

The worst is over but...

... is the recovery sustainable?

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Optimism undermined by uncertainty

We see opportunities for the brave

I. Recovery in developed markets

II. Growth underpinned by the BRICs

III. Plenty of potential in “Incredible India”

IV. Focusing on the ‘C’ in the BRICs

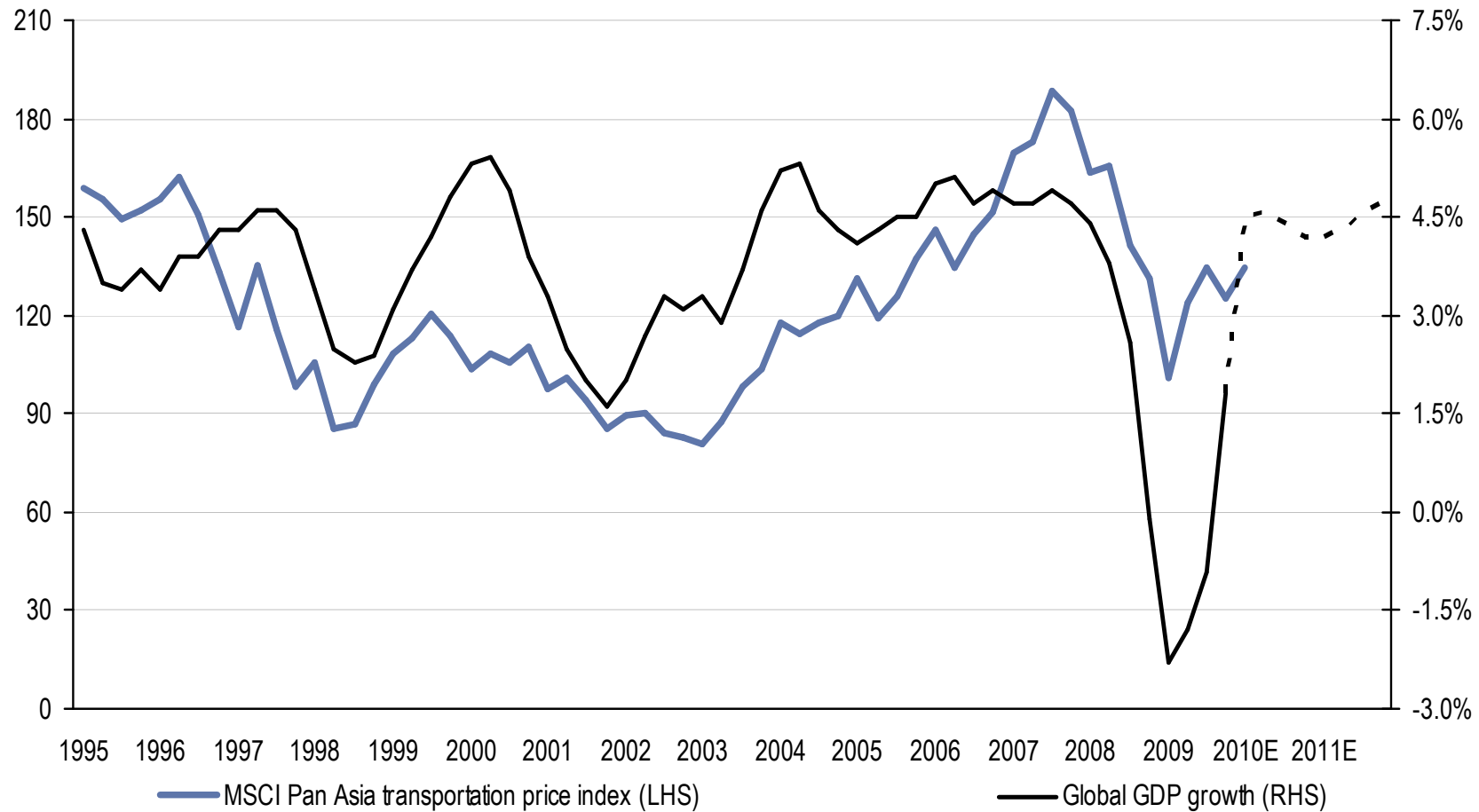
V. Risks to our views

I. Recovery in the developed markets

Above trend global growth prospects

Canary in a coal mine?

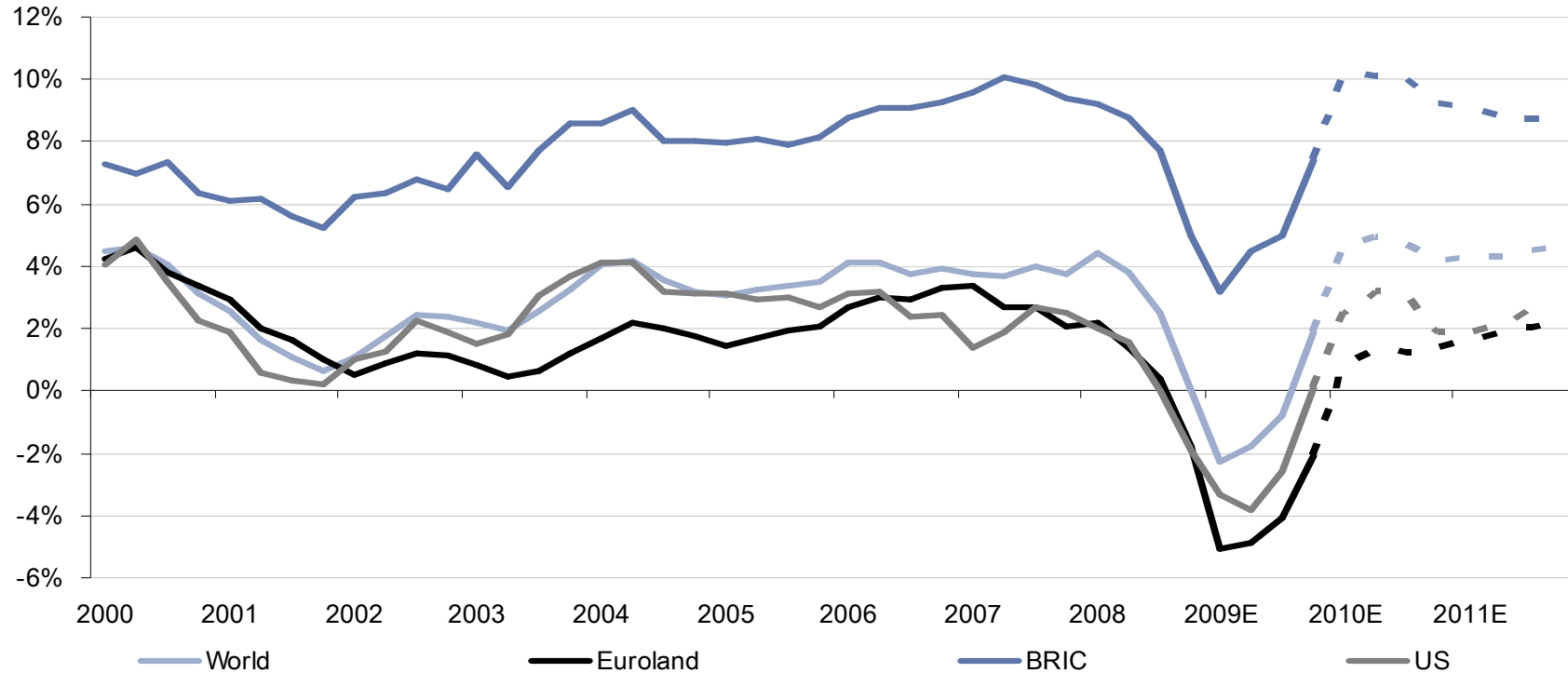
Transport stocks are a coincidental indicator



Source: Datastream, GS Global ECS Research estimates.

From contraction to expansion

What difference 12 months can make



	2001	2002	2003	2004	2005	2006	2007	2008	2009E	2010E	2011E
World	2.2%	2.6%	3.4%	4.7%	4.3%	5.0%	5.0%	2.8%	-0.7%	4.6%	4.7%
Euroland	1.9%	0.9%	0.8%	1.9%	1.8%	3.1%	2.7%	0.5%	-3.9%	1.2%	1.9%
BRIC	6.0%	6.4%	7.9%	8.4%	8.2%	9.1%	10.1%	7.6%	5.0%	9.4%	8.8%
US	1.1%	1.8%	2.5%	3.6%	3.1%	2.7%	2.1%	0.4%	-2.4%	2.6%	2.4%

Source: CEIC, GS Global ECS Research estimates.

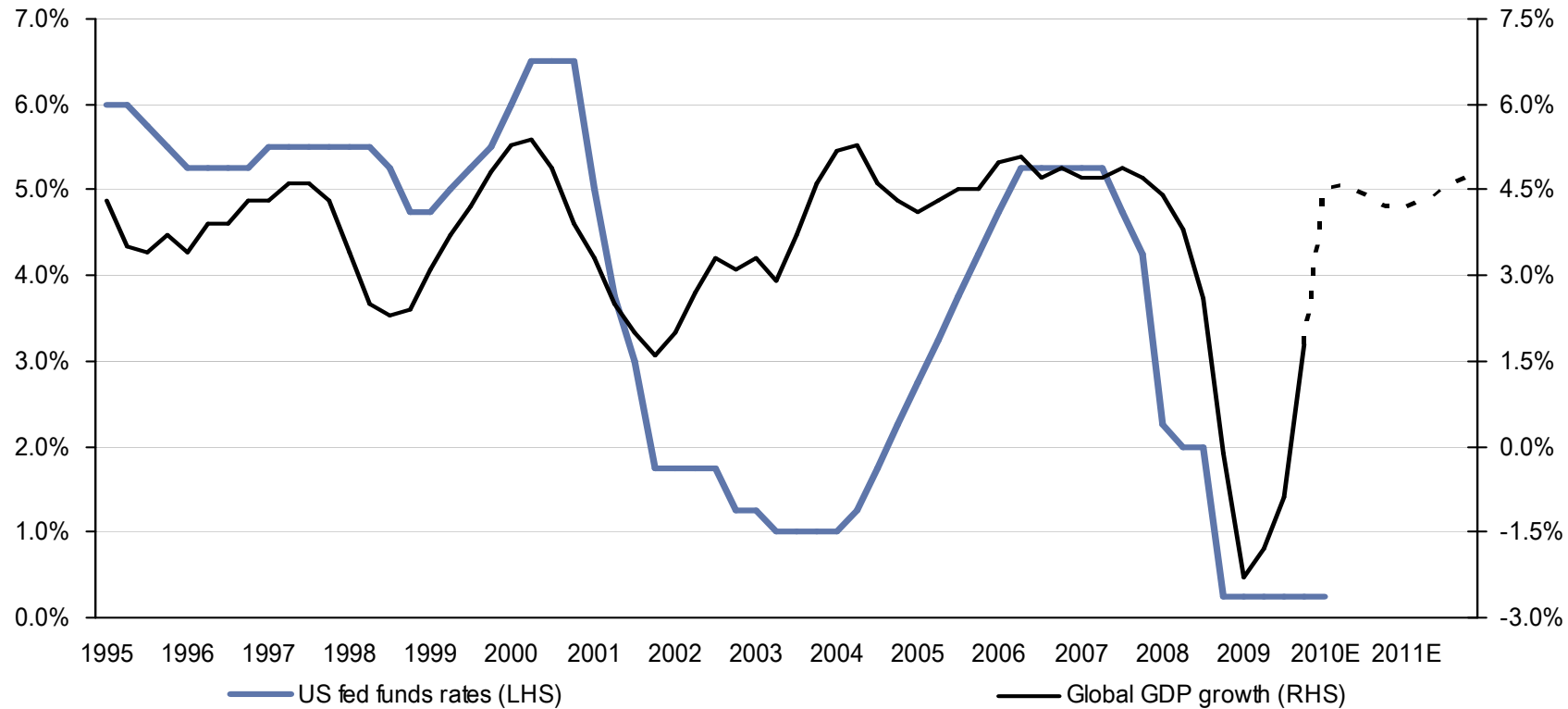
Four factors to lift developed markets

Recovery is already underway

- 1. Favorable interest rate environment**
- 2. Relatively benign inflation expectations**
- 3. The real economy is picking up**
- 4. Consumer confidence on the mend**

1. Favorable interest rate environment

Low US Fed Funds rates bode well for GDP growth

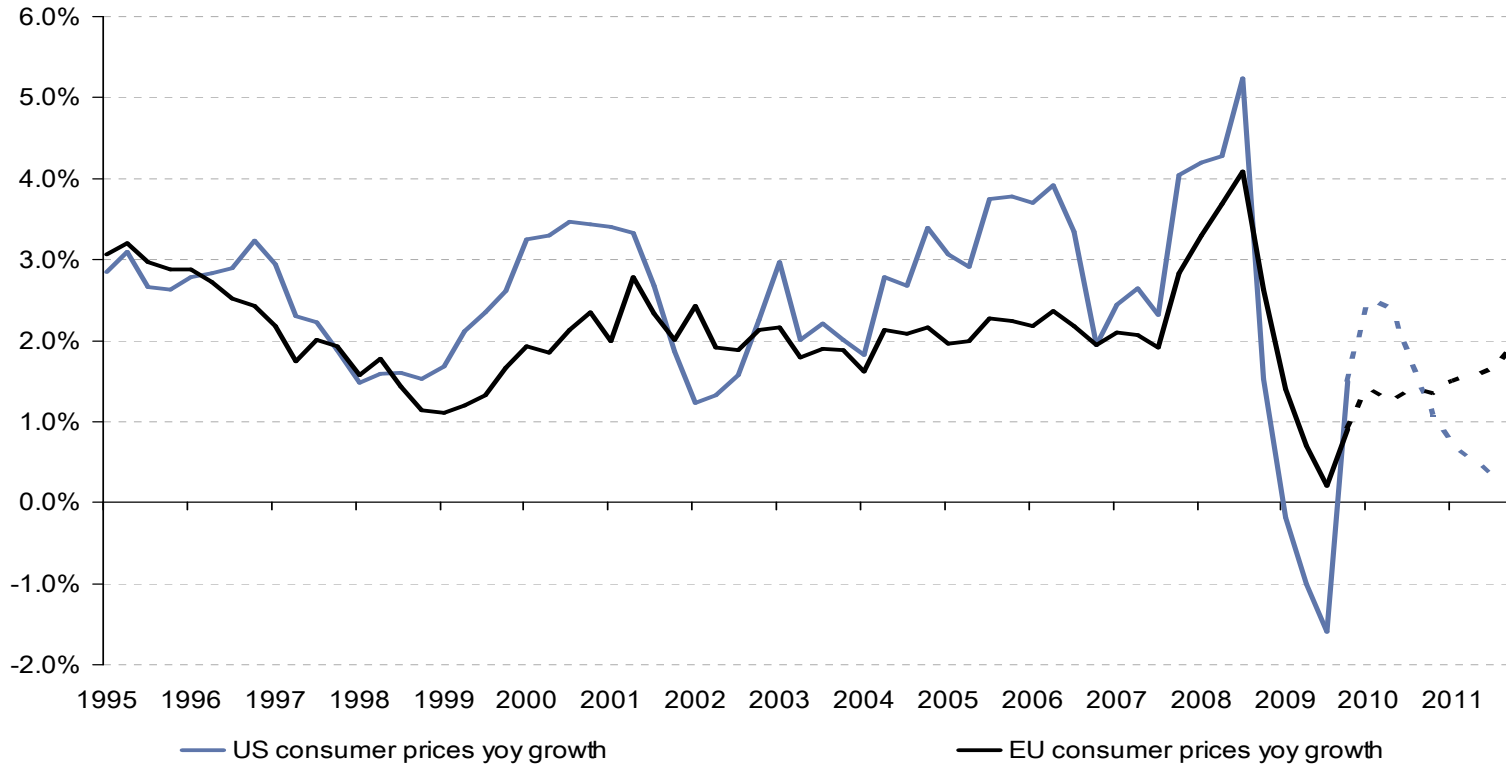


	2001	2002	2003	2004	2005	2006	2007	2008	2009E	2010E	2011E
World GDP growth	2.2%	2.6%	3.4%	4.7%	4.3%	5.0%	5.0%	2.8%	-0.7%	4.6%	4.7%
Fed Funds rates	1.8%	1.2%	1.0%	2.2%	4.2%	5.2%	4.2%	0.1%	0.1%	0.2%	0.2%

Source: Datastream, GS Global ECS Research estimates.

2. Relatively benign inflation expectations

Below trend rise in consumer price index (CPI)

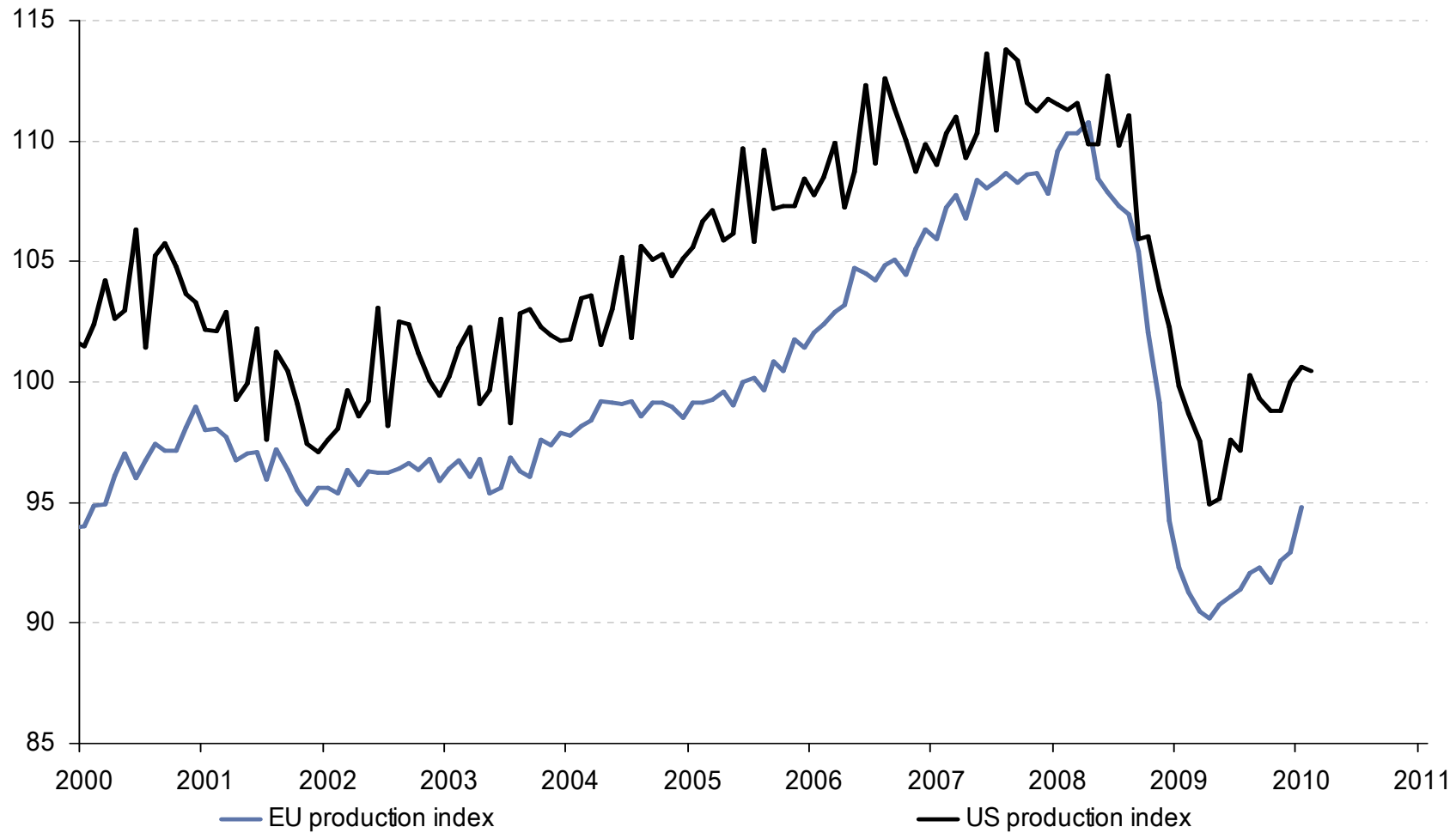


	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010E	2011E
Europe CPI	2.3%	2.0%	1.9%	1.9%	2.1%	2.1%	2.2%	3.4%	0.6%	1.4%	1.7%
US CPI	2.8%	1.6%	2.3%	2.7%	3.4%	3.2%	2.9%	3.8%	-0.3%	1.9%	0.5%

