

P R E S S R E L E A S E

**IS THE GROWTH OF THE EAST ASIAN
CONTAINERPORT MARKETS SUSTAINABLE?**

The pace of growth in East Asia's containerport markets has been dramatic in recent years. This has been driven by the globalisation of the world economy and the rise of China as the world's manufacturing centre. These have spurred the development of deep-sea, intra-Asian and transshipment trades.

Exports from China to the US and Europe are underpinning the growth of China's manufacturing industry, and drawing in imports of raw materials and intermediate products from other parts of the world, in turn providing the earnings for them to import more consumer goods too. However, the US trade deficit with China, in particular, is causing concern and raises the possibility of protectionist measures or other short-term shock to trade.

This new study* from Ocean Shipping Consultants Ltd analyses the development of container handling demand by port and forecasts demand to 2020 by country or territory. It includes an "increased-risk" scenario to reflect the possibility of a protectionist or other shock to trade.

Transshipment has been a major component of world containerport demand in recent years. Based on the global and regional driving forces for transshipment, this report provides detailed analysis and forecasts of the development of transshipment markets in East Asia.

A detailed review of containerport investment plans is included, and capacity utilisation forecasts are presented to highlight areas of likely capacity surplus or shortfall.

Containerport productivity is analysed by country, in terms of the utilisation of container quays and quayside container gantry cranes.

The following highlights some of the main findings of the report:

- ◆ Containerport throughput in *East Asia* expanded threefold over 1995-2005 and by 78 per cent over 2000-05 to 189.4m TEU. Chinese ports have been at the forefront of development, but demand has expanded strongly in all parts of the region.

- ◆ Containerport throughput in *Northeast Asia* (Japan, South Korea, Northeast China and Far East Russia) expanded 2.8-fold over 1995-2005 to 49.35m TEU. Over this period, the share of northeast Chinese ports rose from 10.4-32.8 per cent, that for South Korean ports moved from 27.9-30.8 per cent and that for Japanese ports fell from 61.2-35.5 per cent.
- ◆ The Northeast Asian container transshipment market expanded 3.5-fold to 6.86m TEU over 1995-2005. During this period, South Korea's share of this market increased from 43.9-80.6 per cent, Japan's share declined from 56.1-11.0 per cent and northeast China's climbed from nothing to 8.4 per cent. Regional transshipment demand has been driven by high inland transportation and stevedoring costs in Japan and soaring Chinese containerport volumes.
- ◆ In *East East Asia* (east and southeast China, Hong Kong and Taiwan), containerport throughput expanded 3.7-fold over 1995-2005 and by 99 per cent over 2000-05 to 84.87m TEU. During this period, east and southeast China's share advanced from 12.9-58.3 per cent. Despite growing in absolute terms, Hong Kong's share declined from 54.0-26.6 per cent. Similarly, Taiwan's share shrunk from 33.0-15.1 per cent, and fell by 0.8 per cent in absolute terms in 2005.
- ◆ Transshipment in East East Asia more than trebled over 1995-2005 and increased by 59 per cent over 2000-05 to 16.44m TEU. Hong Kong's share of the market rose from 54.0 per cent in 1995 to 61.7 per cent in 2005. Taiwan's decreased from 46.0 per cent in 1995 to 35.0 per cent in 2005. Sea-sea transshipment at Chinese ports, though increasing, remains relatively insignificant.
- ◆ *Southeast Asian* containerport throughput increased by 151 per cent over 1995-2005, and by 54 per cent over 2000-05, to 55.13m TEU, based largely on manufacturing-generated exports and transshipment. In 2005, Singapore performed well, due to growing transshipment activity, but some other ports in the region appear to have been put in the shade by China's trade, which saturated available vessel slots.
- ◆ Transshipment throughput in Southeast Asia climbed by 113 per cent over 1998-2005 to some 25.85m TEU. In the 1990s, this traffic was almost the sole preserve of the port of Singapore, but the establishment of Tanjung Pelepas and targeting of transshipment cargoes by Klang eroded its share from 96.4 per cent in 1998 to an estimated 73.3 per cent in 2005.

