Bulker shipping faces tough year as China's manufacturing sector weakens

The bulker shipping sector faces a challenging outlook, with stagnating demand and an influx of new vessels after multiple years of low inflow keeping rates depressed. The crucial Chinese economy is experiencing slower growth in manufacturing, and construction and is beginning to move away from increasing coal usage

Staff cleaning the cargo hold in a bulk carrier

The dry bulk market has lost momentum on weak industrial demand

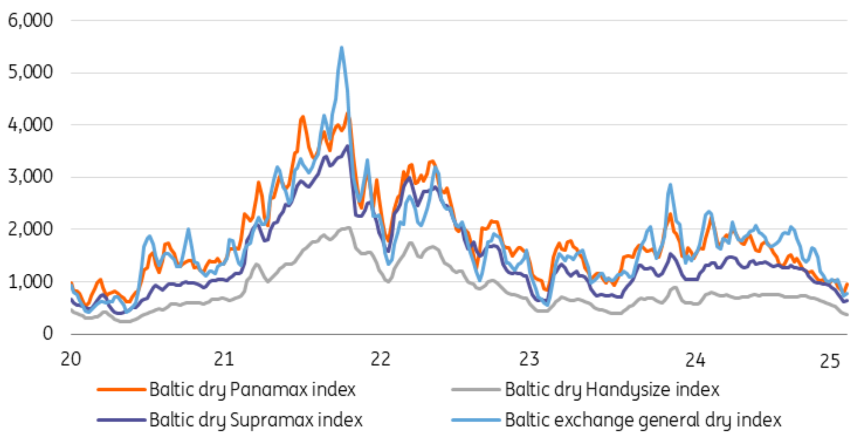
The dry bulk sector, which handles a diverse mix of commodities, has recently lost momentum. In February 2025, the Baltic Dry Index dropped to its lowest level since early 2023, far below the highs of 2021-22.

Dry bulk trade demand has slumped due to weak industrial activity in Europe and China. Reduced demand for steel from the construction sector and tempered manufacturing activity have weighed on the demand for iron ore. Meanwhile, steel demand in India and other emerging countries is rising, pushing the expected global average steel production to an anticipated 1% annual growth.

On average, we expect dry bulk trade demand to grow slightly in 2025, with much more uncertainty for 2026. Given the current backdrop, freight rates for smaller, more flexible bulk carriers, including handysize and supramax, are expected to remain the most resilient.

Dry bulk freight rates under significant pressure

Baltic dry (rate) indices bulk vessels



Source: Clarksons, ING Research

Energy transition starts to weigh on dry bulk shipping

Although China accelerated the development of new coal-fired plants in 2024, the energy transition is slowly starting to impact the bulker sector. Demand is trending down in advanced economies but growing in emerging economies, including India. China still consumes more than half of the global coal supply, with 85% used in coal-fired plants for electricity. Rapid electrification (e.g., of its car fleet) and overall power demand growth still require coal demand to grow despite its fast-growing green energy supply. However, large stockpiles in Chinese ports weigh on short-term demand.

A smaller dry bulk segment – grains (accounting for 5.8% of global trade volume) – is exposed to weather conditions and harvests, as well as trade policy. A larger population drives up demand, but potential import tariffs could shift trades from the US and China to countries like Brazil. On average, the trade volume in ton-miles is expected to grow by 2% in 2025.

New capacity meets demand growth – future coal decline weighs on Capesizers

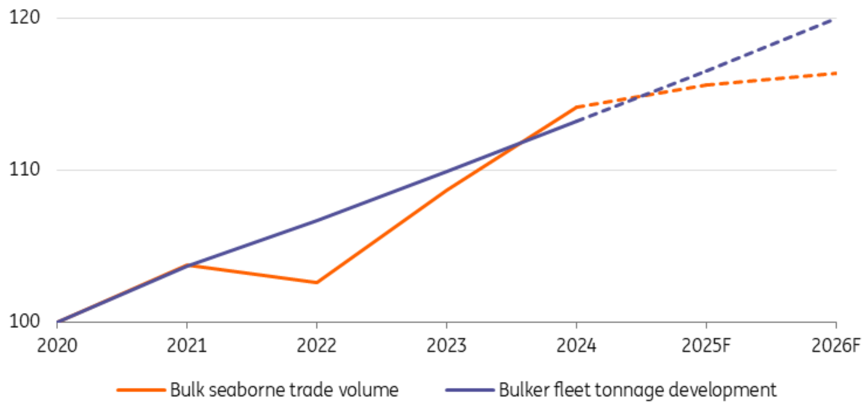
The order book for bulk shipping has been significantly more manageable in recent years compared to 15 years ago. However, new orders have picked up momentum, such as the 42 bulk carriers from Cosco.

In 2025, dry bulk trade growth is expected to drop below the new tonnage coming online. Average vessel occupation rates are already trending lower, despite longer journeys, signaling a weakening market balance.

Remarkably, new-build prices have shown resilience and trade above previous levels. Last year saw a significant merger between Star and Eagle Bulk, creating one of the largest shipping companies alongside Berge Bulk and Global Ocean Group. However, fleet ownership remains diverse.

Bulk carrier tonnage to surpasses bulk trade volume growth again

Bulk carrier fleet (DWT*) vs. bulk trade volume growth, index 2020 = 100



Source: Clarksons, ING Research

*dead weight tonnage

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