WWS CERAMIC TABLEWARE

2022 PRICE FORECAST & MARKET TREND ANALYSIS

AUGUST 2021

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1.INTRODUCTION

Welcome to the issue of the 2022 Price

Forecast&Market Trend Analysis from WWS

**Market conditions are driving up the cost of many raw materials,
currently buyers are bombarded with price increases across multiple products.
The price of raw materials is increasing and manufacturers face cascading
challenges through the supply chains. As prices continue their upward climb,
manufacturers are still dealing with the two supply chain headwinds,
plaguing the industry throughout the pandemic:
slowing supplier deliveries and labour availability.
"This was largely a result of COVID, which has affected factory output and also
new export orders due to the rising waves of infections and resultant restrictions
in some neighbouring economies," said Iris Pang, Great China chief economist at ING.
China’s rapid recovery from the coronavirus pandemic has kept factories in the country
— and very busy — as other countries still struggle to control the disease.
This boost to China’s factories will likely only continue for another year, said Yipin Ng,
founding partner of Shanghai-based Yunqi Partners.**

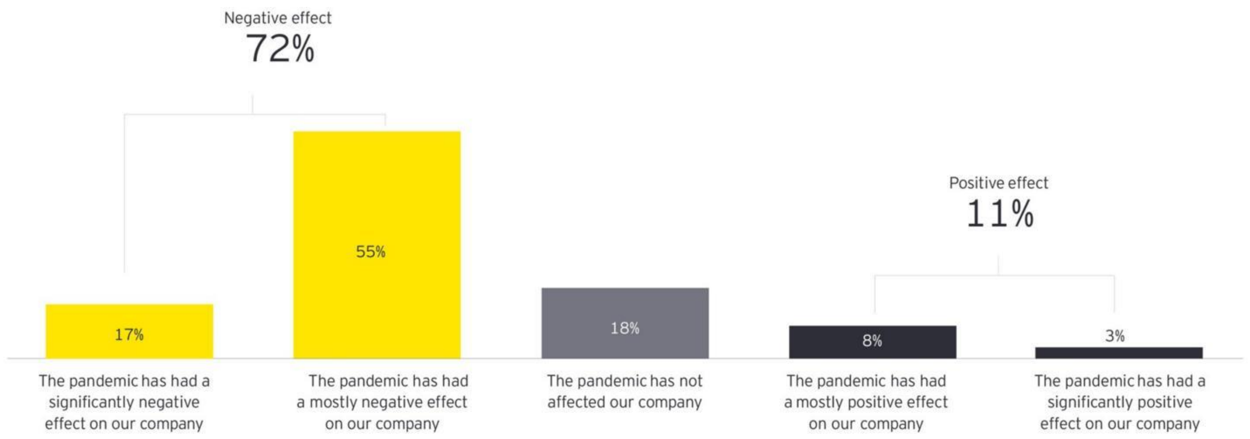
2.
CURRENT GLOBAL MARKET TRENDS

2.1 Supply Chains

The COVID-19 pandemix has posed significant challenges for supply chains globally. Multiple national lockdowns continue to slow or even temporarily stop the flow of raw materials and finished goods, disrupting manufacturing as a result.

The pandemic had substantial negative effects on supply chains.The COVID-19 pandemic was a global disruption across trade, finance, health and education systems, businesses and societies like few others in the past 100 years. It is no surprise then that only 2% of companies who responded to the survey said they were fully prepared for the pandemic. Serious disruptions affected 57%, with 72% reporting a negative effect (17% reported a significant negative effect, and 55% mostly negative). Some sectors were hit particularly hard, however. Among survey respondents, all automotive and nearly all (97%) industrial products companies said the pandemic has had a negative effect on them.

In addition, 47% of all companies reported the pandemic disrupted their workforce. While many employees were asked to work from home, others — especially in factory settings — had to adapt to new requirements for physical spacing, contact-tracing and more personal protective equipment (PPE). Industrial products and high-tech manufacturing companies are investing overwhelmingly in technology to reduce employee exposure to COVID-19 in more labor-intensive industries. These are just a few examples of changes affecting supply chains across various sectors.



Note: Some charts add up to more than 100% due to rounding

Japan

“Supply-side constraints are dragging down production, but the forecasts for June and July aren’t weak,” said economist Hiroaki Muto at Sumitomo Life Insurance Co. “I see autos hobbling along for a while more because of this, but demand itself is strong.” Japan’s factory output slid sharply in May, as semiconductor shortages dented car production and manufacturers of all kinds pulled back amid yet another round of restrictions to contain the COVID-19 pandemic.

BUSINESS

Japan's factory output fell 5.9% in May amid pandemic and chip scarcity

Japan's industrial production plunged 5.9% in May from the previous month, in figures that were several percentage points worse than even the most pessimistic forecast among 30 surveyed analysts. | BLOOMBERG

BY YOSHIAKI NOHARA AND YUKO TAKEO
BLOOMBERG

SHARE Jun 30, 2021

Japan's factory output slid sharply in May, as semiconductor shortages dented car production and manufacturers of all kinds pulled back amid yet another round of restrictions to contain the COVID-19 pandemic.

Vetnam

As Vietnam’s coronavirus surge continues, lockdowns take their toll on factory output, small businesss Vietnam’s Covid-19 hotspot Ho Chi Minh City has twice extended its lockdown, hitting manufacturer trying to export items such as clothing.

This Week in Asia / Economics

As Vietnam's coronavirus surge continues, lockdowns take their toll on factory output, small businesses

- Vietnam's Covid-19 hotspot Ho Chi Minh City has twice extended its lockdown, hitting manufacturers trying to export items such as clothing
- An economist said the fourth wave is more devastating for labour migrants, informal workers and those in service industries who cannot work from home

Covid surge in Vietnam hits global supply chains

Manufacturers for Nike and Adidas forced to close factories as infections rise

Soldiers spray disinfectant in Hanoi as a precaution against coronavirus. Vietnam's daily new cases have been trending between 7,000 and 8,000 © Luong Thai Linh/EPA-EFE/Shutterstock

John Reed in Bangkok and **Kathrin Hille** in Taipei AUGUST 8 2021

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Thailand

BANGKOK (REUTERS)-A series of coronavirus outbreaks in Thai factories is raising concerns that export sector could be hit hard, threatening to further undermine an economy as it struggles to recover from the pandemic’s crippling blow to the crucial tourism industry.

Coronavirus outbreaks at Thai factories threaten export sector, recovery

In 2020, exports accounted for 45 per cent of Thailand's gross domestic product. PHOTO: REUTERS

UPDATED JUN 14, 2021, 2:35 PM

BANGKOK (REUTERS) - A series of coronavirus outbreaks in Thai factories is raising concerns that the export sector could be hit hard, threatening to further undermine an economy as it struggles to recover from the pandemic's crippling blow to the crucial tourism industry.

The virus has swept through over 130 factories, including those supplying international brands, with more than 7,100 cases across 11 provinces, making manufacturing one of the top sources of infections along with prisons and construction camps.

China

Although China has rapidly recovered the production from the pandemic,
There is also a big bad effect for Chinese factories supply chains.

1)Shortage of raw materials
Strong global market demand, significantly China’ s V shape economic recovery, has led to shortages on many raw materials.

2)A growing shortage of factory workers
After riding out the worst of the Covid-19 pandemic, Chinese factory owners are turning attention to another, arguably more dangerous long-term threat: a shortage of workers. Labour shortages are starting to be felt in some traditional manufacturing sectors, especially in ceramic industry.

