RESEARCH PROJECT

Sep 2023

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CONTENT

FREIGHT RATE

- China to Italy
- Vietnam to Italy
- India to Italy

RAW MATERIALS

- Plastics: ABS, PP, PVC
- Non-ferrous metals: Copper Ingot, Aluminium Ingot, Zinc Ingot
- Ferrous metals: Steel
- Fabrics: Cotton, Polyester
- Paper: Corrugated Paper

FX RATE

- CNY/USD
- VND/USD
- THB/USD
- IDR/USD
- INR/USD

HOT TOPIC IN RETIAL INDUSTRY

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Freight Rate

FREIGHT RATE

ORIGIN	DESTINATION	ROUTE	ONLY VALID ON JAN-2023	SHIPMENT TYPE/ CARGO
CHINA (SHANGHAI)	ITALY (GENOA)	DIRECT	**USD$2,138**	40’ FCL
VIETNAM	ITALY	DIRECT	**USD$1,788**	40’ FCL
MALAYSIA	ITALY	DIRECT	**USD$2,028**	40’ FCL
IINDONESIA	ITALY	DIRECT	**USD$1,978**	40’ FCL
INDIA	ITALY	DIRECT	**USD$921**	40’ FCL

Remarks:
Ocean Shipping Peak Season

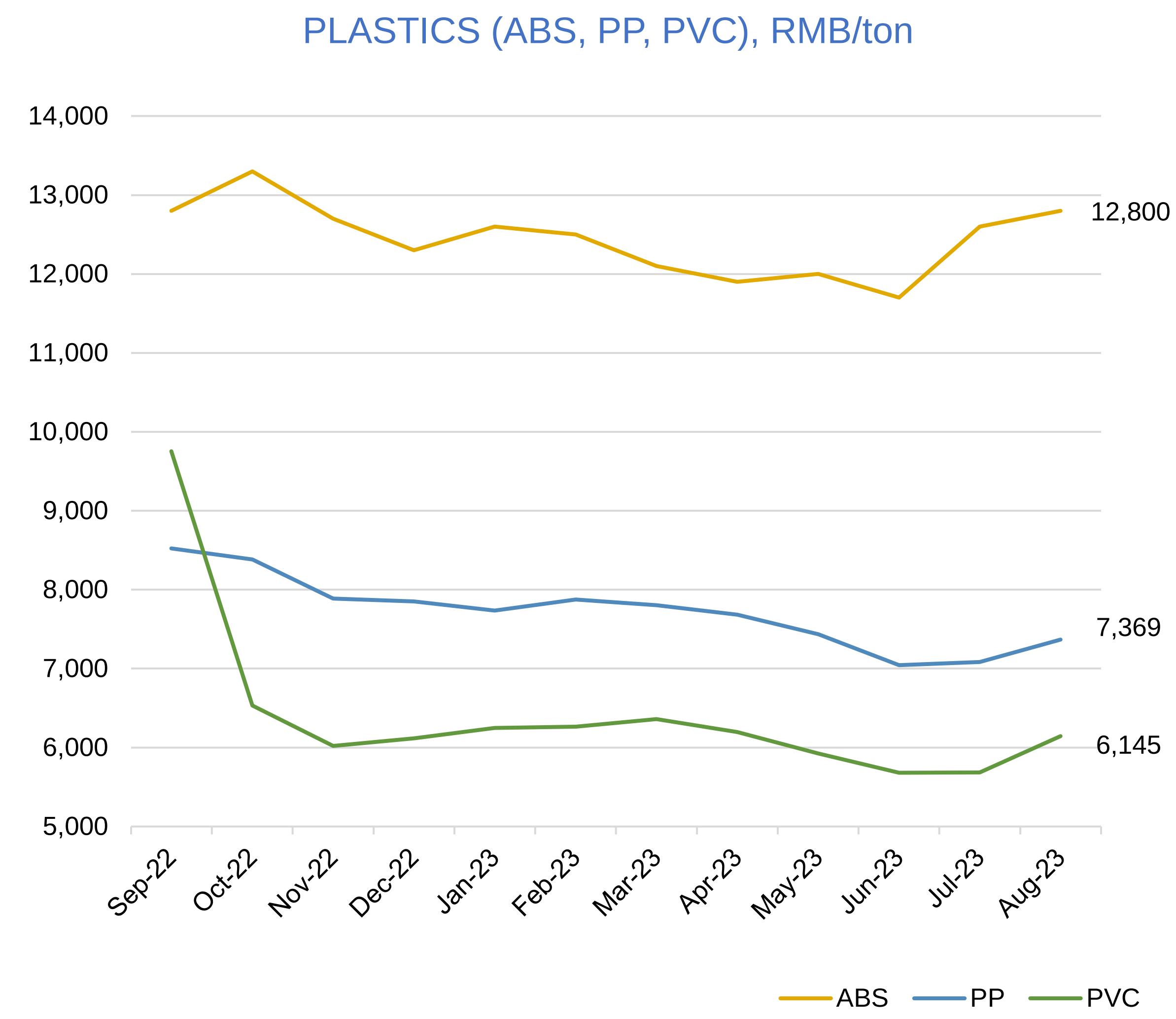
- Import volumes at the major US ports is down -22% year-over-year for the first half of 2023
- Q3 is expected to be down -8.3% year-over-year
- August is forecasted as the peak month for ocean shipping in 2023 with an expected 2.03M TEUs of imports across the US ports covered by the Global Port Tracker

