

China Shipping Prosperity Index Hits Historical Low

(CSPI Research Office, Shanghai International Shipping Institute)

- China Shipping Prosperity Report Series (Quarterly) -

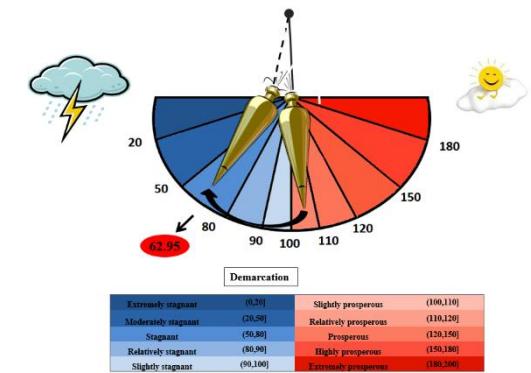
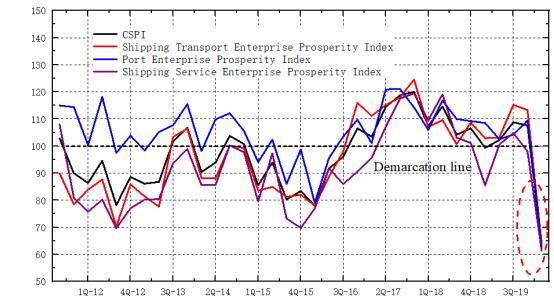
Summary:

- China's shipping industry suffers a setback.** China Shipping Prosperity Index for the first quarter of 2020 stood at 62.95 point, a slump to the stagnant interval, indicating the alarming progress of China's shipping industry. China Shipping Confidence Index for the same quarter stood at 39.05 points, a sharp decline to the moderately stagnant interval, manifesting the severe shortage of confidence among Chinese shipping entrepreneurs in business prospects.
- Profitability of port and shipping enterprises declines steeply.** Shipping enterprises suffered substantial declines quarter-on-quarter in terms of profitability in the first quarter of 2020. The profitability of shipping transport enterprises, port enterprises and shipping service enterprises was all below the prosperity demarcation, namely at 20.64 points, 23.86 points and 37.61 points, respectively, falling to the extremely stagnant and moderately stagnant intervals.
- Shipping transport enterprise confidence dealt a heavy blow.** In the first quarter of 2020, the confidence indexes of shipping transport enterprises, port enterprises, and shipping service enterprises recorded 32.85 points, 49.77 points, and 36.61 points, respectively, all falling to the moderately stagnant interval. Specifically, shipping transport enterprises was hit the worst, with their confidence index slipping by 73.24 points quarter-on-quarter, posting the most severe shortage of business confidence among their entrepreneurs.
- Business performance in the next quarter expected to worsen.** In the second quarter of 2020, China Shipping Prosperity Index is expected to reach 93.26 points, up by 30.31 points quarter-on-quarter into the slightly stagnant interval. China Shipping Confidence Index is expected to hit 60.31 points, increasing by 21.26 points quarter-on-quarter to the stagnant interval. It is expected that the business performance of China's shipping enterprises will continue to worsen in the next quarter, with prevailing shortage of business confidence.
- Highlights:**

- Resumption of work and production of port and shipping enterprises was relatively favorable overall. Nearly 60% of enterprises recorded a resumption rate of 90% or above, and less than 10% of enterprises recorded a resumption rate of lower than 50%. Specifically, more than half of port enterprises have completely resumed work and production.*
- Subject to the impact from the COVID-19 epidemic, nearly 90% of shipping enterprises suffered business volume declines, with nearly 30% of them witnessing a decline of more than 30%. The epidemic has produced a strong short-term impact on the shipping market.*
- Facing the enormous impact from the epidemic on the industry, more than 30% of enterprises in the industry expect fiscal and financial policy support such as reduced or exempted taxes and fees to alleviate the operating stress the enterprises are under during the epidemic.*
- Affected by the COVID-19 epidemic, BDI fell sharply, and the market slipped to a recession. Nearly 20% of enterprises in the industry believed that the market would run low for a long time, but nearly 80% of dry bulks shipping enterprises believed that the dry bulks market is expected to get rid of the recession within half a year after the epidemic.*

Risks: With the widespread COVID-19 epidemic around the world, shipping enterprises are also suffering widespread declines in business volume, with their profitability slashed and enterprises' liquidity stress mounting. Against the greater uncertainty in future epidemic situation, it is recommended that relevant departments strengthen financial support for enterprises, promote enterprises to resume work and production and prevent irreparable damage to the industry.

➤ 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 Shipping Market (Review of 2019 and Outlook for 2020)**

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1. Overview of China's Shipping Prosperity in Q1 2020

Chinese shipping industry faces a worrisome situation. China Shipping Prosperity Alertness Index for February 2020 stood at 53.09 points, falling slightly quarter-on-quarter and remaining in the extremely gloomy interval. China Shipping Prosperity Composite Index for the same month stood at 96.21 points, rallying slightly quarter-on-quarter and fluctuating at low levels on the whole. At the micro level, China Shipping Prosperity Index

for the first quarter of 2020 slumped by 44.60 points quarter-on-quarter to 62.95 points, falling to the stagnant interval. China Shipping Confidence Index reached 39.05 points, falling by 68.53 points quarter-on-quarter to the stagnant interval, too. Chinese shipping entrepreneurs severely lacked confidence 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
2Q-19	April	48.4	95.86	102.15	91.06
	May	57.73	95.9		
3Q-19	June	54.17	96.1	108.74	108.34
	July	55.95	96		
	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		

Table 1-1 China Shipping Prosperity

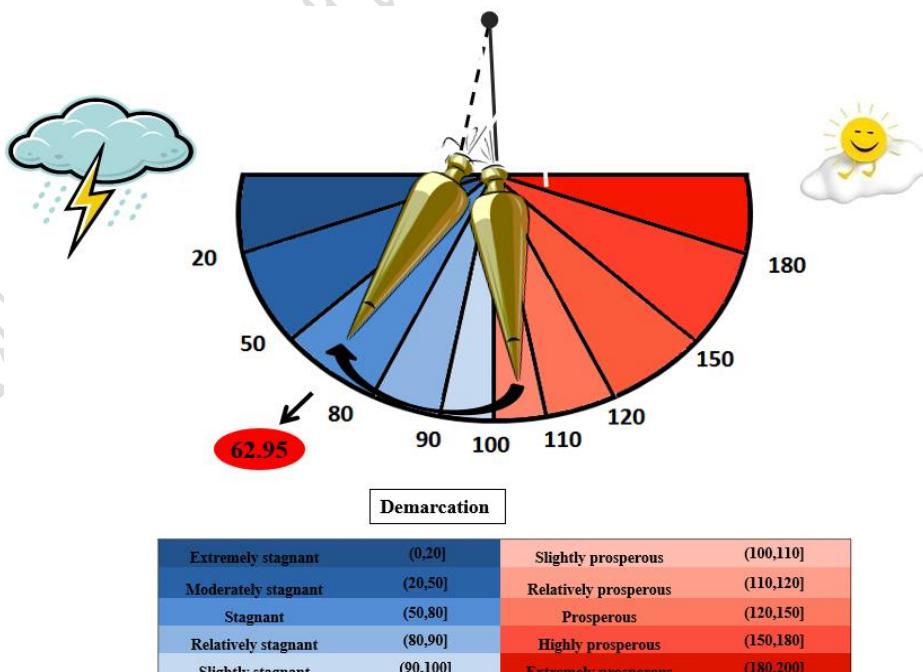


Figure 1-1 China Shipping Prosperity Index in Q1 2020

Source: Shanghai International Shipping Institute

2. Macro Analysis on China's Shipping Prosperity

Composite Alertness Index remains extremely gloomy. In the first quarter of 2020, China Shipping Prosperity Alertness Index was averaged at 56.44 points, falling by 6.86 points quarter-on-quarter. After a slump in January, the alertness index rallied by a narrow margin in February to 53.09 points but remained extremely gloomy. The market remained sluggish overall (see Figure 2-1).

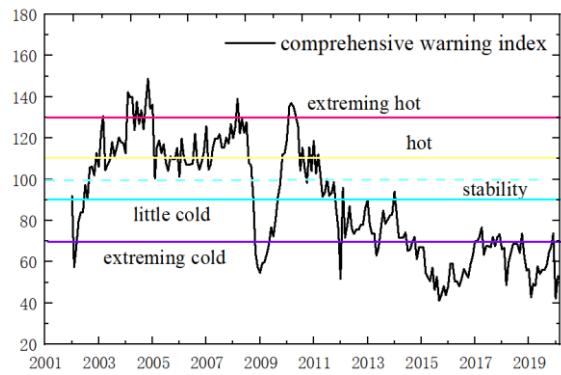


Figure 2-1 China Shipping Prosperity Alertness Index

Shipping indicators fall across the board. In the first quarter of 2020, the dry bulks shipping market ran low and the four major shipping indicators fell across the board. Specifically, BDI plummeted to the extremely gloomy interval. BDTI entered the gloomy interval starting from February. CCFI declined to some extent and fluctuated at around 850 points in February after a narrow rally, remaining in the gloomy interval since January. CCBFI continued to decline in this quarter and remained in the extremely gloomy interval since January (see Figure 2-2).

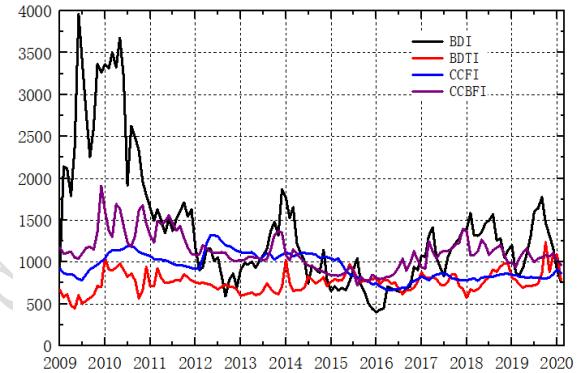


Figure 2-2 Variations of Shipping Indicators

Most economic indicators fall. In the first quarter of 2020, most economic indicators fell except import and export values. Specifically, the fixed-asset investment growth maintained stable in this quarter and remained in the extremely gloomy interval. Consumer goods retail sales growth and port throughput continued the downward trend, import and export values growth fluctuated in a narrow range in this quarter and ended up rising into the normal interval. Power generation growth tumbled in this quarter, dropping from the normal interval to the extremely gloomy interval (see Figure 2-3).

