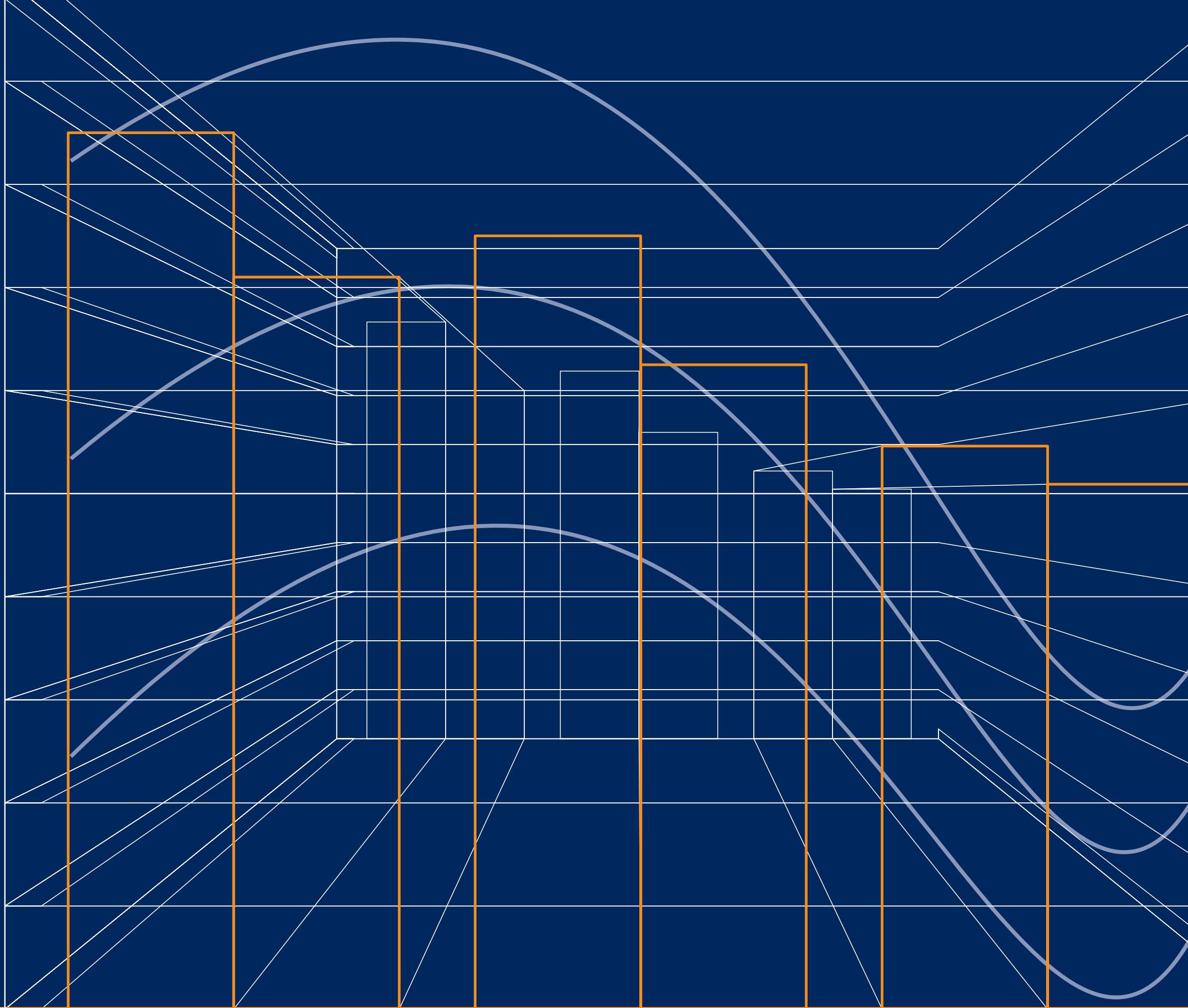

The Irish Maritime Transport Economist

VOLUME 8
April, 2011

ISSN 1649-5225

IMDO-Ireland
Marine Institute Foras na Mara

The Irish Maritime Development Office

The Irish Maritime Development Office (IMDO) was established by statute in December 1999 and is a body under the aegis of the Department of Transport. The office is the national agency responsible for supporting the development of the Irish shipping, ports and shipping service sectors.

The IMDO has a legislative mandate that includes in its statutory mandate the following functions:

- 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.
- Advise the Minister on development and co-ordination of policy and to carry out policy as may be specified by that Minister relating to the ports and ports services sector;
- Carry out policy as may be specified by the Minister relating to shipping and shipping services.

Editorial Team: Glenn Murphy, Victoria Vogel, Aoife Nic Philibin, Fergal Curtin, Rory McGuire

Welcome

I'm very pleased to welcome you in my new capacity as Minister for Transport, Tourism and Sport, to this latest edition of the Irish Maritime Transport Economist by the Irish Maritime Development Office (IMDO).

As part of the Government's plan for National Recovery 2011-2016, we have identified two fundamental priorities to underpin this strategy. Firstly, the big challenge for Ireland is to develop a strategy that will allow job growth and sustainable enterprise, and secondly that Ireland's economic recovery must be export led. The Shipping and Ports sector have a clear role to play in supporting both of these strategies.

We will take a number of actions to achieve growth in exports, including long term development of new markets. It is very clear that as an open island economy, a vibrant and connected export sector is a key to creating more new jobs in the future.

As Minister I look forward to working closely with the Industry in making a contribution to the country's long term economic growth.

I invite you to take a look at the Irish Maritime Development Office's latest publication. I'm certain you will find its contents both of value and useful to your company.

Leo Varadkar, T.D.

MINISTER FOR TRANSPORT, TOURISM & SPORT

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Bill Lynch
CHAIRMAN, THE INSTITUTE OF CHARTERED SHIPBROKERS (IRISH BRANCH)

Foreword

As the current Chairman of the Irish Branch of the Institute of Chartered Shipbrokers I am delighted to have the opportunity in this Centenary year of the Institute to provide the foreword for this eighth edition of the Irish Maritime Transport Economist. The publishers, the Irish Maritime Development Office, have been singularly innovative since their establishment in providing support services to our industry and have gained an enviable international reputation in a very short space of time.

Shipbroking, as a profession, sits at the very centre of international global trade. Shipbrokers are highly skilled intermediaries that play a specialist role inter alia in negotiating contracts between global cargo interests and shipowners. By its very nature it is a highly diverse industry and of course operates domestically as well as internationally. It is a multi billion dollar industry, the total value of which in 2010 was estimated at $450 billion for shipping transactions, with new shipbuilding's adding a further $80 billion in new deals. As our Institute provides the only internationally recognised qualification for shipping professionals we continue to provide for the education and professional development of shipbrokers in Ireland.

I noted with interest that the port and shipping data in this years IMTE publication reinforces the general consensus that many domestic shipping markets bottomed out last year with some volume recovery taking place. The publication also notes the remarkable recovery that occurred in the global container markets which went from boom to the edge of bankruptcy to a return to record profits in less than 24 months. It is, however, clear that we are still some way short of a full economic recovery both domestically and globally.

I would encourage our new Minister for Transport to recognise the important role that the Irish shipping sector can play in supporting economic recovery and also in creating new employment opportunities in the expanding international shipping services sector.

As a shipbroker, in common with all industries, one of the essential elements is well informed market intelligence. This publication and ongoing data development by the IMDO continues to be an excellent and leading source of informed analysis on the Irish market. Domestically and internationally this publication will once again be an extremely valuable reference for all shipping professionals and economists.

Key Indicators:
GDP: -1%
GNP: -2.1%
Inflation: -1%
Exports: 6%
Imports: 1%

Executive Summary

After an extremely bleak review in 2009 we are at last able to again reference the word "growth" in this our 8th annual edition of the Irish Maritime Transport Economist. Over the previous 30 months we have seen an incredible contraction take place in the Irish economy where growth across most business sectors was in short supply. In our previous review we had identified that the rate and scale of decline in the principle shipping market segments was slowing and that we were optimistic that perhaps we had reached the bottom in terms of shipping volume erosion. This year's publication confirms that some recovery took place during 2010. The impetus towards a gradual recovery was led by our export sector, in particular the broad chemical and pharmaceutical segments. The ongoing recovery in the global economy also boosted exports by our indigenous agri-business and food & drink sectors. However the export recovery does not accurately reflect the overall state of the economy, and over the course of 2010 the precarious state of our banking sector continued to unravel with further serious financial liabilities being exposed. The over-arching consequence of this has dampened economic confidence, impacted on consumer demand, and this in turn has lead to a further decline in import volumes last year.

The aggravated heavy losses of the banking systems and future concerns about its stability coupled with other negative factors in the Irish economy resulted in an adverse shift in international market sentiment. In November last year this eventually drove yields on Irish debt to levels that could no longer be supported by either public or private sector borrowing. As a result Ireland sought recourse for its borrowing needs from the EU and IMF. Against this background the Irish economy actually contracted at its slowest rate for a number of years as GDP fell by just under 0.5 per cent compared to the declines during the previous 2 years. After a relatively strong start to the year, growth in the economy cooled over the last quarter as wider concerns about it started to take effect. Growth in the global economy also slowed somewhat, over the second half of 2010. Unemployment remains a constant threat to medium term recovery and now stands just below 15 per cent, the highest level for more than 20 years.

Inflation in Ireland, measured by the Consumer Price Index (CPI) remained negative last year at minus 1 per cent in 2010, compared to a drop of 4.5 per cent in 2009. This deceleration in the rate of deflation reflects the rising household costs of, water, electricity, and gas & other fuels which all increased by 1.3 per cent during the year. This was also driven by increases in average mortgage interest repayments, up 6.4 per cent. The wider concerns this year is a return to inflation, driven by surging oil prices and interest rate rises, which will continue to erode disposable household incomes.

Against an unpredictable economic background, we saw most of the principle Irish shipping segments return to growth last year. We estimate that roll-on/roll-off volumes through all the ports recovered by 5 per cent, lift on/lift off declines eased substantially with a fall of 4 per cent, while dry bulk volumes were up 18 per cent, and liquid bulk up 2 per cent. Ferry passenger volumes also increased for the full year up 4 per cent.

As previously mentioned, a fundamental feature of the recovery last year was the robust performance of our export trades. The resurgence in export volumes was clearly assisted by a wider recovery in global economic demand. We estimate that export volumes on the principle routes to the UK, Asia and US were up overall by 7 per cent. The underlying performance of multinational sectors principally in chemical and pharmaceutical industries contributed to the recovery while established indigenous Irish exporting companies in particular in the food, drink and agri-business sectors, also added to the strong performance.

Glenn Murphy
DIRECTOR

Key Indicators:
Bulk Traffic: 9%
Lo/Lo Traffic: -4%
Ro/Ro Traffic: 5%
Passenger Traffic: 4%

Executive Summary

Dry bulk traffic through all Irish Ports regained some of the large volume losses experienced in 2009. Part of the return to growth in this sector is attributed to strong global demand for ore and mineral products such as alumina, while domestic demand in the agricultural sector led to a rise in the imports of grains, feeds and fertilizers. Although the overall picture is positive; the main volume gains were not evenly distributed among the ports with some of the smaller regional ports still in negative territory. Underlying weakness in construction demand resulted in a further decline in break bulk volumes. 2010 was a year that saw a remarkable u-turn in fortunes for the global shipping sector. The previous year had seen one of the most disastrous collapses cascade across almost all segments, with markets from tanker to container hit by a massive corrections to freight rates and values. After a sluggish and uncertain start to 2010 shipping markets made a surprising revival and rallied for much of the year. As a result tanker revenues were up by 16.8 per cent and bulk earnings on average increased by 27.5 per cent. However, the greatest comeback perhaps ever witnessed in the history of shipping occurred in the global container sector. The container industry went from the brink of economic implosion in 2009 to record profits in 2010. A sudden revitalization of the global economy coupled with a series of strategic measures implemented by owners to address the fundamentally unbalanced market contributed to their resurrection. Demand fundamentals also turned in early 2010 as most of the world's trade lanes resumed y-o-y growth. Despite some less than encouraging economic signals in the western world, global container trade increased by 12 per cent back to almost 140m TEU, beyond 2008 levels. A total of 2,500 ships were delivered in 2010 swelling an already large global fleet. We have already started to see some indications in early 2011 that many sectors will be again tested to find more solutions to the supply/demand cryptogram.

The outlook for 2011 looks likely to be testing for the domestic ports and shipping sectors. The return to economic growth is likely to continue to be slow and gradual. We do not expect that there will be as much growth in the market this year and that at best a repeat of 2010 volumes might be just achievable in some sectors. While export volumes are extremely important for the overall economic recovery, it is important to put into context the significant role that import volumes play in day-to-day port and shipping sector activity. Imports are also a critical revenue component of our domestic ports and shipping business as they make up about 2/3rds of volume through our ports. With consumption expected to remain subdued this year it will put more pressure on export growth to generate new income streams for the sector. The Irish Ports and Shipping sector have been resilient in its the collective response over the last 36 months. An export led recovery to scale and extent that is required cannot be achieved without competitive, innovative and first class shipping service providers.

I would like to acknowledge the cooperation of the many contributors to this years publication and to all the members of the IMDO team, in particular to primary research undertaken by our shipping market analyst Ms Victoria Vogel. She moves to London to start a new career opportunity after the completion of this issue, and we wish her every success in the future.

