



# COVID-19 Impact Wanes, Container Shipping to Lead Recovery

(CSPI Research Office, Shanghai International Shipping Institute)

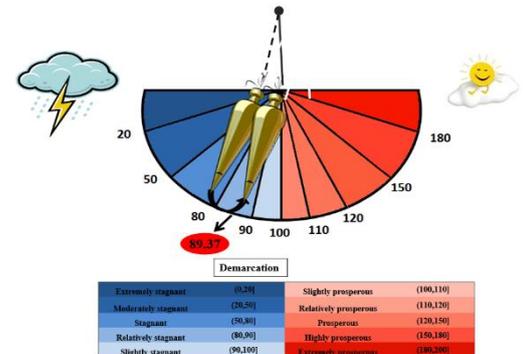
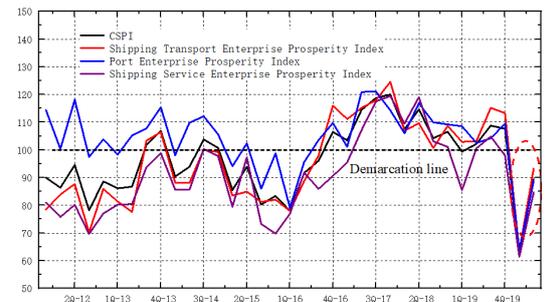
## - China Shipping Prosperity Report Series

### Summary:

- COVID-19 impact on China's shipping industry wanes.** In the second quarter of 2020, the China Shipping Prosperity Index hit 89.37 points, rising slightly to the relatively stagnant interval. However, according to China's shipping prosperity survey, the China Shipping Prosperity Index for the third quarter of 2020 is expected to reach 95.51 points, manifesting the stabilizing and recovering trend of China's shipping industry.
- China's port enterprises underperform expectations in terms of recovery.** In the second quarter of 2020, the prosperity index of China's ports was 88.90 points, remaining relatively stagnant. According to China's shipping prosperity survey, entrepreneurs of China's port enterprises looked to 97.68 points of port prosperity index in China in the second quarter, underperforming expectations in terms of recovery. The confidence index of China's ports in the second quarter was only 57 points, being the lowest among surveyed China's shipping enterprises, showing that China's port enterprises had the poorest confidence in business performance.
- Container shipping enterprises take the lead to recover.** In the third quarter of 2020, the China Shipping Prosperity Index is expected to reach 95.51 points, approaching the prosperity demarcation. The prosperity index of container shipping enterprises may soar by 23.81 points to 114.59 points, taking the lead to return to the relatively prosperous interval.
- Ship and port sides have different predictions on cargo volume in the next quarter.** Ship enterprises and shipping service enterprises generally looked to stabilization and a rise in freight shipping demand in the third quarter of 2020, and believed the ship turnover rate will improve significantly. They estimated that the space utilization indicator may touch 106.01 points. However, those in charge of China's port enterprises believe that port throughput will dip faster, with China's port throughput prosperity indicator likely to reach 90.50 points, becoming the only indicator to register a decline.
- Highlights:**
  - Due to Saudi Arabia's fuel price war, the international fuel prices plummeted, narrowing the price gap between low-sulfur and high-sulfur fuel oil. Nearly 40% of shipping transport enterprises will change their original plans to install desulfurizers, and 10% of the surveyed enterprises will cancel their plans to install desulfurizers on all ships.
  - With the COVID-19 pandemic plaguing the whole world, shipping suspension expanded in the industry. However, more than 20% of lines will resume shipping activities on all their routes in the next quarter, and more than 50% of enterprises will gradually resume shipping activities on some routes as the pandemic situation allows.
  - As the pandemic situation at home and abroad has stabilized and the global trade is recovering, more than 40% of shipping enterprises believed that their business volume will rise by more than 10% in the next quarter, and more than 20% believed that the rise will be more than 20% quarter-on-quarter.

**Risks:** As countries around the world started to resume production, the impact of the COVID-19 pandemic has weakened, and some market segments ushered in a wave of retaliatory rising. However, due to the far-reaching impact of the pandemic on the global production and manufacturing chain and the unpredictable repetition of the disease and geopolitical changes, the global shipping demand in the future market still has significant uncertainties. It is recommended that shipping enterprises improve their services and accumulate resources to prepare for a prolonged difficult time.

### ➤ Prosperity Trend



### ➤ Related Reports

- Analysis Report on Major Coastal Dry Bulks Shipping Markets in China (Review of 2019 and Outlook for 2020)
- Analysis Report on Domestic Container Shipping Markets in China (Review of 2019 and Outlook for 2020)
- Analysis Report on International Container Shipping Market in 2020 (Review of 2019 and Outlook for 2020)
- Analysis Report on International Dry Bulks Market (Review of 2019 and Outlook for 2020)

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## 1. Overview of China's Shipping Prosperity in Q2 2020

**Chinese shipping industry faces a worrisome situation.** The China Shipping Prosperity Alertness Index for May 2020 stood at 44.31 points, falling slightly quarter-on-quarter, and stayed in the extremely gloomy interval. The China Shipping Prosperity Composite Index for the same month stood at 97.45 points, rallying slightly quarter-on-quarter, and fluctuated at low levels on the whole. At the micro level, the China Shipping Prosperity

Index for the second quarter of 2020 rose significantly by 26.42 points quarter-on-quarter to 89.37 points in the relatively stagnant interval. The China Shipping Confidence Index (CSFI) reached 64.79 points, a surge of 25.73 points quarter-on-quarter in the stagnant interval. China's shipping entrepreneurs remained less confident in market performance (see Table 1-1, Figure 1-1).

Time		China Shipping Prosperity Alertness Index	China Shipping Prosperity Composite Index	China Shipping Prosperity Index	China Shipping Confidence Index
3Q-19	July	55.95	96	108.74	108.34
	August	55.95	96.25		
4Q-19	September	58.17	96.35	107.55	107.58
	October	64.50	96.22		
	November	67.25	96.07		
1Q-20	December	73.83	96.94	62.95	39.05
	January	42.42	96.83		
	February	53.09	96.21		
2Q-20	March	44.91	96.44	89.37	64.79
	April	38.33	97.94		
	May	44.31	97.45		

Table 1-1 China Shipping Prosperity

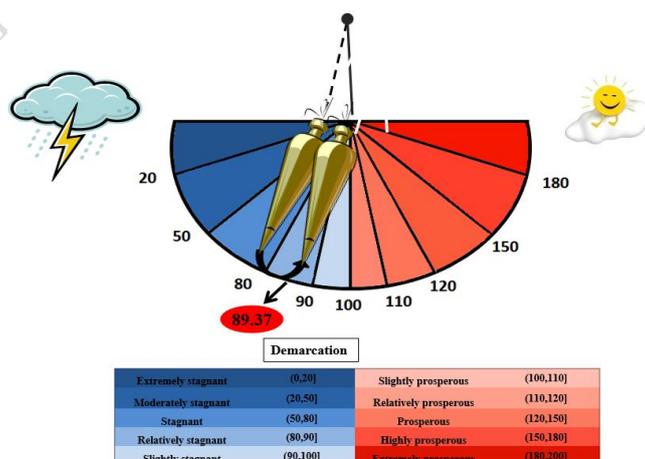


Figure 1-1 China Shipping Prosperity Index for Q2 2020

Source: Shanghai International Shipping Institute

## 2. Macro Analysis on China's Shipping Prosperity

**Composite Alertness Index remains extremely gloomy.** In the second quarter of 2020, the China Shipping Prosperity Alertness Index was averaged at 42.52 points, falling by 13.92 points quarter-on-quarter. After a slump to a historical low in April, the alertness index rallied by a narrow margin in May to 44.31 points, but remained extremely gloomy. The market was still sluggish overall (see Figure 2-1).

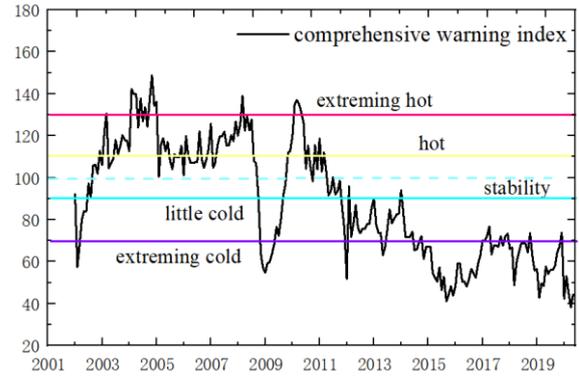


Figure 2-1 China Shipping Prosperity Alertness Index

**Some shipping indicators continue to fall.** In the second quarter of 2020, the dry bulk shipping market remained sluggish. Among the four major shipping indicators, BDI rose first and then fell and remained in the extremely gloomy interval. However, BDI rose sharply in the later period due to the impact of the global iron ore freight rates. BDTI rose and then fell into the gloomy interval in May from the normal interval. CCFI declined to some extent in May after a slight rise, and fluctuated at around 880 points. It remained in the extremely gloomy interval since March. CCBFI continued to rise in this quarter and remained in the extremely gloomy interval (see Figure 2-2).

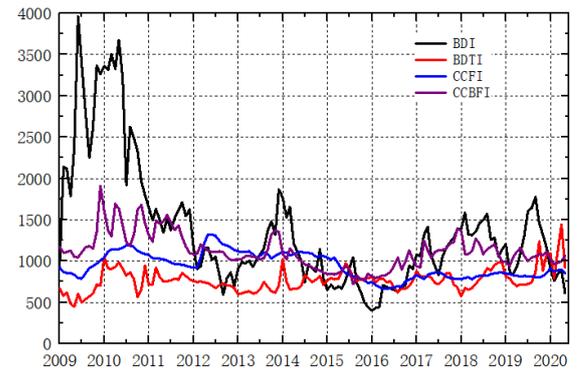


Figure 2-2 Variations of Shipping Indicators

**Most economic indicators rise.** In the second quarter of 2020, all the economic indicators rose except import and export values. Specifically, fixed-asset investment growth, consumer goods retail sales growth and port throughput rose but remained in the extremely gloomy interval. Import and export values growth continued to run low in this quarter and ended up declining into the extremely gloomy interval. Power generation growth posted a sharp rise in this quarter, from the extremely gloomy interval to the normal interval (see Figure 2-3).

