

# REPORT ON WORLD MERCHANT FLEET AND WORLD TRADE

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 **Swiss Re**  
Corporate Solutions

  
**IUMI**  
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**2015**

# REPORT OF THE F&F COMMITTEE MEMBERS

- Astrid Seltmann - Nordic, *Secr. and Vice Chairman*
- Darren Farr - U.K.
- David Matcham - U.K.
- Erika Schoch - Alsum
- Henry Newman - U.S.A.
- Javier Alonso - Spain
- Jesse DeCouto - Bermudas
- Joachim ten Eicken - Germany
- Laura Uliana - Italy
- Mathieu Daubin - France
- Patrizia Kern - Switzerland, *Chairman*
- Philip Graham - U.K.
- Tetsuya Watanabe - Japan
- Vivian Ho - Hong Kong

# AGENDA

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- **Update on committee work**
- Macroeconomic development
- Shipping market
- Outlook

# FACTS & FIGURES

## COUNTRY DATA COLLECTION 2014 PREMIUM



Premium volume of all  
countries covered in 2014:  
**32.6 billion USD**

# REPORT OF THE FACTS & FIGURES COMMITTEE UPDATE ON COMMITTEE WORK

- Update World Fleet & Trade September 2015
- Update Global Marine Insurance September 2015
- Fact Sheets September 2015
  
- Hull Repair Cost Index Follow up IUMI Website 2015
- Cargo Index Follow up IUMI Website 2015
  
- Cargo, Hull & Offshore Statistics March 2016

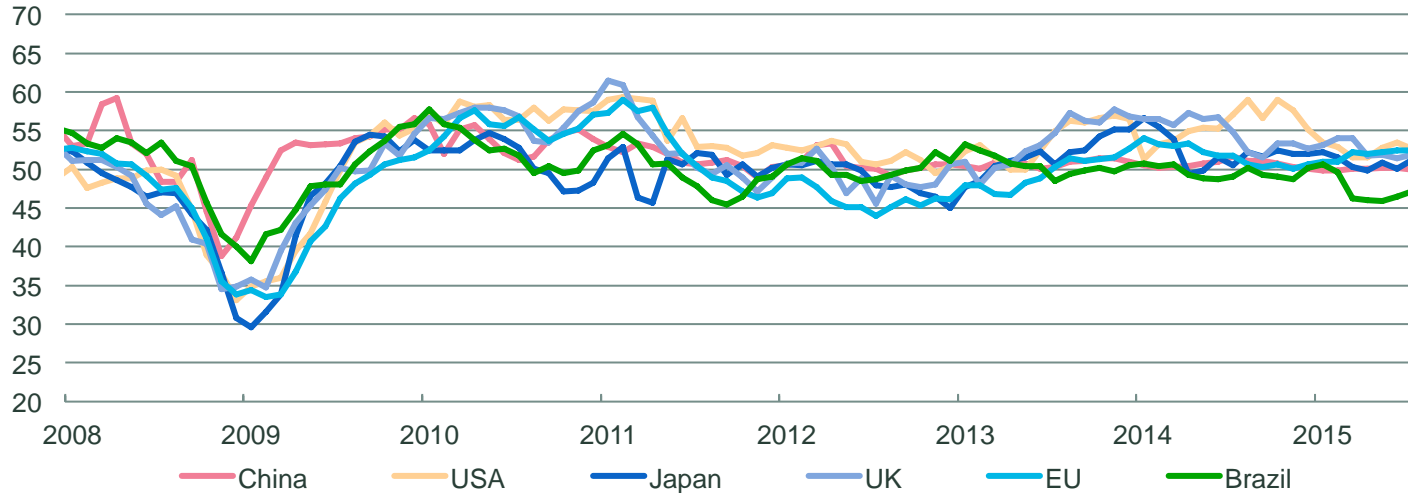
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# ECONOMIC ACTIVITY CONTINUES TO EXPAND, BUT THE GLOBAL RECOVERY REMAINS FRAGILE...

