

SUPPLY CHAIN

Top Updates

If not here? Where? If not at all, how?

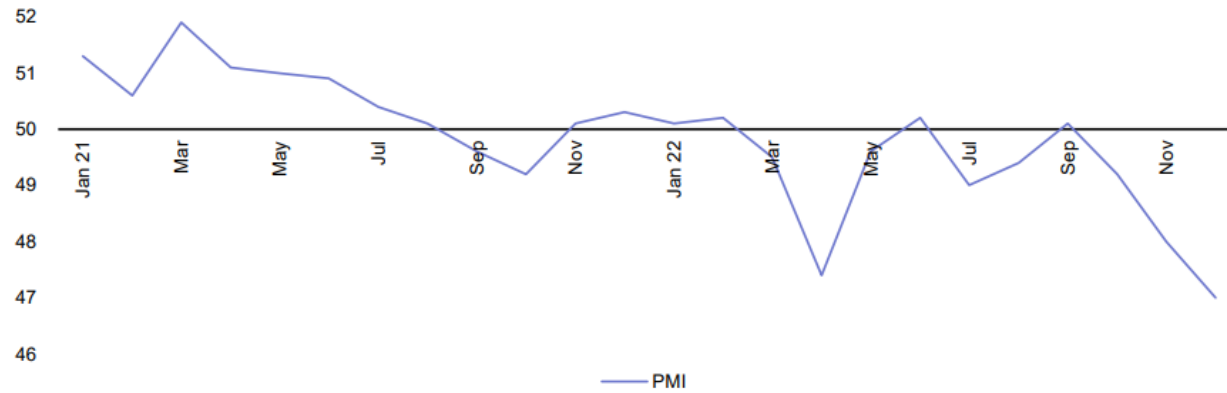
2023/3/22

Prepared by Yusen Logistics Supply Chain Solution



Yusen Logistics
Wechat Account

China PMI January 2021 to December 2022



- In Q4 2022, China's manufacturing PMI declined from 49.2 in Oct to 48.0 in Nov and 47.0 in Dec.
- The headline PMI readings have stayed in the **contractionary territory** and continue to fall.

If not here, where? If not at all, how?

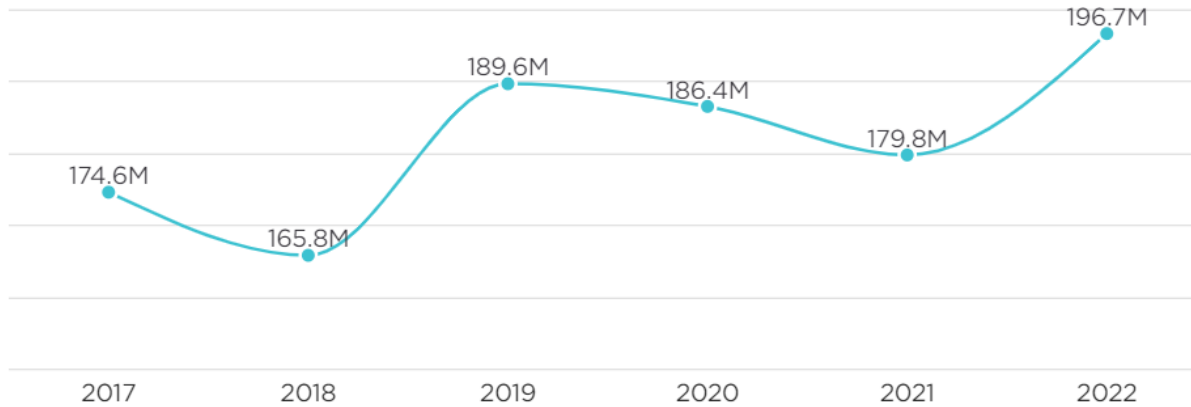
Policy outlook per China Federation of Logistics & Purchasing:

- The Chinese government will attempt to actively step-up policy support for the economy.
- The proactive fiscal policy should be stepped up for its effectiveness, with a better mix of tools including fiscal deficits, special-purpose bonds and interest subsidies, while the prudent monetary policy should be targeted and effective, with reasonable and sufficient liquidity to be maintained and stronger support from financial institutions for micro and small businesses, technology innovation and green development.

Forecasts for 1Q23 per China Federation of Logistics & Purchasing:

- Recovery in manufacturing production and economic activity from February onwards.
- Headline PMI will rebound to above 50 while real GDP growth will rise to 3.5% yoy.
- Exports will register a high single-digit year-on-year drop.

