

A group of soccer players in blue uniforms are standing on a green field. One player's foot is on a soccer ball. The background is dark, suggesting a night game or stadium lighting.

DSV Air & Sea

Market update November 2022

US Retailers, Imports are Slowing as Holiday Season Ramps Up

Retail imports 2004-2022
(TEU-Millions)



*Forecast
Source: NRF/Hackett Associates Global Port Tracker



Retailers expect a busy holiday season the next two months but imports at US nation’s major container ports should continue to slow from records set earlier in the year, according to the monthly Global Port Tracker report released today by the National Retail Federation

Cargo levels that historically peak in the fall peaked in the spring this year as retailers concerned about port congestion, port and rail labour negotiations and other supply chain issues stocked up far in advance of the holidays.

With a rail strike possible, there are still challenges in the supply chain, but the majority of holiday merchandise is already on hand and retailers are well prepared to meet demand. While consumers are still buying more, demand has fallen from peak consumption during the height of the pandemic.



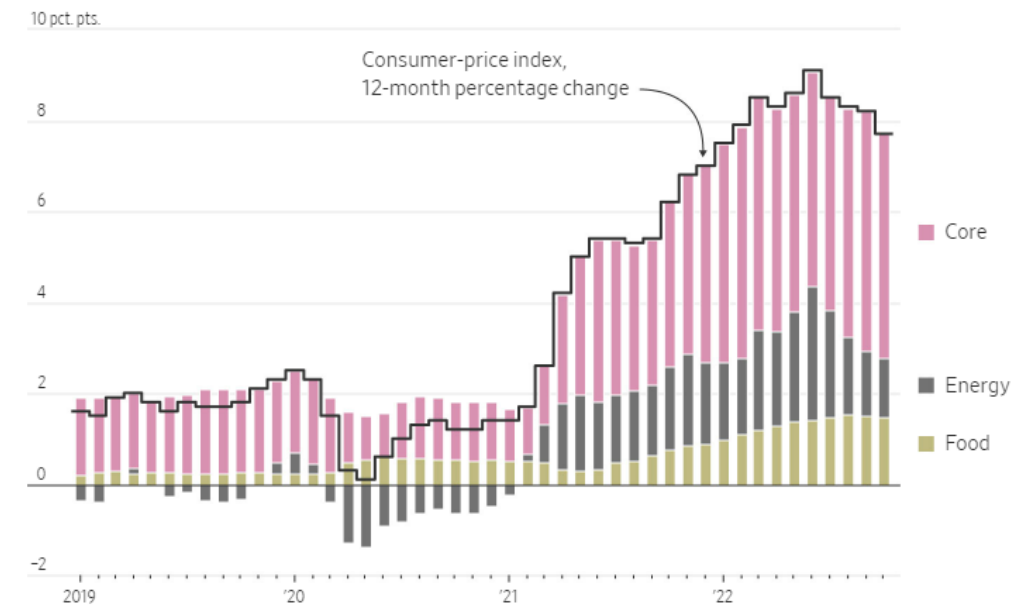
U.S. inflation turning the corner as consumer prices rise below expectations

Unemployment and layoffs remained low in October, with robust payroll growth. Initial jobless claims, a proxy for layoffs, edged up to a seasonally adjusted 225,000 last week, the department also said Thursday. That is close to the prepandemic 2019 weekly average of 218,000, when the labor market was also strong.

Wage gains accelerated in October, though they didn't keep up with inflation. Average hourly earnings, adjusted for inflation, decreased 0.1% in October from September, according to a separate Labor Department report released Thursday.

Consumer spending, the economy's main engine, grew more slowly in the third quarter than in the second, after adjusting for inflation and seasonality.

Contributions to inflation



Note: Percentage-point contributions to 12-month percentage changes in the consumer-price index
Source: Labor Department

Source: WSJ

China Eases Zero-Covid Rules, in bid to lessen economic and societal impact, even as daily cases surge past 10,000

The newly appointed Politburo Standing Committee of the nation's top leaders, in one of its first major decisions, set out new rules to "optimize and adjust" the policy to minimize its impact on economic growth and people's lives, as well as further open the country's borders to foreign visitors, according to a release by the National Health Commission.

From 11 Nov, China reduced quarantine to 5 days plus 3 days of isolation at home. China cancelled "circuit breaker measures" – the COVID flight suspension mechanism. Travelers now need to present 1 PCR test with a negative result taken within 48 hours of boarding

Xi Jinping, China's leader, signalled at a Communist Party congress last month that the country's strict zero-Covid policies had helped it weather the pandemic and were set to continue. But the economic impact has forced adjustments to ease the burden on businesses and citizens, analysts say.



Source: WSJ, CNBC and CNN

Operational Updates due to COVID situation in CN

Several districts in Guangzhou under strict restrictions

- Due to COVID outbreak in Guangzhou, targeted restrictions on residents in high-risk districts have been in place, such as part of Haizhu, Liwan, and Panyu districts.
- Residents are required to stay home except for essential reasons such as PCR tests or emergency medical treatment until November 16.



DSV Guangzhou is open
Balance staff in office



Limited impact on
airport operations



Limited impact on
Terminal & Depot operations



Limited impact on
CFS operations

海珠区调整疫情防控措施区域示意图



Source: newsgd.com

Residents are required to stay home except for essential reasons until Nov 16:

- **Part of Haizhu District** (The area to the east of Dongxiao Road-Changgang Road and to the west of Keyun Road)
- **Liwan District**
- **Panyu District**

Tightened COVID-19 control measures until Nov 18:

- **Part of Yuexiu District**
 - From 00:00 on November 14 to midnight on November 18, Yuexiu's tightened COVID-19 control measures will be extended to the area north of the Guangzhou-Shenzhen Railway in Yuexiu District.
 - Visitors must present their 24-hour negative PCR test results before entering communities, public organizations, enterprises, and public places.

Latest restrictions COVID-19

APAC

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

Australia

- AU lifted all Covid-19 border restrictions for travelers, all visa holder can travel to AU without a travel exemption.
- Unvaccinated Australian citizens & permanent residents can leave AU without an individual travel exemption.

New Zealand

- Travelers to NZ are not required to be vaccinated or to test for COVID-19 after arriving.
- The requirement to not exhibit COVID-19 symptoms has also been removed. All travelers are however encouraged to complete a Day 0/1 and Day 5/6 RAT.

Mainland China

- From 11 Nov, China reduced quarantine to 5 days plus 3 days of isolation at home.
- China cancelled “circuit breaker measures” – the COVID flight suspension mechanism.
- Travelers now need to present 1 PCR test with a negative result taken within 48 hours of boarding.

Hong Kong

- Travelers are required to home medical surveillance for 3 days
- CX to add 1,900 flights in Nov & Dec between Hong Kong and top locations, such as Japan and UK. It would also restart flights on the “polar route” instead of the longer Atlantic flight path.

Taiwan

- Travelers to TW need to undergo 7 days of “self-monitor”.
- Travelers are no longer required to provide PCR test result, but if they want to go out during the weeklong monitoring period, they need a negative test from that day or the day before.

Japan

- From Oct 11, Japan relaxed border control measures, as well as resumed visa-free travel and individual travel.
- Tourists must present a proof of vaccination or a negative coronavirus test within 72 hrs before departure if not vaccinated.

Korea

- All travelers are not required to present any negative COVID-19 test result.
- There are no quarantine requirements for all travelers.
- All travelers are still required to register for Q-code on Gov website prior to entry into Korea.

Singapore

- No entry approvals, pre-departure tests, on-arrival tests and quarantine required by fully vaccinated travelers
- Non-fully vaccinated visitors will no longer need to apply for entry approval or undergo quarantine. PCR/ART is required.

Malaysia

- Pre-Departure Test (PDT), On-Arrival Test (OAT) and Traveller's Pass are no longer required.
- Travelers are not required to do quarantine when visiting Malaysia.
- Inbound travelers will no longer need to fill in the Traveler's Card.

Vietnam

- Vietnamese gov already lifted the requirement for quarantine, Covid test result on arrival and present of vaccination certificate for all incoming travelers.
- E-visa for a stay of up to 30 days is available to travelers.

Cambodia

- All COVID-19 restrictions were lifted. All travelers can now visit Cambodia without proof of COVID-19 vaccination, or a negative COVID-19 test result.
- E-visa for a stay of up to 30 days is available to travelers.

Thailand

- All COVID-19 restrictions have been removed. Travelers are no longer required to provide vaccination status/negative test result
- Visa exemption for a stay is extended to 45 days.
- The Visa on arrival (VOA) for a stay is extended to 30 days.

Myanmar

- Fully vaccinated travelers are only required to present proof before arrival and must have done a test upon arrival.
- Unvaccinated travelers still need to present RT-PCR test proof (within 48 hr prior to departure).
- All travelers must present medical insurance at airport.

Philippines

- Fully vaccinated travelers are only required to show proof of vaccination.
- Unvaccinated or partially vaccinated travelers are required to have pre-departure test only.
- Quarantine requirement was lifted.

Indonesia

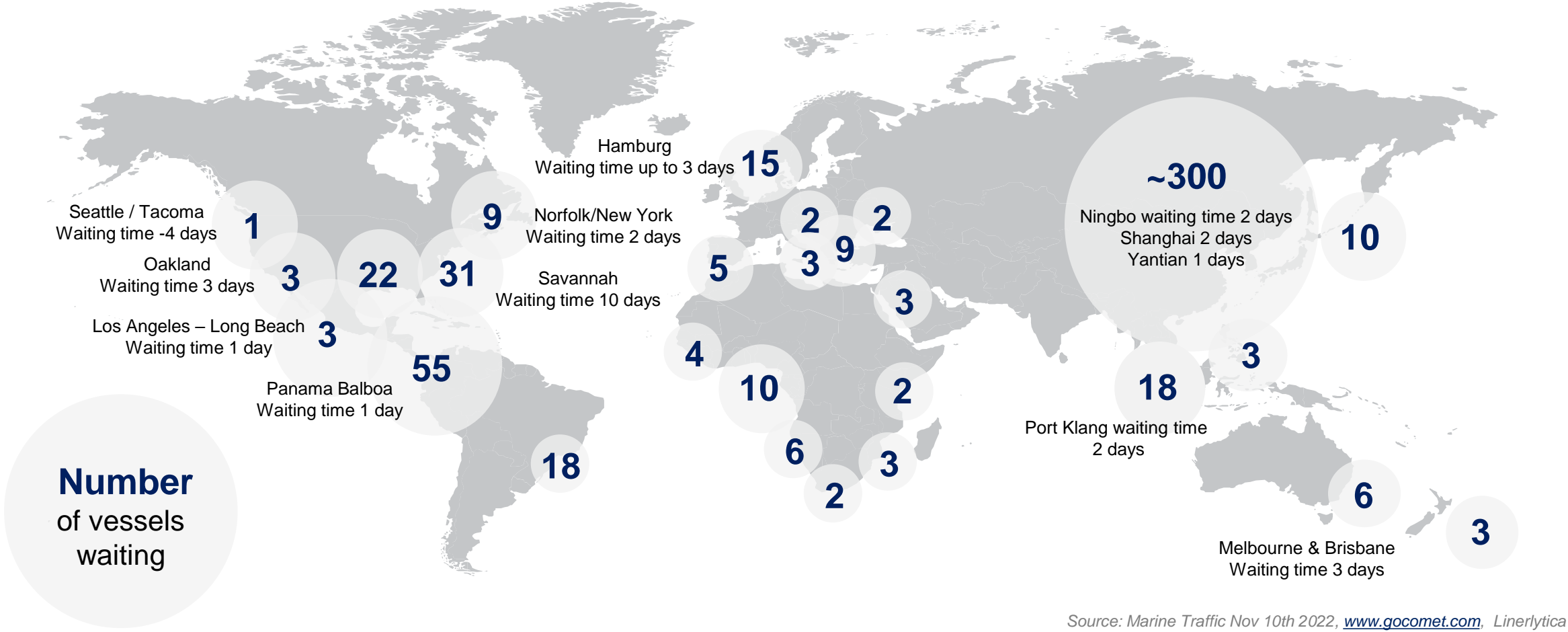
- Fully vaccinated travelers are no longer required to provide PCR test result upon arrival or have COVID-19 insurance coverage and now exempted from mandatory quarantine.
- Non-fully vaccinated travelers must show the recovery certificate for entry to Indonesia.

