

ASEAN Economic Outlook

26th February 2020

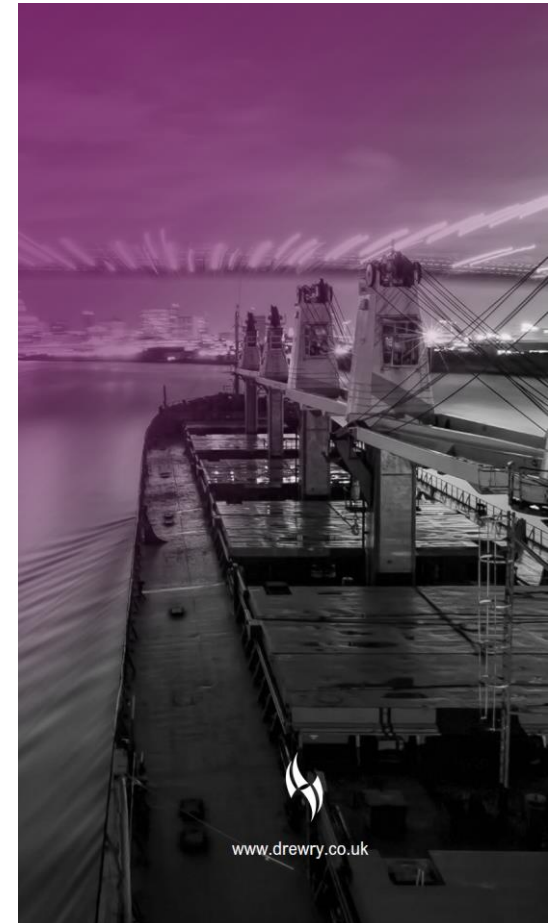
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Who we are

Drewry is the leading international provider of research and consulting services to the maritime and shipping industry with unrivalled experience and expertise across all market sectors from containers and ports to tankers and dry bulk.

From our origins in 1970 London to a 21st century maritime and shipping consultancy, **Drewry** has established itself as one of the most widely used and respected sources of impartial market insight and industry analysis. This in-depth understanding and objectivity provides our clients with the actionable advice and recommendations they need to achieve their ambitions and stay ahead of the market.

We provide our services through four business units: Drewry Maritime Advisors supporting the needs of shipping and financial institutions; Drewry Supply Chain Advisors providing seafreight procurement support to retailers and manufacturers; Drewry Maritime Research publishing market-leading research on every key maritime sector; and Drewry Maritime Equity Research delivering an Investment Research Service on listed companies operating in the industry.



Maritime Research

Maritime Advisors

Supply Chain Advisors

Maritime Financial Research

What we do

Rigorous analysis, practical advice

In boardrooms across the globe, decisions are made based on the analysis and insight provided by our Maritime Research teams. This rich industry knowledge and understanding provide the unique intelligence that underpins our advisory services.



RESEARCH

Maritime Research

Independent, market-leading research on every key maritime sector

Maritime Financial Research

An Investment Research Service on listed companies operating in the industry

ADVISORY



Maritime Advisors

Expert project-based advisory services to the shipping industry and financial institutions

Supply Chain Advisors

Ocean freight procurement support and cost benchmarking services to global retailers and manufacturers

A SPECIALIST THAT COMBINES **RICH MARKET INSIGHT** WITH **EXPERIENCE** AND **EXPERTISE**

What sets us apart

We are the primary source of market insight, analysis and advice trusted by a global audience of maritime and shipping industry stakeholders. Our combination of sector knowledge, rich market insight and commercial awareness enables us to deliver the performance, profitability and competitive advantage our clients seek.



Independence

Our voice is our own and is not defined by others

This impartiality, alongside our depth of market understanding has cemented our reputation as an indispensable reference, trusted by a diverse audience of shipping industry stakeholders.

Heritage

A trusted brand for more than 50 years

We have been charting and analysing the world's maritime markets for over 50 years, building unique resources and models our clients rely on to make informed decisions.

Market Insight

Rich insight – unrivalled market intelligence

Our understanding comes not only from being close to the sectors we serve but also from working with our clients and giving them a balanced, highly practical and commercial perspective.

Sector Expertise

Industry knowledge

We combine timely and relevant market analysis with specialist sector and technical expertise to deliver real commercial value and competitive advantage to our clients.



Ports and Shipping Capabilities

Drewry provides expert advice to Financial Institutions, Port Authorities, Terminal Operators, Shipping companies and Governments covering the full spectrum of commercial and technical aspects of ports and terminals. Our team includes industry professionals, economists and technical experts who together bring rich experience and practical understanding of the global ports industry.

The global Ports and shipping team provide strategic, commercial and technical advisory services. Our rich industry knowledge and expertise is complemented by the practical, hands-on experience of our advisors.

For every project we take care to craft a bespoke package that focuses on your core objectives and commercial needs whilst answering the fundamental project-specific questions you may have.

Whether commissioning our commercial advisory team to provide **strategic analysis**, **commercial due diligence** or **market analysis**, you can rely on our independence and rigour to provide sound professional advice. We can provide an in-depth assessment of the **characteristics, dynamics and trends of the port market**, conduct **customer analysis** or **evaluate the port competitive environment** to help you overcome challenges or realise asset opportunities. Given the breadth and depth of experience across the team, we are well placed to support both strategic goal setting and business planning processes.

Drawing on our extensive in-house databases we can help you assess the impact of liner **network strategy**, vessel upsizing and the development of key trade lanes within the ports and terminal sector.

Our approach to **financial modelling** and **forecasting** utilises our rich market intelligence and analysis, producing models that reflect the unique competitive environment in which your asset resides. The advisory team can provide volume, revenue, B/S, P&L, cash flow forecasts and asset valuations. This work can also support **investment and divestment appraisals**, where we can advise on market entry strategies and financial return projections.

Our in-house technical experts, who are port engineers, are also able to support feasibility and **pre-feasibility studies** as well as offer **technical due diligence** and asset risk services. This combination of technical and commercial expertise ensures a consistent and co-ordinated approach, whilst providing an independent view of the asset infrastructure, key material risk and capacity expansion plans.

Strategic and commercial

- Commercial due diligence
- Market analysis and outlook
- Strategic analysis and planning
- Asset risk analysis
- Investment and divestment appraisals
- Competitive assessments
- Feasibility and pre-feasibility studies
- Concession design
- Bid process support
- Financial modelling
- Tariff assessments and structures
- Maritime policy
- Network analysis

Operational and technical

- Capacity assessment, capacity bottlenecks and expansion assessment
- High level assessment of technical risks of project
- Maintenance strategy review and repex strategy review
- Capex review
- Opex review
- Lenders Technical Advisor, Vendor's Technical Advisor, Buyer's Technical Advisor



Drewry Maritime Research Reports cover all maritime sectors

Sample Reports

Overview

Key Content



Ports and Terminal Insight

Drewry's quarterly appraisal of the global ports sector

Annual Subscription
Quarterly updates

- Spotlight thought leadership section:
- Analysis of liner service and port call trends.
- Analysis of quarterly container port throughput trends on a region by region basis
- Summary and explanation of selected new port projects and concessions.
- Comparative analysis of the financial performance of 11 stock market listed terminal operators.



