Dry Bulk Shipping Market Overview & Outlook

US tariff increases drive weaker demand outlook

April 2025

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Supply/demand

Supply is forecast to grow 1.5-2.5% in 2025 and 2-3% in 2026. That is lower than fleet growth, due to slower sailing speed.

Demand is estimated to stagnate in 2025 and grow 1-2% in 2026. A change in US policy is affecting economic growth and curbing dry bulk cargo demand growth.

The supply/demand balance is expected to weaken in both 2025 and 2026. Consequently, freight rates and second-hand ship prices could soften.

We have assumed that ships will not be able to fully return to the Red Sea during 2025 and 2026. The full return of ships would be equivalent to a 2% decrease in ship demand.

Demand

China's GDP growth is forecast to slow to 4.0% in both 2025 and 2026, according to the IMF. Growth is expected to slow, due to tariffs, China's property crisis and deflation.

Iron ore shipments are forecast to stagnate 2024 to 2026. Chinese domestic steel demand is slowing, and exports are unlikely to fully compensate for it.

Coal shipments are estimated to fall by 4% between 2024 and 2026, due to rapid deployment of renewable energy capacity and higher domestic mining in importers.

Between 2024 and 2026, minor bulk shipments are expected to grow 4%. An increase in US tariffs is expected to lead to slower growth.

Supply

The fleet is expected to grow 5.7% between end 2024 and end 2026. The capesize fleet is expected to grow the slowest, due to low deliveries.

The dry bulk orderbook is equivalent to 10.3% of the current fleet. It is shrinking in size due to a recent drop in newbuilding contracting.

16.3m DWT are forecast to be recycled between 2024 and 2026. As market conditions worsen, recycling of older ships could increase.

Sailing speeds could slow by 1.5% between 2024 and 2026. Ships may slow down to save on fuel costs, as freight rates could weaken.

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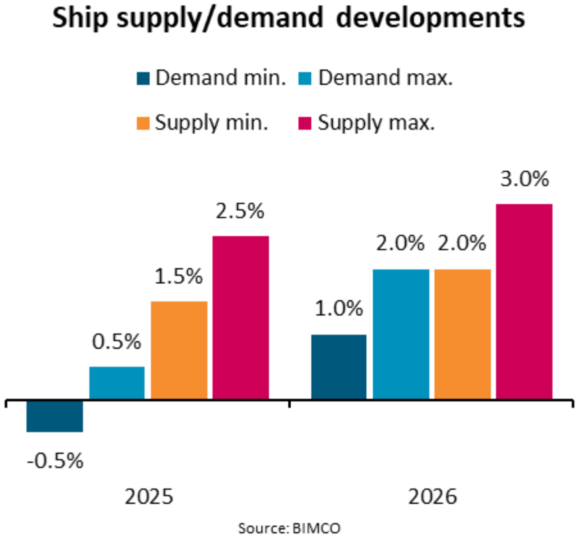
Supply/demand balance

We expect that the dry bulk market's supply/demand balance will weaken in both 2025 and 2026. We estimate that ship demand may stagnate in 2025 and grow 1-2% in 2026, whereas ship supply is expected to grow 1.5-2.5% in 2025 and 2-3% in 2026.

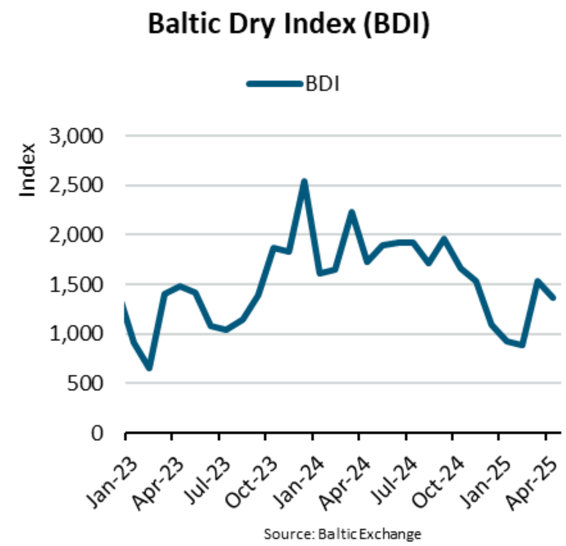


We have revised cargo demand growth down 0.5 percentage points in 2025 and 2026 since our last update, due to a change in US trade policy. The increase in tariffs by US president Donald Trump is expected to not only significantly impact economic growth in the US but also the global economy, notably China.

