
Freight Market Briefing: Dip or Downturn?

IMnI Annual Conference

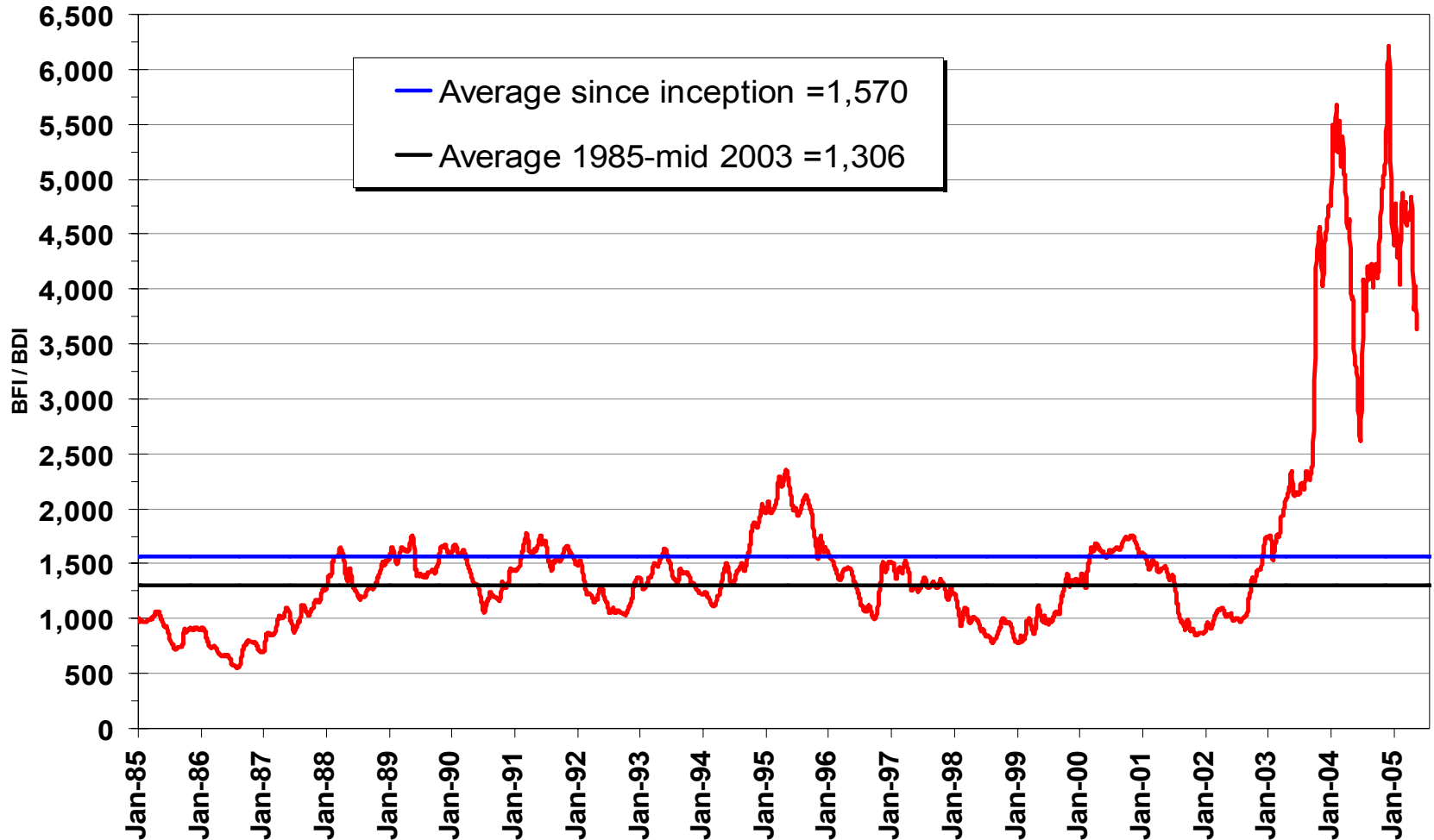
St Andrews

2nd June 2005

presentation structure

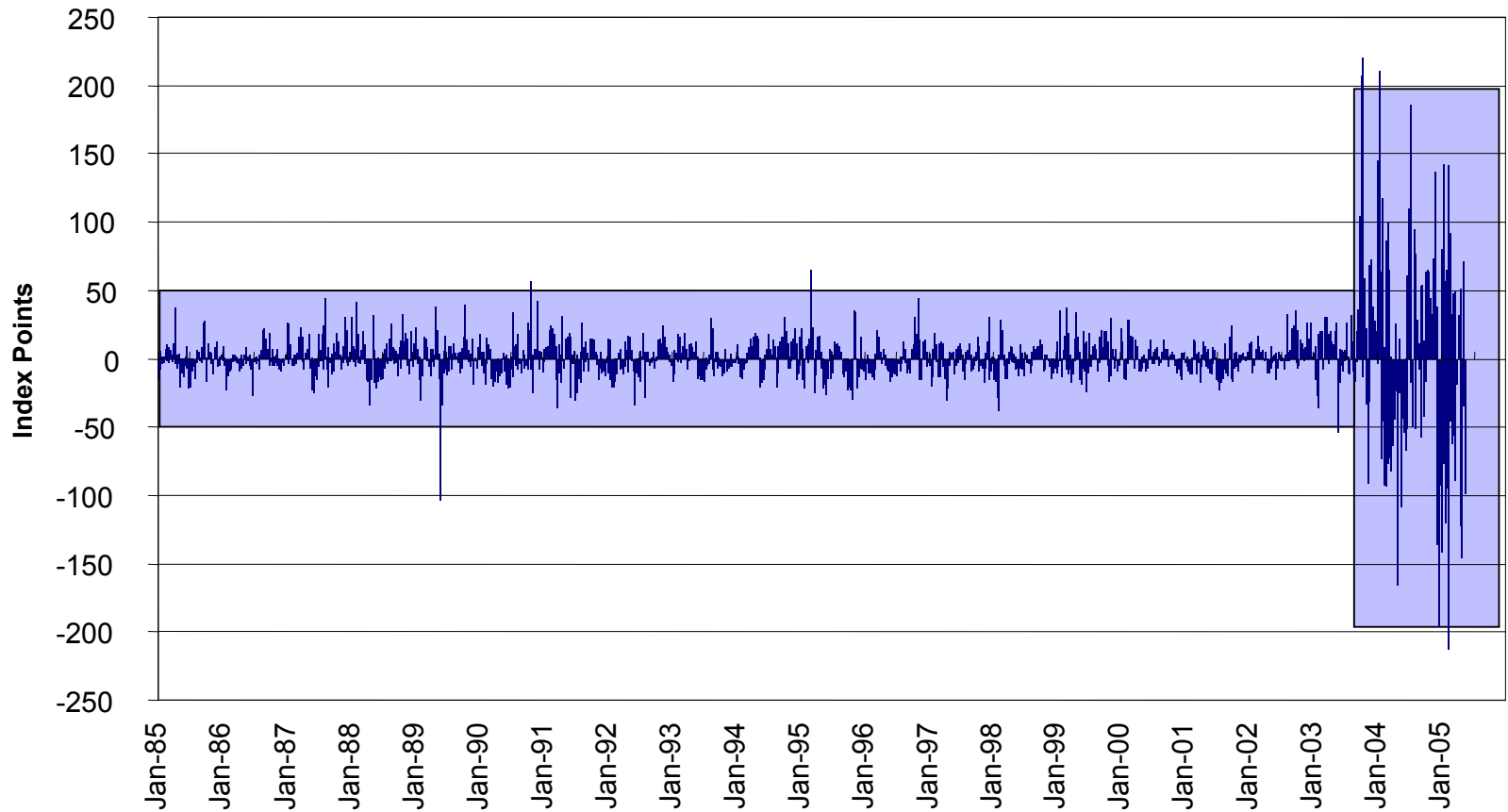
- what has happened to the dry bulk freight market?
 - unprecedented strength & volatility
- why has it happened?
 - China effect & other key factors
- where next?
 - further vessel shortages or return to more normal trading conditions?

