

**What has been and is the continuing impact on the volumes and throughput of bulk terminals and how are different bulk trades being affected? Are there regional differences?**



28 Oct 2020

PRIVATE & CONFIDENTIAL

[www.drewry.co.uk](http://www.drewry.co.uk)

# Who we are

**Drewry** is the leading international provider of research and consulting services to the maritime and shipping industry with unrivalled experience and expertise across all market sectors from containers and ports to tankers and dry bulk.

From our origins in 1970 London to a 21st century maritime and shipping consultancy, **Drewry** has established itself as one of the most widely used and respected sources of impartial market insight and industry analysis. This in-depth understanding and objectivity provides our clients with the actionable advice and recommendations they need to achieve their ambitions and stay ahead of the market.

We provide our services through four business units: Drewry Maritime Advisors supporting the needs of shipping and financial institutions; Drewry Supply Chain Advisors providing seafreight procurement support to retailers and manufacturers; Drewry Maritime Research publishing market-leading research on every key maritime sector; and Drewry Maritime Financial Research delivering a truly independent equity and credit research service on companies operating in the industry.



# About Drewry Maritime Advisors

While research is in our DNA, we do not stop there. We are passionate about applying this insight to provide actionable, practical and timely advice. The combination of understanding and expertise in the markets we serve allows our clients, whether shippers, carriers and port operators, banks, investors and financial intermediaries, to make the right commercial decisions at the right time.

Our team of Maritime Advisors offer a wealth of experience across the maritime sectors and lead the industry in their respective areas of specialisation. They include a mix of industry veterans and operational, financial and technical specialists with extensive project-based advisory experience.

## **1** *IMPARTIAL*

We understand our clients' need for sound, **evidence-based, independent** advice. Drewry Maritime Advisors has a reputation for pertinent, rigorous, and objective analysis backed by deep experience of the industry.

## **2** *THOROUGH*

Recognition as a **leading authority** on maritime economics, with an ever-growing international reputation for the thoroughness and reliability of its work, and the integrity of its client relationships.

## **3** *PRACTICAL*

Our advisory team contains senior executives who have wealth of **hands-on personal experience** of all aspects of the maritime sector and whose people work on ports and related assignments every day, combining practical experience with strategic thought and a detailed knowledge of global port markets

# Our four Business Units

## Maritime Research

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Our research provides the robust analysis and balanced opinion those within shipping, finance and logistics need to make informed business decisions.

The range of titles and reports we publish keep our clients up to date on every key maritime sector, from dry bulk to chemicals and from LPG to ferries, with detailed analysis and insightful commentary on past, present and future sector performance.

## Maritime Advisors

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**Our Maritime Advisors** offer a wealth of experience across the maritime sectors and lead the industry in their respective areas of specialisation. Our sector expertise covers; ports, bulk shipping, liner shipping, shipyards, ferry and RoRo, technical ship management. Our combination of deep sector understanding, technical expertise and market leading insight enables us to be confident in our actions and ability to deliver the right results for our clients.

## Supply Chain Advisors

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We focus on advising users of international multi-modal transport services, taking our extensive understanding of the industry and applying it to all stages of the supply chain.

Through our supply chain research catalogue and industry knowledge, we offer a range of procurement support services that empower importers and exporters, providing them with the tools, resources and tailored advice they need to more effectively manage their transport service provider and international supply chains.

## Maritime Financial Research

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Leveraging our extensive market knowledge and understanding, we have extended our portfolio to deliver a truly independent investment research and advisory service on companies operating within the maritime industry.

Authorised by the UK Financial Conduct Authority (FCA) to provide investment advice, we are uniquely positioned to provide a product that offers robust and unbiased analysis.

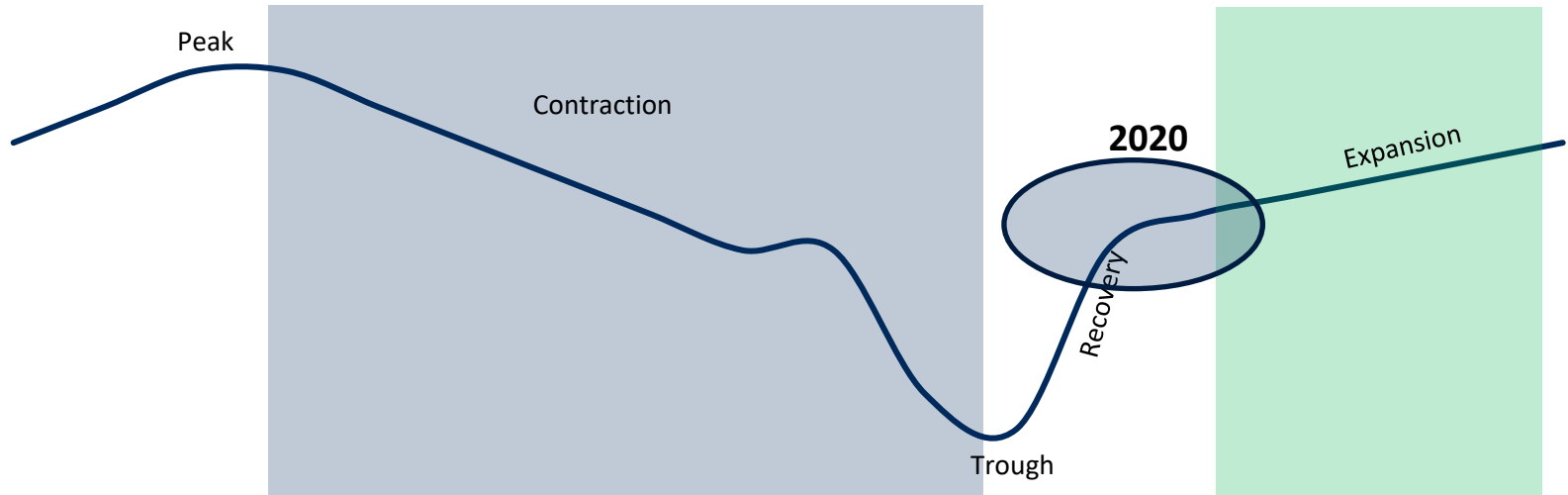
# DRY BULK MARKET AND KEY TRENDS

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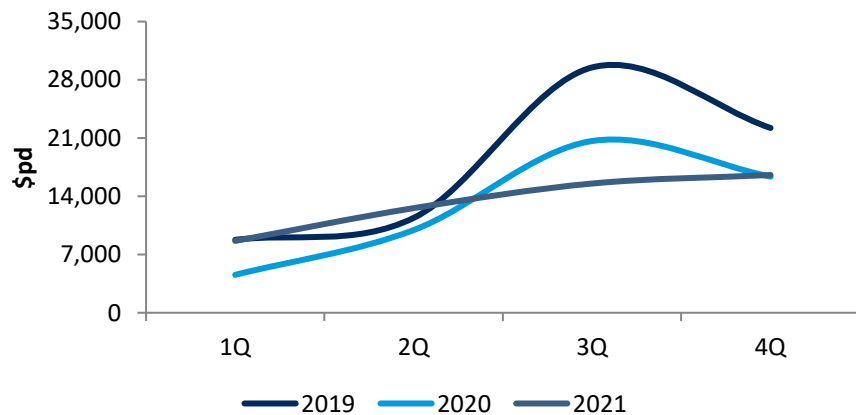
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# Dry bulk market is expected to recover in 2021

