Southampton SOLENT University

Global Maritime Weekly Digest

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The ***Global Maritime Weekly Digest****, based at* ***Southampton SOLENT University****, provides a regular flow of maritime news and analysis, of significance in a global context.*
Topics covered include shipping fleets and management, seaborne trade, ports, shipbuilding, ship recycling, maritime policy and regulations, and seafarers' labour.

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- Expansion of the ***world merchant ship fleet*** (tankers, bulk carriers, container ships and other vessels) continued in 2016 (item 1), despite chronic over-capacity in several sectors.
- However, the fleet ***growth rate slowed*** to three percent according to Clarksons Research data, after averaging almost twice that percentage annually in the previous decade.
- Global maritime activities have witnessed ***China's powerful rise*** in the twenty-first century to today's place among the leading players. However, is this influential position as supreme as some commentators suggest it is? A note (item 2) by the GMWD editor explores the arguments.
- Among ***notable achievements***, China has become the world's third largest shipowning country and the largest shipbuilder (by volume), while investing heavily in ports around the world and extending its naval defence forces. A recent Financial Times investigation asserted that these features amount to 'ruling the waves' (globally), but that seems to be an exaggeration.
- Two news bulletins about ***seafarers' issues*** (items 5 and 6) cover financial security for seafarers and a new platform for legal research on aspects of human rights at sea.
- The global economic growth outlook is overshadowed by ***trade protectionism fears***, according to a new poll of economists (item 7), among changes which could disrupt recovery progress.

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(1) Clarksons Research, 20 January 2017

In The Middle Of A (Supply) Chain Reaction?

In 2016 the shipping industry saw significant supply side adjustments in reaction to continued market pressures. For shipbuilders this meant a historically low level of newbuild demand with fewer than 500 orders reported in 2016, and the volume of tonnage on order declined sharply. Meanwhile, higher levels of delivery slippage and strong demolition saw fleet growth fall to its lowest level in over a decade.

Pressure Building Up
2016 was an extremely challenging year for the shipbuilding industry. Contracting activity fell to its lowest level in over 20 years with just 480 orders reported, down 71% year-on-year. Domestic ordering proved important for many builder nations and 68% of orders in dwt terms reported at the top three shipbuilding nations were placed by domestic owners last year. Despite a 6% decline in newbuild price levels over 2016, few owners were tempted to order new ships, especially with the secondhand market offering ‘attractive’ opportunities. Only 48 bulkers and 46 offshore units were reported contracted globally last year, both record lows, and tanker and boxship ordering was limited. As a result, just 126 yards were reported to have won an order (1,000+ GT) in 2016, over 100 yards fewer than in 2015.

A Spot Of Relief
However, a record level of cruise ship and ferry ordering provided some positivity in 2016. Combined, these ship sectors accounted for 52% of last year’s $33.5bn estimated contract investment. European shipyards were clear beneficiaries, taking 3.4m CGT of orders in 2016, the second largest volume of orders behind Chinese shipbuilders’ 4.0m CGT. Year-on-year, contracting at European yards increased 31% in 2016 in terms of CGT while yards in China, Korea and Japan saw contract volumes fall by up to 90% year-on-year.

Further Down The Chain
In light of such weak ordering activity, the global orderbook declined by 29% over the course of 2016, reaching a 12 year low of 223.3m dwt at the start of January 2017. This is equivalent to 12% of the current world fleet. The number of yards reported to have a vessel of 1,000 GT or above on order has fallen from 931 yards back at the start of 2009 to a current total of 372 shipbuilders.

Final Link In The Chain
Adjustments to the supply side in response to challenging market conditions in 2016 have also been reflected in a slower pace of fleet growth. The world fleet currently totals 1,861.9m dwt, over 50% larger than at the start of 2009, but its growth rate slowed to 3.1% year-on-year in 2016. This compares to a CAGR of 5.9% between 2007 and 2016 and is the lowest pace of fleet expansion in over a decade. A significant uptick in the ‘non-delivery’ of the scheduled start year orderbook in 2016, rising to 41% in dwt terms, saw shipyard deliveries remain steady year-on-year at a reported 100.0m dwt. Further, strong demolition activity helped curb fleet growth in 2016 with 44.2m dwt reported sold for recycling, an increase of 14% year-on-year.

