



DSV Market update

September 10th 2021

Global COVID-19 Freight Restrictions Overview

Delta mutation is increasing number of COVID cases again, while vaccination is moving fast

EUROPE

Europe More European countries have reintroduced travel bans, quarantine requirements and other restrictions on unvaccinated travelers from the United States, following a European Union decision to remove the U.S. and other nations from its “safe list.”

UK: Passengers are subject to test and quarantine unless they have a vaccination certificate

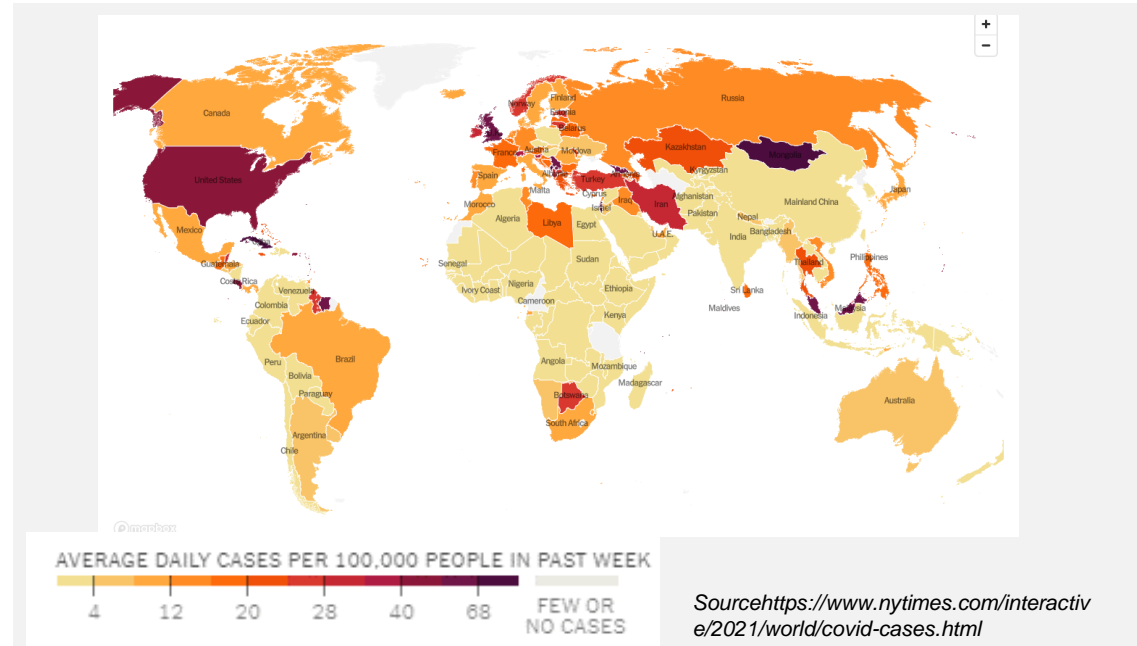
NORTH AMERICA

Passengers entering or transiting through the USA must have a negative COVID-19 test taken at most 3 days before departure from the first embarkation point.

LATIN AMERICA

All flights from UK India and South Africa are suspended to Argentina, Brazil, Chile, this is still on hold and 14 days quarantine is mandatory

COVID-19 Travel Regulations Map as per NYTimes



AFRICA and MIDDLE EAST

South Africa All passengers must present a negative corona virus test and they are only allowed to travel to 3 airports, Cape Town, Durban and Johannesburg.

Saudi Arabia Restrictions to travellers coming from Argentina ,Brazil, India South Africa and United Kingdom

ASIA PACIFIC

China: The latest outbreak has so far infected more than 400 people in 25 cities, including the capital city, Beijing, and in Wuhan for the first time since it contained the initial Covid-19 outbreak last year. Cases have been reported in 17 of the 31 provinces. China will hold travel for non essential non-emergency travel.

Myanmar: Until September 30st all flights to Myanmar are suspended

Phillipines Re-introduction of quarantine

Australia: Re-introduction of quarentines

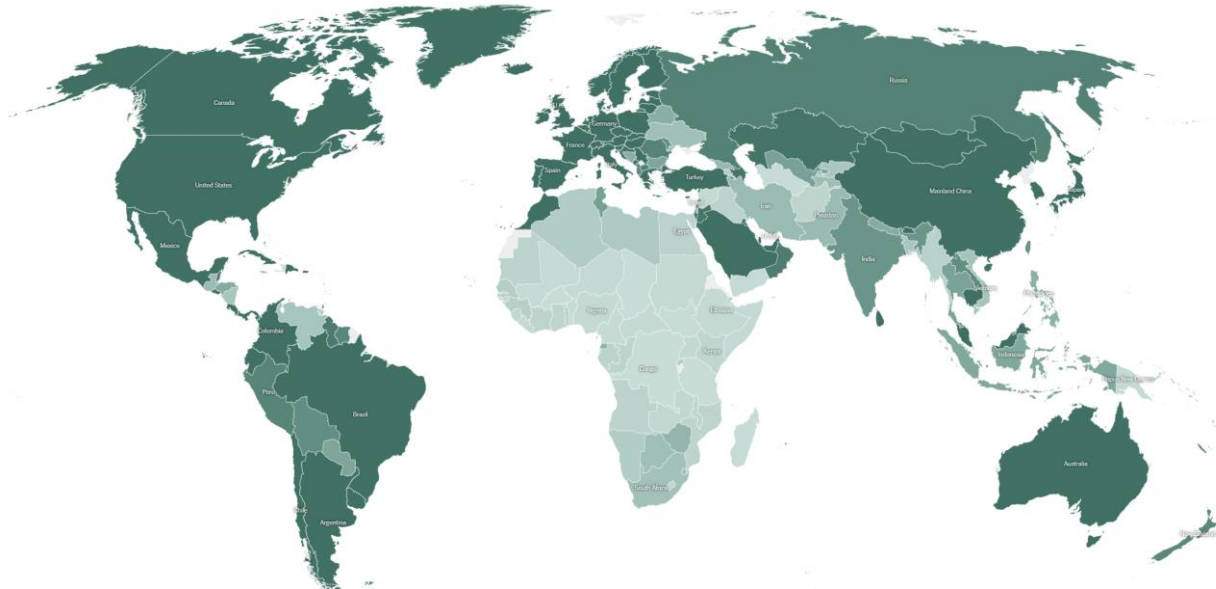
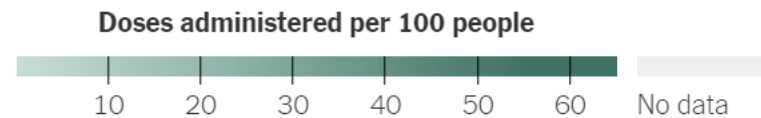
INDIAN SUB-CONTINENT.

India: Until September 30th passenger planes are banned to enter the country. Cargo planes are allowed to enter the country.

More than 5.64 billion vaccine doses have been administered worldwide, equal to 73 doses for every 100 people.