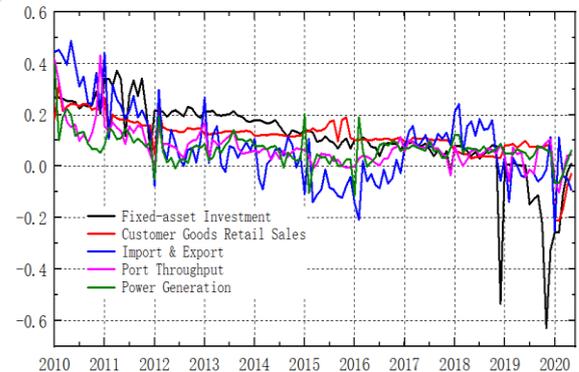


Figure 2-3 Variations of Economic Indicators

TIME	BDI	BDTI	CCFI	CCBFI	FIXED-ASSET INVESTMENT	CUSTOMER GOOD RETAIL SALES	IMPORT EXPORT	PORT THROUGH-UT	POWER GENERATION	CASI
2020-05	Extremely gloomy	Gloomy	Extremely gloomy	Extremely gloomy	Extremely gloomy	Extremely gloomy	Extremely gloomy	Extremely gloomy	Normal	Extremely gloomy
2020-04	Extremely gloomy	Normal	Extremely gloomy	Extremely gloomy	Extremely gloomy	Extremely gloomy	Extremely gloomy	Extremely gloomy	Extremely gloomy	Extremely gloomy
2020-03	Extremely gloomy	Normal	Extremely gloomy	Extremely gloomy	Extremely gloomy	Extremely gloomy	Gloomy	Extremely gloomy	Extremely gloomy	Extremely gloomy
2020-02	Extremely gloomy	Gloomy	Gloomy	Extremely gloomy	Extremely gloomy	Extremely gloomy	Normal	Extremely gloomy	Extremely gloomy	Extremely gloomy
2020-01	Extremely gloomy	Normal	Gloomy	Extremely gloomy	Extremely gloomy	Extremely gloomy	Extremely gloomy	Extremely gloomy	Extremely gloomy	Extremely gloomy
2019-12	Normal	Normal	Extremely gloomy	Gloomy	Extremely gloomy	Gloomy	Normal	Extremely gloomy	Normal	Gloomy

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

Figure 2-4 Composite Alertness Index Signals

### 3. Analysis on Prosperity of China's Shipping Enterprises

China's shipping enterprises continued the poor business performance in the second quarter of 2020, with the China Shipping Prosperity Index standing at 89.37 points, a rise of 26.42 points quarter-on-quarter into the relatively stagnant interval. All enterprises' prosperity values

increased to varying degrees, but remained in the stagnant interval. Specifically, shipping transport enterprises posted the fastest rise by 29.74 points quarter-on-quarter, from the stagnant interval to the slightly stagnant interval (see Figure 3-1).

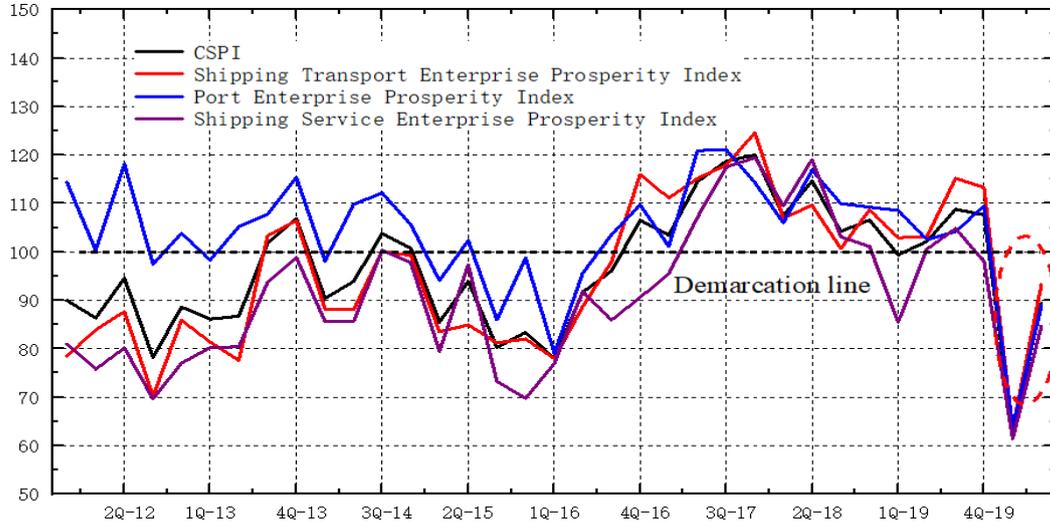


Figure 3-1 China Shipping Prosperity Index

In the second quarter of 2020, the China Shipping Confidence Index reached 64.79 points, rising by 25.73 points quarter-on-quarter to the stagnant interval. The confidence indexes of all types of enterprises rose to varying degrees, but the overall situation was not promising. Specifically, the confidence index of port enterprises stood at 57.00 points, up by 7.23 points quarter-on-quarter, showing entrepreneurs' severe lack of business confidence. In the quarter, the shipping

enterprises that were optimistic about the general situation of the industry accounted for 9.83%, a drop of 2.45% quarter-on-quarter. 37.29% of shipping enterprises believed that the general situation was just all right whereas 52.04% were unoptimistic about the general situation of the industry, the proportion rising by 6.56% quarter-on-quarter. In general, Chinese shipping industry continued to face a grim situation (see Figure 3-2).

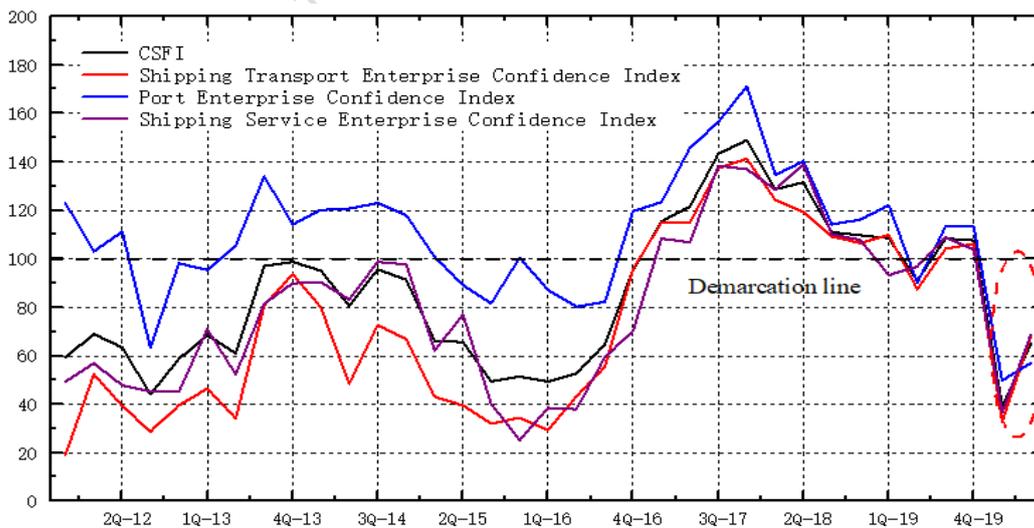


Figure 3-2 China Shipping Confidence Index

### 3.1 Analysis on Prosperity of China's Shipping Transport Enterprises

**Prosperity index of shipping transport enterprises rallies by a wide margin.** In the second quarter of 2020, the prosperity index of shipping transport enterprises recorded 93.25 points, up by 29.74 points quarter-on-quarter. The confidence index of shipping transport enterprises stood at 67.8 points, surging by 34.95 points quarter-on-quarter back to the stagnant interval. Specifically, the prosperity indexes of dry bulk shipping

enterprises and container shipping enterprises were 84.84 points and 90.78 points, respectively, and their confidence indexes were 48.39 points and 56.92 points, respectively. Despite the sharp rise of shipping transport enterprises' prosperity index, their overall business performance was lackluster, and entrepreneurs were still less confident in the future and looked to further declines of the market (see Figure 3-3).

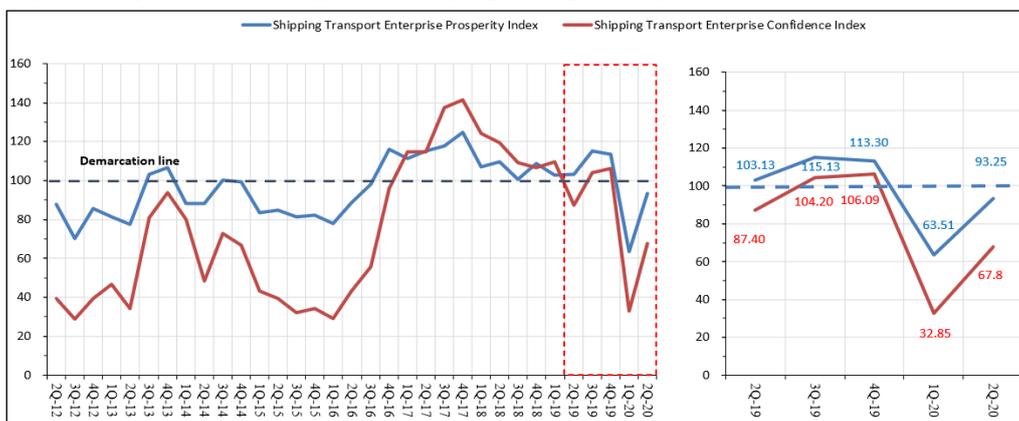


Figure 3-3 Prosperity and Confidence Indexes of Shipping Transport Enterprises

**Large shipping transport enterprises post the highest prosperity index.** In the second quarter of 2020, the prosperity indexes of large, medium-sized and small shipping transport enterprises stood at 100.61 points, 80.26 points and 85.46 points, respectively. The prosperity indexes of large, medium-sized and small shipping transport enterprises all posted rises quarter-on-quarter. Specifically, large shipping transport enterprises recorded the sharpest rise, namely 37.39 points quarter-on-quarter. Their prosperity index was the highest among the three types of enterprises, rising from the stagnant interval to the slightly prosperous interval, showing their improving business performance (see Figure 3-4).

