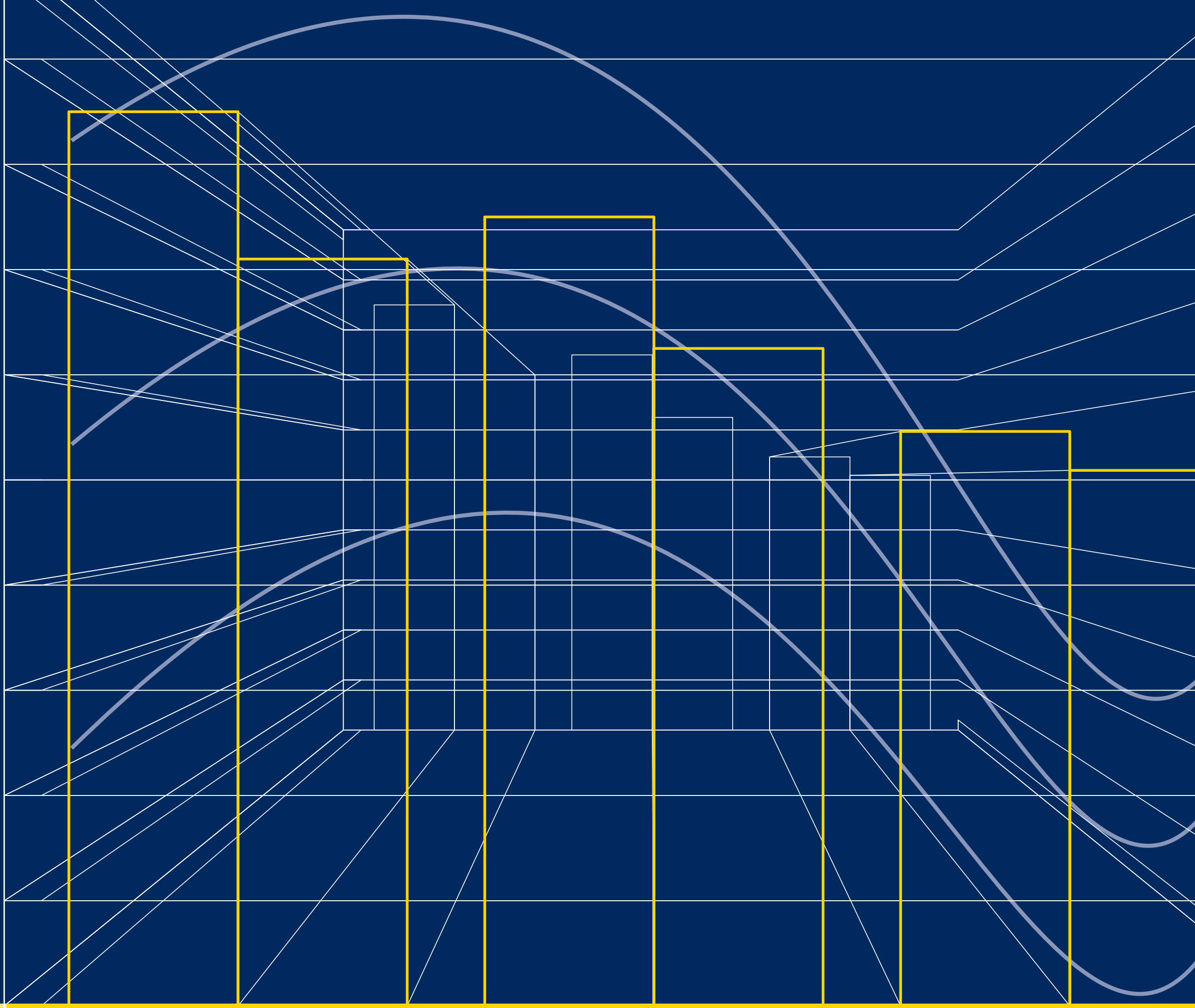

The Irish Maritime Transport Economist

VOLUME 9
April, 2012

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, Tourism and Sport. 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, Fergal Curtin, Patrick Lucey, Donal Lynch, Rory McGuire

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cutting through complexity

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Contents

Leo Varadkar, T.D.
MINISTER FOR TRANSPORT, TOURISM & SPORT

Ministerial Foreword

As Minister for Transport, Tourism and Sport, I am pleased to provide the foreword for this year's Irish Maritime Transport Economist (IMTE). The IMTE provides a comprehensive overview of developments in maritime transport over the past year and is an extremely useful resource for all those who work in or follow the sector.

The economic and trade review highlights that, while small, there was a return to economic growth in 2011 for the first time in four years, with further growth forecast for this year. Given that this economic growth is strongly export driven, future growth is intertwined with the economic health of our trading partners and cannot be taken for granted. To a large extent, this is driven by factors beyond our control. However ratification of the Stability Treaty would be a significant factor in helping to place the Eurozone on a more solid footing, and will contribute to the economic well-being of our largest trading market. As the trade review notes, 39% of our exports in 2011 went to members of the Eurozone.

Domestically, the Government is working extremely hard to provide whatever supports are necessary to Irish firms seeking to expand and trade overseas, and also to attract foreign investment into Ireland. Within all of this, I want to draw attention to the good work of the Irish Maritime Development Office in supporting our economic recovery. This is done through its work in providing a wide variety of supports - in particular market intelligence such as this - to the Irish shipping sector, and also in helping to attract international firms in this sector to establish in Ireland.

The efficient transport of goods into and out of the country is crucially important and supporting this is a key function of my Department. The development of a new ports policy will be of interest to those in the maritime transport sector. The existing ports policy is in need of a substantial overhaul. It is largely focused on corporate governance, it treats each of our nine port companies as though they were the same size and had the same role to play, and advocates a laissez faire approach by Government. It is my intention that, in the coming months, a new ports policy will be published and put in place.

As can be seen from the traffic review, in terms of the trade that each port handles, there is a clear hierarchy among ports. There are core national ports, those that serve a more regional role and local ports whose future lies principally in niche markets, tourism and leisure. Ports serving significantly different markets, which vary greatly in terms of size and scale, have different needs and have different futures. This will be recognised in the new ports policy and, the key challenge in developing the ports policy will be to set out clearly how the potential of each port can best be reached. This is being done in consultation with all the stakeholders in the sector.

In conclusion, I want to wish all in the maritime transport sector the very best for the coming year and hope that the best use is made of this publication.

Leo Varadkar, T.D.
MINISTER FOR TRANSPORT, TOURISM & SPORT

Glenn Murphy
DIRECTOR

Key Indicators:
GDP: 0.7%
GNP: -2.5%
Inflation: 2.6%
Exports: 4%
Imports: 5%

Executive Summary

Our 9th annual Maritime Transport Economist publication again shows a strong correlation between developments in the "real economy" and the changing pattern of maritime traffic over the course of last year. 2011 started with some optimism that much of the economic crisis had passed and that a rising positive global tide would lift prospects for our shipping companies operating both in the Irish market and also in the wider global shipping sectors. In Ireland, we saw a strong first quarter of economic growth which suggested that the recovery which had begun in the latter half of 2010 might be sustained. This recovery, however, was taking place against an external resurgence in the global credit crisis which was focused, in particular, on Greece and other European countries. As an open economy we are exposed to the changes in derived demand from the global economy with both indigenous and multinational sectors heavily dependent on overseas markets. After a solid first quarter we witnessed clear evidence of shipping volume demand abating over the remaining quarters, with growth almost halving in the second quarter before turning flat to negative by the year end as the expectation of a global "double dip" recession loomed large.

The world economy appeared to transition from a crisis involving the banks to a "sovereign debt" crisis which escalated in the second quarter of last year and continued to undermine the prospects for the global economy. Irish Gross Domestic Product (GDP) expanded by 0.7 per cent in 2011, mainly as a result of strong first quarter export growth but then witnessed one of the weakest 2nd half year results for GDP in the Eurozone. Several sectors in the Irish economy again appeared to continue to buck the gloomy global trend, in particular, the chemical and pharmaceutical industries. Established indigenous Irish exporting companies also saw their overall volumes grow year-on-year, although our traffic data indicates that both segments appeared to endure weaker external demand, most noticeably in the 4th quarter.

Inflation measured by the consumer price index (CPI) in Ireland averaged 2.6%. This increase in inflation was largely attributed to rising oil and energy prices, which accounted for almost a third of all inflation last year. Food, commodities (both influenced by the rising price of oil) and mortgage increases were the other main factors. Headline interest rates were lowered by the European Central Bank (ECB) in 2011 by 50 basis points as a counter to weakening inflation in the Eurozone, however these wholesale discounted rates were not passed on in full to Irish consumers by several Irish banks. Household consumption in Ireland remained weak in 2011 with further declines in imports noted in the principal shipping market segments. On a positive note, Ireland gained a number of concessions on our national debt last year reducing the rate with the EU/IMF from 6% to 4%. The agreement also extended the term of Ireland's loan to 15 years.

In last year's Maritime Transport Economist, we focused largely on the recovery phase occurring in the domestic economy which was reflected in a return to growth across most of the principle shipping market segments. We were optimistic, at that point, that the Irish sector had already endured "the collapse phase" when we saw up to 33% of market volume evaporate in less than 18 months or in some cases a decade of growth disappear in just over 12 months. In this years report, our analysis will show that only 1 of the 6 principal domestic shipping sectors recorded any growth last year, with the other segments remaining flat or experiencing moderate declines.

Key Indicators:
Bulk Traffic: 1%
Lo/Lo Traffic: -3%
Ro/Ro Traffic: 0%
Passenger Traffic: -6%

Executive Summary

The Irish ports and shipping sectors were collectively confronted with a year of two distinct halves: 6 months of growth followed by 6 months of weaker demand. Initially, in 2011, the momentum of the domestic recovery appeared to be progressing along a more sustainable expansionary path with shipping volumes through Irish ports hitting double digit growth during the first quarter. The pace of this momentum slowed as concerns about the pace of the recovery in the European and global economy started to develop. Such an environment makes inventory and capacity planning even more challenging and of course, creates additional revenue pressures as budgets that started out optimistically come under more stress as the year progresses.

Shipping operators in both of the principle unitised sectors undertook further planned realigning of capacity last year. In the lift on/lift off (lo/lo) market, operators continued to maintain various strategic alliances, principally in the form of vessel sharing arrangements to counterbalance the changing market conditions. We observed that lo/lo operators were negotiating shorter period time charters while there was ongoing logistical and cost pressure on repositioning empty containers to meet export demand. In the ro/ro market the sector adjusted to the exit of DFDS, who had previously accounted for about 24% of the all-Ireland market. We estimate that about 10% of this capacity in the Republic of Ireland was replaced by other incumbent operators. Overall, all of the remaining ro/ro operators will have seen their market share increase year on year, albeit against a total volume decline in the market.

Shipping markets globally, appeared to be hamstrung by the evident overcapacity in almost all sectors from tanker to bulk and right across the various container market segments. Shipping by its nature is cyclical. However, the recent "super cycle" of growth which occurred between 2001 and 2008 is something of an outlier in earnings terms. Like most of the previous collapses that have preceeded this latest downturn, this expansionary cycle has eventually contributed to too much supply in capacity (lagging) chasing less demand. As a result spot and time charter rates remained largely depressed in 2011, interrupted by short term earning spikes in some areas which tend to disorientate and confuse markets even more.

The outlook for 2012 remains testing with very limited scope for growth across the main Irish market segments. The proverbial monkey on the shipping industry's back remains the unrelenting surge in oil and bunker prices, which last year increased on average by approximately 40%. Rising bunker prices combined with falling charter levels and potentially subdued global demand conditions will continue to add further liquidity pressures for many owners in markets that are already operating at just above operational expenditure.

I would like to thank all our regular contributors for their continued support of this years publication and to the primary research carried out by IMDO team co-ordindated by shipping market analyst Fergal Curtin. Finally, I would also like to thank **KPMG** for their sponsorship and endorsement of this year's edition.

Glenn Murphy
DIRECTOR

Economic Review

NATIONAL ACCOUNTS

Irish Gross Domestic Product (GDP) expanded by 0.7 per cent in 2011 mainly driven by strong export growth in the first half of 2011. This was the first return to positive growth for the economy in four years. During the second half of 2011, the Irish economy experienced one the worst GDP performances in the euro-zone due to the deterioration in consumer and investor confidence. Gross National Product (GNP) contracted by 2.5 per cent in 2011, a figure which excludes the repatriation of foreign multinationals income to their home country.

Domestic spending remained weak in 2011 as government and consumer spending continued to decline. Retail sales dropped, in both volume and value, by 2.7 and 1.8 per cent respectively. Investment declined by 15 per cent from 30 per cent from the previous year and is expected to continue to decline in 2012. Net exports contributed positively to growth in 2011 as Ireland recorded a record trade surplus, however export growth slowed in the second half of 2011 as demand conditions in the global economy weakened.

According to the Economic & Social Research Institute, GDP will continue to remain positive in 2012 and 2013, with a forecasted growth rate of 0.9 per cent in 2012. The European Union is expected to experience stagnating GDP in 2012, as the euro area undergoes a mild recession. The US Federal Reserve forecasts growth of 2½ per cent for the US economy in 2012, while the UK economy is forecast to expand by only 0.2 per cent.

