

Transmodal®



AN INTRODUCTION

To the **Southeast Asian**
Airfreight Market:
The **Who, What, and Why.**

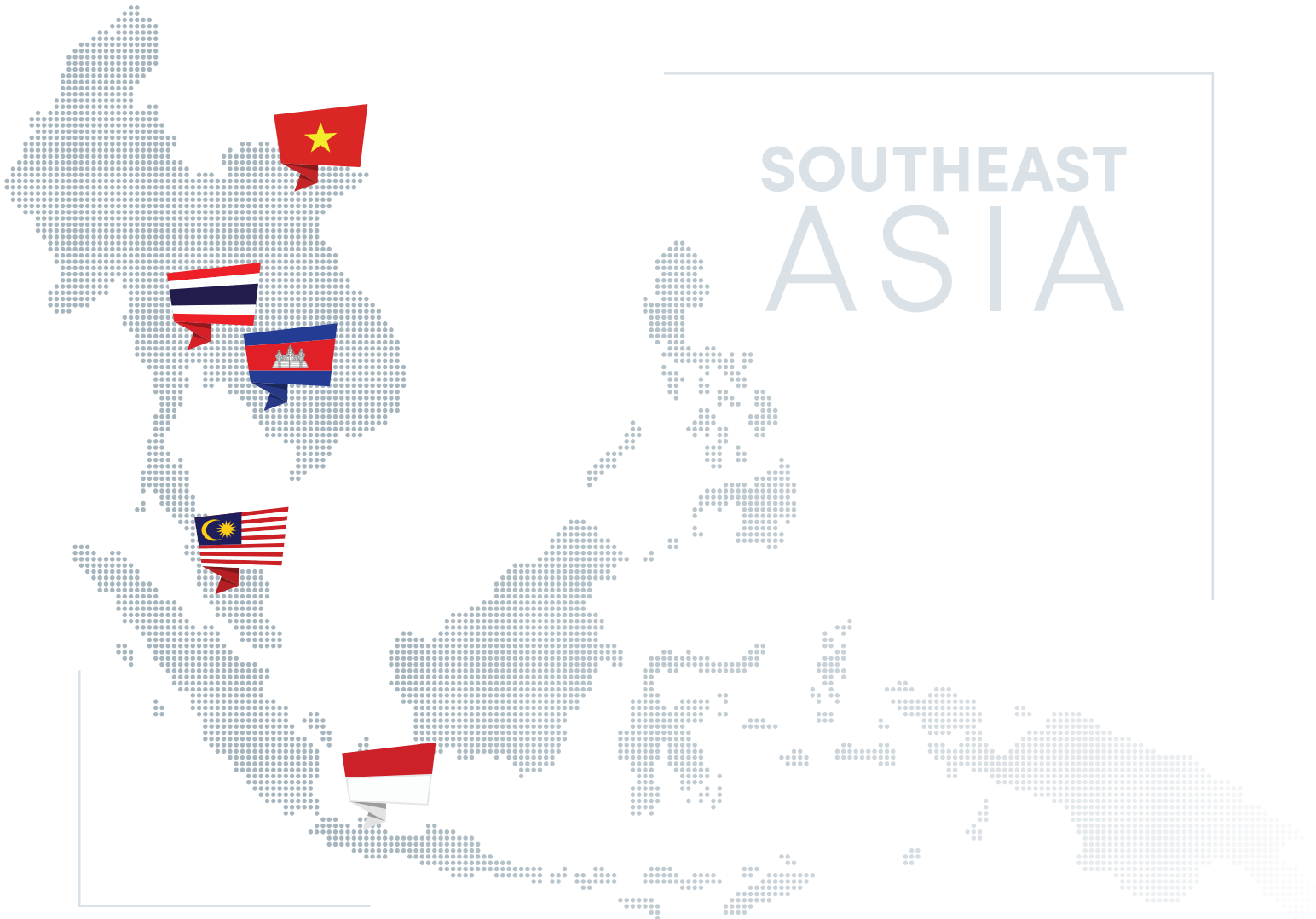




THERE'S A PARADIGMSHIFT HAPPENING IN THE WORLD OF LOGISTICS, AND SOUTHEAST ASIA IS RIGHT IN THE MIDDLE OF IT.

