

Soc. Port. de Buenaventura

FUTURE OF THE GLOBAL ECONOMY AND INTERNATIONAL TRANSPORTATION: WHICH ROAD WILL LATIN AMERICA TAKE?

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Merida, Yucatan*

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Over 25 Years of industry experience...



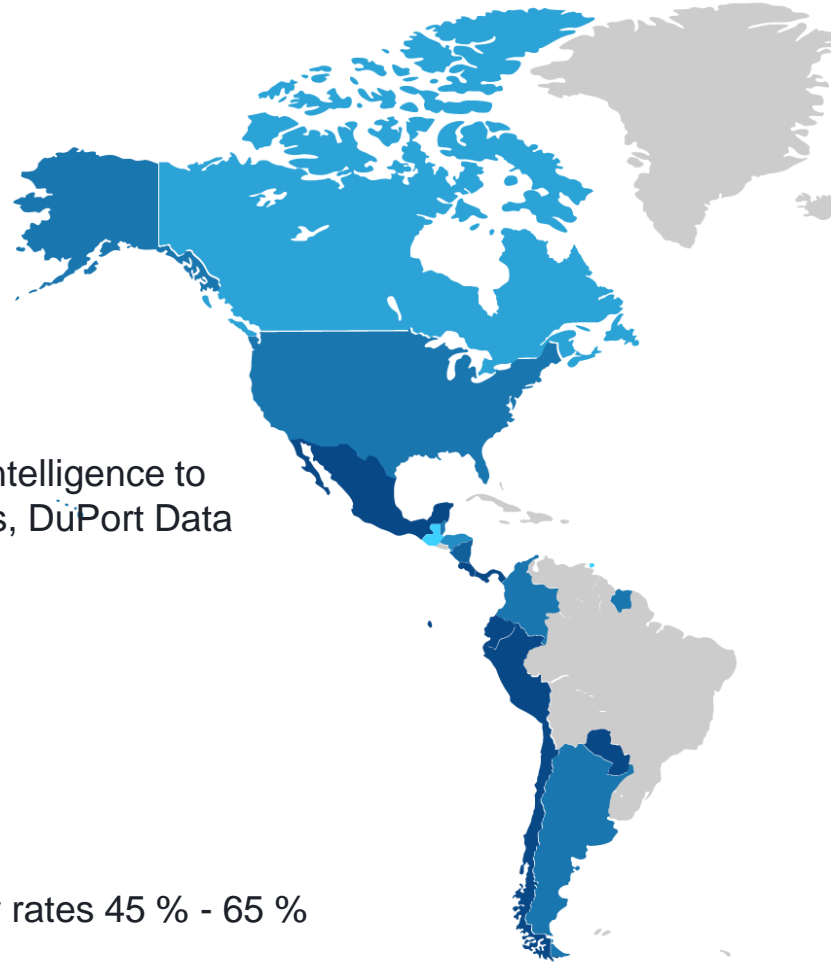
Specialized consulting for infrastructure with an emphasis in ports and harbors.



Processing Big Data to provide international trade business intelligence to increase and your market share, with two successful products, DuPort Data for ports DuTrade Data for enterprises

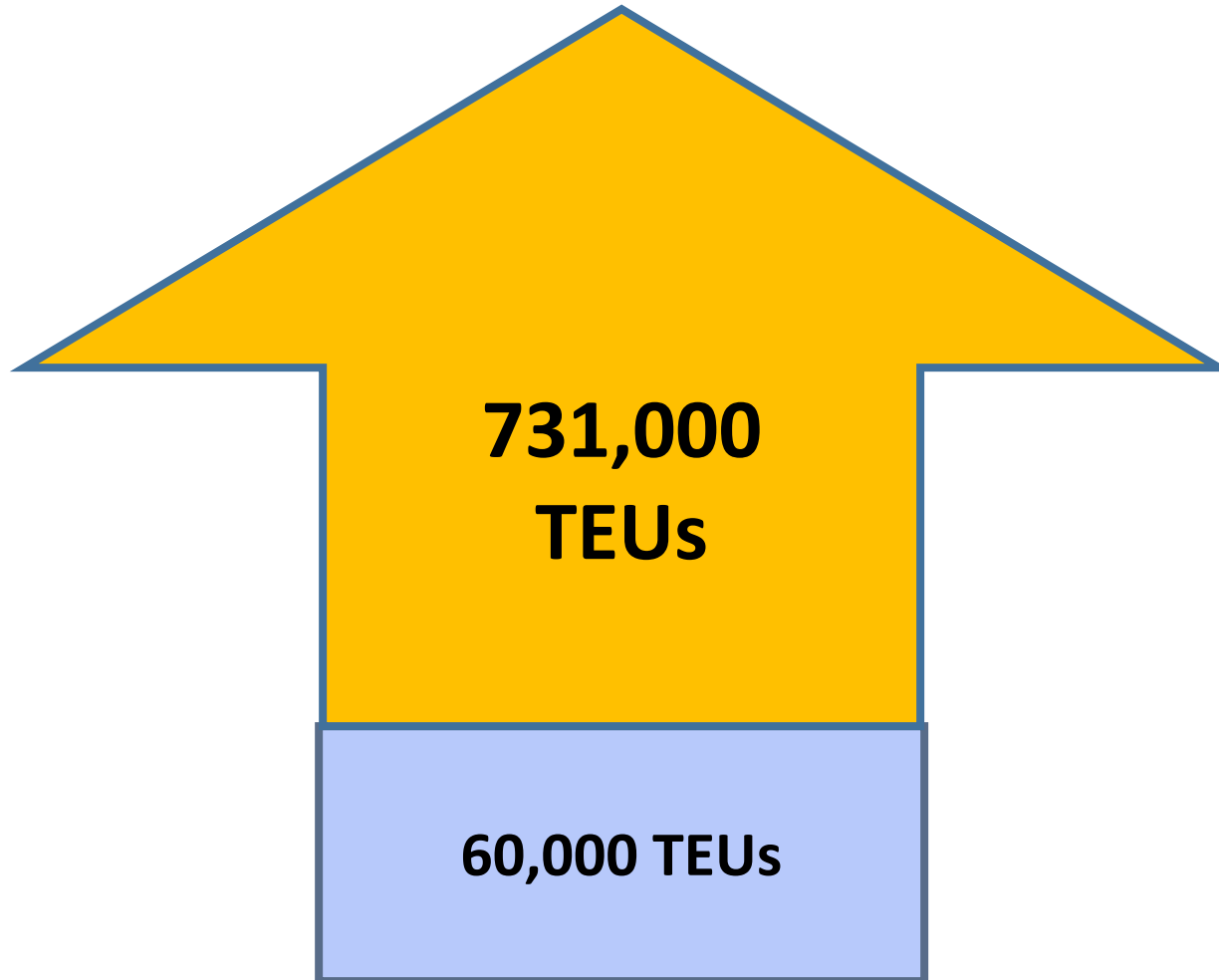


Outsourcing of labor intensive engineering services at hourly rates 45 % - 65 % lower than U.S commercial rates.



Buenaventura Challenge

Transshipment



Buenaventura Project



Aerial reconnaissance with Drones
for port planning and design

ECONOMY

 **THE WORLD – Is there growth out there?**

WHERE ARE THE WEAK SPOTS & THREATS??

BIGGER SHIPS AND THE CANAL EXPANSION

LATIN AMERICA PORTS

TRANSSHIPMENT IS ALIVE AND WELL

The world outlook is . . .

