

DSV Air & Sea

Market update August 2022

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China's Manufacturing Sector Unexpectedly Contracts Amid Weak Demand due to Covid Lockdowns

Chinese manufacturing activity unexpectedly contracted in July, official surveys showed on Sunday, as Beijing's stringent Covid-19 restrictions and weak demand undercut hopes for a more robust economic revival, underscoring how far the country remains from any semblance of post-pandemic normalcy.

The official manufacturing purchasing managers index pulled back to 49.0 in July from 50.2 in June, China's National Bureau of Statistics said Sunday. The result pointed to a surprise contraction in economic activity, dropping below the 50 line that separates expansion from contraction and falling short of the median forecast of 50.3 among economists.

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Latest restrictions re COVID-19

APAC

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Note: The following updates are based on various online sources and subject to changes

Australia

- From July 6, AU lifted all Covid-19 border restrictions for travelers, all visa holder can travel AU without a travel exemption.
- Unvaccinated Australian citizens & permanent residents can leave AU without an individual travel exemption.

New Zealand

- Restrictions were lifted on Aug 7. Quarantine is not required for vaccinated travelers - only two covid tests after arriving are required.
- Travelers from all over the world are allowed into NZ, including maritime arrivals, visa or non-visa.

Mainland China

- Chinese gov will keep easing bans for international flight, If covid cases are not exceeding number threshold in Aug.
- Travelers are only required to do quarantine for 7 days at gov designated facility and home isolation for 3 days.

Hong Kong

- From Aug 12 travelers will be required to do hotel quarantine for 3 days plus 4 days under medical surveillance.
- HK halted Covid flight suspension mechanism, airlines temporarily banned under the measure are allowed to fly to HK from July 7.

Taiwan

- Taiwan plans to lift quarantine, but currently it still needs 3 days of quarantine plus 4 days of "self-initiated epidemic prevention".
- From July 25, Taiwan allows entry of short-term visitors such as foreign students and international exchange.

Japan

- All travelers entering JP have to submit a certificate of negative test result conducted within 72 hours prior to departing from the country/region where travelers stay when entering Japan.

Korea

- From July 25, all travelers are required to undergo a PCR test within 24 hrs of entry and quarantine until a negative result is issued.

Singapore

- Fully vaccinated travelers are allowed to enter Singapore. No entry approvals, pre-departure tests, on-arrival tests and quarantine required.
- From Aug 10, SG loosened social distancing rules and measures.

Malaysia

- Starting from Aug 1, 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.

Vietnam

- Vietnamese gov already lifted the requirement for quarantine for all incoming travelers.
- E-visa for a stay of up to 30 days is available to citizens from 80 countries

Cambodia

- Travelers are no longer required to take a COVID-19 test.
- Fully vaccinated tourists now only need a vaccine certificate to enter the country.
- The quarantine rule in KH has been lifted for all travelers, including those unvaccinated.

Thailand

- 'Thailand Pass' registration scheme to be lifted from 1 July 2022.
- Travelers will only need to show proof of either a certificate of vaccination or a negative RT-PCR or professional ATK test result within 72 hours of travel.

Myanmar

- Myanmar is reopened to international tourists who are fully vaccinated. eVisas and a negative PCR test must be issued 48 hours before arrival.
- Travelers must present a health declaration form, covid test result, medical insurance at airport.

Philippines

- PH's covid cases are increasing in Aug and classified to moderate risk, so the restrictions will not be eased for unvaccinated travelers.
- The negative PCR test is not required now for fully vaccinated Filipinos and foreigners upon arrival at PH.

Indonesia

- From July 6, 2021, ID gov required all exempted international travelers to present COVID-19 Vaccination Record upon check-in and arrival
- Individuals with no symptoms are no require to carry-out re-exam for RT-PCR test upon arrival.



Port congestion

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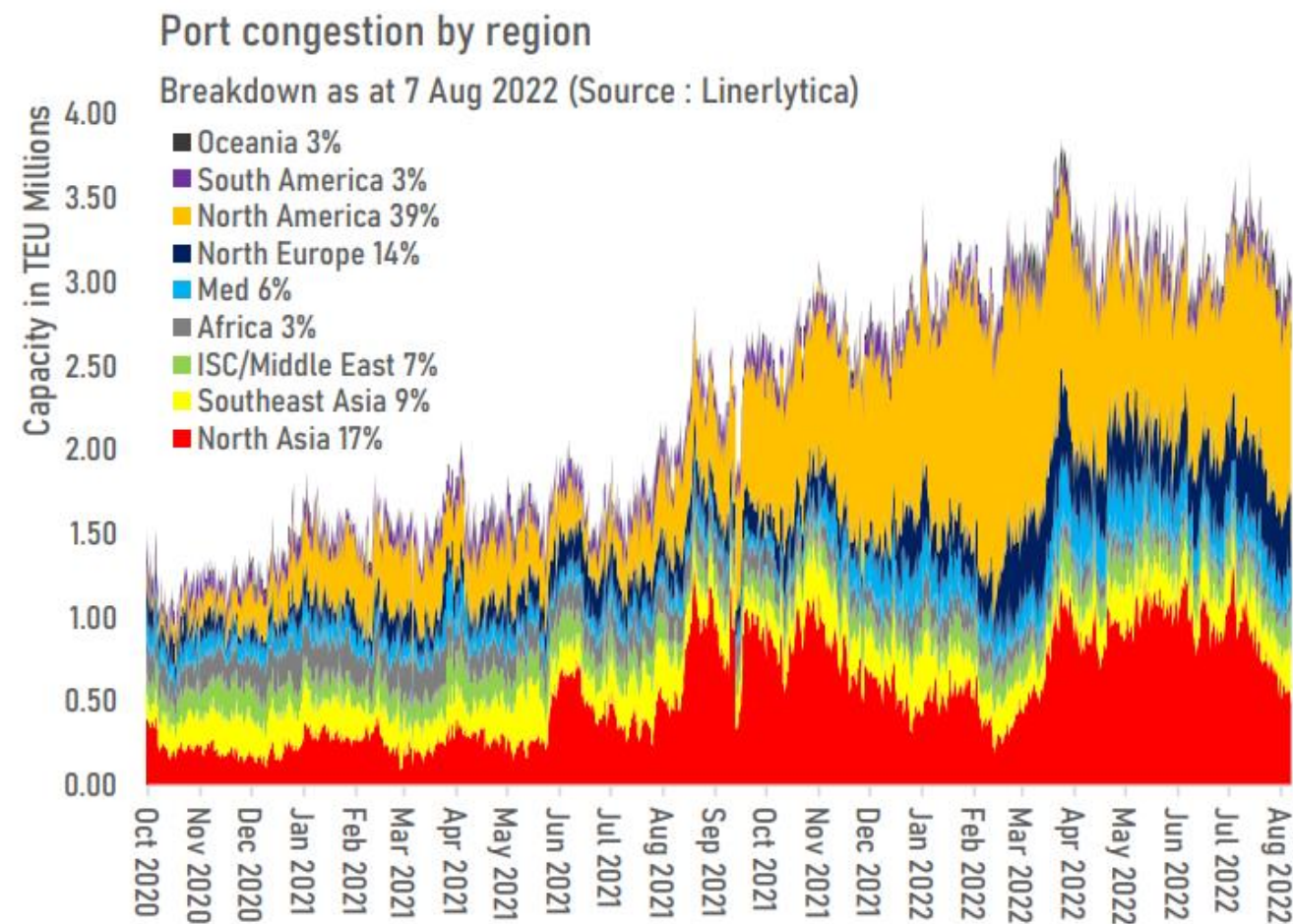
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Global port congestion

12% of the global vessel capacity effectively removed, congestion is growing in US East coast and Europe north continent



Global congestion remained flat during past month – 11/13%



Source: Linerlytica (August 2022)

Global port grew from last month at it is at 12%.

Global port congestion remained flat after easing earlier in the week, with increased congestion in Europe and the US East Coast negating the improvements in North Asia.

Chinese ports saw further improvements with congestion easing across all main regions.

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Beijing has announced an end to its military drills surrounding Taiwan but said further “training and war preparation” would continue.

