

# Global Economy & Dry Bulk Outlook

## Dry Bulk Shipping

Outlook dry bulk

Coking coal

Crude steel production

Import & Export



## China & Global economy

Trends and forecasts

Iron ore

Economic indicators

Iron ore resources

Two year outlook



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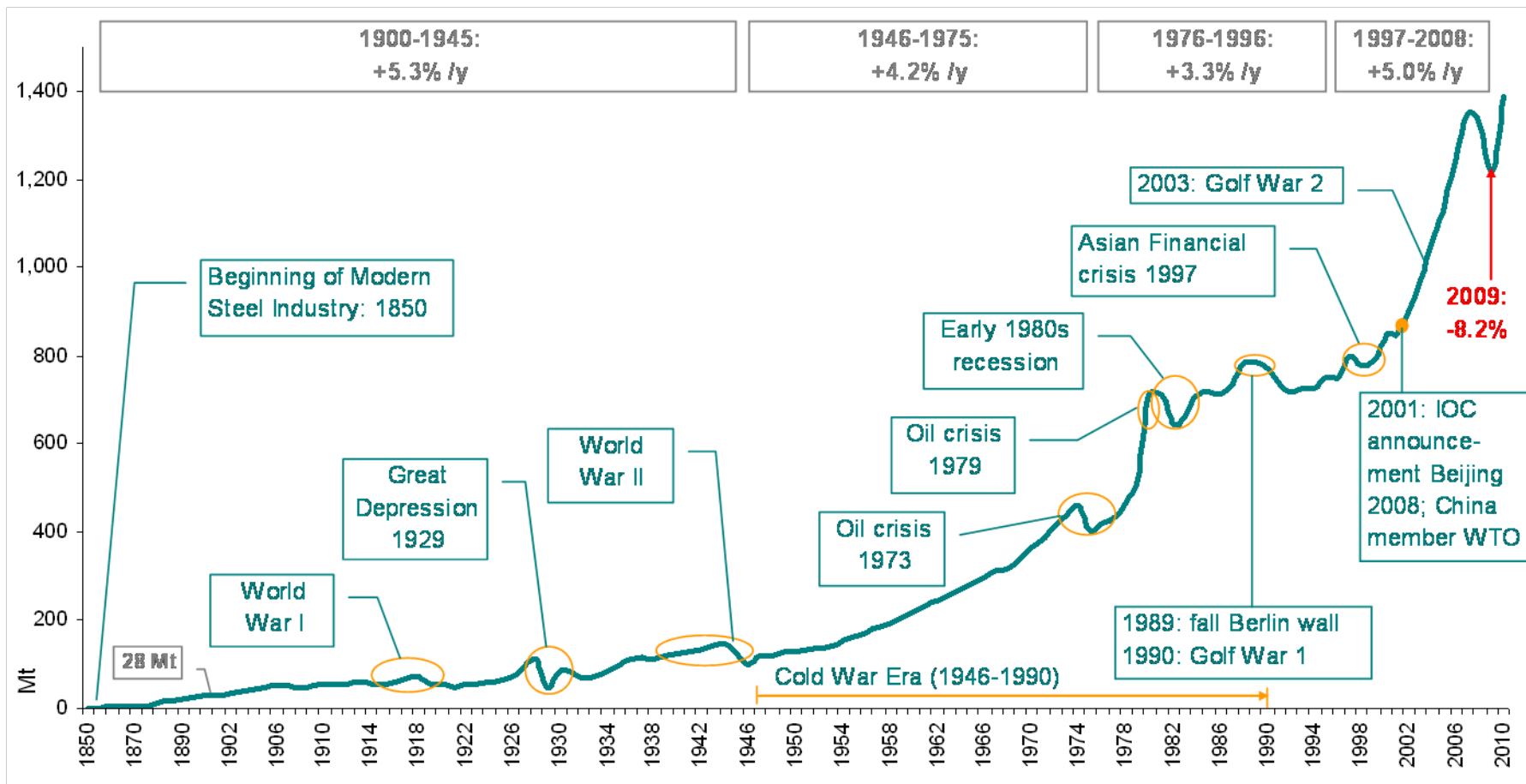
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[www.abnamro.nl/nl/zakelijk/service/publicaties/economisch\\_bureau.html](http://www.abnamro.nl/nl/zakelijk/service/publicaties/economisch_bureau.html)

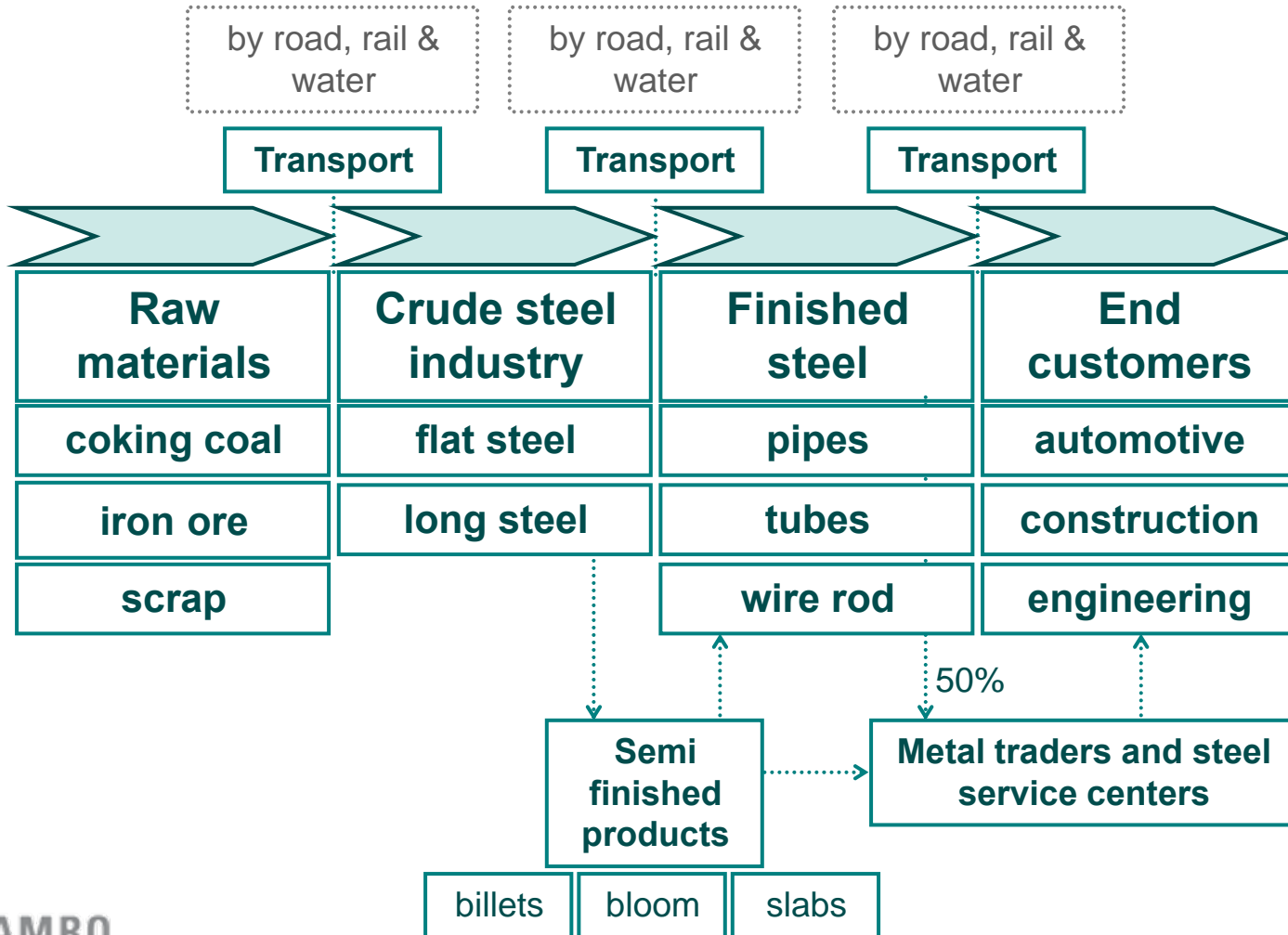
# Global crude steel production

- ▶ Crude steel production decreased -8.2% in 2009 (yoy)
- ▶ For 2010, ABN AMRO expects steel production to increase by 14% (yoy), to 1,390 Mt