3)Full of orders, but lower profit
Due to the pandemic, most of exports orders have poured into Chinese factories.
Right now most of Chinese factories are facing same problem
Raise price, fear to loss order; keep price, lose cost…

4)Global Port Congestion caused the delay of the stock shipments
“Boxes are piling up at our factory and we don’t have much space left.
It’s just hard to book containers, and everyone is bidding for them with high prices,” one of the chinese factory owner said.
“We have so many orders but just cannot ship things,” said Charles Xu, a mirror salesman in the export manufacturing hub of Yiwu in Zhejiang province who supplies U.S. retailers such as Walmart and Home Depot.

Unpredictable serious congestion at West Coast Seaports caused the delay of the stock shipments, which brings the coming extra warehouse storage cost.

Serial reaction for clients:
the retailer can’t receive the goods on-time, causing the shelf goods shortage of stores.
What’s worse, the Back to School and Christmas is just around the corner, along with the flood of imports, however, more than 20 vessels were still at anchor awaiting berth space now, let alone there are expected the new volumes pouring into the major gateways, which means the clients can’t get the goods in time, and affects the following Christmas seasons sales performance.

Sky-high shipping rates, making a loss

Shipment cost to US

Loading Port	Destination Port	Container	Before epidemic	Now	Up
Tianjin Port	Los Angles	40HC	$1,300.00	$10,600.00	815.38%
	Savannah	40GP	$2,000.00	$19,845.00	992.25%
		40HC	$2,100.00	$20,420.00	972.38%

Loading Port	Destination Port	Container	Before epidemic	Now	Up
Qingdao Port	Los Angles	40GP/HC	$1,100.00	$10,000.00	909.09%
	Savannah	40GP/HC	$1,500.00	$19,000.00	1000.00%

WWS comparision of sea freight before the epidemic and now

Helen White's lighting business is struggling to absorb a six-fold increase in freight costs.

Helen White's lighting range is designed in the UK and manufactured in Guangzhou,China.She said the six-fold increase in shipping costs is hard to take, especially when getting hold of a container "is like gold dust". "It's really hard for a small business to absorb those costs. We'll be making a loss on the goods we're selling."
At the other end of the supply chain, Chinese manufacturers and logistics firms say they are equally frustrated.

Johnny Tseng is the owner and director of Hong Kong-based J&B Clothing Company Ltd., which manufactures garments for some of the UK's most popular fashion sites including Boohoo and Pretty Little Thing. He's been supplying clothes to British retailers for more than 40 years, but he says his family-run firm won't be able to absorb inflated shipping rates for much longer. "To be honest I don't even know how we can survive if we carry on shipping things at this kind of cost

He says he's now being quoted $14,000 to ship a container to the UK, when the usual price is $2,500. The shortage of empty containers in China and congestion at UK ports caused some of his stock to miss the busy Christmas trading period. Now some customers are holding orders for their Autumn-Winter collections until next year. "It's chaos," he said. "We are making a loss. We take it as a loss leader and keep our fingers crossed it will go back to normal after Chinese New Year, but it is a major issue if it persists this way."

UK

UK factory production slows amid Brexit and Covid disruption

Almost 60% of manufacturers report longer delivery times from suppliers, holding back output. Britain’ s manufacturers suffered from mounting supply chain disruption in February as Brexit and the third Covid lockdown weighed down growth in factory production, according to a survey. About 58% of companies reported longer delivery times from suppliers, while only 2% saw an improvement, as international shipping delays, worldwide demand for raw materials and Brexit-related trade issues weighed on activity. “The compound effects of continued Covid-19 related disruption now exacerbated by manufacturers’ cautious navigation of the new UK-EU trading arrangement has created a scenario in which logistical and supply-side challenges are limiting the rate of economic recovery for the sector,” he said.

THE WALL STREET JOURNAL.

USA

The Covid-19 outbreak paralyzed both supply and demand last spring. This spring, vaccinations and government stimulus have created imbalances in many sectors."The very sudden stop to the economy, and then the very quick restart, has created a lot of havoc -- a lot of businesses have gotten caught flat-footed," said David Lefkowitz, head of Americas equities for UBS Global Wealth Management.Raw-material prices increase the cost of components the industrial manufacturer buys, he said, and finding workers could raise the price of keeping factories running. "Clearly, at the assembly level, labor availability is becoming a problem, and that is beginning to start to move up labor costs over time,"
Mr. Tobin said. Many companies hit hard by wage and supply pressures are in booming industries, said UBS's Mr. Lefkowitz."The revenue strength is more than making up for some of those challenges on the cost side," he said. "Profit margins are coming in better than expected."

BUSINESS

U.S. Companies Scramble to Meet Surge in Demand

Supply-chain snarls and labor shortages crimp some businesses looking to ride rebound in U.S. economy; 'caught flat-footed'

PUBLISHED : 4 MAY 2021 AT 04:00

NEWSPAPER SECTION: BUSINESS
WRITER: THOMAS GRYTA AND THEO FRANCIS

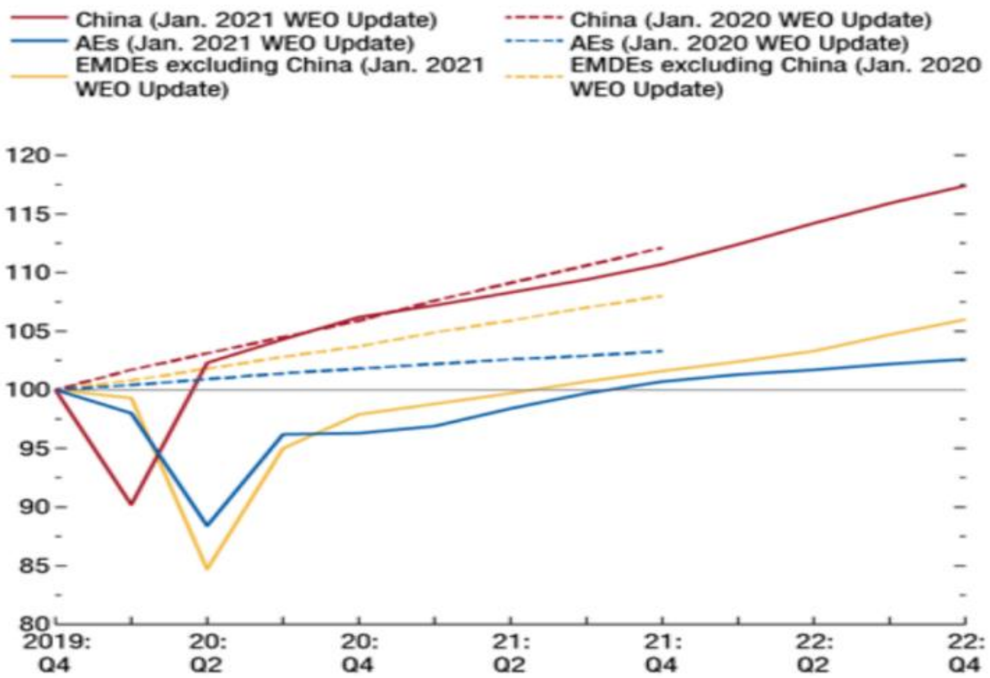
THE WALL STREET JOURNAL.

2.2 Demand

Economic recovery

Amid exceptional uncertainty, International Monetary Fund projects the global economy to grow 5.5 percent in 2021 and 4.2 percent in 2022. The strength of the recovery is projected to vary significantly across countries, depending on access to medical interventions, effectiveness of policy support, exposure to cross-country spillovers, and structural characteristics entering the crisis.A green investment push coupled with initially moderate but steadily rising carbon prices would yield needed emissions reductions while supporting the recovery from the pandemic recession.