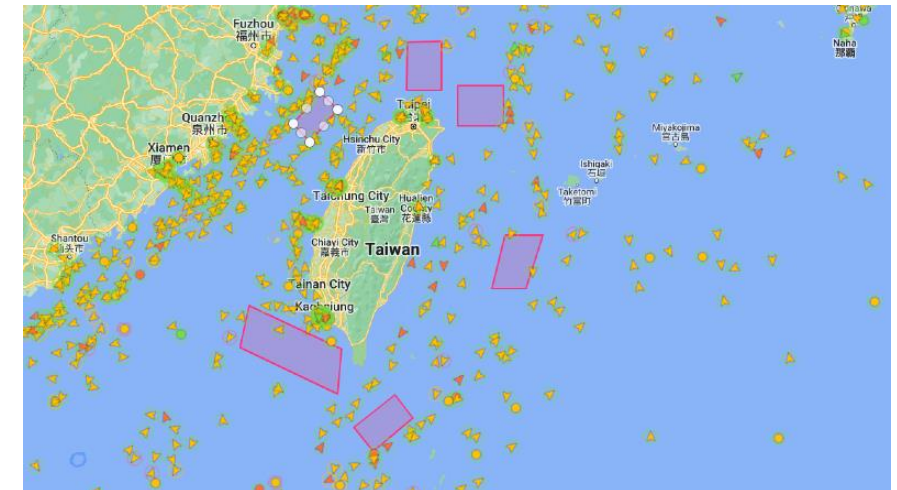
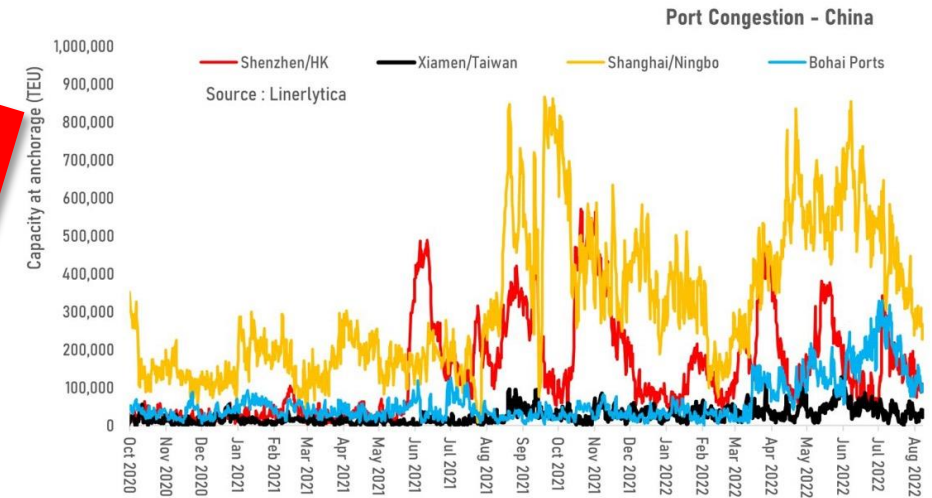
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The rising tensions across the Taiwan Strait last week has not resulted in any increase in port congestion in the region.

Ports in Taiwan and Fujian saw no increase in container vessels waiting to berth, with vessel operations remaining smooth throughout the past week. Vessel traffic across the Taiwan Strait were largely unaffected despite China's military exercise last week, with no material containership diversions or port omissions detected.

Overall congestion at Chinese ports have continued to ease, with minimal waiting times currently reported at all main ports in China.

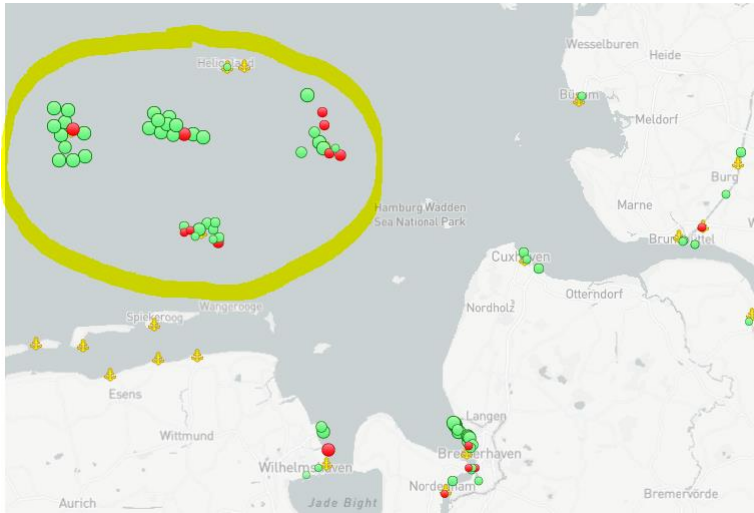
Container vessels have been rerouting their journeys around Taiwan until last week. The ports of Taiwan are reportedly operating as normal and disruptions are not expected.



European Terminal Congestion

Hamburg Limiting Factors

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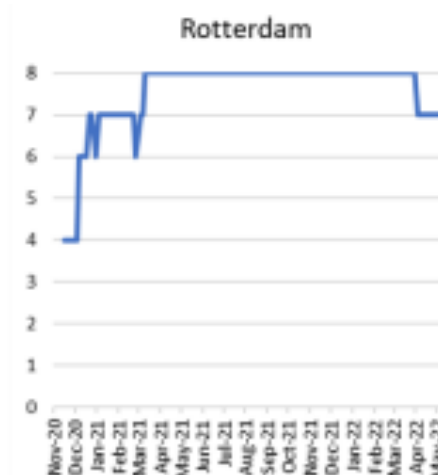
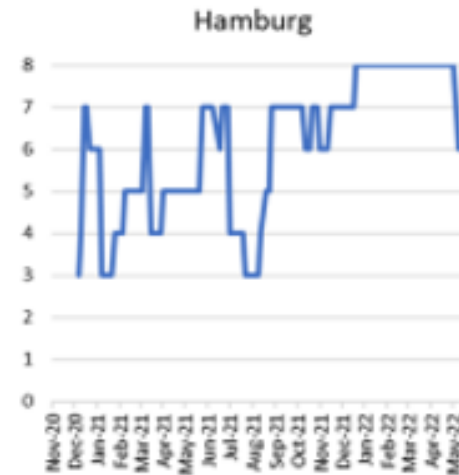


European ports remain highly congested. Due to continuous pressure on terminal yard capacity and limited improvements in container dwell times, selected North European terminals started shifting import laden boxes to separate storage areas.

Mainly all carriers announced to bill back those movement charges back to the cargo owners.

- All four terminals heavily occupied with export containers & empties
- Low terminal productivity in general
- Constructions on Burchardkai delayed, one berth was occupied till end of March
- huge backlog, berthings are used as container storage meanwhile
- 2 port strikes in June (1 of 4 hours, 1 of 24 hours)

Europe terminal congestion (HMM index)



Source: Marinetraffi., Linerlytica, Sea-Intel

Port of New York and New Jersey adds fees for ocean carriers as shipping containers pile up

As East Coast ports take more share of China trade, expect more bottlenecks for supply chain

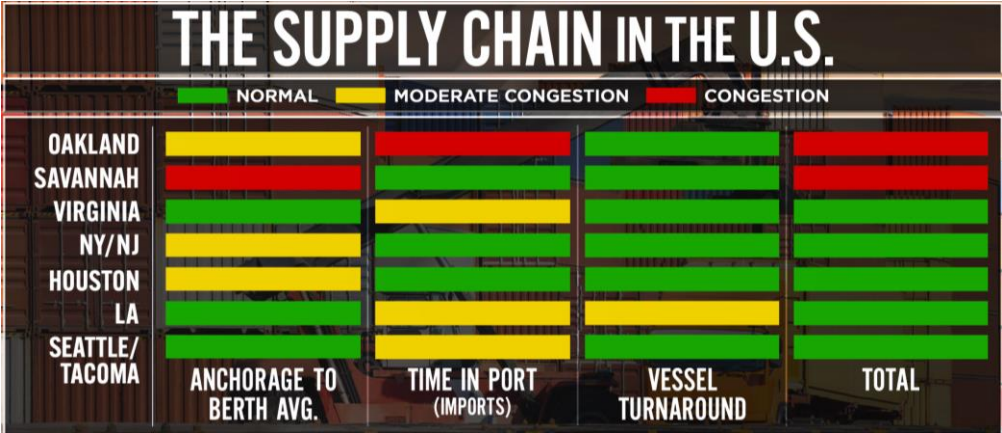
The Port of New York and New Jersey is adding a “container imbalance fee,” effective September 1, as a way to encourage ocean carriers to move containers out of ports more quickly.