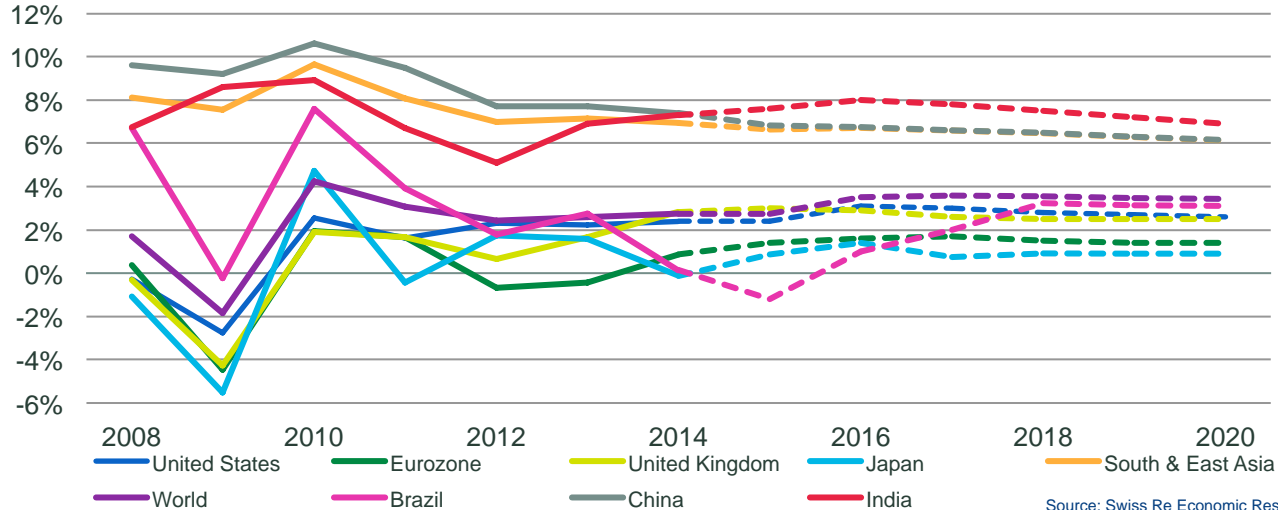
Purchasing Manager Index



- PMIs provide an advance indication of what is really happening in the private sector economy by tracking variables such as output, new orders, stock levels, employment and prices across the manufacturing, construction, retail and service sectors
- PMIs generally indicating expanding activities, but global recovery remains volatile

# ... AS ECONOMIC GROWTH REMAINS UNEVEN ACROSS COUNTRIES ...

GDP real growth forecast



- Adverse weather hit US GDP early in 2015, but the upswing is set to reassert itself based on strengthening domestic consumption and investment
- Eurozone improved but recovery remains weak and fragile considering particular issues with Greece
- Renewed slowdown in some emerging economies although this is expected to be temporary



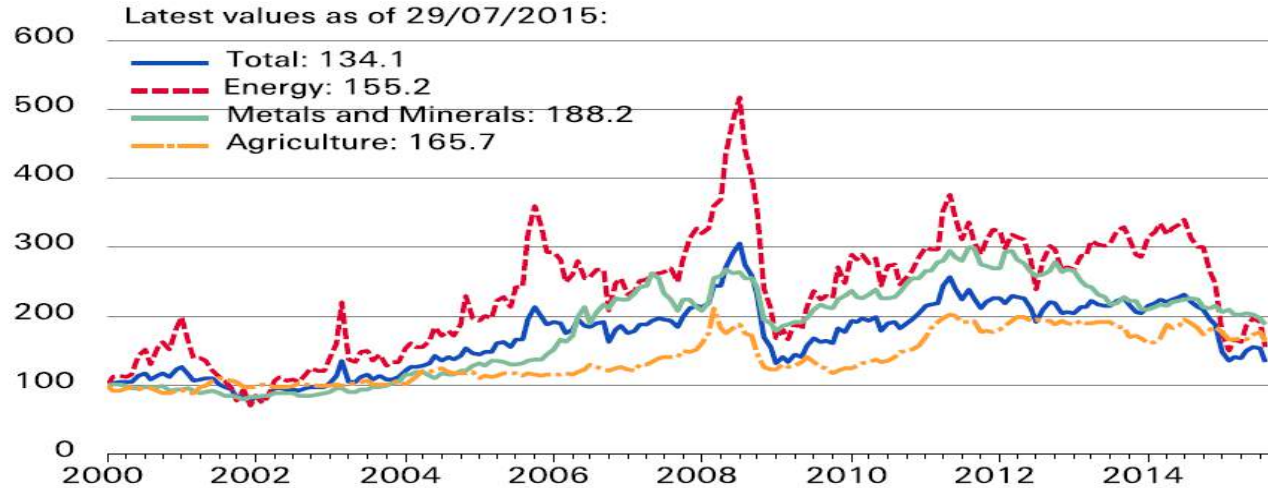
# IN GENERAL ADVANCED MARKETS ARE BETTER OFF THAN EMERGING MARKETS ...



Note: countries' GDP weighted with market exchange rates.

Source: Oxford Economics, WIIW, Swiss Re Economic Research & Consulting.

