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HAMBURG SÜD ASIA PACIFIC MARKET UPDATE – JUN 2023

Maersk Asia Pacific Market Update keeps you in the loop for the second half of 2023.



While the first half of 2023 showed the overall global economy to be more resilient than expected, sticky inflation and residual effects of previous monetary policy leave analysts worried about the second half of the year. Growth in the second half is expected to be much slower than we saw over the previous six months, in part as questions have arisen about the strength of the Chinese economic rebound after Covid.

Featured in the June Asia Pacific Market Update

- Current Growth Forecast
- Trending Topic: Last-mile delivery
- Asia Pacific Trade Outlook
- Asia Pacific Logistics News
- Key Trade Lanes Outlook
- Ocean, Air and Inland Updates

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

The global composite PMI has continued to rise slowly throughout early 2023, reaching 54.4 in May. This growth momentum is being driven by services, as China nears a return to pre-Covid conditions. The global manufacturing 'orders-to-inventory' ratio remained unchanged in May, sitting at 0.99, while manufacturing export orders saw a slight increase.

The US inflation rate has now peaked and the squeeze on consumer purchasing power is expected to fade. Core inflation, with the exception of food and energy, is proving sticky and it remains unclear when this will come down to the FEDs target inflation rate of 2%.

Europe inflation remains high after increases throughout 2022 and analysts are uncertain when we will see the peak in core inflation.

Ocean SPOT freight rates are now back at pre-pandemic levels and have seen little movement since January 2023.

Trending Topic

The last mile is becoming more important than ever

The last mile delivery market is growing rapidly, in large part fueled by the rise in e-commerce and B2C verticals. Valued at USD 40.5 billion in 2021, the global last-mile delivery market is forecast to hit USD 123 billion by 2030. This represents an increase of over three times, representing a compound annual growth rate (CAGR) of 13% over the next eight years. Currently, Asia Pacific has the largest piece of the last mile delivery pie, valued at USD 16 billion or 39% of the global total. Growth is also expected to outpace the rest of the world with a projected CAGR of 14% through 2030.

Why is last-mile delivery critical in APAC?

While e-commerce growth is relatively slow compared to during the pandemic, it is still experiencing steady growth around the world* and Asia Pacific is leading the way in e-commerce adoption, growth and sales. Due to its online nature, e-commerce and last-mile delivery go hand in hand. This means that as e-commerce grows, the last-mile delivery market will tend to grow as well. Additionally, e-consumers have higher expectations for product delivery than ever before. 73% of online shoppers in Asia Pacific expect orders placed before midnight to qualify for next-day delivery.

What does the future of last-mile delivery look like?

New technologies are already driving transformation of the last-mile delivery sector. Robotics and automation are adding convenience and efficiency to last-mile deliveries, propelling the growth of the autonomous last-mile delivery market. Blockchain and smart contracts will help solve many problems e-commerce has previously faced, including transparency, security and accuracy of deliveries. Finally, AI and more powerful analytic tools will work to optimize delivery routes and mitigate or solve delays.

Green is still key

As sustainability continues to see higher priority from businesses throughout Asia Pacific, last-mile delivery remains an important part of the equation. A 2020 World Economic Forum report predicts that without intervention, carbon emissions associated with last-mile delivery could increase by 32% by 2030.

Trade Outlook

The macroeconomic environment has been better than predicted over the first half of 2023, but the second half of the year is expected to be weaker.

The impact of past monetary policy tightening is beginning to show an effect as the global economy begins to slow. Both Europe and the United States have started 2023 off with more robust GDP numbers than expected, but most forecasters expect growth to be more downbeat through the remainder of 2023.

US consumers have up until now proved surprisingly resilient to high inflation and higher borrowing cost, which has carried goods consumption further than most had expected. The main reason for this is labour markets are holding up more robustly, with unemployment close to historical lows, helping hold up consumer demand. Another reason for this resilience is excess savings accumulated by consumers during the pandemic.

In Europe, the near-term activity indicators and consumer confidence have improved from the lows in Q3-Q4 2022 and point to a mild growth acceleration heading into Q2 driven by the services sector. With that said, the cyclical outlook remains challenging as inflation remains high and sticky, unemployment remains at historical lows, credit conditions are tightening, inventories remain elevated and the external outlook is challenging.

In China, Q1 GDP data came in stronger than anticipated, driven by a post-Covid reopening bounce in services sector activity that has materialized faster than most anticipated. The manufacturing sector has also seen a Q1 bounce in activity, likely driven by backlogs from the Zero-Covid period, but has fallen back into contraction territory in April. The services PMI also fell back in April and, although the level remains elevated, this could suggest that the pace of recovery is now slowing.

