Drewry

Prepared for

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Macroeconomy of South East Asia and Port Industry Developments

22-24 October 2024

PRIVATE & CONFIDENTIAL

Presented by
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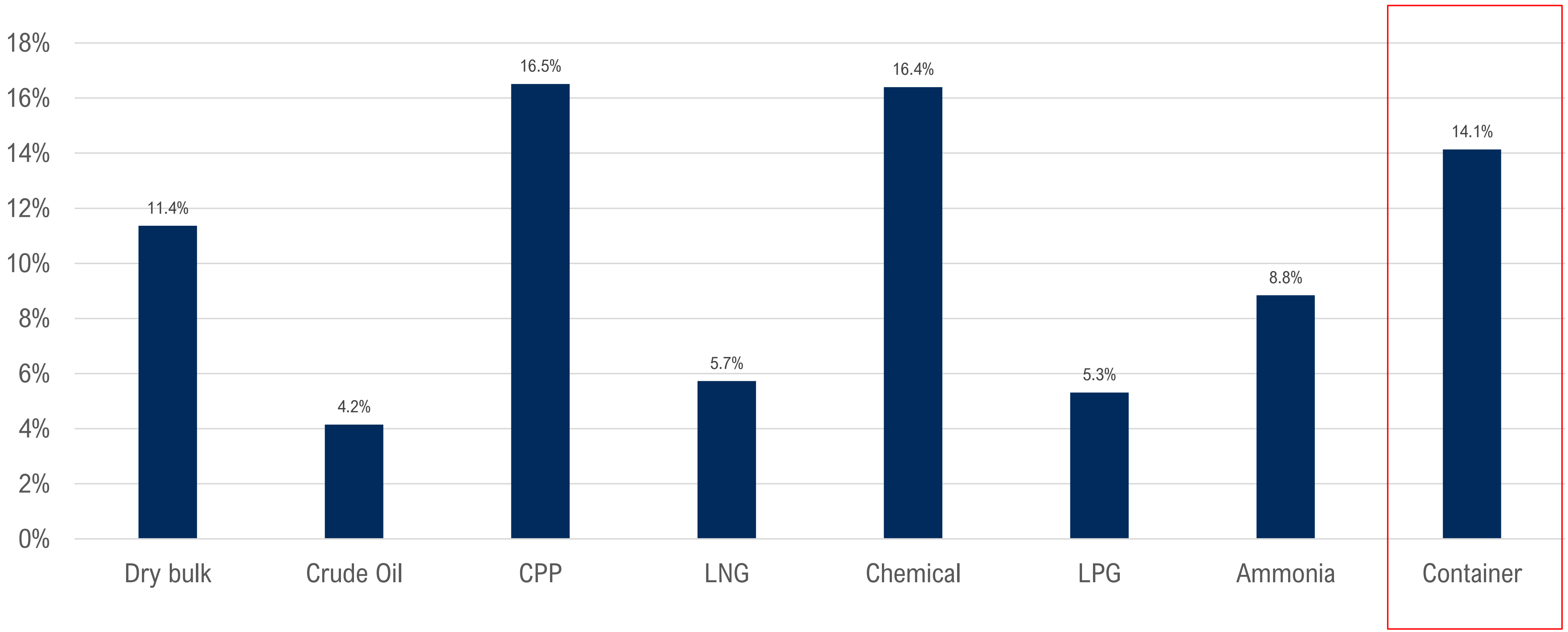
South East Asian Economy

Importance of South East Asia in global trade

SEA contributes about 12% of global trade of containerised and non-containerised commodities.

