DB SCHENKER

Market Update

Region MEA

March 2022

150 Years Elevating Lives

Market Update

Developments in the Middle East and Africa

- Ethiopia seeks billions in FDIs for newly established sovereign wealth fund by allowing private investments in its 40+ state-owned companies
- In 2021, the UAE's non-oil foreign trade grew by 27% to AED 1.9 trillion
- Ghana plans to establish a green bond exchange, targeting USD 5 billion in sales within five years in Ghana, Kenya, and Nigeria
- Free trade deal is likely to help UK remain among GCC's major trade partners
- February PMIs in MEA countries among the highest globally, particularly in Qatar (with 61.4 – the second highest in the world), South Africa (58.6), and Nigeria (with 57.3 at a 27-months high)

Manufacturing PMI			
Country	Febuary	January	December
Egypt	48.1	47.9	49.0
Ghana	49.6	50.8	51.8
Kenya	52.9	47.6	53.7
Nigeria	57.3	52.0	50.8
Qatar	61.4	57.6	61.4
Saudi Arabia	56.2	53.2	53.9
South Africa	58.6	57.1	54.1
UAE	54.8	54.1	55.6

Air Freight

- The Omicron variant continues to impact air freight operations globally and has resulted in flight cancellations, lockdowns, shortages of manpower as well as travel restrictions (e.g., FRA Hub)
- PVG Airport is operating, and Schenker CFSs are open for business
- Capacity challenges remain in the market. All available freighters are already deployed and in service. New conversions and orders are only available from 2024 onwards
- Carriers are forced to change their routes to ensure that trade routes can continue to be served. This inevitably leads to the emergence of backlogs that have already been reported from major hubs in Asia and Europe

Ocean Freight

- The COVID-19 outbreak **situation in South China and Hong Kong** remains critical. Shenzhen and Dongguan announced a lockdown from March 14 - March 20. Yantian port remains open but with reduced capacity and lower productivity
- North China, Changchun and Jilin announced citywide lockdowns. As a result, pickup and delivery are only available in Beijing, Hebei, and the Shandong areas. In addition, a negative nucleic acid test report within 48 hours is mandatory for people to travel through Shanghai. Such strict Covid prevention and restriction measures severely impact shipping and logistics activities
- Shortage of **truck drivers** and truck capacity is impacting pre-carriage, on-carriage, and domestic transportation. Container gate-in to terminals and container deliveries to surrounding cities have been disrupted. Factories are temporarily shut down for 48 hours to conduct the nucleic acid test, which is likely to reduce cargo movement
- **Bunker prices** continue to increase. Within the past 30 days, the VLSFO Singapore has risen from USD 700/mt to USD 900/mt. The ongoing conflict between Russia and Ukraine will have a further effect on the fuel price
- Carriers are eager to deploy additional capacity on high yield trades such as Asia-EU and Asia-US, which in turn leads to a capacity crunch on other trades, thus increasing rates

Air Freight

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Demand

- Strong demand allowed world goods trade to increase by around 9.8% year-on-year in 2021
- The global air cargo market grew by 6% (on chargeable weight) compared to December 2019 vs December 2021

Rates

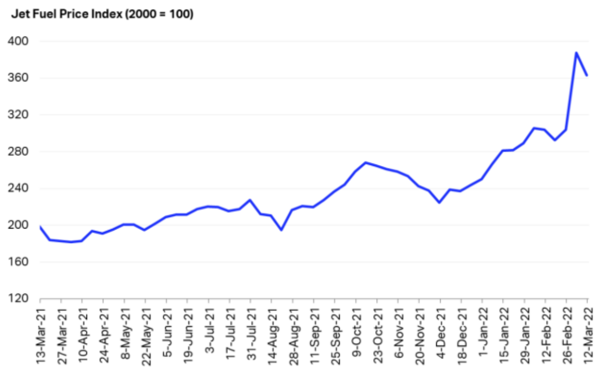
- Airlines generated 153% more revenue in December 2021 than in December 2019
- Rates, while still very high, were seen to be slowly winding down in February versus 2019 as capacity returned to the market and the stress on supply chains seen over the past 2 years began to ease
- Besides Cargolux, several carriers have announced war risk surcharges for existing flight operations