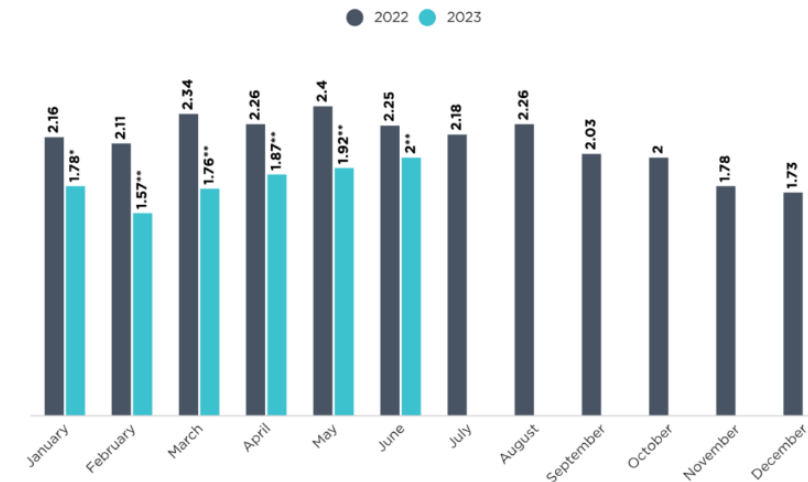
**Thanksgiving weekend
US shoppers over the years**



- **A record 196.7 million Americans shopped in stores and online** during the five-day holiday shopping period from Thanksgiving Day through Cyber Monday, the highest figure since NRF first started tracking this data in 2017.
- **Retailers saw a sizable uptick of in-store shoppers.** Brick-and-mortar shoppers up 17% from 2021 thanks to covid escapism. Online shoppers grew at a slower pace, a 2% increase over 2021.

Source: [NRF](#), Hackett Associates, [Supply Chain Quarterly](#)

**Monthly retail imports 2022-2023
(TEU Millions)**



- **Cargo imports forecast to sink near three-year low in February.**
- NRF report projected January totals will reach just 1.78 million TEU, down 17.6% yoy. **And February is forecast at 1.57 million TEU, down 25.6% yoy.** That would make February 2023 the slowest month since 1.53 million TEU in May 2020, when many factories in Asia and most U.S. stores were closed by the pandemic.
- **“In some ways, 2023 is reminiscent of 2020.** Cargo volumes are down, and the economy is in a contradiction of rising employment and wages that promise prosperity at the same time high inflation and rising interest rates threaten a recession. **The economy is far from shut down, but the degree of uncertainty is very similar.”**

REVIEW

- **The market has returned to 2018/2019 levels**, keeping the supply and demand game consistent with pre-COVID conditions and putting a spotlight on capacity.
- **US imports sink again** as wholesale inventories remain bloated.
- Xeneta suggests an increasing “normalization” of the reefer market, with spot rates from the Far East to Northern Europe now back to pre-pandemic levels.
- **Inbound capacity to the U.S. is down by around a third** from peak levels in 2021.

OUTLOOK

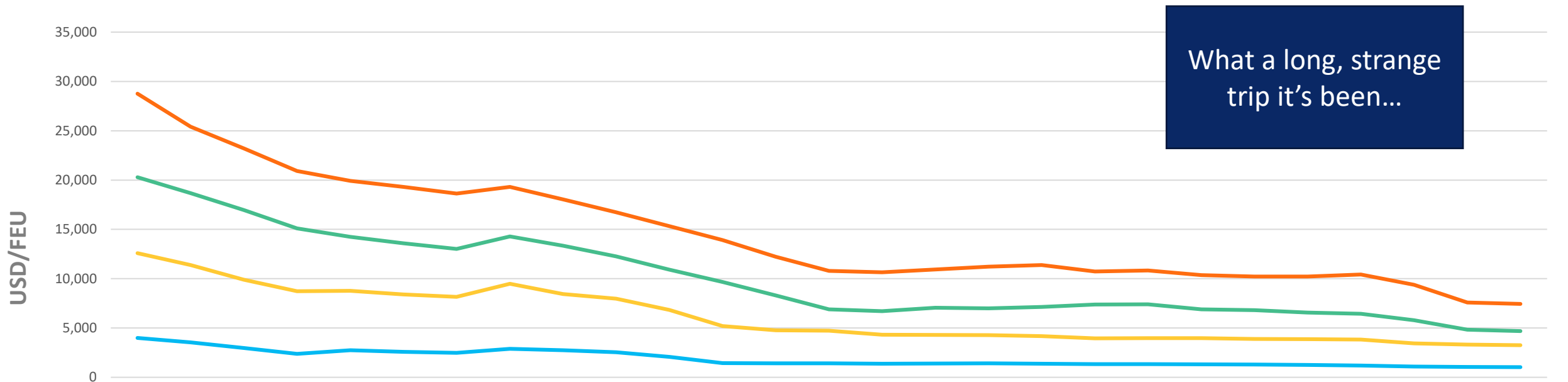
- **Container lines face a choppy outlook in the first half of 2023**, although China’s post-pandemic economic recovery and more stringent maritime environmental rules offer hope for a positive second half.
- **US imports will begin to climb in March** — after experiencing their lowest level since May 2020 last month.
- In terms of capacity, the large orderbook will manifest itself as **very high nominal fleet growth in 2023-2024** especially seen in the light of the current demand collapse.

Source: [Freightwaves-1](#), [Freightwaves-2](#), [JOC-1](#), [JOC-2](#), [Hellenic Shipping](#), [Xeneta](#), [IHSMarkit](#)





Freightos Baltic Global Container Index (FBX) in Past 6 Months



What a long, strange trip it's been...