End Of The Chain?
So it seems that the ‘market mechanism’ has finally been kicking into action. A more modest pace of supply growth might be welcome news to the shipping industry but further down the chain shipbuilders are suffering. Contracting levels plummeted in 2016 and the orderbook is now significantly smaller. Even with the ongoing reductions in yard capacity, shipbuilders worldwide remain under severe pressure and will certainly be hoping for a more helpful reaction in 2017.

(detailed table on next page)

2016 At A Glance

	2015	2016	+/- %
1. Contracting, No.			
Tankers	534	127	-76.2%
Bulkers	357	48	-86.6%
Containerships	250	76	-69.6%
Gas Carriers	107	22	-79.4%
Offshore	169	46	-72.8%
Other	248	161	-35.1%
Total (No.)	1,665	480	-71.2%
Total ($bn, estimated)	90.0	33.5	-62.8%
2. Contracting by Builder Country, m CGT			
China	11.9	4.0	-66.4%
South Korea	10.7	1.8	-83.2%
Japan	12.2	1.3	-89.3%
Europe	2.6	3.4	30.8%
*Global Total**	39.6	11.2	-71.7%
3. Deliveries, m dwt			
Tankers	19.3	33.1	71.5%
Bulkers	49.3	47.2	-4.3%
Containerships	18.9	10.1	-46.6%
Gas Carriers	5.1	5.7	11.8%
Other	4.1	3.8	-7.3%
Total	96.7	100.0	3.4%
4. Orderbook, m dwt, end year			
Tankers	105.2	76.6	-27.2%
Bulkers	131.5	85.6	-34.9%
Containerships	44.9	36.1	-19.6%
Gas Carriers	19.5	14.2	-27.2%
Other	13.8	10.9	-21.0%
Total	314.9	223.3	-29.1%
5. Demolition, m dwt			
Tankers	2.4	2.6	8.3%
Bulkers	30.5	28.9	-5.2%
Containerships	2.8	8.8	214.3%
Other	3.1	3.9	25.8%
Total	38.9	44.2	13.6%
6. Fleet, m dwt, end year			
Tankers	547.1	578.1	5.7%
Bulkers	776.5	794.0	2.3%
Containerships	244.3	245.6	0.5%
Gas Carriers	54.6	59.8	9.5%
Total Cargo Fleet	1,717.6	1,772.2	3.2%
Total World Fleet	1,805.3	1,861.9	3.1%
7. Fleet by Owner Country/Region, m dwt, end year			
Greece	326.4	344.0	5.4%
Germany	122.8	115.3	-6.1%
*Total Europe**	794.6	814.9	2.6%
China	210.0	222.9	6.1%
Japan	249.6	247.5	-0.8%
*Total Asia**	746.8	770.9	3.2%
8. Price Trends (end year), Sale & Purchase Market			
Newbuilding Price Index	131	123	-6.1%
Secondhand Price Index	93	75	-19.4%
No. of Sales	1,367	1,279	-6.4%
Reported Sales Value ($bn)	23.7	12.4	-47.7%
India Scrap Price, Bulker ($/ldt)	282	290	2.8%

*Figures subject to revision. *Includes other countries.*

Source: Clarksons

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(2) Note for ***SOLENT Global Maritime Weekly Digest*** by Richard Scott, GMWD editor

'How China Rules the Waves' (https://ig.ft.com/sites/china-ports/)

This major *Financial Times* feature article was published recently (13 January 2017). The title is evocative of the historical period when Great Britain and its Royal Navy, in the era of Empire, 'ruled the waves' (in the well-known words of a patriotic song) as a global hegemonic power, through naval and merchant ship fleet supremacy.

