

# “The Competitive Balance of China Ports”

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- Hong Kong & Shenzhen Port Throughput Growth Rates are dissatisfactory.

Period	Hong Kong				Shenzhen	
	Kwai Tsing Terminals		Overall Port		'000 TEUs	Year-on-year Growth rate (%)
	'000 TEUs	Year-on-year Growth rate (%)	'000 TEUs	Year-on-year Growth rate (%)		
2010	17,098	12.8%	23,699	12.6%	22,510	23.3%
2011	17,416	1.9%	24,384	2.9%	22,571	0.3%
2012	17,475	0.3%	23,117	-5.2%	22,941	1.6%
2013 Jan	1,517	-1.0%	2,056	2.8%	2,058	6.7%
Feb	1,134	-8.2%	1,382	-15.7%	1,463	4.3%
Mar	1,421	-5.9%	1,830	-11.0%	1,756	-0.6%
Apr	1,334	-10.7%	1,778	-10.0%	1,846	-0.6%
May	1,430	-7.4%	1,866	-9.3%	1,962	0.7%
Jun	1,429	0.9%	1,824	-3.3%	1,963	4.8%
July	1504	-2.3%	1,934	-3.7%	2,084	1.4%
Aug	1478	1.5%	1,858	-5.9%	2107	-5.6%
<b>Cumulative</b>						
2013 Jan	1,517	-1.0%	2,056	2.8%	2,058	6.7%
Jan - Feb	2,651	-4.2%	3,438	-5.5%	3,527	5.9%
Jan - Mar	4,072	-4.8%	5,268	-7.5%	5,288	3.7%
Jan - Apr	5,406	-6.3%	7,046	-8.1%	7,136	2.5%
Jan - May	6,836	-6.6%	8,912	-8.4%	9,099	2.1%
Jan - Jun	8,266	-5.4%	10,736	-7.6%	11,060	2.5%
Jan - July	9,769	-4.9%	12,669	-7.0%	13,144	2.3%
Jan - Aug	11,247	-4.1%	14,527	-6.9%	15,259	1.2%

Source: Census and Statistics Department, Marine Department, Statistics Bureau of Shenzhen Municipality

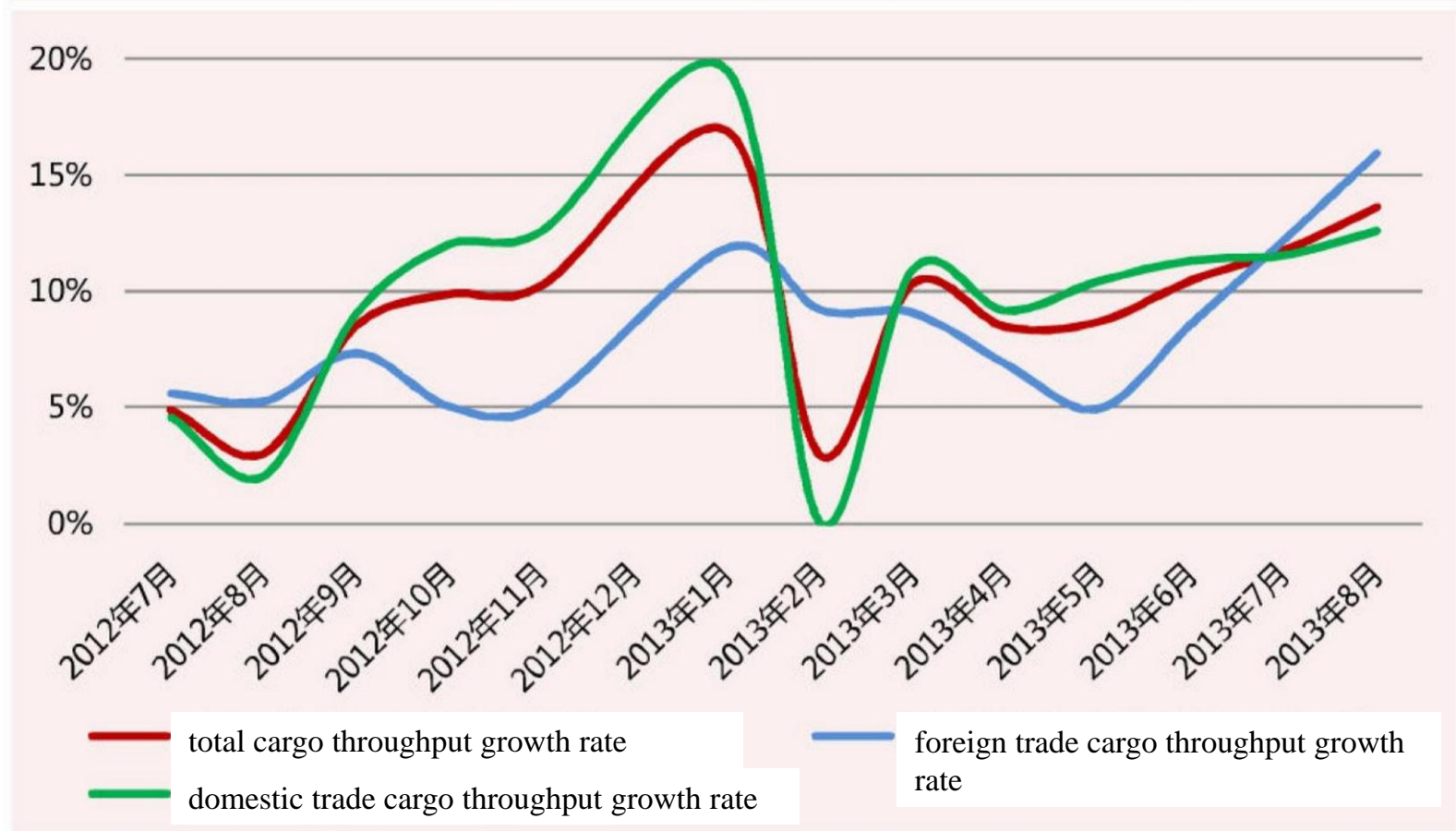
- How about the rest of China ports ?

