



# The Irish Maritime Transport Economist

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# The Irish Maritime Transport Economist

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John Browne  
MINISTER OF STATE AT THE DEPARTMENT OF  
COMMUNICATIONS, MARINE AND NATURAL RESOURCES.

## Minister's Foreword

page 3

It is my pleasure to welcome you to this first Irish Maritime Transport Economist by the Irish Maritime Development Office. As an island economy, on the westerly outreaches of an eastwardly expanding Europe, maritime transport represents the lifeblood of the Irish economy with 99% by volume of all Irish trade travelling by sea. In monetary terms, this represents goods to the value in excess of €130 billion passing through the Irish maritime transport supply chain in 2003.

In common with global trends, Irish ports have experienced exponential growth in maritime traffic over the last decade. This period has also signified a shift in our trading patterns and Irish companies have rapidly adapted to logistical change in order to continue to compete in the International market place.

Looking specifically at our trade, Ireland's maritime traffic has been growing rapidly over the last decade and projections are that growth will continue. Because of our location, the amount of shipping necessary to service this trade is considerably greater than Ireland's population would suggest. Unitised freight traffic alone to and from the country has increased by an average of 10 per cent per year since 1994, well ahead of the global average. During this period we have seen an unprecedented growth in a number of major industrial exporting sectors such as pharmaceutical, software and other light skilled manufacturing industries.

The Government is fully committed to continuing to boost competitiveness of the Irish economy while ensuring that we have a maritime industry that is also innovative, flexible and dynamic in its ability to service the continued demands of our open vibrant economic environment.

I invite you to take a look at the Irish Maritime Development Office's latest publication. I am certain that you will find the statistical information contained within this journal both of interest and benefit to your company.

A handwritten signature in black ink that reads "John Browne". The signature is fluid and cursive, with a long vertical stroke at the end.

John Browne  
MINISTER OF STATE AT THE DEPARTMENT OF  
COMMUNICATIONS, MARINE AND NATURAL RESOURCES.

## Executive Summary

The Irish Maritime Development Office (IMDO) is Ireland's dedicated state development body for the Irish shipping and shipping service sectors. A key role of our office is to provide assistance to the Irish maritime industry and its consumers in its effort to maintain competitiveness in the International market place. The provision and delivery of expert advice is amongst our principal roles. Our new publication, the Irish Maritime Transport Economist (IMTE), aims to provide Irish companies involved in International trade with a single journal that provides and collates relevant statistical economic, trade, traffic and shipping market information. The focus of the data herein is on the impact and outlook of Irish maritime trade related performance.

This inaugural edition highlights the significant changes over the past decade on the pattern of Irish trade. One such development is the evolution from our dependence on traditional industries such as agricultural exports towards the high-technology sectors of Information Communications Technology (ICT) and chemical and pharmaceutical industries, a move that emphasises the importance of substantial foreign direct investment in the Irish economy. Another important trend from a maritime trade perspective has been the accelerated shift towards unitised cargoes and traffic, again heavily influenced by the changing shape and patterns of Irish industry.

Reflecting on more immediate issues, the economic outlook looks buoyant for 2004. Growth prospects for the domestic economy have improved further since the beginning of the year. The headline GDP and GNP indicators both show positive signs of growth with key economic commentators forecasting strong performance in both areas for this year ahead of 2003 figures. The factors that have driven this economic upturn have been largely down to the fact that external global economic conditions have improved. There are also encouraging signs that inward foreign direct investment has begun to recover.

A major underlying factor in assessing current economic prospects has been the volatility of world oil prices that reached record highs in August this year. The continued political uncertainty, tight supply and increased global demand are expected to prolong higher prices. The worrying effect of this is the inflationary impact on the economy while also directly impinging on daily operating transport costs within the maritime sector.

In 2003, the strength of the Euro against the Dollar and Sterling had an obvious impact on Irish trade to the US and UK and according to the Irish Exporters Association this is still a constant concern. It appears that some stability or correction has taken place in the market with total exports up 3 per cent year to date compared to last year.

In terms of trade, 2003 was a very difficult year for Irish exports with an overall 12% decline in exports with some sectors such as the chemical industries reporting a drop in exports for the 1st time in more than a decade. However, the signs are that the world economy continues to present a generally favourable environment. The US economy has experienced relatively strong rates of output growth, while the Japanese recovery also seems to be on track. However, it is the other Asia-Pacific economies, in particular China, that are experiencing rapid rates of expansion that has had a major impact on not only trade but major international maritime freight markets. There had been some concerns that the growth in Chinese markets may have had a negative impact on Irish trade to the region. However 1st Quarter export results are demonstrating large increases on Irish exports to the Asian markets of Singapore, China and Hong Kong. Closer to home, the euro area has shown some evidence of stronger growth in the first quarter of the year.

Overall producer sentiment appears to remain upbeat in most sectors. The global Information and Communications Technology (ICT) sector seems to be experiencing a definite recovery at this stage, which is of particular importance to Ireland, since the country has the largest reliance on this sector in the EU.

On balance, however, and assuming there are no further shocks to external demand or large and sustained exchange rate movements or surges in oil prices, the external environment seems likely to remain a positive influence on domestic economic and export prospects.

In spite of a difficult year for Irish exporting companies in 2003, Irish Port companies recorded a combined overall increase of 3% in total tonnes handled. All of the major Irish ports with the exception of Shannon Foynes recorded volume increases in trade, Shannon Foynes traffic was hit by the extended closure of a local mining plant although it expects to return to a growth figure this year.

The growth pattern, in particular, of unitised traffic in the Roll on/Roll off and Load on Load off sectors seems set to continue to grow its market share. In particular, load on load off services showed an 11% increase in trade in 2003. An increase in capacity on key trade routes and entry of new services appear certain to support continued growth through this year.

2004 has continued to see record or 10 year high freight and charter levels in almost all of the International shipping market sectors, including dry-bulk, tanker, refrigerated (reefer), and container markets.

A major factor in the dramatic rise of all these markets has been demand driven in Asia by the rise of the Chinese economy. China's high commodity imports of steel, ores, aggregates and oil have all had a concertina effect on market supply globally which has had an impact on the respective markets. Although the Chinese authorities have recently taken some measures to stop the economy overheating there has been only a marginal softening of charter hire rates. Similarly in the container trades, a demand for east-west laden containers has added to a global shortage of containers, this has seen average freight increases in key trades of about by 20% while the knock on effect has seen higher yard prices for new containers rise by between 10-25% per unit.

Irish maritime trades, although not as directly exposed to the major world freight markets due to the size and pattern of our domestic maritime trades, will still experience modest increases as these costs permeate back through the system.

I hope you enjoy our first copy of the IMTE, our aim is to publish one copy this year with a bi-annual publication in 2005. Finally I would like to thank our editorial, research and design team of Bridget Moncrieff, Victoria Vogel and Tracy Glynn for their excellent work in preparing this issue.

Glenn Murphy  
DIRECTOR.





# Economic Outlook

## COMMENT

Economic growth surged during the first quarter of 2004, with GDP rising to 6.1 per cent and GNP rising to 5.1 per cent compared to the previous year. The sound growth rate confirms the trend identified during the latter part of last year, which sees a restoration of improved economic conditions. The main features of the first quarter results were: capital spending up by 12 per cent; volume of industry increased by 8 per cent; and consumer spending rose by 2 per cent.

Ireland's 1.4 per cent GDP growth in 2003, which was the lowest growth rate recorded since 1986, was attributed to a fall-off in the profits of multi-national companies operating in the Republic, which in turn was attributed to the global downturn.

While the main economic commentators such as ESRI and the Central Bank had originally been forecasting an accelerated growth for 2004 and 2005, in the region of 4 per cent, these forecasts have been raised upwards with the Central Bank now confidently expecting 4.75 per cent growth in GDP for end of year. ESRI is more or less in agreement predicting rates of 4.6 per cent and 5.2 per cent growth in GDP for 2004 and 2005 respectively.

The vastly improved prospects for the economy are attributed to strong FDI (foreign direct investments) and exports against a background of strong employment, sustained competitiveness, and low interest rates.

The optimism, however, must be tempered with the threat of raising oil prices leading to potentially higher levels of inflation.

# Economic Outlook

TABLE 1

National Accounts 1995-2005

Constant prices (1995) € millions				
Year	GDP €m	Change %	GNP €m	Change %
1995	52,641	9.9	46,693	8.3
1996	56,891	8.1	50,336	7.8
1997	63,201	11.1	55,230	9.7
1998	68,663	8.6	59,615	7.9
1999	76,410	11.3	64,925	8.9
2000	84,113	10.1	71,569	10.2
2001	89,320	6.2	74,318	3.8
2002	95,499	6.9	74,369	0.1
2003	96,826	1.4	76,830	3.3
2004f	101,425	4.8	80,095	4.3
Q1 2004	25,202	6.1	19,636	5.1
Q2				
Q3				
Q4				

Source: CSO

TABLE 2

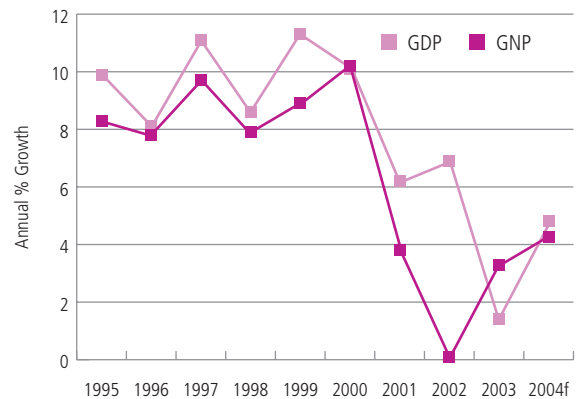
Irish GDP Growth Compared to Selected Economies

Country	2003	2004f	2005f
Denmark	0.4	1.9	2.6
France	0.5	2.0	2.6
Germany	-0.1	1.1	2.1
<b>Ireland</b>	<b>1.4</b>	<b>3.4</b>	<b>4.6</b>
Italy	0.4	0.9	1.9
Japan	2.7	3.0	2.8
Netherlands	-0.7	0.9	2.1
Norway	0.3	3.1	2.7
Poland	3.7	4.7	4.5
Spain	2.4	2.9	3.3
UK	2.2	3.1	2.7
US	3.1	4.7	3.7

Source: OECD

GRAPH 1

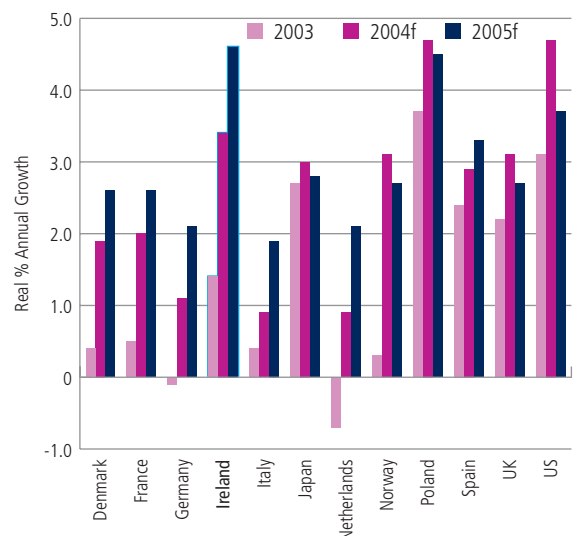
Economic Growth Trend 1995 - 2004



Source: CSO  
Forecast: Central Bank

GRAPH 2

Irish GDP Growth Compared to Selected Economies



Source: OECD (June 2004)

## COMMENT

The annual rate of inflation for 2004 edged up to 2.7 per cent in July 2004, up from 2.3 per cent in June, according to the latest figures from the CSO, causing fears for a return to high inflation levels. The monthly consumer price index for July 04 illustrated the affects of the oil crisis with increases recorded in the prices of transport with increases in air fares and car rental costs. The price of accommodation and restaurants also went up.

