

Demolition prices start to slide

Bangladesh market afflicted with financial difficulties, lower availability of US dollars and problems with letters of credit, says Clarksons, as cash buyer GMS reports that Pakistan yards will reopen for tanker demolition after ban is lifted

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Demolition values lose a 2018 high seen in mid-March



BANGLADESHI SCRAPPING PRICES HAVE COME DOWN FOLLOWING A CRASH IN LOCAL STEEL PLATE PRICES, SAID GMS.

DEMOLITION values have begun to fall, potentially putting off owners from scrapping ships.

According to Intermodal, the pressure seen on the Indian subcontinent at the end of the first quarter has “translated into substantial discounts during the first half of April”.

The price cuts were seen in Bangladesh, Pakistan and Turkey, with India holding out, it said in a note, adding that further declines were likely.

Demolition values have dropped for tankers and dry bulk vessels following a high for the year so far in mid-March, according to the Baltic Exchange.

Bulk carriers were assessed at \$444 per ldt as of April 16, down from \$459 per ldt at the start of April and the high of \$463.50 per ldt on March 19. Clean tankers were meanwhile seen at \$443 per ldt, down from \$461 in

early April, while dirty tankers are at \$441 per ldt, lower than the \$459.50 seen on April 3. Both tanker segments saw highs of \$466 a month ago.

GMS said in a note that Bangladeshi prices were coming off following a “crash in local steel plate prices” and also due to a number of vessels lining up outside Chittagong port.

“Given the large number of vessels presently at Chittagong anchorage (over quarter of a million ldt is at the waterfront this week) and many more potentially on the way, the coming week(s) should likely see even less interest and lower prices from Chittagong recyclers until some of the ongoing deliveries are completed without incident,” the cash buyer noted.

The local market is “weakened by financial difficulties, decreased availability of US dollars, and problems with letters of credit,” Clarksons said in a note, adding that scrapyards were citing these issues as a way of bringing down prices, even from previously agreed levels.

The Gadani yard in Pakistan may soon re-open following receipt of the relevant permits, GMS said, citing local industry sources. An explosion in late 2016 killed 31 workers and subsequent incidents forced the government to ban tanker demolitions.

“This is certainly a difficult time in the market, with many vessels purchased on an ‘as is’ basis remaining unsold, making it hard for cash buyers to decide how to proceed,” Clarksons said in its weekly report.

“However, the lack of new units currently being made available to cash buyers could help to improve sentiment” as vessels entering the market have attracted little buying interest of late, it said.

The number of bulkers being scrapped has declined as time-charter rates continue to improve, with 15 vessels sent for scrap in the first quarter versus about 50 a year earlier, according to data by VesselsValue. Conversely, while tanker rates are still weak, scrapping in this sector has increased, with 76 carriers sent for demolition so far this year compared with 18 during the same period in 2017, its data showed.