

Market update

DSV Air & Sea

April 2023



Global Transport and Logistics



General update

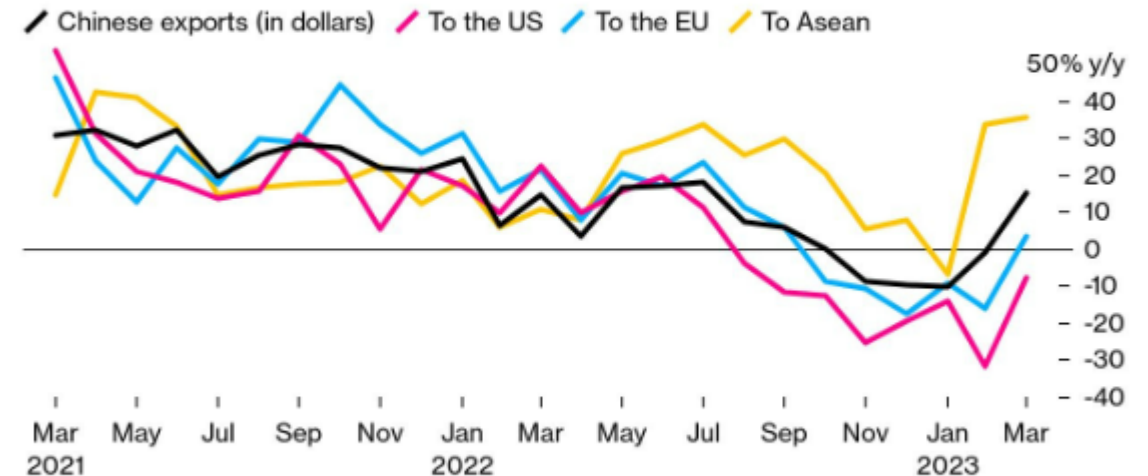
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China exports unexpectedly rise in positive sign for economy

- Exports jumped 14.8% in US dollar terms last month from a year earlier, partly driven by a uptick in shipments to southeast Asian nations and resilient demand from South Korea and Europe. Economists had forecast a more than 7% fall, and the surprisingly strong result was the biggest divergence from expectations since at least 2018.
- In the longer term, however, economists and Chinese officials remain cautious about how much trade can power China's overall economy through the end of the year.
- While inflation appears to be easing in the U.S., the Federal Reserve is likely to consider another interest-rate rise in May, a move that could curb consumer spending for a longer period of time.
- The World Trade Organization last week forecast a 1.7% gain in the global goods trade for this year, up from its previous forecast of 1%—though that is still slower than last year's 2.7% growth, thanks in part to geopolitical tensions and monetary tightening.

Asian Demand Helps Chinese Exports

Shipments to Asean and elsewhere compensate for weakening US demand



Source: China's General Administration of Customs

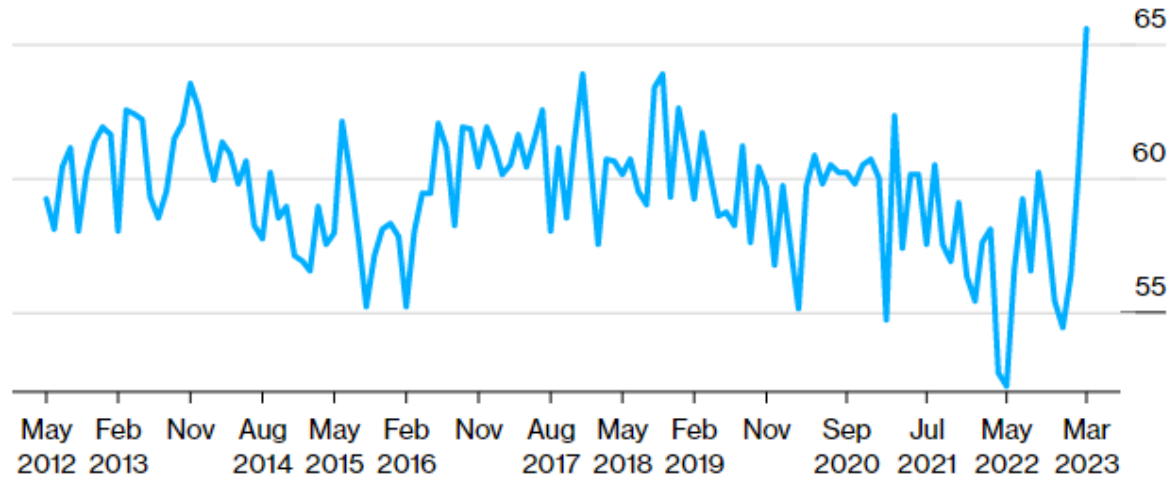
Bloomberg

China bets \$1.8 trillion of construction will boost economy

China Construction Surged in March

Month-on-month increase in construction activity largest since 2012

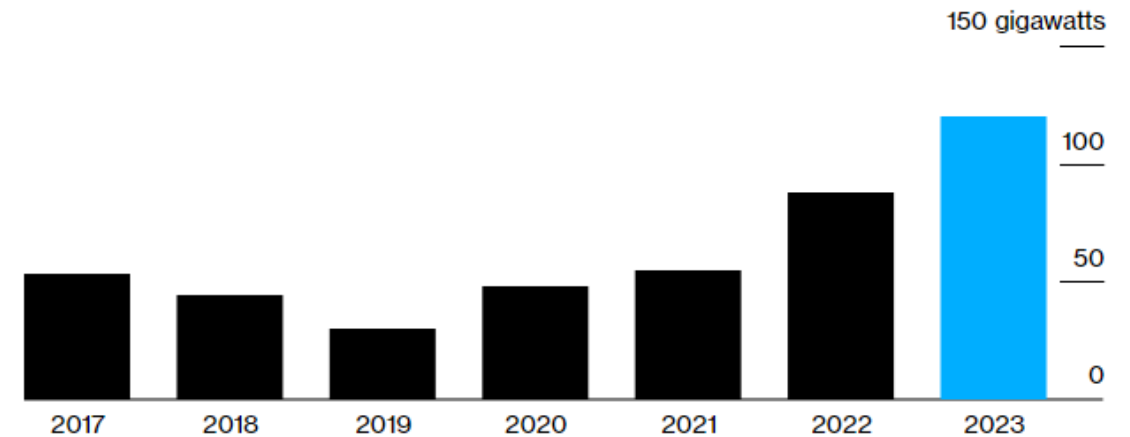
China Construction Business Activities Index



China Solar Surge

Nation set to break record in 2023 with new installations

Forecast



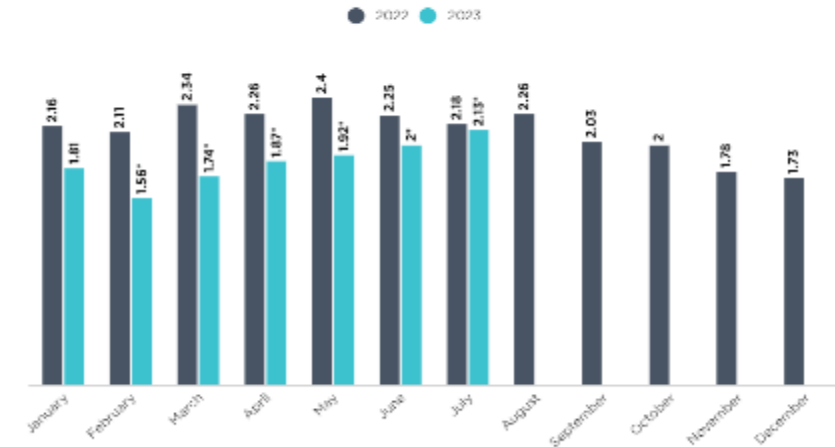
Source: National Energy Administration, China Photovoltaic Industry Association

- About two thirds of China's regions have announced spending plans for major projects such as transport infrastructure, energy generation and industrial parks this year, adding up to more than 12.2 trillion yuan (\$1.8 trillion), according to a Bloomberg analysis of government statements and state-media reports. That's an increase of 17% compared to last year.
- Recent data show the infrastructure boom may already be taking off, households are cautious about job and income prospects, expect fixed investment in infrastructure growing 5-10% for the year, in the first half of the year, there's going to be strong growth in fixed-asset investment
- The government's hope is that drives the recovery, and at some point they can hand over the baton to private business and consumption.

US: Imports expected to slowly climb, but should remain below 2022 levels through mid-Summer

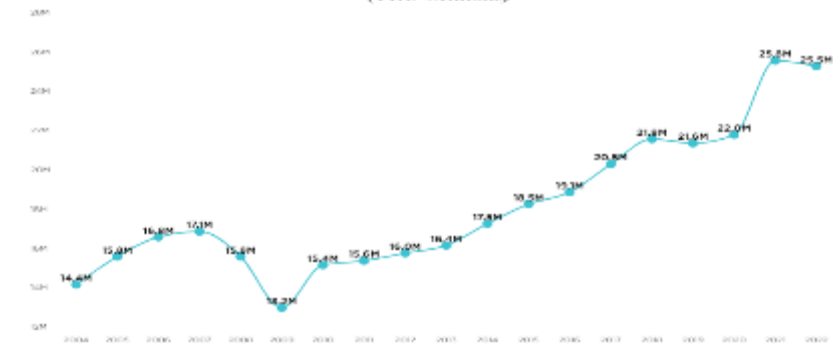
- Even without the impact of the pandemic, February is historically the slowest month of the year because of Lunar New Year factory shutdowns in Asia and retailers' lull between the holiday season and spring shopping. In February 2022, the impact of Lunar New Year was mitigated by congestion at U.S. ports that kept a supply of vessels waiting to unload, resulting in an artificially large year-over-year comparison this February.
- Beginning this month, imports are expected to climb at least through mid-summer but will nonetheless remain below last year's levels. March is forecast at 1.74 million TEU, down 25.9% year over year; April at 1.87 million TEU, down 17.2%, and May at 1.92 million TEU, down 19.7%. June is forecast at 2 million TEU, the first time imports are expected to be that high since October but down 11.5% from last June. July is forecast at 2.13 million TEU, down 2.5 percent year over year.
- The first half of 2023 is forecast at 10.9 million TEU, down 19.5% from the first half of 2022. Imports for 2022 totaled 25.5 million TEU, down 1.2% from the annual record of 25.8 million TEU set in 2021.

Monthly imports 2022-2023
(TEU-Millions)



Source: NRF/Hackett Associates Global Port Tracker *Forecast

Imports 2004-2022
(TEU-Millions)



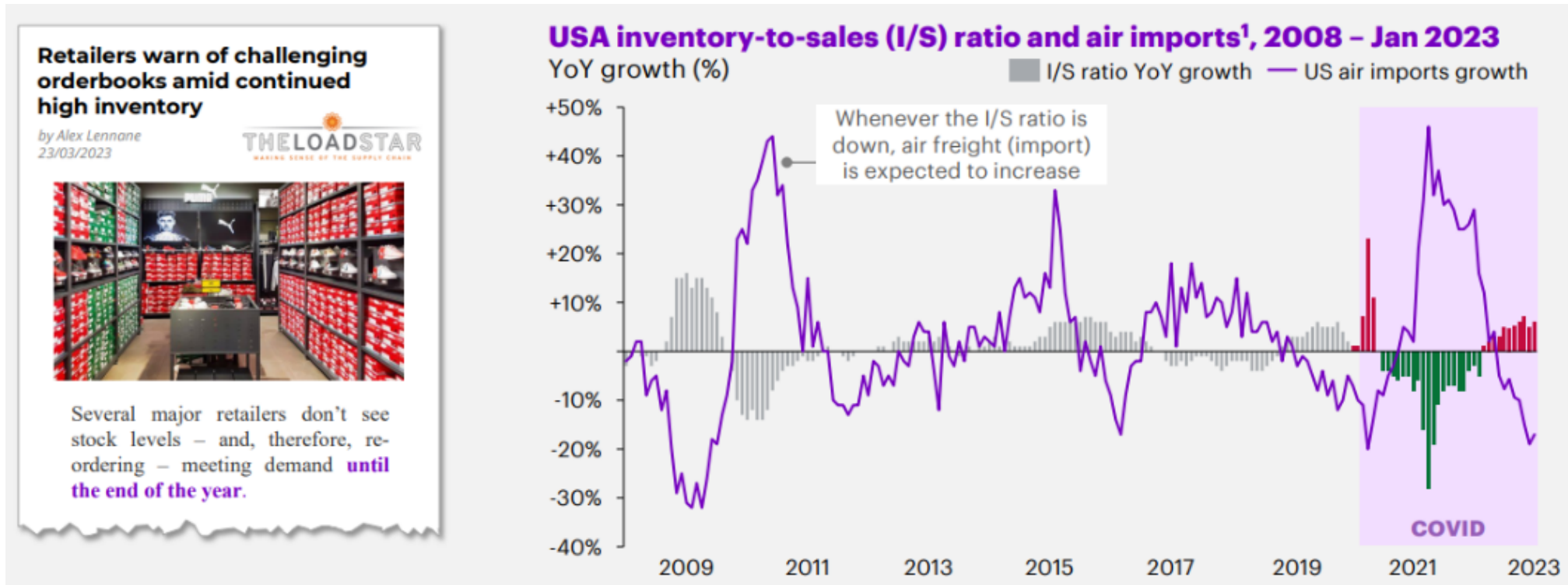
Source: NRF/Hackett Associates Global Port Tracker

Port labor disputes raise new fears over U.S. Import disruptions

- A brief stoppage on the docks at Los Angeles and Long Beach highlights frustrations over contract talks that have stretched to nearly a year
- The conflicts appear to be growing just as importers are making decisions on how to route goods into the country for the peak shipping season, which begins in a couple of months, when retailers stock up for the fall and the holiday sales period. Some retailers, stung by massive backups at the ports during the Covid pandemic as well as by the uncertainty of the contract talks, are now looking to divert more imports to ports at Houston, Savannah, Ga., and New York-New Jersey.
- Previous contract negotiations between the PMA and the ILWU have been contentious and marked by freight delays that cost individual retailers millions of dollars in increased expenses and lost sales as dockworkers slowed operations and employers locked out workers.
- The relationship appeared to worsen in March when the PMA and the ILWU traded public barbs about workers refusing to stagger lunch breaks at the Los Angeles and Long Beach ports, a practice that halted most cargo handling during those periods.
- Retailers and some shipping industry officials have called on the Biden administration to take a more active role in the talks and to help broker a deal.



