



China's Shipping Sector Stabilizes After Another Bottom Out and Confidence Slump

(CSPI Research Office, Shanghai International Shipping Institute)

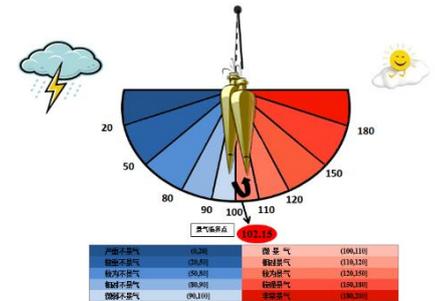
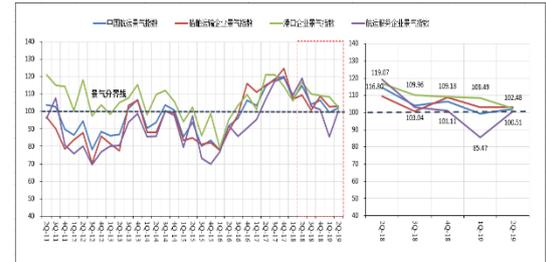
- China Shipping Prosperity Series

➤ Prosperity

Summary:

- **China's shipping enterprises welcome prosperity again.** The China Shipping Prosperity Index (CSPI) stood at 102.15 points in Q2 2019, edging up to the slightly prosperous interval, indicating the stabilizing performance of China's shipping industry. The China Shipping Confidence Index (CSFI) stood at 91.06 points, moving down by 17.46 points quarter-on-quarter, suggesting **Chinese shipping enterprises' lack of confidence in their business performance.**
- **Shipping enterprises' profit continue to slump.** Shipping enterprises continued to record decline in profit in Q2 2019. Specifically, the profit prosperity of container shipping enterprises tumbled by 26.55 points quarter-on-quarter into the stagnant interval, and that of port enterprises fell by 24.97 points quarter-on-quarter into the slightly stagnant interval. Those of shipping transport enterprises, dry bulks shipping enterprises and shipping service enterprises remained stagnant.
- **Port enterprises maintain stable business performance.** In Q2 2019, the prosperity index of China's port enterprises reached 102.48 points, falling by 6 points from that of the previous quarter into the slightly prosperous interval. The confidence index of China's port enterprises stood at 90.18 points in the prosperous interval, slipping by 31.9 points quarter-on-quarter into the stagnant interval again after three years.
- **Prosperity index for Q3 2019 expected to rise slightly.** According to the China shipping prosperity survey, the CSPI in Q3 2019 is projected to increase by 1.47 points to 103.62 points, remaining in the prosperous interval. The CSFI is expected to reach 85.12 points, a drop of 5.95 points quarter-on-quarter, showing lack of confidence among China's shipping enterprises in market prospect.
- **Highlights:**
 1. BDI increased slowly in the second quarter, and more than half of dry bulks shipping enterprises expect the stagnation to continue for longer than two years;
 2. Nearly half of shipping enterprises suffered slump in business volumes due to the Sino-US trade frictions. The increase in larger ships on Asia-Europe routes affected the business performance of 70% lines. Business volume reduction and high cost were major challenges for production and operation of enterprises. The application of AIS for real-time dynamic data of ships gained traction, and the in-port railways and government subsidiaries boosted the boom in sea-railway intermodal transport.

Risks: Despite the fact that the CSPI entered the prosperous interval again, further growth severely lacks momentum. Coupled with the relative lack of confidence among shipping executives, China's shipping industry may face increasing downside and even widespread dip in the future again.



➤ Related reports

- **Analysis Report on Major Coastal Dry-bulk Cargo Shipping Markets in China (Review of 2018 and Outlook of 2019)**
- **Analysis Report on Domestic Container Shipping Markets in China (Review of 2018 and Outlook of 2019)**
- **Analysis Report on International Container Market (Review of 2018 and Outlook of 2019)**
- **Analysis Report on International Dry Bulks Market (Review of 2018 and Outlook of 2019)**
- **China Shipping Market Briefing (Q1 2019)**

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1. Overview of China's Shipping Prosperity in

China's shipping industry continues to improve.

The China Shipping Prosperity Alertness Index for May 2019 stood at 57.73 points, rising slightly quarter-on-quarter but remaining in the extremely gloomy interval. The China Shipping Prosperity Composite Index for the same month stood at 95.9 points, dropping slightly for two consecutive quarters and fluctuating at low levels

Q2 2019

overall. At the micro level, the CSPI for Q2 2019 rose by 2.82 points quarter-on-quarter to 102.15 points, back to the slightly prosperous interval. The CSFI reached 91.06 points, falling by 17.46 points quarter-on-quarter to below the demarcation. Chinese shipping executives adopted a cautious attitude to recovery in the sector (see Table 1-1, Figure 1-1).

Table 1-1 China Shipping Prosperity

Period		China Shipping Prosperity Alertness Index	China Shipping Prosperity Composite Index	China Shipping Prosperity Index	China Shipping Confidence Index
3Q-18	July	68.59	96.82	104.15	110.99
	August	68.59	97.01		
4Q-18	September	64.34	96.99	106.54	109.76
	October	73.67	97.11		
	November	62.57	96.44		
1Q-19	December	55.86	95.95	99.33	108.52
	January	56.42	96.17		
	February	42.82	94.97		
2Q-19	March	49.4	96.27	102.15	91.06
	April	48.4	95.86		
	May	57.73	95.9		

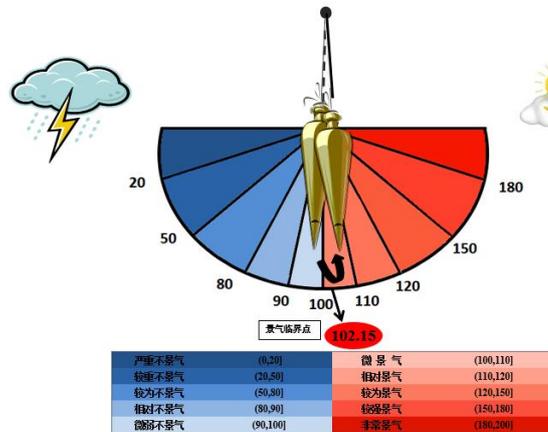


Figure 1-1 China Shipping Prosperity Index for Q2 2019

Source: Shanghai International Shipping Institute

2. Macro Analysis on China's Shipping

Prosperity alertness indicators slow down the decline. The China Shipping Prosperity Alertness Index (CSAI) for May 2019 was 57.73 points, remaining in the extremely gloomy interval (see Figure 2-1). Among the alertness indicators, nearly half of them were in the extremely gloomy interval, indicating a sluggish market on the whole (see Figure 2-4). However, the decline in the total social demand growth eased, and the shipping freights in the market rose to some extent overall (see Figure 2-4).

Shipping indicators pick up partially. In Q2 2019, the shipping freights in the market began to differentiate. Specifically, the dry bulks shipping market began to pick up, with the BDI rising back to above 1,000 points, namely at 1,036.11 points, and the CCBFI picking up to 1,113 points. However, the shipping freights for containers continued to drop, with the CCFI lingering around 800 points for three consecutive years in the extremely gloomy interval. Crude oil shipping freights by oil tankers began to rise, with the BDTI returning to 718 points in May after a fall to 694 points in April (see Figure 2-2).

Economic indicators tumble. In Q2 2019, apart from the faster growth of consumer goods retail sales and port throughput, all the rest economic indicators fell. Specifically, the fixed-asset investments and import and export values growth continued to narrow down. The power generation growth fluctuated slightly in the quarter and finally declined, yet remaining in a normal margin. The consumer goods retail sales and port throughput growth both fell to quarterly lows in April in the extremely gloomy interval, yet with the former picking up in May to the gloomy interval, and the latter staying in the extremely gloomy interval (see Figure 2-3).

Prosperity

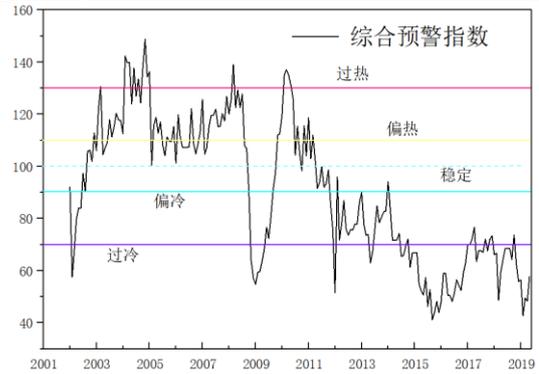


Figure 2-1 China Shipping Prosperity Alertness Index

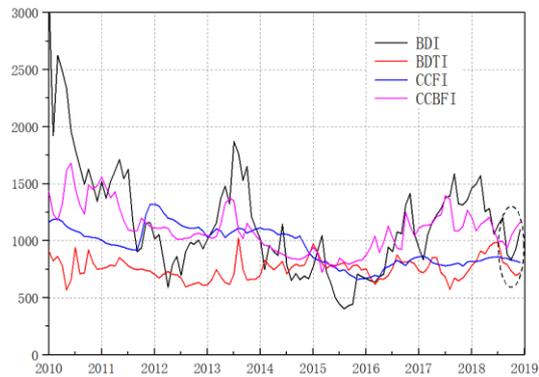


Figure 2-2 Variations of Shipping Indicators

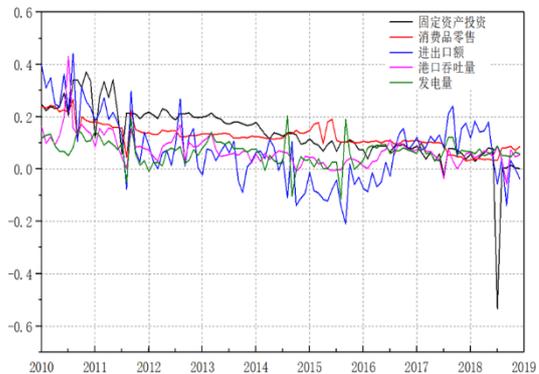


Figure 2-3 Variations of Economic Indicators

时间	BDI	BDTI	CCFI	CCBFI	固定资产投资	消费品零售	进出口额	港口吞吐量	发电量	综合指数
2019-05	●	●	●	●	●	●	●	●	●	●
2019-04	●	●	●	●	●	●	●	●	●	●
2019-03	●	●	●	●	●	●	●	●	●	●
2019-02	●	●	●	●	●	●	●	●	●	●
2019-01	●	●	●	●	●	●	●	●	●	●
2018-12	●	●	●	●	●	●	●	●	●	●

(Legend: ● Extremely heated; ● Heated; ● Normal; ● Gloomy; ● Extremely gloomy)

Figure 2-4 Composite Alertness Index Signals

3. Analysis on Prosperity of China's Shipping Enterprises

Some shipping enterprises maintained stable business performance in Q2 2019. CSPI closed at 102.15 points, a slight rise of 2.82 points quarter-on-quarter. Specifically, dry bulks shipping enterprises and shipping service enterprises welcomed minor rises in prosperity index

Enterprises

values, entering the slightly prosperous interval. The prosperity index of container shipping enterprises, however, fell to the slightly stagnant interval (see Figure 3-1).

