

Market insights to power your logistics decisions

The Asia-Pacific October market update has the latest information to stay updated and keep your cargo moving.

Trade growth, supported by consumer spending and corporate capex, has meant continued strong demand for logistics services in the third quarter which is likely to run into the fourth quarter peak season. This is reflected in buoyant container shipping and airfreight volumes even as vessel schedule delays and capacity shortages create headwinds for shippers. Vietnam and Australia are emerging from lockdowns which are a positive development. Maersk is expecting strong demand for Intercontinental rail services from China and Northeast Asia to Europe as shippers see rail as a competitive addition to ocean.

This month, we share the latest trend before highlighting current challenges, and we also explain Maersk's latest solutions to help you keep cargo moving. If there are new topics you would like to talk about, please let us know by filling out our survey from [here](#).

Market Trend

The dual factors of volume growth and extended delays tying up capacity remain in place. However, we believe trade growth likely stabilized in Q3 based on the global composite purchasing manager's index (PMI) which hit 53 in October, the fifteenth straight month of growth. But container demand growth moderated to 2.5% in Q3 year on year, down from double-digit growth rates in H1 2021. Global air cargo volumes, based on cargo tonne kilometres (CTK), increased by 26% in the three months to August compared with 2020, and by 9% compared with 2019. Trade flows continued to be driven by strong demand in the US, especially tech and retail goods, which helped North American container imports from Asia climb 2% in Q3. European container imports from Asia slipped 0.5% in Q3 but were uneven between markets, and delays are continuing. We see further port delays through Q4 which in effect reduce available capacity on the networks.

Demand for logistics services remained strong in Q3 and is likely to continue into Q4 due to high levels of consumer spending and corporate capital expenditure in the US, although sales in Europe plateaued in Q3. But challenges remain with semiconductor shortages and other production bottlenecks impacting attempts to rebuild inventories especially in the US and Europe. The supply-side of the logistics industry continued to be disrupted by COVID-19 and capacity shortages: container availability and air capacity remained tight, waiting times for vessels outside of ports remained lengthy, and warehousing capacity continued to be a bottleneck. The result has been equipment shortages and challenged supply chain management services.

Trending Topic

- **Vessel delays are expected to continue to cause capacity shortages.**

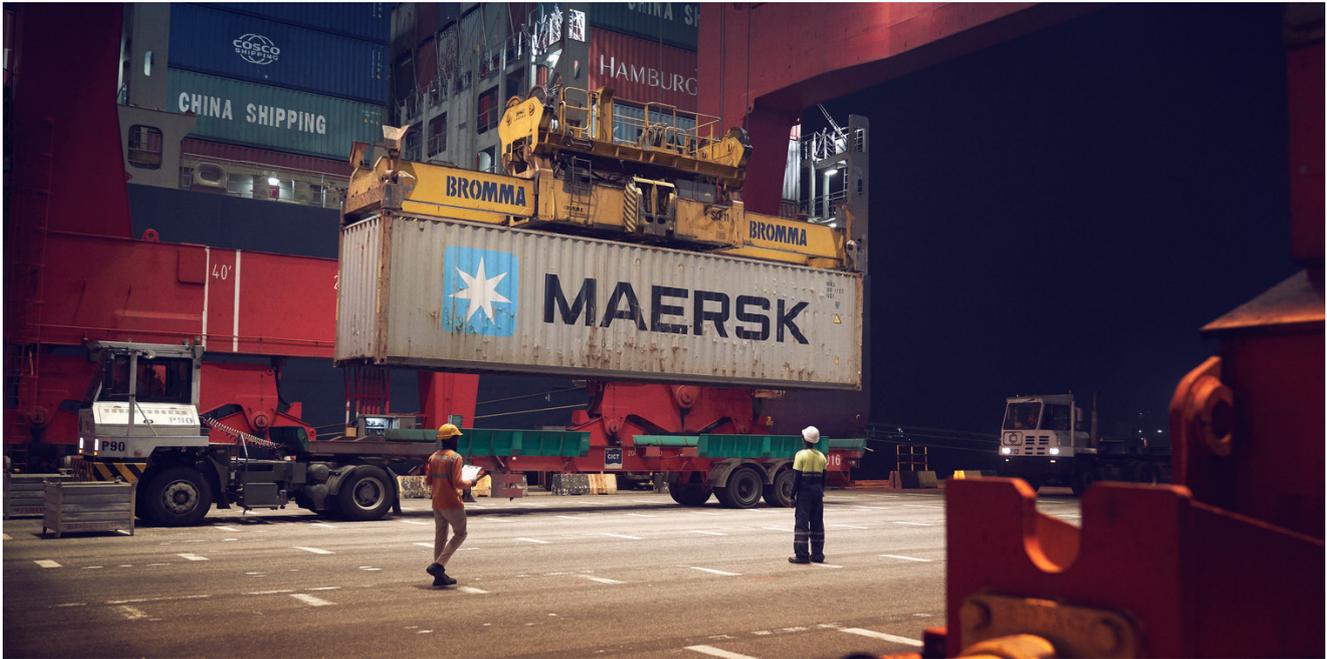
Sea-Intelligence Maritime Analysis says “the effect of vessel delays continues to worsen. Globally, we are now at a point where 12.5% of capacity is effectively removed.” Maersk has lost some vessel positions due to extended delays. Despite all vessels being deployed, effective capacity is severely limited by port congestion. Currently more than 10% of the global container fleet is waiting for berths to become available.

