

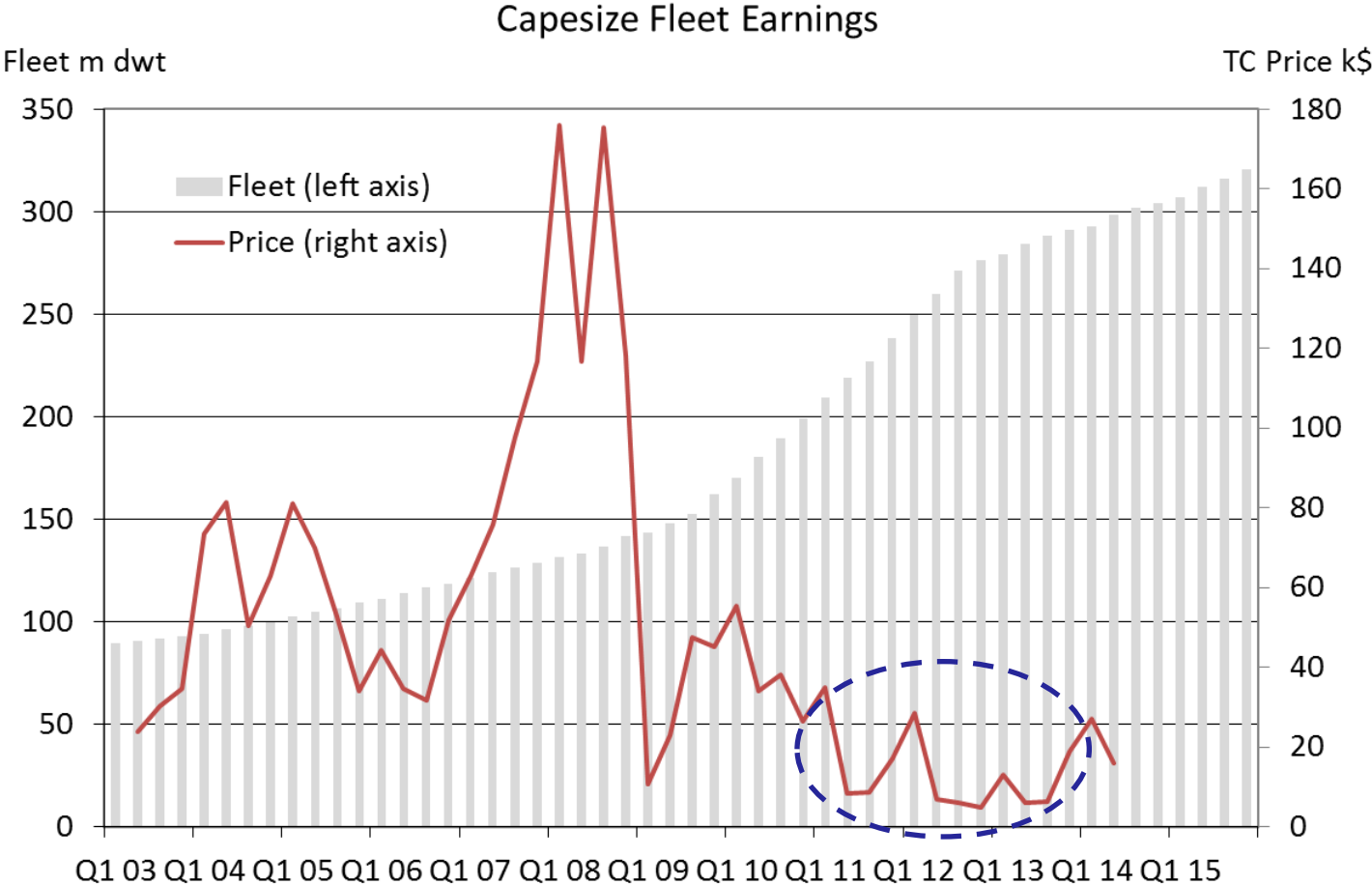


Dry Bulk Shipping: the only way is up?

