



DEMO MARKET REPORT & MARKET OUTLOOK – June 26, 2023

Report No. 25/19230623/260623

COMMENTARY

INDIA – The country is now into monsoon season during which a seasonal slowdown is expected in the market and due to a weak demand of long steel products for past few months, steel mills are trying to liquidate their stocks and reducing production. While the local steel plate prices increased by USD 6/MT this week, prices of local rebar have reduced by USD 5/MT, prices of local wire rod reduced by USD 5/MT and prices of imported scrap have also reduced by USD 4/MT this week. India's finance ministry is considering a recommendation from DGTR for imposition of countervailing duties on imports of steel from China but whether it goes through needs to be seen. Ship recyclers have maintained the same price levels this week. Even though, there seems to be growing signs that the steel prices may be bottoming out, a slower seasonal demand for finished steel products during the monsoon season will keep sentiments of ship recyclers weak. Considering weaker local steel market conditions, which is partially countered by slow supply of fresh tonnages for recycling, we would expect prices to be at about same levels with a possibility to marginally weaken over coming weeks.

PAKISTAN – The Prime Minister of Pakistan, Mr. Sharif met with the IMF managing director this week in attempt to make one final effort before the IMF loan program lapses on June 30th. The government will make changes to its budget to satisfy IMF concerns on taxes. The government will introduce new taxes to increase revenue. The budget will be finalized within 3 days. On Friday, despite dwindling reserves, State Bank of Pakistan relaxed import restrictions which it had imposed in December last year. Since banks do not have foreign currencies, importers will buy US Dollars from grey market to fund their imports. Local steel demand is weak and there are no signs of expected recovery in demand with monsoon season setting in soon. Prices of imported shredded have reduced by about USD 5-7/MT and prices of local scrap equivalent to shredded also reduced by about USD 10-15/MT which is due to a good quantity of MS bars and slabs being imported from Iran through barter system. Next week will bring in more clarity on IMF loan disbursement, new taxes, and foreign exchange. Ship recyclers will view the developments closely and hope that they could start offering for fresh tonnages for recycling.

BANGLADESH – The country's central bank will allow their currency to freely float for the first time in country's history which means that the country will no longer sell any foreign exchange at discounted rate from 1st July 2023. This is in addition to the previous government measure of removing lending rate cap pursuant to which as part of tighter monetary policy Bangladesh banks have increased interest rates by 50 basis points from 1st July. These measures should expedite release of their balance of loan from IMF's \$4.7 billion loan program. Local steel plate prices marginally improved by USD 3/MT whereas imported scrap prices marginally reduced by



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USD 3-5/MT. Demand for local steel is weak and expected to be slow during the next week due to Eid. Foreign exchange availability continues to be difficult but there is an expectation that by the end of July, foreign exchange will be freely available, and should this happen, we could expect prices of domestic steel plate prices to reduce because traders would then be able to freely import HMS scrap and shredded scrap at lower rates. In the meanwhile, ship recyclers have maintained the same prices levels this week. We would expect same prices levels to continue next week but thereafter it is possible that prices offered by ship recyclers may come under pressure for two reasons (a) if local currency depreciates once it is freely floated from July and/or (b) if it becomes clearer that foreign exchange will indeed be freely available by end of July.

TURKEY – Prices of domestic scrap have reduced by about USD 20-25/MT this week due to slow down in finished steel sales. The local ship scrap market has reduced by USD 10/MT this week. Imported scrap prices were reduced by USD 5/MT and there is a downward pressure which could result in a further drop of another USD 5/MT after Eid holidays. The country's central bank has decided to increase interest rates to 15% from its earlier 8.50%. This increased interest rate of 15% though, is much lower than the market expectation of 20% due to which Turkish lira dropped by a significant 5% during the week. It is expected that interest rates would increase to 25%-26% by the end of 2023. Increased interest rates will make local production expensive and could affect the competitiveness of local steel mills to export though its foreign exchange weakness could counter the impact. Prices offered by ship recyclers remained unchanged this week due to low supply for fresh recycling tonnages. Considering prevailing local conditions, we would expect prices offered by ship recyclers to be under pressure.

CHINA – With effect from 1.1.2019, China has stopped accepting any foreign flagged ship for recycling as per directives from Government. Breakers now can only recycle local ships from China.

SUPPLY – There were very limited new recycling tonnages that were circulated in the market this week. LNG Seapeak Polar was one of the main recycling sales of the week. The vessel has now been committed and requires recycling as per HKC guidelines.



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MARKET OUTLOOK – Tanker freight market saw dirty segment losing some of the gains seen in previous week and the clean segment registered a small improvement. In any case, considering a good long-term view that tanker segment enjoys, we would see very few demo candidates. In the container segment, feeders below 2000 TEU are affected the most with its charter rates softening as well as a slow buildup of idle tonnage which could well affect its asset values as well. With freight rates in the dry segment getting softer, there is a lack of interest in purchasing secondhand units at prevailing prices. While the present flow of fresh tonnages is slow, we would expect to receive more tonnages for recycling in a few months.

GREEN RECYCLING:

1. Recent ratification by Bangladesh of The Hong Kong International Convention for the Safe and Sound Recycling of ships, 2009, has invoked multiple responses from various stakeholders. All views are welcome, but it is important to remember a few things:
 - a. The HKC coming into force is a big positive for ship recycling industry. It is definite progress and should not be undermined.
 - b. The HKC will come into force two years after all the conditions are met. This means that there are still two more years within which Bangladesh will have downstream waste facility management and national regulations could be well framed and implementation mechanism set up.
 - c. Ship recyclers have seen the benefits of yard upgradation, trained workers and implementing good management systems. This would encourage other ship recyclers to make improvements.
 - d. The HKC brings in global regulation for ship recycling.