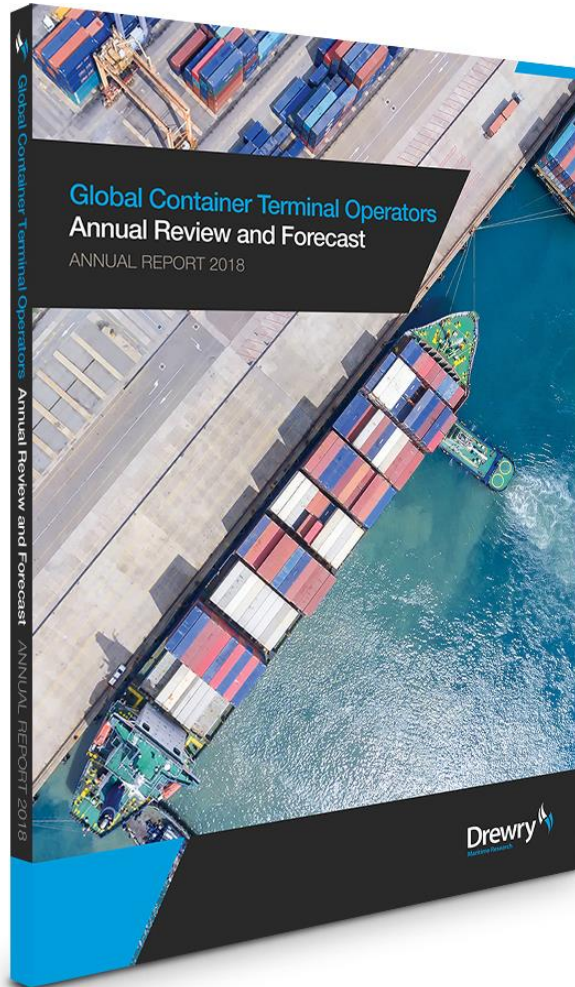
Container Forecaster

Drewry's quarterly appraisal of the container shipping market.
Detailed analysis and 5 year forecasts

Annual Subscription
Quarterly updates

- World container trade and regional port volumes forecasts
- Global supply and demand outlook
- Trade route supply and demand analysis
- Global and East-West trade freight rate forecasts
- Carrier profitability analysis
- Charter market and sales & purchases

Annual Review of Global Container Terminal Operators



One of the most detailed assessments of the global container ports and terminals market, with unrivalled coverage and depth of insight, analysis and commentary.

Key areas of analysis covered by this long-standing Drewry 'annual' include:

- Global container terminal industry structure
- League tables and performance of global/international terminal operators
- Detailed analysis of operator strategies, portfolios and risk profiles
- Forecast capacity by terminal operator to 2023
- Port industry financial analyses
- Individual analysis of 33 terminal operators and investors
- Regional “top 10 owners/operators” analysis
- Terminal supply / demand forecasts for 20 world regions to 2023

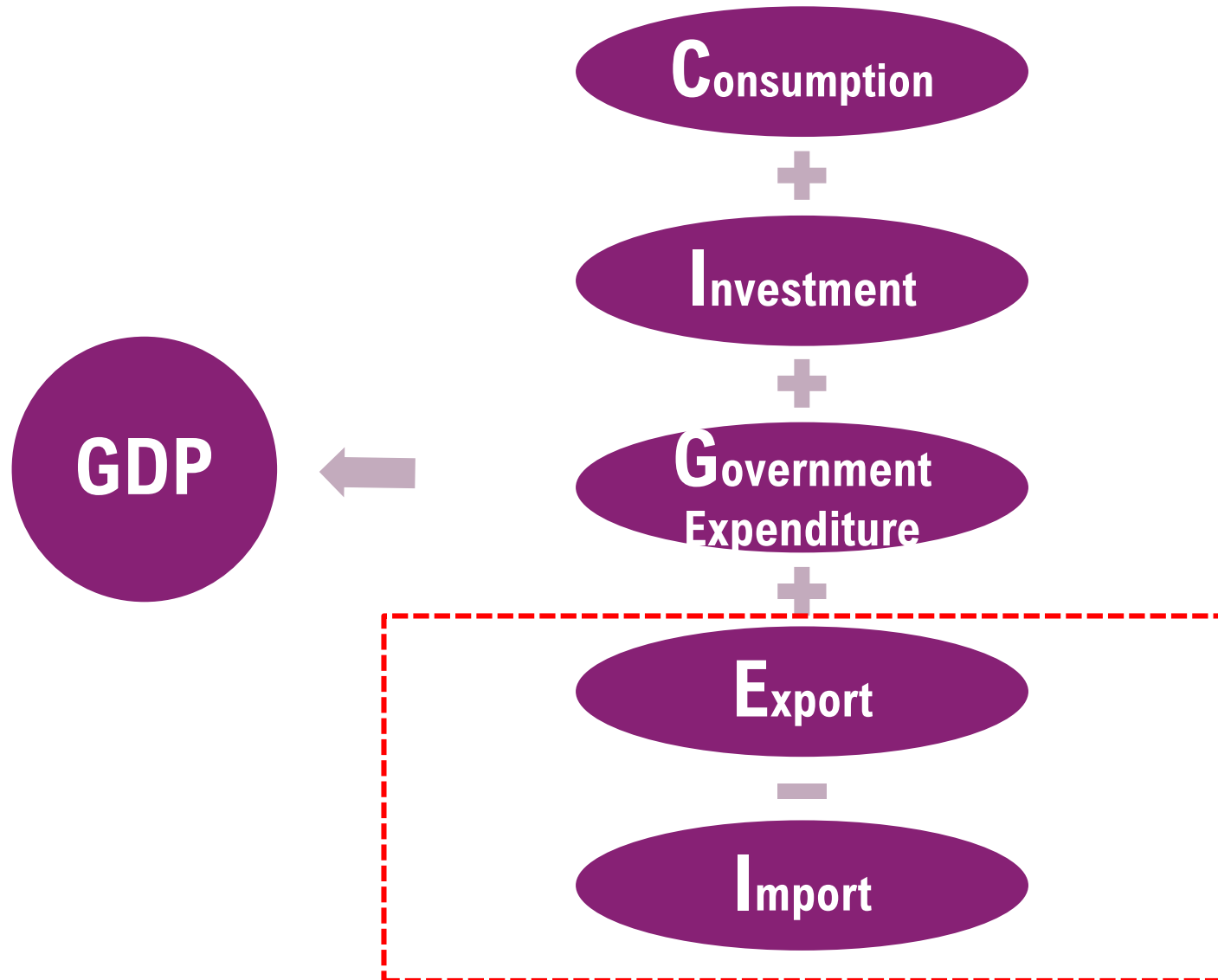
This market defining annual report has become something of an “industry bible”. Used not just within the port and shipping industry but also further afield by banks and financial institutions. It provides a level of quality and depth of analysis not available elsewhere.

Container Freight Rate Insight and Benchmarking club



- Membership is exclusive to shippers - importers and exporters only (not freight forwarders, carriers or NVOCCs)
- Participants benefit from access to container contract rates, spot market rates, unique freight rate forecasts, indices, comprehensive market assessments and industry best practice information
- Online access to monthly benchmarking rates

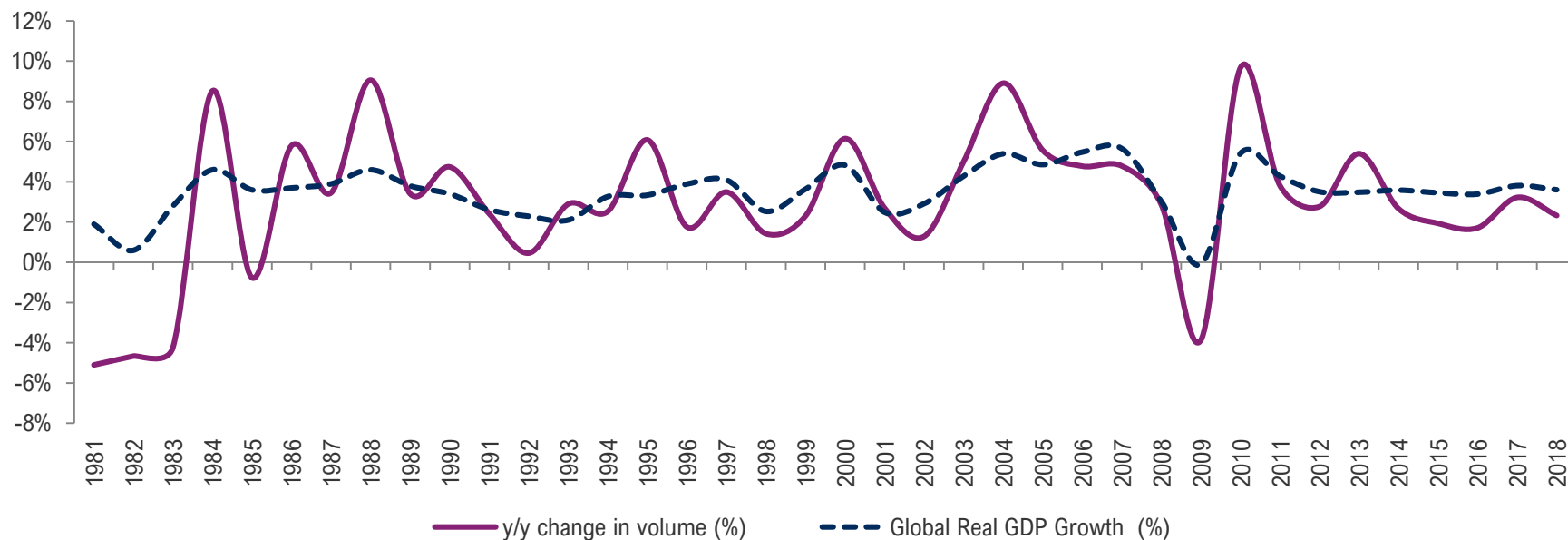
Port throughput: It's the economy, stupid