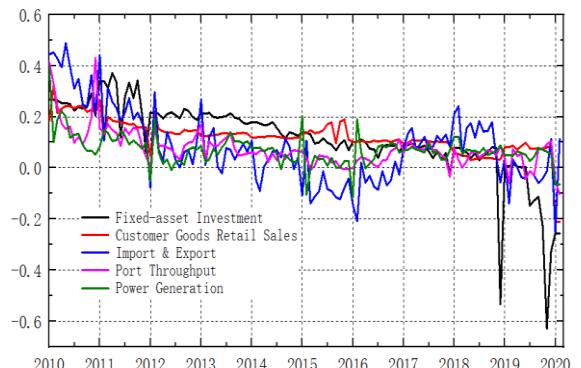


Figure 2-3 Variations of Economic Indicators

TIME	BDI	BDTI	CCFI	CCBFI	FIXED-ASSET INVESTMENT	CUSTOMER GOOD RETAIL SALES	IMPORT EXPORT	PORT THROUGHPUT	POWER GENERATION	CASI
2020-02	●	●	●	●	●	●	●	●	●	●
2020-01	●	●	●	●	●	●	●	●	●	●
2019-12	●	●	●	●	●	●	●	●	●	●
2019-11	●	●	●	●	●	●	●	●	●	●
2019-10	●	●	●	●	●	●	●	●	●	●
2019-09	●	●	●	●	●	●	●	●	●	●

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

Figure 2-4 Composite Alertness Index Signals

3. Analysis on Prosperity of China's Shipping Enterprises

In the first quarter of 2020, China's shipping enterprises suffered sharp declines of business performance, with China Shipping Prosperity Index recording 62.95 points, a significant drop of 44.60 points quarter-on-quarter to a historical low. All enterprises saw their prosperity

index values fall to the stagnant interval. Specifically, the container shipping enterprises recorded the worst declines, from the prosperous interval to the stagnant interval (see Figure 3-1).

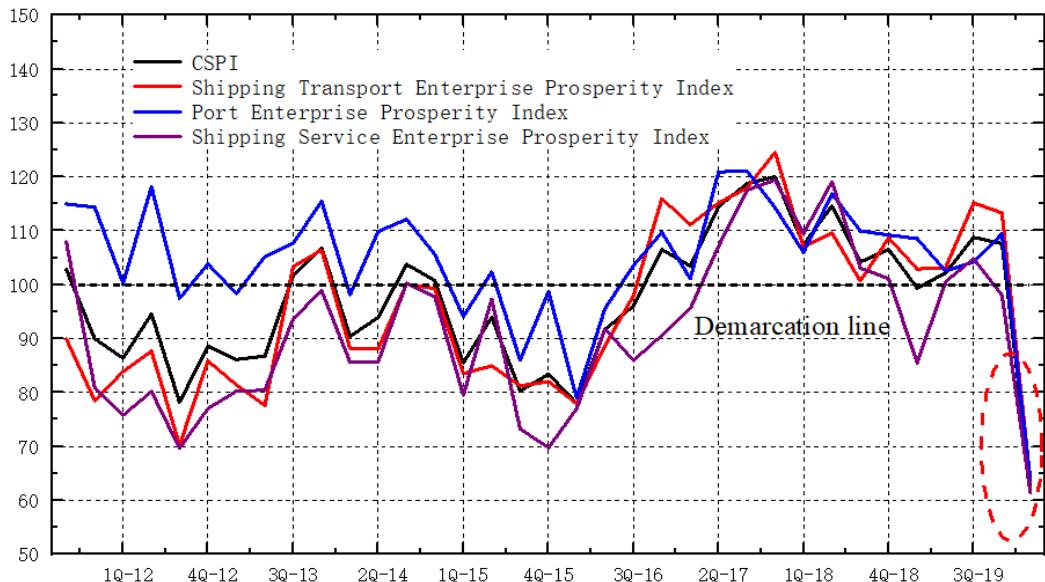


Figure 3-1 China Shipping Prosperity Index

In the first quarter of 2020, China Shipping Confidence Index reached 39.05 points, falling sharply by 68.53 points quarter-on-quarter to the moderately stagnant interval. The confidence indexes of all types of enterprises fell to the moderately stagnant interval. Specifically, shipping transport enterprises recorded the worst declines, from the slightly prosperous interval to the moderately stagnant interval. In the quarter, the shipping enterprises

that were optimistic about the general situation of the industry accounted for 3.57%, a drop of 16.26% quarter-on-quarter. 24.21% of shipping enterprises believed that the general situation was just all right whereas 71.43% were not optimistic about the general situation of the industry, the proportion rising by 51.6% quarter-on-quarter. Chinese shipping industry faced a grim situation overall (see Figure 3-2).

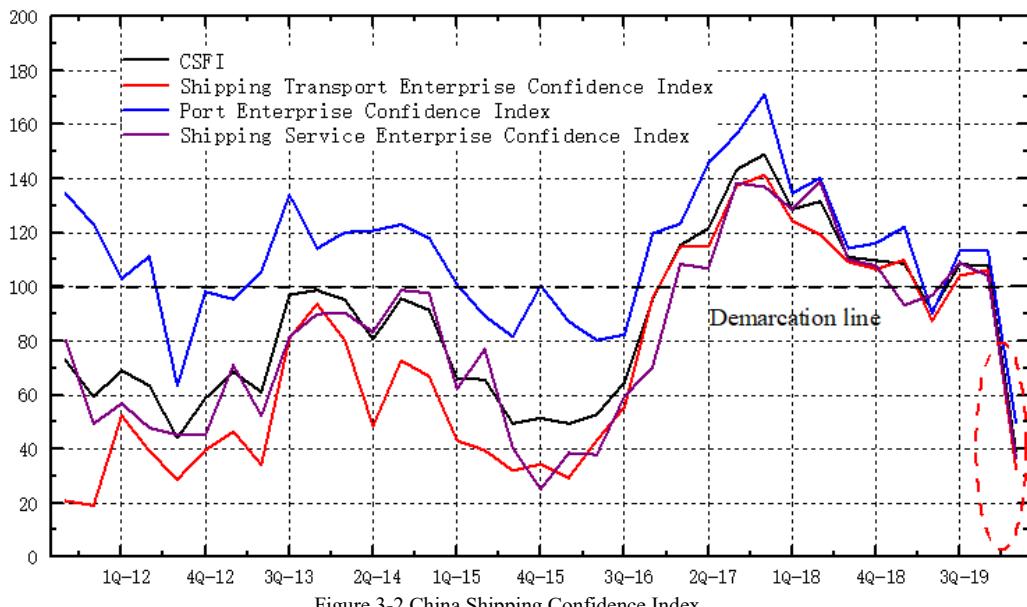


Figure 3-2 China Shipping Confidence Index

3.1 Analysis on Prosperity of China's Shipping Transport Enterprises

Profitability of shipping transport enterprises plunges. In the first quarter of 2020, the prosperity index of shipping transport enterprises recorded 63.51 points, down by 49.79 points quarter-on-quarter. The confidence index of shipping transport enterprises stood at 32.85 points, plummeting by 73.24 points quarter-on-quarter to the moderately stagnant interval. Specifically, the prosperity

indexes of dry bulks shipping enterprises and container shipping enterprises were 56.67 points and 64.27 points, respectively, and their confidence indexes were 21.33 points and 23 points, respectively, indicating worrisome business performance overall for shipping transport enterprises and lack of confidence among entrepreneurs who look to further declines of the market (see Figure 3-3).

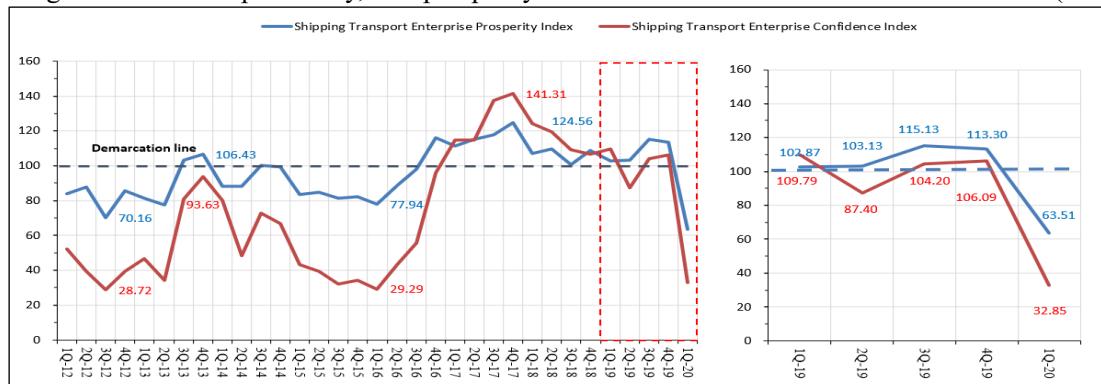


Figure 3-3 Prosperity and Confidence Indexes of Shipping Transport Enterprises

Medium-sized shipping transport enterprises post the lowest prosperity index. In the first quarter of 2020, the prosperity indexes of large, medium-sized and small shipping transport enterprises stood at 62.81 points, 57.44 points and 76.40 points, respectively. The prosperity indexes of large, medium-sized and small shipping transport enterprises all slumped quarter-on-quarter, from the relatively prosperous interval to the stagnant interval. Specifically, the medium-sized shipping transport enterprises recorded the lowest prosperity index which fell by 52 points quarter-on-quarter (see Figure 3-4).

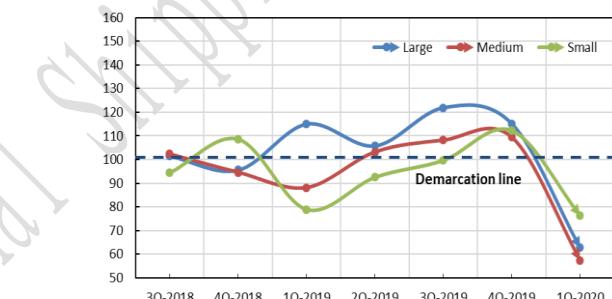


Figure 3-4 Prosperity Indexes of Large, Medium-sized and Small Shipping Transport Enterprises

Major indicators of shipping transport enterprises plummet. In the first quarter of 2020, enterprises' shipping capacity input decreased dramatically, the space utilization plunged, and the freight rate also fell sharply. Because of the rising operating costs, enterprises' profitability was

slashed, with their loan liability rising and labor demand declining. Shipowners' willingness to invest in shipping capacity dropped, but their current funds remained relatively sufficient. Enterprises still enjoyed easy access to capital, with certain resilience to risks (see Figure 3-5).

Monitoring Indicators of Shipping Transport Enterprises	1Q Prosperity Indices	Compare with 4Q	Prosperity
Shipping Capacity	61.48	⬇️ -38.93	Stagnant
Space Utilization	38.44	⬇️ -75.06	Moderately stagnant
Freight	28.60	⬇️ -92.53	Moderately stagnant
Operating Cost	66.32	⬇️ -7.14	Stagnant
Profitability	20.64	⬇️ -108.05	Moderately stagnant
Current Fund	100.35	⬇️ -37.38	Slightly prosperous
Enterprise Financing	106.41	⬇️ -11.39	Slightly prosperous
Loan Liability	92.40	⬇️ -25.48	Slightly stagnant
Labor Demand	71.97	⬇️ -38.12	Stagnant
Shipping Capacity Investment	48.45	⬇️ -63.81	Moderately 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 Bulks Shipping Enterprises

Dry bulks shipping enterprises continue to record declined prosperity. In the first quarter of 2020, the prosperity index of dry bulks shipping enterprises recorded 56.67 points, down by 38.97 points quarter-on-quarter from the slightly stagnant interval to the stagnant interval. The confidence index of dry bulks shipping enterprises stood at

21.33 points, a sharp decline of 63.85 points quarter-on-quarter to the moderately stagnant interval. Dry bulks shipping enterprises posted poor business performance overall, and entrepreneurs were severely lacking confidence in market performance (see Figure 3-6).

