



DSV Air & Sea

Market update July 2022

Germany's North Sea Ports Face Longest Strike Action in Decades

Current Status

- Dockworkers across major North Sea ports in Germany have yet again paralyzed operations after staging the longest strike in four decades following the collapse of the latest round of negotiations to resolve a protracted collective bargaining agreement dispute.
- German container shipping line Hamburg Süd said that it has been forced to observe a full stoppage for rail, road and ocean freight for both import and export across its German terminals for the duration of the strike. It directly affects operations in Bremerhaven, Hamburg and Wilhelmshaven..
- The longstanding collective bargaining agreement dispute has paralyzed operations at Germany's busiest ports owing to the fact that ver.di represents approximately 12,000 workers at the seaports of Emden, Bremerhaven, Bremen, Brake, Wilhelmshaven and Hamburg.
- In the dispute that has involved six rounds of negotiations all ending in a standoff, ver.di is demanding a 14 percent increase across the 58 collective bargaining companies including at the primary ports of Hamburg and Bremerhaven.

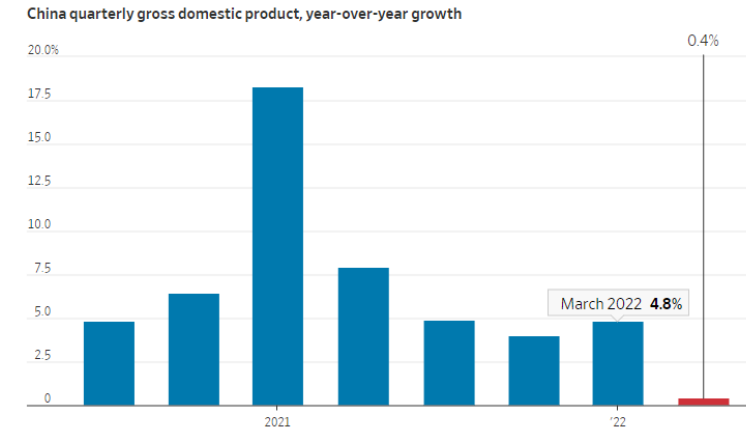


China's Economy Records 0.4% Growth, Weakest Since Wuhan Lockdown

The Chinese economy narrowly avoided a contraction in the second quarter as Beijing's zero-Covid approach took a toll

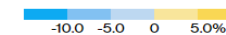
Gross domestic product expanded at a 0.4% annual rate in the April to June period, China's National Bureau of Statistics said Friday. That was the worst performance since the first quarter of 2020, when the pandemic first erupted and the economy shrank 6.9% after the Central Chinese metropolis of Wuhan became the first city in the world to lock down to stem the spread of Covid-19. Economists polled by The Wall Street Journal had forecast China's economy to grow 0.9%.

The scale of the slowdown highlights the damage caused by stringent lockdowns that left millions of Shanghai residents confined to their homes for two months and many businesses closed as authorities tried to snuff out a coronavirus outbreak in China's wealthiest city.



Lockdown Woes

GDP for Shanghai and Jilin shrank in second quarter

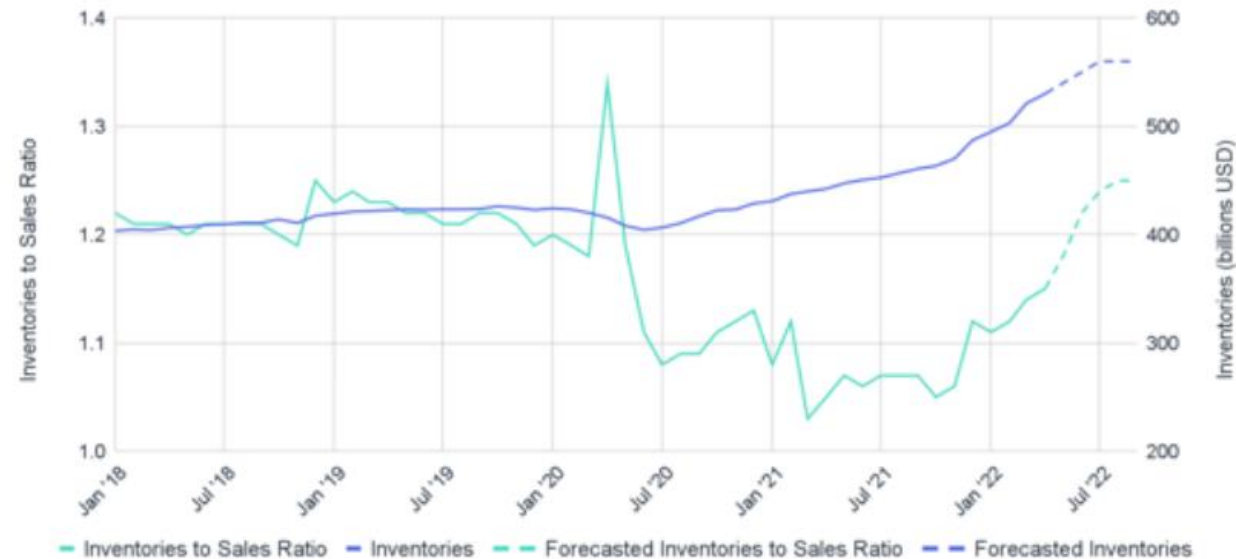


Source: National Bureau of Statistics
Note: Data show Mainland China's year-on-year GDP growth by province

Source: WSJ.com

Overall inventory to sales is growing, US six largest retailers are expected to cancel orders and reduce inventory

North America Retail (Non-Motor) Inventory Levels



Change from Q1 '21 to Q1 '22		
Retailer	Inventory	Sales
Amazon	47%	8%
Target	43%	4%
Walmart	32%	4%
Costco	26%	16%
Lowe's	10%	-3%
Best Buy	9%	-8%

Rising inventory-to sales ratio and rising fears of recession, together is concerning future purchase orders. If we have a cancellation of 10% of current purchase orders, this could mean a drop of 45,000 TEUs per week on transpacific. The first 6 largest retailers in the US represent 23% of the total transpacific tradelane.

Source: Fred, Annual reports

Covid update China



China Sees Most Covid Cases Since May as Lockdowns Spread

- Guangxi reports 165 infections becoming new virus hotspot
- Spike shows difficulty of Covid Zero in face of new strains

China reported its highest daily Covid-19 case tally in seven weeks as a new cluster emerged in the southern province of Guangxi, underscoring the difficulty of achieving the country's Covid Zero strategy in the face of more infectious strains of the virus.

The country reported 432 infections for Thursday, up from 292 on Wednesday and the most since May 25. More than a third, or 165 cases, were found in Guangxi province, centered around Beihai, a coastal city of 1.83 million people



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

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

New Zealand

- From Jun 20, NZ lifted pre-departure COVID-19 test for inbound travellers & transit passenger can be unvaccinated
- From July 31, NZ's borders including maritime border will reopen to all tourists and visa holders

Mainland China

- China cuts quarantine for inbound travelers to 7 days, with a further 3 days of home isolation in July
- China will loosen entry restriction on U.S. citizens, traveler can get health codes needed to board flight when travelling to China via third country in July

Hong Kong

- Hong Kong might cut down hotel quarantine for inbound travelers to 5 days, with another 2 days of home isolation in July.
- HK halted Covid flight suspension mechanism, airline temporarily banned under the measure are allowed to fly to HK from July 7

Taiwan

- Starting from July 14, TW will increase the total number of arrivals allowed entry every week to 40,000
- From July 1, TW remain current mask-wearing mandate and other epidemic prevention measures

Japan

- Japan mulls raising the daily entry cap overseas arrivals to 30,000 people in July
- Japan eased travel advisory of 34 nations, including China and South Korea on 1 July, no longer requesting residents refrain from nonessential trip to those nations

Korea

- KR loosened social distancing rules on July 1, e.g. restaurants, night-life venues and cafes are allowed to open for business until 12am
- Starting from July 1, KR resumed visa-free travel for HKSAR or BNO passport holder

Singapore

- From June 14, SG simplified nightlife measures, no capacity limits and negative RAT result is required, fully-vaccinated needed
- From Jun 24, migrant worker residing in dormitories is no longer need an exist pass to visit community areas

Malaysia

- Starting from 4 July, Malaysians returning from overseas is no longer required to fill the Traveller's Pass
- Gov announced end to all COVID-19 testing and insurance requirements for fully vaccinated travelers from May 1.

Vietnam

- From May 15, Vietnam gov lifted quarantine and other travel restrictions for both vaccinated and unvaccinated foreign visitors
- Vietnam restored immigration and visa procedures. E-visa for a stay of up to 30 days is available to citizens from 80 countries starting from May 15

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

- From July 1, TH is lifted Thailand Pass and \$10,000 health insurance for foreign visitors
- Bangkok and 76 designated provinces identified as Surveillance or Green Zone, to resume new business and normal activities nationwide in July

Myanmar

- From May 15, Myanmar is reopened to international tourists with fully vaccinated, and required to take a negative PCR test within 72 hours before arrival
- Transit though Myanmar is not allowed at this time

Philippines

- PH categorized provinces and cities into Alert Level 1 or Alert Level 2 until July 15, measures are different subjects to the level
- Starting from 30 May, negative PCR test is not required for fully vaccinated Filipinos and foreigners upon arrival in PH

Indonesia

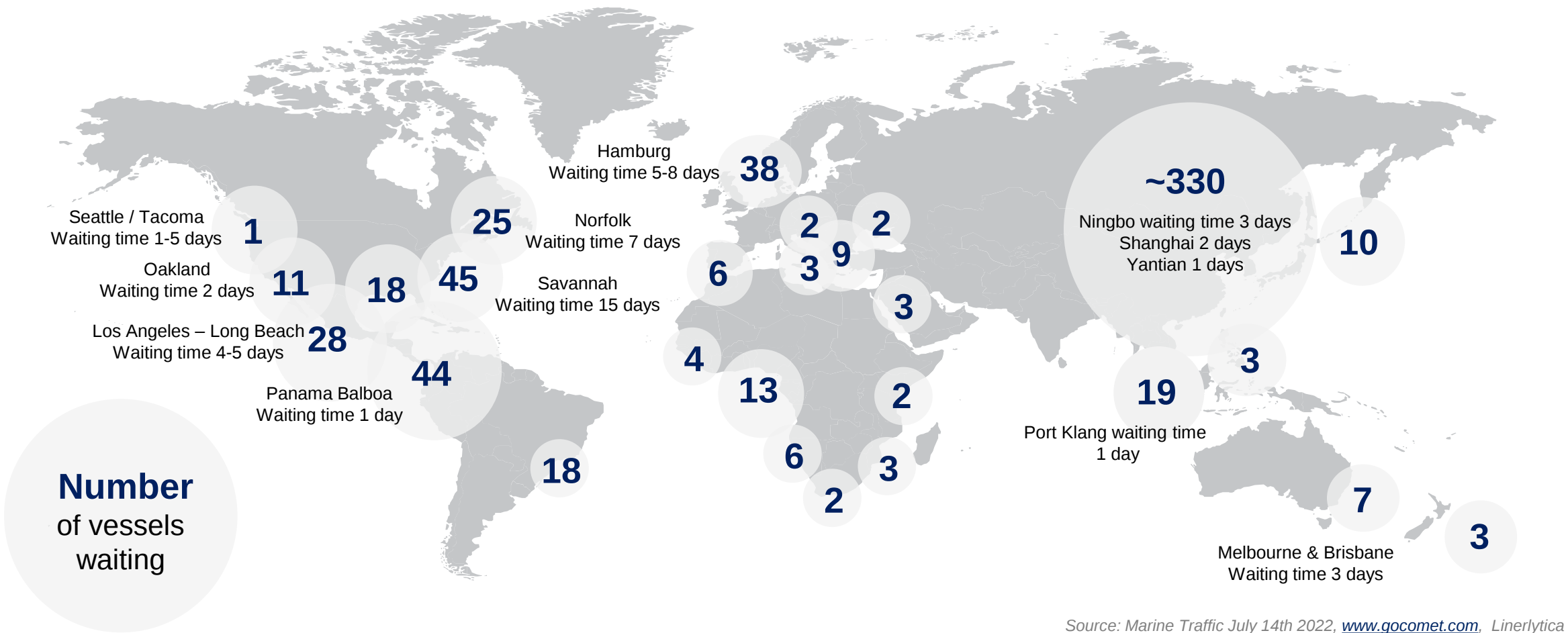
- Indonesia is eased domestic COVID-19 measures in most area nationwide through July 4
- Free Visa & Visa on Arrival are available for international entry via Bali, Jakarta, Surabaya, Medan, Makassar, Manado, Yogyakarta, Batam and Lombok.



