

一、 overview for the overall situation in 2008

1、 overview for domestic economic situation in 2008

Reviewing the past year 2008, under the influence of severe domestic natural disasters, the world economic and fluctuating financial situation, affected by cyclical 、 structural adjustment and deteriorating external environment, China's economy entered a period of adjustment. Although overall economic situation has been growing in recent years, growth rate decreased in some degree and the risk degree of market economy has obviously increased. On the whole, macroeconomics is slowing down.

2、 overview of domestic waterway transportation market in 2008

In the first three quarters, domestic waterway transportation and port production maintained a rapid development. Index of water volume, cargo handling capacity of ports and other key indicators continued to grow, but the growth rate slowed down. National-scale ports cargo handling capacity reached 4,469,500,000 tons with a 14% year-on-year increase, of which domestic cargo throughput reached 2,974,970,000 tons with a 16.1% year-on-year increase. However, the growth rate decreased by 1.1% and 0.3% respectively over last year. In the fourth quarter, as domestic and international shipping demand shrink, cargo throughput of domestic-scale ports declined obviously. In November, port's throughput was 460,000,000 tons, with an growth rate of merely 0.5%, which is the lowest in the past decade.

3、 throughput of major dry bulk ports

1) **coal throughput:** From January to August, northern major coal ports' throughput showed a rapid growth. From September, the growth rate of coal demand is becoming lower than that of coal production. International market

demand is depressing; the growth of domestic electric power, metallurgy, building materials, chemical industry, and throughput of ports for coal transportation shrank violently.

2) **Iron ore throughput:** In the first half of 2008, the development of domestic steel industry remained stable. However, from the third quarter, influenced by chain effect of world wide accelerated economic declining, domestic steel demand decreased continuously, and ore steel of factories and ports stayed over stocked, which caused a low throughput at all ports.

3) **grain throughput:** Domestic coastal ports' grain throughput has closed relationship with consumption of seasonal demand; it is busy time before spring festival, however, after festival, demand becomes weak, grain throughput declines significantly. Fodder enterprises purchased in a centralized way before May Day, which pushed grain throughput to a high lever, after that, began to go down. From July to September, southern enterprises demanded more northeast paddy rice, the paddy rice volume showed an increasing trend. By the end of 2008, as consumer demand increased, throughput showed an increasing trend again.

二、 overview of domestic major dry bulk supply and demand market

Coal market

1、 **analysis of coal production in 2008:** In 2008, driven by high profits and under the impact of pre-production release, coal production speeded up significantly, in the first three quarters, the total raw coal output was 1.934 billion tons, increased by 14.4% year-on-year, but since the third quarter, due to the slowdown of china macroeconomic growth rate, that of coal output began to drop significantly, yet there is still a slight increase.

2、 **analysis of port coal store:** In the first half of 2008, coal store of major coastal ports fluctuated reasonably. However, since the latter half, coal

transportation market shrank sharply, so was coal demand. Coal stock of ports maintained at a high level, while domestic coal demand of downstream industries shrank, so that supply exceeds demand, which resulted in continuous growth of port stocks. By the end of 2008, due to national policy, coal stock problem was eased.

3) analysis of major coal-consuming enterprises inventory: At the beginning of 2008, coal storage in electric power plants was not sufficient because of serious snow disasters. In order to ensure coal transportation and energy production, the Chinese government took a series of measures. In the latter half of 2008, coal storage of power stations increased continuously and stayed at a high level. From December, major southern power plants consumed more coal than before, thus coal storage of power stations decreased slightly.

4) analysis of coal demand : Coal used for power generation accounts for half of coal demand. Since the second quarter, the output of national-scale power stations decreased month by month. The total output of October decreased by 4% over the last, which was the first negative growth since February of 2005, thus will slack coal demand.

2. overview for supply and demand of iron ore

1) analysis of iron ore output in 2008: During first ten months of 2008, the growth trend of domestic ore production was similar to that of last year, which was a stable high output at the first half of the year, a slowed down growth rate in the third quarter and a marginal increase in the fourth quarter. Growth rate in May 2008 had a 27.9% year-on-year increase, while only 3.1% in August.

2) supply and demand of iron ore: Iron ore supply exceeded demand in 2008. Since April, the total import coal and local supplied iron ore exceeded demand. In the second quarter, the supply 16,590,000 tons exceeded the demand and the supply in the third quarter was 10,860,000 tons more than the demand.

3) **port iron ore store**: In the first half of 2008, port iron ore store increased continuously. On May 15th, the storage amounted to 79,000,000 tons, which increased by 50% over the beginning of 2008. In the latter half, port storage stayed at high, which once reached 90,000,000 tons. However, by the end of December, demand raised slightly, so storage dropped.

3. overview of grain supply and demand

The coastal grain shipping market in 2008: regular growth in the first half of the year and unbalanced supply and demand in the latter.

三、 major coastal dry bulk shipping market in 2008

1. transport Volume analysis

1) **coal transport volume analysis**: In the first half of 2008, coal demand was brisk and coal throughput increased continuously. In the third quarter, as demand reduced, coal throughput decreased; in the last quarter, demand declined significantly. In October, it registered the first negative growth of port coal quantity of shipment, which was 38 million tons, decreased by 3.1%.

2) **iron ore transport volume analysis**: In the first three quarters, major coastal port iron ore volume transport by sea was up to 92,350,000 tons, 20.9% up. Since the fourth quarter, coastal iron ore volume transported by sea dropped sharply, which was 223,900,000 tons in 2008, 5% up.

3) **grain transport volume analysis**: In the first three quarters, coastal grain quantity of shipment was up to 15,130,000 tons, showing a 33.7% year-on-year increase, while the total grain quantity of shipment was up to 21,000,000 tons, up 30%.

2. analysis of transport capacity

By the end of September 2008, total transport capacity of 10000-ton-vessels in coastal China had been about 22,000,000 tons, with coastal vessels 14,500,000 tons, and diversified vessels 7,500,000 tons. Most of handy vessels and handy max vessels widely used in the coastal dry bulk

transport had served for relatively long time. The large demand of dry bulk transport market in the first half of this year led to a high transport capacity, However, in the second half of this year (especially in the fourth quarter), under the influence of global financial crisis, dry bulk market was shaken significantly, and supply of transport capacity exceeded demand.

3. freight rate analysis

1) **domestic coastal bulk freight rate analysis:** On the first half this year, demand of coastal bulk was strong, so the freight fluctuated at high level. Since the third quarter, demand fell off, so that freight began to decrease until late December, when shipping market was pulled up because of the rising freight.

2) **coastal coal freight rate analysis:** At the beginning of 2008, coal freight fluctuated at high level. Till mid April, under negative impact of seasonal demand, freight dropped. In the second quarter, coal freight rose. In the second half, freight fell sharply till the end of this year.

3) **coastal iron ore freight rate analysis:** in the first ten months, coastal iron ore freight kept stable, except some slight fluctuation. From the third quarter, downstream demand slackened, so freight dropped quickly.

4) **coastal grain freight analysis:** From the beginning of the year to early April, soft demand caused a slight drop of the freight. In the second quarter, because of increasing fodder demand, freight rebounded greatly. In the second half, fodder demand of fodder enterprises wasn't strong, which resulted in freight dropping continuously. At the end of this year, freight rebounded again.