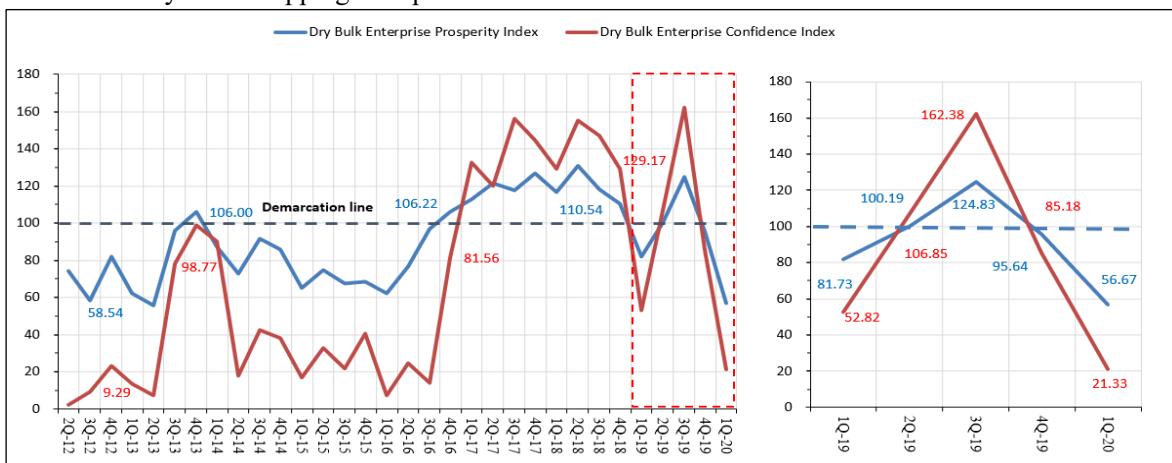


Figure 3-6 Prosperity and Confidence Indexes of Dry Bulks Shipping Enterprises

Medium-sized dry bulks shipping enterprises post the lowest prosperity. In the first quarter of 2020, the prosperity indexes of large, medium-sized and small dry bulk cargo shipping enterprises stood at 53.33 points, 50.67 points and 80.00 points, respectively. Compared with the previous quarter, the prosperity index of dry bulks shipping enterprises was the lowest in this quarter, falling by 46.9 points quarter-on-quarter, from the slightly stagnant interval to the stagnant interval, demonstrating the worrisome prosperity performance (see Figure 3-7).

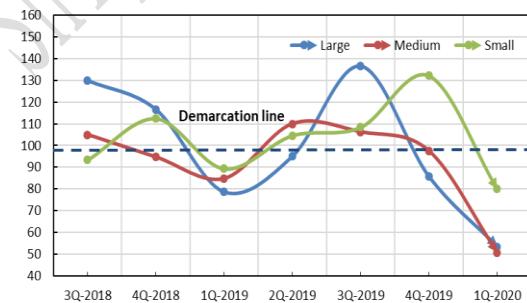


Figure 3-7 Prosperity Indexes of Large, Medium-sized and Small Dry Bulks Shipping Enterprises

Business indicators of dry bulks shipping enterprises worsen across the board. In the first quarter of 2020, enterprises' input in shipping capacity kept shrinking, with ship turnover falling dramatically and unit freight rates going down. The operating costs continued to

rise, enterprises' profits were slashed, and their loan liability increased. Enterprises' 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	1Q Prosperity Indices	Compare with 4Q	Prosperity
Shipping Capacity	81.83	⬇️ -2.93	Relatively stagnant
Vessel Turnover	27.67	⬇️ -68.34	Moderately stagnant
Freight	3.17	⬇️ -86.35	Seriously stagnant
Operating Cost	85.00	⬆️ 26.79	Relatively stagnant
Profitability	9.17	⬇️ -105.41	Seriously stagnant
Current Fund	61.17	⬇️ -31.69	Stagnant
Enterprise Financing	85.00	⬆️ 0.48	Relatively stagnant
Loan Liability	86.50	⬇️ -49.63	Relatively stagnant
Labor Demand	81.83	⬇️ -13.35	Relatively stagnant
Shipping Capacity Investment	45.33	⬇️ -59.25	Moderately 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

Prosperity index of container shipping enterprises hits historical low. In the first quarter of 2020, the prosperity index of container shipping enterprises touched 64.27 points, falling by 64.73 points quarter-on-quarter to the stagnant interval. The confidence index of container shipping enterprises stood at 23 points, plunging by 88.14

points quarter-on-quarter into the moderately stagnant interval. Container shipping enterprises suffered a sharp decline in business performance overall and entrepreneurs were less confident in the industry prospect (see Figure 3-9).

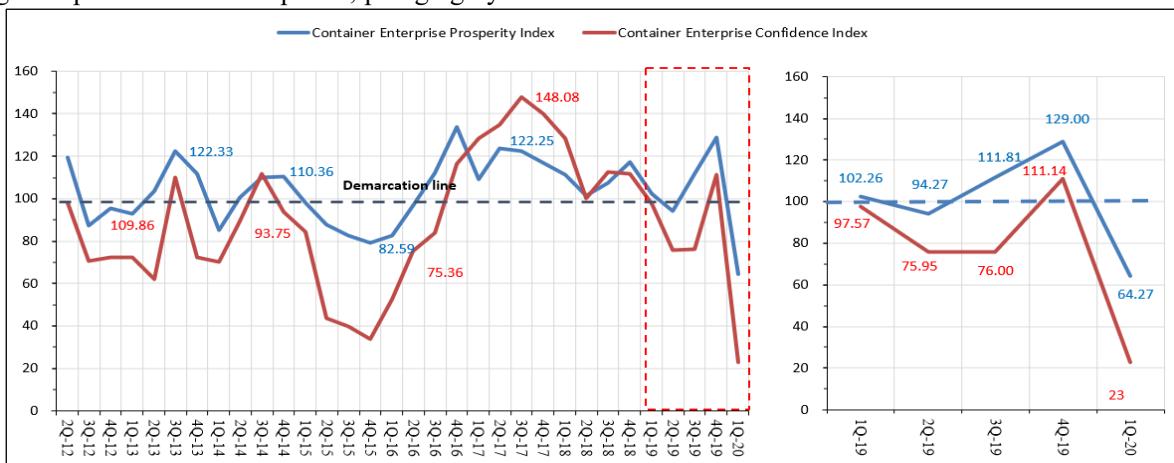


Figure 3-9 Prosperity and Confidence Indexes of Container Shipping Enterprises

Medium-sized container shipping enterprises post the poorest business performance. In the first quarter of 2020, the prosperity indexes of large, medium-sized and small container shipping enterprises were 62.221 points, 51.335 points and 94 points, respectively. Compared with the previous quarter, the prosperity indexes of large and medium-sized container shipping enterprises fell substantially in this quarter, both from the prosperous interval to the stagnant interval, and medium-sized container shipping enterprises, in particular, posted the poorest business performance. The prosperity index of small container shipping enterprises fell slightly from the slightly prosperous interval to the slightly stagnant interval

(see Figure 3-10).

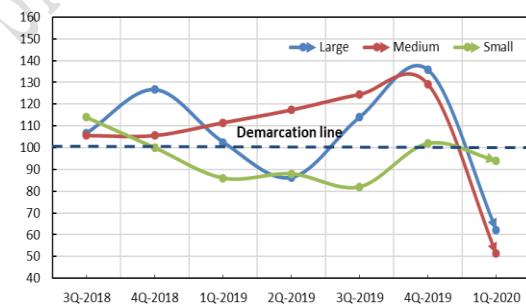


Figure 3-10 Prosperity Indexes of Large, Medium-sized and Small Container Shipping Enterprises

Profitability of container shipping enterprises deteriorates rapidly. In the first quarter of 2020, the shipping capacity launched by shipping enterprises topped out and went downward, and enterprises' space utilization slumped, driving down freight rates. Meanwhile, because

of the soaring operating costs, enterprises' profitability also fell sharply. Despite the relatively sufficient current funds and easy access to capital, enterprises were under higher loan liability, with a sharp decline in both labor demand and willingness to invest in shipping capacity (see Figure 3-11).

Monitoring Indicators of Container Shipping Enterprises	1Q Prosperity Indices	Compare with 4Q	Prosperity
Shipping Capacity	30.33	↓ -69.67	Moderately stagnant
Space Utilization	43.67	↓ -99.71	Moderately stagnant
Freight	61.33	↓ -89.89	Stagnant
Operating Cost	32.00	↓ -62.00	Moderately stagnant
Profitability	21.00	↓ -129.92	Moderately stagnant
Current Fund	140.33	↓ -30.73	Prosperous
Enterprise Financing	119.33	↓ -14.45	Relatively prosperous
Loan Liability	95.33	↓ -28.63	Slightly stagnant
Labor Demand	50.67	↓ -64.72	Stagnant
Shipping Capacity Investment	48.67	↓ -57.63	Moderately 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' prosperity hits historical low. In the first quarter of 2020, the prosperity index of port enterprises stood at 63.73 points, falling dramatically quarter-on-quarter to the stagnant interval. Business performance of port enterprises was lackluster overall. The

confidence index of port enterprises recorded 49.77 points, continuing the fall from last quarter into the moderately stagnant interval. Entrepreneurs in port enterprises were worried about the overall performance of the industry (see Figure 3-12).

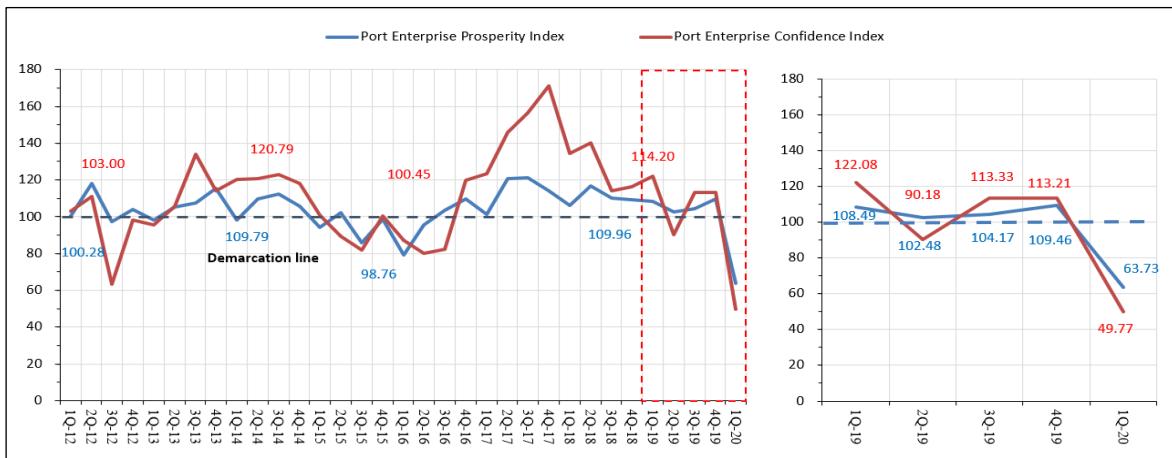


Figure 3-12 Prosperity and Confidence Indexes of Port Enterprises

Small port enterprises post the worst business performance. In the first quarter of 2020, the prosperity indexes of large, medium-sized and small port enterprises stood at 74.544 points, 52 points and 40 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 all below the demarcation line. The prosperity index of large port enterprises recorded the narrowest decline quarter-on-quarter, and fell to the stagnant interval. The prosperity indexes of medium-sized and small port enterprises fell to the stagnant interval, implying worrisome

Berth utilization rate of port enterprises drops significantly. In the first quarter of 2020, port throughput and berth utilization declined significantly, with port charging rates on a decline, too. Due to the rising operating costs, enterprises' profitability declined as well. Despite the

performance (see Figure 3-13).