**Joe Tobin, SwissMarine**

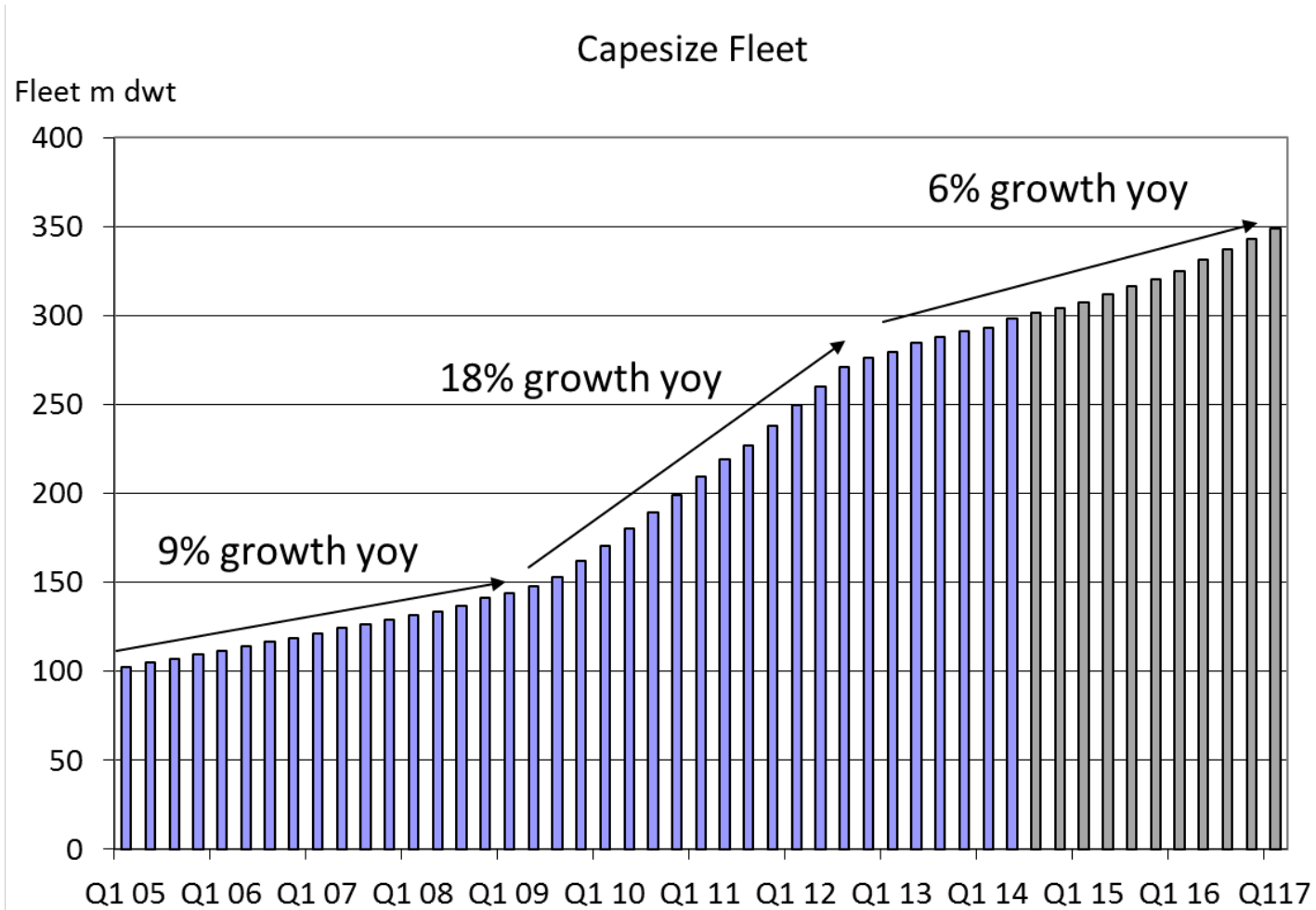
# The bottom of the cycle

The fleet has recently been through a period of extreme growth (2008-2012). That growth significantly outpaced growth in demand from mining expansions. The result was a period of extremely low prices.



