



ASIA PACIFIC FREIGHT UPDATE

May - June 2023

DIMERCO

GLOBAL 2023 ASIA PAC FREIGHT OUTLOOK

The international Monetary Fund (IMF) forecasted that Asia Pacific region economic growth will be adjusted upward from 3.8% to 4.6% for 2023. Asia will contribute about 70% of global growth this year, which is a significantly larger share than we have seen during the past few years. China and India will contribute 34.9% and 15.4% respectively.

The reopening of China's border led to a surge in consumption. However, growth may be interrupted by strict monetary controls to counter inflation in the West. Also, potential supply chain disruptions associated with geo-economic fragmentation may also affect the growth.

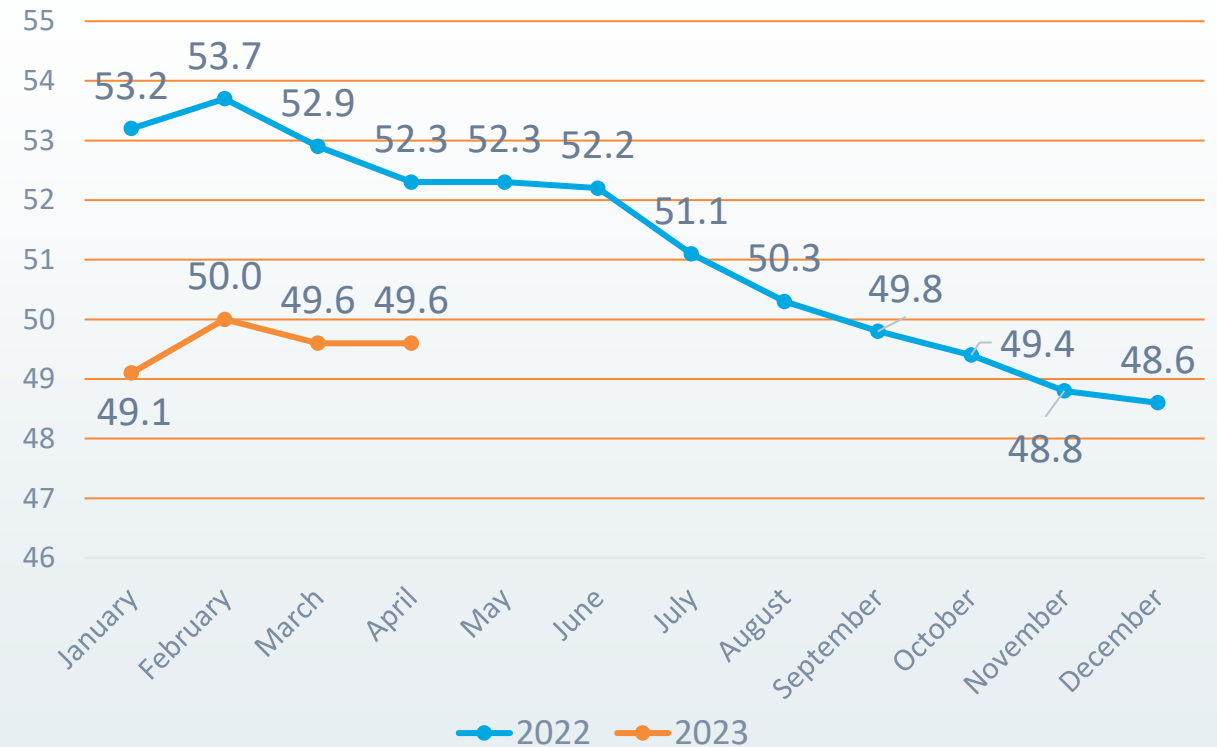
According to the S&P Global Composite PMI, the global activities in April showed its 3rd consecutive growth from 53.4 to 54.2. The growth is mainly due to the consumer service sector, especially for tourism & recreation. The global demand for consumer goods is still weak, indicating slower growth in the manufacturing sector.



