



# The Irish Maritime Transport Economist

VOLUME 6  
*April, 2009*

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# The Irish Maritime Development Office

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

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

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

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

Editorial Team: Glenn Murphy, Victoria Vogel

External Contributors: Dr. Kevin Hannigan

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# The Irish Maritime Transport Economist

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Irish Maritime Development Office  
80 Harcourt Street  
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*telephone:* + 00 353 1 476 6500

*facsimile:* + 00 353 1 478 4988

*website:* [www.imdo.ie](http://www.imdo.ie)

*email:* [imdo@marine.ie](mailto:imdo@marine.ie)

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Noel Ahern T.D.  
MINISTER OF STATE AT THE DEPARTMENT OF TRANSPORT

## Foreword

page 3

I am very pleased to welcome you to the 6th publication of the Irish Maritime Transport Economist, prepared by the Irish Maritime Development Office (IMDO). This year's publication clearly illustrates the considerable change that has taken place in both the national and international economy in 2008.

As a nation, it is clearly acknowledged that we are coming through a tough economic period as the impacts of the global recession continue to unfold. As we are now confronting the biggest economic challenge we have faced in some time, it is little consolation to know that we are not alone and that we share these difficult times with most developed Western economies. If anything, this compounds our difficulties, given the openness of our economy and our dependence on export trades.

Against this very challenging backdrop, our volume of export traffic declined by only 2 per cent last year. As global markets contract, our competitive macro economic position is subject to intensified pressure. In this regard, the performance of our shipping and ports sectors in continuing to maximize efficiencies and providing competitive shipping solutions is of even greater importance.

The Harbours Bill, which has already been through the Senate and will shortly come before the Dáil, will lead to the reform of the structure of our port companies and provide them with greater commercial freedom to meet this task.

By their very nature, economies tend to operate in cycles and we have been fortunate to have enjoyed a long and sustained recent period of growth. The Irish ports and shipping sectors responded quickly to facilitate the recent period of rapid economic expansion and I have no doubt that they will make the necessary adjustment in dealing with the current downturn, while positioning themselves for the resumption of growth.

A handwritten signature in black ink, appearing to read 'Noel Ahern'.

Noel Ahern  
Minister of State at the Department of Transport

#### Key Indicators:

GDP: -1.3%

GNP: -1.6%

Inflation: 4.1%

Exports: -4%

Imports: -9%

## Executive Summary

The year 2008 will be remembered, amongst other things, as the year when Ireland's longest period of economic expansion came to an abrupt end. Many of Ireland's economic risks appeared to realise at the same time. The cooling domestic market converged with a meltdown in global economies triggered by a systemic collapse of the international financial and banking sectors. In essence, the perfect economic storm, which had been looming off shore since 2007 eventually hit our shores last year, however, very few had predicted the force when it finally arrived. The signs of a slowdown in the Irish economy started to appear in 2006 when domestic investment declined before turning negative in 2007 and any chance of a "soft landing" for the Irish economy dissipated quickly by the middle of 2008. This year's publication illustrates the sharp correction in activity in the real economy and the corresponding reversal in shipping volume growth throughput at our ports.

The Irish economy contracted last year by 1.3 per cent (GDP) and 1.6 per cent (GNP). Our analysis of Irish shipping traffic data, which has traditionally been closely correlated to the key Irish economic indicators, revealed that the initial decline in economic activity was gradual over the first two quarters of 2008 but then deteriorated rapidly over the 3rd and 4th quarters. By the end of June the Irish economy had technically entered recession. Consumer confidence weakened, fuelled by fears of a long and deep recession, this resulted in an acute fall-off in consumption and consumer spending which conversely resulted in a major drop in the volume of imports last year. Irish exports also deteriorated, but at a much slower rate of decline than imports which resulted in a net increase in our trade surplus of €29 billion. Consumer inflation also fell and averaged 4.1 per cent last year, however monthly disaggregation shows that the rate dropped from 5 per cent in mid year to 1.1 per cent in December. Inflation has continued to fall in 2009 and is expected to be largely negative for much of this year around -2 per cent. The short run trade off between low inflation and unemployment looks likely to be a serious issue with unemployment expected to exceed 11 per cent in 2009.

As noted by the Minister in his foreword, the current economic problems are not unique to Ireland with almost all major economies entering or are already in recession. They include many of our large trading partners such as the USA, UK and Germany. 2008 will also be remembered as a year of extraordinary shocks and volatility on international currency, stock and commodity markets, many of which seen a decade of growth wiped out over a period of 12 months. Some large previously impervious banks and financial institutions disappeared or were nationalised. The Irish Stock Exchange lost an estimated 85 per cent of its market value, while the shipping industries headline Baltic Dry Index lost 92 per cent of its value over a period of 14 weeks from late summer to the year end. Oil prices quickly broke the \$100 per barrel mark in early 2008 before peaking at almost \$150pb in July, a global slump in consumer and industrial demand led to a 75 per cent decline in the price of oil which ended the year at \$40pb. One of the underlying factors causing the global turmoil was the collapse of the US subprime market. The ensuing chaos in financial markets forced central banks worldwide to take a number of unforeseen interventionist measures. The European Central Bank slashed the official lending rates by 2.25 per cent over a 4 month period.

Unsurprisingly the large correction that took place in the Irish economy last year resulted in a simultaneous adjustment to shipping volumes handled at Irish ports. Almost all sea freight and passenger sectors recorded falls last year. The impact of the decline appears to have been, again, most acute at the smaller regional ports. Total bulk traffic declined by 5 per cent last year but the breakbulk sector which is made up of largely construction

Key Indicators:  
Bulk Traffic: -5%  
Lo/Lo Traffic: -10%  
Ro/Ro Traffic: -5%  
Passenger Traffic: -6%

## Executive Summary

page 5

related cargoes declined by 30 per cent. The heretofore long-run trend of growth in unitized traffic also, eventually, came to an end. The Irish lo/lo container market, which had been one of the main beneficiaries of the globalised trade boom, endured the heaviest volume declines last year falling back to 2006 levels with a 10 per cent decline to 1.3 million TEU. Of particular note was the sharp fall-off in laden container imports, most notably in the 2nd half of the year, resulting in a reduction of 13 per cent in laden imports. The ro/ro market also declined but at a slower rate than lo/lo traffic falling by 5 per cent last year, however disaggregation of the traffic volumes showed that the largest deterioration occurred over Q3 and Q4.

The correction in the Irish shipping market paled into insignificance compared to the collapse which took place in the global dry bulk and container markets. Billions of dollars were wiped off charter, newbuilding and 2nd hand vessel prices over the latter half of 2008. The global shipping market had been on the longest and most profitable bull runs in its history. This boom ended on July 15th 2008 when the Baltic Dry Index peaked and quickly unravelled as the apparent lag in global economic slowdown eventually caught up with the shipping markets. The much lauded theory that Asia had somehow decoupled itself from the US economy now appears fanciful, if anything it would appear there is a far more fundamental relationship between both economies particularly for shipping markets. Over the course of 2008, bulk spot, time charter and S&P markets slumped, while container and some segments of the tanker market also witnessed corresponding heavy falls. The global shipping market is now oversupplied with tonnage and lower demand for freight volumes due to weaker global industrial output, is likely to compound the poor market over a sustained period.

As we enter 2009 the outlook for the Irish economy, and in turn, our ports and shipping sector, is extremely challenging. The aftermath of the latest global downturn appears to suggest that many global economies acted as if the normal economic business cycles were a thing of the past and that the good times had lasted so long that they should be regarded as a permanent fixture. Going by previous experience we should have expected a downturn at some point in time but perhaps not as severe. On the other hand we should also remember that cyclical economic downturns are on average far shorter than the periods of growth and expansion. The interim period of recovery will put pressure on many export-led businesses and force the Irish shipping market to make the necessary adjustments to meet market demand, but importantly prepare for when the Irish and global economy eventually returns to growth.

I would like to sincerely thank Matheson Orsmby Prentice for their generous sponsorship of this years publication. I would like to also thank all our regular contributors to this bulletin. Finally I would like to acknowledge the collective team effort by everyone at the IMDO but, in particular, our market analyst Ms Victoria Vogel.

Glenn Murphy  
Director





# Economic Review

## NATIONAL ACCOUNTS

The Irish economy averaged an annual real GDP growth rate of 5.6 per cent between 2002-07. However, the latest Department of Finance economic estimates forecast the Irish economy, declining by 1.3 per cent in GDP and 1.6 per cent in GNP. At the end of the second quarter last year the Irish economy had slipped into recession, resulting in the first decline in volume GDP output since 1983.

Looking at the main growth components of Irish GDP we can see that the slowdown in domestic investment can be traced back to 2006, when the rate of growth slowed before turning negative in 2007. Private consumption, eroded by weak underlying consumer sentiment, has also slowed sharply. The fall off in consumption is particularly evident in our own shipping data with large declines in volumes of imports over Q2 & Q3. The outlook for the Irish economy is challenging, public finances are under great pressure, unemployment is forecast to rise to 9.8 per cent by the end

of the year, and consumer sentiment is weak.

The contraction of activity in the Irish economy reflects the convergence of the rapid deterioration of the wider global environment and the sharp downturn in domestic demand, much of it related to the construction sector. Almost all the major economies are forecast to enter recession in 2009, including many of our largest trading partners. By the end of 2008, the OECD Composite Leading Indicator fell to its lowest reading since the 1970's. This indicates a weakening economic outlook for the major global economies.

The outlook for the Irish economy is challenging, public finances are under great pressure, unemployment is forecast to rise to 9.8 per cent by the year end and consumer sentiment is weak. Most economists appear to agree that a prolonged and deep slowdown is inevitable with the most optimistic forecast being cautious about any sign of recovery until at least 2011.

## Economic

TABLE 1

National Accounts 2002-2008

Year	Constant prices (2006) € millions			
	GDP	% Change	GNP	% Change
2002	144,077	6.4%	124,206	2.9%
2003	150,581	4.5%	131,125	5.9%
2004	157,664	4.7%	136,885	4.5%
2005	167,713	6.4%	144,831	5.8%
2006	177,286	5.7%	153,765	6.3%
2007	187,971	6.0%	160,182	4.1%
2008(e)	183,460	-2.4%	156,017	-2.6%
2009(f)	176,305	-3.9%	148,840	-4.6%
2010(f)	176,305	0.0%	148,096	-0.5%
2011(f)	182,475	3.5%	152,983	3.3%

Source: CSO, ESRI (2008/09) & AIB ERU (2010/11)

GRAPH 1

Economic Growth Trend 2002-2009



Source: CSO, ESRI (2008/09)

TABLE 2

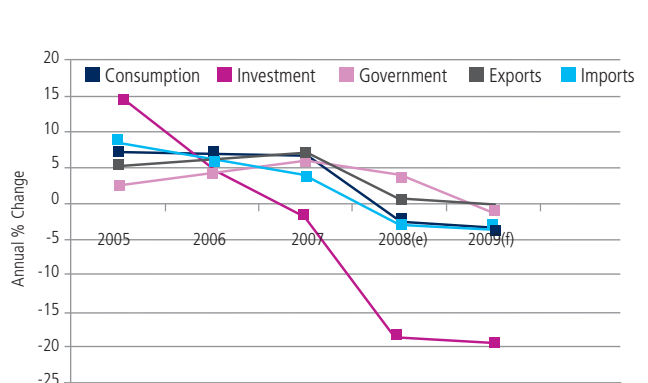
Real % GDP growth in selected economies 2006-09

Country	2006	2007	2008(e)	2009(f)	2010(f)
Denmark	3.9	1.7	0.2	-0.5	0.9
France	2.4	2.1	0.9	-0.4	1.5
Germany	3.2	2.6	1.4	-0.8	1.2
<b>Ireland</b>	<b>5.7</b>	<b>6.0</b>	<b>-1.8</b>	<b>-1.7</b>	<b>2.6</b>
Italy	1.9	1.4	-0.4	-1.0	0.8
Japan	2.4	2.1	0.5	-0.1	0.6
Netherlands	3.4	3.5	2.2	-0.2	0.8
Norway	2.5	3.7	2.7	1.3	1.6
Poland	6.2	6.7	5.4	3.0	3.5
Spain	3.9	3.7	1.3	-0.9	0.8
UK	2.8	3.0	0.8	-1.1	0.9
US	2.8	2.0	1.4	-0.9	1.6
Euro Area	3.0	2.6	1.0	-0.6	1.2
Total OECD	3.1	2.6	1.4	-0.4	1.5

Source: OECD Economic Database

GRAPH 2

Growth in Components of Irish GDP 2005-2009



Sources: CSO, ESRI (2008/09)

## INFLATION

Consumer inflation in Ireland, measured by the CPI, averaged 4.1 per cent in 2008. However, monthly disaggregation shows that the rate fell from 5 per cent in mid-year to a rate of 1.1 per cent in December; this is the lowest inflation reading since 1997. The decline is expected to continue with forecasts showing deflation in 2009, the first time this will be seen for many decades. Many economists had predicted that Irish inflation would fall to 2.5 per cent during 2008. This did not happen in the early part of the year as spiralling oil prices, record food prices and higher mortgage payments all converged to prevent such a decline. However, the sharp fall in oil prices, cuts in ECB interest rates coupled with the wider economic slowdown and, in particular, the contraction in credit has caused inflation to fall considerably.