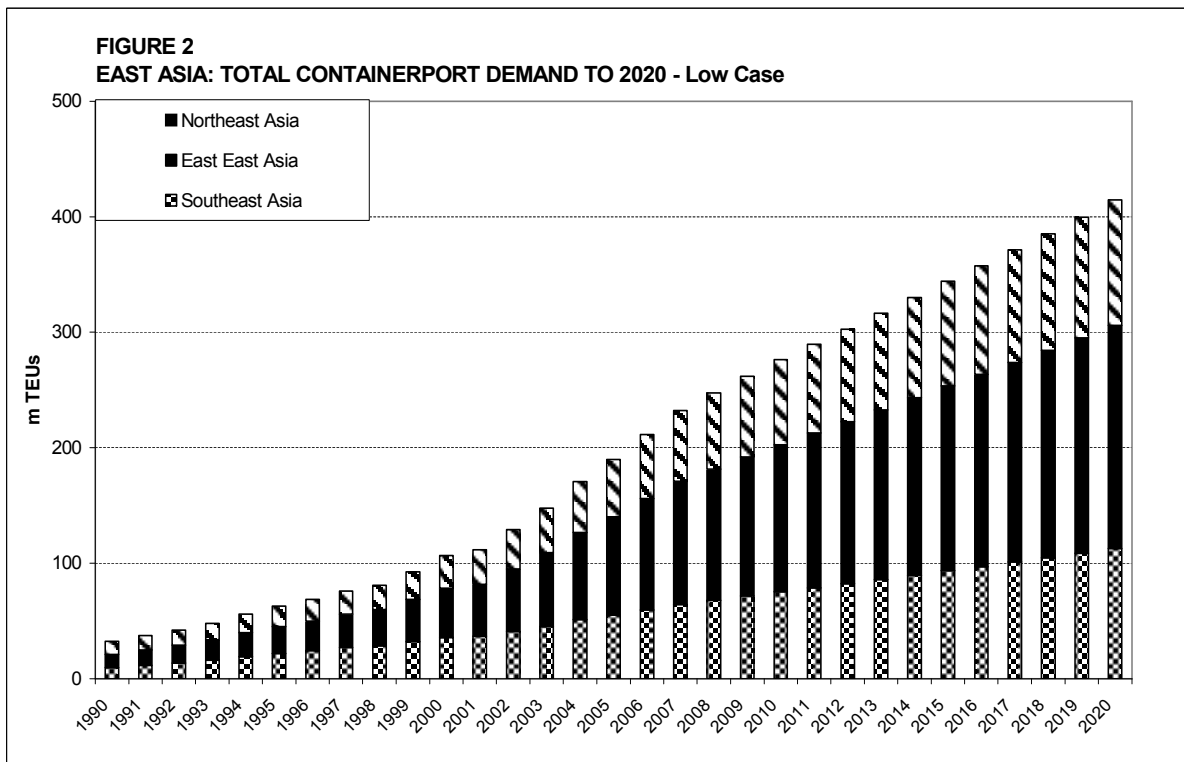
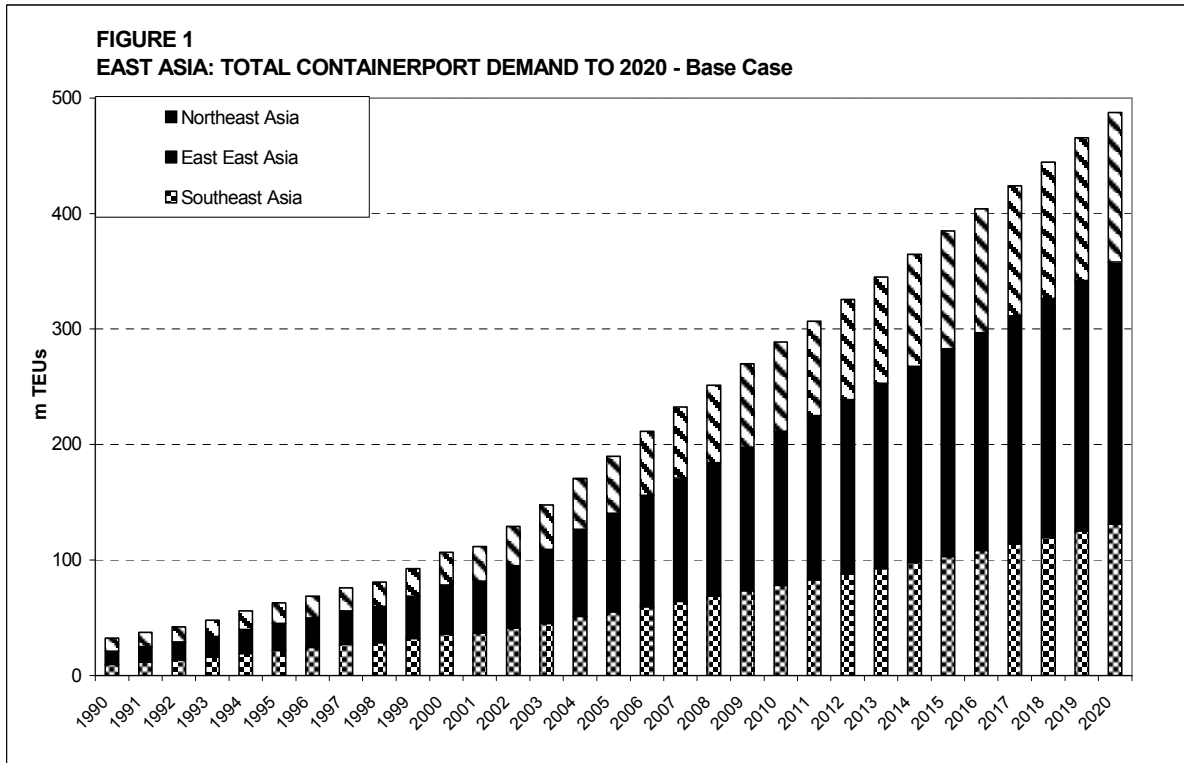
Table 1
East Asia: Containerport Throughput by Port Region, 1995-2005

