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[short report]

maritime
economy

*International and
European maritime shipping
in 2014*
edited by Confitarma

2014 began with optimism for the signs of global economic recovery and the consequent improvements for worldwide shipping.

Actually, the forecast predicting the end of the crisis was only realized in part: the growth awaited in the USA met and exceeded expectations but that recovery was not achieved in Japan and in the Eurozone, China and Russia.

The low price of oil and the weakness of the Euro against the Dollar, encourages trade and is a vital factor for an effective recovery, especially in the Euro area. No less important is the recent policy of monetary expansion put in place by the European Central Bank, that with the introduction of a larger amount of capital greatly affects the difficult situation of businesses favoring their relations with the banking industry.

All these factors have a differing influence on the various sectors of maritime transport. Over the year, liquid bulk shipping recorded slightly positive signs, while dry and containerized bulks still suffer a persistent tonnage oversupply resulting in a far from satisfactory freight market.

The drastic reduction in the cost of bunker together with the reduced speed adopted by ships to save fuel, and the fact that the total order book remained virtually unchanged during the year are indications that even for the shipping sector, conditions able to promote the recovery are, albeit slowly, materializing.

The world fleet

Although the tonnage demand does not grow, the world fleet keeps growing, although at a slower but more sustainable level, and at the end of 2014 it records a further +3.9% reaching 1,167 million gross registered tonnes (gt) and 1,665 million dead weight tonnage (dwt).

The reduction in oil prices helps shipping to contain the declining trends in freight rates and the tonnage surplus. In particular, oil storage in floating deposits has a positive influence on the tankers' markets.

The volume of deliveries of new vessels decreased by 11% while shipbuilding continues to decline from the record levels of 2012: during the year the orders reduced by 37%. 42% of all the tonnage ordered is attributable to European owners and 39% to Asian shipowners, although compared to 2013, the volume is reduced by 47% for the former and 35% for the latter.

In 2014, demolitions decreased by 27% compared to 2013, with an average age of scrapped vessels amounting to 28.7 years.

Maritime markets

In 2014, the world's maritime traffic was up by 3.4% compared to 2013 and with a total of 10.518 million tonnes it represented 83% of total world trade. The 65% of the expansion of the world's maritime traffic is due to a growth in the trade of iron ore and containerized goods. It is expected that in 2015 these trades will drive the growth of maritime traffic.

In 2014, the demand for maritime transport services, i.e. the amount of goods carried by the distance traveled, increased by 4.1%, for a total of 52.452 billion tonne-mile, largely due to a lengthening of the transport routes of crude oil, petroleum products and coal.

As for the dry bulk cargo, despite the encouraging performance during the first half of 2014, it does not meet expectations with a reduction in the average freight rates of the four main types (Capesize, Panamax, Supramax and Handysize). As regards the new vessels, there is a further slowdown in the deliveries, with 46 million dwt already shipped (-18% compared to 2013 and about -50% compared to 2012). Ship breaking also slowed with 15 million dwt demolished (-27% compared to 2013 and -50% compared to 2012). The combination of these trends caused the fleet to grow by about 6% during the year, in line with 2013, but well below the 11% recorded in 2012. At the end of 2014 the order book for dry cargo bulk carriers amounted to approximately 1,700 units, about 142 million dwt, especially concentrated in the Capesize segment, which alone accounts for about 35% of the total transportation capacity order.

Instead, in 2014, the tanker market for crude transport reversed the downward trend of recent years and finally recorded a return to growth in freight rates. These changes, along with a fleet which grew by only 2% over the previous year, allowed a more favorable balance between supply and demand which pushed freight rates higher. Beyond the particular volatility linked to the price of crude oil, the future trend in the market seems to be a confirmation of the improvement of freight rates, mainly due to the expected economic recovery in advanced economies. However, despite the reduction in deliveries of the new vessels recorded during 2014, it is difficult to predict how the market will evolve given the strong revival of interest in new orders for the shipyards. In any case, the order book has not reached alarming levels yet with an order book/trading ratio of about 12%.

The maritime transport of gas is amongst the few to enjoy good health and positive results. 2014 was a record year with a growth in the BLPG index of 56%, and especially, if compared to the result achieved in 2013, mainly due to an increase in gas exports resulting from the increasing use of new extraction techniques.