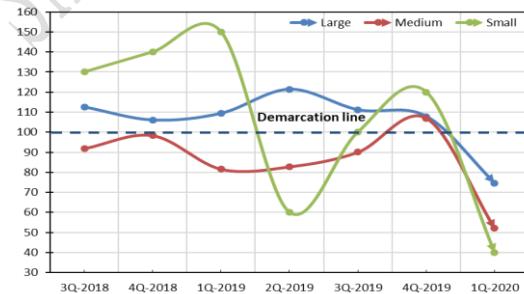


Figure 3-13 Prosperity Indexes of Large, Medium-sized and Small Port Enterprises

sufficient current funds and easier access to capital, port enterprises' asset liabilities increased. Port enterprises' labor demand declined, and the newly-added berth and machinery investment also dropped quarter-on-quarter (see Figure 3-14).

Monitoring Indicators of Port Enterprises	1Q Prosperity Indices	Compare with 4Q	Prosperity
Throughput	24.32	⬇️ -111.04	Moderately stagnant
Berth Utilization	18.86	⬇️ -94.35	Seriously stagnant
Charge	34.32	⬇️ -63.18	Moderately stagnant
Operating Cost	64.09	⬆️ 6.23	Stagnant
Profitability	23.86	⬇️ -123.28	Moderately stagnant
Current Fund	108.41	⬇️ -13.73	Slightly prosperous
Enterprise Financing	113.41	⬆️ 3.05	Relatively prosperous
Loan Liability	97.95	⬆️ 2.59	Slightly stagnant
Labor Demand	61.59	⬇️ -54.12	Stagnant
Newly Built Berths and Machinery Investment	90.45	⬇️ -9.55	Slightly 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 fall stagnant again. In the first quarter of 2020, the prosperity index of shipping service enterprises was 61.42 points, down by 36.57 points quarter-on-quarter, from the slightly stagnant interval to the stagnant interval. The confidence index of shipping service enterprises was 36.61 points, declining by 67.32 points quarter-on-quarter, from the slightly prosperous interval to

the moderately stagnant interval. Both the prosperity index and confidence index of shipping service enterprises fell to below the prosperity demarcation, implying poor business performance overall of shipping service enterprises and lack of confidence among shipping service entrepreneurs in the future (see Figure 3-15).

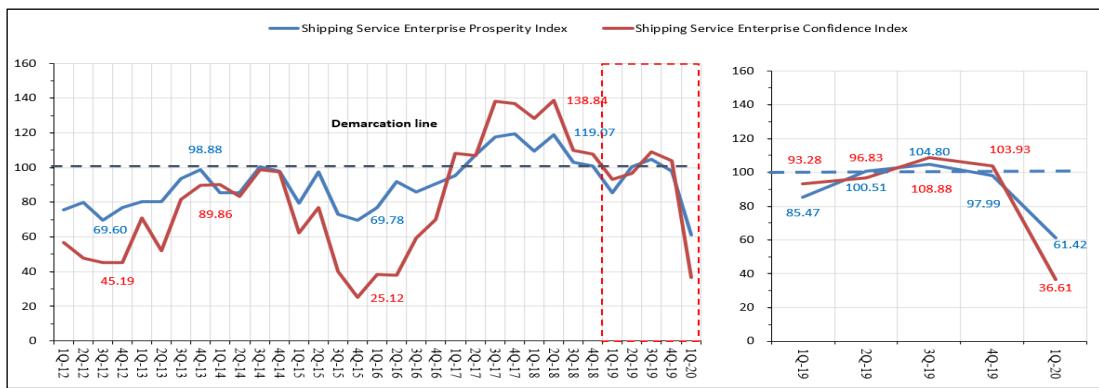


Figure 3-15 Prosperity and Confidence Indexes of Shipping Service Enterprises

Prosperity of large shipping service enterprises the lowest. In the first quarter of 2020, the prosperity indexes of large, medium-sized and small shipping service enterprises were 58.82 points, 65.77 points and 64.55 points, respectively. Compared with the previous quarter, large shipping service enterprises posted the lowest prosperity with a drop of 31.18 points into the stagnant interval. Medium-sized and small shipping service enterprises continued to suffer declining business performance with their prosperity indexes both falling to below the demarcation, indicating their sluggish business performance overall (see Figure 3-16).

Shipping service enterprises suffer declining business indicators across the board. In the first quarter of 2020, shipping service enterprises' business costs stayed high, with business volume and charging rates dropping sharply, leading to profitability slumps and strains of current funds. Financing difficulties increased, and loan

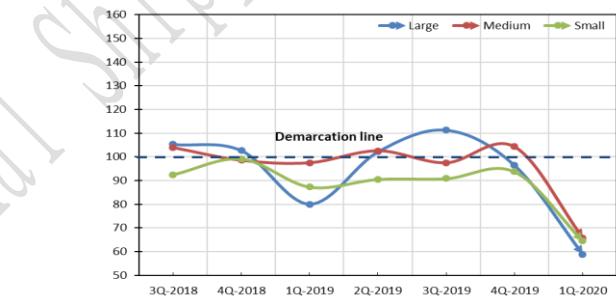


Figure 3-16 Prosperity Indexes of Large, Medium-sized and Small Shipping Service Enterprises

delinquency was on a rise, causing the labor demand to lose ground and enterprises' willingness to invest in fixed assets running low. All indicators of shipping service enterprises fell sharply to below the demarcation line (see Figure 3-17).

Monitoring Indicators of shipping service Enterprises	1Q Prosperity Indices	Compare with 4Q	Prosperity
Business Reservation	42.22	⬇️ -59.83	Moderately stagnant
Trade Volume	33.8	⬇️ -87.81	Moderately stagnant
Trade Price	62.71	⬇️ -37.65	Stagnant
Business Cost	56.97	⬇️ -14.64	Stagnant
Profit-loss Variation	37.61	⬇️ -69.71	Moderately stagnant
Current Fund	89.9	⬇️ -18.31	Relatively stagnant
Enterprise Financing	81.63	⬇️ -10.87	Relatively stagnant
Payment Default	58.18	⬇️ -31.46	Stagnant
Labor Demand	76.58	⬇️ -11.10	Stagnant
Fixed-asset Investment	74.58	⬇️ -24.35	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. Projection of China's Shipping Industry Trend

Shipping market may continue the drop. In February 2020, the leading index of China's shipping industry closed at 102.88 points, presenting an inverse U trend starting from December. The coincidence index stood at 93.72 points, lower than last year's average of 94.89 points, declining by 1.41 points from the average of 95.13 points for last quarter. The lagging index stood at 98.32

points, higher than last year's average of 97.92 points, edging up by 0.29 points over the average of 98.03 points for last quarter. In terms of the index trend, the leading index followed a slightly fluctuating and downward trend, and it is expected that the shipping market may continue to decline in the future (see Figure 4-1).

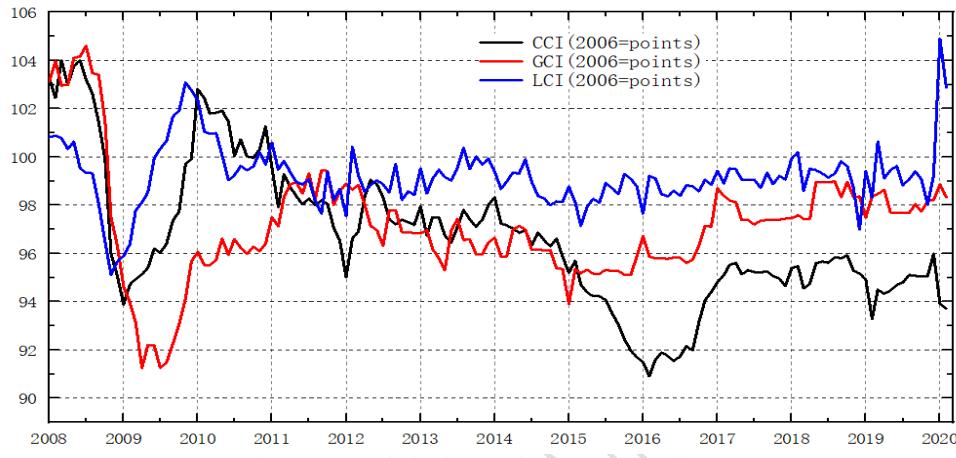


Figure 4-1 Trend of Indexes under the Umbrella of CSCI

In the first quarter of 2020, among the leading index indicators, vessel arrivals rose by a narrow margin since January. Power generation continued to go down and money supply started to stabilize in this quarter. Fixed-asset investments began to rise steadily since December. Consumer goods retail sales also dropped to some extent in this quarter (see Figure 4-2).

In February 2020, among the coincidence index indicators, port throughput growth declined since January and import and export values declined and then rose in the quarter. Among the four major shipping indicators, BDTI and CCFI declined after a rally, BDI continued to drop in this quarter and reached the year's low of 761 points in

February, and CCBFI also continued to fall in this quarter (see Figure 4-3).

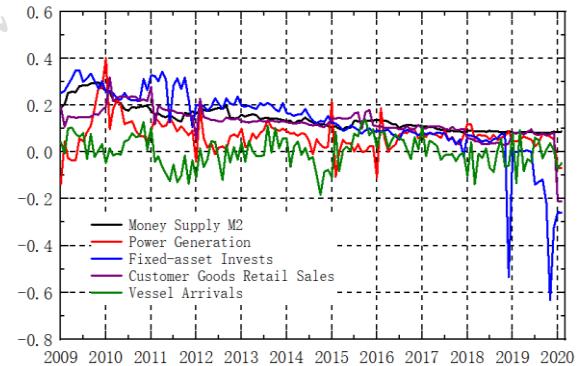


Figure 4-2 Trend of LCI

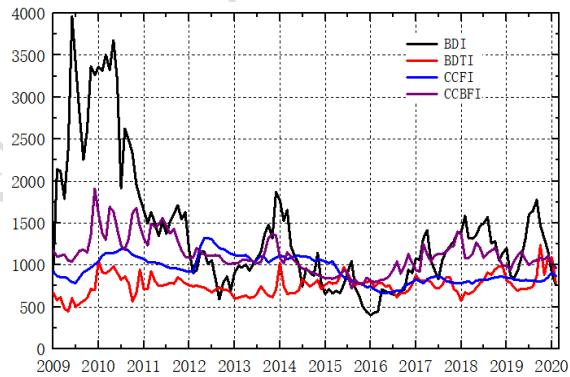


Figure 4-3 Trend of CEI



China Shipping Prosperity Composite Index contains the leading index, the coincidence index and the lagging index, representing the future, current and past performance of the shipping market, respectively, to aid enterprises in identifying any turning points of significance in the long-term development of the shipping industry.