GLOBAL – GENERAL NEWS

1. China – Government is giving clear signal that it does not wish to get into massive stimulus measures even the economy seems to be losing momentum with the present incremental easing approach. The yuan dropped in value and is likely to drop further.
2. USA – Jobs market is slowly moving in favour of employers after a long time which is good news for Fed as this is a right step in the direction of inflation reduction.
3. UK and Europe - Policy makers in UK are working hard to avoid stagflation (combination of high prices and economic contraction) and despite that it is expected policy makers



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may raise interest rates by another 25 basis points. Europe too is working to avoid recession due to its tight monetary policies. US Dollar is set to gain as it is being considered as world's safest currency.

MAIN DEMOLITION SALES DATA FOR PERIOD June 19th – June 24th, 2023

Type	Name of Vessel	Built	DWT	LDT	Price	Remarks
LNG	Seapeak Polar	1993	48817	24476	637	As is Khor Fakkan
OSV	Oceanic Installer	1984	2100	2899		As is Sharjah

MAIN DEMOLITION SALES DATA FOR PERIOD June 1st – June 24th, 2023

Type	Name of Vessel	Built	DWT	LDT	Price	Remarks
MPP	Hong Hao	1998	44596	11821	620	Ctg
Bulker	Jasmine II	1997	45269	9563	585	Ctg. Incl ROB 100-120T
Container	MSC Nicole	1989	41787	13961	521	Alang, HKC
Container	MSC Kerry	1995	45530	15580		Alang, HKC
Container	Sco Qingdao	1997		3770	610	Ctg
Bulker	Shun Hang Wei Ye	1991		8207		As is Guagdong
Bulker	Jin Yuan Xing 9	1996		7576	560	Ctg
LPG	Enix	1992	2858	2528		Alang
Reefer	SW Diamond	1993	1172	3028		Aliaga
Tanker	Edricko 3	1994	1390			
MPP	Chang Ying	1995	8559	4099		Ctg
LNG	Seapeak Polar	1993	48817	24476	637	As is Khor Fakkan
OSV	Oceanic Installer	1984	2100	2899		As is Sharjah

STATISTICS

VESSELS AND QUANTITY LDT BEACHED IN INDIAN SUBCON – IN JUNE 2023,2022, 2021.

Year	INDIA		BANGLADESH		PAKISTAN	
	Vessels	LDT – LT	Vessels	LDT – LT	Vessels	LDT – LT
June 2023	09	75,847	14	92,087	00	00
June 2022	12	74,118	06	49,757	04	19,774
June 2021	25	152,358	26	321,839	10	65,366



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VESSELS AND QUANTITY LDT BEACHED IN INDIAN SUBCON – QUARTER 2 2023, 2022, 2021.

Year	INDIA		BANGLADESH		PAKISTAN	
	Vessels	LDT – LT	Vessels	LDT – LT	Vessels	LDT – LT
2023	25	196,317	51	397,676	01	2200
2022	48	464,921	29	208,235	19	166,087
2021	60	440,696	71	742,299	45	320,448

INDIA - Indicative Price Levels for May in Current Year Vs Previous Years

Year	DRY			WET	
	Cape / Pmx	Handymax	Container	Others	VLCC
June 2023	515	520	550	530	495
June 2022	530	540	570	550	
June 2021	520	510	570	535	
June 2020	285	275	320	305	

**(a) (Prices LT/LDT, less 3% Add Comm) (b) We have introduced VLCC as a separate item in Wet segment from Jan 2023*

BANGLADESH - Indicative Price Levels for May in Current Year Vs Previous Years

Year	DRY			WET	
	Cape / Pmx	Handymax	Container	Others	VLCC
June 2023	585	590	645	620	595
June 2022	570	570	590	590	
June 2021	570	560	580	585	
June 2020	300	285	325	325	

**(a) (Prices LT/LDT, less 3% Add Comm) (b) We have introduced VLCC as a separate item in Wet segment from Jan 2023 onwards*

PAKISTAN - Indicative Price Levels for May in Current Year Vs Previous Years

Year	DRY			WET	
	Cape / Pmx	Handymax	Container	Others	VLCC
June 2023	<i>Due to foreign exchange problem, ship recyclers are not able to establish LCs</i>				
June 2022	555	550	570	570	
June 2021	565	555	570	580	
June 2020	320	305	335	340	

**(a) (Prices LT/LDT, less 3% Add Comm) (b) We have introduced VLCC as a separate item in Wet segment from Jan 2023 onwards (c) Due to foreign exchange problem, ship recyclers are not able to establish LCs due to which prices given for March 24th, 2023, are only theoretical.*



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TURKEY - Indicative Price Levels for May in Current Year Vs Previous Years

Year	DRY	WET	CONTAINER
June 2023	330	340	350
June2022	240	250	260
June 2021	280	285	290
June 2020	200	210	

***(a) (Prices LT/LDT, less 2% Add Comm)**

Disclaimer: The information has been drawn from Wirana Shipping Corporation's (WSC) database and other sources. All efforts have been made to ensure that information contained in this report is accurate. While WSC has taken reasonable care in compilation of information, WSC makes no representations or warranties and cannot accept responsibility for error, omission or consequences therefrom.