Review of Maritime Transport 2019

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Slower maritime trade growth in 2018-2019
Maritime transport remains the backbone of international trade and manufacturing supply chains

Over 80% of world merchandise trade by volume was carried by sea in 2018

However, it lost momentum in 2018, owing to:
- Softer economic conditions
- Heightened uncertainty
- Wide-ranging downside risks
International maritime trade growth slowed down in 2018

✓ International maritime trade volumes grew by 2.7% (2018)
  • Growth at a lower pace
    o Below the historical average of 3% (1970-2017) and 4.1% (2017)

✓ Volumes reached 11 billion tons
Participation of developing countries in international maritime trade, % share in tonnage

China not included
A slowdown in containerized trade growth = Lower growth in port traffic

- Global container port throughput handled 793.26 million TEU
  - Additional cargo volumes handled in 2018 (35.3 million TEUs over 2017)

<table>
<thead>
<tr>
<th>Year</th>
<th>Containerized trade growth</th>
<th>Container port throughput growth</th>
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</thead>
<tbody>
<tr>
<td>2017</td>
<td>6%</td>
<td>6.7%</td>
</tr>
<tr>
<td>2018</td>
<td>2.6%</td>
<td>4.7%</td>
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Trade tensions: A downside risk to maritime trade and a disruption to supply chains

- Less than 2.0% of global maritime trade by volume is subject to tariffs
- Grain, containerized trade and steel products to be affected the most
- Product and supplier substitution and trade diversion

- Some China-based manufacturing moving to new locations in South-East Asia
- Supply chain restructuring implies potential shift in:
  - Routing
  - Shipping networks and configuration
  - Service levels and frequency
  - Port call coverage
  - Connectivity
Maritime trade projected to grow in 2019-2024 period, amid uncertainty

- **Belt & Road Initiative**
  - Potential to generate trade volumes and improve connectivity
- **Growth in developing economies**
  - New demand patterns and consumption needs
- **Energy transition and shift in mix**
  - Potential new cargoes and shift in trade patterns
- **Trade deals**
  - New deals and those in the pipeline

On the upside

- **2017**
  - +4.1% Annual growth
- **2018**
  - +2.7% Annual growth
- **2019**
  - +2.6% Annual growth
- **2019-2024**
  - +3.4 Average annual growth
Heightened uncertainty ahead

- Accelerated environmental agenda
- 2020 IMO Sulphur cap and fuel economics
- Climate change impacts and adaptation
- Trade policy crosscurrents
- Geopolitics
- Shifts in globalization patterns
- Technological disruptions

Trends & uncertainty drivers

- Environmental concerns: air pollution and climate change
- Fuel economics
- United States-China trade tensions
- Shifts in globalization patterns
- Geopolitics
- Strategic maritime chokepoint
- Strait of Hormuz
Persistent oversupplied global ship capacity
Global fleet: Oversupply of ship carrying capacity despite decline in fleet growth

- Reflecting rising popularity of LNG as a more environmentally friendly fossil fuel, gas carriers recorded the heightened growth rate (7.25%)

- Container fleet continued to growth (+5%)

- Chemical tankers and bulk carriers have shown stable growth, unlike the oil tanker segment, which saw declining growth

- Capacity in chemical tankers up by 4.14% & bulk carriers by 2.87%. Capacity in oil tankers contracted (-0.98 %).
Ship demolition: Making ship recycling more environmentally friendly and safer

- Bangladesh, India, Pakistan, & Turkey leading countries in 2018
- China significantly reduced its imports of ships for demolition
Increased importance of environmental sustainability and technology
A larger role played by technology and services

Autonomous ships may soon become a reality

- Changes in skills’ requirements for jobs
- Potential increase in shore-based jobs and reductions in the number of crew on board vessels
- Requirement for seafarers to have new/different skills and knowledge (safety, efficiency)
- Women may enjoy increased opportunities to pursue a maritime career.
IMO 2020: a costly transition fraught with uncertainty

The new 0.50% limit on sulphur in ships’ fuel oil (down from 3.50%) will be in force globally from 1 January 2020.
Greater interlinkages between oceans, climate change and sustainable development

• Reducing global emissions from shipping
  • 4th IMO Greenhouse Gas emissions study (2020)
  • IMO strategy on the reduction of GHG from ships

• Climate-risk assessment, adaptation and resilience building of coastal transport infrastructure
  • An emerging policy concern
An emerging need:
Growing demand for performance monitoring, tracking, reporting and benchmarking
5 of the top 10 most connected economies are in Asia, 4 are in Europe and 1 is in North America.

Since 2006, the most connected country – China – has improved its index by 51%.

The average index increased by 24%.

The lowest index value recorded in 2019 was below the lowest index value recorded in 2006.

Growing connectivity divide: least connected countries including several SIDS, saw very little improvement over 2006-2019.

- Countries’ geographical position is a given, but connectivity is not.

- Port and shipping operations can improve shipping connectivity by leveraging, for example, digitalization and next generation technologies for efficiency and productivity gains.
Reducing port waiting time may involve a portfolio of measures, including call optimization solutions, trade and transport facilitation, and improved cargo handling services.
In conclusion
The maritime transport landscape is changing and shifting towards a new normal. The effects of the changing course permeate all aspects of shipping: demand (maritime trade), supply (ships and ports), markets (rates) and the relevant regulatory and legal frameworks.

- **Shift in globalization patterns:** Regionalization of trade flows & supply chains, greater role of services and technology in manufacturing and production processes.
- **Moderated economic & merchandise trade growth** compared with growth rates seen prior to 2009.
- **Changes in China’s economy** and its role in driving international maritime trade growth.
- **Accelerated environmental agenda, Energy transition and Climate risks and disruptions to transport networks.**
- **Greater role of next generation technologies in maritime transport.** Scale is not the only driver of value (technologies and intangibles).
• UNCTAD Review of Maritime Transport:
  • http://unctad.org/rmt
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• Maritime Statistics:
  • http://stats.unctad.org/Maritime
  • Maritime transport profiles

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