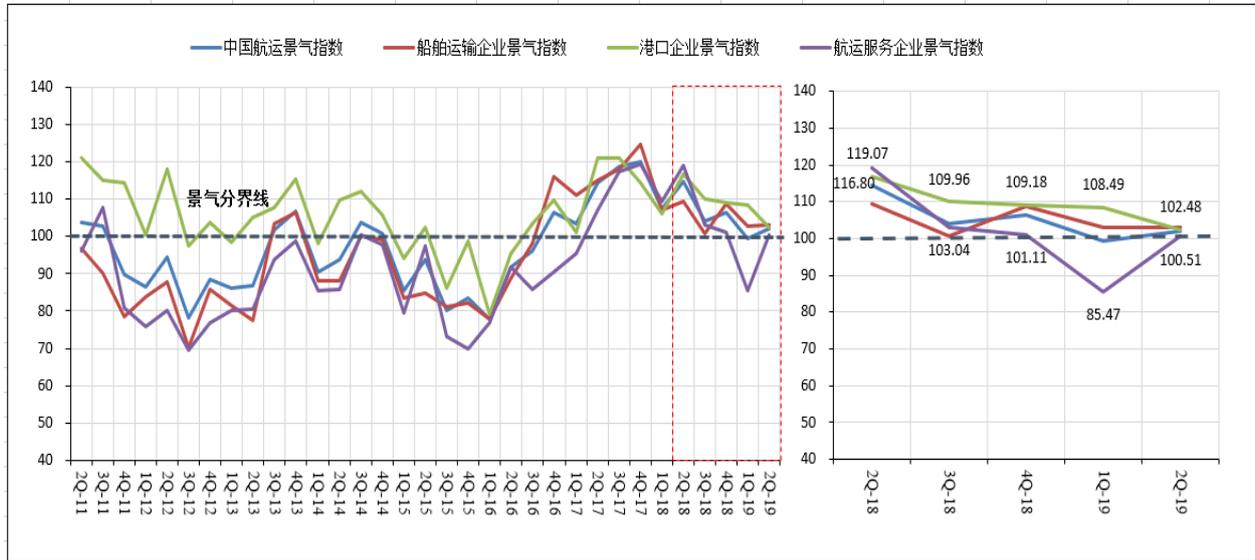


Figure 3-2 China Shipping Prosperity Index

In Q2 2019, the CSPI stood at 91.06 points, a steep fall of 17.46 points quarter-on-quarter into the slightly stagnant interval. Dry bulks enterprises still presented a high confidence index, but the confidence indexes of shipping transport enterprises, container shipping enterprises and port enterprises plunged by 22.39 points, 21.62 points and 31.90 points, respectively. Shipping enterprises that were optimistic about the general situation

accounted for 13.47%, a dip of 5.07% from that in the previous quarter. 56.32% of surveyed shipping enterprises believed that the general situation was just all right whereas 29.39% of surveyed shipping enterprises were not optimistic toward the general situation of the industry, the proportion rising by 5.49% from that in the previous quarter. China's shipping executives suffered a heavy blow in confidence in the market (see Figure 3-2).

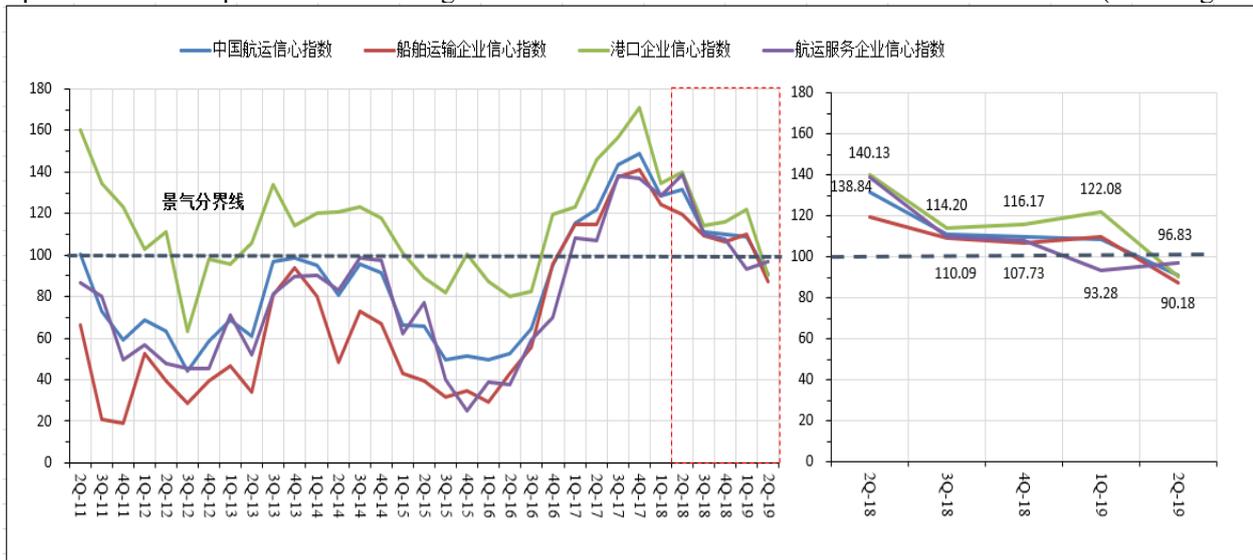


Figure 3-3 China Shipping Confidence Index

3.1 Analysis on Prosperity of China's Shipping

Business confidence of shipping transport enterprises slumps. In Q2 2019, the prosperity index of shipping transport enterprises touched 103.13 points, running flat quarter-on-quarter. The confidence index of shipping transport enterprises stood at 87.40 points, down by 22.39 points quarter-on-quarter and slipping from the slightly prosperous interval to the relatively stagnant interval. Shipping transport enterprises currently enjoy

Transport Enterprises

stable business performance overall but severely lack confidence in the long term, being cautious in the market recovery in the future (see Figure 3-3).



Figure 3-3 Prosperity and Confidence Indexes of Shipping Transport Enterprises

Small shipping transport enterprises face relatively difficult operation. Small shipping transport enterprises posted a prosperity index of merely 92.5 points in Q2 2019, a rise of 13.61 points quarter-on-quarter but remaining below the demarcation, indicating the deteriorating business performance of enterprises. Specifically, the prosperity index of large shipping transport enterprises recorded 105.77 points, down by 9.23 points quarter-on-quarter. The prosperity index of medium-sized shipping transport enterprises was 103.17 points, a rise of 15.05 points quarter-on-quarter. Both the large and medium-sized shipping transport enterprises stood in the slightly prosperous interval, indicating improving business performance (see Figure 3-4).

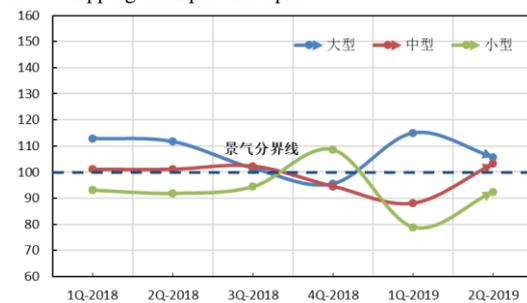


Figure 3-4 Prosperity Indexes of Large, Medium-sized and Small Shipping Transport Enterprises

Profitability of shipping transport enterprises continues to plummet. In Q2 2019, the increased shipping capacity launched by enterprises and the continued fall of ship space utilization led to rising operating costs, despite the slight growth in freights, and enterprise profits fell to some extent quarter-on-quarter.

The sufficient current funds and easier access to capital contributed to the slight reduction of loan liability, resulting in increasing labor demand. But enterprises were still cautious about investing in shipping capacity (see Figure 3-5).

船舶运输企业经营指标	本季度景气指数值	较上季度情况	景气状况
企业运力	109.69	↓ -1.46	微景气区间
舱位利用率	89.7	↓ -2.49	相对不景气区间
运费	101.86	↑ 29.67	微景气区间
营运成本	69.04	↓ -3.36	较为不景气区间
盈利情况	99.46	↑ 11.75	微弱不景气区间
流动资金	131.84	↓ -14.51	较为景气区间
企业融资	119.22	↑ 1.09	相对景气区间
贷款负债	104.03	↓ -8.78	微景气区间
劳动力需求	111.02	↑ 0.29	相对景气区间
船舶运力投资意愿	95.43	↓ -9.57	微弱不景气区间

Figure 3-5 Business Prosperity of Shipping Transport Enterprises

Source: Shanghai International Shipping Institute

Note: CSPI takes 100 points as its demarcation. Values greater than 100 represent prosperity, while those lower than 100 represent depression. The higher the value is, the more promising the industrial outlook is.

3.2 Analysis on Prosperity of China's Dry Bulk

Drop in performance of dry bulks shipping enterprises curbed. In Q2 2019, the prosperity index of dry bulks shipping enterprises reached 100.19 points above the demarcation, up by 18.47 points from that of the previous quarter. The confidence index of dry bulks shipping enterprises stood at 106.85 points, surging by

Shipping Enterprises

54.03 points from that of the previous quarter and entering the prosperous interval again. The decline in performance of dry bulks shipping enterprises was halted and enterprises started to restore confidence in the market (see Figure 3-6).



Figure 3-6 Prosperity and Confidence Indexes of Dry Bulks Shipping Enterprises

Large dry bulks shipping enterprises record the lowest prosperity index. In Q2 2019, the prosperity indexes of large, medium-sized and small dry bulks shipping enterprises stood at 95 points, 110 points and 104.62 points, respectively. Specifically, the prosperity index of medium-sized dry bulks shipping enterprises rose by 25.26 points quarter-on-quarter, while that of small dry bulks shipping enterprises increased by 15.28 points, both entering the prosperous interval, indicating the improving business performance. The prosperity index of large dry bulks shipping enterprises rose by 16.43 points but remained below the demarcation, manifesting the worsening business performance (see Figure 3-7).

