



DEMO MARKET REPORT & MARKET OUTLOOK – July 3, 2023

Report No. 26/2630623/030723

COMMENTARY

INDIA – Local steel plate prices improved marginally by about USD 4/MT during the week whereas imported scrap prices reduced by USD 13/MT. Demand for long products has been weak and secondary mills have been reducing its production levels. Local rebar prices were reduced by USD 10/MT this week due to lower demand. The global market is also giving mixed signals now due to which traders are not buying imported scrap even at reduced prices. Although it is expected that rains in July would be normal, a possibility of increase in the prices due to lower rains (as seen for pigeon peas - locally known as “toor”, due to late start on monsoon) would prompt RBI not to consider interest rate cuts soon. Due to the lower supply of fresh tonnages, ship recyclers have continued to offer prices at the same levels for fresh tonnages. However, considering weak sentiments amidst low finished steel demand, we would expect pressure on price for fresh tonnages.

PAKISTAN – In a heartening news, the country has got an initial approval for a USD 3 billion loan program which would provide the required liquidity in system. However, the country will be strictly following IMF recommended measures to bring in economic growth (the country needs to manage USD 23 billion of loan repayments due this fiscal year). We have noted that the country had relaxed foreign exchange restrictions starting from last week. Due to Eid holidays, there has not been much activity in the local steel market this week. We should expect ship recyclers to get ready to make offers for fresh tonnages for recycling once they resume next week after Eid holidays. Considering present increased cost of production and increased interest cost, ship recyclers would not be able to offer prices in line with Bangladesh and prices offered by ship recyclers here could be about USD 50-60 lower than Bangladesh.

BANGLADESH – Local steel market was mostly quiet this week due to Eid holidays. Local steel plate prices were almost at same levels whereas imported scrap prices reduced by about USD 10/MT during this week. The country’s foreign reserves improved due to increased remittances during Eid as well as the opening of local currency to market forces. Prices offered by ship recyclers continued at the same levels although there was not much of activity. The foreign exchange problem continues to be tight but there is an expectation that it will be freely available by the end of July. There is a weakness in the global steel market, the effect of which is likely to rub on sentiments of local steel market. Considering the low supply of fresh tonnages for recycling, we would expect prices to continue at the same levels but there could be a downward pressure on prices for fresh tonnages being offered for recycling.



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TURKEY – The market remained quiet during the week due to Eid holidays. Imported scrap prices remained at the same level. The Turkish lira further weakened by 3%-4% during this week which is lines with zero intervention policy by central bank to support the local currency. Prices offered by ship recyclers have continued at the same levels this week. Due to the limited supply of fresh tonnages for recycling, we would expect prices to remain at same levels but there would be downward pressure due to global weak steel market as well as increased interest costs and weaker local currency.

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 tonnages was very slow. We only saw some units from dry and container segments. MSC continued its steady supply of tonnage for recycling with another unit committed this week.

MARKET OUTLOOK – Tanker segment experienced a weaker freight market for dirty as well as clean and prices of secondhand units seems to have stabilized. The dry market also got marginally softer across all sizes though secondhand activity in dry segments is attracting mixed views amongst investors. The container is seeing a slowdown in chartering activity mostly across all sizes, which is typical during the summer months. However, the feeder category continues to be weaker. For the time being, we would expect the supply of fresh tonnages to be slow as has been seen. A low supply of fresh tonnages will continue to help maintain the prices for fresh tonnages. However, in view of weak steel market fundamentals globally and in respective recycling countries, we could expect prices for fresh tonnages to be under pressure.

GREEN RECYCLING:

1. HKC – All Conditions Now Met - June 26th 2023 is a historic day for ship recycling since all the three conditions required for HKC coming into force have been met and status now is as follows:
 - a. We have 22 states that have ratified HKC ((Norway, Republic of Congo, France, Belgium, Panama, Denmark, Turkey, The Netherlands, Serbia, Japan, Estonia, Malta, Germany, Ghana, India, Croatia, Spain, Luxembourg, Sao Tome & Principe, Portugal, Bangladesh, Liberia)



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- b. These 22 states represent approximately 45.81% of the GT of world's merchant shipping.
 - c. The combined maximum annual ship recycling volume of 22 states during preceding 10 years constitutes 23.8 million GT which is equivalent of 3.31% of the GT of the combined merchant shipping fleet of states that have signed.
2. HKC - There is always a section of industry observers who would like to highlight the shortcomings in the processes and systems of ship recycling, though we need them, at times, for continuous improvement. But the flip side is that it causes confusion in the minds of industry stakeholders, service providers as well as other readers. Though unintentional, it undermines the effectiveness of HKC which has been drafted over three and a half years after extensive discussions and inputs from IMO member states, non-governmental organizations and in co-operation of ILO and parties to Basel Convention. It must be ensured that such misgivings are cleared. We would like to specifically state that, in summary there is only one point which lacks clarity:
- a. **Will HKC supersede Basel Convention** – in terms of movement procedure and country restrictions for recycling end-of-life ships?
 - i. To begin with, HKC will come into force after two years which gives the world enough time to deliberate and bring about clarity. Possibilities being discussed are:
 - References have been made to equivalency clause of Vienna Convention basis which, if there is a clash between regulations, most recent regulation should be adopted. We will see more clarity emerging in the coming days and weeks.
 - There is also a suggestion that there may be amendments made to HKC after it has come into force. This can happen after 2/3 of the parties have confirmed their acceptance to the amendment and these amendments come into effect six months after acceptance by 2/3 of the parties.

