When you have worked through Lesson Two, attempt the following question and submit your answer to your Tutor.

Given that most demand for shipping is a derived demand, explain why analysts need to pay attention to world economic growth as well as forces driving individual markets when forecasting future shipping demand. Your answer should include real world examples of the link between trade activity and shipping demand.

The evidence presented in this lesson suggests that the world’s shipping markets have had very little ‘spare capacity’ since 2002. Give examples of that evidence. What implications does the lack of spare capacity have for the short run response of shipping supply to future further increases in demand? How might this issue be resolved in the longer term?

Where relevant, illustrate your answer with real world data.

What are the economic factors that determine the choice of ship size? How can these be used to explain the fact that average ship size in both the dry bulk and container trades has increased in the last ten years, while the average size of tankers has remained stable in the same period?

Why is the dry cargo market regarded as being perfectly competitive? What appear to be the main factors explaining the remarkable growth and high levels of rates seen in the period 2003-2006?

Illustrate your answer with the use of diagrams or mode

The tanker market has enjoyed a period of prosperity since the start of the millennium, and has been transformed. What are the key factors in explaining its recent buoyancy? Is this situation likely to persist? Explain your answer.

‘The EU abolition of the exemption of liner shipping conferences from anti-trust laws in 2008 will have no effect on the liner trades, because they are already irrelevant’. Assess the validity of this statement, making reference to recent developments in the liner trade.

Explain why, in a modern open economy, the determination of the exchange rate is not solely driven by the position of trade balances on the current account of the balance of payments.