Top 10 China Port Jan-Aug 2013

<b>China Port</b>	<b>Jan-Aug 2013</b>	<b>% growth over Jan-Aug 2013</b>
<b>Shanghai</b>	22,255,000	+4.4%
<b>Shenzhen</b>	15,245,000	+1.1%
<b>Ningbo-Zhoushan</b>	11,676,000	+7.9%
<b>Qingdao</b>	10,611,000	+9.7%
<b>Guangzhou</b>	9,723,000	+2.0%
<b>Tianjin</b>	8,743,000	+8.9%
<b>Dalian</b>	6,219,000	+22.4%
<b>Xiamen</b>	5,132,000	+14.6%
<b>Lianyungang</b>	3,637,000	+11.5%
<b>Yingkou</b>	3,584,000	+11.3%

- Some changes in the growth pattern since May 2013 :

### Cargo Throughput Growth Rate of Major Ports in China



Source : 中國交通運輸部網站

- Are port throughput figures in line with those of trade value?

## China's Major Provinces Export Performance

Export Performance Jan-Jun 2013		
	US\$ billion	% growth over Jan-Jun last year
China	1,053	10.4%
Guangdong	316	18.2%
Jiangsu	157	2.1%
Beijing	30	8.8%
Shanghai	97	-4.3%
Zhejiang	117	11%
Shandong	61	2.0%
Fujian	52	18.5%
Tianjin	24	1.5%

- Guangdong's export growth figures in volume and in value contradict each other.
  - succeed to upgrade its manufacturing, or
  - data integrity problem?
- Shanghai's export contracted substantially in value.

- An important concern :

Is China's manufacturing sector going downhill?

- Rising labor cost has often been cited as the major factor.

