



# The Timeline for Global Shipping Recovery

## How Clear is the Crystal Ball?

33<sup>rd</sup> Shipping , Ports & Terminals Event in Europe  
16-18 June, 2009 Bremen, Germany

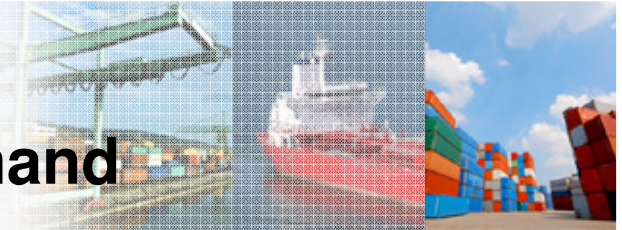
**Ben Hackett** – Sr. Advisor to Global Insight

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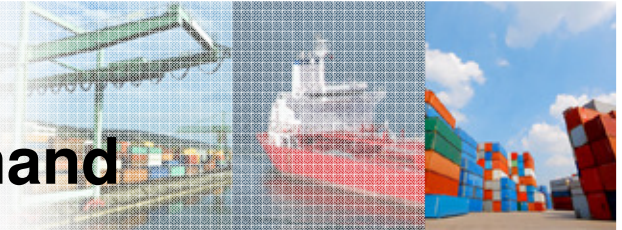
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# The “Great Recession” Has Reduced the Value and Volume of Global Shipping Demand



- North America, Europe, and Japan have all seen major GDP and trade decline, but the global economy's rate of decline is now moderating, and signs of recovery are coming into view.
  - U.S. economy is stabilizing, but recovery will develop slowly
  - Western Europe unlikely to recover before 2010
  - Japan's recession is of epic proportions, and recovery will be weak
- Financial crisis has limited trade on top of drop in consumption
- Export-led growth of emerging markets like China has fallen
  - China's economy accelerating, as fiscal stimulus boosts infrastructure investment.

# The “Great Recession” Has Reduced the Value and Volume of Global Shipping Demand



However:

- A Great Depression-style protectionist trade war is unlikely
- Huge fiscal and monetary stimulation will help to boost traded goods consumption, though trade prices remain weakened
- Currency exchange rates also affects import prices, export competitiveness and trade growth