Economic

TABLE 1

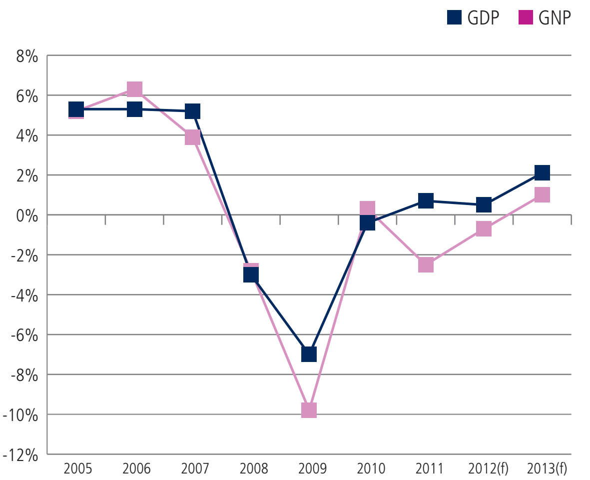
National Accounts 2003-2011

Real/Constant Prices € millions (chain linked to 2008)				
Year	GDP	% change	GNP	% change
2003	145,938	4.2%	124,797	5.2%
2004	152,517	4.5%	129,964	4.1%
2005	160,661	5.3%	136,660	5.2%
2006	169,195	5.3%	145,260	6.3%
2007	177,963	5.2%	150,856	3.9%
2008	172,674	-3.0%	146,661	-2.8%
2009	160,596	-7.0%	132,233	-9.8%
2010	159,906	-0.4%	132,584	0.3%
2011	161,185	0.7%	129,232	-2.5%
2012 (f)	161,839	0.5%	128,327	-0.7%
2013 (f)	165,238	2.1%	129,557	1.0%

Source: CSO, Central Bank of Ireland (f)

GRAPH 1

Economic Growth Trend 2005-2011



Source: CSO, Central Bank of Ireland (f)

TABLE 2

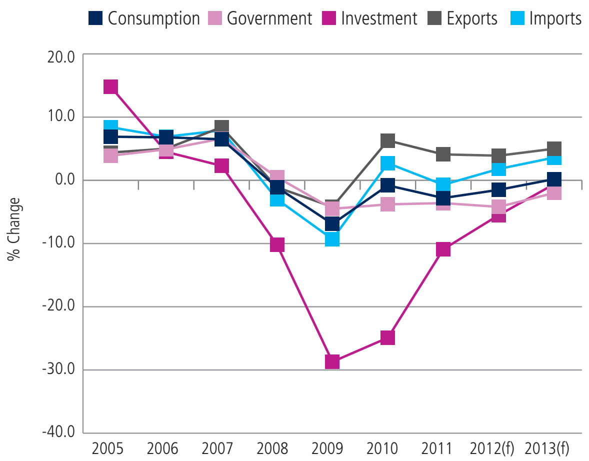
Real % GDP Growth in Selected Economies 2008-11

Real GDP % Change (national currency)						
Country	2008	2009	2010	2011	2012 (f)	2013 (f)
Denmark	-0.8	-5.8	1.3	1.0	1.1	1.7
Germany	1.1	-5.1	3.7	3.0	0.6	1.5
Ireland	-3.0	-7.0	-0.4	0.9*	1.0	2.3
Spain	0.9	-3.7	-0.1	0.7	-1.0	1.4
France	-0.1	-2.7	1.5	1.7*	0.4	1.4
Italy	-1.2	-5.1	1.5	0.4	-1.3	0.7
Netherlands	1.8	-3.5	1.7	1.2	-0.9	1.3
Poland	5.1	1.6	3.9	4.3	2.5	2.8
UK	-1.1	-4.4	2.1	0.8	0.6	1.5
Norway	0.0	-1.7	0.7	1.6	2.7	2.9
US	-0.3	-3.5	3.0	1.7	1.5	1.3
Japan	-1.0	-5.5	4.4	-0.7	1.8	1.0

Source: Eurostat
*Note: *Denotes Eurostat Estimate*

GRAPH 2

Growth in Components of Irish GDP 2005-2011



Source: CSO, Central Bank of Ireland (f)

INFLATION

The annual rate of inflation in 2011 was 2.6 per cent compared to -1 per cent in 2010. Annually, consumer prices have declined since 2009 and inflation has only returned to positive levels last year. This increase can largely be attributed to rises in international commodities such as oil and food prices, as well as mortgage interest rates. The Harmonised Index of Consumer Prices (HICP) which excludes mortgage interest rate changes (among others) increased by 1.1 per cent after falling by 1.6 per cent in 2010.

Energy inflation increased by 11.9 per cent in 2011, compared to a 9.6 per cent increase in 2010. Energy products accounted for almost a third of the overall increase in inflation. Inflation for services was 3.6 per cent. For goods this increase was 1.2 per cent, with “Housing, Electricity, Gas and Other fuels” rising by 9.7 per cent. This increase was mainly driven by rises in mortgage interest repayments (20.4 per cent) and home heating oil (24.2 per cent).

The Wholesale Price Index saw an increase of 2.4 per cent in 2011. Fluctuations in the euro currency and the rise in global oil prices weighed significantly on wholesale prices. Prices of Energy and Petroleum products increased by 3.8 per cent and 10.6 per cent respectively, while dairy products increased by 11.5 per cent.

The Central Bank notes that oil prices increased by 32.6 per cent on average in euro terms in 2011 and that energy prices will continue to contribute significantly to annual headline inflation. The European Commission has forecasted that Irish inflation (HICP) will rise by 1.6 per cent in 2012, due largely to the expected depreciation of the euro against sterling.

TABLE 3

Consumer Price Index 2006-2011

	Dec 2006=100	Annual change
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	103.8	2.6%
2012 (f)	105.0	1.1%

Source: CSO, Central Bank of Ireland (f)

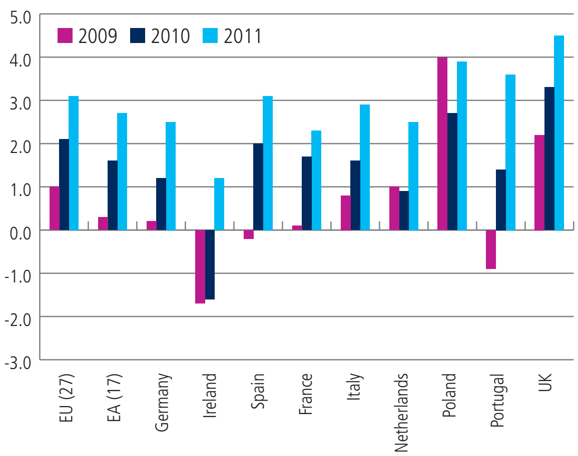
GRAPH 3

Consumer Price Index 2006-2011

Source: CSO, Central Bank of Ireland (f)

GRAPH 3A

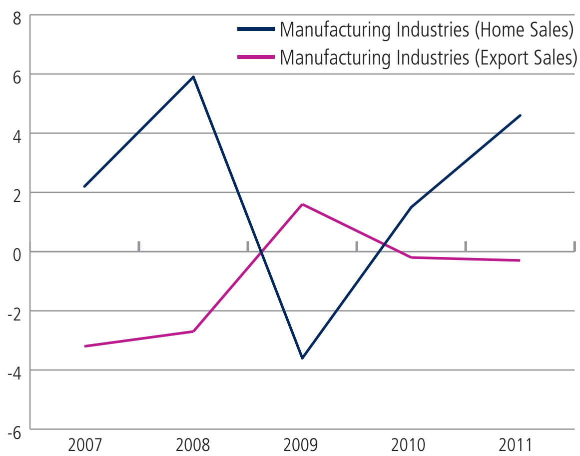
Harmonised Annual Inflation (%)



Source: Eurostat

GRAPH 3B

Wholesale Price Index



Source: CSO

INTEREST RATES

The European Central Bank's official refinancing operation rate increased by 25 basis points (bps) in both the second and third quarters of 2011. In light of weakening inflation in the euro area the ECB lowered interest rates by 50 bps towards the end of 2011, bringing the interest rate back down to 1 per cent.

During 2011 the sovereign debt issue moved beyond the financial system to the wider economy. Concerns escalated about the impact of the financial crisis on public finances through slower growth levels across a range of EU countries. By the second half of 2011 the Euro area's sovereign debt crisis intensified and liquidity conditions deteriorated for larger economies such as France, Belgium, Spain and Italy.

Ireland gained a number of concessions on its national debt in 2011. In July, the interest rate on Ireland's EU/IMF bailout was cut from 6 per cent to 4 per cent. The agreement also extended Ireland's loan maturity to 15 years. In September, the European Commission's European Financial Stability Mechanism's interest rate on its €22.5 billion loan to Ireland was cut by 292.5 bps. 2011 also saw Ireland's five year bond yields falling below the 6 per cent mark for the first time since the financial bailout in 2010. Ireland returned to the international bond market for the first time since September 2010 to successfully swap €3.52bn in government bonds in early 2012.

The US Federal Reserve kept its key interest rate, the Fed funds rate, at its low target range of 0 to 0.25 per cent, while the UK interest rate has remained at 0.5 per cent. AIB Global Treasury has forecasted ECB interest rates to fall by 0.25 per cent in 2012.

Economic

TABLE 4

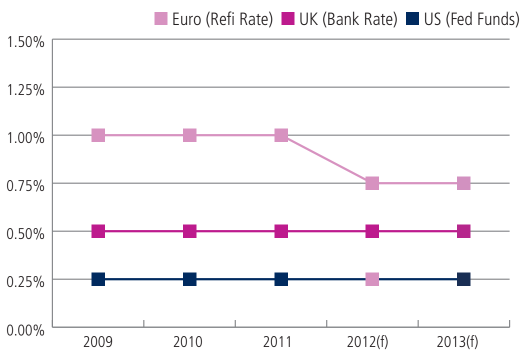
Interest Rates

	2009	2010	2011	2012 (f)	2013 (f)
US Fed Funds	0.25	0.25	0.25	0.25	0.25
ECB Refinance	1.00	1.00	1.00	0.75	0.75
BOE Repo	0.50	0.50	0.50	0.50	0.50

Source: AIB Global Treasury

GRAPH 4

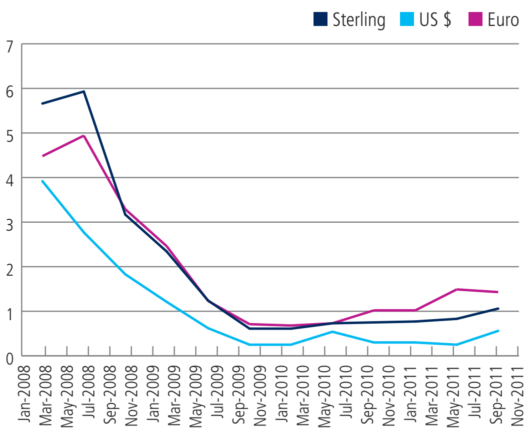
Interest Rates for 2009-2013(f)



Source: AIB Global Treasury

GRAPH 4A

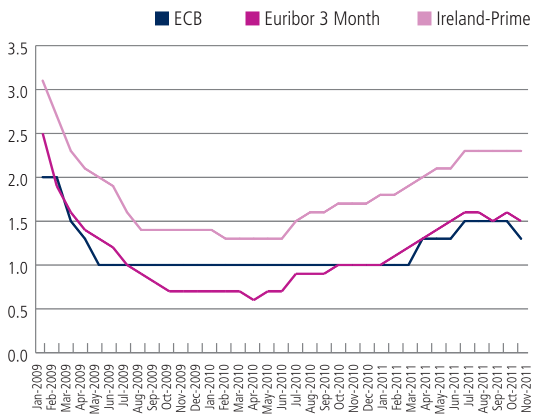
International 3-month Interest Rates (% per annum)



Source: Eurostat

GRAPH 4B

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



Source: Eurostat, Central Bank quarterly reports

EXCHANGE RATES

In 2011, the euro appreciated against both the UK pound and US dollar by 1 per cent and 5 per cent respectively. In the first half of 2011 the euro appreciated against both currencies, reaching a peak in July of EUR1 = GBP 0.905 and in May of EUR1 = USD1.448 respectively. This appreciation during the second quarter was primarily due to growing expectations of ECB interest rate increases while, at the same time, comments from officials at the US Federal Reserve and the Bank of England led market participants to push back their expectations of monetary policy tightening in those countries. This was followed by a subsequent decline in the euro due to the further escalation in the euro area sovereign debt crisis in early July. The euro fell below the EUR1= USD 1.30 in December amid negative reaction to the agreement reached at the EU and euro area Heads of State and Government Summit. By the end of 2011 the euro had depreciated by 8 per cent against the pound and by 13 per cent against the dollar, from their yearly peaks in mid 2011.

Much of the recent improvement in Ireland's competitiveness is mirrored in developments in the nominal Harmonised Competitiveness Indicators (HCI) figure, which is a trade weighted exchange rate. The downward trend in Ireland's HCI over the last number of years indicates an increase in Ireland's competitiveness. In 2011 Ireland's annual average figure was 3 per cent lower than in 2008.

According to the Central Bank of Ireland, the euro is expected to depreciate against both the dollar and sterling currencies in 2012. The forecasted devaluation of the euro against the U.S. dollar and British pound should be good news for Irish exporters.