ECONOMIC INDICATORS

The **Global Manufacturing PMI** for April remains unchanged at 49.6

**Global Manufacturing PMI
2022 VS 2023**



ECONOMIC INDICATORS

ASIA PACIFIC MANUFACTURING PMI

2022										2023			
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Global	52.3	52.3	52.2	51.1	50.3	49.8	49.4	48.8	48.6	49.1	50.0	49.6	49.6
USA	56.0	53.6	52.3	47.5	44.6	49.5	50.4	47.7	46.2	46.9	47.3	49.2	50.2
China	47.4	49.6	50.2	49	49.4	50.1	49.2	49.4	49	49.2	51.6	50.0	49.5
Taiwan	51.7	50.0	49.8	44.6	42.7	42.2	41.5	41.6	44.6	44.3	49	48.6	47.1
Hong Kong	51.7	54.9	52.4	52.3	51.2	48	49.3	48.7	49.6	51.2	53.9	53.5	52.4
Japan	53.5	53.3	52.7	52.1	51.5	50.8	50.7	49	48.9	48.9	47.7	49.2	49.5
S. Korea	52.1	51.8	51.3	49.8	47.6	47.3	48.2	49	48.2	48.5	48.5	47.6	48.1
Singapore	50.3	50.4	50.3	50.1	50.0	49.9	49.7	49.8	49.7	49.8	50.0	49.9	49.7
Vietnam	51.7	54.7	54.0	51.2	52.7	52.5	50.6	47.4	46.4	47.4	51.2	47.7	46.7
Malaysia	51.6	50.1	50.4	50.6	50.3	49.1	48.7	47.9	47.8	46.5	48.4	48.8	48.8
Philippines	54.3	54.1	53.8	50.8	51.2	52.9	52.6	52.7	53.1	53.5	52.7	52.5	51.4
Indonesia	51.9	50.8	50.2	51.3	51.7	52.9	51.8	50.3	50.9	51.3	51.2	51.9	52.7
Thailand	50.7	51.9	50.7	52.4	53.7	55.7	51.6	51.1	52.5	54.5	54.8	53.1	60.4
India	54.7	54.6	53.9	56.4	56.2	55.1	55.3	55.7	57.8	55.4	55.3	56.4	57.2
Australia	58.5	52.4	54.0	52.5	49.3	50.2	52.7	51.3	50.2	50.0	50.5	49.1	48.0

A manufacturing Purchasing Managers' Index™ (PMI™) is a survey-based economic indicator designed to provide a timely insight into changing business conditions in the goods-producing sector.

A PMI reading over 50 indicates growth or expansion of the manufacturing sector of the country as compared to the previous month, while a reading under 50 suggests contraction. A reading at 50 indicates that the number of manufacturers reporting better business is equal to those stating business is worse.

Source: S&P Global PMI

AIRFREIGHT MARKET UPDATES

The overall air freight market remains slow with May volumes less than April, while the capacity from passenger flights gradually resumes for flights between China and US. The slow demand continues to keep the capacity in the market sufficient, keeping the rates at low levels.

The new Taiwanese Airline, Starlux, has commenced its long-haul passenger flights to the US beginning May. In the long term, they will offer more capacity out of Taiwan, aside from China Airlines and Eva Air.

The eCommerce business has also slowed down in May. However, the demand is still greater than general goods.



AIR FREIGHT MARKET FORECAST (MAY 15 – JUN 30)

Air Freight Market Forecast

Asia -> Intra Asia

Origin (Country/District)		Air Hub	Space	Rate
Greater China	Hong Kong	HKG	Soft	Stable
	South China	CAN/SZX	Soft	Stable
	Southeast China	XMN/FOC	Soft	Stable
	Central & East China	PVG	Soft	Falling
	North China	BJS/CGO/TAO	Soft	Stable
Northeast Asia	Korea	ICN	Soft	Stable
	Taiwan	TPE	Soft	Stable
Southeast Asia	India	MAA/BLR	Upturn	Stable
	Indonesia	CGK	Soft	Falling
	Malaysia	KUL	Soft	Falling
	Malaysia	PEN	Soft	Stable
	Philippines	MNL	Soft	Stable
	Singapore	SIN	Soft	Stable
	Thailand	BKK	Upturn	Stable
	Vietnam	HAN	Soft	Stable
	Vietnam	SGN	Soft	Stable

