



DSV Air & Sea

Market update April 2022

Russia/Ukraine war: DSV Operational update

April 16 th

- **DSV continues to only facilitate medical and humanitarian shipments** to and from Russia and Belarus.
- In the last few days sanctions on Russia have been further escalated, particularly by the EU which issued its **fifth package of sanctions**.
- New sanctions impose a number of restrictions that directly impact **the transport industry**:
 - It is now prohibited for Russian and Belarusian transport undertakings to transport goods by road within the EU.
 - Additionally, Russian-flagged vessels may no longer enter EU ports.
- **Exports to Russia** have been further restricted including sanctions targeting chemicals, high-tech and additional luxury goods.
- **Extending the ban of imports** from Russia and transfers of Russian origin goods between third countries on:
 - additional iron and steel goods,
 - coal and other solid fossil fuels, and

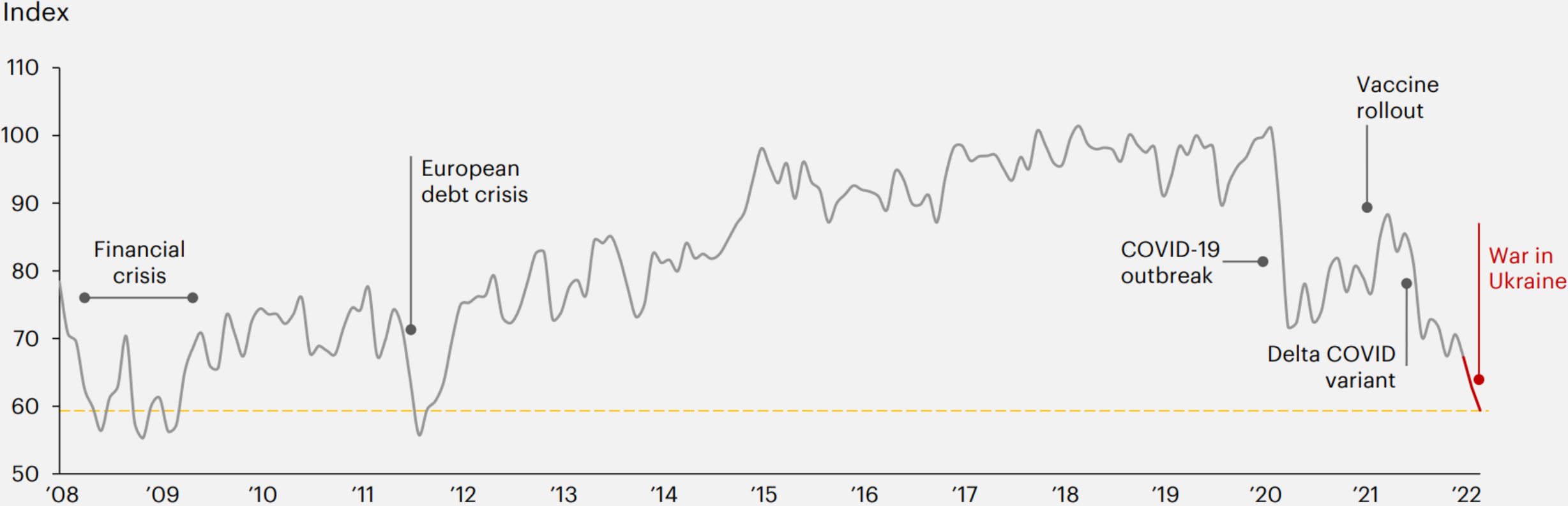




Economic Outlook

Consumer sentiment is down to levels last seen during the European debt crisis, after strong post-COVID recovery

Monthly consumer sentiment index, January 2008 - March 2022

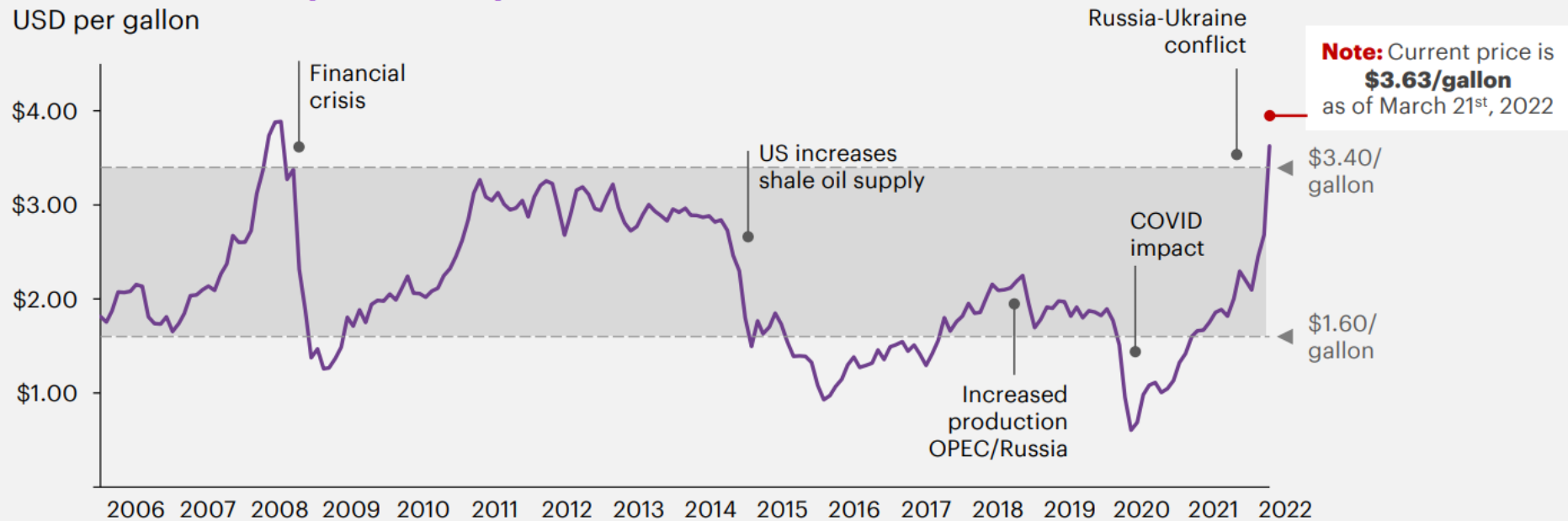


Consumer confidence is impacted by the ongoing war and concerns over inflation

The war in Ukraine also impacts the air cargo industry through higher fuel prices

Global aviation fuel price development, 2006-2022

USD per gallon



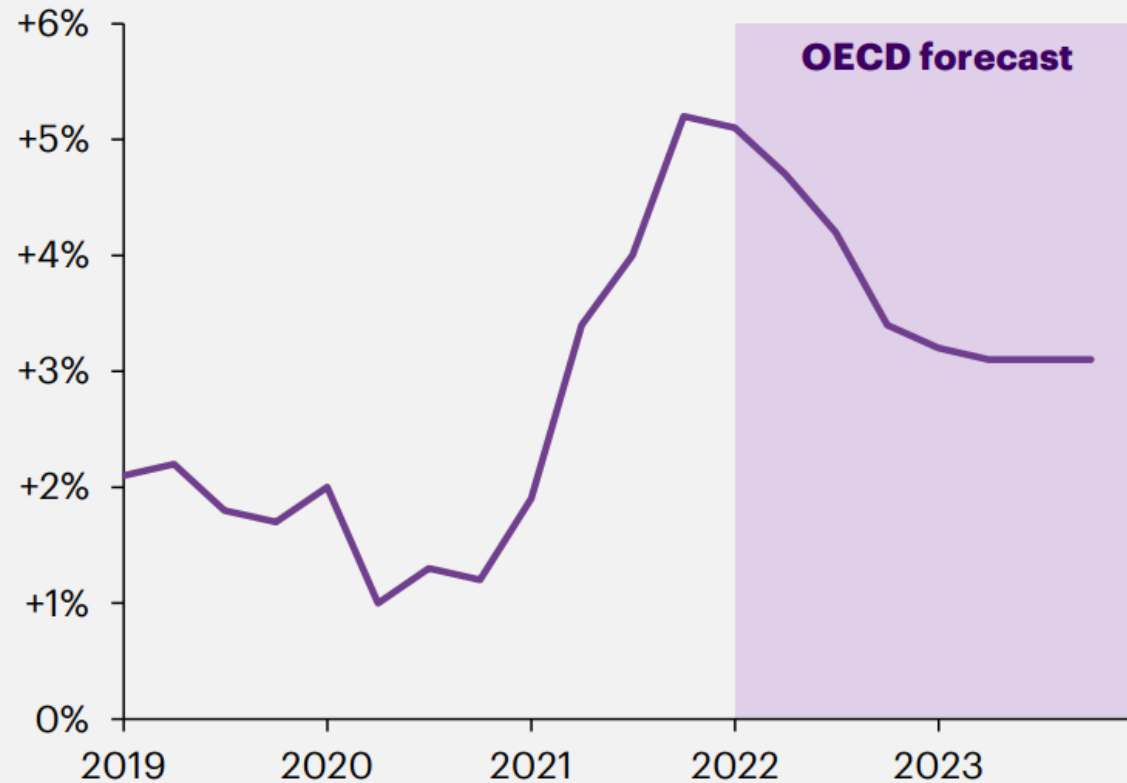
Global aviation fuel prices have skyrocketed to above \$3.50 per gallon, levels last seen at the height of the 2008 financial crisis

Source: US Energy Information Administration, March 2022

Inflation in Q1 2022 is expected to reach its highest level in over 20 years, driven by energy prices and shipping costs

OECD countries¹ inflation forecast, 2019-2023

Annual growth rate (%)



Inflation outlook remains elevated, potentially negatively impacting air cargo demand

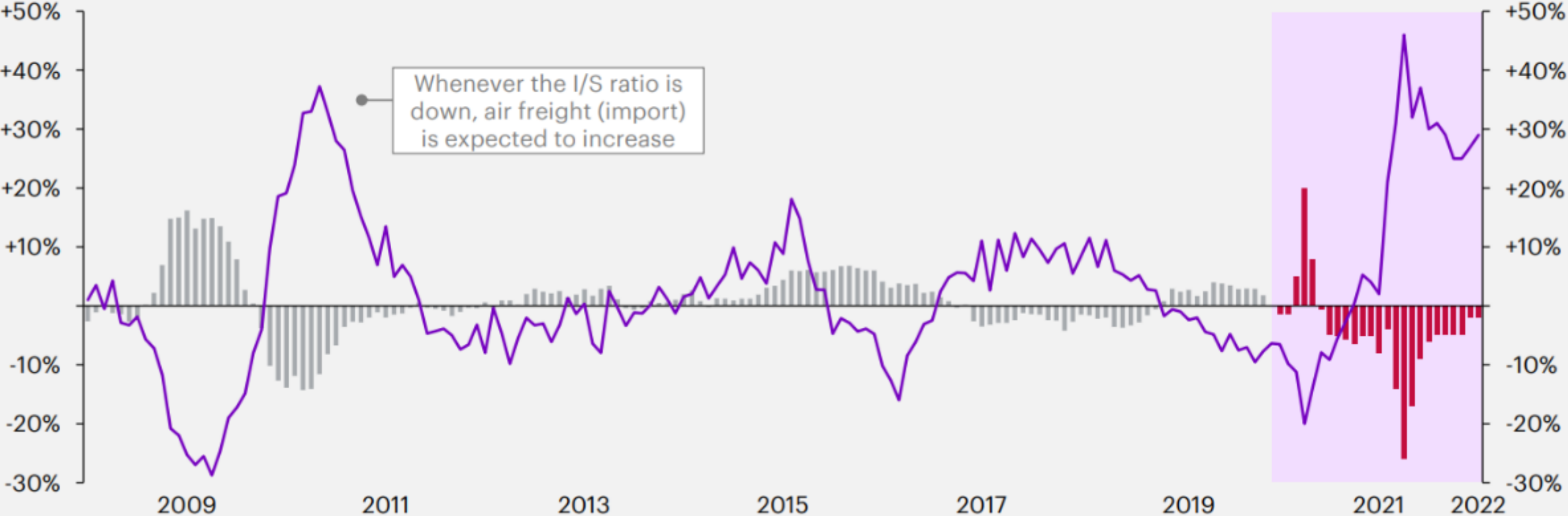
Energy prices in EU soar 45% as inflation hits another record

The increase in shipping costs observed in 2021 could increase inflation by about 1.5 percentage points in 2022.