# SLOWDOWN IN CHINA IS PUTTING PRESSURE ON COMMODITY PRICES

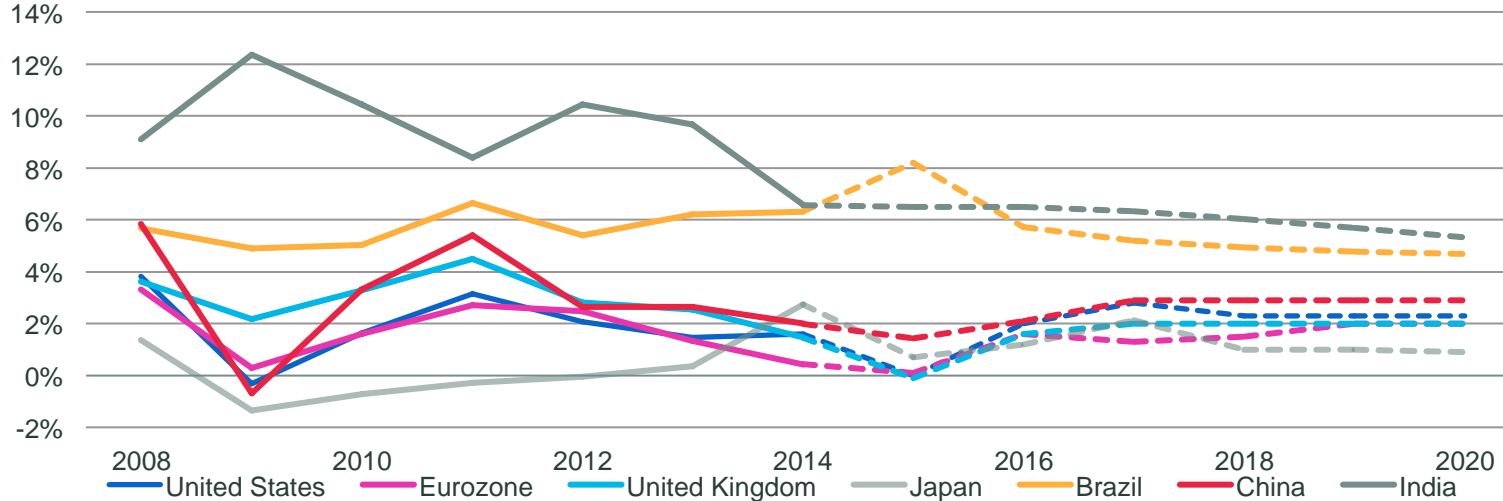


Source: Datastream

- Actual and prospective slowdown in China has reduced commodity demand (especially energy and industrials)
- Ample supply capacity (US shale gas, Saudi Arabia production) despite on-going geopolitical tensions in Maghreb/ Middle East

# ... BUT IS HELPING TO KEEP INFLATION UNDER CONTROL

Inflation (CPI) forecast

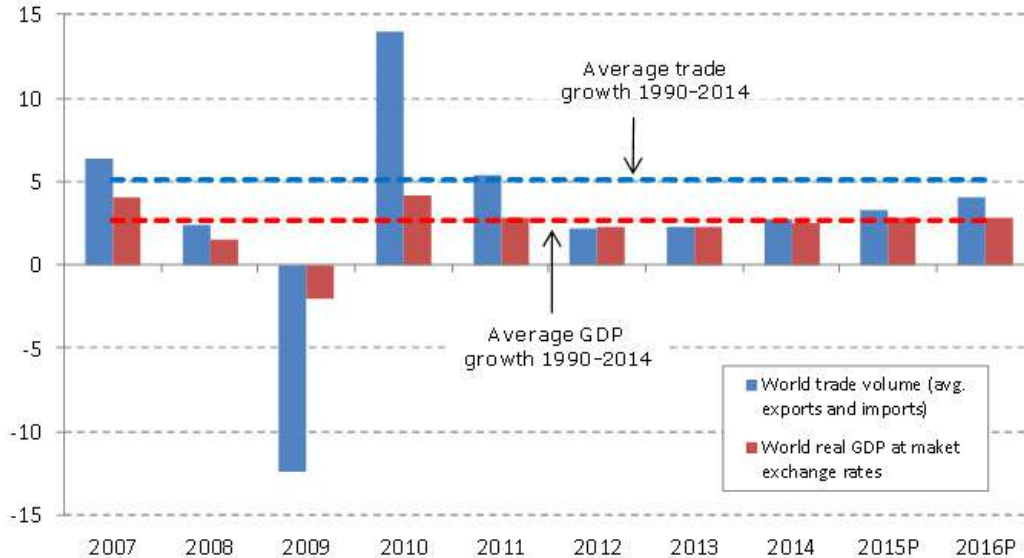


Source: Swiss Re Economic Research & Consulting

- Lower commodity prices are reducing headline inflation
- Given the extent of economic slack in the major economies, inflation is likely to remain contained even as growth continues

## ... WORLD TRADE CONTINUES TO SUFFER ...

Growth in the volume of world merchandise trade and GDP (Annual % change)