Percentage share of SEA in global trade

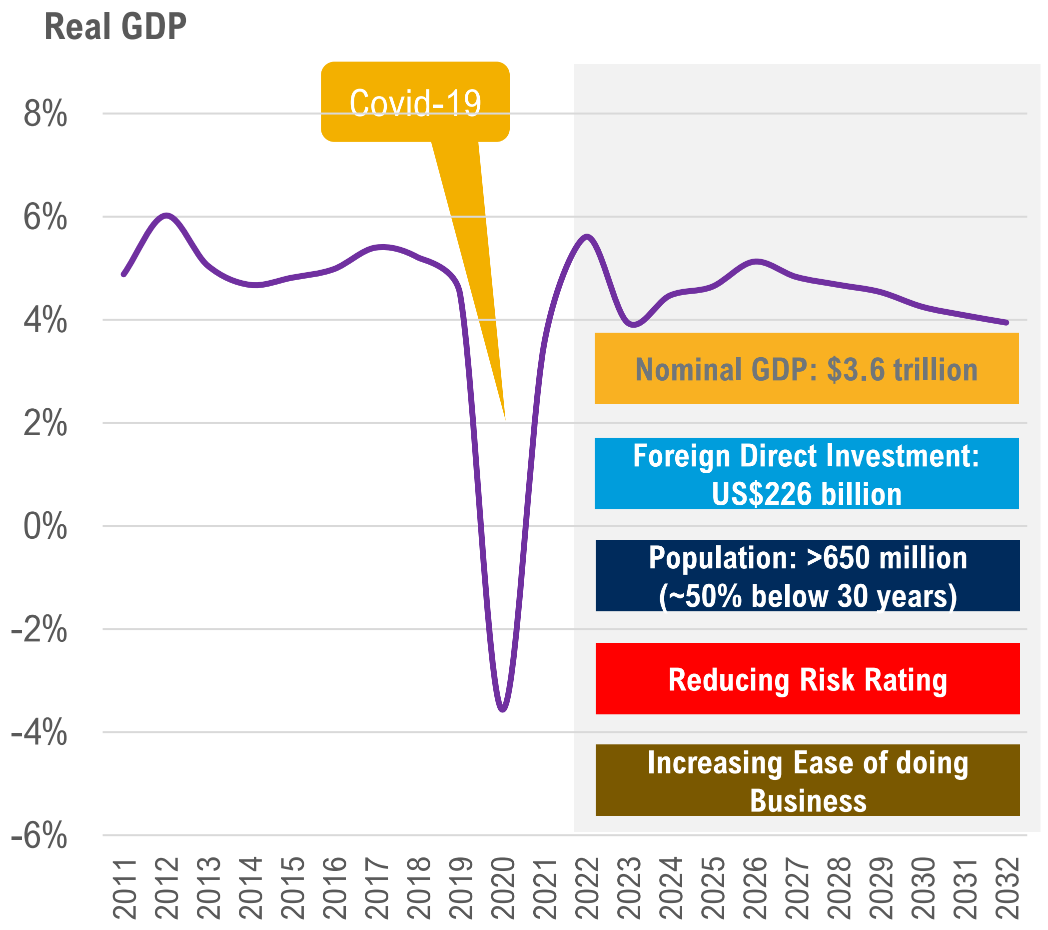


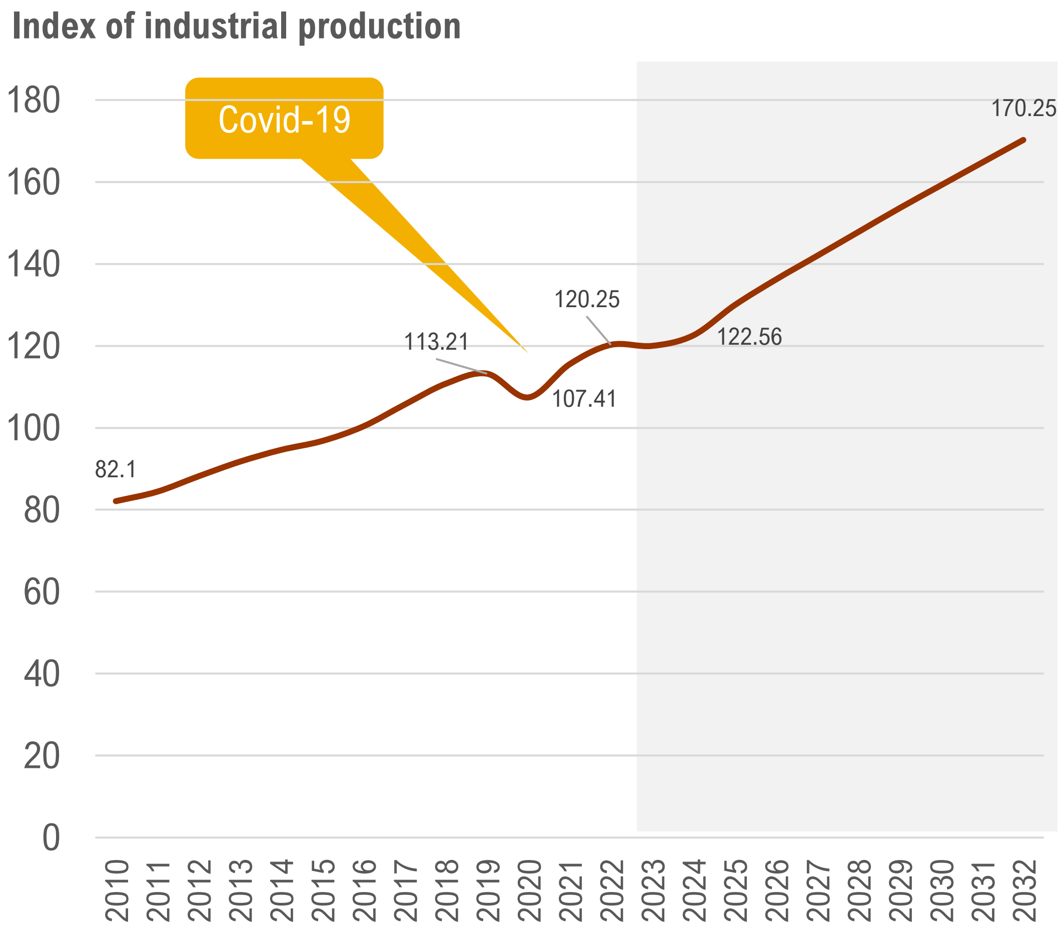
Note: CPP: Clean Petroleum Products

Source: Drewry

ASEAN Regional Real GDP Growth expected to remain robust

Real GDP growth for ASEAN remained between 4.5% and 5.5% between 2010 and 2022. It is expected to grow at a steady CAGR of 4.5% between 2024-2032. Index of Industrial Production is expected to grow at a steady CAGR of 3.7% over the forecasted period.



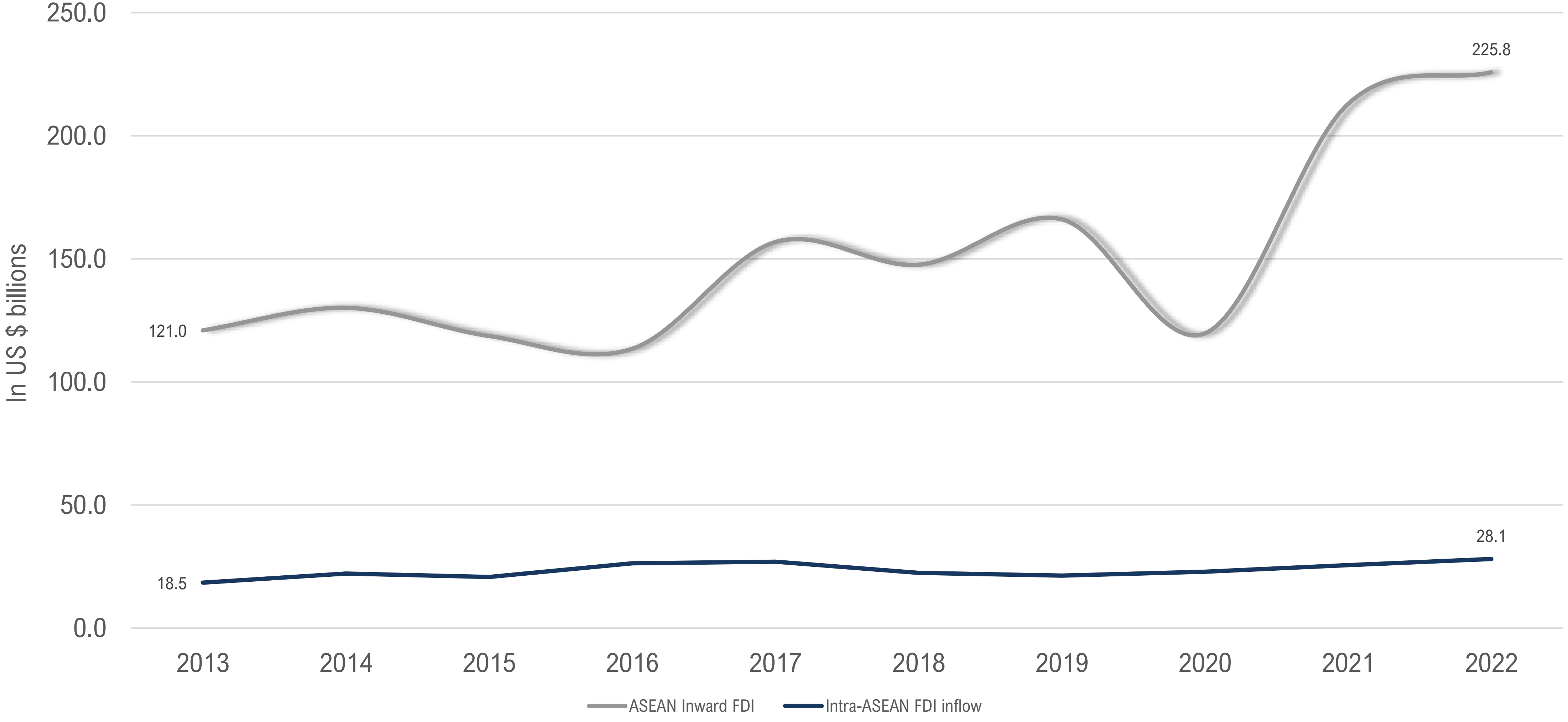


Base Year: 2015

Source: IMF, OECD, IMD, Oxford Economics

Inward flows of FDI

Inward flow of FDI grew by 7.2% in 2022 to $225.8 billion in the last ten years. The US is the largest source of FDI (16.3%), followed by Intra-Asia and Japan. Intra-ASEAN FDI remained steady indicating greater flow of FDI from countries other than ASEAN.

