

Sino-Japan Conventional Market Report February 2025

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Executive Summary

In consideration of the traditional Spring Festival, many government agencies in China have followed the past practice to publish important economic data of January and February combined. Meanwhile, early March is also the time of the National People's Congress. Some sensitive economic data are usually released after this meeting, so it is difficult to make the comments on the economic situation without necessary macroeconomic data.

According to the estimation of the National Economic Research Center of Peking University, the scale of social financing and the amount of new RMB loans in January were significantly higher than expected, indicating that market is still active. But in the same month, PPI fell by 2.3% y-o-y, unchanged from the previous month; the PPI m-o-m growth rate was -0.2%, a decrease of 0.1 percentage points from the previous month, reflecting the insufficient demand and continuous economic pressure.

Meanwhile, the manufacturing PMI for February was 50.2, up 1.1 percentage points m-o-m, indicating a recovery in economic activity. As per the merchandise trade data released by GACC for January and February combined, the total amount in terms of US Dollar decreased by 2.4% y-o-y, with exports increasing by 2.3% y-o-y and imports decreasing by -8.4% y-o-y. This is basically consistent with current logistics market operation.

In January, China's export container market remained stable, and the comprehensive index continued to rise steadily. As the traditional Spring Festival approached, spot market prices

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fell in the second half of the month. The China Container Freight Index (CCFI) in January released by the Shanghai Shipping Exchange was 1542.87 points, an average increase of 3.6% m-o-m.

The demand for Sino-Japanese routes is generally stable, and spot market rates have slightly increased. In January, the average freight rate index from Sino-Japan eastbound was 971.72 points, an average increase of 2.1% compared to the previous month.

However, it seems that factories have resumed production earlier than the previous years after the Spring Festival. According to the sub-index of the manufacturing PMI released in February, the Production Index was 52.5%, an increase of 2.7 percentage points m-o-m, indicating that production activities have recovered relatively quickly after the Spring Festival. In the corresponding international transport market, some container routes have already experienced a shortage of space, and ship owners are actively pushing up freight rates before the contract season. Roro shipping routes exported from China are also short of space now.

Regarding global economy, the PMI of the manufacturing industry in the United States was 51.2 in November, a sharp increase of 1.8 percentage points m-o-m, and returned to above the critical point for the first time in seven months. The same PMI of European was 46.6 in January, the highest point in eight months. The PMI of ASEAN is 50.4, the lowest point in a

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year, but still in the expansion range. Although facing the impact of the new US government's tax policies, the overall external demand will not be worse than before.

J.P.Morgan Global Manufacturing PMI™ Index Summary				Manufacturing PMI		
Index	Dec-24	Jan-25	Interpretation	Country	Dec-24	Jan-25
PMI	49.6	50.1	Improvement, from deteriorating	Japan	49.6	48.7
Output	49.2	50.6	Growth, from contracting	Korea	49.0	50.3
New Orders	49.5	50.8	Growth, from contracting	India	56.4	57.7
New Export Orders	48.2	49.4	Decline, slower rate	Vietnam	49.8	48.9
Future Output	59.1	61.7	Growth expected, better sentiment	Indonesia	51.2	51.9
Employment	49.4	48.5	Decline, faster rate	Malaysia	48.6	48.7
Input Prices	54.4	54.5	inflation, faster rate	Thailand	51.4	49.6
Output Prices	51.2	51.5	inflation, faster rate	ASEAN	50.7	50.4
				United States	49.4	51.2
				Eurozone	45.1	46.6

Data Source from S&P Global.

The corresponding China's PMI sub-index New Order Index is 51.1 in February, an increase of 1.9 percentage points from the previous month, indicating a demand rebound in the market. The New Export Order Index are 48.6, the highest value in six months, and the Import Index is 49.5, the highest value in eleven months. Although both indicators are still in the contraction range, the prosperity level has already improved.

In early March, we visited some shipping companies and clients in Shanghai. Two major Intra

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-asia shipping companies intended to raise both the spot market price and long-term contract price after April, including the service routes to Japan and Southeast Asia. Some Japanese trading companies also expressed that they still have expectations for the Chinese market and are actively promoting the sales of high-end products. Traditional products are difficult to sell in the Chinese market while upgraded high-tech products are necessary now.

At the same time, we also saw that many standard factory were built or being built in the Jiangsu Province and Zhejiang Province, indicating that there are still many new investment in the manufacturing industry. Although the influence from the external environment cannot be predicted exactly, the possibility of a significant economic downturn is unlikely, and the Chinese economy is still worth expectation.

End of Report February 2025