Carriers

- As of February 2022, African and Middle Eastern carriers are scheduled to receive 41% and 55% more aircraft deliveries respectively in 2022 compared with 2021
- Etihad Cargo has achieved 27% year-on-year increase in freight carried, contributing towards 55% of the group's revenue

Jet Fuel

- Currently, the jet fuel price is at USD 132.9/bbl
- Compared to the previous week, it is down by 6.2%
- However, it is 19.5% and 82.3% higher compared to the previous month and year respectively



Source: Platts

Regulations/News

- Several countries worldwide have closed their airspace to Russian airlines and aircraft(s) with a Russian registration. More countries are expected to follow suit – find the latest developments here
- Emirates Skycargo has lifted its temporary embargo on all dangerous goods shipments to RUH/JED/DMM and MED

Air Freight

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Capacity

MEA

- Global air cargo capacity continues to recover in 2021 with the return of international passenger capacity. It was down 4.7% in December and 10.9% for the year vs 2019
- African carriers' capacity was down by 20.8% in December and 10.1% vs 2019
- In the case of Middle Eastern carriers, capacity was down by 9.2% in December and 16.1% vs 2019
- Markets that were able to use freighters performed in general better than those reliant on belly-hold capacity which was lost with the lack of international widebody passenger flights

Americas

- Market conditions remain challenging on most trade lanes to and from the Americas
- Covid continues to affect all aspects of airfreight staffing, such as carrier operations, airport cargo handling, and trucking services, slowing the cargo processing and causing heavy congestion at airport terminal facilities – all while airfreight remains in strong demand
- This situation appears to have reached its peak with expectations that conditions will slowly improve in March

Asia

- Available market capacity remains a problem on the long-haul lanes and selected intra-Asian destinations
- Some flights in the region are currently canceled in order to prioritize charter flights, affecting capacity supply in the region

Europe

- Demand continues to remain steadily high
- Remaining tight capacity with many indirect flights
- Possible congestions for cross-border shipments via HKG due to quarantine rules (for crews)

Ocean Freight

Equipment/Capacity

MEA

- Egypt – Special equipment shortage with MSC & HPL. Reefer shortage with ONE and COSCO. Lack in 40’HQ with Hapag
- South Africa – Experiencing equipment shortages with most carriers. Reefers are in high demand due to the peak season resulting in GP capacity issues ex ZACPT across all carriers
- Kenya – Huge imbalance faced for dry units vs reefer
- UAE – An urgent shortage of 20'. MSC's nonacceptance of European exports has created a space crunch in the market
- Saudi Arabia – the petrochemical boom, blank sailings, and congestion have resulted in an acute shortage of equipment and space. MSC's nonacceptance of European exports has created a space crunch in the market

Americas

- Equipment and space issues at the port and hinterlands

Asia Pacific

- Equipment is available in China, but SEA faces challenges
- Carriers are prioritizing equipment to main trades over short routes hence equipment and space shortages are faced for MEA destinations

Europe

- Limited container availability in depots within Germany, Austria, Switzerland, Hungary, Czech, and Slovakia.
- Hapag has stopped accepting cargo from Hamburg and central Europe effective immediately till April 2nd week

Ocean Freight

Congestion

MEA

- Jeddah congestion is easing out slowly, but carriers limit transit cargo to clear the backlog created
- Congestion at Sokhna Port is affecting most export and import shipments, especially to Gulf and APAC
- Khalifa port in Abu Dhabi is clearing congestion with backlog containers
- Reefer season ex Cape Town combined with vessel omissions have resulted in a very congested ZACPT. ZACPT export cargo has been rolled over for the last 3-4 weeks on main carriers and takes priority over ZADUR / ZAPLZ / ZA ZBA bookings to Europe and the US
- ZADUR is currently facing a 10day berthing delay; ZAPLZ / ZA ZBA currently do not face issues
- Massive congestion in Tanzania – it takes about 20 days for a vessel to berth at the port of Dar es Salaam. As a result, carriers are not accepting export cargo from Mombasa when they call Tanzania. Therefore, carriers with a weekly service now have a fortnightly service. However, ZIM and HL now offer separate services for Kenya and Tanzania; they are no longer combined

Americas

- USWC is heavily congested with large number of vessels waiting outer roads

Asia Pacific

- Hub ports Port Klang and Singapore face congestion which is getting cleared up in the due course