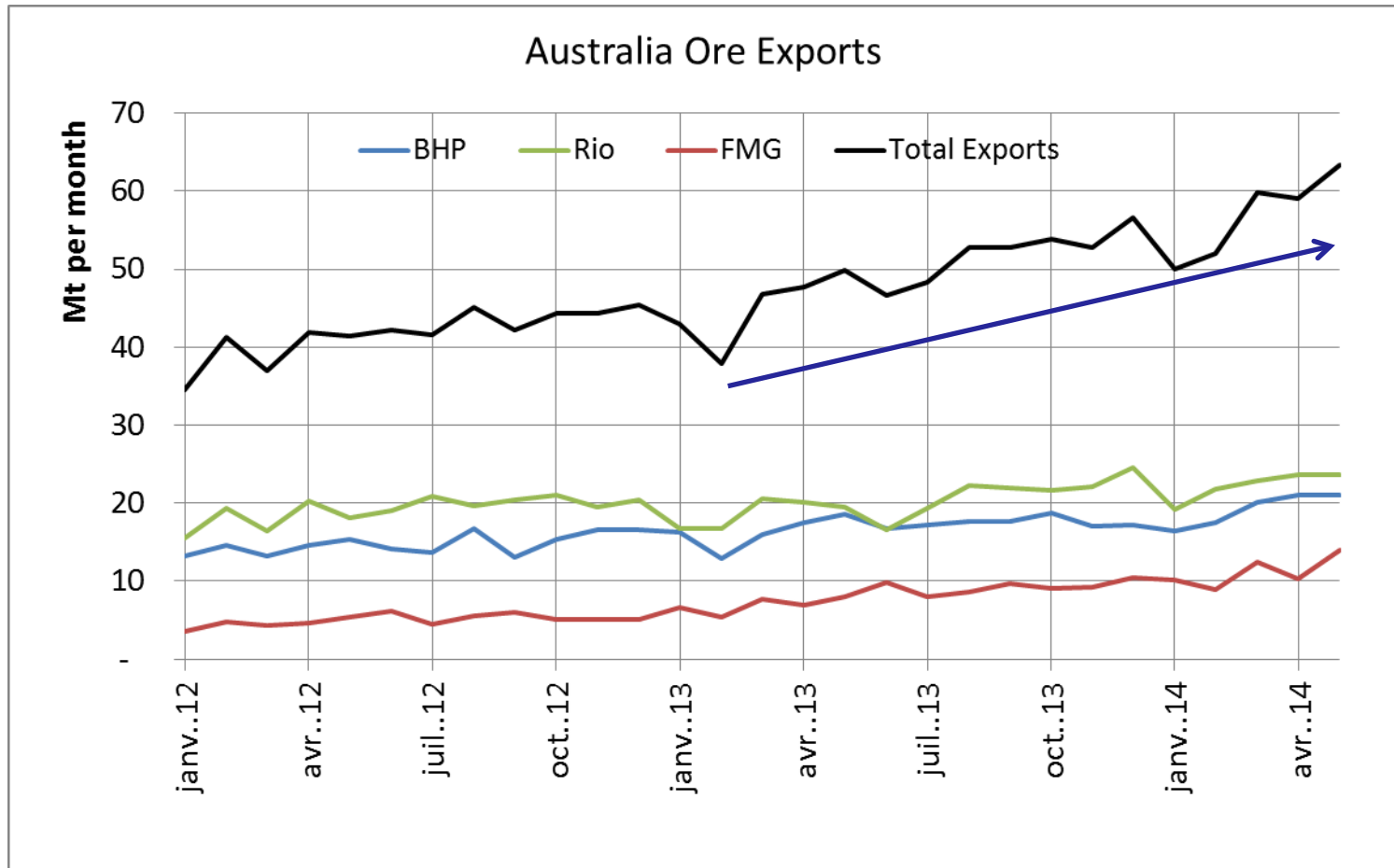
# Capesize Fleet Growth

Fleet growth slowed considerably last year and this should continue....

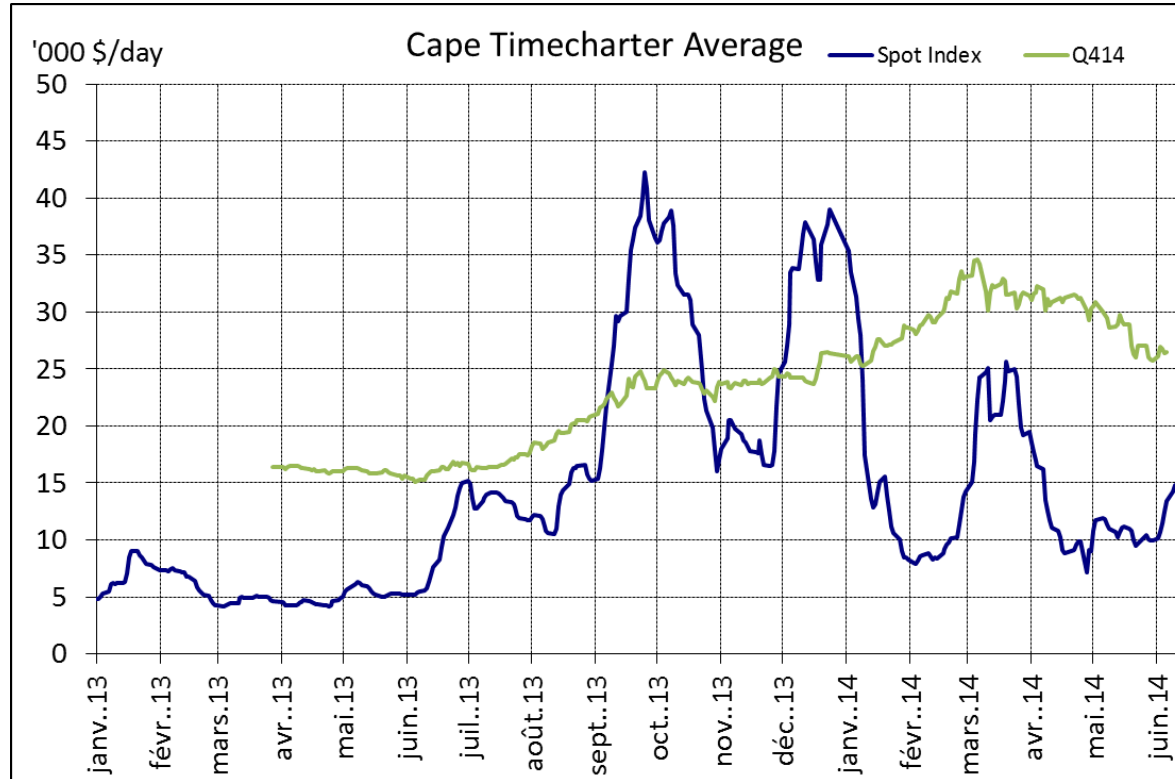


# Cargo demand now growing

Large expansion projects are finally coming on line: 2013 saw +130Mt iron ore and +80Mt of coal, and more to come.



