

IUMI 2010 ZURICH

12 – 15 September

Shipping and global trade: A review of major developments

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I. Macro factors

- ❖ Economic growth and merchandise trade

II. Shipping and seaborne trade

- ❖ Demand: seaborne trade
- ❖ Supply: fleet developments
- ❖ Freight rates

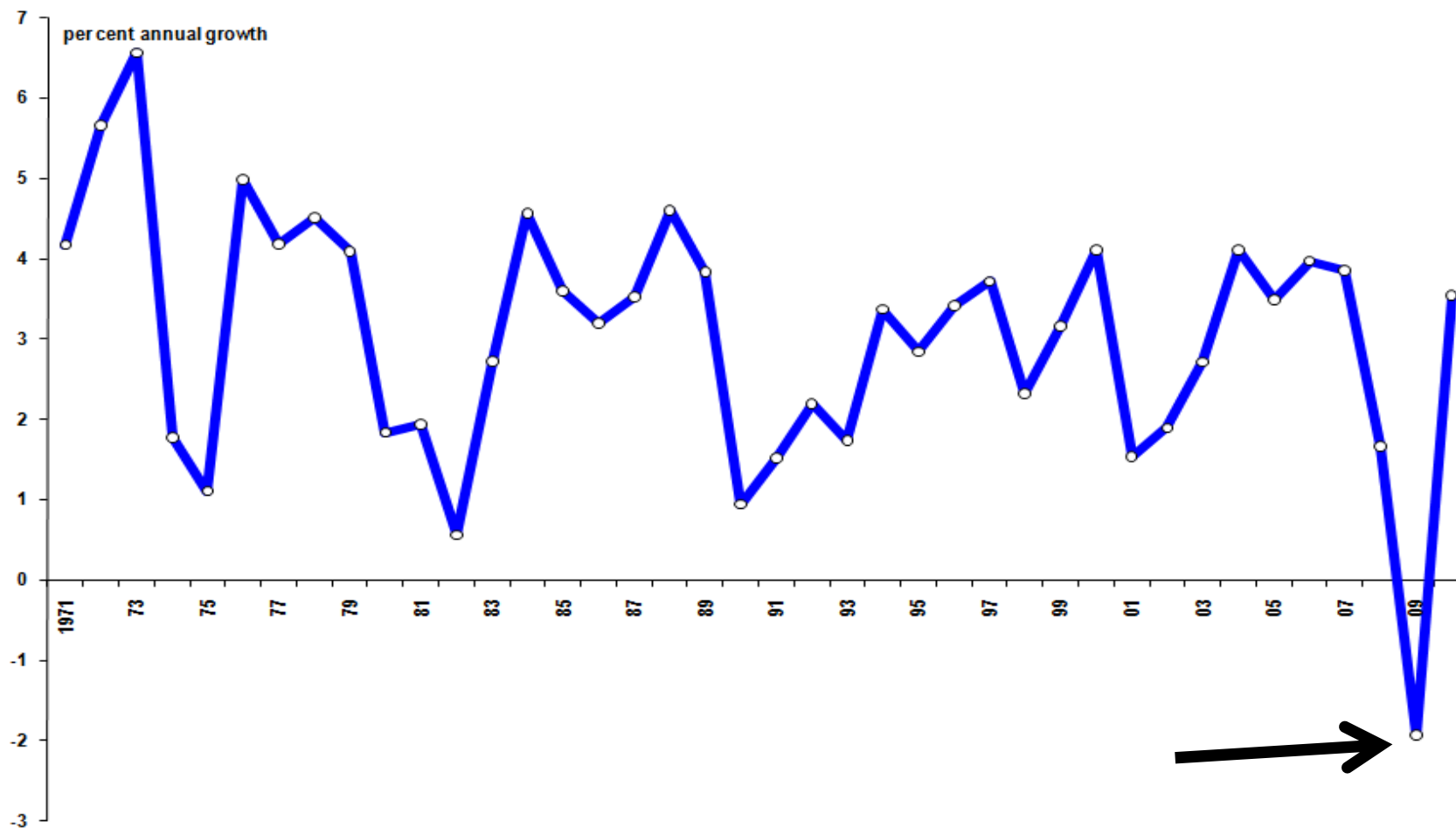
III. Emerging challenges and some relevant issues to monitor

- ❖ Environment
- ❖ Energy
- ❖ Other

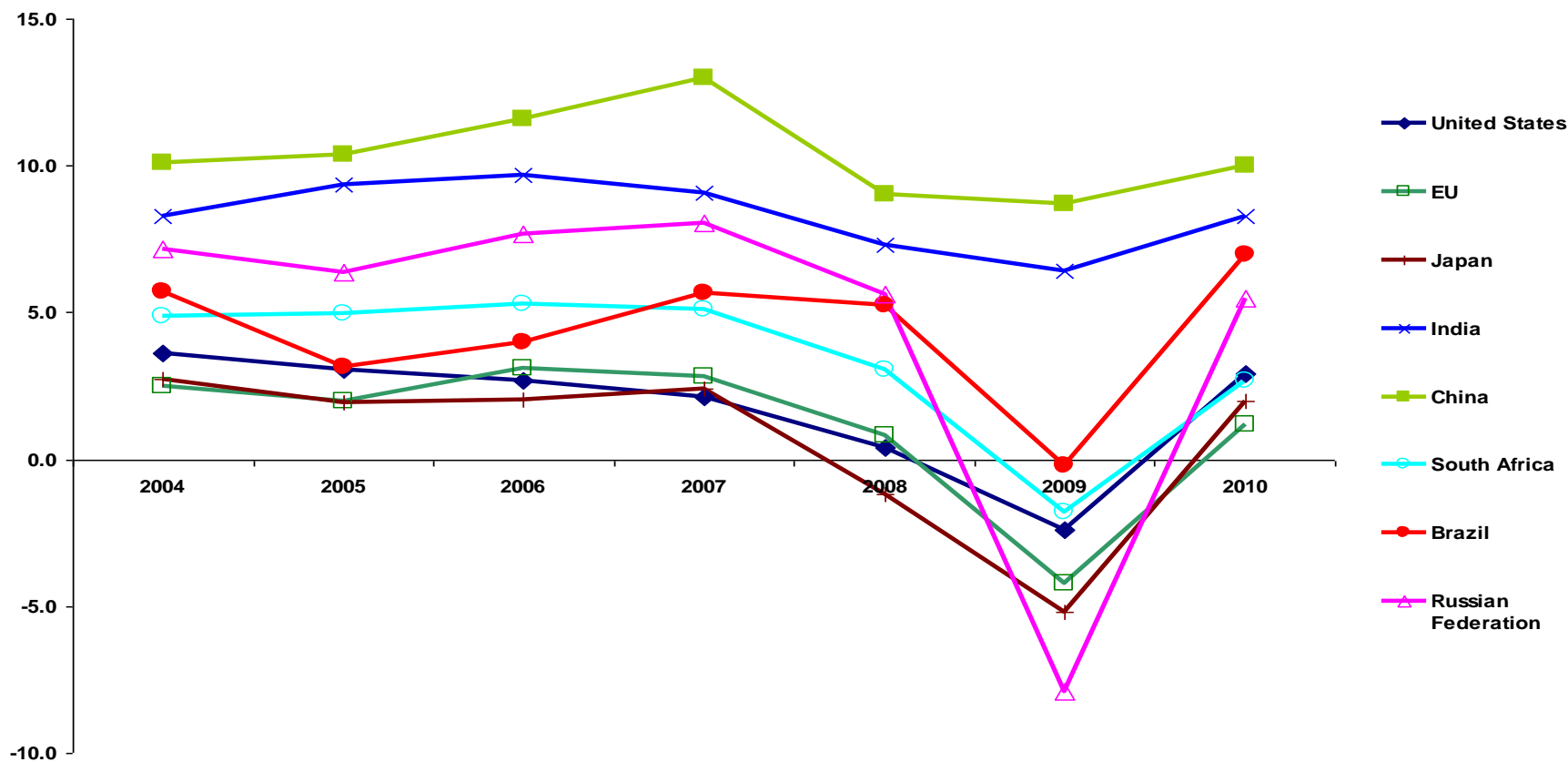
I. Economic growth and merchandise trade