current market in perspective: long term development of bdi

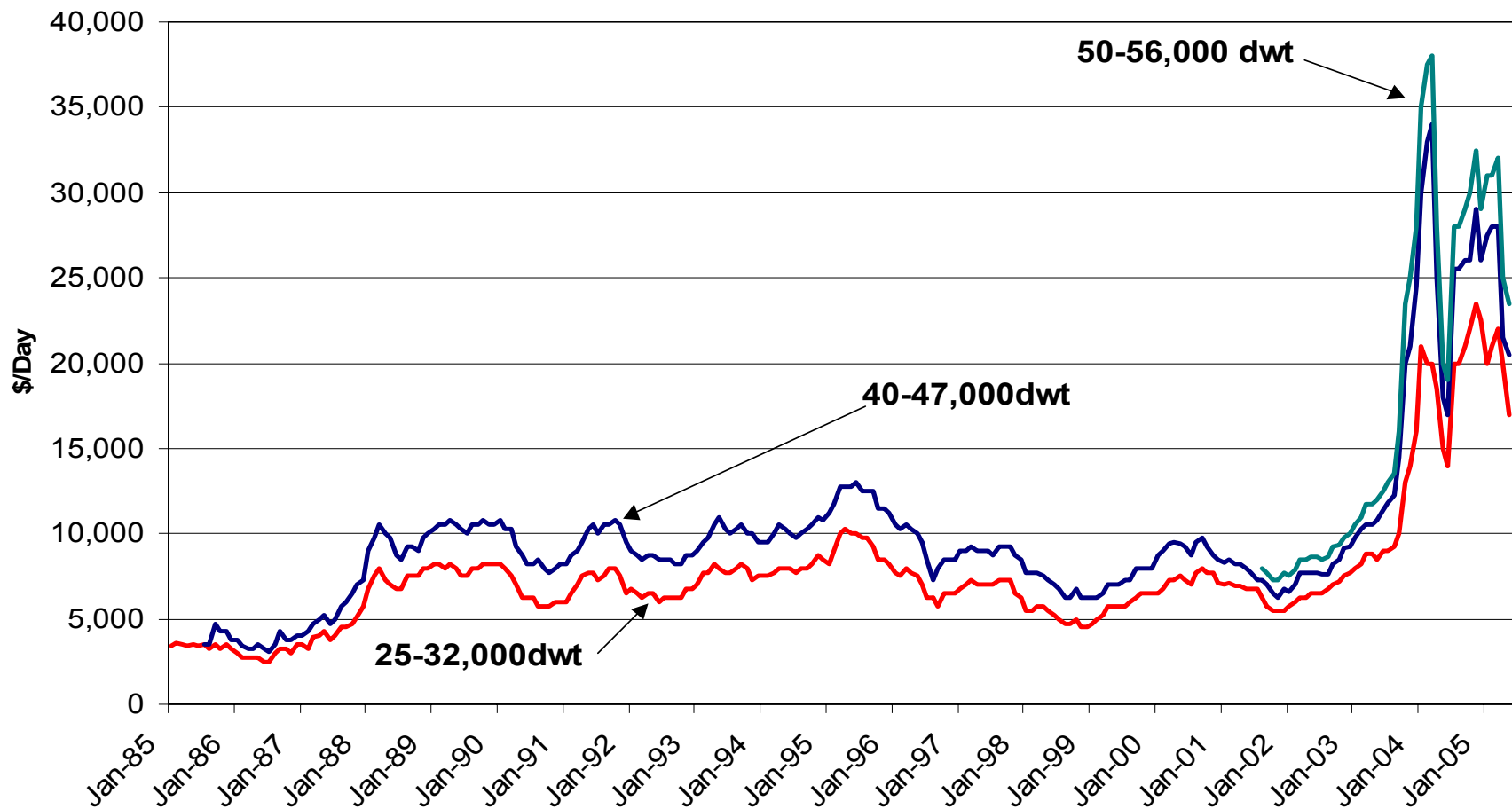


May 2005

daily changes in the bdi



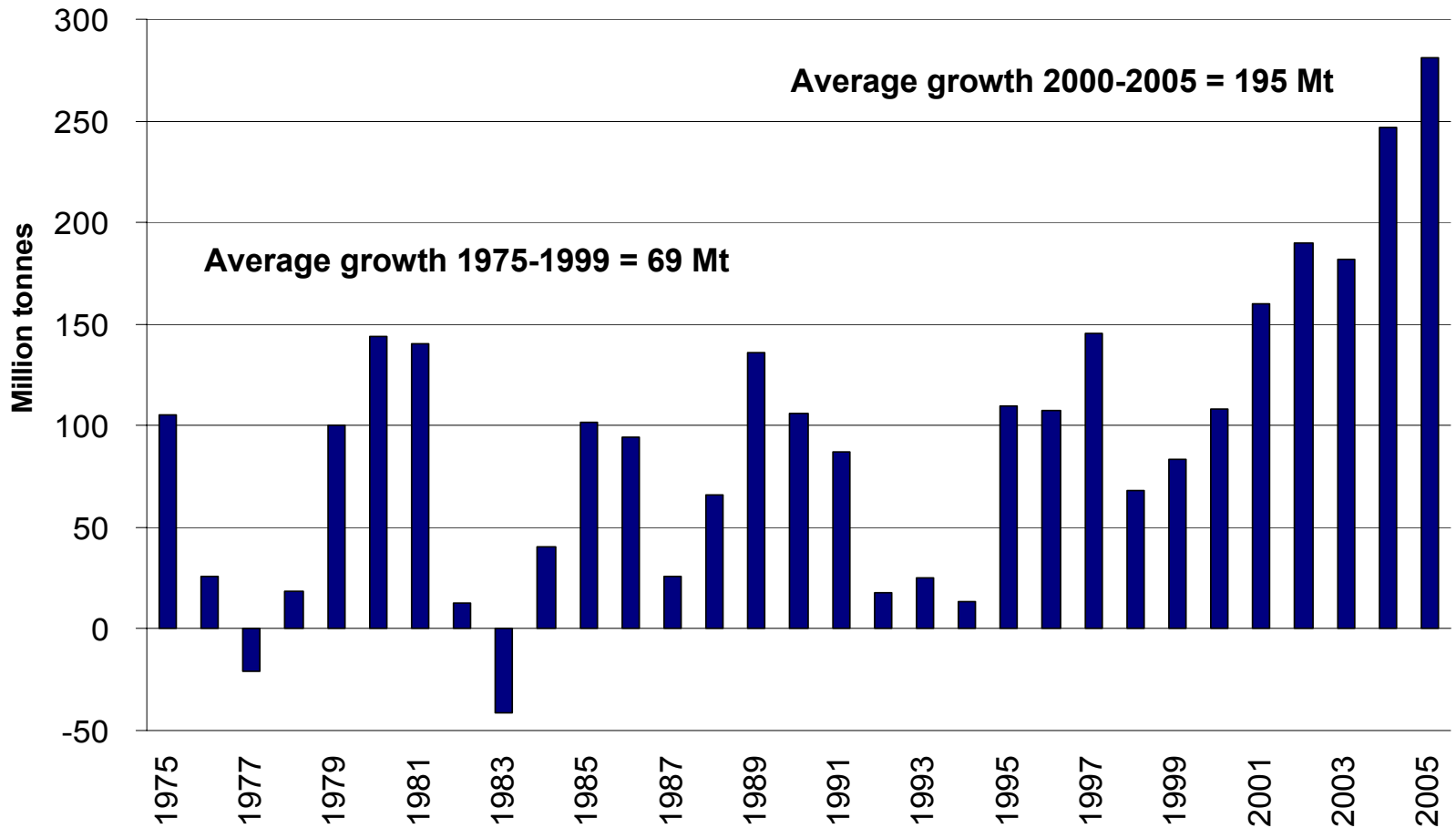
handysize/handymax 12 month period rates