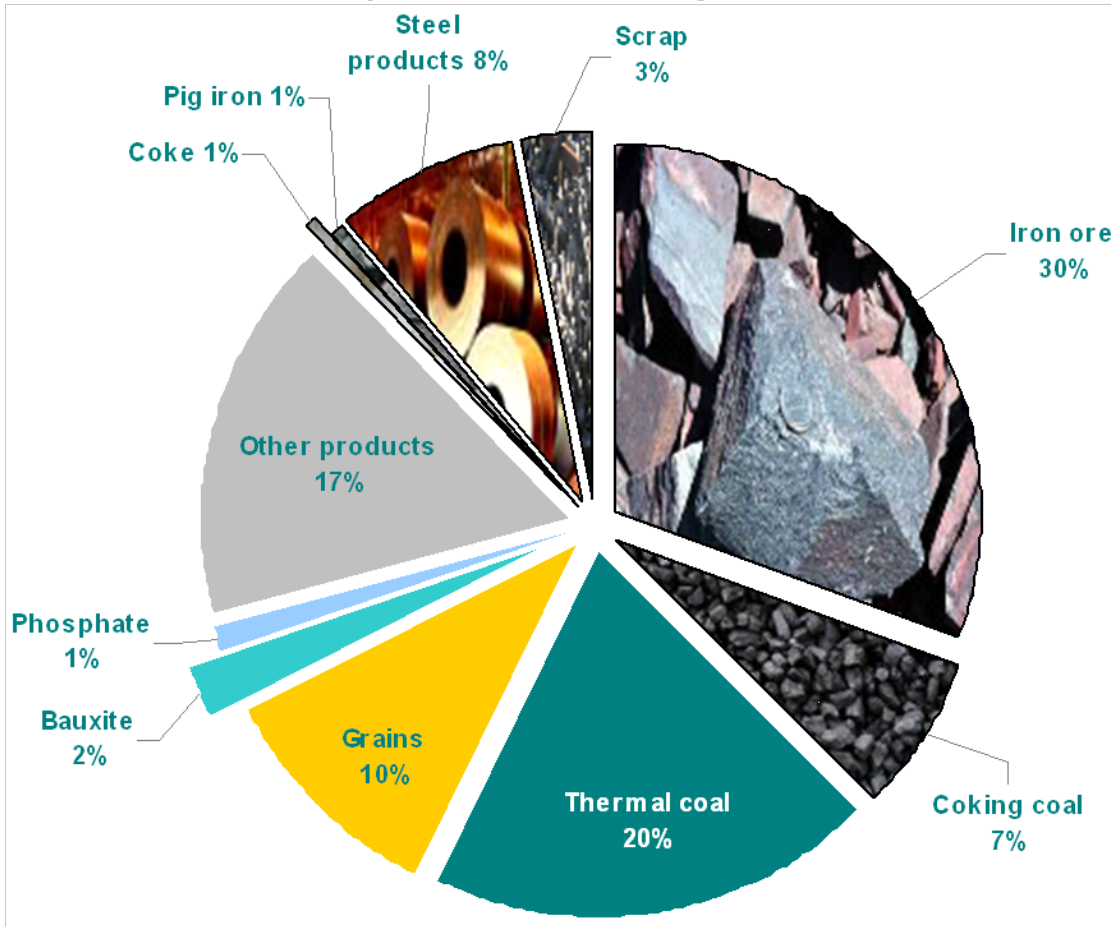
# Ferrous industry value chain

- Nearly all steel industry related materials are relevant for the shipping industry



# Worldwide dry bulk trade

- ▶ 50% of total dry bulk trade is ferrous industry related (coal, steel, iron ore, scrap)
- ▶ 21% of total dry bulk trade is agri business related (grains, sugar, forest products)



## - Major Coal trade flows:

- Aus – Japan
- S. Africa – W.EU
- China – S.Korea
- Colombia – W.EU
- China – Japan

## - Major Grain trade flows:

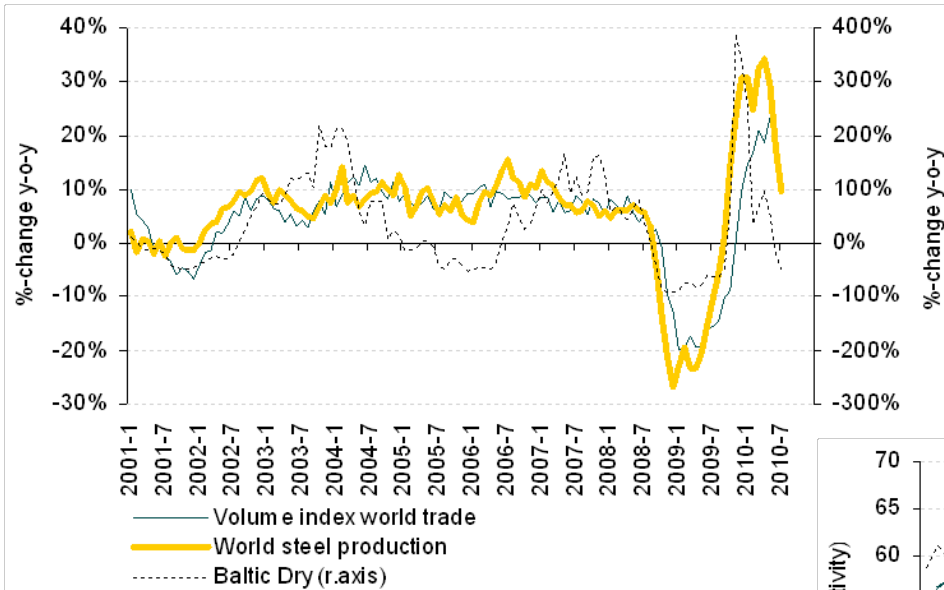
- US Gulf – Lat. Am
- US Gulf – Japan
- US Gulf – Asia
- Argentina – Brazil

