



Insights to push the capabilities of your supply chain

Get all the market news to keep your cargo moving
in our November market update.

Container demand growth is likely to moderate compared to 2021 supported by strong demand from the US. The outlook is more uncertain in Europe where we have seen the demand slowing. We continue to see ocean capacity impacted by port congestion and vessel delays with around 12%-15% of global container ship capacity effectively taken out of the market. But we also see an improvement in equipment availability in Asia.

This month, we share the latest trend before highlighting current challenges, and we also explain Maersk's latest solutions to help you keep cargo moving. If there are new topics you would like to talk about, please let us know by filling out our survey from [here](#).

Market Trend

- **Trade growth in the spotlight as the global economy faces multiple challenges.** The global GDP outlook remains strong for 2022, led by expectations of a robust capex cycle, strong demand, rising wages, and cheap capital. Moreover, inventory replenishment will support goods trade well into 2022, and the channel shift to e-commerce is likely to keep pressure on outbound logistics capacity. But risks are increasing as rising prices and a reduction in government financial support challenge the global economy and threatens to erode demand and dampen trade. Commentators have started to moderate growth projections while raising inflation forecasts, most notably in the US. Central to the impact on trade is how consumers in the US and Europe react to higher prices and less government support. Latest analyst forecasts indicate China's economic growth will grow by more than 5% next year despite risks posed by a rapidly slowing property sector and uncertain domestic consumer demand. Concerns over the impact on production from power supply disruptions eased in November after China increased coal production which allowed the governments to lift some of the restrictions imposed on industry.

These uncertainties have led to a normalization of global container demand growth compared with a projected 7% increase in 2021. This is based on a normalization of consumer demand as spending on tourism, dining and other services returns to pre-pandemic levels. But current demand levels on some trades, including on the Asia-North America trades, could remain stable as buoyant demand and inventory restocking continues into 2022.

Container market continues to show extraordinary volatility due to supply chain disruptions caused by port congestion, trucker shortages and changes in demand. Global container demand growth moderated to 2% in Q3, slightly lower than the 2.5% increase forecast, and down from double-digit growth rates in H1 2021. Growth in the third quarter was mainly driven by Latin America where trade grew 14% year-on-year and North America which saw a 4% increase supported by technology products and retail goods. North America container imports from Asia rose 2.7% in Q3, while European container imports from Asia fell by 3% due to a drop in consumer demand.

The container industry remains capacity constrained as port and landslide bottlenecks reduce the amount of available vessel capacity even as the nominal capacity increased 4.2% to 24.7m TEU in Q3 compared with a year earlier due to new vessel deliveries.

Trending Topic

- **Maersk to significantly expand air freight capabilities.** Maersk will strengthen its air cargo operations with the planned acquisition of Germany's Senator International Freight Forwarding Group. Senator has its own air cargo flight network as well as intercontinental rail, warehousing, distribution and packaging operations across Americas, Asia, Europe and South Africa. Maersk will also lease three cargo aircraft next year, while the two "new build" 777s will be delivered by Boeing by 2024. The Senator acquisition and freighter additions will significantly ramp up Maersk's air freight capacity, offering customers a unique combination of air freight integrated with other transport modes. Please [click here](#) to learn more.
- **RCEP heralds a new era of Asia trade.** The Regional Comprehensive Economic Partnership (RCEP), which comprises 10 mainly Asian countries, will come into effect on January 1, 2022, to create a new era of ultimately tariff free trade in Asia. RCEP, comprising China, Japan, New Zealand, Australia, Brunei, Cambodia, Laos, Singapore, Thailand and Vietnam, will become the world's largest free trade area, handling around 30% of total global trade. RCEP will slash regional tariffs among member countries and will be eliminated for 90% of goods by 2032. RCEP will also strengthen economic and trade collaboration especially on the China-Japan and Japan-Korea trades. Efforts will also be made to standardize trading rules and procedures and remove non-tariff related barriers as much as possible to reduce supply chain costs in the region.
- **China power shortage:** Key manufacturing areas in China including Guangdong, Jiangsu and Zhejiang have been affected by electricity rationing with about 20 of the 31 provinces in China having been impacted to varying degrees. The shortages have been caused by several factors including high coal prices, unpredictable weather patterns and the introduction of tougher energy and emissions. While China has increased coal production and some of the restrictions eased in early November, Maersk has identified three measures customers can take to mitigate any disruption to supply chains. 1) Firstly, continually monitor the supply situation so manufacturing and logistics schedules can be adjusted; 2) Secondly, stay in regular contact with local vendors and partners, who will be able to best monitor the local electricity distribution plan so disruptions to supply lines can be addressed earlier; 3) Thirdly, reach out to Maersk to discuss mitigating actions that may be needed to reduce cargo delivery delays.

