WELLS FARGO

Commercial Banking

State of the Supply Chain
Global Seafood Market Conference

January 2026

Overall status of the supply chain

Wells Fargo Pressure Gauge tells us that overall, the physical supply chain is healthy

- Supply chain disruptions have stabilized, with unfilled orders remaining flat compared to the significant spikes seen during COVID-19.
- Shipping costs are currently at a favorable level, with sea container rates around $2,200 per unit, we have been in a relatively steady state for 3+ years.
- Retail inventory-to-sales ratios are steady near 1.4, supported by both hard data and softer survey results, suggesting balanced inventory management.
- Real goods consumption continues to exceed 2020 levels, and jobs in manufacturing, loading, and stocking remain plentiful, though some positions are harder to fill.
- The ISM Manufacturing Index shows supplier deliveries for goods and services are balanced, indicating neither significant delays nor excess supply.

Pressure Gauge

Indicator	Jan-21	Oct	Jan-22	Oct	Jan-23	Oct	Jan-24	Oct	Jan-25	Oct-25
Volume										
Unfilled Orders (a)	13.8%	13.5%	8.9%	1.1%	0.7%	-1.4%	-2.9%	4.4%	0.5%	0.2%
Cass Freight Index (a)	-21.7%	4.1%	-32.4%	-2.6%	-28.9%	-4.9%	-22.7%	-10.0%	1.7%	-1.2%
Taiwan Elect. Product Exports (a)	10.2%	-2.4%	41.6%	-1.3%	-68.0%	.8%	-43.4%	111.6%	-49.2%	4.9%
Real Goods Consumption (b)	11.8%	15.6%	15.5%	14.4%	16.2%	16.7%	16.9%	20.4%	14.4%	15.7%
Time										
ISM Manuf. Supplier Deliveries	68.2	75.6	64.6	46.8	45.6	47.7	49.1	52.0	50.9	54.2
ISM Serv. Supplier Deliveries	57.8	75.7	65.7	56.2	50.0	47.5	52.4	56.4	53.0	50.8
Price										
World Container Index (WCI)	$5,263	$9,891	$9,518	$3,425	$2,098	$1,366	$3,371	$3,272	$3,711	$2,213
PPI Transp. & Ware. of Goods (a)	10.7%	16.4%	21.0%	-9.7%	-6.0%	8.2%	-3.8%	-6.0%	5.5%	0.3%
Dry Van Rate Per Mile (a)	8.9%	37.1%	46.5%	-20.2%	-20.7%	-32.0%	90.7%	-21.7%	23.5%	10.2%
Inventory										
Retail Inventory-to-Sales Ratio	1.22	1.12	1.19	1.25	1.24	1.28	1.30	1.32	1.29	1.28
ISM Manuf. Cons. Inventories	33.1	31.7	33.0	41.6	47.4	48.6	43.7	46.8	46.7	45.3
Inventory Too Low (d)	5.3%	9.0%	7.0%	0.0%	-1.0%	-3.0%	-4.0%	-2.0%	2.0%	2.0%
Labor										
Production & Manuf. Posts (b)	26.3%	92.4%	102.9%	87.1%	82.3%	48.7%	43.5%	8.7%	11.1%	10.3%
Loading & Stocking Posts (b)	26.3%	92.4%	92.9%	77.8%	58.6%	35.0%	19.3%	5.4%	4.5%	11.6%
Jobs Hard to Fill (d)	32.7%	49.0%	47.0%	46.0%	45.0%	43.0%	39.0%	35.0%	37.0%	32.0%