Figure 1. Divergent Recoveries: WEO Forecast for Advanced Economies and Emerging Market and Developing Economies
(Index, 2019:Q4 = 100)



Source: IMF staff estimates.
Note: AEs = advanced economies; EMDEs = emerging market and developing economies; WEO = World Economic Outlook.

Latest World Economic Outlook Growth Projections

(real GDP, annual percent change)	ESTIMATE 2020	PROJECTIONS 2021	2022
World Output	**-3.5**	**5.5**	**4.2**
Advanced Economies	**-4.9**	**4.3**	**3.1**
United States	-3.4	5.1	2.5
Euro Area	-7.2	4.2	3.6
Germany	-5.4	3.5	3.1
France	-9.0	5.5	4.1
Italy	-9.2	3.0	3.6
Spain	-11.1	5.9	4.7
Japan	-5.1	3.1	2.4
United Kingdom	-10.0	4.5	5.0
Canada	-5.5	3.6	4.1
Other Advanced Economies	-2.5	3.6	3.1
Emerging Markets and Developing Economies	**-2.4**	**6.3**	**5.0**
Emerging and Developing Asia	-1.1	8.3	5.9
China	2.3	8.1	5.6
India	-8.0	11.5	6.8
ASEAN-5	-3.7	5.2	6.0
Emerging and Developing Europe	-2.8	4.0	3.9
Russia	-3.6	3.0	3.9
Latin America and the Caribbean	-7.4	4.1	2.9
Brazil	-4.5	3.6	2.6
Mexico	-8.5	4.3	2.5
Middle East and Central Asia	-3.2	3.0	4.2
Saudi Arabia	-3.9	2.6	4.0
Sub-Saharan Africa	-2.6	3.2	3.9
Nigeria	-3.2	1.5	2.5
South Africa	-7.5	2.8	1.4
Memorandum			
Low-Income Developing Countries	-0.8	5.1	5.5

Source: IMF, *World Economic Outlook Update*, January 2021

Note: For India, data and forecasts are presented on a fiscal year basis, with FY 2020/2021 starting in April 2020. India's growth projections are -7.6 percent in 2020 and 11.0 percent in 2021 based on calendar year.

INTERNATIONAL MONETARY FUND IMF.org

USA

The current acceleration of vaccination suggests that the immediate goal of resuming economic activity seems to be within reach. It also suggests that the end of the pandemic— or, at least, of the immediate economic impact of the pandemic—may really be in sight.
This raises two questions for our economic forecast. The first is just how fast and how strong the economic recovery will be; the second is what the new normal will look like—and whether the pandemic has done permanent damage to the economy.
Institute for Supply Management's data released in the begging of March show the U.S. economy has roared back to life in 2021, with first-quarter growth set to defy even the rosiest expectations as another fresh influx of cash looms.Manufacturing grew in February, as the Manufacturing PMI® registered 60.8 percent, 2.1 percentage points higher than the January reading of 58.7 percent. This equals the highest reading since February 2018 (60.8 percent); prior to that, the PMI® registered 61.4 percent in May 2004. A reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally contracting.
The ISM Prices Index registered 86 percent. All 18 industries reported paying increased prices for raw materials in February, in the following order: Apparel, Leather & Allied Products; Furniture & Related Products; Paper Products; Primary Metals; Fabricated Metal Products; Plastics & Rubber Products; Nonmetallic Mineral
Products; Machinery; Electrical Equipment, Appliances & Components; Petroleum & Coal Products;
Textile Mills; Miscellaneous Manufacturing‡ ; Chemical Products; Food, Beverage & Tobacco Products;
Printing & Related Support Activities; Wood Products; Transportation Equipment; and Computer & Electronic Products.

China

China's economic output is forecast to account for more than 17 percent of the world's economy in the coronavirus-plagued 2020. As the sole economy recording positive GDP growth last year, China will ramp up efforts and strive to achieve higher quality, more efficient, sustainable and safer development in 2021.

China’s economic recovery is ahead of the recovery in Europe. In turn, China has a greater demand for raw materials for manufacturing which is straining the already stretched worldwide supply chain.

Data released in January 2021 by China’s National Bureau of Statistics show that Producer Price Index (PPI) for manufactured goods rose by 0.3 percent year-on-year and 1.0 percent month-on-month. The purchasing price index for manufactured goods increased by 0.9 percent year-on-year and 1.4 percent month-on-month. Of the total, producer prices for mining and quarrying industry increased by 5.5 percent, that of raw materials industry increased by 1.8 percent and that of manufacturing and processing industry rose by 0.7 percent.

China's manufacturing activity remained in expansion territory in February, but at a slower pace compared with January, due to the impact of the Spring Festival holidays and COVID-19 flare-ups earlier this year. The official manufacturing Purchasing Managers' Index (PMI) fell from 51.3 in January to 50.6, data from the National Bureau of Statistics (NBS) released on 28 February, with supply and demand continuing to expand, but at the slowest level since May 2020.

Overall manufacturing activity remained stable. In particular, production and new orders in medicine, electrical machinery and equipment sectors remained robust.

The prices of raw materials continued to surge in February, imposing a greater burden on factories. Production by petroleum refineries, ferrous metals smelters and fabricators, and makers of metals, electrical and mechanical equipment showed the highest growth.

UK/Brexit impact

The IHS Markit/CIPS UK Manufacturing PMI was revised slightly higher to 55.1 in February of 2021 from a preliminary of 54.9 and 54.1 in January. Output rose at the weakest pace during the current nine-month sequence of increase. New orders expanded following a slight decrease in January, as domestic demand improved and new export business inched higher.

The UK Companies reported improved demand from several markets – including the US, Asia, Scandinavia and (in a few cases) mainland Europe – but noted that the ongoing impact of COVID-19, Brexit complications and shipping difficulties also constrained export order growth. Business optimism rose to a 77-month high in February, with over 63% of companies reporting that they expect output to be higher in one year's time.

Positive sentiment was linked to continued recovery from the pandemic, reopening of the global economy (including less transport restrictions) and reduced Brexit uncertainties Brexit will have a lasting impact on the UK for years to come. Uncertainty around the Brexit deal and fears of disruption means many companies stockpiled materials to soften the impact of new legislation. This increased the demand for raw material over a period which already encounters high seasonal demand.

Brexit also brought a change in legislation around shipments between the UK and EU containing timber packaging. The timber must now be ISPM standard, this means heat treated. This, in particular, is driving demand for ISPM standard pallets. Changes in legislation around UK to EU shipments using wooden packaging have also driven demand for heat-treated materials like pallets and crate boxes.
Yet another strain on the supply and cost of raw materials.

Brexit, combined with the pandemic, has created a shortage in shipping containers, driving up freight costs considerably. For example, there are thousands of PPE containers sitting in the UK waiting to be used by the NHS. The same situation is in every country of the world.
So, it is a lot of containers out of action.

The cost of importing containers filled with consumer goods from Asia into the UK has reached a record high after a surge in demand in the weeks before Christmas and the UK's exit from the EU. Shipping experts believe the UK has been dealt a double blow by the impact of the coronavirus, which has disrupted global shipping supply chains, and the end of the Brexit transition period, which caused a large increase in imports in the last months of 2020. Container freight rates from Asia have increased almost fourfold since November to reach $10,000 for a 40ft unit for the first time, amid a global rebound in demand for consumer goods and materials, and congestion across UK ports, where many empty containers have been left stranded.

Irish goods imports from Britain fell by 65% in January from the same month last year as traders grappled with new customs requirements, COVID-19 restrictions and pre-Brexit stockpiling.