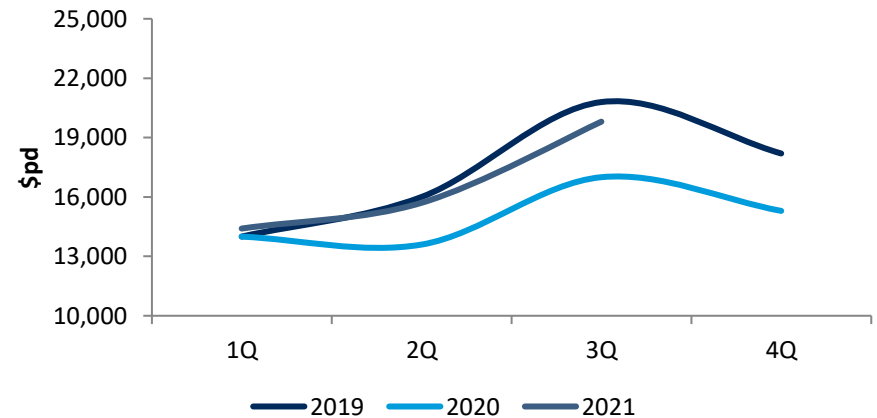
## Dry bulk business cycle



## Baltic FFA – 5TC



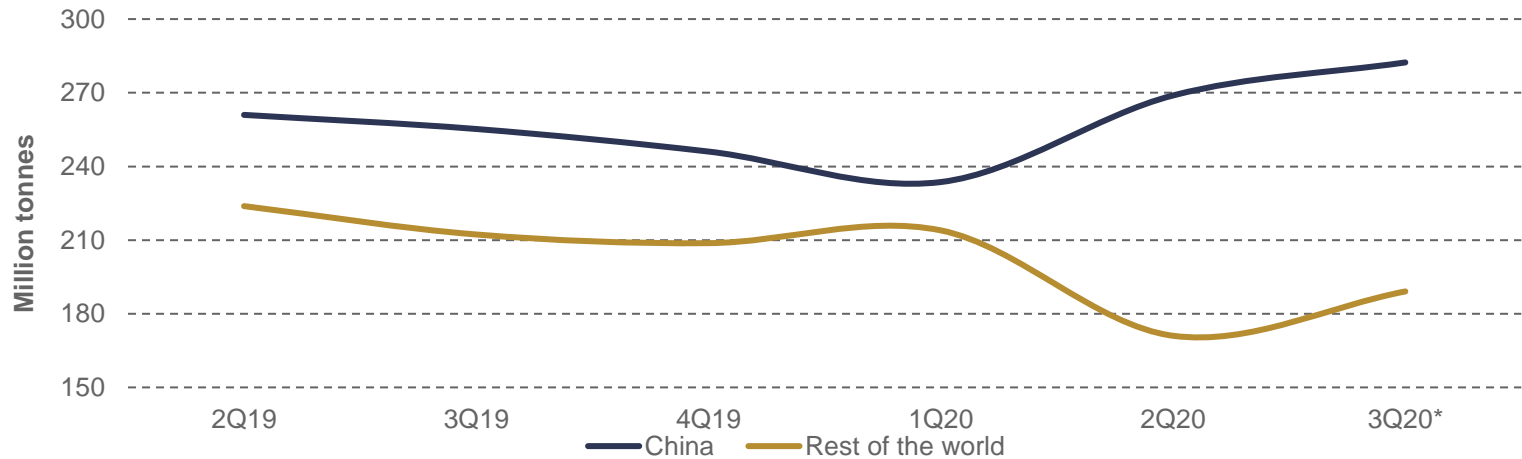
## Drewry's 1-year TC rate-Capesize



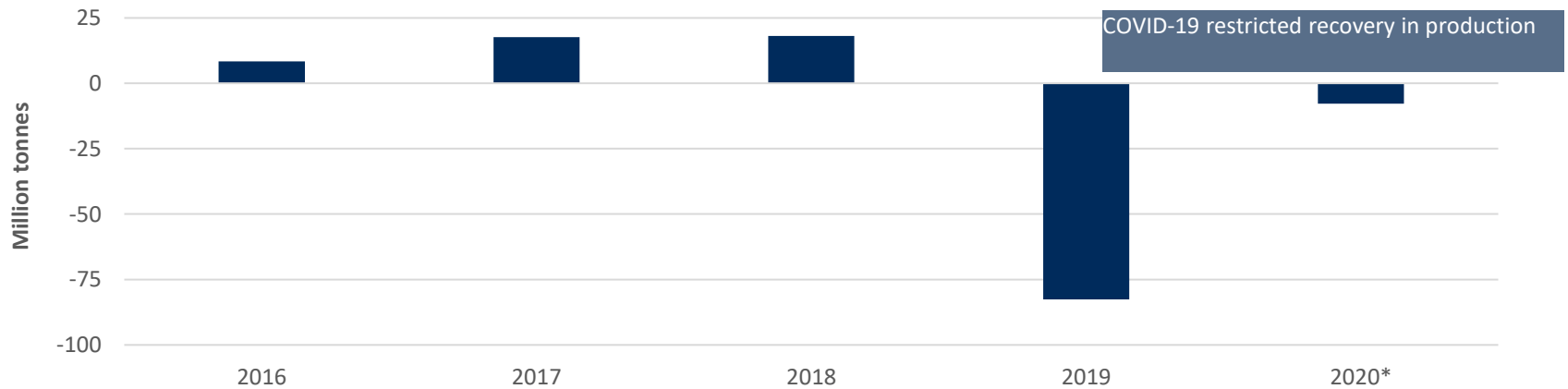
Sources: Drewry Maritime Research, Baltic exchange