Port of New York and New Jersey is the nation’s third-largest port and the largest port complex on the East Coast, receiving millions of containers from Europe.

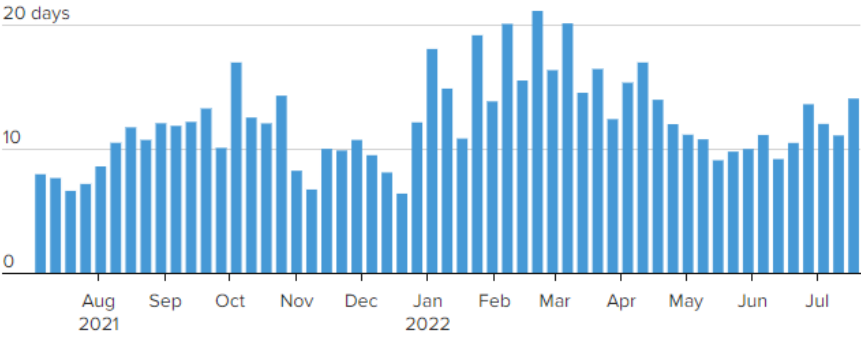
It has processed record volumes of import containers during the pandemic and has seen these import containers wait longer at the terminals.

The Port of New York and New Jersey is facing record import volumes, leading to empty containers accumulating in and around the port complex that are now affecting the regional supply chain that is already under stress from various sources across the country

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Ship delays between ports in China and New York City



Note: As of Aug. 2, 2022

Source: Linerlytica



Strikes expected at Felixstowe port as pay talks end without agreement

Talks between the Unite union and the company that runs Felixstowe port, which were aimed at stopping an eight-day strike by dock workers at Britain's busiest container port, have ended without a deal.

Negotiations came to an end despite the company's new offer of a £500 bonus for each of the 1,900 dock workers, who have already voted in favour of strike action between 21 and 29 August amid a pay dispute with the Felixstowe Dock and Railway Company.

Germany Port Strike Update:

Negotiations on the collective agreements for port workers in the North Sea ports remain inconclusive. After around eight hours of talks on Wednesday, the trade union Verdi and the Central Association of German Seaport Operators (ZDS) could not agree on a joint solution. Now the pressure to reach an agreement is growing for both parties.

The last date set by the courts will take place in two weeks. There is an aim to reach a joint result on August 22



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Ocean update

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Rhine closure imminent as low water hobbles freight movement by barge



Low water levels have led to “chaos” on Germany’s River Rhine, with barges moving at just 20-30% of capacity due to draught limitations and things set to deteriorate even further.

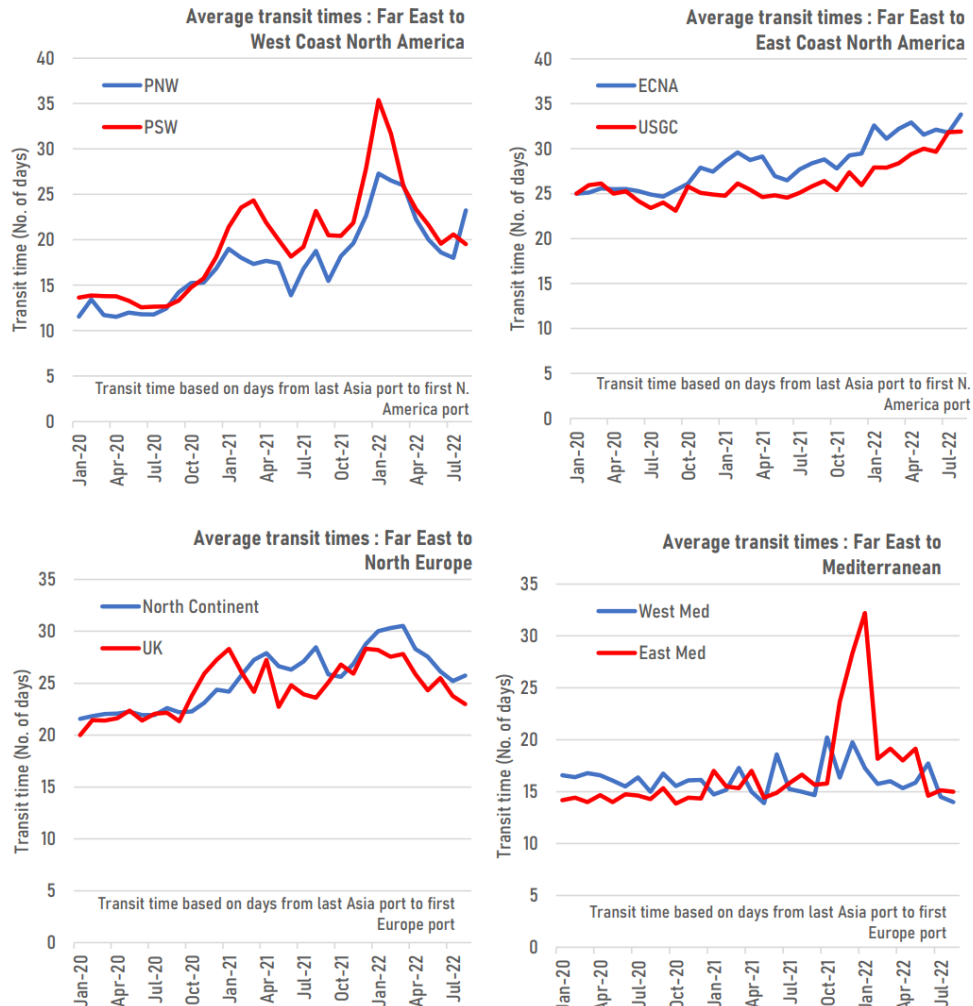
Contargo confirmed the water level on the Kaub Gauge had fallen to 47cm – the lowest for four years – with forecasts suggesting it will keep falling next week and that the Rhine will close to barge traffic.

With water levels below 50cm, Contargo has brought in low water surcharge (LWS) of €589 per 20ft box and €775 per 40ft

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Transit time performance, improvements seen but port congestion is growing

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Overall service levels have deteriorated in August, with port congestion at US ports getting to critical levels in several East Coast while PNW congestion remains bad.

The congestion situation is especially bad in Savannah, Houston and New York where waiting times have continued to rise.

Transit times to European ports are also rising, with increased waiting times in the Benelux ports while German port congestion has also continued to worsen.

EU seeks feedback on antitrust exemption for liner shipping consortia



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The European Commission has launched a call for evidence inviting feedback on the performance of the EU legal framework which exempts liner shipping consortia from EU antitrust rules.