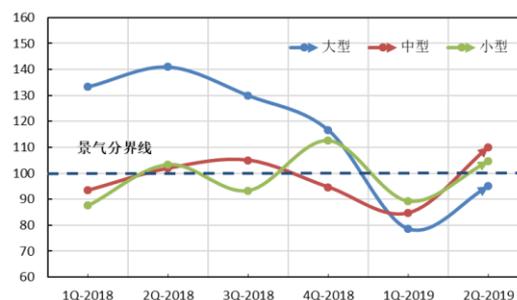


Figure 3-7 Prosperity Indexes of Large, Medium-sized and Small Dry Bulks Shipping Enterprises

The profitability of dry bulks shipping enterprises continues to worsen. In Q2 2019, despite the rising maritime freight rates, enterprises launched more shipping capacity and ship turnover was on a decline. Meanwhile, the high operating costs also contributed to further deterioration of enterprises' profitability. Boosted by the

sufficient current funds and reduced loan liability, the labor demand continued to increase. Although ship owners' willingness in capacity investment picked up significantly, enterprises were still faced with difficult financing which was in the relatively stagnant interval (see Figure 3-8).

干散货运输企业经营指标	本季度景气指数数值	较上季度情况	景气状况
企业运力	102.31	↓ -2.32	微景气区间
船舶周转率	94.71	↑ 10.6	微弱不景气区间
运费	103.13	↑ 86.93	微景气区间
营运成本	69.25	↓ -10.6	较为不景气区间
盈利情况	88.53	↑ 74.58	相对不景气区间
流动资金	108.49	↑ 7.11	微景气区间
企业融资	85.41	↓ -33.36	相对不景气区间
贷款负债	107	↓ -9.2	微景气区间
劳动力需求	113.85	↑ 1.33	相对景气区间
船舶运力投资意愿	129.25	↑ 59.6	较为景气区间

Figure 3-8 Business Prosperity Indexes of Dry Bulks Shipping Enterprises

Source: Shanghai International Shipping Institute

Note: CSPI takes 100 points as its demarcation. Values greater than 100 represent prosperity, while those lower than 100 represent depression. The higher the value is, the more promising the industrial outlook is.

3.3 Analysis on Prosperity of China's

Container shipping enterprises prosperity becomes stagnant after three years. In Q2 2019, the prosperity index of container shipping enterprises touched 94.27 points, falling by 7.99 points quarter-on-quarter to the slightly stagnant interval. The confidence index of container shipping enterprises stood at 75.95 points,

Container Shipping Enterprises

plunging by 21.62 points quarter-on-quarter into the stagnant interval. Container shipping enterprises suffered worsened business performance overall and executives were generally less confident in the industry prospect (see Figure 3-9).

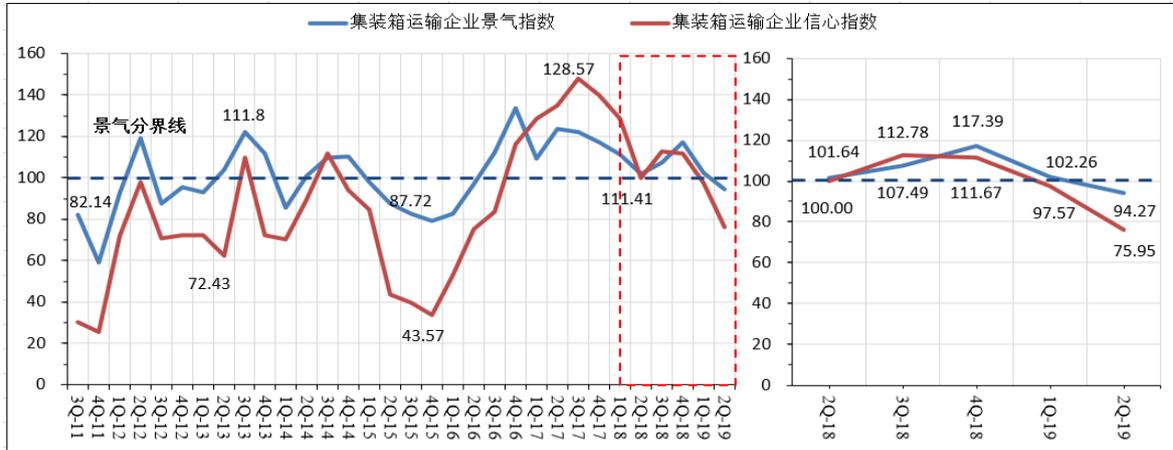


Figure 3-9 Prosperity and Confidence Indexes of Container Shipping Enterprises

Medium-sized container shipping enterprises enjoy the best prosperity. According to the China shipping prosperity survey, in Q2 2019, large container shipping enterprises posted a prosperity index of 86.25 points, falling from the slightly prosperous interval to the relatively stagnant interval. Medium-sized container shipping enterprises registered a prosperity index of 117.272 points, remaining in the relatively prosperous interval. Small container shipping enterprises recorded 88 points, a rise quarter-on-quarter but still in the relatively stagnant interval. Overall, medium-sized container shipping enterprises performed well, while large and small ones witnessed less satisfactory performance (see Figure 3-10).

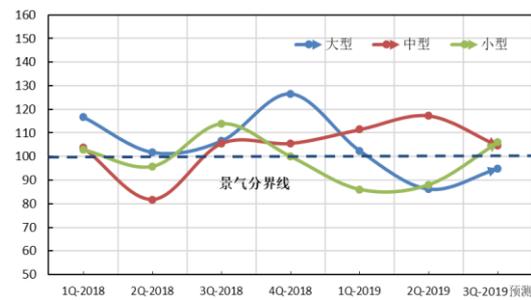


Figure 3-10 Prosperity Indexes of Large, Medium-sized and Small Container Shipping Enterprises

A majority of business indicators of container shipping enterprises turn for the worse. In Q2 2019, major business indicators of container shipping enterprises turned for the worse. Enterprises augmented launch of new shipping capacity, with the space utilization plummeting, the freights falling significantly and the operating costs surging, coupled with rapid deterioration

of profitability. Although enterprises still enjoyed relatively sufficient current funds and easy access to capital, they were under dramatically increasing loan liability, declining labor demand, and hence showed a slump in willingness to invest in shipping capacity (see Figure 3-11).

集装箱运输企业经营指标	本季度景气指数值	较上季度情况	景气状况
企业运力	115.05	↑ 22.55	相对景气区间
舱位利用率	76	↓ -4.5	较为不景气区间
运费	85.77	↑ 3.77	相对不景气区间
营运成本	67	↓ -15.36	较为不景气区间
盈利情况	74.59	↓ -26.55	较为不景气区间
流动资金	147.41	↓ -17.3	较为景气区间
企业融资	130.09	↓ -2.55	较为景气区间
贷款负债	86.59	↓ -32.2	相对不景气区间
劳动力需求	97.73	↑ 12.73	微弱不景气区间
船舶运力投资意愿	62.45	↓ -20.48	较为不景气区间

Figure 3-11 Business Prosperity Index of Container Shipping Enterprises

Source: Shanghai International Shipping Institute

Note: CSPI takes 100 points as its demarcation. Values greater than 100 represent prosperity, while those lower than 100 represent depression. The higher the value is, the more promising the industrial outlook is.

3.4 Analysis on Prosperity of China's Port Enterprises

China's port enterprises show report slump in confidence. In Q2 2019, the prosperity index of port enterprises stood at 102.48 points, falling slightly by 6 points quarter-on-quarter and remaining in the slightly prosperous interval. Business performance of port enterprises remained stable overall. The confidence index

Enterprises

of port enterprises reached 90.18 points, down by 31.9 points quarter-on-quarter and entered the stagnant interval again after three years. Executives in port enterprises generally held a bearish view toward the overall performance of the industry (see Figure 3-12).



Figure 3-12 Prosperity and Confidence Indexes of Port Enterprises

Large port enterprises enjoy favorable business performance. In Q2 2019, the prosperity indexes of large, medium-sized and small port enterprises stood at 121.33 points, 82.73 points and 60 points, respectively. Specifically, the prosperity index of large port enterprises rose by 12.00 points, that of medium-sized port enterprises increased by 1.19 points, and that of small port enterprises plunged by 90.00 points. The prosperity indexes of both medium-sized and small port enterprises were below the demarcation. Overall, port enterprises witnessed business performance downturn (see Figure 3-13).



Figure 3-13 Prosperity Indexes of Large, Medium-sized and Small Port Enterprises

Profitability of port enterprises declines. In Q2 2019, despite the sufficient throughput at ports, the reduced charging rates and berth utilization coupled with the increasing operating costs resulted in a decline in enterprise profitability. Benefiting from enterprises'

sufficient current funds, they still enjoyed easy access to capital, reduced assets and liabilities and increased newly added berth and machinery investment. However, the labor demand remained poor (see Figure 3-14).

港口企业经营指标	本季度景气指数数值	较上季度情况	景气状况
吞吐量	109.64	↓ -15.59	微景气区间
泊位利用率	85.64	↓ -47.59	相对不景气区间
收费价格	93.73	↓ -8.35	微弱不景气区间
营运成本	73.82	↑ 24.51	较为不景气区间
企业盈利	94.18	↓ -24.97	微弱不景气区间
流动资金	134.27	↓ -2.81	较为景气区间
企业融资	118.27	↓ -1.73	相对景气区间
资产负债	115.45	↑ 20.14	相对景气区间
劳动力需求	91.27	↑ 3.81	微弱不景气区间
新增泊位与机械投资	108.55	↓ -7.45	微景气区间

Figure 3-14 Business Prosperity Indexes of Port Enterprises

Source: Shanghai International Shipping Institute

Note: CSPI takes 100 points as its demarcation. Values greater than 100 represent prosperity, while those lower than 100 represent depression. The higher the value is, the more promising the industrial outlook is.

3.5 Analysis on Prosperity of China's Shipping

Deterioration of shipping service enterprises curbed. In Q2 2019, the prosperity index of shipping service enterprises was 100.51 points, up by 15.04 points quarter-on-quarter and returning from the relatively stagnant interval to the slightly prosperous interval. The confidence index of shipping service enterprises was

Service Enterprises

96.83 points, up by 3.55 points quarter-on-quarter but remaining in the slightly stagnant interval. Although the prosperity index of shipping enterprises entered the prosperous interval, executives remained less confident in the market (see Figure 3-15).