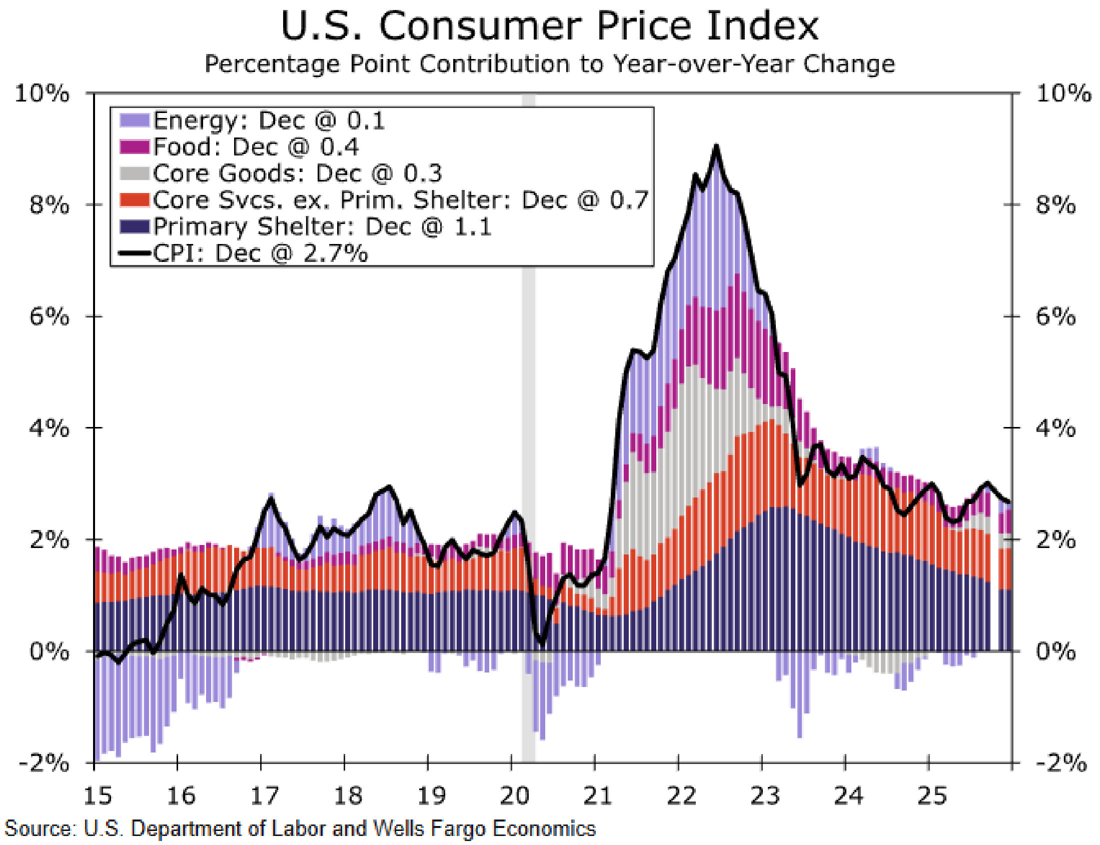
Source: DAT, Drewy, US Census, Institute of Supply Management, Wells Fargo Economics

The consumer, inflation, etc.

Consumer price inflation has continued to trend down steadily despite current average tariff rates of ~12%

- Consumer price inflation (CPI) remains steady at 2.6% year-over-year, with food inflation finishing the year at 3.1% and energy and commodity prices are down (3%).
- Expect inflation to work closer to 2% by end of 2026; importers (retailers) bearing burden of higher costs
- Retail sales (excluding autos) will be +4% in ’25.
- Key drivers of retail activity include autos, online sales, and restaurants. Consumers remain resilient!
- Consumer confidence has declined for fifth straight month, reaching 89.3 in December.
- Although consumers expect some price increases due to tariffs, overall inflation pressures are not worsening.

