The Irish Maritime Transport Economist

VOLUME 5
April, 2008

ISSN 1649-5225

IMDO-Ireland
Marine Institute Foras na Mara

VOLUME 5
April, 2008
ISSN 1649-5225

The Irish Maritime Transport Economist

Published by:
Irish Maritime Development Office
80 Harcourt Street
Dublin 2
Ireland

telephone: + 00 353 1 476 6500
facsimile: + 00 353 1 478 4988
website: www.imdo.ie
email: imdo@marine.ie

Contents

Noel Dempsey T.D.
MINISTER FOR TRANSPORT

Foreword

I'm delighted to welcome you to this milestone edition of the 5th publication of the Irish Maritime Transport Economist, prepared by the Irish Maritime Development Office (IMDO). The publication has become an important, reliable and regular source of information on shipping trade and port traffic performance on the island of Ireland.

I am very pleased to note in this latest edition that the Irish ports and shipping sector enjoyed another overall year of record throughput, which was achieved against a backdrop of tightening global economic conditions. As Minister for Transport, I am fully aware of the important role that our ports and shipping services play as part of our economic transport architecture in facilitating our export trade.

In this regard, I am highly encouraged to note that despite a more challenging economic environment for our exporters into traditional export markets in 2007, our merchandise exports to the rapidly expanding Chinese and Asian sub-continent increased significantly, by 30 per cent in fact. I have no doubt that regular, reliable and economical shipping services are a very important factor in contributing to overall international competitiveness in geographically distant but highly important markets.

In January of this year, the Government approved the general scheme of the Harbours (Amendment) Bill 2008 and I hope to publish the Bill later in the year. This Bill will represent an important addition to the Harbours Act 1996 and will facilitate port infrastructure projects by granting the port companies more flexibility. The 1996 Act is widely recognised as contributing to the considerable growth and commercial success of our ports; however, over a decade on, it is in need of some updating.

In addition to the legal changes proposed, my Department along with the IMDO will continue to consider future options with regard to expanding work on origin and destination studies and the benchmarking of Irish ports.

In March this year, I launched a public consultation document "on a vision for Sustainable Travel and Transport in Ireland by 2020". The Government is fully committed to the vision that by 2020 we will have a world class transport system that will encourage a considerable shift to public transportation, cycling and walking and that will see a significant shift in congestion and a reduction in transport emissions, while at the same time seeking to deliver a transport system that enhances Ireland's competitiveness.

As many of the readers of this niche bulletin are transport professionals working within the strategically important maritime transport supply chain, I would fully encourage you to respond to this consultation and make your views known on how we can achieve this vision by 2020.

Noel Dempsey T.D.
Minister for Transport

Executive Summary

In the face of more challenging global market conditions, the domestic shipping and ports services sector put in another overall strong performance in 2007. The headline container trades, in particular, from the key gateways managed to sustain above trend growth. We estimate that the Irish maritime supply chain transported goods in excess of €135 billion of merchandise trade last year which is equivalent to 75 per cent of our GDP at current market prices.

Economic growth in 2007 was slightly slower than previous years but still ahead of the gloomier forecasts that were predicted 12 months earlier. The latest figures from the CSO indicate that GDP and GNP expanded by 5.1 and 5.3 per cent respectively. Our analysis of trade and traffic data which is referenced in this latest publication clearly suggests a slower growth pattern of traffic volume emerging over the 3rd and 4th quarters of last year. This would also appear to correlate with trend data from both CSO and Central Bank on the performance of the economy last year. The traffic slowdown coincided with two noticeable external and internal factors; Firstly, towards the middle of last year there were increased concerns for the wider global economy arising from ongoing volatility in the US economy exacerbated by sub prime lending issue. This in turn caused significant turbulence in financial markets which undermined global economic sentiment; Secondly, the predicted decline in residential housing construction in Ireland last year also became a visible factor on demand conditions.

Due to the openness of our economy, we are somewhat more exposed to global shocks and the vagaries of the international marketplace. Irish companies involved in international trade were faced with the ongoing challenges of surging fuel prices and the increasing strength of the Euro, both of which reached record levels in 2007. Against this much tougher economic backdrop the Irish merchandise export market grew by 2 per cent last year. As noted by the Minister in his foreword, our trade to developing markets in Asia was a major highlight of the merchandise export trade last year. The behaviour of supply in the Irish container market is a more complex task to determine. However it has been identified that large surpluses of containers originating in China and other Asian markets presented a possible opportunity for Irish exporters to avail of competitive backhaul freight rates to these important emerging regions. In this context it is encouraging to note that merchandise exports to China grew by 45 per cent with exports to the Philippines growing by 67 per cent. Exports of Chemical and Pharmaceuticals, the key drivers Irish Merchandise exports, continued to grow in 2007 by 14 and 2 per cent respectively, however the domestic food and drink sectors put in a very robust performance growing the value of its exports by 20 per cent last year.

The impact of adjustments in the Irish economy last year was reflected in the mixed performance of the various segments of the Irish ports and Shipping services sectors. Ports handling bulk and breakbulk commodities were more acutely exposed to the correction in the Irish housing construction market. The bulk ports handled a combined total of just over 32 million tons, a 1 % decline year on year. The decline in regional ports traffic was a noticeable feature with more than half of the ports recording a fall in volume.

Throughput of containers at Irish ports continued to grow last year, with a total of over 3 million TEU and Trailers handled on the island north and south. The Lo/Lo and Ro/Ro market in Ireland grew by 6% and 3% respectively. In the Lo/Lo market, imports from Asia continued to grow over 2007, however 3rd and

4th quarter figures suggest that demand appeared to slow sharply. Export laden traffic remained largely static in this sector. In the Ro/Ro market, traffic on the southern and central corridors grew at a ratio of 2:1 to compared to traffic on the northern corridor . This resulted in a shift in the distribution of trailer traffic with 52 per cent of the market operated via the Republic last year.

The optimism expressed last year that decline in sea passenger traffic was beginning to show signs of bottoming out was justified. For the first time in 4 years the Irish sea passenger market recorded a return to growth with a 3 per cent increase in passenger traffic. All corridors including the continental passenger market saw an upturn in passenger demand, this compared to a 5 per cent decline in traffic over the past 5 years. Car volumes were also up 5 per cent for the full year.

Without doubt China's continued growth continued to have a major impact on almost all segments of the international shipping market. In the dry bulk market, China's appetite for raw materials imports of iron ore and coal pushed average time charter earnings up to record levels. Similarly, the deepsea container market was driven by strong demand for laden export of Chinese products to Europe, North America and also on inter-Asian trades. Growth in the volume of containers carried on Asia-Europe trades increased by 14 per cent in 2007, while laden exports West-East also grew by an encouraging 5 per cent. The Tanker markets continued its stop-start roller coaster of last year with several different earning cycles over the year. In the very large crude market (VLCC), owners had average time charter earnings of $43,000 in January 2007 and by the end of December some spot charters were reported at over $200,000 per day!.

Continued volatility and uncertainty about supply and increased tensions in the Middle East pushed fuel and bunker prices close to the USD 100 dollar per barrel mark by the end of 2007 and shortly after the New Year the prices pierced the $100 mark.

Finally, the general consensus amongst economists is that we can expect much lower growth levels in 2008 but with a recovery expected mid-2009. Consequently, we expect lower growth across most segments of the Irish shipping market this year, with some segments, in particular those dependent on construction based materials are likely to experience a further decline this year. In some trades this will present a challenge for operators and how they respond to changes in short run demand conditions.

I would like to thank all our regular contributors to this bulletin and in particular to our Shipping Market Analyst Victoria Vogel and the IMDO team for their excellent work in preparing this 5th issue.

Glenn Murphy.
Director

Economic Review

COMMENT

Despite an increasingly challenging domestic and global environment the Irish economy continued to grow in 2007, making it the 14th successive year of economic growth. In market prices, Ireland's GDP is estimated to have reached €180 billion and GNP €152 billion. Latest CSO figures indicate that the economy grew strongly in 2007 with GDP and GNP expanding by 5.1 per cent and 5.3 per cent respectively in real terms. While some slowing is evident, this rate of growth is still almost double the EU zone average of 2.6 per cent. Consumer spending provided the main impetus rising by 6.5 per cent in real terms. Although according to ESRI some of this growth can be attributed to the effects of SSIA spending which will not have the same impact in 2008. The value of Ireland's exports increased by 6.6 per cent to €149 billion, while imports increased by 6 per cent to €130 million. The increase in imports was partly driven by higher oil prices but Ireland maintains a strong balance of trade surplus.

There was a noticeable increase in uncertainty surrounding Irish economic prospects beyond 2007. This was due to a considerable extent to concerns about the stability of the domestic property market coupled with the unclear and ongoing implications for the wider global economy arising from volatility in the US and global financial markets. The ongoing strengthening of the Euro against both Sterling and the US Dollar, combined with rising energy costs added last year to the underlying competitiveness challenges facing the Irish economy.

Data from the CSO indicate that the domestic industrial and manufacturing sectors had their most productive year in terms of output since 2002 up 7.2 and 7.4 per cent respectively. The Central Bank has forecast that the Irish economy will undergo a period of adjustment this year, in particular in the housing and construction sectors. Its forecast for 2008 has been revised significantly downwards to 3 per cent for GDP.

Economic

TABLE 1

National Accounts 2001-2007

	Constant prices (2005) € millions			
Year	GDP	% Change	GNP	% Change
2001	131,683		114,853	
2002	140,150	6.4%	118,147	2.9%
2003	146,219	4.3%	124,855	5.7%
2004	152,467	4.3%	129,423	3.7%
2005	161,498	5.9%	135,723	4.9%
2006	170,760	5.7%	144,504	6.5%
2007	179,810	5.3%	151,874	5.1%
2008f	185,204	3.0%	155,823	2.6%

Source: CSO
Forecast: Central Bank of Ireland

GRAPH 1

Economic Growth Trend 2001-2007

Source: CSO

TABLE 2

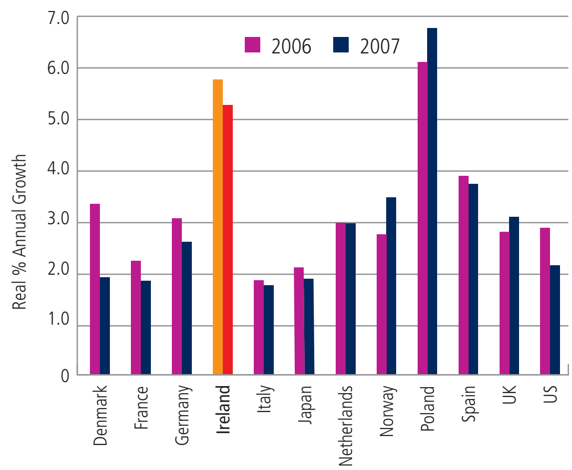
Irish GDP Growth Compared to Selected Economies

Real GDP % Growth				
Country	2006	2007f	2008f	2009f
Denmark	3.5	2.0	1.7	0.8
France	2.2	1.9	1.8	2.0
Germany	3.1	2.6	1.8	1.6
Ireland	5.7	5.2	2.9	4.2
Italy	1.9	1.8	1.3	1.3
Japan	2.2	1.9	1.6	1.8
Netherlands	3.0	3.0	2.4	2.3
Norway	2.8	3.4	3.6	2.4
Poland	6.2	6.5	5.6	5.2
Spain	3.9	3.8	2.5	2.4
UK	2.8	3.1	2.0	2.4
US	2.9	2.2	2.0	2.2

Source: OECD Economic Outlook December 2007

GRAPH 2

GDP of Selected Economies 2007



Source: OECD Economic Outlook December 2007

COMMENT

The annual rate of inflation, as measured by the Consumer Price Index, was 4.8 per cent at year end 2007, having peaked earlier in the year at 5.2 per cent. This peak represented the highest rate of inflation for almost a decade. The average rate increase for services was 5.1 per cent while goods overall increased by 3.3 per cent in the year. The latest January data from the CSO shows inflation continuing to slow to 4.3 per cent, the lowest rate for 15 months. Despite this, inflation in Ireland is still considerably above the ECB target rate of 2 per cent. While Irish inflation as measured by the EU's Harmonised Index of Consumer Prices (HICP) has been moderating, inflation in Europe increased from 2.1 per cent in 2006 to 3.2 per cent in 2007. The HICP, which excludes mortgage and rental payments, shows Irish inflation at 3.2 per cent in 2007, in line with the average for the Euro area.