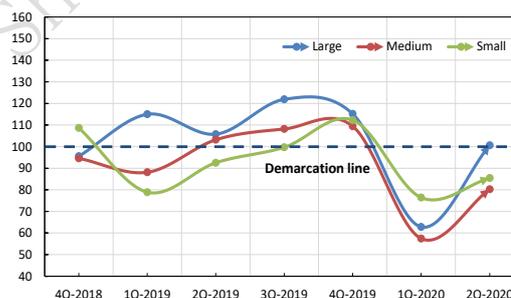


Figure 3-4 Prosperity Indexes of Large, Medium-sized and Small Shipping Transport Enterprises

**Enterprises' current funds improve significantly.** In the second quarter of 2020, enterprises' shipping capacity input, space utilization, and freight income continued to drop. Despite the reduced operating costs, enterprises' profits were on a decline, with increasing loan liability

and falling labor demand. Shipowners' willingness to invest in shipping capacity went down. Nevertheless, enterprises' current funds remained sufficient, with easy access to capital, ensuring enterprises' risk resilience (see Figure 3-5).

Monitoring Indicators of Shipping Transport Enterprises	2Q Prosperity Indices	Compare with 1Q	Prosperity
Shipping Capacity	81.21	↑ 19.73	Relatively stagnant
Space Utilization	86.85	↑ 48.41	Relatively stagnant
Freight	89.48	↑ 60.88	Relatively stagnant
Operating Cost	104.57	↑ 38.25	Slightly prosperous
Profitability	87.08	↑ 66.44	Relatively stagnant
Current Fund	121.86	↑ 21.51	Prosperous
Enterprise Financing	107.09	↑ 0.68	Slightly prosperous
Loan Liability	99.34	↑ 6.94	Slightly stagnant
Labor Demand	88.05	↑ 16.08	Relatively stagnant
Shipping Capacity Investment	66.93	↑ 18.48	Stagnant

Figure 3-5 Business Indicator Prosperity Indexes 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 Shipping Enterprises

**Prosperity index of dry bulk shipping enterprises rallies.** In the second quarter of 2020, the prosperity index of dry bulk shipping enterprises was 84.84 points, up by 28.17 points quarter-on-quarter from the stagnant interval to the relatively stagnant interval. Their confidence index stood at 48.39 points, a rise of 27.06 points

quarter-on-quarter, but remained in the moderately stagnant interval. Dry bulk shipping enterprises posted poor business performance overall, and entrepreneurs were severely lacking confidence in market performance (see Figure 3-6).

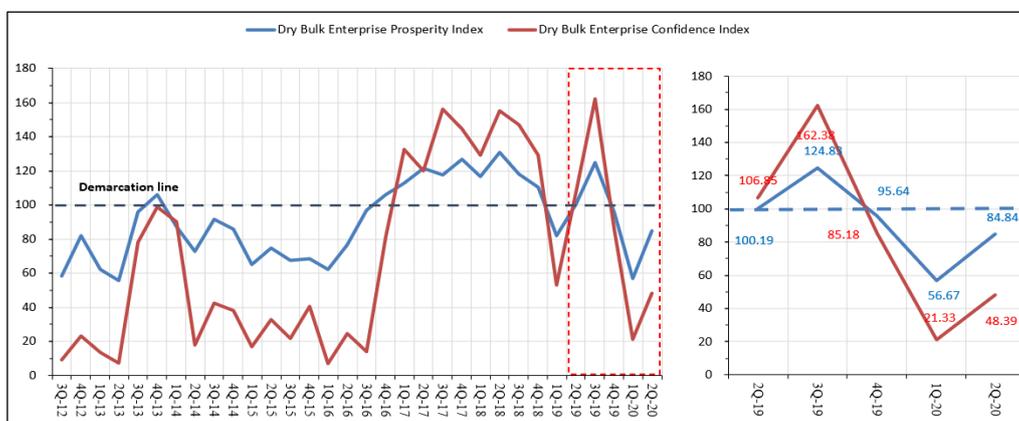


Figure 3-6 Prosperity and Confidence Indexes of Dry Bulks Shipping Enterprises

**Medium-sized dry bulk shipping enterprises post the lowest prosperity.** In the second quarter of 2020, the prosperity indexes of large, medium-sized and small dry bulk shipping enterprises stood at 85 points, 82.86 points and 87.5 points, respectively, all enjoying rises quarter-on-quarter. Although medium-sized dry bulk shipping companies recorded the sharpest rise, namely 32.19 points quarter-on-quarter, they were still below the prosperity demarcation and their business performance was worrying (see Figure 3-7).

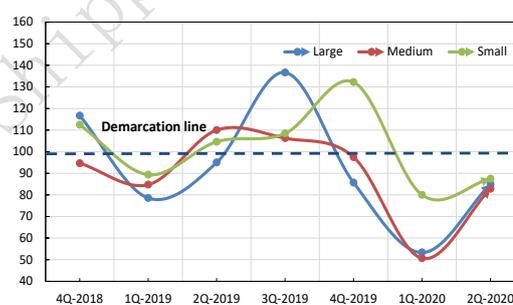


Figure 3-7 Prosperity Indexes of Large, Medium-sized and Small Dry Bulks Shipping Enterprises

**Most business indicators continue to deteriorate.** In the second quarter of 2020, enterprises' shipping capacity input kept shrinking, with the ship turnover falling dramatically and the unit freight rates heading downward. Despite the lower operating costs, enterprises' profits were

shrinking, loan liability increased, and willingness to invest in shipping capacity declined. Current funds strains became more prominent with relatively difficult financing and declining labor demand (see Figure 3-8).

Monitoring Indicators of Dry Bulk Shipping Enterprises	2Q Prosperity Indices	Compare with 1Q	Prosperity
Shipping Capacity	90.98	↑ 9.15	Slightly stagnant
Vessel Turnover	88.73	↑ 61.06	Relatively stagnant
Freight	88.55	↑ 85.38	Relatively stagnant
Operating Cost	121.48	↑ 36.48	Prosperous
Profitability	86.68	↑ 77.51	Relatively stagnant
Current Fund	84.43	↑ 23.26	Relatively stagnant
Enterprise Financing	72.43	↓ -12.57	Stagnant
Loan Liability	84.80	↓ -1.70	Relatively stagnant
Labor Demand	71.11	↓ -10.72	Stagnant
Shipping Capacity Investment	59.2	↑ 13.87	Stagnant

Figure 3-8 Business Indicator 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

**Container shipping enterprises to welcome a significant rise in prosperity.** In the second quarter of 2020, the prosperity index of container shipping enterprises touched 90.78 points, a rise of 26.51 points quarter-on-quarter to the slightly stagnant interval. The confidence index of container shipping enterprises stood

at 56.92 points, a surge of 33.92 points quarter-on-quarter, but remained below the prosperity demarcation in the stagnant interval. Container shipping enterprises posted negative business performance overall and entrepreneurs remained pessimistic on the industry prospect on the whole (see Figure 3-9).

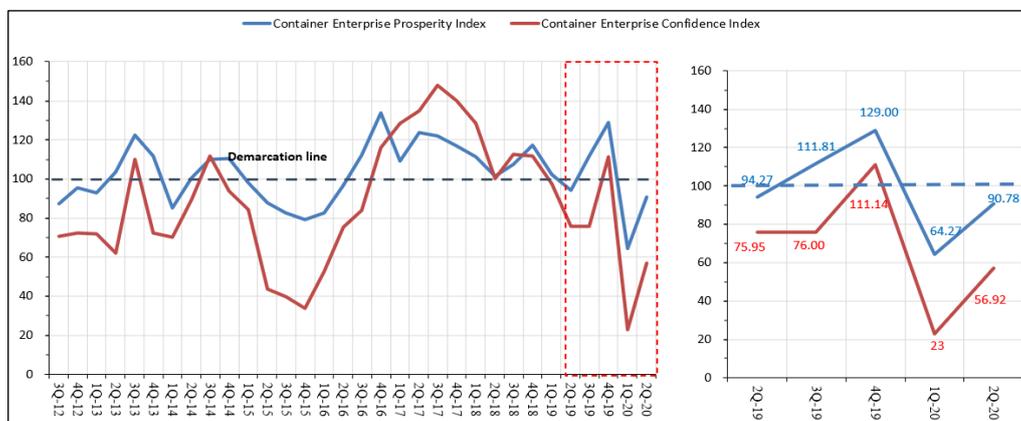


Figure 3-9 Prosperity and Confidence Indexes of Container Shipping Enterprises

**Medium-sized container shipping enterprises post the lowest prosperity index.** In the second quarter of 2020, the prosperity indexes of large, medium-sized and small container shipping enterprises were 97.5 points, 77.5 points and 86 points, respectively. Compared with the previous quarter, the prosperity indexes of large and medium-sized container shipping enterprises rose substantially in this quarter. Large container shipping enterprises rose from the stagnant interval to the slightly stagnant interval, while medium-sized container shipping enterprises posted the poorest business performance. The prosperity index of small container shipping enterprises declined slightly, from the slightly stagnant interval into the relatively stagnant interval (see Figure 3-10).

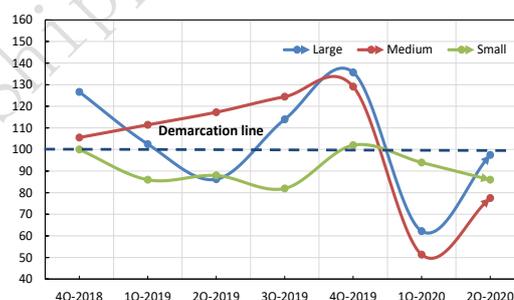


Figure 3-10 Prosperity Indexes of Large, Medium-sized and Small Container Shipping Enterprises

**Most business indicators continue to deteriorate.** In the second quarter of 2020, enterprises' shipping capacity input continued to drop and their space utilization fell. Because freight rates remained low and the operating costs rose, enterprises' profits continued to fall. Despite

the relatively sufficient current funds, easy access to capital and reduced loan liability, enterprises' labor demand fell sharply, and their willingness to invest in shipping capacity also plummeted (see Figure 3-11).

Monitoring Indicators of Container Shipping Enterprises	2Q Prosperity Indices	Compare with 1Q	Prosperity
Shipping Capacity	38.58	↑ 8.25	Moderately stagnant
Space Utilization	87.17	↑ 43.50	Relatively stagnant
Freight	72.83	↑ 11.50	Stagnant
Operating Cost	96.08	↑ 64.08	Slightly stagnant
Profitability	74.92	↑ 53.92	Stagnant
Current Fund	155.17	↑ 14.84	Highly prosperous
Enterprise Financing	137.17	↑ 17.84	Prosperous
Loan Liability	100.33	↑ 5.00	Slightly prosperous
Labor Demand	79.92	↑ 29.25	Stagnant
Shipping Capacity Investment	65.58	↑ 16.91	Stagnant

Figure 3-11 Business Indicator Prosperity Indexes 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 severe lack of confidence.** In the second quarter of 2020, the prosperity index of port enterprises stood at 88.90 points, a significant quarter-on-quarter rise, but remained below the prosperity demarcation. Port enterprises' business performance stayed negative overall. Their confidence

index was 57 points, a slight quarter-on-quarter increase, into the stagnant interval. Port entrepreneurs remained worried about the overall performance of the industry (see Figure 3-12).

