2003 – 2013

The Irish Maritime Transport Economist

VOLUME 10
April, 2013

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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, Marcus Spray, Blake Richardson

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Contents

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

I am very pleased to mark this, the 10th annual publication of the Irish Maritime Transport Economist. This year's milestone edition represents a decade of solid statistical analysis by the Irish Maritime Development Office (IMDO). The publication has continued to provide a valuable descriptive statistical analysis both to industry and Government on the dynamic relationship between our ports, the shipping sector and the Irish economy.

Since I became Minister for Transport, Tourism and Sport, I have continually advocated the important role that our ports play in supporting our domestic economy. The previous port policy did not recognise the diversity in the roles and functions of our ports. As can be seen in this latest trade review, there is a clear hierarchy in our ports in terms of size and scale of their business, but also the types of cargoes and vessels handled by them. As a result in March this year, I announced a radical overhaul of our State commercial ports to provide clarity to the sector, boost exports, create jobs and further promote tourism. The new National Ports Policy represents an important change in approach towards the Government's management of these important assets and provides an overarching vision for the future development of the sector.

The core objective of the National Ports Policy is to facilitate a competitive and effective market for maritime transport services. The Policy categorises the ports sector into –

- *Ports of National Significance (Tier 1): Dublin Port Company, the Port of Cork Company and Shannon Foynes Port Company.*
- *Ports of National Significance (Tier 2): The Port of Waterford Company and Rosslare Europort.*
- *Ports of Regional Significance for development principally in regional freight, leisure, recreation, tourism and/or aquaculture facilities.*

The Government expects the Ports of National Significance (Tier 1) to lead the response of the State commercial ports sector to any future national port capacity requirements. There is also a role in this regard for the two Ports of National Significance (Tier 2) to develop additional capacity to aid competitive conditions within the unitised sectors (Lift On/Lift Off and Roll On/Roll Off) in particular. The importance of the five other State commercial port companies is recognised by their designation as Ports of Regional Significance and they will continue to act as important regional freight distribution hubs and also importantly marine and tourism centres.

I also wish to acknowledge the valuable contribution that has been made by the IMDO in developing the current Ports Policy through their close work with the officials from my Department. The new policy also recognises the important role that they will continue to make in the future evolution of this policy.

Finally, this year's publication clearly articulates the challenging business environment our maritime transport sector faces, but importantly also makes the point that the worst of the economic storm appears to have passed and that we are now transitioning on a course towards more sustainable economic growth. I wish all in the maritime transport sector continued good fortune for the year ahead and encourage you to make best use of the important market data provided through this bulletin.

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

Glenn Murphy
DIRECTOR

Key Indicators:
GDP: +0.9%
GNP: +3.4%
Inflation: +1.7%
Merchandise Exports: +1%
Merchandise Imports: + 1.5%

Shipping and its well-documented history, plays a central part in the global economy, giving maritime economists a unique perspective on the evolution of the industry's economic mechanisms and multiple markets. Compared to aeons of shipping history, the publication of our 10th annual Irish Maritime Transport Economist (IMTE) seems like a mere drop in the ocean. Nonetheless, it is an important milestone for us and it marks a remarkable decade, during which we have witnessed one of the biggest global economic booms followed by possibly the largest crash in the history of shipping markets.

As I reflect on our first IMTE in 2004, a well known saying comes to mind, "The further backward I look the further forward I can see". When we began preparing the first journal, there was a dearth of relevant data on Irish Ports and shipping markets. The data that existed was largely out of date, lacked any structure or categorisation, and poorly articulated the role and relationship between our maritime and domestic economy. 10 years on, we have a strong shipping repository and a wide range of market statistics by port, mode and sector from which we have continued to add value year on year. Importantly, we use this analysis to inform both the Government and the private sector, with respect to important policy and investment decisions, as well as market reports that we also publish. This year, we have continued the evolution of our data with the launch of the new iShip Index. The iShip Index is a quarterly weighted indicator which gauges the health of the Irish shipping industry and the wider economy. We feel that in the future it will become a leading indicator used to predict the state of the domestic economy.

As previously anticipated, 2012 turned out to be another challenging year for the Irish ports and shipping sector, with markets remaining broadly flat and growth limited to a small number of commodities in the bulk sector. This lacklustre performance was almost a mirror image of the subdued domestic economy, where Gross Domestic Product (GDP) expanded by less than 1%. One note of concern was the slowdown of the export sector, something we witnessed in our 3rd quarter review of 2011- this trend persisted over the course of 2012 before turning negative in the second quarter of the year. Imports in the headline container trades also remained negative, despite the rate of decline easing to its lowest level since 2007.

The Irish economy, while flat, still performed better than most of our European partners, with the Eurozone bloc contracting by 0.6%. The ongoing fiscal and monetary crisis, not only persisted, but also appeared to deepen towards the midpoint of the year. Further concerns about the global economy, in particular the slowing of GDP growth in China, also undermined optimism in shipping markets. This negative sentiment partly contributed to weaker export volumes from Ireland last year. Inflation, as measured by the Consumer Price Index (CPI) in Ireland, averaged 1.7% compared to 2.6% in 2011. This increase, although less than the previous year can again be largely attributed to rising oil prices. The European Central Bank lowered its headline interest rates for a 4th consecutive year by 25 basis points to a new record low of 0.75% in response to deteriorating economic conditions and ongoing issues with the Euro. Ireland made an active return to the bond markets in 2012 as market confidence in the Irish economic recovery grew. At the time of writing, Irish 10-year bond yields had dropped to their lowest levels since March 2007.

One thing that we have proven over the past decade is the symmetry between the maritime economy and the real Irish economy. While not an absolute indicator in its own right, the shipping data gives us a strong impression of changes in the domestic economy; about patterns of consumption behaviour; and also indigenous export output. This close relationship is unsurprising as the Irish economy is one of the most 'open' in the world and the global economy generates most of the demand for sea transportation, through either the import of raw materials for manufacturing industry or for the trade of finished products. Shipping, trade and economic development all go hand in hand.

Unsurprisingly, given the subdued macroeconomic environment, shipping volumes were largely flat over the course of 2012. As previously mentioned the only uplift observed was via growth in dry bulk markets and if we exclude oil transhipment volumes, it results in only one of the six principal domestic shipping segments having any tangible growth

Key Indicators:
Bulk Traffic: +10%
Lo/Lo Traffic: -3%
Ro/Ro Traffic: -2%
Passenger Traffic: -4%
iShip Index: +1%

last year. However, our new iShip Index indicates that there was some volume uplift occurring in the market over the fourth quarter of the year. Operators in Irish container and ro/ro markets continued to consolidate capacity, with vessel sharing agreements prevailing in lo/lo markets. We estimate that export volumes fell by 2% last year, the first decline since 2010. Imports also declined but the rate has eased considerably over the past two years. The UK, our largest trading partner, remained in recession in 2012, resulting in weaker demand for the main ro/ro operators serving these markets. The main bright spot was the better than expected performance of the dry bulk trades that were buoyed by strong input demands from the agricultural sector. The outlook for 2013 remains broadly similar to 2012 and we expect most markets to remain relatively flat.

The IMTE has over the years also focused on the macroeconomic structure of the global shipping market. We report on the changes in the market cycles, the forces that drive them and the realities of the commercial environment that the shipping industry operates in. The shipping industry continues to grapple with the excesses of the last great shipping boom, with most markets significantly oversupplied with tonnage, resulting in a fall in freight and charter rates. There has been much discussion recently about "huge increases" in freight rates, particularly the container industry, however commentary highlighting these points at times appears to be selective. Undoubtedly there is currently significant volatility in this market segment and as such we are seeing large swings in rates both upwards and downwards. Therefore it can be difficult to determine at times whether it is a "rate increase" or an attempt at rate restoration? In many cases, shipping freight rates in real terms are lower now than a decade ago, whereas the cost of both operating and building a ship has risen markedly. Over the past 10 years, we have seen the price of oil, which accounts for as much as 60% of an owner's daily operating expenses, rise by 286%. One thing is for certain, shipping is and will continue to be a relationship business. Shippers and shipowners both need each other and if today we are operating in a truly liberal and perfectly competitive market then all things being equal the market should always find its natural level.

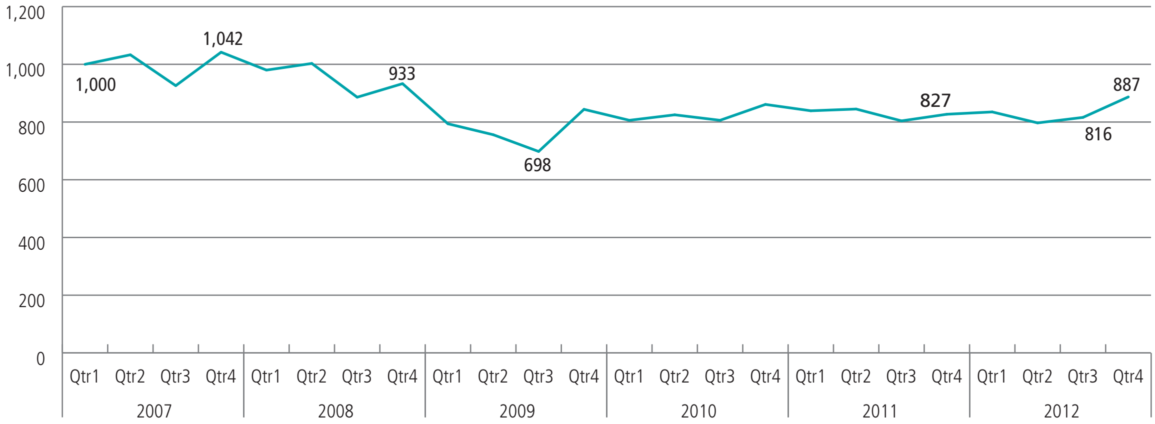
There was a real sense of déjà vu writing this year's report as we reflected on some of the trends observed over the past decade. Almost all six of the principal Irish shipping segments ended 2012 at similar volumes to those in 2003. During this period we have seen Irish volumes reach record highs in 2007 only to be followed by a major crash in 2009. So what have we learnt during this first decade in writing the IMTE that 5000 years of shipping has perhaps not already told us? Firstly, shipping has played an important role in the development and expansion of the Irish and global economy and will continue to do so in the future. Secondly, shipping thrives during periods of global political stability when the world is prosperous and performing well. Our business is an industry inextricably linked with the world economy, exploring and exploiting the ebbs and flows. The ships, the technology and the customers might change, but the basic principles of maritime commerce seem undisputable and the fundamental principles remain: in that it this is an industry driven by the laws of supply and demand.

Over the years we have had fantastic support in preparing the IMTE from the Irish ports & shipping industry and also from our colleagues at the various Government departments, far too many individuals to mention. Similarly, we have had a lot of people working with the IMDO in the past that have also made a very valuable contribution to the publication who I would also like to thank, particularly Fergal Curtin, who has coordinated this year's milestone publication. Finally, I would like to thank the many readers who provide us with such positive feedback and encouragement each year. Thank you.

Glenn Murphy
DIRECTOR

SHIPPING INDEX

iShip Index: 2007-2012



Source: IMDO

iSHIP INDEX

The inaugural iShip Index is a quarterly weighted indicator which gauges the health of the Irish shipping industry and the wider economy. The index is comprised of five separate indices, representing the main maritime traffic categories moving through ports in the Republic of Ireland: *Lo-Lo, Ro-Ro, Dry Bulk, Liquid Bulk & Break Bulk*. As all three bulk segments are traditionally measured in tonnage, Lo-Lo and Ro-Ro traffic have been converted into tonnage terms, whereby 1 TEU = 10 tonnes and 1 Freight Unit = 14 tonnes, enabling the index to be built from a common denominator. The base period is Quarter 1 2007 at which all indices equal 1000.

The iShip Index has crept up over the past three years after a steep fall-off in the latter half of 2008 and early 2009 when weak domestic and international macro conditions severely impacted demand. The overall shipping decline was precipitated by a slump in the *Break Index* as the slowdown in the construction industry foreshadowed a deeper economic malaise. The iShip Index's eventual bottoming out in the third quarter of 2009 was reflected by record lows in the *Dry* and *Liquid* Indices, exacerbated by reduced output at the Aughinish alumina plant. Following a rebound in 2010, shipping activity was largely flat in 2011 as a decline in liquid bulk negated continued dry bulk improvements.

Looking over the course of 2012, after a lull in the first half of the year, the iShip Index witnessed two consecutive quarterly rises, buoyed by gains in the *Dry* Index as animal feed volumes increased, while a strong final quarter in both the *Liquid* and *Break* Indices ensured further upward pressure. In spite of this, the *Ro-Ro* and *Lo-Lo* Indices muzzled growth with trade largely flat during the year as domestic demand remained subdued in both the Irish and UK economies. Annually, the iShip Index indicates a gain in overall shipping activity, up 1% from 2011.

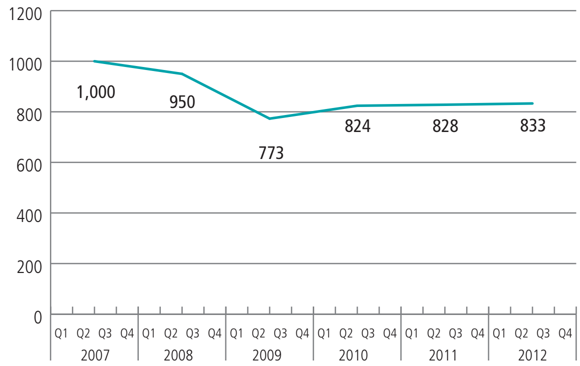
Focusing on the last quarter of 2012, the latest quarterly reading of the iShip Index reveals a figure of 887 following gains in bulk traffic. Although 11% lower than the base reading, and 15% below the peak recorded in Quarter 4 2007 (1042), this represents a substantial turnaround from the trough experienced in the third quarter of 2009 (698), mirroring the steady improvement in the national economy. Furthermore, the Quarter 4 reading increased on both an annual and quarterly basis by 7% and 9% respectively, representing the highest point recorded since the last quarter of 2008.

Note 1: Please see technical note at the back of the publication.