Higher Inflation in Ireland over the last number of years has been attributed to a number of factors. Internally, increases in labour costs and higher mortgage interest rate payments are important but external factors such as higher energy and fuel costs are also contributing. The continued rise of fuel prices in 2007 was partly offset by the strength of the Euro against the Dollar, while many economists expect that interest rates may have peaked at 4 per cent and could fall by 0.5 percentage points by year end.

Central Bank and ESRI forecasts indicate Irish inflation falling in 2008 to 2.5 per cent implying a return to levels previously seen in 2005. While this should boost real incomes and underpin consumer spending, it is also a reflection of the forecast that economic growth in Ireland will be below trend this year.

TABLE 3

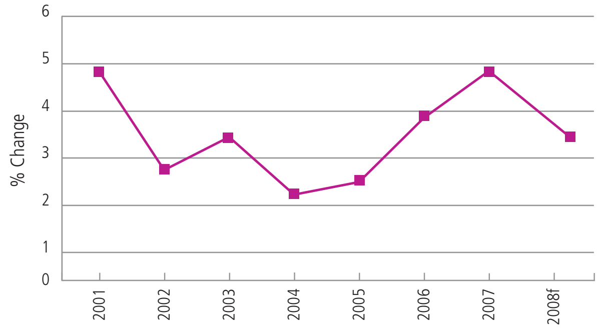
Consumer Price Index 2001-2007

	Index 2001=100	% Annual Change
2001	100.0	4.9%
2002	102.7	2.7%
2003	106.3	3.5%
2004	108.6	2.2%
2005	111.3	2.5%
2006	115.7	4.0%
2007	121.3	4.8%
2008f	125.5	3.5%

Source: CSO Central Bank
f Forecast Central Bank of Ireland, Quarterly Bulletin

GRAPH 3

Consumer Price Index 2001-2007



Source: CSO Central Bank of Ireland

TABLE 4

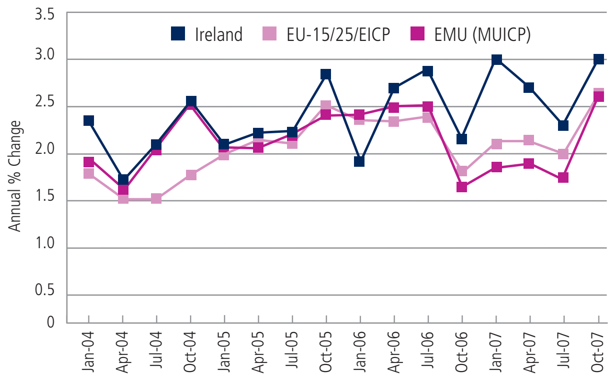
EU Harmonised Index of Consumer Prices Trend

	Annual percentage change (%)		
	Ireland	Euro Area	EU
2002	4.7	2.3	2.1
2003	4	2.1	2
2004	2.3	2.1	2
2005	2.2	2.2	2.1
2006	2.7	2.2	2.1
2007	3.2	3.1	3.2

Source: CSO Central Bank of Ireland

GRAPH 4

EU Harmonised index of Consumer Price Trend



Source: CSO

COMMENT

Central banks in Europe and elsewhere were forced to collectively take interventionist measures during 2007 to counteract the significant turbulence in money and financial markets. In Europe the ECB used the full range of operational measures at its disposal to meet increased liquidity needs of the banking system, although this did not include a reversal of the upward trend in interest rates. At the same time the Bank of Canada, Bank of England, Swiss National Bank and US Fed all collectively announced various measures to address pressures in short term funding of markets, including big interest rate cuts in the US. According to the Irish Central Bank, the actions undertaken in recent months have alleviated problems at the short-end Interbank market. Although concerns remain regarding the ultimate extent of some commercial lenders' exposures to losses from sub-prime mortgages.

The key objective of the ECB is price stability in the Eurozone. The difficulty facing the ECB is that while emerging data and the concerns above point to a slowdown in growth, inflation rose sharply to above 3 per cent in 2007, well above the ECB target of 2 per cent. To date, the ECB has resisted pressure to reduce interest rates to counteract the appreciation of Euro against the dollar and other major currencies. This contrasts with the US Fed which has cut rates by a total of 2.25 per cent since September, including two cuts in January '08 totalling 1.25 per cent. This reverses the previous cycle of 17 interest rate increases of 25 basis points which ended in 2006 and reflects the extent of official concerns for the US economy.

The consensus among economic observers is that the ECB will cut rates by 0.25 per cent by mid year with a further similar cut later this year. This is based on the ECB forecast that inflation will moderate in 2008 and that growth for the Euro area will slow to 1.8 per cent in 2008.

TABLE 5

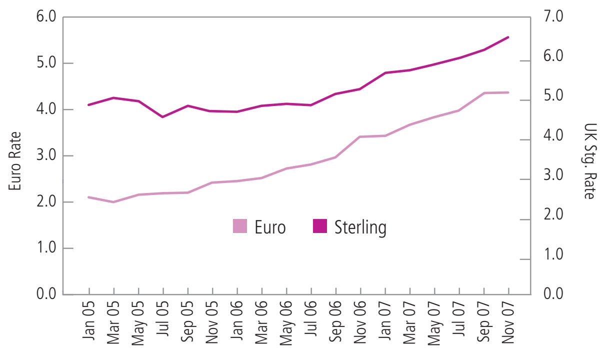
Forecast Interest Rates to End 2008

	Current	End Q1	End Q2	End Q3
US Fed Funds	3.00	2.50	2.00	2.00
ECB refinance	4.00	4.00	3.75	3.50
B of E repo	5.25	5.25	5.00	4.50
B of Japan OCR	0.50	0.50	0.50	0.50

Source: AIB Global Treasury

GRAPH 5

Euro v's Sterling 3 Month Interest Rate



Source: Central Bank of Ireland

TABLE 6

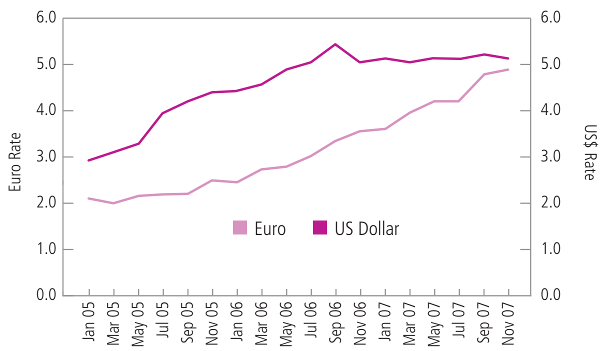
Selected International Three-month Interest Rates

Three-month Interest Rates		Per cent per annum			
		Euro	UK Sterling	US Dollar	Japan Yen
2005	March	2.09	4.91	3.04	-0.02
	June	2.09	4.73	3.44	-0.02
	September	2.16	4.58	4.04	0.03
	December	2.49	4.60	4.39	-0.01
2006	March	2.79	4.58	4.99	0.01
	June	3.02	4.71	5.45	0.27
	September	3.39	5.04	5.32	0.41
	December	3.71	5.28	5.33	0.52
2007	January	3.76	5.56	5.30	0.47
	March	3.91	5.56	5.30	0.65
	June	4.15	5.94	5.34	0.73
	December	4.70	5.95	5.01	0.97

Source: Central Bank of Ireland

GRAPH 6

Euro v's US Dollar 3 Month Interest Rate



Source: Central Bank of Ireland

COMMENT

The Euro continued to appreciate strongly against sterling and the US dollar in 2007, the currencies of Ireland's two main trading partners. It ended the year at 1.47 against the USD up more than 12 per cent year on year. It reached a peak in November of 1.4966 to the dollar, just short of the psychological $1.50 resistance level. The Euro's steep ascent is based on concerns about a slowing US economy, which were exacerbated by the subprime lending problem and the implications for the liquidity of global money and credit markets. Ongoing concerns and the Fed's interest rate cuts have now pushed the Euro well above the $1.50 level.

The Euro also gained against sterling over the course of 2007 ending the year at UK£0.75, its highest level since the two currencies officially began trading. This represented a 9.5 per cent increase for the full year. Euro/Sterling traded between UK£0.68 and UK0.70 for the fist 9 months of 2007, but the final quarter saw a sharp appreciation of the Euro. This trend has accelerated in early 2008. The main drivers have been a cut in UK interest rates in December of 25 basis points and disappointing economic results and negative comments by the Governor of the Bank of England in late November. There are also underlying concerns about some elements of the UK banking sector exposed to subprime risk.

The strengthening of the Euro continues to add to the competitive pressures faced by Irish exporters to the US and the UK. For example, the USD had depreciated against the Euro at end 2007 by more than 74 per cent since 2002. This means a €100,000 order that in 2002 that would have cost a US buyer $82,000, cost $148,000 by end 2007. The implications for Irish business are obvious.

As always, exchange rate forecasts are uncertain. A lot will depend on the US Economic performance and the actions of the ECB over the coming months

TABLE 7

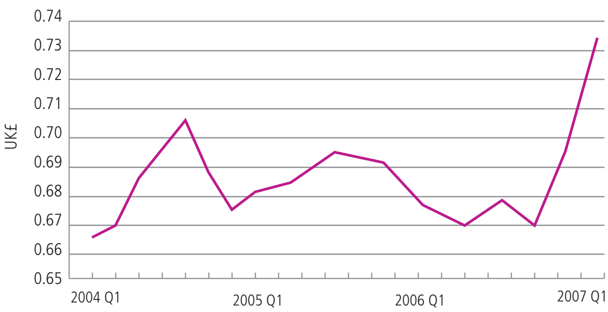
Forecast Euro Exchange Rates (Range mid points)

	Current	End Q2	End Q3	End 2007
USD	1.520	1.49	1.48	145
UK£	0.765	0.75	0.76	0.76
JPY	157.92	155	155	154

Source: AIB Global Treasury

GRAPH 7

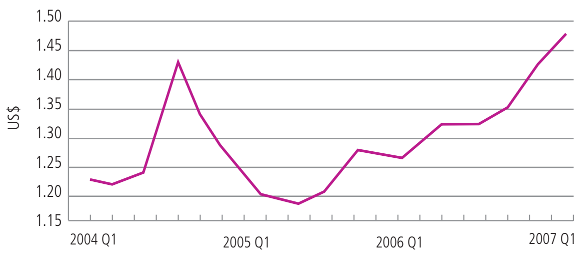
Euro – UK£ Exchange Rate 2004 - 2007



Source: Central Bank of Ireland

GRAPH 8

Euro – US$ Exchange Rate 2004 - 2007



Source: Central Bank of Ireland

TABLE 8

End of Period Exchange Rates (Units per Euro)

