



## **DEMO MARKET REPORT & MARKET OUTLOOK – May 29, 2023**

Report No. 21/2226523/290523

### **COMMENTARY**

**INDIA** – Weak local steel demand of finished products and inability of Indian exporters to compete internationally means an overall lower steel sales with weaker market sentiments. Local steel plate prices dropped by USD 7/MT this week whereas imported scrap prices remained unchanged. Billet demand is weak and Indian exporters are not able to compete in international markets as they are unwilling to reduce their export prices. Local rebar market and scrap prices are under pressure as demand is expected to slow down and thus mills are avoiding restocking of materials. Since fundamentals of finished steel markets cannot support very high prices, probability of local scrap price increase is lower as of now. Indian Rupee has hit new lows of 82.91 against the USD this week due to strong US Dollar backed by resilient US economic data which send US yields higher. Indian Rupee however ended the week at 82.56 to 1 USD. It is interesting to note that there have been huge foreign exchange inflows into the country in the month of May, but the central bank is buying US Dollars to make sure that the Indian rupee does not appreciate to help the exporters. Indian ship recyclers broadly kept their offer prices unchanged over previous week. Given the present weak steel market status with possibility of reduction in raw material prices for steel production, we would expect prices to remain under pressure though lower supply of fresh recycling tonnages would counter some of the downward pressure and prices would continue at about same levels with a tendency to soften.

**PAKISTAN** – Foreign exchange problem continues to hamper opening of Letter of Credits due to which ship recyclers are unable to offer for any fresh tonnages for recycling. In the meanwhile, steel demand in the local market is weak due to which purchases are restricted to bare necessary quantities. Prices of imported HRC and CRC have reduced by about USD 10/MT this week and traders are cautious while booking for bigger quantities as they expect that prices could reduce further. Prices of scrap equivalent to shredded in the local market have remained unchanged this week. Local currency rates against the US Dollar are under pressure due to which exchange rates in the parallel market are seen at Pakistani Rupee 300 to 311 per US Dollars as against the official exchange rate of Pakistani Rupees 285 to 1 USD. Due to political and economic problems, the country's GDP will likely grow by only 0.29% for the year ending in June as against the expected 5% growth. Ship recyclers in the meanwhile need to wait till foreign exchange problems are resolved before they can start offering for fresh recycling tonnages.



## **DEMO MARKET REPORT & MARKET OUTLOOK – May 29, 2023**

Report No. 21/2226523/290523

**BANGLADESH** – Local steel plate prices shot up this week by about USD 18/MT as ship recycling facilities have been awaiting an environmental clearance. We had seen that the government had classified ship recycling industry to “red (highly hazardous)” from its previous “orange-b (less hazardous)” due to which the Ministry of Environment, Forest and Climate Change in early March had published a new version of Environment Protection Rules and this required a second round of environmental clearance became mandatory before the cutting permission is given to ship recycling facilities. There are about 42 ships (worth about 500k MT LDT) that were awaiting second round of environmental clearance out of which 12 ships have got the environmental clearance. This had created a shortage of materials. It is important to note that local steel mills rely for about 50% of their raw material requirement from ship recycling yards. However, there is a good level of expectation that the government would reclassify ship recycling back to “orange” category after which ship recyclers start receiving environmental approvals. Local steel plate prices have started softening towards the weekend. Prices on imported scrap remained at the same levels during the week. Ship recyclers have incurred increased interest costs due to extra time taken for the second round of environmental clearance. Foreign exchange problems continue as country’s US Dollar reserves reduced to USD 30.18 billion (from USD 42.24 billion a year ago) covering just 3 months of imports. Ship recyclers are awaiting the budget announcement in the first week of June with an expectation of some duty reduction though it seems less likely. Since demand for finished steel products in the local market is slow, we could expect lower demand from ship recycling yards. However, considering the lower supply of fresh tonnages for recycling, prices offered for fresh tonnages would continue to be at the same levels and with a possibility to marginally firm up.