Air Freight Market Forecast

Asia -> US/CA

Origin (Country/District)		Air Hub	Space	Rate
Greater China	Hong Kong	HKG	Soft	Falling
	South China	CAN/SZX	Soft	Stable
	Southeast China	XMN/FOC	Soft	Stable
	Central & East China	PVG	Soft	Stable
	North China	BJS/CGO/TAO	Soft	Stable
Northeast Asia	Korea	ICN	Upturn	Stable
	Taiwan	TPE	Upturn	Stable
Southeast Asia	India	MAA/BLR	Upturn	Stable
	Indonesia	CGK	Upturn	Stable
	Malaysia	KUL	Soft	Falling
	Malaysia	PEN	Soft	Stable
	Philippines	MNL	Soft	Stable
	Singapore	SIN	Soft	Falling
	Thailand	BKK	Soft	Stable
	Vietnam	HAN	Upturn	Rising
	Vietnam	SGN	Upturn	Rising

Key for available
space

SOFT

Supply is more than demand

UPTURN

Market is picking up, but demand of
space can still be met by current supply.

TIGHT

Space Gets tight. Pre-arrangement of
space is needed.

BACKLOG

Backlog of 1-2 days is found in the
market.

SERIOUS

Space demand critical, turnaround of booking
found. Alternative routing may be needed.

AIR FREIGHT MARKET FORECAST (MAY 15 – JUN 30)

Air Freight Market Forecast

Asia -> Europe

Origin (Country/District)		Air Hub	Space	Rate
Greater China	Hong Kong	HKG	Soft	Stable
	South China	CAN/SZX	Soft	Stable
	Southeast China	XMN/FOC	Soft	Stable
	Central & East China	PVG	Upturn	Stable
	North China	BJS/CGO/TAO	Upturn	Stable
Northeast Asia	Korea	ICN	Soft	Stable
	Taiwan	TPE	Soft	Stable
Southeast Asia	India	MAA/BLR	Upturn	Stable
	Indonesia	CGK	Soft	Stable
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	Philippines	MNL	Soft	Stable
	Singapore	SIN	Soft	Stable
	Thailand	BKK	Soft	Stable
	Vietnam	HAN	Upturn	Rising
	Vietnam	SGN	Upturn	Rising

Air Freight Market Forecast

US/CA -> Asia

Origin (Country/District)		Air Hub	Space	Rate
North America	US	US West Coast	Upturn	Stable
	Canada	YVR	Upturn	Stable

US/CA -> Europe

North America	US	US East Coast	Upturn	Stable
	Canada	YYZ/YUL	Upturn	Stable

Europe -> Asia

Europe	Netherlands	AMS	Soft	Stable
	UK	LHR	Soft	Stable
	Germany	FRA / MUC	Soft	Stable

Europe -> US/CA

Europe	Netherlands	AMS	Soft	Stable
	UK	LHR	Soft	Stable
	Germany	FRA / MUC	Soft	Stable

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OCEAN FREIGHT MARKET UPDATES



As there is no actual pre-Labor Day cargo rush in China, carriers are mitigating the GRI (General Rate Increase) announced in April, week by week. This led to the GRI for May 1 to be cut in half for both Transpacific Eastbound (TPEB) and North China Westbound (NCWB) legs. All carriers delayed their original 2nd round of GRIs from May 15th to June 1st.

Carriers have been struggling with the drastic decline in net profits due to poor filling factors and deteriorating freight levels from Q1 2023. The China Container Freight Index for Q1 showed 35% decline compared to Q4 2022 and a 68% decline compared to Q1 2022. The year-to-date weekly capacity withdrawal since the beginning of the year has remained between 25%–30% for main trade lanes such as TPEB and Europe Westbound.

Though global trade volumes remain slow, carriers will keep pushing their attempts at rate restoration, GRI or PSS. On the other hand, the issue of blank sailings would only get worse if freights volumes decreased below most carriers' runnable levels.

Major ports in the United States are facing a shortage of chassis, leading to a waiting time of 3 to 4 days for truck services.

