

Maersk does not see shipping sector recovery before 2010

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Denmark's AP Moller-Maersk, the world's largest container line, said yesterday the shipping industry was unlikely to recover before the end of next year and it had no plans to try and buy smaller rivals.

"Right now, we are not looking at acquisitions," Maersk Chief Executive Nils S Andersen told reporters at a media cocktail reception in Singapore.

Andersen said the Danish firm expects to report a good set of full-year earnings for 2008, but did not give details.

The outlook for the industry was "very tough", but freight rates were probably near the bottom after coming down sharply in recent months, he added.

Shipping lines have cut staff and mothballed ships to cope with over capacity and falling trade volumes as more economies fall into recession, depressing demand for goods.

International Freightling Weekly, an industry publication, estimates freight rates for cargo between Europe and Asia have plunged to around \$250 per twenty-foot-equivalent unit (TEU) from \$1,500 per TEU in May last year.

"This year will be very tough. If an improvement comes before the end of 2010, we will be positively surprised," Andersen said.

Maersk last month said it would remove eight container vessels from service, while rivals Mediterranean Shipping and CMA CGM, the world's number two and three container shippers, have cut several routes linking Europe and Asia.

Singapore's Neptune Orient Lines, the industry's seventh-largest player, said in November it would reduce 1,000 jobs, or nine per cent of its workforce, as the shipping sector was facing a prolonged downturn.

Andersen said major shipping lines will likely continue laying up ships in 2009 to reduce capacity.

Maersk, which also pumps oil from the North Sea, Qatar, Algeria and Kazakhstan, posted a 39 per cent rise in net profit to 17.7 billion Danish crowns, or Dh13.2bn, for the first nine months of 2008 but warned of an uncertain outlook.

Shares of Maersk fell 2.7 per cent in early European trade yesterday. The stock lost around 18 per cent in the three months through Monday and some 36 per cent over the last year as recession fears and the fast spreading financial crisis sparked a global equity market rout.

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