Key developments in the Asia Pacific sea freight container market

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In terms of ocean container throughput and volume growth, the Asia Pacific region continues to dominate the globe, largely due to the recent and sustained double-digit increases in exports from China.

Of all the Asian countries, China's volumes have grown the fastest in the last few years and despite the current economic slowdown in both the US and Europe affecting Chinese exports in 2008, that trend looks set to continue.

As detailed below, to cater for China's high export and import demand, which is expected to continue for the foreseeable future, major expansion projects are under way at some of the country's ports. Those developments will boost the already high positions of several Chinese gateways in the ranking of the world's largest container ports.

The buoyant state of the Asia Pacific shipping market, dominated by the Chinese volumes, is reflected in the performance of the key ports in the region. Due to the double-digit annual growth rates reported by many Asia Pacific ports over the past few years, in 2007 seven of the world's 10 largest container gateways were in Asia. The highest volume port, with an annual throughput of 27.9m TEUs, was Singapore, the Asia Pacific region's main transhipment hub. The region's other major transhipment ports, Hong Kong, Pusan (South Korea) and Kaohsiung (Taiwan), were also in the top 10 last year. Those three ports ranked third (with a throughput of 23.8m TEUs), fifth (13.2m TEUs) and eighth (10.2m TEUs), respectively.

Mainland China's growing dominance of the world container port league table was also in evidence last year. Shanghai was in second place, handling 26.1m TEUs, and Shenzhen in fourth place, with a throughput of 21.1m TEUs. The ports of Qingdao, Ningbo and Guangzhou occupied 10th, 11th, and 12th places, respectively.

With exports from ports in mainland China growing fast and some major terminal construction projects under way, the current positions of Singapore and Hong Kong in the global ranking are under threat. According to some forecasts, Shanghai will overtake Singapore in 2008 as the world's number one container port. That will be largely due to the $12bn expansion of the SIPG (Shanghai International Port Group) owned Yangshan terminal, near Shanghai, a huge offshore cargo-handling complex connected to the mainland by a bridge. Phase III of the expansion project, involving the construction of four berths, was completed at the end of 2007. On completion of the total project, due by 2020, Yangshan will comprise 50 berths and have an annual throughput capacity of 30m TEUs. SIPG plans to increase Shanghai's share of Asia Pacific transhipment traffic with that project.

Meanwhile, Shenzhen, the three-port grouping in southern China (comprising Yantian, Shekou and Chiwan), may overtake Hong Kong as the world's third largest container port in the near future. Shenzhen's already substantial throughput will be boosted by the Shenzhen Da Chan Bay container terminal project, which will add a further 10m TEUs of annual capacity to the gateway.

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Scheduled for completion by 2015 − and built over four phases − the project will add 22 container berths and several barge berths. It is being undertaken jointly by Hong Kong-based terminal operator MTL and the Shenzhen Government.

Hong Kong's recent container volume growth has been low (1.4% in 2007) due to the increased market share taken by Shenzhen and other south Chinese ports. But that trend is expected to change in the future, due to the long-awaited approval, this year, of the $1bn CT10 project, which will add a 10th container terminal to the port of Hong Kong.

Container volumes to/from north-east China are also expected to grow fast over the next few years, due to a major expansion at the port of Qingdao. Following another $1bn project, that port's annual throughput will exceed 14m TEUs with the construction of 10 new berths. Four of those are scheduled for completion by the end of 2008. The expansion project is being undertaken as a joint venture between Qingdao Qianwan Container Terminal (QQCT) and Hong Kong-based Pan Asia International Shipping. QQCT is itself part of a joint operation between operators APM Terminals (owned by AP Moller-Maersk), Cosco Pacific, Qingdao Port Group and Dubai-headquartered DP World.

Containerised volumes from Asia as a whole, excluding the intra-Asia trade, grew by 10.4% in 2007, to 40.7m TEUs. But with the US and Europe accounting for a high percentage of the throughput, that growth is expected to slow to around 7% annually in 2008 and 2009. Volumes in the intra-Asia trade (including both northbound and southbound lanes) grew by 12.5% last year, reaching 29.1m TEUs, and that growth is forecast to slow to 10.9% in 2008. Shipments from China to Japan account for over 2m TEUs of the intra-Asian volumes. Including all shipments to/from Asia and intra-Asian volumes, the Asia Pacific market accounts for over 65% of total global container throughput.

In the eastbound transpacific trade from Asia to North America, growth was only 2.3% in 2007, to 14.4m TEUs, compared to 9.9% in 2006. The forecast growth rate for this year is 3.2%. From Asia to Europe, volumes increased by 14.6% in 2007 to reach 14.7m TEUs. However, reflecting the knock-on effect on major European economies of the US economic slowdown, westbound Asia-Europe trade throughput is expected to grow by only 7.7% in 2008. Within the last year, volumes of consumer goods in that trade lane have grown more slowly than shipments of industrial equipment, machinery and paper.

Although China continues to dominate as the world's manufacturing centre, production facilities are also moving to other Asian countries, particularly Vietnam, which is diversifying into high tech manufacturing. Computer components manufacturer Intel, for example, has announced that it is opening a major new plant near Ho Chi Minh City, Vietnam.

With exports from those Asia Pacific markets booming, ocean carriers continue to suffer from major cargo imbalances between Asia and both North America and Europe. Containerised shipments from Asia to Europe exceeded those on the backhaul eastbound leg by a ratio of 2.8:1 in 2007, while volumes from Asia to North America were 3.4 times higher than those westbound.

Those imbalances are reflected in the freight rates in these trades. From Asia to the west coast of North America, in Q2 2008, the average dry container all-in port-to-port rate was approximately US$1,840/TEU, compared to only about US$1,000/TEU westbound. In the Asia/Europe trade lane, the average rate in the westbound headhaul leg was in the region of US$1,900/TEU in Q2 2008, compared to approximately US$1,060/TEU from Europe to Asia.

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While a slowdown in exports from Asia has already been seen in 2008, and some manufacturing has moved from China to lower cost countries in the region, substantial port infrastructure investments in China are continuing at full speed. That will not only boost the country's exports in the long term, but also perpetuate the major cargo trade imbalances just outlined.

Interested in the future of the Asia Pacific Logistics market? To find out more about the issues discussed in this article – plus many more to be highlighted in the next few weeks – book your place at Global Distribution Strategies Conference 2008 – Asia Pacific at the Langham Place Hotel, Hong Kong 2-4 December. This unique event combines insightful presentations by leading industry experts and Ti analysts, the leaders in knowledge delivery for the logistics and transportation sectors.

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