TABLE 5

Selected Exchange Rates: Period Averages (Units per Euro)

	Annual Averages					
EUR/	USD	JPY	GBP	SEK	CHF	CAD
2004	1.244	134.440	0.679	9.124	1.544	1.617
2005	1.244	136.850	0.684	9.282	1.548	1.509
2006	1.256	146.020	0.682	9.254	1.573	1.424
2007	1.371	161.250	0.684	9.250	1.643	1.468
2008	1.471	152.450	0.796	9.615	1.587	1.559
2009	1.395	130.340	0.891	10.619	1.510	1.585
2010	1.326	116.240	0.858	9.537	1.380	1.365
2011	1.392	110.960	0.868	9.030	1.233	1.376

Source: Central Bank of Ireland

TABLE 6

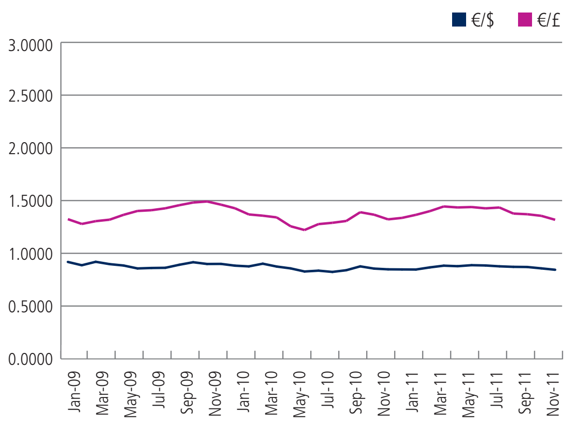
Summary of Exchange Rate Forecasts- "Spot" Forecasts Represent Mid-Point of Expected Trading Range

	Q1 2012	Q2 2012	Q3 2012	Q4 2012
USD/EUR	1.311	1.30-1.35	1.30-1.35	1.32-1.37
GBP/EUR	0.838	0.83-0.86	0.83-0.86	0.83-0.86
JPY/EUR	107.82	105-115	105-115	108-118

Source: AIB

GRAPH 5

Euro Exchange Rates



Source: ECB

OIL & BUNKER PRICES

In 2011 oil prices rose sharply as shocks to global supply created volatile market conditions. The surge in prices added to rising costs across most industrial sectors, while rising bunker prices added to already challenging conditions for the global shipping industry, with bunker prices increasing by 40% over the course of the year.

A mixture of political tension and unrest in key oil producing regions added to the price spike, Libya (civil war), Nigeria (industrial dispute), Turkey (change in legislation) and Iran (sanctions). In Iran, oil production is estimated to have fallen over the last two years by more than 250,000 bpd, or 6.6 percent, and could lose more than 300,000 bpd in 2012 and a further 200,000 bpd in 2013.

Brent Crude Oil, averaged $111 a barrel for 2011, and marked the first time this benchmark averaged more than $100 per barrel in a year. West Texas Intermediate (WTI) crude averaged approximately $95 a barrel in 2011. Analysts have indicated that WTI crude, which is the key benchmark price in the US, will rise in 2012, even as the US is experiencing its highest oil production levels in nine years. The benchmark MDO Rotterdam and 380cst Rotterdam bunker prices increased significantly in 2011, by 41 and 37 per cent respectively. To put this increase into context, in the 1990s fuel was only 28% of the daily voyage cost but it is now 60 per cent. The ship hire used to cost twice as much as the fuel, but now fuel costs twice as much as the ship.

The International Energy Association expects world oil demand to grow by 800,000 barrels per day (bpd) in 2012, which is marginally up from 700,000 bpd in 2011. The risk of disruption in the Strait of Hormuz remains one of the largest and most immediate threats to the oil supply chain in 2012.

TABLE 7

Bunker Prices ($/Tonne)

	MDO $/tonne			380 $/tonne		
Year	Rotterdam	L.A	Singapore	Rotterdam	L.A	Singapore
2000	231.6	270.5	248.5	138.4	152.1	158.7
2001	192.4	256.6	205.8	117.4	126.1	133.1
2002	188.2	233.6	197.9	133.7	142.4	148.9
2003	230.4	306.9	242.5	152.9	162.1	172.0
2004	313.4	398.0	334.3	155.3	186.4	180.3
2005	458.4	574.4	481.4	234.0	263.3	261.9
2006	524.1	651.6	580.6	293.0	321.0	313.2
2007	571.3	709.3	621.8	345.1	381.7	372.8
2008	850.7	951.5	907.0	471.9	524.5	505.6
2009	490.6	565.0	517.9	353.8	375.1	371.9
2010	667.1	721.4	664.2	450.2	468.8	464.1
2011	939.61	982.43	932.38	617.94	655.87	646.94

Source: Clarksons

TABLE 8

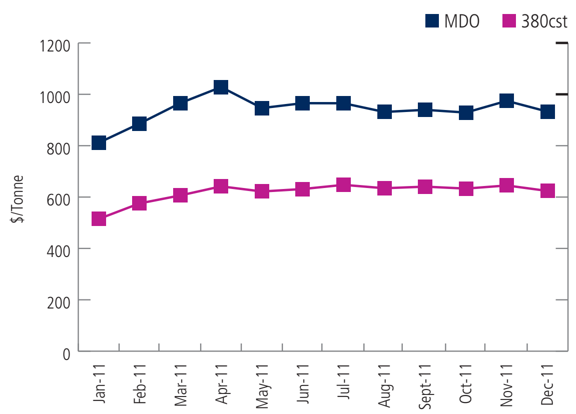
Oil Prices 2000-2011 ($/Barrel)

	Average $US per barrel					
Year	Brent	WTI	Bonny	Dubai	Arab Lt	Minas
2000	25.03	25.94	24.51	22.76	22.89	23.78
2001	24.69	25.64	24.78	23.61	24.02	24.53
2002	24.94	25.98	25.05	23.73	24.16	25.48
2003	28.85	31.05	29.18	26.79	27.62	29.47
2004	38.22	41.39	38.56	33.6	34.38	36.59
2005	54.4	56.49	55.27	49.29	50.26	53.9
2006	65.17	67.12	66.51	61.52	60.44	65.12
2007	72.51	72.27	75.01	68.42	69.15	73.52
2008	96.99	99.67	100.16	93.61	94.88	100.29
2009	61.48	61.64	63.01	61.68	59.46	63.95
2010	79.53	79.41	81.06	78.14	77.22	81.67
2011	110.9	95.08	114.11	106.18	107.46	113.09
Dec-11	107.86	98.58	110.17	106.39	108.17	113.2
Jan-12	110.66	100.38	113.26	109.71	114.47	116.64

Source: Clarksons

GRAPH 7

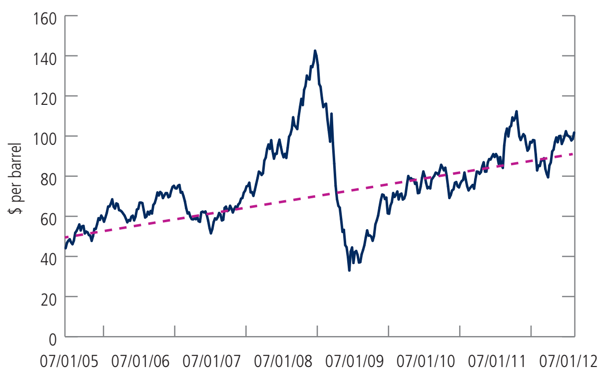
Bunker Prices Rotterdam 2011



Source: Clarksons

GRAPH 8

Weekly Oil Prices 2005-11



Source: OPEC

Trade Review

EXTERNAL TRADE

Ireland's external trade performance remained buoyant in 2011 and meant Ireland recorded its highest annual surplus on record while again having one of the highest trade surpluses in the European Union at over €44 billion. Exports broke the €90 billion mark, a milestone that has only been achieved twice before, in 2001 and 2002. November 2011 also saw Ireland achieve a new record trade surplus of €4,622 million on a seasonally adjusted basis. An extremely strong first half of 2011 accounted for nearly 92 per cent of import growth and 77 per cent of export growth for the year, which only highlights further the downturn in the national and global economy towards the end of 2011. Despite the challenging domestic and global economic environment, the value of merchandise exports increased by 4 per cent in 2011, and remains a primary engine of growth. Multinationals based in Ireland account for approximately 75 per cent of Irish exports and, along with indigenous exporters, have benefited from a lower cost base since the beginning of the economic crisis.

Imports increased in value by 5 per cent, driven primarily by the rise in worldwide commodity prices, such as oil, however consumer demand remained weak in 2011. Import growth witnessed its first significant rise since 2007 although imports remain below the value reached at the start of the new millennium. The rise in merchandise imports in value terms was particularly noticeable in medical and pharmaceutical products (26%), petroleum (21%) and organic chemicals (20%). The Economic & Social Research Institute has forecasted that merchandise export growth in volume terms will be 3 per cent in 2012, compared with 4.8 per cent in 2011 while the forecasted fall in consumption is expected to be 1.8 per cent in volume terms. Export-led growth recovery in Ireland will be dependent on the world economic situation improving. Global demand will be a key determinant in Ireland's recovery with initial forecasts of a 3.3 per cent global growth rate in 2012 according to the International Monetary Fund.

Trade

TABLE 9

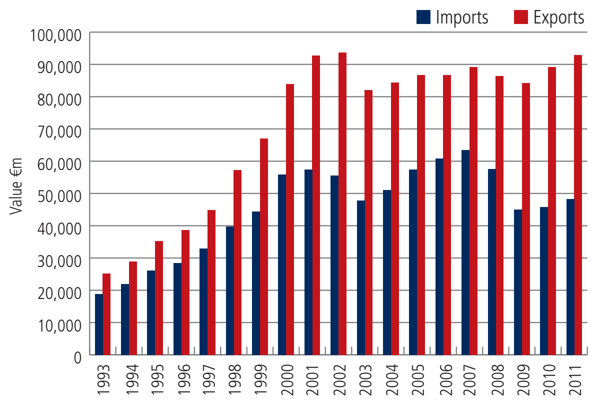
External Trade Growth 1993-2011

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	45,764	89,193	43,429	6%	2%	11%
2011	48,239	92,936	44,697	4%	5%	3%

Source: CSO

GRAPH 9

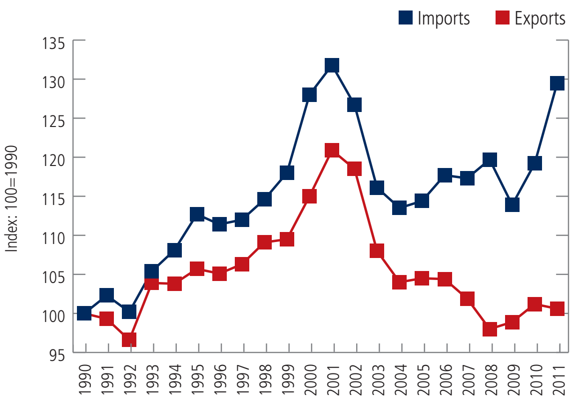
External Trade Value 1993-2011



Source: CSO

GRAPH 9A

Imports v Exports Index by Value



Source: CSO

COMMODITY TRADE

Ireland's merchandise trade saw a continuation of the previous year's trend, with another notable strong performance in the two leading export commodities, with medical & pharmaceutical products and organic chemicals exports increasing by 9 per cent and 4 per cent respectively.

The Agricultural sector continued to perform well last year with both dairy products (24%) and meat (15%) witnessing a significant increase in exports during 2011. Approximately 50 per cent of exports from indigenous Irish companies were in the food sector in 2011, which was further aided by strong food and commodity prices globally. However the export of computer equipment fell by 10 per cent. Notably some analysts anticipate an impending drop in the value of medical and pharmaceutical exports in the coming years as a series of high value drug exports start to come off patent.

Imports for 2011 were up compared to 2010 mainly due to rising costs of energy products which came on the back of record oil prices, while petroleum imports were nearly €1 billion higher than in 2010. The value of gas imports was also 19 per cent higher following steadily increasing gas prices. National budgetary adjustments being implemented coupled with declining investment levels, are also expected to continue to have a negative effect on national consumption.

The World Bank expects global food prices to decline in 2012 due to the weak global economy and expects a decline in prices of energy products and crude oil. The International Energy Agency has cut its forecast for growth in oil demand to 0.8 million barrels per day (mbpd) from 1.1 mbpd in 2012 due to weakening economic indicators globally as well as political instabilities.