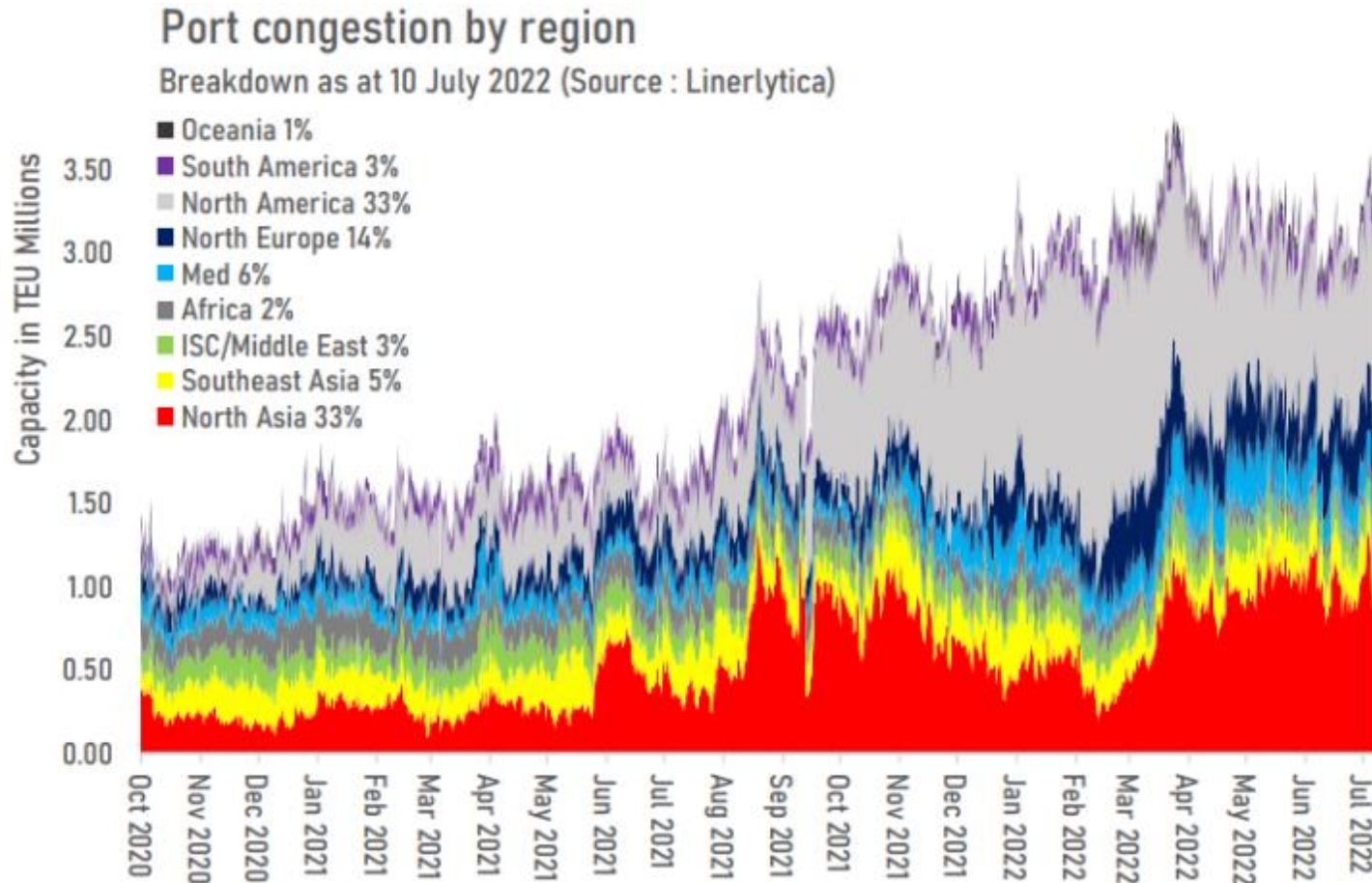
Port Congestion

Global port congestion

13% of the global vessel capacity effectively removed, congestion is growing in US East coast and Europe north continent



Global congestion is steady growing now at 13%



Source: Linerlytica (July 2022)

Global port grew from last month at it is at 13%.

Chinese port congestion remains elevated but vessel movements remain fluid, with ports able to keep berthing delays at 5 days

North American congestion continues to creep upwards with East Coast, Gulf Coast and Pacific North West coast ports with no improvements expected in the near term.

European congestion also remains high, with delays especially severe in German ports, specially Hamburg.

Latest Shanghai quarantines add more pressure to supply chains

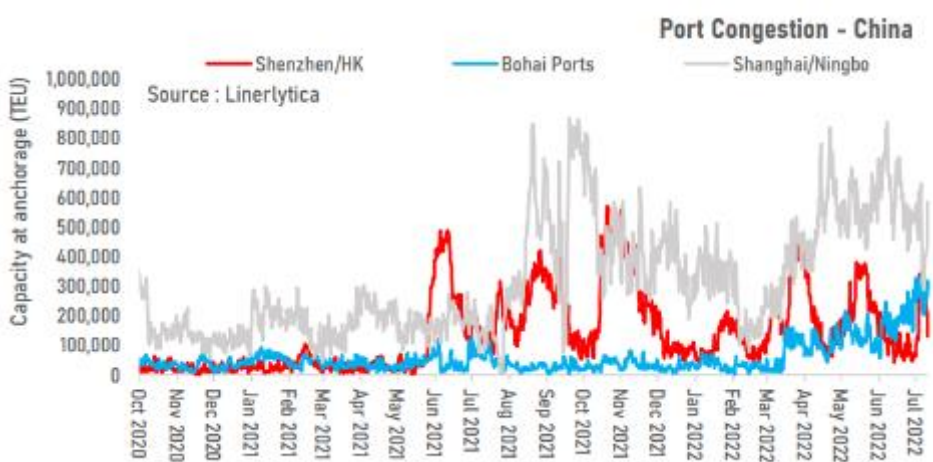
The latest quarantine restrictions come at a time when trucking capacity recovered to around 80%.

Chinese ports mainly affected by weather related issues, with dense fog in Northern China continuing to affect vessel operations while Southern China has seen significant improvements following the typhoon delays from previous weeks

The Supply Chain Heat Map for China, which is gradually easing Covid lockdowns, is showing several hot spots slowing down trade flow in recent days.

China’s “zero Covid” measures on trucking and cross-city transport limitations continue to slow down manufacturing and logistics.

Ocean carriers are increasing their cancelled sailings or skipping ports. But schedule reliability is not improving. According to Sea-Intelligence, vessels are seven days late on average. This has created a cloudy picture for logistics managers as they try to plan ahead. Crane Worldwide Logistics said it is advising clients to build in three to four weeks of advance notice to request vessel space

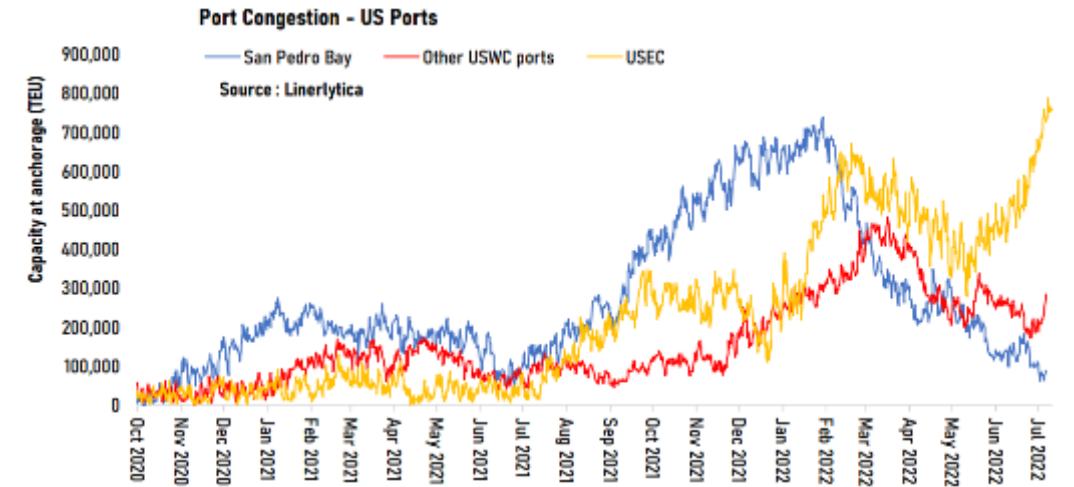
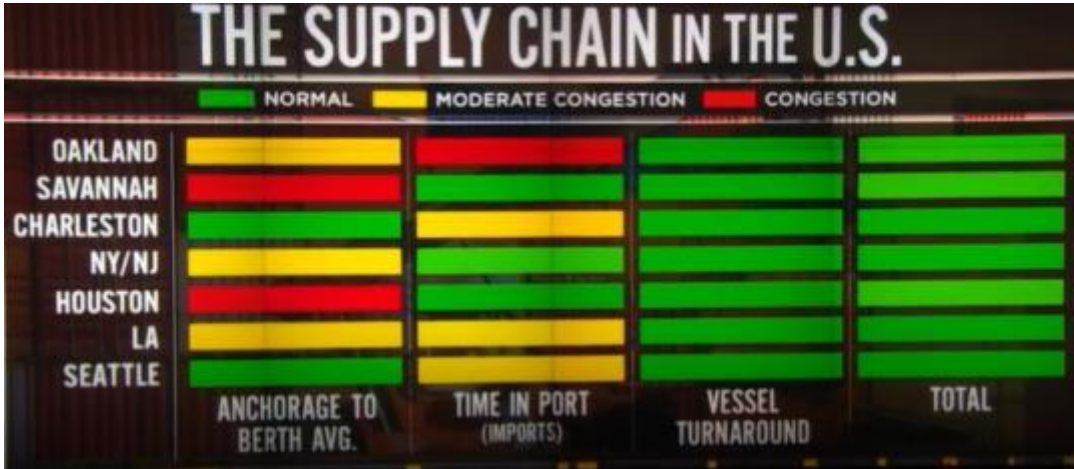


U.S. ports feel the pinch

Congestion measured in the number of waiting cargo vessels outside major ports is now worse on the East and Gulf coasts than on the West Coast

Vessel congestion at the port of Los Angeles/Long Beach have dropped to a 12 month low of just 14 ships as at 10 July, compared to over 90 ships in January this year.

The congestion has spread to other North American ports, especially on the US East Coast where 45 ships are currently waiting at Savannah and 25 ship are waiting at New York. A further 18 ships are anchored at Houston. On the US West Coast, there are currently 11 ships waiting at Oakland and a further 22 ships at Puget Sound, with majority of them waiting to berth at Vancouver.



Source: Linerlytica

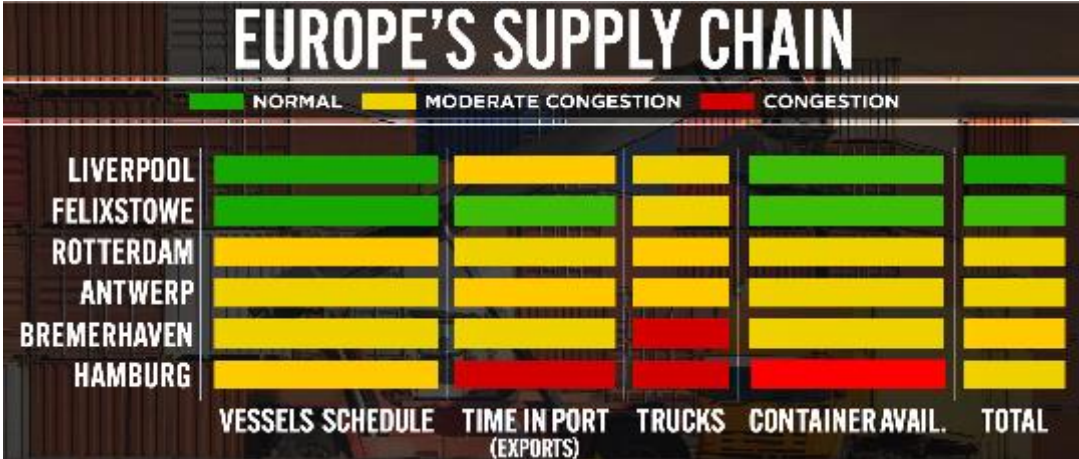
Labor slowdowns and strikes at the German and Netherland ports are creating a massive pile-up of export containers

Labor slowdowns and strikes at the German and Netherland ports are creating a massive pile-up of export containers bound for the U.S. and China that will take months to clear out.

Slowdowns in vessel arrival, container processing, and container availability as well as trucking are common problems.

Moving containers empty or full from the hinterland or at the ports is also a problem. Rail congestion, a result of labour slowdowns and strikes has left the rails clogged.