5. Outlook on Prosperity of China's Shipping Industry in Q2 2020

According to the China shipping prosperity survey, China Shipping Prosperity Index for the second quarter of 2020 is expected to reach 93.26 points, up by 30.31 points quarter-on-quarter into 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 above the demarcation line while those of other types of enterprises may remain under the demarcation. In the second quarter of 2020, the confidence index of China's shipping enterprises was 60.31 points, rising by 21.26 points quarter-on-quarter back to the stagnant interval. All types of enterprises lack confidence in the future, with their confidence indexes all below the demarcation line. The

confidence indexes of dry bulks shipping enterprises and shipping service enterprises, in particular, may remain in the moderately stagnant interval (see Figure 5-1, Figure 5-2 and Figure 5-3).

According to the China shipping prosperity survey, it is expected that 9.52% of surveyed shipping enterprises are optimistic about the overall performance of the shipping industry in the second quarter of 2020, the proportion up by 5.95 percentage points quarter-on-quarter, 36.11% are neutral, the proportion rising by 11.90 percentage points quarter-on-quarter, and the rest 53.57% are pessimistic, the proportion down by 17.86 percentage points quarter-on-quarter. Overall, Chinese shipping enterprises' confidence will rally by a narrow margin.

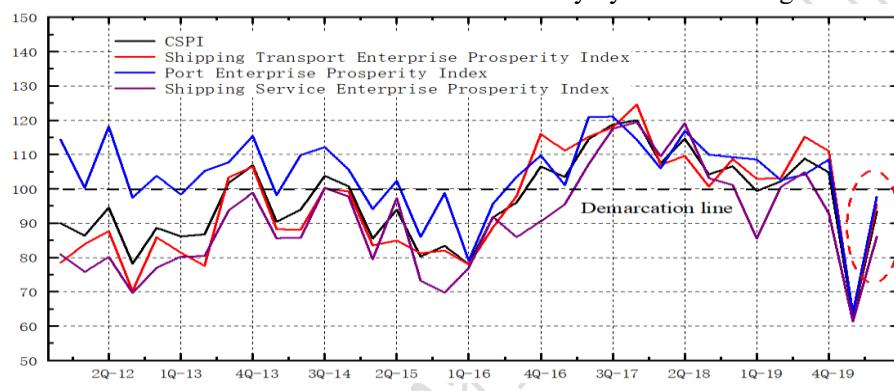


Figure 5-1 Projected China Shipping Prosperity Index

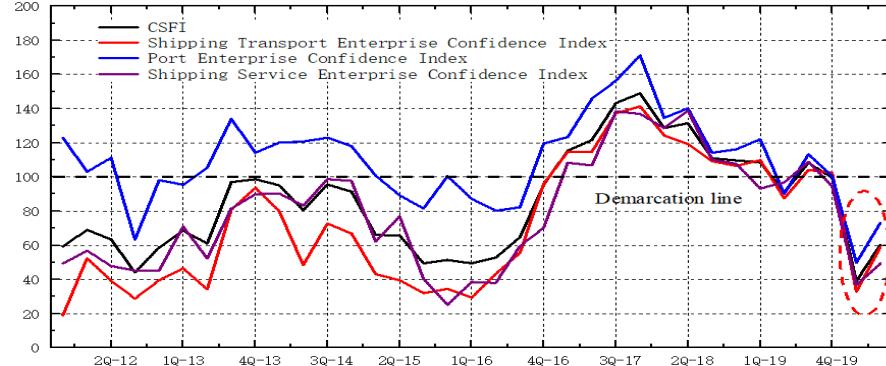


Figure 5-2 Projected China Shipping Confidence Index

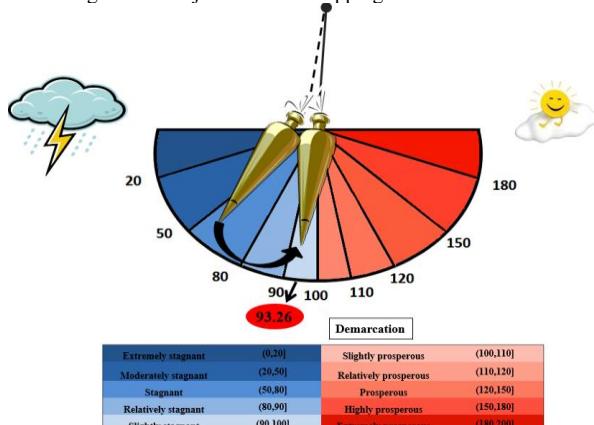


Figure 5-3 Projected China Shipping Prosperity Index for Q2 2020

5.1 Projection of Prosperity of China's Shipping Transport Enterprises

Shipping transport enterprises expected to continue facing grim business performance. According to the China shipping prosperity survey, in the second quarter of 2020, the prosperity index of shipping transport enterprises is expected to rise by 31.89 points quarter-on-quarter to 95.40 points. The confidence index of shipping transport enterprises is expected to hit 58.92 points, up by

26.07 points quarter-on-quarter. Both indexes may remain below the demarcation line. In general, shipping transport enterprises may face grim business performance in the second quarter of 2020 and entrepreneurs are less confident and hold a wait-and-see attitude toward the future (see Figure 5-4).

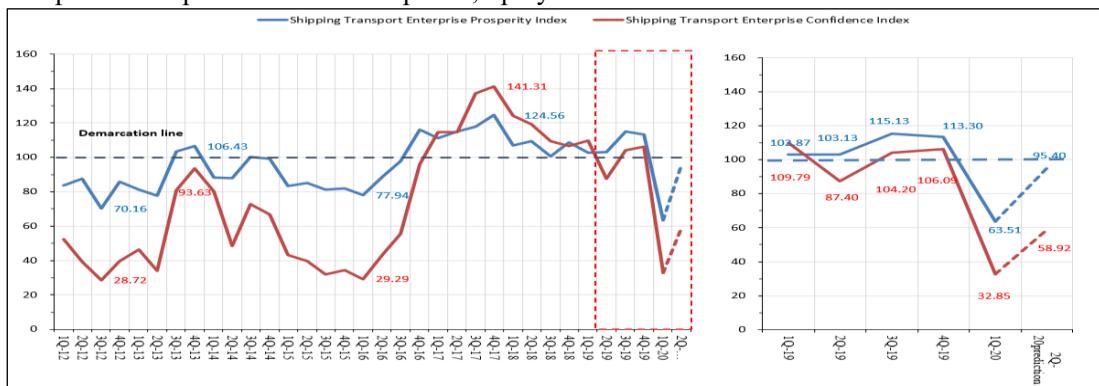
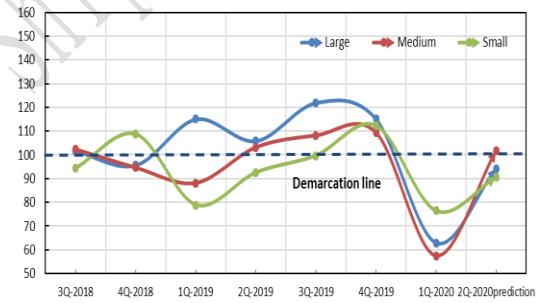


Figure 5-4 Projected Prosperity and Confidence Indexes of Shipping Transport Enterprises

Medium-sized shipping transport enterprises expected to present the best business performance. In the second quarter of 2020, the prosperity indexes of large, medium-sized and small shipping transport enterprises are expected to hit 94.07 points, 101.63 points and 90.40 points, respectively. Compared with the previous quarter, the prosperity indexes of large and small shipping transport enterprises are expected to pick up yet remaining slightly stagnant. Medium-sized shipping transport enterprises are expected to embrace a significant rise in prosperity index quarter-on-quarter to the slightly prosperous interval, manifesting their favorable business performance overall.

Major indicators of shipping transport enterprises to worsen. In the second quarter of 2020, enterprises are expected to continue shrinking shipping capacity input, with space utilization rising and freight income falling. Meanwhile, operating costs will continue to go high, leading to worsened profitability of enterprises. In addition,

(see Figure 5-5).



despite the relatively sufficient current funds, enterprises will enjoy easy access to capital, with increasing loan liability. The labor demand will continue to drop, and the 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 2Q Prosperity Indices	Compare with 1Q	Prosperity
Shipping Capacity	99.85	↑ 38.37	Slightly stagnant
Space Utilization	100.99	↑ 62.55	Slightly prosperous
Freight	98.61	↑ 70.01	Slightly stagnant
Operating Cost	96.25	↑ 29.93	Slightly stagnant
Profitability	87.79	↑ 67.15	Relatively stagnant
Current Fund	102.06	↑ 1.71	Slightly prosperous
Enterprise Financing	108.16	↑ 1.75	Slightly prosperous
Loan Liability	94.41	↑ 2.01	Slightly stagnant
Labor Demand	91.84	↑ 19.87	Slightly stagnant
Shipping Capacity Investment	74.07	↑ 25.62	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 Projection of Prosperity of China's Dry Bulks Shipping Enterprises

China's dry bulks shipping enterprises remain highly unconfident. In the second quarter of 2020, the prosperity index of dry bulks shipping enterprises is expected to reach 91.30 points, rising by 34.63 points quarter-on-quarter to the slightly stagnant interval. The confidence index of dry bulks enterprises is expected to

reach 49.33 points, remaining moderately stagnant despite a significant increase quarter-on-quarter. In general, it is expected that the business performance of dry bulks shipping enterprises may remain poor in the second quarter of 2020 and entrepreneurs are highly unconfident in the future market (see Figure 5-7).

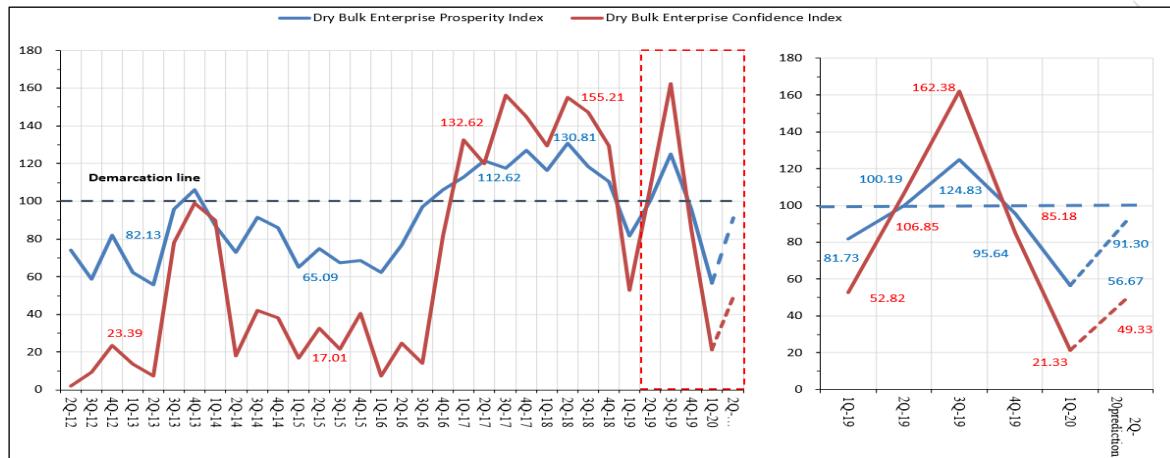


Figure 5-7 Projected Prosperity and Confidence Indexes of Dry Bulks Shipping Enterprises

Medium-sized dry bulks shipping enterprises post the lowest prosperity index. In the second quarter of 2020, the prosperity indexes of large, medium-sized and small dry bulks shipping enterprises are projected to reach 93.33 points, 86.00 points and 92.00 points, respectively. Compared with this quarter, large, medium-sized and small dry bulks shipping enterprises may continue the worrying business performance momentum in the next quarter with their prosperity indexes all below the demarcation line. Specifically, medium-sized dry bulks shipping enterprises may post the lowest prosperity index in the relatively stagnant interval, manifesting the worrying business

Dry bulks shipping freights to soar. In the second quarter of 2020, it is expected that dry bulks shipping enterprises will reduce their launched shipping capacity and the ship turnover may rise. Despite the rally in freight rates and declined operating costs, enterprises may continue to

performance (see Figure 5-8).