OCEAN FREIGHT MARKET FORECAST (MAY 15 – JUN 30)

Ocean Freight Market Forecast

Asia -> Asia (Intra Asia)

Trade Lane	Space	Rate
Northeast Asia -> Southeast Asia	Soft	Stable
Northeast Asia -> Indian Subcontinent	Soft	Stable
Southeast Asia -> Northeast Asia	Soft	Stable
Indian Subcontinent -> Northeast Asia	Soft	Stable

Asia -> North America (Trans-Pacific Eastbound - TPEB)

Asia -> US West Coast	Soft	Falling
Asia -> US East Coast	Soft	Falling
Asia -> US Gulf	Soft	Falling
Asia -> Canada	Soft	Falling

Asia -> Europe (Far East Westbound - FEWB)

Asia -> European Base Ports	Upturn	Stable
Asia -> Mediterranean	Soft	Stable

North America -> Asia (Trans-Pacific Westbound - TPWB)

US -> Asia	Soft	Falling
Canada -> Asia	Soft	Stable

Europe -> Asia

Europe -> Asia	Soft	Stable
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TAIWAN

Taiwan



According to Taiwan's Civil Aeronautics Administration (CAA), the passenger traffic volume for international cross-strait routes for 2023 is expected to recover from 40% to 60% of the 2019 traffic volume. It is estimated that weekly flights will recover to 2,168 flights per week by October 2023, which is 73% of the pre-pandemic levels. By 2025, the traffic volume may fully recover to pre-pandemic levels.

Beginning May 16, 2023, airlines have decreased the outbound fuel surcharge by 12.8% for TC1 and TC2, and 12.5% for TC3.

Based on the statistics released by Taiwan's air terminal, the air cargo tonnage in April has dwindled by 15.5% for air export and 8.5% for air import vs the performance in March.

CHINA MARKET SITUATION

EAST CHINA



Air Freight

The export cargo situation for major routes in May remains the same as April. However, the e-commerce shipments for long-haul to Europe and the United States have dropped significantly.

Ocean Freight

- The Shanghai Export Market - stable with a slight decline on the demand.
- Transpacific Trade – demand remains stable with a slight drop in spot rates
- European Trade – the market is stable with a slight drop in spot rates
- Intra Asia – market rate and demand is stable with a slight drop in rates to Indonesia.

CHINA MARKET SITUATION

NORTH CHINA



Air Freight

The market after the Labor Day celebration remained stable with sufficient cargo space. The rates to Europe and the US saw a slight decrease while the rates to Southeast Asia remained stable.

Ocean Freight

The supply and demand for most trade lanes are stable due to the blank sailings conducted by the carriers. The market rates are stable for Intra-Asia, Middle East, Europe, and Transpacific trade with a slight increase to India.

SOUTH CHINA & HONG KONG

Air Freight

The rates to Europe and the US saw a decline as Southeast Asia remains stable. The volume for e-commerce shipments in Shenzhen airport increased by 85% year-on-year in the Q1 of 2023.

Ocean Freight

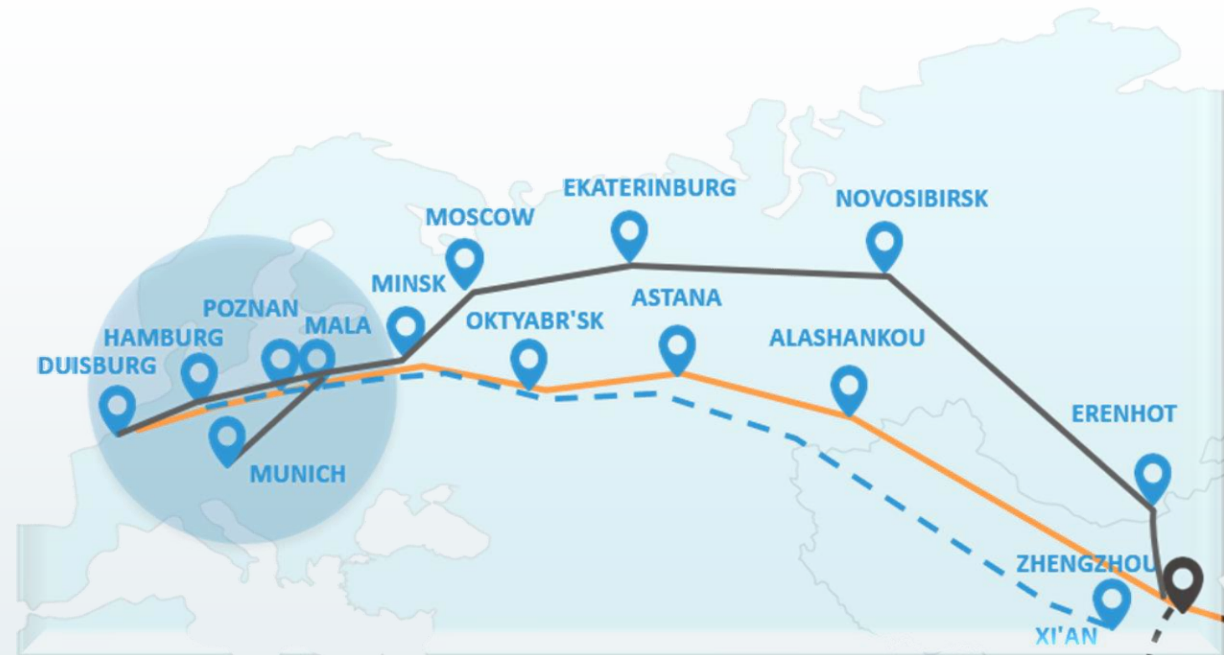
- **South China:** For US trade lanes, space is available with a slight decrease in rates. For European trade lanes, space is available with stable rates. Currently, most carriers have no major freight rate adjustments.
- **Hong Kong:** The rate to the US West Coast is stable. However, space is tight due to factories clearing their backlogs from the labor holiday. Carriers have also been arranging vessels with lower capacity.