Port congestion

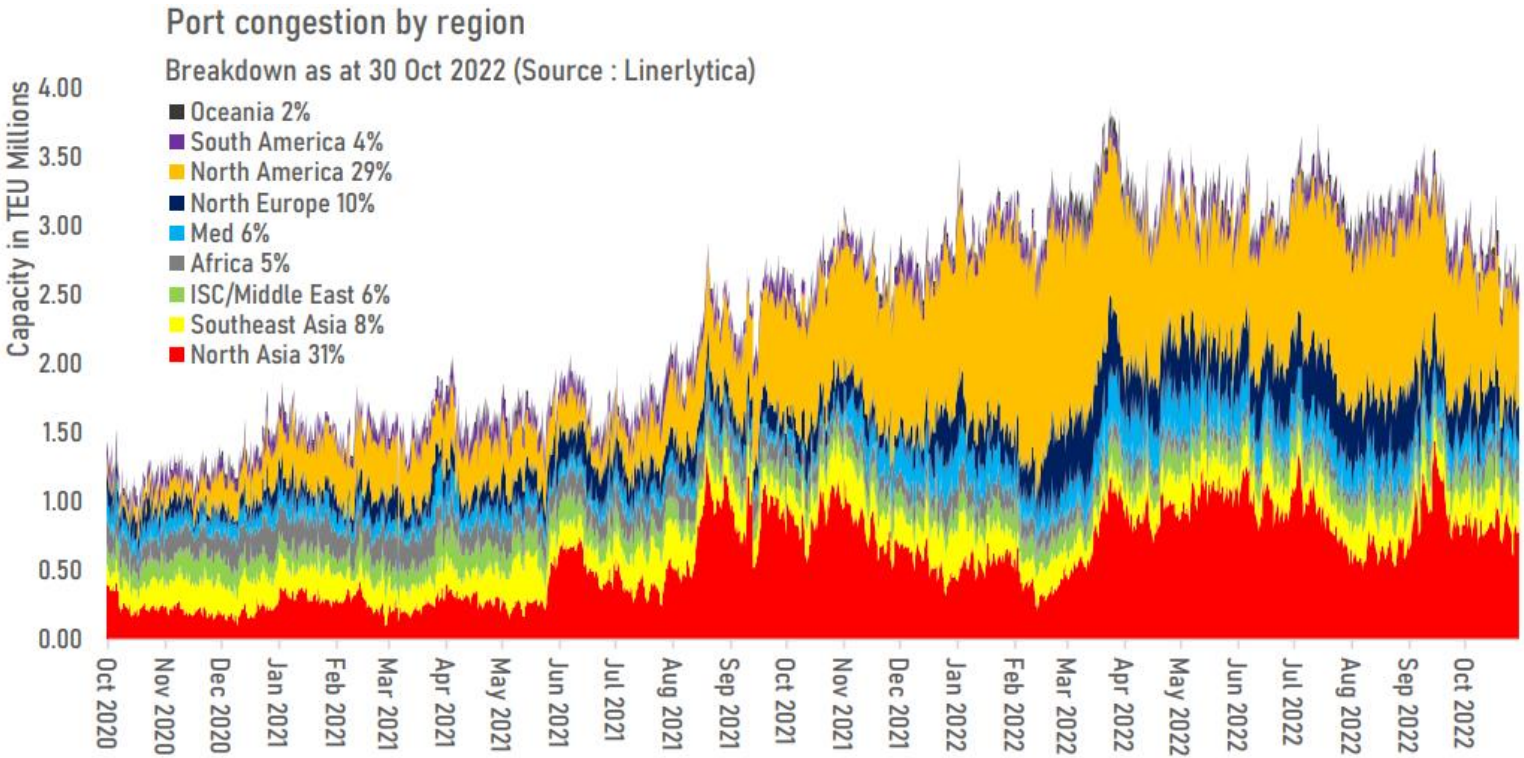


Global port congestion

9,9 % of the global vessel capacity effectively removed, it has eased for the first time in 9 months with both US and China recording low levels



Global congestion continues to ease – 9.5%

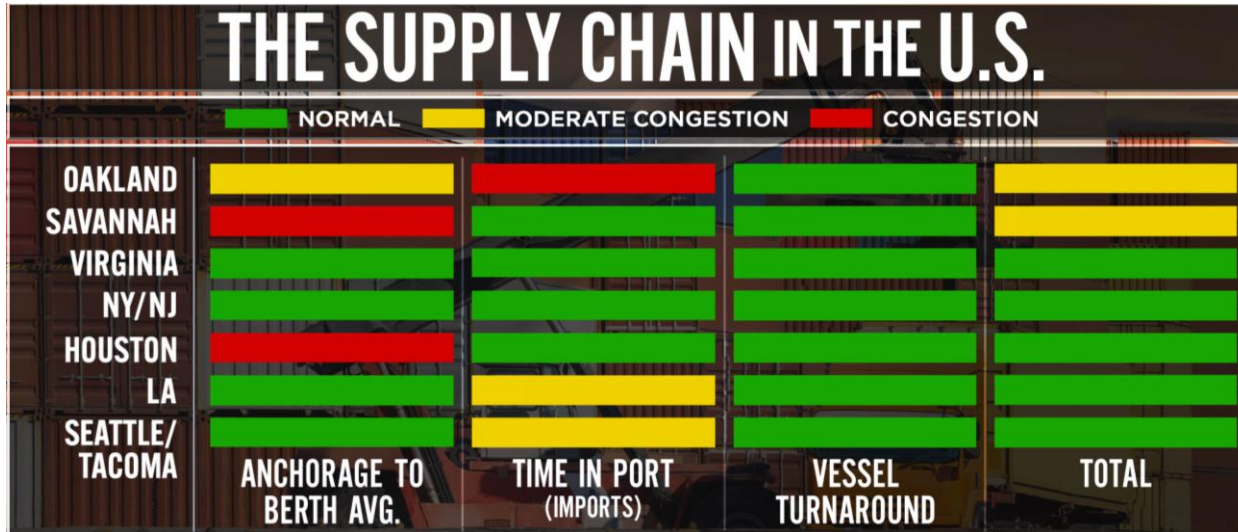


Although the numbers of ships waiting at anchor at Chinese ports would have fallen more if not for some 9 ships of over 10,000 teu that are currently idle at various North Asia Locations. These ships are not waiting to berth and have been temporary idled as carriers are forced to remove excess capacity due to the softening of demand

There is no change in the US congestion situation, with Savannah, Houston, New York, Oakland and Vancouver still experiencing berthing delays, while Los Angeles and Long Beach are almost back to normal.

Source: Linerlytica (November 2022)

End of a record run for U.S. import container volumes



Port-to-rail ramp demand

Containers going from ocean to rail in September and October 2022

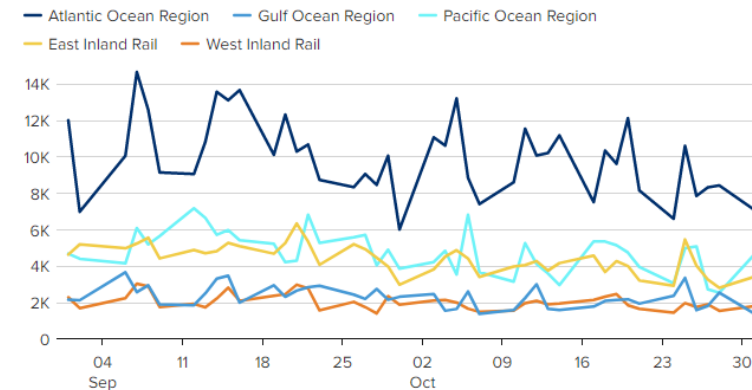


Chart: Gabriel Cortes / CNBC
Source: ITS Logistics



Oakland chassis should be normalized throughout November as many chassis providers are repositioning chassis from an oversaturated LA/LB market. Slowdowns and disruptions already experienced at the Port of Oakland have caused increased volume at the ports on the East and Gulf Coasts. Based on ocean orders, there is no sign of this trend slowing down.

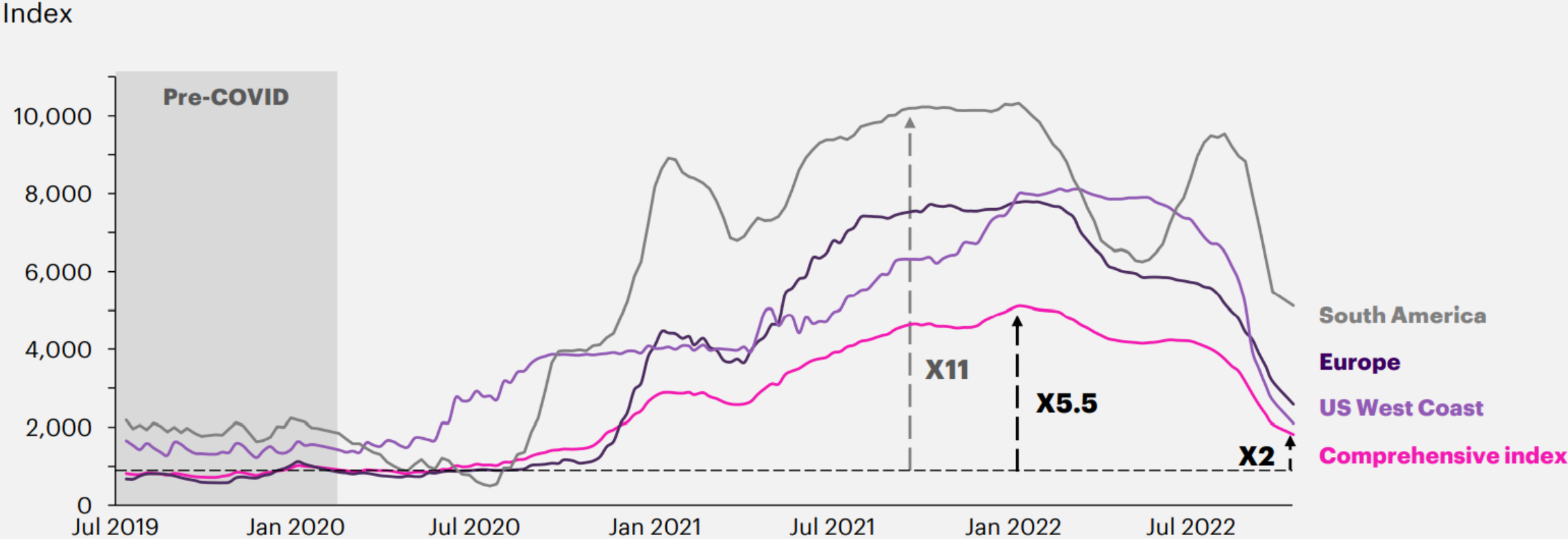
The ports of New York/New Jersey and Savannah continue to lead the way for incoming vessels. In the Gulf, the Port of Houston recently announced it was considering an “excessive dwell fee” on containers that stay longer than the free time allowed at the terminal. The port posted historic volumes processed in August.

Ocean update



Ocean container spot rates are less than 2x 2019 price levels, after a steep decline from almost 6x 2019 price levels

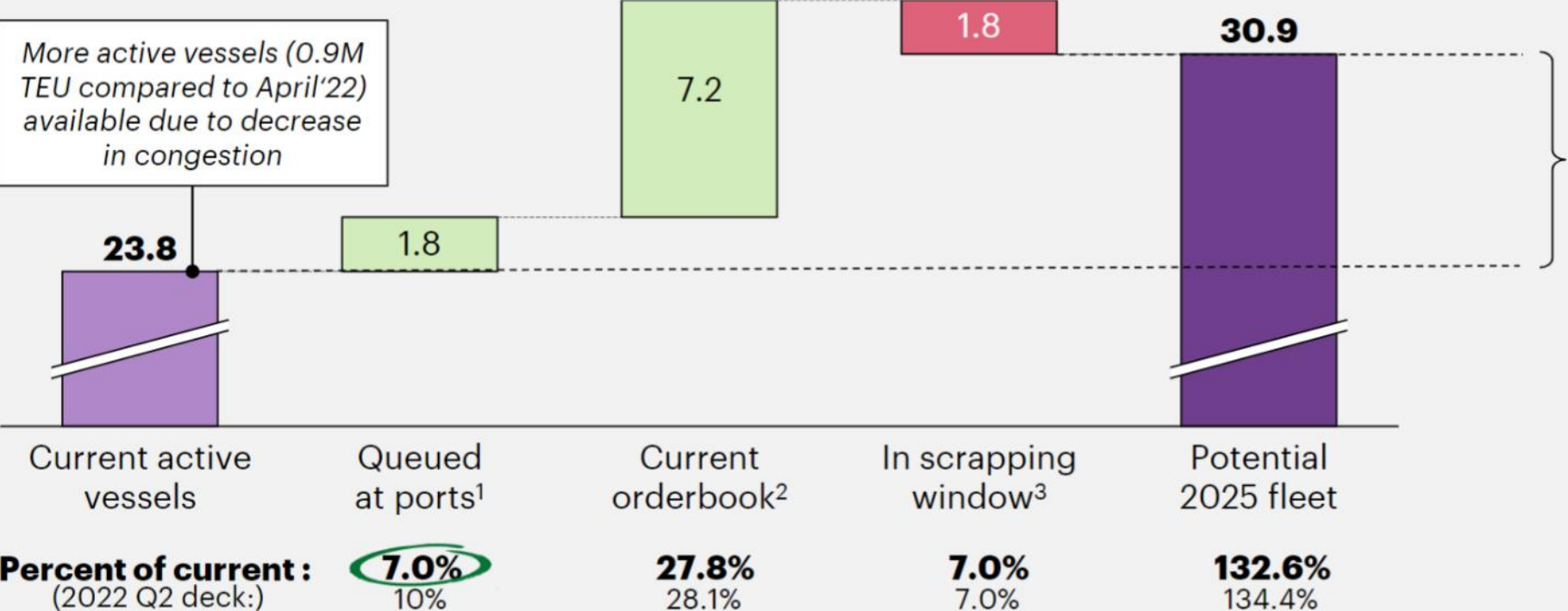
Shanghai Containerized Freight Index (SCFI), Jul'19-Oct'22



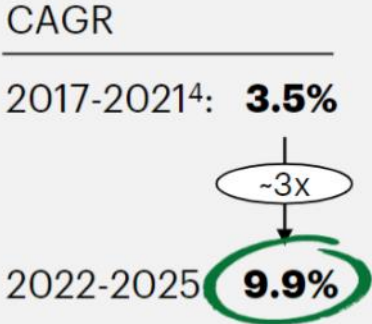
Congestion decreased significantly, meaning less than 10% p.a. growth needed to achieve 30.9M TEU fleet by 2025

Global ocean container capacity projection by status, 2025

Million TEU



ESTIMATE



- 9.9% p.a. fleet growth will be achieved, if:
- Port congestion disappears
 - All newbuilds are delivered on time
 - No excess scrapping over the 7.0% occurs

Carriers 'take out' capacity as shipping rates crater

Additional blank sailings from China announced for the final 10 weeks of 2022

The majority are en route to North American ports

North America West Coast



North America East Coast



Northern Europe



Mediterranean



Note: As of Nov. 11, 2022

Chart: Gabriel Cortes / CNBC

Source: Sea-Intelligence



Ocean carriers have been increasing the number of cancelled sailings in an effort to address the drop in ocean orders as well as to put a floor in ocean freight prices that have been tumbling.