Inflation is still performing well nonetheless, compared to recent years when rates averaged 3.5 per cent in 2003, 4.6 per cent in 2002 and 4.9 per cent in 2001, peaking at 5.6 per cent in 2000.

Irish inflation levels are now very much in line with the European average as measured by the EU Harmonised Index

of Consumer Prices Trend. According to the provisional June 04 index, Ireland's annual rate of 2.1 per cent in May 2004 was marginally lower than the EMU average of 2.5 per cent for the same period.

The lower inflation rate over the last few years can be attributed to the appreciation of the Euro currency reducing import prices. More modest domestic demand and reduced fiscal contributions also dampened the inflation rate.

The general consensus is that the overall level of inflation for the year will probably be higher than the previous prediction of 2 per cent. The Central Bank's latest bulletin estimates inflation of 2.25 per cent in 2004. ESRI expects inflation to remain near to the Euro average of two per cent for the year.

## Economic Outlook

TABLE 3

Consumer Price Index 1998-2004

	Index 2001=100	% Change
1998		2.4
1999		1.6
2000		5.6
2001	100.0	4.9
2002	102.7	4.6
2003	106.3	3.5
2004f	108.3	1.9
2005f	110.5	2.0
Jan-04	106.5	1.8
Feb-04	107.4	1.7
Mar-04	107.8	1.3
Apr-04	108.2	1.4
May-04	108.4	1.7
Jun-04	109.0	2.3

Source: CSO Bulletin July 04

TABLE 4

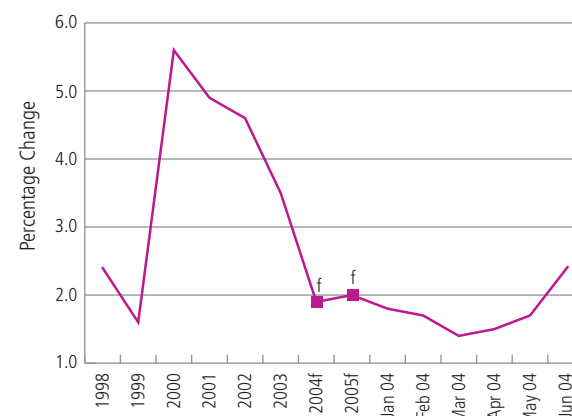
EU Harmonised Index of Consumer Prices Trend

Annual Percentage Change (%)	Annual Percentage Change (%)		
	Ireland	EMU (MUICP)	EU - 15
July-02	4.2	2.0	1.8
September-02	4.5	2.1	1.9
November-02	4.7	2.3	2.1
January-03	4.7	2.1	2.1
March-03	4.9	2.4	2.3
August-03	3.9	2.1	2.0
September-03	3.8	2.2	2.0
October-03	3.3	2.0	1.9
November-03	3.3	2.2	2.0
December-03	2.9	2.0	1.8
January-04	2.3	1.9	1.8
February-04	2.2	1.6	1.5
March-04	1.8	1.7	1.5
April-04	1.7	2.0	1.8
May-04	2.1	2.5	2.3

Source: CSO Bulletin July 04

GRAPH 3

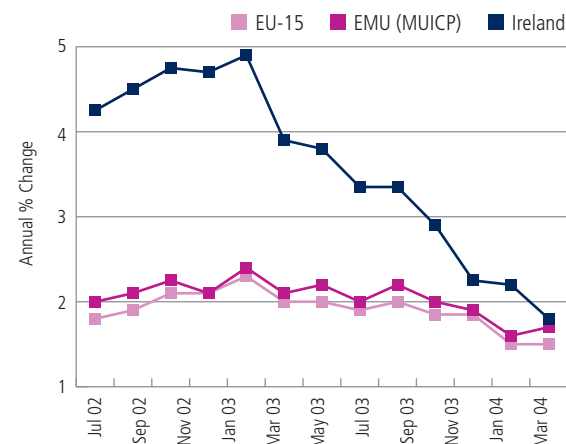
Consumer Price Index 1998-2004



Forecast: Central Bank  
Source: CSO

GRAPH 4

EU Harmonised Index of Consumer Prices Trend



Source: CSO

## COMMENT

Since 2002 the rates of short-term and real long-term interest rates dictated by the European Central Bank have been declining. The level of interest rates is low by historical standard, both in nominal and in real terms, improving conditions for economic activity. The current Euro three-month rate of 2 per cent is very low, making borrowing conditions favourable. However, with US and UK rates now on the increase, commentators expected that the ECB would move to follow suit.

In July 2004, the US Federal Reserve raised interest rates a quarter of a point. The widely anticipated decision follows June's increase to 1.25%, the first upward move for four years.

Although still low, the US rate is predicted to increase to 4 per cent by the end of 2005. Meanwhile, the UK Bank of England who raised its main interest rate by a quarter point for two

months in succession to its current level of 4.8 per cent has followed the upward trend. Indeed, commentators are widely forecasting further increases quoting probable Bank of England interest levels around 5% by the end of the year.

Despite the widespread expectation that the ECB will be compelled to address the risk of price instability by rising interest rates, the latest indications from the ECB are that rates will remain unchanged at least in the medium term.

According to the July Monthly Bulletin from the ECB, the Governing council confirmed its previous assessment that, despite some inflationary pressure, the outlook is one of price stability in the medium term. Accordingly the Governing Council has decided to retain its monetary policy stance and leave the key ECB interest rates unchanged. At least for the time being.

# Economic Outlook

TABLE 5

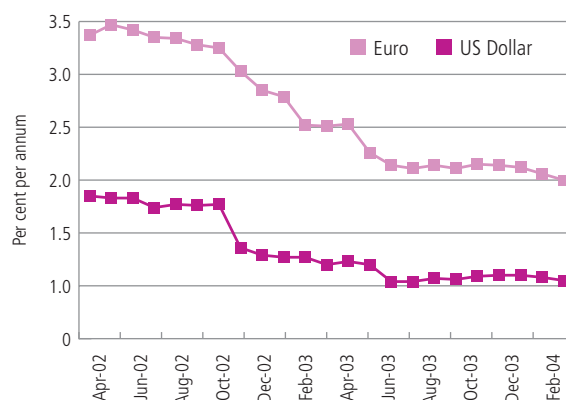
### Selected International Interest Rates

Three-month Interest Rates		Per cent per annum				
		Euro	UK Sterling	US Dollar	Japan Yen	
2002	Apr-02	3.37	4.08	1.85	0.01	
	May-02	3.47	4.13	1.83	0.03	
	Jun-02	3.42	4.07	1.83	0.03	
	Jul-02	3.35	3.91	1.74	0.03	
	Aug-02	3.34	3.95	1.77	0.03	
	Sep-02	3.28	3.90	1.76	0.02	
	Oct-02	3.25	3.93	1.77	0.03	
	Nov-02	3.03	3.97	1.36	-0.02	
	Dec-02	2.85	3.94	1.29	-0.08	
	2003	Jan-03	2.79	3.90	1.27	-0.02
		Feb-03	2.52	3.62	1.27	-0.02
		Mar-03	2.51	3.60	1.20	-0.02
Apr-03		2.53	3.57	1.23	-0.02	
May-03		2.26	3.56	1.20	-0.02	
Jun-03		2.14	3.58	1.04	-0.05	
Jul-03		2.11	3.38	1.04	-0.04	
Aug-03		2.14	3.57	1.07	-0.04	
Sep-03		2.11	3.65	1.06	-0.04	
Oct-03		2.15	3.90	1.09	-0.05	
Nov-03		2.14	3.92	1.10	-0.05	
Dec-03		2.12	3.97	1.10	-0.06	
2004	Jan-04	2.06	4.09	1.08	-0.06	
	Feb-04	2.00	4.16	1.05	0.01	
	Mar-04	1.94	4.32	1.06	0.01	
	Apr-04	2.04	4.38	1.11	0.01	
	May-04	2.06	4.59	1.27	-0.04	
	Jun-04	2.10	4.80	1.57	-0.06	

Source: Central Bank Of Ireland

GRAPH 5

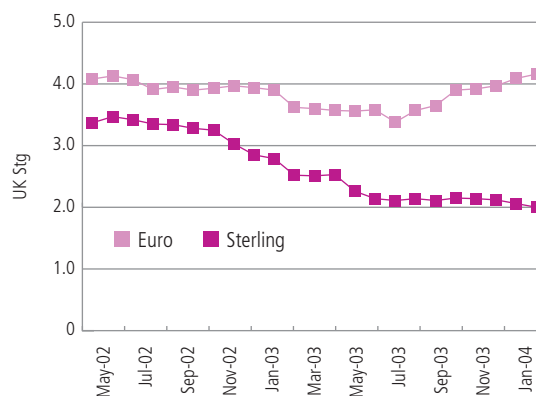
### Euro vs US\$ 3 Month Interest Rate



Source: Central Bank Summer 2004 Bulletin

GRAPH 5B

### Euro vs Sterling 3 Month Interest Rate



Source: Central Bank Summer 2004 Bulletin

## COMMENT

**OIL PRICES:** Oil prices remain high and volatile due to high demand, tight supply, and political uncertainties. High growth in world economies has resulted in forecast oil demand for 2004 averaging 80.6 million barrels per day (mbd), an increase of about 2.5% over 2003.

