Breakbulk Quarterly Intelligence

Executive Summary

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Journal of Commerce
by S&P Global

Introduction

The *Journal of Commerce* Breakbulk Quarterly Intelligence Report focuses on the short-term outlook for the breakbulk and project cargo market and the factors driving that forecast.

In addition to a global economic, trade and risk outlook, the report covers demand trends for cargo related to wind, oil and gas and other project types; demand for breakbulk cargo, including steel, steel scrap, and pulp and paper; overall supply of multipurpose and heavy-lift (MPV/HL) vessels, including newbuildings, demolition and competition; and the MPV/HL charter market.

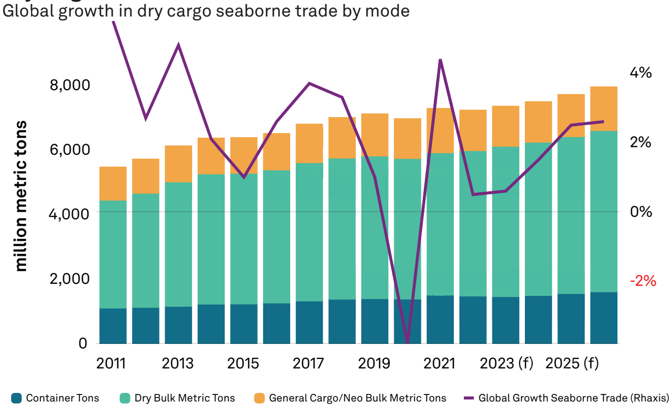
Many of the shippers that turned to MPV ships to move containers or adapted from containers to breakbulk modes during the COVID-19 pandemic say that they will continue those practices to build additional resiliency into their supply chains. "We have gained the ability to move anything, anywhere, any size," one shipper who asked not to be identified told the *Journal of Commerce* in late October. "We have developed the ability to be diversified when we need to be."

But for some shippers and forwarders, particularly those new to breakbulk, there remains a steep learning curve. Seasoned project owners and their logistics providers have long been concerned about preserving hard-earned institutional knowledge as a new generation of breakbulk logisticians joins the industry, and those concerns have only escalated as economic signs point to rising demand for breakbulk services. Forwarders and shippers are quickly developing formal and informal training programs, but as a logistic executive with an oil and gas company put it, "We are looking for definite increases in business in early 2024; how will we cope?"

Port NOLA

CHART 1

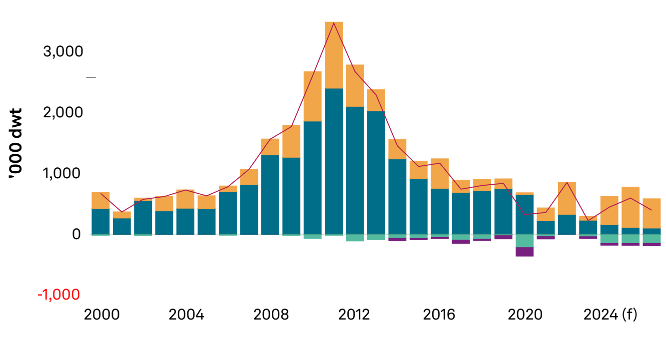
Dry cargo seaborne trade forecast at CAGR 2% to 2026
Global growth in dry cargo seaborne trade by mode



Source: S&P Global Market Intelligence © 2023 S&P Global

CHART 2

MPV and HL fleet growth forecast 1.4% CAGR to 2026
Vessels delivered vs vessels demolished in '000 dwt, with forecast



Notes: Data as at end September 2023

Source: S&P Global © 2023 S&P Global

Steady as she goes: Growth in seaborne trade — and general cargo in particular — is expected to rebound starting in 2024, supported by positive global economic conditions, investment in environmentally sustainable energy solutions and continued government stimulus packages following the COVID-19 pandemic. Seaborne trade in general cargo will grow an average of 3% from 2024 through 2026 after falling 1% in 2023 and 9% in 2022, according to the latest forecast from S&P Global Market Intelligence (Chart 1). S&P Global is the parent company of the *Journal of Commerce*.

Sunny forecast: Although there have been some hiccups regarding project cargo related to the wind energy industry, the forecast for 2024 remains strong thanks largely to underlying demand for solar, wind and other renewable energy-related cargoes. Commodity prices, from minerals to grain to oil, continue to rise, leading to further investments in mining, agriculture and oil and gas projects. Despite short-term delays, wind and solar energy projects will keep demand for multipurpose and heavy-lift (MPV/HL) ships strong through next year.

Metal bounce: The outlook for breakbulk demand in the fourth quarter of 2023 and into 2024 is stable, with improving conditions in the construction and mining sectors expected to fuel strong volumes of key commodities ranging from steel pipe, scrap and slab to minor ores and forest products. Global steel product exports will rise 2% in 2024 after falling 3% and 19%, respectively, in 2023 and 2022, according to S&P Global Market Intelligence.

Waiting it out: Consistently high newbuilding prices, a lack of outside investment, uncertainty around green fuels and propulsion systems, and a volatile charter market give MPV/HL vessel owners little incentive to build new tonnage. And until IMO emissions directives actually cost something, there will be little incentive to scrap older vessels. The global MPV/HL fleet grew at an average annual rate of just 1.3% from 2019 to 2023 and S&P Global is forecasting a similar growth rate over the next three years (Chart 2).

Capacity squeeze: As the MPV/HL fleet stagnates, demand is increasing, causing capacity to tighten, which is likely to result in higher rates for shippers. Even as indices tracking spot rates in the famously opaque MPV/HL sector continue their summer slide into fall, shippers and carriers both say longer-term contracted rates remain elevated. Spot charter rates are expected to fall further in the fourth quarter, but long-term demand, a lack of new tonnage and supply chain bottlenecks — from draft restrictions in the Panama Canal to heightened conflict threatening the Suez Canal — will keep charter rates well above pre-pandemic levels at least through early 2024.

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About *Journal of Commerce*

The *Journal of Commerce*, part of S&P Global, provides daily authoritative analysis of international transportation and logistics on a subscription basis and organizes industry-leading annual conferences, including the Breakbulk and Project Cargo Conference, that provide immersive information and networking experiences. Information produced by a specialized team subject matter expert journalists supports tactical and strategic decision making among corporate logistics teams and senior management at shipping lines, logistics firms, truckers, railroads, marine terminals, port authorities, truckers and others participating along end-to-end international supply chains.

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