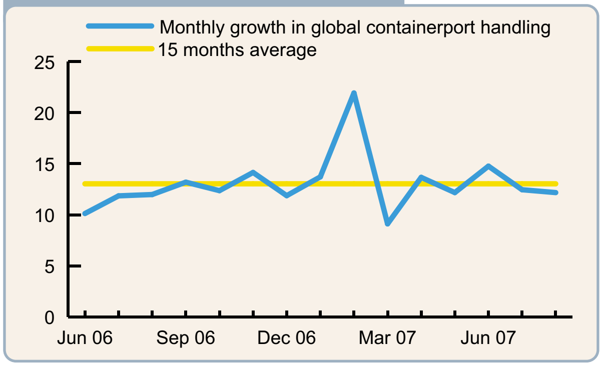
Drewry | Publications
Independent Maritime Intelligence

Container Insight

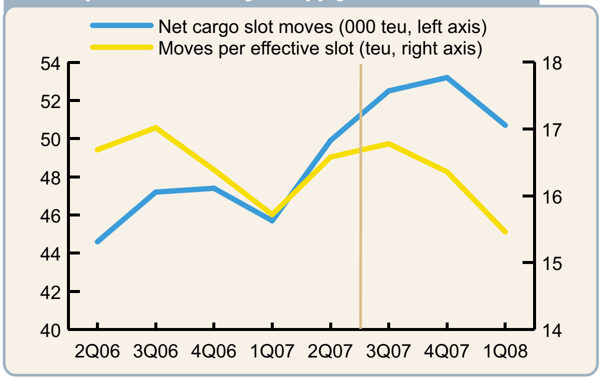
Monthly Analysis of the Container Market

issue 45
september 07

Growth in Global Container Handling



Development of Drewry's Supply/Demand Balance



Drewry Global Container Freight Rate Index

Nov 06	$2,373
% Change from Sep 06-Nov 06	-1.4%
Jan 07	$2,327
% Change from Nov 06-Jan 07	-1.9%
Mar 07	$2,341
% Change from Jan 07-Mar 07	0.6%
May 07	$2,288
% Change from Mar 07-May 07	-2.2%
Jul 07	$2,581
% Change from May 07-Jul 07	12.8%
% Change from Jul 06-Jul 07	5.8%

Note: Updated bimonthly
(Freight in US$ / 40-foot container)

contents

Consistent Asian growth

Preliminary port figures for August 2007 show a y-o-y growth of 12.2% in global container handling activity. Revised throughput figures for July have resulted in a slight downward revision in global handling to 12.5% as compared to Drewry's previous estimate of 13%. Once again, throughputs from several key ports are missing and Drewry will amend August figures next month. Chinese ports continue to show a huge upwards trend in container traffic - the major Chinese ports recorded a y-o-y growth of almost 22% in the reporting period.

The top three container handling ports of the world maintained their rankings in August 2007. Singapore witnessed a y-o-y growth of 8.2% in container handling, but lower when compared to 14.9% and 16.5% recorded in July and June 2007 respectively. Shanghai maintained its growth momentum with container traffic increasing y-o-y by almost 18%. Shanghai is surely poised to take over Singapore as the top container handling port in the world in the near future. The North American ports of Los Angeles and Long Beach maintained sluggish growth; container traffic witnessed declines of 9.6% and 2.5% respectively. Savannah, however, recorded a huge 30% y-o-y growth in container traffic, handling 0.24m teu in August 2007.

The global container fleet stood at 10.3 million teu as of August 31, 2007, up by almost 1% compared to July 2007. On a year-on-year basis, the global container ship fleet capacity increased by 13.1% in August. Shipping lines and independent ship owners continued to show huge interest in ultra large container vessels. A total of 39 vessels with a capacity of 0.49m teu were ordered in the 8,000+ teu range. No orders were recorded in the 2,000-8,000 teu range. In all, a total of 0.5m teu of capacity was ordered in August. The container orderbook now stands at 6.22m teu, which constitutes 60.4% of the current global fleet.