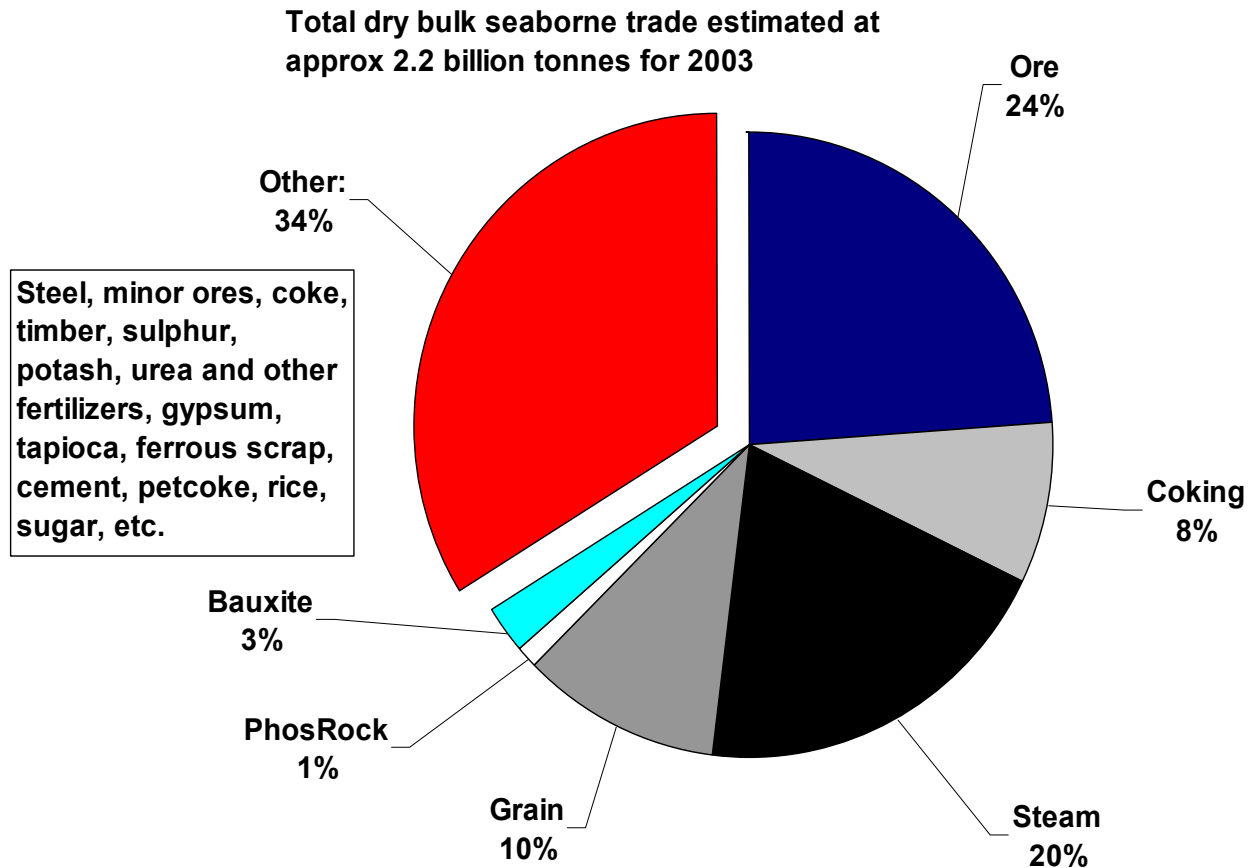
why so different to past?

- record increases in cargo volumes driven by Chinese industrialization/urbanization
- created strains not only on the supply of ships but also port and rail infrastructure in raw material trading countries
- sentiment transformed with freight risk management now a priority for charterers