The British Coatings Federation warned that sharp price increases for epoxy resins and supply bottlenecks are now adding to the difficulties of paint and coatings manufacturers in the UK and across Europe, and further compounding the already existing pressures caused by the Covid-19 pandemic and resulting disruption. On top of this some manufacturers are also reporting additional friction being caused by the new trading conditions the UK has with the EU where 60% of the UK industry's raw materials are sourced.

This complex mix of higher demand, capacity and supply problems together with restricted availability of transport resources is increasing uncertainty in the market and driving up raw material prices sharply. On top of this, the coatings industry in the UK is faced with additional non-tariff costs related to the new UK customs arrangements with the EU for both raw material imports, as well as exports and imports of finished paints, coatings and printing inks.

Thonet reported early in January that some materials such as lumber (raw material prices up 36% year to date), iron ore (raw material prices up 29% year to date) and aluminum (prices up 2% year to date) are driven by supply and demand, complicated to some extent by tariffs, while others are associated with our efforts to reshore and diversify our supply chain. The combined impact of all these pressures cannot be mitigated by our cost reduction efforts or the small number of commodity offsets, therefore it is essential that we announce this modest increase.

EU

In February, the pan-eurozone manufacturing PMI hit a three-year high of 57.9, up from 54.8 in the previous month. This is a level "that has rarely been exceeded in more than two decades of survey history", said Chris Williamson, chief business economist at IHS Markit.

At the same time, the equivalent services measure fell to 44.7 from 45.4 — the lowest reading in three months. The composite PMI, an average of both sectors, was 48.1.

No alt text provided for this image

The purchasing managers’ indices published by IHS Markit were the latest illustration of Europe’s two-speed economic recovery, as the manufacturing sector drives growth while services businesses are still burdened with regulations and lockdowns to curb the spread of the coronavirus pandemic.

According to McKinsey Global Institute, Germany, with initially the most effective COVID-19 response (both health and economic) and a strong labour market in both the service and industrial sectors, may recover first, followed by France and the United Kingdom. However, the United Kingdom may have an opportunity to reopen sooner and recover faster, helped by its vaccination campaign, which in early 2021 was the fastest in Europe.

Factories in Italy and Spain are ramping up production to meet rising demand but also face growing shortages of raw materials and rising input costs, according to a closely watched survey of European businesses.

The manufacturing PMI for Italy, the eurozone’s second-largest manufacturer after Germany, rose to a three-year high of 56.9 in February, up from 55.1 in the previous month, the data showed.

Spain’s manufacturing PMI rose faster than most economists had expected to a seven-month high of 52.9, up from 49.3. A reading above the 50 mark indicates that a majority of businesses reported an expansion of activity. Manufacturing’s positive performance was also illustrated by upward revisions to the German and French PMIs, lifting them to their highest levels since January 2018.

Input prices rose at the fastest pace since 2011 as a result of the shortages and factories in Spain raised their prices at the fastest rate since June 2018. Spanish factories said their backlogs of work increased for the first time in nearly two years. Despite the supply chain problems, confidence about the coming months rose among both Italian and Spanish manufacturers as they anticipated that a further loosening of pandemic-related activity restrictions could boost demand further.

On February Manufacturing PMI data, Chris Williamson, Chief Business Economist at IHS Markit said: “Manufacturing is appearing as an increasingly bright spot in the eurozone’s economy so far this year. The PMI has reached a three-year high to run at a level that has rarely been exceeded in more than two-decades of survey history – notably during the dot- com bubble, the initial rebound from the global financial crisis and in 2017-18.

“Producers are benefitting from resurgent demand for goods in both domestic and export markets, linked to post-COVID recovery hopes driving renewed stock building and investment in business equipment and machinery, as well as improved consumption. “The solid manufacturing expansion is clearly helping to offset ongoing virus-related weakness in many consumer-facing sectors, alleviating the impact of recent lockdown measures in many countries and helping to limit the overall pace of economic contraction. “The growth spurt has brought its own problems, however, with demand for inputs not yet being met by supply. Shipping delays and shortages of materials are being widely reported, and led to near record supply chain delays. Prices paid for inputs are consequently rising at the fastest rate for nearly a decade, hinting at further increases in consumer price inflation in coming months, at least until supply and demand come back into balance.”

Additionally, European manufacturers are passing higher input costs on to their customers, sending eurozone inflation to its highest level for almost a year as shortages of materials and soaring shipping costs disrupt supply chains. Efforts to cushion rising costs are driven by the sentiment that supply chain bottlenecks are unlikely to ease in the short term, according to industry and shipping executives.

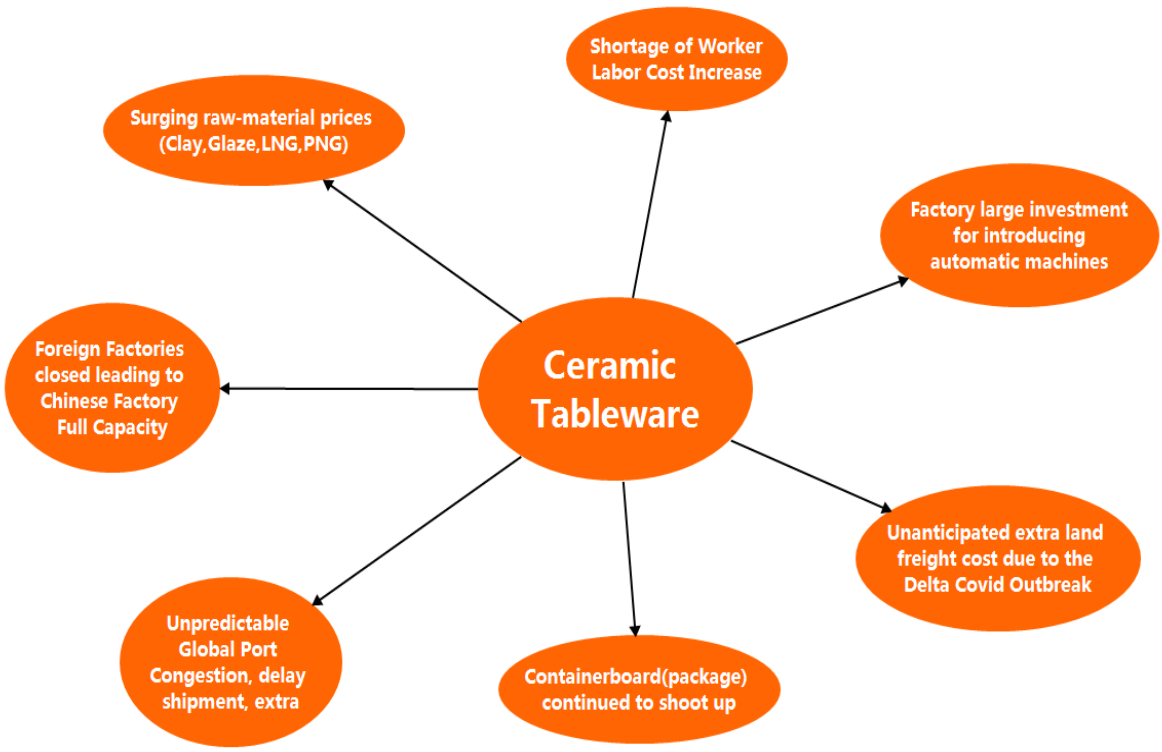
More expensive manufactured goods are in turn fuelling expectations of a further surge in inflation, which Germany’s central bank is already warning will reach its highest level since the 2008 financial crisis by the end of this year.

3.

