

Market update

DSV Air & Sea

June 2023



Global Transport and Logistics



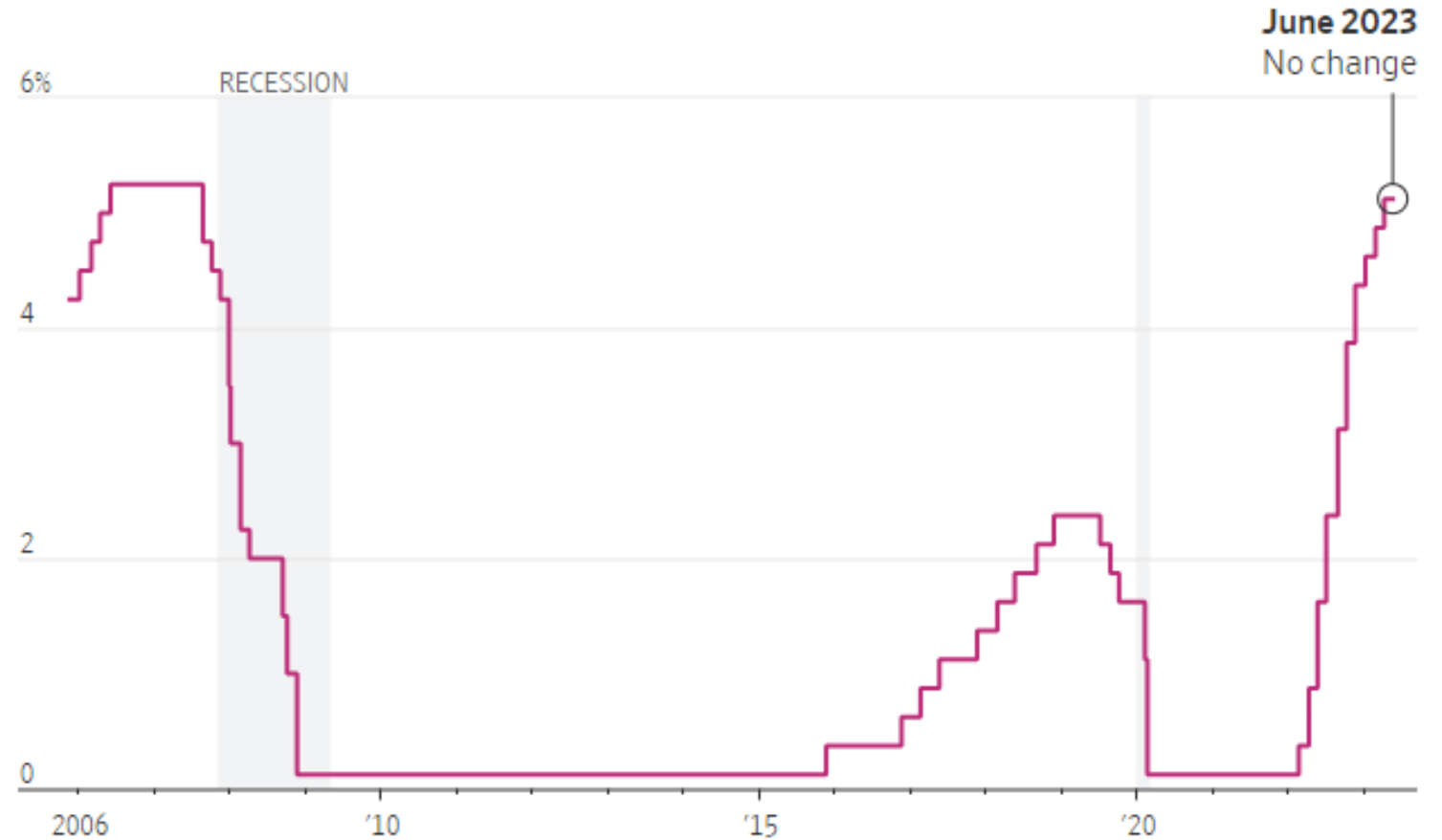
General update

DSV

US; Fed Holds Rates Steady but Expects More Increases

- Federal Reserve officials agreed to hold interest rates steady after 10 consecutive increases but signaled they were prepared to raise rates next month if the economy and inflation don't cool more
- In its postmeeting statement, the Fed implied the decision to maintain the benchmark federal-funds rate in a range **between 5% and 5.25%**
- Officials' projections of penciling in two further increases this year, which was more aggressive than many interest-rate strategists had anticipated,

Federal-funds rate target



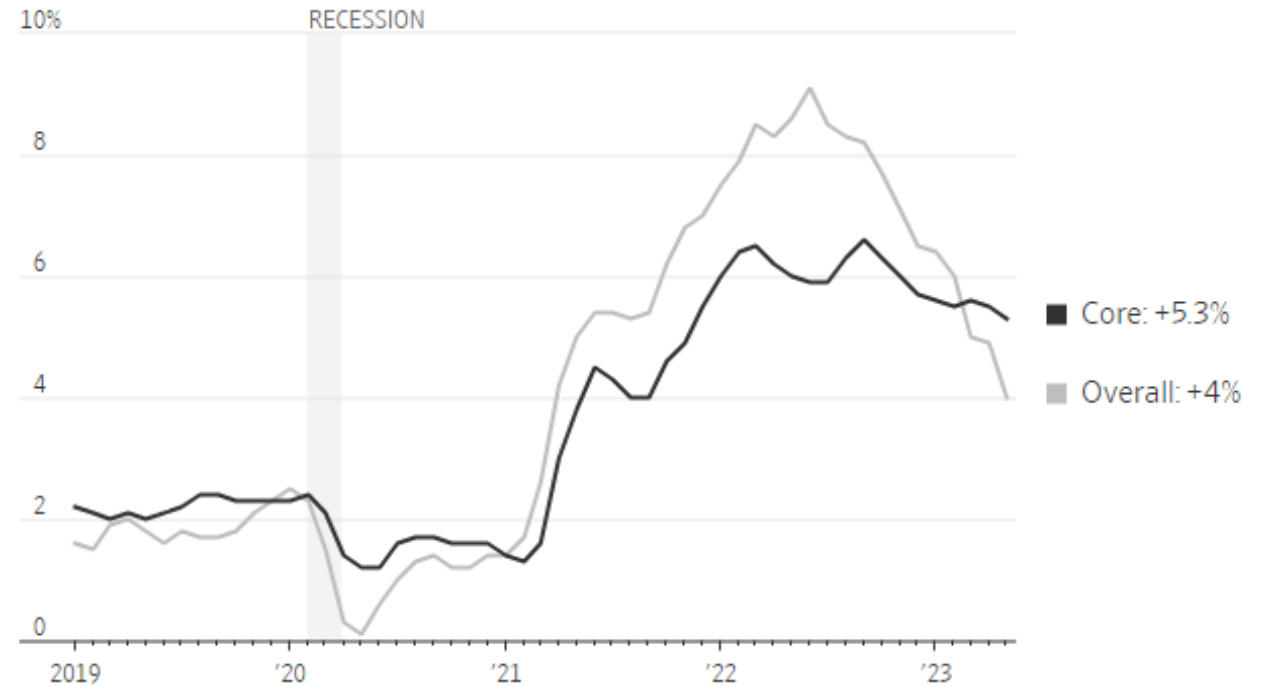
Note: Midpoint of range since 2008

Source: Federal Reserve via St. Louis Fed

US; CPI Report Shows Inflation Has Been Cut in Half From Last Year's Peak

- **Inflation fell in May** to around half last year's peak but remained elevated, showing Federal Reserve officials made progress in cooling price pressures but could have more work to do.
- **The consumer-price index rose 4% last month** from a year earlier, the Labor Department said Tuesday, well below the recent peak of 9.1% last June and down from April's 4.9% increase..
- Core prices remain elevated in part because an earlier surge in housing-rental prices continues to show up in the inflation figures. Apartment-rent growth has since cooled significantly—declining to just under 2% over the 12 months ended in May from double-digit increases a year ago. Those price changes will take pressure off inflation, but they take time to show up in inflation data due to the lag in how rent is calculated.
- Fed officials, at their meeting last week, approved raising their benchmark federal-funds rate to a range between 5% and 5.25%, the highest level in 16 years.

