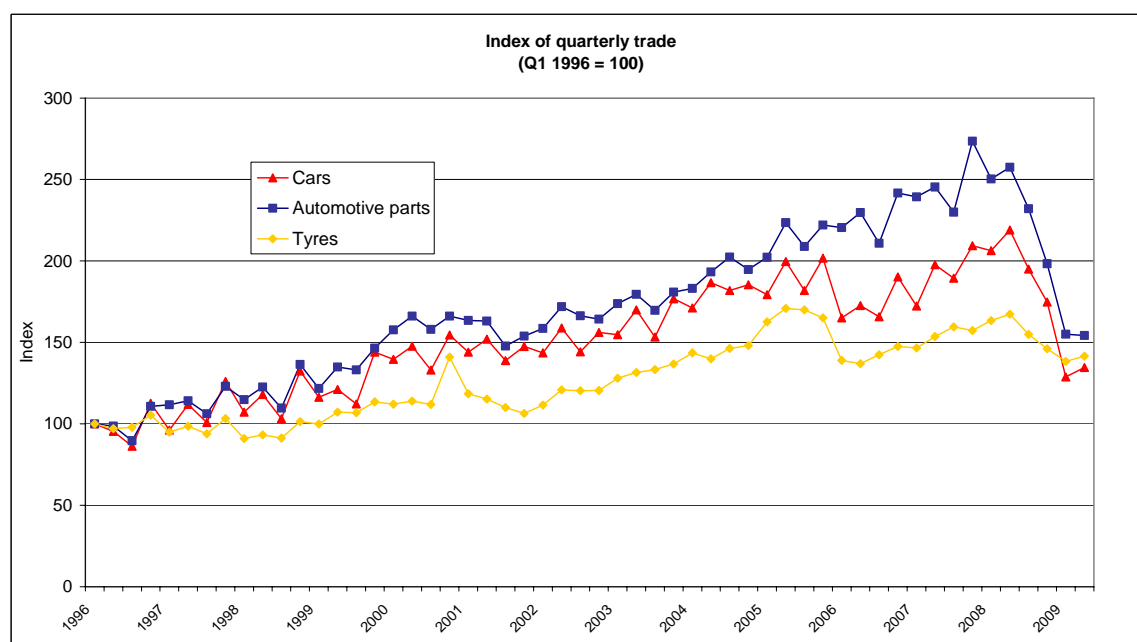


Car Trades Tracked

As the world awaits a rebound, we examine the world trade in cars and maritime trade in containerised motor vehicle parts and tyres using data generated by the MDS Transmodal World Cargo Database ⁱ.

Figure 1: Development of global trade in cars, parts & accessories and tyres, 1996-2009



Source: MDS Transmodal Ltd

The development of each of these trades up to Q2 2009 is shown in figure 1. The reality of the impact of the global economic downturn is shown in sharp focus. What appeared to be an inexorable rise in the volume of trade in each of these commodity groups in the last decade changed to a downturn in the last quarter of 2008. That downturn signalled the start of a steep decline, which has yet to bottom out.

A slight upturn in the second quarter of 2009 should not be misread as, historically, quarterly statistics have generally reflected a rise in volumes at this time of year as well as in the fourth quarter. Instead, forecasts generated from the World Cargo Database suggest that the second half of 2009 will convey more bad news. We anticipate that by the end of 2009, global car trade will be down by 36% on 2008, trade in car parts and accessories down 37% and that in tyres also down 16%.