... in global output since the 1930s

World GDP (real), 1971-2010

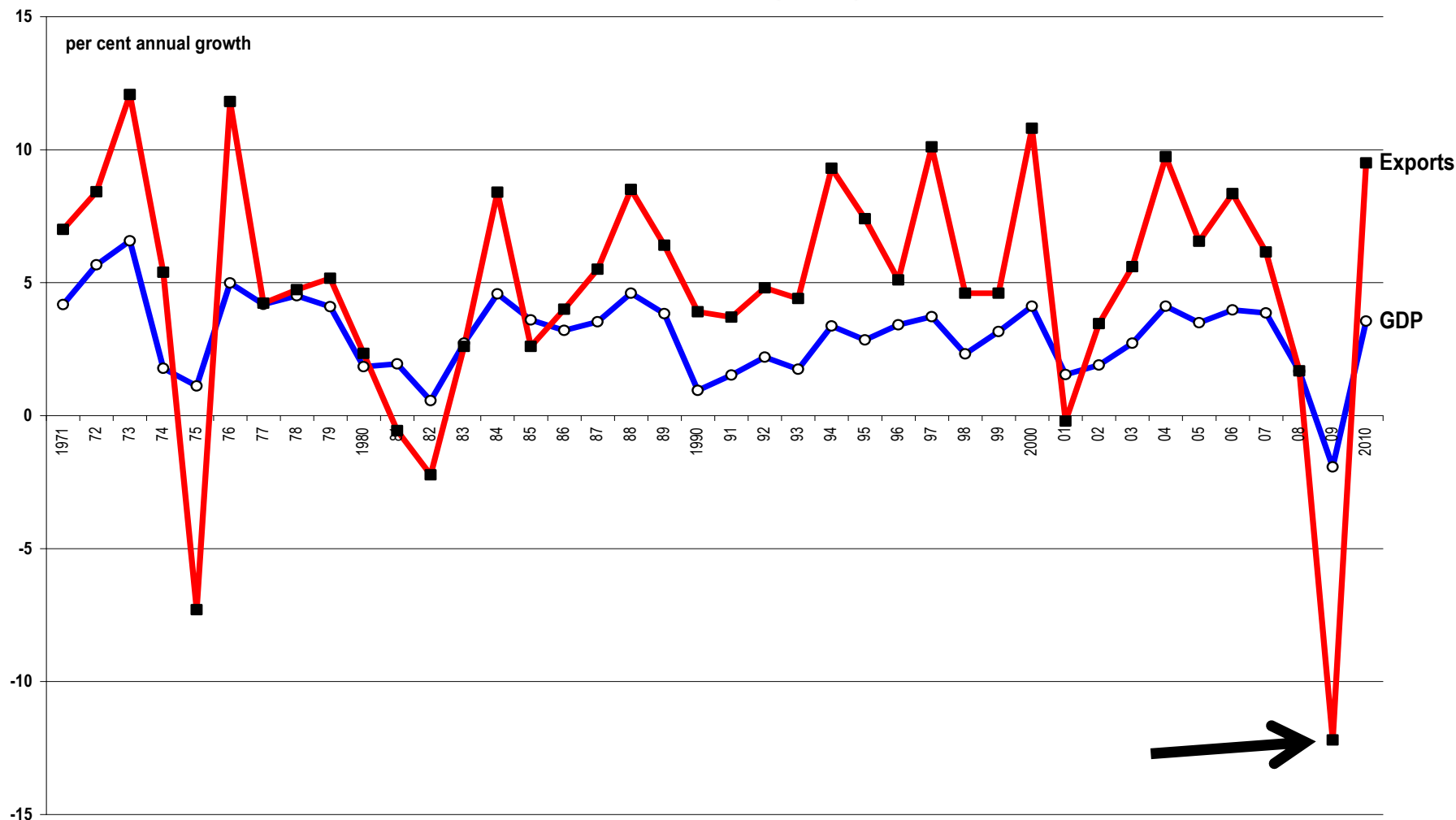


World GDP (% annual growth), 2004-2010

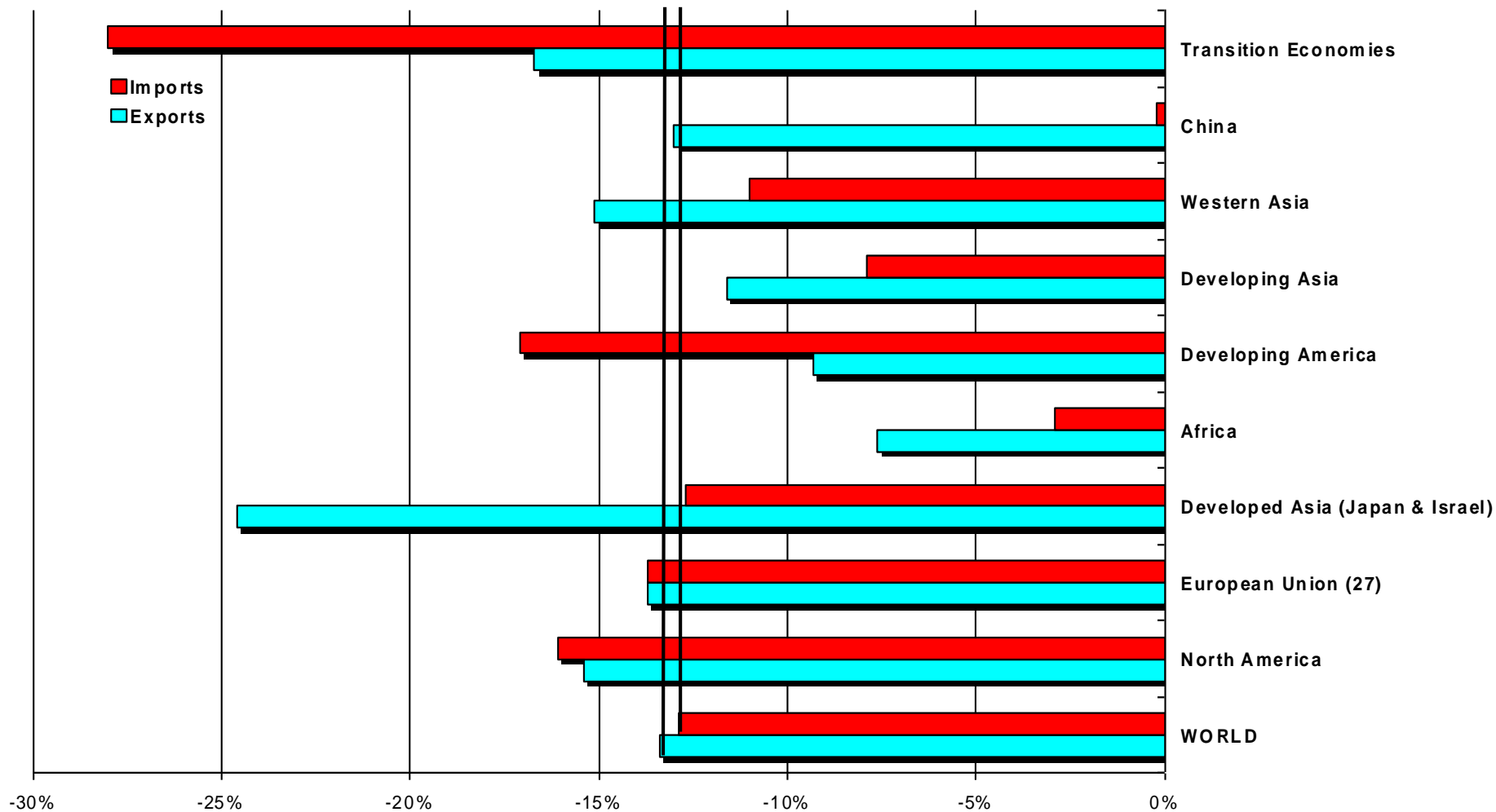


The “Great Trade Collapse”