# Impact of Covid-19

Crude steel production

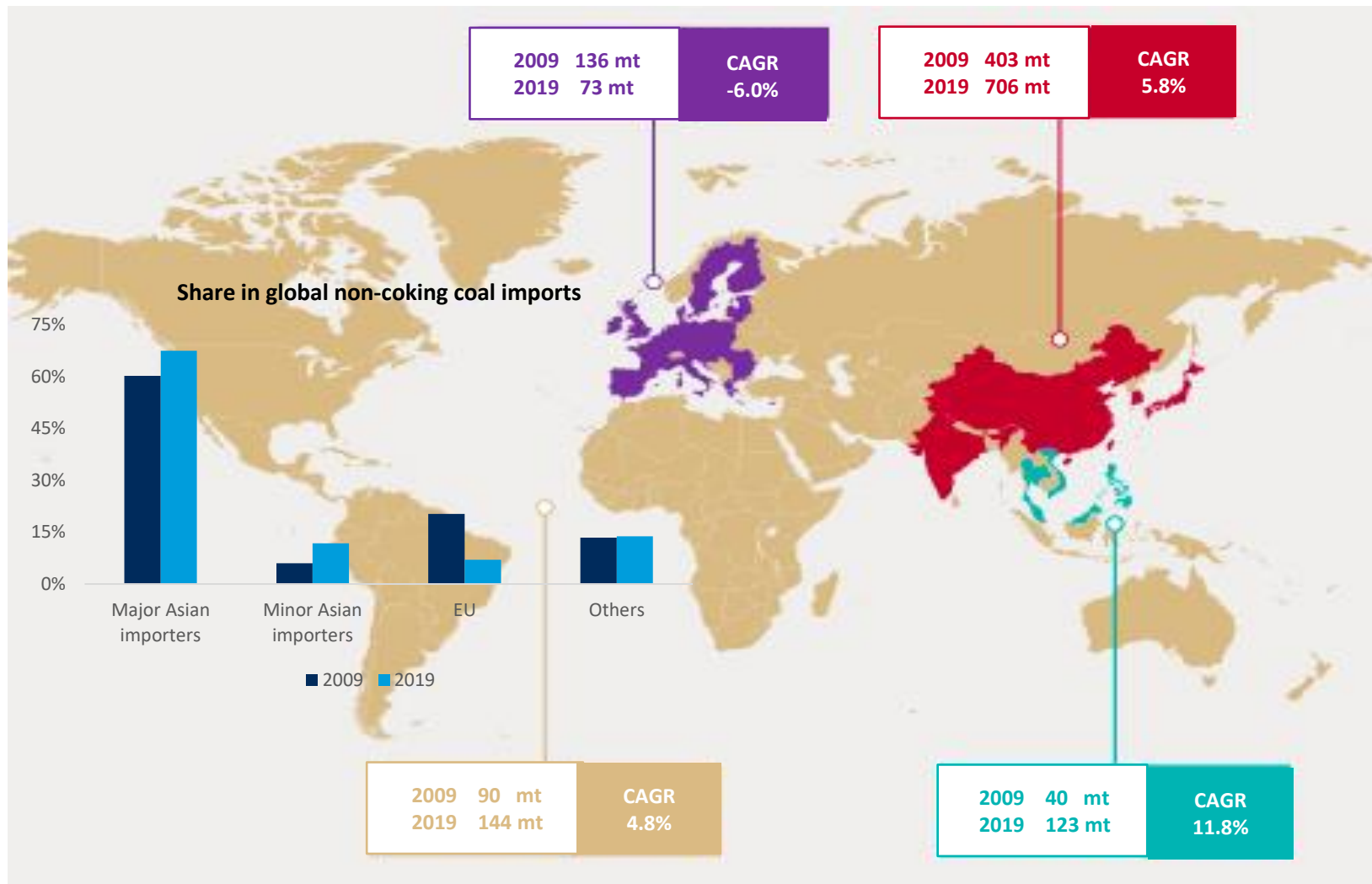


Year-on-year change in Vale's iron ore production



# Trade shifting away from Atlantic

## Non-coking coal imports



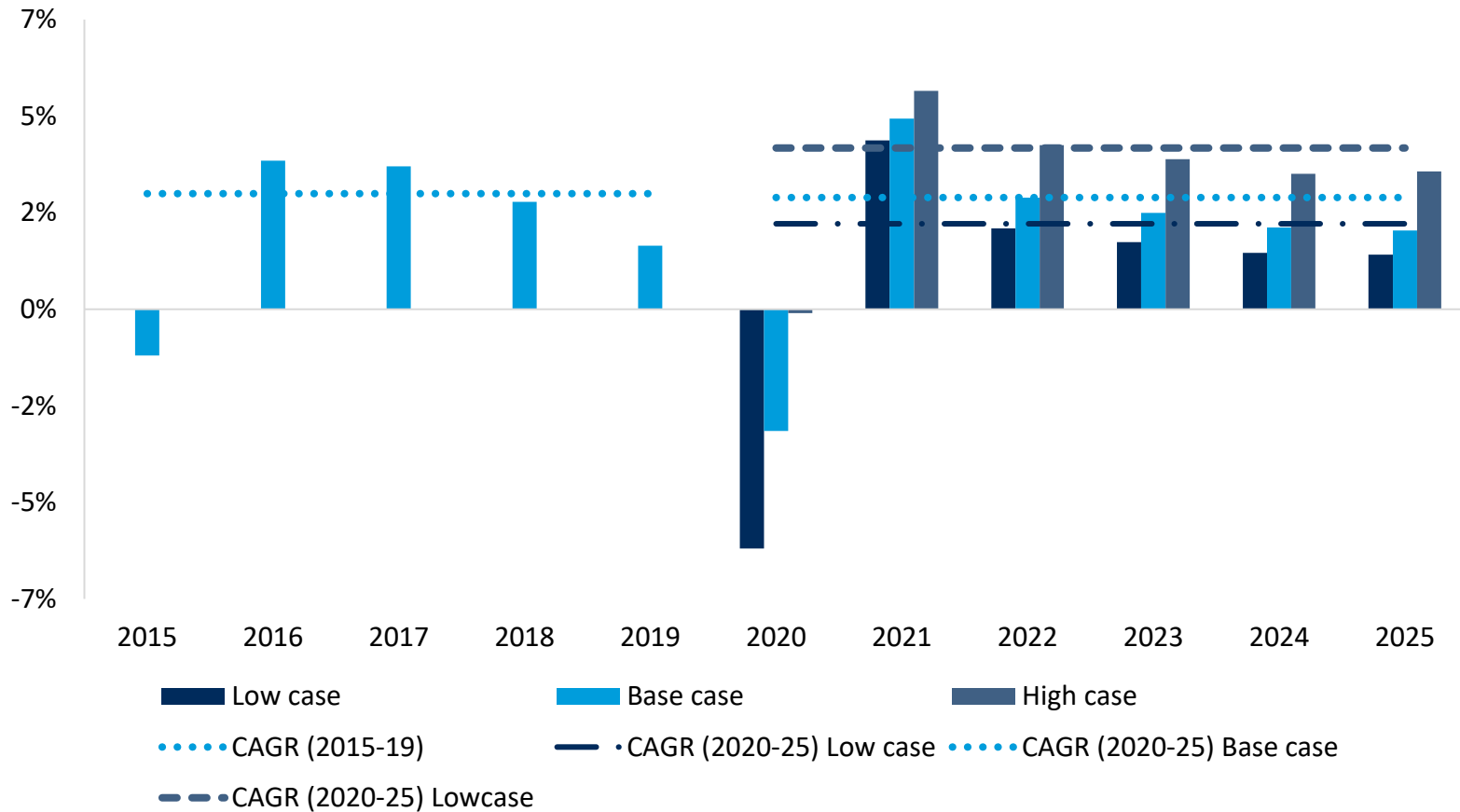


# DRY BULK DEMAND

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# Dry bulk trade