Figure 3-15 Prosperity and Confidence Indexes of Shipping Service Enterprises

Performance of small shipping service enterprises continues to worsen. In Q2 2019, the prosperity indexes of large, medium-sized and small shipping service enterprises were 102.14 points, 102.58 points and 90.53 points, respectively. Specifically, the prosperity index of large shipping service enterprises rose by 22.14 points back to the slightly prosperous interval, while that of medium-sized shipping service enterprises increased by 5.08 points into the slightly prosperous interval, and that of small shipping service enterprises went up by 3.22 points, remaining in the stagnant interval. Overall, large and medium-sized shipping service enterprises embraced improving business performance, while small ones suffered less favorable performance (see Figure 3-16).

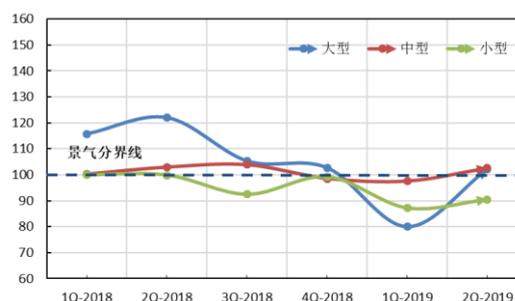


Figure 3-16 Prosperity Indexes of Large, Medium-sized and Small Shipping Service Enterprises

Profitability of shipping service enterprises continues to decline. In Q2 2019, although the business orders and business volumes of shipping service enterprises soared, the lower charging rates and rising operating costs hurt enterprises' profitability which was in the relatively stagnant interval. Boosted by the sufficient

current funds, enterprises still had easy access to capital and enjoyed a favorable momentum in labor demand. But their loan delinquencies were expected to grow and fixed-asset investments demand to remain low (see Figure 3-17).

航运服务企业经营指标	本季度景气指数数值	较上季度情况	景气状况
业务预订	109.41	↑ 34.22	微景气区间
业务量	121.46	↑ 38.72	较为景气区间
业务收费价格	94.1	↑ 5.35	微弱不景气区间
业务成本	92.78	↑ 9.62	微弱不景气区间
盈利状况	89.56	↑ 36.19	相对不景气区间
流动资金	104.86	↓ -2.42	微景气区间
企业融资	101.95	↑ 0.47	微景气区间
贷款拖欠	90.89	↓ -5.82	微弱不景气区间
劳动力需求	106.74	↑ 27.47	微景气区间
固定资产投资	93.35	↑ 6.58	微弱不景气区间

Figure 3-17 Prosperity Indexes of Business Indicators of Shipping Service Enterprises

Source: Shanghai International Shipping Institute

Note: CSPI takes 100 points as its demarcation. Values greater than 100 represent prosperity, while those lower than 100 represent depression. The higher the value is, the more promising the industrial outlook is.

4. Projection of China's Shipping Industry

Shipping market may improve. In May 2019, the leading index of China's shipping closed at 99.44 points, presenting a "V" curve since March. The coincidence index stood at 94.46 points, lower than last year's average of 95.42 points, slightly rising by 0.25 points over the averaged 94.21 points in last quarter. The lagging index

Trend

stood at 97.71 points, lower than last year's average of 98.35 points, edging down by 0.37 points from the averaged 98.07 points in last quarter. In terms of the index trend, the leading index followed a fluctuating and upward trend, and it is expected that the shipping market may improve in the future (see Figure 4-1).



Figure 4-1 Trend of Indexes under the Umbrella of CSCI

In Q2 2019, among the leading index indicators, vessel arrivals kept declining since April. Power generation continued to rise in this quarter. Money supply maintained the stable rise in this quarter. Fixed-asset investments grew slightly since March. Consumer goods retail sales also rose to some extent in this quarter (see Figure 4-2).

In May 2019, among the coincidence index indicators, port throughput growth in May slowed down, and import and export values kept declining in this quarter. Among the four major shipping indicators for this quarter, BDTI stepped on the declining track, CCFI remained stable, BDI rose steadily and reached this year's high in May at 1,097 points, and CCBFI maintained the growth trend (see Figure 4-3).

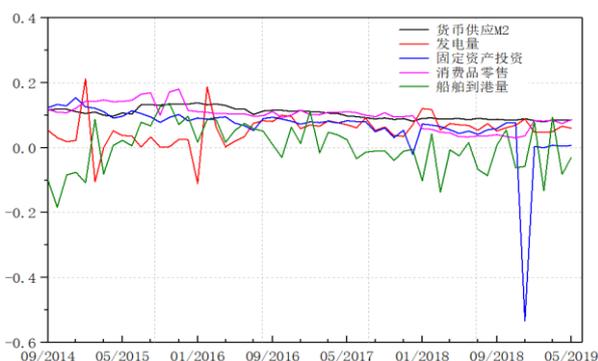


Figure 4-2 Trend of LCI

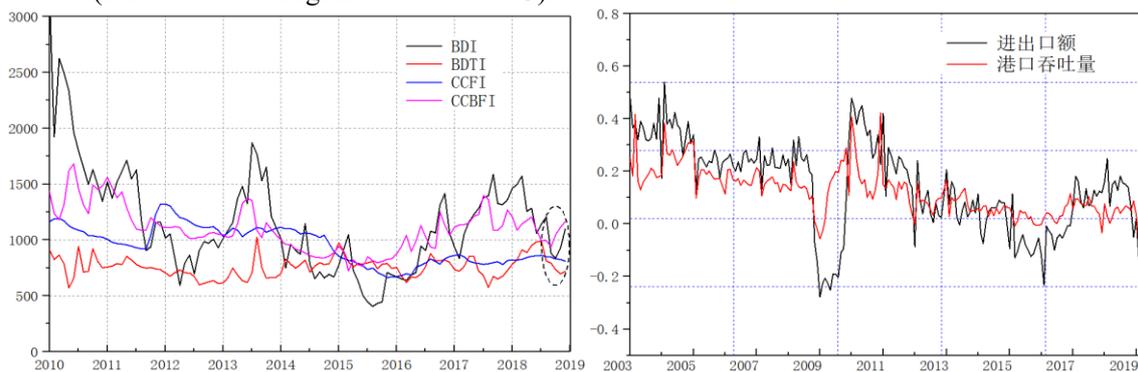


Figure 4-3 Trend of CEI

5. Projection of China's Shipping Prosperity in

According to the China shipping prosperity survey, the CSPI in Q3 2019 is expected to reach 103.62 points, up by mere 1.47 points quarter-on-quarter and remaining in the slightly prosperous interval. The prosperity index of dry bulks enterprises will rise from the slightly prosperous interval to the prosperous interval, while those of ship enterprises, container enterprises and port enterprises will remain flat in this quarter. The prosperity index of shipping service enterprises will edge down to the slightly stagnant interval. The CSFI for Q3 2019 is projected to touch 85.12 points, a drop of 5.95 points quarter-on-quarter and falling to the relatively stagnant interval. Port, shipping service, ship, and container enterprises are all expected to stay less confident in the

Q3 2019

future. The dry bulks shipping enterprises, however, may see their confidence index soar by 27.28 points, leaping from the slightly prosperous interval into the prosperous interval (see Figure 5-1, Figure 5-2 and Figure 5-3).

According to the China shipping prosperity survey, 12.63% of surveyed shipping enterprises are optimistic about the overall performance of the shipping industry in Q3 2019, the proportion declining by 14.20 percentage points quarter-on-quarter; 47.37% are neutral, the proportion declining by 1.41 percentage points quarter-on-quarter, and the rest 40% are pessimistic, the proportion rising by 15.61 percentage points. Overall, China's shipping industry will continue to remain stable.

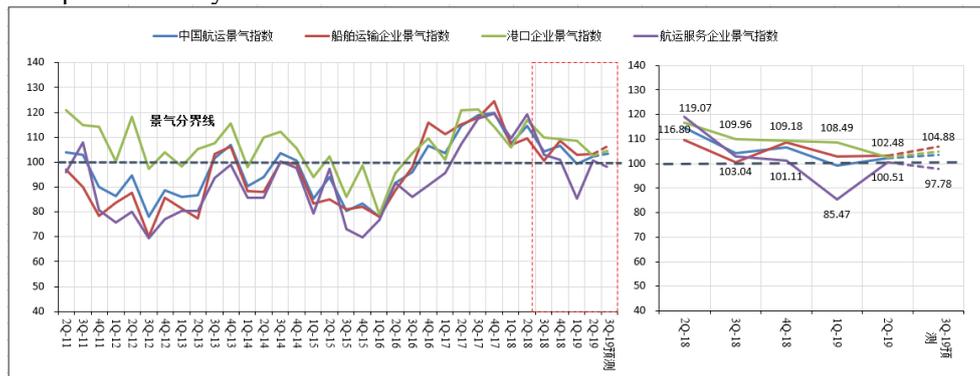


Figure 5-4 Projected China Shipping Prosperity Index

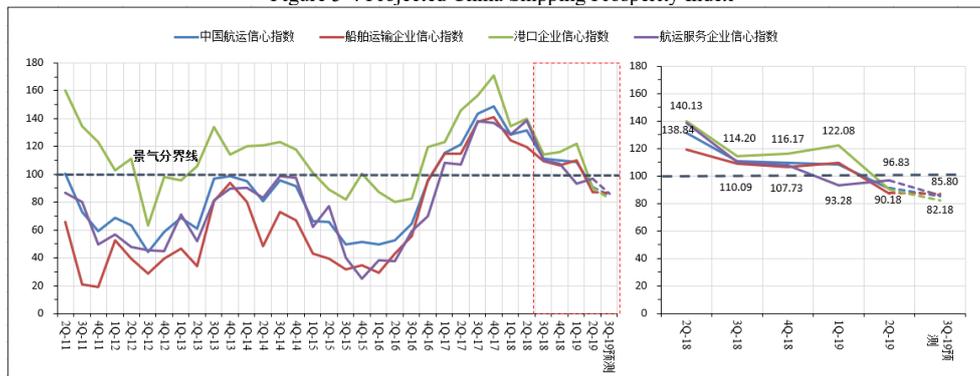


Figure 5-5 Projected China Shipping Confidence Index

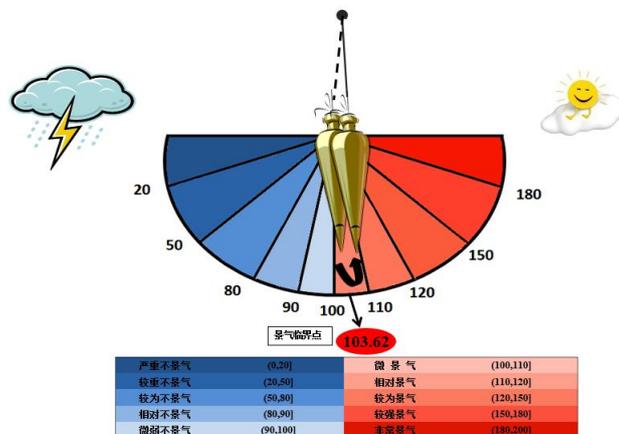


Figure 5-6 Forecast of China Shipping Prosperity Index for Q3 2019

5.1 Outlook on China's Shipping Transport

Shipping transport enterprises to maintain stable performance. According to the China shipping prosperity survey, in Q3 2019, the prosperity index of shipping transport enterprises is projected to reach 107.05 points, up by 3.92 points quarter-on-quarter, and the confidence index of shipping transport enterprises is forecast at 86.81

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points, remaining flat with this quarter in the relatively stagnant interval. Overall, although shipping transport enterprises are expected to stay prosperous as the index shows, their executives are less confident and highly concerned about the future (see Figure 5-4).

