

Trade Statistics

Supply/demand indicators for container shipping

All the tradelanes analysed this month continued to show year-on-year growth in containerised tonnes in Q1 11 versus 2010, but growth rates have slowed considerably.

On the evidence of trade data available to date, relative to the respective quarters of 2006, our global index of loaded TEU showed a seasonally adjusted rise from 130.4 in Q1 11 to a projection for Q2 11 of 132.2, an annual growth from Q2 10 of 8%.

Annual growth for 2010 overall had been 17%. The evidence of the first quarter of 2011 trade data is that the post-recession recovery has slowed down considerably. However, MDS Transmodal forecasts that by Q4 11 the index will have recovered to 135.8 and that overall trade growth in 2011 over 2010 will reach 10%.

This apparent recovery will be a consequence of comparison with the rapid post-recession recovery experienced in Q2 10 and Q3 10 as the global economy 'restocked' and then fell back in Q4 10. Final quarter in 2010, volumes were 1.2% down on the mean for Q2 10 and Q3 10. Four years earlier, fourth quarter volumes had been 2.1% up on the previous two quarters. As world trade recovers its equilibrium so we can anticipate year end figures that might provide some comfort to the liner industry.

This characteristic appears to be a feature of most of the trades from the Far East. It is estimated that in the case of Far East to North America Q1 11 volumes were 10% up on Q1 10, but by Q3 10, overall volumes had grown by a further astonishing 31% (electrical machinery grew by 45% over the same six month period) compared to Q3 09.

The continuing steady recovery in 2011 cannot be expected to replicate such erratic behaviour, which explains why some ports are now reporting

year-on-year absolute decline. However, we forecast that by the year's end, the eastbound transpacific trade will show an annual growth of 4%.

In so far as global conditions on all the principal trade lanes are concerned, by comparison with the same quarters in 2006 vessel capacity grew considerably faster than demand (+45.6% versus +32.2% for demand).

Global demand and supply indices

Demand (2009 = 95.3m loaded TEU, forecasts in italics)

Quarter	2006	2007	2008	2009	2010	2011
1	100.0	104.2	115.8	99.5	118.8	130.4
2	100.0	104.7	115.1	102.8	122.6	132.2
3	100.0	106.8	113.9	106.8	124.3	134.3
4	100.0	105.7	101.1	107.3	120.3	135.8

Global demand and supply indices

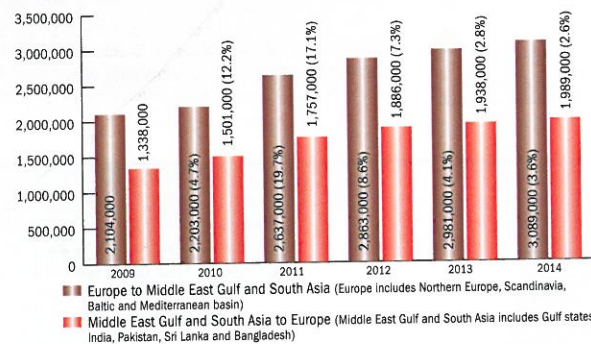
Supply: principal tradelanes (2009 = 114.4m TEU slots)

Quarter	2006	2007	2008	2009	2010	2011
1	100.0	110.8	120.5	121.2	123.0	146.0
2	100.0	110.5	119.1	120.4	124.2	145.6
3	100.0	109.6	119.9	116.2	132.3	-
4	100.0	110.7	118.6	114.8	132.5	-

(15 main tradelanes)

Figure 1: Europe to/from Middle East Gulf & South Asia trade in TEU

- Overall head-haul eastbound containerised trade grew by 5% in 2010 and is forecast to grow by 20% in 2011
- Year-on-year eastbound tonnages grew 2% in Q4 10 and 5% in Q1 11 relative to 12 months earlier.
- Of leading commodities, vegetables, fruit and minerals led the recovery
- Growth from 2010 to 2014 is forecast at 9% per annum.
- Service capacity at the end of Q2 11 was 14% up on two years previously and 13% above the same period in 2010



Index of leading eastbound commodities over 1.4 million tonnes in 2009
Same quarter in previous year =100

Commodity	Q2 10	Q3 10	Q4 10	Q1 11
05 Vegetables and fruit	105	108	109	107
25 Pulp and waste paper	65	73	68	72
64 Paper and paperboard	124	93	87	105
66 Mineral manufactures	112	116	112	111
67 Iron and steel	96	97	93	100
Overall tonnage index	106	106	102	105
Capacity index (end next Q)	103	105	127	113

(i.e. Q2 11 capacity shown under Q1 11 etc.)