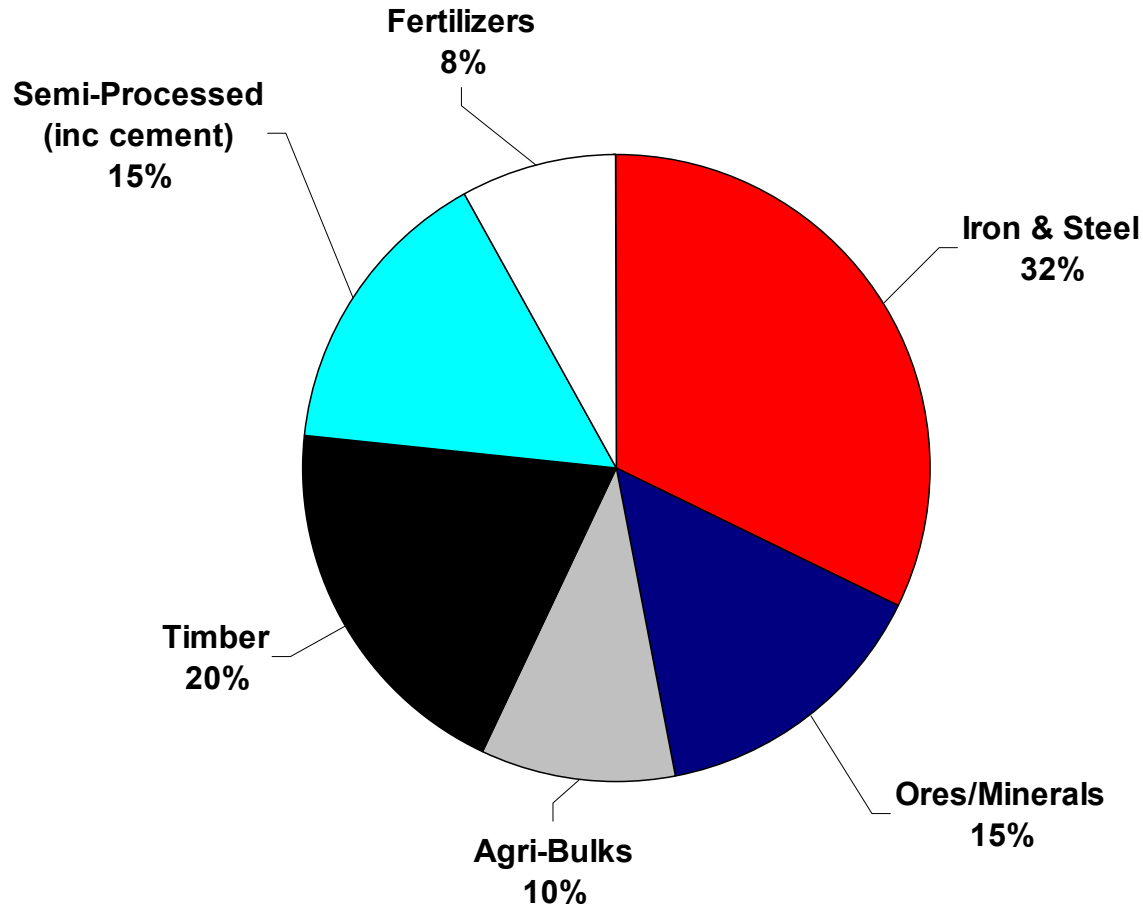
3 year growth in major seaborne cargoes



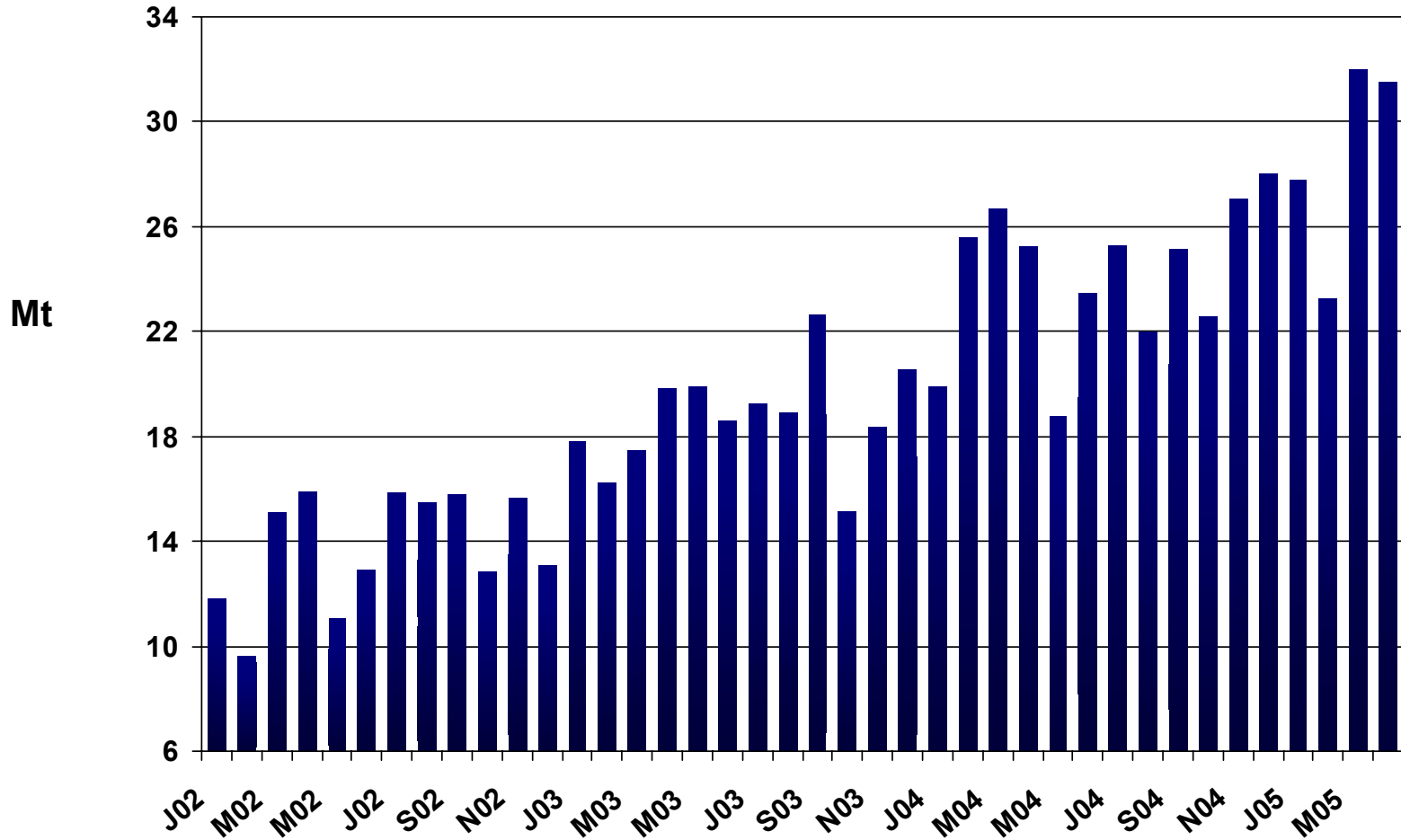
breakdown of seaborne dry bulk cargoes



minor dry bulk commodity trades

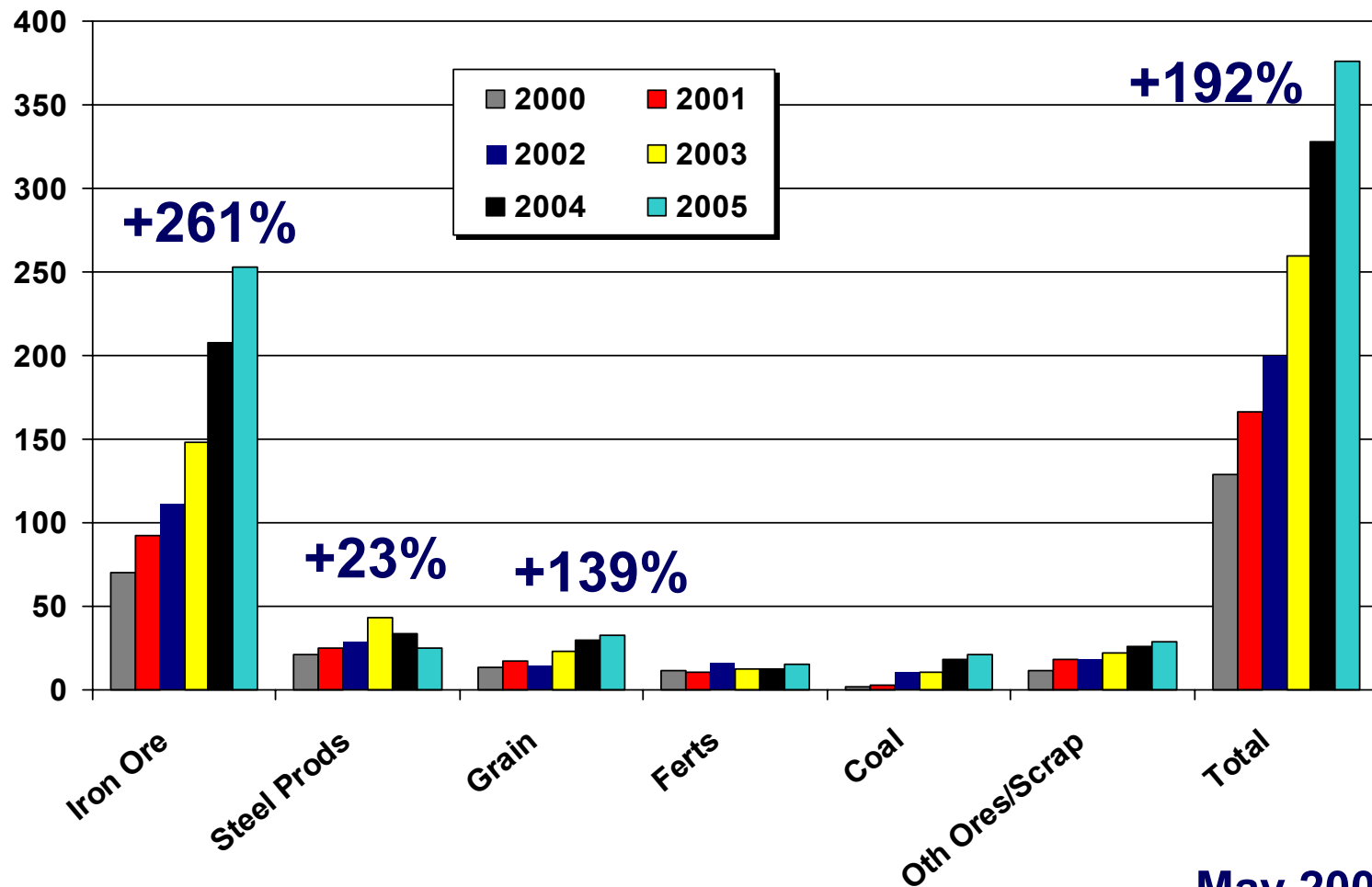


China's major dry bulk imports

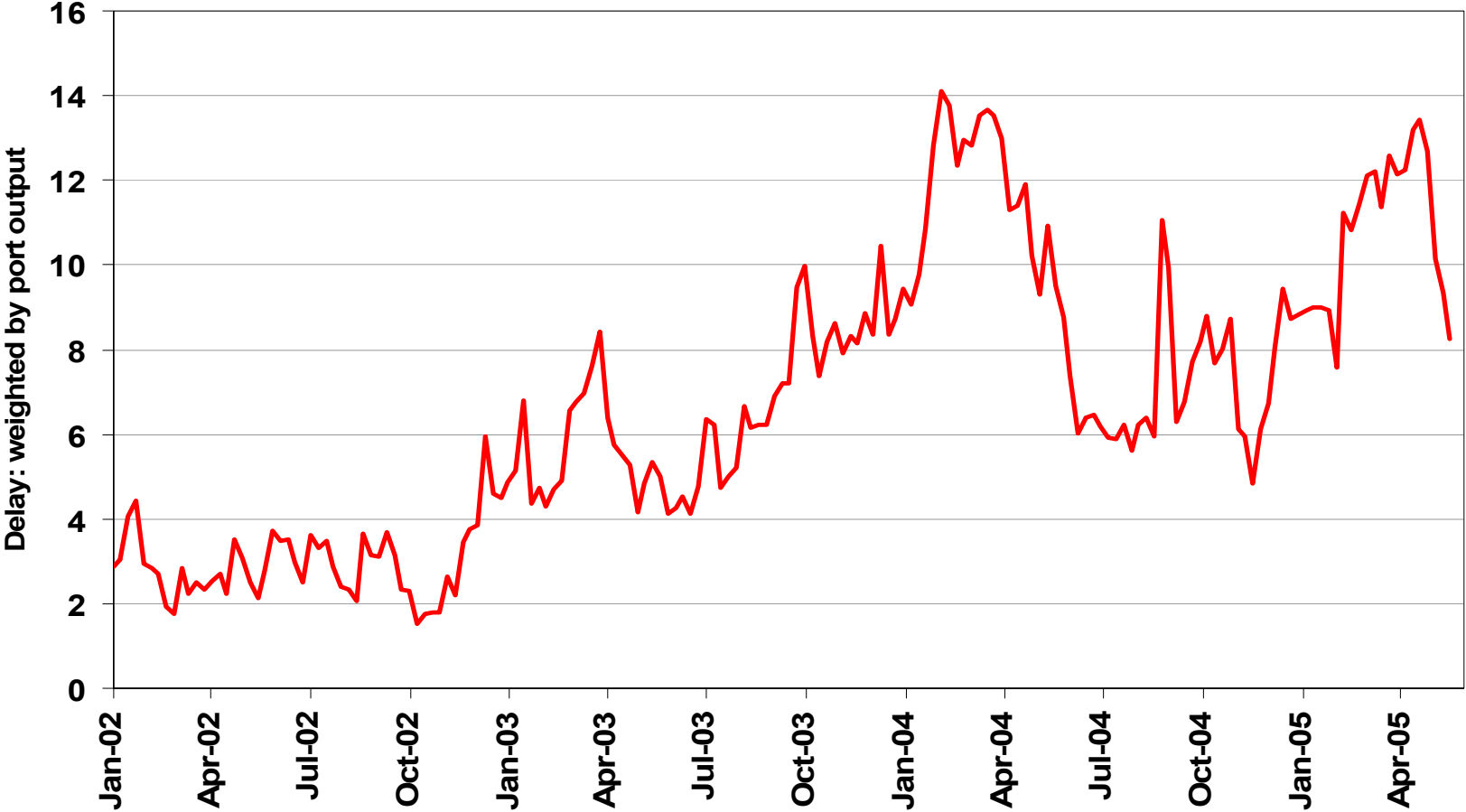


Chinese dry bulk imports

Mt



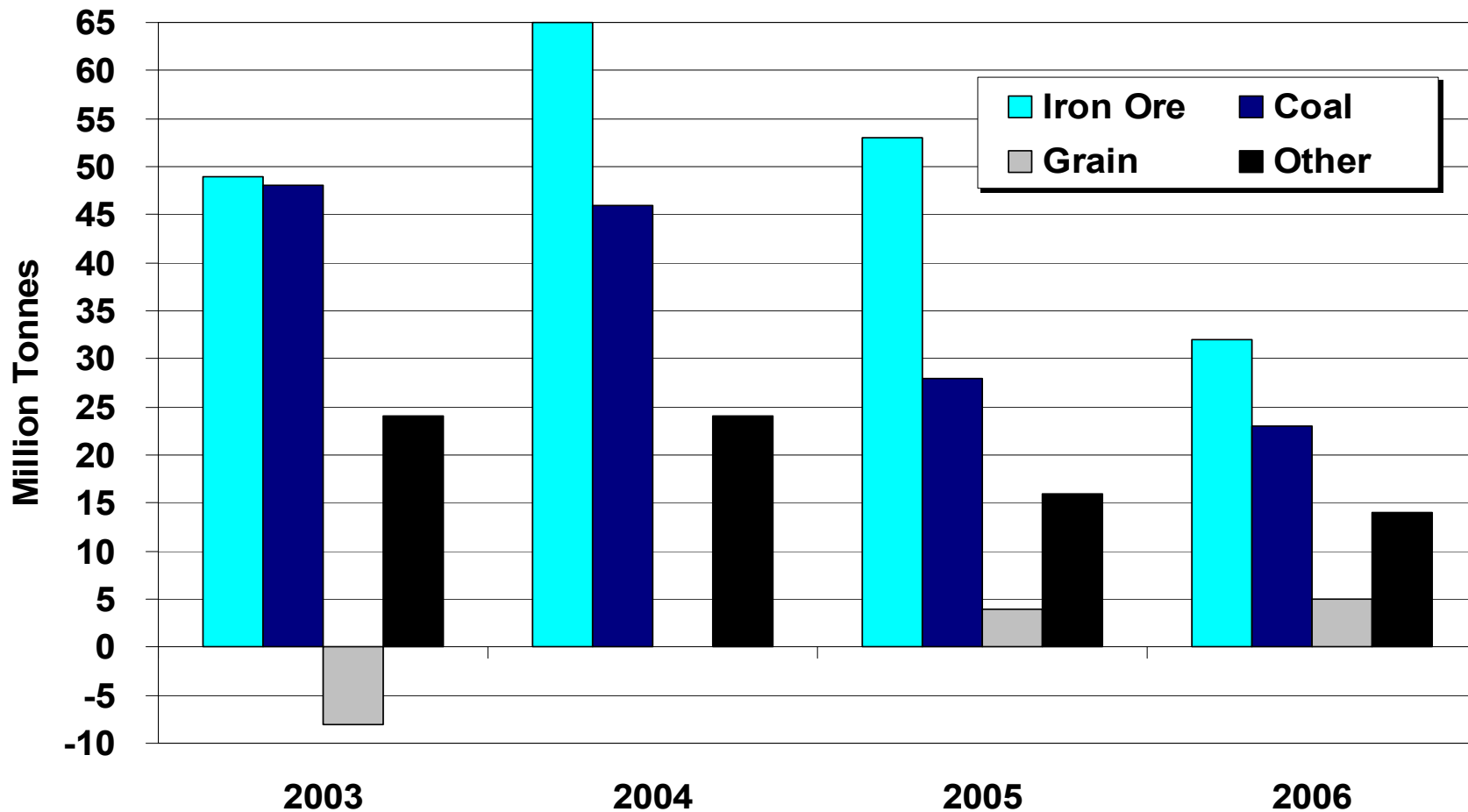
SSY Australian coal port congestion index



can ship demand growth be sustained?