Exchange Rates: End of Period	Canadian Dollar	Danish Kroner	Japan Yen	Swedish Kronor	Swiss Franc	UK Sterling	US Dollar	SDR
2004								
Q1	1.5979	7.4480	126.97	9.2581	1.5594	0.6659	1.2240	0.825660
Q2	1.6343	7.4326	132.40	9.1451	1.5242	0.6708	1.2155	0.829001
Q3	1.5740	7.4416	137.17	9.0588	1.5524	0.6868	1.2409	0.844728
Q4	1.6416	7.4388	139.65	9.0206	1.5429	0.7050	1.3621	0.877072
2005								
Q1	1.7370	7.4495	138.44	9.1430	1.5486	0.6885	1.2964	0.858074
Q2	1.4900	7.4515	133.95	9.4259	1.5499	0.6742	1.2092	0.830145
Q3	1.4063	7.4624	136.25	9.3267	1.5561	0.6820	1.2042	0.830790
Q4	1.3725	7.4605	138.90	9.3885	1.5551	0.6853	1.1797	0.825389
2006								
Q1	1.4084	7.4624	142.42	9.4315	1.5801	0.6964	1.2104	0.840062
Q2	1.4132	7.4592	145.75	9.2385	1.5672	0.6921	1.2713	0.859353
Q3	1.4136	7.4576	149.34	9.2797	1.5881	0.6777	1.2660	0.857506
Q4	1.5231	7.4560	156.93	9.0404	1.6069	0.6715	1.3170	0.875431
2007								
Jan	1.5325	7.4553	157.27	9.0520	1.6214	0.6633	1.2954	0.869307
Feb	1.5419	7.4527	156.45	9.2763	1.6136	0.6737	1.3211	0.877973
Mar	1.5366	7.4508	157.32	9.3462	1.6247	0.6798	1.3318	0.881878
Apr	1.5187	7.4505	162.82	9.1523	1.6458	0.6827	1.3605	0.892609
May	1.4388	7.4488	163.56	9.2945	1.6477	0.6801	1.3453	0.889245
Jun	1.4245	7.4422	166.63	9.2525	1.6553	0.6740	1.3505	0.891084
Jul	1.4540	7.4409	163.59	9.1900	1.6519	0.6740	1.3707	0.895166
Aug	1.4446	7.4491	159.25	9.3662	1.6451	0.6780	1.3705	0.894216
Sep	1.4122	7.4544	163.55	9.2147	1.6601	0.6968	1.4179	0.910866
Oct	1.3768	7.4547	166.49	9.2191	1.6762	0.6973	1.4447	0.919088
Nov	1.4695	7.4575	163.43	9.3715	1.6541	0.7146	1.4761	0.928260
Dec	1.4449	7.4583	164.93	9.4415	1.6547	0.7334	1.4721	0.931563

Units per Euro

Source: Central Bank of Ireland

COMMENT

OIL MARKET: At the beginning of 2007 crude oil prices reflected the steady decline that had begun the previous July, down to USD 53 per barrel. However this changed in January 2007 when OPEC implemented production cuts of 1.2 million b/d. The production cuts combined with growing global demand, tensions in the Middle East and violence in Nigeria forced pressure on crude prices and by mid January prices increased to USD 56 per barrel. Following this there were 2 more cuts in OPEC production of 500,000 b/d in February and 195,000 b/d in March. Continued cold weather in the Northern Hemisphere and ongoing political unrest in key producing areas continued to force prices forward and in July prices reached almost USD77 per barrel. By November 2007, prices were testing the USD100 per barrel mark. However there was some easing off of prices in December as a result of rising inventories in the USA and speculation that OPEC would increase production. This was short-lived as prices in January 2008 eventually broke through the psychological USD100 per barrel with further short term increases expected. The IEA forecast oil demand in 2008 to grow to 2m b/d.

Economic

TABLE 9

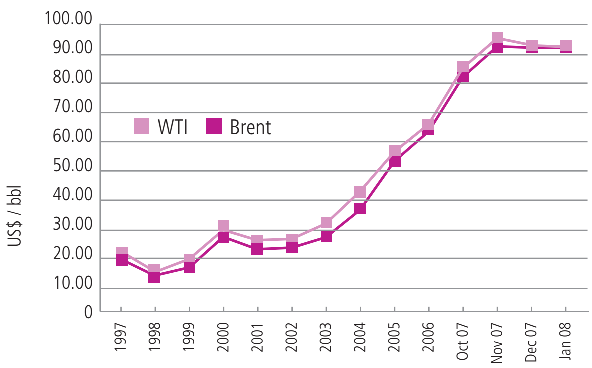
Oil Prices 1997 - 2007

Avg. $US per barrel Year Avg.	Brent	WTI	Bonny	Dubai	Arab Lt	Minas
1997	19.11	20.61	19.56	18.23	18.85	19.42
1998	12.76	14.42	12.88	12.25	12.30	12.44
1999	17.90	19.34	17.78	16.99	17.16	17.57
2000	28.66	30.38	28.36	26.12	26.69	28.69
2001	24.46	25.98	24.54	22.81	23.11	24.09
2002	24.99	26.18	24.98	23.75	22.57	25.42
2003	28.85	31.08	28.78	26.76	26.05	29.63
2004	38.26	41.50	37.99	33.53	33.89	36.73
2005	54.57	56.64	55.68	49.32	49.29	54.01
2006	65.14	66.04	67.03	61.49	60.29	65.18
2007	72.51	72.27	75.01	68.42	69.15	73.52
Oct-07	82.47	85.62	84.89	77.18	78.18	85.06
Nov-07	92.59	94.83	94.64	86.80	87.91	93.42
Dec-07	91.20	91.75	93.38	85.97	88.86	94.56
Jan-08	91.99	92.77	94.40	87.20	88.05	95.30

Source: US Dept. of Energy

GRAPH 9

Crude Prices $ per Barrel 1997 - 2007



Source: US Dept. of Energy

COMMENT

BUNKER PRICES: Bunker prices continued to rise strongly by 35 per cent in 2007, with a 23 per cent increase over the first half and 11 per cent in the third quarter alone. However it was the last quarter of 2007 that proved to be the most miserable for ocean carriers with bunker prices increasing by over 25 per cent, before easing off slightly at the end of December. The surge in prices was not driven by local bunker supply problems but in fact by crude prices which soared from USD69/bbl at the beginning of September to within a hairline of the psychological USD100/bbl in November. By the start of November 380cSt in Rotterdam shot up to USD 425/tonne up from USD380/tonne in October and hit USD500/tonne mid November.

In January 2008 crude oil prices did eventually surpass the USD100/bbl level which consequently resulted in marine bunkers peaking above USD 500 per tonne. Marine Diesel Oil (MDO) taken at spot Rotterdam prices have increased by over 210 per cent since 2000. Rising bunker prices are a considerable cost burden for owners with fuel costs now estimated to be around 70 per cent of the cost of a voyage rather then 30 per cent in 2000 – 2004. In order to try and combat rising fuel costs, several large mainline operators on intercontinental routes have added extra vessels to their strings and reduced the service speed from 25 to 20 knots. A 5 knot reduction on long haul routes can cut total bunker consumption by a considerable 30 per cent, saving a potential USD 10 million a year. Over a five year period fuel prices have gone from USD 164 per tonne to over USD 500 per tonne. At current price levels a 10,000TEU vessel would consume USD1bn in bunkers if it is in service for 25 years.

TABLE 10

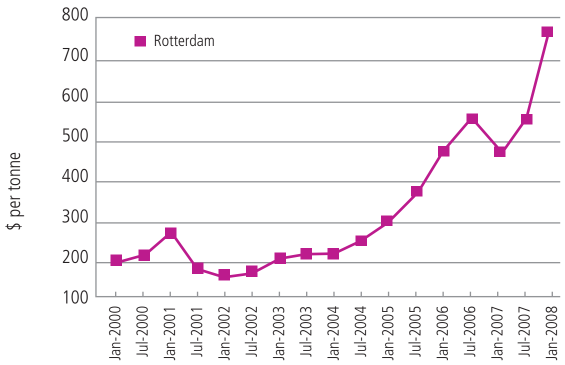
Bunker Prices ($/Tonne)

	380 cst $/tonne			MDO $/tonne		
	Rotterdam	Singapore	L.A	Rotterdam	Singapore	L.A
1997	95.84	102.73	102.02	157.19	178.69	215.87
1998	67.62	70.02	68.45	112.19	115.73	171.64
1999	93.41	101.80	96.60	132.96	141.85	157.82
2000	138.43	158.72	152.10	231.56	248.46	270.50
2001	117.45	133.11	126.08	192.44	205.82	256.58
2002	133.69	148.94	142.35	188.24	197.92	233.60
2003	152.85	172.04	162.05	230.38	242.47	306.88
2004	155.27	180.32	186.44	313.37	334.32	397.97
2005	233.98	261.90	263.32	458.42	481.42	574.39
2006	293.04	313.18	320.96	524.06	580.55	651.58
2007	345.06	372.80	381.70	571.27	621.84	709.30
Oct-07	412.5	435.875	417.875	631.25	647.00	715.25
Nov-07	476.1	498.6	505.1	741.50	769.10	875.50
Dec-07	447.5	477.375	518.75	756.25	781.13	881.25
Jan-08	447.75	469.375	478.75	733.75	790.50	862.50

Source: Clarksons

GRAPH 10

Marine Diesel Oil Prices



Source: Clarksons

Trade Review

COMMENT

Given the challenging external environment, Irish merchandise exports performed solidly in 2007 with total merchandise exports valued at €88bn which is a 2 per cent increase on 2006. The value of imports grew at the same rate of 2 per cent to €62bn. This provided a trade surplus for the period of €26bn, which is first time our trade surplus has increased in four years.

The key drivers of Irish merchandise exports in 2007 were organic chemicals and medical and pharmaceutical products, which increased by 14 and 2 per cent respectively. If these figures were excluded merchandise exports actually fell by 2 per cent. Exports of ICT machinery declined by 11 per cent and electrical machinery by 5 per cent which may be a result of the closure of some multinationals manufacturing bases such as Motorola. Several other major merchandise exporting companies reducing their operations in 2007, including, Proctor and Gamble in Nenagh, Thomson Scientific in Limerick and Bourns electronics in Cork

One of the main components of import demand over the past 5 years has been consumer spending associated with residential investment which slowed considerably from the middle of 2007. This is reflected in merchandise imports for the first half of the year which grew at a rate of 7 per cent but subsequently fell back to 2 per cent to year end. This slow growth trend is expected to be sustained over 2008. The factors underpinning this include prospects of slower employment growth on foot of lower new housing output. Imports of goods and services are forecast to increase by 4.5 per cent in 2008.