U.S. retailers have reported increasing inventories for over a year, suppressing air imports



Demand for air freight is expected to remain limited as long as inventories remain high

Boeing pauses MAX deliveries after parts problem

- Boeing said it was pausing deliveries of some 737 MAX jets because of incorrectly installed parts, disrupting one of the plane maker's best-selling business lines.
- Boeing said it was notified by a supplier of "a nonstandard manufacturing process" used to install two fittings at the rear of the plane, where the fuselage joins the tailfin.
- Boeing said the problem would have a significant impact on near-term deliveries of the 737 MAX 7, the 737 MAX 8 and larger MAX 8-200 jets, as well as the P-8 military reconnaissance planes that are also based on the 737.
- Analysts estimated more than 80 jet deliveries could be pushed back this year of the 400 to 450 Boeing aimed to deliver to airlines, which have been enjoying a recovery in passenger traffic.
- Ryanair Holdings PLC and Southwest Airlines Co. were among carriers that said they were assessing potential delivery delays.



Port congestion

Terminal Petikemas KOJA

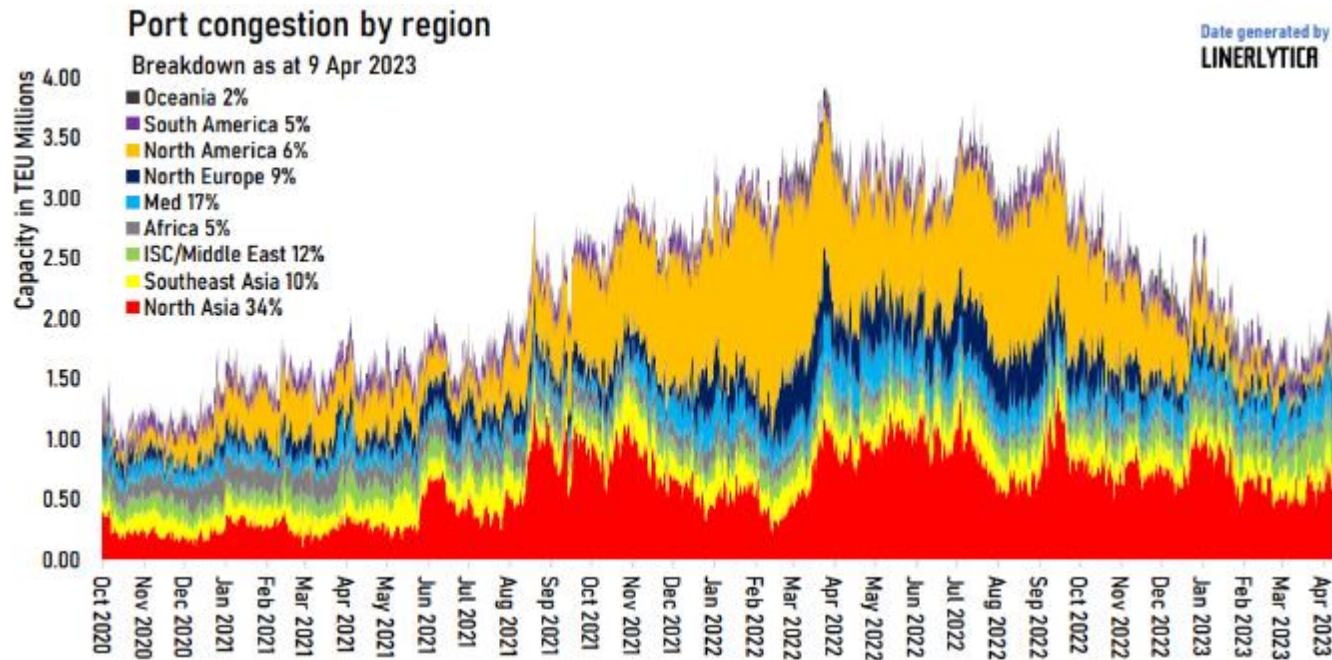
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Global port congestion

6,5 % of the global vessel capacity effectively removed – 1,73m TEU affected



Global congestion is stable despite the closings in Los Angeles



- The ports at Los Angeles and Long Beach were shut for 2 shifts on 6 and 7 April due to ILWU local actions that resulted in a labor shortage that affected vessel operations with port stays extended at the ports. But there has not been any significant build up of ships across the San Pedro Bay anchorages, with vessel calls currently much lower than the peak in early 2022
- Overall congestion at North American ports remain under control, with only minor delays of up to 2 days only in the East Coast, with the west coast delays limited to Oakland and Vancouver only.
- Congestion in China and Europe were generally stable, with the number of vessel waiting at anchorages decreasing slightly in both regions over the past week.

Source: Linerlytica (February 2023)

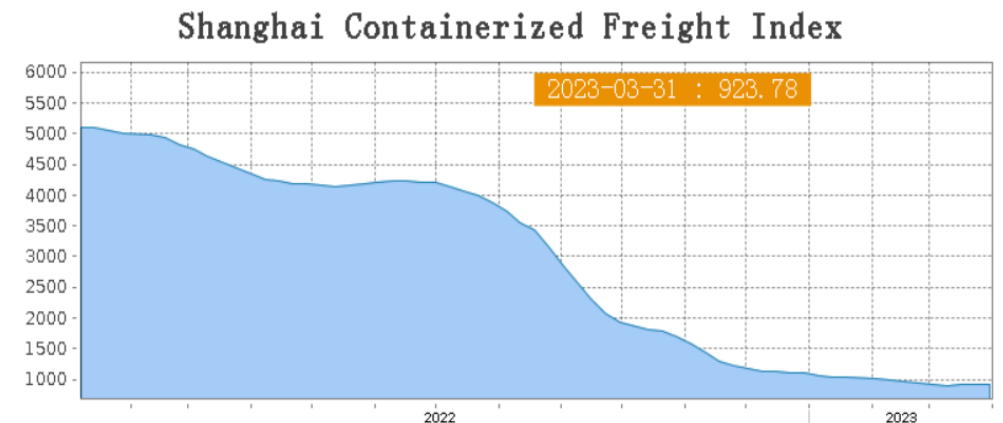
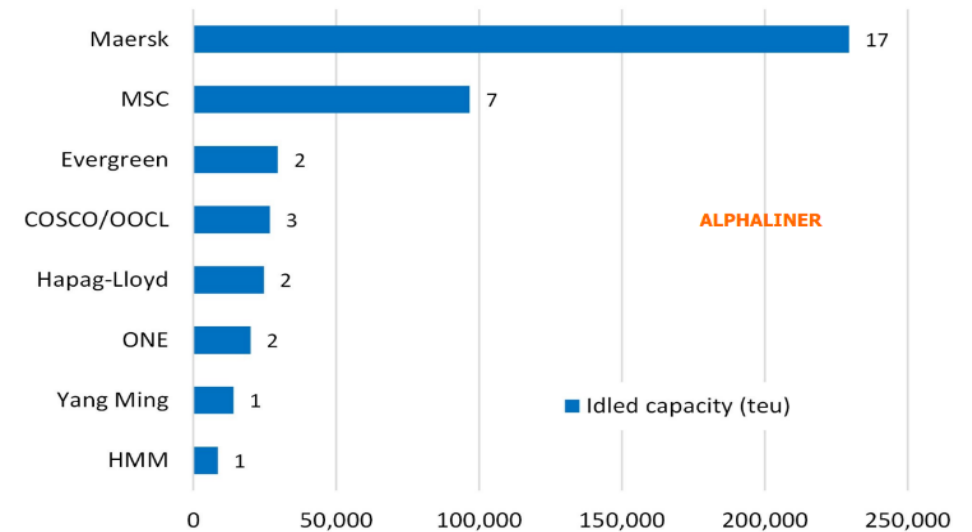
Ocean update

DSV

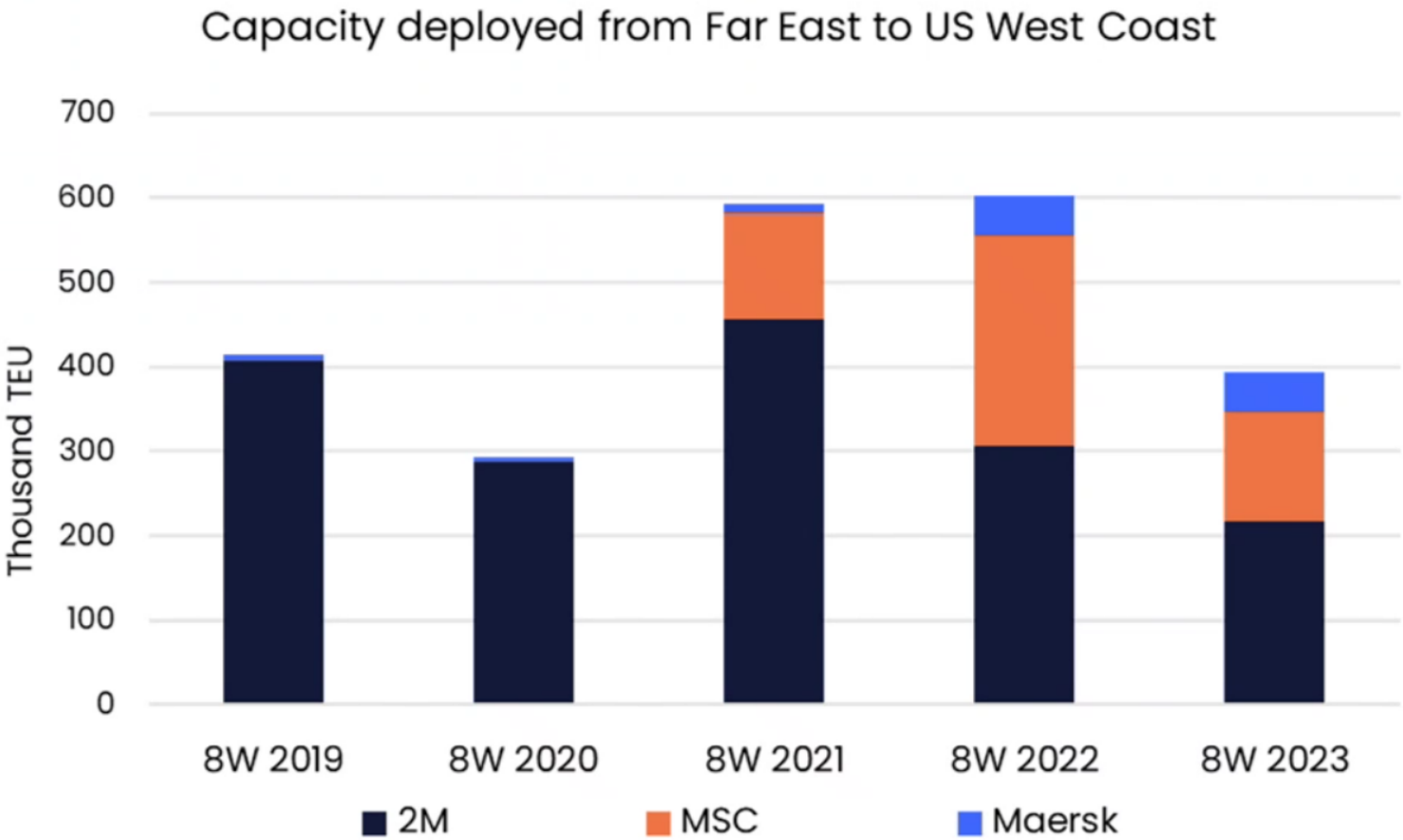


Q1 2023: Low demand and slow movement from carriers

- The composite SCFI index of week 13 calls for 923 basepoints, while coming from > 5.000 back in 2022 once again demonstrates the material market downturn. Carriers sit in a tricky trap these days. For many quarters during COVID, the available capacity was seriously under stress due to port congestion or other disruptive events.
- Commercially idled in this context means that the vessels are taken out of the trade, while they still belong to the carriers fleet pool. The normal idle fleet describes the amount of vessels being out in the market, available to charter by an operator. More than half of the commercially idles ships capacity over 7.500 TEU is owned or operated by Maersk.
- One driving element is to keep the service liability stabilized, as in times where there is sufficient capacity out in the market in combination with soft rate levels, it becomes again the main differentiator to attract cargo owners and get the own ships utilized. Next to this carriers are preparing for the expected volume increase over summer and hopefully and stronger second half of 2023.



