



Shipping Industry and Trade Review

Intermodal Africa Conference

Mombasa, 17 November 2016



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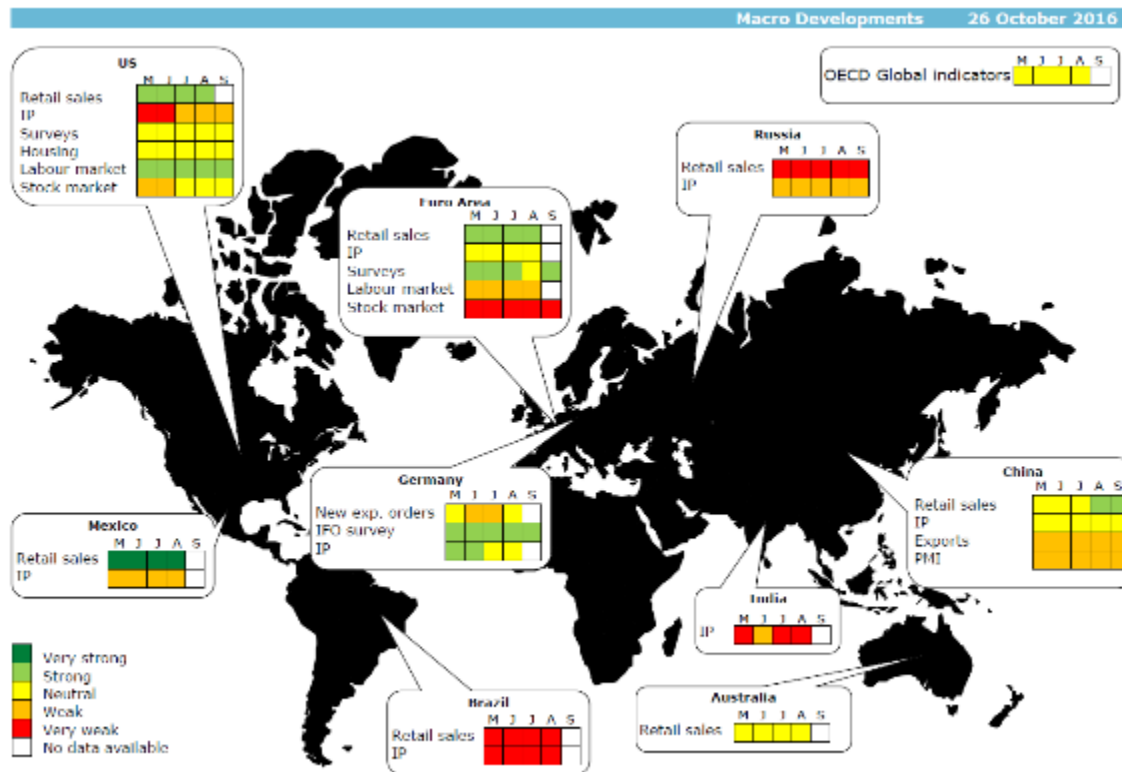
Container Shipping: *a troubled industry*



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Key global economic developments are mixed, resulting in soft demand for containerized shipping



Note: IP – Industrial production, PMI – purchasing managers index. Latest available macro data as of 26 October 2016(*). Columns M, J, J, A, and S refer to May, June, July, August, and September. (*) October IFO survey published on 25 October left out here.

