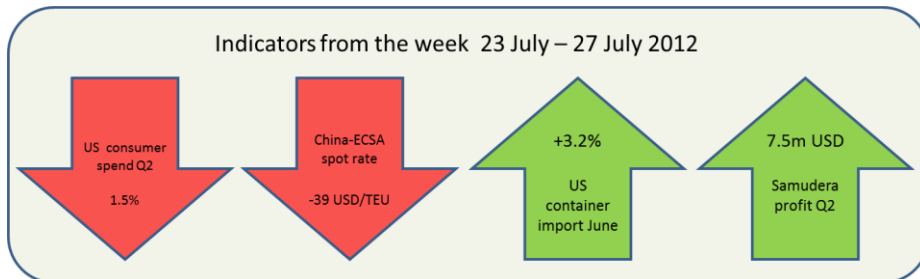


SUNDAY SPOTLIGHT

29 JULY 2012, ISSUE 71

SEAINTEL MARITIME ANALYSIS



Reliability from global vessels to the container at the country level:

Performance in June 2012.

See page 15 for details.

EFFICIENCY OF RATE INCREASES FROM ASIA TO EAST COAST SOUTH AMERICA

Carrier discipline not as strong as in east-west trades

In SeaIntel Sunday Spotlight May 6th 2012 it was shown that the carriers have been highly successful in implementing rate increases on the two major trades from Asia to Europe and North America, with rate increase efficiency at the outset of the year being 100%, and the next round seeing efficiency in excess of 80%. As the year progressed we saw the efficiency decline, as the carrier discipline was being challenged by the realities of the supply/demand balance. Nonetheless, these highly efficient rate increases showed the strength of the new-found carrier discipline in the wake of the price war in 2011.

This week we will turn our attention to one of the smaller, but growing, trades, namely the trade from East Asia to the emerging market of East Coast South America. The objective is to see to which degree carriers have been able to obtain their announced increases, and evaluate whether we find the same strong carrier discipline in this trade, as we did in the major east-west trades.

Before we did the analysis, we had the hypothesis that with fewer carriers - as well as fewer services - in this trade, the rate increase efficiency and carrier discipline will be at least as strong as it is on the east-west trades. This is because the transparency in the carriers' actions is more

162 Mega-vessels

162 vessels larger than 10,000 TEU are in the pipeline, with 106 of them due to be delivered within the next 17 months. These vessels are primarily designed to bring scale advantage to the Asia-Europe trade. Currently, carriers are cutting capacity in order to maintain rates. This clearly shows strong discipline and a desire to become profitable in 2012. If Europe does not soon recover from its economic woes, what scenario will we see unfold in 2013? Will discipline hold or will we see a Darwinian fight for survival?

Content

- 1...Asia-ECSA rates
- 4...African reliability
- 8...Cost of piracy

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