

# GLOBAL SHIPPING CRISIS

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## Hapag Loyd for sale ??

Thanks to positive results of the German container carrier during the 1st quarter of 2010, the shareholders TUI and the Hamburg regional authorities are considering to introduce the shipping line to the stock exchange. Moreover since 2<sup>nd</sup> quarter results are expected to be even better.



Shareholders of TUI having 43.3% of the shares of Hapag Loyd in hand, are looking forward to sell their part soonest. This rumour is not new, but looks now to be more serious than ever before. Nevertheless TUI is still investigating all their different options and have not launched any official statement towards their future position within Hapag Loyd.

The situation however is little complicated since the EU government has not yet approved the 1.2 milliard euro of German State Guarantee. Failure of this approval could be catastrophic for Hapag Loyd and create new difficulties.

Furthermore also the Hamburg regional government is unhappy with the present situation. They have given an immediate loan amounting to 500 million euro last year. In view of the economical crisis they are looking to receive back these funds as soon as possible since this is creating cash flow problems.

## East-West trade provides mixed feelings

Despite the promising figures during the 1<sup>st</sup> quarter of 2010 on the East-West trade lanes, April gave other impressions. Although volumes are looking to increase further, insiders fear that freight rates tariffs will come under immense pressure in the near future.



EELA, the European Liner Affair Association recently concluded that container growth was persistent in April, however freight tariffs were heading the other way. The index figure of EELA gave downwards trends for spot tariffs although April had a 25% volume increase on the westbound route. During the 1<sup>st</sup> quarter this increase was only 21%.

Main reason for this decrease would be the implementation of new container capacity. With the peak season ahead during summer, it could well be that rates are stabilised at the moment but could fall down again afterwards.

A new report of HBSC revealed that this year the rate increase is amounting to 31%. During 2009 rates went down with an average of 41% and HBSC is projecting a new decrease in 2011 of 7%. The weak position of the euro currency in comparison with the us dollar would also be important in this respect.

Other figures on the east bound routes. During April the increase in volumes on this route was only 7%. During the 1<sup>st</sup> quarter this increase was still 23%. Prospects are that the freight level will not remain stabilized but for will fgo down again under the 2007/2008 levels. Same conclusions for the Trans Atlantic trade which remains fragile. Only on the Pacific trade, carriers would be able to maintain their present rates in crease, according to specialist statements.