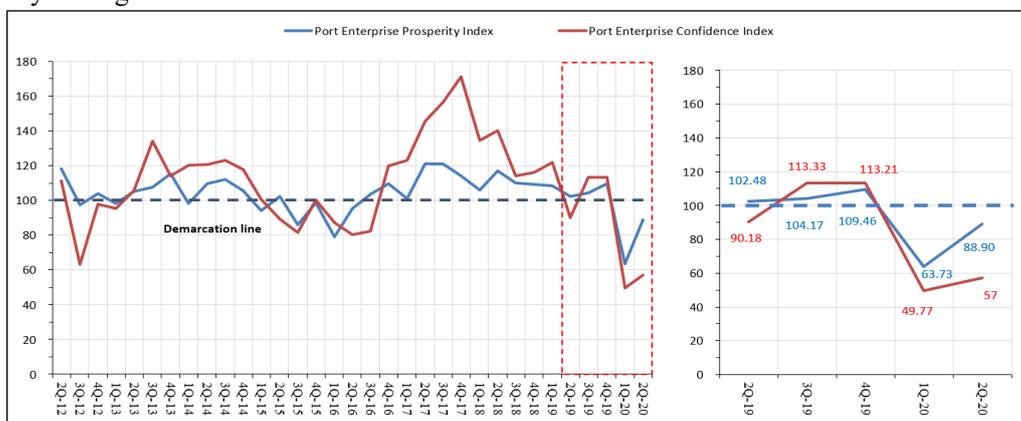


Figure 3-12 Prosperity and Confidence Indexes of Port Enterprises

**Small port enterprises face worrisome business performance.** In the second quarter of 2020, the prosperity indexes of large, medium-sized and small port enterprises stood at 99 points, 88 points and 50 points, respectively. Compared with the previous quarter, large, medium-sized and small port enterprises posted poor business performance overall in this quarter, with their prosperity indexes remaining below the demarcation line. The prosperity index of large port enterprises recorded the sharpest rise quarter-on-quarter, but remained in the stagnant interval. The prosperity index of small port enterprises was in the moderately stagnant interval,

implying worrisome performance (see Figure 3-13).

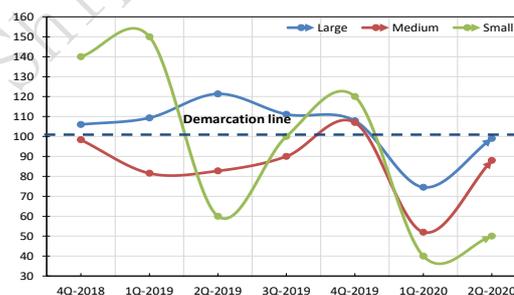


Figure 3-13 Prosperity Indexes of Large, Medium-sized and Small Port Enterprises

**Labor demand of port companies keeps declining.** In the second quarter of 2020, port throughput and berth utilization declined significantly, with port charging rates on a decline, and operating costs on a rise. As a result, enterprises' profits declined. Although port enterprises'

current funds remained sufficient, with easier access to capital and lower asset liability, port enterprises' labor demand reduced and their newly-added berth and machinery investment also underperformed the last quarter (see Figure 3-14).

Monitoring Indicators of Port Enterprises	2Q Prosperity Indices	Compare with 1Q	Prosperity
Throughput	97	↑ 72.68	Slightly stagnant
Berth Utilization	75	↑ 56.14	Stagnant
Charge	65	↑ 30.68	Stagnant
Operating Cost	86.5	↑ 22.41	Relatively stagnant
Profitability	83.5	↑ 59.64	Relatively stagnant
Current Fund	114.5	↑ 6.09	Relatively prosperous
Enterprise Financing	117	↑ 3.59	Relatively prosperous
Loan Liability	101	↑ 3.05	Slightly prosperous
Labor Demand	59.5	↓ -2.09	Stagnant
Newly Built Berths and Machinery Investment	90.00	↓ -0.45	Relatively stagnant

Figure 3-14 Business Indicator 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 Service Enterprises

**Shipping service enterprises rise to the relatively stagnant interval.** In the second quarter of 2020, the prosperity index of shipping service enterprises was 84.67 points, up by 23.25 points quarter-on-quarter from the stagnant interval to the relatively stagnant interval. Their confidence index was 68.56 points, rising by 31.95 points from the moderately stagnant interval to the stagnant

interval. Despite the rises of both the prosperity index and confidence index of shipping service enterprises quarter-on-quarter, they remained below the demarcation, implying poor business performance overall and entrepreneurs' lack of confidence in the prospect (see Figure 3-15).

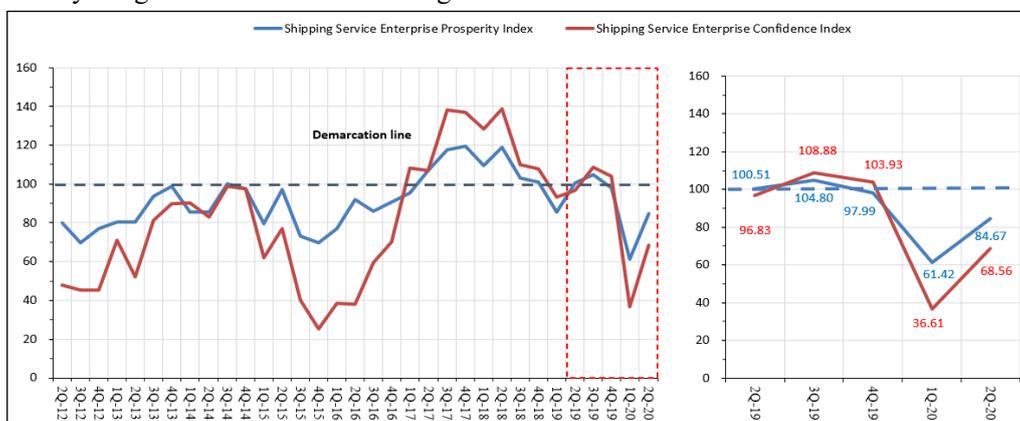


Figure 3-15 Prosperity and Confidence Indexes of Shipping Service Enterprises

**Prosperity of large shipping service enterprises remain the lowest.** In the second quarter of 2020, the prosperity indexes of large, medium-sized and small shipping service enterprises were 83.57 points, 87.65 points and 84.09 points, respectively, up by 24.75 points, 21.88 points and 19.54 points quarter-on-quarter, respectively. All the three types of enterprises were below the prosperity demarcation in the relatively stagnant interval, showing lackluster performance. Specifically, large shipping service enterprises posted the lowest prosperity and the worst performance overall (see Figure 3-16).

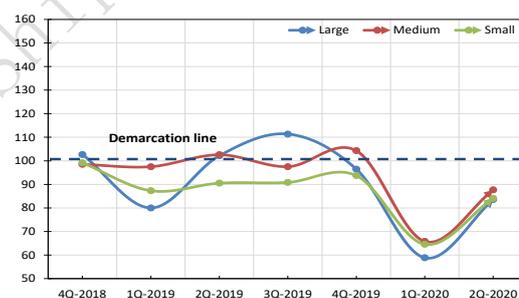


Figure 3-16 Prosperity Indexes of Large, Medium-sized and Small Shipping Service Enterprises

**Business volume of shipping service enterprises starts to pick up.** In the second quarter of 2020, shipping service enterprises' charging rates and profitability continued to fall, leading to strains in current funds, increased financing difficulties, and rising loan delinquency. As a result, the labor demand lost ground and

enterprises' willingness to invest in fixed assets stayed low. Although the business orders and business volume of shipping service enterprises rebounded to above the demarcation, and the indicators also picked up quarter-on-quarter, most of the indicators remained stagnant (see Figure 3-17).

Monitoring Indicators of shipping service Enterprises	2Q Prosperity Indices	Compare with 1Q	Prosperity
Business Reservation	103.62	↑ 61.40	Slightly prosperous
Trade Volume	107.19	↑ 73.39	Slightly prosperous
Trade Price	75.79	↑ 13.08	Stagnant
Business Cost	62.68	↑ 5.71	Stagnant
Profit-loss Variation	85.71	↑ 48.10	Relatively stagnant
Current Fund	95.03	↑ 5.13	Slightly stagnant
Enterprise Financing	83	↑ 1.37	Relatively stagnant
Payment Default	75.66	↑ 17.48	Stagnant
Labor Demand	76.4	↓ -0.18	Stagnant
Fixed-asset Investment	81.60	↑ 7.02	Relatively stagnant

Figure 3-17 Business Indicator Prosperity Indexes 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. Projections of China's Shipping Industry Trend

**Shipping market may turn to a rise.** In May 2020, the leading index of China's shipping closed at 111.32 points, a rise since March. The coincidence index stood at 93.99 points, lower than last year's average of 94.91 points, declining by 0.58 points from the average of 94.57 points for last quarter. The lagging index stood at 92.49 points, lower than last year's average of 97.71 points and down by 5.71 points from the average of 98.20 points for last

quarter. In terms of the index trend, the leading index followed a slightly fluctuating and upward trend, and it is expected that the shipping market may continue the rise in the future (see Figure 4-1).

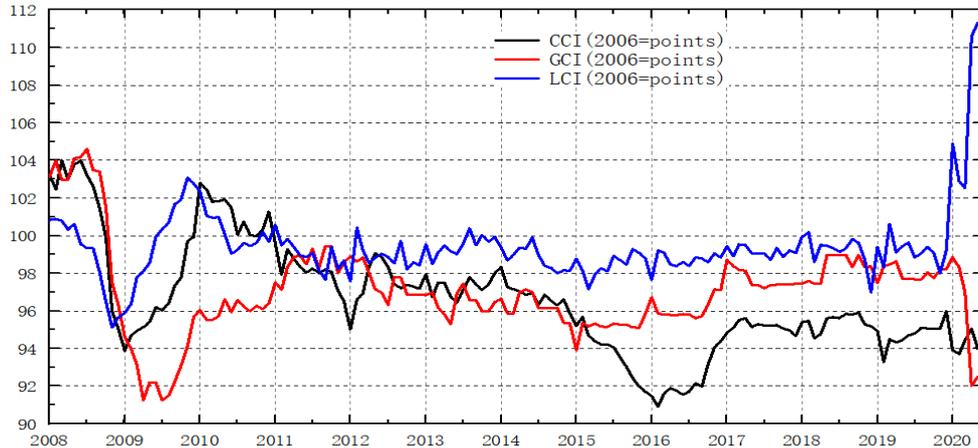


Figure 4-1 Trend of Indexes under the Umbrella of CSCI

In the second quarter of 2020, among the leading index indicators, vessel arrivals rose and then fell since March, power generation continued to go up, money supply started to stabilize, fixed-asset investments began to rise steadily since March, and consumer goods retail sales rallied (see Figure 4-2).