Developed by Marcus Spray (IMDO) and Blake Richardson (IMDO)

GRAPH A

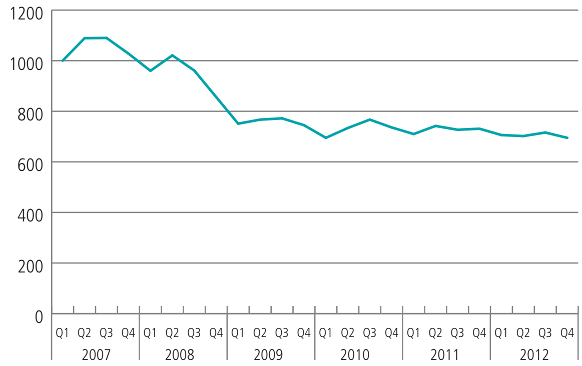
Annual iShip Index



Source: IMDO

GRAPH B

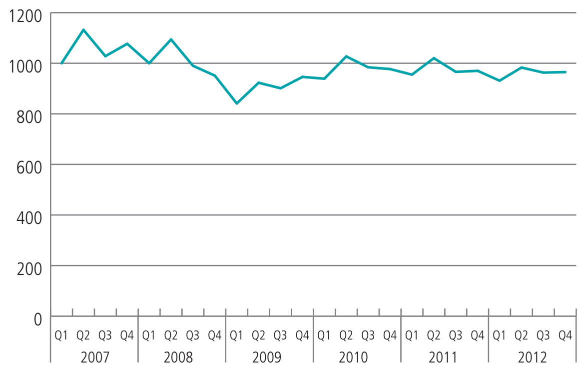
Lo-Lo Index



Source: IMDO

GRAPH C

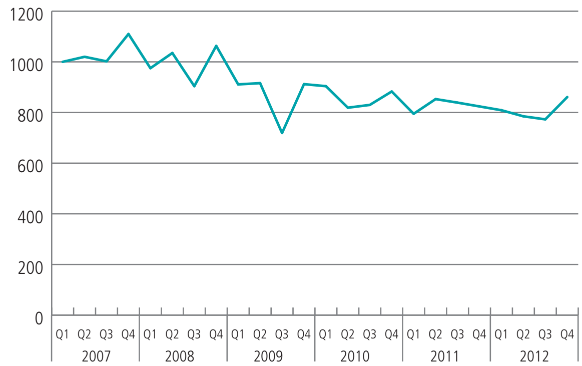
Ro-Ro Index



Source: IMDO

GRAPH D

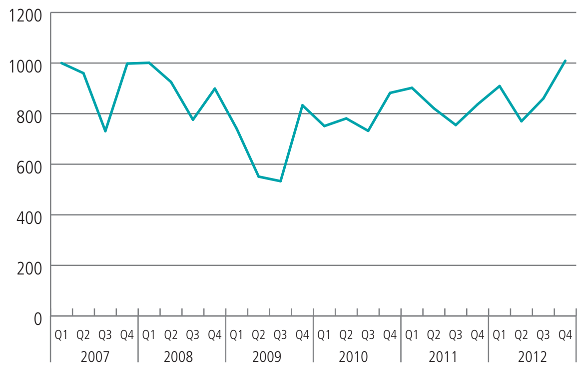
Liquid Bulk Index



Source: IMDO

GRAPH E

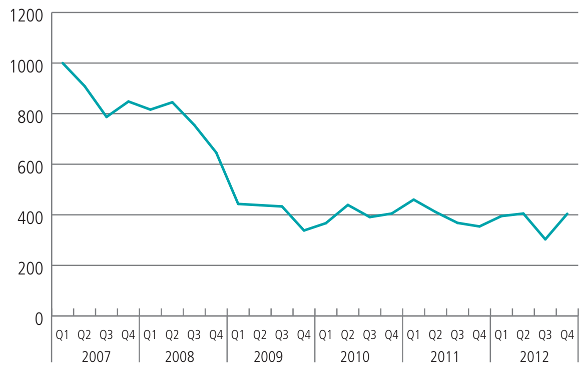
Dry Bulk Index



Source: IMDO

GRAPH F

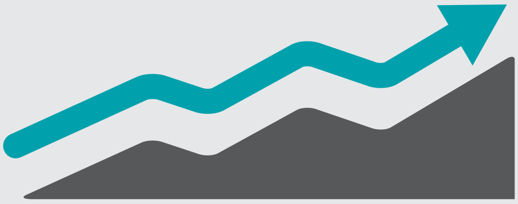
Break Bulk Index



Source: IMDO

10 YEARS AT A GLANCE

IRISH TRADE SURPLUS HAS INCREASED FROM



€34 BILLION to €43 BILLION SINCE 2003

MERCHANDISE VALUE EXPORTS TO CHINA FROM IRELAND

↑ 270%

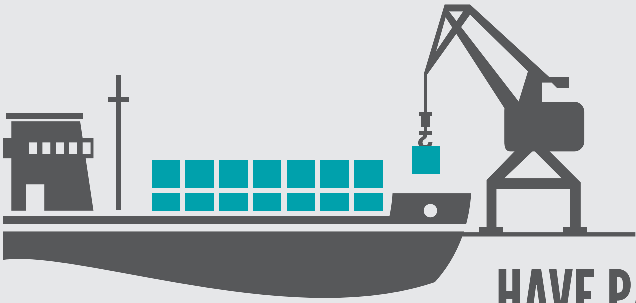
HAVE ALMOST TRIPLED OVER THE PAST TEN YEARS.

↑ 42% = 9.5 BILLION TONNES

WORLD SEABORNE TRADE HAS INCREASED BY 42% IN THE LAST TEN YEARS TO 9.5 BILLION TONNES

OVER THE PAST 10 YEARS OIL PRICES PER BARREL HAVE INCREASED

286% FROM $29 TO $112



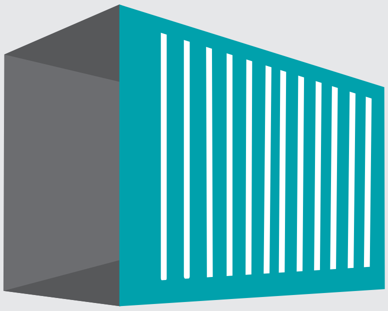
484 MILLION FREIGHT TONNES

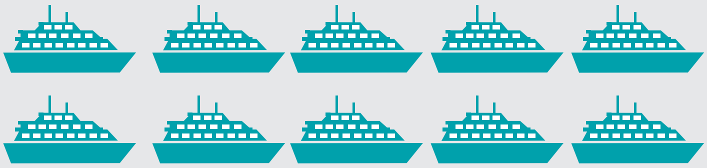
HAVE PASSED THROUGH PORTS

IN THE REPUBLIC OF IRELAND IN THE LAST TEN YEARS

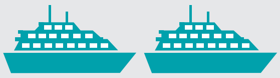
11.7 MILLION

"TWENTY FOOT" CONTAINERS HAVE PASSED THROUGH PORTS IN THE ISLAND OF IRELAND SINCE 2003





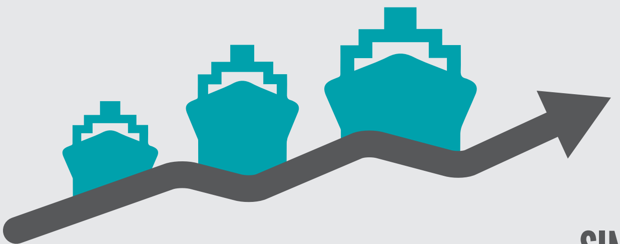
CRUISE VESSEL



NUMBERS VISITING IRELAND ANNUALLY HAVE INCREASED FROM 127 TO 229 IN THE LAST DECADE

229 IN 2012

8,000+ TEU CONTAINERSHIP



ORDERBOOK HAS INCREASED ELEVEN FOLD SINCE 2003

Economic Review

NATIONAL ACCOUNTS

Irish Gross Domestic Product [GDP] increased by 0.9% in 2012, the second successive year of growth following three years of decline during 2008 to 2010. Software, transport and distribution witnessed the strongest growth, rising by 3.1%, while agriculture, forestry and fisheries declined by 10%. Gross National Product [GNP], a measure which factors in repatriated income, showed an increase of 3.4% in 2012. On a wider scale, Ireland continues to post strong economic figures in comparison to fellow European countries, with the Eurozone bloc contracting by 0.6% on average in 2012.

There was almost no change in fourth quarter GDP in real terms compared to the previous quarter, despite a decrease in GNP of 0.8% over the same period. Third quarter GDP expanded by 0.2% from the second quarter and 0.8% when compared with the same period in 2011.

Growth was partly driven by total net exports of €4.4 billion, with service exports performing particularly strongly. Domestic demand fell by 1.5% as consumer spending, which accounts for almost two thirds of domestic demand, declined by 0.9% from 2011. Nevertheless, an expansion in consumer spending in the final quarter points to some optimism in this sector. Continued fiscal consolidation ensured that Government expenditure fell by 3.7%.

The Central Bank of Ireland anticipates a 1.2% rise in GDP for 2013. This is a downward revision from 1.7% in previous forecasts, a representation of the increasingly less favourable international outlook. The European Union is expected to experience negligible growth of 0.1% in 2013 as the debt crisis continues to stifle demand, although a turnaround in 2014 is anticipated. Our largest trading partner, the United Kingdom, is forecast to grow by 0.9% in 2013 and 1.9% in 2014, while the USA is forecast to grow by a healthier 1.9% in 2013 and 2.6% in 2014.

On average, GNP has been 20% larger than GDP over the past 10 years.

TABLE 1A

National Accounts, 2003-2012

Constant Prices €Millions (Chain Linked to 2010)				
Year	**GDP**	**% change**	**GNP**	**% change**
2003	138,744	3.9%	117,169	4.9%
2004	144,796	4.4%	121,834	4.0%
2005	153,305	5.9%	128,884	5.8%
2006	161,590	5.4%	137,144	6.4%
2007	170,390	5.4%	142,849	4.2%
2008	166,795	-2.1%	140,316	-1.8%
2009	157,695	-5.5%	128,987	-8.1%
2010	156,486	-0.8%	130,202	0.9%
2011	158,726	1.4%	126,983	-2.5%
2012	160,214	0.9%	131,307	3.4%

Source: CSO

TABLE 1B

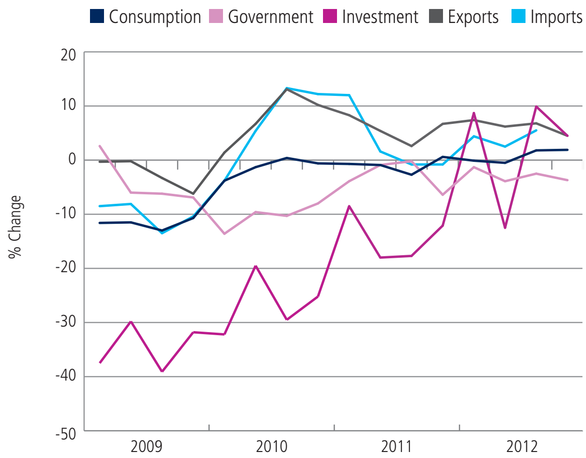
Real GDP Growth in Selected Economies, 2009-2014

Real GDP % Change (national currency)						
Country	**2009**	**2010**	**2011**	**2012**	**2013 (f)**	**2014 (f)**
Denmark	-5.7	1.6	1.1	**-0.6**	1.1	1.7
Germany	-5.1	4.2	3	**0.7**	0.5	2
Ireland	-5.5	-0.8	1.4	**0.9***	1.2**	2.5**
Spain	-3.7	-0.3	0.4	**-1.4**	-1.4	0.8
France	-3.1	1.7	1.7	**0**	0.1	1.2
Italy	-5.5	1.7	0.4	**-2.4**	-1.0	0.8
UK	-4	1.8	0.9	**0.2**	0.9	1.9
EU	-4.3	2.1	1.5	**-0.3**	0.1	1.6
USA	-3.1	2.4	1.8	**2.2**	1.9	2.6
Japan	-5.5	4.7	-0.6	**2**	1.0	1.6

Source: Eurostat
*Note: *CSO, **Central Bank of Ireland*

GRAPH 1A

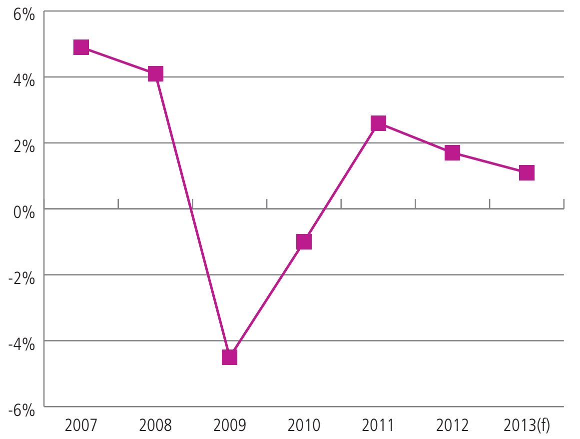
Growth in Components of Irish GDP, 2009-2012



Source: CSO

GRAPH 2A

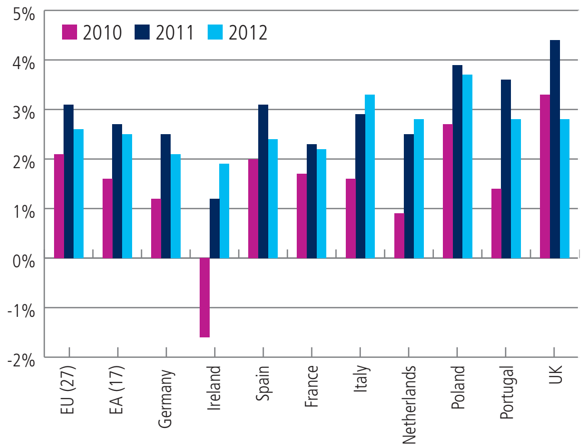
Consumer Price Index, 2007-2013(f)



Source: CSO, Central Bank of Ireland (f)

GRAPH 2B

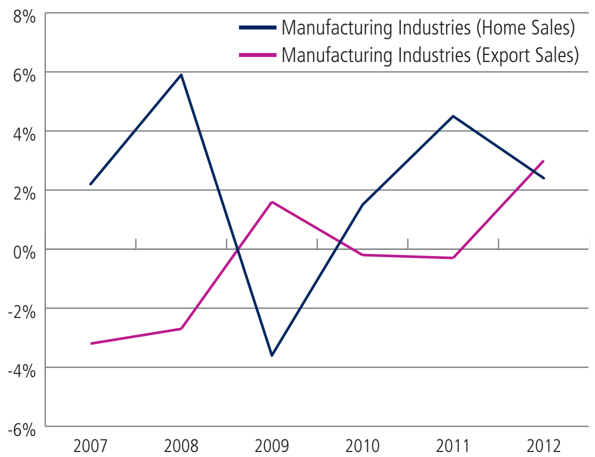
EU Harmonised Index of Consumer Prices, 2010-2012



Source: CSO

GRAPH 2C

Wholesale Price Index, 2007-2012



Source: CSO

INFLATION

The annual rate of inflation in 2012 was 1.7% compared to 2.6% in 2011. On an annual basis, consumer price inflation declined in 2009 and 2010, before returning to positive levels in 2011 and has continued through to 2012. This increase can be largely attributed to rises in transport (3.1%), miscellaneous goods & services (3.6%), education (4.7%) and alcoholic beverages & tobacco (4.5%). The Harmonised Index of Consumer Prices [HICP], which excludes mortgage interest rate changes (-17.1%), increased to 1.9% for 2012 in 2012 when compared to 2011.

The increase in energy products (9.4%) and services (2.0%) accounted for the majority of the annual increase in inflation. The rise in energy price inflation was due to the euro price of oil being higher in 2012, relative to 2011. There was a notable decline in communications (-5.7%), while housing, water, electricity, gas and other fuels fell by 1.2%. This decrease was mainly due to lower mortgage interest repayments (-9.6%), which was partially offset by increases in the cost of home heating oil, electricity and gas.

The Wholesale Price Index saw an increase of 1.3% for the year when compared with 2011. The most notable contributions to the annual change were increases in computer, electronic and optical products (4.8%) and other food products, including bread and confectionary (4.2%), although there was a decrease in dairy products (-6.1%).

The Central Bank notes that relatively high service price inflation has contributed to annual headline inflation which is expected to grow again by 1.6% in 2013. It is also expected that the impact of energy prices on inflation will become less important in 2013 as compared to 2012. Meanwhile, the European Commission forecasts that Irish inflation for 2013 will be relatively modest due to the absence of cost-push pressure both from abroad and within the domestic economy.

The current annual price level has remained below 2008 levels, representing the first time since the 1930s that prices haven't risen over a 4-year period.