The strikes have had a big impact, but the congestion has piled up so much that even if there were no more strikes, the situation would remain chaotic for the next three months

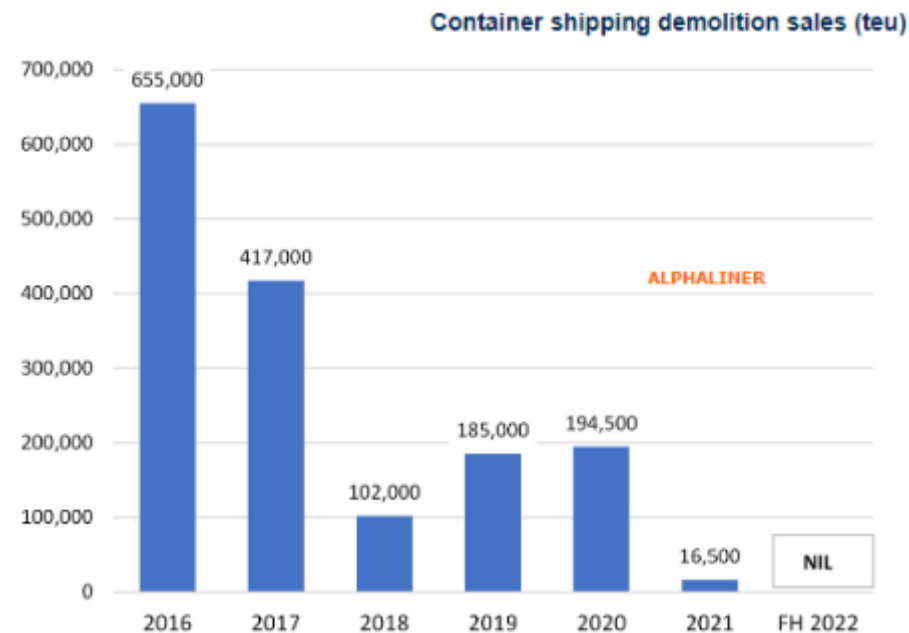
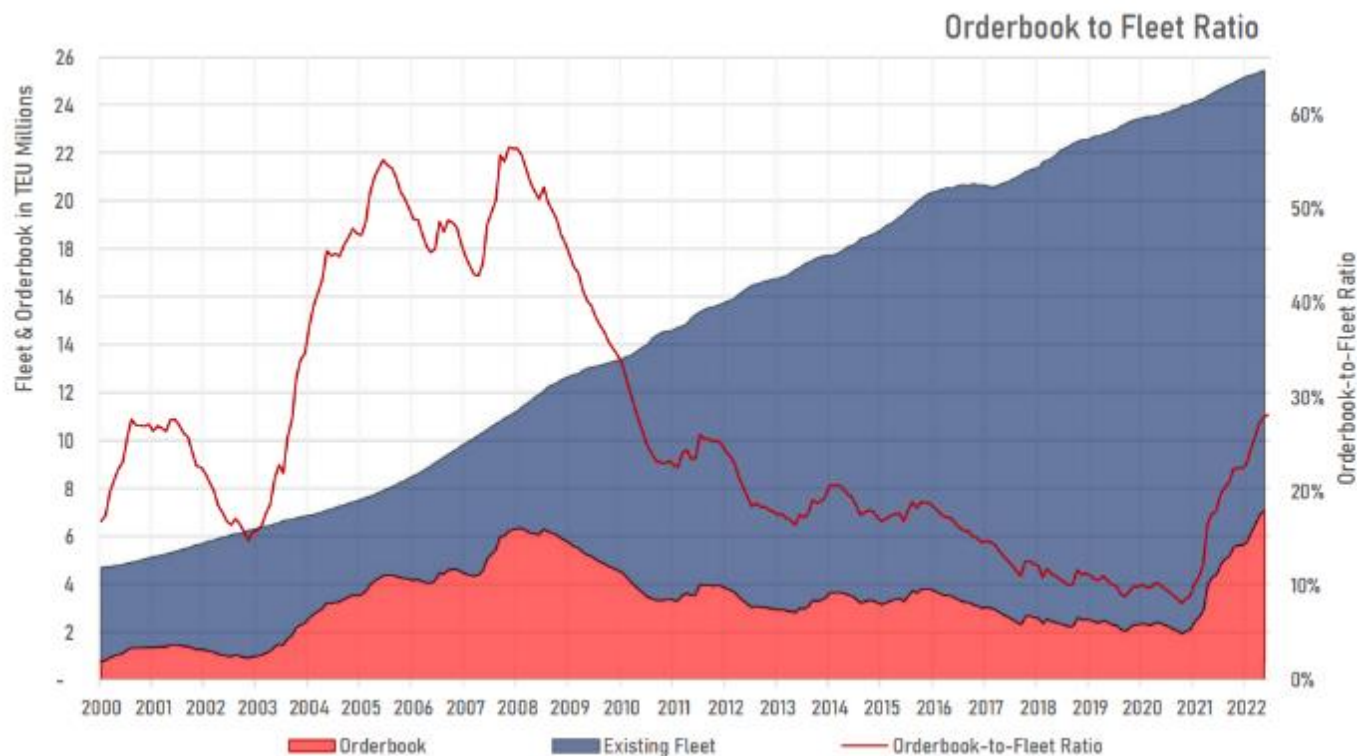




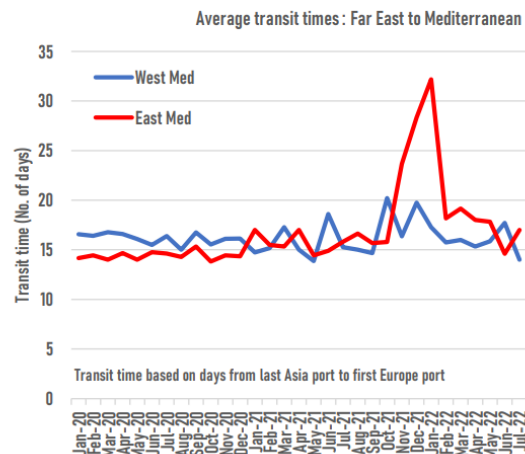
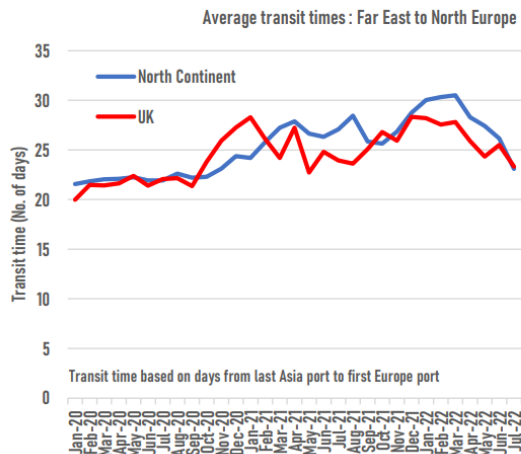
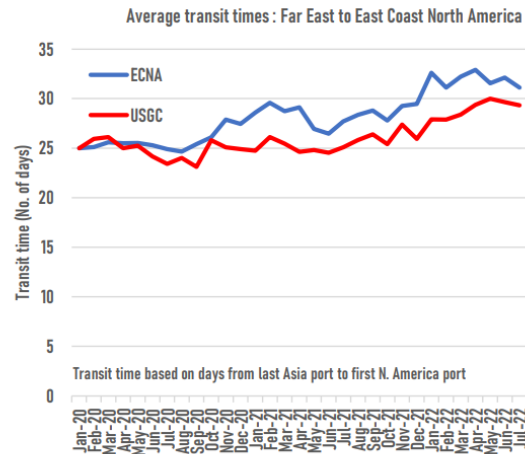
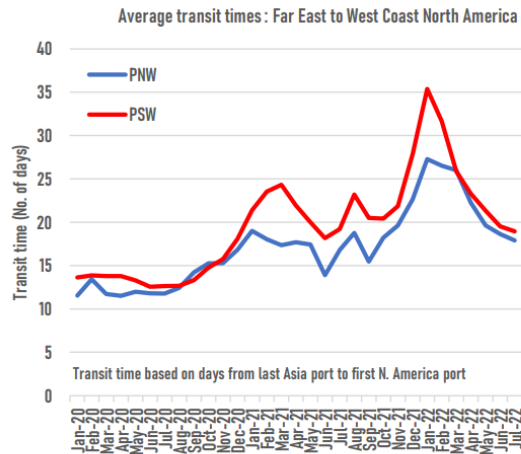
Ocean update

DSV

Orderbook-to-fleet ratio has reached to 30% on 2022 there has not been any vessel scrapping



Transit time performance, improvements seen but port congestion is growing



Overall transit times service levels have continued to show signs of improvements in July but these numbers are still skewed worsening delays at the most heavily congested ports which have registered fewer arrivals this month.

The worst hit ports currently are Vancouver, Oakland, Savannah and New York in the US East Coast, Houston in the Gulf Coast and Hamburg in North Europe. Congestion at these ports have remained elevated and are continuing to worsen.

In contrast, waiting times at Savannah have now reached over 10 days and 9 days at New York while Vancouver is still seeing delays of over 15 days.

Contract talks continue after ILWU's West Coast pact expires



In a joint statement, ILWU and the Pacific Maritime Association, the coalition of 29 ports from Seattle to San Diego, both added they want to avoid a lockout or a strike.

While there will be no contract extension, cargo will keep moving, and normal operations will continue at the ports until an agreement can be reached, as it was confirmed by the union and it is not expected a strike.

Some shippers, eyeing current and longtime backups in L.A.-Long Beach—due to lack of railroad cars and crews thanks to those carriers' job cuts—have started shifting cargo to the East and Gulf Coasts.

Increasing number of containers at Los Angeles / Long Beach, Dwell time is 9 days for containers (peak was 11 days)

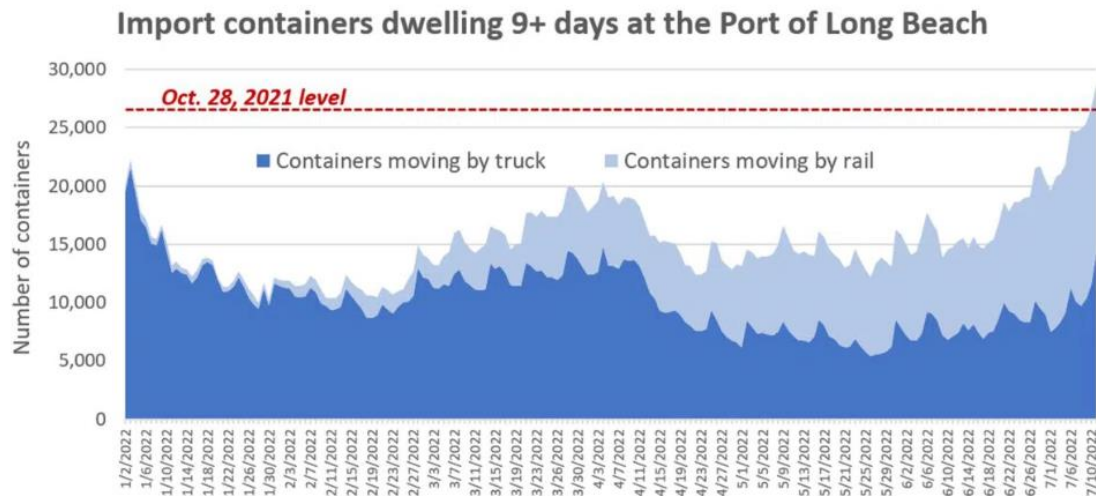
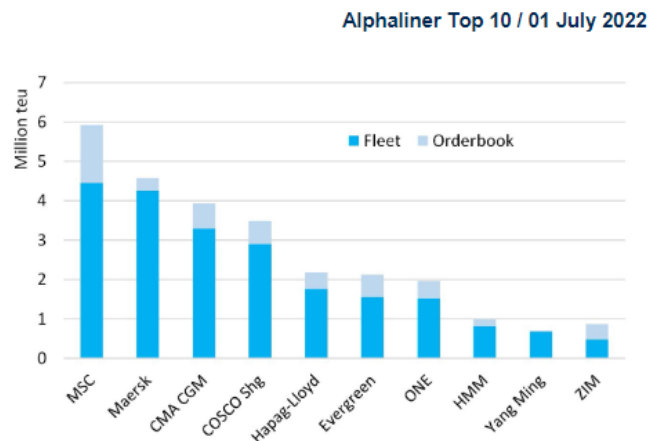
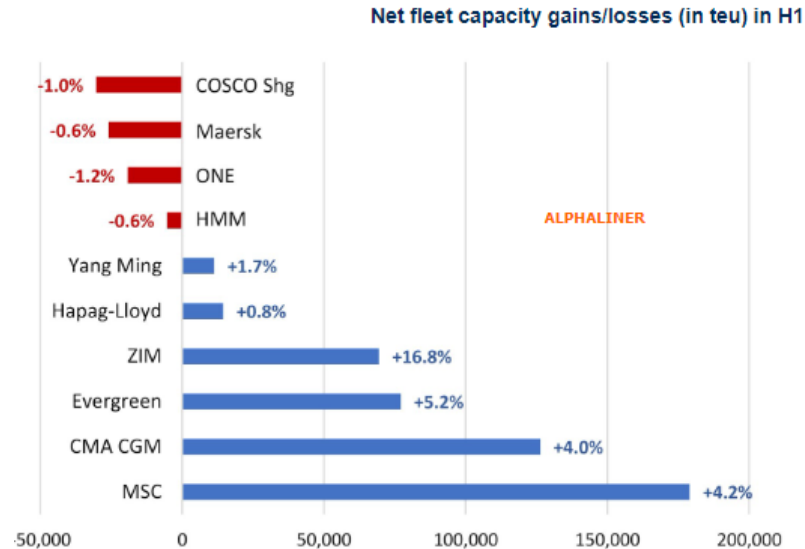


Chart: American Shipper based on data from Port of Long Beach



Rail moves are having a lot of delays. Eventhough transit time from Asia to Los Angeles has improved, there are additional delays to move containers by rail, so still transit time is shorter by moving containers to the east coast.