Trade

TABLE 11

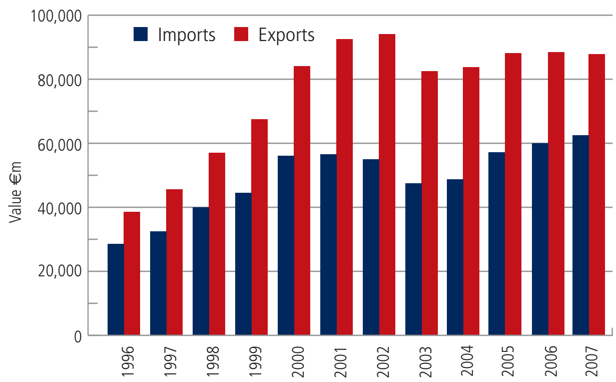
External Trade Growth 1992-2007

Year	Imports €m	Exports €m	Trade Surplus €m
1992	16,754	21,260	4,506
1993	18,900	25,179	6,279
1994	21,945	28,891	6,946
1995	26,181	35,330	9,149
1996	28,479	38,609	10,130
1997	32,863	44,868	12,005
1998	39,715	57,322	17,607
1999	44,327	66,956	22,629
2000	55,909	83,889	27,980
2001	57,384	92,690	35,306
2002	55,628	93,675	38,047
2003	47,865	82,076	34,211
2004	51,105	84,410	33,305
2005	57,465	86,732	29,267
2006	60,857	86,772	25,915
2007	62,179	88,581	26,402

Source: CSO

GRAPH 11A

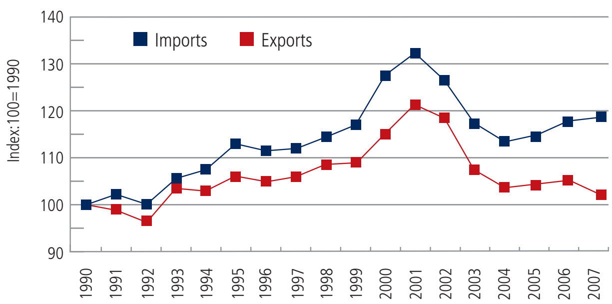
External Trade Growth 2007



Source: CSO

GRAPH 11B

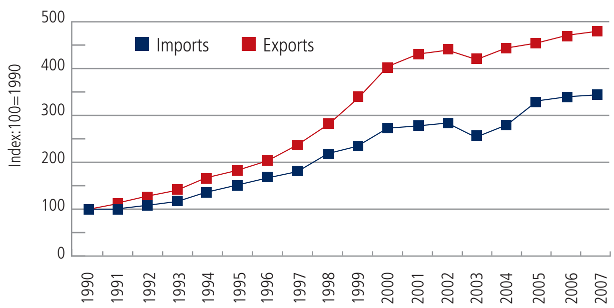
Imports v Exports Index by Value



Source: CSO

GRAPH 11C

Imports v Exports Index by Volume



Source: CSO

COMMENT

The Central Statistics Office (CSO) measure and categorise the performance of Irish merchandise imports and exports by standard international trade classification codes (SITC). The three largest categories accounted for over 52 per cent of the total value of exports last year. The two main drivers of merchandise exports, organic chemicals and medical and pharmaceutical products continued their growth in 2007. The value of organic chemicals exports increased sharply by 14 per cent to €19.4bn compared to 4 per cent for the same period in 2006. The second largest export SITC commodity group, medical and pharmaceutical products grew by 2 per cent. 2 sectors that performed strongly in 2007 were the food export sector with eggs and diary products increasing by 20 per cent on the same period in 2006 and industrial machinery increasing 19 per cent. Exports in the ICT commodities have declined over the year, Office machines declining by 11 per cent and Electrical machinery & apparatus also falling by 5 per cent, highlighting the declining ICT manufacturing industry in Ireland.

Foreign owned companies make a major contribution to Irish exports but they also import a large proportion of their inputs, which according to a recent NCB report, could be as much as 50 per cent of the value of total merchandise imports. While export earnings where impacted by the appreciation of the Euro in 2007, this will partially have been offset by the gains in purchasing power for raw material imports. Elsewhere the continued strong level of domestic consumer demand, business investments and Government spending saw the overall value of imports increase in 2007, although indications were that this slowed over the second half of the year.. Up to June 2007 importation of construction material such as iron and steel grew 24 per cent. This dropped to 19 per cent by the end of 2007. The largest SITC import group, office and data machines declined in value terms by 12 per cent year on year. Looking ahead to 2008 import growth is expected to fall slightly.

TABLE 12

Value of Merchandise Trade by Commodity Group, 2007 Exports

Exports	2006 € m	2007 € m	Change %	Share %
Organic Chemicals	17,059	19,427	14%	22%
Med & Pharma Products	14,247	14,598	2%	16%
Office & data machines	14,063	12,533	-11%	14%
Essential oils & cleansing preps	5,328	5,319	0%	6%
Misc Manuf. Articles	4,937	4,978	1%	6%
Elect. Machinery & apparatus	5,132	4,857	-5%	5%
Chem material & prod.	2,431	2,645	9%	3%
Meat & Meat preps	2,392	2,358	-1%	3%
Pro & scientific apparatus	2,308	2,095	-9%	2%
Misc. edible products	1,663	1,773	7%	2%
Gen. Industry Machinery	1,216	1,449	19%	2%
Dairy prod & eggs	1,195	1,436	20%	2%
Beverages	1,285	1,357	6%	2%

Source: CSO

TABLE 13

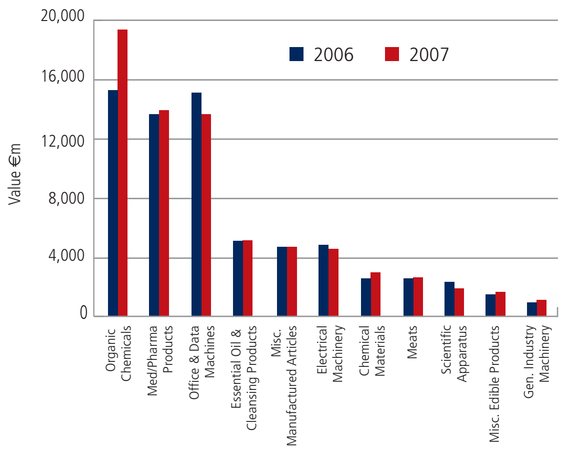
Value of Merchandise Trade by Commodity Group, 2007 Imports

Imports	2006 € m	2007 € m	Change %	Share %
Office & data machines	10,452	9,233	-12%	15%
Road Vehicles	4,102	4,382	7%	7%
Petroleum	3,842	4,055	6%	7%
Elect. Machinery & apparatus	3,809	3,262	-14%	5%
Misc Manuf. Articles	3,084	2,931	-5%	5%
Other Transport Equip.	1,452	2,564	77%	4%
Med & Pharma products	2,235	2,399	7%	4%
Organic Chemicals	2,084	2,010	-4%	3%
Telecom's & sound equip.	2,129	1,938	-9%	3%
Art. of apparel	1,639	1,793	9%	3%
Machinery specialised	1,342	1,440	7%	2%
Gen. industrial machinery	1,374	1,373	0%	2%
Manuf. of metals	1,224	1,308	7%	2%

Source: CSO

GRAPH 12

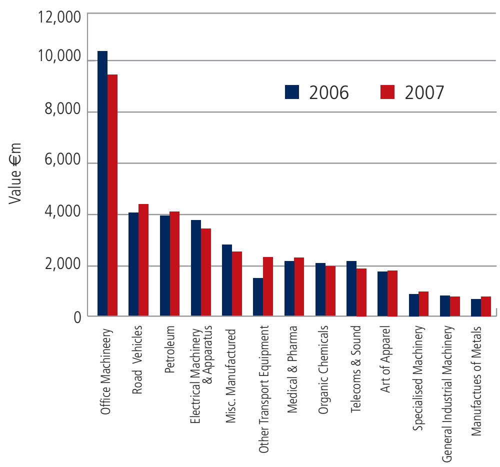
Value of Exports by Commodity 2007



Source: CSO

GRAPH 13

Value of Imports by Commodity 2007



Source: CSO

COMMENT

In spite of a 2 per cent decline in exports, the USA remained Irelands largest export market in 2007. The continued depreciation of the Dollar against the Euro was clearly a major underlining factor impacting on the cost competitiveness of Irish goods in the US. However overall exports to the main trading partners grew by 2 per cent which was a slight recovery in export performance when compared to static trade for the same period in 2006. There was a major noteworthy increase in exports to China of 45 per cent, which in value terms was almost equivalent to the growth in export sales to the UK last year. Although China still only represents 1 per cent of Irelands total export market, it has surfaced as a potentially important new emerging market for Irish exporters. Elsewhere the exports to European trading partners increased by 2 per cent with the main EU export markets of UK up 7 per cent, Belgium 4 per cent and France 2 per cent, all performing robustly. This overall performance is somewhat surprising given the adverse exchange rate movements and unfavourable developments in non-labour cost competitiveness. Economic experts are predicting that demand in Irelands export markets is expected to slow in 2008 partly reflecting more modest growth in main trading partners, USA and UK going forward.

Merchandise imports also grew by 2 per cent year on year for 2007, with imports from Ireland's main markets of the UK and USA growing by 3 per cent each and benefiting from greater purchasing power given the relative strength of the Euro in these markets. High volumes of low value Chinese laden imports are an important source of revenue for Irish shortsea feeder operators and in 2007 China remained in the top 5 main importing markets. A projected fall off in consumer spending this year coupled with less construction related activity is likely to impact on import values and volumes in 2008.

Trade

TABLE 14

Exports Trade by Country 2007

Exports	2006 € m	2007 € m	Change %	Share %
USA	16,182	15,779	-2%	18%
Great Britain	13,894	14,799	7%	17%
Belgium	12,217	12,692	4%	14%
Germany	6,970	6,687	-4%	8%
France	5,079	5,168	2%	6%
Netherlands	3,402	3,424	1%	4%
Spain	3,261	3,274	0%	4%
Italy	3,613	3,124	-14%	4%
Switzerland	2,515	3,248	29%	4%
Northern Ireland	1,671	1,763	6%	2%
Japan	1,980	1,691	-15%	2%
China	875	1,271	45%	1%
All other	15,113	15,661	4%	18%
Total EU	55,085	56,129	2%	63%
of which EU-15	36,412	36,319	0%	41%
Total	86,772	88,581	2%	100%

Source: CSO

TABLE 15

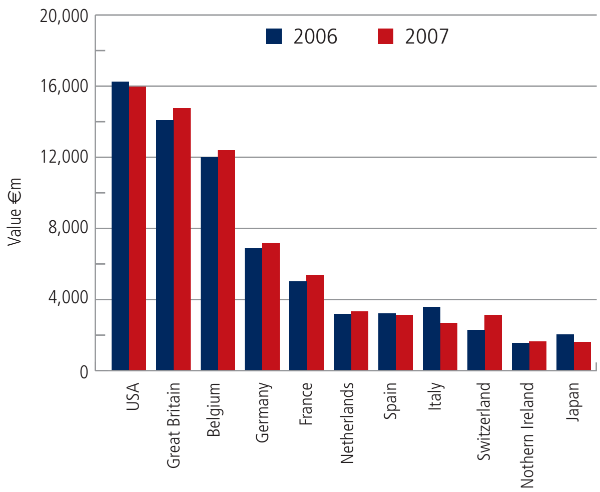
Imports Trade by Country 2007

Imports	2006 € m	2007 € m	Change %	Share %
Great Britain	18,099	18,704	3%	30%
USA	6,808	7,034	3%	11%
Germany	5,012	5,399	8%	9%
China	4,433	4,767	8%	8%
Netherlands	2,444	2,638	8%	4%
France	2,219	2,616	18%	4%
Japan	1,731	1,633	-6%	3%
Italy	1,563	1,430	-9%	2%
Norway	1,857	1,425	-23%	2%
Northern Ireland	1,325	1,337	1%	2%
Belgium	1,212	1,266	4%	2%
Spain	990	994	0%	2%
All other	13,164	12,936	-2%	21%
Total EU	36,730	38,138	4%	61%
of which EU-15	14,938	15,733	5%	25%
Total	60,857	62,179	2%	100%

Source: CSO

GRAPH 14

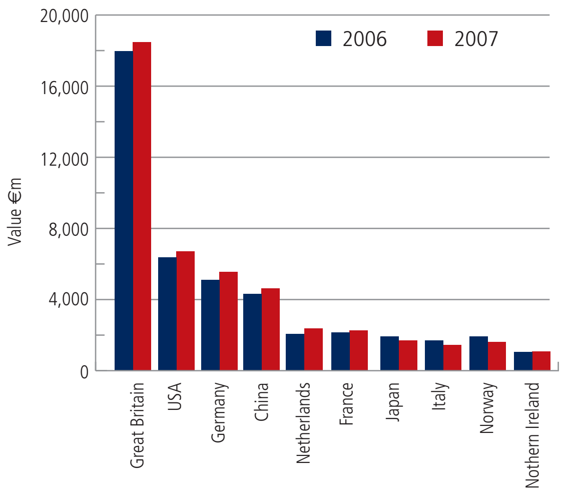
Export Value by Country 2007



Source: CSO

GRAPH 15

Import Value by Country 2007



Source: CSO

Traffic Review

COMMENT

Our analysis of bulk trades is divided into 3 segments, liquid, dry and break bulk. We estimate that Irish ports handled 32.3 million tonnes of bulk cargo in 2007, a decline of 1 per cent on the previous year. Over the past 18 months, growth in certain segments of bulk market have been more exposed to the slowdown in the domestic housing construction market. While external factors such increasing raw materials, food and oil prices also have had a negative impact on volume demand.