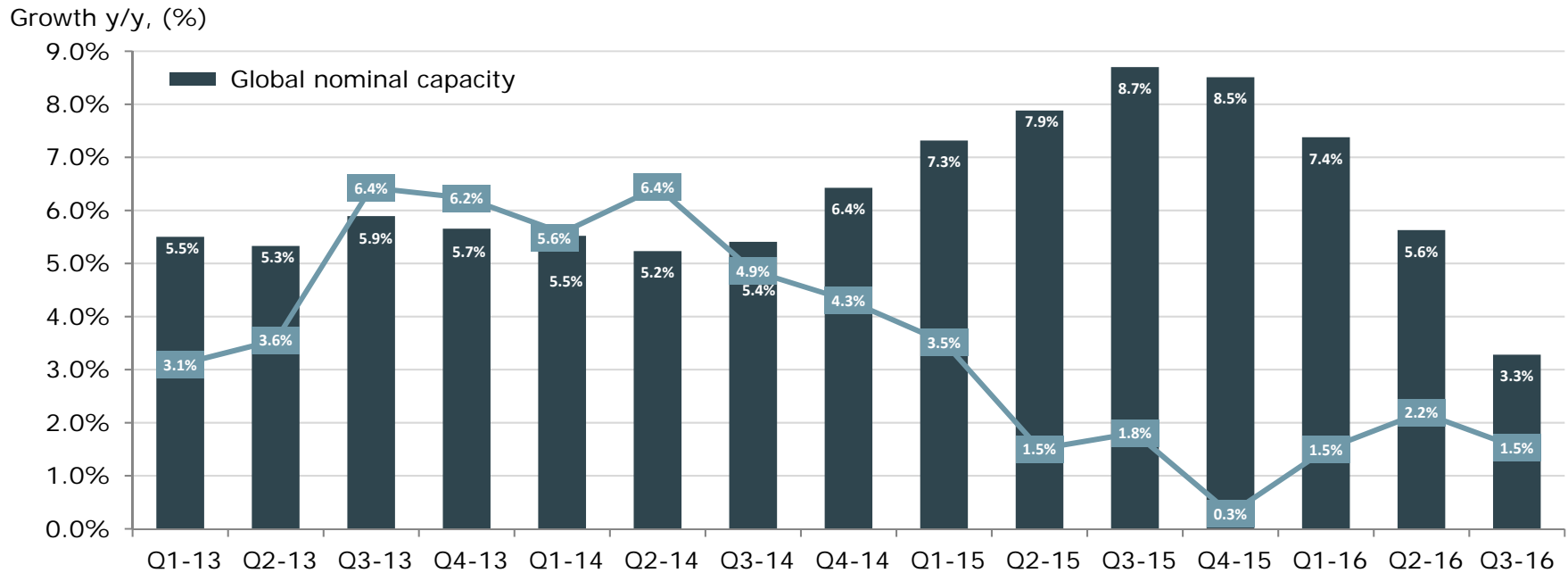


- ❖ Economic growth in the US picked up slightly in Q3 despite slowdown in consumption.
- ❖ Economic activity in the Euro Area could surprise positively, but growth remains low.
- ❖ According to the official GDP data, economic growth in China remained stable in Q3.
- ❖ BRICS countries under pressure.
- ❖ OPEC announces tentative deal to cut oil production.