INTEREST RATES

The European Central Bank's [ECB] official refinancing operation rate fell by 25 basis points [bps] in the third quarter of 2012 after remaining unchanged since December 2011. With factors such as deteriorating economic conditions and the region's ongoing sovereign debt crisis showing their influence, the ECB decided to reduce their benchmark rate to a new record low of 0.75%. While a further cut is a possibility in the face of weak inflation and continued economic stagnancy, the majority of analysts deem it unlikely.

In 2012, Ireland received further funding from the EU/IMF programme, with loans now standing at €42.9 billion, or 23% of total liabilities. After successful negotiations to restructure the costs of rescuing the IBRC, which are expected to ease the state's borrowing needs by €20 billion over the next decade, Ireland hopes to regain full market access and emerge from the programme by the end of 2013.

Ireland's five-year bond yields hovered around 6% for the first half of 2012, before declining sharply in late June (circled in Graph 3B) following the announcement of an agreement to create a single supervisory authority for Euro area banks and the ESM's initial commitment to directly recapitalise European banks, thus breaking the 'vicious circle' between banks and sovereigns. The downward momentum persisted through the second-half of the year, bolstered by successful forays into the short-term bond and note markets. By February 2013, Irish five-year bond yields had fallen to 2.8%, the lowest level in seven years. A 10 year bond issue is expected in the first half of 2013.

The US Federal Reserve's key interest rate, the Fed Funds Rate, was lowered to 0.125%, while the UK's interest rate has remained at 0.5%. AIB Global Treasury have forecasted the ECB repo to remain at 0.75% in 2013.

The ECB's official refinancing rate averaged 0.875% in 2012, the lowest rate since the foundation of the ECB.

TABLE 3A

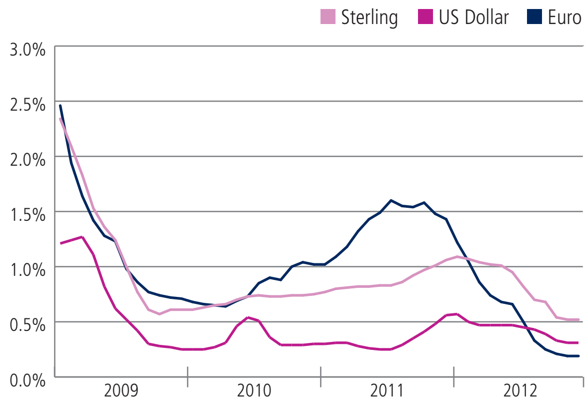
Interest rates, 2009-2013(f)

	2009	2010	2011	2012	2013 (f)
US (Fed Funds)	0.25	0.25	0.25	0.125	0.125
Euro (Refi Rate)	1.00	1.00	1.00	0.75	0.75
UK (Bank Rate)	0.50	0.50	0.50	0.50	0.50

Source: AIB Global Treasury

GRAPH 3A

International 3-Month Interest Rates, 2009-2012



Source: Eurostat

GRAPH 3B

Irish Five Year Bond Yields, 2012-2013

Source: Financial Times

TABLE 4A

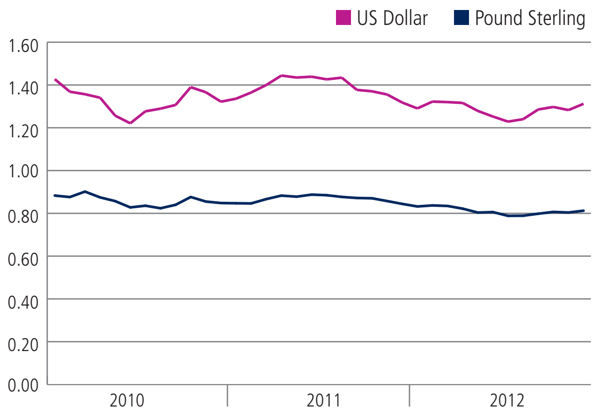
Selected Exchange Rates: Annual Averages (Units per Euro)

	Annual Averages				
Year	**USD**	**GBP**	**CHF**	**SEK**	**CAD**
2003	1.13	0.69	1.52	9.12	1.58
2004	1.24	0.68	1.54	9.12	1.62
2005	1.24	0.68	1.55	9.28	1.51
2006	1.26	0.68	1.57	9.25	1.42
2007	1.37	0.68	1.64	9.25	1.47
2008	1.47	0.80	1.59	9.62	1.56
2009	1.39	0.89	1.51	10.62	1.58
2010	1.33	0.86	1.38	9.54	1.37
2011	1.39	0.87	1.23	9.03	1.38
2012	1.29	0.81	1.21	8.70	1.28

Source: Central Bank of Ireland

GRAPH 4A

Euro Exchange Rates, 2010-2012



Source: ECB

TABLE 4B

Exchange Rate Forecasts (Units per Euro)

	Q1 2013	Q2 2013	Q3 2013	Q4 2013
USD	1.28-1.32	1.27-1.33	1.26-1.34	1.26-1.34
GBP	0.85-0.89	0.86-0.90	0.87-0.91	0.88-0.92
JPY	124-128	126-130	126-132	127-133

Source: AIB Global Treasury

EXCHANGE RATES

In 2012, the euro depreciated against both the US dollar and UK pound by 7.6% and 6.5% respectively as the Eurozone crisis continued to create uncertainty for the currency bloc. The first three quarters saw the value of the euro decline as the Eurozone debt crisis stifled economic recovery in the region, leading to yearly lows of $1.23 and £0.79 in July. Although the trend was predominantly downward, the euro experienced a brief respite against the pound, only declining marginally in June after the Bank of England reported the UK had slid back into recession.

Following a sharp turnaround in September, the final quarter witnessed the euro steadily rise against the two major currencies, helped by positive reaction to the ECB's interest rate cut and bond buying programme. By December 2012, the euro had appreciated by 6.8% and 3.1% from its year low, reaching $1.31 and £0.81 respectively, though still below the year's peak recorded in February.

Much of the recent improvement in Ireland's competitiveness is mirrored by developments in the Harmonised Competitiveness Indicators [HCI] figure, a trade weighted exchange rate produced monthly by the Central Bank of Ireland. The HCI has maintained a downward trend over the last few years, representing a sustained increase in Ireland's competitiveness. In 2012, Ireland's annual average, when deflated by consumer prices, was almost 15% lower than in 2008.

According to AIB's Global Treasury Economic Research, the euro is forecast to appreciate against the dollar and move towards parity with the UK pound over the course of 2013. This is likely to exert pressure on Irish exporters, with the US and UK making up over one third of Ireland's export market share.

Since 2003, the euro has strengthened markedly against the sterling, rising from £0.69 to £0.81.

Economic

OIL AND BUNKER PRICES

In 2012, oil prices continued to rise, remaining above $100 per barrel for the second consecutive year, while rising bunker prices exacerbated already challenging conditions in the global shipping industry.

The first quarter of the year saw oil prices significantly increase. Supply disruptions in the North Sea, and West and East Africa, as well as supply fears due to geopolitical tensions in the Strait of Hormuz and Syria, drove the upward push. By the end of the quarter, Brent crude oil, a benchmark for the global oil price, had hit a yearly high of $124.11 per barrel. In the second quarter, prices retreated as concerns about the wider economic outlook, particularly in the Euro zone, outweighed any lingering supply fears. However, the third quarter saw prices bounce back to average $109 per barrel, where they remained for the rest of the year.

The benchmark MDO Rotterdam bunker price rose by 1.5% from 2011's historically high level. This has further exerted pressure on ship-owners already struggling due to low freight rates. As a result, ship-owners are increasingly looking towards slow steaming and retrofitting to minimize costs. Meanwhile, prices between Rotterdam and Los Angeles continue to diverge, with the latter on average $95 per tonne more expensive in 2012. Analysts have attributed this differential to more old-fashioned infrastructure in the US.

The International Energy Agency forecasts global oil demand for 2013 to equal 90.7 million barrels per day, with growth shifting to emerging market economies. On the supply front, it is expected that exponential US production in shale oil will help contribute to a non-OPEC output of 54.2 million barrels per day. In a separate report, the U.S. Energy Information Administration forecasts that the spot price of Brent crude oil will average $109 per barrel for 2013 and $101 per barrel 2014.

Bunker prices have more than tripled over the past decade, rising from $230 per tonne to $954 per tonne.

TABLE 5A

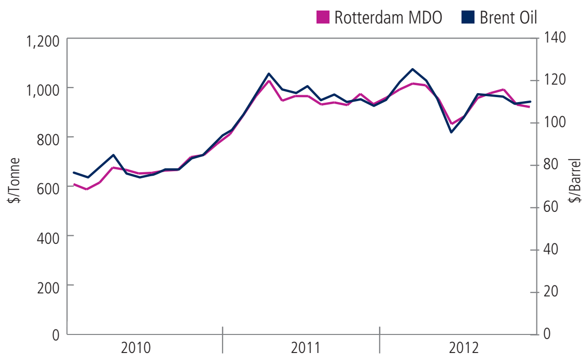
Bunker Prices, 2003-2012

	MDO $/Tonne			380cst $/Tonne		
Year	Rotterdam	L.A.	Singapore	Rotterdam	L.A.	Singapore
2003	230	307	243	153	162	172
2004	313	398	334	155	186	180
2005	458	574	481	234	263	262
2006	524	652	581	293	321	313
2007	571	709	622	345	382	373
2008	851	952	907	472	525	506
2009	491	565	518	354	375	372
2010	667	721	664	450	469	464
2011	940	982	932	618	656	647
2012	954	1048	950	640	681	664

Source: Clarksons

GRAPH 5A

Bunker & Oil Prices, 2010-2012



Source: Clarksons

TABLE 5B

Oil Prices, 2003-2012

	Average $US per barrel		
Annual	Brent	OPEC	WTI
2003	28.85	28.10	31.08
2004	38.26	36.05	41.51
2005	54.57	50.64	56.64
2006	65.16	61.08	66.05
2007	72.44	69.08	72.34
2008	96.94	94.45	99.67
2009	61.74	61.06	61.95
2010	79.61	77.45	79.48
2011	111.26	107.46	94.88
2012	111.65	109.45	94.11
Jan-13	112.96	109.28	94.76
Feb-13	116.02	112.75	95.31

Source: EIA, OPEC

Trade Review

Trade

EXTERNAL TRADE

Ireland's external trade performance grew by 1% in 2012 on the back of stronger export and import figures. The year also marked Ireland's second highest annual trade surplus (€43Bn), making it one of the highest annual surpluses in the European Union. On a monthly basis, November saw the highest trade surplus for 2012, reaching a total of €4.4 billion.

Despite challenging domestic and global factors, exports increased by 1% in 2012 to just over €92bn. This marks only the fourth time exports have broken the €90 billion barrier, having previously been achieved in 2001, 2002 and 2011. The average monthly export value was €7.7bn, with the highest monthly value of exports being recorded in March at €8.6bn.

Imports increased in value by a notable 1.5%, finishing up at €49 billion, almost €1 billion more than 2011. Despite being below the 6% increase for the previous year, two consecutive increases in the overall value of imports could perhaps provide some optimism for the Irish economy. Similarly to exports, March 2012 was a strong month for imports (€5bn), reaching a point not surpassed since July 2008.

Forecasts from the Economic & Social Research Institute predict merchandise export growth of 4.9% in value terms and 1.8% in volume terms for 2013. Nevertheless, export growth, a key determinant in Ireland's recovery, is heavily reliant on the world economic situation improving, with the International Monetary Fund forecasting global growth at 3.5% in 2013 and 4.1% in 2014. Meanwhile, the Irish Exporters Association have forecast 2% export volume growth in manufactured goods for 2013, partly due to the avoidance of the "fiscal cliff" by the US government, with US GDP for 2013 predicted to grow by 2%.

The current value of Irish merchandise imports (€49Bn) have fallen back to just above 2003 levels after rising to €63 billion in 2007.

TABLE 6A

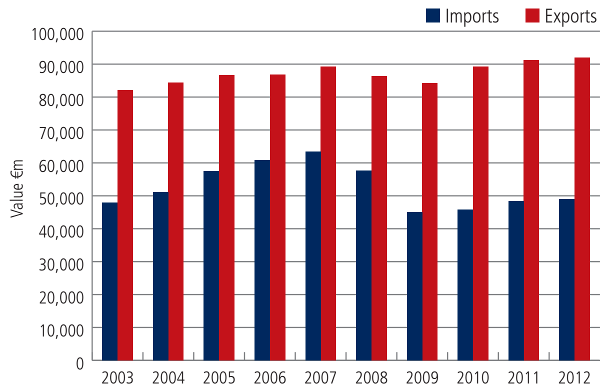
External Trade Growth: 2003-2012

Year	Imports €m	Exports €m	Trade Surplus €m	Export Change %	Import Change %	Trade Surplus Change %
2003	47,865	82,076	34,212			
2004	51,105	84,410	33,304	7%	3%	-3%
2005	57,465	86,732	29,267	12%	3%	-12%
2006	60,857	86,772	25,915	6%	0%	-11%
2007	63,486	89,226	25,740	4%	3%	-1%
2008	57,585	86,394	28,810	-9%	-3%	12%
2009	45,061	84,238	39,177	-22%	-2%	36%
2010	45,764	89,193	43,429	2%	6%	11%
2011	48,315	91,228	42,913	6%	2%	-1%
2012	49,025	92,010	42,985	1%	1%	0%

Source: CSO

GRAPH 6A

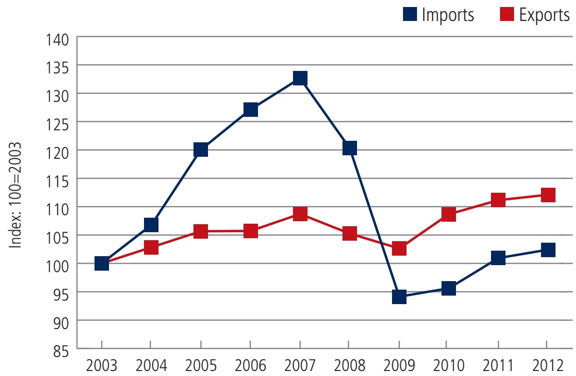
External Trade Value: 2003-2012



Source: CSO

GRAPH 6B

Imports v Exports Indices by Value



Source: CSO

TABLE 7A

Value of Merchandise Exports by Commodity Group, 2011-2012

Exports	2011 € m	2012 € m	Change %	Share %
Med & pharma products	26,393	24,447	-7%	27%
Organic chemicals	19,969	20,123	1%	22%
Essential oils	5,777	6,245	8%	7%
Misc manufactured articles	5,127	5,444	6%	6%
Scientific apparatus	3,380	3,615	7%	4%
Office machines	3,562	3,597	1%	4%
Chemical materials	2,965	3,206	8%	3%
Meat and meat preparations	2,762	2,971	8%	3%
Electrical machinery	2,873	2,609	-9%	3%
Petroleum products	1,251	1,692	35%	2%
Dairy products & eggs	1,777	1,636	-8%	2%
Misc edible products	1,485	1,431	-4%	2%

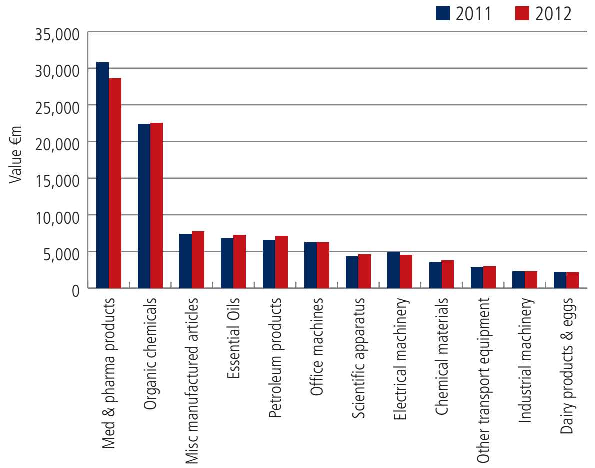
TABLE 7B

Value of Merchandise Imports by Commodity Group, 2011-2012

Imports	2011 €m	2012 €m	Change %	Share %
Petroleum products	5,324	5,336	0%	11%
Med & pharma products	4,387	4,127	-6%	8%
Office machines	2,693	2,635	-2%	5%
Other transport equipment	2,347	2,491	6%	5%
Organic chemicals	2,456	2,480	1%	5%
Misc manufactured articles	2,310	2,312	0%	5%
Electrical machinery	2,102	1,910	-9%	4%
Apparel	1,656	1,637	-1%	3%
Road vehicles	1,711	1,607	-6%	3%
Gas	1,354	1,450	7%	3%
Telecom and sound equip	1,058	1,193	13%	2%
Essential oils	1,031	1,040	1%	2%

GRAPH 7A

Total Value of Merchandise Trade by Commodity Group, 2011-2012



Source: CSO

COMMODITY TRADE

The value of total exports increased by 1% for 2012 as compared to 2011. Medical & pharmaceutical products (€24.4Bn) continued to dominate exports, accounting for 27% of the total share. However, its value dropped by 7%, which can be attributed to a series of high value drugs beginning to come off patent. Organic chemicals (€20Bn) increased by 0.8%, consolidating its position as the second most valued export, holding a share of over 22%. Exports from the food and drink industry grew by 2.3%, though this masks pronounced declines in eggs & dairy products (€1.6Bn) and miscellaneous edible products (€1.5Bn), which fell by 8% and 3.6% respectively. More positively however, meat & meat preparations (€3Bn) rose by 8%. Miscellaneous manufactured articles (€5.4Bn) also performed strongly, rising by 6%, helped by the euro's depreciation against Ireland's major trade partners. Notably, petroleum exports (€1.7Bn) increased by 35%, largely because of significant transhipment activity at Irish ports.

