

## **Malaysia Freight and Logistics Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)**

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### **Report description:**

The Malaysia Freight and Logistics Market are anticipated to register a CAGR of more than 4.5% over the forecast period. The growth in e-commerce and social commerce in the country drives the market. Furthermore, the market is driven by the ease of port congestion and increased sea freight trade.

#### Key Highlights

Malaysia was hit hard by the COVID-19 pandemic, which resulted in currency devaluation (MYR) and a reduction in the country's gross domestic product (GDP). Malaysia's economy contracted by 5.6% in 2020. A survey of Malaysian supply chain executives between December 2020 and February 2021 found that 39% of those polled claimed the COVID-19 epidemic had harmed their supply networks. In contrast, 18% of supply chain executives stated that the epidemic enhanced their company's income. The pandemic hugely impacted the worldwide supply chain due to travel restrictions.

The freight and logistics business's key development engine is e-commerce, which generates enormous profits for the industry. In recent years, the rise of the e-commerce industry coincided with an increase in the number of business prospects for transporting goods. The surge in demand for online purchases, backed by campaigns like the 'Stay Home Essential' by Post Malaysia, made online purchasing easier. During the pandemic, various online vendors offered a variety of necessities and general items.

While soaring freight costs have reduced manufacturers' and other enterprises' profit margins over the past two years, they have helped shipping and logistics corporations after record profits. On the other hand, as port congestion eases and capacity returns to the market, freight rates have decreased from their high this year. The Drewry World Container Index revealed that overall container shipping costs had been reduced by 20% from a year ago to USD 7,051 as of July 2022. It analyzed the cost of shipping a 40-foot equivalent unit (FEU) container on eight major routes to and from the US, Europe, and Asia.

Locally, transport companies with bases in Malaysia, like Tasco Bhd, Harbour-Link Group Bhd, and FM Global Logistics Holdings Bhd, have recorded their best-ever yearly profits due to rising freight rates and consumer demand. However, investors'

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uncertainty about the companies' future earnings growth is not evident in the share prices of most logistics companies, which are down double digits year to date. For example, Tasco said their fiscal year ended on March 31 (FY2022) and had been the most lucrative one ever, with a net profit of MYR 65.25 million (USD 14.72 Million), up by 58% from MYR 41.27 million (USD 9.31 Million) in FY2021 to MYR 1.48 billion (USD 0.33 Billion), revenue increased 56% over the previous year.

## Malaysia Freight & Logistics Market Trends

### Increased cross-border trade is driving the market

In May 2022, Malaysia's trade performance continued to be strong and rise. Since February 2021, total trade improved by 33.6%, from MYR 170.9 billion (USD 38.55 Billion) to MYR 228.4 billion (USD 51.52 Billion), marking the 16th consecutive month of double-digit growth. In line with the trade performance, exports and imports saw double-digit increases from May 2021 of 30.5% and 37.3%, respectively. With the rise in intermediate products by 34.1%, Malaysia's imports reached an all-time high of MYR 107.9 billion (USD 24.34 Billion), signaling a healthy local economy. With a value of MYR 12.6 billion (USD 2.84 Billion), a decline of 8.3% from the previous year, trade value continued to show a surplus.

The performance of total trade, exports, and trade surplus decreased compared to April 2022 by 1.4%, 5.6%, and 46.3%, respectively. Imports rose by 3.6% during the same time. Total trade, exports, imports, and the trade surplus increased from January to May 2022. Total trade increased by 25.1%, driven by increases in both exports and imports (both of which increased by 23.5%). As a result, the trade surplus was higher, at MYR 101.1 billion (USD 22.80 Billion).

Malaysia exports and imports several durable goods through its historical trading partners. According to the research mentioned above by World Top Exports, in 2021, the top 10 products that consumers imported from the country accounted for 81.7% of the total value of international shipments. The fastest-growing notable industries include various chemical products (52.2%) and aluminum (92.9%). Some others are rubber (49.8% acceleration) and optical, medical, and technical equipment (16.6% rise). Electronics and electrical products are Malaysia's most valuable exports. They account for 36% of Malaysia's exports, with chemicals (7.1%), petroleum products (7.0%), liquefied natural gas (6%), and palm oil (5.1%) following.

### E-commerce is driving the logistics market in Malaysia

Since the COVID-19 epidemic caused significant consumer behavior changes, even the smallest Malaysian SMEs now have new opportunities to compete worldwide. The first of these digital trends is clients who are pretty tech aware. At 88% of the population, Malaysia include the most significant proportion of online shoppers in the region, exceeding the average of 78%.

According to the SYNC Southeast Asia research produced by Facebook and the international management consulting company Bain & Company, it increased to 90% by the end of 2021. Due to the prevalence of smartphones among the populace and Malaysia's highest internet penetration rates in Southeast Asia, 80% of Malaysians now buy online at least twice per month.

The government is also taking steps to increase e-commerce sales. The government pushed SMEs to go online while providing financial aid/subsidies through its 'Go-eCommerce Onboarding campaign,' which ran from July to December 2021. The goal is to assist small businesses in expanding their reach through e-commerce. Malaysia's e-commerce revenue increased by 17.1% Y-o-Y to MYR 279 billion (USD 62.93 Billion) in the third quarter of 2021, up from MYR 238.2 billion (USD 53.73 Billion) in the previous quarter. From January to September 2021, e-commerce revenue totaled MYR 801.2 billion (USD 180.72 Billion), up 23.1% Y-o-Y.

In June 2021, UPS extended its retail presence in Malaysia with a new partnership with ParcelHub, to capitalize on Malaysia's surging e-commerce and logistics demand. UPS already includes an alliance in Malaysia with third-party fulfillment services

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provider Mailboxes Etc., with over 90 outlets. But the sharp rise in online shopping behavior and last-mile parcel delivery and logistics management led UPS to raise its fulfillment profile locally to leverage ParcelHub's 200 outlets nationwide.

## Malaysia Freight & Logistics Market Competitor Analysis

The Malaysian freight and logistics market landscape are fragmented, with many players. For instance, the country's trucking industry comprises independent truckers and SMEs, who account for more than 70% of the market. However, the industry is expected to transform into a consolidated state soon. Some of the key players in the market include Tiong Nam logistics, Xin Hwa, CJ Century, GD Express, and DHL. Companies are adopting the merger and acquisition trend to gain significant market share and serve the rising demand. The rise in e-commerce is resulting in vertical and horizontal consolidation among the logistics and e-commerce players to gain scale and network.

### Additional Benefits:

The market estimate (ME) sheet in Excel format

3 months of analyst support

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