To reduce the impact from the current disruption, Maersk is deploying extra vessels where possible, both to cover some of the lost vessel positions and meet demand but also speed up the flow of empty containers back to Asia. We continue to in-fleet extra containers and invest in new containers.

- **Vietnam lifts some COVID restrictions.** The Vietnamese government lifted some COVID-19-related restrictions on October 1st including the need for employers in worst affected provinces to provide accommodation for employees. This requirement will be assessed at a provincial level on a case-by-case basis. Truck drivers crossing different regions are still required to show a negative PCR test.

Maersk is monitoring the situation and we expect disruption to manufacturing and logistics to continue primarily as testing and vaccinating workers is taking time. We have seen a significant increase in volumes through North Vietnam as customers shifted production from the South. For Maersk operations in Vietnam, customs are operating normally, but most ports and depots have limited drop-off times due to reduced staffing, while airfreight is experiencing longer transit times due to differing COVID-19 restrictions at other airports.

Ocean Update



- **Cargo demand remains strong across the globe, driven primarily by North America imports.** But port congestion is causing severe backlogs at all destinations which is reducing our effective capacity and resulting in tight space on all trades out of Asia. While power restrictions in certain provinces in China may slow production, demand remains very strong.
- **We expect equipment availability in Asia to remain tight in the coming months.** But we see a gradual improvement in the equipment outlook as we increase the flow of empty containers into Asia and revise vessel schedules to boost reliability. This chart below shows the current equipment status traffic for main loading ports in Asia.

(Note: The equipment forecast is based on the supply and demand forecast, any increase in demand or supply delay would cause an earlier supply gap)

Country	20DRY	40DRY	40HCRY	45HC	40HCRF
China	●	●	●	●	●
Japan	●	●	●	NA	●
Korea	●	●	●	●	●
Vietnam	●	●	●	●	●
Myanmar	●	●	●	●	●
Cambodia	●	●	●	●	●
Thailand	●	●	●	●	●
Malaysia	●	●	●	●	●
Singapore	●	●	●	●	●
Indonesia	●	●	●	●	●
Philippines	●	●	●	●	●
Australia	●	●	●	NA	●
New Zealand	●	●	●	NA	●

**Green colour indicates the equipment availability is enough to cover demand forecast; Yellow colour indicates it's tight to cover demand forecast; Red colour indicates it's insufficient to cover demand forecast.*

Key market outlook for trade lanes

TRADE LANE AND COMMENTS

Asia to North Europe

The market is significantly impacted by congestion at both origin and destination ports. Ocean capacity remains tight primarily due to port omissions and vessel slidings. We are making ad hoc port omissions and changes in rotation to recover schedule reliability.

Asia to Mediterranean

We are seeing delays in most ports in the MED and are adjusting schedules to reduce the effects of the delays. We expect capacity to remain tight in Q4 due to port congestion and schedule delay. We are doing our utmost using internal transfers to mitigate cargo delay.

Asia to North America

We expect to operate a full network in the coming months, but the overall North American ports situation has deteriorated recently. Consequently, the loss of capacity due to missed sailings is set to continue. We have deployed additional sailings and launched the new TP-X, TP20 and TP23 services to USWC and USEC to secure network capacity and offer additional options. That said, we highly recommend customers allow significantly more lead time between vessel departure and actual arrival time, including additional buffer time for inland moves.

Asia to Latin America

We expect a full network with but with cargo backlogs in warehouses and terminals in Asia. We suggest customers consider shipping dry cargo in NORs [non-operating reefers] rather than dry containers where possible.

