



DSV

DSV Air & Sea

Market update May 2022



Covid Update China

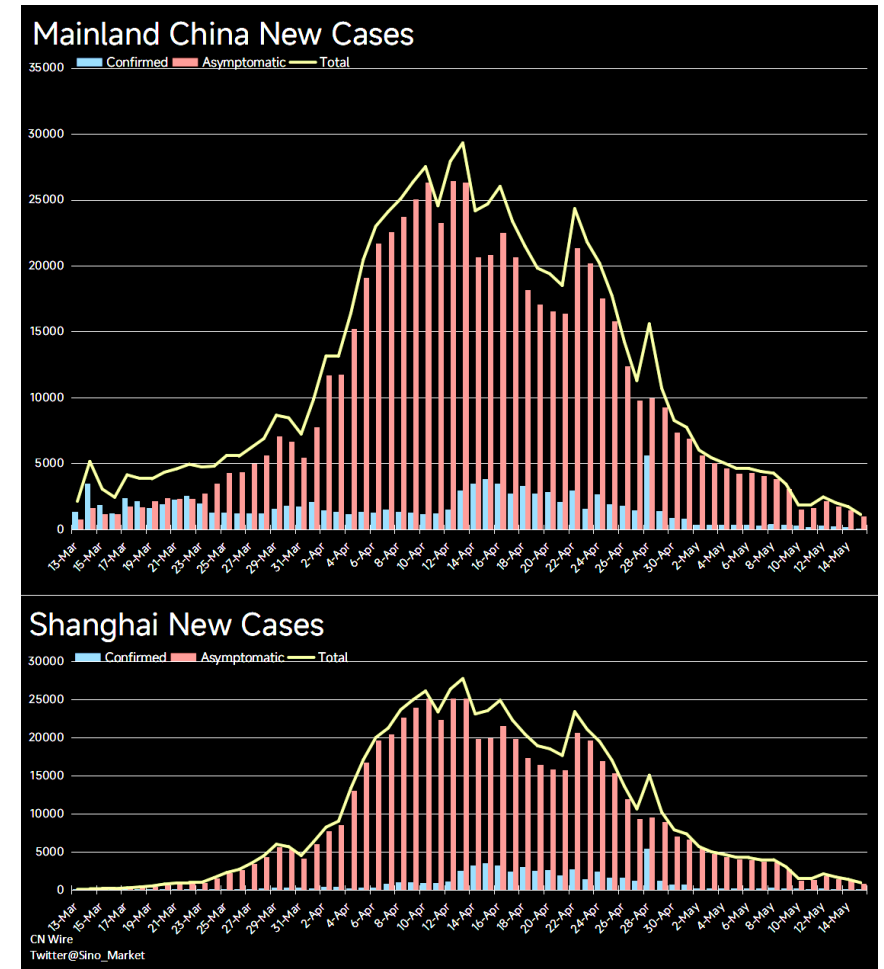
Shanghai preparing for reopening in phases

Factories are receiving permits to open activity by the end of May.

As Covid cases continue to decline to most recently below 1,000 cases a day, the authorities are preparing for a gradual reopening of the city. Starting this week, citizens in some districts are allowed to go out of compounds again, while public transportation will likely start up again during the coming week. Schools, restaurants and public areas remain closed for now and will open up step by step. The government targets a “return to normal” for the 23rd of June.

From a business perspective, nearly two-thirds of key foreign trade enterprises have or will receive approval to resume operations over the coming days. DSV and many of our vendors will be part of this phase of opening, but it remains to be seen when and how a gradual opening under strict safety regulations will become practically possible.

For now; however, the lockdown continues to have a significant impact on supply chains. Market volumes in Shanghai on selected trade lanes are still 30% - 40% below average levels.



A high degree of uncertainty

After Shanghai-Covid lockdown, there are no clear signals of long term market rate stability

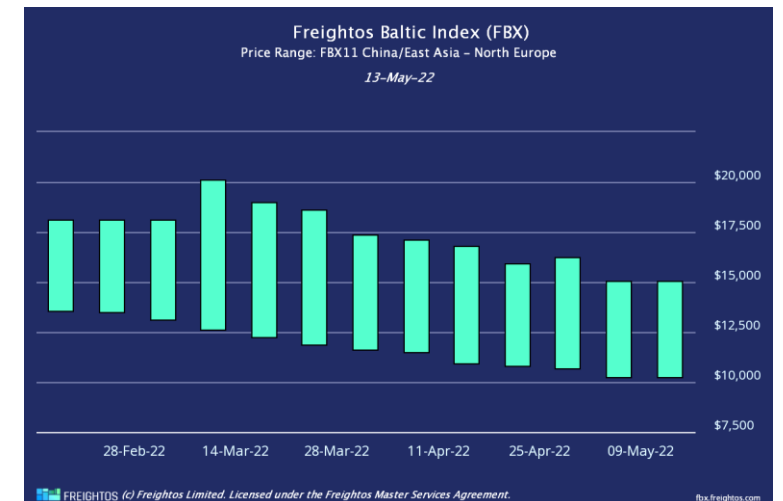
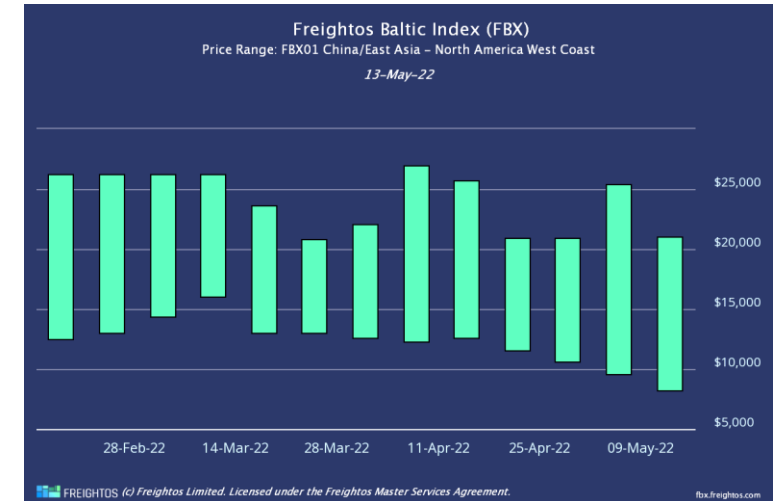
The lockdown situation in China in general and Shanghai in particular continue to create problems in the supply chains, not just for transportation but also for manufacturing.

Initially carriers continued to serve Shanghai as per normal despite the problems. Carriers have begun some blank sailings and increase port omissions in Shanghai. The redirection of cargo and production orders to other locations in China is increasing congestion problems in those locations.

Spot rates cannot be explained by seasonal changes.

If we look at different spot rate indicators they clearly show a declining trend over the past 2 months. While ASIA to EUROPE and ASIA to North America are weaker, we can see EUROPE to North America to set new records.

The spread reported is big between 10,000 USD / 15,000 USD per 40' on ASIA to EUROPE and ASIA to US Pacific from 9,500 USD / 25,000 USD per 40'. This shows big differences of the geography and timing of the shipping.



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 lifts COVID-19 pre-departure test requirement for vaccinated international arrivals and cruise ships ban from Apr 17.
- From Apr 18, unvaccinated Australian citizens & permanent residents can leave AU without an individual travel exemption.

New Zealand

- New Zealand reopened on May 2 to about 60 visa-waiver countries, including AU, SG, KR, MY & JP.
- From Jul, fully vaccinated Accredited Employer Work Visa holders can enter NZ.
- From Oct, the border will open for all other NZ visa holders.

Mainland China

- Beijing tightens restrictions through May 4. Zhengzhou placed under lockdown for a week starting May 4.
- Shanghai may relax lockdown conditions in various districts in May. As of Apr 29, Shanghai approved 1,000+ companies to resume production. PVG airport operation are slowly being restored. FCL operations at SHA port run fairly smoothly.

Hong Kong

- From May 1, HK gov lifts the ban on non-HK residents entering HK.
- HK eased more social-distancing rules on May 5. Further restrictions will be eased on May 19.

Taiwan

- On Apr 12, foreign relatives of Taiwan citizens & Alien Resident Certificate holders may apply to enter Taiwan while strict border control measures remain in place.

Japan

- Japan lifts entry ban on 106 countries on Apr 8, including KH, ID, MY, PH, TH.
- Japan suspends visa exemption measures for 14 countries from Apr 8.

Korea

- Starting May 2, the government has lifted its outdoor mask mandate, but masks must be worn at indoor, outdoor gatherings of 50+ people, or public transport.
- KR allows fully vaccinated travellers to enter without quarantine from Apr 1.

Singapore

- SG removes predeparture Covid-test from fully vaccinated visitors from Apr 26.
- On Apr 26, SG removed most of covid measures, no more social distancing or group limits at social gathering.

Malaysia

- Gov announced end to all COVID-19 testing and insurance requirements for fully vaccinated travelers from May 1.
- MY eased covid measures from May 1, e.g. it's optional to wear masks outdoors and allow unvaccinated people to dine out.

Vietnam

- People arriving at Ho Chi Minh's Tan Son Nhat Int' terminal no longer need to prove their COVID-19 status from Apr 27.
- The medical declaration requirement for all arrivals are suspended from Apr 27.

Cambodia

- Starting Apr 21, quarantine for unvaccinated or non-fully vaccinated travellers entering Cambodia is reduced from 14 to 7 days. Travellers enter by land borders must take 2 rapid tests while enter by air must take 1.

Thailand

- Thailand scraps all testing requirements for vaccinated passengers and welcome unvaccinated visitors without quarantine (with negative PCR result) on May 1.
- The Test & Go process for foreign arrivals is terminated on Apr 30.

Myanmar

- On Apr 21, Myanmar is gradually reopening to foreign nationals.
- Business eVisa applications was resumed on Apr 1 while tourist eVisas processing will resume soon.
- International commercial flights resumed in Apr.

Philippines

- Metro Manila and more than 90 areas in the country will remain on Alert Level 1 until May 15.
- Cebu Pacific adds flights to key international destinations, including Bali, Hanoi & Sydney.

Indonesia

- On Apr 28, Indonesia expands visa-on-arrival to 17 more countries, with a total of 60 qualifying countries.
- Free Visa & Visa on Arrival are available for international entry via Bali, Jakarta, Surabaya, Medan, Makassar, Manado, Yogyakarta, Batam and Lombok.

Operational updates: China



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

Balance staff in office
DSV SZH OFFICE

Updates as of May 17, & subject to changes due to the evolving COVID situation.

General Updates

- As Covid cases continue to decline, the authorities are preparing for a gradual reopening of the city. The government targets to “return to normal” from 23 June.
- From a business perspective, nearly two-thirds of key foreign trade enterprises have or will receive approval to resume operations over the coming days. DSV and many of our vendors will be part of this phase of opening, but it remains to be seen when and how a gradual opening under strict safety regulations will become practically possible.
- For now, however, the lockdown continues to have a significant impact on supply chains, and market volumes in Shanghai on selected trade lanes are still 30% - 40% below average levels.

Air Freight

- Shanghai Pudong International Airport handled more than 500 cargo flights during the Labor Day holiday, a month-on-month increase of 20%.
- CK has cancelled several freighter charters for this week, which might have some impact on the available capacity in the market.
- The situation at PVG airport is now slowly improving due to a gradual easing on restrictions, we also see a decline in import cargoes being backlogged.
- The situation at CGO is also improving and the lockdown of export warehouses there have ended.

Sea Freight

- Trucking and CFS services for exports and imports remain inefficient, the throughput of cargo is very slow.
- Since implementation of the ‘silent period’ starting May 9, only a few container yards have resumed near the WGQ port, with equipment pickup and return and container unloading/storage concentrated in the Luchao Port/ Yangshan area.
- In addition to severe congestion in these alternative container yards, there will be a slight equipment shortage in the following days, and equipment evacuation to the YTZ barge port will be affected.