Improving slowly

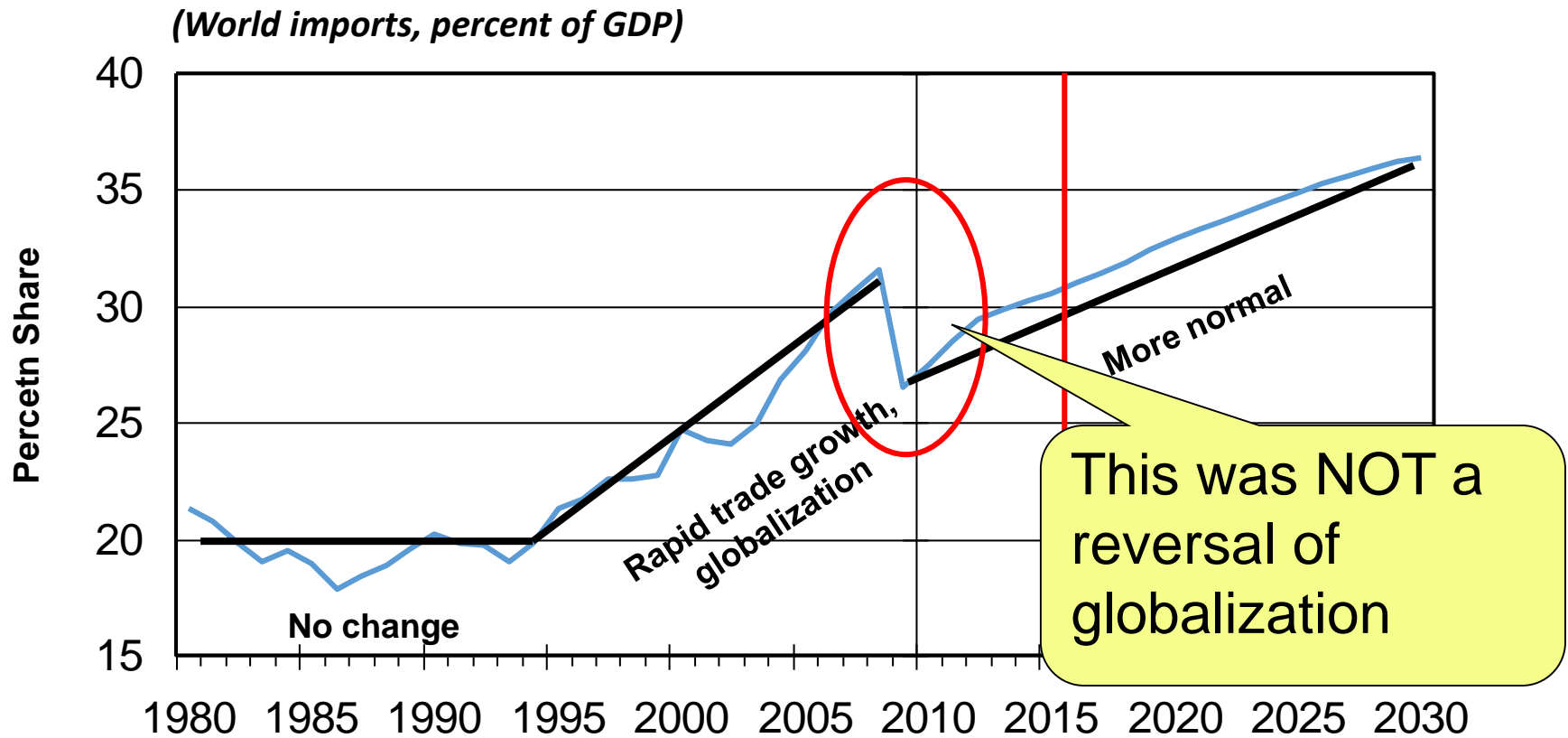
	2015	2016	2017
Real GDP (%)	3.1	3.1	3.4

*Source: Economist Intelligence Unit,
IMF July 2016 World Economic
Outlook*

- North America and Europe are pulling the train
- China exports are slowing because NA + EU are slow-moving
- Hence, exports from Latin America to China have slowed
- Asia's incomes are still very low and not big enough to fill the shoes of a slowing NA and EU
- LAM has not developed a manufacturing base and an internal consumption market – this should be a long term strategic goal for the region

Trade's share of the global economy is still climbing.

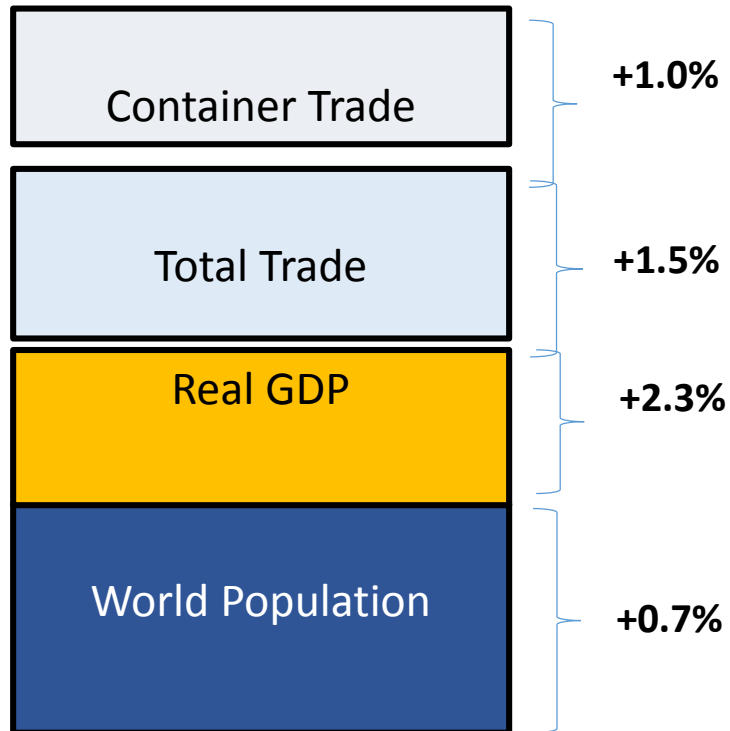
Globalization trend is *long-term* and has not reversed or stopped



Source: IHS Global Insight

TEU trade will continue to grow – but slower than before

5.5% = long term potential



But
 $\Delta\text{TEU}/\Delta\text{GDP} \neq 3X$

The new ratio is closer to 1, depending on the port's size, location, market share, willingness to invest