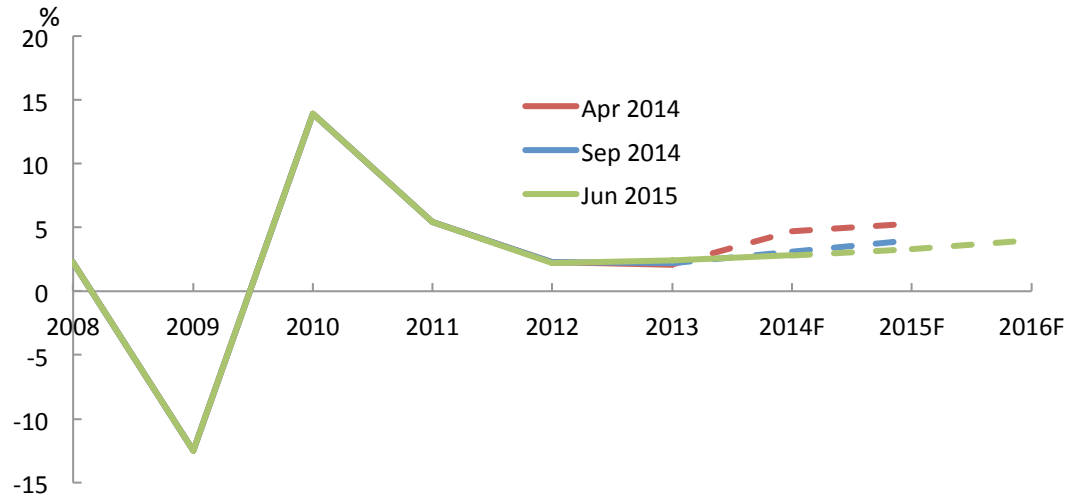
Data as of 2015, 2016: forecast

Source: WTO Secretariat

- The lasting effects of the Euro zone recession
- High unemployment rates in the EU (Germany being the exception)
- Uncertainty regarding the US Federal Reserve's unconventional policies also contributing to the financial volatility of developing countries

# ... HOWEVER PACE OF GROWTH IS SET TO INCREASE...

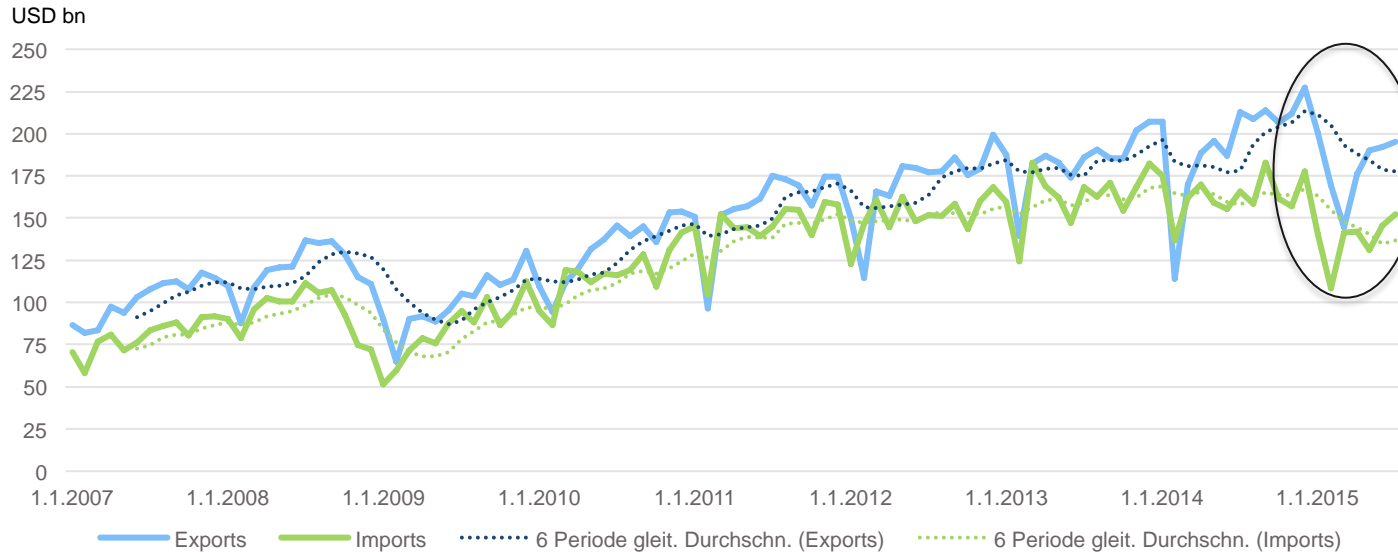
WTO forecasts for growth in world merchandise trade volume



... although near-term upswing likely to be more modest than previously projected

# ... HEAVILY INFLUENCED BY OUTLOOK FOR CHINA

Chinese exports and imports



Source: Swiss Re Economic Research & Consulting

- Chinese imports and exports have continued to fall even though government measures have been put in place to stimulate growth
- Worries that deflation of credit bubble and recent sharp fall in stock market wealth could hit Chinese economy hard
- Real economic growth has already started slowing as China attempts to move away from purely export driven model