Figure 2: Far East to/from Middle East Gulf & South Asia trade in TEU

- Overall head-haul westbound containerised trade grew by 18% in 2010 but is forecast to grow by only 1% in 2011
- Year-on-year westbound tonnages grew by 21% in Q4 10 and by 14% in Q1 11 relative to 12 months earlier
- Textiles and mineral manufactures led the recovery
- Growth from 2010 to 2014 is forecast at 7% per annum.
- Service capacity at the end of Q1 11 was 26% up on two years previously and 13% above the same period in 2010

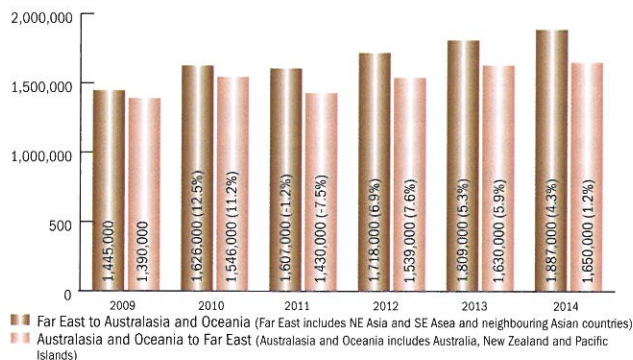


Index of leading westbound commodities over 1.6 million tonnes in 2009
Same quarter in previous year =100

Commodity	Q2 10	Q3 10	Q4 10	Q1 11
57 Plastics in primary form	101	108	107	106
64 Paper and paperboard	108	106	125	114
65 Textiles and made up articles	121	113	120	124
66 Mineral manufactures	139	143	177	122
69 Metal manufactures	113	107	112	106
Overall tonnage index	120	117	121	114
Capacity index (end next Q)	109	102	106	113

Figure 3: Far East to/from Australasia & Oceania trade in TEU

- Overall southbound containerised grew by 13% in 2010 but is forecast to fall by 1% in 2011
- Year-on-year southbound tonnage grew 9% in Q4 10 and by 7% in Q1 11 relative to 12 months earlier.
- Furniture and electrical machinery led the recovery
- Growth from 2010 to 2014 is projected at 4% per annum.
- Direct service capacity at the end of Q1 11 was 12% up on two years previously and 13% above the same period in 2010

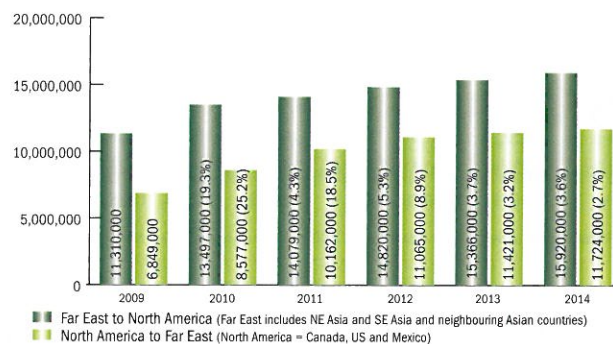


Index of leading westbound commodities over 1.6 million tonnes in 2009
Same quarter in previous year =100

Commodity	Q2 10	Q3 10	Q4 10	Q1 11
64 Paper & paperboard	113	102	95	104
66 Mineral manufacturers	132	136	114	111
69 Metal manufactures	122	114	118	110
77 Electrical machinery	118	115	123	115
82 Furniture	113	111	115	113
Overall tonnage index	116	112	109	107
Capacity index next quarter	135	122	121	113

Figure 4: Far East to/from North America trade in TEU

- Overall head-haul eastbound containerised trade grew by 19% in 2010, but is forecast to grow by only 4% in 2011
- Year-on-year eastbound tonnage grew by 14% in Q4 10 and by 10% in Q1 11 relative to 12 months earlier.
- Growth was spread across several principal commodities.
- Growth from 2010 to 2014 is forecast at 4% per annum.
- Direct service capacity at the end of Q1 11 was 18% up on two years previously and 20% up on the same period in 2010