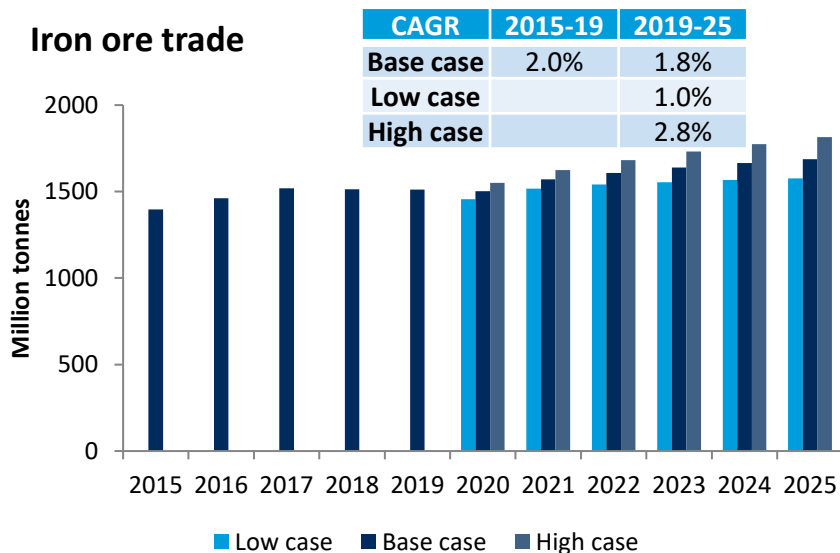
Dry bulk trade growth



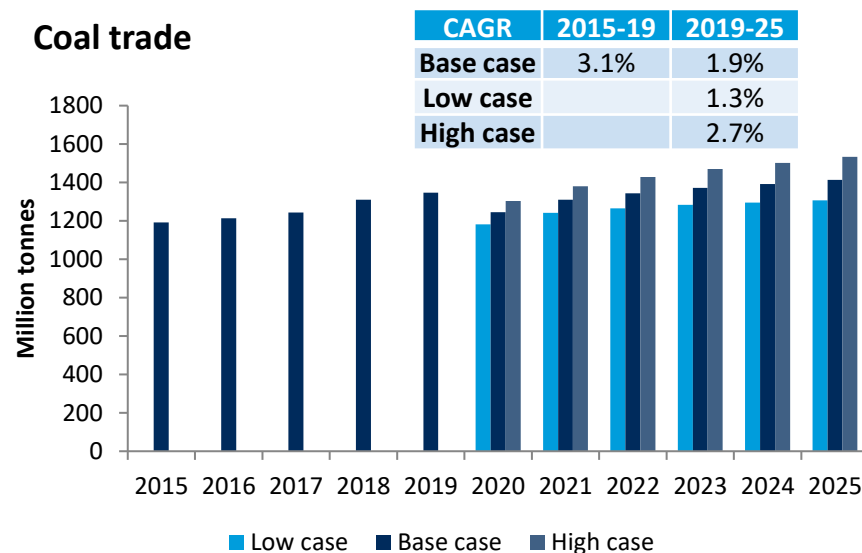
Sources: Drewry Maritime Research

# Dry bulk trade

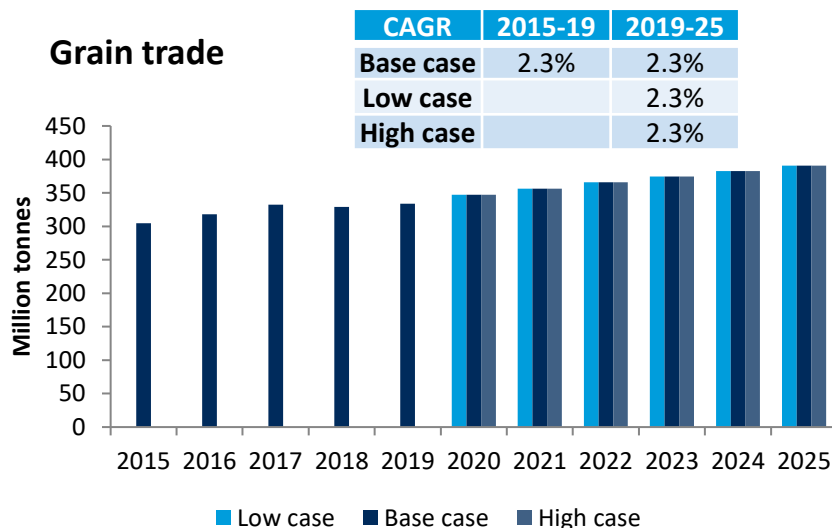
## Iron ore trade



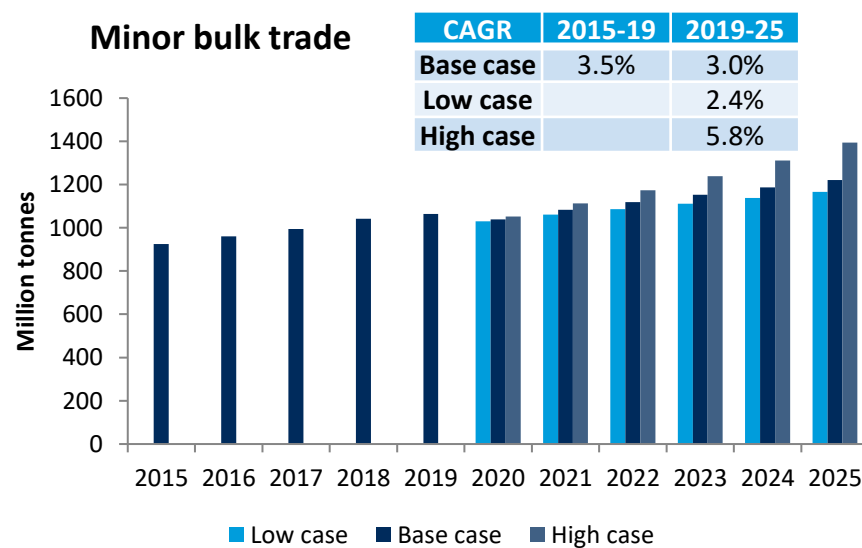
## Coal trade



## Grain trade

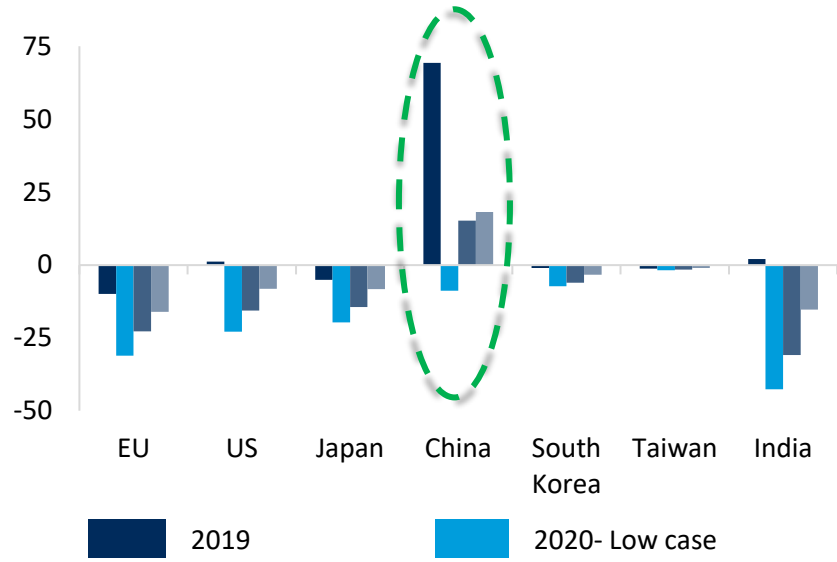