We estimate that **tariff increases by the US and China, in effect as of 25 April, are directly affecting 3% of global cargo volumes or 4% of tonne mile demand.** These cargoes are primarily transported by ships in the panamax, supramax and handysize segments.

In particular, the higher tariffs are expected to affect minor bulk cargo demand growth and could lead to a stagnation or decrease in shipments to the US. Chinese tariffs on US cargoes are disrupting coal and grain shipments. China is expected to increase purchases from other countries, while the US will seek alternative markets to China.

In this update, **we are assuming that ships are unable to fully return to the Red Sea during the current and next year** and reroutings via the Cape of Good Hope will continue**.** We have changed this assumption since our previous update, due to a deterioration in the geopolitical climate in the Middle East. The ceasefire in Gaza has come to an end and the US has initiated attacks on the Houthis. The full return of ships would be equivalent to a 2% decrease in ship demand. If this occurs, the demand outlook will be weaker than forecast.



The weaker supply/demand balance is expected to lead to **lower freight rates in 2025 and 2026 than in 2024**. So far in 2025, the

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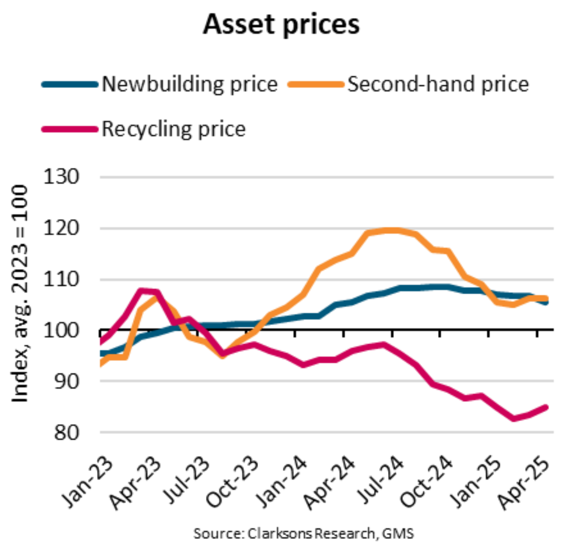
Baltic Dry Index (BDI) has fallen on average 36% y/y, due to a weakening in freight rates across all segments. The Baltic Capesize Index has dropped 43%, the most of all segments, as rates weakened from 2024 highs. Panamax freight rates have been weak since the second half of 2024, amid weak demand growth.

The outlook seems poorest for panamax freight rates, as over half of the cargo they transport is coal, and we currently forecast a decrease in coal shipments. Smaller segments could fare worse than in our previous update, due to weaker demand growth for minor bulk cargoes. Low fleet growth in the capesize segment could keep freight rates higher compared to other segments. However, they might not rise to 2024 highs, due to a weaker Chinese economy.

Forward Freight Agreements (FFA) indicate that the market expects **freight rates could increase for capesize ships during the rest of the year, compared to current levels**. They further indicate that panamax and supramax rates may marginally increase. However, the FFAs indicate lower rate levels than in 2024, especially for supramaxes.



Second-hand prices could weaken over the current and next year, together with freight rates. Since the start of the year, they have increased 0.8%. In April 2025, a five-year-old ship sold on average for 88.4% of the price of a newbuild.

Newbuilding prices have fallen 1.5% since the start of the year and we do not currently expect them to revert to previous highs. Over the past quarter, contracting from dry bulk and tanker sharply dropped, while container contracting slowed thus reducing the global order book and shipyards' forward cover.

Recycling prices may remain low amid strong low-price Chinese and Vietnamese steel exports to South Asia. However, Indian recycling prices could perform better, as the country imposed a 12% tariff on some flat steel imports in April.

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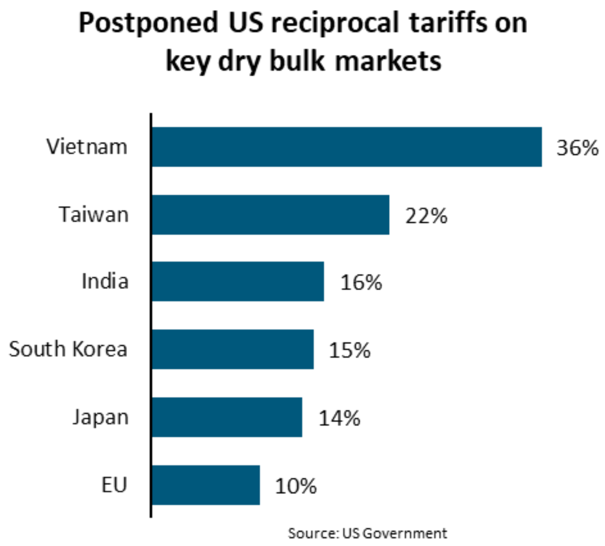
Macro environment