Consumer-price index, change from a year earlier



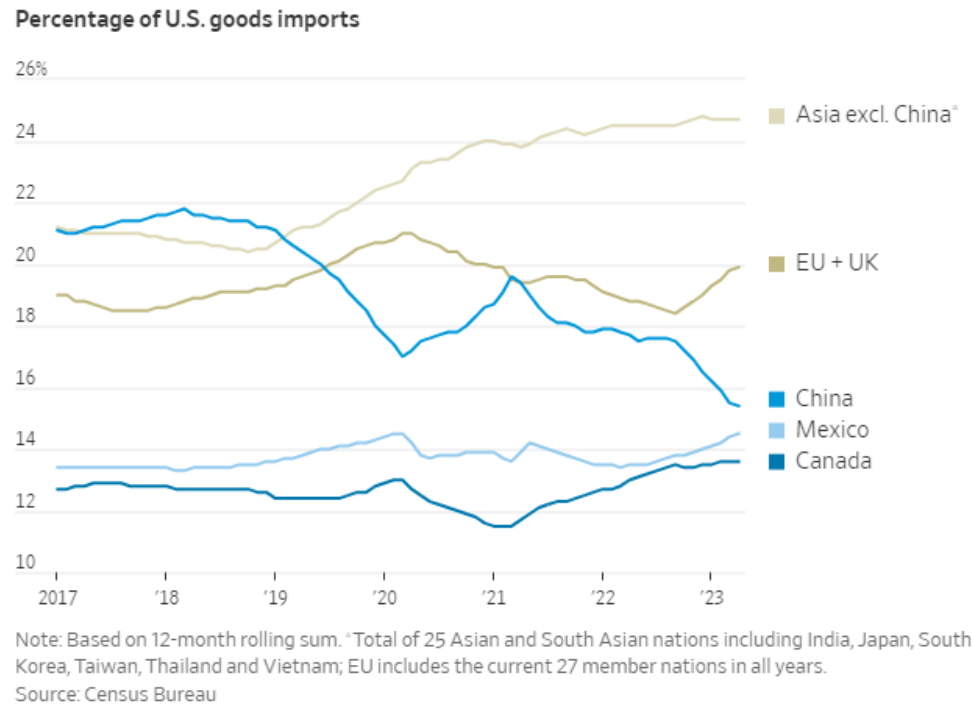
Source: Labor Department

China's Central Bank Moves to Shore Up Recovery

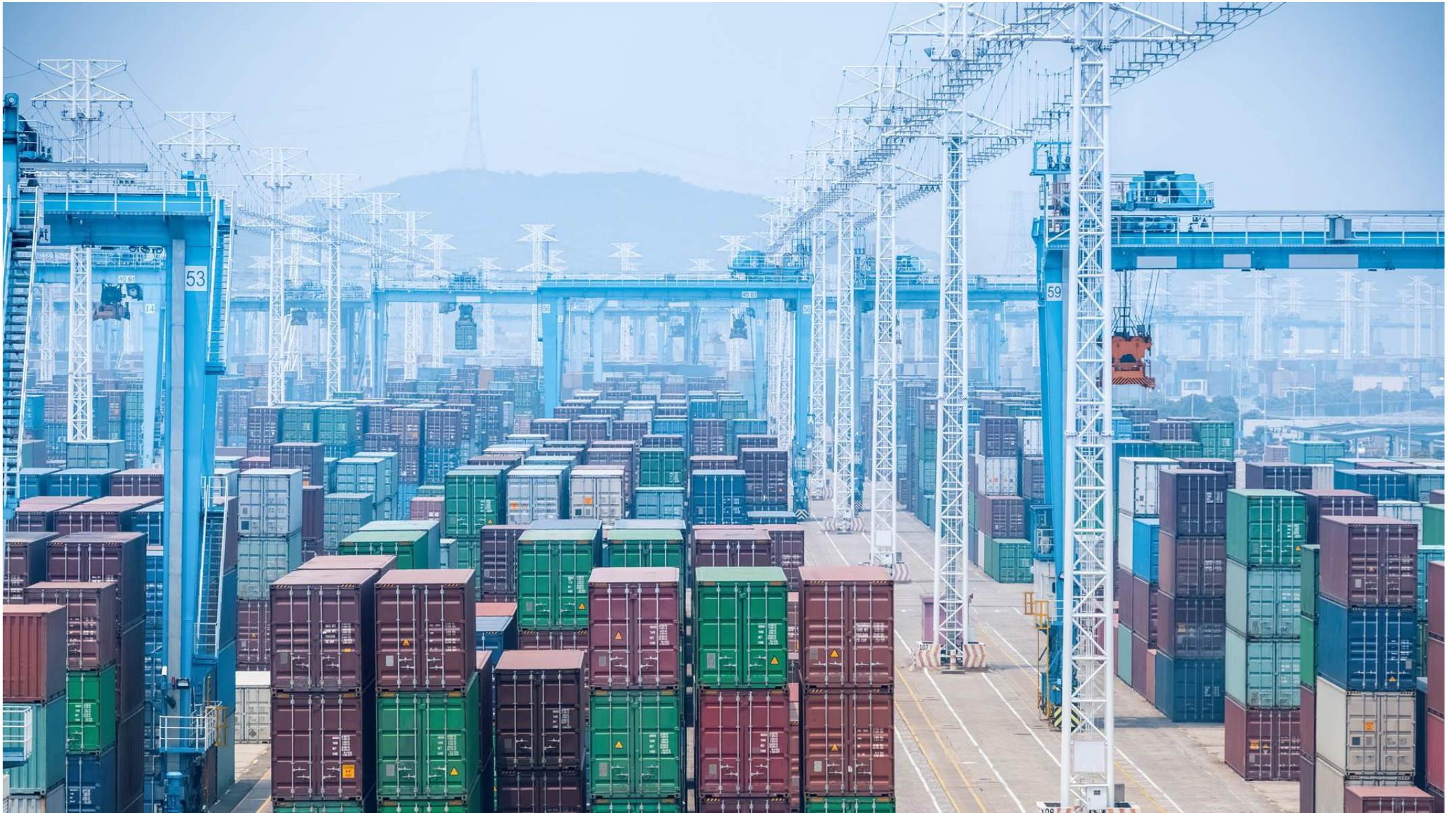
- China's central bank cut the interest rate on seven-day reverse repurchase operations to 1.9% from 2.0% previously, its first cut in short-term lending rates since August 2022. The central bank also said it injected 2 billion yuan, equivalent to about \$280 million, into the banking system at the new, lower rate
- China's economy rebounded strongly in the first quarter after authorities ditched their draconian Covid-19 controls around the turn of the year. But since then the recovery has been losing steam, with factories and exports under pressure from a darkening global backdrop and consumers reluctant to step up spending to fill the gap.
- Inflation figures last week showed China is at risk of experiencing a spell of falling prices, or deflation, a sign of feeble spending. A bundle of data due Thursday on retail sales, investment and industrial production is expected to show the economic slowdown extended into May.



China's Share of U.S. Goods Imports Falls



- U.S. companies have been looking for alternatives to Chinese manufacturers in recent years. Amid geopolitical tensions between the two world powers, the Trump administration imposed tariffs on thousands of goods from China, which the Biden administration has continued. China's loss of share has meant gains for European nations, Mexico and other Asian sources. A group of 25 Asian and South Asian countries, including India, Japan and Vietnam, accounted for 24.7% of goods imports for the 12 months ended in April.
- Part of the fall in China's reported share of the US market appears to be a result of the broader normalization of global spending patterns (back toward services and away from goods) and an inventory cycle and thus not necessarily a structural shift.
- Chinese exports slipped in May, fuelling concerns about the country's recovery after lifting Covid restrictions. Overseas shipments in May were down 7.5% from a year earlier, following an 8.5% rise in April.

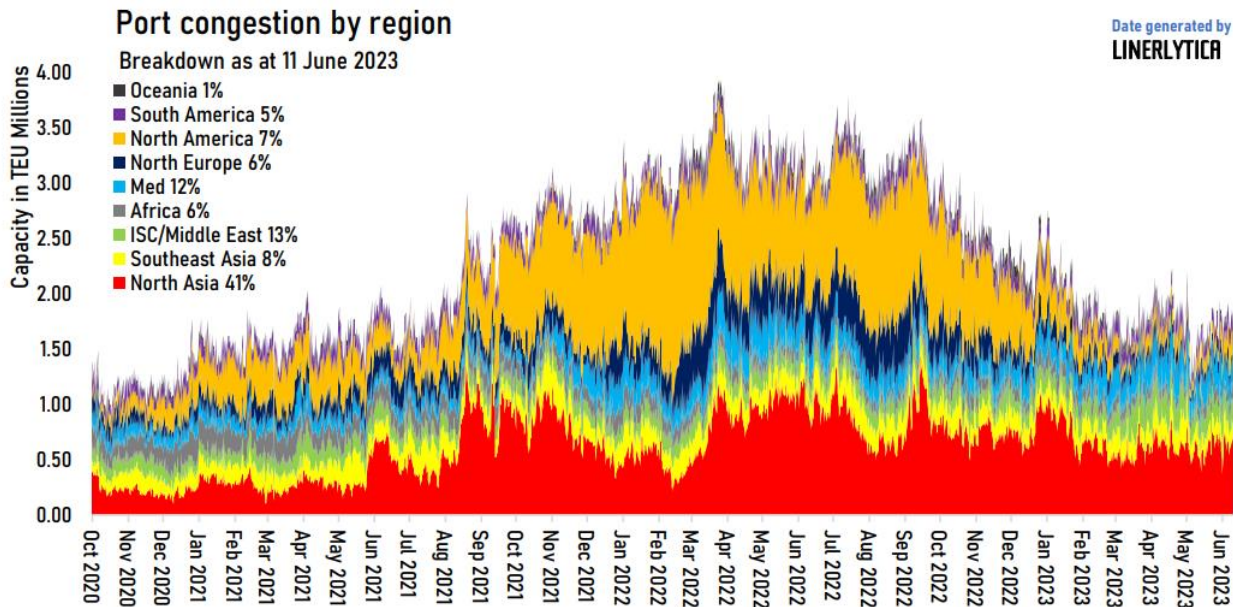


Global port congestion

6.& % of the global vessel capacity effectively removed – 1,76m TEU affected



US West coast ports remain open despite the work actions taken last week



- US west coast ports remain open despite the work actions taken by the ILWU last week, with the build up of vessels waiting at west coast anchorages largely under control.
- Although the Pacific Maritime Association (PMA) said that cargo operations at the port of Seattle were shut down on 9 and 10 June, this was disputed by the ILWU.
- Port productivity at Seattle and Tacoma have slowed over the past week with port stays extended by several days and vessel berthing delays continuing although the queue of waiting ships has so far remain limited.
- Conditions at the ports of Los Angeles, Long Beach and Oakland have improved, with the build up in vessels at the San Pedro Bay and San Francisco Bay areas settling back down after a brief increase over the past week.
- Overall congestion at the US West Coast peaked at less than 200,000 teu last week



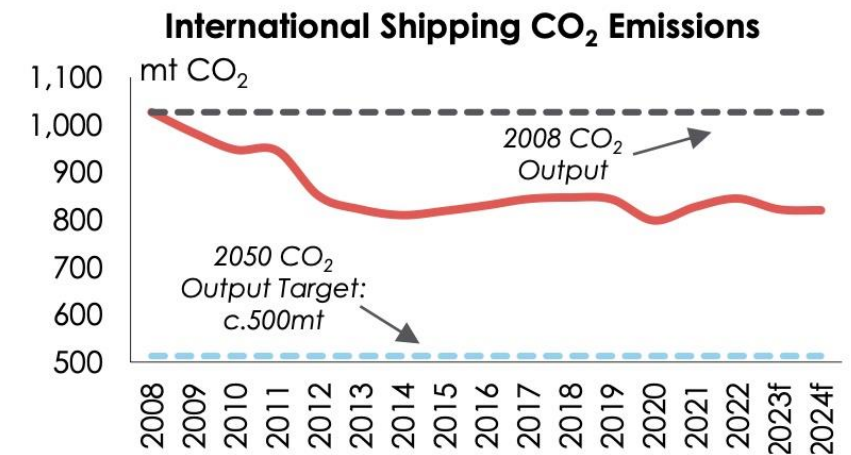
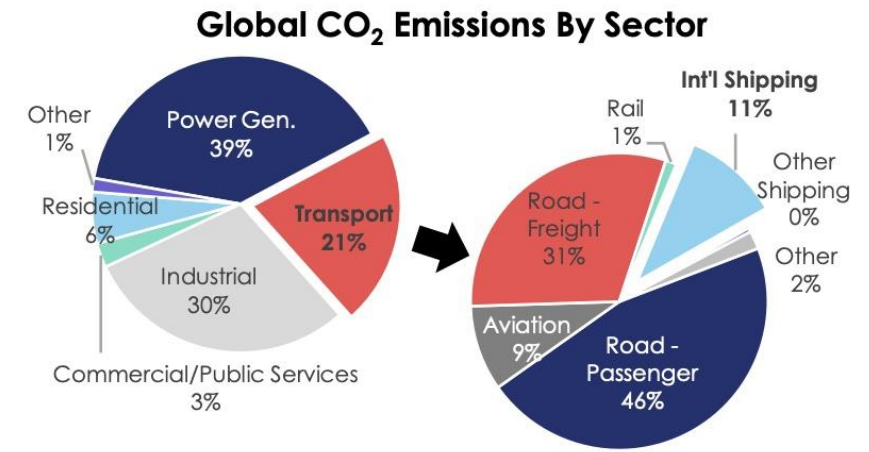
ILWU and PMA reach 'tentative agreement' on US West Coast dockworkers contract

- Dockworker unions on the US West Coast represented by the International Longshore & Warehouse (ILWU) and employers by the Pacific Maritime Association (PMA) have reached a tentative agreement on a new collective bargaining agreement. The tentative agreement is for a new six-year contract covering dockworkers at all 29 ports on the US West Coast and is subject to ratification by both parties.
- News of the tentative agreement comes after the intervention of US Acting Labor Secretary Julie Su, who flew to San Francisco this week to get negotiations back on track after they stalled at the beginning of June. **The two parties said they would not be releasing details of the agreement at this time.**
- **Canada West Coast port labourers call to strike in unanimous vote;** A strike can take place no sooner than 24 June, however, as both parties agreed to refrain from taking action before 21 June, and a 72-hour notice period must be filed for a strike. Imminent strikes in Canada's West Coast could see several key ports severely affected, including the Ports of Vancouver and Prince Rupert.