In May 2020, among the coincidence index indicators, port throughput growth improved since March and import and export values declined and then rose. Among the four major shipping indicators, BDTI and BDI declined after a rally, CCFI rose and then fell in this quarter and reached the year's low of 850 points in May, and CCBFI continued to rise in this quarter (see Figure 4-3).

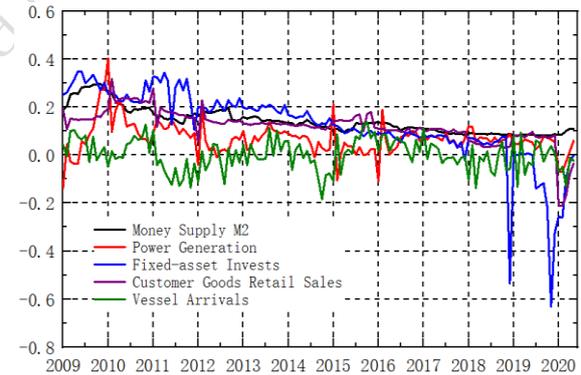


Figure 4-2 Trend of LCI

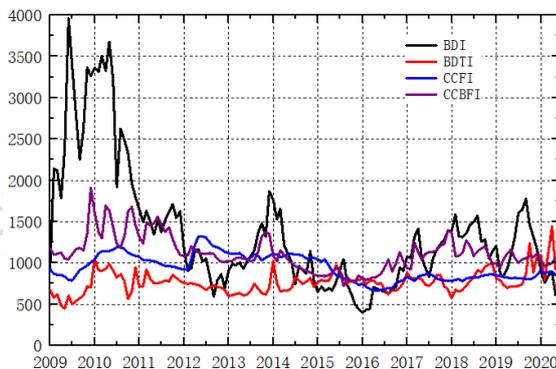


Figure 4-3 Trend of CEI

## 5. Projections of China's Shipping Prosperity in Q3 2020

According to China's shipping prosperity survey, China Shipping Prosperity Index for the third quarter of 2020 is expected to reach 95.51 points, up by 6.51 points quarter-on-quarter to the slightly stagnant interval. The prosperity indexes of all types of enterprises may pick up to some extent. Specifically, the prosperity index of container shipping enterprises may return to 114.59 points which is above the demarcation line, while those of other types of enterprises may remain below the demarcation. In the third quarter of 2020, the confidence index of China's shipping enterprises was 71.54 points, rising by 6.76 points quarter-on-quarter, and remained in the stagnant interval. Specifically, the confidence indexes of all types of enterprises will be below the demarcation line, and those of port enterprises and shipping service

enterprises will remain in the stagnant interval (see Figure 5-1, Figure 5-2 and Figure 5-3).

According to China's shipping prosperity survey, 13.93% of surveyed shipping enterprises were optimistic about the overall performance of the shipping industry in the third quarter of 2020, the proportion up by 4.10 percentage points quarter-on-quarter, 43.03% were neutral, the proportion rising by 5.74 percentage points quarter-on-quarter, and the remaining 42.21% were pessimistic, the proportion down by 9.84 percentage points quarter-on-quarter. Overall, Chinese shipping enterprises' confidence will rally by a narrow margin.

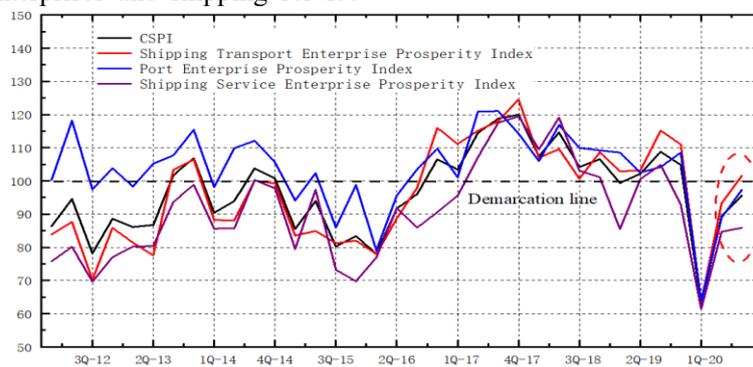


Figure 5-1 Projected China Shipping Prosperity Index

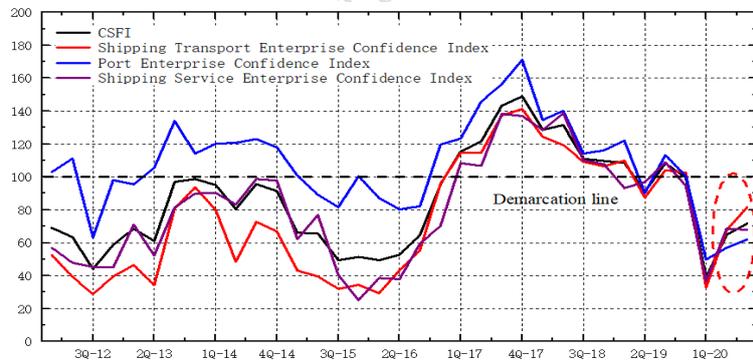


Figure 5-2 Projected China Shipping Confidence Index

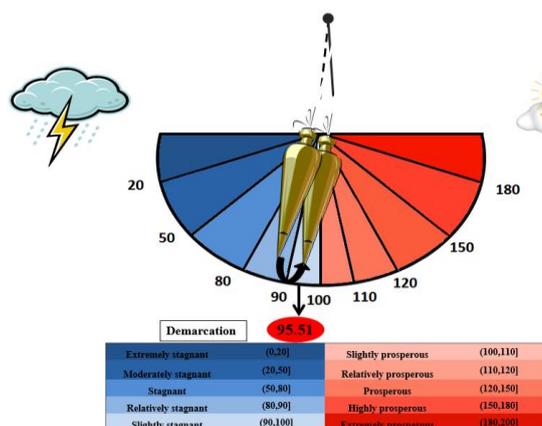


Figure 5-3 Forecast of China Shipping Prosperity Index for Q3 2020

## 5.1 Projections of China's Shipping Transport Enterprises Prosperity

**Shipping transport enterprises to become prosperous again.** According to China's shipping prosperity survey, the prosperity index of shipping transport enterprises in the third quarter of 2020 is expected to touch 101.45 points, up by 8.20 points quarter-on-quarter into the prosperous interval again, and the confidence index of shipping transport enterprises is expected to hit 81.48

points, up by 13.68 points quarter-on-quarter. The prosperity index is above the demarcation while the confidence index is below it. In general, shipping transport enterprises may welcome improving business performance in the third quarter but entrepreneurs are still less confident and hold a wait-and-see attitude toward the future (see Figure 5-4).

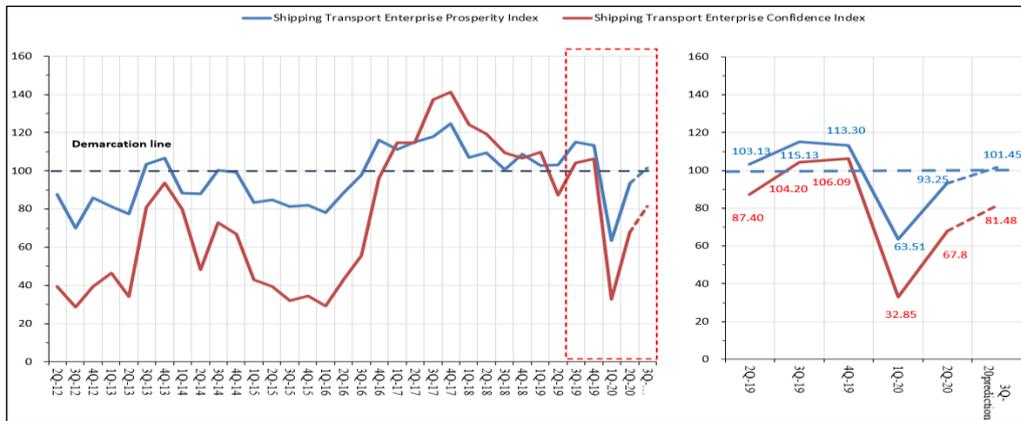


Figure 5-4 Projected Prosperity and Confidence Indexes of Shipping Transport Enterprise

**Large shipping transport enterprises expected to post the best business performance.** In the third quarter of 2020, the prosperity indexes of large, medium-sized and small shipping transport enterprises are expected to hit 107.27 points, 94.62 points and 89.54 points, respectively. Compared with this quarter, the prosperity indexes of medium-sized and small shipping transport enterprises are expected to pick up yet remain below the demarcation. Large shipping transport enterprises are expected to embrace a rise in prosperity index quarter-on-quarter to remain in the slightly prosperous interval, manifesting their favorable business performance overall (see Figure 5-5).

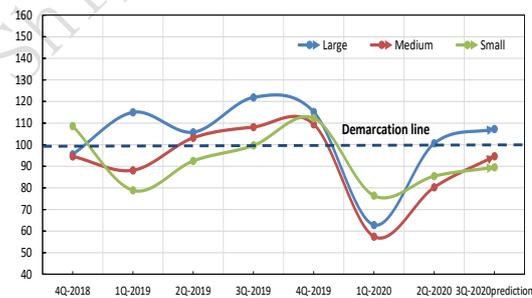


Figure 5-5 Projected Prosperity Indexes of Large, Medium-sized and Small Shipping Transport Enterprises

**Major business indicators of shipping transport enterprises to pick up.** In the third quarter of 2020, enterprises are expected to increase shipping capacity input, with space utilization and freight income rising. Despite the rising operating costs, enterprises will enjoy improving profitability. In addition, despite the relatively

sufficient current funds, enterprises will enjoy easy access to capital, with reducing loan liability. Their labor demand will go up, and willingness to invest in shipping capacity will continue to go down. Shipowners are pessimistic toward investment in shipping capacity (see Figure 5-6).