Sources: DUAGA

<http://www.census.gov/population/international/data/idb/worldpopgraph.php>



Closer to home, in the short term, the economic outlooks are fairly positive



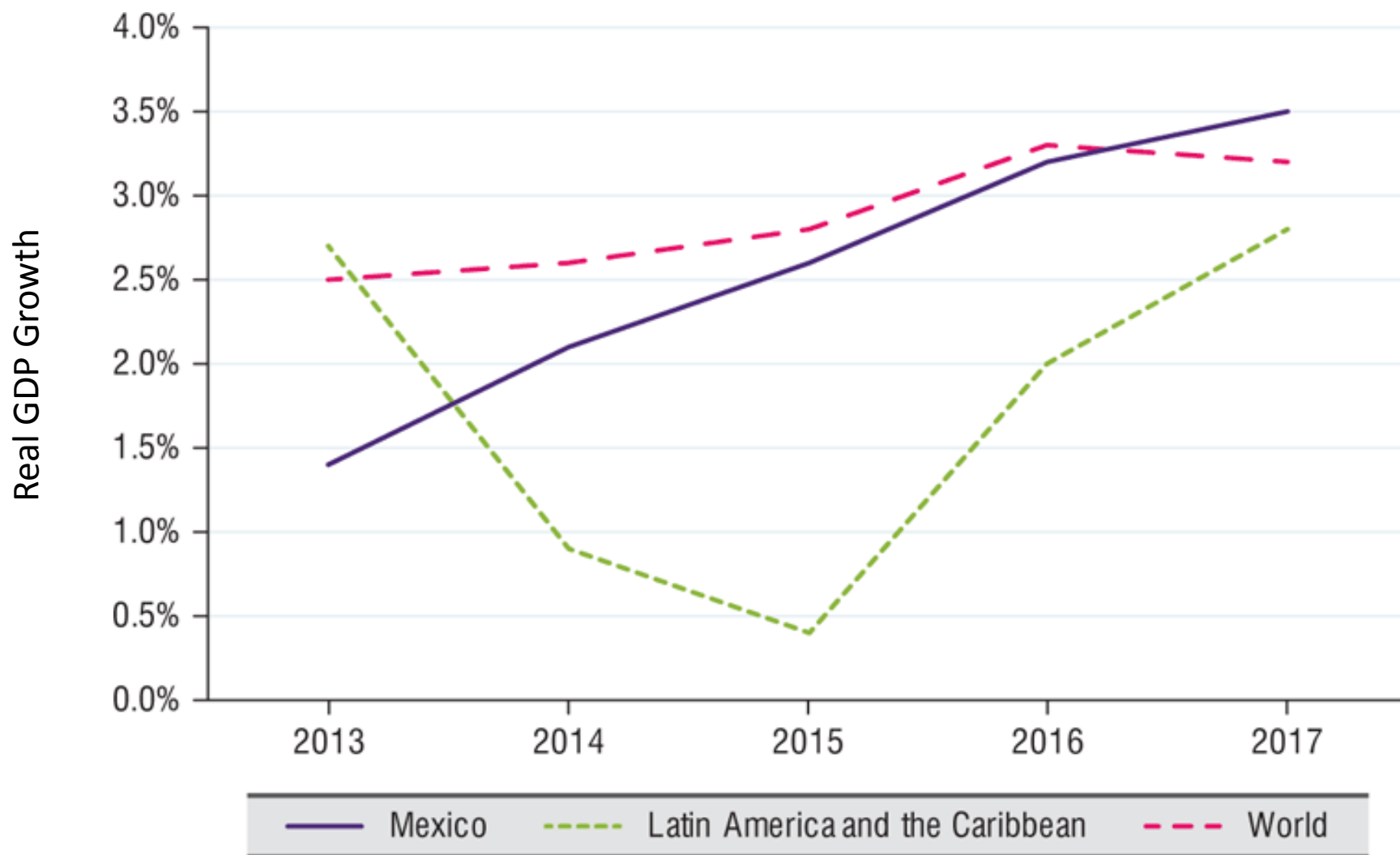
	<u>2015</u>	<u>2016</u>	<u>2017</u>
Colombia	3.1%	2.3%	2.8%
Chile	2.1%	1.7%	2.2%
Costa Rica	3.7%	3.8%	3.8%
Mexico	2.5%	2.1%	2.5%
Panamá	5.8%	5.7%	5.9%
Perú	3.3%	3.7%	4.2%
USA	2.5%	1.8%	3.0%
Canada	1.2%	1.3%	2.0%



Argentina	2.1%	-1.3%	+3.0%
Brazil	-3.8%	-3.2%	+1.0%
Venezuela	-5.7%	-10.0%	-3.0%

Fuentes: IMF July 2016, LatinFocus, TradingEconomics, BBVA, FocusEconomics, The Economist Intelligence Unit, OECD, The World Bank, The Balance

Recessions, like wars, eventually end.



Is the *Pacific Alliance* working?

OPEN TRADE

**FREE MOVEMENT
OF CAPITAL**

**FREE MOVEMENT
OF PEOPLE**

**Mexico has a lot to
teach its partners
to the south – how to
build a manufacturing
base and grow incomes**



Is the *Pacific Alliance* working?

In the last 3 years, the Pacific Alliance has accomplished more than the other free-trade efforts in the last 30 years.

Will the US join?

Probably not!

Population = 200 million
Income/capita = \$10,000
35% of LAM GDP
8th largest economy in the world



“... emerging as one of the most dynamic economic regions in the world” - IDB

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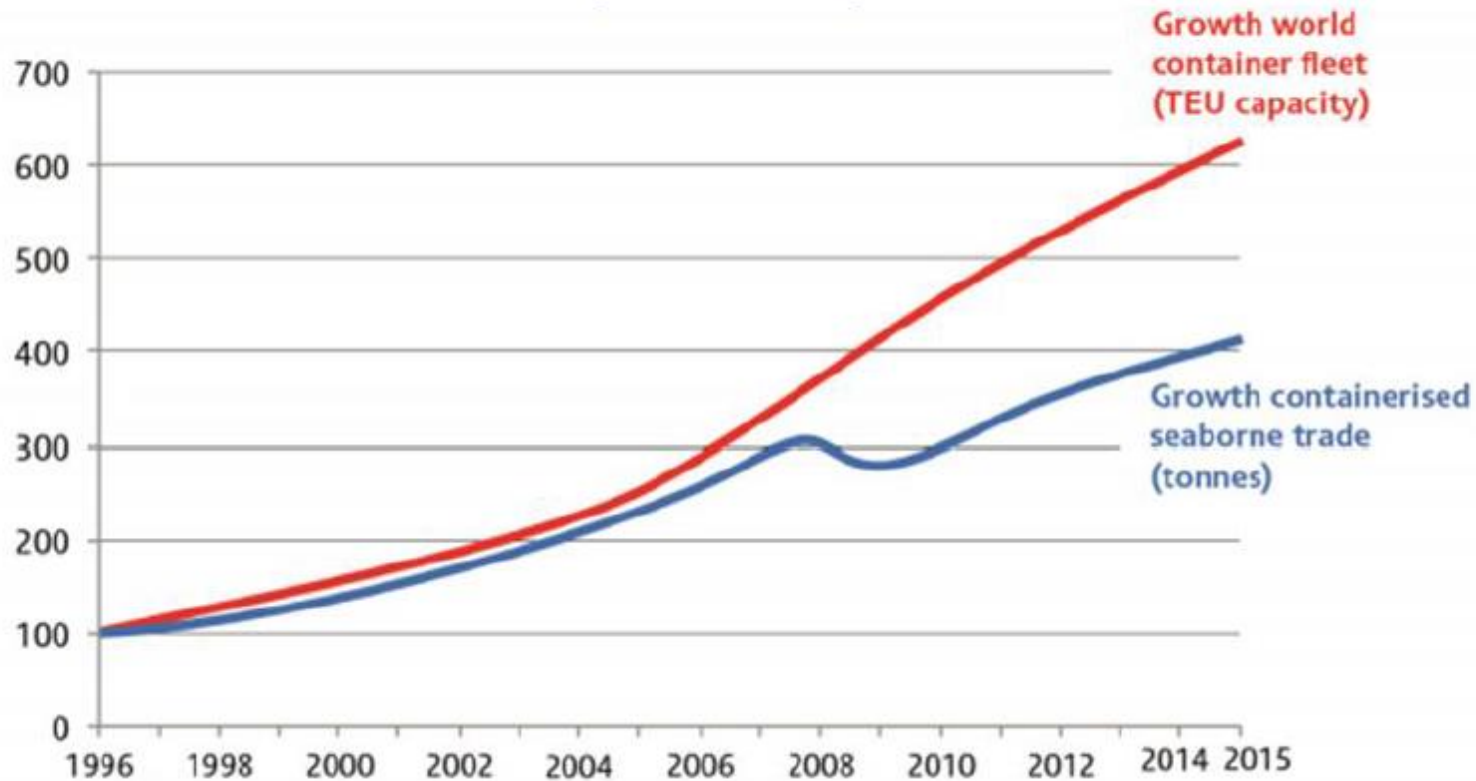
LATIN AMERICA PORTS

