Baltic Dry Bulk Investor Indices 1Q25

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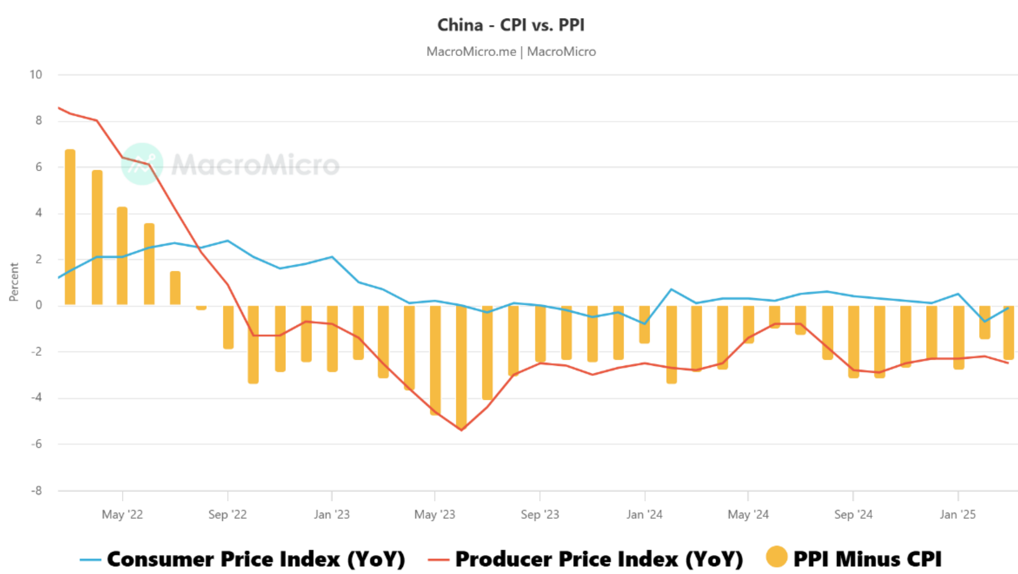
Dry Bulk: Uncertainty Mutes Everything

Today's intense macro-economic and geopolitical uncertainty may soften demand for seaborne dry bulk commodity imports but may also mute dry bulk ship orders over the next quarters.

It has been just over a month since tariffs were announced by President Trump, and despite recent positive developments with China and the UK, it is anyone's guess as to the final outcome. Because of the uncertainty of tariff duration, we believe it is too early to understand the long-term implications. Yes, container markets have seen a significant near-term US tariff impact, Chinese factory orders are down, and US retailers and consumers may see a near-term supply crunch, but now we have a 90-day pause with tariffs significantly reduced.

For dry bulk demand, the near-term tariff impact appears rather different. Since the spike in the Baltic Dry Index during the fourth quarter of 2021, the BDI has been weak (as it was for a decade prior to 2021) despite good global growth, particularly post COVID. However, sustained US tariffs could soften dry bulk commodity demand from China, the largest consumer.

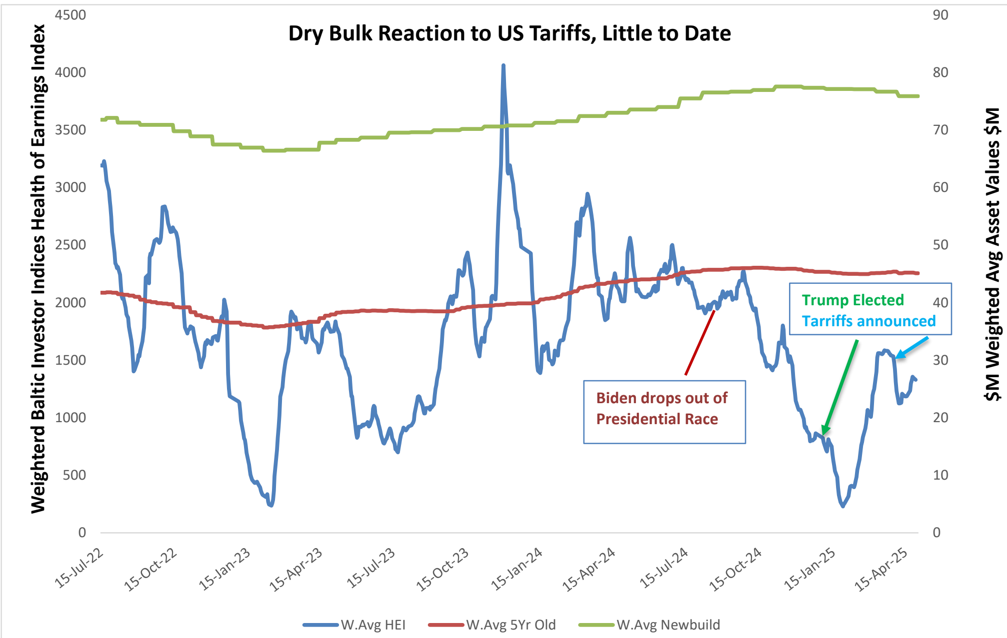


[1]

China relies on exports for economic growth. According to the World Bank, global consumption accounts for roughly 75% of gross domestic product (GDP), with the remaining 25% driven by