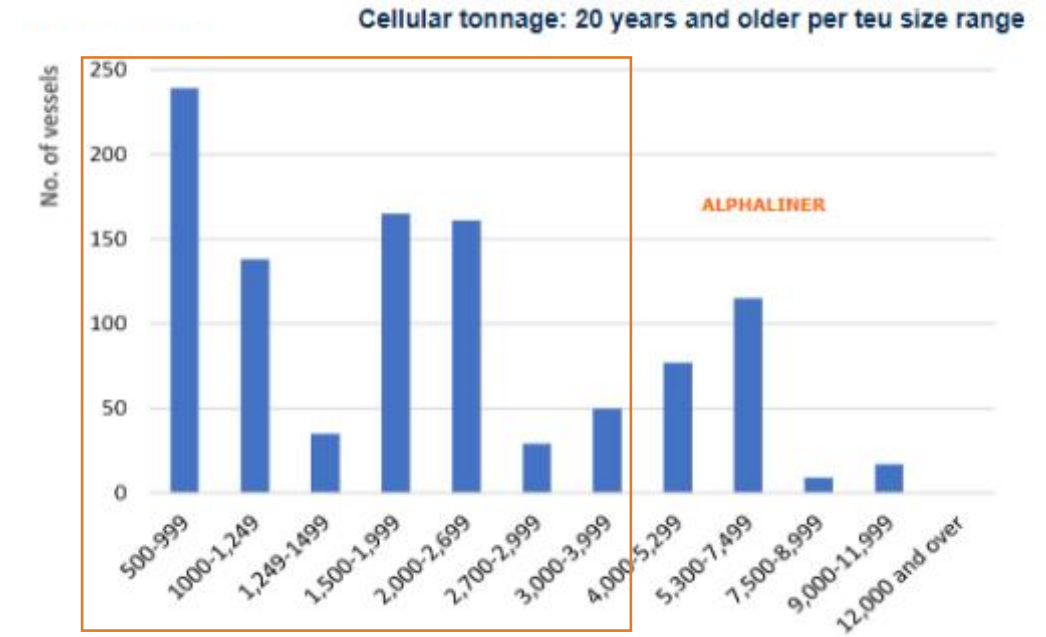
Capacity reductions from THE Alliance (the ocean alliance of Hapag-Lloyd, Yang Ming, and ONE), pointing out that 2M Alliance (comprised of Maersk Line and MSC) has already suspended one-third of its West Coast services. Blank sailing and service suspension to the U.S. East Coast is also expected to increase.

Sea-Intelligence wrote in its recent blank sailings report that it has detected some unannounced cancellations for the calendar-year period of weeks 42-52 in the past two weeks.

Potential scenario of IMO2023/EXXI regulation during 2023

What is the scrapping potential?

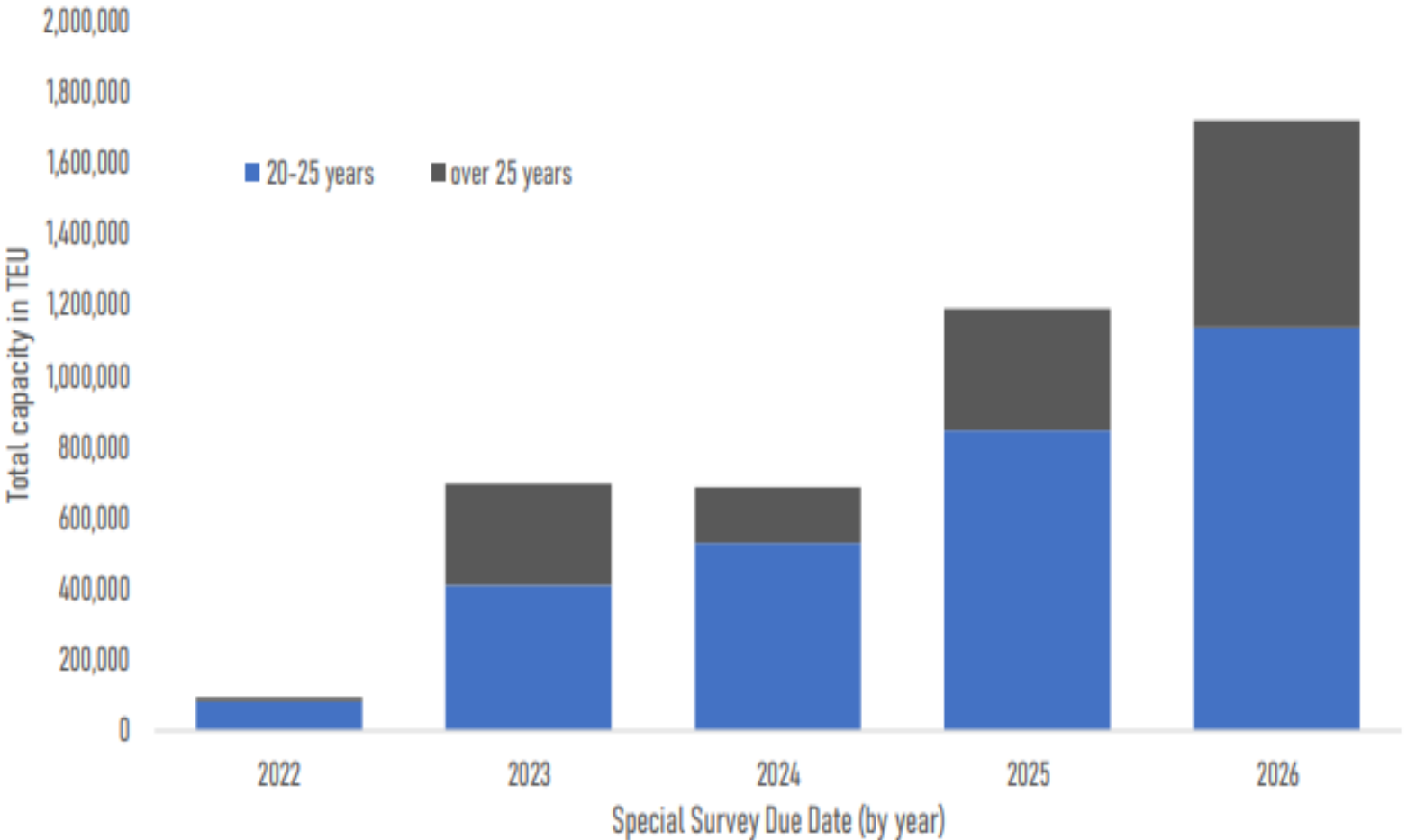
- EEXI is a regulation that will start in 2023, the carriers have one year to be compliance to the new emission so effective reduction will be through the coming years (not only 2023)
- As per initial calculations from Sea-Intelligence, IMO 2023 could **reduce 10% of capacity** due to slow steaming implementation.
- It is expected that scrapping will reduce the anticipated 8-9% with the capacity of new tonnage injection on 2023 ad 2024
- The real impact of IMO2023 will be an increase of the price differential of outports, since the smaller feeder vessel are the older segment at this moment.



A large number of old vessel are under 4,000 Teus capacity affecting feeding and regional trades

Inside the Carriers

Total capacity of containerships over 20 years old with special survey due in 2022-2025



There are less than 300 containerships with a total of 700,000 teu that will have their 20 or 25 year survey due in 2023 / 2024.

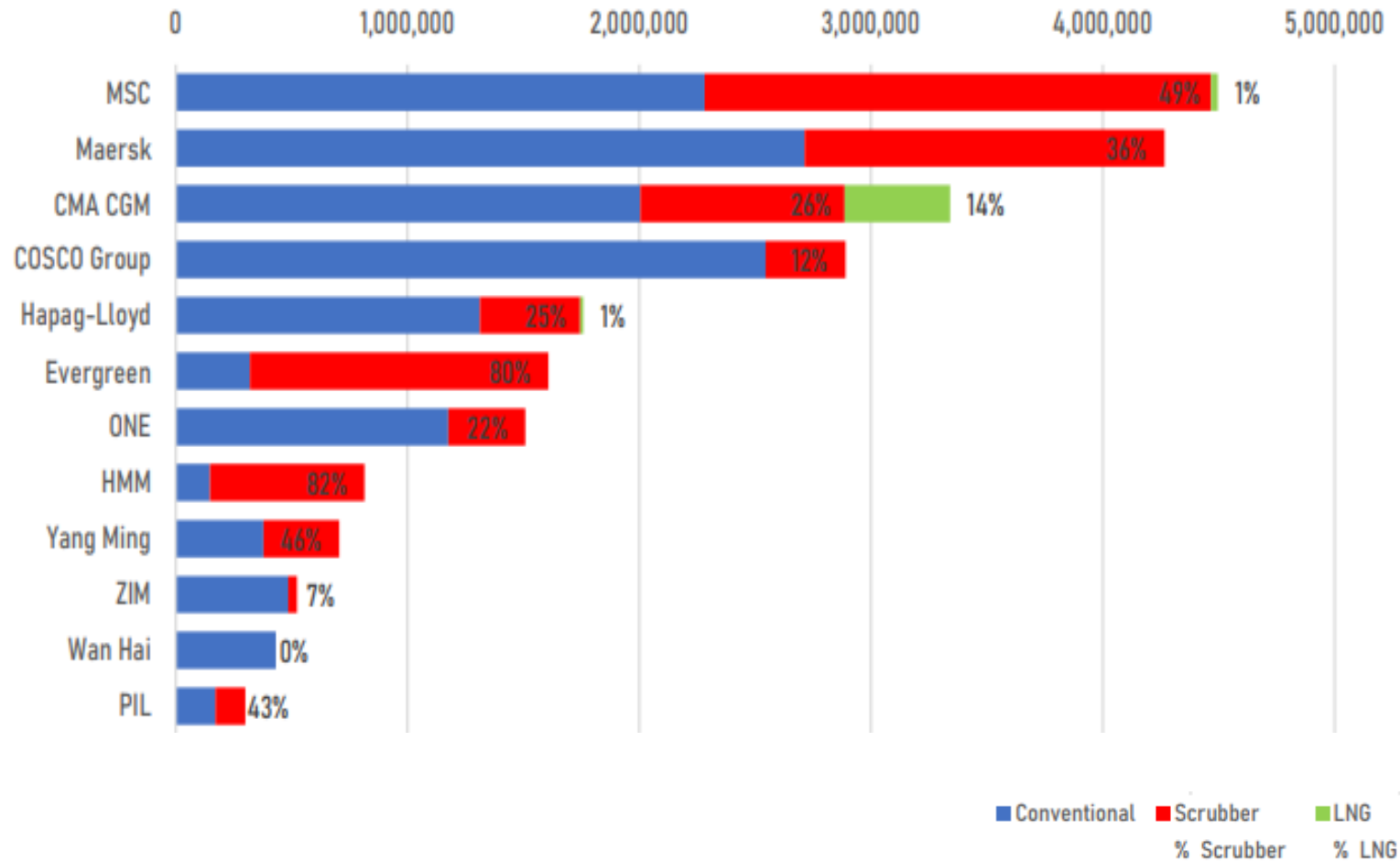
Increased scrapping is only expected in 2025 and 2026 when the total capacity of ships of over 20 years old with special surveys due rises to over 1m teu.

The full impact of the new IMO 2023 CII regulations will also kick in after 2025, which will further drive the scrapping of the older fleet.

Source: Linerlytica wk 43

Current propulsion system, LNG, scrubber and conventional

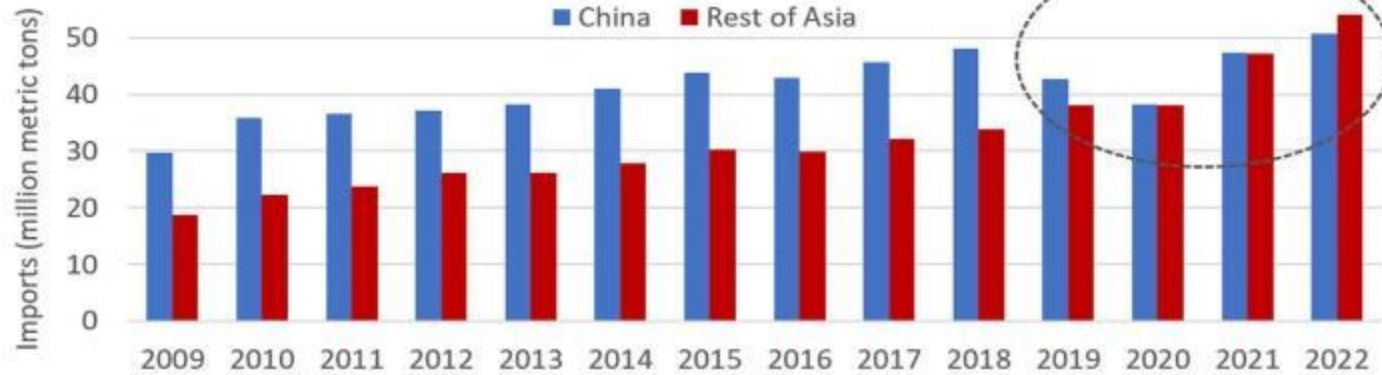
Fleet Breakdown by Fuel Type (capacity in TEU)



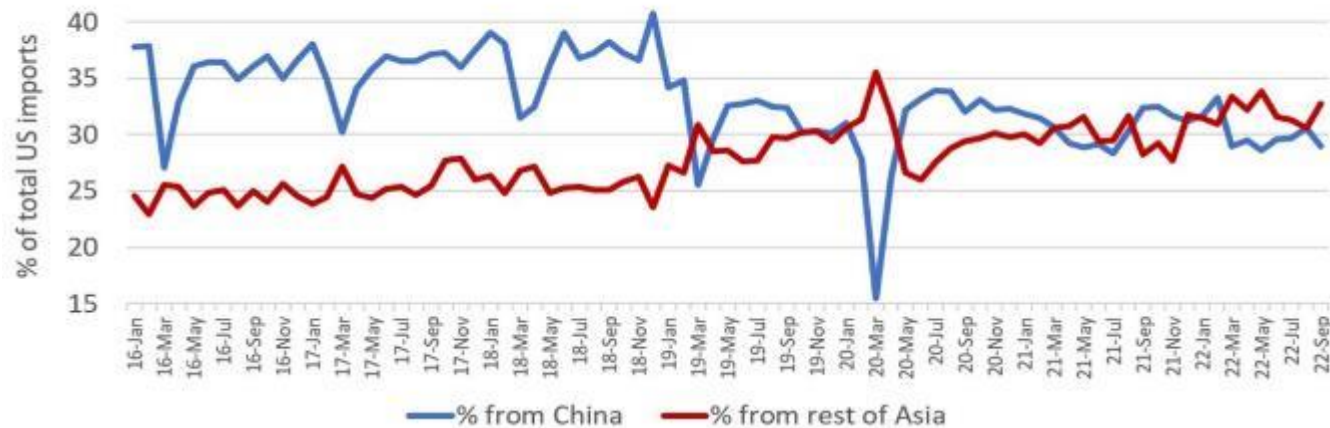
Source: Linerlytica

US imports from China falling faster than from other countries

US import volumes from China vs. rest of Asia
(first nine months of year)