TABLE 10

Value of Merchandise Exports by Commodity Group, 2011

Exports	2010 €000	2011 €000	Change %	Share %
Med & Pharma products	24,206,500	26,403,700	9%	28%
Organic chemicals	19,063,900	19,832,800	4%	21%
Misc manufactured art.	5,467,100	5,974,400	9%	6%
Essential oils	5,462,300	5,546,500	2%	6%
Office machines	4,515,600	4,075,900	-10%	4%
Professional apparatus	3,260,400	3,380,700	4%	4%
Electrical machinery	3,080,500	3,212,700	4%	3%
Chemical materials	2,667,400	2,797,400	5%	3%
Meat & meat preparations	2,407,400	2,759,300	15%	3%
Dairy products	1,430,800	1,776,300	24%	2%
Misc edible products	1,462,200	1,474,200	1%	2%
Gen industrial machinery	1,110,500	1,332,600	20%	1%

Source: CSO

TABLE 11

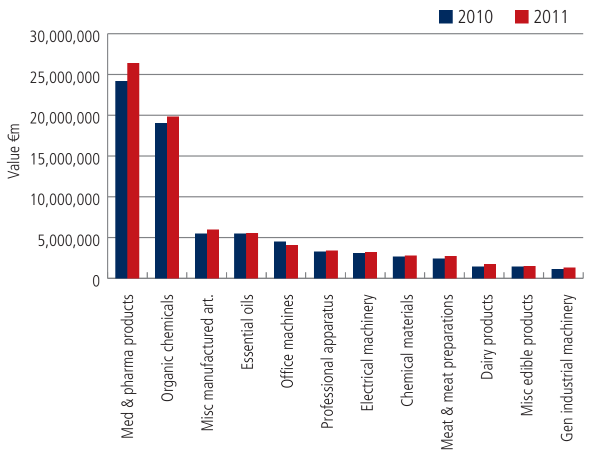
Value of Merchandise Imports by Commodity Group, 2011

Imports	2010 €000	2011 €000	Change %	Share %
Petroleum	4,285,100	5,168,000	21%	11%
Med & Pharma products	3,463,600	4,365,400	26%	9%
Office machines	2,701,400	2,771,900	3%	6%
Organic chemicals	2,100,200	2,515,100	20%	5%
Other transport equipment	2,618,500	2,346,600	-10%	5%
Misc manufactured art.	2,373,300	2,271,900	-4%	5%
Electrical machinery	2,146,000	2,089,600	-3%	4%
Road vehicles	1,558,000	1,706,400	10%	4%
Articles of apparel	1,647,400	1,657,000	1%	3%
Gas	1,134,700	1,353,500	19%	3%
Telecommunications & sound equip	1,129,400	1,041,100	-8%	2%
Essential oils	968,400	1,033,900	7%	2%

Source: CSO

GRAPH 10

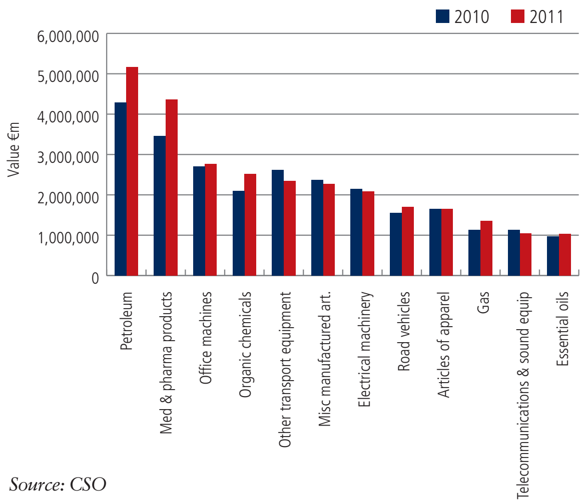
Value of Merchandise Exports by Commodity Group, 2011



Source: CSO

GRAPH 11

Value of Merchandise Imports by Commodity Group, 2011



Source: CSO

TRADE: COUNTRY

Ireland's trade deficit with Great Britain, our largest trading partner, almost doubled to over €2.5 billion as increased imports overshadowed a near €500 million increase in exports. At the same time Ireland's trade surplus with the United States grew 9 per cent or €1.2 billion, despite a stronger euro to dollar exchange rate. Though Ireland's trade depends heavily on its links with Great Britain and the United States, other trade markets continue to open up, with significant trade increases witnessed with India and South Africa during 2011. Irish exports to BRIC countries (Brazil, Russia, India and China) stayed at 4 per cent of total exports in 2011, while Irish imports from BRIC countries also remained static at 7 per cent in volume terms.

Great Britain remains an important export market for the vast majority of Irish indigenous businesses, in particular, the food and drinks sector, while Ireland also received one third of its total value of imports from Great Britain in 2011.

The United States is Ireland's second largest trading partner and largest export market. The value of trade between the two countries exceeds €27 billion with the United States expected to replace Great Britain as our largest trading partner in the coming decade. The IMF has maintained its 1.8 per cent growth forecast for the United States in 2012 but warned that it would not escape unharmed if Europe's crisis escalated further. Irish exports to the EU27 countries increased by just over 4 per cent in 2011, with Europe accounting for over 58% of Irish Exports. Weaker growth prospects for both the euro-zone countries and Great Britain in 2012 remain a concern.

The Irish Exporters Association expect a slowdown of export growth to 3.1 per cent in volume terms in 2012, but forecast a growth rate of approximately 4 per cent in volume terms in 2013.

Trade

TABLE 12

Exports Value by Country, 2011

Exports	2010 €000	2011 €000	Change %	Share %
USA	20,761,200	21,448,700	3%	23%
Belgium	13,531,400	13,520,600	0%	15%
Great Britain	12,436,100	13,058,100	5%	14%
Germany	6,354,100	6,537,700	3%	7%
France	4,482,300	5,020,200	12%	5%
Switzerland	3,557,300	3,689,900	4%	4%
Netherlands	3,091,300	3,186,300	3%	3%
Spain	3,359,200	3,152,500	-6%	3%
Italy	2,709,100	3,086,600	14%	3%
China	2,494,200	2,488,100	0%	3%
Japan	1,754,200	1,776,200	1%	2%
Northern Ireland	1,315,700	1,408,900	7%	2%
Sweden	671,600	918,700	37%	1%
All Other	12,675,200	13,643,300	8%	15%
Total EU	51,583,000	53,771,300	4%	58%
of which Eurozone	35,111,900	36,123,300	3%	39%
Total	89,192,900	92,935,800	4%	100%

Source: CSO

TABLE 13

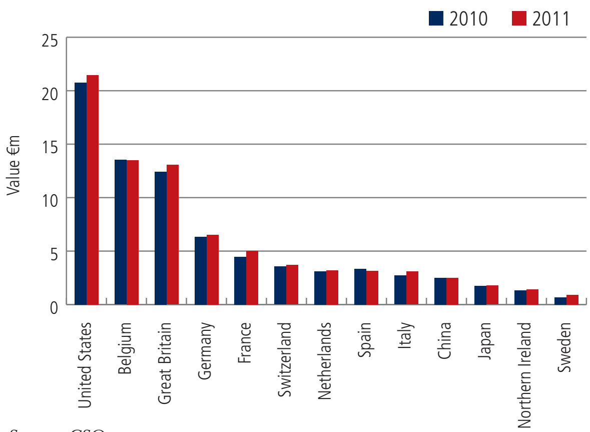
Imports Value by Country, 2011

Imports	2010 €000	2011 €000	Change %	Share %
Great Britain	13,823,100	15,619,400	13%	32%
USA	6,427,300	5,890,400	-8%	12%
Germany	3,493,400	3,721,500	7%	8%
China	2,755,700	2,706,000	-2%	6%
Netherlands	2,225,600	2,461,300	11%	5%
France	1,842,400	1,984,300	8%	4%
Belgium	1,083,600	1,169,900	8%	2%
Norway	1,291,100	1,164,800	-10%	2%
Northern Ireland	989,700	1,046,600	6%	2%
Japan	797,700	795,200	0%	2%
Italy	780,100	773,900	-1%	2%
Switzerland	846,900	760,100	-10%	2%
Spain	665,500	666,200	0%	1%
All Other	8,741,500	9,478,800	8%	20%
Total EU	27,862,200	30,368,000	7%	63%
of which Eurozone	11,018,300	11,736,500	7%	24%
Total	45,763,600	48,238,400	5.4%	100%

Source: CSO

GRAPH 12

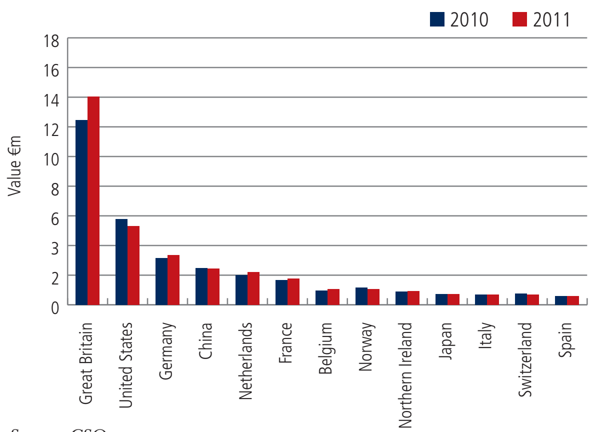
Export Value by Country, 2011



Source: CSO

GRAPH 13

Import Value by Country, 2011



Source: CSO

IRISH PORTS: BULK MARKETS

Our analysis covers the three bulk categories; liquid, dry and break. Total bulk volumes through Republic of Ireland ports increased by 1 per cent, to 26.5 million tonnes in 2011, although only the dry bulk sector recorded a rise in volume.

After a relatively strong start to 2011, the majority of ports witnessed a slowdown in bulk volumes in the second half of 2011 compared to 2010, with only three ports showing bulk volume growth in the fourth quarter of 2011. This decline can be mainly attributed to the global slowdown which affected demand in the domestic economy.

Dry bulk has continued to be the largest bulk segment at 52 per cent, compared to 44 per cent for liquid bulk and 3 per cent for break bulk. Bulk volumes in the Republic of Ireland are primarily accounted for by three ports which make up nearly 84 per cent of total bulk volumes. (Shannon Foynes 38%, Cork 26%, and Dublin 20%).

DRY BULK: In 2011, dry bulk volumes increased by 5 per cent through Republic of Ireland ports to 13.9 million tonnes. In January 2011 dry bulk volumes surged by 28 per cent compared to the same period in 2010, this was largely attributed to restocking and additional cargoes of salt ordered due to adverse weather conditions during that period. However, there was a notable slowdown in dry bulk volumes during the latter stages of 2011. This was particularly evident in the last quarter of the year as dry bulk volumes fell by 5 per cent year on year.

Shannon-Foynes recorded a significant volume increase of 9 per cent in 2011, which was only 3 per cent below the ports peak dry bulk figure of 9.1 million tonnes in 2005. This was primarily due to increased output at Aughinish Alumina.

The dry bulk market is mainly made up of agri-products, fertilizers, coal, aggregates and ore. Animal feed and fertilizer both recorded marginal volume decreases, while grain volumes remained stable as commodity prices reached record levels in 2011. Exports of scrap metal also increased due to continued strong global demand.

TABLE 14

Irish Port Traffic Summary Trends

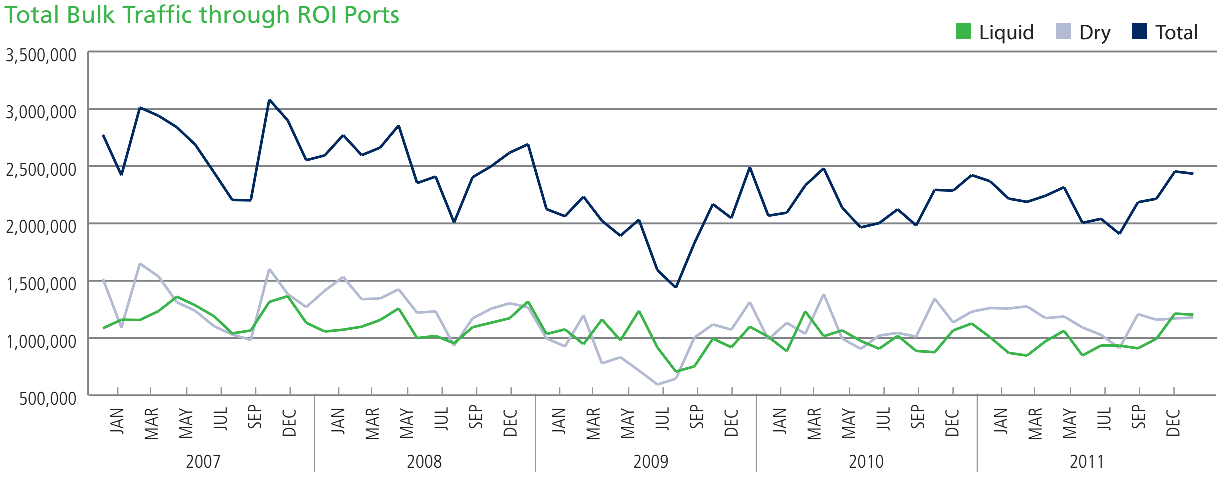
PORT	2011			TOTAL		
	Liquid	Dry	Break	2010	2011	% Ch
Bantry Bay	1,335,046	-	-	1,225,475	1,335,046	9%
Cork	5,127,530	1,459,796	321,508	7,042,950	6,908,834	-2%
Drogheda	23,451	379,130	109,700	497,778	512,281	3%
Dublin	3,619,731	1,635,187	85,210	5,331,934	5,340,128	0%
Dundalk *	-	48,933	9,737	140,747	58,670	-58%
Galway	487,672	56,460	8,379	671,375	552,511	-18%
Greenore	-	326,153	75,793	502,903	401,946	-20%
New Ross	45,404	303,227	7,926	443,983	356,557	-20%
Shannon Foynes	1,146,481	8,837,007	123,037	9,356,611	10,106,524	8%
Waterford	-	796,402	77,203	868,689	873,605	1%
Wicklow	-	68,806	29,715	88,620	98,521	11%
Total	**11,785,314**	**13,911,101**	**848,208**	**26,171,064**	**26,544,623**	**1%**
% Change 10/11	**-2%**	**5%**	**-3%**			

Source: IMDO

** Note: Only traffic data for the first half of 2011 was provided by Dundalk Port.*

GRAPH 14

Total Bulk Traffic through ROI Ports



Source: IMDO

IRISH PORTS: BULK MARKETS

LIQUID BULK: In 2011, liquid bulk volumes declined by 2 per cent to 11.8 million tonnes. To put this into context, liquid bulk volumes have declined by 20 per cent since 2005. However, liquid bulk has been the least volatile of the three bulk sectors. The main components of liquid bulk are petroleum and petroleum based products.