Europe

- MSC has stopped taking reefers originating from Belgium due to the large backlog caused by the storm, the current customs disruption regarding all import and export of containers to Eastern Europe, and a surge in operational reefer exports
- At the UK's largest container port, Felixstowe, Maersk reported vessel berthing delays of seven to ten days, with a yard density of 96%
- At Hamburg's EUROGATE hub, vessel waiting time is 2-3 days, with yard density still at 103%
- Several other terminals in Hamburg are heavily congested due to extreme weather congestions. Therefore, some terminals decided to limit their acceptance of containers to work on their backlog

Ocean Freight

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Rate development

MEA

- Stable, 20' rates are priced higher owing to equipment imbalance
- South Africa – export rates to Europe, APAC and Americas remain on spot basis only
- Saudi Arabia – MSC had increased their Europe and Mediterranean rates by 20% from 10th February which continues to March for exports from Saudi. CMA has increased Red Sea rates by 15% with tight space availability

Americas

- Rates remain strong and are expected to increase further due to a lack of equipment shortage and port congestion
- Additionally, carriers are likely to implement PSS at USD 500, effective 7th March

Asia Pacific

- Exports to APAC continue to be steady
- Imports from APAC to Red Sea remain higher. Rates to GCC remains stable without any further increase from February rates

Europe

- South Africa – MSC has implemented an EOS of USD 300/TEU ex Scan Baltic UK/NWC, West Med, Canary Islands & Adriatic ports to South Africa, Mozambique, and Namibia applicable from Pro-Forma sail date 12th March
- Kenya – Freight rates are fluctuating. Rates for dry boxes are higher than that of reefer boxes owing to an equipment imbalance situation. Carriers are not willing to offer long term rates. We are seeing many carriers offering maximum rate validity of two weeks and one month.

News/Highlights

- The Central Bank of Egypt issued new regulations that Letters of Credit will be required for all import shipments into the country with a value exceeding USD 5,000 or its equivalent in foreign currencies and documentary collection (CAD) will no longer be accepted by banks; this is to facilitate the import of goods into Egypt
- For this, all origin Offices must proceed with one-time CargoX accounts verification. It is mandatory to verify the account against USD 15 package cost.
- Hamad Port is restricting the handling of dangerous goods LCL shipments until further notice. Currently, the IMDG warehouse is under maintenance which is expected to be completed in the next two months

Ocean Freight

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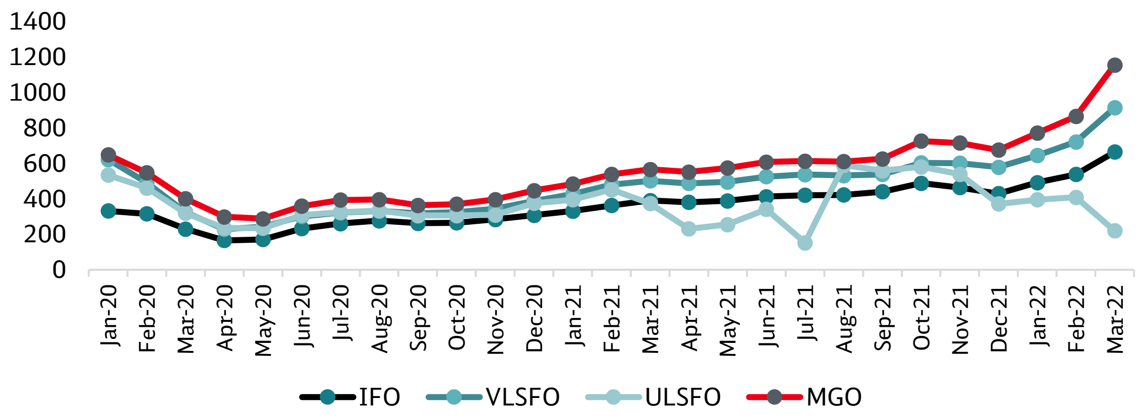
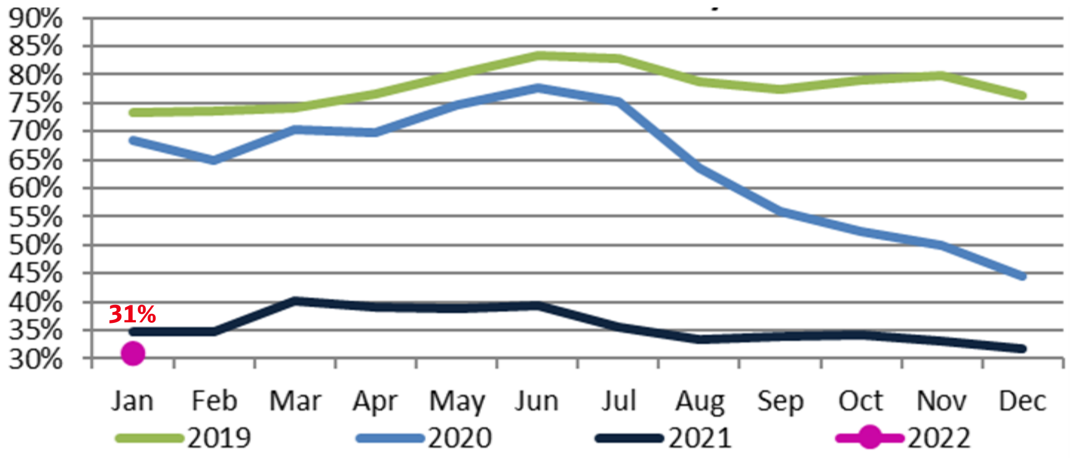
Bunker Development