Source: CEIC, GS Global ECS Research estimates

3. The real economy is picking up

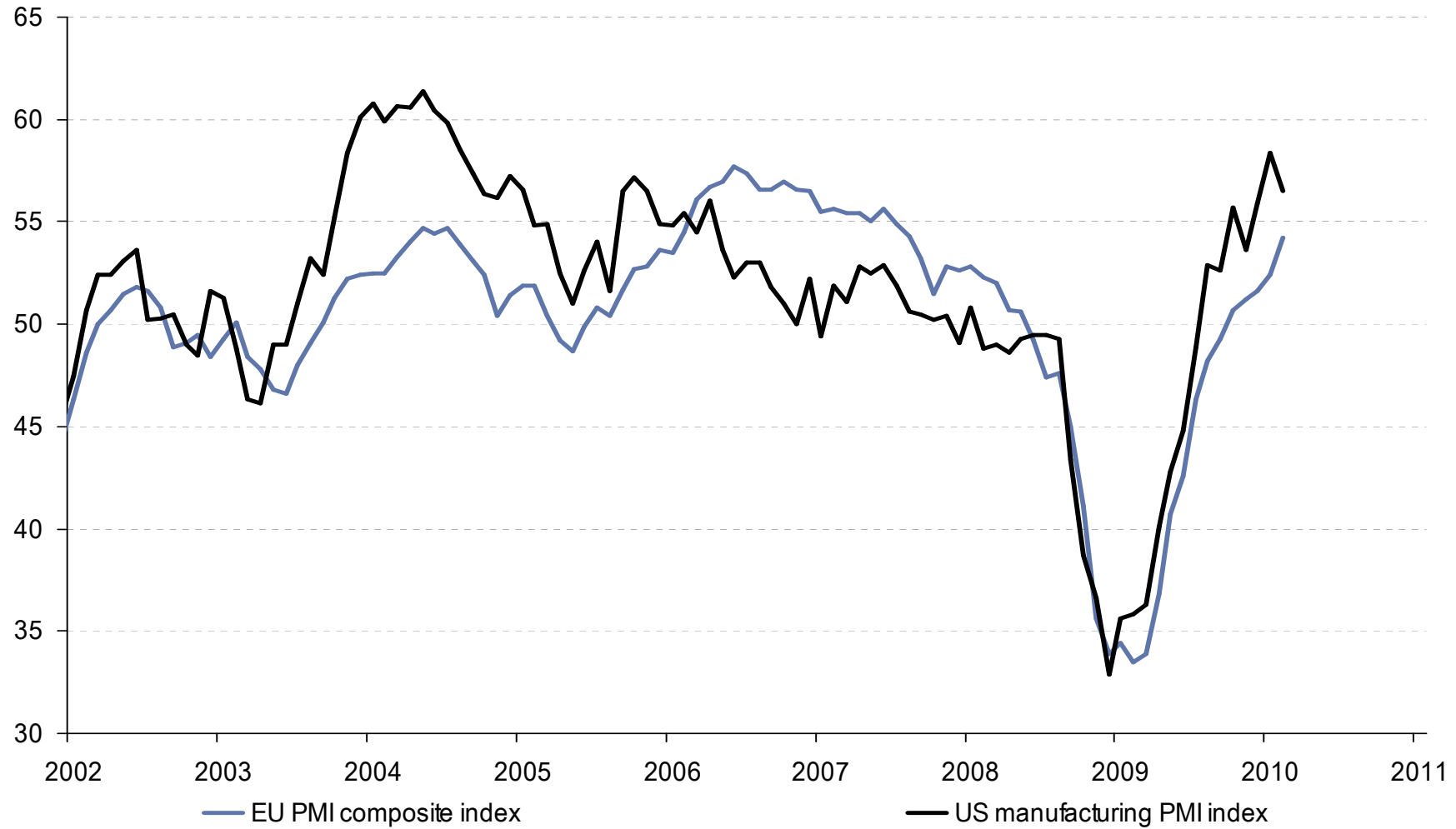
Industrial activity has turned the corner



Source: CEIC

Further affirmation

Increasing Purchasing Manufacturers Index (PMI)



Source: Datastream, Bloomberg

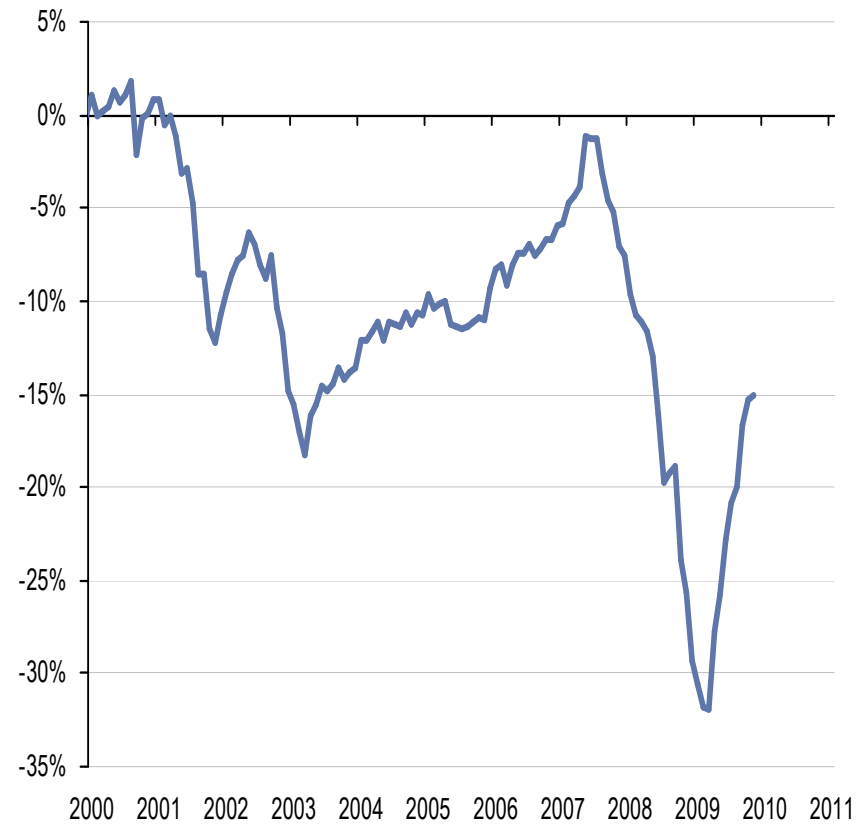
4. Consumer confidence on the mend

A key economic driver for developed markets

US consumer confidence



EU consumer confidence indicator

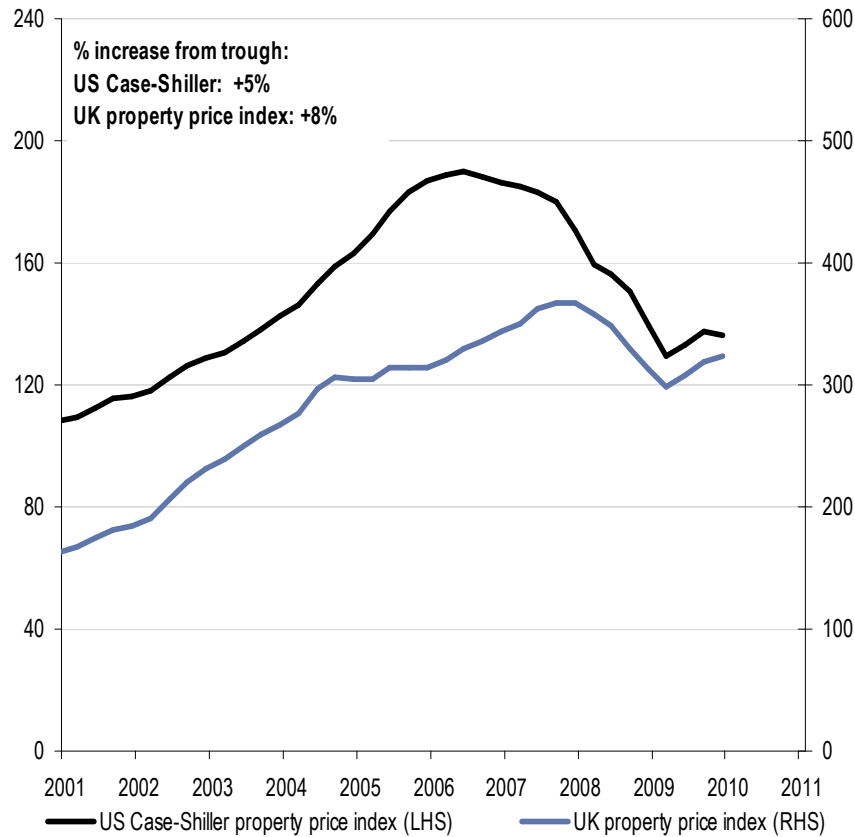


Source: CEIC, Datastream.

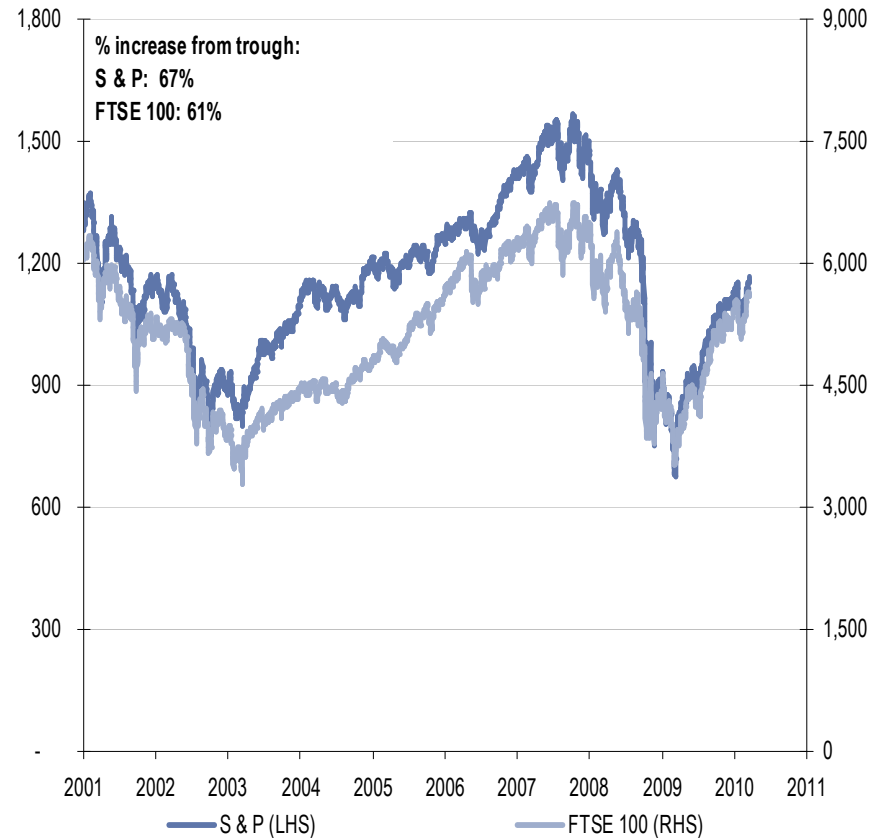
The feel good factor warming up

A positive wealth effect to bolster consumer confidence

Housing price indices have bottomed



Equities trending higher

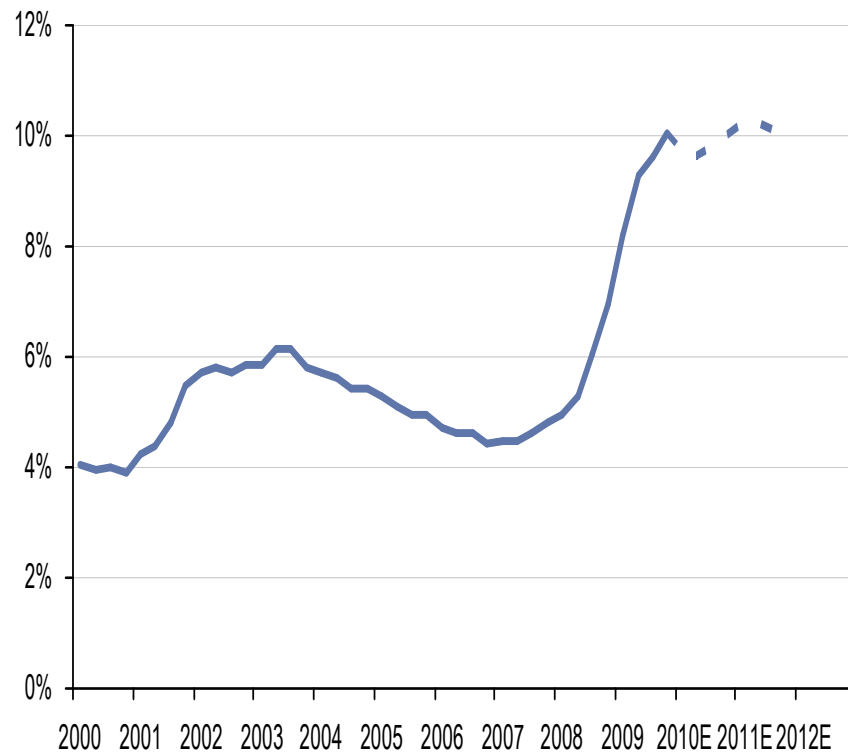


Source: CEIC, Datastream.

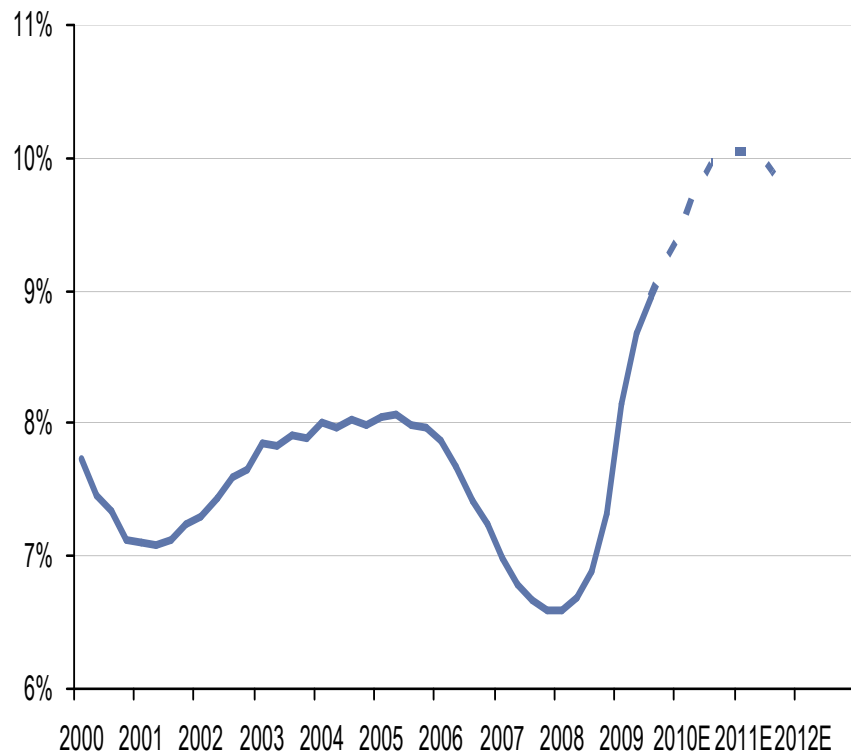
Unemployment to peak in 2010E...

... and gradually decline thereafter

US unemployment



EU unemployment

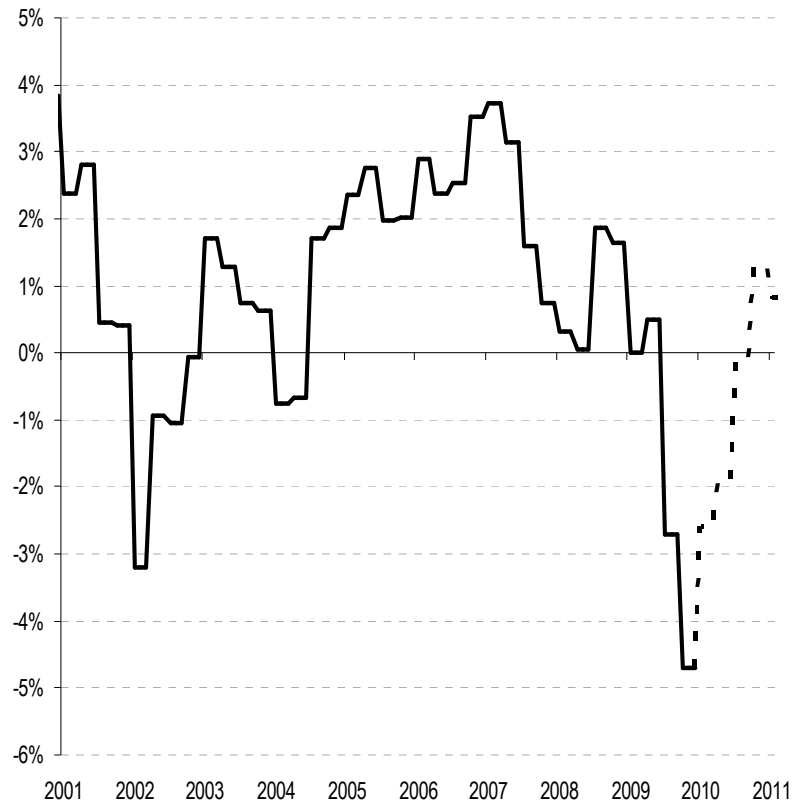


Source: CEIC, Datastream, GS Global ECS Research estimates.

