

CARRIER RESULTS Q3 2011 ON MAIN TRADES

The strategic “game” unfolds

Some of the major container carriers have now published their results for third quarter 2011. Their results point towards a potentially significant shift in the major trades in Q3 2011.

Unexpectedly, the results showed significant losses across all carriers, driven by a combination of plummeting freight rates on the Asia-Europe and Transpacific trades and very high oil prices compared to same period last year.

This week we take a look at the results from the carriers, and use the information as a basis to inform us of the competitive developments in the market as a whole. We will focus on the volume and freight rate developments.

We will take a brief view at the global developments, but

a closer look, as we find these developments to be the main “engine” of the competitive battle we are seeing unfold in the container shipping sector.

Our review will further serve to provide a background against which to compare the Q3 results for those carriers who have not yet released this information.

Global developments

Unfortunately, a number of carriers only provide volume and rate developments for some trade lane segments, but not for their global operations.

Additionally, the global demand growth is a figure which is subject to relatively large uncertainty, making it difficult to accurately estimate changes in global market share across the main players for Q3 2011. Our best estimates at present are that global

SIZE OR PROFITABILITY?

From the recently released Q3 accounts, it appears carriers are dividing themselves into two different strategic approaches. Simplistically you could term them scale and yield. Some carriers go for rapidly increasing market share. Presumably, this will generate lower costs through scale advantages. Other carriers reduce their market share in favor for increased trade balances on the main east-west trades. Presumably, this will generate better profitability on the round-trip voyages. Both approaches clearly have their merits – it will be interesting to look back in a few years' time to see which strategy provided the best pay-off.