Wholesale price inflation shows a quite different pattern. While consumer price inflation has remained positive and above target in recent years, wholesale prices have been much more subdued. This has been particularly the case in respect of manufacturing (WPI MANU) where prices have declined in almost all years. This reflects the increased pressure being experienced as a result of competition from manufacturing in China and Eastern Europe.

The outlook for 2009 is that inflation will fall by 2 per cent on an annualised basis as the disinflationary forces of lower interest rates and less volatile energy costs are expected to prevail. Weaker consumer sentiment and a fall in volume demand for goods are likely to underpin this outlook.

TABLE 3

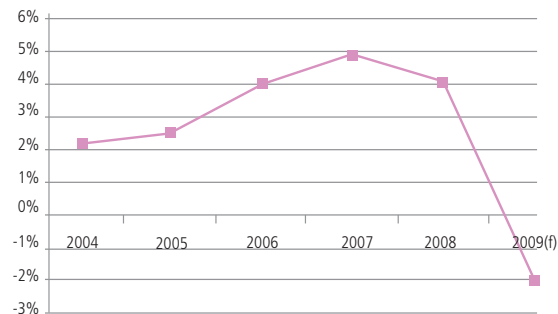
Consumer Price Index 2004-2009

	Dec 2001=100	Annual change
2004	108.6	2.2%
2005	111.3	2.5%
2006	115.7	4.0%
2007	121.3	4.9%
2008	126.3	4.1%
2009(f)	123.8	-2.0%

Source: CSO, ESRI (f)

GRAPH 3

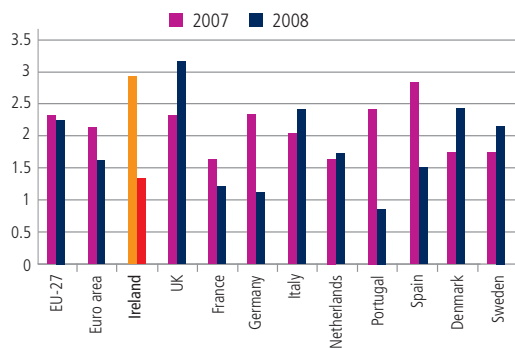
Consumer Price Index 2004-2009



Source: CSO, ESRI (f)

GRAPH 3A

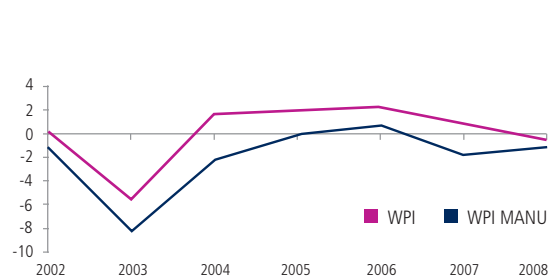
EU Harmonised Annual Inflation 2007 & 2008 (%)



Source: CSO

GRAPH 3B

Wholesale Price Inflation



Source: CSO

## INTEREST RATES

The turmoil in international financial markets, beginning in 2007 with the collapse of the US sub-prime market, forced further major interventions by central banks and governments globally last year. Authorities have responded to these developments with a series of policy actions, including a generalised easing of monetary conditions through a reduction in official interest rates and a range of fiscal supports and stimuli. In Ireland the Irish Government reacted by substantially increasing deposit insurances for the liabilities of Irish banks for a 2 year period.

In the Euro zone the ECB took the unprecedented action of cutting official bank rates by 2.25 per cent in a 4 month period. The deteriorating state of the European and global economy forced the ECB to take corrective action, with an initial cut of 50 points in October, followed by 50 points in November, 75 points in December and most recently a further 50 points in January 09 to a repo rate of 2 per cent.

The credit crunch and lack of interbank confidence meant that the commercial rates gradually rose during 2007 and 2008, while the ECB rate remained constant up to mid-2008. However, from October 2008 when the extent of the impending economic slowdown was realised, the ECB began to cut rates aggressively and commercial rates soon followed. It is notable, however, that the Irish prime rate was slower to fall and only followed when the bank deposit guarantee was introduced.

With central bank rates currently at historic lows in all areas, most economists are forecasting that this is likely to continue for some time with further cuts in ECB rates expected during 2009. However, as the rates are already at historically low levels there appears very little room for further cuts leading to a conclusion that the monetary authorities have done just about all they can to control the situation and stimulate recovery. Attention may increasingly turn to fiscal measures to stimulate activity.

## Economic

TABLE 4

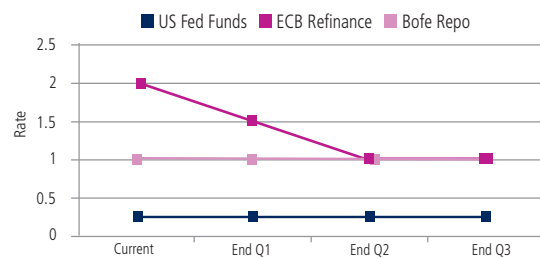
### Forecast Interest Rates

	Current	End Q1	End Q2	End Q3
US Fed Funds	0-0.25	0-0.25	0-0.25	0-0.25
ECB Refinance	2.00	1.50	1.00	1.00
B of E Repo	1.00	1.00	1.00	1.00
B of Japan OCR	0.10	0.10	0.10	0.10

Source: AIB Global Treasury

GRAPH 4

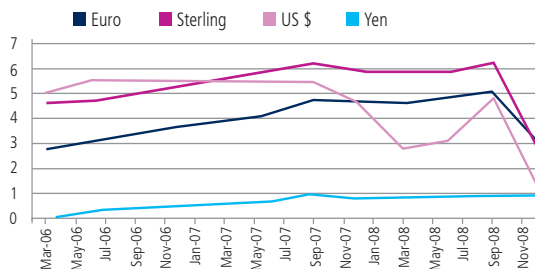
### Forecast Interest Rates for 2009



Source: AIB Global Treasury

GRAPH 4A

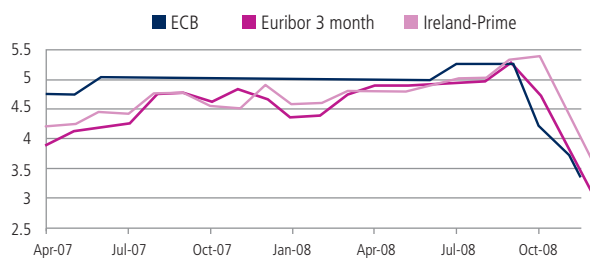
### International 3-month Interest Rates (% per annum)



Source: Central Bank of Ireland

GRAPH 4B

### Official & Selected Interest Rates (% per annum)



Source: Central Bank of Ireland

## EXCHANGE RATES

As in 2007, the Euro continued to appreciate strongly against both Sterling and the US dollar in 2008. It is not surprising that exchange rates have proven to be quite volatile over the past year, given the extent of the economic problems that have emerged and the cuts in interest rates. The emerging problems in the US economy caused the Euro to rise to historic highs against the US dollar in the first half of 2008 reaching \$1.60 in July. This dollar weakness coincided with aggressive Fed interest rate cuts and very high oil prices. However, this was reversed as it became clear that Europe was heading for recession and the ECB began to cut rates. As a result of the corrective action the dollar has bounced back strongly against the Euro. The Euro/US\$ rate is currently into a trading range of about €1 to \$1.25-1.40.

The Euro/Sterling is arguably more important for many Irish businesses and the situation remains quite volatile. After a long period of €1 STG £0.70, the Euro strengthened during 2008 reaching a high and near parity as the Bank of England

cut interest rates aggressively. This represents an appreciation of almost 40 per cent over the past 24 months. While it has moderated somewhat in recent months, the forecasts indicate that there will be no near term return to previous levels and as a result Irish businesses will likely have to operate with these exchange rates for some time yet. The extent of the appreciation that has occurred means that the Irish punt, were it still in existence, would now be worth over UK£1.11. This represents a major loss of competitiveness for many Irish exporters to the UK market. We have also seen a response with lower volumes of ferry passengers travelling from the UK since mid year. The weakness of Sterling has also precipitated a surge in the number of cross border shoppers travelling to Northern Ireland.

The Euro has also gained against a number of currencies such as the Yen and Canadian dollar, but remained fairly stable against the non-Euro zone currencies.

## Economic

TABLE 5

### Selected Exchange Rates: Period Averages (Units per Euro)

	Canadian \$	Danish Krone	Japan Yen	Swedish Krona	Swiss Franc	UK £	US \$
1999	1.5979	7.4480	126.97	9.2581	1.5594	0.6659	1.2240
2000	1.6343	7.4326	132.40	9.1451	1.5242	0.6708	1.2155
2001	1.5740	7.4416	137.17	9.0588	1.5524	0.6868	1.2409
2002	1.6416	7.4388	139.65	9.0206	1.5429	0.7050	1.3621
2003	1.7370	7.4495	138.44	9.1430	1.5486	0.6885	1.2964
2004	1.4900	7.4515	133.95	9.4259	1.5499	0.6742	1.2092
2005	1.4063	7.4624	136.25	9.3267	1.5561	0.6820	1.2042
2006	1.3725	7.4605	138.90	9.3885	1.5551	0.6853	1.1797
2007	1.4084	7.4624	142.42	9.4315	1.5801	0.6964	1.2104
2008	1.4132	7.4592	145.75	9.2385	1.5672	0.6921	1.2713

Source: Central Bank of Ireland

TABLE 6

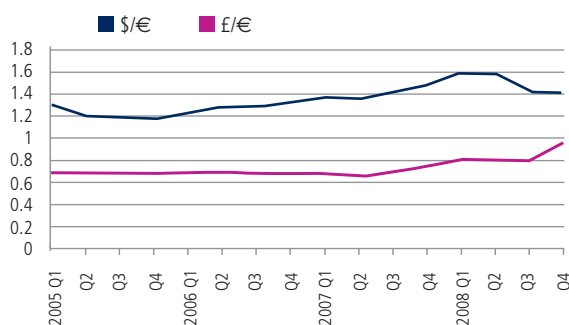
### Forecast Euro Exchange Rates 2009 (Range mid points)

	Current	End Q1	End Q2	End Q3
USD/€	1.2864	1.30	1.32	1.38
UK£/€	0.8766	0.90	0.88	0.86
JPY/€	118.00	117	125	138

Source: AIB Global Treasury

GRAPH 5

### Euro Exchange Rate



Source: Central Bank of Ireland

## OIL & BUNKER PRICES

The volatility in oil prices continued during 2008. In January 2008 oil prices broke through the psychological \$100 per barrel level and continued to reach record levels month on month peaking close to \$150 in July. Following this in less than 5 months the price of oil had crashed to under \$40/bbl, a fall of more than 75 per cent by the year end. There are distinct reasons for these developments, dollar pricing, world demand and speculation.

The trend in oil prices is shown using export prices for all producing countries weighted by export volume. There has been an upward trend in oil prices over the past 5 years, but the price was characterised by severe volatility during 2008. Prices are currently well below trend and notably below production costs which has resulted in new exploration being cancelled. Over the medium term supply is likely to fall and

prices are expected to recover once the main economies begin to emerge from recession. Although it is probable that it will be some years before the levels of 2008 are achieved.

The relentless price surge in bunker prices finally abated by the end of 2008. Unsurprisingly, the trend in bunker prices globally matched the trend in crude oil and other commodity prices, falling sharply from mid year. Both intermediate bunker and diesel oil prices peaked in August before falling, on average, by more than 60 per cent by the year end, providing some respite to hard hit operators and owners.