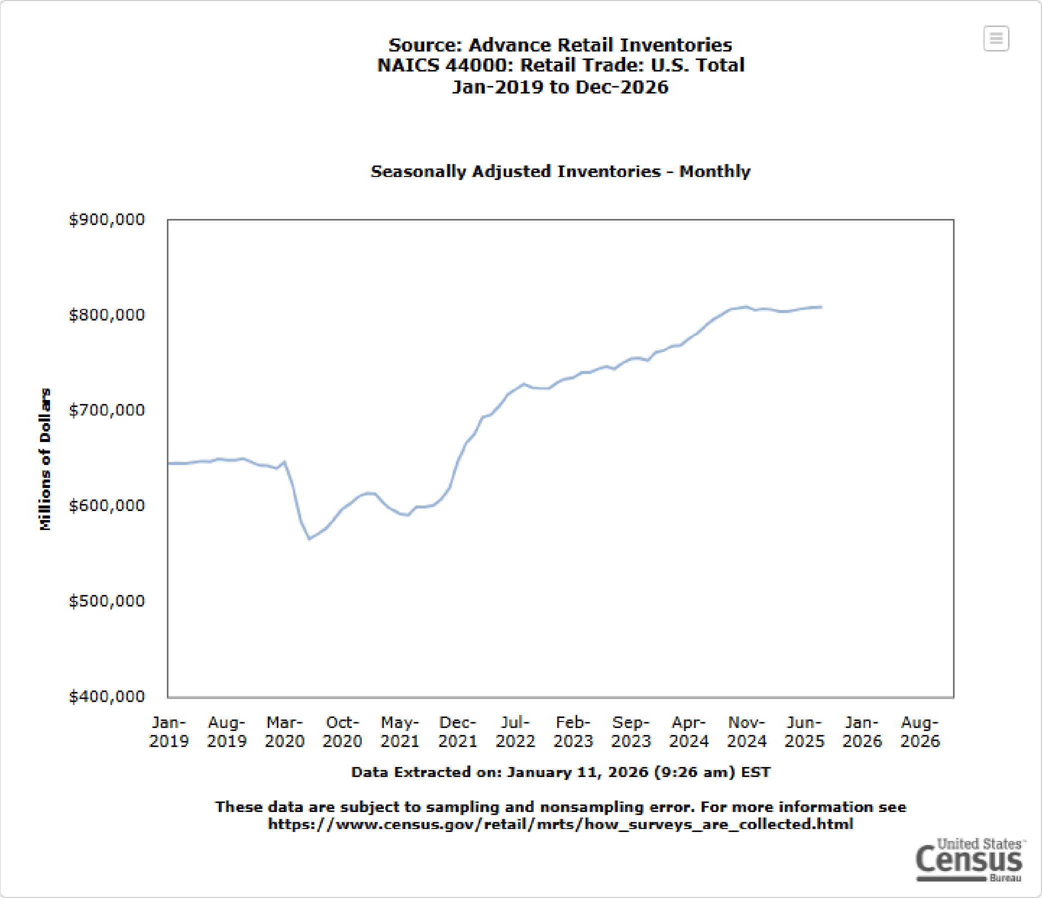
Source: US Census, Wells Fargo Economics



Inventories and activity

Retail inventory levels remain in a healthy band

- Business inventories have remained resilient, with total inventories virtually unchanged at around $2.6 trillion and only a modest 1% increase year-over-year.
- The inventories-to-sales ratio is steady near 1.30 and has remained in this range for the past 24 months.
- Retail inventory-to-sales ratios are lower than those of manufacturers, indicating manufacturers are carrying more inventory, but both levels are consistent with 2024.
- Food and beverage store inventory-to-sales ratios are well below 1 (at 0.75), reflecting quick turnover and the perishable nature of inventory; dollar-based inventories in this category are up 4% year-over-year.