**Base line world macro economic forecast:**

**Deep recession in 2009**

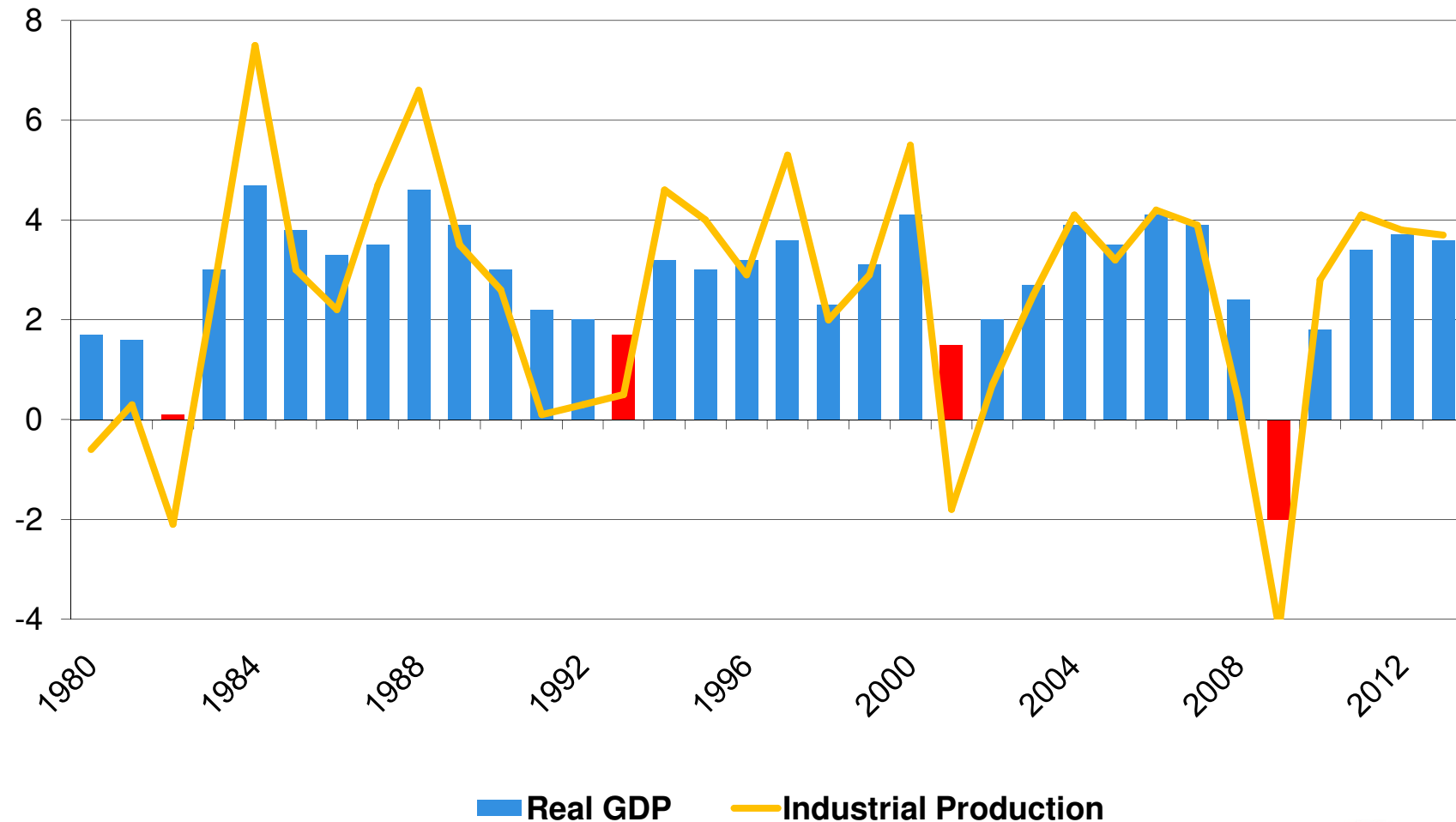
**Modest recovery in 2010**

**Broader rebound in 2011**

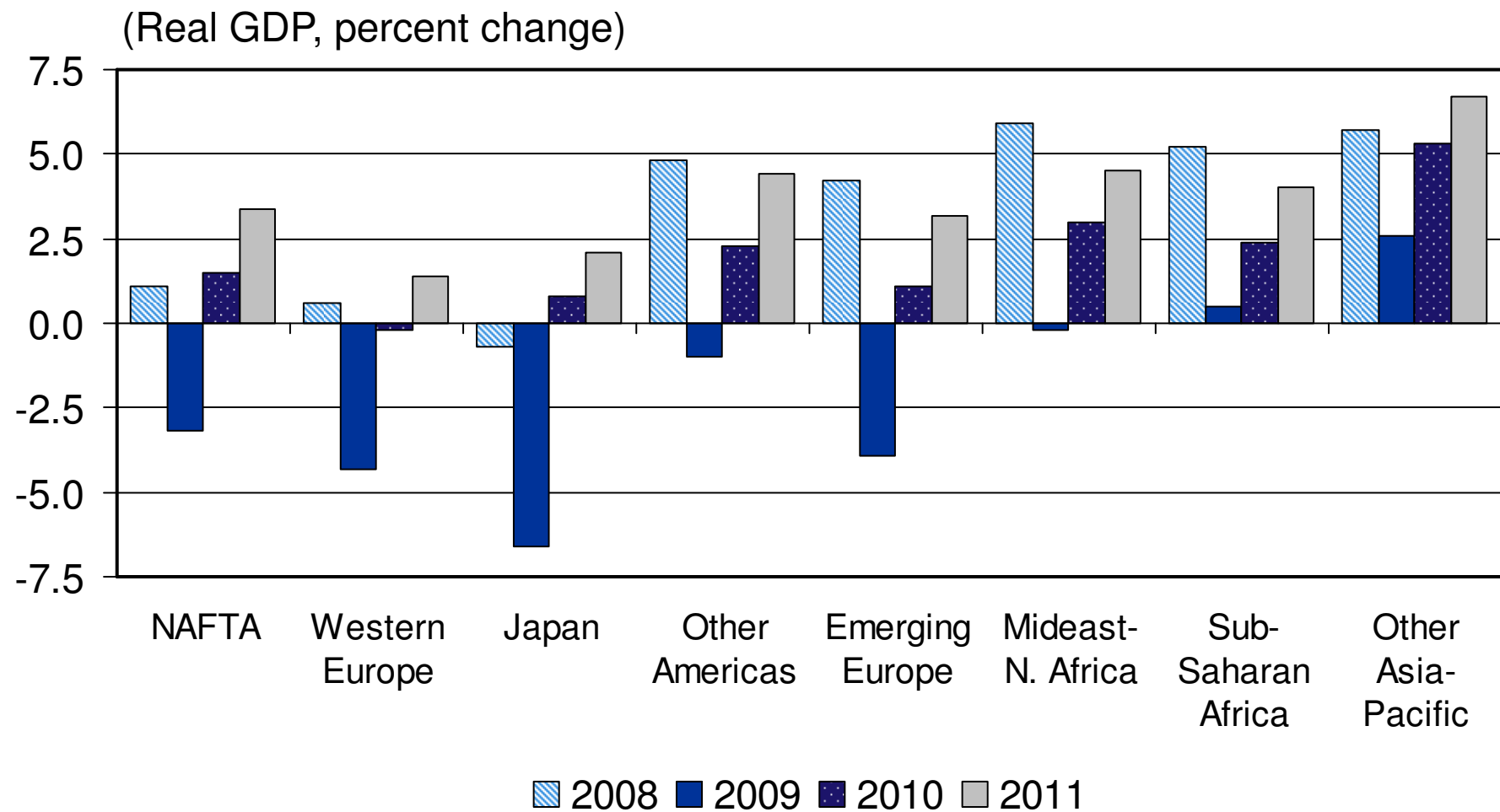
# The Business Cycle is Not Dead: The World Economy Recovers Starting in 2010



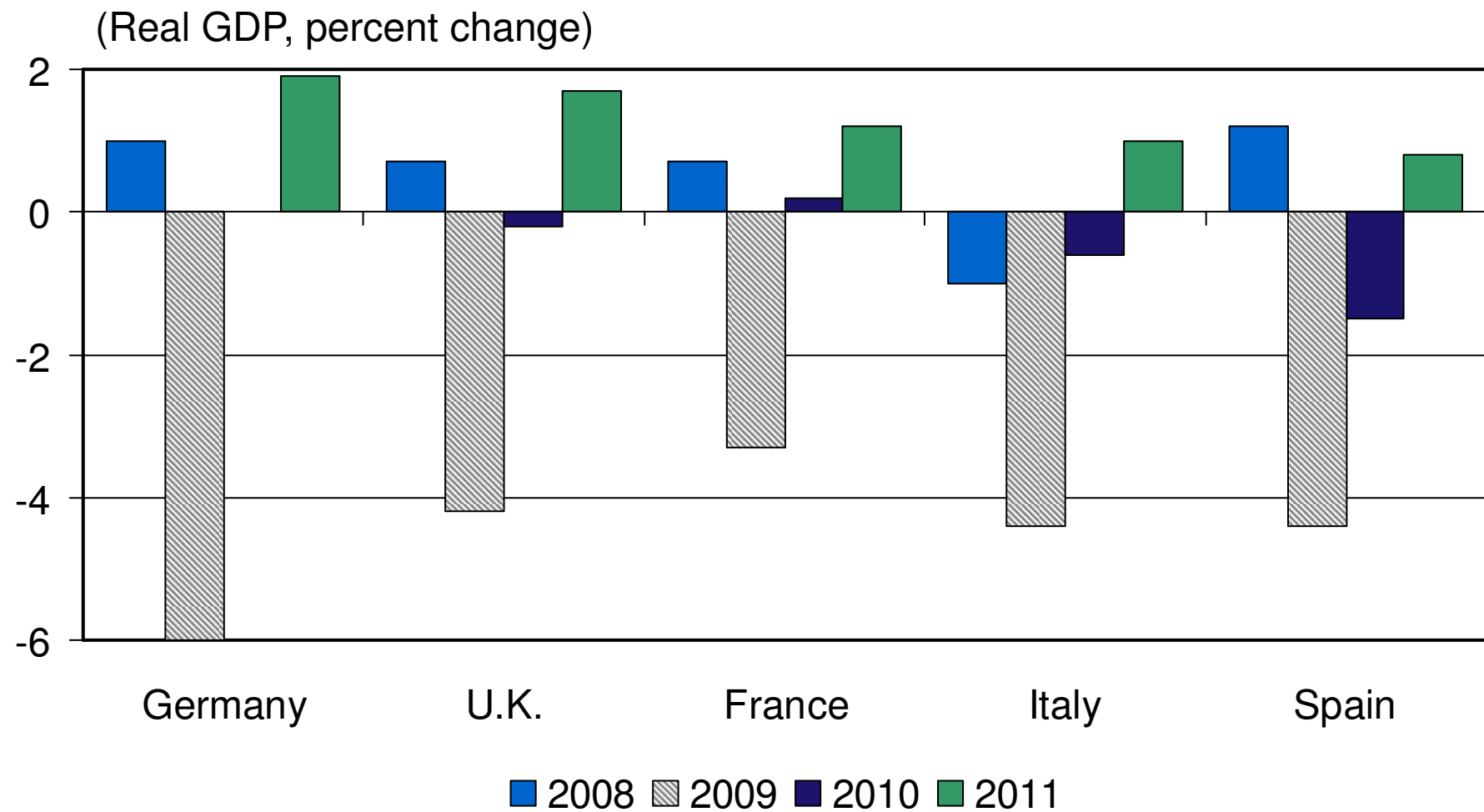
(Percent change for the world economy)



# Economic Growth Is Much Lower Everywhere



# Deep Recessions in Western Europe Linger into 2010





# World Overview: GDP



	2005	2006	2007	2008	2009	2010	2011
<b>Real GDP</b>							
World	3.5	4.1	4.0	2.2	-2.6	1.7	3.5
NAFTA	3.0	2.9	2.2	1.1	-3.2	1.5	3.4
United States	2.9	2.8	2.0	1.1	-3.1	1.5	3.4
Canada	2.9	3.1	2.7	0.5	-2.8	1.9	3.6
Mexico	3.2	5.1	3.3	1.4	-5.8	2.4	3.0
Western Europe	1.9	3.0	2.7	0.6	-4.3	-0.2	1.4
European Union	2.1	3.2	2.9	0.8	-4.3	-0.2	1.5
Eurozone	1.8	3.0	2.7	0.7	-4.4	-0.3	1.3
Germany	1.0	3.2	2.6	1.0	-6.0	0.0	1.9
France	1.9	2.4	2.1	0.7	-3.2	0.2	1.2
Italy	0.8	2.1	1.5	-1.0	-4.6	-0.6	1.0
United Kingdom	2.1	2.8	3.0	0.7	-4.2	-0.2	1.7
Central Europe and the Balkans	6.0	6.6	5.7	3.1	-3.7	0.6	3.0
Commonwealth of Ind. States	6.8	8.4	8.5	5.5	-4.6	1.4	3.4
Asia-Pacific	4.8	5.6	6.4	3.5	-0.5	3.8	5.2
Japan	1.9	2.1	2.4	-0.7	-6.6	0.8	2.1
China	10.4	11.6	13.0	9.0	6.6	8.1	9.0
South Korea	4.0	5.2	5.1	2.2	-3.5	0.9	3.5
Latin America & Caribbean	5.1	5.6	6.2	4.8	-1.1	2.3	4.4
Brazil	3.2	4.0	5.7	5.1	-1.2	3.2	5.6
Middle East	6.1	7.6	5.2	6.0	-0.8	3.1	4.5
North Africa	5.1	6.2	5.5	5.6	1.6	2.6	4.3
Sub-Saharan Africa	6.0	5.5	6.3	5.2	0.2	2.2	4.0

