Dry bulk shipping rates collapse in Q4

The dry bulk shipping markets are experiencing a miserable end to the year with key indexes continuing to tumble.

Marcus Hand, Editor

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Credit: Norden

The benchmark Baltic Dry Index (BDI) lost a further 50 points on Wednesday to drop to 1,106 points its lowest level since September 2023. It leaves the BDI just 106 points shy of the psychological barrier of dropping below 1,000 points.

The dry bulk shipping market has suffered a sharp unseasonal slump since late September, going against market expectations of a strong Q4. The BDI ended September at 2,048 points nearly double its current level.

A plunge in Capesize rates drove the overall downwards direction of dry bulk freight markets and this has continued into December.

“The anticipated strong finish to the year now feels like a distant memory, as Capesize spot rates have fallen to their lowest levels for this period in many years, barring the Covid-19 anomaly,” said Breakwave Advisors in their bi-weekly report. They described the sharp decline as surprising and as having exceeded their most conservative forecast of relative stability.

The Baltic Capesize Index (BCI) dropped 126 points on Wednesday to 1,377 points and average daily earnings for Capesize vessels were reported to have decreased by $1,043 to $11,421.

The final quarter contrasts sharply with much of the year which had seen Capesizes perform strongly and the remainder of 2024 now looks bleak.

Related: Is dry bulk shipping set for a Capesize rebound?

“A meaningful Capesize recovery before year-end appears now unlikely, with both basins oversupplied in tonnage and demand remaining steady,” Breakwave Advisors said.

The depressed outlook is reflected in Capesize futures expectations for 2025 which now sit a level described as “comfortably below” $18,000.

Panamax rates remain low with the sector having performed poorly for much of the year with the Baltic Panamax Index falling 24 points on Wednesday to 1,024 points.

One bright spot on the horizon could be the latest Chinese economic stimulus measures.

“The recent Chinese government's commitment to bolstering economic support next year could provide a much-needed boost to steel markets, potentially driving increased iron ore activity. Although iron ore inventories remain unusually high for this time of year, any improvement in sentiment could positively impact freight rates,” the Breakwave report said.