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HAMBURG SÜD
A Maersk Company

HAMBURG SÜD **ASIA PACIFIC** **MARKET UPDATE – MARCH 2023**

Keep your cargo on the move with insights from our latest edition.



While the congestion pressure on global supply chains has eased, inflation and volatility around the world continues to leave logistics planning and execution a task filled with uncertainty. However, as countries, companies and the logistics industry as a whole continue to learn and adapt, supply chains around the world are finally beginning to stabilize and find equilibrium. As always, the monthly Asia-Pacific Market Update is here to ensure you're up to date on all the latest logistics news and trends.

Market Trends

PMIs suggest that growth momentum has improved in early 2023, but still remains weak. The global composite PMI experienced a slight rise in January, driven by both manufacturing and services as China reopens and energy prices fall. Manufacturing orders-to-inventory ratio also improved in February, along with manufacturing export orders.

The US inflation rate seems to have hit a peak, but analysts remain uncertain as to when it will come down to the target inflation rate of 2%*.

Europe's inflation rate, however, is at a record high, increasing rapidly throughout 2022, and may have yet to hit its peak.

Container trade declined from between October to December 2022**, with most regions continuing to experience negative growth.

North America and Europe port congestion continues to decline, while China port congestion continues to fluctuate.

**Source: U.S. BUREAU OF LABOR STATISTICS*

***source: CTS*

Trending Topic

Digitalization continues to create benefits for supply chains

Digitalization of logistics is one of the biggest drivers of growth for retail and manufacturing, positively impacting efficiency, visibility, customer service, flexibility, resilience and analysis. Despite the known advantages of a digitalized supply chain, a McKinsey study found that the average supply chain only has a digitalization level of 43%, a lower amount when compared to other operational areas.

Post-pandemic, more companies than ever are placing a renewed focus on supply chain digitalization, including choosing logistics partners that possess a highly digitalized logistics service. The benefits of digitalization are far-reaching, including:

Tracking - The ability to see the current location of every shipment, accurately predict arrival time, see and react to delays, improving accountability with customers.

Forecasting - Accurate historical data of shipping times, weather, cost, and inventory flow allow for more accurate forecasting of future trends, improving planning and prevention of risk.

Collaboration - Most supply chains involve multiple parties, and the capability for each party to access the same information improves collaboration and accountability.

Flexibility - Intermodal shipping allows for greater flexibility, and real-time visibility helps you see when you need to make a change to a shipping mode.

Resilience - Visibility, collaboration, multimodal shipping, integration, and forecasting all help improve resilience, but each and every one of these is in turn improved by digitalization. Unsurprisingly, a study performed by the International Monetary Fund found that companies with stronger digitalization experienced a smaller negative impact from the Covid-19 pandemic.



Trade Outlook

Major economies performed better than anticipated in the fourth quarter of 2022 thanks to falling energy prices, a warm winter and China's reopening. Declining headline inflation, strong fiscal support, consumer confidence off its lows and carryover growth from 2022 have led forecasters to moderately lift the 2023 outlook. However, this does not mean the global economy is back to normal. Global economic growth will be below 2% in 2023 (Maersk Official Anticipation of 2023 global GDP growth: 1.5%). Moreover, the current pull comes from the service sector.

If the global economy has until now avoided a recession, the manufacturing sector has not. All indicators point to a contraction in global activity; weaknesses result from the combination of high inventories, especially in North Europe, and low confidence in future consumer demand.

Viewed from the point of view of the consumer, the outlook sends mixed signals. In the US and Europe, an exceptionally strong labour market is supporting job security. However, declining but still high inflation creates a material loss in purchasing power and a need for yet higher interest rates, and therefore the concern about a decline in consumption once savings are exhausted.

Downside risks are not in short supply though: concerns exist about financial stability of some large US cities and the non-bank financial sector as interest rates continue to rise and cities face significant revenue loss. Moreover, while inflation has so far eased without precipitating a recession, the road to the Fed's 2% target is still long and narrow, and a US consumer goods spending reset could be much deeper and longer than assumed in our baseline.

