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IRAN

SHIPPING REPORT

INCLUDES 5-YEAR FORECASTS TO 2019

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BMI Industry View

BMI View: *The historic deal agreed between Iran and the P5+1 powers in Vienna on July 14 - assuming it passes through parliaments - will see growth return to the Iranian economy and its shipping sector over the coming years. This recovery will not be immediate and there remain significant challenges to growth in the near term. The general trend is that Brent crude will average considerably less than in recent years - we forecast an average of USD59 per barrel in 2015 - meaning that the economic boost from easing sanctions will be limited. Iranian consumers will continue to be under pressure, and a massive ramp up in containerised goods imports is unlikely. However, as real GDP growth in the country picks up, we expect pent-up demand from the growing middle class in the Middle East's largest population to drive growth in imports of containerised consumer goods.*

Headline Industry Data

- 2016 port of Bandar Abbas throughput forecast to grow by 6.3%, and average growth of 7.3% to 2020.
- 2020 port of Bandar Abbas throughput expected to reach 2.4mn twenty-foot equivalent units (TEUs) - although this is still insufficient to match 2011 volumes.
- 2016 total real trade is forecast to grow by 1.5%.

Key Industry Trends

IRISL Introduces New Service To Link Iran And Russia

In 2015 a subsidiary of IRISL introduced new regular shipping services across the Caspian Sea to connect Iranian ports with Russia and Kazakhstan. The company will carry six sailings a month on the new services. Soon the company will be launching new services to other parts of the world, as it is likely that sanctions against the firm will be removed in early 2015. According to company chairman Mohammad Saeidi, IRISL has plans to expand the container shipping fleet by 579,000 TEUs, add 2mn DWT worth of dry bulk shipping capacity and 1.6mn DWT of tankers by 2020. This will support the expected resurgence in the Iranian economy and boost volumes at the port of Bandar Abbas.

Talks With Insurance Companies Underway

It was reported in October 2015 that NITC's director of commerce had revealed that the tanker company had initiated talks with European insurers, as a result of easing sanctions against the firm, and against the Iranian oil and gas sector more generally. The loss of insurance was one of the key factors that hampered

NITC's activities in the years 2012 to 2015, as there are few insurance markets in the world that do utilise London's reinsurance market in some way.

Key Risks To Outlook

There are serious risks to all our forecasts for Iranian shipping, just as there are to our macroeconomic outlook for the country. Our forecasts are at present predicated on the expectation that the Vienna agreement presages a new period of cooperation with the international community, and a re-admittance into financial markets and a removal of sanctions. This would entail a recovery in the Iranian economy, and a massive pick-up in volumes handled at the country's ports, in addition to freedom to operate for Iranian shipping companies. However, any renewed breakdown in the agreement would see sanctions re-imposed and our forecasts re-evaluated.

SWOT

Shipping

Iran Shipping Industry SWOT Analysis	
Strengths	▪ The port of Bandar Abbas managed to defy the global downturn in shipping and sanctions, posting positive growth in 2009, 2010 and 2011. ▪ Iran's location on the Gulf allows it access to major shipping lanes between East and West via the Strait of Hormuz. ▪ Iran's navy is involved in protecting Iranian vessels from pirate attacks in the Gulf of Aden.
Weaknesses	▪ The Iranian economy has been seriously weakened by years of harsh sanctions, and massive inflation has reduced demand for imported container goods. ▪ Relations between Iran and the rest of the international community remain fraught.
Opportunities	▪ There is growing rapprochement between Iran and the US and the rest of the international community. ▪ India is developing a port in Iran. ▪ Insurance firms in Europe can once more insure Iranian vessels carrying crude oil, following the lifting of certain sanctions in January 2014. ▪ The removal of sanctions against port operator Tidewater will boost container volumes at Bandar Abbas.

Iran Shipping Industry SWOT Analysis - Continued	
Threats	▪ The threat of conflict in the Strait of Hormuz remains, and Iran has threatened to close the Strait. ▪ Should talks fail once more, then further sanctions imposed by the international community could increase the damage to Iran's trade. ▪ The falling oil price could result in weaker growth at Bandar Abbas than we currently anticipate.

Political

Political SWOT Analysis

Strengths	▪ Since the overthrow of the Pahlavi family in 1979, there has been some reduction in the level of political corruption, while wealth distribution has improved marginally. ▪ The Revolutionary Guard and Basij militia are fiercely loyal to the supreme leader, helping to maintain social stability. ▪ Sanctions relief will boost economic growth notably.
Weaknesses	▪ The country has one of the poorest human rights records in the region, and authorities do not hesitate to quell dissidents. A number of journalists and anti-government protesters are being held in custody. ▪ While decision-making ultimately rests with the supreme leader, the regime is heavily fragmented, and consensus is hard to reach. ▪ Widespread perceptions of electoral fraud during the course of June 2009's presidential elections have damaged the regime's legitimacy in the eyes of many Iranians.
Opportunities	▪ The Majlis (parliament) is more than just a rubber stamp; the move by 150 parliamentarians (out of 290) to hold former president Mahmoud Ahmadinejad accountable for his handling of the economy in March 2012 is a positive indication that checks exist. ▪ The victory of moderate cleric Hassan Rouhani in Presidential elections in June 2013 is leading to a significant improvement in relations with the West. ▪ The long term potential in Iran across a range of sectors is enormous given a large population, well-educated workforce and pent-up demand.
Threats	▪ Despite progress in nuclear talks, the prospect of further US and EU sanctions and the possibility of a military strike by the US or Israel cannot be dismissed. ▪ Youth unemployment is high.

Political SWOT Analysis - Continued	
	▪ The strong influence of the Revolutionary Guards within the political and economic arena will continue to present a challenge to reform.

Economic

Economic SWOT Analysis

Strengths	▪ Iran has the world's second largest proven oil reserves after Saudi Arabia, and the world's second largest proven gas reserves after Russia. ▪ Oil and gas aside, Iran is rich in other resources and has a strong agricultural sector.
Weaknesses	▪ Local consumption of hydrocarbons is rising rapidly; this, coupled with ageing technology in the sector, will have a negative impact on its oil and gas exporting capacity. ▪ International sanctions discourage foreign oil companies from bringing much-needed technical knowledge and equipment to maintain oil output levels.
Opportunities	▪ The gas sector remains underdeveloped despite significant improvements in recent quarters, and there is considerable room to maximise this source of revenue. ▪ A shortage of housing, provides opportunities for investment in residential construction.
Threats	▪ Lower oil prices will have a marked impact on the economy. Although an Oil Stabilisation Fund exists to protect the economy at times of weaker oil prices, it has increasingly been used to fund government overspending and could be close to empty. ▪ Capital flight could accelerate should negotiations on the nuclear programme fail.

Operational Risk

SWOT Analysis

Strengths	▪ Iran boasts high numbers of skilled graduates in technical fields such as engineering, construction and science. ▪ The transport network offers good internal and cross-border connections, and is currently able to meet the country's supply chain needs. ▪ The banking sector is relatively well developed, allowing extension of finance and credit to citizens. ▪ A well established intelligence agency and robust counter-terrorist capabilities deter attacks in most areas of the country.
Weaknesses	▪ Costs of employment are increases because the Iranian Labour Code affords workers a high level of protection and generous benefits. ▪ The costs of inland transportation, as well as the risk of congestion and traffic accidents disrupting supply chains, is raised due to reliance on the road network as the dominant freight mode. ▪ There is widespread corruption and heavy handed censorship, which will pose unforeseeable operational costs and limit business activities. ▪ The expansion of IS in Iraq poses a significant risk to Iran's security.
Opportunities	▪ The literacy rate of the labour force is increasing as the benefits of investment in primary school education are filtering through. ▪ The development of road and rail connections with Iran's neighbours highlights the country's potential to develop into key transit point for East-West trade. ▪ Relaxing of sanctions is resulting in greater foreign direct investment inflows. ▪ There is potential to combat the drug supply into Europe through programmes in Iran.

SWOT Analysis - Continued	
Threats	▪ The availability of highly skilled labour is restricted as the brain drain results in an exodus of technically qualified workers. ▪ The risk of electricity and water shortages will be enhanced due to growth in energy- and water-intensive agricultural, mining and manufacturing industries. ▪ Lax intellectual property protection carries the threat of patent theft, fraud or infringement, leading to profit losses. ▪ Even if sanctions are lifted, the difficult operating environment in Iran, typified by high taxes and widespread corruption, will continue to deter investors.

Industry Forecast

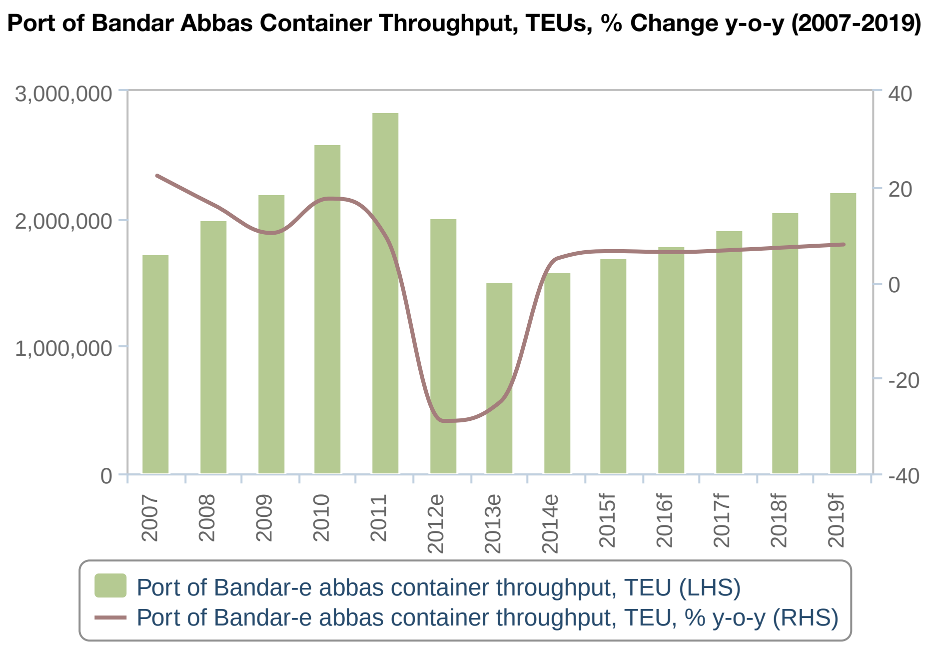
Port Of Bandar Abbas Throughput

Short Term: Agreement Will Boost Throughput

Things are looking up for the Iranian port of Bandar Abbas, which until the imposition of sanctions - aimed both at the port itself and Iran and its shipping companies in general - had been enjoying rapid growth; container throughput expanded by 9.5% in 2011, but underwent significant declines in 2012 and 2013. We forecast that growth will come in at 6.3% in 2016, which, while not quite to the pre-sanctions level, will cement a return to positive figures. If realised, our projection would see 1.80mn twenty-foot equivalent units (TEUs) handled at the facility by year-end. A far cry from the 2.84mn TEUs handled in 2011, but the trend is now at least positive once more.

The key factor behind the change in fortunes for Bandar Abbas is the upcoming rollback of sanctions against the country. The removal of almost all sanctions on Iran's economy - which we expect to occur in H116 - will cause a significant uptick in economic growth over the coming years, reaching between 3% and 6%. We expect Iran's economy to emerge from recession as the country complies with demands on its nuclear programme. Iran has huge potential across almost all sectors, not just oil and gas which attracts most of the attention, but also autos and food and drink, which will both benefit the container trade at Bandar Abbas.

Port of Bandar Abbas Container Throughput



e/f = BMI estimate/forecast. Source: Tidewater, BMI

Pent-up demand, a youthful population, a skilled workforce, and a large hydrocarbon and consumer story all make Iran one of the most positive and relatively well-balanced growth stories in the Middle East over the next decade.

Our forecast for growth is predicated not only on the macroeconomic outlook, but also on fundamentals regarding the port itself. A relaxing of shipping sanctions in H214 has already prompted some container lines to resume their Iran operations, with five Asian lines reported to have added Iran once more as a port of call. **BMI** believes that with the country being welcomed back into the global community, major shipping lines start to return; a re-entry period of 2016 seems likely. The seizure of the *Maersk Tigris* in April 2015 may still sour Iran's relations with the world's largest container line **Maesrk Line**, but for the moment talks are ongoing between the company and Iran's Port's & Maritime Organisation (PMO) and so the cargo dispute might yet still be solved amicably.

A projected increase in the number of container lines serving Iran will improve the country's connectivity to global trade routes and will lead to a decrease in import and export costs. The sanctions and resulting decrease in calls from global shipping lines has led to a considerable reduction in Iran's connections to shipping routes. This drop is best displayed by the UNCTADstat Liner Connectivity Index, which measures a country's integration level into global liner shipping networks. Iran achieved its highest position on this Index in 2010, with a score of 30.73 out of 143.57. In the following years, with the onset of sanctions, Iran's score continually decreased, dropping to its lowest-ever point of 5.85 out of 165.05 in 2014, but it began to pick up once more in 2015, rising to 11.91. **BMI** believes that Iran's connectivity score will continue to improve in the coming years.

Medium-Term: An Improving Outlook

Over our forecast period from 2016 to 2020, we project that annual container throughput growth at Bandar Abbas will average growth of 7.3% per annum. This would take 2020's handling figure to 2.41mn TEUs. We note that the forecast average growth rate is considerably less than the 13.0% average between 2007 and 2011, and is indicative of the continuing structural challenges to the Iranian economic recovery.

This outlook would make the work currently being undertaken at the port look premature. The port's capacity is being doubled to 6mn TEUs a year from the current 3mn. Given our pessimistic forecast, we do not believe the existing capacity will be changed for some time to come, let alone that a capacity of 6mn TEUs is warranted. However, given the previous expansion record at the port, with consecutive years of double-digit growth, it is possible this will be needed in the future.

There is some upside for the port. Bandar Abbas is set to become the biggest cotton transit terminal for Central Asia, following the establishment of a private sector loading and offloading unit. The authorities have completed 3km of railroads and work on the remaining 3km is 40% complete, according to Ali Estiri, the head of the Ports and Shipping Office in Hormuzgan province. The facility is set to cost IRR280bn (USD22.44mn) and will have loading and offloading capacity of 800,000 tonnes of cotton annually. The goods, including cotton, minerals, mazott, chemical fertilisers, oil derivatives and aluminium, will be transported to South East Asia and Persian Gulf countries.

This growth at Bandar Abbas will be amply supported by the expansion plans of national container shipping line IRISL. According to chairman Mohammad Saeidi, the company has plans to expand the container shipping fleet by 579,000 TEUs, add 2mn DWT worth of dry bulk shipping capacity, and 1.6mn DWT of tankers by 2020.

Long-Term: Dependent On Ongoing Rapprochement

The long-term outlook for Bandar Abbas depends on how the current rapprochement plays out. Should the Iranian government continue to comply by the terms of the Vienna agreement, then a pick-up in growth at Bandar Abbas is assured as it caters to the pent-up demand of a sizeable middle class in the Middle East's largest population. However, should there be a setback, the result could be worse than the situation prior to this most recent thawing of relations. Sanctions could be escalated, hitting the Iranian economy, pushing up inflation and driving down throughput at Bandar Abbas.

Table: Major Ports Data (Iran 2012-2019)

	2012e	2013e	2014e	2015f	2016f	2017f	2018f	2019f
Port of Bandar-e abbas container throughput, TEU	2,014,751	1,511,063	1,586,767	1,689,590	1,796,034	1,917,087	2,057,609	2,219,955
Port of Bandar-e abbas container throughput, TEU, % y-o-y	-29.0	-25.0	5.0	6.5	6.3	6.7	7.3	7.9

e/f = BMI estimate/forecast. Source: Tidewater, BMI.

Table: Trade Overview (Iran 2012-2019)

	2012	2013	2014e	2015f	2016f	2017f	2018f	2019f
Real import growth, % y-o-y	-16.11	-15.99	-5.00	-1.00	1.00	2.00	3.00	4.00
Real export growth, % y-o-y	-13.26	5.00	3.00	0.20	2.00	3.00	3.00	4.00
Real total trade growth, % y-o-y	-14.68	-5.49	-1.00	-0.40	1.50	2.50	3.00	4.00
Imports, USDbn	89.72	97.25	104.93	113.01	121.72	131.11	141.24	152.16
Import growth, % y-o-y	9.15	8.39	7.90	7.70	7.71	7.72	7.72	7.73
Exports, USDbn	111.42	120.25	128.85	138.33	148.79	160.29	172.83	186.43
Export growth, % y-o-y	8.17	7.93	7.15	7.35	7.56	7.73	7.82	7.87
Total trade, USDbn	201.14	217.50	233.78	251.34	270.51	291.41	314.07	338.59
Total trade growth, % y-o-y	8.61	8.14	7.48	7.51	7.63	7.72	7.78	7.81

e/f = BMI estimate/forecast. Source: UN, BMI.

Table: Key Trade Indicators (Iran 2012-2019)

	2012	2013	2014e	2015f	2016f	2017f	2018f	2019f
Agricultural raw materials, exports, USDmn	348	313	301	277	279	282	286	290
Agricultural raw materials, exports, % y-o-y	-19.8	-10.0	-3.8	-8.0	0.9	1.1	1.3	1.2
Agricultural raw materials, imports, USDmn	1,114	964	976	1,007	1,040	1,073	1,119	1,167
Agricultural raw materials, imports, % y-o-y	-28.6	-13.4	1.2	3.2	3.2	3.2	4.3	4.3
Ores and metals, exports, USDmn	5,053	4,816	3,135	2,308	2,391	2,495	2,623	2,742
Ores and metals, exports, % y-o-y	-4.5	-4.7	-34.9	-26.4	3.6	4.4	5.1	4.5
Ores and metals, imports, USDmn	927	744	737	696	658	655	660	665
Ores and metals, imports, % y-o-y	12.2	-19.8	-0.8	-5.5	-5.5	-0.5	0.7	0.9
Iron and steel, exports, USDmn	1,331	1,217	1,662	1,755	1,946	2,031	2,119	2,206
Iron and steel, exports, % y-o-y	36.8	-8.5	36.5	5.6	10.9	4.4	4.3	4.1
Iron and steel, imports, USDmn	8,382	6,987	9,540	10,071	11,171	11,659	12,162	12,659
Iron and steel, imports, % y-o-y	-7.3	-16.7	36.5	5.6	10.9	4.4	4.3	4.1
Manufactured goods, exports, USDmn	13,965	13,892	9,319	7,114	7,334	7,612	7,954	8,269
Manufactured goods, exports, % y-o-y	-16.2	-0.5	-32.9	-23.7	3.1	3.8	4.5	4.0
Manufactured goods, imports, USDmn	48,138	41,972	39,854	41,034	42,249	43,500	45,219	47,006
Manufactured goods, imports, % y-o-y	-7.1	-12.8	-5.0	3.0	3.0	3.0	4.0	4.0
Fuels, exports, USDmn	72,273	52,216	60,281	50,594	51,560	52,782	54,284	55,669
Fuels, exports, % y-o-y	-19.6	-27.8	15.4	-16.1	1.9	2.4	2.8	2.6
Fuels, imports, USDmn	2,766	1,722	2,734	2,731	2,728	2,725	2,721	2,716
Fuels, imports, % y-o-y	151.1	-37.7	58.7	-0.1	-0.1	-0.1	-0.2	-0.2

e/f = BMI estimate/forecast. Source: UNCTAD, BMI.

