

EAST ASIAN CONTAINERPORT MARKETS TO 2020

The pace of growth in the East Asian containerport markets has been dramatic in recent years. *Is this growth sustainable?*

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 other countries to import more consumer goods too. But, China's exports to the developed countries are not balanced by equal flows of imports from these regions. The US trade deficit with China, in particular, is causing concern and raising the possibility of protectionist measures. Unless trade flows are brought into balance through better management of exchange rates and the domestic US economy, the likelihood of a short-term shock to trade is increased.

This new study by OSC analyses the development of containerport demand in East Asia and provides new forecasts to 2020. It includes an "increased-risk" scenario to reflect the possibility of a protectionist or other shock to trade.

The outlook is, nevertheless, for continued strong demand growth focused on exports from China driving deep-sea, intra-regional and transshipment trades, and increasing import demand driven by the growing prosperity of the region's developing countries.

The major regions covered in this study are:

Northeast Asia:

- Japan
- Northeast China
- South Korea
- Far East Russia

East East Asia:

- East & Southeast China
- Taiwan
- Hong Kong

Southeast Asia:

- Singapore
- Philippines
- Malaysia
- Vietnam
- Indonesia
- Myanmar
- Thailand
- Brunei

Transshipment has been a major aspect of world containerport demand in recent years. This report provides detailed analysis and forecasts of the development of regional transshipment markets and examines the driving forces in each transshipment region.

On the supply side, the position of current investment projects and plans is reviewed in detail. The resultant prospective development of port capacity is quantified to 2015. This provides the basis for comparing demand and supply, in order to identify potential surplus capacity or shortfalls. The level of capacity utilisation will indicate the likely direction of container handling prices.

Containerport productivity is analysed by country or territory, in terms of TEUs per metre of container quays, and TEUs per quayside container gantry crane.

OSC has been actively involved in many major projects in these markets in the recent past; this new study provides a complete update and reappraisal of the market situation and anticipated conditions in the period to 2020.

CONTENTS

SECTION 1 INTRODUCTION AND EXECUTIVE SUMMARY

This provides a comprehensive summary and conclusions for the study.

SECTION 2 DRIVING FORCES AND STRATEGIC ISSUES

The Section reviews the broad macroeconomic framework within which trade in containerised goods has expanded. After four decades of expansion, can the containerised trades continue their pattern of rapid growth? This Section seeks to address this question by analysing factors which could limit expansion.

The changing structure of the containerport industry is also considered, covering such issues as increasing vessel size and port depth, transshipment, the role of international stevedoring companies and carriers in terminal operation, as well as carrier alliances and regional shipping trends.

SECTION 3 DEVELOPMENT OF REGIONAL CONTAINERPORT DEMAND

Detailed analysis of the development of containerport demand in East Asia is provided in this Section. Demand trends are analysed by port for the following port regions:

Northeast Asia: Containerport demand increases in this region are being powered by rapid economic growth in northeast China, China's most recent growth region, as well as continuing economic growth and transshipment demand in South Korea and a measure of recovery in the Japanese economy.

East East Asia: China's Yangtze region and Guangdong province are the principal powerhouses for growth in this port region. Whilst containerport demand continues to increase at an extraordinary rate in China, there are questions about the continued potential for growth in Hong Kong and Taiwan.

Southeast Asia: Recent containerport demand growth in this region has focussed on transshipment throughput in Singapore. Growth at other regional ports appears to have slowed down. It is not clear yet whether this was merely a short-term hiccup or a longer-term trend as export activity shifts to China.

The evolution of regional container transshipment markets is also summarised in this Section, for each of the above port regions. In Northeast Asia, transshipment is driven by feeder (hub-and-spoke) demand for Japanese ports and the growth in interlining for Chinese ports. In East East Asia, hub-and-spoke is the main form of transshipment serving ports in the Philippines, China and elsewhere in the region. In Southeast Asia, hub-and-spoke and relay (between east-west and north-south services) are both important.

SECTION 4 CONTAINERPORT DEMAND FORECASTS TO 2020

The historical relationships between growth in GDP and that in non-transshipment container handling demand for the countries and territories of East Asia are examined in this Section. A framework is established for the two main economic cases, which are used in forecasting containerport demand in the report. GDP forecasts to 2020 are provided by country or territory.

Containerport demand forecasts to 2020 are presented for each country or territory:

- Non-transshipment container handling demand forecasts are based on the anticipated relationship with GDP growth, in view of the expected patterns of market maturation;
- Transshipment demand forecasts are derived from their anticipated relation to the aggregated non-transshipment demand of each sub-region, in view of the roles of increasing vessel size, individual carrier decisions, available port capacity and other regional factors in converting direct to transshipped flows.

A third scenario is presented to reflect the increased risk of a short-term shock to trade interrupting the future continuation of current growth trends.

SECTION 5 CONTAINERPORT INVESTMENT PLANS TO 2015

Port investment is continuous in most of East Asia, to cope with the year-on-year growth in container trade. China's port investment plans are particularly breathtaking.

The Section presents a comprehensive review of current containerport investment projects, which provides the basis for a reasonable indication of future capacity development to 2015. (Beyond such a timescale, investment plans become too speculative to derive capacity forecasts by this method.)

SECTION 6 CONTAINERPORT CAPACITY AND SUPPLY/DEMAND FORECASTS

By aggregating the planned capacity additions from the foregoing Section, the implied development of container handling capacity at regional ports is detailed here.

The anticipated supply/demand balance for container handling is quantified in terms of forecast port capacity and throughput to 2015. From this, indications of future port utilisation are derived, and likely areas of excess capacity or shortfall are identified.

SECTION 7 CONTAINERPORT PRODUCTIVITY BY COUNTRY OR TERRITORY

This Section analyses the development of containerport facilities by country or territory, in terms of the length of quayage devoted to container handling and the number of quayside container gantry cranes.

This development is compared with throughput to reveal the implied average productivity per metre of container quay and per container gantry crane, for each country and territory.