PRICE ARE INCREASING

3.1 What Real Factors Influence Price Increase ?

The focused infulenced factors of the price increase:
1.COVID-19 pandemic ripple effect
2.Surging raw-material prices
3.A shortage of workers, causing higher cost labor cost
4.Coming winter gas shortage along with LNG cost increasing two to three times
5.Containerboard(package) continued to shoot up
6.Enigmatic USD-RMB Exchange Rate Trend
7.Unanticipated extra land freight cost due to the Delta Covid Outbreak
8.Sky-high sea freight, Unpredictable Global Port Congestion, delay shipment, extra storage cost



Metals

There is currently no stopping of commodity prices increase. Whether copper, platinum, iron ore or tin – the prices of many industrial metals are rising rapidly. The situation is similar with polymers, as well with agricultural goods such as corn or soy.

The development ensures rising production costs and consumer prices. Especially since an end to the price boom is not in sight: Experts from large US banks such as Citigroup or JP Morgan are already talking of a new "super cycle" on the commodities market, a sustained rise in prices.

Manufacturers are also facing rising energy and commodity prices, after oil prices rose to their highest levels since the early days of the coronavirus pandemic.

There are many reasons for the price sharp increase. The supply of many raw materials is relatively scarce. This has not only to do with the continuing great hunger for raw materials in the second largest economy, China, which has long drawn a considerable part of the supply. Many mine operators also cut back their production during the pandemic. This has meant that stocks have become scarce – especially since the supply in the raw materials sector is typically inflexible and cannot be expanded quickly.

At least as important for the price increase is demand. The Covid-19 pandemic also plays a key role here. It is generally expected that the economic downturn, which is sluggish in many places, will pick up as the vaccination progresses and fewer restrictions. The demand for raw materials should also benefit from this, which is already being reflected in rising prices.

Source: London Metal Exchange

Except Copper price increases, lithium cost is continued to rise.

China's lithium supply chain is about to enter a turning point as the nation strives to reduce its reliance on foreign suppliers such as Australia, the largest overseas source, while building a greener and more secure domestic supply chain.

A source with a large mineral supplier told the Global Times on Sunday that reducing reliance on imports is a major target this year, given tightened supplies, a complex trade situation and rising demand for the raw material.

Chinese domestic companies have been seeking to reduce dependence on imports because the concentration of sources put them in a weak position on pricing.
Driven by tight supplies, the price of imported lithium concentrate was $420 per ton at the end of December 2020, but it has since risen to $735.
Data from the Shanghai Metals Market shows that the average price of 6 percent grade spodumene concentrate was $720 per ton at the end of June, up 72.5 percent year-on-year.

SOURCE / ECONOMY

China's heavy reliance on lithium from Australia may ease with rising domestic supplies

By GT staff reporters
Published: Jul 18, 2021 10:05 PM

A worker at a lithium battery factory is seen on Monday in Huzhou, East China's Zhejiang Province. The company will reward workers who stay in the city during the upcoming Chinese New Year, in response to China's call to reduce travel to contain COVID-19. Photo: cnsphoto

Shipping costs

Why freight rates are high right now?

The COVID-19 pandemic

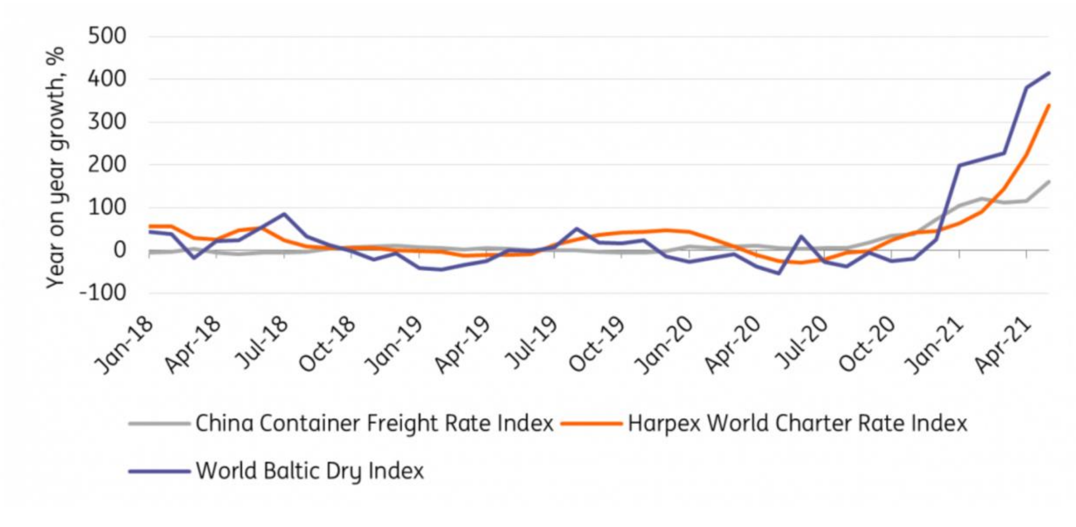
The shipping industry has been one of the worst-hit sectors by the Covid-19 pandemic. Firstly, all the major oil-producing nations have cut down production drastically due to the pandemic, which has created a demand-supply imbalance resulting in pricing pressures. While crude oil prices were hovering around US$ 35 per barrel until recently, they are currently, more than US$ 55 per barrel.

Secondly, surging demand for goods and shortage of empty containers is another reason for distribution going haywire which has in turn caused freight rates to rise so significantly. With the pandemic bringing production to a halt in the first half of 2020, companies had to step up manufacturing to meet the sky-high demands. Also with the pandemic-related restrictions disrupting the aviation industry, there was enormous pressure built up on ocean shipping for the delivery of goods. This in turn had a knock-on effect on the turnaround time of containers.

Continued global imbalances push prices up further

Problems that had built up from the beginning of the pandemic have included imbalances in the production and demand for goods, with countries locking down and opening up at different times, as well as shipping companies cutting the capacity on major routes and shortages of empty containers. As the recovery has progressed, global demand has recovered strongly, especially in the sectors which are most closely linked to international trade in goods. Competition for ocean freight capacity has intensified as economies open up further and inventories are rebuilt across the several links of supply chains.

Global shipping costs



China Ministry of Transport, Harper Petersen & Co. and Baltic Exchange via Macrobond, ING - Year on year growth in freight rate indices, 2018 - May 2021

Few alternatives to ocean freight

A lack of alternatives to ocean freight means it’s hard to avoid surging transport costs at the moment. For higher value products, alternative modes of transportation would normally be an option, such as the shipment of electronic devices by air or via train, not least through the 'Silk Road'. But capacity is currently limited, and tariffs have spiked as well. Shippers of lower value products such as household items, toys, promotional articles or t-shirts have seen freight costs increase from around 5% of their sourcing costs to more than 20%.
The difficulty of absorbing increases on this scale in margins means that consumers may

start to feel the impacts through price increases, or changes in product availability.