[1] National Bureau of Statistics, China - MacroMicro

investment. In China, consumption is only 54% of GDP, while investment accounts for 43%.[2] China has been facing varying degrees of price deflation for eight consecutive quarters. Just prior to the 90-day reduction in tariffs announced this week, fewer Chinese goods were being exported to the US, and some of those goods have been redistributed, often at heavy discounts, to the Chinese consumer.[3] Deflation is self-fulfilling; if prices are falling, the consumer waits for prices to fall further. Flooding the Chinese consumer with excess Chinese goods that cannot be exported - a Chinese consumer who has been reticent to spend with deflationary elements in the economy for over two years – can fuel deflation and pressure the labor market, further generating deflation. If China's exports are negatively impacted by sustained long-term tariffs, Beijing's 5% GDP growth target may be a chimera and its demand for dry bulk commodities will weaken.



The Baltic Exchange publishes the Baltic Investor Dry Health of Earnings Indices (BDHEI)[4] representing the ratio of earnings against running cost. In the above chart we look at the weighted average Baltic Investor Asset Values for Newbuilds and 5-year-olds. While asset values and freight rates have softened somewhat since the beginning of 2025, to date the data does not decidedly indicate a negative impact of the US tariffs.

[2] World Bank and Carnegie Endowment for International Peace

[3] Asia Times; "China's economy on cusp of deflationary death spiral", Nigel Green, 5th May 2025

[4] Dry sector health of earnings index. The average health of earnings of Cape (CDHEI), Panamax (PDHEI), Supramx (SDHEI) and Handysize (HDHEI) vessels. Health of earnings is an index representing the ratio of earnings against running cost. A negative number indicates that earnings are below operating costs.

Dry Bulk Freight Rates Continue To Challenge Cash Flows

Looking at the cash breakeven per day (daily OPEX, G&A, interest and amortization) for the larger dry bulk ship types, those with 50% debt leverage on a 5-year-old vessel have been burning cash.[5] Over the remainder of 2025, one can expect there will be some seasonal demand factors and the Simandou project coming on-line in Guinea over the second half of the year should be supportive of freight rates. Also, the US Tariffs, as evidenced by recent events, may be shorter-lived than feared. However, if US tariffs are sustained, China's exports will be under pressure (the US being 26% of global GDP cannot simply be "replaced"), the US and Europe may well go into recession and China's demand for dry bulk commodities will likely be soft. A recession can be offset by central banks lowering interest rates, helping those shipowners with leverage, but that may be too little to make a great impact.

50% Leverage, 5 Year Old	CAPESIZE	PANAMAX	SUPRAMAX
Cash Breakeven/Day	17,853	12,063	11,825
Spot TCE/Day 30 Day Avg	16,153	10,661	10,087
Cash Shortfall/Day	**(1,700)**	**(1,402)**	**(1,737)**
Quarterly Cash Burn	(155,090)	(127,964)	(158,541)

The Orderbook and Fleet Age Profile Offer Some Solace

The global dry bulk orderbook remains relatively low at 10% of the global fleet and the age profile indicates that, over the next three years, the percentage of the fleet over 20 years of age and nearing retirement will exceed the percentage of fleet 5 years old or younger. [6] Other factors have slowed ordering in recent years such as low freight rates, changing propulsion technology and increasing emissions standards. Yet the uncertainty driven by tariffs *vis-a-vis* the Chinese economic health should keep a damper on dry bulk ship orders over the period that trade deals are being negotiated.

[5] We assume a 5-year-old vessel purchase at today's asset values. Cash breakeven is computed as OPEX from the Baltic OPEX Assessments, plus estimated G&A expense, debt amortization, interest and fees. For debt, we assume 50% leverage with a 17-year amortization profile, SOFR of 4.33% and margin of 3%.

[6] Thurlstone Shipping, Dry Bulk Fleet Review, April 2025

Capesize Breakeven Sensitivity to Leverage and SOFR

		LEVERAGE			
		40%	50%	60%	70%
SOFR	5.00%	16,076	18,388	20,700	23,011
	4.50%	15,757	17,989	20,220	22,452
	4.33%	15,648	***17,853***	20,058	22,262
	3.50%	15,118	17,190	19,262	21,334

Panamax Breakeven Sensitivity to Leverage and SOFR

		LEVERAGE			
		40%	50%	60%	70%
SOFR	5.00%	11,107	12,351	13,596	14,840
	4.50%	10,935	12,136	13,338	14,539
	4.33%	10,877	***12,063***	13,250	14,437
	3.50%	10,591	11,707	12,822	13,937

Supramax Breakeven Sensitivity to Leverage and SOFR

		LEVERAGE			
		40%	50%	60%	70%
SOFR	5.00%	10,899	12,103	13,307	14,511
	4.50%	10,733	11,895	13,058	14,220
	4.33%	10,676	***11,825***	12,973	14,121
	3.50%	10,400	11,479	12,558	13,638 [7]

[7] We assume a 5-year-old vessel purchase at today's asset values. Cash breakeven is computed as OPEX from the Baltic OPEX Assessments, plus estimated G&A expense, debt amortization, interest and fees. We assume a 5 year old vessel, 17-year amortization profile, SOFR of 4.33% and margin of 3%.