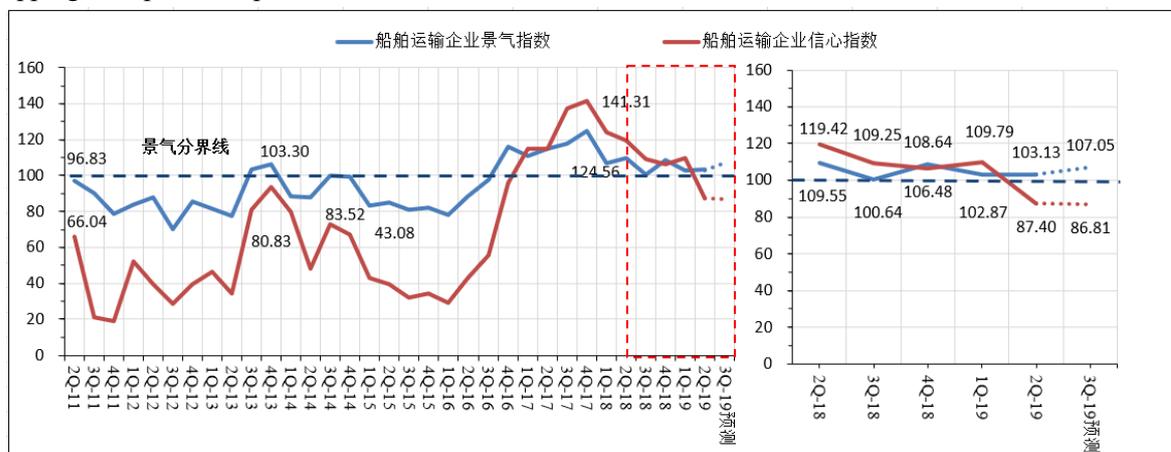


Figure 5-4 Projected Prosperity and Confidence Indexes of Shipping Transport Enterprises

Large shipping transport enterprises enjoy relatively better performance. In Q3 2019, the prosperity indexes of large, medium-sized and small shipping transport enterprises are expected to hit 113.85 points, 99.27 points and 92.86 points, respectively. Specifically, the prosperity index of large shipping transport enterprises may rise by 8 points quarter-on-quarter to enter the relatively prosperous interval. However, that of medium-sized shipping transport enterprises is expected to decline by 4 points quarter-on-quarter, while that of small shipping transport enterprises will run flat with this quarter and stay below the demarcation, due to rising operating costs and loan

Multiple financial indicators of shipping transport enterprises turn for the better. In Q3 2019, although the operating costs may surge, the enhanced launch of shipping capacity by enterprises will lead to bottom out of space utilization. Coupled with the relative stable freight

liability. Small and medium-sized enterprises will suffer deteriorating business performance (see Figure 5-5).



Figure 5-6 Projected Prosperity Indexes of Large, Medium-sized and Small Shipping Transport Enterprises

rates, enterprises' profit will also soar, with more sufficient current funds, easier access to capital and continued rise in labor demand. But enterprises may have increased assets and liabilities, and lower willingness to invest in shipping capacity (see Figure 5-6).

船舶运输企业经营指标	下季度景气指数预测值	较本季度情况	景气状况
企业运力	115.4	↑ 5.71	相对景气区间
舱位利用率	108.25	↑ 18.55	微景气区间
运费	101.1	↓ -0.76	微景气区间
营运成本	77.58	↑ 8.54	较为不景气区间
盈利情况	117.08	↑ 17.62	相对景气区间
流动资金	130.08	↓ -1.76	较为景气区间
企业融资	120.92	↑ 1.7	较为景气区间
贷款负债	96.53	↓ -7.5	微弱不景气区间
劳动力需求	106.4	↓ -4.62	微景气区间
船舶运力投资意愿	97.19	↑ 1.76	微弱不景气区间

Figure 5-6 Projected Business Prosperity of Shipping Transport Enterprises

Source: Shanghai International Shipping Institute

Note: CSPI takes 100 points as its demarcation. Values greater than 100 represent prosperity, while those lower than 100 represent depression. The higher the value is, the more promising the industrial outlook is.

5.2 Outlook on China's Dry Bulk Shipping

Dry bulks shipping enterprises expected to embrace substantial pickup. In Q3 2019, the prosperity index of dry bulks shipping enterprises is projected to reach 121.76 points, a rise of 21.56 points quarter-on-quarter. The confidence index of dry bulk shipping enterprises is expected to reach 134.13 points, a

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rise of 27.28 points quarter-on-quarter. Both the prosperity and confidence indexes will rise to the prosperous interval. Overall, dry bulks shipping enterprises will welcome a strong recovery in Q3, and enterprise executives are fully confident in the future business operation (see Figure 5-7).

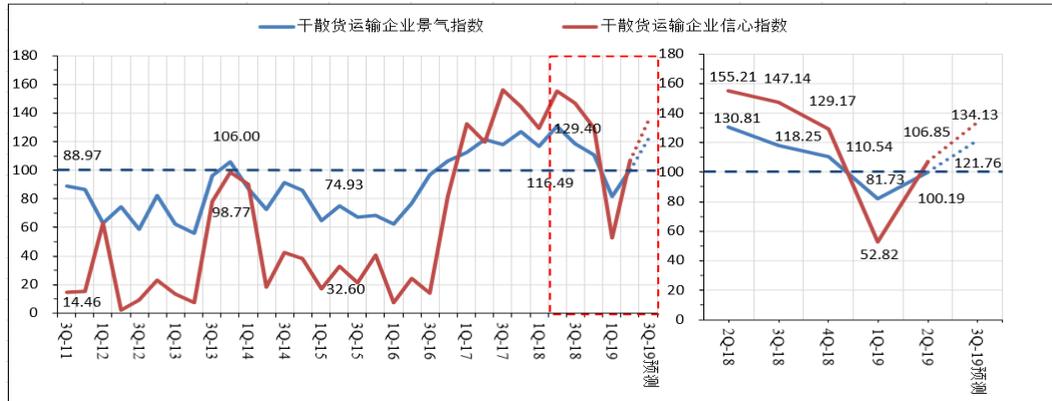


Figure 5-7 Projected Prosperity and Confidence Indexes of Dry Bulks Shipping Enterprises

Large dry bulks shipping enterprises demonstrate the best momentum. In Q3 2019, the prosperity indexes of large, medium-sized and small dry bulks shipping enterprises are expected to reach 135 points, 106.25 points and 94.62 points, respectively. Specifically, the prosperity index of large dry bulks shipping enterprises may rise by 40 points quarter-on-quarter with sound business performance, while those of medium-sized and small dry bulks shipping enterprises may decline by 3.75 points and 10 points, to the slightly prosperous interval and below the demarcation, respectively. Subject to the increased

operating costs and difficult enterprise financing, enterprises may face worrisome business performance (see Figure 5-8).

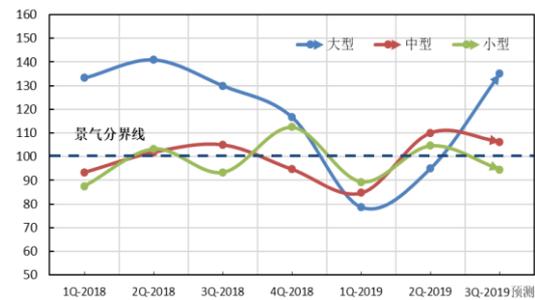


Figure 5-8 Projected Prosperity Indexes of Large, Medium-sized and Small Dry Bulks Shipping Enterprises

Profitability of dry bulks shipping enterprises to improve greatly. In Q3 2019, although enterprises may enhance input in launching new shipping capacity, the space utilization is expected to rise substantially. Meanwhile, the high freight rates, despite the rising operating costs, will contribute to a remarkable improvement in enterprises' profitability. Enterprises are

expected to enjoy stable current funds and increasing labor demand and their willingness in investing in shipping capacity will also stay high. But enterprise financing will be relatively difficult, and assets and liabilities will keep rising, with the prosperity indexes of both staying stagnant (see Figure 5-9).

干散货运输企业经营指标	下季度景气指数预测值	较本季度情况	景气状况
企业运力	162.31	↑ 60	较强景气区间
船舶周转率	146.23	↑ 51.52	较为景气区间
运费	133.94	↑ 30.81	较为景气区间
营运成本	96.54	↑ 27.29	微弱不景气区间
盈利情况	144.66	↑ 56.13	较为景气区间
流动资金	105.77	↓ -2.72	微景气区间
企业融资	85.41	→ 0	相对不景气区间
贷款负债	99.59	↓ -7.41	微弱不景气区间
劳动力需求	113.85	→ 0	相对景气区间
船舶运力投资意愿	129.25	→ 0	较为景气区间

Figure 5-9 Projected Business Prosperity Indexes of Dry Bulks Shipping Enterprises

Source: Shanghai International Shipping Institute

Note: CSPI takes 100 points as its demarcation. Values greater than 100 represent prosperity, while those lower than 100 represent depression. The higher the value is, the more promising the industrial outlook is.