Table: Main Import Partners, 2006-2013

	2006	2007	2008	2009	2010	2011	2012	2013
United Arab Emirates, USDmn	8,980	10,081	14,762	12,629	22,446	28,956	30,767	30,482
United Arab Emirates, USDmn, % of total	22.1	22.3	25.3	25.4	33.8	30.2	33.4	36.3
China, Mainland, USDmn	2,585	3,883	5,122	4,276	5,733	16,277	12,766	15,828
China, Mainland, USDmn, % of total	6.4	8.6	8.8	8.6	8.6	17.0	13.8	18.8
India, USDmn	1,494	1,488	1,918	1,197	1,774	2,821	2,850	5,440
India, USDmn, % of total	3.7	3.3	3.3	2.4	2.7	2.9	3.1	6.5
Korea, Republic Of, USDmn	1,913	2,342	3,118	3,137	3,687	6,686	6,882	4,929

Main Import Partners, 2006-2013 - Continued

	2006	2007	2008	2009	2010	2011	2012	2013
Korea, Republic Of, USDmn, % of total	4.7	5.2	5.3	6.3	5.6	7.0	7.5	5.9
Turkey, USDmn	804	1,147	1,510	1,794	3,806	3,949	10,914	4,612
Turkey, USDmn, % of total	2.0	2.5	2.6	3.6	5.7	4.1	11.8	5.5
TOTAL	40,686	45,168	58,343	49,741	66,395	95,923	92,210	84,080
TOTAL, top 5 countries, USDm	15,776	18,942	26,430	23,032	37,446	58,688	64,180	61,291
% from top 5 trade partners	38.8	41.9	45.3	46.3	56.4	61.2	69.6	72.9

Source: IMF. N.B. Total imports is from Direction of Trade Statistics, consequently there may be some discrepancy with data used elsewhere in this report

Table: Main Export Destinations, 2006-2013

	2006	2007	2008	2009	2010	2011	2012	2013
China, Mainland, USDmn	9,042	12,118	17,801	12,021	16,578	27,514	22,663	23,088
China, Mainland, USDmn, % of total	11.9	13.6	14.9	16.2	16.8	21.2	22.1	26.8
Turkey, USDmn	5,115	6,013	7,454	3,096	6,950	11,329	10,877	9,439
Turkey, USDmn, % of total	6.8	6.7	6.2	4.2	7.0	8.7	10.6	11.0
India, USDmn	5,360	9,176	12,730	9,613	10,101	10,469	12,232	9,094
India, USDmn, % of total	7.1	10.3	10.6	12.9	10.2	8.1	11.9	10.6
Japan, USDmn	9,887	11,599	16,587	8,461	10,147	11,688	7,238	6,305
Japan, USDmn, % of total	13.1	13.0	13.9	11.4	10.3	9.0	7.1	7.3
Korea, Republic Of, USDmn	4,590	5,893	7,476	5,223	6,309	10,303	7,768	5,059
Korea, Republic Of, USDmn, % of total	6.1	6.6	6.2	7.0	6.4	7.9	7.6	5.9
TOTAL	75,738	89,202	119,674	74,374	98,965	129,831	102,558	86,127
TOTAL, top 5 countries, USDm	33,994	44,798	62,048	38,414	50,085	71,302	60,778	52,985
% from top 5 trade partners	44.9	50.2	51.8	51.7	50.6	54.9	59.3	61.5

Source: IMF. N.B. Total exports is from Direction of Trade Statistics, consequently there may be some discrepancy with data used elsewhere in this report

Market Overview

Iran Container Shipping Market Overview

Iran's largest container handling facility is the port of Bandar Abbas, located on the Iranian northern bank of the Strait of Hormuz - the entrance to the Gulf. The facility has little trade as a regional transhipment hub given the well-established Gulf Cooperation Council facilities in the region. Despite this, it has maintained a sizeable throughput and has managed to enjoy strong growth in the years up to 2011. However, with sanctions against Iran taking an ever-greater toll on the country's economy, we believe that the port's growth trajectory came to an end and that 2012 and 2013 were years of huge throughput declines. Nevertheless, we estimate that the recovery began in 2014 and that it will continue in 2015, as growing rapprochement between Iran and the international community has seen sanctions against the country softened.

Key Views

- Iran's score on the Liner Connectivity Index returned to growth in 2015 following recent dramatic falls and will improve further in 2016.
- Islamic Republic of Iran Shipping Lines and its affiliates dominate Iran's container shipping, though they have suffered from numerous sanctions.
- Sanctions have also been directed at Iran's premier container ports, and these will recover following the 2015 rapprochement with the West.
- Demographics bode well for continued growth in containerised imports.

Connectivity Falling

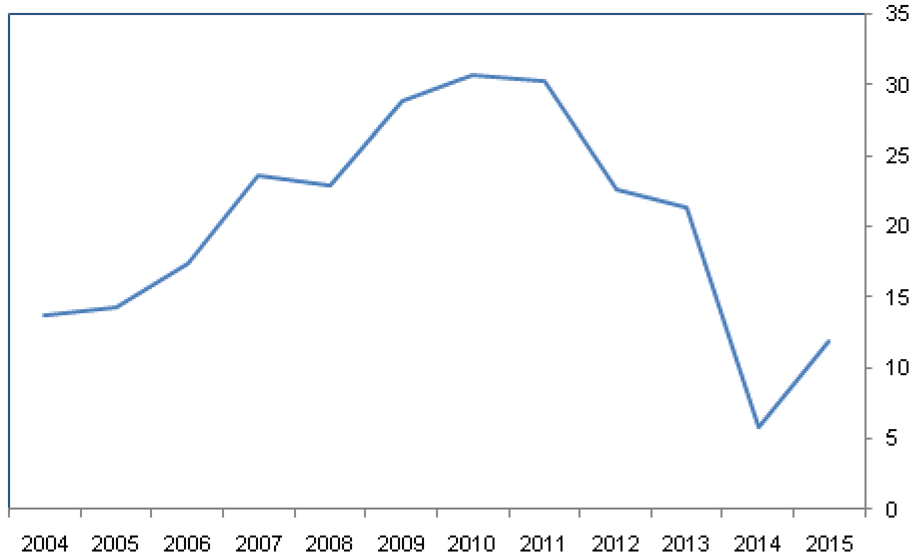
Iran's connectivity with container shipping services returned to growth in 2015, and we expect that this will continue in 2016 and over the next several years, as container shipping companies are now able to serve the country unimpeded by sanctions. Iran's connectivity with container shipping services as measured on UNCTAD's Liner Connectivity Index, had been, in tandem with container throughput at Bandar Abbas, climbing up to 2011. From a score of just 13.69 in 2004, when the index began (with China setting the base rate of 100), Iran's connectivity for container shipping rose to 30.27 in 2011 (having peaked at 30.73 in 2010).

However, in 2012 Iran's score on the Liner Connectivity Index had fallen down to 22.62. This is unsurprising given the escalation in sanctions against the country. The West had been exerting pressure upon the Islamic republic over its nuclear development programme. Although Iran maintains that this is for peaceful, energy purposes only, the concern in the US, EU and UN is that the country is looking to develop nuclear weapons, and sanctions against the country's banking and financial services, oil and gas and transport sectors have been implemented in a bid to prevent a nuclear Iran.

This decline continued in 2013, and took a dive in 2014, dropping to just 5.85, but international shipping firms returned to Iranian ports in 2015, following Iran's agreement with the West and the lifting of sanctions against the country. As a result, Iran's score climbed to 11.91, and we expect further climbs in 2016 and over the coming years, until it once again exceeds 30.

Getting Better Connected

Iran's Liner Connectivity Index Score, 2004-2015



Source: UNCTAD

International Sanctions Easing

The landmark Iranian nuclear agreement reached in Vienna on July 14 brings an end to 20 months of negotiations between Iran and the P5+1 powers (the US, Russia, China, France, the UK and Germany) and paves the way for the return of foreign companies into Iran as early as 2016. The Vienna deal also has significant political, regional and global implications, and will be seen as a core element of US President Barack Obama's foreign policy legacy.

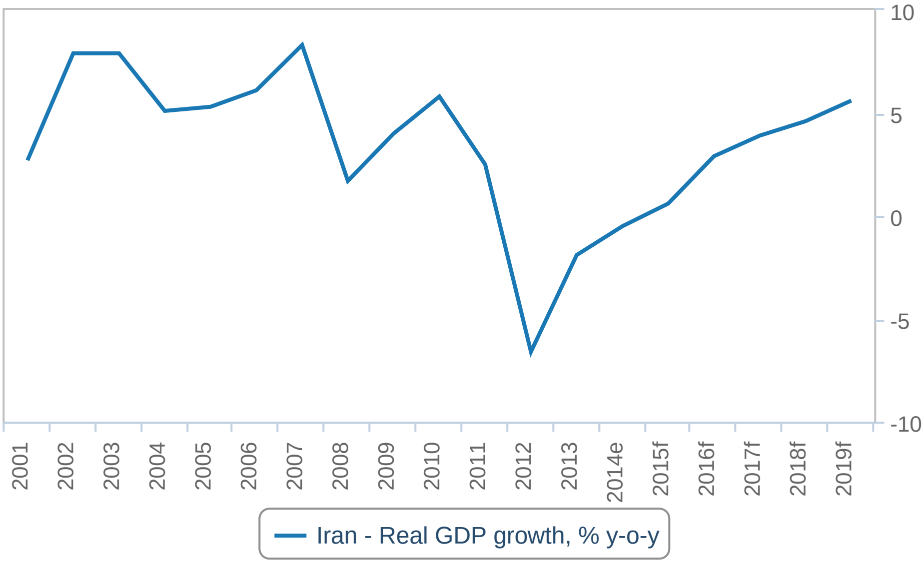
We expect Iran's economy to emerge from recession once the lifting of sanctions begins - yet we warn that significant impediments to growth remain, and the Vienna agreement does not presage a boom. Our forecasts already factored in the impact of sanctions relief, but see the Iranian economy growing by 2.9% by 2016. Consumer and business confidence will be strengthened, and we expect an appreciation of the Iranian rial as well as steady gains in the Tehran stock market. This in particular will provide a boost to Iranian container shipping as pent-up demand for imported consumer goods will be vented.

The easing of financial sanctions will facilitate project finance and attract greater foreign investment, notably in consumer sectors (such as autos, food and drink, and telecoms) and infrastructure. A large and well educated population, high per capita income, and a considerable infrastructure deficit provide significant attractions for foreign investors. Those that already had a presence in Iran prior to the sanctions and have successfully maintained ties with the country in recent years will be the main beneficiaries.

However, we caution against excessive optimism. Even with the gradual relaxation of sanctions, operational and political hurdles remain for foreign companies looking to tap into the Iranian market, and we believe that firms - particularly large Western multinationals - will remain cautious. The difficult operational environment, where corruption, bureaucracy, nepotism, and domestic resistance to opening the economy are rife, will ensure only a slow return of investment. At the same time, low oil prices will ensure weak government spending and private consumption growth. The lack of investment over the past decade will also weigh on growth over the coming years. The longer term trajectory for the rial is negative: the Central Bank's ability to support the currency will eventually be limited by consistent current account and fiscal deficits and this trend will be compounded by a strengthening US dollar versus emerging market currencies.

Struggling Back to Growth

Real GDP growth, % change y-o-y (2001-2019)



e/f = BMI estimate/forecast. Source: UN, BMI

IRISL - Target For Sanctions

Iran's exposure to the container shipping sector is dominated by the country's state-owned shipping line, **Islamic Republic of Iran Shipping Lines** (IRISL), which operates in the dry bulk, general cargo and container shipping sectors. The line's box operations mainly link Asia and Europe to the Arabian Gulf and the Indian subcontinent. The national carrier ensures that rates are kept competitive, with other international lines serving Iran's trade needs.

However, the line's connection to the Iranian state is also its curse and it is normally the first target of sanctions. A set of sanctions agreed in May 2010 called for vigilance against Iran's main international freight transport companies, IRISL and **Iran Air**, with a ban mooted that would make it illegal for countries to harbour vessels suspected of shipping banned goods into Iran. On October 27 2010, the US applied sanctions on 37 'front companies' related to IRISL. According to the US statement, the action 'targets IRISL's complex network of shipping and holding companies and executives and further exposes Iran's use of its national maritime carrier to advance its illicit weapons of mass destruction program and to carry military cargoes'.

This continued up to the end of December 2011, when the US Treasury Department imposed sanctions on 10 US shipping and front companies for having links to Iran's military and missile building programmes. The EU also imposed a ban on a host of Iranian shipping companies, including IRISL.

EU Sanctions Re-imposed

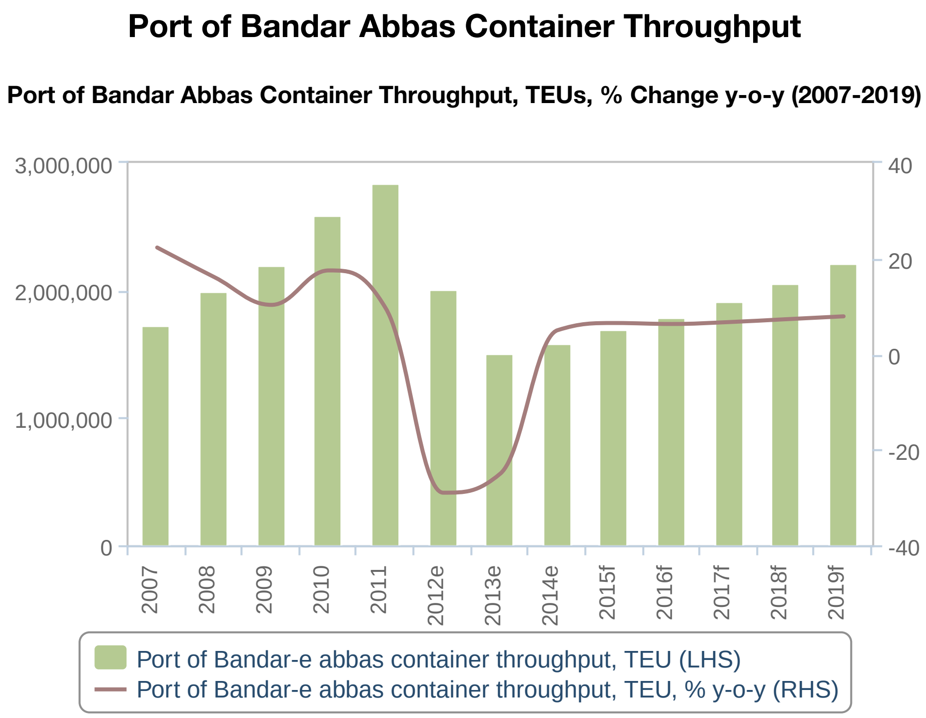
In February and March 2015, sanctions against IRISL - and 40 other Iranian shipping firms including **NITC** - were re-imposed by the EU. These sanctions had been removed following a series of court victories by Iranian firms. The shipping firms' lawyer, Maryam Taher, criticised the move for being politically motivated, with no basis on proper evidence. 'The whole purpose of the EU sanctions is to leverage pressure on the Iranian government to come to an agreement in relation to nuclear proliferation,' she said. The EU High Court had ruled in January 2015 that sanctions against IRISL were not justified and that there was no evidence that the bodies were abetting the Iranian government's alleged nuclear weapons development programme.

As with all facets of Iran's container shipping sector, the growing rapprochement between it and the West provides upside potential for IRISL's business. The agreement in July paves the way for IRISL to resume normal operations, and IRISL anticipate that sanctions against it will be lifted in January 2016. Nevertheless, the container carrier will have a long way to go to rebuild its business.

Potential For Rebound Once Sanctions Lifted

Until the marked ramp-up in sanctions pressures over the past two years, Iran's box shipping sector was looking strong. Iran's demand for containerised shipments defied the global downturn in box trade, with container throughput at the Port of Bandar Abbas increasing by an average 14.6% each year from 2008 to 2010, when facilities all around the world suffered drops in throughput as global containerised shipping declined for the first time since its advent in the 1960s. Even in 2011, when Bandar Abbas port operator Tidewater was added to US sanctions lists the port still managed to secure throughput growth of 8.0%.

When compared with the other major container ports in the Middle East, Bandar Abbas ranks fifth out of nine, behind the UAE's Jebel Ali, Oman's port of Salalah, Saudi Arabia's port of Jeddah and Egypt's East Port Said. **BMI** notes that the majority of these ports (Jebel Ali, Salalah and East Port Said) are transhipment hubs. Bandar Abbas has not developed its transhipment potential, so throughput at the port has been a good indication of the domestic demand for containerised goods in Iran.



e/f = BMI estimate/forecast. Source: Tidewater, BMI

Unsurprisingly, given that the country has an estimated population of 76.40mn in 2013 - the largest in the Middle East - demand for containerised goods was strong. Iran's demographics further support its positive consumer outlook, with the country boasting a young population - the demographic group that typically has more disposable cash and inclination to spend. According to **BMI** estimates, 63.5% of Iran's population was younger than 35 years old in 2013. By 2022, according to **BMI** forecasts, the total population will have risen to 82.00mn. The proportion of young consumers will have dropped, however, with just 51.3% of the population projected to be under 35 in 2022, with potentially negative implications for continued containerised goods demand. Iranian private final consumption accounts for much of the country's GDP, making up an estimated 42.6% of total GDP in 2012. This is low in comparison to many other countries, however, as a result of the contribution of hydrocarbon exports to the total, and so there is significant scope for growth.

While all of these factors are making less impact on the Iranian box shipping story at present, with the West-led sanctions being the driving force, we believe that they will help the sector recover once the current impasse is lifted and sanctions against the country cease. This recovery will not be immediate (as noted above, the Iranian consumer will remain weak for some time) but there is underlying support for container throughput growth from the underlying demographics in the Middle Eastern country.

Company Profile

Islamic Republic Of Iran Shipping Lines (IRISL)

Strengths

- Throughput at Iranian ports continued to grow through the downturn.
- IRISL is state-owned.

Weaknesses

- IRISL has had severe operational difficulties as a result of sanctions against it.
- The company has had a number of its ships impounded over payment issues.
- Iran's political isolation limits the company's ability to attract new investment funds and acquire the latest technology.
- Partly-owned subsidiary Irano Hind Shipping Company has ceased operations.

Opportunities

- The return of Iran to the negotiating table could see sanctions against Iranian shipping companies slackened.

Threats

- Should current talks ultimately fail, sanctions against Iran and IRISL may be further strengthened, making it impossible for the company to operate at a profit.
- Middle East unrest continues. Should Iran undergo widespread political turmoil it would impact on IRISL's business.
- Given political and trade restrictions IRISL may lose market share to other Gulf and Middle Eastern shipping lines.