## Economic

TABLE 7

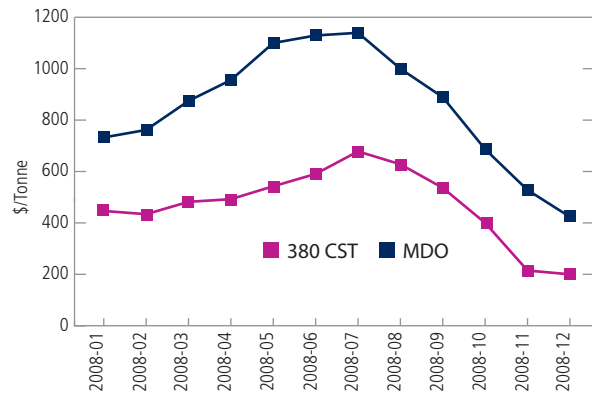
### Bunker Prices (\$/Tonne)

Date	MDO \$/tonne			380 \$/tonne		
	Rotterdam	L.A	Singapore	Rotterdam	L.A	Singapore
1999	132.96	157.823	141.846	93.406	96.598	101.802
2000	231.556	270.504	248.46	138.431	152.096	158.717
2001	192.444	256.581	205.823	117.446	126.081	133.108
2002	188.24	233.598	197.918	133.69	142.352	148.942
2003	230.375	306.883	242.469	152.854	162.052	172.042
2004	313.373	397.973	334.317	155.265	186.438	180.321
2005	458.421	574.385	481.417	233.979	263.319	261.9
2006	524.063	651.577	580.552	293.04	320.958	313.183
2007	571.269	709.304	621.838	345.065	381.665	372.821
2008	850.733	951.525	907.004	471.909	524.538	505.623

Source: Clarksons

GRAPH 7

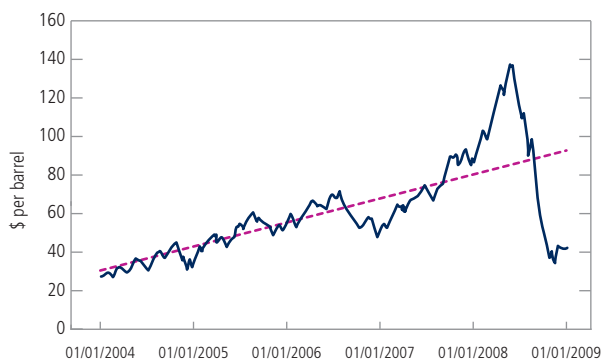
### Bunker Prices at Rotterdam Jan-Dec 2008



Source: Clarksons

GRAPH 8

### Weekly Oil Prices, 2004-09



Source: US Energy Information Administration

Trade Review

## EXTERNAL TRADE

Merchandise trade, in 2008, slowed considerably in line with the deterioration in economic conditions both nationally and globally. In 2008 the value of merchandise exports fell 2 per cent from €88.5bn to €86.6bn. The value of merchandise imports declined dramatically in 2008, from €62bn in 2007 to €56bn in 2008, a drop of 8 per cent. In the final quarter of 2008 the value of merchandise imports declined by 22 per cent. As a result of the contraction of merchandise imports and based on preliminary estimates for December, Ireland's trade surplus increased by 12 per cent last year. 40 per cent of merchandise exports are made up of organic chemicals and medical & pharmaceutical products. Up to November 2008 organic chemicals had declined by 10 per cent but medical & pharmaceutical products increased by 12 per cent.

The strengthening of the dollar against the Euro towards the end of the year is likely to have had a positive impact on merchandise exports to the United States. The Wholesale Price Index for manufacturing registered an increase in the final three months of 2008. The value of ICT machinery exports declined 27 per cent between January and November 2008 which is likely due to a number of ICT manufacturing plants ceasing operations and relocating their manufacturing bases to lower cost jurisdictions.

At the end of 2007 Irish merchandise imports slowed considerably. This trend continued into 2008 with the value of merchandise imports declining by an average of 10 per cent per quarter as consumer confidence and spending continued to weaken.

## Trade

TABLE 9

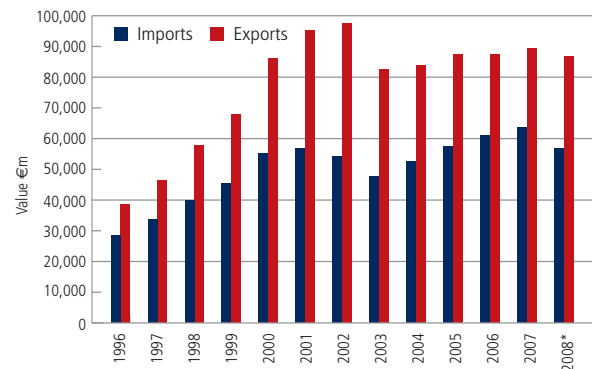
External Trade Growth 1992-2008

Year	Imports €m	Exports €m	Trade Surplus €m %	% change exports	% change Imports	Trade Surplus% change
1992	16,754	21,260	4,506			
1993	18,900	25,179	6,279	18%	13%	39%
1994	21,945	28,891	6,946	15%	16%	11%
1995	26,181	35,330	9,149	22%	19%	32%
1996	28,479	38,609	10,130	9%	9%	11%
1997	32,863	44,868	12,005	16%	15%	19%
1998	39,715	57,322	17,607	28%	21%	47%
1999	44,327	66,956	22,629	17%	12%	29%
2000	55,909	83,889	27,980	25%	26%	24%
2001	57,384	92,690	35,306	10%	3%	26%
2002	55,628	93,675	38,047	1%	-3%	8%
2003	47,865	82,076	34,211	-12%	-14%	-10%
2004	51,105	84,410	33,305	3%	7%	-3%
2005	57,465	86,732	29,267	3%	12%	-12%
2006	60,857	86,772	25,915	0%	6%	-11%
2007	62,179	88,581	26,402	2%	2%	2%
2008*	56,923	86,618	29,695	-2%	-8%	12%

Source: CSO \*Preliminary data for Dec 2008

GRAPH 9

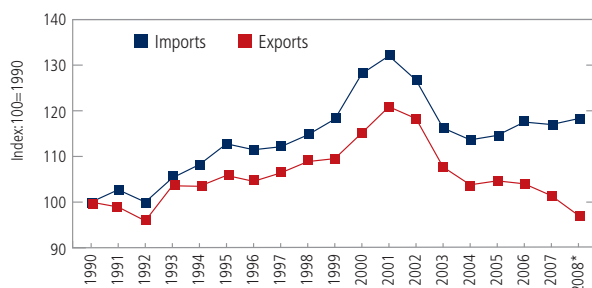
External Trade Growth 2008



Source: CSO \*Includes Preliminary data for December 2008

GRAPH 9A

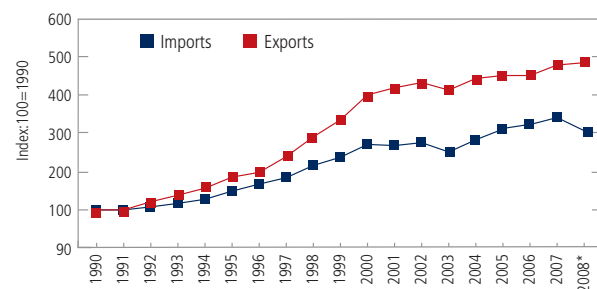
Imports v Exports Index by Value



Source: CSO

GRAPH 9B

Imports v Exports Index by Volume



Source: CSO



## COMMODITY TRADE

Last year the outlook for 2008 was for merchandise trade growth to fall slightly, given the benefit now of hindsight this was somewhat optimistic. Irish merchandise imports and exports according to the latest available data from the CSO declined over the period January to November 2008. 50 per cent of merchandise exports are made up of the three largest commodity groups, - organic chemicals, medical & pharmaceutical products and office & data machines.

Both organic chemicals and office machines exports fell between January and November last year, down 10 per cent and 27 per cent respectively. This equates to a loss of €2bn and €3bn to the economy from both sectors alone. Medical & pharmaceutical products exports rose in 2008 by 12 per cent in the period January to November 2008, from €13.7bn to €15.5bn. According to the IDA, medical & pharmaceutical exports have been growing rapidly over

the past 5 years and in 2008 a number of major multinationals expanded their operations in Ireland e.g. Zimmer, Boston Scientific and Cook Medical.

Export earnings in 2008 were hit by the strong appreciation of the Euro against the US dollar and Sterling. This was coupled with continued rising costs at the beginning of the year followed by a severe contraction in demand.

Merchandise imports declined by 10 per cent between January and November 2008. The largest commodity group, office machines, import value declined by 26 per cent, a continued contraction in value from 2007. Road vehicle imports also declined significantly in 2008 as the demand for private cars fell dramatically throughout the year.

## Trade

page 15

TABLE 10

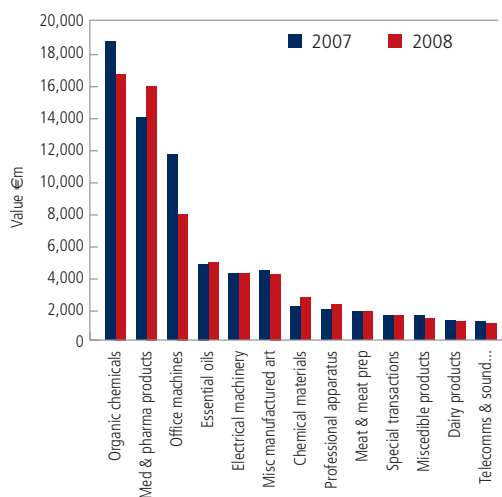
Value of Merchandise Exports by Commodity Group, Jan-Nov 2008

Exports	2007 € m	2008 € m	Change %	Share %
Organic chemicals	18,732	16,822	-10%	21%
Med & pharma products	13,792	15,508	12%	19%
Office machines	11,394	8,348	-27%	10%
Essential oils	4,955	5,058	2%	6%
Electrical machinery	4,489	4,462	-1%	6%
Misc manufactured art	4,615	4,309	-7%	5%
Chemical materials	2,461	3,319	35%	4%
Professional apparatus	1,967	2,555	30%	3%
Meat & meat prep	2,149	2,155	0%	3%
Special transactions	1,743	1,835	5%	2%
Misc edible products	1,688	1,481	-12%	2%
Dairy products	1,374	1,321	-4%	2%
Telecomms & sound equip	1,298	1,200	-8%	2%

Source: CSO

GRAPH 10

Value of Merchandise Exports by Commodity, Jan-Nov 2008



Source: CSO

TABLE 11

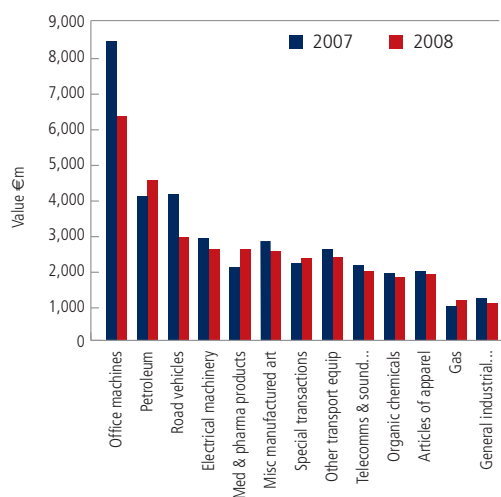
Value of Merchandise Imports by Commodity Group, Jan-Nov 2008

Imports	2007 € m	2008 € m	Change %	Share %
Office machines	8,459	6,254	-26%	12%
Petroleum	4,048	4,501	11%	9%
Road vehicles	4,053	2,985	-26%	6%
Electrical machinery	3,042	2,634	-13%	5%
Med & pharma products	2,229	2,627	18%	5%
Misc manufactured art	2,758	2,481	-10%	5%
Special transactions	2,237	2,292	2%	4%
Other transport equip	2,548	2,115	-17%	4%
Telecomms & sound equip	1,802	1,590	-12%	3%
Organic chemicals	1,615	1,583	-2%	3%
Articles of apparel	1,690	1,552	-8%	3%
Gas	924	1,253	36%	2%
General industrial machinery	1,286	1,173	-9%	2%

Source: CSO

GRAPH 11

Value of Merchandise Imports by Commodity, Jan-Nov 2008



Source: CSO

## TRADE COUNTRY

The United Kingdom, United States and Belgium remained Ireland's top trading partners last year. In terms of exports, the value of merchandise exports to the United States is two and a half times greater than the value of imports. Between January and November 2008 the value of merchandise exports to the US increased by 2 per cent, to €15.3 million.

