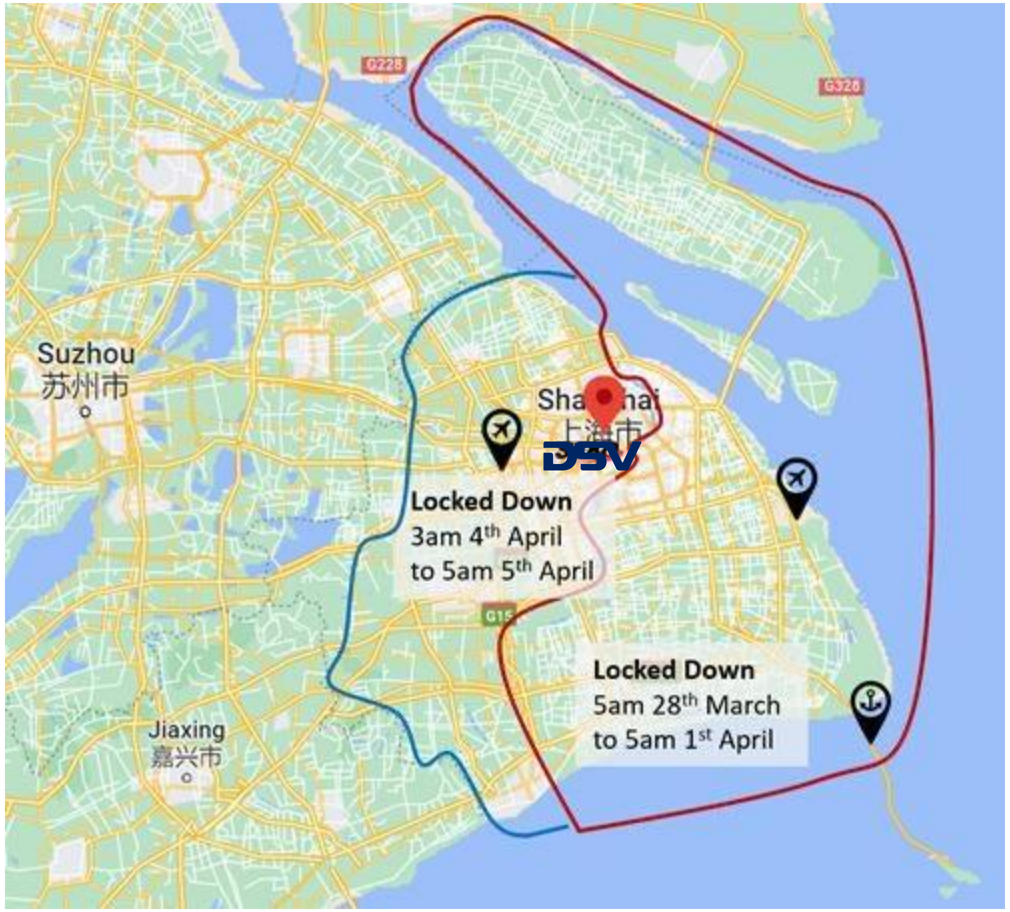
DSV Air & Sea

China COVID spike and lockdowns update
March 31 - 2022

Shanghai Covid-19 Lockdown Poses Fresh Test to Supply Chains

China's exporters are bracing for delays as warehouse operations, transport and staffing are disrupted



The city of Shanghai has reported its highest number of COVID-19 cases since beginning of the pandemic. The lockdown will be carried out in two phases:

From 28 March to 1 April, the eastern side of Shanghai (Pudong) will be locked down