Company Overview

Islamic Republic of Iran Shipping Lines (IRISL) was founded out of Aria Shipping in 1979 following the Islamic Revolution. Many of the company's vessels were lost during the Iran-Iraq war, and subsequently, IRISL's vessels have been named after the war's 'martyrs and cities', according to the liner's website. It is involved in container and dry bulk shipping and has some 7,000 employees.

Group subsidiaries include the Khazar Shipping Lines, which provides marine transportation services in the Caspian Sea area, calling at Bandar Anzali, Nowshahr and Amirabad to the ports of Aqtau, Astrakhan, Makhachkala, Turkmenbashi and Baku.

Valfajre-8 Shipping Company transports cargo and passengers between countries in the Gulf and Oman Sea. The group has more than 110 representative offices. Until July 2012, the Irano Hind Shipping Company was run by IRISL as a joint venture with Shipping Corporation of India. The company owned eight ocean-going vessels that transported crude oil, bulk and general cargoes, however, the company's operations ceased as a result of pressures stemming from Western sanctions, and in April 2013 the company's vessels and debt were taken on by Shipping Corporation of India.

Strategy

Iranian Shipping Companies Gradually Invited In From The Cold

BMI believes that Iranian shipping companies will benefit from an easing in sanctions - but with a phased sanctions removal structure likely, they might not be included in the first wave of the sanctions roll-back and so will need to wait until 2016. When they are removed from sanction, BMI believes that Iran's trade costs will drop even further, as they will add even more competition to the market, offering more good news for the country's importers and exporters.

Out of the two major Iranian shipping companies, BMI expects sanctions to be eased on NITC first, as part of a wider roll-back in sanctions associated with Iran's oil & gas sector. The company has objected to accusations that it is connected to the IRGC, stating that it is privately owned by Iranian pension funds.

It will likely take longer for IRISL to be removed from sanction, as the company has been directly associated with the smuggling of weapons. In 2009 searches of the company's ships by US and Israeli forces revealed rockets and missiles disguised as civilian cargo. It is the removal of sanctions on IRISL, however, that will benefit Iran's importers and exporters the most, as the national shipping line will directly cater to Iranian trade needs and its container operations will drastically reduce transport costs. In October 2015, IRISL chairman Mohammad Saeidi told reporters that he expected that sanctions would be lifted in early 2016. He also outlined plans to form alliances and re-enter Western markets as soon as the company is allowed.

Fleet

IRISL is involved in container and dry bulk shipping, though the company has been transferring its shipping operations to associated companies of late in a bid to evade Western sanctions. According to the company's website, its dry bulk arm has a fleet of varying sizes, from Panamax to Handysize. It is involved in the shipping of both clean and dirty products such as grain and rice and coal and iron ore.

In late 2009 to early 2010, IRISL transferred its container shipping operations to hitherto unknown company Hafiz Darya Shipping Lines (HDS Lines). The company is said to be privately owned and separate from IRISL, though little information is available regarding its management structure. According to AXS Alphaliner, HDS Lines currently operates the 24th-largest container shipping fleet in the world, with a total of 22 vessels making up a total of 88,608TEUs. This gives the company 0.4% of market share. This is unchanged from three months earlier.

HDS Lines owns just three ships, having acquired one more in Q114, with a combined capacity of 6,864 TEUs. It charters in 22 vessels, however, with a total capacity of 88,608 TEUs. Its chartered vessels account for 92.3% of the fleet. Despite this disparity, there are no vessels currently on HDS Lines' orderbook, reflecting the poor position Iranian shipping companies are in when it comes to finding funding.

The outlook is bright for IRISL's fleet, however. According to Saeidi, the company has plans to expand the container shipping fleet by 579,000 TEUs, add 2mn DWT worth of dry bulk shipping capacity, and 1.6mn DWT of tankers by 2020.

Latest Activity

IRISL Introduces New Service To Link Iran And Russia

In June 2015 a subsidiary of IRISL introduced new regular shipping services across the Caspian Sea to connect Iranian ports with Russia and Kazakhstan. The company will carry six sailings a month on the new services.

NITC

Strengths

- NITC is the eighth-largest oil tanker company in the world.
- It has a diversified fleet with different classes of vessel, including a large number of very large crude carriers (VLCCs).

Weaknesses

- NITC's association with Iran causes problems for the company.
- The tanker operator struggled to renew its insurance in 2011 as a result of sanctions.
- Elevated bunker costs have impinged on shipping companies' profits.
- NITC has been targeted directly by Western sanctions.

Opportunities

- Iran could become a major exporter of liquefied natural gas (LNG) if it manages to develop the expertise in the face of sanctions.
- NITC has a major fleet expansion programme in motion.
- The exit of major tanker operators from Iran has seen demand for NITC's tankers soar.
- NITC once more has access to international insurance.
- If an agreement is reached in summer 2015, we believe Iranian oil exports will come back online in Q116.

Threats

- Middle Eastern political instability is a major concern.
- The liquid bulk shipping sector is already struggling with overcapacity and NITC's new VLCCs will exacerbate this.
- NITC has been put on EU sanctions once more in February 2015, following their earlier annulment in October 2014.

Company Overview

NITC was formerly known as the National Iranian Tanker Company prior to its rebranding in 2010 in an effort to distance itself from the Iranian pariah state and the Western sanctions currently imposed upon it. It is a major tanker operator, primarily involved in the shipping of crude oil, and operates on the international stage.

Strategy

Fleet

According to Tanker Operator's top-30 tanker companies list, NITC's fleet makes it the seventh-largest in the world in terms of deadweight tonnage (DWT). However, there are question marks over the actual size of the company as its vessels are being renamed and reflagged in a bid to avoid sanctions.

According to NITC's managing director Ali Akbar Safaei, talking in February 2014, NITC's fleet now stands at 67 oil tankers, with a capacity of 16mn DWT. He said that the fleet had grown by 2mn DWT over the previous 18 months, despite ongoing US-engineered sanctions against it and Iranian oil exports.

BMI notes that the company did have the most ambitious expansion plans in the sector, with a programme that should have taken it into third place in the world in terms of DWT. This included the acquisition of 22 additional VLCCs by 2011-2013, six Caspimax shuttle tankers for use on the Caspian Sea, one LPG carrier and two product carriers.

However, we believe that the sanctions in place against the company and Iran will have made it difficult to operate; there are reports that many of its ships are being used as floating storage as Iran is unable to export all of its oil due to sanctions, and has not cut back on production entirely. As such the fact that the shipping company has still managed to increase its fleet by such a considerable amount over the 18 months to February 2014 is impressive.

Now that several sanctions against the company's operations have been suspended in January 2014 - namely those which prevented the firm from finding insurance for its vessels - NITC can resume exporting oil to China, India, Turkey, Japan, South Korea and Taiwan. As such, provided that ongoing negotiations do not hit a stumbling back, the future could well be bright for NITC.

The company also has long-term plans to become involved in LNG shipping. Iran has proven gas reserves and once the country has the technology to enter the sector, NITC has stated that it will develop a fleet to transport it. The company has previously stated that 80-plus vessels would be needed to cope with demand.

Access To Insurance Market Regained

The EU Council Decision of January 23 2012 put a ban on the import, purchase or transport of Iranian crude oil and petroleum products for EU member states. Crucially, the decision, which came into force in July 2012, also banned the provision of finance, insurance or reinsurance related to these activities, whether that is directly or indirectly.

Around 95% of crude oil tanker insurance is carried out by the European P&I Club of insurers, either directly or through the reinsurance market, and foreign companies formerly engaged in carrying Iranian crude found themselves unable to do so save those limited instance where national governments have provided state insurance.

However, with the growing rapprochement between Iran and the West since the election of relative moderate President Hassan Rouhani (who replaced hard-line nationalist Mahmoud Ahmedinejad), some sanctions against Iran have been eased. These include that which restricted Iranian access to international P&I insurance. As a result, things are looking brighter for NITC, and other firms that transport Iranian oil - such as Indian shipping company Mercator Lines. The easing of these sanctions will also help boost Iran's oil exports, and help rebuild its battered economy.

Deal Will Boost NITC Business

Oil-related sanctions against Iran are being relaxed following the agreement reached between Iran and the P5+1 group in Vienna in July. Following the imposition of oil sanctions, crude exports from Iran fell by an estimated 1mn barrels per day (b/d). We estimate that around 800,000-900,000b/d of Iran's production capacity remains offline due to sanctions.

Iran will not be able to boost oil production and exports to pre-sanction levels within the coming one-to-two years. Most importantly, years of underinvestment, maturing oil fields and a lack of field and well maintenance have damaged fields, possibly permanently destroying some of the country's production capacity.

Overall, we estimate that Iran could bring back online some 550,000-650,000b/d of additional crude oil production in the one-to-two years following a lifting of oil sanctions. This is in opposition to a more mainstream expectation of additional output capacity of 1mn b/d shortly after the lifting of sanctions. Once this capacity begins to come back online, NITC's business will see a massive boost following years of sanctions-related difficulties.

Iranian Shipping Companies Gradually Invited In From The Cold

BMI believes that Iranian shipping companies will benefit from an easing in sanctions - but with a phased sanctions removal structure likely, they will not be included in the first wave of the sanctions roll-back and so will need to wait until 2016. When they are removed from sanction, BMI believes that Iran's trade costs will drop even further, as they will add even more competition to the market, offering more good news for the country's importers and exporters.

Out of the two major Iranian shipping firms - namely NITC and IRISL - BMI would expect sanctions to be eased on NITC first, as part of a wider roll-back in sanctions associated with Iran's oil & gas sector. The company has objected to accusations that it is connected to the IRGC, stating that it is privately owned by Iranian pension funds. This argument was upheld in July 2014 by the Luxembourg-based General Court (the second highest court in the EU), which then proceeded to annul NITC's blacklisted status in the EU. The EU re-imposed sanctions on NITC in February 2015.

BMI's Oil & Gas team project that sanctions relating to the sector could be removed by the end of 2015, if Iran complies with its side of any deal done in June 2015. Due to NITC's connections with Iran's oil & gas sector, we would expect sanctions on the company to be lifted in line with a more general roll-back for this industry.

Latest Activity

Talks With Insurance Companies Underway

It was reported in October 2015 that NITC's director of commerce had revealed that the tanker company had initiated talks with European insurers, as a result of easing sanctions against the firm, and against the Iranian oil and gas sector more generally. The loss of insurance was one of the key factors that hampered NITC's activities in the years 2012 to 2015, as there are few insurance markets in the world that do utilise London's reinsurance market in some way.

Shipping - Global Industry View

Bright Spot For Shipping: Low Bunker Prices

***BMI View**: We are positive on IFO and MGO prices in Q415, though expect underperformance in the long-term due to weak emerging market growth softening shipping fuels demand. We forecast IFO 180 to average USD366/tonne, and MGO to average USD505/tonne in 2015, though dip in 2016 and 2017.*

Table: BMI Bunker Fuel (IFO180 & MGO) Price Forecast

	2014	2015f	2016f	2017f	2018f	2019f
Rotterdam IFO 180 (in USD/bbl)	85.42	52.36	50.00	49.00	52.00	55.00
Singapore IFO 180 (in USD/bbl)	86.96	49.11	48.00	48.00	52.50	57.50
New York IFO 180 (in USD/bbl)	94.29	62.82	58.00	55.00	57.00	57.00
Average IFO 180 (in USD/bbl)	88.89	54.76	52.00	50.67	53.83	56.50
Average MGO (in USD/bbl)	111.97	67.42	67.00	66.50	71.00	74.50
Rotterdam IFO 180 (in USD/mt)	572.33	350.80	335.00	328.30	348.40	368.50
Singapore IFO 180 (in USD/mt)	582.63	329.01	321.60	321.60	351.75	385.25
New York IFO 180 (in USD/mt)	631.75	420.92	388.60	368.50	381.90	381.90
Average IFO 180 (in USD/mt)	595.57	366.91	348.40	339.47	360.68	378.55
Average MGO (in USD/mt)	839.77	505.62	502.50	498.75	532.50	558.75

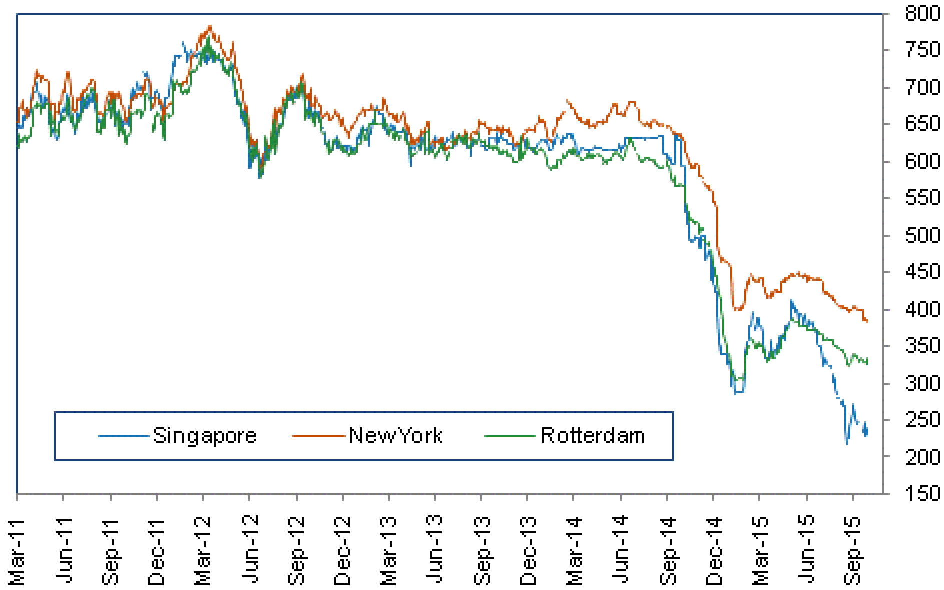
Note: IFO price reference taken from LQM Petroleum Price and Bloomberg Bunker Index. MGO price reference taken from Oceanconnect Houston, Rotterdam & Singapore. f = BMI forecast. Source: Bloomberg, BMI. Last updated: October 5 2015.

Short-Term Outlook (three-to-six months)

We have revised our intermediate fuel oil (IFO) 180 forecast for 2015 slightly to the downside due to a stronger than expected fall in Asian bunker prices over Q315. The fall was triggered following the uncertainty cast over Chinese economic growth, and the wider impact on shipping fuel demand. Prices will strengthen in Q415 as crude oil prices marginally improve and Asian bunker prices trend back towards the Rotterdam benchmark.

Regional Spreads To Come Back In

New York, Rotterdam & Singapore IFO 180 Spot (USD/tonne)

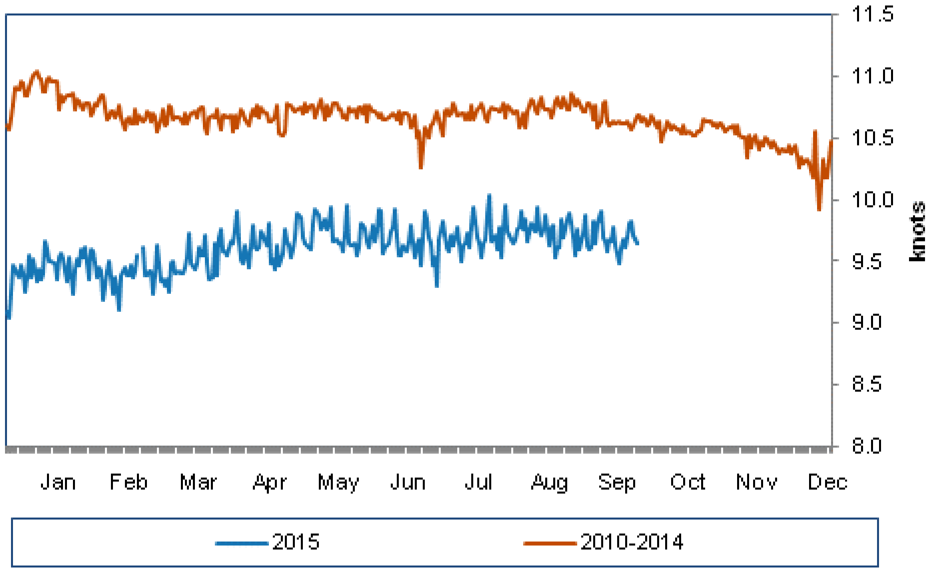


Source: Bloomberg

Despite the more positive price movement expected in Q415, weak demand will limit gains. Overcapacity in the freight and dry bulk sectors is supporting slow steaming and idling, resulting in lower and more efficient fuel consumption across the shipping sector. Also larger and more fuel efficient container and dry bulk ships are also improving overall efficiency in the shipping fleet. Greater scrapping of older capacity will be required to recover from this overcapacity trend and so drive up demand for shipping fuels.

Slower Speeds Drive Greater Fuel Efficiency

Average Container Ship Speed (knots)



Source: Bloomberg

We remain neutral on marine gasoil (MGO) prices which are more closely correlated with land-transport fuels, and forecast USD505/tonne in 2015. Over Q415 prices will improve on the back of better oil prices, though high stock levels and soft demand in the key European and North American markets will limit the upside.

The introduction of Emissions Control Areas (ECA) in parts of Northern Europe and much of the US from January 1 2015 have had little impact on MGO prices. Upgrades to ships to meet the 0.1% sulphur content in fuels have already been made, largely through the installation of scrubbing systems. On ships with more than 10 years of operational life remaining, the cost of installing scrubbers remains a more viable option than switching to MGO, supporting continued use of lower cost IFO.

Long-Term Outlook

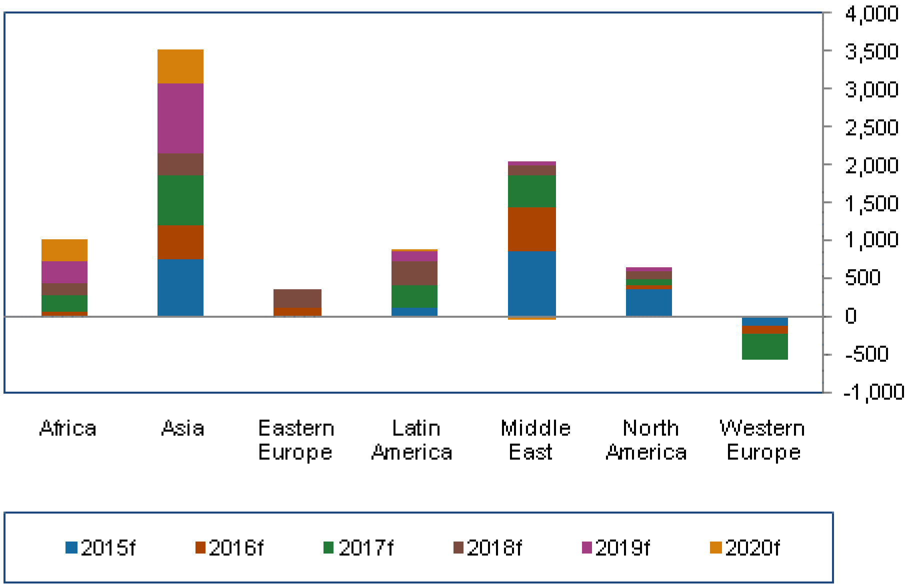
Strong Supply Of Heavier Fuel

Weak refining margins prior to 2015, and stricter fuels standards in Europe, North America and developed Asia over recent years, has driven investment in deeper refining complexity. This has resulted in greater low-sulphur fuel production and reduced residual fuel output. This will increase distillate fuel availability adding downside to the MGO price.