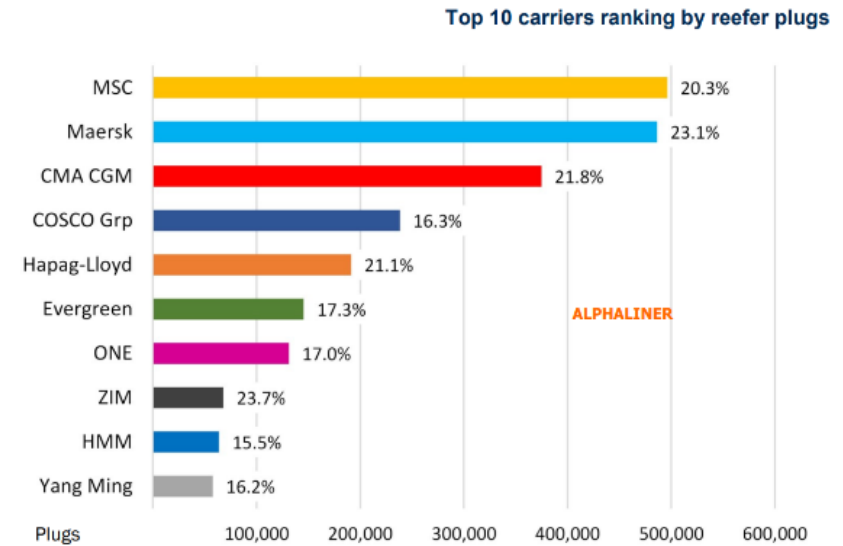
MSC adding capacity outside 2M



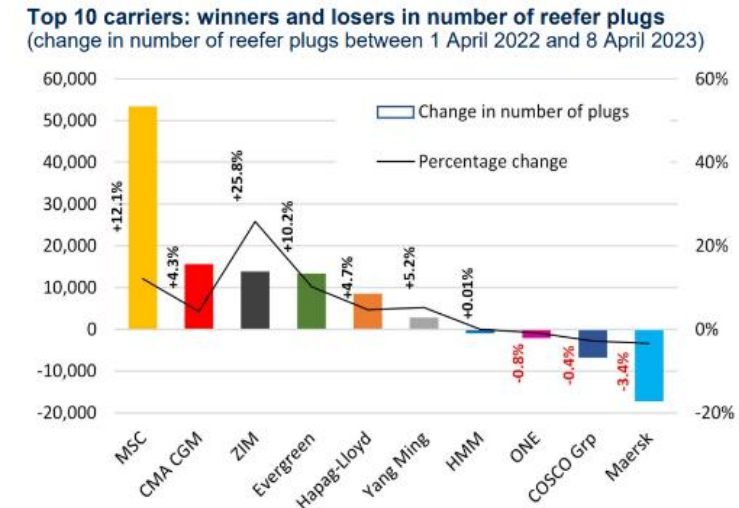
Source: Xeneta, Sea Intelligence

MSC has become the carrier with the highest number of reefer plugs in its fleet

- MSC can potentially carry the largest amount of refrigerated cargo on its ships. The 746 vessels in its fleet (as of 8 April) are fitted with a combined total of more than 496,200 reefer plugs. This contrasts with April 2022 which still showed Maersk in the top position, despite the fact that MSC had overtaken the Danish shipping company as the world's largest container carrier in early January 2022.
- ZIM and Maersk can theoretically use more than 23% of their total capacity for refrigerated cargo.
- Asian carriers typically operate fewer vessels built for reefer-heavy trades
- The year-on-year differences in reefer capacity are generally in line with carriers total fleet evolution



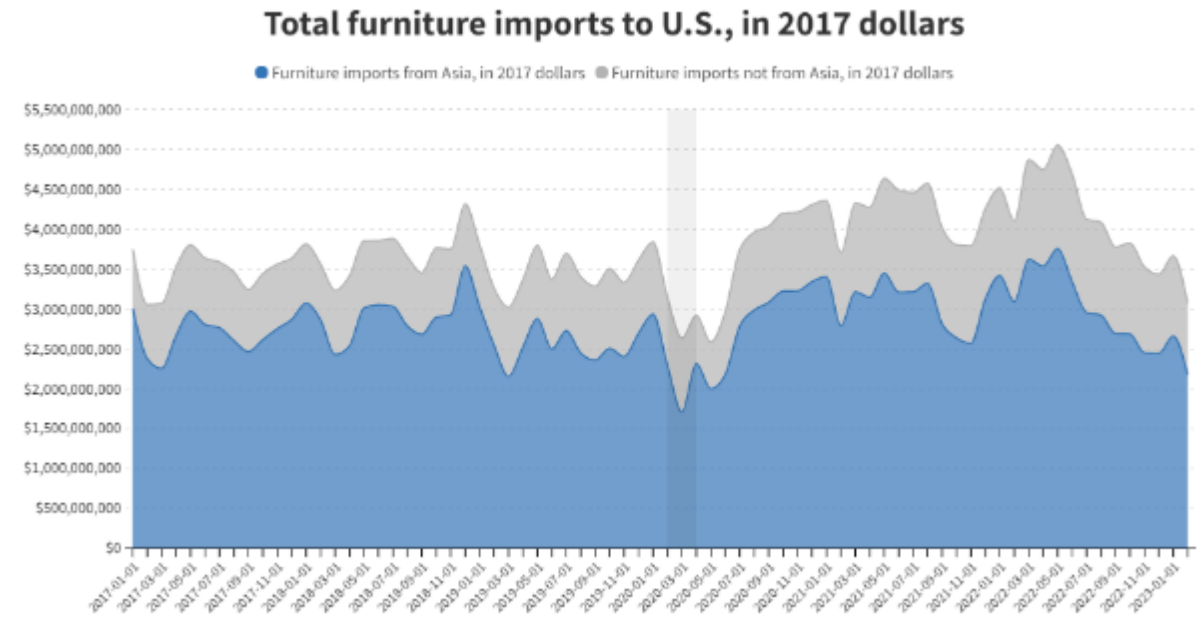
Source: Alphaliner database 08/04/2023



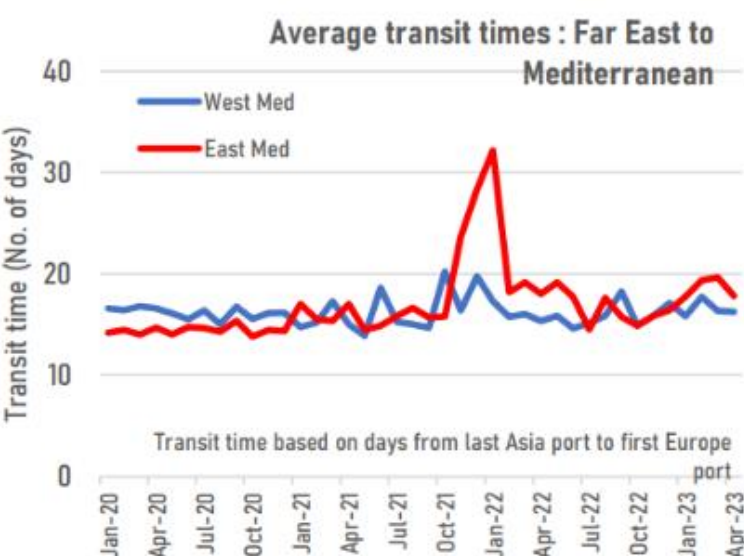
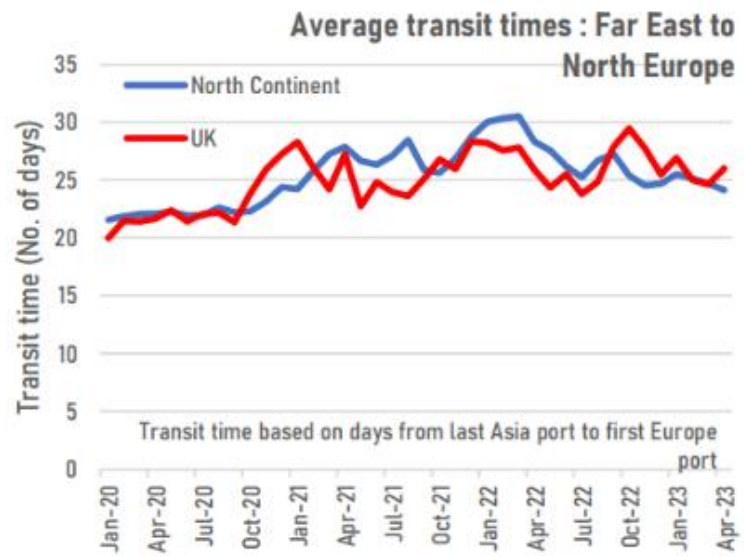
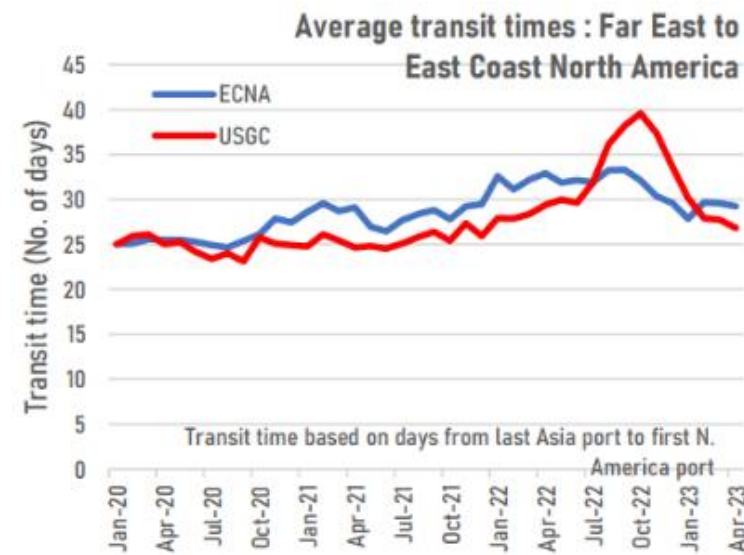
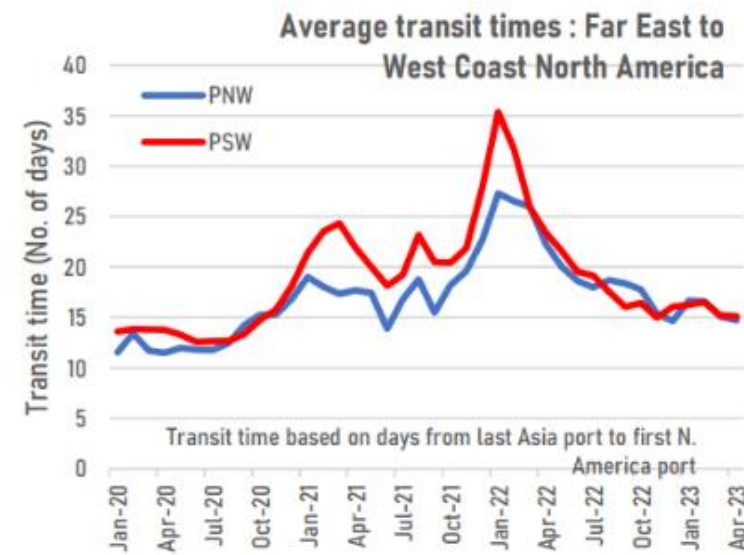
source: Alphaliner database 8/4/2023

U.S. furniture companies still paying for the supply chain crisis

- In January 2023, Smith's survey found that inventory levels were 20% higher than at the same time last year but down from the previous month. Consumers are still buying perishable goods at a regular clip, but they've largely turned away from durable goods, like furniture, in the past year.
- Some portion of that inventory was moved during the height of the supply chain crisis, when freight was exceedingly high. Unusually high sticker prices for consumers were supposed to combat that. But now, even if that un-trendy furniture sells, it will likely be for far lower prices than intended.
- There are other quirks. Furniture makers have been on edge waiting for a federal rule around no-tip furniture, which could revamp how they test their wares. The strong dollar hasn't been favorable to U.S.-based companies that manufacture overseas.
- Some say they've been able to lower prices without a massive hit to their margin, in part thanks to lower freight costs. Two high-end, business-to-business furniture vendors told Business of Home in February that declining freight rates have allowed them to slash prices, too.