World oil supply is very close to capacity. April 2004 oil supply was estimated at 81.5 mbd, based on Iraqi oil production of 2.3 mbd. Recent supply disruptions in Iraq, combined with labour and civil unrest in other oil producing countries, have pushed oil prices to record high levels. While the recent announcement of increased OPEC production in July and August has eased pressure on prices, they remain near record highs.

**EXCHANGE RATES:** The growing strength of the Euro appears to be continuing into 2004. In nominal effective terms

– as measured against the currencies of 12 of the euro area's important trading partners, the euro was 2.1% higher than its average level in 2003. This average reflects variations in degree when compared with individual currencies.

At the end of June 2004, the euro stood at USD 1.22, which is 7.5% higher than the 2003 average. On the other hand, the pound sterling depreciated moderately against the Euro in June 2004 yielding GBP 0.67, which is 3% lower than the 2003 average. The fact that there was limited appreciation of the euro against sterling would have helped to limit the impact of exchange rate movements on overall export volumes.

It is expected that the euro may strengthen over the next 12 months, which while helping inflation, will place a further strain on competitiveness.

## Economic Outlook

page 11

TABLE 6

### Oil Prices 1997-2004

Avg.\$US per Barrel Year Avg.	1997	1998	1999	2000	2001	2002	2003	2004	Jan 04	Feb 04	Mar 04	Apr 04	May 04	Jun 04
Brent	13.00	17.99	28.89	25.03	24.69	28.15	28.85	33.66	31.17	30.86	33.75	33.33	37.57	35.99
WTI	14.43	19.24	30.29	25.94	25.64	29.01	31.05	35.31	34.20	34.50	36.71	31.55	40.24	
Bonny	12.85	18.02	28.43	24.51	24.78	28.57	29.18	32.34	31.40	31.21	34.42	32.03	38.52	
Dubai	12.21	17.17	26.15	22.76	23.61	25.51	26.79	29.37	28.92	28.51	30.69	36.25	34.58	
Arab Lt	10.93	15.73	26.44	22.89	24.02	26.14	27.62	32.19	29.79	29.21	31.24	32.05	35.82	35.01
Minas	12.38	17.71	28.76	23.78	24.53	32.00	29.47	30.66	30.51	29.40	32.08	31.36	37.20	

Source: Clarksons Oil & Tanker Trades Outlook July 2004

TABLE 7

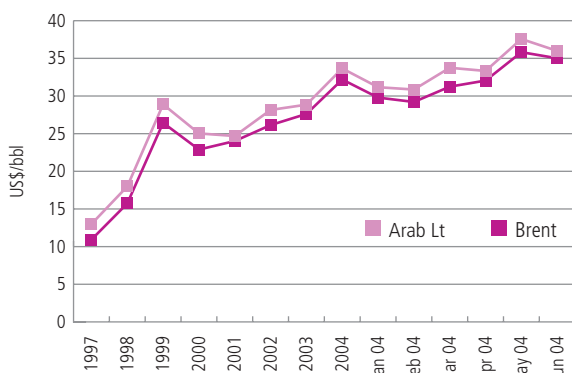
### Exchange Rates: Period Averages

Units per Euro	Canadian Dollar	Danish Krone	Japan Yen	Swedish Krona	Swiss Franc	UK Sterling	US Dollar	SDR
1999	1.58400	7.43550	121.3200	8.8075	1.6003	0.66	1.07	0.77955
2000	1.37060	7.45380	99.4700	8.4452	1.5579	0.61	0.92	0.69421
2001	1.38640	7.45210	108.6800	9.2551	1.5105	0.62	0.90	0.69778
2002	1.48380	7.43050	118.0600	9.1611	1.4670	0.63	0.95	0.72914
2003	1.58170	7.43070	130.9700	9.1242	1.5212	0.69	1.13	0.80706
2004	1.67800	7.45150	136.3700	9.2160	1.5758	0.67	1.25	0.84262
Q1	1.67800	7.45150	136.3700	9.2160	1.5758	0.67	1.25	0.84262

Source: Central Bank of Ireland Spring 2004 Bulletin

GRAPH 6

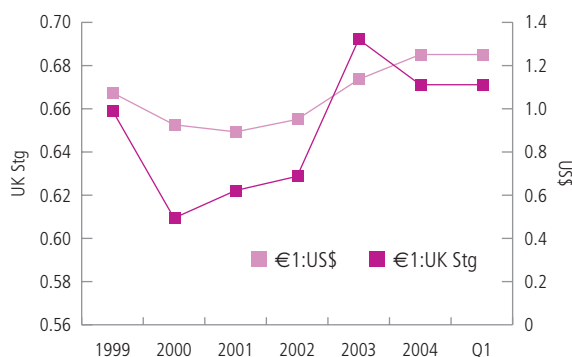
### Crude Prices \$ per Barrel 1997-2004



Source: US Department of Energy

GRAPH 7

### Euro Exchange Rate - Period Averages



Source: Central Bank of Ireland



# Trade Outlook

## COMMENT

The total estimated value of Irish exports in 2003 is estimated at €82 billion with imports at €48 billion producing an overall surplus of €34 billion. External trade decreased in 2003 with exports falling by 12% and imports by 14%. This followed the trend set in 2002 when external trade failed to grow. The CSO report that the significant fall in the pattern of electrical machinery and parts with Great Britain in 2002 has a very large influence on year-on-year comparisons of both exports and imports for 2003. The apparent decline in this sector, however, is a part distortion of actual trade performance as the fall was mainly due to a VAT carousel fraud within the UK electrical parts industry in 2002.

The first few months of 2004 indicate that the prospects for trade are improving. Figures released for the January-March 2004 show that the value of export values are picking up driven by positive global demand conditions. Exports increased by 5%, for the first quarter 2004 compared to the same period in 2003. The value of total imports fell though, by 2% during the first quarter of 2004, influenced by a decline in demand for computer equipment and medical and pharmaceutical products. Two categories of imports, which did experience growth, were transport equipment (including aviation) and organic chemicals. On the assumption that exchange rates remain stable and the euro area continues to recover through the year, export growth should consolidate its current growth during 2004.

# Trade Outlook

TABLE 8

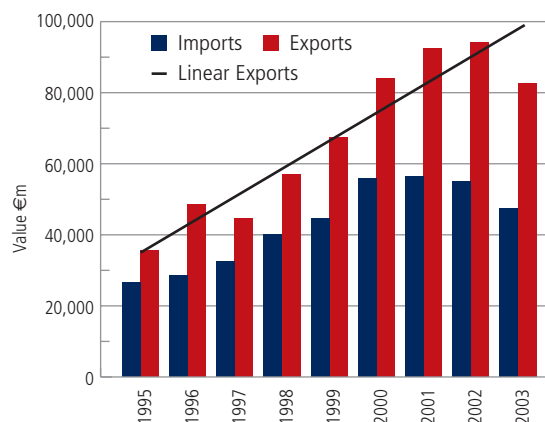
External Trade Growth 1990 - 2003

Year	Imports €m	Exports €m	Trade Surplus €m
1990	15,832	18,204	2,372
1991	16,317	19,070	2,753
1992	16,754	21,260	4,506
1993	18,900	25,179	6,279
1994	21,945	28,891	6,946
1995	26,181	35,330	9,149
1996	28,480	38,609	10,130
1997	32,864	44,868	12,005
1998	39,715	57,322	17,607
1999	44,327	66,956	22,629
2000	55,909	83,889	27,980
2001	57,384	92,690	35,306
2002	55,456	93,626	38,170
2003	47,525	82,091	34,450
1st Qtr 2004	19,836	20,803	967

Source: CSO

GRAPH 8

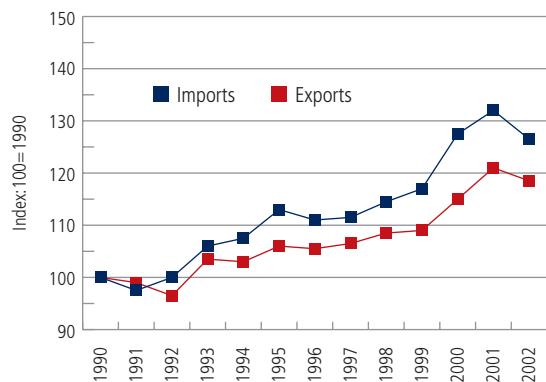
Imports v Exports



Source: CSO

GRAPH 8B

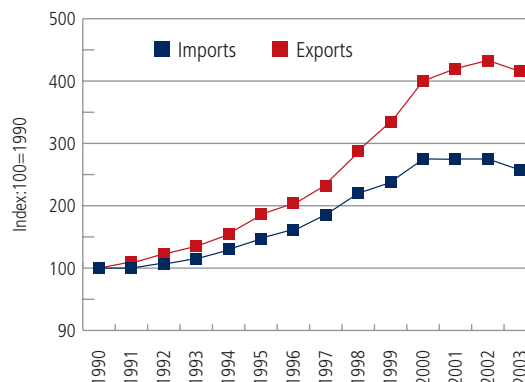
Imports v Exports Index by Value



Source: CSO

GRAPH 8C

Imports v Exports Index by Volume



Source: CSO



## COMMENT

Ireland's largest export market is chemicals and related products, which in 2003, accounted for 43% of all export value. Also accounting for a considerable share of exports is the machinery and transport sector making up 28% of the value of total goods. An analysis of Ireland's external trade over the last decade shows a move in emphasis from traditional exports. An obvious change has been the decline of agricultural goods, which held 19% of total exports in 1994 and now accounts for a mere 7%. Conversely, the dramatic upturn in the chemicals market has occurred driven by extensive Foreign Direct Investment (FDI) in the pharmaceuticals and medical industry.

The share of machinery & transport exports has held more or less steady over the last decade, accounting for roughly

one-third of all goods exported. A large component of the latter classification comprises computer/office equipment – a sector also affected by strong FDI.

In terms of recent performance, some sectors did not reflect the general market upturn of 5% average export growth for the first quarter in 2004. Indeed, exports of computer equipment decreased by 9%. Telecommunications and sound equipment declined by 14%. However, prospects for medical and pharmaceutical products increased significantly by 14% during the first quarter. Organic chemicals also increased but, more moderately, at 4%.

The consensus for the rest of the year is that the computer equipment industry will recover and move into line with the current outlook for 5% average growth.