CHINA -EUROPE FREIGHT TRAINS OPERATING SMOOTHLY

China – Europe: Some trains were held up at the departure station for more than 5 days due to strikes happening at the destination and cut-off of plans for the European-bound routes. However, the average transit time for most trains remains at 15 – 20 days.

China – Russia: Russia-bound routes are in an overall good condition with handling time of around 2-5 days at each departure station. The space is sufficient with a slight fluctuation in rates. The booking prices at Wuhan, Suzhou, and Ganzhou have decreased by around 5 – 8%.



CROSS BORDER TRUCKING SITUATION: SOUTHEAST ASIA - CHINA

BORDER CONDITION NORMAL

Incoming Holidays for June

Upcoming Holidays		
JUN 1	Pancasila Day	Indonesia
JUN 2	Vesak Day	Singapore
JUN 4	Vesak Day	Indonesia
JUN 5	King's Birthday	Malaysia
JUN 5	Sub for H.M. Queen Suthida's Birthday	Thailand
JUN 29	Hari Raya Haji	Malaysia & Singapore

Recommendation

For cargo scheduled to ship during the holidays, discuss with your freight forwarder the best solution, taking into account the time and cost.

Note: Pingxiang and Dongxing Border is used for cross border trucking movement between Southeast Asia and China. However, Pingxiang border is recommended due to its wide-range commodity operations. Special commodities such as, DG cargo or Lithium ION Battery shall be checked in case by case through Pingxiang and Dongxing Borders.



CROSS BORDER TRUCKING TRANSIT TIME

Origin	Destination	Transit Time
Thailand	East China (Kunshan)	5 - 7 Days
	South China (Guangzhou/Shenzhen)	4 - 5 Days
	Vietnam Malaysia Singapore	3 - 4 Days
Shenzhen	Vietnam	2 Days
Shanghai	(Hanoi)	4 Days
Vietnam (Hanoi)	Shenzhen	2 Days
	Shanghai	4 Days
Malaysia	Singapore	1 Day

SOUTHEAST ASIA AND INDIA (1/2)



Malaysia

Ocean	The Malaysia North Port in Kuala Lumpur is experiencing slight congestion, causing delays on vessel departure.
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Thailand

Air	1 The rainy season in Thailand will begin in June and end in October. 2 The fruit season continues to keep airline space capacity tight.
Ocean	1 Carriers continue to conduct blank sailing and cancel certain routes, especially for Asia to North America and Transpacific Eastbound. 2 The freight rates continue to increase due to the fruit season, keeping demand for reefers high. 3 Several shippers are looking into alternative modes of transport such as cross border road freight.

Recommendation

| Air |

- Discuss with your freight forwarder the need for enhanced packaging to prevent cargo damage from rain.
- Book in advance and discuss a backup plan with your freight forwarder in case of full capacity or off loads.

| Ocean | It is recommended to book 2-4 weeks in advance as space reservations are expected to be full towards the end of May.