Asia to West Central Asia

We expect the current demand/supply situation to continue, fueled by Diwali (Festival of Lights) in early November as consumers increase purchases of household goods.

Asia to Africa

We expect a full network as market supply into West Africa is reduced because of vessel sliding and port omissions. Yantian will be dropped from the South Africa Safari service for schedule recovery and we suggest customers book Nansha instead.

Asia to Oceania

Delays at origin and destination ports continue to impact the network and the Q4 capacity outlook remains tight. We continue our focus on restoring schedule reliability by rationalizing our network. Temporary port stoppages combined with industrial action and COVID cases continue to cause disruption and the need for ad-hoc contingencies and port omissions to recover schedules. We expect a full network due to capacity lost from sliding sailings and recommend our customers to plan ahead.

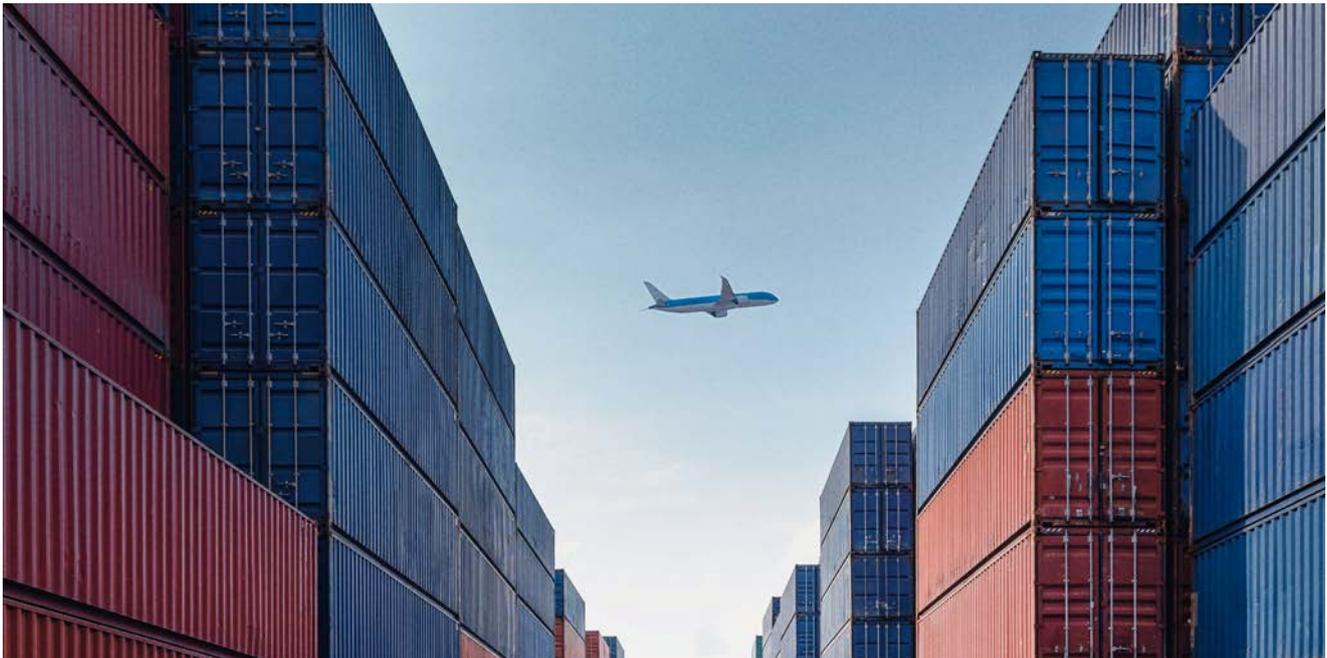
Oceania Export

We expect demand for space and equipment to increase as the Q4 seasonal refrigerated cargo peak gets underway from New Zealand. 20' dry food quality units will be in high demand due to a strong grain season from Australia. Additional port omissions, schedule changes and adjusted rotations will be considered to improve network reliability. In Australia, we are seeing temporary port closures from COVID flare-ups as state governments ease pandemic restrictions. In New Zealand most ports continue to operate under suspended berthing windows. Customers should confirm bookings as early as possible to ensure availability of both space and equipment.

Asia Import

Port congestions and vessel delays particularly in Europe and North America are causing reduced capacity and delayed arrival back to Asia which is impacting feeder connections in our hubs. We're trying utmost to minimize missed connections.