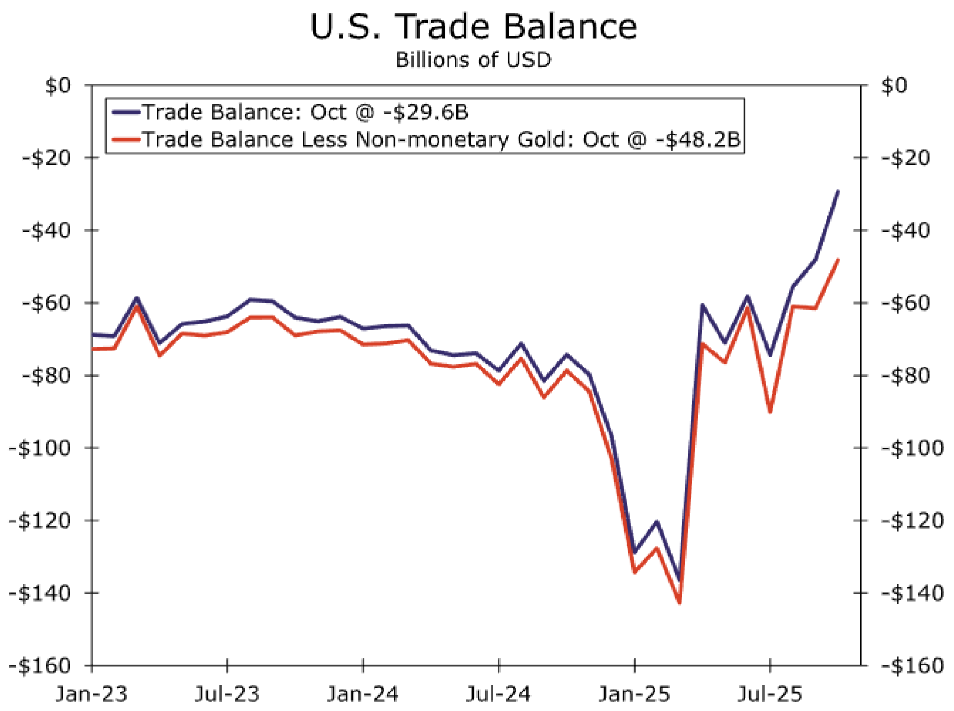


Source: US Census, Institute of Supply Management, Wells Fargo Economics

Data on imports, exports, and trade deficit

- Trade deficit consistent with 2023 and 2024 levels after spike in early 2025 (pre tariff pull forward).
- Current deficit at two-year low. However, last few months shifts heavily driven by non-monetary precious metals (gold).
- Largest deficits: Ireland (pharma, tech), Mexico, EU, China.
- Seafood imports $20 billion (+8% YoY) vs exports $4 billion YTD (+10% YoY).
- China imports down $60 billion YTD vs prior year; Mexico imports up $20 billion.
- Indonesia and Vietnam imports up $40 billion collectively YoY.

