



Market Update

Region MEA

July 2021

Air Freight





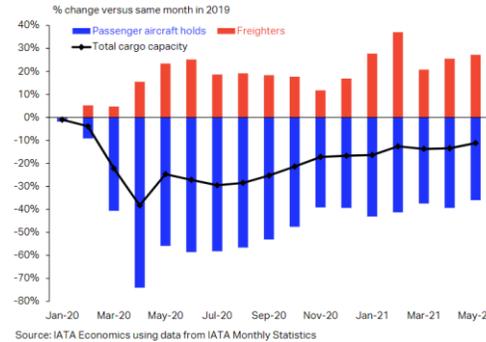
Summary



Market Forecast

- Seaport congestions, ocean price hikes along with low inventory levels are adding to robust air demand
- Shortage of capacity remains a major stumbling block to meeting the growing demand
- The boom in e-commerce driven by COVID- boosted freight diversion from the ocean to the air, raising worldwide tonnage
- IATA reported that March 2021 cargo traffic was at a record high in 30 years, indicating that worldwide demand remained strong
- ME based carriers posted the largest contraction in May 2021 with regards to passenger traffic due to their high reliance on international corridors
- The industry-wide EBIT margins were at - 58% in Q1 2021, putting much pressure on the carriers

Capacity



- Cargo capacity shortage due to lack of passenger aircraft capacity still down by 9.7% in May 2021 vs. May 2019
- The smaller improvements recorded in 2021 is a result of passenger flights opening in certain corridors

Carriers

- Passenger flights not expected to return to pre-COVID levels until 2026; more fallout expected
- African Airlines performed the strongest of all regions. With CTKs up just over 23% compared with the pre-crisis level in March 2019 and Middle east carries up 9.1% in the same period

Rates

- 2021 rates continue to remain the same as compared to 2020, although still higher as compared to 2018 - 2019



Jet Fuel

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

World oil and jet fuel price

US\$/barrel (period ave.)	2020	Apr-21	May-21	Jun-21
Crude oil (Brent)	43.4	65.5	68.4	73.5
Jet fuel	46.3	69.1	73.4	77.6

Source: Platts, Eikon Datastream (monthly average data)



Market Developments



Economic Outlook

GDP growth, selected countries

% change on a yr ago	2020	Q3 2020	Q4 2020	Q1 2021
Saudi Arabia	-4.1	-4.6	-3.9	-3.0
Nigeria	-1.8	-3.1	0.0	0.4
Egypt	0.1	-1.3	0.4	--
South Africa	-7.1	-6.1	-4.4	-3.0
UAE	-5.9	--	--	--
Kenya	--	-1.5	--	--
Jordan	-1.6	-2.2	-1.6	0.3
World*	-3.6	-2.6	-1.3	2.6

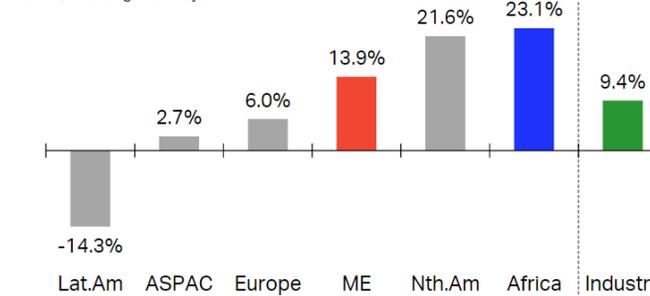
Source: Eikon Datastream * Market exchange rate basis

- As per IATA, some of our MEA countries recorded negative GDP growth in Q1 2021
- The renewed lockdown and recent unrest in South Africa is expected to impact the economy even further
- Economic growth eased slightly in the UAE due to weaker demand
- Saudi Arabia's business environment remains robust, reflecting successful relaxation of restrictions

Cargo Volume Growth

Growth in cargo volumes, by region

CTKs, % change vs. May 2019



Source: IATA Economics

- African airlines performed the strongest of all regions, with CTKs up just over 23% compared with the pre-crisis levels in March 2019

