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OWL DUBAI NEWSLETTER – OCT 2009

Has the global economy bounced back from the deep recession that began last fall?

World Bank economists say such economic vital signs as industrial production, trade, and foreign direct investment are picking up, though they're at considerably lower levels than before the financial crisis. "Right now, we see this recovery as ongoing, as something that's actually going to gain steam," says Andrew Burns, lead economist in the World Bank's Development Prospects Group. "We'll start to see in 2010, 2011, growth rates that are lower than we've been used to over the last several years but nevertheless fairly steady. We're looking at something in the range of 5 ½ percent for developing countries in 2010." But the gap between what the world can produce and what it is actually producing is expected to remain very large — about 6 percentage points of GDP for developing countries. Moreover, the higher borrowing costs and weakened financial system will likely reduce the long run potential output of developing countries by as much as 4 percent of their GDP. "That means unemployment is going to be a sustained problem for developing countries and for high-income countries, and it means that many of the very difficult transitions and structural changes that are currently taking place as we adapt to this slower growth and lower level of output will continue for some time," says Burns. Indeed, many countries still feel the pain of the downturn.

Developing country growth will probably be less than 2 percent in 2009, compared with about 8 percent the previous year. Some 43 low-income developing countries are still suffering from the combined effects of the food, fuel and economic crises. The World Bank estimates that financing shortfalls to cover core spending needs may amount to some $11.6 billion for these countries. As many as 90 million more people will be living in extreme poverty, on less than $1.25 a day, by the end of 2010, the Bank predicts.

In Africa, When Growth Slows, 'Infants Die'. "In a poor region like Africa, when incomes start falling, when per capita growth is negative, that has effects on people's lives," says Shanta Devarajan, World Bank chief economist for the Africa region.

"One of the most disturbing statistics we found is that when you have these kinds of growth slowdowns, infants die. "One of my colleagues has made an estimate that for the size of this slowdown in Africa, you could lose about 30,000 to 50,000 infants before their first birthday." It took about six months for the economic crisis to hit Africa. Africa's growth rate dropped from 4.8 percent a year in 2008 to about 1 percent in 2009. Now, Devarajan fears Africa will also lag behind in recovery. Private capital flows are down. Revenues from the export of commodities are down. Remittances are projected to fall by 8 percent in Africa this year after growing at double-digit rates over the last four or five years. And remittances may stay at lower levels if employment doesn't pick up in the United States and Western Europe, where most of the African diaspora resides.

Worldwide, remittances could drop by as much as 10 percent—a big number in countries that rely heavily on them, says Dilip Ratha, lead economist and manager of the Migration and Remittances Team in the Development Prospects Group. "There are countries out there which receive remittances that are 25 percent—sometimes 50 percent—of their national income. Smaller, poorer countries, conflict countries, fragile countries, depend a lot on remittances. A 10 percent fall may not appear big compared to the fall in foreign investment flows, but even a fall of 10 percent can mean significant hardships for, particularly, the poor people, and also for the governments that depend on the foreign currency that comes in."

The World Bank increased lending this year to low-income countries in Africa to $7.8 billion—up 30 percent from the previous year. The extra funds were a lifeline, says Devarajan. "It looks like they've at least managed to make it through the year, cushioning themselves with a lot of pain, and difficulty. But there has to be some assurance these resources will be there two years down the road, otherwise these countries will be in trouble."

In Eastern Europe and Central Asia , several countries are also struggling after being hit probably worst of all by the financial crisis, says the region's Chief Economist Indermit Gill. Economic growth across the region is expected to be a negative 6 percent in 2009, with several countries in the negative 10 percent range. Official unemployment has increased from 8.5 million to 11.5 million, but the actual number of unemployed may be much higher.