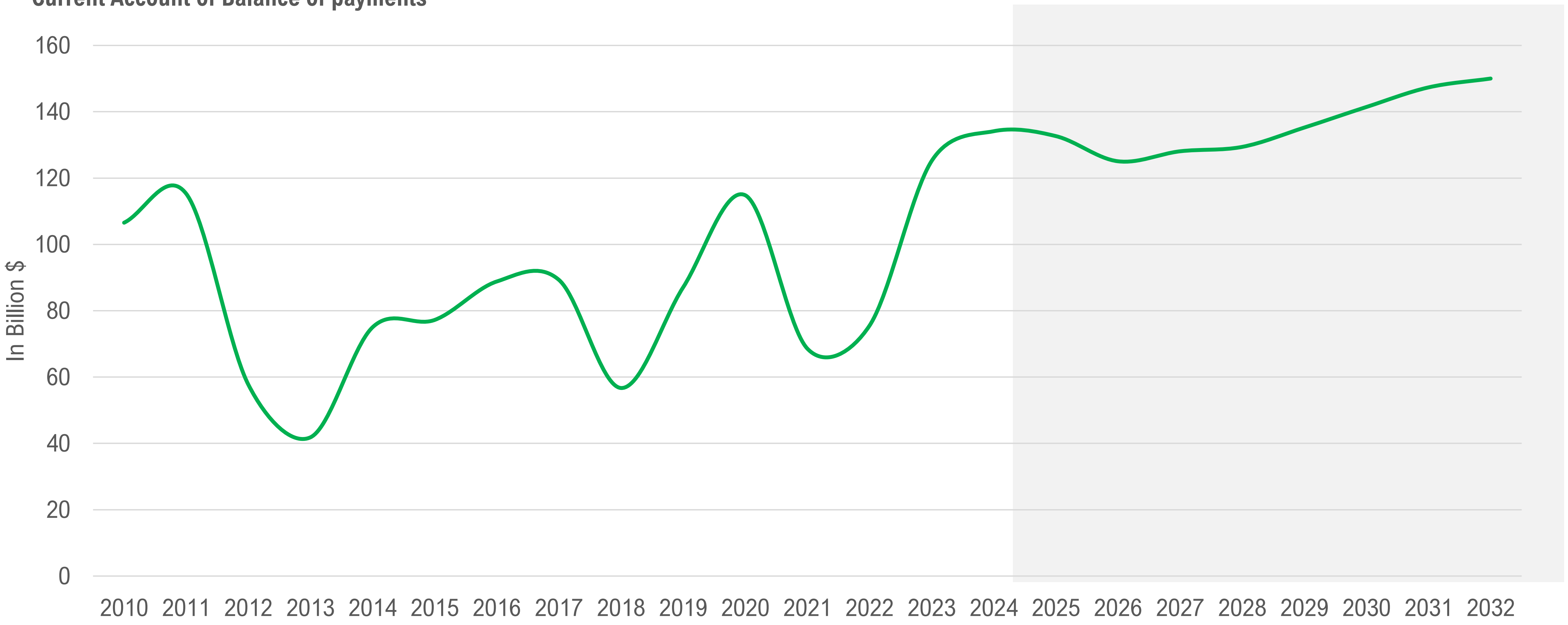


Source: ASEAN

Trade continues to grow steadily, ASEAN to remain net exporter

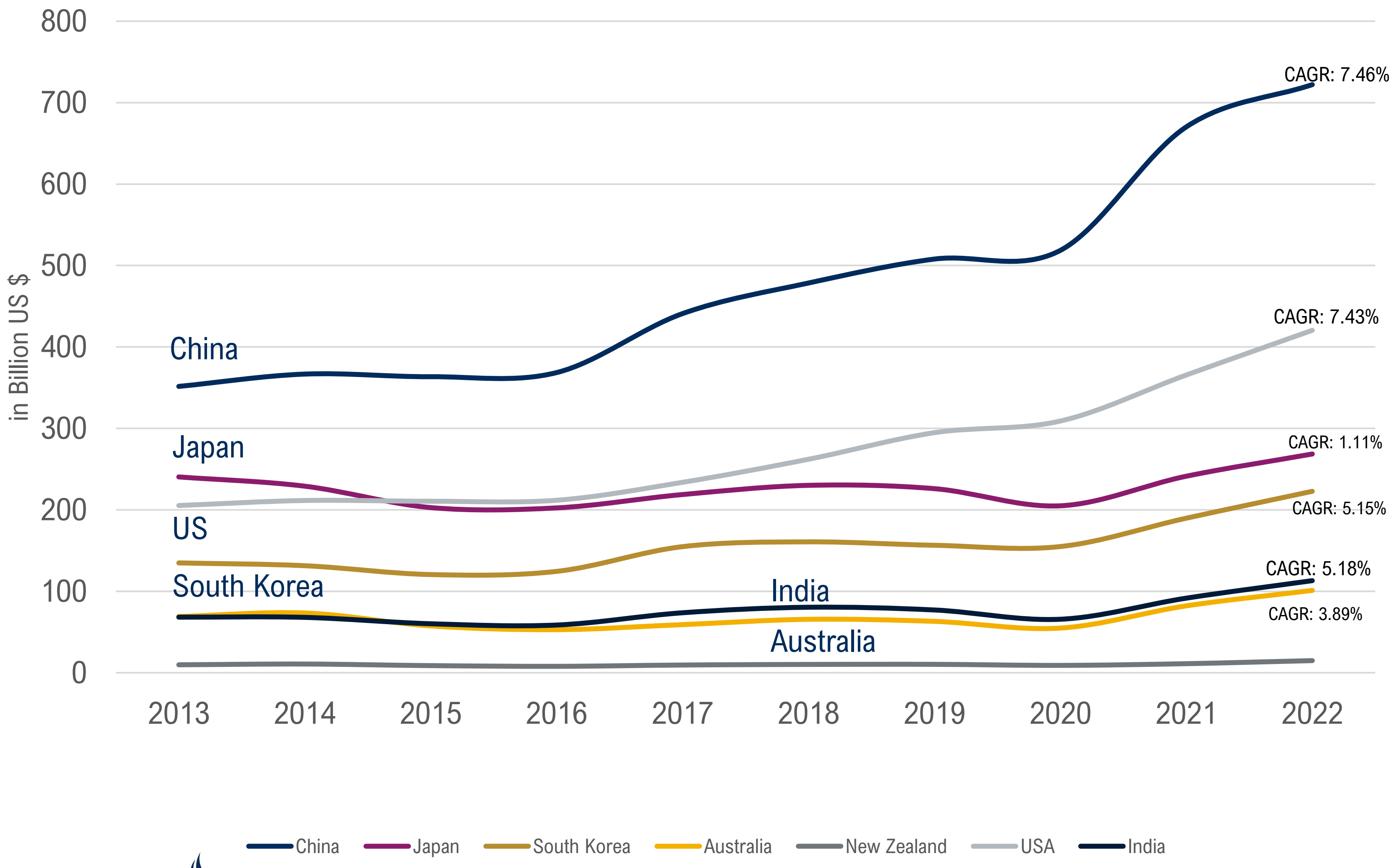
The trade bloc is expected to remain a net exporter of goods and services as highlighted by its current account balance, with its current account balance expected to increase over the forecasted period.