Glenn Murphy
DIRECTOR

Economic Review

NATIONAL ACCOUNTS

The Irish economy contracted at a much slower rate in 2010, compared to the significant declines during the previous two years, with GDP falling by 1 per cent. GNP growth was down 2.1 per cent in 2010. The divergence between GDP and GNP reflects the uneven performance across the different sectors with stronger exports and increased interest repayments on foreign debt accounting for the difference between respective levels.[1] Net exports were the key positive boost for the economy in 2010 which were driven by strong global demand and favorable exchange rate conditions, highlighting the export led recovery.

After a relatively strong start to the year, with GDP for the first half of the year growing by 0.8 per cent, the Irish economy slowed in the second half of 2010 as a direct result of setbacks in employment, output, and fiscal accounts, aggravated by the heavy losses in the banking sector. In November the Irish Government entered into a funding program supported by the EU-IMF to assist with the restructuring of our bank and domestic debt.

Looking at the components of GDP, investment continued to fall sharply in 2010, down 24.5 per cent, again, due to the continued contraction of the construction sector. Exports, as a component of GDP, grew 9.4 per cent in 2010 while net imports also grew by 6.6 per cent last year. Consumption again declined in 2010, down 1.2 per cent for the year as a result of ongoing weak underlying consumer confidence, and concerns about the wider economy. Ireland's economic growth in 2011 is likely to be driven by the export sector. The ESRI forecasts that exports will grow by 6 per cent in 2011 and by 5 per cent in 2012. The Central Bank forecasts that Irish Economy is likely to grow for the first time since 2007 by 1 per cent in 2011.

[1]Source: Central Bank Quarterly Economic Commentary Q4 2010

TABLE 1

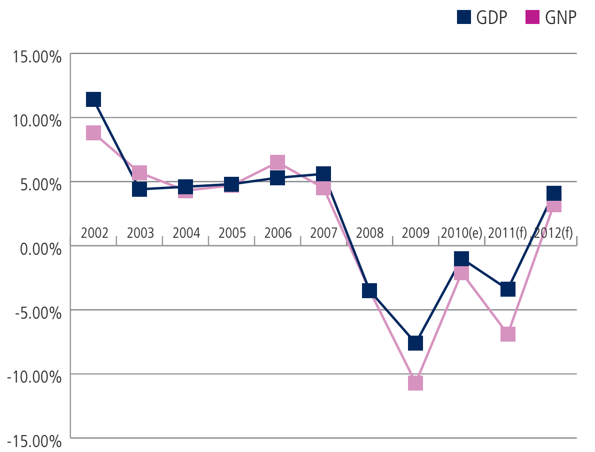
National Accounts 2002-2010

Real/Constant Prices € millions (chain linked to 2008)				
Year	GDP	% change	GNP	% change
2002	146,536	11.4%	124,741	8.8%
2003	152,962	4.4%	131,899	5.7%
2004	159,992	4.6%	137,611	4.3%
2005	167,742	4.8%	144,030	4.7%
2006	176,669	5.3%	153,398	6.5%
2007	186,609	5.6%	160,299	4.5%
2008	179,989	-3.5%	154,672	-3.5%
2009	166,345	-7.6%	138,161	-10.7%
2010	164,614	-1.0%	135,301	-2.1%
2011 (f)	159,000	1.00%	126,000	-0.5%
2012 (f)	165,500	3.00%	130,000	2.0%

Source: CSO, AIB Economic Research

GRAPH 1

Economic Growth Trend 2002-2010



Source: CSO, AIB Economic Research

TABLE 2

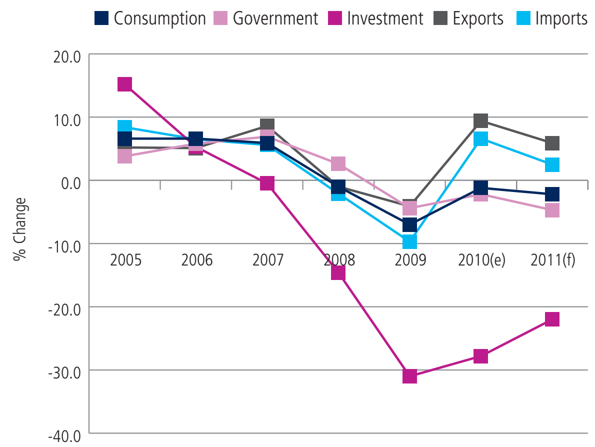
Real % GDP Growth in Selected Economies 2006-12

Real GDP % Change (national currency)						
Country	2007	2008	2009	2010 (e)	2011 (f)	2012 (f)
Denmark	1.6	-0.9	-4.7	2.0	2.3	2.2
France	2.3	0.1	-2.5	1.6	1.6	1.8
Germany	2.7	1.0	-4.7	3.3	2.0	2.0
Ireland	5.6	-3.6	-7.6	-1.0	2.3	2.4
Italy	1.5	-1.3	-5.0	1.0	1.0	1.4
Japan	2.4	-1.2	-5.2	2.8	1.5	2.0
Netherlands	3.9	1.9	-3.9	1.8	1.7	1.7
Norway	2.7	0.8	-1.4	0.6	1.8	2.3
Poland	6.8	5.0	1.7	3.4	3.7	3.9
Spain	3.6	0.9	-3.7	-0.3	0.7	1.8
UK	2.6	-0.1	-4.9	1.7	2.0	2.3
US	1.9	0.0	-2.6	2.6	2.3	3.0

Source: International Monetary Fund, World Economic Outlook Database

GRAPH 2

Growth in Components of Irish GDP 2005-2011



Source: CSO

INFLATION

Inflation in Ireland, measured by the Consumer Price Index (CPI), fell by 1 per cent in 2010 compared to a drop of 4.5 per cent in 2009. This deceleration in the rate of deflation reflects the rising costs of housing, water, electricity, and gas & other fuels which all increased by 9.6 per cent during the year. The rise in costs was primarily driven by increases in average mortgage interest repayments, up 6.4 per cent. Mortgage costs play a key role in the volatility of the Irish CPI, with a weighting of 6.7 per cent and accounts for the drift upwards since mid-year when Irish banks commenced passing higher funding costs on to borrowers. Another significant inflationary driver has been the rise in oil prices which continued to increase over the latter stages of 2010, this contributed to a significant increase in the cost of home heating oil, up 31.5 per cent, and transport costs which increased by 3.1 per cent. Weaker consumer demand has kept pressure on retail prices where substantial falls of 9.4 per cent in clothing and footwear were noted, while alcohol and tobacco were down 2.6 per cent. In the euro area, Ireland experienced the largest decrease in the EU Harmonised Index of Consumer Prices (HICP) with a fall of 1.6 per cent, however the rate of inflation in the euro area in 2010 rose 1.5 per cent reflecting the base effects of mortgage interest rate increases and expectations of an ECB interest rate increase in the latter half of 2011.

The Manufacturing Wholesale Price Index for 2010 witnessed a marginal increase of 0.1 per cent. The price index for goods sold on the domestic market increased by 1.5 per cent in 2010 and the exported goods price index decreased by 0.2 per cent in 2010. 2010 saw the prices of Ireland's primary export commodities rise with computers and electronic machinery prices up 6 per cent in the year. Forecasts for 2011 predict that CPI will move into a positive territory, up by around 2.0 per cent with growth driven by exports.

TABLE 3

Consumer Price Index 2005-2011

	Dec 2006=100	Annual change
2005	94.3	2.5%
2006	98.0	3.9%
2007	102.8	4.9%
2008	107.0	4.1%
2009	102.2	-4.5%
2010	101.2	-1.0%
2011 (f)	103.2	2.0%

Source: CSO (f-forecast): ESRI

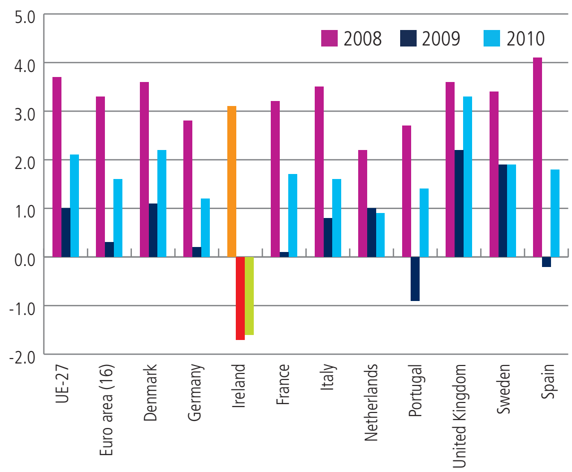
GRAPH 3

Consumer Price Index 2004-2011

Source: CSO, ESRI (f)

GRAPH 3A

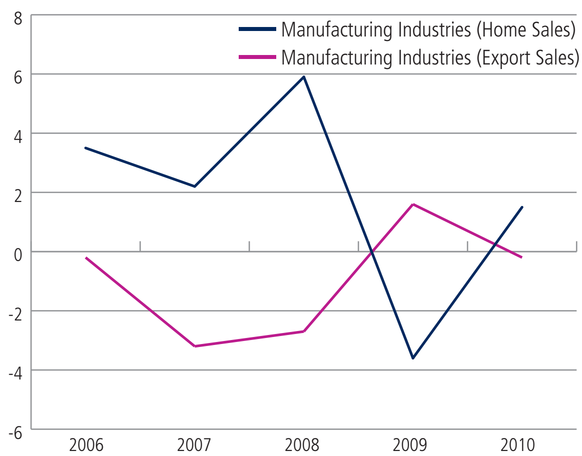
EU Harmonised Annual Inflation (%)



Source: Eurostat

GRAPH 3B

Wholesale Price Index



Source: CSO

INTEREST RATES

Interest rates at the major international central banks remained at historically low levels over the course of 2010. The European Central Bank's (ECB) main refinancing rate remained unchanged at 1 per cent throughout the year, maintaining their non-standard liquidity measures in order to stabilise money market conditions. The Bank of England's base rate also remained unchanged at 0.5 per cent partly due to a weaker than anticipated recovery in the British economy over the second half of 2010. The level of inter-bank borrowing rates continued to fall to record low levels, with the 3-month Euribor rate consistently lower than the ECB main refinancing rate since early July 2009.

In November 2010, yields on Irish Government 10-year bonds hit an all-time high of 652 basis points against German bonds or 9.26 per cent. This is more than four times the yield of equivalent German bonds reflecting wider tensions in the euro sovereign debt markets. As a result of these pressures, the Irish Government agreed to a financial assistance program from the IMF and EU in November of last year. The Irish Central Bank commented that the program will allow Ireland the time and flexibility to achieve the consolidation of the public finances by 2014.

The global economic and financial situation is still fraught with risks to financial stability, with sources of concern stemming from sovereign debt problems along with vulnerabilities in segments of the euro area banking sector. The ECB has said that the pace of the euro zone's economic recovery has surpassed expectations, however, confidence dipped in early 2011 signalling a recovery may be modest throughout the year. The ECB has signalled its willingness to raise interest rates if necessary in order to combat inflation triggered by energy and commodity prices, and will aim to keep the annual rate below 2 per cent over the medium term.

TABLE 4

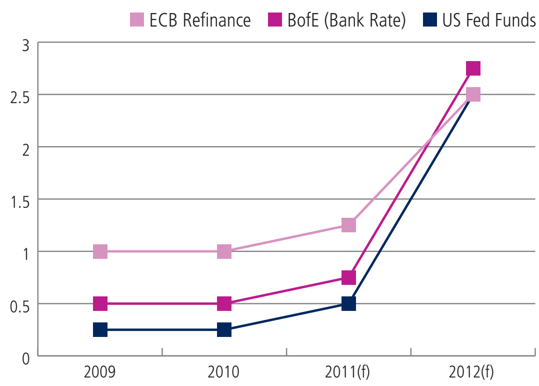
Forecast Interest Rates 2011

	2009	2010	2011 (f)	2012 (f)
US Fed Funds	0.25	0.25	0.50	2.50
ECB Refinance	1.00	1.00	1.25	2.50
BOE Repo	0.50	0.50	0.75	2.75

Source: AIB Global Treasury

GRAPH 4

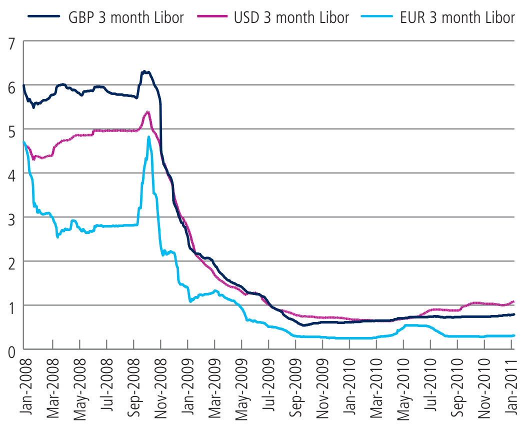
Forecast Interest Rates for 2011



Source: AIB Global Treasury

GRAPH 4A

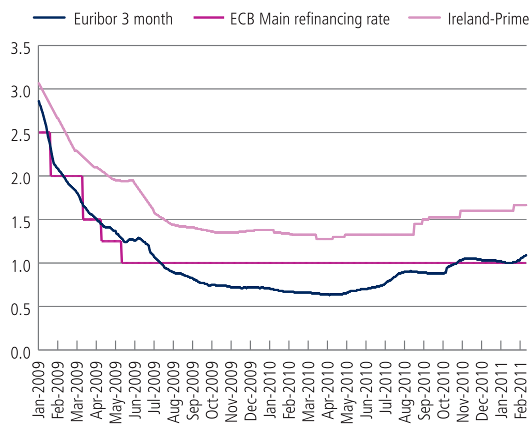
International 3-month Interest Rates (% per annum)



Source: Bank of England, European Central Bank

GRAPH 4B

Official & Selected Interest Rates (% p.a.)