Liquid and dry bulk cargoes make up 94 per cent of the bulk traffic through Irish ports the majority of which is handled by 3 main ports, Shannon Foynes, Dublin and Cork. Combined these account for over 82 per cent of liquid bulk handled and 87 per cent of dry bulk handled. Cork increased liquid bulk throughput by 5 per cent in 2007 the majority of which were imports destined for Whitegate oil terminal. Bulk liquids handled at Shannon Foynes declined in 2007 which the port attributes this to Tarbert power station bringing in over 300,000 tonnes less oil as it is running down to close. Bantry Bay which handled over 1 million tonnes of bulk liquids in 2007, increased throughput by 40 per cent.

In the dry bulk sector throughput at the majority of ports declined as a result of lower demand and importation of iron ore, steel and cement. Overall the dry market reduced by 2 per cent in total with more than half of the ports operating in this segment reporting a decline in volume. The breakbulk sector is the smallest component of the bulk market in Ireland, representing 6 per cent of the bulk market. However this sector is particularly significant for the smaller ports which primarily handle break bulk. Excluding Dublin, Shannon Foynes and Cork, 56 per cent of breakbulk is handled by the smaller ports. Drogheda, Wicklow and Greenore make up the largest proportion of this traffic. Wicklow reported a decline in breakbulk of 26 per cent mainly due to transfer of construction material importation to Dublin. Greenore also declined by 17 per cent again due to less timber and construction materials being handled. Limerick, which handles the majority of Shannon Foynes breakbulk reported a decline in timber handled in 2007. The outlook for this market segment is relatively subdued with no growth forecast.

Traffic

TABLE 16

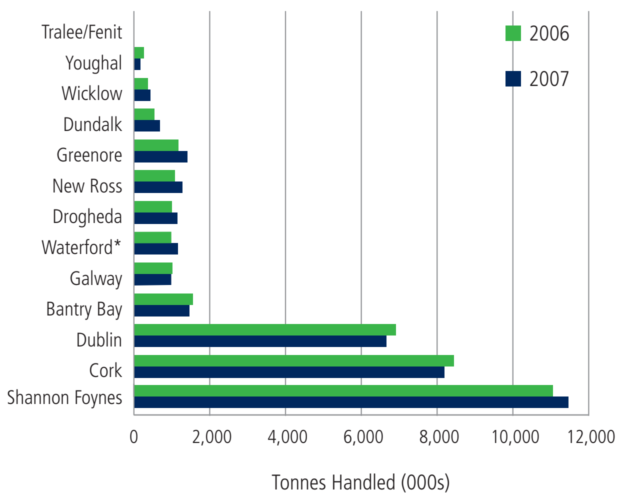
Non – Unitised Traffic by Port & Type 2007

Tonnes (000's)	Bulk			Total		
	Liquid	Dry	Break	2006	2007	% Change
Shannon Foynes	1,519	9,086	379	11,296	10,984	-3%
Cork	6,381	1,578	372	8,191	8,331	2%
Dublin	4,075	2,503	70	6,414	6,648	4%
Bantry Bay	1,347	56	0	1,190	1,403	18%
Galway	857	63	25	944	945	0%
Waterford	14	770	155	1,085	939	-13%
Drogheda	126	418	292	978	836	-15%
New Ross	166	563	0	831	729	-12%
Greenore	0	595	190	865	785	-9%
Dundalk	5	229	156	433	390	-10%
Wicklow	0	0	221	297	221	-26%
Youghal	0	0	141	121	141	17%
Tralee/Fenit	0	0	19	13	19	46%
Total	14,490	15,861	2,020	32,658	32,371	-1%

Source: Individual Ports & IMDO

GRAPH 16A

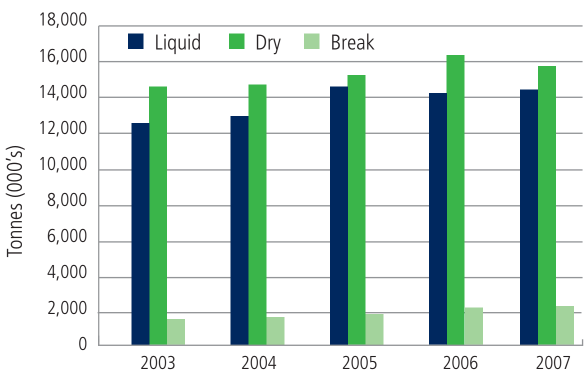
Bulk Tonnage by Individual Port 2007



Source: Individual Ports & IMDO

GRAPH 16B

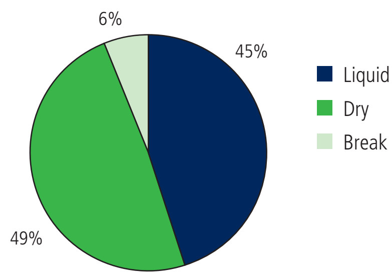
Bulk Traffic by Category 2003-2007



Source: Individual Ports & IMDO

GRAPH 16C

Bulk Traffic Share by Category 2007



Source: Individual Ports & IMDO

COMMENT

The unitised load on load off (lo/lo) market, continued its impressive year on year linear growth pattern in 2007, albeit growing just below its 10 year trend level. The throughput of containers in the Irish Republic again surpassed the 1 million TEU mark increasing by 6 per cent year on year to 1.17 million TEU's. IMDO mid year estimates for this market segment actually had the sector running at 10 per cent growth with forecasts in line to equal the growth levels of 11 per cent to year end for 2006. However a sharp slow down in economic activity during the last quarter and in particular over the traditionally busy periods of November and December resulted in a tailing off of traffic throughput. Northern Irish unitised ports also recorded a 6 per cent growth rate for 2007. In total growth on the island was 6 per cent up to 1.48 million TEU.

In terms of traffic performance both Dublin and Belfast recorded 9 per cent traffic growth. Dublin Port increased its overall market share in the republic by 1 per cent to 63 per cent and similarly by 1 per cent of all Ireland traffic handled to 49 per cent. Belfast has the dominant share of traffic in Northern Ireland with 88 per cent of the market and 18 per cent of market share on an all island basis. Cork recorded a further 8 per cent increase in traffic falling just short of the 200k TEU mark; Cork has averaged 11 per cent growth over the past 5 years. Waterford grew its traffic by 1 per in 2007 and maintained its 13 per cent share of the all island traffic. Drogheda, Shannon Foynes and Warrenpoint all recorded a fall in traffic in 2007. In October Xpress container lines announced its decision to temporise its services from the Shannon Foynes and divert its traffic via its Cork service. The Europe Line container service from Drogheda; at the time of writing announced its decision to end the Drogheda-Rotterdam service. Traffic in Warrenpoint is likely to have been impacted by the additional capacity available in Belfast and changes to schedules by its incumbent operators.

TABLE 17

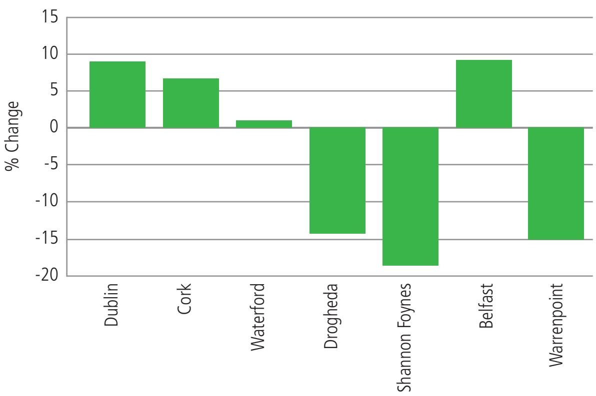
Container Traffic by Port 2007

	Laden		Unladen		Total		% Ch
	2006	2007	2006	2007	2006	2007	
Dublin	532,214	561,341	148,467	182,596	680,681	743,937	9%
Cork	149,795	162,187	35,207	37,705	185,002	199,891	8%
Waterford	139,634	0	45,223	0	184,857	186,057	1%
Drogheda	28,006	19,148	6,842	10,692	34,848	29,840	-14%
Shannon Foynes	11,734	10,635	6,696	5,927	18,430	15,430	-16%
Total ROI	861,383	753,311	242,435	236,920	1,103,818	1,175,155	6%
Belfast			189,369	77,808	244,871	267,177	9%
Warrenpoint	27,756	21,597	14,192	14,090	41,948	35,687	-15%
Total NI	27,756	210,966	14,192	91,898	286,819	302,864	6%
Total Ireland	889,139	964,277	256,627	328,817	1,390,637	1,478,019	6%

Source: Individual Ports & IMDO

GRAPH 17A

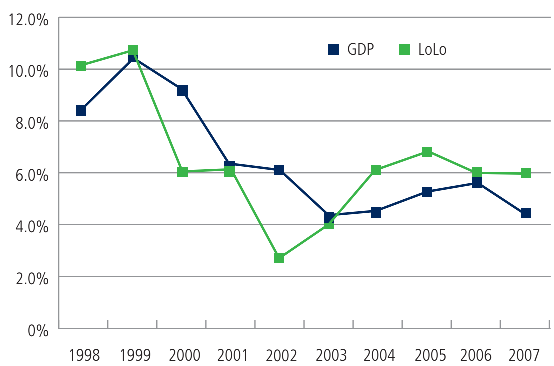
Container Port Traffic Performance by Port 2007



Source: Individual Ports & IMDO

GRAPH 17B

GDP and LoLo 10 Year Growth trend



Source: IMDO

COMMENT

The Irish roll-on/roll-off market (measured by the number of trailers handled) experienced more modest growth in 2007. Traffic in the Republic of Ireland market increased by 5 per cent, with a total of 919,591 units, this is slightly weaker growth compared to 8 per cent for the same period in 2006. Traffic throughput in the North of Ireland remained flat with less than 1 per cent increase recorded for 2007, representing a total of 856,236 trailers. Total traffic growth for the all Ireland market halved in 2007 to just 3 per cent, with the static performance through the Northern corridors being a contributory factor.