World GDP and trade (real), 1971-2010



World merchandise trade (real), 2009



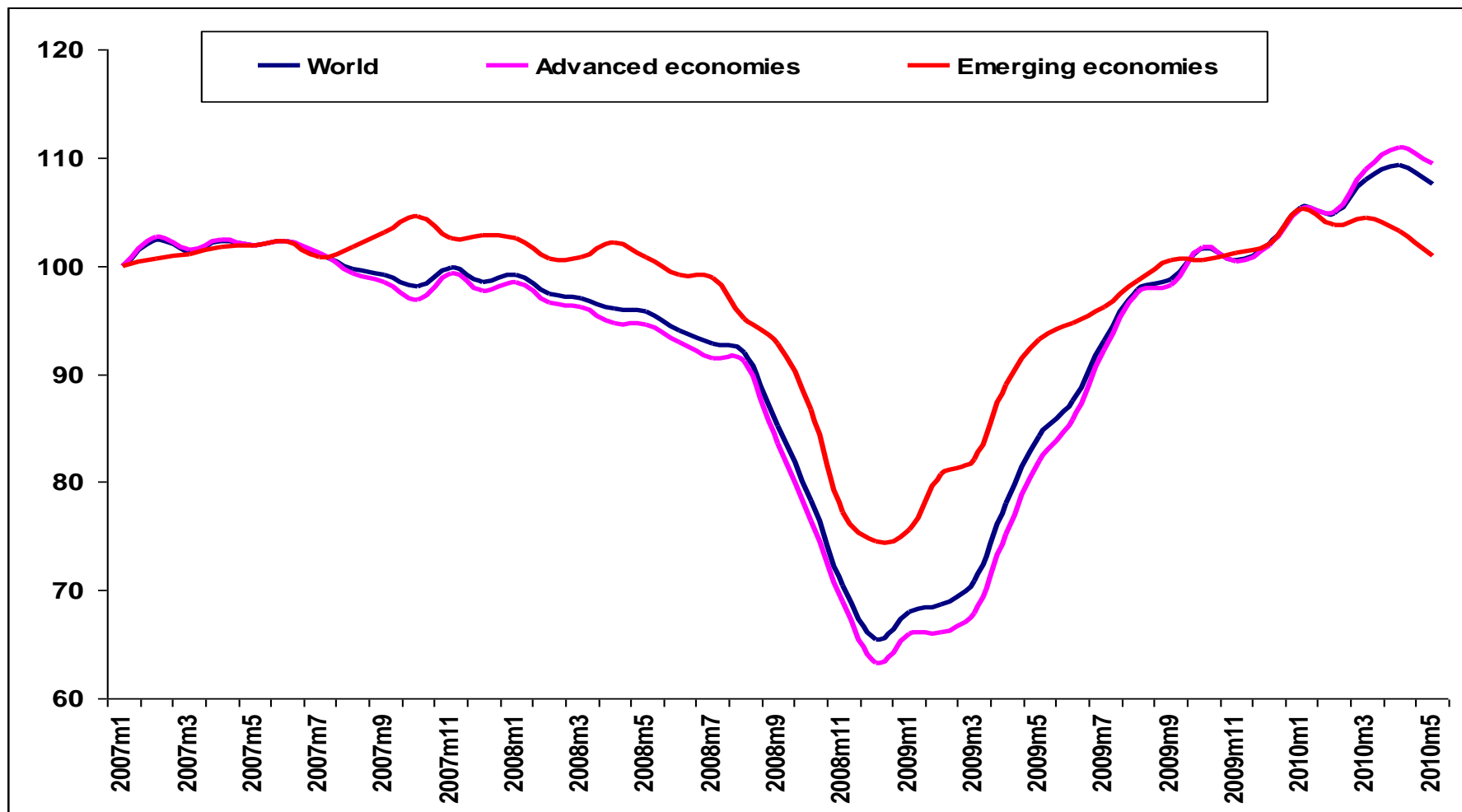
- ❖ Merchandise exports dropped about 7 times more rapidly than global GDP (elasticity ≈ 2 in 60s and 70s and 3.4 in 90s). UNCTAD estimate for 1971-2010 ≈ 2.5 .
- ❖ Demand shock and synchronized drop.

Multiplier effect:

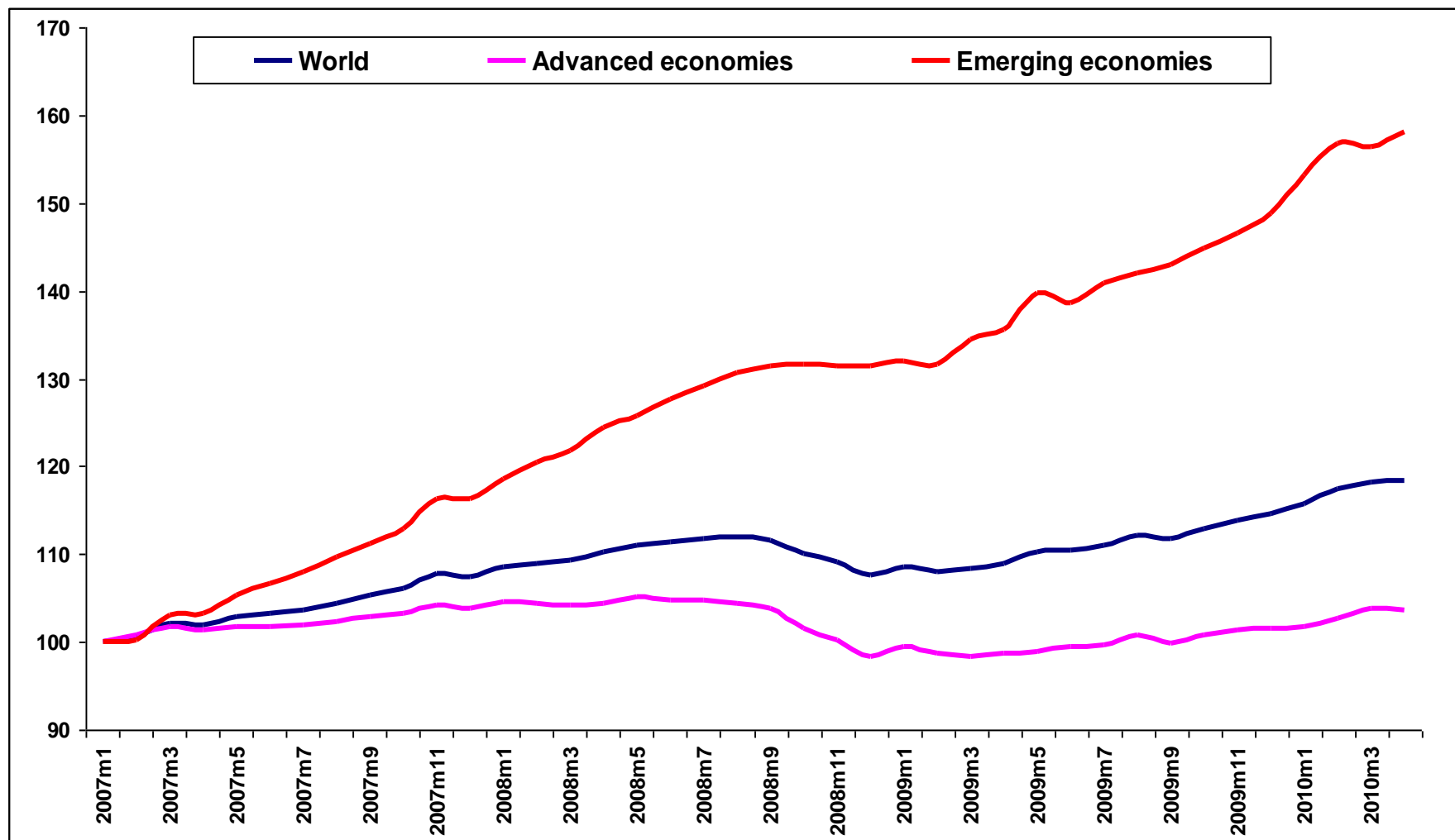
- ✓ Product composition of the fall in demand (e.g. consumer goods and durables, higher income elasticity).
- ✓ Trade in goods drops faster than trade in services which account for a larger share of GDP.
- ✓ Globalised production and increased trade in parts and components.
- ✓ Deepening and widening of global supply chains.
- ✓ Limited trade finance (in addition to demand shock).

BUT...
... there are signs of recovery in
economic indicators...

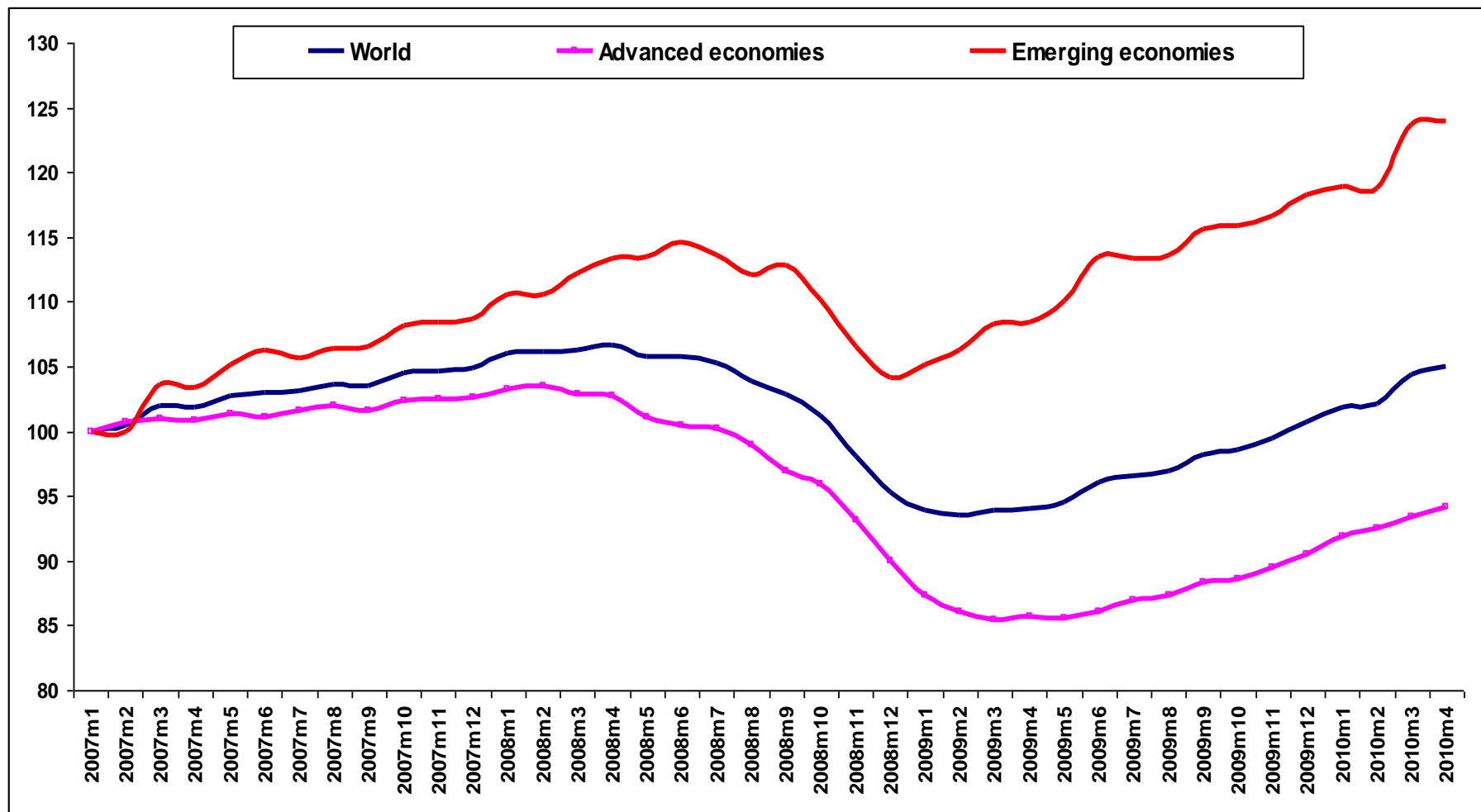
Manufacturing Purchasing Managers' Index, 2007-2010