- Chinese steel consumption remains the key driver & government seeking to slow steel industry
- signs of weakness in key dry bulk trade generating economies outside of China
- major investments in new coal and, especially, iron ore export capacity
- emphasis on short haul steam coal trade
- grain trades a source of seasonal rather than trend demand growth

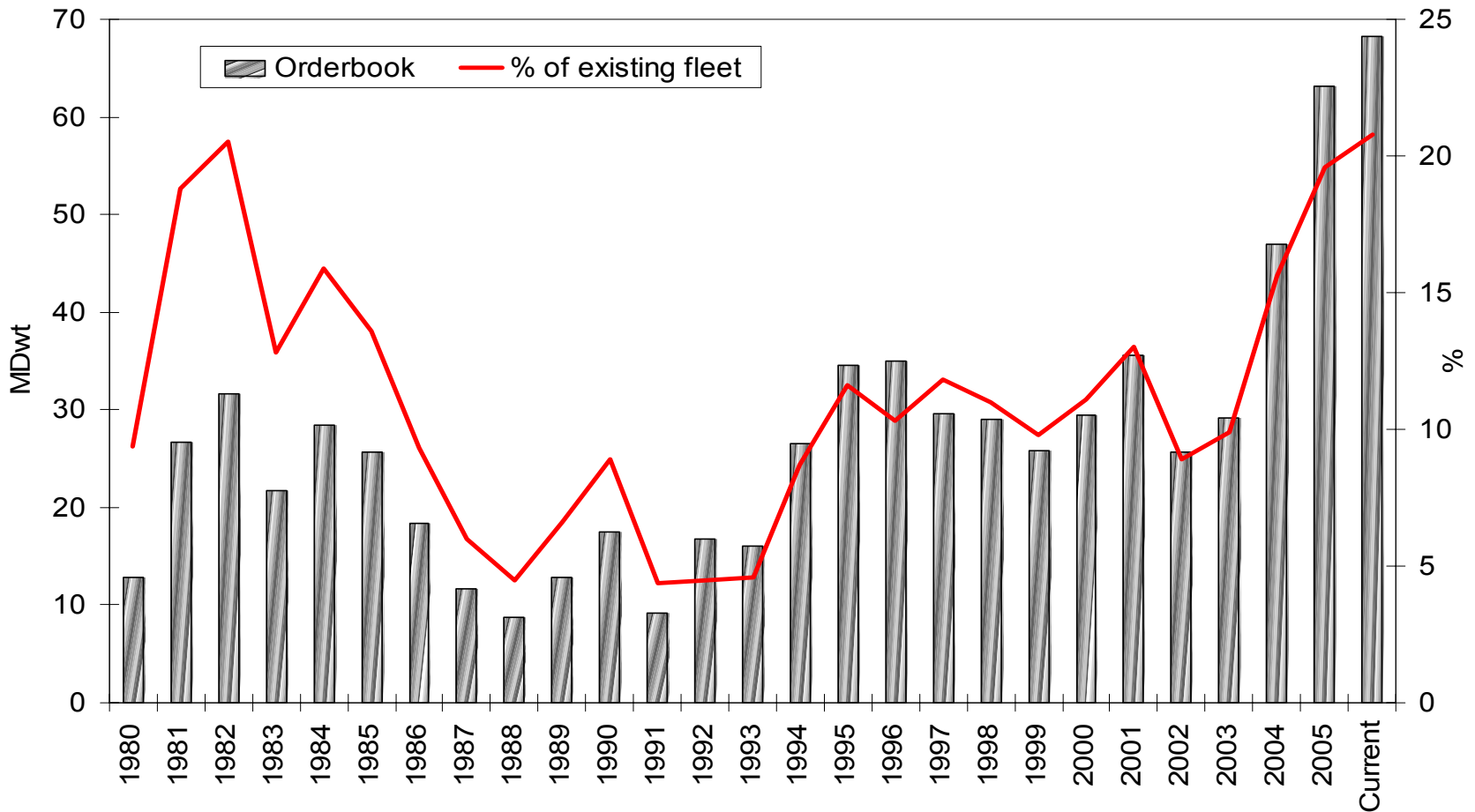
contributions to seaborne dry bulk trade growth