In 2014, the container ships market remained substantially stable on the values of 2013. Despite the persistence of a market characterized by low freight rates and constant tonnage oversupply, the operators continue to enter new tonnage on the market. The trend is increasingly driven by the search for economies of scale and the resulting growth in the ships' size, due to the delivery of increasingly larger units and the reduction of the fleet with lower tonnage capacity.

In 2014, the world fleet of Ro-Ro cargo (including the pure car-carrier-PCC), increased by about 2%, reaching a total of 47.3 million gt. The Ro-Ro passenger fleet remains stable at 16 million gt. Although operating in a difficult market, the segment of Ro-Ro ship saw an improvement in timecharter freight rates.

In 2014 the contraction of the fleet continued due to the high volume of demolitions against a few deliveries. In the short term it is expected that this trend will continue to meet the urgent environmental regulations: in fact increase of eco-friendly ships orders but given the lack of infrastructure for the supply of LNG in some key ports, ships' operators seem to prefer the technology offered by the scrubber. The intra-European market is very important for the field of Ro-Ro but in recent years it recorded a limited growth with different patterns according to the different ports. Rotterdam recorded an increase in traffic due to the economic recovery of the UK, while other major ports recorded less positive trends, as a result of the crisis in the second-hand car market that suffered from the outbreak of Ebola in West Africa and from the conflicts in Middle East. Although over the year, auto exports from Japan reduced, a growth in imports from the Far East, and especially from China is expected, as well as a gradual improvement in European demand.

It should be underlined that Italy is leader, for number of ships and tonnage, of the world fleet of Ro-Ro cargo and Ro-Ro passenger/cargo ships.

In 2014, the growth in the cruise sector recorded a further +22.1 million passengers. A further +4% is expected in 2015 until reaching 23 million passengers. The world fleet of cruise ships recorded a 3.6% growth in tonnage despite a reduction in the number of ships. In 2014 7 new ships were delivered and another 7 are expected to be delivered in 2015 and in 2016. The Caribbean remains the principal destination with more than a third of the global cruise market. As regards the Mediterranean, in 2014 it remained one of passengers' favorite destinations but, as a result of the attack on the Bardo Museum in Tunis, in March 2015, the shipping companies, which only in recent times, after the Arab Spring, had reinserted the north African country amongst the destinations of their cruises, have now decided to delete all the ports of call in Tunisia. Market potential is increasing in the Far East, where in the last two years there was an increase in both the number of passengers (1.4 million equal to +32% compared to 2012) and the number of vessels used in Asian seas (52 units equal to +10% compared to 2013). Favourite destinations are Japan, Malaysia, South Korea and Thailand.

European shipping

From June to December 2014, Italy took over the Presidency of the Council of the European Union. Besides being engaged in the difficult task of mediating between 28 countries for the appointment of the new executive of the European Commission, the Italian Presidency gave a decisive impulse to the change in the order of the political priorities of the EU to promote competitiveness, growth and employment and to the beginning of a new era of public and private investment. The European Council also started the plan presented by the European Commission in late November 2014, which provided for the establishment of a European Fund for Strategic Investments (EFSI), in order to mobilize €315 billion in new investment between the 2015 and 2017. The Italian Presidency has also the merit of having emphasized two other innovative themes: the link between migration and development and the role of the private sector in development.

In the shipping sector, the Italian Presidency is particularly active in three agreements reached within the EU Council (General Guidelines): the proposed Regulation establishing a regulatory framework for market access to port services and the financial transparency of the ports; the proposed Regulation on the system for monitoring emissions from maritime transport (MRV); the proposed Directive on seafarers, which amends the earlier directives.

One of the first acts of the Italian Presidency of the EU was the implementation of the “Council conclusions on the Mid-Term Review of the EU’s Maritime Transport Policy until 2018 and Outlook to 2020” which incorporates the contents of the Athens Declaration, recognizing the crucial role of maritime transport for the economy and the welfare of Europe and promoting a series of actions:

- ensure long-term competitiveness of the EU’s maritime industry, enhancing the EU State aid regime for maritime
- transport provided for in the Guidelines;
- increase employment in the maritime sector as a whole and career mobility;
- ensure free access to markets;
- maintaining Europe’s role as the world leader in maritime research and innovation;
- develop short-sea shipping, especially allowing for better environmental performance of shipping sustained by adequate financial support.