BIGGER SHIPS AND THE CANAL EXPANSION

TRANSSHIPMENT IS ALIVE AND WELL

Too much idle capacity

**Disconnection of container ship size developments and seaborne trade growth
(1996 – 2015)**

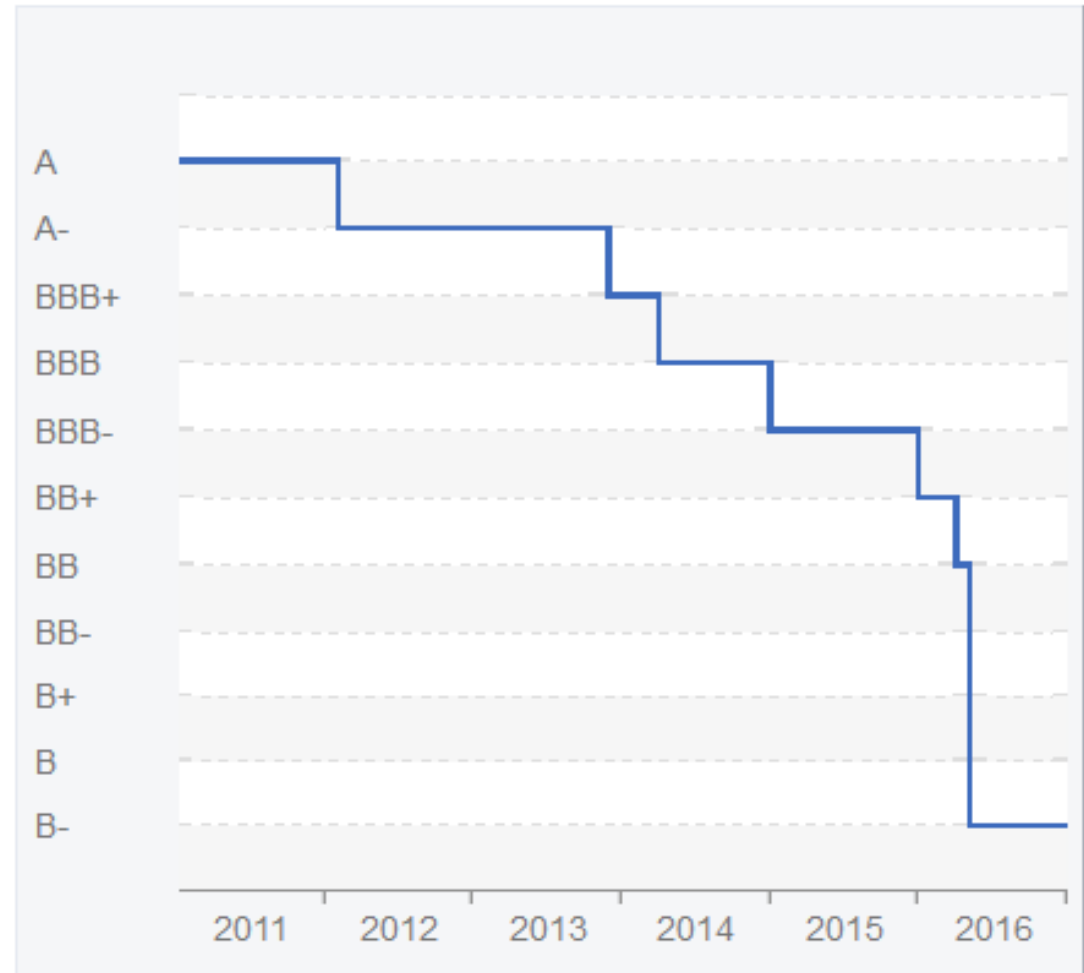


Source: International Transport Forum

Some carriers didn't make it

Hanjin Shipping -

**Corporate Bond
Credit Rating**



Source: Alphaliner Monthly, May, 2016

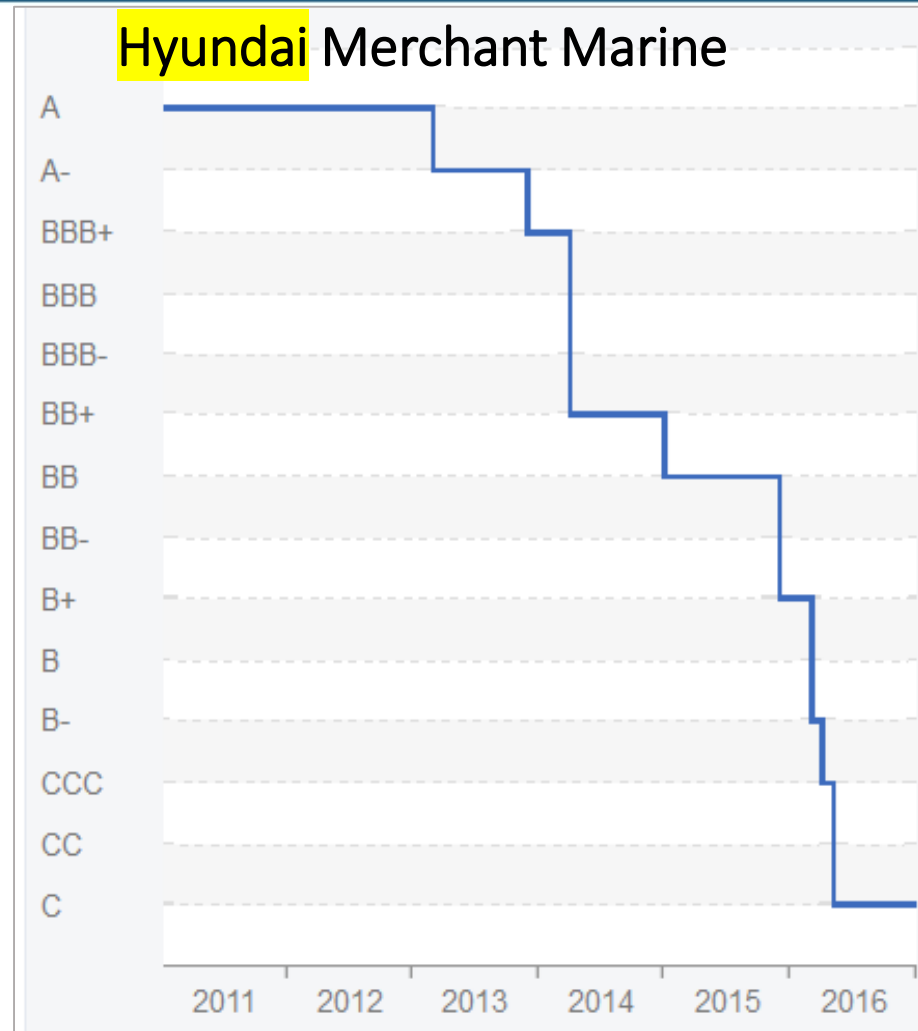
Some are buying port operations

*Long Term Unsecured
Credit Rating History*

**Financial
restructuring
was too late to
buy Hanjin**

**Now buying 25% of
Algeciras**

*Source: Alphaliner 2016, Issue 15
Ports & Shipping News, #47, 2016*

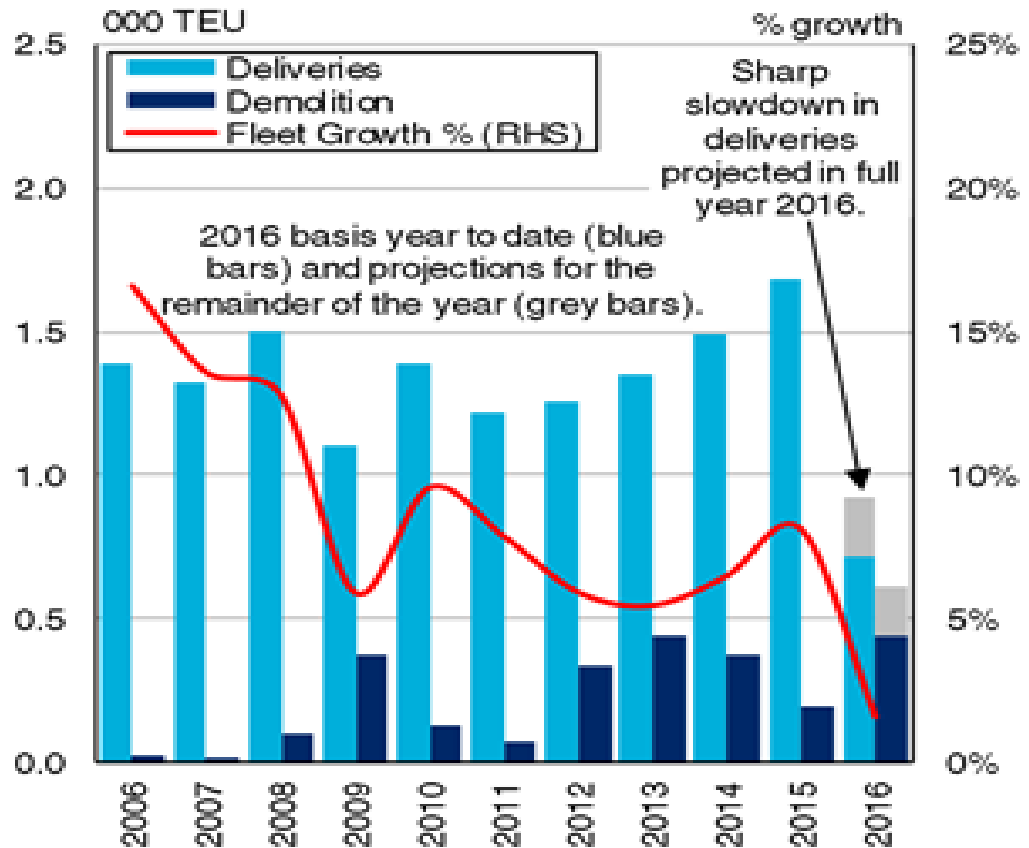


Deliveries down, scrapping up

Net new capacity in 2016 is only 1.5%