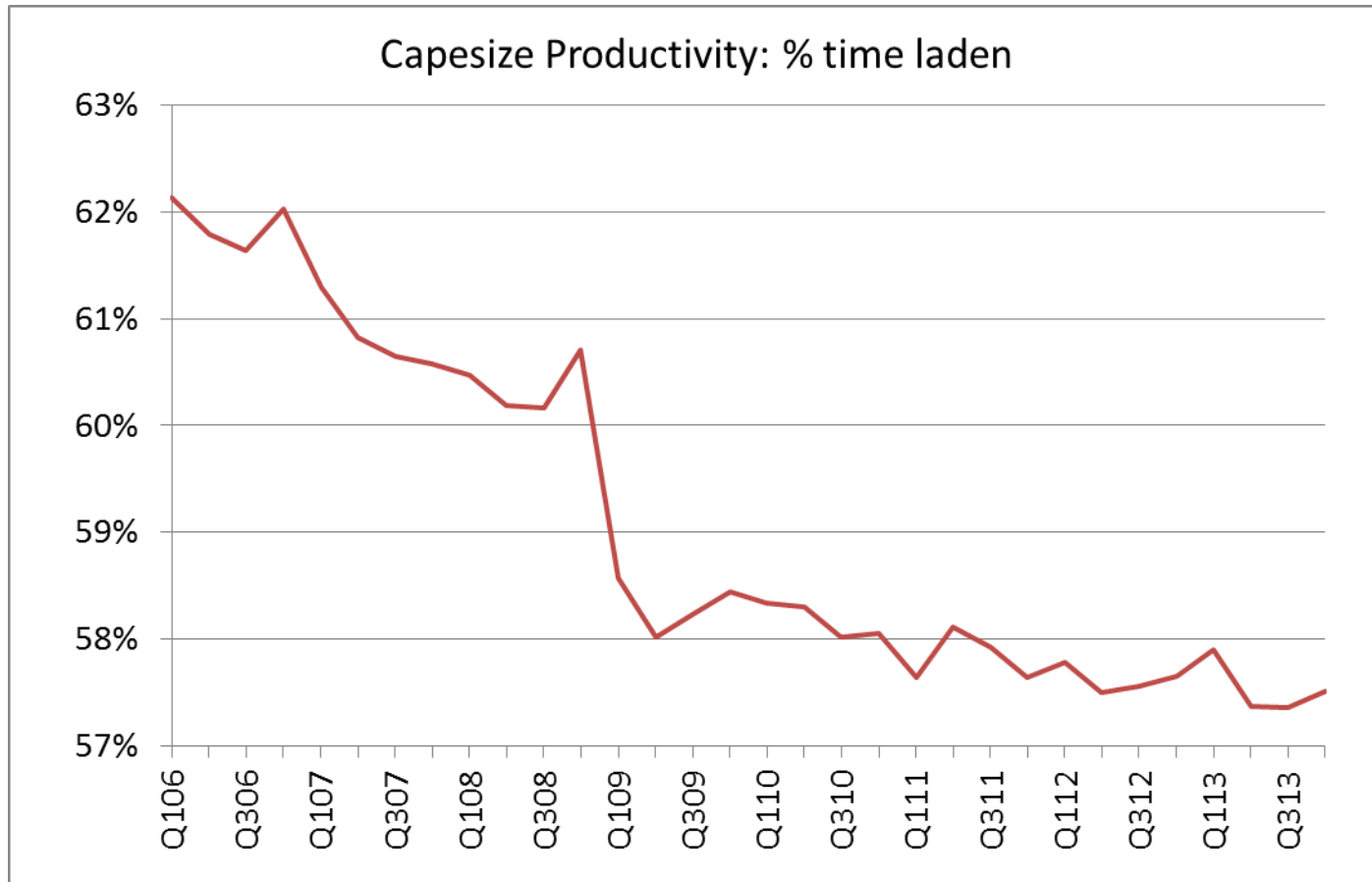
# So is this the turning point in the market?



- How efficient is the fleet?
- How much more iron ore and coal is there to come online?
- How will the Cape fleet develop? Newbuild vs Scrapping