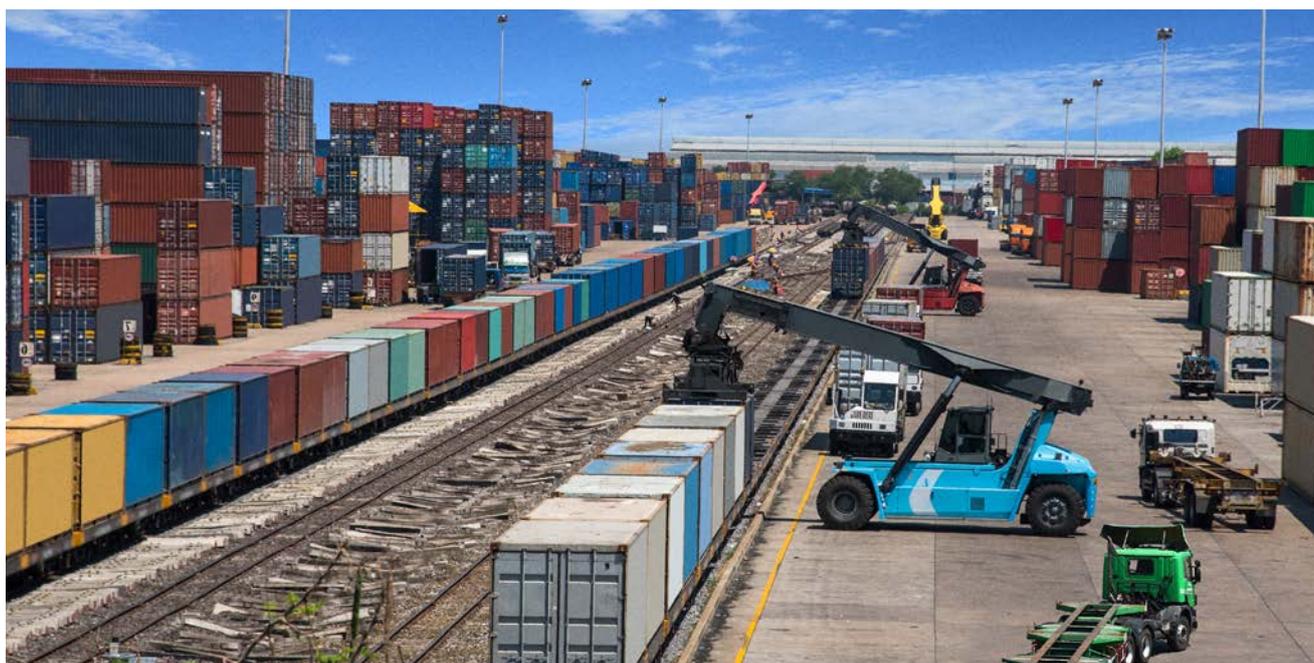
Air Update



- **Australia and New Zealand:** The Australian government has brought forward the start of international commercial flights by one month due to near 80% vaccination levels. Exports from Australia to all destinations remain at spot for capacity and cost. New Zealand sees capacity challenges with the absence of international commercial flights. Ad-hoc conditions will be in place until further notice. Due to the China Golden Week holiday, import delays from China will impact transit times throughout October, while increasing demand for charters is driving freight costs to record levels. Maersk has taken steps to hard block capacity from Shanghai into Australia until the end of the year.
- **Japan and Korea:** Economic indicators point to a strong year-end peak season after air cargo demand saw another strong month in August with volumes up 7.7% compared with pre-COVID levels. With international travel still severely depressed, there is limited bellyhold. Space and supply chain bottlenecks could intensify as businesses continue to ramp up production. Space to China and the US is still critical. Maersk offers customers a consolidated airfreight service.
- **Thailand, Singapore, Malaysia:** Demand into US, EU and China remains strong in Q4 and is expected to be higher than Q4 2020. We see high demand in the industrial, electronics, hi-tech and auto sectors. Cargo demand will continue to outstrip available airfreight capacity. We offer our customers an intermodal connectivity with cargo from Myanmar shipped out of Singapore airport. Bangkok is also a key gateway for customers in the Phnom Penh and Rangoon areas. We have strong feeder/intermodal support in the region.