Even as growth of the US' inventory-to-sales ratio has reverted to almost zero, air imports have remained strong

USA inventory-to-sales (I/S) ratio and air imports¹, 2008 – Jan 2022

YoY growth (%)



Companies are expected to continue to use air freight and ocean to restock inventories in the short term



Covid update
China / Asia

Shanghai factories amble towards reopening

Shanghai reported 20,416 new cases in the previous 24 hours, according to data released on Tuesday, a drop of 8.2 % from a day earlier

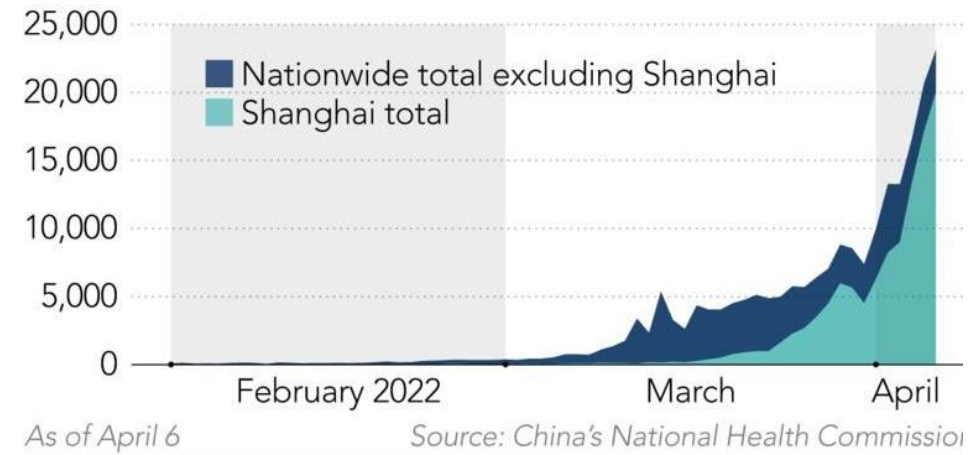
Shanghai published plans to resume work in the city after weeks of Covid-19 lockdown snarled supply chains and dealt a blow to the Chinese economy.

Tesla is calling back its workers in the city to prepare for the initial resumption of production as soon as this week, another automaker, China FAW Group Co. has resumed operations at its five plants in Changchun, the capital of Jilin province, local officials. Some 276 auto component suppliers have also gotten back to work.

Shanghai recorded 24,820 local Covid-19 cases for Saturday, 21,582 of them asymptomatic. Of Shanghai's 849 sizeable vegetable producers, 667 have resumed work-

Under the new work-resumption plan, different parts of factories must be separated, and all staffers should work and live in designated locations, reducing direct contact with people in other areas as much as possible.

China's daily COVID-19 cases

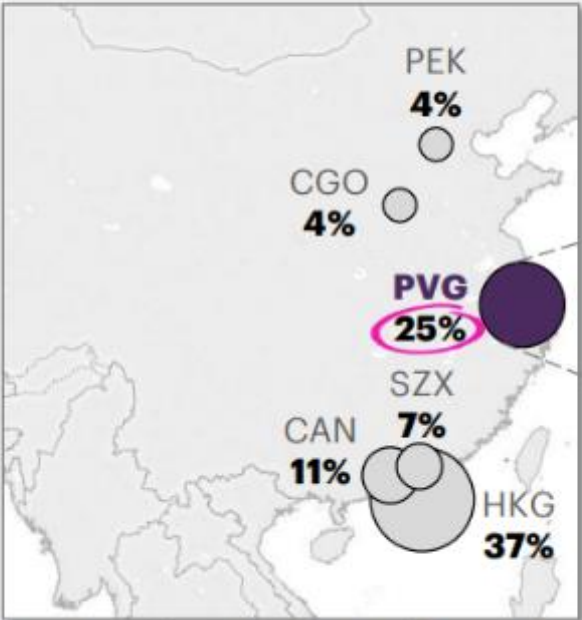


The current lockdown in Shanghai affects ~25% of total air cargo capacity out of Greater China

Share of total international outbound capacity¹, 14-27 March 2022

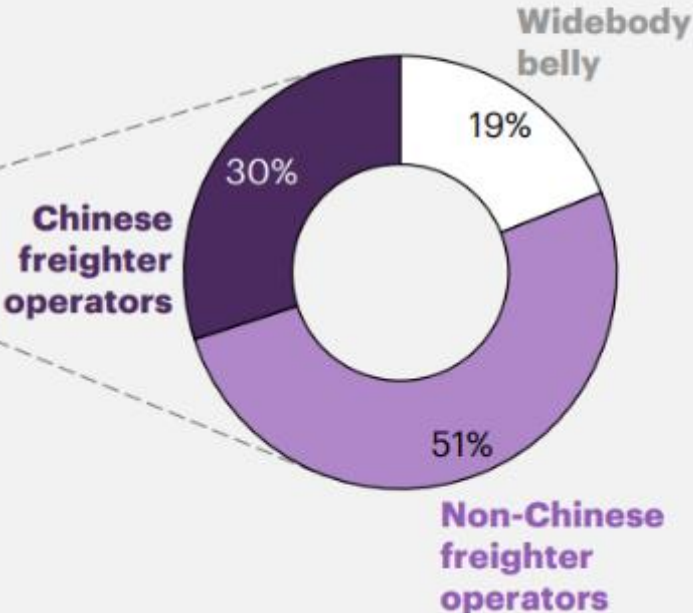
%, tonnes

Out of Greater China, from selected airports



Note: Bubble size indicative of airport international air cargo capacity

From PVG alone, by type



Response of non-Chinese freighter operators is most important to the lockdown's impact on air cargo capacity

Source: Seabury cargo analytics April 2022

Latest restrictions re COVID-19

APAC

Note: The following updates are based on various online sources and subject to changes due to the evolving COVID situation.

Australia

- Australia's covid measures to end on Apr 17. From Apr 18, no need to provide a negative COVID-19 test proof to enter AU.
- Qantas resumed Brisbane-LAX service in Apr 1 & wil launch new Darwin-Dili services from July.

New Zealand

- From Apr 13, vaccinated tourists from Australia will be allowed entry without quarantine. From May 2, vaccinated tourists from other visa-waiver countries (incl. US, UK, DE, CA, JP, SG) will be allowed entry.
- From Mar 27, Air New Zealand resumes SIN-AKL flights.

Mainland China

- From Mar 28, Pudong (east of Shanghai) has been placed under lockdown, while lockdown in Puxi (west of Shanghai) started from Apr 1, and extended until further notice. Operation at PVG airport is heavily impacted. Ocean carriers have started to omit Shanghai ports due to lockdown.

Hong Kong

- Gov lifted ban on flights from 9 countries (AU, CA, FR, IN, NP, PK, PH, UK, US) from Apr 1.
- Hotel quarantine for travelers reduce from 14 to 7 days.
- Social distancing measures will be lifted in stages, starting April 21.

Taiwan

- Gov to loosen some home quarantine rules starting from Apr 6. 10-day quarantine are still required for all arrivals.
- Testing upon arrival to be expanded to include travelers from South Korea starting Mar 22.

Japan

- Japan ended emergency covid measures in all 18 prefectures covered on Mar 22.
- On Apr 1, Japan eased its travel warning for 106 nations & lowered its travel advisories for several countries (incl. GB, FR, DE).

Korea

- KR allows fully vaccinated travelers from all countries to enter without quarantine from Apr 1. KR looks to end social distancing measures on Apr 17.
- KR will increase International flights to quarantine-free nations starting in May.

Singapore

- SG allows fully vaccinated travelers entry without quarantine from Apr 1.
- SG significantly eased social distancing rules starting Mar 29.
- Singapore and Malaysia reopened land borders for fully vaccinated travelers from Mar 31.

Malaysia

- Gov reopened border fully without quarantine from Apr 1 & lifted a slew of domestic restrictions.
- Malaysia Airlines reinstated flights between Kuala Lumpur & London from Mar 27 and Perth, Australia.

Vietnam

- VN scrapped quarantine restrictions for foreign visitors and border fully reopened on Mar 16.
- On Mar 16, gov resumed visa exemption policy for 13 countries (DE, FR, IT, ES, GB, RU, JP, KR, DK, SE, NO, BY) for up to 15 days regardless of the purpose of entry.

Cambodia

- Cambodia scrapped PCR, rapid tests for fully vaccinated travellers on Mar 17.
- Cambodia resumed visa-on-arrival scheme for all travellers entering by air, land and water from Mar 17.

Thailand

- TH scrapped pre-flight PCR testing for travellers from Apr 1 while on arrival test remains in place.
- TH further eased social distancing rules nationwide on Mar 19.
- AirAsia reopened Bali-Perth, Australia route from May 15.

Myanmar

- On Apr 17, Myanmar will open to fully vaccinated travelers and will resume international passenger flights for foreigners with specific professional purposes to visit but not open to tourists.
- Land borders are still closed.

Philippines

- From Apr 1, PH allowed fully vaccinated travelers from all countries to enter without quarantine.
- PH extends level 1 Covid-19 measures in Metro Manila, Bulacan, Cavite, Laguna, and Rizal provinces from Apr 1-15.

Indonesia

- ID scrapped on-arrival PCR tests for all arrivals starting Apr 6.
- Foreigners from nine ASEAN countries can enter with visa-free visits, while special VKSK tours are granted to foreigners from 43 countries, which came into effect on Apr 6.

Operational updates: China



Closed, all staff working from home
DSV SHA/SZH/WUX OFFICES



Balance staff work from office / home
DSV BJS OFFICE

Updates as of Apr 15, & subject to changes due to the evolving COVID situation.

Air Freight

EXPORT

- Operations at PVG is heavily impacted, due to lack of manpower and very few special licenses granted for trucks to enter the PVG area.
- Many flights are being cancelled, and air freight needs to be routed via alternative airports.
- In addition, operation of cargo that needs magnet inspection and chemical certification is not feasible at PVG for the time being.
- Most shipments are dispatched to CGO directly or consolidated in Nanjing.
- Our charter flight Panda Star has been shifted from PVG to CGO for this week.
- CGO terminals and surrounding facilities are getting congested, and operational efficiency has been low.

IMPORT

- Overflow of cargo in import warehouses in PVG. Please ship as little cargo as possible into PVG and use alternative airports such as CGO.
- CGO airport is limiting import flight operations due to congestion. We are looking into other airport options.

Sea Freight

TERMINAL AND PORT

- Ports and terminals in Shanghai are open with operations hampered by high yard utilization. Multiple carriers have announced blank sailings or omitted calls at Shanghai ports. Waiting time for vessel berthing at Shanghai ports is around 2-4 days.
- Critically high utilizations for dangerous goods and reefer yards in YS and YGQ PH2. Several carriers are restricting imports of refrigerated and dangerous cargo (DG). Dangerous goods can be shipped from Nanjing, Yangzhou and Zhangjiagang barge ports to YS terminal.
- Barge ports in Jiangsu province including Anqing, Wuhu, Nanjing, Zhenjiang, Yangzhou, Taizhou, Changzhou, Jiangyin, Zhangjiagang, Changshu and Nantong remain operational. In most cases, only local factories can arrange delivery to those barge ports by applying relevant trucking permits.

CFS FACILITIES

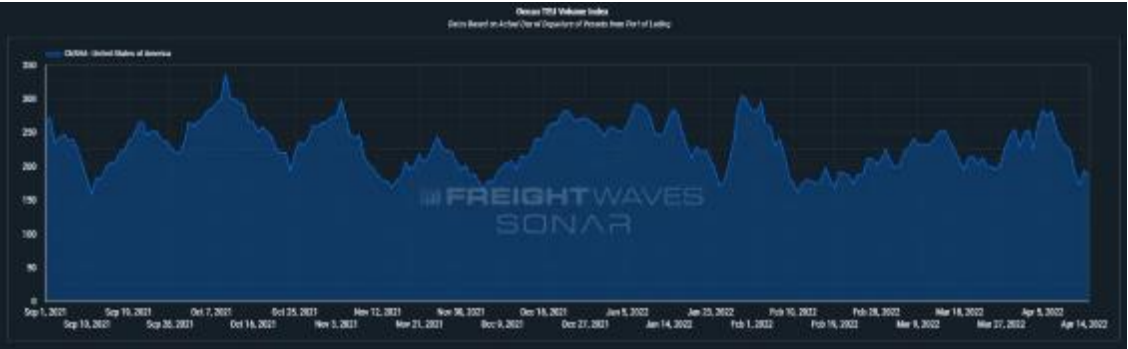
- CFS in Shanghai for both import and export operations remain closed due to the lockdown. Alternatively, LCL shipments can be handled by surrounding DSV offices in Ningbo or Nanjing.