Refinery capacity expansions in emerging markets - particularly in the Middle East and in emerging Asia - are adding new supplies of heavy fuel oil to the market. This will not only offset the effect of a decline in developed markets, but even increase overall supplies on the global market, weighing on IFO prices. China's expected switch from net importer of diesel to an exporter is bearish for MGO prices.

Growing Global Capacity To Keep Things Well Supplied

Net Refining Capacity Change To 2020 By Region (000b/d)



f = BMI forecast. Source: BMI, EIA, national and company sources

We are also expecting slower economic growth in many of the emerging markets that had supported shipping fuel demand over recent years (*see 'September 2015 - Global Growth Weak As EM Squeezed From All Sides', September 18*). With the build up in new supply and softer than anticipated demand, we expect weakness in shipping fuel prices for at least the coming two years.

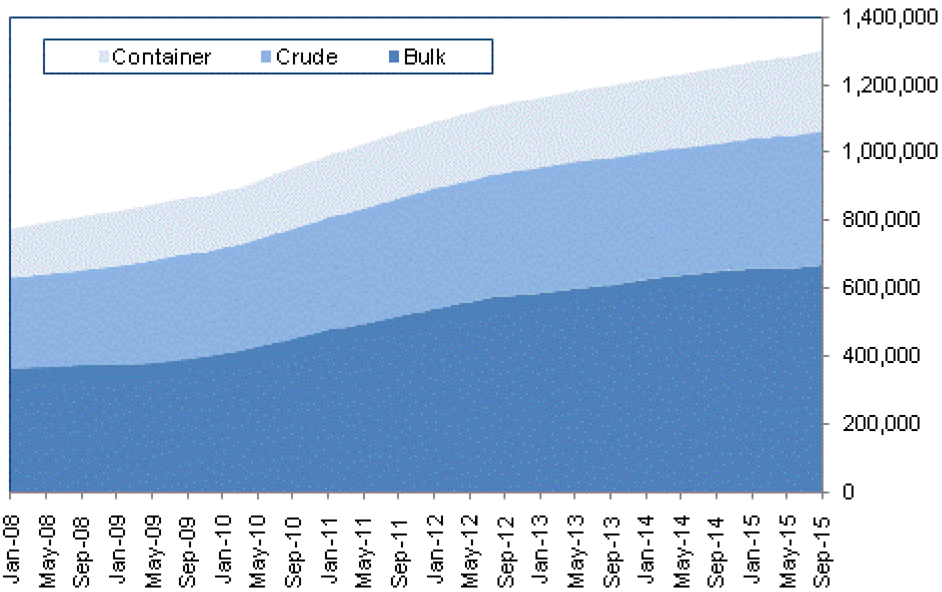
Fleet Overcapacity To Soften Demand

Over capacity in the shipping fleet will continue to limit fuel demand over the coming years as ships are idled and slow-steaming continues. We also expect greater intra-regional trade to shorten shipping routes, particularly in Asia. Larger ships utilising economies of scale are also reducing tonne mileage decreasing fleet usage.

These trends will lead to more efficient use of fuel in the shipping sector as vessels travel at slower speeds to maximise utilisation. Given our outlook for sluggish global economic growth of barely over 3% for the coming five years, we see limited upside to trade growth. Scrapping will need to be substantially increased to balance the oversupply of shipping capacity.

Shipping Capacity Outgrowing Trade Demand

Major Vessel Categories In Service (DWT)



Source: Bloomberg

Low-Sulphur Regulations Supports MGO Switching

From 2020, the International Maritime Organisation (IMO) will implement a global cap of 0.5% sulphur in marine fuels. There is scope for this to be delayed to 2025, though we believe the current schedule will be adhered to.

This change will have a greater impact than the ECAs introduced in North America and Europe in 2015, given lack scrubber retrofitting in intra-regional fleets in Asia and Africa and their greater use of heavier IFO grades. We believe a number of companies will be less well prepared for this change in regulations and will need to switch to MGO or lower sulphur fuel alternatives to comply, leading to a stronger increase in the MGO price over this time.

Risks To Outlook

- **Higher Crude Oil Prices**: Stronger crude prices than forecast will pull up marine fuel costs as higher feedstock prices filter through, presenting upside to our IFO and MGO price forecasts.
- **Improved Economic Growth**: Our weak outlook for the shipping industry is based on our expectations for slower growth in key areas, particularly China. However, should global economic growth surprise to the upside, this could boost shipping demand and marine fuel consumption.
- **Delay To Global Sulphur Cap:** If the global cap on sulphur in fuel is delayed to 2025, the regulation change will not impact in our 10-year forecast, as we currently expect it to.
- **Proliferation Of LNG As A Shipping Fuel**: The use of LNG in shipping will increase in the coming years displacing oil-based fuel. Uptake will be limited and likely restricted to areas with sufficient bunkering capabilities. This could surprise to the upside over the end-of our forecast.
- **Improved Scrubber Capability** - If scrubbing technologies can become lower cost and more effective, demand for lower-cost IFO fuel could strengthen. New scrubbing systems designed into vessels present upside risk to this view.

Global Company Strategy

Maersk Line

Overview

Maersk Line is the main container shipping unit of highly diversified shipping and energy conglomerate AP Moller-Maersk Group. The group's other box shipping subsidiaries and brands are MCC Transport, which operates its intra-Asia route network, Safmarine, which transports boxes to and from Africa and the Middle East, Mercosul (Brazil), intra-Europe carrier Seago Line and intra-Americas-dedicated SeaLand.

The company is based in Denmark but boasts a global presence, with offices in 116 countries and employing approximately 32,600 people.

Maersk is the largest container shipping company in the world, boasting a total fleet capacity of 3.05mn twenty-foot equivalent units (TEUs) and one of the largest box shipping networks. It is heavily exposed to Asia-Europe but is increasing its role in intra-Asia trade, where it already possesses expertise in the form of MCC.

SWOT Analysis

Strengths

- As the world's largest container shipping line, Maersk has a greater share of global seaborne container volumes than any other carrier.
- Its large, expanding fleet offers it the ability to capture trade volumes.
- By participating in the 2M vessel-sharing agreement with the Mediterranean Shipping Company (MSC) the company plans to improve efficiency by better utilising vessel capacity to weather the slowdown in demand and overcapacity.
- Maersk is part of AP Moller-Maersk, a diversified company with activities in the oil & gas and terminal-operating sectors that synergise with its shipping operations.
- Flexibility as a result of fleet size and type.

SWOT Analysis - Continued	
	▪ The company has a raft of strategies it can call on during the current depressed environment in the container sector, including laying up vessels and super slow-steaming.
Weaknesses	▪ The dominance of the Asia-Europe trade route (accounting for 24% of volumes carried in 2012) in Maersk's service portfolio leaves the company heavily exposed to a downturn on this route. ▪ With such a large fleet, Maersk is constantly running the risk of overcapacity, which could be a drain on resources if business slows. ▪ Its presence in the oil & gas and terminal operating sectors means Maersk risks an overreliance on the sector as an integrated whole. This could be dangerous if one sector's activities fail to hedge the other (for example, if oil prices are at odds with bunker prices).
Opportunities	▪ The company is increasing its exposure to intra-Asia trade, which is widely considered to offer huge growth potential for the container shipping sector. ▪ It looks set to remain number one in the container shipping sector and has cemented its position as a global leader with an order for 11 19,630TEU vessels. ▪ The line's focus on emerging market routes is wise, not only as a diversification strategy from overexposure to the 'big money' routes, but also as a way to enter potentially high-growth markets early.
Threats	▪ Overcapacity fears still plague the container shipping market. ▪ The trend of alliances and partnerships could put pressure on Maersk Line's market share, as its rivals join forces. ▪ The company trades in kroner, which means it is vulnerable to changes in the US dollar. ▪ Although the group operates in the oil & gas sector, disparities in the price of oil and bunker costs threaten profits.

Strategy

Maersk continues to dominate the global container shipping sector, holding a 15.1% market share, according to AXS Alphaliner. This is some way above its nearest rival, MSC, which boasts a market share of 13.2%.

Routes

The company offers 10 transpacific services and six Asia-Europe services. Maersk is also heavily committed to intra-Asia trade, mainly through its subsidiary MCC Transport, which operates the group's intra-Asia services.

In terms of volumes handled on Maersk's services, Asia-Europe dominates. In 2012 (latest such data available) the route accounted for 24% of the total, the same as in 2011. West and Central Asia is the second largest route, accounting for 17% of the total. Africa accounts for 15% of the total; Safmarine operates in this area with a focus on the transportation of containers to and from Africa and the Middle East. Transpacific trade accounts for 15% and Latin America for 14%, while intra-Asia currently makes up just 7%. BMI expects intra-Asia's role in Maersk's service portfolio to increase over the medium term, with the company - along with its peers - putting huge emphasis on the growing demand between Asian states.

While holding its dominant position on the big money trade routes, Maersk is also increasing its exposure to emerging trade routes (ETRs). These include intra-Asia, intra-Europe and West Africa. BMI considers this a wise strategy, as competition continues to expand on the Asia-Europe and transpacific routes, pushing rates down. As well as offering diversification away from the big money routes, ETRs offer both less competition and high growth potential. There are, of course, obstacles, as there tend to be in emerging market-focused activities. However, Maersk's tactic of hiving off specific units, as in the case of intra-Asia MCC, is a sound strategy, in BMI's view. We also highlight the lack of infrastructure at many of the ports on ETRs and note Maersk's strategy of overcoming this by developing vessels with on-board cranes, thus negating a risk in operations.

2M Alliance

In October 2014 AP Moller-Maersk and MSC received US Federal Maritime Commission approval for a vessel-sharing pact - the 2M alliance. Federal approval was the last regulatory hurdle for the alliance, and it commenced operations in January 2015. The initial phase-in of 2M was completed by April 4 2015, with the 193rd and final containership deployed in the new East/West network. By joining forces with MSC, Maersk Line expects to save USD350mn per year. According to a joint statement by Maersk and MSC, the alliance would cut costs for shippers and reduce harmful emissions.

The two companies unveiled the service routes under their 2M vessel sharing agreement (VSA) back in September. Under the VSA, Maersk Line and MSC will operate six Asia-North Europe services, five Asia-Mediterranean loops, four Asia-North America West Coast strings and two via Suez from Asia to the North American East Coast. In addition, Maersk Line plans to make direct calls from Shanghai to the Black Sea and from Japan to Le Havre and Gothenburg. The new routes are expected to lower disruptions by having multiple calls to reduce the impact of slack season blank sailings.

The 2M alliance is expected to handle nearly 30% of all cargo trade between Asia and Europe and across the Atlantic and Pacific oceans. Maersk Line and MSC entered a vessel sharing agreement on the Asia-Europe, transatlantic and transpacific routes in July 2014 following the failure of the P3 alliance. Under the initial plan for the 10-year VSA, a total of 185 vessels having a total capacity of 2.1mn TEUs considered to be deployed on 21 strings, with Maersk and MSC contributing some 110 and 75 vessels with capacity of 1.2mn TEUs and 0.9mn TEUs respectively.

Fleet

Maersk has the largest fleet in the world in terms of capacity with 3.04mn TEUs, comprising 596 ships. The fleet's dynamics are fairly evenly split between weighted slightly more towards chartered-in tonnage at present. While previously the split has been more even, currently 60.5% of the fleet is chartered in, compared to 39.5% owned. The chartered fleet comprises of 334 ships and a carrying capacity of 1.3mn TEUs. Owned vessels number 262, 1.7mn TEUs. Although the company charters in less capacity than it owns, it charters in more vessels. Maersk appears to have a strategy of chartering smaller vessels while owning and operating larger ones. This could be because of the prestige of owning a large fleet, but BMI believes it is also partly because there is a larger global supply of smaller vessels, which Maersk can charter in as needed.

The largest share of Maersk's fleet, both in terms of number of owned and chartered vessels and their TEU total, comprises 8,000TEU+ vessels. The company has also invested heavily in larger vessels and owns some of the world's largest container vessels afloat - twenty 18,000TEU Triple-E class, and eight 15,000TEU 'E' class.

Maersk is implementing a strategy that should, in the medium term, ensure it remains the market leader in terms of capacity. The company originally ordered 10 18,000TEU vessels, but later doubled that number. The 20th and last vessel was scheduled for delivery in June 2015. Maersk did have the option to take another 10 18,000TEU vessels, but decided to let it lapse. However, in June 2015 Maersk Line ordered 11 ships of 19,630TEU second generation Triple-E container vessels from Daewoo Shipbuilding & Marine Engineering (DSME), with an option for six more. According to Maersk Line Chief Operating Officer (COO) Søren Toft, these 'vessels will help us stay competitive in the Asia - Europe trade', being the key in the company's strategy to grow with the market. The 11 ships will be the largest in Maersk Line's fleet and will operate on the Asia - Europe service, gradually (between April 2017 and May 2018) replacing smaller vessels.

Earlier, at the beginning of 2015, in an interview with Bloomberg A.P. Moeller-Maersk A/S CEO Nils Smedegaard Andersen said that despite lower oil prices decreasing the attractiveness of larger ships, Maersk is still 'looking at both smaller and larger ships' and might place orders in both segments. BMI notes that while volumes on the Asia-Europe route have picked up after the downturn, ordering vessels that can only operate on one route heightens risk.

Financial Results

Q215

In the second quarter of 2015, Maersk Line recorded a 9.2% y-o-y decline in its revenues, from USD6.9bn to USD6.3bn. The company attributed this to global industry dynamics, with industry demand at the lowest since the financial crisis. Average freight rates had fallen from USD2,635/FEU to USD2,261/FEU.

Q115

Maersk Line posted a profit of USD714mn in Q115, up 57% on the Q114 figure of USD454mn. Such improvement was achieved despite a 5.1% decrease in freight rates, as the bottom line benefited from lower fuel cost and a stronger US dollar. Unit costs were up 2.1%, while container volumes decreased by 1.6% to 2.207mn forty-foot equivalent units (FEUs). Revenue was down 3.2% y-o-y to USD6,254mn.

According to Søren Skou, CEO of Maersk Line, Q115 saw the company's 'best Q1 result ever', with return on invested capital 'also very satisfactory and well above our targets'. However, the company is 'not satisfied' with lower volumes and increased unit costs.

2014

Maersk Line's net profit was up 55% y-o-y from USD1,510mn in 2013 to USD2,341mn in 2014. Revenue increased by 4.4% to USD27,351mn, compared to USD26,196mn in 2013. The company stated that it has achieved such results by lowering unit cost (down 4.3%) and increasing its volumes (up 6.8% to 9.442mn forty-foot equivalent units (FEUs)) while the average rate decreased by 1.6%. The lower unit cost was attributed to better vessel utilisation and network efficiencies.

Q314

Maersk Line reported net profit of USD685mn in Q314, compared to Q313's figure of USD554mn. The company attributed improved results to lower costs and increased rates, with the lower unit cost achieved 'through better vessel utilization and network efficiencies'. Maersk Line's Q314 revenue amounted to USD7,074mn, container volumes were up 3.7% to 2.401mn forty-foot equivalent units (FEUs).

Q214 & H114

Maersk Line reported a net profit of USD547mn in Q214, compared to Q213 figure of USD439mn. AP Moller-Maersk said that this improvement was achieved despite 2.7% lower total revenue per forty-foot equivalent unit (FEU) and thanks to 4.4% lower unit costs supported by higher bunker efficiency and a volume increase of 6.6% to 2.396mn FEUs.

This brought H114 net profit to USD1,001mn, with the liner increasing its expected full-year result from just 'being above 2013 result' of USD1.5bn to 'significantly above the 2013 result'.

Q114

Maersk Line posted a net profit of USD454mn in Q114, more than doubling the Q113 figure of USD204mn. Such improvement was achieved despite a 5.1% decrease in freight rates, as the bottom line benefited from lower bunker price and impairment reversal of USD72mn. Unit costs were down 9.0%, and container volumes increased by 7.3% to 2.2mn forty-foot equivalent units (FEUs).

Q413 & 2013

Maersk Line's Q413 revenue was down 1.1% y-o-y to USD6.45mn, despite a 10% growth in volumes to 2.2mn FEUs as rates decreased by 6.5% to 2,662USD/FEU. As a result, Maersk Line reported a profit - net operating profit after tax (NOPAT) - of USD313mn for Q413, a y-o-y decrease of 6.6% compared to Q412.

Revenue for the year declined by 3.4% to USD26.2bn, despite volumes increasing from 8.5mn FEUs in 2012 to 8.8mn FEUs in 2013. NOPAT more than tripled, increasing from USD461mn in 2012 to USD1.5bn. The improvement was attributed to lower unit costs (USD2,731 per FEU including VSA income in 2013, compared to USD3,054/FEU in 2012) through the continuous focus on operational cost savings mainly from vessel network efficiencies, active capacity adjustments and improved vessel utilisation', and was also supported by lower bunker price (USD595 per tonne, compared to USD661).

Q313 & 9M13

Maersk Line's profit in Q313 was up 11.2% y-o-y from USD498mn to USD554mn. A.P. Moller-Maersk Group attributed such improvement to lower costs. Maersk Line's volumes increased by 10.6% to 2.3mn FEUs. Increased volumes and an average deployed fleet capacity decreased of 0.8% resulted in improved vessel utilisation and unit costs lower by 13.0%. Freight rates were down 12.2%.

Maersk Line was expecting their 'result for 2013 to be significantly above 2012 (USD461m) based on the strong result for the first nine months of USD1.2bn.'

Maersk Line's volume in the first nine months of 2013 was up 3.0% to 6.7mn FEUs, while the average freight rate decreased by 7.0%.

Q213 & H113

Maersk Line's profit amounted to USD439mn in Q213 - a y-o-y increase of 93.4% on USD227mn in Q212. The AP Moller-Maersk Group explained such significant improvement by lower costs during the period. Volumes were up 2.1% to 2.2mn FEUs, while average freight rate was down 13.1% and total cost per FEU fell by 12.7%. According to the group, the cost decrease was mainly due to vessel network efficiencies and lower bunker price. The total fleet capacity of Maersk Line decreased by 0.9%.

In the first half of 2013, Maersk Line's revenue was down 4.9%, y-o-y, from USD13.634bn to USD12.964bn. The company posted a USD643mn NOPAT for the period, compared to a loss of USD372mn in H112. As in the case of Q213 performance, the significant improvement in the financial performance in H112 was achieved, according to the group, through lower costs mainly driven by vessel network efficiencies and lower bunker price. The volume was down 1.0% to 4.3mn FEUs, while the average freight rate decreased by 5.0%.

