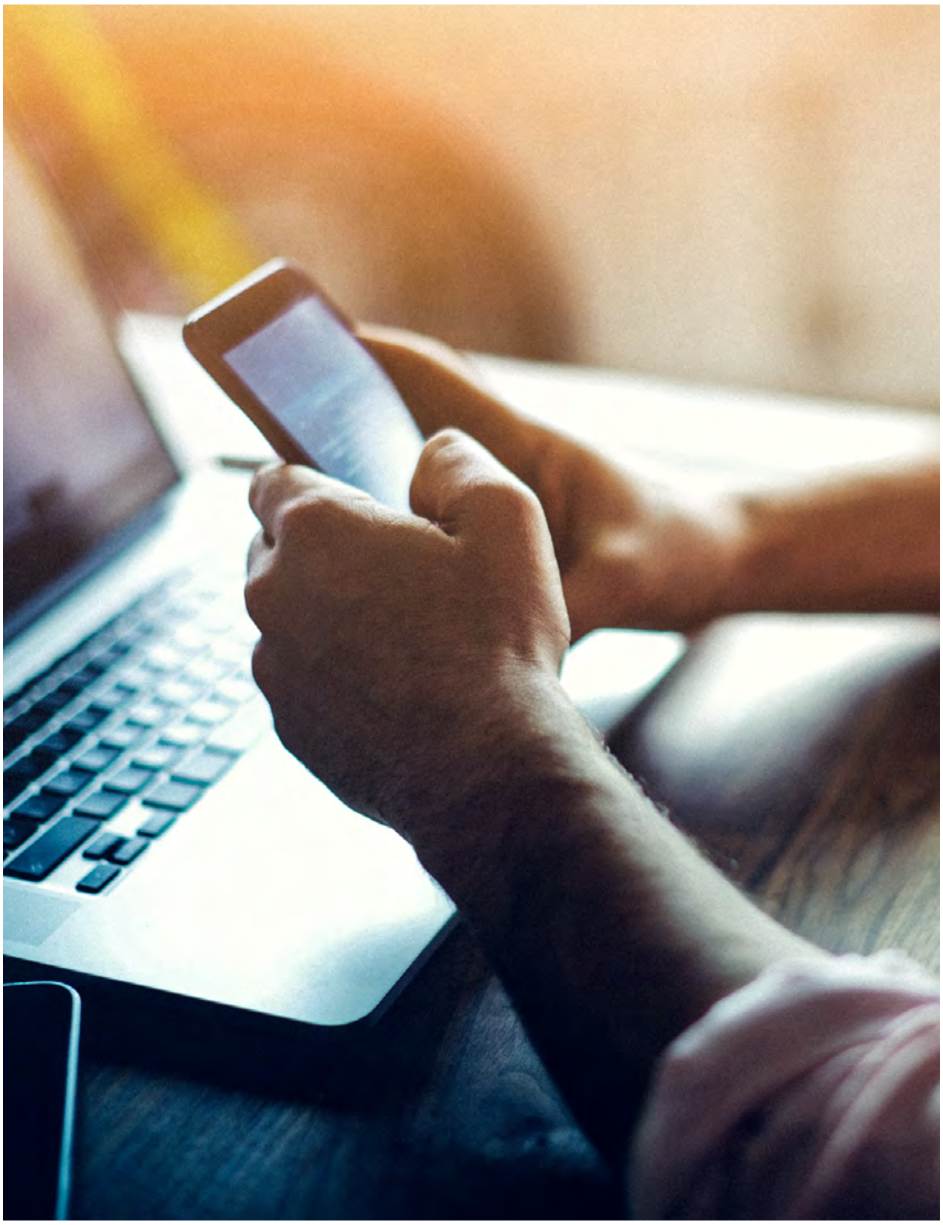


The latest insights to propel your logistics

Get the most out of your supply chain with our Asia-Pacific Market Update for August.

ALL THE WAY

We expect that supply chains will come under further strain in the next few weeks especially in Europe where labor unrest and the impact of climate change add to port congestion and cargo delays. In the UK, an eight-day strike by dock workers at Felixstowe, Britain's busiest container port, that started on August 21, will be felt up until at least mid-September as vessels are delayed and some cargo diverted to ports including Antwerp and Le Havre according to Maersk's contingency plans. Low water levels on the River Rhine, a key transport artery into central Germany and Switzerland, are adding to cargo congestion in Rotterdam, Hamburg and Zeebrugge. But there are brighter spots, China increased foreign trade volumes in the first six months despite COVID-19 lockdowns in major cities including Shanghai. And Maersk is strengthening its logistics operations with an agreement to acquire project cargo logistics specialist Martin Bencher.