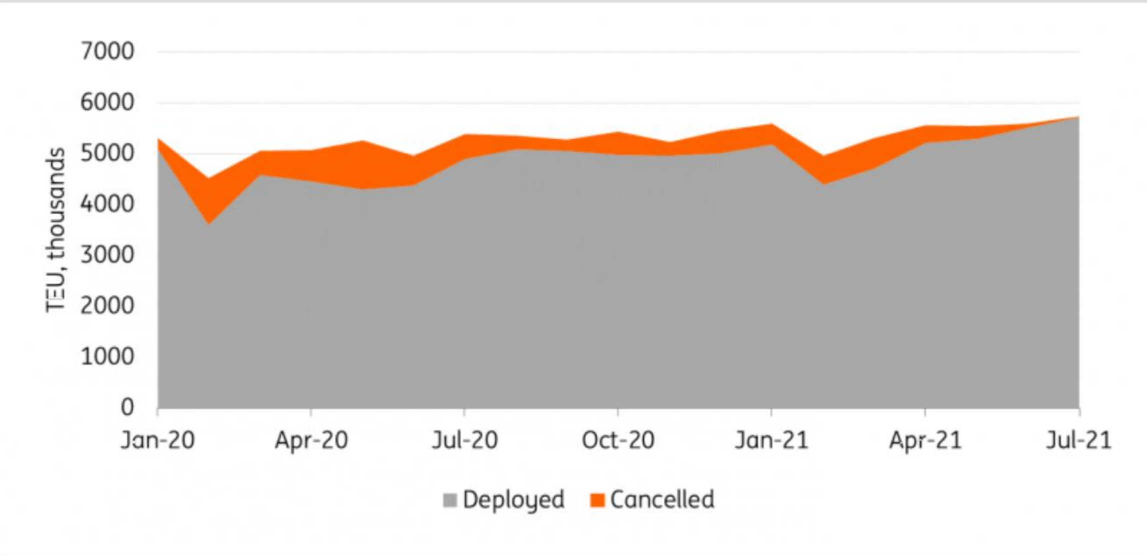
An unbalanced recovery throughout 2021

Some countries are already exporting more goods than they did before the pandemic, while in others, including the US, exports continue to lag behind the overall recovery in output. Trade in goods will rise further while not only the major trading countries, but also their trade partners, continue recovering. With the competition for ocean freight capacity set to remain, the unbalanced recovery will continue to exacerbate some of the problems for world trade, including displaced empty containers. It all adds up to more pressure on freight rates in the near term.

Reduced blank sailings will help ease capacity constraints

Globally, capacity on major shipping routes has recovered to levels before the major lockdowns in 2020, although blank sailings (cancelled port calls) continued to cut 10% of scheduled capacity through the first quarter. There are signs of improvement this quarter, which on current plans will average at 4%. But cancellations have partly been a response to delays, so while the system remains congested, shipping capacity may continue to be taken out of the system at short notice.

Deployed and cancelled shipping capacity



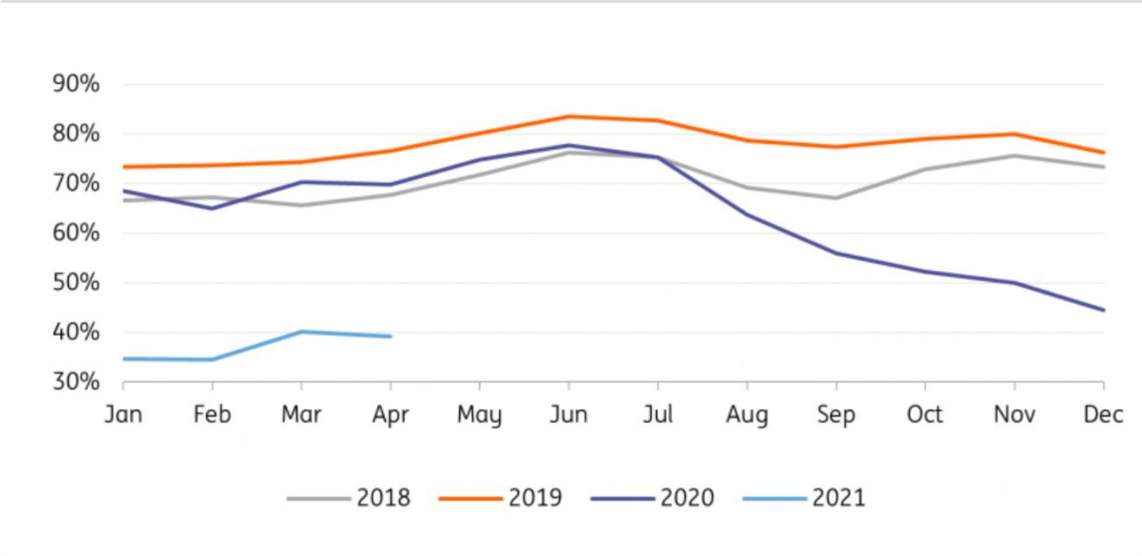
Source: eeSea, ING

Total capacity on routes between Europe, North America and Asia

Port congestion and closures keep creating delays

As the link between cancelled sailings and delays suggests, congestion is part of the problem. Shipping performance in 2021 has carried on where 2020 left off, in terms of lower rates of vessels keeping to schedule, and average delays for late vessels rising. There are some signs that average performance will start to improve as the share of vessels reaching their destinations on time stopped sliding in April, and average delays improved. But overall performance remains the lowest it has been in ten years of records.

Share of vessels arriving on time

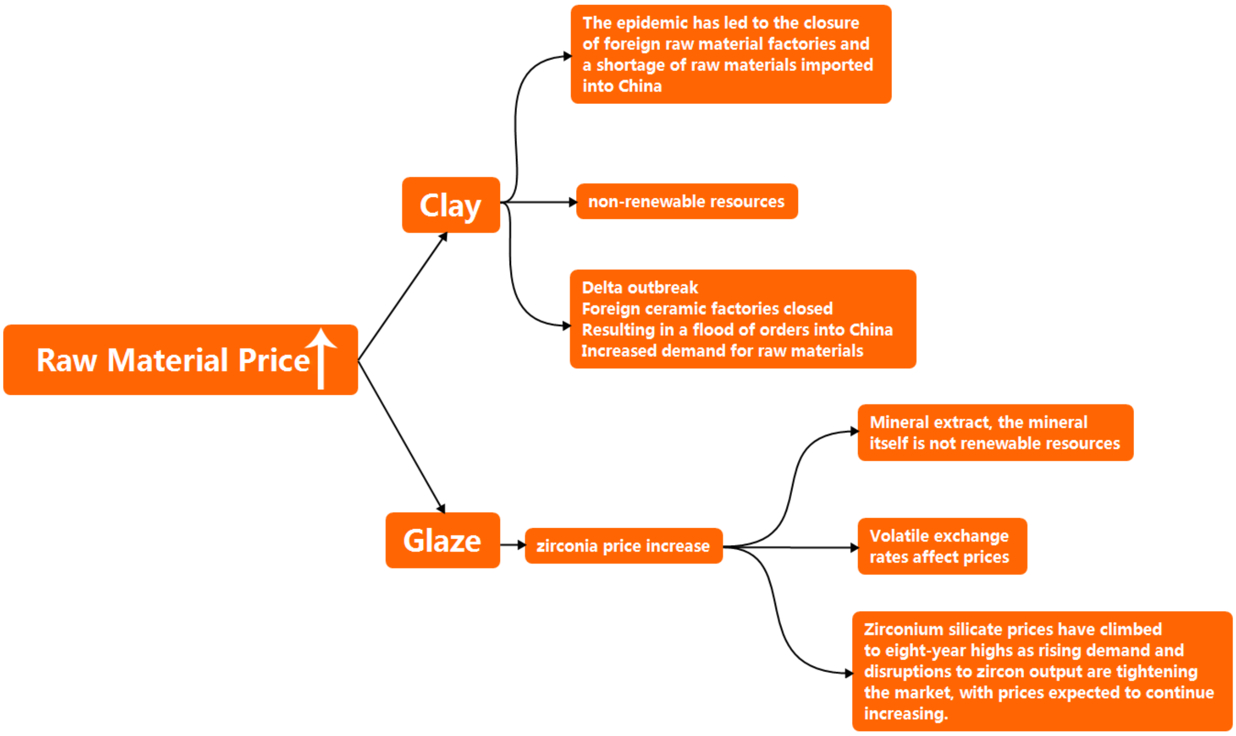


Source: Sea-Intelligence, ING

Shipment Imports from China

Apart from the above reasons, another major reason behind these surged prices is the tremendous demand for containers in China. China being the largest manufacturer in the world there is a huge dependence of western countries such as the US and Europe on China for various goods. Therefore countries are willing to shed double or triple the price to procure goods from China. So while container availability has anyway shrunk drastically through the pandemic there is a huge demand for containers in China and the freight rates too are substantially high there. This has also contributed significantly to the price hike.