The total value of exports to the EU declined by 5 per cent in 2008. 50 per cent of the value of Irish merchandise exports to the EU are destined for the UK and Belgium and the value of both declined in 2008, by 5 and 2 per cent respectively. Trade between Ireland and the UK is more weighted towards imports, making up 54 per cent of all merchandise trade with the UK. The largest exports by value to the UK, are organic chemicals and office & data machines which both declined in the period January to November 2008 by 9 and 29 per cent respectively. 90 per cent of trade between Ireland and Belgium is made up of Irish merchandise exports; medical & pharmaceutical products

and organic chemicals formed the largest proportion of exports to Belgium in 2008.

Between January and November 2008 imports from the UK declined 7 per cent. The largest commodities imported from the UK are petroleum products and gas, both increased in value by 4 per cent and 35 per cent respectively. Over the past 5 years China has featured among Ireland's top trading partners. 70 per cent of the value of trade with China, in 2008, was made up of imports. Over the past 5 years imports from China grew at double digit rates, however, since the economic downturn in 2008 imports from China have fallen significantly, declining by 19 per cent. The majority of commodities imported from China are office & data machines and articles of apparel. The contraction of consumer spending and retail sales has had a very strong impact on imports from China.

## Trade

TABLE 12

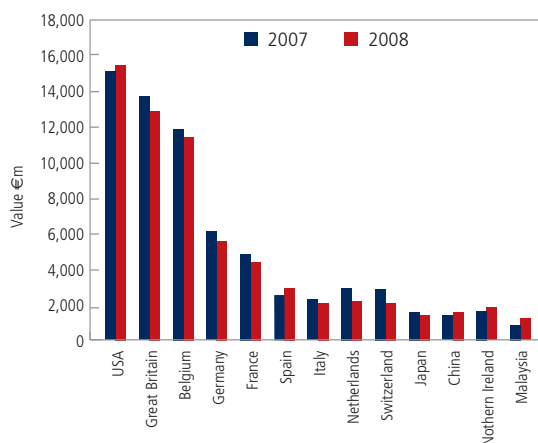
Exports Trade by Country, Jan-Nov 2008

Exports	2007 € m	2008 € m	Change %	Share %
United States	15,043	15,327	2%	19%
Great Britain	13,800	13,108	-5%	16%
Belgium	12,007	11,740	-2%	15%
Germany	6,222	5,575	-10%	7%
France	4,750	4,502	-5%	6%
Spain	3,020	3,258	8%	4%
Italy	2,945	2,818	-4%	4%
Netherlands	3,298	2,769	-16%	3%
Switzerland	3,032	2,372	-22%	3%
Japan	1,618	1,552	-4%	2%
China	1,197	1,522	27%	2%
Northern Ireland	1,612	1,434	-11%	2%
Malaysia	648	983	52%	1%
All Other	2,283	2,097	-8%	3%
Total EU	52,441	49,804	-5%	62%
of which EU-15	34,093	32,286	-5%	40%
Total	83,059	79,851	-4%	100%

Source: CSO

GRAPH 12

Export Value by Country, Jan-Nov 2008



Source: CSO

TABLE 13

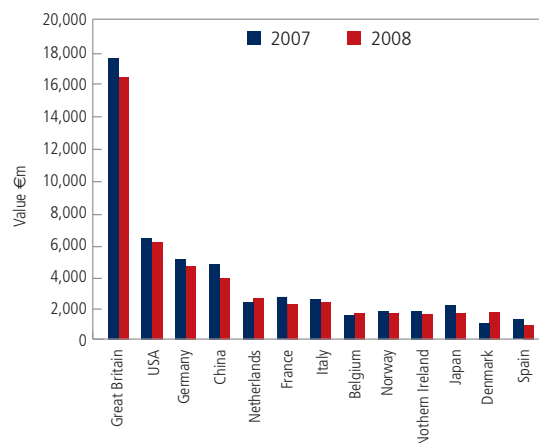
Imports Trade by Country, Jan-Nov 2008

Imports	2007 € m	2008 € m	Change %	Share %
Great Britain	17,799	16,489	-7%	31%
United States	6,430	6,225	-3%	12%
Germany	5,065	4,296	-15%	8%
China	4,387	3,553	-19%	7%
Netherlands	2,481	2,623	6%	5%
France	2,393	2,083	-13%	4%
Italy	1,347	1,244	-8%	2%
Belgium	1,184	1,219	3%	2%
Norway	1,454	1,191	-18%	2%
Northern Ireland	1,255	1,159	-8%	2%
Japan	1,493	1,068	-28%	2%
Denmark	652	966	48%	2%
Spain	964	872	-10%	2%
All Other	1,265	1,077	-15%	2%
Total EU	36,068	33,587	-7%	64%
of which EU-15	14,771	13,453	-9%	25%
Total	58,391	52,794	-10%	100%

Source: CSO

GRAPH 13

Import Value by Country, Jan-Nov 2008



Source: CSO

# Traffic Review

## IRISH PORTS BULK MARKETS

Irish ports had an extremely challenging year in 2008 with all 12 ports in this category recording a decline or no growth in volume in 2008. Overall, Irish ports handled 32.2 million tonnes of bulk cargo last year, a decline of 6 per cent on the previous year. As usual we segment our analysis of this market into three categories: dry, break and liquid bulk. All three segments recorded a decline last year; however it was in the break-bulk segment where the largest fall in volume was recorded, shrinking by 30 per cent, year on year. A notable related effect of the sharp decline was its impact on the smaller regional ports around Ireland. Unsurprisingly the break-bulk sector was the most exposed to the correction in the housing market. This sector is typically made up of commodities such as steel, timber, plasterboard and other construction related materials.

**LIQUID BULK:** Liquid bulk, which is made up primarily of petroleum related products but also includes other commodities such

as bitumen, declined by 5 per cent in 2008. 80 per cent of liquid bulk cargo is moved through 3 ports, Dublin, Cork and Shannon Foynes, and accounts for 43 per cent of the total bulk traffic volume. Cork traffic increased by 1 per cent and Shannon Foynes fell by 2 per cent while Dublin remained static. However, there were large declines in volume through the smaller liquid bulk ports. Tanker traffic fell by 44 per cent at Drogheda due to its main client ceasing storage operations at the port. In Galway throughput dropped 14 per cent, a result of storage capacity reductions for the whole of 2008 with 3 tanks taken out of commission. Bantry Bay also had a sharp reduction in oil throughput. This may have been due to the decline in global demand for oil as it is primarily a storage and transshipment facility for the US market.

## Traffic

TABLE 14

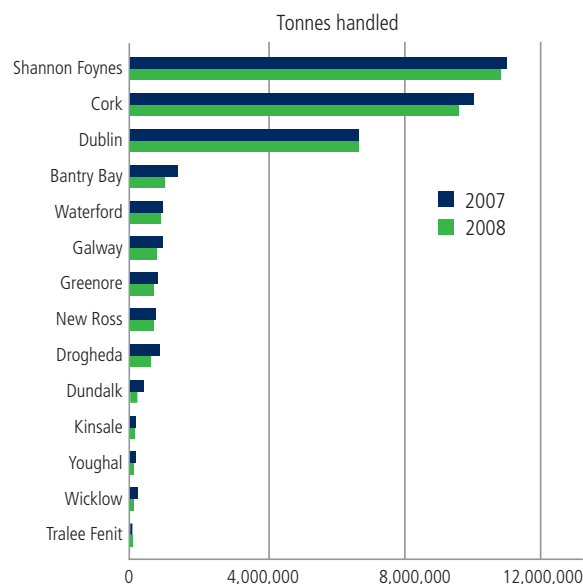
Non-Unitised Traffic by Port & Type 2008

Tonnes	Bulk			Total		% Change
	Liquid	Dry	Break	2007	2008	
Bantry Bay	784,921	225,103	-	1,403,272	1,010,024	-28%
Cork	6,434,719	1,483,757	150,000	8,379,000	8,069,000	-4%
Drogheda	70,050	359,737	178,300	836,317	608,087	-27%
Dublin	4,076,905	2,428,838	164,162	6,648,000	6,669,905	0%
Dundalk	-	147,698	77,016	390,000	224,714	-42%
Galway	737,289	14,678	22,672	945,238	774,639	-18%
Greenore	-	527,899	171,875	785,351	699,774	-11%
Kinsale	-	132,664	-	144,137	132,664	-8%
New Ross	137,753	519,648	36,392	729,111	693,793	-5%
Shannon Foynes	1,482,088	9,089,220	247,574	10,983,982	10,818,882	-2%
Tralee Fenit	-	-	12,822	19,030	12,822	-33%
Waterford	25,369	698,833	177,043	939,807	901,245	-4%
Wicklow	-	-	84,538	220,961	84,538	-62%
Youghal	-	-	90,383	141,166	90,383	-36%
<b>Total</b>	<b>13,749,094</b>	<b>15,628,075</b>	<b>1,412,777</b>	<b>32,565,372</b>	<b>30,789,426</b>	<b>-5%</b>

Source: IMDO

GRAPH 14

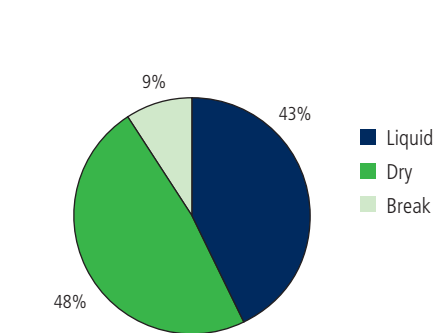
Bulk Tonnage by Individual Port 2008



Source: IMDO

GRAPH 14A

Bulk Traffic Share by Category 2008



Source: IMDO

## IRISH PORTS BULK MARKETS

**DRY BULK:** This market, typically made up of coal, grain, fertilizers, aggregates and ore, declined by 2 per cent in 2008. It is the largest component of the bulk sector in Ireland accounting for 48 per cent of the market. It was a difficult year for bulk importers and exporters with both commodity prices and freight rates very high during the peak demand periods for these goods. This, coupled with the economic downturn, is likely to have led to volume declines across the sector. Again, the largest ports in this segment experienced far smaller corrections to their volume last year compared to their smaller regional counterparts.

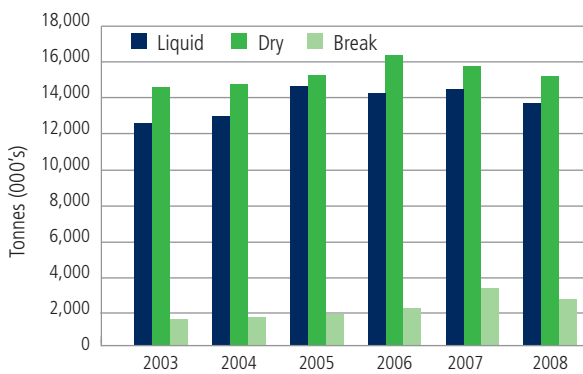
**BREAK-BULK:** Break-bulk traffic is the smallest component of the bulk sector representing 9 per cent of the market. Although, as mentioned, it recorded the largest fall of the 3 market segments, falling by 30 per cent in 2008. The deterioration of

volume in this market is directly attributable to the rapid pace of the domestic construction market slowdown which began at the end of 2007 and continued to deteriorate throughout 2008. The stock of unsold houses and the number of new house completions is forecast to be 50 per cent lower in 2009. This is likely to result in further weakening of volume throughput this year. A prominent observation from the data was the redistribution of some traffic from smaller satellite ports back to Dublin.

The dry and liquid bulk sectors have traditionally had lower levels of volatile volume growth and as such the outlook for 2009 is not as pessimistic as in other sectors. The larger ports, which account for 84 per cent of the bulk market, expect to maintain 2008 levels. However, the recent trend in volume decline in smaller ports is likely to continue in 2009 as overall port capacity in the market continues to adjust.