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Remittances have fallen by double digits, in some countries to half their 2008 levels. Foreign financing has shrunk. Foreign debt, mostly private, is a looming problem for the region, which has more than $300 million of maturing debt next year that has to be financed somehow. Fiscal deficits are expected to more than triple in some countries and force governments to work with smaller budgets. The recession has reversed huge declines in poverty in the region. "Instead of the number of poor falling by about 15 million this year, it will actually increase by almost 15 million. So we are seeing a big difference of essentially about 30 million poor," says Gill. "And these numbers don't actually tell you how much worse things are for the 150 million poor who were already poor or vulnerable to poverty.

The World Bank Group increased lending and assistance to several countries in the region, including $2 billion in loans to Hungary, Ukraine and Latvia last week. And in February, it joined the European Bank for Reconstruction and Development and the European Investment Bank in a plan to provide up to €24.5 billion ($31 billion) to support the banking sectors and to fund lending to businesses hit by the global economic crisis. The World Bank Group will provide about €7.5 billion as part of this effort. "We're seeing a huge demand for MIGA to come in and to help banks recapitalize their subsidiaries in these countries," says James Bond, chief operating officer for the Multilateral Investment Guarantee Agency, the arm of the World Bank Group that provides political risk insurance.

Other regions have also had to deal with falling FDI, more costly credit, and shrinking export markets as a result of the financial crisis, Bond says. Low-income countries are also worried that aid will slow down or go in reverse as donors face their own constraints at home, while the emerging BRIC countries—China, India and Brazil—are concerned about the significant declines in their normal export markets, the United States and Europe.

World trade has recovered a bit from its trough—a 35 percent decline—last spring. It's now expected to decline overall by 10 percent this year. However, a large proportion of the trade recovery has been as a result of fiscal and monetary stimulus and restocking of inventory, says World Bank Trade Director Bernard Hoekman. "As governments start to pull that back, the big question is, is private sector demand going to pick up the slack? Clearly, in the big importing countries of the world, of which the US is by far the largest and most prominent example, households are going to be a lot more constrained in the capacity they have to consume at the levels that they used to or were used to," says Hoekman. "In the short run, a stronger-than-expected recovery should pull Latin America up, which in South America is now happening," says Augusto de la Torre, chief economist for the Latin America and Caribbean region. "But in the middle of 2010, there is more significant uncertainty as to whether the world as a whole can recover a high growth pattern in a more balanced way, with the US saving more, China consuming more and spending more, and, perhaps, Latin America investing more."

After the Crisis?

Looking ahead, the world would benefit from "multiple poles of growth," World Bank Group President Robert B. Zoellick said in a September 28 speech in Washington. But first it must protect the vulnerable. Last week, G20 leaders expressed support for World Bank-led initiatives: a new Crisis Support Facility to protect low-income countries from future crises, as well as the Global Partnership for Agriculture and Food Security. And the Bank has instituted a number of other measures during the crisis to support social programs, trade, distressed banking systems, infrastructure projects, microfinance and the private sector.

"With investments in infrastructure, people, and private businesses, countries in Latin America, Asia and the broader Middle East could contribute to a 'New Normal' for the world economy," Zoellick said. And, Africa, too, with its population of 1 billion, can become a pole of growth, Zoellick added.

Financial Crisis Facts & Figures

> 43 poor countries are suffering the consequences of the global recession.

> Poor countries face $11.6 billion shortfall in core areas such as education, health, infrastructure and social protection.

> Export market demand in the poorest countries has dropped between 5-10% in 2009, due to a downturn in trade.

> Private capital flows to the poorest countries are projected to drop to $13 billion in 2009, declining from $21 billion in 2008 and $30 billion in 2007.

> Remittances to the poorest countries are anticipated to fall between 5 and 7% in 2009, recovering only modestly in 2010.

> Many poor countries, particularly small island states, depend on tourism for foreign exchange and job. Worldwide tourism receipts fell by 8% between January and April 2009, continuing the sharp falloff from 2008.

> The global economy is projected to fall by 2.9%, according to a Bank estimates from June 2009. And world trade is projected to fall by 10%.