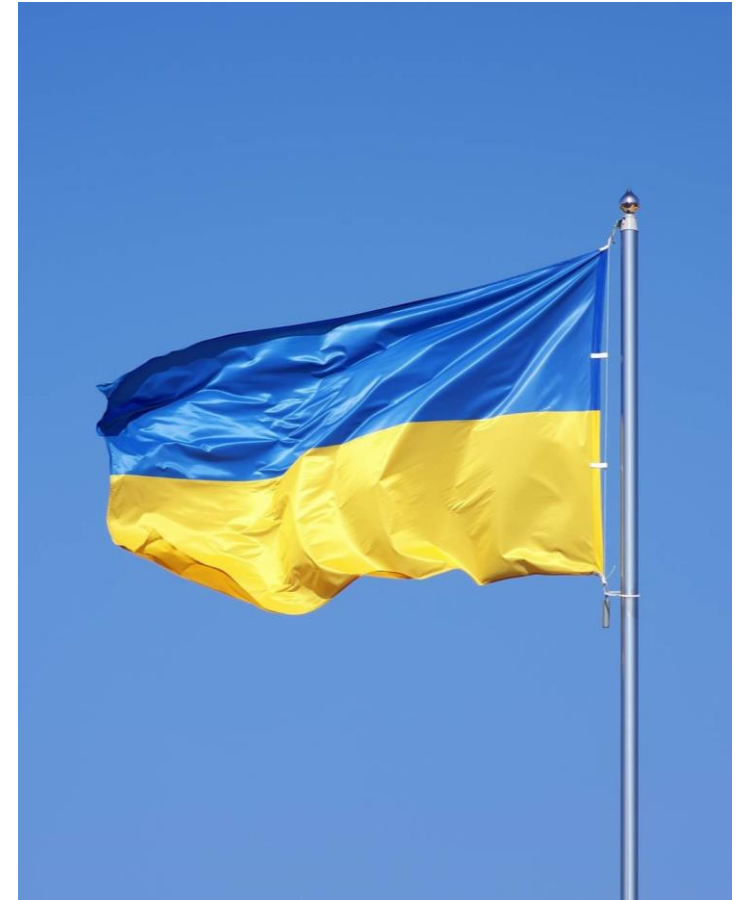
Remarks: During silent period, some container yards are required to suspend container receiving and releasing for at least three days or await further notice.

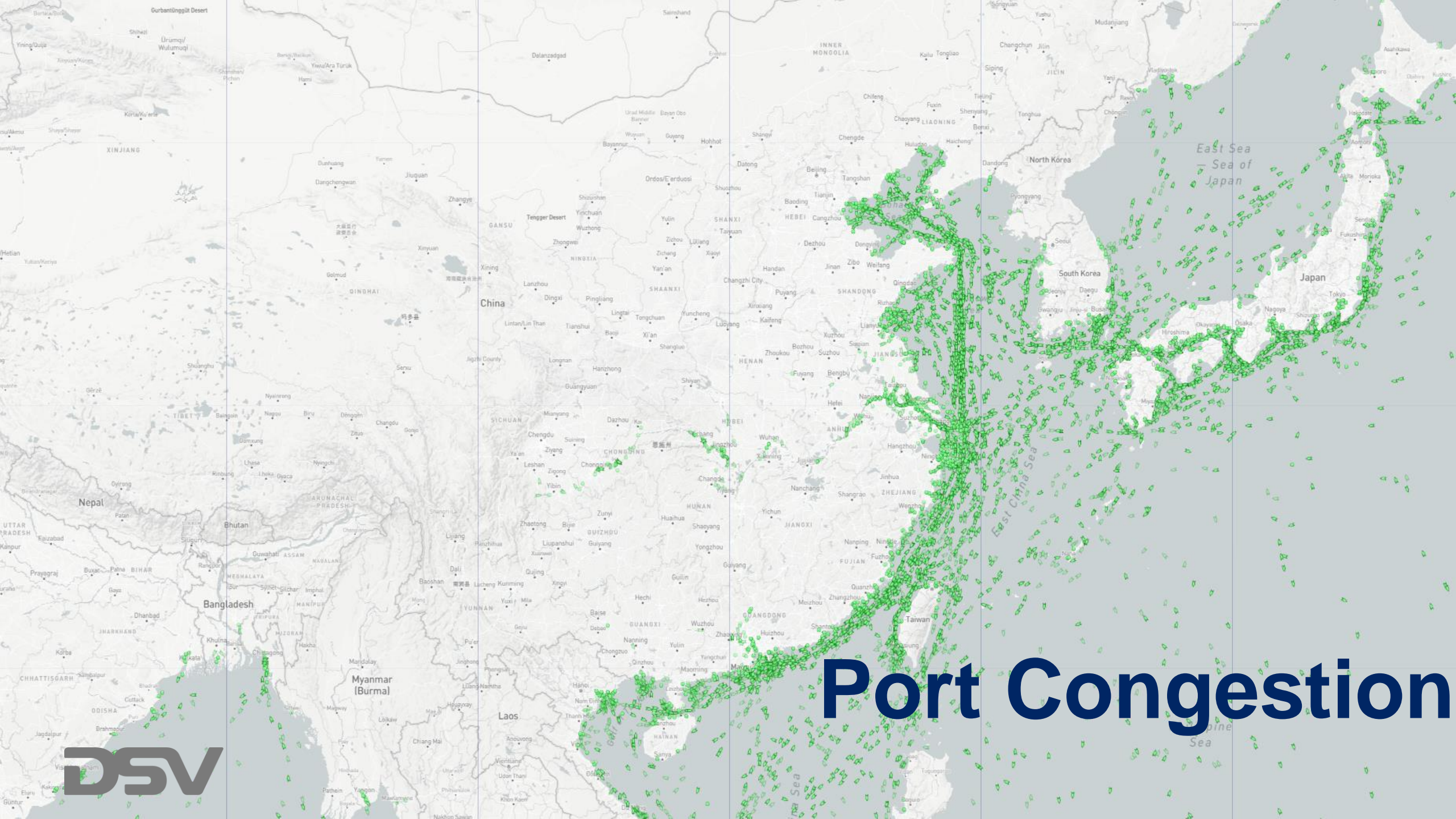
Russia/Ukraine war: Current status

May - 2022

Latest sanctions confirmed:

- Authorities in Ukraine to stop the flow of Russian gas via Sokhranivka as from May 11th
- Authorities in the US announced new sanctions against Russia May 8, affecting **Moscow Industrial Bank** and its 10 subsidiaries, as well as certain Russian state-owned television channels
- EU officials unveiled plans for a sixth package of sanctions against Moscow, which includes **a gradual ban on Russian oil imports**, a ban on additional state-owned broadcasters, and cutting off additional Russian banks from the SWIFT
- **Russia has stopped supplying natural gas to Poland and Bulgaria.** The decision is in response to the refusal by several European governments, including Poland and Bulgaria, to accept the Kremlin's demand that so-called "unfriendly nations" pay for gas in rubles.
- **The airspace of numerous countries remains closed to all Russian aircraft and flights. Russia has implemented reciprocal bans from Russian airspace** for airlines operated by those countries, which include EU member nations, the UK, Canada, the US, Australia, New Zealand, South Korea, and Japan, among others.



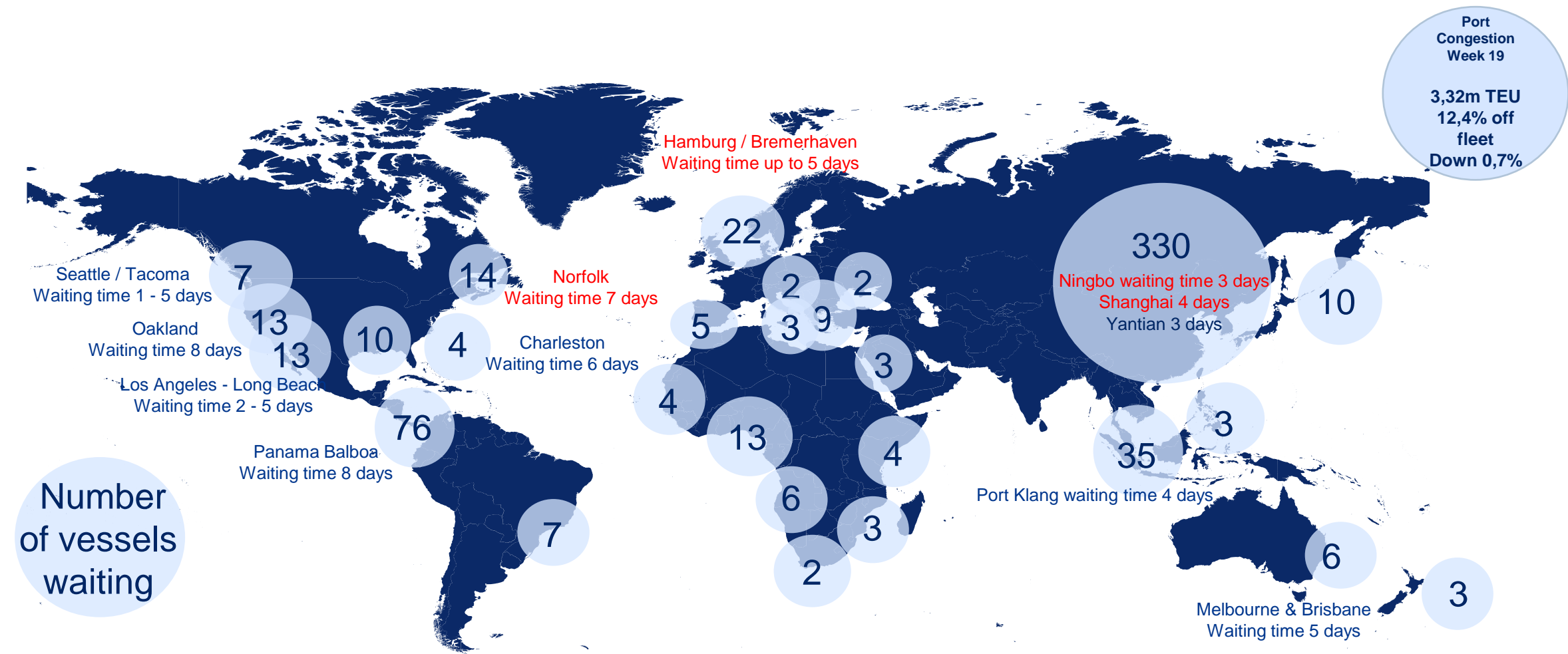


Port Congestion



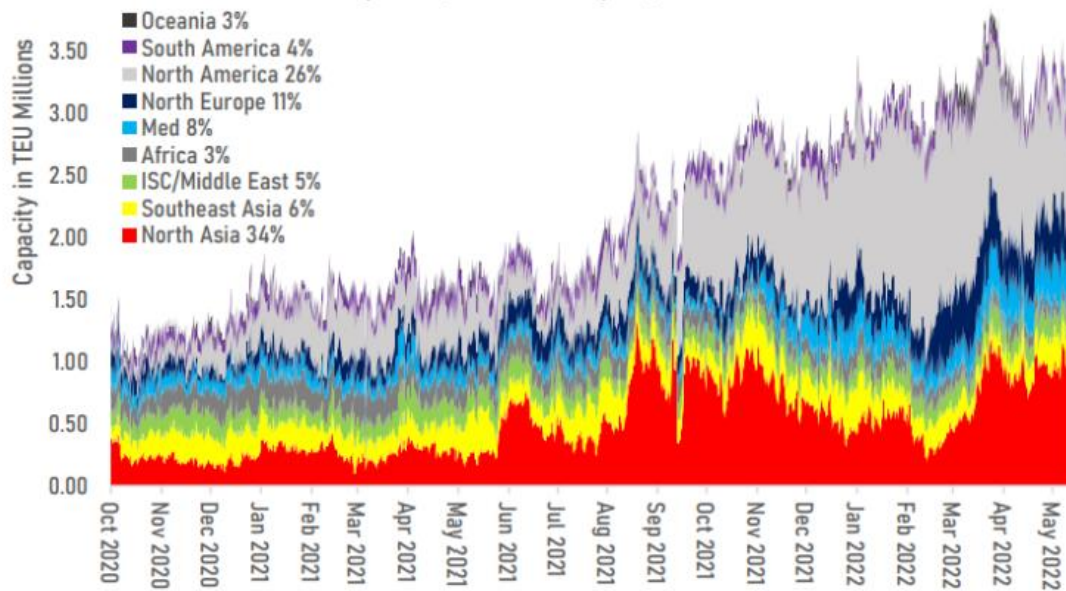
Global port congestion

Global port congestion continues to fluctuate around 12% to 13%.
China is now taking the lead of port congestion over North America



Source: Marine Traffic May 16th 2022, www.gocomet.com

North Asian congestion currently accounts for 34% of congestion globally, overtaking North America



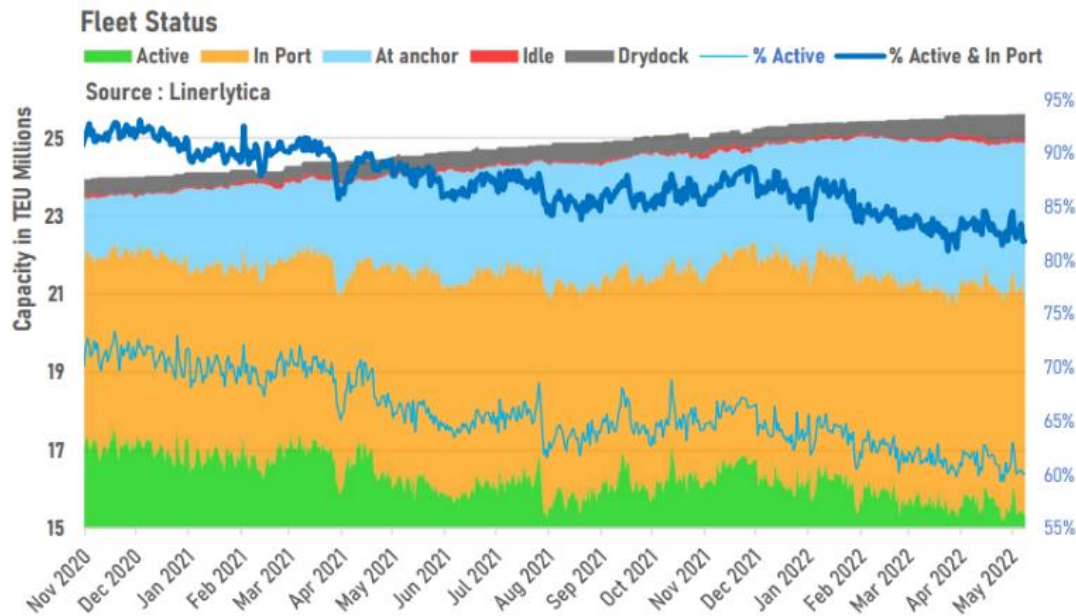
Source: Linerlytica (May 2022)

Global port congestion continued to **fluctuate around 12% to 13%** of the global fleet

There are no clear trends on how congestion will trend in the coming months and much depends on the developments in the 3 main trade regions of China, US and Europe.