Real GDP and Seaborne trade

High correlation between global GDP and seaborne trade.

Global real GDP growth vs trade growth



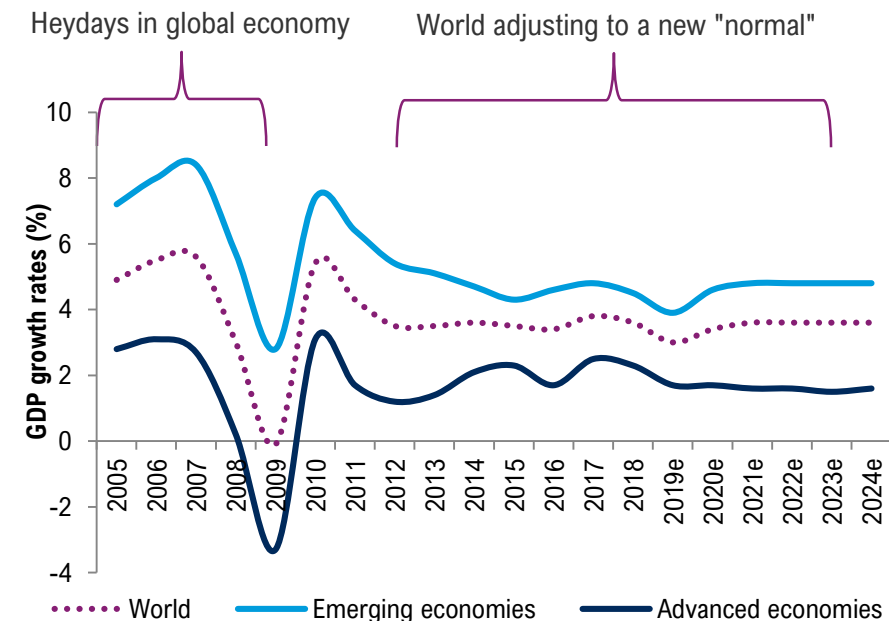
Source: Drewry, IMF

- The shipping industry is fundamental to international trade because it provides the only cost-effective way of transporting large volumes of most of the essential commodities and semi-finished/finished goods over long distances.
- Above 90% of world trade – in terms of volume – is transported by sea, and global seaborne trade has grown every year in the last three decades, except in 2009 due to the Global Financial Crisis.

Global economy adjusting to a new normal

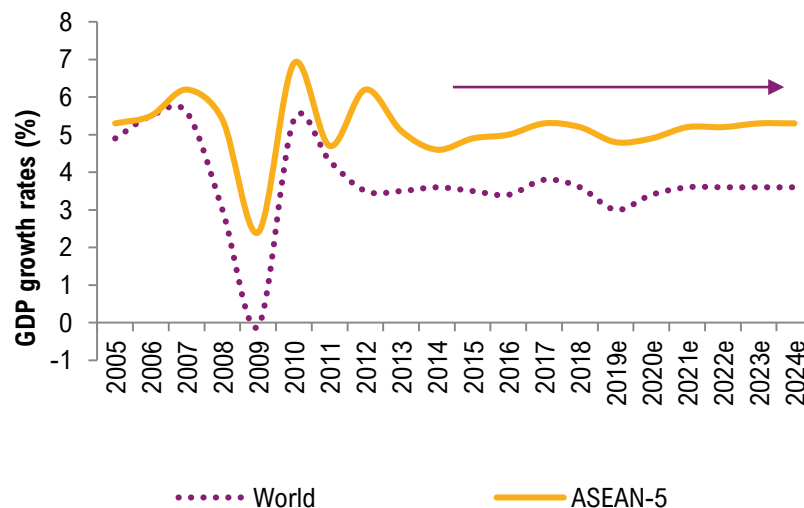
Growth risks are skewed to the downside. Global economy as well as emerging economies are adjusting to lower real GDP growth rate.

Real GDP growth rate: World



Source: IMF

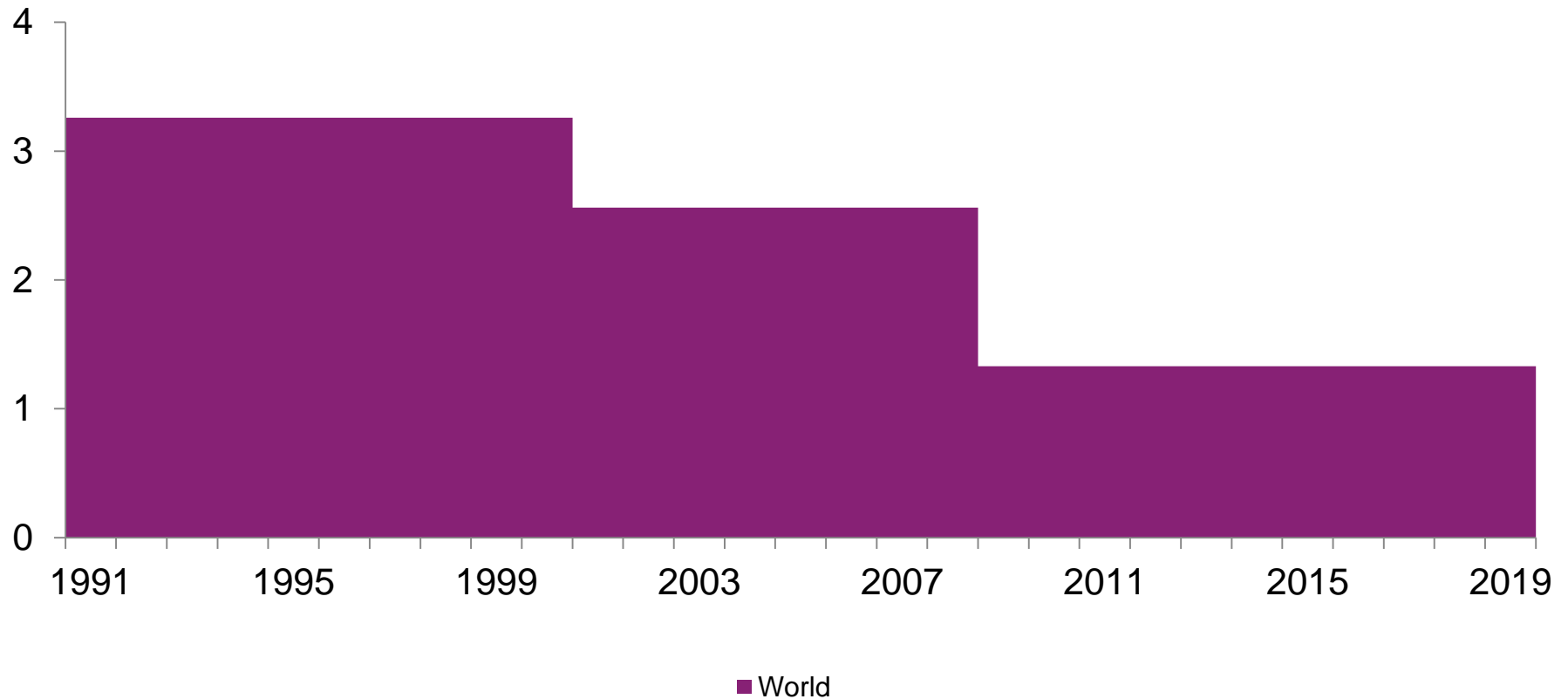
Real GDP growth rate: ASEAN



- Global growth risks are skewed to the downside, with a range of threats emanating from different quarters, including the possible collapse of negotiations between the US and China, and geopolitical tensions.
- In October, IMF downgraded the growth of the global economy for 2019 – down to 3 percent. Sixth downward revision in about one year. It is set for further revision in April 2020 as COVID-19 has disrupted the global supply chain.
- The world needs to adjust to a new phase of lower economic growth compared to the heydays before the global financial crisis.
- Emerging economies continue to record higher growth rate compared to that of developed economies.