Market Trends

China's foreign trade of goods increased by 9.4% to 19.8 trillion RMB in the first half of this year, according to data from the General Administration of Customs. Exports rose 13.3% to 11.14 trillion RMB while imports climbed 4.8% to 8.7 trillion RMB, despite the impact from recurring outbreaks of COVID-19 including a two-month lockdown in Shanghai.

Member countries of the Association of Southeast Asian Nations (ASEAN) were China's largest trading partner with imports and exports rising 10.6% to 2.9 trillion RMB, followed by the European Union with imports/exports up 7.5% to 2.7 trillion RMB. Trade with the US, China's third largest trading partner, grew 11.7% to 2.5 trillion RMB. China's imports and exports to countries along the Belt and Road Initiative surged to 17.8%, while trade with China's fellow members of the Regional Comprehensive Economic Partnership agreement posted a 5.6% gain.

Trending Topic

Martin Bencher: Maersk has extended its logistics capabilities after reaching agreement to acquire Martin Bencher Group, a Denmark-based asset-light project logistics company. Martin Bencher specialises designing end-to-end project solutions for its customers in key industries such as pulp and paper, renewables, power, construction and mining, oil and gas and cranes and infrastructure. The acquisition is expected to be completed by the first quarter 2023 following the granting of all regulatory approvals. Maersk hopes this intended acquisition will create further opportunities for our customers to have an integrated end-to-end logistical network.

Project Logistics: As part of the Martin Bencher acquisition, Maersk is updating its project logistics strategy with the creation of Maersk Project Logistics (MPL) that will operate as a solution-based global product. Maersk Project Logistics will augment the company's existing project logistics services by offering the combination of solution design, special cargo transportation and project management services. It will build on existing infrastructures and know-how across the existing project logistics business in sales and marketing, ocean and L&S Special Project Logistics (SPL).

Macroeconomics: Recession risks are rising in the US and Europe after short-term indicators turned negative in Q2. In the US, underlying demand held up more firmly than expected in Q2 although indicators suggest sharply weaker growth going forward amid growing inflationary pressures. Eurozone PMI surveys declined sharply in July and consumer sentiment hit a pre-COVID all-time low. With price indices running very high, the Eurozone appears to have entered a period of stagflation. The US Federal Reserve and the European Central Bank will likely increase interest rates further to combat inflationary pressures, a move that put further downward pressure on housing markets.

For Technology and Electronics Customers:

T&E customers manage a budget, equivalent to 15% of the revenue to support the company's growth ambition i.e., mostly centers around (steadily/significantly) growing their business in the Asian market.
Hence, most successful and sizable APA-based customers would work towards at least one of the three growth ambitions:
- Keep growing in Asia
- Uprise in Asia
- Go Global

For the last 18 months, the logistics/supply chain challenges of APA customers have extended in both ends and the customers have experienced disruptions nearly in each and every step of their supply chain; which called out for need of making fundamental changes in the way that they are looking at and managing logistics and supply chain.

Technology companies are re-examining their value chains to improve resilience and agility. However, they still face challenges as the bottlenecks from the start of the decade persist. Today, a growing number of industry leaders and their lead logistics partners consider digitization a strategic imperative for supply chains, with 61% of respondents in a recent report mentioning it as a source of competitive advantage.*

*Source: Gartner, April 2022

Along with technology, some distinct themes are providing companies within the industry with pivotal opportunities to grow:

Complexity of sourcing components
- Speed to market has become critical for success due to increasingly high consumer demand and shorter product life cycles.
- Research shows that many industries are competing for similar components, fueling more shortages. Companies are, in turn, rethinking just-in-time (JIT) strategies.*

Digital transformation is gaining speed
- Studies show that digitalization is gaining speed to reduce costs, streamline business processes and bring more transparency.*
- New-age solutions like digital databases and graph analytics are being implemented to create a connected supply chain.

Seamless integration through omnichannel retail
- Current trends indicate that rising customer expectations have reduced delivery times, adding more pressure on companies.*
- Companies, meanwhile, are pushing for seamless integration of offline and online channels to create a combined user experience.