Within the EU’s Italian Presidency, an Italian Short Sea Shipping Promotion Office (SPC Italia) whose President is also chief of the European Shortsea Network (ESN).

The economic value of European maritime industry

Europe controls the largest and most innovative mercantile fleet of the world which has a key role in the economic impact on European economy.

The ownership or the final control of 40% of the world’s dead weight tonnage is retained by EU’s countries. Between early 2005 and early 2014, the fleet controlled by the EU increased by 74% in terms of tonnage and by 72% in terms of dead weight. According to Eurostat data, in 2014, EU’s foreign trade amounted to 2.244 billion tonnes, 75% of which (1.691 billion) was shipped by sea. Furthermore, 40% of community trade are seaborne.

In March 2015, during the first European Shipping Week, an update of the 2014 study on the economic value of the maritime transport sector was presented; it was realized by the English Oxford Economics Institute and commissioned by the European Community Shipowners’ Associations (ECSA).

The study, which takes into account 28 EU’s member states and Norway, shows that in 2013 the overall contribution of European sea transport to the Union’s GDP was approximately €147 billion. Furthermore, for each million euro of GDP produced, the European shipping industry creates a further contribution of €1.6 million in others European sectors with a 2.6 multiplier.

In terms of employment, the industry provides about 2.2 million jobs, both on-board and on-shore, within the entire maritime cluster. The sector directly employs more

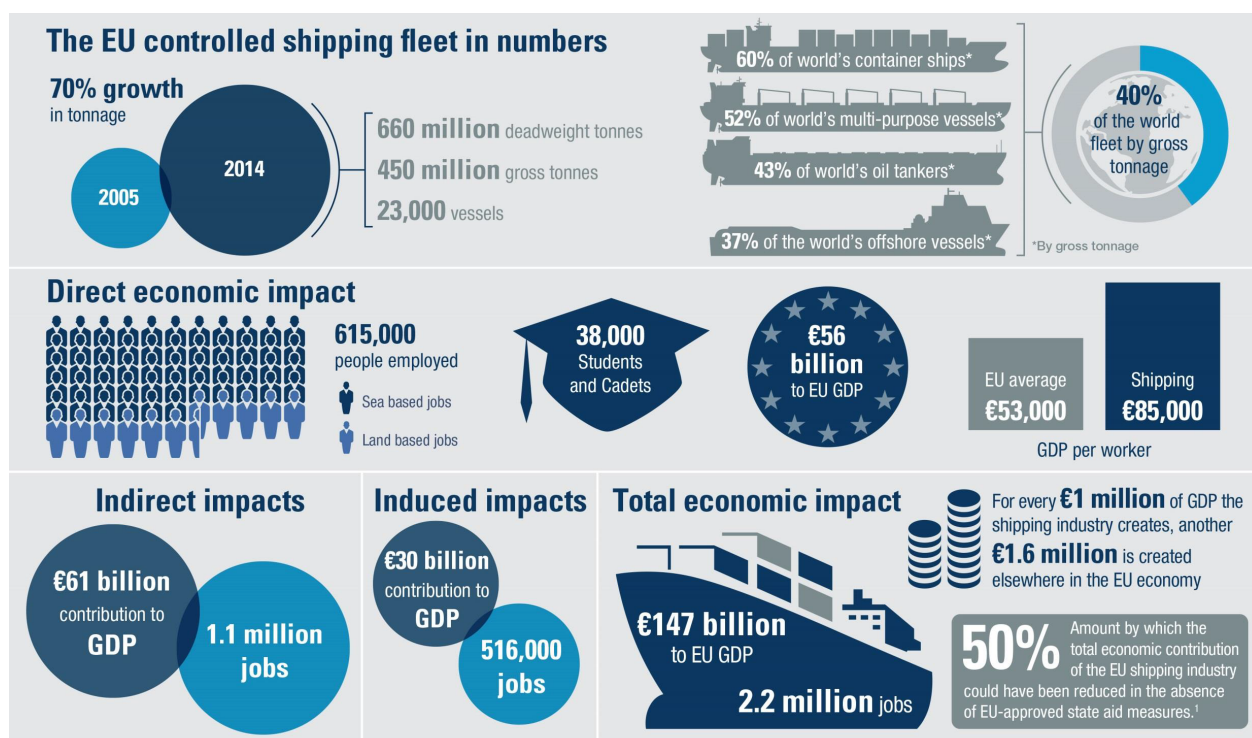
people than the airline industry, and between 2004 and 2013, direct employment grew by 25%.