Sep 2022

Mar 2023

	2022/9/16	2022/9/23	2022/9/30	2022/10/7	2022/10/14	10/21/2022	10/28/2023	2022/11/4	2022/11/11	2022/11/18	2022/11/25	2022/12/2	2022/12/9	2022/12/16	2022/12/23	2022/12/30	2023/1/6	2023/1/13	2023/1/20	2023/1/27	2023/2/3	2023/2/10	2023/2/17	2023/2/24	2023/3/3	2023/3/10	2023/3/17
China/East Asia to Mediterranean	8,476	6,748	6,254	5,819	5,676	5,723	5,614	5,023	4,706	4,474	4,423	4,259	3,914	3,914	3,948	3,887	4,221	4,239	3,364	3,441	3,462	3,404	3,654	3,984	3,608	2,755	2,755
China/East Asia to North Europe	7,711	7,284	7,067	6,389	5,484	5,192	4,861	4,800	4,908	4,283	4,075	4,460	3,530	2,167	2,396	2,767	2,712	2,962	3,420	3,420	2,920	2,920	2,691	2,619	2,340	1,516	1,430
China/East Asia to North America East Coast	8,597	7,835	6,943	6,355	6,026	5,824	5,678	6,586	5,698	5,441	4,763	3,770	3,368	3,299	2,929	2,903	2,875	2,814	2,627	2,640	2,660	2,598	2,622	2,630	2,359	2,266	2,215
China/East Asia to North America West Coast	3,978	3,545	2,953	2,361	2,730	2,566	2,475	2,890	2,733	2,534	2,063	1,430	1,403	1,414	1,376	1,381	1,401	1,363	1,321	1,326	1,313	1,294	1,244	1,181	1,078	1,040	1,030

REVIEW

- **Global air cargo capacity increased** for the eleventh consecutive month in February, up 11% on the same period last year.
- **Overall demand is down.** There is a clear decline in flight hours for all-cargo airlines, a data point used to gauge the airfreight market's overall demand.

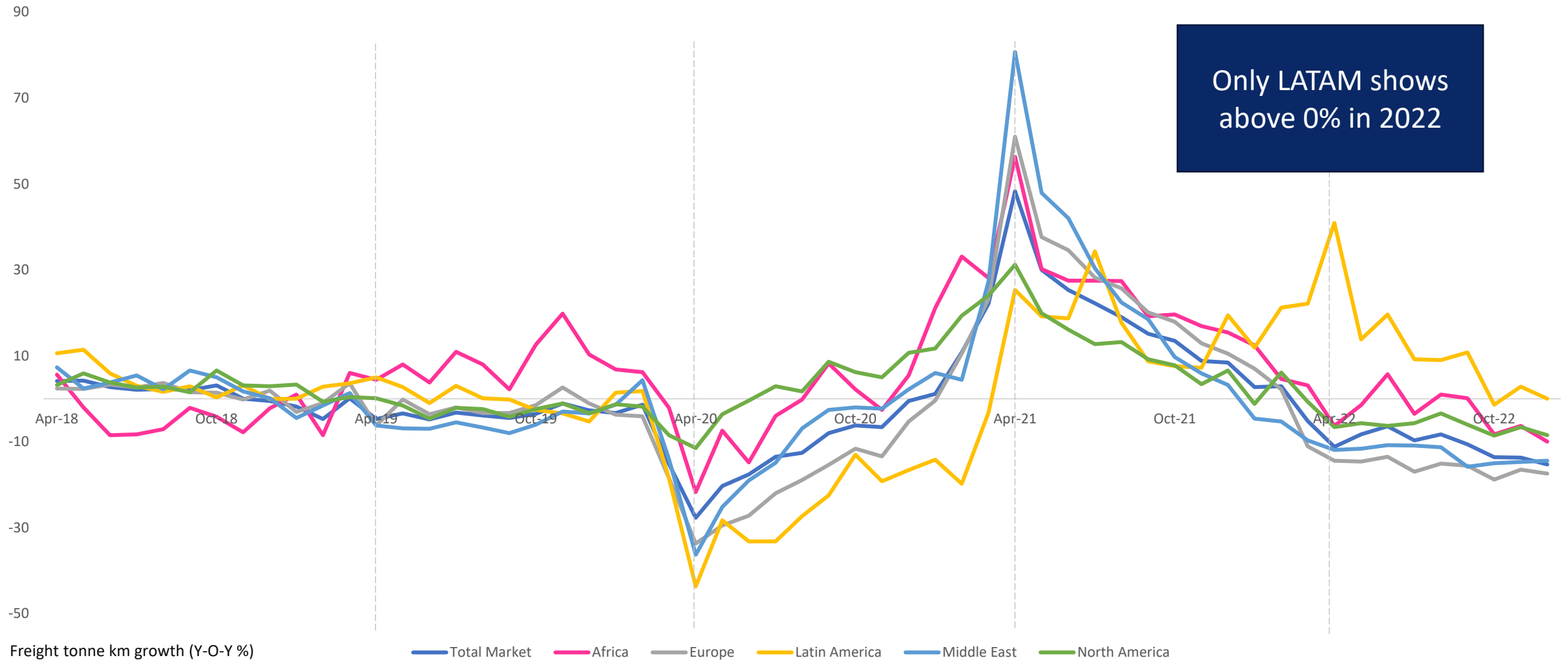
OUTLOOK

- **Air travel demand** is off to a very healthy start in 2023, but...
- **Global cargo volumes may come under increased pressure and decrease** to 57.7 million in 2023 due to economic uncertainties, as per IATA's latest data.
- "There is a **hope** and **expectation** of volumes increasing in Q3 as companies restock" according to a spokesperson of Xeneta.
- **With manufacturing in many countries contracting and high interest rates pressuring consumer spending, air cargo demand could remain subdued for some time.** Meanwhile, more passenger aircraft with cargo space reentering service after the COVID crisis means more supply, creating less need for all-cargo jets and lower rates.