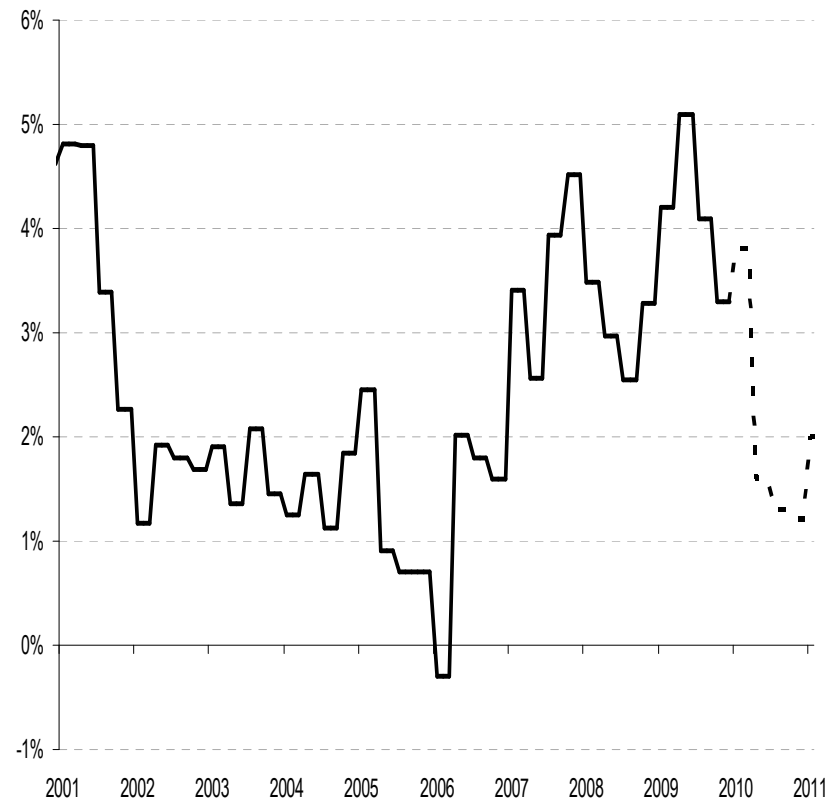
Expect wage growth to resume

Increased productivity to support wages

US wage growth



UK wage growth



Source: CEIC, Datastream, GS Global ECS Research estimates.



II. Growth underpinned by the BRICs

A structural story

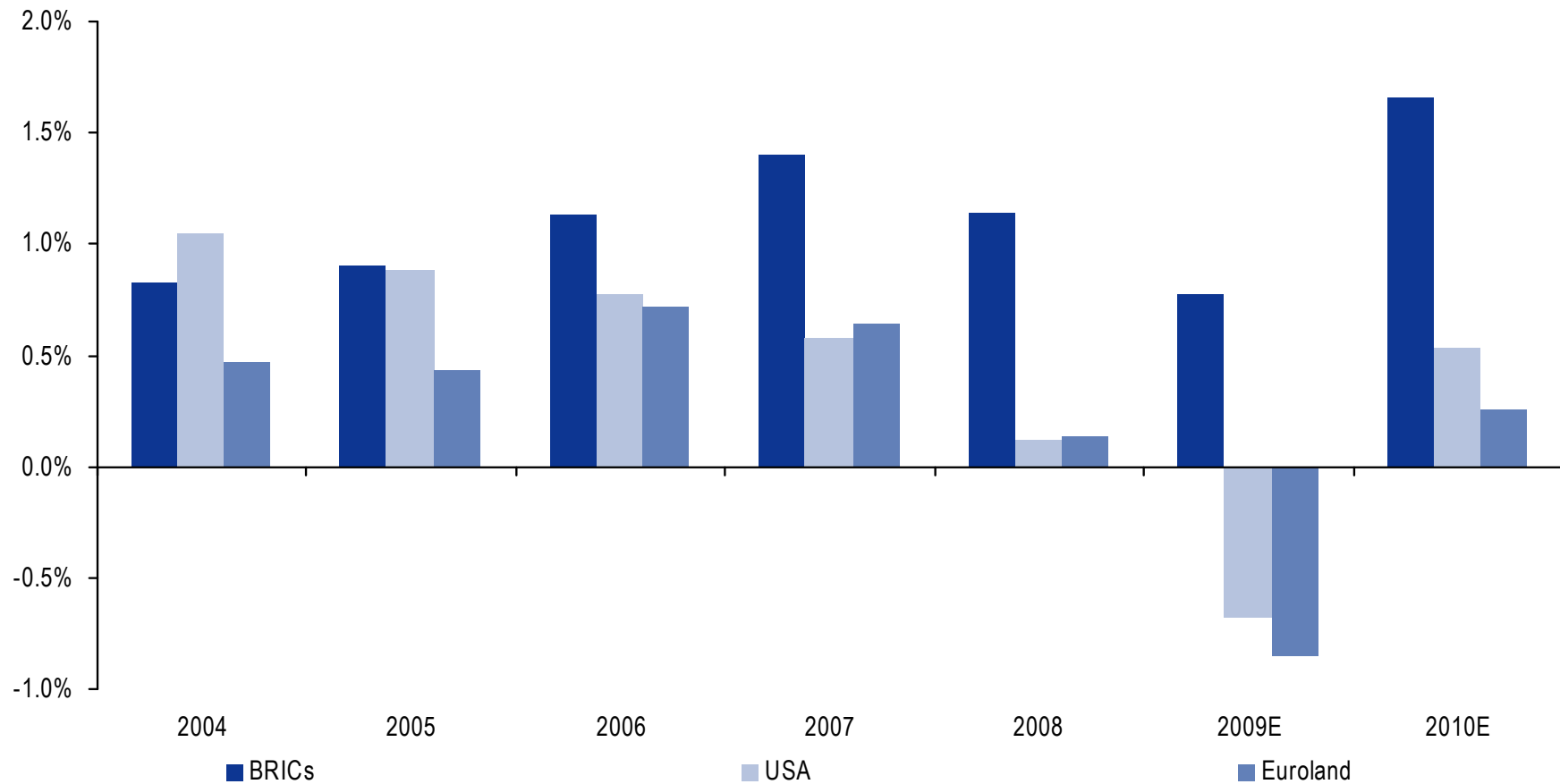
Structural trends sustainable

BRICs have grown in importance

- 1. Increasing contribution to global growth**
- 2. Infrastructure fueled by urbanization and industrialization**
- 3. BRICs as big as US for EU exports**
- 4. A rising middle class**

1. Increasing contribution to global growth

BRICs averted a recession in 2009E

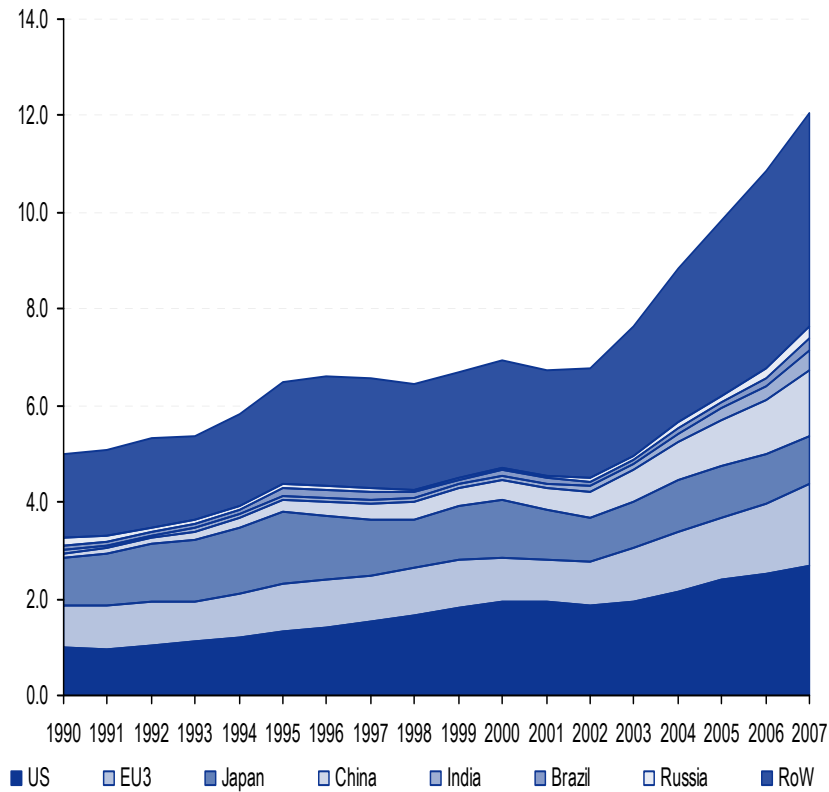


Source: GS Global ECS Research estimates.

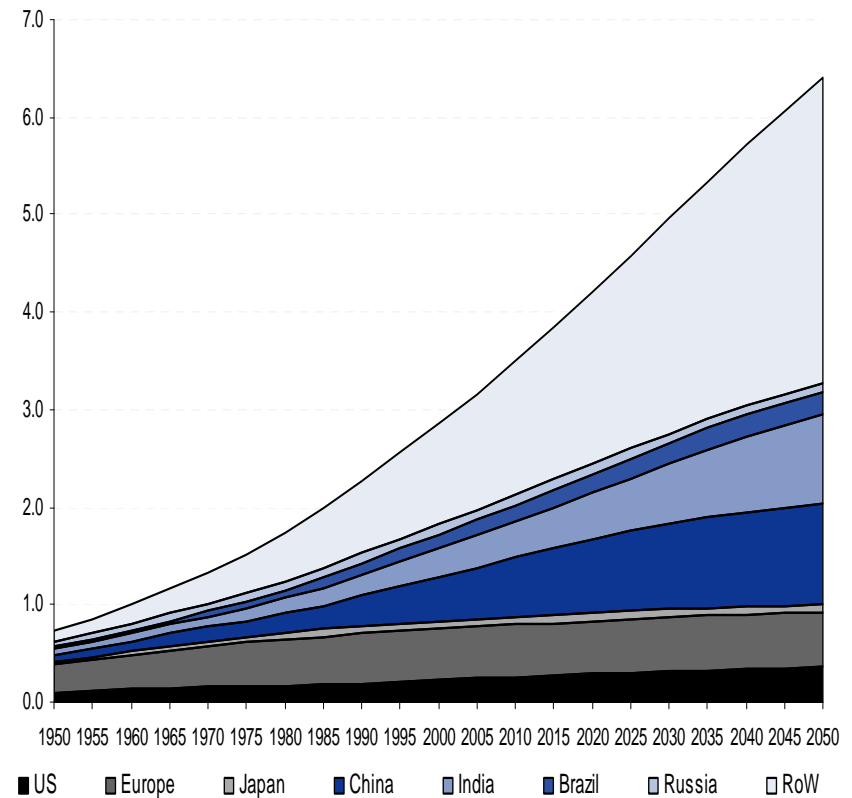
2. Infrastructure spend...

... is being fueled by urbanization and industrialization

Gross fixed capital investment (in US\$1 tn)



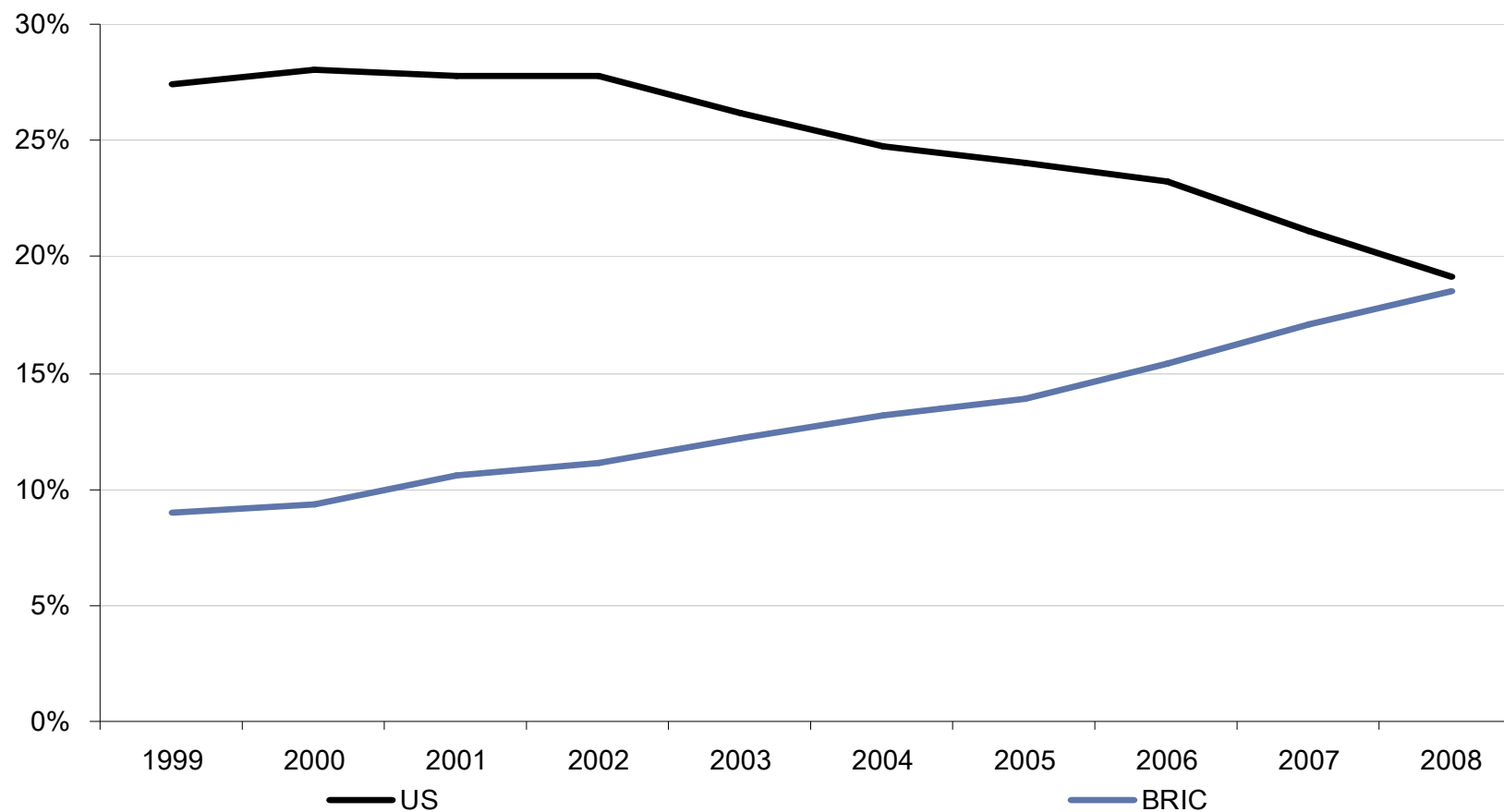
Urban population by region (bn people)



Source: World Bank, UN Population Division, GS Global ECS Research estimates

3. BRICs as big as US for EU exports

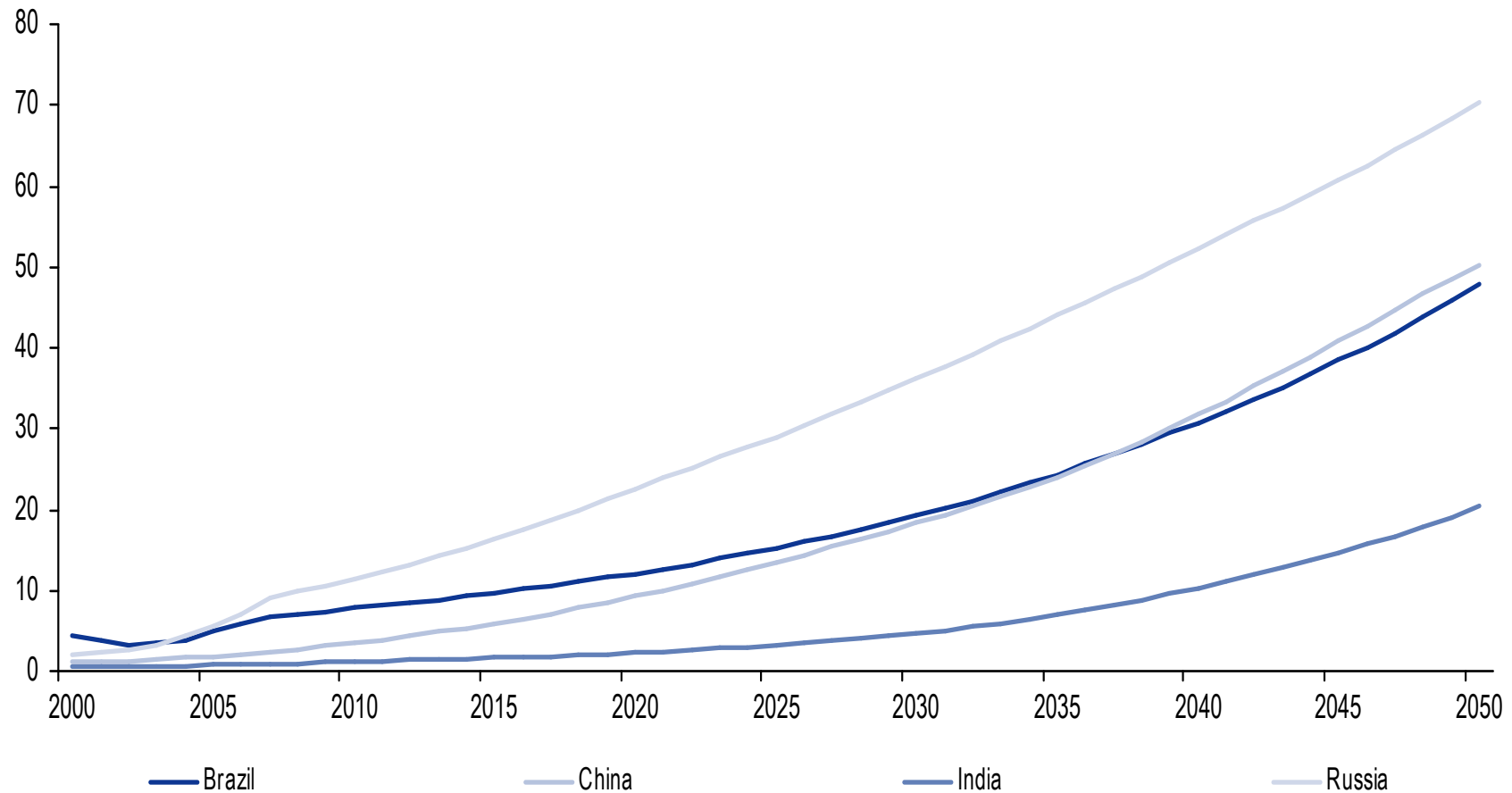
A long-term trend



Source: CEIC.