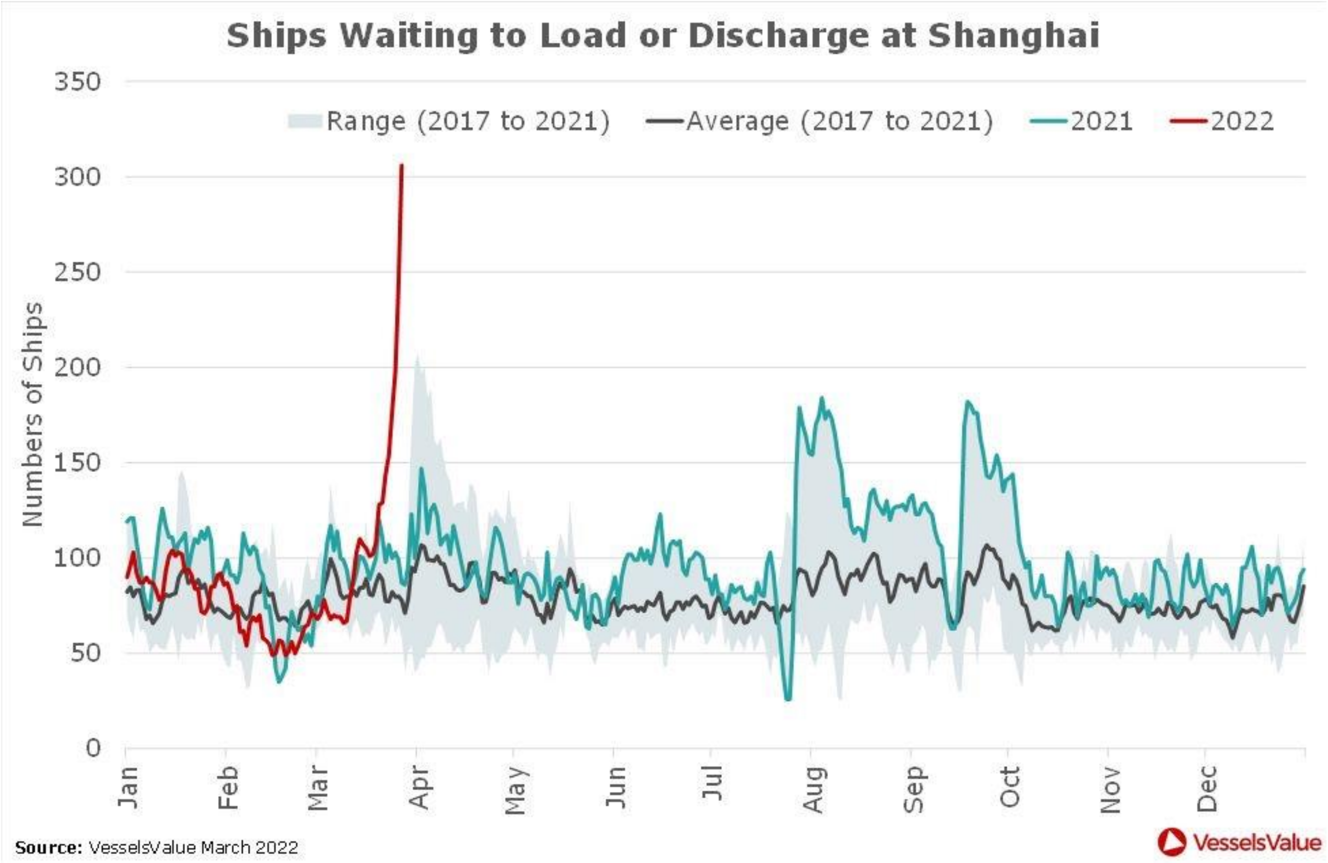
From 1 April to 5 April, the western side of Shanghai (Puxi) will enter lockdown

It is very difficult to load or discharge cargo due to lack of trucks in Shanghai (besides that most of factories are closed)

Alternative solutions:
For Ocean freight: Ningbo (CNNBO)For Airfreight: Hangzhou airport (HGH)

Lack of trucking suppliers is the key challenge in Shanghai

Few truckers available to move cargo to ports or airports, over 300 vessels



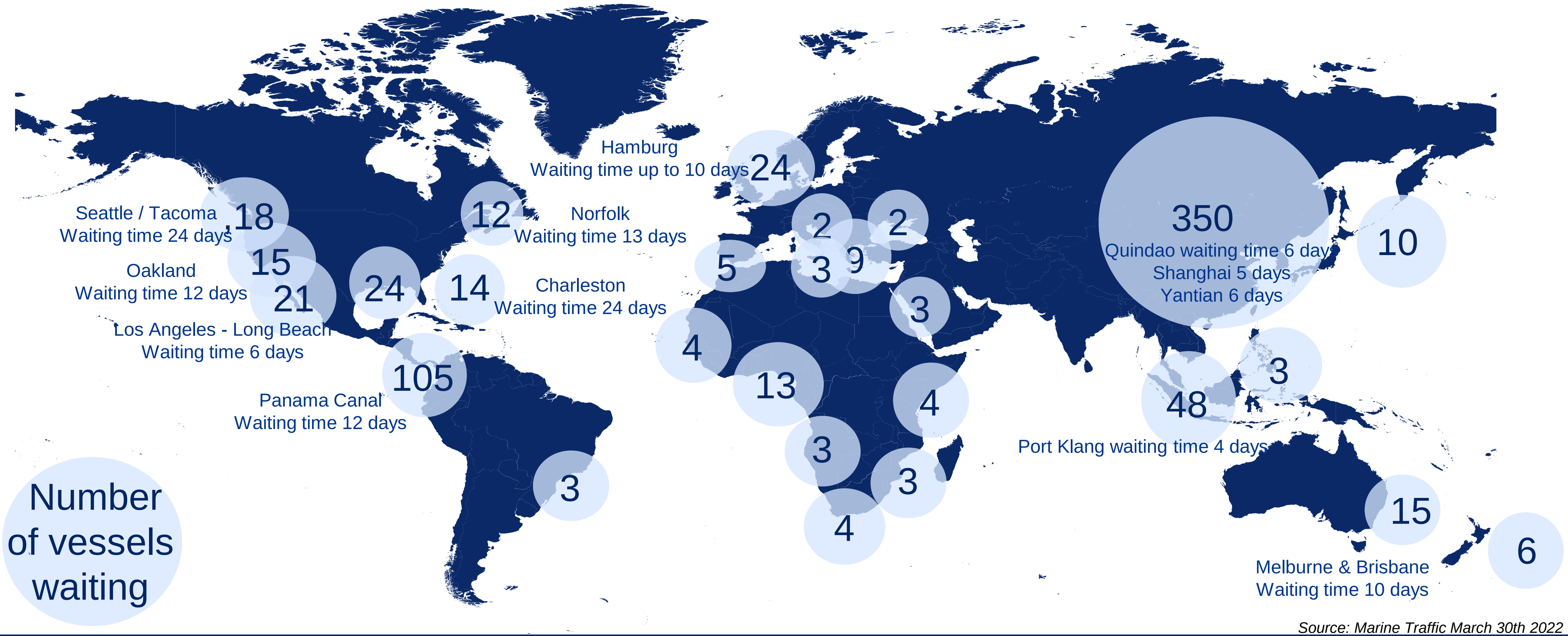
For now, the city's port remains open 24-hours-a-day as usual, according to operator Shanghai International Port Group. Essential workers and service providers such as medical staff, police and food delivery workers will still be allowed to move about provided they show a work pass.