Source: Bank of England, European Central Bank

EXCHANGE RATES

The euro exchange rate in 2010 was volatile and depreciated significantly against both the dollar and sterling, down by 5 per cent and 3.7 per cent respectively. The depreciation against both these currencies in particular will have provided a major boost to our exporting sector. In June 2010 the euro hit a record low against the dollar, €1 = $1.1942 on news that Greece was experiencing serious financial trouble and rumors that the financial aid for the country may hamper the financial stability of the euro zone. Following a sharp decline against the major international currencies in the second quarter of 2010 the euro strengthened during the 3rd quarter of the year. By October the average monthly value of the euro against the US dollar, sterling and Japanese yen had increased by 13.8 per cent, 5.9 per cent and 2.4 per cent respectively. The strengthening of the euro during this period was largely due to more positive economic data on GDP growth in the euro zone during the 1st half of 2010 combined with easing of market concerns over sovereign debt. This proved to be relatively short lived as market tensions increased again over concerns of underlying sovereign debt problems contributing to further falls against other major currencies. The euro fell by almost 9 per cent against the US dollar from $1.42 to $1.30 in November alone. By the end of December the euro was trading 7.2 per cent down against the dollar compared to the same period the previous year.

Meanwhile, sterling started the year sluggishly with €1 = £0.8881, as the UK economy exited from recession earlier than previously forecast. The UK's substantial national debt and budget deficit was responsible for the underlying weakness of the pound. The pound strengthened against the euro in September but weakened again towards the end of 2010. In December 2010, the euro finished the year against sterling higher, with €1 = 0.86075.

TABLE 5

Selected Exchange Rates: Period Averages (Units per Euro)

	Annual Averages					
EUR/	USD	JPY	GBP	SEK	CHF	CAD
2000	0.9236	99.4748	0.6095	8.4452	1.5579	1.3706
2001	0.8956	108.7332	0.6219	9.2557	1.5104	1.3867
2002	0.9449	118.0646	0.6288	9.1590	1.4672	1.4828
2003	1.1309	130.9640	0.6919	9.1244	1.5207	1.5820
2004	1.2433	134.3984	0.6786	9.1250	1.5441	1.6170
2005	1.2448	136.8713	0.6839	9.2801	1.5483	1.5097
2006	1.2557	146.0736	0.6818	9.2531	1.5731	1.4242
2007	1.3705	161.2526	0.6843	9.2501	1.6427	1.4678
2008	1.4708	152.4551	0.7963	9.6152	1.5874	1.5594
2009	1.3948	130.3366	0.8909	10.6191	1.5100	1.5850
2010	1.3257	116.2385	0.8578	9.5373	1.3803	1.3651

Source: Central Bank of Ireland

TABLE 6

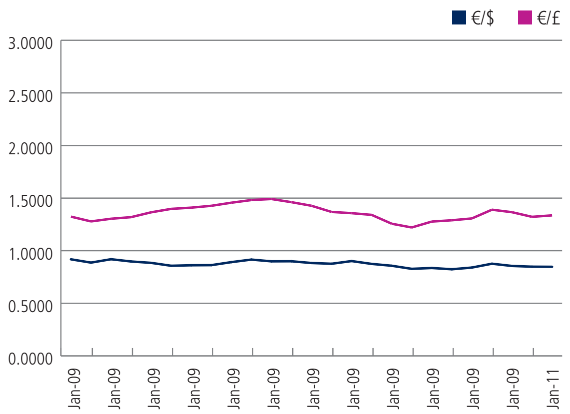
Summary of Exchange Rate Forecasts-
"Spot" Forecasts Represent Mid-Point of Expected Trading Range

	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011
USD/EUR	1.3593	1.26-1.36	1.28-1.38	1.30-1.40	1.30-1.40
GBP/EUR	0.8599	0.82-0.86	0.83-0.87	0.84-0.88	0.85-0.89
JPY/EUR	112.16	105-115	110-120	120-130	122-132

Source: Central Bank, AIB, ERU

GRAPH 5

Euro Exchange Rates



Source: Central Bank of Ireland

OIL & BUNKER PRICES

Oil prices rose by 12 per cent in 2010 due to a resurgence in global demand, an unusually cold winter and falling inventories. Crude oil averaged $79.60 a barrel for the year, second only to 2008's record average of $99.75. WTI crude closed at $91.38/barrel at the year's end. So far in 2011 crude oil has risen over $110/barrel and continues to increase as ongoing political tensions in some producing countries, and uncertainty over the global economic situation added to the price volatility. In 2010, the daily consumption of petroleum was estimated at 87.4 million barrels per day (mb/d). The International Energy Agency (IEA) expects petroleum demand worldwide in 2011 to be 88.8 mb/d, which is roughly a 1.6 per cent increase in demand compared to 2010.

As with the trend in oil prices there was also substantial volatility in bunker prices throughout 2010, with an overall upward trend for bunker prices which is predicted to last into 2011. Both IFO and MDO prices ended up 36 per cent and 28 per cent higher respectively for 2010 compared to 2009. Shipping lines and operators are facing increasing pressure on margins as rising fuel prices, coupled with weakening freight rates in some segments, have resulted in operating losses on a number of key trade lanes, including the Far East-Europe trade. Since January 2011, bunker fuel prices have jumped by 24 per cent; with the price of 380 CST fuel oil reaching $609/ton in Rotterdam in March, the highest level in 29 months. Meanwhile spot freight rates have dropped by 14 per cent over the last eight weeks, with the Shanghai Container Freight Index (SCFI) showing rates to North Europe now at $1,200/teu compared to $1,400/teu at the end of last year.

Economic

TABLE 7

Bunker Prices ($/Tonne)

	MDO $/tonne			380 $/tonne		
Year	Rotterdam	L.A	Singapore	Rotterdam	L.A	Singapore
1999	132.960	157.823	141.846	93.406	96.598	101.802
2000	231.556	270.504	248.460	138.431	152.096	158.717
2001	192.444	256.581	205.823	117.446	126.081	133.108
2002	188.240	233.598	197.918	133.690	142.352	148.942
2003	230.375	306.883	242.469	152.854	162.052	172.042
2004	313.373	397.973	334.317	155.265	186.438	180.321
2005	458.421	574.385	481.417	233.979	263.319	261.900
2006	524.063	651.577	580.552	293.040	320.958	313.183
2007	571.269	709.304	621.838	345.065	381.665	372.821
2008	850.733	951.520	907.00	471.91	524.540	505.620
2009	490.590	565.050	517.86	353.81	375.120	371.870
2010	667.100	721.400	664.15	450.23	468.820	464.140

Source: Clarksons

TABLE 8

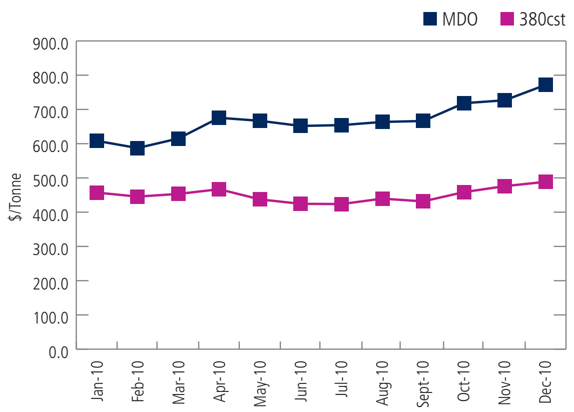
Oil Prices 1997-2011 ($/Barrel)

	Average $US per barrel					
Year	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	28.26	26.03	26.58	28.58
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	41.51	37.99	33.53	33.89	36.73
2005	54.57	56.64	55.68	49.32	49.29	54.01
2006	65.16	66.05	67.03	61.49	60.29	65.18
2007	72.44	72.34	74.68	68.19	68.46	73.36
2008	96.94	99.67	101.78	94.34	95.17	101.23
2009	61.06	61.33	63.02	61.10	58.98	64.11
2010	79.88	79.49	81.25	78.02	77.83	82.18
Dec-10	91.54	89.41	92.46	88.40	88.67	93.71
Jan-11	97.34	88.45	97.60	92.08	94.13	99.44

Source: US Dept of Energy

GRAPH 7

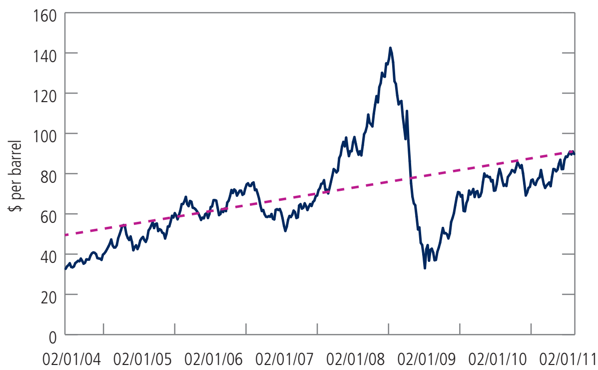
Bunker Prices Rotterdam 2010



Source: Clarksons

GRAPH 8

Weekly Oil Prices 2004-11



Source: US Dept of Energy

EXTERNAL TRADE

Ireland recorded the second-highest trade surplus in the EU after Germany in 2010. Irish exports rose to €89.3bn while imports increased by 1 per cent to €45bn, resulting in a trade surplus of €43.8bn. The performance of Irish exports remains positive, up 6 per cent year-on-year. However, Irish exports are growing more slowly than any other country in Europe, with the exception of Luxembourg.

Exports were once again driven by medical and pharmaceutical products and organic chemicals, exports of which rose 15 per cent and 8 per cent respectively in 2010. There have been significant improvements in Ireland's cost competitiveness over the past year coupled with pricing competitiveness being buoyed by a weak euro, allowing Irish exporters to be exceptionally competitive.

Import growth picked up slowly over the year, indicative of weak domestic demand for goods and services. Imports of cars increased by 73 per cent in 2010 buoyed by the government scrappage scheme. Imports of office and electronic machinery fell by over 29 per cent in 2010 along with other consumer goods such as telecoms and sound equipment, which declined 13 per cent in 2010, illustrating the weak consumer demand situation.

Exports are being cited as the key to economic recovery and future export potential will most likely depend on the fortunes of Ireland's main trading partners America, Britain and the Eurozone. Current ERSI forecasts expect exports to grow by 6 per cent in 2011 and by 5 per cent in 2012.

By contrast, consumption is expected to fall by 0.75 per cent in 2011 and 0.5 per cent in 2012 with ongoing uncertainty with respect to job stability, wages and taxation likely to stall any rebound in consumer spending in the short term.

Trade

TABLE 9

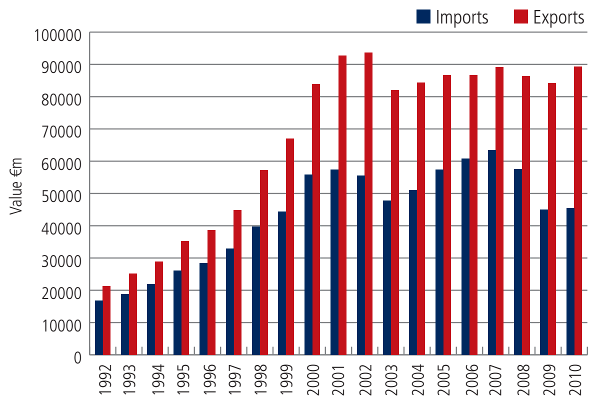
External Trade Growth 1993-2010

Year	Imports €m	Exports €m	Trade Surplus €m %	% Change Exports	% Change Imports	Trade Surplus % Change
1992	16,754	21,260	4,506			
1993	18,900	25,179	6,279	18%	13%	39%
1994	21,945	28,891	6,946	15%	16%	11%
1995	26,181	35,330	9,149	22%	19%	32%
1996	28,479	38,609	10,130	9%	9%	11%
1997	32,863	44,868	12,004	16%	15%	19%
1998	39,715	57,322	17,607	28%	21%	47%
1999	44,327	66,956	22,629	17%	12%	29%
2000	55,909	83,889	27,980	25%	26%	24%
2001	57,384	92,690	35,306	10%	3%	26%
2002	55,628	93,675	38,047	1%	-3%	8%
2003	47,865	82,076	34,212	-12%	-14%	-10%
2004	51,105	84,410	33,304	3%	7%	-3%
2005	57,465	86,732	29,267	3%	12%	-12%
2006	60,857	86,772	25,915	0%	6%	-11%
2007	63,486	89,226	25,741	3%	4%	-1%
2008	57,585	86,394	28,810	-3%	-9%	12%
2009	45,061	84,238	39,177	-2%	-22%	36%
2010	45,507	89,391	43,884	6%	1%	12%

Source: CSO

GRAPH 9

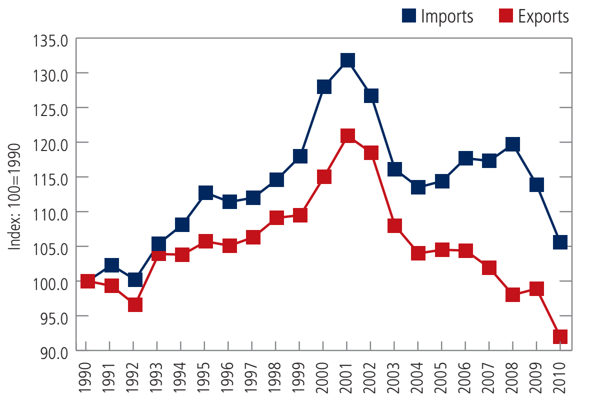
External Trade Value 2010



Source: CSO

GRAPH 9A

Imports v Exports Index by Value



Source: CSO

COMMODITY TRADE

The total value of Irish merchandise trade fell again in 2010 due to a further weakening of domestic demand as the country continued to struggle with difficult economic conditions; however the overall figure was propped up by strong performances by manufacturing exporters. Merchandise exports in 2010 increased 6 per cent to €89.4 billion. Ireland's top exports, medical and pharmaceutical products, increased by 5 per cent while organic chemicals, one of the best performing export commodities of recent years, increased 8 per cent for the first 11 months of 2010. Once again 2010 proved to be a tough year in the Irish software industry with manufacture exports of office machinery and electrical machinery down 30 per cent and 8 per cent respectively. The ongoing recovery in external demand, coupled with competitiveness gains, bolstered the performance of more traditional sectors such as food and beverages which, combined, increased by 11 per cent in 2010.

