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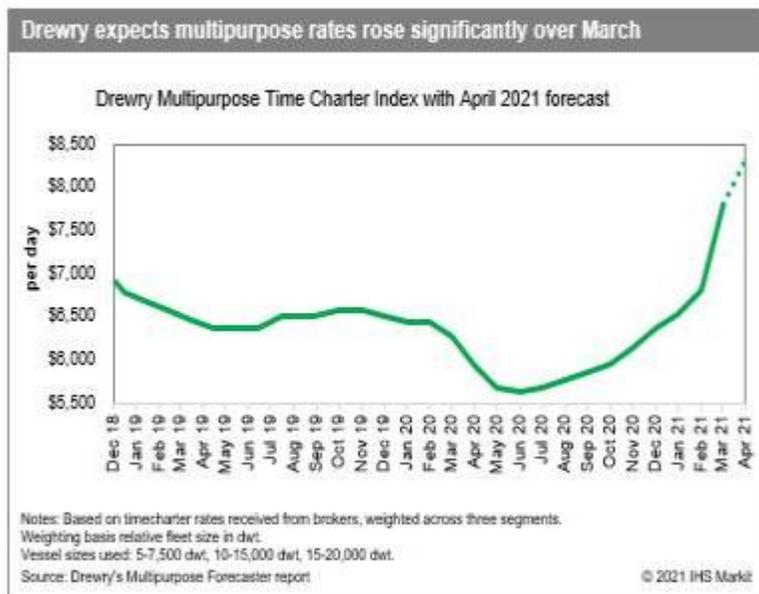
Janet Nodar, Senior Editor, Breakbulk and Heavy Lift | Apr 15, 2021 5:51PM EDT



The 31,000 dwt AAL Dalian discharging gas cooling units and refinery components in the US. Photo credit: AAL.

Breakbulk carriers are enjoying demand and freight rate growth not seen in years, according to multipurpose/heavy-lift (MPV/HL) market indicators, but carriers are not expecting the recovery, which has been at least partially driven by chaos in the container sector and spiking commodity prices, to maintain this buoyancy beyond late summer or fall 2021.

Drewry's latest Multipurpose Time Charter Index increased to \$7,795 per day in March, a rise of almost 15 percent from February, according to a report released Tuesday. The London-based maritime consultancy forecasts a further rise of 6.5 percent in April, to \$8,300 per day.



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The inaugural Market Sentiment Index (MSI) from One World Shipbrokers revealed a score of 51.3, indicating a breakbulk carrier sector that is increasingly optimistic about the market for the next six months but wary for the longer term, especially as bunker prices begin to rise, Justin Archard, creator of the MSI and a founding partner of Hamburg-based One World Shipbrokers, told JOC.com.

The MSI averages the responses from an anonymous group of multipurpose vessel owners and operators to a set of breakbulk shipping-related questions. A reading of 50 is neutral, indicating a static market; scores below 50 show pessimism or wariness; and a score above 50 indicates optimism.

Port congestion in the container and bulk sectors is a key factor prompting a short-term surge in multipurpose demand, Susan Oatway, senior analyst for multipurpose and breakbulk shipping with Drewry, told a JOC.com webcast on the MPV/HL sector on March 25.

The congestion question

Tight capacity in the container market is due not to a shortage of containers but because the supply chain is not able to get containers where they are needed in a timely manner, largely due to port congestion in the United States and Europe, she said. "This, in turn, has led to some frankly quite phenomenal charter rates in the container sector, which in turn means that breakbulk cargo is less likely to be shipped in the box," Oatway said.

In their comments, MSI respondents underlined the beneficial, if temporary, effect that the chaotic container market is having on the MPV/HL sector, with MPVs being chartered to move containers and some cargoes moving from boxes back to breakbulk shipping modes, Archard said. However, while wind cargo volumes remain strong, a lagging oil and gas project pipeline, traditionally the biggest driver of MPV project demand, could dampen freight rates once the container market calms down.

"The disruption caused by the container market is disguising to what degree real background MPV demand growth is occurring," Archard said. And, as oil prices recover from 2020 lows, rising bunker prices could increase operating costs, he said.

On the bulk side, there has been “a bit of a perfect storm” pushing up rates with surging Chinese demand for iron ore, a record grain and soybean harvest in South America, and Australian storms that have also caused severe congestion, Oatway said. Handy-size rates are “red hot,” and the MPV/HL market is benefitting as shippers search desperately for capacity, she said. “We expect rates to rise well into the second quarter of 2021. Thereafter, they're likely to plateau for the remainder of 2021.”

Container port congestion should begin clearing over the summer, while container shortages and the rise in bulker rates will dissipate more slowly as global trade continues to recover, Oatway said.

“I'm significantly more optimistic than I was 12 months ago,” she said. However, if the COVID-19 vaccine rollout stalls or virus transmission escalates, “that would weaken confidence and slow the recovery. So, there is still a significant downside risk to our outlook.”

Drewry's MPV Time Charter index is an averaged, weighted measure of 10- to 12-month hire rates for three types of MPV ships: 5,000 to 7,000 dwt ships with lift capacities of 100 metric tons or less, 10,000 to 15,000 dwt ships with lift capacities above 100 metric tons, and 15,000 to 20,000 dwt ships with lift capacities above 100 metric tons. Drewry tracks one-year charter rates across this basket of project and breakbulk vessel types.

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