Trucking

AREAS AFFECTED BY LOCKDOWN

- Yangtze Delta:** Due to the development of COVID situation in East China Region, roadblocks and temporary closure of most highway entrances, exits and service area were seen in the past few days, affecting road transportation in Shanghai, parts of Jiangsu as well as Zhejiang. Trucking services are still possible to a limited extent, given that drivers comply with the required procedures by providing a valid negative COVID test. However, we expect the cost of trucking would continue to go up due to scarce supply.
- Xiamen:** In Fujian province, due to trucking restrictions in Quanzhou and Ningde, which are medium-high risk areas, shippers in these areas can deliver the goods into Xiamen CFS as long as drivers possess a valid health code, pass code and entrance code into Xiamen as well as a negative COVID test within 24 hours.
- Shandong:** Domestic trucking can only be arranged on highways, resulting in increased transportation costs. Queues have been seen on highways as drivers need to present their negative COVID tests at some checkpoints, causing potential delays in lead time as well.
- Guangzhou:** Trucking services to Shanghai, Jiangsu, Zhejiang provinces have been suspended.

Cargo backlogs in Shanghai a precursor to global port congestion as COVID crisis drags on



A chart from SONAR database shows a significant downturn in ocean export volume from Shanghai to the U.S. during April



Data from project44 shows import containers at Shanghai waiting about a week to be cleared. The dwell time has increased since a citywide lockdown went into effect in late March. *Source: Freightwaves*

Concern is growing that the spread of COVID cases and city lockdowns in China will have massive downstream effects for global supply chains that could dwarf previous disruptions since the start of the pandemic.

Last May, the huge Yantian container terminal at the Port of Shenzhen throttled down to 30% of normal productivity for a month to stamp out a handful of positive cases there.

It took weeks after the port reopened to clear the cargo backlog. The effects cascaded to the U.S. and Europe, resulting in port traffic jams, transit times triple the norm and missed retail deliveries for the holidays.

Congestion numbers are still high for this time of the year and we should get ready for a next supply chain shockwave.

Port congestion



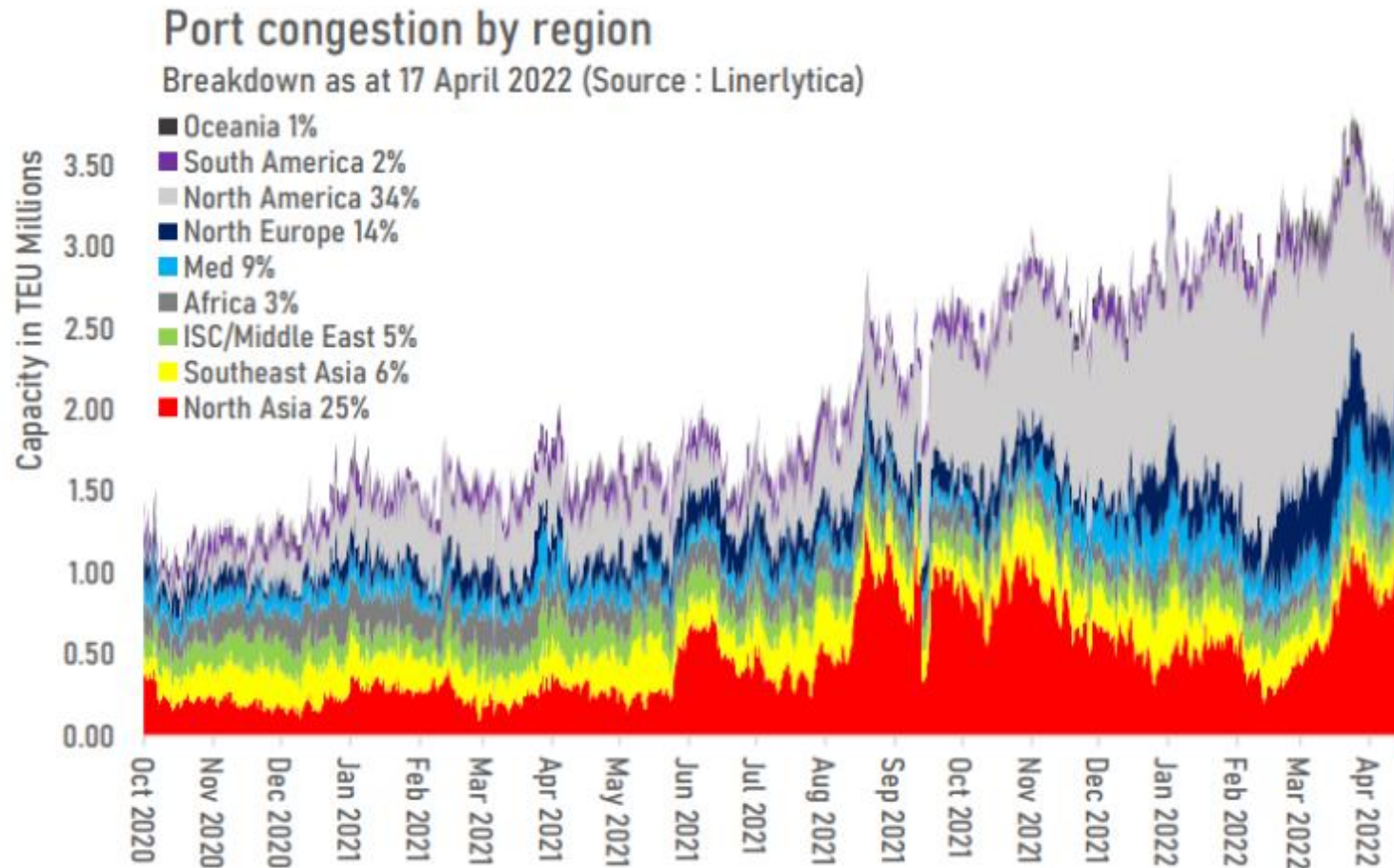
Global port congestion

12% of the global vessel capacity effectively removed, small improvements since carriers omit Shanghai – 3 Million Teu affected



Source: Marine Traffic April 19th 2022

Port congestion has eased due to reduced queues at China due to carriers omitting calls at Shanghai



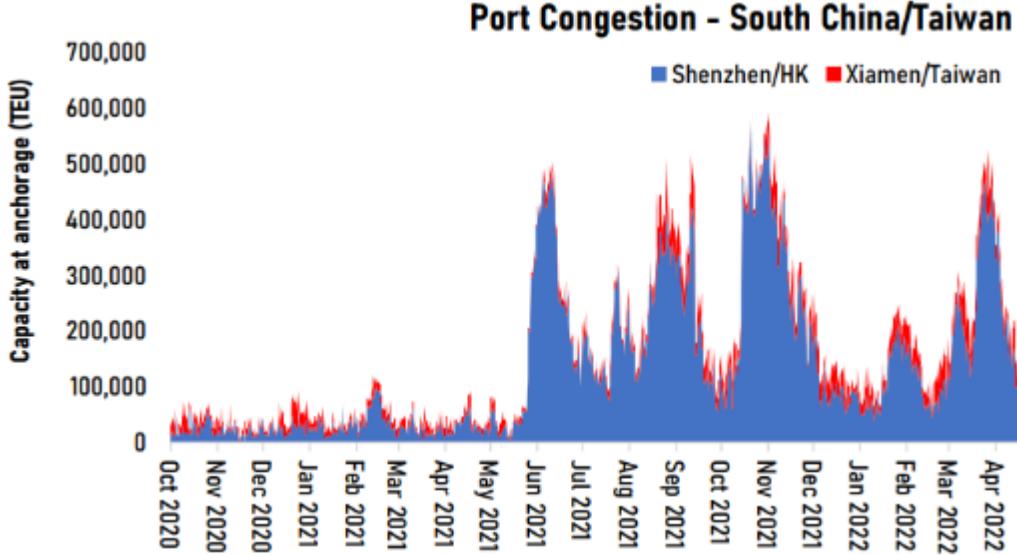
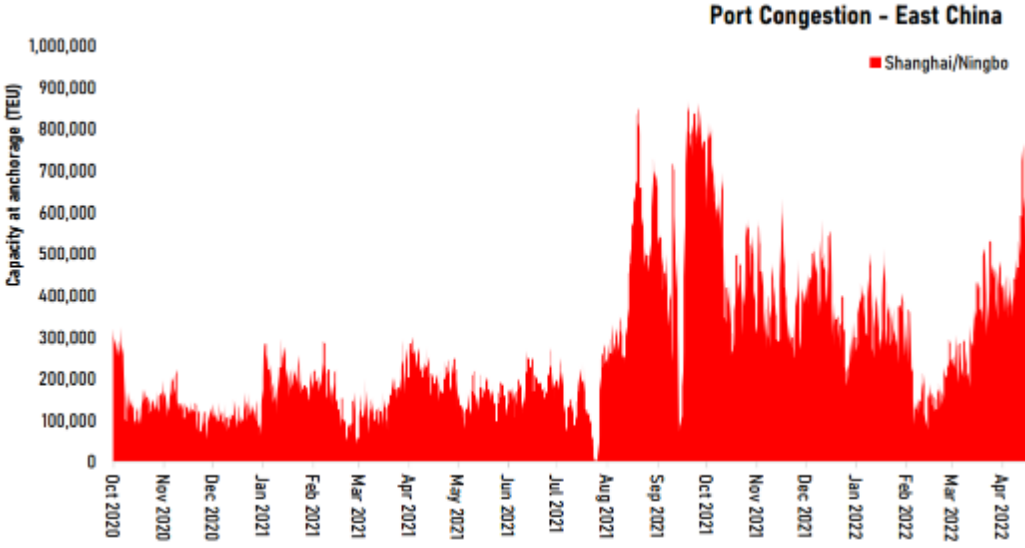
Source: Linerlytics

Waiting times at Shanghai and Ningbo remain at less than 2 days on average, with some temporary port closures reported due to weather related issues.

The congestion situation at US ports remain critically high but are 30% off their peaks in January as ports on both the east coast and west coast continue to work off the cargo arriving from Asia. The recent reduction in Chinese export volumes will allow more of these queues to be cleared over the next 2 months.

Congestion numbers are still high for this time of the year

Port congestion easing in Shanghai and Ningbo as well as in south China.



Port congestion was rising gradually since lockdowns were imposed in March, but there are signs that it remains under control as the number of ships waiting have reduced.

South China ports have mostly worked off the backlog since the lockdown was lifted 3 weeks earlier.

Trade Update

Asia Pacific Port Situation

As per week 15 status, which is evolving and depends on latest updates

Source: CNC Line, ONE & MSC

Port	Waiting Time (days)	Condition
Shanghai	2-4	Shanghai WGQ: Berthing waiting around 2-4 days. Reefer yard highly utilized due to slow pick up. Shanghai YS1: vessel berthing delay about 1 day.
Ningbo	2	Berthing waiting time prolonged 2 days. 4 new cranes expected to be delivered on April 8th in MSICT, which may cause further congestion due to delivery and installation.
Qingdao	1	Terminals are under moderate berth congestion.
Shekou	2	Resources 100% resumed, yard density very high. Berth delay improved waiting time around 2 days.
Nansha		Moderate berthing delay by about 0.5 day.
Yantian	2	Resources back to normal, berthing delay around 2 days, yard density 80-90%.
Hong Kong	0.5	Normal operation. Berth waiting time around 0.5 day.
Manila	1	Moderated congestion in MNS and MNN. Berth waiting time about 1 day.
Busan	1	BNCT yard density is around 70%. Berth waiting time around 1 day.
Port Klang	0.5	Normal operation. Laden yard density around 80%. Berth waiting time about 0.5 day. Terminal pauses for 1 hour every evening during Ramadhan period.
Singapore	2	Congestion situation remains, berth waiting time about 2 day.
Kaoshiung	3	Yard utilization stable at around 80%, but sometimes berthing wait for 3 days due to bunching arrival and some ad-hoc calls.
Australia		Brisbane and Sydney have faced significant floodings due to severe torrential rain. The Brisbane port remained non-operational for a couple of days, creating delays that are still impacting vessel schedules and berthing at Brisbane and Sydney. Patricks Terminal in Sydney is facing around 4-5 days of delay, Patricks Melbourne around 2 days, Patricks Brisbane 4-6 days (min) and Patricks Freemantle 1-2 days. DP World terminals around 1-2 days nation-wide, with the exception of Brisbane (3 days min) alone. For vessels outside berthing windows, delays may reach up to 12 days. For imports, delays at transshipment ports seem to be improving slightly to roughly 3-4 weeks max. Other transshipment ports such as Tanjung Pelepas and Port Klang remain without any major issues in terms of delays.
New Zealand		Ports of Auckland are having major delays, due to labour shortages and other COVID impacts. For imports, MSC is stopping its call to AKL for the foreseeable future, due to delays at Ports of Auckland which is taking 7 days to obtain a berth, then 4 days to work the vessel. Current tranship times for MSC in SIN is approximately 3-4 weeks, however AKL cargo is expected to worsen due to the above. Port of Tauranga continues to experience significant congestion with the lead-times on the rail link from Tauranga to Metro Port currently at 3 days for priority moves & 7- 8 days for general cargo. Under "normal" operations, the lead-time for a Non-Priority container is approximately 5 days. Due to the congestion in Tauranga (caused by the impact of COVID on resource availability), the rail services from Tauranga to Metro Port, and Metro Port to Aukland, remains under pressure.