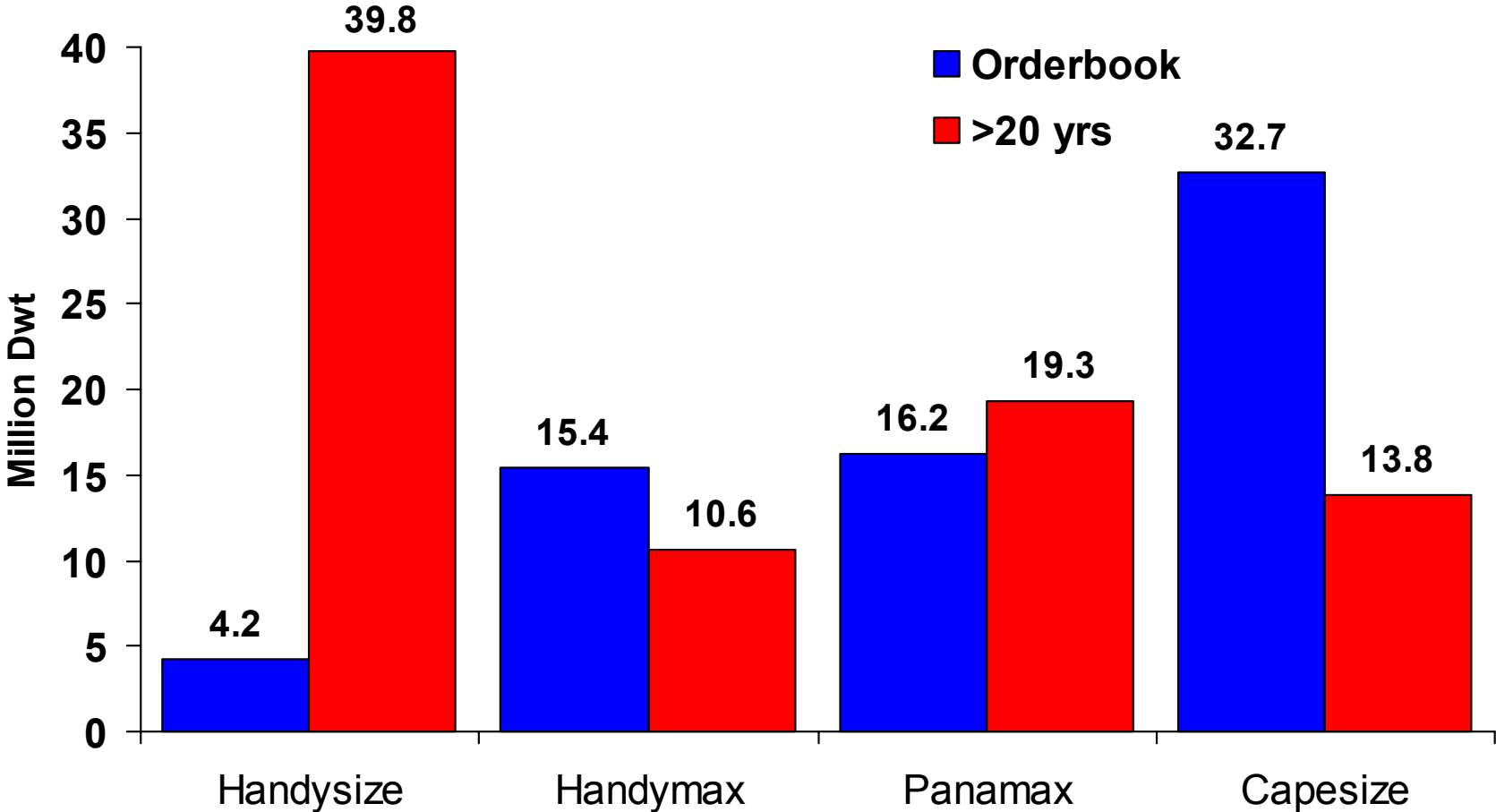
supply-side responses

- record increase in total dry bulk fleet (+20.2 Mdw) forecast for 2005 as
 - newbuilding deliveries accelerate &
 - removal of older ships remains minimal
- plus much more fleet supply to come in 2006-08 as vessels on order climb to new high (of approx 68 Mdw)
- but very uneven distribution of growth between the sizes means that modern handysize vessels to remain at a premium