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News Bites

The Australia-United Kingdom Free Trade Agreement (FTA) is the UK's first new trade deal signed since Brexit. The agreement, which went into effect on 31 May 2023, will remove tariffs on over 99 per cent of goods traded.

As a modern and comprehensive free trade agreement, the AUKFTA's 32 chapters cover the full scope of trade and regulatory matters, as well as reaching into new areas like gender equality and animal welfare.

Australian amendments to the Harmonized System (HS) chapters dealing with chemicals, building materials, vehicles and the textile, clothing and footwear chapters see few changes from most favoured nation duty rates. However, there is an immediate elimination of tariffs on goods that focus on the agriculture sector including wine, rice, honey, nuts olive oil, seafood, produce and processed foods.

Similarly for the UK, there is an elimination of tariffs on all food products including UK biscuits, whisky and gin exports (previously 5%) and cheese (previously around 20%). UK manufacturers will also benefit from tariff-free exports, flexible Rules of Origin and simplified customs procedures. The UK's vehicle manufacturers exported automotive goods worth £343 million to Australia in 2022 and will now benefit from all Australian automotive tariffs being cut to 0%.

Indo-Pacific Economic Framework talks result in tentative deal

The recently held Indo-Pacific Economic Framework (IPEF) ended with a deal 'substantially completed'. The IPEF talks were attended by trade ministers of 14 Asia Pacific countries and were aimed at helping make supply chains more resilient and secure.

This agreement would represent the first of its kind and in practice would see countries forming a council in order to ensure supply chain activities remain coordinated. Additionally, a 'Crisis Response Network' would help give countries advance warning of supply chain disruptions.

Smartphone industry getting back on track

Global smartphone shipments have been hit hard over the recent period, with a 9.6% year-on-year drop in 2022. However, the market is finally stabilizing, with 2.4% growth expected in 2023. This growth trend is expected to continue, with a forecasted CAGR of 1.5% from 2023 to 2028, exceeding 1.3 billion annual shipments by 2025.

While trade wars, inflation issues and supply chain troubles will continue to present a challenge to the sector, the increasing affordability of 5G technology, coupled with quickly growing markets like India, should offset the challenges and result in overall growth.

Ocean Update



"While the global economy is feared to slow down in the second half of the year, we continue to see growth in parts of the logistics business, where last-mile is taking the lead fueled by the rise of e-commerce across the region which is expected to triple by the year of 2030! In Maersk we are working hard to enable our customers to participate in this market growth, maintaining delivery across the supply chain in volatile times."

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

Market demand continues to show positive sign across different trades and we expect more volume in the summer. We will keep monitoring and fine tuning our network to cater to customer needs.

Port situations are stabilized, with less overall waiting time across trades and improved schedule reliability. Schedule reliability and stable service continues to be our focus moving forward.

Key Market Outlook Across Trade Lanes

Trade	Trade Statement	The most critical destination port situation update
Asia Pacific – North Europe	Volumes continue to increase from mid-May towards the end of June, in line with normal peak seasonality.	No major disruptions.
Asia Pacific - Mediterranean	Asia Pacific to Mediterranean demand is healthy as we enter the summer peak season. We expect full network while we are proactively working on additional capacity to cater to customer demand. Expect some bottlenecks to off-ports via Feeders due to port congestions and cargo backlog (e.g. Poti and Mersin etc). Market demand is continuing to grow and SPOT remains the platform enabling fast and accurate quotes with market relevant rates.	No major disruptions.
Asia Pacific - North America	<p>Overall, Asia Pacific to US West Coast space is available but APAC to US East Coast network is full. The drought season in Panama is causing Panama canal draft issues that is cutting the total capacity of Panama strings in the market.</p> <p>At Maersk, Panama services are overflowing in weight, but we are optimizing the network to secure a stable service for our customers.</p> <p>The Los Angeles and Long Beach terminals productivity situation due to a potential labour shortage risk is still being closely monitored. Keep an eye on Maersk.com for the latest updates.</p>	<p>Overall USEC ports: 0-1 day waiting time</p> <ul style="list-style-type: none"> - Savannah: 0-1 day - Houston: 0-1 day
Asia Pacific - Latin America	<p>South America West Coast demand is covered by increased market capacity and rates have stabilized. Meanwhile, the Caribbean market will be covered by AC3 after the termination of AC6.</p> <p>South America East Coast demand is increasing. We are offering alternative transshipment services (e.g. on AC2) to help customers on increasing demand.</p> <p>SPOT and NORs remain the main products to best help meet customer needs.</p>	Manzanillo port congestion. Lazaro is suggested for volume diversion to mitigate impact.
Asia Pacific - West Central Asia	Market demand remains stable into the Middle East and India/Pakistan. We expect full network across June while we are proactively working on additional capacity to cater to customer demand. SPOT remains the main product to best help meet customer needs.	No major disruptions.