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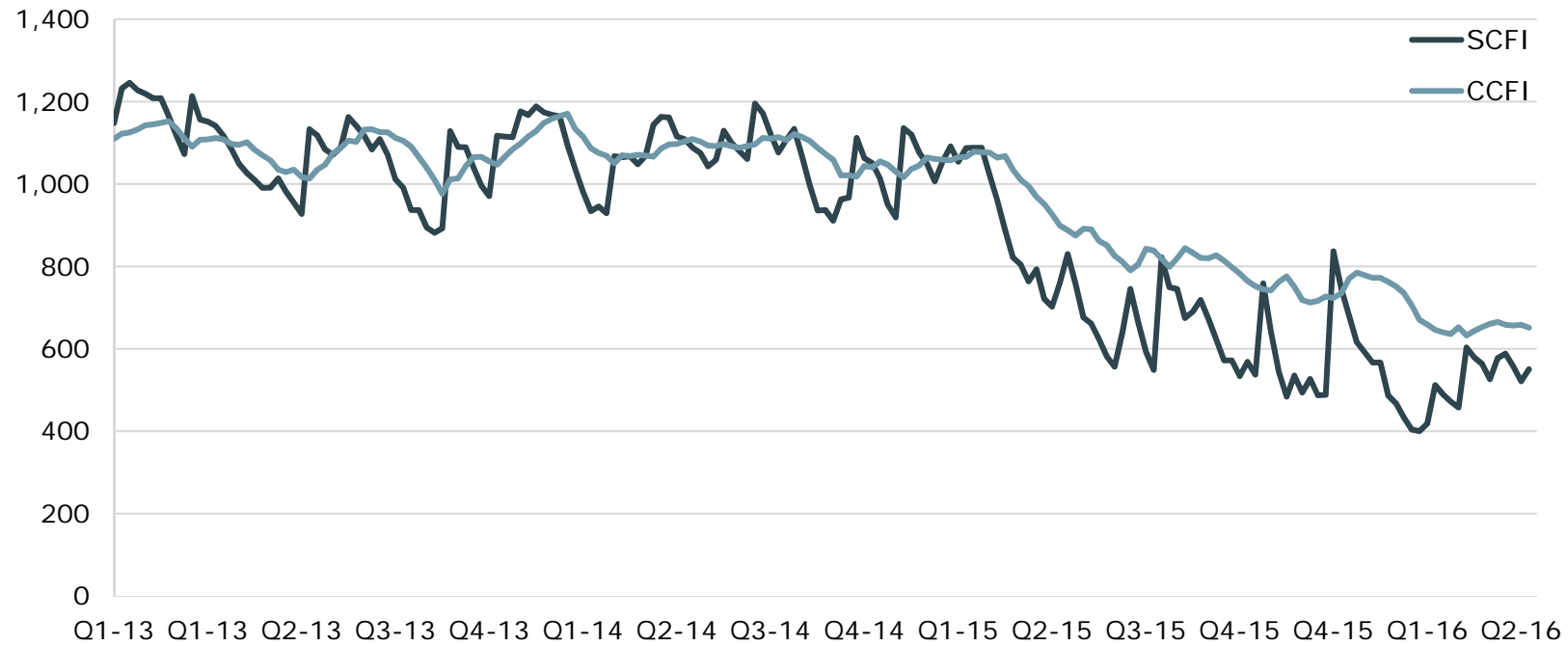
Structural overcapacity continues to outpace demand, resulting in downward pressure on prices



Note: Global nominal capacity is deliveries minus scrappings, but excluding idling and slow steaming
Source: Maersk Line Strategy, Alphaliner