## - Major Iron ore trade flows:

- Aus – China
- Aus – Japan
- Brazil – China
- Brazil – W.EU

# Global economy and dry bulk commodities

## ▶ Leading indicators and world steel production:



## ← World steel, world trade and Baltic dry

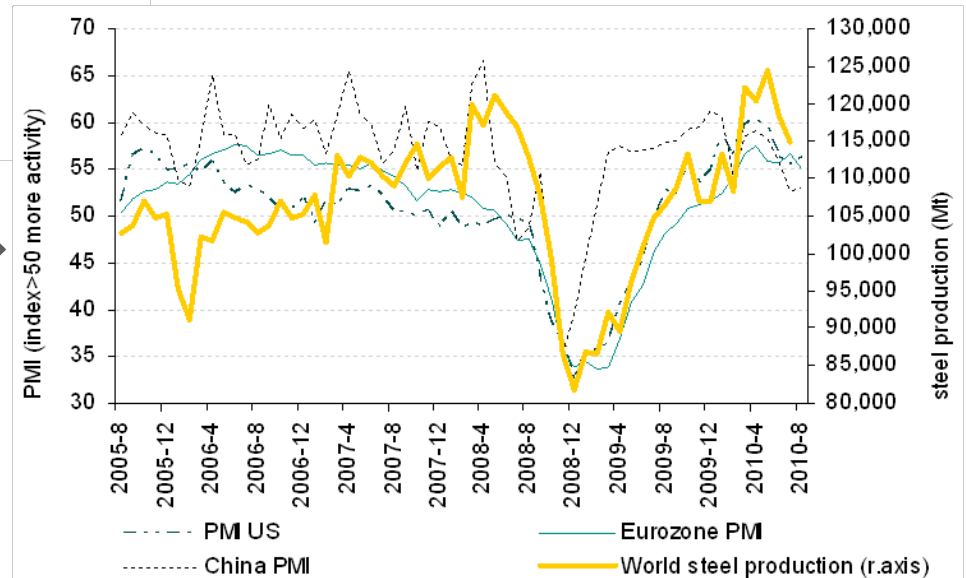
Correlation:

- Steel production and trade volume = 0.83
- Steel production and Baltic Dry = 0.60

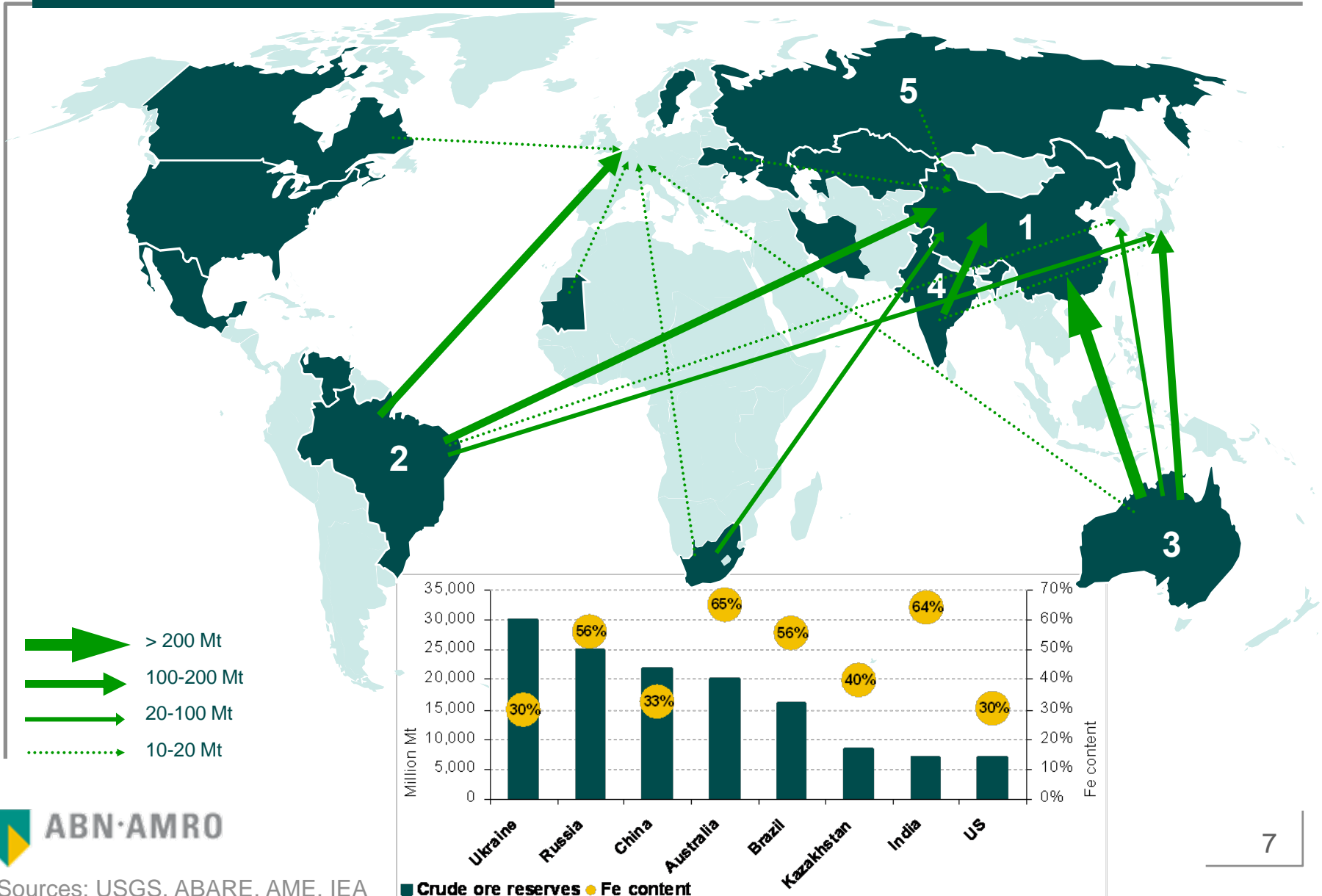
## World steel and regional PMI's →

Correlation:

- PMI US and steel production = 0.57
- PMI EU and steel production = 0.60
- PMI China and steel production = 0.43

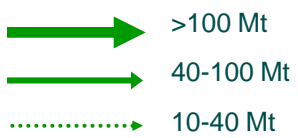
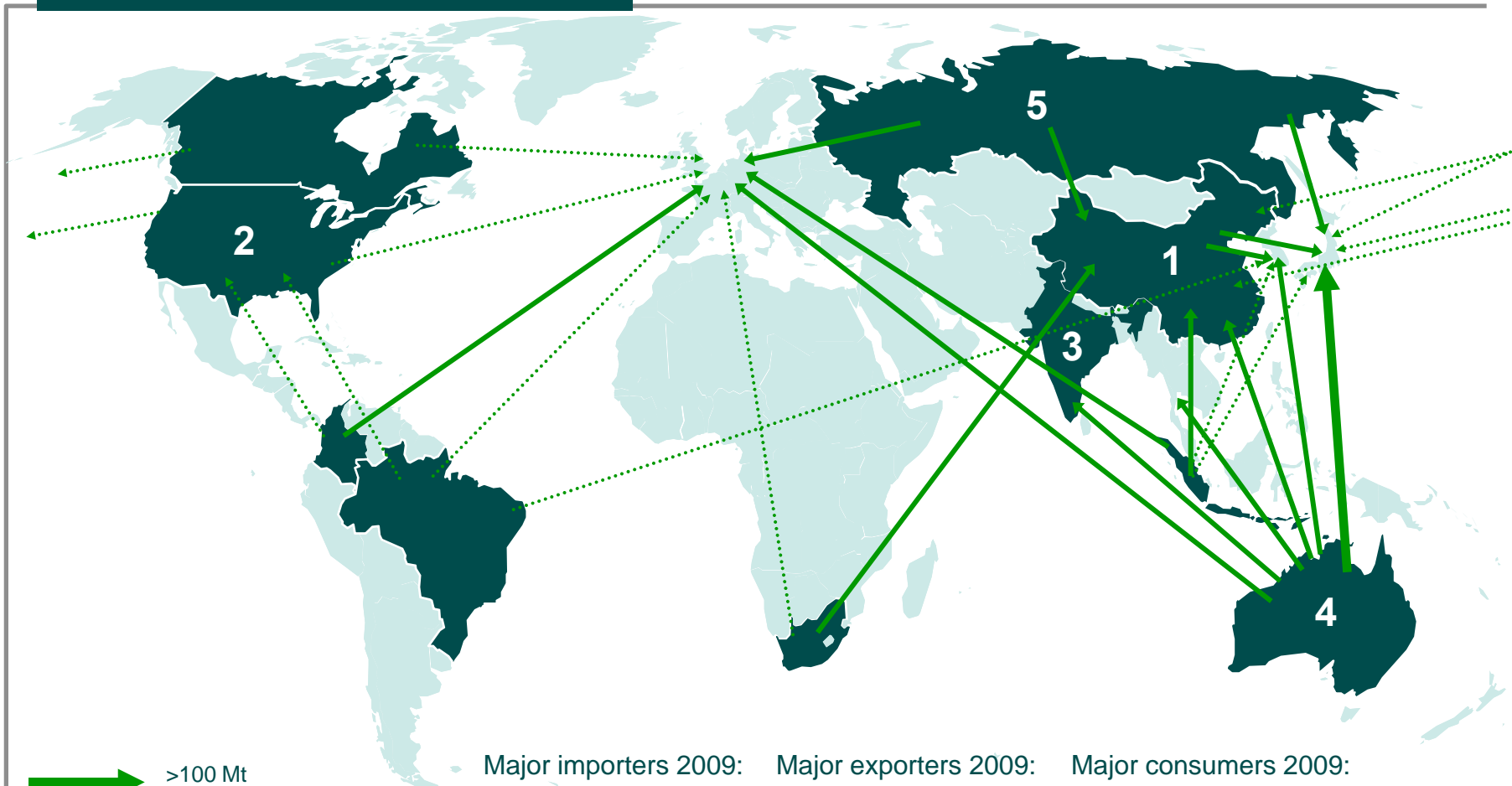