> Developing countries are expected to grow by only 1.2% this year.

> As many as 90 million more people will be living in extreme poverty, less than $1.25 a day, by the end of 2010.

> More than 1 billion people could go chronically hungry this year, according to projections. This would reverse gains in fighting malnutrition.

> 30-50 thousand more babies may die in Africa this year

India, China, Singapore to lead Asia growth in 2010: Report

Asia's economic recovery is on a firmer footing than three months ago with China set to easily reach its 8 percent growth target this year and expand 9 percent in 2010, while trade-reliant Singapore and Taiwan will see a sharp turnaround next year, a Reuters poll shows. "Providing we don't have a major relapse in the big advanced economies, I think this is the start of a durable economic recovery," said Rob Subbaraman, Asia economist at Nomura in Hong Kong. "Domestic

demand is an important part of it, but also exports are no longer collapsing as they were earlier in the year. At the very least they are stabilising." The poll included gross domestic product (GDP) estimates from more than 100 analysts in 12 economies in Asia including Australia and New Zealand but excluding Japan.
Asia's faster-than-expected rebound from the global recession in recent months looks set to continue, in sharp contrast to a far murkier outlook for many Western economies.
China will remain Asia's best performing economy, helped by its massive $585 billion fiscal stimulus programme, and forecasts for 9 percent economic growth in 2010 were up from 8.8 percent in the previous Reuters poll in July. Exports, though, will continue to lag their robust performance of recent years, squeezing China's trade surplus next year to $188.3 billion, from an estimated US$204 billion this year, the poll showed.
Stronger-than-expected recoveries likely point to interest rate rises in much of the region next year to curb potential inflationary pressures, though policymakers will be cautious about unwinding emergency stimulus measures until they are sure the global economy is on solid footing.
Australia's central bank raised rates last week and heralded more to come, saying the worst danger for the economy had passed.
Analysts expect South Korea to be the second G20 nation to raise rates as a property boom fuels worries about a potential asset bubble. The poll showed the Bank of Korea is likely to keep rates on hold through the end of this year but the chance of an unexpected rise before then is higher than it was three months ago.

Asia's headstart in rebounding from the global recession, and the prospect of tighter monetary policy, will also keep upward pressure on Asian currencies.
Several central banks in the region have intervened in recent weeks to curb appreciation of their currencies, fearing it could make their exports less competitive and impede economic recovery.

Demand soars Europe-Asia trade

Recyclables and growing China market are driving volumes up in Europe-Asia trade. Forwarders and shipping lines have reported strong volume increases on the eastbound Europe-Asia trade over the past few months, while westbound demand has also increased.

The latest figures from the European Liner Affairs Association (ELAA) show volumes on services from Europe to Asia increased 10% year-on-year in August, to just under 470,000teu. It is only the second volume increase and the first double-digit volume increase on the eastbound trade reported by the ELAA this year.

Kuehne + Nagel north-west Europe CEO Tim Scharwath said: "We have seen growth in the secondary recyclable materials sector - waste paper, metal scrap, plastic scrap - which is the driving the volumes to Asia. However, those volumes are very volatile. You may have an increase one month, but they can quite easily go down the next, because companies that trade with recyclable materials always ship to where they can get the best price."

Ian Connell, director of UK forwarder Energy Freight, added: "At the moment we're doing more business on the eastbound trade than we have in recent times, which is fantastic news. "As a result, shipping lines are successfully increasing rates, and that is not actually a bad thing for forwarders because when rates are low, forwarders' margins are low."

