

Growth momentum improving as inflation continues to loom

Stay up to date as the Asia Pacific market rebounds



May 2023 Issue

In the May Asia Pacific Market Update, what you will get out from are:

- Current Growth Forecast
- Trending Topic: E-commerce
- Asia Pacific Trade Outlook
- Asia Pacific Logistics News
- Key Trade Lanes Outlook
- Ocean, Air and Inland Updates
- Vertical Insight: Electric Vehicles

If there are any new topics you would like to talk about, please let us know by filling out our survey form [here](#).

Market Trends

Global PMIs show that growth momentum continued to improve throughout the first quarter of 2023. This growth is being driven by services as China continues post-pandemic reopening and energy prices stay low.

Global manufacturing 'orders-to-inventory' ratio is unchanged in April, sitting at 0.99, while manufacturing export orders increased slightly.

The inflation rate in Europe remains at record highs, following a rapid increase throughout 2022 and the peak remains uncertain. The inflation rate in the United States, however, has reached a peak and the squeeze on consumer spending power should ease off. Core inflation, excluding food and energy, is proving sticky and it remains uncertain when this should drop down to the FED's inflation target of 2%.

Trending Topic

E-commerce

E-commerce saw rapid growth during the pandemic, and consumer preference for shopping online isn't expected to fade any time soon. Growth in E-commerce in Asia Pacific is expected to outpace the rest of the world through to 2026 with nearly every country in the region having experienced an increase in e-commerce penetration rates over each of the past seven years.

Digital payments are becoming more widespread

One of the major factors driving e-commerce is widespread adoption of digital wallets in the Asia Pacific region. 65% of consumers here claim mobile apps are their most common channel for purchasing goods with 35% paying using a digital wallet. This is quickly becoming a point of focus for businesses in the region, as 81% of consumers claim that a positive digital payment experience would convince them to choose digital wallet payments over traditional payment methods in the future.

Social commerce is on the rise

Asia Pacific is seeing significant growth in the social commerce area. This relatively new concept, integrating social apps and e-commerce channels, is becoming the new normal for younger consumers. This gross merchandise value for this sector is expected to show a 10.6% compound annual growth rate through to 2028.

A greater emphasis on speed

Multiple studies show speed of delivery has a major impact on purchase decisions for e-consumers. 75% of consumers in Asia expect a product ordered before midnight to be delivered the next day. With e-commerce growing, this is placing stress on supply chains to meet customer demand for quick delivery. Intermodal transportation is an important part of helping companies meet these changing demands.

News Bites

Vietnam experiencing air slowdown

Aviation cargo transport throughput for Vietnam dropped 28.2% year on year for January and February 2023. This is due to a global recession causing declining consumption. While China is quickly returning to normalcy, delivery levels of Chinese products and materials to other countries have yet to reach pre-pandemic levels.

5G IoT is on the way

5G IoT is expected to have wide ramifications on the logistics industry, increasing efficiency and customer service through superior digitisation. IoT connections are expected to grow to 3.23 billion by 2025, a compound annual growth rate of 87.9%.

E-cigarette disruption may be coming to a close

According to the Hong Kong Association of Freight Forwarding and Logistics (HAFFA), the restriction on e-cigarette transport business from mainland China caused a 30% decline in year-on-year air freight volumes. HAFFA has now welcomed a proposal to ease the April 2022 shipment ban, which if successful would help air freight volumes return to previous levels.

Ocean Update



Ann-Sophie Zerlang Karlsen

Head of Asia Pacific Ocean Customer Logistics

"Global manufacturing is stable while we see some uptick in manufacturing for exports. We continue to focus on staying agile and adjusting our network to serving our customers in the best way possible."