Imports for 2012 were up 1.5% as compared to 2011, driven primarily by a rise in worldwide commodity prices. Petroleum (€5.3Bn) maintained its position as Ireland's top import, increasing its value by 0.2% as a rise in oil prices negated lower volume demand. The second highest import was medical & pharmaceutical products (€4.1Bn), although it decreased by 6% in value, similarly to its export counterpart. Total transport equipment continues to take up a large share of imports (8.4%), though road vehicles (€1.6Bn) declined by 6% due to slower than anticipated economic growth and the ending of the car scrappage scheme. Telecommunications & sound equipment (€1.2Bn) posted one of the highest growth rates, rising by 13%.

Looking towards 2013, national budgetary adjustments are expected to continue dampening domestic consumption and in turn imports. On a wider scale, the World Bank has warned that although food prices have stabilised since their peak in July 2012, the current phenomenon of historically high prices cannot be deemed the 'new normal'.

Since 2003, the total export value of medical and pharmaceutical products has increased by 80%.

TRADE: COUNTRY

After almost doubling the previous year, Ireland's trade deficit with Great Britain fell by 42%, owing predominately to a sharp increase in exports. Although Ireland's trade surplus with the United States remains strong, there was a notable decline of 27%, leaving 2012's surplus at €11.8 billion.

Ireland's six largest export markets, USA, UK, Belgium, Germany, France and Switzerland, accounted for almost 72% of total exports by value. Exports to the USA (€18.2Bn), our largest export market, declined by 16% in 2012, resulting in the US share of exports falling to 20% from 24% in 2011. The decrease was largely due to a major fall off in chemical related products to the USA as key pharmaceutical patents expired. Nevertheless, exports to Great Britain (€13.8Bn), Ireland's largest trade partner, increased by 7% in the same period, helped by a 5% Euro depreciation against the Sterling. Belgium (€13.5Bn), an important chemical logistical hub and distribution centre of Europe, managed to maintain its high share of exports (15%), while exports to Germany (€7.5Bn), Europe's biggest market, increased by 20%, with the agri-food sector, particularly beef, performing strongly. Switzerland (€5.1Bn), a country which has experienced a major overvaluation of the Swiss Franc, increased their Irish export expenditure by over 38%, with much of the rise attributed to the pharmaceutical sector. Elsewhere, the impact of the euro-debt crisis resulted in a 10% decline in total exports to Portugal, Italy, Spain and Greece, which combined comprise 6% of Irish export revenue. Meanwhile, exports to the BRICS (€2.7Bn), a group earmarked for Irish export growth, declined by 2% in the face of a slowing world economy, with their total export share now just 3.5%. This contrasts with the EU as a whole, which has rapidly increased exports to the BRICS over the past couple of years.

Imports from Great Britain, Ireland's largest import partner, decreased by 1% as compared to 2011. USA imports (€6.4Bn) increased by 8%, resulting in a total import share of 13%, while German imports (€3.4Bn) fell by 8%. The pharmaceutical industry is transforming Irish – Swiss trade, with imports (€0.96Bn) increasing by 26%. Total EU imports (€29.2Bn) experienced a decline of 4% although the bloc maintained a 60% share of total imports. Imports from countries outside the EU (€19.8Bn) rose by a significant 10%, and their total share now equals 40% of overall imports. Brazilian imports increased drastically, rising 145% to €516 million in 2012, largely due to a once off aircraft order.

The value of total trade with the BRICS has increased by 83% over the past decade.

TABLE 8A

Export Value by Country, 2011-2012

Exports	2011 €m	2012 €m	Change %	Share %
USA	21,601	18,160	-16%	20%
Great Britain	12,845	13,794	7%	15%
Belgium	13,227	13,548	2%	15%
Germany	6,285	7,526	20%	8%
Switzerland	3,686	5,070	38%	6%
France	4,951	4,428	-11%	5%
Netherlands	3,123	3,346	7%	4%
Spain	3,049	2,767	-9%	3%
Italy	2,992	2,684	-10%	3%
China	2,330	2,167	-7%	2%
Japan	1,743	2,101	21%	2%
Northern Ireland	1,422	1,445	2%	2%
Canada	627	781	25%	1%
All Other	13,347	14,192	6%	15%
Total EU	52,561	54,262	3%	59%
Euro zone	35,171	35,848	2%	39%
Total	91,228	92,009	1%	100%

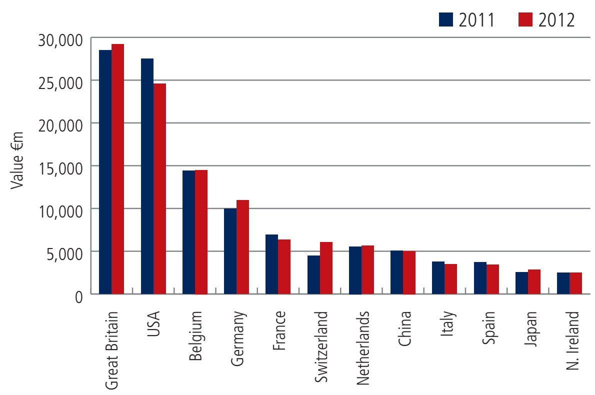
TABLE 8B

Import Value by Country, 2011-2012

Imports	2011 €m	2012 €m	Change %	Share %
Great Britain	15,638	15,419	-1%	31%
USA	5,907	6,397	8%	13%
Germany	3,706	3,414	-8%	7%
China	2,714	2,860	5%	6%
Netherlands	2,434	2,311	-5%	5%
France	1,994	1,902	-5%	4%
Northern Ireland	1,047	1,023	-2%	2%
Switzerland	762	958	26%	2%
Belgium	1,166	955	-18%	2%
Norway	1,165	938	-19%	2%
Italy	775	772	0%	2%
Japan	796	728	-9%	1%
Spain	668	649	-3%	1%
All Other	9,543	10,698	12%	22%
Total EU	30,356	29,220	-4%	60%
Euro zone	11,702	10,952	-6%	22%
Total	48,315	49,024	1%	100%

GRAPH 8A

Total Trade Value by Country, 2012



Source: CSO

Irish Market Review

Irish Market

IRISH PORT TRAFFIC: TOTAL BULK VOLUMES

Total bulk volumes through ports in the Republic of Ireland for the three primary bulk categories, dry, liquid and break, increased by 10% to 29.2 million tonnes in 2012. Both liquid and dry bulk recorded an increase in volumes of 14% and 7%, while break bulk declined by 3%. Four of the eleven Irish ports saw an upturn in total volumes during 2012, with Drogheda and Bantry recording double and triple digit growth respectively.

Dry bulk has continued to be the largest bulk segment at 51%, compared to 46% for liquid bulk and 3% for break bulk. Bulk volumes in the Republic of Ireland are primarily accounted for by four ports which make up nearly 88% of the total bulk volume. (Shannon 35%, Cork 24%, Dublin 18% and Bantry 11%).

The bulk market recorded a strong second half of 2012 after a relatively subdued first half performance (when transhipment activity in Bantry Bay is excluded). Bulk volumes have recovered by almost 5.3 million tonnes since the collapse in 2009 and today stand at an almost identical volume as they did a decade ago. We assess the performance of the individual categories in more detail in the following sections, all of which have different demand drivers.

TABLE 9A

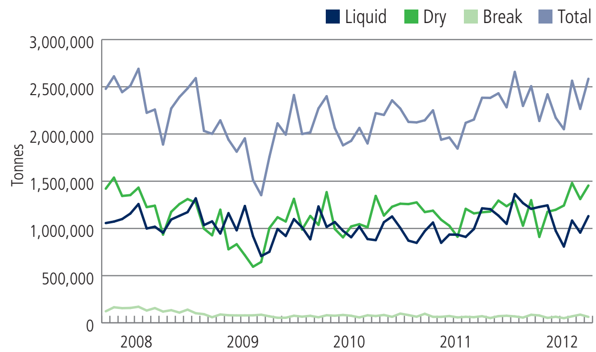
Irish Port Traffic: Totals

Port	Total 2011	Total 2012	% Change
Bantry Bay	1,335,046	3,261,469	144%
Cork	6,908,834	7,142,979	3%
Drogheda	512,281	998,190	95%
Dublin	5,340,128	5,318,471	0%
Dundalk	108,572	66,942	-38%
Galway	552,511	500,741	-9%
Greenore	401,946	373,407	-7%
New Ross	356,557	303,246	-15%
Shannon Foynes	10,106,524	10,286,203	2%
Waterford	873,605	865,797	-1%
Wicklow	98,521	73,108	-26%
Total ROI	**26,594,525**	**29,190,552**	**10%**

Source: IMDO

GRAPH 9A

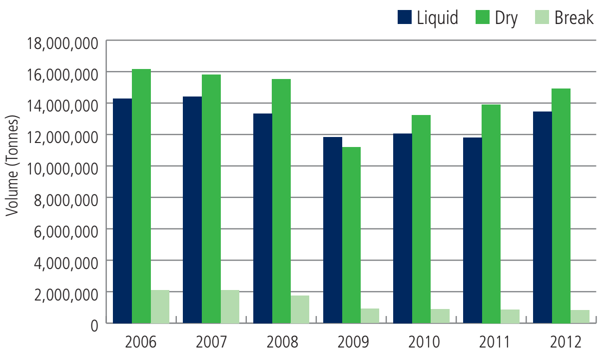
Total Bulk through ROI Ports



Source: IMDO

GRAPH 9B

Bulk Traffic by Category 2006-2012



Source: IMDO

TABLE 10A

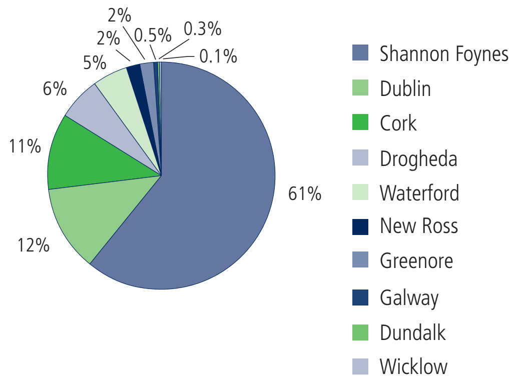
Irish Port Traffic: Dry

Port	Dry 2011	2012	% Change
Bantry Bay	-	-	-
Cork	1,459,796	1,662,511	14%
Drogheda	379,130	872,146	130%
Dublin	1,643,957	1,815,932	10%
Dundalk	97,005	54,149	-44%
Galway	56,460	72,235	28%
Greenore	326,153	263,532	-19%
New Ross	303,227	293,989	-3%
Shannon Foynes	8,837,007	9,068,812	3%
Waterford	796,402	803,396	1%
Wicklow	67,873	21,120	-69%
Total ROI	**13,967,010**	**14,927,822**	**7%**

Source: IMDO

GRAPH 10A

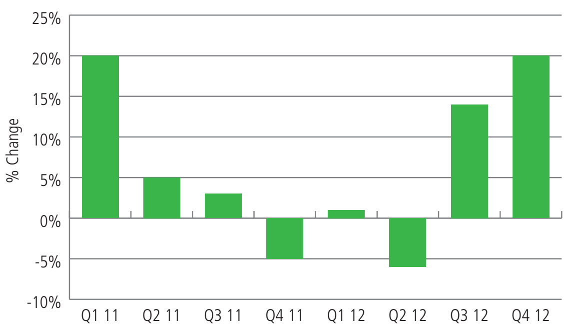
Market Share of Dry Bulk Traffic 2012



Source: IMDO

GRAPH 10B

% Change in Dry Bulk Through ROI Ports



Source: IMDO

DRY BULK:

In 2012, dry bulk volumes through the Republic of Ireland increased by 7% to 14.9 million tonnes. A majority of ports witnessed a large uptake in volumes in the second half of 2012 with substantial gains in the fourth quarter. Five of the last six months of 2012 saw double digit growth compared to the same time periods in 2011. Quarter three and Quarter four both enjoyed a 14% and 20% increase compared to 2011 figures.

Our analysis indicates that strong demand for animal feed imports, which increased by 34%, contributed to the overall dry bulk traffic improvement during 2012. Dairy and beef farmers increased their demand for animal feed due to higher rainfall levels during the summer. Irish farmers also had to deal with higher import costs due to a drought in the United States and poor weather conditions in Europe. Agri-related products accounted for 22% of the total dry bulk market last year.

In the non-food segments, the volume of bulk cement through Irish ports, both for import and export, increased 40% year on year. Other construction related materials showed signs of volume improvement towards the latter half of 2012 with the CSO reporting that the volume of output in building and construction was 3.3% higher in the fourth quarter of 2012 when compared with the preceding period. Bauxite and alumina make up the largest market share of dry bulk commodities in the Irish market, representing over 40%. Demand throughput for these commodities remained relatively steady, while the volume of other major bulks, such as coal and ore, slowed during 2012.

Shannon Foynes remains the largest dry bulk port in Ireland with a 61% share of the market. It recorded a 3% increase in dry bulk volumes during 2012 due to steady demand at Moneypoint, Aughinish and also from other bulk sectors. Drogheda had the single largest increase of all ports, managing to increase dry bulk volumes by 130%. The ports of Dublin, Cork, and Galway all reported double digit growth in the dry bulk sector in 2012.

Dry bulk volume in 2012 was at the same level as 2003 and higher than the 10 year average of 14.5m tonnes

LIQUID BULK:

In 2012, liquid bulk volumes through Irish ports grew by 14% to 13.4 million tonnes. We estimate that when transhipment activity and crude oil storage is excluded from the overall figure that the liquid bulk market, which is more closely correlated with domestic demand, would have declined by 3%. However, there was a 4% increase in liquid volumes in the last quarter of 2012 (excluding Bantry Bay figures) with the majority of ports seeing some uplift in volumes.