A tech-led push towards sustainability
- Growing ESG pressures could trigger technology companies to increase their focus on sustainability.
- A recent corporate study showed that companies are realizing the importance of scaling modern technologies for a more sustainable manufacturing process. Circular economies and other emerging solutions are also expected to grow.*

*Source: Bain & Company, 2022

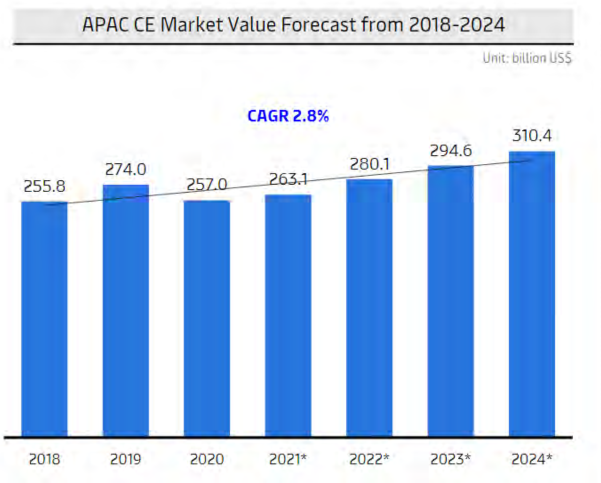
Manufacturing, particularly within the tech and electronics industry, is moving away from a China-focused, cost-centric model, and towards a more diversified, regionalized strategy with a much stronger focus on resilience and agility. This change is driven by geo-political development such as the US/China trade war alongside increasing labor costs that have combined to make China a less attractive manufacturing base. Black swan events such as COVID-19 have served to validate this approach with manufacturers quickly realizing the risk of having too lean a supply chain.

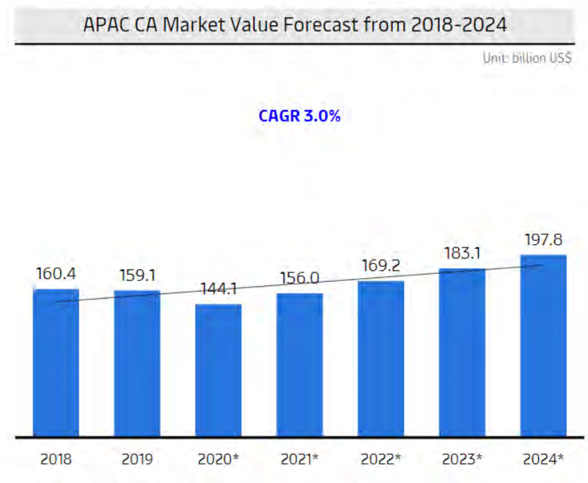
Trends
Consumer spending on T&E is expected to reach US$ 505 billion by end of this year globally.

In this positive trend, the APA region (including IND) represents 47% of the global sales of Consumer Electronics vs. EUR (19%) and NAM (18%)

Same level of high representation of APA region (47% including IND) has also seen for Consumer Appliances category vs. EUR (20%) and NAM (21%)

And, the APA T&E market is forecasted to further grow year on year with CAGR 3% till 2024





The growth in APA will be led by Eastern Asia, which includes China, Japan and South Korea.

From the production side as well, the APA-based companies dominate the T&E vertical – 8/11 CE companies and 3/9 CA companies are from APA.

CHIPS
The chip shortage has been a problem for the technology industry since the beginning of 2020 and is predicted to still be prevalent well into 2023.

Increased design complexity, talent shortages, supply issues and geopolitical conflicts are resulting in product lead times of six months or more, even with fabs operating at full capacity.

Finding solutions now (short term):

- Coordination and collaboration
  By collaborating and co-engineering with other key players, companies can expand their design and manufacturing centers, attract more talent, and obtain more development ability. This allows for cost saving ventures, as well as more streamlined coordination with previously untapped stakeholders.

- Redesigning and reformatting
  Many companies and manufacturers should look into accommodating older chip technologies, both in production and in engineering. "Used" or "old" chips and older equipment means the ability to reformat chips from an "earlier" generation, allowing manufacturers to use them in new devices.

- Software upgrades
  The same chip found in different products, such as a computer, an interactive home device and a phone, all run on different software, adding complexity to creating software to work with the chip. By moving towards programmable logic ICs, software can play a key role in upgrading existing chips.

Planning for the future (long term):

- Expanding production
  Increasing output isn't a short-term solution, but a long term one. Fab construction is time consuming as well as costly, usually needing 3 years to build plants. However, many countries are supporting this. With heavy investing in the industry, a 50% increase noted this year, increasing volume of production is expected on the long term, which will allow for more resilience and agility within production.