Key Market Outlook Across Trade Lanes

Trade	Trade Statement	Critical destination port situation updates
Asia Pacific - North Europe	Demand remained stable throughout April and May and has not seen any drastic surge.	No major disruptions.
Asia Pacific - Mediterranean	Asia Pacific to Mediterranean demand is healthy and space is available. We expect full network while we are proactively working on additional capacity to cater to customer demand. Some bottlenecks to off ports via Feeders due to port congestions and backlog cargoes (e.g. Poti, Mersin, Iskenderun, Damietta and Alexandria etc). We are making several contingency plans to lift out restrictions to minimize customers supply chain plan. Market demand is expected to continue growing throughout Q2. SPOT remains the best platform for enabling fast and accurate quotes with market relevant rate.	No major disruptions.
Asia Pacific - North America	<p>Overall, Asia Pacific to USWC space is available but Asia Pacific-USEC network is imbalanced meaning overflowing happened on some services while some other services are still open. The Panama drought season is causing draft issues in the canal, reducing the Panama string capacity.</p> <p>The Los Angeles and Long Beach terminal productivity situation regarding labour shortage risk is still under close monitoring. Please stay tuned to Maersk.com for the latest updates. So far the terminal is operating as normal.</p> <p>The waiting time is improving overall. USEC waiting time stays okay at 0-2 days.</p> <p>Vancouver waiting time is significantly reduced to 3 days. A stable weekly coverage is expected soon.</p>	<p>Overall USEC ports: 0-1 day waiting times</p> <ul style="list-style-type: none"> - Savannah: 0-1 day - Houston: 0-1 day - Los Angeles/Long beach: 0-1 day - Seattle: 0 day - Prince Rupert: 1 day - Vancouver: 3 days

<p>Asia Pacific - Latin America</p>	<p>Strong demand for WCSA and Mexico continues. We will continue to provide additional supply via upgrading vessels and ad hoc TP8 calls to Mexico to support customers need.</p> <p>ECSA space is available to cater for demand.</p> <p>SPOT and NORs remain the main service continuing to provide for customer needs.</p>	<p>No major disruptions.</p>
<p>Asia Pacific - West Central Asia</p>	<p>Market demand remains stable into Middle East and India/ Pakistan. We expect full network across May while we are proactively working on additional capacity to cater for customer demand. SPOT remains the main service offered to meet customer needs.</p>	<p>No major disruptions.</p>
<p>Asia Pacific - Africa</p>	<p>Market demand is showing a positive trend; however a lot of uncertainty remains, including high inventory levels, high inflation ratio and political unrest. We will stay agile to adjust the network and adapt to demand. We highly recommend customers plan in advance in order to secure space.</p> <p>Destination port waiting times are improving and the vessel on-time delivery ratio is picking up. We will continue to push for better schedule reliability.</p> <p>As the political conflict in Sudan continues, we aim to ensure you have the necessary information to better plan your supply chain. Please follow this link for the latest Sudan situation update: https://www.maersk.com/news/articles/2023/04/19/sudan-situation-update</p>	<p>Waiting time:</p> <ul style="list-style-type: none"> - Matadi: 5-7 days - Zanzibar: 35 days
<p>Asia Pacific - Oceania</p>	<p>Asia to Oceania trade is showing a decline in demand, as increased interest rates are having a negative impact on household spending. The Australian household spend index reduced from 149 in December 2022 to 130 in March 2013. Oceania import volume is further</p>	<p>Waiting time:</p> <ul style="list-style-type: none"> - Bushan: 1.5 days - Ningbo: 1.5 days

impacted by relatively high stock levels, reducing the import demand. We expect the demand to increase from June/July in preparation for the peak season and Christmas rush in late Q3 2023.

20ft DRY equipment remains tight in key Greater China port locations, we encourage our customers to book 40ft DRY/HDRY containers for general cargo bookings.

Our new South East Asia to Australia Ocean network has now been implemented in full and we are pleased to offer our customers improved flexibility and frequency with our four weekly departures from South East Asia hub ports to Australia.

Oceania - World

The New Zealand supply chain disruption remains, with severe weather events on May 9th impacting the rail and depot operation in the upper North Island. Port of Tauranga and Ports of Auckland have reinstated fixed vessel schedules while Lyttleton Port continues to operate vessels on a 'first come first served' basis due to labour shortage, negatively impacting schedules.

To minimize impact on our customers, the Southern Star service is the only international service calling at the port of Lyttleton on a fixed weekly schedule, offering customers improved supply chain reliability.