Raw Material Cost



Clay, Feldspar, Quatz, Kaolin price increase

Ceramic main materials are clay, feldspar, quartz, kaolin, as they are from the mining, belongs to non-renewable resources, the price is increasing year by year.

Imerys Announces Price Increase for Ball Clay and Kaolin Products

ROSWELL, Ga.--(BUSINESS WIRE)--Imerys North America Ceramics (Paris:NK) announces a price increase for its air floated kaolin and ball clay products. The increase is effective January 1, 2018, and is subject to provisions in individual contracts. Prices will increase an average of 8 percent for kaolin and 4 percent for ball clay products. Actual increases will depend on product grade and packaging type.

The price increase supports continual investments and rising costs in mining, manufacturing, maintenance, quality systems, and environmental compliance and sustainability. Customers purchasing products on a delivered basis will see an additional adjustment due to highly volatile and increasing ocean, truck, and rail freight rates. Imerys continues to work with its logistics partners to minimize this impact.

Imerys Ceramics is a world leading supplier of industrial mineral solutions and full prepared bodies for all ceramic applications. Our portfolio includes: ball clay, kaolin, talc, feldspar, quartz, chamotte, halloysite, mica, and pegmatite. Imerys Ceramics has over 50 production sites in 24 countries, supported by a global network of technical sales staff, agents and distributors.

zirconia

Zirconium prices extend rally as market tightens

Zirconia as the import materials of pigment to glaze, prices have climbed to eight-year highs as rising demand and disruptions to zircon output are tightening the market, with prices expected to continue increasing.

Zirconium prices extend rally as market tightens

Published date: 24 June 2021

Share:

Zirconium silicate prices have climbed to eight-year highs as rising demand and disruptions to zircon output are tightening the market, with prices expected to continue increasing.

The price range for 65pc-grade zirconium silicate was assessed this week at 15,000-15,500 yuan/t ($2,318-2,395/t) on an ex-works China basis, up from Yn14,500-15,000/t in the previous assessment on 15 June and its highest level since December 2012. Prices have climbed in five of the past seven weeks.

The market for 65pc-grade zircon sand produced in Hainan, China, has been climbing steadily since March. It was last assessed at Yn11,500-12,000/t on 22 June, from Yn10,900-11,500/t on 15 June and Yn8,800-9,300/t in mid-March.

The rapid return of Chinese tile manufacturers — the largest consumers of zirconium silicate — shortly after the Chinese lunar new year holiday and the recovery of other markets following the Covid-19 outbreak have contributed to a strong uptick in demand this year.

LNG

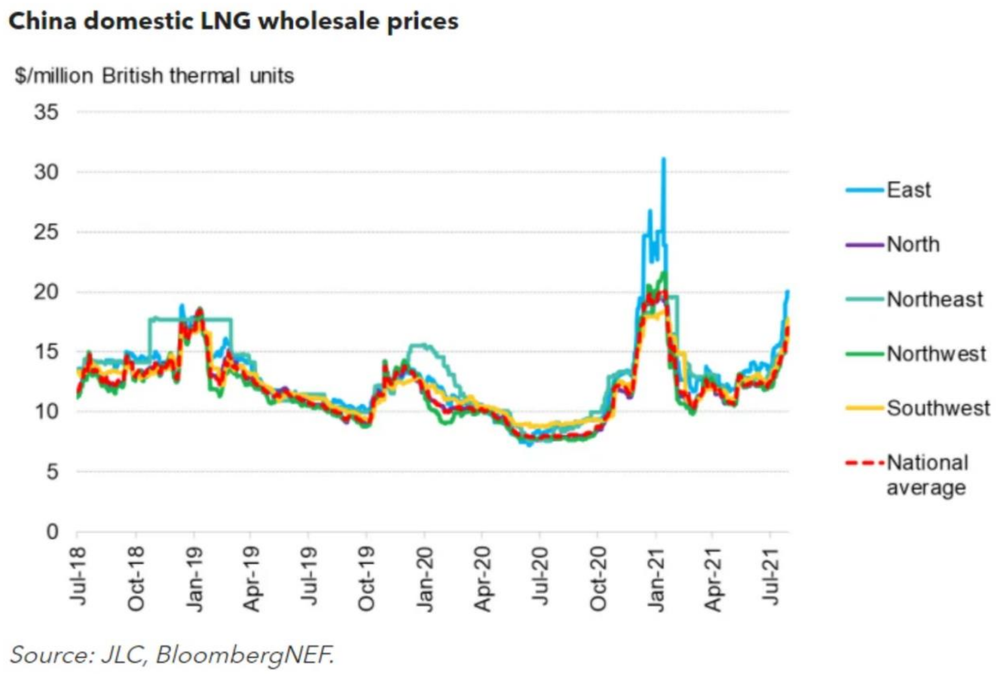
LNG as the clean fuels, is the important part for production, Chinese government has required all the factories changed coal-to-gas for indutrial production. But the biggest application of LNG is to replace coal in over 7 million homes.

China’ s domestic liquefied natural gas prices surged last month. Low LNG inventory levels at key import terminals and strong gas demand may have caused local prices to rise across the country.

The national average domestic LNG wholesale price surpassed $17 per million British thermal units at the end of July, more than doubling from last year’ s July level. Such high prices were experienced in late-January when cold waves hit China. This unusual spike in the summer may be caused by lower LNG storage levels, drained by recent strong gas consumption.

Northern LNG import terminals in Tianjin and Tangshan restricted trucked-out volume to neighboring provinces, such as Shandong in the east. The province saw local LNG prices reach 6,000 yuan/ton last month, or $20/MMBtu. In June, the province only received 8,000 tons of LNG from Tianjin — 10% of last year’ s level.

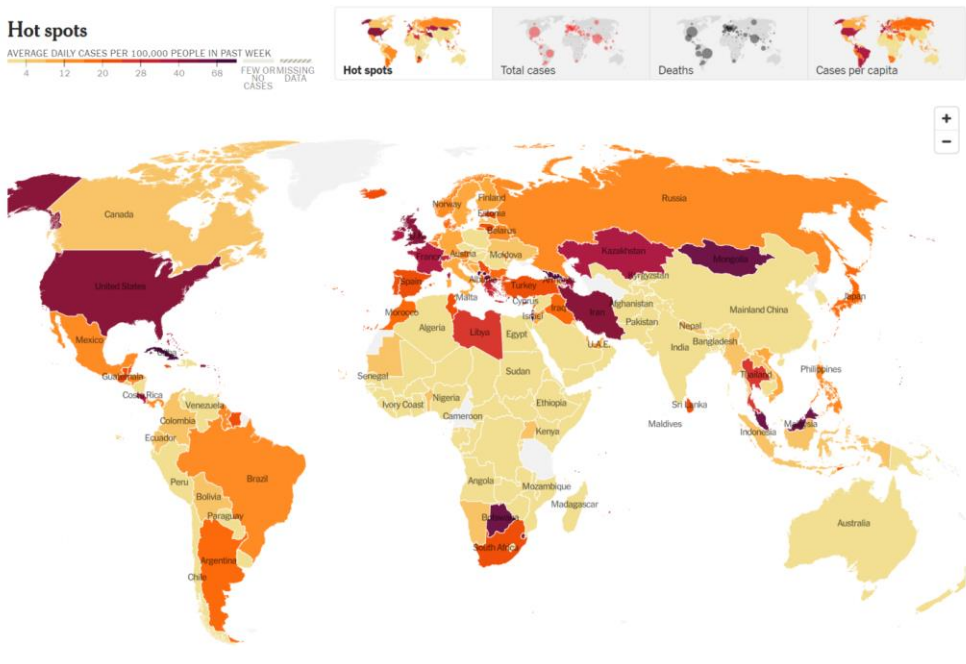
The limited supply of LNG has boosted prices for domestically produced LNG across China. Such high prices may suppress LNG demand, particularly in the transport sector.



