

## The China Shipping Prosperity Index continued to rebound sharply, and Operation Cost increased significantly

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On March 31, 2022, Shanghai International Shipping Institute released China Shipping Prosperity Index for Q1-2022. According to the report, China Shipping Prosperity Index in the first quarter of 2022 stood at 112.24 points, decreased by 7.2 points compared with 2021Q4 and maintaining a relatively prosperous interval. China Shipping Confidence Index was 135.76 points, decreased by 23.4 points quarter-on-quarter and fell to a prosperous interval. Both CSPI and CSFI continued to callback, but remained above the demarcation line.

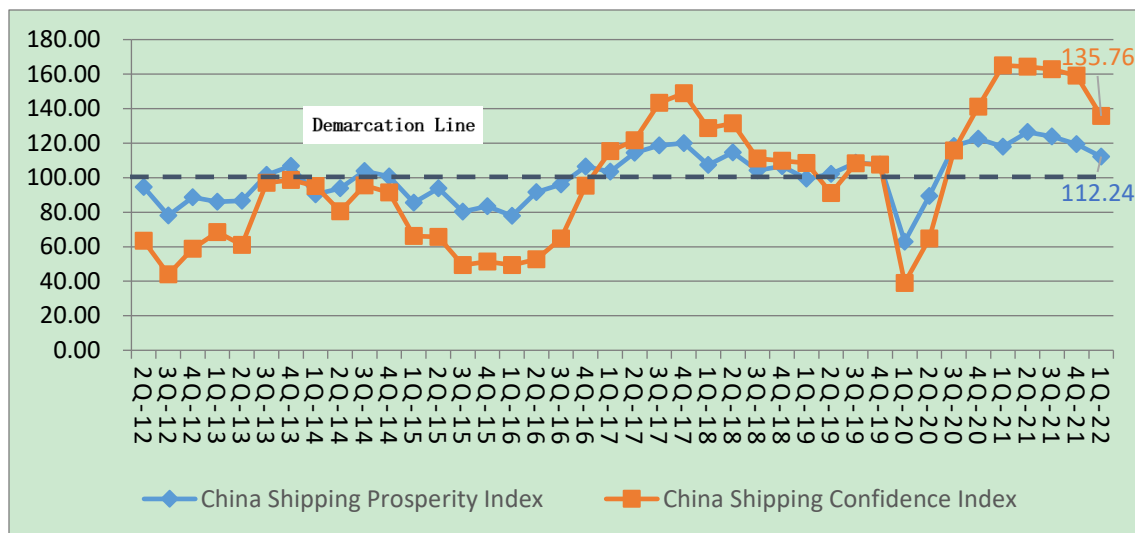


Figure 1 Trends of CSPI and CSFI

### 1. Shipping transport enterprises fell to the relatively prosperous interval

In the first quarter of 2022, the prosperity index of shipping transport enterprises was 115.49 points, decreasing by 12.13 points quarter-on-quarter and falling to the relative prosperity interval. The confidence index of shipping transport enterprises was 144.95 points, a drop of 25.56 points quarter-on-quarter but falling to a prosperous interval. Although the prosperity index of shipping transport enterprises continued to decline, the overall operation continued to improve, and entrepreneurs were full of confidence in future operation. With the increase of transportation capacity and freight income, the ship transportation enterprises are still in a profitable State, but the utilization rate of shipping space has decreased and the operating cost of enterprises has increased significantly.

Enterprise loan liability continued to fall, labor demand soared, ship owners' willingness in investing in shipping capacity stepped up, and current funds were highly sufficient with easier access to capital, and enterprises' risk resilience was further enhanced.