Future IMO meeting to decide global standards on CO2 emissions for international shipping

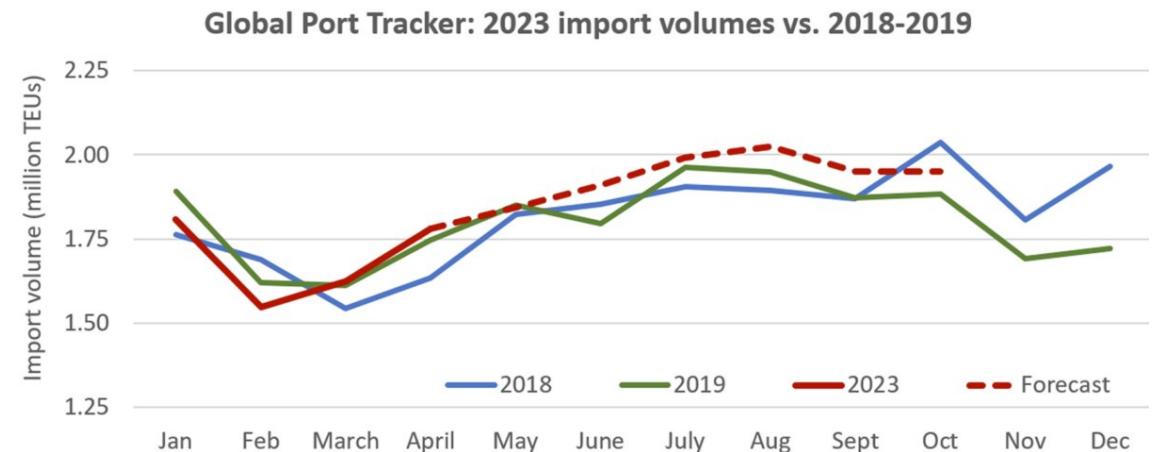
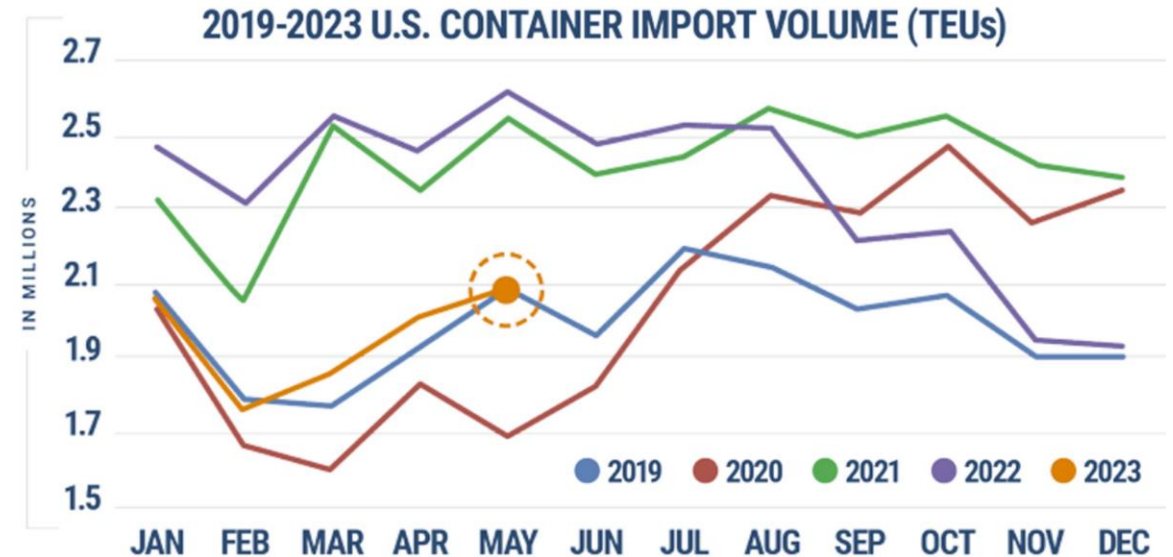
- **The IMO climate committee will meet again in Jul'23** with the branding MEPC80 and it is expected that they will revisit the initial plan. This is also driven by parallel activities and sub-targets in example by the Europeans or the United States, who both strive for a more aggressive plan to decarbonize the shipping industry.
- **The Europeans will launch their Emission Trading System (ETS)** by 1st Jan'24 and it will come along with additional costs for the shipping industry to buy compensating Co2 certificates to operate their fleet – for intra-regional, as well as for transports from and to 3rd countries.
- At the same time there are plenty developing countries that are concerned about higher transportation costs that will have negative impact on their individual growth. While the western world strives for carbon neutrality already by 2050, **China likes to stick to the initial plan to achieve the target of carbon neutrality in the shipping sector by 2100.**
- With various contrary positions in the air, there is a lot of attention towards the upcoming IMO climate committee conference as the outcome will provide direction to the entire industry. **The US has recently declared the very ambitious target to reduce the emissions by 96% already in 2040** – which would be roughly sixty years prior the actual project plan of the International Maritime Organization.
- It is expected that the single parties will take a strong stand on their individual positions and concluding on a consensus will be challenging.



Source : Clarksons Research, IEA

Panama canal woes could complicate ‘normal’ peak season

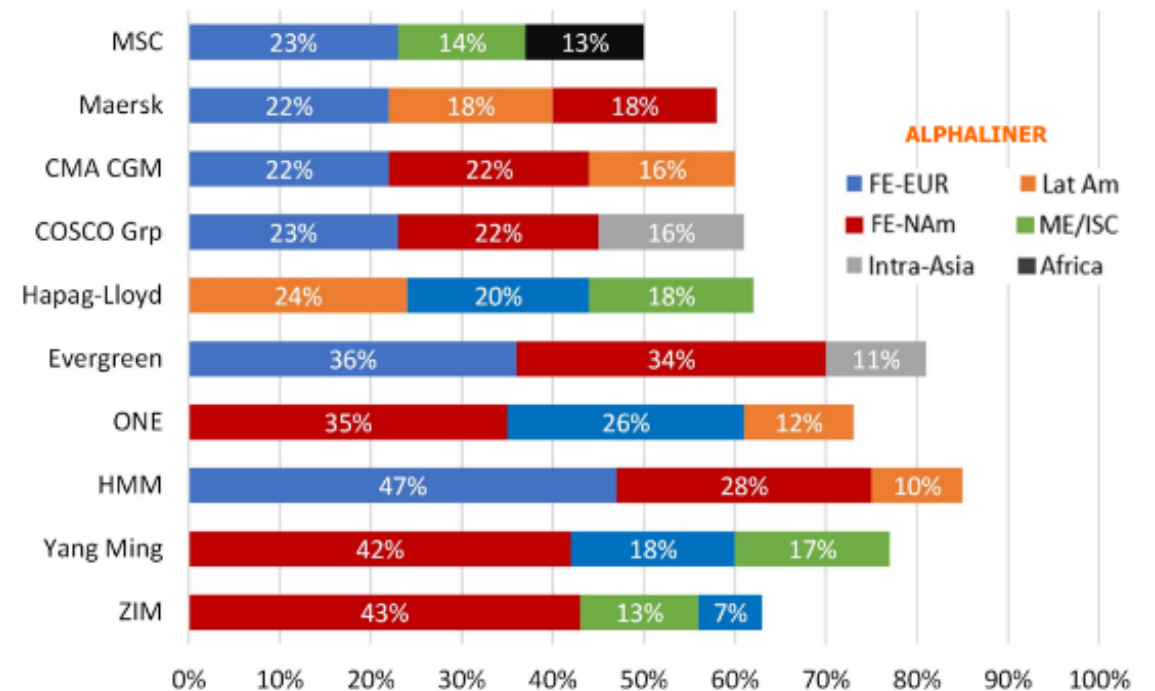
- May import numbers are in and yet again, the trend is closely aligned with pre-COVID levels in 2018-2019.
- Low water levels in the Panama Canal are affecting Asian cargo flows to the East and Gulf coasts. If these issues persist and there is a “normal” peak season volume upswing in the months ahead, importers could face higher-than-normal complications.
- The maximum draft for the larger Neopanamax locks has been reduced to 44.5 feet, with expectations for a reduction to 43 feet by August. A limited number of ships have had to lower their drafts to comply
- The current situation in the Panama Canal is worse than in previous droughts. At the moment, we are not diverting ships, but the effect is that you can simply load less boxes on the same ships, which is of course not a good thing.
- Lars Jensen, CEO of consultancy Vespucci Maritime, said in an online post, “Shippers using the Asia-U.S. East Coast service through the Panama Canal might want to consider contingency plans for services routed through the Suez and/or plan for further surcharges.”