Monitoring Indicators of Shipping Transport Enterprises	Predicted 3Q Prosperity Indices	Compare with 2Q	Prosperity
Shipping Capacity	110.76	↑ 29.55	Relatively prosperous
Space Utilization	106.01	↑ 19.16	Slightly prosperous
Freight	101.24	↑ 11.76	Slightly prosperous
Operating Cost	77.53	↓ -27.04	Stagnant
Profitability	106.40	↑ 19.32	Slightly prosperous
Current Fund	120.68	↓ -1.18	Prosperous
Enterprise Financing	112.54	↑ 5.45	Relatively prosperous
Loan Liability	103.76	↑ 4.42	Slightly prosperous
Labor Demand	100.41	↑ 12.36	Slightly prosperous
Shipping Capacity Investment	75.14	↑ 8.21	Stagnant

Figure 5-6 Projected Business Indicator Prosperity Indexes 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 Projections of China's Dry Bulks Shipping Enterprises Prosperity

**Dry bulk shipping enterprises approach prosperity demarcation.** In the third quarter of 2020, the prosperity index of dry bulk shipping enterprises is expected to reach 97.22 points, rising by 12.39 points quarter-on-quarter to the slightly stagnant interval. The confidence index of dry bulk shipping enterprises is expected to reach 85.63 points, remaining below the demarcation despite a significant

increase quarter-on-quarter. In general, it is expected that the business performance of dry bulk shipping enterprises may remain poor in the third quarter of 2020 and entrepreneurs are highly unconfident in the future market (see Figure 5-7).

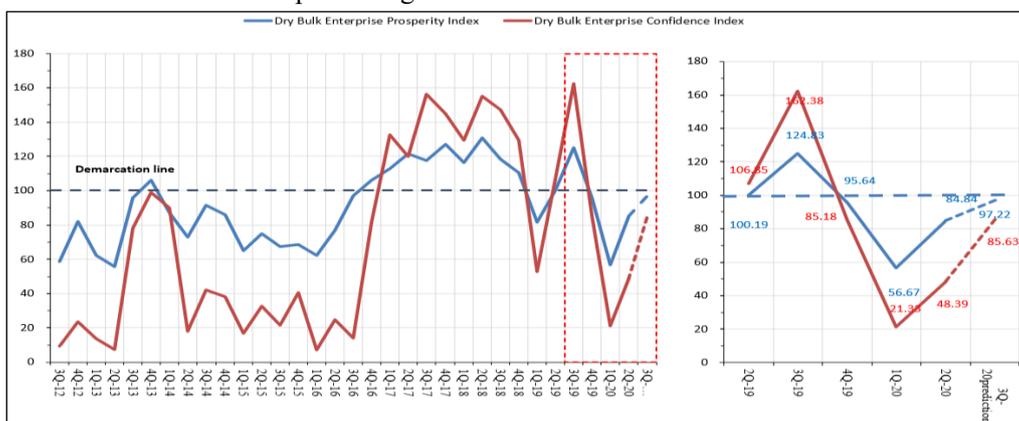


Figure 5-7 Projected Prosperity and Confidence Indexes of Dry Bulks Shipping Enterprises

**Large dry bulks shipping enterprises post the highest prosperity index.** In the third quarter of 2020, the prosperity indexes of large, medium-sized and small dry bulk shipping enterprises are projected to reach 100 points, 97.144 points and 86.25 points, respectively. Compared with this quarter, medium-sized and small dry bulks shipping enterprises may continue the worrying business performance momentum in the next quarter with their prosperity indexes both below the demarcation line. Large dry bulk shipping enterprises may post the highest prosperity index, which is on the demarcation line, indicating their improving business performance (see Figure 5-8).

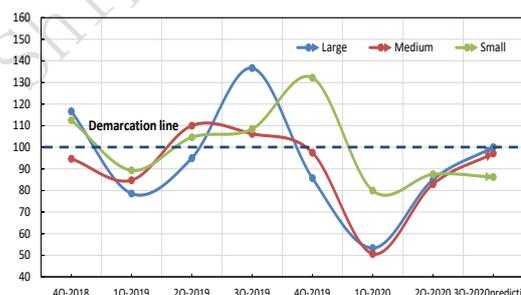


Figure 5-8 Projected Prosperity Indexes of Large, Medium-sized and Small Dry Bulks Shipping Enterprises

**Profitability of dry bulk shipping enterprises to improve greatly.** In the third quarter of 2020, it is expected that dry bulk shipping enterprises will reduce their shipping capacity input and the ship turnover may rise. Despite the rising operating costs, enterprises' freight

rates will increase, resulting in rising profits. In addition, enterprises' current funds will reduce, with higher financing difficulty and reduced labor demand and their willingness to invest in shipping capacity will also go down (see Figure 5-9).

Monitoring Indicators of Dry Bulk Shipping Enterprises	Predicted 3Q Prosperity Indices	Compare with 2Q	Prosperity
Shipping Capacity	96.34	↑ 5.36	Slightly stagnant
Vessel Turnover	105.82	↑ 17.09	Slightly prosperous
Freight	131.61	↑ 43.06	Prosperous
Operating Cost	80.77	↓ -40.71	Relatively stagnant
Profitability	135.36	↑ 48.68	Prosperous
Current Fund	86.21	↑ 1.78	Relatively stagnant
Enterprise Financing	90.43	↑ 18.00	Slightly stagnant
Loan Liability	88.38	↑ 3.58	Relatively stagnant
Labor Demand	94.46	↑ 23.35	Slightly stagnant
Shipping Capacity Investment	62.86	↑ 3.66	Stagnant

Figure 5-9 Projected Business Indicator 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 Projections of China's Container Shipping Enterprises Prosperity

**Container shipping enterprises to lead the recovery.** According to China's shipping prosperity survey, the prosperity index of container shipping enterprises in the third quarter of 2020 is expected to stand at 114.59 points, up by 23.81 points quarter-on-quarter back to the relatively prosperous interval. The confidence index of container shipping enterprises is projected to hit 83.58

points, up by 26.66 points quarter-on-quarter into the relatively stagnant interval. It is expected that container shipping enterprises may embrace improved business performance overall in the second quarter of 2020, but container shipping entrepreneurs will remain less confident in the market (see Figure 5-10).

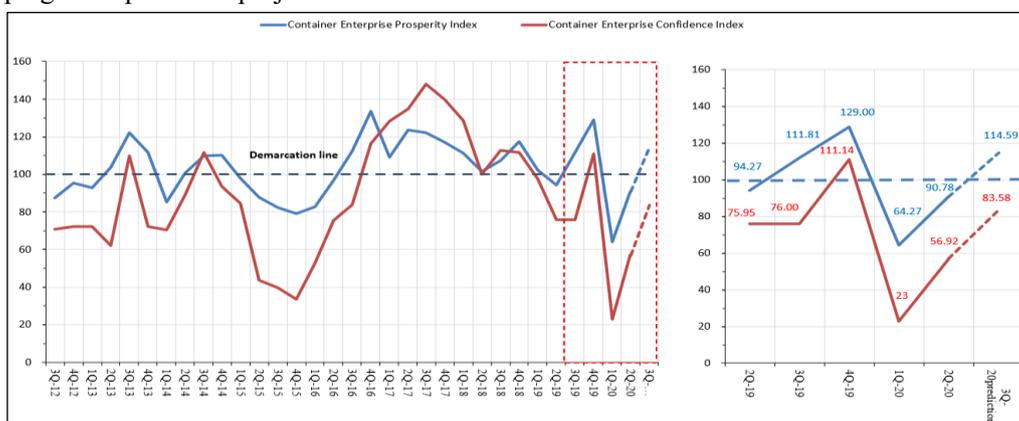


Figure 5-10 Projected Prosperity and Confidence Indexes of Container Shipping Enterprises

**Large container shipping enterprises may post the best business performance.** In the third quarter of 2020, the prosperity indexes of large, medium-sized and small container shipping enterprises may record 131.25 points, 83.34 points and 100.00 points, respectively. Compared with this quarter, large, medium-sized and small container shipping enterprises will embrace rises to varying degrees in business performance in the next quarter. Specifically, large container shipping enterprises may post the widest rise in prosperity index quarter-on-quarter into the prosperous interval, showing favorable business performance (see Figure 5-11).

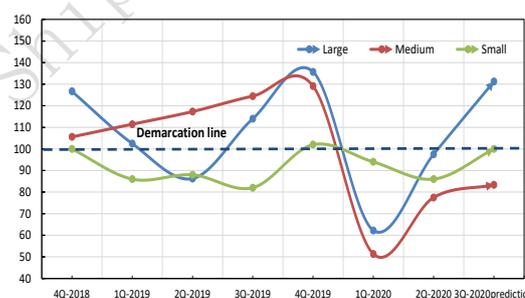


Figure 5-11 Projected Prosperity Indexes of Large, Medium-sized and Small Container Shipping Enterprises

**Major business indicators of container shipping enterprises to improve significantly.** In the third quarter of 2020, despite the rising operating costs, container shipping enterprises are expected to significantly increase their shipping capacity input, with the space utilization rising and the container shipping freights falling.

Enterprises' profitability will improve as a result. Container shipping enterprises will enjoy more sufficient current funds and easier access to capital, with their loan liability and labor demand on a decline. Enterprises' willingness to invest in shipping capacity will also drop (see Figure 5-12).

Monitoring Indicators of Container Shipping Enterprises	Predicted 3Q Prosperity Indices	Compare with 2Q	Prosperity
Shipping Capacity	118.67	↑ 80.09	Relatively prosperous
Space Utilization	133.92	↑ 46.75	Prosperous
Freight	94.67	↑ 21.84	Slightly stagnant
Operating Cost	92.83	↓ -3.25	Slightly stagnant
Profitability	116.58	↑ 41.66	Relatively prosperous
Current Fund	155.17	→ 0.00	Highly prosperous
Enterprise Financing	137.17	→ 0.00	Prosperous
Loan Liability	120.42	↑ 20.09	Prosperous
Labor Demand	94.92	↑ 15.00	Slightly stagnant
Shipping Capacity Investment	81.5	↑ 15.92	Relatively stagnant

Figure 5-12 Projected Business Indicator Prosperity Indexes 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 Projections of China's Port Enterprises Prosperity

**Port enterprises' business decline expected to stabilize.** According to China's shipping prosperity survey, the prosperity index of port enterprises in the third quarter of 2020 is forecast at 97.25 points, rising by 8.35 points quarter-on-quarter into the slightly stagnant interval, indicating that the business deterioration trend of port enterprises may start to ease and stabilize. The confidence

index of port enterprises is expected to rise by 5 points to 62 points into the stagnant interval. In general, China's port enterprises will present relatively unfavorable business performance, and port entrepreneurs are concerned about the prospect of the industry (see Figure 5-13).