In 2013, it was estimated that ship owning industry contributed with €56 billion to the European GDP and employed 615,000 workers, 501,000 of which were seafarers. 44% of these seafarers were European.

In terms of generated GDP per worker, European shipping is much more productive than the European average: it was estimated that each employee in the sector produces €85,000 against the €53,000 of the European average.

It was also estimated that in 2013 maritime transport industry indirectly contributed to EU's GDP by €61 billion with 1.1 million jobs. The expense for the shipping employees' salaries and related industries contributed to GDP with an estimated additional €30 billion and with 516,000 additional jobs.

Fig. 1 - The economic value of the EU shipping industry



Source: Oxford Economics

¹ Based on illustrative counter-factual scenarios for nine EU countries

Tab. 1 - World Fleet: cargo tonnage controlled by main maritime countries (December 31st, 2014. Ships of 1.000 gt and above)

	Countries	No.	GT	% of total	DWT	% of total	Var. % 2013/2014 GT	Var. % 2013/2014 DWT
1	Greece	3,609	157,918,618	14	272,706,359	17	9	8
2	Japan	4,044	155,516,065	14	234,726,411	14	3	3
3	China	3,714	96,398,713	8	154,614,105	9	8	7
4	Germany	3,384	86,034,472	8	114,668,640	7	-6	-7
5	USA	2,354	59,870,510	5	66,831,948	4	12	17
6	UK	1,304	47,573,925	4	67,003,245	4	12	16
7	South Korea	1,371	45,509,979	4	73,983,215	5	3	2
8	Norway	2,131	37,964,941	3	40,178,274	2	5	1
9	Singapore	1,367	32,737,261	3	46,952,907	3	21	16
10	Denmark	904	28,445,022	3	34,399,116	2	-2	-8
11	Taiwan	762	26,761,004	2	41,220,813	3	-4	-5
12	Hong Kong	869	26,698,381	2	40,994,945	3	-10	-13
13	Canada	505	19,267,117	2	26,109,915	2	15	16
14	ITALY	773	17,602,336	2	21,857,926	1	-1	-2
15	Switzerland	383	16,640,675	2	17,691,068	1	3	0
16	Turkey	1,162	15,582,643	1	24,918,884	2	2	1
17	Russia	1,665	14,172,519	1	19,049,589	1	-2	-2
18	India	600	12,544,247	1	20,349,577	1	-1	-2
19	Belgium	265	11,885,299	1	19,160,749	1	22	28
20	France	505	11,844,737	1	11,654,496	0	3	7
21	Malaysia	522	11,600,382	1	13,379,416	0	5	6
22	Monaco	195	10,212,616	0	16,334,609	1	9	10
23	Iran	194	10,015,302	0	17,478,206	1	-1	-1
24	Indonesia	1,257	9,965,227	0	13,384,214	0	3	2
25	Netherlands	1,003	9,508,555	0	10,547,843	0	2	2
26	Brazil	195	9,328,436	0	13,085,084	0	4	12
27	Saudi Arabia	252	7,877,514	0	13,373,752	0	6	4
28	Sweden	318	7,204,860	0	6,445,283	0	-2	-5
29	United Arab Emirates	471	6,361,095	0	8,046,949	0	-1	-3
30	Kuwait	81	5,719,098	0	8,562,994	0	22	26
	Others	5,253	64,465,097	6	81,885,562	5	2	-2
	Tonnage controlled by unknown shipowners	8,004	73,715,510	6%	104,002,619	6	1	-1

Source: Confitarma processing IHS Fairplay data

In the ranking of fleets by ship owner, Greece ranks first with 158 million gt (273 million dwt), followed by Japan, China, Germany and the USA. Italy falls in the 14th place but remains 5th amongst the European countries for ship owning control.