# Iron ore & major trade flows





# Coal & major trade flows (both thermal and coking)



**Major importers 2009:**

- 1) Japan
- 2) **China**
- 3) South Korea
- 4) India
- 5) Chinese Taipei

**Major exporters 2009:**

- 1) Australia
- 2) Indonesia
- 3) Russia
- 4) Colombia
- 5) South Africa

**Major consumers 2009:**

- 1) **China**
- 2) US
- 3) India
- 4) Russia
- 5) Germany



# An important question is ...

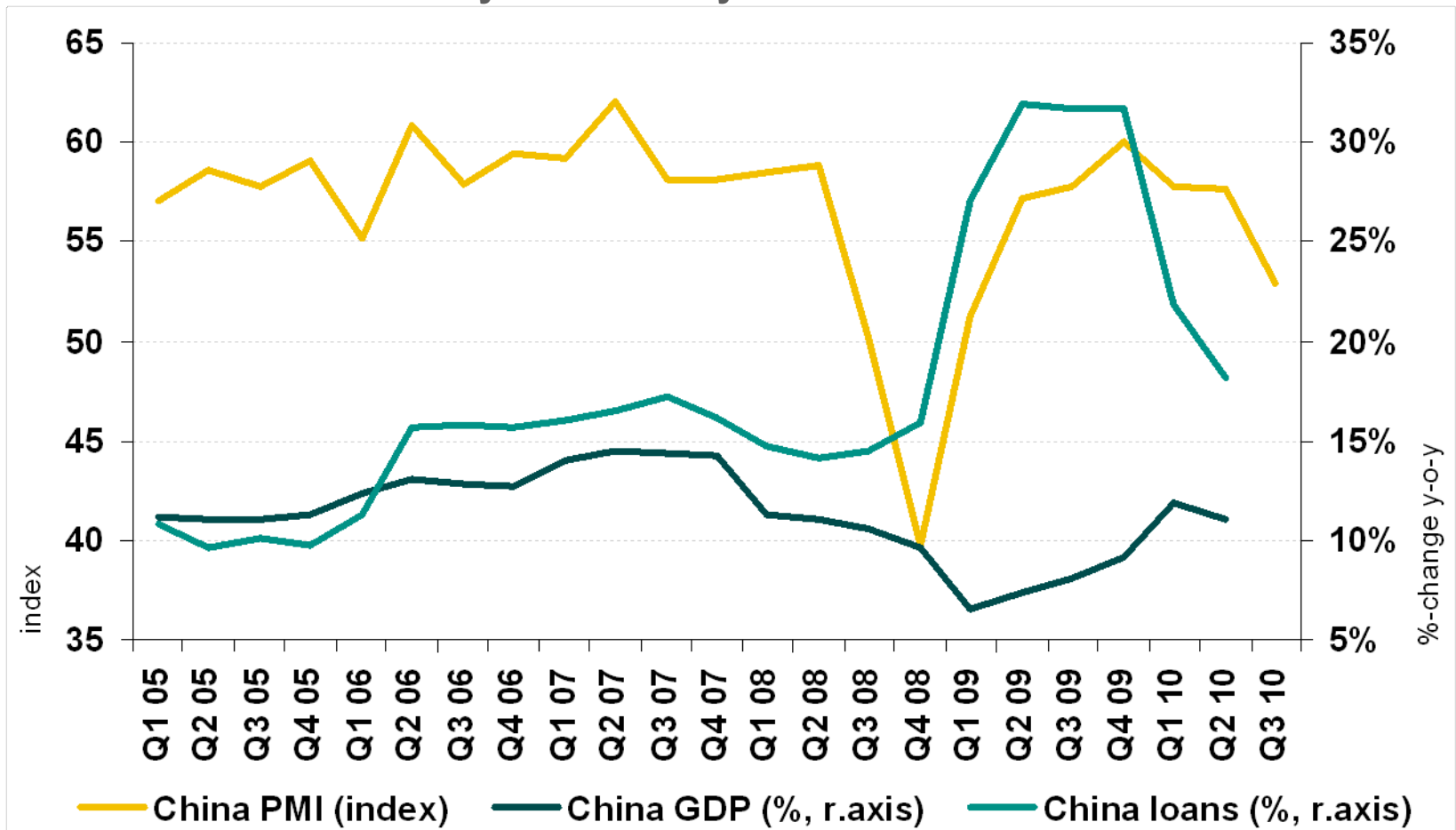
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**What about China?**