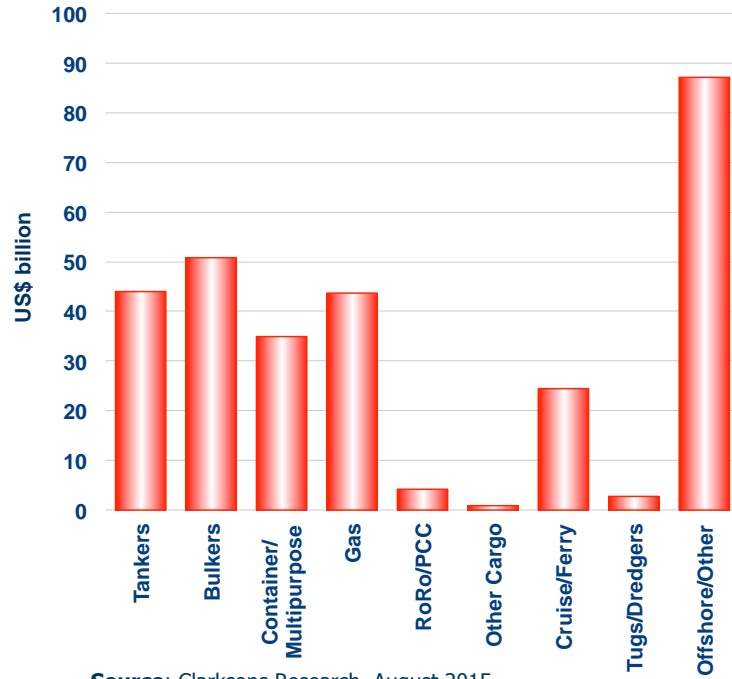
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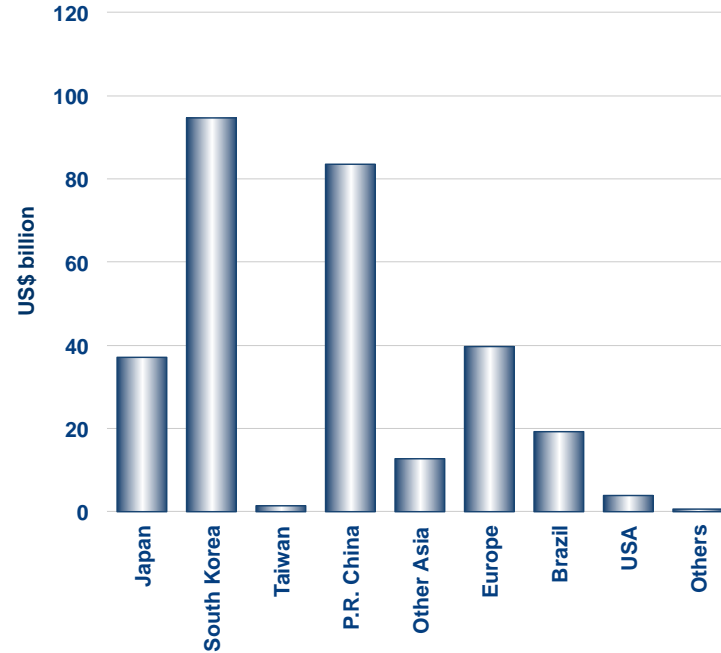
# VALUE OF NEWBUILDINGS

Value of Newbuildings (by Vessel Type)



Source: Clarksons Research, August 2015

Value of Newbuildings (by Country/Region of Build)

