Growth in Port Throughput Slows down in 2012 with possible pickup 2013

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The *Global Port Development Report 2012* (hereinafter referred to as the "Report") published by SISI recently points out that 2012 has been a year of intensive readjustment for port industry. Affected by the worsening economic environment, growth in international shipping and trade volume slowed down, posing stern challenges to global port operation.

- **Port throughput growth rate falls short of 5% in 2012**

The Report shows that against the backdrop of the European debt crisis, the growth in global port throughput declined on a quarterly basis in 2012 despite a rapid rally in Q1, with an annual increase of only 4.8%, lower than those of 2010 (14%) and 2011 (7.3%), indicating an obviously sluggish performance. In particular, emerging economies which used to shore up global port throughput lost steam and saw a plummeting growth.

Differentiated growth in port throughput

In spite of a decline in port growth on the whole, some players maintained double-digit growth. The world's Top 20 ports showed differentiated performances: Eight of them recorded slow (less than 3%) or negative growth, which were mostly first-tier hub ports with high throughput records or export-oriented ports along major shipping routes. These ports lost their momentum under the influence of global economic downturn and higher trade barrier. Tianjin Port, Busan Port, Ningbo-Zhoushan Port and Qingdao Port stayed in the middle with a growth rate of 3-10%. These ports maintained stable growth over the past year thanks to the abundant cargo flow from hinterland, sound cargo canvassing capacity and enabling services. Another eight ports, mostly dry bulk terminals in Asia and Australia, registered a double-digit growth on account of the robust demand of China and Korea for coal and iron ore despite the overall bleak environment.

Australian ports stand head and shoulders above others

In 2012, European and American economies were harassed by the sovereign debt crisis. The austerity plans, shrinking consumption and insufficient market confidence put European ports on the brink of stagnation literally, with major ports like Antwerp Port, Hamburg Port and Marseilles Port registering a 1% decline in throughput growth. Due to the modest rally of real economy and expansion of manufacturing industry, ports in North America saw a reversal of the downtrend in 2011 with a growth of less than 3%, yet suffered by comparison with their South American counterparts, especially Santos Port, the largest port in Brazil, which witnessed a 7.7% growth and a throughput of over 100 million tons driven by soybean and sugar export.

By dint of coal and mineral export, Australian ports have maintained rapid growth in throughput for years. The year 2012 saw a remarkable

11.6% growth despite minor fluctuations in some month due to changes in international coal price and mineral demand. The robust performance of those ports added color to global port industry mired in gloom. Ports in the Far East, the major coal and mineral importer, maintained stable yet obviously limited growth in throughput, contributing less to the global picture.

Top 20 Global Ports in 2012

(100 million ton)

Ranking	Port	Throughput in 2012	Throughput in 2011	Growth Rate
1(2)	Ningbo-Zhoushan	7.44	6.94	7.2%
2(1)	Shanghai	7.36	7.20	2.2%
3(3)	Singapore	5.38	5.31	1.2%
4(4)	Tianjin	4.76	4.51	5.5%
5(5)	Rotterdam	4.42	4.35	1.6%
6(6)	Guangzhou	4.34	4.29	1.2%
7(7)	Qingdao	4.02	3.75	7.2%
8(8)	Dalian	3.73	3.38	10.4%
9(9)	Tangshan	3.58	3.08	16.3%
10(10)	Busan	3.11	2.94	6.1%
11(13)	Yingkou	3.01	2.61	15.4%
12(14)	Rizhao	2.81	2.53	11.1%
13(12)	Hong Kong	2.70	2.78	-2.6%
14(11)	Qinhuangdao	2.63	2.80	-5.9%
15(17)	Hedland	2.44	2.01	21.7%
16(15)	South Louisiana	2.41	2.40	0.5%
17(16)	Kwangyang	2.32	2.06	12.7%
18(20)	Shenzhen	2.01	1.80	11.5%
19(18)	Yantai	1.97	1.97	-0.2%
20(21)	Ulsan	1.85	1.66	11.4%

- **Global container throughput dips below ten-year average**

The Report shows that major container ports in the world were mired in depression in 2012. The Y-o-Y growth in global container throughput shrank by nearly 50% from the level of 2010 to 3.96% lower than the ten-year average and the lowest except those of the crisis-hit years. The stimulus policies at year-end failed to substantially boost the throughput which has continued the downtrend since the beginning of 2012. From a holistic point of view, major container ports in the world were facing a unprecedented harsh time and were nowhere near a recovery.

Shipping route adjustment widens regional differences

The outbreak of the debt crisis has crushed western port industries, widening the gap between western ports and those in other regions. Western European ports have seen negative growth in container throughput since 2Q12 and a 0.3% decline Y-o-Y due to trade demand contraction and decreasing shipping routes. The Port of Rotterdam, for example, with a stagnant throughput of 11.87 million TEU, got kicked out of the Top Ten list by Tianjin Port in China. Despite the bleak industrial environment, major North American ports registered a marginal growth of 2.3%, driven by the modest expansion of manufacturing industry in the US, increasing housing starts and the slow recovery of market confidence. The sluggish demand of western markets forced numerous enterprises to reduce their shipping capacity and services on Europe-Asian and America-Asian routes. European and Asian ports, therefore, may hardly witness rapid growth in the short run. Nevertheless, owing to the stubbornly high cost of manpower and raw materials and the ensuing transfer of global manufacturing industry to Southeast Asia, ports in this region will be faced with great development opportunities in the future. Moreover, with ships becoming larger and larger, global ports may fall into two groups: hub ports and feeder ports. Countries with hub ports are expecting uplift in throughput on the strength of waterway transit, which amplifies regional differences among ports.

