



## **DEMO MARKET REPORT & MARKET OUTLOOK – May 8, 2023**

**Report No. 18/0105523/080523**

### **COMMENTARY**

**INDIA** – Weak local steel demand, continued drop in local steel prices and nervousness due to inability to fathom the bottom of local steel prices negatively affected the sentiments of traders, mills and ship recyclers this week. Local steel plate prices further reduced this week by USD 20/MT and imported scrap prices dropped further by USD 18/MT. Local secondary mills are very nervous due to continuous falling scrap prices, tight liquidity conditions and poor demand which has resulted in inventory buildup. Unfortunately, global markets are also facing similar conditions of low demand and falling prices due to which the export prices of steel have also been negatively affected. Indian exporters have dropped their billet export prices by about USD 12/MT this week. Historically, in USD terms, the current level of local steel plate prices was last seen in April 2021 (8 anni - local steel plate was Rs. 38500; @exchange rate 74.53 = USD 516/MT). Ship recyclers who are going to be processing presently purchased recycling tonnage for at least next three months are feeling extremely nervous to buy even at prevailing lower prices (than seen about a month back). Ship recyclers have dropped their prices for fresh tonnages by USD 20-25/ LT LDT this week. Due to present local and global market conditions, we would expect prices offered for fresh tonnages to be under pressure.

**PAKISTAN** – Foreign exchange problem continues with no further progress being reported on IMF loan of USD 6.50 billion. The local currency has weakened against the USD by more than 20% this year. Rising energy costs and food prices have resulted in consumer prices rising by 36% in April. Demand for finished steel is weak due to slow construction activities. Imported scrap prices have continued to decrease this week. Imported shredded scrap prices have dropped by about USD 15-20/MT this week for those very few deals that were seen concluded. Local prices of scrap equivalent to shredded have remained at the same levels. Ship recyclers are thus unable to make any offers for the purchase of fresh tonnage and the situation likely to continue for some time.

**BANGLADESH** – Continuing shortage of foreign exchange is resulting in a price movement anomaly where local steel plate prices have improved by about USD 15/MT despite drop in prices of imported scrap by USD 20/MT this week. Several banks struggling with the dollar crisis were unable to fulfill their LC payment obligations due to which there is a reduction in new LC opening. Prices offered by ship recyclers have remained unchanged despite a drop in imported scrap prices amidst weak global markets. We would expect prices offered by ship recyclers to be under marginal pressure as markets open after the long weekend.



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**TURKEY** – Overall local steel market has been slow this week with a further expectation that prices would move downwards next week. Local scrap prices have reduced this week by about USD 10-15/ MT and imported scrap prices have reduced by about USD 17/MT. Prices offered by steel mills for ship scrap have further dropped by USD 5 -10/MT. On foreign exchange front, exporters are complaining that they are not able to compete as Turkish Lira has remained stable over last 4 months despite huge inflation (still at about 44% pa in April) being faced in Turkey. According to a local newspaper, Lira should depreciate to 25 against present 19.50 to a US Dollar. There are elections on 14<sup>th</sup> May and the market is keenly awaiting the results. Ship recyclers have further reduced prices offered for fresh tonnages by another USD 10/ LT LDT. Given present market conditions, we would expect prices offered for fresh tonnages 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 few fresh tonnages offered for recycling this week which is mainly due to weak market condition, dropping prices and cautious ship recyclers while Ship Owners on the other hand are finding it difficult to accept recent reduced price being offered for fresh tonnages.

**MARKET OUTLOOK** – The container market is expected to continue enjoying a good second quarter in terms of freight rates and the secondhand market for container vessels is also good. Dry freight rates across the sizes except for Capes were weaker this week and not much activity was reported in the secondhand market (attributed to holidays). The tanker secondhand market, however, has been good this week as the long-term view of tanker freight continues to be positive. Even though supply of fresh tonnage will be slow, ship recyclers would be hesitant to purchase any fresh tonnages for next couple of weeks at least, due to the weak global demand in steel market and with steel prices dropping every week. Until there is some sort of stabilization in global steel prices or when it seems that the downward spiral has stopped, there will be less deals being concluded for fresh tonnages OR deals could be concluded at levels which are at enticingly lower levels than present. It must be noted though, that due to foreign exchange problems, local steel plate prices in Bangladesh have not dropped during the last week which could make ship recyclers more willing to buy fresh tonnages for recycling. In any case, prices for fresh tonnages will be generally under pressure.



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### **GREEN RECYCLING:**

#### **1. Decarbonization & Ship Recycling Explained:**

- a. Growing urgency to meet the goals set up by Paris Agreement on climate change, to limit global warming to 1.5 degrees Celsius requires reduction of Green House Gas emissions (GHG).
- b. Carbon emissions account for 76% of the GHG emissions and thus decarbonization has become a very important subject.
- c. **Ship recycling gets a big positive on this front** (something that has not been well highlighted in media) **because** by reusing steel (which forms more than 90% of the ship light weight), it enables saving use of natural resources as well as reduces the carbon emission that would have taken place in converting iron ore to steel.
- d. It is to be noted that steel production is an energy intensive process. About 7%-9% of all fossils-based CO2 emissions are from steel industry.
- e. Though, it is also noted, there are hazardous materials on board the ship which also need to be recycled in a safe and environmentally sound manner to eliminate release of aerosols in the environment which also has impact on GHG and thus climate. This is achieved by following ship recycling as per The Hong Kong International Convention for the safe and environmentally sound recycling of ships, 2009.

### **GLOBAL – GENERAL NEWS –**

1. Market is worried over weakening US economy and slowing Chinese demand (factory activity in China contracted in April due to poor domestic demand). China could avoid using extra stimulus measures this time (even though they have plenty of room to do so) because of their difficult experience from over stimulating their economy 2010.
2. The US Fed raised interest rates by a quarter of a percentage point this week.
3. The European region has now become a sweet spot for investors who are afraid that there could be more distressed lenders that could emerge in the USA due to which euro currency could gain strength. US Fed has also signaled a pause to interest rate hike which could weaken US Dollar.



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### **MAIN DEMOLITION SALES DATA FOR PERIOD MAY 1<sup>ST</sup>-5<sup>TH</sup>, 2023**

Type	Name of Vessel	Built	DWT	LDT	Price	Remarks

### **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 5 <sup>th</sup> )	03	6,662	07	27,651	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	11	72,564	26	254,682	0	0
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
May 2023	495	500	525	510	475
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*



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

Year	DRY			WET	
	Cape / Pmx	Handymax	Container	Others	VLCC
May 2023	570	575	595	590	565
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	320	330	340
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.*