Following double digit declines through 2009, the value of merchandise imports in 2010 increased marginally, by 1 per cent in 2010. The weak import performance was a sign of ongoing weak consumer confidence demand levels in 2010. Imports of some commodity groups, such as organic chemicals performed well in 2010, with the recovery of these merchandise import flows largely stemming from the buoyant performance of merchandise exports. Imports of agri-products increased by 11 per cent; this was boosted by the recovery in the export agricultural sector in Ireland, which was in turn driven by higher external food prices and demand. Imports of commodities such as petroleum increased significantly last year due to severe weather at the beginning and end of the year. Petroleum imports rose 29 per cent between January and November 2010.

TABLE 10

Value of Merchandise Exports by Commodity Group, 2010

Exports	2009 €000	2010 €000	Change %	Share %
Med & pharma products	21,235,651	24,319,647	15%	33%
Organic chemicals	17,655,945	19,127,308	8%	26%
Essential oils	5,237,031	5,486,677	5%	7%
Misc manufactured art.	4,857,306	5,466,432	13%	7%
Office machines	6,441,751	4,506,426	-30%	6%
Professional apparatus	3,009,495	3,274,212	9%	4%
Electrical machinery	3,335,728	3,074,644	-8%	4%
Special transactions	2,447,108	2,689,934	10%	4%
Chemical materials	3,295,085	2,666,126	-19%	4%
Meat & meat preparations	2,184,734	2,401,620	10%	3%
Misc edible products	1,367,936	1,462,184	7%	2%
Dairy products	1,113,812	1,432,341	29%	2%

Source: CSO

TABLE 11

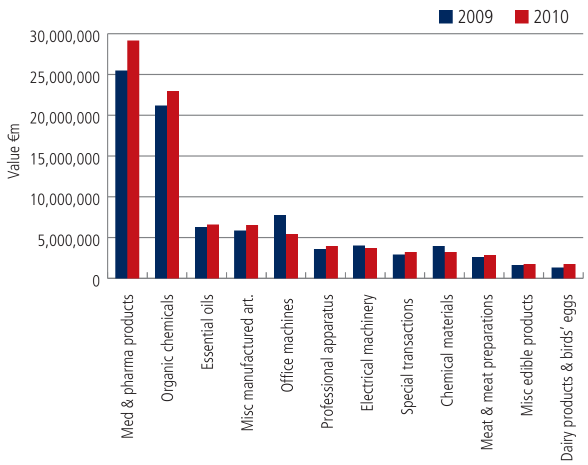
Value of Merchandise Imports by Commodity Group, 2010

Imports	2009 €000	2010 €000	Change %	Share %
Petroleum	3,298,973	4,257,657	29%	11%
Med & pharma products	2,848,541	3,434,988	21%	9%
Other transport equipment	3,918,503	2,682,295	-32%	7%
Office machines	3,677,906	2,618,510	-29%	7%
Misc manufactured articles	2,449,500	2,373,952	-3%	6%
Electrical machinery	2,306,653	2,143,172	-7%	6%
Special transactions	2,333,762	2,105,913	-10%	5%
Organic chemicals	1,679,880	2,102,881	25%	6%
Articles of apparel	1,638,500	1,642,656	0%	4%
Road vehicles	898,456	1,557,139	73%	4%
Gas	910,525	1,133,849	25%	3%
Telecommunications & sound equip	1,274,985	1,113,231	-13%	3%

Source: CSO

GRAPH 10

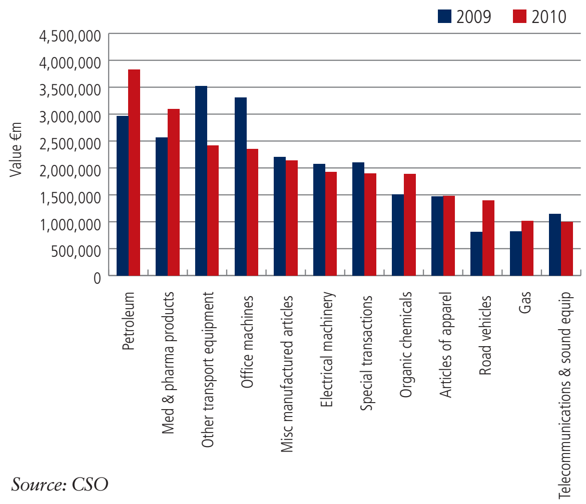
Value of Merchandise Exports by Commodity Group, 2010



Source: CSO

GRAPH 11

Value of Merchandise Imports by Commodity Group, 2010



Source: CSO

TRADE: COUNTRY

The USA, Great Britain and Belgium remain Ireland's most important trading partners, accounting for 52 per cent of the total value of Irish exports and 47 per cent of imports in 2010. Trade with non-eurozone countries rose in 2010 with merchandise exports to the USA, UK and China increasing by 4 per cent, 2 per cent, and 3 per cent respectively. This illustrates the competitive advantage gained through the depreciation of the euro against other currencies and the strong performance of key export sectors such as chemicals, pharmaceuticals and the food and drinks sector. Significantly, export growth to the BRIC countries (Brazil, Russia, India, and China) in 2010 increased by an aggregate of 12 per cent. Exports to the eurozone showed no growth in 2010 mainly due to a lack of demand for office and electrical machinery. There was a noticeable drop off in exports to Belgium, falling 9 per cent in 2010. The value of imports increased by just 1 per cent last year. Imports from the United Kingdom, our largest trading partner increased by 7 per cent compared to 30 per cent the previous year this was in spite of the deprecation of the euro against sterling over the course of the year. Elsewhere continued weaker retail demand was particularly evident with further declines in imports from countries such as the USA and China, where a lot of consumer goods are sourced.

US consumer demand is expected to record weak growth however; early indicators for 2011 suggest a brighter outlook. In Britain, consumption remained robust throughout the recession, but austerity measures are set to increase in 2011, therefore the prospects for significant growth in consumption in 2011 is unlikely. European demand, which accounts for almost 58 per cent of the total value of Irish exports, has started to look positive but recovery is being hampered by continuing uncertainty amongst some sovereign member states.

Trade

TABLE 12

Exports Value by Country, 2010

Exports	2009 €000	2010 €000	Change %	Share %
United States	18,271,866	20,763,161	14%	23%
Belgium	14,130,431	12,818,834	-9%	14%
Great Britain	12,199,060	12,453,889	2%	14%
Germany	5,974,434	7,214,577	21%	8%
France	4,527,070	4,492,534	-1%	5%
Switzerland	2,433,368	3,557,412	46%	4%
Spain	3,275,788	3,361,525	3%	4%
Netherlands	2,848,402	3,093,145	9%	3%
Italy	2,784,428	2,713,156	-3%	3%
Japan	1,701,897	1,755,442	3%	2%
China	1,632,276	1,672,574	2%	2%
Northern Ireland	1,286,233	1,314,411	2%	1%
Malaysia	819,234	692,950	-15%	1%
All Other	12,354,376	13,488,165	9%	15%
Total EU	51,318,200	51,756,100	1%	58%
of which Eurozone	35,224,700	35,276,400	0%	39%
Total	84,238,863	89,391,778	6%	100%

Source: CSO

TABLE 13

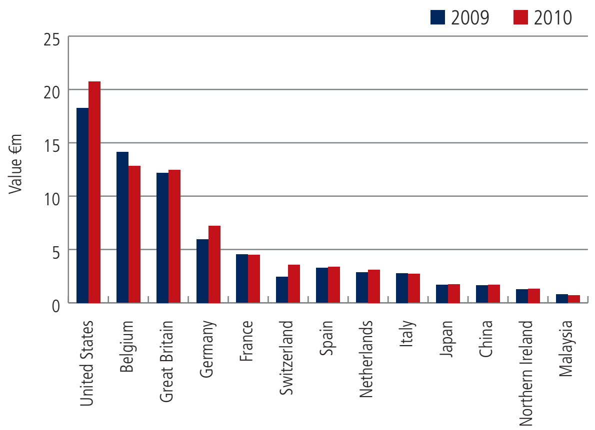
Imports Value by Country, 2010

Imports	2009 €000	2010 €000	Change %	Share %
Great Britain	12,786,988	13,623,064	7%	30%
United States	7,841,842	6,414,119	-18%	14%
Germany	3,045,377	3,499,138	15%	8%
China	2,591,162	2,515,912	-3%	6%
Netherlands	2,309,535	2,211,397	-4%	5%
France	2,193,203	1,832,090	-16%	4%
Norway	869,000	1,290,993	49%	3%
Belgium	917,231	1,079,786	18%	2%
Northern Ireland	941,078	964,392	2%	2%
Japan	654,486	798,504	22%	2%
Italy	911,119	766,906	-16%	2%
Denmark	795,388	771,501	-3%	2%
Spain	568,706	667,068	17%	1%
All Other	8,635,977	9,072,192	5%	20%
Total EU	26,724,700	27,609,600	3%	61%
of which Eurozone	10,901,100	11,009,000	1%	24%
Total	45,061,092	45,507,062	1%	100%

Source: CSO

GRAPH 12

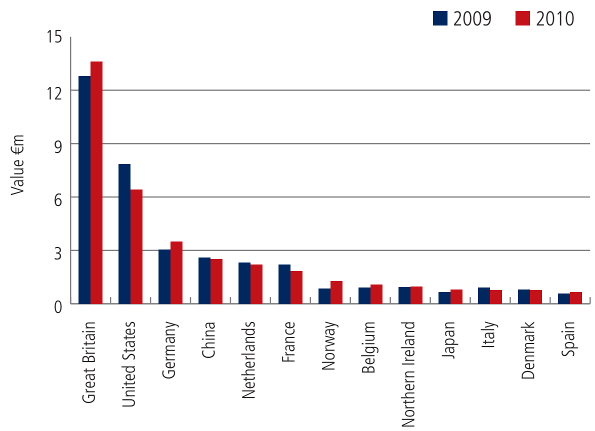
Export Value by Country, 2010



Source: CSO

GRAPH 13

Import Value by Country, 2010



Source: CSO

IRISH PORTS: BULK MARKETS

After the record declines of 2009 the total bulk cargo handled at ports in the Republic of Ireland returned to growth, increasing by 9 per cent to 26 million tonnes in 2010. Our analysis of the Irish bulk market is segmented into the three categories: liquid, dry and break bulk which we cover in more detail in this section. Both the dry and liquid bulk sectors saw some volume recovery in 2010 while the breakbulk sector continued to decline as a result of poor demand in the construction sector. The general recovery was largely driven by a sharp revival in the wider global economy, which created stronger market conditions for Irish firms in the agricultural and aggregates sectors. Overall 7 of the 12 Irish ports saw an upturn in volumes with 5 showing double digit growth, however just under half of the ports recorded consecutive declines with the total volume still 3 million tons less than the average over the previous 5 years.

DRY BULK: In 2010 dry bulk volumes through Irish ports increased by 18 per cent up to 13 million tonnes. The dry bulk market largely comprises agri-products, fertilizers, grain, coal, aggregates, and ore. Dry bulk volumes performed strongly with improving domestic and international demand, particularly due to the increase in the global demand for ores which accounts for 1/3rd of all dry bulk volumes in Ireland. Shannon Foynes, the largest dry bulk port on the island, traffic grew by 23 per cent as a direct result of increased output from Aughnish Alumina. Another influential feature for this market was the recovery in agri-business which again was driven by improving domestic demand conditions and external issues such as higher global food prices. Agri-products through most of the Irish ports typically make up the majority of dry volume throughput, over 55 per cent. The ports of Cork, Waterford, Drogheda, and Greenore saw double digit growth as a result of re-stocking by the main grains, fertilizers and animal feed distributors.