Containership Fleet Expansion Heads Into Hibernation

The blue bars on the graph show annual containership deliveries and demolition in terms of TEU (left hand axis). Blue bars for 2016 show year to date data, with projections for the remainder of the year shown by the grey areas. The red line shows annual growth in containership fleet capacity, and the current projection for growth in full year 2016.



Source : Clarksons Research

Source: Alphaliner, Clarksons Research

Looks like an oligopoly

Alliances 2017 with 5-year Commitment

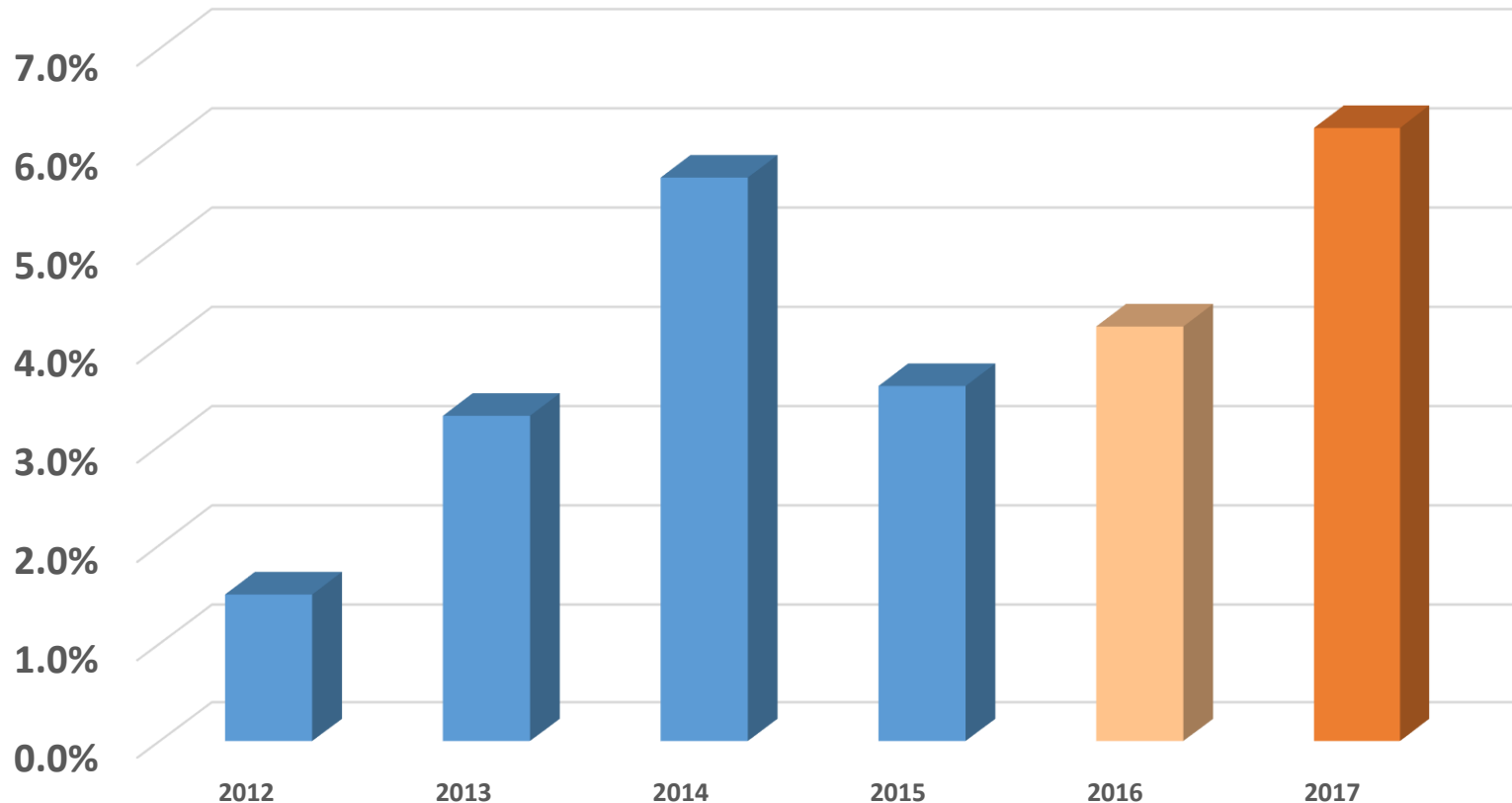
Global Share

2M	Maersk, MSC	29.8%
OCEAN	Evergreen, OOCL, CMA CGM, COSCON	25.5%
THE	NYK, MOL, K-Line, Hapag-Lloyd (UASC), Yangming, Hanjin	15.7%

Source: Alphaliner, DUAGA

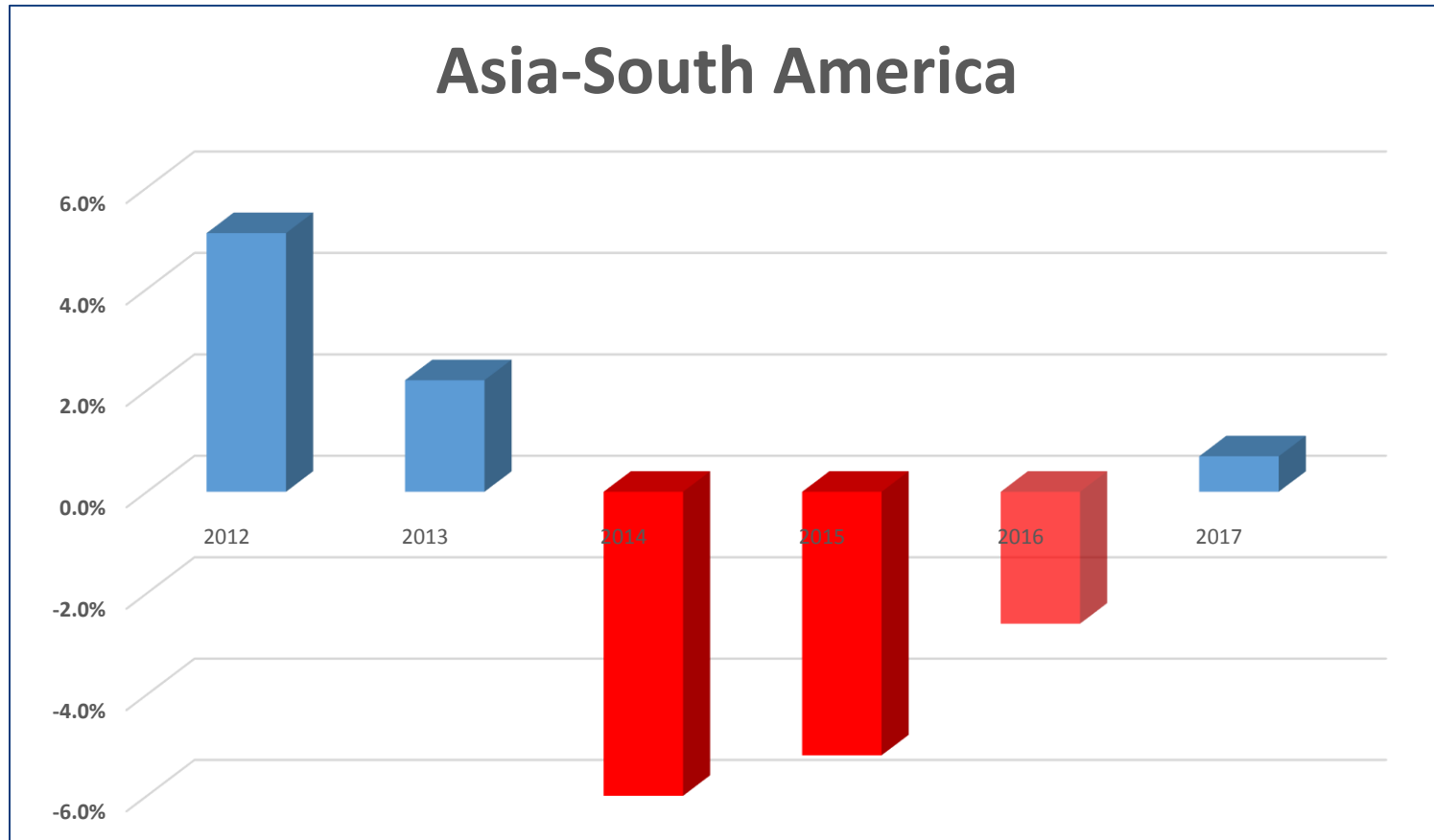
Sign of life on the Transpacific!