GRAPH 14B

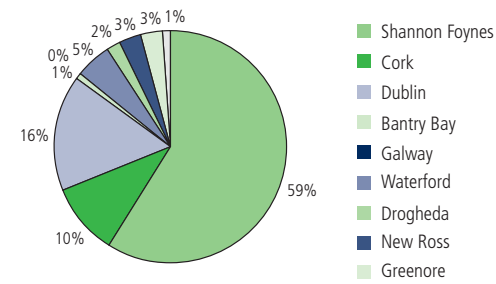
Bulk Traffic by Category 2003-2008



Source: IMDO

GRAPH 14C

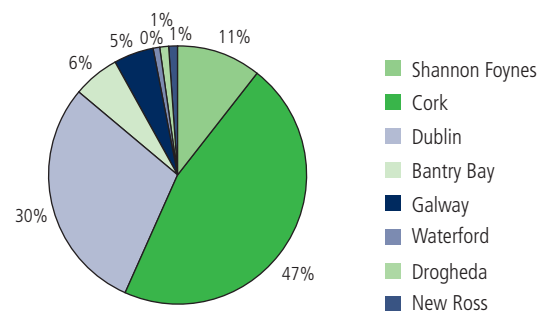
Market Share of Dry Bulk Traffic 2008



Source: IMDO

GRAPH 14D

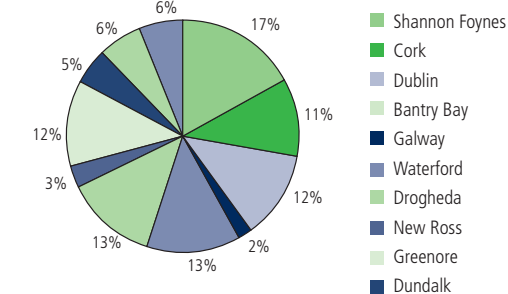
Market Share of Liquid Bulk Traffic 2008



Source: IMDO

GRAPH 14E

Market Share of Break Bulk Traffic 2008



Source: IMDO

## LOAD-ON/LOAD-OFF MARKET

The prevailing economic and difficult market conditions saw load-on/load-off (lo/lo) traffic volumes fall last year, back to 2006 levels, with a 10 per cent decline to 1.3 million TEU in the all-Ireland lo-lo market. In the Republic, container throughput declined by 11 per cent on the previous year however volumes still remained above the 1 million TEU mark. Northern Irish traffic actually increased in the first two quarters of 2008 followed by a steep reduction in volumes in Q3 & Q4 resulting in an overall decline of 4 per cent.

The ROI lo/lo market is closely correlated to annual GDP, by the end of the 2nd quarter the market experienced two quarters of falling volumes – with declines of 2 and 4 per cent respectively - suggesting that the economy was likely heading for recession. While the slowdown in traffic was gradual in the first two quarters, the sudden and rapid deterioration in the

state of the domestic and global economy led to a sharp fall of lo/lo volumes to the year end, with falls of 13 and 17 per cent for Q3 and Q4. The trend that was most notable was the fall off in import volumes. In total laden imports fell by 13 per cent last year, while laden exports declined by a more modest 4 per cent to the year end. In Cork and Waterford lo/lo volumes declined by 7 per cent in 2008, container traffic in Dublin was also down 9 per cent. Dublin has a higher proportion of deep-sea feeder traffic than any other port, laden imports fell by 10 per cent which is most likely attributed to the fall off in laden imports from the deep-sea lines. Drogheda's reduction is accounted for by the loss of Europe Lines service in late 2007. In Northern Ireland, traffic through Belfast fell by 4 per cent while traffic through Warrenpoint declined by 7 per cent.

## Traffic

TABLE 15

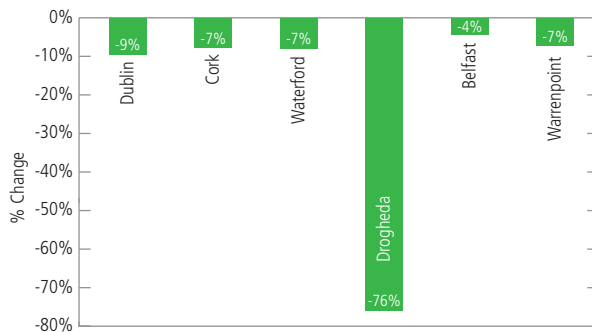
Container Port Traffic 2008

No. of TEU	Laden		Unladen		Total		% Change		% Share	
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
Dublin	561,341	517,744	182,59	159,126	743,937	676,870	-9%	50%	51%	
Cork	161,946	153,538	37,723	33,118	199,669	186,656	-7%	14%	14%	
Waterford	140,288	129,717	45,768	43,386	186,057	173,103	-7%	13%	13%	
Drogheda	19,148	5,619	10,692	1,496	29,840	7,115	-76%	2%	1%	
Shannon Foynes	10,635	-	5,927	-	16,562	-	-100%	1%	0%	
Belfast	189,369	183,220	77,808	73,988	267,178	257,207	-4%	18%	19%	
Warrenpoint	21,597	22,334	14,090	10,761	35,687	33,095	-7%	2%	2%	
Total ROI	893,358	806,618	282,707	237,126	1,176,065	1,043,744	-11%	80%	78%	
TOTAL NI	210,966	205,554	91,898	84,749	302,865	290,302	-4%	20%	22%	
TOTAL IRL	1,104,324	1,012,171	374,605	321,875	1,478,929	1,334,046	-10%	100%	100%	

Source: IMDO

GRAPH 15

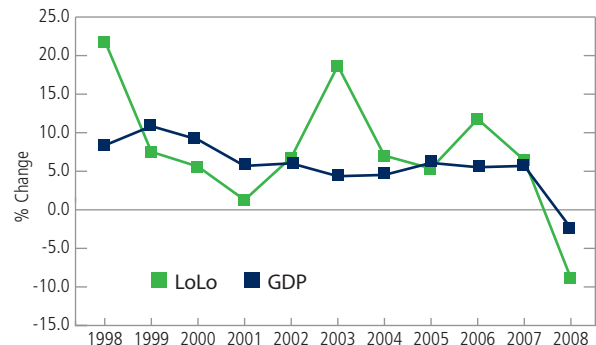
Container Traffic Performance by Port 2008



Source: IMDO

GRAPH 15A

GDP and Lo/Lo Trend



Source: IMDO

## LO/LO MARKET – OPERATORS

Both the shortsea and feeder operators grappled with considerable market challenges in 2008. By mid year, as soon as many lines had taken corrective action to deal with operational costs, further market volatility ensued and volumes deteriorated more acutely. Charter rates in the smaller feeder and feedermax market also started to weaken providing many operators with the ability to significantly renegotiate short and medium term charter contracts.

Overall in 2008, the vast majority of operators were forced to make considerable readjustments to cater for the fall-off in demand in the latter half of the year. The fall-off in the volume of Asian imports last year had a large impression on the lo/lo sector. Since 2003, container imports of consumer goods from China have been an engine of volume growth in the Irish lo/lo market. We estimate that laden volumes from China declined by more than 25 per cent last year.

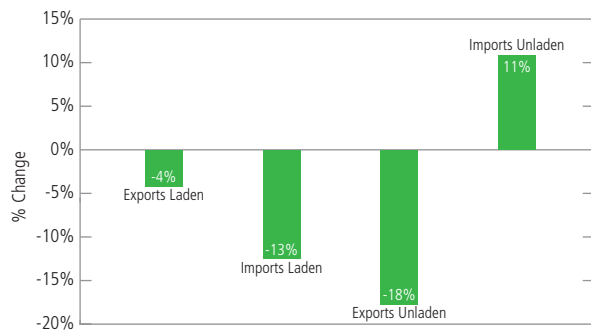
Large mainline operators such as MSC, who were serving the

Irish market with their own vessels, replaced these 4 large vessels on the weekly Iberian string with a direct feeder contract via Antwerp. Elsewhere APL realigned their schedule with a focus on improving frequency by replacing Antwerp and Zeebrugge with Rotterdam, Eucon reconfigured routes and reduced capacity in order to streamline its services. Coastal Container Line also dropped a service calling at Dublin and Belfast to Cardiff in Q4. Samskip condensed a 6 ship operation to 3 ships, and reduced the number of sailings per port. DFDS reduced carrying capacity by 8 per cent in the Irish market, which affected both Dublin and Waterford. Other Shortsea operators reduced sailings and capacity in the market to cater for falling demand.

By the end of 2008 we estimate that available capacity was reduced by 17 per cent. The consensus is that the market is expecting traffic to fall by at least 20 to 25 per cent with more consolidation of routes and vessel sharing agreements likely.

GRAPH 15B

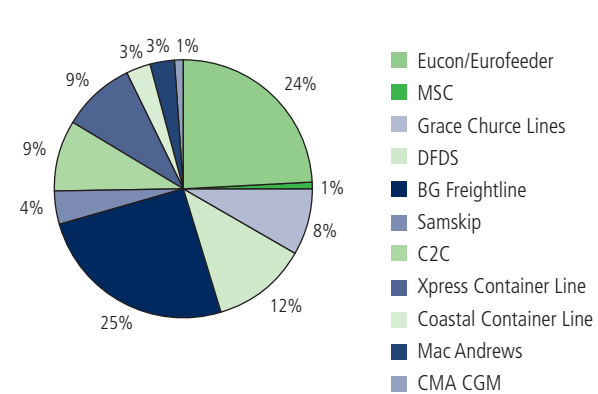
### Performance of Container Imports and Exports 2008



Source: IMDO

GRAPH 15C

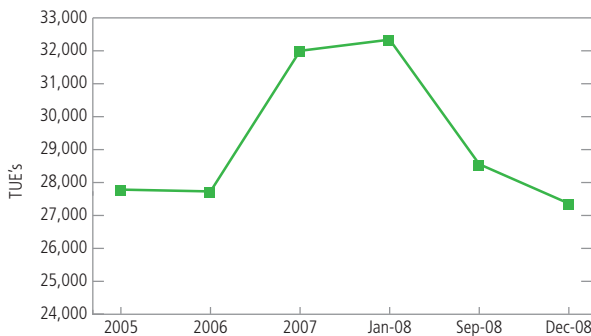
### Estimated Share of Available Lo/Lo Capacity 2008



Source: IMDO

GRAPH 15D

### Estimated Lo/Lo Capacity in the Irish Market 2005-Dec 2008



Source: IMDO

## RO/RO PORTS

Irish roll-on/roll-off (ro/ro) traffic volumes fell on an all-Island basis in 2008, by 5 per cent representing the first such decline in freight trailer volumes for over 10 years.

The ro/ro market witnessed four consecutive periods of static growth and volume decline in 2008. In a similar pattern to the decline in the lo/lo markets, there was a moderate drop over Q1 and Q2 before depreciating rapidly over the final two quarters. In Q4 there was a year on year decline of 11 per cent.

Dublin port freight traffic declined 4 per cent, with unaccompanied freight traffic falling 5 per cent and driver accompanied traffic falling 3 per cent. However its market share increased by 1 per cent to 42 per cent last year. Trailer traffic through Dun Laoghaire declined by 18 per cent which is a direct result of reduced weekly capacity at the port.

Elsewhere Rosslare ro/ro traffic fell 9 per cent, while traffic to the UK declined by 11 per cent, the port saw a 7 per cent rise in traffic to the Continent. Two new services commenced in Q4 from Rosslare: LD Lines started a weekly ro/ro service to Le Harve and Cobelfret to Rotterdam and Zeebrugge.

On the Northern Corridor, freight traffic throughput declined by 7 per cent at Belfast and 5 per cent at Larne. Increased throughput at Warrenpoint is probably due to Seatruck Ferries adding a larger vessel to the Warrenpoint–Heysham service.

The ro/ro market is heavily weighted on trade with the UK. With both the UK and Irish economies expected to remain in recession for 2009 and into 2010 the outlook for this market is for a further 8 to 10 per cent decline in volume this year.