4. A rising middle class

BRICs per capita income to rise



Source: GS Global ECS Research estimates

III. Plenty of potential in “Incredible India” Infrastructure paving the way

Promising growth market

Private sector investment in infrastructure

- 1. Secular growth story**
- 2. Privatization prospects and infrastructure investment**
- 3. Implications for shipping**

1. GDP growth to accelerate

We expect 8.2% growth in FY3/11E

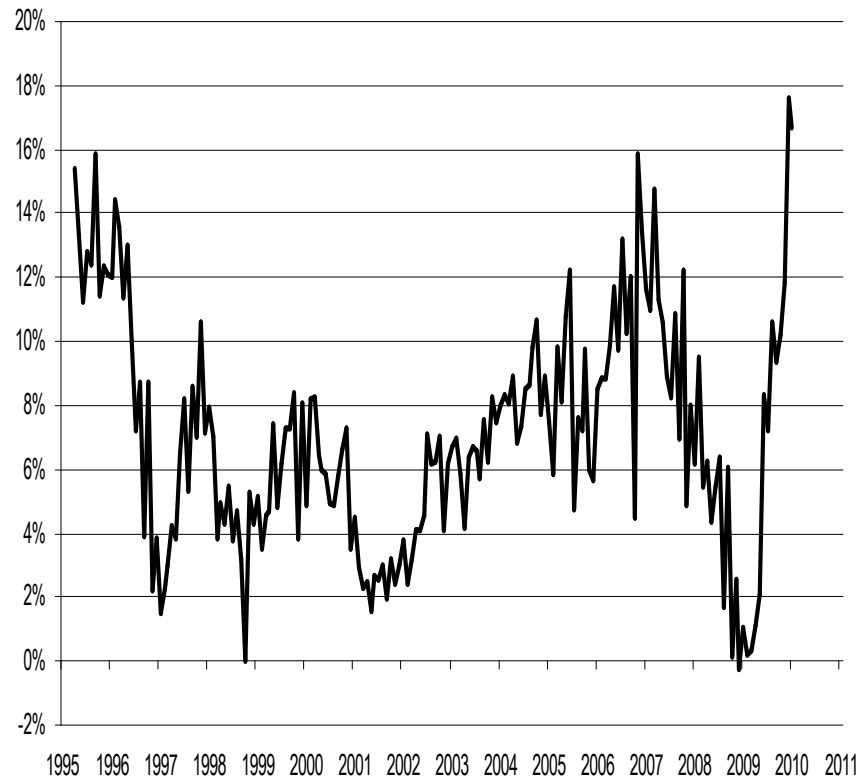


Source: CEIC, GS Global ECS Research estimates

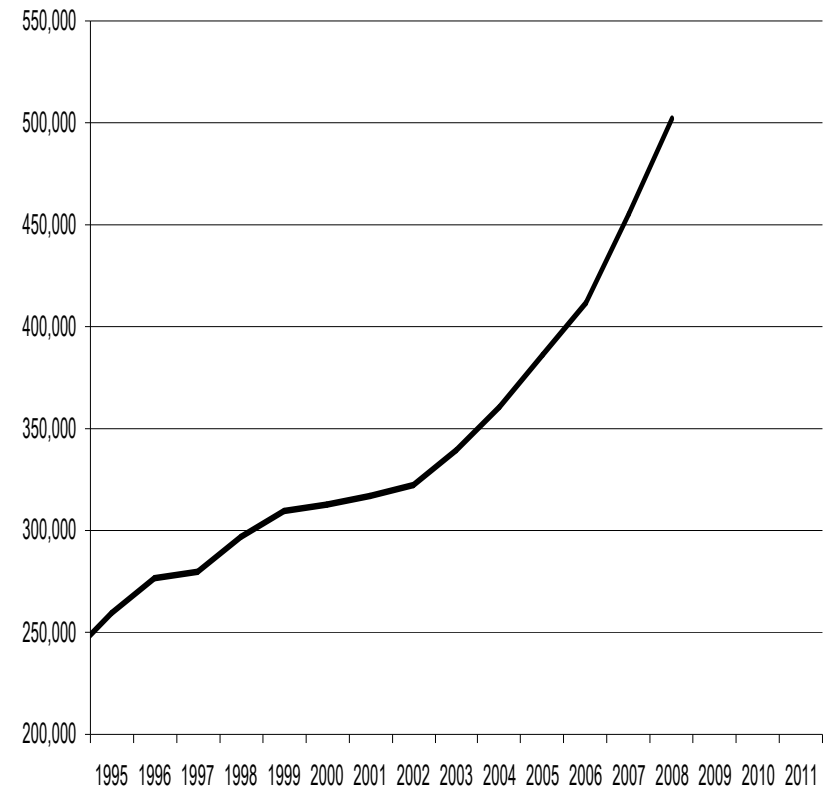
Industrial activity ramp up

Energy demand is a key theme

Industrial production (Change yoy)



Electricity consumption (GwH)

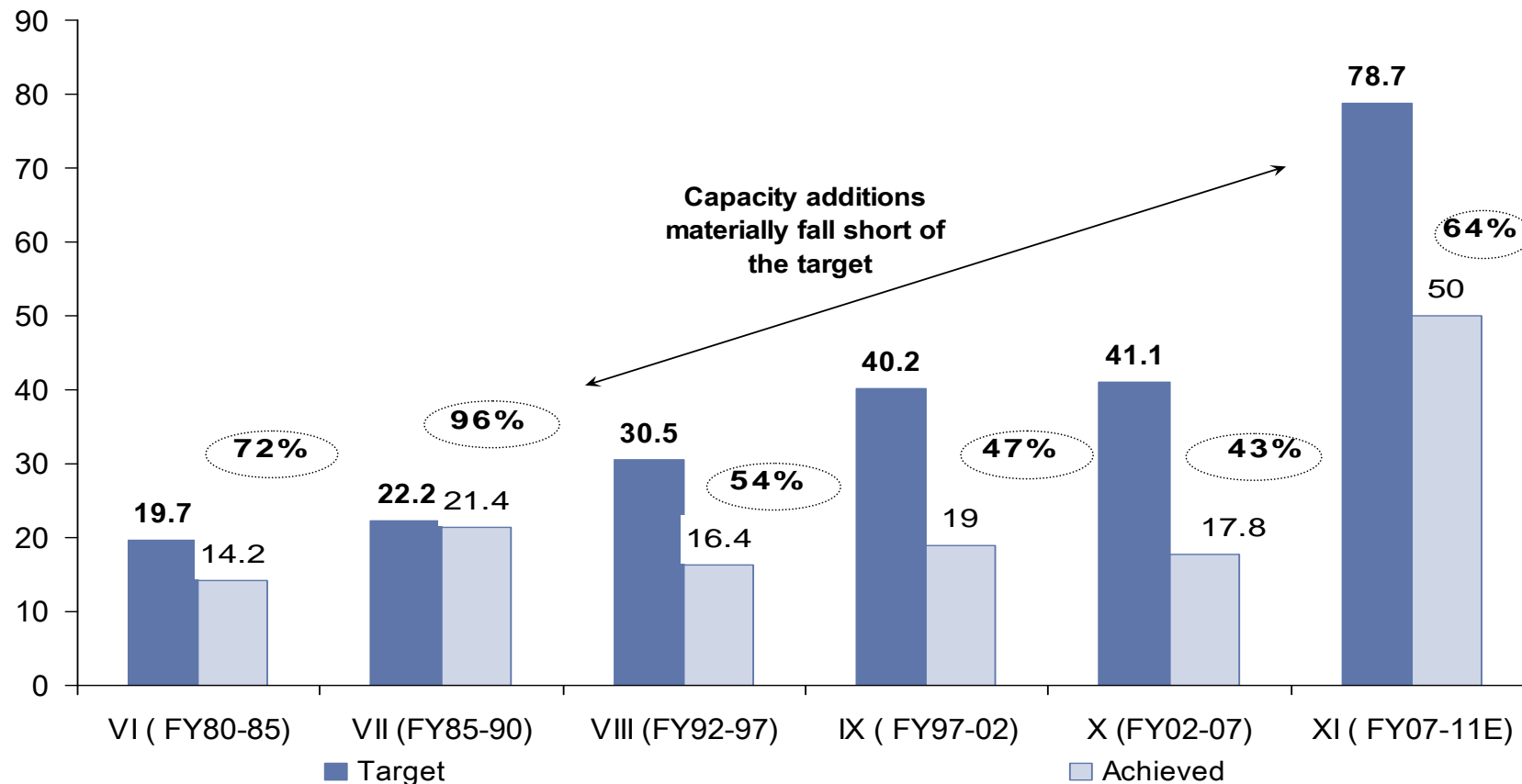


Source: CEIC

More power

Additional capacity planned

India's planned and executed power generation capacity in previous and current Five-year plans (GW)

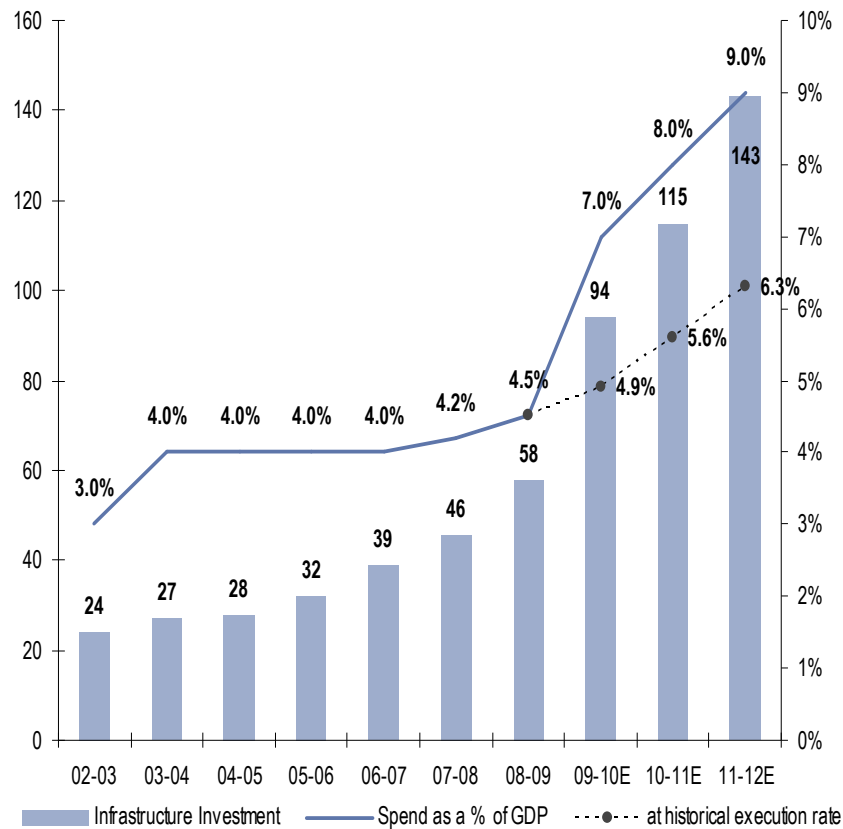


Source: Planning Commission, CEA

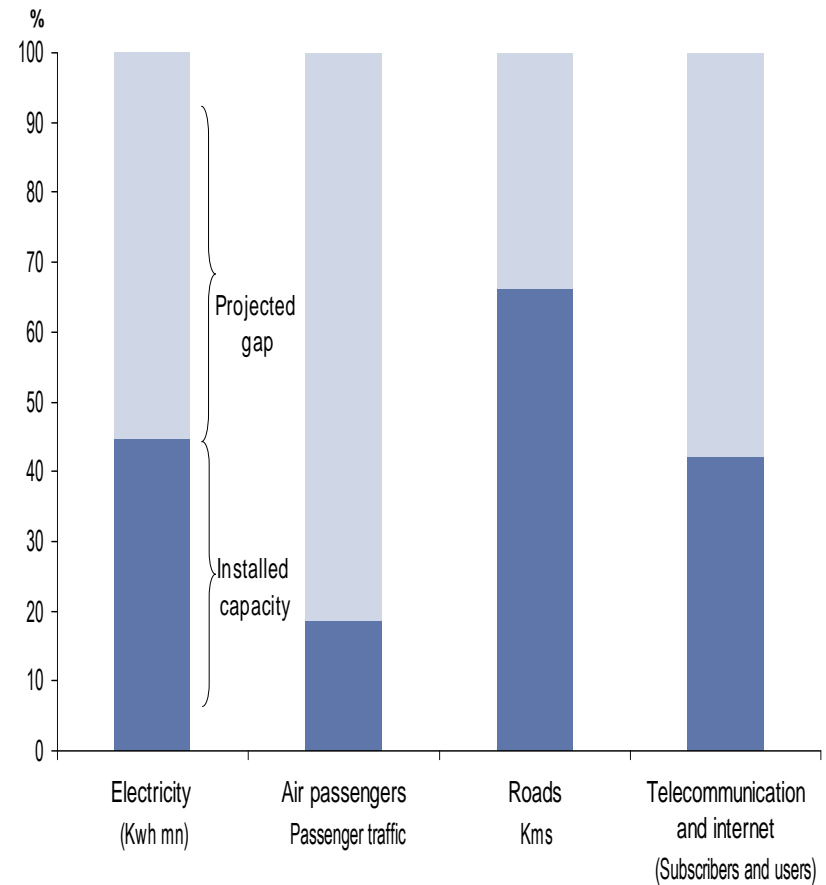
2. Infrastructure investment

Big plans

India's Infrastructure investment (US bn)