Source: [IATA-1](#), [IATA-2](#), [Freightwaves](#), [Air Cargo News](#), [Cargo Talk](#)



Ex Asia Air Cargo Demand Trend from Apr. 2018 to Dec. 2022 : *Quick Decrease*



Global Market



-6.8%/month

- Global air cargo demand (CTK) same period comparing with 2021 decreased -6.8% monthly average, which caused great uncertainty.

China Market



-16.1% Jan-Nov 2022

- China air cargo+mail volume performs 55,970 ton, decreased 16.1% compared with same period 2021.
 - SZX, CSX, CGO etc. airport efficiency increased; facility and special cargo handling ability improved.



Panel Discussion with Experts:

- Tamer Gunes, Greater China Area Supply Chain Director at 3M
- Jude Barbin, Operations at Intralox Conveyor Belts
- Yermolai Solzhenitsyn, Senior Partner, McKinsey & Company

Supply Chain Realities



Ocean Freight Trend



Airfreight Trend



**Supply Chain
News Tracker**



**Industry Vertical
Updates**

Ocean Capacity and Rate Trend

Trade	Capacity*	Notes
Asia-North America	Open	<ul style="list-style-type: none"> • USWC space demand of Ocean Alliance is going up due to ZEX service suspended. Foresee space to USWC in Ocean Alliance will be tight till end of March. • Carriers will keep blank sailings / slide of schedule in Mar 2023. • Carrier extend the current rate in 2H of March. • Port congestion is under control except Houston / Savannah / Vancouver. • No equipment issue. • USWC GRI: USD1,000/FEU effective Mar 1. • USEC GRI: USD1,000/FEU effective Mar 1.
Asia-Europe	Normal	<ul style="list-style-type: none"> • Overall market demand is weak due to serious inflation in Europe region, which is driven by the high energy and food cost. • Carriers are withdrawing vessels from the market, to tackle with the soft demand situation. • Ocean freight continue to slide in March, carriers are open to spot rate discussion. • MSC will temporarily suspend its Shogun service until further notice with the effective on week 11 • Equipment supply in AEWB trade is basically sufficient, not much equipment shortage case.
Asia-Latin America	Tight (ECSA –Normal next week)	<ul style="list-style-type: none"> • Most of vessels are still full with rollover till mid of Mar. • HPL will have an extra loader in mid of Mar to Mexico (MX) and West Coast South America (WCSA). • WHL will deploy a new vessel with 13,200 TEU to MX and WCSA from mid of Mar. • Rates to MX and WCSA will be increased by around USD300/40' and rates to ECSA will be decreased by around USD200/40' from Mar22. • No equipment issue.

*Based on actual utilization/loading factors of carriers - Extremely Tight : >110% / Tight : 100-110% / Normal : 90-100% / Open : 80-90% / Wide open : <80%

Source: Yusen Logistics Internal Research

Ocean Capacity and Rate Trend

¹East Asia; ²South Asia & Oceania; ³China; ⁴Japan; ⁵Oceania

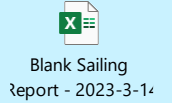
Trade	Capacity*	Notes
EAS ¹ to SAO ²	Tight	<ul style="list-style-type: none"> Normal market demand. Space ex North and Central China is getting tight, advance booking is recommended Ex North and Central China rate is trending up South China is slowly pick up.
CN ³ to JP ⁴	Normal	<ul style="list-style-type: none"> Cargo demand pick up slowly. Normal capacity.
EAS ¹ to OCE ⁵	Normal	<ul style="list-style-type: none"> Soft market demand. Carrier proposed GRI with effective 1st April.
EAS ¹ to India	Normal	<ul style="list-style-type: none"> Normal market demand. Tight space ex. China to South India. Carrier preferred light cargo.
SAO ² to EAS ¹	Normal	<ul style="list-style-type: none"> Normal market demand and capacity. Rate: carriers are willing to review on a case-by-case basis.
SAO ² to SAO ²	Normal	<ul style="list-style-type: none"> Normal market demand and capacity. Market rate has a wide range depending on origin and destination countries. Congestion is 1-2 days except Manila with a lead time 5 days.
SAO ² to JP ⁴	Normal	<ul style="list-style-type: none"> Normal market demand and capacity. Rate for Japan main ports remain more or less the same. Congestion is around 1-2 days.
SAO ² to OCE ⁵	Normal (ex SAO)	<ul style="list-style-type: none"> Normal market demand. Overall space is still open for bookings. Market rate remain more or less same.
SAO ² to India	Normal (ex SAO)	<ul style="list-style-type: none"> Normal market demand and capacity. Market rate remain more or less same but with some slight adjustment for the higher end.