## Traffic

TABLE 16

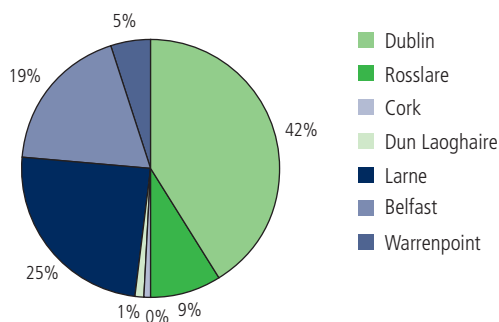
### Roll-on/Roll-off Freight Traffic 2008

Port	Driver Accompanied No. of Freight Units			Unaccompanied No. of Freight Units			Total Freight Traffic		
	2007	2008	%Change	2007	2008	% Change	2007	2008	% Change
Dublin	348,212	337,164	-3%	384,929	367,045	-5%	733,141	704,209	-4%
Rosslare	96,899	89,447	-8%	71,069	67,041	-6%	167,968	156,488	-7%
Cork	1,081	891	-18%	481	110	-77%	1,562	1,001	-36%
Dun Laoghaire	16,933	13,898	-18%	0	0	0%	16,933	13,898	-18%
TOTAL ROI	463,125	441,400	-5%	456,479	434,196	-5%	919,604	875,596	-5%
Larne	224,030	207,724	-7%	214,020	206,955	-3%	438,050	414,679	-5%
Belfast							339,127	315,642	-7%
Warrenpoint	5,322	5,229	-2%	73,737	74,284	1%	79,059	79,513	1%
TOTAL NI	229,352	212,953	-7%	287,757	281,239	-2%	856,236	809,834	-5%
TOTAL IRELAND	692,477	654,353	-6%	744,236	715,435	-4%	1,775,840	1,685,430	-5%

Source: IMDO

GRAPH 16

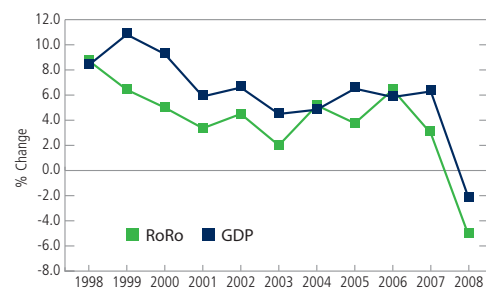
### Market Share of Ro/Ro Traffic by Port 2008



Source: IMDO

GRAPH 16A

### GDP and Ro/Ro Trend



Source: IMDO



## IRISH RO/RO MARKET-OPERATOR

In 2008 ro/ro freight traffic between Ireland and the UK declined by 5 per cent, with a substantial fall-off in traffic volumes in the final 2 quarters of 2008 and an 11 per cent drop in Q4 alone. On Northern routes 60 per cent of traffic travels unaccompanied. Norfolkline and Seatruck Ferries primarily carry unaccompanied traffic. Norfolkline freight trailer traffic on the Northern Corridor declined 7 per cent as a result of technical problems throughout the year and falling demand. Stena Line operates services from Larne and Belfast; on the service from Larne they are weighted towards unaccompanied traffic and on the Belfast service they carry a higher proportion of accompanied traffic. Unaccompanied freight traffic on the Larne – Fleetwood route was down 4 per cent in 2008, and accompanied freight traffic was down 10 per cent on the

Belfast route. P&O operates 2 routes from Larne to Troon and Cairnryan primarily carrying accompanied traffic. The Cairnryan route is by far the larger of the two routes carrying 90 per cent of P&O traffic through the port of Larne. Both Stena Line and P&O traffic through the port declined by 5 per cent in 2008. The majority of the accompanied traffic through the port of Larne is time sensitive retail destined for the Scottish market.

Seatruck Ferries operates the only ro/ro service from Warrenpoint catering for unaccompanied freight traffic between Warrenpoint and Heysham. Traffic on this route grew by 1 per cent in 2008 which is likely the result of Seatruck placing a new larger vessel on the route, mid 2008. Ro/ro freight traffic, on routes from Dublin, declined on these routes by 4 per cent in 2008.

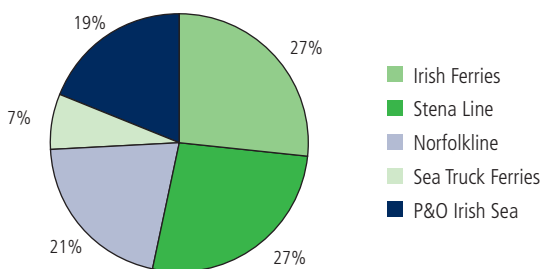
TABLE 17

### UK - Ireland Roll-on/Roll-off Traffic by Route 2008

	Accompanied			Unaccompanied			Total		
	2007	2008	%Change	2007	2008	% Change	2007	2008	% Change
Liverpool-Dublin (P&O Irish Sea)	60,744	60,526	0%	116,929	101,764	-13%	177,673	162,290	-9%
Cairnryan-Larne (P&O Irish Sea)	163,104	150,797	-8%	89,827	87,224	-3%	252,931	238,021	-6%
Holyhead-Dublin (Irish Ferries)	128,565	109,975	-14%	38,094	39,403	3%	166,659	149,378	-10%
Pembroke-Rosslare (Irish Ferries)	51,547	43,958	-15%	42,601	37,943	-11%	94,148	81,901	-13%
Birkenhead-Dublin (Norfolkline Irish Ferries)	38,099	37,384	-2%	100,766	90,700	-10%	138,865	128,084	-8%
Heysham-Dublin (Norfolkline Irish Ferries)	3,032	2,077	-31%	57,603	47,489	-18%	60,635	49,566	-18%
Holyhead-Dublin (Stena Line)	129,972	138,896	7%	25,401	23,546	-7%	155,373	162,442	5%
Fishguard-Rosslare (Stena Line)	36,305	33,647	-7%	17,471	16,602	-5%	53,776	50,249	7%
Holyhead-Dun Laoghaire (Stena Line)	16,944	13,847	-18%				16,944	13,847	-18%
Liverpool-Dublin (Seatruck Ferries)	2,973	2,996	1%	36,244	52,841	46%	39,217	55,837	42%
<b>Total ROI</b>	<b>631,285</b>	<b>594,103</b>	<b>-6%</b>	<b>524,936</b>	<b>497,512</b>	<b>-5%</b>	<b>1,156,221</b>	<b>1,091,615</b>	<b>-6%</b>

GRAPH 17

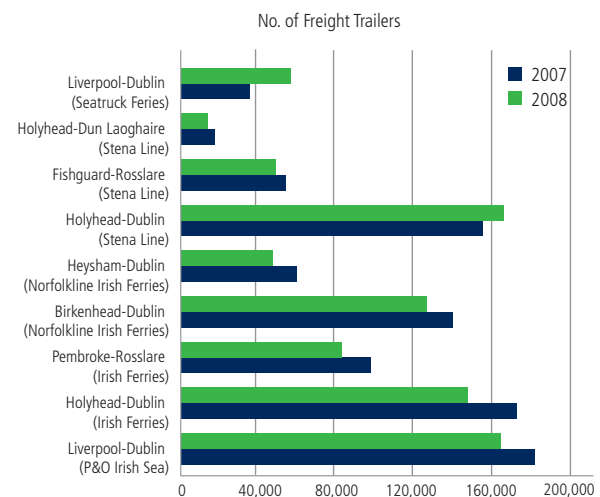
### Market Share ROI-UK Ro/Ro Routes 2008



Source: IMDO

GRAPH 17A

### ROI - UK Freight Traffic 2008



## IRISH RO/RO MARKET-OPERATOR

There are 4 ro/ro operators on 3 primary routes from Dublin port: Dublin - Heysham, Dublin - Liverpool and Dublin - Holyhead. Freight traffic on these routes declined by 4 per cent in 2008. The market is evenly split between accompanied and unaccompanied traffic. Unaccompanied traffic fell by 5 per cent in 2008. Norfolkline traffic on the Dublin routes declined by 11 per cent. 2008 was the first full year of operation for Seatruck Ferries on the Dublin - Liverpool route and as such traffic increased which is likely due to 2 new vessels, and the repositioning of freight from Warrenpoint. In 2008 P&O were operating 3 vessels on the route but reduced that back to 2 vessels towards the end of the year as volumes declined. Traffic declined 9 per cent on the route over the course of the year. Both Stena Line and Irish Ferries compete on the Dublin - Holyhead route and both primarily carry accompanied traffic on this route. We

estimate that Irish Ferries traffic was down 10 per cent but Stena Line traffic increased on the route by 5 per cent although growth slowed significantly in Q3 & Q4 08. Stena Line and Irish Ferries both operate ropax services from Rosslare to Fishguard and Pembroke. Traffic on both routes declined by 7 and 13 per cent respectively. There is a high proportion of high value goods travelling to/from Southern UK and onwards via Rosslare which is reflected in the level of accompanied traffic on these routes.

Despite the prevailing economic conditions in Q4 08 two new operators entered the ro/ro market. LD Lines and Cobelfret. This along with the new Seatruck vessels and the larger Stena Line vessel has increased available capacity in the market by 7 per cent.

## Traffic

TABLE 18

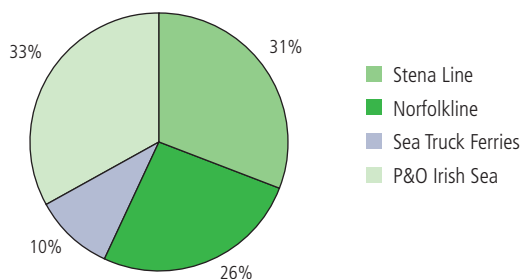
### Northern Ireland – UK Roll-on/Roll-off Traffic by Route 2008

	Accompanied			Unaccompanied			Total		
	2007	2008	%Change	2007	2008	% Change	2007	2008	% Change
Troon-Larne (P&O Irish Sea)	2,089	1,746	-16%	28,126	27,610	-2%	30,215	29,356	-3%
Heysham-Belfast (Norfolkline Irish Ferries)	3,775	2,565	-32%	68,264	58,206	-15%	72,039	60,771	-16%
Birkenhead-Belfast (Norfolkline Irish Ferries)	33,929	33,365	-2%	121,304	116,309	-4%	155,233	149,674	-4%
Stranraer-Belfast (Stena Line)	95,265	85,922	-10%	19,701	21,726	10%	114,966	107,648	-6%
Fleetwood-Larne (Stena Line)	42,367	41,540	-2%	100,292	96,645	-4%	142,659	138,185	-3%
Heysham-Warrenpoint (Seatruck Ferries)	5,712	5,217	-9%	72,939	74,285	2%	78,651	79,502	1%
<b>TOTAL N. IRELAND</b>	<b>183,137</b>	<b>170,355</b>	<b>-7%</b>	<b>410,626</b>	<b>394,781</b>	<b>-4%</b>	<b>593,763</b>	<b>565,136</b>	<b>-5%</b>

Source: IMDO

GRAPH 18

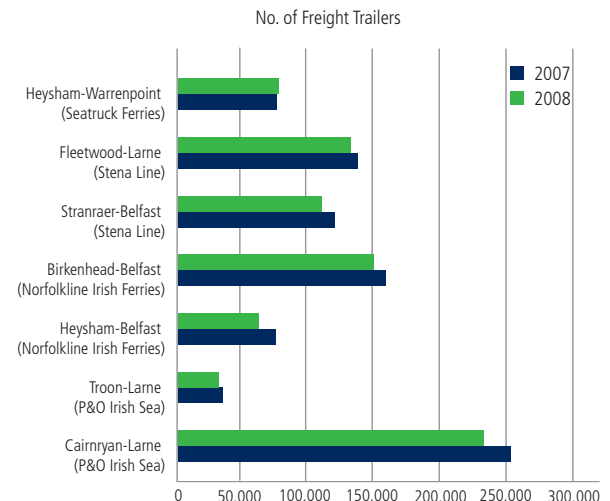
### Market Share N. Ireland – UK Ro/Ro Routes 2008



Source: IMDO

GRAPH 18A

### Northern Ireland – UK Freight Traffic 2008



## PASSENGER TRAFFIC

Ferry passenger numbers declined by an estimated 6 per cent in 2008. The decline can most likely be attributed to the prevailing downturn in both the UK and Irish economies which has severely impacted both consumer and passenger sentiment. 2008 started strong with growth on the cross channel routes, increasing by 10 per cent.

As the economic picture deteriorated, a corresponding downward trend in passenger numbers followed with the decline accelerating over the Q3 & Q4. Between April and September, ferry passenger traffic fell by 9 per cent. 65 per cent of all ferry passengers travel in this period, which makes the traffic decline quite significant.

Car traffic, which prior to last year had also shown signs of a recovery, declined 6 per cent in 2008.

Most ferry operators attribute the appreciation of the Euro

against Sterling as contributing to the sharp fall off in UK passengers travelling to Ireland over the peak periods. At the start of 2008 Operators also reduced the number of sailings as the steep rise in oil prices forced corrective action to be taken.