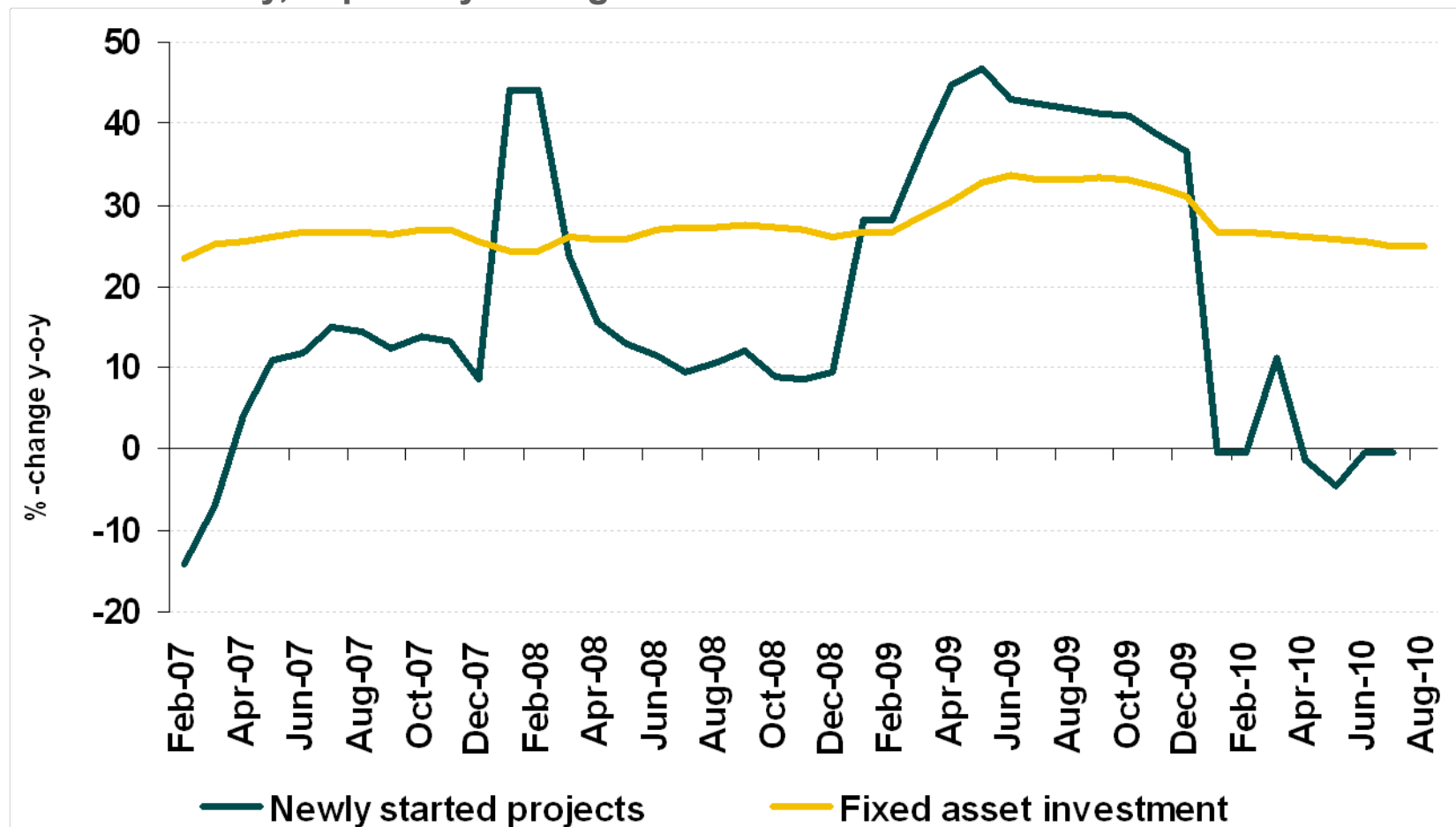
# ABN AMRO view on China (1)

- ▶ Stimulus packages ended and Chinese government is taking serious measures to cool down the economy in an orderly fashion



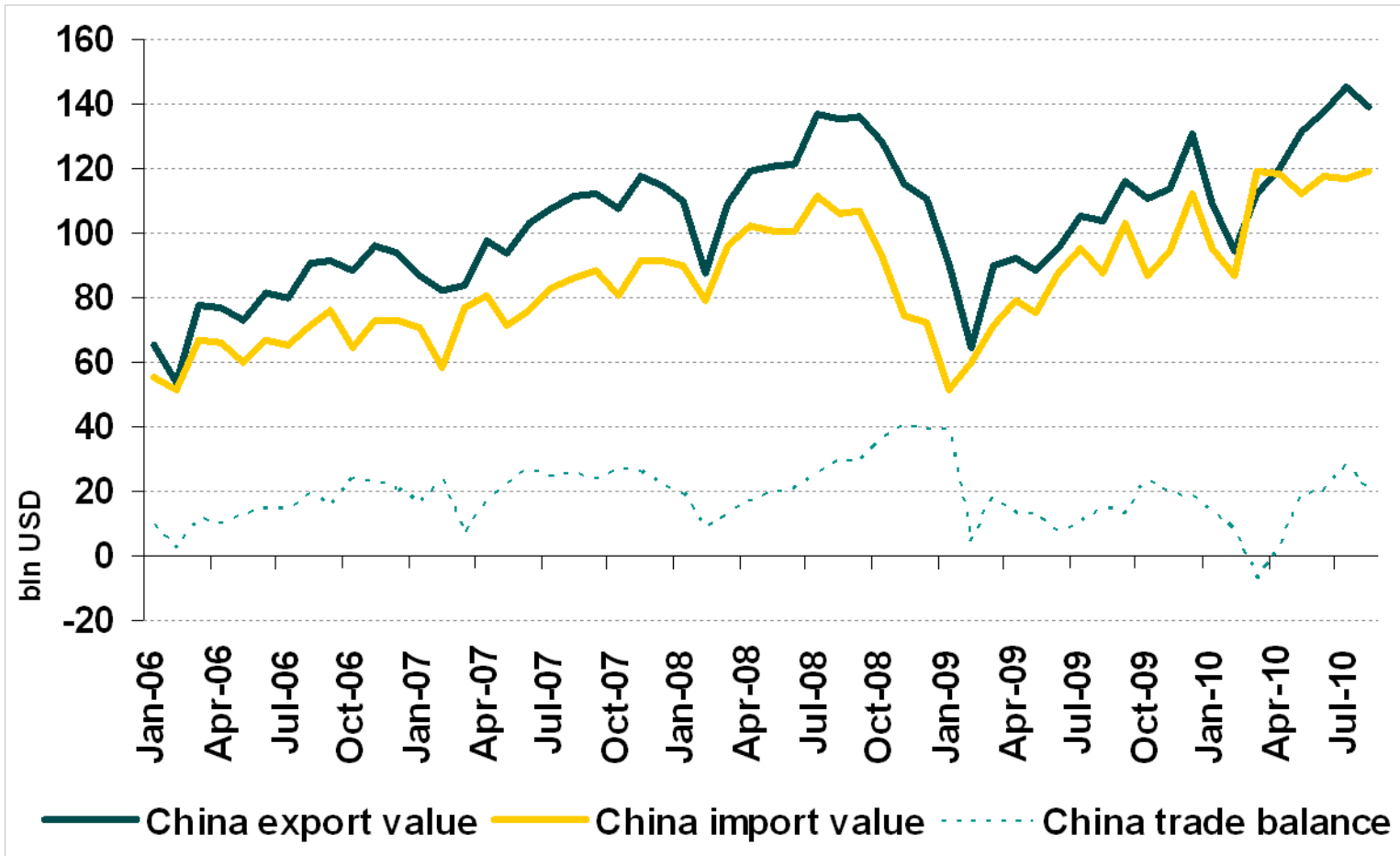
## ABN AMRO view on China (2)

- ▶ The central economic goal of the Chinese government this year is to get a grip on the economy, especially through the level of fixed investments in construction