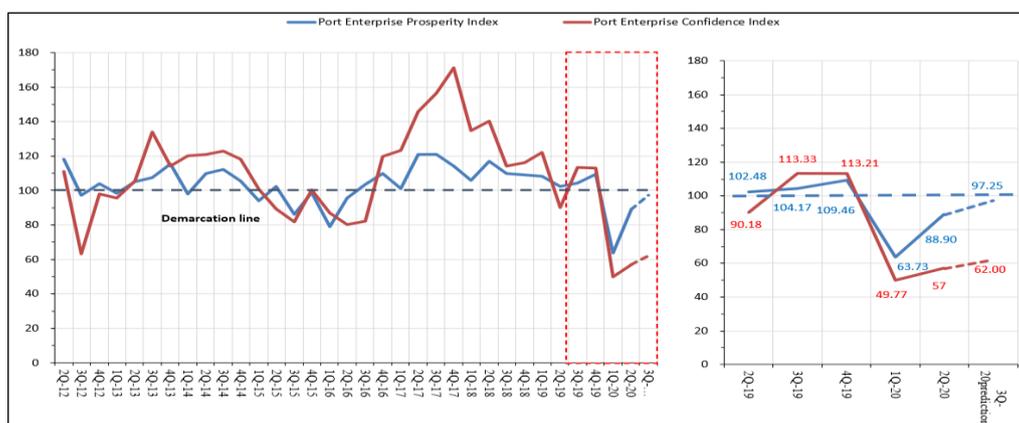


Figure 5-13 Projected Prosperity and Confidence Indexes of Port Transport Enterprises

**Large port enterprises face relatively grim business situations.** In the third quarter of 2020, the prosperity indexes of large, medium-sized and small port enterprises are forecast at 95 points, 101 points and 100 points, respectively. Compared with this quarter, medium-sized port enterprises may present a favorable business performance momentum in the next quarter with their prosperity index rising from the relatively stagnant interval to the slightly prosperous interval. The prosperity indexes of large port enterprises will remain below the demarcation line, implying relatively grim business situations (see Figure 5-14).

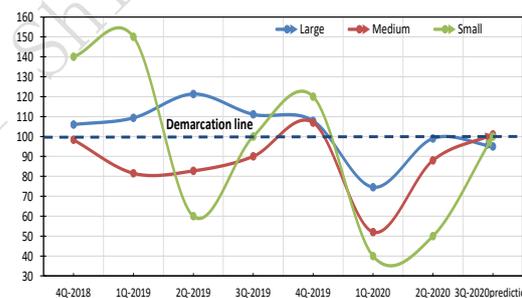


Figure 5-14 Projected Prosperity Indexes of Large, Medium-sized and Small Port Transport Enterprises

**Port throughput to dip faster.** In the third quarter of 2020, port throughput, berth utilization and charging rates are expected to continue the downtrend, and operating costs may continue to rise, leading to reduced profitability of port enterprises. Meanwhile, port enterprises will enjoy

more sufficient current funds and easier access to capital, with the loan liability on a decline. Their labor demand and newly-added berth and machinery investment will also drop (see Figure 5-15).

Monitoring Indicators of Port Enterprises	Predicted 3Q Prosperity Indices	Compare with 2Q	Prosperity
Throughput	90.5	↓ -6.50	Slightly stagnant
Berth Utilization	88	↑ 13.00	Relatively stagnant
Charge	90.5	↑ 25.50	Slightly stagnant
Operating Cost	96.5	↑ 10.00	Slightly stagnant
Profitability	88	↑ 4.50	Relatively stagnant
Current Fund	114.5	→ 0.00	Relatively prosperous
Enterprise Financing	117	→ 0.00	Relatively prosperous
Loan Liability	103.5	↑ 2.50	Slightly prosperous
Labor Demand	85.5	↑ 26.00	Relatively stagnant
Newly Built Berths and Machinery Investment	98.50	↑ 8.5	Slightly stagnant

Figure 5-15 Projected Business Indicator 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 Projections of China's Shipping Service Enterprises Prosperity

**Confidence index of shipping service enterprises to continue slide.** In the third quarter of 2020, the prosperity index of shipping service enterprises is expected to reach 85.87 points, up by 1.2 points quarter-on-quarter, and remain in the relatively stagnant interval. The confidence index of shipping service enterprises is projected to hit 67.84 points, down by 0.72 points quarter-on-quarter, to

the stagnant interval, indicating the continued drop of entrepreneurs' confidence. In general, both the prosperity index and confidence index of shipping service enterprises are expected to remain below the prosperity demarcation. Shipping service entrepreneurs remain pessimistic about the prospects in general (see Figure 5-16).



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

**Medium-sized shipping service enterprises post the highest prosperity.** In the third quarter of 2020, the prosperity indexes of large, medium-sized and small shipping service enterprises are expected to reach 83.57 points, 90.00 points and 88.18 points, respectively. Specifically, the prosperity index of large shipping service enterprises may run flat quarter-on-quarter, and that of small shipping service enterprises will rise by 4.09 points. Both large and small shipping service enterprises will enter the relatively stagnant interval. The prosperity index of medium-sized shipping service enterprises is expected to rise by 2.35 points quarter-on-quarter, from the relatively stagnant interval into the slightly stagnant

interval. But the overall business performance will remain grim (see Figure 5-17).

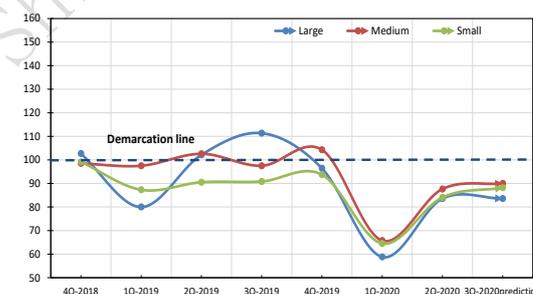


Figure 5-17 Projected Prosperity Indexes of Large, Medium-sized and Small Shipping Service Enterprises

**Business volume of shipping service enterprises may stay stable.** In the third quarter of 2020, despite the rising business volume of shipping service enterprises, their business orders and charging rates are expected to continue to fall, along with rising operating costs. These will jointly contribute to poor profitability. Enterprises will face shortage of current funds, increasing loans in

arrears and more difficult financing, undermining their labor demand and willingness to invest in fixed assets. Except the business volume which will stay above the demarcation line, all the other indicators will stay below the demarcation line, implying worrying business performance of shipping service enterprises (see Figure 5-18).

Monitoring Indicators of shipping service Enterprises	Predicted 3Q Prosperity Indices	Compare with 2Q	Prosperity
Business Reservation	88.58	↓ -15.04	Relatively stagnant
Trade Volume	100.03	↓ -7.16	Slightly prosperous
Trade Price	95.66	↑ 19.87	Slightly stagnant
Business Cost	60.66	↓ -2.02	Stagnant
Profit-loss Variation	86.96	↑ 1.25	Relatively stagnant
Current Fund	84.36	↓ -10.67	Relatively stagnant
Enterprise Financing	83.73	↑ 0.73	Relatively stagnant
Payment Default	83.5	↑ 7.84	Relatively stagnant
Labor Demand	90.12	↑ 13.72	Slightly stagnant
Fixed-asset Investment	85.1	↑ 3.5	Relatively stagnant

Figure 5-18 Projected Business Indicator Prosperity Indexes 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 Suggestions on Hot Issues

With regard to recent hot issues in the shipping industry, this report obtains first-hand data from a considerable number of shipping enterprises, and makes summaries and analysis and proposes several suggestions for development, in an effort to provide some reference to various shipping enterprises in their decision making.

### 6.1 Nearly 40% of Shipping Transport Enterprises to Change Plans of Installing Desulfurizers

Due to Saudi Arabia's fuel price war, the international fuel prices plummeted, narrowing the price gap between low-sulfur fuel oil and high-sulfur fuel oil. The short-term advantages of desulfurizers shrank. Against this background, the CSPI Research Office of Shanghai International Shipping Institute conducted a survey on shipping transport enterprises regarding whether they would change their original plans of installing desulfurizers.

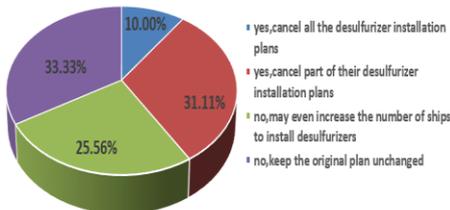


Figure 6-1 Shipping Transport Enterprises' Changes of Their Original Desulfurizer Installation Plans

Among the surveyed shipping transport enterprises, 58.89% said they will not change their original plan of installing desulfurizers. Specifically, 33.33% of them said they would keep the original plan unchanged while 25.56% of them said they may even increase the number of ships to install desulfurizers. 41.11% of surveyed enterprises said that they would change their desulfurizer installation plans. Specifically, 31.11% of them will cancel part of their desulfurizer installation plans and 10% of them will cancel all the desulfurizer installation plans.

The above survey shows that nearly 40% of shipping transport enterprises will change their original desulfurizer installation plans because of the narrowed price gap between low-sulfur and high-sulfur fuel oil. Nearly 10% of shipping transport enterprises will even cancel all the desulfurizer installation plans. The empirical pressure brought by the pandemic and the prolonged period of cost recovery arising from the installation of desulfurizers will incline shipping transport enterprises to low-sulfur fuel oil in the short run.

### 6.2 More Than 40% of Dry Bulk Shipping Enterprises Believe Coal Cargoes to Be Most Impacted by COVID-19 Pandemic

The global dry bulk shipping trade declined as a result of

the COVID-19 pandemic. In this background, the CSPI Research Office of Shanghai International Shipping Institute conducted a survey on dry bulk shipping enterprises regarding the most impacted cargo types by the pandemic. The survey result is shown in Figure 6-2.

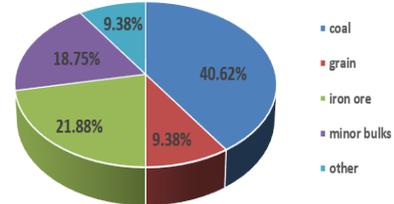


Figure 6-2 Work Resumption Status of Shipping Transport Enterprises

Among the surveyed dry bulk shipping enterprises, 40.62% believed that coal was the most impacted cargo type, 9.38% cited grain, and 21.88% cited iron ore. 18.75% of the surveyed enterprises said minor bulks were the worst hit by the pandemic, and other 9.38% held that other minor bulks were the worst hit.