Infrastructure needs between now and 2010

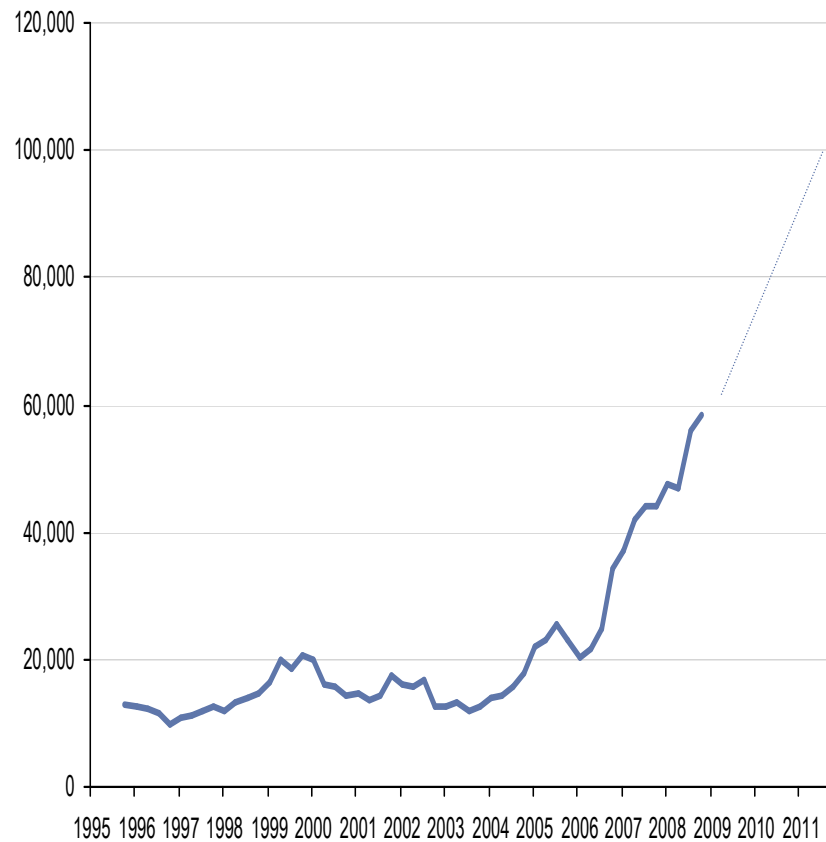


Source: Planning Commission, Goldman Sachs Research estimates

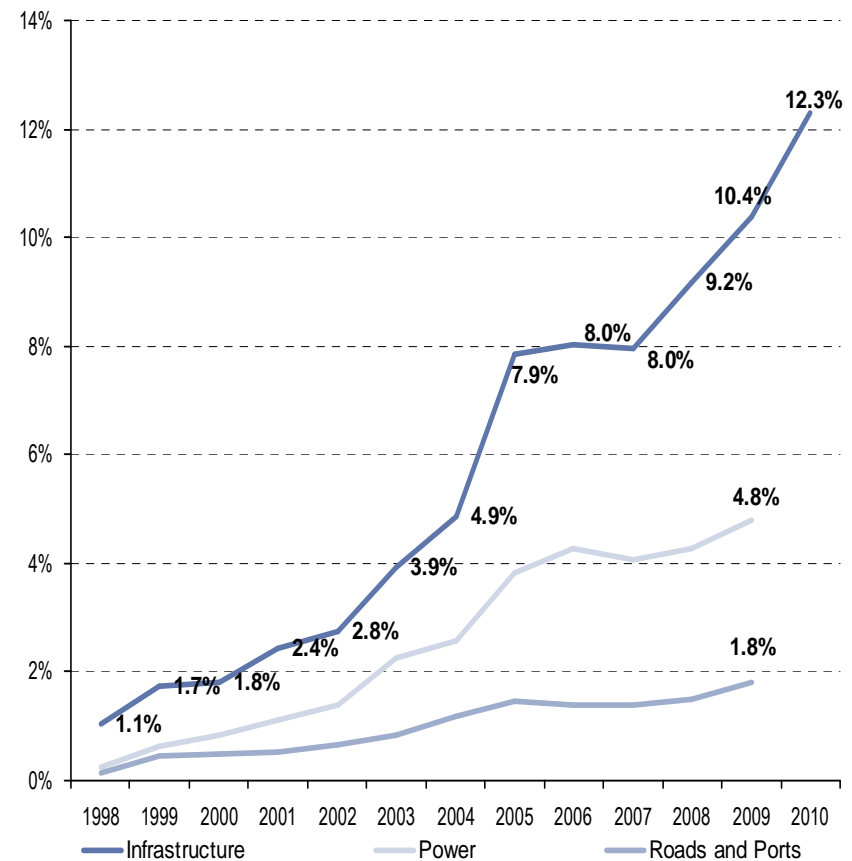
Significant investment still to come

Lending and spending

Total projects executed by contractors per year



Lending to infrastructure as % of total lending



Source: CMIE, RBI

Steel production

Infrastructure development to drive steel production

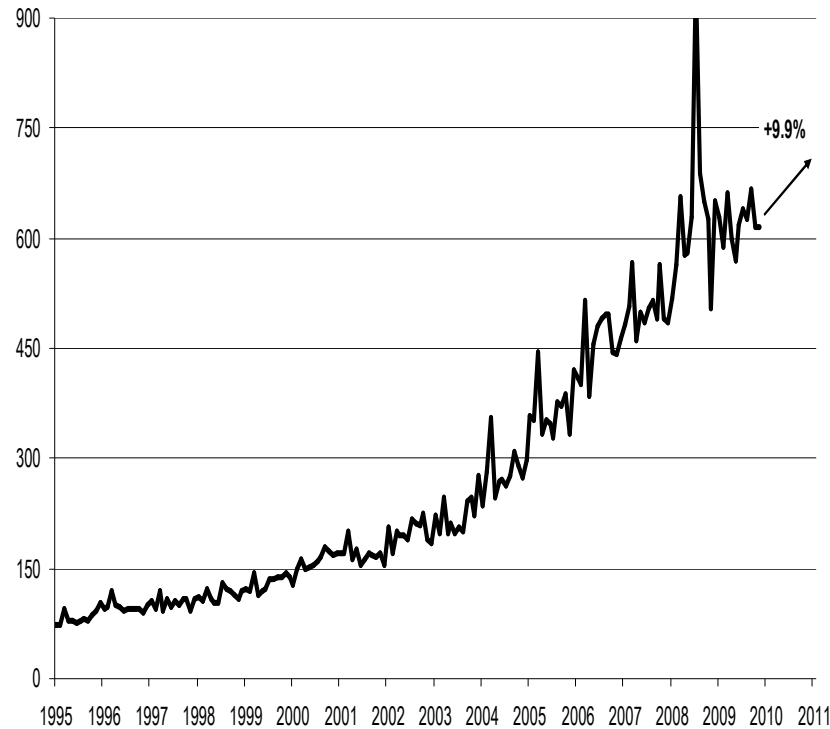


Source: IISI

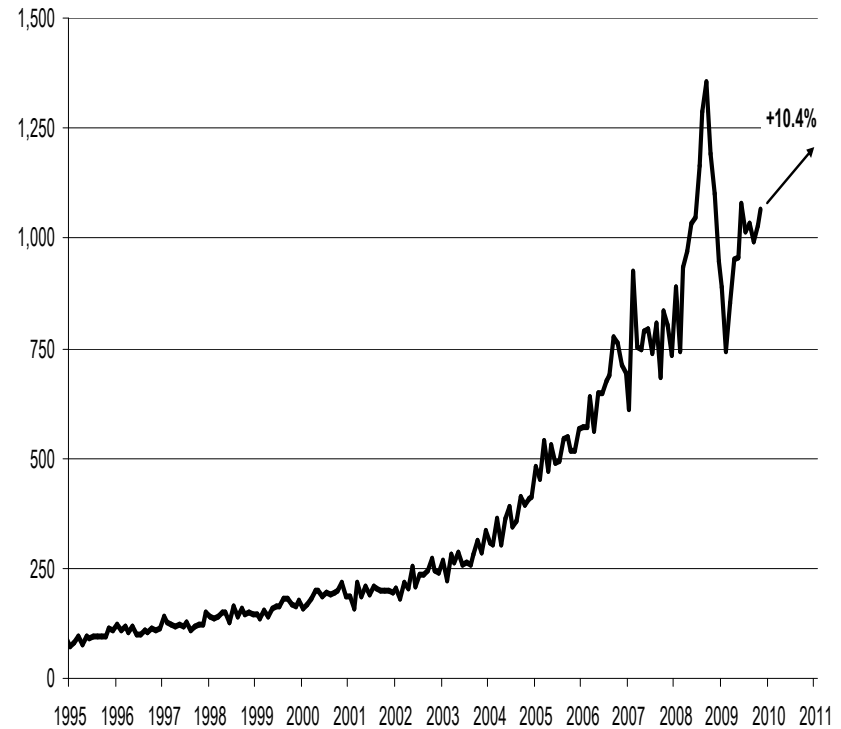
3. Implications for shipping

Outlook for trade

Imports to grow 9.9% yoy



Exports recovering

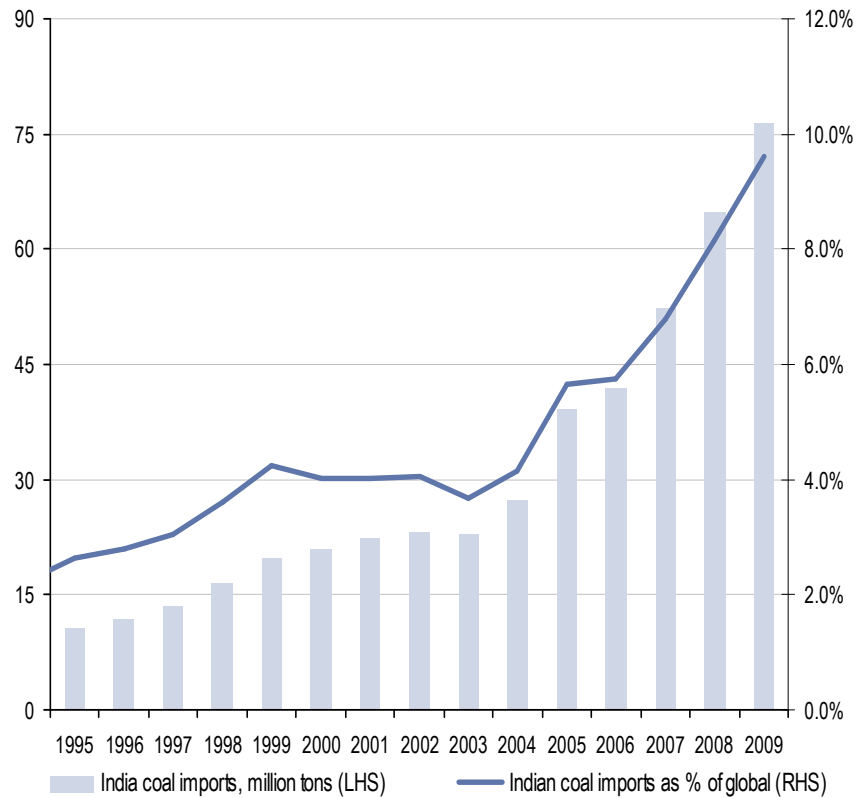


Source: CEIC

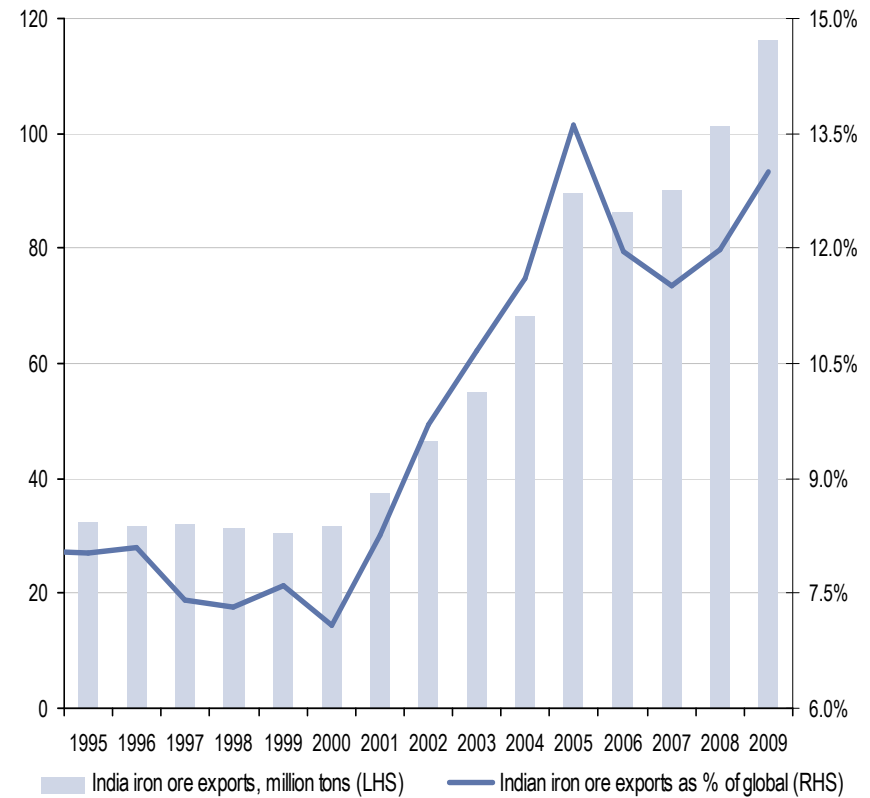
Key importer/exporter of raw materials

Structural demand for coal

Imports of coal



Exports of iron ore



Source: CEIC, Clarksons

IV. Focusing on the 'C' in the BRICs

Transforming trade

A modern economic miracle

All eyes on China

- 1. China to sustain Asia's above trend growth**
- 2. Top three global exporter**
- 3. Top three global importer**

1. China to sustain Asia's growth

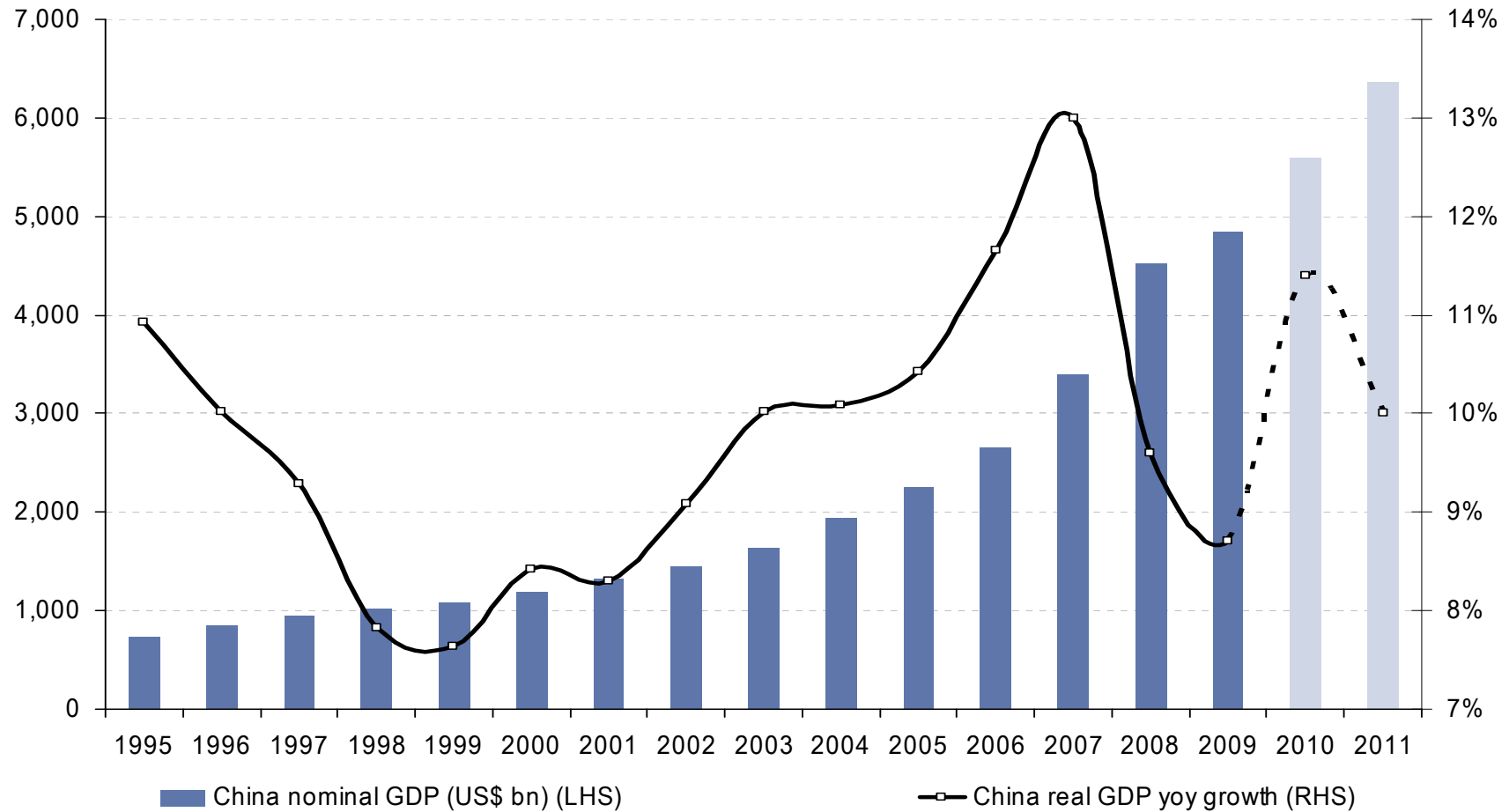
Accelerating GDP growth for 2010E

	2001	2002	2003	2004	2005	2006	2007	2008	2009E	2010E	2011E
China	8.3%	9.1%	10.0%	10.1%	10.4%	11.7%	13.0%	9.6%	8.7%	11.4%	10.0%
Hong Kong	0.6%	1.8%	3.2%	8.6%	7.5%	7.0%	6.3%	2.1%	-2.7%	5.8%	5.3%
Indonesia	3.4%	4.3%	4.9%	5.1%	5.6%	5.5%	6.3%	6.0%	4.5%	5.8%	6.0%
Malaysia	0.3%	4.4%	5.3%	7.2%	5.0%	5.8%	6.2%	4.6%	-1.7%	5.0%	5.2%
Philippines	4.5%	4.4%	4.7%	6.0%	5.1%	5.4%	7.1%	3.8%	0.9%	4.2%	5.0%
Singapore	-2.3%	4.0%	2.9%	8.7%	6.6%	8.2%	7.8%	1.4%	-2.0%	6.2%	5.2%
Korea	3.1%	7.0%	3.1%	4.7%	4.2%	5.1%	5.1%	2.2%	0.2%	4.8%	4.6%
Taiwan	-2.2%	3.6%	3.3%	6.1%	4.1%	4.9%	5.7%	0.7%	-1.9%	5.5%	4.8%
Thailand	1.9%	5.4%	6.9%	6.2%	4.5%	5.1%	4.9%	2.5%	-2.3%	4.2%	4.5%
India (FY basis)	5.8%	3.8%	8.5%	7.5%	9.5%	9.7%	9.0%	6.7%	6.6%	8.2%	8.7%
Vietnam	6.9%	7.1%	7.3%	7.8%	8.4%	8.2%	8.5%	6.2%	5.3%	8.2%	7.8%
Asia ex-Japan	4.9%	6.5%	7.1%	7.9%	8.0%	8.9%	9.6%	6.9%	5.7%	9.0%	8.3%
ASEAN-5	2.8%	4.8%	5.6%	6.0%	5.4%	5.6%	6.2%	4.7%	1.7%	5.3%	5.6%

Source: GS Global ECS Research estimates.

China to expand 11.4% in 2010E

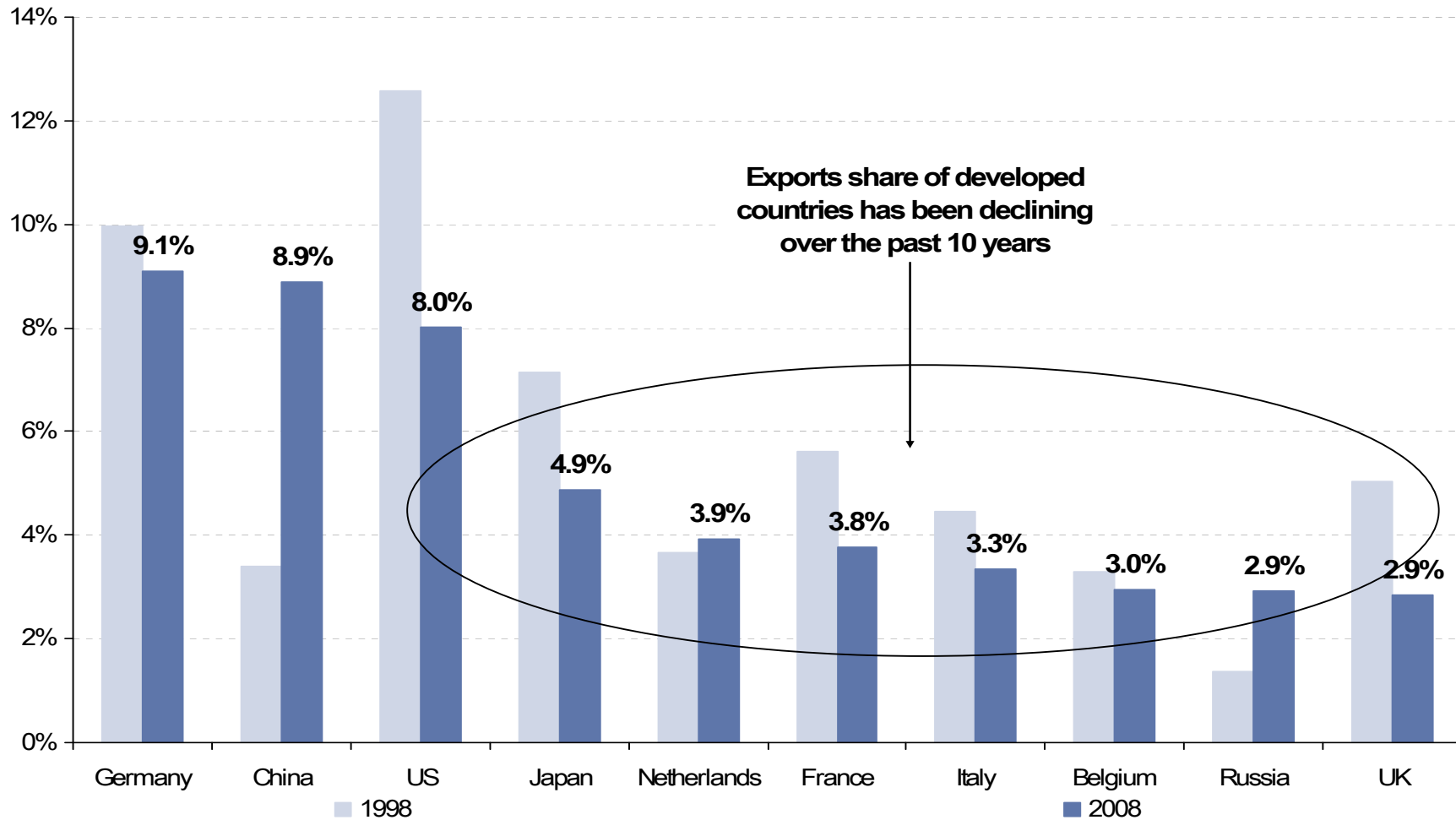
China GDP and growth



Source: CEIC, GS Global ECS Research estimates.

2. China has overtaken the US

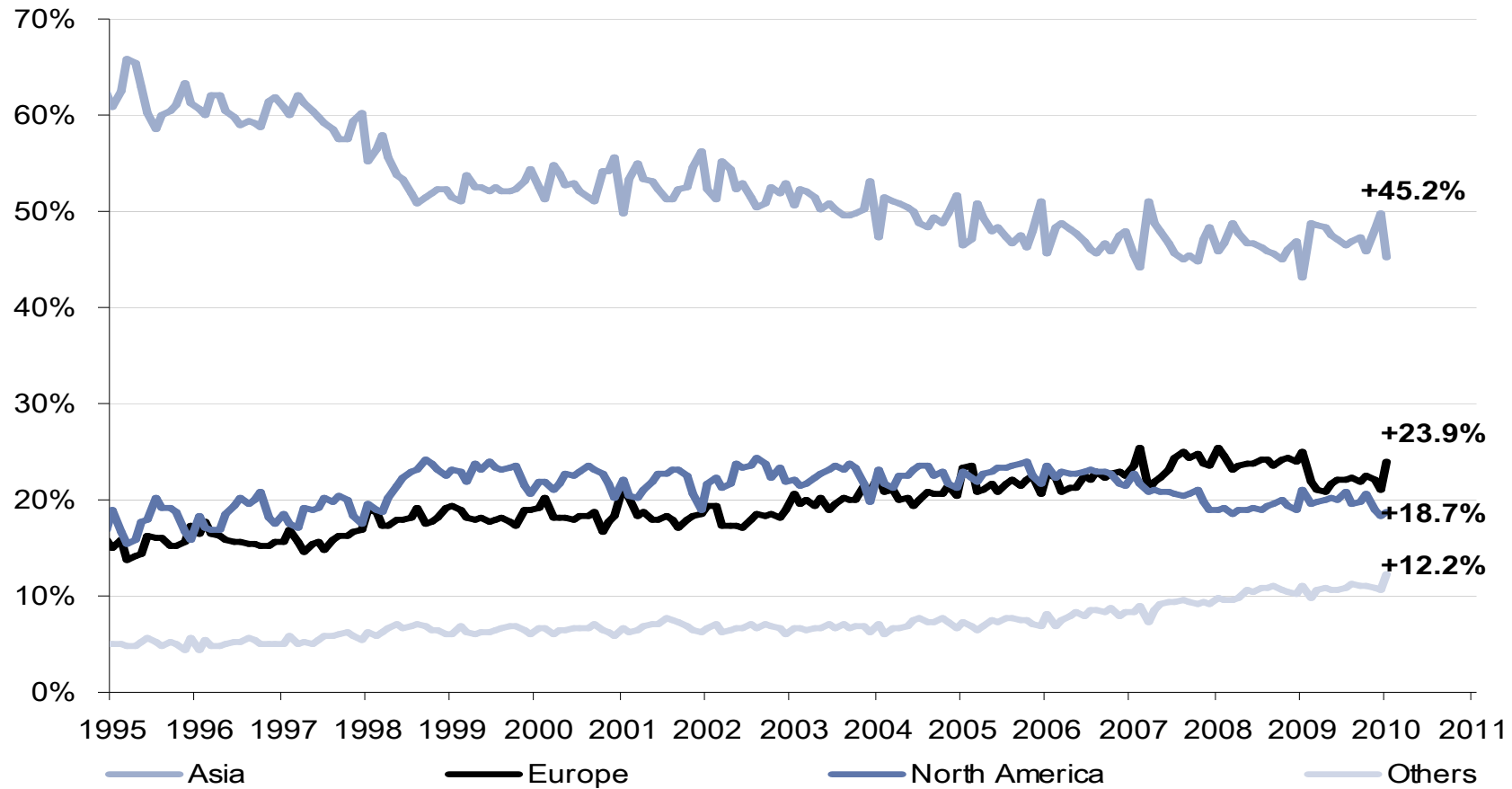
Top 10 global exporters, 2008 vs 1998



Source: World Trade Organization.

