



CHINA, GLOBAL ECONOMY AND SHIPPING

Shanghai











Global economy and trade

In 2016, IMF forecasts the global economy volume around USD75 trillion with a yoy increase of 3.1% and the global trade volume up by 1.7%. China achieved about USD11 trillion GDP growth with a yoy increase of 6.7%. In general, China takes the lead in the slow resurrection of world economy and trade.

2014-2017 Global Economy Growth %

	2014	2015	2016	2017
Global economy	3.4	3.2	3.1	3.4
Developed nations	1.9	2.1	1.6	1.8
US	2.4	2.6	1.6	2.2
Euro zone	1.1	2.0	1.7	1.5
UK	3.1	2.2	1.8	1.1
Japan	0.0	0.5	0.5	0.6
Emerging markets and developing nations	4.6	4.0	4.2	4.6
Russia	0.7	-3.7	-0.8	1.1
China	7.3	6.9	6.6	6.2
India	7.2	7.6	7.6	7.6
Brazil	0.1	-3.8	-3.3	0.5
South Africa	1.6	1.3	0.1	0.8

Note: Estimated percentages for 2016 and 2017
Source: IMF, World Economy Forecast, Oct.2016

2014-2017 Global Trade Growth %

	2014	2015	2016	2017
Global trade volume	2.8	2.7	1.7	1.8-3.1
Export: Developed nations	2.4	2.8	2.1	1.7-2.9
Developing nations	3.1	3.2	1.2	1.9-2.9
Import: Developed nations	3.5	4.6	2.6	1.7-2.9
Developing nations	2.9	1.1	0.4	1.8-3.1

Note: Estimated percentages for 2016 and 2017
Source: WTO World Trade, Sep.27, 2016

China's economy and trade

Despite of the global economy downturn, the estimated economy growth of China is 6.7% that accounts for 33.2% in terms of contribution to the global economy growth.

2010-2016 China import & export

Unit: USD100 million

Year	Import & export	
	Total value	Growth (%)
2010	29740.0	34.7
2011	36418.6	22.5
2012	38671.2	6.2
2013	41589.9	7.5
2014	43015.3	3.4
2015	39530.3	-8.0
2016	36849.3	-6.8

Source: Statistics of China Customs

China's seaborne trade

Unit: 1 million tons

Year	2011	2012	2013	2014	2015	2016p
Crude and product oil	286	300	312	328	362	420
Iron ore	665	724	795	914	940	1007
Coal	202	263	302	268	188	225
Other bulk cargo	416	441	526	533	542	524
Containerized cargo	290	307	324	338	344	343
Other cargo	119	131	136	144	162	171
Chemical	28	27	30	33	33	34
Steel	48	54	61	92	111	107
Total	2054	2247	2485	2650	2682	2833

Source: Clarksons

Estimated scale of maritime freight market of China:

In 2016, the seaborne trade value of China reached USD2,270.9 billion and the volume is about 283.3 billion tons. According to the proportions of seaborne freight in cargo volume and the transport volume and rates, the freight market in China may amount to USD40 billion.

Scale of Chinese fleet

Items	Total capacity		Oceangoing		Coastal		Inland waterway	
	2015	YoY	2015	YoY	2015	YoY	2015	YoY
No. of Vessels	165,900	-3.5%	2,689	3.3%	10,721	-3.0%	152,500	-3.7%
Net DWT	272,442,900	5.7%	78,922,900	4.0%	68,579,900	-0.9%	124,940,100	10.8%
Container slots (TEU)	2,604,000	12.3%	1,800,100	13.3	533,300	12.9%	270,500	4.9%

Source: Shanghai Shipping Exchange

In 2016, the carrying capacity controlled by China engaged in international voyages accounts for **11.1%** of world fleet.



Biggest Shipping Company



中国远洋海运集团有限公司
CHINA COSCO SHIPPING CORPORATION LIMITED

Four
“World No.1”