Alphaliner Top 10 carriers: four winners and four losers in H1

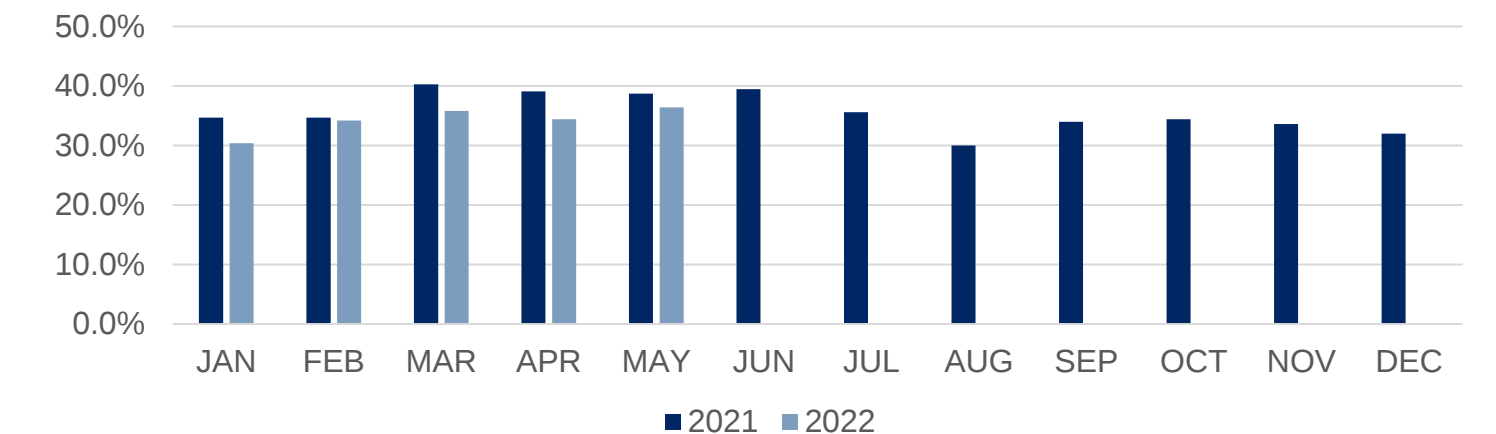


- The growth champion in our Top 10 is undoubtedly MSC, which took over the #1 position from Maersk in the first week of January. The company controlled by the Aponte family continued its raid on the second hand market and has acquired already 220 second-hand ships since August 2020. In some cases, MSC paid more for the second hand purchases than the vessels' original order price. The big advantage of buying second hand tonnage is however that this capacity is promptly available, which has allowed MSC to take maximum advantage of the bullish market.
- Apart from MSC, two other carriers moved up one spot in the Alphaliner Top 10 ranking. Evergreen has overtaken ONE as the #6 carrier after taking delivery of three more 24,000 teu 'A-class' ships and the last two 12,000 teu 'F-class' units. ZIM's active chartering spree has led to its re-entry into the Top 10. The Israeli carrier overtook Wan Hai Lines which is now ranked eleventh in the list of the world's largest container shipping companies.

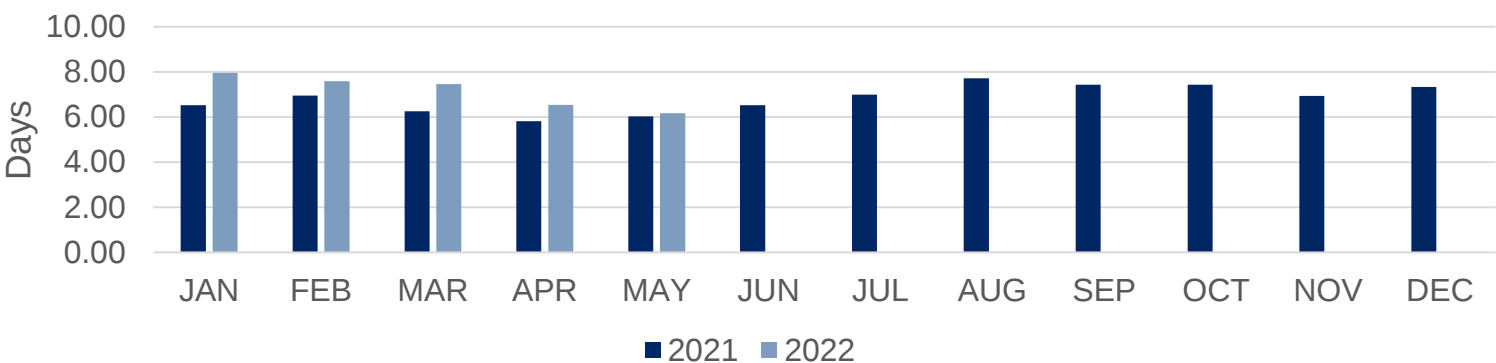
Global Liner performance on May 2022

Schedule reliability has improved once again, this time by 2.1 percentage points M/M, reaching 36.4% in May 2022

Carriers Schedule Reliability 2021 vs 2022



Average Delays 2021 vs 2022

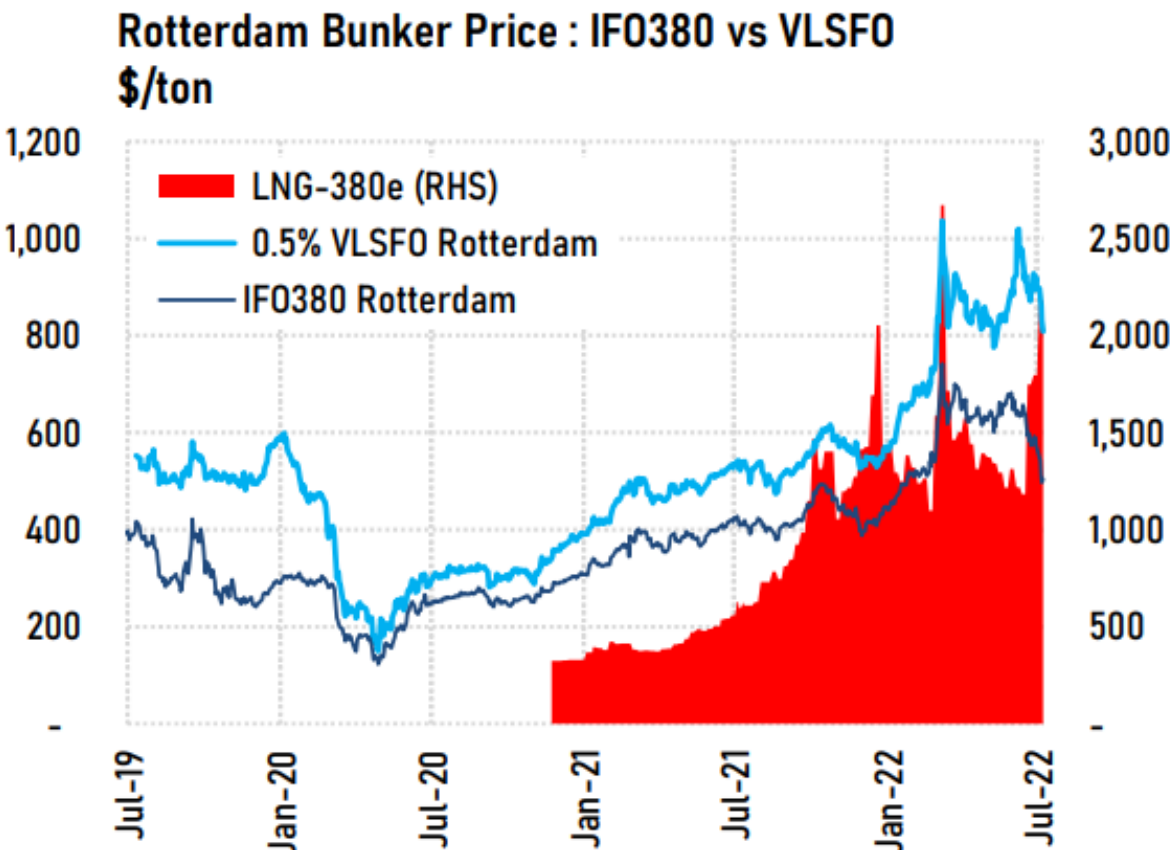
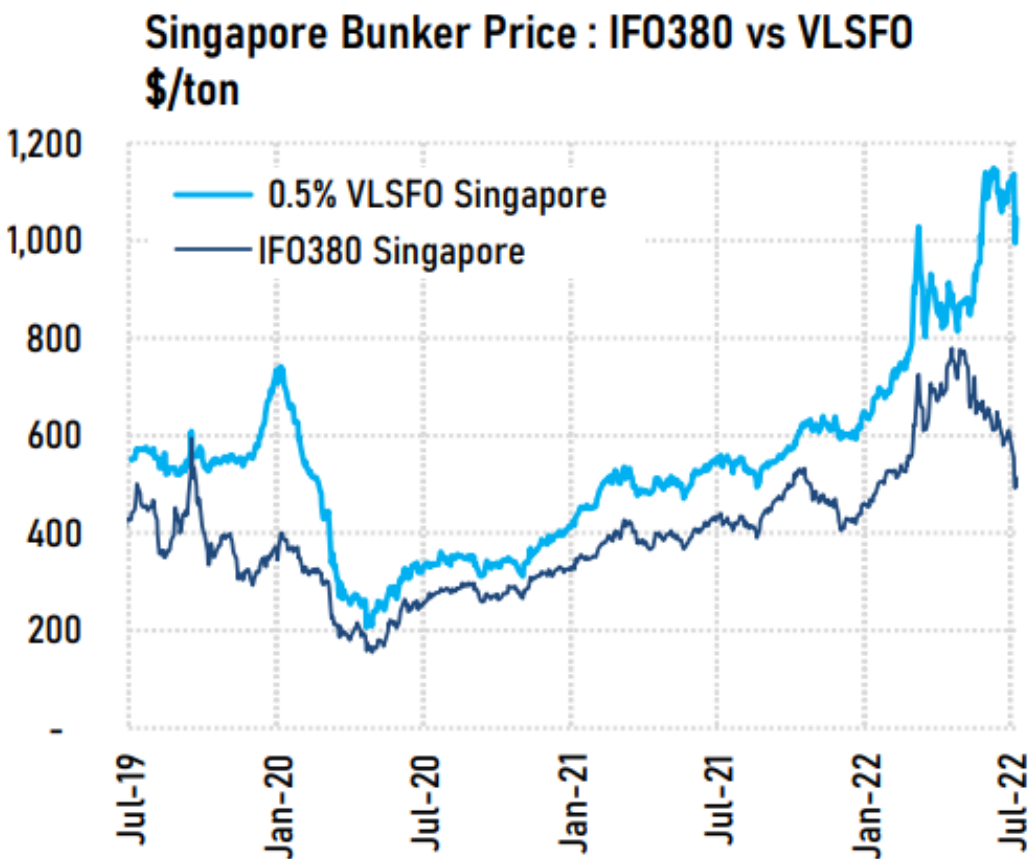


Vessel reliability per tradelane on May:

- ASIA – North America WC: **14,7% reliability** 9 days of delay
- ASIA – EUROPE: **25,5% reliability** and 10 days of delay
- EUROPE – North America: **35,7%** and 10 days of delay
- 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