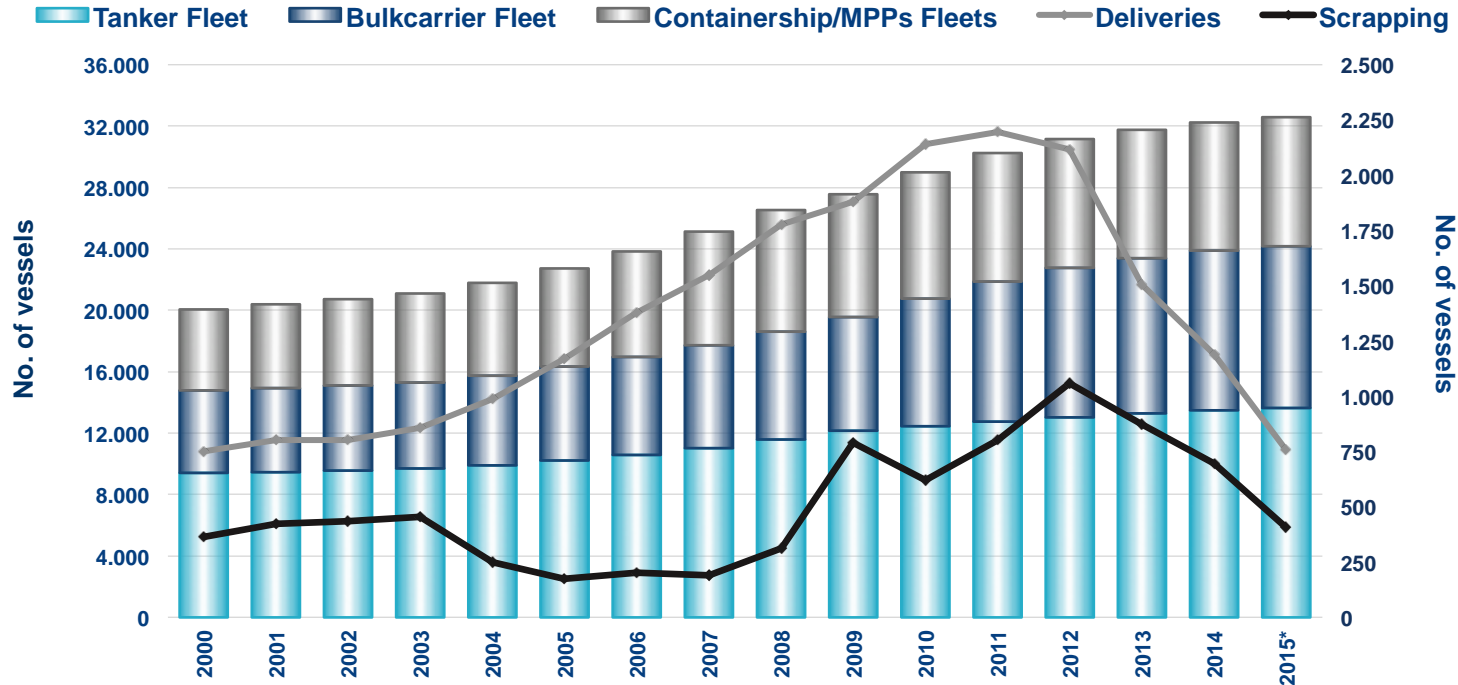


Source: Clarksons Research, August 2015

Total value of Newbuilding orderbook (1st August 2015): US\$292.8 bn (at contracted values).



# TANKER, BULKCARRIER, CONTAINERSHIP AND MULTIPURPOSE FLEETS



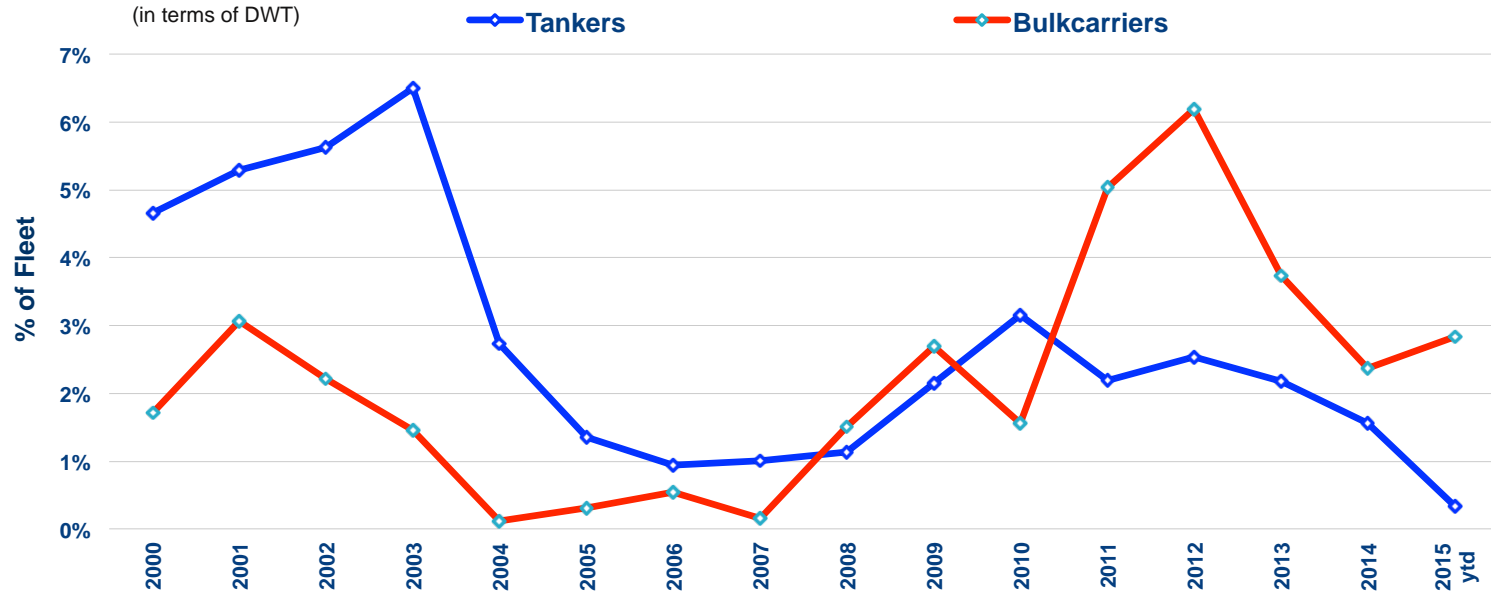
Source: Clarksons Research, August 2015

Note (1): Includes all vessels in these categories above 100 GT.

Note (2): All fleet totals are on the left-hand axis and deliveries and scrapping figures are on the right hand axis. Fleet totals are as at end year; deliveries and scrapping figures are full year totals.