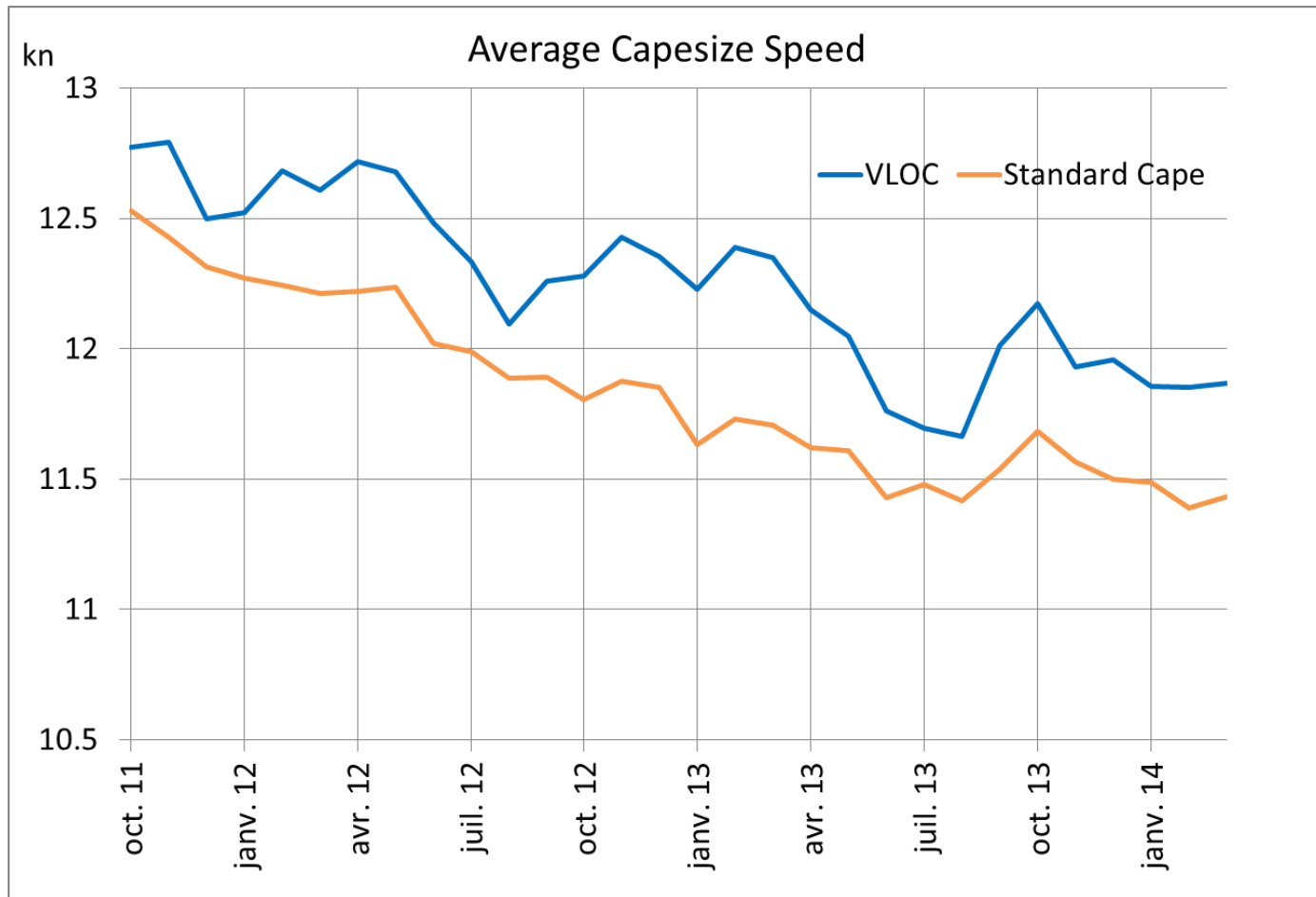
# Fleet efficiency – more ballasting

Pre 2008 coal from South Africa to Europe allowed the fleet to be used more efficiently. Now that coal demand has shifted from Europe to Asia there are less backhaul cargoes and an increasing number of vessels ballasting straight to Brazil. This has increased fleet utilisation by ~3%.



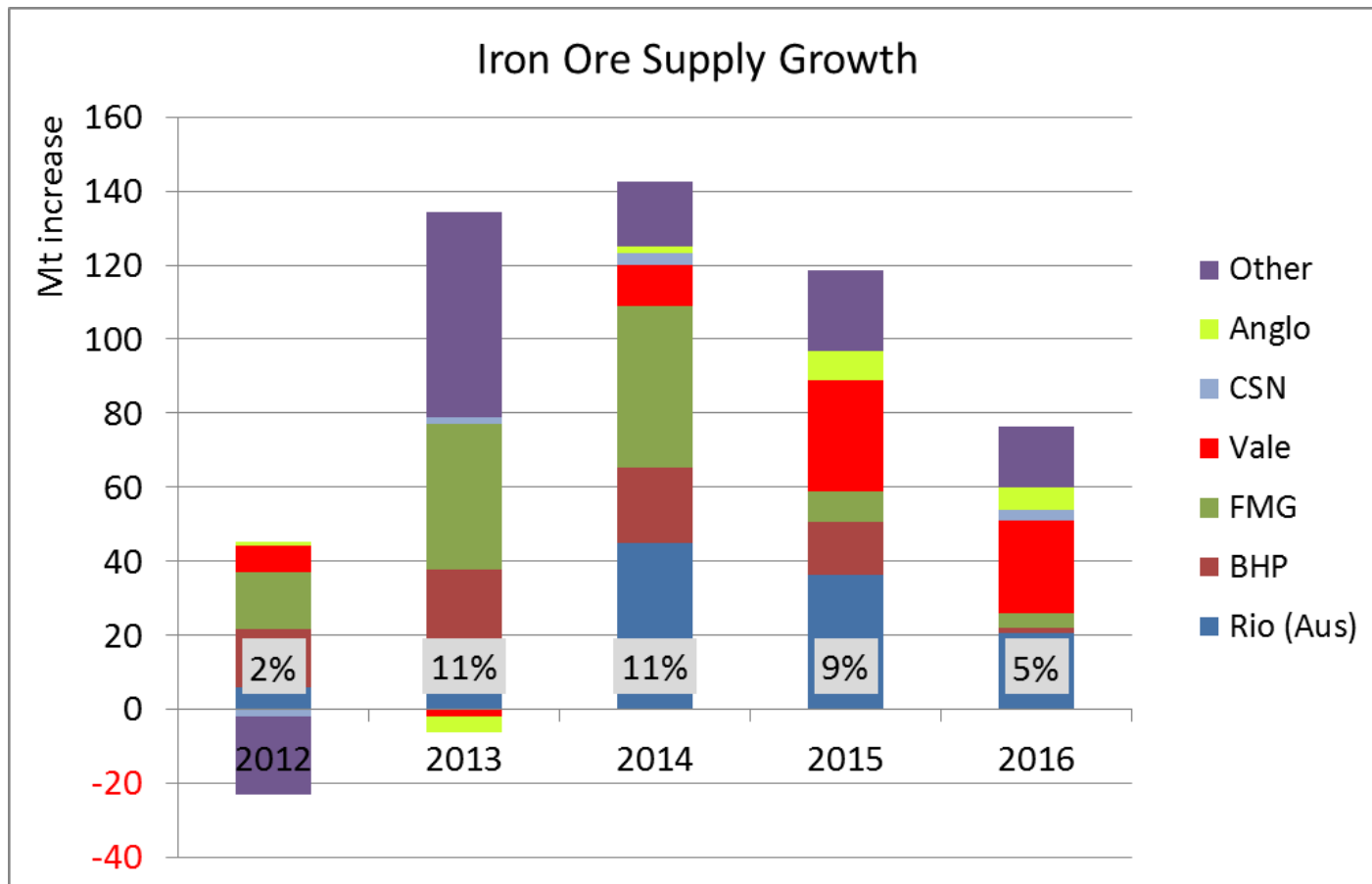
# Fleet efficiency – lower speed saves money

The fleet has slowed down considerably in the last few years as more owners adjust their behaviour to the price environment. This has made a significant impact on the utilisation of the fleet, up 8% since 2008.