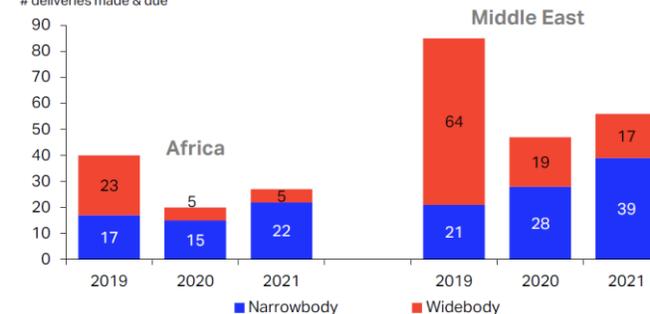
Capacity Development

ASK/ACTK: %ch vs. the same period in 2019, LF: % of ASK/ACTK		2020	Mar-21	Apr-21	May-21
Passenger					
Middle East	ASK	-63.3	-65.6	-63.4	-61.6
	PLF	57.8	42.1	40.4	38.9
Africa	ASK	-62.3	-61.6	-63.9	-60.9
	PLF	58.5	53.0	52.2	53.0
World	ASK	-56.7	-56.4	-54.6	-53.7
	PLF	65.1	62.3	63.7	65.8

- Cargo capacity crunch has been slowly recovering, with certain passenger flight corridors opening up
- Industry-wide ACTKs were down 9.7% in May 2021 vs. May 2019, after a 10.4% decline in April
- The cargo capacity of Middle Eastern airlines improved
- ACTK contraction accelerated in Africa

Aircraft deliveries to Africa & the Middle East (as of May 2021)

deliveries made & due



Source: Ascend

- As of Jul 2021, African carriers are expected to receive 25% more aircraft deliveries in 2021 vs 2020, while Middle Eastern airlines should get 23% more deliveries
- In both regions, the number of deliveries will most likely not reach 2019 levels



Market Outlook



APAC

Americas

Europe

MEA

Ex MEA

- Capacity is stable on Lower Deck but challenging for Main Deck
- Rate levels expected to remain high (at 2020 levels)

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Into MEA

- Capacity offer is limited
- Rate levels expected to remain high (at 2020 levels)
- The demand-supply imbalance may attract ad-hoc charges

- Capacity remains stable with an exception to South Africa (JNB)
- Rate levels expected to remain stable

- Capacity remain stable for the rest of the MEA region with an exception to South Africa
- The space situation to South Africa is triggering an increased in rates. Rest of the MEA region expected to be stable

- Capacity is stable on Lower Deck but challenging for Main Deck
- Rate levels are expected to remain high (at 2020 levels)



Ocean Freight



Summary

Market Forecast

- Additional trade disruptions from COVID-19 outbreaks on ships are a result of global seafarer vaccinations moving too slowly
- Some estimates indicate overall container trade growth at 6.3%, with APAC exports outperforming the average global growth
- Equipment/space shortage, port congestion situation is anticipated to continue till early 2022 due to the surge in demand on the large tradelanes of the world, e.g., Transatlantic, Transpacific as a result of increased consumer buying across the world
- All global capacity has been deployed, and the orders of the new ships are expected to be delivered by 2023
- The IMO 2023 regulations will further impact the capacity availability due to phasing out of the aged fleet, retrofitting requirements to meet the carbon emission reduction requirement, and scrapping of the old fleet to fit the overall need for fleet modernization

Space

- Space situation becoming more challenging ex ME to Europe and US and expected to remain till Q4
- Expect congestion in hinterland movements within US locations
- With the worldwide increase in demand for resins, the Saudi Arabia market is experiencing stringent space control measures by carriers to accommodate the current surge of loading

Equipment

- In Europe, South America, Africa, and the Middle East, reefer containers are in short supply
- Dry containers are also in low supply in Europe and several parts of North America
- Frequent blank sailings and equipment shortage results in high utilization out of Asia to ME. 40'HC continue to be high in demand from Asia to ME