Retail sales, 2007-2010

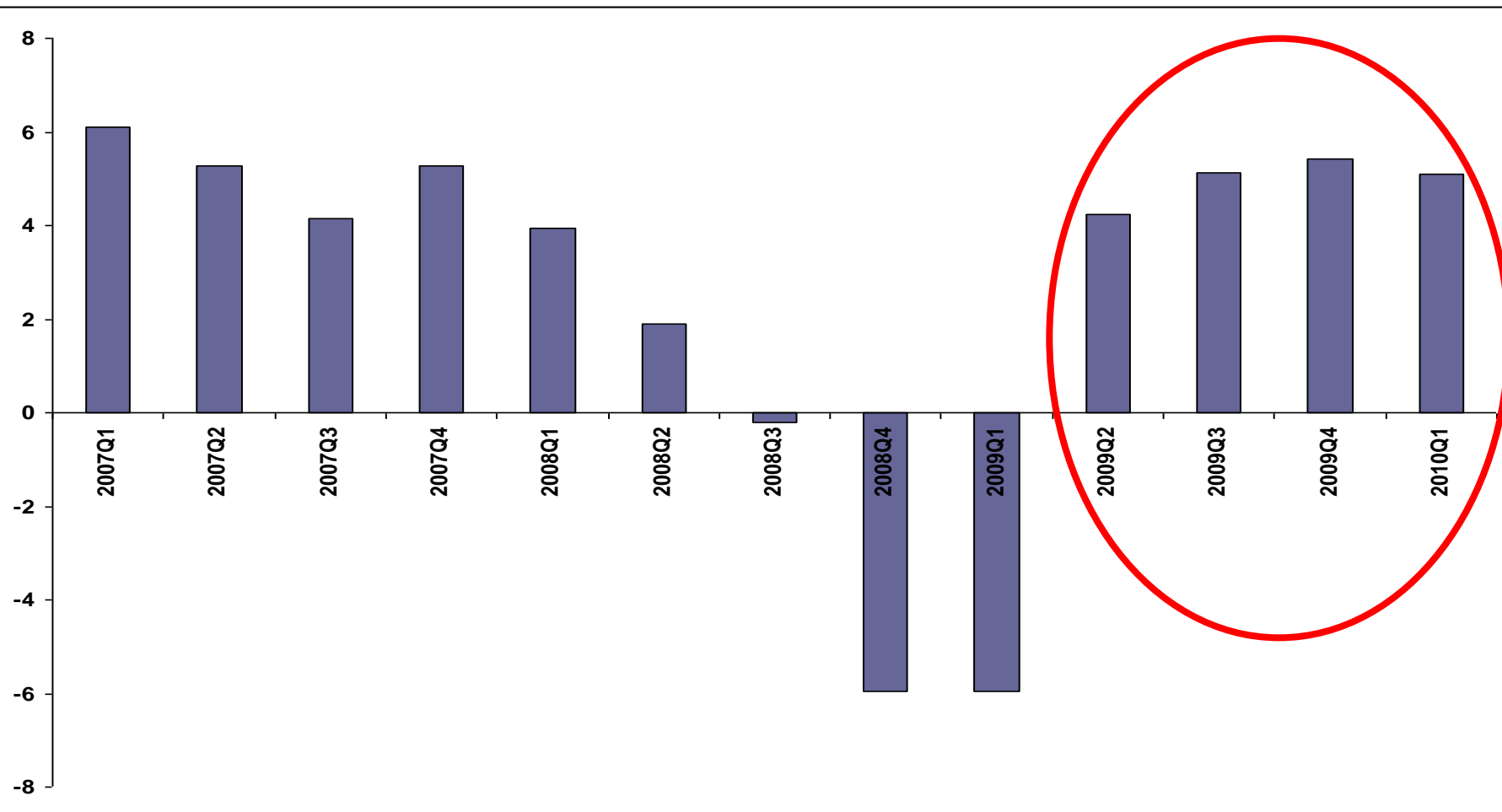


Industrial production, 2007-2010



...UNCTAD expects GDP to grow by 3.5% in 2010

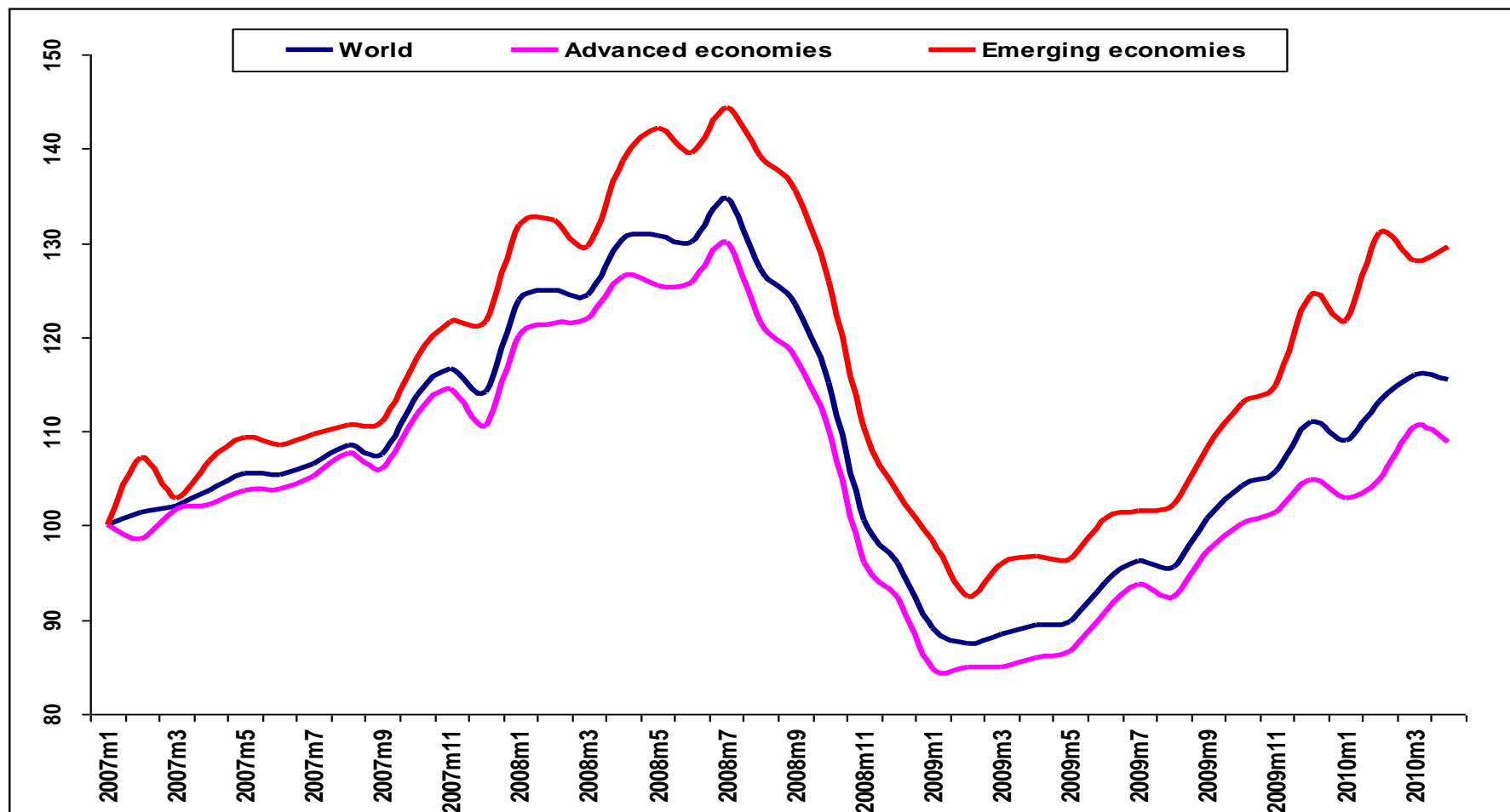
World GDP (% annual growth), 2007-2010



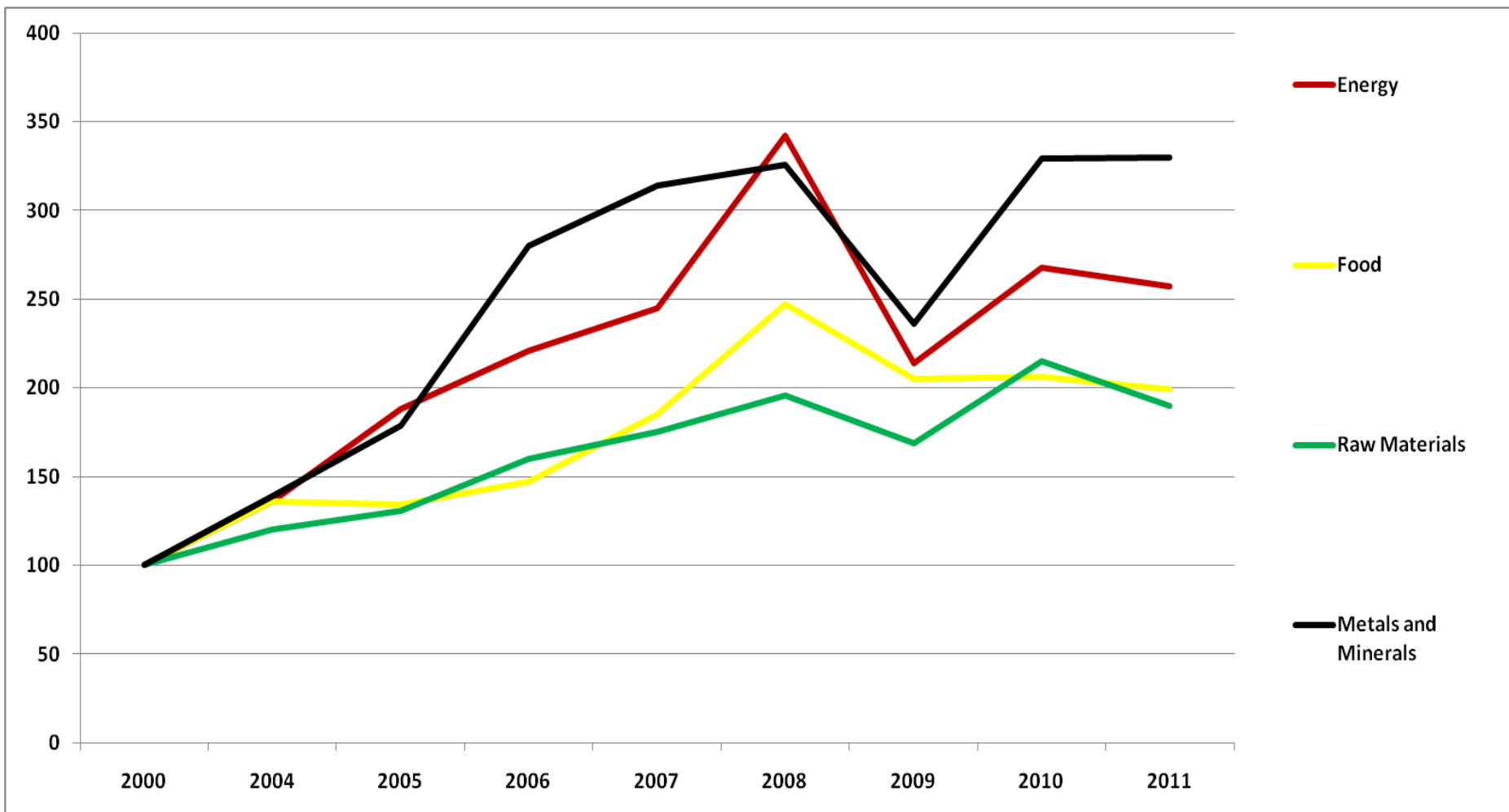
World exports forecast to grow...

...by + 9.5% in 2010, 7.5% in developed economies;
11% ROW (developing and EIT)

Merchandise exports, 2007-2010



Commodity price indices (actual and forecast, 2000=100), 2000-2011



Major industrialized countries

- Twenty years up to 2009: +2.2%
- Next twenty years forecast: +1.8%

Major developing countries

- Twenty years up to 2009: +6.3%
- Next twenty years forecast: +5.9%

World average

- Twenty years up to 2009: +2.9%
- Next twenty years forecast: +3.5%

World exports (tons):

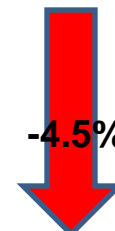
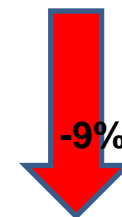
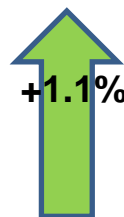