# Iron Ore Expansion

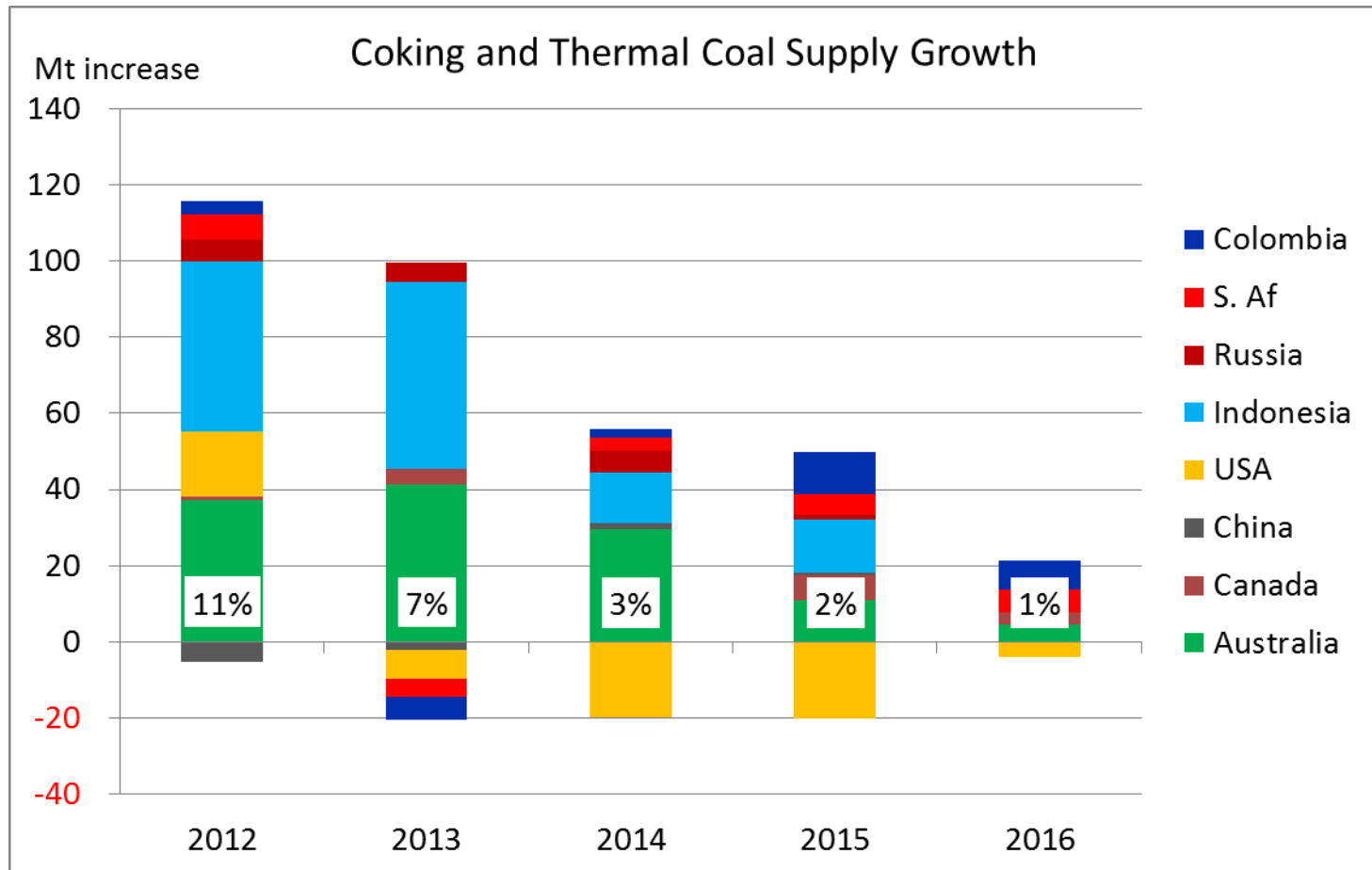
The huge growth in iron ore volume seen last year is continuing this year, as expansions in West Australia complete and next year as Vale ramps up new projects. The additional demand is equivalent of around 80 additional Capes per year 2013-2015.