TABLE 14

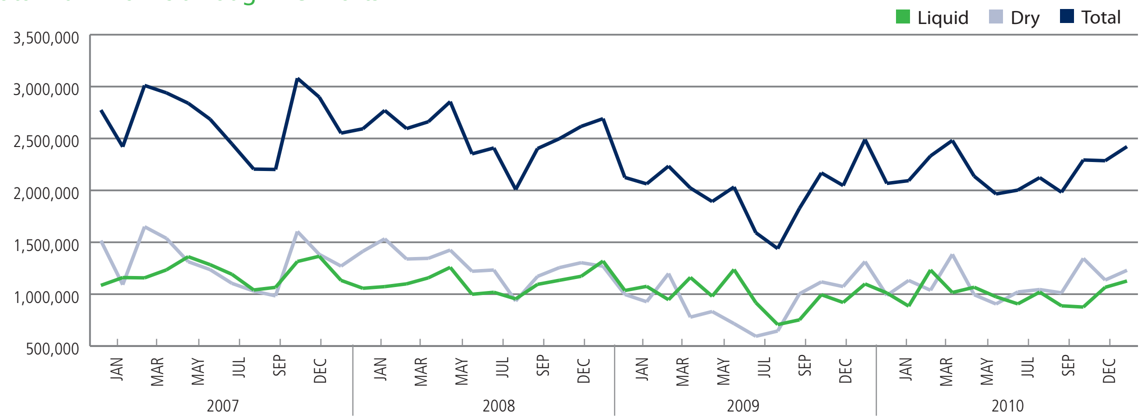
Irish Port Traffic Summary Trends

PORT	2010			TOTAL		
	Liquid	Dry	Break	2009	2010	% Ch
Bantry Bay	1,224,475	-	1,000	933,166	1,225,475	31%
Cork	5,213,591	1,451,565	377,794	6,503,057	7,042,950	8%
Drogheda	28,958	434,045	34,775	499,815	497,778	0%
Dublin	3,783,433	1,475,312	73,189	5,742,167	5,331,934	-7%
Dundalk	-	126,013	14,734	221,247	140,747	-36%
Galway	620,472	40,539	10,364	722,894	671,375	-7%
Greenore	-	431,199	71,704	390,180	502,903	29%
New Ross	80,853	335,817	27,313	527,766	443,983	-16%
Shannon Foynes	1,104,055	8,107,756	144,800	7,579,763	9,356,611	23%
Tralee Fenit	-	-	12,349	16,118	12,349	-23%
Waterford	12,612	787,543	68,533	728,712	868,689	19%
Wicklow	-	40,864	47,756	74,123	88,620	20%
Total	**12,068,448**	**13,230,653**	**884,311**	**23,939,008**	**26,183,413**	**9%**

Source: IMDO

GRAPH 14

Total Bulk Traffic through ROI Ports



Source: IMDO

IRISH PORTS: BULK MARKETS

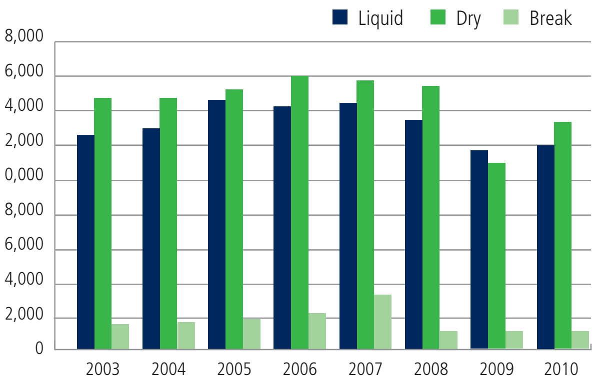
BREAK BULK: Break bulk volume is the smallest component of the bulk market and accounts for approximately 4 per cent of total bulk throughput. Volume continued to fall in 2010, although the rate of decline slowed. Volumes through the ports fell for the first 3 quarters of 2010, declining by -14 per cent, however in the fourth quarter break bulk volumes increased 17 per cent reducing the total fall off for 2010 to a decline of just 3 per cent compared to a decline in 2009 of 48 per cent. Typically break bulk volume is made up of construction related materials, however some new growth in the market has been observed in project type cargoes for the wind farm sector.

From the peak in 2007 to 2010 about 1 million tons have been removed from the market which is a 50 per cent reduction in throughput. While latest data suggests that the market appears to be close to bottoming out, prospects for a recovery to previous inventory levels looks unlikely in the medium term.

LIQUID BULK: Liquid Bulk accounts for 46 per cent of the bulk market, and tends to be the least volatile of the bulk segments in terms of volume throughput. In 2010 liquid bulk volume increased by 2 per cent to just over 12 million tonnes. The main crude oil storage ports of Cork and Bantry Bay saw an increase in volumes, up 4 per cent and 34 per cent respectively due to more oil storage for the transhipment market and an increase in stock levels due to severe weather. Last year Shannon Foynes opened a new oil terminal which contributed to an increase in throughput at the port by 7 per cent. Elsewhere Dublin Port, which is the primary fuel port for the domestic transport sector, saw a decline in liquid bulk volumes by 7 per cent in 2010. This was due to lower demand for aviation and motor fuel resulting from the unusually severe weather and the volcanic ash crisis in April.

GRAPH 14 A

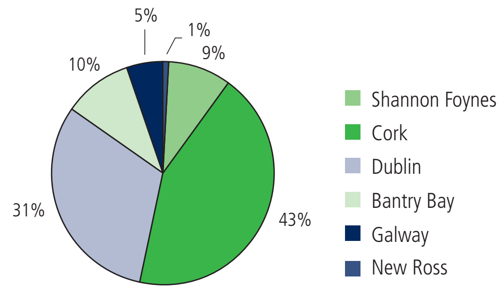
Bulk Traffic by Category 2003-2010



Source: IMDO

GRAPH 14 B

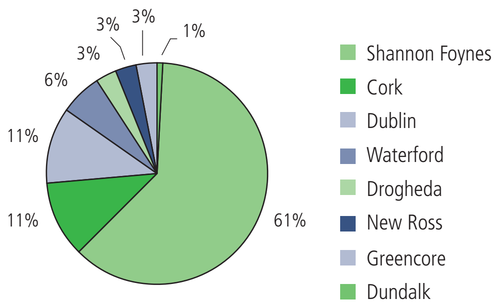
Market Share of Liquid Bulk Traffic 2010



Source: IMDO

GRAPH 14 C

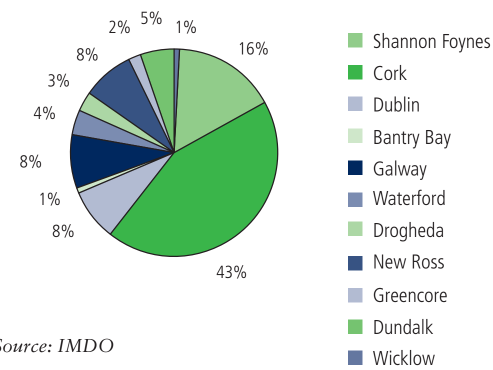
Market Share of Dry Bulk Traffic 2010



Source: IMDO

GRAPH 14 D

Market Share of Break Bulk Traffic 2010



Source: IMDO

LIFT-ON/LIFT-OFF MARKET: PORTS

The rate of decline in lift-on/lift-off (lo/lo) volumes through Irish ports eased considerably last year falling by 4 per cent to 1 million TEU compared to a 21 per cent fall in 2009.[1] Overall containerized volumes through ROI ports fell by 5 per cent to 772,777TEU and volumes through NI ports remained static at 230,000TEU in 2010. A fundamental factor in the abrupt decline in lo/lo traffic is its historical weighting towards low-value high-volume imports. The downturn in the Irish economy and ensuing drop in consumer spending has severely reduced the demand for lo/lo imports. As a result, the ratio of lo/lo traffic has fallen from two thirds laden imports to laden imports now representing just 59 per cent of the containerized throughput at Irish ports, almost 1 import to one laden export container. Laden imports fell 8 per cent in 2010; which is a continuation of the market trend since 2008, albeit the rate of decline has slowed considerably. The consistent fall in laden container imports highlights the ongoing weak consumer sentiment and the subdued levels of stocking by retailers with many preferring to order goods on demand rather than hold stock.

On a more positive note the upturn in our domestic export performance is reflected in the strong increase in lo/lo export volumes which rose by 5 per cent last year. The underlying growth is buoyed by the increased output from the manufacturing sector in Ireland and strong Irish export to India, China and USA, particularly in the food & drinks sector, chemicals and pharmaceuticals sectors. We have also observed that other commodities such as scrap metal and waste material, that may have previously travelled break bulk, are now being exported in containers.

[1]A restructuring of capacity by some operators has effectively resulted in a modal shift from pure lo/lo traffic to ro/ro units. This change in modal shift from lo/lo to ro/ro creates specific anomalies in the data analysis if compared to the previous periods measured. If this traffic was counted as using the same mode as previously the lo/lo market would have declined by 3 per cent.

TABLE 15

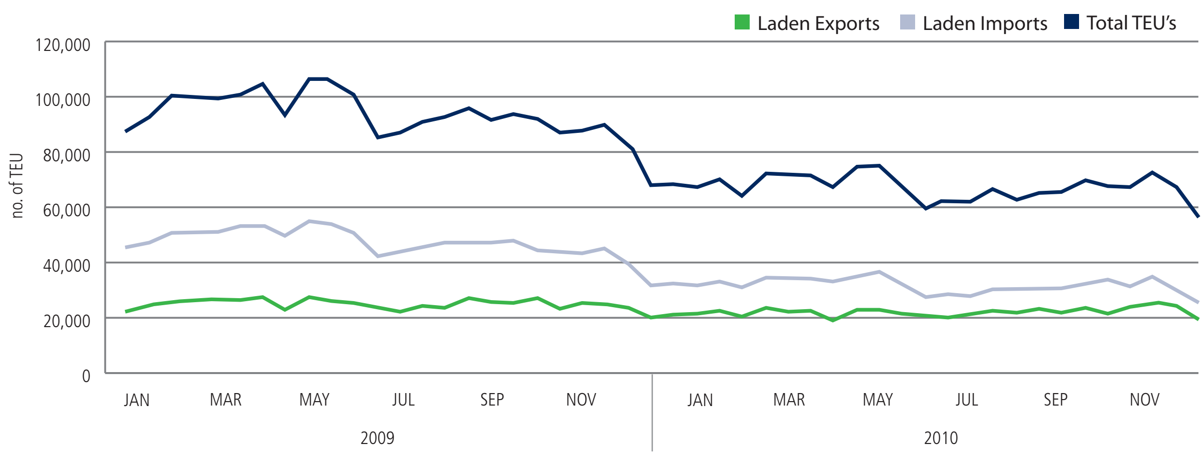
Container Port Traffic 2010

Port	Laden		Unladen		Total			
No. of TEU	2009	2010	2009	2010	2009	2010	% Change	% Share
Dublin	422,759	439,383	125,364	114,673	548,123	554,056	1%	55%
Cork	125,195	122,164	23,428	25,370	148,623	147,534	-1%	15%
Waterford	95,207	60,892	24,012	10,192	119,219	71,084	-40%	7%
Drogheda	1,328	103	11	-	1,339	103	-92%	0%
Belfast	155,272	165,274	57,315	52,622	212,587	217,896	2%	22%
Warrenpoint	12,632	8,157	4,833	3,882	17,465	12,039	-31%	1%
Total ROI	**644,489**	**622,542**	**172,815**	**150,235**	**817,304**	**772,777**	**-5%**	**77%**
Total NI	**167,904**	**173,431**	**62,148**	**56,504**	**230,052**	**229,935**	**0%**	**23%**
Total Irl	**812,393**	**795,973**	**234,963**	**206,739**	**1,047,356**	**1,002,712**	**-4%**	**100%**

Source: IMDO

GRAPH 15

Total Monthly Container Traffic through All Irish Ports 2009-2010



Source: IMDO

LIFT-ON/LIFT-OFF MARKET: OPERATORS

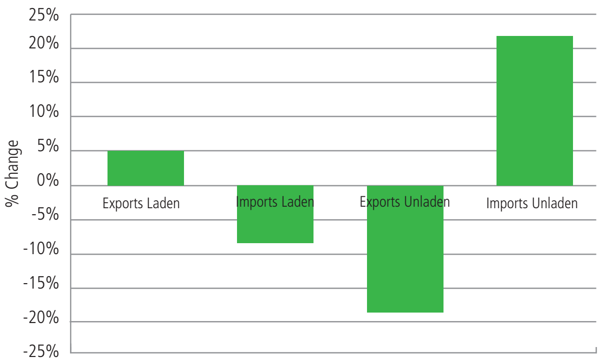
In 2010 the ongoing tonnage supply issues, lower volume levels and pressure on costs and freight rates continued to present a challenging operating environment for both the shortsea and feeder operators. The year commenced with, effectively, 2 less operators in the market, most notably C2C whose lo/lo volumes were transferred to the new con/ro service from Dublin. The declining volumes of traffic, albeit slower, resulted in further strategic measures taken to reduce the capacity by another 13 per cent in 2010. In 2009 we noted the trend in the market between operators was towards more active vessel sharing arrangements (VSA). By early 2010 nearly all operators in the Irish market were in some type of VSA's. VSA's effectively reduce the amount of capacity in the market which reduces some pressure on freight rates and price while at the same time aiming to maintain frequency and reliability. Our analysis suggests operators were making capacity changes almost on a weekly basis to cater for the volatility in demand in 2010.

The sharp fall in import units over the last 24 months has inversely created a problem for export companies as there is now a reduced supply of export quality containers available in Ireland. Shipping lines now have to reposition more empty containers from the UK and Continent which in turn adds to the overall cost of the export box. As a result there has been a 22 per cent increase in imports of empty containers to facilitate export demand.