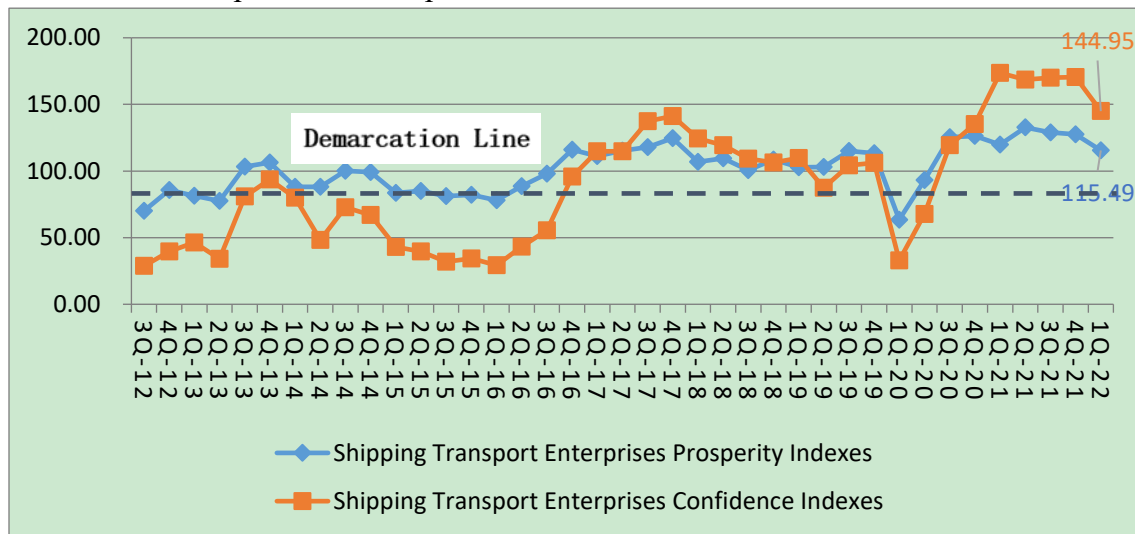


Figure 2 Trends of Prosperity Indexes and Confidence Indexes of Shipping Transport Enterprises

**Dry bulks shipping enterprises fell into a prosperous interval.** In the first quarter of 2022, the prosperity index of dry bulks shipping enterprises registered 110.63 points, down by 16.07 points quarter-on-quarter to enter the prosperous interval. The confidence index of dry bulks shipping enterprises registered 175.50 points, declining by 12 points quarter-on-quarter to a highly prosperous interval. Dry bulks shipping enterprises embraced sound business performance overall, and entrepreneurs had full confidence in the general market development. In terms of business indicators, dry bulks shipping enterprises continued to reduce their capacity input, and slightly decreased the ship turnover rate, and with the operating costs surged greatly. Although the freight income continued to rise and continued to make profits, the profitability of enterprises declined significantly; The loan liabilities of enterprises have decreased, the working capital is abundant, the financing of enterprises is relatively easy, and the willingness of enterprises to invest in transportation capacity and the demand for labor force continued to increase.

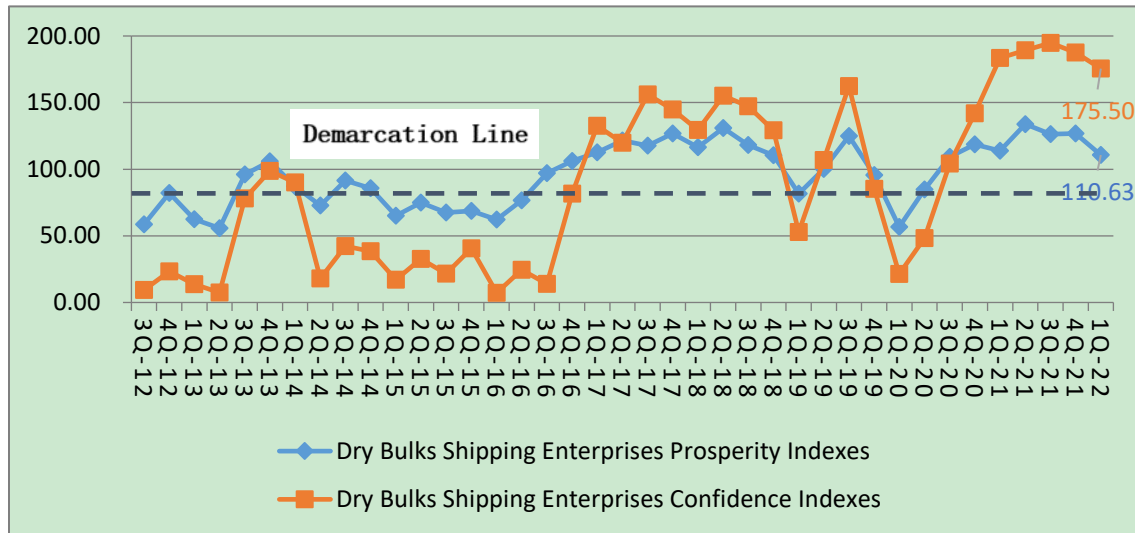


Figure 3 Trends of Prosperity Indexes and Confidence Indexes of Dry Bulks Shipping Enterprises

**The operating indicators of Container shipping enterprises fell sharply.** In the first quarter of 2022, the prosperity index of container shipping enterprises registered 115.09 points, declining by 13.46 points quarter-on-quarter to enter the relatively prosperity interval. The confidence index of container shipping enterprises stood at 155.67 points, falling by 24.83 points quarter-on-quarter to enter the highly prosperous interval. Container shipping enterprises continued to enjoy sound business performance overall, and entrepreneurs were fully confident and optimistic in the market prospect. In terms of business indicators, although the transportation capacity of container transportation enterprises has increased and the freight income has increased, the utilization rate of space has decreased and the operating cost has increased significantly (the CSPI has fallen to the lowest point in history of 6.53 points), which has greatly reduced the profits of enterprises and fell into the stagnant interval. However, with the abundant working capital, easy financing and low loan liabilities, the willingness of enterprises to invest in transport capacity has increased significantly, and the demand for labor has also increased greatly.