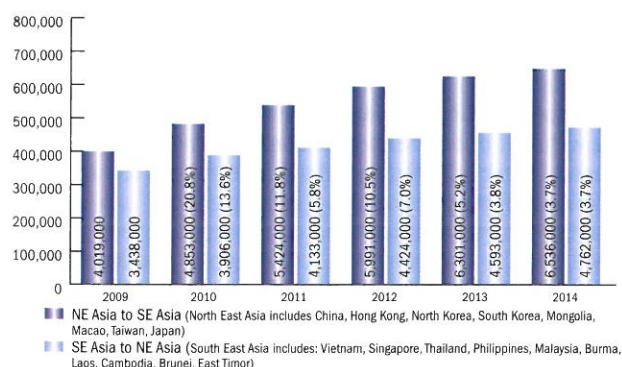


Index of leading eastbound commodities over four million tonnes in 2009
Same quarter in previous year =100

Commodity	Q2 10	Q3 10	Q4 10	Q1 11
69 Metal manufactures	135	130	109	111
77 Electrical machinery	126	132	114	110
82 Furniture	137	134	114	108
84 Clothing & accessories	112	120	110	107
89 Miscellaneous manufactures	116	118	111	104
Overall tonnage index	128	124	114	110
Capacity index next quarter	114	122	126	120

Figure 5: North East Asia to/from South Asia trade in TEU

- Overall head-haul southbound containerised trade grew by 21% in 2010 and is forecast to grow by 12% in 2011
- Year-on-year southbound trade rose by 16% in Q4 10 and by 14% in Q1 11 relative to 12 months earlier.
- Textiles have shown the fastest growth
- Growth from 2010 to 2014 is forecast at 8% per annum



Index of leading westbound commodities over two million tonnes in 2009
Same quarter in previous year =100

Commodity	Q2 10	Q3 10	Q4 10	Q1 11
05 Vegetables & fruit, nuts	97	102	95	107
57 Plastics in primary form	115	95	104	101
65 Textile & made up articles	132	120	119	129
66 Mineral manufacturers	162	158	156	109
77 Electrical machinery	127	108	109	112
Overall tonnage index	130	116	116	114

Explanatory notes:

The cargo flows shown in figures 1-5 come from MDS Transmodal's World Cargo Database which describes global trade by tonnage and value for around 3,000 commodities between each country on a quarterly basis.

In order to convert tonnages into TEU, the proportion of each commodity that is containerised is estimated, as is the container stowage factor of that commodity. The period covered is 1996-2010, and forecasts are based on detailed country x country x commodity trends. From July 2010 and backdated to all earlier years, where a country generally publishes export data before the corresponding import data in the partner country is published the export data is used to render results up to date.

The proportion of each commodity that is estimated to be containerised and its stowage factor are kept constant. In practice, these estimates will vary by route, particularly where bulk cargo can take advantage of back-loading, but estimated overall TEU volumes (the sum of loaded plus empty balancing flows) generally correspond to port throughput control totals at the country level.

Keeping proportions constant for each year avoids the danger that short term changes in volumes actually carried in containers as a result of supply side constraints in the bulk market do not distort underlying trends. This is very important when it comes to forecasting. However, from August 2010 and backdated to 1996 estimated loaded TEU will also include those bulks generally only carried at backload rates so that total loaded TEU will generally correspond to total observed volumes.

Note that the MDS Transmodal data describes traffic between countries so that (for example) a container passing from Montreal to Milan will be destined for the 'Mediterranean' regardless of whether it is landed in Rotterdam or Genoa.

The analysis describes estimated TEU carried annually in each tradeline from 2008 up to 2010. The latest factual results included are generally for Q1 11, for which a comparison is made of the way that the top five commodities (two-digit SITC level) moving in the dominant leg of each trade route is provided plus an overall total, which also helps to inform ongoing forecasts.

Forecasts are based upon the trend in each individual country x country x commodity relationship, aggregated together into trade lanes. Many of these detailed trends have not followed changes in the GDP of the partner countries concerned.

Many of these detailed trends have not followed changes in the GDP of the partner countries concerned. Changes in both production and consumption of different commodities, particularly during the recession, have varied radically, with correspondingly different impacts by tradeline. The food sector has proved far more stable.

The analysis of capacity is based upon MDS Transmodal's Containership Databank, which reflects a monthly update of the deployment of every lo-lo container ship worldwide by route, ports of call, operator, vessel speed, capacity and vessels/string. This allows total service capacity deployed by trade lane by time period to be calculated.

The figures shown in the tables reflect capacity deployed after the end of each quarter to represent the lag in market response (the latest shown against demand in Q1 11 is therefore capacity at July 1, 2011. A supply and demand comparison is made for each of the last four quarters against the same quarter in 2009-10.