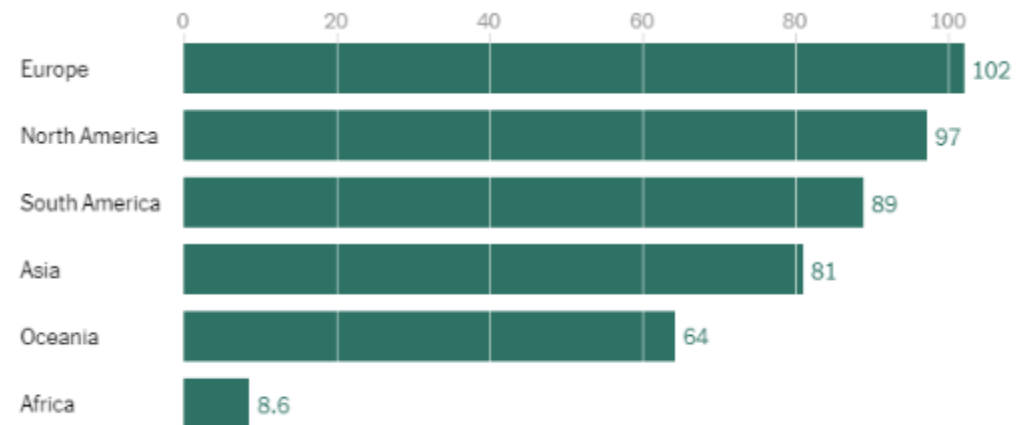
There is also a striking divide between continents. Africa has the slowest vaccination rate of any continent, with some countries yet to start mass vaccination campaigns

Doses administered per 100 people



<https://www.nytimes.com/interactive/2021/world/covid-vaccinations-tracker.html>

Vaccination rates by continent



Vaccine roll out (16 vaccines rolled out globally):

Oxford-Astra Zeneca: 179 countries
Pfizer-Biontech: 107 countries
Sinopharm-Beijing: 60 countries
Moderna: 56 countries

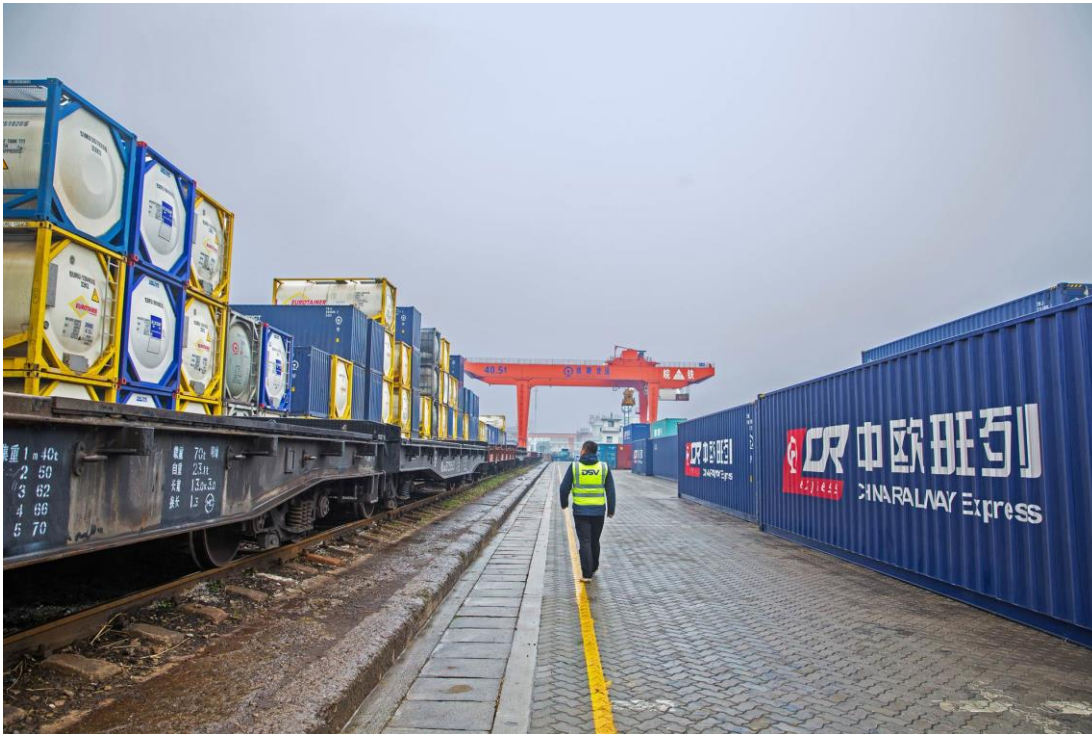
Gamaleya (Sputnik V): 47 countries
Sinovac: 35 Countries
Johnson & Johnson: 27 countries
Bharat Biotech: 6 countries

China implementing Airport quarantine regulations to reduce likeness of infections reduces airfreight capacity



- Implementation from September 1st to airport working of: quarantine; 7+7+7 = 7 days working at the airport, 7 days quarantine at hotel, 7 days quarantine at home
- These measures reduce the overall throughput capacity at the airports significantly, leading to backlogs, unloaded planes and eventually flight cancellations, which in return translate into less capacity, higher rates and longer lead times.
- This new rules affect the largest cargo airports in China:
 - Shanghai Pudong
 - Zhengzhou
 - Beijing airports
- While we see an increase of volumes due to disruption in ocean and peak season already starting in the beginning of September.

COVID-19 and railway maintenance works affect rail transport times between China and Europe



- Export /rail transport to China: The Chinese authorities have introduced severe restrictions. This means that all goods arriving from Europe must be disinfected by fumigation, and consolidated containers (LCL) are relocated to a separate warehouse where each piece of cargo is disinfected individually. The expected transport time delay due to the mandatory disinfection process is currently 1-3 days.
- Imports/rail transport from China: Due to the sea freight challenges over the past months with port lockdowns in China and significantly lower efficiency due to COVID-19 outbreaks, large quantities of freight are now being shipped by rail. The additional freight volumes have put additional pressure on the rail network and have created bottlenecks out of China and on routes to Europe.
- The railway track maintenance works in Małaszewicze and Brest have caused delays on the last stretches of railway from China to Europe.

