

Lloyd's List

Scrap rates hit \$600 per tonne

GMS hails 'amazing and seemingly unstoppable' upward spike in prices, but raises the spectre of a repeat of 2008's boom and bust

19 Jul 2021 | **NEWS** |

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Scrapping rates passed \$600 per tonne last week as scarce tonnage and rising local steel plate prices drive a surge in rates not seen since 2008



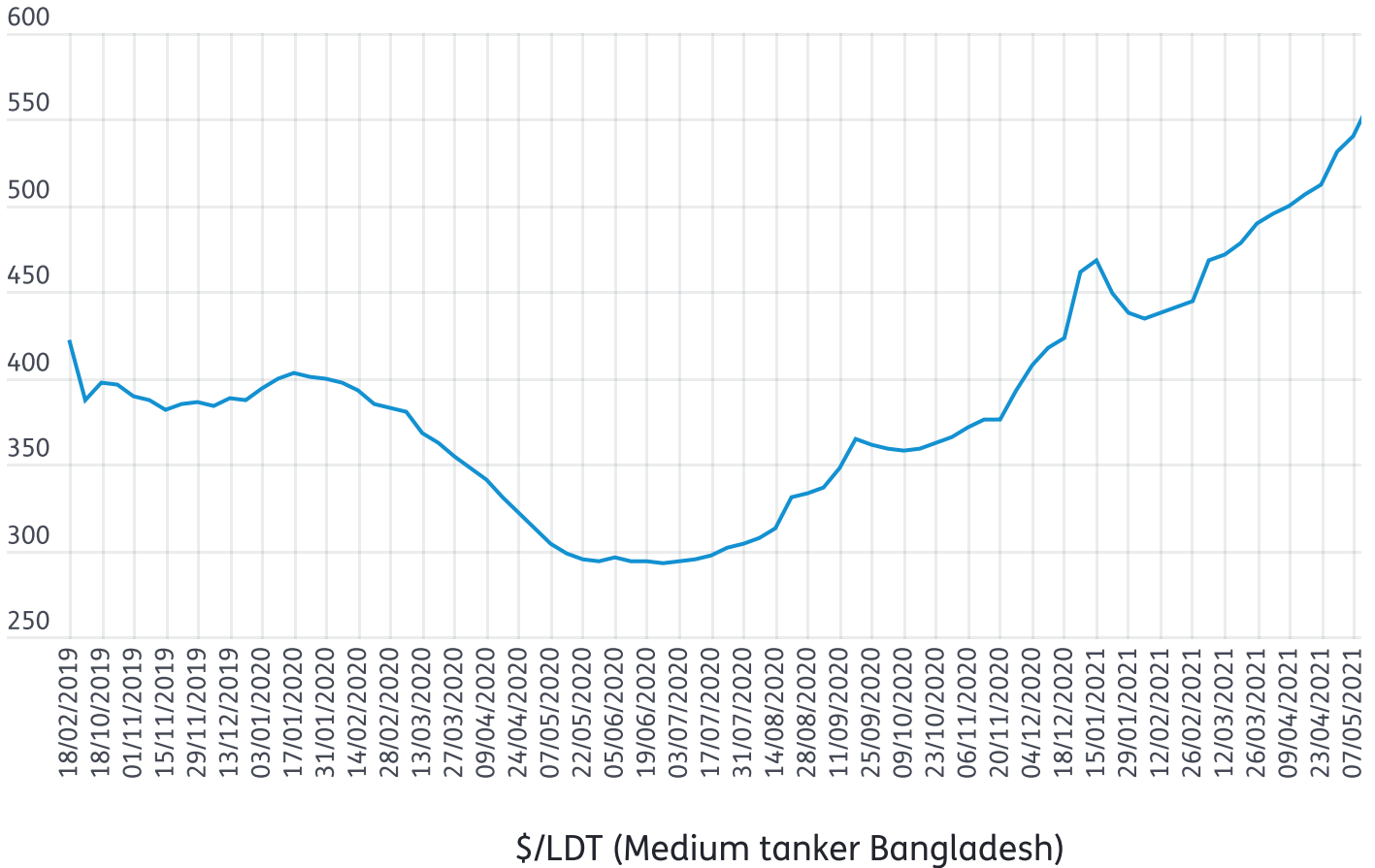
STEADY GAINS IN PAST WEEKS HAVE LEFT ALONG BUYERS BETTER OFF AND EAGER TO COMPETE ON MORE SPECIALIST UNITS.

SCRAPPING rates for containerships last week topped \$600 per light displacement tonne in Bangladesh — the highest rates seen for over 13 years — and the boom has further to run.

Prices are at their highest since before the 2008 Global Financial Crisis amid scarcer tonnage in the quieter monsoon months and a renewed rise in local steel plate prices on the subcontinent.

Scrap prices for bulkers hit \$580 per ldt and tankers \$590 per ldt.

