China market 2022

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Agenda

- Supply chain problems
- Stocks of raw material and ready made brushes
- Delays in Europe – missing orders in China – what a contradiction
- Natural bristle
- Outlook

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Supply chain problems

Global port congestion

12,2 % of the global vessel capacity effectively removed, congestion remains in US East coast and Europe north continent and growing in China due to a typhoon

Source: Marine Traffic September 15th 2022, www.gocomet.com, Linerlytica

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Supply chain problems

Cannot remember we ever had such huge problems with our worldwide supply chain service providers be it seafreight or landfreight.

Everybody was affected by this problem. I have to say sorry to my customers for these delays which we partly had.

The contradictionary situation is showing currently - on one side we and our customers are still suffering from the above-mentioned delay of lots of containers, - - but on the others side we can already see increasing stocks and «CLEAR OFF SALES»

This situation is showing to me on my daily business talks in all our business fields. Partly we still have terrribly delayed goods, on the other hand due to missing new orders most of my customers are reluctant to purchase for 2023.

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Stock situation in US and Europe

Target's Stores Inventory Miss, adding some pressure to transpacific trade and US retail sector

Inventory-to-sales ratios

Source: S&P Global Market Intelligence

Source: WSJ

Target stores, one of the largest importer in the USA, with an estimated import volume of 650,000 TEUs per year, is undertaking a rapid reset of its supply chain after concluding that its inventories are overstuffed and out of step with consumer buying trends. The retailer is cancelling orders and preparing to start discounting to clear out goods,

Target's inventory was up by 43% in the April quarter as demand for some categories declined faster than expected and supply-chain snarls delayed other goods past their ideal selling window.

The warning from the big-box bellwether is roiling the retail sector, following reports from Macy's, Gap and others that they are also overstocked.

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Chip Industry.

You have probably seen this below as well in the news, not long ago we talked about a shortage of CHIPS in all business fields. It is over.

› Wirtschaft Neue Zürcher Zeitung Anmelden

Zu wenig Chips? Auf einmal ist im Halbleitersektor von einem Überangebot die Rede

Die Branche hatte sich auf einen jahrelangen Boom gefreut. Doch nun bricht die Nachfrage nach PC und Smartphones ein. Konsumenten fehlt das Geld dafür, und führende Chiphersteller wie Intel und Micron müssen ihre Investitionspläne zusammenstreichen.

Dominik Feldges
10.09.2022, 05.30 Uhr

Hören Merken Drucken Teilen

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Chip Industry.

Chip industry desperately hopes for sales of more electric cars to make up for the reduced demand

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Market for filaments and bristles
SEAFREIGHT

Such a situation is according my experience in this business field a typical moment for falling prices.

Different this year.

Despite already reduced sea freight cost which went down from 10.000 USD in January 2022 per 20 feet TCEU to 6.000 USD per TCEU in September from Shanghai to Hamburg. We are still at an all time high for sea freight rates. Remember in the past we paid around 2.000 USD:

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Market for filaments and bristles
LAND TRANSPORTATION

Second aspect is the severe shortage of truck drivers all over Europe.

Land-freight transportation charges doubled.

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Market for filaments and bristles
USD/EUR

Third reason for still high prices is: On top we have for those who are buying in EUR or corresponding currencies a price increase of around 18% depending on the period of time which one is looking at. Today exchange rate USD EUR is 1.00 a year ago it was 1.18 USD / EUR

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Natural bristle in details

It is understood that in our current purchase negotiations we are using all those above mentioned arguments to put pressure on our suppliers.

So far we could get some discounts but only of a few percents.

Reduced demand has kind of “forgotten” that in some items we still have shortages, which are in detail good quality black 51mm in 90% tops. Long sizes black 89mm and up are also short of supply.

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Outlook

Allow me to quote the remarks of my colleague Wang Yong of DKSH Shanghai how he is seeing the development.

As the substitution of natural bristle, the availability of synthetic filament is sufficient to supply paint brush industry requirement. The competition in the synthetic filament business is getting more sharp, especially at the current quiet market situation. The competition is not only on the pricewise, but also on the quality which might be dangerous for European high quality producers.

To be positive, we think the demand will be gradually come back in 2023 and the brush filament industry itself has been adapted to supply for the new inquiries. But there are still have other issues which are uncertain / unpredictable like how long will the covid influence be existing in China. The government still firmly insist on zero covid policy which means keep manufacturer opening / production running is not the top priority when meeting new covid outbreak. That will be a challenge to have steady / sustainable supplying.

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Thank you for your attention

Thanks for your attention.
Reinhold Hörz

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