- Increased R&D
  Research and development in the chip industry can be very time consuming, with extensive work and long timelines. Prior to the current predicament the industry is facing, this hasn't been an issue, but the current situation has highlighted a need for more capacity for R&D areas dedicated to looking at adapting to supply volatility. This would help avoid bottlenecks and crunches in local markets in global markets, increasing supply chain resilience and stronger brand positioning.
  In an industry that is becoming more and more aware of it's need for agility, flexibility, and resilience, expanding and reworking strategies within research and development will allow for companies to be prepared to upscale and downscale resource supply, production, product allocation and strengthen pricing strategies.
  By redesigning the overall design, companies can reduce the number of specialized components and redesign to use more commonly found components and materials.

The pandemic has changed the perception of logistics. Speed through the supply chain is a skill all tech companies must own to ensure they are prepared to grow in the future. Read our e-book to understand how high-tech logistics can achieve speed in today's global economy. To find out more our 5 ways to enhance speed to market using integrated supply chain strategy, please visit here.

Ocean Update

Anne-Sophie Zerlang Karlsen,
Head of Asia Pacific Ocean Customer Logistics

"'As the operational situation in Asia is stabilizing for our customers, all eyes are looking towards Europe, where we experience strikes, drought impacting water levels as well as a lack of truck drivers. In Maersk Asia our focus is on firstly to minimize the impact as much as we can, and staying close to the situation through our global organization to ensure we can provide as much transparency and timely information as possible for our customers to manage through this difficult period of time for the global supply chains '"

COVID-19: In China, the zero-COVID-19 policies continue to impact areas where new outbreaks occur, including most recently Yiwu in Zhejiang province, close to Ningbo-Zhoushan port. However, the impact on customers' supply chain is much diminished and most Chinese factories, ports and logistics infrastructure operate normally without major disruption. Consumer demand continues to be sluggish due to the weakening economic outlook in major western economies, resulting in a flatter peak season this year.

European Ports: Europe's port situation remains the center of attention for the industry, most of the major European ports in Netherlands, Germany, France and Belgium remain severely congested due to multiple factors including strikes, lack of trucker driver etc. Felixstowe port has just announced an eight-day strike from Aug 21-29th which will cause significant operational delays. Despite various efforts to alleviate the situation, we do foresee the situation to continue and cause delays and disruptions towards customers' supply chain into early September.

Our teams are working hard to establish a number of contingency measures that minimize the impact of strike action on our customers, including changes to vessel arrival and departure times to maximize available labor immediately before and after the strike. Asia-Europe services will be the most affected. Several sailings will be delayed until after the strike ends on August 29. Two vessels - MSC Sveva operating the AE6 service and Cosco Vietnam operating the SLC service - will omit calls at Felixstowe and instead cargo will be offloaded at Le Havre and Antwerp respectively and shipped back after the strike has ended. A third vessel Vilnia Maersk operating LO1 will omit Felixstowe and call at London Gateway instead. Customers are advised to check the latest situation on our customer advisories webpage - [Advisories | News & Advisories | Maersk]

Elsewhere, stevedores have also voted to strike at Liverpool, Britain's fifth largest container port, which is likely to further worsen supply chain bottlenecks. In Germany, port workers met with German port companies (ZDS) on August 22 for a tenth round of talks on new pay and working condition agreements.

Recent Container Development:
Global trade volumes declined by 2.3% y/y in Q2 2022, and demand levels slowed down below the pre-Covid-19 trend. Compared to Q2 2019, average growth was only 1% (CAGR).

Stink Bug (BMSB) Season: Australia's Department of Agriculture, Fisheries and Forestry (DAFF) has announced it will introduce season measures to tackle Brown marmorated stink bug (BMSB) in all containerised, breakbulk and related ocean shipments. They will apply to targeted goods manufactured in or shipped from target risk countries between September 1 and 30 April, 2023 and to vessels that berth, load, or tranship from target risk countries within the same period. DAFF also confirmed that China and Britain are emerging high risk countries and random inspections will be carried out on goods shipped from China between September 1-December 31 and on goods from the United Kingdom shipped between December 1-April 30. Existing target risk countries include Europe, the US, Canada, Ukraine and Russia, while target risk goods include wood products, most metals, electrical machinery, vehicles, carpets, glass and stone products.