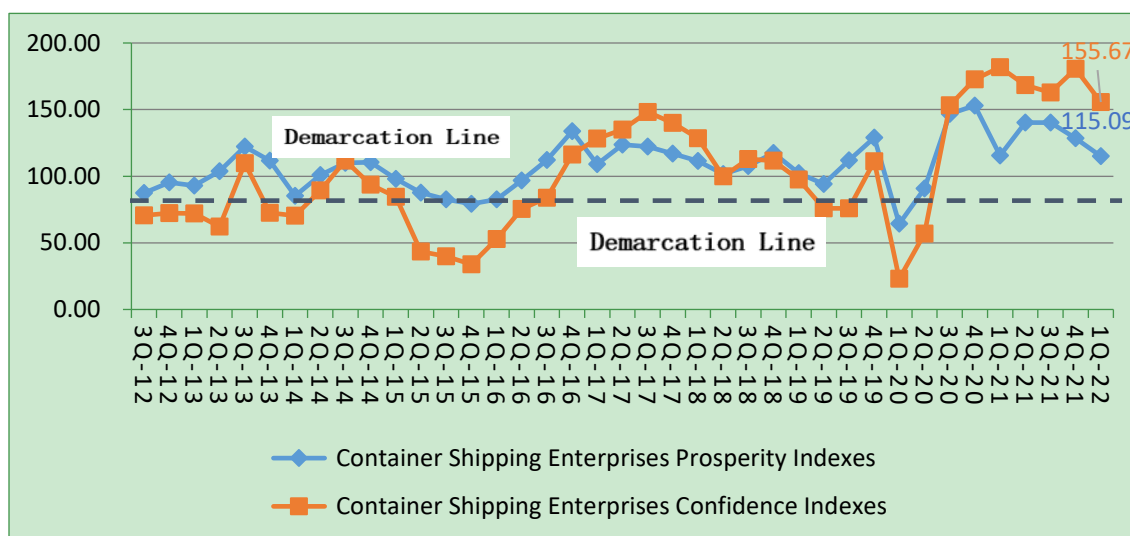


Figure 4 Trends of Prosperity and Confidence Indexes of Container Shipping Enterprises

集装箱运输企业经营指标	本季度景气指数值	较上季度情况	景气状况
企业运力	109.31	↑ 10.31	微景气区间
舱位利用率	94.44	↓ -31.56	微弱不景气区间
运费	106.53	↓ -23.47	微景气区间
营运成本	6.53	↓ -18.97	严重不景气区间
盈利情况	95.18	↓ -59.32	微弱不景气区间
流动资金	186.94	↑ 0.44	非常景气区间
企业融资	167.02	↑ 9.52	较强景气区间
贷款负债	119.19	↓ -35.31	相对景气区间
劳动力需求	155.44	↑ 33.94	较强景气区间
船舶运力投资意愿	110.28	↓ -20.22	相对景气区间

Figure 5 Operation Indicators Prosperity Index of Container Shipping Enterprises

## 2. The prosperity of China's port enterprises is relatively stable

In the first quarter of 2022, the prosperity index of port enterprises was 119.55 points, a basically stable quarter-on-quarter to remain relatively prosperous interval, indicating port enterprises' overall favorable business performance. The confidence index of port enterprises was 128 points, a drop of 16.47-point compared with last quarter, and remained in the relatively prosperous interval, indicating the improving business performance of port enterprises and the full confidence of port entrepreneurs who were optimistic about the overall operation of the industry. In terms of business indicators, it remained an upward trend in the port throughput, berth utilization and port charges. Although the port operating costs rose, the profitability of enterprises continued to go up. The working capital of port

enterprises was still relatively abundant, the financing difficulty of enterprises continued to decrease, and the assets and liabilities of enterprises continued to decrease. At the same time, the labor demand of port enterprises increased, and the investment in new berths and machinery also increased compared with the previous quarter.

