

# Dry Bulk Shipping Market Overview & Outlook

Strong market may cool as 2025 nears

July 2024

A decorative graphic at the bottom of the slide consists of several overlapping, semi-transparent blue shapes that create a wave-like effect, extending across the entire width of the page.

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## Supply/demand



**Supply is forecast to grow 3.4% in 2024 and 2.1% in 2025.** In 2025, a weaker market may incentivise higher recycling and slower sailing speeds.

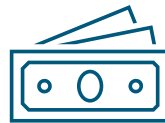


**Demand is forecast to grow 5.0% in 2024 and fall 1.5% in 2025.** In 2024, rerouting via Cape of Good Hope is boosting sailing distances.



**The supply/demand balance should strengthen in 2024, but weaken in 2025,** as ships return to the Red Sea and the Panama Canal, shortening sailing distances.

## Demand



According to the IMF, **Global GDP is forecast to grow by 3.2% in 2024 and 3.3% in 2025.** Global economic outlook improved due to stronger economic activity in Asia.



**Iron ore shipments are estimated to grow 3% from 2023 to 2025.** Stronger Chinese steel exports are supporting iron ore import demand.



**Coal shipments are forecast to fall by 1.5% between 2023 and 2025.** China's import demand is cooling, but India's could stay strong amid a weak monsoon.

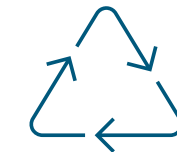


**Between 2023 and 2025, grain shipments are forecast to increase by 2%.** Outlook weakened due to stronger maize harvests in key importers.

## Supply



**The fleet is expected to grow 5.5% between end 2023 and end 2025.** Low deliveries and higher recycling will contribute to slower fleet growth.



**Ship recycling is expected to stay low.** However, it may gradually increase from the start of 2025, as the market's strength wanes.



**Sailing speed could fall by up to 1.0% in 2025 amid lower freight rates.** In 2024, a strong market has kept speed from falling.



**A reduction in congestion could lead to a 0.5% increase in supply in 2024.** Lower congestion primarily affected the capesize and panamax segments.

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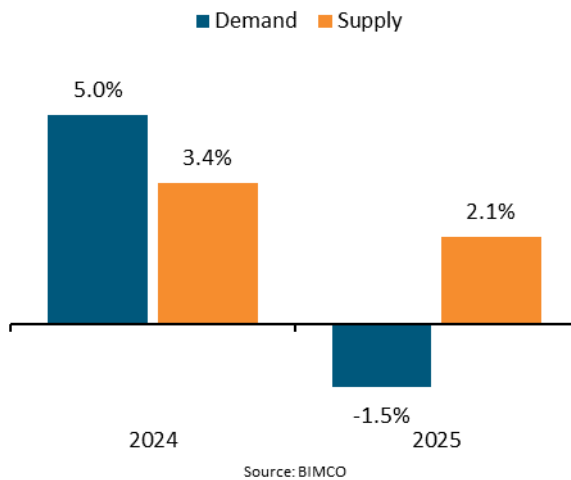
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### Supply/demand balance

We expect the **supply/demand balance** to strengthen in 2024 but weaken in 2025. Supply is estimated to grow by 3-4% in 2024 and 1.5-2.5% in 2025, while demand is projected to grow by 4.5-5.5% in 2024 and weaken by 1-2% in 2025.

#### Fleet supply/demand developments



**Freight rates** are expected to stay strong during the rest of 2024, but demand could ease amid high inventories among importers. Freight rates

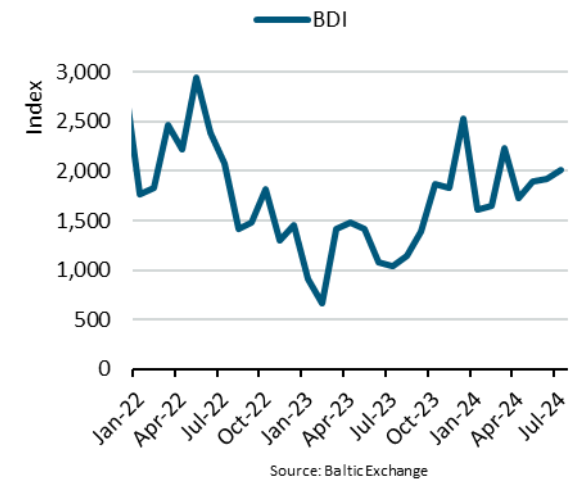
are expected to weaken in 2025, should conditions in the Panama Canal normalise and the Red Sea conflict be resolved.