SOUTHEAST ASIA AND INDIA (2/2)



Vietnam

Ocean

Some carriers are experiencing space issues. Interasia Line (IAL) has cut capacity from Ho Chi Minh City to Port Klang till the end of May. SITC has omitted vessels from Ho Chi Minh City to Semarang (direct service) for the whole month of May.

Recommendation

| Ocean | Book Wan Hai Line as backup for IAL and book COSCO as a backup for SITC.

Singapore

Air

| 1 | Several carriers have increased their flight capacities for intra-Asia, with Singapore Airlines aiming to have its flight frequency reach, or exceed, its pre-pandemic levels for East Asia and Southeast Asia by March 2024.

Indonesia

Air

| 1 | The end of the long holiday in Indonesia has shown an increase in available spaces and additional ad hoc rates, especially for routes to Europe, until the end of May.

Recommendation

| Air | Discuss with your freight forwarder how to leverage the additional ad hoc rates for your May shipments.

SOUTH KOREA



Air Freight

- The market is currently experiencing a space shortage to some destinations, such as the US. There is also a rebound in air freight rates due to the increasing sea and air cargo from China.
- Although the reopening of China's factory production did not produce the expected cargo rush, the Korea air export market is expected to gradually increase as Chinese manufacturers have begun full-fledged production activities, increasing the cargo from China.
- Korea to US – Space is tight from May due to the increasing amount of spot cargo for commodities such as electronic-cigarettes.
- Korea to Southeast Asia – The capacity on passenger flights, including low-cost airlines, is increasing gradually.

Ocean Freight

- The Transpacific Eastbound (TPEB) volume has decreased for the past 7 months. The depressed demand has led to a bearish freight outlook.

FREIGHT RATE KEEPS FALLING WITH LOW DEMAND - EUROPE

The expectation is that airfreight rates from Asia to Europe will decrease, as ocean freight rates are falling. The increase of air freight capacity is also adding to this pressure on rates as airlines like Cathay Cargo are operating widebody services to Frankfurt, Amsterdam, London, Paris and Manchester.

The trend of Green Logistics is shifting the demand in favour of greener routes such as multimodal air-sea transport from the Europe to Oceania destinations and sea-air transportation for Asia-Pacific to Europe.



USA AIR AND OCEAN MARKET SITUATION

Air Freight:

The air freight situation for Q2 remains similar to Q1. Prices are expected to stabilize by the end of Q2. However, they are still higher than the pre-pandemic levels.

Ocean Freight

The International Longshore and Warehouse Union (ILWU) and Pacific Maritime Association (PMA) had reached a manning requirement for non-automated terminals on the west coast, overcoming a dispute that created a near one-year long contract negotiation.

US Imports are expecting a slower peak season, with volume forecasted to be down 23.5% compared to May 2022, and down 15.9% in June, 7.9% in July, 9.9% in August, and 3.4% in September compared to the same months in 2022 (source: Global Port Tracker). The volume is trending towards the pre-pandemic levels.

SPACE REMAINS STABLE FROM MOST GATEWAYS



Toronto (YYZ):

AE	<ul style="list-style-type: none">• Flights to smaller ports in China (Ningbo and Dalian) remain suspended.• There are limited direct options to Europe with more service to hub cities (FRA, CDG, MXP and MAD), but the resumption of summer schedule will have more direct routes to Europe Gateways (AMS, ATH, BCN, LIS, LGG & BSC.)• Space & rates to Asia-Pac and Europe are normal.
AI	<ul style="list-style-type: none">• Terminal operation is normal

New York (NYC):

AE	<ul style="list-style-type: none">• Space is a bit tight to Europe but normal to Asia Pacific.• Rate to Asia Pacific is normal.• FSC decreases further: China Airlines \$1.25 Eva Air \$0.85 Cathay Pacific \$0.7 Air China \$0.79
AI	<ul style="list-style-type: none">• JFK now allows only 24 hours of free time after cargo arrival, compared to 48 hours earlier this year.• Avoid flights arriving in JFK on Fridays and Saturdays.• Current truck fuel surcharge is at 35%–40%

SPACE REMAINS STABLE FROM MOST GATEWAYS

Vancouver (YVR)

- | | |
|----|--|
| AE | <ul style="list-style-type: none">• Cathay Pacific increases to 8 flights per week starting June with the same FSC• China Airlines & Eva Air have daily flights• Air China has only 1 flight per week. |
|----|--|

Chicago (ORD):

- Capacity to Asia Pacific and EUR are open and stable.
- Rates are normal and negotiable | Carriers are offering promo/spot rates | Rates to PVG is very competitive.
- Trucking rate and capacity are stable and overall LTL & FTL rates are lowered.