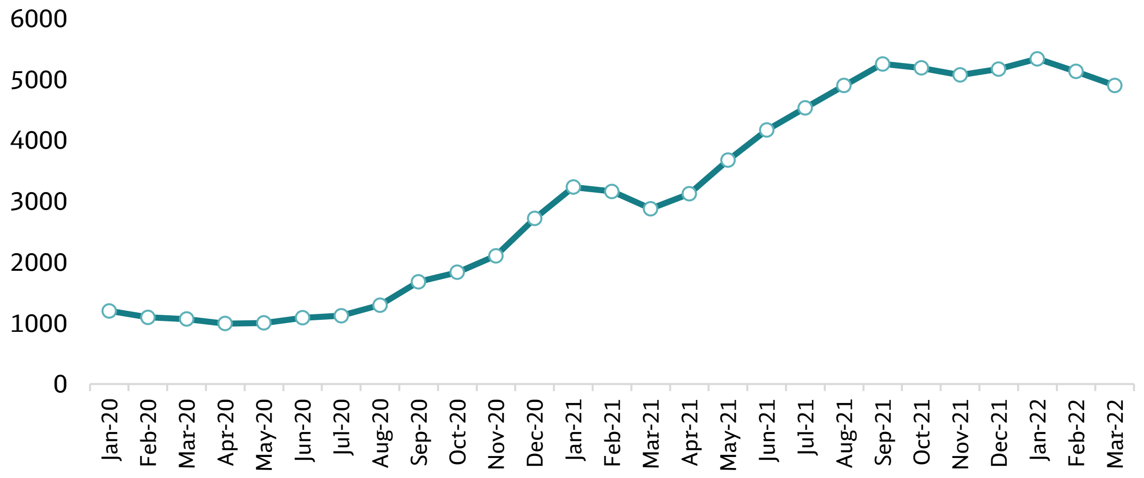
Source: Bunker based on 4 ports for IFO380, VLSFO and MGO. Based on Rotterdam for ULSFO

