AP Moller-Maersk warns on industry 'crisis'

Andrew Ward

AP Moller-Maersk, the world's largest container shipping line, on Friday warned that its industry remained in a "crisis of historic dimensions" even as the world economy showed tentative signs of recovery.

The downturn in trade has combined with chronic oversupply to send container shipping rates down 30 per cent in the first half of this year, putting Maersk on course for the first full-year loss in its 105-year history.

Nils Andersen, chief executive, said the industry was responding to the crisis "in a rather immature way" by driving down prices to unsustainable levels.

He called for shipping lines to raise rates and remove uncompetitive capacity.

"Current rates are not sufficient to give anybody a healthy living, and we need to get them up," he said.

The shipping industry is facing a supply glut as big new ships ordered during the pre-crisis boom in trade – particularly between the US and China – start entering the market when demand is at its weakest for years.

Mr Andersen said decline in freight volumes slowed in the second quarter as the world economy started "to pick up a little bit", but rates continued to slide throughout the period before stabilising in July and August.

Supply and demand would remain out of balance for "a few years", during which the industry would have to live with lower profits, he said.

Maersk reported a worse-than-expected first-half net loss of $540m compared with a $2.5bn net profit last year, while revenues fell 25 per cent to $22.8bn.

The Danish conglomerate, which also has interests in oil and gas, retail and banking, forecast second-half results "at the same level" as during the first half but gave a warning of "considerable uncertainty" in the outlook.

Maersk is considered a barometer of trade because of its central role in many corporate supply chains.

Mr Andersen said the world economy was “moving into a better situation” as depleted inventories were restocked.

But he cautioned that US and European consumption remained subdued.

Investors shrugged off the gloomy results and uncertain outlook to lift Maersk shares nearly 7 per cent to DKr35,300 ($6,799) in response to aggressive restructuring measures expected to trim $1bn-$1.5bn from annual costs.

Maersk has cut more than 6,000 jobs over the past year and announced plans this month to close its 91-year-old Odense shipyard in Denmark.

Mr Andersen said he was “relatively optimistic” about long-term prospects, and that the group would emerge from the crisis stronger than many rivals.

“When markets return to normal, we will be among those making money,” he said.

Financial Times, London, Aug. 21st 2009, Companies, online.

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