Market Update
Region MEA
May 2021
Air Freight
Market Forecast

- The soft growth rate compared with February resulted mainly from the weaker performance of Africa carriers that reported 2.5% and 5.9% m-o-m CTK falls
- Middle Eastern airlines posted a robust 4.4% m-o-m increase in cargo volume
- Demand is expected to further increase in 2021 based on vaccine approval progress across the world

Capacity

- The recovery in global capacity remained adversely impacted by the grounding of passenger aircraft. Industry-wide available cargo kilometers fell by 15% compared with two years ago
- While ME ACTKs fell by 15%, the cargo capacity of African airlines rose above pre-crisis levels (+6.6% vs Feb 2019)

Carriers

- Passenger flights not expected to return to pre-COVID levels until 2026; more fallout expected
- Qatar Airways has started operating out of DXB, with flights departing daily twice using wide-body aircraft

Rates

- The rates went up as much as 70%+ higher as compared to pre-pandemic and likely to remain at the same level given the loss of belly capacity

Jet Fuel

- Crude oil reaching new heights will have an impact on jet fuel prices

![Jet Fuel Price Chart](chart-url)

Source: U.S. Energy Information Administration
The COVID-19 pandemic has had a stronger negative impact on the world economy than expected. 2020 GDP numbers have been corrected downwards from earlier forecasts. 2021 GDP outlook has been slightly cut down due to persistent high global COVID-19 case numbers.

The latest economic backdrop has improved in the UAE and Saudi Arabia as per the latest PMI survey although expansion rate was slower than before the crisis. South Africa, however, remains relatively weak due to supply chain disruptions leading to an increase in input costs.

Middle East cargo tonnage fell by 15%.

Africa carriers’ capacity grew by 6.6%.

They also saw the CLF at 47.6% while Middle East airlines are at 60%.

The Middle East and Africa based airlines are expected to increase their scheduled aircraft deliveries in 2021. However, they will most likely not reach 2019 levels when Max 737 groundings adversely impacted the number of deliveries.
Increasing demand for air cargo services is being driven by the ‘V-shaped’ economic recovery. Air cargo has been gaining share in global goods trade over other modes of transport—a pattern typical during the recession recovery cycle.

**Volume Development**
- Middle East carriers rose by 8.7%. Key markets such as ME-Asia and ME-North America recorded the strongest growth.
- African carriers posted the fastest cargo tonnage expansion.

**IATA Air Cargo Market Analysis**
- The near-term outlook for cargo is positive due to ongoing recovery in some of the leading demand indicators, such as new export orders. In 2021, CTKs are estimated to rise by 13.1% vs 2020 and to be 2.8% higher than 2019 levels.
- Global cargo volumes reached their highest level in the history of our time series in March, although their growth softened modestly compared with February. Industry-wide CTKs rose by 4.4% vs pre-crisis level and by 0.4% month-on-month.
- Recovery in cargo capacity restarted following the disruption caused by the grounding of passenger aircraft in early 2021. However, global available CTKs are still -12% below the pre-crisis levels.
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<td>Into MEA</td>
<td>- Capacity offer is limited. The rate level maintains at about 80% above the Pre-COVID levels</td>
<td>- Capacity good/ pricing stable. Exception to South Africa (JNB) space tight &amp; rates high.</td>
<td>- Tightening capacity/ pricing might increase to <strong>South Africa</strong>. To the <strong>rest of MEA</strong> supply and demand are <strong>stable</strong>.</td>
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Ocean Freight
### Market Forecast
- The post-Suez canal crisis is likely to last for the next couple of weeks. Carriers continue to work towards bringing vessel schedule and rotation to normalcy. Currently, the rotation delays average around 10-15 days, causing supply chain challenges.
- The average lead time between the readiness of goods and vessel booking may further expand, with a current "standard" of at least 4-5 weeks. An advanced forecast is recommended to secure booking.
- DB Schenker in MEA will continue to actively engage with our preferred carriers for advanced bookings to aid in the equipment and space shortage currently faced in the market.