**We are now basing our forecasts on the assumption that ships will only return to the Red Sea in 2025** rather than during the second half of 2024. There are still no signs of a resolution to the conflict, and military interventions have not restored safety in the region. We have therefore revised our demand forecast upwards considerably for 2024 to account for the longer sailing distances resulting from rerouting via the Cape of Good Hope. Should the attacks in the Red Sea persist for longer than anticipated, then the dry bulk market will be stronger than forecast.

During the first half of 2024, the **Baltic Dry Index** remained firm amid strong demand. China continued to import high volumes of iron ore, coal and grains, building up their inventories. Furthermore, long distance sailings via the Cape of Good Hope increased as ships rerouted away from the Red Sea, just as they

did from the Panama Canal. Consequently, tonne mile demand rose for segments smaller than capesize, supporting high freight rates. The strong market boosted sale and purchase activity and pushed the value of five-year-old second hand assets close to newbuilding prices.

#### Baltic Dry Index (BDI)



Capesize ships are expected to continue to perform strongly amid high demand and low fleet growth. Smaller segments may be negatively affected by weaker coal and grain shipments as well as higher fleet growth. These

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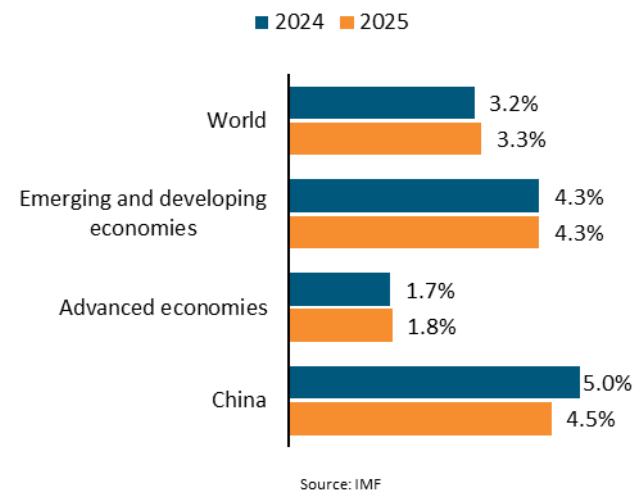
segments will be particularly affected by the expected end of disruptions in the Red Sea and in the Panama Canal.

Some **demand risks** persist in China. Slower than expected economic growth in the second quarter of 2024 highlights weak domestic demand. Should China's economy miss its 5% GDP growth target for 2024, the outlook for dry bulk demand will be worse than forecast. In addition, during the first half of 2024, China's imports of iron ore and coal have exceeded demand and inventories have therefore risen sharply. A future correction of inventory levels could impact import volumes negatively.

### Macro environment

The International Monetary Fund (IMF) forecasts the **global economy** to grow by 3.2% in 2024 and 3.3% in 2025, which is an upward revision of 0.1 percentage points for 2025. It has revised its growth forecast for emerging and developing economies up 0.1 percentage points for 2024 and 2025, due to stronger economic activity in Asia.

Global economic growth



**Inflation** is expected to continue retreating

over the forecast period. However, in advanced economies it is now expected to fall at a slower pace due to persistent inflation in services and high commodity prices. Consequently, interest rates may stay high for longer, which would slow down economic growth.

The **Chinese economy** is forecast by the IMF to grow by 5% in 2024, meeting the government's target, and by 4.5% in 2025. However, the Chinese economy grew by only 4.7% y/y during the second quarter, raising concerns over whether the GDP target can be met.

The country's economy has greatly benefited from stronger exports, but domestic consumption has remained weaker. To boost consumption, the government has since lowered interest rates, but this may not suffice. Furthermore, the reliance on low-price exports to boost economic growth risks the introduction of new trade barriers by trade partners.

**India's economy** is forecast to grow the fastest out of all major economies – by 7% in 2024 and

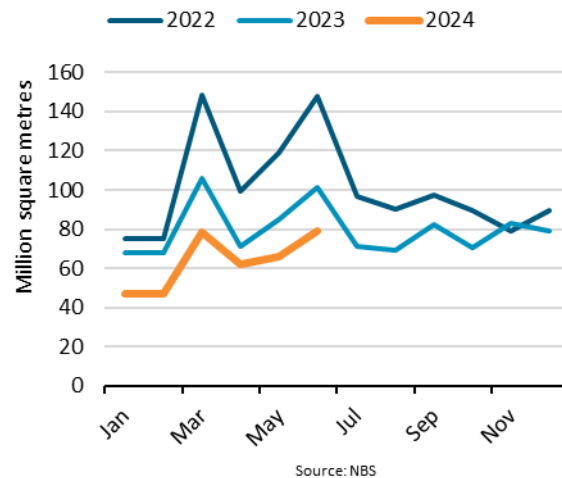
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6.5% in 2025. The IMF has highlighted strong domestic demand and private consumption, particularly in rural areas.

