Market observation for European inland navigation

Report on the state of the economy 2 - October 2010

(Source : CCNR Secretariat – 5th October 2010)

Inland navigation overall :

The first half of 2009 is the period during the economic crisis in which inland navigation bottomed and began to recover. It would therefore appear to be of interest to examine the way in which developments in the first half of 2010 compare with this first half of 2009.

The following table shows increases in the transport of goods in important western European countries for inland navigation. These increases are of the order of 10 to 15% for Germany, the Netherlands, France and Belgium. Switzerland suffered negative growth for the transport of petroleum products.

Table 1 : Transport of goods during the first half of 2010 / 2009

Country	1st half 2010 (in 1,000 tonnes)	% change 1st half 2010 / 1st half 2009
Germany	111,300	+ 11.6
Netherlands*	70,151	+14.8
Belgium	39,609	+11.2
France	29,355	+9.3
Switzerland**	3,674	-8.5

** Estimate based on the volumes handled in the port of Rotterdam and on the inland navigation market in the modal split*
*** Traffic on the Rhine in the Swiss Rhine ports ; Sources : VNF; Destatis; ITB; Port of Basle*

A slight slowdown in this upward trend is forecast for the remainder of 2010. This is primarily because the recovery seen in 2009 and 2010 resulted in part from the replenishment of stocks in industrial sectors such as the steel industry and the chemical industry. This restocking effect which stimulated the transport of raw materials is now gradually declining. Overall, however, double digit growth in transport demand is anticipated for 2010.

Renewed growth in transport demand is anticipated for 2011. In this respect, rail transport should experience slightly higher growth that what is being forecast for road transport and inland navigation.

Dry goods :

1) <u>Demand :</u>

The main dry goods shipping segments by volume transported on the Rhine are the construction industry, the steel industry and the energy sector. First half developments have been very uneven.

Because of the unexpected speed of the recovery in the steel industry, the volume transported has experienced such a favourable development for ores and scrap metal that in certain countries, such as Germany and France, it has already reached pre crisis levels.[1] The precipitous declines of 2009 in this sector have thus been made good.

[1] It should however be noted that ores and scrap metal are very important on the Rhine and in Germany but account for a significantly smaller share in France.

Table 2 : Transport of ores and scrap metal on navigable waterways

Country	1st half 2010 (in 1,000 tonnes)	% change 1st half 2010 / 1st half 2009
Germany	17,500	+62.9
Belgium	1,522	+6.4
France	1,425	+81.8
Switzerland*	47	+24

** Transport on the Rhine in the port of Basle ; Sources : VNF; Destatis; ITB; Port of Basle*

Solid fuels also benefited from the recovery in the steel industry and the increase in energy production, in the latter case as a result of the increase in industrial activity.

Table 3 : Solid fuels transportation on navigable waterways

Country	1st half 2010 (in 1,000 tonnes)	% change 1st half 2010 / 1st half 2009
Germany	17,700	+26.3
Belgium	3,383	+8.6
France	2,376	+27.6
Switzerland*	66	-14

** Transport on the Rhine in the port of Basle ; Sources : VNF; Destatis; ITB; Port of Basle*

Aggregates, clay and building materials, on the other hand, posted a slight fall, mainly as a result of an especially harsh winter, which acted as a brake on building industry activity during the early months of the year.

Table 4 : Transport of aggregates, clay and building materials

Country	1st half 2010 (in 1,000 tonnes)	% change 1st half 2010 / 1st half 2009
Germany	20,300	-6
France	10,768	-2.7
Belgium	8,631	+7.6
Switzerland*	255	-2

** Transport on the Rhine in the port of Basle ; Sources : VNF; Destatis; ITB; Port of Basle*

The forecasts for the steel industry suggest on balance that strong growth will be sustained until next year. However, the speed of development will naturally decline from a ceiling that will be reached during 2011. In all, however, growth in 2011 will be sufficient to overcome fully the crisis in the steel production sector no later than this year.

The aggregates, clay and building materials sector, which is the main sector by volume both in France and Germany, is stagnating.