Warehouses have shut down and transportation to and from the port has been disrupted, truck drivers are required to show a negative result from a coronavirus test taken within 48 hours if they want to enter the city, some drivers are avoiding transporting goods through Shanghai altogether, fearful of ending up in quarantine.

Many drivers worry that they can transport the goods to the port, but cannot return from the port because of the stringent pandemic restrictions

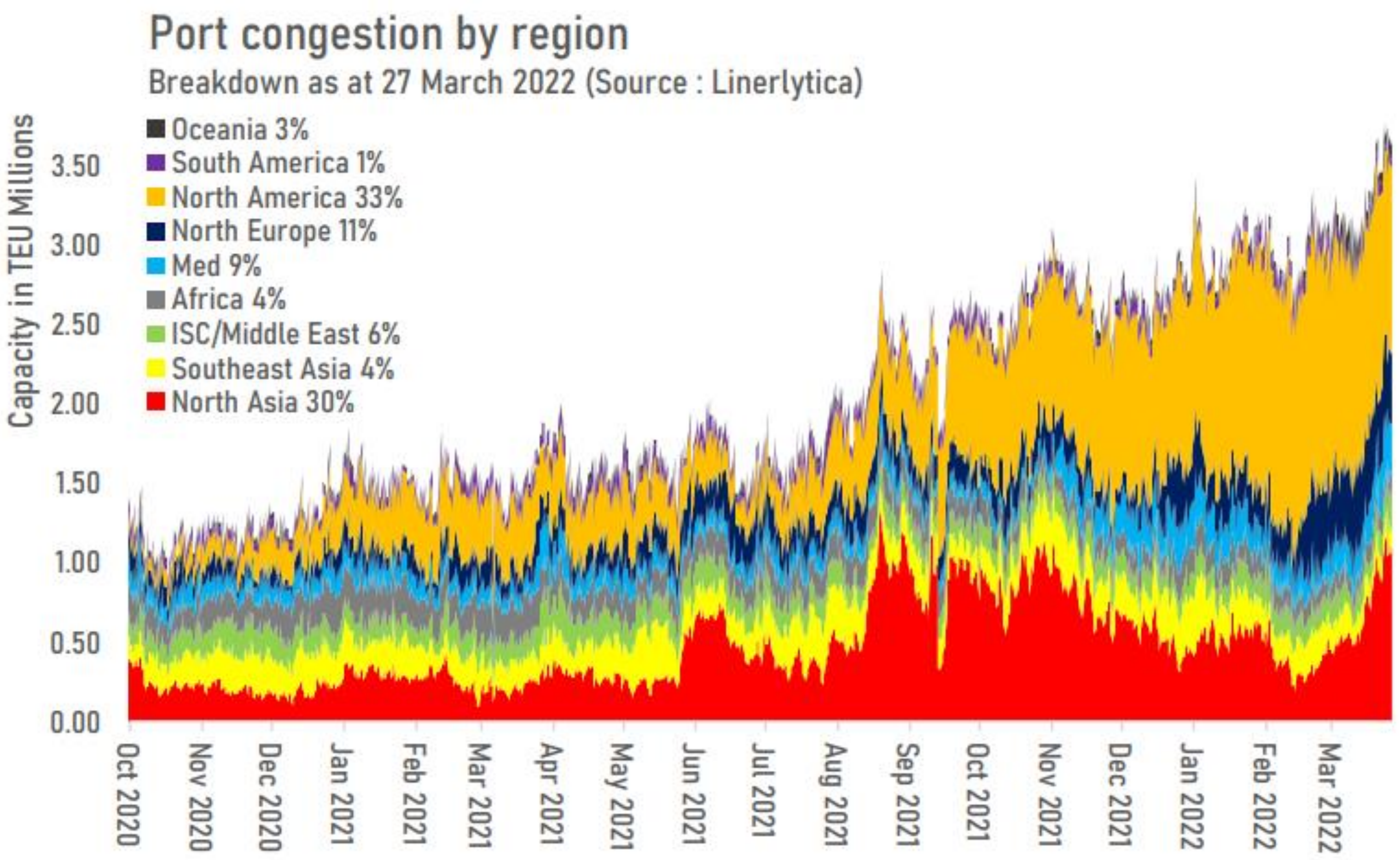
Global port congestion

14.3% of the global vessel capacity effectively removed, congestion moving to China with lockdowns – 3,61M Teu affected