Petroleum demand slowed during 2011 with a majority of ports noticing a downturn in volume. This can mainly be attributed to the high petroleum prices and decisions by consumers nationally and internationally to reduce their dependence on this commodity.

The two largest liquid bulk ports, Dublin and Cork, recorded a moderate decline in volume during 2011. However, liquid volumes have remained relatively stable in the Port of Cork due to the continued flow of crude oil to Whitegate Oil Refinery while Dublin remains the primary fuel transport depot in the Republic. Bantry Bay recorded a substantial increase in liquid bulk volumes in the fourth quarter of 2011, as OPEC petroleum prices reached $107 in December 2011.

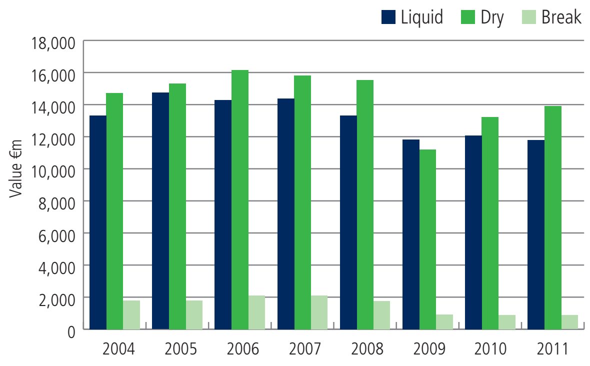
BREAK BULK: In 2011, break bulk volumes decreased by 3 per cent through Republic of Ireland ports to 848,208 tonnes. The first quarter of 2011 saw a 23 per cent increase in break bulk traffic year on year, with all main break bulk ports noting increases. In contrast, by the fourth quarter, this sector had witnessed the biggest decrease of all three bulk sectors as volumes declined by 17 per cent year on year.

Break bulk volumes are now 57 per cent lower than 2007 levels. However, there has been a marked slowdown in this volume reduction over the previous two years which would suggest the sector has levelled out.

Break bulk remains the smallest bulk component at 3 per cent of total bulk volumes with waste paper, machinery equipment and general project cargo making up the majority of break bulk cargo.

GRAPH 14A

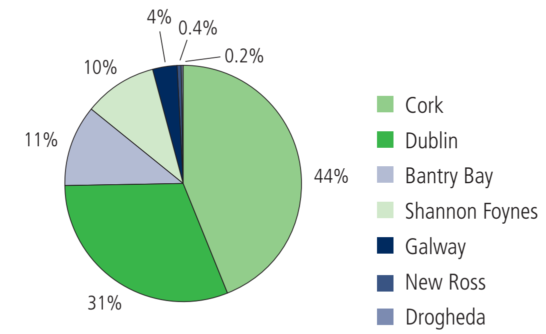
Bulk Traffic by Category 2003-2011



Source: IMDO

GRAPH 14B

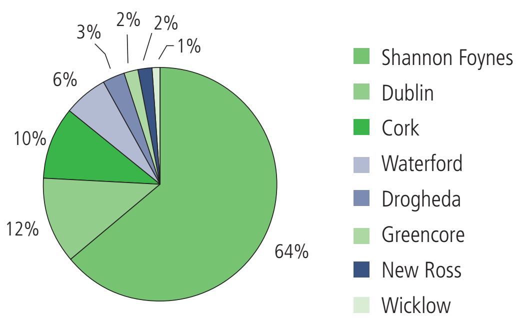
Market Share of Liquid Bulk Traffic 2011



Source: IMDO

GRAPH 14C

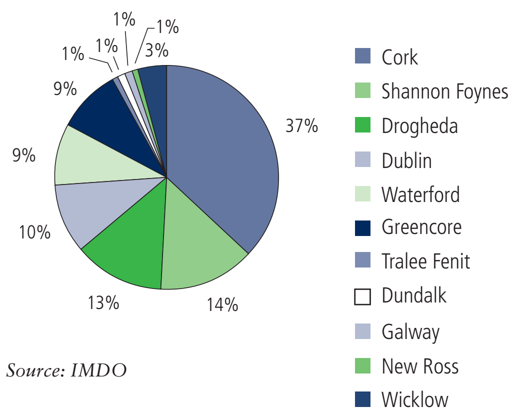
Market Share of Dry Bulk Traffic 2011



Source: IMDO

GRAPH 14D

Market Share of Break Bulk Traffic 2011



Source: IMDO

LIFT-ON/LIFT-OFF MARKET: PORTS

The prevailing economic uncertainties are clearly reflected in lift-on/lift-off (lo/lo) traffic volumes which initially saw container demand increase in the early stages of the year before faltering in the latter half of 2011, as underlying concerns about the pace of recovery in the domestic and global economy continued. Overall the sector recorded a 3 per cent volume decrease on 2010 levels to 977,539 TEU on an all island basis, which is the sector's fourth consecutive annual decline, albeit at a lower rate than in previous years. Our analysis noted a difference in performance between Republic of Ireland (ROI) traffic volumes which recorded a 4 per cent decrease while Northern Ireland (NI) volumes grew by 1 per cent. Most notably, export volumes through the ROI increased by 5% while exports from the North enjoyed an even stronger growth rate, increasing 12% year on year.

Laden export growth remained resilient for the majority of ports during 2011 but slowed towards the end of the year. Multinational presence in the pharmaceutical and chemical industries remain an important feature of export led growth, while there has been solid growth in traditional trades, such as agriculture, in recent years. Laden exports increased by 7 per cent on 2010 volumes, and 12 per cent since 2009. Laden imports declined again in 2011 by 4 per cent and have fallen by 11 per cent since 2009, further highlighting the dramatic decline in consumer & business spending over this period. This represents twenty consecutive quarters of negative import volume growth through ports in the Republic of Ireland. Import volumes through ROI ports in particular remained depressed, declining 5%, while NI traffic remained unchanged in 2011.

European container ports are forecasting a subdued 2012 as the euro-zone crisis is set to dampen box volumes, with industry analysts forecasting a growth rate of between 3 to 5 per cent.

Traffic

TABLE 15

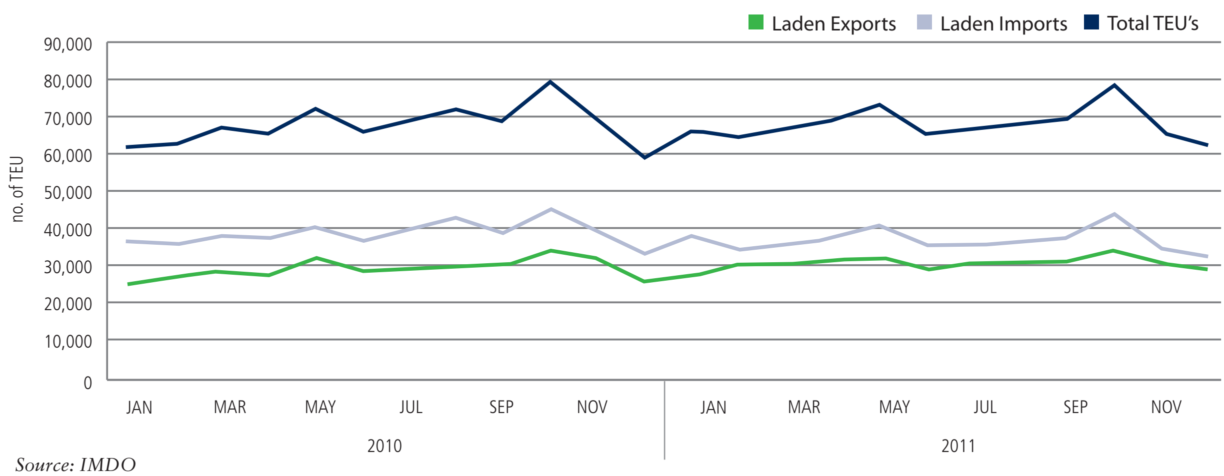
Container Port Traffic 2011

Port	Laden		Unladen		Total			
No. of TEU	2010	2011	2010	2011	2010	2011	% Change	% Share
Dublin	439,383	431,405	114,673	93,139	554,056	524,544	-5%	54%
Cork	122,164	133,816	25,370	22,853	147,534	156,669	6%	16%
Waterford	60,892	52,129	10,192	11,694	71,084	63,823	-10%	7%
Drogheda	103	184	–	–	103	184	79%	0%
Belfast	165,274	173,148	52,622	47,617	217,896	220,765	1%	23%
Warrenpoint	8,157	5,970	3,882	5,585	12,039	11,554	-4%	1%
TOTAL ROI	**622,542**	**617,534**	**150,235**	**127,686**	**772,777**	**745,220**	**-4%**	**76%**
TOTAL NI	**173,431**	**179,118**	**56,504**	**53,202**	**229,935**	**232,319**	**1%**	**24%**
TOTAL IRL	**795,973**	**796,652**	**206,739**	**180,888**	**1,002,712**	**977,539**	**-3%**	**100%**

Source: IMDO

GRAPH 15

Total Monthly Container Traffic through All Irish Ports 2010-2011



Source: IMDO

LIFT-ON/LIFT-OFF MARKET: OPERATORS

There has been continued consolidation in the container shipping industry as lines maintained various vessel sharing agreements. Vessel Sharing Agreements (VSA) are likely to remain a constant feature in 2012 as operators maintain their efforts to pool capacity on a number of shared routes linking Ireland, Great Britain and Continental Europe. The objective of VSA's is to ultimately reduce operating costs, increase vessel utilization and maintain service levels to overseas markets.

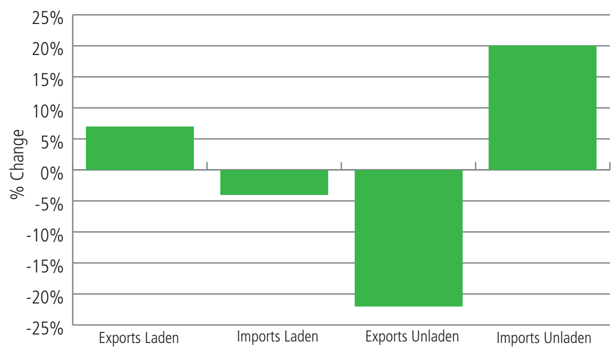
Lo-Lo volumes are now approximately 34 per cent lower than that of 2007. The contraction in market demand has seen volume concentration in ports with larger population centres, with three ports, Dublin, Cork and Belfast controlling over 92 per cent of the total market. The market distribution is split 76 per cent to 24 per cent between the ROI and NI. This is reflected in the change in the market dynamic of distribution and scheduling by operators.

Apart from rising fuel costs, equipment imbalances and empty container repositioning, there remains constant logistical and cost challenges. In 2007, Ireland had 329,000 surplus empty containers available due primarily to imports of building materials and significant volumes of household imports from Asia. This figure has fallen to 181,000 in 2011 which has meant shipping lines are being forced to import empty containers at a premium to service export demand. We estimate more than 57,000 empty containers were imported on all island basis in 2011, 18 per cent more in the ROI and 23 per cent more in NI.

The lo/lo market is made up of 13 operators. CLdN was the only new entrant to the market last year with no major lo/lo operator exiting the sector. The three largest VSAs, BG Freightline & Eucon, APL & Xpress, and DFDS & Samskip accounted for 70% of total market share. We estimate available container capacity remained in line with 2010 levels.