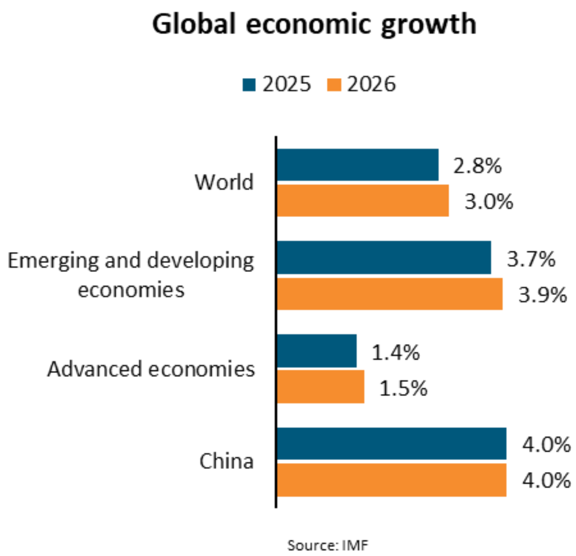
Since our last update, **there has been a deterioration in the economic outlook and an increase in uncertainty.**

Tariffs have increased, affecting not only economic growth, but also the dry bulk trade. The US increased tariffs on most imports, including a 25 percentage point increase on steel and aluminium and a 10 percentage point increase for most countries, or 145 percentage points for China, on several other dry bulk imports, including cement, aggregates and some fertilizers. In response, China increased tariffs on US imports by 125 percentage points.

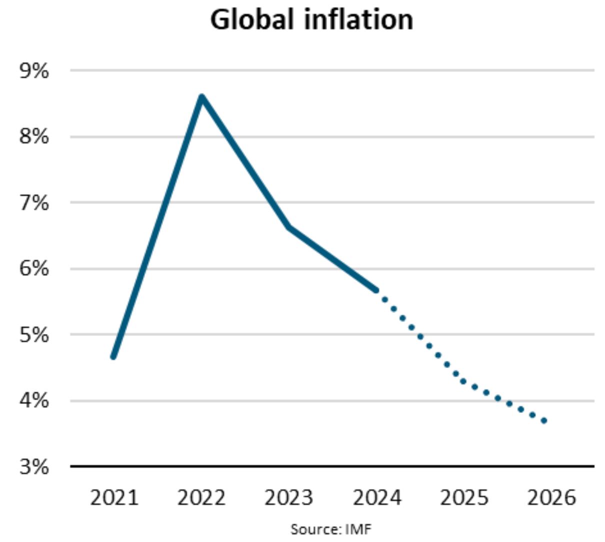
On 2 April, the US also announced “reciprocal tariffs”, which would be implemented on top of the 10 percentage point universal increase, on several countries with which it has a trade deficit. These were postponed by 90 days and several affected countries are currently attempting to negotiate an alternative deal with the US. Negotiations on the high tariffs between the US and China could also occur, as US president Donald Trump expressed interest in easing them, while China is considering a list of exemptions.



The International Monetary Fund (IMF) forecasts the **global economy** to grow by 2.8% in 2025 and 3.0% in 2026. This is a downward revision of 0.5 and 0.3 percentage points for 2025 and 2026 respectively due to a hike in tariffs by the US and high policy uncertainty. Consequently, global GDP is expected to grow significantly slower than the 3.7% average seen between 2010 and 2019.



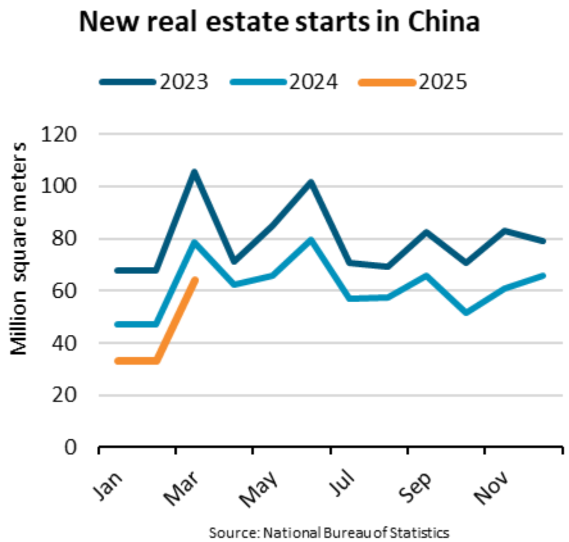
The IMF forecast was finalised on 4 April, following the announcement of “reciprocal tariffs” by US president Donald Trump. However, the forecast was published before the partial postponement of those tariffs by 90 days as well as the hike in tariffs between China and the US. The IMF has estimated that under more recent developments, the global GDP is expected to perform in line with their base forecast, though individual countries may perform differently.