Despite a slowing market both Dublin and Rosslare continued to grow above the 10 year trend of 6 per cent for the ro/ro market. Dublin benefiting from an extra vessel on the Dublin – Liverpool route, with P&O adding a vessel at the beginning of 2007, the 'Global Freighter', boosting capacity. The stronger performance of these two corridors also resulted in a change to the distribution of the All-Island ro/ro market traffic with 52 per cent of all traffic transiting Republic of Ireland ports, an increase of just over 2 per cent. RoRo traffic through the port of Cork declined significantly in 2007, due to the absence of an operator on the Swansea Cork route, however between March and June 2007 HJ Lines operated on the route, boosting the figures during that period. RoRo traffic also declined in Belfast, this may be partly attributed to an out of operation linkspan in Heysham forcing Norfolkline to reduce a five ship operation to four, taking the vessel off the Belfast Heysham route. Overall there were few new vessel changes noted over the year in comparison to the significant capacity adjustment witnessed in 2006, the growth in traffic was accommodated by the incumbent operators. The majority of the major Ro/Ro ports on the island all have plans to continue to expand Ro/Ro capacity over the coming years with some capacity already expected to be delivered in 2008.

Traffic

TABLE 18

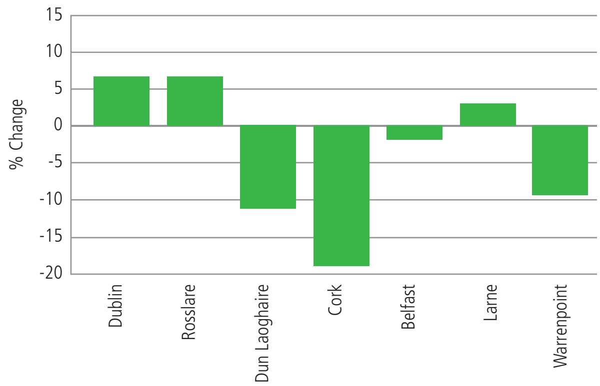
Roll-on/Roll-off Freight Traffic 2007

Number of Freight Trailers	2006	2007	% Change	% Share
Dublin	692,992	733,141	6%	
Rosslare	156,515	165,769	6%	
Dun Laoghaire	18,999	16,933	-11%	
Cork	4,558	3,748	-18%	
Total ROI	873,064	919,591	5%	52%
Belfast	342,656	339,127	-1%	
Larne	424,468	438,050	3%	
Warrenpoint	87,539	79,059	-10%	
Total NI	854,663	856,236	0%	48%
Total Ireland	1,727,727	1,775,827	3%	

Source: Individual Ports

GRAPH 18A

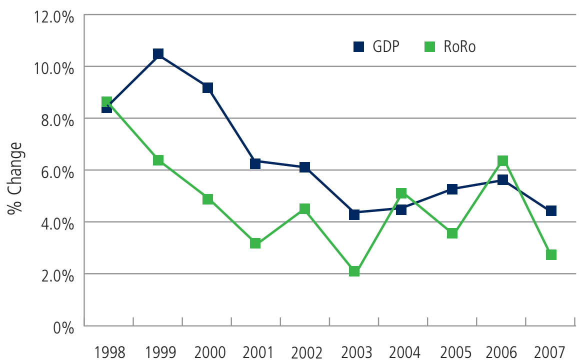
Roll-on/Roll-off Traffic Performance by Port 2007



Source: Individual Ports

GRAPH 18B

GDP and RoRo 10 Year Growth Trend



Source: IMDO

COMMENT

We segment our analysis of the distribution of traffic in the roro market over four corridors, Northern, Central, Southern and Southern Continental while also monitoring changes in trend to (driver) accompanied and unaccompanied traffic in the Ireland - UK market. On the main routes between Ireland and the UK the trend towards growth in unaccompanied traffic continued in 2007 but at a much slower rate than seen in previous years. In particular over the 3rd and 4th quarters, when growth increased just above 1 per cent. This might partly be attributed to the general economic slowdown but also as a result in the fall off in movement of construction related materials which move in larger volumes by unaccompanied trailers. 53 per cent of all Ro/Ro movements were for unaccompanied traffic with the largest percentage of this traffic carried on the Northern Corridor.

Unlike previous years, there were few structural changes to the Irish roro market. There were no new entrants to the sector in 2007, although in September the expanding Seatruck Ferries, took over Celtic Links vessel slots and terminal capacity at Dublin Port. Seatruck essentially operate a model that is heavily weighted towards unaccompanied trailer business and their presence on the Irish route might see a slight shift in some more unaccompanied traffic onto the central corridor in 2008. Celtic Link still operates its service on the Southern Continental corridor from Rosslare to France. Elsewhere higher fuel prices continued to add cost to the bottom line operating costs in this market, operators of high speed/high consumption vessels continued to reduce the frequency of sailings. We estimate that only a further 3 per cent additional supply was added to the market compared to the 32 per cent in 2006; this is partly due to lack of suitable available tonnage but also possibly a sign of incumbent operators seeking to consolidate positions.

TABLE 19

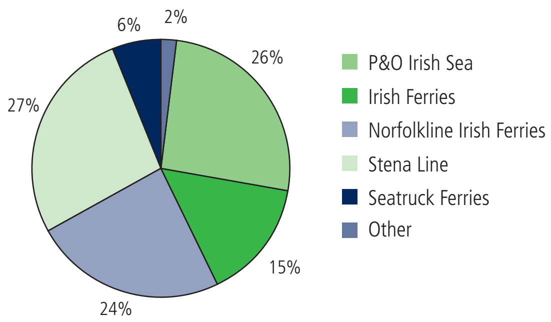
All Ireland Total RoRo Freight Traffic 2007

Number of Freight units	2005	2006	2007	% Ch 06/07	% Share
Northern Corridor	813,041	844,696	848,306	0%	48%
Central Corridor	667,247	701,005	743,573	6%	42%
Southern Corridor	130,001	140,378	147,924	5%	8%
Southern Continental Corridor	14,732	18,129	18,657	3%	1%
Total Traffic	1,625,021	1,704,208	1,758,460	3%	100%

Source: IMDO

GRAPH 19A

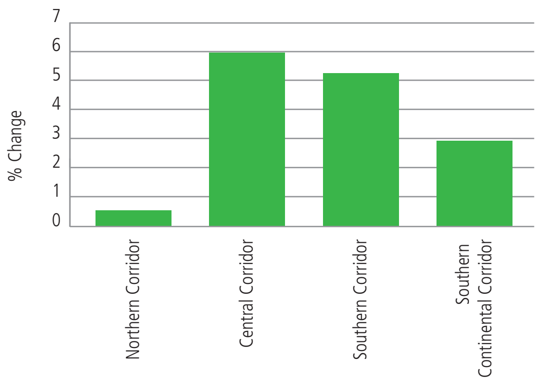
All Ireland RoRo Freight Market Share by Operator 2007



Source: IMDO

GRAPH 19B

RoRo Route Performance by Corridor 2007



Source: IMDO

COMMENT

For the first time in over 4 years the Irish Sea passenger market showed signs of recovery with growth of 3 per cent in 2007 compared to an average annual decline of 5 per cent since 2003. Passenger sea traffic performed strongly over the whole of 2007. Of particular note was the performance of passenger numbers on the predominant cross channel routes over the winter months which all saw growth in passenger traffic. January 2007 saw an increase in passengers of 9 per cent, October cross channel pax were up 6 per cent, November and December were also up with pax figures growing 7 per cent and 2 per cent respectively when compared to the same periods in 2006. Significantly car traffic in 2007 rose for the first time in Ireland in 4 years increasing by 5 per cent

The relative performance of the passenger ferry sector on Ireland-UK cross channel routes appears even better if compared to the trend in cross channel passenger air traffic which according to Failte Ireland declined by 1 per cent as opposed to a 5 per cent growth in 2006. Cross Channel Sea pax traffic increased 2 per cent compared to a 4 per cent decline the previous year.

Continental ferry routes also performed strongly in 2007, with growth in passenger traffic of 7 per cent, compared to an average decline over the past 4 years of 4 per cent. Continental pax figures declined in November in line with the seasonal changes in travel. However in December there was an extra 3,000 passengers on continental sea routes which resulted in a 60 per cent increase in passenger traffic on continental ferry routes for the month.

Traffic

TABLE 20

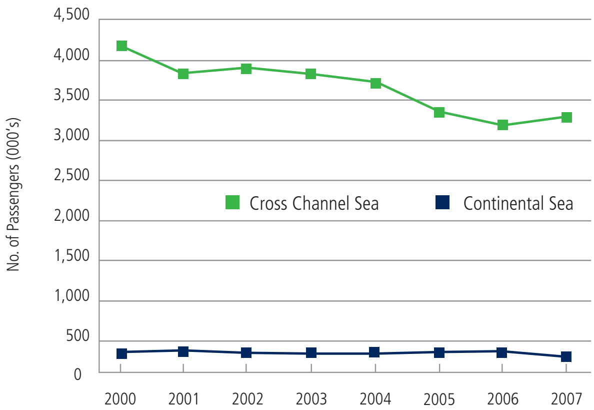
Sea and Air Passenger Traffic (000's) Passengers

Route	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	% Change '06-'07
Total Cross Channel	10,770	12,041	13,148	13,372	13,592	13,274	13,794	14,002	14,477	15,059	15,466	15376	-0.6%
Cross Channel Air	6,863	7,726	8,557	9,029	9,378	9,395	9,876	10,203	10,810	11,685	12,243	12,075	-1%
Cross Channel Sea	3,907	4,315	4,591	4,343	4,214	3,879	3,918	3,799	3,667	3,374	3,223	3,301	2%
Total Continental	3,224	3,507	4,101	4,812	5,673	6,318	7,012	7,718	8,546	10,181	12,397	14685	18%
Continental Air	2,906	3,285	3,840	4,544	5,396	6,037	6,699	7,413	8,249	9,898	12,130	14,400	19%
Continental Sea	318	222	261	268	277	281	313	305	297	283	267	285	7%
Total	13,994	15,548	17,249	18,184	19,265	19,592	20,806	21,720	23,023	25,240	27,863	30,061	8%
Total Cars	791	856	965	958	986	899	955	949	912	866	839	883	5%
Cross Channel Sea	722	808	901	890	913	825	872	867	836	788	761	797	5%
Continental Sea	69	48	64	68	73	74	84	82	76	78	78	86	11%

Source: IMDO

GRAPH 20A

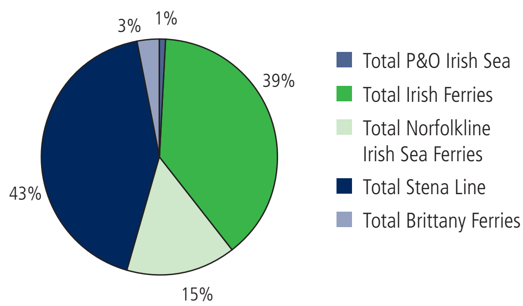
Passenger Ferry Travel Trend 2000-2007



Source: IMDO

GRAPH 20B

Market Share of ROI Passenger Traffic by Operator 2007



Source: IMDO

Market Review

COMMENT

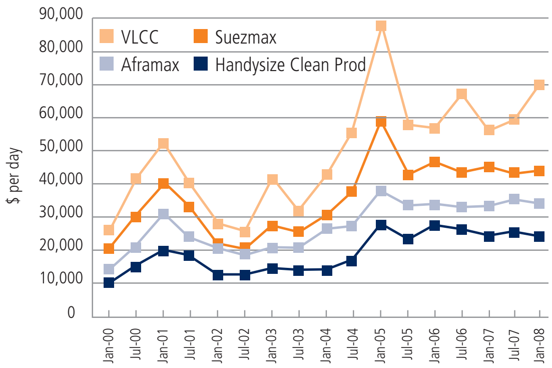
TANKER MARKET: Global oil demand in 2007 increased only marginally, 1 per cent, according to OPEC. This is in contrast to the high levels of oil demand seen the previous year which pushed tanker earnings high. Although oil imports in to Europe declined by 0.28bpd, imports into China increased by 0.44mbd and is expected to increase by 0.40mbd in 2008. Time charter rates over the course of 2007 slid from the highs of 2006; mid 2007 VLCC rates were down 11 per cent. September saw the biggest drop in rates, VLCC earnings declined 26 per cent and Suezmax and Aframax declined by 14 per cent and 10 per cent respectively. These were the lowest rates since 2003. However in November 2007 there was a sudden and sharp spike in tanker rates. OPEC announced an increase in oil production of 500,000mpd coupled with strong winter demand and the slowsteaming due to higher bunker rates led to a very tight balance in the spot market. VLCC spot rates climbed from $20,000 per day to $200,000 per day. This was reflected in the time charter rates, December rates were 36 per cent higher then January, and were close to the peak in 2004. In the product trades, Handysize clean product tanker average t/c rates for 2007 declined by 4 per cent on 2006. This may be partly attributed to the weaker gasoline demand in the US due to rising pump prices.