We have seen an increase in congestion in China, but this was offset by improvements in the US and European ports.

Congestion drives down "active container fleet" reducing space available despite shipping lines adding more vessels

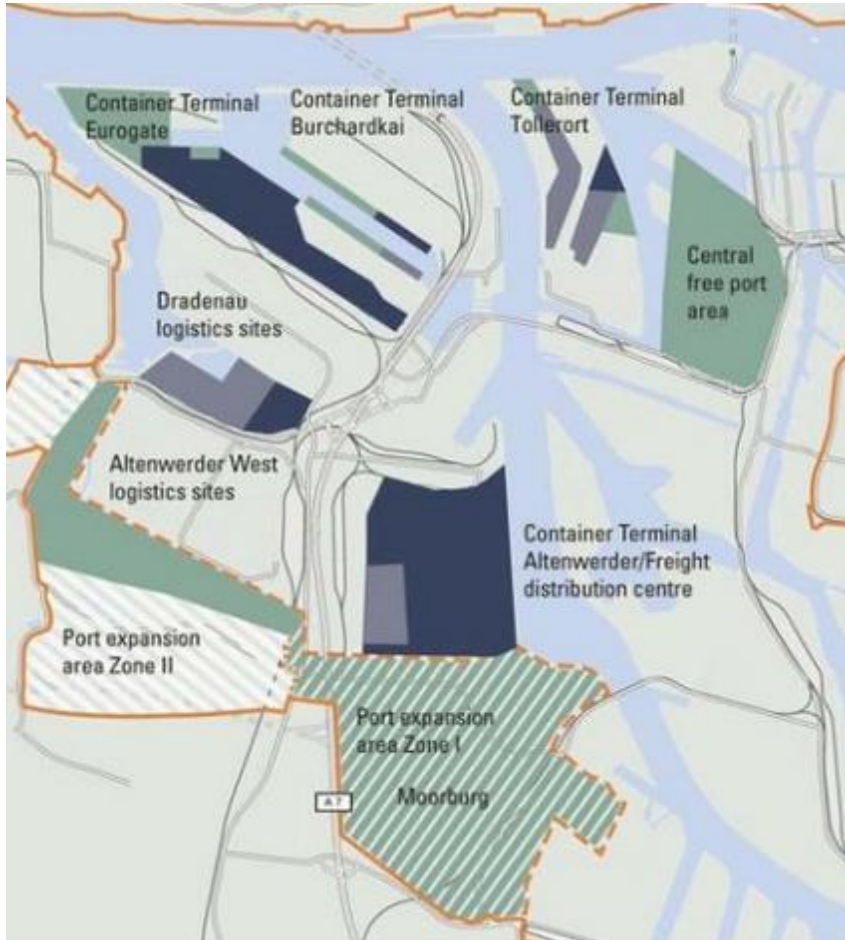


The active containership fleet dropped last week to 15.5m teu as at 8 May due to the increase in port congestion in China over the past week.

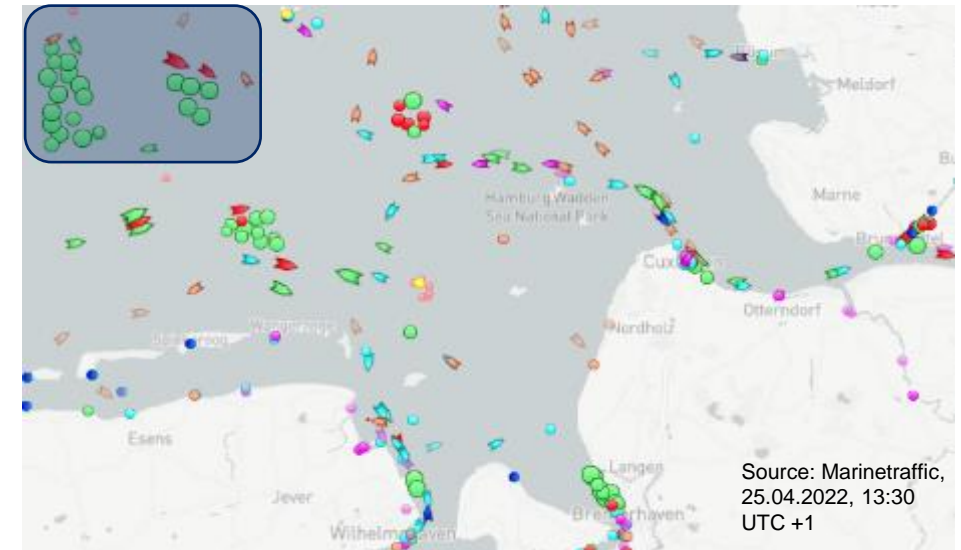
The **active fleet currently account for 60%** of the global containership fleet, with an additional 21.7% of the fleet berthed in ports (not including ships waiting at anchorages). This compares with 73.0% that were active and 18.5% that were berthed at ports in October 2020.

Hamburg Terminal Congestion

Limiting factors



- 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
- Large backlog, berthings are used as container storage
- THE alliance heavily affected
- Up to 21 days delay
- Predominantly ASIA to EUROPE service being affected



Trade Update

Asia Pacific Port Situation

As per week 18 status, which is evolving and depends on latest updates

Port	Waiting Time (days)	Condition
Shanghai	3-5	Heavy berth congestion especially in WGQ 2 and 5 with waiting/delay between 3 to 5 days. CNC stops accepting DG and COC dry bookings into Shanghai.
Ningbo	2-3	Heavy berthing delay 2- 3 days. CNC continue to stop accepting new DG bookings into Ningbo.
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	0.5	Moderate berthing delay by about half a day. Yard utilization healthy.
Yantian	1	Berthing wait less than 1 days, yard density 80%.
Hong Kong	0.5	Operation is normal. Wait for berthing within 0.5 day.
Manila	1	Moderated congestion in MNS and MNN, waiting time about 1 day.
Pusan	1	BNCT yard density is around 70%. Berth waiting time around 1 day.
Port Klang	2	Operation is normal. But berthing wait for 2 days due to bunching arrival.
Singapore	1	Congestion situation remains, berth waiting time about 1 day.
Kaoshiung	1	Yard utilization stable at around 90+%, berthing wait for less than 1 day
Australia		The situation at Australian terminals remains stable, with Sydney facing the most issues, since Brisbane has finally rebounded after the recent floods. All Melbourne terminals have an average of 1.5 to 2 days of delays. Fremantle and Brisbane range from 1 to 3 days, whilst Sydney is suffering approximately 6 to 7 days at Patricks terminal and around 3 to 5 days at DP World terminals.
New Zealand	4-6 days	Auckland: Port shutdown and operational disruptions in place

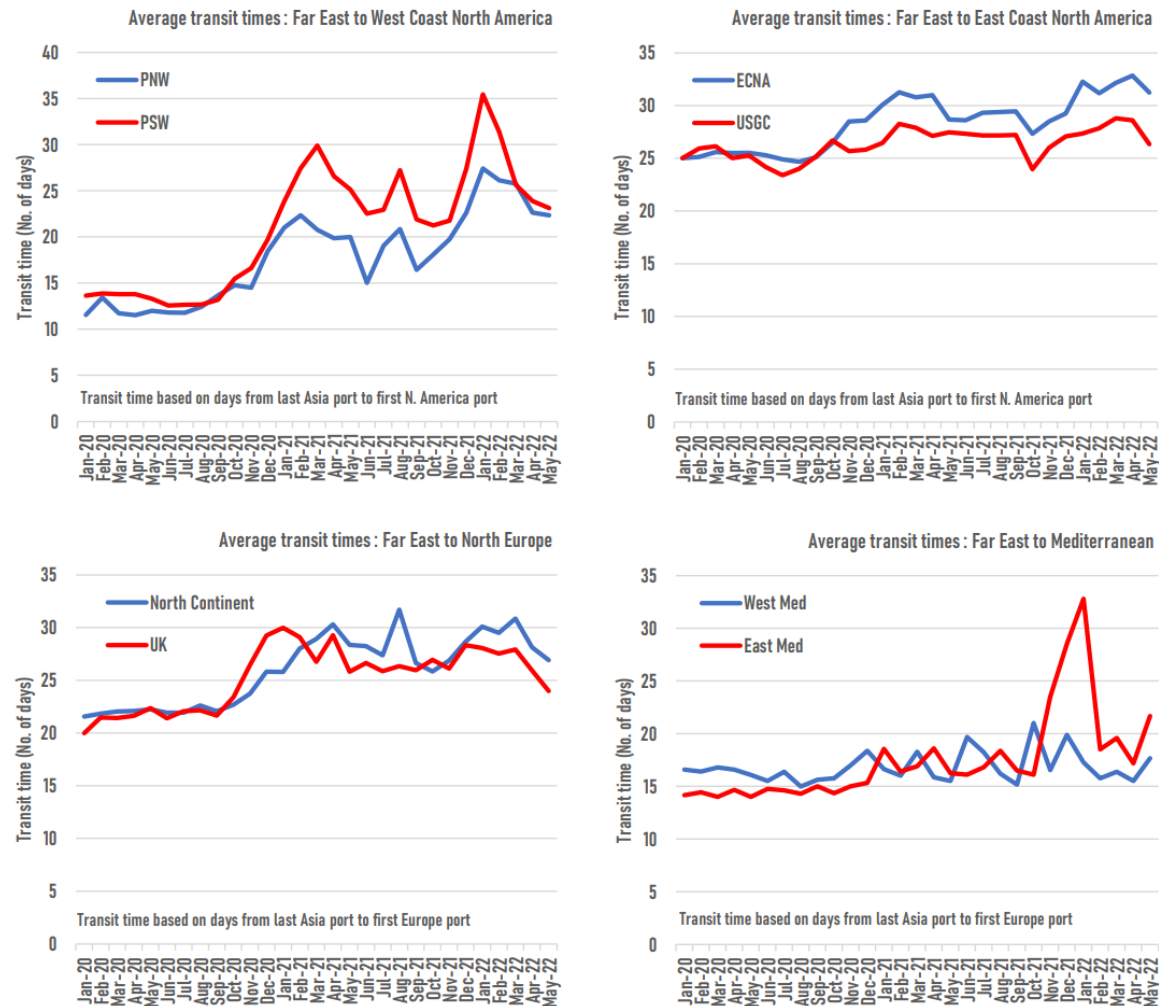
Source: CNC Line



Ocean Update

DSV

Transit time performance is improving across all trades, except for the Asia-Med route with congestion issues



There were small improvements in transit times to North Europe in early May but these gains are temporary, with North Continent ports still recording long berthing delays.

Transpacific services have logged improvements on both the US West Coast and US East Coast. On the PSW, transit times to Los Angeles and Long Beach remained largely unchanged.

Some improvements came mainly in Prince Rupert and Tacoma, but waiting times at Vancouver and Seattle increased.

Transit times to the US East Coast also improved in early May but waiting times remain very high in New York and Norfolk and the May performance is likely to deteriorate in the coming weeks.