Asia Pacific - Africa

We expect market demand to remain stable in the coming months. However, destination countries are still facing high inflation rates and some countries also face possible political unrest. We aim to provide as much information as we can to help you to better plan your supply chain. Please keep an eye on [maersk.com](https://www.maersk.com) for customer advisories, which will be issued for specific countries as needed. We will remain agile, adjusting the network to meet demand.

Since wait times are improving at most destination ports, the on-time delivery ratio for vessels is also picking up. We will continue to work towards better schedule reliability.

The situation in Sudan is volatile, but Port Sudan remains calm.

Booking acceptance has been resumed for both long-term and short-term contracts. We will keep you informed on the latest Sudan situation news via this link: <https://www.maersk.com/news/articles/2023/04/19/sudan-situationupdate>

Waiting time:

- **Matadi:** 3-5 days
- **Zanzibar:** 30 days

Asia Pacific - Oceania

Market schedule reliability on the trade between Asia and Australia improved by 9 percentage points in April to 60%. We are pleased to advise our customers that the Maersk Dragon ©2023 A.P. Moller – Maersk service, connecting the Greater China Area with Eastern Australia, delivered 100% reliability in April, a best-in-class performance! Asia to Oceania trade is showing a decline in demand as increased interest rates are having a negative impact on household spending. We expect the demand to increase from July in preparation for the peak season and Christmas rush in late Q3 2023.

To accommodate the increase in anticipated demand during Q3, we are pleased to advise our customers that we have increased the availability of 20ft DRY equipment across Greater China Port locations, providing opportunity for growth into both Australia and New Zealand.

Ningbo: 2 days delay

<p>Oceania - World</p>	<p>In Australia, the cotton season is causing increasing export demand to China. We are pleased to report that the Dragon service connecting Australia East Coast ports to Greater China Area delivered 75% schedule reliability in April 2023, ahead of the market performance at 56.9%. The reefer peak season in New Zealand is coming to an end in June/ July, easing demand during July and August for exports from New Zealand to Asia. We continue to see improvement in schedule reliability on the Oceania to US trade, with the Maersk OC1 service connecting Oceania to US East Coast delivering 62.5%, ahead of the market average at 43.6%. We continue to offer 5 weekly departures from the Australian East coast to New Zealand. In order to offer high frequency of departure and flexible supply solutions, we would like to recommend our less than a container load (LCL) service to optimise your supply chain flow and costs.</p>	
<p>Import – Asia Pacific</p>	<p>Space is generally available for almost all import trades. We encourage you to place bookings as early as possible to better serve your needs for cargo shipping back to China.</p> <p>There are no major operational bottlenecks in European origin countries; overall vessel waiting times in China ports are also healthy, sitting at around 1 day.</p>	<p>Sanshan is now open for importing frozen aquatic products post-Covid. Please feel free to resume bookings from origin countries into this port.</p>
<p>Intra - Asia</p>	<p>Overall market demand is down compared to last year. However, we have seen a slight pick-up in volume after the early May holidays and this looks to continue into June.</p> <p>This is resulting in higher utilization on our main services ex-China and we are working on some network tweaks to cover our customer demand.</p> <p>Operationally, our reliability has been steadily improving this year.</p>	<p>All schedules and ports have been running smoothly since February.</p>



Maersk Greater China Area:

Volume to the United States and Europe is still flat, similar to the previous period. This is due to still being within the traditional slack period.

Maersk arranged a customer event in Hangzhou this May and invited our main clients to visit our Caterpillar aircraft.

Japan:

New Narita Airport Concept Aims to Transform Cargo Area into an Asian Cargo Hub

The "New Narita Airport" concept, proposed by the Narita International Airport Company (NAA), aims to transform the airport and its cargo area into a unified and efficient facility. The plan includes the construction of a new runway to be completed in March 2029, followed by the integration of the current passenger terminals and cargo areas into a single airport. The goal is to develop into an 'Asian cargo hub' within the next 10 years. The consolidation of airline and forwarder sheds into a large-scale facility, along with the introduction of advanced technologies such as automation, is anticipated to enhance cargo processing efficiency. Additionally, the proximity of the new cargo area to the Ken-O Expressway and the availability of nearby farmland for logistics facilities present opportunities for further development and utilization of the area. The realization of an 'East Asian Cargo Hub' requires collaboration among airport companies and related businesses to establish a long-term vision for the future.

Japanese Air Cargo Volume in March: International Traffic Declines, Domestic Transport Shows Growth

Preliminary air transport statistics from the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) reveal a 12.2% year-on-year decrease in international air cargo volume for Japanese carriers in March, amounting to 125,371 tons. This marks a decline of 19,142 tons compared to February (-17.0% YoY). Notably, while China saw an increase in airfreight volume surpassing the previous year's level, other Asian countries and the Americas experienced declines.