- **Indonesia and Philippines:** Strong export demand is expected in the coming months, especially in the garment and electronics sectors, due to Christmas and the New Year. Air capacity will be likely be constrained for the rest of the year. Some airlines are implementing penalty charges for cargo no shows or date changes. It is strongly recommended to book 2-3 weeks in advance for air cargo shipments to the US and Europe.
- **Vietnam, Cambodia and Myanmar:** Airfreight capacity from Vietnam is at critical levels with major tech companies launching pre-Xmas production runs and taking most of the available capacity. The situation is exacerbated by airlines switching scheduled flights to ad hoc charters and shippers switching from ocean to airfreight which are expected to worsen the capacity crunch. Maersk offers charter solution for our customers and It is strongly recommended to book at least 2 weeks in advance.

Inland Services Update



- **Greater China:** Domestic road and rail freight demand declined slightly due to the Golden Week holiday and power restrictions. Trucking capacity in China is expected to be impacted by continued increases in diesel prices. Maersk Intermodal is monitoring the situation closely and has domestic railway solutions connecting inland with ports.

- **Japan and Korea:** Demand for ICR services in northeast Asia in the coming months is expected to remain strong partly because it is the best alternative to disruption in the ocean freight market. Capacity has expanded using larger relay vessels between Korea and Russia. Congestion issues at Busan port and competitive rates have also made the relay service more attractive.
- **Australia and New Zealand:** Import demand is ramping up as we enter the peak season and retailers stock up for the Christmas rush. Australia is still faced with potential industrial action at ports and we continue to provide our customers with the Maersk Connect product to ensure Maersk can provide contingency landside services should we see port omissions.
- **Vietnam, Cambodia, Myanmar:** Most factories in South Vietnam have restarted production. We anticipate strong demand from Vietnam and Cambodia into US and Europe, although a sudden production surge from reopened factories could cause capacity challenges. Equipment shortages in North Vietnam could ease by the end of October as production normalizes and imports are back on track. Trucking capacity is expected to be under pressure in October as factories rush to meet holiday demand. Equipment availability in Cambodia and Myanmar is tight. Maersk is hoping to add ICR capacity in October and November to provide an additional option to ocean freight. We have also created land-sea solutions from Cambodia to Vung Tau, from North Vietnam to Yantian and from Myanmar to Laem Chabang to support US exports. We plan to introduce a FCL service by Q1 2022.
- **Indonesia and Philippines:** Indonesia export demand is trending up for Q4 especially in October and November due to the Christmas peak season. Retail, lifestyle and FMCG are major contributors to export demand. But capacity is becoming an issue at several ports including Semarang and Belawan. Strong demand from the Philippines is expected in October and November with exports of electronics, tyres and FMCG to the US and Europe although Maersk expects no increase in vessel capacity.

Major Ports Update

- **Ports in China** are working well with some disruptions from weather, i.e. typhoons affecting South China.
- **Ports in South East Asia** such as Vietnam (Haiphong, Da Nang, Qui Nhon), Malaysia (Kuantan), and Philippines (Cebu, Manila, Batangas and Subic) still face feeder capacity bottlenecks and restrictions for new bookings. **Port of Tanjung Pelepas** is seeing increased congestion.
- **Port of Busan** has seen an improvement in congestion levels with vessel waiting times forecast to be around 3 days following the implementation of contingency measures.
- **Port of Los Angeles and Port of Long Beach** continue to be severely congested with +60 vessels waiting at anchorage with lengthy waiting times of 8-17 days and 15 days respectively. All large vessels are limited to 4 gangs in LA, so for large vessels the waiting time is expected to be 11-20 days in total.
- **Port of Seattle** continues to struggle with long waiting times of 28 days.
- **UK ports** are experiencing port congestion and inland moves are heavily affected by driver shortages. We have been working tirelessly to reduce the yard density and as a result, Felixstowe gate has reopened for empty returns as of Friday Oct 15th noon. However, the situation remains critical and we are reviewing further ocean network actions. Click [here](#) to stay updated on Maersk global advisory regarding Felixstowe and current supply chain challenges.

Vessel Waiting Time Indicator

	● Less than 1 day	● 1-3 days	● More than 3 days
Asia-Pacific	Xiamen, Tauranga	Busan, Qingdao, Ningbo, Yantian, Shekou, Singapore, Tanjung Pelepas, Port Klang, Lyttelton	Shanghai, Nansha, Hong Kong, Sydney, Melbourne
Rest of World	Charleston, Lome	Antwerp, Bremerhaven, Rotterdam, Oakland, Tema, Cape Town, Port Elizabeth	Felixstowe, Colombo, Long Beach, Los Angeles, Vancouver, Seattle, Prince Rupert, Savannah, Houston, Apapa, Tin Can, Cotonou, Onne, Durban, Dar Es Salaam, Sudan

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