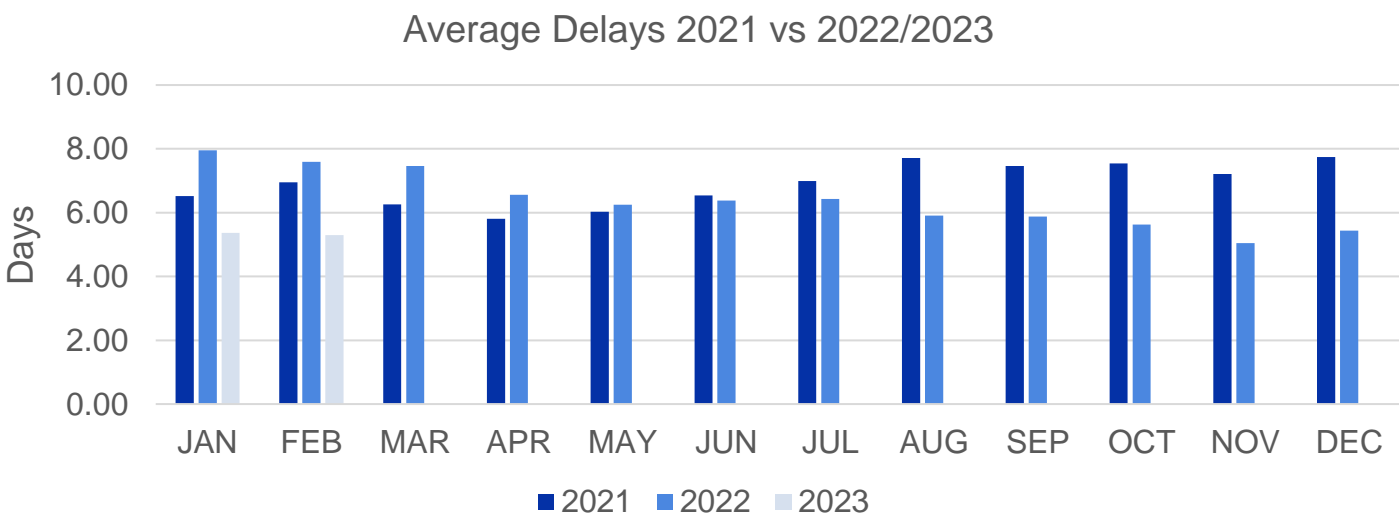
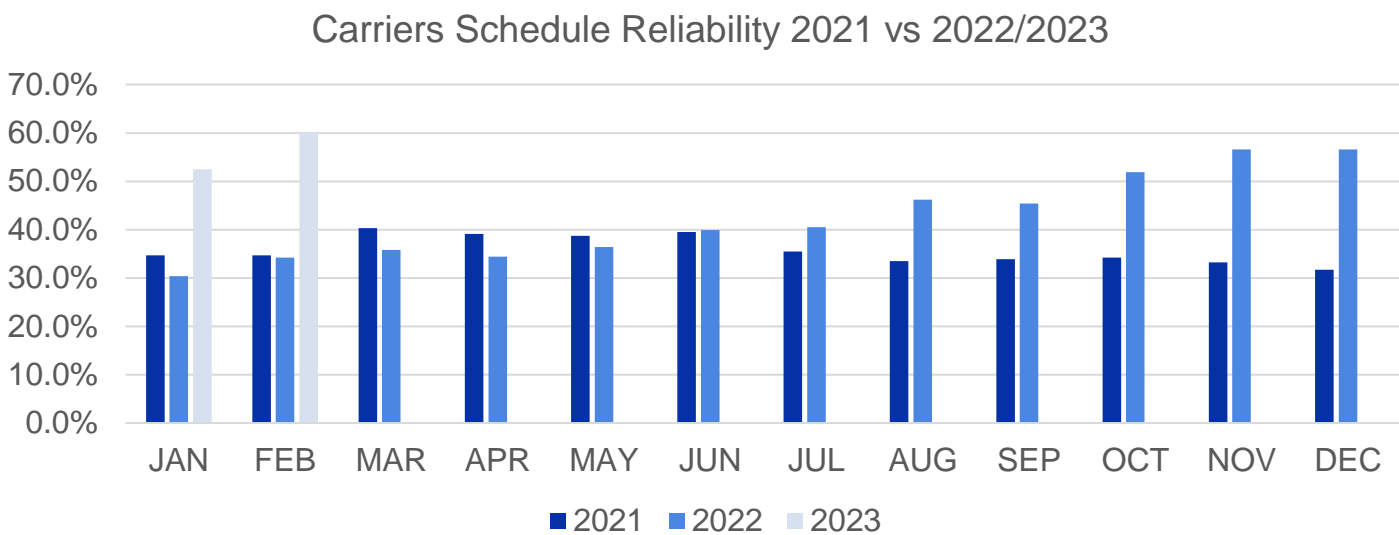


Small improvements in transit times



Source: Linerlytica (April 2023)

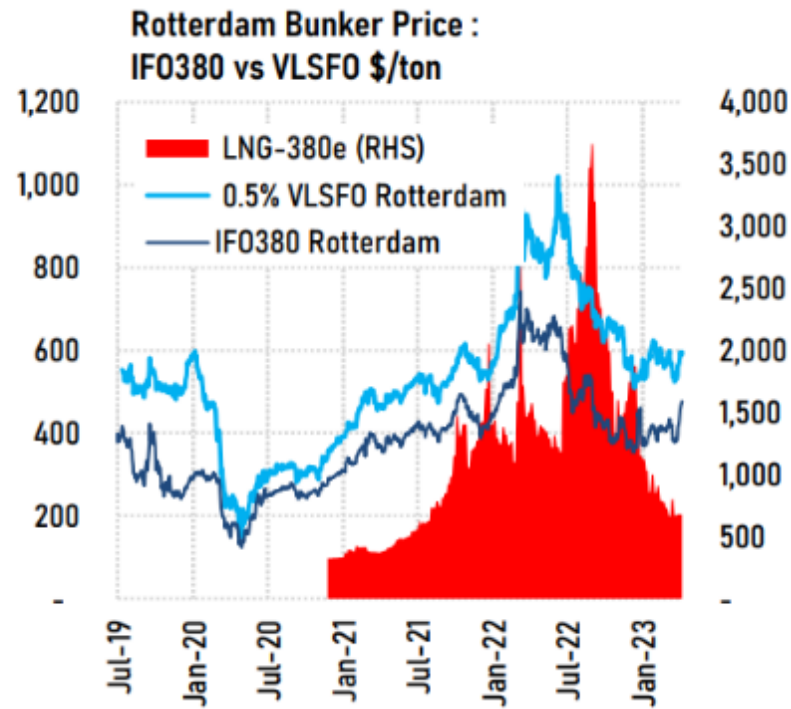
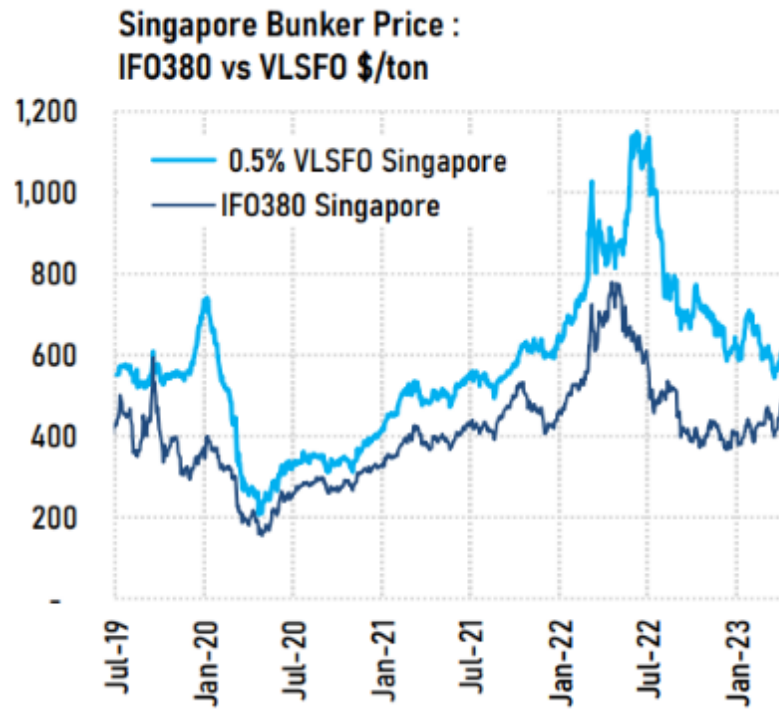
Global Liner performance IMPROVING on February 2023 – 60.2% on time, an increase of 7.7% points



Vessel reliability per tradelane on January:

- Global schedule reliability recorded a relatively sharp increase of 7.7 percentage points M/M in February 2023 and reached 60.2%, bringing it very close to the 2020 figure for the same month. On a Y/Y level, schedule reliability was a staggering 26.0 percentage points higher.
- The average delay for LATE vessel arrivals also continued to decrease, dropping by -0.07 days M/M in February 2023 to 5.29 days. It is now only marginally higher than at the same point in 2020, and a significant -2.30 days lower Y/Y. In relative terms, the average delay for LATE vessel arrivals is now closer to the 2019 level than to the highs of 2021-2022.

The spread between IFO380 and VLSFO has been reduced, and now is at \$124/tn

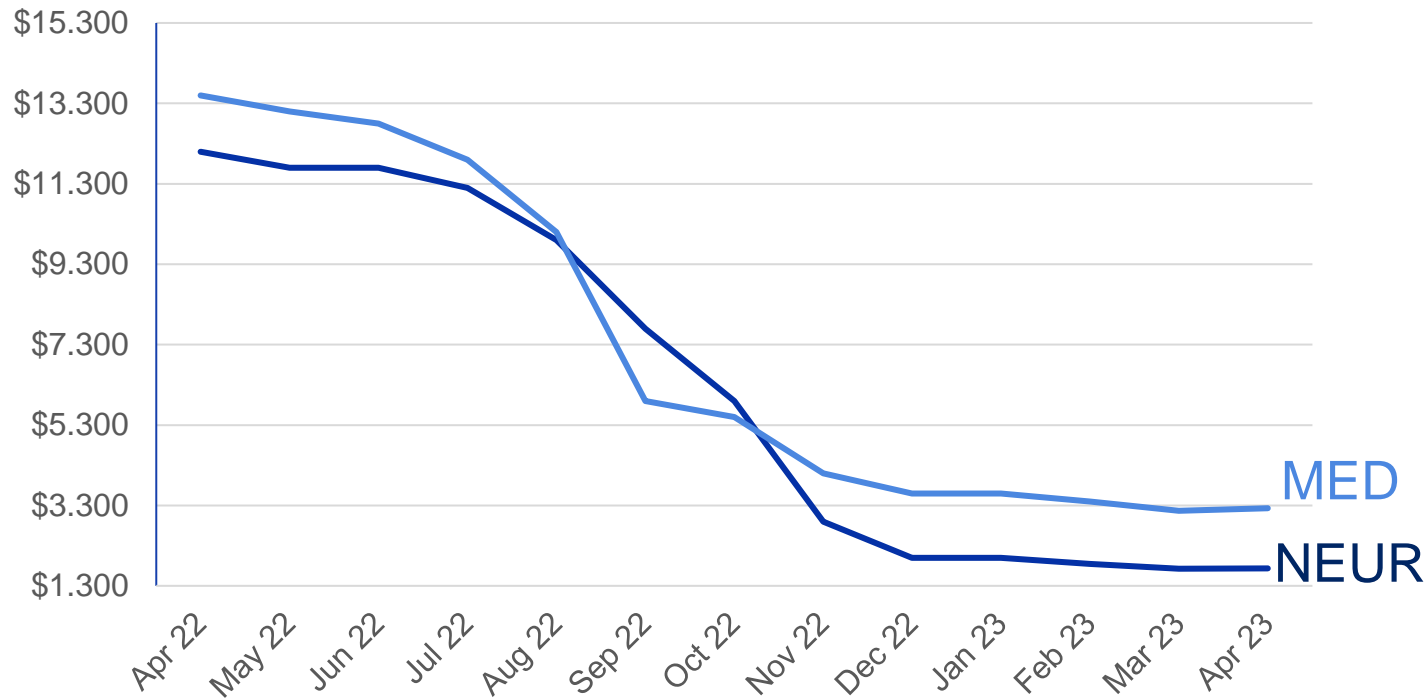


- We see an increase on bunker cost during last weeks.
- VLSFO Vs IFO380 spread has been reduced with USD 124/tn

Ocean Freight Asia - Europe

Rates have stabilized at current levels

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



Source: SCFI Week 15-2023

It seems that we have reached to an equilibrium and carriers are performing less blank sailings

SCFI Levels Week 15-2023:

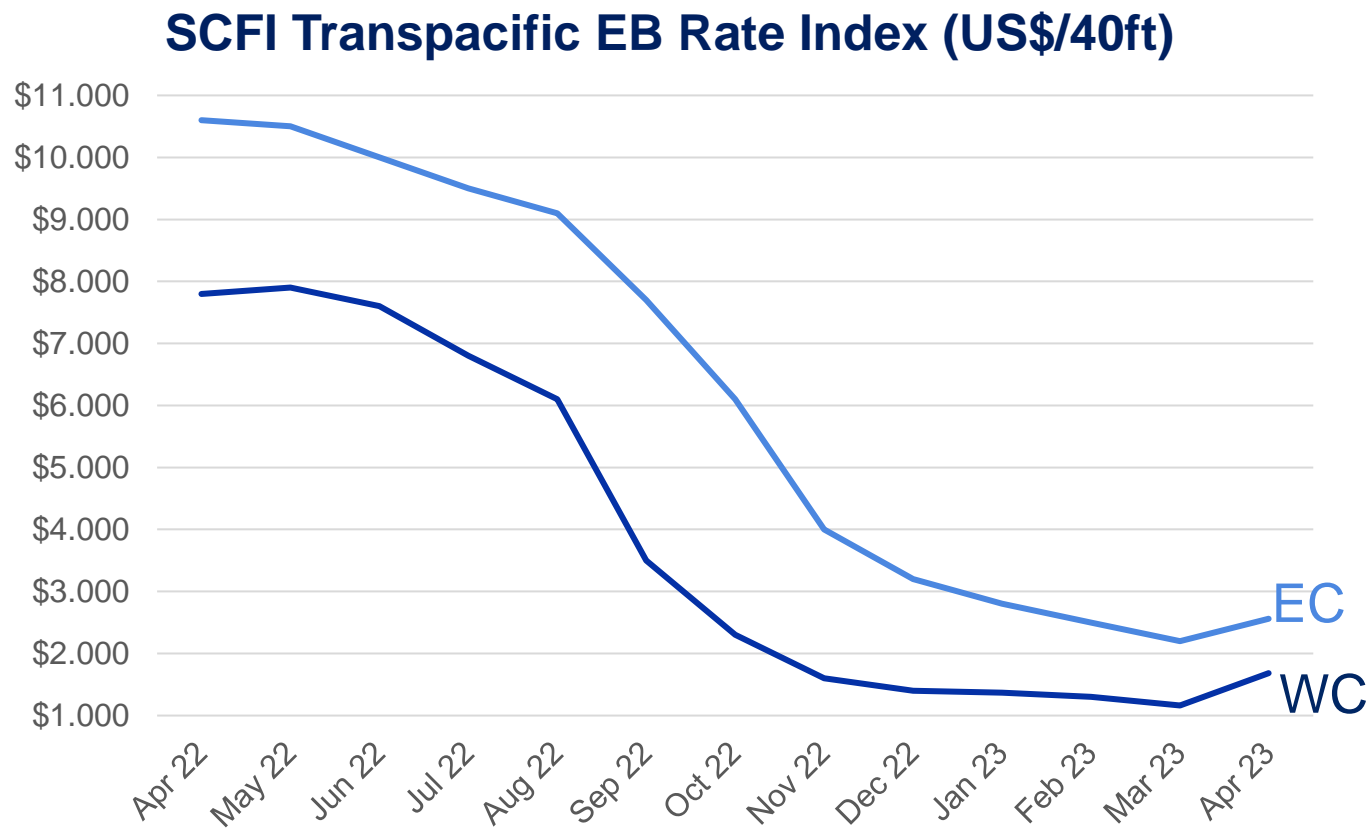
Shanghai – North Europe: USD 1,742/ FEU

Shanghai – Mediterranean: USD 3,236/ FEU

- Volumes are rising
- Blank sailings decreasing in coming weeks
- During month of April across various carriers, volume have recovered after CNY slack season
- Long term rates are slightly rising