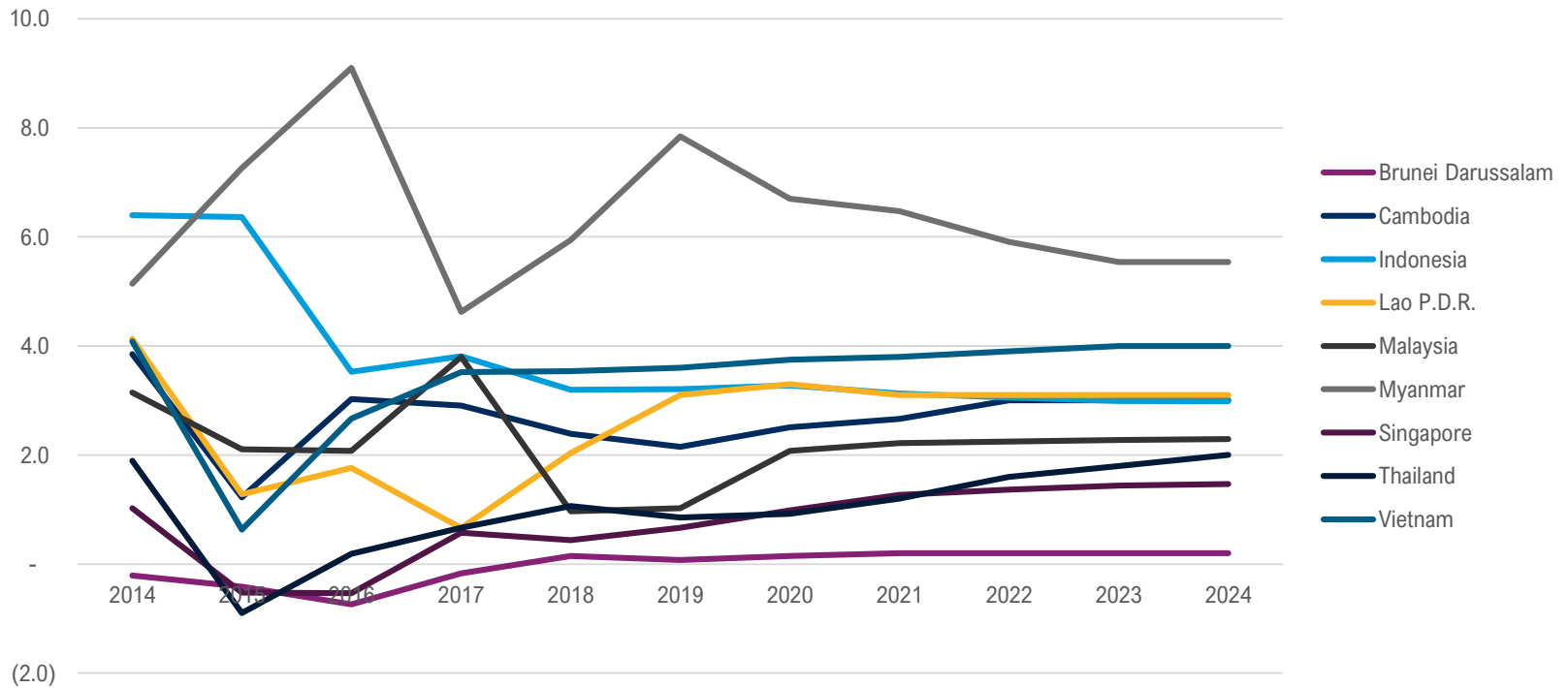
Note: Countries in the ASEAN-5 refer to Indonesia, Malaysia, the Philippines, Singapore, and Thailand.

GDP multiplier of container port throughput is declining



Source: Drewry

Inflation rate relatively stable and healthy levels

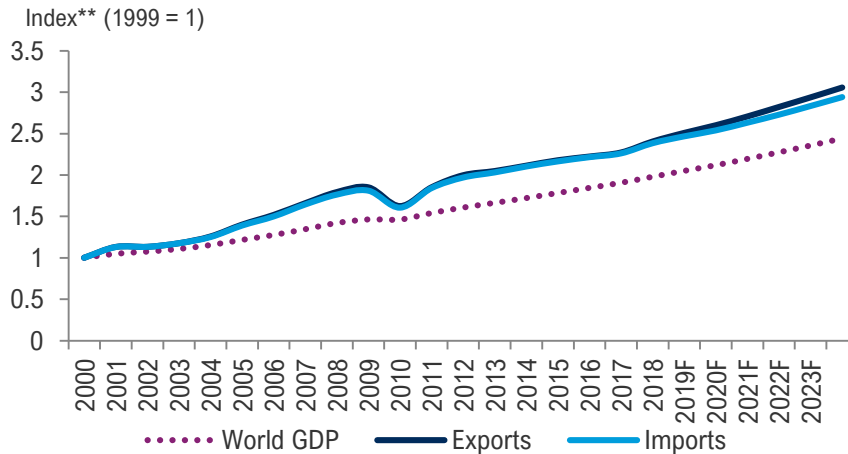


Note: Inflation rate, yoy change of the CPI, average of period
Source: IMF

Pace of globalization moderating

As the world becomes more globalized, developing countries achieve higher GDP growth and pace of globalization has been moderating.