The liquid bulk market can be further split between crude oil and refined products. The crude oil market mainly comprises of crude that is stored in Bantry before being transhipped to overseas refineries and also heavy fuel oil that is imported for use in domestic energy power plants. The products tanker market is typically made up of gasoil, petrol, aviation fuel (which remained weak during 2012), industrial chemicals, molasses and other vegetable or plant oils, which are primarily consumed in the domestic economy.

When we exclude volumes from Bantry, which can at times distort the market, our data would indicate that the volume of domestic liquid bulk at Irish ports was at its lowest level for a decade and almost 2.1m tonnes less than total liquid bulk volumes in 2003. Petroleum demand remained subdued during 2012 with most ports recording a decline in import volumes. This continues a recent trend that can be attributed to weaker underlying domestic demand and household consumption.

2012 saw record transhipment activity in Bantry Bay, surpassing the three million tonne mark for the first time. Dublin and Cork remain the primary fuel transport depots in the Republic of Ireland. Dublin reported a decline in liquid bulk volumes during 2012, while Cork's liquid volumes recorded an increase of 1%. The market share in this segment remained relatively unchanged during 2012 with Dublin (26%), Cork (39%) and Bantry (24%) controlling 89% of liquid bulk through Irish ports. The amount of ports involved in the tanker trade has roughly halved as compared to ten years ago.

Only six out of ten ports engaged in liquid bulk products in 2003, were active in this sector in 2012

TABLE 11A

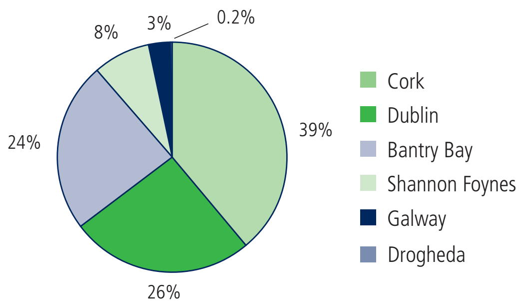
Irish Port Traffic: Liquid

	Liquid		
Port	2011	2012	% Change
Bantry Bay	1,335,046	3,261,469	144%
Cork	5,127,530	5,200,140	1%
Drogheda	23,451	26,562	13%
Dublin	3,619,731	3,443,664	-5%
Dundalk	-	-	-
Galway	487,672	415,203	-15%
Greenore	-	-	-
New Ross	45,404	-	-100%
Shannon Foynes	1,146,481	1,100,973	-4%
Waterford	-	-	-
Wicklow	-	-	-
Total ROI	**11,785,314**	**13,448,011**	**14%**

Source: IMDO

GRAPH 11A

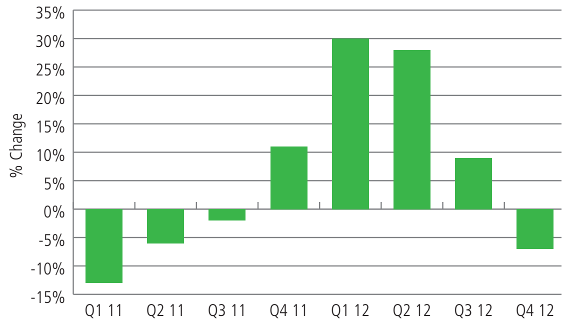
Market Share of Liquid Bulk Traffic 2012



Source: IMDO

GRAPH 11B

% Change in Liquid Bulk Through ROI Ports



Source: IMDO

TABLE 12A

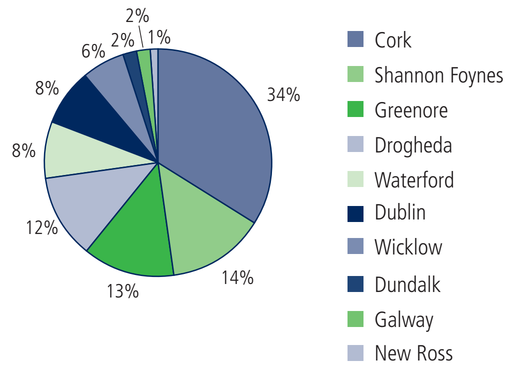
Irish Port Traffic: Break

Port	Break 2011	2012	% Change
Bantry Bay	-	-	-
Cork	321,508	280,328	-13%
Drogheda	109,700	99,482	-9%
Dublin	76,440	58,875	-23%
Dundalk	11,567	12,792	11%
Galway	8,379	13,303	59%
Greenore	75,793	109,874	45%
New Ross	7,926	9,257	17%
Shannon Foynes	123,037	116,419	-5%
Waterford	77,203	62,401	-19%
Wicklow	30,648	51,988	70%
Total ROI	**842,201**	**814,719**	**-3%**

Source: IMDO

GRAPH 12A

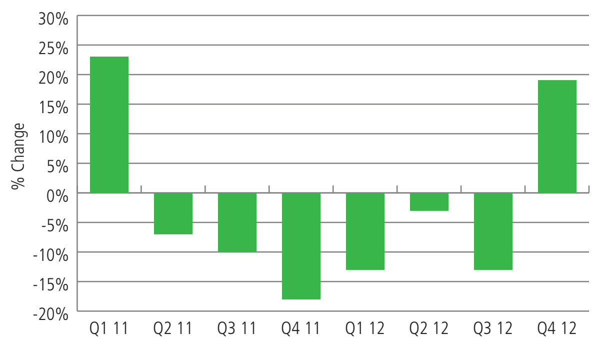
Market Share of Break Bulk Traffic 2012



Source: IMDO

GRAPH 12B

% Change in Break Bulk Through ROI Ports



Source: IMDO

BREAK BULK:

Break bulk volumes decreased by 3% through Republic of Ireland ports to 814,719 tonnes. This represents the fifth consecutive annual decline of break bulk volumes through Irish ports, although we have observed a noticeable deduction in the rate of this decline over the last three years. While the total volume of break bulk declined during 2012, the fourth quarter saw volumes increase by 19% year on year and marked the first quarterly increase for six quarters. It was interesting to note that several of the regional ports enjoyed some growth in this segment. The ports of Galway, Wicklow, New Ross, Greenore, and Dundalk all recorded double digit growth in this sector.

It is difficult to confidently determine the cause or relationship in this regional based growth other than in the pre-boom periods these ports had typically performed well and were key gateways for construction and other related products. These commodities also tend to be more sensitive to price changes and we have observed some of these products moving back from containers into conventional bulk vessels. Another point to note is that these products tend to move in smaller vessels of 2,000-4,000 metric tonnes and as such the smaller ports can both accommodate and compete for this business.

Break bulk remains the smallest bulk component at 3% of total bulk volumes, with timber, steel products, machinery equipment, and general project cargo for use in the wind farm sector making up the majority of break bulk cargo moving through Irish ports. However, in recent times a growing proportion of wind farm traffic is also being moved by ro-ro.

Break bulk volumes are now at a ten year low, which considering the collapse and slow recovery in the construction sector, is perhaps unsurprising. As we noted earlier, the decline in break bulk traffic has eased in 2012 with the possibility of a break-even scenario projected for 2013, provided the current level of market activity persists.

> Break bulk volumes are now over 50% lower than they were in 2003

LIFT-ON/LIFT-OFF MARKET: PORTS

A slowdown in exports and continued weak domestic consumption contributed to a 3% decline in laden container traffic through Ports on the Island of Ireland to 775,016 TEU. This is a stark contrast to a decade earlier, when annual growth was 7%.

Exports, which had enjoyed a strong period of volume recovery since 2010, fell by 2% in both the Republic of Ireland [ROI] and Northern Ireland [NI] during 2012. This was the first decline in container exports from the ROI since 2009. The export market from the ROI started displaying signs of weakness from April 2012, with eight of the twelve months eventually showing declines compared to the same months in 2011. NI, while generally a more volatile export market, also recorded disappointing volumes. Our analysis suggests that the export sector was stunted as a result of a slowdown in the primary European economies, while Asian demand did not sustain the same growth momentum of previous years. We did, however, observe positive growth trends to emerging markets, such as South America and Africa, although volumes still remain small as a percentage of the full market.

Imports again declined during 2012 as persistent volatility in the economy meant uncertainty for consumer confidence, with Cork and Warrenpoint the only ports to see an increase in laden imports. Looking at market data for the ROI since 2010, a continuing softening in the decline of laden imports is evident: 2010 (-7%); 2011 (-5%); and 2012 (-4%). This pattern is also reflected in the NI data: 2010 (-8%); 2011 (0%); and 2012 (-1%). This easing in the rate of decline suggests imports appear to be finally bottoming out. Although, we would be less optimistic that there will be any significant uplift in this segment for some time, as further budgetary measures continue to erode consumer surpluses.

Despite Cork and Warrenpoint's laden volume growth as a result of new direct services, market share between ports remained relatively unchanged during 2012, with Dublin still the largest port, accounting for 55% of the market. There was also no change in market share between the Republic of Ireland and Northern Ireland during 2012.

Container throughput at North European ports is expected to grow by 1.8% in 2013, after a decline of 0.8% last year. In 2012, Rotterdam remained the largest import and export container port in Europe, with a market share of 13% and 15% respectively. In Ireland, we expect the market to remain flat with any uplift dependent on an export volume recovery in 2013.

TABLE 13A

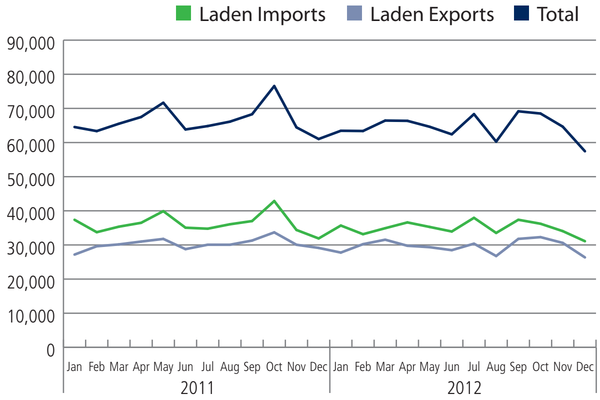
Laden Container Port Traffic 2012

Port	Total			
No. of TEU	**2011**	**2012**	**% Change**	**% Share**
Dublin	431,884	426,756	-1%	55%
Cork	133,816	139,005	4%	18%
Waterford	52,129	32,303	-38%	4%
Drogheda	184	280	52%	0%
Belfast	173,148	165,599	-4%	21%
Warrenpoint	5,970	11,073	85%	1%
Total ROI	**618,013**	**598,344**	**-3%**	**77%**
Total NI	**179,118**	**176,672**	**-1%**	**23%**
Total IRL	**797,131**	**775,016**	**-3%**	**100%**

Source: IMDO

GRAPH 13A

Total Monthly Container Traffic through All Irish Ports 2011-2012



Source: IMDO

TABLE 13B

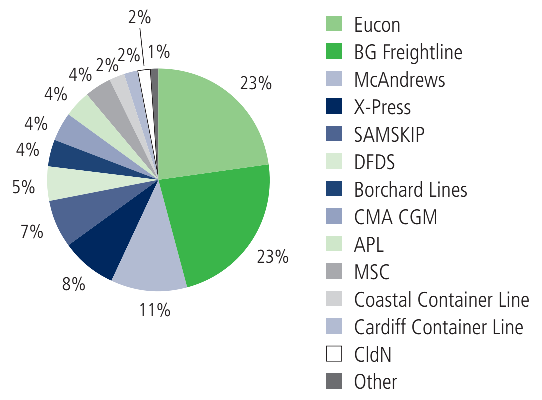
Total Container Port Traffic 2012 (Laden and Unladen)

Port	Total			
No. of TEU	**2011**	**2012**	**% Change**	**% Share**
Dublin	525,016	527,734	1%	55%
Cork	156,669	166,284	6%	17%
Waterford	63,823	39,475	-38%	4%
Drogheda	184	280	52%	0%
Belfast	220,765	209,254	-5%	22%
Warrenpoint	11,554	19,774	71%	2%
Total ROI	**745,692**	**733,773**	**-2%**	**76%**
Total NI	**232,319**	**229,028**	**-1%**	**24%**
Total IRL	**978,011**	**962,801**	**-2%**	**100%**

Source: IMDO

GRAPH 14A

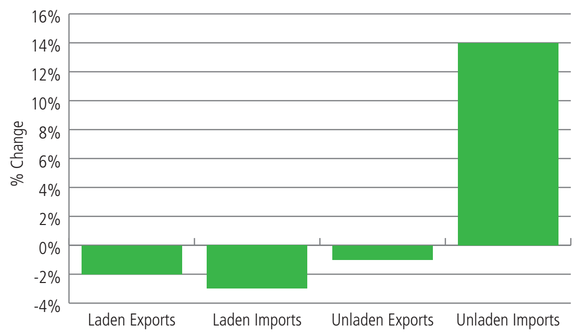
Estimate availabile capacity by carrier, 2012



Source: IMDO

GRAPH 14B

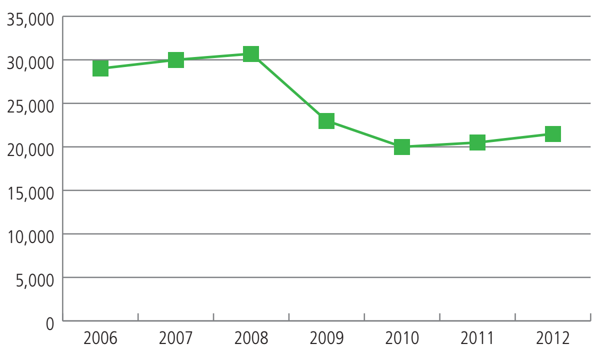
Container Imports and Exports 2012



Source: IMDO

GRAPH 14C

Estimated Weekly Capacity in the Irish Market



Source: IMDO

LIFT-ON/LIFT-OFF MARKET: OPERATORS

Lacklustre demand coupled with precarious supply challenges contributed to another testing year for the Irish lo/lo market segment. We estimate supply capacity available on a weekly basis was 21,500 TEU during 2012. The Irish lo/lo container market had a total of 14 independent companies providing direct services during 2012, up from 13 in the previous year. Maersk commenced a new direct deepsea weekly service into Cork from Central America. Otherwise, the market share between operators remained relatively unchanged.

On face value, the supply/demand picture would suggest the market was moving in equilibrium which was certainly not the case as the distribution of the supply is uneven, with diverging factors for the shortsea and deepsea container market. Shortsea companies concentrating on intra-Europe services yet again faced the ongoing Euro-Zone crisis that had not only rolled on but appeared to deepen over the second half of the year. Demand for long haul deepsea destinations, such as Asia, South Africa, and both North and Latin America, remained relatively firm, although in some cases growth has slowed. Deepsea lines reported record growth in exports of waste paper/recyclables which, despite being of low value, make a significant contribution to vessel utilization. Exports of food and agri products, especially to Asia, also performed well.

The use of vessel sharing agreements [VSA] in the shortsea and feeder sector enabled operators to maintain service levels and improve utilization whilst also sharing the costs of maintaining vessels/services which otherwise could not be provided. Eucon and BG Freightline continued to operate the largest VSA, while a number of operators have rotated schedules in order to carry empty containers to ports where imbalances are greatest.