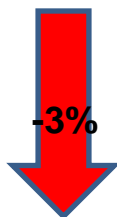
- Expected to double in the next 20 years.

II. Shipping and seaborne trade

...seaborne trade contracted (-4.5%) in 2009

World seaborne trade (tons), 1970-2009

Year	Oil	Main bulks ^a	Other dry cargo	Total (all cargoes)
1970	1 442	448	676	2 566
1980	1 871	796	1 037	3 704
1990	1 755	968	1 285	4 008
2000	2 163	1 288	2 533	5 984
2006	2 698	1 849	3 135	7 682
2007	2 747	1 972	3 265	7 983
2008	2 732	2 079	3 399	8 210
2009 ^b	2 649	2 102	3 092	7 843

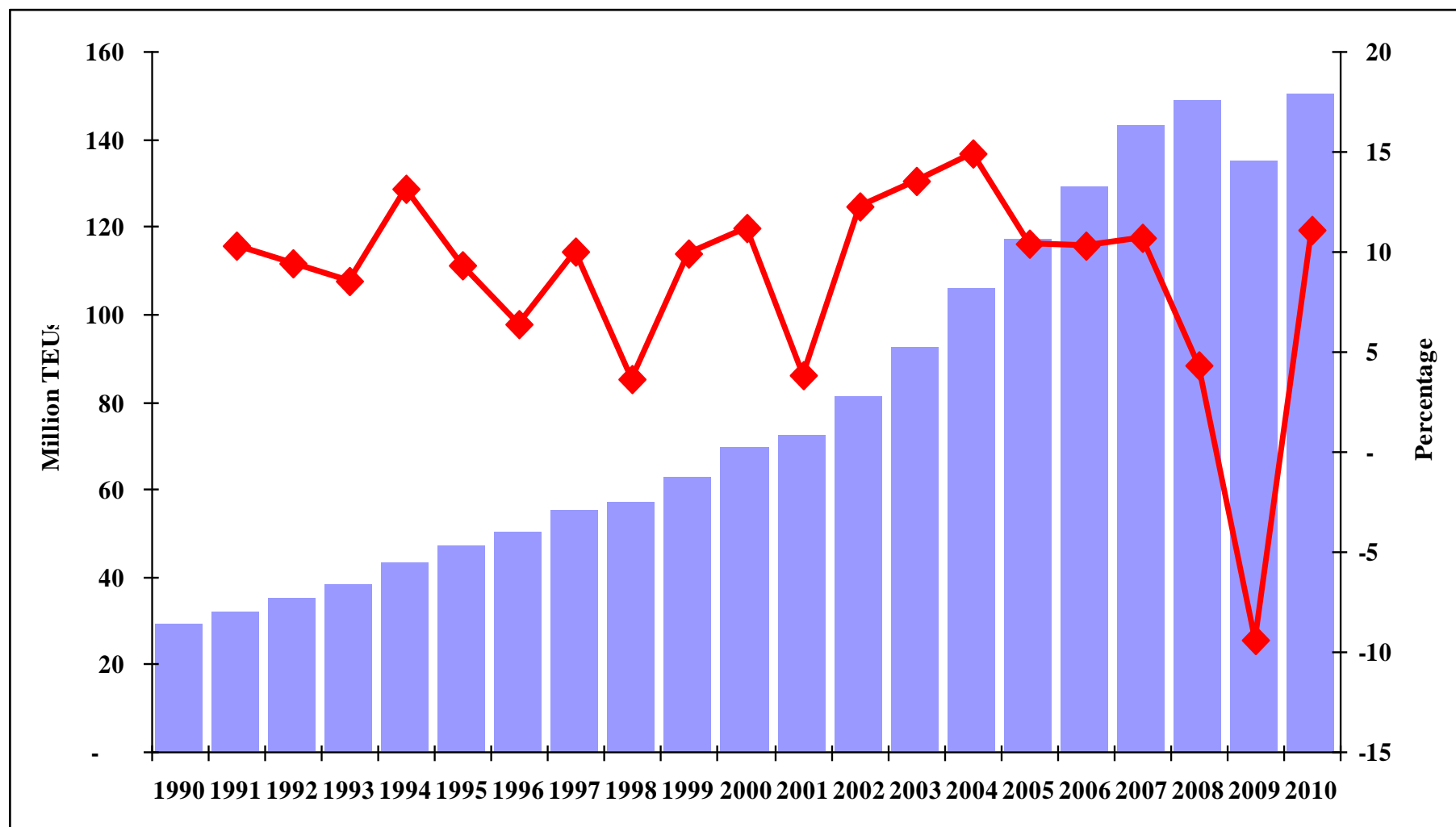


...but major dry bulk cargo held strong; China factor

Seaborne trade (% change), per cargo type, 2009-2010

	2009	2010 ^f
Iron ore	8%	6%
Coal	1%	9%
Grain	-2%	2%
Bauxite and Alumina/Phosphate Rock	-27%	18%
Major dry bulk	1%	7%
Minor dry bulks	-13%	9%
Other dry cargo	-9%	6%
<i>of which container</i>	-9%	11%
Oil	-3%	3%
Total seaborne trade (tons)	-4.5%	5.2%