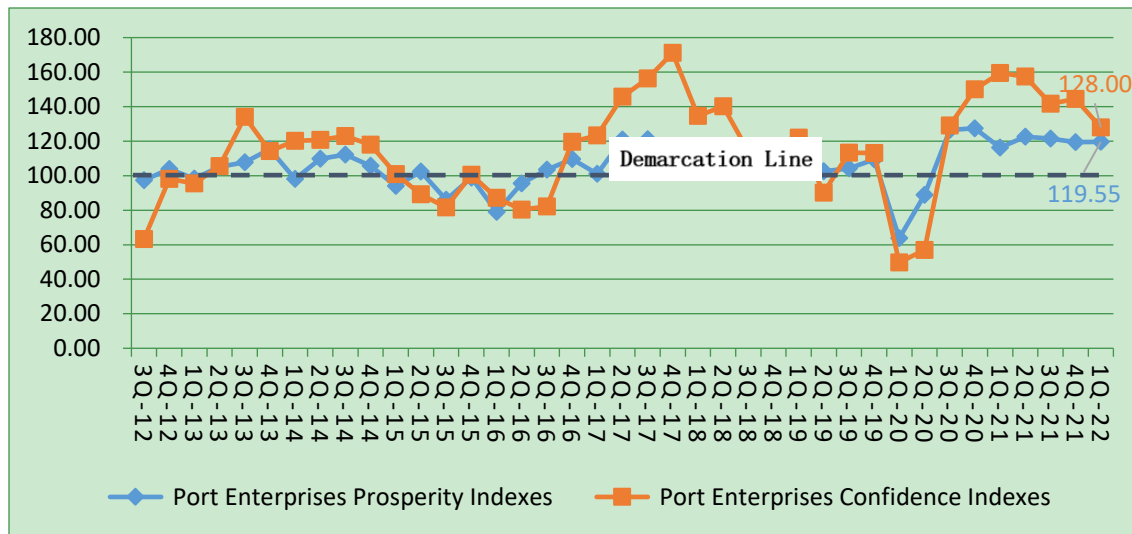


Figure 6 Trends of Prosperity and Confidence Indexes of Port Enterprises

### 3.Shipping service enterprises touch the demarcation line

In the first quarter of 2022, the prosperity index of shipping service enterprises recorded 100.58 points, a down of 7.93 points quarter-on-quarter, to maintain the slightly prosperous interval. The confidence index of shipping service enterprises was 131.27 points, a decline of 27.45 points quarter-on-quarter to fall into the prosperous interval. The overall operation of shipping service enterprises is poor, but the entrepreneurs were fully confident in the development of the industry. In terms of business indicators, the operating costs of shipping service enterprises remained high, and their profitability kept declining due to the decrease of business volume and charging rates; Although the working capital of enterprises has increased, the difficulty of financing has been alleviated, the willingness of enterprises to invest in fixed assets has increased, and the demand for labor has also increased, the loan arrears have also continued to increase.

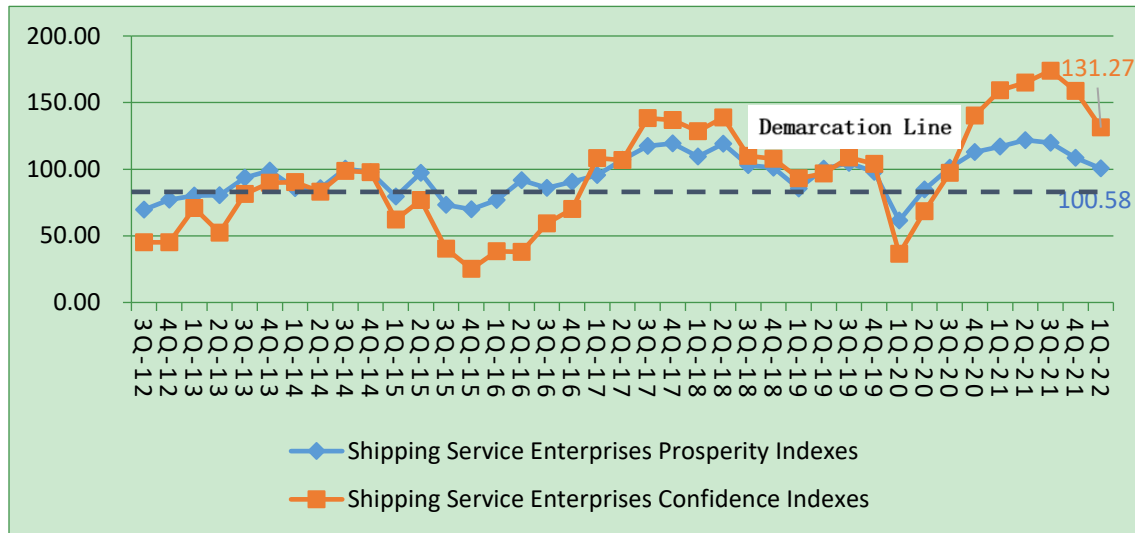


Figure 7 Trends of Prosperity and Confidence Indexes of China's Shipping Service Enterprises

#### 4. China's shipping industry continued to improve in the next quarter, but the operating costs of enterprises remained high

In the second quarter of 2022, CSPI is expected to touch 115.59 points, increasing by 3.35 points quarter-on-quarter, to remain in the relatively prosperous interval. CSFI is expected to be 138.81 points, increasing by 3.05 points quarter-on-quarter to remain in the prosperous interval. The confidences index of all types of shipping enterprises has increased to a certain extent, and the overall market situation is expected to continue to improve.