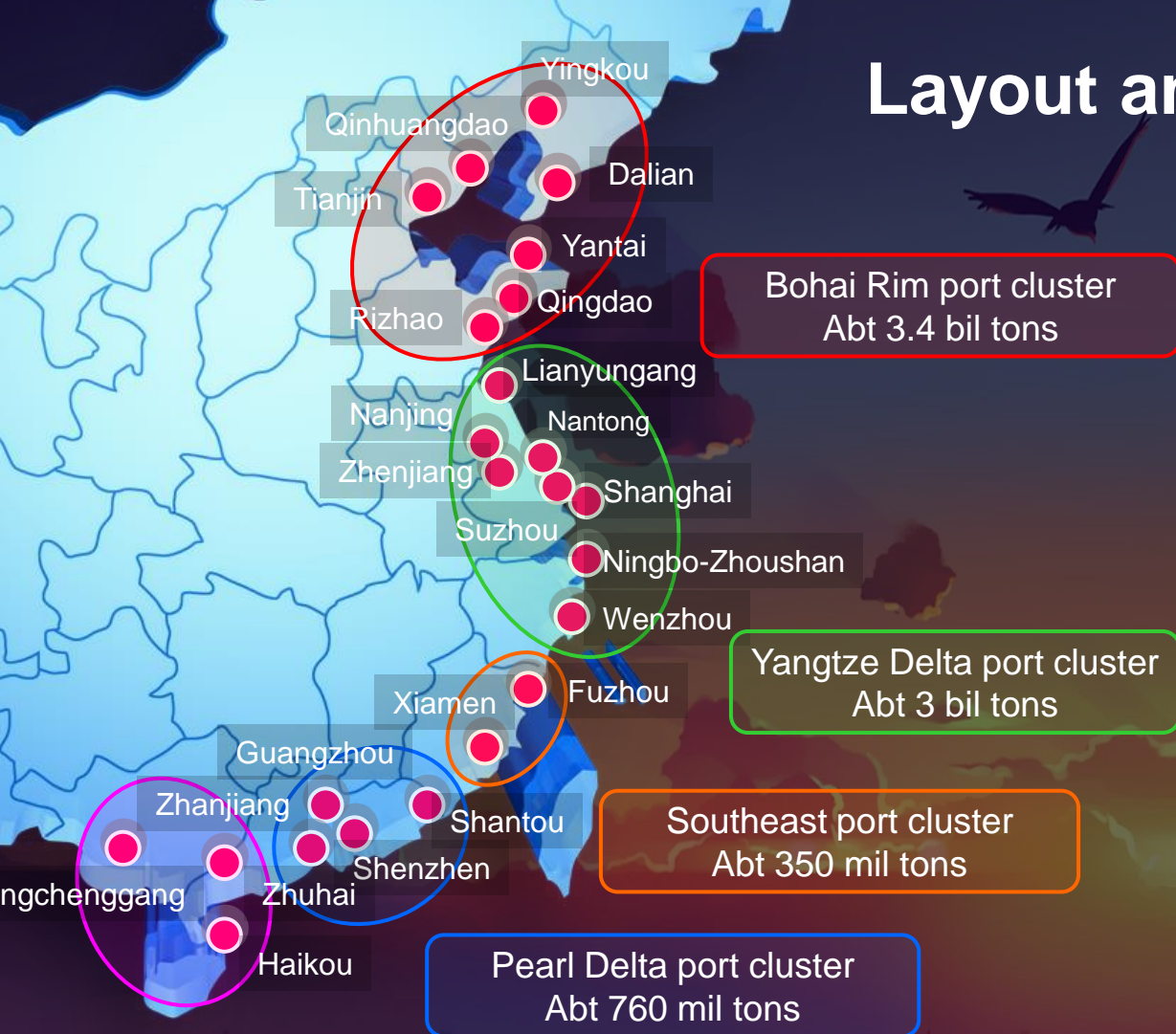
Fleet capacity of 85,32 mil DWT/1,114 vessels

Self-owned bulk fleet of 33,52 mil DWT/365 vessels

Tanker capacity of 17,85 mil DWT/120 vessels

General cargo and special-purposed fleet capacity of 3 mil DWT

Layout and scale of ports



Port	Container	Oil	Dry bulk
Yingkou			●
Qinhuangdao			●
Dalian	●	●	●
Tianjin	●	●	●
Yantai			●
Qingdao	●	●	●
Rizhao			●
Lianyungang			●
Nanjing		●	●
Nantong			●
Zhenjiang			●
Suzhou			●
Shanghai	●		●
Ningbo	●	●	●
Zhoushan		●	●
Wenzhou			●
Fuzhou			●
Xiamen	●		
Shantou			●
Guangzhou	●		●
Shenzhen	●		
Zhuhai			
Zhanjiang		●	●
Fangchenggang			●
Haikou			●

Layout and scale of ports



World Major Ports Throughput in 2016

Unit: 1 mil tons, %

Rank	Port	Nation/region	2016	YoY
1	Ningbo-Zhoushan	China	922.09	3.7
2	Shanghai	China	701.77	-2.2
3	Singapore	Singapore	* 593.29	3.0
4	Tianjin	China	550.56	1.9
5	Suzhou	China	579.37	7.3
6	Guangzhou	China	544.37	4.5
7	Tangshan	China	520.51	5.6
8	Qingdao	China	500.36	3.3
9	Hedland	Australia	484.51	7.1
10	Dalian	China	436.60	5.3