In 2010 there was also a noticeable difference in performance between the deepsea and shortsea operators. Many deepsea carriers reported strong performance of imports and exports to emerging markets such as India, and South East Asia. Shortsea operators struggled with the prevailing European economic conditions throughout 2010. The headline pressure for owners this year will be the volatile cost of fuel against ongoing uncertain market conditions. Many operators have now re-introduced a Bunker Adjustment Factor (BAF).

GRAPH 15A

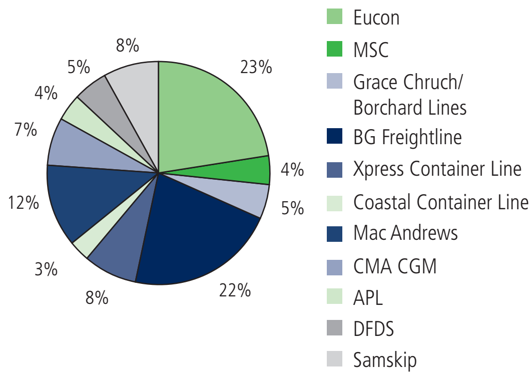
Performance of Container Imports and Exports, 2010



Source: IMDO

GRAPH 15B

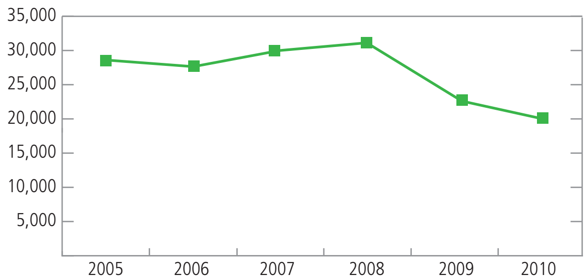
Estimated operated capacity by carrier, 2010



Source: IMDO

GRAPH 15C

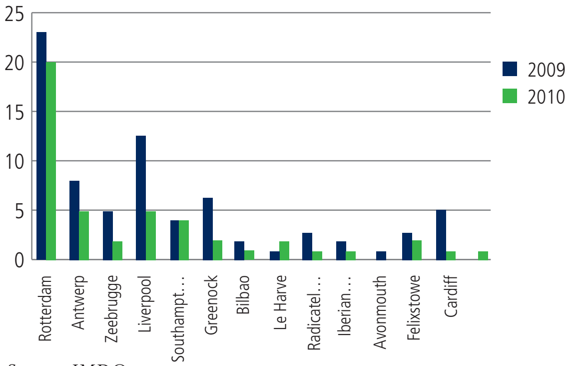
Estimated Weekly Capacity in the Irish Market



Source: IMDO

GRAPH 15D

Frequency of Services between Ireland and European ports



Source: IMDO

ROLL-ON/ROLL-OFF MARKET: PORTS

After 3 years of declining volumes, 2010 saw a return to growth for the roll-on/roll-off (ro/ro) sector as volumes through Irish ports increased by 5 per cent to 1.6 million units.[1] Freight traffic volumes through Dublin, Belfast and Warrenpoint all grew last year, by 13, 2 and 5 per cent respectively. Elsewhere Rosslare, Dun Laoghaire and Larne recorded a decline in volumes. Some of the declines at these ports could be attributed to redistribution of capacity by some operators. The Port of Cork's ro/ro traffic doubled in the first year of the new service to Swansea albeit from a small base figure. Driver accompanied traffic fell in 2010 by 2 per cent but unaccompanied volumes increased by 13 per cent when compared to 2009.

Irish ro/ro volumes are heavily weighted towards the UK which is the largest import and export market for Irish trade. The pattern of traffic volumes appeared to closely shadow the movement in the prevailing volatile Irish and UK economies last year. The first half of the year indicated an increase in volume with 6 per cent growth as the weaker euro provided a stimulus for some early restocking by the large multiples and retailers. However volume growth slowed over the last 6 months increasing by just 3 per cent as concerns about the pace at which the UK economy emerged from recession, coupled with the underlying issues with the Irish economy, dampened consumer demand.

[1]A restructuring of capacity by some operators has effectively resulted in a modal shift from pure lo/lo traffic to ro/ro units. This change in modal shift from lo/lo to ro/ro creates specific anomalies in the data analysis if compared to the previous periods measured. If this traffic was counted as using the same mode as previously the ro/ro market would have grown marginally by 1 per cent.

TABLE 16

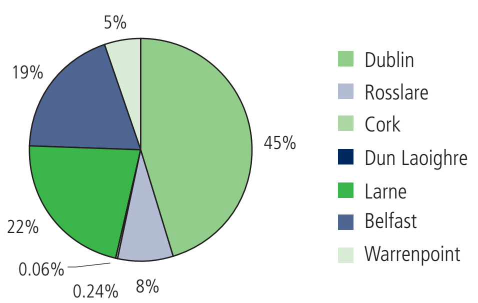
Roll-on/Roll-off Freight Traffic by Port 2010

	Driver Accompanied			Unaccompanied			Total		
	2009	2010	% Ch	2009	2010	% Ch	2009	2010	% Ch
Dublin	299,688	298,456	0%	345,008	426,841	24%	644,696	725,297	13%
Rosslare	73,390	66,605	-9%	60,120	55,723	-7%	133,510	122,328	-8%
Cork	1,083	2,964	174%	105	856	715%	1,188	3,820	222%
Dun Laoghaire	4,202	944	-78%	-	-	-	4,202	944	-78%
TOTAL ROI	**378,363**	**368,969**	**-2%**	**405,233**	**483,420**	**19%**	**783,596**	**852,389**	**9%**
Larne	180,854	176,006	-3%	179,965	181,507	1%	360,819	357,513	-1%
Belfast	-	-	-	-	-	-	307,871	313,051	2%
Warrenpoint	6,773	6,896	2%	75,059	78,935	5%	81,832	85,831	5%
TOTAL NI	**187,627**	**182,902**	**-3%**	**255,024**	**260,442**	**2%**	**750,522**	**756,395**	**1%**
TOTAL ALL IRELAND	**565,990**	**551,871**	**-2%**	**660,257**	**743,862**	**13%**	**1,534,118**	**1,608,784**	**5%**

Source: IMDO

GRAPH 16

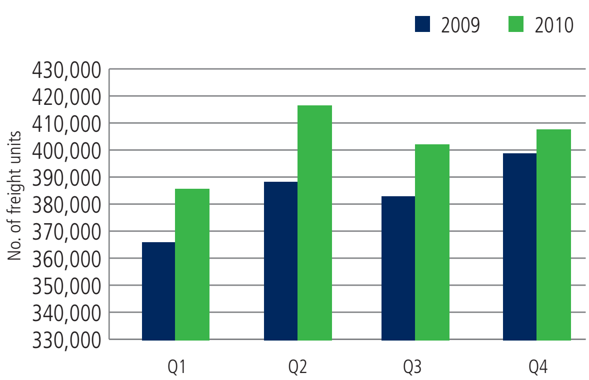
Market Share of Roll-on/Roll-off Traffic by Port 2010



Source: IMDO

GRAPH 16A

Quarterly Roll-on/Roll-off Freight Traffic



Source: IMDO

ROLL-ON/ROLL-OFF MARKET: OPERATORS

We analysed ro/ro freight traffic market share by the operators across four corridors: Northern, Central, Southern and Continental. There were a significant number of changes in the Ireland-UK ro/ro market in both the Republic and Northern Ireland during the year with 2 new routes established, 1 major operator exiting the market and 2 route closures, all of which are expected to have a significant impact on the structure and composition of the market.

In December DFDS Seaways, who during the previous 12 months had purchased Norfolklines ferry divisions, announced it had sold its routes and vessels in the North of Ireland to Stena Line. Stena Line subsequently closed its Larne-Fleetwood route and replaced the service with the Belfast to Heysham and Birkenhead routes aquired from DFDS. In January 2011 a further suprise move by DFDS when it announced it was exiting the Irish market with the closure of its Dublin operations. We estimate that a decline of 12 per cent represents the total adjustment to capacity available in the ro/ro market. On the Northern corridor, overall available capacity has been reduced by approximately 16 per cent. On the Central corridor the exit by DFDS resulted in a 21 per cent decline in capacity availability. However shortly after DFDS had exited the Central corridor, Seatruck announced it was reinstating the Dublin-Heysham route and chartered in the DFDS vessel for the route, the 'Anglia'. In March 2010 Seatruck also opened a new route between Heysham and Larne. On the Southern Corridor, the addition of Fastnet Line increased capacity on routes to the UK by 22 per cent. On routes to the continent, Cobelfret's con-ro service expanded to 4 sailings per week from Dublin.

Looking forward into 2011, the amount of capacity restructuring in the market will probably take some time to realign, however in the near term it is expected to lead to higher utilisation levels on peak sailings. The reduction in available capacity and fewer operators could lead to freight rate increases.

TABLE 17

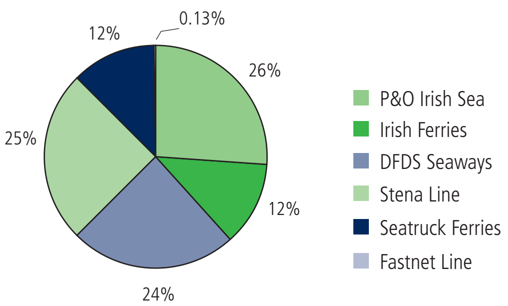
Roll-on/Roll-off Freight Traffic by Corridor 2010

Corridor	Accompanied			Unaccompanied			Total			
No. Freight Units	2009	2010	%Change	2009	2010	% Change	2009	2010	% Change	% Share
Northern	291,283	280,922	-4%	454,187	468,394	3%	745,470	749,316	1%	46%
Central	316,986	332,135	5%	321,111	342,292	7%	638,097	674,427	6%	42%
Southern	59,720	54,006	-10%	43,006	43,749	2%	102,726	97,755	-5%	6%
Continental	15,268	14,580	-5%	16,889	75,666	348%	32,157	90,246	181%	6%
Total	**683,257**	**681,643**	**0%**	**835,193**	**930,101**	**11%**	**1,518,450**	**1,661,744**	**6%**	**100%**

Source: IMDO

GRAPH 17

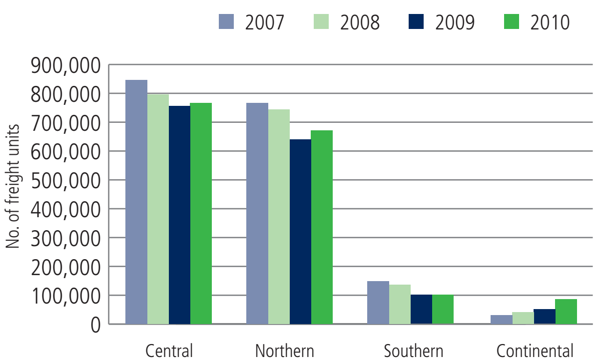
Market Share of Ireland-UK Roll-on/Roll-off Traffic 2010



Source: IMDO

GRAPH 17A

Ro/Ro Freight Traffic per Corridor



Source: IMDO

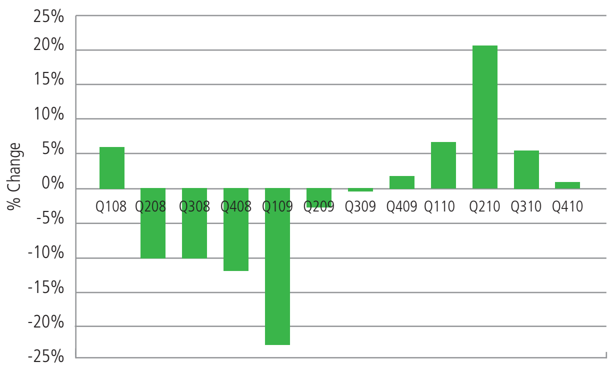
PASSENGER TRAFFIC

Passenger volumes grew by 4 per cent to over 4.8 million in 2010 while car traffic on all routes also increased by 5 per cent compared to the previous year. The increase in sea passenger traffic occured against a backdrop of one of the most difficult years on record for the Irish tourism industry with total visitor numbers falling by 9 per cent compared to 2009. European travel was disrupted in 2010, by severe weather at the start and end of the year, and by the Icelandic volcanic ash crisis which culminated in the closure of European airspace over a 6 week period. Ireland was particularly impacted given our island status and resulted in a major transfer of passengers from air to sea. Domestic ferry operators reported a three fold increase in demand for foot passenger traffic during the crisis. We estimate that an extra 106,000 passengers travelled in one week compared to the same time in 2009. Dublin recorded an 18 per cent increase in passenger numbers due, in part, to the transfer of passengers from air to sea, but also due to a reduction in capacity at Dun Laoghaire. In Cork, Fastnet Line reinstated the Swansea – Cork service which has significantly increasing passenger volumes through the port. Passenger volumes through Rosslare fell in 2010, by 5 per cent. With more options to cross the Channel on the Southern corridor passenger traffic was spread between Cork and Rosslare. On the French routes, passenger volumes increased by 15 per cent in 2010 and during the peak travel period passenger traffic increased 18 per cent year-on-year.

Cruise passenger volumes increased by 12 per cent in 2010 with over 200 vessels carrying approximately 305,000 passengers and crew visiting ports around the island. Dublin experienced the largest growth in cruise passenger volumes, up 28 per cent for the year, Belfast, Waterford and Bantry Bay also saw growth in cruise passenger numbers, 9, 17 and 5 per cent respectively. According to Cruise Ireland some of the largest cruise ships in the world visited Ireland providing an economic benefit estimated at €60 million in 2010.