Q113

Maersk Line posted a net profit of USD204mn in the first quarter of 2013, compared with net loss of USD599mn in the corresponding period of 2012. With revenue unchanged at USD6.3bn as a result of a y-o-y freight rate increase of 4.7% offset by a 4.0% decrease in volumes, such an improvement in the bottom line was attributed to lower costs.

According to AP Moller-Maersk Group CEO Nils Andersen, as reported by American Shipper, Maersk Line has controlled expenses by reducing capacity and had 28 idle ships at the end of Q113 - the equivalent of some 6.5% of its fleet.

Q412 & 2012

Maersk Line's revenue in Q412 increased by 2.5% y-o-y to USD6.52mn, despite a 9.1% fall in volumes to 2mn FEUs and thanks to a 6.6% growth in the freight rate. As a result, Maersk Line recorded a NOPAT of USD335mn, compared with the USD593mn loss it recorded in Q411, and was also helped by fall in the bunker fuel price from USD658 to USD604 per tonne.

Revenue for the year was up 8.0% to USD27.1bn, and volumes increased from 8.1mn FEUs in 2011 to 8.5mn FEUs in 2012. Cost reductions, surcharges collection and 1.9% higher average rate y-o-y led Maersk Line back to the black, posting a NOPAT of USD461mn in 2012 compared to a loss of USD553mn in 2011.

According to the company, it gained market share for the full year, but saw a declining share through H212.

Latest Activity

Hazira And Mundra Ports Benefit From Congestion At JNPT

Hazira and Mundra ports in the Indian state of Gujarat have been benefiting from the congestion at the Jawarharlal Nehru Port Trust (JNPT). Constant congestion at JNPT has prompted national and international container carriers such as Simatech Shipping, X-Press Feeders, Maersk Line, CMA CGM and Orient Overseas Container Line to add direct calls at Adani Hazira port in FY13/14 and FY14/15. Mundra port registered double digit growth in container cargo in FY12/13, FY13/14 and FY14/15. Meanwhile, JNPT container cargo growth declined in FY12/13 and FY13/14, and posted an increase of 7.21% in FY14/15.

Mediterranean Shipping Company (MSC)

Overview

Mediterranean Shipping Company (MSC) was founded in 1970 in Geneva, Switzerland. It launched its first service between the Mediterranean and South and East Africa in the mid-1970s. In 2003, it became the second-largest container shipper in the world, and remains in that position.

The carrier operates 200 direct and combined services weekly, calling at 315 ports. It has 480 offices in 150 countries and employs more than 24,000 staff.

SWOT Analysis	
Strengths	▪ MSC is the second-largest container shipper in the world. ▪ The company has a forward-thinking strategy, with a fleet of 14,000-twenty-foot equivalent unit (TEU) vessels, and in 2015 started receiving 19,224TEU ships. ▪ MSC is not averse to chartering, which has allowed it to expand its fleet. ▪ The line is managing its capacity and exposure during volatility in the container shipping sector via link-ups with other carriers and by participating in the 2M vessel-sharing agreement with Maersk Line. ▪ The company is increasing its exposure to the US, operating 14,000TEU vessels on the transpacific trade route.
Weaknesses	▪ With such a large fleet, MSC is constantly running the risk of overcapacity, which could be a drain on resources if business slows. It has 55 vessels on order, at a time when overcapacity remains such a major issue for container lines.
Opportunities	▪ The shipping sector has proved lucrative in the past two decades, with trade volumes growing year-on-year since 1982. Although the downturn affected the company, the medium- to long-term opportunity for trade growth is ever present, and MSC is well positioned to capture these volumes.

SWOT Analysis - Continued	
	▪ The company is seeking greater exposure to emerging trade routes, specifically in South America, which offer new growth opportunities.
Threats	▪ MSC is heavily exposed to Europe, not only on its Asia-Europe routes, but also its intra-Europe portfolio. The slow growth outlook in the region will be a threat to demand, and growth in volumes on these routes is likely to remain sluggish. ▪ MSC's desire to become number one could be hampered by Maersk Line, which, having taken delivery of its 18,000TEU fleet, ordered eleven 19,630TEU newbuilds with an option for six more. ▪ Overcapacity is set to remain a major threat for lines in the short term.

Strategy

MSC continues to snap at Maersk Line's heels, with a global market share of 13.2% compared with Maersk's 15.1%, according to AXS Alphaliner. BMI believes that MSC will continue to battle for the top position.

By some measures, it has overtaken Maersk Line to claim top position, with Containerisation International reporting in February 2011 that it had overtaken the Danish carrier in terms of capacity. This measurement takes into consideration only Maersk Line and not the whole Maersk Group, which includes Safmarine and MCC Transport. Taking the group as a whole into account, Maersk Line still holds the top position.

In December 2011, the US-based Journal of Commerce reported that, based on US import and export trade, MSC had replaced Maersk Line as the top container line serving the US in the first nine months of 2011, with MSC's operations almost balanced between imports and exports.

BMI highlights that MSC operates the largest vessels on the transpacific route. The company now utilises vessels with capacities of between 11,600TEUs and 14,000TEUs on the trade route and in October 2011 docked its largest box ship ever into the port of Long Beach, with the *MSC Beatrice*, a 14,000TEU capacity vessel, calling there.

Routes

MSC is heavily exposed to the 'big money' routes, particularly the transpacific, with the line operating five services from Asia to US West Coast ports. The line also caters to the US East Coast market with an all-water service.

As the rates on both the Asia-Europe and the transpacific routes remain volatile, container lines are still battling the threat of overcapacity and are linking up to better manage the problem. In October 2014, MSC and AP Moller-Maersk received US Federal Maritime Commission approval for a vessel-sharing pact - the 2M alliance. The US approval was the last regulatory hurdle for the alliance, which has commenced operations in January 2015. The initial phase-in of 2M was completed by April 4 2015, with the 193rd and final containership deployed in the new East/West network. According to a joint statement by MSC and Maersk, the alliance would cut costs for shippers and reduce harmful emissions.

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The 2M alliance is expected to handle nearly 30% of all cargo trade between Asia and Europe and across the Atlantic and Pacific oceans. MSC and Maersk Line have entered a vessel sharing agreement on the Asia-Europe, transatlantic and transpacific routes in July 2014 following the failure of the P3 alliance. Under the initial plan for the 10-year VSA, a total of 185 vessels having a total capacity of 2.1mn twenty-foot equivalent units (TEUs) considered to be deployed on 21 strings, with MSC and Maersk contributing some 75 and 110 vessels with capacity of 0.9mn TEUs and 1.2mn TEUs respectively.

MSC also caters for intra-Asia trade, with its New Shogun service linking China and Japan and its TongKing Service connecting China with Vietnam. Some of the line's other services serve a number of countries in Asia before linking elsewhere in the world. The Cheetah Service links Chinese ports with the Taiwanese port of Kaohsiung, before travelling on to Africa. In April 2014, MSC launched Africa Express, a dedicated weekly service between Asia and West Africa, with cargoes being shipped directly to West Africa with an improved transit time to Tin Can-Lagos of 28 days from Chiwan and 23 days from Singapore. From November 2014, Africa Express' rotation is Shanghai, Ningbo, Nansha, Chiwan, Singapore, Port Louis, Cape Town, Lome, Coega, Singapore and back to Shanghai. In March 2015 MSC added direct call at Piraeus, the only direct call into Greece available at the time from the Australian market to its new Australia Express Service calling at Sydney, Melbourne, Adelaide, Fremantle, Singapore, Chennai, Colombo, King Abdullah Port (Saudi Arabia), Piraeus, Valencia, Fos, La Spezia, Naples, Gioia Tauro, Port Louis, Pointe des Galets and Sydney. Also MSC provides services between Asia and the West Coast of Latin America.

BMI believes that there is room for expansion in MSC's intra-Asia portfolio, with the potential for more intra-Asia specific routes either operated solely or in partnership. In comparison with its peers, MSC has only a small exposure to the intra-Asia market, which is set to be a major growth area for box carriers in the medium term.

Fleet

MSC has the second-largest container fleet in the world, operating 500 vessels with a total capacity of 2.66mn TEUs. The fleet's dynamics are slightly weighted toward the charter market, with chartered-in ships accounting for 60.5% of the total.

It has an owned fleet of 190 vessels with a capacity of 1.05mn TEUs, while its chartered fleet of 310 vessels has a combined capacity of 1.6mn TEUs.

An exact breakdown of MSC's fleet is unavailable, but since H115 the line boasts the world's largest containerships, the 19,224TEU *MSC Oscar* and *MSC Oliver*. *MSC Oscar* edged out China Shipping Container Lines' *CSCL Globe*, a 19,000TEU vessel from the position. It went on its maiden voyage in January 2015, while another vessel of the same size, *MSC Oliver*, was delivered in March 2015.

While the carrier has been a member of the ultra-large container ship club, operating a fleet of 14,000TEU vessels for a number of years, up until 2014 it did not appear to be prepared to order larger ships, with MSC's founder and chairman Gianluigi Aponte stating in an interview with Lloyd's List that the company had no intention of following Maersk Line's lead and ordering 18,000TEU vessels. Aponte said that he was 'only interested in ships up to 14,000 TEUs'. BMI, however, were not completely ruling out the development of vessels larger than 14,000TEUs by MSC in the future, noting that Aponte initially denied interest in ordering 14,000TEU vessels, yet his company has since done so.

MSC is preparing to take on more box ship tonnage, both owned and chartered. The company's order book currently stands at 55 vessels with a total capacity of 701,086TEUs.

Financial Results

2014

MSC does not publish its financial results.

2013

Not available. Quantity of TEUs carried was 13.7mn.

2012

Not available. Quantity of TEUs carried was 13.2mn.

2011

Not available. Quantity of TEUs carried was 13.1mn.

Latest Activity

Mediterranean Shipping Company and Maersk Line, which make up the 2M Alliance, have entered a cooperation agreement with the Israeli port of Haifa. Under the terms of the agreement, M2 Alliance shipping vessels will dock at the port once a week en route from China, South Korea and Singapore to the Adriatic Sea. The *Gustav Maersk*, the largest container ship owned by the alliance, will be the first ship to call at the Haifa Port on October 15.

MSC Opposes Publicising Tariffs

While surcharges and general rate increases tend to be publicised, the shipping industry has traditionally kept the base tariffs for the transport of a container from one port to another secret. This is being challenged by the Vietnamese government, which has proposed a decree which would mean shipping companies must publicise their tariffs.

A number of shipping firms, including MSC, APL, and CMA-CGM, have opposed the potential move, and expressed this through a statement issued by a law firm. The reasoning behind the publication of the tariffs is that a study found that shippers were being hit by a number of different surcharges on their cargos, and that the pricing was unclear. However, the shipping firms argue that the decree would only harm Vietnamese trade, as information about costs would be taken advantage of by rivals - other countries would still enjoy confidential pricing.

CMA CGM

Overview

CMA CGM is the world's third-largest shipping line. Compagnie Générale Maritime (CGM) was formed in 1977 by the merger of Messageries Maritimes (MessMar) and Compagnie Générale Transatlantique (Transat). Compagnie Maritime d'Affrètement (CMA) was founded the following year.

In 1996 CMA CGM was privatised and the following year made its first acquisition, Australian National Lines (ANL). This was followed by a spree of acquisitions, beginning with UK-based MacAndrews in 2002. In 2006 CMA CGM purchased Delmas, an African shipping line previously owned by Groupe Bolloré. The acquisition propelled CMA CGM to third place in the ranking of the world's largest container shipping lines. Strong growth enabled it to make three purchases in 2007, with the acquisition of Taiwan-based Cheng Lie Navigation, Moroccan line COMANAV and US-based US Lines.

Turkey's Yildirim Group has a 24% stake in CMA CGM and has voting rights, but the Saadé family remains in charge, with a majority of both shares and voting rights. Fonds Stratégique d'Investissement (FSI) holds a 6% stake in the company following its USD150mn equity injection in 2013.

The group has operations in container shipping, with a focus on reefer cargo. It also operates in the tourist industry through subsidiary Croisières et Tourisme. CMA CGM Logistics boasts 55 branches in Asia, Europe, the Middle East, North and South America and Africa. In 2012 CMA CGM Group combined five of its multi-modal subsidiaries (CMA Rail (Rail Link Europe); French River Shuttle Containers; ocean freight forwarder LTI France (Land Transportation International); Progeco - the repair arm of CMA CGM's container business; and TCX Multimodal Logistics - a bonded warehouse company that operates in many French ports) into one entity - tri-modal operator Greenmodal Transport. Terminal Link is the group's terminal operating business.

SWOT Analysis

Strengths	▪ The group has the third-largest container fleet in the world. ▪ CMA CGM has a number of diversified subsidiaries, catering for different markets across the globe. ▪ Terminal Link supports the growth of the shipping division and the group's subsidiaries. ▪ Its multimodal divisions also bolster growth, providing clients with an integrated 'door-to-door' service. ▪ The line is managing its capacity and exposure during volatility in the container shipping sector via link-ups with other carriers. Being a member of the Ocean Three alliance will ensure that CMA CGM retains its role within the container shipping sector. ▪ The company was back in the black in 2012-2014.
Weaknesses	▪ With such a large fleet, the risk of overcapacity is ever present. ▪ The firm is not as diverse as competitors such as Maersk, COSCO and China Shipping, which also operate in the bulk and tanker sectors.
Opportunities	▪ The three-pronged acquisition of US Lines, COMANAV and Cheng Lie Navigation offers the opportunity to capture traffic volumes to and from three different regional markets. ▪ CMA CGM is increasing its exposure to Russia, which BMI believes in the long run will be a high-growth market. ▪ The company is increasing its exposure to Africa, a high-growth market, and expanding its services.
Threats	▪ The company must ensure it does not place the importance of its market share above recovery.

SWOT Analysis - Continued

- Overcapacity and sluggish demand are still major issues facing the box shipping sector.
- Debt restructuring is leading to less diversity in the company's operations portfolio, with the group selling stakes in one of its major terminals and its cruise ship company.

Strategy

CMA CGM is the third-largest global container shipping company, with a 9.1% market share, according to AXS Alphaliner. This puts it considerably behind second-placed MSC with its 13.2% market share, but significantly ahead of fourth-place Evergreen, on 4.7%.

CMA CGM managed to ride out the 2009 downturn, despite a period where it looked likely that the French government would be required to bail it out. The shipping line was determined to remain a family concern. It found an investor in Yildirim Group, which agreed to invest USD500mn and take a 20% stake in the shipping line. This has since been increased to 24%, but left the Saadé family in charge, with a majority of both shares and voting rights. Yildirim was seeking to increase its stake in CMA CGM from 24% to 30%, however, at the end of 2014 revealed its plans to re-evaluate this strategy in 2015 and possibly divest the stake. At the time of writing in October 2015 there is no apparent update on this.

Debt restructuring is affecting CMA CGM's diversity of operations, with the company selling its stake in the Marsaxlokk Malta Freeport terminal and its cruise ship company Compagnie du Ponant.

Routes

As rates on the Asia-Europe and transpacific routes remain volatile, container lines are still battling the threat of overcapacity. Lines are continuing to link up in a bid to manage the problem. In September 2014, CMA CGM formed the Ocean Three alliance with China Shipping Container Lines (CSCL) and United Arab Shipping Company (UASC), which encased vessel sharing agreements, slot exchange agreements and slot charter agreements on their Asia-Europe, Asia-Mediterranean, Transpacific and Asia-US East Coast maritime trades. Also, a vessel sharing and slot charter agreement between Hanjin Shipping and the members of the Ocean Three Alliance has been in effect from January 2015. The Ocean Three alliance will ensure CMA CGM remains competitive in the face of a tough container shipping market. The formation marks the fourth major east-west alliance involving three major carriers, joining the G6 and CKYH-E alliances and the 2M Alliance of Maersk Line and Mediterranean Shipping Co. (MSC), an alliance that left CMA CGM to fend for itself following the June 2014 rejection by China of the P3 Network Agreement involving Maersk Line, MSC and CMA CGM.

CMA CGM is a major player in Asia-Europe trade, boasting a service network of 13 routes. It is exposed to the transpacific with a route network of 10 services and is heavily involved in intra-Asia trade. CMA CGM offers 15 intra-Asia trade routes. These are, however, feeder services, and it is the company's Asian subsidiary CNC Line that operates direct intra-Asia services. BMI expects CMA CGM to continue its strategy of developing its exposure to intra-Asia trade, as the region is deemed to offer major box shipping growth potential.

The group itself announced that in 2014 it was 'especially focusing on fast growing regions with the launch of new services and the development of port infrastructure', underlining that this 'is notably the case in Africa with the strengthening of its lines, the development of overland corridors and the opening of new agencies and logistical terminals'.

Fleet

Like its peers, CMA CGM's fleet is getting bigger, not only in terms of vessel numbers but also in terms of capacity. It operates a fleet of 13,000TEU vessels, with 34 vessels of 10,000TEU-plus capacity. The company has also welcomed three 16,000TEU ships to its fleet, with the vessels operating on the Asia-Europe trade route from the end of 2012 and from April and May 2013. In 2015 CMA CGM started receiving its fleet of 17,000TEU+ vessels, with two such vessels, including 17,722TEU CMA CGM *Georg Forster*, delivered by the beginning of summer.

The company has 26 vessels on its order book with a total capacity of 292,521TEUs, according to AXS Alphaliner. This is equivalent to 15.9% of the current fleet, and suggests that strategy will be concentrated on bigger vessels for the time being.

The company has concentrated on developing its fleet via chartering in tonnage and is expected to continue this strategy. Chartered tonnage accounts for 67.1% of CMA CGM's total TEU capacity, the highest proportion in the top ten. This offers the company considerable flexibility. During periods of decline in volumes, it can return chartered vessels when the charter period has finished, reducing the size of its fleet and operating costs.

Financial Results

Q115

CMA CGM's consolidated revenue increased by 1.8% y-o-y in the first quarter of 2015, from USD3,941mn in Q114 to USD4,013mn. Volumes were up 10.5% from 2.8mn TEUs in Q114 to 3.1mn TEUs in Q115. The growth in volumes was primarily attributable to the increase in volumes on CMA CGM's East-West lines, mainly to and from the US, and to the launch of the Ocean Three Alliance.

Consolidated net profit in the first quarter more than quadrupled from USD97mn in Q114 to USD416mn in Q115.

2014

CMA CGM's consolidated revenue was up 5.3% y-o-y in 2014, from USD15.9bn in 2013 to USD16.7bn. Volumes were up 8.1% y-o-y from 11.3mn TEUs in 2013 to 12.2mn TEUs in 2014, largely outpacing market and achieving historic high due to gains on the leading East-West lines and the strong sales performance by the Group's regional and speciality brands, according to CMA CGM.

Consolidated net profit was up 44.3% y-o-y to USD584mn, compared to USD408mn a year ago, which then included the sale of 49% of Terminal Link. In addition to the operating performance, this sharp increase in 2014 was driven by a reduction in net finance costs from USD445mn to USD222mn, including the USD70mn positive impact of the euro-dollar exchange rate.