Ocean Freight Asia - North America

Stabilization of rates after large rate decreases



Source: SCFI Week 15 2023

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

SCFI Levels Week 15-2023:

Shanghai – US West Coast: USD 1,688/ FEU

Shanghai – US East Coast: USD 2,565/ FEU

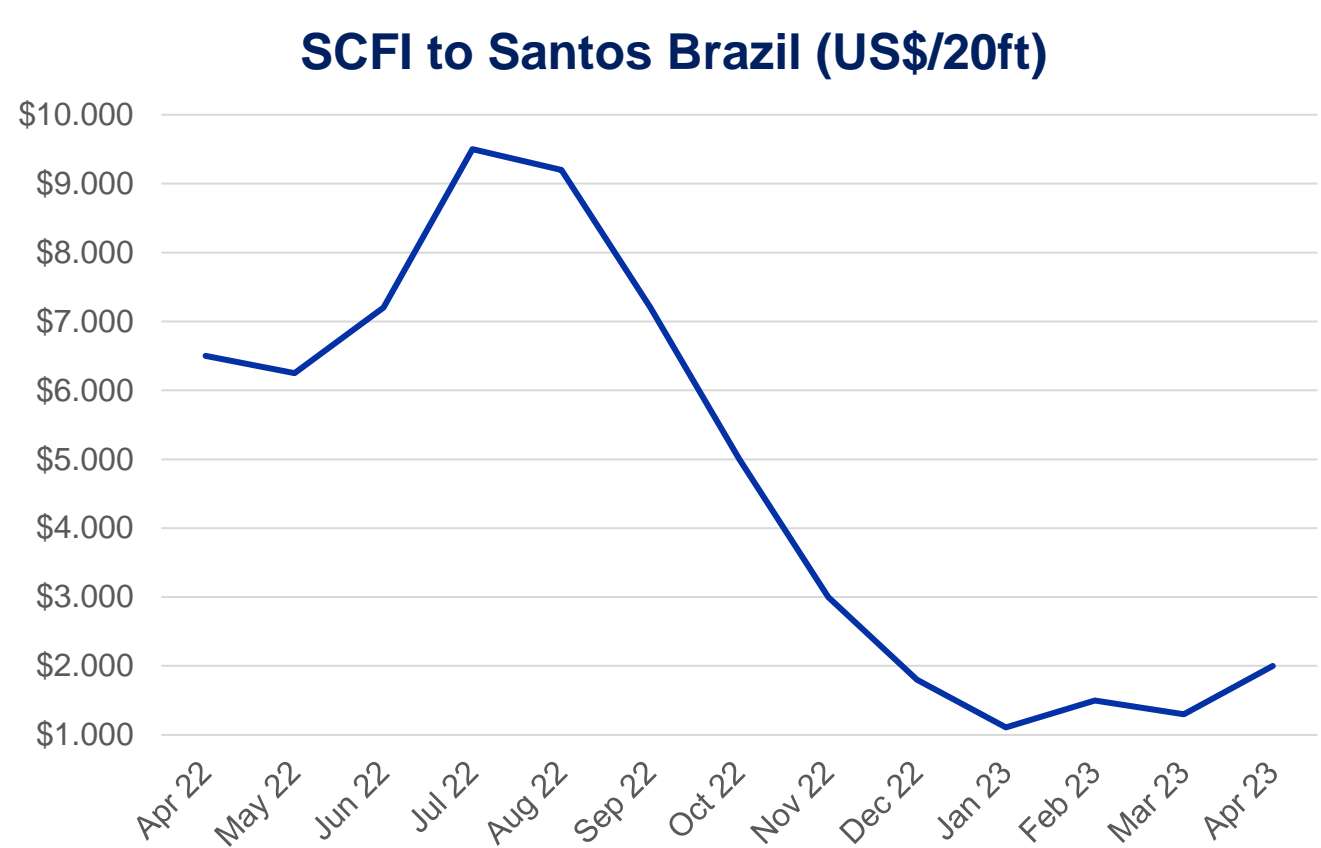
It is seen an increase of volumes

Rates have increases during last week for the first time over one year

There is a lot of empty equipment available, high density ports and ramps will quickly run out of storage space for these boxes and may lead to a bottleneck

Ocean Freight Asia - South America (East Coast)

Demand is growing in West Coast South America



Source: SCFI Week 15-2023

SCFI Levels Week 15-2023:

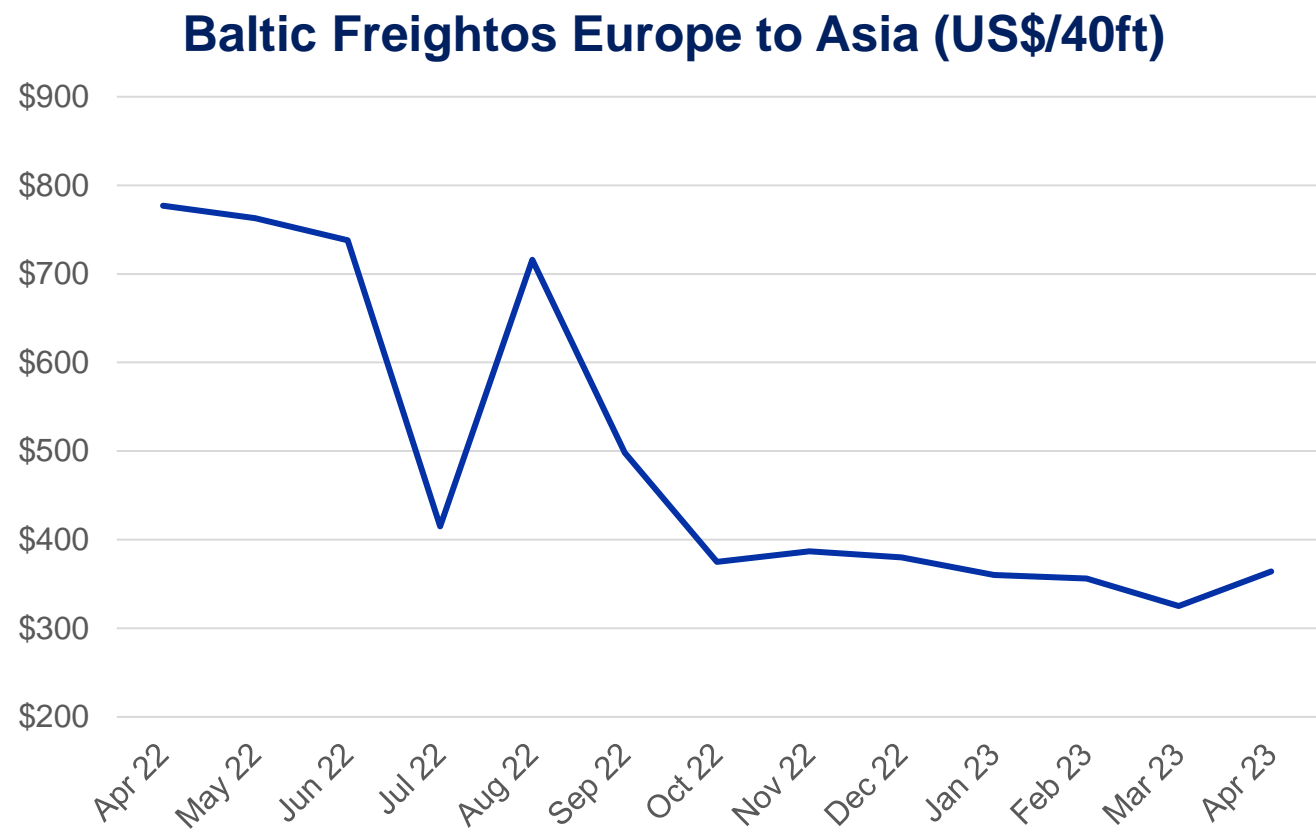
Shanghai – Santos: USD 1,378/ TEU

ECSA: Demand is stable but being pushed by blank sailing program during consequent weeks

WCSA: demand is quite stronger with current vessel situation. Carriers start to applying GRI in order to recover the rates and avoid spot negotiation.

Ocean Freight Europe - Asia

Initial increase, but rates still at lowest level



Source: Freightos Baltic Week 15-2023

Freightos Baltic (FBX12) index Levels 15-2023:

- Europe to ASIA : USD 364/ FEU

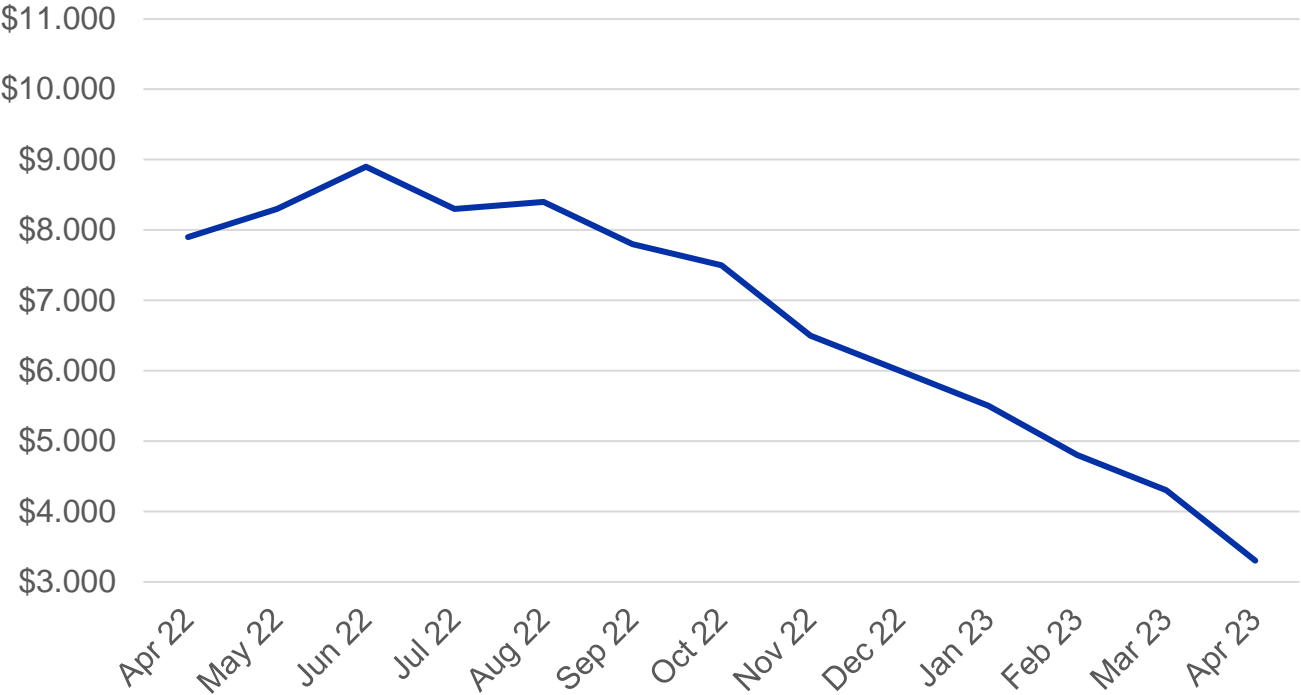
Ongoing softening in the spot market

- Sufficient space available on the majority of loops
- Ongoing operational challenges due to port congestion, vessel delays and equipment availability problems
- Rates have stabilized at low level, and we had a small increase in the last month.