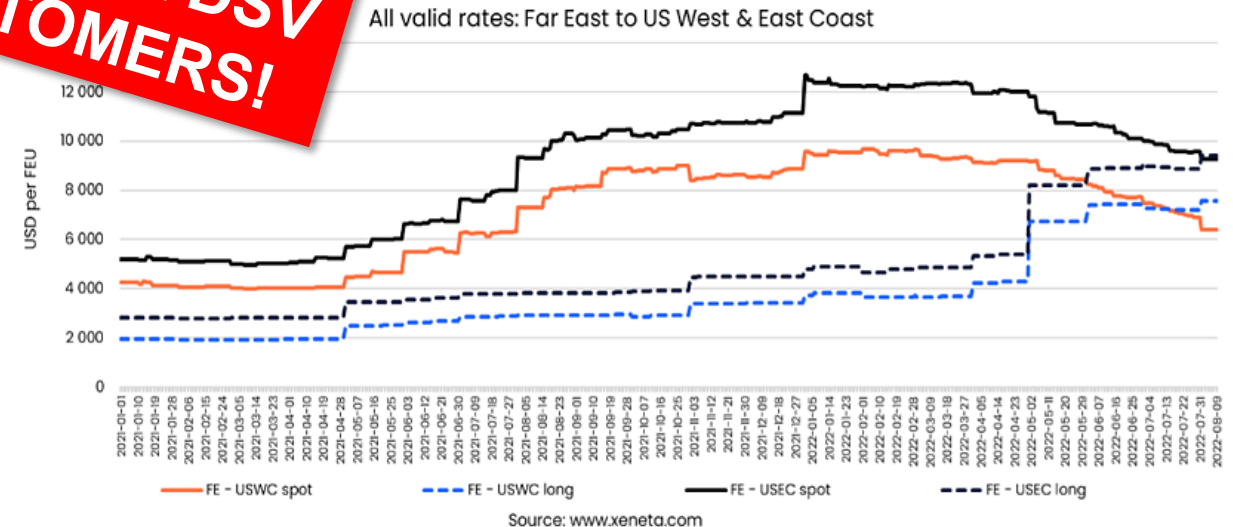
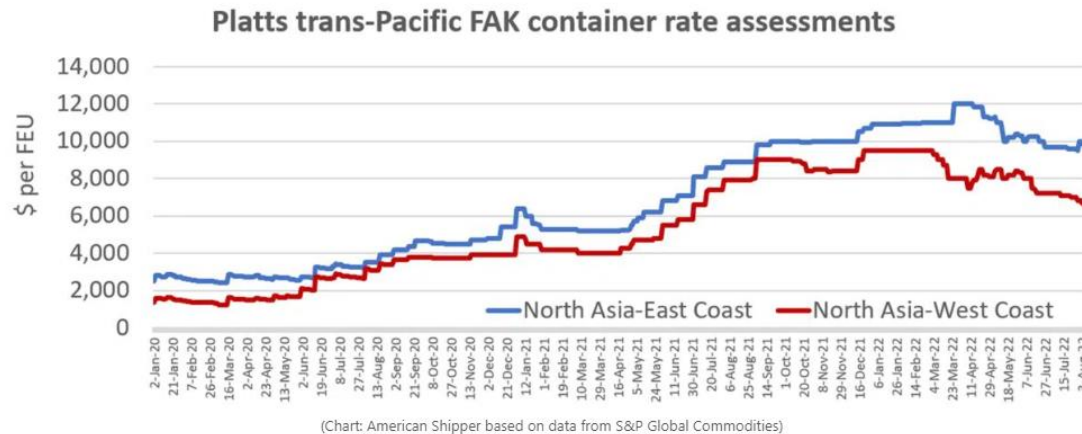
The EU's antitrust arm has also sent targeted questionnaires to carriers, shippers, freight forwarders and port and terminal operators on the impact of consortia between liner shipping companies, as well as of the Consortia Block Exemption Regulation (CBER) on their operations since 2020.

The CBER, which allows, under certain conditions, shipping lines with a combined market share of below 30% to enter into cooperation agreements to provide joint cargo transport services, is due to expire on April 25, 2024.

Interested parties have until October 3, 2022, to submit their comments to the call for evidence and targeted questionnaires.

No precipitous plunge in container shipping rates, just ‘orderly’ decline

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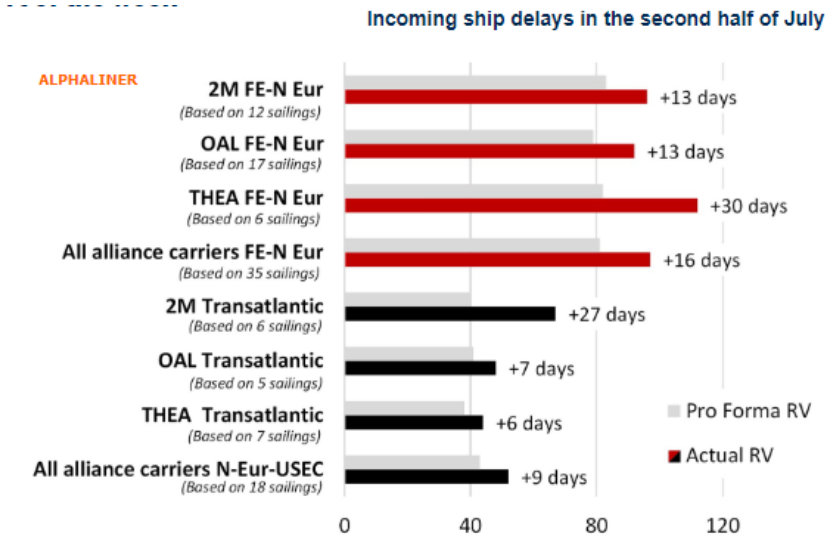


Spot rates are at least temporarily plateauing because U.S. import demand remains above pre-COVID levels, some U.S. ports remain extremely congested, and ocean carriers are “blanking” or “voiding” (i.e., canceling) sailings, both because their ships are stuck in port queues and because they’re matching vessel supply with cargo demand.

Spot rate easing expected to continue

On last quarterly call by ocean carrier Maersk, CFO Patrick Jany said port congestion preempted a steeper drop in spot rates. Even with support from congestion, he predicted short-term rates will decline further in the months ahead.

Port congestion: increasing impact on Transatlantic trade



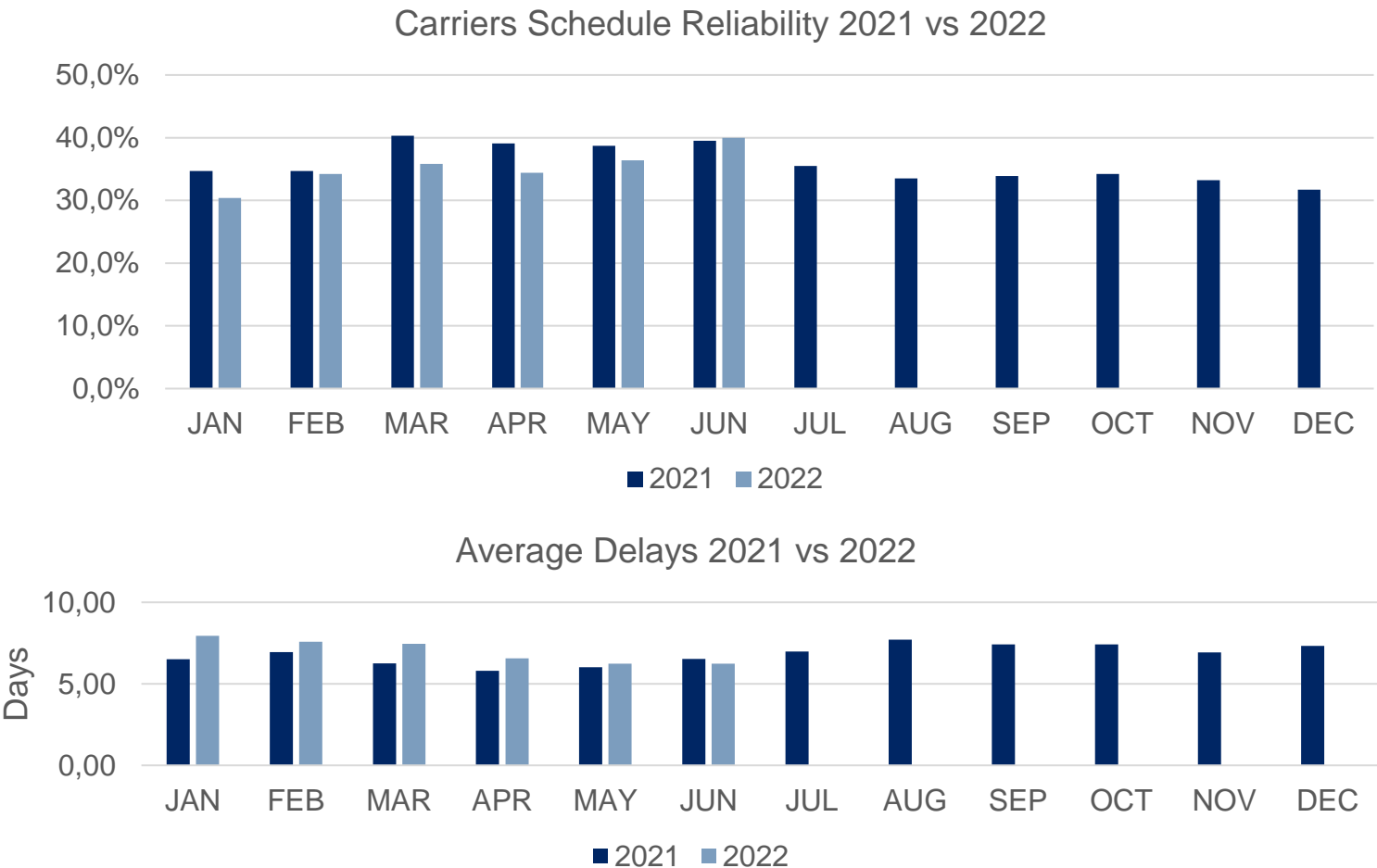
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- Ships currently arrive on average 16 days late in China for their next round trip, which also represents a reduction of four days since our May survey. However, while there have been slight improvements for some individual carriers, port congestion remains a huge problem, causing disruptions to schedules.
- Vessel delays due to port congestion have slightly reduced in the China -North Europe trade, but increasingly disrupt North Europe -US liner services.
- THE Alliance is still worst hit by congestion on Asia-North Europe.
- 2M is worst hit on the Transatlantic trade.
- Good carrier -terminal agreements can clearly limit the impact of liner service disruptions