Singapore comes closer to Shanghai with a steady throughput increase

In 2012, more than half of the Top 20 container ports recorded a growth of less than 3%, pointing to a tendency towards negative growth for some ports; few witnessed double-digit growth. Decreasing cargo supply makes competition among ports even fiercer. This is especially true in Asia, a global container collection and distribution hub. The Port of Singapore brought into full play its status as an entrepôt with a growth of more than 5% and came closer to the top-ranking Shanghai Port, which staying ahead of cargoes from the hinterland as it was, registered limited growth due to sagged export.

Top 20 global container ports in 2012

(10,000 TEU)

Ranking	Port	Throughput in 2012	Throughput in 2011	Growth Rate
1(1)	Shanghai	3253	3172	2.6%
2(2)	Singapore	3160	2994	5.5%
3(3)	Hong Kong	2310	2441	-5.4%
4(4)	Shenzhen	2294	2258	1.6%
5(5)	Busan	1703	1618	5.3%
6(6)	Ningbo-Zhoushan	1617	1480	9.3%
7(7)	Guangzhou	1452	1430	1.5%
8(8)	Qingdao	1450	1302	11.4%

9(9)	Dubai	1327	1301	2.0%
10(11)	Tianjin	1230	1157	6.3%
11(10)	Rotterdam	1187	1185	0.2%
12(13)	Kelang	999	960	4.1%
13(12)	Kaohsiung	984	964	2.1%
14(14)	Hamburg	893	901	-0.9%
15(15)	Antwerp	863	866	-0.3%
16(16)	Los Angeles	808	794	1.8%
17(19)	Dalian	806	640	25.9%
18(17)	TanjungPelepas	772	750	2.9%
19(18)	Xiamen	720	646	11.5%
20(22)	TanjungPriok	638	580	10.0%

- **Dry bulk throughput stays low, liquid bulk turns negative**

In 2012, affected by the excess capacity of global steel production and gloomy manufacturing industry, major ports saw declining growth in iron ore throughput. Australian and South African ports maintained double-digit growth due to the rising demand of Asian countries (China and Japan among others), with Hedland Port exporting 251.8658 million tons of iron ore in 2012, up 16.1%. The throughput of European ports nosedived on account of shrinking demand, with Rotterdam Port, the biggest iron ore importer in Europe, registering a drastic decline of 12.6%. The throughput of Chinese ports maintained stable growth, with an iron ore import volume of 743.6 million tons, up 8.4% Y-o-Y. Major ports worldwide saw a slower growth in coal throughput than in iron ore throughput. Those of Qinhuangdao Port and Tianjin Port in China dipped 6.7% and 10.2% respectively. Australian ports showed stable performance, with Newcastle Port exporting 120 million tons of coal, up 12.6%, and Kembla Port 15.309 million tons, up 6.82%. South African ports saw strikingly shrinking growth as well. Take Port of Richards Bay for example. It exported 68.34 million tons of coal, up 4.3% Y-o-Y, but the export volume was in the downtrend, with the performance of 1H12 being obviously better than that of 2H12. Liquid bulk throughput was even more depressing, with negative growth recorded by Singapore Port, Busan Port in Korea, Ningbo-Zhoushan Port, Tianjin Port, Dalian Port, Antwerp Port, Marseilles Port and Barcelona Port.

- **Global port industry to see accelerated pick up in 2013**

In 2013, in an effective manner, various countries will successively step up their economic reform, implement a new round of easing monetary policies and industry support programs, further strengthen the infrastructure construction in terms of transport facilities and real estates, and promote regional cooperation by accession to the ASEAN and the Trans-Pacific Partnership Agreement. Such policy packages may effectively shore up the port industry. It is predicted that global port throughput and container throughput will maintain a modest growth of over 5%. To be specific, stimulated by the economic recovery, European ports are likely to see a return to stability, with a limited growth of less than 3%. American and African ports may register some growth in throughput subsequent to the slow recovery of international trade volume and stronger cargo handling capacity. Under the spell of the new round of internal demand-boosting policies, the growth of Asian ports may rebound above 7%. Meanwhile, the growth in international container throughput will be higher than that of 2012. With the support of favorable policies, China and the US will see the recovery in throughput of containers for domestic trade. In 2013, shipping demand for coal, iron ore and other dry bulk cargoes may slightly pick up, yet the dry bulk throughput is still subject to substantial fluctuations considering the downside risks of cargo price due to inventory buildup and possible price hike resulting from the economic recovery in China and Asia as a whole. The tension in the Middle East and Northern Africa poses further uncertainty in oil markets, and oil throughput is most likely to stay at the level of 2012.Global ports, especially those in emerging economies, may see some improvement in their operating conditions.

With global economic, trade and shipping centers moving eastward, China and Southeast Asia have witnessed rapid economic and trade development and made heavy investments in port construction, leaving some regions perplexed in capacity surplus. Therefore, sought-after destinations of terminal construction and investment may be gradually shifted from Asia to Latin America and Africa. Although Latin American and African ports are hindered by poor infrastructure at present, an increasing number of terminal operators have shown their interest there thanks to their great potential for future economic growth and the reuse of the Panama Canal which enables Mid-America ports to rise as short-distance transit hubs.