Inflation is expected to continue decreasing, although it has been revised up by 0.1 percentage points for 2025 and 2026 due to tariffs. The IMF expects this will allow for interest rates to ease, especially in advanced economies.

China's GDP may not reach the government's growth target of 5% in 2025, despite a strong start when it grew 5.4% in the first quarter. The IMF cut its growth forecast for the Chinese economy to 4.0% for both 2025 and 2026, despite accounting for significant fiscal stimulus. Several other banks and investment houses, such as Goldman Sachs and Bank of America, have also cut their forecasts for China's GDP, to 3.8-4.2% in 2025 and 3.5-4.3% in 2026. UBS presents a more negative scenario, forecasting GDP to only grow 3.4% in 2025 and 3% in 2026, assuming China will not roll out new stimuli.

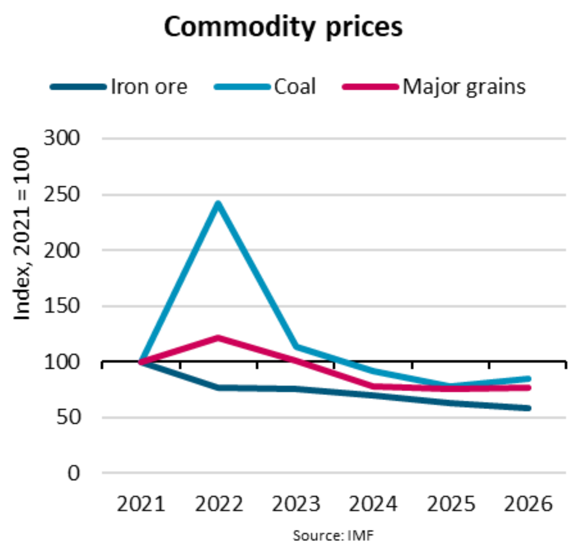
China must now contend with the negative economic impacts of its trade war with the US, which is expected to affect the manufacturing sector. The Chinese economy was already being pressured by a crisis in the property market and deflation. Activity in China's real estate sector has been decreasing for five consecutive years and new real estate starts have fallen 24.8% y/y during the first quarter of 2025.



The IMF forecasts the **Indian economy** to grow by 6.2% in 2025 and 6.3% in 2026. That is a downward revision of 0.3 and 0.2 percentage points in 2025 and 2026 respectively, due to a weaker global economy.

The **US economy** is forecast by the IMF to grow 1.8% in 2025 and 1.7% in 2026, a 0.9 and 0.3 percentage point cut since their previous update. The economic outlook has worsened amid greater policy uncertainty, trade tensions and weaker demand. The IMF also estimates a 37% chance that the US economy could go into recession this year.

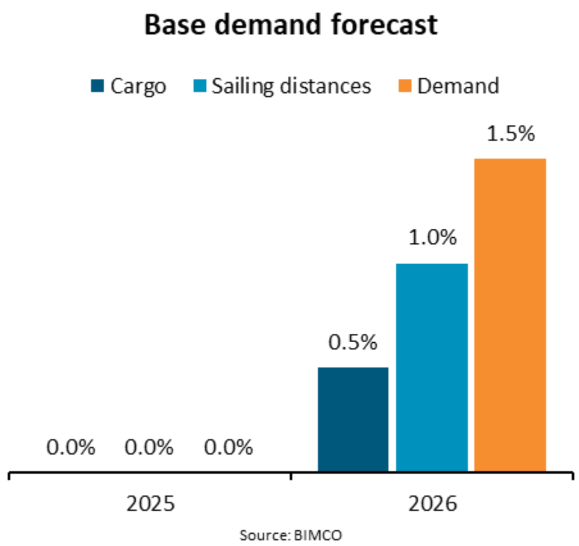
The USTR has decided to introduce **port fees on Chinese owners and operators entering US ports** and on Chinese built bulkers over 80,000 deadweight tonnes (DWT) arriving laden. While this measure will impact the competitiveness of Chinese owners and operators, it is not expected to significantly impact the dry bulk market's outlook. There are enough ships not built in China to handle US trade's 11.5% share of tonne mile demand.



