

# Bulk Shipping - Asia-Pacific

# Takeaways from Braemar call on dry bulk shipping & Red Sea disruptions

Industry Overview

## Braemar call takeaways on dry bulk & Red Sea impact

We hosted Braemar's Head of Dry Research Derek Langston for a call on the outlook for 2024. Mr. Langston sees a flattish outlook for freight rates in 2024 with capesize rates expected to outperform smaller vessels on low supply growth and growing bauxite demand. Red Sea disruptions appear to be building in dry bulk with Braemar seeing growing signs of vessel diversion in response to higher insurance. Mr. Langston sees fleet inefficiencies around the duration of Red Sea disruptions and port congestion as key factors to watch in 2024 which could drive upside/downside to rates.

## Demand: Minor bulks outpacing majors in 2024

Minor bulk looks set to outpace major bulk demand growth in 2024 with support from bauxite and construction. Chinese coal imports could see some YoY softening from record 2023 levels, while 2024 iron ore demand is expected to see some trade growth given iron ore production growth and low Chinese inventories (although watch Chinese steel exports).

## Supply: Low deliveries particularly for capes

Braemar sees 2024 new delivery growth higher for smaller vessel sizes relative to capesize ships in 2024, while bulk vessel scrapping could stay modest with owners seeing some light at the end of the tunnel. Green shipping EEXI/CII policies have had a limited impact on vessel speeds so far, while EU ETS costs are being passed through.

## Congestion & canal: Red Sea diversions now building

7% of dry bulk trade passes through the Red Sea (majority exports from North America and Russia), and diversions away from the Red Sea are increasing given higher insurance premiums (although Russian exports will probably continue). Dry bulkers are largely avoiding the Panama Canal for now and taking the longer route to Asia. Port congestion in Brazil could build again in 2024 - although it is unclear whether congestion hits the same highs as 2023 which saw logistics disruptions due to drought in northern Brazil.

## Rates: Flattish outlook; fleet inefficiencies a key driver

Capesize 2024 rates could be flat to slightly up YoY helped by low new delivery growth and growth in bauxite/iron ore demand, while the rate outlook for smaller vessels is flattish on higher deliveries and softer coal volumes. But watch inefficiencies from the Red Sea and port congestion which could drive upside/downside to this outlook. Spot rates now coming under seasonal pressure, and seasonality might be smoothing out a bit more now with a less pronounced 2H peak given Guinea rainy season impacts in 3Q.

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