Global Liner performance on June 2022 – 40% on time

June 2022 was the second consecutive month that schedule reliability improved M/M, with the latest increase of 3.6 percentage points

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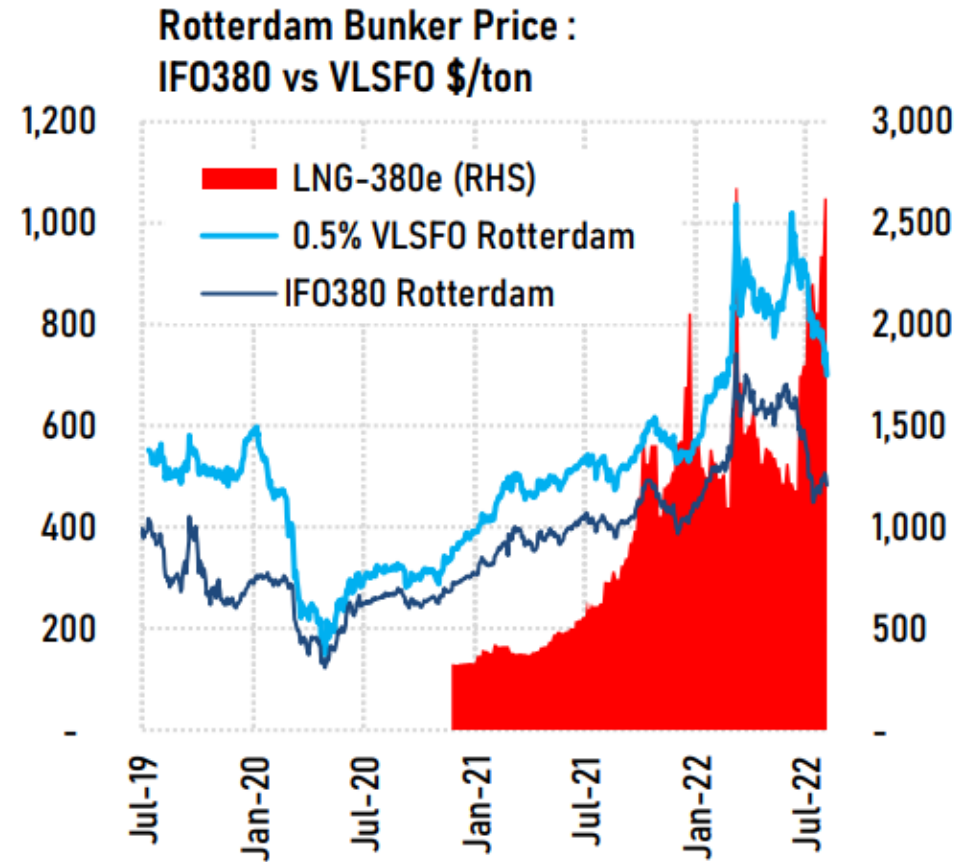
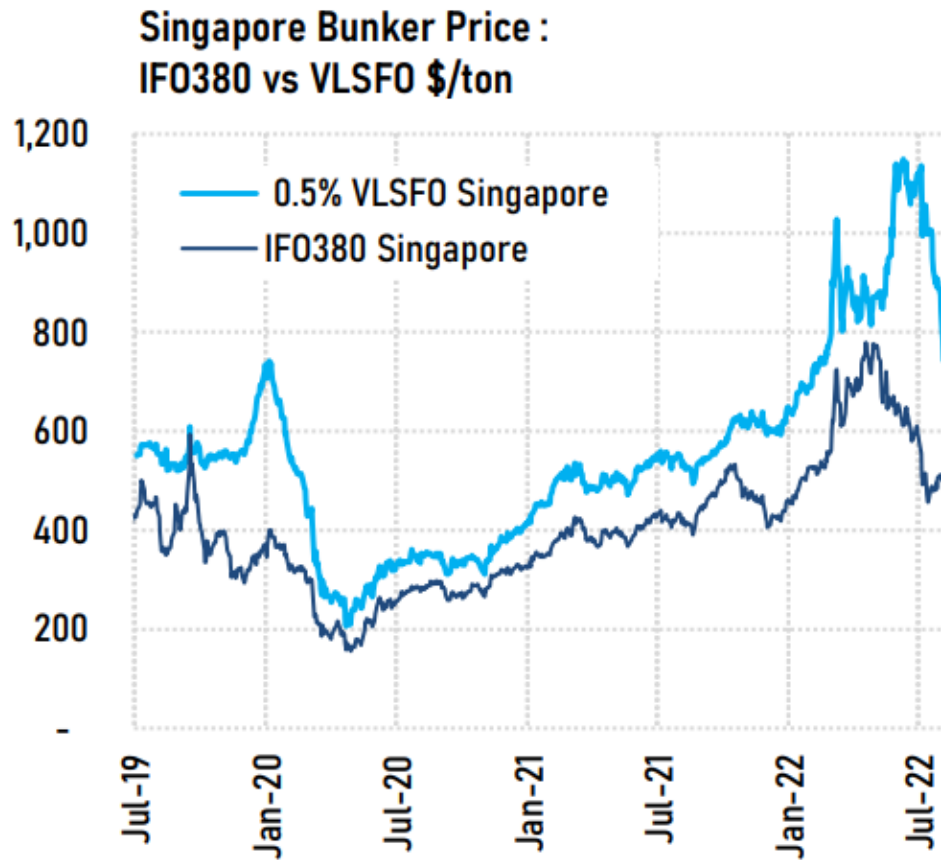
Vessel reliability per tradelane on June:

- ASIA – North America WC: **18% reliability** 9 days of delay
- ASIA – EUROPE: **26% reliability** and 10 days of delay
- EUROPE – North America: **35,7%** and 10 days of delay
- EUROPE – ASIA: **35% reliability** and 6 days of delay
- ASIA – OCEANIA: **20% reliability** and 8 days of delay

Bunker price development

The VLSFO-HSFO spread has reduced to \$232 per tonne

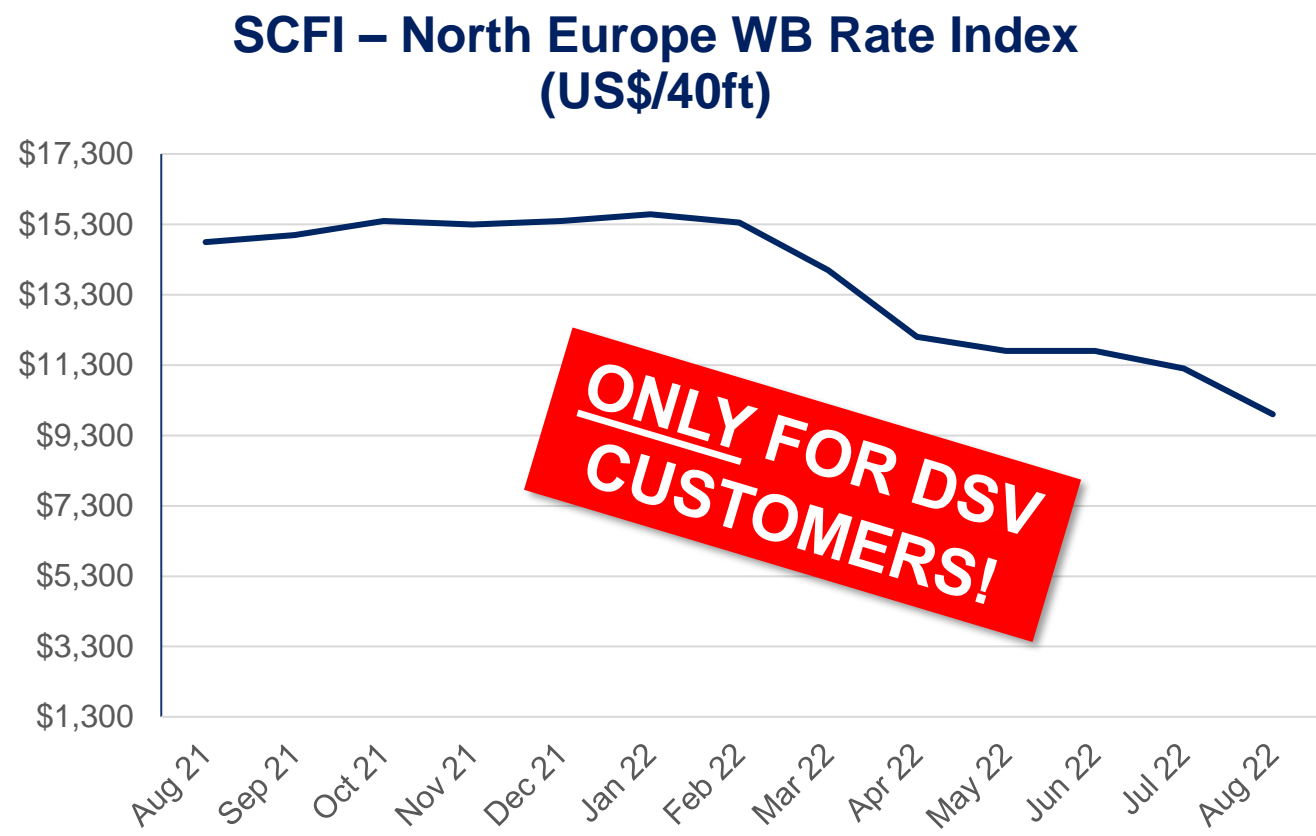
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Source: Ship&Bunker - LinerLytica