** Above prices are comparing the same period.

FBX (Global Container Index)
Source: https://fbx.freightos.com/

Raw Materials

RAW MATERIALS: PLASTIC



Date	ABS RMB/ton	PP RMB/ton	PVC RMB/ton
Sep-22	12,800	8,523	9,754
Oct-22	13,300	8,384	6,534
Nov-22	12,700	7,886	6,021
Dec-22	12,300	7,852	6,116
Jan-23	12,600	7,735	6,248
Feb-23	12,500	7,877	6,264
Mar-23	12,100	7,802	6,360
Apr-23	11,900	7,684	6,197
May-23	12,000	7,434	5,923
Jun-23	11,700	7,043	5,679
Jul-23	12,600	7,084	5,683
Aug-23	12,800	7,369	6,145
YoY%	**0.0%**	**-13.6%**	**-37.0%**

Source: ABS - http://www.buyplas.com | PP,PVC - http://www.stats.gov.cn

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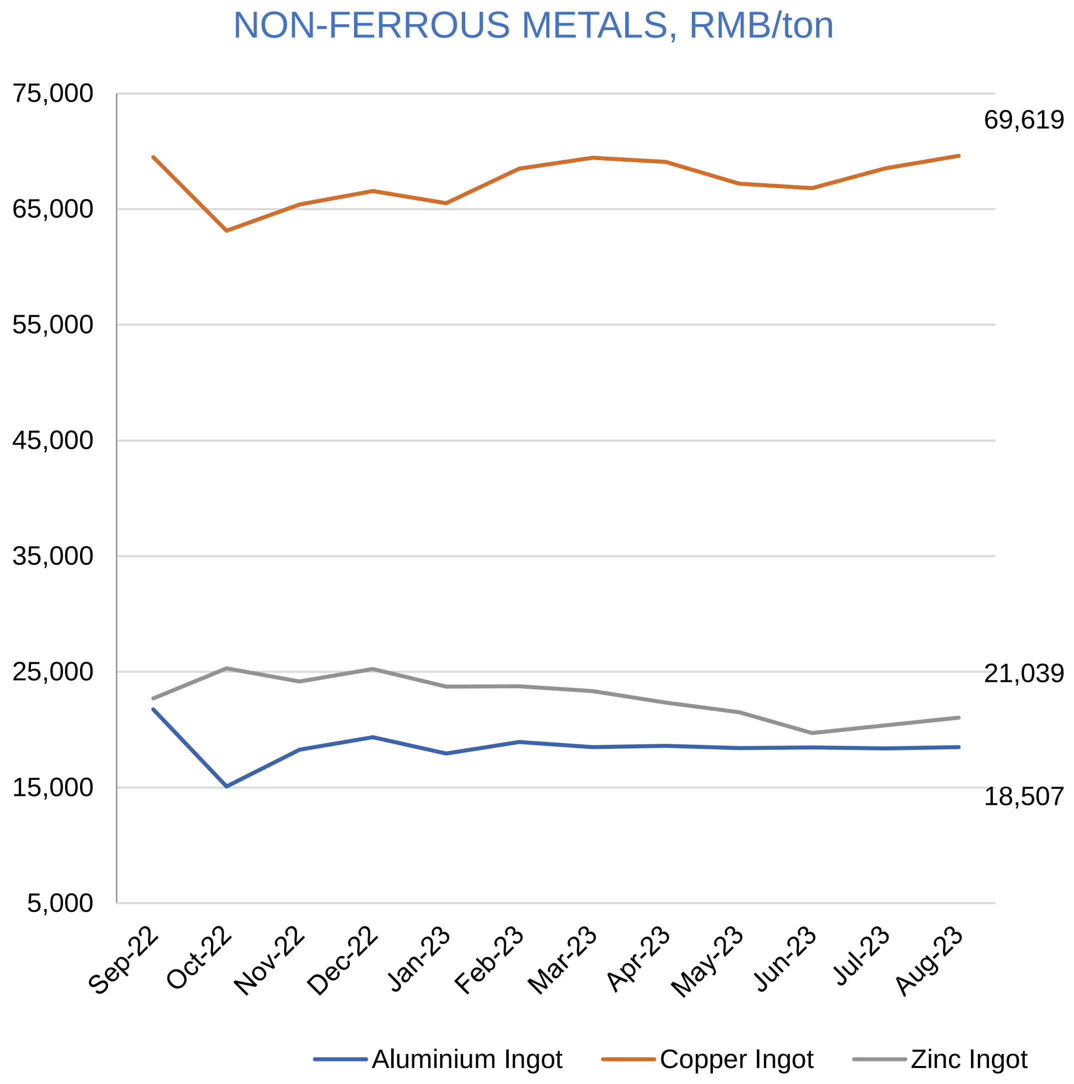
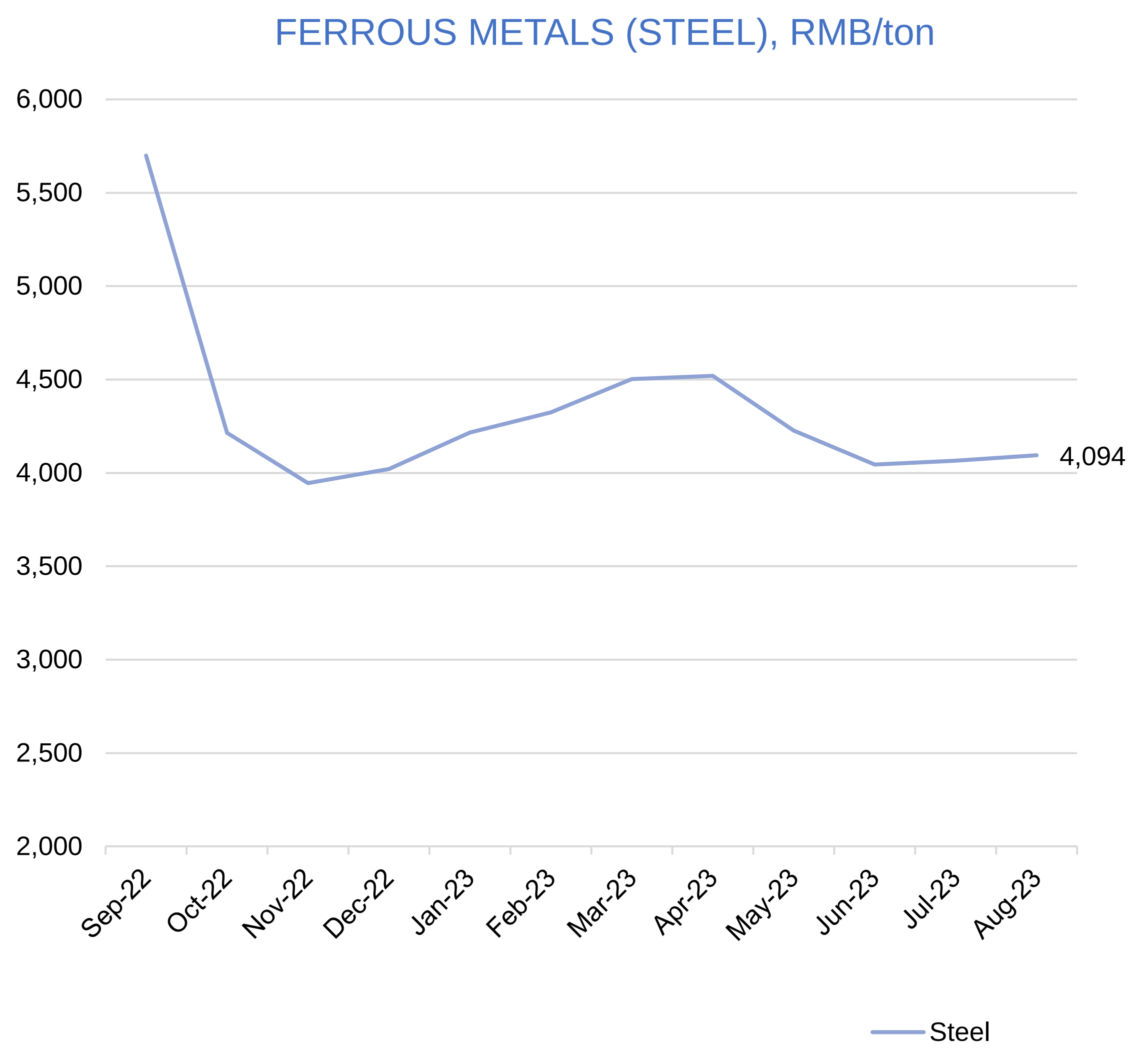
RAW MATERIALS: NON-FERROUS METALS