Monthly US import share: China vs. rest of Asia

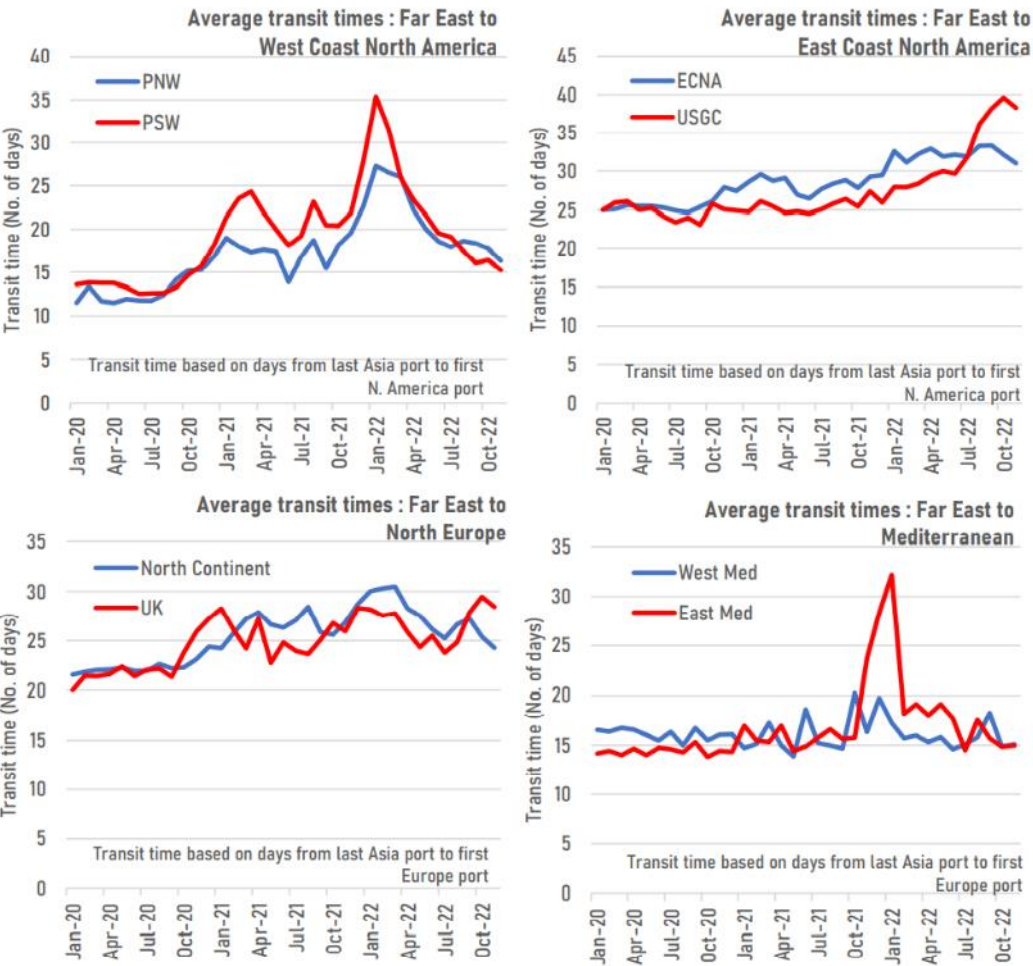


According to new data from Descartes, U.S. containerized imports in October were flat (up 0.2%) versus September. But imports from China fell 5.5% month on month, by 45,071 twenty-foot equivalent units. The decline from China was entirely offset by gains from Thailand, South Korea, Taiwan, Japan and other countries.

In September, Descartes data showed a 12% plunge in total U.S. imports versus August. Imports from China fell faster: by 18% or 83,396 TEUs.

Chinese volumes accounted for 40% of all U.S. imports in August, and an even higher share — 42% — February. Last month, its share of U.S. imports was down to 35%.

Transit times on the main east-west routes have continued to improve over the past week, except UK and US Gulf coast



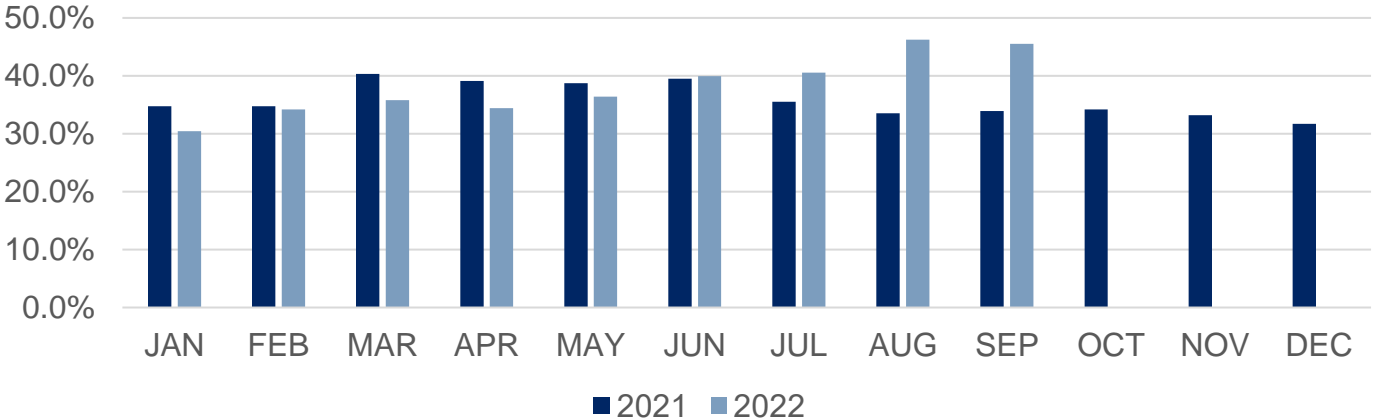
The transit time for **Pacific South West** hips were generally unchanged with Oakland still suffering from delays of over 5 days while the LA/LB transit time is now 15 days.. On the **Pacific North West**, Vancouver continue to see the longest delays, with most arrivals last week taking over 20 days to berth.

Transit times for **East Coast North America** arrivals improved slightly, with New York delays getting shorter. Savannah continues to see the longest delays but the vessel queue are starting to clear. On the US Gulf, Houston remains highly congested with little improvement recorded last week.

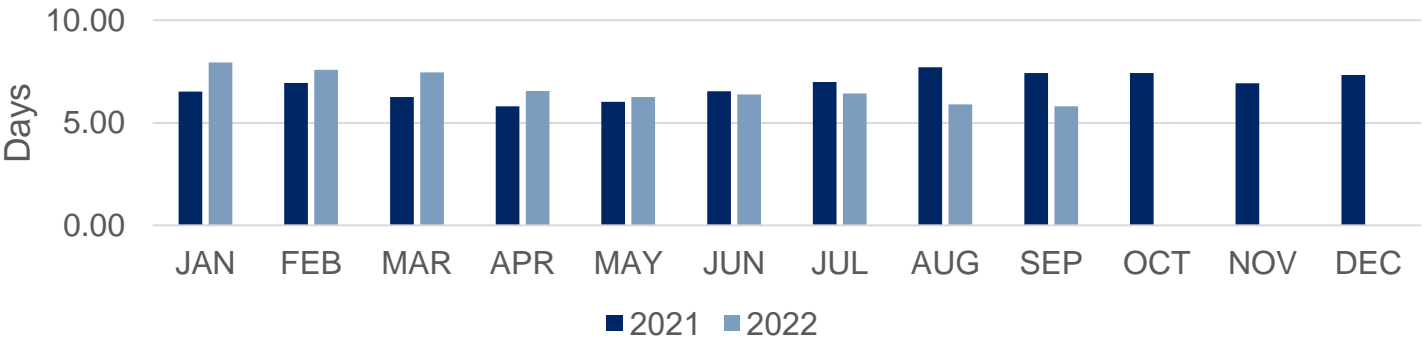
Mediterranean transit times continue to stabilize at pre-pandemic level. One reason for the improved transit time is because the liners have been blanking half of the supposed sailings every other week that alleviate any burden the Med ports may have faced if normal number of sailings had taken place

Global Liner performance on September 2022 – 45.5% on time

Carriers Schedule Reliability 2021 vs 2022



Average Delays 2021 vs 2022



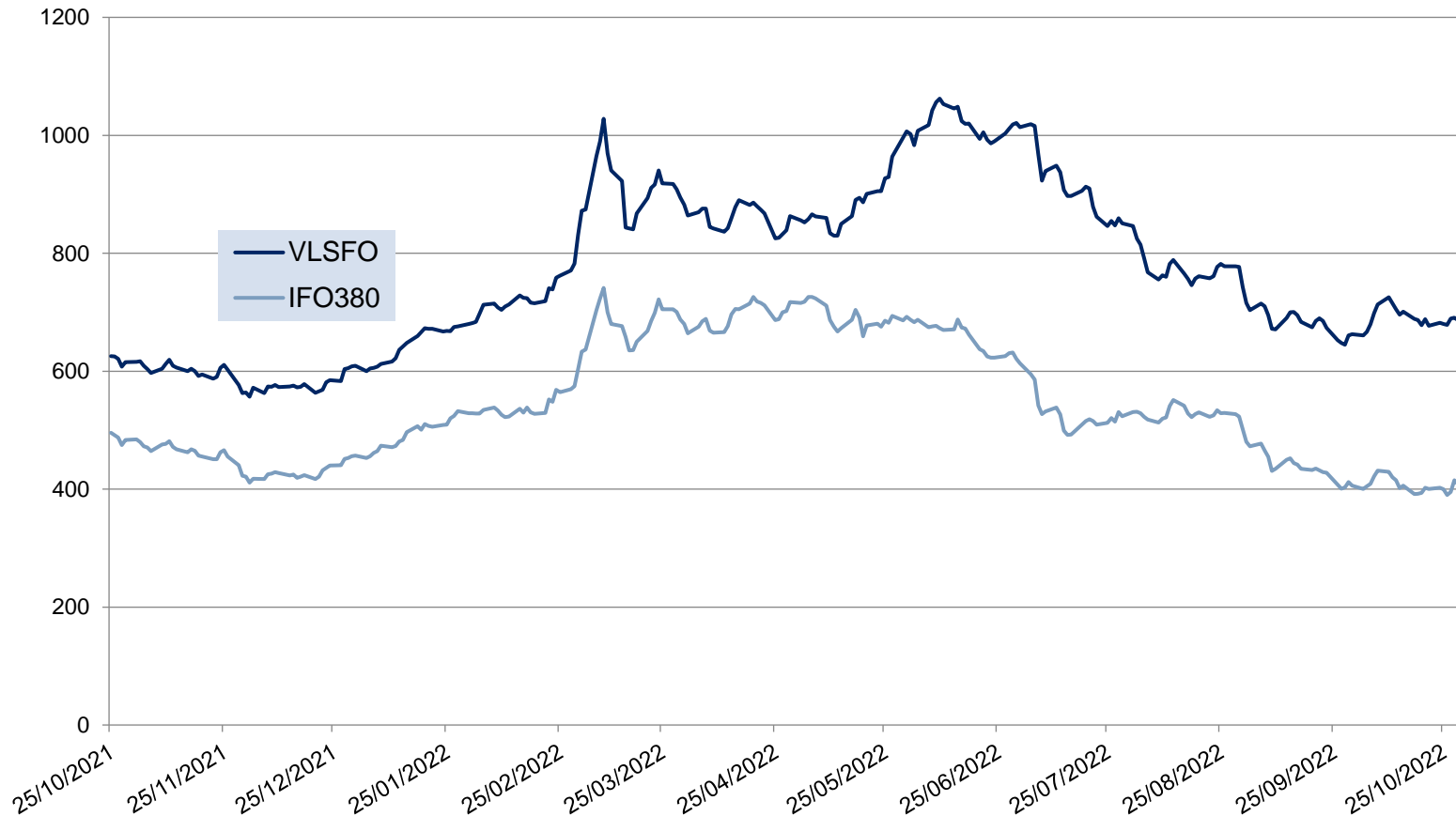
Vessel reliability per tradelane on September:

- Schedule reliability reversed its improving trend in September 2022 and declined M/M by -0.7 percentage points, reaching 45.5%. Despite the small decline, schedule reliability in September 2022 is still 11.5 percentage points higher than it was at this point in 2021.
- The average delay for LATE vessel arrivals has been dropping consistently since the turn of the year. In September 2022, average delay dropped by another -0.10 days M/M and reached 5.81 days. The September 2022 figure is now closer to 2020 than to the extraordinarily high delay of September 2021, with the improvement from the latter of -1.65 days



Bunker price development

Global 4 port average bunker levels seems to „stabilize“



Source: Ship&Bunker - LinerLytica

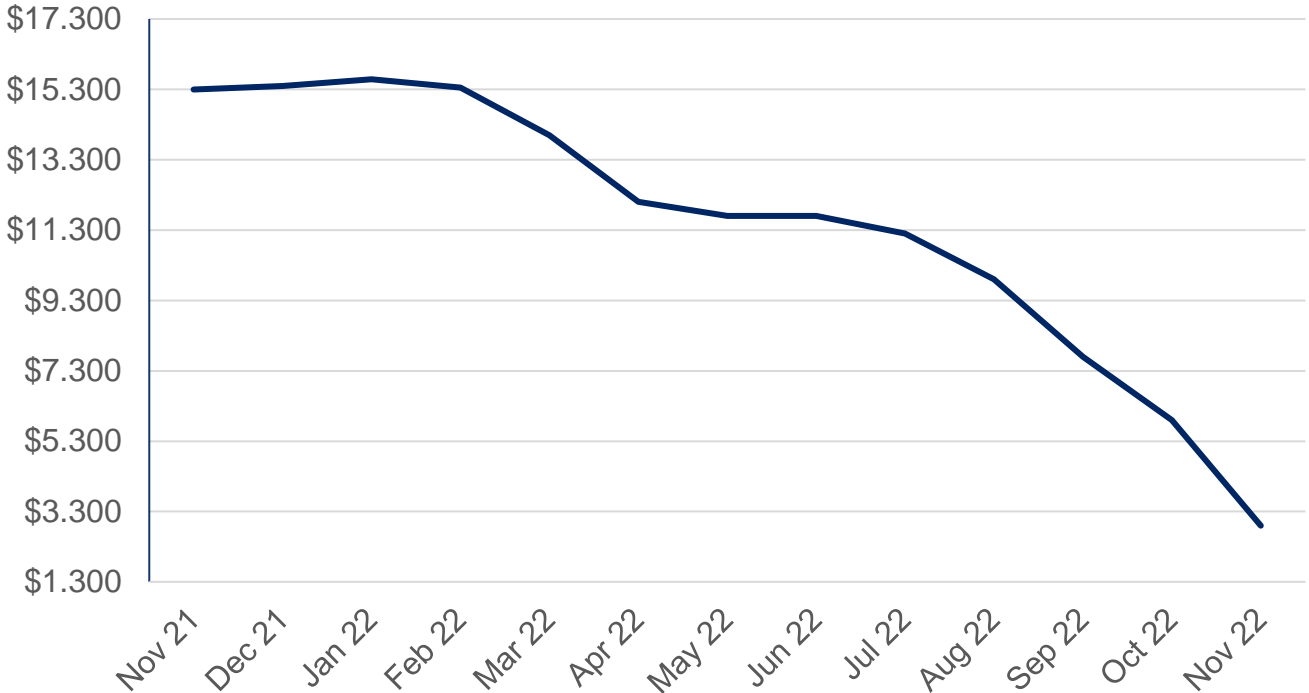
Comments:

- Looking ahead to Q1 2023, Goldman Sachs sees oil averaging \$115/bbl, which would translate to a bunker level of \$940+/mt
- If oil increases we can also experience a much higher VLSFO premium to normal barrel of oil and we can return to bunker rates over \$1,000+ mt as we already experienced during 2022

Ocean Freight Asia - Europe

Largest relative decline during 2022 in the past weeks

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



Source: SCFI Week 45-2022

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

Carriers are activating blank sailing programmes and this affects service performance (not being measure on the vessel reliability)

SCFI Levels Week 45-2022:

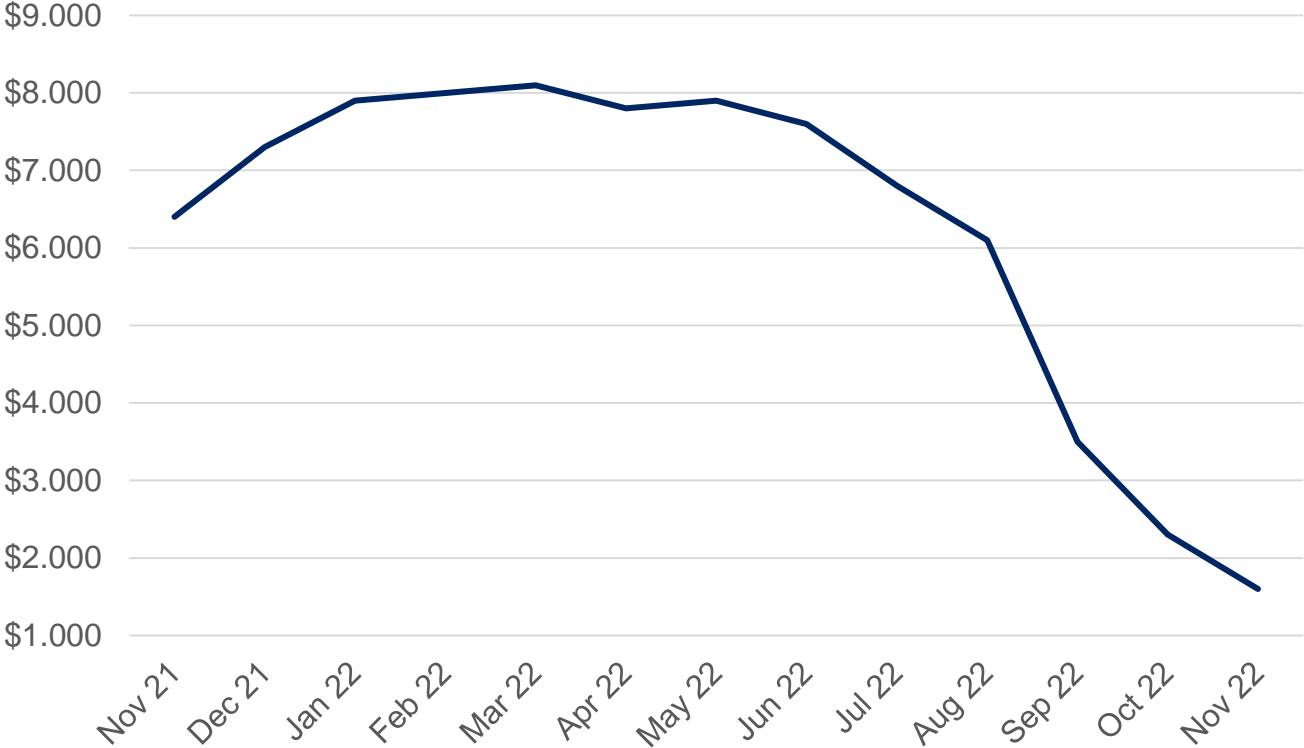
- Shanghai – North Europe: USD 2,956/ FEU
- Shanghai – Mediterranean: USD 4,122/ FEU
- Rates are still 96%/100% than before COVID levels.
- Despite the continued rapid decline it would still be wrong to call this a collapse in the freight rates
- Slight signs exist that congestion situation in North Europe eases

Ocean Freight Asia - North America

Shipping lines are starting to reduce capacity and services

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



Source: SCFI Week 45 2022

The market seems to be slowing further and we are seeing some slack to the USWC

SCFI Levels Week 45-2022:

- Shanghai – US West Coast: USD 1,632/ FEU
- Shanghai – US East Coast: USD 4,223/ FEU

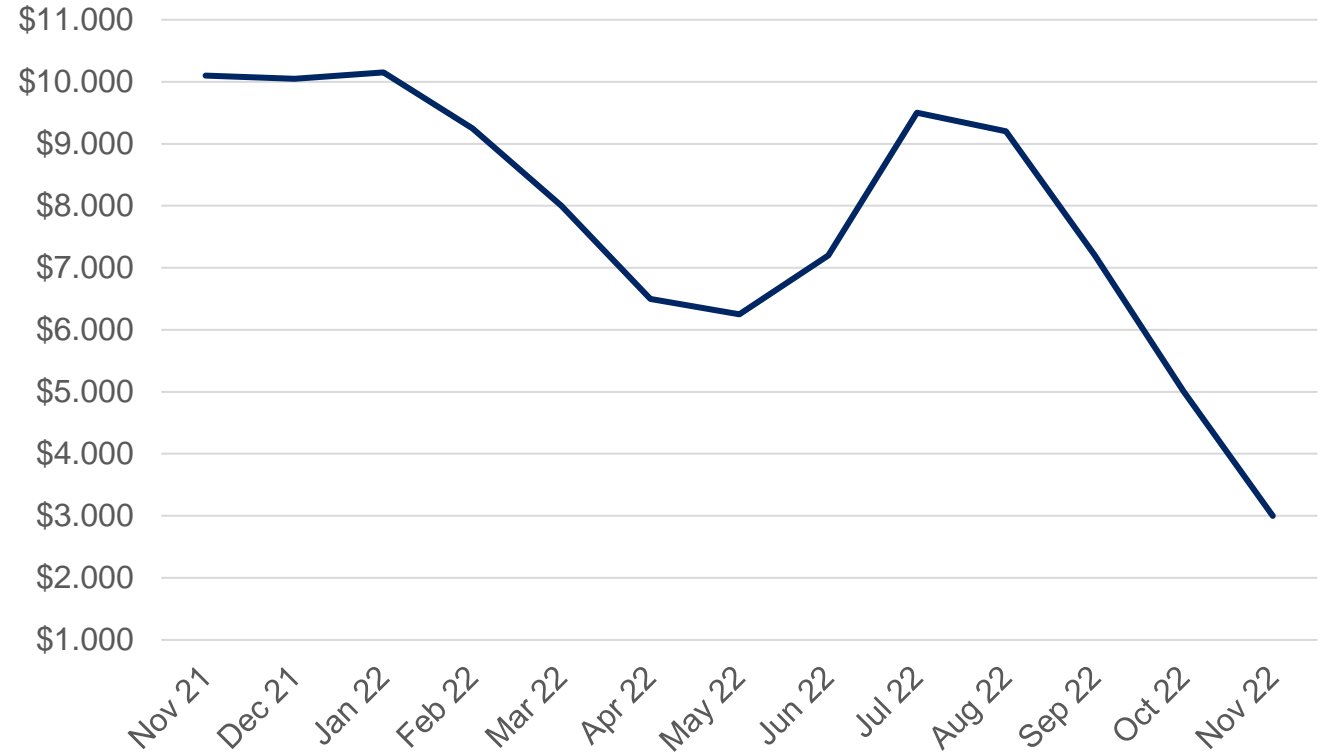
- Lines continue to report lower utilized vessels.
- Space is available to all of North America, USWC being the most open.
- Lines have now started to pull capacity with 2M removing a west coast string and other lines suspending low utilized services.
- There is excess capacity in the market currently and we forecast it to last through December and maybe up through Chinese New Year in January.



Ocean Freight Asia – South America (East Coast)

Rate erosion on both West Coast and East coast

SCFI to Santos Brazil (US\$/20ft)



Source: SCFI Week 45-2022

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

SCFI Levels Week 45-2022:

- Shanghai – Santos: USD 2,944/ TEU

Open space with different carriers adding new rotations to trade.

WCSA: SUPPLY is higher than DEMAND, ocean rates are on a down-trend.

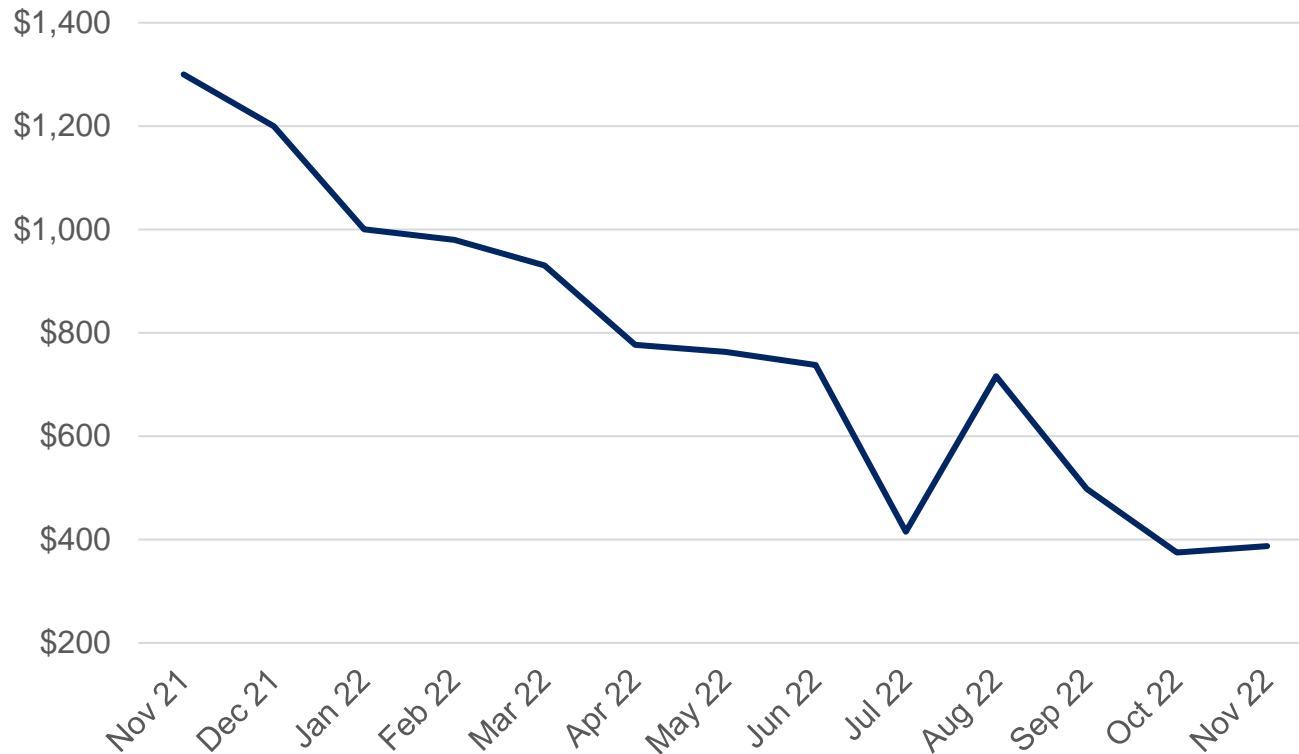
2023 CNY (end of January) to add additional pressure on the demand side during Q4 2022.