Shifting trade patterns

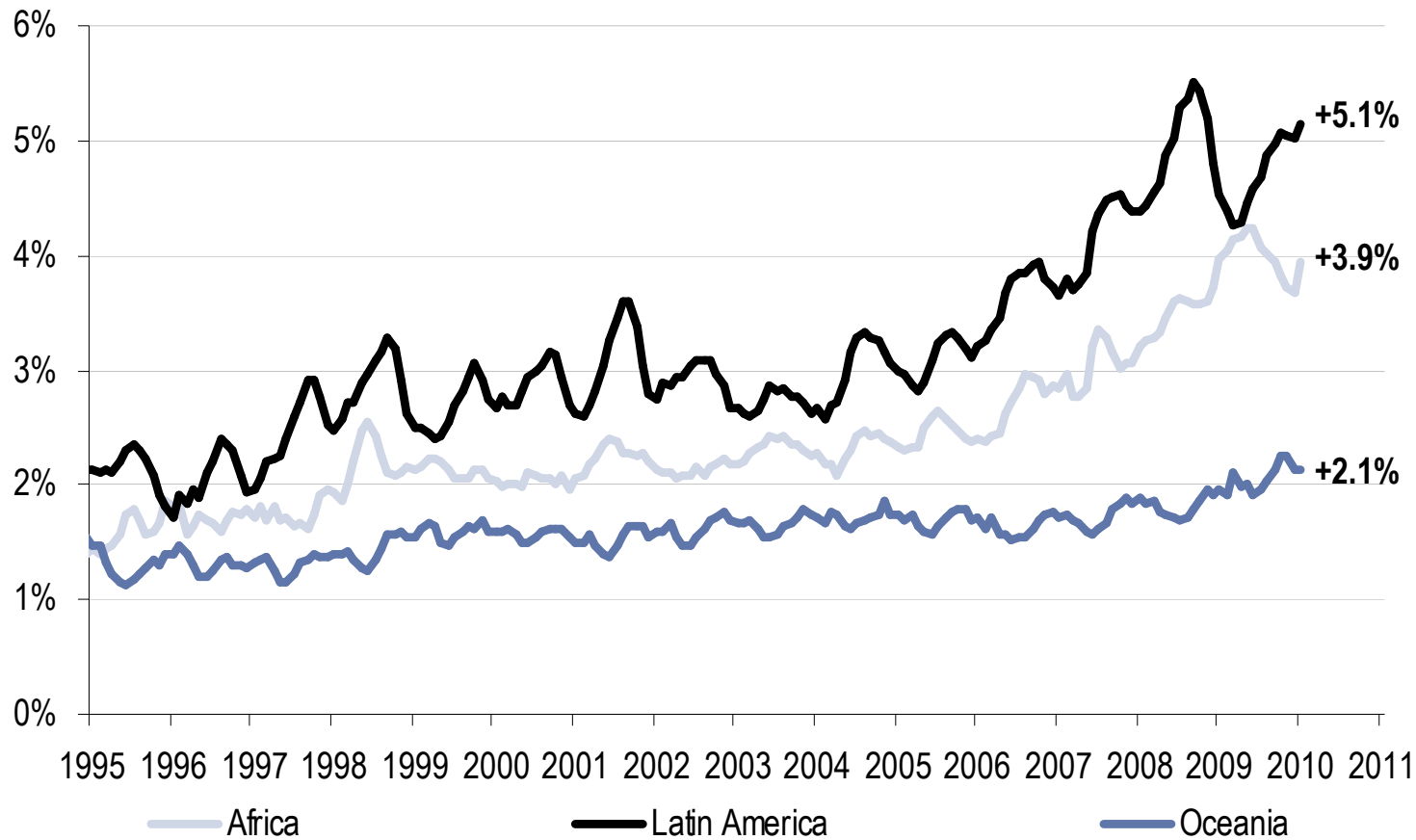
Breakdown of China's export markets



Source: CEIC.

China is developing export new markets

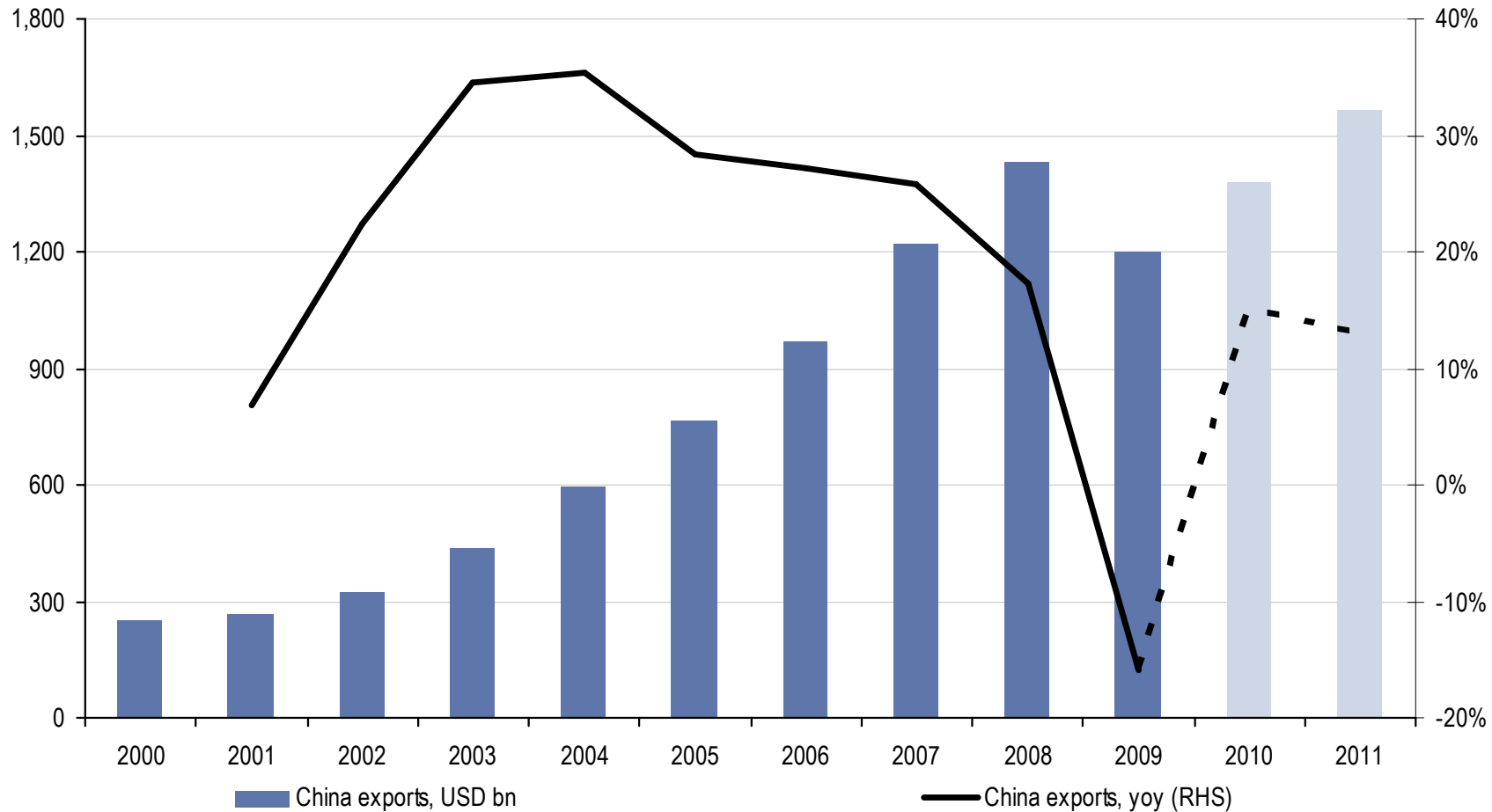
Voyage distances to lengthen



Source: CEIC.

Export engine to re-accelerate

Double digit growth off a low base

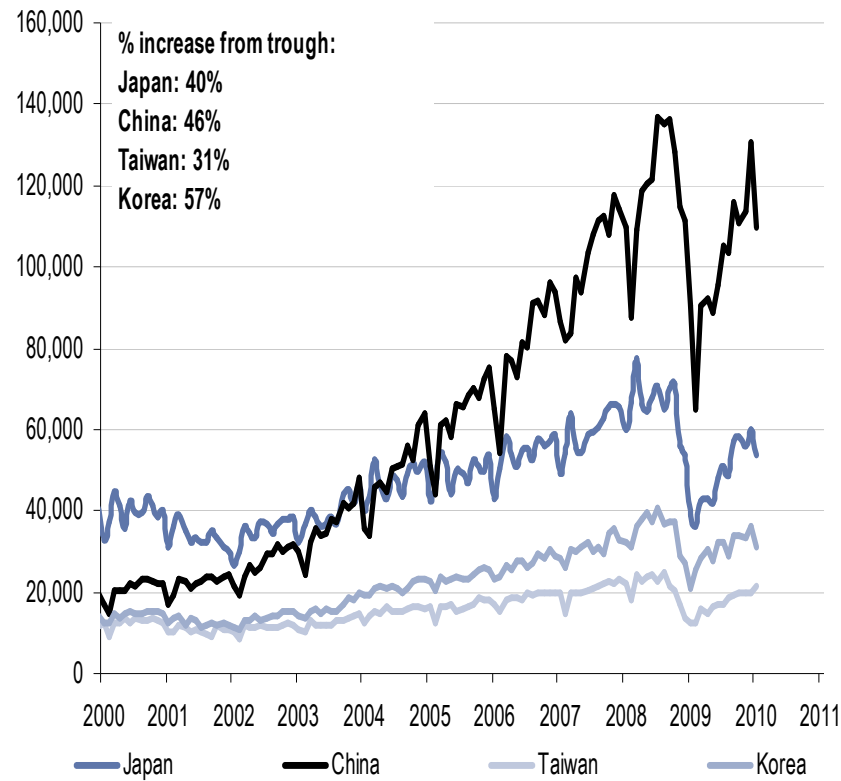


Source: CEIC, GS Global ECS Research estimates.

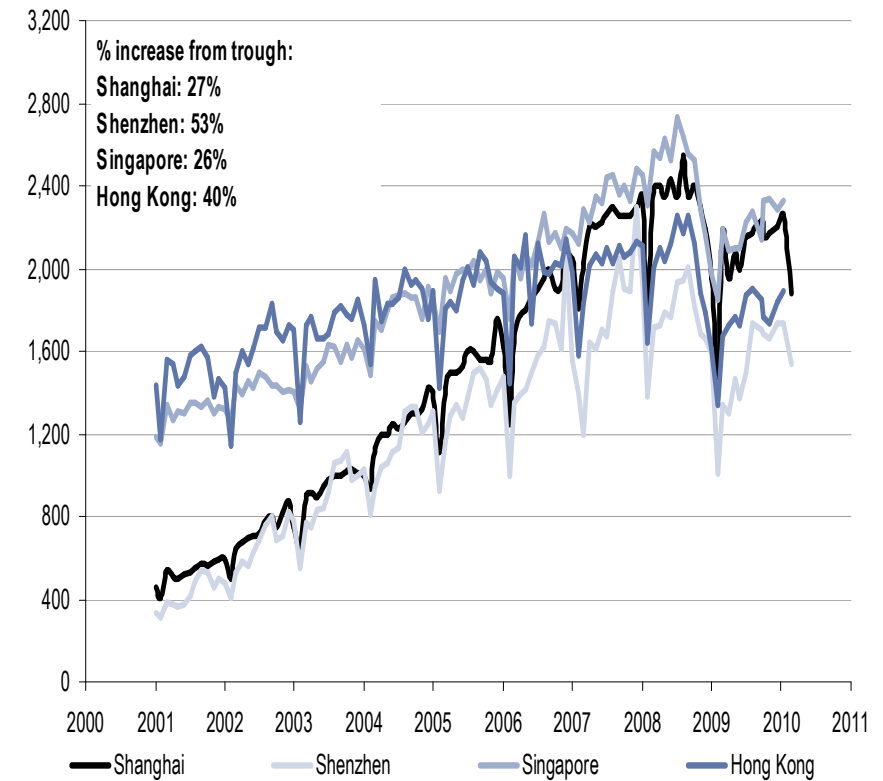
Port throughput is a proxy

Container trade turning around

China exports in V-shaped recovery



HK/CH port showing good sequential growth

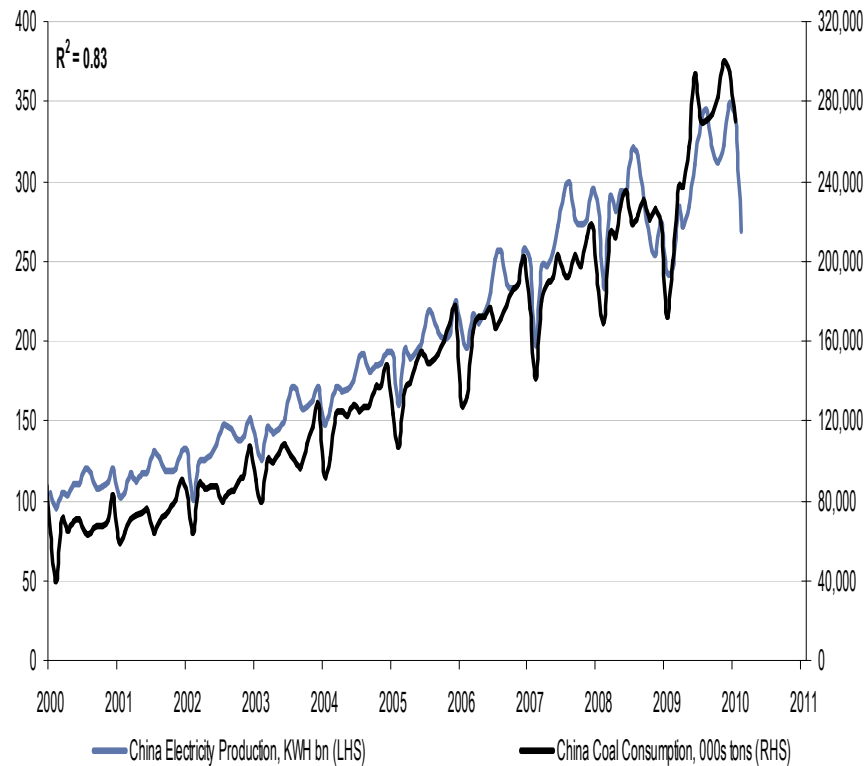


Source: CEIC

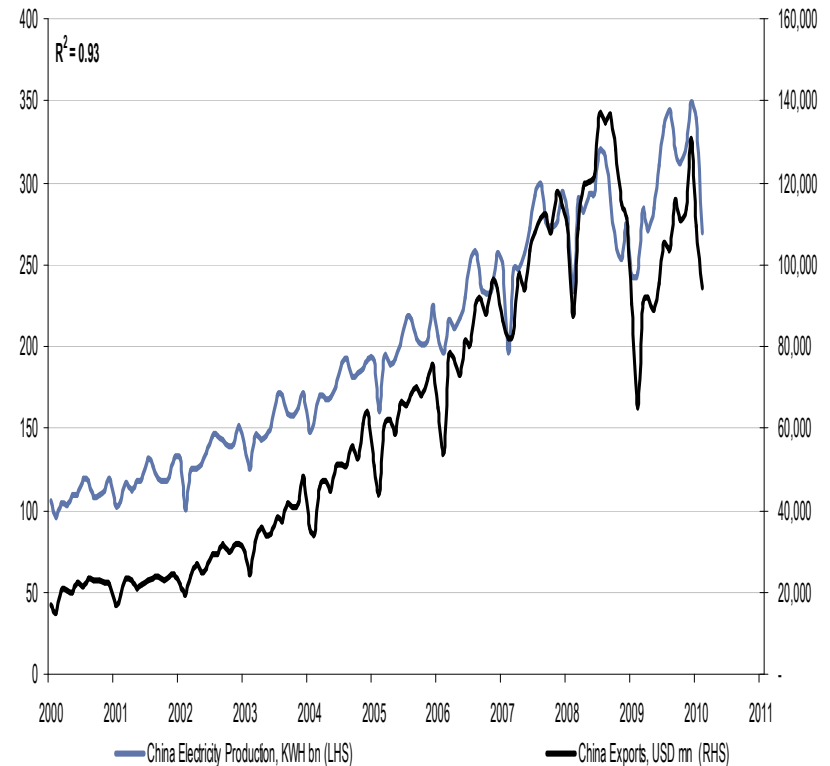
Another indicator...