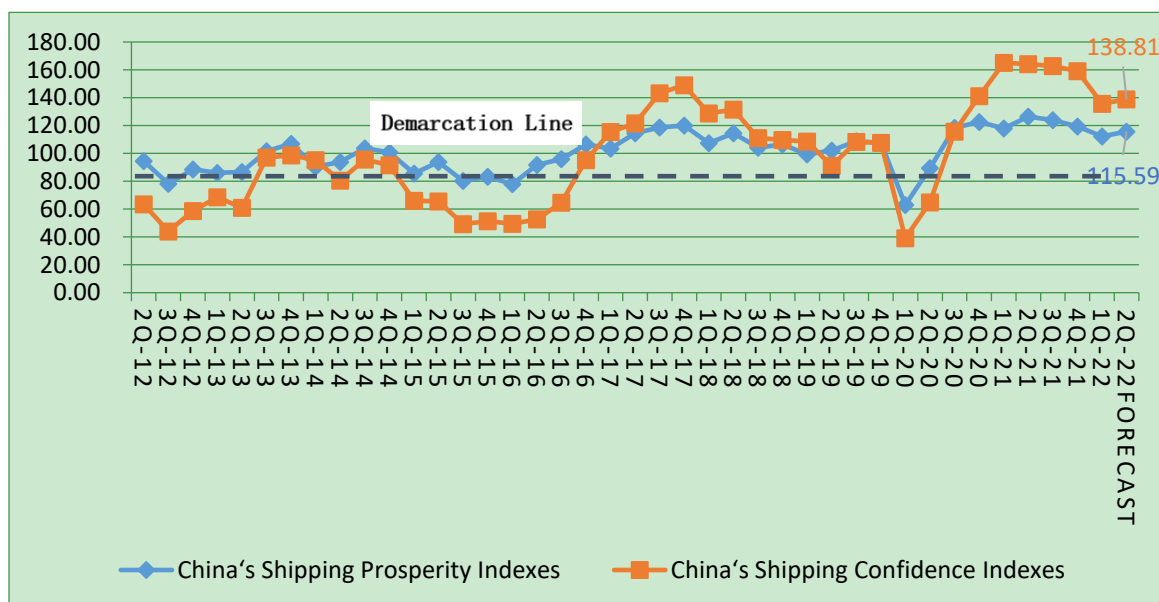


Figure 8 Trend Forecast of CSPI and CSFI

**The profit of shipping enterprises is expected be differentiated, but entrepreneurs are still confident enough.** According to the China Shipping Prosperity Survey, the prosperity index of shipping enterprises in the second quarter of 2022 is expected to be 121.38 points, up 5.89 points from this quarter, entering a prosperous interval. The confidence index of shipping enterprises is expected to be 145.14 points, up 0.19 points from the current quarter, remaining in the prosperous interval, and the business confidence of enterprises is still sufficient. Among them, the prosperity index of dry bulk transport enterprise is expected to be 126.65 points, up 16.02 points from this quarter, back to a prosperous interval. Although operating costs continue to rise, freight revenue and transport capacity still increased, leading to a jump in enterprise profitability. However, the prosperity index of container shipping companies is expected to be 111.89 points, down 3.20 points from this quarter, and remained in the prosperous interval. Business indicators such as freight revenue, operating costs and profitability are all in the stagnant interval.

