Ports Operating under High Loads amid Surging Global Shipping Demand

The Shanghai International Shipping Institute recently published Global Port Development Report of Q2 2021. As per the report, with the increasing coverage of the COVID-19 vaccine globally and the gradual lifting of blockades and restrictions in various countries in the second quarter of 2021, the European and American manufacturing industries and consumer markets have sped up their recovery, resulting in a surging demand for seaborne trade across the world. Although the shortage of container equipment and shipping capacity has undermined the stability of the logistics supply chain and caused continuous port congestion, the pandemic's overall impact on ports has been waning. Therefore, the production situation for major ports in the world in the first half of the year improved and stabilized.

1. Cargo throughput increases significantly around the world except in Australia

As the global pandemic further came under control in the first half of 2021, the governments of various countries adopted fiscal and monetary stimulus policies such as overissuing currency to accelerate the recovery of domestic sectors and consumption. This resulted in a substantial increase in the international shipping demand on the east-west trunk routes and port throughput. Although the inspection procedures and operational efficiency of ports were affected by the anti-pandemic measures to some degree, port throughput grew significantly in the context of high load operations, even reaching higher than the pre-pandemic period. According to quarterly data, after eliminating the impact of the low base in the same period last year, the growth rates of major global ports in the second quarter were lower than those in the first quarter, but their total production and handling volumes were much higher than those in the first quarter. Take the top 20 ports in the world for example. Their quarter-on-quarter growth of total throughput in the second quarter stood at 8.8%, and their cumulative year-on-year growth in the first half of the year reached 7.7%. Specifically, the throughput growth of major ports in Europe, Asia, America, and Africa all approached or exceeded 10%, with only Australian ports recording stagnation. On the one hand, the rising prices of international commodities such as ore and coal dampened the demand. On the other hand, the impact of China's trade bans on Australian imports started showing.

2. Container throughputs of U.S. ports show massive growth

In the first half of 2021, the global container shipping market was in short supply, as evidenced by the cargo backlogs, tight spaces, and soaring freight rates. Ports' container throughputs experienced explosive growth under high load operations. As per the British shipping consulting company Drewry, in the second

quarter, the container throughput growth rates of ports in Europe, Asia, the United States, and Australia reached 12.1%, 16.0%, 19.3%, and 13.8%, respectively, presenting a sound upward trend. Specifically, after the U.S. ports saw easing of traffic blockades imposed to curb pandemic spread, they registered a large number of import orders for mechanical and electrical equipment, chemical products, clothing, footwear, and household goods. In addition, boosted by loose monetary policies, the growing overseas purchase orders pushed up the year-on-year container throughput growth rates of Port of Los Angeles, Port of Virginia, Port of Long Beach, and Port of New York-New Jersey among other ports to about 40%, recording huge growth ahead of other ports around the world. Meanwhile, driven by industrial recovery and consumption rebound, major European ports such as Port of Rotterdam and Port of New York-New Jersey witnessed significant growth. Asian container hub ports such as Shanghai Port, Port of Singapore, Ningbo-Zhoushan Port, and Shenzhen Port also posted rapid growth of close to 10%, boosted by the recovering U.S.-Europe trade. However, amid the large-scale trade growth, problems such as insufficient port production capacity represented by the U.S. ports and the impeded rear cargo collection, distribution, and transportation systems curbed further container throughput growth to a certain extent. Moreover, with international shipping prices rising, it is expected that the import demand of European and American ports may be restricted, and the global container port production may decline in the second half of the year.

3. Dry bulk throughput growth of major global ports slows down

In the first half of 2021, the demand in the international dry bulk shipping market grew slowly and freight rates rose. Specific cargo types such as iron ore saw prices climb to new highs, and the demands from developing nations such as China slowed down. On the other hand, benefiting from favorable policies and the industrial recovery, countries or regions such as Europe and the United States increased their imports to a certain extent, boosting the port exports in Brazil and other nations. The coal trade has undergone structural changes affected by the Sino-Australian trade ban. Australian coal mines witnessed increased demands from Southeast Asia and gradually shifted to Southeast Asia, Japan, and South Korea after a price competition with Indonesia, and their port throughputs maintained the same levels year-on-year. In the second quarter, the Americas, Asia, and other countries or regions expanded their food import trade. As a result, the Port of South Louisiana, a major food port in the United States, continued to keep a sound growth rate of about 4% despite a large base, while developing nations such as China continued to augment their grain imports.

4. Major global ports post weak growth in liquid bulks

The global liquid fuel consumption demand was generally higher than production in the first half of 2021. Due to the rising crude oil prices and production cuts in oil producing countries, the global oil product shipping trade supply and demand fell to some extent, and the import volumes to China and other oil product importers slumped by 14.2% against the significant increase of 80% year-on-year of

the import value. In contrast, South Korea, India, and some nations in the Americas actively expanded their oil product import quotas driven by the fuel demand during the summer travel peak and the impacts from the increasing manufacturing orders, the rising PMI, and the increasing demand for automobile fuel oil. The liquid bulk throughput growth rates of the corresponding ports were all higher than 10%, of which the year-on-year growth rate of South Louisiana Port in the United States exceeded 192.6% to 40 million tons. Except U.S. ports, all the ports in other regions maintained a steady development trend of ups and downs.

5. Business performance of global terminal operators registers improvement

In the second quarter of 2021, with the steady advancement of COVID-19 vaccination across the world, the global economy saw rapid recovery, with a strong pick-up in trade demand, and all major international terminal operators enjoyed stable growth in business performance. The container throughputs of COSCO Shipping Ports, China Merchants Port, DP World, ICTSI, and APM Terminals in the second quarter grew by 8.2%, 17.8%, 18.2%, 20.2% (equity throughput), and 23.8% (consolidated statement throughput), respectively. Some terminal operators adjusted their conservative strategies. However, due to the impact of the pandemic, the economic and trade environment remains uncertain. Global terminal operators are more cautious to expand their business. They are focusing more on improving their existing terminal layouts to enable targeted investment, lean operations, and consolidation of existing advantages, and less on new projects.