Date	Copper Ingot RMB/ton	Aluminium Ingot RMB/ton	Zinc Ingot RMB/ton
Sep-22	69,503	21,761	22,698
Oct-22	63,120	15,100	25,300
Nov-22	65,414	18,279	24,170
Dec-22	66,578	19,363	25,234
Jan-23	65,523	17,935	23,723
Feb-23	68,491	18,927	23,751
Mar-23	69,456	18,493	23,350
Apr-23	69,082	18,608	22,348
May-23	67,208	18,414	21,500
Jun-23	66,816	18,454	19,706
Jul-23	68,542	18,370	20,382
Aug-23	69,619	18,507	21,039
YoY%	**0.2%**	**-15.0%**	**-7.3%**

Source: http://www.stats.gov.cn

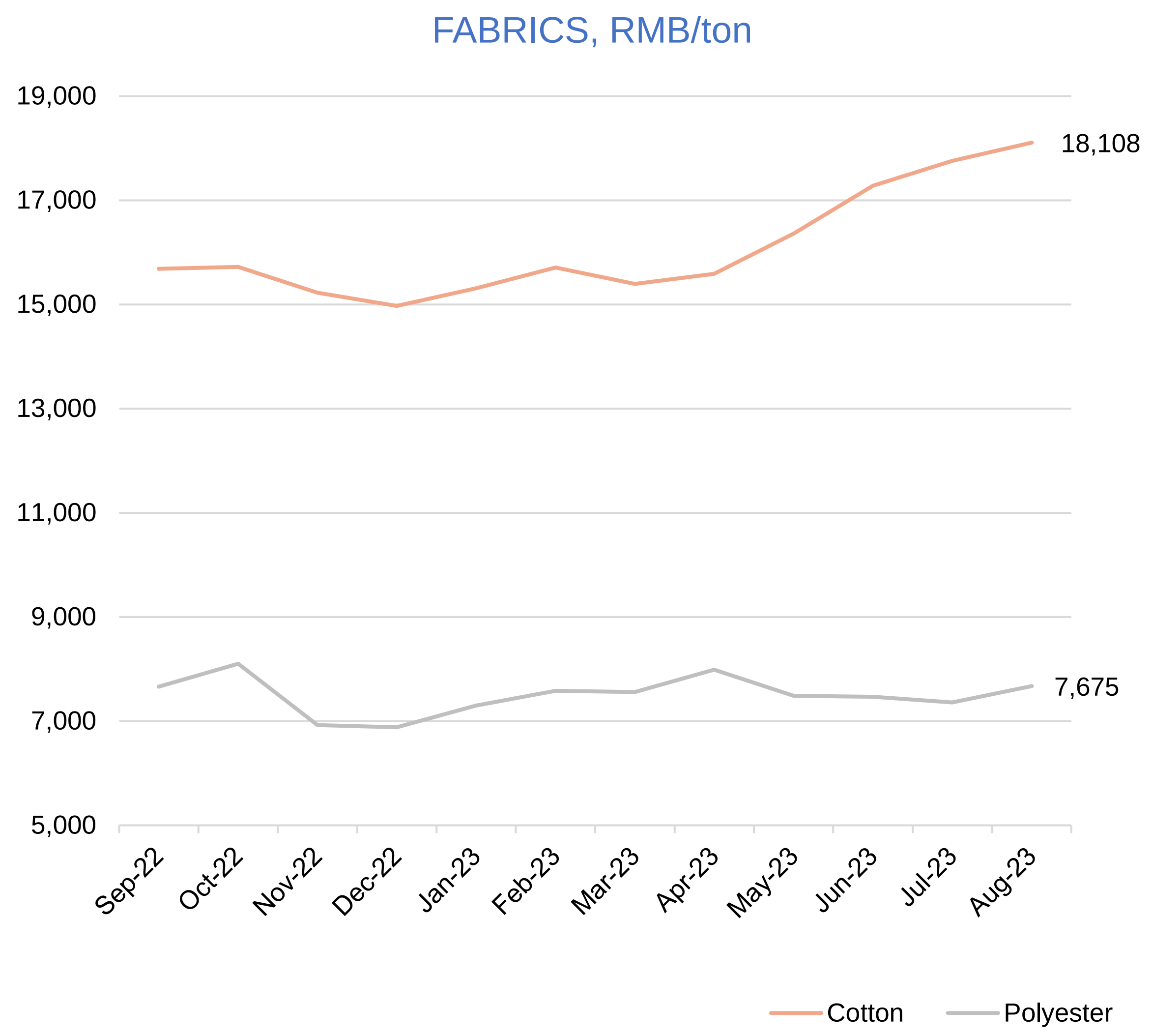
RAW MATERIALS: FERROUS METALS



Date	Steel, RMB/ton
Sep-22	5,699
Oct-22	4,215
Nov-22	3,946
Dec-22	4,020
Jan-23	4,216
Feb-23	4,324
Mar-23	4,502
Apr-23	4,519
May-23	4,226
Jun-23	4,044
Jul-23	4,066
Aug-23	4,094
YoY%	**-28.2%**