Ocean update



Bangladesh and Sri Lanka under extreme operational challenges

Sri Lanka port is working under slow conditions affecting other ports connected

Bangladesh



- USA for both East Coast & West Coast there is no capacity and every week few hundreds of containers get over booked
- This situation has created a huge demand for US bound cargo.
- Europe trade situation is better now specially after introduction of direct service to Italy by RIFLINE (Calipso)
- Still most of the carriers have a container shortage and this is also disturbing the smooth flow of cargo
- Transshipment cargo via Sri Lanka is also affected with inter terminal transfers not happening on time, due to shortage of fuel.



Sri Lanka



- Overall economic situation is in bad
- Inflation is at all time high (30%)
- Shortage of essentials like Gas , Petrol , diesel continues with power cuts
- This is affecting production local transport

- Container shortage continue and this is a continues issue due to cargo not getting released and also with import restrictions
- Export cargo don't get preference
- Challenge to secure space for any trade lane
- All carriers have very minimum allocation ex Colombo

Trade Update

Intra-Asia – Asia Pacific Equipment Situation

SOUTH EAST ASIA					
Location	20DV	40DV	40HC	20RE	40HR
PORT KLANG	-	-	-	D	S
PENANG	D	D	D	-	S
PASIR GUDANG	D	D	D	-	S
HO CHI MINH / VUNG TAU	D	D	D	S	D
TANJUNG PELAPAS	-	-	D	-	-
HAIPHONG	-	D	D	-	S
DANANG	D	D	D	-	S
QUINHON	D	D	D	-	-
JAKARTA	-	-	D	S	S
SURABAYA	D	D	D	-	S
SEMARANG	D	D	D	-	-
BELAWAN	D	-	D	-	S
PANJANG	D	S	-	-	D
PALEMBANG	D	-	-	-	-
SINGAPORE	D	D	S	S	S
BANGKOK	D	D	D	-	-
LAEM CHABANG	D	D	D	S	-
SONGKHLA	D	D	D	-	S
CAMBODIA	-	D	D	-	S
**YANGON	D	-	D	-	D
MANILA	S	D	D	S	S
CHITTAGONG	S	-	-	-	-

** basis on current political situation **

Update as of 4th February 2022

D – Deficit
S – Surplus

CHINA					
Location	20DV	40DV	40HC	20RE	40HR
DALIAN	D	D	D	-	-
XINGANG	D	D	D	S	S
QINGDAO	D	D	D	-	D
SHANGHAI	D	D	D	S	S
NINGBO	D	D	D	S	D
HONGKONG	D	D	D	S	S
SHEKOU	D	D	D	-	D
YANTIAN	D	D	D	-	D
XIAMEN	S	D	D	-	D
QINGZHOU	S	S	S	-	-
SHANTOU	D	D	D	-	-
FUZHOU	D	D	D	-	-
KAOHSIUNG	D	-	D	-	S
TAICHUNG	D	D	D	-	S
KEELUNG	D	-	-	-	S

JAPAN					
YOKOHAMA	S	D	D	S	S
TOKYO	S	S	S	-	S
NAGOYA	-	-	D	-	-
OMAZAKI	-	-	-	-	-
YOKKAICHI	D	D	D	-	-
OSAKA	S	-	-	S	S
KOBE	D	D	D	-	S
HAKATA	-	D	D	-	S

SOUTH KOREA					
PUSAN	D	-	D	S	S
KWANGYANG	D	D	-	-	-
SEOUL / INCHEON	D	-	D	-	-

Container shortage & Poor schedule reliability:

- All equipment types remain tight across Asia.
- Capacity discipline among carriers is expected to remain unchanged
- Shipper should consider booking as early as possible 3-4 weeks in advance.

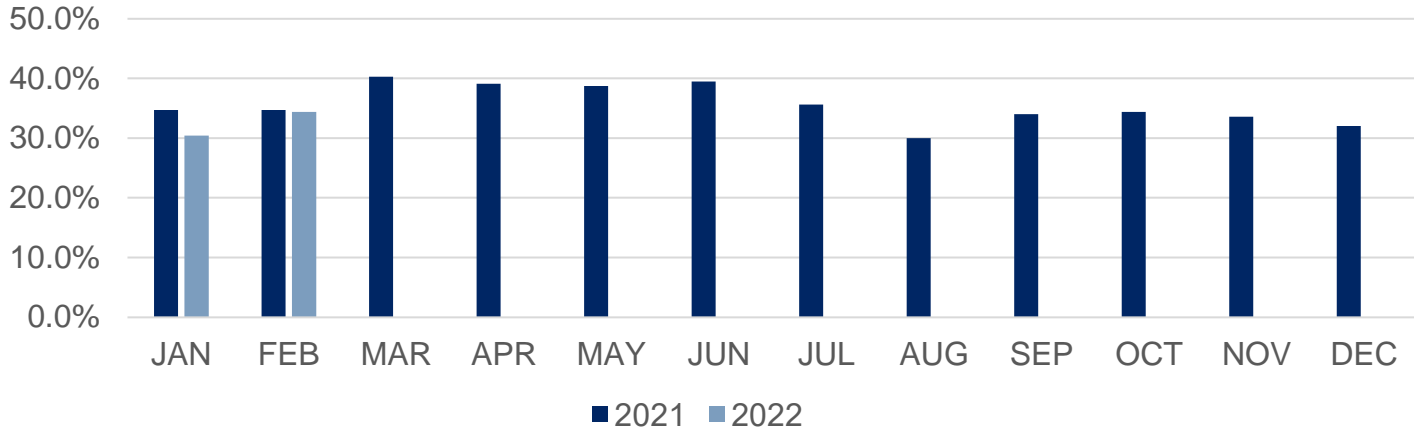
Fully Covered	No pick up control
Tightly Covered	Require pick up control (e.g. CY-6)
Gap	Supply gap within 1 day
Shortage	Consecutive supply gap, requires EQU prioritization

Supply vs. Demand Traffic Light								
Port	Week 3				Week 4			
	20GP	40GP	40HQ	45HQ	20GP	40GP	40HQ	45HQ
YAT	Yellow	Green	Green	Yellow	Yellow	Green	Green	Yellow
IWN	Green	Green	Green	Green	Green	Green	Green	Green
NAN	Green	Green	Green	Red	Green	Green	Green	Red
HKG	Green	Green	Green	Green	Green	Green	Green	Green
SGH	Green	Green	Green	Green	Green	Green	Green	Green
NPO	Green	Green	Green	Green	Green	Green	Green	Green
XIM	Green	Green	Green	Green	Green	Green	Green	Green
FOO	Green	Green	Green	Green	Green	Green	Green	Green
TST	Green	Green	Green	Green	Green	Green	Green	Green
HSK	Green	Green	Green	Green	Green	Green	Green	Green
DAI	Green	Green	Green	Green	Green	Green	Green	Green

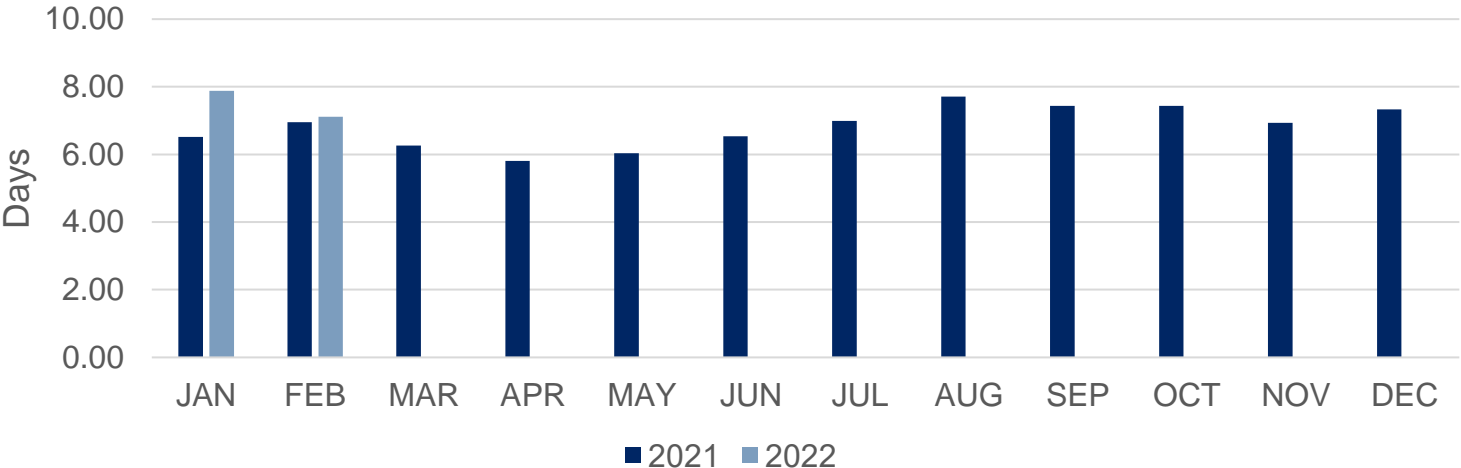
Global Liner performance on February 2022

Schedule reliability was up at 34,4% and 7 days of delay (small improvement)

Carriers Schedule Reliability 2021 vs 2022



Average Delays 2021 vs 2022



Vessel reliability per tradelane on February:

- ASIA – North America WC: **13,8% reliability** and 15 days of delay
- ASIA – EUROPE: **15,5% reliability** and 10 days of delay (15% worst due to CNY)
- EUROPE – North America: **26%** and 8 days of delay (15% down)
- EUROPE – ASIA: **31,5% reliability** and 6 days of delay (5% improvement)
- ASIA – OCEANIA: **19,5% reliability** and 9 days of delay



Bunker price development

Global 4 Port Average

Bunker Q2 22 Average of VLSFO



VLSFO levels, normalizing while OIL prices are increasing.

The war has meant a sharp spike in oil prices. For bunker fuel we have seen spikes of more than 1000 USD/ton – up from 650 USD/ton in the start of 2022 and from an average of 560 USD/ton in full year 2021. .

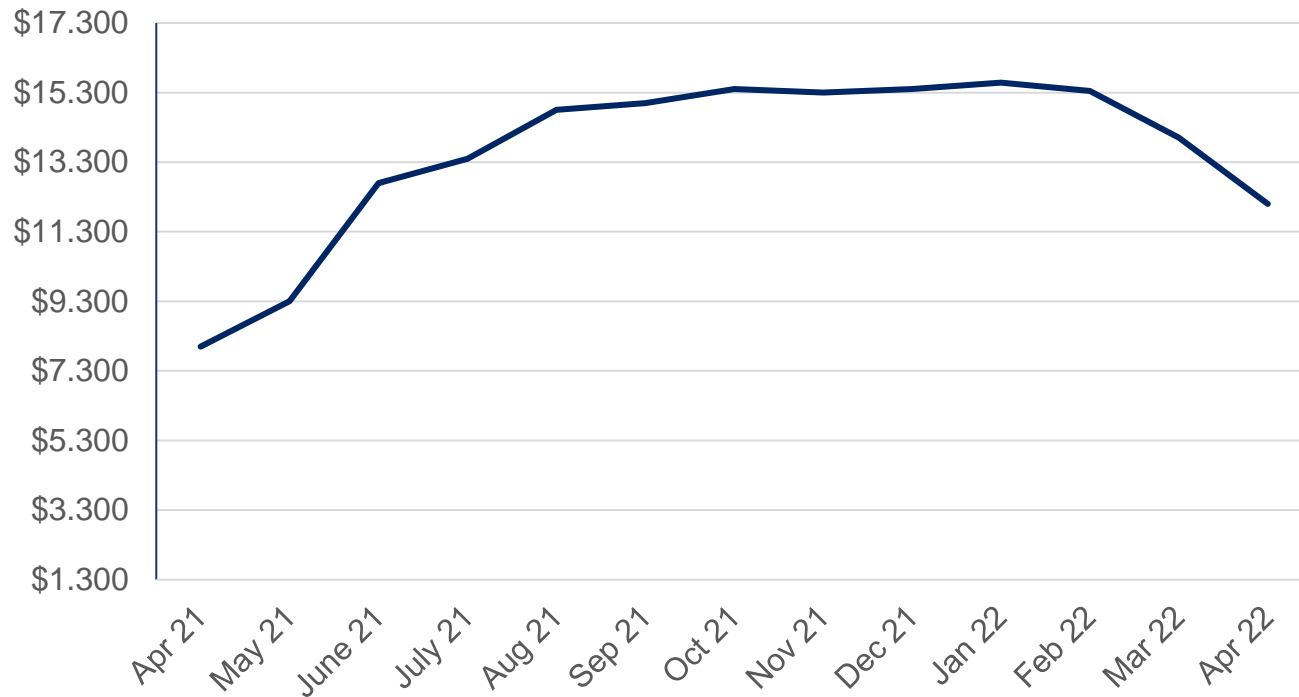
Source: Ship&Bunker



Ocean Freight Asia - Europe

Spot rates are decreasing, low market demand due to China lock-down

SCFI – North Europe WB Rate Index (US\$/40ft)