Ocean Freight Europe - North America

Vessel utilization is falling

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



Source: Freightos Baltic W15-2023

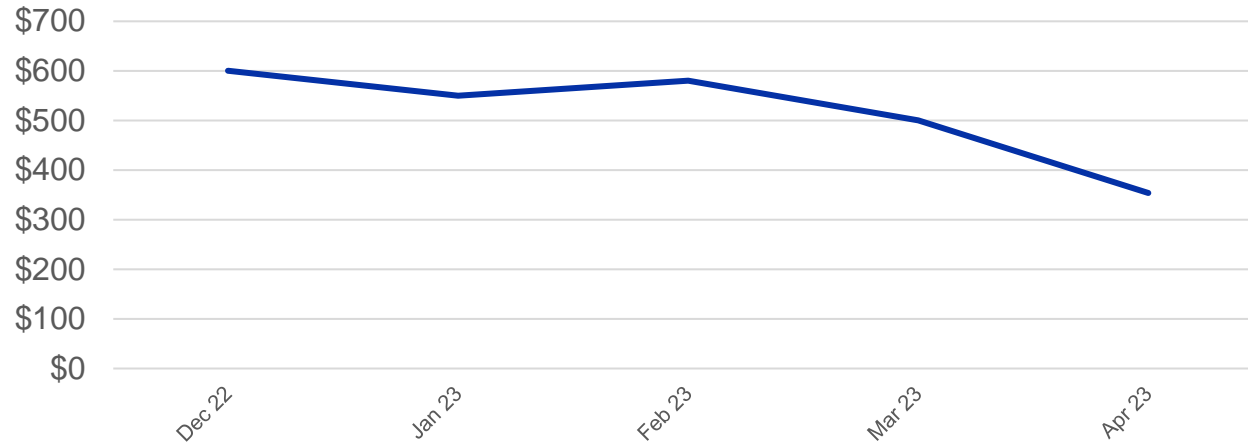
Freightos Baltic index (FBX22) Levels Week 15-2023:

- Rotterdam – New York: USD 3,301/ FEU
- Market has been lower in January / February 2023 than 2022, but it is expected a demand pick up on March 2023
- Long term, demand will be stabilized, however, still driven by the fluctuations in the global economy as well as changes in customers sourcing strategies.

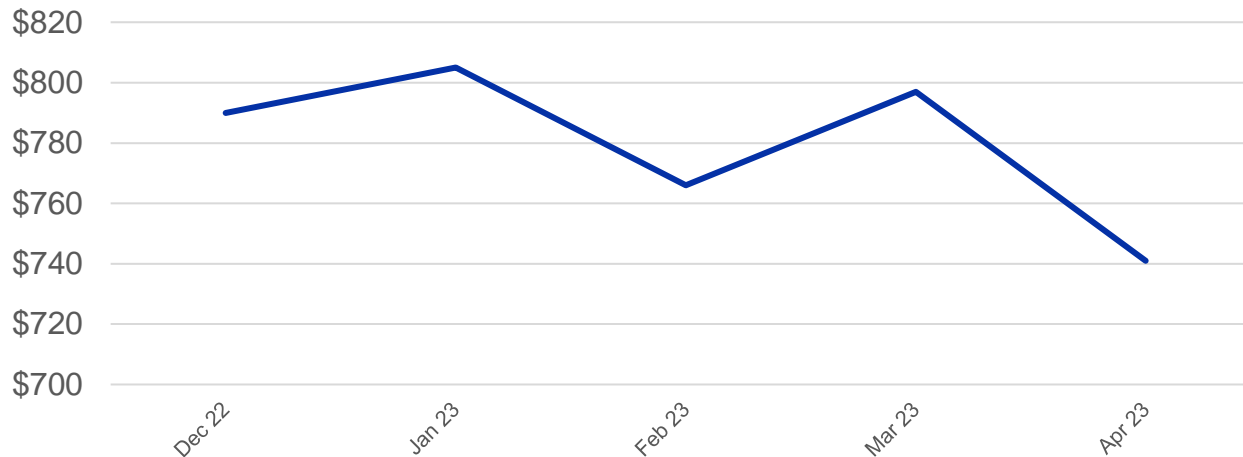
US outbound lanes

Vessel utilization is falling, terminals are still handling over capacity of empty containers

Freightos FBX 21 North America to Europe (US\$/40ft)



Freightos FBX 02 North America to China (US\$/40ft)



Freightos Baltic index (FBX21) Levels Week 15-2023:

- New York - Rotterdam: USD 354/ FEU

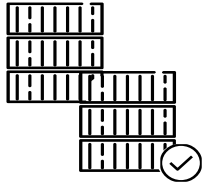
- Port congestion in Houston continue to based on the terminals between 2 and 10 days
- No more capacity added to the trade in 2023
- Demand from Gulf to Europe is still strong with bookings 4 weeks in advanced on US East Coast C to Europe, demand has softened

Freightos Baltic index (FBX02) Levels Week 15-2023:

- Los Angeles - Shanghai: USD 741/ FEU
- Long term, demand will be stabilized, however, still driven by the fluctuations in the global economy as well as changes in customers sourcing strategies.

Intra Asia

Demand



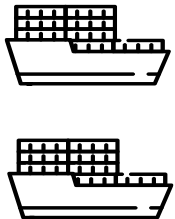
- China export is not recovering with the anticipated pace thus the short term hike in the demand isn't here and a weak cargo rush have taken place before the easter holidays.
- SEA countries export is starting to pick up, combined with a stronger booking pace from China it's driving up the tight space situation and thereby the short term rates.
- The rates and trades inbound Incheon, KR, Japan & Korea remains strong as a result of the limited direct carrier on these corridors.

Rate



- The market slow down in a combination with the resolved bottle necks in the supply chains is forcing the rates to slope-downwards on the majority of the trade lanes within Asia. We are however seeing that the rates have stabilized and are up trending on selecting corridors.
- The long term rate level remains to be quoted at a premium compared to the short term rates – The short term rates are slowly climbing upwards and it's having a direct effect to the premium fee for a long term contract.
- The expected increase in output from China was expected in April and onwards hence we've not seen any major hike in outputs as of yet. It contains a risk of a tight space situation and a short term hike in the rates ex China whenever the output shoot up as it will do within the next couple of months time.

Supply



- Capacity remains fully open and there is only space constraints into specific ports in Korea, Japan and Bangladesh as well as selected vessels into Thailand. The feeder space for inland ports in China is as well fully back and open.
- We don't see the same pace of new service launches in the Intra-Asia market any longer.
- There is a shortage of 20DC's in Ningbo as the only place where we are seeing a equipment challenge.



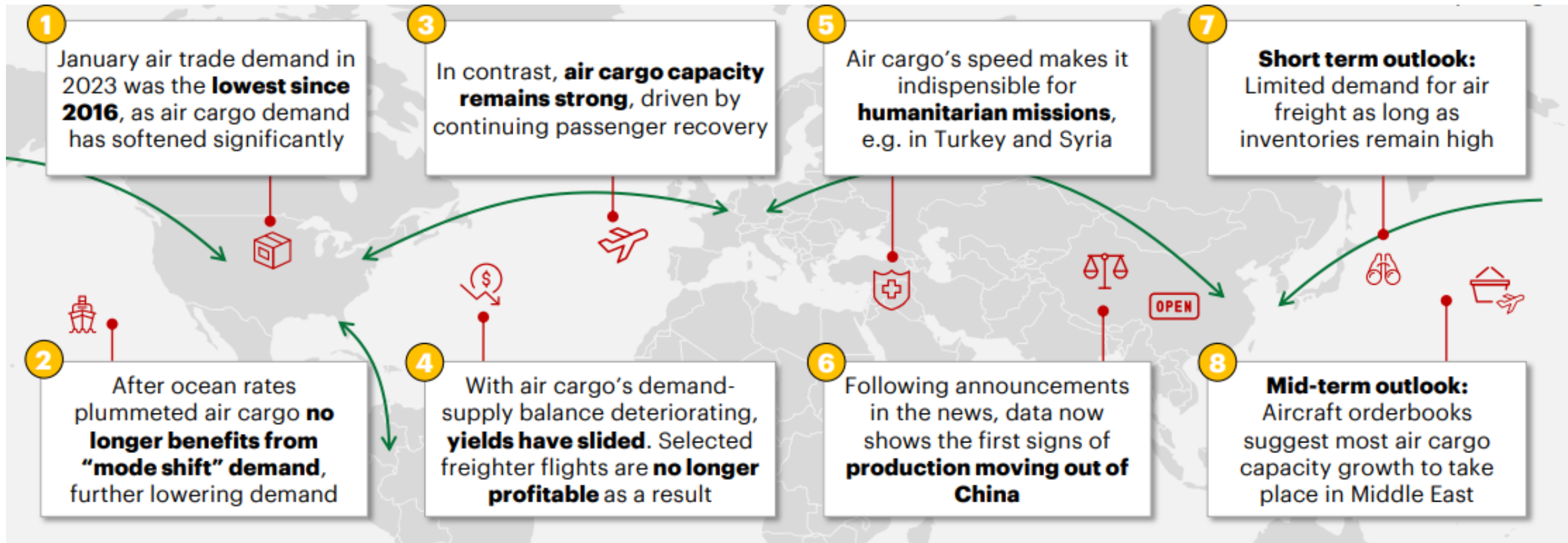
Ocean freight market overview – Rates have stabilized

TRADE LANE	COMMENTS	RATES AND SPACE	
ASIA to Europe	<ul style="list-style-type: none">We see full vessels during month of AprilThere are GRIs active and we see initial impactCongestion: Strikes in France on previous weeks are clearing backlog	➡	
ASIA to NAM	<ul style="list-style-type: none">Market is open, it seems we have reached the end of price cutsEquipment is availableLess problems of congestion in USA, specially in East Coast	➡	
Europe to NAM	<ul style="list-style-type: none">Less congestion in both North American and European ports affects serviceVessel are full and more capacity availableDemand has normalized	⬇	
Exports from India	<ul style="list-style-type: none">Space is openShipping lines are opening long term contrat rates to negotiatePorts, terminals and ICD continue to work normally	⬇	
ASIA to LATAM	<ul style="list-style-type: none">Flexibility to place bookingASIA to LATAM space is open in both East and West CoastEquipment is available	➡	
INTRA ASIA	<ul style="list-style-type: none">Port congestion improving in some south Asian portsNew bunker level.Overstock of container equipment	⬇	

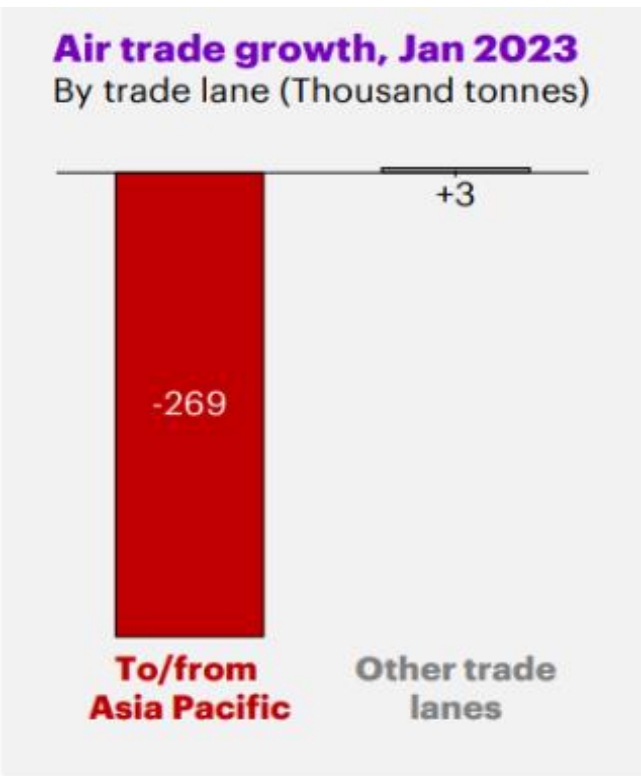
Airfreight update

A large commercial airplane is parked on a tarmac during the golden hour of sunset. The sun is low on the horizon, casting long, dark shadows of the aircraft onto the light-colored pavement. Several orange traffic cones are placed around the plane, likely for ground crew safety. The sky is a mix of orange and blue, and the overall scene conveys a sense of late-day operations in the aviation industry.