But the title's inference is not entirely supported by the evidence presented in the article, which is in any case incomplete, with substantial omissions. Perhaps the title is meant 'tongue in cheek', implying not to be interpreted literally. Perhaps it is more of an attention-grabbing device.

Whatever the explanation for the choice of headline, this article does strongly argue that the Chinese authorities' aim is to tightly control supply routes, especially maritime trade channels, using military (naval) forces as well as commercial influences. The investigation is based on some detailed research by the FT, drawing on a number of sources including Lloyd's List Intelligence, Drewry Shipping Consultants, academic research on port investment by King's College, London, the International Institute for Strategic Studies, and Stockholm International Peace Research Institute.

A powerful rise and its consequences

As we know and have observed over several years, China has been investing heavily in projects which have a role in influencing and protecting maritime supply routes, and creating alternative routes. These will enable a greater degree of control to be exercised. Such motivation would appear to be a sound precautionary approach, when there are still significant political differences among countries which could potentially disrupt trade movements. It does not seem controversial to suggest that protecting maritime rights and interests is a legitimate concern for any nation.

Over a relatively short period in the twenty-first century, China has become greatly dependent on foreign suppliers. Although not mentioned in the FT article, as an importer the country is now the world's largest, after massive growth in the past one and a half decades. Annual imports of cargoes (dry bulk commodities, oil, liquefied gas, container shipments and other cargoes) total about one-fifth of all global seaborne trade, up from about one-twentieth in the early 2000s. Raw materials and energy imports are enormous. As an exporter, chiefly of manufactures carried in containers, China is also a major trade player. A rationale for securing these maritime trade movements can be justified.

Heavy investing: ports and shipping

The FT investigation asserts that 'Beijing has spent at least $45bn since the start of the decade in expanding its (global) ports and shipping network to secure sea lanes and establish itself as a maritime superpower'. Extensive port investment is well documented. But other assertions in the FT article are more open to question. It is declared that 'its (China's) shipping companies carry more cargo than those of any other nation', and 'Beijing's shipping companies deliver more containers than those from any other country'. Also, 'China's container shipping lines eclipse those of any other country'. It can be shown that all of those last three statements are not correct; these are exaggerations.

Some parts of the FT analysis are less contentious. One suggestion is that 'in terms of container ports, China already rules the waves'. As at twelve months ago, nearly two-thirds of the world's top fifty container ports apparently had some degree of Chinese investment. The $45bn figure mentioned is actually the total of all recorded investment deals, completed or announced, involving at least 40 ports.

Another aspect is fishing. The article states that 'rounding out a picture of China's merchant navy dominance is the country's fishing fleet, which is by far the largest in the world'.

We may, perhaps, conclude that it is not altogether clear how either of these activities – global port investments (many probably minority ownership participation) and the Chinese fishing fleet – contribute to global maritime dominance. In some cases, however, there is clear potential for port investments to have a secondary role enabling Chinese defence facilities to be established.

The new port of Gwadar in Pakistan, adjacent to oil supply routes from the Arabian Gulf, is highlighted in the FT article. This port is part of a major element in China's One Belt One Road (OBOR) strategic grand plan to boost trade. Gwadar is wholly-owned and operated, and was built and financed by China. It may in the future have a partial function as a naval base. But in many other cases it seems highly unlikely that investments in commercial ports will lead to permanent or substantial naval bases being incorporated. Numerous locations and port features are simply unsuitable for defence purposes.

A missing piece of the jigsaw

One notable major omission from the FT's investigation is any mention of investment by China-owned shipping companies in bulk carriers and tankers, the relevance of which seems to have been overlooked. Purchases of these vessels, both newbuildings and second-hand, have increased greatly in recent years. Although many ships have exited the fleet, either scrapped or sold to non-Chinese buyers, the China-owned fleet's carrying capacity has increased greatly, including 7% increases in both 2015 and 2016. A massive orderbook of new ships has been placed by these companies, implying that this fleet is likely to continue growing rapidly in the years ahead.