Source: SCFI Week 15-2022

Alert: To guarantee space and equipment carriers are applying additional surcharges that are not part of the index rate aggregation and they can be a large amount. Carriers have partially stopped accepting bookings for the time being in some origins

All time high for SCFI levels

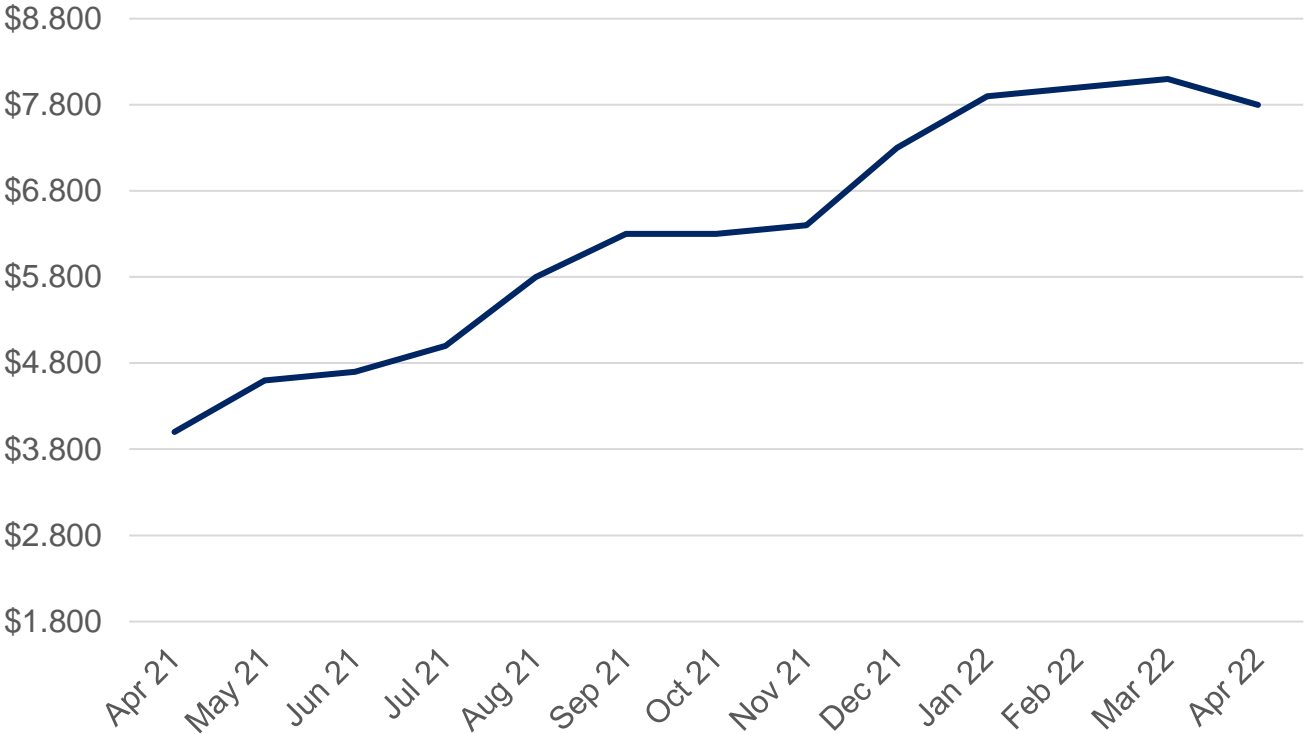
SCFI Levels Week 15-2022:

- Shanghai – North Europe: USD 12,172/ FEU
- Shanghai – Mediterranean: USD 13,476/ FEU
- The War and lockdowns are bringing rates down.
- Equipment availability improving slightly, but still not back to normal
- Ongoing service disruptions with severe delays lead to some port omissions; sometimes even on very short notice.
- This fact does add additional challenges to the shipping lines

Ocean Freight Asia - North America

USWC rates still remain at record levels despite close down of Shanghai

SCFI Transpacific EB Rate Index (US\$/40ft)



Source: SCFI Week 14 2022

Alert: To guarantee space and equipment carriers are applying additional surcharges that are not part of the index rate aggregation and they can be a large amount.

Carriers have partially stopped accepting bookings for the time being in some origins

Lines are still blanking sailings to the USA due to the congestion and for them to get their schedules back
SCFI Levels Week 15-2022:

- Shanghai – US West Coast: USD 7,860/ FEU
- Shanghai – US East Coast: USD 10,649/ FEU

- Situation will remain tight with high rates

- Certain carriers don't offer long-term business currently, since they cannot guarantee allocation and equipment.

- Strong push towards premium spot rates and all one year rates will be subject to PSS for May 1 start date

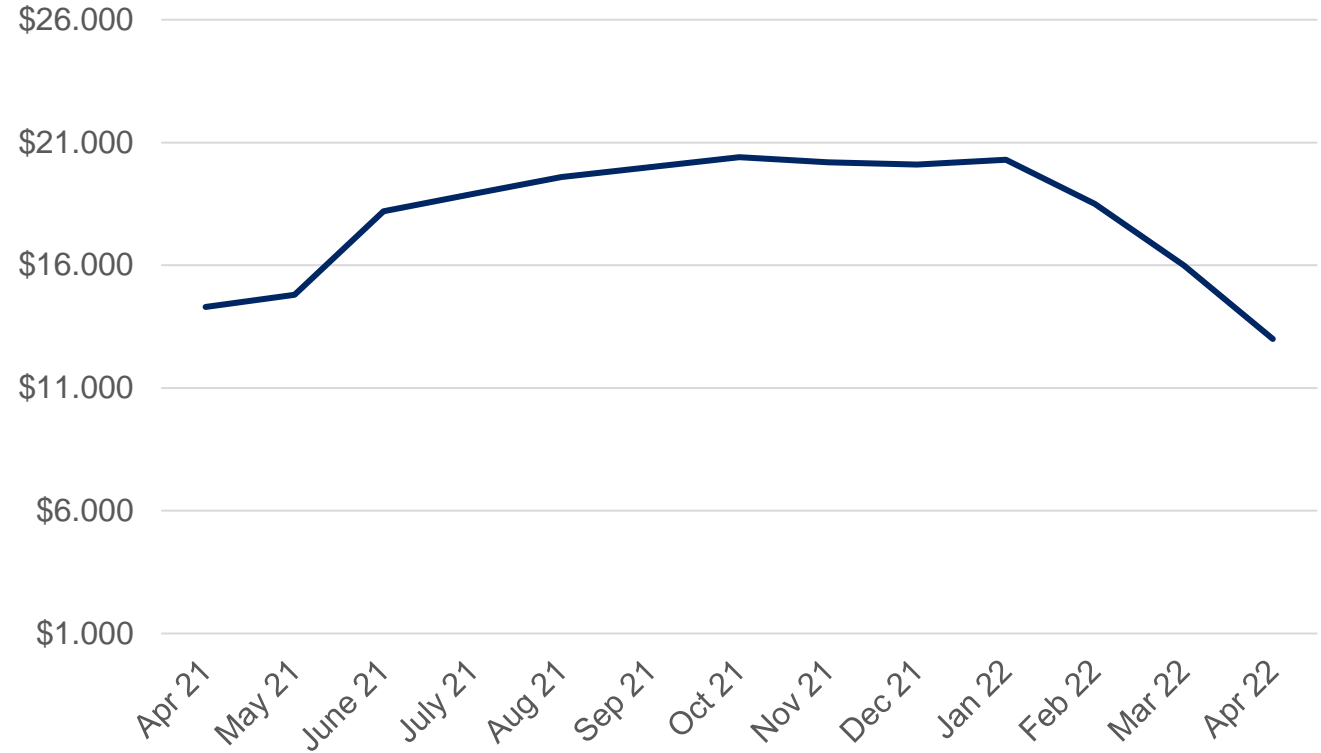
- Charleston port is now backlogged and being skipped by most lines Savannah or Wilmington would be the alternate port to use



Ocean Freight Asia – South America (East Coast)

Capacity remains unchanged, rates going down after January peak

SCFI to Santos Brazil (US\$/40ft)



Source: SCFI Week 15-2022

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SCFI Levels Week 15-2022:

- Shanghai – Santos: USD 13,056/ FEU

Capacity remains unchanged. Ocean Carriers are NOT adding new tonnage or capacity in the system this year.

- ECSA: Average of 30K TEU/week supply + European routing (adding up to 8-10%).
- WCSA/MEX : Average of 78K TEU/week supply.

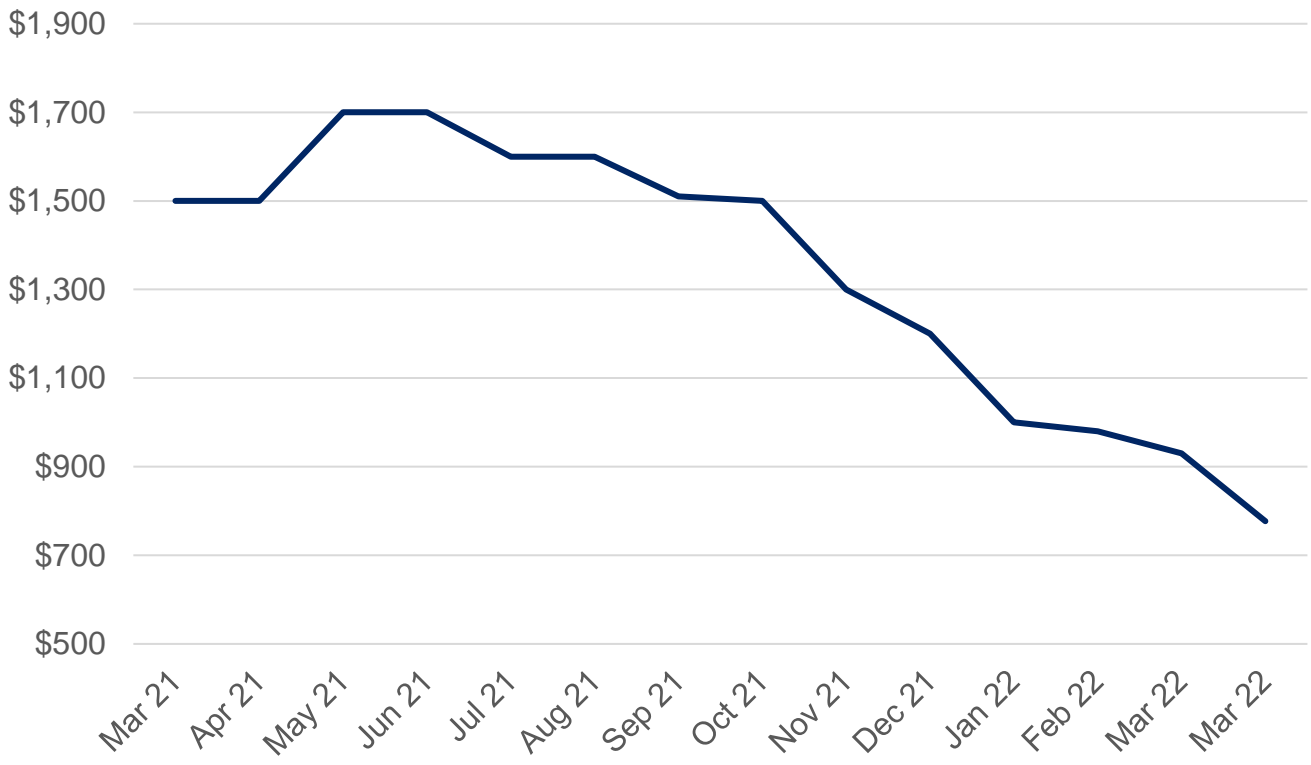
Blank Sailings have been announced and also expected, as to avoid further rate erosion



Ocean Freight Europe – Asia

Space available with ongoing operational challenges

Baltic Freightos Europe to Asia (US\$/40ft)



Source: Freightos Baltic Week 15-2022

Alert: To guarantee space and equipment carriers are applying additional surcharges that are not part of the index rate aggregation and they can be a large amount. Carriers have partially stopped accepting bookings for the time being in some origins