Top-10 global carriers maintain widely different trading profiles

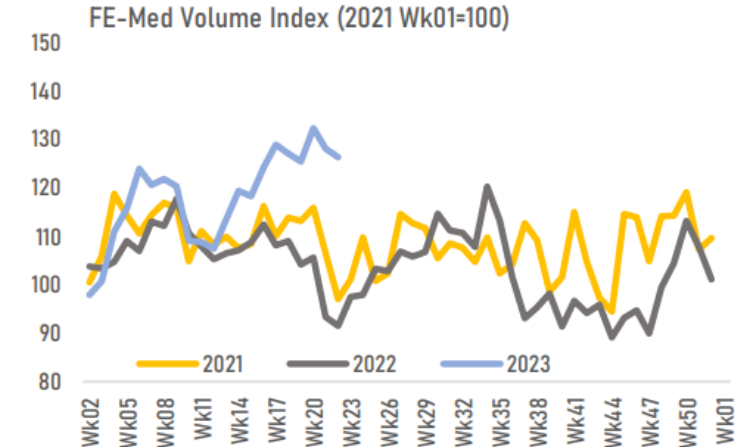
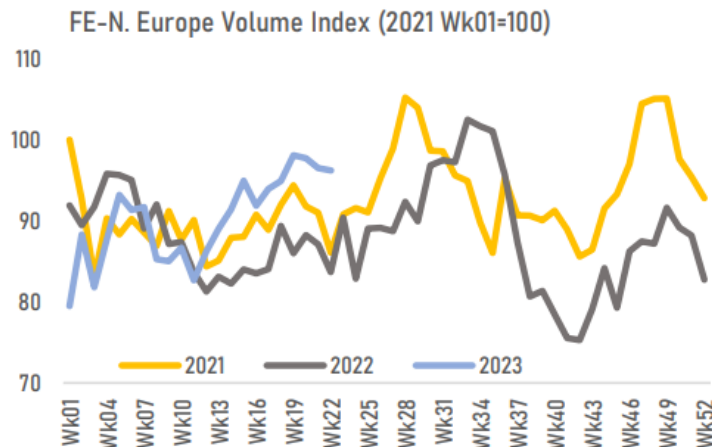
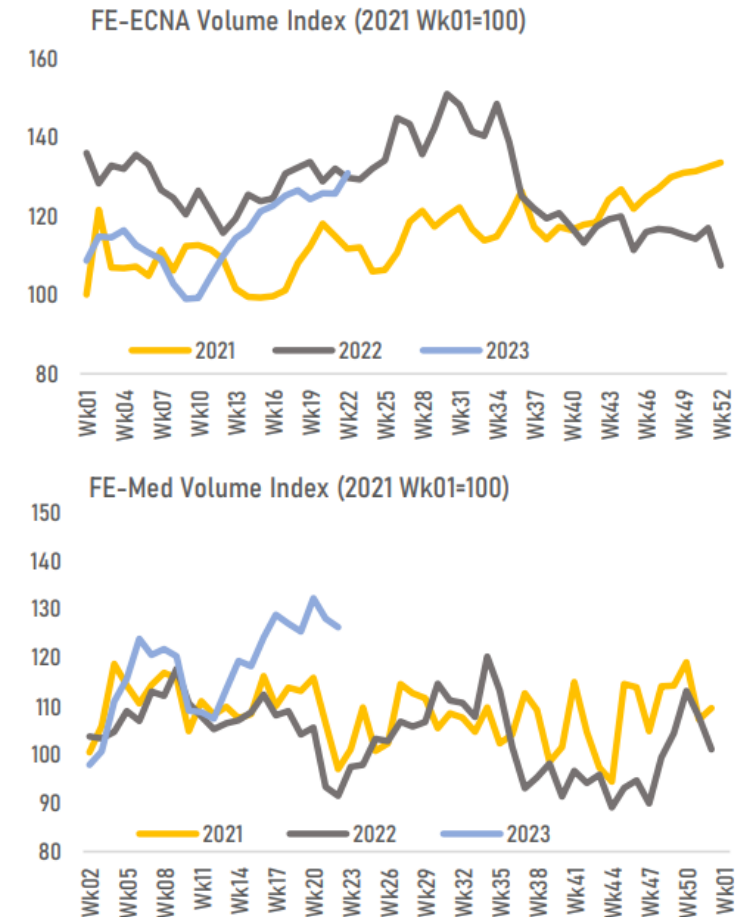
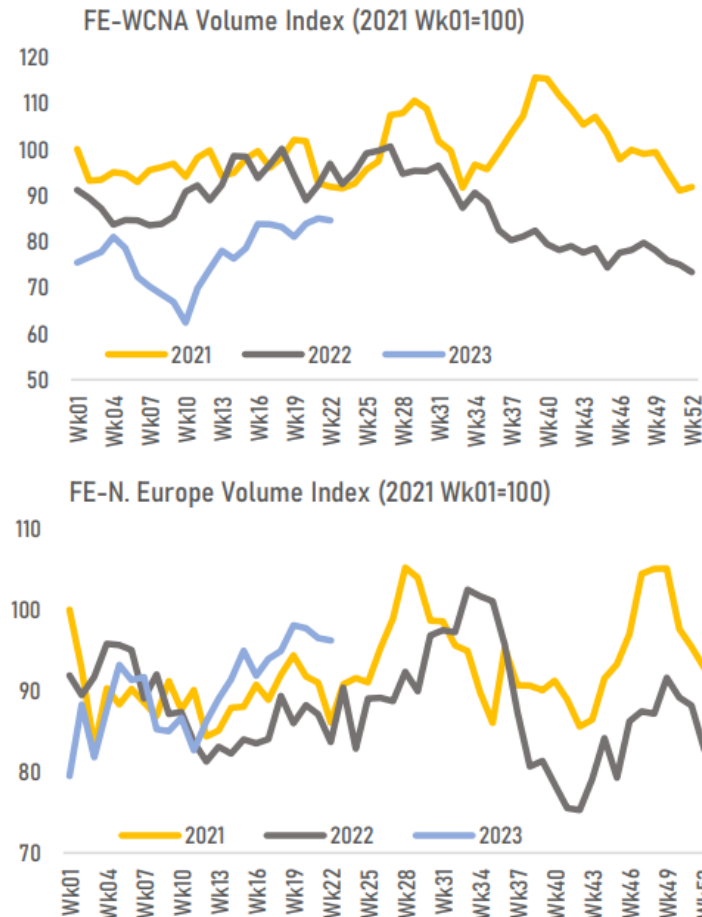
- Most carriers have reduced the proportion of their fleets trading between Asia and the USA.
- MSC has an atypical trading profile with a large share of its fleet deployed in Middle East/ISC and African-related loops Latin America has become the Number 1 trade for Hapag-Lloyd in terms of fleet deployment. Evergreen and ONE have not changed their trading portfolio post COVID-19.
- When looking at the total liner fleet, 21% of all capacity is active between the Far East and Europe. This comes as no surprise as almost all megamax vessels are trading on this route, which requires a relatively large number of ships due to the long sailing distance.
- The Asia-North America trade comes in second with 18% of the world fleet deployed here. Latin American and Middle East/India Subcontinent related services share third position with 13% each

Top-three trades for the top-ten carriers (fleet deployment)

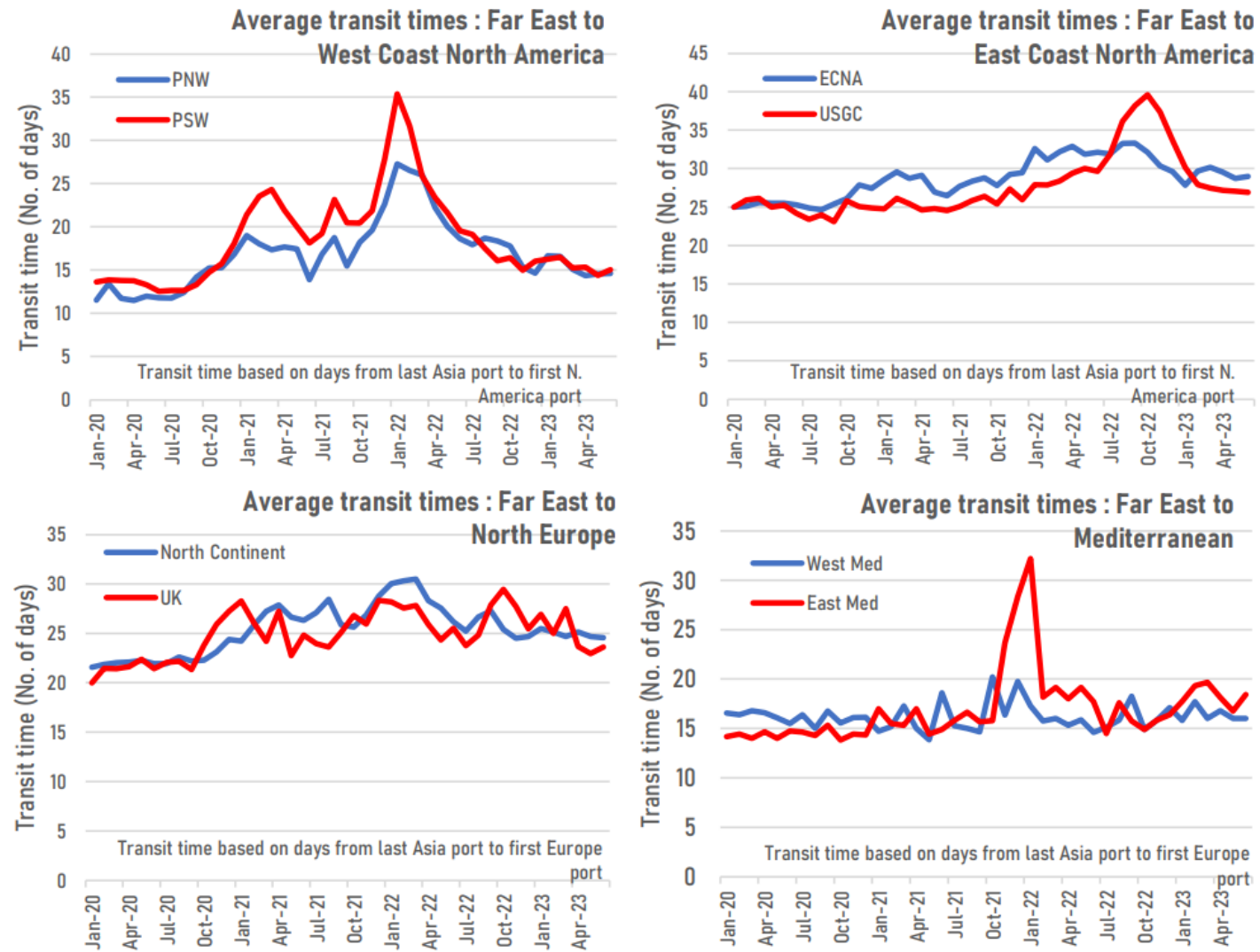


Volume utilization per trade lane: weakness on Transpacific routes while Europe is growing

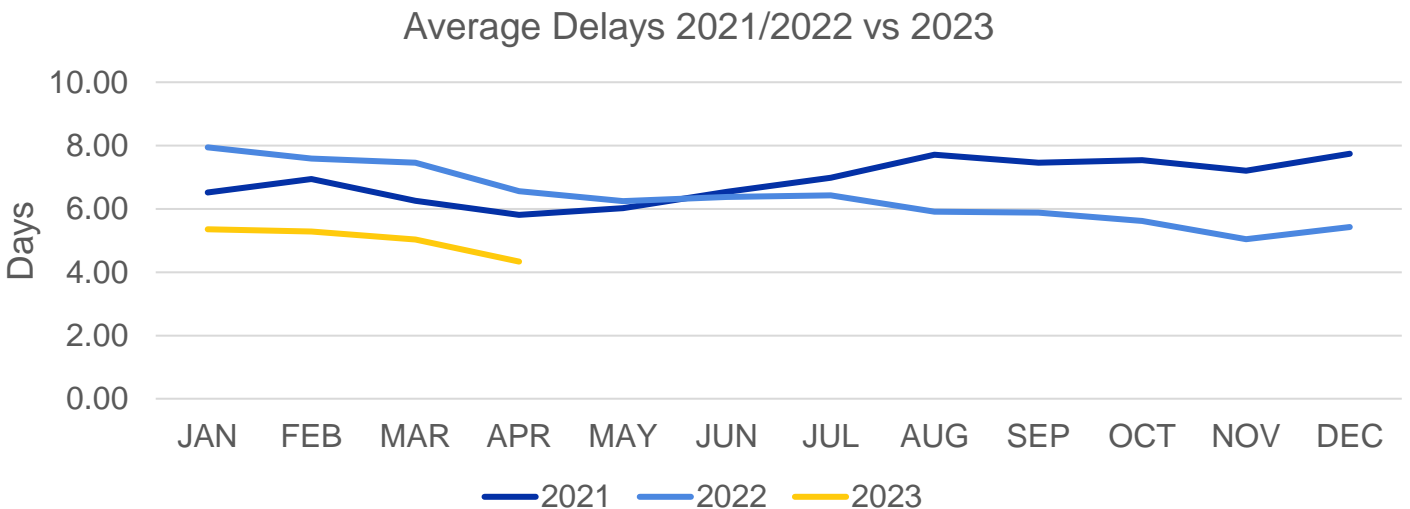
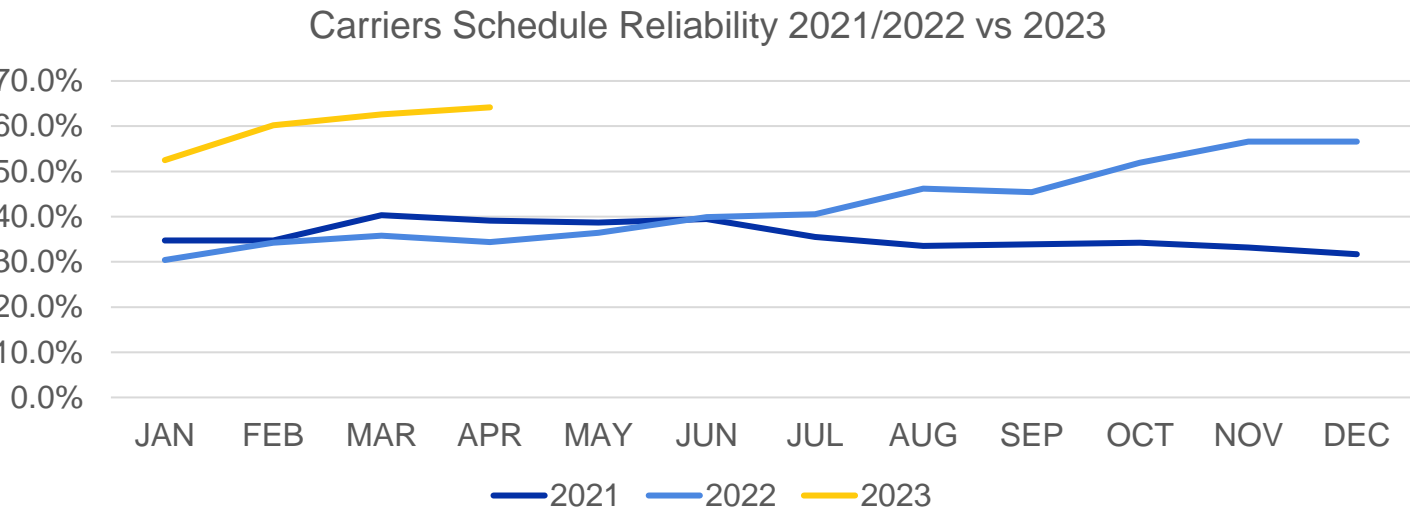
- European routes have enjoyed a revival with the Asia – Mediterranean trade particularly strong, with current index model 30% above from last year.
- North Europe volume is also above last year
- We see a trend of shifting volumes from US West Coast to US East Coast



