in the supply/demand balance would encourage the recycling of older ships.



Source: BIMCO, Signal Ocean

Sailing speeds are expected to remain stable in

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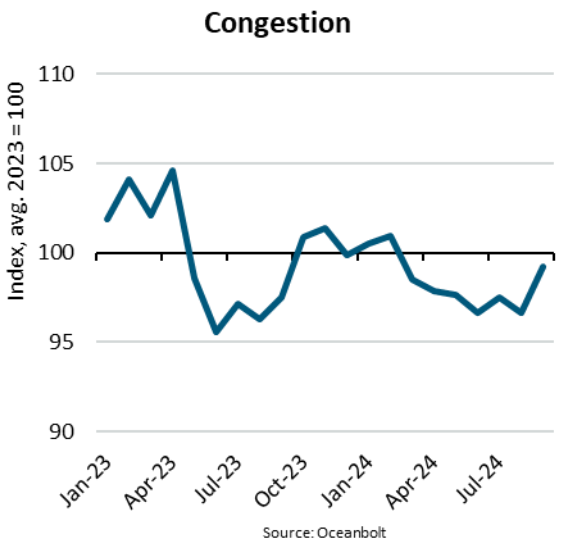
2024 but could fall up to 1% in 2025 as freight rates may cool, particularly if ships return to normal Red Sea routings. While climate regulations have played a significant role in reducing sailing speeds in recent years, we do not expect any further decreases in sailing speeds over the next two years. This is due to the absence of new global regulations coming into effect during this period.



A reduction in **congestion** is expected to cause up to a 1% increase in supply in 2024.

Congestion in Brazil fell 15% from 2023 highs due to smaller grain harvests. Congestion also fell in Europe and Australia but increased in East Asia.

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BIMCO is the world's largest international shipping association, with over 2,000 members in more than 130 countries, representing 62% of the world's tonnage. Our global membership includes shipowners, operators, managers, brokers, and agents. BIMCO is a non-profit organisation.

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BIMCO publishes Shipping Market Overview & Outlook reports towards the end of each month as follows:

Dry bulk: January, April, July, and October
Tanker: February, May, August, and November
Container: March, June, September, and December

Contact

Niels Rasmussen
Chief Shipping Analyst
nr@bimco.org

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