Contract negotiations are underway for workers at the Port of Los Angeles and the Port of Long Beach



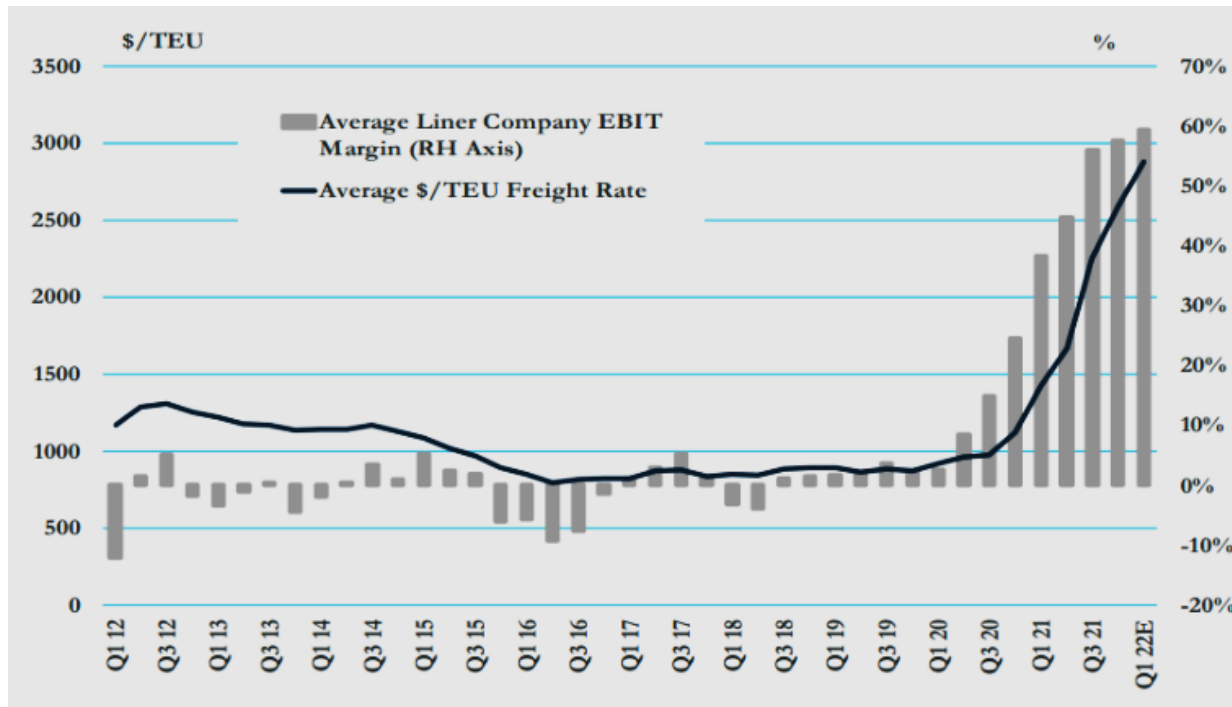
The negotiations between Pacific Maritime Association and International Longshore Warehouse Union officially started on 12 May. The bargaining agreement will cover more than 15,600 dockworkers at 29 ports, including thousands at the Port of Long Beach and Port of Los Angeles who are members of the ILWU Locals 13, 63 and 94.

In the last contract negotiation in 2015 workers went on strike closing the terminal in Los Angeles.

Shippers have “walked the talk” since the start of the 2022, and US East Coast and Gulf Coast ports are handling a record high number of containers coming from the Far East. During Q1 the number of imports:

- US East Coast (+9,6%, 3.4m TEU)
- US West Coast (-5,1%, 3.1m TEU)

Annual contract negotiations have closed at record levels, pushing average revenue up for all shipping lines



Source: Annual reports for top 12 shipping lines

- Average USD per TEU freight rates continue to climb as annual contracts are renegotiated, as an example:
 - Q1-21 1,200 USD per TEU
 - Q1-22E 2,800 USD per TEU
- 110% Average long term increase Apr-22 vs Apr-21 (according to Xeneta Shipping Index). This will push average rates more during the year.
- 71% Share of Maersk Line volumes on long term contract in 2022 compared to 64% in 2021

Sri Lanka under extreme operational challenges

Sri Lanka due to dollar shortage is now experiencing OIL shortages as well



Sri Lanka

- Service to EU: Space is being restricted as sailings on FP2 curtailed and rollovers occurring. Both IEX/ SHOGUN having restrictions as well
- Space is open to other trades
- Berthing delay is now limited to 2 to 3 days. About 25,000 teu held up in terminals disrupting efficiency of inter terminal trucking
- Rates showing an upward trend. Current Local situation dire due to constant Electricity disruptions and diesel Shortages due to Forex crisis. April New year holidays might ease

Trade Update

Intra-Asia – Asia Pacific Equipment Situation

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

** basis on current political situation **

Update as of 14th April 2022

D – Deficit
S – Surplus

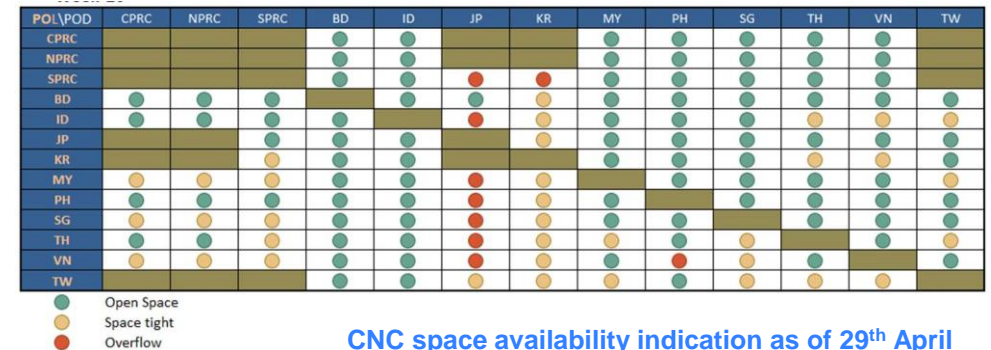
CHINA					
Location	20DV	40DV	40HC	20RE	40HR
DALIAN	D	D	D	-	-
XINGANG	D	D	D	S	S
QINGDAO	D	D	D	-	D
SHANGHAI	D	D	D	S	S
NINGBO	D	D	D	S	D
HONGKONG	-	D	S	S	S
SHEKOU	D	D	D	-	D
YANTIAN	D	D	D	-	D
XIAMEN	-	D	D	-	D
QINZHOU	S	-	-	-	-
SHANTOU	D	D	D	-	-
FUZHOU	D	D	D	-	-
KAOSHIUNG	D	D	-	-	S
TAICHUNG	-	D	D	-	S
KEELUNG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

JAPAN					
Location	20DV	40DV	40HC	20RE	40HR
YOKOHAMA	S	-	D	S	S
TOKYO	-	-	S	-	S
NAGOYA	D	-	D	-	-
OMAZAKI	-	-	-	-	-
YOKKAICHI	D	D	D	-	-
OSAKA	-	-	-	-	S
KOBE	D	-	D	D	S
HAKATA	S	-	D	S	S

SOUTH KOREA					
Location	20DV	40DV	40HC	20RE	40HR
PUSAN	D	-	-	-	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.

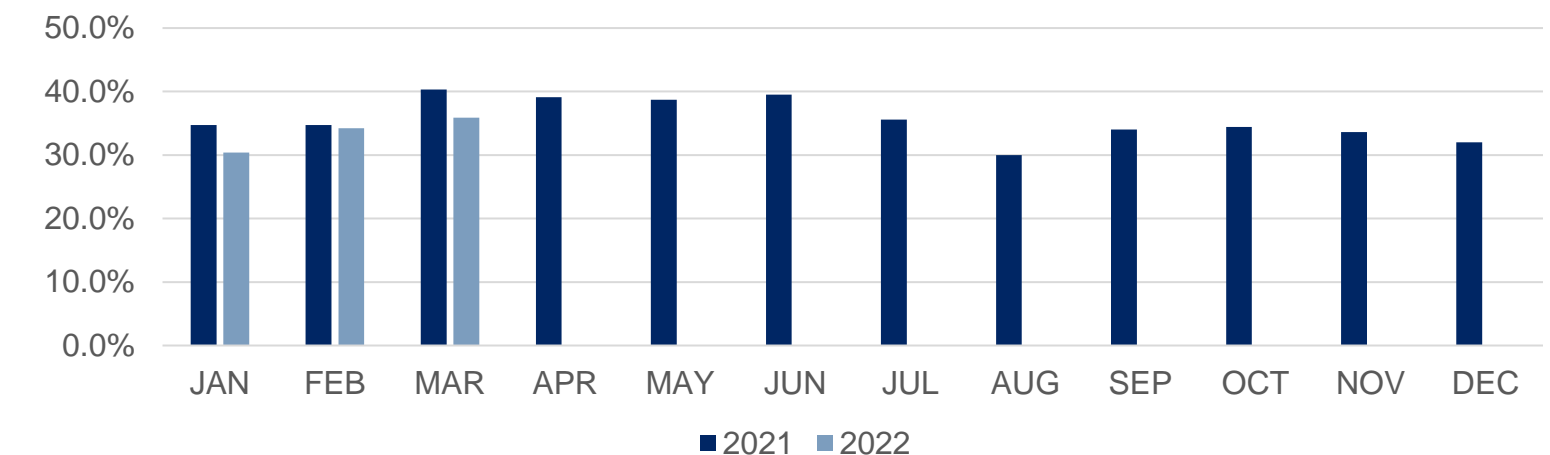


Source: MSC, Maersk line

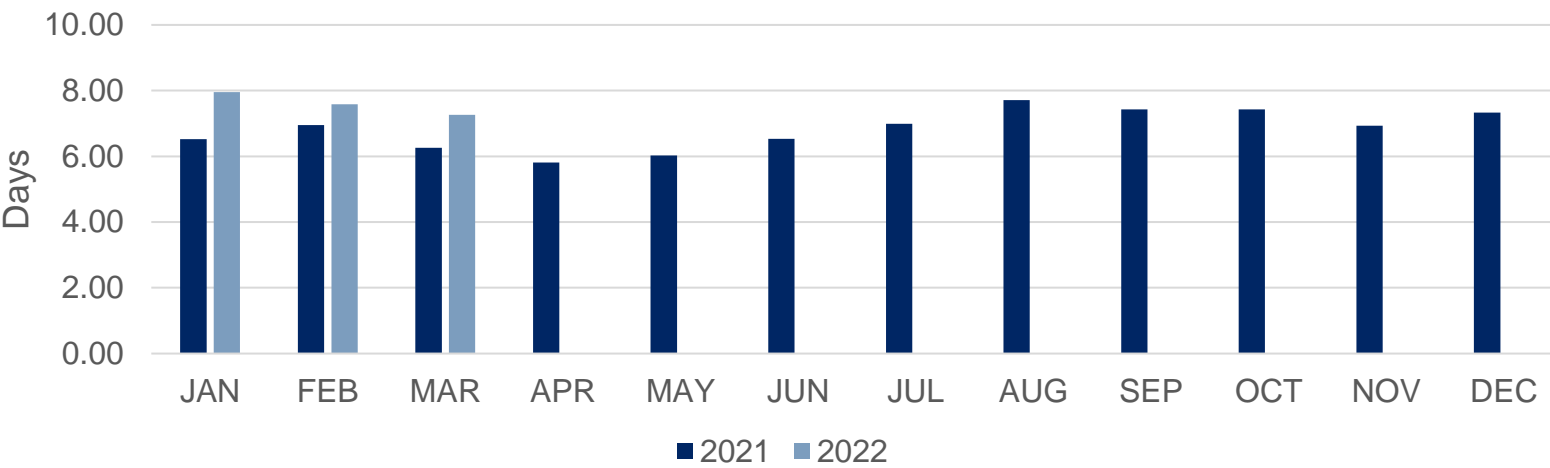
Global Liner performance on March 2022

Schedule reliability was up at 35,9% and 7 days of delay (small improvement)

Carriers Schedule Reliability 2021 vs 2022



Average Delays 2021 vs 2022



Vessel reliability per tradelane on March:

- ASIA – North America WC: **13,7% reliability** 13 days of delay
- ASIA – EUROPE: **24,5% reliability** and 9 days of delay (10% improvement)
- EUROPE – North America: **35,7%** and 8 days of delay (15% down)
- EUROPE – ASIA: **32,7% reliability** and 6 days of delay (5% improvement)
- ASIA – OCEANIA: **14,2% reliability** and 8 days of delay



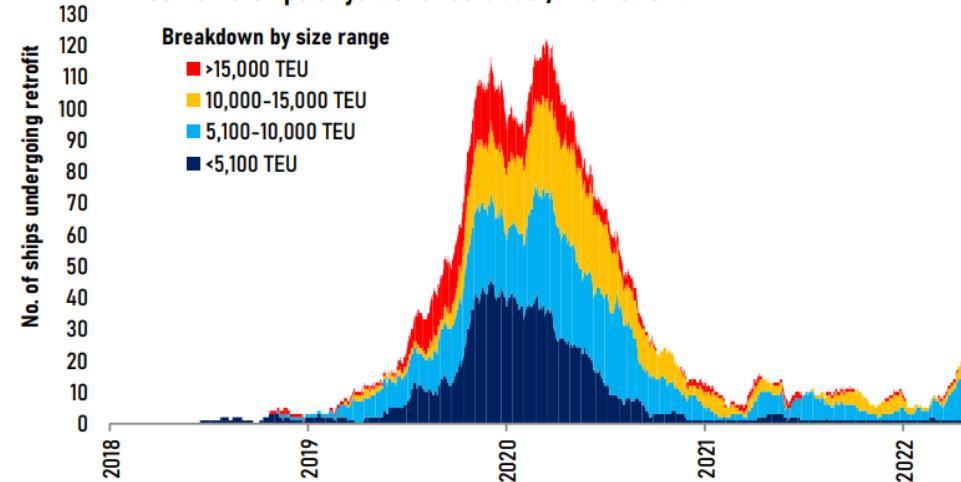
Bunker price development

After the large increase of March, prices are “stable” on the high side

Bunker Q2 22 Average of VLSFO



Containerships at yards for scrubber/LNG retrofit



Increase of vessels at yards for scrubbers due to the increase in price gap of VLSFO and IFO

There is a continuous flow of ships entering yards for scrubber retrofits, a large number of which have been delayed for the past 2 years.