Note: * for estimated data

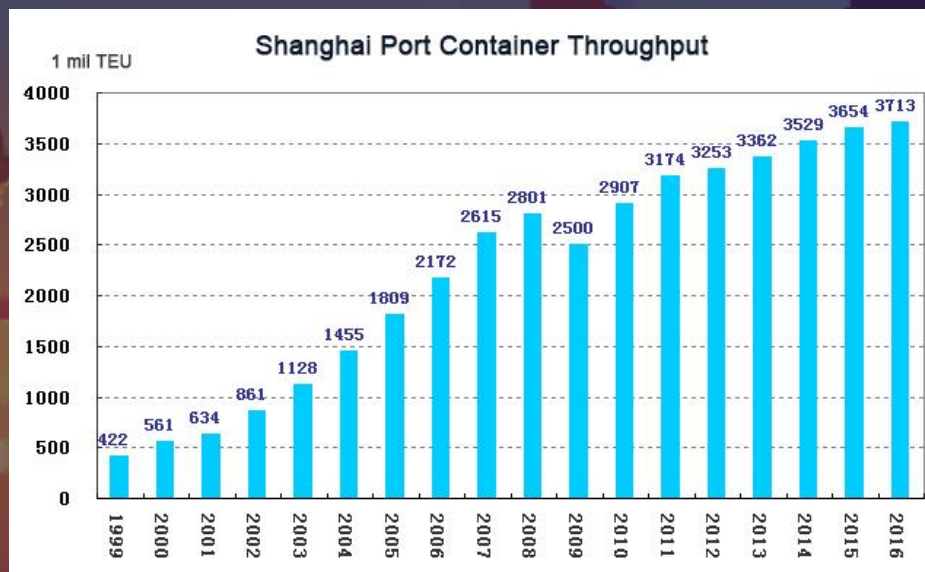
Source: Shanghai Shipping Exchange

Development of Shanghai Port

World Major Container Port Throughput 2016

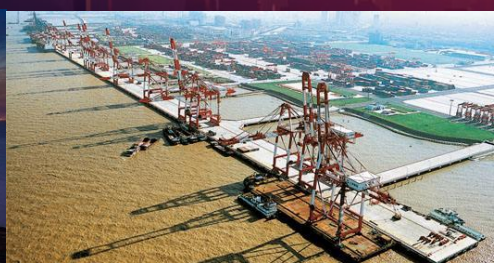
Unit: 1 mil TEU, %

Rank	Port	Nation/region	2015	2016	YoY
1	Shanghai	China	36.537	37.133	1.6
2	Singapore	Singapore	30.922	*30.903	-1.0
3	Shenzhen	China	24.204	23.979	-0.9
4	Ningbo-Zhoushan	China	20.627	21.561	4.5
5	Hong Kong	China	20.073	*19.577	-2.5
6	Pusan	Korea	19.434	19.381	-0.3
7	Qingdao	China	17.436	18.05	3.5
8	Guangzhou	China	17.397	18.858	7.0
9	Dubai	UAE	15.59	-	-
10	Tianjin	China	14.111	14.523	2.9

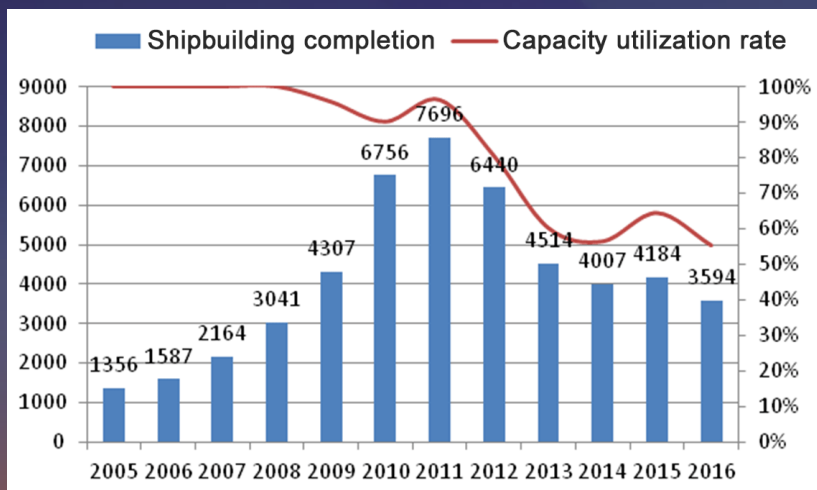


Note: * for estimated data

Source: Shanghai Shipping Exchange



Scale of China's Shipbuilding Industry



From Jan. to Nov.2016, China totally has 1,456 shipbuilding enterprises above the designate scale with business revenue of CNY697.57 billion, including:

- CNY342.1 bil of shipbuilding;
- CNY93.61 bil of auxiliary services;
- CNY18.47 bil of ship repairing;
- CNY67.55 bil of offshore equipment

Note: Estimated data on the basis of initial statistics
 Source: China Shipbuilding Industry Association, China Shipbuilding Economy and Market Research Center

Three Indicators of world shipbuilding in 2016

Indicators		World	China	Korea	Japan
Shipbuilding Completion in 2016	Mil DWT	99.97	35.94	36.3	21.85
	Percentage	100	35.9	36.3	21.9
New contracts in 2016	Mil DWT	27.42	16.17	5.82	4.1
	Percentage	100	59.0	21.2	15.0
Orderbook-in-hand in 2016	Mil DWT	223.32	95.95	50.28	59.19
	Percentage	100	43.0	22.5	26.5

Source: Clarksons

Chinese Shipbuilding Enterprises



JNShipyard
(Shanghai)

HZ-Ship
(Shanghai)

Waigaoqiao Shipyards
(Shanghai)

Chengxi CSSC

COMEC
(Guangzhou)

DSIC
(Dalian)

BSIC
(Bohai)

WSIC
(Wuhan)

BHShipyards
(Qingdao)

SHGSIC
(Shanghaiguan)



Founded in Jul.1, 1999, CSSC is capable of designing and building modern vessels and rigs that comply with all classification rules, international technical standards and safety conventions and sail with global services. In 2014, CSSC group gained revenue of CNY189.7 billion with net profit of CNY2.57 billion.

Founded in Jul.1, 1999, CSIC has the biggest shipbuilding and repairing base in China with annual capacity of 15 million DWTs. As the backbone force of research and design, it boasts strong abilities of innovation and production. In 2015, CSIC group gained revenue of CNY226.3 billion with net profit of CNY8.2 billion.

Scale of China's Ship Repairing Industry

In 2015, the ship repairing enterprises in China above the designated scale achieved business revenue of CNY22.74 bil where the Top 15 gained CNY12.9 bil by completion of repairing of 3,740 vessels (more than 200 vessels on average).