Ocean Freight Asia - Europe

Sizable drop on rates in the last weeks



Source: SCFI Week 32-2022

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 stoped accepting bookings for the time being in some origins

If demand keeps decreasing, carriers could potentially react with blank sailings

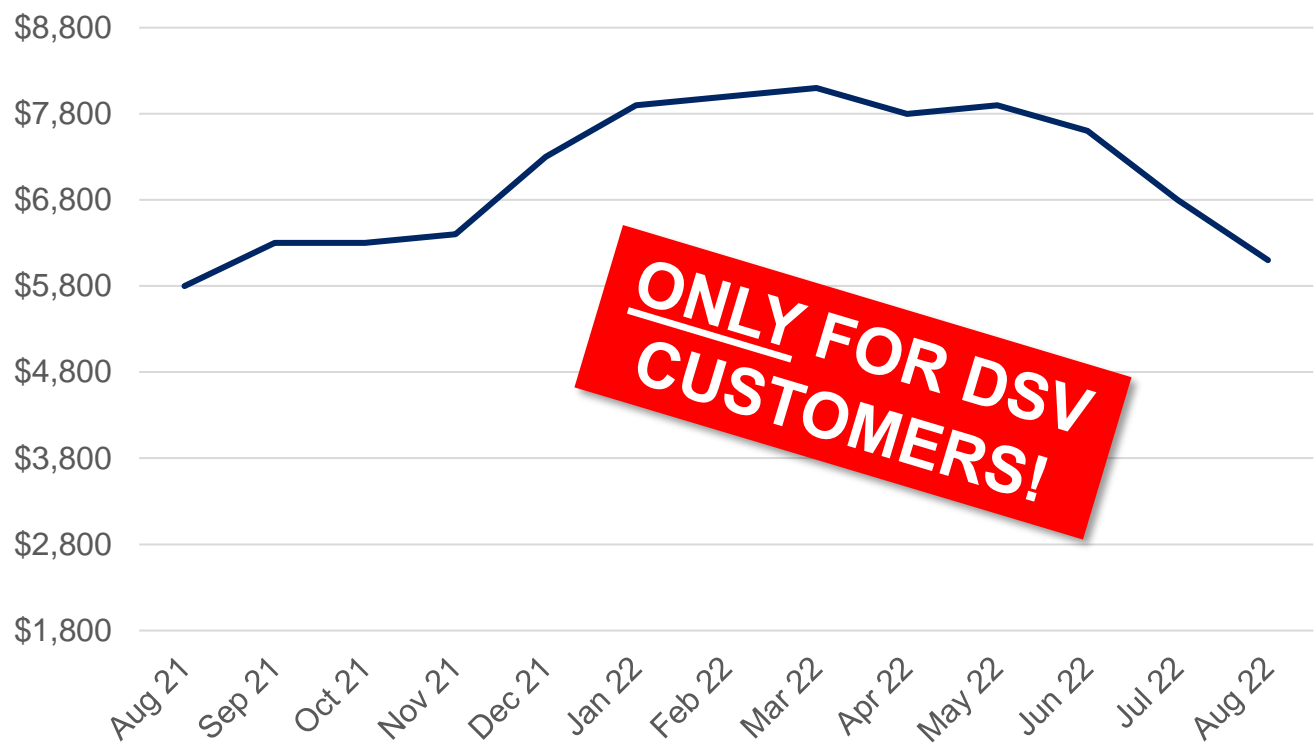
SCFI Levels Week 32-2022:

- Shanghai – North Europe: USD 9,942/ FEU
- Shanghai – Mediterranean: USD 11,266/ FEU
- Services keep being delayed and heavily disrupted
- Equipment availability is good. In some areas we face shortages but not on a to serious level.

Ocean Freight Asia - North America

Demand has slowed in August but it is expected to pick up in the middle to late September.

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



Source: SCFI Week 32 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

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

SCFI Levels Week 32-2022:

- Shanghai – US West Coast: USD 6,153/ FEU
- Shanghai – US East Coast: USD 9,106/ FEU
- Spot rates have moved down for several carriers
- Lines are still blanking sailings to the USA due to the congestion and for them to get their schedules back to pro forma as many ships are still outside of US ports waiting for berths

Ocean Freight Asia – South America (East Coast)

Market is still very strong



Source: SCFI Week 32-2022

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 32-2022:

- Shanghai – Santos: USD 9,214/ TEU

2022 Peak Season officially started. Carriers are fully booked and rolling.

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

Please expect from now on: FULL VESSELS, CARGO ROLLING EQUIPMENT ISSUES & PREMIUM BOOKINGS.

Ocean Freight Europe – Asia

Due to port delays rates have increased

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



Source: Freightos Baltic Week 32-2022

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 32-2022:

- Europe to ASIA : USD 716/ FEU

Ongoing softening in the spot market

- Spot market remains under pressure
- Ongoing downward trend also in the mid- and long-term segment
- Overall volumes have slightly recovered, however liftings remain on low level, not improving with port strikes in Germany and potentially UK

Ocean Freight Europe – North America

Congestion in both North American and European ports affects service

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



Source: Freightos Baltic W32-2022

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 32-2022:

- Rotterdam – New York: USD 8,394/ FEU

Bookings need to be placed 6-8 Weeks in advance

- Carriers manage their fleet capacity to optimize utilization, however, they still depend on the various landside logistic operations to provide reliable services.
- Terminals and ports productivity is challenged by congestion and occasional strike actions.
- Capacity will remain tight, however, we have space allocation programmes in place with several carriers

Trade Update

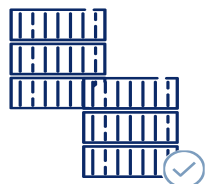
Intra Asia



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As per week 31 status, which is evolving and depends on latest updates

Demand



- Demand for Chinese products in Europe and the US is continuing to weaken into August, with no peak season volume surge.
- After COVID lockdown, SEA countries export rebounded, which led to growing equipment / space demand ex SEA POLs.
- We see more production shift to SEA and as a result the demand for space and equipment ex SEA remains strong.

Rate



- Spot rates continues to drop due to weaker demand in the US and Europe, despite strong Chinese export figures reported for July.
- The long-term rate level remains high based on high feeder charter rate and the steep increases to the bunker.
- Escalating Bunker / LSS will be ongoing due to Russia-Ukraine conflict and a strong fuel demand worldwide.



Supply



- Military drills in the Taiwan Strait last week did not disrupt container traffic in the region. Ports in Taiwan and Fujian saw no increase in container vessels waiting to berth, and operations remained smooth.
- Total vessel capacity departing from Asia has continued to increase with easing congestion at Chinese ports releasing more capacity.
- Carriers increase APAC capacity to cope with slow down in Transpacific and feeder network is less stressed.