*Based on actual utilization/loading factors of carriers - Extremely Tight : >110% / Tight : 100-110% / Normal : 90-100% / Open : 80-90% / Wide open : <80%

Source: Yusen Logistics Internal Research

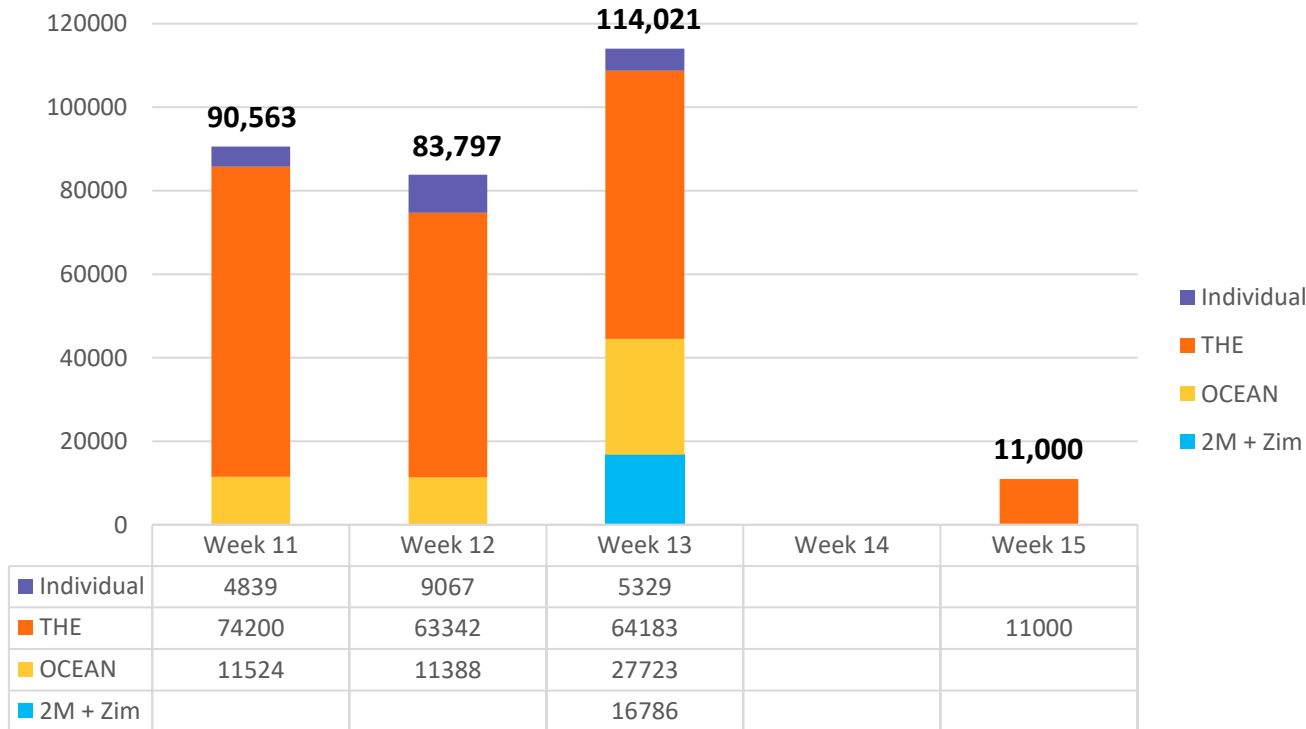
Blank Sailing on Asia-North America lane

Blank sailing report (including other trade lanes)

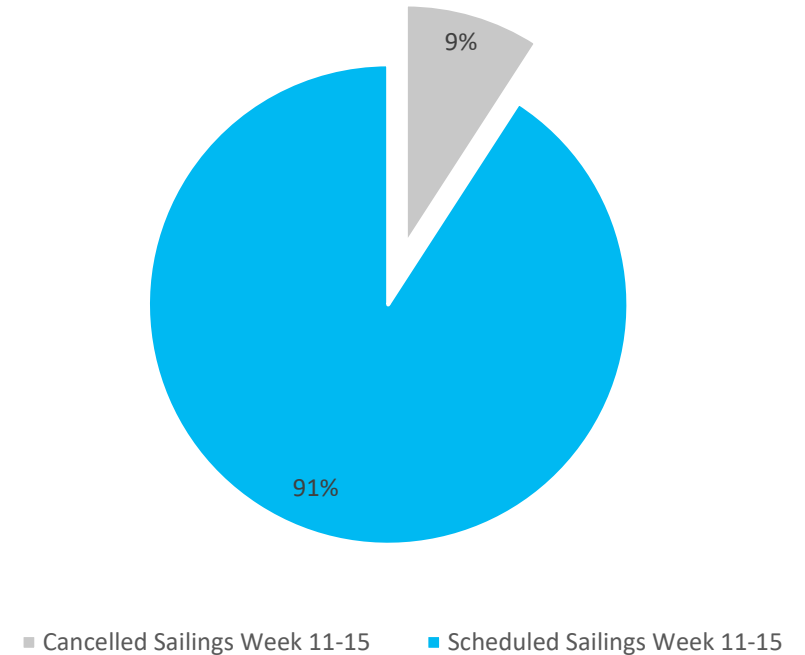


Between **week 11 to week 15**, Drewry sees a total of **299,381 TEU** voided, with a total of 32 blank sailings, 18 from Asia to the West Coast of North America and 14 from Asia to the East coast of North America, out of 350 scheduled sailings. This represents a 9% sailing cancellation rate.