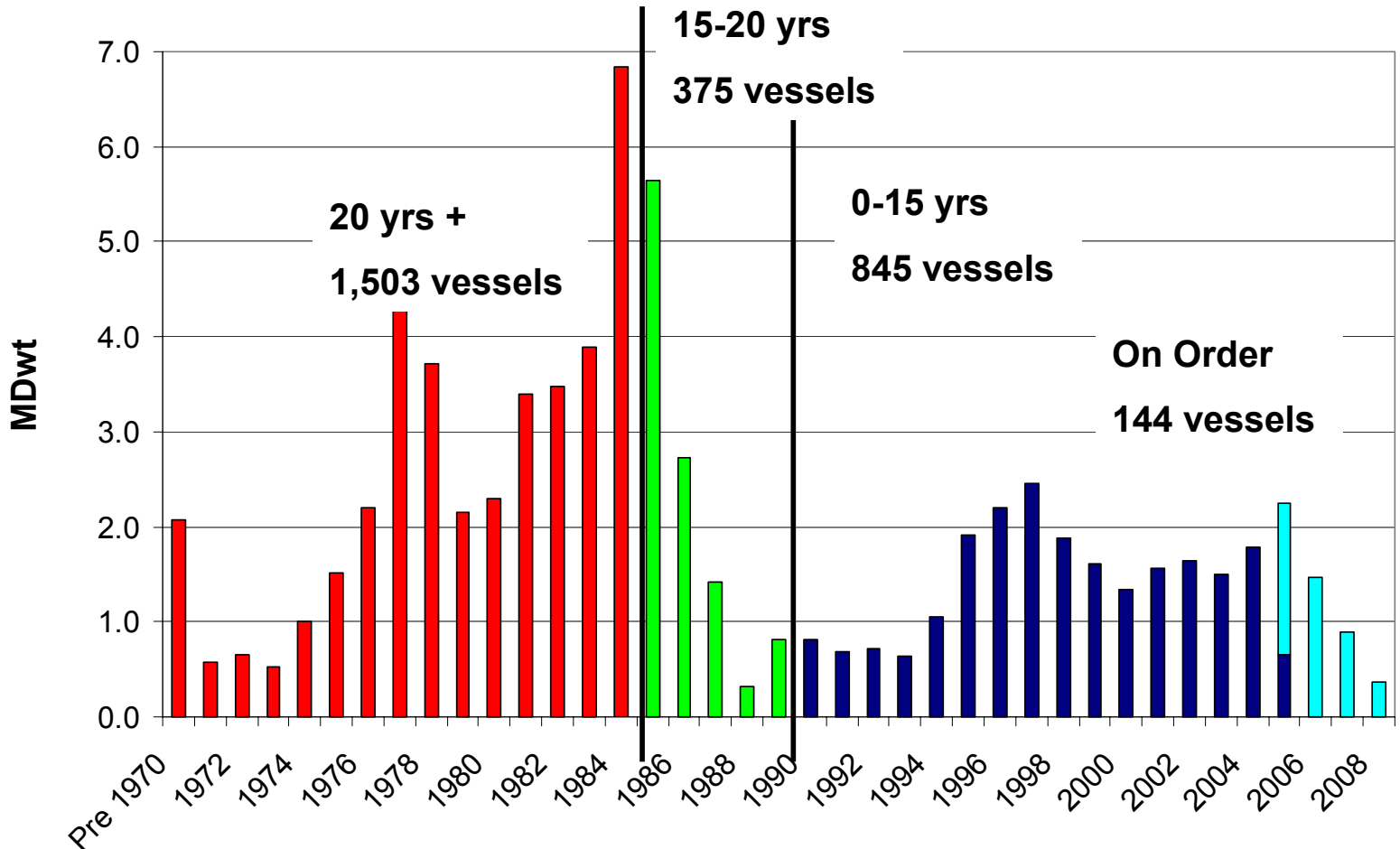
bulk carrier newbuilding orderbook



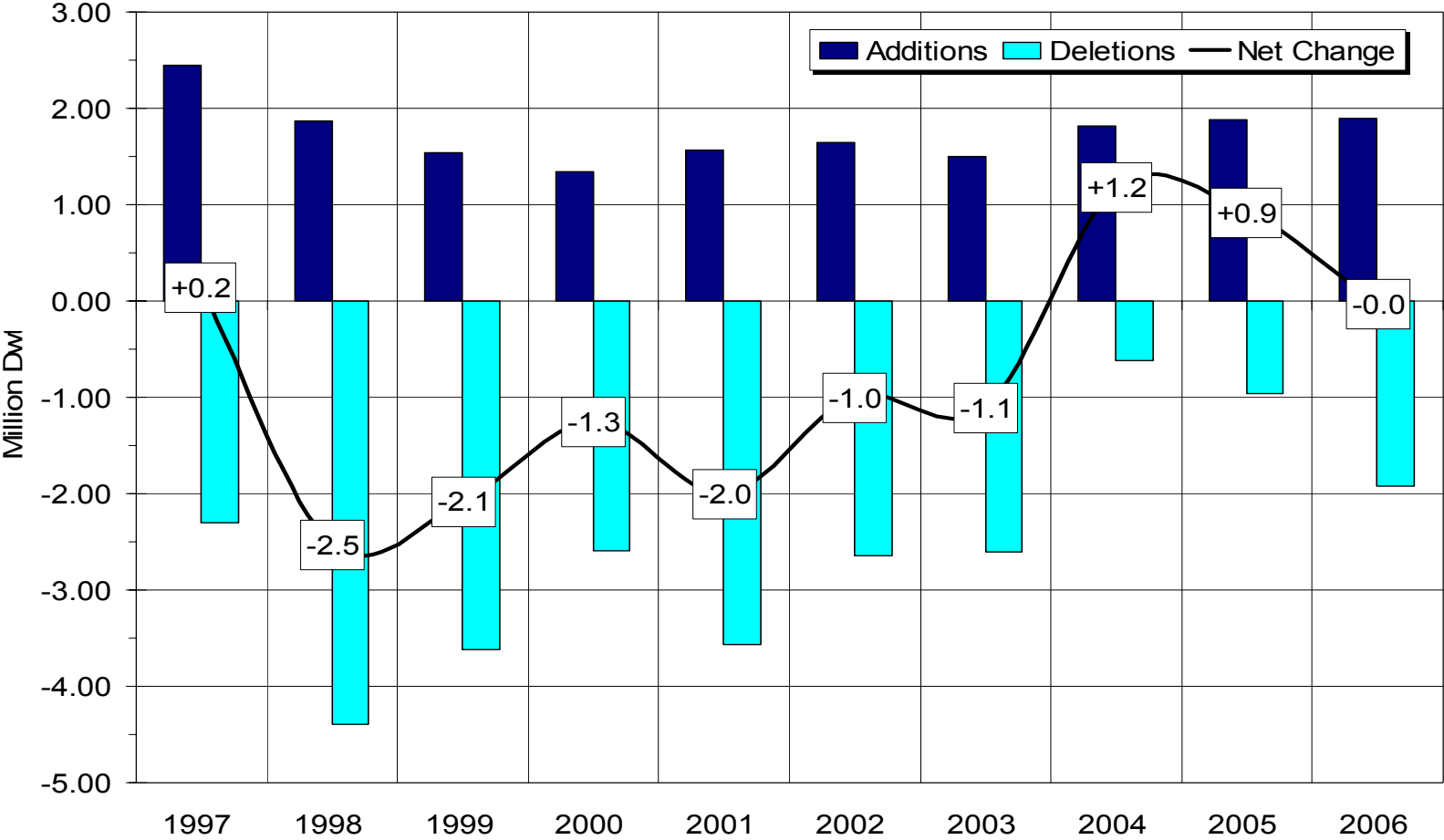
bulk carriers on order vs 20+ year fleet