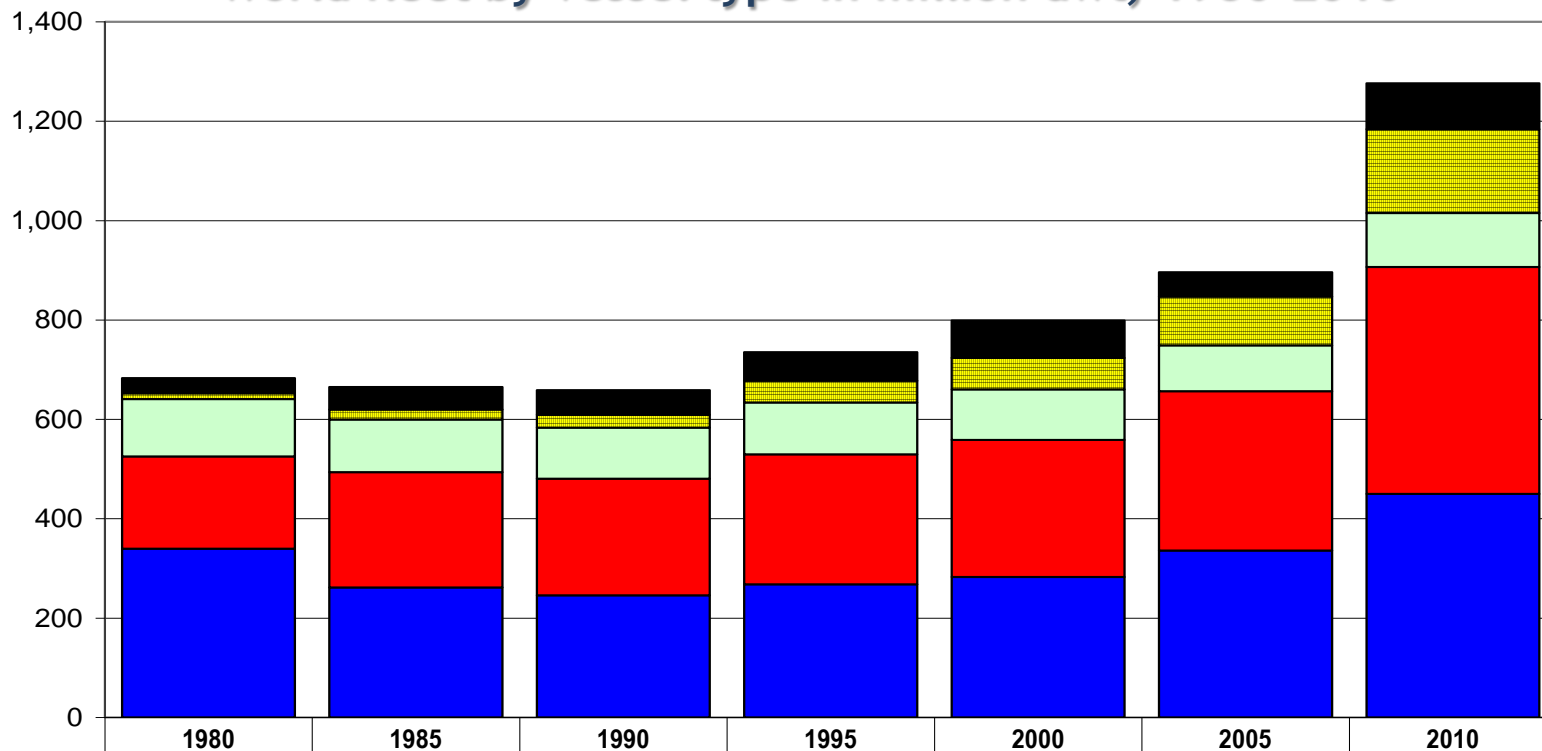
Global container trade, 1990-2010



Fleet developments

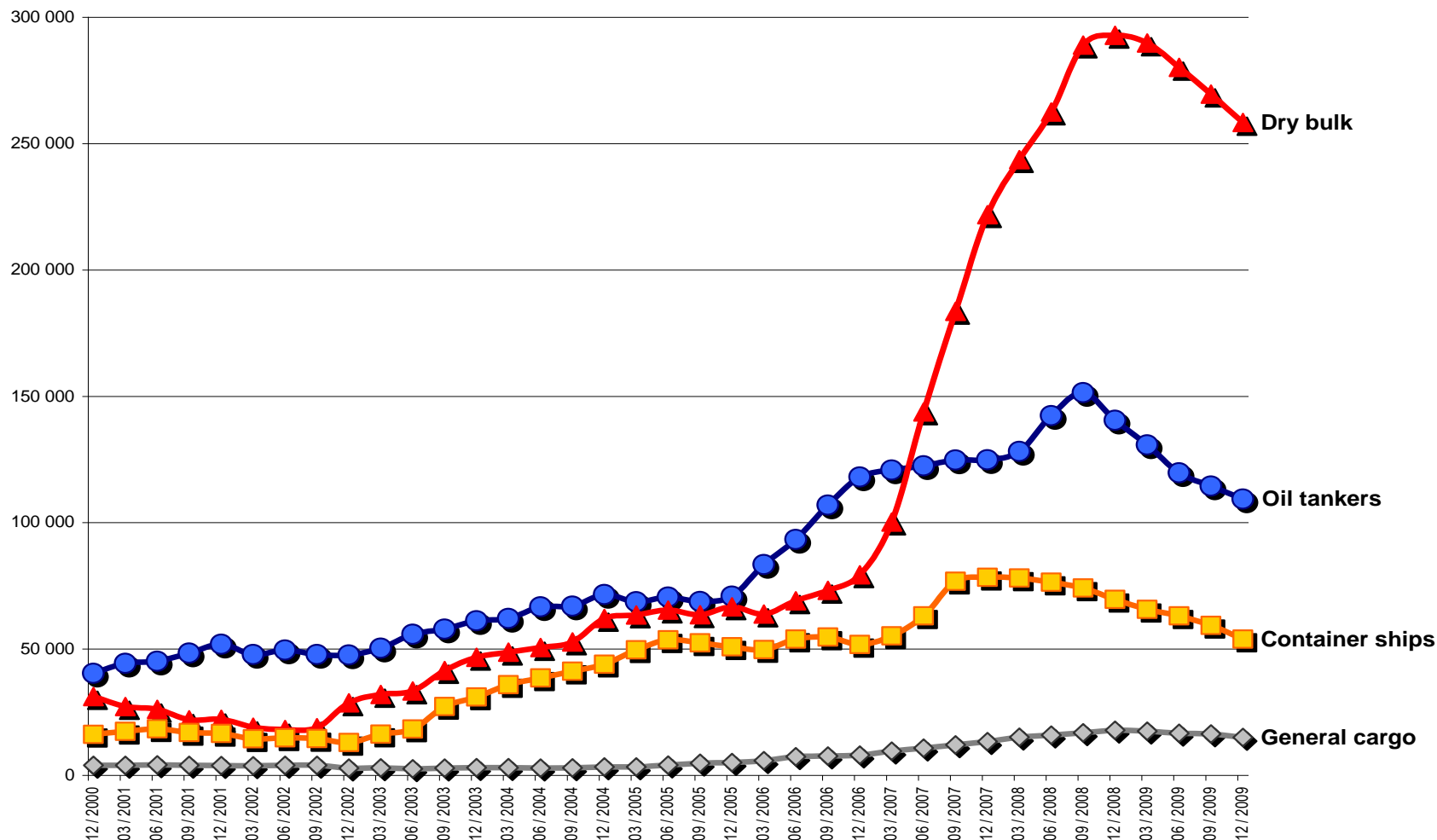
...1.27 billion dwt at the beginning of 2010, 7% increase

