CHINA TRADE BRIEFING NOTE AUGUST 2009

FIRST HALF 2009 TRADE DATA FROM CHINA: IMPLICATIONS FOR THE CONTAINER INDUSTRY.

Taken together, China's trade data for the second quarter of 2009, and the announcement that US GDP continued to fall over the same quarter, may herald long-term changes in the pattern of world trade. While initially recession affected both China's imports and exports of containerised trade, second quarter results show that continuing growth in China (GDP up 7.9%) is associated with a strong growth in imports while exports remain stagnant, reflecting continuing economic decline in the West (US GDP down 1.0%, UK down 0.8% in Q2 2009). The impact on the import/export balance of container traffic is dramatic; based upon a standard basket of goods that are normally containerised, in Q2 2008 there were only 56 tonnes of Chinese imports for every 100 tonnes exported. One year later, that figure had grown to 80 tonnes. If that trend continues, container lines will have to seriously address their strategies.

Over the last decade, China has become the principal driver of global container growth.

The value of world maritime container trade grew from $2 trillion in 2001 to over $4 trillion in 2008, accounting for around one in every $14 of global economic output. Understanding what is happening in China matters.

China's detailed trading results for the first half of 2009 are now available and have been analysed by MDS Transmodal as one of the inputs to its World Cargo Database. Provisional analysis shows a remarkable contrast between growth in imports and exports.

On a year on year (YoY) basis, China's imports in Q1 2009 had fallen by 10% overall. From the USA, its principal trading partner, that fall was 21%. However, in Q2 2009, restocking and recovery within China led to a YoY increase of 11% for imports (imports from the USA alone were up 6%).

Unfortunately, the deep-sea lines will be more concerned about China's exports, as these drive the overall demand for global shipping capacity. Here the picture is bleak. A YoY fall of 23% for Q1 2009 has been followed by a 22% decline in Q2 2009. The best that can be said is the severe decline that began in Autumn 2008 has been arrested. Q2 2009 China's containerisable exports were 24% lower than in Q3 2008, the peak quarter of all time. Yet perhaps as remarkable is the associated change in the ratio of imports to exports in containerised tonnes: Q2 2008, 56:100; Q2 2009, 80:100. Liner shipping operators' whole approach to serving the Chinese market may well have to be informed by such a trend.

This analysis provides tangible evidence of a restructuring of the economies of the Far East and the Western World. China, and probably the rest of the Far East except Japan, is sucking in the exports it needs to support a domestic economy that continues to expand without needing to export in the same quantities it used to. An analysis of where those containerised exports go suggests that the decline in the ability of the West to consume China's goods is well spread. Ranking destination countries by their container tonnages received in 2008, export growth cannot be found for Q2 2009 until China's 22nd ranked importer is reached (Saudi Arabia).

Estimated Chinese container tonnages, 2009 change over time

Imports

	2008=100	
	2009 Year on Year	
	Q1	**Q2**
Total estimated container tonnes	90	111
of which from (ranked by volume)		
1. USA	79	106
2. Japan	87	99
3. South Korea	107	117
4. Taiwan	85	98
5. Indonesia	67	78
6. Malaysia	97	93
7. Russia	82	130
8. Germany	88	105
9. Canada	94	125
10.Thailand	111	136
(these 10 account for 62% of estimated imports)		

Exports

	2008=100	
	2009 Year on Year	
	Q1	**Q2**
Total estimated container tonnes	77	79
of which from (ranked by volume)		
1. USA	77	79
2. Japan	80	75
3. South Korea	61	68
4. India	70	79
5. Russia	54	54
6. Germany	85	79
7. UAE	85	83
8. Netherlands	69	72
9. UK	72	78
10.Indonesia	76	78
(these 10 account for 50% of estimated exports)		

The 31st July saw the publication of USA GDP estimates for Q2 2009. They showed a further decline from Q1 to Q2 2009 of 1.0% (consumer spending down 1.2%), following on the heels of UK figures of a fall of 0.8%. By contrast, China has announced a growth for the same period of 7.9%.

The impact on port traffic in both the UK and the USA, as well as other Western countries, has been profound; a decline of around 20% in container ports is matched by a similar fall for intra European ro-ro traffics from the Continent to the UK; Dover and the Eurotunnel shuttle traffic (taken together) is also down by 19.5% for the first half of 2009. Meanwhile, intra Asian traffic into China is growing steadily. The container industry, having helped to facilitate a quite remarkable growth in world trade over the last decade, faces an interesting logistical and commercial challenge in dealing with such a rapid turn of events.

MDS Transmodal's approach in developing its World Cargo Database is to compile a cargo matrix from detailed trade statistics derived for each country. Estimated TEU are determined from a combination of unitisation factors and stowage factors, and results are checked and calibrated against a range of independent sources. Further detailed analysis on each trade flow is available. Forecasts and analyses are published monthly in Containerisation International. MDS Transmodal is also a partner in Shippers Voice.

MDS Transmodal, August 2009.
www.mdst.co.uk