... electricity production signals stronger China exports

Coal consumption has surged ytd



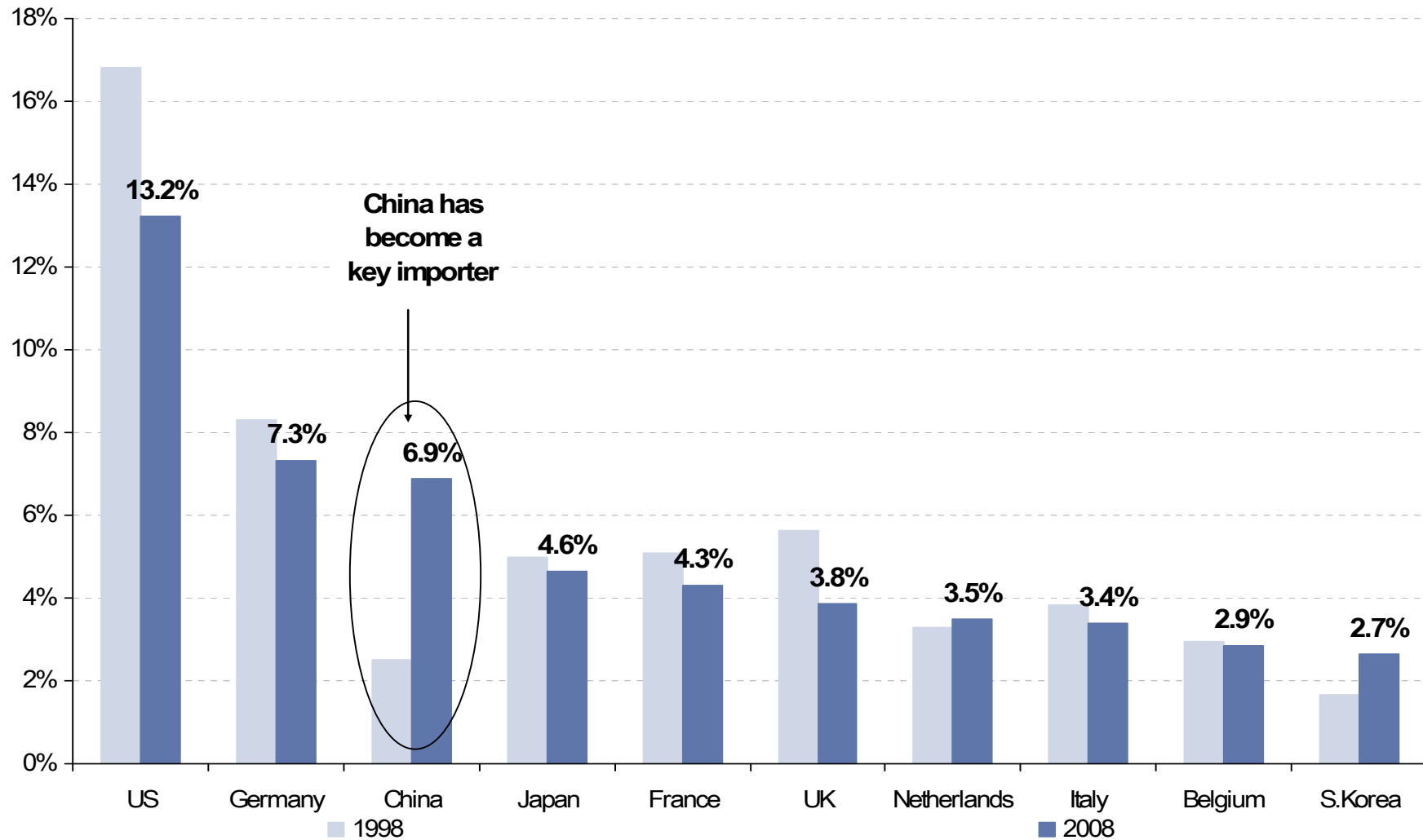
Sequential improvement in China exports



Source: CEIC

3. China is in the top three

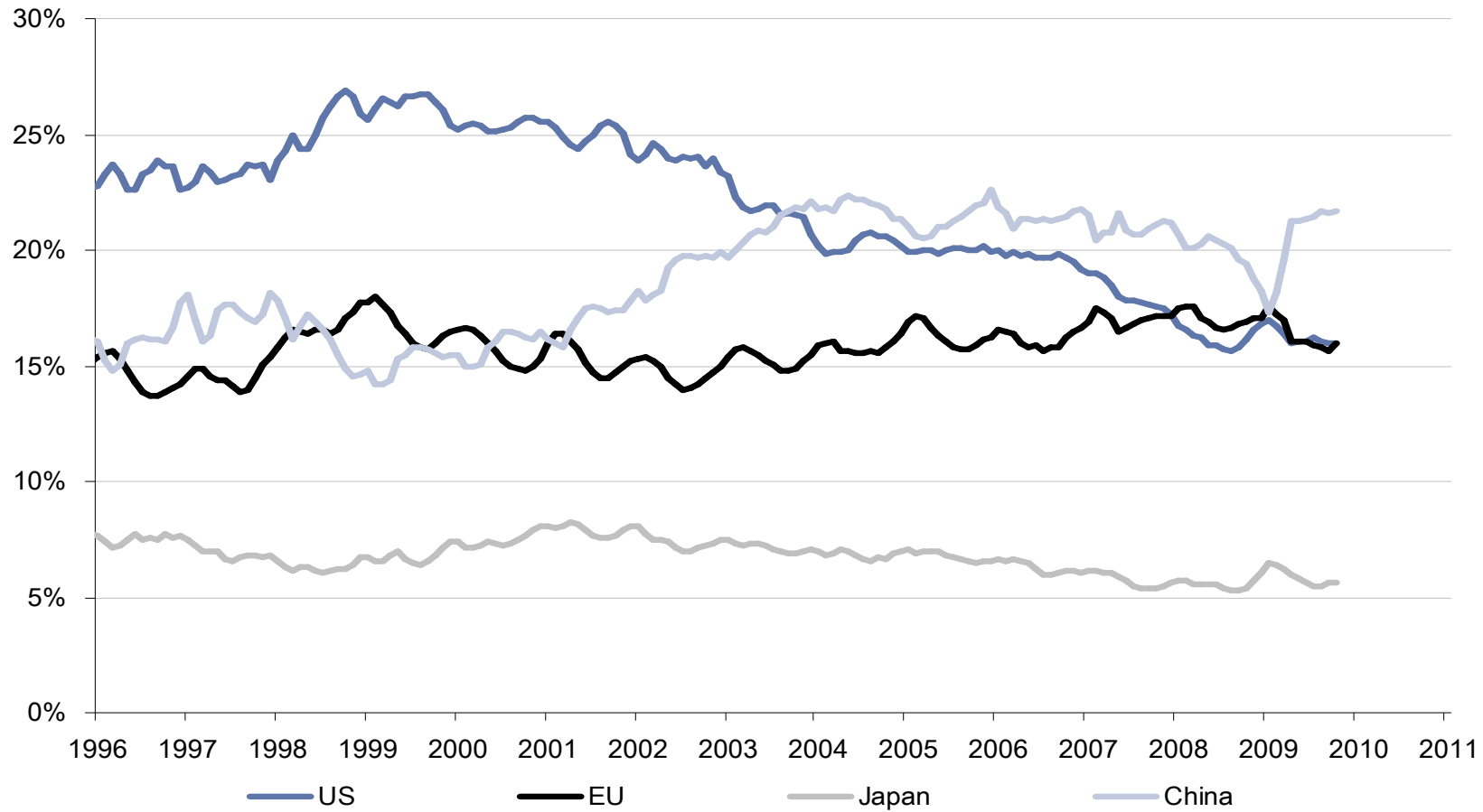
Top 10 global importers, 2008 vs 1998



Source: World Trade Organization.

China is Asia's largest export market

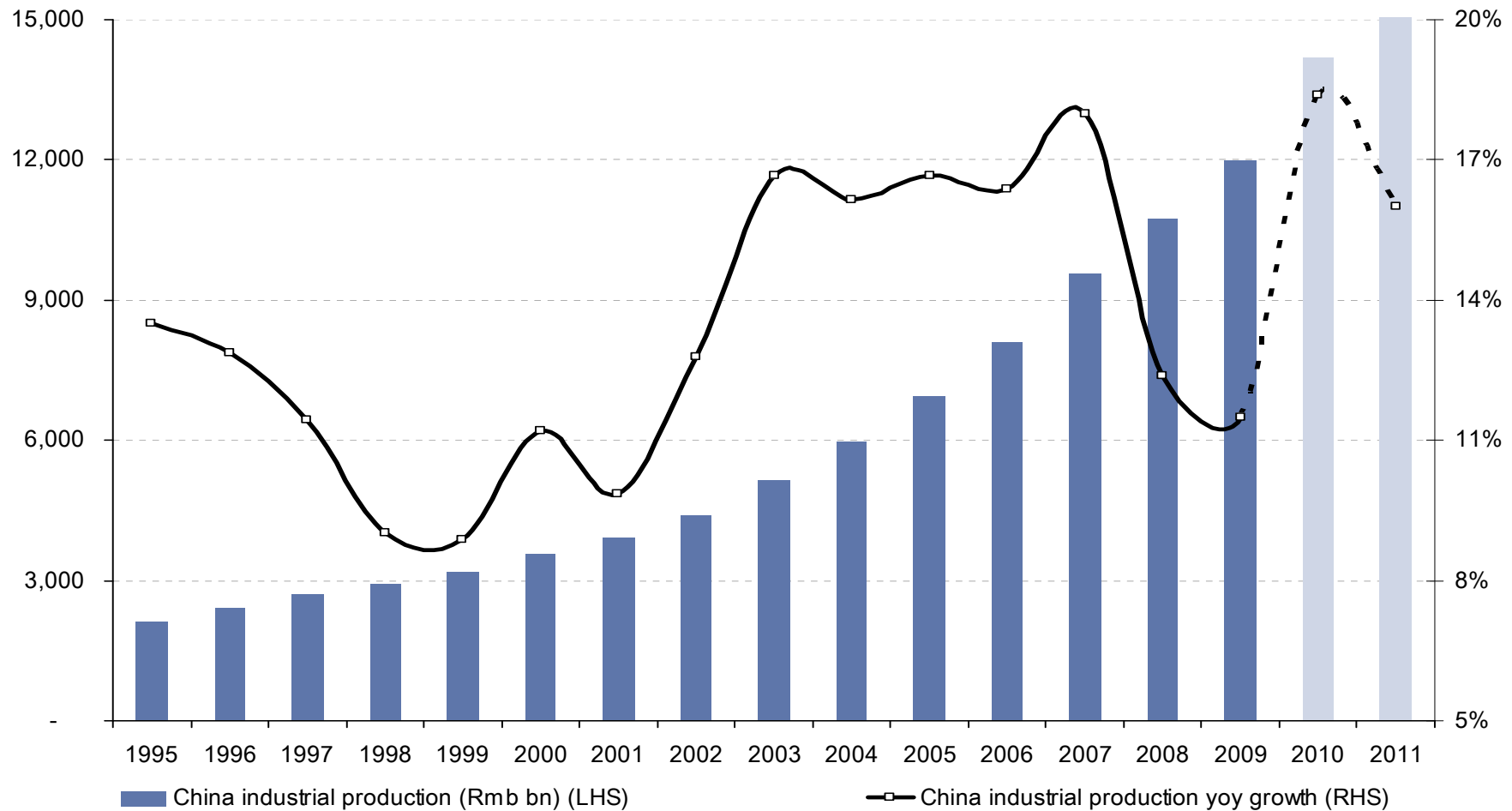
Breakdown of Asia's export market



Source: CEIC.

Increased demand for raw materials

Strong growth in China industrial production

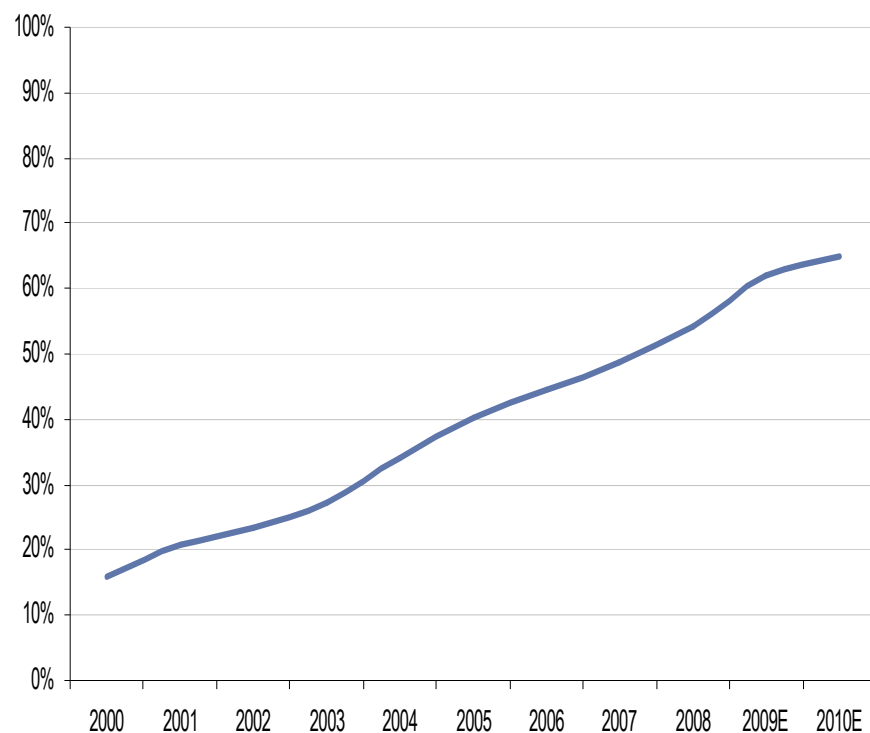


Source: CEIC, GS Global ECS Research estimates.

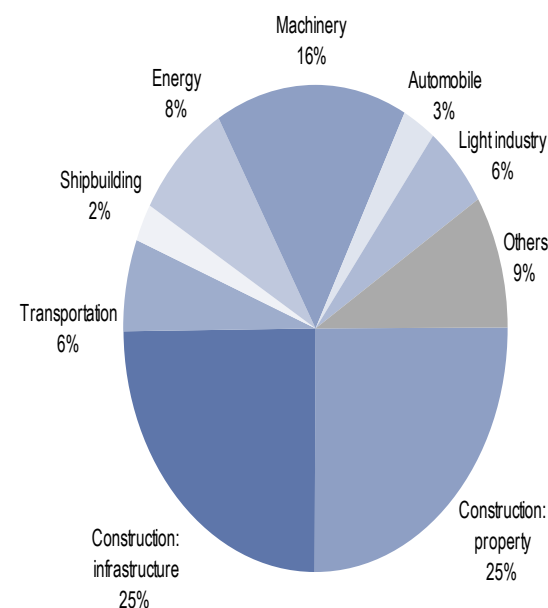
China is the dominant iron ore importer...

... thanks to infrastructure and property development

China's share of seaborne iron ore trade



Breakdown of steel consumption in China

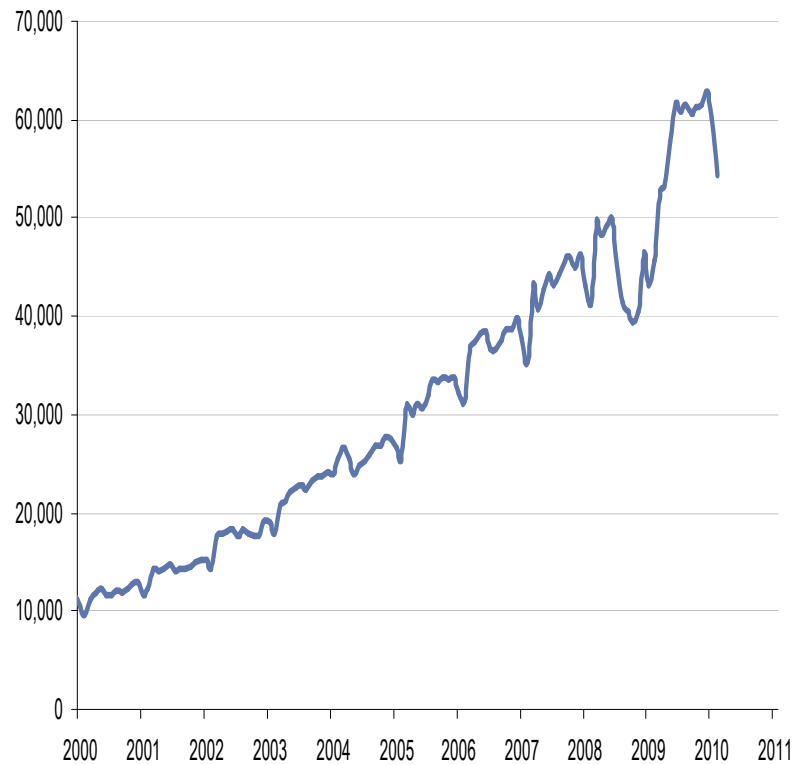


Source: WSA, TEX report, CRU, Trade data, GSJBW Research estimates.

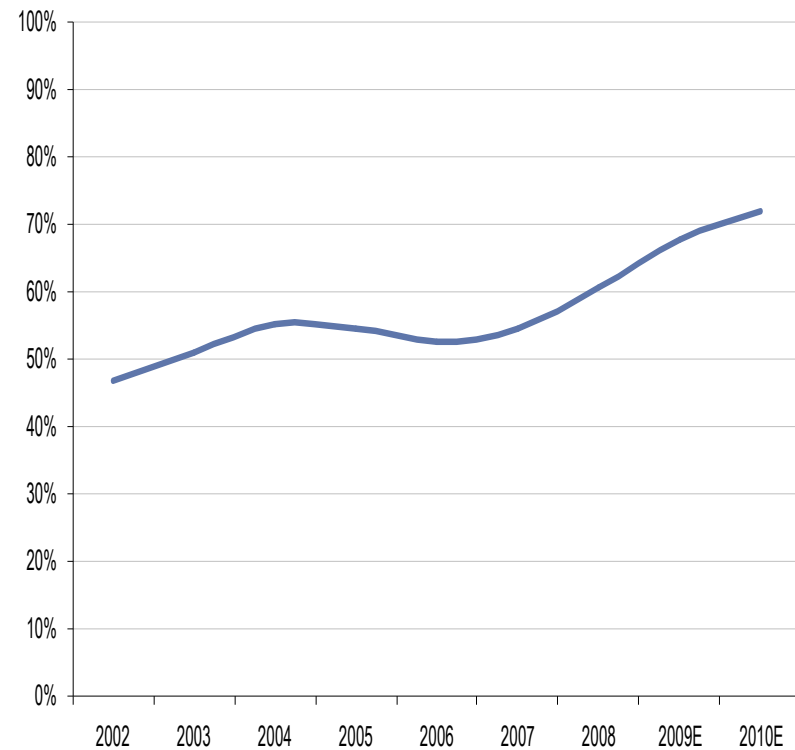
Sharp rebound in steel consumption

Iron ore imports increasingly important

Monthly steel consumption ('000s ton)



Iron ore imports, as % of consumption

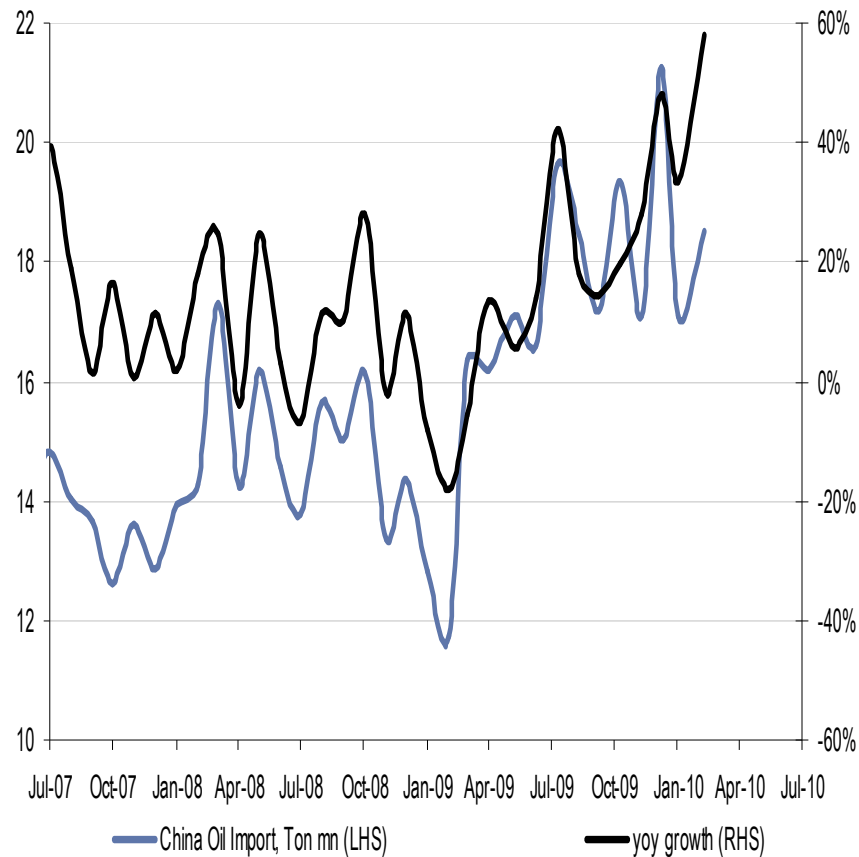


Source: WSA, TEX report, CRU, Trade data, GSJBW Research estimates, CEIC.