To improve reliability on the Oceania to Americas West Coast trade, we have implemented some changes to the PANZ service network effective from June.

In Australia, the new cotton season is increasing export demand to China. We are pleased to report that the Dragon service connecting Australia East Coast ports to Greater China Area delivered 89% schedule reliability in March 2023.

Waiting time:

- **Taurange:** 0-1 day
- **Auckland:** 0-1 day
- **Napier:** 0-1 day
- **Lyttleton:** 0-2 days
- Performa windows suspended.

<p>Import – Asia Pacific</p>	<p>Competitive rates have been set on Europe trades.</p> <p>Overall space is almost all open apart from the occasional issues and we welcome more 20' containers coming into destination.</p> <p>We offer logistics services at destination for your cargo as integrated solution bundling with ocean. Please contact your customer service rep. if you are interested.</p>	<p>We have expanded the scope of using Shanghai Yangshan Terminal as a transit port to carry cargo into North China on various trades (i.e. Latin America, Pacific, North Europe, South Africa, Oceania, etc.) to help you shorten transit time and provide more stable schedule reliability. We have shortened transit time from Durban to Xingang by 7 days with this option during citrus seasonality.</p>
<p>Intra-Asia</p>	<p>Demand in May was impacted by the early May holidays and volume is expected to pick up the second half of the month. We are expected to run at high to full capacity on main headhaul sectors towards the end of the month.</p> <p>In May we are starting 2 new VSA services that give us improved and additional direct product coverage from/ to China-Malaysia and China-Haiphong (I86 and NV2).</p>	<p>All schedules and ports have been running smoothly since February.</p>

Monthly Vertical Insight: Electric Vehicles are making an impact

The automobile manufacturing industry is a cyclical industry, which is greatly affected by the global economy, purchasing intentions and consumption power. Although the pandemic has had an impact on the auto market, China's support for the auto industry, measures to stimulate consumption and the rapid development of new EV (Electric vehicle) have promoted the release of domestic and foreign auto demand. This has helped promote a steady recovery over the past two years.

Electric Vehicles are growing rapidly in China

With the high growth of new EVs, the penetration rate of new EVs in China increased from 4.8% in 2018 to 27.6% in 2022. The penetration rate of EVs in the world is expected to reach 16% by 2025 and 49% by 2035. In 2023, the overall production and sales volume of EVs is expected to reach 10 million units, achieving a growth of more than 30%. The export volume of EVs (including commercial and passenger EVs) is expected to be close to 800,000 units from China.

Due to increasing popularity of the EV market, new energy vehicle sales are expected to experience rapid growth in 2023.

Looking to the future

In the long term, the EV market still has a lot of room for growth. Manufacturers and other companies in the industry continue to research new energy technologies, and many basic support systems such as charging and battery swapping need further development. Traditional car companies and new energy car companies will continue to invest more in research and development,

and brand competition will intensify. By 2026, more than 150 electric cars will hit the market, including Tesla, Cadillac, Chevrolet, Hummer, BMW, Volvo, Hyundai, Kia, Mazda, Toyota, Lexus, and many other big-name manufacturers.

Digital solutions are becoming more important

The complexity of automotive products and automotive product development is increasing day by day. In particular, the amount of software and coding in cars has increased dramatically. OEMs must continue to invest in research and development to meet market demand to maintain technological competitiveness. By 2030, software costs will account for 60% of vehicle costs, up from the current 15%. However, battery and electronic control technology is still the most fundamental foundation of EV.

A changing sales model

In the future, we can foresee more changes in the sales model for automobiles. Auto retail OEMs are following Tesla's direct sales model. How to better manage data, better comply with import and export regulations, and better use data to create business value is a new challenge. For traditional car dealers, it is the trend of the times to transform from selling cars to managing users and operating data in the post-market business model. As a logistics provider, we need to closely transform the model of the auto dealership, helping customers complete the transformation through professional logistics solutions.