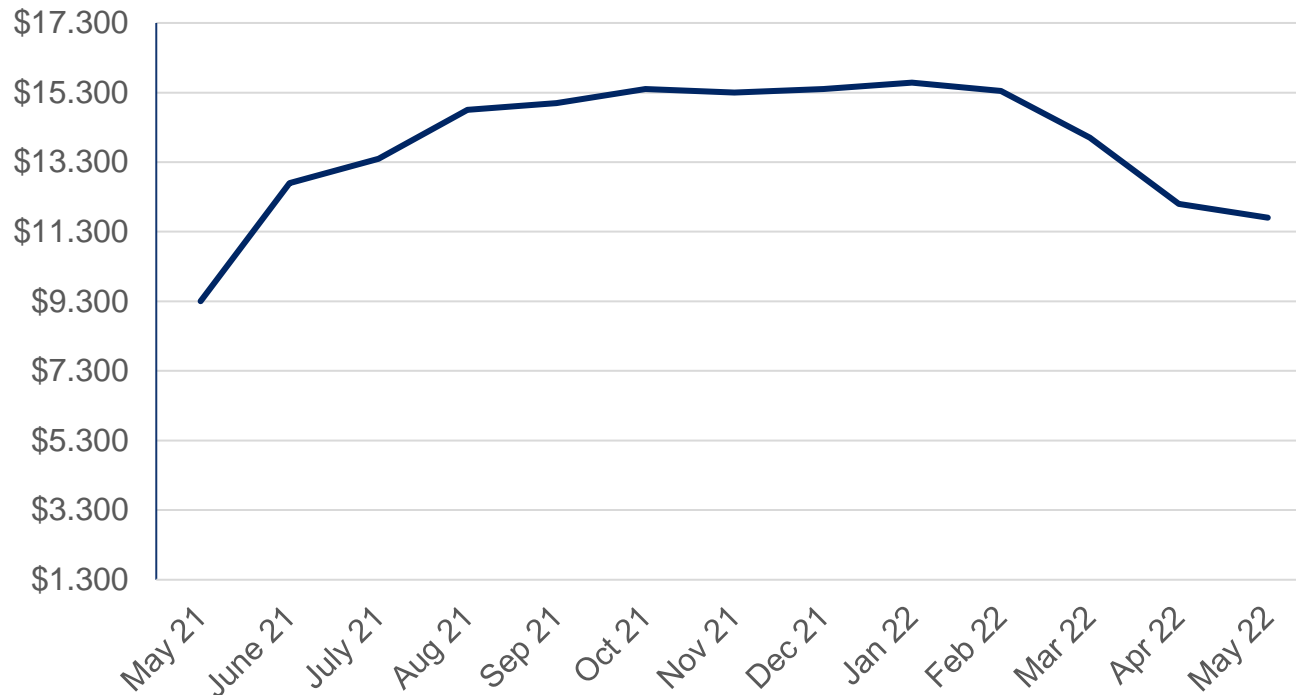
There are currently 22 units for 187,431 teu recorded to be undergoing retrofits. Evergreen's EVER LIVING is currently at Zhoushan for its capacity upgrade and scrubber installation with completion scheduled in July

Source: Ship&Bunker

Ocean Freight Asia - Europe

Spot rates are decreasing, heavy service disruptions with blank sailings

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



Source: SCFI Week 19-2022

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

Rates are going down, severe service disruptions being affected by lock downs in North of China

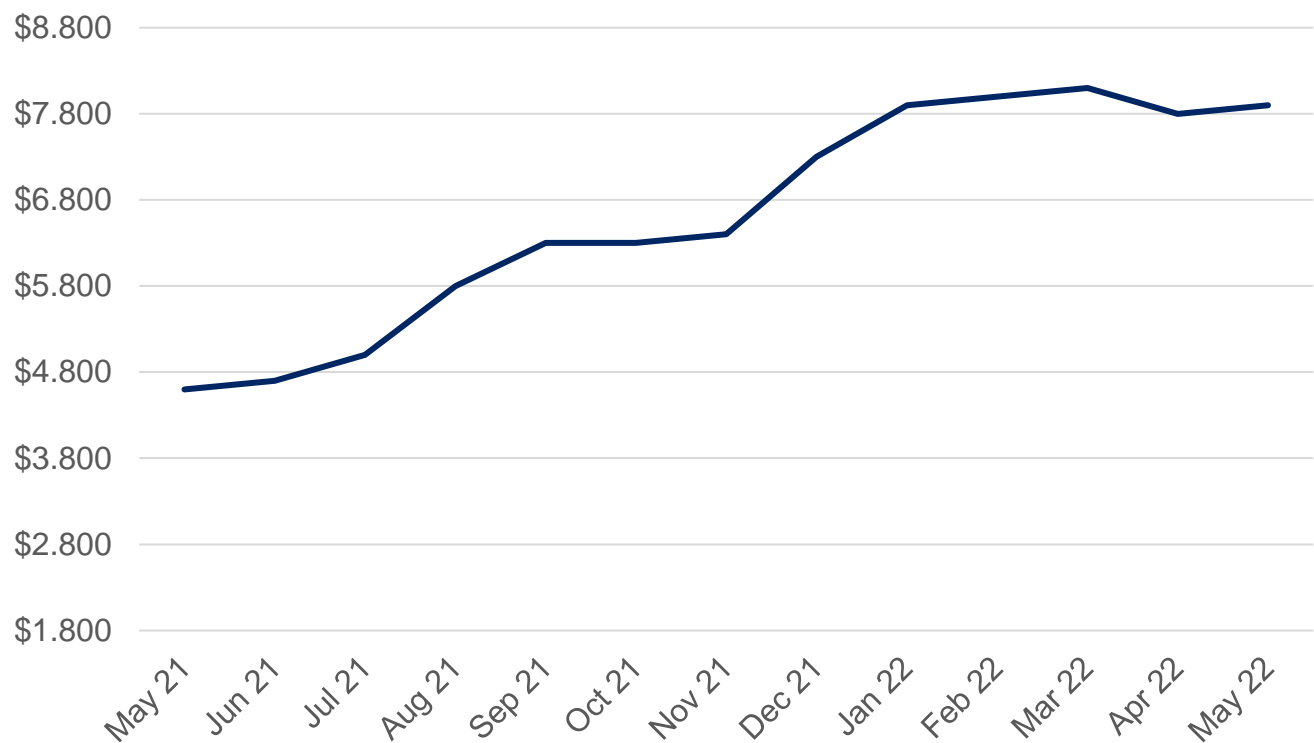
SCFI Levels Week 19-2022:

- Shanghai – North Europe: USD 11,720/ FEU
- Shanghai – Mediterranean: USD 13,202/ FEU
- Services keep being delayed and heavily disrupted
- Carriers announcing 12 blank sailings in MAY to North Europe and 6 blank sailing to Mediterranean as a tool to stop rate decrease of Covid situation
- Ongoing service disruptions with severe delays lead to some port omissions; sometimes even on very short notice.
- Congestion and services to Mediterranean ports affected
- We expect an increase of volumes now that Shanghai opens again

Ocean Freight Asia - North America

The market remains strong. USWC rates still remain at record levels and USEC rates are at historic highs still.

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



Source: SCFI Week 19 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

Space remains extremely tight for cargo out of Asia and most predict this will continue into 3rd Qtr 2022 based on projections from importers

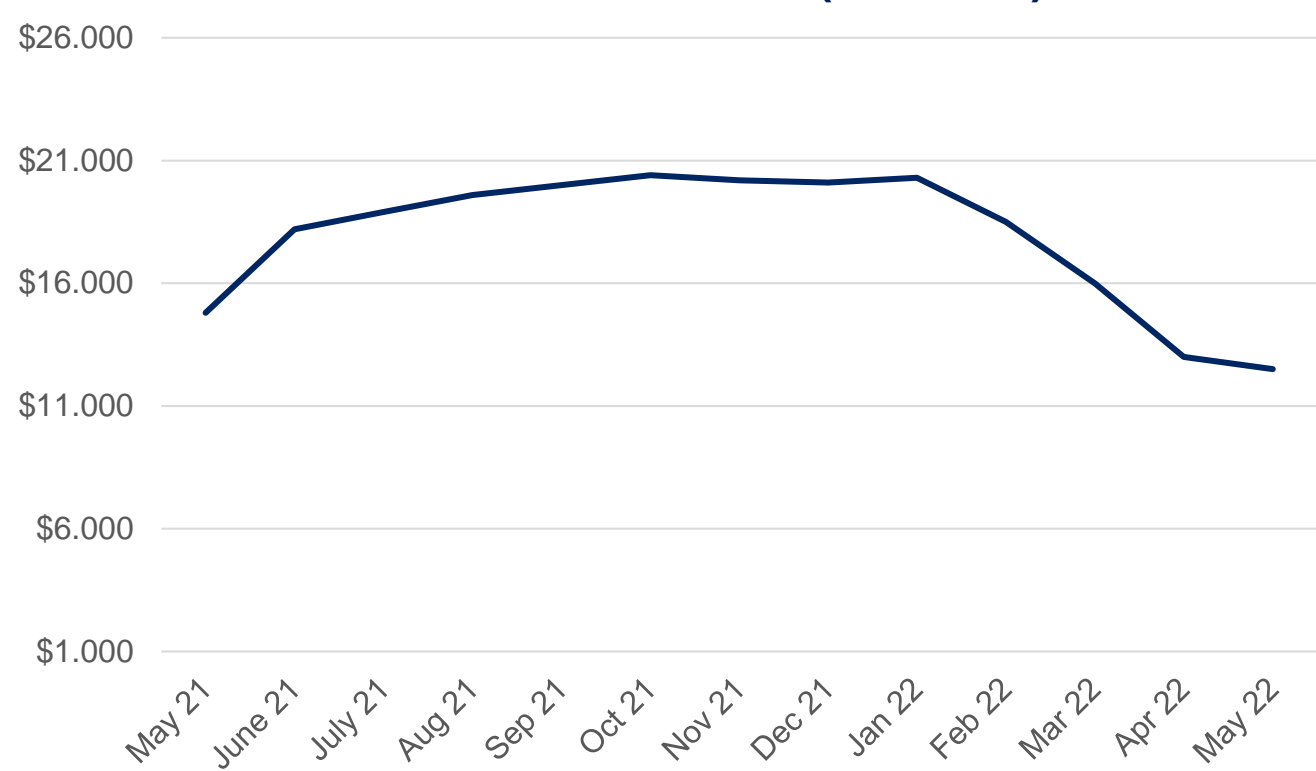
SCFI Levels Week 19-2022:

- Shanghai – US West Coast: USD 7,900/ FEU
- Shanghai – US East Coast: USD 10,560/ FEU
- We are also seeing shortages of all equipment types out of Southeast Asia and the major ports in China.
- Lines are now stopping bookings due to lack of equipment at origin.
- The ongoing COVID situation in China will continue to impact the market in future weeks and will most likely lead to increased rate levels in June and beyond.