According to the IMF, **prices for major dry bulk commodities** are expected to fall in 2025, but grain and coal prices could partially recover in 2026. During the first quarter of 2025, coal prices have fallen 21.3% q/q, the most of the three commodities. Import demand in China and India, the two largest importers, has been weak, pressuring prices.

Demand

We forecast **dry bulk demand** to stagnate in 2025 and grow by 1-2% in 2026.



Cargo growth is expected to stagnate in 2025 and grow up to 1% in 2026. Since our January update, we have revised it down by 0.5 percentage points for both 2025 and 2026, amid a weaker economic outlook and the impact of tariffs on global trade.

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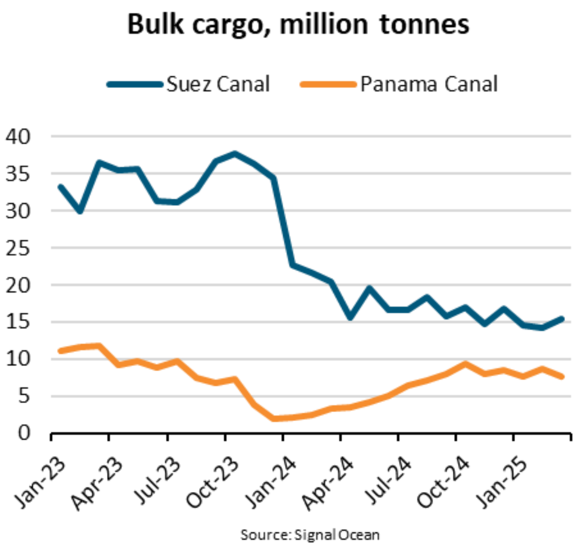
Average sailing distances are expected to remain stable in 2025 but lengthen 0.5-1.5% in 2026. In 2025, a higher number of ships transiting the Panama Canal is negatively impacting sailing distances. However, this is being compensated by stronger cargo loadings in the South Atlantic and a decrease in coal shipments, which sail for below average distances. In 2026, we expect to see an increase in sailing distances, driven by the start of Guinean iron ore exports from the Simandou project.

A reshuffling of trading partners due to tariffs could also impact sailing distances, both positively and negatively, depending on the commodity and the US' ability to find new markets for their exports. For now, we assess their overall impact on distances as residual.

Lastly, in our demand scenario, **we assume that ships are unable to fully return to the Red Sea** during the current year and next year, and will continue rerouting via the Cape of Good Hope. If instead ships fully return, we estimate it will be equivalent to a 2% decrease in sailing distances.



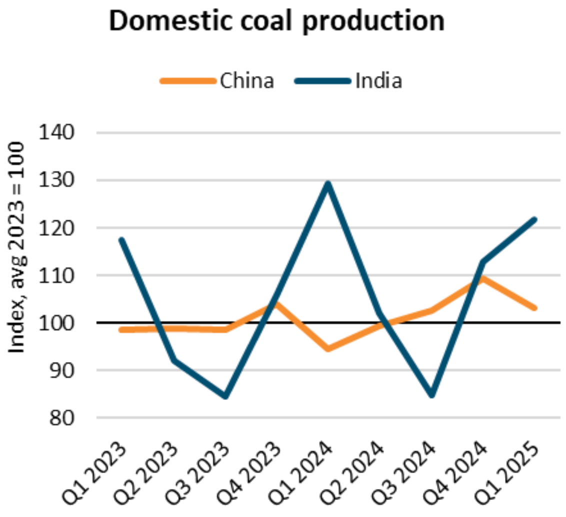
We estimate that **iron ore shipments** will stagnate in both 2025 and 2026.

China's domestic steel demand is expected to fall in 2025 and 2026, amid soft economic conditions. Construction activity in China, a key consumer of steel products, is expected to continue slowing over the next two years. Manufacturing could also slow down, due to high tariffs for Chinese goods in the US.

Chinese steel exports could continue growing, driven by rising demand in steel importers. However, an increase in trade barriers on Chinese steel products could slow growth. While stronger exports will support Chinese steel production, we do not expect these to mitigate the loss in domestic steel demand.