DRY BULK MARKET: The dry bulk market continued booming in 2007 with rates hitting new peaks. Capesize t/c rates in November reached $137,000 compared to the highest rate in 2006 of $51,500, increasing 166 per cent. The factors partly accountable for these exceptionally high rates were Global GDP growth of over 5 per cent, 7 per cent growth in seaborne transport of dry bulk commodities and Chinese imports growth of 18 per cent. Handysize rates increased by 130 per cent in November 2007, reaching their highest rate of $66,000. However in December of 2007 rates dropped in all size ranges by an average of 5 per cent. Panamax rates suffering the largest decline of 9 per cent. This may have been due to slacker activity in the iron ore and coal trades, a trend that is forecast to be continued in 2008.

Market

GRAPH 21

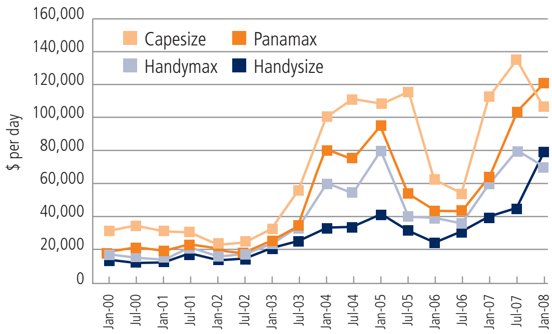
Tanker 1 Year Time Charter Rates



Source: Clarksons

GRAPH 22

Dry Bulk 1 Year Time Charter Rates



Source: Clarksons

TABLE 21

Tanker 1 Year Time Charter Rates

US $ Per day Date	Handysize Clean Prod	Aframax	Suezmax	VLCC
Jan-06	38,718	29,000	33,750	42,000
Dec-06	39,052	25,500	33,400	44,000
Jan-07	39,083	25,250	34,000	45,000
Feb-07	39,114	25,000	34,000	43,500
Mar-07	39,142	25,000	32,700	42,600
Apr-07	39,173	25,500	32,625	43,375
May-07	39,203	27,000	33,500	45,500
Jun-07	39,234	27,000	34,000	45,900
Jul-07	39,264	27,500	34,750	47,500
Aug-07	39,295	27,200	33,200	46,100
Sep-07	39,326	25,750	32,250	43,000
Oct-07	39,356	25,500	32,000	42,500
Nov-07	39,387	25,000	31,400	41,600
Dec-07	39,417	25,000	33,625	47,250
Jan-08	39,448	25,000	33,250	43,000

Source: Clarksons

TABLE 22

Dry Bulk 1 Year Time Charter Rates

US $ Per day Date	Capesize	Panamax	Handymax	Handysize
Jan-06	25,000	15,938	15,538	11,188
Dec-06	50,950	29,550	27,950	18,250
Jan-07	53,625	31,000	29,188	19,125
Feb-07	54,125	31,063	29,313	19,188
Mar-07	60,400	33,950	34,438	20,600
Apr-07	72,750	38,500	41,125	23,813
May-07	83,125	42,813	39,500	24,200
Jun-07	68,800	41,800	39,500	28,000
Jul-07	82,000	49,563	43,375	28,000
Aug-07	93,100	57,200	48,550	29,700
Sep-07	110,000	71,188	65,875	31,125
Oct-07	134,250	79,375	66,300	37,625
Nov-07	137,200	79,000	66,300	40,800
Dec-07	135,000	71,688	62,125	40,375
Jan-08	94,875	63,250	52,375	36,625

Source: Clarksons

COMMENT

Trade between the Far East and Europe has been exceptional over the last 2 years. W/bound from the Far East, there was a 15 per cent increase in volume. The strong performance of this trade route in terms of volume is reflected in the freight rates, where w/bound Asia to Europe rates increased by a staggering 33 per cent over the course of 2007.

On the e/bound routes from Europe to Asia, volumes also held strong despite the significant phasing in of additional slot capacity during the year. The volume of trade increased by 5 per cent in 2006 to just over 5million TEU. Freight rates on the e/bound leg tend to be half those of the w/bound leg mainly due to the significantly higher availability of capacity in that direction. During 2007 e/bound rates also increased but at a much slower rate then w/bound rates, 5 per cent.

Due to the sheer volume and demand on the Asia Europe trade this caused in 2007 a shortage in equipment meaning that operators positioning more containers into this region which has a knock – on effect on Transatlantic trade. As can be seen in the chart this has affected rates with no growth in freight rates from Europe to America. Rates on the Pacific routes performed robustly in 2007 increasing 2 per cent on 2006. However 2008 will be an interesting year with demand on the transpacific routes already down and operators repositioning tonnage from there to the Europe Far East trades to help minimise the impact of fuel costs and to cater for the demand.

TABLE 23

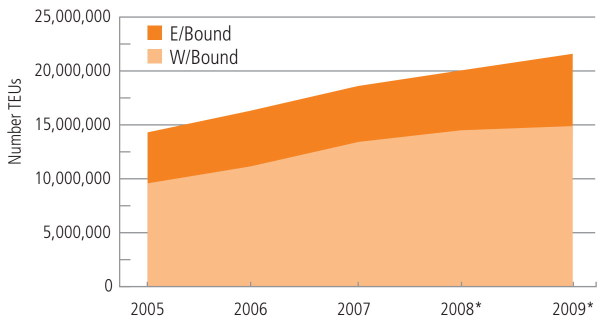
Europe and Far East Trade in TEU's 2005-2009

(Number TEUs) Date	W/bound	%Change	E/bound	%Change
2005	9,779,000		4,634,000	
2006	11,157,000	14%	4,983,000	8%
2007	12,859,000	15%	5,218,000	5%
2008*	14,648,000	14%	5,490,000	5%
2009*	15,032,000	3%	6,014,000	10%

Source: Containerisation International
**Forecast by Global Insight*

GRAPH 23

Europe and Far East Trade in TEU's 2005-2009



Source: Containerisation International

TABLE 24

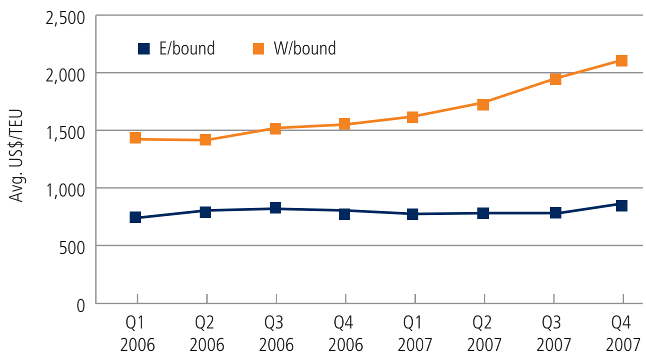
Inter-Continental Freight Rates 2007

Average $US Per TEU	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Change Q4/Q4
Asia to US Eastbound	1,671	1,643	1,675	1,707	1,707	2%
US to Asia Westbound	777	737	765	780	794	2%
Europe to Asia Eastbound	792	755	744	777	905	14%
Asia to Europe Westbound	1,545	1,549	1,658	1,952	2,054	33%
US to Europe Eastbound	1,066	1,032	1,067	1,115	1,147	8%
Europe to US Westbound	1,762	1,692	1,653	1,725	1,766	0%

Source: Containerisation International

GRAPH 24

Europe-Far East Freight Rate Growth



Source: Containerisation International

COMMENT

CONTAINER MARKET: Container ship time charter rates continued to decline in 2007, feeder and feedermax rates fell by an average of 8 per cent. However most analysts report that the market was less volatile than 2006 with freight rates fluctuating by 0.4 per cent in 2007 compared to 12 per cent the previous year. The continued double digit growth in the supply of vessels has a knock-on effect for the rates as supply is out pacing demand. However demand amplification factors such as port congestion and very high growth on some trade lanes has cushioned rates from a downwards fall and kept them relatively high. In the larger vessel sizes Handy time charter rates remained stable when compared to 2006 increasing by an average of only 1 per cent. Generally there was a softening of rates in the final quarter of 2007 due to the combined uncertainty in trading conditions and an overhang of tonnage in some areas particularly the Atlantic region. Over the last quarter Feeder and Feedermax rates declined by 4 per cent, according to Clarksons this was due to a lack of liquidity in the market. In the first 2 months of 2008, feeder t/c rates softened further, by 6 per cent. According to Platou feeder and feedermax activity in January was low with few fixtures and a surplus of tonnage in certain areas. However the outlook from Clarksons is that medium to long term sentiment for the market remains solid.

Overall in 2007 there was less container price volatility then in either 2006 or 2005 because of the general strength of container demand and steel and other materials. Total container production increased by 25 per cent, in 2007. This was fuelled by the purchase of an extra 1.2 million TEU of shipboard slots by ocean carries which generated a need for 2.5 million TEU of additional containers (net of replacement).