Scrapping rates surging



Source: Baltic Exchange



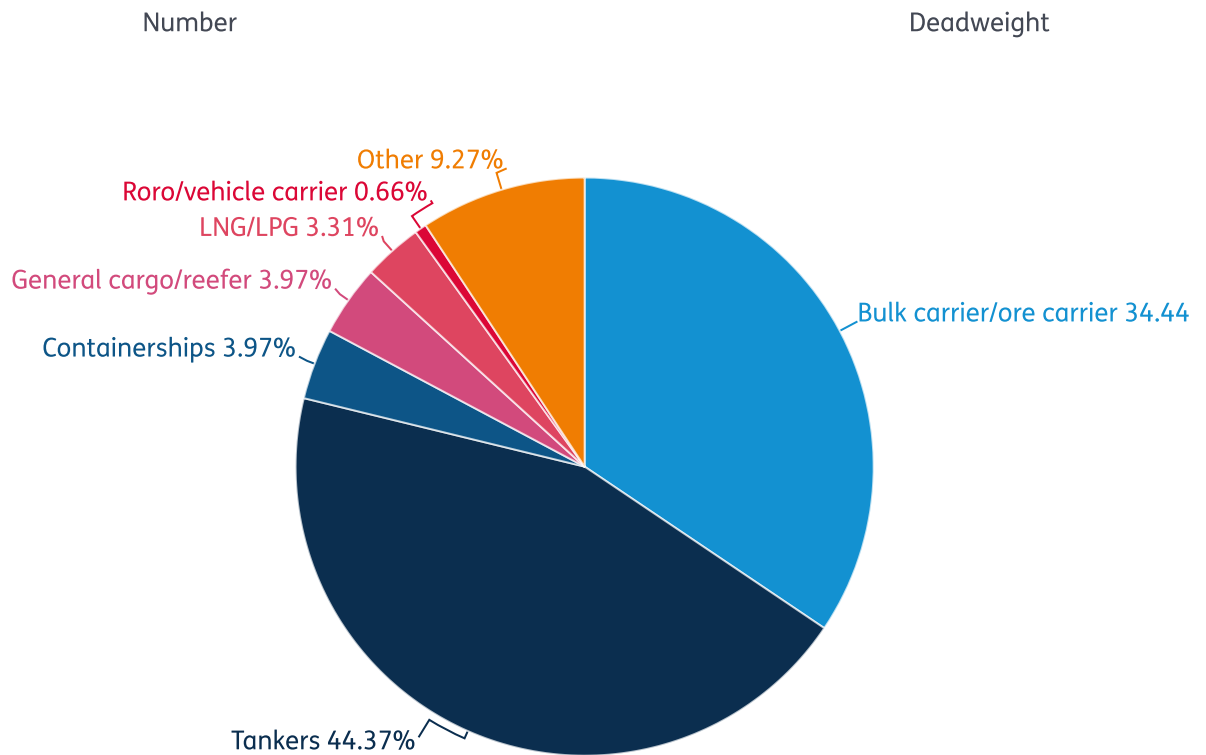
Pakistan was close behind with \$590 per ldt for containerships, \$570 for bulkers and \$580 for tankers — \$30 per tonne above scrap prices in India, according to cash buyer GMS.

The ldt price of a medium-sized tanker in Bangladesh on Friday was double that of a year ago, according to Baltic Exchange data.

GMS called the upward spike “amazing and seemingly unstoppable”.

Some 151 ships (all over 10,000 dwt) totalling 12.6m dwt have been scrapped so far in 2021, Lloyd’s List Intelligence data shows.

Vessel scrapping 2021



[Download data](#)

Source: Lloyd's List Intelligence

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Data for this year show that tankers accounted for 44% of all tonnage scrapped in the first half of 2021 measured by deadweight. This reflected not only moribund chartering rates but the closing gap between secondhand prices paid for elderly tonnage and rising steel plate values for scrapped ships.

It is unclear how long the upward momentum will last, but demand from end buyers is far from satisfied, according to GMS.

“There has been a noticeable slowdown in the supply of tonnage of late, but as tanker charter rates continue to suffer, perhaps news of these post-2008 record numbers will entice a growing number of shipowners to commit their ageing units for recycling,” the cash buyer said.

But it warned that 2008 saw rates climb as high as \$800 per ldt before “spiralling out of control” in what could be a cautionary tale for today’s market.

Baltic Exchange data shows tanker scrap rates peaked at \$765 per ldt in August before crashing 68% in the following two months. Prices for the same ship type next peaked at \$547 per ldt in July 2011.

India has trailed Bangladesh and Pakistan in recent months amid declining local steel plate prices and a depreciating Indian rupee.

But steady gains in past weeks have left Alang buyers better off and eager to compete on more specialist units, GMS said.

It said the Turkish scrap market was still suspended amid the Eid holidays until July 26.