### Space
- Further capacity constraints expected due to vessels planned for periodic maintenance and/or install scrubbers.
- Continuous blank sailings and vessel port omissions are creating severe space issues.
- Adherence to forecast is imperative to secure space.

### Rates
- In general, rates are further expected to increase from May 1st.
- We notice that 2021 base contract rates are significantly higher than the previous year. The additional rise in Bunker coupled with PSS surcharge is overall, pushing the total rates.
- Suez blockage has called for congestion surcharge from North and South European ports.
- Space will be the driving factor in the market and, high paying/light-weight cargo will be prioritized.
- Equipment shortage is triggering higher D&D charges / shorter free time.

### Equipment
- Approximately 1.4m TEU of new containers were delivered in the first quarter, and carriers had deployed these containers on high paying FEWB and TPEB trades.
- Carrier like Hapag and MSC foresee equipment shortage in the Middle East region.
- Advanced forecast/bookings recommend.

### Others
- Lack of empty equipment in Asia is limiting carriers’ flexibility in providing free times.
- We are seeing a progressive and steady increase in the backlog of full containers at ports of loading and increasing congestion in port terminals.
- Global schedule reliability is at 45%* vis-à-vis 80%* in 2020 impacted by COVID-19/Suez Canal incident.
- Labor shortage due to COVID-19 causing low productivity, especially at transpacific, European, and Indian ports.

*Source: [https://www.sea-intelligence.com/64](https://www.sea-intelligence.com/64)
Economic Outlook

- Strong cargo demand and high freight rates are pushing carriers to prioritize available tonnage for high paying cargo or empty-box repositioning.

- Cargo Demand is expected to be stable in the Middle East and Africa for Q2 and Q3 2021.

- The COVID-19 pandemic has had a stronger negative impact on the world economy than expected.

- 2020 GDP numbers have been corrected downwards from earlier forecasts. 2021 GDP outlook has been slightly cut down due to persistent high global COVID-19 case numbers.

Global container trade growth by trade lane, Nov 2020 - Jan 2021

- Most trade lanes are showing strong growth in the last three months.

- 99.2% of all global ships are deployed.

- Blank sailings from ex APAC impact capacity/equipment availability in MEA.

- Vessel utilization expected to be close to 100% for the rest of Q2 2021.
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| **Space** | - Open for most of the destinations  
- Limited space for ISC | - Space is open to USEC  
- Extremely limited to USWC | - Chock-a-block with all carriers  
- Confirmed space is available at additional charge (SPG levied by carriers)  
- Light weight cargo is preferred by carriers | - Space is open to USEC  
- Extremely limited to USWC | - Mostly open to intra MEA locations |
| **Rate** | - Carriers have implemented PSS  
- Possible to negotiate rates for bulk spot bookings | - GRI / PSS still in place  
- Remain high to USWC | - All time high with PSS in place  
- MSC / Messina facing equipment shortage, Hapag from Egypt | - Rates for May are expected to be high  
- Rates for May are expected to be high |
| **Equipment** | - Standard containers are available | - Standard containers are available | - Hinterland movements are affected, and shortage of equipment continues | - Shortage at certain USEC ports | - Severe shortage  
- Especially 40ft containers |
| **Others** | - Severe berthing delays in USWC ports |  | - No additional free time being granted |  | - No additional free time being granted |

| **Space** | - Extremely scarce  
- Priority for high paying cargo | - Limited space | - Remains a challenge | - Limited space | - Limited space |
| **Rate** | - Continue to increase | - Rates for May are expected to be high | - Increase expected from carriers in the month of May | - Rates for May are expected to be high | - Rates for May are expected to be high |
| **Equipment** | - Severe shortage  
- Especially 40ft containers | - Shortage at certain USEC ports | - Hinterland movements are affected, and shortage of equipment continues | - Shortage at certain USEC ports | - Shortage at certain USEC ports |
| **Free time** | - No additional free time being granted |  | - No additional free time being granted |  | - No additional free time being granted |
| **Free time** |  |  |  |  |  |
Abbreviations

- CTK: cargo-tonne kilometers
- ACTK: available cargo-tonne kilometers
- M-O-M: month-on-month
- ME: Middle East
- MEA: Middle East and Africa