## Trade Outlook

page 15

TABLE 9

### External Trade Classified by Commodity Value 2003

Exports	1994 € m	Share %	2002 € m	2003 € m	Change %	Share %
Chemicals	6,039	21%	39,036	35,732	-8%	43%
Machinery & transport	8,853	31%	33,138	23,401	-29%	28%
Misc. manufactured	4,184	15%	8,277	9,427	14%	11%
Food/animals	5,430	19%	5,775	5,719	-1%	7%
Unclassified	665	2%	3,224	3,748	16%	5%
Manufactured goods	1,610	6%	1,925	1,807	-6%	2%
Beverages/tobacco	593	2%	1,002	1,104	10%	1%
Crude minerals	694	2%	863	1,007	17%	1%
Minerals	140	0%	362	199	-45%	0%
Edible oils	26	0%	26	32	26%	0%
<b>Total</b>	<b>28,233</b>	<b>100%</b>	<b>93,626</b>	<b>81,252</b>	<b>-12%</b>	<b>100%</b>

Source: CSO

TABLE 10

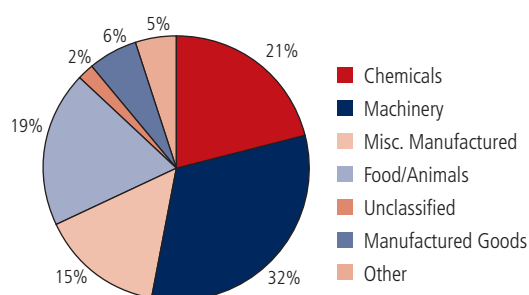
### External Trade Classified by Commodity Value 2003

Imports	1994 € m	Share %	2002 € m	2003 € m	Change %	Share %
Machinery & transport	8,527	42%	28,302	20,725	-27%	44%
Chemicals	2,841	14%	6,862	6,849	0%	14%
Misc. manufactured	2,711	13%	6,112	6,201	1%	13%
Manufactured goods	2,563	12%	4,337	4,220	-3%	9%
Food/animals	1,790	9%	3,156	3,103	-2%	7%
Minerals	840	4%	1,841	1,801	-2%	4%
Unclassified	393	2%	3,201	3,036	-5%	6%
Crude minerals	506	2%	800	781	-2%	2%
Beverages/tobacco	268	1%	728	688	-6%	1%
Edible oils	85	0%	116	121	4%	0%
<b>Total</b>	<b>20,523</b>	<b>100%</b>	<b>55,456</b>	<b>47,525</b>	<b>-14%</b>	<b>100%</b>

Source: CSO

GRAPH 9

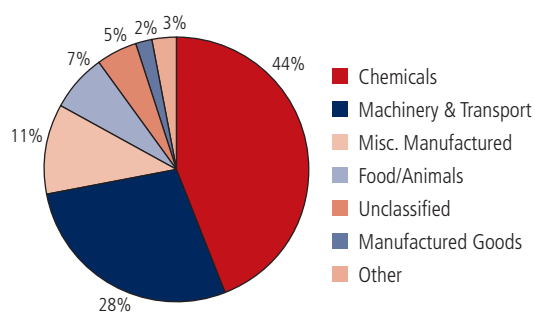
### Irish Export Value by Commodity 1994



Source: CSO

GRAPH 10

### Irish Export Value by Commodity 2003



Source: CSO

## COMMENT

A review of the trends in exports over the last few years, indicates that the pattern of trade is changing. While still a significant export market, the UK is becoming gradually less predominant as export demand from the US and European continent gathers pace. The US, which now accounts for 20 per cent of all exports, has overtaken the UK as our largest export market. Far Eastern countries, while starting from a smaller base are also growing in importance. Japan and Singapore accounted for a 3 per cent and 1 per cent share of all exports in value in 2003.

Prospects for 2004 are mixed for the Jan-March 04 period. Exports to France, the Netherlands, and Italy increased showed robust growth. The high growth for Belgium at 44 per cent represents a return to normal levels following a huge dip

in 2003 when exports fell by 24%. Exports to the US and Great Britain decreased by 1 per cent and 3 per cent respectively. Ireland's early 2004 decrease in US trade is attributed to the falling US dollar, which is making imports more expensive.

Trade with the Far East is continuing the recent trend with exports to Singapore increasing by 24 per cent for the first part of 2004.

The significance of changing trade patterns is also having an influence on the mode of International freight transport. The move away from the UK automatically correlates with a demand for containerised capacity. The pace of container traffic is therefore expected to outstrip ro-ro traffic as the preferred unitised mode.

## Trade Outlook

TABLE 11A

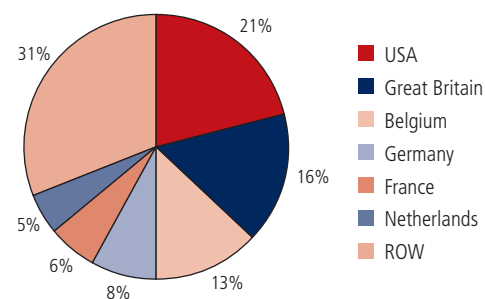
Export Share Value by Main Trading Partner 2003

Exports	2002 € m	2003 € m	Share %	Change %
USA	16,490	16,924	21%	3%
Great Britain	20,853	13,462	16%	-35%
Belgium	13,547	10,307	13%	-24%
Germany	6,729	6,808	8%	1%
France	4,685	5,025	6%	7%
Netherlands	3,494	4,217	5%	21%
Italy	3,597	3,739	5%	4%
Switzerland	3,116	2,662	3%	-15%
Spain	2,240	2,335	3%	4%
Japan	2,629	2,134	3%	-19%
Northern Ireland	1,610	1,409	2%	-12%
Sweden	1,202	1,185	1%	-1%
Singapore	739	733	1%	-1%
Rest of World	12,695	11,237	14%	-11%
Total	93,626	82,175	100%	-12%

Source: CSO

GRAPH 11A

Export Share Value by Main Trading Partner 2003



Source: CSO

TABLE 11B

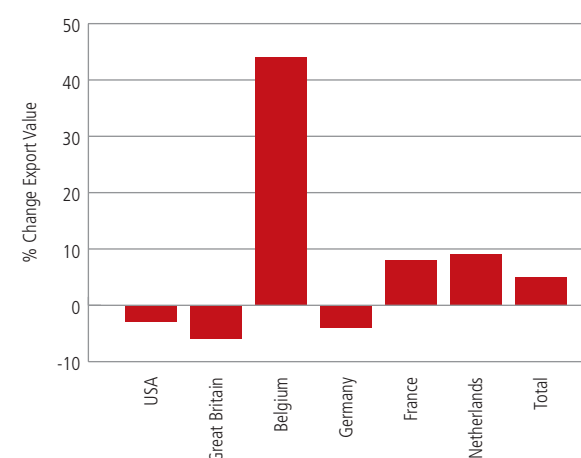
Export Share Value by Main Trading Partner Jan-Mar '04

Exports	Jan-Mar '03 € m	Jan-Mar '04 € m	Share %
USA	4,247	4,136	-3%
Great Britain	3,410	3,189	-6%
Belgium	2,164	3,126	44%
Germany	1,593	1,537	-4%
France	1,158	1,246	8%
Netherlands	866	948	9%
Italy	827	969	17%
Switzerland	826	888	7%
Spain	551	549	0%
Japan	541	569	5%
Northern Ireland	352	330	-6%
Sweden	264	270	2%
Singapore	194	240	24%
Rest of World	2,844	2,809	-1%
Total	19,836	20,803	5%

Source: CSO

GRAPH 11B

Performance by Export Market Jan-Mar '04



Source: CSO

# Traffic Outlook

## COMMENT

Irish ports handled almost 50 million tonnes of goods in 2003, an increase of 3% on the previous year. The 3% average reflects a wide variation in both individual port tonnage and category of traffic. It should be noted that some traffics, particularly in the bulk markets, are subject to wide year-on-year variances as one individual shipment can raise tonnage throughput significantly.

As the table and chart below illustrate, a small number of ports dominate Ireland's trade in terms of goods handled and received. Dublin, which reported a 7% increase in traffic in 2003, handles over one third of all commercial port traffic.

Waterford Port had a particularly busy year recording 22% growth in total tonnage in 2003. Additional container capacity introduced on the Rotterdam route, coupled with

a new load-on/load-off service to France was primarily responsible. Waterford's bulk traffic also saw significant volume growth in heavy fuel oil and fertilizer imports and in timber exports.

The country's largest dry bulk traffic port, Shannon Foynes, reported a 3% decline in 2003 tonnage, mainly as a result of the Tarbert closure for an extended period. The port, however, expect volumes to recover in 2004. Cork and Rosslare reported moderate growth rates of 1% and 2% respectively in 2003.

Prospects for 2004 look likely to outstrip 2003 performance. Dublin is experiencing 8% growth in tonnes handled for the year to date, while Cork, Rosslare, Drogheda and Waterford expect to consolidate their 2003 performance.

## Traffic Outlook

TABLE 12

Total Tonnage by Port & Type of Traffic 2003

Tonnes (000s)	Ro-Ro	Lo-Lo	Bulk			Total
			Liquid	Dry	Break	
Dublin	7,566	3,703	3,494	1,721	199	16,682
Shannon Foynes			1,583	8,332	187	10,102
Cork	130	1,140	5,879	1,707	319	9,176
Waterford	8	1,266	204	719	135	2,332
Rosslare	1,956					1,956
Drogheda		464	175	250	366	1,255
New Ross			368	732	28	1,128
Galway			840	13	50	903
Bantry Bay			376	453	0	829
Greenore			24	529	160	713
Dundalk			24	307	21	352
Wicklow			0	17	194	211
Dun Laoghaire	197					197
Kinsale			0	122	0	122
Youghal				19	56	75
Sligo			0	46	19	65
Killybegs				55		55
Tralee Fenit			0	0	6	6
Arklow Port			0	2	1	4
Kilrush					1	1
Castletownbere						0
<b>Total</b>	<b>9,857</b>	<b>6,573</b>	<b>12,967</b>	<b>15,024</b>	<b>1,742</b>	<b>46,164</b>