Source: Marine Traffic March 30th 2022

Port congestion in North Asia and Europe are pushing record numbers despite the reduction in North America

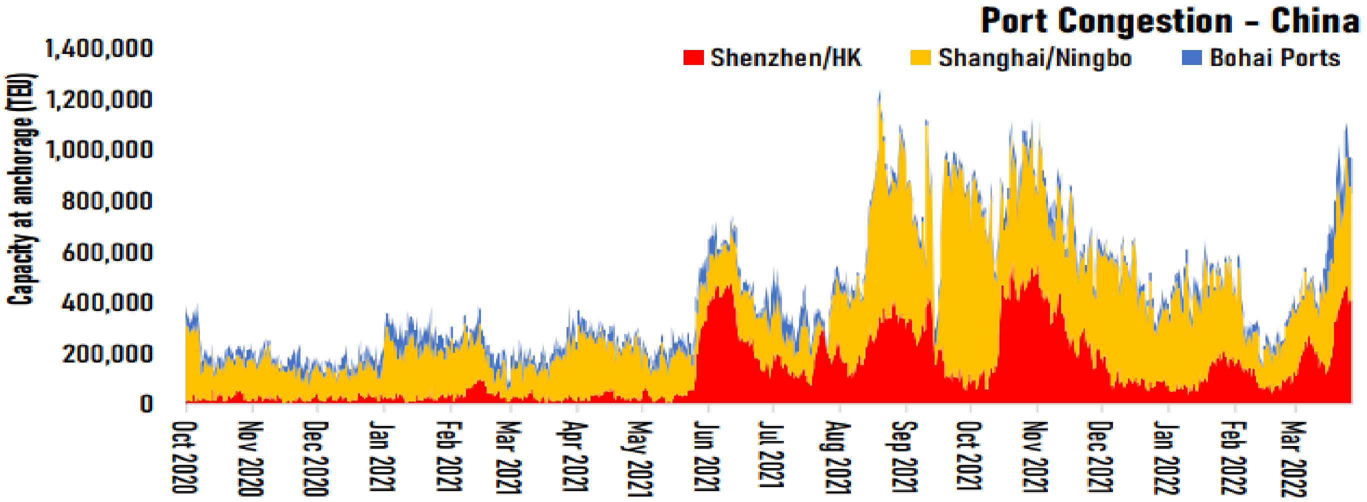


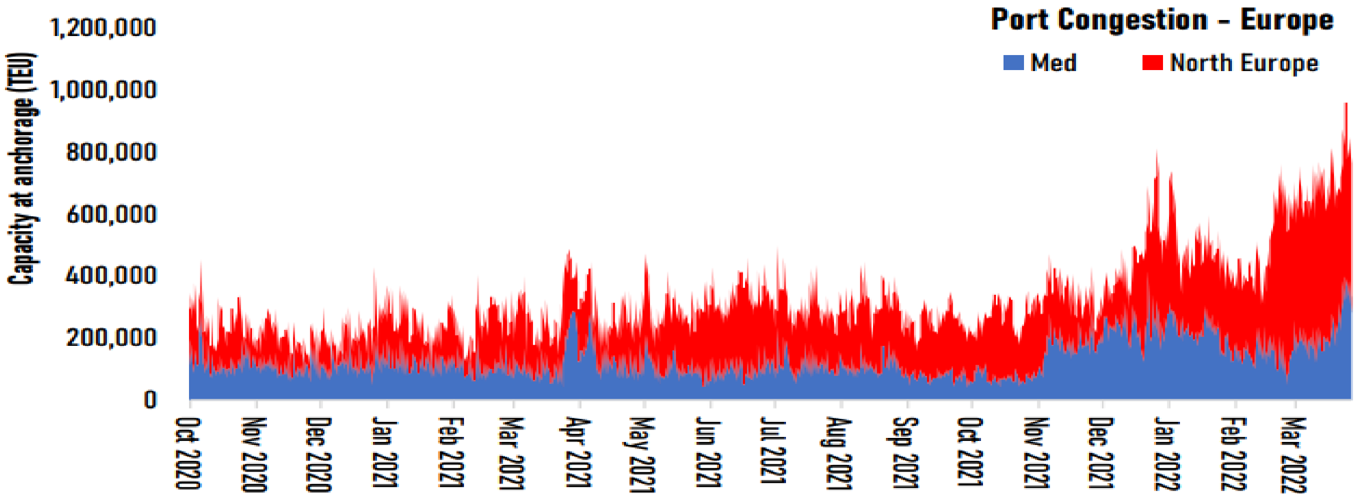
Source: Linerlytics

Taken together, the 3 main regions of North Asia, Europe and North America account currently for 83% of total congestion globally. N
orth America's share has been reduced from over 50% in January to just 33% with further improvements in the US situation last week but this is expected to be shortlived as vessel arrivals at both the US West Coast and US East Coast are rising in the coming weeks.