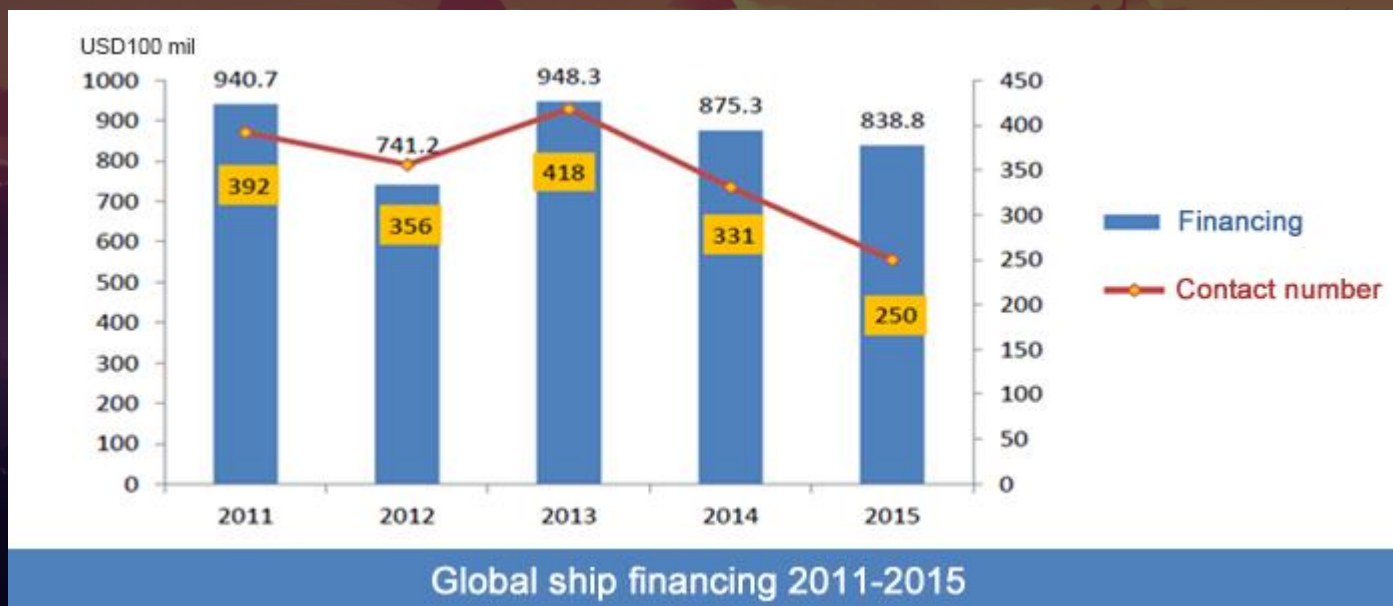
By the end of 2015, there were six ship repairing enterprises that gained more than CNY1 billion and the Top Three were HRDD (Shanghai), CSGCIC and Chengxi CSSC.



Scale and Development of China Ship Financial Lease

Global ship financing

In 2015, the world ship financing credit market reached USD65.46 billion. From Jan. to Nov.2016, China has granted USD11.5 billion for ship financing. In 2015, the Import and Export Bank of China granted seller credit of about USD5.8 billion for export vessels.

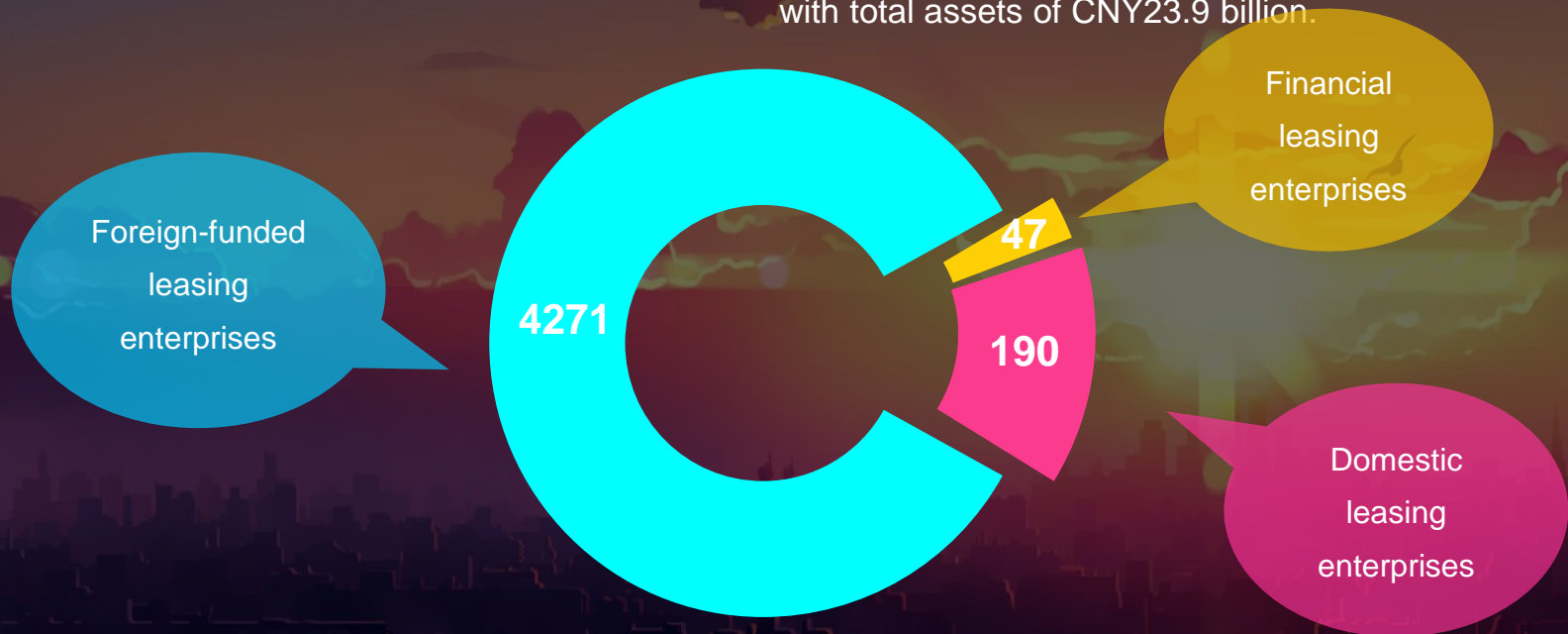


Scale and Development of China Ship Financial Lease

The world ship financial lease market totals USD2.19 billion in 2015.

ICBC Financial Leasing controls 312 vessels and rigs worth about CNY60 billion and two thirds of which are overseas assets.

Minsheng Financial Leasing holds 300 vessels and rigs with total assets of CNY23.9 billion.



Till the end of 2015, there were **4508** financial leasing companies in China.