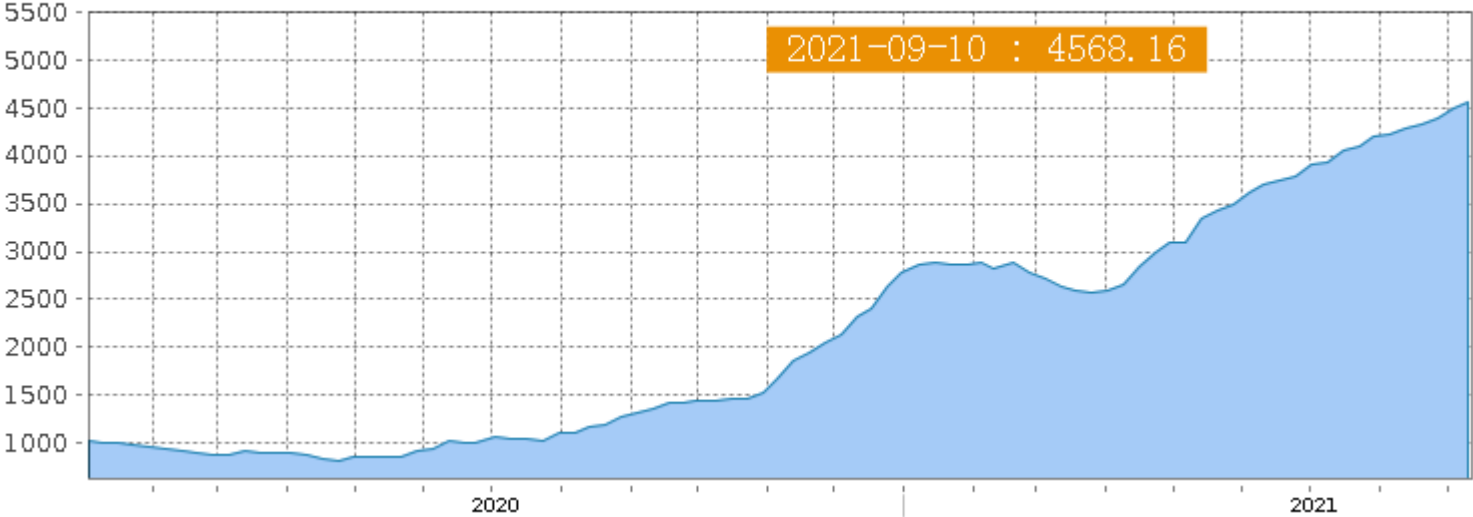
Ocean freight Update



SCFI index reaching new all time high

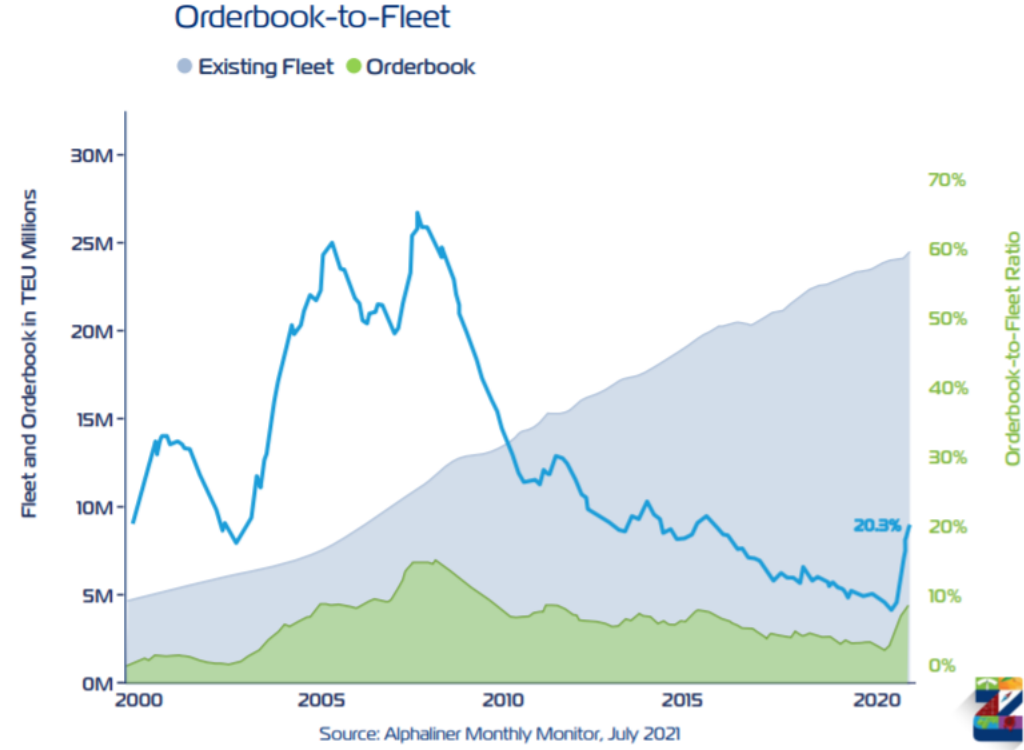
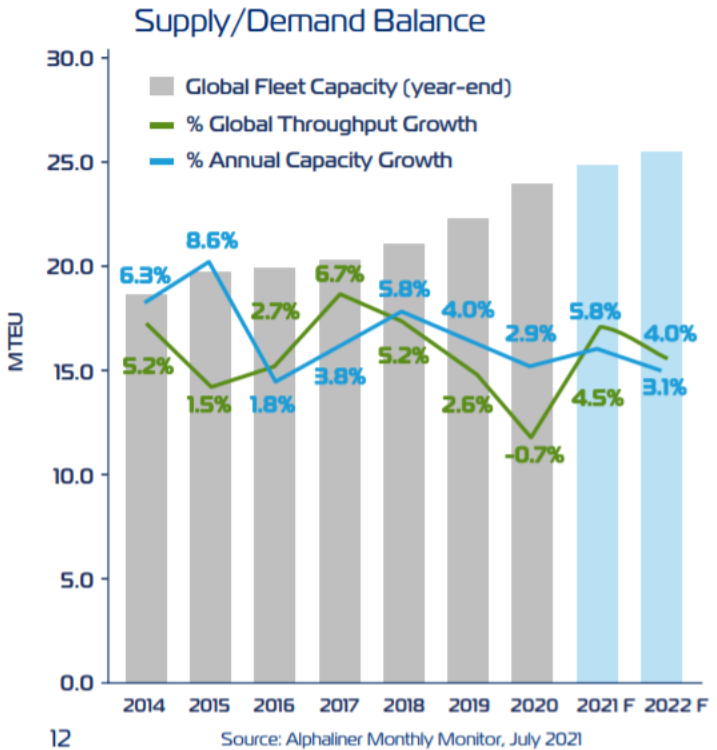
CMA and Hapag are trying to implement a cap to current high spot rate levels

Shanghai Containerized Freight Index



Trade Lane	Shanghai Containerized Freight Index		
	Unit	Market Weighting	WK36
Comprehensive Index			4568
Europe(Base port)	USD/TEU	20,0%	7491
Mediterranean (Base port)	USD/TEU	10,0%	7365
USWC (Base port)	USD/FEU	20,0%	6322
USEC (Base port)	USD/FEU	7,5%	11731
Persian Gulf and Red Sea (Dubai)	USD/TEU	7,5%	3941
Australian/New Zealand(Melbou	USD/TEU	5,0%	4198
East/West Africa (Lagos)	USD/TEU	2,5%	8359
South Africa (Duban)	USD/TEU	2,5%	6732
South America (Santos)	USD/TEU	5,0%	10148
West Japan (Base port)	USD/TEU	5,0%	303
East Japan (Base port)	USD/TEU	5,0%	305
Southeast Asia (Singapore)	USD/TEU	7,5%	921
Korea (Pusan)	USD/TEU	2,5%	273

Recent ramped up in orderbook expected to be offset with land-side bottlenecks and decarbonization efforts