Ocean Update



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

"Restoring reliability for our customers supply chains continue to be our highest priority in Maersk"

- **Carrier capacity/equipment outlook for Q1 2022:** We expect space to remain tight throughout Lunar New Year due to capacity reductions caused by port and vessel delays. The equipment situation is improving as we have continued to in-fleet containers and get more empty equipment back to Asia. We still see shortages in some locations in the lead up to Lunar New Year, but the situation has improved from last update. Anne-Sophie Zerlang Karlsen, Head of Asia Pacific Ocean Customer Logistics, said "Restoring reliability for our customers supply chains continue to be our highest priority in Maersk – it is a difficult environment where congestions continue to intensify in many of the key ports, but Maersk will continue investing where it has the largest impact for our customers."
- **Asia import/export demand and supply outlook:** Demand remains strong overall, although we see some flattening of demand growth at certain destinations. There is a significant order backlog that will keep export markets full, but space will remain very tight. The impact on Chinese exports due to the power restrictions is expected to be minor but imports are soft in certain segments, including wood and timber, due to the ripple effect from power controls.
- **Sea-Intel report highlights Oceania schedule reliability improvements.** The latest Sea-Intelligence schedule reliability report has highlighted the positive impact from our schedule optimisation initiatives that Maersk has made to its Southern Star service. On the Oceania-Asia trade, Maersk is the stand-out carrier with a schedule reliability on its Southern Star service of 72% compared with the industry average of 14.3%. This was achieved by adding one vessel to build a schedule buffer, removing the Brisbane port call to build buffer and enable on-time arrival at critical ports and the ad-hoc omission of Napier port to protect schedules.

Key market outlook for trade lanes

TRADE LANE AND COMMENTS

Asia to North Europe

Vessel delays and contingencies continue to restrict network capacity in December. Demand remains strong and we expect an additional rush towards the end of December. We see accumulated delays on the AE1/AE6/AE55 services and have adjusted vessel voyage numbers to match the actual departure weeks to improve schedule visibility.

Asia to Mediterranean

Delays will result in vessel slidings in December causing a capacity reduction. That comes as demand has picked up from early November especially to WMED which is unfortunately where we have our biggest capacity exposure due to delays. We are looking at how we can add capacity to compensate for some of the lost space from vessel slidings.

Asia to North America

Overall demand is expected to be strong in December. The North American ports situation has deteriorated recently with congestion at LA/LB increasing to 21 days, the same as Seattle. The loss of capacity due to missed sailings from port congestion will continue. To mitigate the impact, we will drop Seattle from the TP9 service from November onwards and run a separate Seattle shuttle service - TP7 - to secure network capacity and improve schedule reliability. We also plan to deploy four gap loaders in both November and December.

Asia to Latin America

Demand will be strong until the end of the year. Space is still tight despite several extra loaders in the market. East Coast reliability is slowly improving, and we expect West Coast reliability to catch up early next year. We will focus on carrying non-operating reefers (NORs) from southeast Asia and Taiwan.

Asia to West Central Asia

We expect the current demand/supply situation to continue and therefore, the overall market remains tight.

Asia to Africa

The capacity outlook in the South Africa market looks healthy, although demand to South Africa is slowing due to Christmas and New Year. For East Africa we expect demand to gradually increase before Lunar New Year. We are sliding some vessels and omitting ports to improve reliability. For West Africa, market supply is outstripping demand. We expect the northern West Africa market to enter a small peak in December/January ahead of Ramadan.

Asia to Oceania

Network capacity will take a hit in December due to continued delays which has resulted in more schedule slidings. We have been able to maintain the weekly sailing of the Dragon service for the past three months by removing five port calls in the rotation and alternating calls at Shanghai and Ningbo. But continuous and increasing delays at Asian and Australian ports have made schedules unrecoverable, resulting in a schedule slide.

Oceania Export

Demand remains strong in the Oceania market as New Zealand enters the peak season for exports and Australia experiences high demand with the start of the agricultural season. A favourable growing season has resulted in higher export demand. Oceania continues to experience reefer equipment shortages with a high level of demand in the pre-Christmas season. Schedule slidings continue as we look to further restore reliability.

Asia Import

Vessel delays and port congestion is expected in Q4 especially in Europe and North America. There will be negative impact on cargo on-time delivery and overall ocean capacity back to Asia. The extension of freetime at Asia Pacific destinations is available for Maersk Spot and Maersk contract. Customers can buy extra freetime to mitigate supply chain costs and uncertainty.

Air Update



- **Asia-Pacific Regional Marketing Situation:** Strong air cargo demand from Asia to US and Europe is expected to continue in 2021 and into 2022, resulting in tight air capacity. The main issue for air cargo is the significant congestion on supply chains. We've seen terminal congestion in some airports in Korea, China and Japan which results in long delivery times and delays.