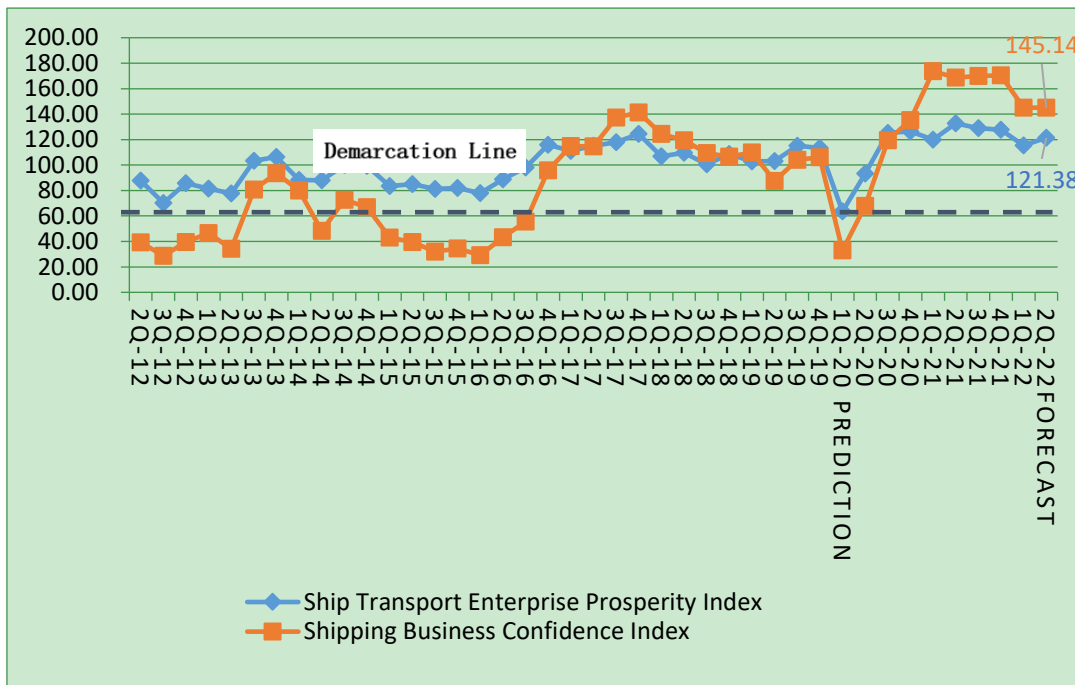


Figure 9 Forecast chart of ship transport enterprise climate index and shipping business confidence

index

**Port enterprises are still quite confident in daily operation.** According to the China Shipping Prosperity Survey, the prosperity index of port enterprises is expected to be 122.85 points in the second quarter of 2022, up 3.3 points from this quarter, entering a prosperous interval; The confidence index of port enterprises is expected to reach 136.5 points, up 8.5 points from this quarter and remaining in the prosperous interval. On the whole, Chinese port enterprises are relatively optimistic, and entrepreneurs are optimistic about the future development of the industry.

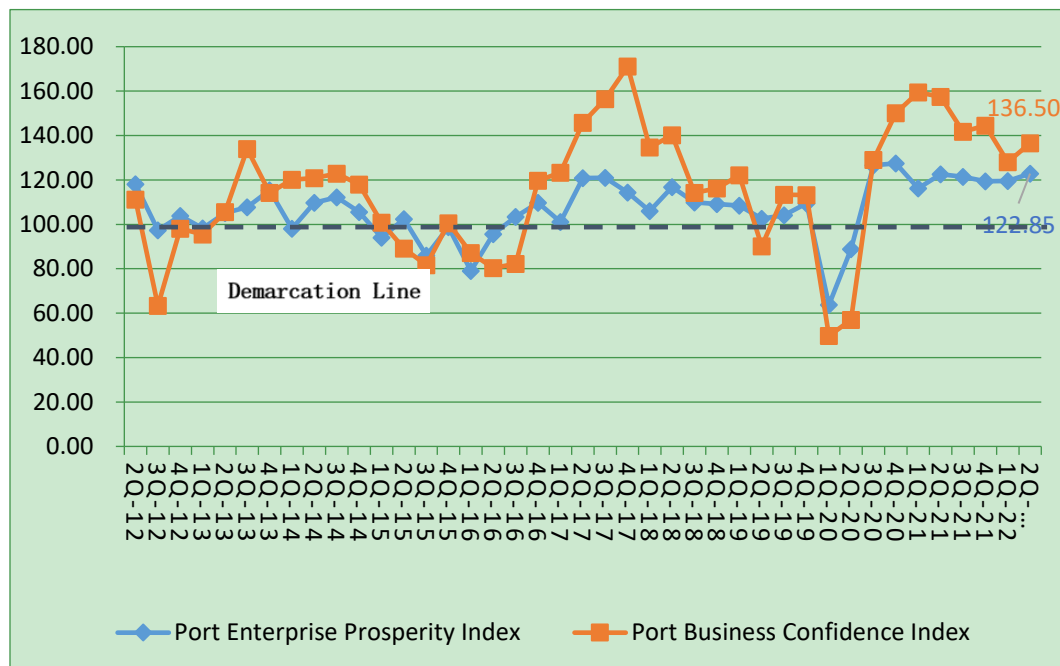


Figure 10 Forecast chart of Chinese port enterprise prosperity index and port business confidence index

**Shipping service companies will maintain in a slightly prosperous interval.** In the second quarter of 2022, the prosperity index of shipping service enterprises is expected to be 100.61 points, up 0.03 points from this quarter, maintaining in a slightly prosperous interval. The confidence index of shipping services enterprises is expected to reach 132.68 points, up 1.41 points from the current quarter, remaining in the prosperous interval and stable fluctuation. On the whole, the operating conditions of shipping service enterprises are basically stable, and the entrepreneurs' confidence in the future operation is still sufficient.



