3.1 Prospects for 2009 World Economy and Trade Development

According to the latest IMF forecasts, as to purchasing power, the world's economic growth rate, from 5% in 2007, has dropped to 3.7% in 2008 and will drop to 2.2% in 2009. The declining rate is 2.8%. Developed economy will drop from 2.6% to 1.4% and negative 0.3%. Emerging markets and developing countries will drop to 6.6% and 5.1%, with a declining rate of 2.9%.

U.S. Economy

The United States economy remains in the downturn, facing the destruction of the real economy.

European Economy

European economy is facing a even more serious problem than that of the United States.

Major developing countries

Major developing countries remain a most important part in economic development. The World Bank considers that due to the fiscal stimulus plan, China's economic growth rate in 2009 is expected to reach 7.5%, while that of India may fall to 5.8%. Besides the former two countries, the economic growth rate of other developing countries is expected to be 2.9%, with 2.8% of Brazil and 3.0% of Russia.

3.2 Prospects for 2009 International Dry Bulk Seaborne Trade

World Seaborne Trade

Based on trend prediction towards 2009 world bulk seaborne trade volume, which shows, the report stated that real economy will be further influenced by financial crisis on. 2009 seaborne trade growth rate will obviously slow down compared with that of 2008, at a rate of 4%, which is 3.255 billion tons in total volume.

The results of quantitative analysis show that world dry bulk seaborne trade volume in 2009 is optimistic estimated to be 3.223 billion tons, while negative to be 3.162 billion tons, where lies a 60 million tons gap. The optimistic prediction value is very close to that out of the trend prediction analysis, however, with the existing global unstable factors and their negative impact on the market, this report conservatively predicts a growth rate of 2% for the world dry bulk seaborne trade amounting to 3.246 billion tons.

Coal Seaborne Trade

Compared with the total coking coal and steaming coal seaborne imports in 2008, based on quantitative analysis, this report keeps a view that the import volume in 2009 will still go upward although slower.

It is expected that the coking coal seaborne imports is merely 258 million tons, 3 million tons more than that in 2008, which was 255 million tons. As to steaming coal, it is about 639 million tons, 5% more than that of the previous.

Iron Ore Seaborne Trade

Despite the global economic slowdown, this report says, it is expected that in the next few years, import volume of major iron ore importers will rise, and the total import volume will show a slight upward trend with an increase of over 5%. However, China's import growth will be stable, not very possible to break 500 million tons.

It is hard to assume the recovery time of iron ore demand in 2009, which to a large extent lies on the consumption rate of Chinese port stock as well as China's domestic iron mining and utilization.

It is also believed that another major factor should not be ignored is global crude steel productivity and it is estimated that the global crude steel production growth rate will decline.

Grain Seaborne Trade

Based on trend analysis, it is considered that both the grain seaborne import and export will grow slightly. Considering the influences of shrink economic demand, the grain trade will slightly decline.

It is estimated by ABARE that global wheat supply will grow by 8% and corn prices will rise because of strong demand on coarse grain from major importers, especially on corn ethanol production.

Other Bulk Seaborne Trade

It is estimated by FAO, global rice trade will reach 30 million tons in 2009, very close to 31.2 million tons in 2008. The import volumes of Asian countries will decrease due to good harvest in Bangladesh, Malaysia and the Philippines.

Different from export condition of 2008, rice trade will be influenced more by the needs of import countries rather than restriction policies of export countries in 2009.

In 2009, seaborne trade of various seed oil will reduce. From 2008 to 2009, world oil export volume per month will be reduced by nearly one million tons, while world sunflower and rapeseed production will increase 3.5 million tons and

7.2 million tons.

3.3 2009 International Dry Bulk Fleet Supply Forecasts

Total Vessel Supply

It is expected that vessels of 67.58 million dwt will be delivered and 7.1 million dwt will be scrapped. In account of the order cancellation (assuming 20% ship orders to be delayed or cancelled in 2009), actual global vessel supply entering the market will be less than prediction. It is predicted that vessels of 54.06 million dwt will enter the market in 2009, 8 million dwt will be scrapped and total fleet growth will increase by 11%.

Fleet Supply Forecasts By Vessel Types (cancellations excluded)

1) Capesize

In 2009, 164 vessels of 30.15 million dwt will be delivered and 1.3 million dwt will be scrapped. The net supply growth will be 28.85 million dwt.

2) Panamax

In 2009, 144 vessels of 11.79 million dwt will be delivered and 2.3 million dwt will be scrapped. The net supply growth will be 9.49 million dwt.

3) Handymax

In 2009, 310 vessels of 17.28 million dwt will be delivered and one million dwt will be scrapped. The net supply growth will be 16.28 million dwt.

4) Handysize

In 2009, 278 vessels of 8.36 million dwt will be delivered and 2.4 million dwt will be scrapped. The net supply growth will be 5.96 million dwt.

3.4 2009 International Freight Rate Forecasts

Major Factors

1) 2009 seaborne demand: growth rate slowing down

It is generally assumed that 2009 China's domestic economy growth will slow down, at the same time demand on steel in real estate market will sluggish. This report predicts that the world dry bulk seaborne trade will grow by 4% in 2009, primarily from incremental demand of iron ore and coal.

2) Vessel supply surging

Vessels of 54.06 million dwt are expected to enter the market, growing by 12% year-on-year.

3) International oil price

It is estimated that the international oil price will maintain $50-60 per barrel. Decline of the oil price will benefit shipping companies in cutting down their operational costs. As a result, pressure on freight rates from oil prices will be relieved in 2009.

4) Market panic

Pessimistic expectation on global economy and steel demand plays a negative role on the development of the marine market.

5) Capital chain rupture

Capital chain rupture of shipping companies impelled them hugely cut down their prices to collect capital.

6) FFA

Owing to global financial crisis, freight rates continue to decline. Speculators are not possible to invest much capital into the FFA market as opportunities reduce correspondingly. Therefore this report holds the view that the FFA market in 2009 will keep stable.

7) The impact of Somali pirates

The international dry bulk market is expected to fluctuate in the valley. The BDI index will remain at 2000 points in the first three quarters. From the fourth quarter, the BDI will increase to 3000 points. Unless unexpected, BDI will remain low in the next one or two years at around 2000 points. Freight rates will also keeps low, and it is expected to pick up in 2010.