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
<i>m TEUs</i>											
Northeast Asia	17.65	18.92	20.16	20.95	23.80	28.12	29.77	33.92	38.52	44.09	49.35
East East Asia	23.22	25.59	28.72	31.11	36.66	42.61	44.93	54.00	63.74	75.07	84.87
Southeast Asia	21.94	24.14	27.00	28.60	31.99	35.73	36.82	40.97	45.20	51.25	55.13
Total	62.81	68.65	75.88	80.66	92.44	106.46	111.52	128.89	147.46	170.41	189.35
<i>Per cent share</i>											
Northeast Asia	28.1	27.6	26.6	26.0	25.7	26.4	26.7	26.3	26.1	25.9	26.1
East East Asia	37.0	37.3	37.9	38.6	39.7	40.0	40.3	41.9	43.2	44.1	44.8
Southeast Asia	34.9	35.2	35.6	35.5	34.6	33.6	33.0	31.8	30.7	30.1	29.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

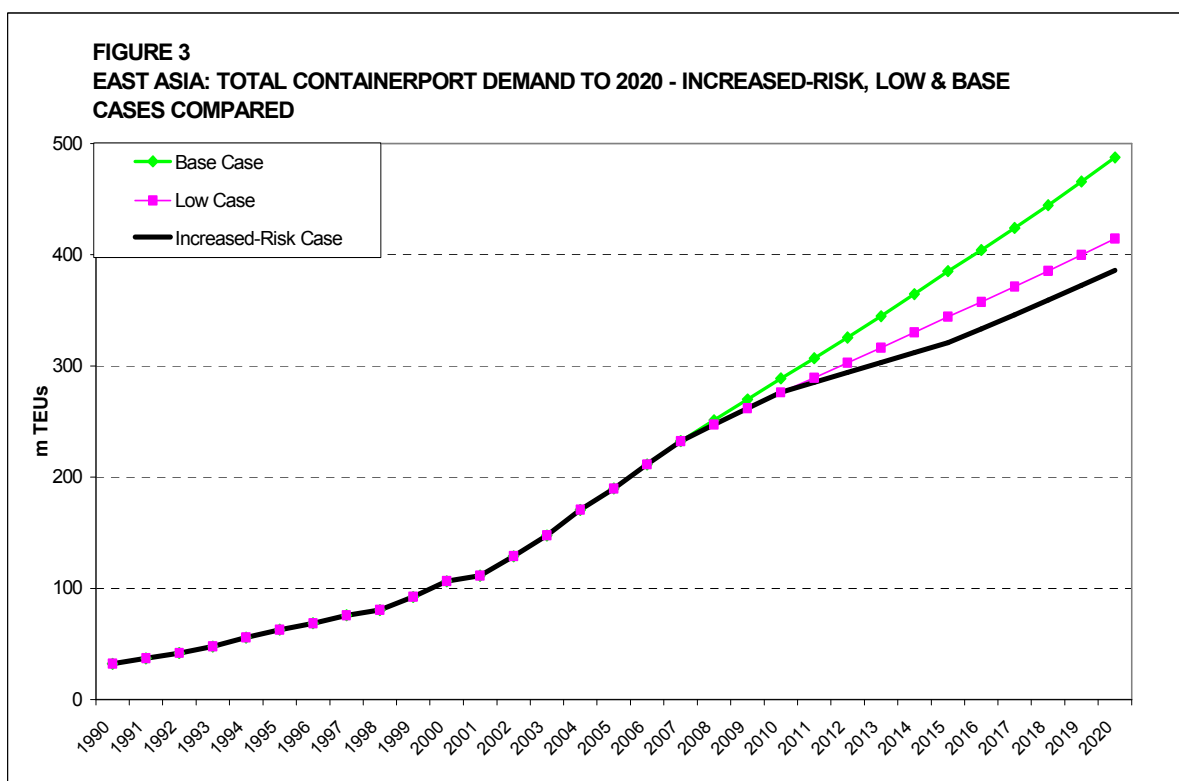
Figures may not sum exactly due to rounding.