**TURKEY** – There has been a marginal improvement in imported scrap prices by about USD 3/MT but trading activity this week has been low. Local scrap prices have improved by about USD 7/MT. It is interesting to note that even though there has been a marginal improvement in the confidence index of the construction sector, overall sentiment in the construction sector still stays in the pessimistic range. Imported billet prices have reduced by about USD15-20 during the week but most of the steel producers are not willing to buy and are trying for even lower rates. The Turkish Lira has lost more than 2% since the first round of elections on May 14<sup>th</sup>. Despite a general level of anxiety in the market about the election (second round on 28<sup>th</sup> May) outcome as well as a possible weakening of local currency, prices offered by ship recyclers improved this week by USD 10/MT due to low supply of fresh tonnages for recycling. We would expect improved prices for fresh tonnages to continue at the same levels.



## **DEMO MARKET REPORT & MARKET OUTLOOK – May 29, 2023**

**Report No. 21/2226523/290523**

**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** – Supply of fresh tonnages in the recycling market improved this week as we saw tonnages from dry and offshore segment being offered in the market albeit all smaller sized units. We saw three containers with a total LDT of 45,449 MT from Hapag Lloyd sold to EU listed facilities in Aliaga this week at USD 380/LT LDT which was higher than what any normal container vessel in Aliaga could get which is mainly because these three vessels had lots of spares with prompt delivery.

**MARKET OUTLOOK** – Freight rates in the dry segment registered a drop this week. The secondhand asset values of dry units were unaffected by the freight rates, but sentiments were a bit weaker even as secondhand transactions continued at a steady pace. The tanker segment is doing good with freight rates as freight for “clean” which were down last week are also seeing a rebound. Secondhand activity in the tanker segment continues to be good. In the container segment comparatively slower week but still good for freight rates and secondhand market except feeder segment which is continuing to experience a lower demand. We would expect the supply of fresh tonnages for recycling to be at lower levels for over the next 2-3 months with possibility of increased flow of feeder containers heading for recycling thereafter. Even though the global steel market is suffering from low demand and reducing prices, we would expect prices offered for fresh recycling tonnages to be at the same levels with a possibility to marginally improve due to lower supply.

### **GLOBAL – GENERAL NEWS**

1. USA – The treasury has announced that they would be able to make payments of US debts up to June 5 which has pushed the deadline by four days. With differences between Democrats and Republicans narrowing down over debt ceiling limit, we could expect debt ceiling increase within given time. Nonetheless, such serious issues raise concerns about the soundness of “safe haven” currency where political issues within the country could be a disaster for global economy. Feds could increase interest rates after debt ceiling increase in view of stubborn inflation.



## **DEMO MARKET REPORT & MARKET OUTLOOK – May 29, 2023**

Report No. 21/2226523/290523

- China - Huge expectation of revival in demand after lifting covid restrictions is slowly turning into disappointment and is also putting their local currency under pressure. Though, it is expected that China would probably enter plateau growth for next few years after having registered an average annual GDP growth of 9% over last 40 years taking it to an upper-middle income country.

### **MAIN DEMOLITION SALES DATA FOR PERIOD MAY 22<sup>nd</sup> – 26<sup>th</sup>, 2023**

Type	Name of Vessel	Built	DWT	LDT	Price	Remarks
Bulker	Tiang He Shun	1977	37212	7450	563	Ctg
Container	Mississauga Express	1998	40881	15644	380	Aliaga, EUSRR - En bloc with lots of spares
Container	Ottawa Express	1998	40879	15644	380	Aliaga, EUSRR - En bloc with lots of spares
Container	Milan Express	1996	33659	14161	380	Aliaga, EUSRR - En bloc with lots of spares
Bulker	Eternal Luck	1996	45654	7525	575	Ctg, ROB 260T
Bulker	Fu Sheng	1994	77447	10780	580	Ctg, ROB 380T
Bulker	Hao Hang 3	1991	22174	4767	457	As is Zhoushan

