

Demolition rates hit lowest point for nearly two years

The tankers market is closely watching scrapping activity after digesting huge volumes of newbuilding VLCCs and suezmaxes during the first half of 2019. Now the plunge in demolition payments is further jeopardising recovery in tanker rates

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by Michelle Wiese Bockmann |

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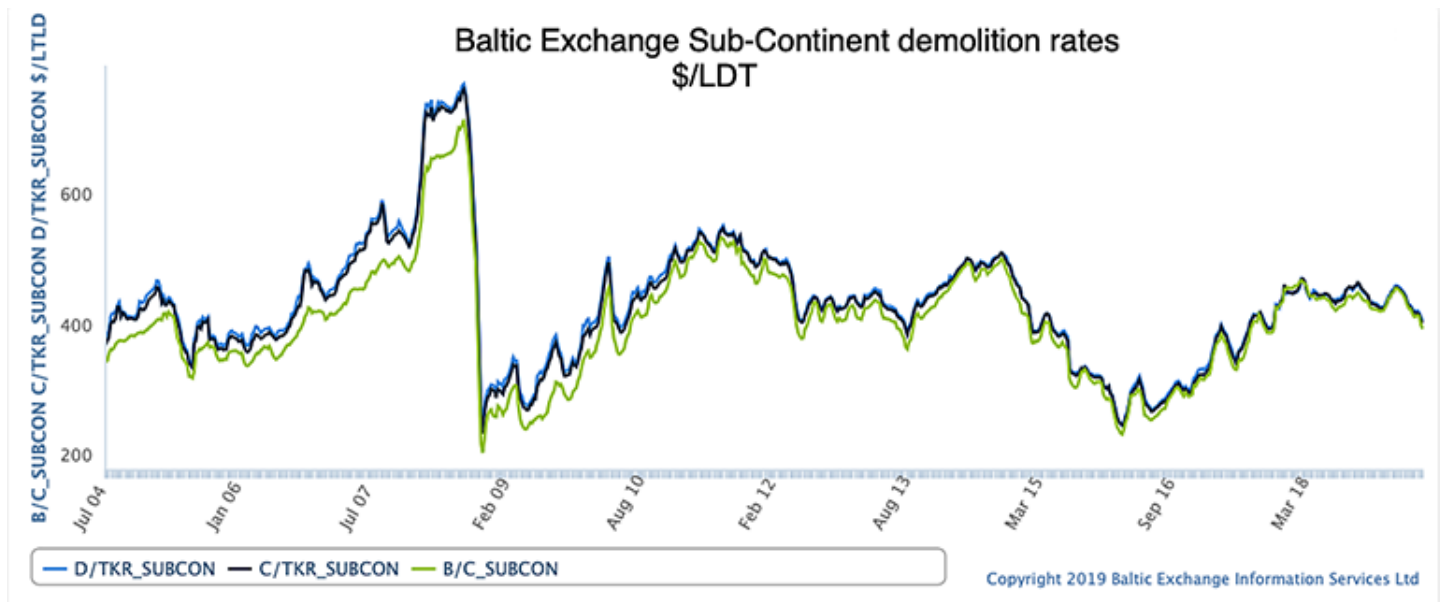


THERE APPEARS TO BE A TOTAL LACK OF CONFIDENCE FROM THE RECYCLING YARDS, SAYS GMS.

SHIP demotion rates on the Indian subcontinent have plunged to the lowest since November 2017, further imperilling any recovery in tanker rates ahead of the traditional fourth-quarter boost to tanker earnings.

Payment for dirty tankers per long ton light displacement (LDT) in the Karachi to Chittagong area slumped to between \$388.75 and \$402.25 for the week ending August 2, Baltic Exchange data show.

That is the lowest since November 20, 2017, according to the London-based shipping indices provider. Ship recycling rates have steadily declined since April and cash buyer GMS reported conditions remained depressed with no signs of reversal.



That makes a sharp contrast to 2018, when a collapse in charter rates helped promote a surge in tankers sold for demolition. Tankers totalling 21m dwt and 228 vessels were scrapped, data from GMS shows. That was nearly double the 137 ships from the prior year.

The numbers for 2019 reflect a protracted slowdown in activity. Some 55 tankers totalling 3.6m dwt have been broken up so far in 2019, according to Lloyd's List Intelligence data. The total number of all vessels sent to yards for scrapping is 343 with 11.6m dwt, data show.

“There appears to be a total lack of confidence from the recycling yards, with the appetite from Indian breakers remaining dampened,” GMS said in a weekly report published today.

“Bangladeshi buyers are showing no signs of willingness to make offers for new tonnage whilst their yards remain full of previously acquired vessels, as a result of the severe monsoon rains hampering the process of cutting work.”

India, which along with Bangladesh and Pakistan accounts for the bulk of the demotion market “endured a shocking month”, as steel plate prices and the value of the Indian rupee both declined, said GMS. Along demolition yards received the lowest price across the subcontinent, at a rate in the mid-\$300 per LDT, based on the GMS assessment.

The market is closely watching scrapping activity after digesting huge volumes of newbuilding VLCCs and suezmax tankers during the first half of 2019, against contracting demand growth for seaborne tonnage.

Many tanker owners are holding off scrapping in light of poor prices and awaiting the fuel pricing economics that will be reshaped by the IMO 2020 lower sulphur cap on bunker fuel implemented from January 1.

An Organisation of the Petroleum Exporting Countries production agreement that was extended in June saw crude exports falling, data from Lloyd's List Intelligence show.

Some 257 tankers totalling 26.1m dwt had been delivered so far in 2019, Lloyd's List Intelligence data show, compared with 424 tankers of 30.2m dwt for all of 2018.