Keep up to date with any changes on our advisories page here: [News & Advisories | Hamburg Süd](#)

News bites

Maersk introduces a new region to improve flexibility and resilience

Our parent company Maersk introduces the new IMEA region, which will take the place of the current regions of West and Central Asia and The African region. This new region will encompass the core geographies of the Indian subcontinent, the Middle East, and Africa, including important markets such as India, Pakistan, UAE, Saudi Arabia, South Africa, Kenya, Ivory Coast, Cameroon, Nigeria, Senegal, and Ghana, and more. This move will bring more resilience and reliability in supply chains in these regions. Your support team will stay the same, continuing to provide the excellent service you have come to expect.

Supply chain volatility continues to decrease

The GEP Global Supply Chain Volatility Index, an important metric for tracking supply chain stress on a global scale, further improved in February, marking the lowest figure since August 2020.

Raw material and component demand improves in Asia

While global demand for raw materials and components remains depressed, February saw the trend begin to ease in North America. Procurement managers in Asia are reporting an upswing in purchasing, the first since July of 2022.

Material shortages continue to improve

Reports of item shortages are lower than any period since September 2020.

A new worldwide focus on microchip manufacturing

Covid-19 highlighted the global reliance on microchips, and as recovery from the pandemic continues, nations around the world look to address the resilience of microchip supply. Companies and governments across both North America and Europe look towards new laws and investments to continue globalizing the manufacturing of microchips, ensuring future supply of this critical resource is geographically balanced and more resilient.

Ocean Update



"As the markets remain volatile through Q1, it is clear that demand for new solutions are increasing. Digitalization of logistics is one of the biggest opportunities in a volatile market, and Maersk remain focused on developing tools that can support our customers improve efficiency, visibility, customer service, flexibility, resilience and analysis.

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

Major economies include Europe and the US continue to report positive signs, while Asia-Pacific continue to lead all regions in growth. As Mainland China continues to reopen we are monitoring the market volume recovery closely and making adjustments as needed.

Port see less congestion in Asia and Europe, and improving weekly in the United States. The equipment situation remains healthy overall.

Greater China Area:

Together with our parent company Maersk, Hamburg Süd announces removal of call at the port of Ningbo from AC2 service to improve schedule reliability in the Asia-Latin America market. The change in service will be effective from the first vessel sailing of the Clifford Maersk. Coverage from Ningbo to Latin America will continue on a weekly basis via AC3 service for cargo connections, and the coverage from Latin America to Ningbo will also continue via the existing AC system.

Oceania:

Following continued disruption to the ocean network in New Zealand, and in response to the severe weather events in the North Island, the Polaris service is being re-started. The Polaris service will help minimise customer impact from current operational disruptions while continuing to connect customer supply chains during the upcoming New Zealand export season by increasing network flexibility across Australia and New Zealand.