As previously mentioned, the ongoing, albeit smaller, declines in import volumes contributed to a further increase in demand for shipping lines to reposition empty containers from the UK/Continent to Ireland. As a result, there was a 14% increase in empty containers shipped to Ireland last year, totalling 65,123 TEU as compared to 57,050 in 2011. There were 41,094 TEU empty containers imported to the Republic of Ireland and 24,029 TEU containers imported into Northern Ireland. A decade ago import to export ratios were almost 3:1, primarily as a result of high volumes of low value imports from Asia, however the number of laden imports during 2012 almost identically matched laden exports 1:1 per quarter.

ROLL-ON / ROLL-OFF MARKET: PORTS

Roll-on/roll-off (ro/ro) traffic declined during 2012, with freight volumes falling by 2%, to 1,571,820 freight units. Traffic in the ROI and NI declined by 2% and 3% respectively, the first annual decline from the Island of Ireland since 2009. However, the market has not witnessed any substantial quarterly growth since Q1 2011. There was some positive news with direct continental services to France, Belgium and Netherlands increasing in total by 5% to 113,616 freight units.

The Ireland to UK market is the predominant market for ro/ro trades, accounting for 93% of total volume. Traffic volumes from ROI and NI in this sector fell by 2% respectively. Driver accompanied traffic from the Island of Ireland accounted for 41% of freight volumes, with the remainder being unaccompanied, which is in line with 2011 figures.

Traffic volumes through most ports remained subdued during the first half of 2012. However, the third quarter improved modestly, with positive traffic volumes across the Island. The increase was short-lived however due to a 2% decline in the fourth quarter on an All-Island basis. Six of the seven ports handling ro/ro traffic witnessed a decline in volumes last year. The only port to record an increase in volume was Belfast, up 21% year on year, but this was primarily at a loss to its nearby competitors, largely as a result of consolidation and restructuring by operators. Subsequently Belfast saw a rise in its market share to 28%, although Dublin Port again accounted for the largest percentage of ro/ro market share at 46%. Distribution of volumes between ROI and NI remained unchanged at 53% and 47% respectively.

Ro/ro volumes have declined by 11% from the peak of the market in 2007 but remain higher than levels witnessed in 2009. However, the reclassification of some ro/ro traffic (from lo/lo) in 2009 has inflated figures, meaning without this traffic reclassification, volume decline would have been more severe (-3% instead of -2% in 2012).

Ro-ro traffic is a simple but effective indicator of how the economies of ROI and the UK are performing. The UK economy experienced another tough year during 2012, remaining in recession as continued austerity stifled growth prospects. This culminated in the loss of its coveted triple-a credit rating from Moody's rating agency while weak manufacturing data at the start of 2013 led analysts to forecast a third recession in four years. The results of ro/ro traffic during 2012 reflect the weaknesses in both economies at present. Our outlook is that the market will remain broadly flat in 2013 with any growth most likely continuing to occur on direct continental services.

TABLE 15A

Roll-on/Roll-off Freight Traffic 2012

Port	Total			
	2011	2012	% Change	% Share
Dublin	724,728	719,121	-1%	46%
Rosslare	118,888	113,781	-4%	7%
Cork	4,387	828	-81%	0.05%
Dun Laoghaire	859	711	-17%	0.05%
Belfast	356,865	432,438	21%	28%
Larne	309,183	215,357	-30%	14%
Warrenpoint	91,613	89,584	-2%	6%
Total ROI	**848,862**	**834,441**	**-2%**	**53%**
Total NI	**757,661**	**737,379**	**-3%**	**47%**
Total IRL	**1,606,523**	**1,571,820**	**-2%**	**100%**

Source: IMDO

TABLE 15B

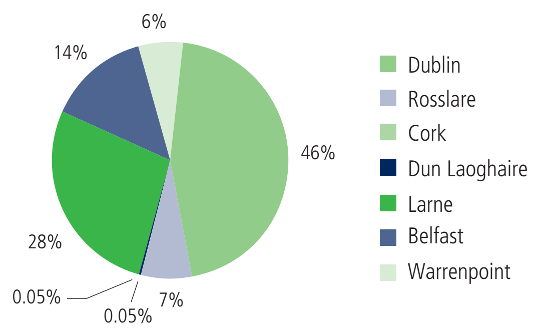
Roll-on/Roll-off Freight Traffic 2012

Port	Accompanied		%	Unaccompanied		%
	2011	2012	Ch.	2011	2012	Ch.
Dublin	296,530	288,329	-3%	428,198	430,792	1%
Rosslare	66,531	64,803	-3%	52,357	48,978	-6%
Cork	2,871	692	-76%	1,516	136	-91%
Dun Laoghaire	859	711	-17%	-	-	-
Belfast	125,003	159,670	28%	231,862	272,768	18%
Larne	161,141	127,866	-21%	148,042	87,491	-41%
Warrenpoint	6,579	6,236	-5%	85,034	83,348	-2%
Total ROI	**366,791**	**354,535**	**-3%**	**482,071**	**479,906**	**0%**
Total NI	**292,723**	**293,772**	**0%**	**464,938**	**443,607**	**-5%**
Total IRL	**659,514**	**648,307**	**-2%**	**947,009**	**923,513**	**-2%**

Source: IMDO

GRAPH 15A

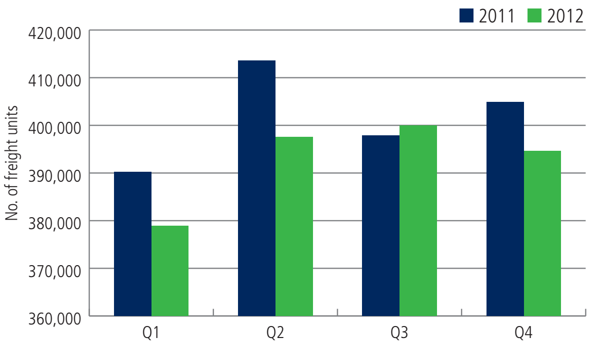
Market Share of Roll-on/Roll-off Traffic by Port 2012



Source: IMDO

GRAPH 16A

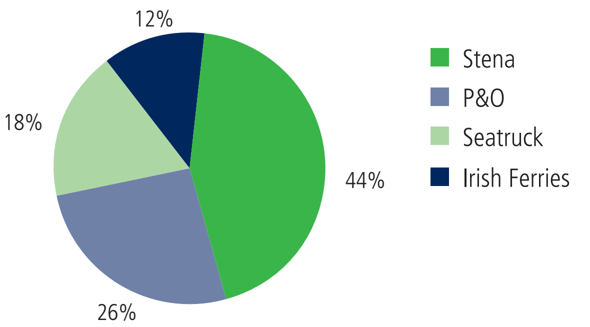
Quarterly Roll-on/Roll-off Freight Traffic



Source: IMDO

GRAPH 16B

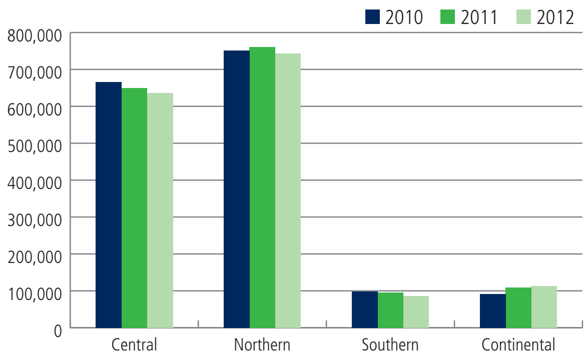
Market Share of Ireland-UK: Roll-on/Roll-off traffic 2012



Source: IMDO

GRAPH 16C

Ro/Ro Freight Traffic per Corridor



Source: IMDO

ROLL-ON / ROLL-OFF MARKET: OPERATORS

There were seven ro/ro freight operators providing regular scheduled ro/ro freight services during 2012 - Irish Ferries, P&O, Stena, Seatruck, Celtic Link, Brittany Ferries, and Cobelfret - operating 32 vessels on 19 routes between Ireland, Great Britain and Northern Europe. The market stabilized last year after 2011 had seen a large amount of restructuring resulting from the exit of DFDS, who had 24% of the all Ireland market.

We segment the analysis between the four primary corridors, Northern, Central, Southern and Direct Continental. Market share remained largely unchanged between the corridors last year. Volumes on the strategically important Central Corridor fell by 2%. P&O, Irish Ferries, Stena and Seatruck all operate on this corridor, providing sixteen daily services to Liverpool, Holyhead, and Heysham. Stena maintained their seasonal service from Dun Laoghaire with the HSS “Stena Explorer”, while P&O maintained three vessels on its Dublin-Liverpool route, which is being serviced by the European Endeavour, Norbank and Norbay.

On the Northern Corridor, volumes declined for the first time since 2009 by 2%. Stena, P&O and Seatruck all operate services on this corridor to Liverpool (Birkenhead), Heysham, and Cairnryan. Stena, who were cleared by the UK Competition Authority to purchase the routes of DFDS, now control 58% of the market share in Northern Ireland. Seatruck moved their Heysham service from Larne to Belfast in May and decided to discontinue this service in August to focus on their Warrenpoint and Dublin services. The Seatruck vessels, “Performance” and “Precision”, were subsequently chartered by Stena for their Belfast-Heysham service, while the final newbuild of a quartet of ro/ro freight-only ferries to enter Irish Sea service was delivered to Seatruck during 2012.

The Continental Corridor with direct continental services from Dublin, Rosslare and Cork is now the third largest of the all-Island corridors. Traffic volumes continued to remain buoyant on this route, with Cobelfret, Brittany Ferries, Celtic Link, and Irish Ferries all providing services. Cobelfret further increased their capacity from Dublin in early 2013 from three to four vessels, which is likely to contribute to further growth this year. On the Southern Corridor, volumes continued to decline, falling by 9%.

The market, going into 2013, is likely to be broadly similar to 2012 with flat to negative prospects, however if growth were to occur it would most likely come on the continental corridors. Any longer term recovery will ultimately depend on improvements in Irish and British trade volumes.

Irish Market

PASSENGER TRAFFIC

Passenger numbers continued to decline into 2012 as individuals travelling between the Island of Ireland, Great Britain and Continental Europe fell by 4% to 4.42 million. The only corridor to show any growth was continental traffic from the Republic of Ireland, which grew by 8%, representing the third consecutive annual growth recorded for this segment. Examining passenger numbers on an All-Island basis shows that there has been no positive quarterly growth reported since early 2011 and only 6 out of 16 quarters since the beginning of 2009 have been positive.

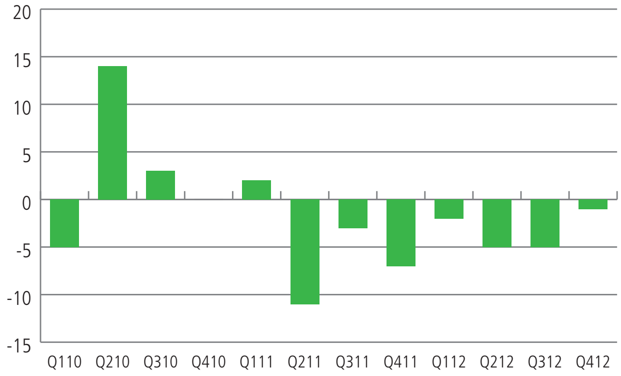
Republic of Ireland traffic, including continental traffic, saw passenger numbers fall by 4% to 2.67 million. Total passenger numbers between the Republic of Ireland and Great Britain showed a decline of 6% to 2.33 million while passenger numbers moving between Northern Ireland and Great Britain fell by 3% to 1.75 million. Passenger numbers in total from the Island of Ireland have declined by 5% between 2009 and 2012, with passenger numbers between the Republic of Ireland and Great Britain falling by 7% since 2009. Passenger numbers between Northern Ireland and Great Britain have declined by 8% over the same period.

Examining the passenger corridors in more details shows that the Central Corridor, which encompasses Dublin and Dun Laoghaire, recorded a 4% decline in passengers travelling. There was also no quarterly growth recorded in this corridor during 2012 even though many of the carriers did increase capacity towards the end of the year due to seasonal demand. The Southern Corridor traffic encompasses services from Rosslare to Great Britain and formerly Fastnet's service from Cork. This corridor reported a 12% decline in numbers in 2012 due primarily to the cessation of the Cork-Swansea service in 2011. Similarly to the Central Corridor, no quarterly growth was recorded in this corridor during 2012. The Northern Corridor, which encompasses passenger traffic from Belfast and Larne, saw numbers decline by 3%. This corridor did, however, record a quarterly increase in traffic of 3% in quarter four of 2012, with Stena noting that visitors on day trips to see Belfast's titanic exhibition were a positive factor on passenger numbers.

Tourist car volumes like passenger numbers continued their decline into 2012 with volumes falling by 7% to 1.231 million for the Island of Ireland. Tourist car volumes moving from the Republic of Ireland, including continental tourist cars, fell by 8% to 740,380. Tourist car numbers moving from Northern Ireland declined by 5%.

GRAPH 17A

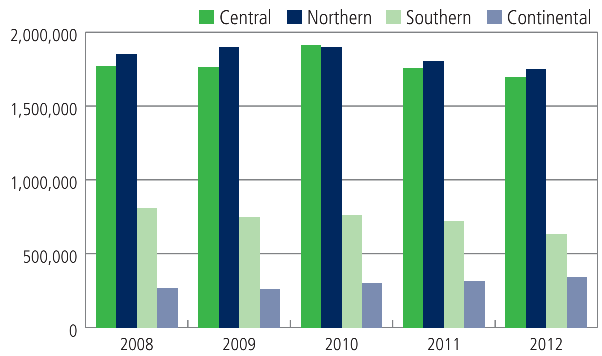
Quarterly Change in Passenger Traffic from the Island of Ireland (Including Continental)



Source: IMDO

GRAPH 17B

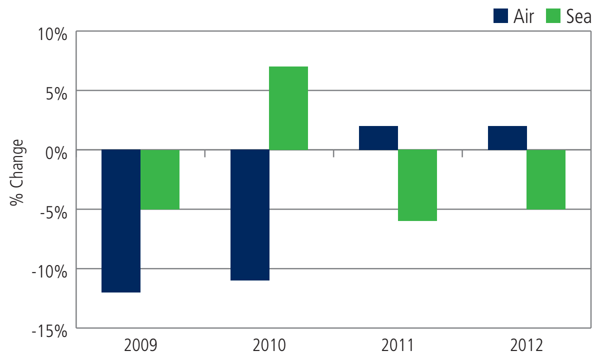
Passenger Traffic per Corridor 2008-2012



Source: IMDO

GRAPH 17C

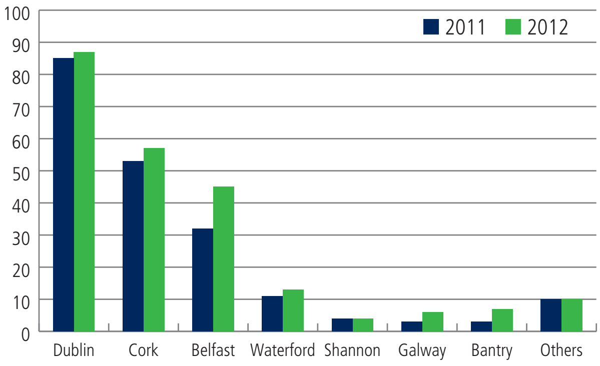
Annual Change in Air & Sea Passenger Traffic 2009-2012



Source: Failte Ireland

GRAPH 18A

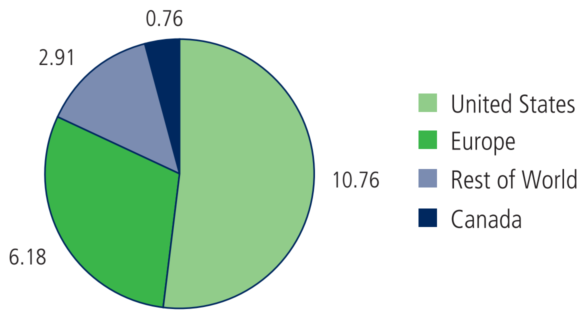
Annual Change in Cruise Ship Calls



Source: Cruise Ireland/Individual Ports

GRAPH 18B

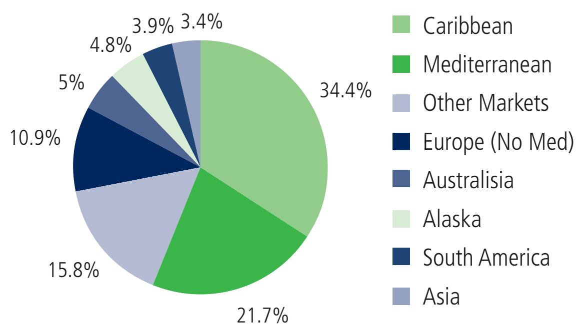
Global Source Markets by Cruise Passengers (in millions)



Source: European Cruise Council

GRAPH 18C

Global Itineries and Deployment



Source: Cruise Lines International Association

CRUISE SECTOR

Cruise tourism is a vital part of the tourism sector in Ireland and Irish ports are competing successfully with other European destinations for this business. We estimate that there were 229 large cruise vessel calls to Ireland, carrying 313,367 passenger and crew in 2012. The majority of ports recorded an increase in cruise calls during 2012 with Belfast Harbour seeing vessel calls rise by 41%, Port of Cork by 10% and Dublin by 2%.

