

## **China Freight and Logistics Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)**

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### **Report description:**

The China Freight and Logistics Market are anticipated to register a CAGR of over 6% during the forecast period. The market is driven by large investments pouring into the market from global players towards the creation of logistics channels. Furthermore, the market is driven by large volumes of export and import throughout the country.

#### Key Highlights

Freight forwarders and third-party logistics (3PL) providers have been looking for ways to fulfil what appears to be an insatiable demand for their services. Many businesses have attempted to secure long-term capacity, expand their digital capabilities, and move toward omnichannel integration. When compared to the previous year, the value of M&A activity, IPOs, and start-up deals in China increased by more than USD 7 billion in 2021. The distinction between freight forwarders and contract logistics providers is becoming increasingly thin. Global corporations have also been looking to make larger investments in the region. In December 2021, the Danish shipping company Maersk acquired LF Logistics, a Hong Kong-based contract logistics company, to strengthen its omnichannel fulfilment capabilities in the Asia-Pacific region.

The express market, once a bright spot in the Chinese logistics landscape, has fared poorly during the pandemic. While the express market has continued to grow at a breakneck pace, increasing by 30% per year since the pandemic began, intense price competition has caused the average revenue per item delivered via express channels to fall by 12 to 27% in 2021. It now costs USD 1.40 on average to send a parcel, which is significantly less than the USD 9 average delivery cost in the United States. While regulators have stepped in to provide a reprieve by instituting price floors, we anticipate further consolidation shortly.

Despite the spot market collapse, the major shipping lines reported nearly USD 122 billion in profits from Q1 to Q3 2022.

According to trade data, Asia imports to the United States fell 11% year on year in October 2022, following a drop in September 2022. Sand anticipates that the challenging environment will persist, owing to a 40% drop in Chinese manufacturing orders, and logistics managers anticipate that demand will not normalise until next summer. The transition from a supply chain that struggled

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to keep up with unprecedented pandemic demand to a weak demand environment and a freight market that is now oversupplied with both ships and containers highlights the risk of a prolonged global economic downturn. Furthermore, central banks worldwide are raising interest rates to combat inflation.

Complex transportation and logistics structures have been put in place to supply factories with components and assemblies on time. International OEMs have established a high degree of globalisation in terms of production, primarily driven by the need to diversify geographically, either through expansion or partnerships, to avoid manufacturing crises. Market drivers include rising purchasing power and consumer demand. Manufacturing is primarily concentrated in six regions in Western China: Shanghai, Guangzhou, Changchun, and Beijing on the coast, inland Wuhan, Chengdu, and the capital of Sichuan. Many German and American manufacturers are expanding their manufacturing networks in China, particularly in the western and southern regions. The delivery distances between component supplier plants have significantly increased (up to 2000 km).

## China Freight & Logistics Market Trends

### Increase in air freight driving the market

According to a 07 Dec 2022 update from Xeneta's Clive Data Services, air cargo rates fell for the third consecutive month in November 2022 as demand slowed and shippers flocked to an improved ocean landscape. According to Freightos, rates on the China-North America trade lane fell more than 40% year on year in November 2022. According to Clive Data Services, spot rates on the general TransPacific lane were down 32% yearly but still higher than pre-pandemic levels. Despite hopes for a late peak season boost, Clive reports that demand fell 2% in November 2022 compared to October 2022, with volumes falling for the ninth consecutive month.

As air cargo rates and volumes continued to fall, some retailers saw financial and operational benefits in Q3 2022. GAP, for example, reported higher operating margins during the quarter as lower air freight rates returned to normal. Lululemon Athletica saw increased product margins in Q3 2022, owing to lower air freight costs, and expects gross margins to improve further YoY in Q4 2022. Victoria's Secret is one of the retailers shifting away from air freight and toward ocean transport to help reduce supply chain costs, which increased by approximately USD 300 million last holiday season. Looking ahead, shippers are expected to continue to benefit from lower air and ocean rates, potentially lowering shipping costs in 2023.

Despite some encouraging signs in Asia, sentiment and the most recent export volume data are dampening expectations, and the demand outlook is deteriorating. For example, the Airport Authority Hong Kong (AAHK) reported that cargo throughput at Hong Kong International Airport (HKIA) would fall 25% year on year in September 2022. Cargo traffic to and from key trading regions in North America and Europe decreased the most. In its latest Q4 2022 results, the DHL Hong Kong Air Trade Leading Index (DTI) also reported declining sentiment. It concluded that as the traditional peak season approaches, the overall trade index has retreated after recovering from the previous quarter. Air traders expressed concerns about 'weak consumer demand,' 'high logistics costs,' and 'inflation.'

### Increase in cross-border trade propelling the market

Despite the COVID-19 outbreak, China's cross-border e-commerce has gained traction, opening up new market opportunities and driving domestic consumption growth. Cross-border e-commerce penetration has also increased, with the rate expected to reach 40% by 2021. China began establishing cross-border e-commerce pilot zones in Hangzhou, Zhejiang province, as early as 2015 to test the new business model and digitalize its trade channels.

The country announced its sixth batch of 27 cross-border e-commerce pilot zones in February 2022, bringing the total to 132. According to the Ministry of Commerce, China's cross-border e-commerce has achieved coordinated development across different

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regions. Almost all provincial-level regions in China have been covered by the pilot zones, from the coastal manufacturing hub of Guangdong to the inland port city of Alashankou in Northwest China's Xinjiang Uygur autonomous region.

China and Rwanda have signed an agreement on e-commerce cooperation, allowing high-quality Rwandan products such as coffee, chilli sauce, and tea to enter China via various e-commerce platforms. According to Yao Guimei, a professor of African studies at the Chinese Academy of Social Sciences, the digital economy is critical to Africa's post-pandemic recovery. China is assisting African countries like Rwanda in embracing digital opportunities. Kilimall, an East African e-commerce platform with nearly 1,000 vendors, has created approximately 10,000 jobs for locals, according to Lu Xiaoyong, the company's marketing manager.

## China Freight & Logistics Market Competitor Analysis

The China Freight and Logistics Market are highly competitive and quite fragmented, with many players in the market. The participants in the market include foreign-owned companies, in-house logistics operations and Chinese-owned transport companies. Some of the existing major players in the market include - DB Schenker, UPS, Deutsche Post DHL, FedEx Corp., Yusen (NYK) Logistics, XPO Logistics, China Ocean, Shipping (Group) Company (COSCO), and many more. The diversity in services and capability to cater to such a huge population has made the job easier for global companies partnering with local and regional companies to enter the market.

Additional Benefits:

The market estimate (ME) sheet in Excel format  
3 months of analyst support

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