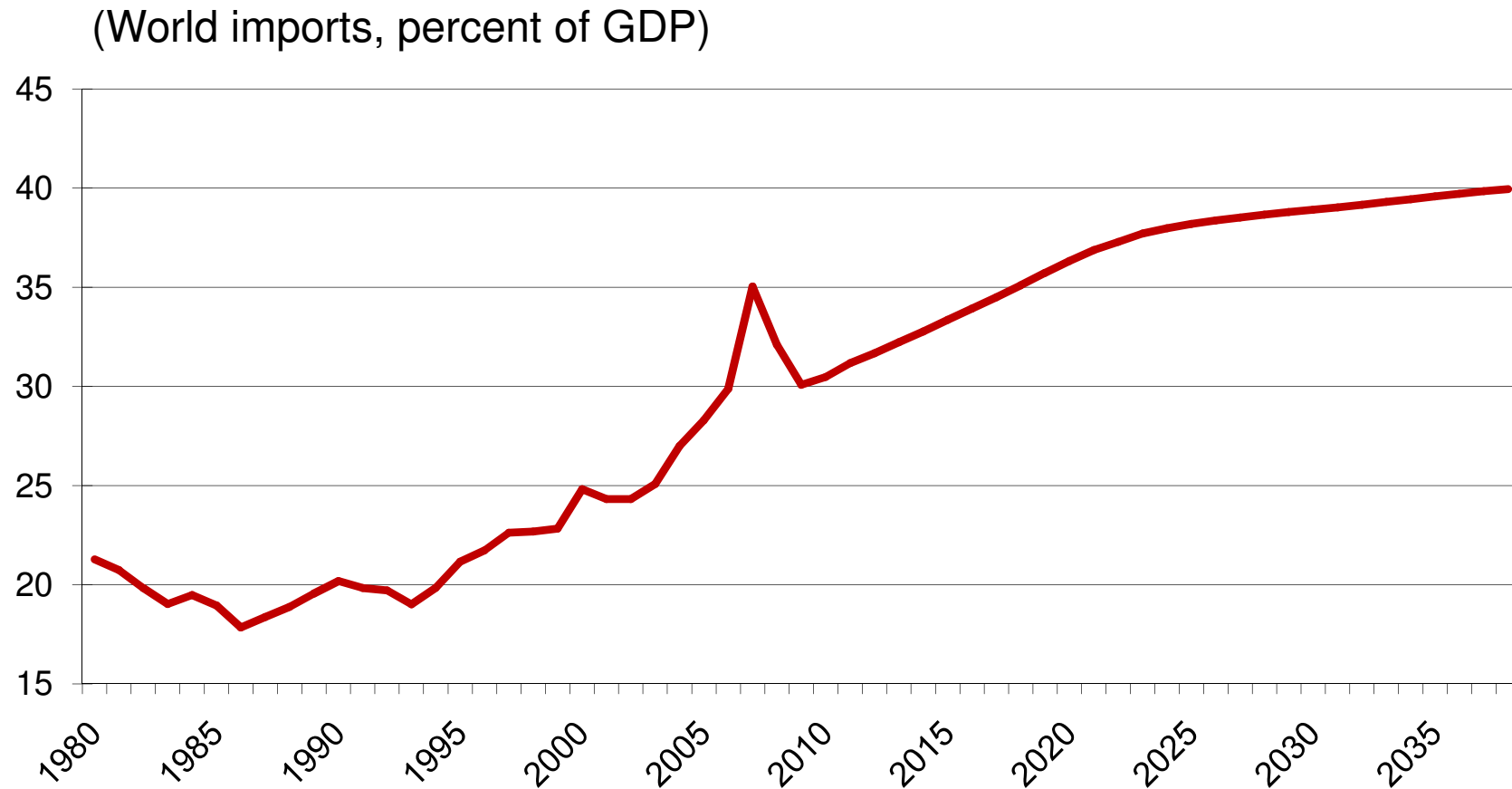
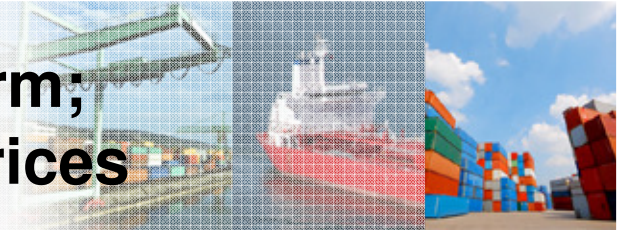
# Shipping Ultimately Depends on Goods Demand



- Underlying consumption demand is fundamental to shipping
- Globally-integrated international supply chains have developed to provide efficiencies of scale but have increased the interdependencies between economies in good times and bad
- The increased importance of trade to countries' economies has increased their vulnerability to external forces
- Financial markets are critical to the facilitation of ocean trade
- Globalization of markets has not reversed in recession but protectionism and trade finance can affect recovery of trade