It can be seen from the above survey that more than 40% of the dry bulk shipping enterprises believed that coal was the most impacted cargo type by the pandemic. The pandemic has led to a lag in production resumption in the domestic manufacturing industry. The power demand decline in the manufacturing sector had a direct impact on the sharp decline in coal shipping volume.

### 6.3 Most Enterprises to Resume Routes in an Orderly Manner Based on Pandemic Situation

According to the Sea-Intelligence report, the shipping suspension scale in the shipping industry has further expanded worldwide, and a total of 435 voyages have been cancelled up to now. Against this background, the CSPI Research Office of Shanghai International Shipping Institute conducted a survey on container shipping enterprises regarding whether they would continue to suspend their container shipping routes.

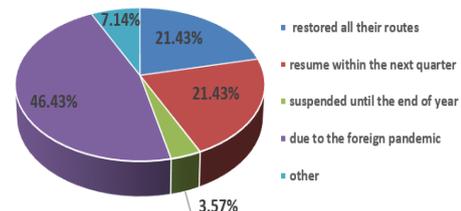


Figure 6-3 Suspension of Container Routes

Among the surveyed liner enterprises, 21.43% have resumed shipping activities on all the routes they operate, 3.57% will suspend their routes until the end of this year, 21.43% of liner enterprises will resume all their routes within the next quarter, 46.43% of enterprises will change their route layouts according to the uncertainties in foreign pandemic situations, and the remaining 7.14% will restore

its container routes at irregular intervals.

It can be seen from the above survey that among the surveyed enterprises, more than 20% of them will resume all their liner routes in the next quarter, and more than 50% will gradually resume their routes depending on the pandemic control situation. The large-scale suspension will be eased, but shipping enterprises still need to actively take measures such as reducing capacity input to tackle the impact.

#### 6.4 Most Chinese Ports Not Yet Affected by Refrigerated Container Surcharges Imposed by Shipping Companies

It is reported that the Japanese liner company ONE has worked with several lines to levy surcharges on refrigerated containers shipped to major ports in China. In addition, some carriers are preparing to declare force majeure and leave refrigerated containers at other ports. In view of that multiple shipping companies are collecting refrigerated container surcharges to cope with worsened congestion of refrigerated containers at ports, the CSPI Research Office of Shanghai International Shipping Institute conducted a survey on domestic port enterprises regarding how they would respond.

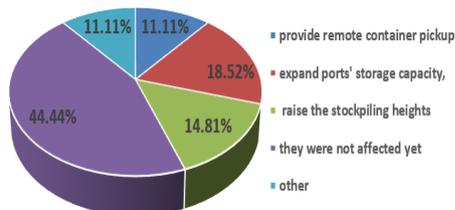


Figure 6-4 Survey on Port Enterprises Regarding Surcharge Collection on Shipping Companies

Among the surveyed port enterprises, 18.52% decided to call for production resumption to expand ports' storage capacity, 11.11% proposed to provide remote container pickup for imported refrigerated containers after customs clearance, 14.81% proposed to renovate the reefer container depots to raise the stockpiling heights, 44.44% believed that they were not affected yet, and 11.11% proposed other measures to deal with the collection of refrigerated container surcharges imposed by shipping companies.

The above survey result shows that nearly half of the port enterprises believed that they were not affected by the collection of refrigerated container surcharges yet. Therefore, even if the Japanese line ONE has imposed such surcharges on refrigerated containers shipped to major ports in China together with other lines, the surcharge has not affected most ports, but only a fraction of them. However, other ports have proposed appropriate countermeasures to alleviate this situation.

#### 6.5. More Than 40% of Shipping Enterprises Look to More Than 10% of Business Volume Increase in the Next Quarter

The domestic COVID-19 pandemic situation has stabilized, but the pandemic is still rampant overseas. Against this background, the CSPI Research Office of Shanghai International Shipping Institute conducted a survey on the business volume expectations of shipping enterprises in the next quarter.

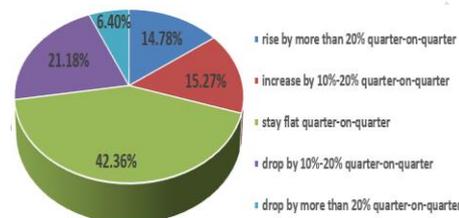


Figure 6-5 Business Volume Projections by Shipping Enterprises in the Next Quarter

According to the survey, 14.78% of surveyed enterprises believed that their business volumes in the next quarter will rise by more than 20% quarter-on-quarter, 15.27% estimated that their business volumes in the next quarter will increase by 10%-20% quarter-on-quarter, 42.36% believed that their quarterly business volumes in the next quarter will stay flat quarter-on-quarter, 21.18% believed that their business volumes in the next quarter will drop by 10%-20% quarter-on-quarter, and 6.40% of them said their business volumes in the next quarter may drop by more than 20% quarter-on-quarter.

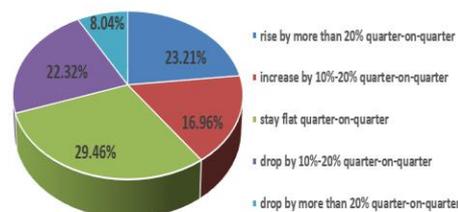


Figure 6-6 Business Volume Projections by Shipping Transport Enterprises in the Next Quarter

According to the survey, 23.21% of surveyed shipping transport enterprises believed that their business volumes in the next quarter will rise by more than 20% quarter-on-quarter, 16.96% estimated that their business volumes in the next quarter will increase by 10%-20% quarter-on-quarter, 29.46% believed that their quarterly business volumes in the next quarter will stay flat quarter-on-quarter, 22.32% believed that their business volumes in the next quarter will drop by 10%-20% quarter-on-quarter, and 8.04% of them said their business volumes in the next quarter may drop by more than 20% quarter-on-quarter.

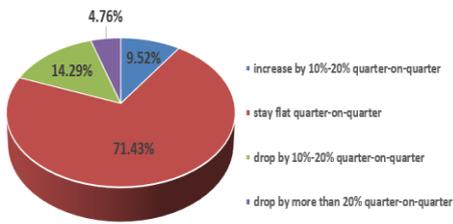


Figure 6-7 Business Volume Projections by Port Enterprises in the Next Quarter

According to the survey, 9.52% of surveyed port enterprises believed that their business volumes in the next quarter will rise by 10%-20% quarter-on-quarter, 71.43% believed that their quarterly business volumes in the next quarter will stay flat quarter-on-quarter, 14.29% believed that their business volumes in the next quarter will drop by 10%-20% quarter-on-quarter, and 4.76% of them said their business volumes in the next quarter may drop by more than 20% quarter-on-quarter.

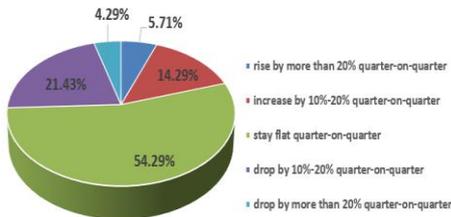


Figure 6-8 Business Volume Projections by Shipping Service Enterprises in the Next Quarter

According to the survey, 5.71% of surveyed shipping service enterprises believed their business volumes in the next quarter will rise by more than 20% quarter-on-quarter, 14.29% estimated their business volumes in the next quarter will increase by 10%-20% quarter-on-quarter, 54.29% believed their quarterly business volumes in the next quarter will stay flat quarter-on-quarter, 21.43% believed their business volumes in the next quarter will drop by 10%-20% quarter-on-quarter, and 4.29% of them said their business volumes in the next quarter may drop by more than 20% quarter-on-quarter.

## 6.6 Government Subsidies Can Bring Practical Impetus to the Industry

To alleviate the pandemic's impact on the logistics industry, governments in various regions have issued policies to support the development of the industry, and their logistics subsidy policies also vary. The CSPI Research Office of Shanghai International Shipping Institute conducted a survey among domestic port and shipping enterprises regarding the impacts of local governments' subsidy policies on the port and shipping logistics industry.

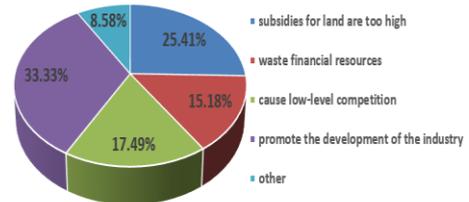


Figure 6-9 Port and Shipping Enterprises' Views on Government Subsidies

The survey shows that among the surveyed port and shipping enterprises, 25.41% believed that the subsidies for land transport means are too high, and the subsidies are not balanced among the transport modes along the entire logistics chain, 15.18% believed that the subsidies go to less economic routes result in a waste of financial resources, 17.49% believed that such subsidies cause low-level competition among ports and weaken the service quality competition, 33.33% said that the subsidies can go to who really need them and promote the development of the industry, and 8.58% believed that the subsidies can bring other impacts to the industry.

The above survey shows that most port and shipping enterprises believed that the subsidies can go to who really need them and promote the development of the industry. Therefore, it is recommended that local governments earmark different subsidies to local enterprises during the pandemic period to ensure higher liquidity of enterprises and boost production resumption.

## 7. Briefing on CSPI System

The China Shipping Prosperity Index (CSPI) is an umbrella term for a group of quantitative 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 implies the business performance of China's shipping enterprises. CSFI is compiled based on China marine executives' judgment of the current development of the China shipping industry on the whole and their prediction of its future trend. It implies their confidence and mentality toward China's shipping industry from the macro perspective.

CSPI takes 100 points as its demarcation (or critical point) and fluctuates between 0 and 200 points. When the CSPI value is greater than 100, which 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, which 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 season of 2009. It is formed based on survey feedback from companies in the field of shipping transport, port and shipping services. The results are presented in these three categories as well. The CSPI is issued on a seasonal basis.

The CSAI is intended to envisage the future development trend of the China shipping industry through a comprehensive judgment of the change 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 stands 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 alerts 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, to the contrary, eye to assess and forecast the current status and development trend of China's shipping industry from the macro level based on objective data.

Table 0-1 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]

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## 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 an associate professor at Shanghai Maritime University)

Zhang Jieshu (Deputy Secretary General of SISI and A Professor of 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:** Chen Youchao, Liao Qingmei, Wang Minjie, Sun Jilei