Chinese Shipping Policies and Planning

The State Council of PRC issued the guidance on promoting the sound development of maritime transport and the strategy of building a powerful shipping nation. It concentrates on modernized ocean fleet, development of modern shipping services industry, construction of international maritime hubs and facilitation of port clearance.

Several shipping policies opening up to the outside world:

2011, provisional regulations on ship's tonnage dues

2011, liberated access conditions and business scope of foreign wholly-owned shipping company

2014, tax refund at the port of departure

2015, pilot operation of several favorable maritime policies at FTZ

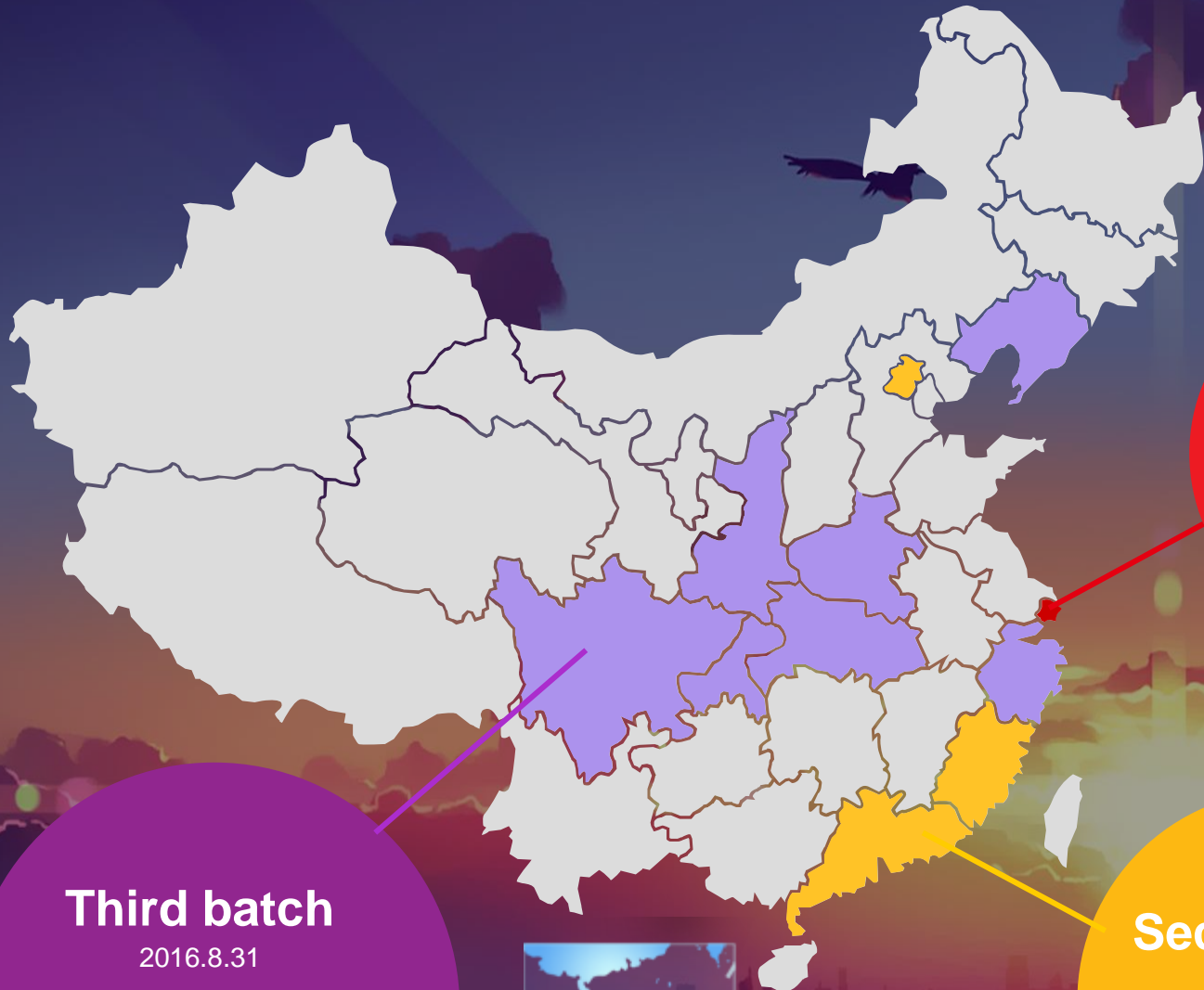
2015, innovation of ship registry at Shanghai FTZ

2015, review and approval right of foreign-funded enterprises engaged in domestic waterway transport lowered to the local government

In the 13th Five-year plan of water transport, there will be more than 300 berths capable of accommodating more-than-10,000-DWT vessels at coastal ports in 2020. Since Apr.1 2016, in the Yangtze Delta ECA, ships at anchorage should use the fuel containing sulfur content not higher than 0.5%*m/m*, and are encouraged to use Cold Ironing.

The 13th Five-year plan of Shanghai international shipping center will promote the shipping service industry and attract more maritime organizations to Shanghai. It promotes the shipping exchange, ship registry, maritime arbitration, consulting services, etc., improves financing and capital settlement power, boosts development of marine insurance entities and products, innovates shipping finance derivatives and consolidates the shipping finance broking service framework.

The Regulations on Promoting the Construction of Shanghai International Shipping Center is promulgated.



