



The Monthly APAC Forwarding Index Report

Produced by Mike King & Associates and Logistics Trends & Insights LLC

May 2017

APAC Freight: Hitting the Pause Button

The economic outlook is bright and global trade is growing, but there are few signs it will meaningfully accelerate in the coming months. “There has been an improvement, but very modest,” was how Roberto Azevedo, World Trade Organization Director-General, recently described global trade so far in 2017.

The WTO forecasts global trade growth of 2.4% for this year, up from 1.3% in 2016. Welcome news indeed, although current trade growth rates remain below historical averages. Be that as it may, economic expansion is on the upswing for many countries and growth is expected to continue for the duration of this year and into 2018.

An anticipated expansion is also apparent in the general optimism of contributors to our latest APAC Forwarding Index survey, although fervor has dimmed compared to April. This could be due to a leveling off of economic growth in countries such as China, but trading environment risk is also weighing heavily on sentiment – political uncertainties stemming from recent elections in the US and France as well as upcoming elections in Germany and forthcoming Brexit negotiations remain concerns. It could also simply be a reflection of the traditional early summer lull. Nevertheless, most respondents expect volumes by all modes to be ‘higher’ or at least ‘the same’ in August compared to May as peak season momentum builds.

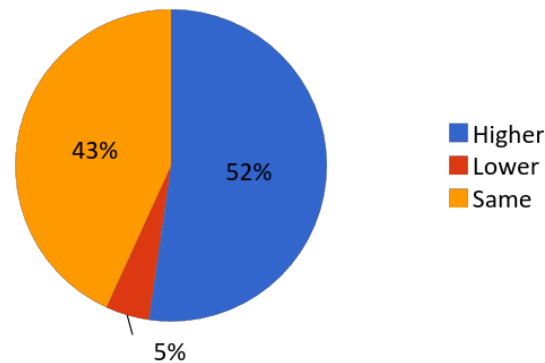
Air freight market in May compared to April

52.3% of survey respondents indicated air freight volumes were ‘higher’ in May than a month earlier. This result was slightly up compared to April’s survey when 51.9% of respondents reported ‘higher’ month-over-month (M-o-M) volumes versus March.

The percentage of respondents who said M-o-M air freight volumes were ‘the same’ compared to the previous month increased from 37% in April’s survey to 43.2% in our May survey.

Air freight volumes experienced by respondents in May compared to April

Source: APAC Forwarding Survey 2017



The APAC-Europe air freight lane continues to thrive with 77.8% of respondents reporting 'higher' volumes in May compared to a month earlier.

The Europe-APAC lane is another area of growth. In our April survey just 54.5% noted 'higher' M-o-M volumes on the lane. In our May survey the figure climbed to 66.7% as respondents noted that improving economic conditions were boosting volumes, with demand for imports to China particularly strong.

Offsetting gains on the Europe-Asia trade, North American lanes saw declines in the percentage of respondents reporting M-o-M air freight volume increases in May. On the APAC-North America lane, 57.1% of respondents indicated M-o-M volumes were 'higher' in May, compared to 62.5% reporting 'higher' in our April survey. Meanwhile, 28.6% of respondents noted 'higher' M-o-M volumes on the North America – APAC lane, a decline from April's survey when 33.3% noted 'higher' volumes.

Air freight volumes jumped on the APAC-Emerging Market lane where two thirds of respondents noted 'higher' M-o-M volumes in May compared to 37.5% reporting 'higher' volumes in our April survey.

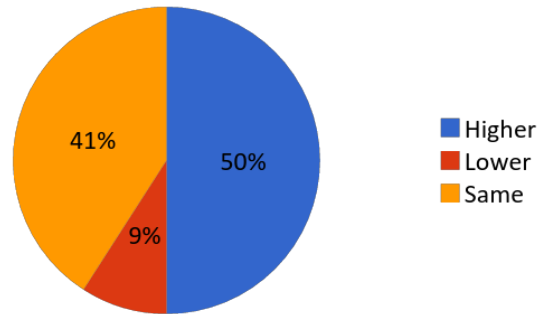
The 3-Month Air Freight Outlook

The three-month outlook for airfreight remains positive. Across all lanes over half of respondents expect volumes to be 'higher' in August than now, with optimism brightest on APAC-North America (71.43%) which is expected to benefit from key electronic product launches in the coming months. APAC-Emerging Market and APAC-Europe volumes are also expected to see short-term expansion with 66% and 55.6%, respectively, of respondents forecasting 'higher' volumes three months from now on the lanes.