The VLSFO-HSFO spread is \$336 per tonne

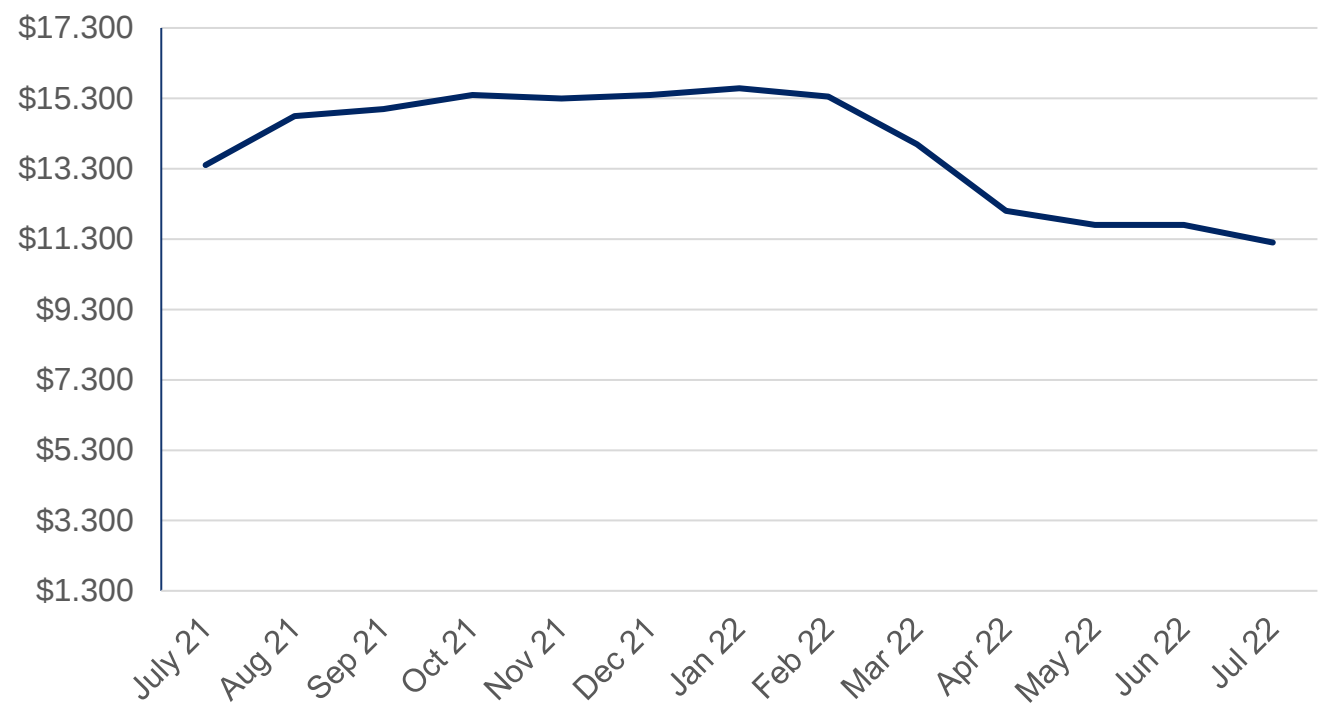


Source: Ship&Bunker - LinerLytica

Ocean Freight Asia - Europe

Rates are softening no strong volumes

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



Source: SCFI Week 27-2022

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

**Volumes in June remain on the same level as in May.
No signs on any intense increase of demand detected**

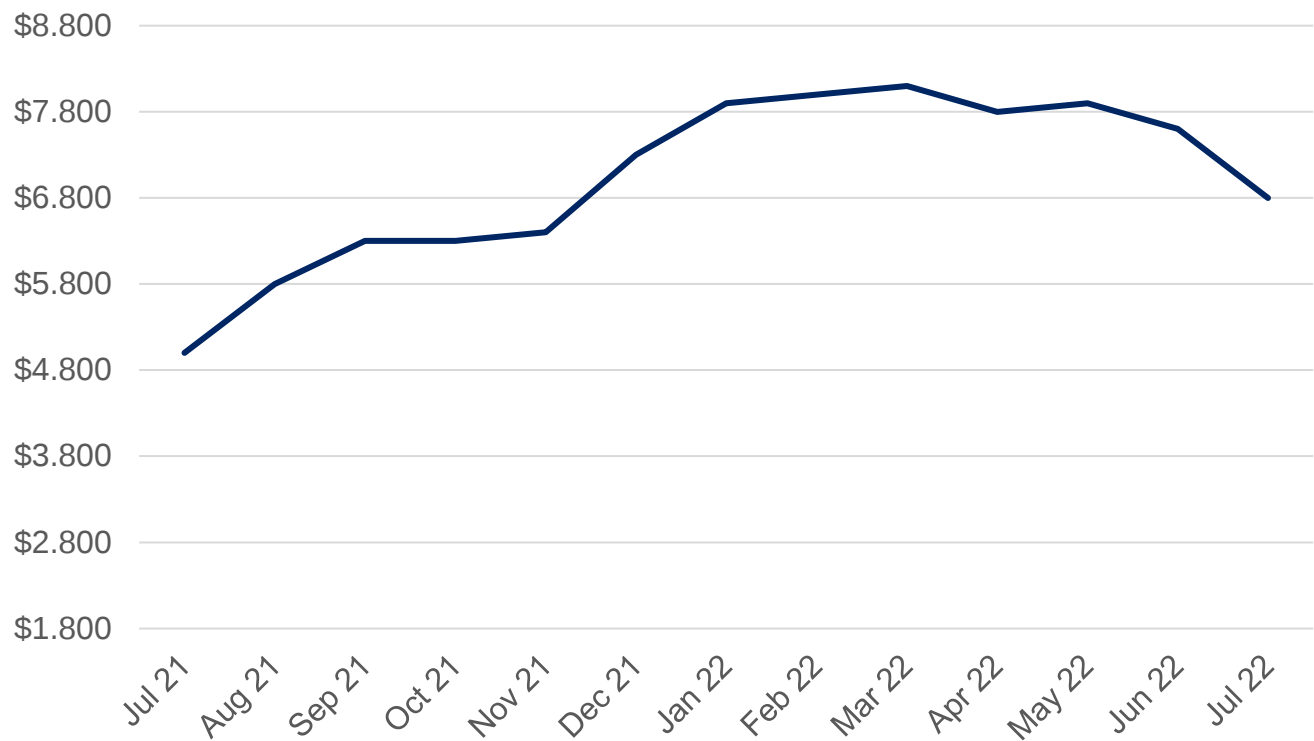
SCFI Levels Week 27-2022:

- Shanghai – North Europe: USD 11,224/ FEU
- Shanghai – Mediterranean: USD 12,536/ 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

Market remains strong but on a downwards trend

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



Source: SCFI Week 27 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 remains strong, but are seeing some slack to the USWC. Rates still remain high overall

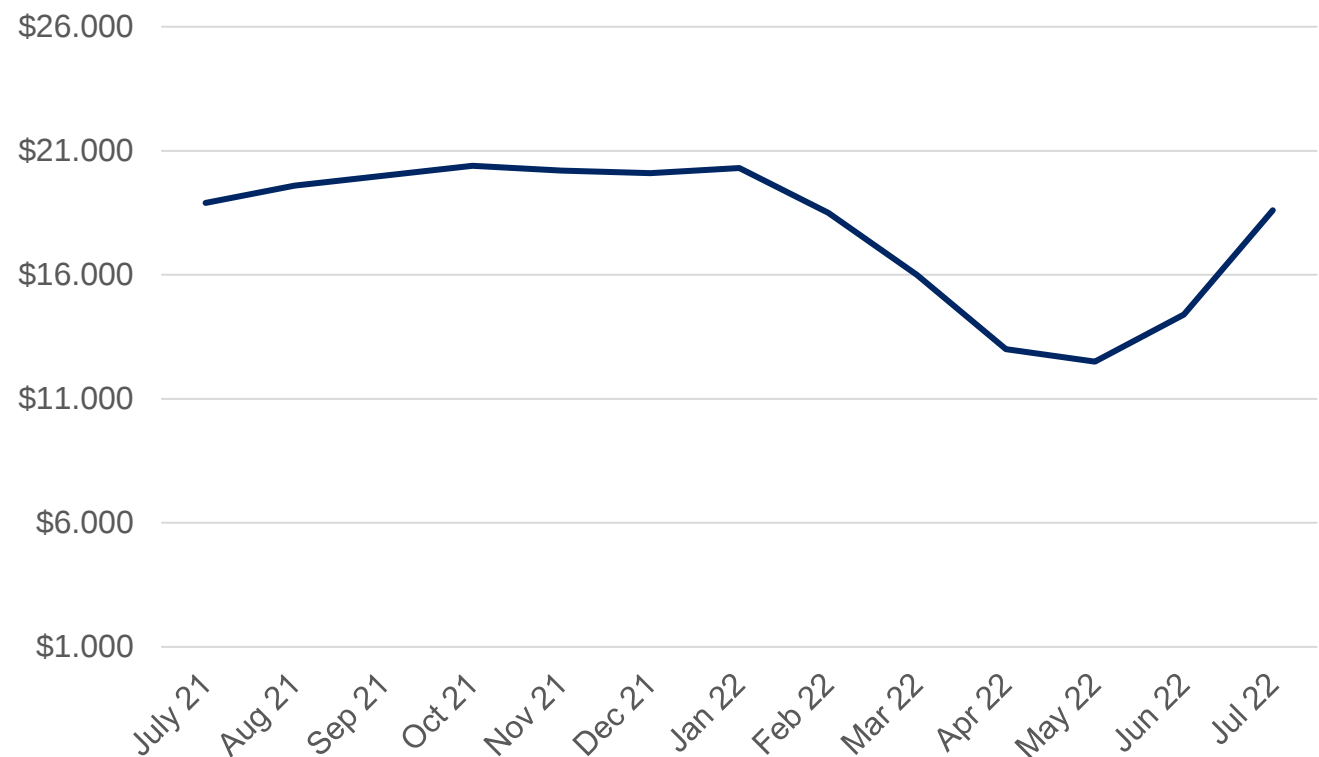
SCFI Levels Week 27-2022:

- Shanghai – US West Coast: USD 6,883/ FEU
- Shanghai – US East Coast: USD 9,534/ FEU
- Spot rates have moved down for several carriers
- We see volumes increasing at the destination terminals and train congestion is high in Los Angeles.
- Volumes are below last year but 15% compare to 2019.

Ocean Freight Asia – South America (East Coast)

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

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



Source: SCFI Week 27-2022

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 27-2022:

- Shanghai – Santos: USD 18,624/ FEU

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

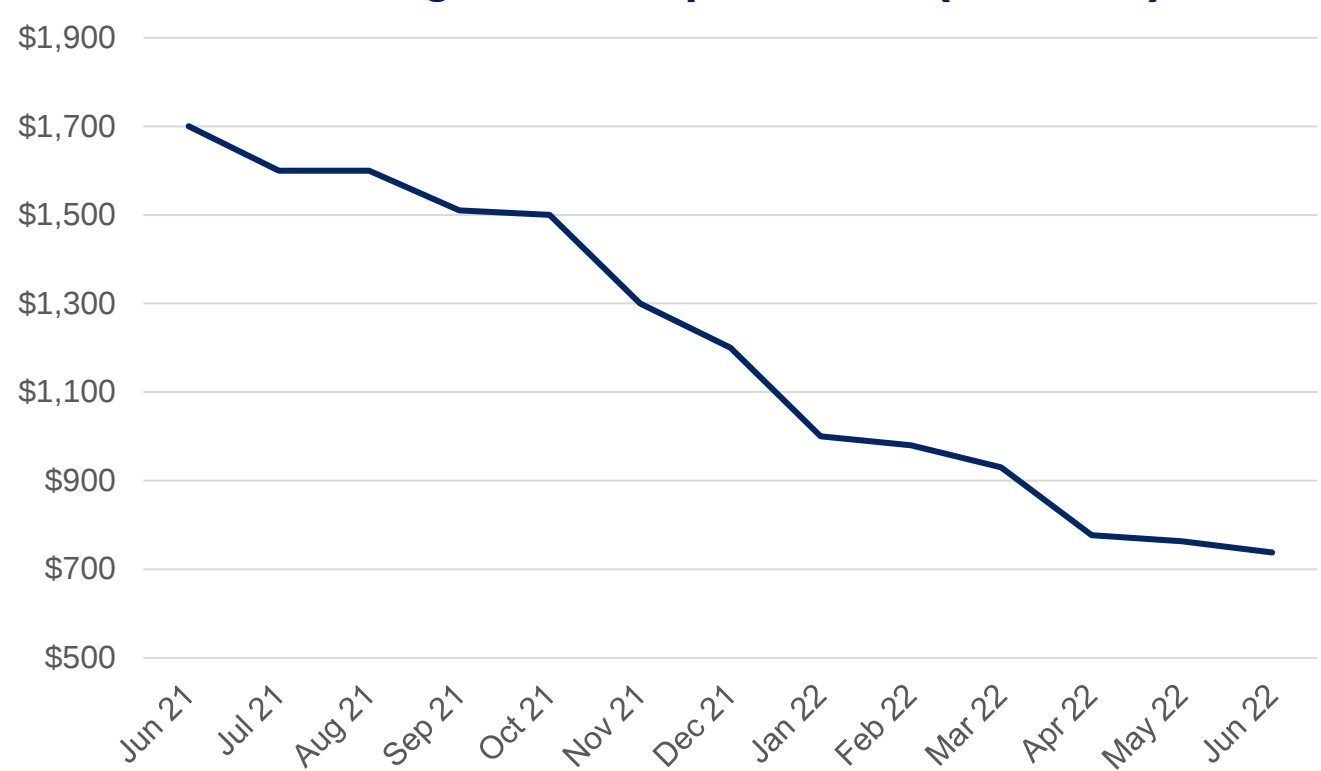
2023 CNY (end of January) to add additional pressure on the demand side during Q4 2022.