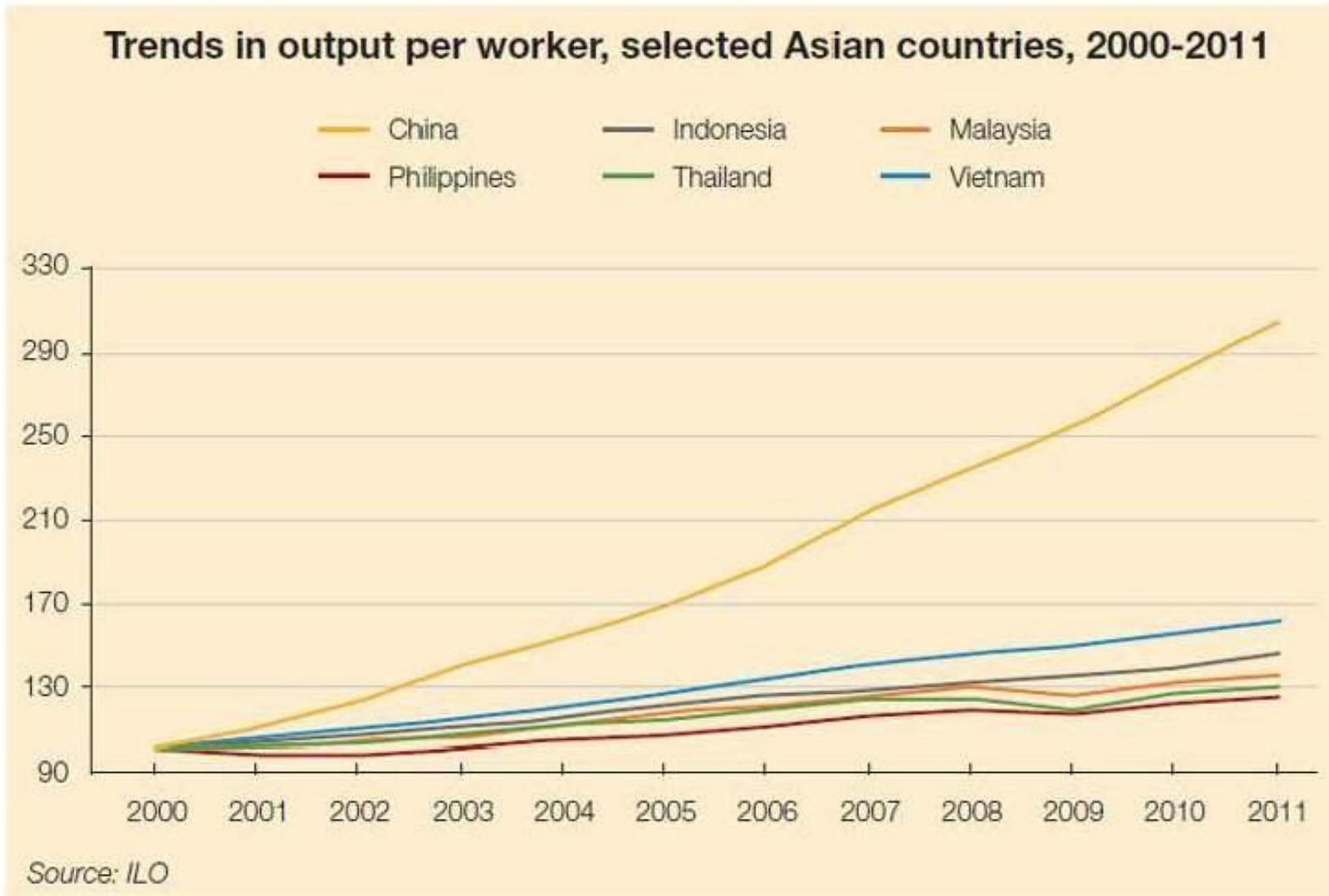
**Comparison of monthly wages in ASEAN and China (US\$)**

	Minimum wage	Average wage
<b>ASEAN</b>		
Myanmar	65	70-90
Cambodia	75	100
Vietnam (Ho Chi Minh City/Hanoi)	110	120
Thailand (Bangkok)	230	230
Indonesia (Jakarta)	228	228
<b>Southern China</b>		
Dongguan	210	420

*Source: Various government and business figures*



- High labor cost is partially compensated by Chinese workers' high productivity.



- China's labor force is much bigger than the whole ASEAN countries combined.
- Concern : growth rate is low and dropping.

**Labour force in selected Asian economies** (millions)

ASEAN(8)	2008	2009	2010	2011	CAGR*
Laos	3.0	3.1	3.2	3.2	2.7%
Cambodia	7.6	7.8	8.0	8.1	2.3%
Malaysia	11.5	11.7	12.0	12.2	1.9%
Myanmar	27.2	27.6	28.0	28.4	1.5%
Philippines	36.7	37.8	38.7	39.7	2.6%
Thailand	39.2	38.6	39.4	39.8	0.5%
Vietnam	49.3	50.2	51.1	52.0	1.8%
Indonesia	114.3	116.4	118.0	119.8	1.6%
Total	288.9	293.2	298.3	303.2	1.6%
<b>China</b>	<b>786.8</b>	<b>793.8</b>	<b>799.5</b>	<b>806.0</b>	<b>0.8%</b>

\*CAGR: Compound annual growth rate

Source: World Bank database

- Another advantage of production in China : ability to recruit and mobilize massive number of workers is unmatched.
- Xinzhang Logistics park Phase I became operational in just 1 year.
- 200,000 workers for Foxconn in the first year. 600,000 eventually.



- Labour is not the only concern.
- RMB is appreciating but on a steady trend :
  - +4.4% in 1 year (June 12 – May 13)



- Indonesian Rupiahs fluctuation
  - +11.7% in 1 year (08/12 – 07/13)

Indonesian Rupiahs (IDR) to 1 US Dollar (USD)



Source : Trading Economics

- In May - Aug 2013
  - Stock market : -24%
  - Rupiah to US Dollar : -18%
- FDI
  - upto June 2013, FDI account for 32% of Government Bond
  - Jan - April 2013 inflow : 33,800 billion Rupiahs
  - June - July outflow: 25,000 billion Rupiahs
  - Government reaction : ↑ interest rate



- Inflation : government budget : 7.2%  
actual : double digit



About 50,000 workers taking part on a rally in Jakarta on September 5, 2013, demanding wage increases and to abolish the outsourcing system.