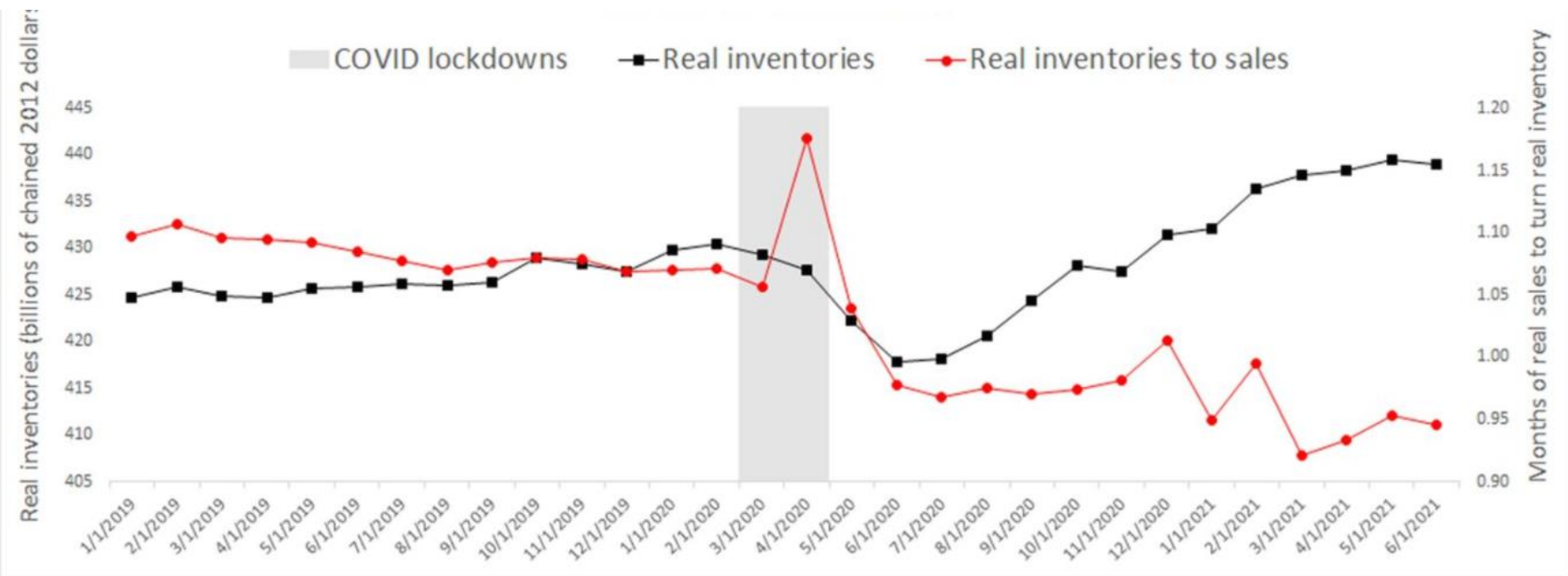


- 1.9% less uplifting than pre-covid time
- **2023 – EEXI Regulation** Energy Efficiency Ship Index Compliance
- **Negotiation of new port workers** agreement in the US west coast expires in August 2022
- Reported a **charter agreement of \$200k per day** for a 6,000 TEU vessel this week.

Inventories in USA are not even close to being replenished

Real retail trade (excluding motor vehicle & parts): inventories and inventories to sale

YoY growth (%)



- Despite record imports in the first eight months of this year, U.S. retail sales continue to outpace inventory replenishment.

- Assuming sales don't collapse and businesses seek to reach pre-COVID inventory-to-sales levels, imports still have a long way to run due to restocking.

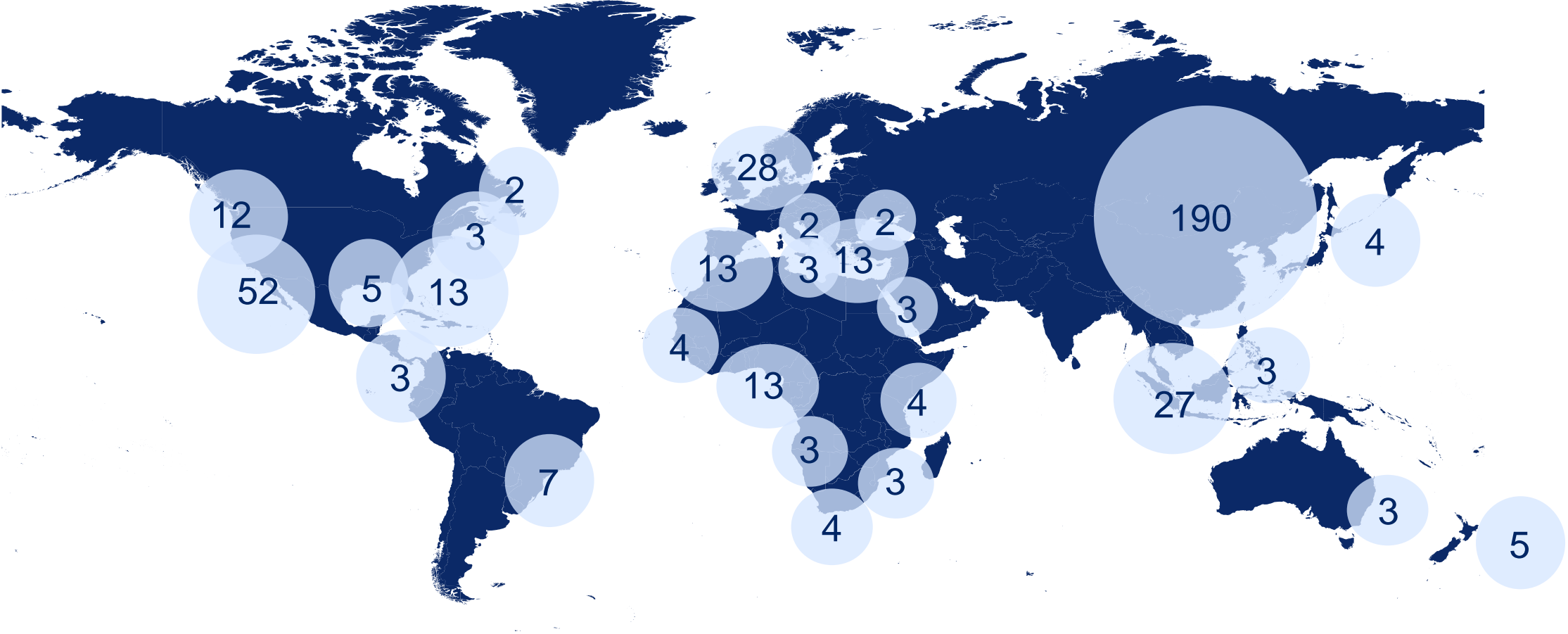
- The Institute for Supply Management (ISM) produces a monthly report that includes an index of sentiment on customer inventories. **That index fell to 25 points in July, the lowest level in its history.**

Notes: Air trade values until May 2021 (in weight); PMI values until June 2021; PMI is JP Morgan Global Manufacturing PMI
 Source: Market Economics, Seabury Cargo Global Air Trade Database; Seabury Cargo analysis (July 2021)



Global port congestion – 400 vessels waiting at the ports, or 10% of global vessel capacity

190 of the vessels, or 48% of them are waiting in Asia, and 24% in North America – vessels are located in the wrong places (less in transit and more waiting at the ports)