LNG Price forecast in Winter, Increase two to three times amid Gas Shortage
After entering winter, LNG producers rush to divert fuel to heat northern homes with temperatures plummeting and factories across the country losing supplies of the fuel, causing the natural gas shortage along with gas cost increasing two to three times.
In addition, the cost of production materials and labor increases, and the superimposed power limit affects the need for staggered peak production, which makes the fulfillment of orders difficult.

Labor Cost

Labor Shortages and Increasing Labor Costs Post-COVID-19
On May 19, 2021, the National Bureau of Statistics released wage data for 2020, showing that wages in China increased despite the COVID-19 pandemic and its associated economic impacts. Although many owners want to pay for high salary for workers, also met the labor shortage phenomenon, which led to the many factories cannot find enough workers post-COVID. Another reason is that workers switching sectors during the pandemic. Some workers opted to change jobs during the pandemic so that they could continue to earn a living.



Automatic machines investment cause the product price rises

China’s factories automate as worker shortage looms

Young people today aren’t willing to work on factory floors, said Shirley Zhou, IT director at Midea, a home appliance giant based in southern China. The same question also appeared in ceramic manufacturers.
Per official figures, the country’s working age population has shrunk by more than 5 million people in the last decade as births have dropped – despite a rollback of the controversial one-child policy. And for the factories that have driven much of modern China’s growth, workers are already in short supply, pushing wages up. That’s forcing companies to relocate or increase automation, especially as the labor shortage looks like it will only get worse.

Factories in China are turning to technology to tackle a pending labor shortage.
WWS is also acutely aware of this problem, we have invested large amount for establishing new state-of-the-art automatical kilns to reduce the larbor workers, the kilns has officially began to produce, and officially completed the production of the first batch of ceramic products.

In order to meet the needs of modern production, this production line uses more advanced automated equipment to complete product production, which saves labor costs and improves production efficiency, so that product production can achieve high efficiency.

PNG Project

China’s recent love affair with natural gas is taking a new twist, following last year’s creation of a national pipeline network.The factory in Linyi City is replacing its natural gas pipeline, which not only improves combustion efficiency but also reduces environmental pollution. To further improve the level of winter cleanliness, reduce air pollutant emissions and effectively safeguard and improve environmental issues, China is hoping to sharply boost its use of the cleaner-burning fuel as part of its ongoing campaign to clean up the nation’s air.

Our factory has made significant efforts to transform natural gas. Actively following up on the government’s proposed “Shandong Pipeline Network South Trunk Gas Pipeline Project ‘’ For us, One of the main priorities is the renovation of natural gas pipelines. Although the factory has borne significant investment costs, the environmental facilities have been successfully put into operation, laying the foundation for the next positive step in the development of the set factory.

WWS Got the Project Gigaton Certification From Walmart

WWS insist on sustainable development, we have been in the business value chain in China to reduce greenhouse gases. As a responsible enterprise, we are serious about environmental protection, and got Project Gigaton certification which is created by Walmart aim to avoid one billion metric tons of greenhouse gases from the global value chain by 2030!

4.
PRICE FORECAST FOR 2022

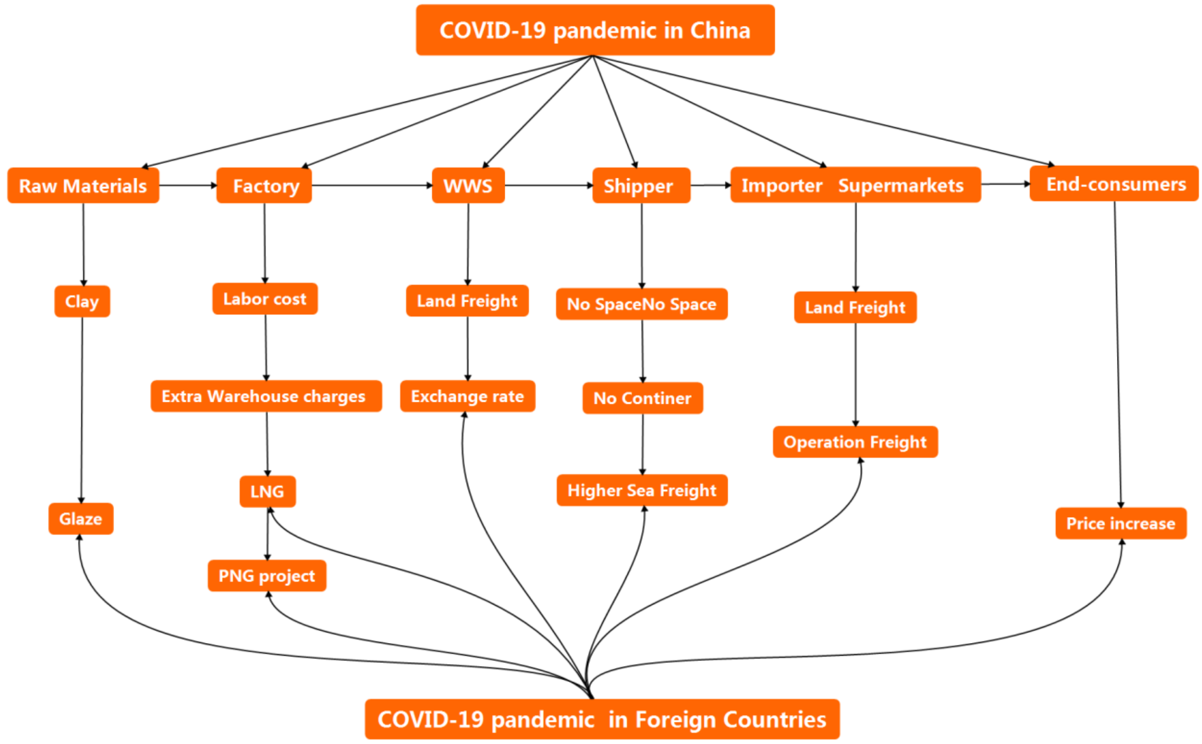
Experts can imagine that the price boom will continue for a long time. Analysts around the raw materials specialist Max Layton from the large US bank Citigroup are already talking about a new "super cycle".

Even now there are reasons that speak for further increases in raw material prices. This includes the immense demand from emerging countries such as India or the conversion of the economy to green technologies that many industrialized countries are aiming for, which also requires a lot of raw materials.

The price will increase over 10%, there is a increase trend to reach 20%...

Pressure on maritime supply chains should ease "when people have more options to spend on services" because coronavirus-related restrictions have been lifted, Mr Butler said —
but "when that happens is anyone's guess".

We hope that the price of sea freight will come down to offset part of the increase in the price of raw materials.



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