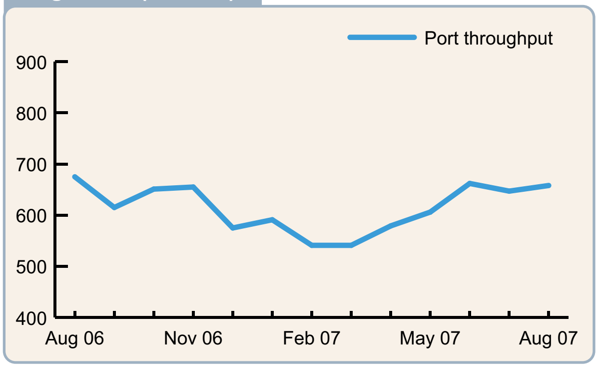
The charter market maintained mixed activity in August, with ships in the ranges of 500 teu and 1,500 teu witnessing a slight increase in rates and ships in the range of 1,000 teu and 2,500 teu experiencing a slight downward revision. Charter rates for ship of 3,500 teu remained almost unchanged. MSC was the most active charterer in the reporting period with a total tonnage of 23,044 teu being fixed, followed by Cosco and CMA CGM. The average fixture duration fell to 19.3 months, as compared to 22.2 months in July 2007.

Our view

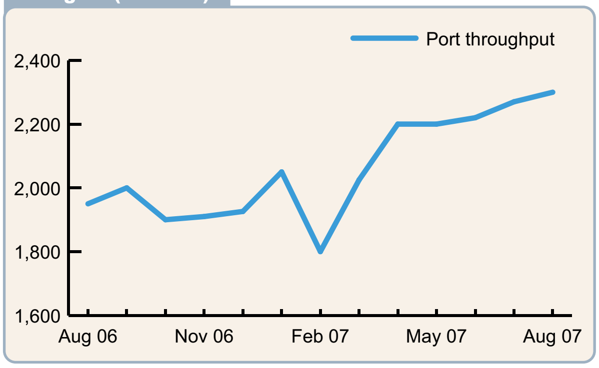
With peak season in the major east/west trades prevailing, ocean carriers remain in an optimistic mood given the continued 20%+ y-o-y trade growth in the Far East/north Europe and Mediterranean trade routes. Westbound rate restorations implemented by the carriers continue to be successful and the FEFC is to implement a much-needed new eastbound tariff from October 1. Ocean carriers and tramp owners are still flocking to the South Korean yards for 10,000+ teu ships fuelled by the buoyant Far East/Europe volumes, but the ordering is also heavily influenced by a fear of carriers being left behind in the fleet stakes.

regional growth in container activity

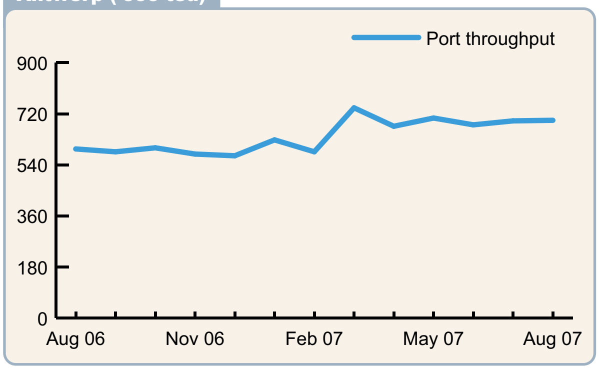
Long Beach ('000 teu)



Shanghai ('000 teu)



Antwerp ('000 teu)