GRAPH 18

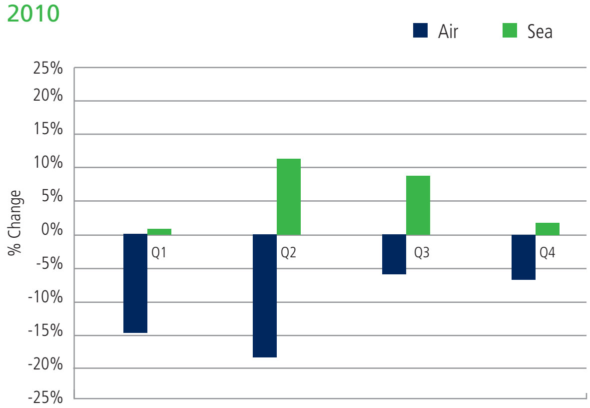
Quarterly Change in Passenger Traffic



Source: IMDO

GRAPH 18A

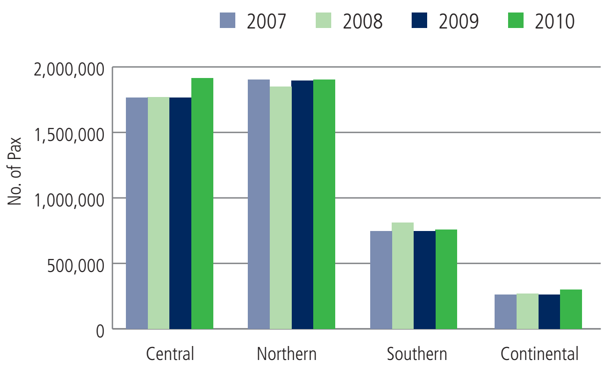
Quarterly Change in Air & Sea Passenger Traffic, 2010



Source: Failte Ireland

GRAPH 19

Passenger Traffic per Corridor, 2007-2010



Source: IMDO

GRAPH 20

Number of Cruise Ship calls, 2010

Source: IMDO

Market Review

TANKER MARKET

The tanker market had a firm start to 2010 with rates showing signs of recovering from the historical lows of 2009 however the momentum was not sustained. Average weighted spot earnings increased by 60 per cent for the year. In the second half of the year both average time charter and spot rates declined precipitously as floating storage decreased and an over supply of tonnage exerted downward pressure on rates. Global oil output also increased by 2.1m b/d in 2010 year-on-year while global oil demand increased by 2.7 per cent, up to 87.5 million barrels per day (mb/d) compared to 2009. This was due to better than expected global economic results in many market segments along with expanding demand from India and China, up 21 and 9 per cent respectively.

One year time charter rates for VLCC's proved the most resilient in 2010 but still declined by 4 per cent year-on-year. VLCC time charter rates increased up to July 2010, but then fell consistently to a low of $29,625/day in November. Handysize product tankers experienced the biggest drop in rates in 2010 compared to 2009, down 13 per cent. Suezmax and Aframax rates also fell year-on-year by 7 and 6 per cent respectively. Suezmax rates reached their highest level in 15 months in June 2010 up to $32,375/ day but by January 2011 rates fell to $24,375 losing a quarter of their value.

In 2011 the tanker fleet is expected to grow by 7 per cent while demand is expected to grow by 3 per cent which is likely to keep pressure on rates with large order books for both VLCCs and Suezmax still looming. Other factors such as the phase out of single hull tankers has not had as much of an impact on the market as initially predicted.

TABLE 21

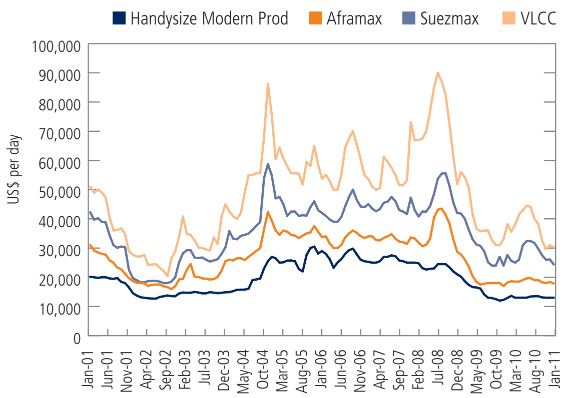
Tanker 1 Year Time Charter Rates

US $/Day	Handysize Modern Prod	Aframax	Suezmax	VLCC
Jan-09	20,200	27,800	41,800	56,000
Dec-09	12,250	17,000	24,000	33,000
Jan-10	12,900	18,200	27,600	38,200
Feb-10	13,625	18,625	25,625	35,625
Mar-10	13,000	18,500	25,000	38,000
Apr-10	13,000	18,500	26,000	41,400
May-10	13,000	19,063	31,000	43,000
Jun-10	13,000	19,625	32,375	44,500
Jul-10	13,400	19,700	32,400	44,100
Aug-10	13,500	19,000	31,750	40,000
Sep-10	13,500	19,000	29,750	38,250
Oct-10	13,100	18,300	27,500	32,500
Nov-10	13,000	18,000	26,000	29,625
Dec-10	13,000	18,400	26,100	31,000
Jan-11	13,000	17,875	24,375	30,250

Source: Clarksons

GRAPH 21

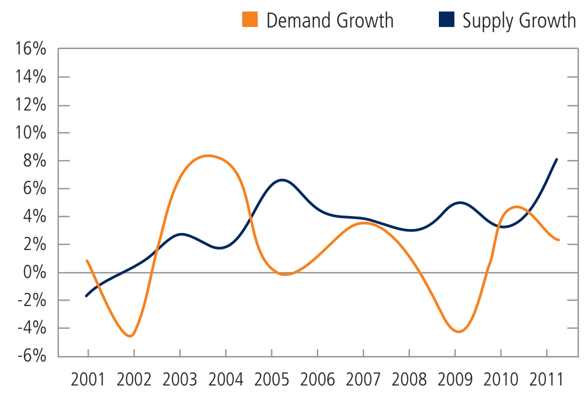
Tanker 1 Year Time Charter Rates



Source: Clarksons

GRAPH 21A

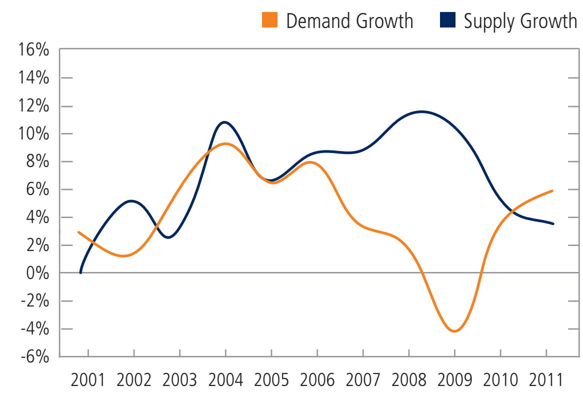
Demand Supply Dynamics: Crude Tankers



Source: Clarksons

GRAPH 21B

Demand Supply Dynamics: Product Tankers



Source: Clarksons

DRY BULK MARKET

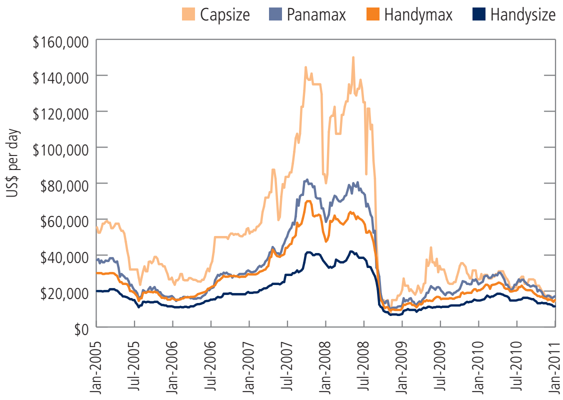
The opening half of 2010 saw growth in the dry bulk sector driven by China's demand for iron ore imports along with a rally in imports from Europe. Iron ore imports grew 9 per cent year-on-year pushing capesize rates up 20 per cent in the first 6 months of 2010 compared to 2009, averaging $28,826/ day. This had a knock-on effect for demand for coal, imports of which grew by 13 per cent in 2010. Grain imports also proved to be more robust in 2010, growing marginally by 1 per cent due to an increase in demand from Europe. Handysize, handymax and panamax rates all jumped by 70 per cent in the January to June period on the back of this demand growth.

From July onwards the ongoing addition of newbuildings to the market along with a lowering of demand significantly depressed earnings and time charter rates in the market, the supply of tonnage outpaced demand by 16.5 per cent in 2010. Capesize one year time charter rates fell 23 per cent in the second half of the year down to $17,500/day in December. The Panamax, handymax and handysize markets were also marred by over-supply issues; however rates fared better in the second half of the year due to consistent demand for thermal coal and grain imports. The influx of 30 per cent newbuilding capacity between 2011 and 2012 is likely to add further pressure to freight rates which in some segments are barely covering operating expenses. Bunker prices continue to rise and natural disasters have already curtailed output therefore 2011 has the potential to be a very difficult year for dry bulk vessel owners.

COASTAL BULK MARKET: The Shortsea bulk market in 2010 was characterised by a high level of consolidation and a certain degree of stability in the market following the unprecedented conditions in 2009. During the first half of the year there was a steady upward trend in rates as supply pretty much matched demand.

GRAPH 21C

Dry Bulk 1 Year Time Charter Rates



Source: Clarksons

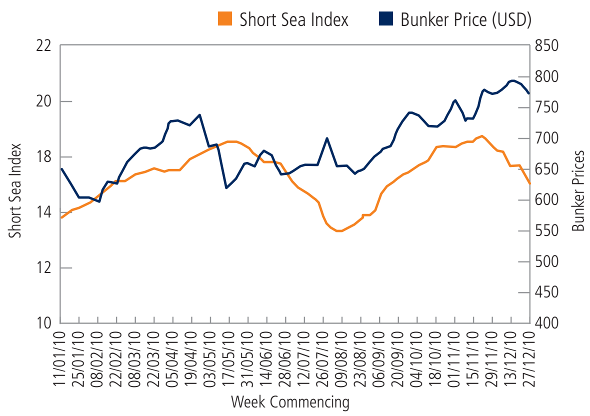
GRAPH 21D

Baltic Dry Index over 10 Year Period

Source: Clarksons

GRAPH 21E

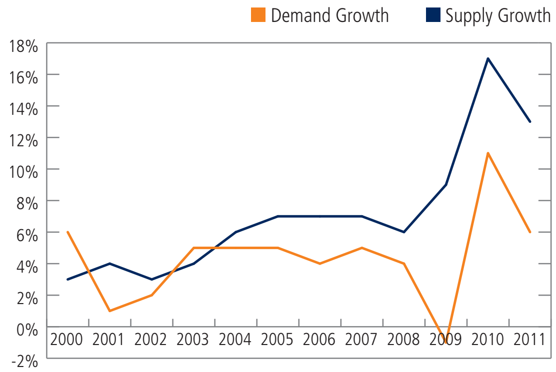
Shortsea Index



Source: H.C. Shipping & Chartering

GRAPH 21F

Demand - Supply Dynamics: Dry Bulk



Source: Clarksons

CONTAINERSHIP CHARTER MARKET

Containership time charter rates made a significant recovery in 2010, for ships in the 700-1,700TEU size range charter rates, on average, increased by 35 per cent over the course of 2010. Handymax vessels charter rates jumped 100 per cent between January and December 2010, from $4,200 to $8,400/day. Feedermax rates increased by 55 per cent to $5,300/day in 2010 and feedersize vessels rates increased by 25 per cent jumping to $4,000/day. Despite this positive upward movement, charter rates are still well below 2008 peak levels and are hovering around 2002 levels.

Containership capacity demand remained high in 2010 in particular over the first three quarters. The upturn in demand resulted in the re-activation of a large amount of idle tonnage which at the start of 2010 was close to 12 per cent of the fleet with 562 vessels lying idle and by the end of 2011 stood at 2.3 per cent. On top of this a further 9.2 per cent newbuilding capacity entered the market bringing the total fleet to 4,849 vessels operating 14.2m TEU. Operators throughout the year moderated available tonnage through slippage and cancellation of scheduled boxship deliveries and employing extra slow steaming which absorbed around 500,000TEU of capacity.

Despite concerns over the supply/demand balance, many new deepsea carriers are currently putting pen to paper for more new and bigger vessels, with Maersk announcing an order of 10 x 18,000 TEU vessels. This would appear to indicate that the major lines confidence in future global volume growth; however conditions for 2011 remain testing for both vessel owners and operators. Despite a fall in average box earnings on the key long haul trades, charter rates across the various segments have remained relatively resilient at the start of 2011.