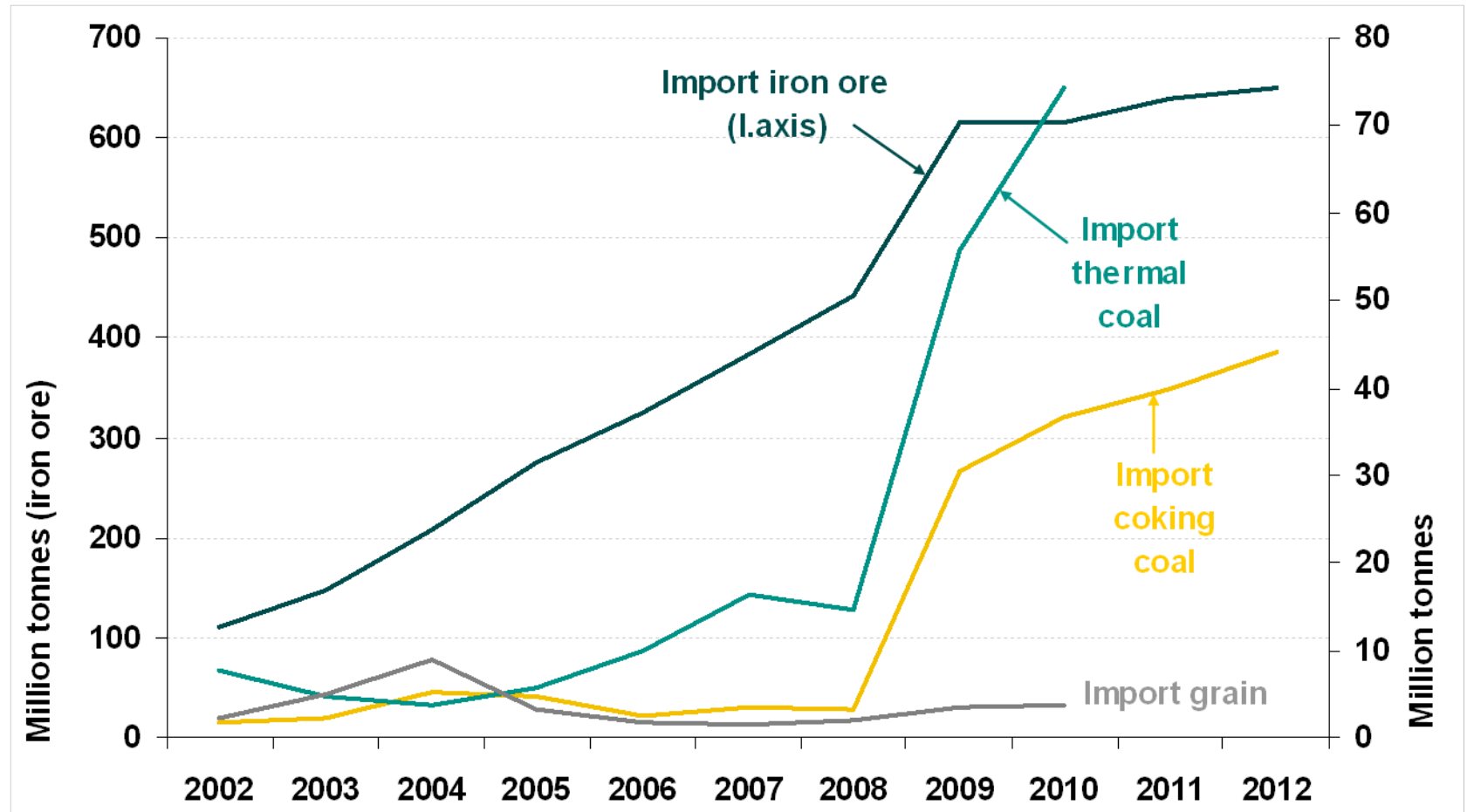
# ABN AMRO view on China (3)

- ▶ China's trade surplus narrowed as imports increased slightly, while exports slowed somewhat in August 2010



# China & Dry bulk trade 2000-2012

- ▶ Shut down of many small coal mines in China makes steel producers more dependent on foreign coking coal



# Expectations ABN AMRO

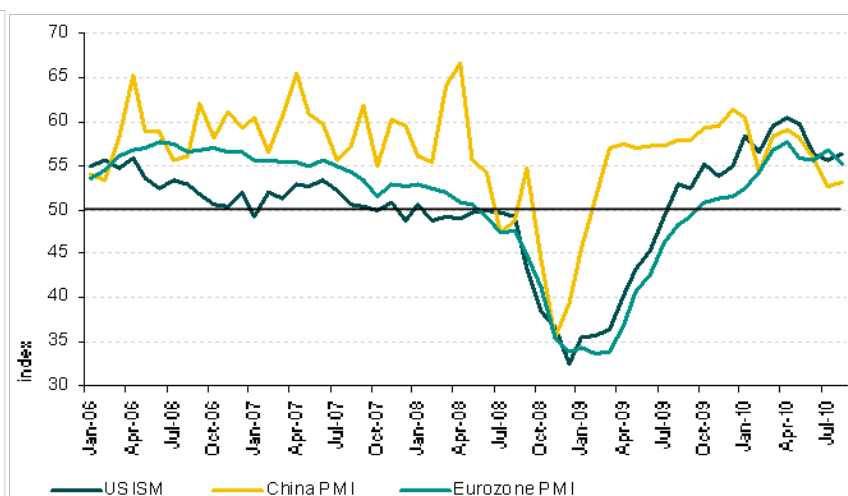
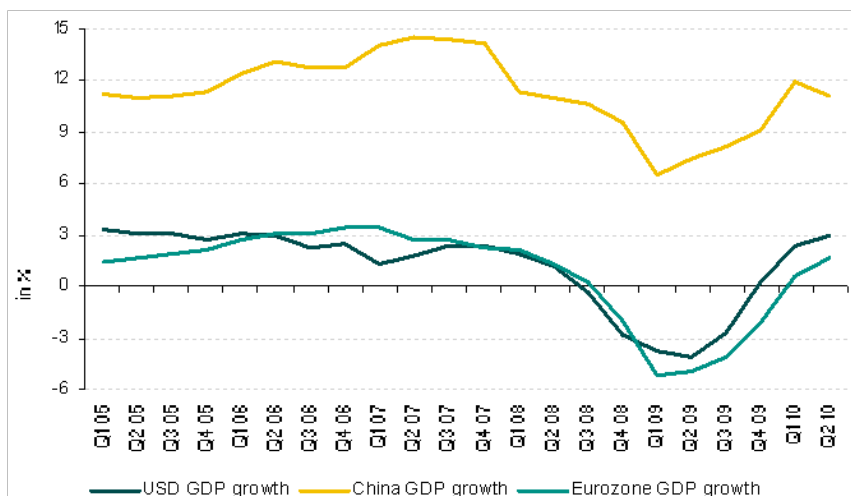


## The road ahead

view ABN AMRO on global dry bulk market until 2012

# ABN AMRO view on global economy

- ▶ Recovery global economy continues, with China leading the way forward
  - while the Eurozone recovers slowly, in China and the US the leading economic indicators suggest further recovery