Small increases in transit times due to slow steaming



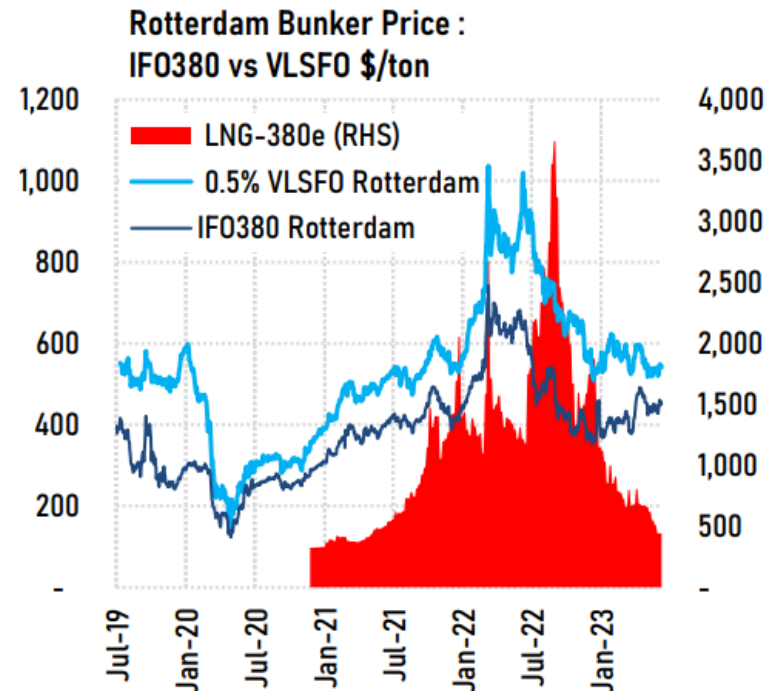
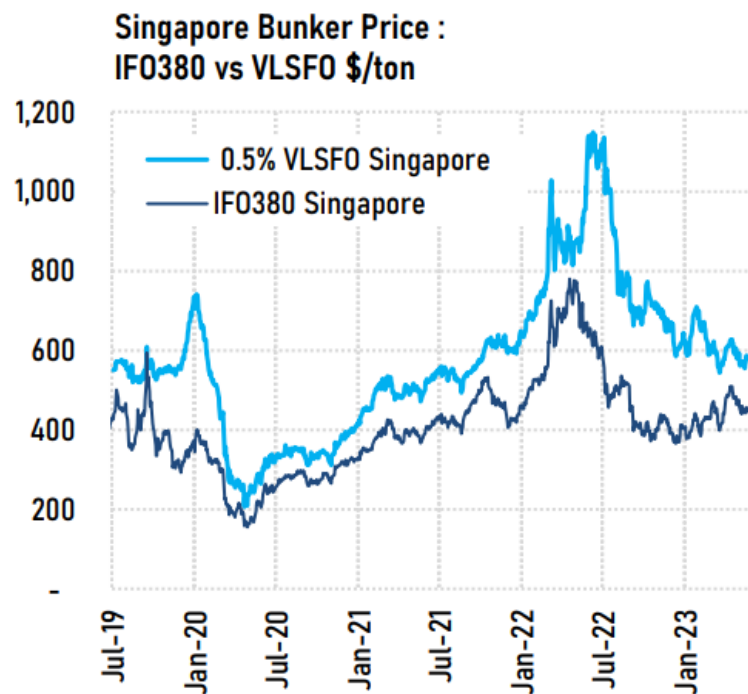
Global schedule reliability recorded another improvement in March 2023, this time of 1.7 percentage points, reaching 64.2%



Vessel reliability per tradelane on April:

- Global schedule reliability has continued to improve M/M, although the strength of the improvements have declined with each proceeding month. In April 2023, schedule reliability improved by 1.7 percentage points M/M to 64.2%, a massive 29.9 percentage points higher Y/Y, and “only” 5.6 percentage points lower than the closest pre-pandemic score.
- The average delay for LATE vessel arrivals also continued to decrease, with the contrary trend i.e., an increase in the strength of the M/M improvement. In April 2023, the average delay figure dropped by -0.72 days M/M to 4.34 days. This is a massive -2.22 days lower Y/Y and is now also lower than the respective 2020 figure.

The spread between IFO380 and VLSFO is still reducing now at \$90 per ton



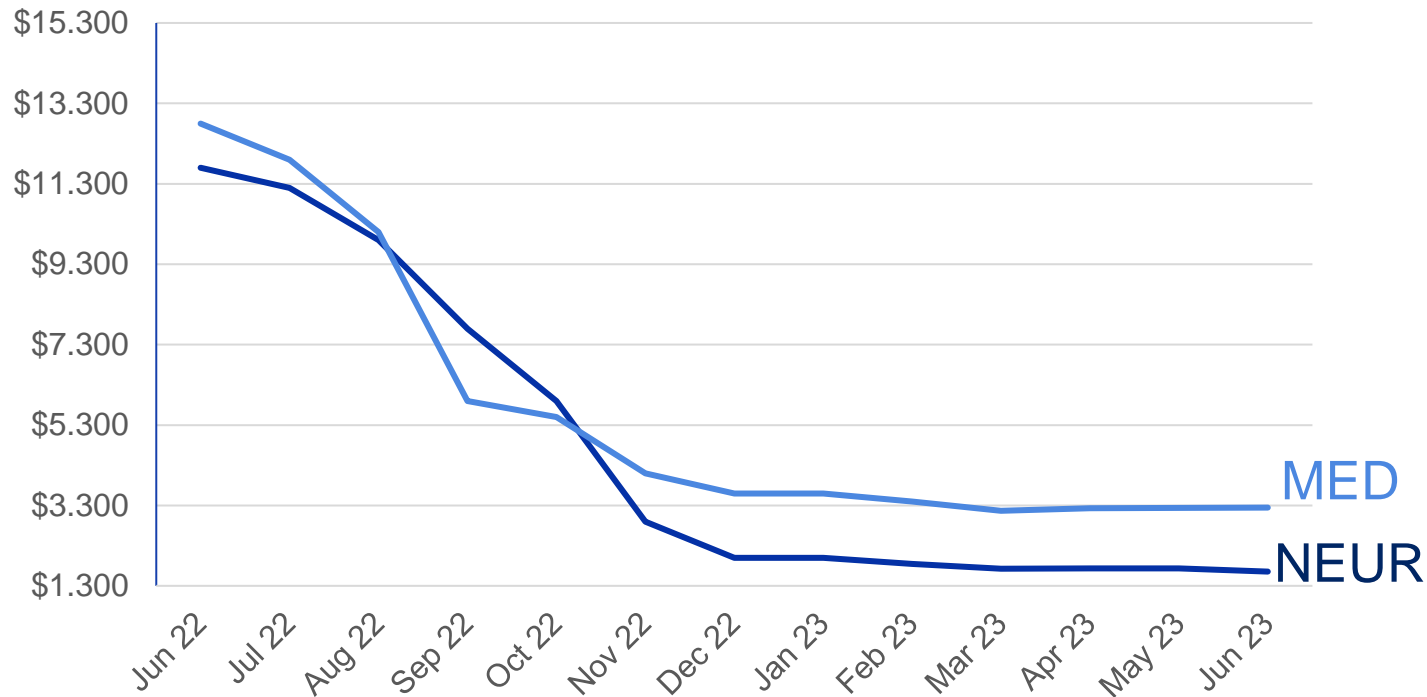
Last week average	VLSFO \$/mt	IFO380 \$/mt	VLSFO-HSFO spread	LNG-380e \$/mt	VLSFO-LNG spread
Rotterdam	544	454	90	440	104
change vs last week	3%	4%	-5%	0%	16%
change vs last year	-39%	-32%	-60%	-66%	-125%
Singapore	583	443	140		
change vs last week	3%	1%	7%		
change vs last year	-48%	-31%	-70%		

Source: Ship&Bunker - LinerLytica

Ocean Freight Asia - Europe

Rates are stable since the beginning of 2023

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



Source: SCFI Week 23-2023

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

SCFI Levels Week 23-2023:

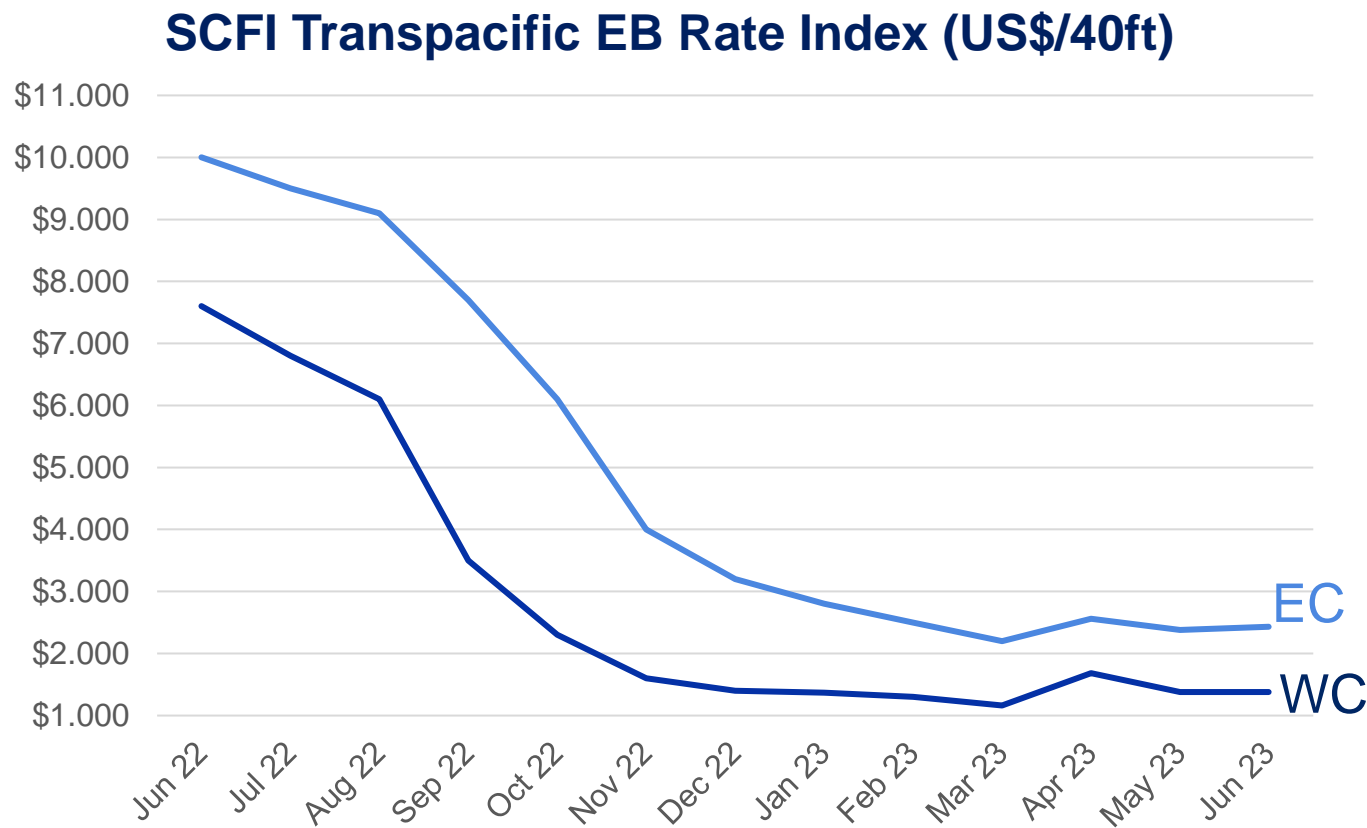
Shanghai – North Europe: USD 1,662/ FEU

Shanghai – Mediterranean: USD 3,252/ FEU

- Number of blank sailings are rising again.
- Newbuilds are expected to enter the trade which might lead to further blank sailings in order to keep market rates on stable level.
- THE Alliance, remains top carriers when it comes to blank sailing program.
- Vessel utilization within all three alliances are on a healthy level

Ocean Freight Asia - North America

End of contract season, not succeed with GRI implementation



Source: SCFI Week 23 2023

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

SCFI Levels Week 23-2023:

Shanghai – US West Coast: USD 1,388/ FEU

Shanghai – US East Coast: USD 2,435/ FEU

Carriers report their networks are fairly well utilized due to the ongoing blanking program.

Specific carriers have open space on certain loops/strings.

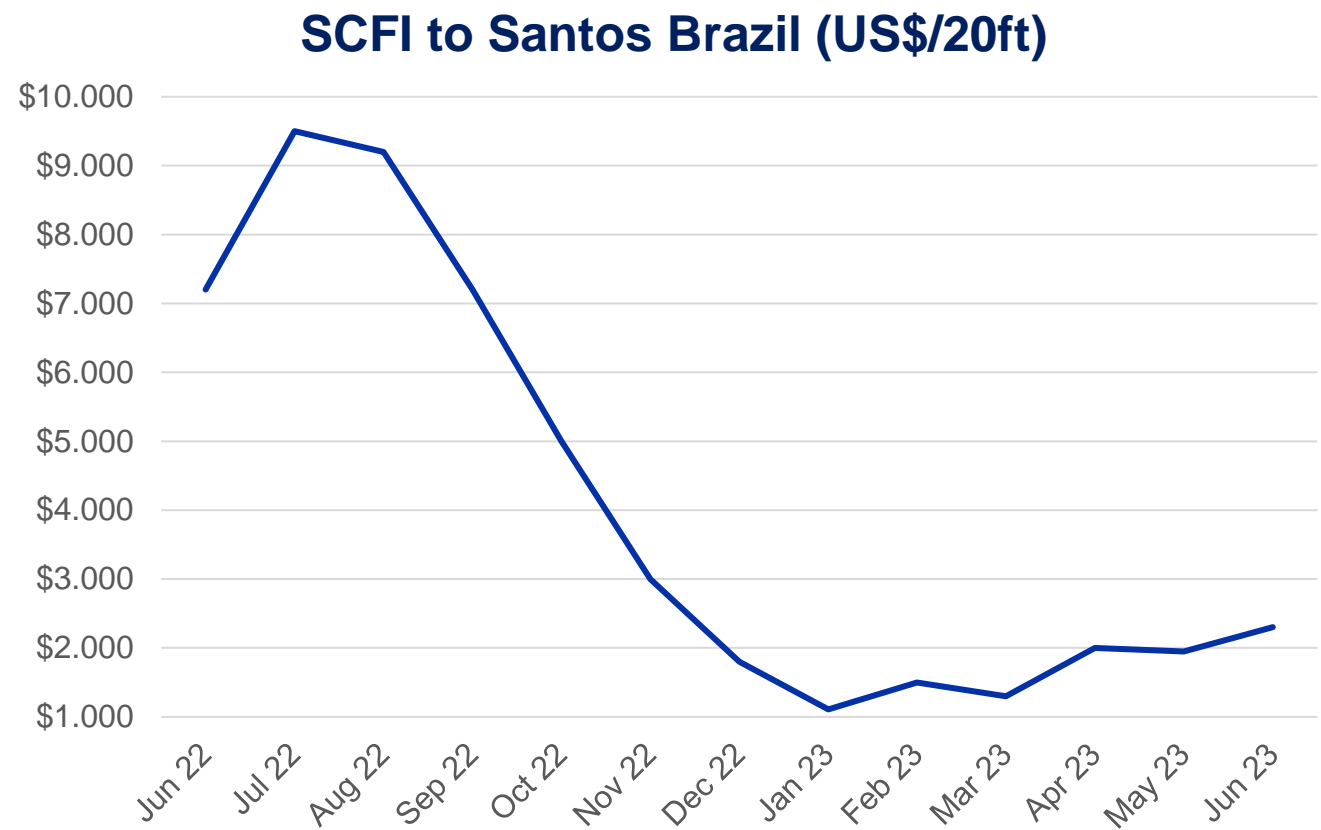
Blanking is expected to continue in June and July.

Overall deployed capacity is higher than last year as carriers bring back idle capacity into active service.

The shift of cargo/capacity to the USEC & USGC remains as is.

Ocean Freight Asia – South America (East Coast)

Carriers implementing blank sailings for east coast south America



Source: SCFI Week 23-2023

SCFI Levels Week 23-2023:

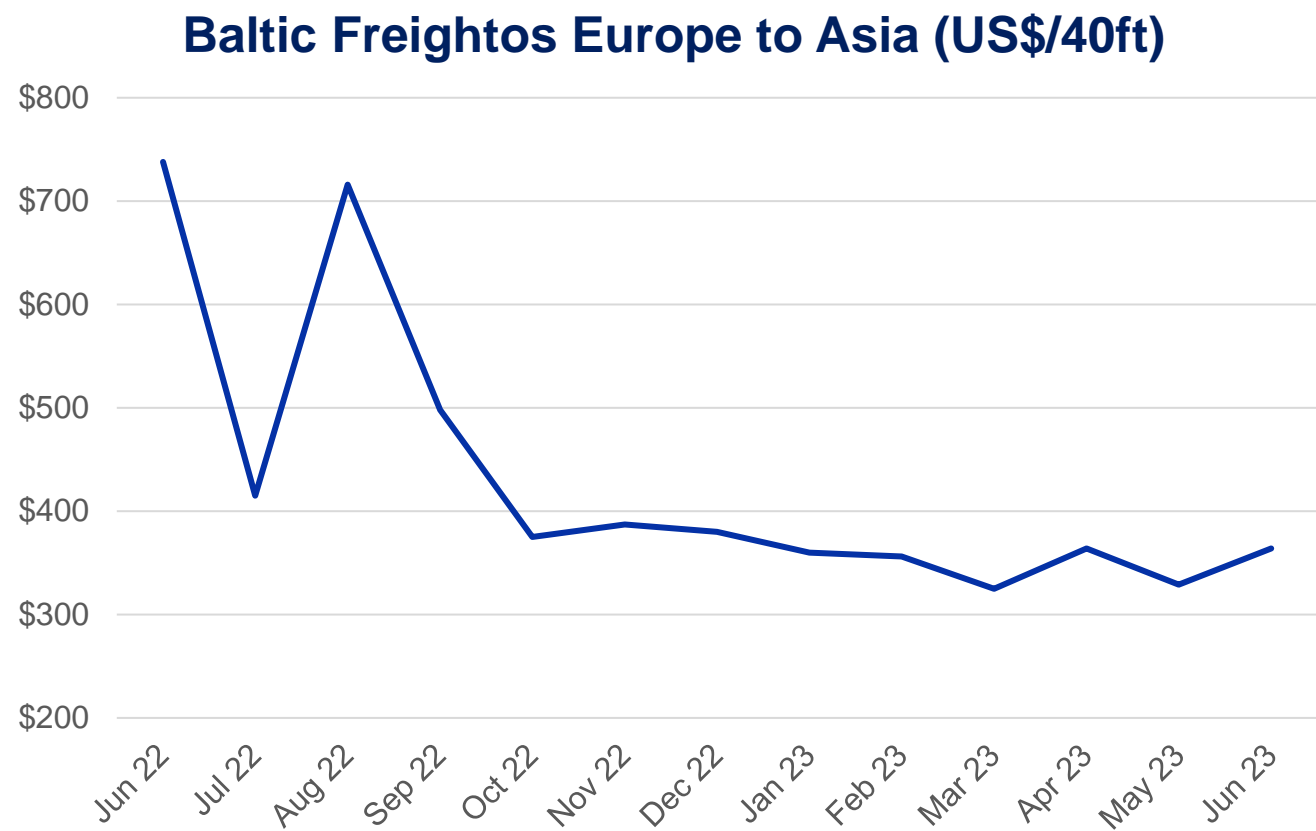
Shanghai – Santos: USD 2,305/ TEU

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

Rates still at lowest level



Source: Freightos Baltic Week 24-2023

Freightos Baltic (FBX12) index Levels 24-2023:

- Europe to ASIA : USD 364/ FEU

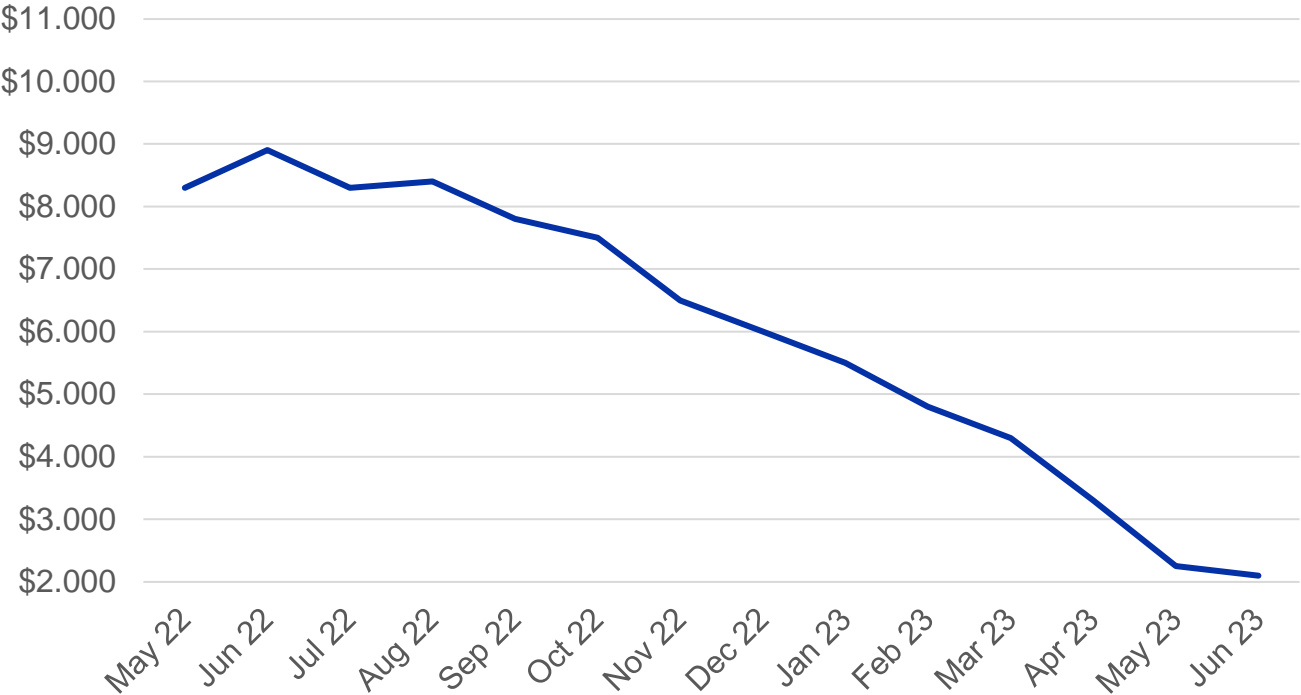
Ongoing softening in the spot market

- Sufficient space available on the majority of loops
- MSC to reinstate the “SWAN” service as stand-alone product (the former 2M loop was suspended in May 2020) First EU export sailings are expected to commence as from July 2023.

Ocean Freight Europe – North America

Vessel utilization is falling

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



Source: Freightos Baltic W23-2023

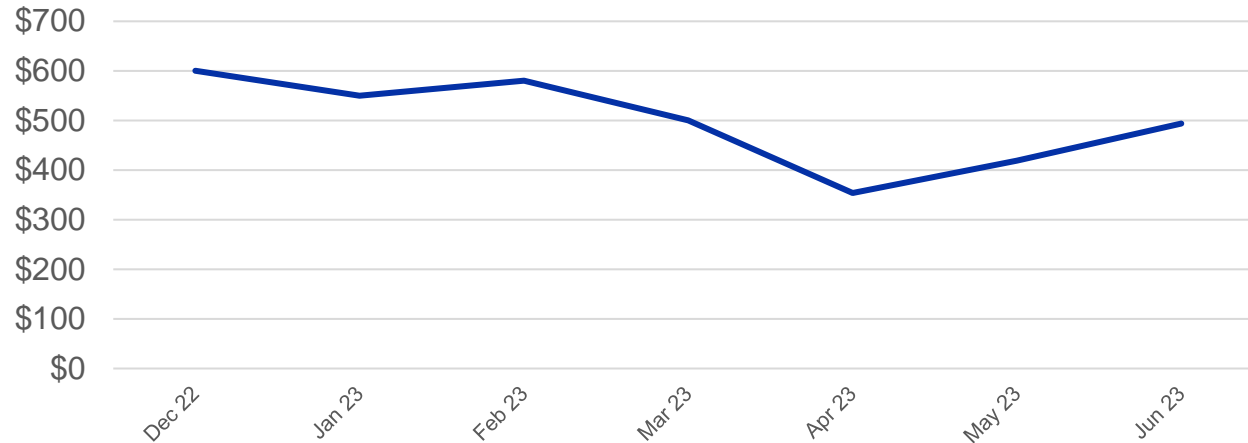
Freightos Baltic index (FBX22) Levels Week 23-2023:

- Rotterdam – New York: USD 2,082/ FEU
- Rates have reached levels close to pre-covid-times, which is for the majority of carriers not cost covering anymore. Stabilization of rate levels is expected soon.
- Although capacity and reliability has improved, volume forecast remain necessary with bookings to be placed 2-4 weeks in advance

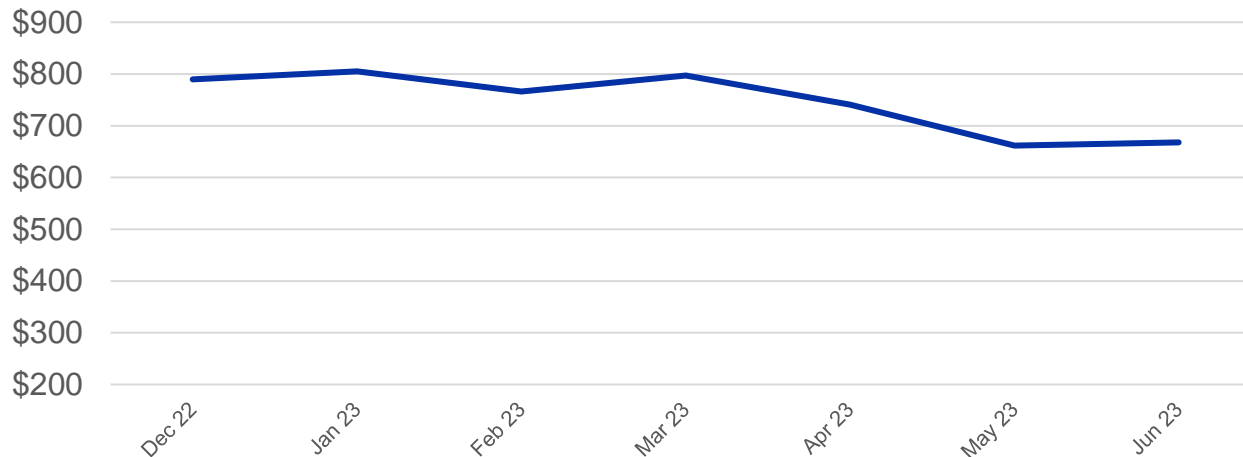
US outbound lanes

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 24-2023:

- New York - Rotterdam: USD 494/ FEU

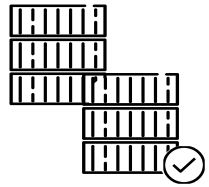
- Capacity stable in the trade, however 3-4 weeks advance bookings are still recommended for US outbound trades.
- PNW direct port call omissions continue with CMA, ONE and Hapag affecting the services to the NCP, MED and Africa (TAEB).
- No capacity to be added to the trade for 2023 (current status).

Freightos Baltic index (FBX02) Levels Week 24-2023:

- Los Angeles - Shanghai: USD 668/ 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



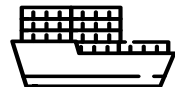
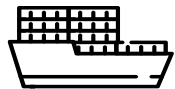
- The demand out of China was trending weaker In June than it was the case in April and May. The June holidays in China have created a small cargo rush on very limited vessels in the end of June but it's not a general state of the market.
- The demand out of South-East with the exemption of in/out Vietnam is trading slow at 75-85% utilization rate.
- The demand index ex China – Philippines is 75%, China – TH is 85%, China – Vietnam is 80%, China – Korea is 80%, China – Japan is 95%
- Stock inventory seems to be at healthy levels with no overstocking nor shortage to report on.

Rate



- The market remains stable as the long term contract have been finalized and the gap between long and short contracts are at the expected historical levels.
- Outbound CN – JP rates are increasing slightly which is against the general decrease in the general output from China. CN-SEA+KR is stable/decreasing. We are seeing the traffics from SEA – China is remaining flat and stable.
- We recommend customers to contract their cargo long term to avoid being caught in the market once the peak is here and the carriers will increase the rate levels as a result of the supply/demand challenges we will see in every peak. The volatility in the market is in general very extreme







Supply



- Service reliability is improving for the intra regional trades and we are back to the normality prior to the pandemic
- Utilization is balanced and the direction is neither resulting in increases or decreases on the pure Intra asia trade corridors.
- Capacity variation due to service disruption week over week as the charter market remains hot and the carriers are struggling to get access to vessel between 1-2000 Teu which is the preferred intra-asia vessel sizes.



Ocean freight market overview – Rates have stabilized

TRADE LANE	COMMENTS	RATES AND SPACE	
ASIA to Europe	<ul style="list-style-type: none"> Rates are stable at the moment We can expect a seasonal "summer jump" for a later decrease M2 has announced slow steaming with +3 days North Europe and +2 days mediterranean 	➡	
ASIA to NAM	<ul style="list-style-type: none"> Rates are stable Carriers failed to push GRI Panamá canal is reducing capacity to East Coast 	➡	
Europe to NAM	<ul style="list-style-type: none"> Less congestion in both North American and European ports affects service There is space available as rates are normalizing pre-covid Demand has normalized 	⬇	
Exports from India	<ul style="list-style-type: none"> Space is open Shipping lines are opening long term contract rates to negotiate Ports, terminals and ICD continue to work normally 	⬇	
ASIA to LATAM	<ul style="list-style-type: none"> Flexibility to place booking, small increases Cargo to West Coast is strong while East Coast carrier implementing black sailings Equipment is available 	➡	
INTRA ASIA	<ul style="list-style-type: none"> Port congestion improving in some south Asian ports New bunker level. We see a potential increase on rate in the future 	➡	



Demand Market Outlook

Q2 outlook

- Demand Air Cargo remains sluggish
- CLI is levelling off – first signs of recovery April/May
- PMI continues back in a decline
- Export demand APAC very volatile
- Inventory levels still high but indications of restocking