# World Trade Still Grows Over the Long Term; A Drop in 2009 Due to Lower Demand & Prices

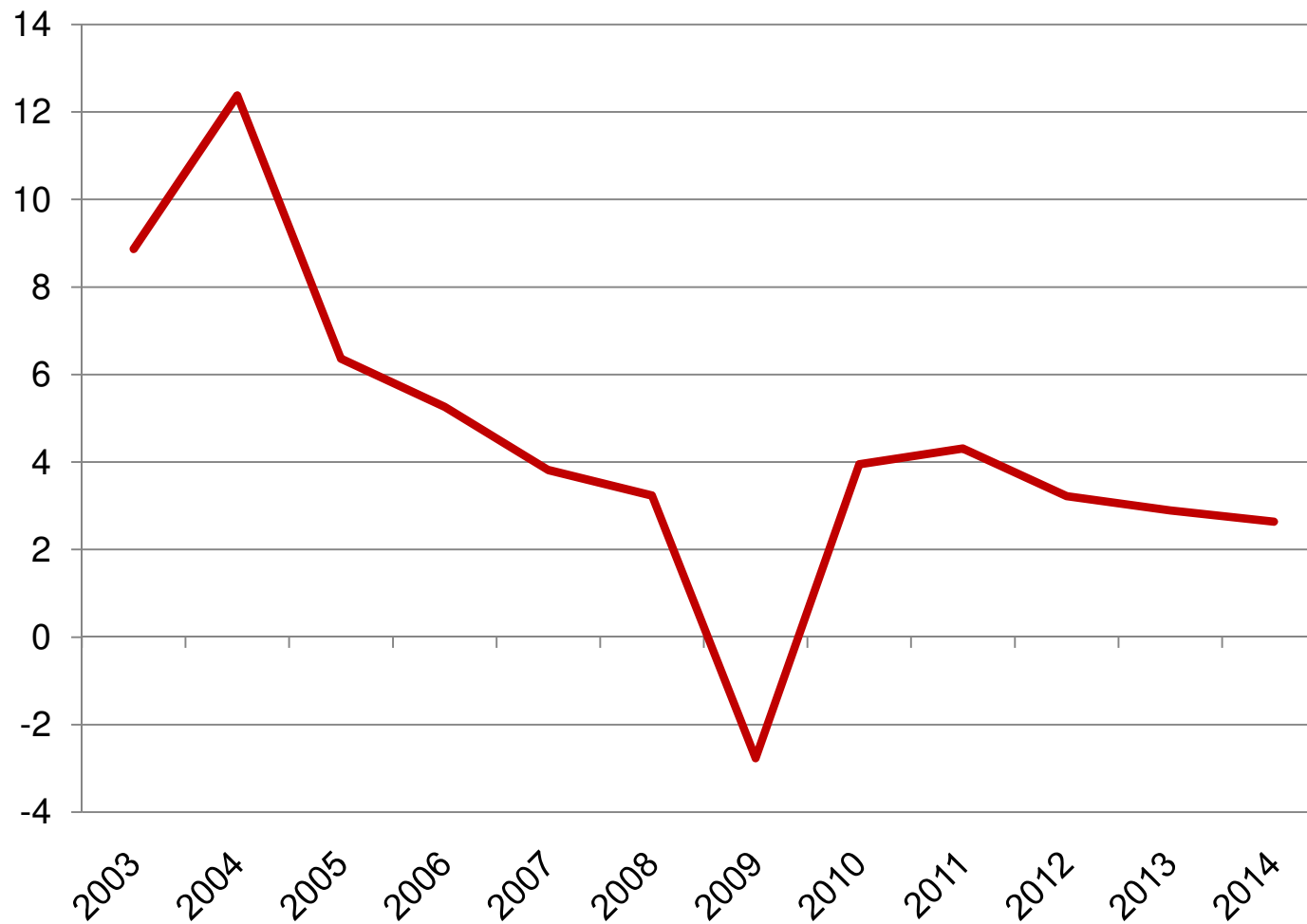


Long-term trend towards increased trade will return with recovery next year

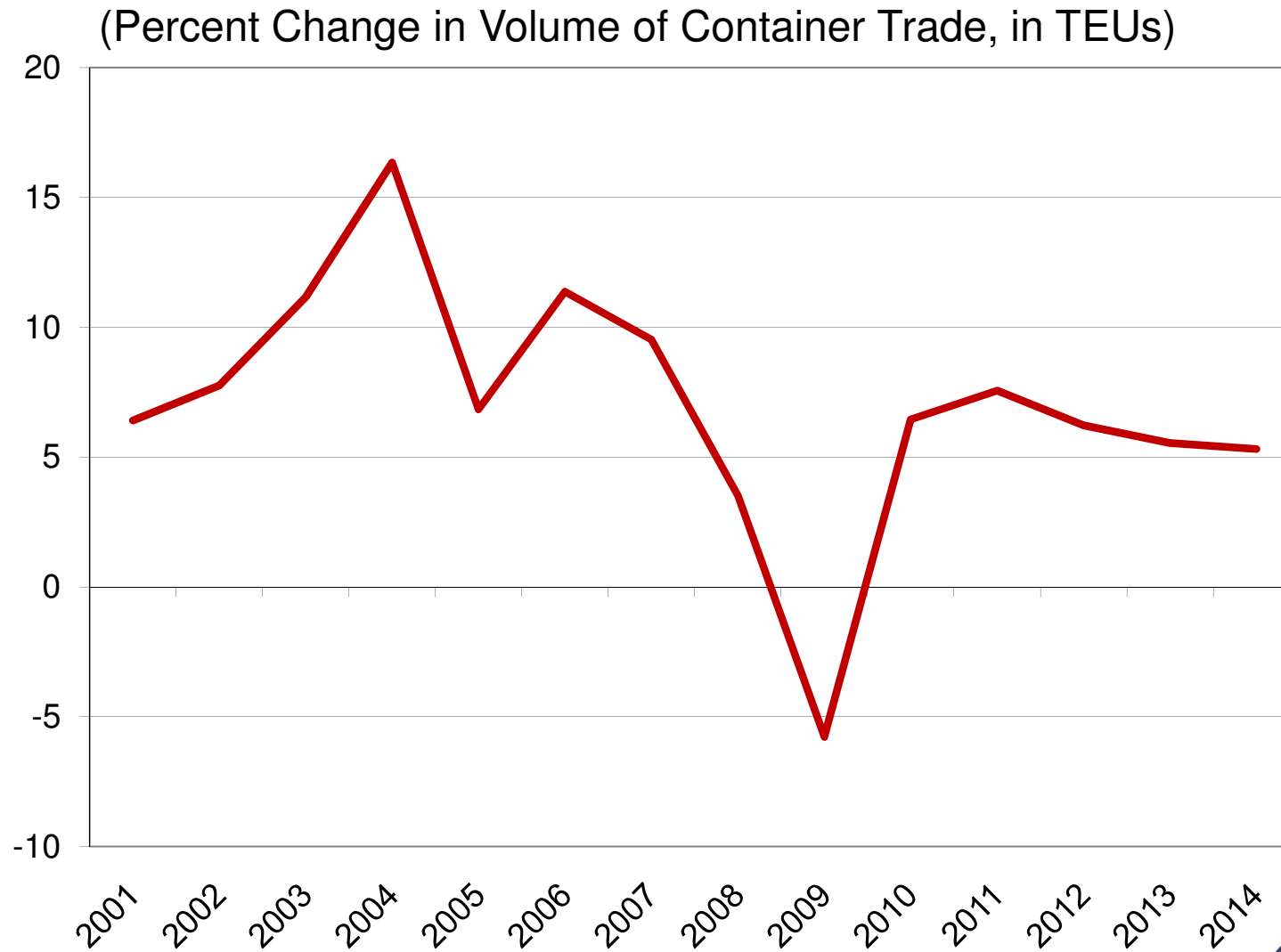
# World Seaborne Tonnage Falls 2.8% in 2009



(Percent Change in Tonnage of World Sea Trade)



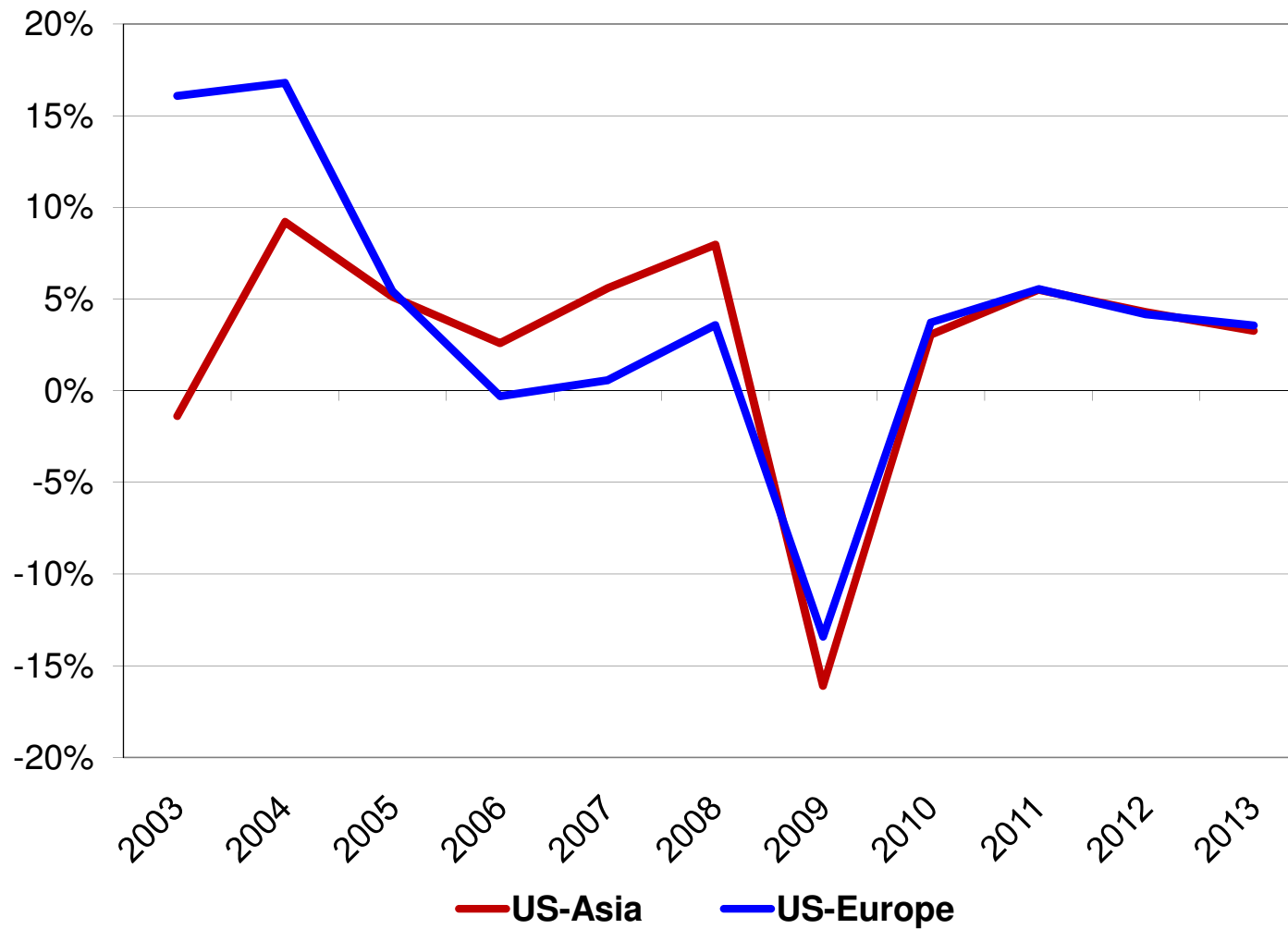
# World Container Trade Volume Down 5.8% in 2009