GRAPH 15A

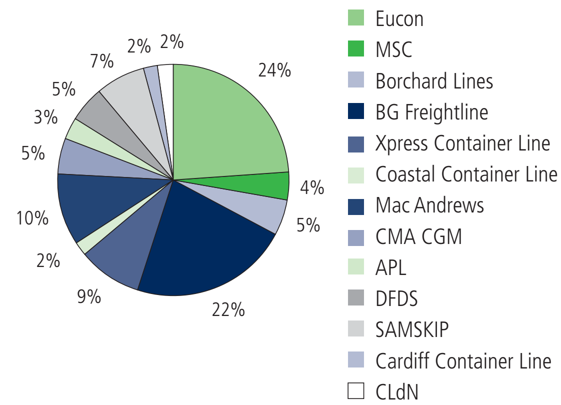
Performance of Container Imports and Exports, 2011



Source: IMDO

GRAPH 15B

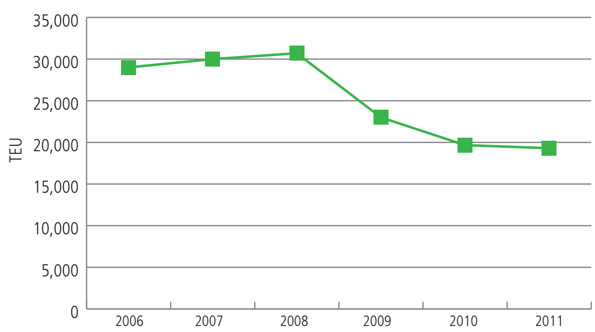
Estimated available capacity by carrier, 2011



Source: IMDO

GRAPH 15C

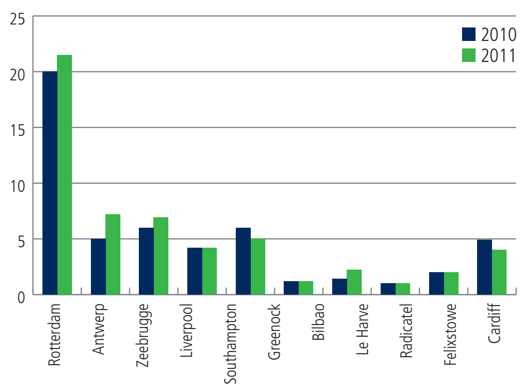
Estimated Weekly Capacity in the Irish Market



Source: IMDO

GRAPH 15D

Frequency of Services between Ireland and European ports



Source: IMDO

ROLL-ON/ROLL-OFF MARKET: PORTS

Roll-on/roll-off (ro/ro) traffic through All-Island ports remained relatively static in 2011, at 1,607,544 freight units. After a modest first quarter for the majority of ports, the remainder of 2011 saw neutral or declining quarterly volumes on an All-Island basis. Ro-Ro volumes have now declined by 10 per cent when compared to 2007 levels but remain higher than levels witnessed in 2009. Continued austerity programs in both Ireland and the United Kingdom affected disposable income which led to further downward pressure on freight volumes between the two nations as business sentiment, especially in Great Britain, remained weak. Great Britain accounts for 93 per cent of ro/ro volumes through Irish ports while the remainder is made up of Continental traffic.

Dublin Port accounted for 45 per cent of ro-ro traffic volumes on the Island of Ireland in 2011 as volumes remained on par with 2010 levels at 724,728 freight units. Cork, Belfast and Warrenpoint were the only ports to achieve volume growth during 2011 of 15, 14, and 7 per cent respectively, partly due to strategic restructuring by operator's of their routes and capacity. The North of Ireland accounted for over 47 per cent of all ro/ro freight from the Island of Ireland.

We estimate that traffic volumes on an All-Island basis to Great Britain declined by 1 per cent, with volumes from the Republic of Ireland declining by 2 per cent, while volumes remained unchanged from the North of Ireland. However, direct continental traffic volumes increased by 20% meaning overall traffic volumes remained unchanged in 2011. Driver unaccompanied traffic accounted for 58 per cent of freight volumes which has risen from 53 per cent in 2008, while accompanied traffic accounted for 42 per cent of traffic volumes, down from 47 per cent in 2008. This increase in unaccompanied traffic can be seen as an attempt by ro/ro users to reduce overhead costs and to minimize empty running of vehicles.

TABLE 16

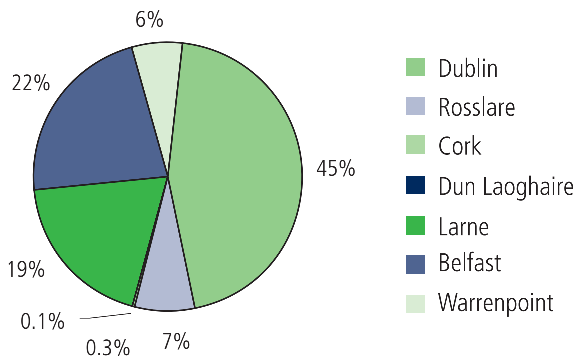
Roll-on/Roll-off Freight Traffic 2011

	Driver Accompanied			Unaccompanied			Total		
	2010	2011	% Ch	2010	2011	% Ch	2010	2011	% Ch
Dublin	298,456	296,530	-1%	426,841	428,198	0%	725,297	724,728	0%
Rosslare	66,604	66,531	0%	55,722	52,357	-6%	122,326	118,888	-3%
Cork	2,964	2,871	-3%	856	1,516	77%	3,820	4,387	15%
Dun Laoghaire	944	859	-9%	-	-	-	944	859	-9%
Total ROI	**368,968**	**366,791**	**-1%**	**483,419**	**482,071**	**0%**	**852,387**	**848,862**	**0%**
Larne	176,006	161,141	-8%	181,507	148,042	-18%	357,513	309,183	-14%
Belfast	111,013	125,003	13%	202,617	232,883	15%	313,630	357,886	14%
Warrenpoint	6,896	6,579	-5%	78,935	85,034	8%	85,831	91,613	7%
TOTAL NI	**293,915**	**292,723**	**0%**	**463,059**	**465,959**	**1%**	**756,974**	**758,682**	**0%**
TOTAL All-IRELAND	**662,883**	**659,514**	**-1%**	**946,478**	**948,030**	**0%**	**1,609,361**	**1,607,544**	**0%**

Source: IMDO

GRAPH 16

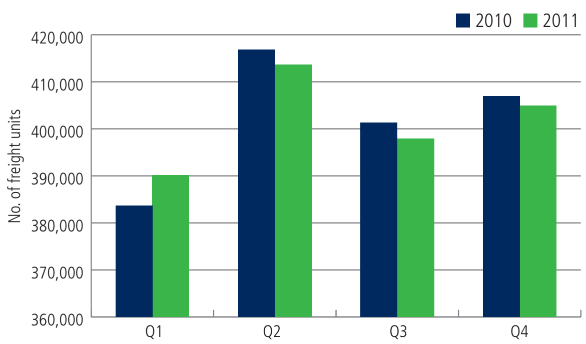
Market Share of Roll-on/Roll-off Traffic by Port 2011



Source: IMDO

GRAPH 16A

Quarterly Roll-on/Roll-off Freight Traffic



Source: IMDO

ROLL-ON/ROLL-OFF MARKET: OPERATORS

We segment our analysis of the distribution of ro/ro freight traffic over four corridors; Northern, Central, Southern and Continental. There were significant structural changes witnessed in 2011, as both DFDS and Fastnet Line exited the Irish market. DFDS had an estimated market share of 24 per cent of the All -Island market and 23 per cent of total volume from Dublin Port. As a result of DFDS exit, we estimate that all of the existing incumbent operators will have seen their overall market share increase despite the market remaining largely static.

On the Central Corridor both Seatruck and P&O responded to the exit by DFDS by introducing new capacity. Seatruck commenced a new freight only service on the Dublin-Heysham route in February 2011 which DFDS exited in January. P&O repositioned the "European Endeavour" onto the Dublin-Liverpool route, which meant three daily sailings. Overall despite capacity realignments, freight volumes through the Central Corridor declined by 2 per cent in 2011. Stena Line now dominates the Northern Corridor, with Belfast Harbour as its hub. It operated half of the eight freight routes out of Northern Ireland and over 38 per cent of all freight routes to Great Britain from the Island of Ireland by the end of 2011 due in part to the acquisition of DFDS northern routes. Freight volumes through the Northern Corridor remained unchanged in 2011. The Southern Corridor witnessed the exit of Fastnet Line towards the end of 2011, which did not impact significantly on capacity levels in this corridor due to low levels of freight units carried on this service. Operators from Rosslare to Great Britain saw a decrease from 2010 freight levels by approximately 4 per cent. Continental Corridor capacity continued to grow during 2011, with Celtic Link Ferries notably replacing the Norman Voyager with the Celtic Horizon resulting in 40 extra trailer spaces on the Rosslare-Cherbourg route. Continental traffic has grown considerably since 2009 by 238%, largely as a result of Colbelfret expanding its con-ro offering from Dublin-Zeebrugge-Rotterdam.

TABLE 17

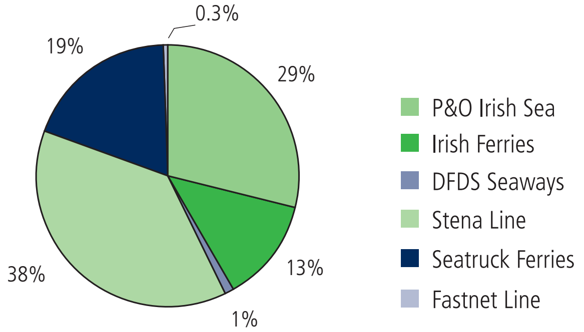
Roll-on/Roll-off Freight Traffic by Corridor 2011

Corridor	Accompanied			Unaccompanied			Total			
No. Freight Units	2010	2011	%Change	2010	2011	% Change	2010	2011	% Change	% Share
Northern	280,789	280,663	0%	470,186	473,975	1%	750,975	754,638	0%	46%
Central	323,002	318,810	-1%	342,715	330,663	-4%	665,717	649,473	-2%	42%
Southern	53,653	55,703	4%	44,180	39,670	-10%	97,833	95,373	-3%	6%
Continental	14,580	14,187	-3%	75,666	94,435	25%	90,246	108,622	20%	6%
TOTAL	**672,024**	**669,363**	**0%**	**932,747**	**938,743**	**1%**	**1,604,771**	**1,608,106**	**0%**	**100%**

Source: IMDO

GRAPH 17

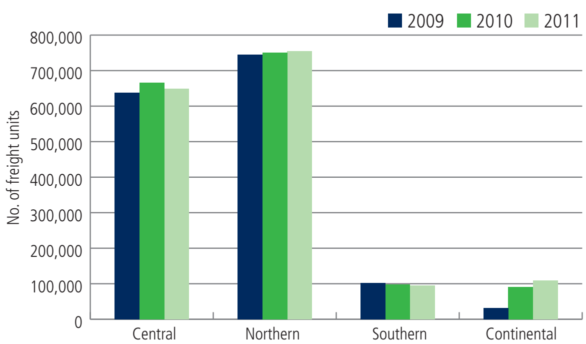
Market Share of Ireland-UK Roll-on/Roll-off Traffic 2011



Source: IMDO

GRAPH 17A

Ro/Ro Freight Traffic per Corridor



Source: IMDO

PASSENGER TRAFFIC

Passenger volumes on the Island of Ireland in 2011 declined by 6 per cent to 4.6 million while tourist car volumes showed a 4 per cent reduction compared to 2010 figures. This decline can be mainly attributed to the Icelandic ash cloud crisis in April 2010 which saw passenger numbers increase by 13% and meant an extra 150,000 passengers being accommodated. Passenger levels have also suffered from continued uncertainty in both the Irish and British economies, as general consumer confidence remained weak. However, Continental traffic remained strong in 2011, as French routes saw growth of approximately 6 per cent in passenger and 3 per cent in tourist car numbers.

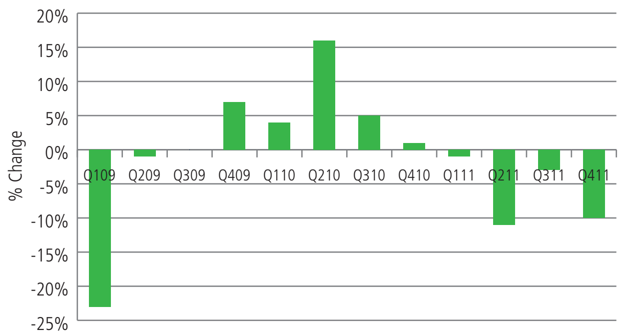
Fastnet Line, which was the only direct passenger link from Cork to the United Kingdom, entered examinership at the beginning of November 2011, meaning the immediate withdrawal of the service and subsequently ceased operations in February 2012. Stena Line reduced its Dun Laoghaire-Holyhead service to a seasonally operated route as the vast majority of revenue from the service was being generated during the summer period. Stena Line also acquired the Belfast-Birkenhead route from DFDS and opened a Belfast-Cairnryan route towards the end of 2011.

CRUISE SECTOR:

We estimate that there were 200 large cruise vessel calls to Ireland carrying 308,811 passenger and crew in 2011. The Cruise business has doubled the number of visitors in just over 7 years when there were 142 cruise calls to Irish ports in 2004 with 146,198 passengers and crew. The three largest cruise ports, Dublin, Cork, and Belfast accounted for over 85 per cent of all cruise passengers in 2011. Dublin Port recorded a 7.5 per cent increase in cruise passengers while the Port of Cork and Belfast Harbour saw passenger numbers remain relatively unchanged. Overall, the European cruise market grew to around 6 million passengers in 2011 with a growth rate of 10% recorded.