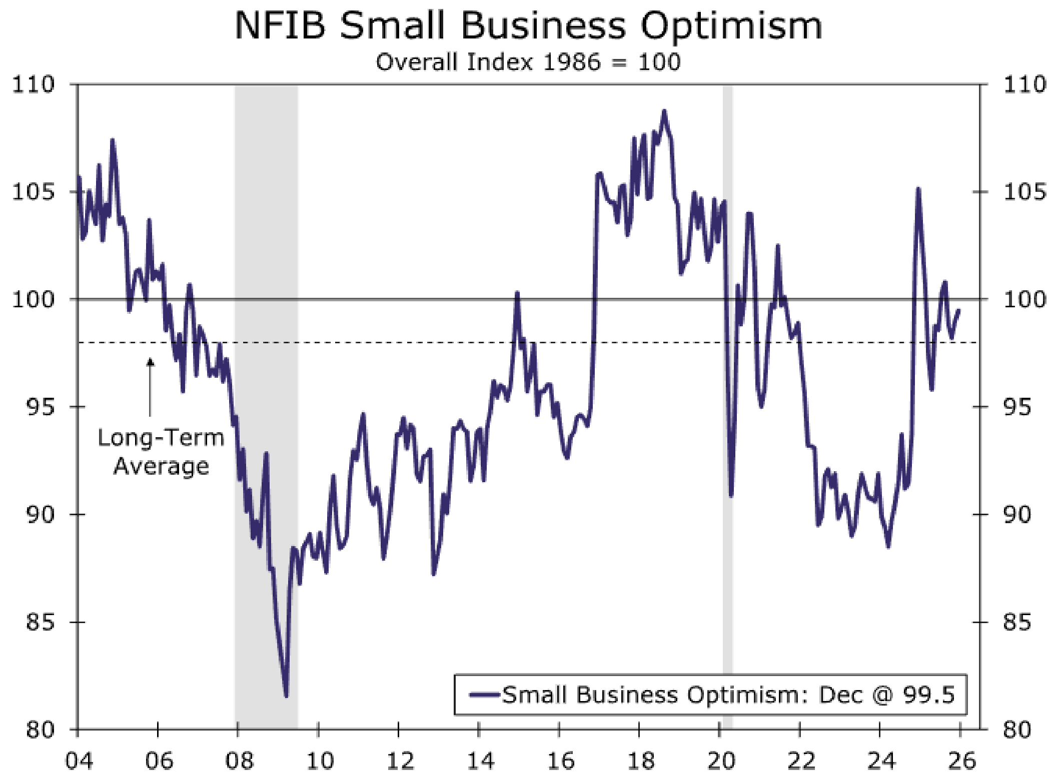
Source: US Census, Wells Fargo Economics



Source: U.S. Department of Commerce and Wells Fargo Economics

Small business optimism

- The NFIB Small Business Optimism Index rose to 99.5 in December, on par with its 20-year average.
- Small businesses' economic expectations(near term) brightened in December
- The uncertainty component dipped in December to its lowest reading since June 2024.
- Small business pricing trends support our view for a gradual descent in inflation this year.
- Interest rates have continued to drop, but only 25% of small businesses are borrowing—near a 40-year low.