TABLE 22

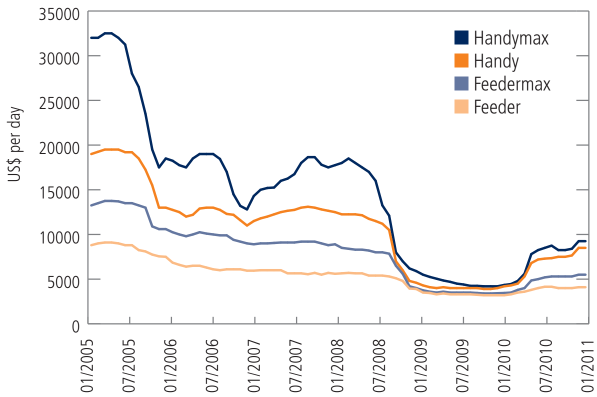
Containership One Year Time Charter Rates

US $ Daily Rate	Feeder 350 TEU	Feedmax 725 TEU	Handysize 1000 TEU	Handymax 1700 TEU
Jan-10	3,200	3,425	4,000	4,200
Feb-10	3,200	3,450	4,200	4,350
Mar-10	3,300	3,500	4,300	4,450
Apr-10	3,500	3,800	4,500	4,800
May-10	3,600	4,000	5,300	5,600
Jun-10	3,800	4,850	6,800	7,800
Jul-10	4,000	5,000	7,200	8,250
Aug-10	4,150	5,200	7,300	8,500
Sep-10	4,150	5,300	7,350	8,750
Oct-10	4,000	5,300	7,500	8,250
Nov-10	4,000	5,300	7,500	8,250
Dec-10	4,000	5,300	7,650	8,400
Jan-11	4,100	5,500	8,500	9,250
Feb-11	4,100	5,500	8,500	9,250

Source: Clarksons

GRAPH 22

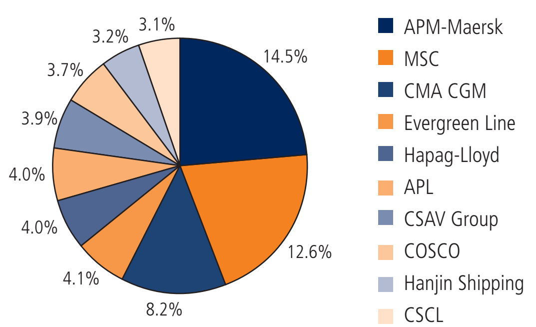
Container One Year Time Charter Rates



Source: Clarksons

GRAPH 23

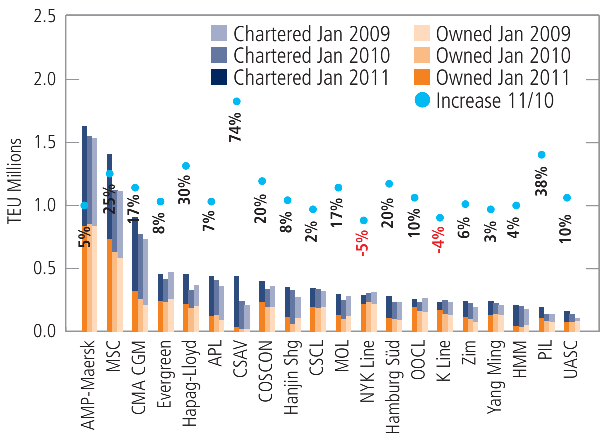
Top 10 Containership Operators by TEU 2010



Source: Alphaliner

GRAPH 24

Top 20 Carriers - Change in Capacity operated Jan 2011 vs Jan 2010



Source: Alphaliner

DEEP SEA CONTAINER TRADES AND FREIGHT RATES

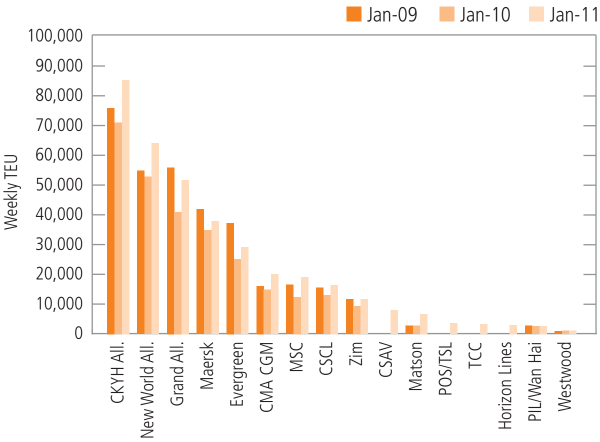
In 2010 the global container trade volumes expanded by 12.3 per cent, with the market recovery driven by increased demand from Europe and the US as inventory restocking took place and economic growth returned. The dramatic improvement in the container market conditions last year saw major operators go from boom in 2008 to almost bust in 2009 to boom again with record profits last year. Maersk in 2010 reported a profit of $2.43bn countering the $1bn loss made in 2009 and CMA CGM recorded a profit of $1.62bn in 2010 after a net loss of $1.42bn in 2009. The improvement in earnings among the top liner operators is largely a result of a 25 per cent increase in box freight rates and strong volume growth across the main trade lanes.

On the main trade lanes carriers achieved freight rate increases from January up to September; rates rose on average 50 per cent higher than in 2009. On the Asia – Europe routes freight rates were around $1,890/20ft until September.

In the fourth quarter, cargo growth became lacklustre as demand fell but vessel capacity continued to grow. In October, the Shanghai Container Freight Index (SCFI) reported that the average spot rate from China to Northern Europe fell to $1,620/TEU. On the transatlantic trade lane freight rates moved upwards throughout the first half of 2010 but similarly to the Asia-Europe trade, rates fell in the latter half of the year. Cargo growth in the third quarter of 2010 increased by just 3.4 per cent higher compared to the second quarter but there was 10 per cent of additional capacity entered into the market at that time. As already mentioned the biggest challenge that the deepsea carriers faced in 2010 was to balance the significant inflow of capacity with demand levels in order to maintain freight rate integrity. The weakening freight rate and rising fuel prices is severely affecting operator's margins and despite all the mechanisms employed to absorb extra capacity it seems that supply is outpacing demand.

GRAPH 25

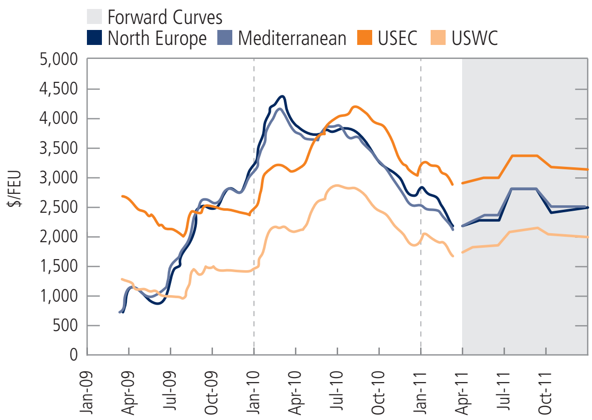
Weekly Capacity breakdown by Carrier: Jan 2009– Jan 2011



Source: Alphaliner

GRAPH 26

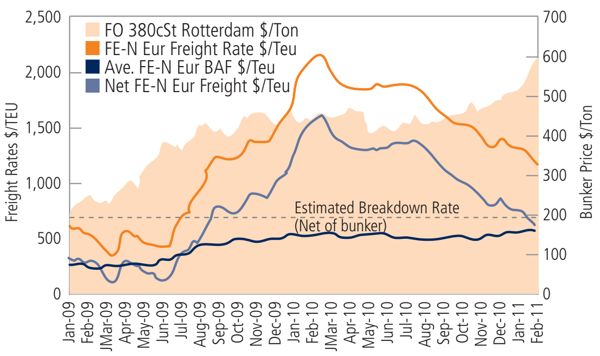
SCFI Freight Rates ex Shanghai to:



Source: SSE/Freight brokers

GRAPH 27

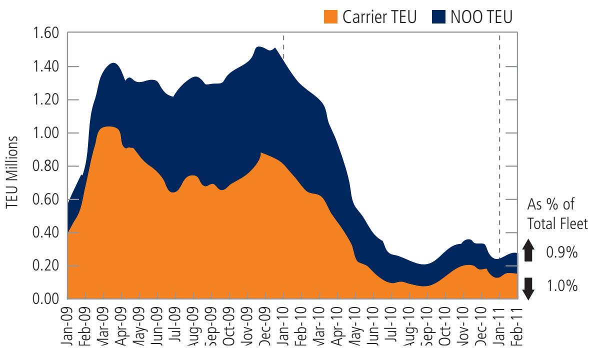
Far East – North Europe: Freight Rates and Bunker Price 2009-2011



Source: Alphaliner

GRAPH 28

Idle Fleet Breakdown by Non–Operating Owner/Carrier



Source: Alphaliner

NEWBUILDING MARKET

CONTAINER FLEET: The rate of expansion of the cellular fleet eased further last year growing by 8.6 per cent to 14.8m TEU. In 2010 1.3 million TEU's were delivered to the container market, this is around 59 per cent of the capacity scheduled for delivery according to the orderbook at the start of the year. Slippage, cancellations and scrappage were identified as the reasons for the decrease. The number of vessels ordered in 2010 fell dramatically in the first half, with only 15 ships contracted, however, following the improved market conditions, contracting increased significantly in the second half of the year with an estimated 109 containerships ordered.

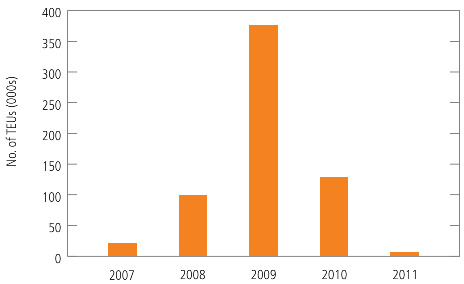
RO/RO FLEET: Vessel orders in all ro/ro markets increased dramatically in 2010, with huge increases in the hi-speed and cruise markets in particular, up 269 per cent and 193 per cent respectively. Owners took advantage of attractive shipyard prices for tonnage, along with improving economic activity in cruise and ferry markets.

DRY BULK FLEET: The dry bulk fleet expanded by 14 per cent in 2010 with an unprecedented level of fleet growth in the capesize market, which grew by 21 per cent with the addition of 202 vessels equalling 38.1m DWT. The orderbook for capesize, handy and panamax vessels remains high in 2011. Many bulk owners placed new orders in 2010 on the back of strong market recovery with the orderbook accounting for 52 per cent of the active fleet.

TANKER FLEET: The tanker fleet expanded by 3.7 per cent in 2010. VLCC fleet grew by 2.2 per cent in 2010. The Suezmax, Aframax and Handy fleet's all grew in 2010 with a high level of newbuilding contracting completed for suezmax and handymax vessels during the year. The tanker fleet is expected to increase by 7 per cent in 2011 with high deliveries combined with a continuation of the impasse at the Bangladeshi scrap market putting pressure on the supply/demand balance.

GRAPH 29

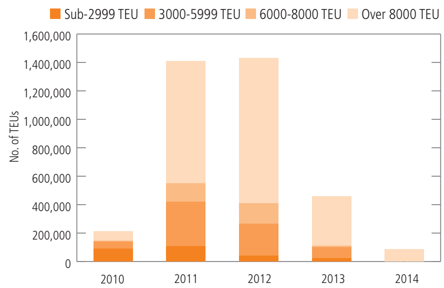
Container Scrappage TEU



Source: Clarksons

GRAPH 29A

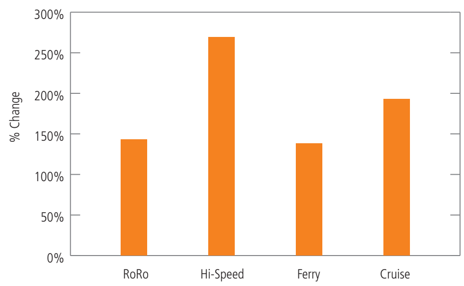
World Cellular Fleet Orders by Size Range



Source: Containerisation International

GRAPH 29B

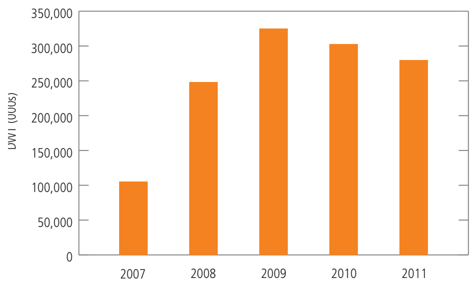
Change in Ro/Ro Orderbook



Source: Cruise & Ferry Info

GRAPH 30

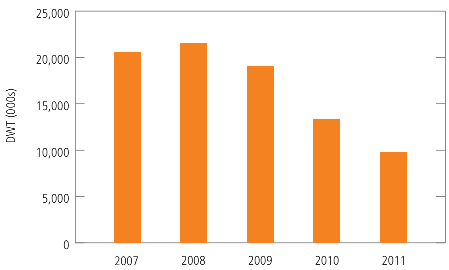
Bulk Carrier Orderbook



Source: Clarksons

GRAPH 31

Oil & Product Tankers Orderbook



Source: Clarksons

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

Ro/Ro 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.

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

Sources of Data

The bulletin contains the results of quarterly and annual analysis of activity at Irish Ports, and the activity of shipping lines operating from Irish Ports. The data is compiled from returns made by the Harbour Authorities, State Companies, Northern Ireland Ports and roll-on/roll-off shipping lines on routes between Ireland and the UK as outlined below:

Harbour Authorities:

Bantry Bay Harbour Commissioners

Tralee and Fenit Pier Harbour Commissioners

State Companies:

Drogheda Port Company

Dublin Port Company

Dundalk Port Company

Dun Laoghaire Harbour Port Company

Galway Port Company

Greenore Port Company

New Ross Port Company

Port of Cork Company

Port of Waterford Company

Rosslare Europort

Shannon Foynes Port Company

Wicklow Port Company

Northern Ireland Ports:

Belfast Harbour Commissioners

Port of Larne

Warrenpoint Harbour Authority

Roll-on/Roll-off Shipping Lines:

Irish Ferries

DFDS Seaways

P&O Irish Sea Ferries

Seatruck Ferries

Stena Line

design by **drawinginc**

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