Transpacific Annual Container Growth



Source: JOC Container Outlook

The “pivot” to Asia is already underway



Source: IHS World Trade Service

Topics

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LATIN AMERICA PORTS

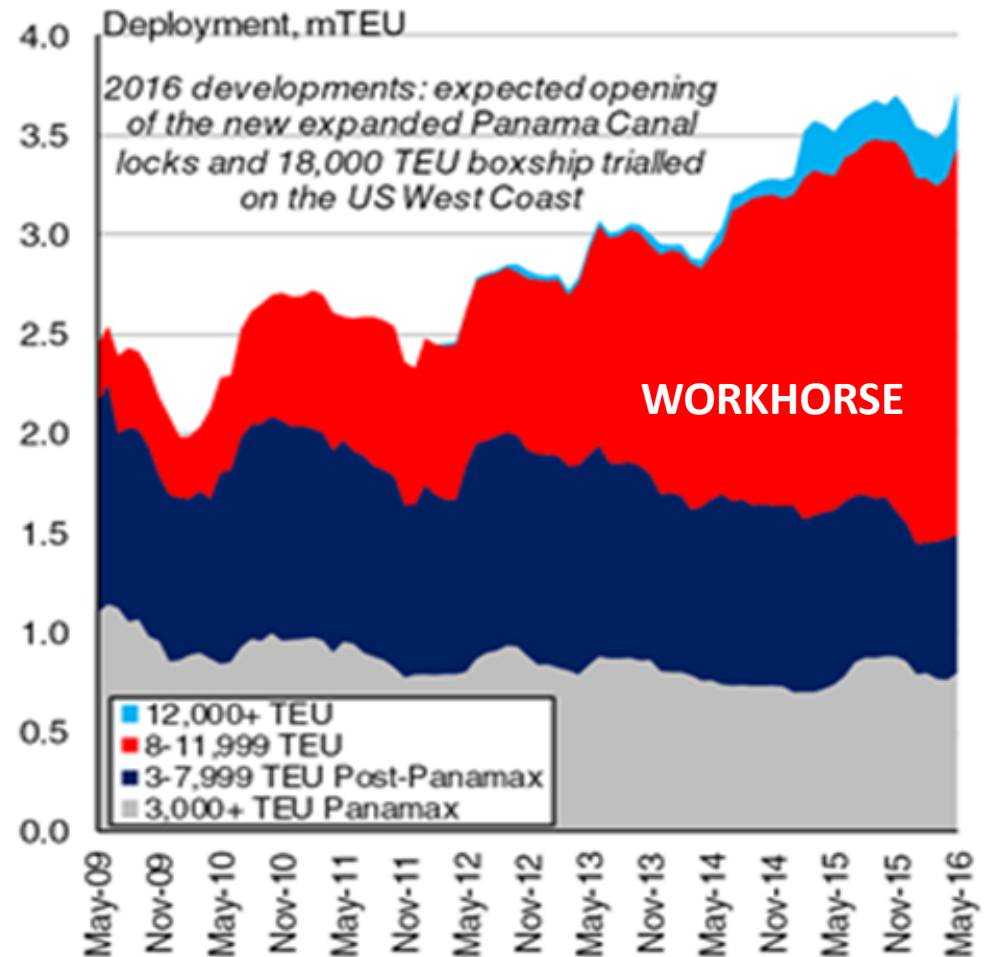


BIGGER SHIPS AND THE CANAL EXPANSION

TRANSSHIPMENT IS ALIVE AND WELL

We are starting to see upsizing on the Transpacific

- Used to be just Asia-Europe
- Effect of the Canal expansion
- Maersk expanding its service
 - Direct calls to Chile
- Buenaventura has received a 13,000 TEU ship (MSC)

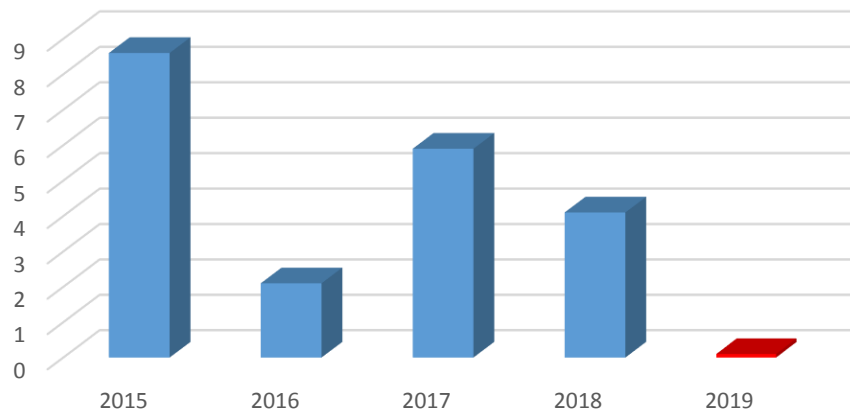


Source: Alphaliner, May 2016, Clarksons Research

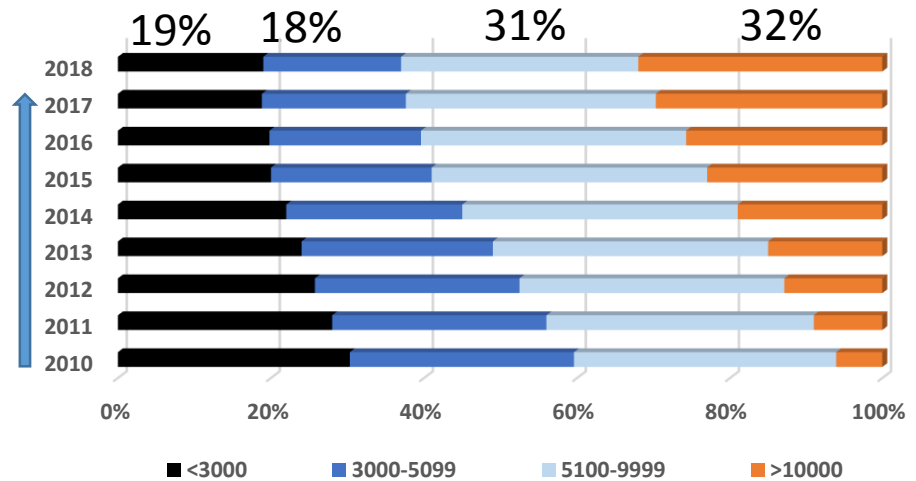
The fleet size is slowing, while ships get bigger and bigger