World fleet by vessel type in million dwt, 1980-2010



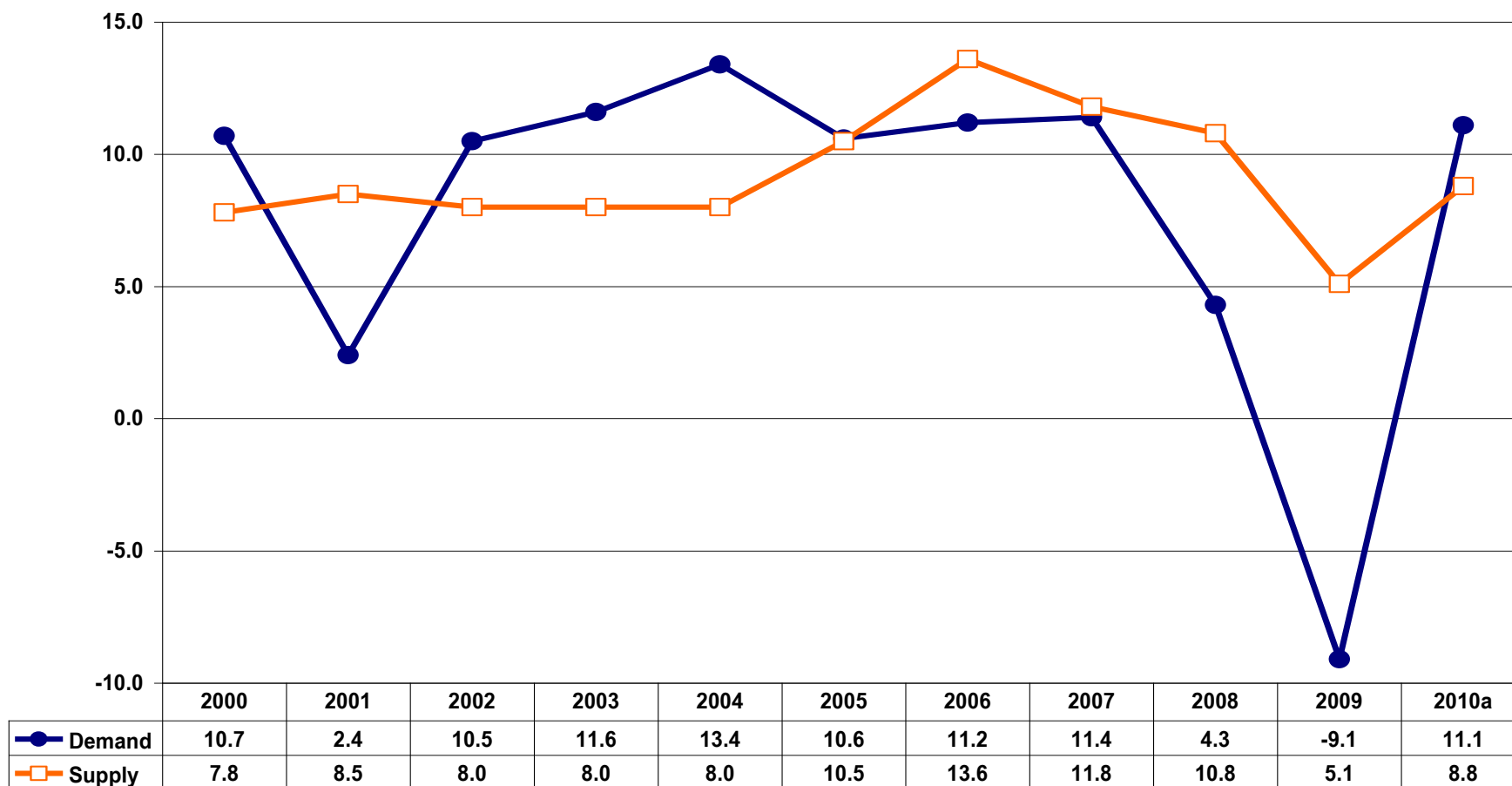
	1980	1985	1990	1995	2000	2005	2010
Other	31	45	49	58	75	49	92
Container	11	20	26	44	64	98	169
General cargo	116	106	103	104	101	92	108
Dry bulk	186	232	235	262	276	321	457
Oil Tanker	339	261	246	268	282	336	450

World tonnage on order, 2000-2010 (000' dwt)



...as illustrated by container shipping

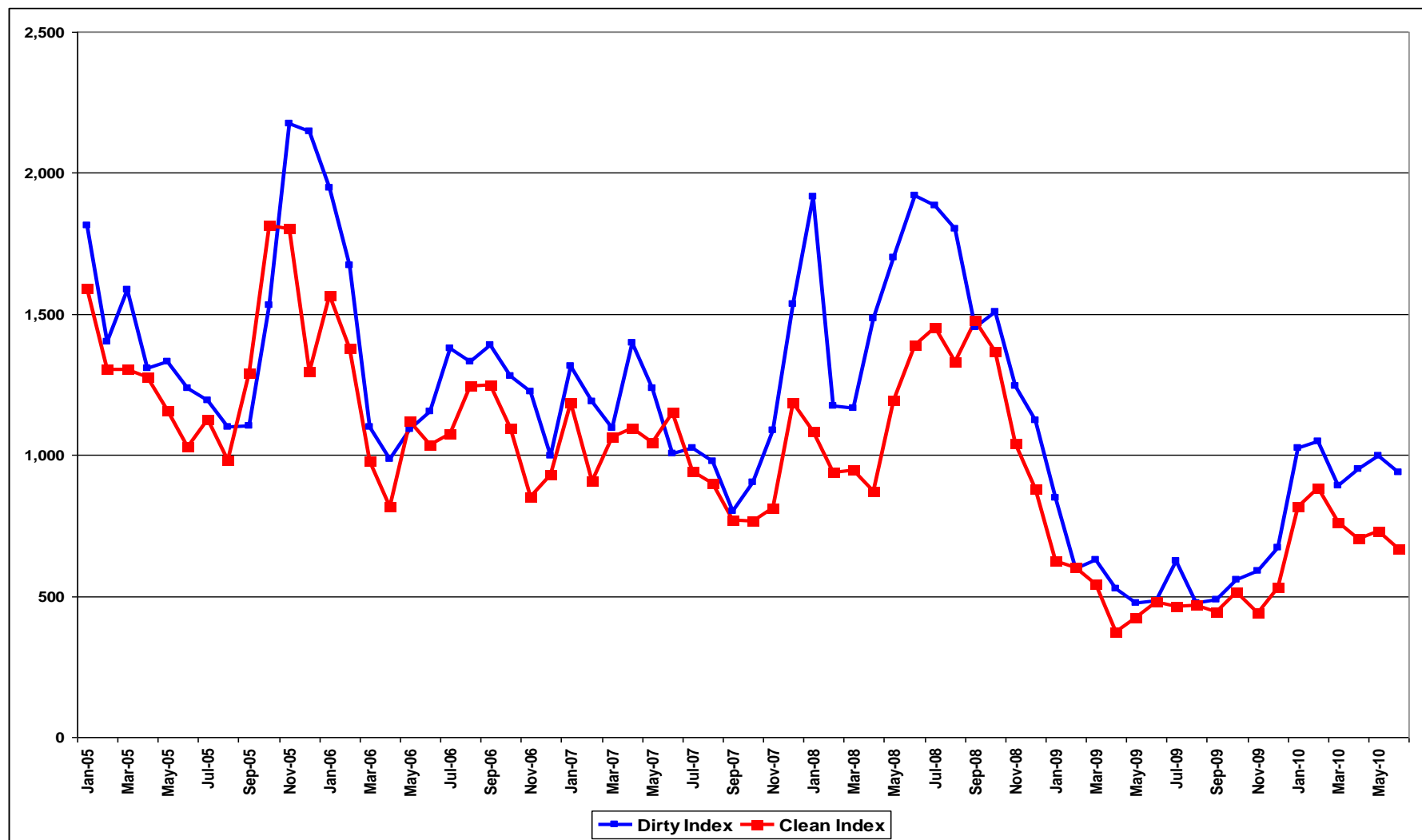
Supply and demand in container shipping, 2000-2010