Tab. 2 - World fleet: ships on main registers (December 31st, 2014. Ships of 1.000 gt and above)

	Flag	N.	GT	% of total	DWT	% of total	Var. % 2014/13 GT	Var. % 2014/13 DWT
1	Panama	8,092	217,604,861	19	327,633,979	20	-0	-0
2	Liberia	3,062	126,990,680	11	193,826,832	12	0	0
3	Marshall Islands	2,579	109,383,818	9	171,628,893	10	15	14
4	Hong Kong	2,322	92,355,284	8	149,748,191	9	8	7
5	Singapore	3,270	77,041,087	7	114,611,955	7	11	9
6	Malta	1,936	56,238,637	5	86,259,921	5	13	13
7	Bahamas	1,363	54,949,775	5	64,046,628	4	4	2
8	China	4,242	44,474,904	4	66,363,785	4	3	2
9	Greece	1,305	42,347,060	4	74,957,232	5	2	0
10	Cyprus	1,036	21,078,582	2	32,143,744	2	0	-0
11	Japan	5,506	21,065,822	2	29,762,719	2	6	8
12	ITALY	1,573	16,239,447	1	16,349,879	0	-11	-19
13	Norway	1,953	15,915,714	1	17,108,862	1	-3	-4
14	Isle of Man	407	15,288,040	1	24,143,253	1	-3	-4
15	Denmark	849	14,557,957	1	16,237,710	0	18	14
16	Indonesia	8,470	13,549,349	1	15,866,360	0	7	4
17	UK	1,432	13,461,709	1	12,621,945	0	-9	-18
18	South Korea	2,978	12,135,462	1	17,780,933	1	1	-3
19	USA	6,516	11,506,792	0	10,261,505	0	2	3
20	Germany	678	11,116,602	0	11,969,081	0	-10	-12
21	Bermuda	157	10,986,349	0	9,558,102	0	-0	-1
22	Antigua & Barbuda	1,123	9,545,533	0	12,222,482	0	-5	-5
23	India	1,553	9,193,500	0	14,043,830	0	-0	-2
24	Russia	3,517	8,256,620	0	7,199,899	0	6	12
25	Netherlands	1,352	7,616,240	0	7,458,444	0	-0	-1
26	Malaysia	1,523	7,135,962	0	7,298,793	0	2	
27	Turkey	1,313	5,867,870	0	8,449,248	0		-1
28	France	824	5,799,227	0	6,447,062	0	0	4
29	Belgium	245	5,311,633	0	8,143,485	0	31	42
30	Portugal	550	4,598,727	0	5,696,921	0	111	125
	Others	37,901	105,234,219	0	125,573,426	0	7	12
	Total	109,627	1,166,847,462	100	1,665,415,099	100	4	4

Source: Confitarma processing IHS Fairplay data

With over 217 million gt, Panama is still the first country for ships' registration, followed by Liberia, Marshall Islands, Hong Kong, Singapore, Malta, the Bahamas and China. With 44.5 million gt, China has the largest fleet flying a national flag, up by 3.3% compared to 2013. Italy is still 12th. In addition, considering the genuine link between the national flag and the owner's nationality, Italy is 4th among the world's fleets and 2nd among the fleets of the European Union.

Tab. 3 - World leading ro-ro fleets

	Countries	Passenger ro-ro cargo		Ro-ro cargo		Total	
		N.	GT	N.	GT	GT	N.
1	ITALY	190	2,361,156	55	2,395,613	4,756,769	245
2	Japan	263	908,613	77	564,913	1,473,526	340
3	Sweden	58	816,761	23	596,912	1,413,673	81
4	China	117	1,224,099	10	56,702	1,280,801	127
5	UK	109	917,862	15	325,827	1,243,689	124
6	Panama	58	549,744	84	555,267	1,105,011	142
7	Finland	46	560,822	32	518,231	1,079,053	78
8	Greece	184	1,001,366	5	33,471	1,034,837	189
9	Norway	296	654,993	5	288,523	943,516	301
10	Denmark	75	501,766	15	415,506	917,272	90
11	France	48	732,704	10	137,368	870,072	58
12	Turkey	72	157,984	34	612,144	770,128	106
13	Malta	14	151,776	25	562,750	714,526	39
14	USA	105	290,615	11	372,331	662,946	116
15	Netherlands	18	279,586	18	333,266	612,852	36
16	Cyprus	36	486,276	8	115,766	602,042	44
17	Bahamas	29	512,602	9	87,211	599,813	38
18	Indonesia	205	422,633	33	175,157	597,790	238
19	Spain	44	529,183	6	47,124	576,307	50
20	Saudi Arabia	14	94,637	12	347,418	442,055	26
	Others	844	3,245,130	333	2,926,410	6,171,540	1,177
	Total	2,825	16,400,308	820	11,467,910	27,868,218	3,645

Incl. Passenger/Ferry, Passenger RoRo Cargo, Passenger RoRo Cargo/Ferry and Ro-ro freight / passenger ships.