First batch

2013.9.29

Shanghai

Third batch

2016.8.31

Liaoning, Hebei, Henan,
Sha'anxi, Sichuan, Hubei,
Zhejiang

Second batch

2015.4.21

Tianjin, Fujian,
Guangdong

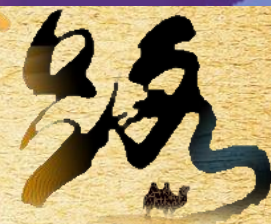


Several Shipping policies at FTZ

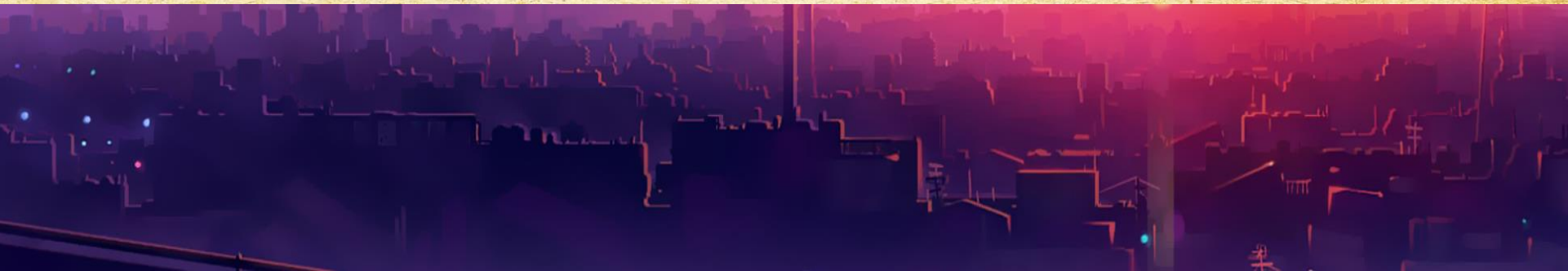
No.	Targets	Policies
1	International maritime transport	Foreign investors may in FTZ set joint ventures engaged in the international transport business in & out of Chinese ports with no limit on share proportion.
2	International shipping agency	The joint ventures at FTZ may deal in international shipping agency business with foreign-held sharing more than 51%
3	Foreign solely-funded enterprise	The foreign solely-funded enterprises at FTZ are allowed to provide international maritime cargo handling, container station and yard services
4	International ship management	The foreign solely-funded enterprises at FTZ are allowed to deal in international ship management business.
5	International maritime transport	For the joint venture of international maritime transport at FTZ, its chairman of board and general manager may be agreed upon and decided by both Chinese and foreign parties.
6	Chinese shipping enterprise registered within China	The Chinese shipping enterprise registered within China may use its wholly-owned or stock-controlled non-Chinese flagged vessels to pick up the Relay Containers at the domestic coastal ports where the FTZ ports are international transshipment ports.

An opening international strategy

Connectivity of policies, facilities, trades, capital and people



BELT AND ROAD



Belt & Road Economy scale and development space

 = 4.4 billion
Population



 = USD21 trillion
Economy scale



 = 26
Related nations and regions


Cargo and service export



81,000 km



Belt & Road Framework



Belt & Road Framework

Key nations: Poland, Uzbekistan, Hungary, Belarus, Czech

Export: ore, machinery, electronics, steel, fossil fuel, chemical, furniture

Import: fossil fuel, mechanics, pharmacy, transport vehicles, plastic products

Key nations: Five nations in mid-Asia

Export: fossil fuel, ore, steel, cotton, grain, etc.

Import: machinery, electronics, garment, transport vehicles, pharmacy, chemical products

Key nations: Japan, Korea

Export: machinery equipment, electronics, transport vehicles, steel and its products, chemical products, plastics and its products

Import: Fossil oil, ore, grain, food, metal products

Key nations: Turkey, Iran, etc.

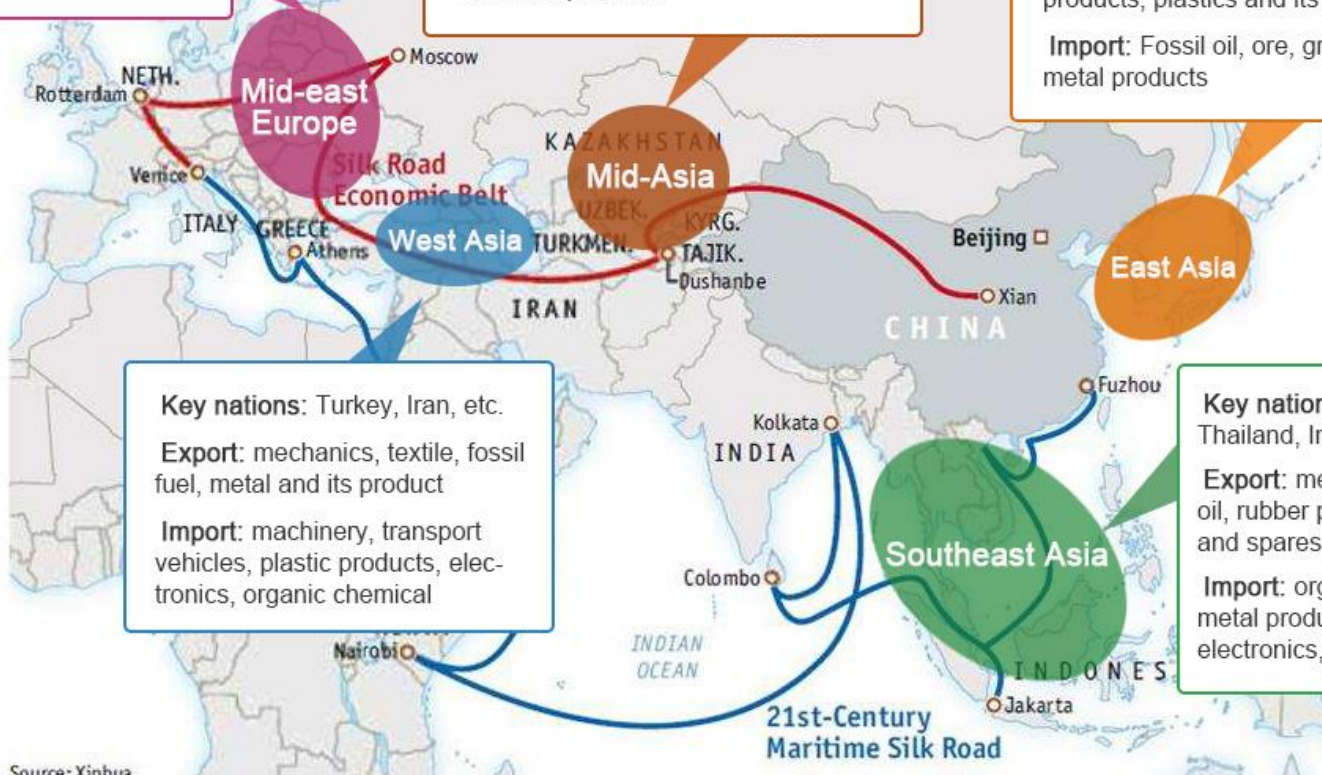
Export: mechanics, textile, fossil fuel, metal and its product