GRAPH 18

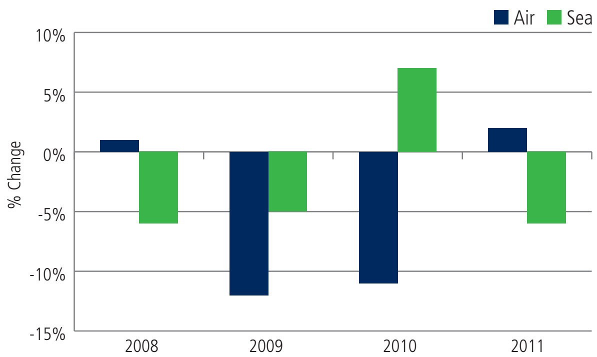
Quarterly Change in Passenger Traffic



Source: IMDO

GRAPH 18A

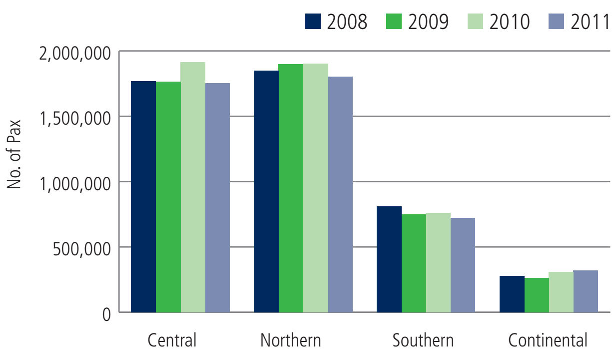
Quarterly Change in Air & Sea Passenger Traffic, 2008-11



Source: Failte Ireland

GRAPH 19

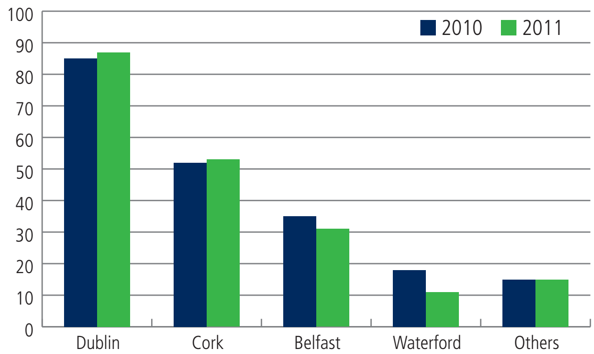
Passenger Traffic per Corridor, 2007-2011



Source: IMDO

GRAPH 20

Annual Change in Cruise Ship Calls



Source: Cruise Ireland

Global Market Review

TANKER MARKET

The tanker market faced another difficult year in 2011 with a global imbalance between supply and demand, higher fixed costs, and rising fuel prices which resulted in a sharp drop in rates and daily returns. The end of 2010 had shown some positive signs for the tanker market as rates increased but quickly lost momentum as weaker demand and oversupply of tonnage dragged the sector down in early 2011. Average tanker earnings for 2011 fell by 20 per cent. A telling sign for the health of the sector was evidenced by the Chapter 11 bankruptcies filed for by several owners, most notably General Maritime (Genmar) who have a very large modern fleet of tankers.

Within the tanker segments the VLCC market witnessed the largest decline with 1 year time charter rates for modern VLCCs falling by 37 per cent. February to March 2011 was the only period in which average VLCC rates experienced an increase. This was followed closely by the Modern Suezmax sector, for which the onset of June marked a sharp downturn in freight markets. Modern Aframax average spot earnings began to show signs of recovery in March, partly as a result of a high risk premium commanded by those owners willing to call at Libyan ports despite the onset of civil war in the country, however this was short lived. This overall decline in rates has been supplemented by the continued expansion of the tanker fleet. In 2011 the tanker fleet grew by 6 per cent or 26 million dwt, up from the 17 million dwt growth in 2010.

The global tanker fleet is projected to increase by 6.5 per cent year-on-year in 2012 to 511.4 million dwt. Asia is expected to remain the key driver of product tanker demand growth, reflecting its increasing dependence on oil products.

TABLE 21

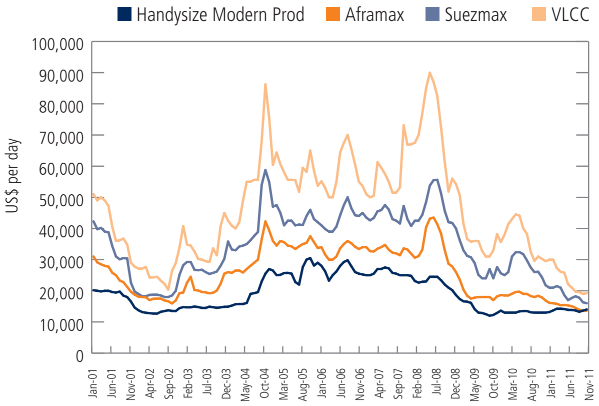
Tanker 1 Year Time Charter Rates

US $/Day	Handysize Modern Prod	Aframax	Suezmax	VLCC
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
Feb-11	13,000	16,875	21,750	29,500
Mar-11	13,188	16,125	21,000	30,000
Apr-11	13,700	16,000	21,000	30,000
May-11	14,250	15,812	21,500	27,250
Jun-11	14,250	15,375	21,000	26,125
Jul-11	14,150	15,450	18,600	25,800
Aug-11	13,875	15,312	17,000	22,125
Sep-11	13,850	15,050	17,700	21,000
Oct-11	13,688	14,500	18,250	19,750
Nov-11	13,250	13,938	17,750	19,562
Dec-11	13,650	13,600	16,300	19,000
Jan-12	14,000	13,625	16,000	19,250

Source: Clarksons

GRAPH 21

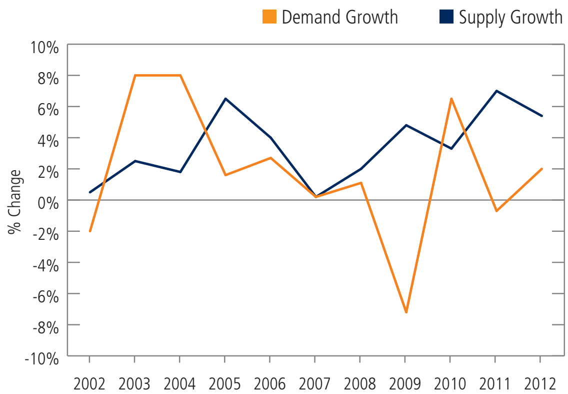
Tanker 1 Year Time Charter Rates



Source: Clarksons

GRAPH 21A

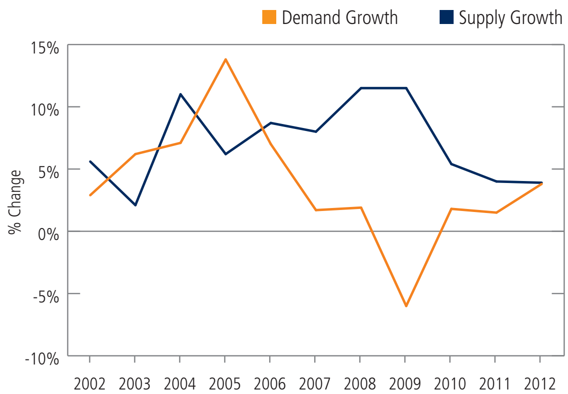
Demand Supply Dynamics: Crude Tankers



Source: Clarksons

GRAPH 21B

Demand Supply Dynamics: Product Tankers



Source: Clarksons

DRY BULK MARKET

The Baltic Dry Index (BDI) decreased by approximately 44 per cent in 2011. The BDI bottomed out at the beginning of 2011 (February) at 1,069 points, 60 per cent below the previous year's level, and peaked in October at 2,150 points. When compared with 2010 daily points, only one day in 248 saw positive index growth. The main reason was simply a massive oversupply of tonnage across most market segments coupled with cooling global demand conditions.

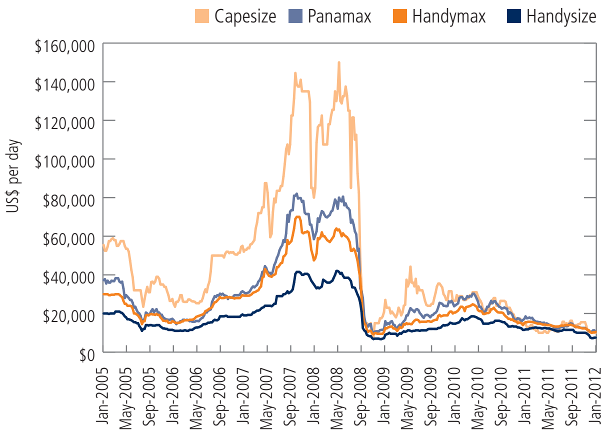
In 2011 one year time charter rates for Capesizes fell below Panamax rates in January, and by April fell below Handysize rates, consequently spending the next four months just above $10,000 per day. Overcapacity meant low rates prevailed for the majority of 2011, even though demand conditions improved for such commodities as steel. Throughout all classes the rate of decline for 2011 was significant, for Capesize (-50 per cent), Panamax (-40 per cent), Handymax (-32 per cent) and Handysize (-26 per cent).

The European shortsea bulk market, remained relatively flat in 2011. The pattern for the first half of 2011 was that every time the market looked like it was about to improve any momentum was quickly lost as uncertainty returned to the market. Demand did pick up slightly in the last quarter of 2011 as there was less spot tonnage available and freight rates increased.

The outlook for 2012 suggests a testing period for the larger dry bulk segments, since the beginning of 2011 the Baltic Dry Index has declined by 50 per cent, averaging 703 points for February 2012.

GRAPH 21C

Dry Bulk 1 Year Time Charter Rates



Source: Clarksons

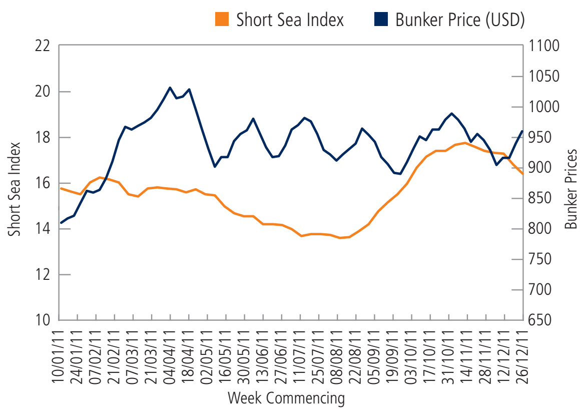
GRAPH 21D

Baltic Dry Index over 10 Year Period

Source: Clarksons

GRAPH 21E

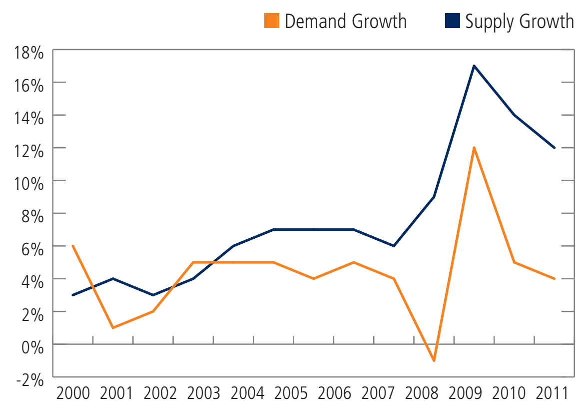
Shortsea Index



Source: H.C. Shipping & Chartering

GRAPH 21F

Demand - Supply Dynamics: Dry Bulk



Source: Clarksons

CONTAINERSHIP CHARTER MARKET

After one of the most remarkable comebacks in shipping history in 2010, the global container market again found itself dealing with adverse market conditions, as volumes on long haul routes stagnated and new building capacity continued to rise. Surprisingly time charter rates continued their year-on-year rise over the first half of 2011. From January to April 2011 rates maintained their upward trend, with Handymax 6 to 12 month time charter rates experiencing the most pronounced monthly increases, 30 per cent over the period. Part of this increase can be attributed to the slow steaming strategies being pursued by operators consequently absorbing more mile/teus.

Slow steaming is now being reported on almost all long haul routes, with Extra Slow Steaming mode currently absorbing 750,000 teu or 4.9 per cent of the total containership fleet. In early 2011 the idle fleet reached a low of 100,000 teu but subsequently rose as freight and charter rates weakened and boxship owners and operators found it harder to deploy their vessels. It is estimated that by the end of February 2012 the idle containership fleet stood at 840,000 teu, an increase of 5.4 percent of total slot capacity.

The cellular fleet grew by 7.9 per cent in 2011, with deliveries of 127 units accounting for 1.23 Mteu. The Top 20 carrier's combined share of capacity grew to 84.2 per cent from 83.1 per cent in January 2011. Their capacity has increased by 8.7 per cent over the last twelve months, with APM-Maersk leading the way in terms of fleet growth. The top three containership operators maintained their respective positions in terms of total teu in 2011. The overall cellular fleet is expected to expand by 8.3 and 11 per cent in 2012 and 2013.