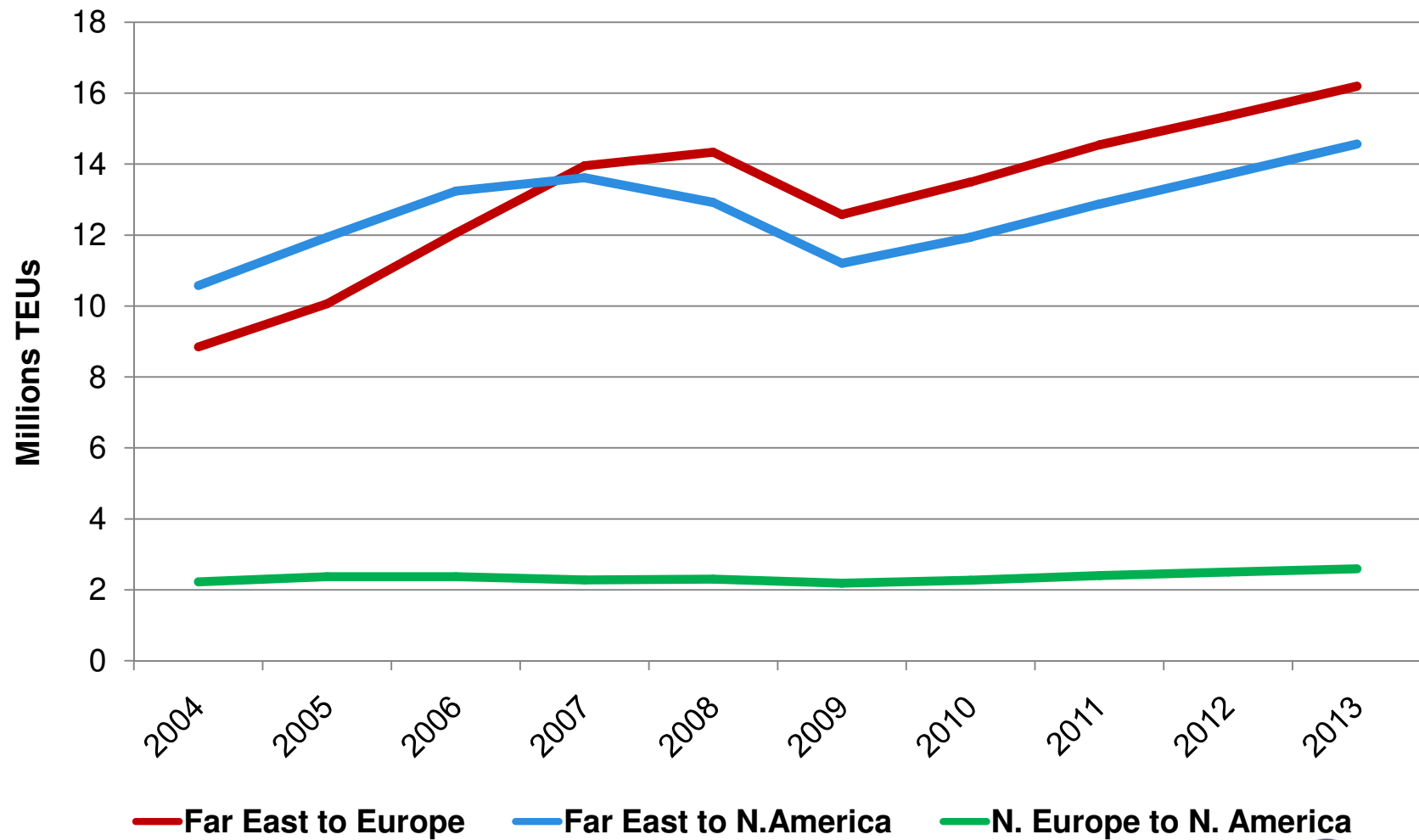
# East West Container Trade Volumes Up in 2010



(Percent Change in Volume of Container Trade, in TEUs)



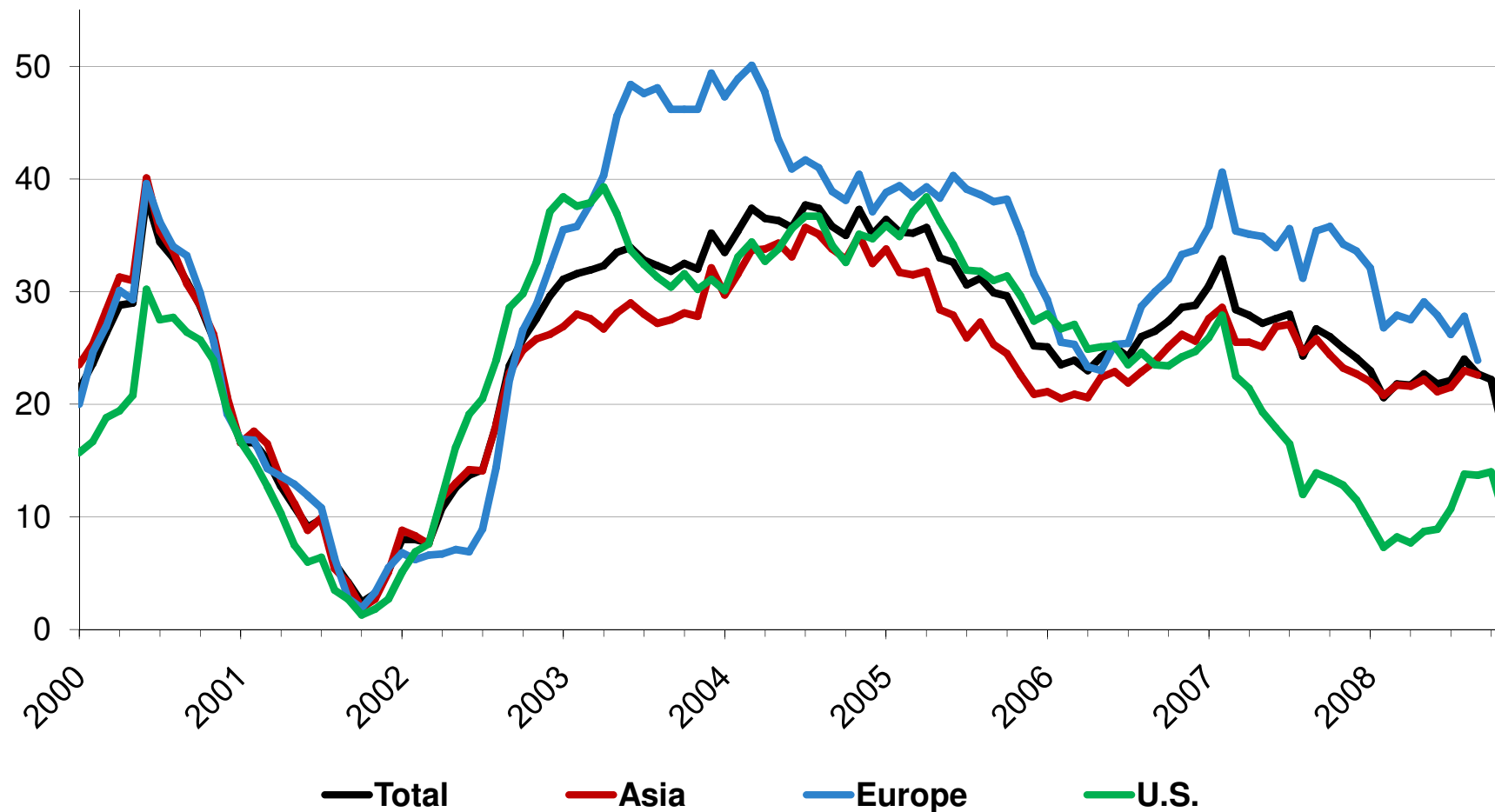
# The East West Trades in Volumes



# China Export Growth has Slowed Most with United States



(Merchandise exports 6-month moving average, percent change from year earlier)