Total vessel capacity tied up by port congestion surged to a new peak last week due to the rise in Chinese port congestion, while European port congestion also reached a new high

Congestion increasing in Europe and China ports





Chinese port congestion continue to be affected by port labour shortages and low berth productivity and yard congestion, with the new lockdown measures in Shanghai expected to have a negative impact over the coming week. Although all the main ports in China have remained open throughout the last 2 weeks, the situation in China remains fluid with local measures to control the growing Covid infection rate in China expected to be maintained

Europe: Deriorated with both North European and Med gateways coming under pressure due to labour shortage and high port capacity utilization.

Airfreight Update

Airlines divert cargo from Shanghai, putting more pressure on rates

Airlines are cancelling cargo flights from Shanghai Pudong (PVG) following the city's Covid lockdown, with diverted cargo likely to push up airfreight rates at alternative gateways. Cargolux announced it would suspend PVG flights until at least 2 April and intermittent 8 April.

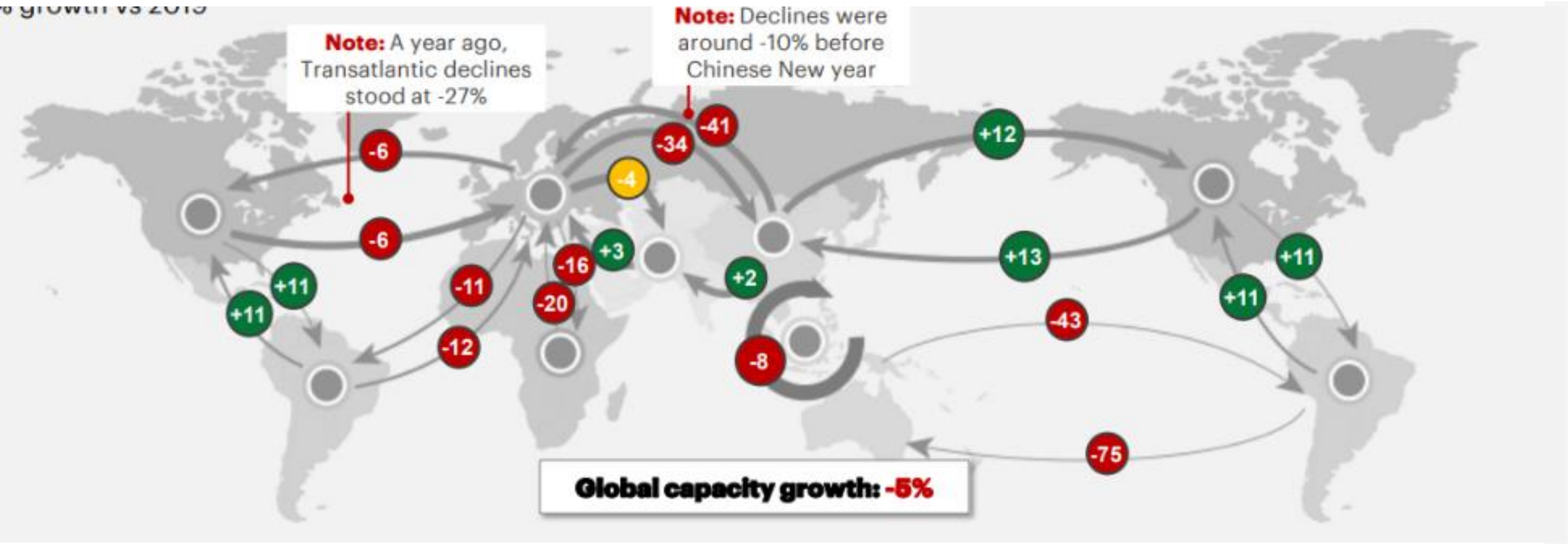
Qatar Airways has cancelled PVG flights from 31 March until 5 April, as has Turkish Airlines until Saturday, while Singapore Airlines has also cancelled the majority of flights until Saturday. While some cargo movement is permitted in Pudong, the lack of staff is having an impact.

The COVID measures come as the air cargo sector was coping with the loss of shipping capacity and escalating fuel prices due to the Russia-Ukraine war. Western sanctions knocked Russian cargo airlines out of the market and Russia blocked its airspace to overflights, lengthening routes between Europe and Asia. Pandemic restrictions by Hong Kong authorities have also severely hampered the freighter operations of Cathay Pacific, a major cargo carrier. The loss of transport supply combined with higher operating costs have driven up cargo rates in the past month.

Source: DSV Internal

Global international air cargo capacity was down -5% (vs. 2019) between March 7-20, 2022