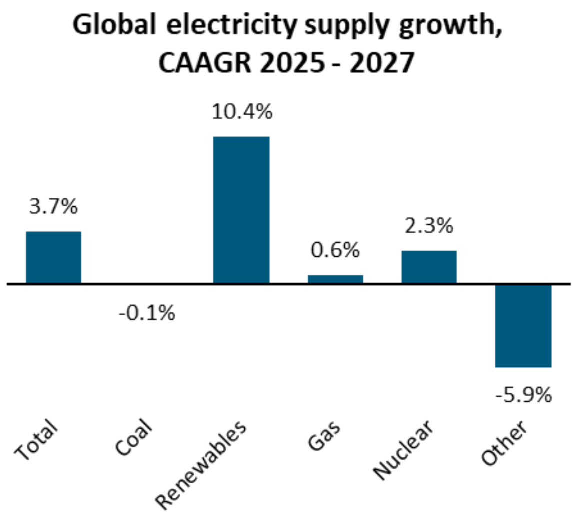
We expect that the **competitiveness of imports compared to domestic iron ore mining** in China may mean an upside for iron ore shipments, as Chinese ore is of lower grade. Significant expansions of mining operations are ongoing in Guinea, Brazil and Australia, which are expected to supply high quality competitively-priced ore. During the first quarter of 2025, Chinese iron ore mining fell by 11.7% y/y.

We forecast **coal shipments** to fall by 2-3% in 2025 and by 1-2% in 2026.



Source: NBS, India's Ministry of Coal

During the first quarter of 2025, coal shipments decreased 4.3% y/y, as high electricity generation from renewables and nuclear curbed import demand in all major markets. In China, coal production ramped up 9.2% y/y, further curbing import demand, while in India it fell 5.9% y/y.



Source: IEA, Electricity 2025

Until the end of 2026, we expect to see rapid global deployment of renewable electricity capacity, limiting growth in coal shipments. The IEA estimates that between 2025 and 2027, renewable electricity supply will grow on average 10.4% per year, the fastest of all sources. In China, coal demand is expected to stagnate, as renewables are estimated to cover electricity demand growth. In India, the deployment of renewables may not be fast enough to keep coal demand from growing. Furthermore, the expected end of La Niña could lead to a weaker monsoon in India, thus lowering electricity generation from hydro power.

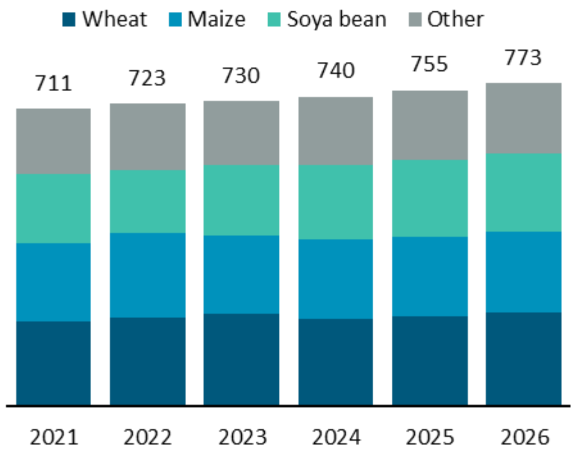
Coal mining is expected to keep growing in India and China, the two largest importers, negatively impacting shipments. The Indian ministry of coal has set a target to boost mining by 5.8% in the 2025/26 financial year and by 7.3% on average over the following five years. In China, a target has been set to mine 4.8bn tonnes of coal in 2025, equivalent to a 1.1% y/y increase.

Lastly, **Chinese tariffs on US coal** are expected to lead to a replacement of US volumes with cargoes from countries closer to home, such as

Indonesia, Australia, Mongolia and Russia. Given the ample global coal supply, the US could find it challenging to find alternative markets for its coal.

Grain shipments are estimated to grow 1.5-2.5% in 2025 and 2-3% in 2026, in line with USDA estimates.