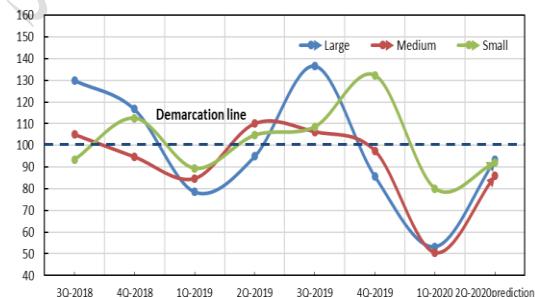


Figure 5-8 Projected Prosperity Indexes of Large, Medium-sized and Small Dry Bulks Shipping Enterprises

suffer from declining profitability. In addition, enterprises' current funds will reduce, with higher financing difficulty and loan liability 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 2Q Prosperity Indices	Compare with 1Q	Prosperity
Shipping Capacity	88.50	↑ 6.67	Relatively stagnant
Vessel Turnover	115.17	↑ 87.50	Relatively prosperous
Freight	120.50	↑ 117.33	Prosperous
Operating Cost	101.50	↑ 16.50	Slightly prosperous
Profitability	89.17	↑ 80.00	Relatively stagnant
Current Fund	76.33	↑ 15.16	Stagnant
Enterprise Financing	90.00	↑ 5.00	Relatively stagnant
Loan Liability	91.50	↑ 5.00	Slightly stagnant
Labor Demand	76.83	↓ -5.00	Stagnant
Shipping Capacity Investment	63.5	↑ 18.17	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 Projection of Prosperity of China's Container Shipping Enterprises

Container shipping enterprises to regain prosperity. According to the China shipping prosperity survey, in the second quarter of 2020, the prosperity index of container shipping enterprises is expected to stand at 110.17 points, up by 45.90 points quarter-on-quarter back to the relatively prosperous interval. The confidence index of container shipping enterprises is projected to hit 67.67

points, up by 44.67 points quarter-on-quarter into the 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).

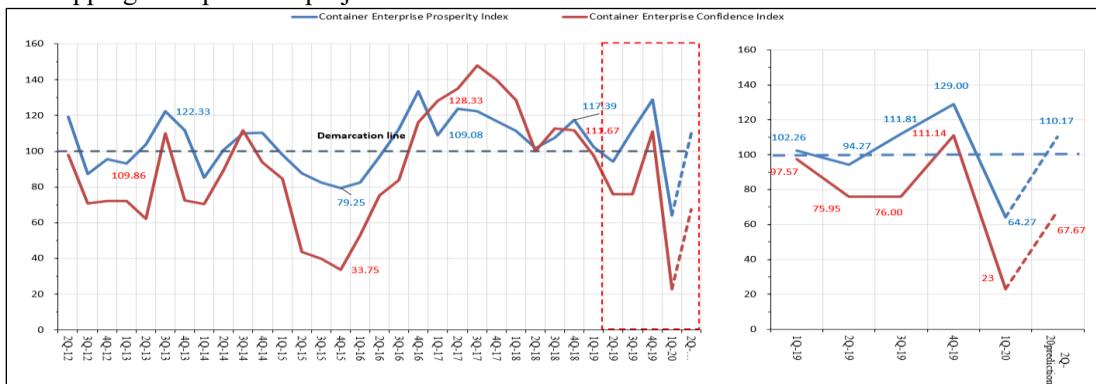


Figure 5-10 Projected Prosperity and Confidence Indexes of Container Shipping Enterprises

Large container shipping enterprises enjoy the highest prosperity. In the second quarter of 2020, the prosperity indexes of large, medium-sized and small container shipping enterprises may record 112.22 points, 105.34 points and 110 points, respectively. Compared with this quarter, large, medium-sized and small container shipping enterprises will embrace rises to varied degrees in business performance in the next quarter. Specifically, large container shipping enterprises may enjoy a large rise in its prosperity index quarter-on-quarter into the relatively prosperous interval, showing favorable business performance (see Figure 5-11).

Major business indicators of container shipping enterprises to improve significantly. In the second quarter of 2020, despite the rising operating costs, container shipping enterprises are expected to significantly increase their shipping capacity input with the space utilization and container shipping freights rising as well. Enterprises'

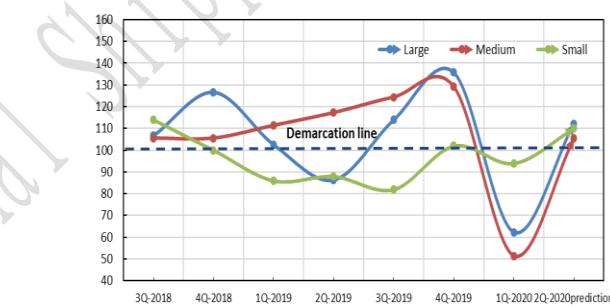


Figure 5-11 Projected Prosperity Indexes of Large, Medium-sized and Small Container Shipping Enterprises

profitability will improve as a result. Although current funds will be more sufficient, along with easier access to capital and rising labor demand, container shipping enterprises will be subject to higher loan liability, compromising their willingness to invest in shipping capacity (see Figure 5-12).

Monitoring Indicators of Container Shipping Enterprises	Predicted 2Q Prosperity Indices	Compare with 1Q	Prosperity
Shipping Capacity	121.33	↑ 91.00	Prosperous
Space Utilization	135.00	↑ 91.33	Prosperous
Freight	108.33	↑ 47.00	Slightly prosperous
Operating Cost	95.00	↑ 63.00	Slightly stagnant
Profitability	112.00	↑ 91.00	Relatively prosperous
Current Fund	135.33	↓ -5.00	Prosperous
Enterprise Financing	121.00	↑ 1.67	Prosperous
Loan Liability	86.67	↓ -8.66	Relatively stagnant
Labor Demand	111.67	↑ 61.00	Relatively prosperous
Shipping Capacity Investment	75.33	↑ 26.66	Stagnant

Figure 5-12 Projected Business Prosperity Index 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 Projection of Prosperity of China's Port Enterprises

Worsening trend of port enterprises to stop on the whole. According to the China shipping prosperity survey, in the second quarter of 2020, the prosperity index of port enterprises is forecast at 97.68 points, rising by 33.95 points quarter-on-quarter into the slightly stagnant interval, indicating the continued dim business performance. The

confidence index of port enterprises is expected to rise by 23.41 points to 73.18 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).

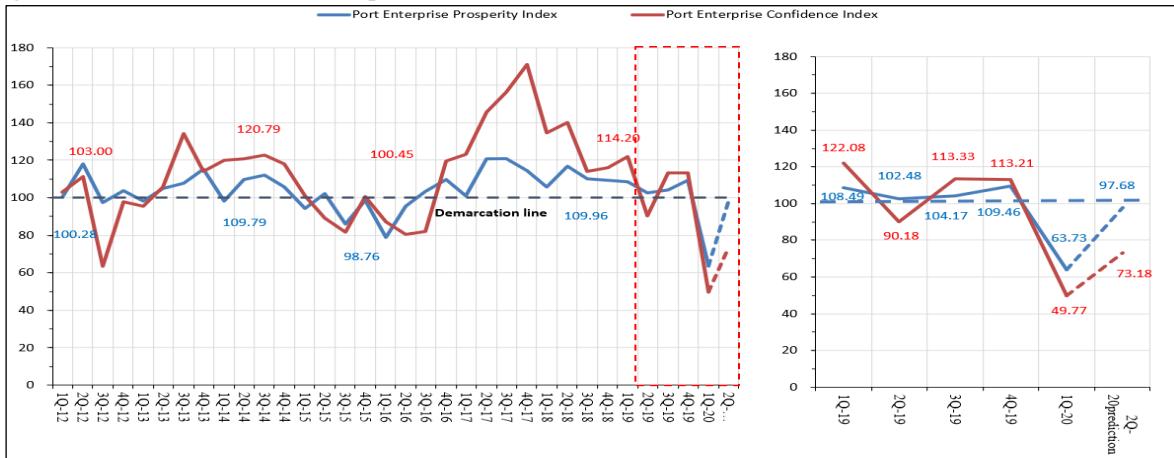


Figure 5-13 Projected Prosperity and Confidence Indexes of Port Transport Enterprise

Small port enterprises to enjoy improvement in business performance. In the second quarter of 2020, the prosperity indexes of large, medium-sized and small port enterprises are forecast at 93.64 points, 88 points and 130 points, respectively. Compared with this quarter, small port enterprises may present a favorable business performance momentum in the next quarter with their prosperity index rising from the moderately stagnant interval to the prosperous interval. The prosperity indexes of large and medium-sized port enterprises will both remain below the demarcation line, implying relatively grim business situations overall (see Figure 5-14).

Profitability of port enterprises to drop. In the second quarter of 2020, despite the rising port throughput, the declined berth utilization and charging rates at ports will lead to rising operating costs, compromising the profitability of port enterprises. Meanwhile, port

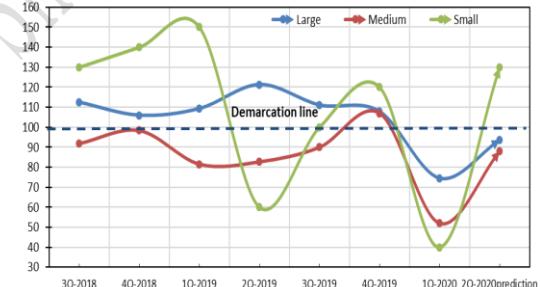


Figure 5-14 Projected Prosperity Indexes of Large, Medium-sized and Small Port Transport Enterprises

enterprises will enjoy more sufficient current funds and easier access to capital, with the loan liability on a decline. This will drive up the labor demand and boost the willingness in newly-added berth and machinery investment (see Figure 5-15).

Monitoring Indicators of Port Enterprises	Predicted 2Q Prosperity Indices	Compare with 1Q	Prosperity
Throughput	101.59	↑ 77.27	Slightly prosperous
Berth Utilization	98.64	↑ 79.78	Slightly stagnant
Charge	73.64	↑ 39.32	Stagnant
Operating Cost	72.05	↑ 7.96	Stagnant
Profitability	90.68	↑ 66.82	Slightly stagnant
Current Fund	110.91	↑ 2.50	Relatively prosperous
Enterprise Financing	116.36	↑ 2.95	Relatively prosperous
Loan Liability	100.45	↑ 2.50	Slightly prosperous
Labor Demand	106.59	↑ 45.00	Slightly prosperous
Newly Built Berths and Machinery Investment	105.91	↑ 15.46	Slightly prosperous

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 Projection of Prosperity of China's Shipping Service Enterprises

Business performance of shipping service enterprises expected to dip further. In the second quarter of 2020, the prosperity index of shipping service enterprises is expected to reach 85.98 points, up by 24.56 points quarter-on-quarter into the relatively stagnant interval. The confidence index of shipping service enterprises is projected to hit 49.28 points, up by 12.67 points quarter-on-

quarter to the moderately stagnant interval. In general, both the prosperity index and confidence index of shipping service enterprises are expected to pick up but remain below the prosperity demarcation. Shipping service entrepreneurs remain pessimistic and less confident in the future in general (see Figure 5-16).