- **Australia and New Zealand:** Exports from Australia to all destinations remain at spot level for shipments above 500kg. Capacity from Australia to Europe, US and New Zealand is extremely limited and on standby allocation. The bubble between New Zealand and Australia remains closed until early 2022 with capacity not expected to return to the market until the middle of next year. Rates and capacity will remain at spot levels until this time.

Imports from China: Capacity shortages have resulted in transit times extending to beyond 7 days from Mainland China. Airlines continue to support higher volumes moving from Mainland China to Europe and US with the balance of capacity moving at express rates into Australia and New Zealand. Maersk blocked space from Shanghai into Melbourne has resulted in stability in capacity. Weekly consolidations readily available on the main carriers from Hong Kong to Australia and New Zealand remains on spot levels.

Import from India & Vietnam: X-ray scanning is now mandatory for cargo exporting from Delhi. Extended transit times which range between 7-10 days are now common. For Vietnam, capacity remains at critical levels with all cargo accepted on a spot basis for both price and capacity.

- **Japan and Korea:** Increased air cargo demand to US and Europe is tightening capacity and raising freight rates. China's strict restrictions on international flights due to the China International Import Expo held in Shanghai in early November and the Beijing Winter Olympics in February 2022, has resulted in higher airfreight costs for exports and imports from/to China. Import capacity from Vietnam is very tight due to high demand from fashion, retail and electric products.
- **Thailand, Singapore, Malaysia:** Demand, especially from hi-tech, electronic and consumer goods, continues to outstrip capacity. Transatlantic rates continue to soar and unlikely to stabilise until early December. Maersk is working with selected airlines on designated chartered routes to ensure capacity is available.
- **Vietnam, Cambodia and Myanmar:** Airfreight capacity from Vietnam is at critical levels due to strong demand and a shift by carriers to charter flights. We advise key clients to provide shipment forecasts to ensure we can propose the correct solution. We strongly recommended customers book at least two weeks in advance.

Inland Services Update



- **Greater China:** The impact of soaring fuel prices on inland capacity and demand are not yet clear in Q4 but we anticipate it might lead to increased trucking costs for Lunar New Year. Maersk has launched the first dry port in Huzhou, Zhejiang Province, to help exporters which is now available on Maersk Spot.

For China Intercontinental Rail service, capacity constraints will likely ease in November and December, allowing us to support more customer block trains in December.

- **Japan and Korea:** With strong demand for Intercontinental rail service, capacity on relay vessel has been expanded to offer more space for customers. Severe port congestion in Vostochniy has caused 2 voyage omissions in November, resulting in backlog and congestion in Busan port which further leads to disruptions to entire logistics flow. South Korea could potentially see a large number of diesel-fuelled vehicles become non-operational for the next coming months due to a severe shortage of diesel exhaust fluid, after China reduced its production and exports in an effort to save coal for power usage.
- **Vietnam, Cambodia, Myanmar:** With Vietnam factory production back to normal, we anticipate higher demand from both Vietnam and Cambodia into US and Europe for November and December. We have planned additional capacity in both countries to support this demand surge. Equipment availability has remained a significant challenge in Vietnam, but no significant challenges are expected for Cambodia and Myanmar.

Maersk has additional capacity on ICR in November and December. We have also added capacity on a public train where customers can now ship less than 23 FFE. The land-sea solutions from Cambodia and Myanmar are still active and we continue to support some customers who have ocean space constraints. We expect to operate three block trains a week in November and December.

- **Indonesia:** We are seeing constant strong demand from export customers from core segments including retail and lifestyle, FMCG and industrial due to the year-end rush. North America, Europe & Mediterranean are our top trades. There will be strong demand towards the end of this year for trucking capacity. Disruption to feeder schedules and a shortage of empty containers will affect customers' transportation plans for the rest of the year. Maersk is providing a temporary container yard for customers.

Major Ports Update

Vessel Waiting Time Indicator

	● Less than 1 day	● 1-3 days	● More than 3 days
Asia-Pacific	Qingdao, Xiamen, Nansha	Busan, Ningbo, Shekou, Singapore, Tanjung Pelepas, Port Klang, Lyttelton, Tauranga	Hong Kong, Yantian, Shanghai, Sydney, Melbourne
Rest of World	Port Elizabeth	Antwerp, Bremerhaven, Rotterdam, Newark, Charleston, Tema, Cape Town	Felixstowe, Colombo, Long Beach, Los Angeles, Oakland, Vancouver, Seattle, Prince Rupert, Savannah, Houston, Apapa, Tin Can, Cotonou, Onne, Durban, Dar Es Salaam, Sudan

Pls [click here](#) to get the detailed port situation.

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

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