- 63% of the fleet capacity is in Neopanamax ships (>5,100 TEUs)
- Panamax ships of only 10 years are being scrapped

Annual Growth of the
Container Fleet



Fleet Composition by Size



- In 2018, the average vessel will be 4,111 TEU

Source: Alphaliner Monthly Monitor 2016 10

13,000 TEU ship calls Buenaventura

MSC Trieste

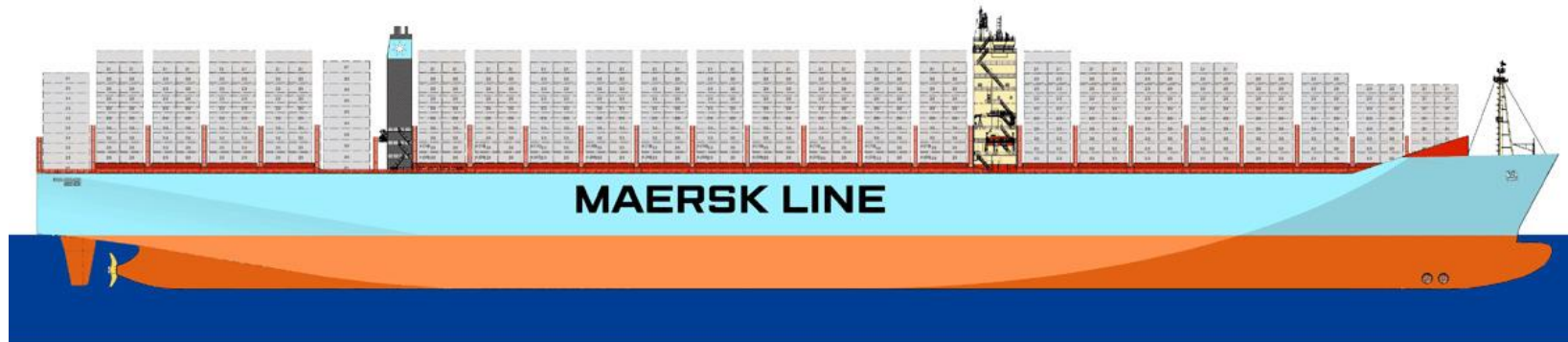
Photo © Aleks Lindström 2013



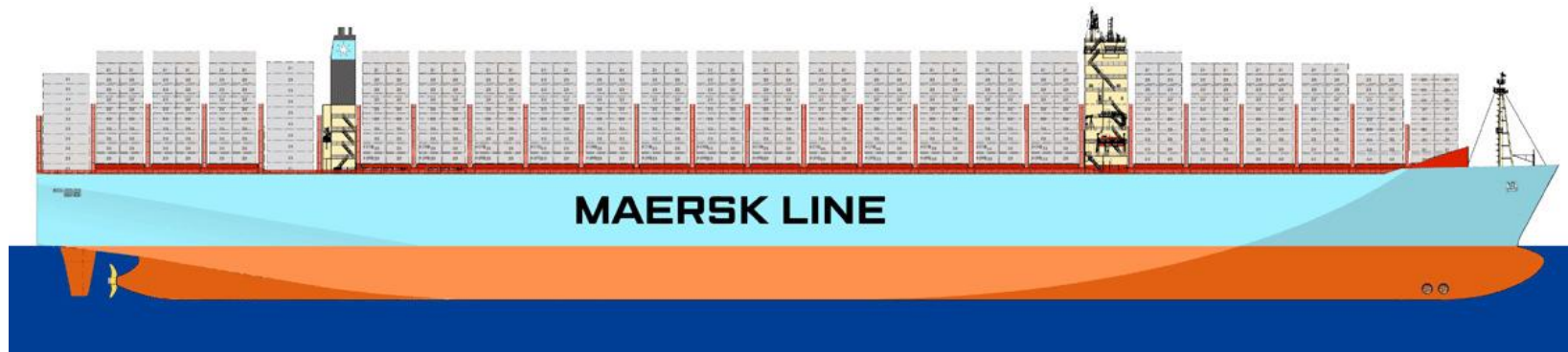
<http://www.shipspotting.com/gallery/photo.php?lid=1926676>

Maersk is building 11 new ships at 20,000 TEUs each

EEE



EEE-Mk-2



Alphliner Newsletter 45 2016

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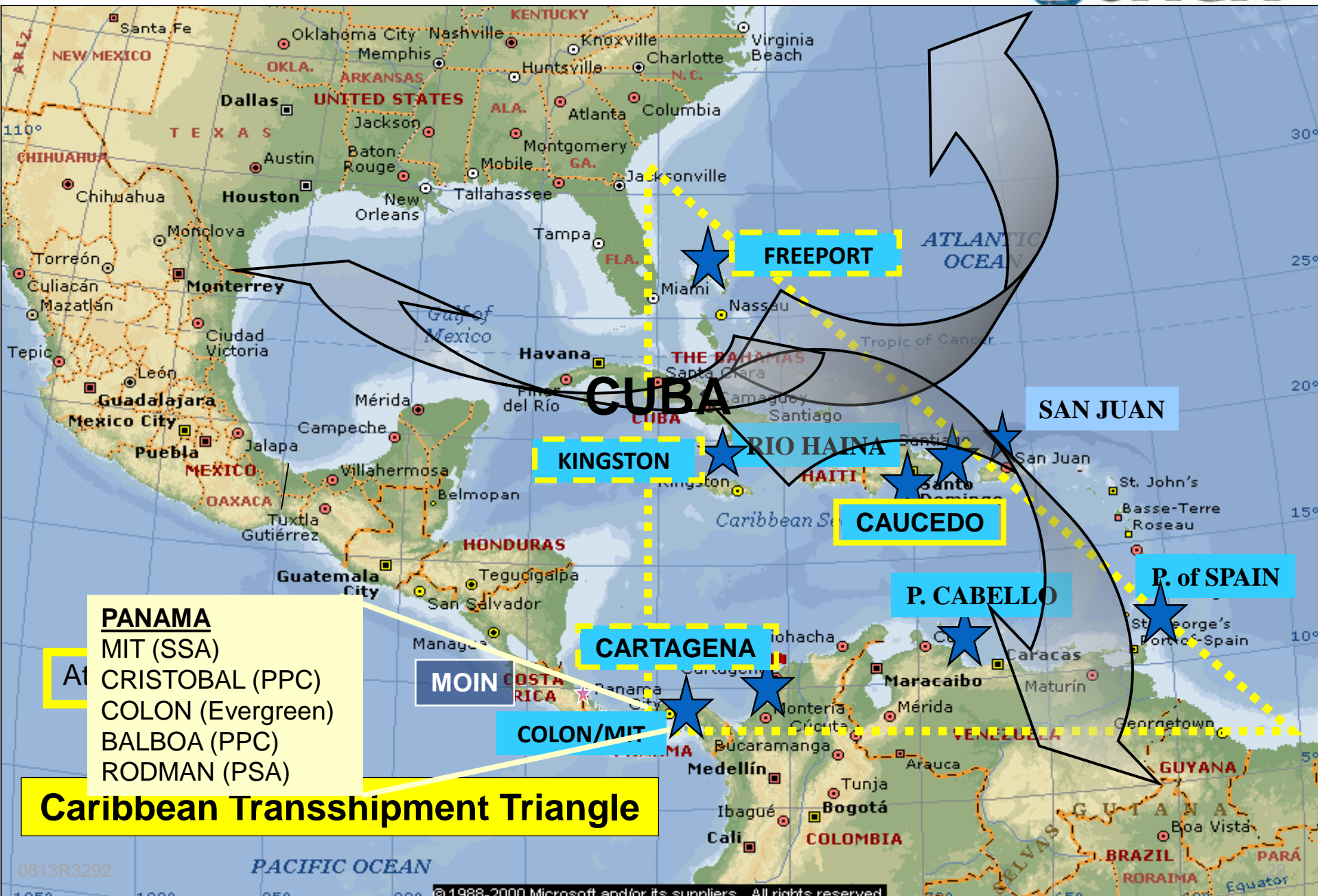
LATIN AMERICA PORTS

BIGGER SHIPS AND THE CANAL EXPANSION

TRANSSHIPMENT IS ALIVE AND WELL

The best transshipment options are now becoming clear

DUAGA



Another transshipment triangle is forming - Pacific



But the solution to the low rates is clear

Cut capacity!!!!