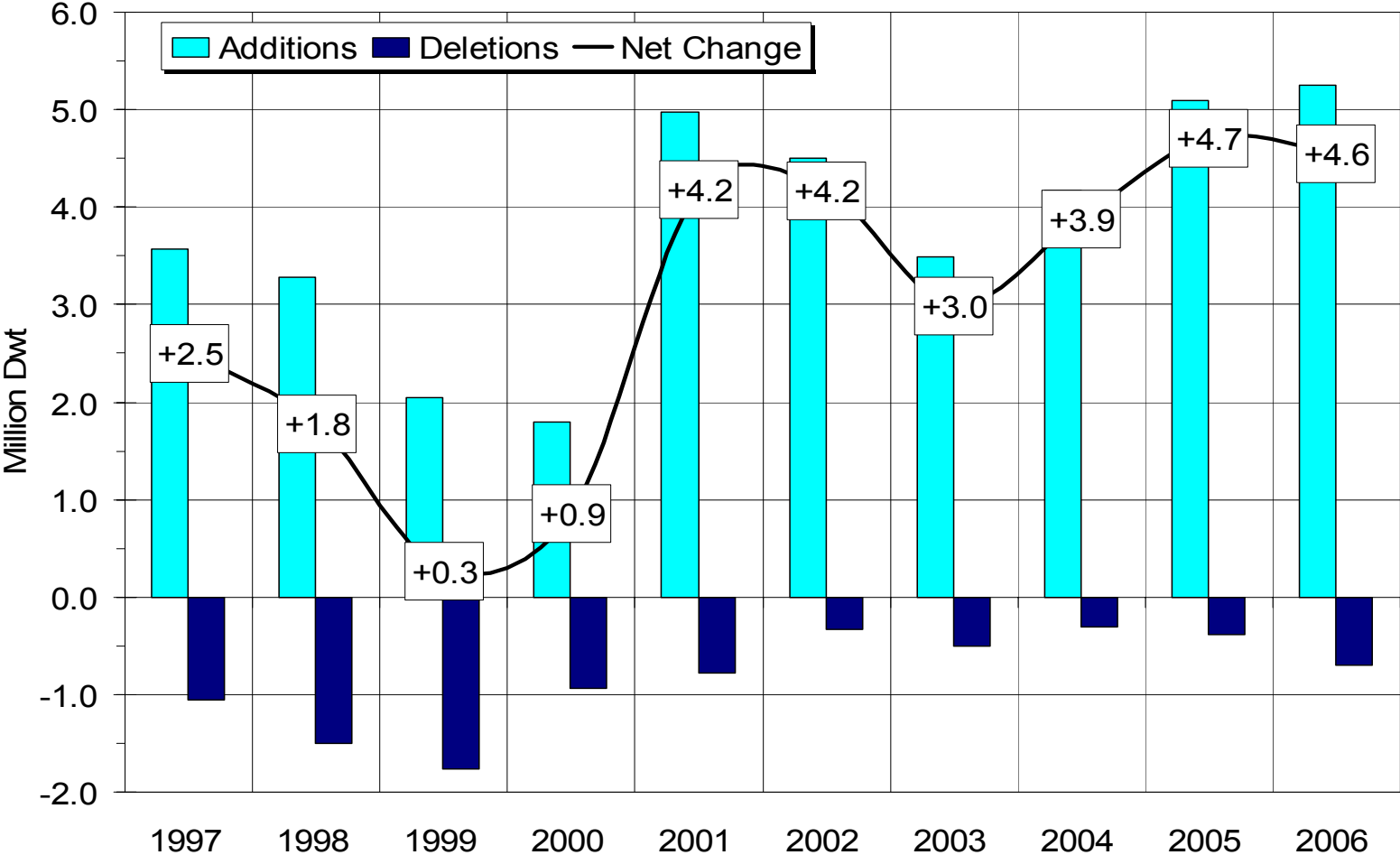
handysize 10-39,999 dwt fleet



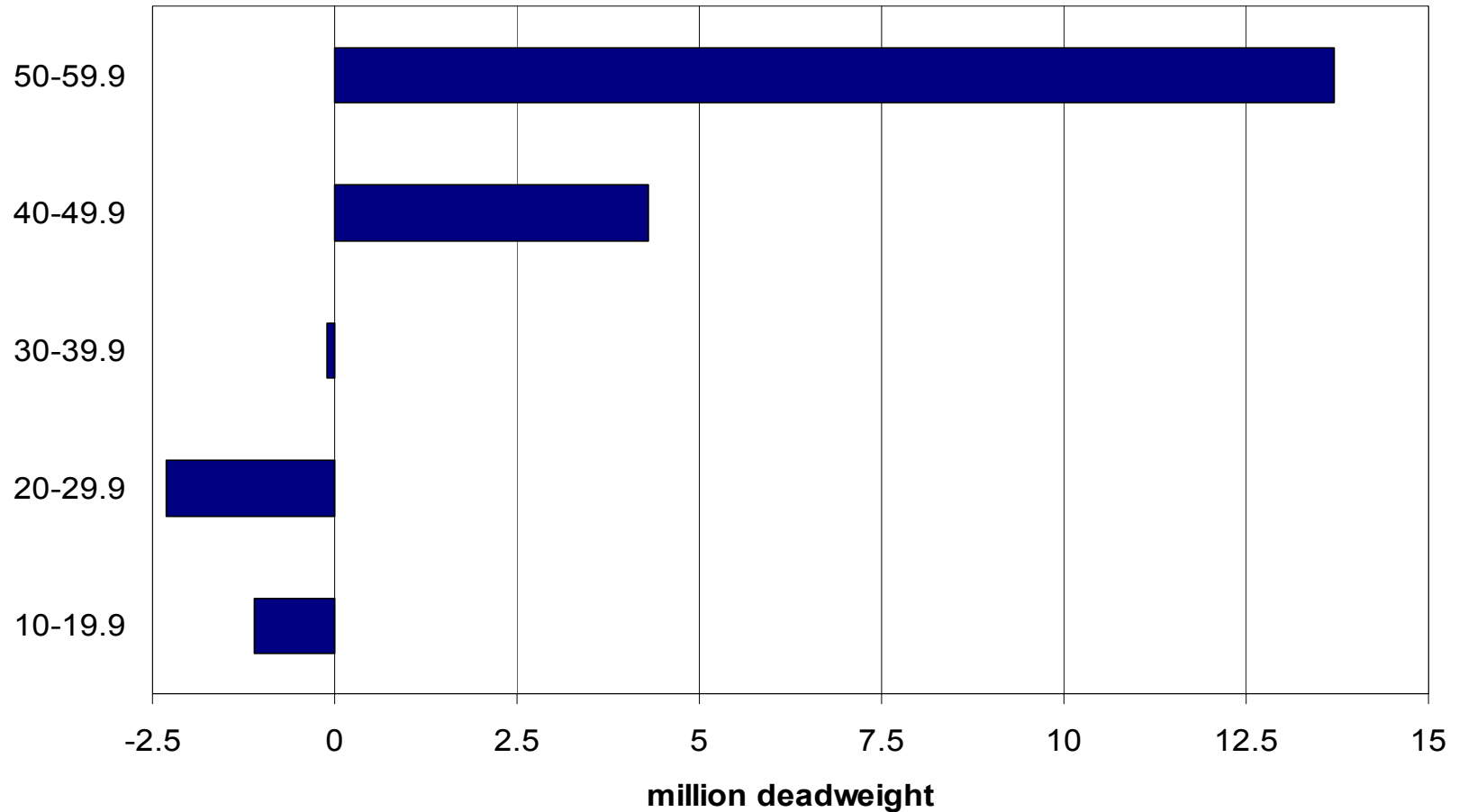
handysize net fleet change



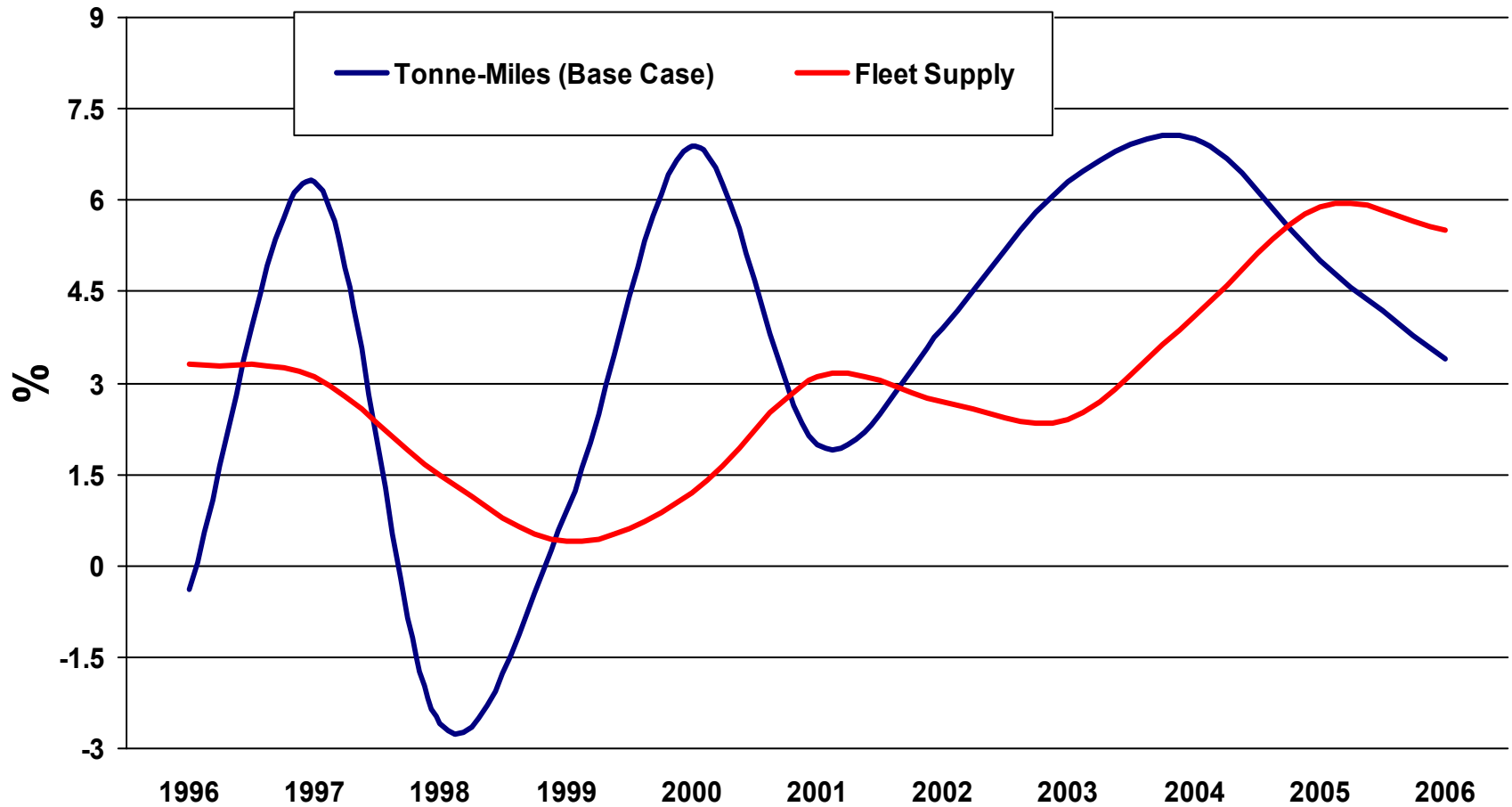
handymax net fleet change



handysize/max net fleet changes: jan 2000-jun 2005



bulk carrier supply & demand: SSY base case



conclusions

- dry bulk cargo growth to moderate to 4-5% in 2005 and 3-4% in 2006 from 7-8% in 2003/04
- fleet growth rising and set to exceed demand in 2005 with gap between the two growth curves widening next year
- ...but supply/demand balances still historically tight therefore collapse back to pre-2003 levels unlikely in next 12 months unless dramatic downturn in Chinese economy

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