Los Angeles (LAX)

- | | |
|----|--|
| AE | <ul style="list-style-type: none">• UK and France have pending/on-going strikes which may affect space to EU gateways. |
| AI | <ul style="list-style-type: none">• LTL carriers are expanding service coverage. |



EQUIPMENT AVAILABILITY AND APPOINTMENT ISSUES (1/2)

Vancouver

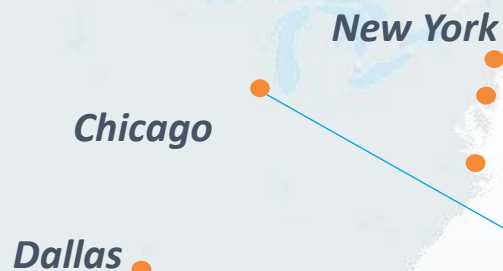
- Vessels are less congested compared with last month; Some vessels have a 1-3 day delay.
- Dwell Time is around 3-4 days
- Vancouver rail terminals are congested, with dwell time exceeding 10 days. Prince Rupert Rail Terminal has some congestion with dwell time of more than 5 days.

Los Angeles/Long Beach

OE	<ul style="list-style-type: none"> • Feeder vessel space from transshipment port in Asia is still tight, especially to Southeast Asia. • Drayage capacity and price remains unchanged. • Because each terminal has different rules on chassis, chassis splits happen more often than before.
OI	<ul style="list-style-type: none"> • The peak volume day is Monday. Waiting time will be longer if it is a night appointment. • Terminals require a pickup appointment for container and available times must be monitored closely to secure your desired time slots. • Empty returns are still an issue for some terminals resulting in possible per diem and storage charges



EQUIPMENT AVAILABILITY AND APPOINTMENT ISSUES (2/2)



Dallas

Chicago

New York

New York, New Jersey & Norfolk :

- Port congestion at New York is getting better due to the current slow market. GCT & NYCT applies to toll free surcharge.
- For LCL, all New York CFSs can only provide 3 days of free time instead of 4 days after cargo devanning.
- FCL shipments will be discharged within 1-2 days, LFD remains the same as 4 free days after discharge.
- For IT inbound rail moves, there is an average of 2–3 days delay.
- Vessel arriving at New York port needs an average of 2 days for berthing.
- The fuel/trucking rate is between 35%-45%

Dallas

OE	• Capacity will be tight due to vessel cancellations.
OI	<ul style="list-style-type: none"> • There is additional congestion at railways in Santa Teresa, El Paso, and Dallas due to severe equipment and worker shortage. • There's a risk of significant delays with an inability to recover the containers. • Backlog conditions for any containers requiring IPI rail service

Chicago

OE	• There are blank sailings without planned back up vessels by the same carriers for the proceeding weeks.
OI	<ul style="list-style-type: none"> • Currently there is a railcar shortage at port. Container would need to wait 2 weeks to load onto rail • Chicago is having lots of deficit chassis, which cause container stacks upon arrival to UP Global, leads to longer waits.

WHAT TO WATCH

Ocean Carriers May Take Cost Cutting Measures

Ocean carriers are experiencing a drop in revenues and profits post-pandemic. They may take actions to further reduce costs and improve operational efficiency. Although details are not provided at this moment, it is possible to see sailing schedules, service loops, and vessel capacity-related adjustments, which may affect shipping lead times.

India to impose QCOs requiring mandatory certifications.

The Indian government has issued several QCOs (Quality Control Orders) which requires mandatory certification on many products, such as air-conditioners, refrigerators and footwear. The policy aims to prevent sub-standard products from entering the India market, especially from Mainland China.

The Philippines to add two more Economic Zones.

According to the Philippine Economic Zone Authority (PEZA), President Marcos has declared two new economic zones located in the city of Bacolod and the Batangas Province. The Robinsons Cyberpark Bacolod is declared as the new information technology park. This is expected to attract an investment of Php 1.64 billion (USD 30 Million)



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