Table 1: Changes in world trade volumes

	1999	2008	2009 (f)	CAGR 1999-2008	% change 2008-09
	Million tonnes				
Trade cars	23.9	35.5	24.6	4.9%	-36%
Car parts	10.8	18.9	11.9	6.4%	-37%
Tyres	3.5	5.4	4.6	5.2%	-16%

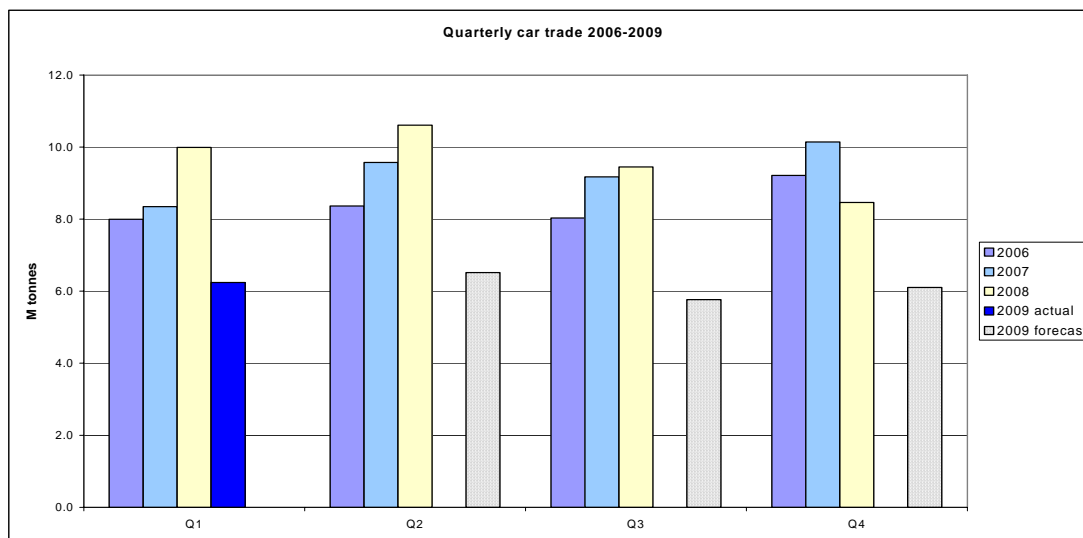
(f) forecast

Source: MDS Transmodal Ltd

Trade car downturn continues

In the car trades, the comparison of quarterly volumes over the last three years (figure 2) highlights the situation. The weaker performance in Q4 2008 was counter to the norm, while projections to the end of 2009 show the continuation of poor market performance.