### **MAIN DEMOLITION SALES DATA FOR PERIOD MAY 1<sup>st</sup>– 26<sup>th</sup>, 2023**

Type	Name of Vessel	Built	DWT	LDT	Price	Remarks
Container	Pablo	2000	26518	7362	535	Ctg
Tanker	Cynth	1997	10588	3349		Alang
Container	Xin Zhou Shan	2004	9500	3772		Ctg
OSV	Sudarshan	1991	2336	1762		Alang
Container	Ever Diadem	1998	55604	21387	514	As is Singapore
Woodchip Carrier	Shandon Express	1989	43661	8658	605	Ctg incl ROB 360T
Bulker	Hai Teng	1977	33374	7450	560	Ctg
Bulker	Xiang Jiang 6	1977	29566	7290	560	Ctg
Bulker	Western Endeavoieur	1988	3630			Ctg
Bulker	Great Wenxian	1998	45713	7528		Ctg
Reefer	Neru	1992	2635	1885		Alang
Platform Rig	Pit	1981	5260 GRT	6819		Alang, U/T



## **DEMO MARKET REPORT & MARKET OUTLOOK – May 29, 2023**

Report No. 21/2226523/290523

Type	Name of Vessel	Built	DWT	LDT	Price	Remarks
Pipelay Barge	Scanlay 1	1982	2563	1571		Alang, U/T
Fishing	Novo 23	1981	1815	3861		Alang
Container	Horizon Pacific	1979	31213	17224		As is San Diego
LNG	Gandria	1977	66999	29035	534	As is Labuan, HKC
Reefer	Yun Run 8	1990	6116	3045	475	As is China
LPG	Taurogas	1993	3566	1892	404	Aliaga
Container	Blue Ocean	1989	14900	4361	625	Ctg
MPP	Xin Hai Zhou 7	1999	22297	6496	563	Ctg
Bulker	Tiang He Shun	1977	37212	7450	563	Ctg
Container	Mississauga Express	1998	40881	15644	380	Aliaga, EUSRR - En bloc with lots of spares
Container	Ottawa Express	1998	40879	15644	380	Aliaga, EUSRR - En bloc with lots of spares
Container	Milan Express	1996	33659	14161	380	Aliaga, EUSRR - En bloc with lots of spares
Bulker	Eternal Luck	1996	45654	7525	575	Ctg, ROB 260T
Bulker	Fu Sheng	1994	77447	10780	580	Ctg, ROB 380T
Bulker	Hao Hang 3	1991	22174	4767	457	As is Zhoushan

### **STATISTICS**

#### **VESSELS AND QUANTITY LDT BEACHED IN INDIAN SUBCON – IN MAY 2023,2022, 2021.**

Year	INDIA		BANGLADESH		PAKISTAN	
	Vessels	LDT – LT	Vessels	LDT – LT	Vessels	LDT – LT
May 2023 (up to 26 <sup>th</sup> )	08	54,568	17	77,866	0	0
May 2022	16	182,668	10	54,183	07	75,563
May 2021	19	144,017	24	179,838	22	112,702

#### **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	16	120,470	36	304,898	0	0
2022	48	464,921	29	208,235	19	166,087
2021	60	440,696	71	742,299	45	320,448



## **DEMO MARKET REPORT & MARKET OUTLOOK – May 29, 2023**

Report No. 21/2226523/290523

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

Year	DRY			WET	
	Cape / Pmx	Handymax	Container	Others	VLCC
May 2023	510	515	545	525	490
May 2022	600	580	650	610	
May 2021	520	510	570	535	
May 2020	280	320	310	290	

*\*(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
May 2023	575	580	625	595	570
May 2022	645	645	660	660	
May 2021	560	550	570	575	
May 2020	300	285	315	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
May 2023	<i>Due to foreign exchange problem, ship recyclers are not able to establish LCs</i>				
May 2022	605	600	610	620	
May 2021	550	540	565	575	
May 2020	310	295	300	320	

*\*(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 24<sup>th</sup>, 2023, are only theoretical.*

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

Year	DRY	WET	CONTAINER
May 2023	330	340	350
May 2022	310	320	
May 2021	285	290	
May 2020	225	225	

*\*(a) (Prices LT/LDT, less 2% Add Comm) (b) We have introduced Container pricing from Jan 2023 onwards*

*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.*