Source: http://www.stats.gov.cn

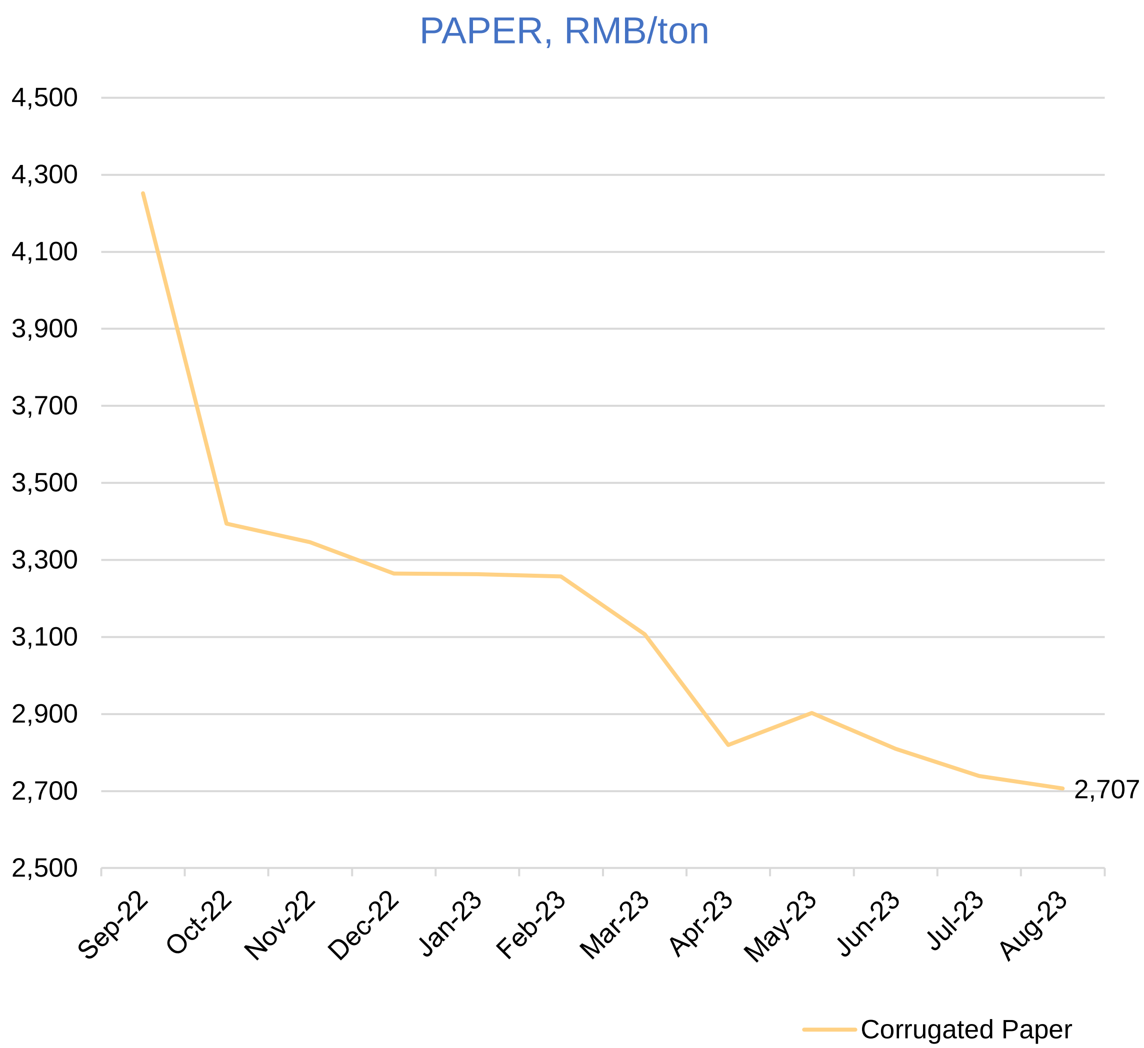
RAW MATERIALS: FABRICS



	Cotton, RMB/ton	Polyester, RMB/ton
Sep-22	15,683	7,663
Oct-22	15,721	8,100
Nov-22	15,228	6,921
Dec-22	14,969	6,882
Jan-23	15,311	7,296
Feb-23	15,711	7,582
Mar-23	15,396	7,557
Apr-23	15,588	7,985
May-23	16,364	7,483
Jun-23	17,280	7,464
Jul-23	17,757	7,358
Aug-23	18,108	7,675
YoY%	**15.5%**	**0.2%**

Source: Cotton - http://www.china-cotton.org | Polyester - http://www.stats.gov.cn