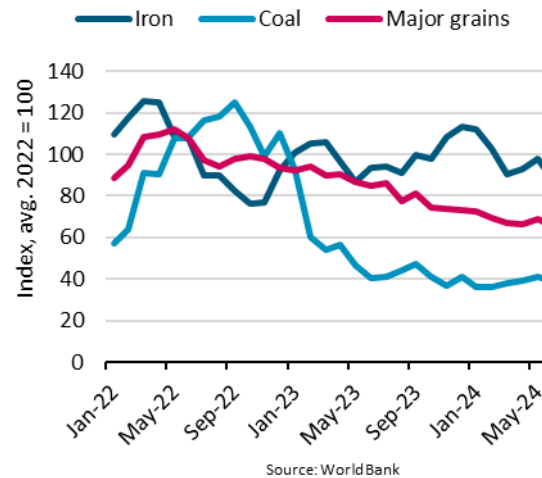
**New real estate starts in China**



The weak **real estate sector in China** is yet another challenge to domestic consumption. During the first half of 2024, there were no signs of recovery as the floor area of new real estate starts decreased by 23.8% y/y and investment fell 10.3% y/y. Over the forecast period, we expect that the real estate sector in China will continue to be a negative factor for

dry bulk demand.

**Commodity prices**

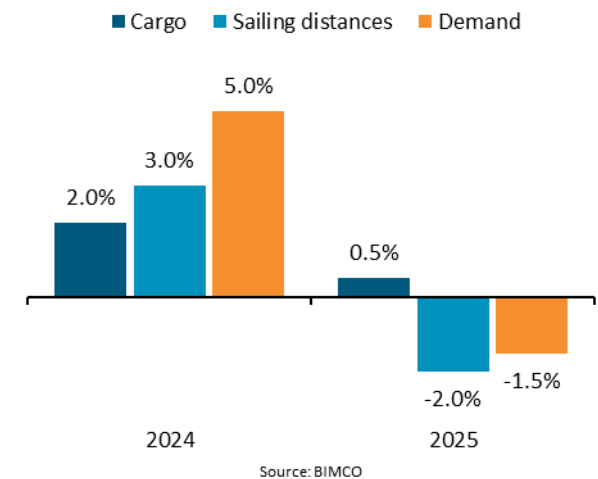


Besides coal, **dry bulk commodity prices** have fallen since the start of the year. Since January, iron ore prices have fallen by 20.9% amid weak demand from Chinese steel manufacturers, while prices for major grains have fallen 8.9% due to higher supply. Lower prices may have encouraged some inventory build-up.

## Demand

We forecast dry bulk **demand** to grow by 4.5-5.5% in 2024 and to fall 1-2% in 2025.

**Demand forecast**



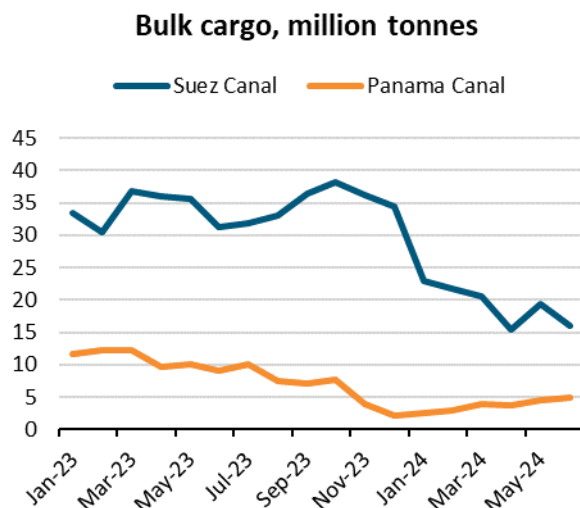
**Cargo volumes** are expected to grow by 1.5-2.5% in 2024 and by 0-1% in 2025. For 2024, we have revised our estimates up 1 percentage point due to stronger than expected iron ore shipments to China during the second quarter and a stronger outlook for coal shipments to India. For 2025, we have reduced our estimate

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by 0.5 percentage points due to a weaker outlook for grain shipments.