Encouragingly, the sailings from Ireland (Rosslare + Cork) to continental Europe held up with no fall off in volume last year. It is possible that this can be attributed to the fact that most of the bookings had been made in advance of the main downturn, and that there was no currency exposure to the main markets. The market was also helped by the upgrading of the Irish Ferries vessel on the France route, while another new operator LD Lines also entered the market this year.

TABLE 19

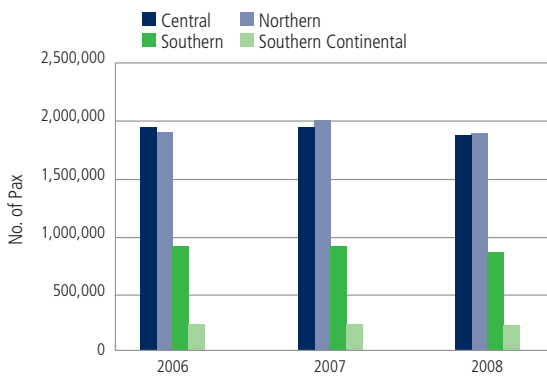
### Passenger & Car Traffic 2005-2008

CORRIDOR	Tourist Passengers					Tourist Cars		
	2005	2006	2007	2008	% Change	2007	2008	% Change
CENTRAL	2,265,365	1,919,239	1,897,037	1,800,721	-5%	394,262	370,522	-6%
NORTHERN	1,900,000	1,894,552	1,997,666	1,865,509	-7%	482,301	454,189	-6%
SOUTHERN	911,889	868,687	875,807	803,214	-8%	200,780	189,821	-5%
SOUTHERN CONTINENTAL	278,536	264,345	271,011	269,199	-1%			
Total	5,355,790	4,946,823	5,041,521	4,738,643	-6%	1,077,343	1,014,532	-6%

Source: IMDO

GRAPH 19

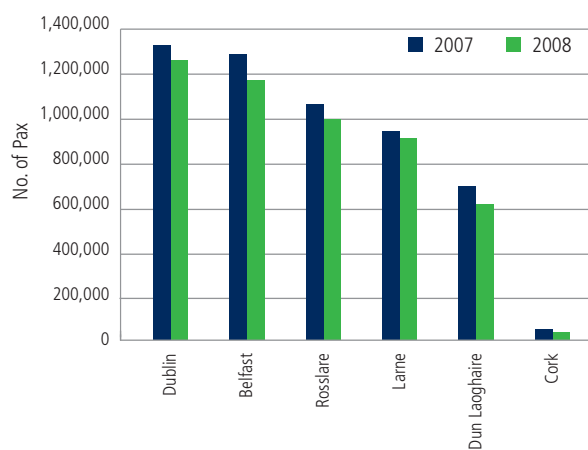
### All - Ireland Passenger Traffic 2006-2008



Source: IMDO

GRAPH 20

### Port Passenger Traffic 2008



Source: IMDO



# Market Review

## TANKER MARKET

Global oil consumption contracted in 2008 for the first time in 25 years as a result of a weaker global economy and far lower than expected global output. Oil output contracted by 0.2mbd in 2008. Fears that a massive influx of tonnage would plunge rates last year did not materialise and despite all the potentially negative factors, the tanker market remained robust throughout the year. However, in the final 3 months of the year, time-charter rates softened as asset values experienced severe market turbulence. VLCC one year time charter rates dropped 15 per cent in December to \$51,000/day, down considerably from the high of \$90,000/day seen in July 2008. Suezmax one year time charter rates also softened in the final quarter of 2008, down to \$42,000/day in December, this was 24 per cent lower than the highest rate in September 2008. By the year end second-hand values for modern double hull tonnage fell away by an

average 20 per cent. The 2009 outlook for this sector suggests a further deterioration in time charter rates across all segments as demand weakens due to slower global growth and consumption.

**CHEMICAL TANKER MARKET:** After several years of relatively strong performance, the chemical tanker market eventually reacted and slowed suddenly as a massive influx of new tonnage came online destabilising market conditions. Weaker demand and the effect of global economic conditions contributed to a large adjustment of spot and time charter rates over Q4 2008. Average spot rates in the inter-European market fell by 25-30 per cent during Q4. According to the BRSP the outlook for this market is tough as further new tonnage enters the market with weaker trade demand likely to dampen rates further.

## Market

TABLE 21

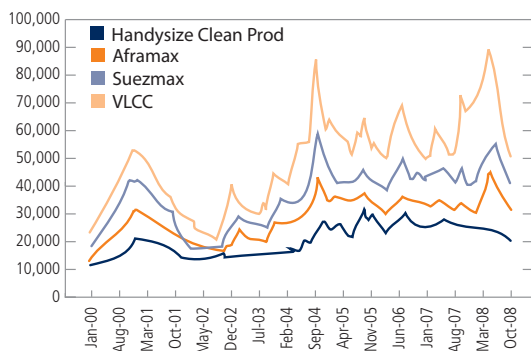
Tanker 1 Year Time Charter Rates

US \$ Per day Date	Handysize Clean Prod	Aframax	Suezmax	VLCC
Jan-07	25,250	34,000	45,000	53,625
Dec-07	25,000	33,625	47,250	73,125
Jan-08	25,000	33,250	43,000	66,875
Feb-08	24,800	31,900	40,800	67,000
Mar-08	23,125	30,625	42,500	67,500
Apr-08	22,625	31,125	42,500	70,000
May-08	22,900	33,200	44,400	77,000
Jun-08	23,000	40,375	48,500	85,000
Jul-08	24,500	43,125	53,750	90,000
Aug-08	24,500	43,500	55,500	87,000
Sep-08	24,500	41,375	55,625	82,500
Oct-08	23,400	38,400	51,300	72,500
Nov-08	22,000	33,000	45,625	61,250
Dec-08	21,000	28,688	42,000	51,875

Source: Clarksons

GRAPH 21A

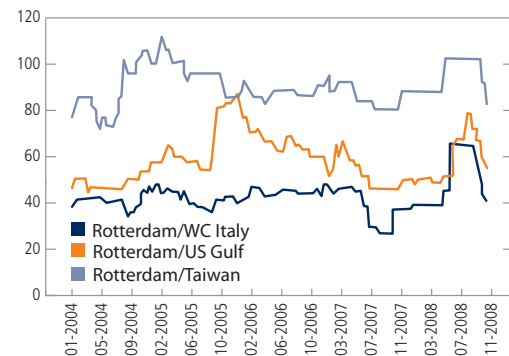
Tanker 1 Year Time Charter Rates



Source: Clarksons

GRAPH 21

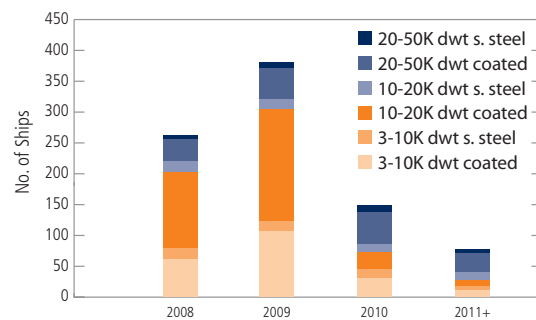
Chemical Tanker Spot Freight Rates



Source: BRSP

GRAPH 21B

Chemical Carriers Delivered in 2008 and Orderbook at Year-end



Source: BRSP

## DRY BULK MARKET

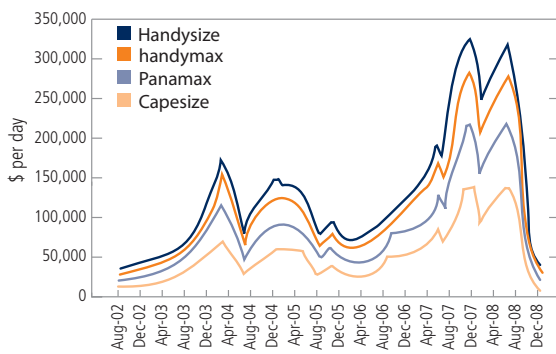
2008 was a topsy-turvy year for the dry bulk market. The year started with the sector soaring, with 12 month time charter rates for Capesize vessels reaching \$170,000 per day but ending the year at \$13,000 per day. This was evident from the rollercoaster ride of the Baltic Dry Index which reached its historic peak at over 11,700 points in July, then lost 93 per cent of the index value by the year end. It was the unprecedented abruptness of the correction to the market over the 2nd half of the year which has shaken almost every segment of the sector. From September onwards, with the continued delivery of new tonnage to the market, the reduction in demand of iron ore and coal from China and the impact of the global financial crisis, the dry bulk time charter rates cascaded into free fall. 2nd hand values for vessels evaporated, falling by an estimated 70 per cent. By the end of 2008 the bulk carrier fleet stood at 6,978 vessels an increase

of 287 vessels year on year. The outlook for the sector is extremely bearish, with a glut of new capacity likely to leave the market oversupplied for a number of years.

**COASTAL BULK MARKET:** Record highs and lows also occurred in the Shortsea bulk market. 2008 started strongly with the Coastal Index about 35 per cent higher than in 2007. The market picked up gradually to the end of the first quarter and this trend continued into the second quarter. According to leading brokers, H.C. Shipping & Chartering Ltd., freight levels continued to increase and were in the region of 30-35 per cent higher by mid year. Rate levels in 2008 were comparatively high with initial expectations for a strong final quarter, however, Q4 08 witnessed an unprecedented winter slump in the shortsea bulk market. The Coastal Bulk Index ended the year 33 per cent lower than the start of the year.

GRAPH 21C

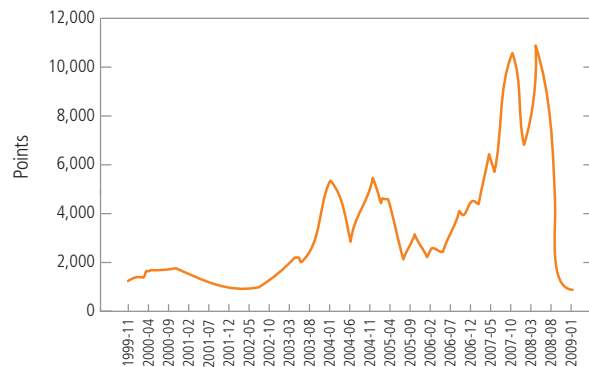
Dry Bulk 1 Year Time Charter Rates



Source: Clarksons

GRAPH 21D

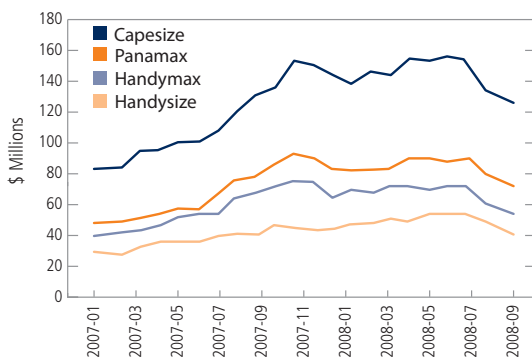
Baltic Dry Index over 10 year Period



Source: Clarksons

GRAPH 21E

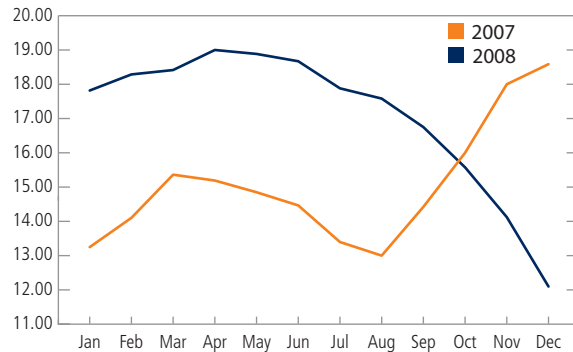
Bulk Carrier Secondhand Prices 2006-2008 (5 year old vessels)



Source: Clarksons

GRAPH 21F

Coastal Index



Source: H.C. Shipping & Chartering Ltd

## CONTAINERSHIP MARKET

Containership charter rates remained stable over the first 6 months of 2008 and then declined precipitously in the final half of the year. On average, time charter rates in 2008 were down between 10 and 15 per cent compared to 2007. However, when we disaggregate the rates the picture is far more dramatic, with average time charter rates ending the year 50 per cent lower than the beginning of the year. A contraction in demand for imports from the Far East, the rapid decline in economic conditions in Europe and the US, and an increase in vessel capacity through newbuilding additions all contributed to the sharp decline. With the drop in international trade, containerships could no longer be filled on the key trade routes as before, utilisation rates dropped and consequently charter rates plummeted. Handysize and Handymax vessels in the 1,000 – 2,000TEU size range were securing USD 17,000 per day in early 2008 which contrasts sharply with the rate of USD 8,700 per day in December 08. In the smaller vessel sizes, Feeder and Feedermax, which have been

the traditional work horses of the Irish-intra European trades, time charter rates dropped 29 and 53 per cent respectively between the beginning and end of the year. Over the course of 2008 liner supply outstripped growth in demand by about 5 per cent, this trend is set to continue in 2009 with continued pressure on charter rates.