RAW MATERIALS: PAPER

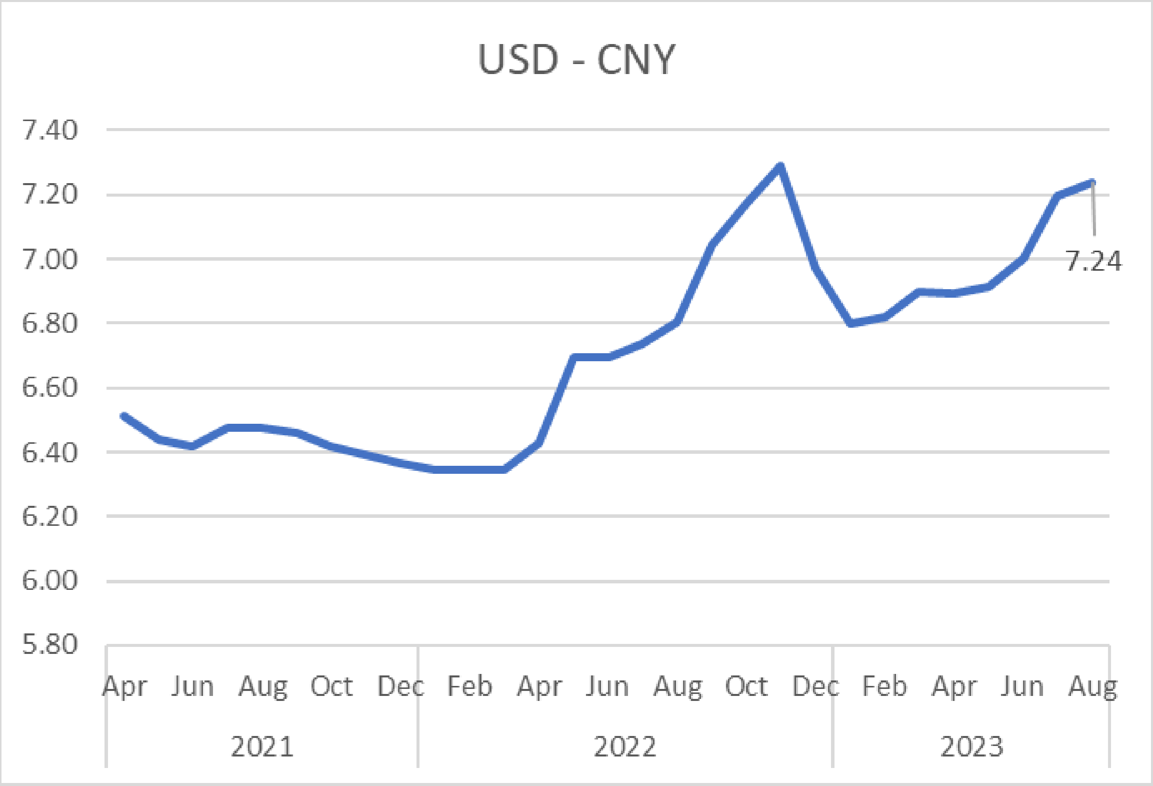


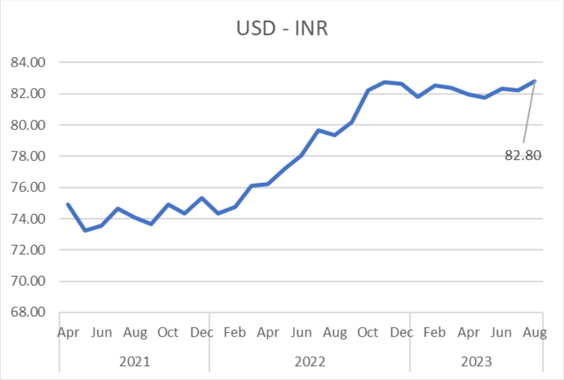
Date	Corrugated Paper, RMB/ton
Sep-22	4,252
Oct-22	3,394
Nov-22	3,346
Dec-22	3,265
Jan-23	3,263
Feb-23	3,257
Mar-23	3,107
Apr-23	2,820
May-23	2,903
Jun-23	2,810
Jul-23	2,739
Aug-23	2,707
YoY%	**-36.4%**

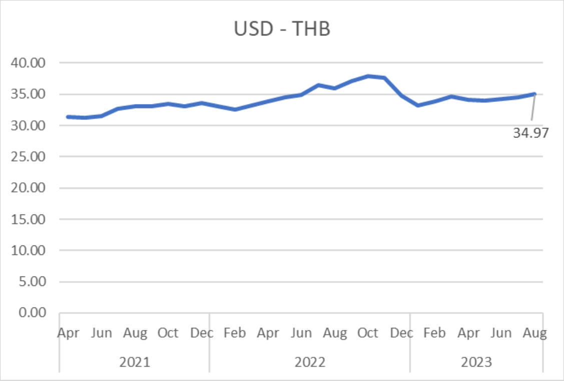
Source: http://www.stats.gov.cn

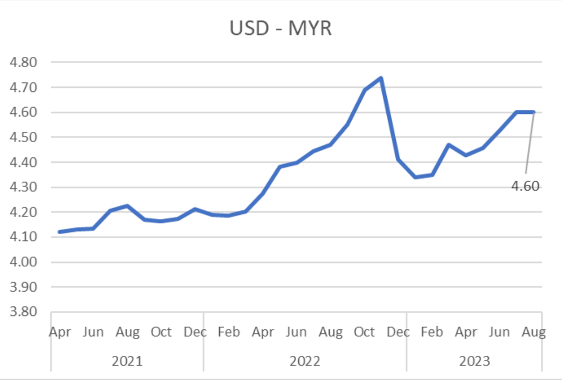
FX Rate

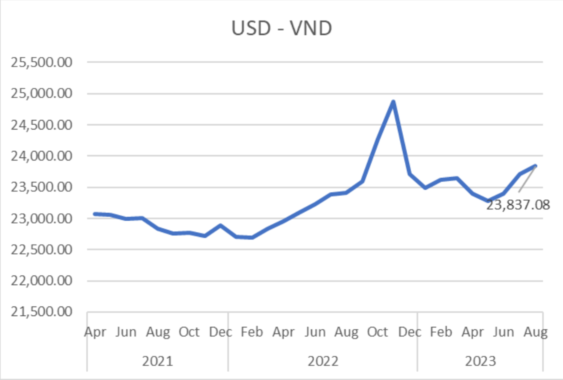
FX Rate


USD - CNY
7.40
7.20
7.00
6.80
6.60
6.40
6.20
6.00
5.80
7.24
Apr Jun Aug Oct Dec Feb Apr Jun Aug Oct Dec Feb Apr Jun Aug
2021
2022
2023


USD - INR
84.00
82.00
80.00
78.00
76.00
74.00
72.00
70.00
68.00
82.80
Apr Jun Aug Oct Dec Feb Apr Jun Aug Oct Dec Feb Apr Jun Aug
2021
2022
2023


USD - THB
40.00
35.00
30.00
25.00
20.00
15.00
10.00
5.00
0.00
34.97
Apr Jun Aug Oct Dec Feb Apr Jun Aug Oct Dec Feb Apr Jun Aug
2021
2022
2023


USD - MYR
4.80
4.70
4.60
4.50
4.40
4.30
4.20
4.10
4.00
3.90
3.80
4.60
Apr Jun Aug Oct Dec Feb Apr Jun Aug Oct Dec Feb Apr Jun Aug
2021
2022
2023


USD - VND
25,500.00
25,000.00
24,500.00
24,000.00
23,500.00
23,000.00
22,500.00
22,000.00
21,500.00
23,837.08
Apr Jun Aug Oct Dec Feb Apr Jun Aug Oct Dec Feb Apr Jun Aug
2021
2022
2023


USD - IDR
16,000.00
15,500.00
15,000.00
14,500.00
14,000.00
13,500.00
13,000.00
15,254.65
Apr Jun Aug Oct Dec Feb Apr Jun Aug Oct Dec Feb Apr Jun Aug
2021
2022
2023