World GDP* growth vs export/import growth

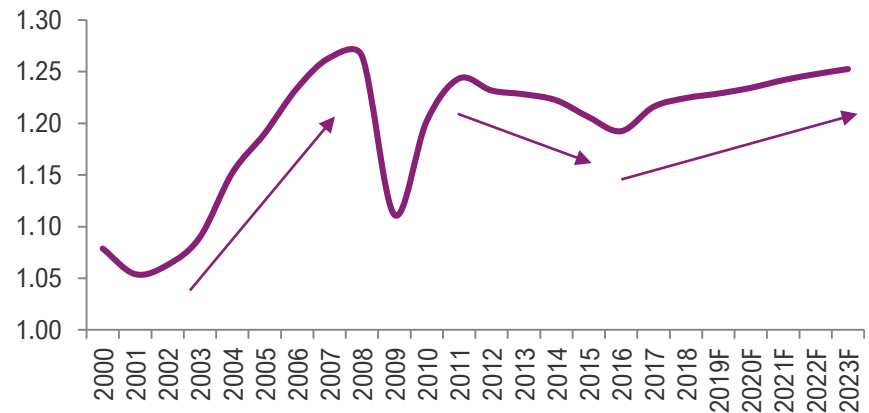


*Based on constant prices

**1999 has been used as the base year for comparison

Source: IMF

Ratio of world exports over world GDP

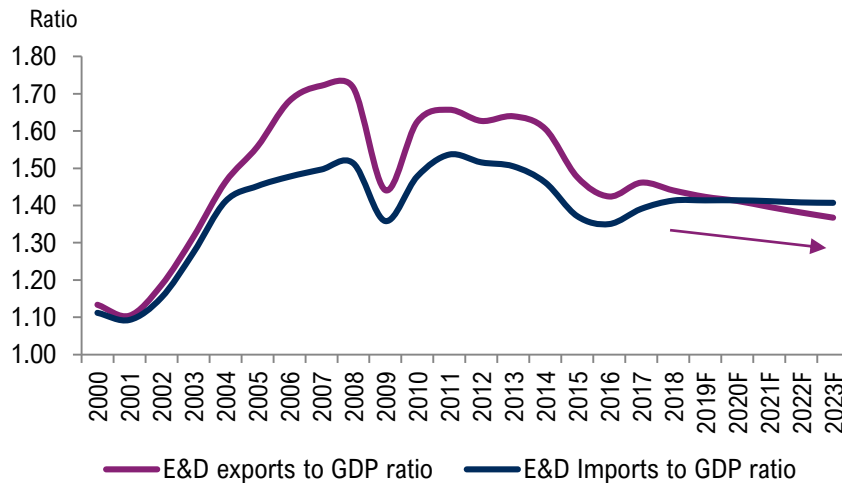


- GDP of Emerging and developing Asia (E&D Asia) economies including the ASEAN-5 are increasing at a stable rate on the back of rising world GDP.
- Except for the large fall in trade activity in 2008 owing to the recession, world trade has been on a general upward trend since 2000.

ASEAN continues to globalise

Southeast Asia exhibit a strong inclination towards global trade on the back of rising world GDP.

Ratio of E&D Asia exports and imports to GDP

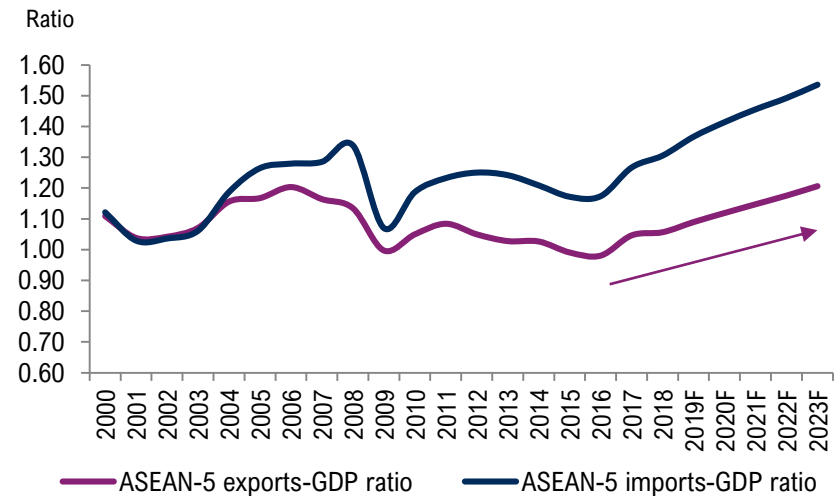


*Based on constant prices

**1999 has been used as the base year for comparison

Note: E&D Asia: Emerging and Developing Asia; Source: IMF

ASEAN-5 exports and imports to GDP ratio

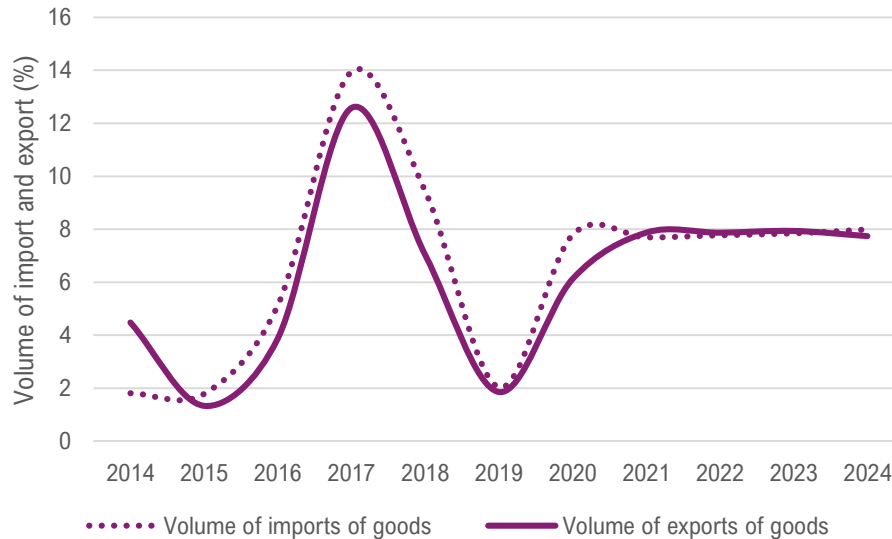


**1999 has been used as the base year for comparison

- Despite inward policy directions in several major economies, globalization continues unabated, albeit having slowed down in recent years.
- Given the policy orientation of Pak Jokowi government, it is expected that export and import activity will continue to gain momentum in Indonesia.

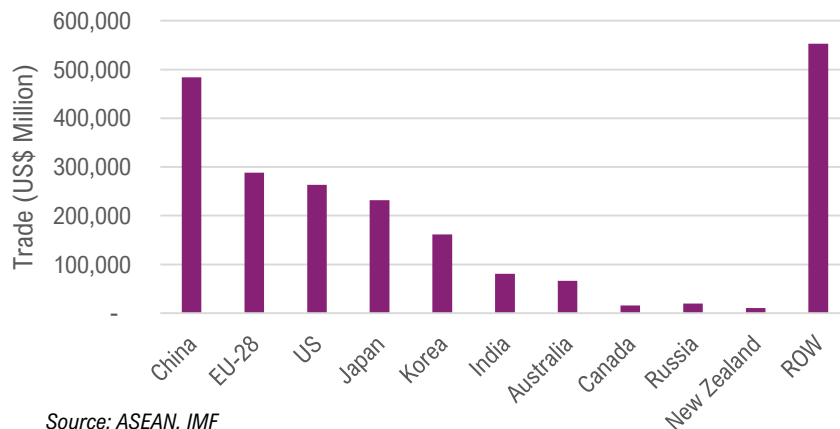
Structure of the economy: ASEAN becoming service oriented

Trade growth



- All economies other than Singapore and Vietnam, growing in services sector and contracting in agricultural sector.
- ASEAN export of goods have increased by 46.7% in the last ten years.
- Total value of exports in 2018: \$1.4 trillion.
- Electric machinery & equipments, telecommunication equipments etc: 26% market share.
- Main commodities: Electrical machinery, and its related products, mineral products, and nuclear reactors, boilers and machinery.