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

Ocean Freight Europe – Asia

Overall volumes have slightly recovered, however liftings remain on low level

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



Source: Freightos Baltic Week 27-2022

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 27-2022:

- Europe to ASIA : USD 485/ FEU

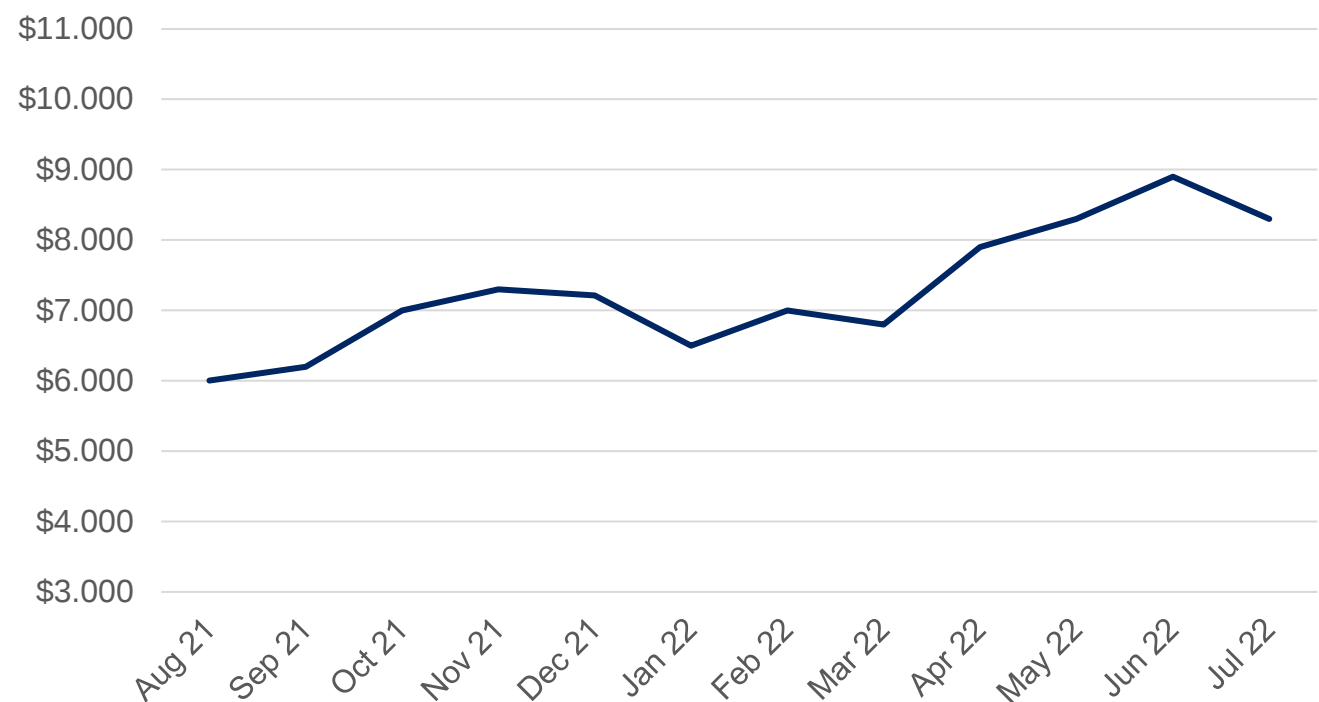
Ongoing softening in the spot market

- 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, weak volume production in the commodity segment.

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 W27-2022

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 27-2022:

- Rotterdam – New York: USD 8,233/ FEU

Bookings need to be placed 6-8 Weeks in advance

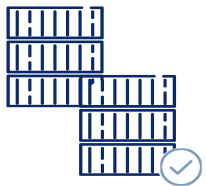
- US inland deliveries continues to be challenging – rail operators and truck capacity under pressure due to terminal congestion, infrastructure issues and legislation. Q3 onwards we see carriers increasing their tariff costs for inland moves and remain reluctant to offering door deliveries.
- We see a slightly reduced push for increases in the average ocean freight level on short term

Trade Update

Intra Asia

As per week 27 status, which is evolving and depends on latest updates

Demand



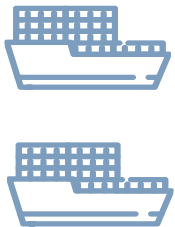
- Following the reopening in Shanghai, volumes is picking up. Total volumes in the twin Eastern China main ports of Shanghai and Ningbo rebounded in June.
- After COVID lockdown, SEA countries export rebounded which led to growing equipment / space demand ex SEA POLs.
- We see more and more production shift to SEA as a result the space remain very tight ex SEA.

Rate



- The market slows down and lead to price sloping downwards.
- 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.
- Containership charter rates have remained firm despite the weakening freight market due to the scarcity of available tonnage.

Supply



- Continuous or last-minute blank sailings lead to low schedule reliability. Capacity deployment fluctuation is massive on a week-to-week basis.
- Dynamic equipment shortage in most Asian ports
- Carriers increase APAC capacity to cope with slow down in Transpacific and feeder networks is less stressed.
- Most carriers advised that they have no additional capacity in short term or next year.



Ocean freight market overview – Difficult to predict trends

TRADE LANE	COMMENTS	RATES AND SPACE	
ASIA to Europe	• Small increase of volume • Space is open from china and there is equipment available • Long term rates are un predictable	↓	
ASIA to NAM	• Market is open • Equipment is available • Problems of congestion in USA	→	
Europe to NAM	• 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	• 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	• 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	• 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)	↓	

Airfreight update



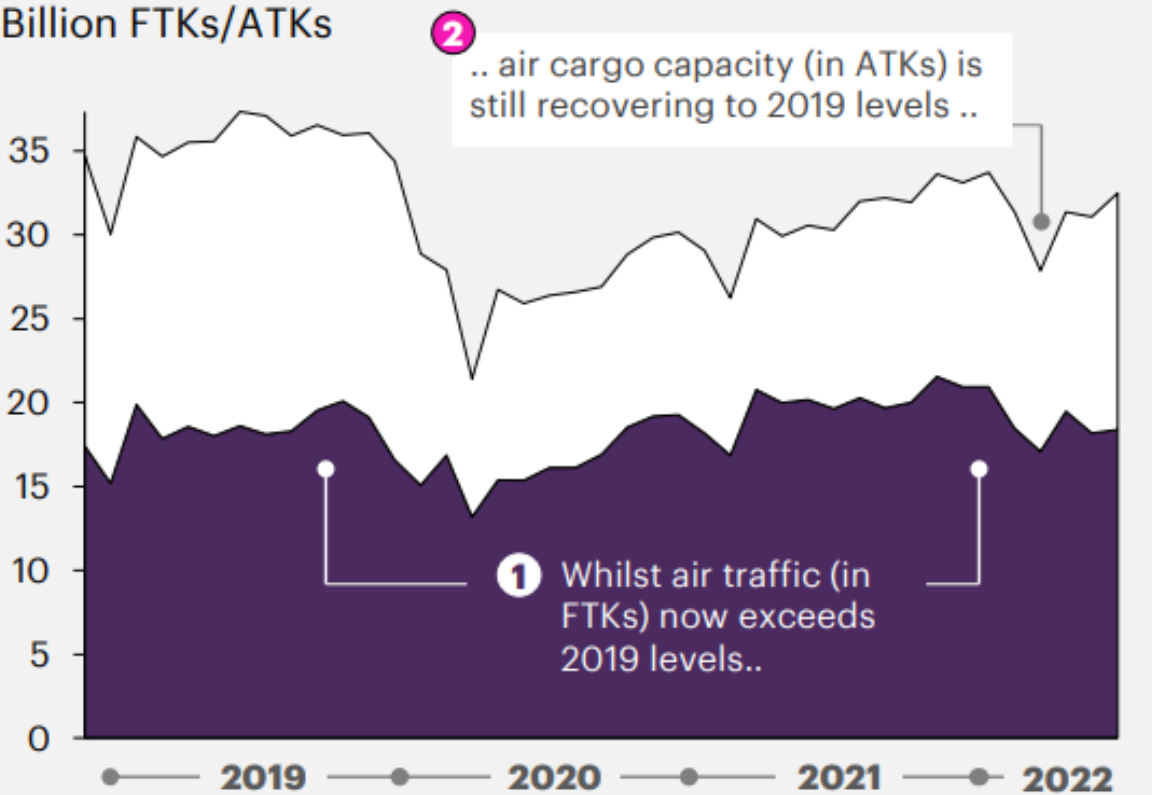
Air cargo market dynamics trends impacting the industry in the last quarter



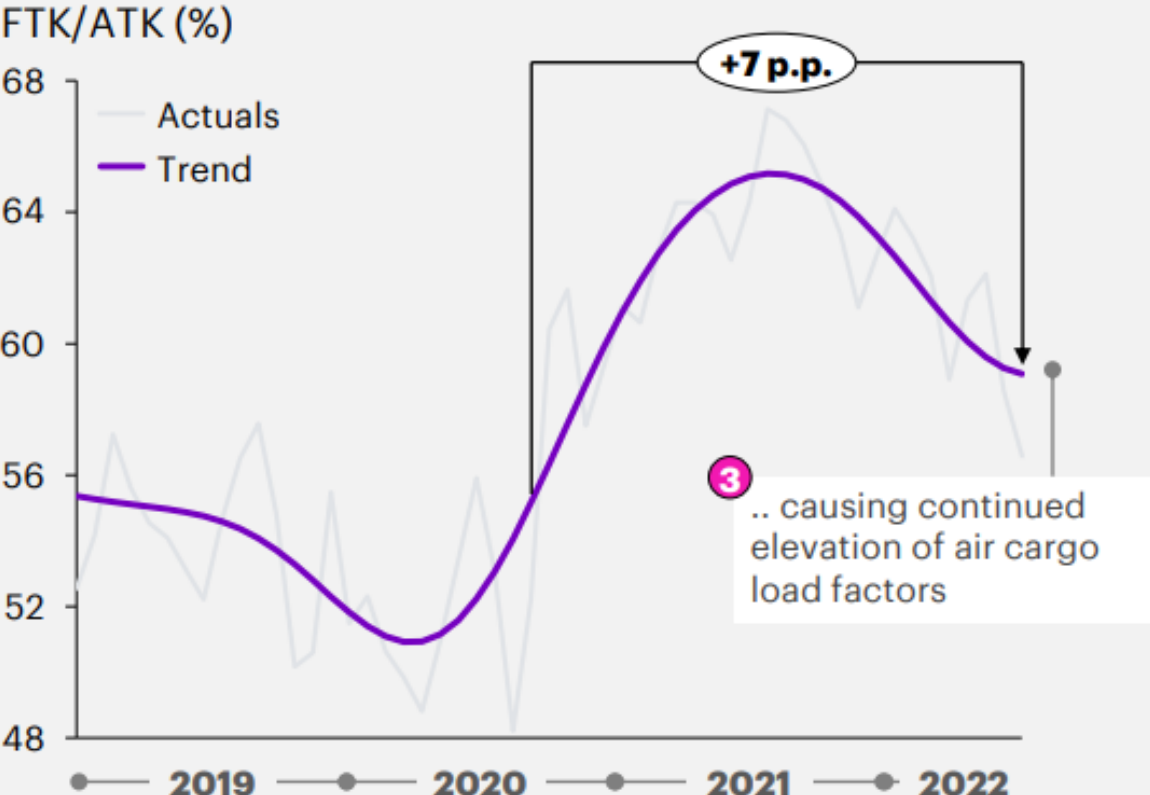
Air trade to/from USA continued to blossom, and impact of sanctions on Russian air trade becomes apparent

Air cargo market dynamics trends impacting the industry in the last quarter

Global international air cargo traffic and capacity..