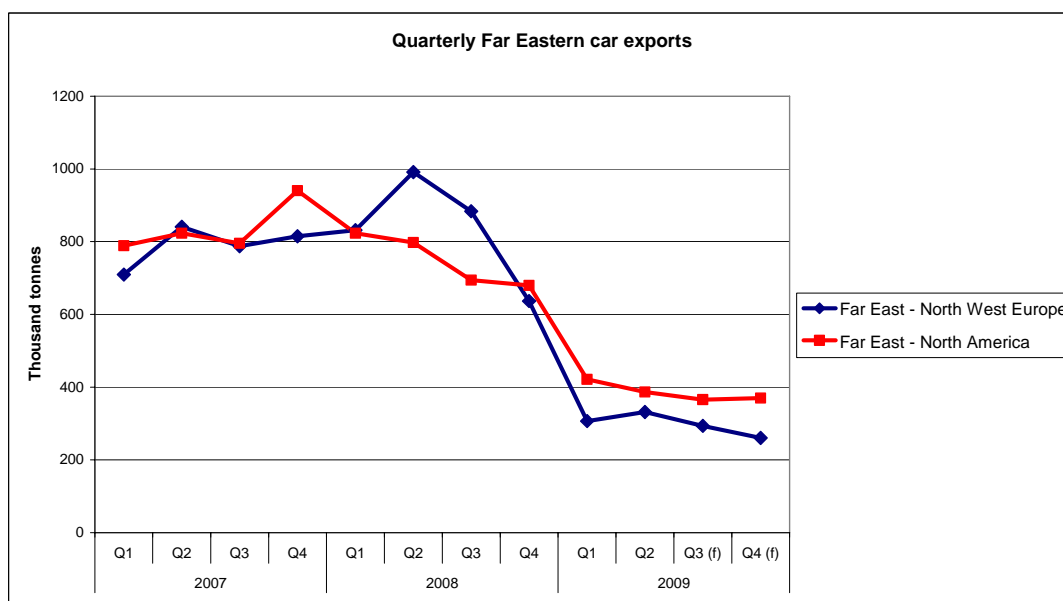
Figure 2: Quarterly car trade 2006-2009



Source: MDS Transmodal Ltd

Exports from the Far East, which accounts for 35% of world trade, are expected to have fallen by 46% by the end of this year, with exports to the major consuming markets of North America down by 48% and to North West Europe by a staggering 64%. For Japanese exporters the drop in sales anticipated in 2009 signifies, in value terms, a loss of almost 60% from US\$31 billion to just US\$12.5 billion.

Figure 3: Far Eastern car exports



Source: MDS Transmodal Ltd

Table 2: Far Eastern car exports by region (million tonnes)

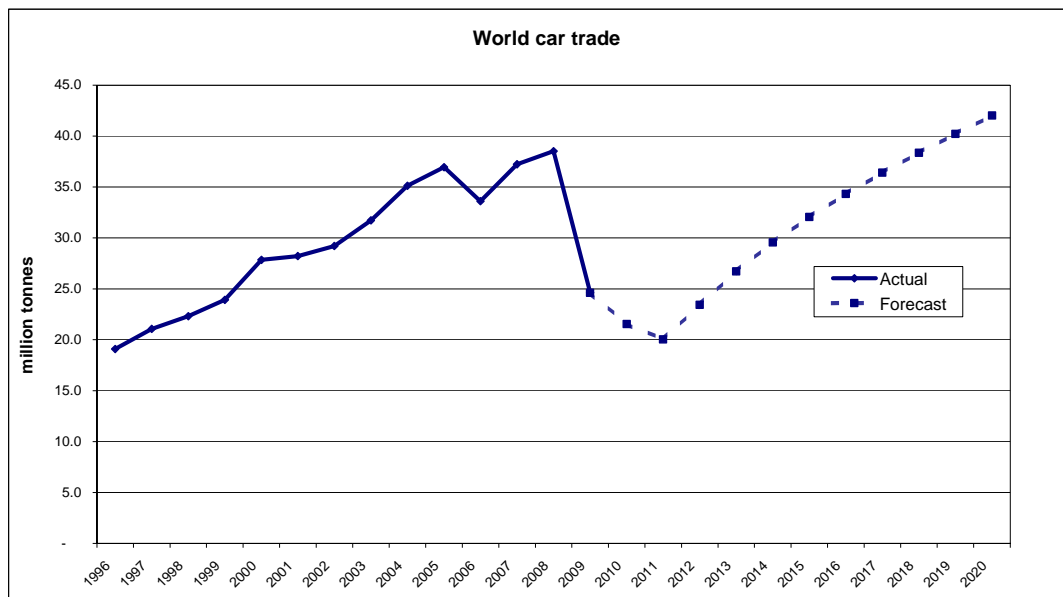
Importing Region	2008	2009 (f)	% change
North America	2,995	1,544	-48%
North West Europe	3,344	1,193	-64%
Far East	1,438	1,051	-27%
Gulf and Indian Sub Continent	1,672	958	-43%
Australasia & Oceania	984	907	-8%
Mediterranean	1,685	900	-47%
Latin America	1,048	479	-54%
East and South Africa	237	177	-25%
West Africa	83	47	-43%
World	13,486	7,256	-46%

(f) forecast

Source: MDS Transmodal Ltd

So when do we anticipate recovery? Projections to 2020 generated from the World Cargo Database currently suggest that whereas the decline will ease in 2010, it will not be until the latter half of 2011 that an upturn will become evident on a world scale. Thereafter, growth at a compound rate of 9% per annum to 2020 is indicated.