Market freight rates have continued to decline, to record lows



Source: Maersk Line Strategy, Alphaliner

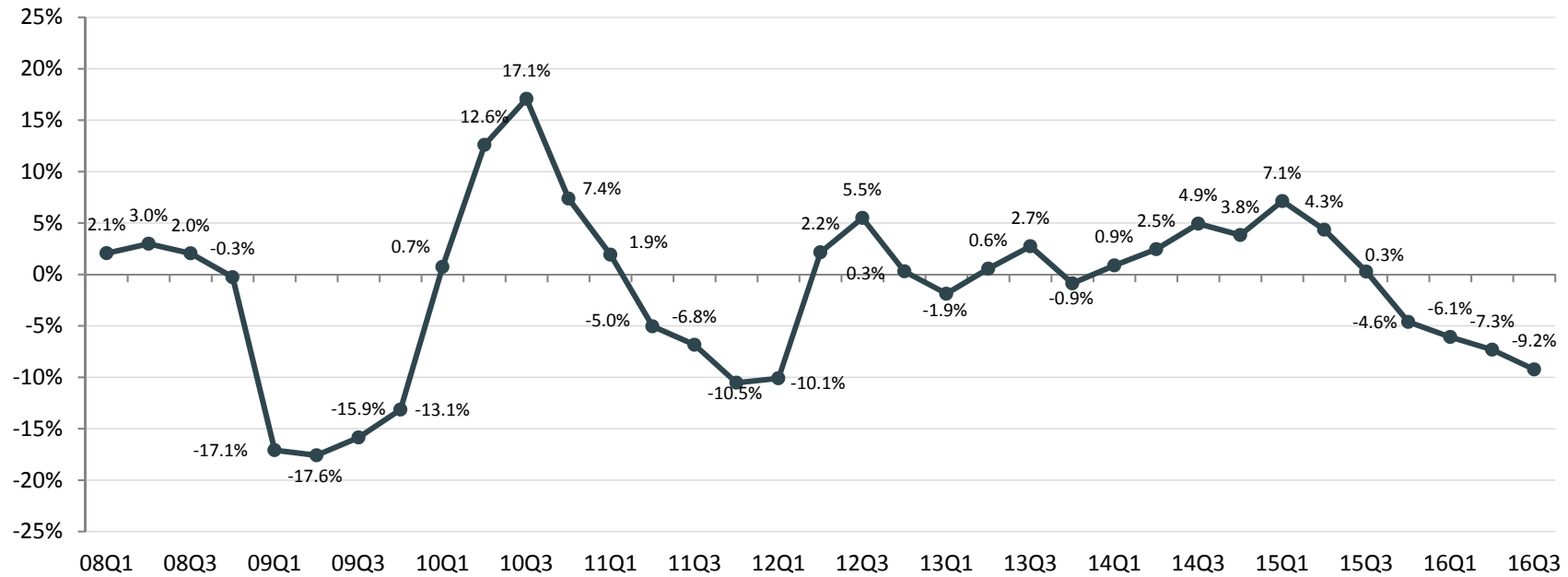


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The industry has been unprofitable for 4 consecutive quarters

Industry EBIT-margin, (%)

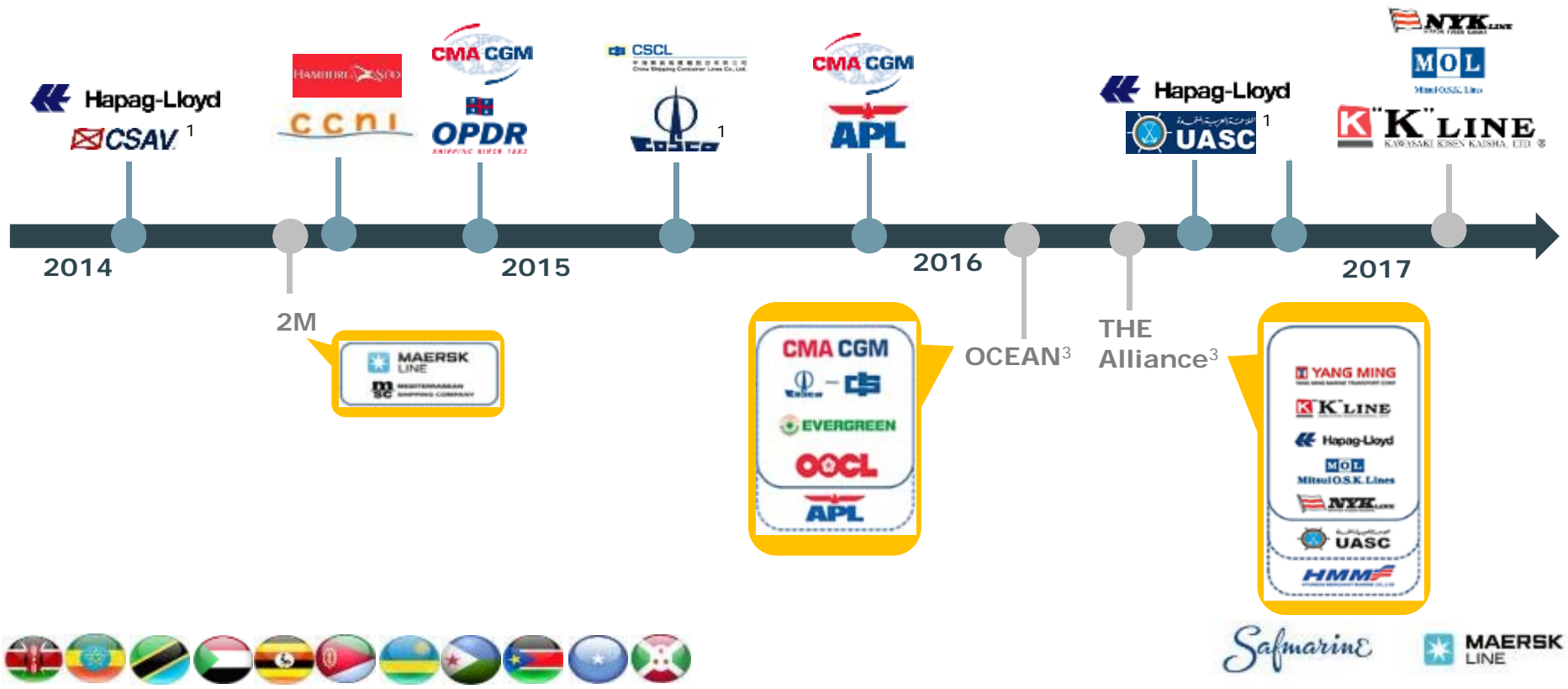


Source: Alphaliner and internal



A more consolidated industry is expected due to M&A and the formation of new alliances