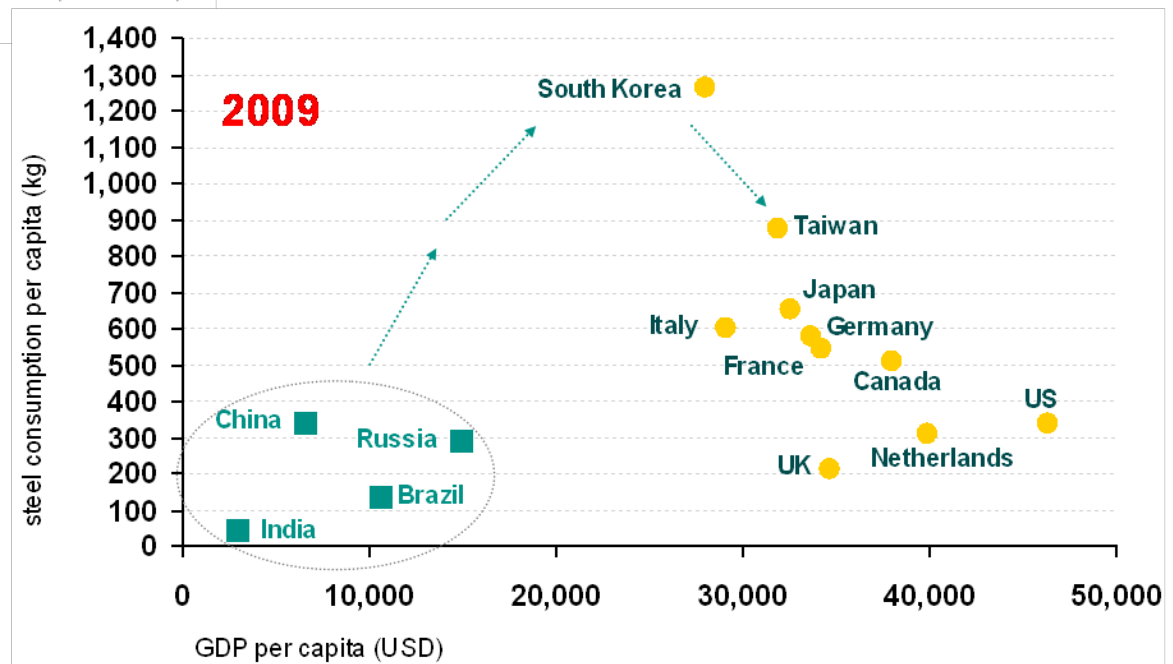
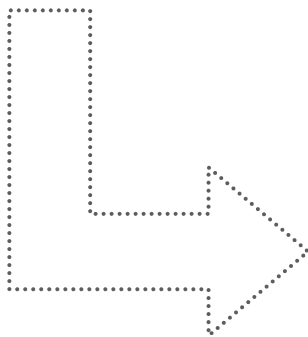
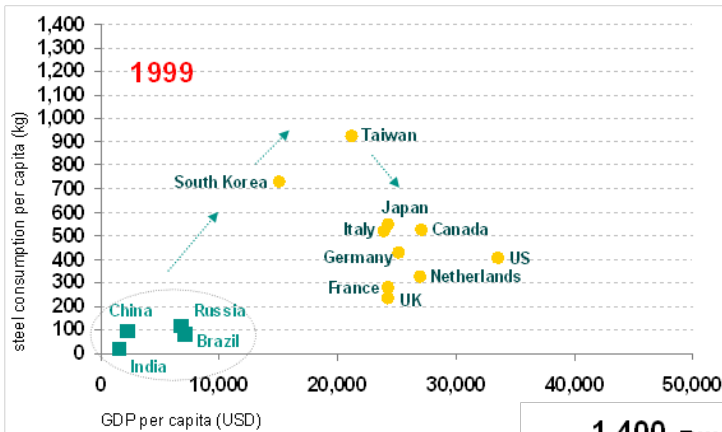


	GDP growth (% yoy)				Inflation (CPI, % yoy avg)				GDP EUR bn
	2008	2009	2010	2011	2008	2009	2010	2011	2009
<b>US</b>	0.5%	-2.4%	2.8%	2.8%	3.8%	-0.3%	1.5%	1.5%	10,223
<b>China</b>	9.0%	8.7%	10.5%	9.4%	5.9%	-0.7%	3.2%	3.0%	3,521
<b>EU</b>	0.6%	-4.1%	1.6%	1.5%	3.3%	0.3%	1.7%	1.8%	9,266
<b>World</b>	3.0%	-0.6%	4.6%	4.1%	5.7%	2.3%	3.5%	3.3%	48,180

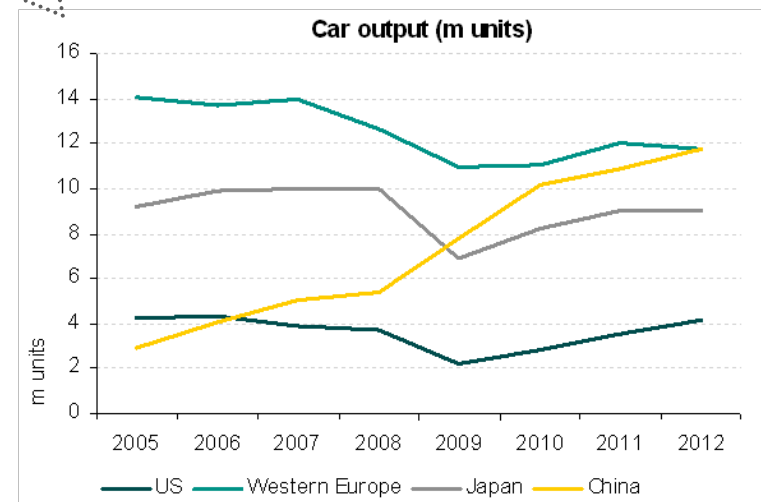
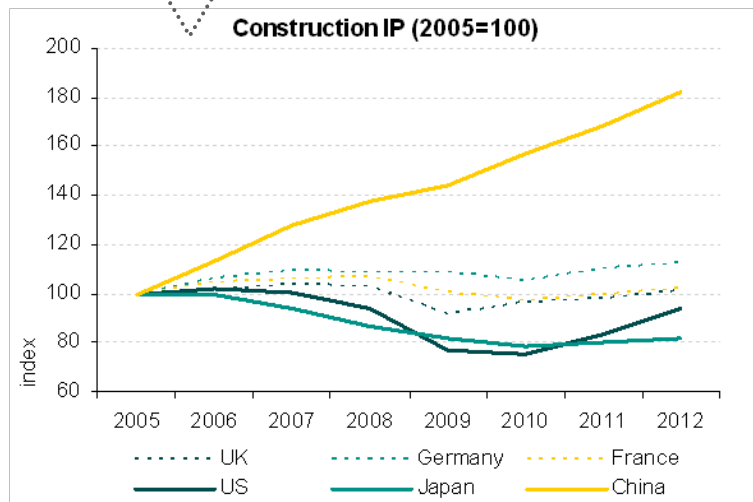
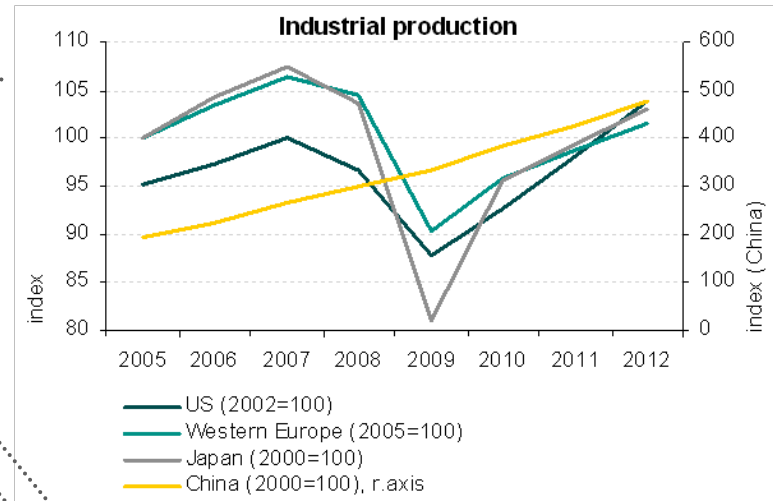
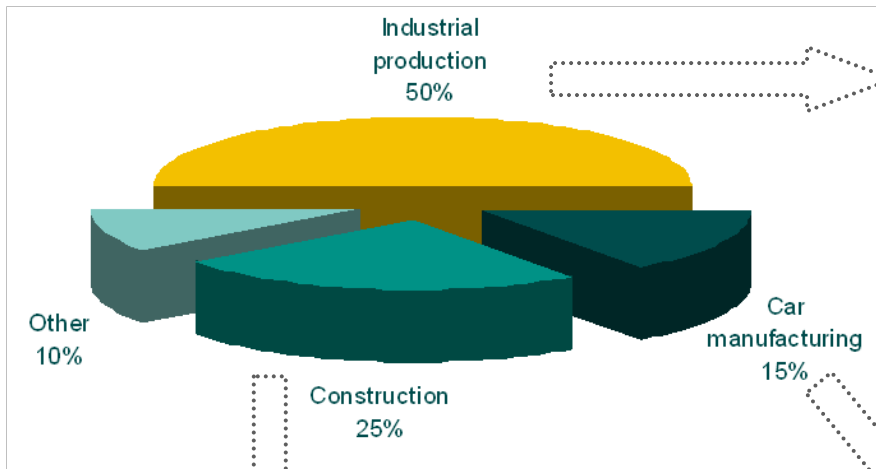


# Development of emerging countries

► China and other emerging countries (e.g. BRIC) are far from done growing!