Source: CSO

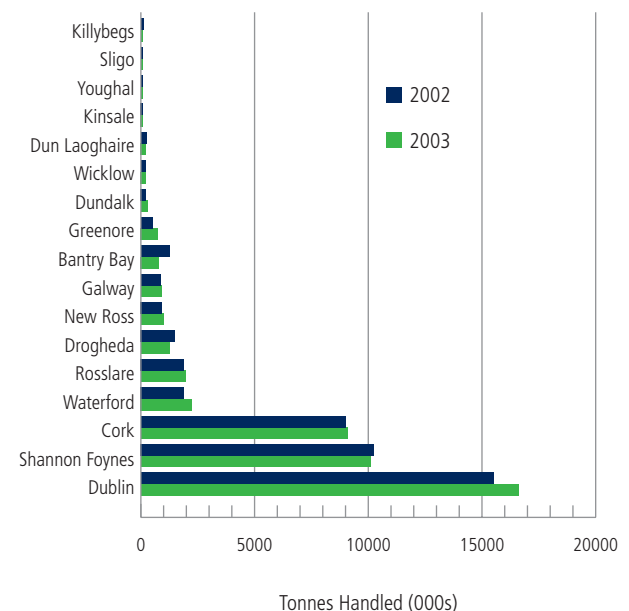
TABLE 13

Total Tonnage Share by Main Port 2003

Tonnes (000s)	2003	2002	Change %	Share %
Dublin	16,682	15,557	7%	36%
Shannon Foynes	10,102	10,418	-3%	22%
Cork	9,176	9,042	1%	20%
Waterford	2,332	1,910	22%	5%
Rosslare	1,956	1,926	2%	4%
Drogheda	1,255	1,369	-8%	3%
New Ross	1,128	979	15%	2%
<b>Total All Ports</b>	<b>46,164</b>	<b>44,918</b>	<b>3%</b>	<b>100%</b>

GRAPH 12

Total Tonnes Handled (000s) by Individual Port 2003



Source: CSO

## COMMENT

While total tonnes handled across all categories of traffic increased by 3% overall in 2003, the various segments reflect divergent levels of growth. Lift-on Lift-off container traffic tonnage increased at a faster pace than all other traffics and posted an 11% increase in 2003. Roll-on/Roll-off traffic increased at a moderate rate of 4% during the year. Bulk traffic shows contrasting rates of growth by category; both dry bulk and break-bulk traffic increased at 2% and 7% respectively, while liquid bulk tonnage fell by 1%.

Roll-on/roll-off traffic has been the fastest growing segment of traffic over the last decade and in 2003 accounted for 21% of tonnes handled at Irish ports. This contrasts with a 12% share in 1995. The share of

lift-on/lift-off traffic, meanwhile, has remained steady, accounting for 13% of total tonnes in 2003 compared to 13% in 1995.

Dry bulk accounted for one-third of all tonnes handled in 2003. While still the largest share of the market in volume terms, its share has declined since 1995 when this traffic category accounted for 42% of goods handled. The break-bulk and liquid bulk segments remain stable. In 1995 break bulk accounted for 4% of all tonnes handled at Republic of Ireland ports – a proportion that remained the same in 2003. Similarly, liquid bulk tonnes held 29% share of total tonnes in 1995 and 28% of tonnes in 2003.

## Traffic Outlook

TABLE 14

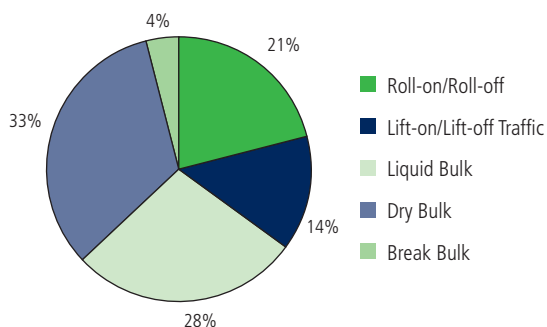
Total Tonnage of Goods Handled Classified by Category of Traffic, 1998-2003

Total Tonnes Handled (000)	1998	1999	2000	2001	2002	2003	Share
Roll-on/Roll-off	7,504	8,174	8,947	9,254	9,448	9,857	21%
Lift/lift-off traffic	4,906	5,756	6,261	5,731	5,919	6,574	14%
Liquid Bulk	12,166	12,994	14,009	14,247	13,153	12,966	28%
Dry Bulk	13,784	14,416	14,462	14,832	14,775	15,024	33%
Break Bulk	1,595	1,589	1,593	1,732	1,622	1,743	4%
Total goods handled	39,955	42,929	45,272	45,796	44,917	46,165	100%

Source: CSO and Individual Port Authorities

GRAPH 14

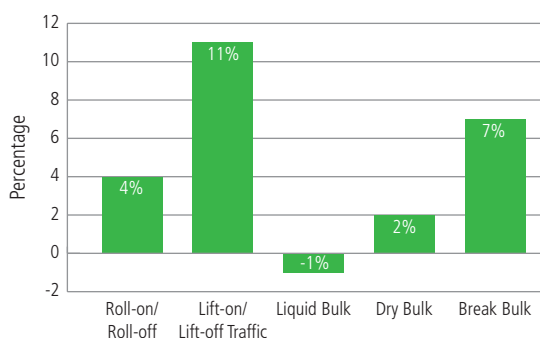
Total Port Tonnage by Traffic Share 2003



Source: CSO and Individual Ports

GRAPH 14B

Total Port Tonnage Growth by Type of Traffic, 2003



Source: CSO

## COMMENT

In comparing trends for types of traffics handled at ports, tonnes is the only available metric for comparison. However, TEUs or trailer volumes are more indicative of actual traffic patterns when dealing with unitised freight.

In common with global trends, Irish Ports have experienced an exponential growth in unitised traffic over the last decade. Roll-on/roll-off traffic (measured in inward and outward trailer movements) has increased at an average rate of 11% per annum between 1996 and 2003. The equivalent annual growth rate for load-on load off (measured in inward and outward TEUs) is 7%.

In 2003, the pace of load-on/load-off growth was stepped up, recording an increase of 10% in the volume of containers handled at Irish ports. This is twice the global average<sup>1</sup>.

The growth figure for ro-ro traffic, (measured in inward and outward trailers) handled at all Irish ports was a robust 4%.

The effect of new and expanded load-on/load-off services at both Cork and Waterford resulted in double-digit growth figures in 2003 at both ports. CMA CGM's new Cork-service contributed to an overall increase of 13% in 2003. Meanwhile Waterford's 19% growth in container traffic can be attributed to additional container capacity introduced on the Rotterdam route and a new service to France.

The outlook for 2004 looks promising with load-on/load-off freight traffic expected to be double the rate of GDP growth. Dublin is expecting growth in the region of 7% for 2004 while Cork is expecting to repeat its 2003 performance with growth in the region of 13%.

## Traffic Outlook

TABLE 15

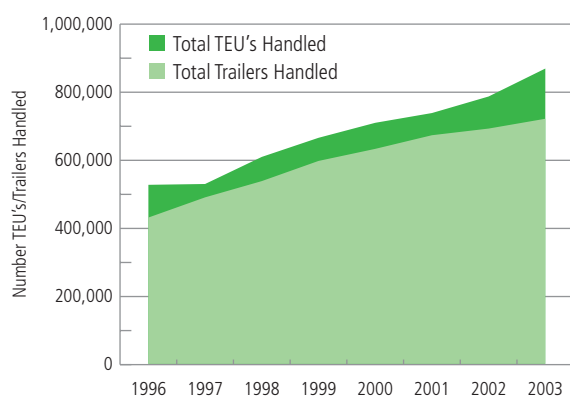
### Unitised Traffic by Category 1996-2003

Units Handled	1996	1997	1998	1999	2000	2001	2002	2003	Average
LoLo Units (TEUs)	528,066	530,479	610,040	666,126	710,151	738,854	787,472	869,549	7%
Change %	4%	0%	15%	9%	7%	4%	7%	10%	7%
RoRo Units	431,929	491,261	538,997	598,203	633,639	673,697	693,261	722,073	11%
Change %	32%	14%	10%	11%	6%	6%	4%	4%	11%

Source: CSO  
ROI Ports Only

GRAPH 15

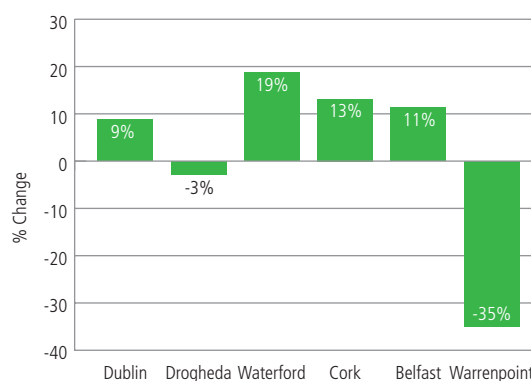
### Unitised Port Traffic 1996-2003



Source: CSO

GRAPH 16

### All Ireland Load-on/Load-off Port Traffic 2003



Source: CSO

TABLE 16

### Load-on/Load-off Port Traffic Performance 2003

Number of TEU	Dublin	Drogheda	Waterford	Cork	Total ROI	Belfast	Warrenpoint	Total NI	Total Ireland
2002	456,027	63,000	147,166	121,279	787,472	114,908	14,910	129,818	917,290
2003	495,862	61,392	175,049	137,246	869,549	128,000	9,712	137,712	1,007,261
% Change	9%	-3%	19%	13%	10%	11%	-35%	6%	10%

Source: CSO and Individual Ports

TEU: Twenty Foot Equivalent Unit

Ro Ro units includes HGV's and trailers, unaccompanied trailers, unaccompanied caravans and agricultural and industrial vehicles

<sup>1</sup>Global Insight currently expects world container traffic to grow by 5.4% this year followed by an average of 4% over the next five years.

## COMMENT

The volume of roll-on/roll-off traffic (measured in number of trailers handled) at Republic of Ireland Ports in 2003 increased by 4% overall with the major Irish ports all experiencing growth. Ireland's roll-on/roll-off market essentially comprises services to the UK and France, with the UK accounting for 97% of total capacity. The 2003 increase therefore is heavily influenced by Irish Sea traffic. The small proportion of French traffic has a negligible effect on overall roll-on/roll-off traffic figures given it only accounts for 3% of the total.

Most of the routes on the Irish Sea reported an increase in traffic, with particularly strong growth on the Holyhead route where both incumbents, Stena and Irish Ferries experienced a rise of 11% respectively. Growth on Central corridor routes is expected to be even stronger in 2004

following the withdrawal of P&O's Dublin-Mostyn service with the major freight operators – Irish Ferries, Norse, Stena and P&O operators estimating 9–10% growth due to traffic transfer. While evidence suggested that the Central corridor suffered from over capacity in the past with cut-throat rates, the withdrawal of P&O from Mostyn may have created a situation of slight undercapacity now. A stabilisation of rates is therefore expected.

Growth of roll-on/roll-off traffic at Northern Ireland Ports was more or less static in 2003. This is primarily due to the temporary reduction in service frequency on Norse Merchant's Belfast-Heysham service. The frequency has been re-instated and figures therefore for 2004 are expected to rise accordingly.