Example

Asia-ECSA capacity has been cut by 40%
Rates have soared!

Good news for the future

New shipbuilding is down (only 71 new ships in Q1 2016)

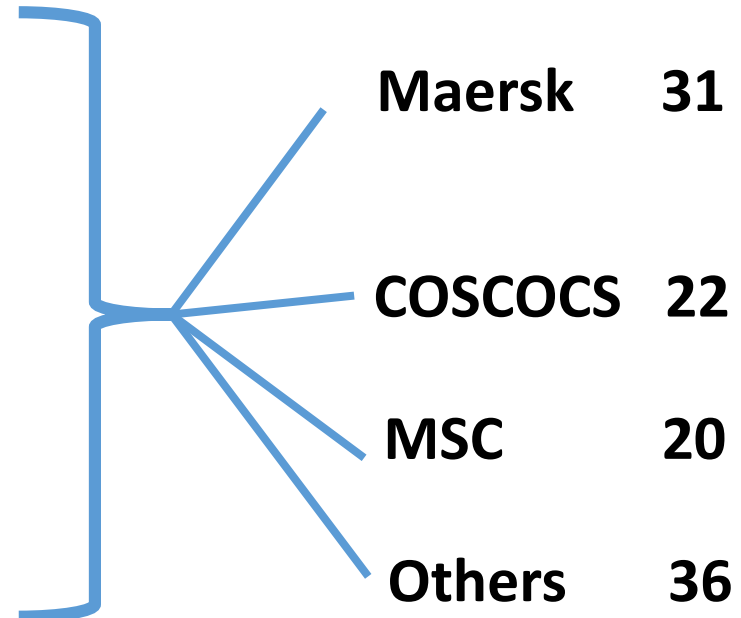
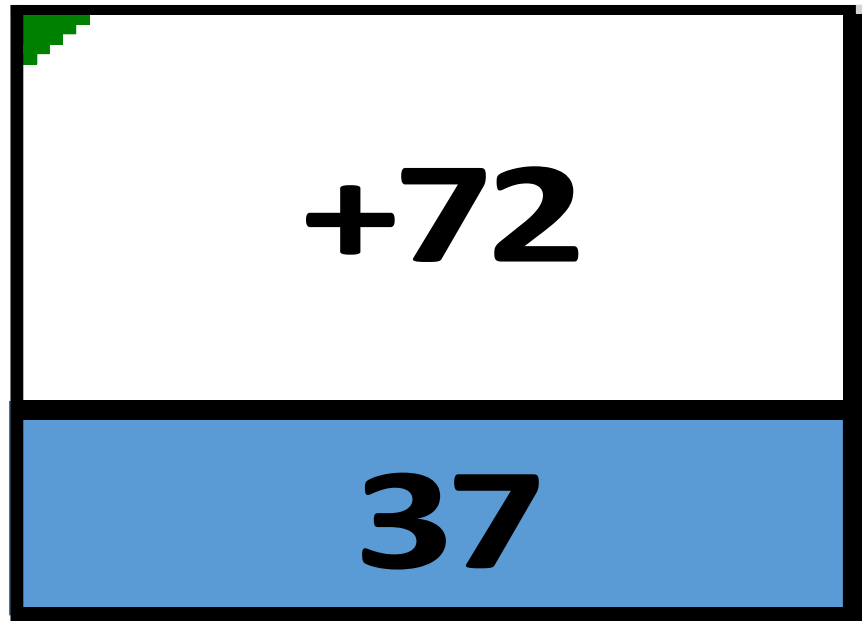
Source: BIMCO "The Road to Recovery"

Mega Ships - Who will dominate?

Ships 18,000 – 21,000 TEUs

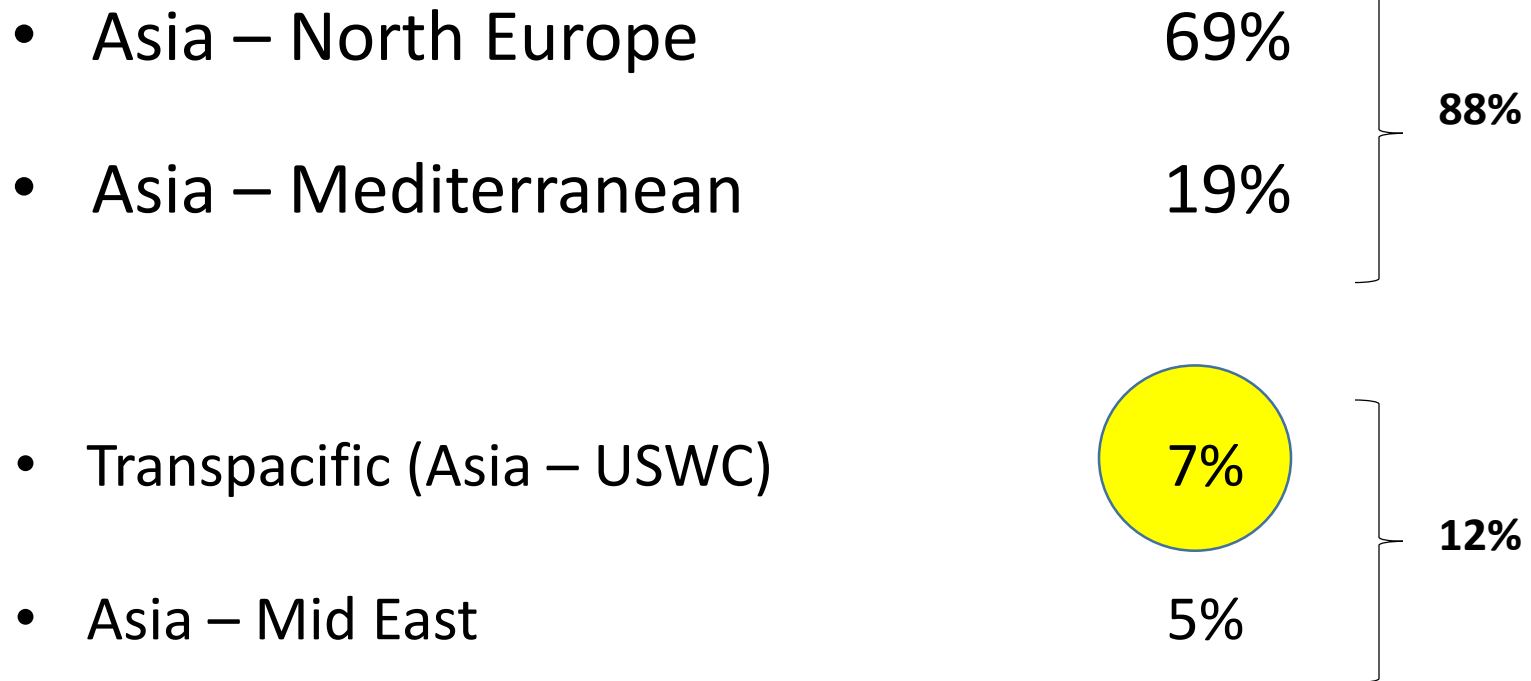
2020

Current and on order for 2020



Source: The Loadstar & Alphaliner Monthly,, May 2016

The mega-ships are for -



Source: Drewry, 2015

- **Shippers used to spread their risk**
 - Multiple ships
 - Multiple shipping lines
 - Multiple ports
- **Now, the risks are greater**
 - FEWER lines, ships, and ports (but bigger ones)



- Don't be afraid to invest
- Pay attention to your property and the hinterland – where the \$value is
- Latin America - build more manufacturing strength, and export higher value products
- Ports are the key to regional integration