Total international air cargo capacity growth, March 7-20 vs same weeks in 2019



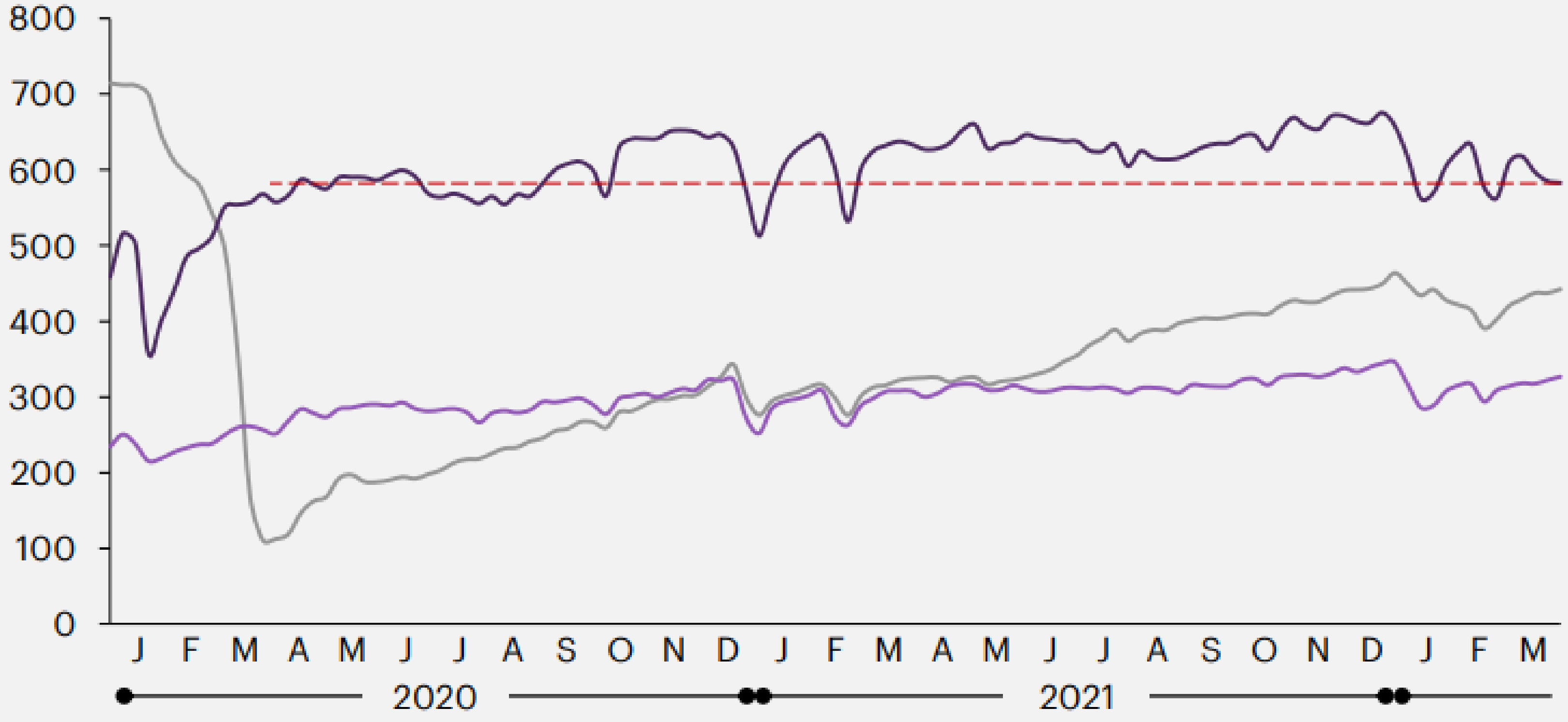
Transatlantic air cargo capacity is now down only -6% on 2019 levels;
Asia-Middle East-Europe is up +2% due to freighters flying indirectly

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

Global international air cargo capacity decreased -1% vs. the previous two weeks, solely due to airline freighters