The container sector is continuing to improve. First half growth of 8.5% was posted in France, this growth reaching 21.4% in Germany.

The overall result for dry goods shipping is that the pre crisis level will be regained next year, at least in France and Germany.

Despite a recovery in demand in the industrial sectors of greatest importance for inland navigation, freight rates have remained depressed for dry goods.

2) Supply :

In dry goods shipping, the number of ships newly commissioned since the beginning of 2010 has fallen sharply compared with the year before.
Accordingly, between the beginning of the year and the end of September, only 14 motor freighters (43,000 t capacity) and 6 pusher barges (13,300 t capacity) were commissioned. In the same period in 2009, 52 new motor freighters and 11 new pusher barges were commissioned. It seems that no new ships have been ordered since the crisis began, such that few new ships can be expected to enter the market between now and the end of the year.

Conclusion :

The increase in transport demand seen since the second half of 2009 has continued in 2010 as well, and faster than some had predicted. The situation in which companies find themselves however remains difficult, freight rates not having yet increased on the same scale as demand. Moreover, large vessels (>3,000 t) and pushed convoys are not always operated at full capacity. This situation also has a knock-on effect on the smaller vessels.

Tanker shipping :

1) Demand :

Petroleum products segment :

After a 2009 during which transport demand exhibited a decline in transport volumes, demand increased only briefly in the winter of 2010, helped by the weather conditions. An approximately 9% first half fall compared with 2009 was observed in Germany. The high price of petroleum products continues to act as a brake on consumer demand for fuel oil.

However, demand is expected to pick up during the second half of 2010, it not being possible to keep stocks at a low level indefinitely, especially as winter approaches.

Chemical sector :

The recovery in the chemicals sector continues after having bottomed in 2009. In Germany the pre crisis level was almost regained towards the middle of 2010.

Based on forecasts for these two sectors, it seems as if for tanker shipping 2010 will be characterised by stagnation or weak growth, the positive effects in the chemical sector having been dampened by a declining petroleum products sector.

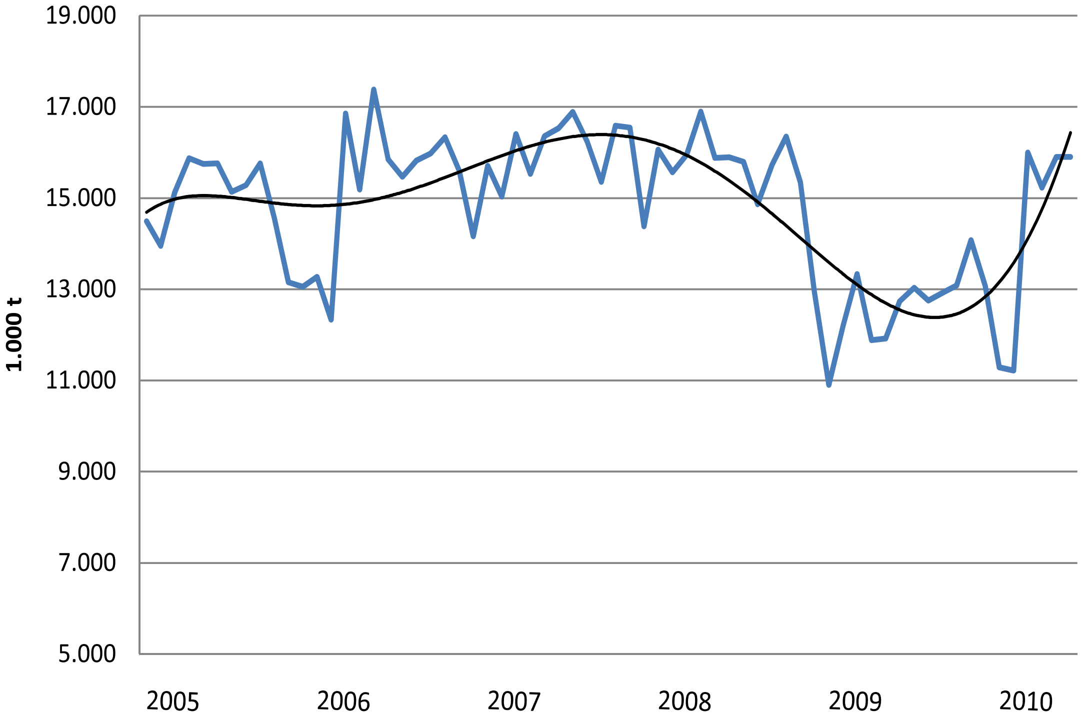
During the first half of 2010, tanker navigation freight rates remained at a low level, which is typical for the time of year.