## Minor bulk trade

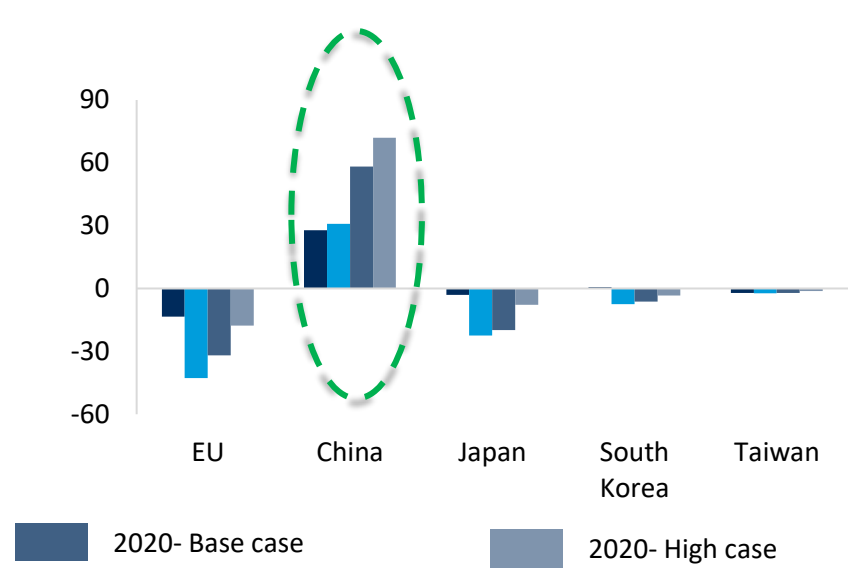


# Crude steel and iron ore

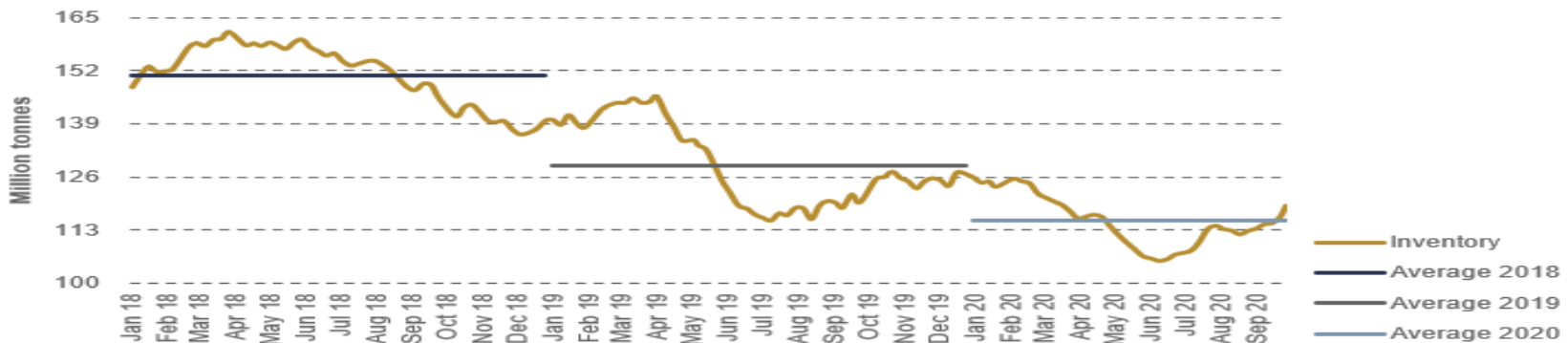
Annual change crude steel production (million tonnes)



Annual change iron ore imports (million tonnes)



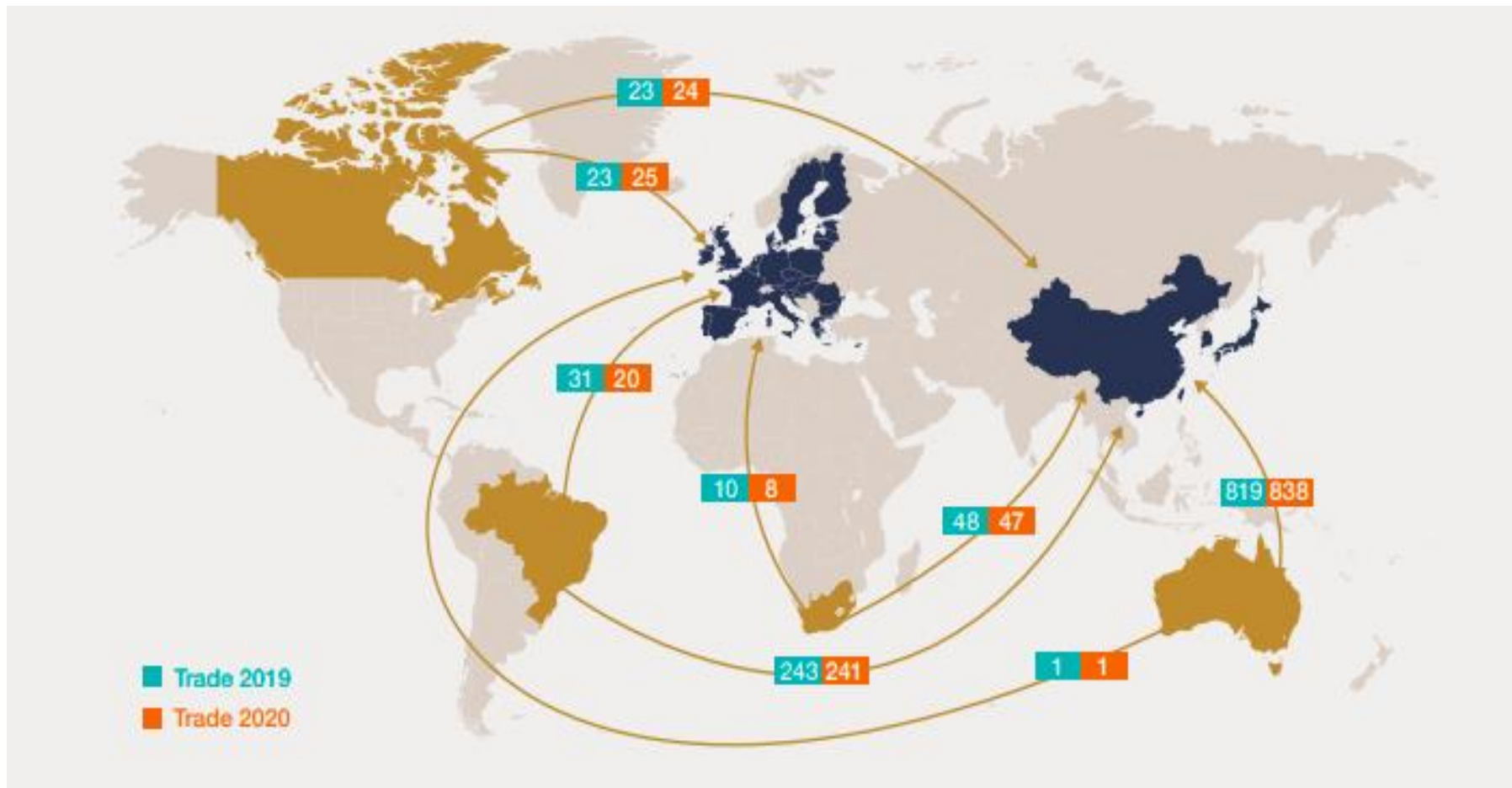
Iron ore inventories at China's domestic port (million tonnes)