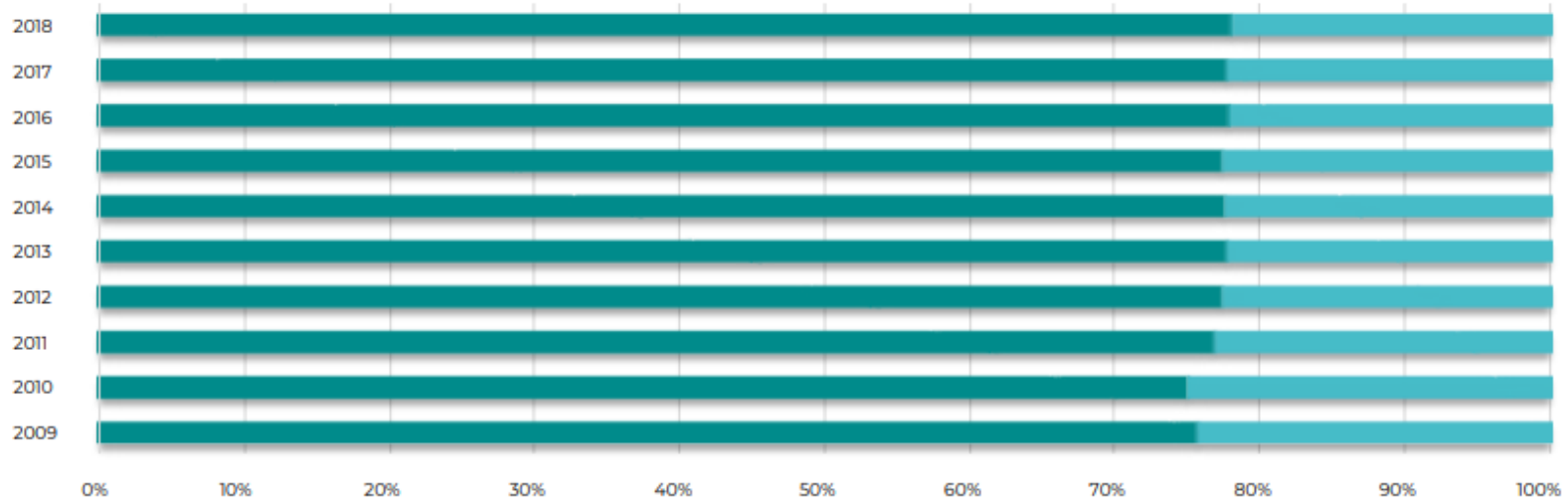
Main Trade Partner



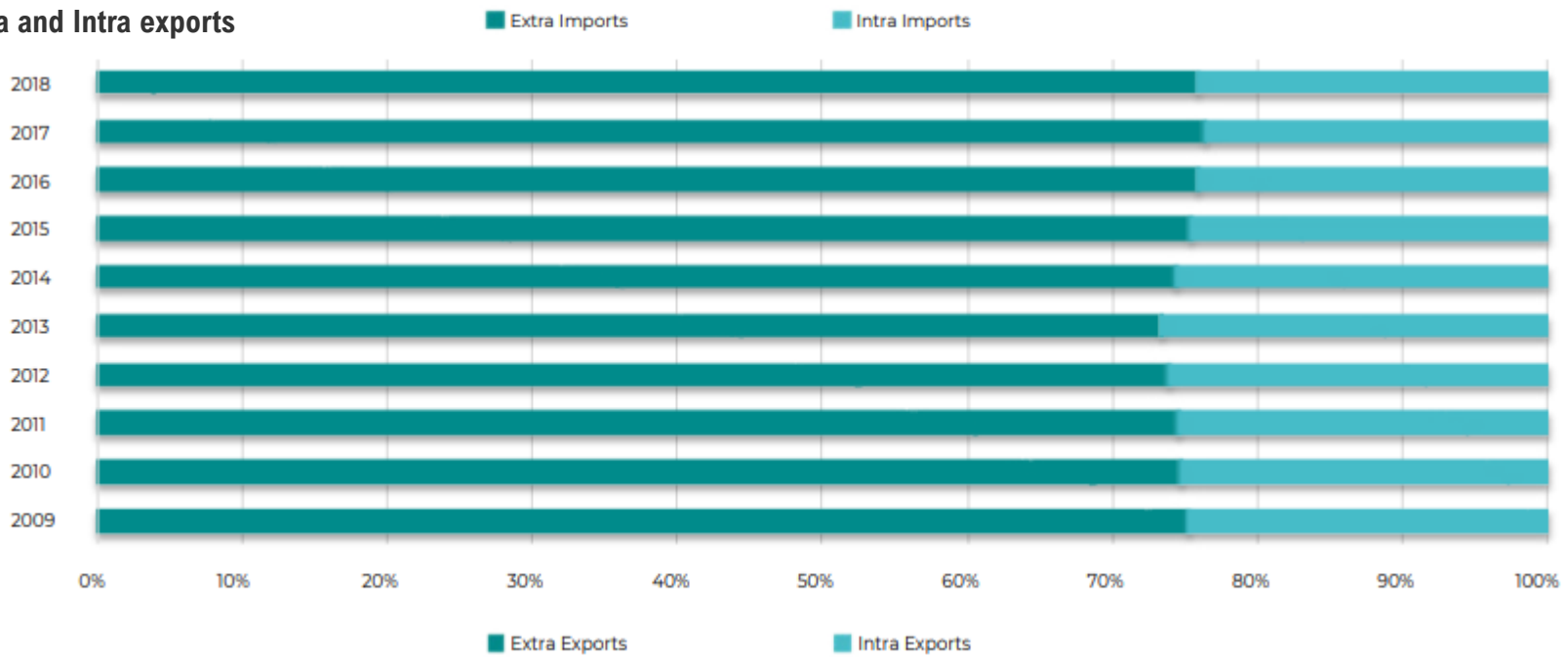
Source: ASEAN, IMF

Direction of trade: Extra-ASEAN Trade remains dominant

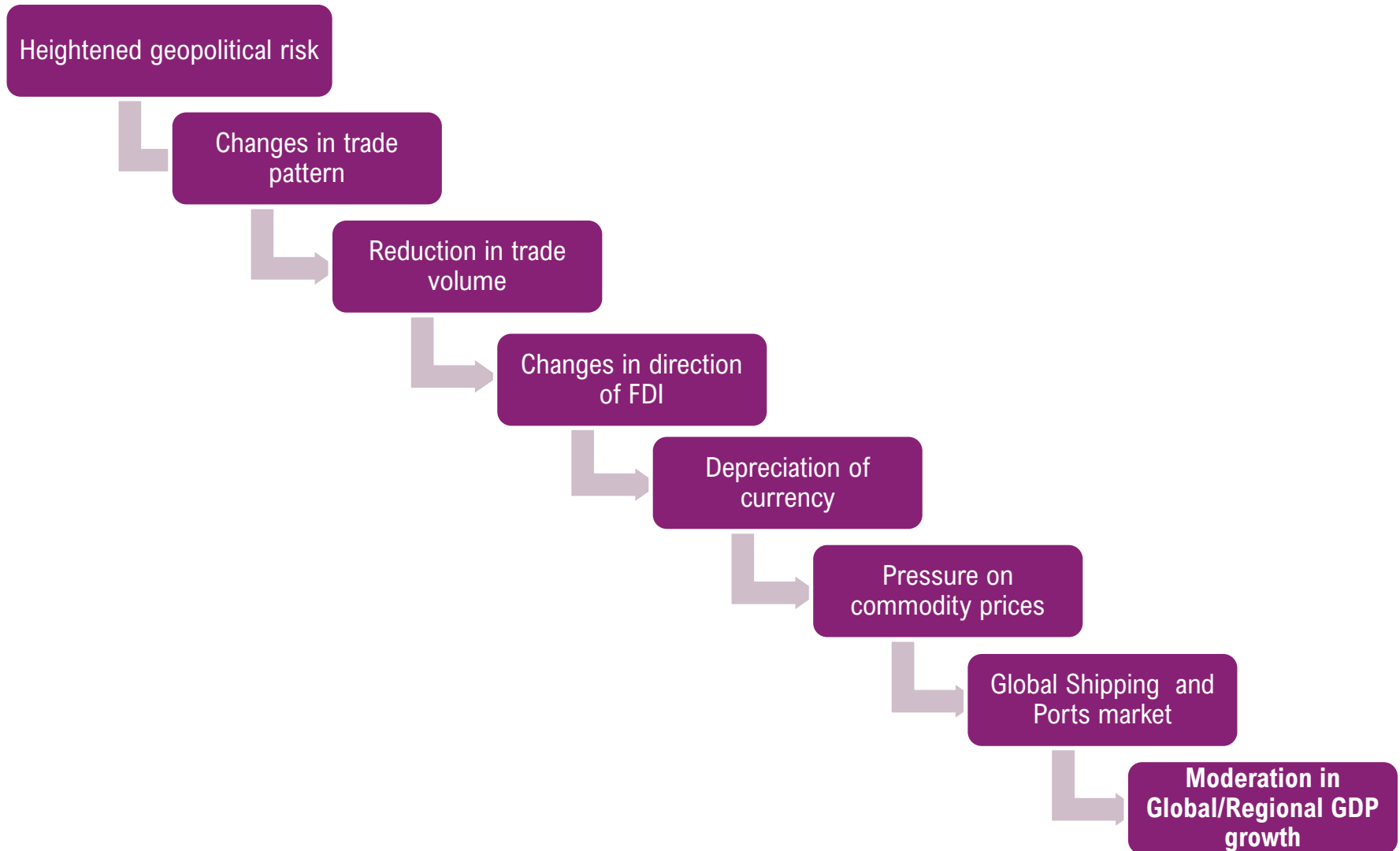
Extra and Intra imports



Extra and Intra exports

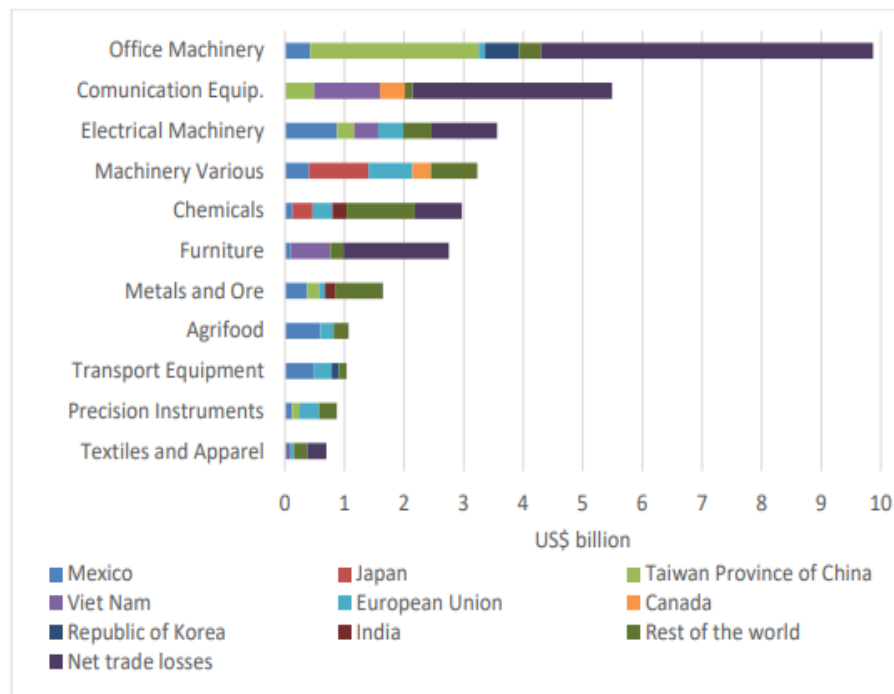
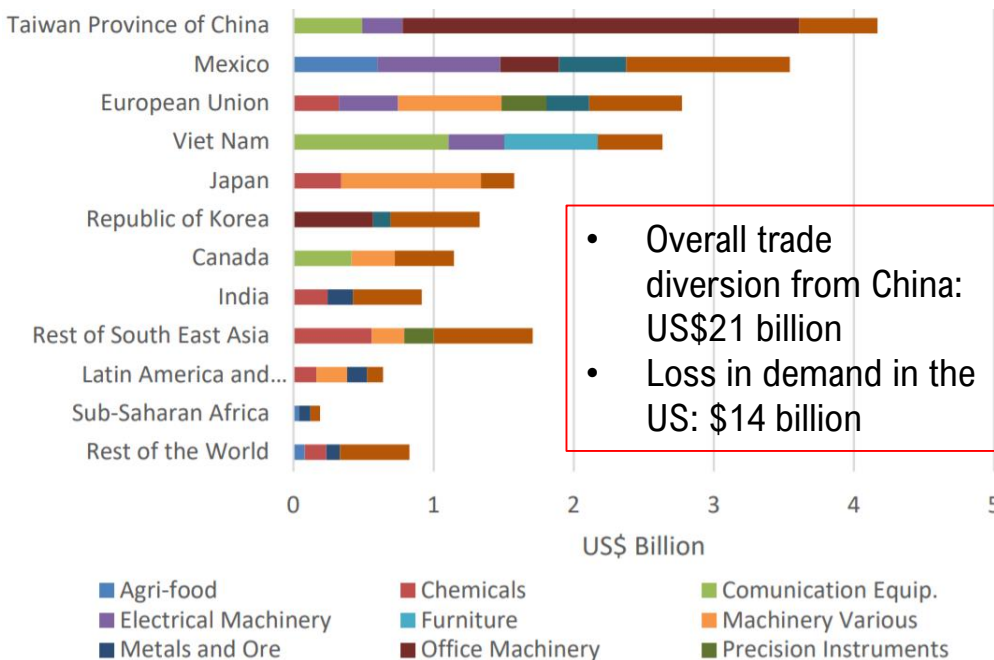


Geopolitical risk no more a tail risk



Trade diversion effect: Viet Nam leading the way in ASEAN

Trade diversion effects, by economies and products (first half of 2019)