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

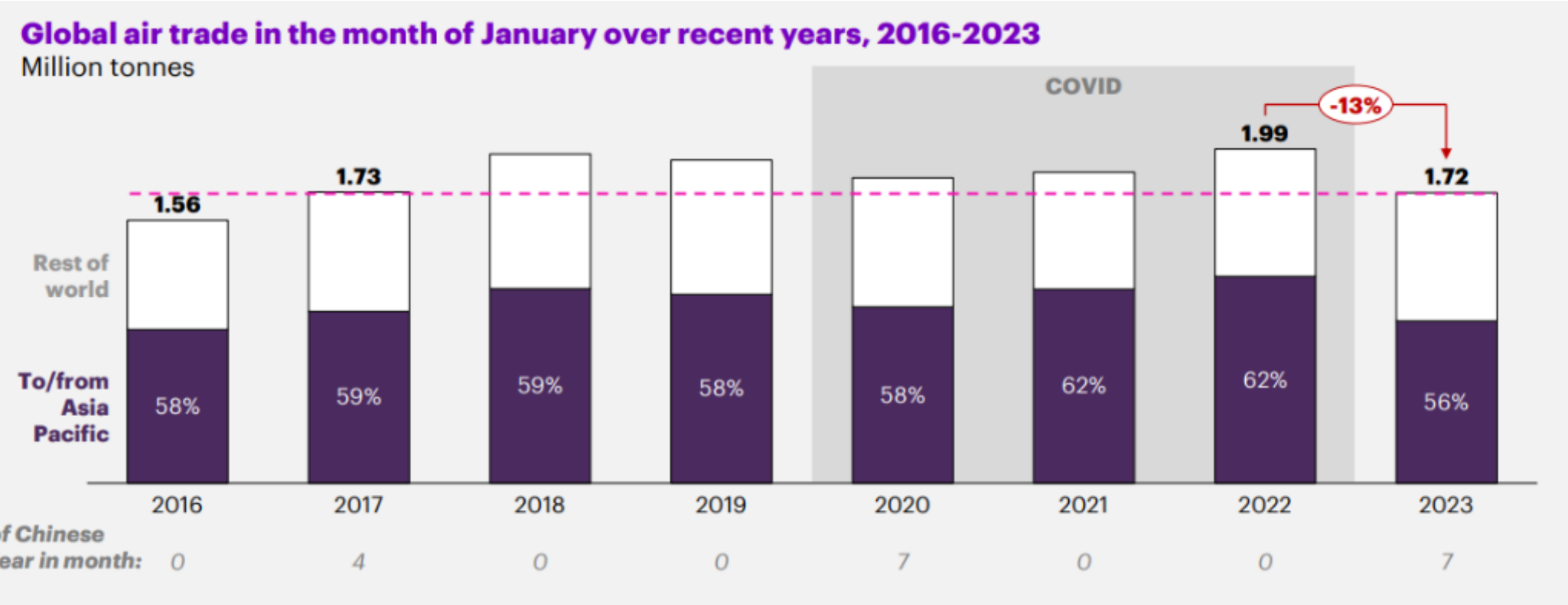


Global air trade demand in Jan 2023 (vs. Jan 2022) was down -13.4%, driven by air trade to/from Asia Pacific



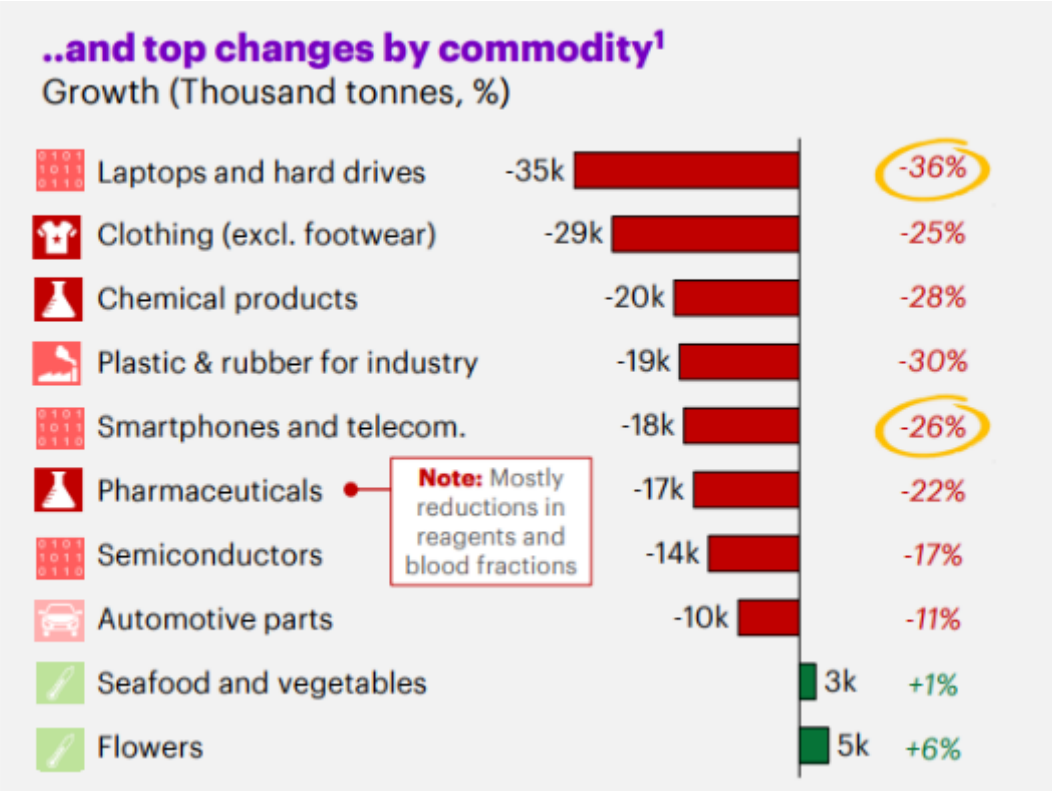
Air trade from Asia Pacific to North America decreased by -39% vs. Jan 2022

Context January air trade demand in 2023 was the lowest since 2016



Whilst part of declines can be explained by the timing of Chinese New Year, air cargo demand is notably soft in Q1 2023

Multiple air trade industries had worse than -20% declines in Jan 2023, with high tech dropping by -73k tonnes

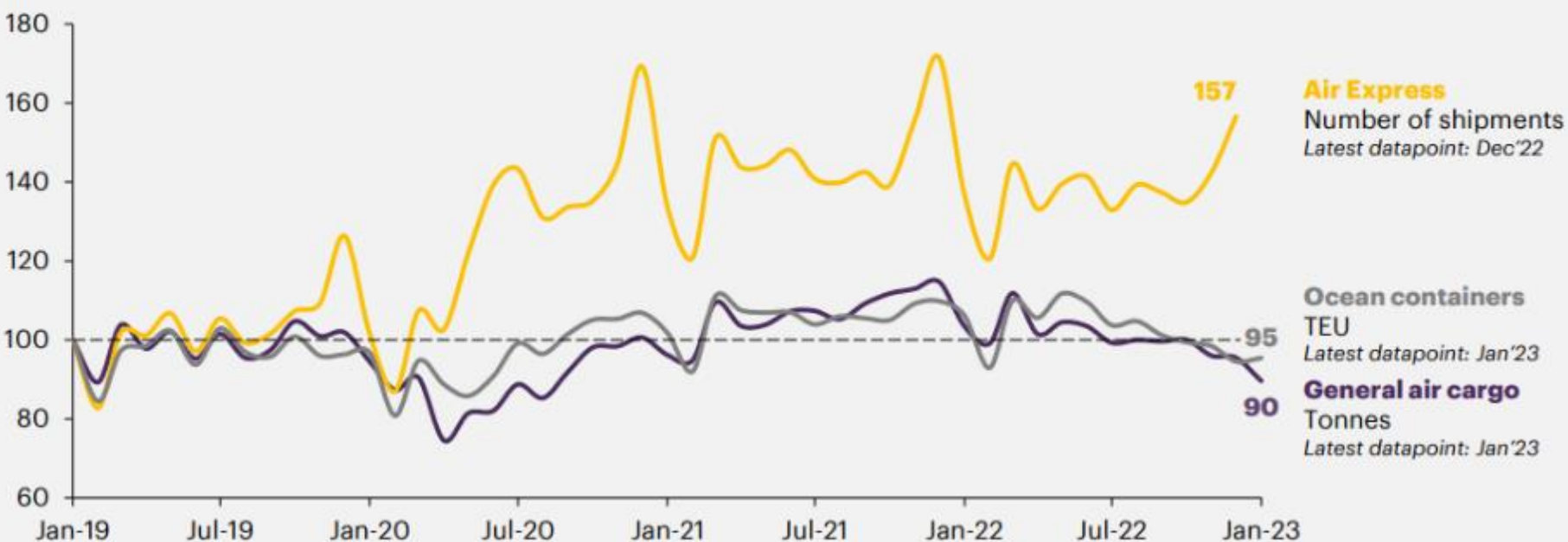


Declines in major subindustries hint at the disappearance of COVID effects (reduced laptops for working from home, limited trade in reagents and blood plasma)

Demand for premium air express cargo remains a bright spot, outperforming air and ocean demand

Monthly international trade by cargo product type, Jan 2019 – Jan 2023

Index (January 2019=100)



Trade comparison

Dec '22 vs.
Dec'19

+24%

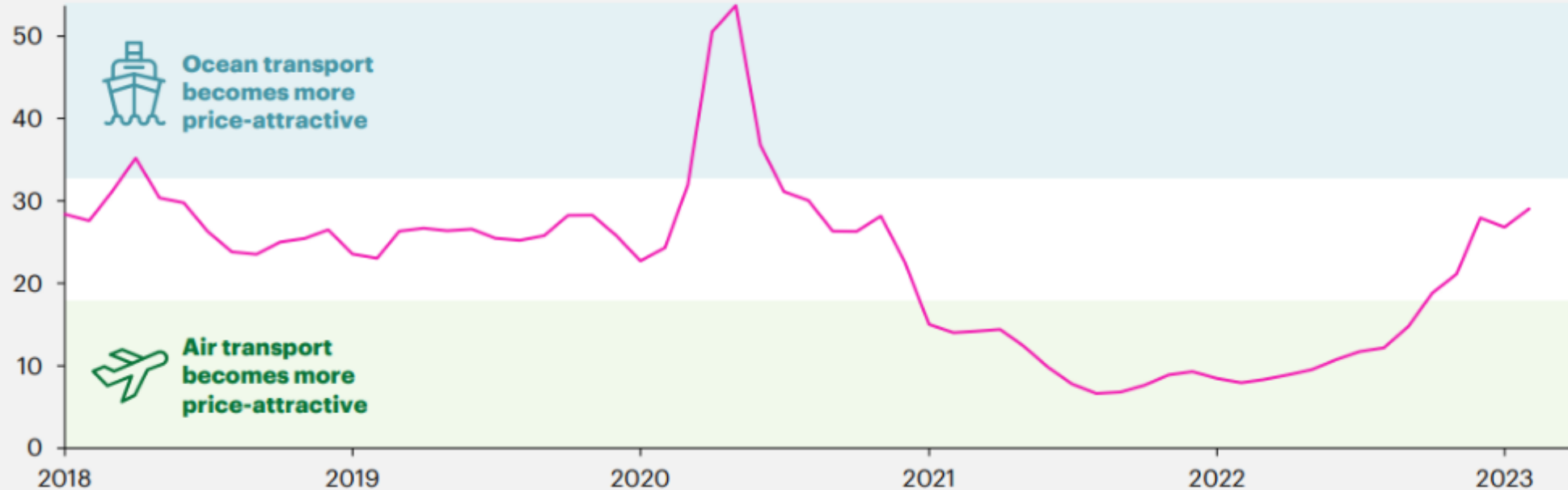
-2%

-6%

Air express demand (measured in shipments) is still up ~24% vs. pre-COVID levels

With ocean container rates falling faster than those in air cargo, air transport has become relatively more expensive

Ratio of average air-to-ocean rates, Jan 2018- Feb 2023

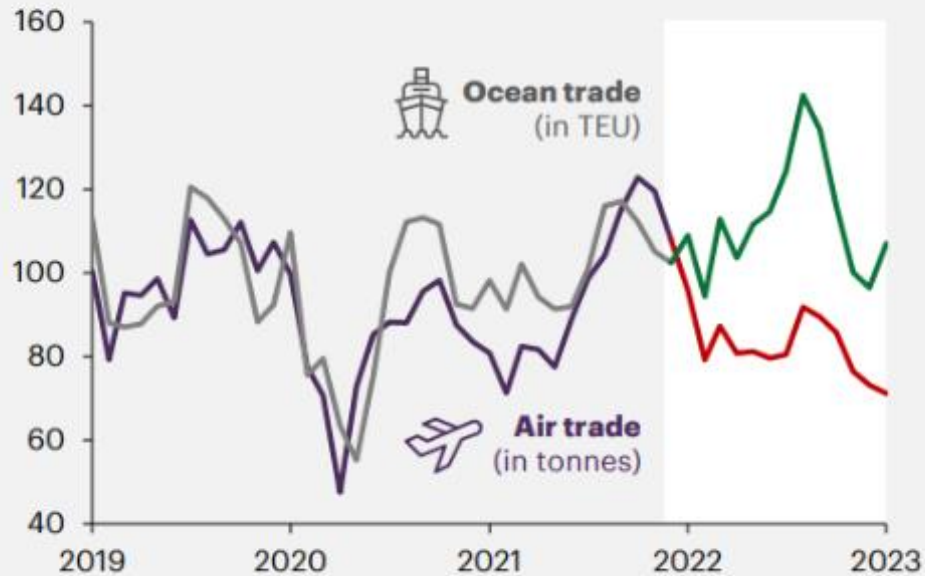


Lower ocean cargo rates have caused part of demand that previously shifted from ocean to air to return to container transport

Increasing attractiveness of ocean transport is evident in fashion and high tech demand trends

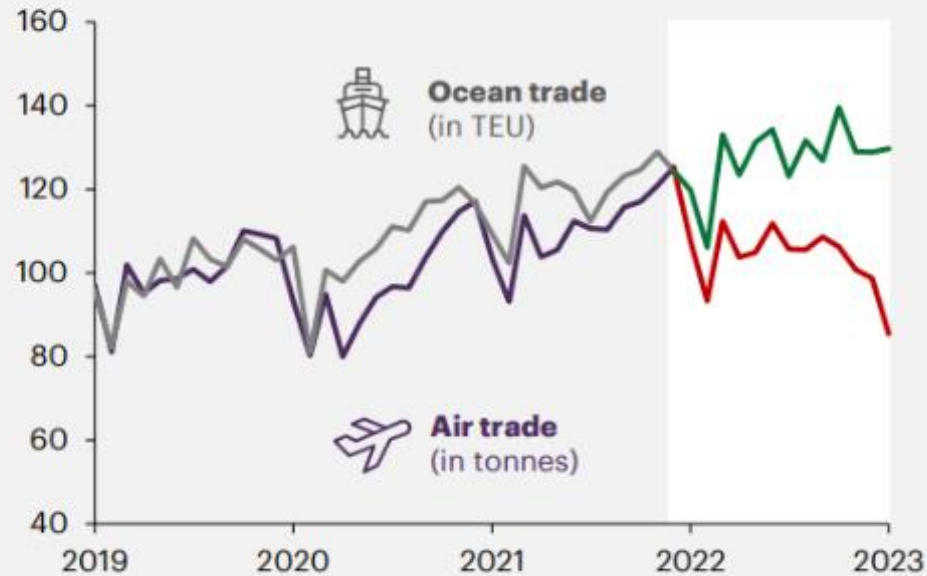
Development of fashion trade by mode ...