TABLE 22

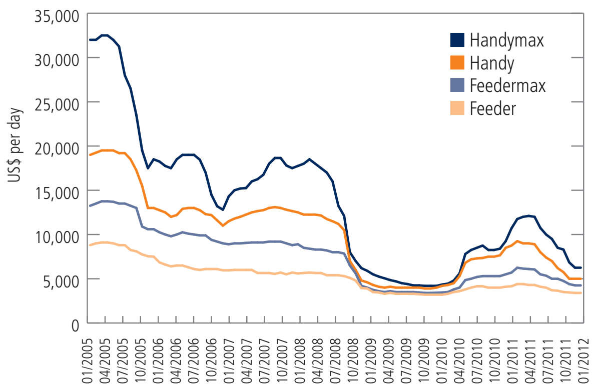
Containership One Year Time Charter Rates

US $ Daily Rate	Feeder 350 TEU	Feedmax 725 TEU	Handysize 1000 TEU	Handymax 1700 TEU
Jan-11	4,100	5,500	8,500	9,250
Feb-11	4,150	5,700	8,750	10,700
Mar-11	4,400	6,250	9,250	11,750
Apr-11	4,400	6,150	9,000	12,000
May-11	4,300	6,100	9,000	12,100
Jun-11	4,300	6,050	8,900	12,000
Jul-11	4,100	5,500	8,000	10,750
Aug-11	4,000	5,350	7,400	10,000
Sep-11	3,700	5,000	7,000	9,500
Oct-11	3,650	5,000	6,200	8,500
Nov-11	3,500	4,750	5,750	8,300
Dec-11	3,450	4,400	5,000	6,850
Jan-12	3,400	4,250	5,000	6,250
Feb-12	3,450	4,250	5,200	6,250

Source: Clarksons

GRAPH 22

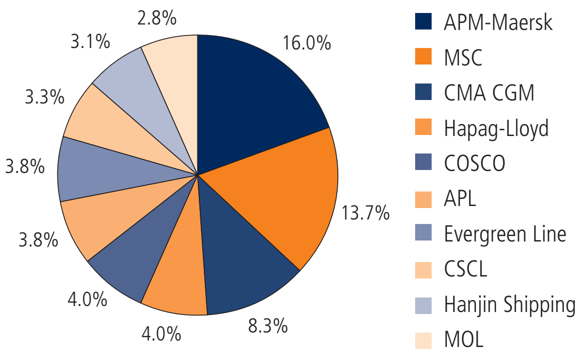
Container One Year Time Charter Rates



Source: Clarksons

GRAPH 23

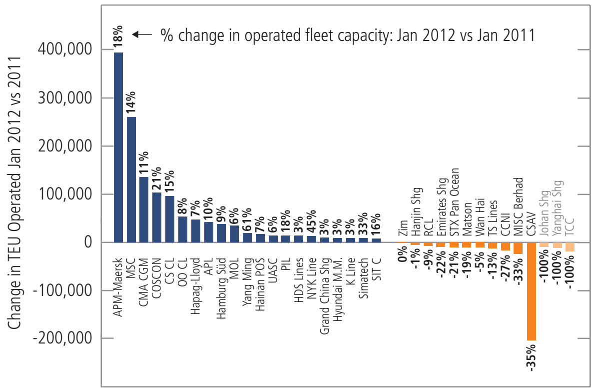
Top 10 Containership Operators by TEU 2011



Source: Alphaliner

GRAPH 24

Top Carriers – Change in Capacity operated Jan 2012 vs Jan 2011



Source: Alphaliner

DEEP SEA CONTAINER TRADES AND FREIGHT RATES

Compared to 2010 global container trade growth was weaker in 2011, at 7.9 per cent. As opposed to the evenly spread growth seen in 2010, there was a division between mainlane trade (growing by 4 per cent), non-mainlane (circa 11 per cent) and intra-regional trades 9 per cent. Weaker demand from Europe and the USA on the key head-haul routes ex Asia can be expected to have affected deep sea trade growth which was largely steadied by demand from emerging economies in 2011.

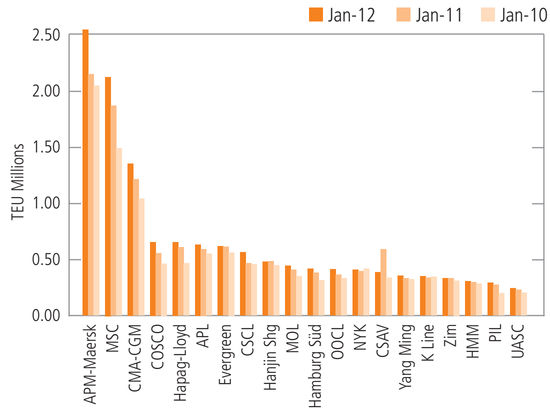
Since the beginning of 2012 carriers have succeeded to some extent in restoring freight rates and by March the Shanghai Containerized Freight Index eclipsed 2011 peaks. Nonetheless spot rates on key Asia-Europe routes have fallen by an average of 40 per cent during the course of 2011, reaching a level of about $1000 according to the SCFI in December compared to highs of $4500 in April 2010.

The major events of the year occurred on the Asia-Europe tradelane. By the third quarter of 2011 net freight rates per TEU on the trade-lane had turned negative. In response Maersk reacted by announcing the "Daily Maersk" on the Asia-Europe tradelane in November 2011 which promised guaranteed transportation times. This triggered a wave of new alliances in response. MSC and CMA CGM, the world's second and third largest carriers, announced a partnership on a number of trade-lanes. Subsequently, New World and Grand Alliances formed the G6 alliance.

Another trend emerging on the Asia-Europe tradelane is the deployment of 10,000+ TEU vessels and the subsequent cascading down to other tradelanes. It is expected that of the additional 1.47Mteu (8.2 per cent) of containership capacity to be delivered in 2012, 49 per cent will be contributed by ships of greater than 10,000 teu.

GRAPH 25

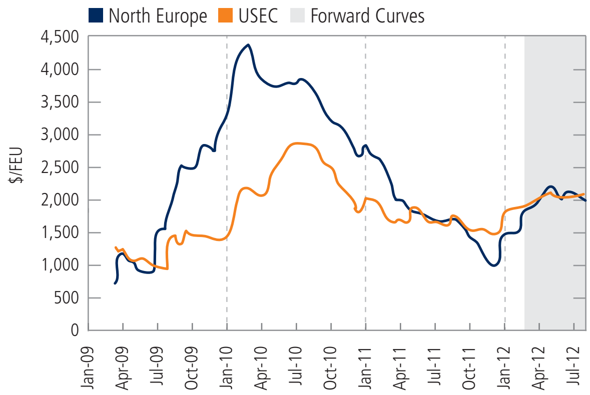
Capacity Gains and Losses: Jan 2012 v Jan 2011



Source: Alphaliner

GRAPH 26

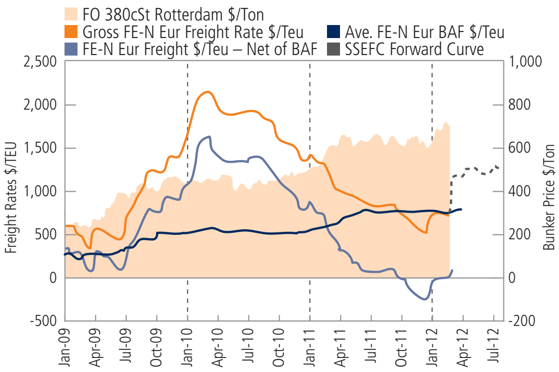
SCFI Freight Rates



Source: Alphaliner

GRAPH 27

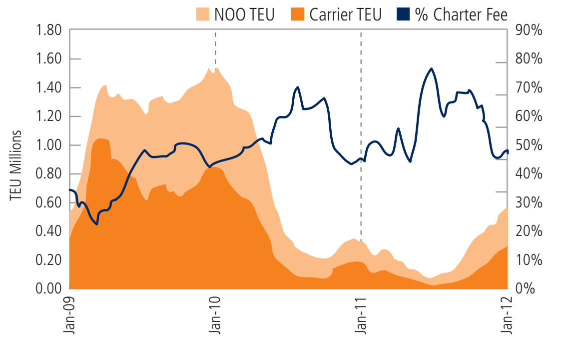
Far East – North Europe: Freight Rates and Bunker Price 2009-2012



Source: Alphaliner

GRAPH 28

Idle Fleet Breakdown by Non–Operating Owner/Carrier



Source: Alphaliner

NEWBUILDING MARKET

CONTAINER FLEET: The total containership fleet continued to grow in 2011.For the twelve months of 2011 the fleet expanded by 7.9 per cent, adding 1,230,000 teu. In the second half of 2011 the negative growth in orderbooks that proceeded was halted and by November growth rates peaked at 16 per cent, an increase of 624,574 teu from the same period in 2010. It is also worth noting that 67% of the capacity projected to be delivered in 2012 is through 8,000+ teu ships, as carriers look to take advantage of greater economies of scale.

RO/RO FLEET: The ro-ro fleet continued its decline in 2011. The fleet contracted by 1.1 per cent from 2010, a 100,000 dwt reduction. The most significant decline was experienced by the 2,000-4,999 dwt ro-ro fleet, dropping 7 per cent or 70,000 dwt, this segment accounts for almost 10 per cent of the ro-ro fleet. Ro-ro future orderbooks are set to decline by 51 per cent in 2012, the majority of orders are coming from the 15,000+ dwt range in 2012 (50 per cent) and 2013 (63 per cent).

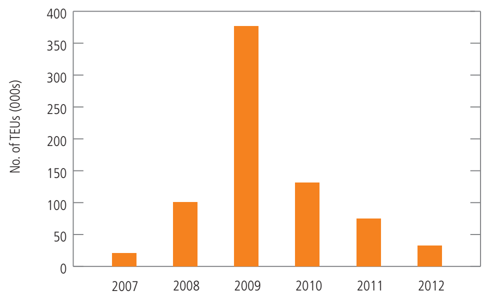
DRY BULK FLEET: The bulkcarrier fleet grew by 13 per cent in 2011, compared to 16 per cent in 2010. In 2011 the dry bulk orderbook constituted 33 per cent of the fleet, with Capesize (100,000+ dwt) making up the largest proportion of orders. The Bulkcarrier fleet has continued to expand into 2012, reaching over 9,000 vessels and predicted to top 10,000 by years-end. Counterbalancing the newbuilding deliveries is a continuous stream of demolition sales, with at least 58 bulk carriers with a total capacity of 2.8m dwt understood to have been sold for scrap so far in early 2012.

TANKER FLEET: The tanker fleet grew in 2011, expanding by 6 per cent. Accordingly, a more aggressive pace of tanker demolition sales remains key to a sustainable recovery. Although an observable progression into double hull demolition sales has materialized in the latter part of 2011, the pace of demolition sales remains far below levels which are consider to be a positive development. It has been noted that supply growth remains at least two years ahead of demand growth as a wave of deliveries continues to hamper positive earnings progression.

Market

GRAPH 29

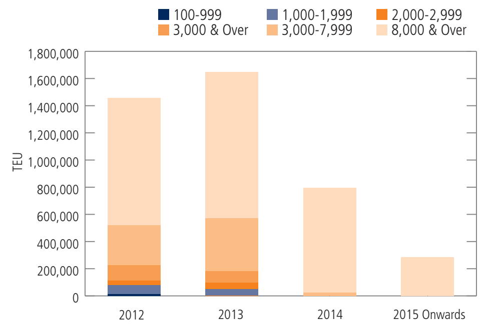
Container Scrappage TEU



Source: Clarksons

GRAPH 29A

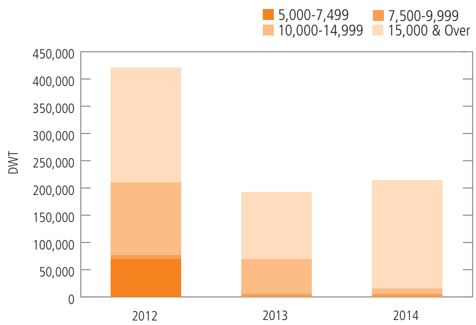
World Cellular Fleet Orders by Size Range



Source: Clarksons

GRAPH 29B

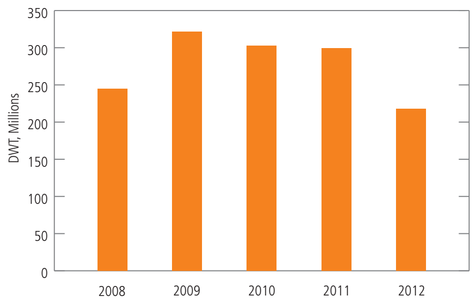
Ro/Ro Orderbook



Source: Clarksons

GRAPH 30

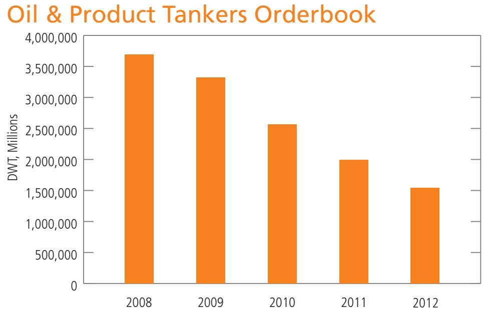
Bulk Carrier Orderbook



Source: Clarksons

GRAPH 31

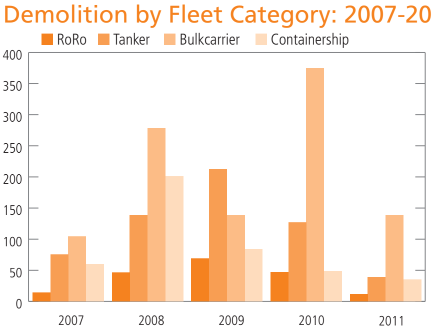
Oil & Product Tankers Orderbook



Source: Clarksons

GRAPH 32

Demolition by Fleet Category: 2007-2011



Source: Clarksons

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.

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.

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

P&O Irish Sea Ferries

Seatruck Ferries

Stena Line

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