Ocean Freight Europe – Asia

Pressure on rates while there are heavy issues in ports

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



Source: Freightos Baltic Week 45-2022

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 40-2022:

- Europe to ASIA : USD 387/ FEU

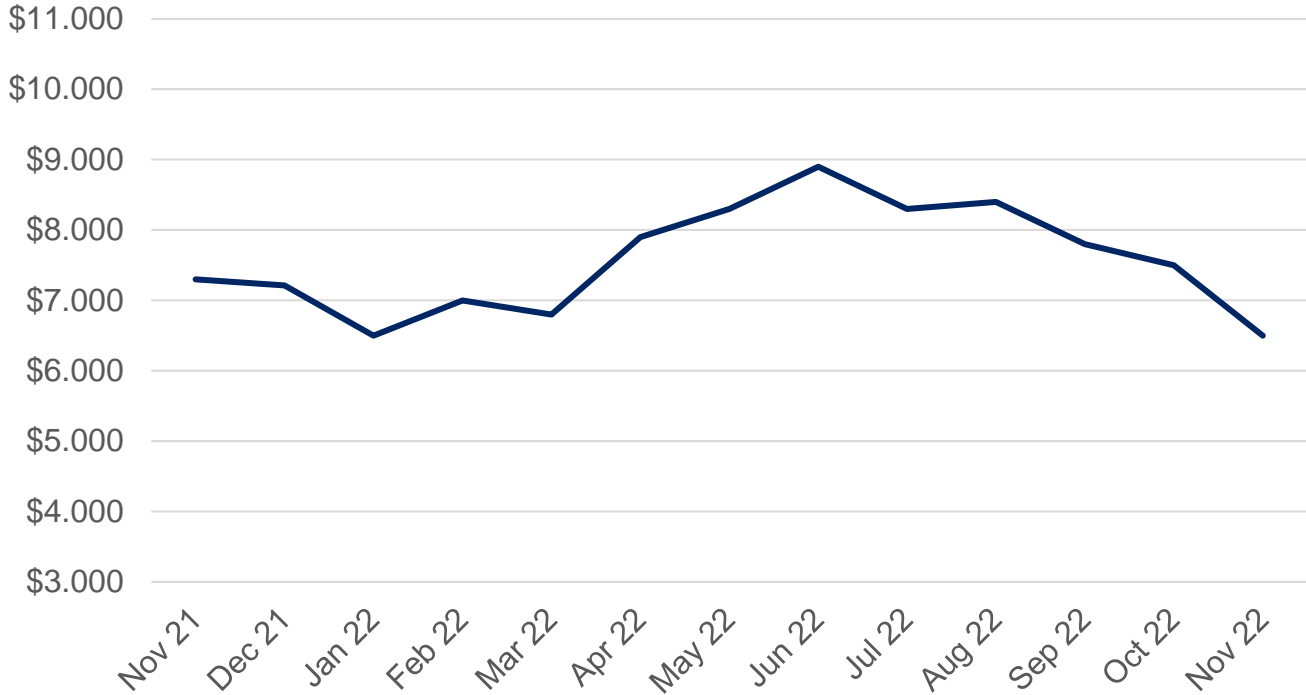
Ongoing softening in the spot market

- Space available on the majority of loops
- Ongoing operational challenges due to port congestion, and blank sailing problems
- Recent strike actions as well as critical water levels on Rhine river have created further pressure
- Post-Golden Week blank sailings will create further operational obstacles

Ocean Freight Europe – North America

Congestion in both North American and European ports affects service

Freightos FBX 22 Europe North America (US\$/40ft)



Source: Freightos Baltic W45-2022

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 45-2022:

- Rotterdam – New York: USD 6,598/ FEU

Bookings need to be placed 6-8 Weeks in advance

- Q4 onwards we expect carriers to adjust tariff costs for inland moves and remain reluctant to offer door deliveries. Fuel prices are expected to stay high on inlands as well as ocean freight.
- For rest of 2022 we expect market to be slightly more competitive.
- 2023 unpredictable but North Atlantic weather conditions may negatively influence schedule reliability and port congestion.



High-level Summary

Intra-Asia

Demand



- China export is decreasing heavily, leading to a lower factory output than expected.
- SEA countries export is starting to decrease as well which are leading to open space across all strings and services. Despite the shift of production from China to SEA, is the demand looking weaker and weaker.



- The market slows down and lead to price sloping downwards
- The long term rate level remains to be quoted higher than the short term rates.
- LSS is starting to drop why heavily decreases for the carriers mechanism is to be expected in Q4.
- Raw material prices start to drop heavily which implies the effect of and increasing interest rent is calming down the inflation spikes.







Supply



- Capacity reverts to the IA trade as the feeder space is getting less demand from the TP & FEWB movements.
- Continuous or last minute blank sailings lead to schedule reliability low as the carriers are controlling the supply to stabilize the price fluctuations.
- There is no equipment shortage to report hence a overstock of containers in PH & JP is still causing imbalance surcharges to be imposed at these destinations.



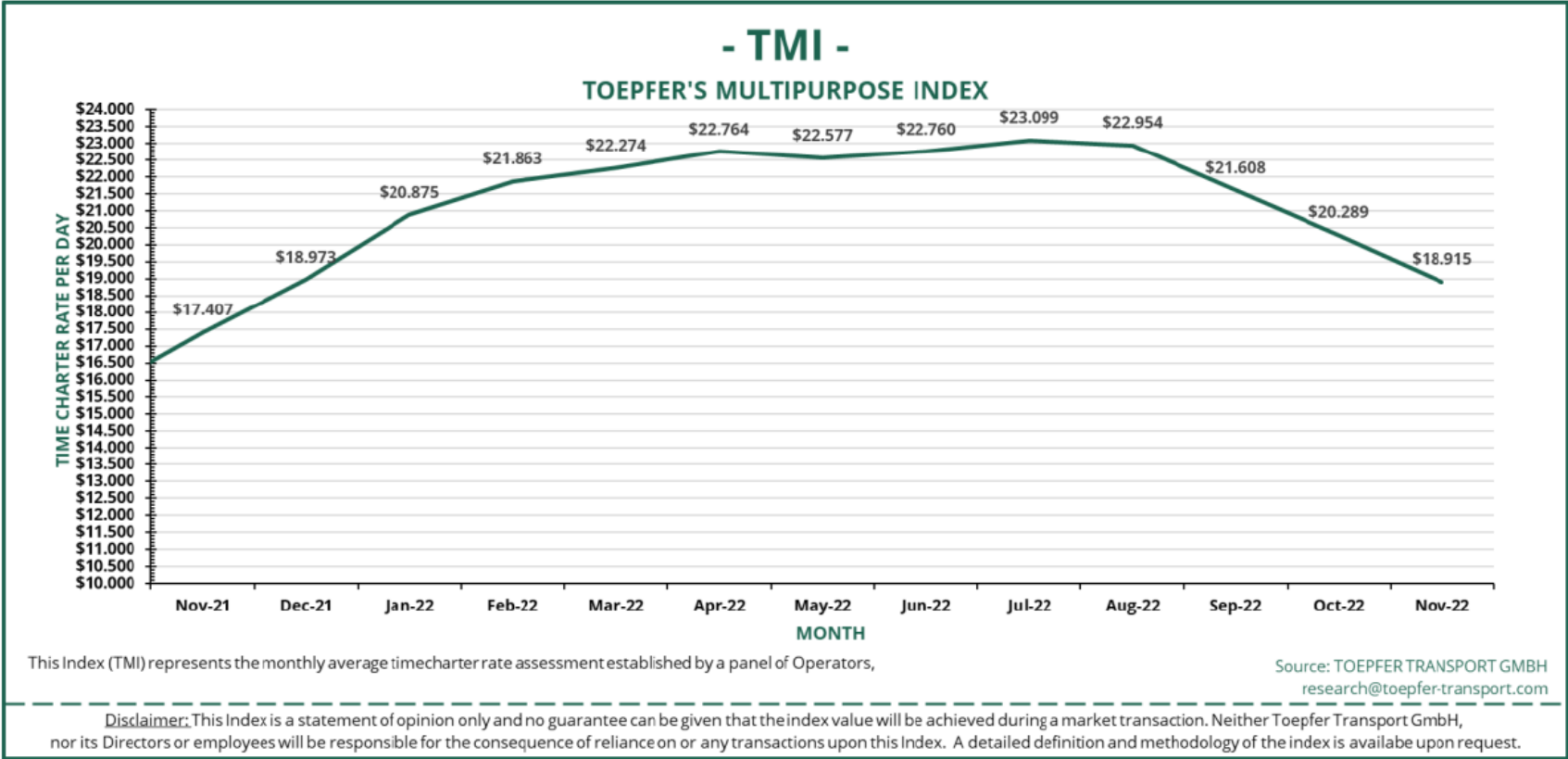
Ocean freight market overview – Large rate reductions from Asia

TRADE LANE	COMMENTS	RATES AND SPACE	
ASIA to Europe	<ul style="list-style-type: none"> • Peak season volumes not performing • Space is open from China and there is equipment available • Congestion is easing at the terminals however UK is difficult 	↓	
ASIA to NAM	<ul style="list-style-type: none"> • Market is open, large rate reduction to the West Coast • Equipment is available • Problems of congestion in USA, specially in East Coast 	↓	
Europe to NAM	<ul style="list-style-type: none"> • Congestion in both North American and European ports affects service • Vessel are full and less capacity available • It seems rates will remain strong for the rest of the year 	→	
Exports from India	<ul style="list-style-type: none"> • Space is open • Shipping lines are opening long term contract rates to negotiate • Ports, terminals and ICD continue to work normally 	↓	
ASIA to LATAM	<ul style="list-style-type: none"> • Booking needs to be placed one month in advance • ASIA to LATAM due to longer transit times needs to offset with higher rates • Rates are stable 	↓	
INTRA ASIA	<ul style="list-style-type: none"> • Port congestion improving in some south Asian ports • New bunker level. Australian ports are still congested but improving • Overstock of container equipment 	↓	

Project cargo update



Market Outlook - Toepfer November 2022



The MPP market freight rates are decreasing, which we estimate will continue to decrease until end of this year.

The latest IMO EEXI regulations, which will be compulsory from the 1st of January 2023 could result in a increase of the market. Heavy Lift Vessels are for time being excluded, but larger MPP vessels with less crane capacity will be affected.

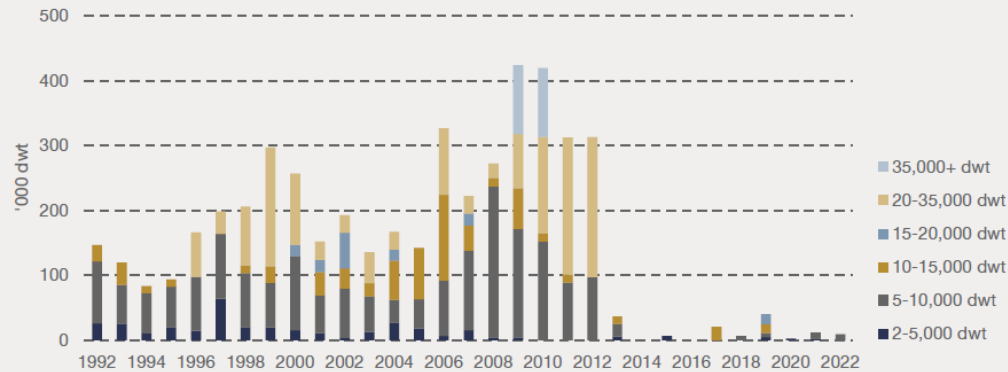
The wind market will be a drop in the activities in 2023, before the next boom will start in 2024 and continue throughout to 2030.



Market Outlook – Multi Porpouse Fleet development

Drewry November 2022

Figure 3.5 Multipurpose vessel (geared) fleet age profile, 1 Jun 2022



Source: Drewry Maritime Research

Table 3.4 Orderbook schedule as of 1 Sept 2022

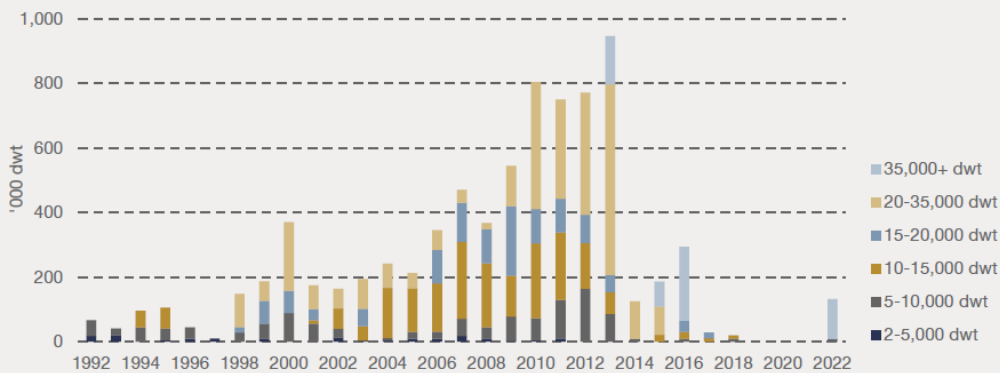
	2022		2023		2024+		Grand total		% of Fleet
	No.	000 Dwt	No.	000 Dwt	No.	000 Dwt	No.	000 Dwt	
Multipurpose (no gear & geared)									
2-5000 dwt	4	15	9	35	8	32	21	82	2.2%
5-10000 dwt	13	90	14	96	21	133	48	319	4.6%
10-15000 dwt	1	13	1	13	2	25	4	50	2.8%
15-20000 dwt									0.0%
20-35000 dwt	0	0	0	0	0	0	0	0	0.0%
35000+dwt	0	0	0	0	0	0	0	0	0.0%
Grand Total	18	118	24	144	31	189	73	451	2.9%
Project carrier & HeavyLift									
2-5000 dwt									0.0%
5-10000 dwt	1	8	1	8	0	0	2	17	0.9%
10-15000 dwt	4	50	21	260	11	146	36	456	12.2%
15-20000 dwt									0.0%
20-35000 dwt	0	0	0	0	6	192	6	192	3.8%
35000+dwt	0	0	0	0	0	0	0	0	0.0%
Grand Total	5	58	24	304	17	338	46	701	4.8%
Orderbook total	23	176	48	448	48	528	119	1,162	3.8%

Source: Drewry Maritime Research

Most of the new heavy lift capable ships have been designed with future environmental controls in mind. For example, UHL's F-900 'eco-lifter' vessels have been built with the reported aim to control emissions and achieve decarbonisation goals for both the carrier and its clients.

Meanwhile, AAL, BBC Chartering and dship Carriers have all reported adding to their fleets as concerns about ageing tonnage carrying expensive project cargo coupled with the latest IMO EEXI regulations, appear to have encouraged owners to spend some of the money earned over the last 12 months.

Figure 3.6 Project carrier & HeavyLift vessel fleet age profile, 1 Jun 2022



Source: Drewry Maritime Research






Age profile*

Age group	2-5 kdwt	5-10 kdwt	10-15 kdwt	15-20 kdwt	20-35 kdwt	35+ kdwt	Total
< 5yrs	1.9%	8.1%	8.6%	2.2%	1.8%	42.6%	6.9%
5-10yrs	2.0%	4.5%	11.0%	15.9%	31.9%	42.5%	14.9%
10-15yrs	12.7%	28.3%	42.8%	49.5%	39.9%	15.0%	33.2%
15-20yrs	15.4%	19.1%	26.2%	13.0%	10.2%	0.0%	16.2%
20-25yrs	19.7%	16.7%	3.3%	12.7%	13.9%	0.0%	12.8%
25+yrs	48.4%	23.4%	8.3%	6.7%	2.4%	0.0%	16.0%

*as on end-October 2022

Source: Drewry Maritime Research

Global Chartering

TRADE LANE	COMMENTS	PRICE 2022
Asia - NCE	<ul style="list-style-type: none">The market continue to decrease.	
Shortsea – (Europe)	<ul style="list-style-type: none">Market seems stable and some end of year contracts/volumes need to be fulfilled before the New Year.	
Asia - VAME	<ul style="list-style-type: none">Especially the wind market has decreased in 2022 and expect also to continue decreasing in 2023.	
Asia – LATAM	<ul style="list-style-type: none">A fair amount of activity but on the bigger trade lanes there's competition between the main carriers to book, but on the more exotic destinations rates are still fairly high.	
Intra Asia	<ul style="list-style-type: none">The intra Asia market is similar like the deepsea market which continue to drop.	