Despite its rapid expansion, the China-owned merchant ship fleet remains, as it has been for some years, at number three position among the world's largest shipowning countries. As measured by gross tonnage, the fleets of Greece (number one) and Japan (second) are much larger. The fleet owned by Greeks is almost double the size of China's tonnage

China *influences* the waves.

The FT article provides a useful stimulus for reviewing and discussing China's maritime role and rise, and clear signs of further enlargement. But, based on a more rigorous and complete analysis, we may reach a different conclusion to that inferred by the title and content. The article does not add up to a convincing argument for the principal assertion that China 'rules the waves' of the global maritime scene. That contention seems to be an exaggeration of China's increasingly powerful influence. .

Richard Scott, 22 January 2017

Difficulty locating the FT article of 13 January 2017? Please contact the GMWD editor

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(3) Hellenic Shipping News, 18 January 2017/ World Economic Forum

President Xi Jinping: Don't Blame Economic Globalization for the World's Problems

Chinese President Xi Jinping delivered a robust defence of globalization to business, government and civil society leaders in the opening plenary session of the 47th World Economic Forum Annual Meeting. China, Xi said, is committed to fulfilling its international responsibilities and contributing to addressing

pressing global challenges, including climate change, the need for new drivers of economic growth and creating jobs in the face of the emerging technologies of the Fourth Industrial Revolution.
‘Many of the problems troubling the world are not caused by economic globalization,’ Xi pointed out, citing the global refugee crisis as an example. ‘There is no point in blaming economic globalization for the world’s problems, as that is not the case and will not help with solving the problems,’ he said.
But, Xi warned, ‘We should recognize that economic globalization is a double-edged sword. The pitfalls of economic globalization have been laid bare and we need to take these seriously.’ He added: ‘Nothing is perfect in the world. It is true that economic globalization has created new problems. But this is no justification to write off economic globalization altogether.’ Xi recalled that China had at first doubted the wisdom of joining the World Trade Organization, but had bravely gone ahead with membership and determined that it was the right strategic choice. ‘If one is always afraid of the bracing storm, one will get drowned in the ocean sooner or later,’ he said.
Xi called for efforts to rebalance economic globalization so that all people share in its benefits. This will require more effective international cooperation and new models of global governance, bold action and a commitment to avoid protectionism. ‘We should not develop the habit of retreating to the harbour whenever encountering a storm.’ Referring to the threat of protectionism, he predicted that ‘nobody will emerge as a winner in a trade war.’
President Xi also stressed that China will continue its economic reforms and opening up, and will maintain its high level of economic growth while pursuing sustainable development. ‘We know only too well that there is no such thing as a free lunch in the world and that no pie will fall from the sky.’
Reacting to Xi’s speech, Klaus Schwab, the World Economic Forum’s Founder and Executive Chairman, told participants that it is crucial that globalization leads to a fair, innovative, open and inclusive world. ‘We cannot go back to old policies,’ he said. ‘We cannot take recipes which may have worked in the old world but are not working anymore in the new world.’
Earlier, in welcoming remarks, Doris Leuthard, President of the Swiss Confederation 2017 and Federal Councillor of the Environment, Transport, Energy and Communications of Switzerland, warned that nationalism and protectionism, as well as the rise of extremism and conflict, are gaining and challenging the cohesion of the international community. ‘Each of these problems leads us to perceive the world as more fragile – and the insecurity is spreading.’
With the turbulence created by the Fourth Industrial Revolution, Leuthard advised: ‘Digitization must be democratized, just as knowledge was democratized when the printing press was invented.’ She underscored the importance of investing in education. ‘We need to have responsive and responsible leadership to draw the right conclusions and make the right decisions,’ She concluded. ‘To achieve this, we have to rid ourselves of the idea that there is a global solution to these problems. There is never going to be a one-size-fits-all solution.’
The 47th World Economic Forum Annual Meeting is taking place on 17-20 January in Davos-Klosters, Switzerland, under the theme Responsive and Responsible Leadership. More than 3,000 participants from nearly 100 countries are participating in over 400 sessions.
Source: World Economic Forum
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(4) IMO, 18 January 2017

Connecting ships, ports and people theme launched by IMO Secretary-General

The importance of coherent and connected development across all maritime sectors will feature strongly in IMO’s work this year, as the Organization focuses on its World Maritime Day theme “Connecting ships, ports and people”
.
The theme for 2017 was launched by IMO Secretary-General Lim during a visit to Felixstowe, the busiest container port in the United Kingdom.