Grain exports, million tonnes



Source: BIMCO, USDA

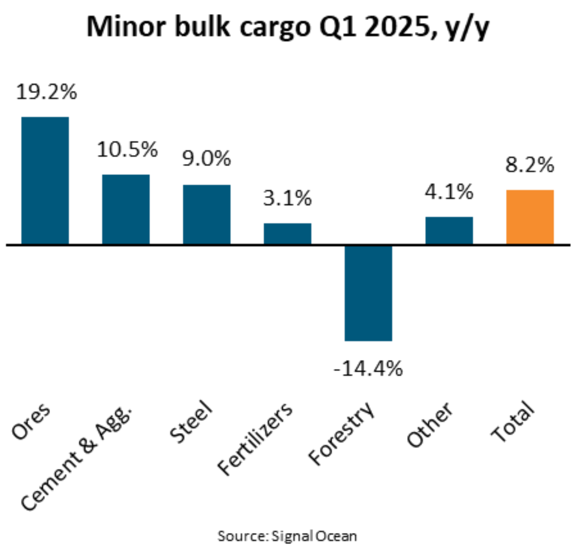
During the first quarter of 2025, grain shipments fell 7.2% y/y, amid low import demand from China. In 2024, the country's wheat and maize harvests reached record highs, trimming import demand. Soya bean shipments have remained stronger, with Chinese purchases of Brazilian cargoes ramping up since February.

The outlook for grain shipments will largely depend on the strength of China's harvests in 2025. The Chinese government has set a harvest target for the current year of 700 million tonnes, or approximately the size of last year's record harvest. Furthermore, China hopes to reach 745 million tonnes by 2030 in order to reduce dependence on imports. For now, China seems to be headed towards a strong wheat harvest, though conditions could still change, with maize and soya bean planting having only just started.

As long as **Chinese tariffs on United States grains** remain in place, we expect China to shift imports from US to other countries, including Brazil. Consequently, we expect that the US may boost shipments to other importers in Europe and Asia. However, finding alternative markets for soya beans may be more challenging, as China is the destination of 68% of global shipments.

Wheat shipments could drive grain shipments in 2025, as exports from Australia, Argentina and the US could increase. Even if Chinese import demand remains weak, demand from the Middle East is expected to keep growing. Soya bean and soya meal shipments from South America are also expected to increase, supported by stronger harvests on the continent.

Shipments of minor bulk cargoes are estimated to grow by 1-2% in 2025 and 2-3% in 2026. That is a downward revision of 1.5% for 2025 and 0.5% for 2026, due to higher tariffs and a weaker economic outlook for China and the US, the two largest importers of these cargoes. While we expect shipments into China to keep growing, US trade policy may cause minor bulk shipments to the US to stagnate or even fall.



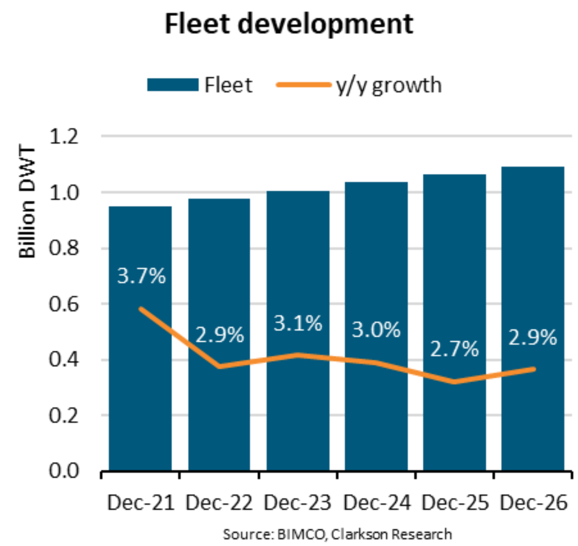
The US has imposed tariffs on several minor bulk cargoes, including a 25 percentage point duty on steel and aluminium and a 10 percentage point duty on cargoes such as cement, aggregates and some fertilizers. On the other hand, petcoke is the main minor bulk cargo affected by China's tariffs increase of 125 percentage points on US goods.

Over the current and next year, **we expect growth in minor bulk shipments to come primarily from shipments of ores, minerals and steel.** The energy transition is expected to support growth for all three cargoes. Furthermore, China's exports of low-price steel are expected to continue growing, despite an increase in import tariffs in several countries.

Supply

Dry bulk **supply** is forecast to grow by 1.5-2.5% in 2025 and 2-3% in 2026. An expected decrease in sailing speeds is keeping supply growth below fleet growth in 2025.