Current Account of Balance of payments



Source: ASEAN

ASEAN growth of trade since FTA with different partners

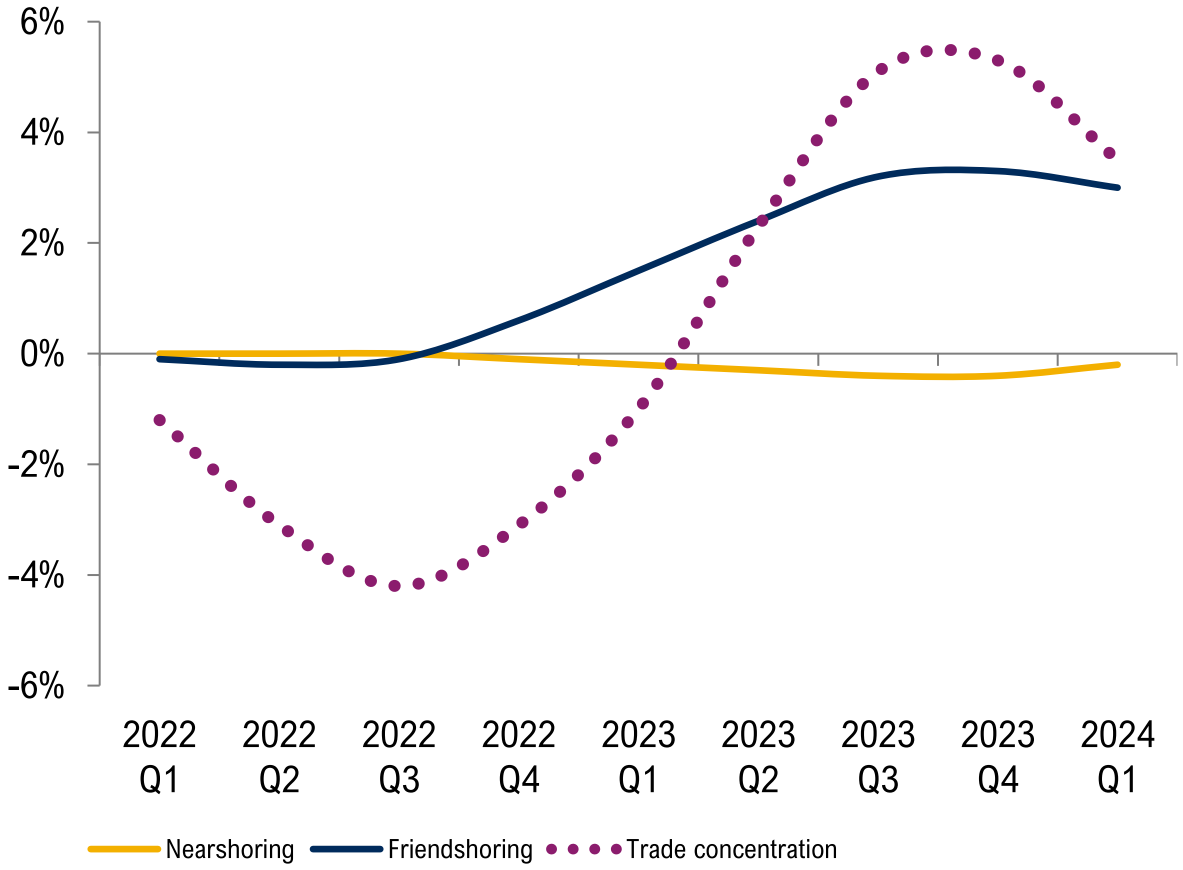


Source: ASEAN Stats

- ASEAN-China free trade agreement came into effect in 2010 and in 2024 meetup, is close to its upgradation.
- ASEAN-South Korea FTA is also been effective since 2010 and in the recent meetup, ties were elevated to Comprehensive Strategic Partnership (CSP).
- Talks are also underway to upgrade the ASEAN-Japan comprehensive economic partnership agreement.

Friendshoring and trade concentration trends continue to shape global trade in Q1 2024

Friendshoring, Nearshoring and Trade Concentration



Recent FTAs

- **2019** EU-Vietnam FTA
- **2020** Australia-Indonesia FTA
- **2021** China-Cambodia FTA
- **2022** RCEP (Regional Comprehensive Economic Partnership)
- **2018** CPTPP (Comprehensive and Progressive Agreement for Transpacific Partnership)

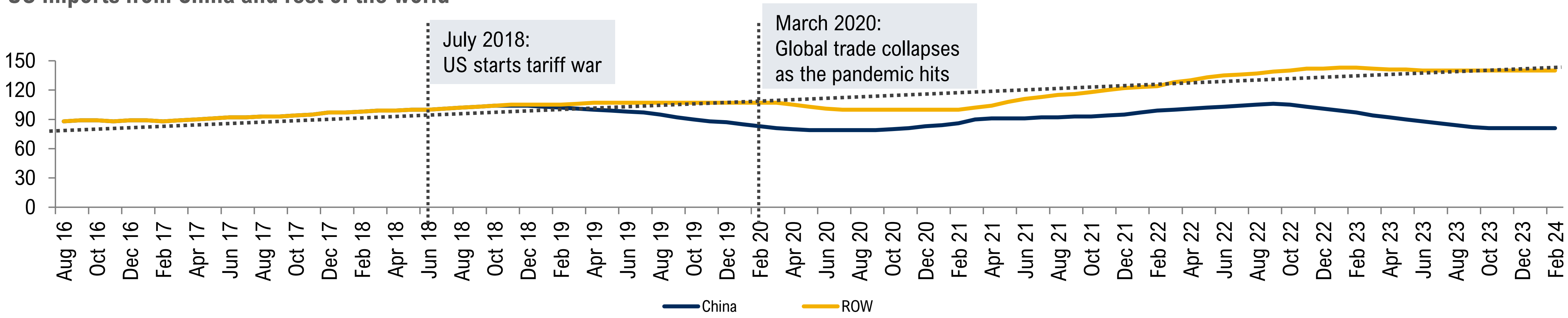
Note: Quarterly growth rates are relative to the previous quarter. Annual growth refers to the last four quarters. IR denotes intra-regional. Data is seasonally adjusted. Data does not include trade in services. Imports and exports exclude intra-European Union trade.

Source: UNCTAD

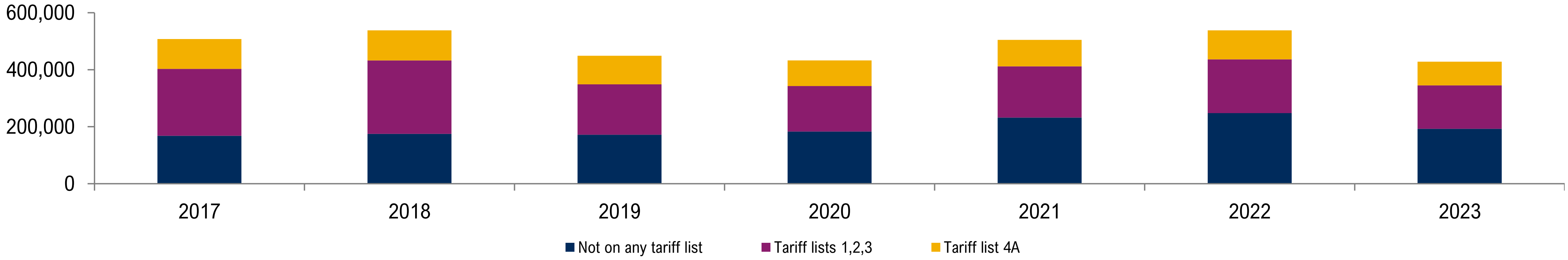
Trade pattern changing

The US-China trade war altered the trade pattern. The cargo flow from the rest of the world continued to increase while China's has been falling. 85% of Chinese exports are now directed to emerging and other developed economies.