Ocean freight market overview – Difficult to predict trends

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 Long term rates are unpredictable 	↓	
ASIA to NAM	<ul style="list-style-type: none"> Market is open Equipment is available Problems of congestion in USA 	→	
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 increasing 	→	
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 Equipment under shortage (long haul trades receive the equipment before intra Asia) 	↓	

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Airfreight update

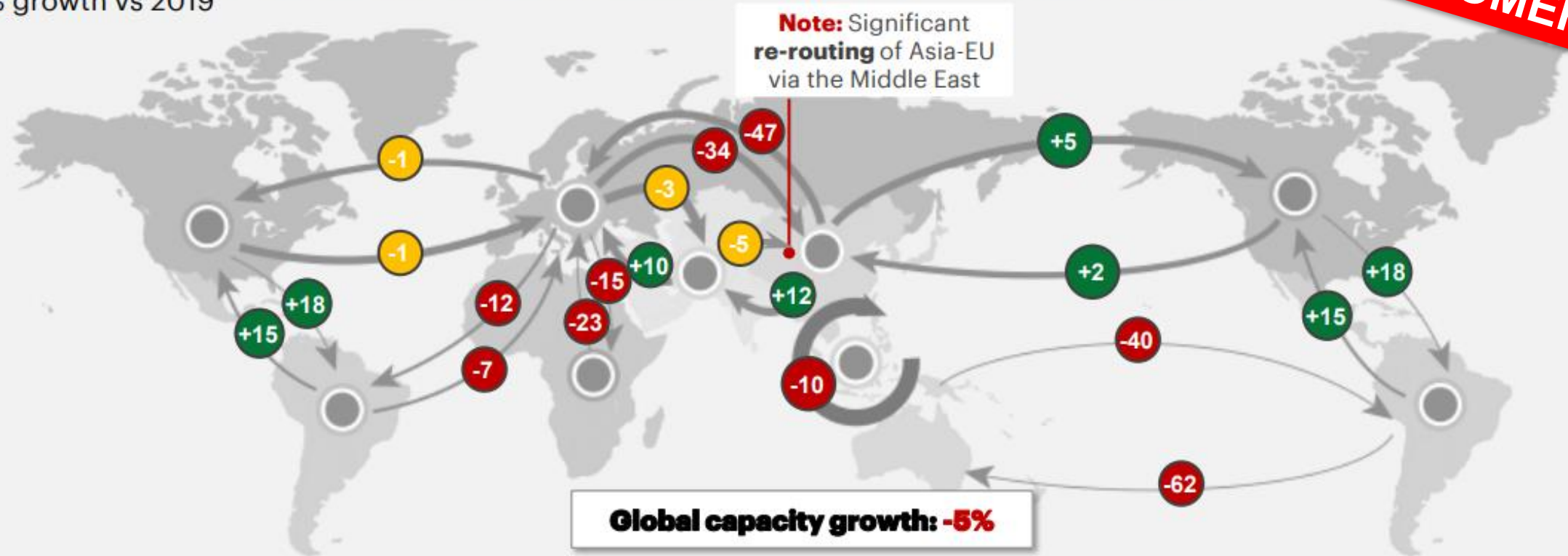
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Global international air cargo capacity was down -5% (vs. 2019) between July 18-31, 2022

Total international air cargo capacity growth, July 18-31 vs same weeks in 2019¹
% growth vs 2019

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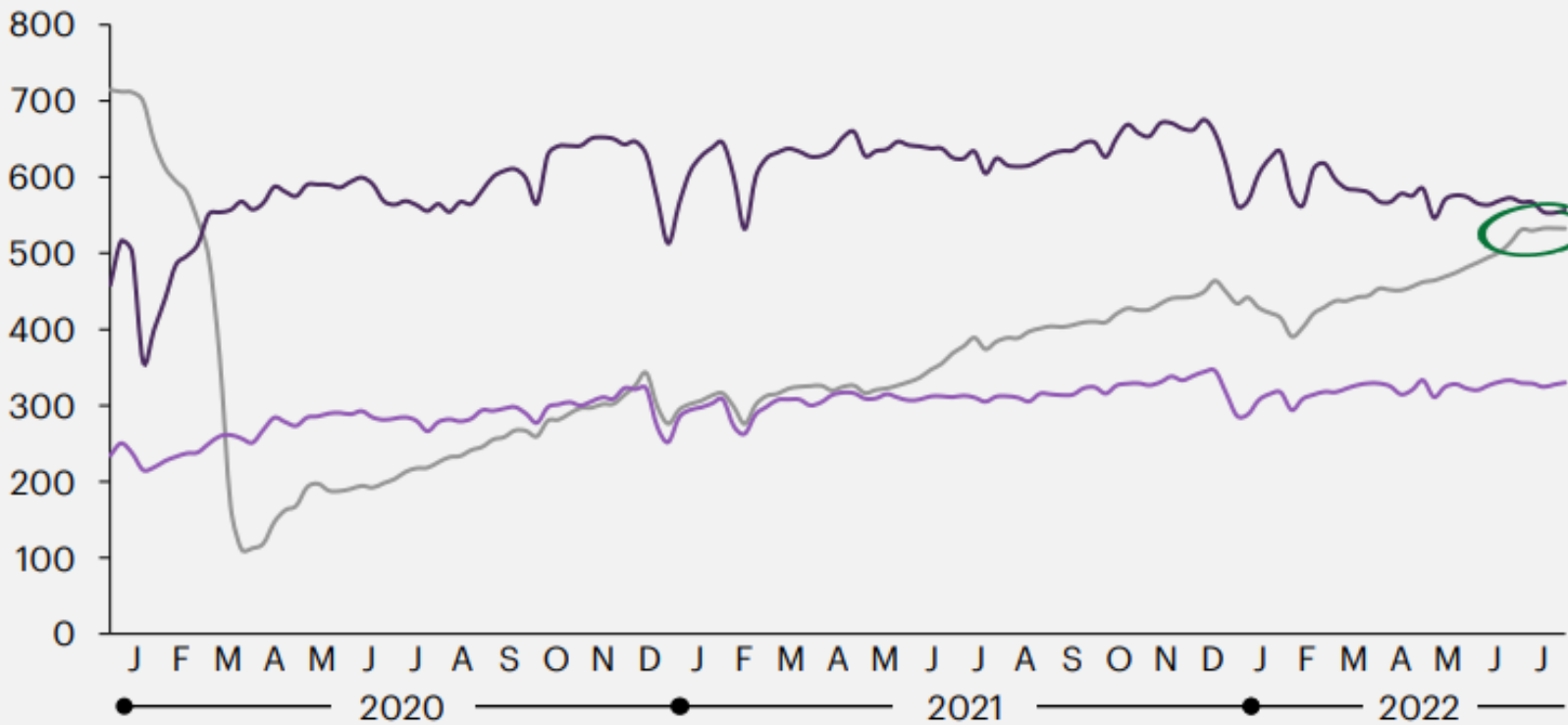


Transpacific capacity has gradually come down, now low single-digits above 2019 levels

Global international air cargo capacity remained flat in the last two weeks, with belly growth temporarily stagnating