Oceania:

June air solutions highlight regional freight cost levelling with Vietnam, Indonesia, Bangladesh, India and Pakistan reporting little to no change in customer solutions from May.

China and Hong Kong markets offer surplus capacity on longer transit time options with savings on freight costs for customers with flexible product lead times.

Shorter transit times see small freight pricing movements driven by demand on narrow body aircraft.

Australia to New Zealand exports costs trend similar to May levels.

Exports from New Zealand and Australia to the rest of the world enjoy higher flight rotations and new carrier routings which will further soften markets across the coming months.

Vietnam, Cambodia, Myanmar:

Vietnam: the June market prediction is still not promising in this area, as the demand for Air is very low while capacity is open to all trades.

Inland Services Update



Greater China Area CHB Update:

As of the end of April 2023, China's total import and export goods value was approximately USD 1.86 trillion, a year-on-year increase of 5.8%. The trade surplus was USD 282.4 billion. Within this figure, the total export value was USD 282.3 billion, a year-on-year increase of 10.6%. The total import amount was CNY 789.3 billion, a year-on-year increase of 0.0%. For the largest foreign trade partner, the United States, the cumulative total import and export volume is about USD 209 billion, a year-on-year decrease of 4.2%, accounting for 11.2% of the overall import and export volume.

Maersk Greater China Area Inland Shipping Update:

The market demand for trucking in some areas is sluggish due to economic impact and adequate capacity supply. Maersk continues to develop sea-rail and barge transportation services to enable the flexibility of transportation and fulfil the diverse needs of customers. We have recently launched the sea-rail combined transportation service from Sanming to Xiamen and the non-through bill barge service from Qinhuangdao to Dalian, which are beneficial for replenishing the traditional trucking business.

Indonesia Inland Update:

Both inland export and import volume are estimated to gradually increase starting from June up to the 3rd Quarter of 2023 due to mid-year peak season.

Retail and lifestyle goods have become a major contributor for inland export, followed by automotive parts and FMCG. Market capacity for inland trucking is still higher than demand, leading to unstable pricing in the market.

Philippines:

Philippines posted GDP growth of 6.4% year-over-year in the first quarter of 2023.

The new PH1 and IA10 services announced in mid-May 2023 is expected to go on full rotation by June. These services provide opportunities for direct Philippine exports to Japan and Southeast Asia. These services are targeted at serving customers in Cebu and Cagayan de Oro to Japan as well as Batangas and Manila to Cambodia and Thailand. Philippine ports continue to be at manageable levels, averaging from BOA to 0.5 days waiting time.

Singapore (TMS) - LCL:

Markets remain under pressure. Overall market volumes are down dramatically year-over-year to as much as 30-35%. While importers have resorted to depleting inventory ahead of putting in new orders, demand in Europe and North America remains very low. This low demand is due to many factors, but high energy costs are often mentioned as a factor driving up production and transport costs. Hopes for a modest pre-summer peak in June/July have been low, as the market still shows signs of being depressed.

From an LCL perspective, we see KCs in retail dropping forecasts by as much as 20% for the rest of the year. However we also benefit from some areas where BCOs do not have enough volume to load FCL year. However we also benefit from some areas where BCOs do not have enough volume to load FCL and resort to LCL. It looks like FCL will continue to struggle but year-on-year, volume-wise, LCL may break even.

Northeast Asia:

Asia to Europe Rail service (Middle corridor service)

Overall business is very slack due to ocean normalization (no competitiveness on rate, transit time, etc.)

Asia to Central Asia Rail service (via China railroad)

Demand is stable and some competitors have dominated overall business in a market.

Maersk is now developing this service, expecting to arrive in Q3 or Q4.

Major Port Update

		1-3 days	More than 3 days
APA Ports	Busan, Qingdao, Xingang, Shanghai, Shekou, Xiamen, Yantian, Nansha, Chiwan, Hong Kong, Singapore, Tanjung Pelepas, Brisbane, Auckland, Lyttelton, Tauranga	Ningbo	
Rest of World	Bremerhaven, Rotterdam, Felixstowe, Valencia, Koper, Ambarli, Savannah, Houston, Seattle, Prince Rupert, Apapa, Tema, Lome, Conakry, Balboa	Vancouver, Pointe Noire	Oakland, Los Angeles, Long Beach, Matadi, Dakar, Zanzibar

Remark: Numbers are dynamic and subject to change.

Please reach out to us if you have further questions about solutions for your supply chain. We are here to help you navigate through the current situation.

[CONTACT US](#)