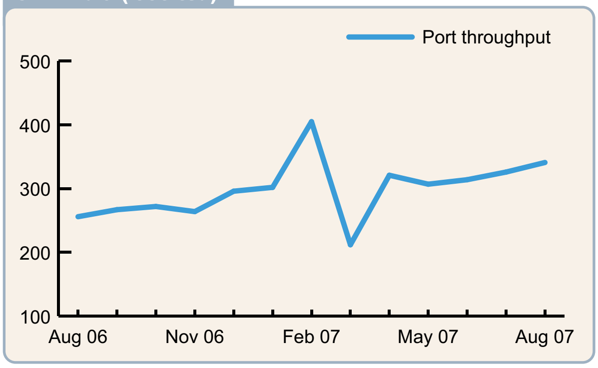


Struggling USWC ports

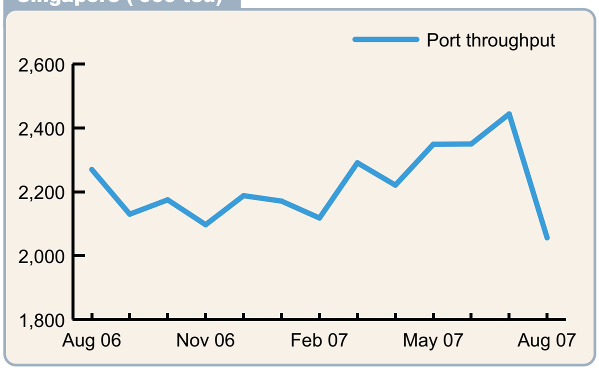
Far Eastern ports continued their growth momentum in August, with the ports of Lianyungang, Guangzhou, Ningbo and Tianjin recording y-o-y growths of 53%, 50%, 30% and 23% respectively. The backbone of this growth has been Chinese ports, which collectively showed y-o-y growth of 22% in August 2007.

North American ports are still struggling to gain pace in container handling. Los Angeles and Long Beach both witnessed a decline in throughput of 9.6% and 2.6% respectively. After losing the services of three shipping lines this month to its rival neighbour, container traffic at Los Angeles is expected to decline further in the near future.

JNP-India ('000 teu)



Singapore ('000 teu)



Regional Growth in Container Activity

Region	Oct 06	Nov 06	Dec 06	Jan 07	Feb 07	Mar 07	Apr 07	May 07	Jun 07	Jul 07	Aug 07*
North America	5.2%	8.4%	4.6%	4.6%	12.0%	-1.7%	1.6%	0.1%	1.0%	3.1%	-0.1%
Far East	14.7%	17.6%	14.2%	16.2%	27.7%	5.8%	15.7%	14.4%	20.2%	13.8%	15.4%
Western Europe	11.5%	7.8%	9.1%	13.9%	15.6%	16.1%	15.0%	12.3%	13.6%	15.5%	18.5%
South East Asia	8.8%	11.9%	10.1%	12.1%	18.5%	11.8%	14.5%	13.0%	15.3%	14.2%	8.2%
Oceania	6.0%	11.0%	11.1%	14.4%	19.4%	14.2%	8.0%	8.8%	3.6%	9.4%	25.8%
Mid-East	14.3%	14.7%	20.3%	15.6%	27.2%	27.9%	17.5%	18.2%	9.6%	24.7%	14.1%
Latin America	11.3%	25.3%	8.3%	11.8%	10.8%	14.5%	7.7%	9.9%	6.4%	7.8%	8.0%
Eastern Europe	38.0%	3.0%	4.1%	-18.8%	-14.5%	-11.7%	56.0%	59.6%	59.3%	31.7%	49.8%
South Asia	18.3%	22.7%	27.6%	36.7%	63.5%	7.9%	13.8%	22.0%	22.5%	23.4%	25.5%
Total Selection	12.4%	14.1%	11.9%	13.7%	21.9%	9.1%	13.7%	12.2%	14.8%	12.5%	12.2%
China (excl HK)	24.1%	24.8%	21.9%	22.3%	42.4%	13.4%	23.4%	22.9%	24.5%	18.6%	21.8%

* Figures are preliminary due to lack of data

globalsupply

More costs to shippers

Maintaining the trend of the past few months, shipping lines continued to report mixed financial results. Orient Overseas (International) reported a 15.5% increase in group turnover for the first half of 2007, to US$ 2.51 billion, up from US$ 2.18 billion over the same period last year. Container liftings climbed by 18.8% to 2.2 million teu. However, revenue per teu went down from US$ 1,091 to US$ 1,054 as a result of falling freight rates and higher operational costs. Leaving aside the sale of its North America terminal operations, the net profit was down to US$ 204 million, compared to US$ 280.5 million in the corresponding period last year.

Taiwan's Yang Mine Marine posted better first half results with net profit increasing year-on-year by 14% to US$ 54.4 million. The company credited this to the stronger freight rates in the Asia-Europe trade. French Line CMA CGM reported a huge four-fold increase in net profit for 2Q07. Its net profit for the three months ending June was US$ 313.35 million, up by 188%, compared to US$ 80.72 million in the same period last year.