Import: machinery, transport vehicles, plastic products, electronics, organic chemical

Key nations: Singapore, Malaysia, Thailand, Indonesia

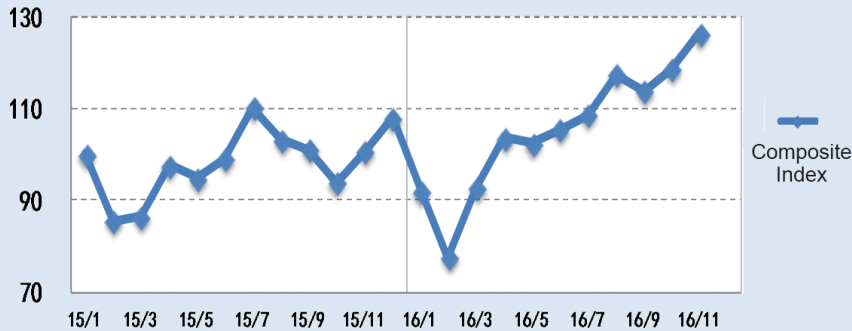
Export: mechanics, animal and plant oil, rubber product, fossil fuel vehicles and spares, plastic products

Import: organic chemical, steel and metal products, mechanic equipment, electronics, jewelry and value metal

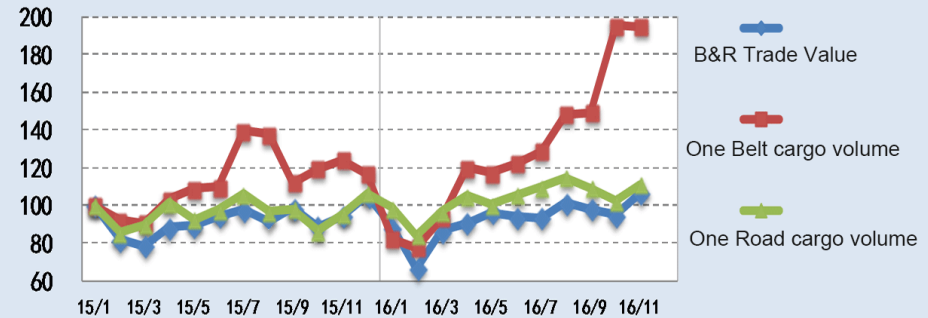


Belt & Road Index

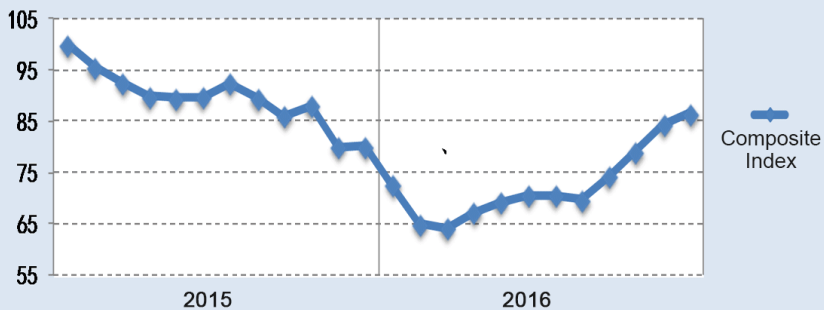
B&R Cargo Trade Composite Index



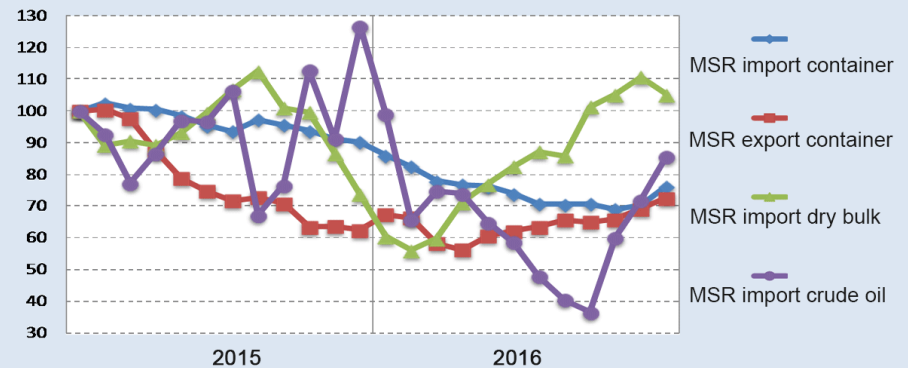
B&R sub-indices



Maritime Silk Road Composite Index



Maritime Silk Road sub-indices



Belt & Road index include Belt & Road cargo trade index and Maritime Silk Road freight index. B&R cargo trade index includes trade value, cargo volume and sub-indices of different cargo types and geographic regions. Maritime Silk Road freight index includes container, import dry bulk and import crude oil freight sub-indices.