● Acquisitions and mergers ● Alliances
















Eastern Africa:
much growth to unlock



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Eastern Africa is a highly populous region, with relatively solid growth prospects

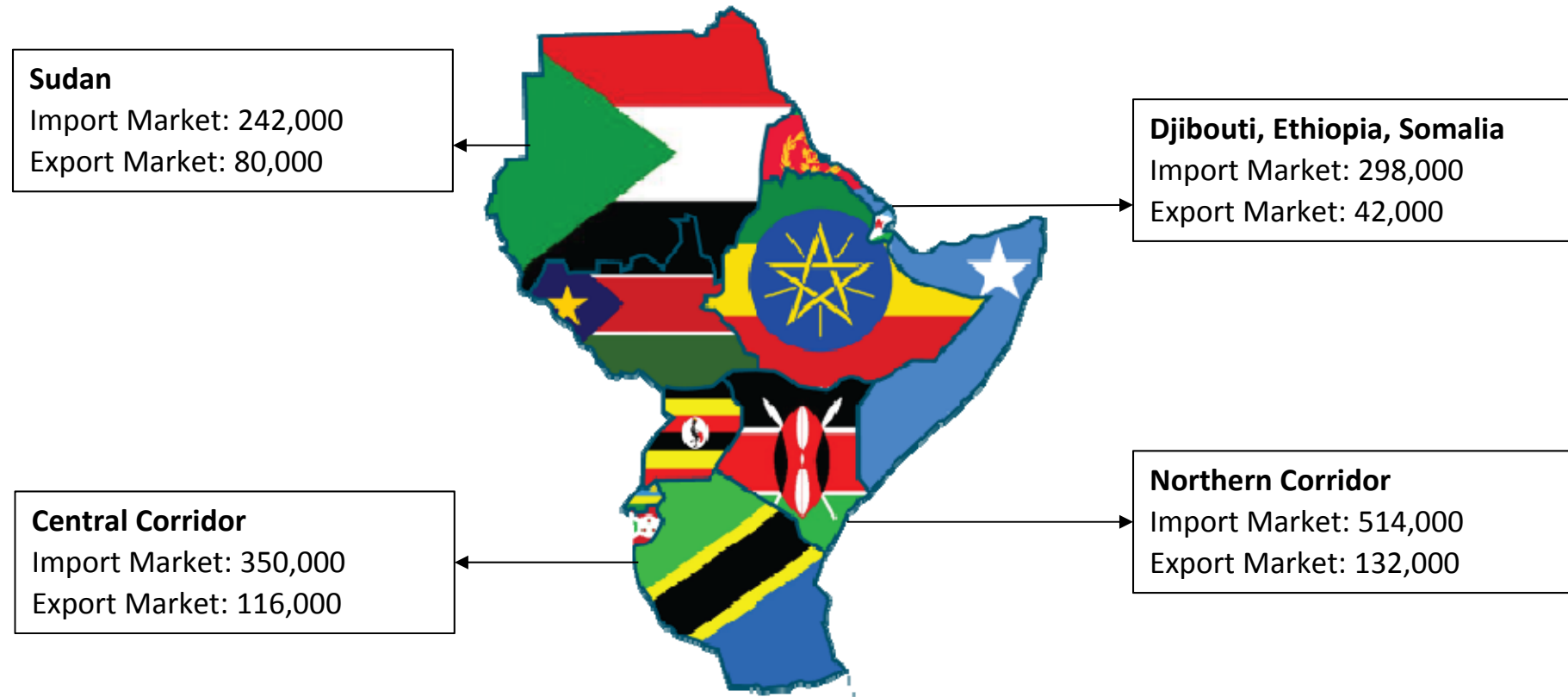
Country	2015 Estimate			
	Population (Million)	GDP (USD Billion)	Inflation	GDP Growth in 2015-16
 Kenya	46	61	7%	5%
 Tanzania	51	45	6%	7%
 Ethiopia	99	62	10%	10%
 Sudan	36	84	17%	4%
 Djibouti	0.8	2	2%	7%
 Uganda	37	25	6%	5%
 Rwanda	13	8	3%	7%
 Burundi	11	3	6%	-4%
 South Sudan	12	12	53%	0%
 Eritrea	7	5	9%	5%
 Somalia	11	6	NA	3%
Total	324	311		



