## **SUNDAY SPOTLIGHT**

## SEAINTEL MARITIME ANALYSIS

## **CARRIER O1 RESULTS DECLINING**

Full impact of rate decline will not be seen until Q2

A significant number of the leading container carriers have now issued their Q1 2011 financial results. Most have entered negative territory, with Maersk Line seemingly going against the trend. Additionally quite a few have shown increasing rates when comparing Q1 2011 with Q1 2010. This seems to contradict the market measurements having shown drastic rate declines in the past 6-8 months.

However, there is no contradiction. The rate increases in Q1 2011 are mainly an artifact of the lag time between spot

market changes and changes in the carrier contracts. Sealntel has analyzed the 3 key rate indices

available – CTS, CCFI and SCFI – and are able to show that the development in these 3 indices are not only very highly correlated – they also historically provide information which is

carrier revenues with conforecasting horizon of 2 months.

We have used this analysis to develop a predictive model for average carrier revenue. With the information already known in the market, this in turns provides a forecast of carrier revenues into July 2011 based on already known information, showing drastic year-on-year declines are in store for carriers as freight rates stand to decline 12.6% year-on-year in Q2 2011.

We have additionally analyzed expected freight rate developments for the rest of

**Q2 RATES TO** 

**DECLINE 12.6% YEAR-**

**ON-YEAR** 

2011, and the impact on average carrier revenue. The conclusion

remains in line with the analysis laid out in Sealntel Sunday Spotlight on 27 March, that unless the carriers are able to change the pricing power in the market,

significant revenue losses are in

## SIZE MATTERS

With Q1 results coming in, it is evident that size matters. Only Evergreen and Maersk Line remain in positive territory. As the market decline will only hit the carriers' balance sheets with full force in Q2. medium sized carriers seem forced to re-think how they can compete in a market increasingly dominated by the largest carriers. In this context, Africa provides an interesting case. The export markets to US are oligopolies dominated by very few carriers. In the case of South Africa this was essentially a duopoly dominated entirely by MSC, and A.P.Moller-Maersk. However, despite these carriers' significant advantage in terms of size, two small niche carriers

have managed to take a

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