US imports from China and rest of the world



Both trade in commodities from China with tariff or without tariffs fell



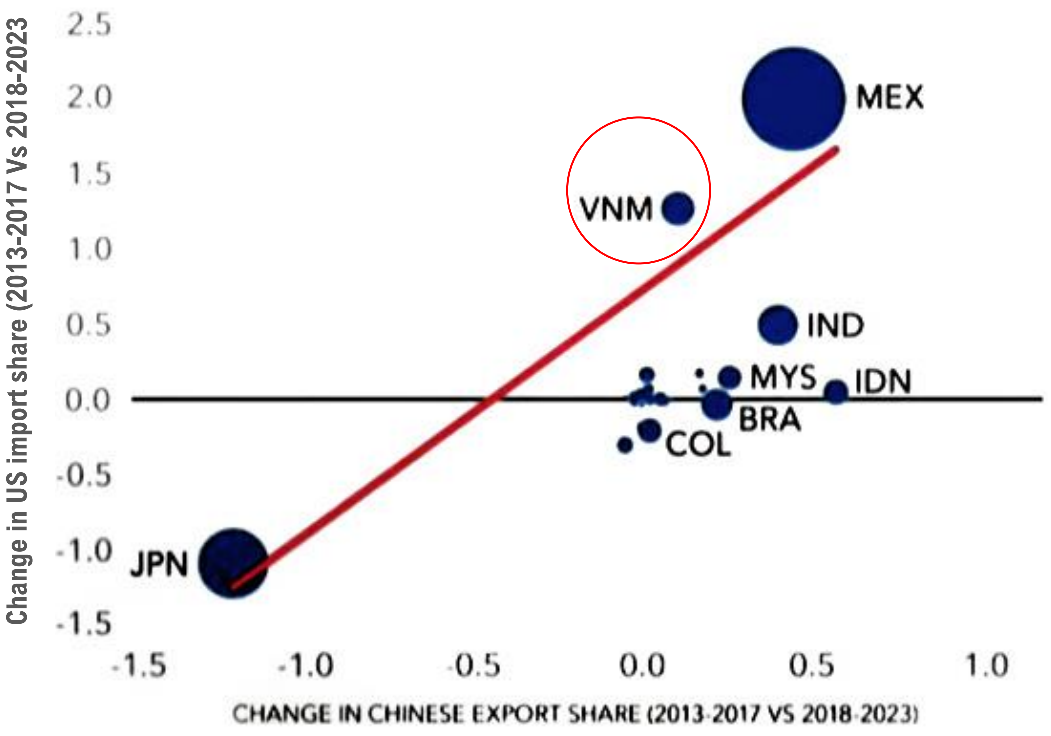
Note: Tariff lists 1, 2, 3 and 4A relates to different levels of tariff.

Source: Mary E Lovely (2024)

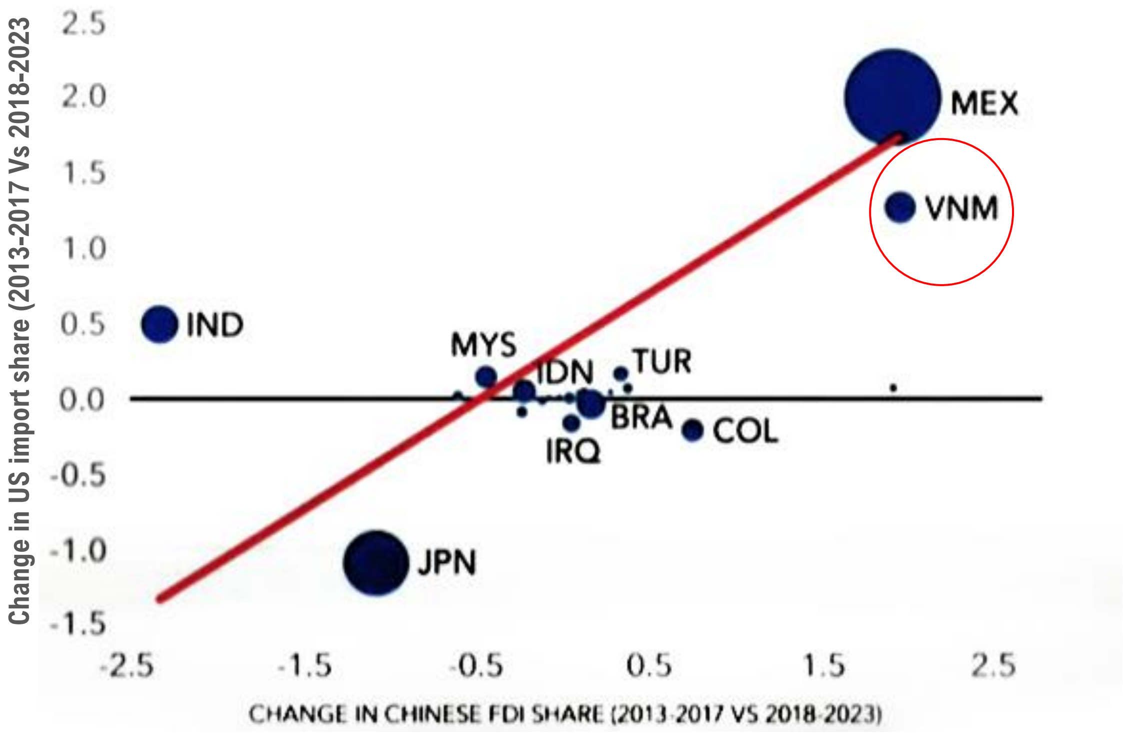
Emergence of connector countries (Primarily Mexico and Vietnam)

Vietnam and Mexico have emerged as the connector countries. Chinese FDI as a share of total into Mexico has gone up from less than 5% between 2003-2018 to around 18% in 2023. Chinese export share and FDI share to these countries have gone up. Simultaneously, US imports from these countries have also gone up. This trend will be accentuated with a new set of tariffs from the US.

Changes in US import share vs Chinese export share



Changes in US import share vs FDI from China

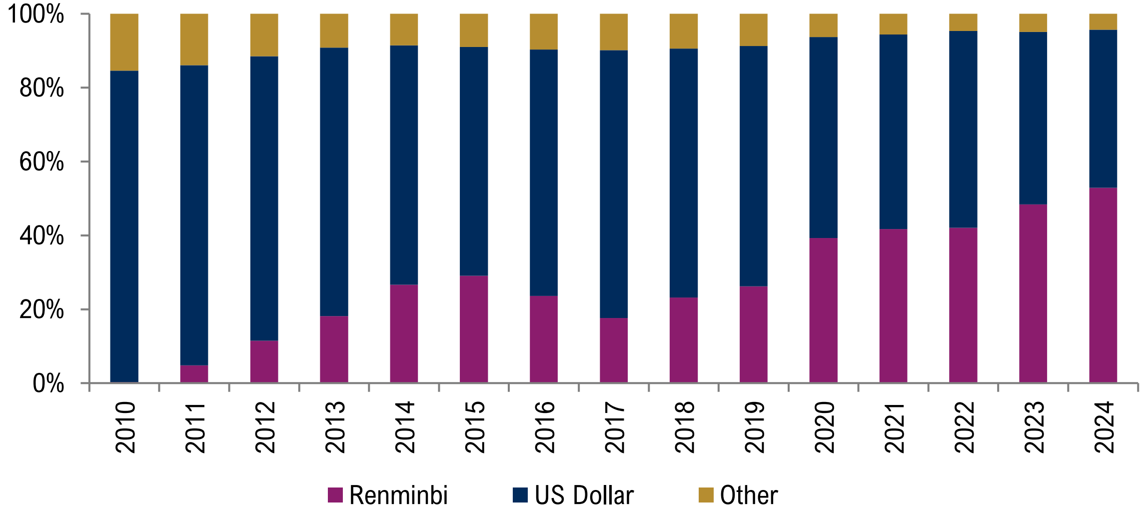


Note: VNM: Vietnam; MEX: Mexico; IND: India; IDN: Indonesia; MYS, Malaysia; BRA: Brazil; TUR: Turkey: Col- Colombia; IRQ: Iraq
Source: Geeta Gopinath et al (2024)