Source: Signal Ocean

**Average sailing distances** are expected to lengthen 2.5-3.5% in 2024 but could shorten 1.5-2.5% in 2025. Distances are forecast to rise due to stronger cargo from the Atlantic Basin and increased sailings around the Cape of Good Hope instead of through the Red Sea and the Panama Canal. In 2025, sailing distances are expected to shorten, conditional on the end of

the attacks in the Red Sea. Should attacks persist, demand would be higher than forecast.

During the second quarter of 2024, conditions improved in the Panama Canal, as cargo transits rose 40.5% q/q, although they are still down 54.4% y/y. Water levels in Gatun Lake have been recovering and consequently transits are nearing normal levels. Meanwhile, cargo transits through the Suez Canal fell 22.4% q/q and attacks have not subsided despite military intervention.

We estimate that **iron ore shipments** will grow by 2.5-3.5% in 2024 and stabilise in 2025.

During the first half of 2024, **Chinese iron ore imports** surged 6.1% y/y, even as domestic mining increased 15.3% y/y and steel production fell 2.2% y/y. Amid lower steel production, the share of virgin steel produced in China likely increased, supporting iron ore demand. Nonetheless, this was not sufficient as iron ore inventories in Chinese ports reached a two year high and iron prices weakened. Consequently, we expect import demand to

grow at a slower pace during the second half of 2024.



**Chinese steel production** has been boosted by higher exports. During the first half of 2024, domestic demand fell 4.3% y/y and the number of active real estate construction projects continued to diminish. In 2025, demand may stay weak or even weaken further, amid a fragile real estate sector and lower economic growth.

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In Japan and South Korea, iron ore imports fell as steel production weakened. Both nations are steel exporters and have been affected by higher exports from China. In Europe, a decrease in energy prices is allowing for a recovery in steel production, and conditions should further improve in 2025 as economic activity rises.

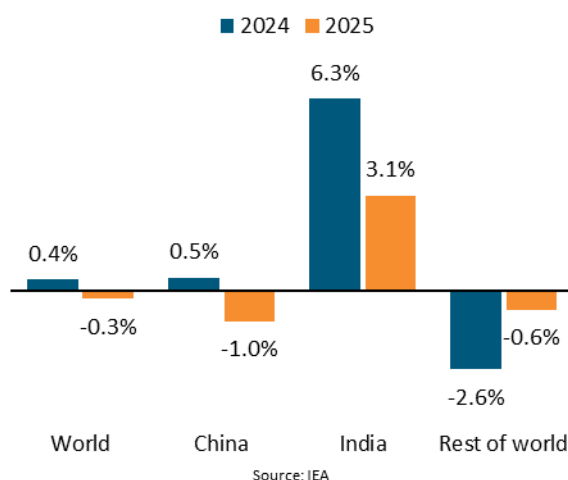
to a weaker than anticipated monsoon season in India.

The International Energy Agency (IEA) estimates that **global coal demand** will increase 0.4% in 2024 and decrease by 0.3% in 2025. It also forecasts that the global coal trade will grow 1% in 2024, conditional on a 0.8% decrease in Chinese coal mining.

**Hydroelectric power in India** may not recover in 2024 from last year's low levels due to low monsoon rainfall. Despite the end of El Niño, rainfall has so far been low and water reservoirs were down 17.5% y/y as of 25 July. If rainfall does not increase during the rest of the monsoon season, Indian coal demand will strengthen over the next twelve months to replace hydroelectric power. The IEA forecasts Indian electricity demand to grow 8% in 2024 and 6.8% in 2025 and expects that growing domestic production will not be enough to meet the added demand, therefore boosting shipments.

**Grain shipments** are estimated to grow by 2-3% in 2024 and fall by 0-1% in 2025. The outlook for grain shipments in 2025 has considerably worsened since our last update.