.. and resulting international load factors

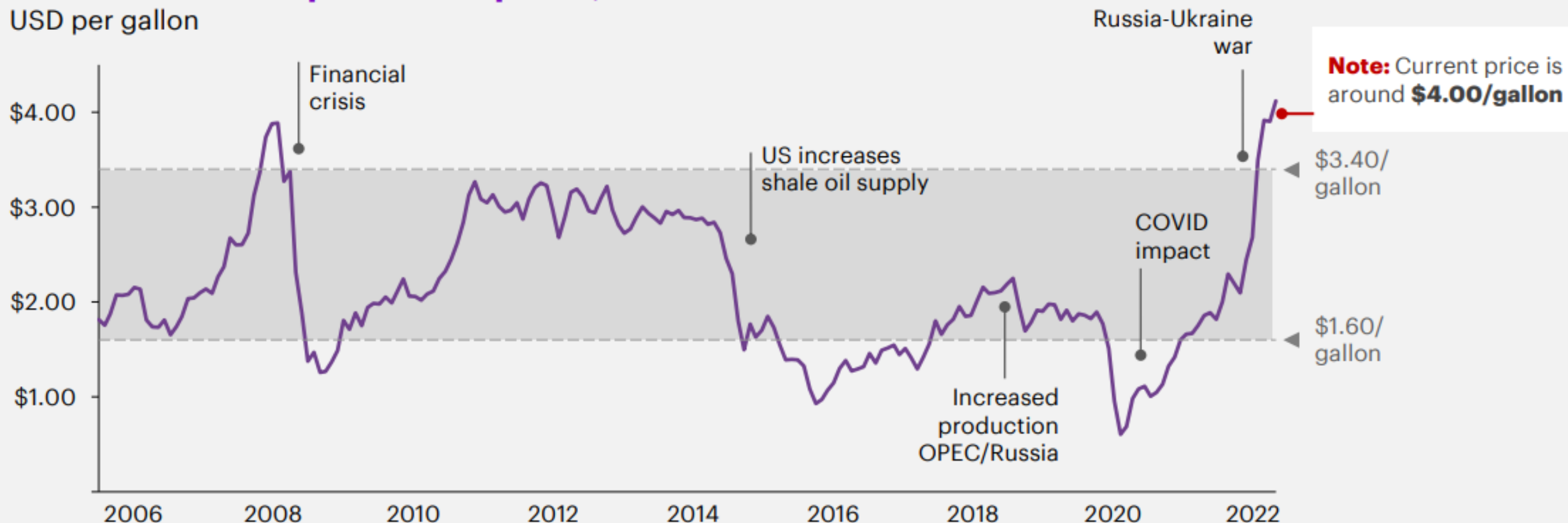


Continued demand/supply imbalances keep load factors ~7 percentage points above pre-COVID levels

Global aviation fuel prices have skyrocketed to in excess of \$4.00 per gallon, the highest levels ever recorded

Global aviation fuel price development, 2006-2022

USD per gallon

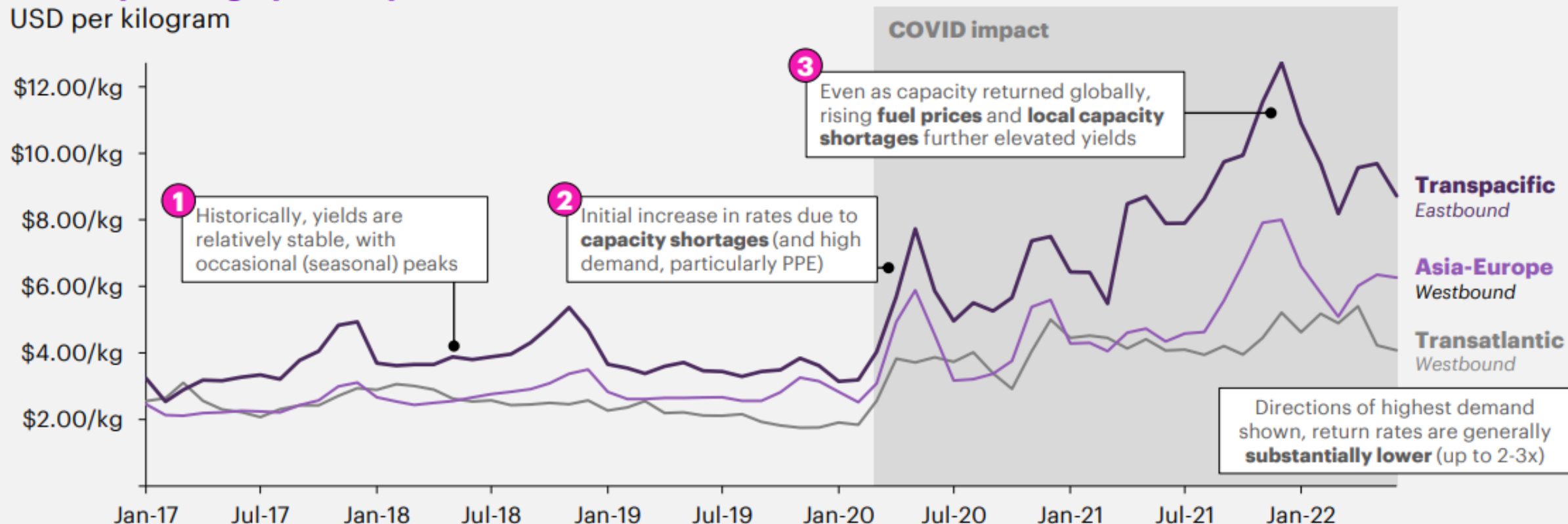


Record aviation fuel prices have contributed to continued elevation of air cargo yields

Whilst air cargo rates have slightly softened after the highs of 2021, they are still significantly up on pre-COVID levels

Monthly average yields by trade lane, 2017-2022

USD per kilogram

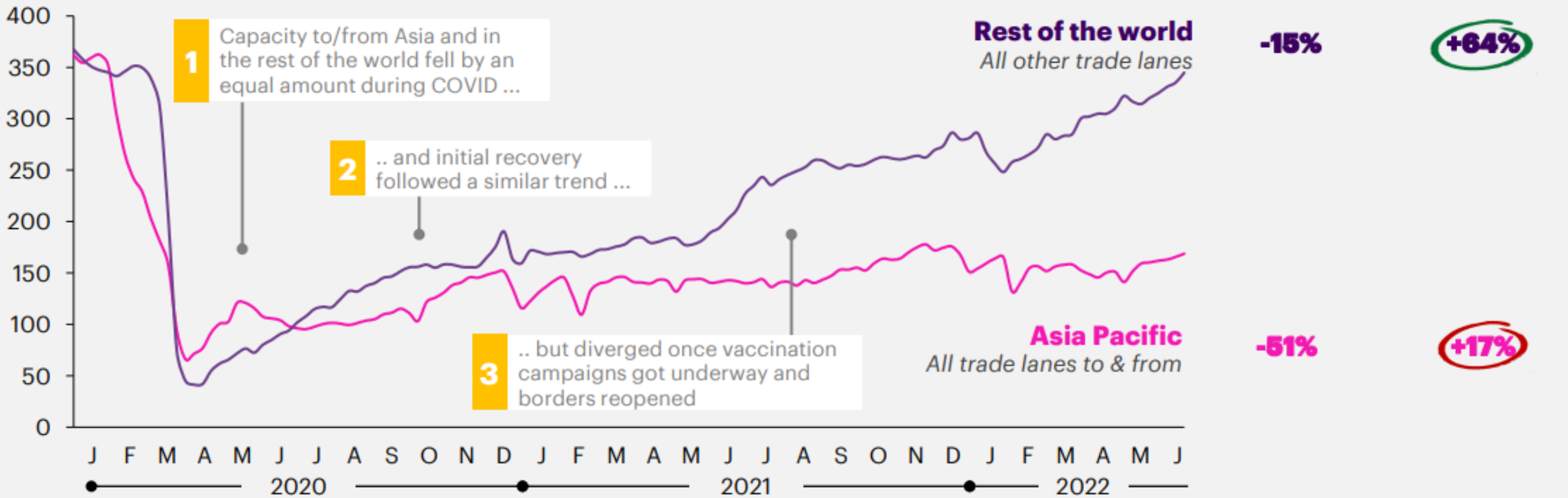


Rates could further ease as capacity recovers, but are still far from 2019 levels

Widebody belly capacity recovery on trade lanes to/from Asia continues to significantly lag that of all other trade lanes

International widebody belly capacity, 2020 - 2022

Thousand tonnes per week

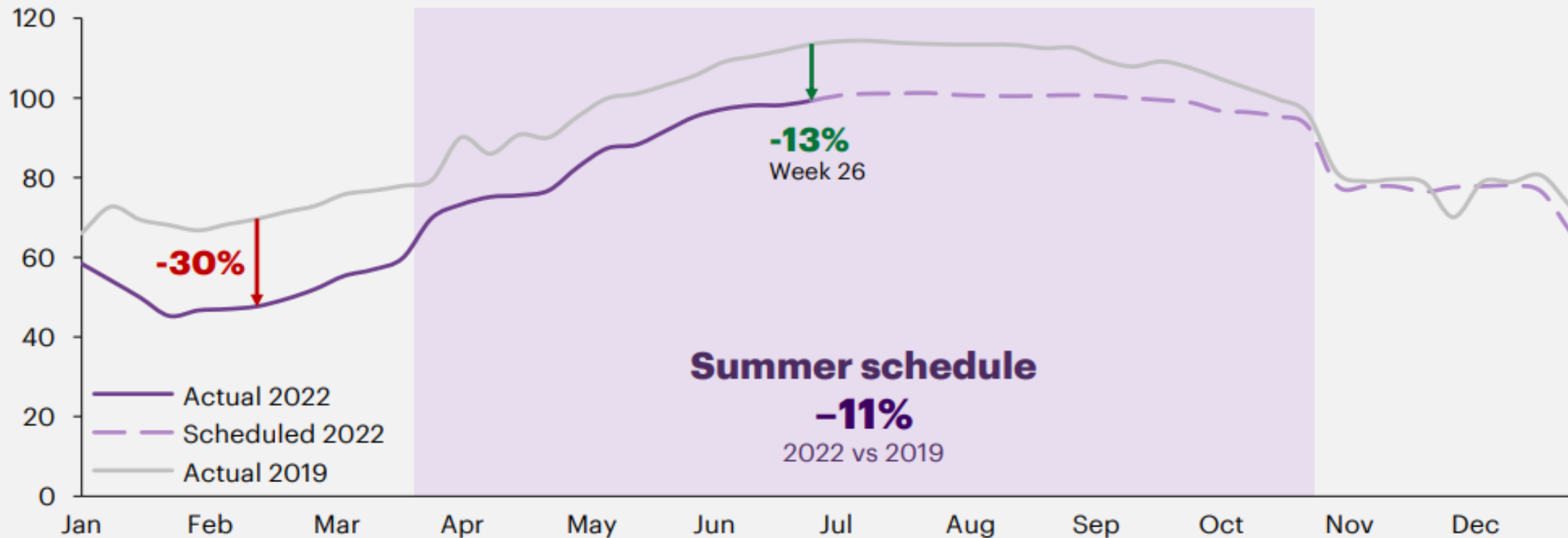


Whilst rest-of-world belly capacity rebounded +64% in the last 12 months, belly capacity to/from APAC only increased +17%

Transatlantic widebody belly capacity has strongly recovered in the first half of 2022, to -13% vs pre-COVID

Transatlantic widebody belly air cargo capacity, 2022

Thousand tonnes per week

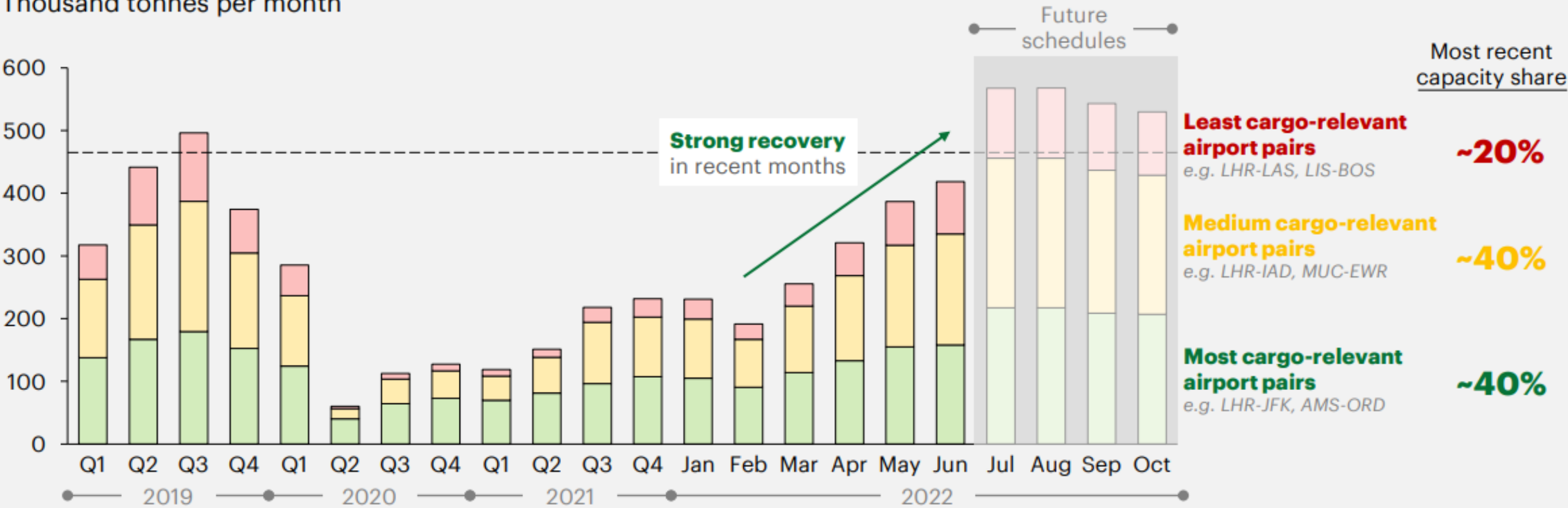


Schedules suggest Transatlantic air cargo capacity will recover to 2019 levels by winter