We, at Wirana, will endeavor to keep you apprised of these developments. However, it is important to note HKC is the only global regulation that will come into force and that is well drafted which makes it comprehensible to the industry stakeholders.



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GLOBAL – GENERAL NEWS

1. China has not significantly reduced its steel production despite weak local steel demand in China. As a result, we could see further weakening of steel prices as Chinese mills would need to export more steel for which they would reduce prices due to prevailing weak global demand of steel.
2. Europe- European Central Bank (ECB) suffered a setback as inflation re-accelerated in the month of June basis which we could expect ECB to raise interest rate next month.

MAIN DEMOLITION SALES DATA FOR PERIOD June 26th – June 30th, 2023

Type	Name of Vessel	Built	DWT	LDT	Price	Remarks
Container	MSC Federica	1990	60350	23740		Alang, HKC
Bulker	Dong Fang He Sheng	1995	45693	11348		As is Guangzhou
General Cargo	Shun Da Yun	1973	16270	5000		Ctg
Bulker	Ji You	1994	45296	7548		As is China
Bulker	Shun Feng 9	1994	73350	10356		As is China

MAIN DEMOLITION SALES DATA FOR PERIOD June 1st – June 30th, 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 Guangdong
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
Container	MSC Federica	1990	60350	23740		Alang, HKC



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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	16	97,107	00	00
June 2022	12	74,118	06	49,757	04	19,774
June 2021	25	152,358	26	321,839	10	65,366

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	53	402,697	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*



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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
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.*

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

Year	DRY	WET	CONTAINER
June 2023	330	340	350
June 2022	240	250	260
June 2021	280	285	290
June 2020	200	210	

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

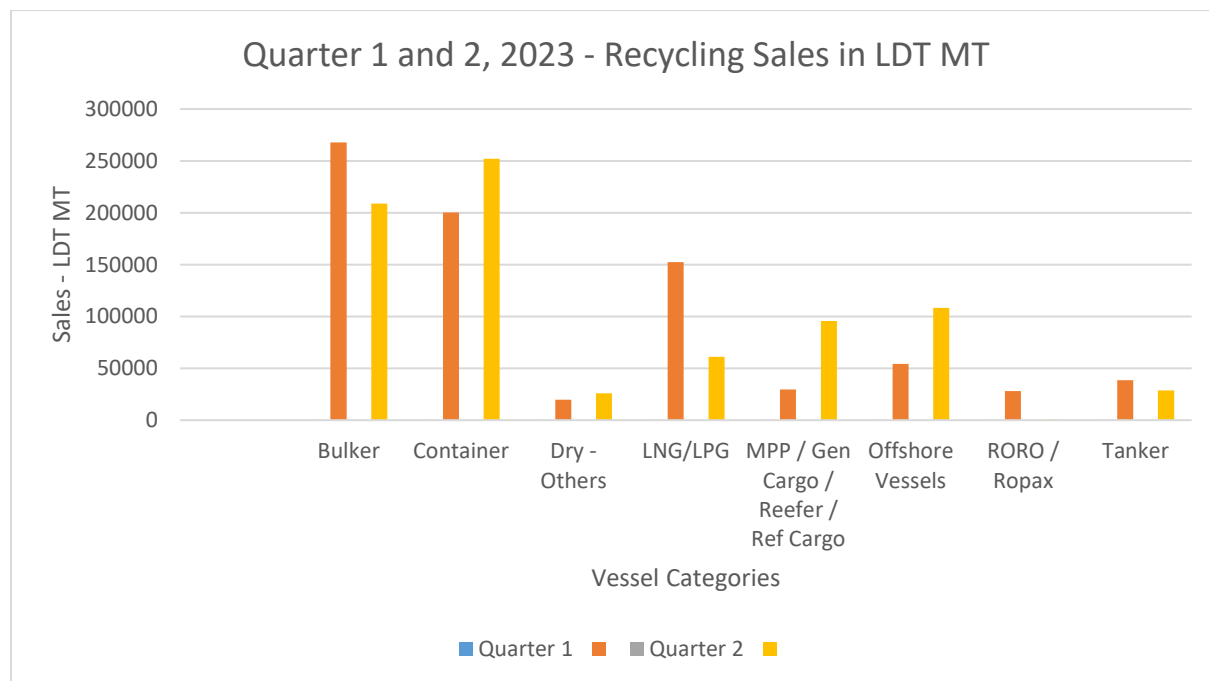


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Break up of Recycling Vessel Sales in Quarter 1 & 2 - 2023

Vessel Type	Quarter 1		Quarter 2	
	No.	LDT MT	No.	LDT MT
Bulker	19	267,857	25	208,962
Container	24	200,174	22	252,190
Dry – Others	7	19,718	7	25,843
LNG/LPG	7	152,480	6	61,232
MPP / Gen Cargo / Reefer / Ref Cargo	8	29,587	23	95,703
Offshore Vessels	9	54,245	8	108,165
RORO / Ropax	6	28,078	1	525
Tanker	8	38,463	6	28,555
	88	790,602	98	781,175



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.