"Throughout the year, we will highlight the importance of 'joined-up' maritime development across all sectors, both from a policy and a practical perspective. The benefits of a free and efficient flow of goods and trade extend far beyond the ships and ports themselves," Mr. Lim said.
"As a UN agency, IMO has a strong commitment to helping achieve the aims of the Sustainable Development Goals. Shipping and ports can play a significant role in helping to create conditions for increased employment, prosperity and stability through promoting maritime trade. The port and maritime sectors can be wealth creators, both on land and at sea," Mr. Lim said.

During a tour of the port led by Mr. Clemence Cheng, Chief Executive Officer of the Port of Felixstowe and Managing Director of Hutchison Ports Europe, Mr. Lim witnessed port operations at first hand, observing the clear link between ships and ports and the people that operate them.
He also spoke to crew on board the container ship Munkebo Maersk about the significance of the World Maritime Day theme for seafarers as well as for the wider public, the people who depend on shipping for most of everything they need and want.

Mr. Lim noted that the theme for 2017 would enable IMO and the wider maritime community to shine a spotlight on the existing cooperation between ports and ships to maintain and enhance a safe, secure and efficient maritime transportation system.
"Ultimately, more efficient shipping, working in partnership with a port sector supported by governments, will be a major driver towards global stability and sustainable development for the good of all people," Mr. Lim said.
He encouraged IMO Member States and wider stakeholders in the maritime community to join in with activities and initiatives under the World Maritime Day theme for 2017: "Connecting ships, ports and people".
Source: IMO
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(5) Human Rights at Sea, 19 January 2017

Human Rights at Sea launches new Legal Research Programme focused on maritime human rights issues

Human Rights at Sea today launches its innovative Legal Research Programme as part of the expanding charitable work published through its online maritime human rights platform.
Established earlier this month, the Legal Research programme provides a free public platform for seafarers, fishers and students from around the world to showcase their academic work in tackling maritime human rights issues that are important to the charity, and that are in support of the charity's charitable objectives.

Led by the headline of: "You Choose – You Research – We Publish – We Promote", the charity will highlight the topics and areas to be researched. A topic is chosen by a person who has an interest in that area. They research that topic undertaking legal review, drafting and analysis before submission to the charity. The charity will review the submitted material and if accepted, will publish it through the Legal Research Programme platform for international dissemination and review. The author(s) will be fully credited.

David Hammond, CEO, commented: "The charity continues to heavily invest time and effort in the future development of all 'human rights at sea' subject areas and which it has explicitly pioneered since early 2014. I am further driven to provide every opportunity for professional development to all persons who wish to demonstrate their abilities of legal research, drafting and analysis on the topics that we are seeking to advocate about. Investment in people and the provision of such new opportunities to showcase individual academic effort is key to underpinning our wider charitable work."

The first five research topics are:

1. The Interplay between Human Rights & Labour Rights.
2. Effective remedies for human rights abuses at sea. What are they?
3. Can Flag States be effectively held to account for abuses under their flag administration?
4. Business and Human Rights frameworks in the maritime environment. What works?
5. How do emerging soft-law initiatives affect global maritime policy?

Source: Human Rights At Sea
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(6) IMO, 18 January 2017

IMO welcomes entry into force of financial security for seafarers

IMO Secretary-General Kitack Lim has welcomed the entry into force today (18 January) of new obligations under the Maritime Labour Convention (MLC 2006) which require shipowners to have compulsory insurance to cover abandonment of seafarers, as well as claims for death or long-term disability of seafarers. The 2014 amendments to the MLC 2006, which comes under the auspices of the International Labour Organization (ILO), are based on guidelines which were developed by a joint IMO/ILO working group, which reported to both IMO's Legal Committee and ILO's governing bodies.