Global coal demand, y/y



**Coal shipments** are forecast to grow 0.5-1.5% in 2024 and fall 2-3% in 2025. We no longer expect a decline in coal shipments in 2024, due

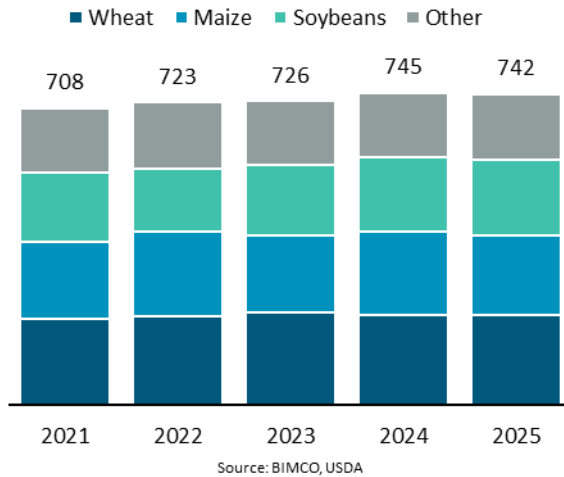
**Coal shipments to China** may slow or even fall from the second half of 2024 amid weaker demand and ample supply. Electricity generation from coal decreased on a yearly basis during May and June amid strong generation from renewables. Meanwhile, supply increased due to strong coal shipments, causing inventories to rise. Domestic coal mining also increased 3.9% y/y in June, the first increase this year. The IEA expects that safety inspections may be eased throughout the rest of the year, which would boost mining. Should mining strengthen significantly, coal shipments could weaken further.

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Grain exports, million tonnes

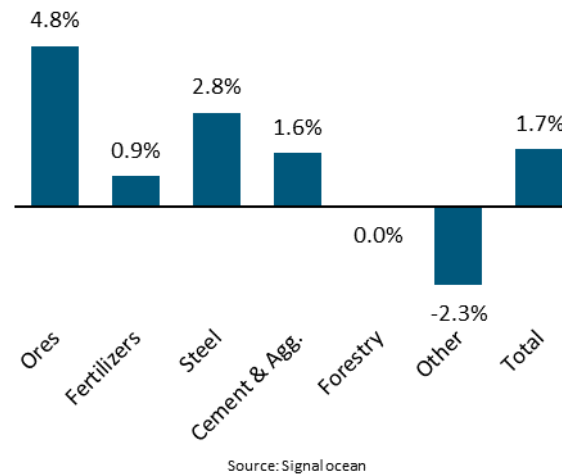


**Maize shipments** are expected to be the largest driver of both the increase in volumes in 2024 and the decrease in 2025. In 2024, maize shipments from Argentina and the US are estimated to strengthen significantly from a low baseline. However, the upcoming maize harvests in key importers such as the EU and China are expected to be considerably higher than last year's. Consequently, maize import demand is expected to weaken in 2025.

Other factors will contribute to a weaker outlook for grain shipments. Wheat shipments are expected to remain weak over the whole outlook period. Harvests in Russia and Ukraine have been weak and are limiting their export potential. Soybean shipment growth may also slow down, as China has been stockpiling Brazilian soybeans during the first half of 2024.

easing of interest rates in advanced economies and the energy transition should support demand. Shipments of bauxite, steel and some ores and metals are expected to strengthen, while shipments of commodities such as wood products may continue to struggle from weak consumption in China.

Minor bulk cargo H1 2024, y/y



We forecast that **shipments of minor bulk cargoes** will increase by 1.5-2.5% in 2024 and by 3-4% in 2025. We still expect that a gradual



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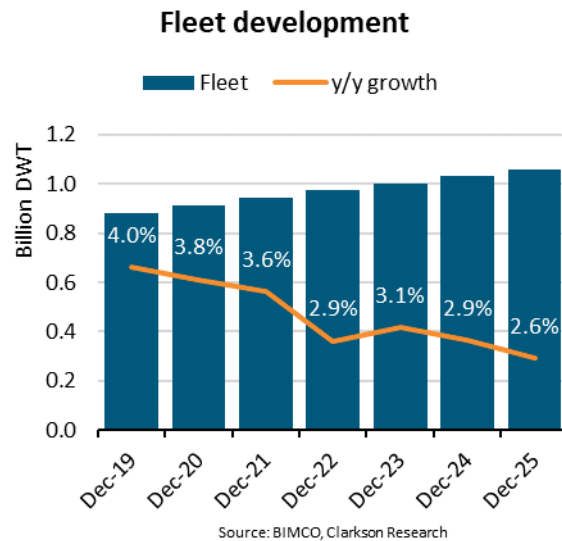
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### Supply