9M14

CMA CGM's consolidated revenue increased by 4.3% in the first nine months of 2014, from USD11,990.2mn in 9M13 to USD12,509.1mn. The growth, according to CMA CGM, was mainly due to a 4.3% increase in shipping revenue. The liner's volumes were up 7.4% from 8.479mn TEUs 9M13 to 9.11mn TEUs in 9M14. Profit for the period decreased by 8.8%, from USD451.1mn to USD411.5mn.

Q214

CMA CGM posted a y-o-y increase of 3.7% in consolidated revenue in the second quarter of 2014, from USD4,050mn in Q213 to USD4,200mn. The carrier's volumes were up 8.0% to 3.1mn TEUs in Q214, compared to 2.9mn TEUs in Q213, with the average per TEU falling by 3.9% over the period.

CMA CGM attributed growth in volumes mainly to 'the development of the Group's Asia-Europe and Africa lines, and of the Asia-Pacific lines of its subsidiary ANL, reflecting CMA CGM's enhanced services portfolio in these regions'.

Consolidated net profit for the period amounted to USD94mn in Q214, below the USD268mn achieved in the corresponding period of 2013. The Q213 result, however, included non-recurring elements such as USD248mn brought by the sale of the 49% stake in port terminal operations subsidiary Terminal Link.

Q114

CMA CGM's consolidated revenue was up 2.7% y-o-y in the first quarter of 2014, from USD3,835.9mn in Q113 to USD3,940.9mn, mainly due to a 5.8% (or 154,400TEU) increase in volumes to 2.802mn TEUs in Q114 and despite average revenue per TEU falling by 2.9% to USD1,407 per TEU. Over the same period market freight rates as measured by the average SCFI compound have declined by 8.6%, according to the company.

The 154,400TEU increase in volumes was primarily attributable to a 76,000TEU (5.1%) increase in volumes on CMA CGM's main East West lines, to a 2,600TEU (3.7%) increase on main North South lines, and to a 52,000TEU (12.0%) increase by CMA CGM's subsidiaries, with the most of the increase brought in by ANL, the subsidiary specialising on intra-Asia trade.

Profit for the period was up 0.68% y-o-y from USD102.4mn to USD103.1mn.

2013

CMA CGM's consolidated revenue decreased by 0.1% y-o-y in 2013, from USD15,923.2mn in 2012 to USD15,901.5mn, mainly due to a 2.2% decrease in other activities revenues reflecting deconsolidation of CMA CGM's terminal activities subsidiary Terminal Link combined with a 0.03% increase in container shipping revenue, which amounted to USD14,751.9mn, compared to USD14,748.1mn in the previous year.

Volumes were up 7.5% y-o-y from 10.603mn TEUs in 2012 to 11.397mn TEUs in 2013. Average shipping revenue per TEU (shipping revenue divided by total carried TEU volumes) decreased 6.9% or USD96 per TEU from USD1,391 per TEU in 2012 to USD1,294 per TEU in 2013.

Consolidated net profit was up 22.8% y-o-y to USD408mn, compared to USD332mn a year ago, in part as a result of the sale of 49% of Terminal Link in June.

Q313& 9M13

CMA CGM's consolidated quarterly revenue was down 2.4% y-o-y from USD4.2bn to USD4.1bn in Q313. Net profit attributable to shareholders decreased significantly - from USD363mn to USD70mn. The year-to-date figures, however, improved, with a 0.3% y-o-y increase in revenue - from USD11.9bn to USD12.0bn - and a 52.6% growth in net profit - from USD284mn to USD434mn.

Container volumes were up 11.1% y-o-y to 3.0mn TEUs in Q313, the year-to-date box volumes increased by 6.3% from 8.0mn TEUs in January-September 2012 to 8.5mn TEUs.

Q213 & H113

CMA CGM's consolidated revenue increased by 1.7% y-o-y to USD7.9bn in the first half of 2013, compared with USD7.8bn in H112, despite Q213 revenue at USD4.0bn being 2.4% below the USD4.1bn achieved in Q212. The group's net profit was at USD364mn in H113, compared to a net loss of USD79mn in H112. Most of the profit (USD268mn, +58.6% y-o-y) was achieved in Q213 and included USD249mn related to the reorganisation of port operations, including the disposal of Terminal Link.

CMA CGM's container volumes were up 6.9% y-o-y to 2.9mn TEUs in Q212; however, the average freight rate was down 8.6% over the period. H113 box volumes were up 4.9% from 5.3mn TEUs in H112 to 5.6mn TEUs.

CMA CGM once again reported a significant reduction of its net debt - by USD385bn - to USD3.8bn at June 30, following USD1.1bn and USD0.4bn contractions over two previous quarters.

Q113

CMA CGM reported improved consolidated financial results for the first quarter of 2013. The group posted a net profit of USD102mn in Q113, compared to a net loss of USD240mn in the corresponding quarter of 2012. CMA CGM's container volumes were up 3.0% y-o-y, from 2.6mn TEUs in Q112 to 2.7mn TEUs in Q113, resulting in a 6.0% growth in consolidated revenue, from USD3.6bn to USD3.8bn, which was also affected by a 3.0% increase in freight rates.

CMA CGM also reported a significant reduction of its net debt to USD4.2bn at March 31 2013, which is USD1.1bn less than, at the end of Q112 and USD0.4bn less than at December 31 2012.

2012

CMA CGM's consolidated revenue increased by 7.0% y-o-y in 2012, from USD 14.9bn in 2011 to USD15.9bn, driven by container volume growth of 6.0%, from 10mn TEUs in 2011 to 10.6mn TEUs in 2012. The company said it achieved USD800mn of savings over the year - well above target. It posted a consolidated net profit of USD361mn in 2012, compared to a net loss of USD5mn a year before.

The company managed to reduce bunker costs per TEU by 12.0% and charter expenses by USD200mn. In 2013 it expects a similar level of profitability, helping it to cut its net debt by USD1.1bn to USD3.5bn.

A company press release mentions the strengthening of CMA CGM's balance sheet thanks to the sale of 49% of Terminal Link for EUR400mn, the closing of USD100mn equity injection from Yildirim, the signing of USD150mn equity injection from Fonds Stratégique d'Investissement (FSI) and the closing of the agreement with company's banks regarding its debt restructuring.

Latest Activity

Hazira And Mundra Ports Benefit From Congestion At JNPT

Hazira and Mundra ports in the Indian state of Gujarat have been benefiting from the congestion at the Jawarharlal Nehru Port Trust (JNPT) in August. Constant congestion at JNPT has prompted national and international container carriers such as Simatech Shipping, X-Press Feeders, Maersk Line, CMA CGM and Orient Overseas Container Line to add direct calls at Adani Hazira port in FY13/14 and FY14/15. Mundra port registered double digit growth in container cargo in FY12/13, FY13/14 and FY14/15. Meanwhile, JNPT container cargo growth declined in FY12/13 and FY13/14, and posted an increase of 7.21% in FY14/15.

CMA CGM Opposes Publicising Tariffs

While surcharges and general rate increases tend to be publicised, the shipping industry has traditionally kept the base tariffs for the transport of a container from one port to another secret. This is being challenged by the Vietnamese government, which has proposed a decree which would mean shipping companies must publicise their tariffs.

A number of shipping firms, including CMA CGM, APL, and MSC have opposed the potential move, and expressed this through a statement issued by a law firm. The reasoning behind the publication of the tariffs is that a study found that shippers were being hit by a number of different surcharges on their cargos, and that the pricing was unclear. However, the shipping firms argue that the decree would only harm Vietnamese trade, as information about costs would be taken advantage of by rivals - other countries would still enjoy confidential pricing.

Evergreen Line

Overview

Evergreen Line is the name and global brand under which five shipping companies operate. The brand was established in May 2007 and encompasses Evergreen Marine (Taiwan), Italia Marittima (Italy), Evergreen Marine (Hong Kong) and Evergreen Marine (UK). A fifth carrier, Evergreen Marine (Singapore), signed a joint service agreement in May 2009.

Evergreen Line's main routes focus on the delivery of goods from Asia, particularly Taiwan, Hong Kong, China, South Korea and Japan. It operates to and from the US East and West Coasts, South America, Europe, the Mediterranean, the Middle East and Africa. It also provides a container service between the east coast of South America and the East Coast of the US, as well as a service linking Panama with the US West Coast. The carrier provides regular feeder services in the Caribbean, the Mediterranean, South East Asia and around the Indian subcontinent.

Evergreen is engaged in the port operating sector, with terminals including the Taichung Container Terminal and the Kaohsiung Container Terminal in Taiwan, the Colon Container Terminal in Panama, and the Taranto Container Terminal in southern Italy, in which Hutchison Port Holdings also has a stake.

SWOT Analysis

Strengths

- Evergreen operates one of the most globalised route networks, with strong coverage of major Latin American and Middle Eastern ports in addition to its core Asian, US and European services.
- Its route-sharing agreements allow it to reduce capacity while still meeting client demands.
- Highly exposed to the intra-Asia trade route, which is widely considered a major growth market.
- Membership of the CKYHE Alliance (made up of COSCON, 'K' Line, Yang Ming, Hanjin Shipping and Evergreen Line) allows the line to better compete with other alliances.

SWOT Analysis - Continued	
	▪ Has increased its routes through alliances, despite the difficult operating environment. ▪ Evergreen Marine (Evergreen Marine Corporation (Taiwan) Ltd. and its subsidiaries) returned back to the black in 2014, posting consolidated profit for the year of TWD2.06bn.
Weaknesses	▪ With a large container fleet and little diversification into other sectors, the risk of overcapacity is ever-present. This threat is especially relevant as the company has a large newbuild fleet currently on order, at 23 ships. ▪ Flagship services are focused on Asia, so a shift in the dynamics of this region could make Evergreen vulnerable.
Opportunities	▪ The company is currently conducting the 'rejuvenation' of its fleet, which will give it a younger and more modern fleet and will optimise unit costs. ▪ Ordered newbuilds at the bottom of the market, so has been able to expand more cheaply than its peers. ▪ Well placed to take advantage of the growth in cargo traffic brought about by the opening of direct routes between China and Taiwan. ▪ Is expanding its emerging trade route coverage, with new services connecting Asia and Africa.
Threats	▪ While the company has built up intra-Asian history and expertise, the region's growth potential is luring new players, increasing the competition Evergreen will face.

Strategy

Evergreen Line is the fourth-largest container shipping company in the world in terms of container-carrying capacity. According to AXS Alphaliner, it has an overall capacity of 953,555 twenty-foot equivalent units (TEUs), representing market share of 4.7%). This is a considerable 880,455TEUs behind the third-largest container shipping company CMA CGM (9.1% market share) and 33,796TEUs ahead of fifth-placed COSCON (4.3%).

Routes

Evergreen Line boasts a strong presence on intra-Asia trade routes, and continues to launch new routes. The latest service to be included in its intra-Asia portfolio is a new weekly China-Surabaya Express (CSX) Service, launched in May 2015 in partnership with COSCO and China Shipping, with the port rotation of Qingdao-Shanghai-Xiamen-Shekou-Pasir Gudang-Singapore-Surabaya-Singapore-Qingdao. The high growth potential of intra-Asia routes has seen a number of lines expand into this area. BMI believes Evergreen Line is positioned better than most, as intra-Asia is its traditional operating area and it has built up considerable expertise and a client base there.

In March 2012 the line announced its return to the North America-South America route, in conjunction with a number of other lines. Evergreen, NYK Line (NYK), Hanjin Shipping and Hyundai Merchant Marine (HMM) jointly launched a new service between the US East Coast and South America, the Atlantic North South Service (ANS). However as of June 2015 Evergreen does not offer any services between North and South Americas.

The company has also developed a role on the 'big money' routes, and has 14 Asia-Europe and 17 transpacific services.

Fleet

Evergreen Line has a fleet of 201 vessels, with a capacity of 953,555TEUs. The company owns 106 and charters 95 vessels. This translates to a total 405,564TEUs chartered containers, equivalent to 42.5% of the company's total fleet. The capacity of Evergreen-owned vessels is 547,911TEUs.

In terms of vessel capacity, its fleet is much smaller than its peers', with vessels mainly ranging from 1,038TEUs to 8,508TEUs, although in October 2014 it chartered Thalassa Axia for 10 years, its 10th and last 13,800TEU that was part of a 10-vessel charter agreement with Greece's Enesel, according to the terms of which all vessels had to be delivered to Enesel and chartered by November 2014. Ten more 14,000TEU vessels were chartered as per charter agreements signed with Costamare and Shoei Kisen Kaisha, with each company providing five vessels to be delivered in 2016 and 2017 respectively. Evergreen's strategy of maintaining a large fleet made up of smaller vessels ties the carrier with intra-Asia routes, to which it is highly exposed. The company had previously seemed unprepared to make the leap into the mega-vessel class, a move undertaken by most of its peers. However, its orderbook shows it is prepared to take more vessels with an average capacity of 9,609TEUs.

The line's avoidance of ordering mega vessels appeared to be due to reservations by chairman and founder Chang Yung-fa. He has been reported to be 'a noted sceptic about the industry trend towards far larger ships, believing that the need to fill them would end up driving down earnings'. This scepticism, however, appears to have been overcome, with Evergreen chartering significant number of 14,000TEU and 18,000TEU vessels. BMI notes that Evergreen is ensuring some protection, as it is chartering the vessels instead of owning them.

BMI believes Evergreen's decision to join the mega-vessel club will enable it to optimise its costs. It will also help the company to remain the number one container line in Asia.

Evergreen's orderbook, at 394,000TEUs or 41.3% of its current fleet, is 46,614TEUs greater than that of COSCON, meaning Evergreen should retain its lead. The change in strategy will also help the company move toward Chang's reported goal of 'steering Evergreen into becoming the world's largest container line in his lifetime'.

The company calls its current fleet development a 'fleet rejuvenation programme', which it started in 2010 by ordering twenty 8,000TEU-plus L-type vessels from Samsung Heavy Industries and followed by an order for 10 vessels of the same type from Taiwan's CSBC Corp in 2011. Evergreen also took delivery of five 8,800TEU and 10 13,800TEU chartered vessels, with another ten 14,000TEU ships to be delivered in 2016-2017. 28 of the thirty L-Type vessels were delivered by April 2015, while two more newbuilds are to be delivered by Q315. With the delivery of all these 66 vessels of medium to ultra-large size its currently chartered ships will be gradually redelivered as their charters expire.

Evergreen previously planned to build 100 container ships, but these plans have been put on hold until after the Panama Canal expansion project is completed, which is due in 2016.

Financial Results

2014

Evergreen Marine Corporation (Taiwan) Ltd. and its subsidiaries recorded a consolidated profit for the year of TWD2.06bn in 2014, an improvement on the TWD2.05bn loss in 2013. Consolidated operating revenue was up 3.6% y-o y to TWD144.3bn.

9M14

Evergreen Marine Corporation (Taiwan) Ltd. and its subsidiaries' operating revenue was up 1.2% to TWD107.1bn in the first nine months of 2014, compared to TWD105.9bn in 9M13. Profit for the period amounted to TWD960.09mn, an improvement compared to the TWD2,436.6mn loss in the first nine months of 2013.

H114

Evergreen Marine Corporation (Taiwan) Ltd. and its subsidiaries posted a loss for the period in the amount of TWD1.51bn in the first six months of 2014, an improvement compared to the TWD2.53bn loss in H113. Operating revenue decreased by 0.5% y-o y to TWD69.5bn.

2013

Evergreen Marine Corporation (Taiwan) Ltd. and its subsidiaries recorded a consolidated net loss for the year of TWD2.05bn in 2013, an almost ten-fold increase on the TWD211.7mn net loss in 2012. Consolidated operating revenue decreased by 1.3% y-o y to TWD139.2bn.

2012

Evergreen Marine returned to the black in 2012, posting a net income of TWD128.53mn, compared to a TWD3.09bn loss in 2011. The company said it would not pay dividends.

Latest Activity

South Asia-Oman Shipping Service Launched

Evergreen Line and UAE-based ocean freight services provider Simatech Shipping launched a new direct South Asia-Oman service in June, with the vessel Messini making its maiden call in the Omani port of Sohar on May 29. The new weekly service, titled the Chennai-Colombo-Gulf Service (CCG), deploys four vessels. The new service is aimed at offering Omani importers and exporters more options in terms of shipping. CCG's port rotation will be - Colombo, Vizakhapatnam, Krishnapatnam, Chennai, Colombo, Cochin, Jebel Ali, Sohar, Cochin and Colombo.

COSCO Container Lines Company (COSCON)

Overview

COSCO Container Lines Company (COSCON) is one of the world's biggest container shipping lines and is the largest Chinese carrier, exceeding rival China Shipping Container Lines (CSCL) in terms of fleet capacity.

COSCON is the container-transporting arm of China COSCO Holdings Company. The company dates back to 1961 and was originally engaged in transport solutions. It did not become a shipping company until 1993. In 2005 the firm issued an initial public offering (IPO) and now trades on the Shanghai and Hong Kong stock exchanges. China COSCO Holdings Company is the flagship and integrated platform of COSCO. The group is owned by the People's Republic of China.

SWOT Analysis	
Strengths	▪ COSCO has a good relationship with the Bank of China, which has provided the company a source of credit since the 1960s. ▪ Its investment in a number of shipyards gives it the flexibility to adapt its order book to the economic climate. ▪ The carrier has a well-diversified fleet.
Weaknesses	▪ COSCON is facing growing competition from fellow Chinese shipping line CSCL, which is rapidly expanding its fleet.
Opportunities	▪ The opening of direct shipping routes between China and Taiwan is likely to provide long-term growth opportunities for COSCO's container operations. ▪ The group is well placed to take advantage of growing intra-Asia trade. ▪ A coming merger with CSCL is rumoured.
Threats	▪ Ongoing overcapacity in 2015 will continue to drive down rates.

Strategy

According to COSCON's website, the liner operates 84 international shipping routes and 23 domestic services, connecting 192 principal ports in 64 different countries and regions.

COSCON plays a key role in domestic Chinese shipping, both coastal and on inland waterways. It operates six coastal services, 16 coastal feeder lanes and 72 routes on the Pearl River Delta and Yangtze River.

As a Chinese company, COSCON is heavily exposed to the intra-Asia market, which BMI believes is a growth area for shipping, particularly at a time when the more traditional routes are suffering from overcapacity. In addition to its domestic Chinese services, it also has a large number of services connecting Chinese ports with ports in other Asian countries, such as Vietnam and Indonesia. COSCON also has high exposure to the traditional East-West 'big money' routes of Asia-Europe and transpacific.

As well as unstable rates, the company has faced volatile bunker fuel prices. In an effort to combat this, it has introduced a number of bunker adjustment surcharges. It has also tried to introduce a peak season surcharge, but with vessel supply continuing to outweigh demand, this did not hold.

Alliances

BMI's view of an increase in link-ups between lines continues to play out, with the CKYH Alliance (also known as the Green Alliance) - made up of COSCON, 'K' Line, Yang Ming and Hanjin Shipping - first forming a partnership with Taiwan's Evergreen Line and later creating the CKYHE Alliance. BMI believes the development of alliances will put further pressure on carriers on the Asia-Europe route alone, leaving them with two options: join up or drop out.