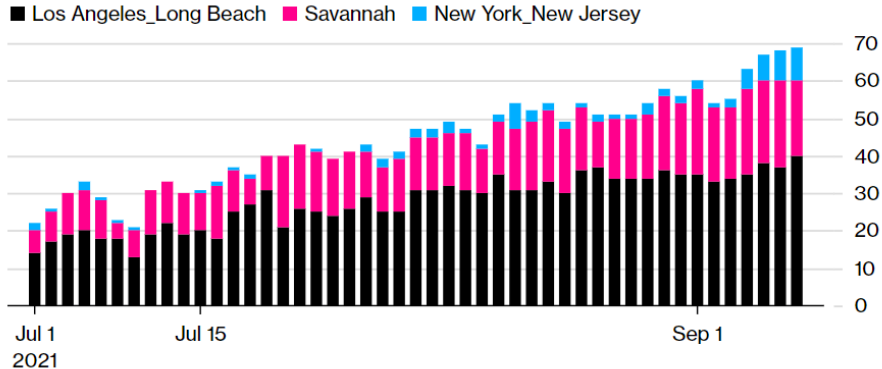


Source: Marine Traffic September 10h 2021

Number of ships waiting for berth space outside LA and Long Beach set to top 50

Time Is Money

Waiting container ships are on the rise at America's top three ports

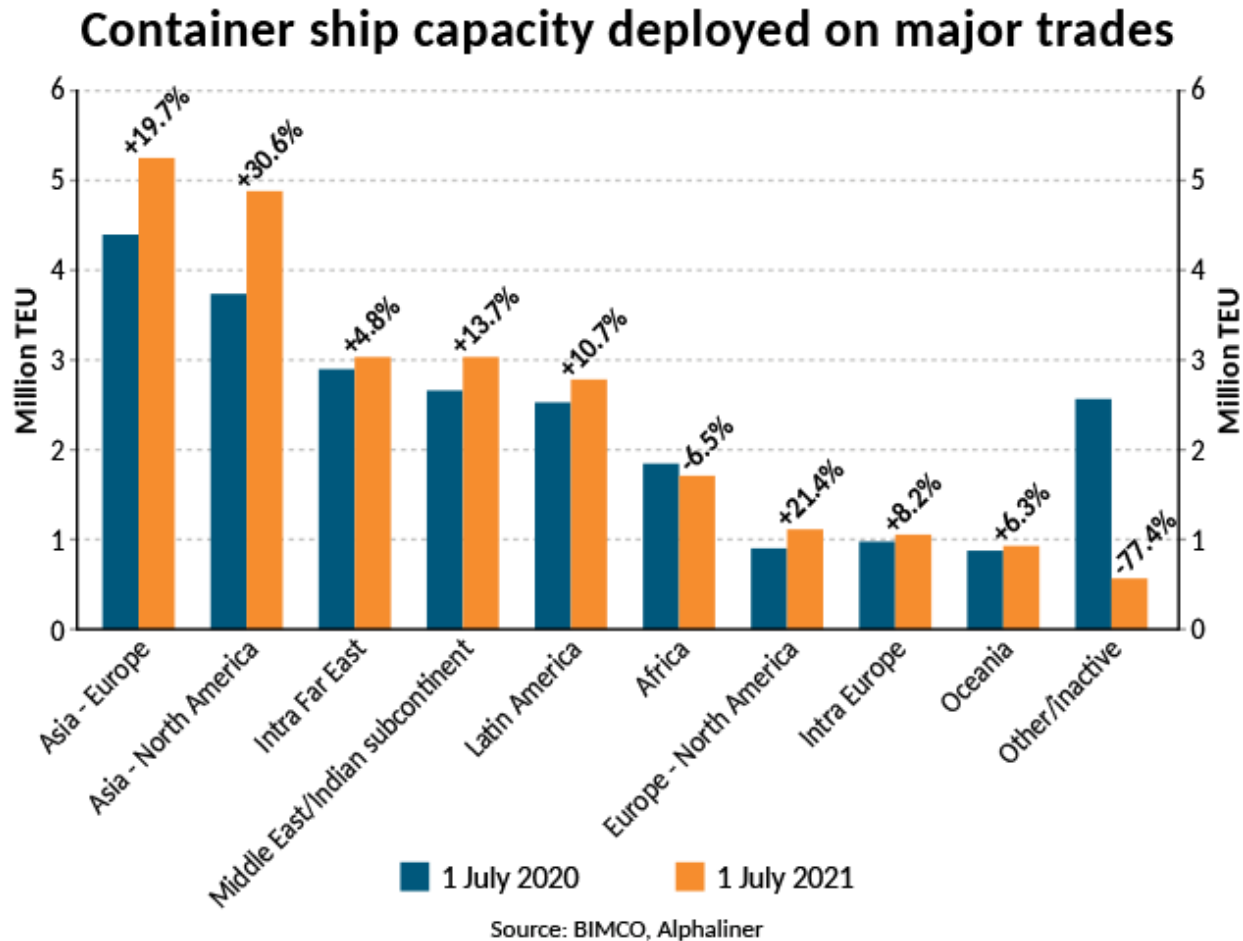


Sources: Bloomberg, IHS Markit, Genscape
 Note: Data based on daily counts of anchored container ships from April to September.



- **Even higher volumes on the way:** The expected spike in imports generated by the peak season and pre-shipped cargo is already here, making the operation more complex.
- The Port of Los Angeles' planning tool, shows a more extreme upward trend. It projects import volumes of 190,937 TEUs for the week of Sept. 12-18, roughly double projected import volumes this week
- Another forward indicator is a proprietary index of shippers' bookings on FreightWaves' SONAR platform. The index has risen sharply in recent weeks, **implying higher volumes arriving at U.S. ports in late September and into October**

Far East to Europe trade has risen 19.7% while capacity on the Far East to North America trade has risen 30.6%.



Source: Alphaliner

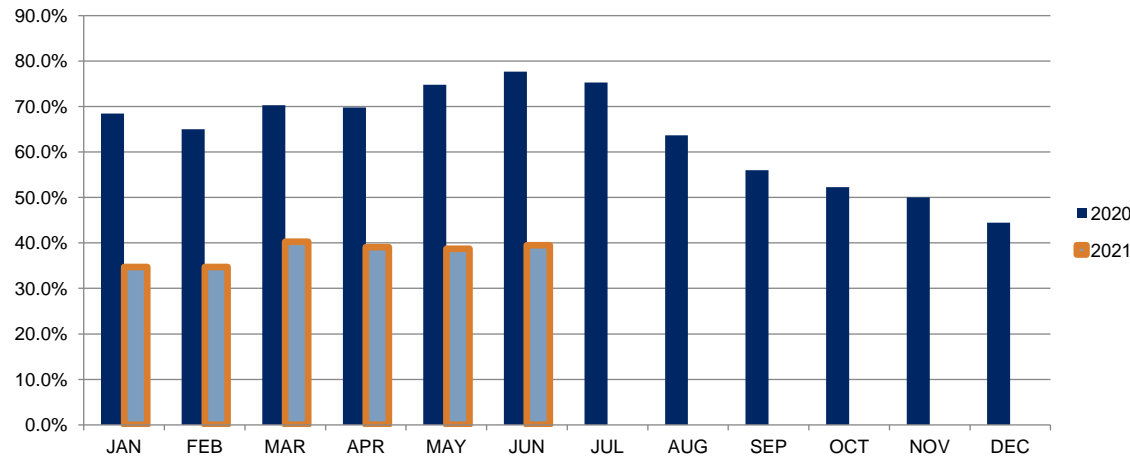
- Even with these extra ships, carriers are struggling to meet their scheduled departures, which leads to cancellations of sailings or port calls because the supply is not there rather than due to a lack in demand.
- Adding capacity on already congested trade lanes does little to solve the fundamental problems. **The limiting factor is not capacity on board ships, but rather how many containers the ports and hinterland connections can manage**, as well as storage space in temporary container yards and final destinations. Adding more ships means more revenue for carriers.
- Compared to volumes, the 30.6% increase to North America is in line with 28.3% volume increase in the period but on **Far East to Europe**, capacity has increased as a rate almost twice but **volumes are up only 0,1%** if we compared 2021 vs 2019.

