

Chinese Carriers Benefit From Subsidies Amid Declining Profits

By **FullAvanteNews S.S**Last updated **Jul 19, 2023**

Chinese shipping companies have continued to receive substantial government subsidies, providing a lifeline as carrier earnings decline. Zhonggu Logistics, a prominent domestic carrier, recently obtained government subsidies totaling RMB 279 million (USD 38.5 million) in the four-month period beginning March 1. These subsidies are part of various government programs aimed at supporting port and shipping activities in China.

For Zhonggu Logistics, the grants amount to approximately 10% of the company's exceptional 2022 net profits, which reached a record level of USD 388 million. In lean years, these subsidies have been known to account for the entire profits of Chinese shipping lines, underscoring their significance for the industry.

COSCO Shipping, China's largest state carrier, has also witnessed an increase in subsidies. In 2022, COSCO's subsidies rose to RMB 1,299 million, compared to RMB 799 million in 2021, despite a 28% increase in net profits. Over the span of eight years from 2010 to 2018, COSCO had received more than USD 1.3 billion in subsidies from the Chinese government, with roughly half of that amount linked to vessel demolitions.

However, COSCO Shipping's half-year financial report reveals a substantial decline in profits. In a preliminary announcement, the company stated that its net profits for the first six months of 2023 would amount to just RMB 19.6 billion (USD 2.7 billion), a significant drop of 74% or nearly USD 8 billion compared to the same period in 2022. Operating profits (EBIT) also experienced a similar decline, expected to reach RMB 24.7 billion (USD 3.4 billion).

Despite these challenging figures, there is a glimmer of hope for carriers as the second quarter shows signs of improvement. COSCO Shipping recorded higher profits in April to June than in the preceding three months. According to predictions, the Shanghai-listed carrier achieved an EBIT of RMB 14.2 billion in Q2, compared to RMB 10.5 billion in Q1. Additionally, Q2 net profits reached RMB 11.3 billion, surpassing the Q1 figure of RMB 8.4 billion.

COSCO Shipping attributed the overall decline in profits to a nearly 70% decrease in the China Container Freight Index (CCFI) throughout the year. Despite the challenging environment, the company remains determined to move forward with greater resilience in its operations. COSCO will focus on initiatives such as low-carbon and digital transformation, as well as enhancing supply chain integration.

While Chinese carriers face ongoing challenges, the continued government subsidies aim to support their operations during a period of falling profits. These subsidies play a vital role in sustaining the domestic shipping industry and positioning it for future growth and resilience.



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