Figure 4: Forecast car trade to 2020



Source: MDS Transmodal Ltd

Global supply chains' impact on container shipping

The wider implications of the economic slowdown on the car manufacturing industry and on the global supply chains which it generates and relies upon can perhaps be appreciated from the following examination of the downturn in the subsidiary trades in motor vehicle parts and the knock-on effect that this has had on the world container shipping industry.

The movement of automotive parts and accessories is one of the largest commodity groups (at SITC-5 digit level¹) moving in containerised trade and in recent years has been one of the fastest growing. In 2008 some 528,000 loaded TEU were carried in maritime container trade, up from 268,000 TEU 1999, demonstrating a compound growth rate of 7.8% (i.e. faster than growth in world trade in this commodity group over that same 10-year period). However, our forecasts suggest that in 2009 the trade will suffer a decline of 31%.

Table 3: Global maritime containerised trade – motor vehicle parts & accessories, 2007-2009 (TEU)

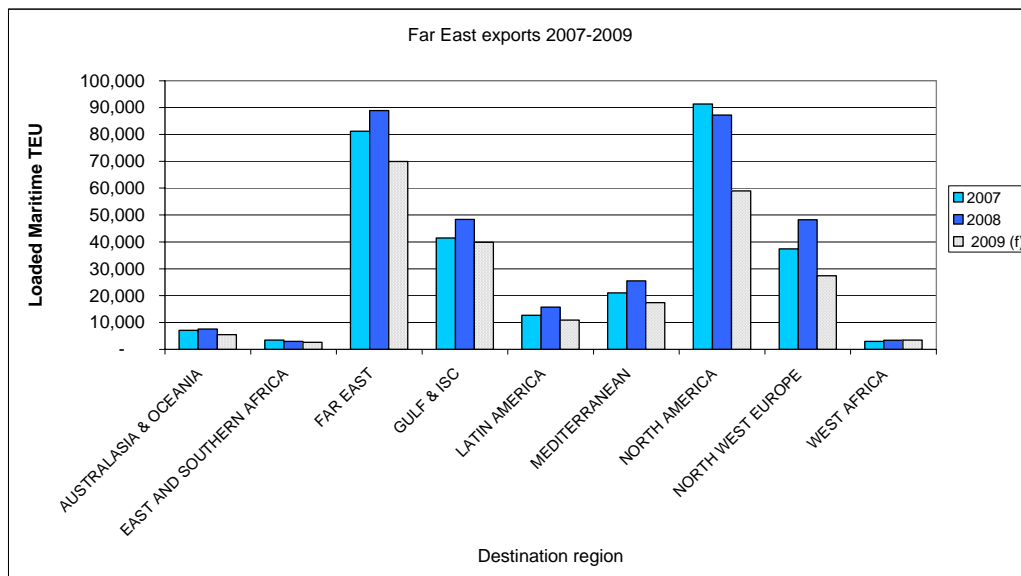
Region of Origin	2007	2008	2009 (forecast)	% change 2008-09
AUSTRALASIA & OCEANIA	2,396	2,341	2,001	-15%
EAST AND SOUTHERN AFRICA	4,574	4,063	2,180	-46%
FAR EAST	298,548	327,846	235,996	-28%
GULF & ISC	14,430	16,255	8,904	-45%
LATIN AMERICA	14,251	13,265	7,432	-44%
MEDITERRANEAN	39,971	41,166	24,290	-41%
NORTH AMERICA	43,466	42,564	28,710	-33%
NORTH WEST EUROPE	90,336	80,044	53,691	-33%
WEST AFRICA	26	36	37	1%
Grand Total	507,998	527,580	363,239	-31%

Source: MDS Transmodal Ltd

Shipments from the Far East account for more than 60% of this business and are forecast to drop by 28% in 2009. The main trade flows from Japan, China and Korea to the USA form a significant component of the transpacific trade lane. The loaded TEU volume is forecast to drop by 32% in 2009 to a little under 60,000 TEU from over 90,000 TEU in 2008. But it's also important to note the effect on Far Eastern regional trade (mainly between China and Japan and averaging about 1,000 loaded TEU per month in 2008), which accounted for 27% of the containerised trade from the Far East in 2008 and which also looks set to fall by 21% in 2009.

