Developments in international seaborne trade

The year 2009 witnessed the worst global recession in over seven decades and the sharpest decline in the volume of global merchandise trade. In tandem with the collapse in economic growth and trade, international seaborne trade volumes contracted by 4.5 per cent in 2009. While no shipping segment was spared, minor dry bulks and containerized trades suffered the most severe contractions. This reflected the weak consumer confidence which depressed the retail sector, and the low level of capital investment, as well as a slowdown in the real estate and housing sectors, especially in advanced economies. In contrast, iron ore and coal trade volumes held strong on the back of China’s robust import demand, driven, in particular, by China’s large stimulus package.

By early 2010, a global recovery led by fast-growing developing economies was under way, although it was uneven and fragile. The sustainability of the recovery is challenged, among other things, by the fragile conditions in most advanced economies and the risk of a premature winding-up of the stimulus packages.

From the shipping perspective, uncertain demand outlook is only part of the picture. Prospects for shipping remain difficult and uncertain, due in particular to the significant size of the ship supply capacity and the impact of the demand/supply mismatch on shipping markets. An added challenge relates to the evolving global regulatory framework, driven by emerging global challenges including energy security, a potential seafaring crisis, and supply chain security, as well as environmental sustainability and, more specifically, the climate change challenge and the related mitigation and adaptation imperatives. Assuming the recovery takes hold and there are no new upheavals on the global scene, the shipping industry and seaborne trade are expected to recover in 2010, although with more of the ground lost in 2009 likely to be recovered in 2011 and beyond.

Record new deliveries lead to 7 per cent growth of fleet

By the beginning of 2010, the world merchant fleet had reached 1,276 million deadweight tons (dwt) – an increase of 84 million dwt over 2009. This growth resulted from a record in new deliveries of 117 million dwt, against demolitions and other withdrawals from the market of approximately 33 million dwt. New deliveries grew by 42 per cent over 2008 because of ships ordered prior to the downturn in demand. The resulting oversupply of tonnage then led to an over 300 per cent surge in demolitions of older tonnage.

Developments in China are particularly noteworthy with regard to the supply of and demand for shipping services. On the demand side, Chinese containerized exports make up a quarter of the world total. On the supply side, Chinese shipping companies are among the fastest-growing, and the country is home to the most important container and crane manufacturers. Between 2008 and 2009, China overtook Germany as the third-largest shipowning country, Japan as the second-biggest shipbuilding country, and India as the busiest ship-recycling country.

Productivity of the world fleet, and supply and demand in world shipping

Against a decline in world seaborne trade of 4 per cent in 2009 as compared to 2008 (see chapter 1), the world fleet continued to grow by 7 per cent during 2009 (see chapter 2). Accordingly, the overall fleet productivity in 2009 – measured in tons of cargo carried per deadweight ton – decreased further compared to the 2008 figures. The global average volume of cargo in tons per carrying capacity dwt decreased, and the average ship was fully loaded only 6.6 times in 2009 compared to 7.3 times in 2008. The productivity of oil tankers in terms of tons carried per dwt decreased by a further 5.6 per cent, from 6.7 in 2008 to 6.3 in 2009; for dry bulk it decreased by 5.5 per cent, from 5.3 to 5.0 tons; and the cargo volumes carried by the residual fleet decreased by a staggering 18.3 per cent, from 10.7 to 8.7 tons per dwt.

The resumption of manufacturing activity and global trade in containerized goods led to a recovery of demand for liner shipping services in early 2010. In 2009, however, the market was particularly bad for container shipping, as demand plummeted by 9 per cent while supply continued to see positive growth of 5.1 per cent – the difference between the two being a staggering 14.1 percentage points.
EXECUTIVE SUMMARY

Freight rates

2009 was a bleak year for freight rates in the tanker, major dry bulk and liner sectors. The deepening of the global financial crisis severely affected demand for commodities and goods. By the end of 2009, rates in all sectors had recovered from their earlier lows, although they were still significantly beneath their 2008 levels. Freight rates for 2010 and beyond remain uncertain, as doubts surround the recovery from the global economic crisis. In the tanker and liner sectors, freight rates were boosted by absorbing supply rather than by an increase in demand. In the bulk sector, much of the recovery was attributed to imports by China, which took advantage of the low commodity prices and freight rates to increase stockpiles of raw materials. The oversupply of vessels, combined with weak operating results in 2009, could lead to consolidation by shipowners in 2011 through mergers and acquisitions.

Port and multimodal transport developments

World container port throughput declined by an estimated 10 per cent to 457.3 million TEUs in 2009. Chinese mainland ports accounted for approximately 23.3 per cent of the total world container port throughput. UNCTAD’s Liner Shipping Connectivity Index reveals that between 2004 and 2010, the ranking of the least developed countries (LDCs) improved by just 1 point. The average ranking of LDCs in 2010 was 111, compared to an average ranking of 78 for other developing countries and 64 for developed countries.

The global trucking sector registered a compound annual growth rate in revenue of 7.8 per cent between 2004 and 2008. In the rail sector, freight and passenger services achieved a compound annual growth rate in revenue of 6.3 per cent during the period 2003-2007. Inland water transportation continues to be underutilized in many economies.

Legal issues and regulatory developments

During 2009 and the first half of 2010, discussions continued at the International Maritime Organization (IMO) regarding the scope and content of an international regime to control greenhouse gas emissions from international shipping. Moreover, a Protocol on the 1996 HNS Convention was adopted, in April 2010, with a view to facilitating the entry into force of the Convention. Standard-setting activities and other measures are continuing in the field of maritime and supply-chain security, in particular under the auspices of various international organizations such as the World Customs Organization, the International Maritime Organization and the International Organization for Standardization, but also at the national and regional level.

Review of regional developments in Asia and the Pacific

In contrast with the last review period of 2004 to 2006, when economic growth and trade in the region were booming, the current review period is characterized by a downturn in economic growth and trade. Reflecting the wide geographical spread of the global economic crisis of late 2008 and subsequent recession, GDP growth in the Asia-Pacific region decelerated to 4 per cent in 2009, its lowest level in 8 years. Consequently, growth in international merchandise trade in the region decelerated in 2008, and trade volumes contracted in 2009 with merchandise exports falling at the double-digit rate of about 12 per cent. Container trade volumes on the trans-Pacific and the Asia–Europe trades plummeted in 2009 due to a sharp decline in developed countries’ import demand for consumer and manufactured goods – the main exports of the region – as did intra-Asian container volumes and the Asia-Pacific port container throughput. By mid-2010, economic indicators were showing a recovery in the region’s economic growth and trade, with some economies already displaying signs of a return to pre-crisis growth and export levels. However, the potential for recovery should be viewed with caution. Recovery is subject to the assumption that the world remains on the same stabilization path, that the region continues to experience strong domestic demand, that debt positions do not deteriorate, that commodity prices remain relatively stable, and that Asian policymakers continue to enact fiscal stimulus packages. In other words, recovery remains fragile and is subject to downside risks.

With 12 landlocked countries being located in Asia, some of the challenges faced by these geographically disadvantaged countries are also considered. These countries currently face prohibitive transport costs and are in urgent need for progress to be made in trade facilitation.