Key Market Outlook Across Trade Lanes

Trade	Trade Statement	The most critical destination port situation update
Asia Pacific - North Europe	Port congestion, particularly at ports in Northern Europe, continues to cause delays and disruption to our networks. As these delays build up we initiate voyage resets on our strings and deploy extra vessels as much as we can to try and protect schedule and network reliability.	The Felixstowe dock strike between August 21-29 is the hot topic. We have a crisis management team in place to monitor the situation. Frequent updates will be released via customer advisories on Maersk.com and we encourage customers to follow these closely.
Asia Pacific - Mediterranean	Demand is softening into the Mediterranean. Competitive spot rates are being offered. Vessels are being delayed by congestion at both origin and destination and we will continue to reset voyages and add gap loaders where possible to recover schedule reliability.	Israel and all North African ports including Algeria and Tunisia have re-opened for short term acceptance. Trieste is facing congestion with an average waiting time of 5-7 days.

Asia Pacific - North America	The Asia Pacific to North America over-flow issue has gradually improved. But the North American ports situation is still deteriorating with continued capacity loss expected due to missed sailings. caused by port congestion. Los Angeles and Long Beach still are suffering from congestion due to berth delays and 13-15 days rail dwell time. We are trying to find solutions and updates will be available in customer advisories on Maersk.com. The terminal situation at Vancouver has deteriorated because of 100+% yard density and 10+days rail dwell time. Consequently, the overall waiting time is expected to be more than 2 months. We are trying to improve transit times by using a different terminal with less congestion. The first arrival following this change is expected to be TP9 Maersk Seville 229N where we expect the improved transit time will be improved by 60+ days and provide around 20 days product (First class in the market) from APA to Vancouver. There will be more TP9 schedule improvements to come. At Prince Rupert, the overall situation is better even though there is a 7 days rail dwell. We are looking at more Prince Rupert calls to help the backlog at Van-couver. We will have a new rotation on our bi-weekly TP7 service from mid-Septem-ber that will call at both Prince Rupert and Surrey, Canada to cover the capacity loss due to missed sailings into Canada . As we cannot expect the North American ports situation to improve much in the coming months we suggest customers prepare more lead time between ETA and actual departure.	Overall wait time at USEC ports: 0-3 days Savannah: 10-15 days Houston: 14 days Los Angeles/Long beach: 12-24 days Oakland: 15 days Seattle: 2 days Vancouver: 60 days combining yard issue, dwell and berth availability. Prince Rupert: 7 days waiting time with 122% yard density. Match back is strictly required.

Asia Pacific - Latin America	Demand is softening into WCSA due to overstocking by South American buyers, the deployment of too many extra loaders which caused a fall in rates from mid-July and Chile's new storage tax policy. In ECSA there was very strong market demand in July, but demand has softened from mid-August from extra loaders in the market. Rates are stable but are forecast to slide from September.	Caribbean feeders are full of cargo rolling. The situation will only improve from mid-September. Manaus feeders via Panama and North Brazil feeders are still full of cargo rolling. This is forecast to improve from early September.
Asia Pacific - West Central Asia	Demand impacted by inflation and the economic situation at destination markets. We expect to see automotive volume growth in Q3 as the chip supply situation improves. We are also talking to solar equipment customers about opportunities for solar raw material imports to India.	Overall, ports are operating normally except for some slowdown in Nhava Sheva and Pipavav which have been affected by bad weather.
Asia Pacific - Africa	Overall, demand is softening into Africa mainly caused by high inflation at destination countries and the COVID-19 situation in China. Short term rates and under pressure and we encourage customer to check our online SPOT and Twill offers and plan advance shipment ahead of China's October Golden Week holiday. One Safari and one M-express service will be blanked post-Golden Week.	Waiting time: Abidjan: 2-4 days Luanda: 2 days Dar Es Salaam: 5 days Zanzibar: 14 days Cape Town: 4-5 days.
Asia Pacific-Oceania	Demand into Oceania is stable, with some exceptions due to the impact of COVID-19 regulations. Southeast Asia services are being delayed due to long waiting times in Australia and we continue to find alternatives where possible. SPOT product is offered regularly both into Australia and New Zealand.	Waiting time: Sydney: 5 days Melbourne, Brisbane, Fremantle: 1-2 days Tauranga/Auckland: up to 10 days