Supply chain disruptions continue to be an issue

The continued turmoil in the supply chain in 2023 will affect the production of both fuel vehicles and electric vehicles. Relevant data shows that due to the shortage of chips, among other aspects, the production of nearly 2-3 million diesel locomotives will be affected in 2023. Because the number of chips needed to produce an electric car is about 30% more than that of cars using internal combustion engines, electric vehicles will be more affected by the chip shortage. Increasing interest costs, unstable economic conditions and increasing regulatory requirements will continue to affect the stability of the supply chain, thereby increasing the financial pressure on enterprises, which may lead to business interruption for enterprises.

The connection and cooperation between the automotive ecological industry chain are two key factors to ensure the resilience of the supply chain and reduce the risk. Through a data-driven software platform, combined with the use of advanced data analysis, AI and machine learning technologies can provide enterprises with predictive and prescriptive insights, as well as improve connection and cooperation of within the industrial chain can be improved.

Modern automobile logistics includes the comprehensive management and integrations of modern transportation, warehouse, processing, packaging, product circulation and logistics. As a bridge between raw material suppliers, manufacturers, wholesalers, spare parts manufacturers, logistics companies and end users, it is also an organic link between the production and consumption processes of commercial products. For automobile companies, automobile logistics include making production plans, listing purchase orders, strengthening tracking, logistics services, supplier management, transportation management, import and export, receiving, storage and other material distribution, unfinished product management, production line material management, and vehicle traffic control.

Due to a strong dependence on upstream and downstream industries, the automotive industry has stricter management requirements for the supply chain, and cost and timeliness are two unavoidable topics. These requirements have brought professional challenges to traditional logistics providers. While this is a challenge, it also represents the only way for us to dig deep into the customer's industry.

Air Update



Air Market Trends

Industry-level air cargo load factors (CLFs) have been trending downward since the spring of 2021, due to softening air cargo demand and the recovery of belly-hold cargo capacity on passenger flights. Over the same period, load factors on major trade lanes declined moderately, while remaining above the industry average.

Global air cargo demand decreased in March, but at a slower rate than in February and January, with cargo tonne kilometres (CTKs) falling by 7.7% year-on-year. This reflects a continued trend of improvement compared to the steep annual decline of -16.8% observed in January and double-digit decreases in earlier months.

Air cargo capacity grew 9.9% year-on-year, primarily due to the increasing belly-hold capacity from passenger aircraft.

The diminished strength of fundamental air cargo drivers, such as trade and manufacturing exports, continued to dampen potential gains in air cargo traffic, as global new export orders remained weak for a full year.

Air cargo remains an important piece of the logistics puzzle

Every supply chain must grapple with disruptions and delays, but air cargo is one of the best ways to add resilience to a supply chain. Learn more [here](#).

Air market regional updates:

Maersk Greater China Area

Market rate in April and early May is floating, due to the unstable volume and Labour Day holiday impact. Our own operating product - Maersk Air Cargo - has been upgraded to 6 round trips between China and U.S. and 7 round trips between China and Denmark.

Japan:

International Air Cargo Handling Volume in Japan Continues to Decrease for 13 Consecutive Months

The nationwide international air cargo handling volume for March 2023 in Japan decreased by 13.7% Year-on-year to 298,227 tons, marking the 13th consecutive month of decline. Loading decreased by 12.1% to 140,845 tons and unloading decreased by 15.0% to 157,382 tons. The five major airports in Japan, which account for 99.3% of the total volume, also reported a decline in handling volume, with Narita Airport showing the largest decrease of 21.8%. The decrease in export and import volumes has been significant, while temporary landing volumes for both loading and unloading are increasing. Haneda Airport, however, showed a sharp increase of 51.3% due to the recovery of passenger flights.

Oceania:

Carrier routings and frequencies continue to climb across the month of May, which offers customers an extended range of direct and deferred capacity options.

Mainland China and Hong Kong capacity provides higher stability on fixed blocked space products with premium airlines.

Vietnam freight levels from SGN and HAN also slightly decreased from April levels on the back of additional capacity.

Bangladesh, India and Pakistan freight once again see slower market easing, with deferred options delivering best solutions for customers.

Australia and New Zealand imports from Indonesia remain stable for May.

