

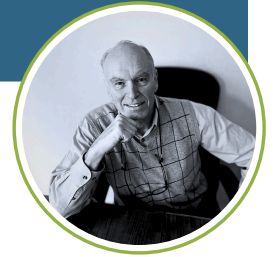


CPG QUARTERLY NEWSLETTER

Editor: Jesse Alterman
Operations & Insights

A WORD FROM OUR CEO

By Michael De Clercq
CPG CEO



AI NEEDS PEOPLE: WHY VERIFIED DATA STILL WINS

By Laura Dow
Business Director

By attending supply chain events and speaking with leaders across industries, we've seen a clear shift in how companies view AI. At Gartner in 2022, it was hailed as the "miracle solution" to every challenge. By ASCS in May, the tone had changed: AI is only as good as the data behind it, and GIGO is now a serious concern. Executives are focused on verifying supply chain data—supplier information, audit results, etc.—in real-world conditions.

For us, that's encouraging. CPG provides the people and processes on the ground in China to ensure AI-driven insights are built on accurate, validated data. With our support, companies can trust their AI outputs and turn algorithms into confident actions.

Will tariffs matter? That is the big question many have been asking during the last quarter. The real tariff rate for goods into the USA has more than tripled, but rates have been settled with many countries; the De Minimis rule has been completely eliminated; the current China status quo has been extended by 90 days; and \$130Bn of new tariffs have been collected so far this year (through July). And yet, based on the stock exchange and the economic outlook, it appears none of this has had an impact.

This is strange, because we know that "Americans will pay a big chunk of the tariff bill, either directly via higher consumer prices or indirectly via less business investment in productivity growth to increase wages." (Wall Street Journal). We certainly know importers pay for tariffs. Ford posted an \$800 million tariff hit—the first loss they have posted since 2023.

The fact is that tariffs do matter. Not just because they raise costs, but also because of the uncertainty. Not only are tariff rates unpredictable because of the vagaries of executive orders (India and Brazil at 50%?), but also because they may be illegal. We must be mindful of the latency effect.

What is predictable is that this uncertainty will continue. And business executives will continue to struggle with strategies and solutions. How to secure the supply chain? Resilience vs. agility is the subject of one of our upcoming podcasts.

China manufacturing trends: In the meantime, China sourcing is still the solution, as Chris points out below. China's manufacturing exports have surpassed the combined total of the US, Germany, and Japan during the last quarter. One reason is "involution." This is a word we do not use much, but in China it describes relentless and meaningless competition—as in when you keep lowering your prices and losing money to try and gain market share, but then you don't, and you end up going bankrupt instead. It is a phenomenon typical to China and has been there for decades. It is why you can buy a brand-new electric car there for as little as \$8,000.

What is rapidly changing and bears watching closely is AI. This is a force that already affects the management of the supply chain and will become a major factor very soon. But, as Laura explains, good AI depends on good data. We don't want our supply chain to hallucinate. And how do you get good, reliable data in the first segment of the supply chain? Especially in China, where data is not easily accessible? The answer is people. Qualified, professional, well-trained people on the ground in China who know how to obtain and verify the necessary data.

Who benefits? The importers, and the consumers. We hope you will too.

DID YOU KNOW?

Summer Heat Can Affect Product Quality

Did you know high summer humidity in factory regions like Zhejiang and Guangdong can warp wood, damage electronics, and smudge packaging—if your supplier doesn't use proper climate-controlled storage.



THE ANSWER IS STILL...CHINA

By Chris Volz
Client Success Manager

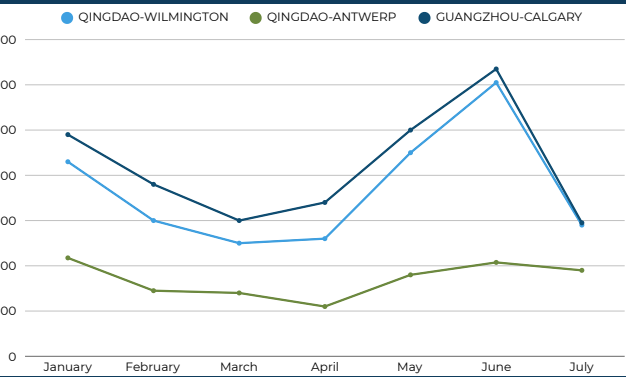
Despite high tariffs and continued uncertainty, China remains the cornerstone of global sourcing and importing due to its unmatched manufacturing infrastructure, scale, and supply chain efficiency. No other country offers such a vast ecosystem of specialized suppliers, skilled labor, and cost-effective production. Even with a 55% tariff, many products sourced from China still undercut alternatives in price and quality.