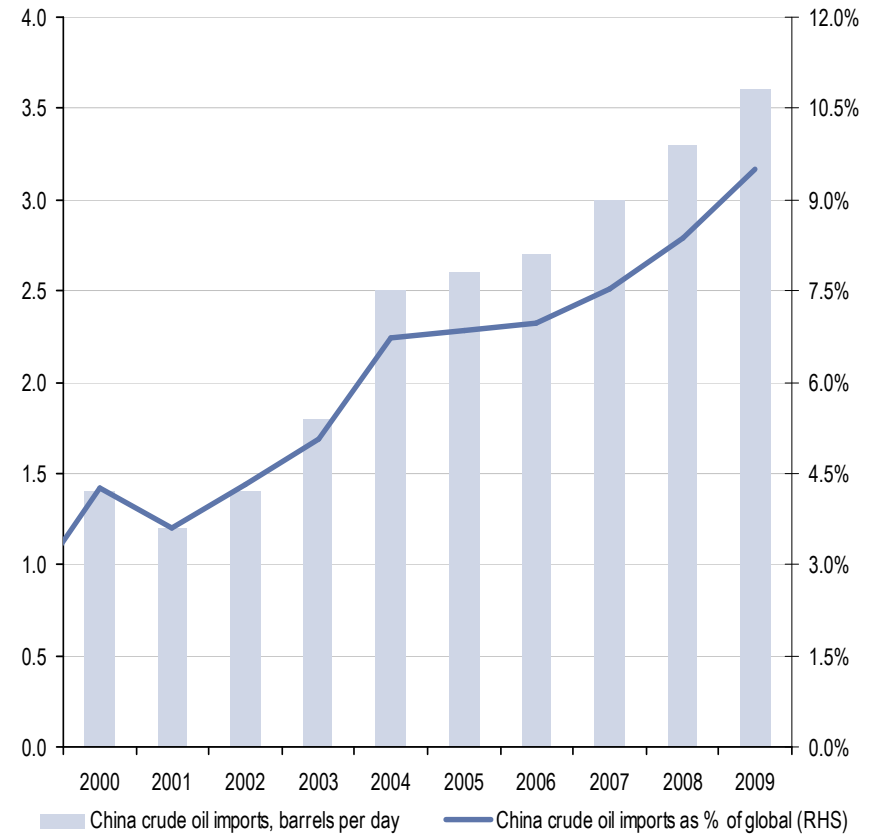
China oil demand has surged

Energy requirements are high

China oil imports rising



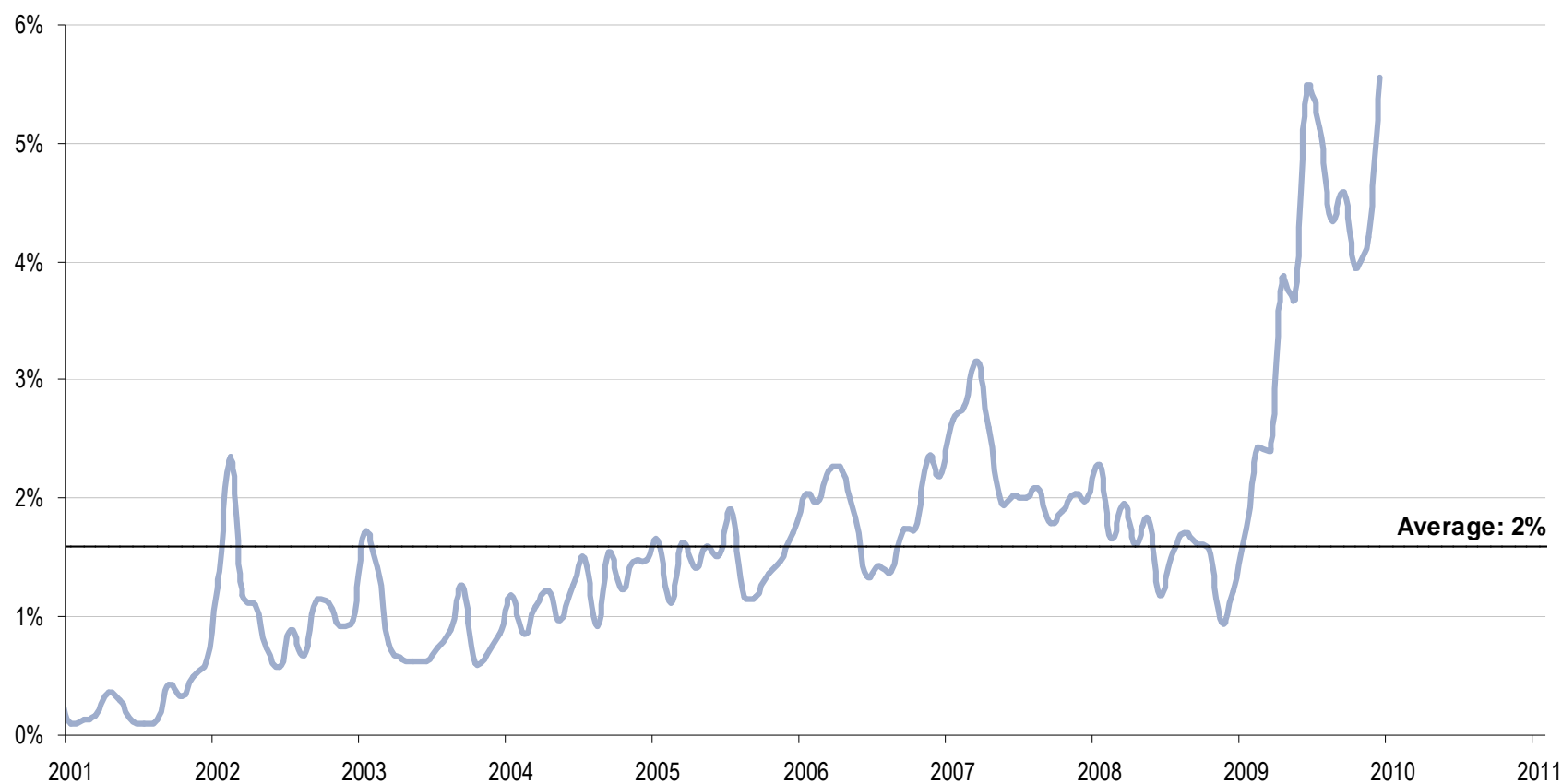
China share of seaborne market



Source: Bloomberg, CEIC, Clarksons.

China is now a net coal importer

Imports as % of total consumption on the upswing



Source: CEIC

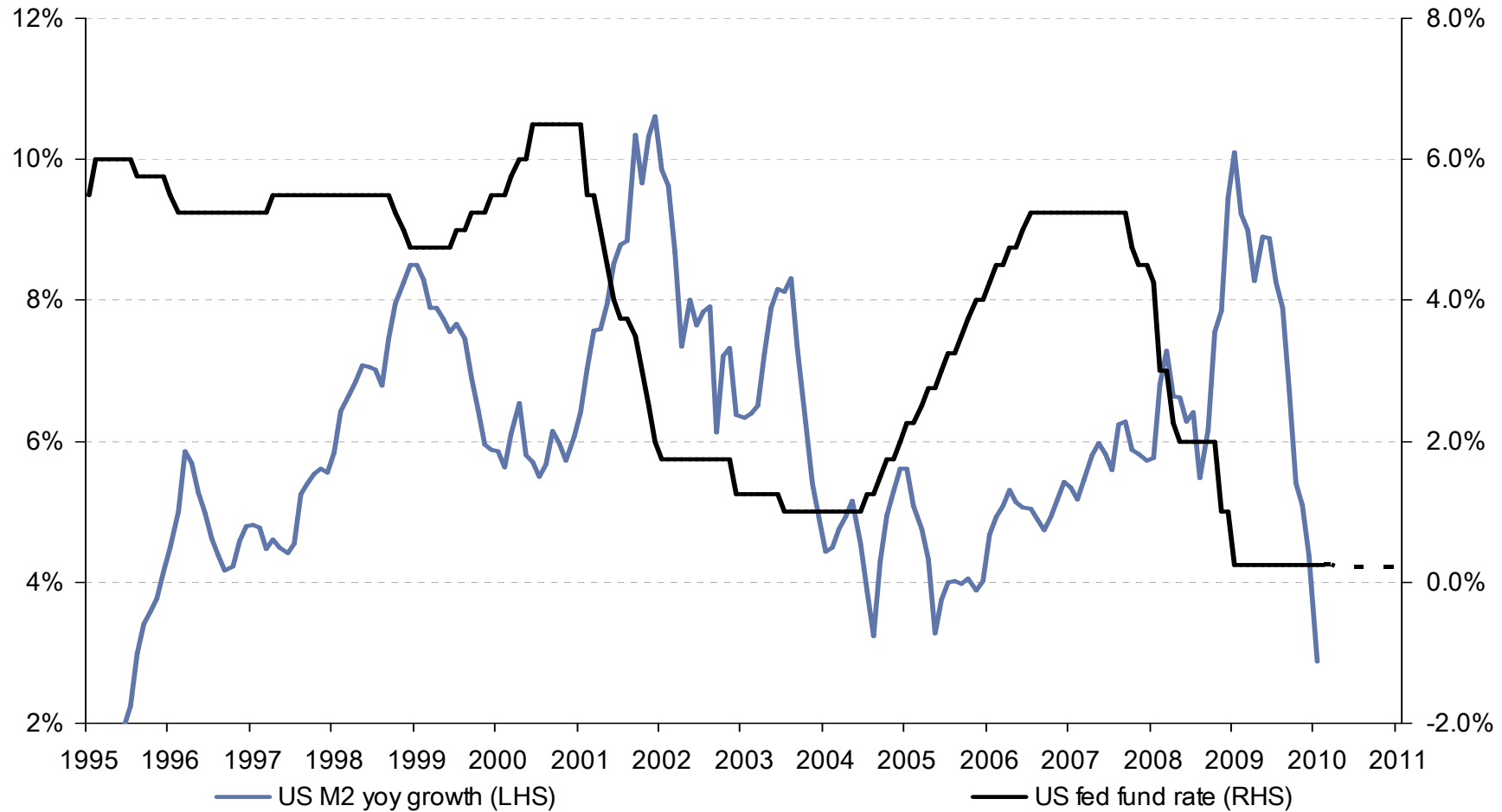


V. Risks to our views

Interest rates, inflation and currencies

Policy risk is our top concern

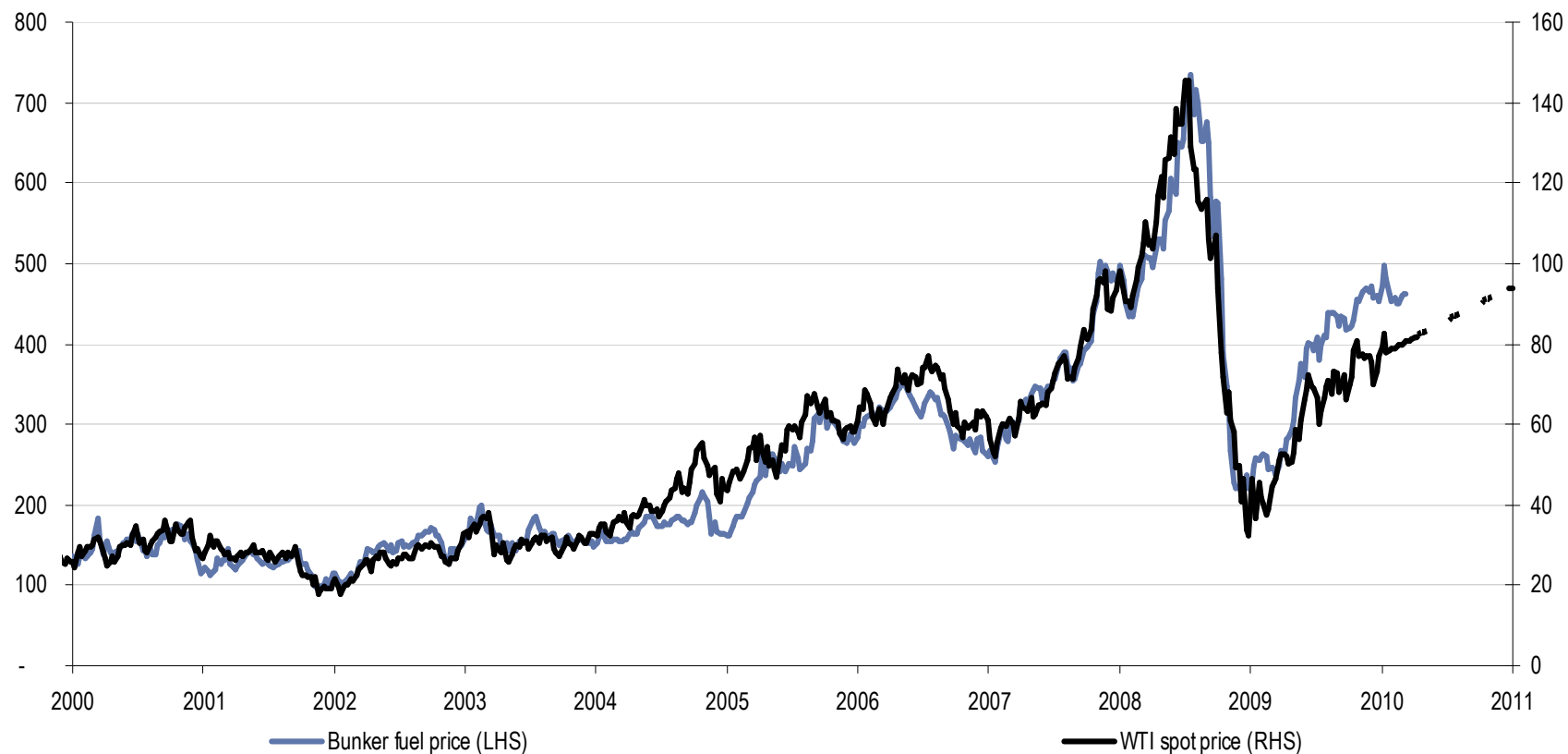
US M2 money supply and US fed fund rates



Source: Datastream, GS Global ECS Research estimates.

Fuel costs present structural challenges

Living with high and volatile oil prices



Annual average prices	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010E
Bunker fuel (US\$/ton)	125	142	162	174	255	308	367	503	366	NA
WTI (US\$/barrel)	26	26	31	41	56	66	72	101	61	97

Source: Datastream, Clarksons, GS Global ECS Research estimates.

Other commodity prices are an issue, too... ... especially in industrializing China

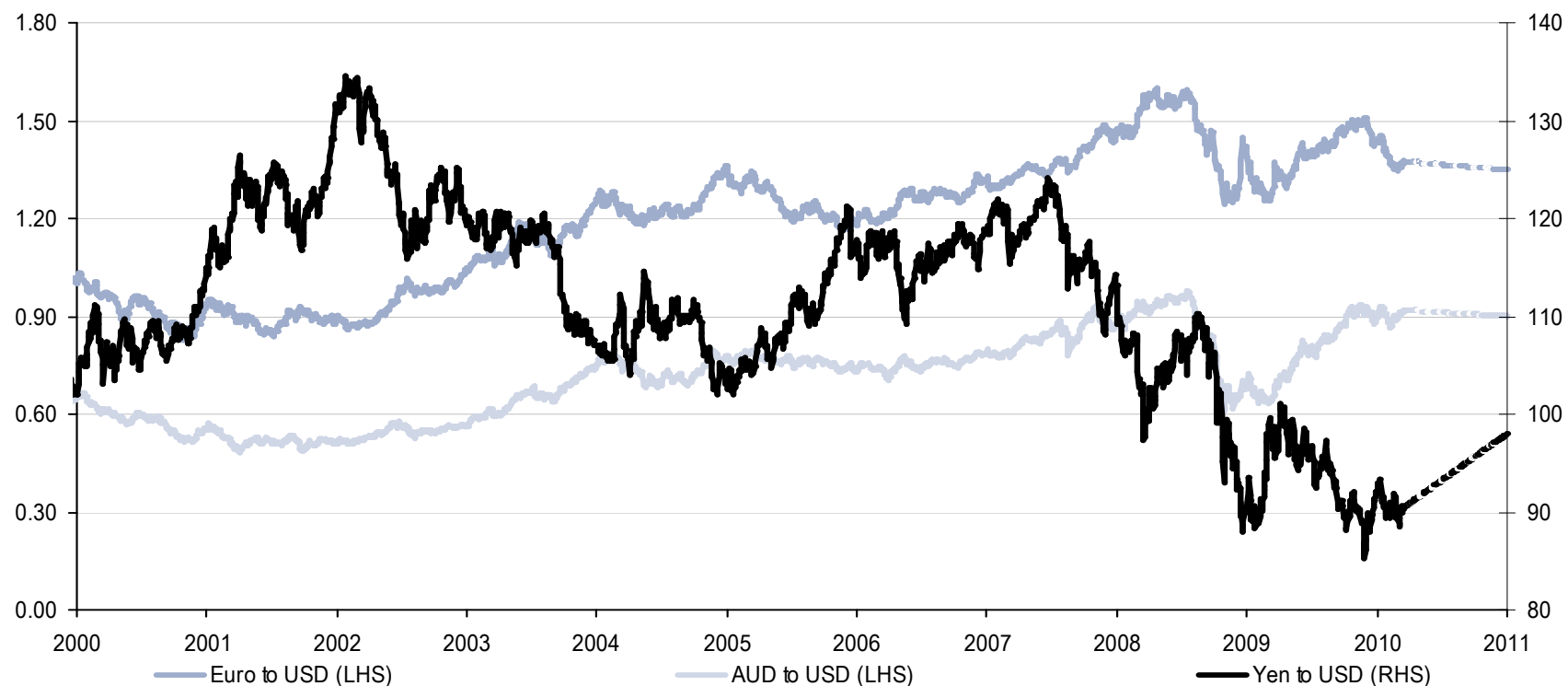


	2004	2005	2006	2007	2008	2009	2010E	2011E
China HR price (Rmb/ton)	4,499	4,267	3,955	4,332	5,148	3,800	5,000	5,100
China thermal coal price (Rmb/ton)	389	430	431	472	742	606	800	840
Domestic Iron Ore price (Rmb/ton)	727	718	632	992	1,304	773	NA	NA

Source: Mysteel, CRU, CISA, China Coal Information Centre, Goldman Sachs Research estimates.

Stronger USD tends to bad for shipping

Euro, AUD and Yen outlook mixed



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010E
Yen	122	125	116	108	110	116	118	103	94	98
Euro	0.90	0.95	1.13	1.24	1.24	1.26	1.37	1.47	1.39	1.35
AUD	0.52	0.54	0.65	0.74	0.76	0.75	0.84	0.85	0.79	0.90
Rmb	8.28	8.28	8.28	8.28	8.19	7.97	7.61	6.95	6.83	6.49

Source: Datastream, GS Global ECS Research estimates.



Conclusion

Opportunities amid uncertainty

Key take-aways

Be brave, seek strategic growth opportunities

- 1. En route to a cyclical recovery in developed markets**
- 2. Secular growth in BRICs to sustain above trend growth**
- 3. All eyes are still on India and China**
- 4. Risks remain but opportunities arise amid uncertain times**