Key Market Outlook Across Trade Lanes

Trade	Trade Statement	The most critical destination port situation update
Asia Pacific – North Europe	<p>The first surge in volume post CNY has abated. Markets in North Europe continue to show cautious consumer behavior basis the economical uncertainty. In connection to the uncertain demand in Europe we will continue to stike a healthy balance on blank sailings, ensuring that we maintain a competitive service offering.</p> <p>No benefit to making claims like this that you cant support!</p>	<p>Port operations in Europe remains stable without major interruptions.</p>
Asia Pacific - Mediterranean	<p>APA to MED demand is healthy and spaces are available. We expect full network across MAR and are proactively working to match capacity with customer demand. We lift out several bottleneck at several destinations (LISBON, LEIXOES and SINE etc) after strikes were called-off.</p> <p>In order to provide dynamic options to customers, we recently launch the barge service to Reni, Ukraine via CONSTANTA.</p>	<p>Below ports face 2-3 days of delay:</p> <ul style="list-style-type: none"> - TRISTE(ITALY): High yard density, berthing delayed up to 2 days further upon arrival - KOPER(SLOVENIA): High yard density, berthing delayed up to 2 days further upon arrival
Asia Pacific - North America	<p>Overall, APA to NAM space is available but USEC network is sightly imblanced. We are balancing cargo mix among services to provide customers with a more stable network.</p> <p>The waiting time is improving overall, USEC waiting time stays OK at 0-2 days. Vacncouver waiting time is significantly improving, 8 days waiting for end March and reducing to 3 days in Apr. Stable weekly coverage is expected after April.</p>	<p>Overall USEC ports: 0-2 days waiting time</p> <ul style="list-style-type: none"> - Savannah: 0-1 days - Houston: 0-1 days - Los Angeles/Long beach: 0-1 days waiting time. - Oakland: 0-3 days - Seattle: 0 days - Prince Rupert: 2 days - Vancouver : 8 days
Asia Pacific - Latin America	<p>Gradual volume pick up expected for both ECSA and WCSA in March. However, more extra loader announced in the market for WCSA which causing supply and demand imbalance and rate pressure.</p> <p>APA to ECSA demand is healthy and expect to have full network across March. SPOT and NORs remain to be the main product which continue to offer for customers need.</p>	<p>Overall operating normally</p>

<p>Asia Pacific - West Central Asia</p>	<p>Overall APA to Middle East and India / Pakistan demand is healthy. We expect full network across March. SPOT remains to be the platform enabling fast and accurate quote with market relevant rate.</p>	<p>Overall operating normally.</p>
<p>Asia Pacific - Africa</p>	<p>Volume is picking up gradually in March, some service has been resumed after CNY blanking, market capacity is sufficient to cater the volume increase.</p> <p>Destination countries are still dealing with high inflation, high interest rates and currency depreciation. Demand outlook remains cloudy.</p> <p>SPOT will be open 4 weeks advance with market relevant rate. Schedule reliability will continue be our focus in coming months.</p>	<p>Waiting time: Cape Town is facing strong winds, the wind impact is expected to ease Mid-April followed by terminal recovery process. Current waiting time is between 16-18 days.</p> <p>Matadi: 7-9 days</p> <p>Dakar: 2-4 days</p> <p>Dar Es Salaam: 3 days</p> <p>Zanzibar: 35 days</p>
<p>Asia Pacific - Oceania</p>	<p>OCE import market outlook is stable overall, slowly picking up from post CNY slack. SPOT product is open for all services and remains to be the main tool to support our customers short term need. With the launch of new SEA network, we restore schedule reliability from March.</p>	<p>Overall operating normally</p>
<p>Oceania-World</p>	<p>Schedule Reliability January 2023 results show that reliability continues to improve, vs January 2022:</p> <p>Oceania-Asia trade +19% , Maersk with 43% remains ahead of the market average at 39%.</p> <p>Oceania-N. America trade +18%. Maersk with 77% remains ahead of the market average at 61%.</p> <p>At Maersk we continue to invest in improving our Schedule Reliability, We are re-launching the Polaris service to assist minimize customer's impact from the current operational disruption while continuing to connect our customers supply chains during the upcoming New Zealand export season, by increasing network flexibility across Australia and New Zealand.</p>	<p>Waiting time:</p> <p>Asia: 0.5-2.5 days</p> <p>US-East Coast: 0-2 days</p> <p>US-West Coast: 0-3 days</p> <p>Tauranga Port: 4 days (for on time vessels)</p>

Intra-Asia

With demand returning back to full swing following CNY, we are running at high to full capacity in most sectors.

The export of foodstuff and commodities continue to fuel trades between Asian countries, and we stay committed to serving the needs of these trades with specialized deployment.

Our latest addition to product portfolio – TH9 – now serves Jakarta to Laem Chabang, Songkhla and Kuantan direct, and vice versa.

Reefer utilization across all the Philippine terminals, especially Manila and Subic – are at manageable levels and there is no restriction or cap to acceptance since end of February 2023

All schedules and ports have been running smoothly since February.