The three largest cruise ports on the island of Ireland recorded encouraging cruise traffic figures during 2012. Dublin Port was the busiest cruise terminal with 87 cruise vessel calls, carrying over 127,459 passengers and crew. It is estimated that cruise liners have contributed over €350 million to Dublin City in the last decade alone and generate an annual boost of up to €50 million for the local economy. The Port of Cork received 57 vessel calls during 2012, up from 35 calls in 2005, a record for the port while welcoming 87,193 passengers and crew. Belfast Harbour had a total of 45 cruise ship arrivals which brought 75,437 passengers and crew to Belfast City during 2012. This was the highest ever number of cruise calls at the Harbour and since the first cruise ship docked in 1996, more than half a million passengers and crew have sailed into the Harbour.

Galway, Waterford, Bantry and Shannon-Foynes all recorded encouraging cruise figures during 2012, with combined cruise calls increasing from 21 to 30. Drogheda Port received their first cruise liner during 2012 when the Clipper Adventurer docked in May while Dun Laoghaire is expecting 14 cruise vessels to use the facilities in 2013, potentially bringing up to 30,000 passengers.

Cruise Lines International Association (CLIA) Europe estimate that more Europeans than ever booked a cruise in 2012 with the number reaching a record 6.14 million, a doubling of the European cruise market in just eight years. Over the past five years, there has been an average annual growth rate of 8% in European passengers. In Europe, the industry generated over 315,000 jobs and over $48 billion of economic benefits in 2012 according to the CLIA.

> Cruise passenger and crew numbers have increased by over 100% in the past ten years

TANKER MARKET

The market remained very volatile in 2012, with gains unevenly spread between segments and seasons. Freight rates improved over the course of the year, albeit from very low levels in 2011.

Crude tankers performed strongly in the first half of the year as importers built up inventories in the face of the Iranian oil embargo. However, demand slowed in the second half, leading to a collapse in freight rates before a modest rebound in the fourth quarter. In contrast, the clean market was weak in the first half of the year but trade growth improved in the second as the aforementioned rise in crude supply passed through refineries. The onset of Hurricane Sandy in late October tightened the clean market further, with spot rates, particularly in the Atlantic Basin, rising noticeably. For the full year, all segments in both the dirty and clean categories saw freight rate increases, with the exception of Suezmax vessels, which were particularly affected by the decline in US imports.

Although volume growth for 2012 reached only 1%, tonnage demand growth increased by 8% as longer trading distances became prevalent. East Asian countries, such as China and Japan, replaced Iranian imports with increased imports from West Africa and Latin America, leading to increased average trading distances. Since the economic downturn, the estimated average distance of seaborne crude trade has risen by an average of 1.8% per year, with Asia now representing 55% of global import demand as opposed to 38% in 2003.

The increase in distances outlined above, allied with lower vessel speeds, helped soak up a 5.8% increase in fleet supply. Notwithstanding a 20% reduction in newbuilding deliveries (2011: 40 million dwt), fleet growth accelerated due to relatively low levels of scrapping. Nevertheless, tough financing conditions have led the tanker order-book to fall to 58 million dwt. In terms of asset values, vessel prices declined for all segments, with smaller vessels especially affected as owners sought economies of scale.

Shipping analysts forecast another tough year for the tanker market as demand slows and the pressures of overcapacity persist, with 26.4 million dwt of fresh tonnage due for delivery. The relative outperformance of product tankers is unlikely to continue due to the anticipated drop in crude production and imports in the latter part of 2012.

Over the past 10 years, the tanker fleet has increased by 62% from 293m dwt to 475m dwt.

TABLE 19A

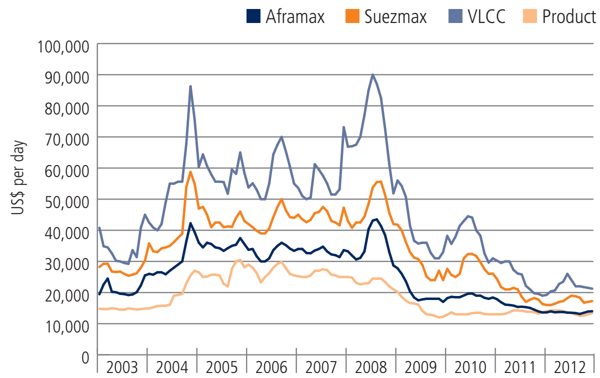
One Year Time Charter Rates ($/day), 2012

	Product	Aframax	Suezmax	VLCC
Jan-12	14,000	13,625	16,000	19,250
Feb-12	14,250	13,938	16,000	20,375
Mar-12	14,250	13,650	16,400	20,700
Apr-12	14,250	13,750	17,000	22,750
May-12	14,000	13,750	17,250	23,500
Jun-12	13,650	13,550	18,200	26,000
Jul-12	13,438	13,500	19,000	24,000
Aug-12	12,950	13,400	18,800	22,000
Sep-12	12,500	13,125	18,375	22,000
Oct-12	12,562	13,500	16,750	21,750
Nov-12	13,000	13,900	17,000	21,500
Dec-12	13,375	14,000	17,250	21,250
Jan-13	13,750	14,000	16,875	21,000
Feb-13	14,000	13,562	16,688	19,938

Source: Clarksons

GRAPH 19A

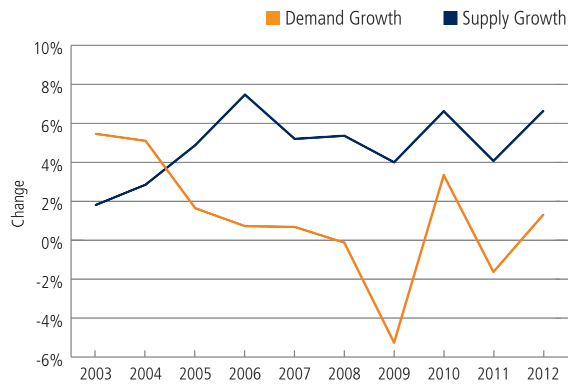
Tanker One Year Time Charter Rates, 2003-2012



Source: Clarksons

GRAPH 19B

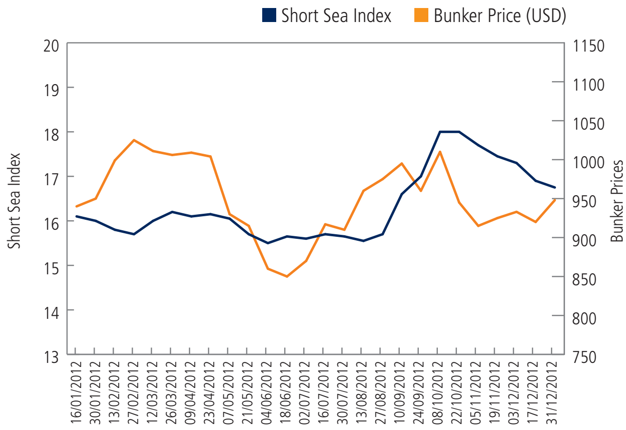
Demand Supply Dynamics: Crude Tankers, 2003-2012



Source: Clarksons

GRAPH 20A

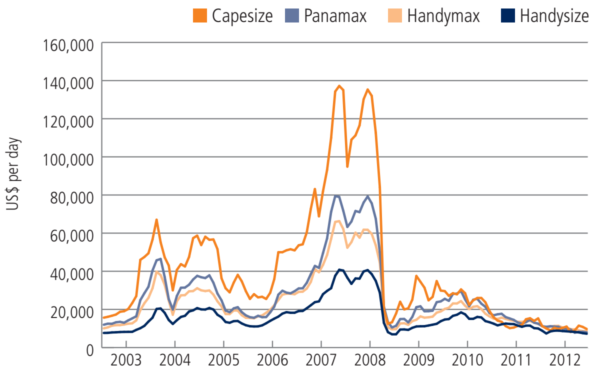
European Dry Bulk Short Sea Market, 12 Month Graph



Source: HC Shipping and Chartering

GRAPH 20B

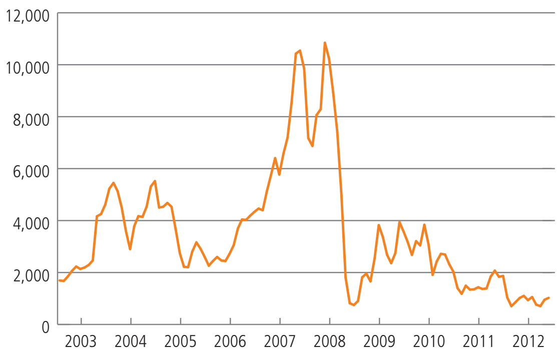
Dry Bulk 1 Year Time Charter Rates, 2003-2012



Source: Clarksons

GRAPH 20C

Baltic Dry Index, 2003-2012



Source: Clarksons

DRY BULK MARKET

The relentless surge of new vessels persisted to stretch the supply demand fundamentals for the year, with three bulk carriers delivered for each one sent for demolition in three of the four major segments. The record number of deliveries in contrast to only moderate demand growth was clearly reflected in the Baltic Dry Index which recorded its weakest data in some 26 years. The average for 2012 was 920 points, down 41% year-on-year and 67% as compared to 2010.

The dry bulk one-year time charter markets similarly recorded large declines during 2012. Capesize rates declined by 24%, while Panamax (-34%), Handymax (-28%) and Handysize (-29%) also recorded reductions in rates.

Despite weaker economic growth, Chinese tonnage demand remained strong. Holding a share of nearly 40% of the world deep-sea trade in dry bulk commodities, China is crucial to any recovery in this market in the short to medium term. Encouragingly, strong Chinese imports in the last quarter of 2012 saw quantities of iron ore reach a record high of 744 million tonnes for the year. Similarly to China, Indian power requirements have seen an increase in demand for dry bulk commodities, such as thermal coal, giving a much needed boost to the market. Growth in the above markets has reflected positively on freight volumes, but persistent low freight rates have proved only sufficient to cover operating costs during the year.

Closer to home, the European short sea bulk market remained subdued with overall pressure remaining downward, resulting in minimal freight level fluctuation week to week. Over a wider time period, the last few years have seen long periods of inactivity and weak demand. Market data would suggest that this is unlikely to change in the short to medium term.

RS Platou believes that any immediate upturn in bulk freight rates globally, due to stronger than expected recovery in tonnage demand, will be quickly offset by lower scrapping and higher fleet growth, with any potential upsides appearing moderate in the short term.

Since 2003, the Baltic Dry Index has fallen by 65% to an annual all time low of 920.

CONTAINERSHIP CHARTER MARKET

Continued economic uncertainties and increases in fleet capacity presented downside risks for the container industry during 2012 as charter rates showed little signs of a revival. Rates fell close to twenty year lows, with owners facing their second worst year, just ahead of 2009.

Global containership capacity totalled 16.34 million teu at the beginning of 2013, bolstered by an additional 1.25 million teu in deliveries, while deletions reached 200 units, equating to 351,000 teu. The idle fleet at the beginning of 2013 represented 6.6% of the global cellular fleet, with many of these being non fuel-efficient workhorse feeders, rendering them surplus to requirements due to constantly increasing bunker prices.

Weaker economic growth in the key global markets combined with the ongoing surge in vessel supply continued to dampen charter levels. This was particularly evident in the larger classes, where charter rates on average were between 40% to 50% lower than in 2011. The midsized segments also remained largely stagnant. In contrast, a lack of newbuilding and a shortage of vessels in the smaller sizes contributed to an 8% increase in the handysize rate, and an even sharper rise in the feeder segment, which rose 16% for the year. The feeder market typically serves intra-regional markets such as the Irish short-sea European market.

Looking over the course of the year, a weak start was followed by firmer rates as operators secured extra tonnage in the anticipation of the peak season trading period. However, this rate increase was short-lived and softer rates became prevalent in the latter part of the year.

The top 10 carriers' combined share of capacity accounted for 67% of total teu in 2012. With a record 1.7 million teu forecast for delivery in 2013, the outlook for the container market remains negative, with overcapacity to remain an ever-present throughout the year. However, there is a strong sense of optimism amongst industry experts in relation to overall profitability, with Drewry forecasting potential profits of $5 billion for 2013, up from a provisional forecast of $1.5 billion for 2012 and much higher than the industry-wide losses of $6 billion in 2011.

World container trade has almost doubled in the past 10 years, increasing by 83% from 85m teu to 156m teu.