This is partially due to the fact that alternatives to China, countries like Vietnam and India, are also subject to high tariffs, thus keeping China prices competitive.

Moreover, China continues to offer an environment difficult to beat. China's logistical networks and export expertise minimize lead times and disruptions. For businesses prioritizing reliability, scalability, and innovation, China continues to deliver a competitive advantage that outweighs the challenges—making it the enduring answer to global sourcing.

UPCOMING CHINA TRADE SHOWS

- September 2-4: [CHIC International Clothing Supply Chain Expo](#)
- September 9-12: [The 56th China International Furniture Fair \(Shanghai\)](#)
- September 15-17: [Jewelry & Gem World Hong Kong](#)
- September 15-17: [Beijing International Medical Equipment Exhibition 2025](#)
- September 17-19: [GUANGZHOU INTERNATIONAL HARDWARE EXHIBITION](#)
- September 17-19: [LED CHINA 2025 Shanghai](#)



SEA FREIGHT TREND

North America:

Market confidence remains shaky, leading to suspended routes and reduced capacity. New U.S. tariffs on Chinese graphite and global copper imports are expected to slow shipment volumes, putting downward pressure on rates. Expect a brief rate increase in August, followed by a likely decline due to low cargo volume.

Europe:

Capacity remains stable, but carriers are pushing price hikes. Maersk and others will implement Peak Season Surcharges, with rates expected to rise by \$100-\$150 per TEU in early August.

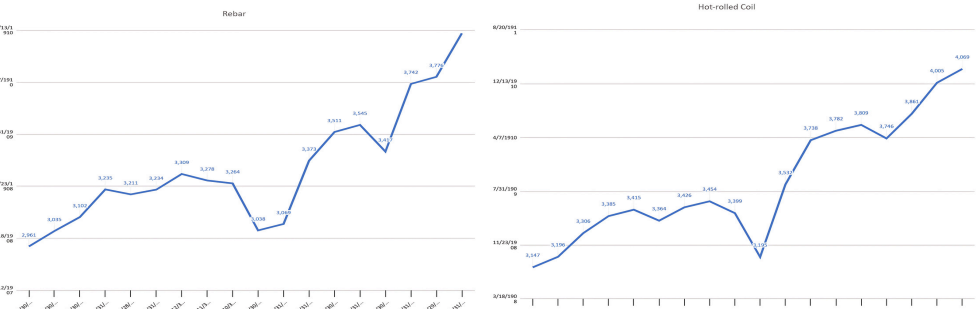
REBAR & HOT-ROLLED COIL TRENDS

By Jane Xiong
Sourcing Associate
Rebar:

In the first half of 2025, the price of rebar fluctuated downward. In the second half of the year, it may show a trend of low-level volatility and periodic rebound, with the overall price center lower than that in the first half. The influencing factors cover policies, demand, supply, and other aspects.

Hot-Rolled Coil:

In the first half of 2025, hot-rolled coil prices trended lower due to high supply, weak demand, and falling costs. In the second half of the year, prices are expected to stay low as supply continues to increase and demand shows only slight improvement. Investors should closely monitor the strength of crude steel production restrictions, changes in export tariffs, and how demand plays out during the peak season. These factors may create short-term opportunities for rebounds, but risks remain if supply and demand become further unbalanced.



EMPLOYEE SPOTLIGHT: SEN ZHANG

Position:

Sourcing Specialist

How long have you been at CPG?

10 months

What do you do in your role?

I am in charge of the management and execution of clients' projects within China, ensuring seamless implementation and exceptional results.

What do you love most about your job?

Identifying optimal suppliers for clients and promoting deeper cooperation, according to the market situation and the client's specific needs. It is an honor to assist clients in identifying high-quality suppliers while also gaining new product knowledge through communication with these suppliers.

What are some notable achievements during your time at CPG?

1) Assisted the client in negotiating an advance payment arrangement and successfully persuaded the supplier to provide more favorable payment terms.

2) In response to the client's urgent request, we initiated negotiations with the supplier, which successfully shortened the delivery timeline and ensured prompt delivery of the goods.