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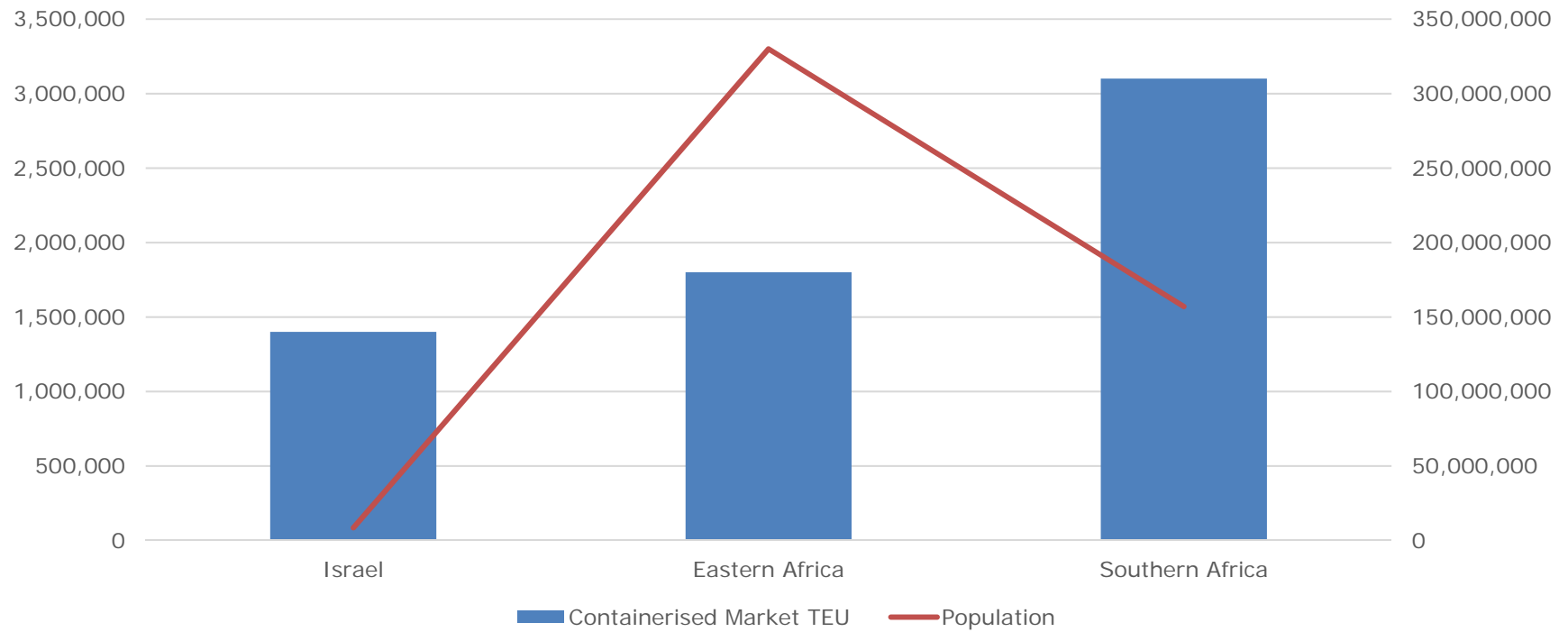
Eastern Africa comprises 4 main trade corridors, representing a market size of around 1.8m TEU...