Asia to North America Voided Capacity (TEU/ per week)



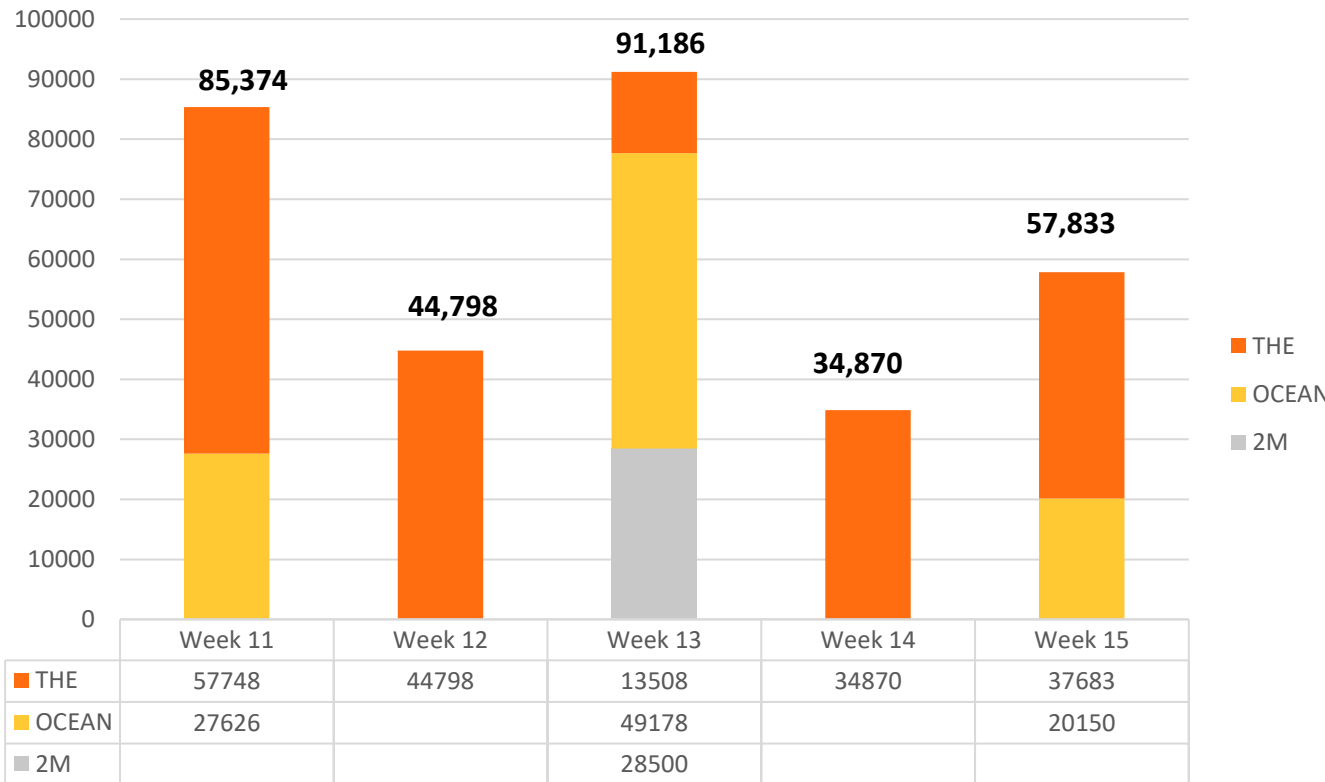
Cancelled vs Scheduled Sailings



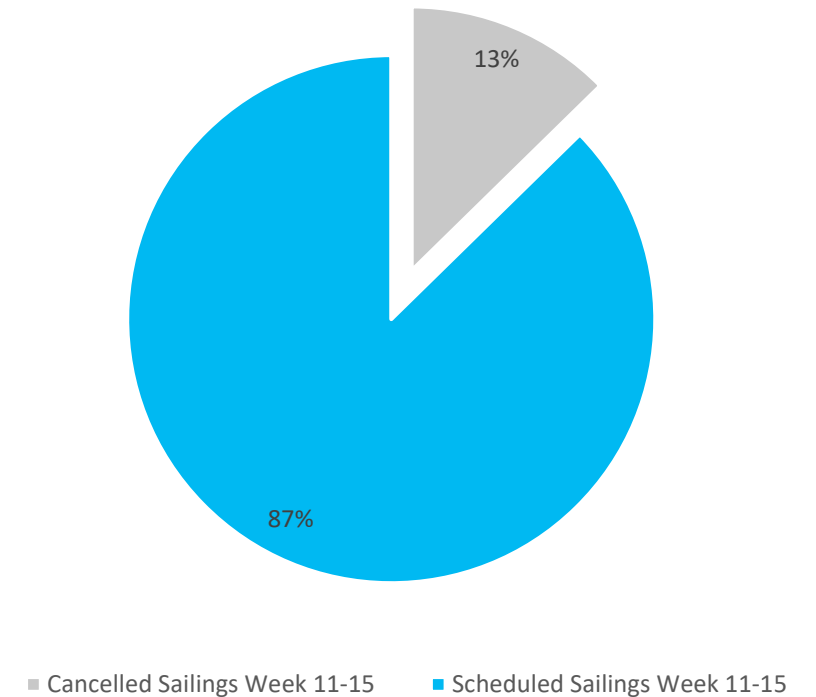
Blank Sailing on Asia-Europe & Mediterranean lane