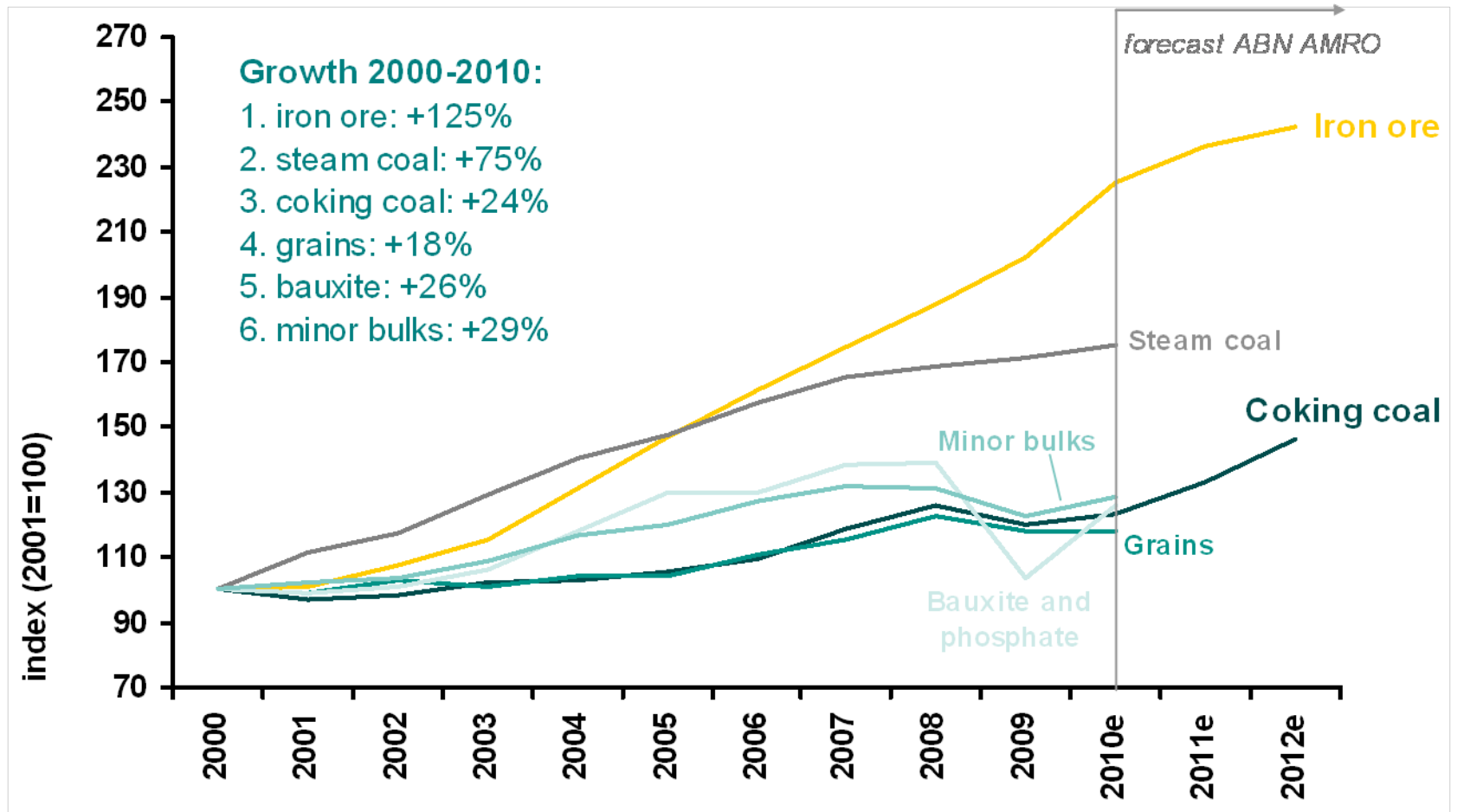


# Expectations in global steel end user markets



# Global Dry bulk trade 2000-2012

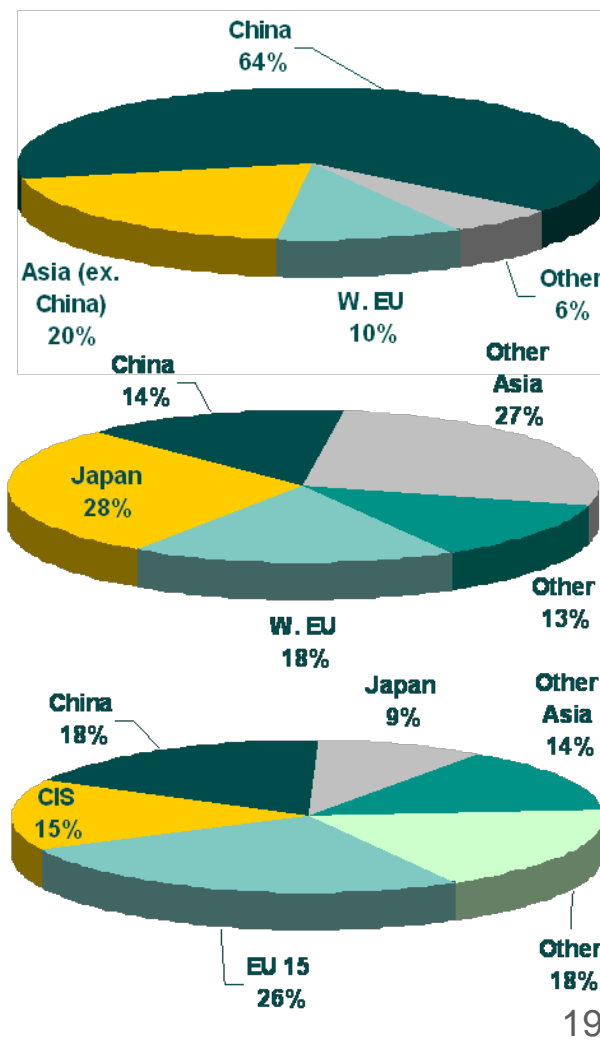
- ▶ Growth in all dry bulk commodities, especially in steel raw materials



# ABN AMRO view on Dry Bulk Market

	2011 (%-growth y-o-y)	2012 (%-growth y-o-y)
<b>▶ Iron ore:</b>		
Import into China	<i>positive</i> 5-10%	<i>positive</i> 5-10%
Import into EU	<i>neutral - positive</i> 0-5%	<i>positive</i> 5-10%
<b>▶ Coking coal:</b>		
Import into China	<i>positive</i> 5-10%	<i>positive</i> 5-10%
Import into Japan	<i>neutral - positive</i> 0-5%	<i>neutral - positive</i> 0-5%
<b>▶ Steel products:</b>		
Export from Asia	<i>neutral - positive</i> 0-5%	<i>positive</i> 5-10%
Export from EU (15)	<i>positive</i> 5-10%	<i>neutral - positive</i> 0-5%

Share seaborne trade 2010:



# End of presentation

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