Source: 2015 port statistics (TEU)



...which represents ample room for growth



Demand growth in Eastern Africa has been varied

Imports	2015 vs 2014	2016 vs 2015	2017 vs 2016
Northern Corridor	9%	2%	-5%
Central Corridor	-3%	-8%	-5%
Ethiopia / Djibouti	20%	22%	5%
Sudan	11%	-3%	0%

- ❖ Election cycles – Uganda, Kenya, Djibouti, Tanzania, Zambia, DRC.
- ❖ Unrest/instability in South Sudan, Burundi, Ethiopia.
- ❖ Tanzania tax compliance drive, VAT on transit services.
- ❖ Sustained currency devaluation, rising inflation.

- ❖ EPA impacts agro-commodities.
- ❖ Garment/apparel segment taking off in Kenya and Ethiopia.
- ❖ Animal feed industry in Sudan yielding benefits.
- ❖ Favorable weather in Kenya and Uganda support key commodities.
- ❖ Much still to be done in terms of large scale industrialization.

Exports	2015 vs 2014	2016 vs 2015	2017 vs 2016
Northern Corridor	-10%	5%	1%
Central Corridor	-2%	-17%	-6%
Ethiopia / Djibouti	-8%	26%	6%
Sudan	14%	24%	9%



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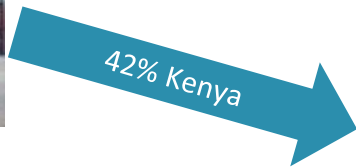
The region generally exports raw commodities and imports finished products

Imports	Exports
 Manufactured articles	 Tea
 Paper	 Soda ash
 Plastic resin	 Coffee
 Fertilizers	 Copper
 Used garments	 Seeds
 Foodstuff, grains and sugar	 Animal fodder



More than half of imports are destined for hinterland markets, with very low carrier haulage volumes viz similar markets