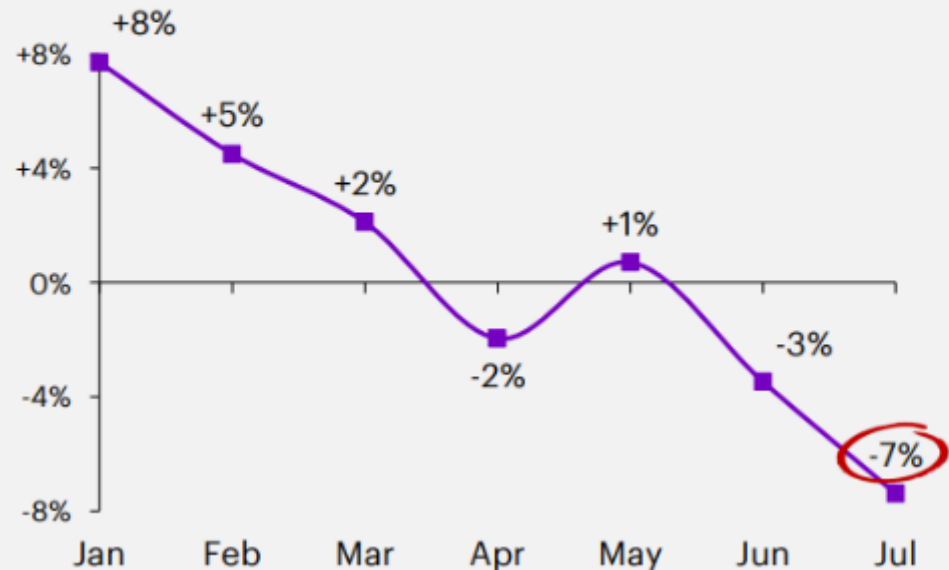
“We are seeing the Asian and especially the Chinese shipowners being very aggressive on the rates, whereby the Europeans are still trying to offer close to the rates level, where they were earning 6 months ago.” Sune Thorleifsson

Airfreight update

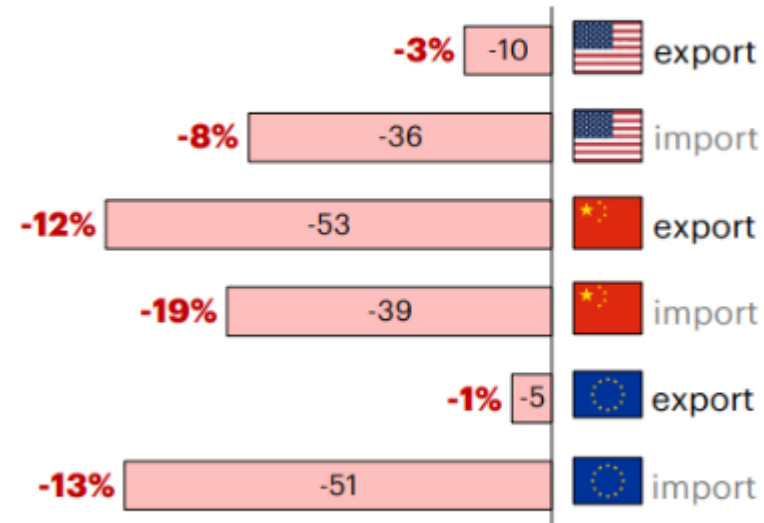
DSV

Year-over-year air trade growth figures have declined throughout 2022, with latest figures of -7% (vs 2021) in July

Year-over-year air trade growth, 2022
% (vs. 2021)



Latest growth of air trade, July 2022
Growth vs 2021 (%), thousand tonnes change

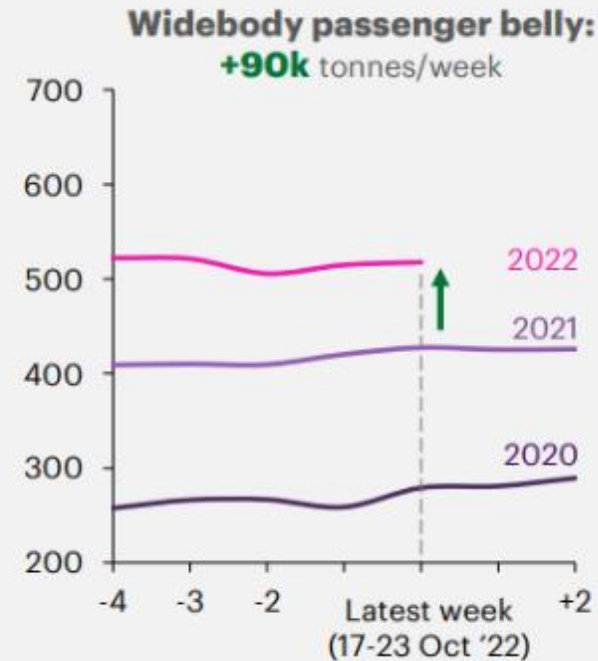
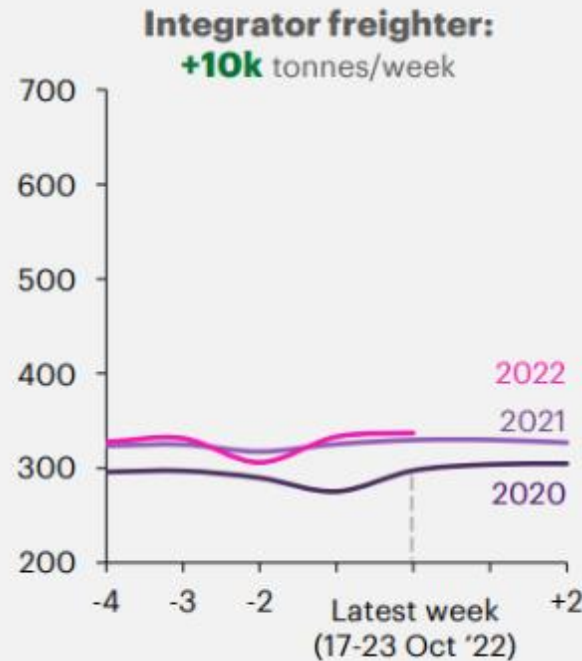
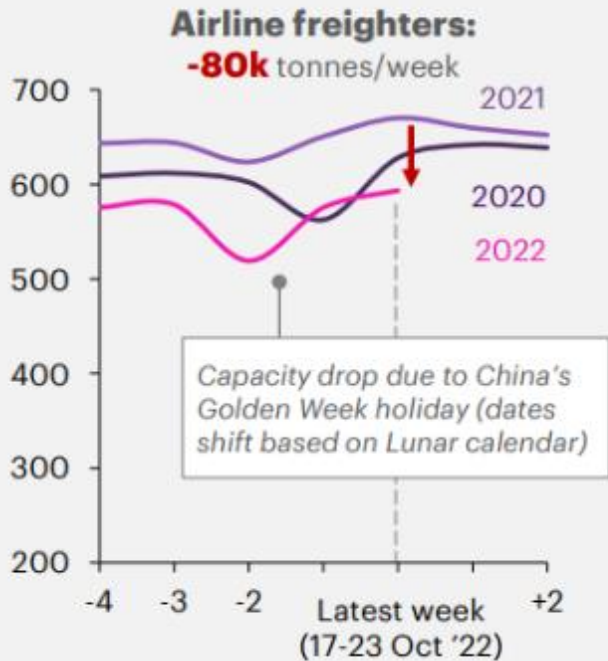


All air cargo flows to/from major air trade countries show year-over-year declines

As the air cargo industry enters the Q4 peak, airline freighter capacity is slightly lower than in previous years

International air cargo capacity by type, 2022 vs 2021 vs 2020

Thousand tonnes per week



Overall capacity is more than compensated by strong widebody passenger belly capacity this year

Most major trade lanes registered year-over-year declines in July 2022, contributing to flat year-to-date air trade growth

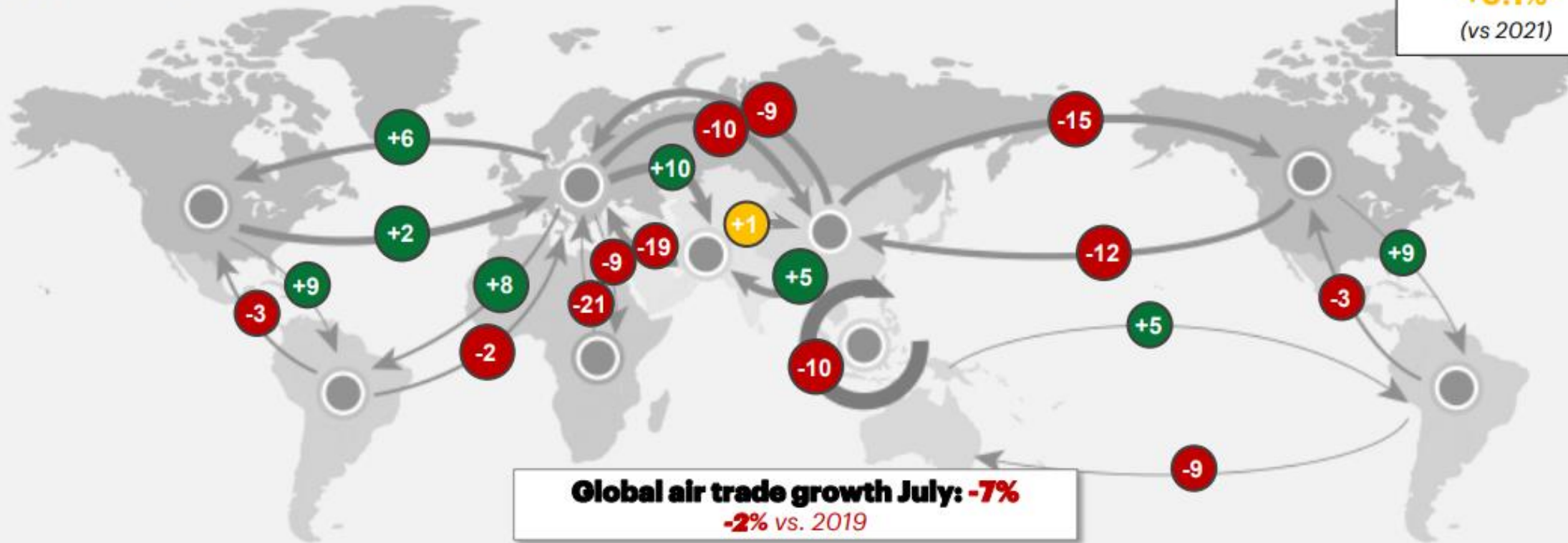
Air trade growth, July 2022 vs. July 2021

YoY growth¹ (%)

2022 YTD²

+0.1%

(vs 2021)



Global air cargo capacity is still down -4% on pre-COVID levels, despite continuing recovery of belly capacity

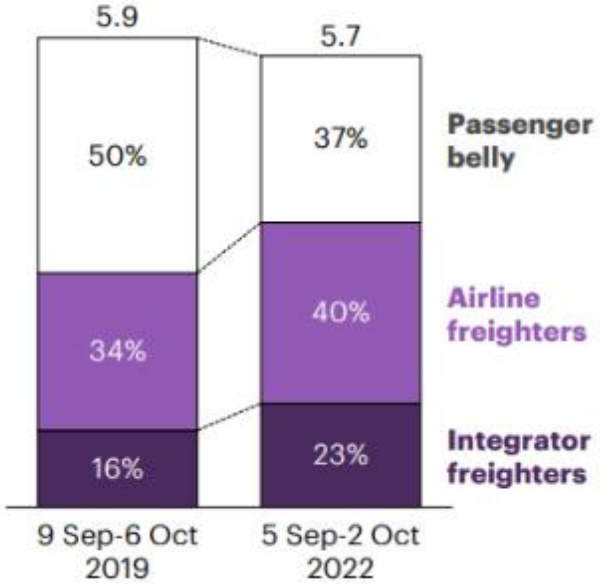
International air cargo capacity, Jan 2020 – September 2022

Thousand tonnes per week



Capacity by aircraft type

Million tonnes

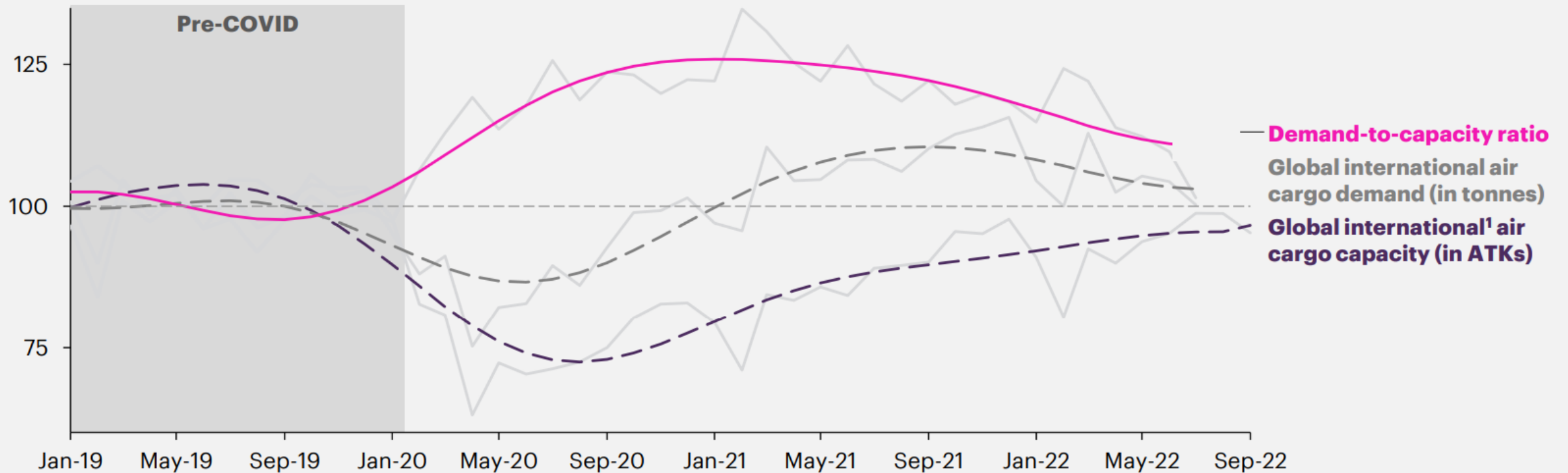


Airline and integrator freighter air cargo capacity has been almost flat in the last quarter