## Traffic Outlook

TABLE 17

### Roll-on/Roll-off Traffic 2003

Number of Trailers	2002	2003	% Change
Dublin	554,496	570,789	2.94
Dun Laoghaire	30,335	34,745	14.54
Cork	3,712	4,529	22.01
Rosslare	104,718	112,010	6.96
<b>Total ROI</b>	<b>693,261</b>	<b>722,073</b>	<b>4.16</b>
Belfast	329,747	331,880	0.65
Larne	384,617	382,361	-0.59
Warrenpoint	55,511	55,953	0.80
<b>Total NI</b>	<b>769,875</b>	<b>770,194</b>	<b>0.04</b>
<b>Total Ireland</b>	<b>1,463,136</b>	<b>1,492,267</b>	<b>1.99</b>

Source: CSO, Ports and Department of Trade, Employment and Investment NI

TABLE 18

### UK - Ireland Roll-on/Roll-off Traffic by Route 2003

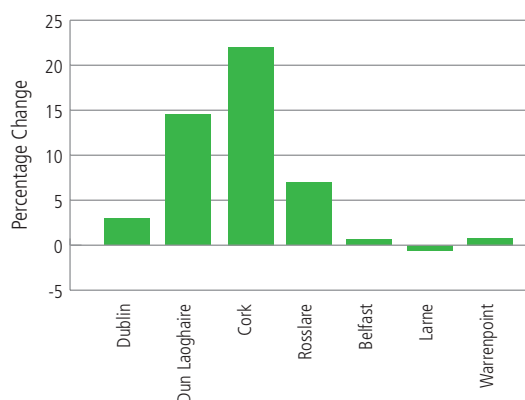
(Number of Freight Movements)	2002	2003	% Change	% Share
Great Britain-Ireland				
Moysten-Dublin (P&O Irish Sea)*	71,152	78,526	10.36	
Liverpool-Dublin (P&O Irish Sea)	132,345	138,313	4.51	
<b>Total P&amp;O</b>	<b>203,497</b>	<b>216,839</b>	<b>6.56</b>	<b>30%</b>
Holyhead-Dublin (Irish Ferries)	124,167	138,094	11.22	
Pembroke-Rosslare (Irish Ferries)	57,889	60,131	3.87	
<b>Total Irish Ferries</b>	<b>182,056</b>	<b>198,225</b>	<b>8.88</b>	<b>28%</b>
Liverpool-Dublin (Norse Merchant Ferries)	97,000	92,000	-5.15	
Heysham-Dublin (Norse Merchant Ferries)	58,300	60,100	3.09	
<b>Total Norse Merchant Ferries</b>	<b>155,300</b>	<b>152,100</b>	<b>-2.06</b>	<b>21%</b>
Holyhead-Dublin (Stena Line)	65,632	63,990	-2.50	
Fishguard-Rosslare (Stena Line)	37,607	39,942	6.21	
Holyhead-Dun laoghaire (Stena Line)	37,563	41,916	11.59	
<b>Total Stena Line</b>	<b>140,802</b>	<b>145,848</b>	<b>3.58</b>	<b>20%</b>
Swansea-Cork (Swansea Cork Ferries)	3,204	3,906	21.91	1%
<b>Total Route</b>	<b>684,859</b>	<b>716,918</b>	<b>4.68</b>	<b>100%</b>

\*Service ceased April 4th 2003

Source: Individual Carriers

GRAPH 17

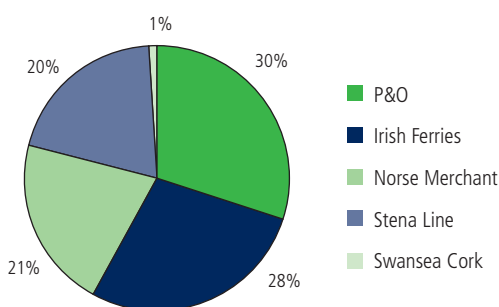
### Roll-on/Roll-off Traffic Performance 2003



Source: Individual Carriers

GRAPH 18

### Market Share Ireland - UK RoRo Routes



Source: Individual Carriers

## COMMENT

Roll-on roll-off trailer traffic to France grew by almost 15% in 2003. The growth rate can be partly attributed to an exceptionally bad year in 2002 when traffic to the continent actually decreased as a result of restricted capacity.

A significant development of the French roll-on/roll off routes is the withdrawal of P&O's Dublin-Cherbourg route in April 2004, which essentially excludes Dublin as an option to the continent. The remaining routes operated by Irish Ferries, Brittany Ferries and P&O use Rosslare or Cork.

Prospects for 2004 appear to be more or less static with the operators expecting growth to remain stable. The exception is Brittany Ferries whose new higher capacity Pont Aven will attract more trailer traffic. Brittany Ferries expects growth of between 15% and 20% for 2004 due to the larger capacity

vessel. This will not impact on the overall figure however due to the low baseline freight traffic handled by the operator.

Roll-on roll-off services between Northern Ireland and the UK remained static in 2003. In fact the only one of the four carriers serving Northern Ireland who actually increased traffic was Norse Merchant.

In 2003, P&O held the lion's share of the market carrying half of all trailers entering or leaving Northern Irish ports. Norse Merchant is the second largest freight operator accounting for 27% share in 2003.

Due to the acquisition of P&O's Fleetwood-Larne route by Stena in April of this year, it is likely that the carrier's share of the market will decrease accordingly.

## Traffic Outlook

TABLE 19

### France - Ireland Roll-on/Roll-off Route Performance 2003

(Number of Trailers)	1995	2002	2003	Change %	Share %
Cherbourg-Rosslare (P&O Irish Sea)	14,000	11,903	12,892	8.31	68%
Dublin-Cherbourg (P&O Irish Sea)*	n/a	1,399	3,178	127.16	17%
Cherbourg-Rosslare (Irish Ferries)	1,811	2,580	2,219	-13.99	12%
Roscoff-Rosslare (Irish Ferries)	100	217	210	-3.23	1%
Roscoff-Cork (Brittany Ferries)	892	481	508	5.61	3%
<b>Total</b>	<b>16,803</b>	<b>16,580</b>	<b>19,007</b>	<b>14.64</b>	<b>100%</b>

\*Service ceased April '04

TABLE 20

### N. Ireland- UK Roll-on/Roll-off Traffic Performance 2003

(Number of Trailers)	1995	2002	2003	Change %	Share %
Cairnryan-Larne (P&O Irish Sea)	126,373	195,186	210,916	8.06	
Fleetwood-Larne (P&O Irish Sea)**	95,000	134,765	146,849	8.97	
Tron-Larne (P&O Irish Sea)	34,000	31,702	24,596	-22.41	
Liverpool-Larne (P&O Irish Sea)*	n/a	22,964	0	-100.00	
<b>Total P&amp;O</b>	<b>255,373</b>	<b>384,617</b>	<b>382,361</b>	<b>-0.59</b>	<b>50%</b>
Heysham-Belfast (Norse Merchant Ferries)	n/a	85,000	70,000	-17.65	
Birkenhead-Belfast (Norse Merchant Ferries)	78,630	114,000	134,300	17.81	
<b>Total Norse Merchant</b>	<b>78,630</b>	<b>199,000</b>	<b>204,300</b>	<b>2.66</b>	<b>27%</b>
Stranraer-Belfast (Stena Line)	143,200	130,747	127,580	-2.42	17%
Heysham-Warrenpoint (Seatruck Ferries)	n/a	55,511	55,315	-0.35	7%
<b>TOTAL Northern Ireland</b>	<b>477,203</b>	<b>769,875</b>	<b>769,556</b>	<b>-0.04</b>	<b>100%</b>

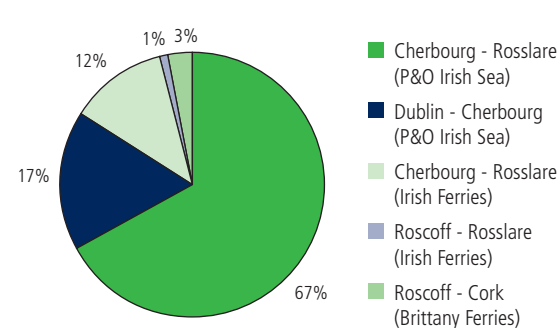
\*Service ceased April '04

\*\*Fleetwood - Larne acquired by Stena Line April '04

Source: Individual Carriers

GRAPH 19

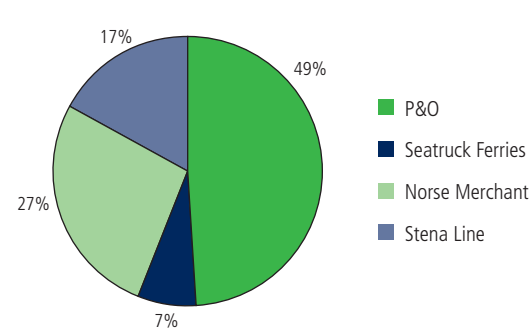
### Market Share Ireland - France RoRo Routes



Source: Individual Carriers

GRAPH 20

### Market Share Northern Ireland - UK RoRo Routes



Source: Cruise & Ferry Info and Individual Operators



# Market Outlook

## COMMENT

For a shipper of unitised goods, the usual method of export or import is load-on/load off or roll-on roll-off services usually organised by the freight forwarder (or third party logistics provider) or the logistics manager.

A comparison of average door-to-door container rates and door-to-door trailer rates indicates that the shipment of containers based on 45 ft boxes is cheaper on average than the shipment of a 12-metre trailer. The rates include road haulage, tolls and charges and terminal handling costs.

Another feature of the freight rate structure is that import prices are higher than export prices for both modes of transport reflecting the imbalance in Ireland's trade. The volume of imports far exceeds exports causing a shortage of capacity eastbound to Ireland. The freight forwarders

and carriers are thereby satisfied to operate marginal pricing on outward capacity. The deviation in the export:import transport prices is most notable on less dense or more distant traffic routes. For example, the disparity in export/import prices to/from Warsaw is only 20% whereas the disparity increases to over 40% for the busy Amsterdam and Brussels routes.

It is acknowledged that transport costs will increase before the end of the year. Already some carriers have raised rates while others have introduced a tariff system to cover the increased cost of oil. Other elements which will impact on costs is the proposed introduction of new charges on road freight transport in the UK and the LKW Maut tax for road freight (transit) in Germany.