An example of the Northern Corridor



Source: 2015 Mombasa Port Statistics



Some key enablers to facilitate trade growth

Develop infrastructure



Prevent over-regulation



Industrialization



Digitization



Ease of Doing Business

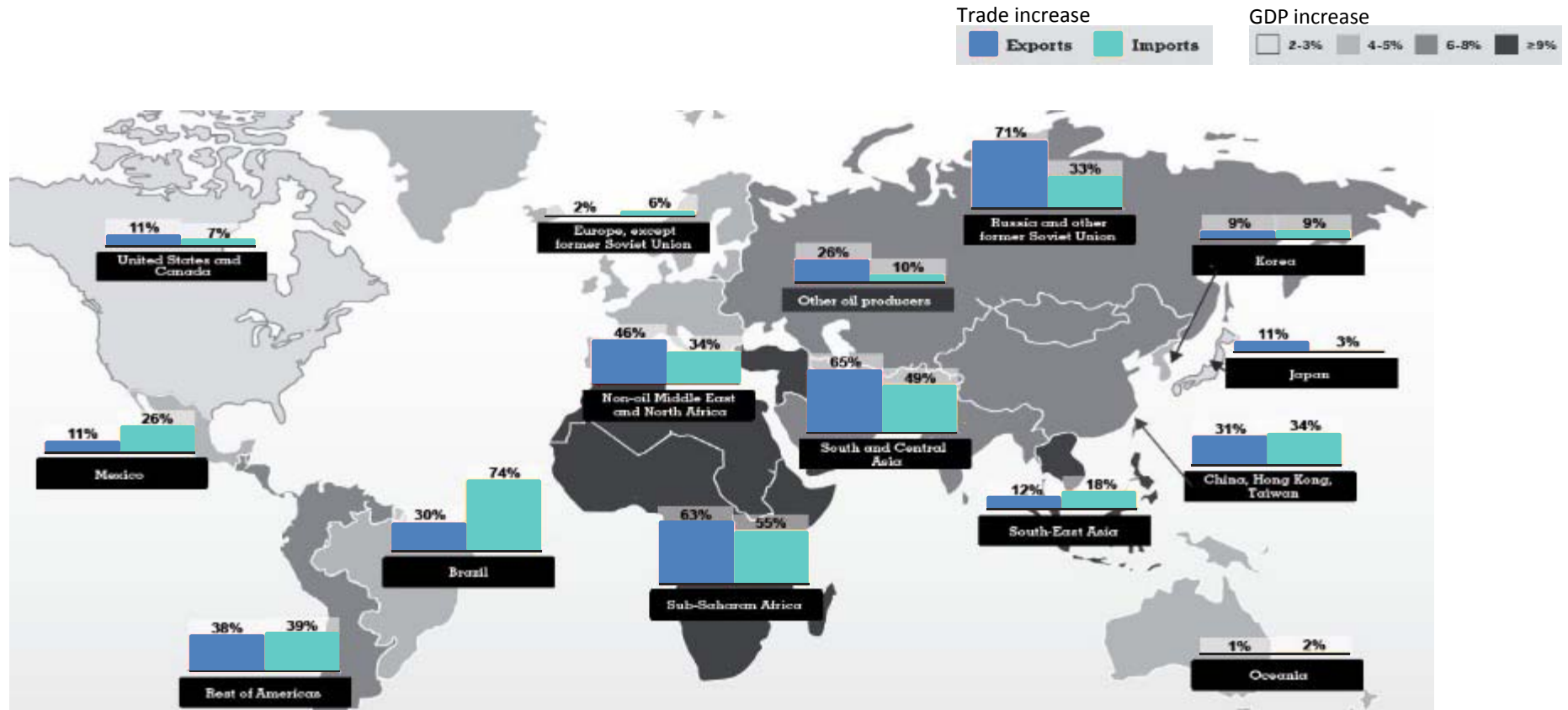


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There remains vast potential for trade facilitation

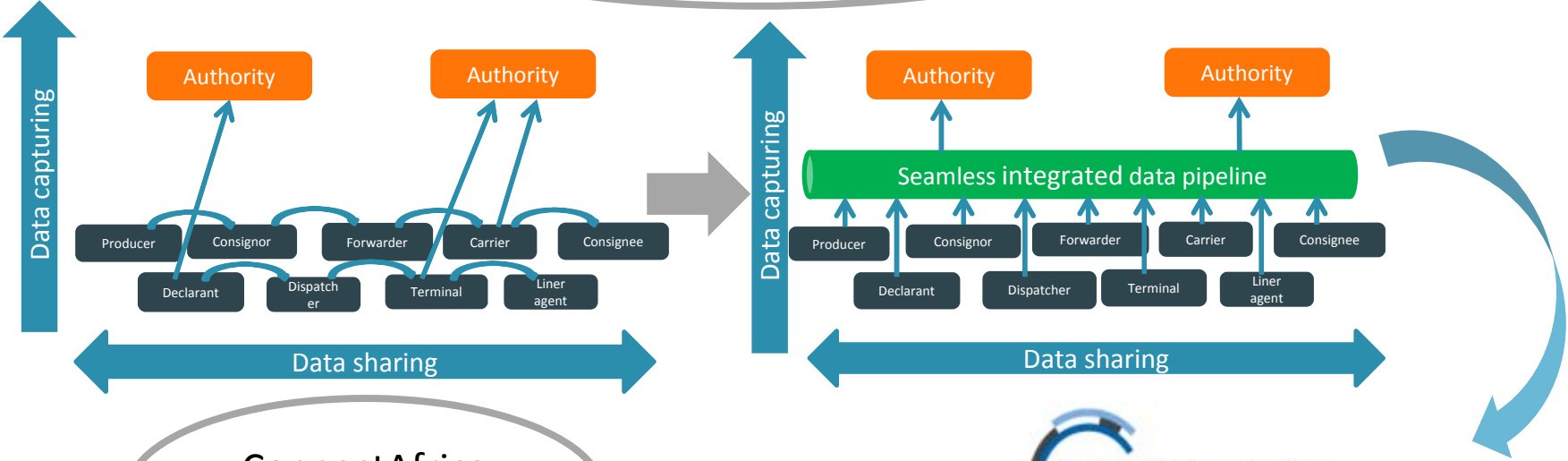


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Some of Maersk Group's digitization interventions

The Shipping Information Pipeline Project



ConnectAfrica Platform



Key takeaways

Shipping enables trade growth, yet industry is delivering negative returns

Eastern Africa holds much untapped potential, with much room for growth, including intermodal

Public and private sectors need to work closer together to unlock growth



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Thank
you



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