5.3 Outlook on China's Container Shipping Enterprises

Container shipping enterprises to see slower decline. According to the China shipping prosperity survey, in Q3 2019, the prosperity index of container shipping enterprises is expected to rise by 4.77 points quarter-on-quarter to 99.04 points. The confidence index

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of shipping transport enterprises is expected to hit 76.68 points, up by 0.73 points quarter-on-quarter. Both indexes will remain stagnant. In Q3 2019, container shipping enterprises are generally less confident with expected stressful business performance (see Figure 5-10).

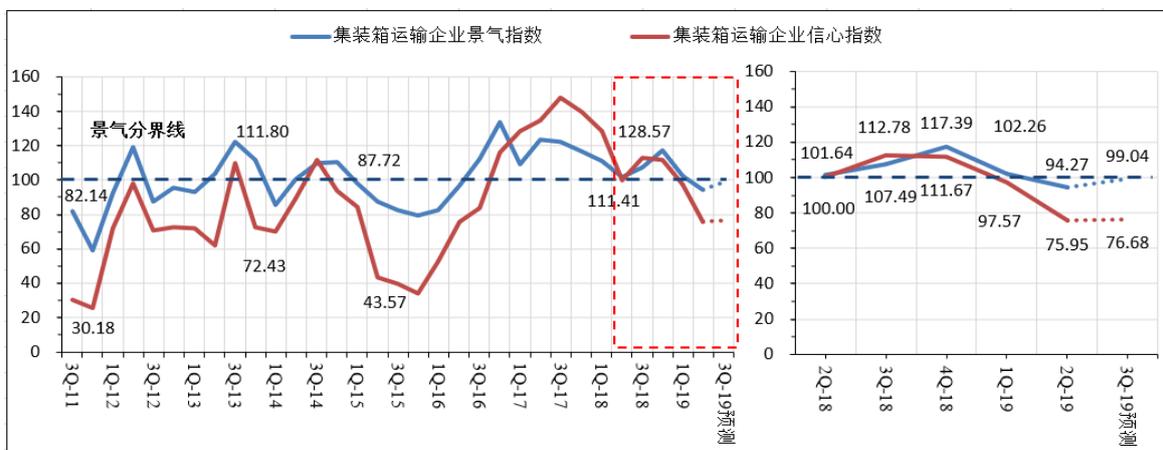


Figure 5-10 Projected Prosperity and Confidence Indexes of Container Shipping Enterprises

Large container enterprises suffer the lowest prosperity index. In Q3 2019, the prosperity indexes of large, medium-sized and small container shipping enterprises are expected to reach 95 points, 104.54 points and 106 points, respectively. Specifically, the prosperity indexes of large and small container enterprises may rise by 8.75 points and 18 points, respectively, and that of medium-sized ones may decline by 12.72 points. Large container shipping enterprises will fall from the slightly prosperous interval to the slightly stagnant interval, and medium-sized and small container shipping enterprises will both stay above the prosperity demarcation. In

general, small enterprises will welcome improving business performance, medium-sized ones will suffer a decline in this regard, and large ones will face worrisome business performance (see Figure 5-11).

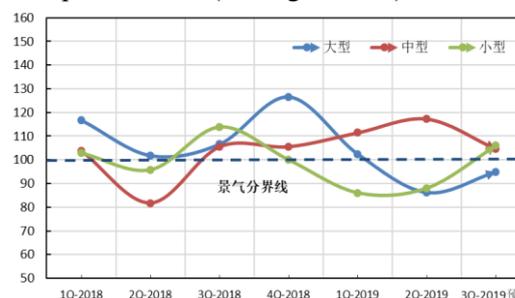


Figure 5-11 Projected Prosperity Indexes of Large, Medium-sized and Small Container Shipping Enterprises

Multiple business indicators of container shipping enterprises decline. In Q3 2019, despite the reduced shipping freights, the dropping shipping capacity and the rising operating costs, the increasing space utilization will manage to ensure profitability. Enterprises, though with

sufficient current funds and easy access to capital, have increased loan liability and are facing a shortage of labor demand, leading to severe lack of willingness to invest in shipping capacity (see Figure 5-12).

集装箱运输企业经营指标	下季度景气指数预测值	较本季度情况	景气状况
企业运力	97.77	↓ -17.28	微弱不景气区间
舱位利用率	102.95	↑ 26.95	微景气区间
运费	82.73	↓ -3.04	相对不景气区间
营运成本	69.95	↑ 2.95	较为不景气区间
盈利情况	106.77	↑ 32.18	微景气区间
流动资金	137.64	↓ -9.77	较为景气区间
企业融资	127.82	↓ -2.27	较为景气区间
贷款负债	94.77	↑ 8.18	微弱不景气区间
劳动力需求	97.73	→ 0	微弱不景气区间
船舶运力投资意愿	72.23	↑ 9.78	较为不景气区间

Figure 5-12 Projected Business Prosperity Index of Container Shipping Enterprises

Source: Shanghai International Shipping Institute

Note: CSPI takes 100 points as its demarcation. Values greater than 100 represent prosperity, while those lower than 100 represent depression. The higher the value is, the more promising the industrial outlook is.

5.4 Outlook on China's Port Enterprises

Port enterprises' confidence in business performance continues to dip. According to the China shipping prosperity survey, in Q3 2019, the prosperity index of China's ports is forecast at 104.88 points in the slightly prosperous interval, indicating improving business performance. The confidence index of China's ports is

expected to decline by 8 points to 82.18 points into the relatively stagnant interval. In generally, China's port enterprises will present stable business performance, but port executives are concerned about the future development of the industry (see Figure 5-13).

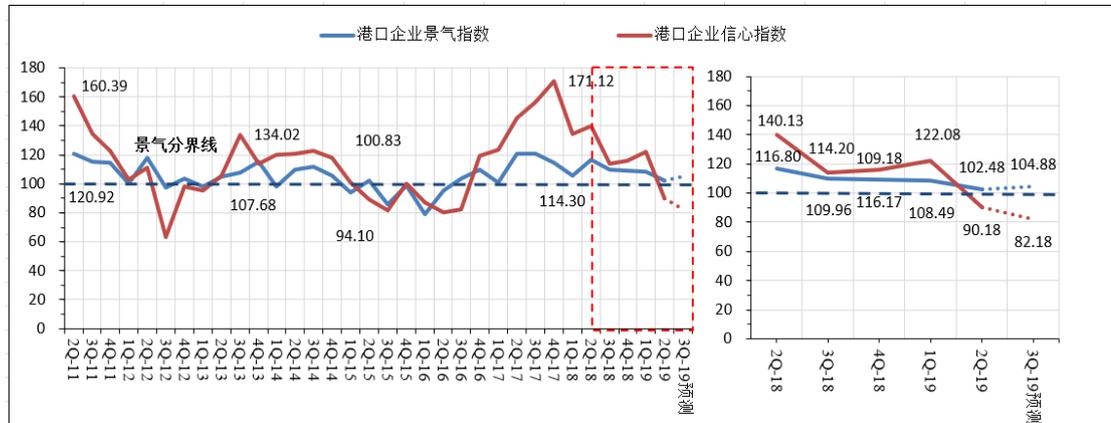


Figure 5-13 Projected Prosperity and Confidence Indexes of Port Transport Enterprises

Medium-sized and small port enterprises face relatively grim business situations. In Q3 2019, the prosperity indexes of large, medium-sized and small port enterprises are expected to reach 118.67 points, 92.73 points and 70 points, respectively. Specifically, large port enterprises may stay in the relatively prosperous interval, medium-sized port enterprises may rise by 10 points into the slightly stagnant interval, while small ones may stay in the stagnant interval. Overall, large port enterprises may record slightly declined business performance, while medium-sized and small ones may suffer less satisfactory

business performance (see Figure 5-14).

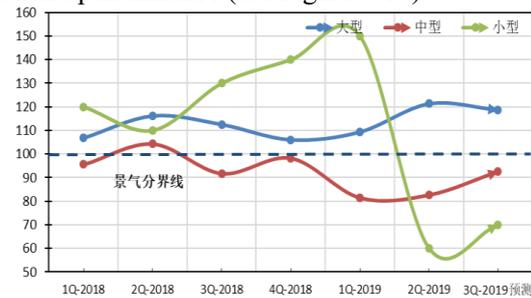


Figure 5-14 Projected Prosperity Indexes of Large, Medium-sized and Small Port Transport Enterprises

Profitability of port enterprises to continue worsening. In Q3 2019, although port throughput has risen, the berth utilization keeps falling, followed suit by the charging rates. Meanwhile, the rising operating costs will also add to the further deterioration of enterprises' profitability. Enterprises will continue to enjoy sufficient

current funds and easy access to capital. Their loan liability may keep falling. Although the newly added berth and machinery investment is expected to pick up to the prosperous interval, the labor demand may remain inadequate in the slightly stagnant interval (see Figure 5-15).

港口企业经营指标	下季度景气指数预测值	较本季度情况	景气状况
吞吐量	104.45	↓ -5.19	微景气区间
泊位利用率	82.73	↓ -2.91	相对不景气区间
收费价格	87.45	↓ -6.28	相对不景气区间
营运成本	95.64	↑ 21.82	微弱不景气区间
企业盈利	98.73	↑ 4.55	微弱不景气区间
流动资金	134.27	→ 0.00	较为景气区间
企业融资	116	↓ -2.27	相对景气区间
资产负债	117.73	↑ 2.28	相对景气区间
劳动力需求	97	↑ 5.73	微弱不景气区间
新增泊位与机械投资	114.82	↑ 6.27	相对景气区间

Figure 5-15 Projected Business Prosperity Indexes of Port Enterprises

Source: Shanghai International Shipping Institute

Note: CSPI takes 100 points as its demarcation. Values greater than 100 represent prosperity, while those lower than 100 represent depression. The higher the value is, the more promising the industrial outlook is.

5.5 Outlook on China's Shipping Service

Shipping service enterprises to fall stagnant again.

In Q3 2019, the prosperity index of shipping service enterprises is expected to reach 97.78 points in the slightly stagnant interval, down by 2.73 points quarter-on-quarter. The confidence index of shipping service enterprises is

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projected to hit 85.80 points in the relatively stagnant interval, dropping by 11.03 points quarter-on-quarter. In general, shipping service executives are less confident and much concerned about the prospect (see Figure 5-16).