2021 is the worst recorded vessel schedule reliability

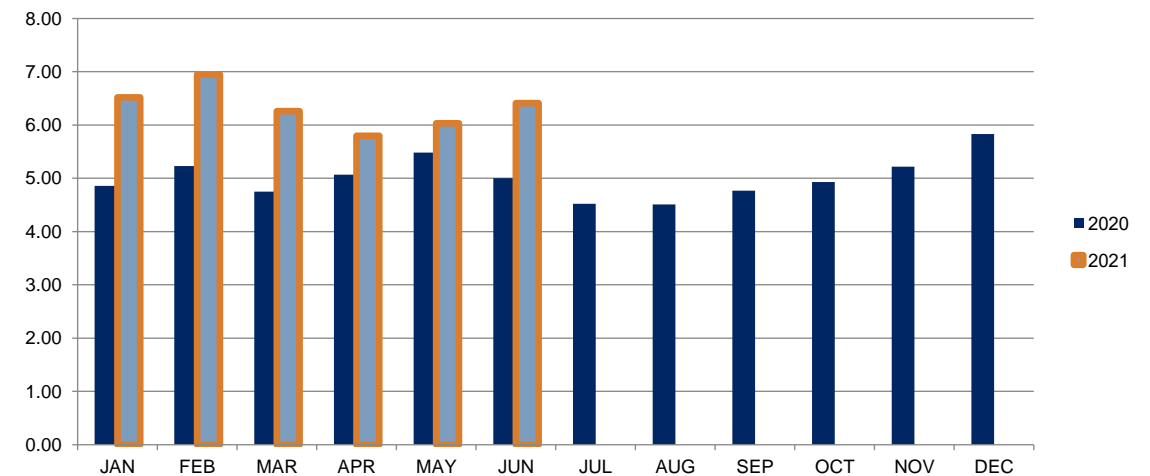
Average days of delays is increasing to 6 days

Global		Jan	Feb	Mar	Apr	May	Jun
Schedule Reliability	2020	68.5%	65.0%	70.3%	69.8%	74.8%	77.7%
	2021	34.7%	34.7%	40.3%	39.1%	38.7%	39.5%
	Change	-33.8%	-30.3%	-30.0%	-30.7%	-36.1%	-38.2%
Avg. delay of LATE vessels	2020	4.86	5.23	4.75	5.07	5.48	5.00
	2021	6.52	6.95	6.26	5.80	6.03	6.41
	Change	1.66	1.72	1.52	0.73	0.55	1.42

Schedule Reliability



Average delay of late vessels



Source: Sea-Intelligence Maritime Analysis

Airfreight Update



China: Golden week - mid Autumn festival worsen supply problems



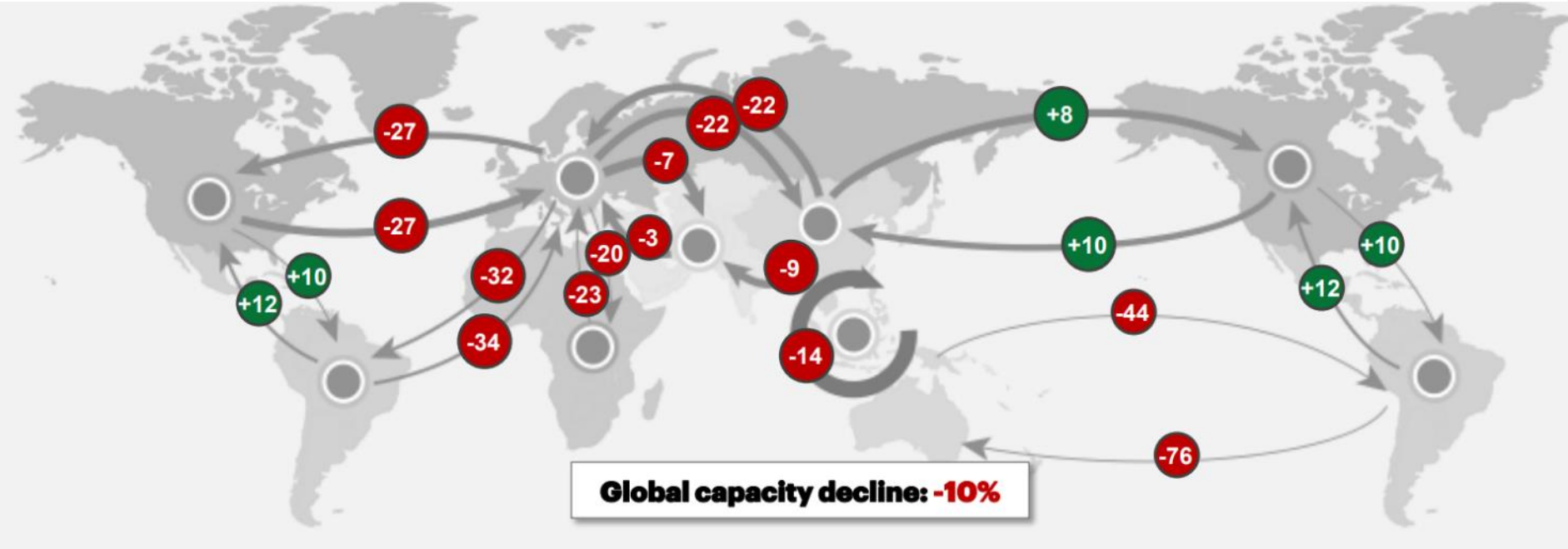
- The impact of switching orders from ocean is continued.
- Air cargo rates from China to North America and Europe ticking upwards
- The cost increments are high and we are seeing export rates out of China at the levels of May 2020 when PPE equipment was being shipped.
- There are long space queues for ALL service levels
- Transit time becomes unexpectedly long and no guaranteed even for FLASH option.
- Heavy backlog becomes more heavier, it expects the market congestion to become worse.

Mid-Autumn Festival (national holiday)

China:	Sep 19th to 21st
Hong Kong & Macau:	Sep 22nd

Air cargo capacity was down 10% between Aug 23-Sep 5, compared to the same weeks in 2019

Total air cargo capacity growth, 23 Aug – 5 Sep 2021 vs same weeks 2019
 % growth vs 2019



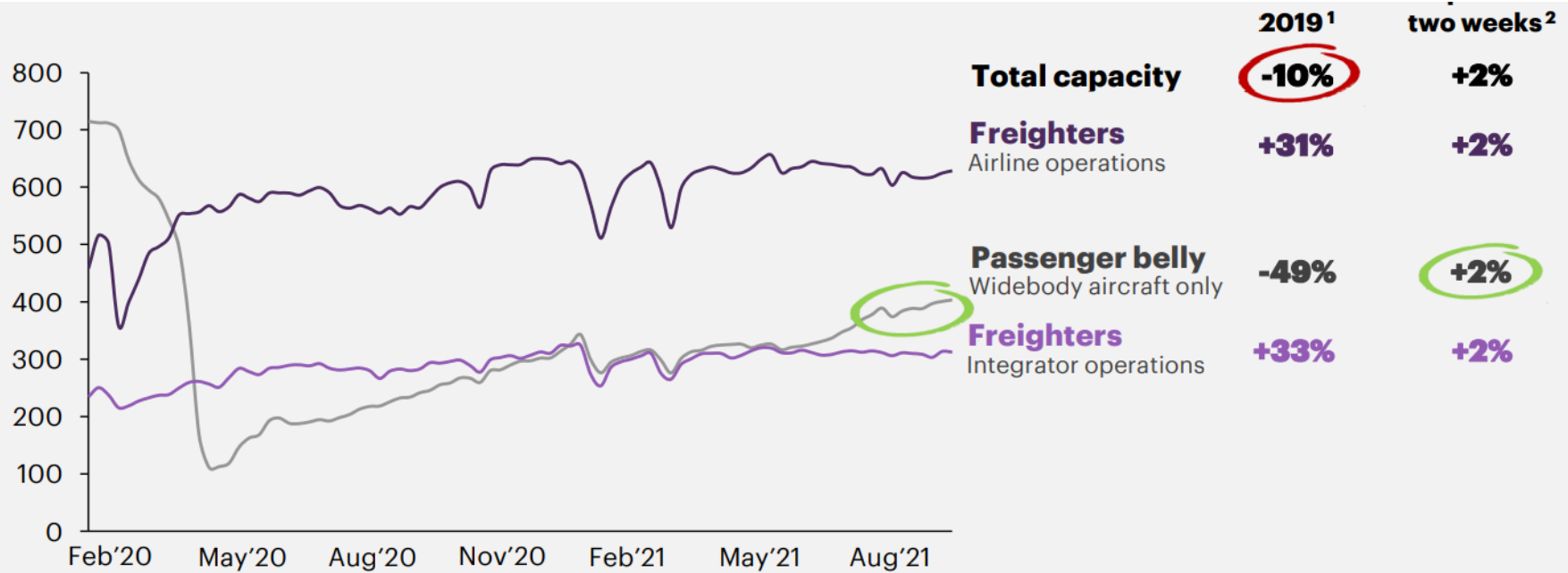
Transpacific Eastbound capacity remains strong in response to high demand, up +8% vs. 2019