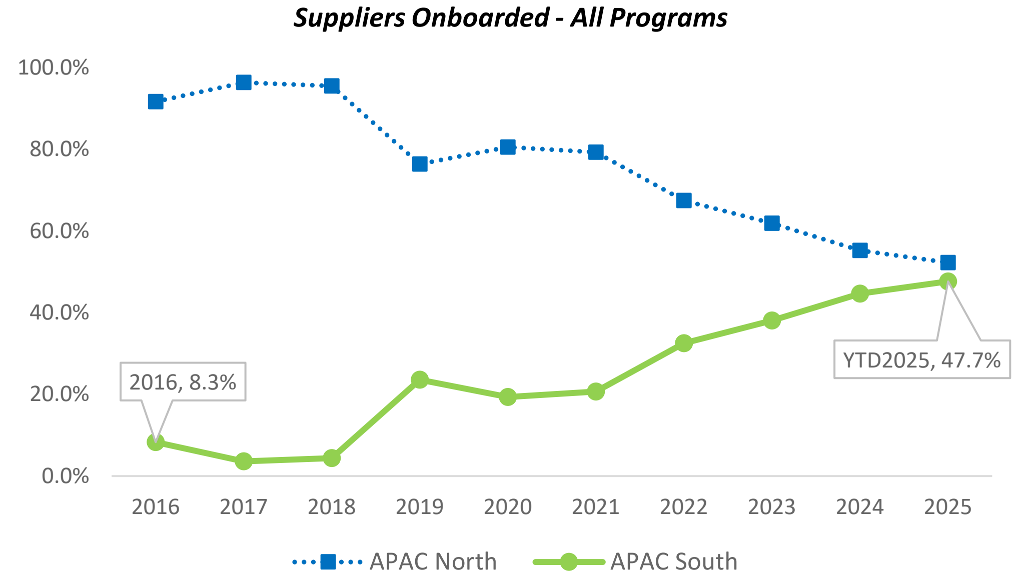


Source: NFIB and Wells Fargo Economics

Wells Fargo SCF data views

- Invoices financed out of Canada and Mexico down 12% Full Year mostly automotive parts and components.
- Invoices financed out of China up 10% YOY but all driven in first 6 months of year.
- Indonesia, India & Korea supplier financing up ~50% YOY driven by consumer retail and apparel.
- Large Chinese suppliers minimally affected by tariffs; redirected via Thailand, Malaysia, Vietnam.
- Smaller suppliers face challenges due to lack of multi-country operations.
- Winners: Thailand and Vietnam with rapid facility builds
- Supplier mix shift: 48% of Asia-Pacific suppliers outside China/Korea in 2025.
- Diversification into Malaysia, Vietnam, India, Thailand, Taiwan, Hong Kong.

We have seen a significant shift in supplier activity away from China over last 9 years



Source: Wells Fargo Supply Chain Finance Data

Note: Invoice financing data lags ordering by ~30 days.

Tactical strategies companies are using

- Companies have increased inventories slightly given the uncertainty.
- Firms further diversifying their supply base away from China, extension of playbook from 2018 and 2019.
- Companies originally eliminating rebates instead of raising prices, sharing tariff impacts between themselves, suppliers and consumer (clients); Higher profit margins than previous tariff cycles absorbing.
- Non-Chinese countries are proactively seeking trade opportunities with the U.S., including significant investments and increased imports, as companies build inventories from non-tariffed countries
- Use of bonded warehouses in major port cities to “wait and see” where Tariff’s land.
- There is a renewed interest on financing programs to extend payment terms, improve liquidity, and support both importers and suppliers, especially in anticipation of tariff continuation.

Financial Strategies for Supply Chain Disruption

Supply Chain Finance Programs:

These programs allow buyers to extend payment terms, generating working capital by increasing days payable outstanding (DPO). Suppliers receive immediate payment from Wells Fargo at the buyer's discount rate, providing both parties with improved liquidity and cash flow.

Import Letters of Credit (LCs):

Import LCs are especially useful when working with new suppliers in unfamiliar regions. They assure suppliers of payment, enabling them to ship large orders confidently. Wells Fargo can issue the LC and coordinate with global correspondent banks to ensure prompt supplier payment while still extending payment terms for the importer.

Trade Payables Finance Products:

These work similarly to supplier finance programs but are tailored for less frequent payments and shipments. Wells Fargo pays the supplier based on the buyer's promise to pay, offering the buyer extended payment terms and supporting liquidity management

Tariffs – other side of the coin

In short, is a ruling striking down the tariffs apt to bring lasting relief to the importers?

- Will an overrule require refunds?
  - Nothing is guaranteed. The court should clarify if the decision applies retroactively to previous payments made or prospectively on a go-forward basis only when announcing a decision.
  - Will the lower courts determine fate of refunds? Will individual importers/businesses have to file to receive refund?
  - Refunds will take time to pass through the system.
- What refunds are in the system?
  - Wells Fargo estimates somewhere around $130 billion in funds would gradually make their way back into the private sector.
- How could tariff's be re-imposed? Some options …
  - *Section 122, Trade Act of 1974*: President can impose tariffs up to 15% for 150 days to address balance-of-payments issue. Tariffs can be extended indefinitely with Congressional approval.
  - *Section 201, Trade Act of 1974*: President can impose temporary tariffs up to 50% for four years if the International Trade Commission finds serious injury to domestic industry. Tariff rate must be phased-down after one year, and tariffs can be extended to eight years.
  - *Section 301, Trade Act of 1974*: U.S. Trade Representative can impose tariffs for four years, under the President's direction, if it finds unjustifiable, unreasonable or discriminatory action against U.S. businesses and/or a violation of trade agreements.
  - *Section 338, Tariff Act of 1930*: President can impose tariffs up to 50% indefinitely in response to foreign discrimination against U.S. commerce. No federal investigation required.

Source: Wells Fargo Economics