TABLE 21A

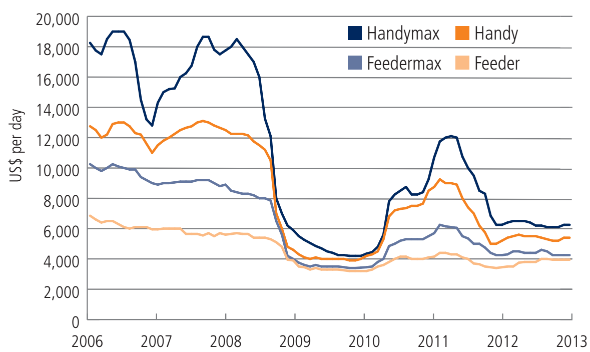
Containership One Year Time Charter Rates ($/day), 2012

	Feeder 350 TEU	Feedmax 725 TEU	Handysize 1000 TEU	Handymax 1700 TEU
Jan-12	3,400	4,250	5,000	6,250
Feb-12	3,450	4,250	5,200	6,250
Mar-12	3,500	4,300	5,400	6,400
Apr-12	3,500	4,500	5,500	6,500
May-12	3,750	4,500	5,600	6,500
Jun-12	3,800	4,400	5,500	6,500
Jul-12	3,800	4,400	5,500	6,400
Aug-12	3,800	4,400	5,500	6,200
Sep-12	4,000	4,600	5,400	6,200
Oct-12	4,000	4,500	5,300	6,100
Nov-12	3,950	4,250	5,200	6,100
Dec-12	3,950	4,250	5,200	6,100
Jan-13	3,950	4,250	5,400	6,250
Feb-13	3,950	4,250	5,400	6,250

Source: Clarksons

GRAPH 21A

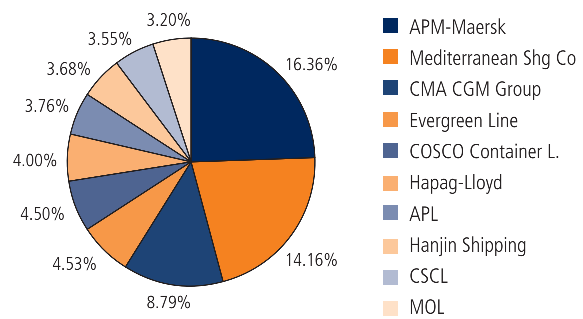
Container One Year Time Charter Rates, 2006-2013



Source: Clarksons

GRAPH 21B

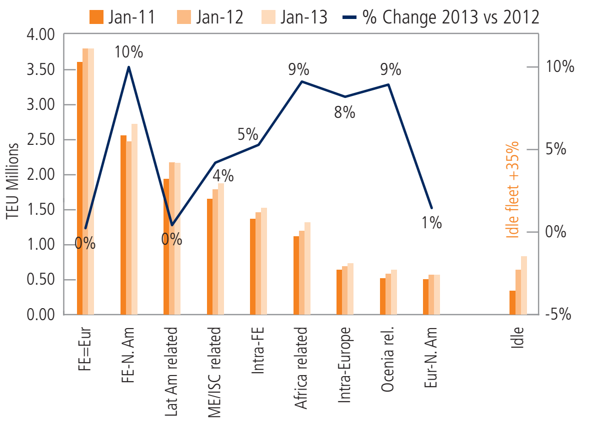
Top 10 Containership Operators by TEU, 2012



Source: Clarksons

GRAPH 22A

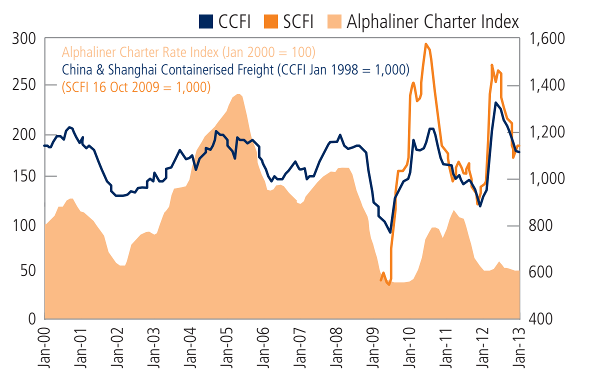
Total Cellular Capacity Deployed by Sector: Change Jan 2013 vs Jan 2012



Source: Alphaliner

GRAPH 22B

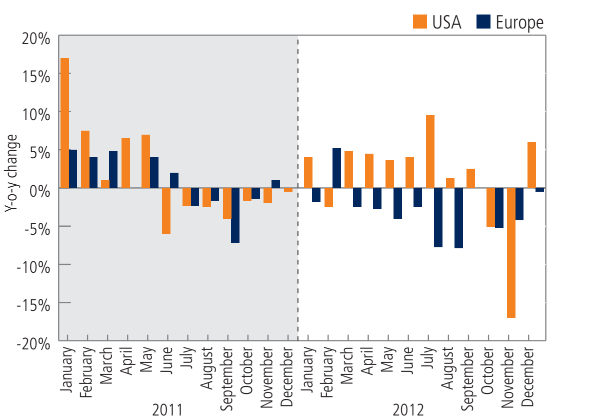
Containership Charter Rates vs Container Freight Rates: 2000-2013



Source: Alphaliner

GRAPH 22C

Monthly Container Imports Growth: 2011-2012



Source: Alphaliner

DEEP SEA CONTAINER TRADES & FREIGHT RATES

Global container trade is projected to grow by 6.1% in 2013 on the back of the 3.7% volume growth witnessed in 2012. The vast majority of last year's container trade growth came from non-mainlane routes, driven by strong demand from emerging economies. Consequently, North-South trades as well as Intra-Asian trades continued to expand, with this trend expected to continue into 2013, as opposed to a return to high demand from Europe and North America.

Container traffic on the key headline trade from Asia to Europe declined by 4.4% in 2012. Volumes were stable in the first half of the year but declined noticeably during the latter half, especially in the third quarter as European consumer confidence weakened. More encouraging however was the volume of European exports to Asia which expanded by 3.7%.

Container freight rates for 2012 were highly volatile as carriers sought to exercise temporary market power, raising average freight rates by 51% for the first half of the year through the implementation of several rounds of general rate increases. Nevertheless, renewed rate competition in the second half of the year ensured prices only ended up 25% higher on an annual basis. This was evidenced by an increase in the Shanghai Containerised Freight Index [SCFI], which peaked at 1801 in May, markedly above January's 733 points, before finishing at 1201 points by December 2012. In addition, the SCFI showed that freight rates for boxes shipped from Shanghai to Europe averaged $1,209/teu in Q4 2012, 19% lower than the average rates of Q3, and 31% lower than Q2, but still more than double the Q4 2011 average, illustrating the current volatility present in the market.

Most shipping lines intend to implement adjustments to their freight rate levels for the Far East to Europe trade lane in early 2013, thus ensuring room for subsequent rate slides within a healthy distance of break-even levels, according to BIMCO. Meanwhile, Clarksons Research Services has predicted that growth will return to the Asia-Europe trade in 2013, with volumes expected to increase by 3.3% to 14.1 million teu, although this looks somewhat optimistic given weak EU growth forecasts.

Average daily containership earnings have fallen by 57% since 2003, from over $14,000 to $6,100

NEWBUILDING AND DEMOLITION MARKET

CONTAINER FLEET: The containership fleet grew by 6% in 2012, adding 1.25 million teu to the already swollen market. Oversupply and financial pressures ensured 333,620 teu was sent for demolition, the second highest annual amount on record, and more than triple 2011's level. Meanwhile, the order-book for 2013 shows a growing dominance of larger vessels, with 61% of vessels to be delivered next year greater than 8,000 teu. However, this is a notable decrease from the 70% share for 2012. The majority of these larger vessels are expected to operate on the Asia-Europe route: the trade lane with potentially the lowest growth prospects in terms of box movements.

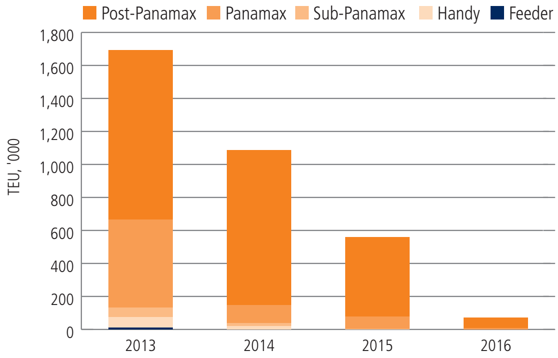
RO-RO FLEET: The ro-ro fleet declined 2% from 2011, with total tonnage falling by 2.4 million dwt. The most notable change in the ro-ro fleet was in the 2,000-4,999 dwt category, which declined by 7% or 800,000 dwt, while the 10,000-14,999 dwt fleet was the only segment which increased its share of total tonnage. Ro-ro newbuilds are set to decline by 22% in 2013, with new-build deliveries at 333,000 dwt, down from 425,000 dwt in 2012. The vast majority of orders for 2013 are coming from the 15,000+ dwt fleet, accounting for 59% of total orders for the year. A total of 45 ro-ro vessels were sent to the scrap yard, down from 53 in 2011, although total tonnage decreased only marginally due to larger vessels being scrapped.

DRY BULK FLEET: The bulk carrier fleet grew by 10% in 2012 as compared to a growth of 15% in 2011. The order-book now constitutes 20% of the fleet, with panamaxes (60,000-80,000 dwt) making up the largest proportion. Orders have decreased by almost 40% from 2011, mirroring the substantial decline in freight rates. Demolition reached record levels during 2012 as low freight rates and vessel obsolescence made continued operation unviable in many cases. It is noteworthy that a ship as young as 15 years was sold for scrap in late 2012.

TANKER FLEET: During 2012, the tanker fleet grew by 5.8% in comparison to 3.9% in 2011. Despite the bloated fleet supply, a drop in scrap prices, along with a modest increase in older vessel values, meant demolition levels were unchanged last year, with only 131 vessels making it to the scrap yard. Tough financing conditions have led the order-book to decline to 12% of the overall fleet size, the lowest level in 12 years. The VLCC/ULCC segment still holds the lion's share of orders as owners continue to seek economies of scale

GRAPH 23A

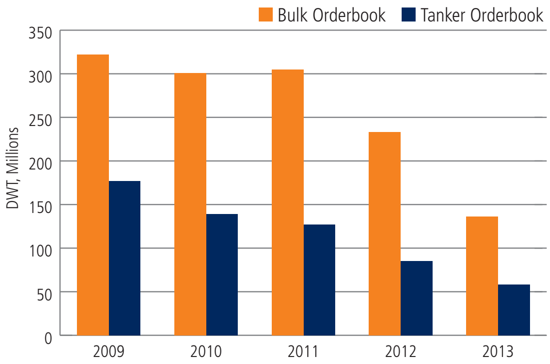
World Cellular Fleet Orders by Size Range, 2013-2016



Source: Clarksons

GRAPH 23B

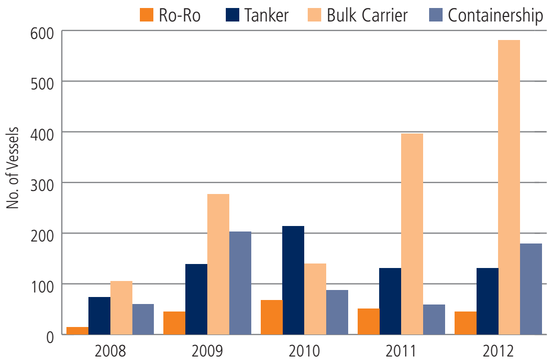
Bulk Carrier Orderbook, 2009-2013



Source: Clarksons

GRAPH 23C

Demolition by Fleet Category, 2008-2012



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 citizens of the state or not.

GNP – Gross National Product is the sum of GDP and Net factor income from the rest of the world. The rate of increase of GNP attempts to capture the increase in the incomes of the state's citizens irrespective of where the activity that generated the income took place.

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 Freight 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 to and from 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

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

TECHNICAL NOTE

- The iShip Index is a weighted indicator comprised of five separate indices, representing the main maritime freight categories moving through Ports in the Republic of Ireland: Lo-Lo, Ro-Ro, Dry Bulk, Liquid Bulk & Break Bulk.
- The Lo-Lo Index comprises solely of laden traffic.
- The following ports have been included in the index: Port of Cork, Drogheda Port, Dublin Port, Dundalk Port, Dún Laoghaire Harbour, Galway Harbour, Greenore Port, New Ross Port, Rosslare-Europort, Shannon Foynes Port, Port of Waterford and Wicklow Port. Bantry Bay has been excluded as its throughput is predominantly of a transhipment nature.
- All data is derived from the individual port companies and subject to a one-year revision period.
- The base period is **Quarter 1 2007** at which all indices equal 1000.

TRAFFIC BREAKDOWN

LIQUID BULK:
Consists mainly of petroleum, heavy fuel oil, liquefied gas and bio-ethanol.

DRY BULK:
Consists mainly of animal feed, fertilizer, cereals, ore, bauxite, alumina, and coal.

BREAK BULK:
Consists mainly of construction related materials.

LO-LO (LIFT ON-LIFT OFF):
There are direct daily container services from the Republic of Ireland to Great Britain, mainland Europe and the Mediterranean. There are also worldwide transhipment services available from the Republic of Ireland.

RO-RO (ROLL ON-ROLL OFF):
This traffic is wheeled accompanied and unaccompanied goods vehicles. The majority of this trade is between Ireland and the United Kingdom, but there is also a Con-Ro service between Ireland and Continental Europe included in this traffic classification.

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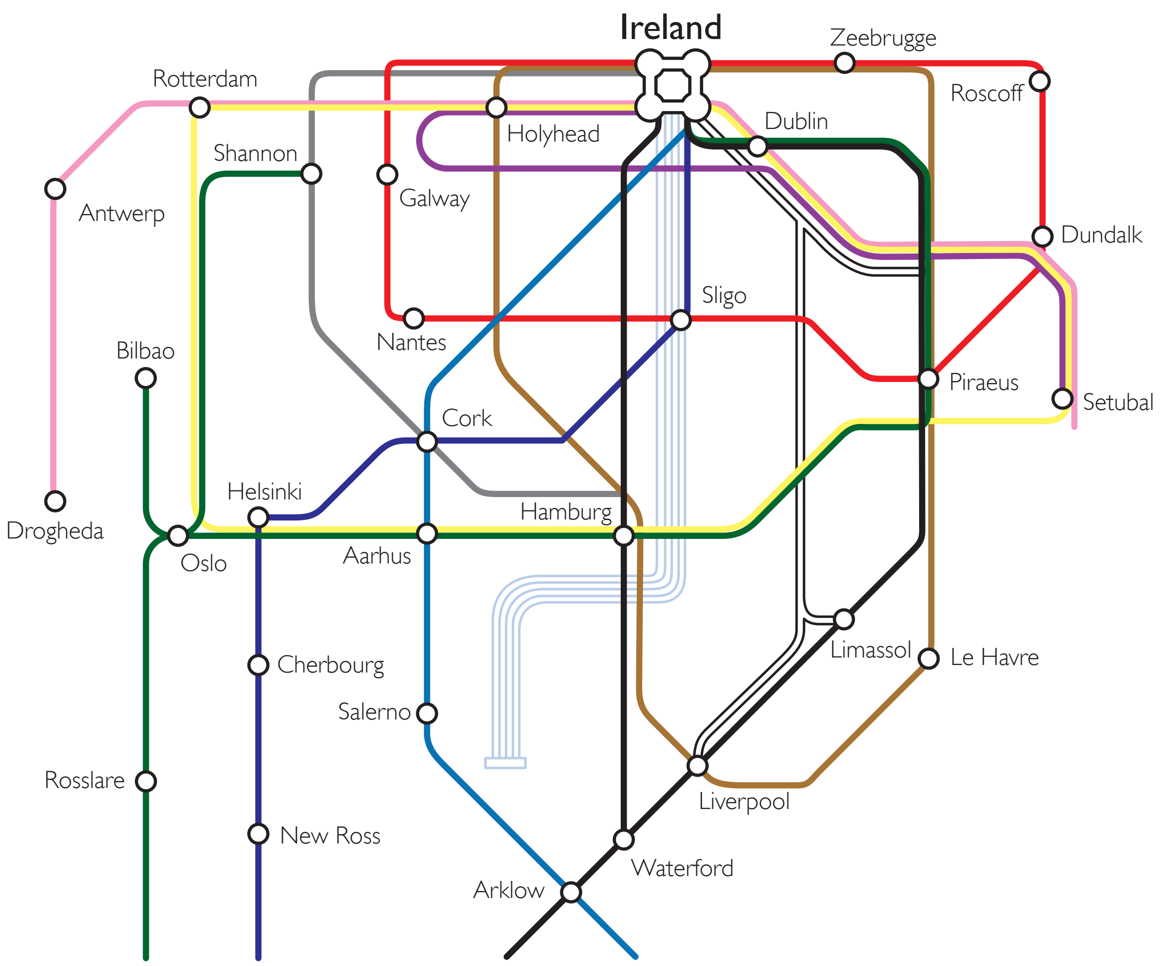

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