"These amendments, which will provide better protection for seafarers and their families, are the fruit of successful collaboration between IMO and ILO to ensure better working conditions and better protection should things go wrong. I am very pleased to see these amendments enter into force today for the Parties to MLC 2006, all of which are also IMO Member States," Mr. Lim said.

"Seafarers make global trade possible and it is vital that we all work together to ensure their rights are protected. It has often been said that the MLC 2006 represents the fourth pillar when it comes to the most important maritime treaties as it complements the IMO treaties covering safety – the SOLAS treaty, pollution prevention – the MARPOL treaty and training of seafarers – the STCW treaty," Mr. Lim said.
The 2014 amendments to the MLC 2006 require that a certificate or other documentary evidence of financial security has to be issued by the financial security provider of the shipowner. This certificate has to be carried on board the ship.

The amendments were developed over nearly a decade of discussion in a Joint IMO/ILO Ad Hoc Expert Working Group on Liability and Compensation regarding Claims for Death, Personal Injury and Abandonment of Seafarers.

IMO's Legal Committee maintains a standing agenda item, to keep under review the provision of financial security in case of abandonment of seafarers, and shipowners' responsibilities in respect of contractual claims for personal injury to, or death of seafarers.
Source: IMO
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(7) Hellenic Shipping News, 19 January 2017/ Reuters

Global growth outlook shaky on trade protectionism fears – Reuters poll

The global economic outlook remains shaky, despite recent pockets of resilience, according to the overwhelming majority of economists polled by Reuters who said a rise in protectionist trade policies would hamper growth.

With elections due in a number of major euro zone countries, political change in the bloc was picked as a close second choice for potential disruptions to the global economic revival.

That uncertainty is heightened by the signs of a rise in nationalist sentiment worldwide, as exemplified by Britain's surprise vote last year to leave the European Union and Donald Trump's shock U.S. election victory.

Three months ago, economists overwhelmingly cited a pickup in international trade as essential for improvement in the world economy. But an expected rise in protectionist policies has dented confidence in those prospects.

This trend is reflected in most other Reuters polls over the past month on major economies, stock prices, bond yields and foreign exchange rates.

"Clearly, the geopolitical, political and economic risks facing the world are many and multifarious, and it is no easy matter to isolate those that seem most apparent to us," wrote Mike Carey, chief economist at CA-CIB in a note.

"While 2017 does not look as if it will be the 'year of living dangerously', 2018 could well be more fraught."

Reuters polls of over 500 economists across Asia, Europe and the Americas reveal downgrades, or at best no change to growth forecasts compared with previous months, as well as a weaker inflation outlook across most countries.

While the latest poll gave only a 10 percent probability of a global economic recession this year, the main difference this time is that the range of forecasts for global growth showed lower highs and lower lows.

Speculation that Trump will enact bold stimulus and reflationary measures once in office has pushed up U.S. 10-year Treasury yields by around 50 basis points since election day, lit a fire under the dollar and sent U.S. stocks to record highs.

But concerns over his stand on trade are starting to undermine investor sentiment, with the yen – considered a safety bet in uncertain times – back to its highest levels in more than five weeks.

"Maybe a home-grown U.S. wage acceleration is underway, with Trump's policies acting as a conduit to bring it all about. It's a nice thought, but we need more substance," wrote Jan Lambregts, global head of financial markets research at Rabobank.

"Trump's fiscal plans are as of yet unclear in size, focus and therefore impact. Markets are currently priced for perfection when it comes to Trump's policies. That's a lot to ask for."

Trump's posture on trade has clouded the outlook for the U.S. economy with rising risks of a trade war with China.