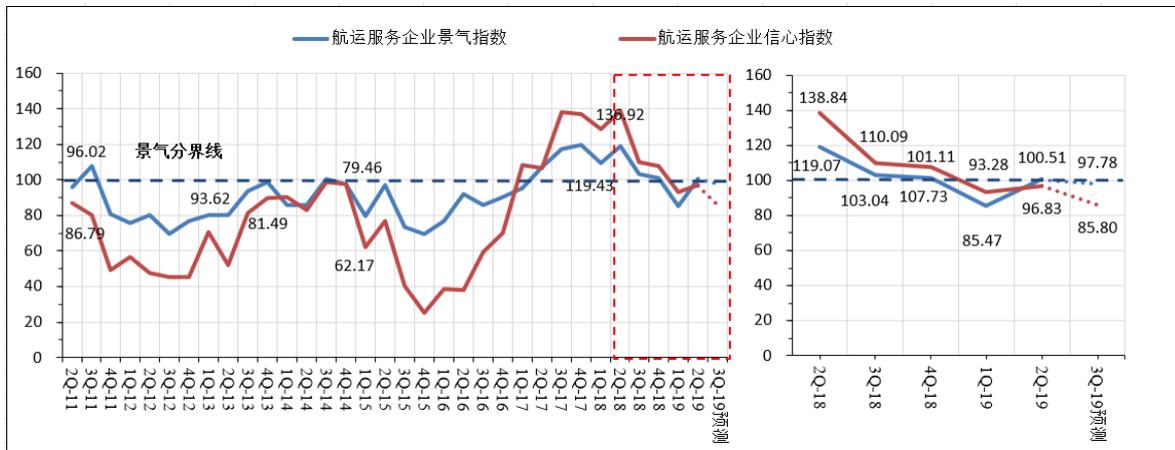


Figure 5-16 Projected Prosperity and Confidence Indexes of Shipping Service Enterprises

Prosperity of medium-sized shipping service enterprises the lowest. In Q3 2019, the prosperity indexes for large, medium-sized and small shipping service enterprises are expected to reach 98.57 points, 96.45 points and 96.84 points, respectively. Specifically, the index of large shipping service enterprises is expected to go down by 3.57 points into the slightly stagnant interval, that of medium-sized shipping service enterprises is projected to fall by 6.13 points into the slightly stagnant interval and that of small ones may rise by 6.32 points, remaining in the slightly stagnant interval. In general, large and small container shipping enterprises face unfavorable business performance, while medium-sized

Profitability of shipping service enterprises to continue deterioration. In Q3 2019, although the business volume of shipping service enterprises is projected to increase, the lower charging rates, high operating costs and reduced business orders will further compromise enterprises' profitability which may enter the

ones also face worrisome performance (see Figure 5-17).

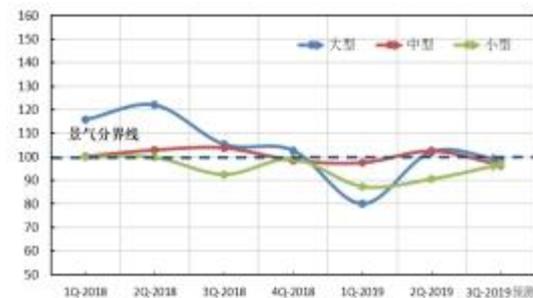


Figure 5-17 Projected Prosperity Indexes of Large, Medium-sized and Small Shipping Service Enterprises

slightly stagnant interval. Boosted by the sufficient current funds and reduced loan delinquencies, enterprises will still have easy access to capital. But the labor demand will continue to drop, and enterprises' fixed-asset investments requirement will also remain low (see Figure 5-18).

航运服务企业经营指标	下季度景气指数预测值	较本季度情况	景气状况
业务预订	98.35	↓ -11.06	微弱不景气区间
业务量	106.94	↓ -14.52	微景气区间
业务收费价格	92.2	↓ -1.90	微弱不景气区间
业务成本	86.57	↓ -6.21	相对不景气区间
盈利状况	91.41	↑ 1.85	微弱不景气区间
流动资金	103.26	↓ -1.60	微景气区间
企业融资	100.34	↓ -1.61	微景气区间
贷款拖欠	106.15	↑ 15.26	微景气区间
劳动力需求	94.96	↓ -11.78	微弱不景气区间
固定资产投资	97.63	↑ 4.28	微弱不景气区间

Figure 5-18 Projected Prosperity Indexes of Business Indicators of Shipping Service Enterprises

Source: Shanghai International Shipping Institute

Note: CSPI takes 100 points as its demarcation. Values greater than 100 represent prosperity, while those lower than 100 represent depression. The higher the value is, the more promising the industrial outlook is.

6. Analysis and Suggestion on Hot Issues

To study the major issues in shipping industry, this report gathers first-hand data from several shipping enterprises, summarizes, analyzes and proposes suggestions for development, in an effort to provide some reference to shipping enterprises in their decision making.

6.1 Nearly 50% of shipping enterprises record decline in business volume due to Sino-US trade frictions

The Sino-US trade frictions have taken a turn for the worse since 2019. In May, the US raised the tariffs on US\$200 billion worth of China-exported goods from 10% to 25%. According to statistics, the China to US exports in Q1 2019 declined by 149,755 TEUs, down by 6.56% year-on-year. To this end, the CSPI Research Office under Shanghai International Shipping Institute carried out a survey to learn the impact of the Sino-US trade frictions on business volumes of nearly 300 shipping enterprises in China.

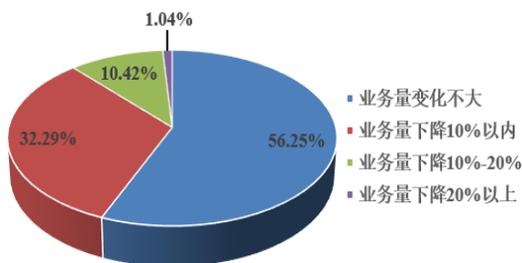


Figure 6-1 Impact of Sino-US Trade Frictions on Business Volumes of Shipping Transport Enterprises

Nearly half of shipping transport enterprises report decline in business volume. 56.25% of surveyed shipping transport enterprises said their business volumes remained flat year-on-year, 32.29% said their volumes fell by less than 10% and 10.42% said their business volumes declined by 10%-20%. The rest 1.04% said their volumes plummeted by more than 20%. It is clear that shipping transport enterprises, on the whole, believed that the Sino-US trade frictions will impact the shipping transport businesses to some extent.

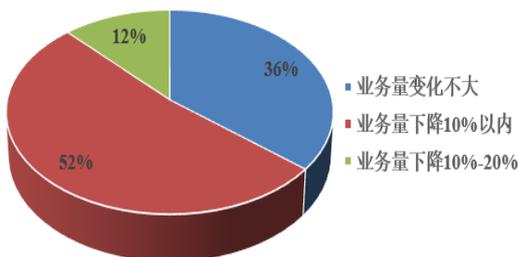


Figure 6-2 Impact of Sino-US Trade Frictions on Business Volumes of Container Shipping Enterprises

60% of container shipping enterprises suffer drop in business volume. Among the surveyed container shipping enterprises, 36% said their volumes remained flat year-on-year, 52% said their volumes declined by less than 10% and the rest 12% said their business volumes dropped by 10%-20%. It is visible that container shipping enterprises, on the whole, believed that the Sino-US trade

frictions will have large impacts on the container shipping businesses.

Dry bulks shipping enterprises pointed to less significant impacts on business volume. Among the surveyed dry bulks shipping enterprises, 72.73% said their volumes remained flat year-on-year, 15.15% said their volumes declined by less than 10% and the rest 12.12% said their business volumes dropped by 10%-20%. It is obvious that dry bulks shipping enterprises, on the whole, believed that the Sino-US trade frictions will have minor impacts on the dry bulks shipping businesses.

40% of shipping service enterprises saw drop in business volumes. Among surveyed shipping service enterprises, 4.55% said their business volumes rose by more than 10%, 10.61% said their volumes increased by less than 10%, 45.45% said their business volumes remained flat year-on-year, 22.73% said their volumes declined by less than 10%, and 10.61% said their volumes fell by 10% to 20%. The rest 6.06% said their business volumes dropped by more than 20%. It is clear that shipping service enterprises, on the whole, believed that the Sino-US trade frictions will have impacts on the shipping service businesses to some extent.

The impact on the business volumes of China's port enterprises was under control. Among surveyed port enterprises, 3.70% said their business volumes rose by more than 10%, 3.70% said their volumes increased by less than 10%, 55.56% said their business volumes remained flat year-on-year, and 33.33% said their volumes declined by less than 10%. The rest 3.70% said their business volumes fell by 10%-20%. It is visible that port enterprises, on the whole, believed that the Sino-US trade frictions will have impacts on the port businesses, but the degree of impact is generally under control.

The above survey showcases that nearly half of surveyed shipping enterprises said that their business volumes were compromised by the Sino-US trade frictions, with the container shipping enterprises suffering the most obvious impact. A major cause is that Sino-US trade plays an important role in China's foreign trade and the global trade at large. Besides, the current Sino-US trade is primarily through maritime shipping of cargoes. As the Sino-US trade frictions escalate, nearly half of domestic shipping enterprises will be subjected to impaired business volumes, which weakens the confidence of executives in the shipping sector.

6.2 70% of lines affected by rise in larger ships on Asia-Europe routes

According to the estimates of Shanghai International Shipping Institute, the total capacity of active container ships of above 14,000 TEUs and capacity of holding orders on the Asia-Europe routes is already 1.1 times that of the total current capacity of the routes. As the future demand for container shipping on Asia-Europe routes slows down, the shipping capacity structure of major ocean-going trunk routes and intra-regional routes will be

adjusted to some extent. How will this impact companies' operation? The CSPI Research Office under Shanghai International Shipping Institute conducted a survey centering around the above questions on domestic container shipping enterprises.

The survey shows the following in the current shipping market environment.