The CKYH Alliance's link-up with Evergreen came into force in Q212, with the carriers operating a 12-loop service using between 96 and 132 vessels. In February 2014 the creation of the CKYHE Alliance was announced, with members agreeing in principle to establish a shipping alliance, which will be operational only on the trades between Asia and Europe, including the Mediterranean region. The CKYHE Alliance commenced operations in the middle of April with six joint services operating between Asia and Northern Europe and four loops on the Asia-Mediterranean route.

In October 2014, the alliance announced plans to expand its cooperation scope to U.S. trades, with the CKYHE submitting a formal letter to the Ministry of Transport (MOT) of China, filing an agreement to cover U.S. trades with the U.S. Federal Maritime Commission (FMC), and informing the EU Commission of developments. All regulatory approvals were later received. CKYHE plans to follow the same pattern of cooperation in U.S. trades that its members use in the Asia/Europe, Mediterranean trades.

Alliances are nothing new. They enable comparatively smaller players to operate on major trade routes, which they would normally be priced out of, if operating by themselves. In 2009 link-ups between lines became common and, as BMI projected, with the global economic environment once again turning sour, lines were joining up once more; although it should be noted it is now on a scale we have never before witnessed. The launch of the G6 Alliance highlighted this, with members of the Grand Alliance (Hapag-Lloyd, NYK Line and OOCL) joining with members of the New World Alliance (APL, Hyundai MM and MOL) to create a super alliance of six members.

BMI believes it is due to the launch of this mega alliance, along with the link-up of MSC and CMA CGM on the Asia-Europe route, the continued dominance of Maersk Line and the attempt at creating the P3 Network by the world's three largest liners - Maersk Line, MSC and CMA CGM - that the CKYH Alliance has joined up with Evergreen.

Also, in Q412, further cooperation was announced between the two Chinese liners, when CSCL and COSCON announced that they were to operate their first joint domestic service linking north east China with Fujian and Shantao in the south. The move will protect the firms, as by working together they will dominate the country's coastal shipping sector, making it harder for outside shipping lines to break into the market. More news on cooperation between the two came at the beginning of 2014, when COSCO Group and China Shipping Group signed a strategic cooperation framework agreement, according to which the companies will cooperate in different areas, including shipping.

Fleet

According to AXS Alphaliner data, as of September 29 2015, COSCON was the fifth-largest container shipping line in the world, with a market share of 4.3% - down marginally from 4.4% three months earlier. The company's container fleet has a capacity of 857,751 twenty-foot equivalent units (TEUs), down 0.7% from 864,237TEUs on June 2015. COSCON's fleet is made up of 167 vessels. The majority are Post-Panamax vessels with capacities of more than 4,500TEUs. The largest vessels in the COSCON fleet are the nine 13,000+TEU-capacity vessels, delivered in 2013 and 2014.

COSCON slipped from fourth position in 2012, when it was overtaken by fellow Asian container shipping company Evergreen, and later, in 2014, by Hapag-Lloyd also. COSCON has a massive orderbook, which will see it move up the rankings. This is equivalent to 40.5% of its fleet at present, 23 ships on order totalling container capacity of 347,386TEUs. Evergreen will remain ahead, however, as its orderbook is of a similar size, equivalent to 41.2% of its fleet.

Of its 164 vessels, COSCON has a fairly balanced ratio of chartered vessels, accounting for 45.9% of the fleet at 393,339TEUs. COSCON's own fleet of 85 vessels makes up the remaining 464,412TEUs.

Financial Results

2014

China COSCO Holdings Company's total revenue from container shipping and related business was up 4.1% y-o-y, to CNY50,324mn in 2014. The segment posted a profit of CNY1,016mn, compared to a loss of CNY988.1mn in 2013. Box shipping volumes were up 8.5% y-o-y, to 9.438mn TEUs. Average container freight rate increased by 1.7% to CNY4,558 per TEU compared to 2013.

In 2014 COSCON, a wholly owned subsidiary of China COSCO, posted a revenue of CNY47,743mn, operating profit of CNY651.1mn, gross profit of CNY297.2mn and net profit of CNY91.4mn. Net profit attributable to the parent company's equity holders was CNY52.0mn, compared to a net loss of CNY1,426mn in 2013.

9M14

China COSCO Holdings Company's consolidated total revenue from operations increased by 2.9% y-o-y, to CNY47.427bn in the first nine months of 2014. The company recorded a net profit of CNY297.7mn, a y-o-y drop of 19.4% compared to a net profit of CNY369.3mn recorded for 9M13.

Revenue from container shipping and related business increased by 10.5% y-o-y to CNY35.054bn in 9M14 as container shipping volumes were up 8.8% y-o-y to 6.992mn TEUs.

H114

China COSCO Holdings Company's consolidated operating revenue was up 4.6% y-o-y, to CNY32.492bn in the first half of 2014. The company recorded a profit attributable to equity holders of CNY2.277bn, compared to a restated CNY0.99bn loss recorded for H113.

Revenue from container shipping and related business was up 5.5% y-o-y to CNY24.006bn in H114 but the segment posted a loss of CNY868.6mn for the period. Container shipping volumes were up 9.2% y-o-y, to 4.489mn TEUs. The average revenue was at CNY4,412 per TEU, down 2.5% on H113.

Q114

China COSCO Holdings Company's consolidated operating revenue dropped by 6.8% y-o-y, to CNY14.209bn in the first quarter of 2014. The company recorded a net loss attributable to equity holders of CNY1.880bn, compared to CNY1.988bn loss figure recorded for Q113.

Container shipping volumes were up 7.2% y-o-y, to 2.079mn TEUs in Q114.

2013

China COSCO Holdings Company's revenue from container shipping and related business decreased by 0.6% y-o-y, to CNY48,312mn in 2013. Box shipping volumes increased by 8.5% y-o-y, to 8.702mn TEUs. Average container freight rate was down 10.4% to CNY4,482 per TEU compared to 2012; in US dollars the decrease was at 8.8% to USD723 per TEU.

The company attributed its results to low freight rates as a result of continuing weak market demand and gradual delivery of large vessels creating oversupply.

Transpacific trade revenue decreased from CNY14.9bn in 2012 to CNY14.2bn in 2013; revenue brought by Asia-Europe trade including the Mediterranean dropped from CNY12.3bn to CNY10.7bn; Intra-Asia and Australia revenue also decreased - from CNY7.6bn to CNY7.4bn; while domestic Chinese revenue was up from CNY12.1bn to CNY13.8bn and revenue brought by other international trades, including the transatlantic increased from CNY1.7bn in 2012 to CNY2.3bn in 2013.

China COSCO Holdings Company's container shipping and related business remained unprofitable in 2013, with the segment recording a loss of CNY988.1mn, compared to a restated CNY1,528.7mn loss figure recorded for 2012.

2012

COSCON's revenues increased by 16.9% y-o-y to CNY48,446mn in 2012, compared to CNY41,437mn in 2011. Capacity grew by 13.3% and box volumes transported by the company were up 16.0%, from 6.91mn TEUs in 2011 to 8.02mn TEUs in H112. The highest revenues were earned by the transpacific trade services (CNY14,863mn, up 21.5% y-o-y), followed by Asia-Europe, including Mediterranean (CNY12,067mn, up 30.7%) and intra-Asia, including Australia (CNY7,318mn, up 14.3%).

Latest Activity

North Europe Feeder Network Enhanced

In July, COSCON announced the strengthening of its feeder network through the introduction of two new feeder loops for Northern Europe which began operating at the close of that month. The first of the two weekly services is the PLX1 [Poland-Lithuania-Express], which calls at Hamburg, Gdynia and Klaipeda before returning to Hamburg. The SNX1 [Sweden-Netherlands-Express] has the rotation Rotterdam, Oslo, Gothenburg, Rotterdam.

Merger On The Cards

There are growing talks of a potential merger between CSCL and China COSCO. Although there has been no official word, and neither of the companies mentioned the issue in recent H2 financial releases (which were widely different, with COSCO reporting a significant improvement in fortunes, while CSCL posted a 97% decline in net profits), speculation continues. This has been fuelled by COSCON stating that it was in the 'planning process' for a 'material event.'

Macroeconomic Forecasts

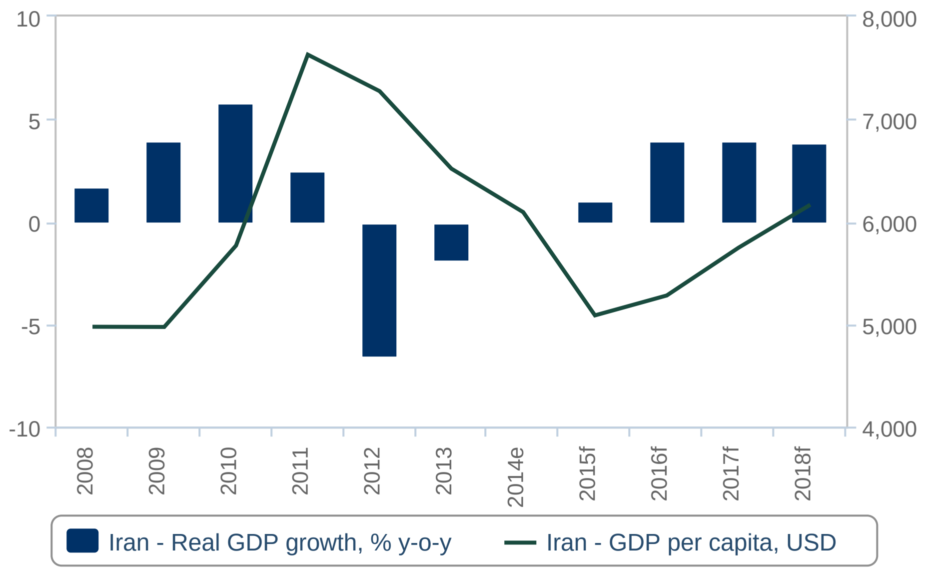
Economy To Grow Again On Sanctions Relief

BMI View: *After three years of stagnation and recession Iran's economy will return to growth in 2015. This will be primarily due to sanctions relief as we expect an agreement to be reached over the country's nuclear programme. Overall, we expect real GDP growth of 3-4% from 2016 onwards, driven increasingly by fixed investment and net exports.*

Our expectation for sanctions to be unwound on Iran from Q315 will provide a significant boost to the country's economy. Sanctions across sectors such as on shipping, banking and oil will be relaxed as Iran complies with Western powers' demand over the dismantling of its nuclear programme. On the back of this we forecast Iran's economy to return to growth in 2015, following three years of recession. The impact of the unwinding of sanctions will be tempered by growth in imports, and because sanctions on the key oil sector will not lead to a significant uptick in exports until 2016 at the very earliest. In addition, years of underinvestment across all sectors will mean that although growth will reach around 4.0% over the coming years, a booming economy is off the cards as the recovery is tempered by logistical and bureaucratic issues.

Noticeable Boost From Nuclear Deal

Iran - GDP

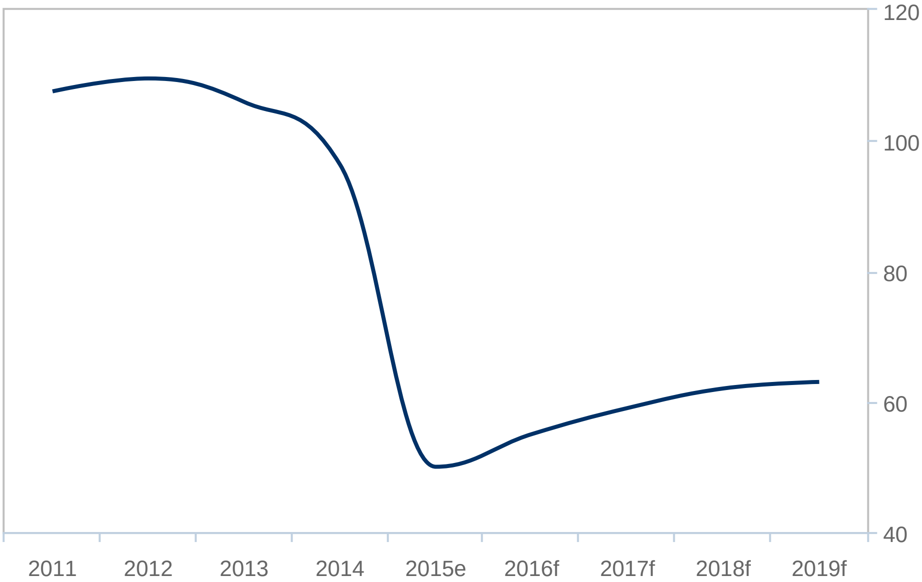


e/f = BMi estimate/forecast. Source: BMI, UN

In addition, lower oil prices will play a key role in limiting the impact of the unwinding of sanctions. We forecast oil prices to average USD53/bbl in 2015 and USD57/bbl in 2016 as a result of global oversupply. This will ensure government spending and private consumption growth will be relatively low. Fixed investment and exports will become increasingly important growth drivers, though this will be a slow process as opposed to a sudden jump once sanctions are eased. Indeed, while we expect President Hassan Rouhani's administration to undertake significant efforts to reform to the economy, the effects will be limited by a persistently opaque business environment, domestic resistance to opening up the economy and the slow political process.

Sanctions Relief To Mitigate Weaker Oil Prices

Global - OPEC Basket Average Price (USD/bbl)



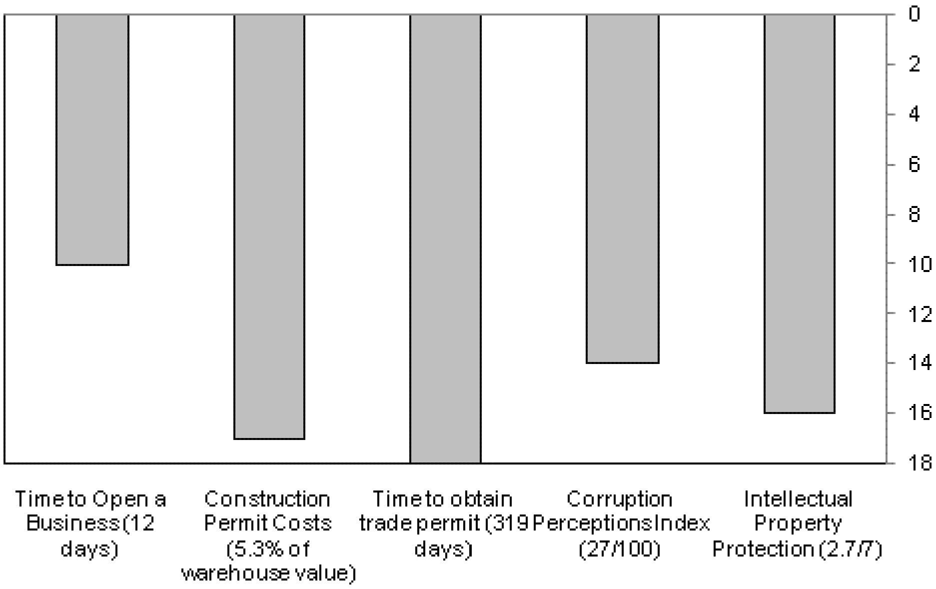
f = BMI forecasts; Source: BMI

Private Consumption Outlook: A reduction in sanctions bode well for private consumption over the longer term, however, this positive impact is unlikely to be felt until 2016 at the earliest. Subsidy cuts, high inflation and a depreciating rial, factors which we expect to continue over 2015, have dampened consumer demand substantially and will weigh on growth for the coming quarters. We forecast real growth of 2.0% and 4.0% in 2015 and 2016, respectively. The inflationary environment will improve, but persistently elevated price pressures will continue to hit purchasing power.

Government Spending Outlook: Lower oil prices will push Iran into a sustained fiscal deficit, averaging 4.0% of GDP over the coming three years. In response, we expect the government will quicken subsidy reforms and privatisation plans; however, this will be insufficient to prevent sustained deficits over the coming years. As a result, government spending will remain subdued, which we forecast to increase by -3.0% and 1.0% in 2015 and 2016, respectively. *(See 'Sustained, But Manageable, Budget Deficits Coming', April 10).*

Impediments Remain For Investment

MENA - Rankings Indicators Of Business Environment (2013)



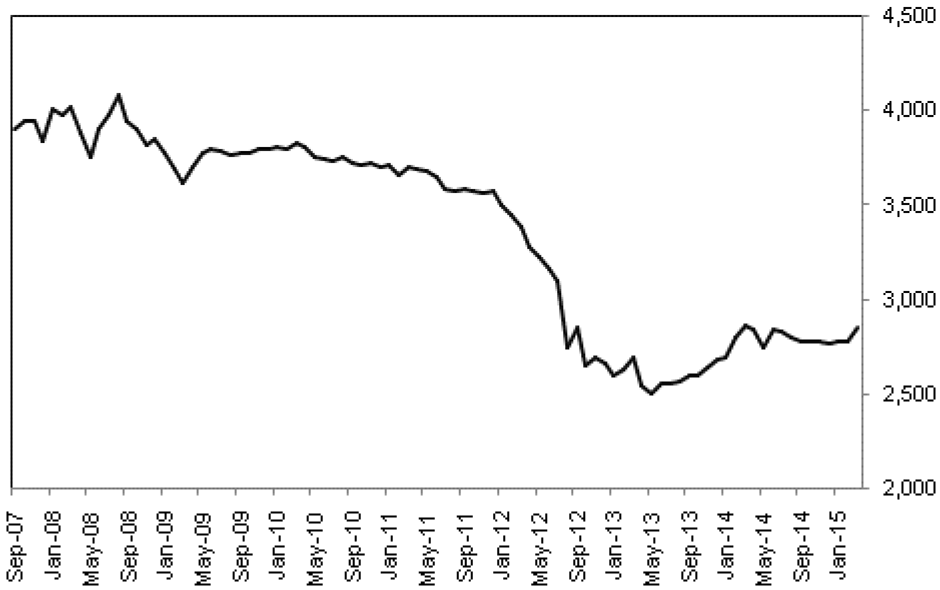
Source: BMI. NB Out of 18 MENA countries, excludes West Bank. For CPI and IPP, higher number is better.

Fixed Investment Outlook: Given Iran's dire need for investment as well as the myriad of opportunities across a range of sectors, gross fixed capital formation (GFCF) will be a key beneficiary of any reduction in sanctions, particularly for infrastructure.

Russian and Chinese companies have built a strong presence in Iran, particularly as a result of Western sanctions. However, we are starting to see growing interest from other international players in Iran, including Korean companies such as **GS Engineering & Construction** which has started surveying the Iranian market, looking for opportunities in gas infrastructure in particular. Furthermore, Arab, French, and Turkish companies are showing greater interest in returning to the Iranian construction market, with the awarding of the construction of the USD1.8bn Tabriz-Bazargan Highway to Turkish **Bergiz Insaat** in January 2015. With regards to regional players, we anticipate Omani and Qatari companies will show an interest in Iran, as well as Dubai-based **Arabtec**. Overall we forecast real growth in GFCF of 1.0% and 4.0% in 2015 and 2016 from an average of -3.1% over 2010-2014.