CMA CGM senior VP for Asia Europe Nicolas Sartini told IFW the increased eastbound demand had started in May, and he was confident it would continue for the coming months. "It is caused mainly by the continuous growth of the Chinese market," said Sartini. "[It is also] important to mention that carriers are still carrying important volumes of waste commodities." Sartini was unsure whether the increased eastbound volumes were an indicator that westbound volumes would soon start to grow. "It would be nice, but it is not 100% sure. "A growing share of these eastbound volumes is used for the internal [Asian] market - consumption and investment. "[But], we notice that some Chinese industries, which are foreign trade-oriented, are increasing their inbound volumes and their inventories to be in a position to serve more orders." Taiwanese carrier Evergreen said it had also experienced stronger than expected demand for October and November as a result of companies replenishing stock, and the wider economic recovery. This, combined with carriers reducing capacity levels, had resulted in "limited availability" of space. Scharwath added that demand on the westbound Asia-Europe trade had also increased. He said this was down to European companies restocking warehouses and trying to save transport costs in light of continuously increasing ocean freight rates. ELAA figures show that in August westbound monthly volumes surpassed the 1m teu mark in August for only the second time this year. However, volumes were still 11% down year-on-year.

Container Shipping Industry – needs ‘transformation’

Container shipping needs “transformation” that goes beyond the changes carriers are undertaking to survive and likely will include consolidation, a Maersk executive told The Journal of Commerce’s East Coast Maritime conference. “I deliberately used the word transformation as opposed to just change,” said Morten Nicolaisen, chief financial officer of Maersk Inc. “Change can be sometimes be a tweak or a small thing that you’re changing. Transformation is much more fundamental.” Citing estimates that container ship lines will lose $20 billion this year, Nicolaisen said ship lines need to earn $10 billion to $20 billion in profit to sustain needed investments. That means the true gap between profitability and investment need is $30 billion to $40 billion, he said. Nicolaisen questioned whether all carriers should have global ambitions. “Does it really make sense,” he said, “for everybody trying to become a global player with a small presence in all trade lanes with a very small market share?”
Ocean carriers, he said, must focus on their core operations. He said most inland container movements are “probably best left to domestic providers who can mix and match different modes of transportation and know their own markets.”

Two years ago, Maersk drastically revised its inland network by consolidating delivery points. In August the carrier introduced a chassis pool that that leases chassis for unrestricted use by truckers.

Paul Bingham, managing director of global trade and transportation at IHS Global Insight, told the ECM conference the global economy appears to be in a slow, uneven recovery, but that trade volumes won't quickly recover to the levels of the boom years of the last decade. Bingham said even state-controlled carriers may eventually find that their governments will eventually tire of bankrolling heavy losses. "It's hard to imagine the industry getting out of this without some financial failures," he said. "There are too many ships and probably also too many companies that are too small." Not every carrier can or should have global ambitions, he said.

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HOW much will carriers need to raise rates in order to turn their losses around in the coming months? Based on statistics accumulated by AXS-Alphaliner and one analyst in Singapore who has been following these developments very closely, following figures were arrived.

Carrier losses and liftings 1H09

Line	Liner Operating Profit US$	Volume Teu
ZIM	(380,000,000)	847,000
CSAV	(323,000,000)	798,000
K Line	(208,000,000)	729,000
Hapag	(618,000,000)	2,307,000
Cosco	(630,000,000)	2,354,343
Hanjin	(342,000,000)	1,399,953
APL	(379,000,000)	1,840,000
CSCL	(475,000,000)	3,183,635
Maersk	(829,000,000)	6,600,000
OOCL	(197,000,000)	1,999,000
RCL	(51,000,000)	1,145,725

In the below table, which is based on AXS-Alphaliner's profit and loss analysis in the first six months of the year, as well as information from individual carrier websites, we can see the conversion of each carrier's losses per TEU in the first half, excluding K Line, which is only based on the carrier's second quarter result. From the table we can see that losses for the period vary from as high as US$449 per TEU for Israel-based carrier, ZIM Shipping, to $44.5 per TEU for RCL.

The business profiles of the two companies provide an insight into how their losses have mounted up so vastly different. "RCL has a different business model compared to the other carriers included in the study," the analyst said.