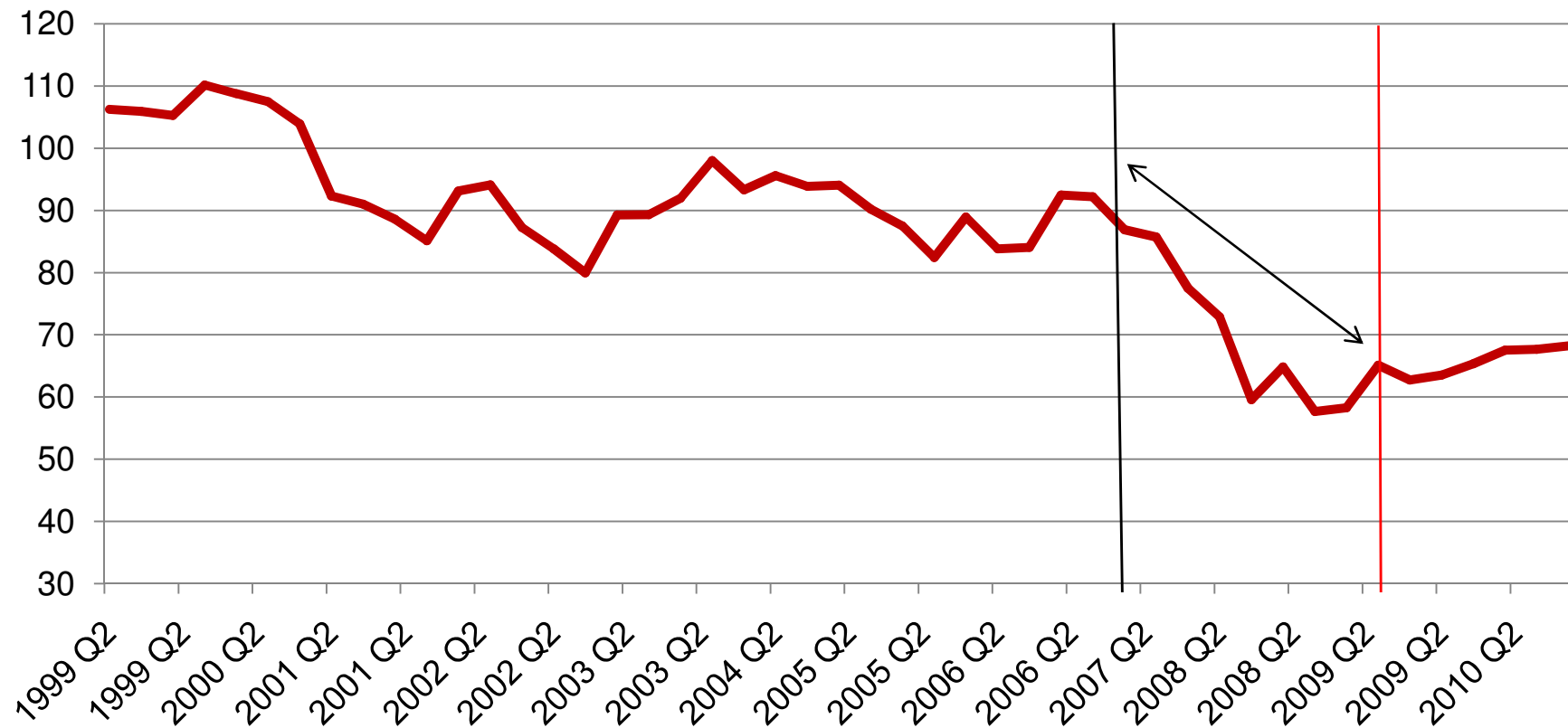
# Can We Find the Turning Point?



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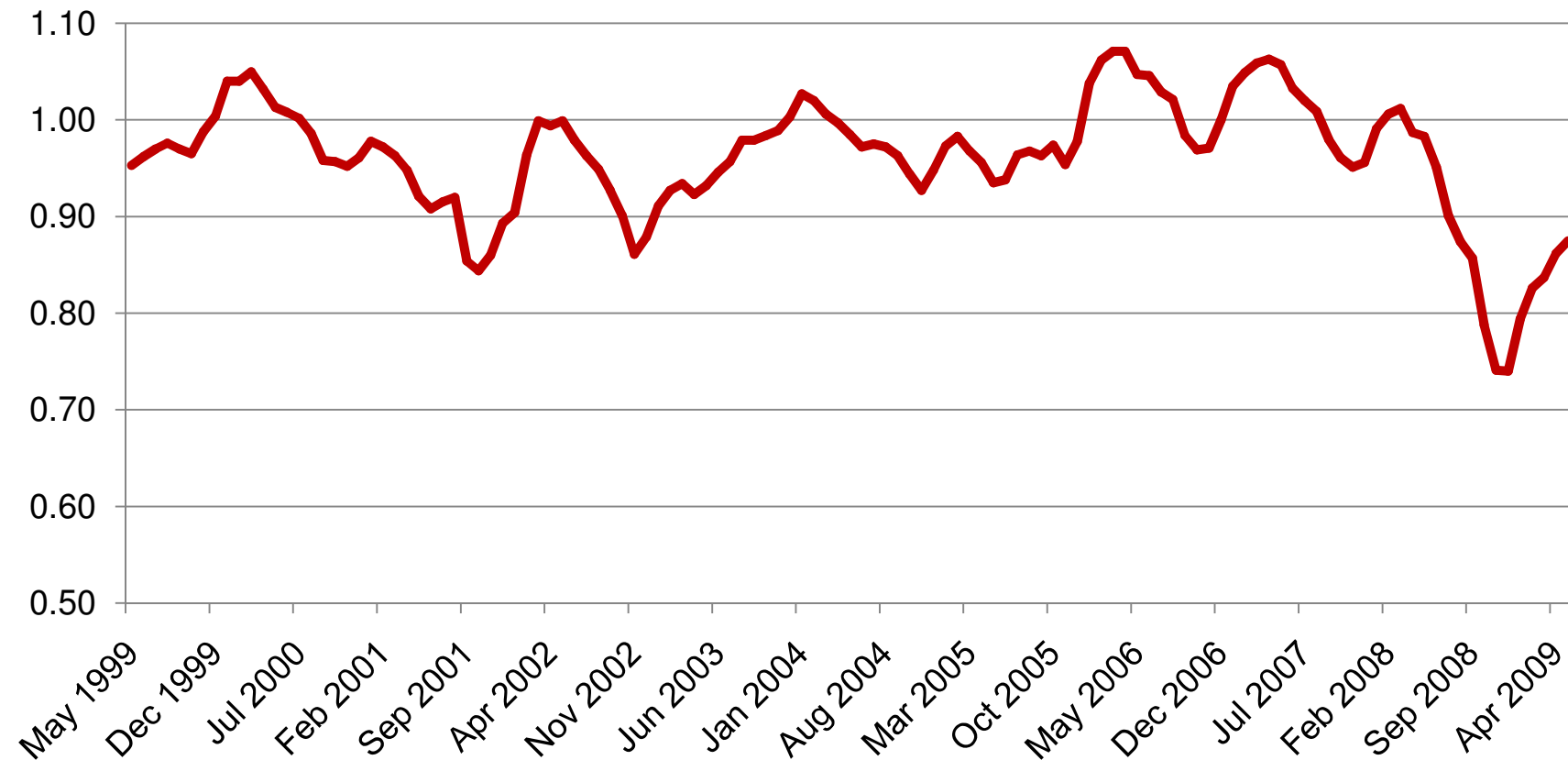
U.S. Consumer Confidence Index (Michigan)



