

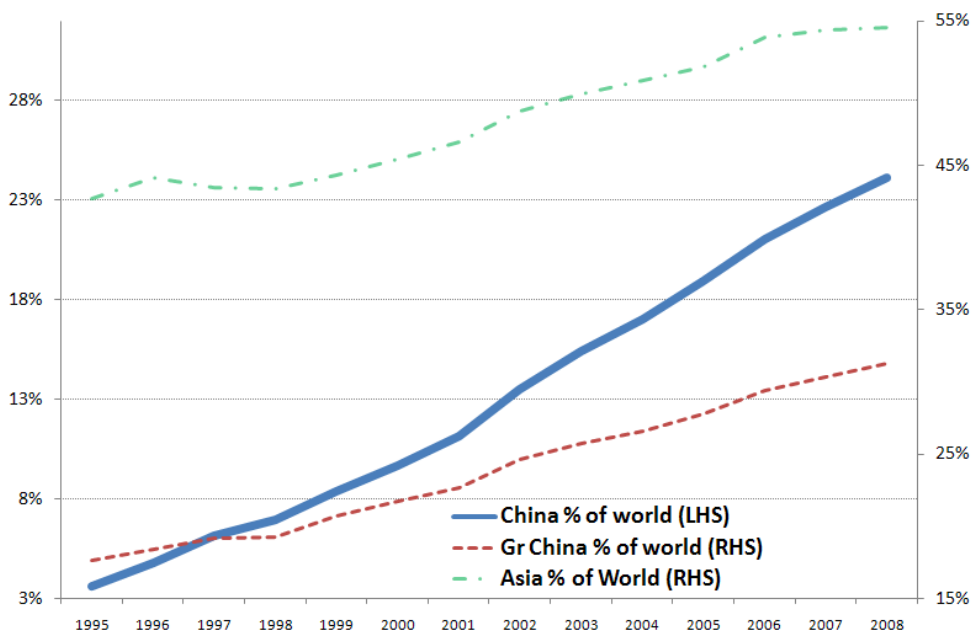


China Ports in Storm (...an effect not a cause)

16 April 2009

- **S&P storm in teacup:** S&P on 9 April issued an opinion on higher China port credit risks, which made the rounds post Easter holidays. The case is “deteriorating trend for world trade and Chinese exports is likely to put pressure on domestic port operators.”... but that “some international companies [port operators] should be less affected by the sharp decline in container throughput in China because of their globally diversified port assets.”
- **Conceptual problem:** We think the view, when stated, should be applied unilaterally rather than just China port operators, as the decline in China exports is equally reflected in the home import ports in US, Europe and even Russia and many other locations. Take for instance the YoY 24.7% decline in Jan-Feb '09 at St Petersburg to add to the more famous US declines we've pointed to many times (LA+LB March import decline was about -11% which is still poor). Also see Singapore's -16% in Mar from -20% in Jan-Feb '09
- **China's effect is the OECD's cause:** China reflects world trade to a tremendously greater extent compared to a decade ago, as shown below and the growth from some 3% of world port moves in 1995 to some 24% in 2008. But China's explosion of container growth has been based on demand for China manufactured goods from China's manufacturing breadbasket by developed countries. This implies the decline in import volumes in N America, Europe and many other countries is about equal to the decline in export boxes from China

China Ports Growing % of World Port Moves, 1995 – 2008 (but...falling tide grounds all boats)



Source: Transport Trackers

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