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 19-2022

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 19-2022:

- Shanghai – Santos: USD 12,506/ FEU

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

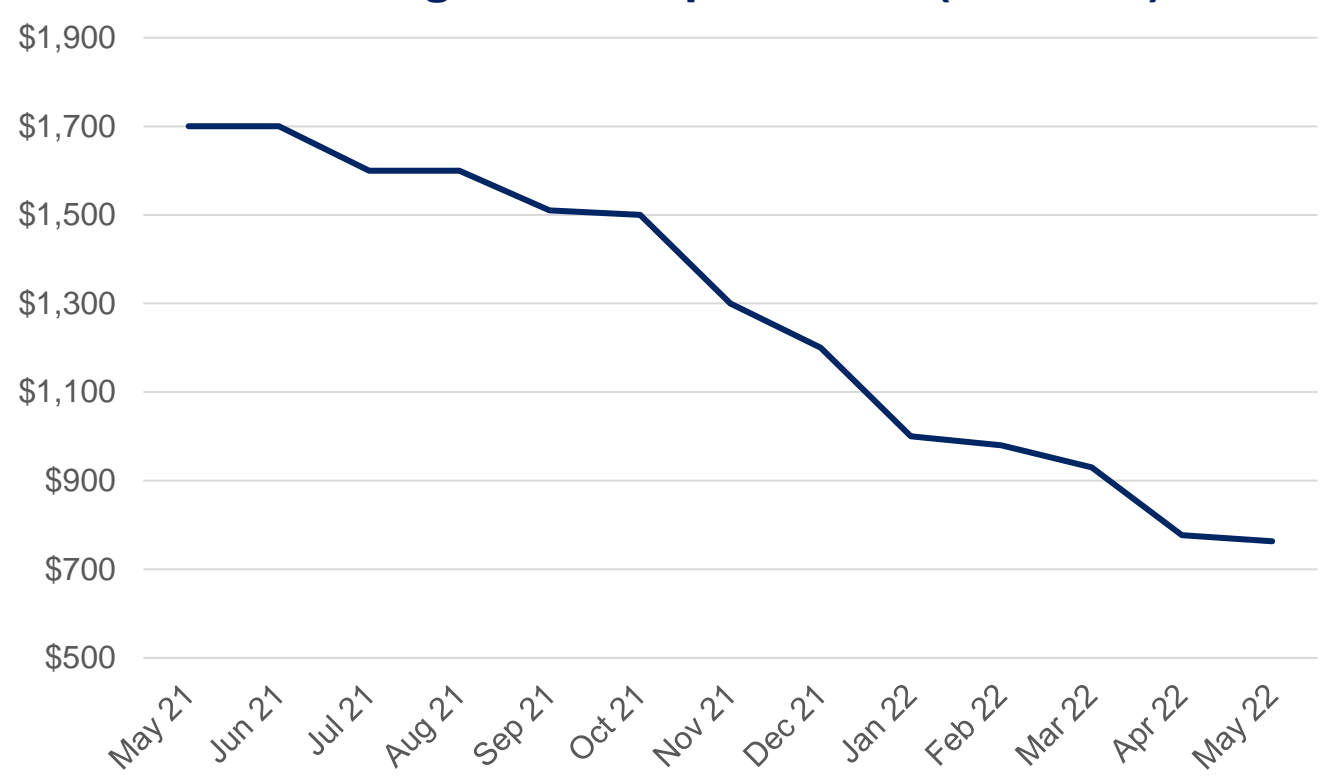
- ECSA: Average of 30K TEU/week supply + European routing (adding up to 8-10%).
- WCSA/MEX : Average of 78K TEU/week supply.

We recommend being open to any kind of equipment available, being 20, 40's Dry or HC and also to NOR (non-operating reefers)

Ocean Freight Europe – Asia

Downward rates also caused by closure of China factories

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



Source: Freightos Baltic Week 19-2022

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 19-2022:

- Europe to ASIA : USD 763/ FEU

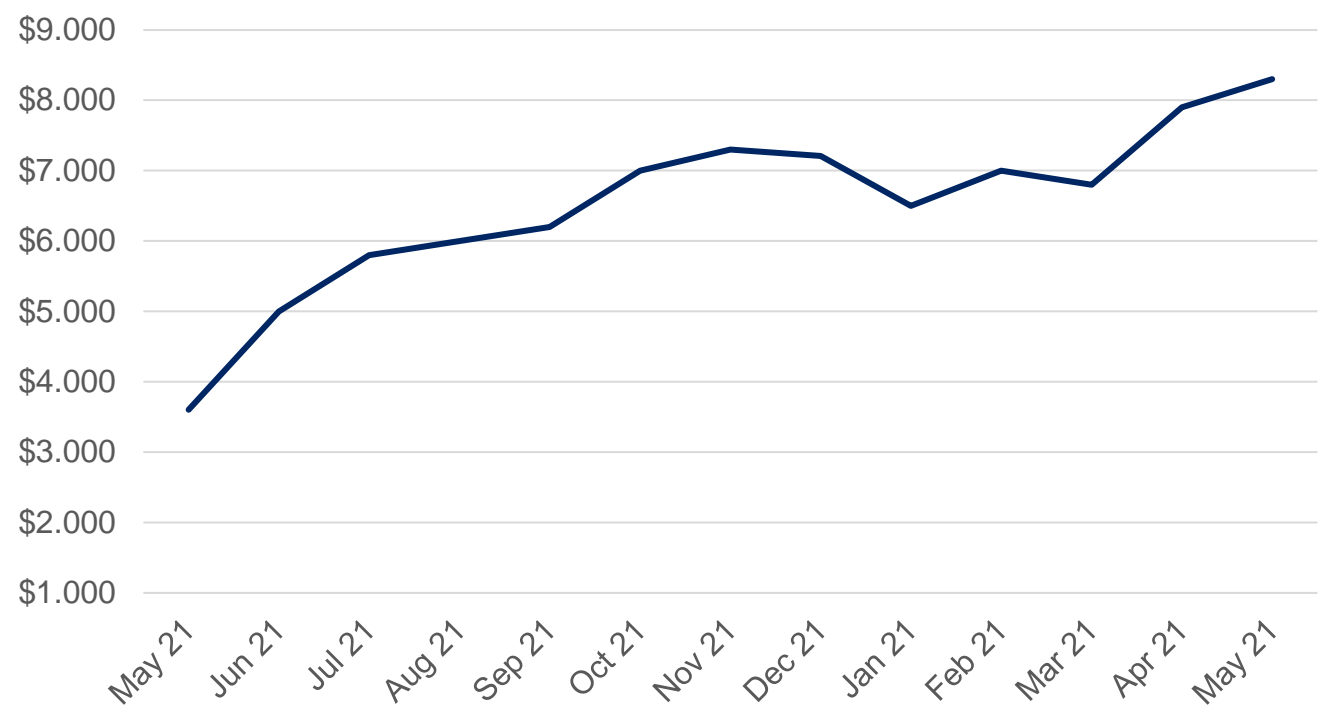
Ongoing softening in the spot market

- Spot market remains under pressure
- Ongoing downward trend also in the mid- and long-term segment
- Ongoing operational challenges due to port congestion, vessel delays and equipment availability problems

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 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 19-2022:

- Rotterdam – New York: USD 8,395/ FEU

Bookings need to be placed 6-8 Weeks in advanced

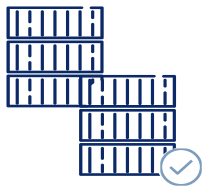
- US inland deliveries continuously challenging – rail operators and hauliers capacity under pressure due to terminal congestion, infrastructure issues and legislation.
- Long terms business (12 months +) are offered around current spot levels indicating carriers believe the market will remain high but stable.
- Future unpredictable but we do not expect carriers to stop pushing for increases.

Trade Update

Intra Asia

As per week 18 status, which is evolving and depends on latest updates

Demand



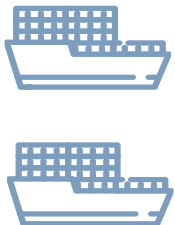
- Extended lockdowns in various China cities have led to significant export cargo shortfalls with capacity utilization out of Asia still falling.
- After COVID lockdown, SEA countries export rebounded which led to growing equipment / space demand ex SEA POLs.
- Vietnamese container port volumes have recovered strongly due to export orders diverted from China.

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 weakened in the face of softening demand.







Supply



- Continuous or last-minute blank sailings lead to low schedule reliability & capacity reduction.
- Port congestion has increased slightly with Chinese port congestion remaining elevated.
- Vessel waiting times at 2-4 days on average in Shanghai and Ningbo due to congestion.
- Ningbo saw an increase in ad-hoc port calls which also resulted in lengthened vessel wait times.



Ocean freight market overview – All time high as a "new normal"

TRADE LANE	COMMENTS	RATES AND SPACE	
ASIA to Europe	<ul style="list-style-type: none"> Expect increase on volumes by end of June Space is still tight from China and there is equipment shortage (specially 40') Long term rates will increase due to BAF 	↓	
ASIA to NAM	<ul style="list-style-type: none"> Market remains strong Equipment shortage, specially in Vietnam and China Space remains extremely tight for cargo out of Asia 	→	
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"> Capacity is key more than ever Shipping lines are temporary open space Shortage of equipment continues especially with CMA CGM, Cosco in the SEI locations 	↑	
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 Equipment under shortage (long haul trades receive the equipment before intra Asia) 	↓	