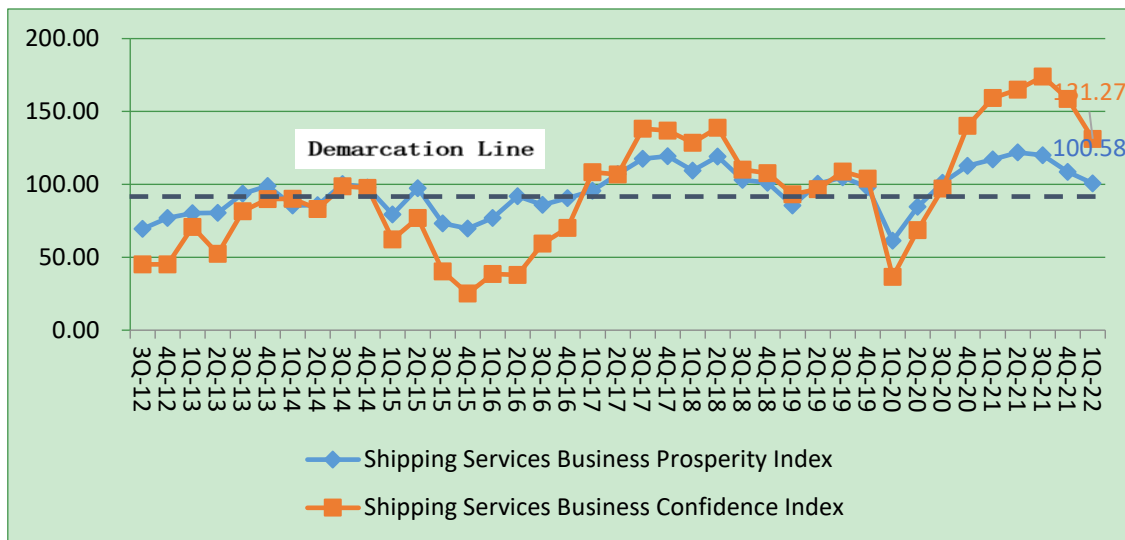


Figure 11 Forecast chart of shipping service enterprise prosperity index and confidence index

### 5.The Russia-Ukraine conflict will lead to the continuous increase of shipping costs and freight rates

Russia-Ukraine conflicts continued to escalate, ranging from European countries' sanctions against Russia and exclusion from the SWIFT system, and caused a greater impact on the global shipping industry. China Shipping Prosperity Index Compilation Office of Shanghai International Shipping Institute has carried on the investigation on the impacts of Russia-Ukraine conflicts on shipping industry. The survey showed that **nearly half of the shipping companies believed that conflicts between Russia and Ukraine will lead to a sharp price rise in energy. This will result in great rise in transport costs, and push market rate to a high level in a short time.** Among the surveyed shipping transport enterprises, 31.75% of them believed that the conflicts will increase the cost of shipping due to the increase in energy prices; 25.4% of the enterprises believed that the conflicts will push market rate to a high level in a short time; 19.05% of the enterprises believed that the conflict will create more long-distance trade transportation such as grain and coal transportation. Among the shipping service enterprises surveyed, 34.81% of the enterprises believed that the conflict will increase energy prices and shipping costs; 22.65% of the enterprises believed that the conflicts will push up the market freight price in the short term. 16.02% of the enterprises believed that the conflicts will create more long-distance

trade transportation such as grain and coal transportation; 13.81% of the shipping service companies believed that it will cause delay or congestions at European ports, leading to great impact in global shipping industry.

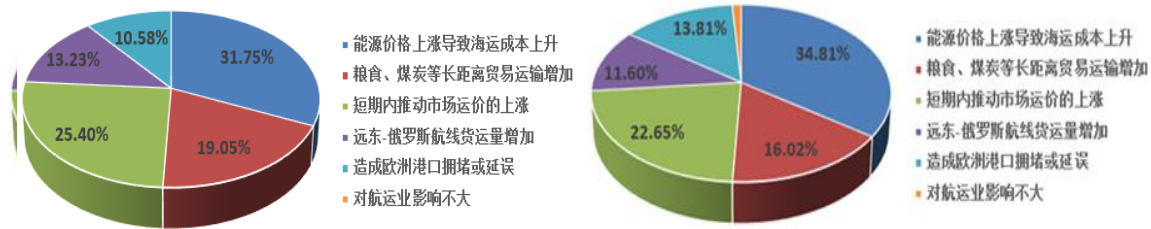


Figure 12 Views of shipping enterprises (left) and shipping service enterprises (right) on Russia-Ukraine conflict