2) Supply :

During the first 9 months of 2010, 34 new tankers were commissioned, namely a capacity of approximately 101,000 t, whereas 49 units were commissioned during the first 9 months of 2009. It seems therefore that fleet restructuring is continuing.

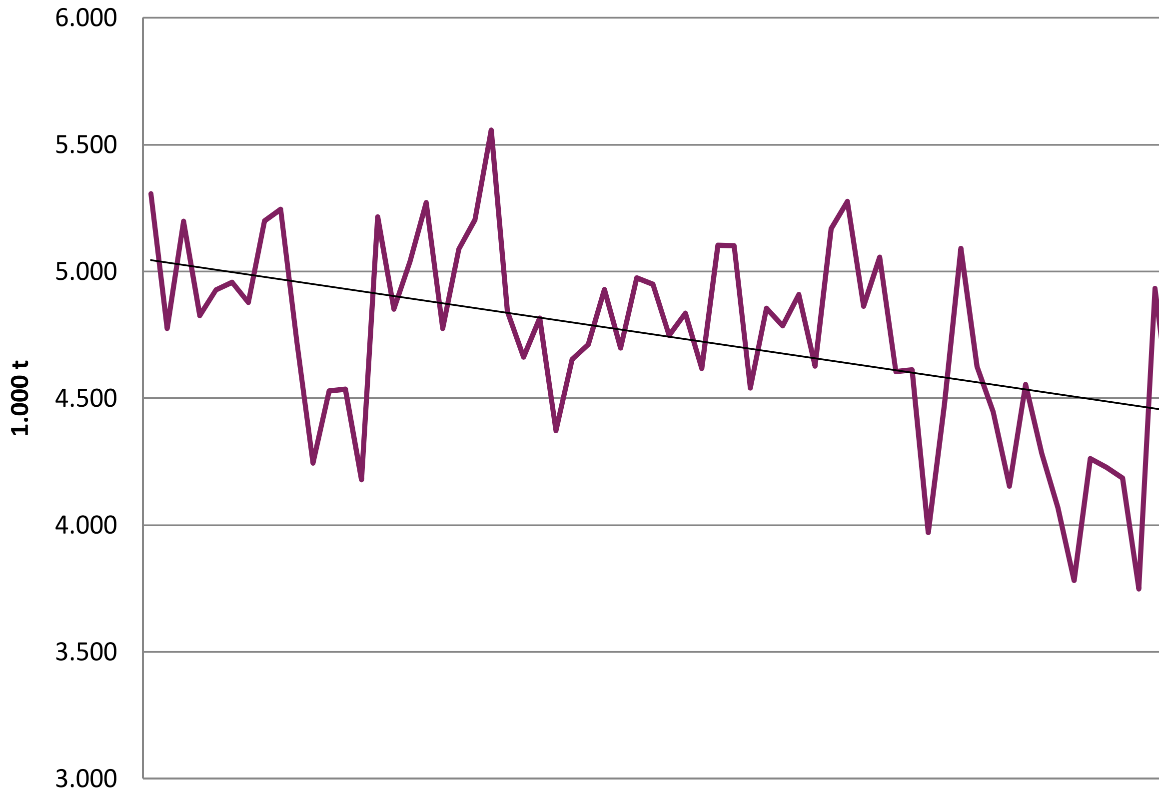
*

Figure 1 : Transport demand for dry goods shipping in Germany, with trend line*



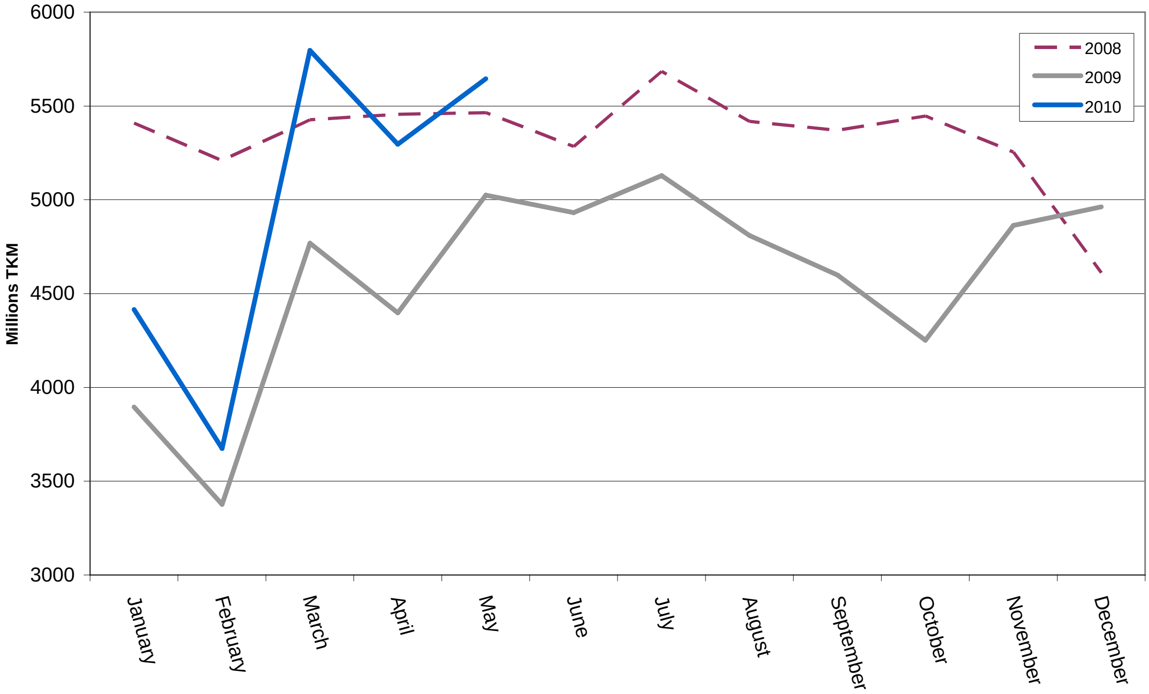
*Source : Destatis. * up to and including June 2010*

Figure 2 : Transport demand for tanker shipping in Germany, with trend line*



*Source : Destatis. * up to and including June 2010*

Figure 3 : Transport services in Germany



Source : Destatis

Forecasts for the end of 2010 and the beginning of 2011 (German inland navigation)

Sector	Production / Import	Total share of transport	Anticipated impact on transport demand *(year on year)*
Agriculture	Below average harvest in 2010	16.00%	-
Coal	Forecast imports +8% compared with 2009	19.00%	+++
Steel industry : Ores	German steel production : in 2010 : + 35% year on year	20.00%	+++++
Steel industry : iron, steel	German steel production : in 2010 : + 35% year on year	8.00%	+++++
Building materials	Cold winter, low building demand	27.00%	-
Other goods / containers	International trade is continuing to recover, but more slowly	10.00%	++++
General forecast for the trend in dry goods demand			**+ + +**
Petroleum products	High cost of oil, favourable effect on storage in the 2nd half of the year	62.00%	-
Chemicals	Output is recovering in the chemical sector	38.00%	++
General forecast for the trend in tanker demand			**0**

Sources :

Eurofer

Wirtschaftsvereinigung Stahl

Verein Deutscher Kohleimporteure

Verband der chemischen Industrie

CEFIC

CCNR forecasts based on historical trends and calculations

Evolution	
0 %	***0***
1 % à 5 %	- / +
6 % à 10 %	- - / + +
11 % à 15 %	- - - / + + +
16 % à 20 %	- - - - / + + + +
plus de 20 %	- - - - - / + + + + +