Monthly Vertical Insight: Retail

The Asia-Pacific retail sector remains on track for a strong recovery. [SS1] In a recent survey of Asia-Pacific retailers, half of respondents stated that sales over the second half of 2022 were already higher than pre-pandemic levels. Additionally, inflation is expected to push up global retail sales by a robust 5% in 2023.

The Covid-19 pandemic brought the percentage of retail e-commerce sales up to an all-time high. Now, as the effects of the pandemic begin to slowly fade, this growth continues, but slower than before. 2023 online retail is forecasted to represent 14% of all sales*, which is up from 10% reported in 2019*, but only slightly ahead of the 2022 rate. This growth is expected to continue year on year through 2026.

While e-commerce sales are expected to continue rising, many companies expect overall sales to stay flat or decline in 2023, when compared with 2022.

Retailers continue to respond to pricing pressures as the effects of inflation are felt across all industries around the world. A recent survey showed that 74% of retailers and manufacturers expect to pass these costs on to the consumer, with 8% saying the price increases will be 'significant.' To help combat the effects of inflation, companies plan to utilize new technologies to optimise leverage of existing assets, including a focus on supply chain monitoring, forecasting, automation and analytics.

The duty-free retail market remains strong. After plummeting sales in 2020, many countries experienced strong recovery as early as 2021, with Asia-Pacific accounting for 60% of global duty-free sales over the year. In 2023, nearly all countries are expected to return to normalcy and eclipse pre-pandemic levels.

Meanwhile, retail and lifestyle expect to have a stronger focus on intra-Asia flow in 2023.

**Source: Economist Intelligence Unit Limited*



Throughout February, GCA air freight export market experiencing good trends for recovery, with e-commerce a specific growth point covering majority of China market.

We expect own-controlled flights for both Europe and US trade will be live by the end of March.

Our parent company Maersk also plans on new own-controlled air routes from China to Europe, beginning with four flights per week and ramping up through Q2 to twelve flights per week.

Japan:

New measures to be implemented addressing NACCS traffic increase

The number of imports by both air and sea has increased significantly, mainly due to the expansion of the cross-border e-commerce market as a result of the pandemic. This is resulting in delays mainly in import declaration (IDC) and preliminary declaration of import manifest declaration (MIC).

General measures aimed at alleviating this problem are scheduled to be implemented on May 21.

Recovery rate of 48% for International passenger flights at major airports in Japan

International passenger flights in January 2023 at the three major airports in Japan, Narita, Kansai, and Chubu, recovered by 47.8% compared to the same month in 2019 before the outbreak of Covid-19.

Freighter flights from Japan in March remain steady

The weekly frequency of freighter flights departing from Japan by 13 major cargo carriers in March 2023 was 247 flights, an increase of 3 flights from the previous month. This is only three flights less than March 2010, which is the comparison target under the same conditions. Looking ahead, Asiana Airlines will operate a temporary flight between Narita and Incheon on the 11th. In addition, Korean Air will increase the number of temporary flights on the same route by one from the previous month, and the return flight of the import charter flight will be operated as a temporary flight between Kansai and Incheon.

Japan Airlines Narita, No. 1 Cargo Building Temporarily will be closed.

From March 1st, Japan Airlines will temporarily close the No. 1 cargo building shed (commonly known as JL2), which handled export cargo for foreign airlines, at Narita Airport, and the No. 3 cargo building shed (also known as JL2), which also handles overseas export cargo JL3). Uncertainty about air cargo demand is increasing due to factors such as the global economic downturn, delays in production activities, and easing congestion in marine transport.

Oceania:

Vietnam products add higher return flight rotations to and from Oceania. Increased capacity offers some freight reductions on major air transportation lanes.

Bangladesh and India freight costs are slower to react to softer markets with less wide body capacity available into Australia and New Zealand.

Indonesia gains options into New Zealand in March, providing savings for customers in both transit and freight costs.

Best value for customers exporting from Australia to New Zealand on Adhoc terms, continuing to be on spot levels with the sector remaining very tight.

Australia and New Zealand exports see boosts in capacity to most Asia-Pacific destinations. Additional savings can be made for customers with higher flexibility of transit time and selection of indirect services.