Freightos Baltic (FBX12) index Levels 15-2022:

- Europe to ASIA : USD 777/ FEU

Ongoing softening in the spot market

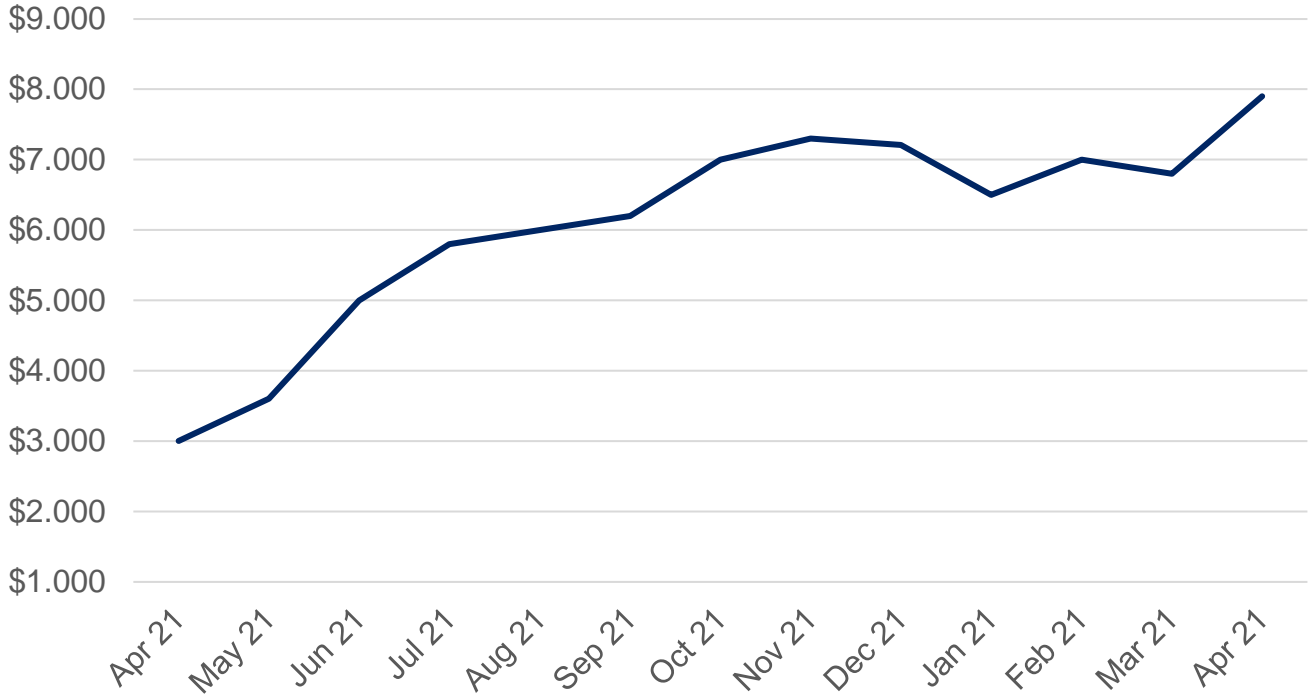
- Overall volumes have slightly recovered, however liftings remain on low level
- Weak volume production in the commodity segment



Ocean Freight Europe – North America

Capacity will remain extremely tight within the next months

Freightos BDI Europe North America (US\$/40ft)



Source: Freightos Baltic W15-2022

Alert: To guarantee space and equipment carriers are applying additional surcharges that are not part of the index rate aggregation and they can be a large amount. Carriers have partially stopped accepting bookings for the time being in some origins

Freightos Baltic index Levels Week 15-2022:

- Rotterdam – New York: USD 7,957/ FEU

Bookings need to be placed 6-8 Weeks in advanced

- US inland deliveries continuously challenging – rail operators and hauliers capacity under pressure due to terminal congestion, infrastructure issues and legislation.
- Q2 rates have increased considerably
- Long term, unpredictable but we do not expect carriers to stop pushing for increases.

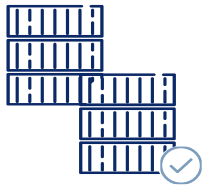


Trade Update

Intra Asia

As per week 15 status, which is evolving and depends on latest updates

Demand



- Extended lockdowns in various China cities have led to significant export cargo shortfalls with capacity utilization out of Asia still falling.
- Yard congestion has risen at various terminals in Jiangsu and Shanghai, but this was driven mainly by import cargo clearance issues as outbound volumes has remained weak currently.
- After COVID lockdown, SEA countries export rebounded which led to growing equipment / space demand ex SEA POLs

Rate



- Spot freight rates continued to trend downwards. Rebound is expected only when Chinese exports return to their former pace.
- Long-term rate level remains elevated.
- Escalating Bunker / LSS will be ongoing due to Russia-Ukraine war.
- Charter rates have also eased with further rate reductions especially for short term fixtures due to impact of the fall in freight rates and Chinese cargo volumes.

Supply



- Continuous or last-minute blank sailings lead to low schedule reliability & capacity reduction.
- Port congestion at Shanghai and Ningbo have been rising gradually, but still under control. South China ports have mostly worked off the backlog since SZX lockdown was lifted a few weeks earlier.
- Congestion at Busan is also being worked down even as the Korean port had to deal with cargo diversions from China, especially for inbound volumes that could not be discharged at China ports due to severe yard congestion and restrictions on refrigerated and dangerous cargo.





Airfreight Update

What to expect from 2022 and beyond?



Demand/Supply

Despite capacity slowdown catching up with demand.

- **Load factors** (+11p.p.) and yields are still significantly up on 2019 levels

- **The war in Ukraine** has had strong local trade lane effects on capacity

- Impacts the global industry through **higher fuel prices**, which reached levels last seen in the 2008 financial crisis



Demand

Global air trade demand in **2021 was up +7%** on 2019

- **Air trade in Jan '22 was up +8%** YoY

- **Transpacific trade** accounts for ~50% of this increase

- **Chemicals** demand spurred by COVID testing kits

- **High tech** continues to thrive, largely due to smartphones

- **Automotive** shows a YoY decrease after a strong 2021



Capacity

Air cargo capacity is down ~5% on 2019 levels

- **Freighter capacity remains up**, with the parking of Russian aircraft offset by deliveries and conversions

- Belly capacity declines are mostly the result of fewer active passenger aircraft

- **Airline schedules show strong growth of belly air cargo** capacity this summer, to -28% of 2019 (summer 2021: -49%)



Outlook

After a strong post-COVID rebound, consumer confidence has fallen to “Financial crisis” levels

- Worries over inflation driven by energy and transport prices

- Forward-looking indicators for the air cargo industry are reverting back to neutral

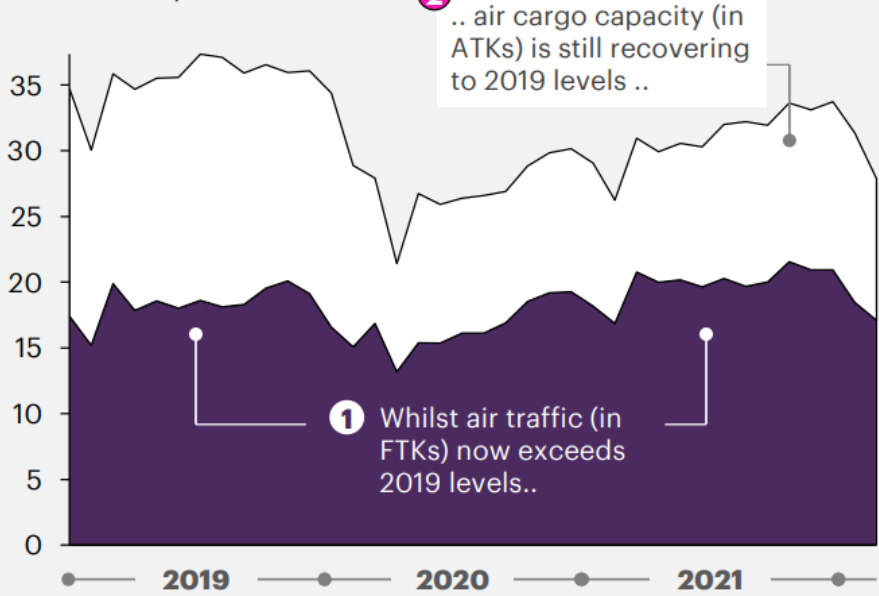
 - o PMI / CLI

 - o US inventory-to-sales ratio

Despite air cargo capacity recovering, air cargo's demand/ supply balance is still fundamentally different vs. pre-COVID

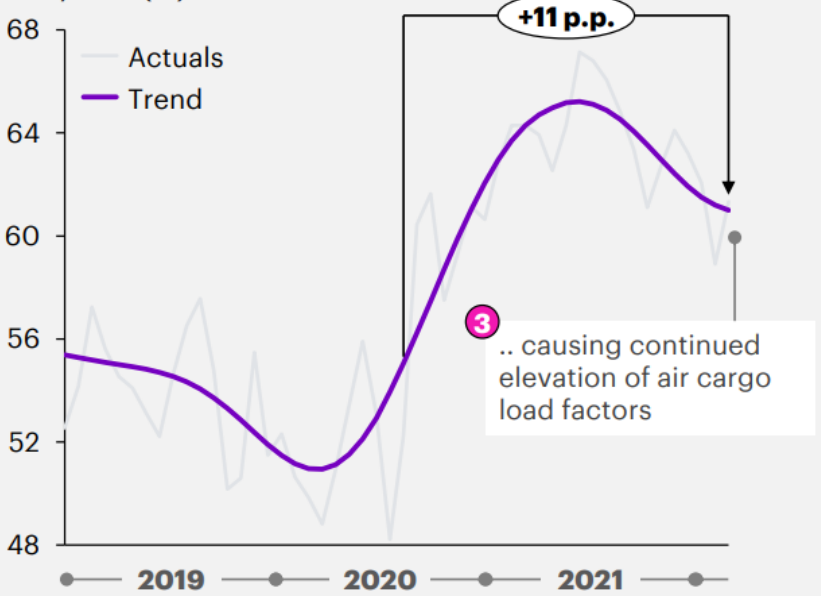
Global international air cargo traffic and capacity..

Billion FTKs/ATKs



.. and resulting international load factors

FTK/ATK (%)



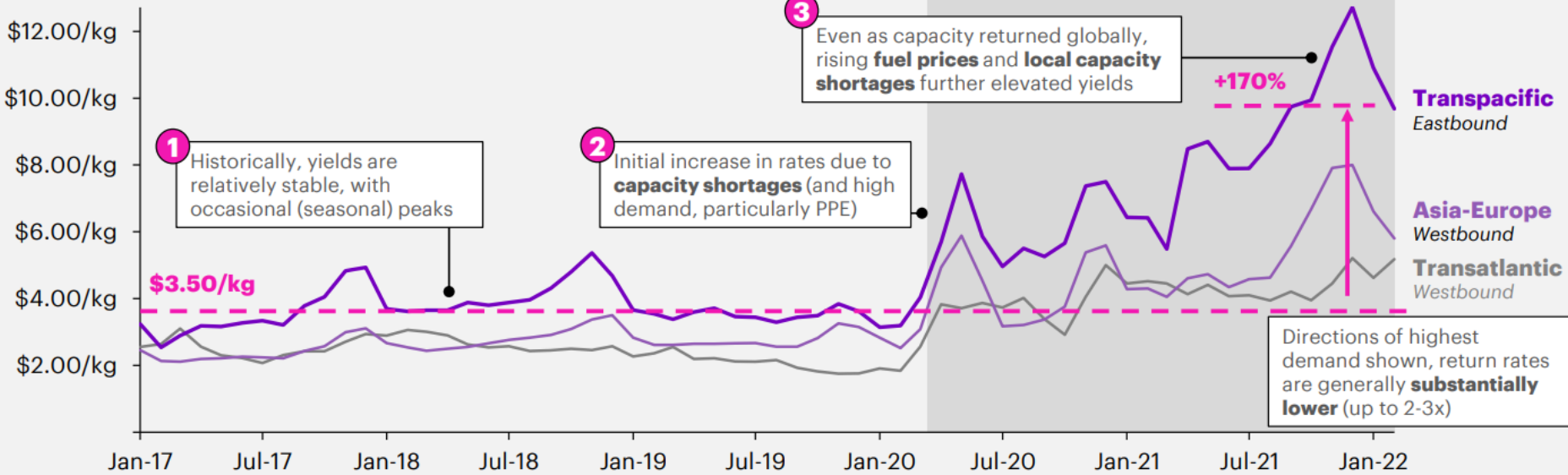
Continuous demand and supply imbalance keeps load factors ~10 percentage points above pre-COVID levels