Slight Improvement...

Iran, Oil Production, '000bbl/d

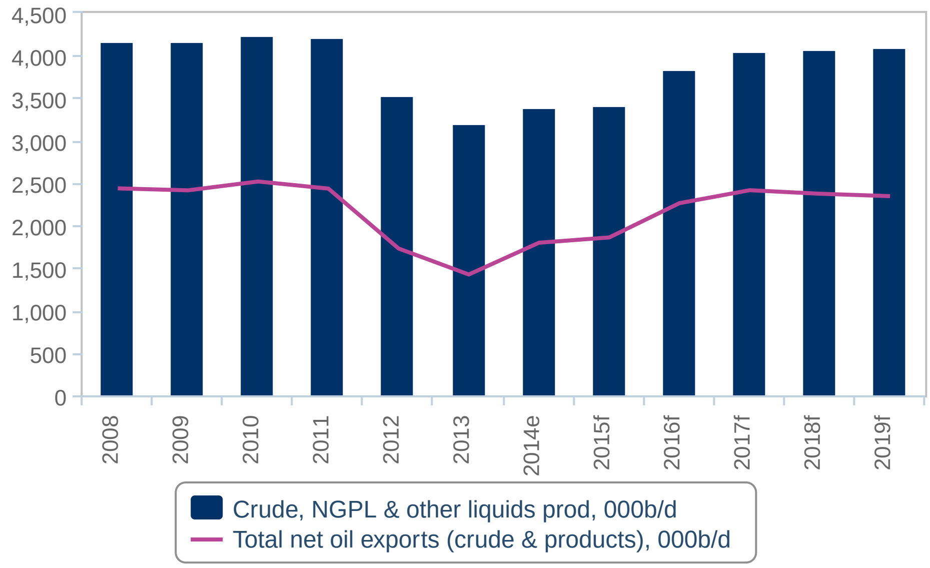


Source: IEA, BMI

However, a host of factors will hinder a more rapid expansion of fixed investment. Foreign companies in nearly every sector have recently expressed interest in returning to the Iranian market, but a key impediment will be Iran's difficult operational environment, with high levels of bureaucracy providing a significant barrier to trade and the utilities infrastructure struggling to meet demand. Iran scores poorly overall in the **BMI** Operational Risks Index, with 41.5 out of 100 ranking the country 13th out of 18 states in the MENA region. Indeed, Iran is a regional laggard across indices such as corruption and bureaucracy, factors which will not improve with a relaxation in sanctions.

... But Longer Term Growth Is Marginal

Iran - Oil Production



Source: BMI/EIA

Net Exports Outlook: As we have previously outlined, Iranian oil exports will not suddenly increase from Q315 when a deal is announced. Sanctions on oil will take several months to be relaxed and years on underinvestment will weigh on export potential. In addition, as we have noted previously, several logistical and production difficulties preclude us from forecasting for a quick return of Iranian crude to the market. According to the International Energy Agency, total oil production expanded by 2.3% y-o-y in March, compared with a 2.1% increase in 2014. Low base effects and an uptick in condensates exports - which are not subject to international sanctions - will lead to an acceleration of energy export growth this year. We also factor in a steady incremental increase in Iranian exports, as Iran offloads oil in floating storage and slowly ramps-up production, progressively adding to oversupply in the oil market.

Import growth will remain muted over the coming quarters as we expect continued deprecation of the rial even with a deal over Iran's nuclear programme. However, once the economy begins to pick up speed from 2016 onwards, we expect import growth to head higher as consumer demand increases.

Table: Economic Activity (Iran 2010-2019)

	2010	2011	2012	2013	2014	2015e	2016f	2017f	2018f	2019f
Nominal GDP, USDbn	429.4	575.4	555.8	504.7	478.0	404.2	424.8	467.8	507.7	549.2
Real GDP growth, % y-o-y	5.8	2.5	-6.6	-1.9	0.0	1.0	4.0	4.0	3.9	4.1
GDP per capita, USD	5,766	7,628	7,272	6,516	6,092	5,085	5,279	5,745	6,164	6,594
Population, mn	74.5	75.4	76.4	77.4	78.5	79.5	80.5	81.4	82.4	83.3
Unemployment, % of labour force, eop	13.5	13.3	13.1	13.0	11.0	10.0	10.0	10.0	10.0	9.0

National Sources/BMI

Table: GDP By Expenditure (Iran 2012-2019)

	2012	2013	2014e	2015f	2016f	2017f	2018f	2019f
Private final consumption, IRRbn	2,999,816.0	3,513,034.6	4,356,163.0	5,445,203.7	6,643,148.5	7,872,131.0	9,131,671.9	10,592,739.5
Private final consumption, USDbn	245.9	195.4	168.6	175.7	184.5	207.2	228.3	252.2
Private final consumption, real growth % y-o-y	-1.7	-1.0	3.0	2.0	4.0	4.5	4.0	4.0
Government final consumption, IRRbn	715,016.5	962,204.9	1,202,756.1	1,443,307.3	1,717,535.7	1,992,341.4	2,271,269.2	2,634,672.2
Government final consumption, USDbn	58.6	53.5	46.6	46.6	47.7	52.4	56.8	62.7
Government final consumption, real growth % y-o-y	-7.2	1.6	4.0	-3.0	1.0	2.0	2.0	4.0
Fixed capital formation, IRRbn	2,443,180.6	3,490,657.1	3,005,140.7	3,179,685.8	3,457,146.7	3,769,754.0	4,123,129.2	4,502,417.6
Fixed capital formation, USDbn	200.3	194.1	116.3	102.6	96.0	99.2	103.1	107.2
Fixed capital formation, real growth % y-o-y	-12.3	-11.3	3.0	1.0	4.0	4.5	5.0	5.0
Exports of goods and	1,656,188.0	3,161,244.1	4,281,699.4	2,742,566.4	3,624,794.8	4,212,747.6	4,788,513.7	5,258,451.0

GDP By Expenditure (Iran 2012-2019) - Continued								
	2012	2013	2014e	2015f	2016f	2017f	2018f	2019f
services, IRRbn								
Exports of goods and services, USDbn	111.4	120.3	128.9	138.3	148.8	160.3	172.8	186.4
Exports of goods and services, real growth % y-o-y	-13.3	5.0	3.0	0.2	4.0	3.0	3.0	3.0
Imports of goods and services, IRRbn	1,381,800.0	2,553,261.2	1,757,353.4	1,830,024.8	1,977,877.7	2,153,663.1	2,340,346.7	2,538,519.1
Imports of goods and services, USDbn	89.7	97.2	104.9	113.0	121.7	131.1	141.2	152.2
Imports of goods and services, real growth % y-o-y	-16.1	-16.0	-5.0	-1.0	3.0	4.0	4.0	4.0
Net exports of goods and services, IRRbn	274,388.0	607,982.9	2,524,345.9	912,541.7	1,646,917.1	2,059,084.6	2,448,167.0	2,719,931.9
Net exports of goods and services, USDbn	21.7	23.0	23.9	25.3	27.1	29.2	31.6	34.3
Net exports of goods and services, real growth % y-o-y	-8.0	40.5	11.1	1.2	4.8	2.2	2.2	2.1

BMI/UN

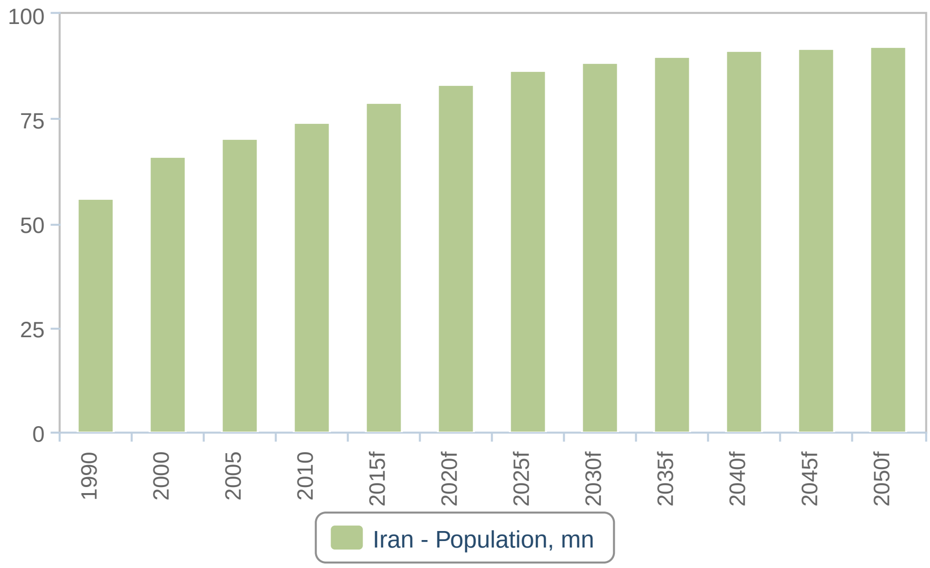
Demographic Forecast

Demographic analysis is a key pillar of **BMI**'s macroeconomic and industry forecasting model. Not only is the total population of a country a key variable in consumer demand, but an understanding of the demographic profile is essential to understanding issues ranging from future population trends to productivity growth and government spending requirements.

The accompanying charts detail the population pyramid for 2015, the change in the structure of the population between 2015 and 2050 and the total population between 1990 and 2050. The tables show indicators from all of these charts, in addition to key metrics such as population ratios, the urban/rural split and life expectancy.

Population

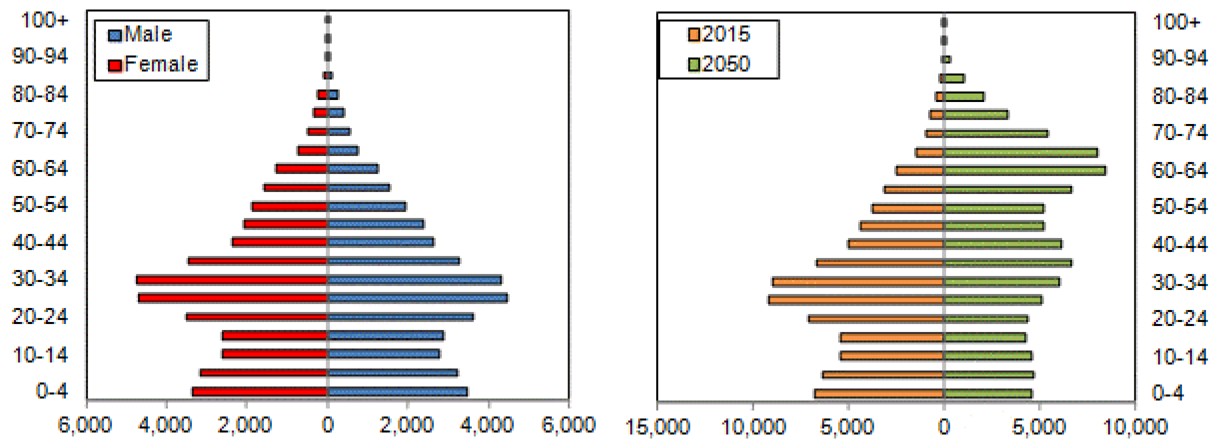
(1990-2050)



f = BMI forecast. Source: World Bank, UN, BMI

Iran Population Pyramid

2015 (LHS) & 2015 Versus 2050 (RHS)



Source: World Bank, UN, BMI

Table: Population Headline Indicators (Iran 1990-2025)

	1990	2000	2005	2010	2015f	2020f	2025f
Population, total, '000	56,169	65,850	70,122	74,253	79,109	83,403	86,496
Population, % y-o-y	na	1.7	1.2	1.2	1.2	0.9	0.6
Population, total, male, '000	28,617	33,372	35,796	37,542	39,835	41,940	43,439
Population, total, female, '000	27,551	32,477	34,325	36,710	39,274	41,463	43,057
Population ratio, male/female	1.04	1.03	1.04	1.02	1.01	1.01	1.01

na = not available; f = BMI forecast. Source: World Bank, UN, BMI

Table: Key Population Ratios (Iran 1990-2025)

	1990	2000	2005	2010	2015f	2020f	2025f
Active population, total, '000	28,800	40,064	48,413	53,171	56,428	58,737	61,495
Active population, % of total population	51.3	60.8	69.0	71.6	71.3	70.4	71.1
Dependent population, total, '000	27,368	25,785	21,709	21,081	22,681	24,665	25,000
Dependent ratio, % of total working age	95.0	64.4	44.8	39.6	40.2	42.0	40.7

Key Population Ratios (Iran 1990-2025) - Continued							
	1990	**2000**	**2005**	**2010**	**2015f**	**2020f**	**2025f**
Youth population, total, '000	25,492	23,011	18,251	17,418	18,677	19,449	18,237
Youth population, % of total working age	88.5	57.4	37.7	32.8	33.1	33.1	29.7
Pensionable population, '000	1,876	2,773	3,457	3,662	4,003	5,216	6,763
Pensionable population, % of total working age	6.5	6.9	7.1	6.9	7.1	8.9	11.0

f = BMI forecast. Source: World Bank, UN, BMI

Table: Urban/Rural Population & Life Expectancy (Iran 1990-2025)							
	1990	**2000**	**2005**	**2010**	**2015f**	**2020f**	**2025f**
Urban population, '000	31,640.1	42,171.7	47,373.1	52,442.2	58,046.4	63,173.8	67,253.7
Urban population, % of total	56.3	64.0	67.6	70.6	73.4	75.7	77.8
Rural population, '000	24,529.1	23,678.4	22,749.0	21,811.2	21,062.8	20,229.5	19,242.9
Rural population, % of total	43.7	36.0	32.4	29.4	26.6	24.3	22.2
Life expectancy at birth, male, years	61.6	69.2	70.4	72.5	74.5	75.1	75.8
Life expectancy at birth, female, years	66.3	71.1	73.5	75.5	76.7	77.4	78.1
Life expectancy at birth, average, years	63.8	70.1	71.9	74.0	75.6	76.2	76.9

f = BMI forecast. Source: World Bank, UN, BMI

Table: Population By Age Group (Iran 1990-2025)							
	1990	**2000**	**2005**	**2010**	**2015f**	**2020f**	**2025f**
Population, 0-4 yrs, total, '000	9,346	6,379	5,494	6,402	6,855	6,228	5,197
Population, 5-9 yrs, total, '000	8,885	7,598	5,556	5,472	6,395	6,836	6,213
Population, 10-14 yrs, total, '000	7,260	9,034	7,200	5,543	5,426	6,384	6,826
Population, 15-19 yrs, total, '000	5,775	8,781	9,299	7,136	5,478	5,407	6,365
Population, 20-24 yrs, total, '000	4,674	6,868	9,123	9,148	7,086	5,434	5,369
Population, 25-29 yrs, total, '000	4,031	5,269	6,796	8,996	9,158	7,026	5,388
Population, 30-34 yrs, total, '000	3,506	4,419	5,156	6,759	9,045	9,096	6,979
Population, 35-39 yrs, total, '000	3,005	3,864	4,670	5,140	6,738	8,988	9,044
Population, 40-44 yrs, total, '000	2,123	3,344	4,091	4,580	5,029	6,688	8,931
Population, 45-49 yrs, total, '000	1,621	2,832	3,393	3,920	4,454	4,979	6,629

Population By Age Group (Iran 1990-2025) - Continued

	1990	2000	2005	2010	2015f	2020f	2025f
Population, 50-54 yrs, total, '000	1,527	1,930	2,776	3,227	3,813	4,384	4,906
Population, 55-59 yrs, total, '000	1,393	1,431	1,767	2,631	3,124	3,723	4,286
Population, 60-64 yrs, total, '000	1,140	1,322	1,336	1,629	2,497	3,009	3,594
Population, 65-69 yrs, total, '000	899	1,145	1,258	1,193	1,475	2,338	2,828
Population, 70-74 yrs, total, '000	508	826	1,055	1,054	1,009	1,299	2,075
Population, 75-79 yrs, total, '000	269	509	654	780	785	776	1,015
Population, 80-84 yrs, total, '000	136	203	347	413	477	494	502
Population, 85-89 yrs, total, '000	49	67	113	174	194	232	249
Population, 90-94 yrs, total, '000	11	18	22	40	54	63	79
Population, 95-99 yrs, total, '000	1	2	3	5	7	10	12
Population, 100+ yrs, total, '000	0	0	0	0	0	0	1

f = BMI forecast. Source: World Bank, UN, BMI

Table: Population By Age Group % (Iran 1990-2025)

	1990	2000	2005	2010	2015f	2020f	2025f
Population, 0-4 yrs, % total	16.64	9.69	7.84	8.62	8.67	7.47	6.01
Population, 5-9 yrs, % total	15.82	11.54	7.92	7.37	8.08	8.20	7.18
Population, 10-14 yrs, % total	12.93	13.72	10.27	7.47	6.86	7.66	7.89
Population, 15-19 yrs, % total	10.28	13.34	13.26	9.61	6.93	6.48	7.36
Population, 20-24 yrs, % total	8.32	10.43	13.01	12.32	8.96	6.52	6.21
Population, 25-29 yrs, % total	7.18	8.00	9.69	12.12	11.58	8.42	6.23
Population, 30-34 yrs, % total	6.24	6.71	7.35	9.10	11.43	10.91	8.07
Population, 35-39 yrs, % total	5.35	5.87	6.66	6.92	8.52	10.78	10.46
Population, 40-44 yrs, % total	3.78	5.08	5.84	6.17	6.36	8.02	10.33
Population, 45-49 yrs, % total	2.89	4.30	4.84	5.28	5.63	5.97	7.66
Population, 50-54 yrs, % total	2.72	2.93	3.96	4.35	4.82	5.26	5.67
Population, 55-59 yrs, % total	2.48	2.17	2.52	3.54	3.95	4.46	4.96
Population, 60-64 yrs, % total	2.03	2.01	1.91	2.19	3.16	3.61	4.16
Population, 65-69 yrs, % total	1.60	1.74	1.79	1.61	1.87	2.80	3.27
Population, 70-74 yrs, % total	0.90	1.25	1.51	1.42	1.28	1.56	2.40
Population, 75-79 yrs, % total	0.48	0.77	0.93	1.05	0.99	0.93	1.17
Population, 80-84 yrs, % total	0.24	0.31	0.50	0.56	0.60	0.59	0.58

Population By Age Group % (Iran 1990-2025) - Continued							
	1990	**2000**	**2005**	**2010**	**2015f**	**2020f**	**2025f**
Population, 85-89 yrs, % total	0.09	0.10	0.16	0.23	0.25	0.28	0.29
Population, 90-94 yrs, % total	0.02	0.03	0.03	0.05	0.07	0.08	0.09
Population, 95-99 yrs, % total	0.00	0.00	0.01	0.01	0.01	0.01	0.01
Population, 100+ yrs, % total	0.00	0.00	0.00	0.00	0.00	0.00	0.00

f = BMI forecast. Source: World Bank, UN, BMI