The likelihood of air freight volumes falling in the coming months is remote. Just 9% of all respondents expect 'lower' overall air freight volumes on APAC lanes in August compared to now.

Air freight volumes expected in three months

Source: APAC Forwarding Survey 2017



Ocean freight market in May compared to April

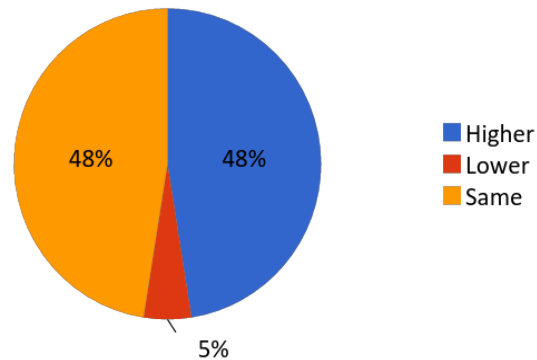
2016 was a year of much upheaval as the majority of container lines reported financial losses, freight rates remained bearish until Q4, Hanjin Shipping's bankruptcy causing supply chain chaos and consolidation proving an ongoing process.

Rates so far this year have been much improved on most trades but disruption has continued, not least because four global liner alliances have become three – 2M, Ocean Alliance and THE Alliance. This process involved the repositioning of hundreds of ships as new services and networks were launched. Teething problems were inevitable and were most apparent in a lack of capacity in Europe in February and March, and congestion at Chinese hubs in April.

But the demand side of the picture has been strong thus far in 2017 as was apparent in our latest survey. 47.5% of respondents reported 'higher' M-o-M volumes in May, while just 5% reported 'lower' M-o-M volumes. M-o-M volume growth was also reported on all major ocean trades.

Ocean freight volumes experienced by respondents in May compared to April

Source: APAC Forwarding Survey 2017



However, the number of respondents reporting 'higher' M-o-M volumes in May fell when compared to our April survey readings. For example, 50% indicated 'higher' M-o-M volumes in May for the APAC-North America lane versus 77.8% reporting 'higher' M-o-M volumes on the route in our April survey. And only 16.7% indicated 'higher' M-o-M volumes for the North America-APAC trade in May, compared to 28.8% in April. For the Emerging Market-APAC trade, only 20% indicated 'higher' M-o-M volumes in May versus 42.9% in April.

This trend is mostly like a reflection of the traditional May lull as the peak season approaches and shippers negotiate long-term contract renewals.

The 3-Month Ocean Freight Outlook

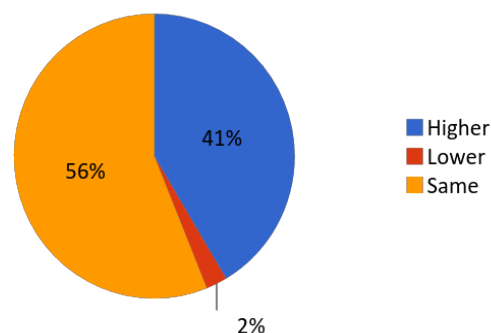
As the market heads into the peak season in the next three months, cautious optimism prevails. 56.1% of survey respondents expect volumes to remain 'the same' in three months as they now, down from 28% of responses reporting 'the same' in our April survey. Less than half of survey respondents, 41.5%, expect 'higher' ocean volumes over the next three months compared to 54% of respondents answering 'higher' in April.

Results from our June survey should tell us if this is indeed a trend and if we should expect a muted ocean freight market in terms of volume leading into the end-of-year holiday season. As noted, the new Alliances took effect in April and got off to a rocky start. Some shippers, particularly those in Europe, have had issues obtaining containers and rates continue to flicker up and down, although there was more of the latter than the former during May. As frustrations mount, some shippers are looking at other options such as Air or even rail on the Asia-Europe trades.