# Major iron ore trade routes

Iron ore mines are concentrated in South America and Australia. China consumes nearly half of the global iron ore.

*Iron ore trade (million tonnes)*

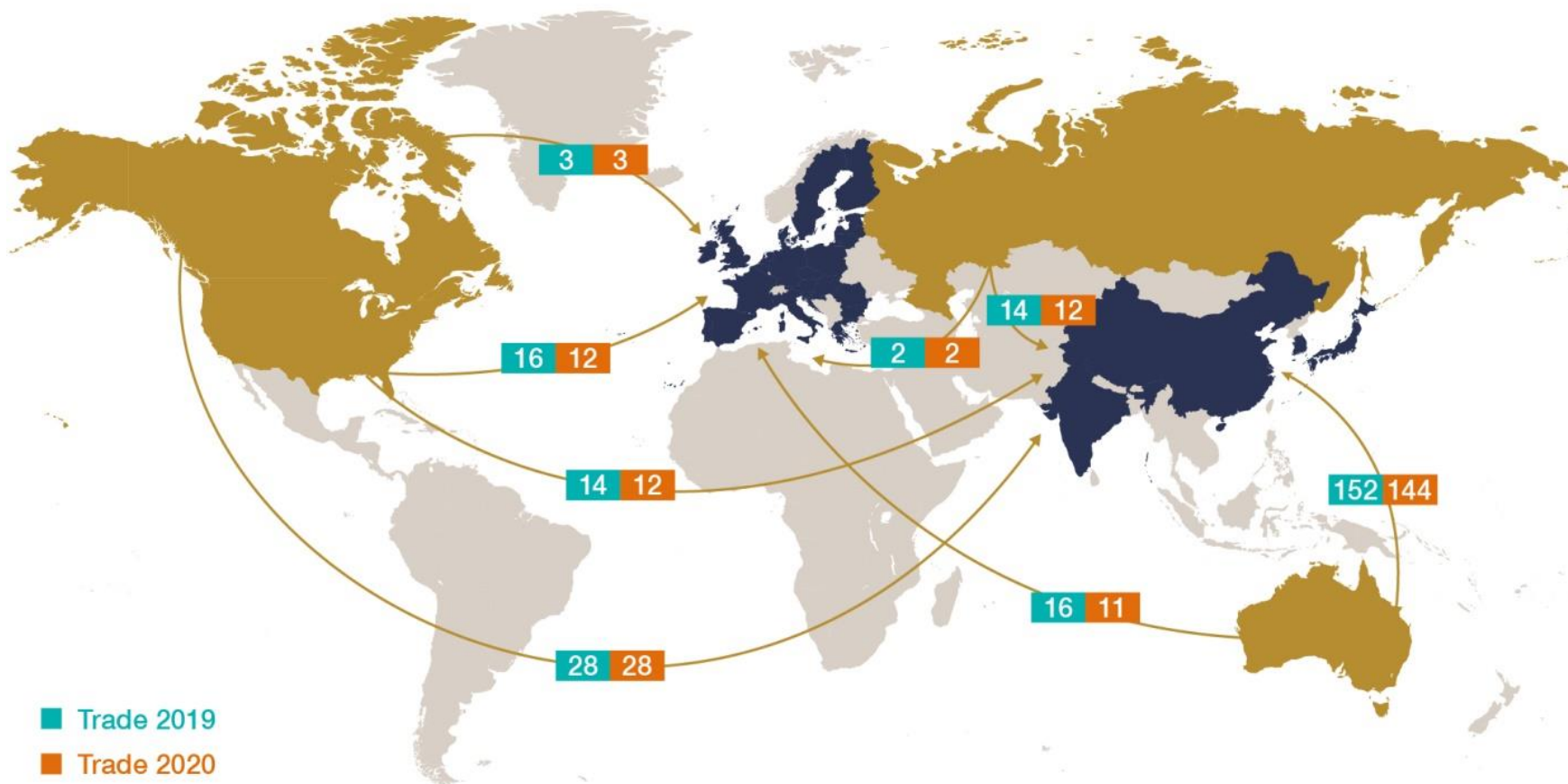


Source: Drewry Maritime Research

# Major coking coal trade routes

Australia is a predominant coking coal exporter, representing over half of the global trade volumes..