International air cargo capacity, Jan 2020 – Jul 2022

Thousand tonnes per week



Total capacity

vs.
2019¹

vs. previous
two weeks²

-5%

0%

Airline freighters

+15%

-1%

Passenger belly

-31%

0%

Widebody aircraft only

Integrator freighters

+40%

+1%

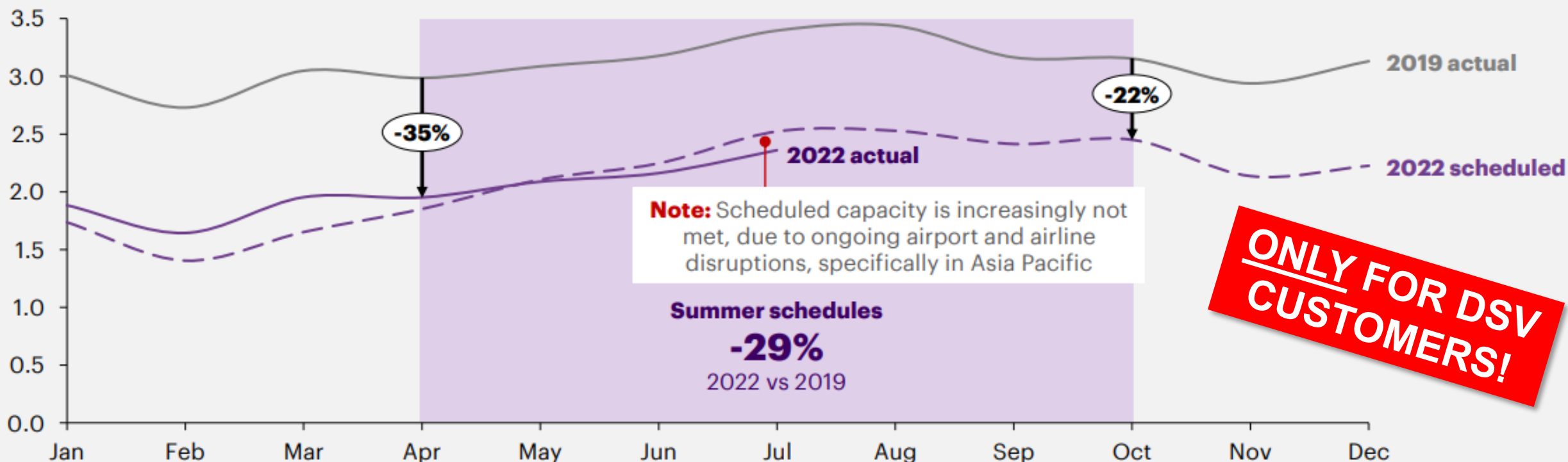
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Widebody passenger aircraft now operate almost as much international air cargo capacity as airline freighters

Actual and scheduled passenger belly capacity are increasingly out of sync, due to airport and airline disruptions

International scheduled and actual widebody belly air cargo capacity, 2019 and 2022

Million tonnes per month



Note: Scheduled capacity is increasingly not met, due to ongoing airport and airline disruptions, specifically in Asia Pacific

Summer schedules

-29%

2022 vs 2019

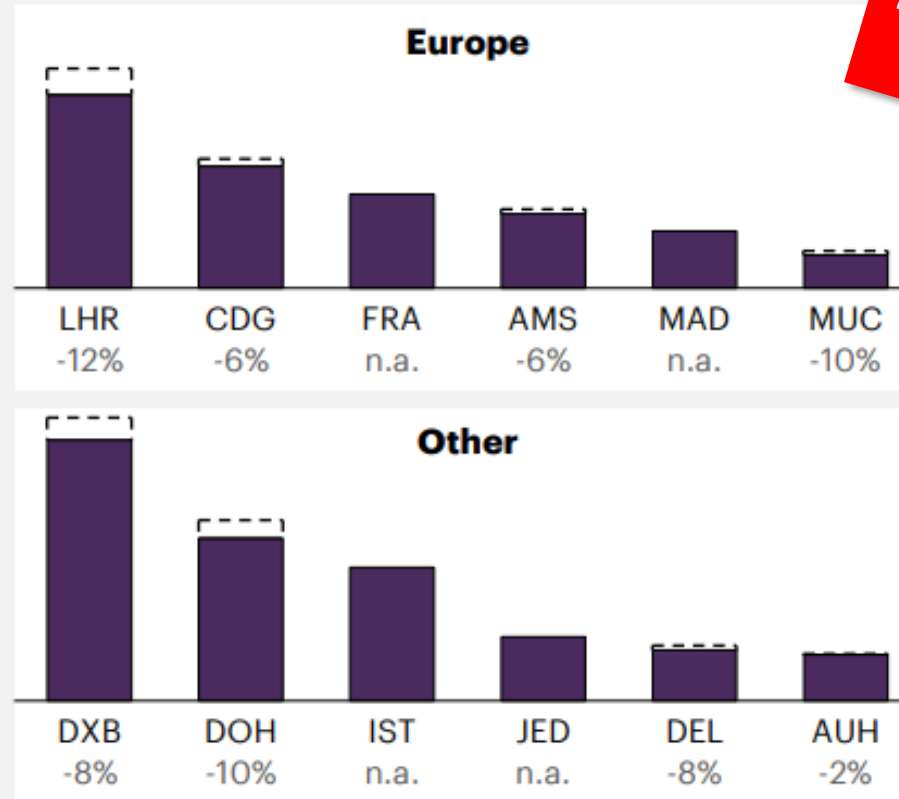
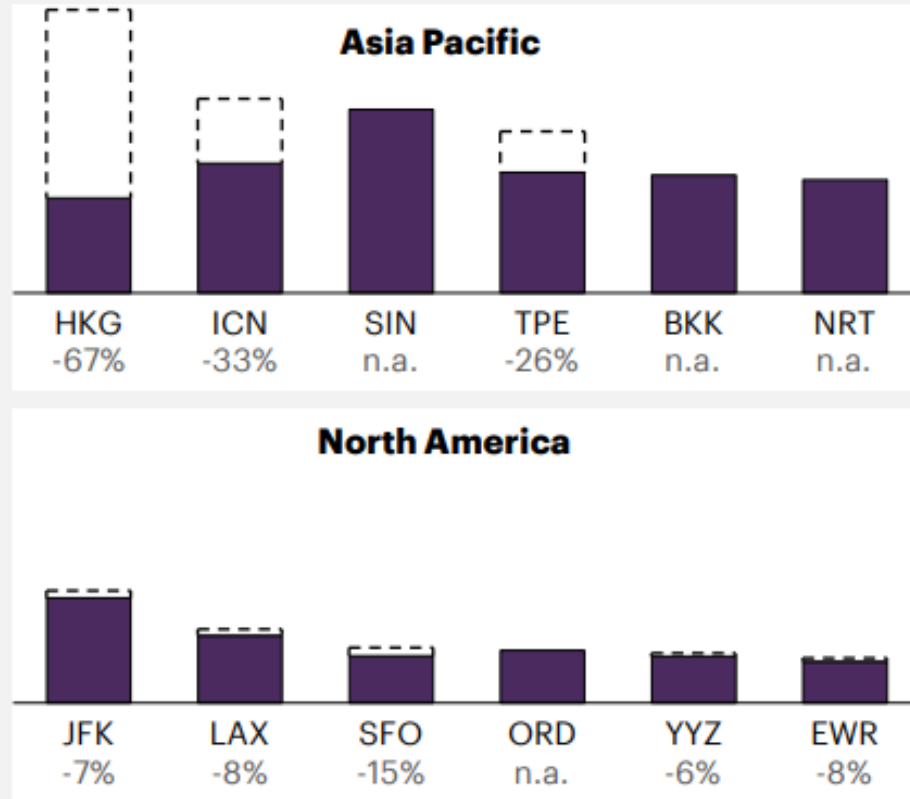
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Consistent underperformance of operated flights (vs. schedule) may imply that the -29% summer capacity schedule (versus 2019) will not be achieved

Widebody belly air cargo capacity has fallen short of March 2022 schedules at Asia Pacific airports in particular

Top airports by international scheduled widebody belly cargo capacity, July 2022

Thousand tonnes (international outbound)



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Not flown
Compared to
March 2022
schedule





Actual

Despite disruptions, widebody belly capacity at European and North American airports has largely flown to schedule

Air freight market overview

Market is currently “slow” but stable recovering from lock downs in Shanghai

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TRADE LANE	COMMENTS	RATES AND SPACE	
Exports from China / Hong Kong	<ul style="list-style-type: none"> Despite summer vacation calms the market whilst carriers respond via capacity adjustment rather. Carriers continue to return to their original capacity levels, however given the weak demand in the market TPEB rates have decreased slightly while FEWB rates remain stable. 	↓	
South East Asia	<ul style="list-style-type: none"> The market ex-Thailand is quite soft with carriers eager for cargo. TPEB demand ex-Vietnam is continuing to pickup. Rates in the meantime have increased slightly 	↓	
Exports from India/Bangladesh	<ul style="list-style-type: none"> Demand remains soft as we approach the second half of July. 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 continues to trend at lower levels and is expected to pick up slowly from mid-September. Transatlantic belly capacity ex European hubs continues to be strong, helping maintain lower rate levels while fuel price remains high. Ground handling operations in major European hubs have improved compared to July. Delays are expected at UK border crossing due to driver shortages. 	↓	
Exports from NAM	<ul style="list-style-type: none"> Export demand remains steady from all markets. Shipments into Europe could experience additional destination dwell time due to the labor shortages in some western European hubs. Rates remain stable week over week. 	↓	