International air cargo capacity, Jan 2020 – Mar 2022

Thousand tonnes per week

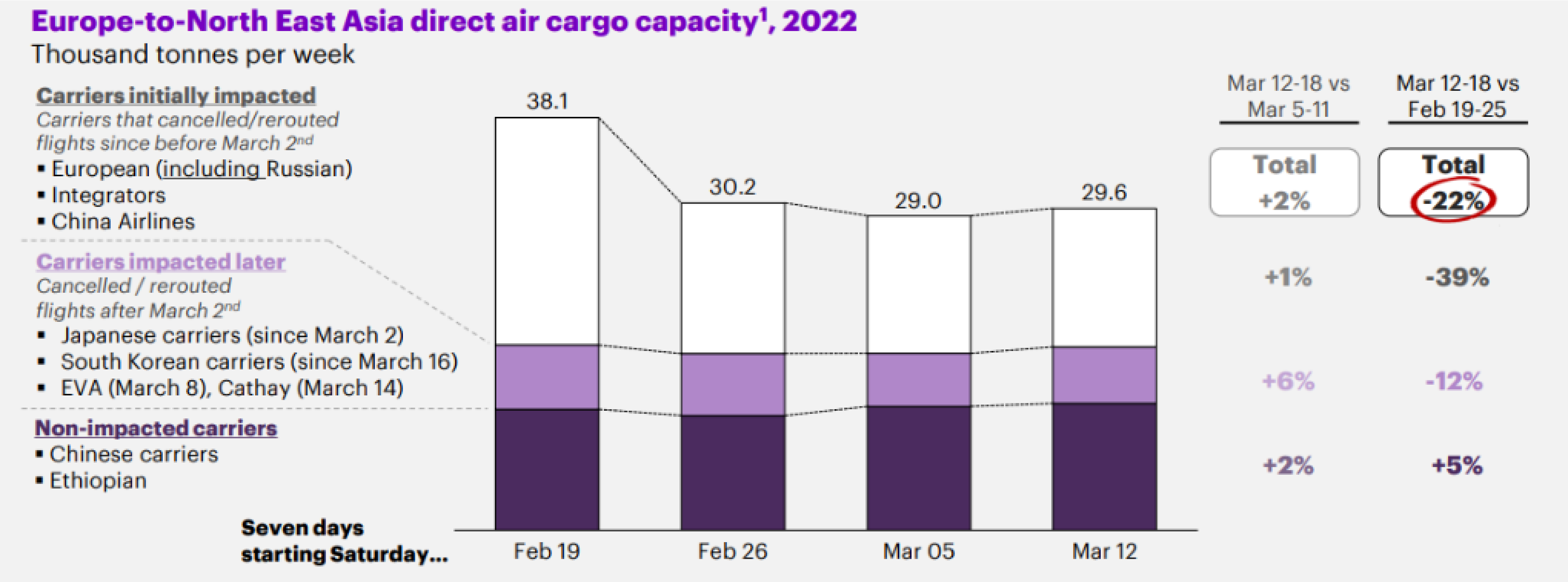


	vs. 2019[1]	vs. previous two weeks[2]
Total capacity	-5%	-1%
Airline freighters	+17%	-4%
Passenger belly Widebody aircraft only	-36%	+1%
Integrator freighters	+38%	+2%

Airline freighters' capacity decline (vs. a year ago) is more than offset by continuing recovery of widebody belly air cargo capacity

Note: Direct international capacity only; All freighters and widebody passenger aircraft only; 1) Comparing the weeks of 7-20 March 2022 to the same weeks in 2019; 2) Comparing the last two weeks available versus the previous two weeks; Source: Seabury Cargo Capacity Tracking database, Seabury Cargo analysis (March 2022)

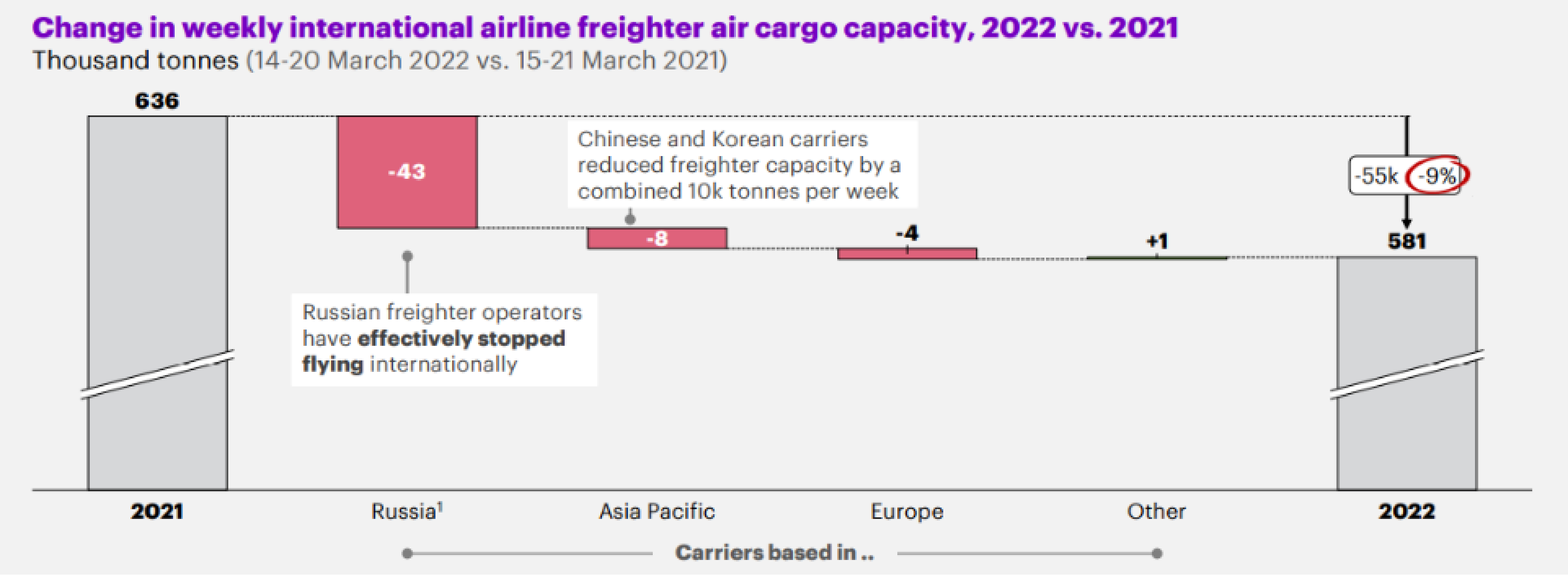
Direct air cargo capacity between Europe and North East Asia has stabilized around a “new normal” of -22% vs February



Direct air cargo capacity declines are driven by European carriers and integrators

Notes: 1) Direct air cargo capacity is capacity directly operated between Europe (including Russia) and North East Asia (e.g. excluding flights operated via Central Asia or the Middle East); All freighters and widebody passenger aircraft only; Dates measured in UTC time; Source: Seabury Cargo Capacity Tracking database, Seabury Cargo analysis (March 2022)