*Coking coal trade (million tonnes)*

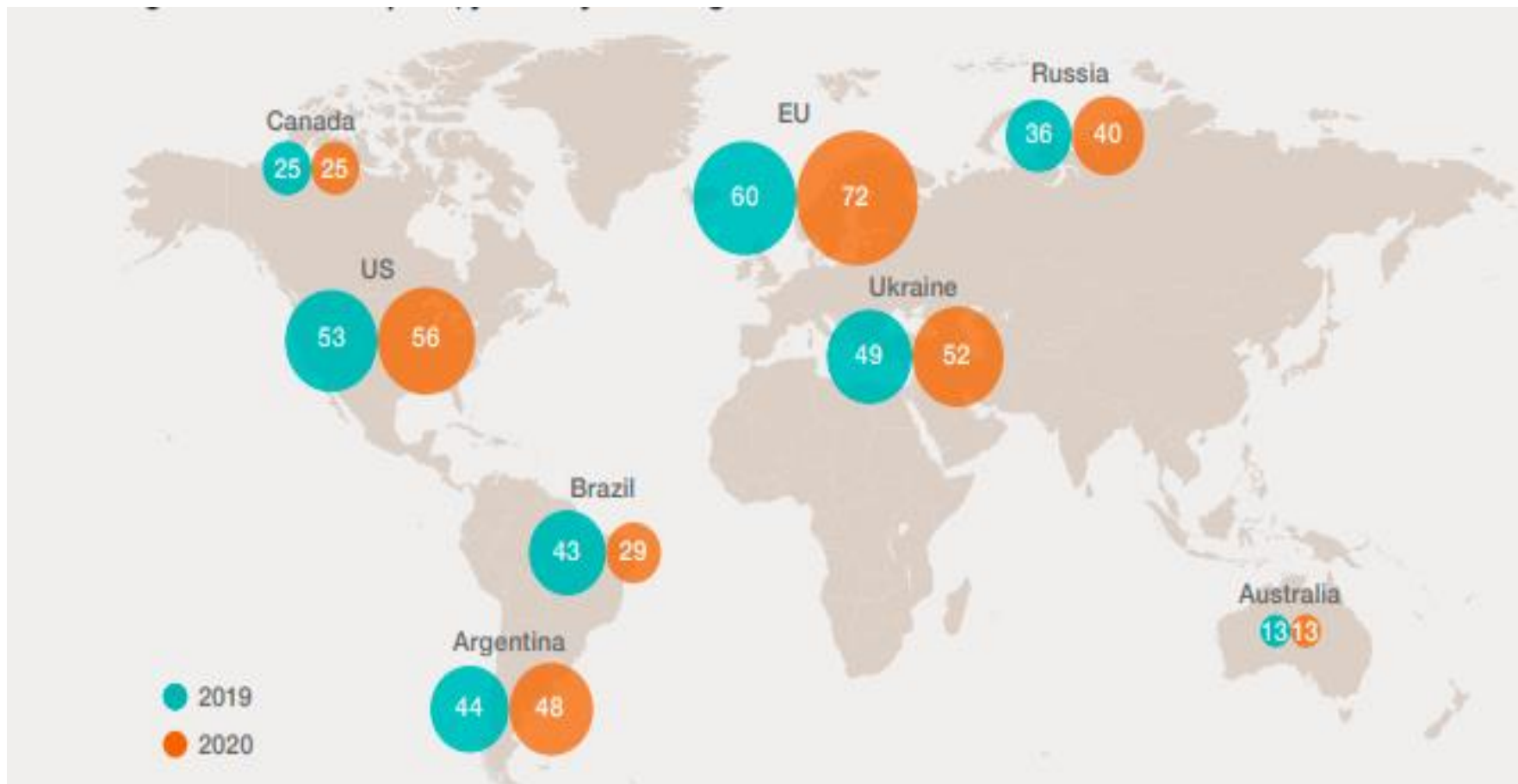


Source: Drewry Maritime Research

# Major grain trade

EU's grain exports to expand 20% in 2020 amid a robust harvest this year

*Grain exports (million tonnes)*

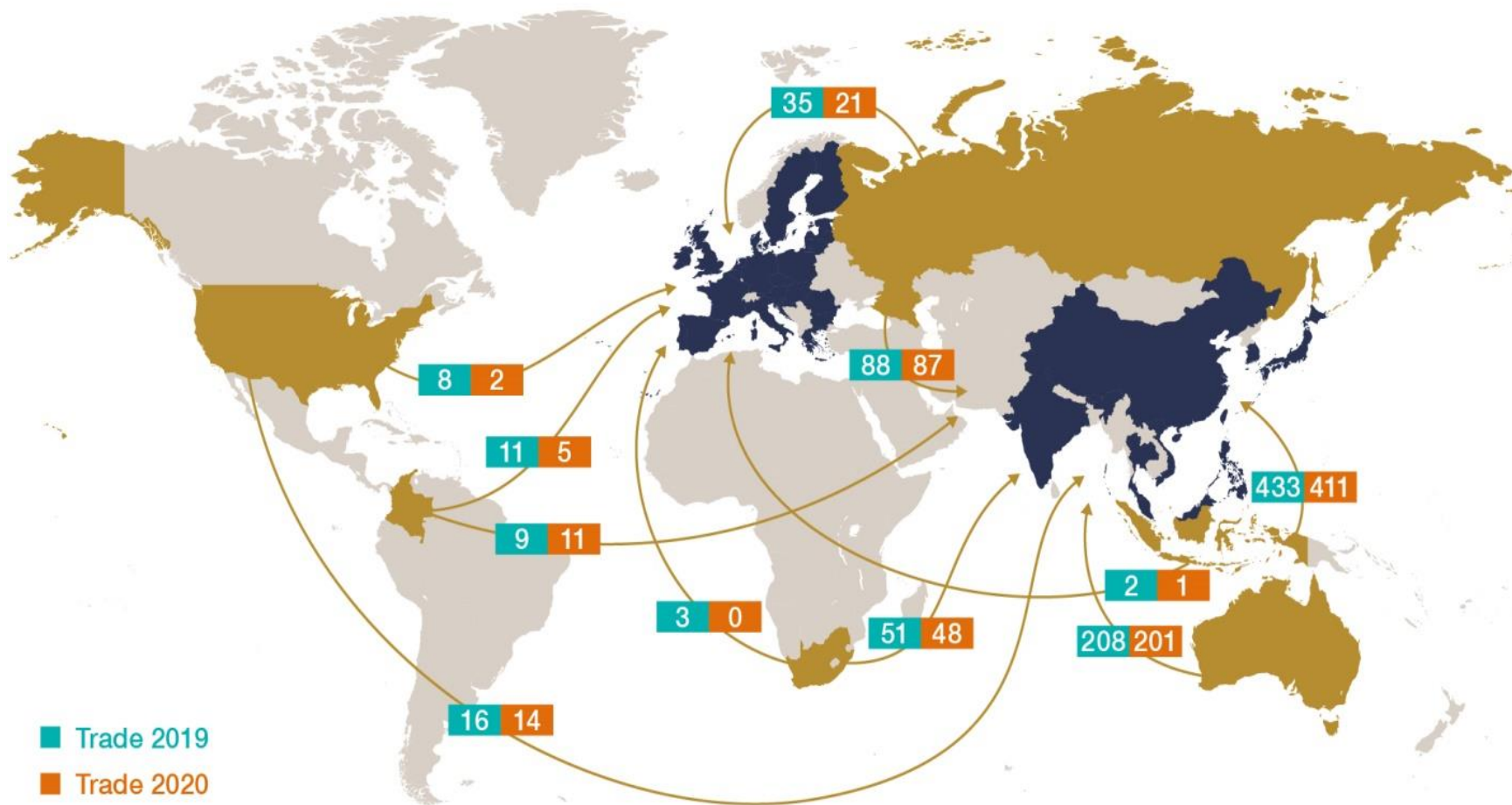


Source: Drewry Maritime Research

# Major non-coking coal trade routes

Indonesia, Australia and South Africa are major source of thermal coal

*Non-coking coal trade (million tonnes)*

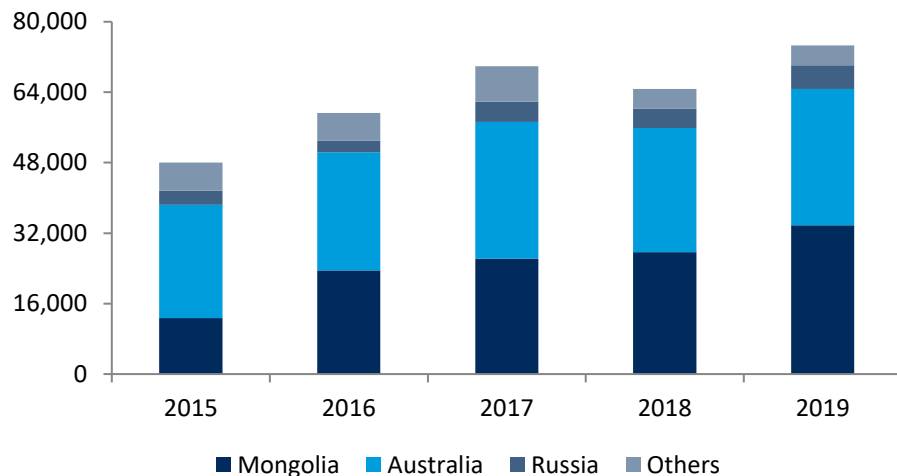


Source: Drewry Maritime Research

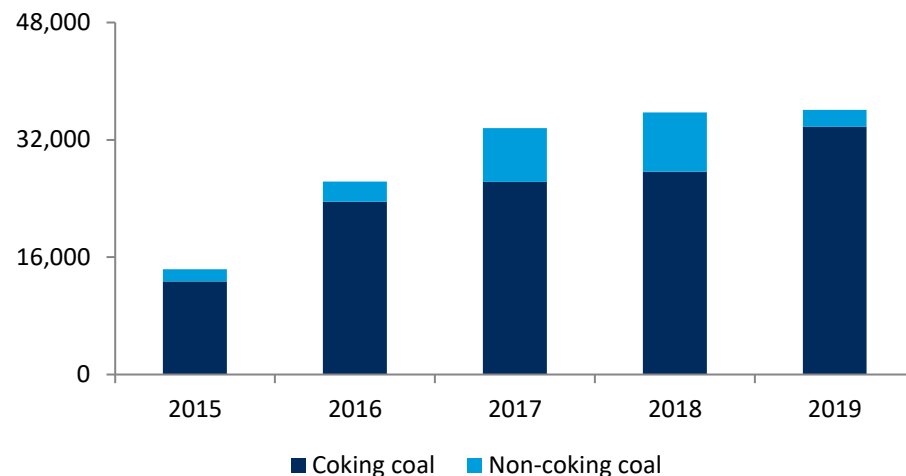


# Mongolia's railway lines to hit Panamax demand

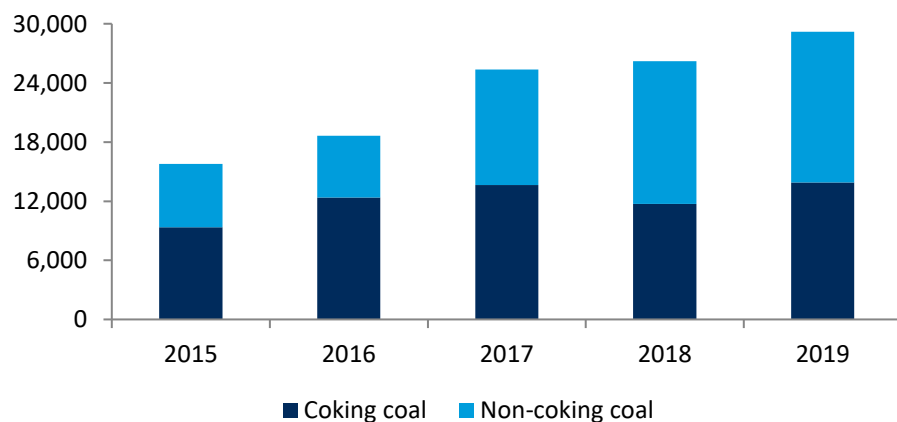
China's major coking coal imports source ('000 tonnes)



China's coal imports from Mongolia ('000 tonnes)



China's coal imports from Russia ('000 tonnes)



- The completion of the rail network between Mongolia and China in 2021 threatens to bring the coking coal trade between Australia and China to a screeching halt in the long term.
- The second phase of the railway line will expand to Khorloogiin Choibarsan in east Mongolia, establishing a direct connection with Russia and thus reducing the cost of coal trade between Russia and China.
- Russia exports around 30 million tonnes of coal a year to China (of which almost 50% is coking coal); almost 80% is transported by sea.
- Russia exports most of its coal to China from the port of Vostochny, (roughly a thousand nautical miles from Qingdao), a shift in the coal trade between Russia and China from seaborne to railways will cut down the shipping demand by 25-30 billion tonne miles from 2025