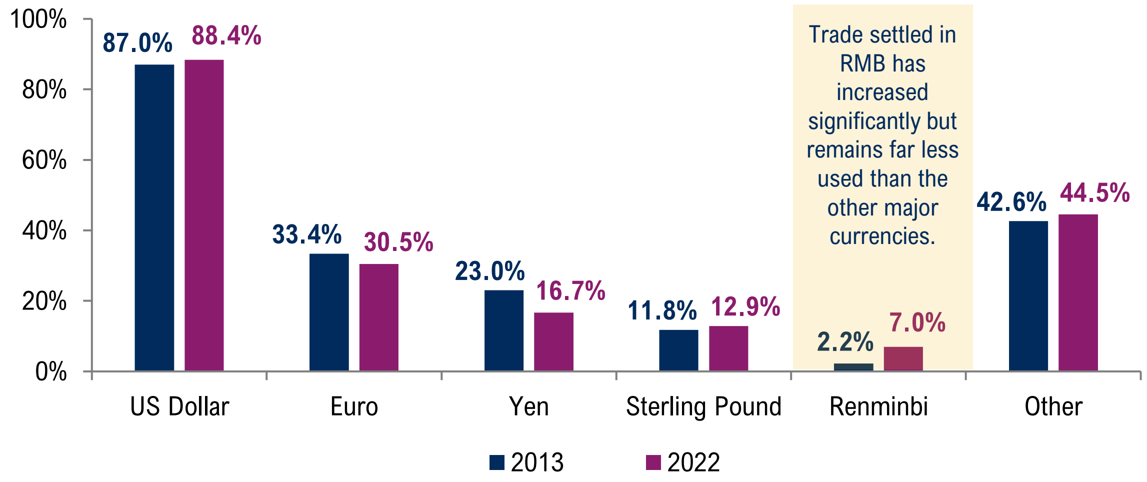
De-dollarisation in progress

As a result of the Russia-Ukraine war, global currencies and the dominance of the US dollar have experienced significant changes. The war has caused a shift towards diversification and the use of new reserve currencies, resulting in a slow movement towards de-dollarisation.

Share of currency in China's settlements, 2010 - 2024



Share of Foreign Exchange Transactions, 2013 & 2022



Note: Since two currencies are involved in each transaction, the sum of the percentage totals 200% instead of 100%.

- In March 2023, the share of Renminbi (RMB) used in China's cross-border transactions surpassed the USD for the first time – more than half (52.9%) of Chinese payments were made in RMB while 42.8% were completed in USD.
- Foreigners' increased willingness to trade assets in RMB significantly contributed to de-dollarisation. Furthermore, in early 2023, Brazil and Argentina announced the commencement of allowing trade to be settled in RMB.
- The share of reserves held in U.S. dollars by central banks has declined from 65% in 2016 to 59% in early 2023.
- Cross-border loans, international debt securities, trade invoicing and SWIFT payments still between 40% to 50%.
- The rise of the RMB could potentially weaken the USD's influence on international trade, but a complete de-dollarization is unlikely due to China's strict capital controls and economic growth.

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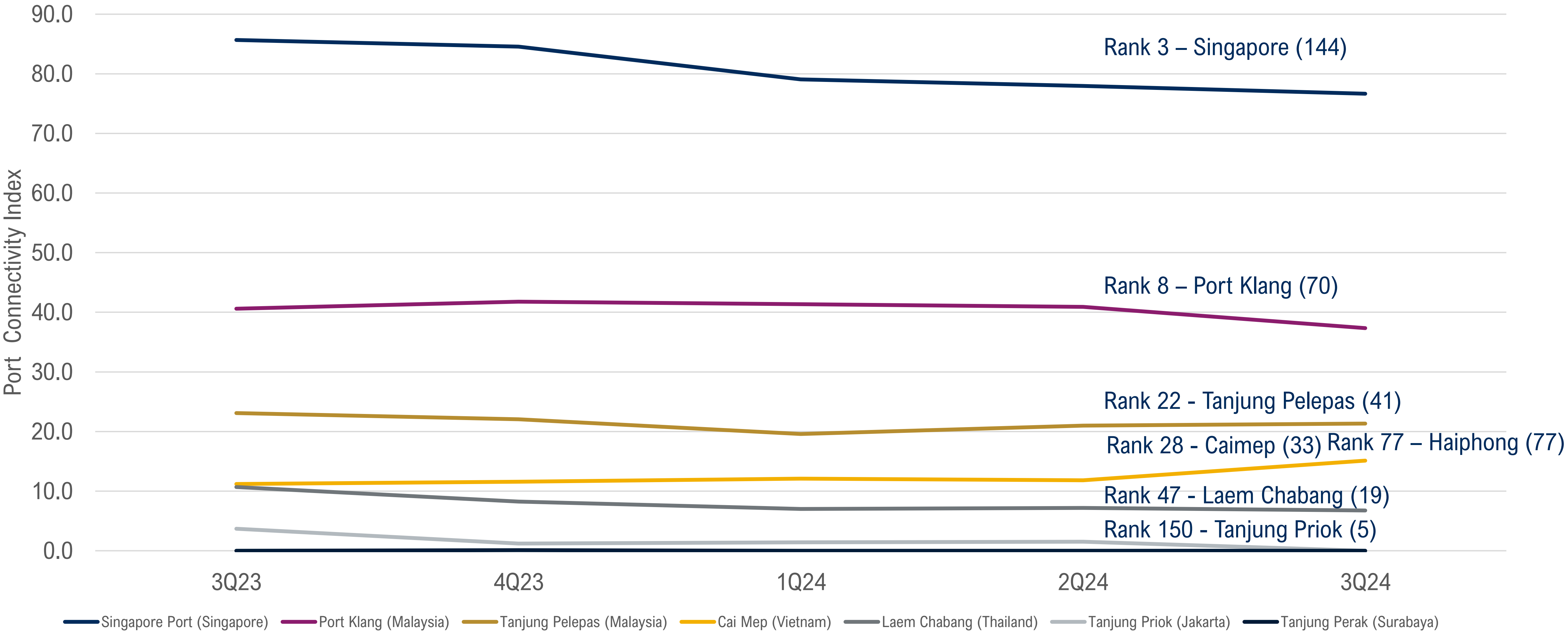
South East Asian Port Industry

Drewry Port Connectivity Index of major South-East Asian ports

Two south east Asian ports namely Singapore and Port Klang are in top ten of the most connected ports in the world.