Australia to New Zealand exports freight levels are finally seeing costs decrease as capacity levels grow.

Similar to April markets, further savings can be made for customers with higher flexibility of transit time and selection of indirect services.

Indonesia:

The market is still soft for Indonesia and the Philippines. Indonesia is just back to normal in May after the two-week long Eid Al-Fitr festival.

Capacity remains open for Intra-Asia, United States and Europe lanes. An increase on passenger will impact premium rate and allocation at Hub. The overall situation is still manageable.

The buying trend will most likely remain stable or decrease a little until next month.

Most tender awards will be announced in May and we expect to get incremental from Q2 until end of year. For ID keep campaign and share to network on Denpasar (DPS) gateway for transshipment from EU/US/Intra Asia to OCE area and East Timor (Timor-Leste).

Inland Services Update



Intermodal continues to make waves:

Intermodal remains a great disruptor within the logistics industry, representing a cost-effective and agile method of navigating the difficult logistics landscape in Asia Pacific. Learn more about how intermodal transportation improves supply chains [here](#).

Maersk Greater China Area Cross Border Rail Update:

China - our Maersk Cross Border Rail team is focused on developing Central Asia services. Now Maersk can provide multiple railway services from China to Kazakhstan, Uzbekistan and other Central Asian Countries. We can provide tailor-made block train services or regular space commitment of single container according to customer preferences. Transit time performance is also continually improving. For example, it takes about 12 days from the main rail station in China to the Almaty Ramp.

China – Intra Asia Service:

Services from China to Intra Asian Countries such as Laos or Vietnam is fairly stable. Maersk has also launched a daily Thailand – China Cross Border Rail reefer service to support the fruit season. It takes only 5-6 days from the Thailand customer gate to Kunming Railway Station, which can support our customers in moving their fruit from the farm to the consumer market faster.

Greater China Area Warehouse Update:

Mainland China: All sites operation are running normal as usual without COVID impact.

Hongkong: All operations in HKDC resume normal operation, with no more Covid-19 measures in Hong Kong.

Taiwan: All sites operation remains normal.

The Philippines:

Inflation figures released in May indicate that headline inflation eased further to 6.6 percent year-on-year in April from 7.6 percent in March, well within the government's forecast range of 6.3-7.1 percent for the month. Although still above the government's average inflation target range for the year, the deceleration in inflation came as prices of food items such as vegetables, fish, and meat, continued to decline, pointing to an improvement in domestic supply conditions, while giving the government some flexibility for monetary policy.

Data recently released by the Philippine Ports Authority show Total container traffic (international and domestic) for the first quarter of 2023 totalled 1,994,759 TEUs representing a 5.6 % increase from the 1,889,265 TEUs registered in the same period in 2022.

Ports continue to be at manageable levels averaging from BOA to 0.5 days waiting time.

Japan:

Capacity for container drayage is stable in market.
 Demand for inland transportation has no major changes.
 We do not expect peak or slack season in the coming months.

Vietnam:

Difficulties in production and a decrease in export orders in the first quarter of 2023 continued to affect commodity exports in April 2023. The export turnover of goods in April 2023 was estimated at USD 27.54 billion, down 7.3% over the previous month and down 17.1% over the same period last year.

Major Ports Update

Vessel Waiting Time Indicator

	● Less than 1 day	● 1-3 days	● More than 3 days
Asia Ports	Qingdao, Xingang, Shanghai, Shekou, Xiamen, Yantian, Nansha, Chiwan, Hong Kong, Singapore, Tanjung Pelepas, Brisbane, Auckland, Tauranga	Busan, Ningbo, Lyttelton	
Rest of World	Bremerhaven, Rotterdam, Felixstowe, Valencia, Colombo, Savannah, Houston, Long Beach, Los Angeles, Seattle, Prince Rupert, Apapa, Onne, Tema, Lome, Abijian, Conakry, Maputo, Balboa	Vancouver, Pointe Noire	Matadi, Cape Town, Zanzibar

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 other regions by reading our [Maersk Europe](#) , [North America](#) and [Latin America](#) updates.

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