Note: 23 Aug-5 Sep 2021 compared to 12-25 Aug 2019; Direct flights only; all flows indicate region-to-region capacity; regions indicated by color coding; dates measured in UTC; 1) Total cargo capacity includes int'l widebody passenger and all freighter flights; Source: Seabury Cargo Capacity Tracking database, Seabury Cargo analysis (September 2021)

Global air cargo capacity increased across freighters and widebody belly, up 2% vs. the previous two weeks

International air cargo capacity, Feb 2020 – Sep 2021

Thousand tonnes per week



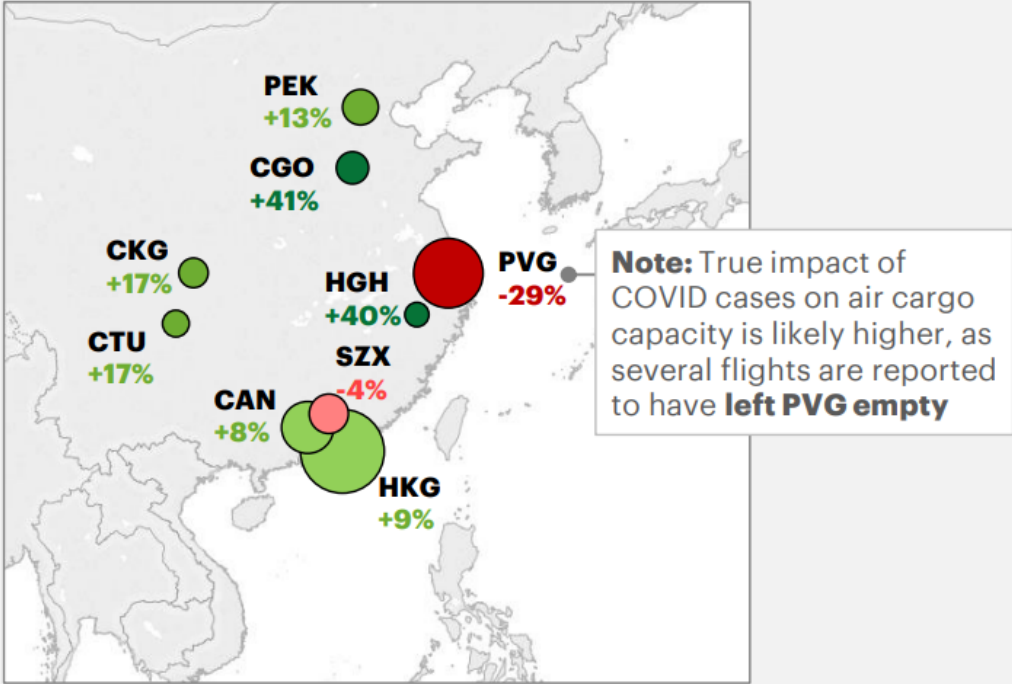
Global widebody belly capacity has steadily increased in the last three months

Note: Direct international capacity only; All freighters and widebody passenger aircraft only; 1) Comparing the weeks of 23 Aug-Sep 5 2021 to the same weeks in 2019; 2) Comparing the last two weeks available versus the previous two weeks; Source: Seabury Cargo Capacity Tracking database, Seabury Cargo analysis (September 2021)

Shanghai PVG Air cargo capacity has dropped ~30% in the last five weeks due to handling manpower constraints

Int'l air cargo capacity change, selected airports

% change, week 35 (Aug 30-Sep 5) vs. week 30 (Jul 26-Aug 1)



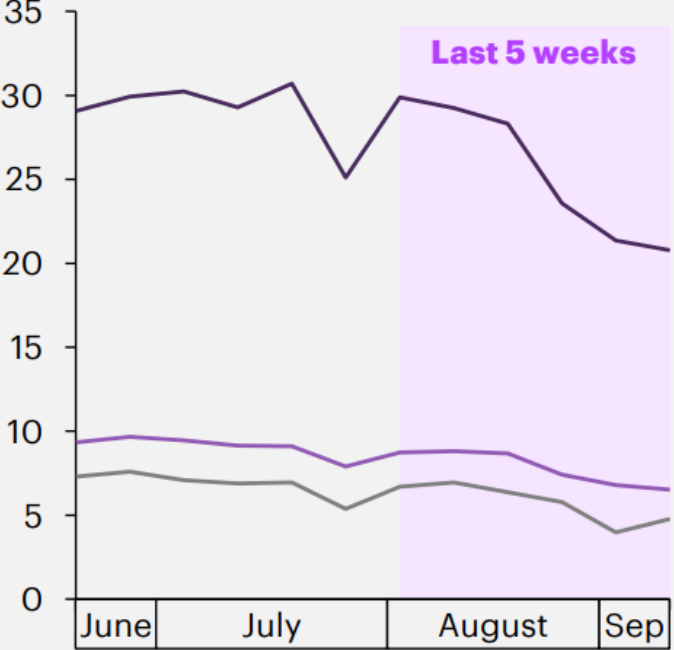
Note: True impact of COVID cases on air cargo capacity is likely higher, as several flights are reported to have left PVG empty

Note: Bubble size indicative of airport int'l air cargo capacity

Weekly int'l air cargo capacity out of PVG, 2021

Thousand tonnes

Change, wk 35 (Aug 30-Sep 5) vs. wk 30 (Jul 26-Aug 1)



Total:	-29% ~235 flights
Freighters Airline operations	-30% ~90 flights
Freighters Integrator operations	-25% ~25 flights
Passenger belly WB operations only	-29% ~120 flights

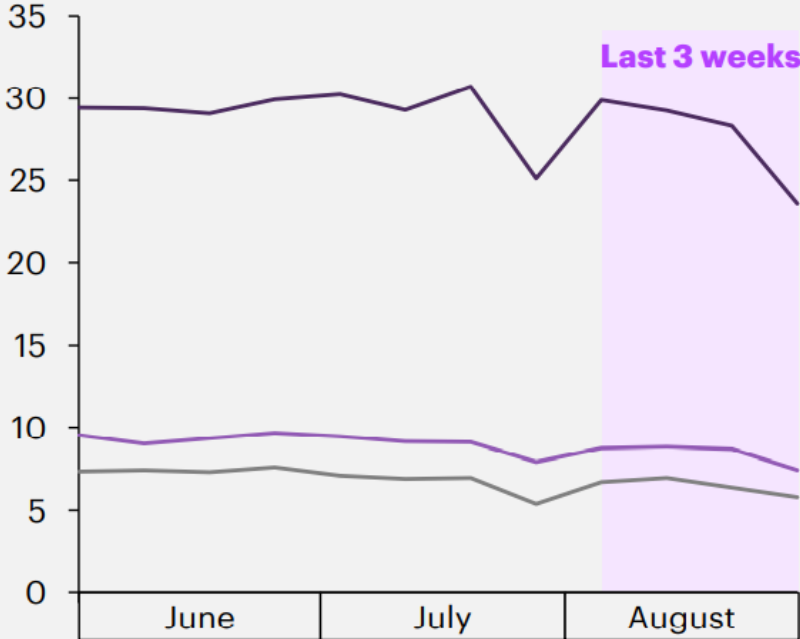
Airline freighters showed both the largest absolute and relative decrease