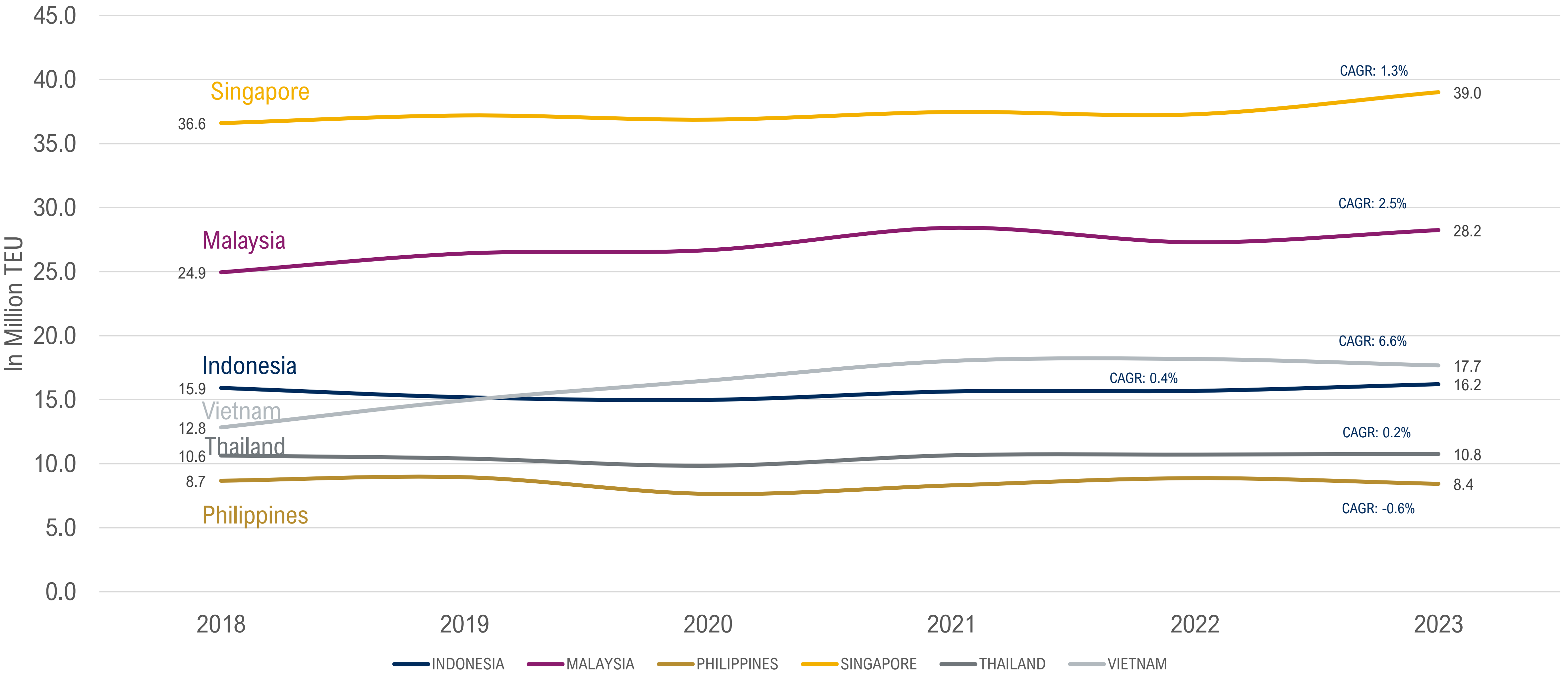


Note: The number in the parenthesis pertains to the deeps-sea mainline services of the port.

Source: Drewry

Country-wise port throughput (Major ports)

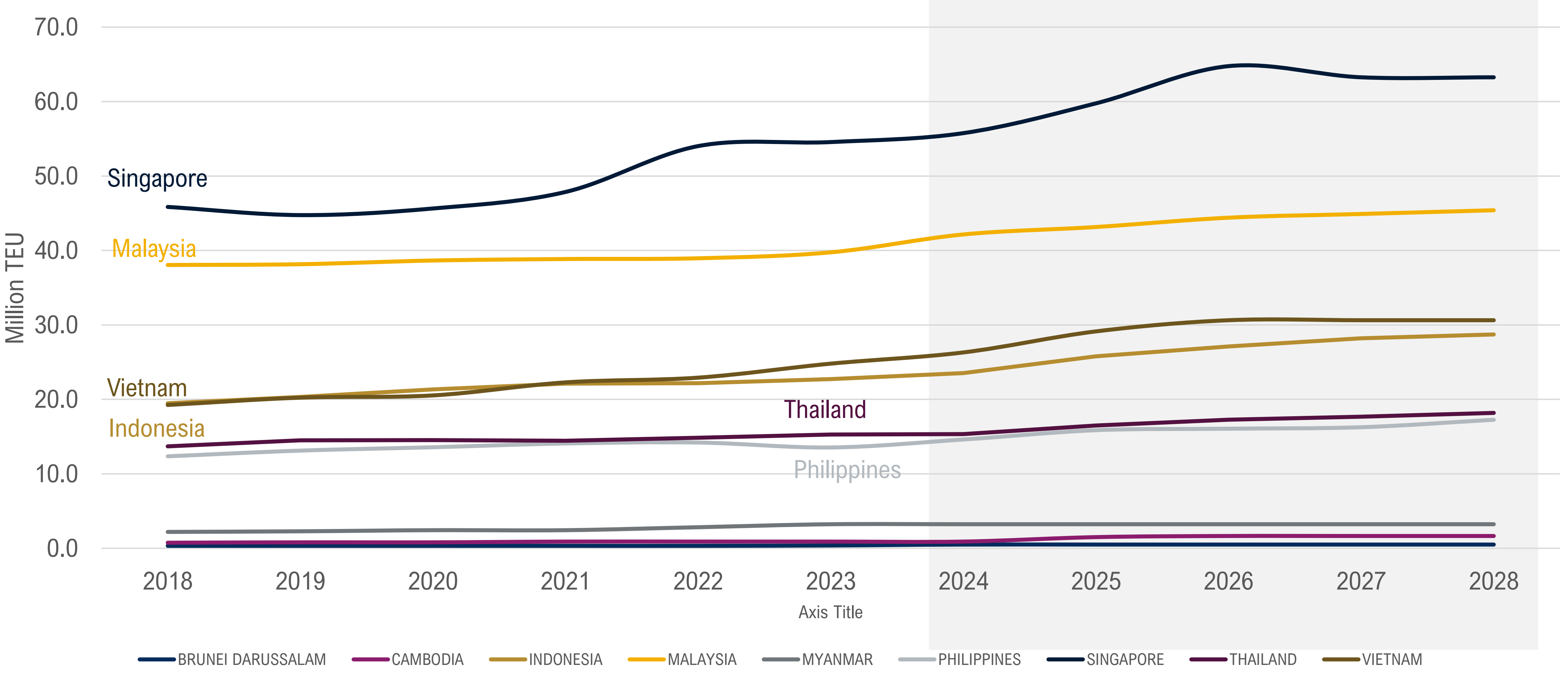
Port Throughput remained steady between 2018-2023, indicating a steady trade, despite COVID-19 pandemic. Vietnam experienced the highest growth in port throughput, increasing at CAGR 6.6%.



Source: Drewry

Country-wise port capacity growth

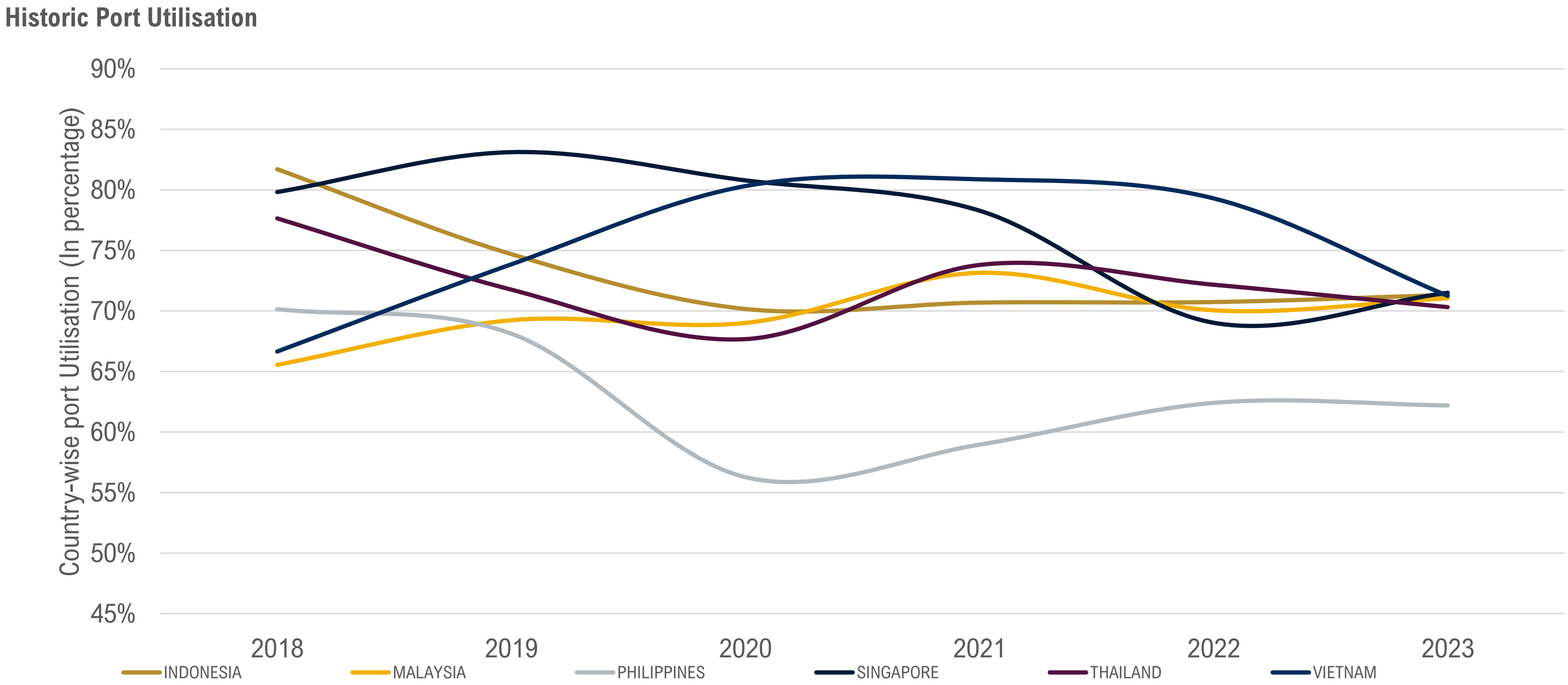
ASEAN port capacity is expected to increase steadily at a CAGR of 3.6%, with the highest addition likely in Singapore followed by Malaysia.