# German IFO Monthly Confidence Index

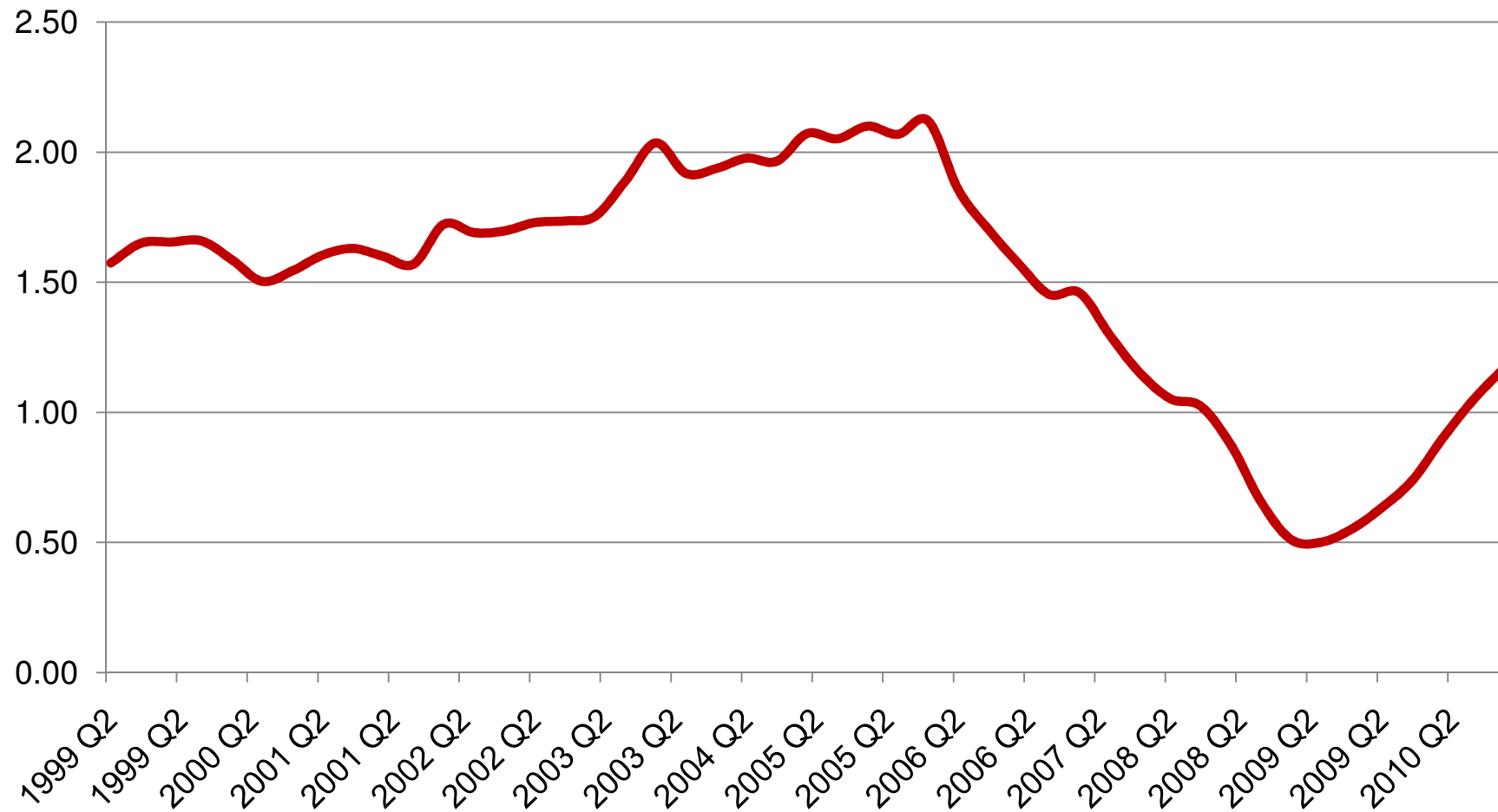


German IFO Confidence Index



# U.S. Housing Starts

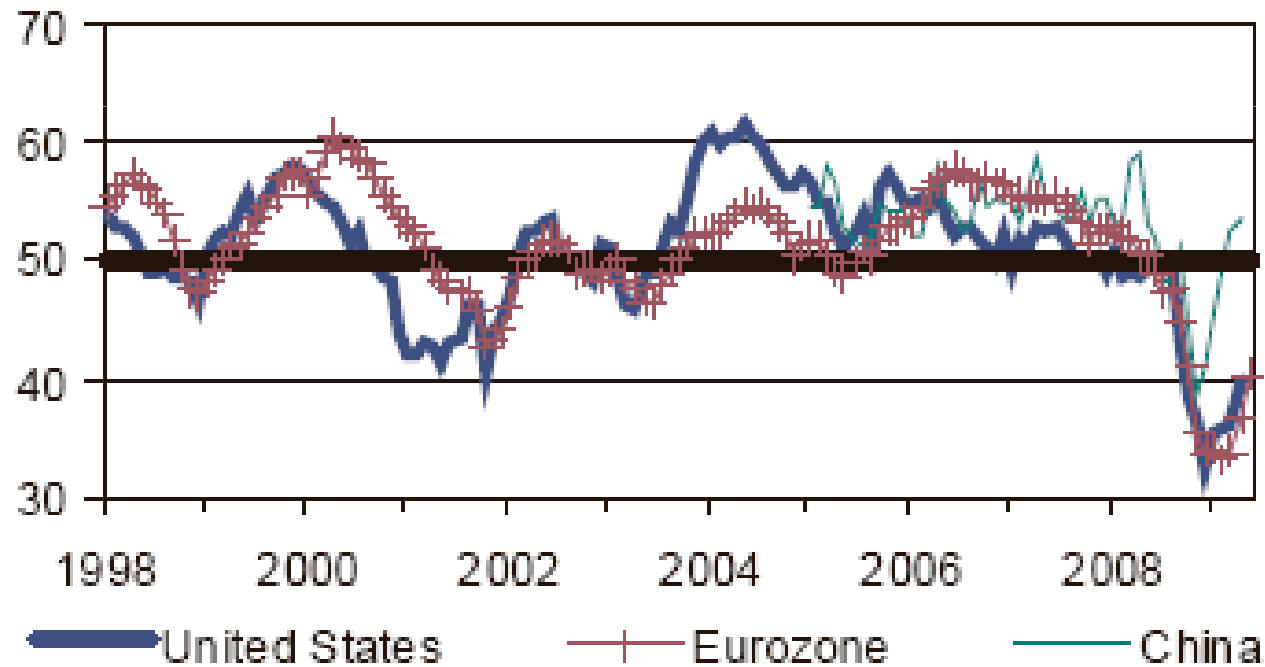
(Millions-Annual Rate)