Index (2019 average = 100)



... and that of high tech trade by mode

Index (2019 average = 100)

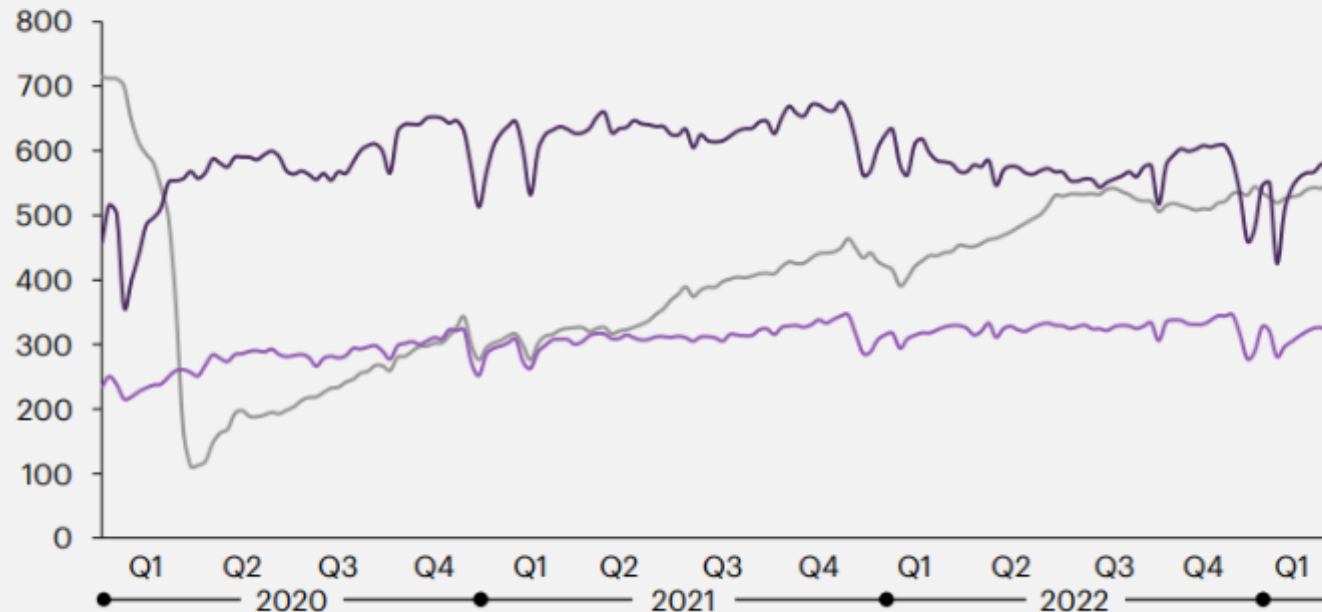


Reduced amount of "mode shift" ocean demand contributes to weaker demand for air cargo

Unlike demand, global air cargo capacity has increased +5% since last year

International air cargo capacity, Jan 2020 – Mar 2023

Thousand tonnes per week



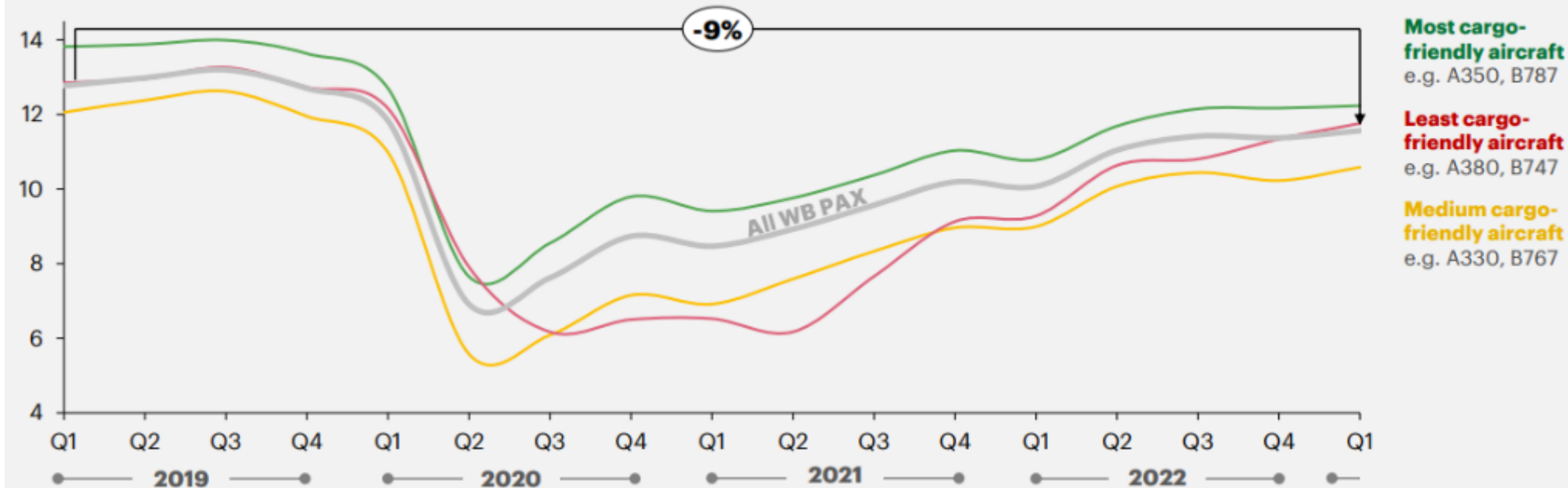
	Q1 2023 versus	
	Q1 2019	Q1 2022
Total capacity	+1%	+5%
Airline freighters	+15%	-9%
Passenger belly	-21%	+26%
Widebody aircraft only		
Integrator freighters	+39%	-0%

Recovering passenger travel demand continues to add air cargo capacity

Strong passenger travel demand continues to add cargo capacity through increased utilization

Quarterly utilization of widebody passenger aircraft, 2019-2023

Block hours per day

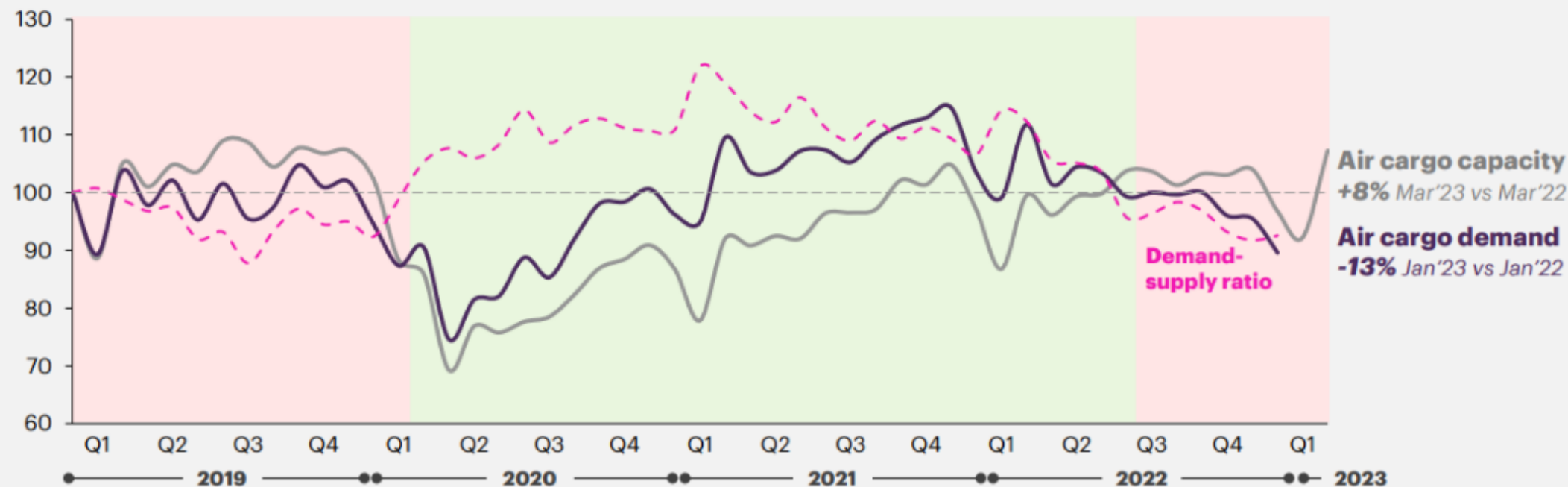


Average utilization of widebody aircraft is now down only single digits (-9%) on pre-COVID levels

Soft demand and increasing capacity has reverted air cargo's demand-supply balance to 2019 level

Monthly development of international air trade and air cargo capacity, 2019-2023

Index (Jan 2019 = 100)

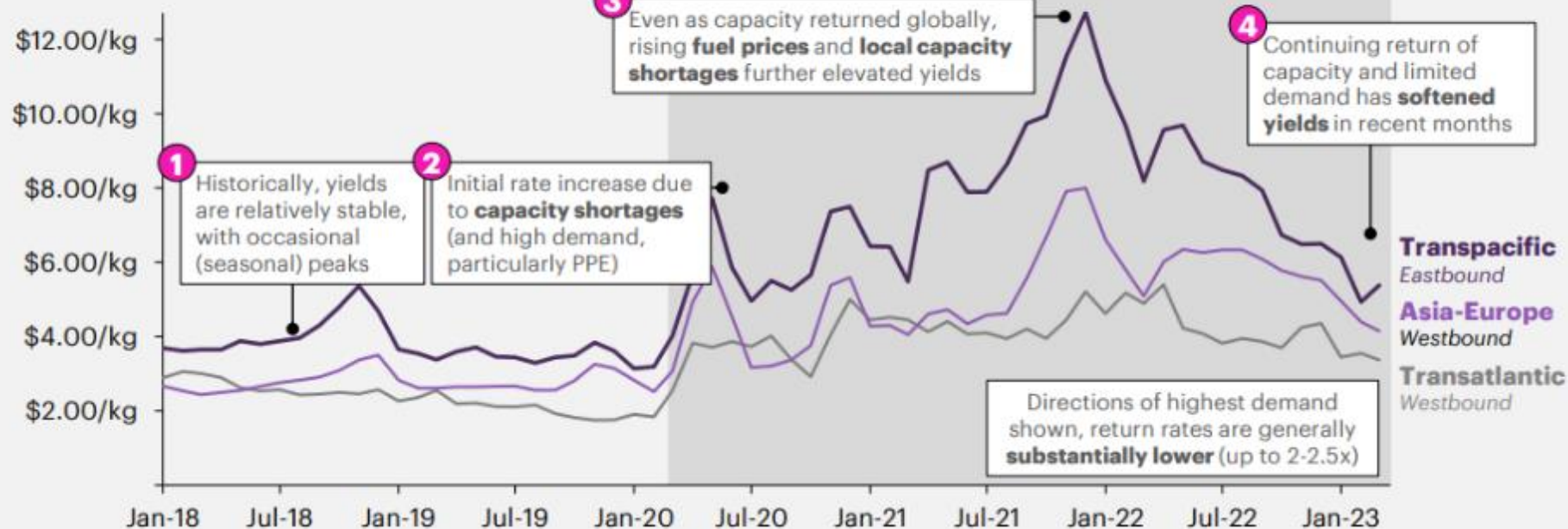


COVID's effects on the air cargo demand-supply balance have receded

Air cargo yields continue to decline amidst a weakening market, particularly on the Transpacific trade lane

Monthly average yields by trade lane, Jan 2017 - Mar 2023

USD per kilogram



YoY yield comparison

Mar'23 vs.
Mar'22

-34%






-18%

-31%

Longer-term contracts likely keep average yields elevated, further yield declines may appear as contracts expire and spot rates drive average yield

Air freight market overview

South Asia, demand is increasing and we start to see full planes

TRADE LANE	COMMENTS	RATES AND SPACE	
Exports from China / Hong Kong	<ul style="list-style-type: none">TPEB demand has increased this week with rates stable. The FEWB market is with low volatility where we see some recovery of volumes but still rates are soft.	➡	
South East Asia	<ul style="list-style-type: none">TPEB supply is tight with demand increasing in the market, resulting in rates increasing from the week prior. The Far East Westbound (FEWB) market is following at a similar trend but at a slower pace. As demand increases, expect longer booking times at origin.	➡	
Exports from India/Bangladesh	<ul style="list-style-type: none">Demand is low and supply is increasingCapacity is recovering	⬇	
Export from Europe	<ul style="list-style-type: none">Overall Demand has increased with more fluctuations in rates WoW across point pairs.Currently direct routings have a longer lead time and higher rates.More indirect options available with one or more connections at a cheaper rate but with a slightly longer TT.	➡	
Exports from NAM	<ul style="list-style-type: none">Export demand remains steady from all markets. US airports are running at a normal pace. Capacity is opening up further, especially into Europe	⬇	



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