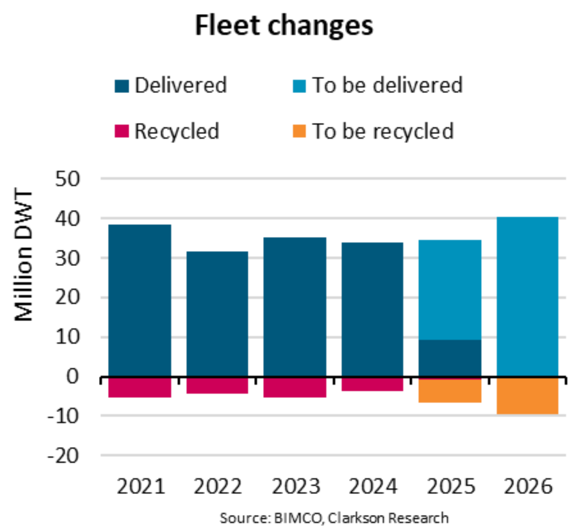
The monthly **dry bulk fleet** is expected to grow on average 2.8% in 2025 and 2.9% in 2026.



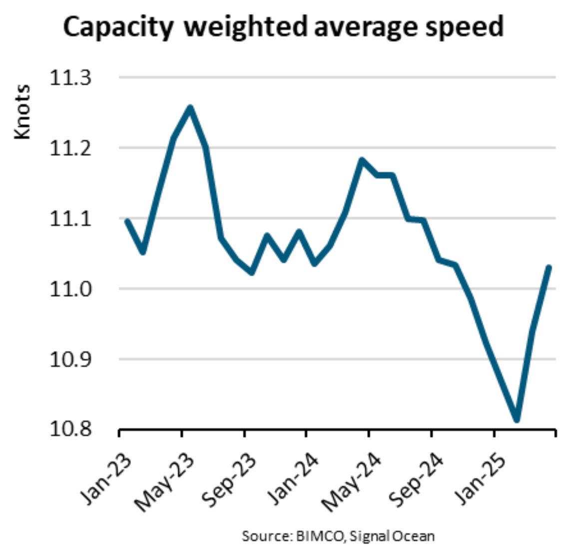
The **dry bulk orderbook** stands at 10.3% of the fleet, with 38.9% of the ordered ship capacity expected to be delivered after 2026. The orderbook has shrunk by 6.9%, since the start of the year, amid an 89.5% plunge in newbuilding contracting. Nonetheless, most ships contracted during 2025 and 2026 will only be delivered after 2026.

13% of ship capacity in the orderbook will be capable of using alternative fuels upon delivery, and an additional 14% will be ready for future retrofit. Out of the capable ships, 41% can use LNG, 37% methanol and the remaining 23% are expected to use ammonia.

We estimate ship **deliveries** to increase slightly, reaching 34.6m DWT in 2025 and 40.3m DWT in 2026. The panamax and supramax segments are projected to see the highest deliveries, accounting for 33% and 30% of capacity, respectively.



Ship **recycling** is forecast to increase amid a weaker supply/demand balance, reaching 6.6m DWT in 2025 and 9.7m DWT in 2026. respectively. Recycling may be highest in the panamax segment, amid high deliveries and a weak demand outlook.



Sailing speeds are estimated to fall 0.5-1.5% in 2025 and up to 1% in 2026, due to weaker market conditions. So far this year, a weakening in freight rates have led to a 1.7% y/y decrease in average speeds. Slower speeds allow for savings in fuel costs and for lower carbon emissions.

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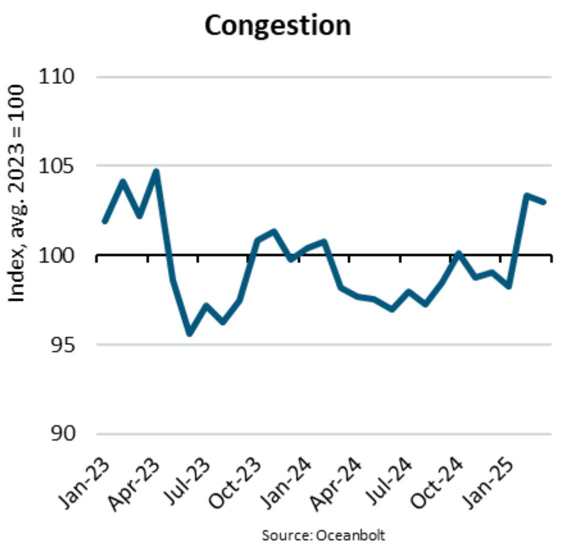

We expect **congestion** to remain stable in 2025, despite a pickup equivalent to 0.4% of supply during the first quarter. Congestion has increased for panamax ships in Brazil, due to strong grain shipments, and for supramax ships in Europe and Africa. During the rest of the year, we expect that congestion could ease as cargo demand remains weak.

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Contact

Niels Rasmussen
Chief Shipping Analyst
nr@bimco.org

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