A strong dollar, which hit a 14-year high earlier this month and is up close to 6 percent since the U.S. election result, acts as a drag on the economy by making U.S. exports relatively more expensive as well as damping down import price inflation.

Across the Atlantic, the recent optimism that the euro zone economy is on a more robust growth path has weakened and will only be maintained if there are no major upsets in several national elections there.

While euro zone inflation in December was the highest in 3-1/2 years, the outlook for price growth remained weak. Not a single economist in the poll of more than 60 said they expected inflation to hit 2 percent this year or next.

"Despite the U.S. reflation trade, we see little underlying inflation pressure in Europe. Meaningful fiscal expansion seems unlikely and structural reform has stalled or even reversed," wrote Janet Henry, global chief economist at HSBC.

"QE is failing to lift inflation but the ECB may need to taper, if only to shift pressure back to governments."

Britain's inflation rate is expected to soar following sterling's fall since the Brexit vote. But the economy will dodge a recession this year at least as the Bank of England maintains its ultra-easy policy stance.

Emerging economies recovering

Since Trump's victory, expectations of protectionist policies have driven investors out of emerging markets. But the latest poll showed Brazil will come out of its worst recession ever this year, albeit very slowly and still leaving millions unemployed.

Despite expectations for sluggish world trade and Trump's trade policy, China – the world's second-largest economy – is forecast to grow 6.5 percent this year as the government keeps up policy support.

India, which was one of the few exceptions in emerging markets with a stable outlook, likely lost momentum in the final three months of 2016 after Prime Minister Narendra Modi's ban on high-value currency notes hurt demand and businesses.

Source: Reuters

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(8) Hellenic Shipping News, 23 January 2017/ Reuters

China's property, financial sectors' growth slower in fourth-quarter despite uptick in services

Growth in China's real estate and financial sector slowed in the fourth quarter of 2016, despite an uptick in the overall service sector that contributed to better-than-expected GDP growth in the quarter, National Bureau of Statistics (NBS) data showed on Saturday.

China reported on Friday that its economy expanded by 6.8 percent in the fourth quarter thanks to strong consumer spending and record bank lending to stimulate the economy, despite rising debt concerns.

China's services sector contributed 58.2 percent to the country's economic growth in 2016, marking a rise of 5.3 percent from a year ago, the NBS said in a notice posted on its website on Sunday. The service sector accounted for 51.6 percent of China's total gross domestic product (GDP) in 2016.

A detailed breakdown in economic growth by industry issued by the NBS showed growth in China's red-hot property market slow to 7.7 percent in the fourth quarter from 8.8 percent in the third quarter, adding to concerns that a cooling housing market would drag on economic growth.

It also highlighted a sharp slowdown in the financial sector, which decelerated from 5.8 percent growth in the July-September period to 3.8 percent in the fourth quarter.

Growth in the construction sector also slowed marginally in the fourth quarter to 5.9 percent from 6.0 percent in the third quarter, despite a rebound in market confidence with new housing starts unexpectedly rising 12.5 percent in December compared to a month ago.

Despite signs of cooling in these sectors, state-owned newspaper Economic Daily warned on Sunday that some Chinese firms with large sum of capital have shown "the dangerous tendency of overly favouring virtual industries than the real economy", looking to the property market and financial markets for quicker profits.

The overall service sector remained strong in the quarter, growing 8.3 percent compared to 7.6 percent in the third quarter.

"Other services" overtook the real estate sector to become the fastest growing segment of the economy, with growth of 10.6 percent in the fourth quarter, up from 8.8 percent in the third. Other services includes many consumer services such as media and education, but also scientific research, social services and utilities.

Growth in transportation, storage and postal services accelerated to 9.9 percent in the fourth quarter, compared to a 6.5 percent rise in the third quarter, Saturday's data showed.

The retail and wholesale sector also improved marginally to 7.2 percent for October-December from 7.0 percent in the third quarter as China's consumers kept spending.

Source: Reuters (Reporting by Yawen Chen, Elias Glenn, and Kevin Yao; Editing by Simon Cameron-Moore)

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