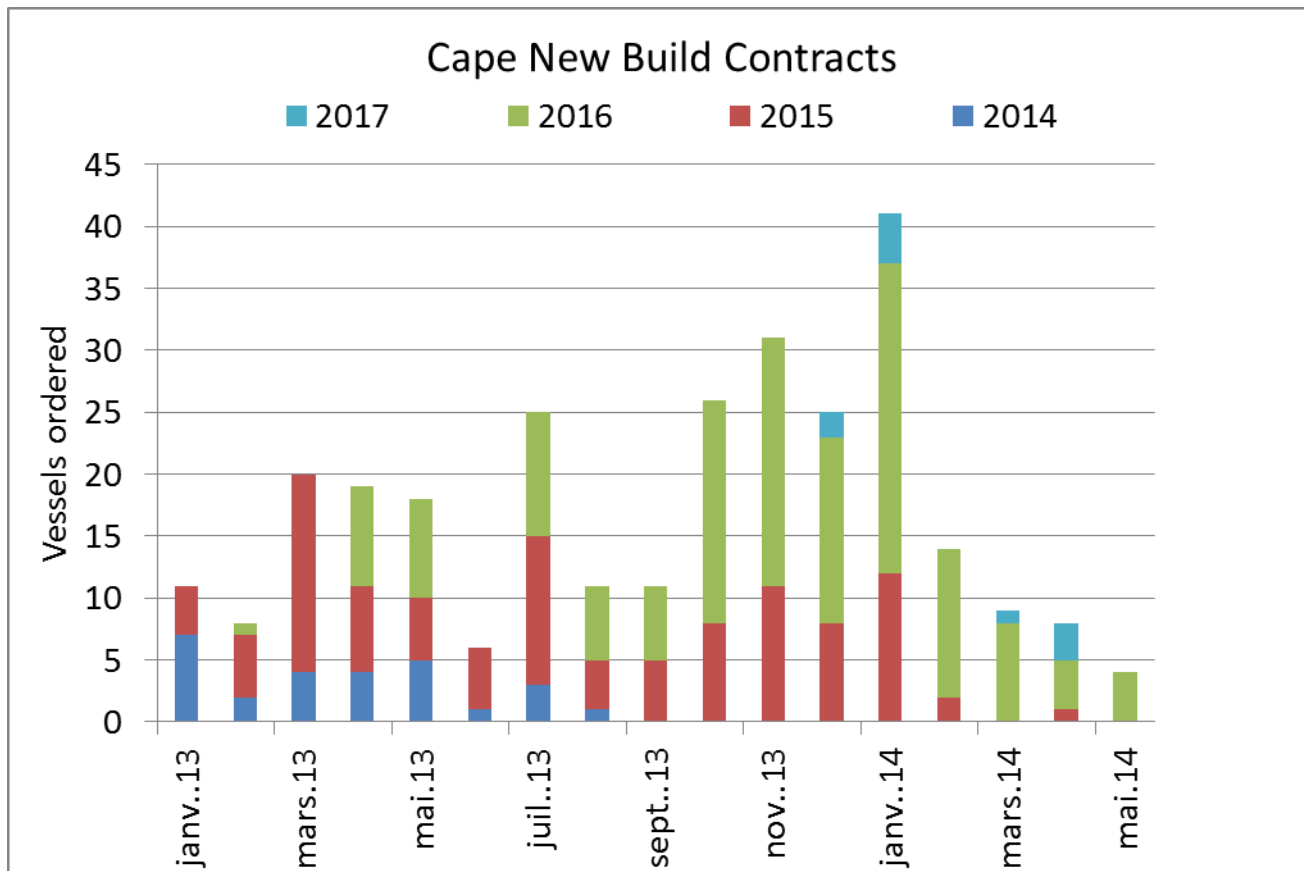
# Coal Expansion

Coal has also expanded significantly in the last few years. The majority of this expansion is behind us, but nonetheless I still expect coal to require an additional 9 Capes a year 2013-15.