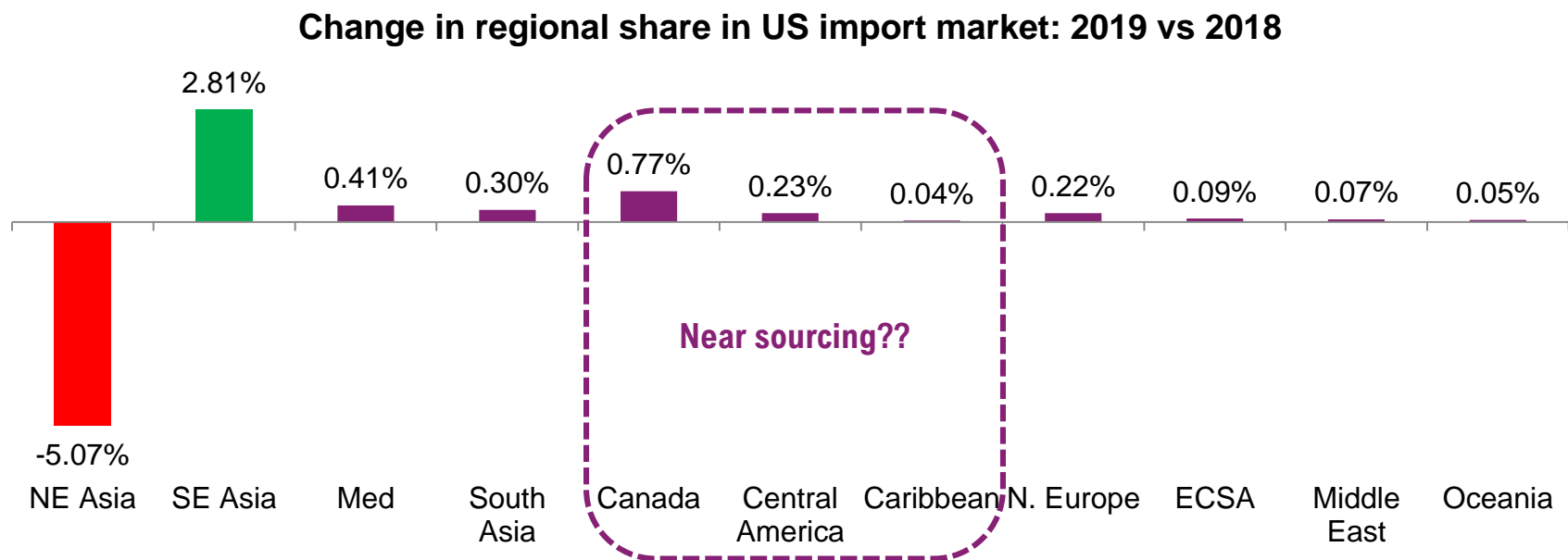


- According to UNCTAD large countries with spare supply capacity and available trade infrastructure were the ones better positioned to replace China in the United States market. Existing trade agreements as well as geography also appear to be playing a significant role.
- Viet Nam's benefits account to about **US\$ 2.6 billion** and are mostly concentrated in communication equipment and furniture. Rest of South East Asia accounted for **US\$ 1.7 billion**)