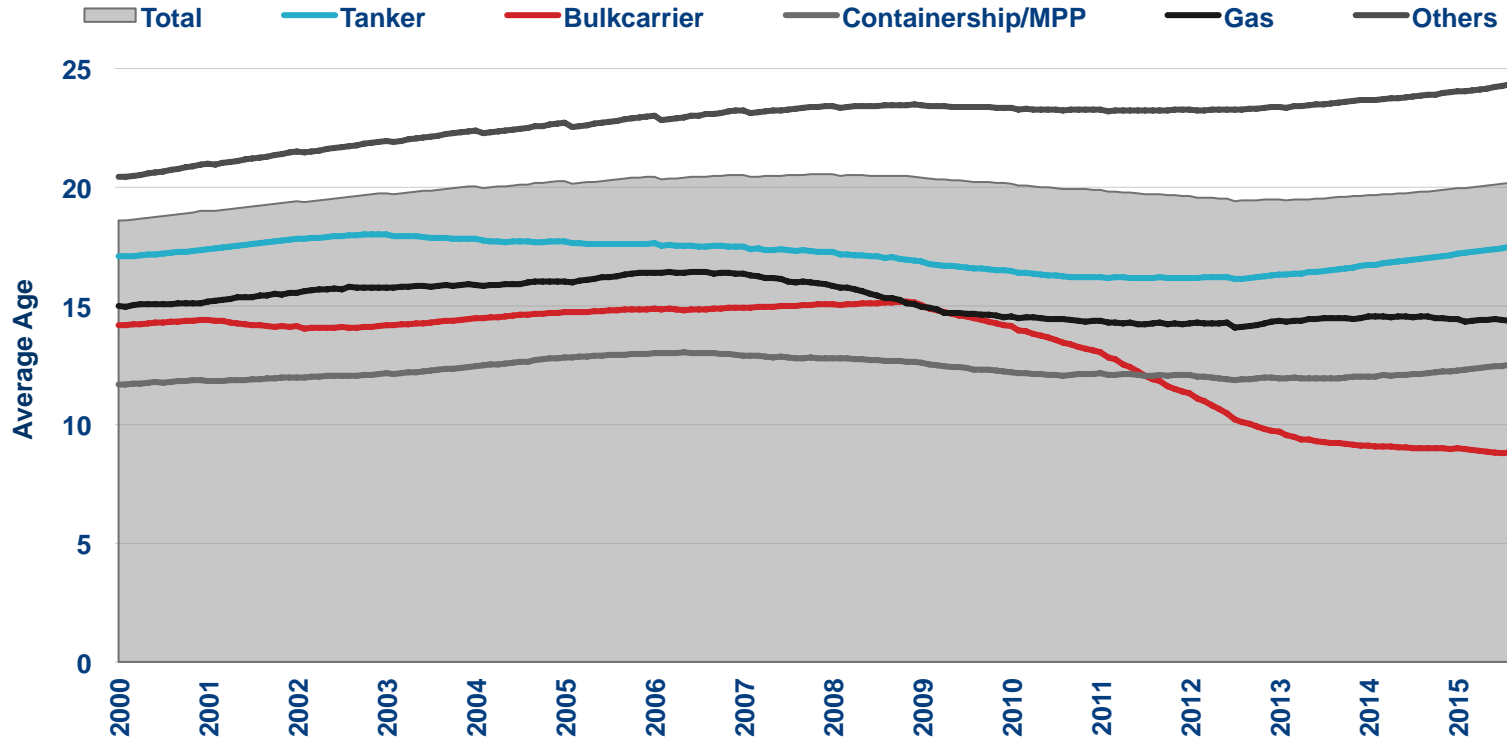
Note (3): 2015 = year to date.

# DEMOLITION AS % OF TANKER AND BULKCARRIER FLEETS



Source: Clarksons Research, August 2015

# AVERAGE AGE OF THE WORLD FLEET 2000-2015



Source: Clarksons Research, August 2015

Note (1): Includes all vessels in these categories above 100 GT.