FX Rate

Date	USD - CNY	USD - VND	USD – THB	USD - IDR	USD – INR	USD - MYR
Sep-2021	7.04	23598	37.08	15017	80.19	4.55
Oct-2022	7.17	24270	37.88	15403	82.22	4.69
Nov-2022	7.29	24868	37.69	15639	82.73	4.74
Dec-2022	6.97	23715	34.74	15644	82.63	4.41
Jan-2023	6.80	23483	33.25	15281	81.82	4.34
Feb-2023	6.82	23615	33.85	15132	82.54	4.35
Mar-2023	6.90	23651	34.58	15291	82.40	4.47
Apr-2023	6.89	23399	34.16	14896	81.95	4.43
May-2023	7.00	23396	34.25	14838	82.31	4.53
Jun-2023	7.18	23498	34.96	14916	82.14	4.63
Jul-2023	7.20	23711	34.48	15011	82.22	4.60
Aug-2023	7.24	23837	34.97	15255	82.80	4.60
YoY, %	2.8%	1.0%	-5.7%	1.6%	3.3%	1.1%

Source: https://www.bloomberg.com

Hot Topic in Retail Industry

Key views Global Monthly Aug 2023

The global economy continues to send mixed signals, with weakness in the eurozone contrasting with strength in the US, while China's post-covid rebound has disappointed. The global economy continues to expand, but the impact of monetary tightening is being increasingly felt, with manufacturing and housing already in a downturn. Tightening credit conditions are weighing on bank lending, which we expect to eventually hit other sectors of the economy. Headline inflation has continued to trend lower, but tight labour markets are keeping core inflation elevated. Central bank policy rates are peaking, but even with rate cuts starting in the first half of next year, we expect monetary policy to stay restrictive throughout 2024. This will keep a lid on any post-slowdown rebound.

Macro

Eurozone – Q2 GDP came in higher than expected at 0.3% qoq. Meanwhile, the Q1 result was revised higher, to 0.0%, up from -0.1%. This means that the eurozone was not in technical recession after all last winter. Despite the somewhat better than expected outcome for GDP in 2023H1, we still expect a considerable period of economic sluggishness, with GDP probably contracting moderately or being close to stagnant during H2 2023 and H1 2024. Core inflation has stagnated in recent months, but should decline during the second half of the year, also because wage growth is expected to slow down.

Netherlands – Dutch GDP contracted by 0.3% qoq in Q2. Following a 0.4% qoq contraction in Q1 this means that the Dutch economy was in a technical recession during the first half of the year. Dutch GDP is expected to grow by 0.5% in 2023 (revised downward from 0.7%). We expect growth to remain sluggish in the coming quarters on the back of high rates and lower external demand. The Dutch economy remains resilient; the labour market is still tight and bankruptcies – although increasing in recent months – are still below 2019 levels. We expect inflation (HICP) to average 4.8% in 2023 and 3.5% in 2024.

UK – Disinflation has resumed, providing some relief to the Bank of England, but upside inflation risks remain significant given that wage growth has continued to accelerate. Demand has also shown signs of rebounding, with GDP growth surprising to the upside in Q2. At the same time, unemployment has started rising, and we expect a softening in demand to dampen wage growth over time. The economy is expected to broadly stagnate over the coming year or so, weighed by tight monetary policy.

US – We now expect a slowdown and stagnation rather than a mild recession. Growth was unexpectedly strong in Q2, and revised sharply higher for Q1. Meanwhile disinflation has continued, while wage growth has peaked. We now judge that a slowdown and a period of below trend growth will be sufficient to return inflation back to target. But there is significant uncertainty over where inflation will settle in the medium term given labour shortages and residual supply/demand imbalances in the economy. Inflation falling sustainably back to target hinges on a rise in unemployment over the coming year.

Key views Global Monthly Aug 2023

Macro

China **–** The reopening rebound in services/consumption has faded, headwinds from slowing external demand and property have intensified, and extreme weather adds to these headwinds. Further impacting confidence/sentiment is the scarring from previous stringent policies (Zero-Covid, regulatory crackdown), as well as ongoing signs of property distress. We already cut our growth forecasts for 2023/ 2024, to 5.2% (from 5.7%) and 4.8% (5.0%), respectively. Although piecemeal monetary easing and targeted support continues, as expected, risks remain tilted to the downside.

Key views Global Monthly May 2023

Central Banks & Markets

ECB **–** The ECB raised the deposit rate by 25bp in July, as was widely expected, while also signalling that a pause in the rate hike cycle was likely. Our base line has remained that the peak in the deposit rate (3.75%) has now been reached and that there will be no further hikes. We have shifted our expectation of a pivot in the policy stance a few months forward and now expect a rate cut cycle to begin in March 2024 instead of our earlier forecast of December of this year. We expect that a series of rate cuts will kick off in March 2024, and we continue to see the deposit rate at 2% by the end of next year.

Fed **–** The FOMC raised rates by 25bp in July, and the Committee made clear that it is open to further tightening. We think July was the last hike of the cycle, and that benign core inflation readings will give the FOMC the confidence to keep policy on hold in September. We continue to expect the Fed to start cutting rates from next March. Even without a recession, falling inflation will push real rates higher, and Fed officials have signalled that this would be inconsistent with the FOMC's goals. Even with rate cuts starting next year, monetary policy is expected to remain restrictive throughout 2024 and even into 2025.