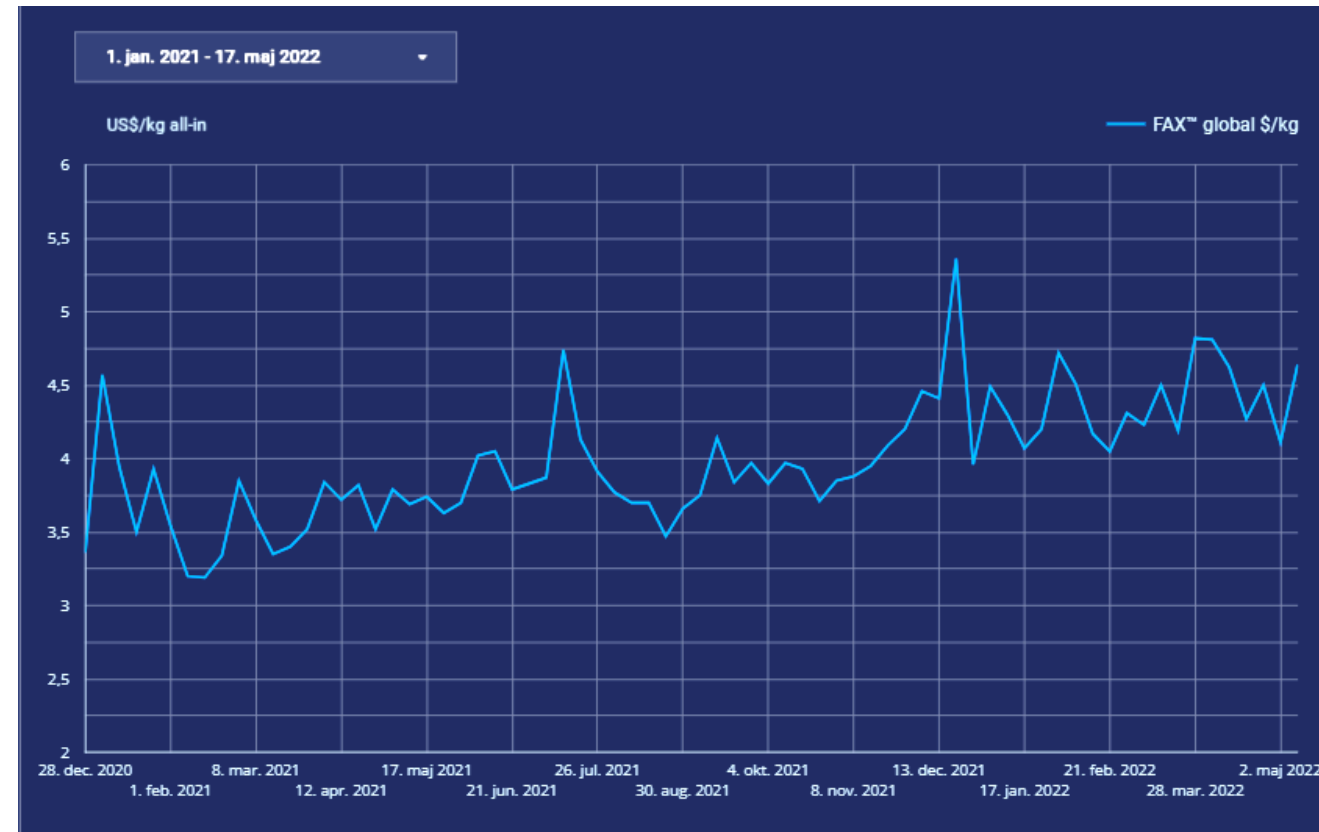
Air Update

DSV

Summary

After China lock-downs we expect rate increases

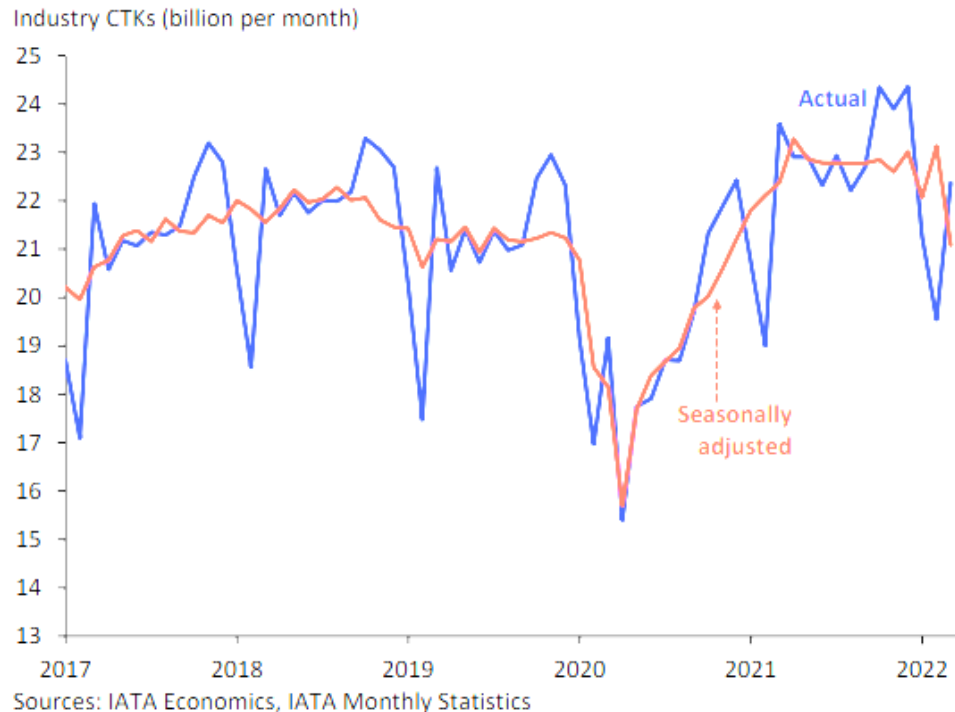
- Rates will remain elevated during summer as there are no signs of recovery on the ocean freight front, The Russia/Ukraine crisis results on supply chain challenges global which fuels the need to Air Cargo Capacity.
- Expect increases on Air rates, both to and from once China / Hong Kong relaxes its Zero-covid policy and production/demand ramps up. The increased demand will likely hold till end of the year and as such drive an early Peak Season till end of 2022.
- Supply chain shortage will again spike the ocean to air conversion and China will see no new influx of belly capacity due to their travel restrictions
- Further embargo's on Russian oil will increase Jet Fuel cost and add inflationary pressure which aside from demand/supply drivers- structurally increase spend on transportation



Source: FAX global Average

Demand

High demand expected after Covid Shanghai lockdowns

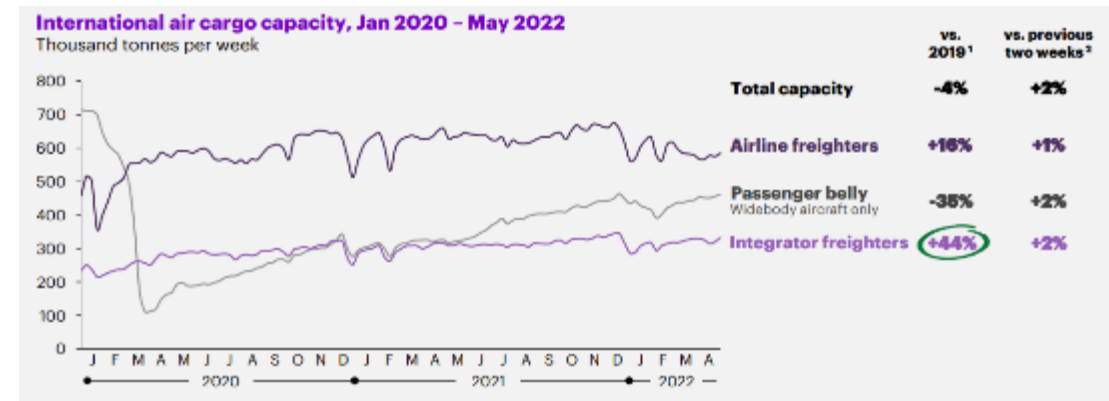
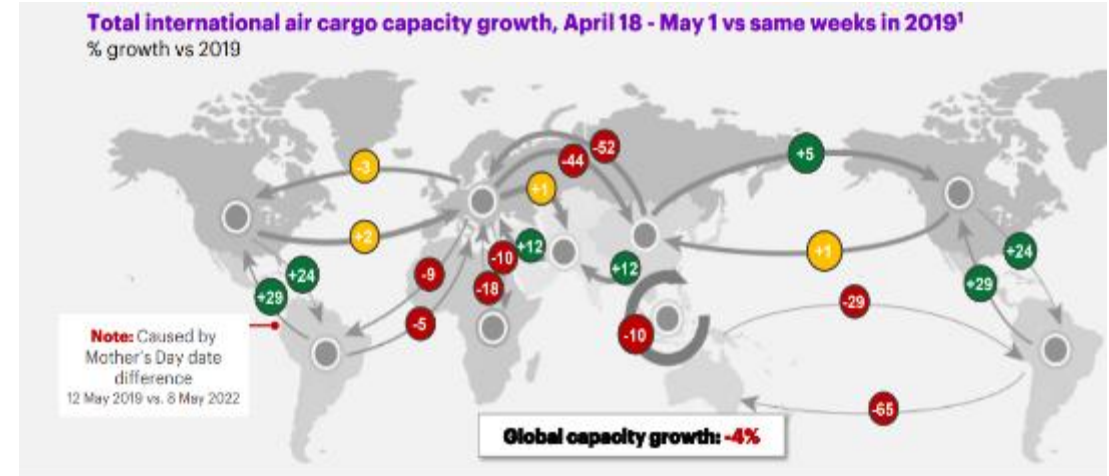


- Transatlantic: High demand driven by re-opening after Covid and also driven by productions shifts as a result of the Ukraine/Russia crisis. As a result of TP ocean carrier moving away from the US West-Coast (terminal congestions) to US East Coast terminals- also TA Ocean trade impacted and resulting in ocean to air conversions.
- Transpacific: High demand to China driven by the carriers limiting pay-loads and handling of certain commodities. Oceania no space as no additional capacity is deployed and increased demand due to re-opening and passenger loads limiting cargo-payloads
- LATAM: Stable and moderate for most countries. Expect demand to increase in course of next month's once China opens up and volumes will flow through Miami as this remains the gateway to LATAM.
- APAC: Stable and moderate for most countries, and currently seeing much less ocean to air conversions as well as ocean supply chains has been adjusted to the longer lead times, thus less need for air

Capacity

Passenger airlines adding frequencies and services to accommodate the holiday travel and relaxation of global Covid travel restrictions.

- **Trans-Atlantic:** It is where most of the additional capacity is deployed. This additional capacity is to a large extent offset by Airbridge Cargo and its subsidiary Cargo Logic Air no longer operating due to being Russian
- **Transpacific:** Stable in the last month where Singapore is the most constrained driven by high demand and supporting in-transit freight for other South East Asian countries. Indian Subcontinent capacity increases remain limited and not enough to offset the increased demand. Closure of Russia/Ukraine airspace has resulted in longer flying routes from US to India and as such also impacting the payloads and available capacity. The opening of countries for travel and increased passenger loads have an impact on the cargo payloads especially on longer TP routes such as **Singapore and Oceania:** more people/luggage result in less room/payload for cargo. Due to the shortage of labor in China and its 0-covid policy, carriers are limiting China inbound payloads and suspending handling certain commodities- Temp Control, Hazardous and oversize
- **LATAM:** Stable and aside from some new freighter capacity (767 operators- LATAM Airlines & Air Canada) not much change expected as LATAM passenger airlines do not have the financial strength (Gov backing) to expand their networks without full recovery of passenger base-loads.
- **APAC:** Cathay Pacific has reached agreement with Hong Kong government in regards to crew covid restrictions and starting up transpac flights again from 10th May which will add additional capacity. Charter capacity in general more accessible than previous 18 month.

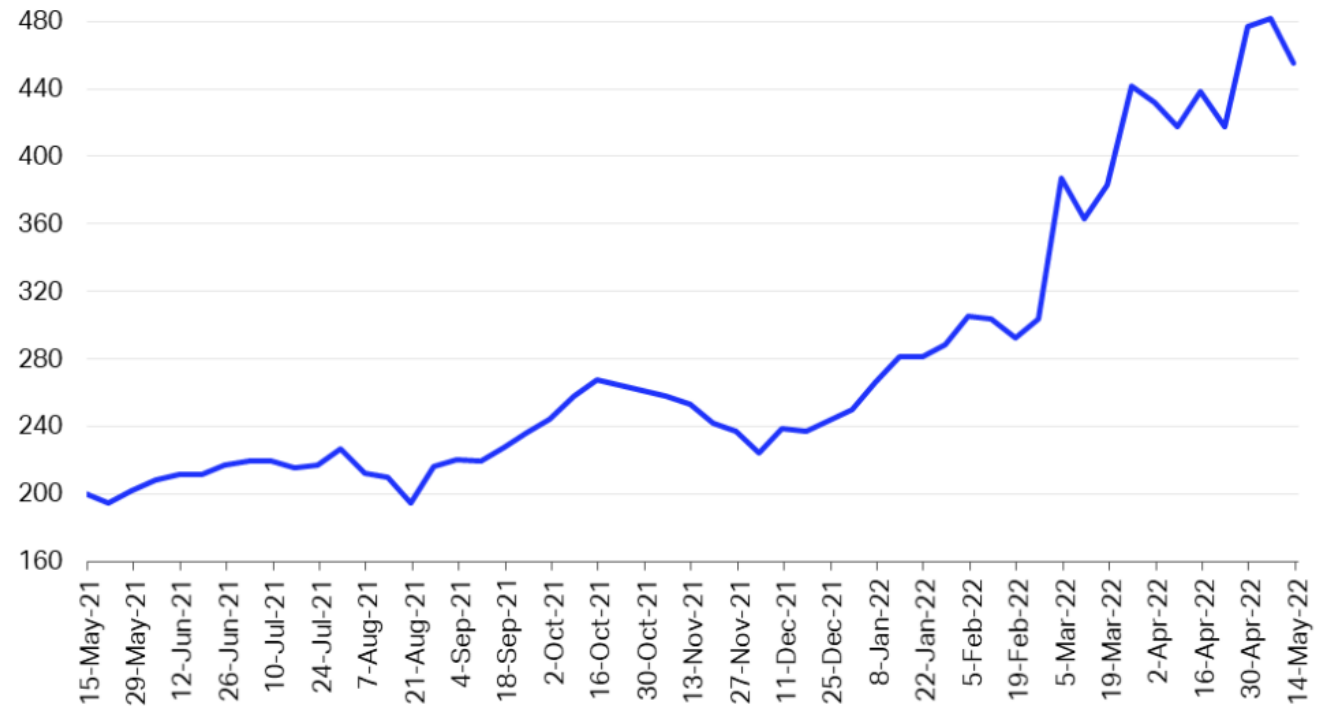


Jet Fuel prices continue to climb

Western European refiners are unable to fill the gap in supply to US East coast airports due to their own constraints

- Fuel prices continue to climb and have reached the highest level since the Russia Ukraine conflict. Another factor is that some airports are experiencing increased shortages of jet fuel.
- Jet fuel prices are soaring on the U.S. East Coast, home to some of the world's busiest airports, with buyers anticipating a worsening shortage as supply dwindles amid sanctions on Russian energy exports
- South Africa is one of the countries that have been affected with largest constrain on jet fuel. This has not yet had any drastic consequences. Should the situation worsen, there could be an impact on loading capacity on such routes.