But the overall picture is bright heading into the key peak season for those involved in ocean forwarding. Just 2.4% of respondents expect to experience 'lower' ocean activity in August compared to May, and two thirds of respondents expect 'higher' ocean volumes in August compared to May on the critical APAC-Europe trade, while 43% expect 'higher' volumes on the APAC-North America trade.

Ocean freight volumes expected in three months

Source: APAC Forwarding Survey 2017



Intra-Asia

Overall, two thirds of respondents to our May survey noted 'higher' M-o-M volumes on Intra-Asia trades. The number of respondents indicating volumes remained 'the same' was 25%.

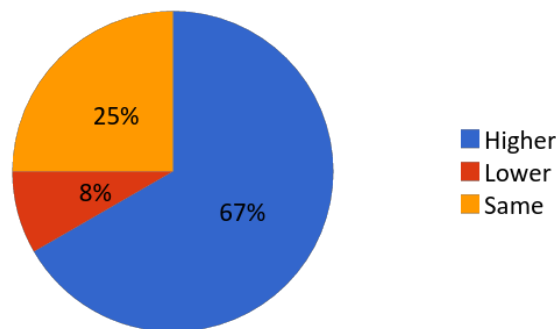
However, while no respondents indicated 'lower' M-o-M volumes in our April survey, 8.3% did so in our May iteration. A concern? Probably not. Manufacturing activity across the region dipped in May but still was in positive territory.

But although overall intra-Asia activity was stable in May, it is worth noting that smaller percentages of respondents noted 'higher' M-o-M volumes for Air and Ocean in our May survey - 66.7% and 50%, respectively - compared to our April survey when 75% of respondents saw 'higher' M-o-M expansion of Intra-Asia volumes by Air and 71.4% saw Ocean volumes strengthen on the world's largest container trade by annual volume.

The percentage recording 'higher' M-o-M road volumes fell in May to 50% compared to 66.6% in our April survey, while those responses noting 'higher' M-o-M rail volumes remained 'the same' as in April.

Intra-Asia volumes in May by all modes compared to April

Source: APAC Forwarding Survey 2017



The 3-Month Intra-Asia Outlook

Over half of respondents expect 'higher' intra-Asian ocean freight volumes in August compared to May, while 41.7% expect volumes by all modes to be 'the same'.

Optimism abounds across all modes, but respondents were most bullish on rail traffic with all respondents expecting short-term volume growth in regional traffic.

About the new APAC Forwarding Index

The Index is being developed by freight journalist and consultant Mike King, and Cathy Roberson, an industry veteran who has been consulting on logistics markets for more years than she cares to admit.

The full Index will be published in the coming months with methodology and analysis provided by King and Roberson, the founders of, respectively, Mike King & Associates and Logistics Trends & Insights LLC.

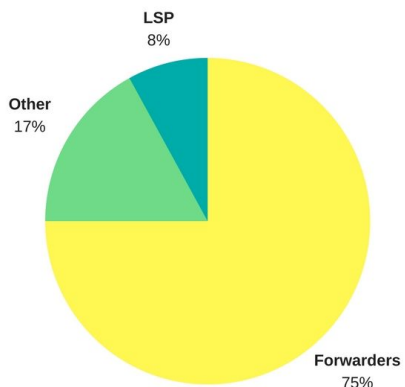
With two months of data, we are well on our way to building the Index. A big thank you to all that are helping in this effort. However, we need more. The survey is open to anyone with insight or business linked to key trade lanes to and from Asia used by forwarders and other third parties. The third monthly APAC Forwarding Index survey is now open. To take the survey, click [here](#).

We appreciate your input as we continue to collect responses to build the index. Combined with economic and manufacturing data along with proprietary market sizing of the forwarding market, the index will provide insight into the APAC forwarding market – international and intra-regional – that is not available elsewhere (or at least to our knowledge ☺).

“The survey takes less than five minutes and will become the essential building block for our new APAC Forwarding Confidence Index which will help build a clear picture of APAC forwarding and freight markets by trade lane and mode, both now and looking forward,” said King.

For more information please contact Reby Baldoz at reby@mkingassociates.com.

Who took this month's survey?



Where are they from?