Notes: International demand only; FTK & ATK data based on IATA Carrier Tracker CTK and ACTK, respectively; Source: IATA Monthly Traffic Results, Accenture analysis (March 2022)

Continued distortion of air cargo's demand-supply balance means rates are still significantly up on pre-COVID levels

Monthly average yields by trade lane, 2015-2022

Dollar per kilogram

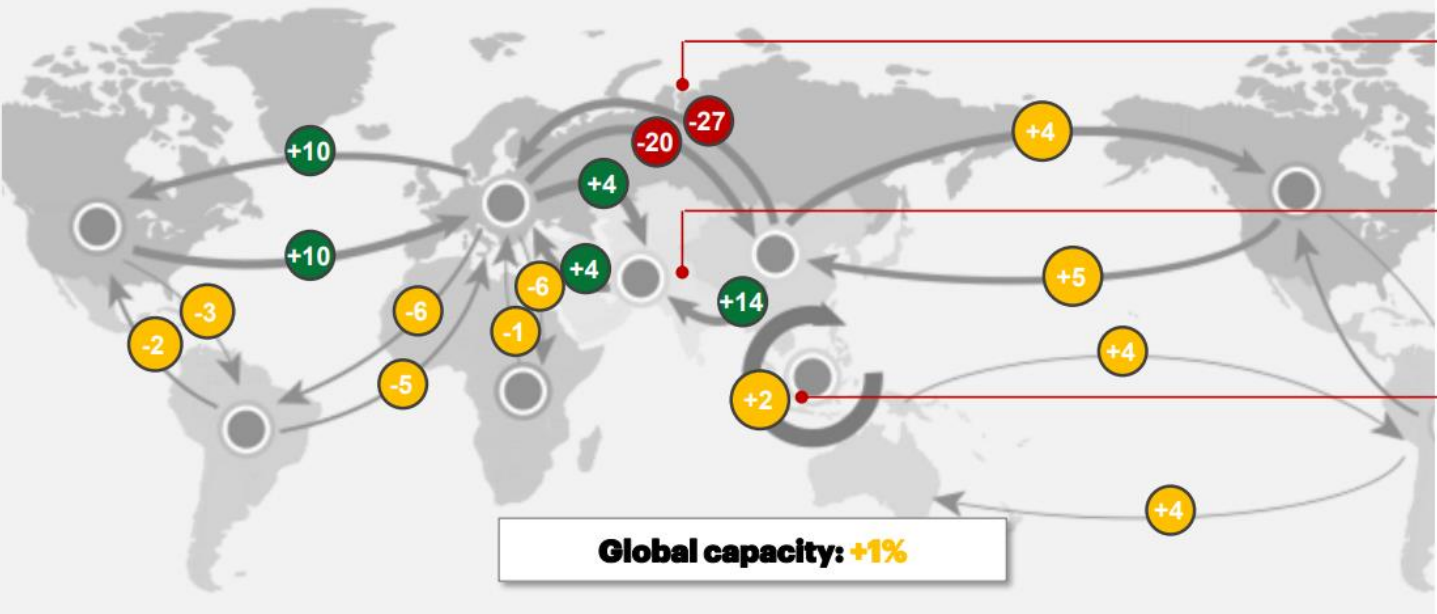


Air cargo rates showed some easing in early 2022, but new disturbances (e.g. Ukraine war, lockdowns) are likely to further affect rates

Note: Transatlantic yields based on "FRA – North America", Transpacific yields based on "HKG – North America", Asia-Europe yields based on "HKG – Europe"
 Source: Baltic exchange airfreight index, obtained via Air Cargo News, Seabury Cargo analysis (March 2022)

The war in Ukraine has caused direct air cargo capacity between Europe and Asia to decrease by more than 20%

Impact of the Ukraine-Russia war on international air cargo capacity, % growth, week of March 21-27 vs week of Feb 14-20, 2022



- 1 Direct air cargo capacity between Europe and Asia has fallen -20% to -25%
- 2 Capacity between Europe and Asia via the Middle East has increased as carriers reroute freighters
- 3 Capacity on other major trade lanes has remained relatively unaffected

Several freighter operators have opted to serve Europe-Asia via the Middle East, as shown by increasing capacity on the trade lane

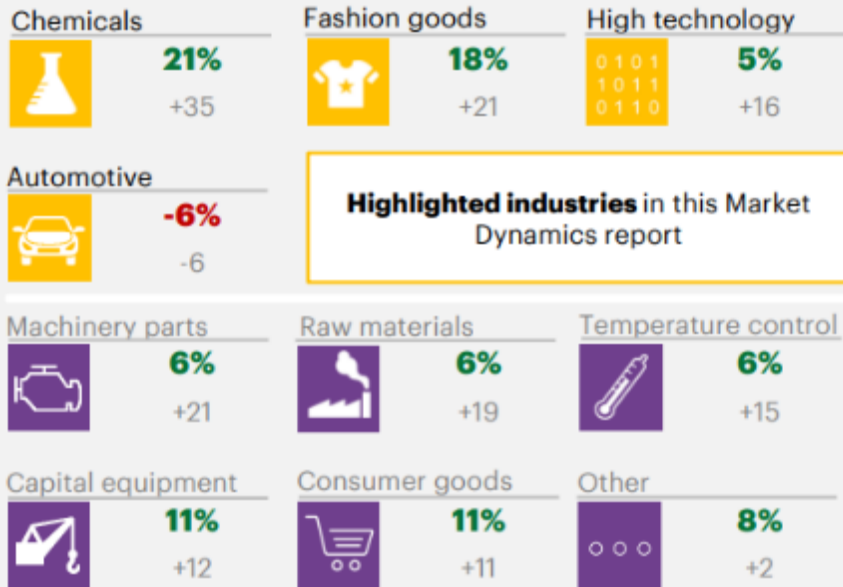
The war in Ukraine has caused a major capacity decline on the (direct) Asia Pacific – Europe trade lane

Chemicals (+21%) and fashion goods (+18%) showed significant growth in January 2022

Global international air trade growth by trade lane, January 2022 vs January 2021, % growth, YTD

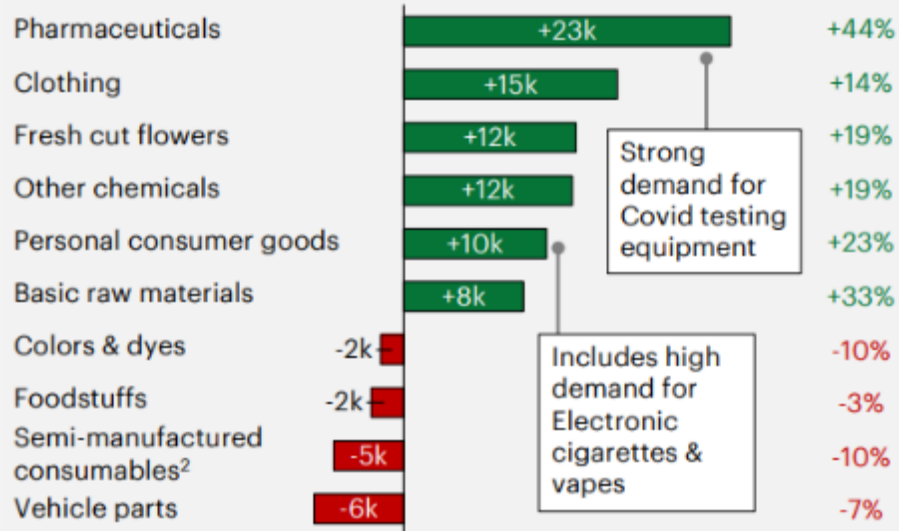
Global air trade growth by industry, Jan'21 vs. Jan'20 ..

Air weight change (thousand tonnes) and growth vs 2021¹ (%)



..and top changes by commodity

Growth (thousand tonnes, %)



Automotive is the only industry decreasing in January 2022 (-6% vs Jan'21)

Notes: YTD compares Jan 2022 vs Jan 2021

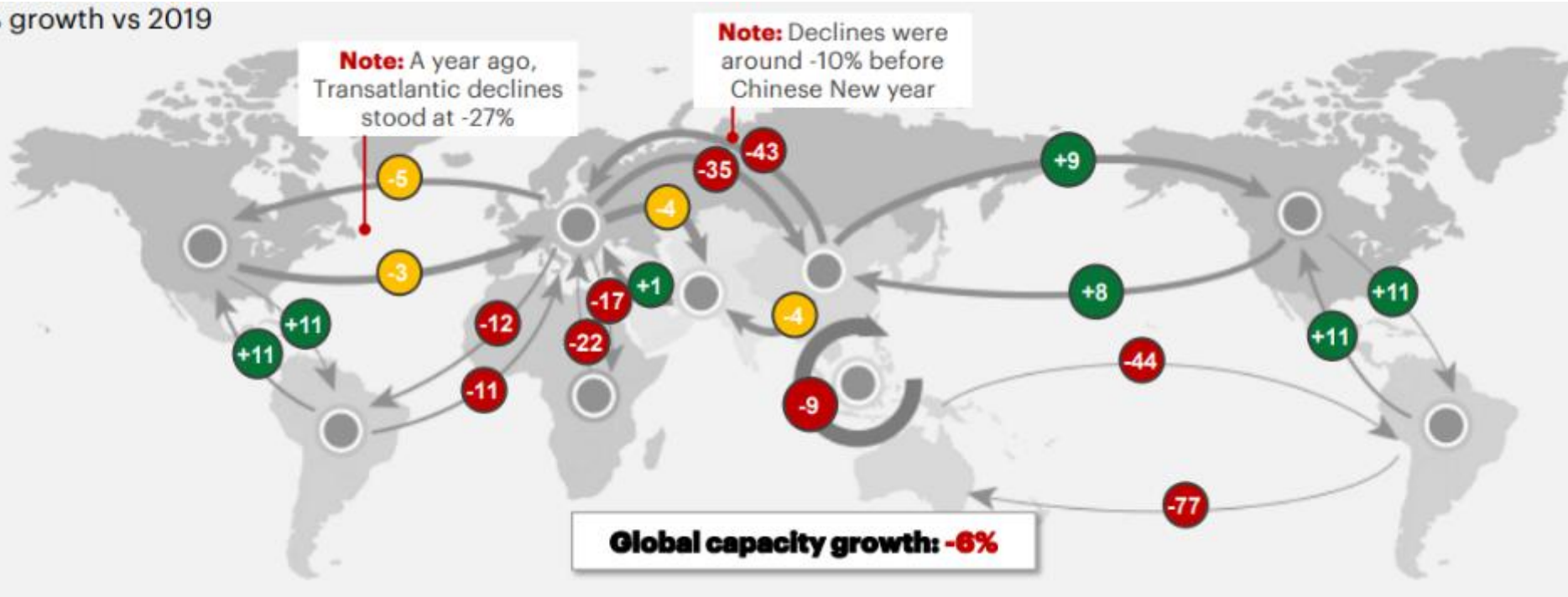
Source: Seabury Cargo Global Air Trade Database, Seabury Cargo analysis (March 2022)

Global international air cargo capacity is still down around -5% versus 2019 levels

Total international air cargo capacity growth,

March 14-27 vs same weeks in 2019

% growth vs 2019



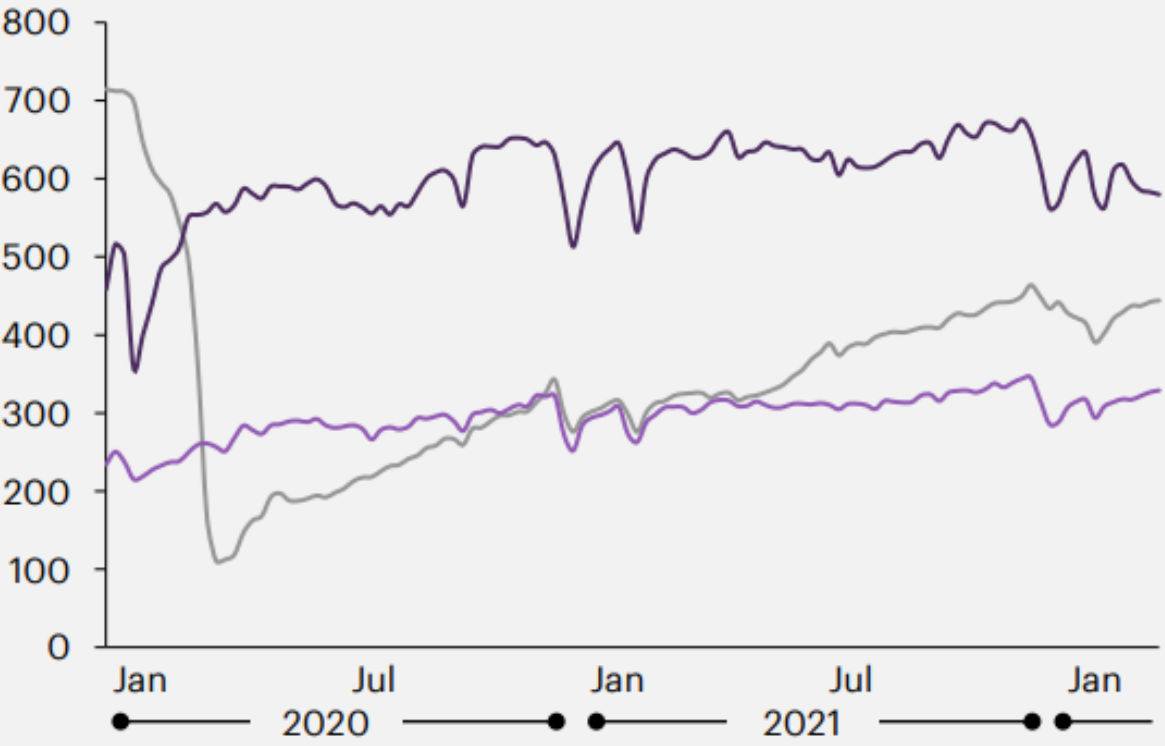
Transatlantic air cargo capacity (which was heavily impacted post-COVID) has almost recovered to 2019 levels