Vietnam, Cambodia, Myanmar:

The demand is surging a bit out of HAN and capacity is manageable. However, the demand across other origins is still very low. Situation remains relatively unchanged from February.

Inland Services Update



Greater China Area CHB Update:

In 2022, the commodity trade volume between China and Germany was about 298 billion EUR, an increase of about 21% over 2021. China has become Germany's most important trading partner for the seventh consecutive year. In 2022, China exported goods worth 191 billion EUR to Germany, an increase of 1/3 over 2021, mainly including electronic and electrical products, textiles/garment, machinery and chemical products. In terms of imports, China's imports from Germany increased by 3.1% to about 107 billion euros.

Ministry of Finance, General Administration of Customs and State Taxation Administration jointly issued a notice that from February 2023 to January 2024, the goods (excluding food) declared for export under the cross-border e-commerce customs supervision code (1210, 9610, 9710, 9810) that are returned to the country in their original state within 6 months from the date of export due to unsalable and return reasons are exempt from import duties, import value-added tax and consumption tax,

and the export duties already collected at the time of export are allowed to be refunded. The new policy will reduce the tax burden of merchants' export rebates and benefit the cross-border e-commerce industry.

Greater China Area Inland Shipping Update:

New Sea rail corridor -The longest haul distance in Greater China Area was recently launched, going from Urumqi to Tianjin. this is a very good addition to our intermodal development in Northwest China.

Greater China Area Warehouse Update

Mainland China: All sites operation are running normal and should continue to stay normal.

Hongkong: Despite the Covid-19 situation in Hong Kong, all operation currently remains normal.

Taiwan: All sites operation remains normal.
Indonesia Inland Update

Indonesia Inland Update

Inland export volume predicted to increase as we're facing Ramadan Peak Season during March up to mid-April 2023, with volume experiencing a huge drop during from end of April to early May due to Idul Fitri Festival.

Inland Import volume predicted to be steady. We have deploy our Middle Mile service under Full Truck Load (Truck Box) with main route in Intra-Java Area.

Philippines

The Philippines officially joined the Regional Comprehensive Economic Partnership (RCEP) on February 21, after being ratified by the Philippine senate. RCEP is a trade pact between the 10 members of the Association of Southeast Asian Nations (ASEAN), along with Australia, China, Japan, South Korea, and New Zealand. Trade groups are confident that this will help Philippine companies expand overseas and accelerate job creation – while at the same time opening up the country for more imports.

The new IA-80 service launched early 2023 is in full operation, with opportunities for direct Philippine exports to Japan and South Korea. This is expected to increase our Intra-Asia footprint to serve customers in Batangas and Manila to Kobe, Osaka, and Busan.

There is no waiting time in all Philippine terminals especially Manila. On-window is berthing on arrival while off-window vessels may be accommodated within 0.5 days of arrival.

Japan:

There is no capacity issue for container drayage in market.

The '2024 issue' continues to be a hot topic in Japan, where both trucking and logistics companies face sweeping changes due to a new law that will limit overtime for truck drivers. With the law's implementation looming near in April 2024, many companies are scrambling to come up with solutions to mitigate shipping problems, while more pessimistic analysts fear a major collapse of distribution infrastructure.

Major Port Update

	Less than 1 day	1-3 days	More than 3 days
APA Ports	Qingdao, Xingang, Shanghai, Ningbo, Shekou, Xiamen, Yantian, Nansha, Chiwan, Hong Kong, Singapore, Tanjung Pelepas, Auckland, Napier	Busan, Brisbane	Tauranga
Rest of World	Bremerhaven, Rotterdam, Felixstowe, Valencia, Colombo, Savannah, Houston, Long Beach, Los Angeles, Seattle, Apapa, Tin Can, Tema, Lome, Onne, Abijian, Conakry, Maputo, Pointe Noire, Balboa	Triste, Koper, Oakland, Prince Rupert	Port Tangier, Vancouver, Matadi, Cape Town, 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](#)