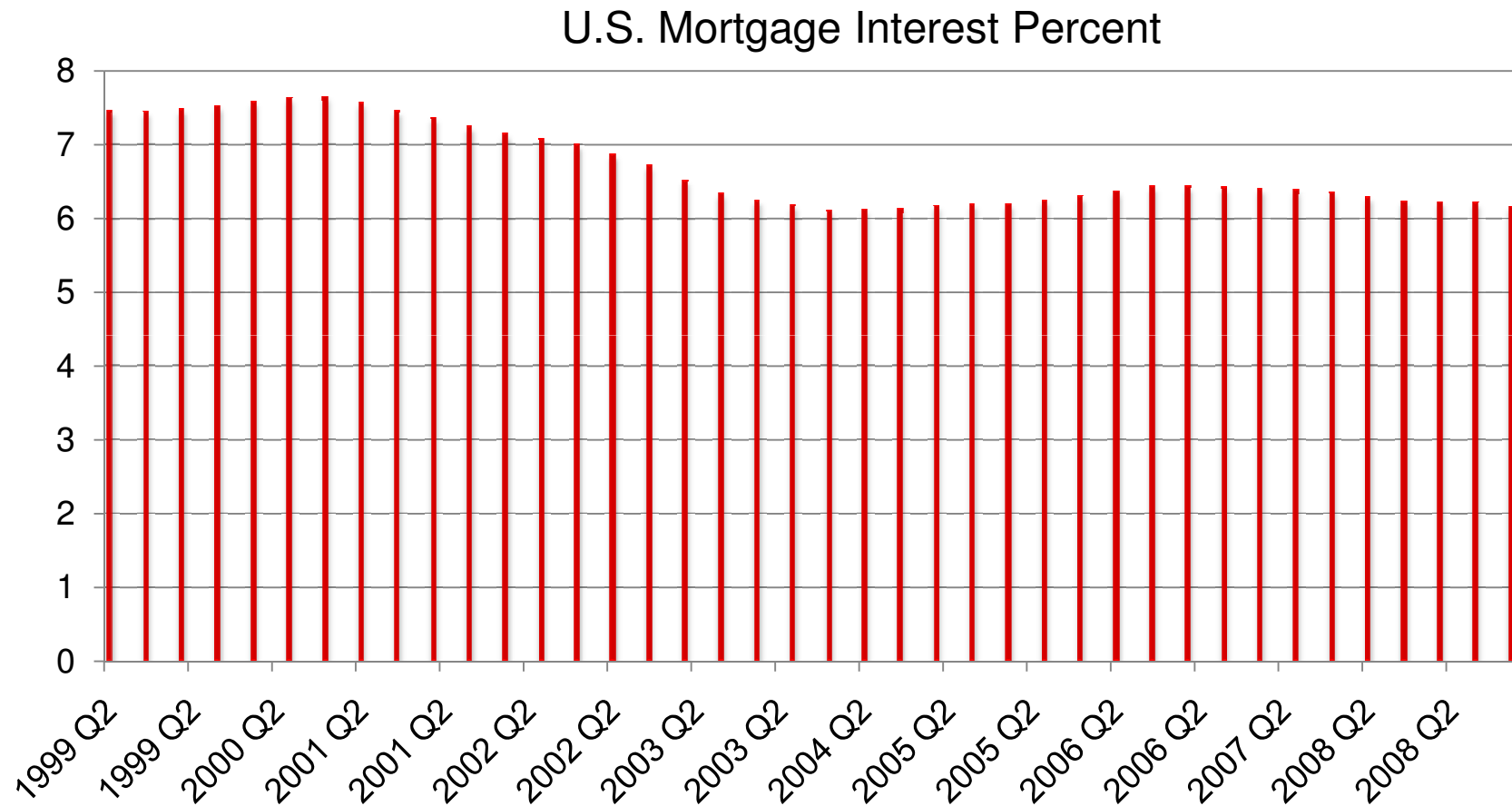


## Purchasing Manager Indexes for Manufacturing Begin to Improve

(Index, over 50 indicates expansion)



# The Credit Problem Still Exists





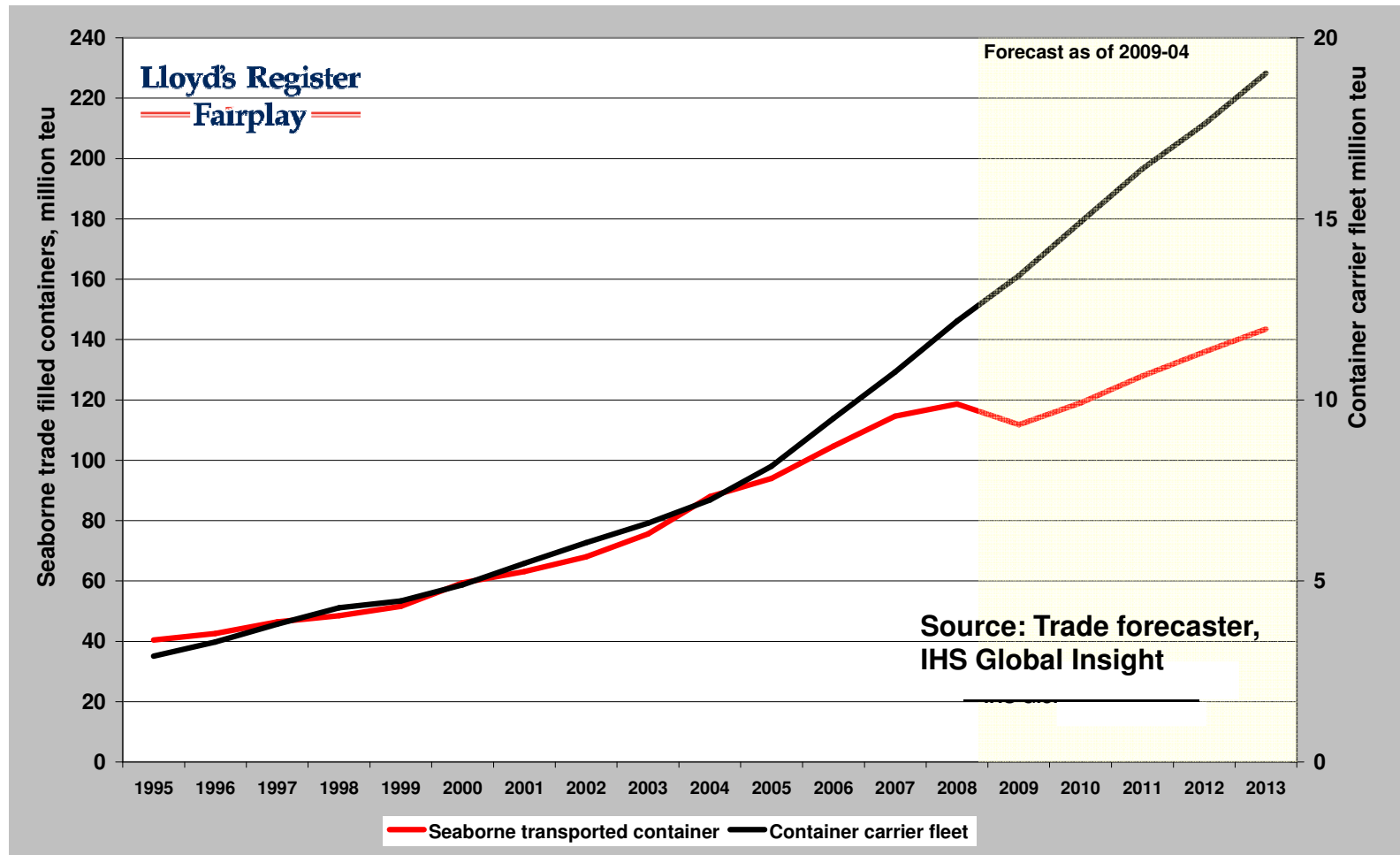
# Supply/Demand Containers

## Seaborne container trade



New, more complex systems lead to more transports of empties.

The market is supply driven, thus seems the gap larger than what is expected.



# Implications for Global Ocean Shipping Demand



- The end of the recession is in sight with key indicators pointing in the right direction
- Long-term, rebounding and increasing trade brings trade volume back, with some accelerated changes in geography of sourcing
- The pace of trade growth will be affected by the total delivered costs for the goods as well as remaining impediments to trade
- Long-term trade growth will be influenced by environmental, energy, security, safety, labor, and infrastructure factors as translated into costs and transportation service quality
- In the short run, carriers are operating close to survival mode, under pressure to minimize costs and inventory. Terminals are equally under pressure
- S /D will be out of balance for at least another 18 months putting pressure on freight rates
- The big question: Can Carriers avoid market share strategies that push freight rates down and will everyone survive in this environment?



# Thank you

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