Source: Ocean Shipping Consultants Ltd

- ◆ For the purpose of forecasting non-transshipment container handling demand, two broad economic scenarios are used for the macroeconomic forecasts employed in the study. The base case represents the more positive and most likely economic growth scenario; the low case, a lower-growth scenario. A third case explores the implications of a higher-risk scenario, in which the flow of exports from East Asia is impeded by tariffs or other measures imposed by the US and/or Europe, a sudden devaluation or other shock to trade.



- ◆ The future development of transshipment will be a compound of underlying economic-growth-induced demand and the policies of major operators in converting direct flows into transshipped flows.
- ◆ Focusing solely on the *base and low cases*, *non-transshipment demand* in East Asia is forecast to grow by 110-136 per cent to 261-294m TEU over 2004-15. Further expansion of 21-28 per cent is anticipated to 317-375m TEU in 2020. At Northeast Asian ports, growth over 2004-15 is forecast at 105-132 per cent to 77.5-87.4m TEU; the East East Asia region is forecast expansion of 125-154 per cent to 133.8-151.0m TEU over this period, and growth in Southeast Asia is forecast at 82-102 per cent to 50.1-55.4m TEU.
- ◆ East Asian *transshipment demand* is forecast to increase by 80-98 per cent to 82.8-91.3m TEU over 2004-15, and by a further 18-24 per cent over 2015-20. At Northeast Asian ports, growth over 2004-15 is forecast at 105-134 per cent to 13.1-15.0m TEU; the East East Asia region is forecast expansion of 65-80 per cent to 26.3-28.7m TEU over this period, and growth in Southeast Asia is forecast at 82-100 per cent to 43.3-47.7m TEU.
- ◆ *Total containerport demand* is set to increase by 102-126 per cent over 2004-15 to 344-385m TEU, with further expansion of 20-27 per cent to 415-487m TEU in 2020. Containerport throughput in Northeast Asia is forecast to increase by 106-132 per cent to 90.6-102.4m TEU over 2004-15. Growth in East East Asia is forecast at 118-145 per cent to 160.2-179.7m TEU over the same period. In Southeast Asia, aggregate growth of 82-101 per cent is forecast to 93.4-103.1m TEU.
- ◆ Whilst the US trade deficit continues to grow, the risk of a sudden, rather than managed, adjustment of exchange rates and trade flows will also increase. A sudden collapse in the dollar would strain the ability of the US to continue financing its import boom and could place a sharp check on transpacific trade growth. The risk of a sudden adjustment is likely to peak beyond say 2010. The lower growth resulting from a sudden adjustment would reduce imbalances and therefore the protectionist pressures. Hence, it is anticipated that a recovery would follow.



- ◆ Under this “increased-risk scenario”, non-transshipment demand in *East Asia* is forecast to grow by 95 per cent to 243m TEU over 2004-15. Further expansion of 21 per cent is anticipated to 295m TEU in 2020. Transshipment demand is forecast to increase by 68 per cent to 77.5m TEU over 2004-15, and by a further 18 per cent to 91.4m TEU over 2015-20. Total East Asian containerport demand growth of 88 per cent is forecast over 2004-15 to 321m TEU, with further expansion of 20 per cent to 386m TEU in 2020.
- ◆ Under this scenario, total containerport throughput in *Northeast Asia* is forecast to increase by 92 per cent to 84.7m TEU over 2004-15. Growth in *East East Asia* is forecast at 99 per cent to 149.7m TEU over the same period. In *Southeast Asia*, aggregate growth of 69 per cent is forecast to 86.5m TEU.
- ◆ Although a steady progression is shown in the above chart, reflecting the anticipated average development over the forecast period, in reality a sharper, relatively short-lived downturn would be more likely, such as experienced during the Asian financial crisis of the late 1990s. Even under an increased-risk scenario, containerport demand growth would be substantial over the period of the forecasts.

* ***EAST ASIAN CONTAINERPORT MARKETS TO 2020***

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