# Market Outlook

TABLE 21

### International Door to Door Container Rates 2003

€ Avg. per 45' Unit	Import	Export	Export : Import Ratio
Dublin-Warsaw	2,470	2,020	82%
Dublin-Budapest	2,255	1,805	80%
Dublin-Vienna	2,210	1,760	80%
Dublin-Bern	2,125	1,675	79%
Dublin-Barcelona	2,160	1,560	72%
Dublin-Prague	2,045	1,595	78%
Dublin-Copenhagen	1,875	1,425	76%
Dublin-Milan	1,785	1,335	75%
Dublin-Berlin	1,745	1,295	74%
Dublin-Luxemburg	1,320	870	66%
Dublin-Paris	1,310	860	66%
Dublin-Brussels	1,080	630	58%
Dublin-Amsterdam	1,065	615	58%

Source: Irish International Freight Forwarders Association.

TABLE 22

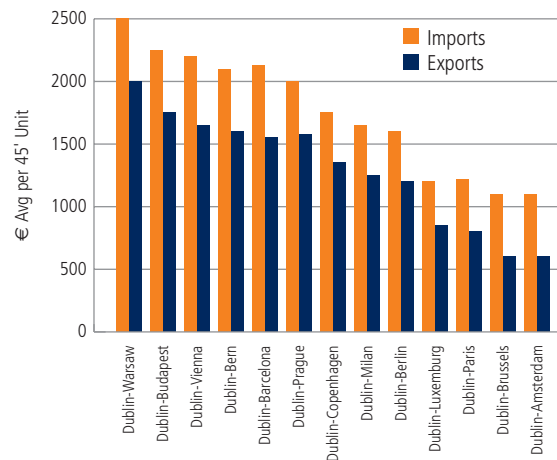
### International Door to Door Trailer Rates 2003

€ Avg. Rate per 12m trailer	Import	Export	Export : Import Ratio
Ireland-Milan	3,300	2,300	70%
Ireland-Barcelona	3,000	2,400	80%
Ireland-Bern	2,850	2,250	79%
Ireland-Vienna	2,700	2,250	83%
Ireland-Copenhagen	2,600	2,050	79%
Ireland-Berlin	2,600	2,050	79%
Ireland-Cologne	2,250	1,700	76%
Ireland-Paris	2,100	1,600	76%
Ireland-Luxemburg	2,200	1,500	68%
Ireland-Amsterdam	2,200	1,470	67%
Ireland-Brussels	2,000	1,500	75%
Ireland-Budapest	3,900	2,450	63%
Ireland-Prague	2,950	2,250	76%
Ireland-Warsaw	3,200	2,100	66%

Source: Irish International Freight Forwarders Association.

GRAPH 21

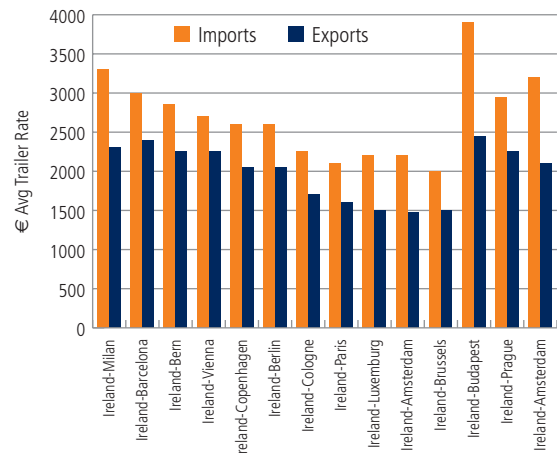
### International Door to Door Container Rates 2003



Source: IIFA

GRAPH 22

### International Door to Door Trailer Rates 2003



Source: IIFA

## COMMENT

In 2002, the total westbound transatlantic cargo flow totalled almost 3 million TEUs - a 2% increase on the previous year. The low growth rate is attributed to the devaluation of the US dollar against the Euro making it more expensive to buy European goods. According to the latest figures for 2004, the prospects for 2004 do not look much better. PIERs forecast for westbound trade has been adjusted to 1.3% growth for the year.

The Eastbound leg increasingly reflects a sustainable recovery in volume, with the number of TEUs up 4% in 2003 to 1.8 million. This eastbound growth seems to be continuing into 2004 with PIERs figures for the first three months of 2004 estimating 4.7% trade growth. The analyst is therefore predicting 6.1% eastbound US trade growth.

The challenge of a global shortage of containers also continues.

In general, freight rates in the dominant legs of the major east-west trades during the first quarter of 2004 were not as high as expected. On average rates were approximately 20% more expensive than the same period in 2003.

However judging from recent announcements from the major conferences, rates are expected to increase further in the latter part of 2004.

The Trans-Atlantic Conference Agreement (TACA), for example, has confirmed that it will apply tariff rate increases on westbound traffic of \$280 per TEU and on eastbound traffic the new tariff is \$240 per TEU from July 2004. This amounts to a 19% increase on first quarter rates.

## Market Outlook

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TABLE 23

### Europe & North America Trade in TEU 2004

(Number of TEUs)	Westbound	Change	Eastbound	Change
2001	2,669,000		1,620,000	
2002	2,906,000	9%	1,697,000	5%
2003	2,958,000	2%	1,762,000	4%
2004*	2,996,454	1%	1,869,482	6%

Source: Containerisation International May 2004

TABLE 24

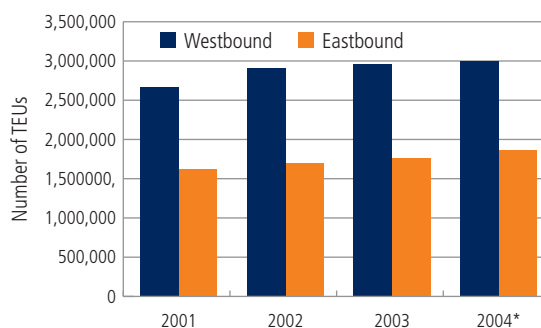
### Inter-Continental Freight Rates 2004

Average \$US Per TEU	Q.2 2003	Q.3 2003	Q.4 2003	Q.1 2004	Change Q.1/Q.4
Asia to US Eastbound	1,750	1,950	1,892	1,850	-2%
Asia to Europe Westbound	1,560	1,629	1,662	1,686	1%
Europe to US Westbound	1,374	1,428	1,469	1,437	-2%
US to Europe Eastbound	821	820	834	778	-7%
Europe to Asia Eastbound	754	777	754	733	-3%
US to Asia Westbound	815	818	810	802	-1%
Average	1,179	1,237	1,237	1,214	-2%

Source: Containerisation International May 2004

GRAPH 23

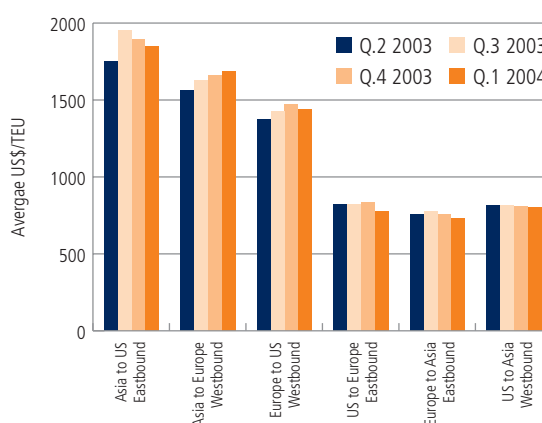
### Europe & North America Trade in TEU 2004



Source: Containerisation International

GRAPH 24

### Inter-Continental Freight Rates 2004



Source: Containerisation International

## COMMENT

**CONTAINER MARKETS:** Containership charter earnings are high, due to high economic growth and resulting global trade growth. For example, OECD imports for 2004 are forecast to grow by about 6%, while export from Newly Industrialising Asian Countries exports are forecast to grow by over 10%. Container trade growth has followed, with growth of up to 10% forecast for 2004.

2004 began with a tight supply demand balance and high vessel earnings. New vessel deliveries are forecast to add over 0.5 million TEU to the fleet in 2004. While the fleet growth is significant, so far this year it is not keeping pace with the expected trade growth.

Container earnings have increased to even higher levels during 2004 as liner operators have paid high rates to charter

tonnage. Compounding the tightness is the need to obtain "strings" of similarly sized vessels for periodic services.

**CONTAINER PRICES:** New dry freight container prices increased dramatically in the first quarter of 2004, with the average factory cost of a 20ft container costing \$1,550 – a 10% rise from the previous quarter. The costs are directly attributed to soaring costs of raw materials such as Corten steel and timber flooring. The higher material costs of manufacturing reefer containers also added several hundred dollars per box increase at the beginning of 2004. The average finished price of a 40-ft high cube reefer is \$1,900 while 20ft equipment costs over \$1,500.

# Market Outlook

TABLE 25

### Container One-Year Charter Rates

US \$ Per day Date	1 yr t/c Feeder 350	1 yr t/c Feedmax 725	1 yr t/c Handy 1000	1 yr t/c Handy 1700
2003-05	4,450	6,800	8,200	13,500
2003-06	4,450	6,800	8,800	13,950
2003-07	4,450	6,800	9,000	15,500
2003-08	4,450	6,800	9,800	16,750
2003-09	4,600	6,900	9,600	17,000
2003-10	4,600	7,000	9,700	16,750
2003-11	4,600	7,000	9,600	15,750
2003-12	4,600	6,900	9,500	15,000
2004-01	4,800	7,100	9,800	17,500
2004-02	5,400	7,600	10,500	19,200
2004-03	5,750	8,800	11,500	20,500
2004-04	5,950	9,300	14,000	20,900
2004-05	6,100	9,400	14,500	22,500
2004-06	6,100	9,400	14,500	22,500

Source: Clarksons

TABLE 26

### Container Purchase & Lease Prices 2004

New container prices (China ex-factory) \$US	Q.2 '03	Q.3 '03	Q.4 '03	Q.1 '04
	GP - 20ft	1,420	1,400	1,380
GP - 40ft	2,270	2,240	2,210	2,480
GP - 40 ft HC	2,385	2,350	2,320	2,605
IR - 20ft	14,700	14,700	14,800	15,200
IR - 40ft HC	18,200	18,200	18,400	19,000

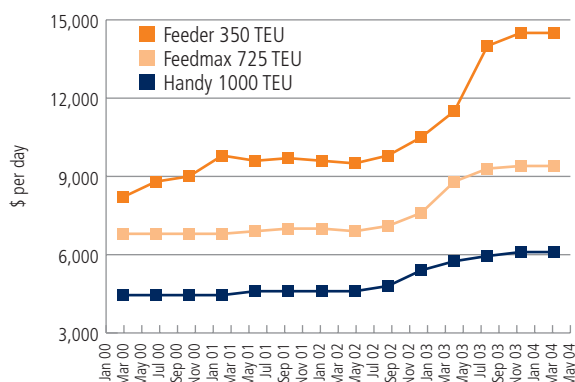
  

Container Term Lease Rates (\$US per day)	Q.2 '03	Q.3 '03	Q.4 '03	Q.1 '04
	GP - 20ft	0.60	0.59	0.58
GP - 40ft	0.94	0.93	0.92	1.00
GP - 40 ft HC	1.02	1.00	1.00	1.07
IR - 20ft	6.50	6.50	6.50	6.70
IR - 40ft HC	8.00	8.00	8.00	8.20