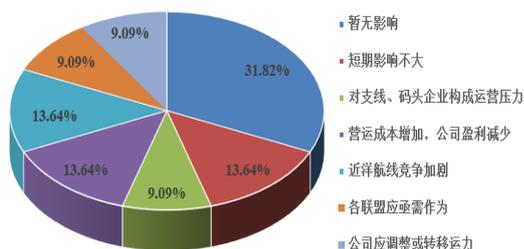


Figure 6-3 Impact of Increased Larger Ships on Asia-Europe Routes on Container Shipping Business

Among the surveyed container shipping enterprises, 31.82% said the increased larger ships on Asia-Europe routes had no impacts on their companies' operation for the time being, and some of them had withdrawn from the Europe market. 13.64% said it had minor impacts on their operation in the short run, and some of them focused on near-sea shipping routes to Southeast Asia. 9.09% said it will add pressure on their feeder companies and terminal companies, hence will have negative impact. 13.64% said it will increase their operating costs and hurt their profits. 13.64% said it will lead to intensified competition on near-sea routes and their companies will transfer some ship types on the Europe-Asia ocean-going routes to near-sea routes, intensifying the competition on the Southeast Asia routes. 9.09% said various alliances should take immediate actions to unify and allocate their internal resources. Meanwhile, 9.09% said their companies should well plan the capacity, by either adjusting the capacity allocation on Asia-Europe routes or launching more capacity to emerging markets.

The above survey shows that among the surveyed container shipping enterprises, 70% believed that the increased larger ships on Asia-Europe routes will impact their companies' operation. To this end, on the one hand, enterprises should make capacity adjustments based on the market situations, such as launching more capacity to emerging markets, regional markets and third countries. On the other hand, shipping alliances and trade unions should also take actions such as expediting unified allocation of capacity on Asia-Europe routes.

6.3 Reduced business volume and high operating costs are major challenges for enterprises production and operation

The first half of 2019 is already over. What were the major challenges for enterprises during production and operation? What are their plans in the next step? In view of the above questions, Shanghai International Shipping Institute carried out a survey among all shipping enterprises.

The survey shows that the top concerns of the

surveyed shipping service enterprises are the reduced business volume and increased cost. The decline in business volume is primarily a result of the Sino-US trade frictions which has led to reduced import and export shipping volumes and therefore slashed the businesses related to shipping enterprises. Enterprises are advised to further improve their business areas and launch new products to drive business volume growth through innovation. The increased cost is primarily a result of the elevating labor cost, leading to rising operating cost of enterprises. In the next step, enterprises should invest effort in increasing income and reducing expenditure, imposing strict control on costs and enhancing efficiency.

For port enterprises, challenges include the intensified competition from neighboring ports, the increased operating costs, the high financing difficulty and the limited throughput growth. In the next step, major countermeasures include enhancing cost and expenditure management, further expanding the market, tapping into the synergy potential between the ports and shipping companies, and elevating port competitiveness through innovation.

Major challenges for shipping transport enterprises are the reduced business volume, the increased cost and the difficult financing. The Sino-US trade frictions have greatly cut down the maritime shipping volume. Enterprises should actively adjust their business structure, timely adjust the shipping capacity allocation based on the cargo flows, enhance full-course logistic services to attract new cargo sources and launch new shipping routes. The increased cost is primarily because of the rising labor cost and the surging oil prices, leading to increasing operating costs for enterprises. Enterprises should further curb the cost and keep enhancing the efficiency. In view of the sluggish insurance market and difficult access to capital, enterprises can adopt finance leases to get through the tough times.

Meanwhile, the maritime shipping market is highly vulnerable to policies. The uncertainties in foreign trade situations have led to a dim prospect. Surveyed shipping enterprises all expressed concerns toward the market uncertainties caused by volatile policies, saying they were left with the only option to stay conservative in operation to avoid policy-caused risks given the changing market.

6.4 Application of AIS real-time dynamic data of ships gains traction

With the extensive application of the AIS (Automatic Identification System) and satellite positioning systems for ships, shipping big data based on the real-time locations of ships has enabled related products to become important support for enterprise operation. Most port enterprises believed such products can help track the real-time statuses of ships so as to facilitate rational arrangements of port operation resources and achieve lean operation of ports. The products can also support terminals' future development of intelligent scheduling systems, improving intelligent scheduling precision at

berths as well as safety and reliability, so as to elevate service quality, cut down costs and enhance efficiency through technical means. Based on the AIS data, forecast on arriving ships can be updated in a timely manner for ports to make adjustments. Enterprises' information management systems can also be effectively connected. Some ship enterprises have utilized related systems to query their fleet information. The system not only provides comprehensive, detailed, and timely updated data, but also enables estimates of shipping cost and schedules. Some ship enterprises can also analyze and predict shipping orders and freights based on bulks ship trends and use the shipping big data to provide sound reference for enterprise management and future development. In addition, the AIS real-time dynamic data will greatly facilitate ship enterprises' mastery and tracking of ship statuses so that they can fully leverage ship locations to serve ship scheduling, operation monitoring, piracy and typhoons prevention and navigation in complex shipping areas to achieve better ship management.

6.5 In-port railways and government subsidies facilitate sea-railway intermodal transport boom

The railway-waterway intermodal transport of containers at major ports in China has experienced rapid growth in recent years. In Q1 2019, the railway-waterway intermodal transport volume of containers in China grew by as much as 20.9%. What are the main causes behind this surge? To study this, Shanghai International Shipping Institute conducted a survey.

According to the survey, 25.42% said the rapid economic development of the Chinese mainland (especially the central and western regions) has augmented the demand for shipping capacity and further promoted the boom of railway-waterway intermodal

transport. 23.73% held that the increased effort in building in-port railways has facilitated the operation modes of railway-waterway intermodal transport. Meanwhile, 23.73% said the credit should be given to the increased government subsidies as these subsidies encouraged shipping enterprises to choose railway-waterway intermodal transport. 11.86% believed that compared with other transport modes, railway is cost-effective and hence highly competitive. Another 10.17% said railway and waterway containers feature shared standards which are conducive to transport scheduling and operations. 5.08% of enterprises attributed the boom of railway-waterway intermodal transport of containers to other factors.

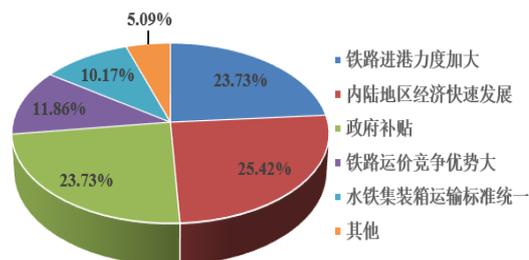


Figure 6-4 Causes of Boom of Railway-Waterway Intermodal Transport for Containers in China

The survey shows that a vast majority of port enterprises agreed that the rapid development of port containers and railway-waterway intermodal transport can be primarily attributed to the rapid economic development in the Chinese mainland, coupled with the strong national support that not only enhanced construction of in-port railway infrastructure, but also subsidiaries to encourage enterprises to engage in railway-waterway intermodal transport. These measures have greatly promoted the development of railway-waterway intermodal transport.

7. Briefing on CSPI System

The China Shipping Prosperity Index (CSPI) is an umbrella term for a group of quantized data indicating the prosperity of China's shipping industry. It includes China Shipping Prosperity Index (CSPI), China Shipping Confidence Index (CSFI), China Shipping Prosperity Alertness Index (CSAI) and China Shipping Prosperity Composite Index (CSCI).

CSPI is compiled based on China marine executives' judgment of the current business performance of their enterprises and their prediction of the forthcoming development. It comprehensively reflects the business performance of China's shipping enterprises. CSFI is put together based on China marine executives' view of the current development of the China shipping industry on the whole and their forecast of its future trend. It reflects their confidence and vision of China's shipping industry from the macro perspective.

CSPI takes 100 points as its demarcation (or critical point) and ranges between 0 and 200 points. When the CSPI value is greater than 100 it means the upward indicators prevail over the downward ones, the China shipping industry may present positive growth and is in a boom period. The higher the CSPI value, the more optimal the industrial outlook. When the CSPI value is less than 100 it means the downward indicators prevail over the upward ones, the China shipping industry development may slow down or even fall into recession. The lower the CSPI value, the more depressed the industrial outlook.

The CSPI was first issued in the fourth quarter of 2009. It is formed based on survey feedbacks from companies in the field of shipping transport, port and shipping services. The results are presented in these three categories as well. The CSPI comes out on a seasonal basis.

The CSAI is intended to envisage the future development trend of the China shipping industry through a comprehensive study of several sensitive indicators and their composite indexes. A group of sensitive indicators are selected to mirror the development of the China shipping industry. With specific data processing methods, these indicators are combined into a composite index. After the critical value of each indicator and the composite index are defined, a five-colored signal system resembling traffic lights (red for overheated, green for stable, royal blue for too cold, etc.) are employed to directly reflect the China shipping trend. The CSCI consists of the leading index, the coincidence index and the lagging index. The leading index aims to unveil the future trend of China's shipping industry based on the current performance of the industry. The coincidence index is compiled based on

indicators that share the temporal fluctuations with China's shipping industry to describe the prosperity of China's shipping industry in the very period. Analysis of the time lag between the coincidence index and the leading index may shed light on prediction of critical industrial turning points based on the turning points of leading indicators. The lagging index is compiled based on indicators the turning points of which lag behind those of the overall market, and the fluctuations of which also lag behind those of the overall shipping variations. The lagging index primarily serves to identify alert situations and confirm whether a shipping cycle process has surpassed a turning point to enter the next prosperity interval.

CSPI and CSFI aim to assess and forecast the current status and development trend of China's shipping industry from the micro level, or the enterprise level, based on shipping executives' business experience and grassroots enterprise performance. CSAI and CSCI, on the other hand, try to assess and forecast the current status and development trend of China's shipping industry from the macro level based on objective data.

Table 错误!文档中没有指定样式的文字。 -1 CSPI Intervals and Their Indication

Indication	CSPI Interval
Extremely prosperous	(180, 200]
Highly prosperous	(150, 180]
Prosperous	(120, 150]
Relatively prosperous	(110, 120]
Slightly prosperous	(100, 110]
Demarcation	100
Slightly stagnant	(90, 100]
Relatively stagnant	(80, 90]
Stagnant	(50, 80]
Moderately stagnant	(20, 50]
Extremely stagnant	[0, 20]

8. CSPI Commission

Zhen Hong (secretary general of SISI and professor of Shanghai Maritime University)

Members:

Yin Ming (secretary and deputy secretary-general of Shanghai International Shipping Institute and professor at Shanghai Maritime University)

Li Gang (deputy secretary-general of Shanghai International Shipping Institute and associate professor at Shanghai Maritime University)

Zhang Jieshu (deputy secretary-general of Shanghai International Shipping Institute and professor at Shanghai Maritime University)

Zhou Dequan (director of SISI CSPI Research Office and director of SISI Domestic Shipping Research Office)

CSPI Working Committee

Lead: Zhou Dequan

Members: Liao Qingmei, Wu Jun, Chen Yu, Ren Siying