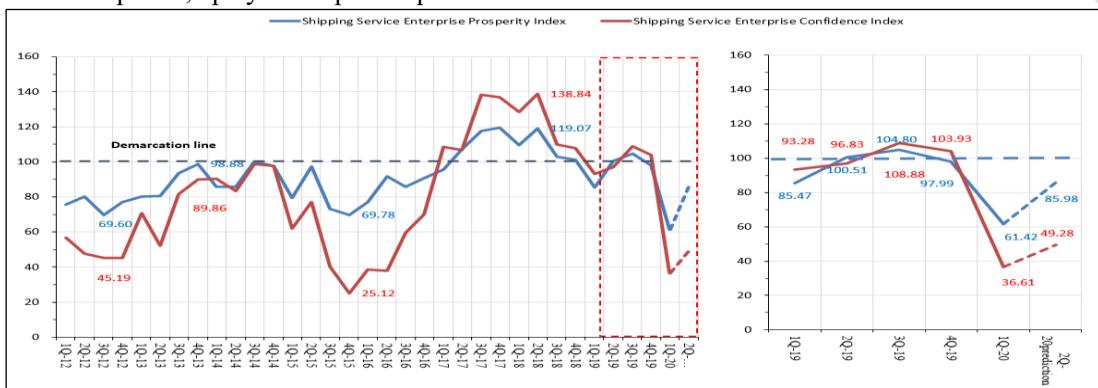


Figure 5-16 Projected Prosperity and Confidence Indexes of Shipping Service Enterprises

Large shipping service enterprises post the highest prosperity. In the second quarter of 2020, the prosperity indexes of large, medium-sized and small shipping service enterprises are forecast at 90 points, 83.46 points and 74.09 points, respectively. Specifically, the prosperity indexes of medium-sized and small shipping service enterprises may rise by 17.69 points and 9.55 points, respectively, quarter-on-quarter to march into the relatively stagnant and stagnant intervals, respectively. The prosperity index of large shipping service enterprises is expected to rise by 31.18 points quarter-on-quarter, from the stagnant interval into the relatively stagnant interval. But the overall business

performance will remain grim (see Figure 5-17).

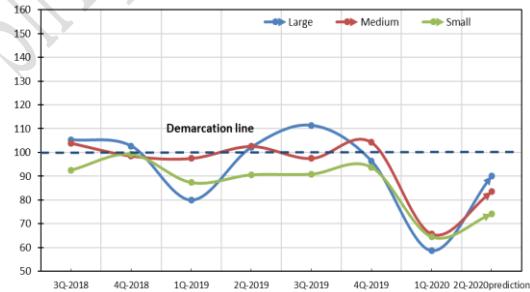


Figure 5-17 Projected Prosperity Indexes of Large, Medium-sized and Small Shipping Service Enterprises financing, undermining enterprises' willingness to invest in fixed assets. But their labor demand may rise a little. Except the labor demand which will stay above the demarcation line, all the other 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 2Q Prosperity Indices	Compare with 1Q	Prosperity
Business Reservation	92.06	↑ 49.84	Slightly stagnant
Trade Volume	89.9	↑ 56.10	Relatively stagnant
Trade Price	87.17	↑ 24.46	Relatively stagnant
Business Cost	79.79	↑ 22.82	Stagnant
Profit-loss Variation	74.1	↑ 36.49	Stagnant
Current Fund	94.39	↑ 4.49	Slightly stagnant
Enterprise Financing	84.88	↑ 3.25	Relatively stagnant
Payment Default	64.16	↑ 5.98	Stagnant
Labor Demand	101.76	↑ 25.18	Slightly prosperous
Fixed-asset Investment	91.58	↑ 17	Slightly 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, 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 60% of Shipping Enterprises Record Work Resumption Rate of 90% or Higher

Since the COVID-19 epidemic was put under initial control, how to push enterprises to resume work and production has become a shared concern in all social sectors. Against this background, the CSPI Research Office of Shanghai International Shipping Institute conducted a survey on the work resumption status of shipping enterprises.

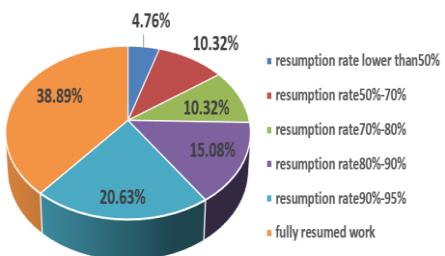


Figure 6-1 Work Resumption Status of Shipping Enterprises

Among the surveyed shipping enterprises, 38.89% have fully resumed work and production, 20.63% recorded a resumption rate between 90%—95%, 15.08% recorded a resumption rate between 80%—90%, 10.32% recorded a resumption rate between 70%—80% and 10.32% recorded a resumption rate between 50%—70%. Only 4.76% responded with a resumption rate lower than 50%.

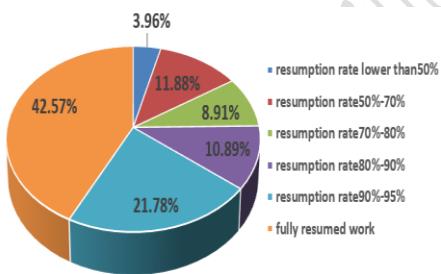


Figure 6-2 Work Resumption Status of Shipping Transport Enterprises

Among the surveyed shipping transport enterprises, 42.57% have fully resumed work and production, 21.78% recorded a resumption rate between 90%—95%, 10.89% recorded a resumption rate between 80%—90%, 8.91% recorded a resumption rate between 70%—80% and 11.88% recorded a resumption rate between 50%—70%. The rest 3.96% responded with a resumption rate lower than 50%.

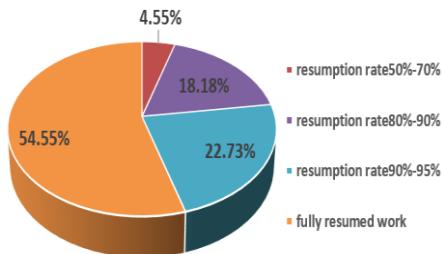


Figure 6-3 Work Resumption Status of Port Enterprises

Among the surveyed port enterprises, 54.55% have fully resumed work and production, 22.73% recorded a resumption rate between 90%—95%, and 18.18% recorded a resumption rate between 80%—90%. 4.55% responded with a resumption rate between 50%—70%.

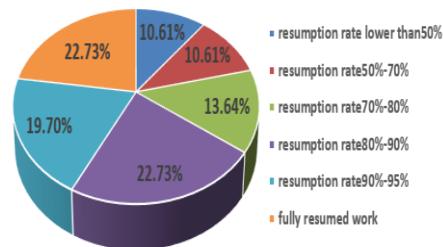


Figure 6-4 Work Resumption Status of Shipping Service Enterprises

Among the surveyed shipping service enterprises, 22.73% have fully resumed work and production, 19.70% recorded a resumption rate between 90%—95%, 22.73% recorded a resumption rate between 80%—90%, 13.64% recorded a resumption rate of 70%—80% and 10.61% recorded a resumption rate of 50%—70%. 10.61% responded with a resumption rate lower than 50%.

6.2 Over 30% of Shipping Enterprises Look Forward to Fiscal and Financial Policy Support

The COVID-19 epidemic outbreak at the beginning of 2020 has produced a huge impact on the shipping industry. With the epidemic under initial control and enterprises vigorously resuming work and production, the CSPI Research Office of Shanghai International Shipping Institute conducted a survey among shipping enterprises to figure out their expected policy support. The survey result is shown in Figure 6-5.

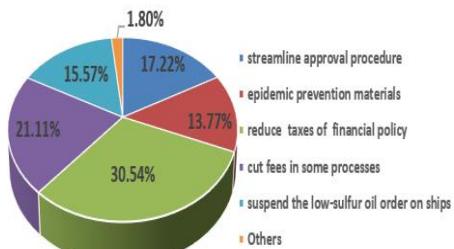


Figure 6-5 Expected Policy Support by Shipping Enterprises

Among the surveyed enterprises, 17.22% of them look forward to policies that streamline approval procedure and formalities, 13.77% look forward to epidemic prevention materials from the government, 30.54% hope fiscal and financial policies that reduce/exempt taxes and fees, and 21.11% expect policies that cut fees in some processes. The rest 15.57% of enterprises look forward to policy support

on suspending the low-sulfur oil order on ships calling at Chinese ports.

The above survey shows that more than 30% of surveyed enterprises look forward to fiscal and financial policies of reduction/exemption of taxes and fees to reduce enterprises' overheads and thereby ease the current operational difficulties.

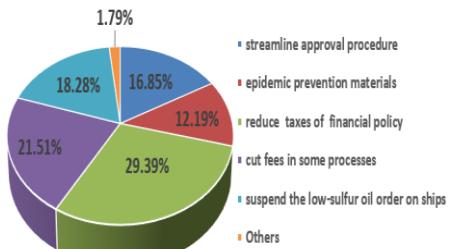


Figure 6-6 Expected Policy Support by Shipping Transport Enterprises

Among the surveyed shipping transport enterprises, 16.85% of them look forward to policies that streamline approval procedure and formalities, 12.19% look forward to epidemic prevention materials from the government, 29.39% hope fiscal and financial policies that reduce/exempt taxes and fees, and 21.51% expect policies that cut fees in some processes. The rest 18.28% of enterprises look forward to policy support on suspending the low-sulfur oil order on ships calling at Chinese ports.

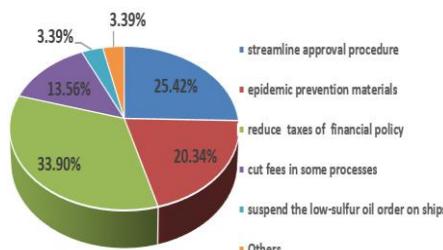


Figure 6-7 Expected Policy Support by Port Enterprises

Among the surveyed port enterprises, 25.42% of them look forward to policies that streamline approval procedure and formalities, 20.34% look forward to epidemic prevention materials from the government, 33.90% hope fiscal and financial policies that reduce/exempt taxes and fees, and 13.56% expect policies that cut fees in some processes. The rest 3.39% of enterprises look forward to policy support on suspending the low-sulfur oil order on ships calling at Chinese ports.

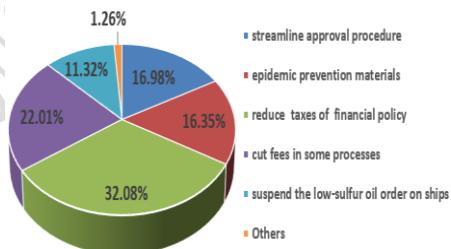


Figure 6-8 Expected Policy Support by Shipping Service Enterprises

Among the surveyed shipping service enterprises, 16.98% of them look forward to policies that streamline approval procedure and formalities, 16.35% look forward to epidemic prevention materials from the government,

32.08% hope fiscal and financial policies that reduce/exempt taxes and fees, and 22.01% expect policies that cut fees in some processes. The rest 11.32% of enterprises look forward to policy support on suspending the low-sulfur oil order on ships calling at Chinese ports.

