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## Recession reports - Global shipping business on downward trend

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According to Lloyd's Marine Intelligence Unit, nearly 10% of the world's merchant ships are swaying gently at anchor because of a collapse in global trade. Since the recession bit hard last autumn, a lot of attention has been paid to the plunge in the Baltic Dry Index, a composite measure of the cost of shipping bulk cargoes such as iron ore and coal.

BDI fell by over 90% between June and October 2008, although it has since recovered slightly and is hovering at just above a quarter of its peak. World trade in general remains in its worst slump for generations, although it too is no longer falling. Two of the biggest shipping banks are in state backed rehab.

On July 28th 2009, Hapag Lloyd secured a EUR 330 million bail out from its shareholders while it seeks up to EUR 1.75 billion to keep it from sinking altogether. Worse, there is a huge supply of new ships on order and due off the slipways over the next four years. For bulk carriers alone, the backlog is equivalent to more than two thirds of existing capacity.

Mr Philippe Louis Dreyfus, departing president of the European Community Shipowners' Associations, has called for an industry wide scrappage scheme to shrink the surplus. Warning of a bloodbath, he said in June that shipping capacity would exceed the needs of the market by between 50% and 70% in the near future.

Analysts at ICAP Shipping Research in London shrug off the idea that there will be a glut, since shipments of cheap Australian coal and iron ore to China have for years been constrained by a lack of big ships. More giant bulk carriers will lower the prices of ores delivered to China and stimulate trade growth.

(Sourced from [www.economist.com](http://www.economist.com))

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