Source: Drewry

ASEAN combined port utilisation: Country-wise

ASEAN port utilisation remained steady above 70%.



Summary and Conclusions

- South East Asia is close to USD4 trillion.
- Inward flow of FDI to continue to grow on the back of strengthened FTAs and neutral stance in geopolitics.
- Friendshoring is likely to continue particularly trade with FTA countries will accelerate.
- Vietnam and other SEA countries have emerged as the connector countries. This trend will be accentuated with a new set of tariffs from the US.
- Slow weakening of the US Dollar is likely to continue as the Global South and other economies will continue to push for it to lessen reliance on a single currency.
- Port Throughput remained steady between 2018-2023, indicating a steady trade, despite COVID-19 pandemic. Vietnam experienced the highest growth in port throughput, increasing at CAGR 5.5%.
- SEA will continue to reap the benefits of demographic dividend, neutral geopolitical stance, ease of doing business and falling risk rating.

Source: Drewry

Drewry Introduction

ABOUT DREWRY: **Maritime Research and Consulting Services**

Rigorous analysis, practical advice

01 — **Drewry** is the leading international provider of research and consulting services to the maritime and shipping industry

50 — Founded in **1970**: More than **50** years continuously charting and assessing the world's maritime markets

90 — More than **90** full time employees and associates serving our clients from offices in London, Delhi, Shanghai and Singapore

04 — We serve our clients through **four** business units:

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We combine rigorous analysis with 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 provides the unique intelligence that underpins our advisory services.

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ADVISORY

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Independent, market-leading research on every key maritime sector

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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**

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We offer a comprehensive range of titles and online services that keep our clients up-to-date with developments in every key maritime sector, from dry bulk to chemicals, LPG to ferries.

SECTORS COVERED	RESEARCH TYPES	AUDIENCES SERVED
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We provide expert advice to Financial Institutions, Port Authorities, Terminal Operators and Governments covering the full spectrum of commercial and technical facets across all maritime and shipping sectors.

A trusted advisor with extensive track record

- Our professionals include a mix of senior executives, industry veterans and technical experts who between them have a wealth of practical industry experience
- More than **430** port assignments across **40** countries over the past ten years
- Since 2014, we have provided commercial and due diligence advice in maritime M&A and financing projects with a value of ~**$20bn**
- We have advised container shipping industry investments totalling more than **$6bn** in the last five years

AREAS OF EXPERTISE	SPECIALIST SECTORS
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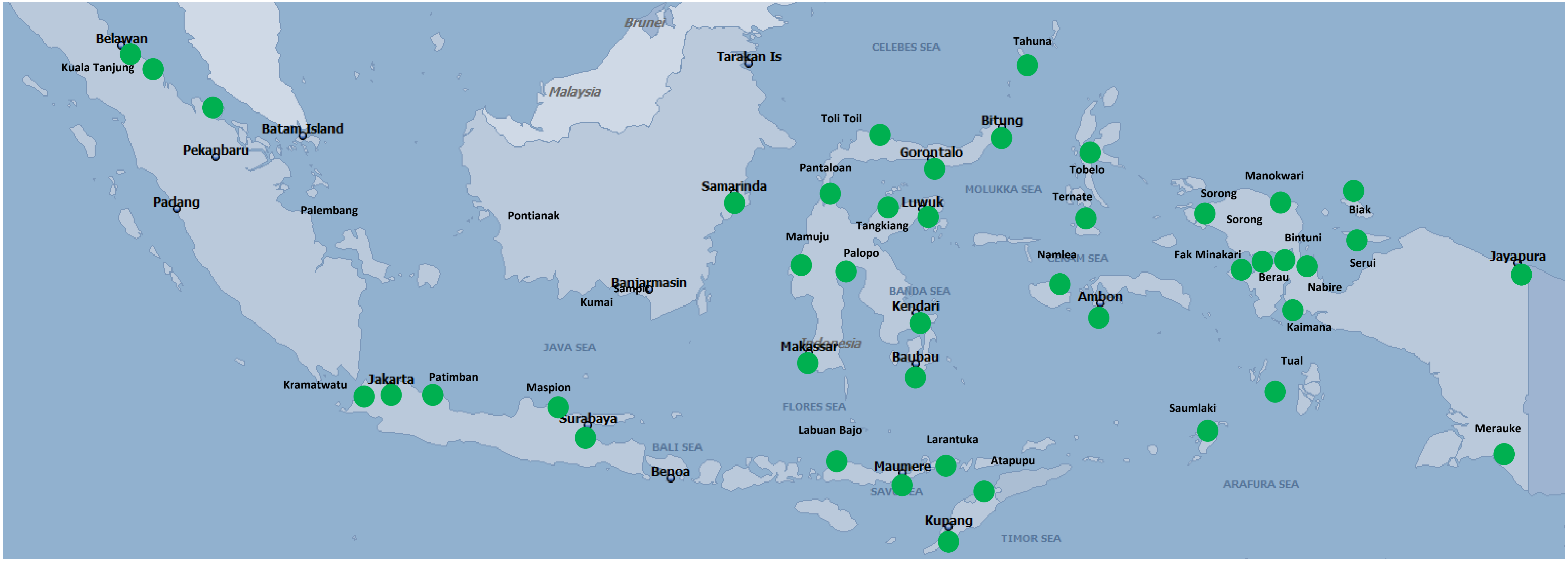
South East Asia: Port Projects

Drewry has undertaken port studies across entire South East Asia

Drewry Indonesia Experience

Drewry has undertaken traffic and revenue forecast study of over 40 port projects in Indonesia besides designing Pendulum network.



Legend:

- Ports where Drewry has undertaken port traffic and revenue forecasts

- Maritime specialist covering all main sectors
- Independent & impartial outlook
- Extensive proprietary databases
- Access to extensive research catalogue
- In-depth sector understanding & experience
- In-house technical expertise
- Modelling & forecasting expertise
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