Due to continued increasing volumes caused by the weakness of the dollar, member lines in the Trans-Atlantic Conference Agreement announced a general rate increase in the eastbound trade from and via Atlantic ports of US$ 240 per teu and US$ 300 per feu. Container traffic from and via Gulf and Pacific will see an increase of US$ 400 per teu and US$ 500 per feu. The rate restoration will be effective from October 1, 2007. The Asia Australia Discussion Agreement (AADA) announced a Peak Season Surcharge (PSS) of US$ 250 per teu and US$ 500 per feu for all south bound cargo. The surcharge will apply to exports from China, Taiwan, and Hong Kong to ports across Australia.

Member lines of the India Pakistan Bangladesh Ceylon Conference (IPBCC) announced a general rate restoration in the eastbound trade. An increase of US$100 per container will be imposed for cargo from UK, North Continent, Scandinavian, Baltic and Mediterranean ports. The GRI is effective from October 1 until February 29, 2008.

IPBCC members also plan to raise rates for refrigerated cargo in the westbound trade. Effective from October 15, refrigerated containers moving from India, Pakistan, Bangladesh and Sri Lanka to UK, North Europe, Scandinavian, Baltic and Mediterranean ports will see an increase in rates of US$ 600 per teu and US$ 1,200 per feu.

Emphasis on East-West trades

Addition of new tonnage continued in the reporting period with shipping lines making capacity adjustments through the deployment of bigger tonnage on new loops and withdrawing capacity on low revenue generating services.

K line, Yang Ming, Zim and CSCL jointly launched a new direct service between the Black Sea and Asia. The weekly loop will use seven containerships with an average capacity of 4,000 teu. The service is in direct competition to the Grand Alliance's ABX service which deploys the same number of vessels on this trade route.

China Shipping Container Line (CSCL) started a fortnightly Asia-Europe-Asia loop named AEX2. The new service uses four containerships averaging around 5,500 teu. The port rotation stands as Shanghai, Ningbo, Hong Kong, Shekou, Hamburg, Felixstowe and back to Shanghai. The new loop increases annual capacity by 130,000 teu on the Asia-Europe trade.

Evergreen Marine has run an ad-hoc sailing in September of its new Asia/East Mediterranean loop (AEM). The service will use seven ships of 2,500-3,500 teu each. The Taiwanese line will offer full fixed day weekly sailings as soon as the seven-ship fleet is complete, probably in December.

Maersk Line and Safmarine added a second direct call service between the Far East and West Africa, named FEW2, linking Port Klang and Tanjung Pelepas with ports in West Africa such as Lome, Cotonou and Lagos. Eight vessels averaging 2,500 teu will be deployed on the weekly loop. The new service adds 130,000 teu annual capacity on the Asia/West Africa.

Evergreen Marine and Wan Hai lines increased their capacity in the intra-Asia network by jointly launching the Japan-Thailand Express (NSE/NS6). The fixed day weekly service links ports in Japan with Hong Kong, Taiwan, Vietnam and Thailand. Three containerships with 900 teu of average capacity will be deployed.

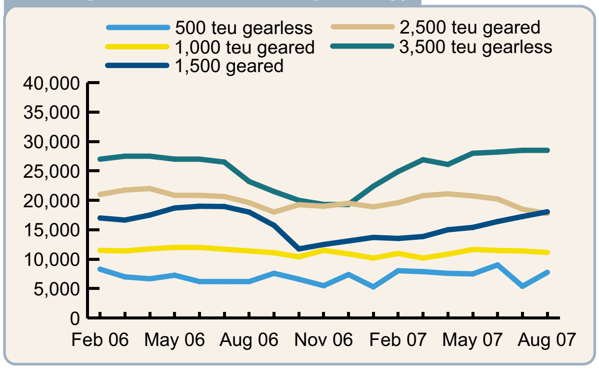
Starting from September, the Cosco/K Line/Yang Ming (CKY) alliance has decided to cut capacity in the Mediterranean/US East Coast trade. It has discontinued the TAS-3 service and has now chartered slots with MSC's West Mediterranean/East Coast North America service.