Source: Containerisation International May 2004

GRAPH 25

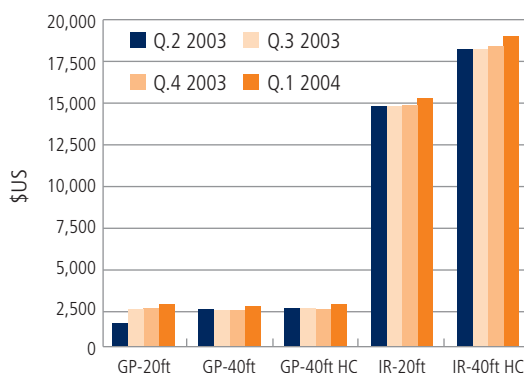
### Container Vessel 6-12 Months Time Charter Rates



Source: Clarksons

GRAPH 26

### New Container Prices 2004



Source: Containerisation International May 2004

## COMMENT

**Tanker Market:** High growth in world economies and oil demand have led to high tanker earnings in 2004. North American oil demand is forecast to grow by 0.4 million barrels per day (mbd). Chinese and other Asian oil demand are projected to grow by 0.7 and 0.4 mbd respectively. U.S. crude oil and gasoline inventories have been and remain low at the start of the U.S. summer "driving season." High, volatile oil prices reflect world oil supply working near its limits with political uncertainties present. Tanker demand has therefore been high. Industry fleet growth overall has been moderate. High vessel earnings have been the result.

**Dry Market:** Dry markets stayed at record high levels through the early part of 2004 and remain at historically high levels in spite of recent decreases in vessel earnings. High Chinese commodity imports coupled with high commodity imports elsewhere have resulted in record dry bulk commodity movements and high port congestion.

Chinese activity has slowed as markets evaluate recent credit restrictions imposed by Chinese authorities and possibilities of economic slowdown. While second quarter earnings have been lower, they remain at high levels historically.

*Comment courtesy of Doll Consultancy.*

# Market Outlook

TABLE 27

Tanker 1 Year Time Charter Rates

US \$ Per day Date	1 yr t/c Aframax	1 yr t/c Suezmax	1 yr t/c VLCC
2002-12	18,000	23,875	32,125
2003-01	18,000	26,200	38,300
2003-02	20,500	27,250	32,875
2003-03	21,750	27,250	32,500
2003-04	18,500	24,750	30,625
2003-05	18,600	24,600	28,200
2003-06	18,000	24,500	27,750
2003-07	17,500	23,000	26,500
2003-08	17,200	22,400	26,200
2003-09	17,375	22,750	30,625
2003-10	18,100	23,200	28,400
2003-11	20,250	25,000	37,250
2003-12	23,500	26,875	41,000
2004-01	23,500	31,800	38,200
2004-02	19,750	29,250	36,125
2004-03	21,000	29,000	35,000
2004-04	21,600	29,000	36,000
2004-05	22,000	29,000	43,250

TABLE 28

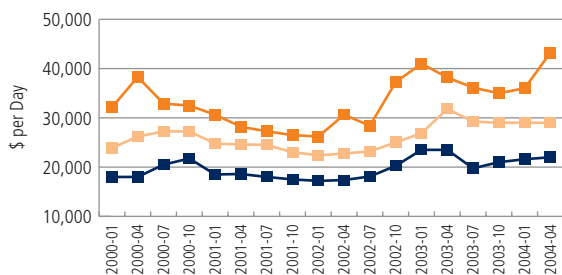
Dry Bulk 1 Year Time Charter Rates

US \$ Per day Date	Capesize	Panamax
2002-12	15,438	9,000
2003-01	15,670	9,550
2003-02	16,125	9,406
2003-03	16,688	9,906
2003-04	17,313	10,563
2003-05	18,750	10,800
2003-06	19,063	10,406
2003-07	20,188	11,375
2003-08	23,325	11,700
2003-09	27,000	12,156
2003-10	46,000	18,100
2003-11	47,500	20,813
2003-12	49,438	22,688
2004-01	56,625	29,300
2004-02	67,031	35,500
2004-03	55,188	35,875
2004-04	47,300	26,450
2004-05	42,000	22,000

Source: Clarksons

GRAPH 27

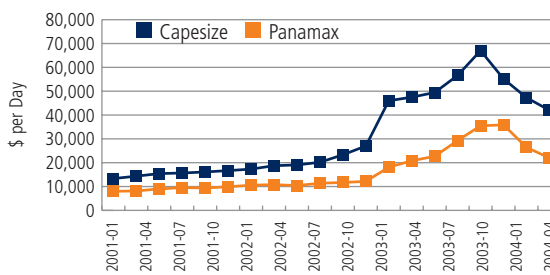
Tanker 1 Year Time Charter Rates



Source: Clarksons

GRAPH 28

Dry Bulk 1 Year Time Charter Rates



Source: Clarksons

## COMMENT

**NEWBUILDING:** High newbuilding demand in 2003 resulted in record newbuilding orderbooks at the start of 2004. High contracting activity in 2004 has continued this trend.

In the roll-on/roll-off sector, recent activity has included an order by Norfolk Line for a 10,000 dwt roll-on/roll-off vessel from Samsung for 2006 delivery (in addition to the two similar vessels already on order for 2005 delivery). Three vessels were ordered from Flensburger Schiffsbau for 2006 delivery; one of 10,000 dwt for DFDS Tor Line and two 13,000 dwt vessels for UND roll-on/roll-off Islemeri of Turkey. In late June, Flensburger added two "Humbermax conro" vessels for Cobelfret 2006/2007 delivery (848 teu/256 trailers). Pure car carrier ordering has also continued.

The container vessel orderbook totals over 3 million teu, with the bulk of the orders in large 4000+ teu vessels. High demand for tonnage in East West arterial trades, especially in trades to China, has prompted ordering of large vessels that provide high capacity and lower unit costs. Overall the orderbook is approaching half of the existing container vessel teu capacity, with most of the orderbook delivering in 2006 and beyond. Healthy trade growth has led to the extremely high container vessel earnings currently seen in the markets. In the medium term, the large orderbook is clearly based on expectations of continued trade growth.

*Comment courtesy of Doll Consultancy*

## Market Outlook

TABLE 29

World Container Orders by Vessel Size 2004

Size Range	2003		2004		2005		2006		Total Orders	
	No.	TEU	No.	TEU	No.	TEU	No.	TEU	No.	TEU
100-499	1	240	3	1,226	0	0	0	0	4	1,466
500-999	17	12,077	27	21,974	24	21,008	6	5,443	74	60,502
1,000-1,999	19	27,908	25	34,650	23	31,723	15	25,006	82	119,287
2,000-2,999	19	48,068	27	66,890	46	116,170	45	122,538	137	353,666
3,000-3,999	7	22,096	10	33,140	9	39,894	20	65,491	46	160,621
4,000+	26	104,283	64	380,240	106	611,813	188	1,278,432	384	2,374,768
<b>Total</b>	<b>89</b>	<b>214,672</b>	<b>156</b>	<b>538,120</b>	<b>208</b>	<b>820,608</b>	<b>274</b>	<b>1,496,910</b>	<b>727</b>	<b>3,070,310</b>

Source: SSY Monthly Shipping Review March 04

TABLE 30

World Roll-on/Roll-off Fleet Orders by Vessel Type 2004

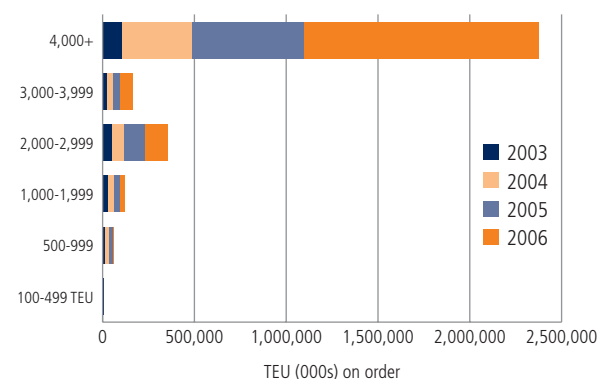
Vessel Type	Yards			No. Ships	\$US m	Pax	Cars	Lane m	Weight	
	Far East	N. Europe	S. Europe							
RoRo		31	15	12	59	2,453	n/a	n/a	202,479	962,760
Hi-Speed					33		12,496	1,324		
Cruise & Ferry		9	4	27	40	1,324	46,125	7,954	n/a	763,394
<b>Total</b>		<b>40</b>	<b>19</b>	<b>39</b>	<b>132</b>	<b>3,777</b>	<b>58,621</b>	<b>9,278</b>	<b>202,479</b>	

Source: Cruise & Ferry Info.

Weight notes: RoRo = tDW; Cruise = GT

GRAPH 29

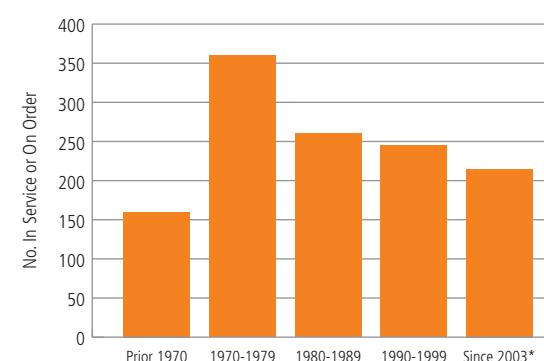
World Cellular Fleet Orders by Size Range



Source: SSY

GRAPH 30

World Ferry Fleet - Average Age



\* Includes 145 in service and 59 on order

Source: Cruise & Ferry Info



## Glossary of Terms

**GDP – Gross Domestic Product** represents the total value added (output) in the production of goods and services in the country. The rate of growth in GDP measures the increase in the value of output produced in the state, irrespective of whether the income generated by this economic activity accrues to 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

### **Container Definitions:**

**GP** = general purpose, **HC** = high-cube, **IR** = integral reefer;

*GP and IR Lease rates apply to newbuild equipment and cover five-year term; master lease rates for newbuild GP containers are around 100% higher than quoted term lease rates*

*New GP prices refer to full Corten spec and delivery in central/southern China; IR prices refer to stainless steel spec, including integral machinery & delivery in China*

*Source: Central Bank of Ireland, Central Statistics Office, Containerisation International.*





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