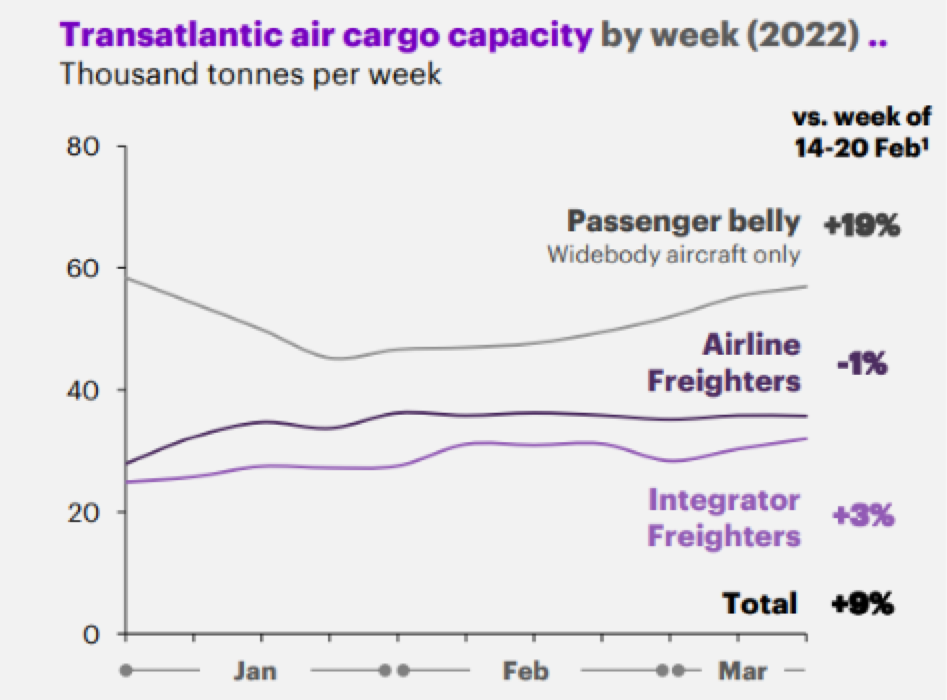
International airline freighter capacity is at its lowest level since Q3 2020, down -9% compared to a year ago

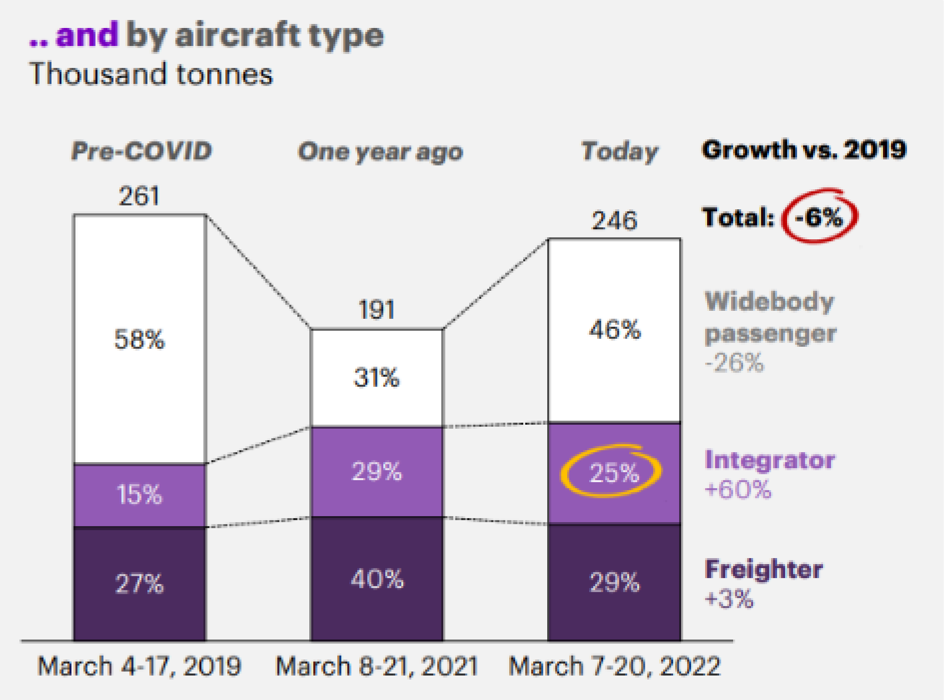


Russian freighter operators seizing international operations accounts for ~80% of reduced global freighter capacity (~7% vs. 2021)

Note: Bi-directional transatlantic air cargo capacity; Direct international capacity only; All freighters and widebody passenger aircraft only; 1) Comparing the week of 14 March 2022 to week of 14 Feb 2022; Source: Seabury Cargo Capacity Tracking database, Seabury Cargo analysis (March 2022)

Transatlantic air cargo capacity is close to pre-COVID levels, with integrators now accounting for a quarter of capacity





Passenger belly capacity jumped +19% vs. one month ago and is likely to further increase as summer schedules become effective from March 27

Notes: International capacity by freighter aircraft (including integrators) only; Dates measured in UTC time
Source: Seabury Cargo Capacity Tracking database, Seabury Cargo analysis (March 2022)