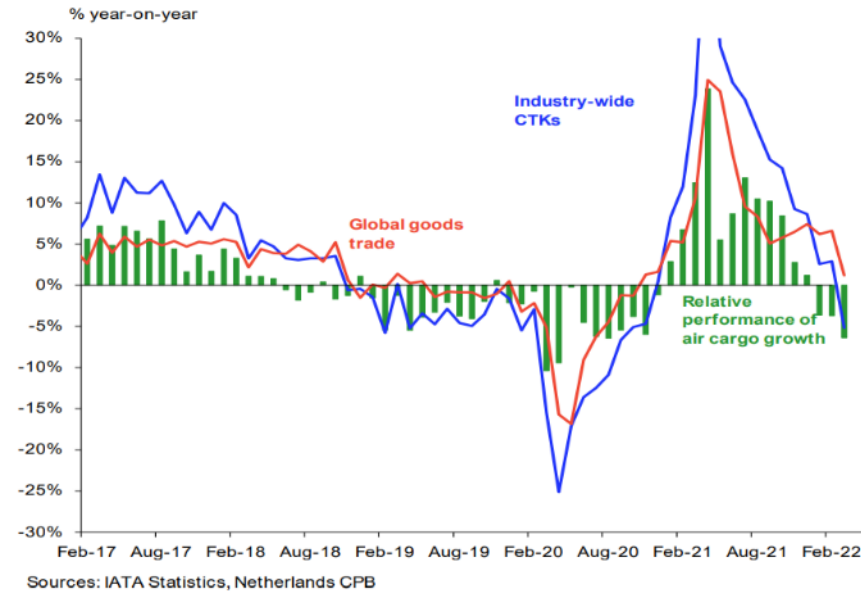
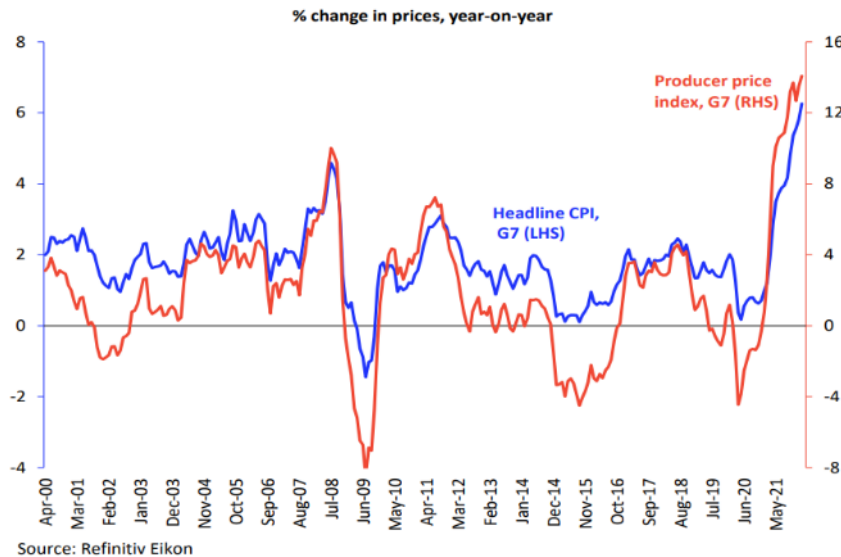
Jet Fuel Price Index (2000 = 100)



Source: S&P Global

Relevant items to consider

Concerns about inflation might drive down consumer demand

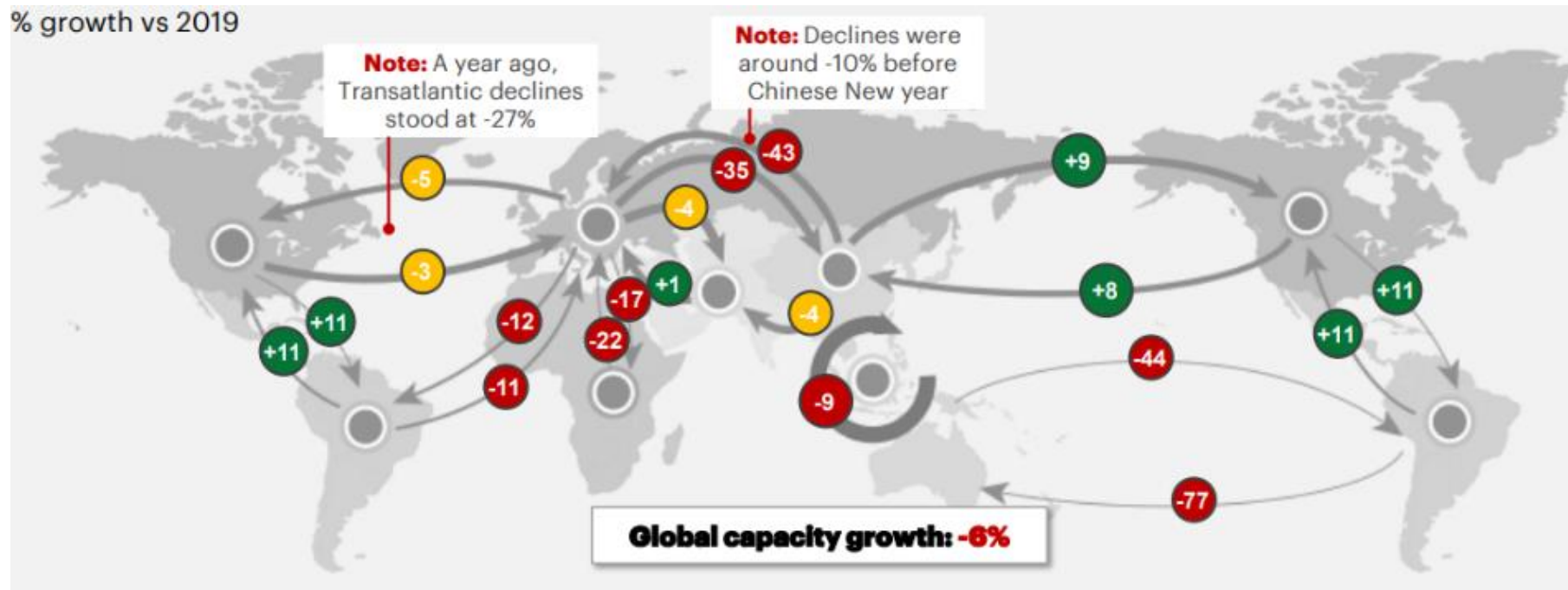


- Concerns about inflation, the war in Ukraine and the fed rate hikes continue to pose downside risks on US consumer confidence which may further curb consumer spending this year.
- ILWU (Longshoreman) labor negotiations start May 12. These negotiations have in the past resulted in strikes or slow-down of work by the dockworkers on the West-Coast. As such this can result in increased terminal congestions which will drive more ocean to air conversions.
- Ocean Terminal congestion not improving and is spilling over to other US ports in South East and North East, this having a direct impact on the TAWB/TAEB trade and increased demand due to ocean to air conversions.
- APAC: Several countries releasing covid travel restrictions and moving towards a more open travel policy. Most significant being Singapore dropping all travel restrictions for vaccinated travellers.

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

Total international air cargo capacity growth,

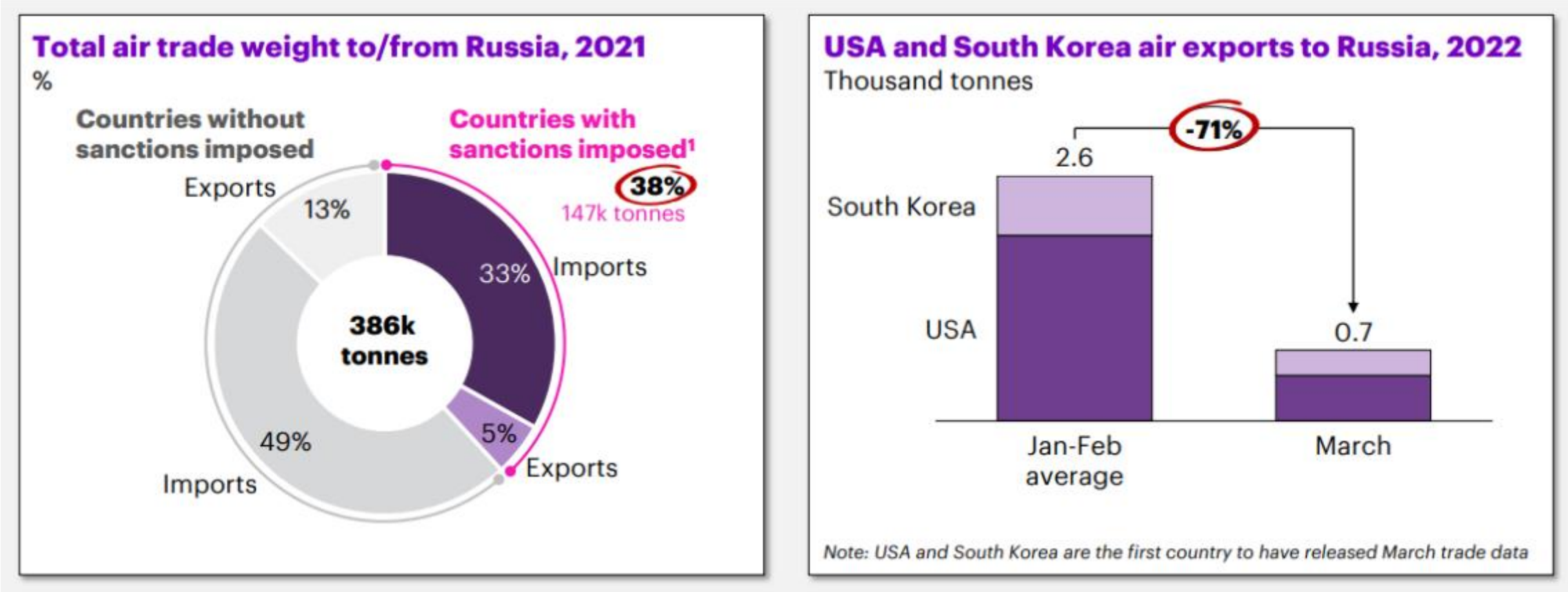
March 14-27 vs same weeks in 2019



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)

Countries that have imposed sanctions on trade with Russia account for ~40% (~150k tonnes) of Russian air trade

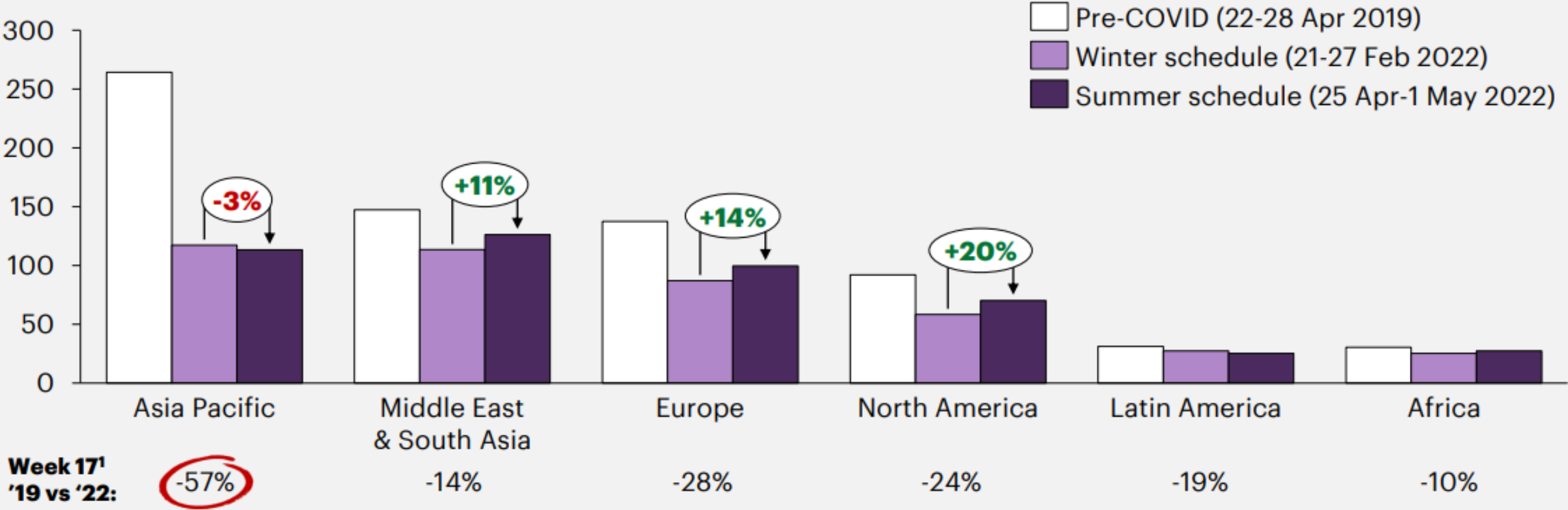


Air trade data from USA and South Korea shows sanctions caused a ~70% drop in air exports to Russia

Summer schedules in the Middle East, Europe and North America are boosting belly capacity recovery

International widebody passenger capacity per week, by origin region





Thousand outbound tonnes per week



(Intra-)Asia Pacific widebody belly capacity recovery is lagging behind

Air freight market overview

Expect increases on Air rates, both to and from once China / Hong Kong relaxes its Zero-covid policy and production/demand ramps up

TRADE LANE	COMMENTS	RATES AND SPACE	
Exports from China / Hong Kong	<ul style="list-style-type: none"> Some factories in nearby cities are beginning to resume their production in phases, however trucking capacity continues to be constrained. Ex-South China the market continues to ramp up after the long holiday and rates have dropped compared to the previous week. Cross-border trucking capacity is resuming. 	↓	
South East Asia	<ul style="list-style-type: none"> The market in-Thailand is stable, while ex-Malaysia and Vietnam the market remains soft due to the long public holiday. 	↓	
Exports from India/Bangladesh	<ul style="list-style-type: none"> Slow recovery of space Still Limited capacity available (limited PAX) 	→	
Export from Europe	<ul style="list-style-type: none"> Demand is still strong but expected to decrease in the upcoming slack summer season. Additional passenger capacity has created a surplus of cargo capacity. Rates are stable with transatlantic (TA) lanes starting to show a decrease in rates. Freight capacity remains constrained 	→	
Exports from NAM	<ul style="list-style-type: none"> Rates into Europe and Asia are stable. LATAM has experienced a slight increase compared to previous weeks. 	→	