Whether it's because of the cheaper costs, more favorable conditions, or current events – it's indisputable that the region is “the next big thing” when it comes to where products are made. In fact, partially attributed to migration from Chinese-centered manufacturing, international air freight demand in the region has risen by 12.7% from February to March this year.

If you want to ride the wave, you'll need to know the major players in Southeast Asia and how they'd fit into your game plan – specifically in regards to airfreight. Below you'll find a short overview of Thailand, Vietnam, Indonesia, Malaysia, and Cambodia.



THAILAND

When most think of Thailand, they think of its food first, the 4th most popular cuisine globally and perhaps its most well-known export. But the country also boasts of a mature manufacturing foundation and skilled workforce relative to the rest of the region, with the second largest economy in Southeast Asia.

In 2017, exports hit \$215.0 billion, with the vast majority of that (65.1%) being delivered to Asia. Second and third place go to North America (12.9%) and Europe (11.6%) respectively. Top exports like computers, cars, and machinery make up almost half of all shipped goods.

Thailand is currently in the midst of massive investments in infrastructure, which helped raise the country's global LPI (Logistics Performance Index) ranking from 45th to 32nd in 2018.

World Bank LPI (Logistics Performance Index) Ranking: 32

World Bank Logistics Infrastructure Score: 3.14 / 5.00

World Bank Logistics Competence: 3.41 / 5.00

Air Freight Volume: 2,393.3 million ton-km (2017)

Major International Airports:

1. Suvarnabhumi Airport (BKK) - Bangkok
2. Don Mueang International Airport (DMK) - Bangkok
3. Chiang Mai International Airport (CNX) - Chiang Mai
4. Phuket International Airport (HKT) - Phuket
5. Hat Yai International Airport (HDY) - Hat Yai
6. Mae Fah Luang-Chiang Rai International Airport (CEI) - Chiang Rai



VIETNAM

When asking experts whom the greatest beneficiary of the trade war between the U.S. and China is, most would point to Vietnam. With an economic model reminiscent of China's and a growth rate to match, manufacturers have been flocking to the country's special economic zones, taking advantage of the lower labor costs and rapidly improving infrastructure for their production lines. While there are the inevitable growing pains due to a lack of a highly-skilled technical labor force, Vietnam is rocketing up the rankings in terms of export value at 13.5% year over year growth.

The country is the world's 21st largest exporter, shipping out \$220.0 billion worth of goods in 2017. Its biggest export destinations are the United States (21%), China (18%), Japan (8.2%), South Korea (7.3%), and Germany (4.9%). Exports are mostly made up of machinery, telecoms equipment, phones, and textiles.

In general, freight forwarders often take 3-4 days for express freight delivery to the U.S., and 7 days for classic air freight.

World Bank LPI (Logistics Performance Index) Ranking: 39

World Bank Logistics Infrastructure Score: 3.01 / 5.00

World Bank Logistics Competence: 3.40 / 5.00

Air Freight Volume: 453.3 million ton-km (2017)

Major International Airports:

1. Noi Bai International Airport (HAN) - Hanoi
2. Tan Son Nhat International Airport (SGN) - Ho Chi Minh City
3. Da Nang International Airport (DAD) - Da Nang



INDONESIA

Indonesia is the giant of Southeast Asia. With its economy making up two thirds of ASEAN's total, and the world's fourth largest population, it has incredible potential for further growth. Despite the fact that its in the running to become one of the world's largest economies in the next few decades, solid logistical infrastructure has always been a problem for those seeking to do business there – this is partly due to the fact that the country is an archipelago made up of around 17,500 different islands. But the country is experiencing a rapid surge in air freight volume and is looking to expand capacity to become a major hub for the region.

Indonesia shipped out \$188.0 billion worth of exports in 2017. Top destinations for exports were China (14%), the United States (11%), Japan (10%), India (8%), and Singapore (7.6%). Coal, petroleum gas, and palm/coconut oil make up more than 30% of its export volume.

The logistics market in Indonesia is mostly dominated by local players, with international companies making up only 30% of the market.