Source: Confitarma processing of Clarkson Research Services Limited data

Tab. 4 - Eu trade by system of transport (January-December 2014)

	Import		Export		Total	
	tonn.	%	tonn.	%	tonn.	%
Sea	1,183,502,110	74%	508,228,221	79%	1,691,730,331	75%
Rail	69,315,529	4%	18,056,261	3%	87,371,790	4%
Road	59,666,439	4%	86,012,976	13%	145,679,415	6%
Air	3,972,375	0%	15,125,430	2%	19,097,805	1%
Inland Waterway	8,295,825	1%	8,572,089	1%	16,867,914	1%
Others	279,364,932	17%	4,375,127	1%	283,740,059	13%
Total	1,604,117,210	100%	640,370,104	100%	2,244,487,314	100%

Source: Eurostat 2015

Tab. 5 - European Union fleet (incl. Norway) (December 31st, 2014)

Flag					Nationality			
ships > 100 gt					Ships > 1.000 gt			
Countries	N.	gt	dwt		Countries	N.	gt	dwt
1 Malta	1,936	56,238,637	86,259,921		Greece	3,609	157,918,618	272,706,359
2 Greece	1,305	42,347,060	74,957,232		Germany	3,384	86,034,472	114,668,640
3 Cyprus	1,036	21,078,582	32,143,744		UK	1,304	47,573,925	67,003,245
4 ITALY	1,573	16,239,447	16,349,879		Denmark	904	28,445,022	34,399,116
5 Denmark	849	14,557,957	16,237,710		ITALY	773	17,602,336	21,857,926
6 UK	1,432	13,461,709	12,621,945		Belgium	265	11,885,299	19,160,749
7 Germany	678	11,116,602	11,969,081		France	505	11,844,737	11,654,496
8 Netherlands	1,352	7,616,240	7,458,444		Netherlands	1,003	9,508,555	10,547,843
9 Belgium	245	5,311,633	8,143,485		Sweden	318	7,204,860	6,445,283
10 France	824	5,799,227	6,447,062		Cyprus	216	4,688,572	5,909,164
11 Portugal	550	4,598,727	5,696,921		Spain	310	2,841,554	2,616,010
12 Luxemburg	183	3,094,779	2,784,478		Finland	117	2,170,811	1,766,650
13 Sweden	407	2,705,648	1,301,119		Poland	109	1,794,192	2,544,540
14 Spain	1,157	2,547,858	1,721,284		Croatia	92	1,742,789	2,891,394
15 Finland	279	1,670,910	1,051,738		Estonia	76	879,124	284,921
16 Croatia	304	1,305,395	2,115,972		Irish Republic	72	793,115	946,681
17 Lithuania	94	411,709	260,393		Bulgaria	49	700,794	1,058,565
18 Estonia	96	359,363	57,297		Latvia	52	601,773	925,840
19 Irish Republic	257	266,359	299,026		Portugal	55	598,279	897,373
20 Latvia	117	209,379	74,547		Romania	46	524,213	717,566
21 Bulgaria	75	146,915	133,599		Luxemburg	56	496,306	453,529
22 Poland	173	98,266	43,153		Slovenia	15	387,110	620,442
23 Romania	75	82,911	40,390		Lithuania	49	222,163	218,206
24 Slovenia	5	1,785	0		Austria	15	152,500	253,438
25 Austria	0	0	0		Malta	15	57,700	27,025
26 Czech Republic	0	0	0		Czech Republic	0	0	0
27 Slovakia	0	0	0		Slovakia	0	0	0
Gibraltar Register	309	3,218,693	3,641,155		Gibraltar Register	0	0	0
Norway	1,953	15,915,714	17,108,862		Norway	2,131	37,964,941	40,178,274
Total	17,264	230,401,505	308,918,437		Total	15,540	434,633,760	620,753,275
% on world total	16%	20%	19%			31%	38%	37%

Source: Confitarma processing IHS Fairplay data

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