New liner services

Month	Carrier	Trade Route	Service Name	Freq	Port Rotation	Average Teu/Ship	Annualised Operational Capacity (Teu)
Sep 07	Zim/K Line/ Yang Ming/China Shipping	Asia-Med-Asia	Asia Black Sea Express	Weekly	SHA NBO NSA PKG IST CNZ ILK SHA	4,000	208,560
Sep 07	Evergreen	Asia-Med-Asia	AEM	Weekly	SHA NBO NSA HKG TPP HFA LMS PIR IST TPP SHA	2,750	143,385
Sep 07	China Shipping	Asia-Eur-Asia	AEX2	Fortnightly	SHA NBO HKG SHK HAM FXT SHA	5,500	133,815
Sep 07	Maersk Line/ Safmarine	Asia-Af-Asia	FEW2	Weekly	PKG TPP LOM COT APA PKG	2,500	130,350
Sep 07	Evergreen/Wan Hai	Intra-Asia	NSE/NS6	Weekly	HKG TOK YOK OSA KHH HKG SGN LCH HKG	900	46,926

the charter and S&P market

Monthly Time Charter Rates (US$/day)

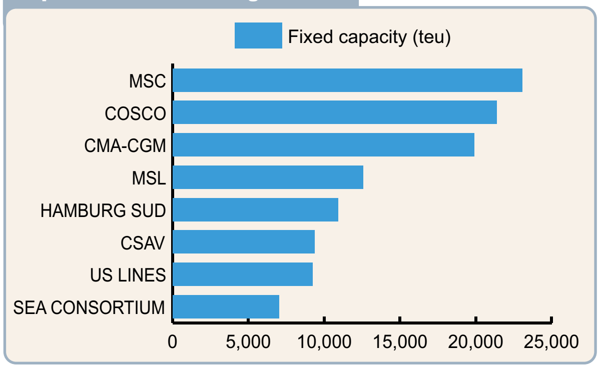


Source: Drewry

Orderbook getting heavier

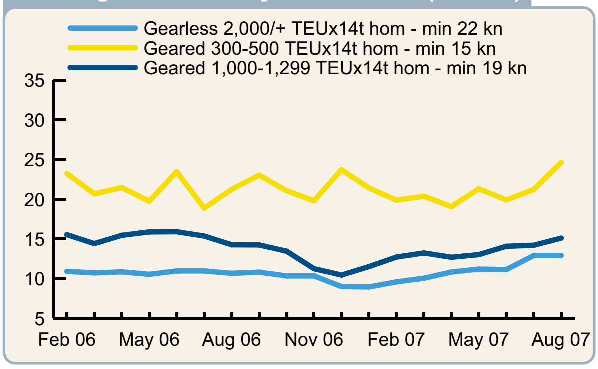
In keeping with recent developments, shipping lines and independent owners maintained their significant and unexpected ordering of ultra large container vessels of more than 10,000+ teu capacity. A total of almost 0.5m teu of tonnage was ordered in August, out of which 0.49m teu falls under the 8,000+ teu category. Among the most significant included 8 x 13,300 teu by China Shipping Group at Samsung Heavy Industries, 6 x 13,200 teu by Offen CP at Daewoo and 4 x 12,500 teu each by Peter Dohle and NSC Schiffahrt. Offen CP ordered another set of 5 x 12,500 teu units at Samsung Heavy Industries. Among the smaller categories, the reporting period witnessed the ordering of just 6 vessels in the sub-2,000 teu sector.

Top 8 Charterers in August 2007



Source: Drewry

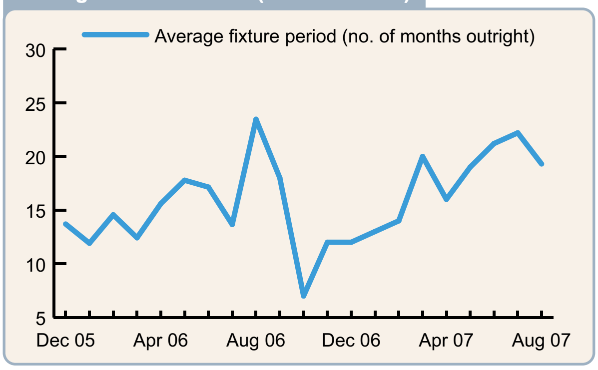
Hamburg Index - Monthly Charter Rates (US$/teu)