According to Alphaliner, as of 31st December 2008 there were some 280 operating groups controlling more than 6,052 ships on liner trades, equivalent to 13.03m teu and 176.5mdwt of which almost 95 per cent is fully cellular. However, the container shipping market is dominated by a trio of large operators, Maersk Line, MSC and CMA CGM who between them control and operate over 36 per cent of the world fleet in teu terms. In 2008 4 niche carriers folded, amongst them EWL. Some brokers are predicting a serious cull in this sector over the next two years as further new capacity comes on stream, in many cases straight into lay-up.

## Market

TABLE 22

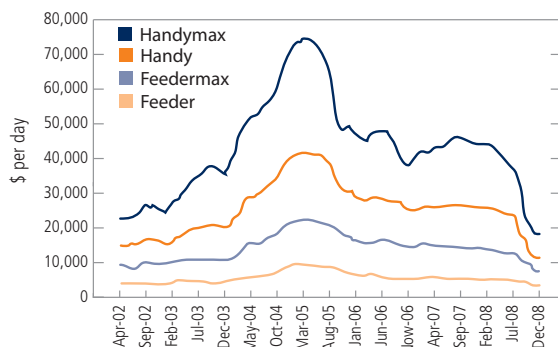
Container One-Year Charter Rates

US \$ Per day Date	Feeder 350 teu	Feedermax 725 teu	Handy 1000 teu	Handy 1700 teu
Jan-07	5,950	8,900	11,500	14,300
Apr-07	6,000	9,050	12,250	15,250
Aug-07	5,650	9,200	13,000	18,000
Nov-07	5,500	9,000	12,800	17,800
Dec-07	5,700	8,800	12,650	17,500
Jan-08	5,600	8,900	12,500	17,750
Feb-08	5,650	8,500	12,250	18,000
Mar-08	5,700	8,400	12,250	18,500
Apr-08	5,650	8,300	12,250	18,000
May-08	5,650	8,300	12,150	17,500
Jun-08	5,400	8,200	11,750	17,000
Jul-08	5,400	8,000	11,500	16,000
Aug-08	5,400	8,000	11,200	13,250
Sep-08	5,300	7,850	10,500	12,100
Oct-08	5,100	6,500	7,000	8,000
Nov-08	4,800	5,600	6,000	7,000
Dec-08	3,950	4,200	4,800	6,200
Jan-09	3,950	4,200	4,800	6,200

Source: Clarksons

GRAPH 22

Container Vessel 6-12 month Time Charter Rates



Source: Clarksons

TABLE 23

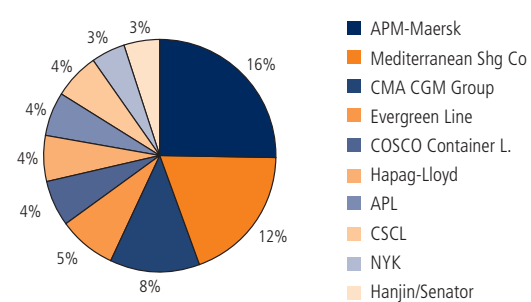
Top 10 Containership Operators 2008

Rank	Current Owner	Total TEU	% Share
1	APM-Maersk	2,010,739	16%
2	Mediterranean Shg Co	1,522,665	12%
3	CMA CGM Group	973,097	8%
4	Evergreen Line	622,589	5%
5	COSCO Container L.	496,938	4%
6	Hapag-Lloyd	488,030	4%
7	APL	473,936	4%
8	CSCL	454,979	4%
9	NYK	419,593	3%
10	Hanjin / Senator	381,903	3%
TOTAL Top 10		7,844,469	64%
Total World		12,344,860	100%

Source: ASX Alphaliner

GRAPH 23

Top 10 Containership Operators by TEU 2008



Source: ASX Alphaliner



## DEEPSEA CONTAINER TRADES & FREIGHT RATES

Following 5 years of exceptional growth in containerised trade on the Europe/Far East trades, the second half of 2008 saw a collapse in the container ship market. Container traffic growth on Europe/Far East routes in 2008 reduced to 6 per cent from 13 per cent in 2007. The impetus for the decline was driven by 2 major events in 2008: the global economic crisis and the disbanding of liner conferences in October 2008. E/bound volumes on routes between Europe and the Far East grew by 8 per cent in 2008, primarily driven by recyclates, particularly waste paper and scrap metal, but contracted sharply in the second half of the year. W/bound volumes to Europe stalled during the year dropping from 15 per cent growth in 2007 to 5 per cent in 2008 as a direct result of the economic set-backs in Europe. The contraction in demand led to a surplus of capacity on the Europe/Far East routes and, coupled with in excess of 1.4 million TEU of new cellular capacity entering the

market in 2008, this led to nominal TEU capacity increasing by 12.5 per cent. In the final quarter of 2008 many operators scrambled to reduce capacity on routes with the withdrawal of vessels from loop services. For example, in December the New World Alliance withdrew its CEX service which removed nine 6,000 TEU vessels while CKYH also removed eight 4,000 TEU vessels from a service between Belgium and China. Since July 2008, the capacity on Europe/Far East routes has been cut by about 12 per cent in order to maintain vessel utilisation rates (to between 85 and 90 per cent).

The excess tonnage in the market had a significant affect on freight rates in 2008. Asia-Europe trade at the beginning of 2008 weakened, down from the bumper year in 2007. From mid 2008 Asia-Europe spot ocean rates dropped from over \$1,400/TEU in 2007 to below \$250/TEU at the end of 2008 as an abundance of new capacity came on stream.

TABLE 24

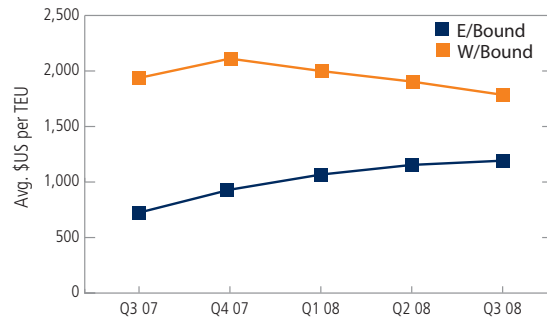
### Inter-Continental Freight Rates 2008

	Q3 07	Q4 07	Q1 08	Q2 08	Q3 08	Q3/Q3 Change
Asia to US Eastbound	1,707	1,680	1,757	1,844	1,934	13%
US to Asia Westbound	780	761	845	987	1,170	50%
Europe to Asia Eastbound	777	959	1,064	1,104	1,141	47%
Asia to Europe Westbound	1,952	2,109	2,030	1,937	1,837	-6%
US to Europe Eastbound	1,115	1,175	1,261	1,381	1,644	47%
Europe to US Westbound	1,725	1,707	1,637	1,610	1,600	-7%

Source: Containerisation International

GRAPH 24

### Far East Quarterly Freight Rates 2008



Source: Containerisation International

## NEWBUILDING MARKET

**CONTAINER FLEET:** Over the past 3 years the container fleet has grown at a rate of between 13–16 per cent. Container capable capacity in 2008 expanded by 13 per cent compared to container demand growth of 6.3 per cent. In excess of 1.4 million TEU entered the container fleet in 2008, with removals amounting to 100,000TEU. The effect of this in 2008 was that, with the supply/demand balance weighted towards supply, operators were forced to reduce capacity on routes and to put tonnage into lay-up. According to BRS Alphaliner, 8.8 per cent of the world's container fleet is currently lying idle. The container fleet is projected to expand by 50 per cent over the next four years, and the biggest challenge facing the shipping industry is clearly now over supply. Given the high level of deliveries expected over the coming years the priority for operators is to maintain

utilisation rates around 90 per cent. The bulk of the ship sales have been in the handy sector, with 59 vessels sold on the second hand market in 2008 down from 68 in 2007.

**RORO FLEET:** The ro/ro market has had a large volume of newbuilding tonnage enter service over 2007 & 2008, there was a 7 per cent increase in the number of ro/ro vessels ordered in 2008. As with many other market segments, the overall picture for the ro/ro market was exemplified by the fact that both rates and charter activity were severely tested. As a result, many of the ro/ro routes in Europe have been badly affected by the economic downturn and consequently led to a wave of new tonnage seeking charters. A total of 114 ro/ro and 32 ropax units are to be delivered during 2009 which is likely to displace older, less economical, units.

## Market

TABLE 26

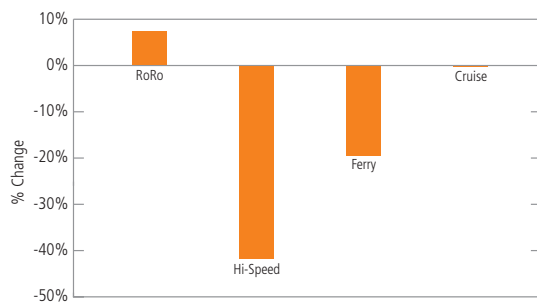
### Ro/Ro Orderbook 2008

Vessel Type	Yards (Orders)				2007	2008	%Ch	\$US m	Pax	Cars	Lane m	Weight
	Far East	N. Europe	S.Europe	ROW								
RoRo	146	36	27	15	209	224	7%	\$13,957.00			765,303	3185156tDW
Hi-Speed				23	40	23	-43%		9,808	1,051		
Ferry	13	21	24	1	73	59	-19%	\$5,883.00	58,488	9,639		1200702GT
Cruise	0	21	21	1	43	43	0%	\$23,753.00	77,815			3853393GT
TOTAL	159	78	72	40	365	349	-4%	\$43,593.00	146,111	0,690	765,303	

Source: Cruise & Ferry Information

GRAPH 26

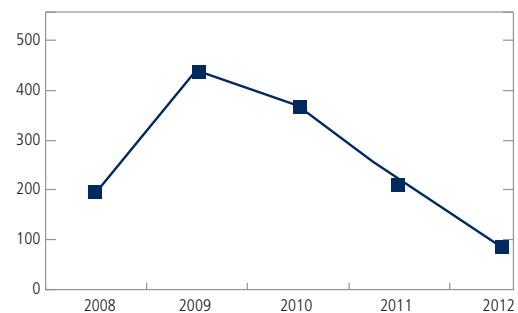
### % Change of RoRo Orderbook 2007-2008



Source: Cruise & Ferry Info

GRAPH 26A

### World Cellular Fleet Orders by Size Range



Source: Containerisation International

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

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

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

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

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

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

**TEU – Twenty-foot Equivalent Unit**

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

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

## Sources of Data

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

### **Harbour Authorities:**

Bantry Bay Harbour Commissioners  
Kinsale Harbour Commissioners  
Tralee and Fenit Pier Harbour Commissioners  
Youghal Harbour Commissioners

### **State Companies:**

Drogheda Port Company  
Dublin Port Company  
Dundalk Port Company  
Dun Laoghaire Harbour Port Company  
Galway Port Company  
Greenore Port Company  
New Ross Port Company  
Port of Cork Company  
Port of Waterford Company  
Rosslare Europort  
Shannon Foynes Port Company  
Wicklow Port Company

### **Northern Ireland Ports:**

Belfast Harbour Commissioners  
Port of Larne  
Warrenpoint Harbour Authority

### **Roll-on/Roll-off Shipping Lines:**

Irish Ferries  
Norfolkline Irish Sea Ferries  
P&O Irish Sea Ferries  
Seatruck Ferries  
Stena Line

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Contact:

Helen Noble **E:** helen.noble@mop.ie  
Chris Quinn **E:** chris.quinn@mop.ie  
Anthony Walsh **E:** anthony.walsh@mop.ie

70 Sir John Rogerson's Quay, Dublin 2, Ireland.

**T:** +353 1 232 2000 **F:** +353 1 232 3333 **E:** mop@mop.ie **W:** www.mop.ie

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