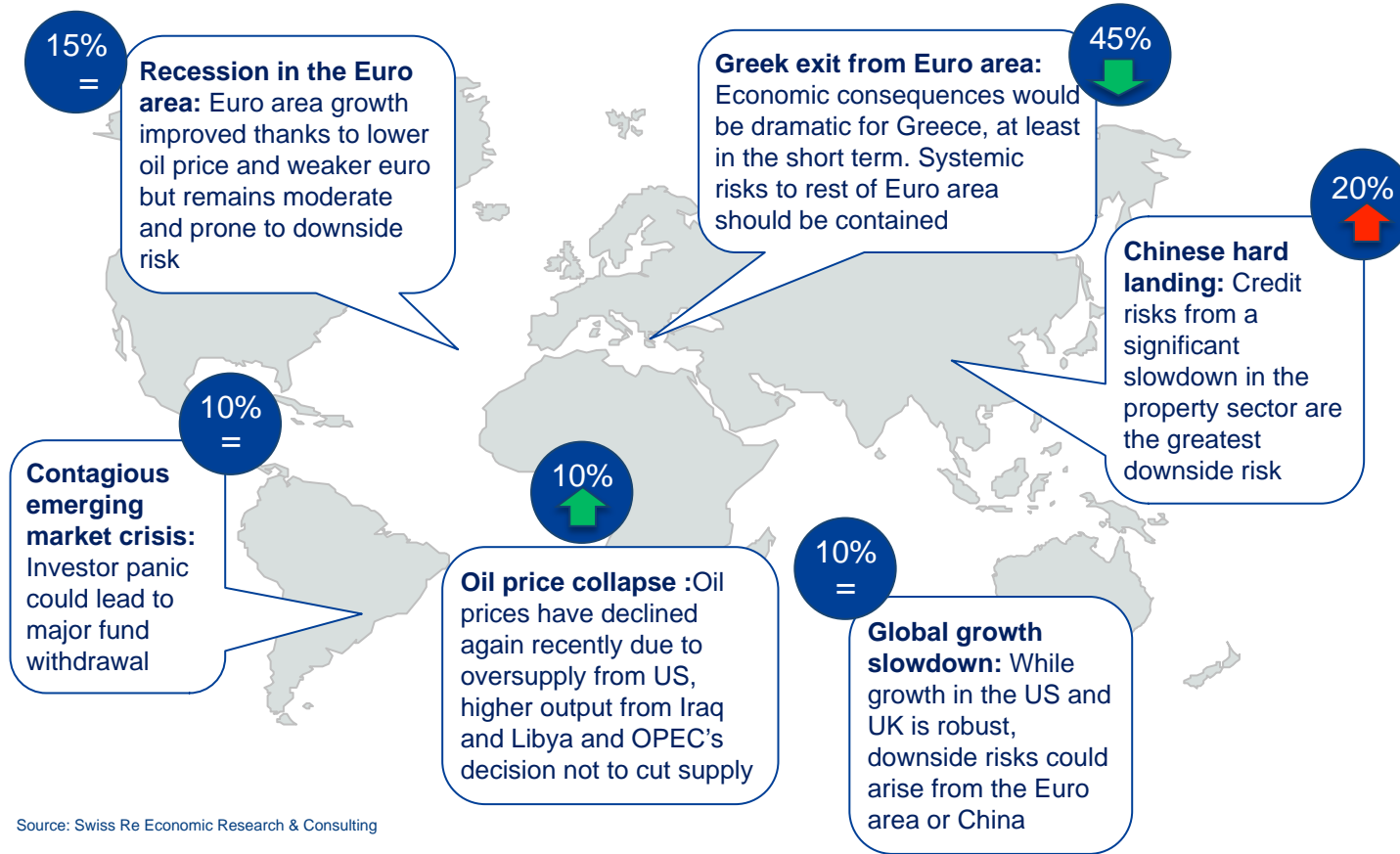
Note (2): Average age is calculated using number of vessels. Calculations are based on year and month of build.

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# THREAT OF GLOBAL FINANCIAL RISKS ADD TO INSTABILITY OF MARKET ENVIRONMENT ...



# ... CONTRIBUTING TO RECENT M&A ACTIVITIES WHICH ARE EXPECTED TO CONTINUE

Deal	Transaction Rationale
<b>Ren Re / Platinum Re</b> (Closed)	<ul style="list-style-type: none"> <li>Expand product offerings, significantly increase RenRe's presence and scale in the U.S.</li> <li>The acquisition will add approx. one-third of additional premiums to RenRe</li> </ul>
<b>XL / Catlin</b> (Closed)	<ul style="list-style-type: none"> <li>Adds scale, additional Lloyd's presence and numerous additional underwriting hubs</li> <li>Increases XL's P&amp;C re/insurance portfolio to over USD13bn and creates a combined company worth ~ USD11.5bn</li> </ul>
<b>Endurance / Montpelier</b>	<ul style="list-style-type: none"> <li>Adds a Lloyd's platform as well as a third party capital management franchise</li> <li>Stronger balance sheet, better positioned to pursue growth, withstand volatility and manage capital</li> </ul>
<b>Brit / Fairfax</b>	<ul style="list-style-type: none"> <li>Diversification of Fairfax's portfolio holdings</li> <li>Brit will continue to operate independently from Fairfax, no synergies expected</li> </ul>
<b>Tokio Marine / HCC</b>	<ul style="list-style-type: none"> <li>Diversify into US market and USD</li> <li>Lift relatively low RoE</li> </ul>
<b>ACE / Chubb</b>	<ul style="list-style-type: none"> <li>Transformational deal</li> <li>Creates global P&amp;C "speciality powerhouse" (4<sup>th</sup> largest multi-line globally)</li> </ul>

## WHAT WILL IT MEAN FOR MARINE INSURANCE?

- ❑ Uncertainty seems to be the only constant!
- ❑ Economic growth in advanced economies will probably support premium growth while High Growth Markets (HGM) are slowing down. But the risks to the outlook from a China-led slowdown have increased
- ❑ World trade has remained relatively subdued even as GDP has recovered. It is unclear how far this reflects a structural shift in the trade intensity of production
- ❑ Strong M&A activity in the specialty re/insurance space will translate into
  - 1) further globalization of marine insurance capacity and potentially offer diversification opportunities for specialized players
  - 2) allow talent to move around in the market place and broaden knowledge about new and emerging risks
- ❑ Despite some consolidation in the sector, abundant capital will maintain pressure on pricing, which will restrain premium growth and profits

# THANK YOU

Special thanks to

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