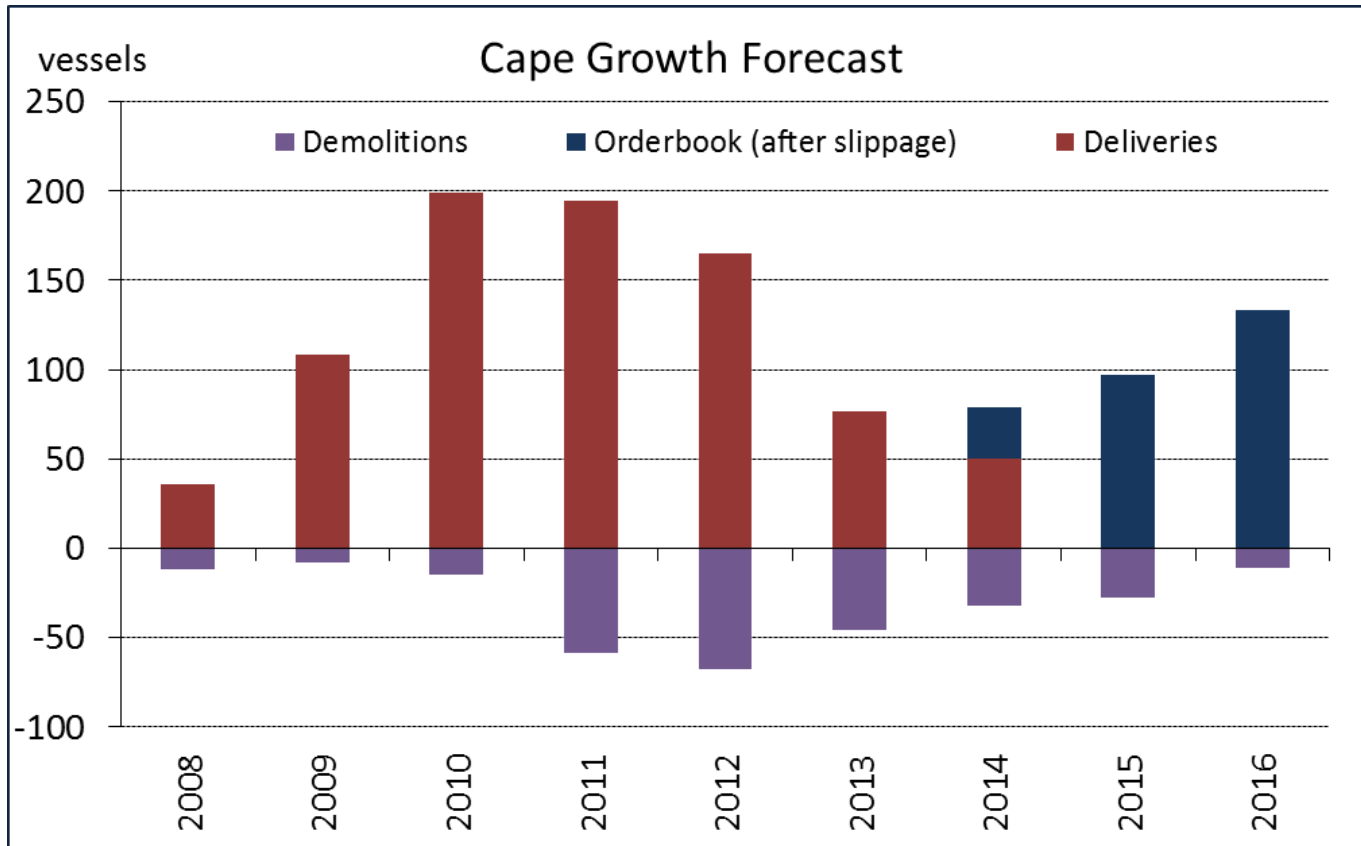
# Capesize Orderbook

Historically cheap asset prices, a more positive price outlook and new eco designs spurred a flurry of ordering last year. There are now 300 orders for delivery before 2017.



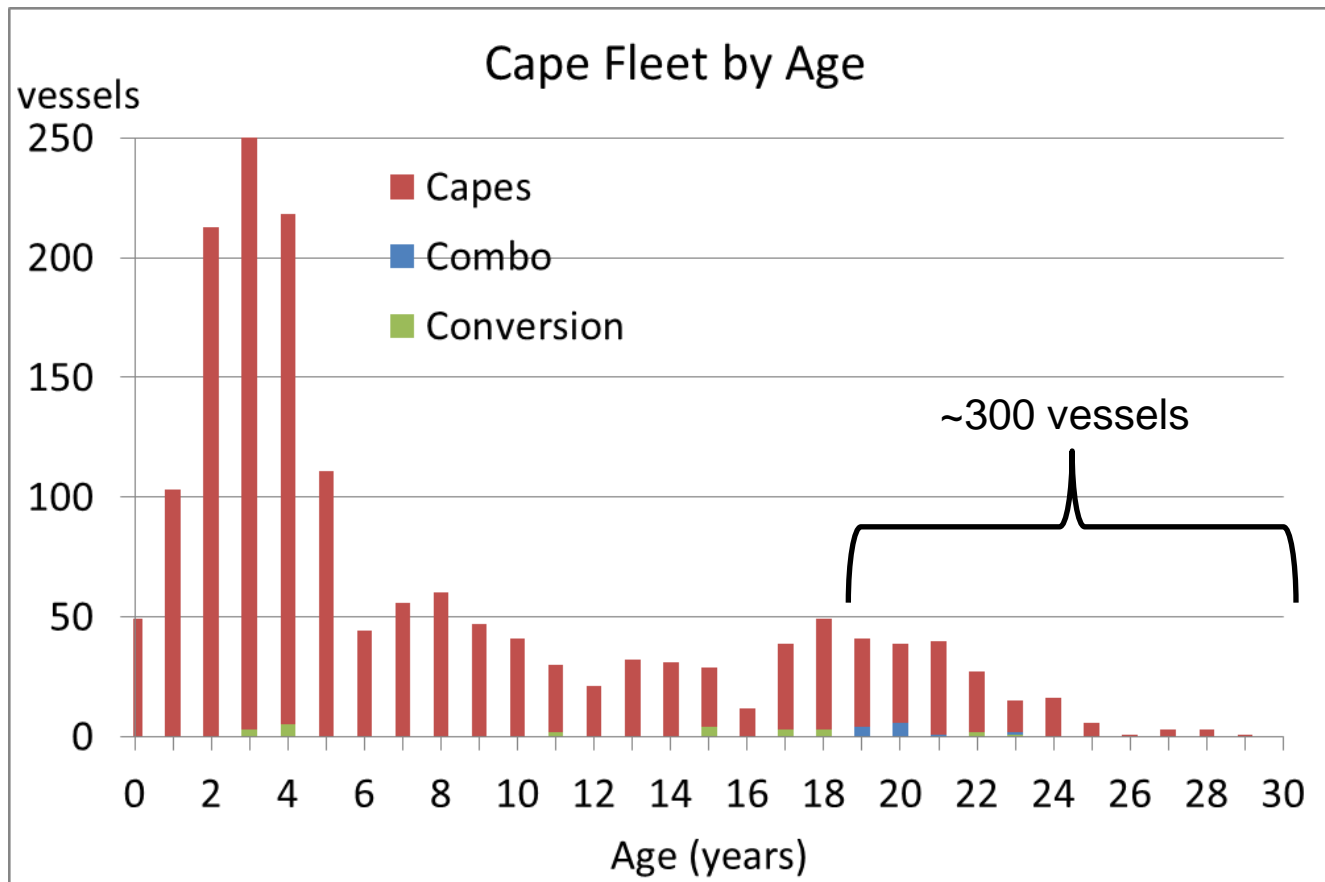
# Capesize Fleet Growth

After adjusting for slippage and demolition this increase in ordering is likely to push fleet growth back up to 7% in 2016, which is just when demand growth will start to slow.



# Significant scrapping potential

But there is upside to my demolition assumptions. As new efficient vessels are delivered, performing ~15% better than average, the older less efficient vessels (some performing 20% below average) will start to feel the pressure.



# The only way is up

In conclusion, the next 3 years will be significantly tighter than the last two. We expect strong growth in fleet utilisation for the next few years, and expect the recovery in prices to continue.