World Bank LPI (Logistics Performance Index) Ranking: 46

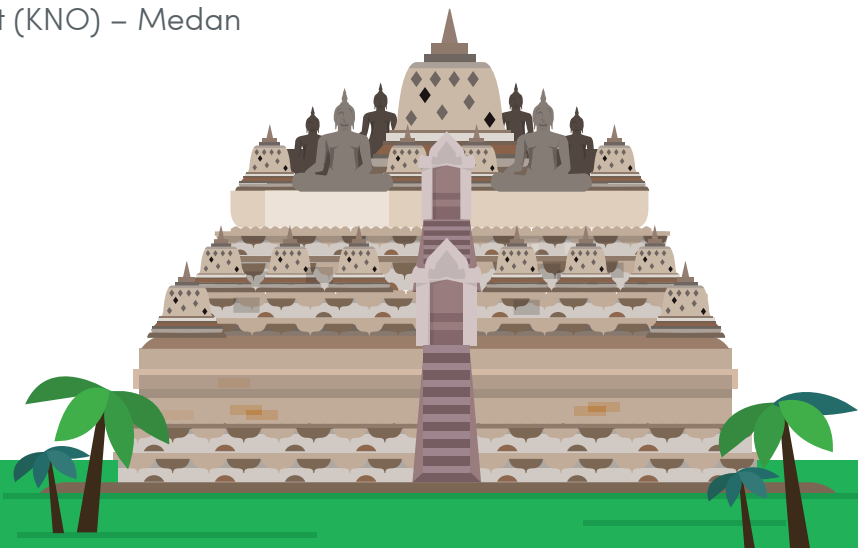
World Bank Logistics Infrastructure Score: 2.89 / 5.00

World Bank Logistics Competence: 3.10 / 5.00

Air Freight Volume: 1,056.0 million ton-km (2017)

Major International Airports:

1. Soekarno–Hatta International Airport (CGK) – Jakarta
2. Ngurah Rai International Airport (DPS) – Denpasar
3. Juanda International Airport (SUB) – Surabaya
4. Sultan Hasanuddin International Airport (UPG) – Makassar
5. Kualanamu International Airport (KNO) – Medan



MALAYSIA

Malaysia's economy has been on a growth trajectory since 2010, averaging growth of 5.4% annually. Today, manufacturing accounts for over 40% of Malaysia's GDP, as extraordinary efforts to attract foreign investment has paid off. High labor productivity combined with a highly skilled and educated workforce has made it one of the world's most competitive economies (25th), and certainly the most productive in Southeast Asia.

2017 had the country export \$263.0 billion worth of goods, with the top destinations being China (16%), Singapore (14%), the United States (13%), Japan (6.7%), and Hong Kong (5.2%). Malaysia has a well-diversified export portfolio, though integrated circuits make up 21.1% of total exports.

Malaysia's logistics market is highly competitive - but the country has traditionally been a seafaring hub, and many businesses won't handle air freight.

World Bank LPI (Logistics Performance Index) Ranking: 41

World Bank Logistics Infrastructure Score: 3.15 / 5.00

World Bank Logistics Competence: 3.30 / 5.00

Air Freight Volume: 1,261.6 million ton-km (2017)

Major International Airports:

1. Kuala Lumpur International Airport (KUL) - Greater Kuala Lumpur
2. Kota Kinabalu International Airport (BKI) - Kota Kinabalu
3. Penang International Airport (PEN) - George Town
4. Kuching International Airport (KCH) - Kuching



CAMBODIA

If you've worn clothes from Gap, Adidas, or JCPenney, you've likely benefited from Cambodia's signature export: garments. Cambodian textile exports account for 80% of the country's exports, and the dominance of the industry is only expanding as more companies have shifted production from China due to higher costs there. Cambodia's economy is the fastest growing in Southeast Asia at 7.0% annual growth with attractive incentives for foreign investment, but faces challenges with its lack of robust infrastructure.

Cambodia's export market is smaller than the other rising stars of the region, with exports at \$15.8 billion in 2017. Top export destinations include the United States (19%), Germany (11%), the United Kingdom (8.2%), Japan (8.0%), and France (6.5%).

World Bank LPI (Logistics Performance Index) Ranking: 98

World Bank Logistics Infrastructure Score: 2.14 / 5.00

World Bank Logistics Competence: 2.41 / 5.00

Air Freight Volume: 0.9 million ton-km (2017)

Major International Airports:

1. Phnom Penh International Airport (PNH) - Phnom Penh
2. Siem Reap International Airport (REP) - Siem Reap