- Other important considerations
  - Political stability/succession issue
  - Policy risks
  - Infrastructure
  - Industrial clustering/supply chain completeness
  - Land cost
  - Energy supply and cost
  - Environmental issues



# How Foreign Investors look at China

Japan's net outward FDI, 2004-2012



\* CAGR: compound annual growth rate

Source: JETRO

## Main considerations cited :

- Rising labor cost
- Difficulties to recruit labor

## Other considerations :

- Need to diversify geographically – March 11 earthquake
- Political tension with China
- China plus one strategy – not to put all eggs in one basket
- A fast growing domestic market in China – still a big attraction

- Back to South China :
  - Guangdong's industrial output growth fell short of other industrial regions in Mainland China :

<b>Industrial Output growth in Mainland China, Jan - Jun 2013</b>	
Whole nation	9.3%
Guangdong	9.1%
Shandong	11.3%
Jiangsu	11.3%
Zhejiang	8.9%

Source : [www.gdstats.gov.cn](http://www.gdstats.gov.cn)

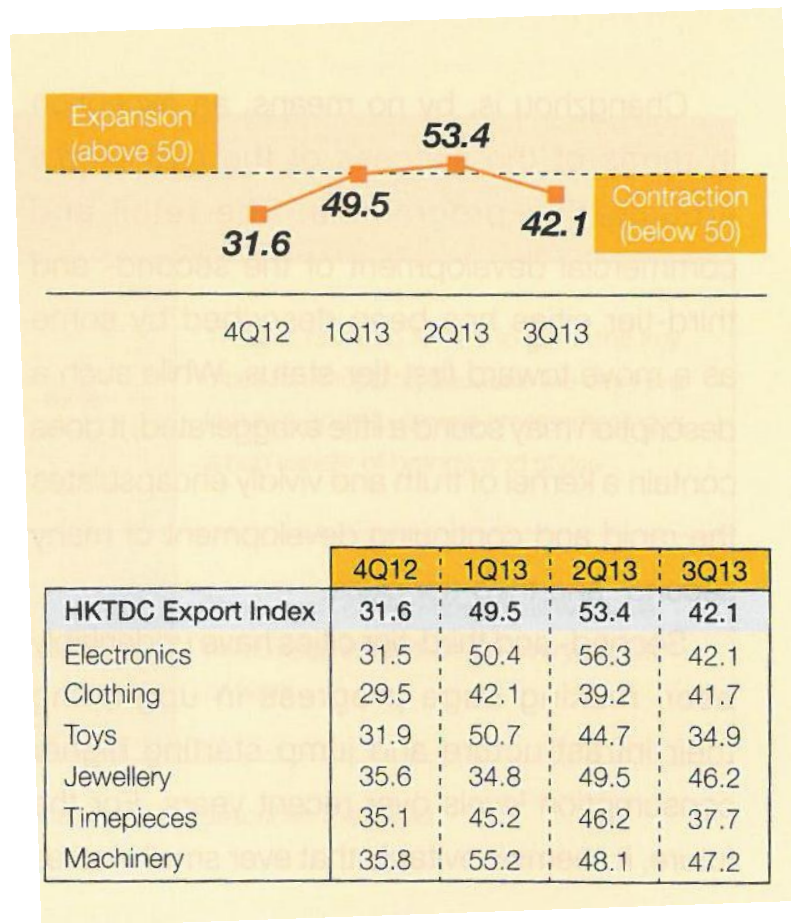
- Industrial output growth in Guangdong

Industrial Output Growth, Jan - Jun 2013	
Provincial average	9.1%
Foreign-HK-Macao-Taiwan Owned enterprises	7.0%

- Foreign HK-Macao-Taiwan owned enterprises accounted for 49.4% of total investment, yet contribution to output growth was merely 39.8%.

- Compensation Trade/Outward Processing Trade comes to an end.

HKTDC's Export Index indicates the prospect of different sectors of the export industry.



Source : HKTDC Trade Quarterly Sep 2013

- Future

- Free Trade zones in the Mainland :

- Shanghai

- Guangdong

- Xiamen

- Zhoushan

- Tianjin

- Chongqing

- Response of Hong Kong Government

- On Oct 7, 2013, the Hong Kong Government announced the establishment of the Consultative Committee on Economic and Trade Co-operation between Hong Kong and the Mainland.

- to advise HKSAR Government on matters related to strengthening co-operation with the Mainland in trade, economic and other relevant areas.



**THANK YOU!**