Global Schedule Reliability



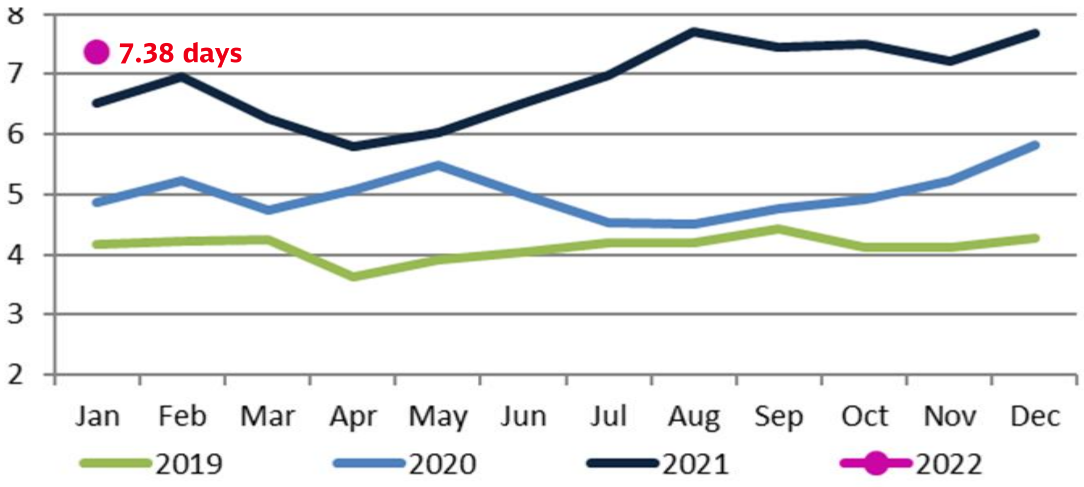
Source: Global Liner Perf

Shanghai Containerized Freight Index



Source: Monthly Shanghai Containerized Freight Index, 2021

Global Late Vessel Arrival



Source: Global Liner Perf

Highlights

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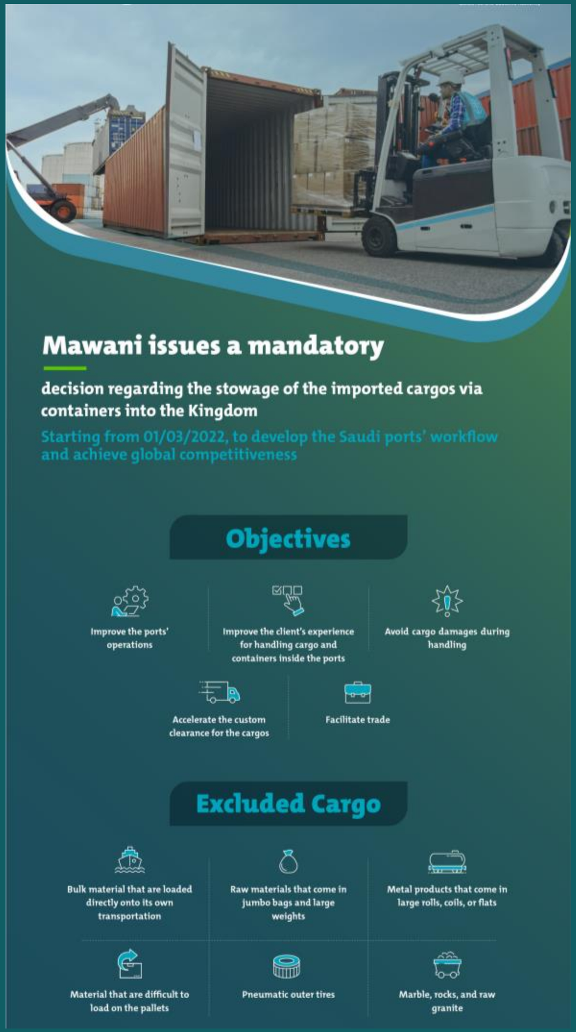
[KSA Mandatory palletization effective 1 Mar 2022]



[DB Schenker's LCL boxes now move on biofuel with CMA CGM]

[DB Schenker adds to the flying success of Qatar Balloon Festival]

In case you missed it…

- For updates from Schenker concerning the situation in Ukraine, click [here]
- In Italy, truck services will be suspended starting on Monday (March 14th), due to the extreme fuel price increase which is causing a local strike

Abbreviations

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ACTK	Available Cargo-tonne Kilometers
CTK	Cargo-tonne Kilometers
ME	Middle East
MEA	Middle East And Africa
M-O-M	Month-on-month
NOR	Non Operating Reefers
PMI	Purchasing Manager’s Index
PSS	Peak Season Surcharge
RPK	Revenue Passenger Per Kilometer
SCFI	Shanghai Freight Index
SEA	Southeast Asia
USWC	U.S. West Coast
VLSFO	Very Low-Sulphur Fuel Oil
NAM	North America
LATAM	Latin America
HC	High cube
ZACPT	Port of Cape Town
ZADUR	Port of Durban
ZAPLZ	Port of Port Elizabeth
ZA ZBA	Port of COEGA