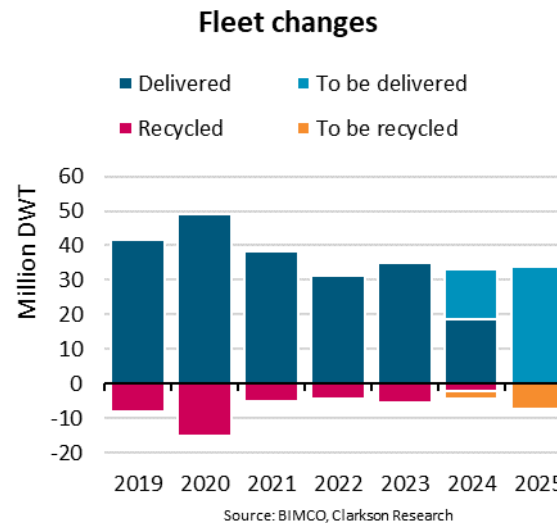
We estimate that dry bulk **supply** will grow by 3-4% in 2024 and 1.5-2.5% in 2025.

The **dry bulk fleet** is expected to grow by 2.9% in 2024 and 2.6% in 2025. Low deliveries and higher recycling will contribute to slower fleet growth.



Ship **deliveries** are forecast to reach 33.3 and 33.9 million DWT in 2024 and 2025

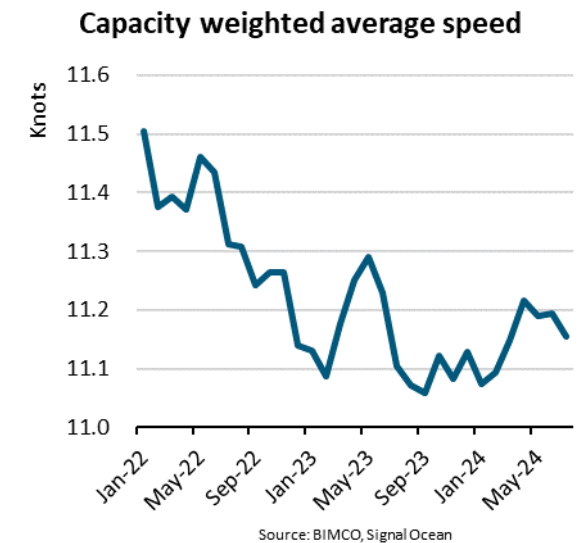
respectively. The supramax and panamax segments will see the highest deliveries, accounting for 63.8% of fleet capacity to be added until the end of 2025.



The **dry bulk orderbook** stands at 95.9 million DWT, equal to 9.4% of the current fleet, only half of which is expected to be delivered before 2026. During the first half of 2024, newbuilding contracting slowed down 34.2% y/y.

**Ship recycling** is estimated to reach 4.4 and 7.2 million DWT in 2024 and 2025 respectively. We

have lowered our recycling estimates since our last update due to stronger than expected cargo volumes in 2024 and the assumption that Red Sea reroutings could now impact all of 2024. Nonetheless, we still expect recycling to gradually increase from the start of 2025, as the market's strength wanes.



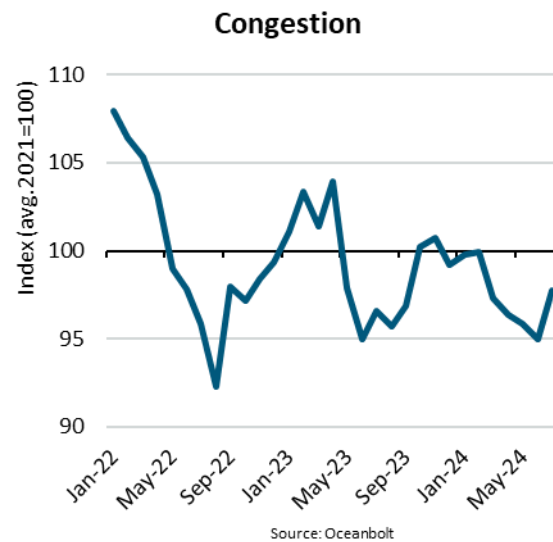
**Sailing speeds** are expected to remain stable in 2024 but could fall by 0-1% in 2025. Since 2021, sailing speeds have gradually decreased, but so far in 2024, high freight rates have kept them

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from falling further. In 2025, we expect that they could marginally decrease as freight rates may cool and climate regulations continue to incentivise low sailing speed.



We expect that a reduction in **congestion** could lead to a 0-1% y/y increase in supply in 2024. Ship capacity in congestion fell primarily in the capesize and panamax segments, in Australia and Brazil respectively.

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