6.3 Nearly 90% of Shipping Enterprises Suffer Business Volume Declines

The COVID-19 epidemic has caused most enterprises in China to suspend work and production and delay work resumption, leading to a dramatic drop in shipping demand. Against this background, the CSPI Research Office of Shanghai International Shipping Institute conducted a survey on the year-on-year business volume changes of shipping enterprises.

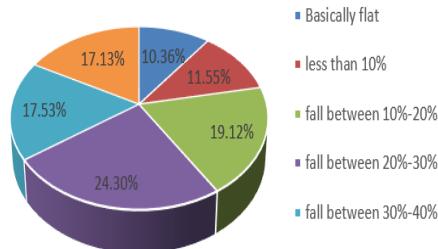


Figure 6-9 Year-on-year Business Volume Changes of Shipping Enterprises

Among the surveyed enterprises, 10.36% recorded flat business volumes year-on-year, 11.55% recorded a business volume decline of less than 10% year-on-year, 19.12% recorded a business volume decline between 10%—20% year-on-year, 24.30% recorded a business volume decline between 20%—30% year-on-year, 17.53% recorded a business volume decline between 30%—40% year-on-year, and the rest 17.13% recorded a business volume decline of more than 40% year-on-year.

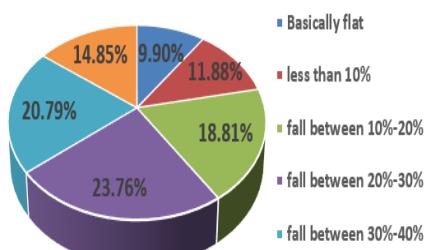


Figure 6-10 Year-on-year Business Volume Changes of Shipping Transport Enterprises

Among the surveyed shipping transport enterprises, 9.90% recorded flat business volumes year-on-year, 11.88% recorded a business volume decline of less than 10% year-on-year, 18.81% recorded a business volume decline between 10%—20% year-on-year, 23.76% recorded a business volume decline between 20%—30% year-on-year, 20.79% recorded a business volume decline between 30%—40% year-on-year, and the rest 14.85% recorded a business volume decline of more than 40% year-on-year.

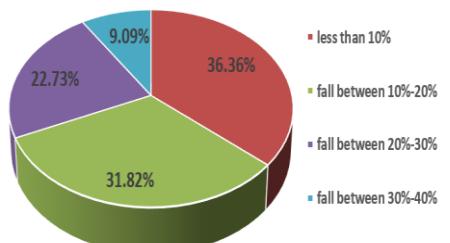


Figure 6-11 Year-on-year Business Volume Changes of Port Enterprises

Among the surveyed port enterprises, 36.36% recorded a business volume decline of less than 10% year-on-year, 31.82% recorded a business volume decline between 10%—20% year-on-year, 22.73% recorded a business volume decline between 20%—30% year-on-year, and 9.09% recorded a business volume decline between 30%—40% year-on-year. No port enterprises recorded flat business volumes year-on-year, nor is there any port enterprises recording more than 40% declines in business volume year-on-year.

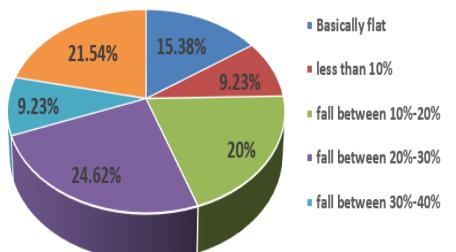


Figure 6-12 Year-on-year Business Volume Changes of Shipping Service Enterprises

Among the surveyed shipping service enterprises, 15.38% recorded flat business volumes year-on-year, 9.23% recorded a business volume decline of less than 10% year-on-year, 20% recorded a business volume decline between 10%—20% year-on-year, 24.62% recorded a business volume decline between 20%—30% year-on-year, 9.23% recorded a business volume decline between 30%—40% year-on-year, and the rest 21.54% recorded a business volume decline of more than 40% year-on-year.

The above survey shows that among the surveyed enterprises, more than 20% of shipping service enterprises witnessed their business volumes drop by more than 40% year-on-year, which proportion is far higher than those of shipping transport enterprises and port enterprises, and only 10% of enterprises recorded flat business volumes year-on-year. This indicates the significant impact of the COVID-19 epidemic on the shipping market in the short term. Therefore, after enterprises resume work and production in order, they need to take active measures to cope with the impact from the COVID-19 epidemic.

6.4 Half of Enterprises Look to an End of Dry Bulks Market Depression within Three to Six Months after COVID-19 Epidemic Ends

The Baltic Dry Index (BDI), hailed as the global shipping barometer, went downward sharply subject to the COVID-19 epidemic and hit a new low since April 5, 2016, on February 10, 2020. To investigate the duration of dry

bulks market depression caused by the COVID-19 epidemic, the CSPI Research Office of Shanghai International Shipping Institute conducted a survey among dry bulks shipping enterprises nationwide.

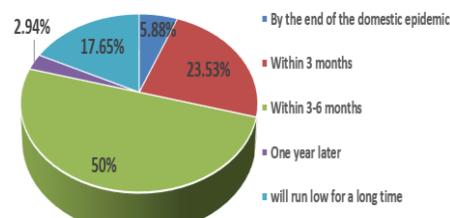


Figure 6-13 Expected Duration of Dry Bulks Market Depression in Eyes of Dry Bulks Shipping Enterprises

Among the surveyed dry bulks shipping enterprises, 5.88% held that the depression may continue until the end of the domestic epidemic to the maximum, 23.53% believed the depression may end within three months following the end of the domestic epidemic, 50% looked at within three to six months following the end of the domestic epidemic, and 2.94% looked to within one year following the end of the domestic epidemic. Another 17.65% held that the market will stay low for a prolonged period of time.

The above survey result shows that half of dry bulks shipping enterprises believed that the dry bulks market depression brought about by the virus will improve within three to six months after the domestic epidemic is basically ended. Therefore, dry bulks shipping enterprises should reduce launched shipping capacity to cope with the sluggish market during this period, so as to cut down operating costs and minimize operating losses.

6.5 Most Enterprises to Prolong Rent-free Periods of Container Stockpiling at Ports

In response to this COVID-19 epidemic, Xiamen Port, Ningbo-Zhoushan Port and Tianjin Port announced in succession their reduction and exemption measures on related charges to ensure smooth port operation and stable development of foreign trade businesses. To this end, the CSPI Research Office of Shanghai International Shipping Institute conducted a survey with regard to "whether other port enterprises will roll out similar preferential policies" among nearly 300 port enterprises in China.

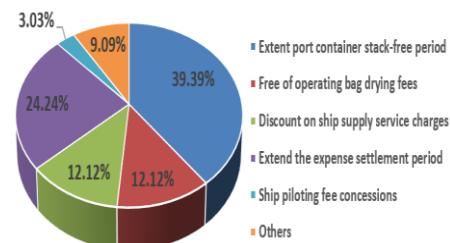


Figure 6-14 Preferential Policies Rolled out by Port Enterprises

The survey result shows that among the surveyed port enterprises, 39.39% said they will extend the rent-free period of container stockpiling at ports, 12.12% said they will waive part of the lump sum charges for port operations, 12.12% said they will provide concessions on ship supply

service charges, 24.24% said they will extend the payment terms of charges, and 3.03% said they will introduce concessions on ship pilotage fees. The rest 9.09% said they will provide other preferential policies.

The above survey result shows that extending the rent-free container stockpiling at ports is the preferential policy that most port enterprises will introduce. The COVID-19 epidemic has impeded timely logistics and transportation of cargoes, which has prolonged the stockpiling period at the terminal. This policy can bring the most immediate benefit to customers and contribute to maintaining customer relations to a large extent.

6.6 CY-DOOY/DOOR-CY Shipping Services the Future Focuses of Enterprises

With the global shipping market subject to increasing competitive stress, shipping enterprises are providing more diversified value-added services to improve the stickiness of logistics end customers. What value-added services have container shipping enterprises introduced (or planned) in response to customer needs? Targeting the above question, the CSPI Research Office of Shanghai International Shipping Institute conducted a survey among domestic container shipping enterprises.

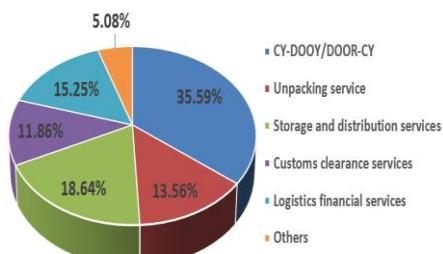


Figure 6-15 Value-added Services Introduced by Container Shipping Enterprises

According to the survey, among the surveyed container shipping enterprises, 35.59% have provided CY-DOOY/DOOR-CY shipping services, 13.56% have provided devanning and vanning services, 18.64% have provided warehousing and delivery services, 11.86% have provided customs clearance and quarantine inspection services, 15.25% have provided logistics and finance services, and 5.08% have provided other value-added services.

The above survey result shows that most enterprises have chosen to provide the CY-DOOY/DOOR-CY shipping services. CY-DOOY/DOOR-CY shipping services can save customers' time for shipping cargoes from

warehouses to yards, bringing great convenience.

6.7 Integrated Logistics and Efficient Information Services in Full-process Logistics Business Most Valued

Some shipping enterprises have been gradually launching the full-process logistics business to nurture key customer groups. But some shipping enterprises have not started this business yet. The CSPI Research Office of Shanghai International Shipping Institute conducted a survey to figure out the most valued processes by customers during the full-process logistics services in the eyes of container shipping enterprises among domestic container shipping enterprises.

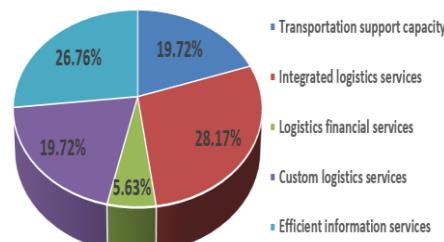


Figure 6-16 Customer Valued Processes in Eyes of Container Shipping Enterprises

According to the survey, among the surveyed container shipping enterprises, 19.72% believed that customers most value the shipping support capacity during the shipping process, 28.17% believed that the most valued process is the integrated logistics services connected with the shipping process, 5.63% held that the logistics and finance services are the most valued, 19.72% believed that the customized logistics services are the most valued, and the rest 26.76% said efficient information services are the most valued.

The above survey result shows that integrated logistics services and efficient information services connected to the shipping process are customers' most valued processes in the eyes of most container shipping enterprises. Provision of integrated logistics services is a direction of China's logistics development. The approach to achieve this is to innovate logistics structures and optimize customer services at the lowest cost. In addition, enterprises should build public information platforms to optimize efficient information services.

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]

8. CSPI Commission

Zhen Hong (Secretary General of SISI and a 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 associate professor at Shanghai Maritime University)

Zhang Jieshu (deputy secretary general of SISI and 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