Note: 14-27 March 2022 compared to 11-24 March 2019; Direct international flights only; all flows indicate region-to-region capacity; regions indicated by color; dates measured in UTC; 1) Total air cargo capacity includes widebody passenger and all freighter flights; Source: Seabury Cargo Capacity Tracking database, Seabury Cargo analysis (March 2022)

International airline freighter capacity is now “only” 13% above 2019 levels, after Russian freighters were parked

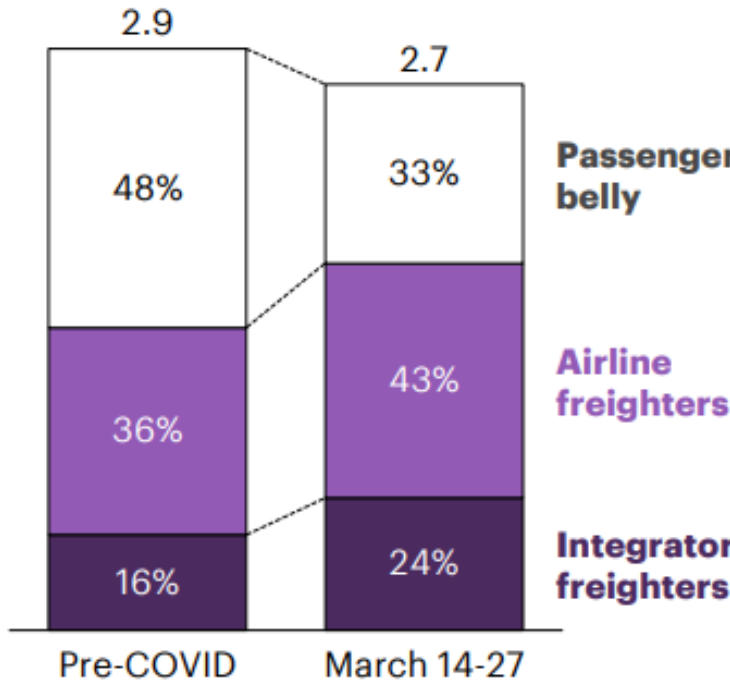
International air cargo capacity, Jan 2020 – Mar 2022

Thousand tonnes per week



Capacity by aircraft type

Million tonnes

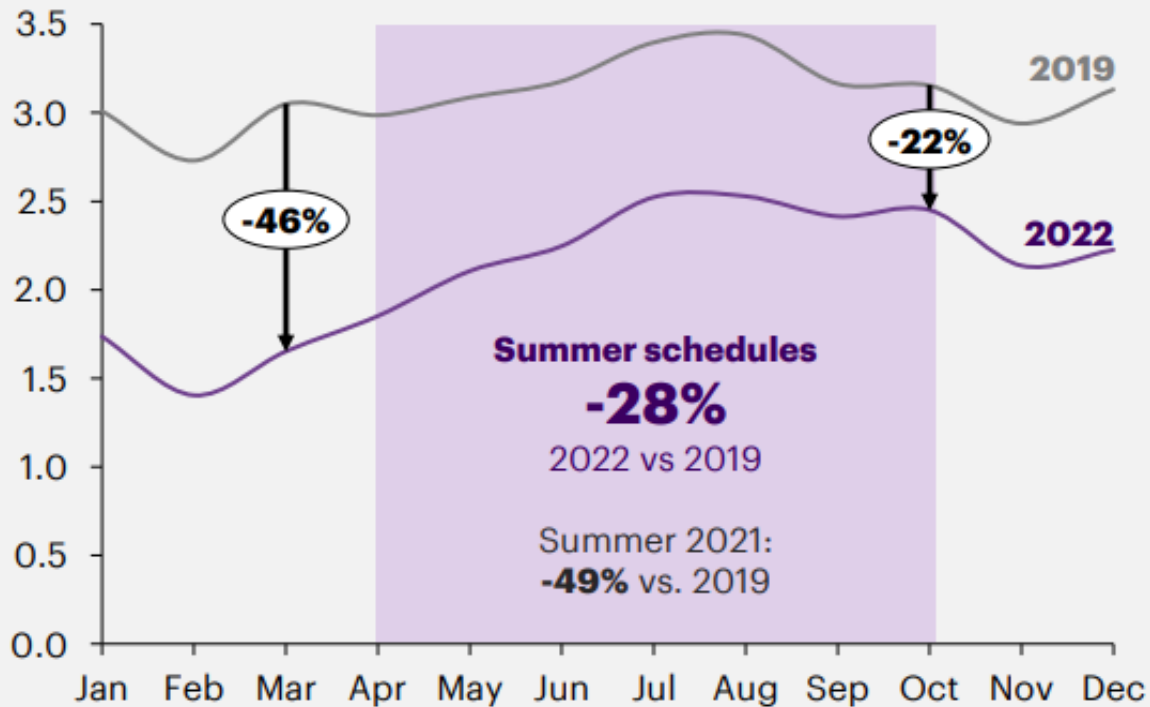


Integrator freighters now account for almost a quarter (24%) of global air cargo capacity

Schedules suggest international widebody belly capacity in the 2022 summer season will be 28% below 2019 levels

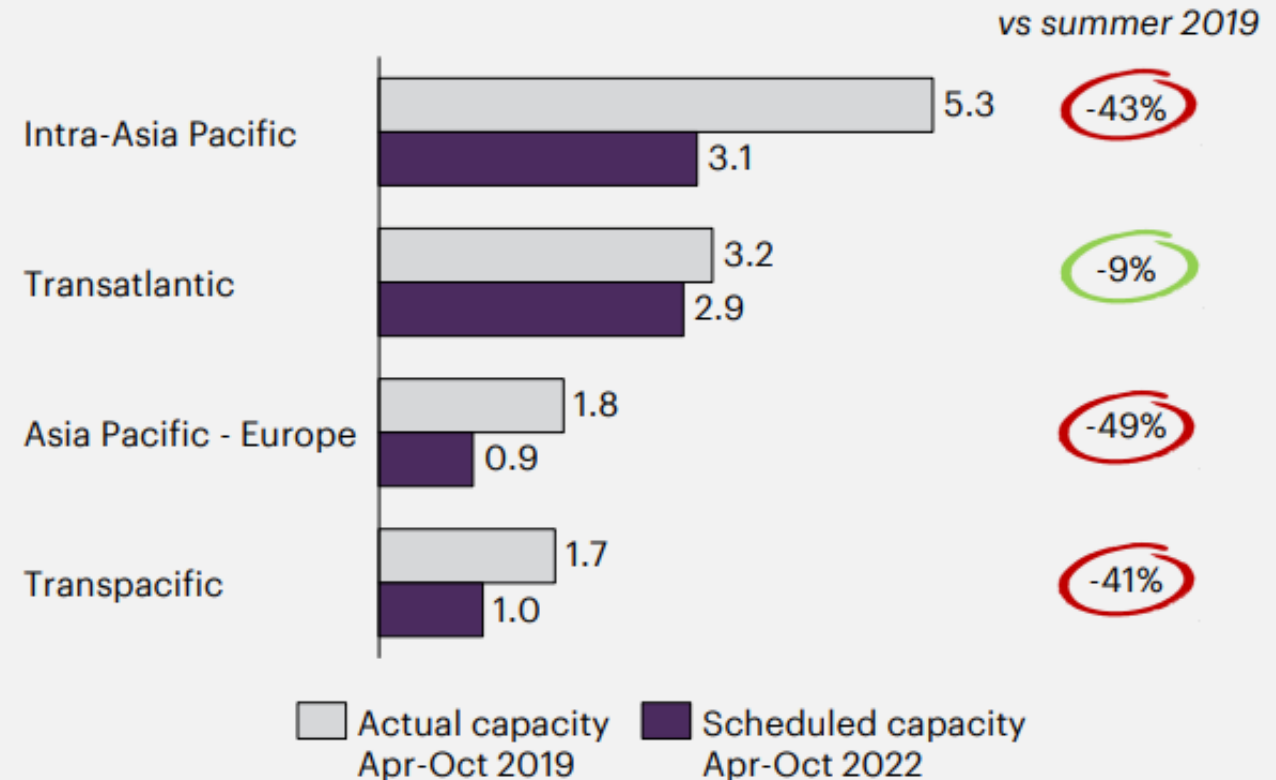
International scheduled widebody belly capacity

Million tonnes per month



Widebody belly capacity on key lanes, summer 2022

Million tonnes scheduled

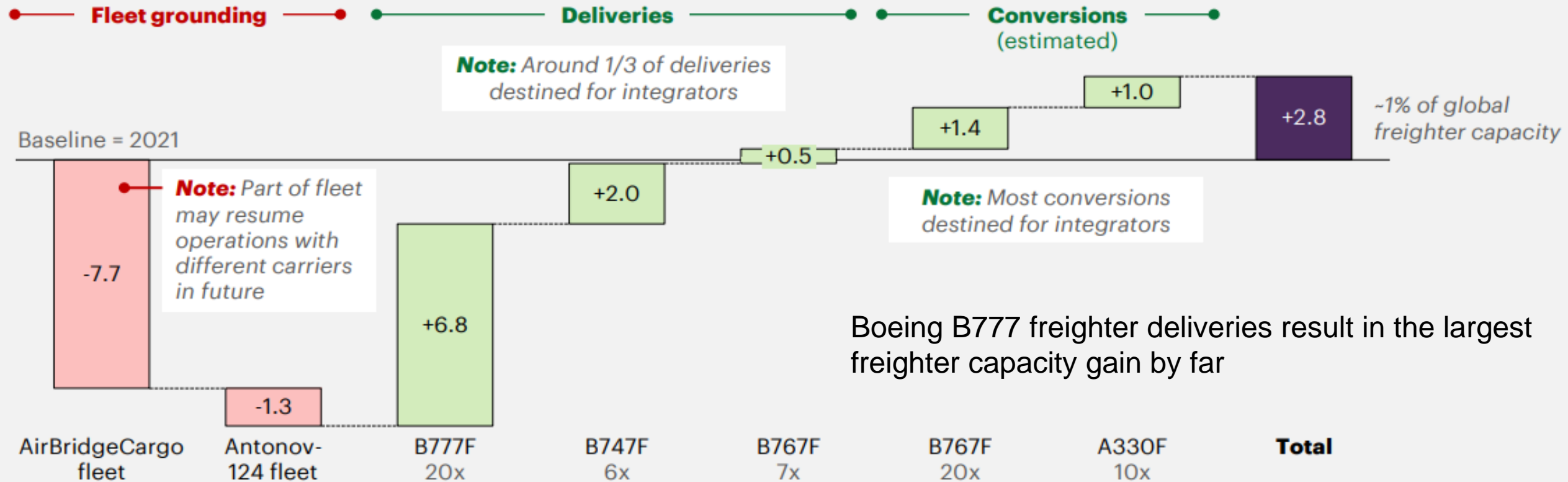


(Intra-)Asia is the among the worst-performing regions in widebody belly capacity, both absolute and relative terms

Freighter deliveries and conversions in 2022 are expected to offset groundings of Russian/Ukrainian freighters

High-level Global freighter air cargo capacity change, 2022 vs. 2021

Billion ATKs



1) USA ranked first and The Netherlands ranked second; based on flowers shipped via air Source: Seabury Cargo Global Air Trade database, Seabury Cargo analysis (March 2022)