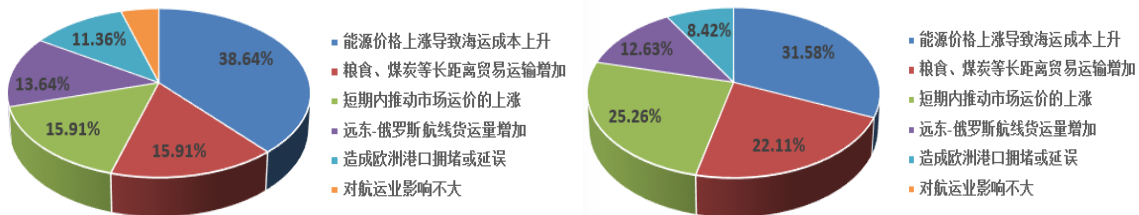


Figure 13 Container (left) and dry bulk (right) carriers' views on Russia-Ukraine conflict

## 6. Nearly 70% of shipping companies believe that ship turnover will increase in the next quarter

By February 13, 2022, the turnaround time of a ship in port of Vancouver and Prince Rupert rose to 15.2 days and 10.42 days respectively, but the time of Long Beach and Port of Los Angeles fell to 6.8 days and 8.16 days respectively, thanks to the improvement in the ship turnover rate. China Shipping Prosperity Index Compilation Office of Shanghai International Shipping Institute conducted a relevant survey on the change of ship turnover in the second quarter of 2022. The survey results showed that **nearly 70% of shipping companies believed that ship turnover will increase in the next quarter, up to more than 50 %**. Among the shipping transport enterprises surveyed, 54.12% of the enterprises believed that the ship turnover rate would be improved in the next quarter by about 15%; Another 12.94% thought that it would increase by 15%-30%; Among the shipping

service enterprises surveyed, 73.23% of them believed that ship turnover rate would increase next quarter, of which 52.11% believed that the increase range would be about 15% and 14.08% of them thought that it would increase by 15%-30%; Another 7.04% thought that it would increase by 30%-50%; Among the port enterprises surveyed, 75% of the enterprises believed that the ship turnover rate will increase in the next quarter, of which 35% believed that the increase would be less than 15%, 30% thought that it would increase by 15%-30% and another 10% thought that it would increase by 30-50%.

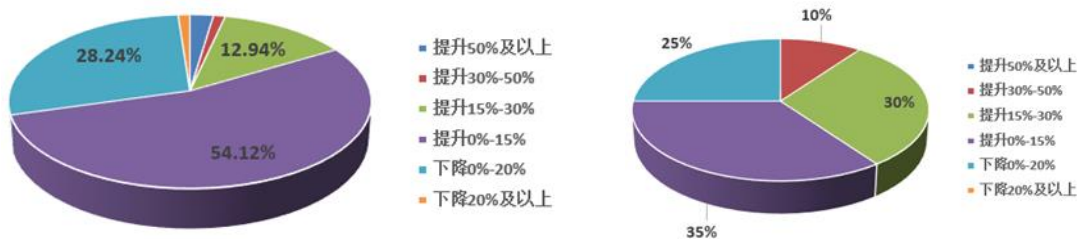


Figure 14 Views of shipping enterprises (left) and port enterprises (right) on ship turnover in the next quarter

## 7. Nearly 70% of the port enterprises have different degrees of demand for coastal piggyback business

On January 30, the General Administration of Customs issued an announcement on adjusting the same ship transportation of domestic and foreign trade containers and the coastal piggyback business of international ships, which further adjusted and clarified the relevant requirements to facilitate port enterprises to carry out relevant business. China Shipping Prosperity Index Compilation Office of Shanghai International Shipping Institute conducted a survey on port enterprises' demand for coastal piggyback business. Among the port enterprises surveyed, **70% of them had demand for coastal piggyback business**, of which 15% had more than 90% business needs. The proportion of enterprises with 70%-90% business needs is 5% and 50-70% have about 20% business needs; In addition, 15% of enterprises' business needs are about 30%-50% and 10%-30% respectively; However, 30% of port enterprises said that their demand for coastal piggyback business was

limited. If China's policy in coastal piggyback service is further relaxed in the future, it will be of great help to the development of coastal piggyback business of Chinese port enterprises.

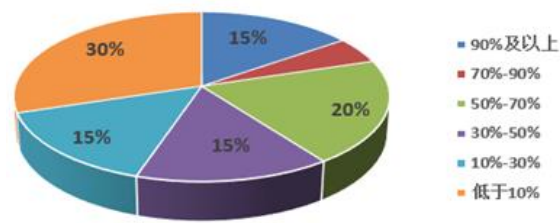


Figure 15 Demand of port enterprises for coastal piggyback business