Market

TABLE 25

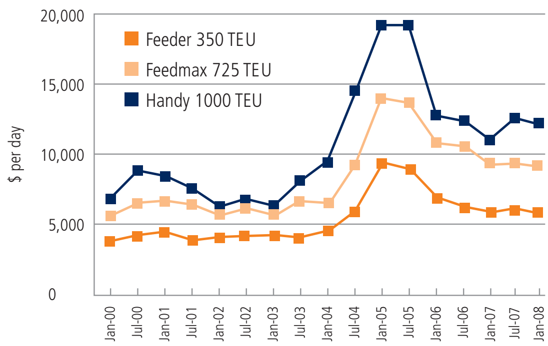
Container One-Year Charter Rates

US $ Per day Date	Feeder 350 teu	Feedmax 725 teu	Handy 1000 teu	Handy 1700 teu
Jan-06	6,850	10,250	12,750	18,250
Feb-06	6,600	10,000	12,500	17,750
Mar-06	6,400	9,800	12,000	17,500
Apr-06	6,500	10,000	12,200	18,500
May-06	6,500	10,250	12,900	19,000
Jun-06	6,300	10,100	13,000	19,000
Jul-06	6,100	10,000	13,000	19,000
Aug-06	6,000	9,900	12,750	18,450
Sep-06	6,100	9,900	12,300	17,000
Oct-06	6,100	9,400	12,200	14,500
Nov-06	6,100	9,200	11,600	13,200
Dec-06	5,950	9,000	11,000	12,800
Jan-07	5,950	8,900	11,500	14,300
Feb-07	6,000	9,000	11,800	15,000
Mar-07	6,000	9,000	12,000	15,200
Apr-07	6,000	9,050	12,250	15,250
May-07	6,000	9,100	12,500	16,000
Jun-07	5,650	9,100	12,650	16,250
Jul-07	5,650	9,100	12,750	16,750
Aug-07	5,650	9,200	13,000	18,000
Sep-07	5,550	9,200	13,100	18,650
Oct-07	5,700	9,200	13,000	18,650
Nov-07	5,500	9,000	12,800	17,800
Dec-07	5,700	8,800	12,650	17,500
Jan-08	5,600	8,900	12,500	17,750
Feb-08	5,600	8,900	12,500	17,750

Source: Clarksons

GRAPH 25

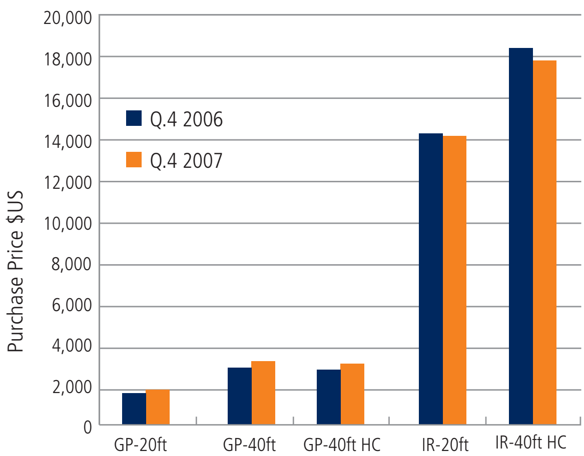
Container Vessel 6-12 Months Time Charter Rates



Source: Clarksons

GRAPH 25A

New Container Prices 2007



Source: Containerisation International

COMMENT

CONTAINER FLEET: 2007 was a year with a high level of deliveries of containership capacity, over 1.5 million TEU. According to Clarksons, ordering at the beginning of the year was sluggish but soared in July and August. This surge was caused by high levels of projected containership demand and newbuilding berths being filled by drybulk carriers causing owners to enter the market filling the remaining berths with containership orders. Currently the total orderbook for container ships stands at 61 per cent of the active, cellular, world fleet in service today. 2007 saw a surge in the biggest super post panamax containerships ordering, 46 per cent of the total cellular containership orderbook. In the smaller vessel size ranges orders for vessels around the 650TEU mark are set to increase. In 2007 orders for vessels in the 500-999TEU range was 7 per cent of the existing fleet. In 2008 this is projected to grow to 9 per cent. The biggest increase in vessel orders is in the 1000-1999TEU range. In 2007 orders were 5 per cent of the existing fleet this is set to double in 2008 with orders accounting for 11 per cent of the existing fleet. This highlights the increasing demand for feeder services on regional routes such as intra Europe and intra Asian routes and the increasing size of vessels on the Shortsea and feeder routes.

RORO FLEET: 2007 saw a marked upswing in roro ordering, with a 73 per cent increase in the order book. Stena Line, currently in the middle of a fleet review, needing to replace 3 old ropaxes on the Fleetwood – Larne route are currently looking at the option to replace the 3 with 2 larger ropaxes. The main obstacles with this are the draft and length restrictions in Fleetwood. They are also looking at the possibility of a new roro series of pure freight ro-ro ships of the modified Frontrunner type. Norfolkline is looking for two large roro trailerships for their Rotterdam to Felixstowe service, they are looking at the possibility of ordering two 4,000 lane meter roro ships if second hand tonnage is not available. Cobelfret booked two of their options with Flensburger for an extended version of the ro-lo concept. ACL have expressed interest in purchasing 5 new ro-lo vessels for their transatlantic liner service within the coming year.

TABLE 26

World Container Vessel Deliveries and Orders 2007 - 2011

Size Range	In Service Today		On Order 2007		On Order 2008		On order 2009		On Order 2010		On Order 2011	
(TEU)	No.	TEU	No.	TEU	No.	TEU	No.	TEU	No.	TEU	No.	TEU
000-499	399	128,865	0	0	0	0	0	0	0	0	0	0
500-999	741	544,968	55	43,817	68	54,287	21	19,061	9	8,370	0	0
1,000-1,999	1,128	1,590,667	56	78,051	123	181,216	69	106,539	28	43,471	0	0
2,000-2,999	672	1,693,821	29	74,433	59	155,036	42	108,141	24	60,087	0	0
3,000-3,999	316	1,083,701	7	23,981	24	81,965	20	68,820	30	104,771	0	0
4,000-4,999	364	1,586,720	20	90,530	76	333,512	91	396,662	43	186,962	5	22,500
5,000-5,999	262	1,436,262	4	22,489	25	138,349	15	77,270	8	40,824	0	0
6,000-6,999	148	960,148	3	19,019	30	196,151	30	193,719	20	130,023	2	13,200
7,000-7,999	30	224,405	2	14,048	0	0	7	50,858	2	15,858	2	15,858
Over 8,000	130	1,133,646	11	98,136	45	406,376	57	538,374	102	1,041,306	38	446,624
Total	4,190	10,383,203	187	464,504	450	1,546,892	352	1,559,444	266	1,631,672	47	498,182

Source: Containerisation International

TABLE 27

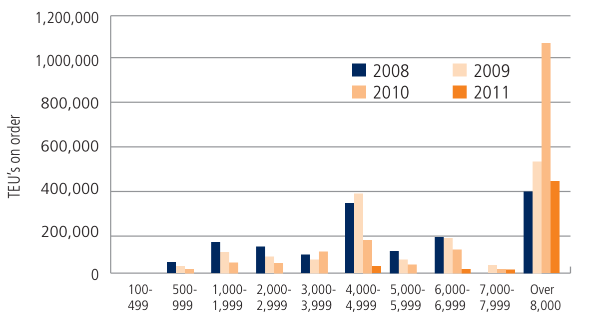
World Roll-on/Roll-off Fleet Orders by Vessel Type 2007

Vessel Type	Yards (2006 Orders)				No. Ships		% Change					
	Far East	N. Europe	S.Europe	ROW	2006	2007	RoRo Orderbook	$US m	Pax	Cars	Lane m	Weight
RoRo	145	31	20	13	121	209	73%	$11,387			707,504	3,042,098tDW
Hi-Speed					43	40	-7%		14,473	1,398		
Ferry	11	27	32	3	61	73	20%	$6,266	69,983	11,286		1,262,642GT
Cruise	0	18	23	2	31	43	39%	$24,409	87,288			4,129,321GT
Total	156	76	75	18	256	365	43%	$42,062	171,744	12,684	707,504	

Source: Cruise & Ferry Info

GRAPH 26

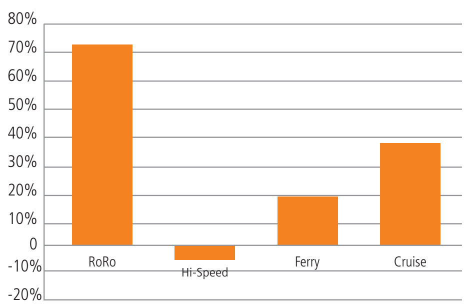
World Cellular Fleet Orders by Size Range



Source: Lloyd's Register Fairplay

GRAPH 27

% Change of RoRo Orderbook 2006-2007



Source: Cruise and Ferry Info

Glossary of Terms

GDP – Gross Domestic Product represents the total value added (output) in the production of goods and services in the country. The rate of growth in GDP measures the increase in the value of output produced in the state, irrespective of whether the income generated by this economic activity accrues to residents of the state or not.

NFI Net Factor Income from the rest of the world is the difference between investment income (interest, profits etc.) and labour income earned abroad by Irish residents persons and companies (inflows) and similar incomes earned in Ireland by non-residents (outflows). The data are taken from the balance of payment statistics.

GNP- Gross National Product is the sum of GDP and NFI. The rate of increase of GNP attempts to capture the increase in the incomes of residents, irrespective of where the activity that generated the income took place. The term 'resident' covers not only persons but also firms whose headquarters are located in Ireland.

Constant Prices: The deflator used to generate constant figures is based on the implied yearly price index for the exports and goods and services.

CPI- Consumer Price Index is designed to measure the change in the average level of prices (inclusive of all indirect taxes) paid for consumer goods and services by all private households in the country and by foreign tourists holidaying in Ireland.

MUICP – Monetary Union Index of Consumer Prices: The MUICP is calculated as a weighted average of HICPs of the 12 countries participating in Stage 111 of Economic and Monetary Union (EMU). Country weights are computed every year reflecting the country's share of private final domestic consumption expenditure in the EMU total.

TEU - Twenty-foot Equivalent Unit

RoRo Units as defined by CSO include HGVs and trailers, unaccompanied trailers, unaccompanied caravans and agricultural and industrial vehicles

Freight Rates shown for Inter-Continental Freight Rates are 'all-in', including CAFs and BAFs etc, plus THCs and inland haulage where gate/gate or door/door fixed rates have been agreed

Container Definitions:
GP = general purpose, **HC** = high-cube, **IR** = integral reefer;

GP and IR Lease rates apply to newbuild equipment and cover five-year term; master lease rates for newbuild GP containers are around 100% higher than quoted term lease rates

New GP prices refer to full Corten spec and delivery in central/southern China; IR prices refer to stainless steel spec, including integral machinery & delivery in China

Source: Central Bank of Ireland, Central Statistics Office, Containerisation International.

Trends, developments and opportunities for bulk and unitised shortsea shipping

- > Two-day conference
- > Bulk and unitised streams
- > Conference dinner
- > Port tour
- > Pre-conference reception

Key conference themes:

Trends & opportunities: in depth analysis of current freight movements by cargo and mode, new and growth cargoes, potential and drivers for modal shift, changing cargo sources and emerging shortsea trade patterns

Integration & intermodality: the potential for greater integration with road, rail and river transport. Transhipment issues and efficient multimodal supply chains

What the customer wants: an insight into the needs and requirements of the transport buyer, the changing role of the intermediary and an investigation of the associated opportunities and obstacles

Ports & terminals: what makes a port shortsea friendly, the growing importance of port based distribution centres and efficient hinterland connections, transhipment issues and new terminal developments

Emerging issues: the latest political and legislative developments, the growth of financing options for shortsea, legal pitfalls, promoting the sector

www.shortseacongress.com E: conferences@navigatepr.com T: +44 (0)20 7369 1650

Primary Sponsor: DUBLIN PORT Co

IMDO Ireland

naVigate conferences

The Irish Maritime Development Office

The Irish Maritime Development Office (IMDO) was established by statute in December 1999. The office is the dedicated national body responsible for the promotion and development of the Irish Shipping Services sector and related industries. The office is incorporated as a division within the Marine Institute and is located in its Dublin office.

A key role of the office is to provide assistance to the Irish maritime industry along with its consumers to support and maintain competitiveness in the international marketplace.

As part of its role the IMDO has a statutory remit to;

- Advise the Minister on the development and co-ordination of policy in the shipping and shipping service sector so as to protect and create employment.
- Liase with, support and market the shipping and shipping service sector.
- Carry out policy as may be specified by the Minister relating to shipping and shipping services.

Editorial Team: Glenn Murphy, Victoria Vogel
External Contributors: Dr. Kevin Hannigan

designed by drawing inc

www.imdo.ie

IMDO-Ireland
Marine Institute Foras na Mara

Irish Maritime Development Office 80 Harcourt Street Dublin 2 Ireland
telephone 353 1 476 6500 *facsimile* 353 1 478 4988
e-mail imdo@marine.ie *website* www.imdo.ie