Around 80% of June 2022 Transatlantic widebody belly air cargo capacity is between cargo-relevant airport pairs

Widebody belly Transatlantic air cargo capacity by airport pair category, 2019-2022

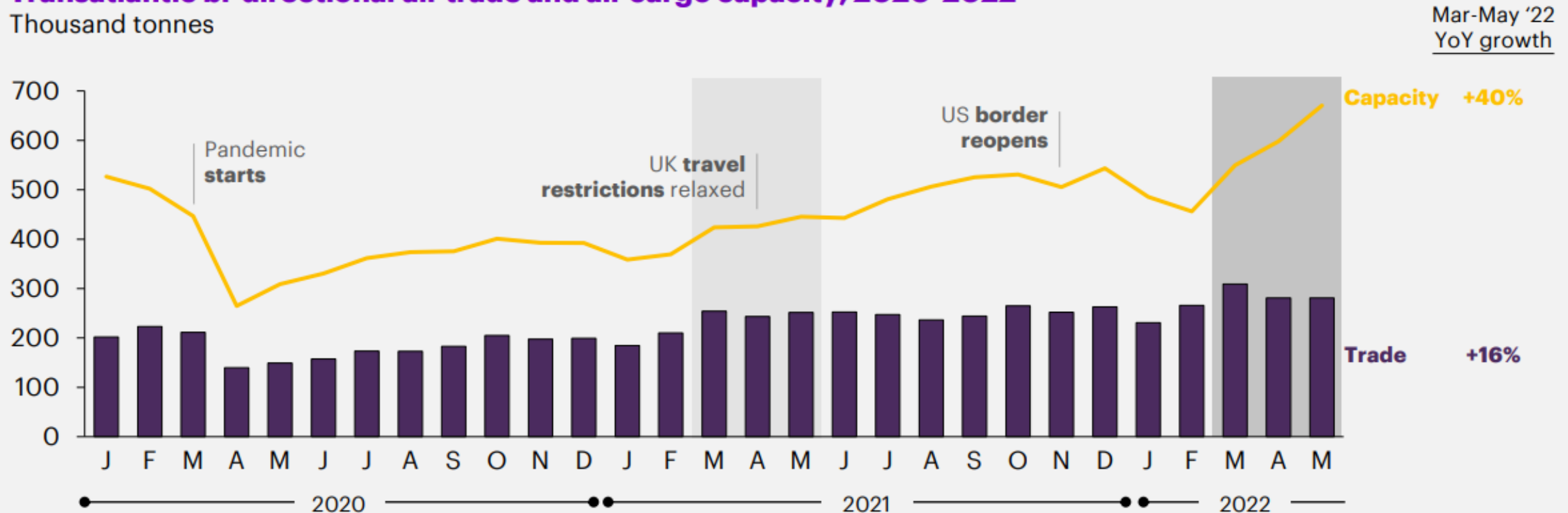
Thousand tonnes per month



Returning air cargo capacity on the Transatlantic allowed air trade to grow +16% year-on-year in March-May 2022

Transatlantic bi-directional air trade and air cargo capacity, 2020-2022

Thousand tonnes



Despite demand increases, load factors have slightly eased in recent months as a result of returning capacity

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

Europe-to-North East Asia direct air cargo capacity¹ ..

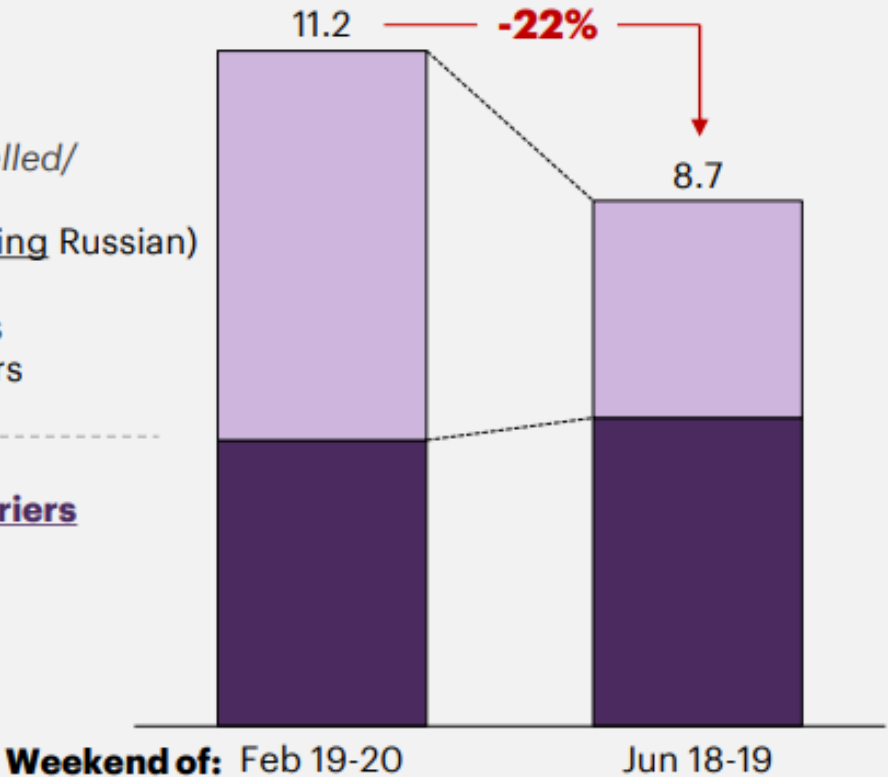
Thousand tonnes

Impacted carriers

- Carriers that cancelled/ rerouted flights
- European (including Russian)
 - Integrators
 - Japanese carriers
 - Taiwanese carriers

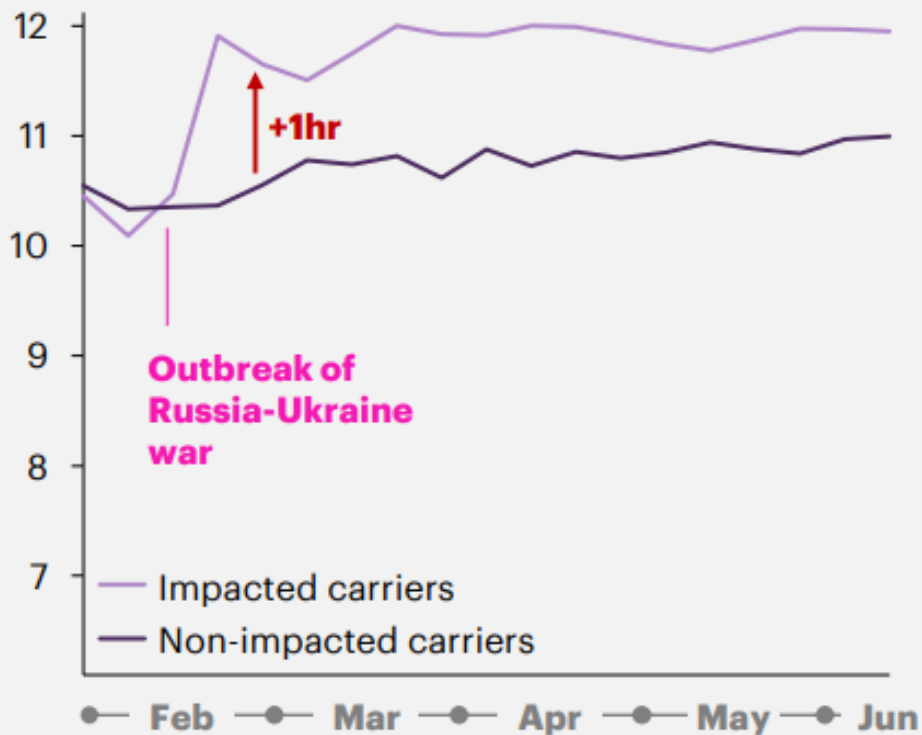
Non-impacted carriers

- Other North East Asian carriers
- Ethiopian



.. and the average flight time, 2022

Hours per flight

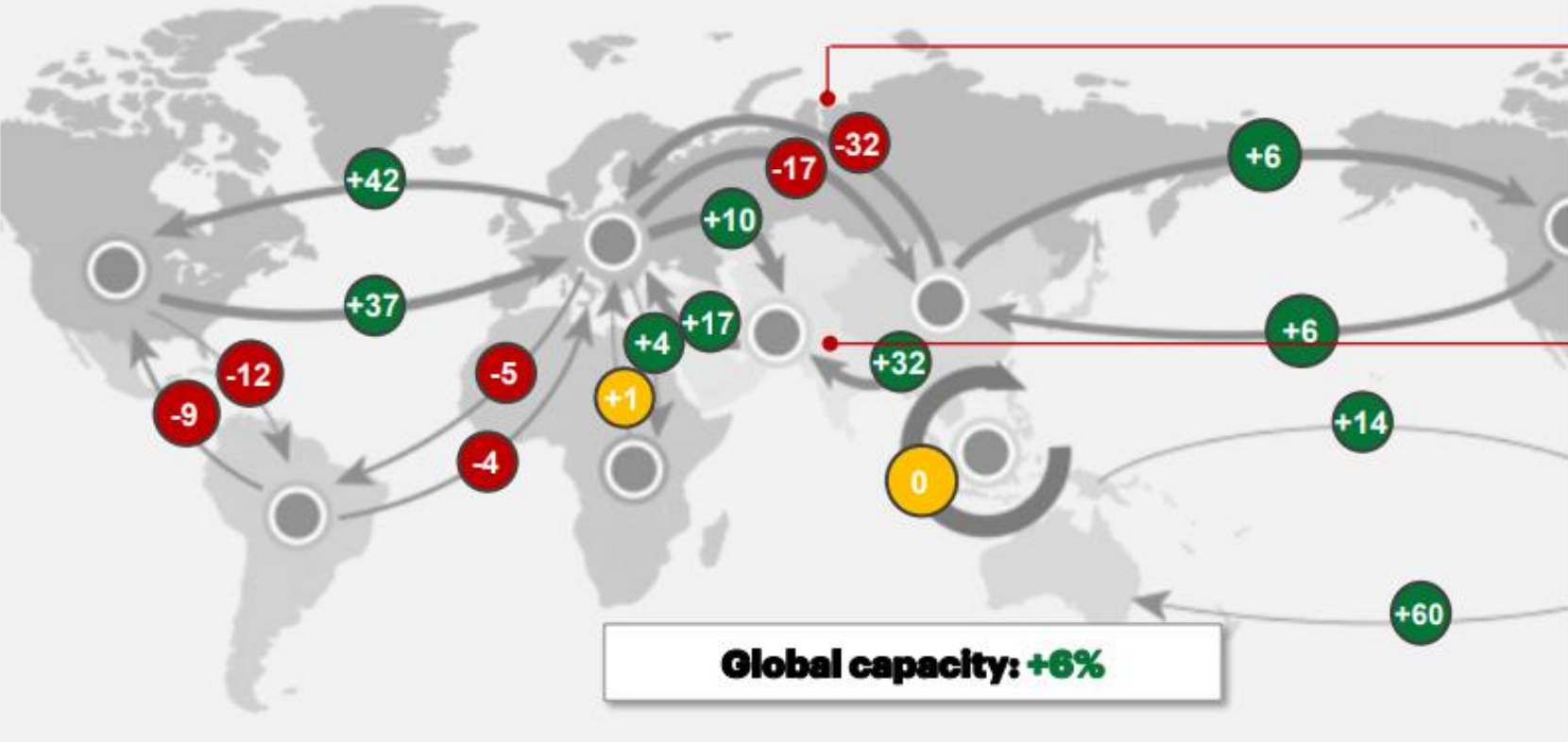


Air cargo capacity declines result from both flight cancellations and increased flight times

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 27 Jun-3 Jul vs week of Feb 14-20, 2022



Observations

- 1 Direct air cargo capacity between Europe and Asia has **fallen -17% to -32%** since the week before the onset of the Russia/Ukraine war
- 2 Capacity between Europe and Asia via the Middle East has **increased as carriers reroute freighters**

Air cargo capacity between Europe and Asia via the Middle East has increased by more than 10%

The effect of Shanghai's lockdown on air cargo in April 2022 was more than double that of the Russia/Ukraine war



The impact of Shanghai's lockdown has been equivalent to 20 full freighters per week

Air freight market overview

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

TRADE LANE	COMMENTS	RATES AND SPACE	
Exports from China / Hong Kong	Demand is weak after the long holiday and isn't expected to recover until mid-June. 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	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	- 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	- Demand is stable at reduced levels while fast/high-end fashion is still showing higher demand due to the season change. - Capacity is stable at an all time high, rate levels are starting to reduce especially on the transatlantic (TA) trade lane.	↓	
Exports from NAM	Demand remains high, especially into Europe. Capacity is manageable and has already surpassed 2019 pre-covid levels. Rates have slightly softened	↓	