Between **week 11 to week 15**, Drewry sees a total of **314,061 TEU** voided, with a total of 19 blank sailings, 6 from Asia to Mediterranean and 13 from Asia to Europe out of 150 scheduled sailings. This represents a 13% sailing cancellation rate.

Asia to Europe + Asia to Mediterranean Voided Capacity (TEU/ per week)



Cancelled vs Scheduled Sailings



Asia Port Conditions

Port	Condition* (Last update:2023/03/17)	Comments
Shanghai	Normal	<ul style="list-style-type: none"> • WGQ: waiting time around 1 day, port closed 19hrs March 11-12 due to dense fog • YS: occasional delay only, less than half a day, port closed 4 hrs on March 11
Ningbo	Normal	<ul style="list-style-type: none"> • Minor berthing delay about 1 day, port closed for 26 hrs 10-12/March
Qingdao	Normal	<ul style="list-style-type: none"> • Minor waiting time for within half a day, port closed 14hrs March 12 due to dense fog
Lianyungang	-	<ul style="list-style-type: none"> • Port closed 28 hours March 11-12 due to strong wind
Dalian	-	<ul style="list-style-type: none"> • Port closed 26 hours 9-10/march, 35hrs 14-15/March, due to dense fog
Shekou	Normal	<ul style="list-style-type: none"> • Operation normal, no delay. Yard density at high level now, especially empty
Yantian	Normal	<ul style="list-style-type: none"> • Operation normal, no berthing delay
Nansha	Normal	<ul style="list-style-type: none"> • No delay
Hong Kong	Normal	<ul style="list-style-type: none"> • Operation normal, no congestion
Pusan	Normal	<ul style="list-style-type: none"> • Berthing delay for less than half a day. Yard density at 70% only. Port closed 17hrs 10-11 due to fog
Singapore	Normal	<ul style="list-style-type: none"> • Berth waiting time more than 1 day due to bunch arrivals
Manila	Minor congestion	<ul style="list-style-type: none"> • Waiting time about 1 to 2 days on average
Port Kelang	Normal	<ul style="list-style-type: none"> • Minor congestion with waiting time about 1 day
Bangkok	Minor congestion	<ul style="list-style-type: none"> • Average 26hrs delay at PAT last wk

*Based on avg terminal waiting time – Heavy congestion: 3 days or more, Congestion: 2 -2.5 days, minor Congestion: 1.5 days, Normal: 1 day or less

Air Freight Market Updates

Cathay’s February cargo tonnage up as capacity is added

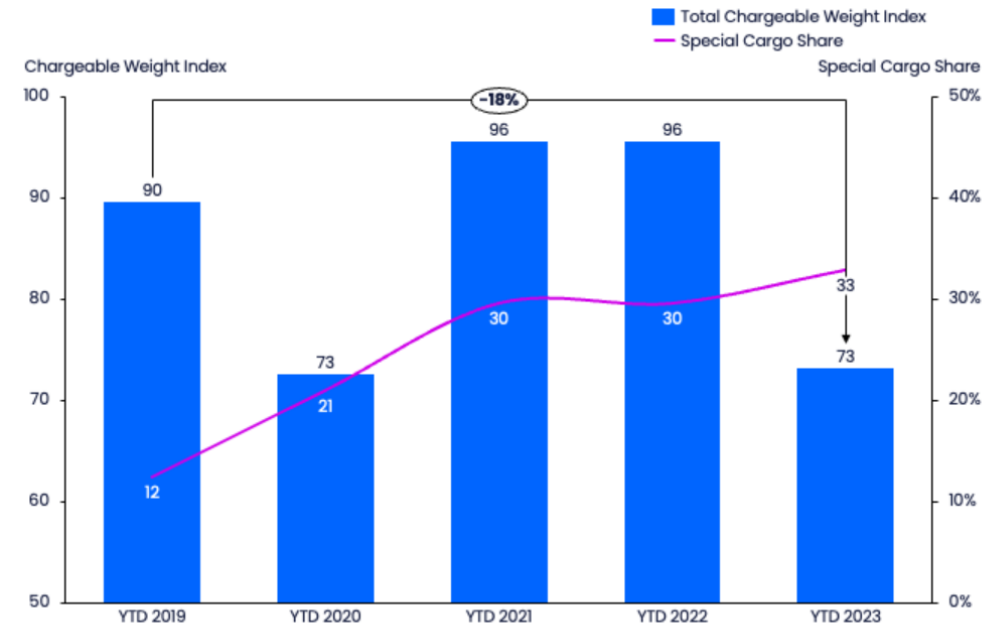
Cathay Pacific saw increased cargo tonnage in February due to a recovery in capacity with more expected in the coming weeks. In the first two months of 2023, tonnage increased by 42.8% against a 201.3% increase in capacity and a 147.4% increase in RFTKs, compared with the same period for 2022.