Stagnating air trade demand and recovering capacity mean the pressure on the air cargo market has eased slightly

Air cargo demand and supply development, 2019-2022

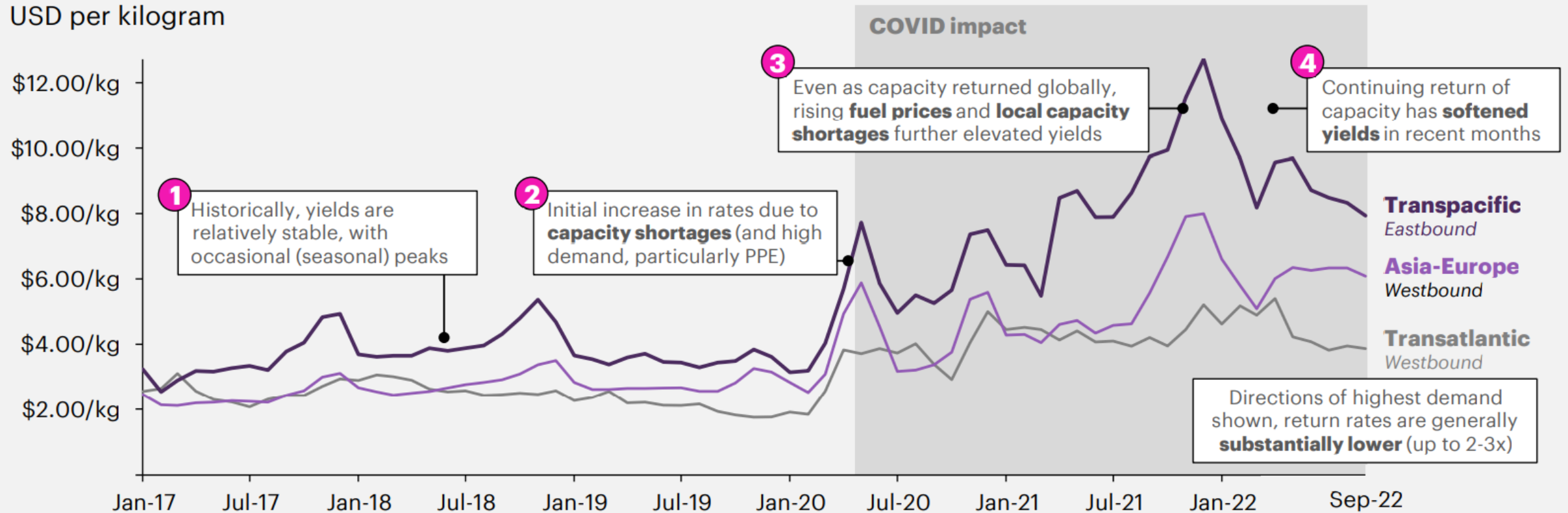
Index (2019 average = 100)



Reduced pressure on the air cargo market has resulted in the first signs of yields easing

Monthly average yields by trade lane, Jan 2017 - Sep 2022

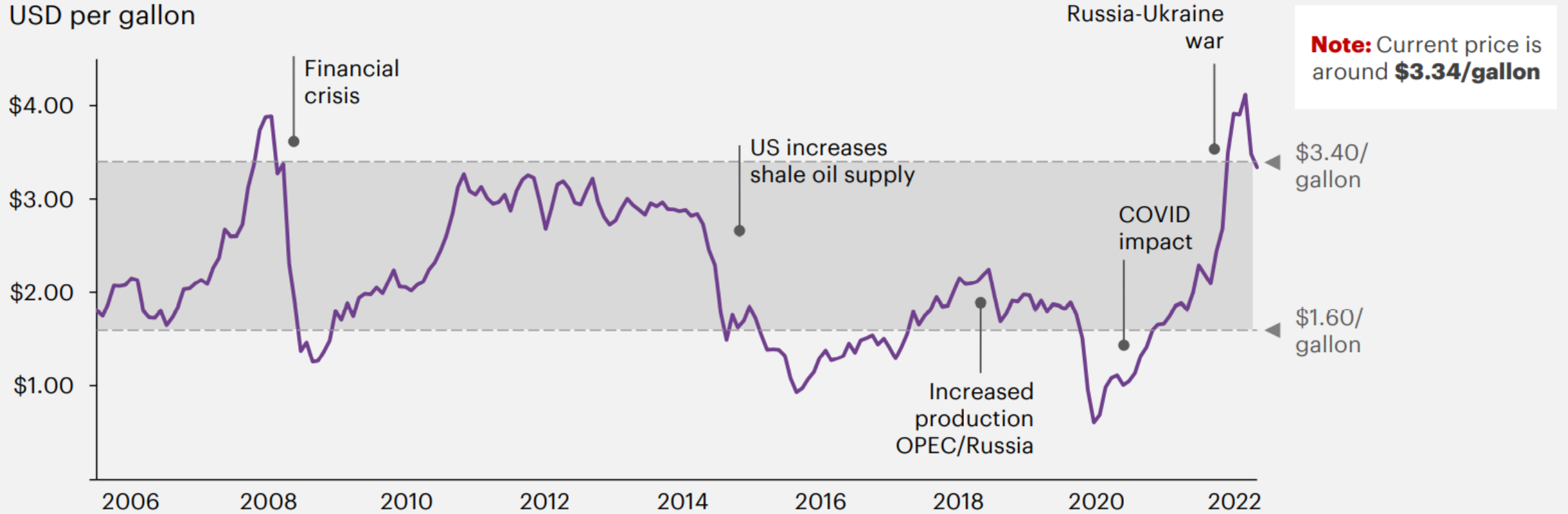
USD per kilogram



Yields in part remain elevated due to high global aviation fuel prices, which are still near record levels

Global aviation fuel price development, 2006-2022

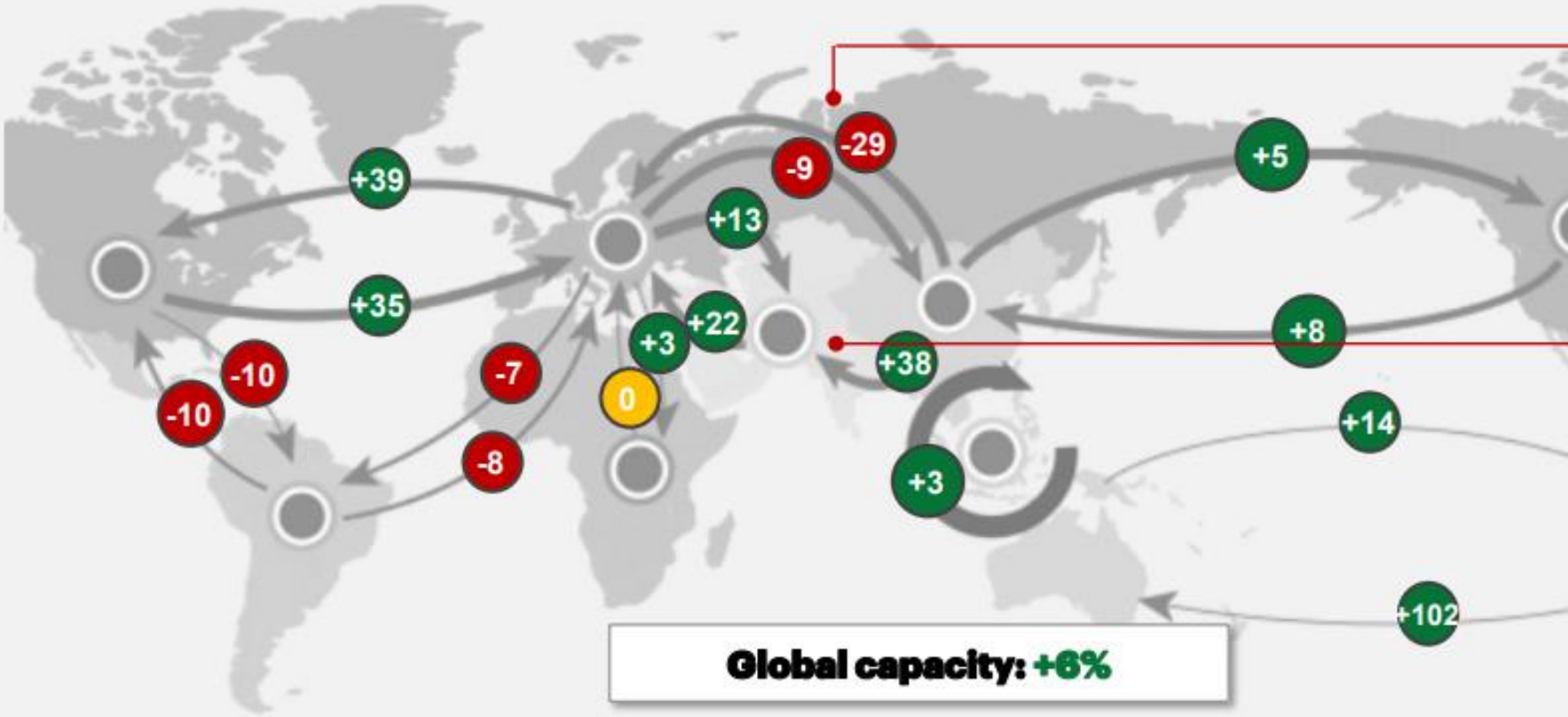
USD per gallon



In response to airspace closures, several freighter operators have opted to serve Europe-Asia via the Middle East

Impact of the Ukraine-Russia war on international air cargo capacity

% growth, week of 26 Sep-2 Oct vs week of Feb 14-20, 2022



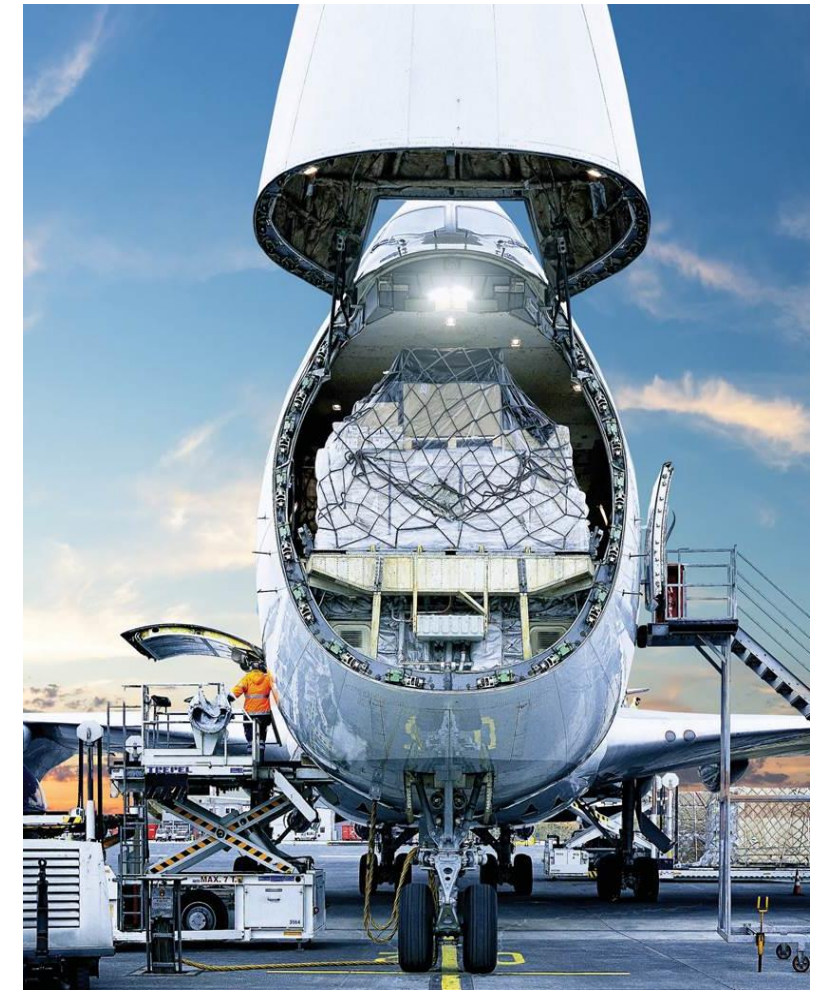
- **Direct air cargo** capacity between Europe and Asia has fallen -9% to -29% since the week before the onset of the Russia/Ukraine war
- Capacity between Europe and Asia via the Middle East has increased as carriers reroute freighters

Air Freight

Asia Pacific Overview





As per week 45 status, which is evolving and depends on latest updates

Capacity Outlook	Origin	Origin airport
Tight Space	Malaysia	PEN, KUL
	Sri Lanka	CMB
	Australia	MEL, PER, BNE
	New Zealand	AKL
Backlog	Singapore	SIN



Air freight market overview

Holiday sales starts and we start to see volume increasing and demands

TRADE LANE	COMMENTS	RATES AND SPACE	
Exports from China / Hong Kong	<ul style="list-style-type: none"> E-commerce demand is going up and factory production shows a bit set back from a traditional peak. 	→	
South East Asia	<ul style="list-style-type: none"> Cargo demand is increasing specially out of Singapore. The market continues to see 1-2 days of additional transit time in regards to the Shenzhen-Hong Kong border situation 	→	
Exports from India/Bangladesh	<ul style="list-style-type: none"> This has led to carriers passing on rate deductions for many key lanes Capacity is waiting to recover 	→	
Export from Europe	<ul style="list-style-type: none"> Demand is expected to pick up towards the end of September.. Ground handling operations in major European hubs have improved compared to July. Many airlines are expected to cut capacity for their winter schedules, which could cause further capacity constraints and push rates up in the upcoming months. Jet fuel prices continue to slowly decrease. 	↓	
Exports from NAM	<ul style="list-style-type: none"> US airports are running at a normal pace. Capacity is opening up further, especially into Europe, where most carriers have increased the number of passenger flights for their summer schedules. 	↓	