Source: Hamburg Shipbroker's Association

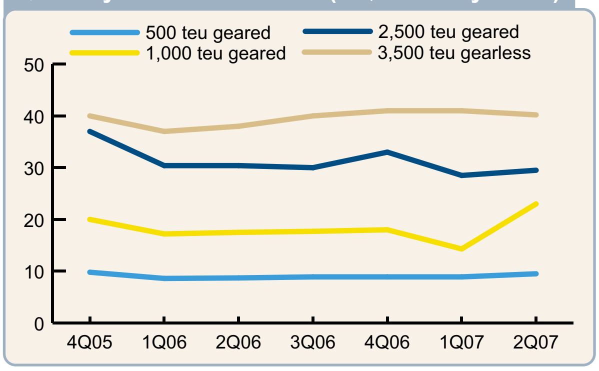
http://fhurl.com/b2017

Average Fixture Period (no. of months)



Source: Drewry

Quarterly Second-hand Prices (US$ mio - 10 year old)



Source: Drewry

Containership Newbuilding/Delivery in August

	New Building Orders in August		Deliveries in August	
Teu Range	**No. of Vessels**	**Total Teu**	**No. of Vessels**	**Total Teu**
0-2,000	6	7,172	13	13,351
2,001-4,000	0	0	5	12,974
4,001-6,000	0	0	2	8,500
6,001-8,000	0	0	1	7,024
8,000+	39	488,096	3	26,452
Total	**45**	**495,268**	**24**	**68,301**

fleetfocus

World (cellular) Containership Fleet: 31st August 2007

Size Range (Teu)	No. of Vessels	%	Total Capacity (Teu)	%	Average Speed (Knots)	Age (Years)
<500	437	10.4%	135,903	1.3%	14.0	21.3
500-999	762	18.1%	556,505	5.4%	16.9	11.2
1,000-1,499	618	14.7%	731,186	7.1%	18.4	12.3
1,500-1,999	497	11.8%	844,602	8.2%	19.7	10.9
2,000-2,499	304	7.2%	696,469	6.8%	20.8	11.2
2,500-2,999	353	8.4%	960,740	9.3%	21.9	9.6
3,000-3,999	324	7.7%	1,106,713	10.7%	22.6	12.2
4,000-4,999	363	8.6%	1,592,200	15.5%	24.0	6.9
5,000-5,999	242	5.8%	1,315,310	12.8%	25.2	4.6
6,000-6,999	117	2.8%	758,967	7.4%	25.2	4.5
7,000-7,999	49	1.2%	359,995	3.5%	25.1	4.4
8,000+	142	3.4%	1,242,211	12.1%	25.0	1.2
Total	**4,208**	**100.0%**	**10,300,801**	**100.0%**	**20.0**	**11.0**

Containership Orderbook by Size and Scheduled Delivery Year: Teu Capacity at 31st August 2007

	Orderbook							
Size Range (Teu)	**2007**	**2008**	**2009**	**2010**	**2011+**	**Total**	**Current Fleet**	**% of Current Fleet**
<500	2,212	1,242				3,454	135,903	2.5%
500-999	48,835	61,403	16,313	9,864		136,415	556,505	24.5%
1,000-1,499	54,061	93,159	80,515	13,774		241,509	731,186	33.0%
1,500-1,999	39,468	89,144	86,026	28,990		243,628	844,602	28.8%
2,000-2,499	27,241	13,586	2,450	4,900		48,177	696,469	6.9%
2,500-2,999	67,860	132,561	91,462	59,634	7,500	359,017	960,740	37.4%
3,000-3,999	40,866	77,650	88,260	58,200		264,976	1,106,713	23.9%
4,000-4,999	109,654	282,696	380,656	195,760	34,750	1,003,516	1,592,200	63.0%
5,000-5,999	35,556	144,922	68,060	46,100		294,638	1,315,310	22.4%
6,000-6,999	37,400	228,255	313,818	154,188	19,500	753,161	758,967	99.2%
7,000-7,999	14,048			28,000		42,048	359,995	11.7%
8,000+	173,782	413,012	564,502	1,020,146	661,820	2,833,262	1,242,211	228.1%
Total	**650,983**	**1,537,630**	**1,692,062**	**1,619,556**	**723,570**	**6,223,801**	**10,300,801**	**60.4%**

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