Chinese shipping information and index

The Shanghai Shipping Indices published by Shanghai Shipping Exchange include 13 types that contain 13 composite indices, 71 component indices (cargo type, trade lanes, etc.) and 90 prices (freight rate, hire, ship price, etc.)

Package list of Shanghai Shipping Index series

No.	Sector	Descriptions	Frequency	Abbreviation	Launch Time
1	Container	China Export Containerized Freight Index	Friday	CCFI	1998
2	Container	Shanghai Export Containerized Freight Index	Friday	SCFI	2009
3	Container	China Import Containerized Freight Index	Friday	CICFI	2015
4	Container	Taiwan Strait Containerized Freight Index	Wednesday	TWFI	2014
5	Container	Southeast Asia Containerized Freight Index	Friday	SEAFI	Trial run since 2015
6	Bulk	China Coastal Bulk Freight Index	Friday	CBFI	2001
7	Bulk	China Coastal Bulk Coal Freight Index	Working day	CBCFI	2011
8	Bulk	China Import Dry Bulk Index	Working day	CDFI	2013
9	Bulk	China Import Tanker Freight Index	Working day	CTFI	2013
10	Macro economy	Belt & Road Cargo Trade Index	End of month	MSFI	Trial run since 2015
11	Macro economy	Maritime Silk Road Freight Index	End of month	SRFTI	Trial run since 2015
12	Ship SNP	Shanghai Ship Price INdex	Wednesday	SPI	2010
13	Maritime enterprises	China Maritime Enterprises Index	Friday	CMEI	2011

Index application

A new pricing model, and the benchmark of Index-link Contracts (ILC)

According to the statistics of FMC, among the ILCs 77.5% are linked with CCFI and SCFI.

Over 90% of domestic coastal carriers use SSE indices in their ILCs.

SSE index is widely used by public media for big data and security analysis.

SSE signed agreements with SGX and LCH to offer index as the benchmark of derivatives settlement



Conclusions

Opportunities

China Factor boosts international trade

In 2016, the seaborne import volume of iron ore to China accounts for 70% of world total volume plus 17.5% of coal import, 18.1% of crude oil import and 28.6% of container throughput.

China's market scale

Over the past five years, China imported USD8 trillion commodities, attracted foreign investment of USD600 billion and made overseas investment of USD750 billion.

Resurrection of maritime industry

Development of new business and new technology of AI

Belt & Road Strategy

Over the past five years the B&R strategy receives positive response of over 100 nations and regions and China has signed cooperation agreements with more than 40 national and interregional organizations. Chinese enterprises have invested more than USD50 billion.

Internationalization of Chinese shipping

negative balance of shipping services, support of opening-up policies, solid foundation of industry, demand of international experience and integration into international customary practice

Challenges

Uncertainty of transport demand due to trade barrier and production localization

Imbalanced tax system and tariffs

Ship registry facilitation and ship management efficiency

Capital cost and operation cost

Differentiated legal regime and accounting system of different nations

Structural shortage of shipping people

China is to learn the advanced experience of ship registration and crew management of Cyprus

Ship Registry of China and Cyprus

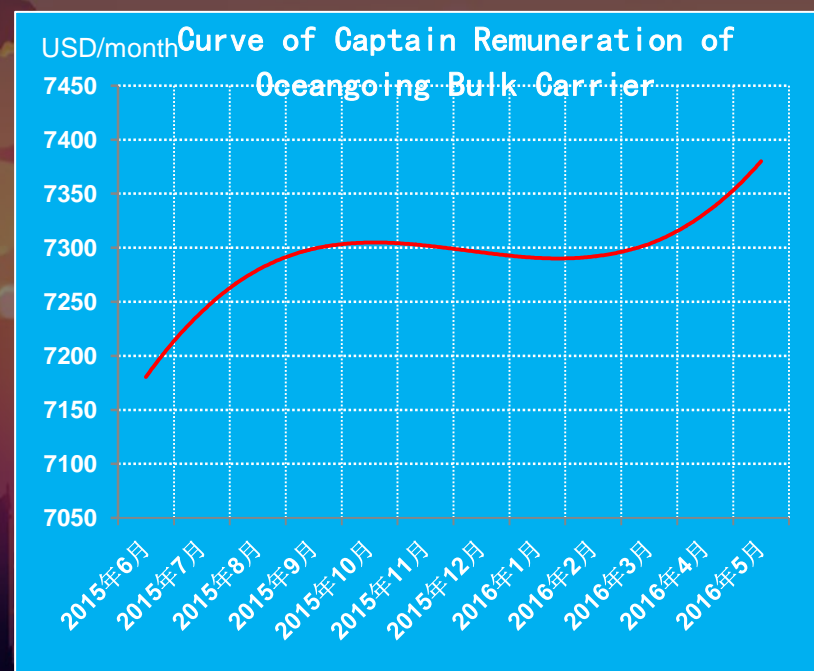
Nation	Vessels	Mil GT
China	1,281	26.908
Cyprus	1,857	21

Registered Chinese seafarers

Total	International seafarers	Assignment seafarers
638,931	470,459	141,654

Chinese seafarer remuneration

Position	Oceangoing (USD/month)		
	Bulk carrier	Container ship	Oil and chemical tanker
Captain	7400	7500	9000
C/O	6600	6800	7200
S/O	2600	3000	3500
T/O	1450	1500	2100
C/E	7200	7100	8500
F/E	6600	7000	7500
S/E	2600	3000	3500
	1450	1500	2100



Shanghai Shipping Exchange plans to publish “Chinese Seafarer Remuneration Index” in 2017.

Thanks