Source: UNCTAD

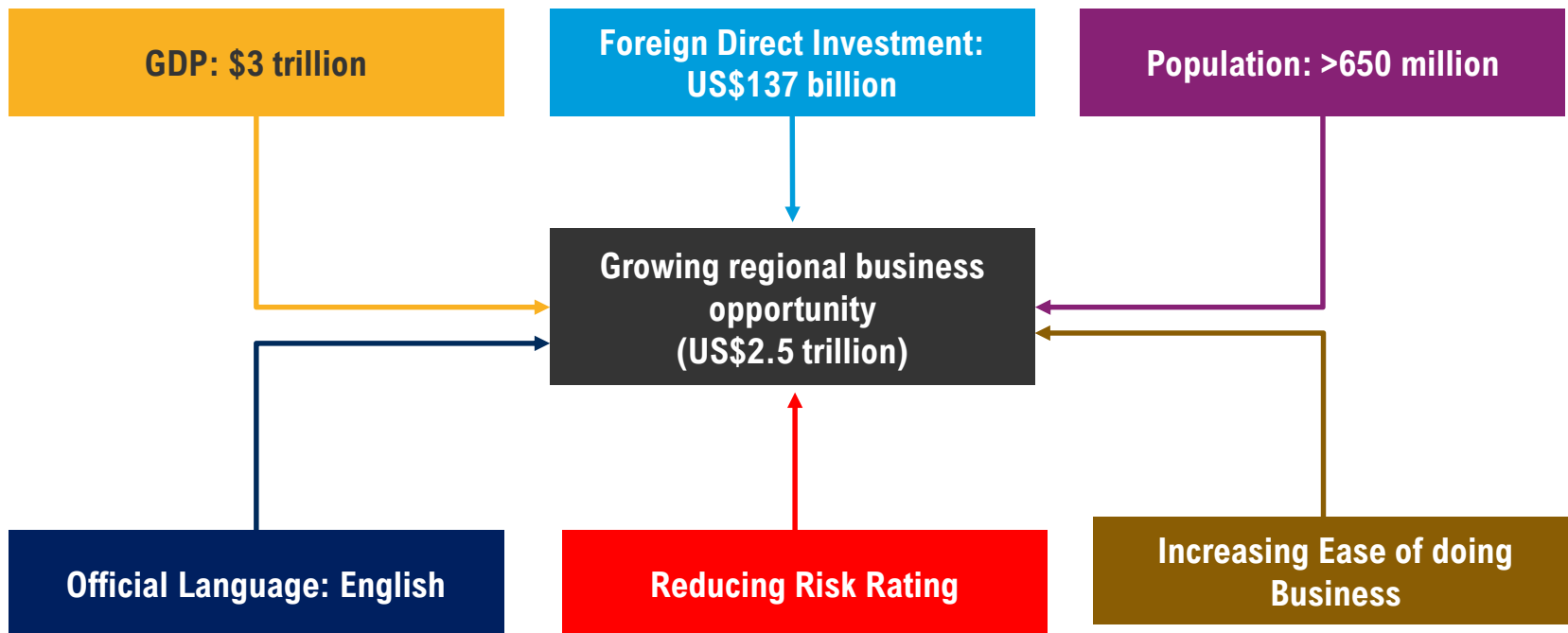
Trade diversion effect: ASEAN a clear winner

- US-China trade war causing trade diversion



Source: PIERS, Drewry

All key drivers point to growing regional trading opportunity



- Singapore: 0
- Malaysia: 2
- Thailand : 3
- **Vietnam: 4**
- Indonesia: 3
- Brunei: NA
- Philippines: 3
- Cambodia: 6
- Laos: 7
- Myanmar: 6

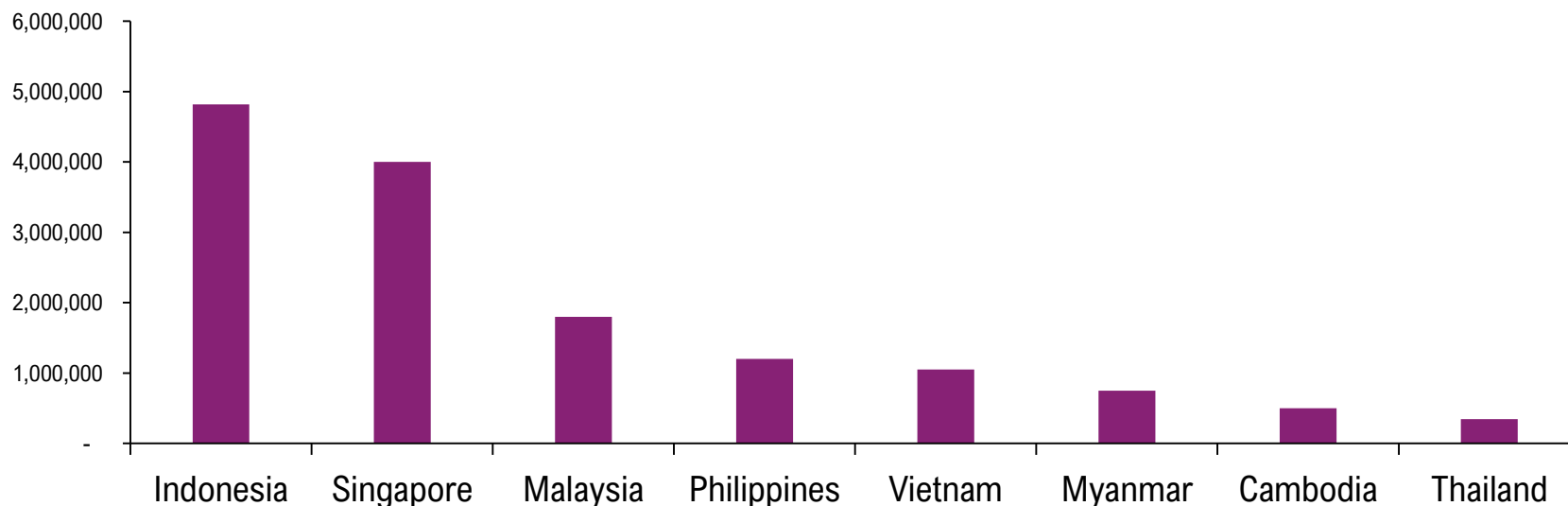
- Singapore: 2
- **Malaysia: 12**
- **Thailand : 21**
- Vietnam: 70
- Indonesia: 73
- **Brunei: 66**
- **Philippines: 95**
- **Cambodia: 144**
- Laos: 154
- **Myanmar: 165**

Note: Yellow: Improvement in ranking
Source: ASEAN, OECD, World Bank

Southeast Asia will remain an attractive port investment destination

In Southeast Asia, Indonesia takes the lead in terms of total additional TEU capacity at container and multipurpose terminals. Over 16 million TEU of container terminal capacity is planned over next five years.

Container/Multipurpose terminals additional capacity development (2020 – 2024) (Million TEU)



Source: Drewry

- Singapore's expansion is largely contributed by Pasir Panjang Terminal adding 8 million TEU capacity, and Tuas Terminal Phase 1 adding 3 million TEU. The total addition is also largely offset by a 6 million TEU reduction in capacity at the Keppel terminal as part of the country's port consolidation plan.
- By 2023, Indonesia will also add 4.8 million TEU capacity, which is contributed by several terminals. Maspion International Container Terminal, NPCT 2, and Patimban will each contribute 1 million TEUs to the addition.

Maritime Research

Robust, objective market analysis and forecasts to inform business decisions

Market Sectors

Container Shipping
Ports and Terminals
Dry Bulk
Gas Shipping
Tanker Shipping
Specialised Shipping
Ship Management
Logistics Management
Intermodal Transport

Maritime Advisors

Bringing together the expertise, insight and resources clients need to achieve their commercial ambitions

Advisory Expertise

Market Analysis
Strategy and Planning
Market Entry Analysis
Operational Due Diligence
Technical Due Diligence
IPO Support

Supply Chain Advisors

Tools, resources and tailored advice to support every stage of the ocean freight procurement process

Advisory Expertise

Ocean Freight Cost Benchmarking
Ocean Freight Procurement Support
Network Design and Optimisation
Commercial Due Diligence
Hinterland Logistics Analysis

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Gas Shipping
Tanker Shipping

Advisory Expertise

Credit Analysis
Bond Analysis

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