Sources: Drewry Maritime Research

# RISKS

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# Key risks to our forecasts

## Upside potential

- ❖ Continuing strong government support in 2021 in order to ward off the impact of the pandemic could lead to a spike in commodity demand
  
  
  
  
  
  
  
  
  
  
- ❖ Quick recovery in iron ore production in Brazil will lift employment of Capesizes/ VLOCs on long-haul routes, improving shipping demand

## Downside risk

- ❖ A possible severe next wave of the virus in 2021 will inhibit recovery in commodity trade
  
  
  
  
  
  
  
  
  
  
- ❖ Several governments are still struggling to contain the pandemic by imposing stringent lockdowns which could hurt economic growth and dent the demand and supply of dry bulk commodities
  
  
  
  
  
  
  
  
  
  
- ❖ Worsening US-China trade relations could slow down economic recovery in China, affecting its demand for steel production; trade tensions will also impact soybean trade on US-China route

# Dry bulk forecaster

The above mentioned information are covered in detail in our quarterly report – *Dry Bulk Forecaster*

<https://www.drewry.co.uk/maritime-research-products/dry-bulk-forecaster-annual-subscription>

Please click on the link above for information on *dry bulk forecaster* or else you can write directly to : [rahul@drewry.co.uk](mailto:rahul@drewry.co.uk)

The above link also provides information on sample report and the content of the report





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