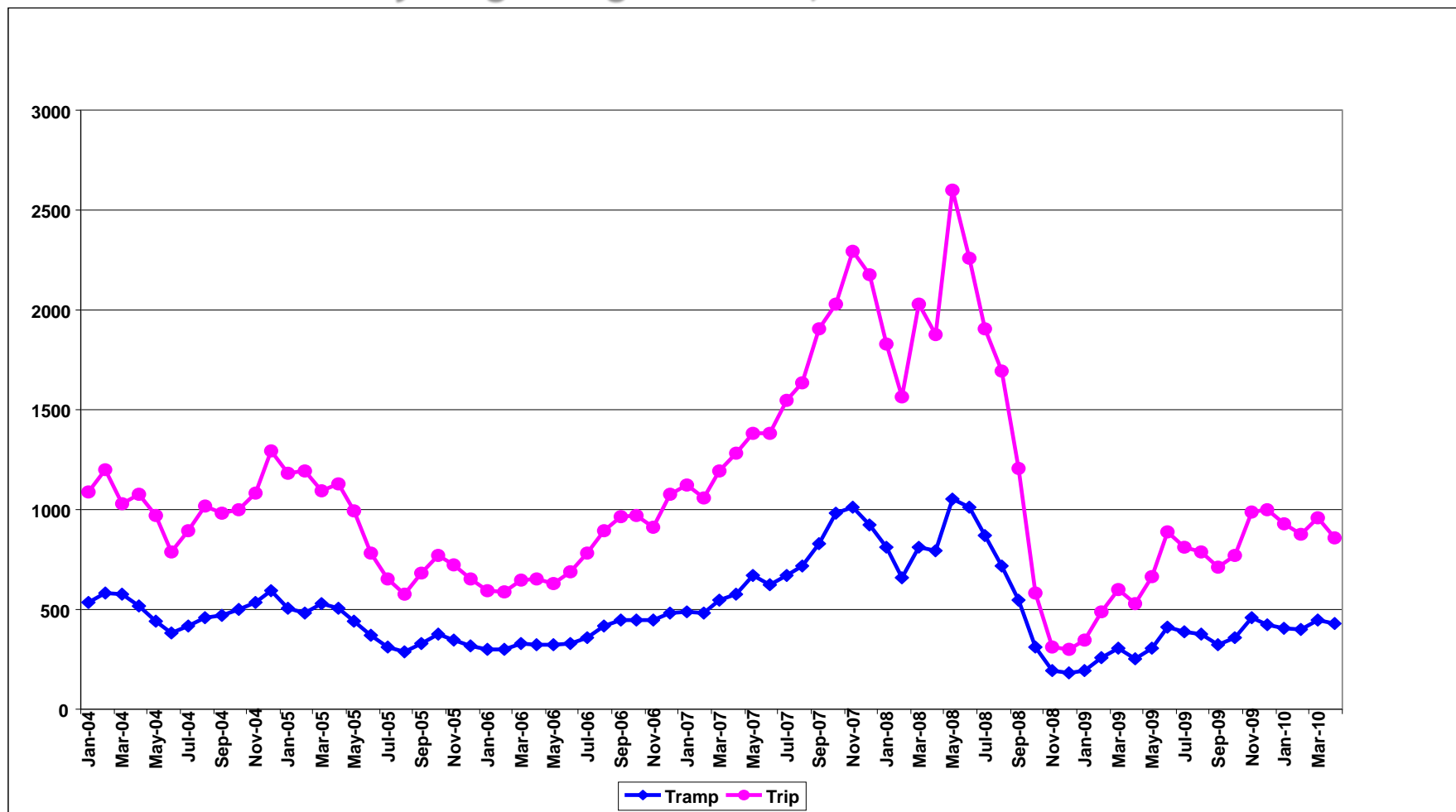
Freight rates

- ❖ The year 2009 was a bleak year for freight rates in all market segments.
- ❖ By the end of 2009, rates in all sectors have recovered from their earlier lows albeit still significantly below their pre-crisis levels.
- ❖ Freight rates for 2010 were volatile and future prospects remain uncertain.

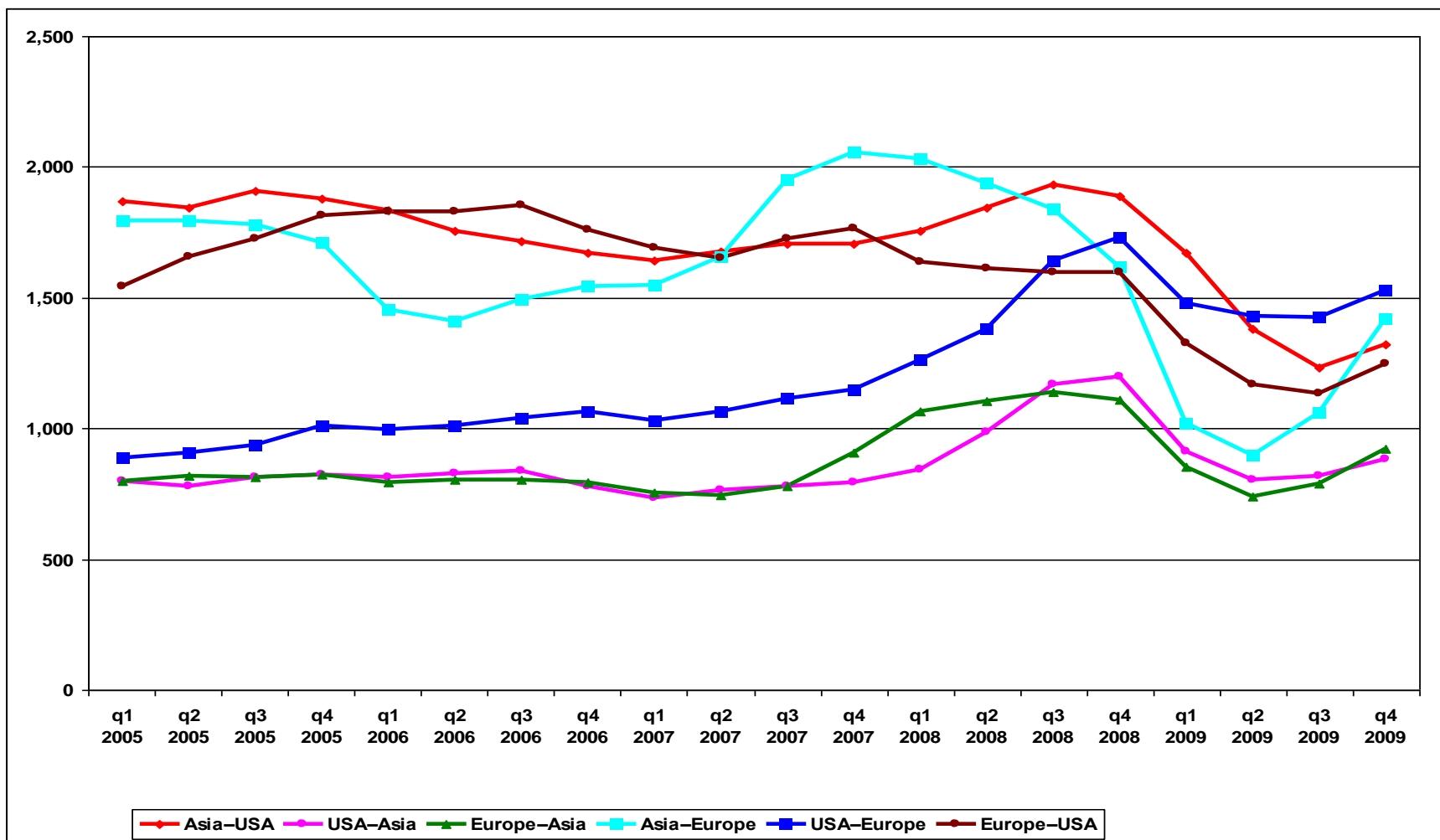
Baltic Tanker Indices, 2005-2010



Dry cargo freight indices, 2004-2010



Container freight rates, 2005-2009



- ❖ 2009, a record in history.
- ❖ Prospects are improving; recovery varying in speed, driven by emerging developing economies (e.g. Asia).
- ❖ Various forecasts for 2010/2011 (UNCTAD, IMF, WB, IHS-Fairplay, ...); all positive.
- ❖ World merchandise trade is forecast to grow in 2010 and 2011(e.g. WTO and World Bank).
- ❖ World seaborne trade also forecast to grow in 2010 and 2011.

BUT...
... the outlook remains fragile in
view of various downside risks...

- ❖ Sustainability of recovery, strength and shape (V, U or W)?
- ❖ Public debts
- ❖ Unemployment and bank lending
- ❖ Stimulus packages (duration/end)
- ❖ Is observed trade recovery driven by new demand?
- ❖ Supply-side pressures
- ❖ Known and unknown crises

- ❖ **Energy: access, security and prices**
- ❖ **Climate change: mitigation and adaptation**
- ❖ Seafaring crisis?
- ❖ Supply chain security and piracy
- ❖ Other global crises: e.g. food, water, financial...
- ❖ Geopolitics
- ❖ Other ?

Climate change & energy: interconnected

- ❖ Climate change mitigation action has implications for ship design, engines, fuel systems, operations, services, management, value, etc.
- ❖ Indirect implications through changes in demand for shipping services. E.g. climate induced changes in trade structure, flows and patterns through impacts on sectors such as energy production and consumption, agriculture and food products, demography and human settlement, etc.
- ❖ Climate change mitigation and adaptation require energy. However, there are signs of a looming energy crisis. Shipping is heavily reliant on oil for propulsion and not yet in a position to effectively and widely adopt substitutes.

Conclusion?

...and publications by UNCTAD, including on oil prices and maritime freight rates, maritime transport and the climate change challenge, as well as supply chain security are available at:

UNCTAD Trade Logistics Branch

www.unctad.org/ttl/legal

UNCTAD's annual *Review of Maritime Transport* and quarterly *Transport Newsletter* are available at: www.unctad.org/transportnews