H2-2023 and what to expect beyond

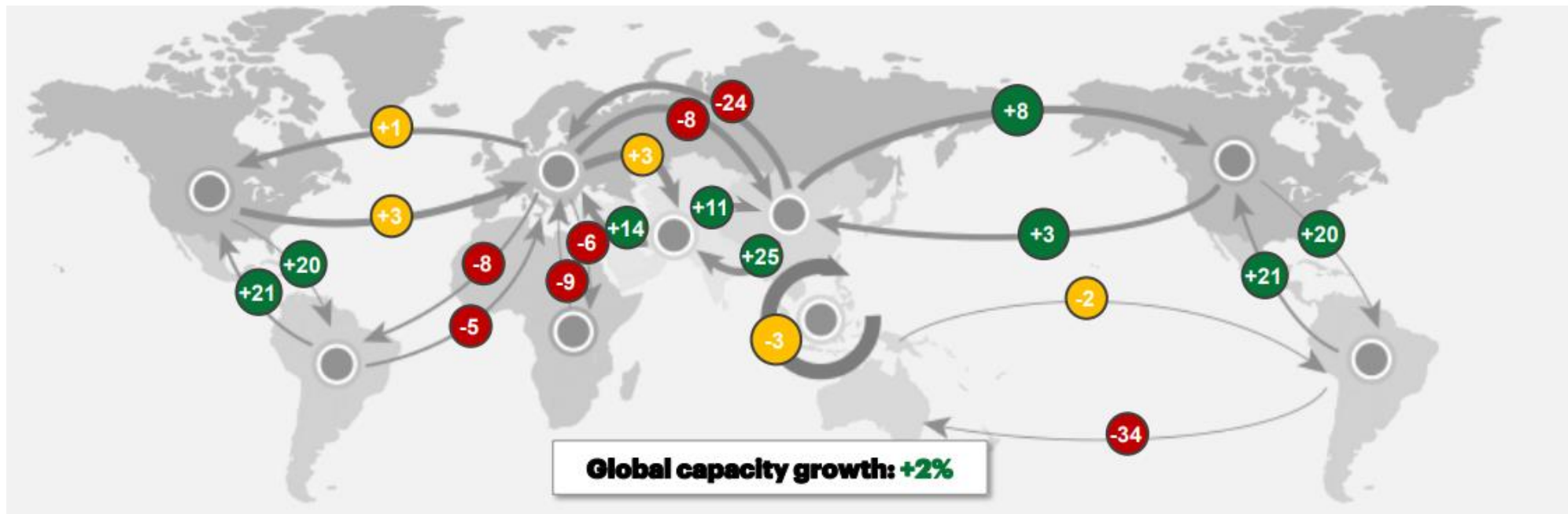
- Demand to pick-up later in the year with a potential “modest” Peak Season
- Production shift to Southeast Asia, Mexico and Eastern Europe to continue
- Investments in electrification of Automotive industry and Semicon will create pockets of increased demand for Air Cargo

Conclusion

The bottom of the Covid “bullwhip” has been met and new norm shaping in 2023



Global international air cargo capacity was up +2% (vs. 2019) between May 15-28, 2023

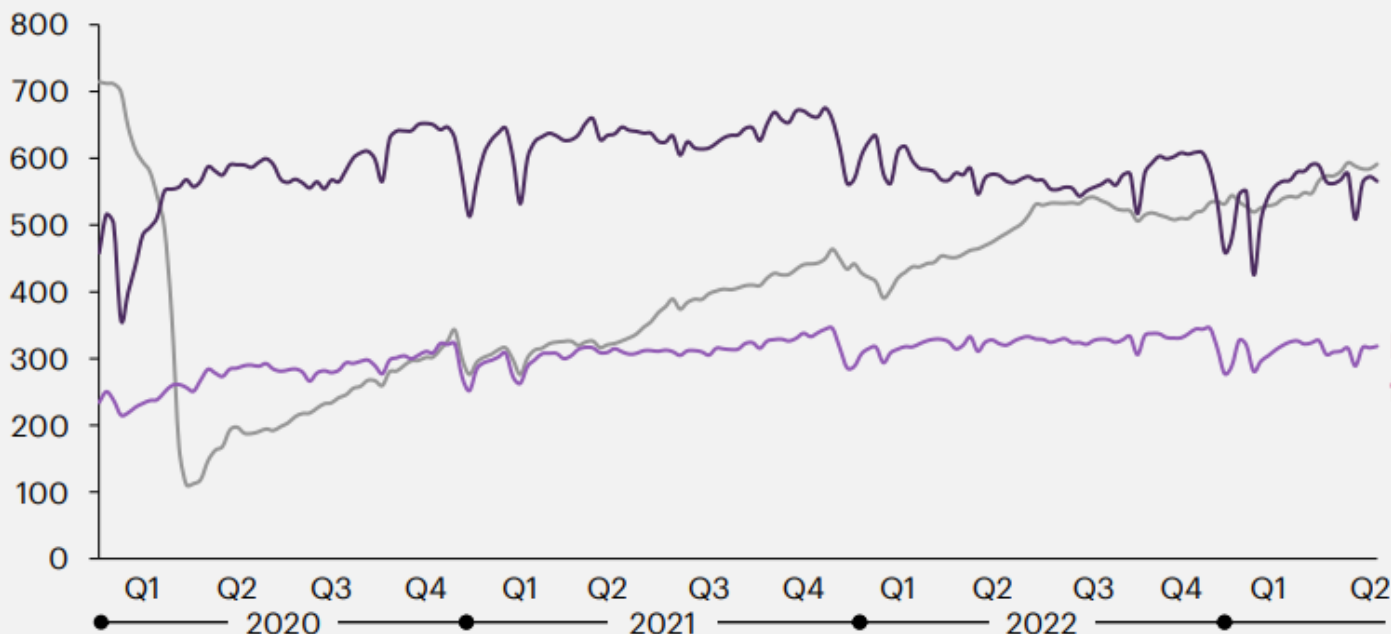


Air cargo capacity between the Americas remained strong over Mother's Day

Global air cargo capacity increased +3% over the last two weeks, caused by a rebound in freighter capacity

International air cargo capacity, Jan 2020 – May 2023

Thousand tonnes per week



Total capacity

vs.
2019¹

vs. previous
two weeks²

Passenger belly (40%)

Widebody aircraft only

**Airline
freighters (38%)**

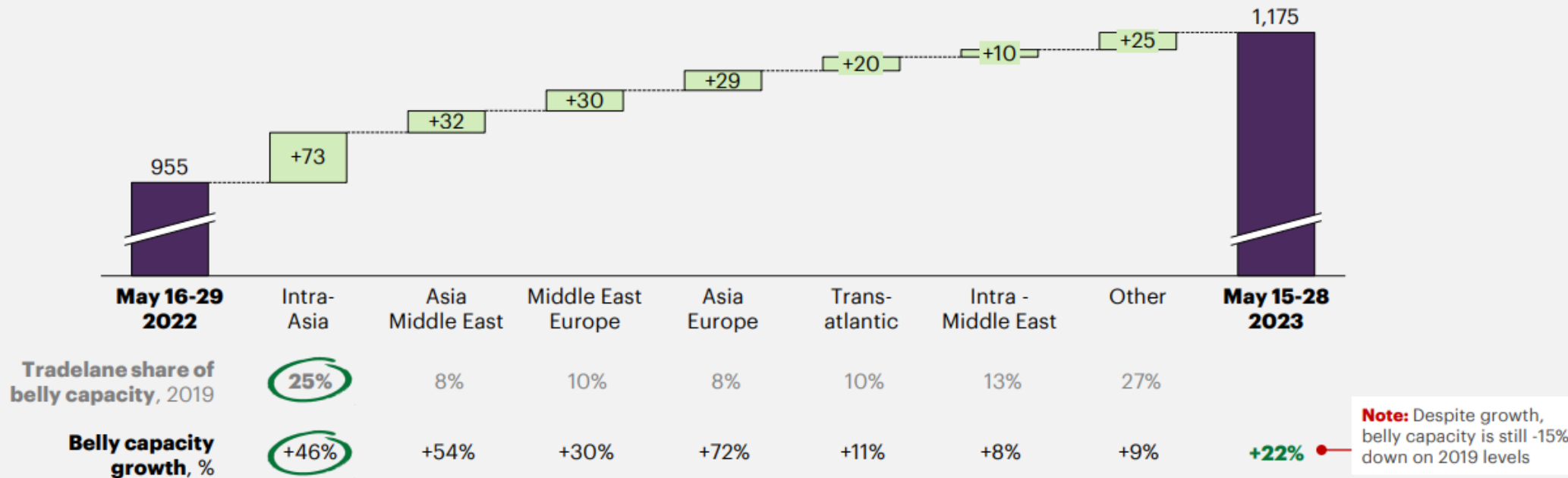
**Integrator
freighters (22%)**

Widebody
passenger
aircraft remain
the largest
provider
of international
air cargo
capacity

Widebody belly capacity within Asia – the world's largest trade lane by belly capacity – is up +46% vs 2022

International widebody passenger belly air cargo capacity growth vs. 2022

Thousand tonnes



In total, international widebody belly capacity is up +22% versus a year ago

Capacity data confirms record-breaking demand for flowers to celebrate Mother's day

30% more flower shipments received for Mother's Day 2023

floral daily

"[Miami] imported a combined volume of more than 1 billion stems and 143,000 shipments"

By: Elita Vellekoop
May 12, 2023

Avianca Cargo reports uptick in Mothers' Day flower volumes

air cargo news
15 / 05 / 2023

By: Damian Brett

Business blooms for LATAM Cargo during Mother's Day flowers spike

AVIATION
Business News

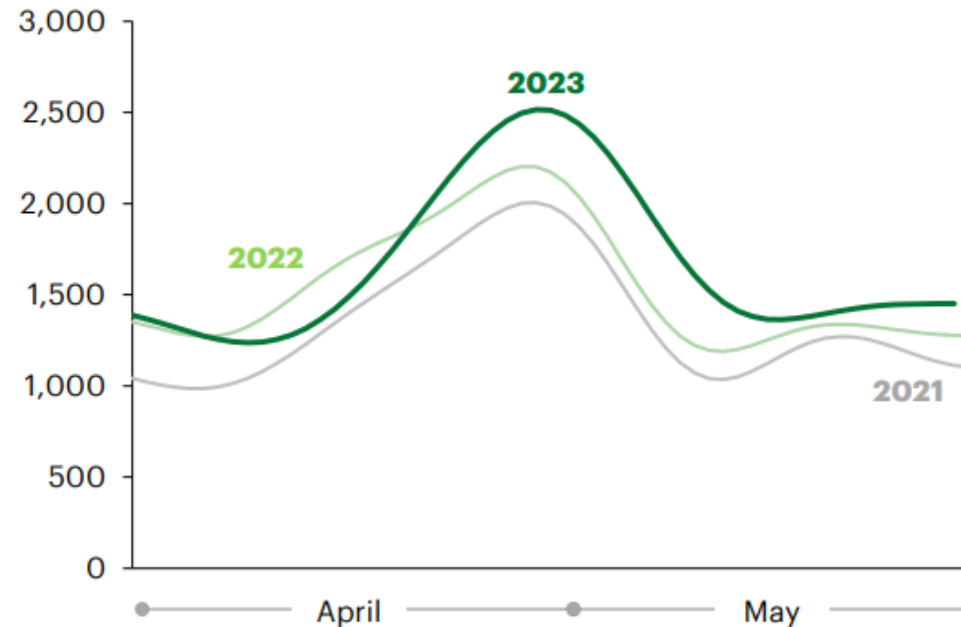
By: Lee Hayhurst



24, 2023

Air cargo capacity out of Bogota, Apr-May






Tonnes per day



Flower demand represented a bright spot in the current environment of weak air cargo demand

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">US market persists and again e-comm owns the spotlight,. There is stable demand to Europe where we see recovery of volumes	➡	
South East Asia	<ul style="list-style-type: none">Space is open but stable both volume and prices, we expect some pick ups with product launches where e-commerce is also dominating the space	➡	
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">The market continues to soften in both directions with demand continuing to decline.A large amount of capacity will be added for the summer schedule by US and Europe airlines, and volumes and rates are both expected to rebound in Q3 with demand picking back up, driven by product launches	⬇	
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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