Note: Comparing capacity between Aug 30-Sep 5 to capacity between July 26-August 1; All international freighter capacity and widebody belly capacity
Source: Seabury Cargo Capacity Tracking database, Seabury Cargo analysis (September 2021)

Airline freighters account for the largest share of PVG's air cargo capacity loss, with roughly 50 fewer weekly flights

Weekly international air cargo capacity out of PVG, 2021

Thousand tonnes

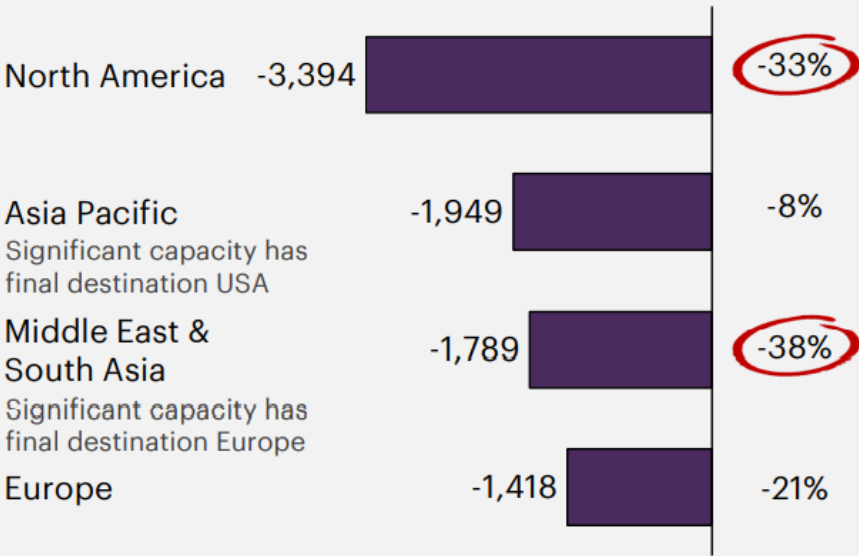


Change, week 33 (Aug 16-22) vs. week 30 (Jul 26-Aug 1)

Total	-19%	-100 flights
Freighters Airline operations	-21%	-50 flights
Freighters Integrator operations	-15%	-10 flights
Passenger belly WB operations only	-14%	-40 flights

Capacity loss by flight destination region¹

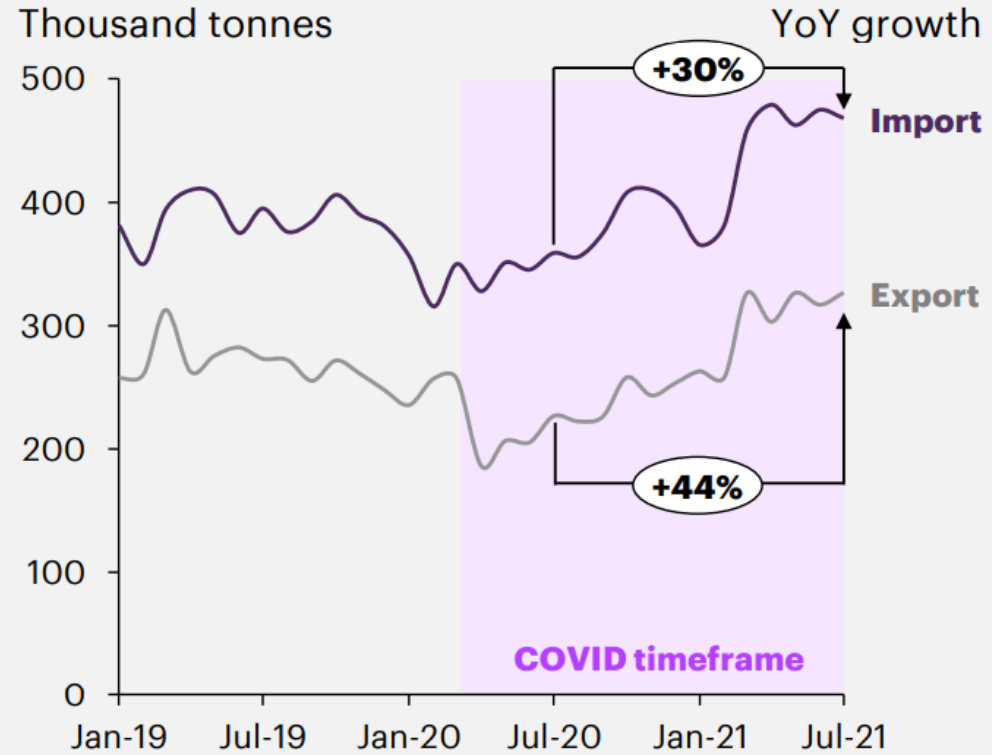
Tonnes change, week 33 (Aug 16-22) vs. week 30 (Jul 26-Aug 1)



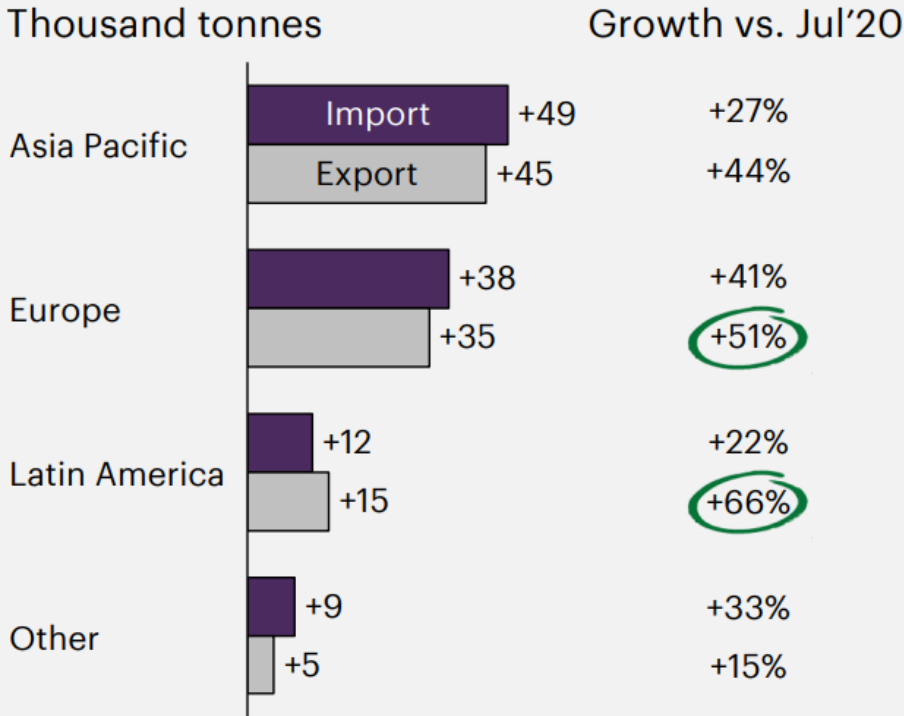
Air cargo capacity to North America and Europe (incl. via Middle East) has been most heavily affected

US monthly air trade reached an all-time high in July 2021, approaching 800k tonnes

US monthly air trade by direction, 2019-2021



US air trade growth breakdown by partner region, Jul'21



US air exports have benefitted from available capacity attracted by inbound demand

Source; Seabury Cargo Global Air Trade database (USA dataset), Seabury Cargo analysis (September 2021)