Carrier losses per TEU 1H09

Line	Per Teu Operating Losses US$
Zim	-448.6
CSAV	-404.8
K Line	-285.3
Hapag	-267.9
Cosco	-267.6
Hanjin	-244.3
APL	-206.0
CSCL	-149.2
Maersk	-125.6
OOCL	-98.5
RCL	-44.5

Shippers must be educated on how to deal with carriers

IT is often said by liner executives that shippers don't care about service levels, only rates. Meanwhile shippers claim carriers more often than not bombard them with lower and lower rates during the slack seasons without even discussing what level of service the customer may like.

This is not to say that all shippers are interested in paying more for higher service levels, and it certainly does not mean all carriers do not look for ways to offer their customers a more attractive service for a premium rate. But such a reputation is rare in today's industry. But could it be the case that in some cases where shippers are pushing for lower rates, they simply do not know what else to ask for?

Shippers' Voice founder and director Dr Andrew Traill believes so…

In a recent interview with The Container Shipping Manager, Dr Traill admitted to us that there was indeed a lack of education on the part of many shippers that needs to be addressed. A good relationship with a shipping line will not only help that carrier understand a shipper's business needs more, but can also lead to cost savings in the long run, even if it is not the lowest ocean rate in the market. This lack of understanding of such benefits is a large part of the reason why Dr Traill established Shippers' Voice to begin with.

Dr Traill's extensive experience working within shipper organizations over the past decade and more, including his ongoing role as the policy director for the European Shippers' Council, has not only helped him understand the plight of shippers today, but has also revealed to him many areas missing in the general education of the modern shipper. As for addressing how to improve the relationships with the shippers' service providers through a better understanding of what is available in terms of service, the director notes that this is one of his primary concerns. There are many misconceptions between the two sides. We too have experienced this in our conversations with both shipper and carrier over the years.

News from the air front – IATA report

The International Air Transport Association (IATA) has announced another year on year fall in air traffic for August. Compared to August 2008, passenger demand was down 1.1% globally, (an improvement compared to the 2.9% decline in July), and freight demand fell by 9.6% (also an improvement compared to the 11.3% drop in July).

Although the figures represent some grounds for optimism, freight movement is still 16% below April 2008 levels when the fall in demand began.

For the Middle East, however, the picture is far more positive, as freight movement was up 3.0% in August. It was a similar picture on the passenger side. Globally, traffic levels remain 5%

below May 2008 when the fall in demand began. Middle Eastern carriers, however, reported year-on-year passenger growth of 10.8% in August.
Giovanni Bisignani, IATA's director general and CEO, was typically forthright about the outlook for the aviation industry. "Demand continues to improve, but profitability remains ever distant," he said. "Fares have stabilised, but at profitless levels. "Meanwhile cost pressures are mounting from reduced aircraft utilisation and rising oil prices. The industry is not out of the woods yet."

Expat numbers rise rapidly as UAE population touches 6m

The population of the UAE currently stands at six million. This comprises both Emiratis and expatriates, senior government officials told Gulf News. The figure is the result of two major studies carried out on visa registration and the number of people employed in the country.
These figures reveal that the expatriate population is rapidly increasing. The largest group of expatriates hails from India, with 1.75 million currently residing in the UAE. The second largest group is from Pakistan, with about 1.25 million. Roughly 500,000 Bangladeshis stay in the UAE.
Members of other Asian communities, including China, the Philippines, Thailand, Korea, Afghanistan and Iran make up approximately one million of the total population. Western expatriates, from Europe, Australia, Northern Africa, Africa and Latin America make up 500,000 of the overall population.
Results from the 2005 census showed that the population was 4,104,695, of which 20.1 per cent were Emiratis.
The next population review will be in six months, in April, when the Census 2010 reconvenes. The population and building census will cost Dh65 million. About 10,000 experts and analysts, including no less than 8,000 statistics officials, will take part in the activity.
Signing off now and see you next week.
Any feedback on this issue or any back issues, pls mail to Prabhu Williams <dxbgenl@owl.ae>