¹ (SITC code 78439)

Figure 5. Far Eastern containerised trade in car parts & accessories, 2007-2009



We also see a major fall off in volumes being shipped in the North-South trade lanes between South Africa and North West Europe as well as the eastbound East Coast South America- North West Europe lane between especially Brazil and Germany, France, Poland and Sweden.

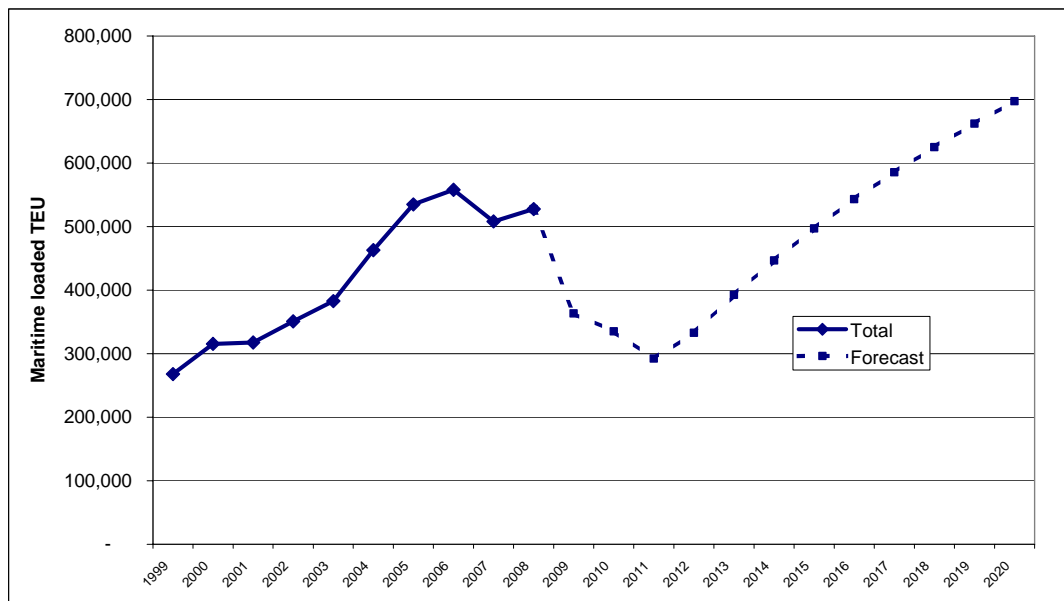
There are also significant flows between North West European countries (Germany, Italy) to North America providing an important 'backhaul' trade on the westbound transatlantic leg and this traffic too is expected to have contracted by over 40% by the end of 2009.

After the storm...

This economic storm has wreaked havoc on the container shipping industry and the story unfolding for car parts manufacturers is replicated across many other industries where suppliers and customers are literally oceans apart. We believe that the eye of the storm is passing over, however, and as the car trade picks up, as it looks set to do in 2011, so surely trade in parts and accessories will follow.

Whereas we expect to see total trade bottom out at around 300,000 TEU in 2011, therefore, we also anticipate a fairly strong path to recovery at 10% per annum growth, seeing maritime trade volumes recover to around 700,000 loaded TEU by 2020.

Figure 6: Forecast trade in motor vehicle parts and accessories, 2009-2020



Source: MDS Transmodal Ltd

ⁱ Initially developed in 1987, the **World Cargo Database** contains detailed trade flow data between every country in the world at a detailed commodity level (over 3000 commodity classifications), enhanced with trade forecasts to 2020 and special outputs for the container industry in TEU. We currently produce quarterly trade forecasts for Containerisation International Magazine for all major trade corridors.