Oceania-World	Operational disruptions due to labor shortages continue to have a negative impact on schedule reliability and the landside supply chain in Oceania. Demand for space from Australia and New Zealand to Asia remains high, with the agricultural season in Australia expected to remain strong until the end of this year, but this is increasing pressure on equipment availability at Australian East Coast ports, in particular Brisbane. Maersk is increasing 40ft DRY container stocks in Brisbane to support the export market from August onwards. The Southern Star service connecting New Zealand with South East Asia will continue to induce Fremantle to increase capacity to cater for the high demand during August and September 2022. Oceania to Middle East and Indian subcontinent is seeing strong demand on the Spot market, with space available from New Zealand and Australia during August and September. We encourage customers to use Maersk Spot to access space at a fixed price at time of booking.	The Svitzer tug strike is causing delays in Australian ports.
Import-Asia Pacific	Terminals in China are operating normally as authorities manage the COVID-19 situation. Average vessel waiting time at Asia ports is 0-2 days. With ports in Europe and North America continuing to face congestion, cargo imports into Asia may also face delivery delays. Free-time extension products for both Maersk Spot and contract customers are available.	Booking acceptance will resume for the Keelung depot from the end of August with the depot situation gradually improving. One of our Sakura feeders has been upgraded to ease capacity shortages and our Japan team is continuing to take measures to clear the bottleneck. There is a shortage of reefer plugs at the Manila terminal. Maersk is deploying extra loaders to clear overflow.

Air Update

Greater China: The export market to North America and Europe is weak from most Greater China airports. There has been increased utilization due to air corridor restrictions at airports in central China which reduced total capacity. We expect an improvement in Asia-Europe air cargo demand from the end of August ahead of the traditional peak season. Hong Kong fuel surcharges increased from August 1 from HKD6.10/kg to HKD7.10/kg on chargeable kgs

Australia and New Zealand: The market is showing mixed signals with airfreight costs on some trade lanes softening although this is driven by a large drop in air cargo demand into Australia and New Zealand. With peak season expected to start in September, the softer rates are likely to be short lived. Airfreight volumes from China show some improvement but transit times remain extended while the Hong Kong market remains stable into Oceania. Trans-Tasman airfreight costs and transit times are being affected by limited new capacity.

Japan: Narita saw a 12% drop in international cargo flights in the first six months of this year partly due to Covid-19 control policies in China, especially Shanghai.

Inland Services Update

Greater China: New COVID-19 outbreaks affected Yiwu in Zhejiang province near Shanghai and Sanya on Hainan Island in the south. In Yiwu, trucking capacity was adversely affected and we highly recommend the sea-rail option via Yiwu west station as an alternative to trucking. For northern and southern China, inland services are stable and reliable so far. Warehouse operations are moving into the peak season and running normally in Chinese Mainland, Hong Kong SAR and Taiwan Region.

Japan: Trucking capacity is stable and we can handle more additional volume for customers.

Indonesia and Philippines: Inland volumes are expected to rise in the pre-Christmas period. There is sufficient trucking capacity to cater for inland export and import cargo, domestic overland and inter-island shipments during the peak season.

Vietnam, Cambodia, Myanmar:
Fuel prices have eased by 5-10% across Vietnam, Cambodia & Myanmar driven by multiple factors. Cambodia and Thailand have signed an MOU on logistics cooperation focusing on logistics costs and performance and strengthening institutional and stakeholder capacity. The scope & level of Infrastructure fee in Ho Chi Minh City has been revised effective 1st of August.

Major Ports Update

Vessel Waiting Time Indicator

	Less than 1 day	1-3 days	More than 3 days
APA Ports	Busan, Qingdao, Dalian, Xingang, Shanghai, Ningbo, Xiamen, Yantian, Nansha, Hong Kong, Singapore, Port Klang, Tanjung Pelepas, Napier	Shekou, Lyttleton, Port Chalmers, Melbourne, Brisbane	Tauranga, Auckland, Sydney
Rest of World	Tema, Lome, Apapa, Pointe Noire, Dakar, Durban	Seattle, Newark, Norfolk, Charleston, Miami, Haifa, Luanda, Kribi	Hamburg, Rotterdam, Bremerhaven, Haifa, Koper, Long Beach, Los Angeles, Oakland, Vancouver, Prince Rupert, Savannah, Houston, Abidjan, Dar Es Salaam, Zanzibar, Cape Town

Remark: Numbers are dynamic and subject to change.

Resources and tools to support you

Visit our "Insights" pages where we explore the latest trends in supply chain digitization, sustainability, growth, resilience, and integrated logistics.

Learn what's happening in our regions by reading our Maersk Europe and North America and Latin America updates.

Visit us at Maersk.com to handle everything from "Last Free Day" to online payments.

We value your business and welcome your feedback. Should you have any questions on optimizing your cargo flows, please contact your local Maersk professional.

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