

# No Recovery For Dry Bulk As Overcapacity Cloud Hangs Low

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## Abstracts

BMI expects dry bulk shipping's troubles to continue for some time to come, with overcapacity putting continued downside pressure on rates. While demand remains strong, there are fears that Chinese imports of iron ore may ease due to monetary tightening, a worrying scenario at a time when the market is already saturated with vessels. A possible drop off in Chinese demand, as well as a hefty orderbook, means it is unlikely we will see the return of supply/demand equilibrium over the medium term.

## Drivers Key Views

Chinese demand to remain the main driver of dry bulk shipping.

Major producers to increase output of coal and iron ore year-on-year (y-o-y).

India and China to remain heavily reliant on coal imports for electricity generation.

Chinese demand for iron ore to moderate y-o-y due to strong inflationary pressures and tight monetary policies, but to remain strong.

## Capacity Key Views

Overcapacity to remain the sector's single biggest worry.

Large orderbook is a major cause for concern.

Rates to remain depressed due to supply/demand imbalance.

Scrapping likely to increase due to strong steel prices, but unlikely to make a significant dent in global fleet size.

## **Rates Key Views**

Rates to remain depressed due to supply/demand imbalance.

Vale's fleet of Chinamax ore carriers could put further downside pressure on Capesize rates.

Given the volatility of rates another scenario similar to the collapse of dry-bulk shipper Korea Lines cannot be ruled out.

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