

1.1 World Economy Review for 2008

Asian Economic Development Review

In 2008, global financial crisis, caused by the further spread American credit crisis, slowed down the economic growth of developed economies as well as that of Asian developing economies. Asian Development Bank lowered the growth target of Asian economy for 2008 to 7.5%.

U.S. Economic Development Review

U.S. GDP growth rate of the 1st two quarters of 2008 are 0.9% and 2.8%. The main drive of which was export and consumption. The U.S. GDP indicated a 3% negative growth in the 3rd quarter and company profits turned down sharply. The GDP continued to contract in the 4th quarter.

European Economic Development Review

With no exception, big powers in Euro zone were terribly influenced. As the biggest economy in Euro zone, Germany suffered most with a GDP decline of 0.4% and 0.5% for the second and third quarter.

1.2 World Coal Trade Review for 2008

Supply: South Africa has problem in export, while USA has a record-high export volume

The output and export volumes of Australia and South Africa declined in 2008 because of atrocious weather and supply bottleneck.

On account of the reason stated above, US coal export in 2008 seems more attractive. The coal exports on the east coast US and north coast of South America,

including Colombia and Venezuela, speeded up. And the volume of coal export to European continent from USA reached a record-high of the recent 10 years.

Demand: China again became a net coal importer, European continent suffered from negative influence of financial crisis

Due to a serious shortage of domestic coal supply, China had to decrease the coal export. China imported more than 1.06 million tons of coal in the first quarter of 2008, thus again became a net coal importer.

Owing to the financial crisis, dealers, especially European ones, worried about bankruptcy or unstable credit of the other party. As a result, international coal trade in spot market dropped sharply in the second half of 2008.

1.3 World Iron Ore Trade Review for 2008

Supply: supply growth rate of three major mining giants decreased

The traditional pattern of international iron ore price negotiation no longer exists.

Major international steel producers rejected importing spot iron ore from Australia, so that more are imported from Brazil and South Africa. As a result, haul distance by sea is much longer in the first half of the year.

Other iron ore exporters, such as India, most of ports along the west coast shut down the rainy season. At the same time, slowdown of the international iron ore demand resulted in the declined iron ore trade volume from Indian western coast to Far East.

Demand: iron ore import of China decreased after a rise; the port stock volume keeps high

By the end of November 2008, Chinese iron ore import volume

accumulatively reached 0.41 billion tons, with an accumulated an import volume of \$57.33 billion, which hit peak in April. From May to November, China's demand to import iron ore slowed down with the completion of large-scale construction projects for Olympic Games, the productivity increase of our own enterprise and the consumption of the over stocked products, China's dependence on imported iron ore will be eased.

Steel manufacturers show a depression

In the first half of 2008, global crude steel production remained stable. However, from the beginning of the second half, because of the financial crisis, the production of crude steel was severely influenced.

According to the statistics released by the World Steel Association, since June 2008, global steel production output dramatically decreased. October and November witnessed an output lower than 100 million metric tons.

1.4 World Grain Trade Review for 2008

The world grain export kept stable, among which the USA became the largest exporter.

The soybean output, 0.5% higher than expected, increased to 60.20 million tons.

2.1 2008 International Dry Bulk Seaborne Trade Analysis

Total Seaborne Trade Analysis

In 2008, the seaborne trade of iron ore and coal, including coking coals and

steaming coals, were 27.9% and 26.9% of the world total dry bulk seaborne trade respectively.

2008 Coal Seaborne Trade Analysis

In 2008, world coking coal seaborne trade was about 254 million tons, which increased by 3.2% year-on-year. The world import volume of steaming coal is 2.5% higher than the same time last year, which hits 601 million tons.

Iron Ore Seaborne Trade Analysis

The main seaborne iron ore import countries or regions were still China, Japan and the EU. In 2008, the total volume of iron ore seaborne imports of the above stated areas accounted for over 90% of the world total.

China's contributed nearly half of the world iron ore seaborne import volume. 15 EU countries imported 40 million tons and Japan accounted for 35 million tons each quarter.

In the first half of 2008, three major iron ore giants maintained their export volume at a previous level, showing a trend of steady growth. But at the second half of the year, as the cooling down of international iron ore market, main iron ore exporters kept export price level through reducing capacity and export, thus the export volume growth didn't grow much.

Grain Seaborne Trade Analysis

Grain import of North America kept a stable growth from 2006 to 2008, with a volume of 32.2 million tons in 2008; while that of South Asia severely declined, with a volume of only 7.4 million tons.

Grain export of Australia, one of the major grain exporters, reached 14.6 million tons, while that of the USA and Canada only 97.8 million tons and 20.4

million tons respectively.

2.2 2008 International Dry Bulk Vessel Supply Analysis

Total Vessel Supply Analysis

By the end of November 2008, the world dry bulk owned 6979 vessels (over 10000 dwt bulk carriers) with a dwt of 415.58 million, increased by 6.3% over the previous. The Capesize has a DWT of about 141.45 million accounting for 34%, while the Panamax, the Handyman and the Handysize, with a DWT of 114.06 million, 82.07 million and 78.16 million respectively, accounting for 27.4%, 19.7% and 18.9%.

Delivery Analysis

By the end of November 2008, 276 vessels were delivered amounting to 18.24 million dwt, decreased by 22.4% to the previous.

Demolition Analysis

In the first half of 2008 not many vessels were scrapped. In the second half, influenced by the global economic crisis, the number proliferated.

Secondhand Market Analysis

By the end of November 2008, 359 secondhand ships were sold with a DWT of 23.02 million, decreased by 45.7% compared to 42.4 million in 2007.

2.3 2008 International Dry Bulk Freight Rates Analysis

Freight Index

In the first half of 2008, BDI rose violently, with its peak in May. After fluctuations in June and July, BDI dropped sharply in August with the lowest 663 points on December 5th.

Freight Rates and Rents

The freight rates of various routes and cargos experienced a severe fluctuation, with the first half increased violently and the second half dropped sharply and broke its cost price several times.