Bank of England **–** The MPC stepped back down to a 25bp hiking pace in August, following the surprise 50bp hike in June. We now expect one further 25bp hike in September, and for this to mark the end of the rate hike cycle. However, the BoE is in full data-dependent mode, and UK macro data has been erratic over the past few months. We do not expect rate cuts until next May, and there is a risk that rate cuts get delayed even further, if inflation proves to be more persistent.

Bond yields **–** US economic resilience led to another bond sell-off, pushing yields to new highs as the market pushes out rate cuts, but on the front-end of the curve, we have seen a pullback in the pricing of additional rate hikes. Our central bank view implies that the short end of the curve will soon need to price in rate cuts for 2024 which will lead to a major drop in short-term rates. Both 10y Treasury and Bund yields are also expected to fall on the back to a flight to quality as economies weaken. However, the decline will be to a lesser extent than the short-end of the curve, leading both curves to bull-steepen by end 2023-34.

FX **–** We forecast a modest upside of the US dollar versus the euro for the following reasons. We expect rate cuts by the Fed and the ECB next year. Whereas most of the Fed rate cuts we foresee are anticipated by the market, our expected rate cuts for the ECB are not. If our views play out euro should weaken. Moreover, the speculative positions in the euro are extremely large. Our forecasts are 1.08 (end 2023) and 1.05 end 2024.

News released on Aug 2023
Source: Investing.com

China manufacturing PMI inches closer to expansion in August

Chinese manufacturing activity shrank at a slower-than-expected pace in August, data showed on Thursday, as recent stimulus measures from the government appeared to be bearing some fruit in supporting economic activity.

The official manufacturing purchasing managers' index (PMI) read 49.7 in August, data from the National Bureau of Statistics showed. The reading was more than expectations of 49.5, as well as last month's reading of 49.3.

A reading below 50 indicates contraction, with manufacturing activity having now contracted for a fifth consecutive month. But August's reading showed that activity in the sector was improving, albeit slightly.

Weakness in the manufacturing sector was driven chiefly by slowing local and overseas demand this year, as economic conditions in China's biggest trading partners worsened. This was exacerbated by a growing trade tiff with the U.S., as Washington seeks to block China's access to the latest chipmaking technology.

Non-manufacturing activity grew less than expected in August, with the non-manufacturing PMI reading 51.0, weaker than expectations of 51.1 and July's reading of 51.5. Still, improvement in the manufacturing sector saw China's composite PMI- a gauge of overall business activity, rise 51.3 in August from 51.1 in the prior month.

China's key real estate sector is experiencing a pronounced slowdown, with majors such as Country Garden Holdings (HK:2007) facing a potential default- an event that could severely rattle faith in the Chinese economy.

Focus is now squarely on more stimulus measures from the Chinese government, as Beijing moves to shore up a slowing post-COVID economic recovery. The government has rolled out a string of monetary stimulus measures to promote spending this year.
But investors have called on more targeted, fiscal stimulus to help support the economy, although the chances of such a move appear to be low, given that China is also struggling with high levels of government debt.

Analysts said that the government is unlikely to roll out fiscal measures to support the real estate sector, as Beijing seeks to wean the economy off its reliance on the property market. The sector accounts for roughly a fourth of overall Chinese economic growth, and has seen a severe decline over the past three years.

TikTok Shop launches same-day fulfilment in the UK

TikTok Shop has launched ‘Fulfilled by TikTok’, a new program designed to provide merchants with easier and quicker logistics. The new program offers same-day, automated fulfilment for all orders made by 7p.m. from Monday to Friday, next working day premium delivery service, improved customer feedback and a new instant messaging service with customer service employees.

Merchants can sign up to the new program, then hand over selected items from their stock, which will then be stored and handled at a warehouse. TikTok Shop charges fees for warehousing, shipping and some other added value services such as labelling and pre-packing.

Our Take: Despite their popularity in Asia, social media companies have struggled with commerce initiatives in Europe and the US. Indeed, Instagram, Facebook and TikTok have all rethought their propositions in the past year, with the latter abandoning its ecommerce expansion in Germany, France, Italy, Spain and the US in mid-2022.

However, TikTok has remained committed to the UK, its first market outside Asia, despite difficulties since its launch in 2021. As such, there has been a lot of innovation in the market as the company use it as a testing ground for Western markets. The latest move could help in several ways, not only creating a new revenue stream for TikTok through logistics, but also enticing more, particularly smaller, merchants onto the platform, helping vendors to manage larger volumes, and enabling manufacturers to just focus on manufacturing.

Moreover, this proposition could be important in boosting uptake among consumers, where convenience remains utmost, so that a customer can go from viewing a product on the platform on a Monday, to have it delivered on the same or next working day.

For retail markets, ‘Fulfilled by TikTok’ could be a significant development in two ways: firstly, it could serve as a torchbearer for other social media companies, boosting confidence in the feasibility of social commerce, both in the UK and Europe. Secondly, based on its success, ranges could quickly be expanded to incorporate more home retail. In fact, another ecommerce giant Shein, which also holds an active young consumer base, announced its expansion into home appliances, smart home products and DIY in June 2023, following the success of its business model in fashion – providing a template for expansion as TikTok shop continues to grow in the UK.

Thank You!