“On the cargo side, demand from our home market, Hong Kong, as well as the Chinese Mainland is increasing, with e-commerce-related traffic picking up relatively more quickly. We are progressively expanding our network coverage as more of our passenger flights are resumed.”

Global air cargo tonnages appear to have stabilized following their post-Lunar New Year bounce-back in recent weeks and their steady decline throughout most of last year, while average rates continue their gradual softening trend, according to WorldACD.

Northeast Asia-Europe general air rates see a slump with special cargo boasting strong demand. The share of special cargo volumes year-to-date increased 21 percentage points from 2019 with volumes more than doubling since then. In contrast, general cargo volumes fell a considerable 37%.

Northeast Asia* to Europe total chargeable weight index and special cargo share (2019 average = index 100; YTD: first 9 weeks of the year)



* Northeast Asia represents mainland China, Hong Kong, Japan, South Korea and Taiwan.

Source: [Xeneta](#), [WorldACD](#), [Air Cargo News](#)



US sanctions boost China's R&D investment and output in some hi-tech fields

China's hi-tech sectors increased the country's research and development investment sector by 52.9%...

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From Apple to Boeing, India is being put to the test as China manufacturing alternative

The ties between American companies and India as a manufacturing and supply chain partner are getting deeper...

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EU strikes deal to curb energy use by 2030

The European Union struck a deal on Friday to cut final energy consumption across the bloc by 11.7% by 2030, it would help fight climate change and curb Europe's use of Russian fossil fuels...

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US FY24 budget to expand manufacturing, build resilient supply chains

The budget for the department makes investments to drive US innovation and global competitiveness and protect US technologies, capital and expertise...

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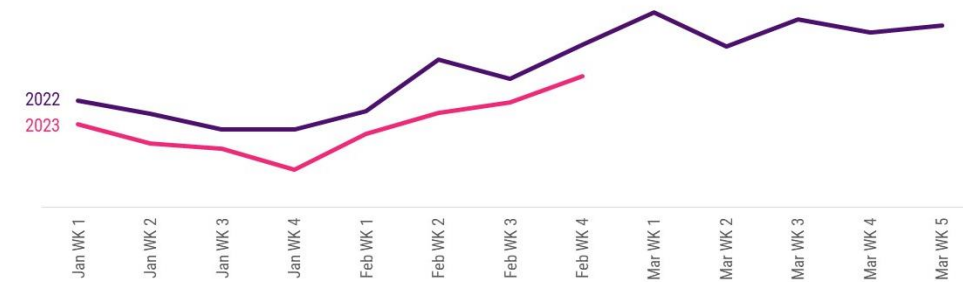
Industry Vertical Updates

US: Consumers Showed Less Affection for Spending in February as Discretionary Retail Sales Fell 4% ([Read](#))

The U.S. general merchandise retail sales revenue fell 4% in February, when compared to next year, and unit sales were down 5%. Weekly declines have remained relatively consistent through the first two months of 2023. Comment from the retail industry advisor, the consumer behavior has changed very little since last year, solidifying some of the overarching retail spending trends that emerged in 2022 as the new benchmark. But the consumer has become more loyal to value and meeting their fundamental needs, making more specific spending changes inevitable. Consumers spent 9% more on food and beverage products than they did in February 2022. However, the gap between sales-revenue and unit-sales performance is narrowing, particularly among general merchandise and non-edible consumer packaged goods (CPG).

Q1 General Merchandise Sales Volume Trend

Unit Sales Volume 2022 and 2023 to Date



With wheat supply shortage, price hikes, processed foods see major production cut ([Read](#))

The processed food industry has witnessed a major cut in production over the last couple of months, as wheat – the key raw material of the industry saw a drastic fall in supply and an abnormal increase in prices amid the Russia-Ukraine war and a subsequent dollar crisis. According to industry insiders, the wheat crisis was initiated with a suspension of the foodgrain trade immediately after the outbreak of war between Russia and Ukraine – the two major global suppliers of wheat. Although the suspension was lifted a few months later, Bangladesh failed to return to normal wheat imports due to the dollar crisis. As shown in Food Ministry data, Bangladesh imported only 19.18 lakh tons of wheat in the first eight months, until February, of FY23, while it was over 40 lakh tons in FY22 despite a disruption in trade for several months. The crisis can intensify further in the near future as there is no shipment of wheat in the pipeline, according to data from the Food Planning and Monitoring Unit of the Food Ministry as of 26 February. The crisis also markets some processed foods, including cakes, which require the use of flour due to the hikes in the raw material's prices, cost the making processed products has price up by more than 50%. The manufacturing has to reduced the daily production to manage the burden.

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INSIGHT INTO ACTION

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