Rates

- GRI/PSS announcements from the carriers ranges from USD 150-1500 across all tradelanes
- We also expect the carriers to implement the GRI/PSS in full quantum owing to the current space/equipment situation, along with the added challenge of blank sailings complemented by increased consumer market demand
- A 6-8 weeks forecast and advanced booking with the carrier is highly recommended to secure space and equipment

Others

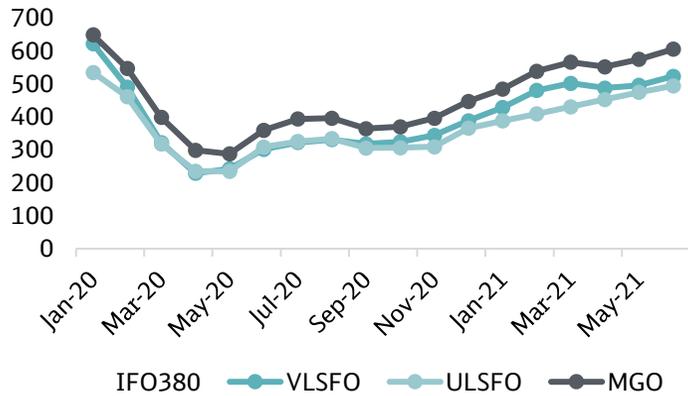
- We recommend splitting the critical shipments into LCL shipments in the interest of securing space
- We recommend sticking to direct services or services with minimal transshipment to ensure timely delivery of the cargo
- Carriers are prioritizing light-weight cargo and 40'HC to maximize utilization of vessel space
- The COVID-19 infection spread amongst the vessel crew is also one of the critical challenges faced by carriers, resulting in schedule delays
- Yantian terminal issue is being brought under control. But congestion is expected to continue at the nearby ports such as Nansha and Hong Kong



Market Developments



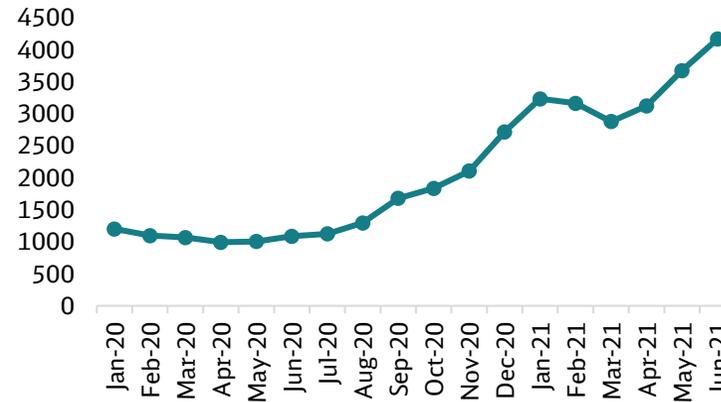
Bunker Development



- The VLSFO has increased further in June, triggering increased bunker surcharges from the carriers

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

Freight Rate Development

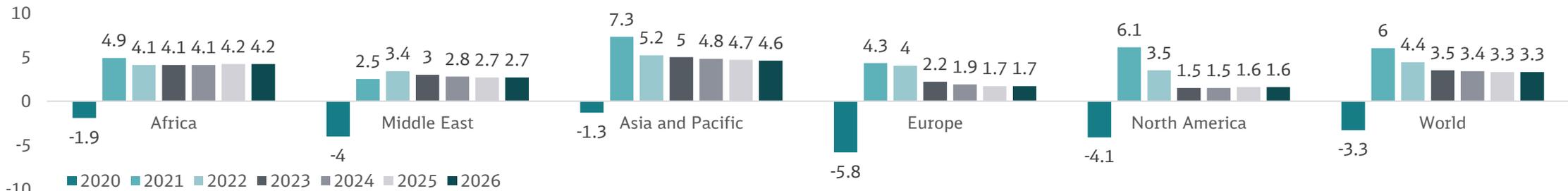


- The SCFI index reached a new high in June at USD 4170
 - With the increased consumer demand and the current challenges around equipment, space, and port congestion, and the increase in bunker surcharge, the freight rates are expected to remain high till the end of 2021

Source: SCFI based on 13 ports

Economic Outlook (Annual % change)

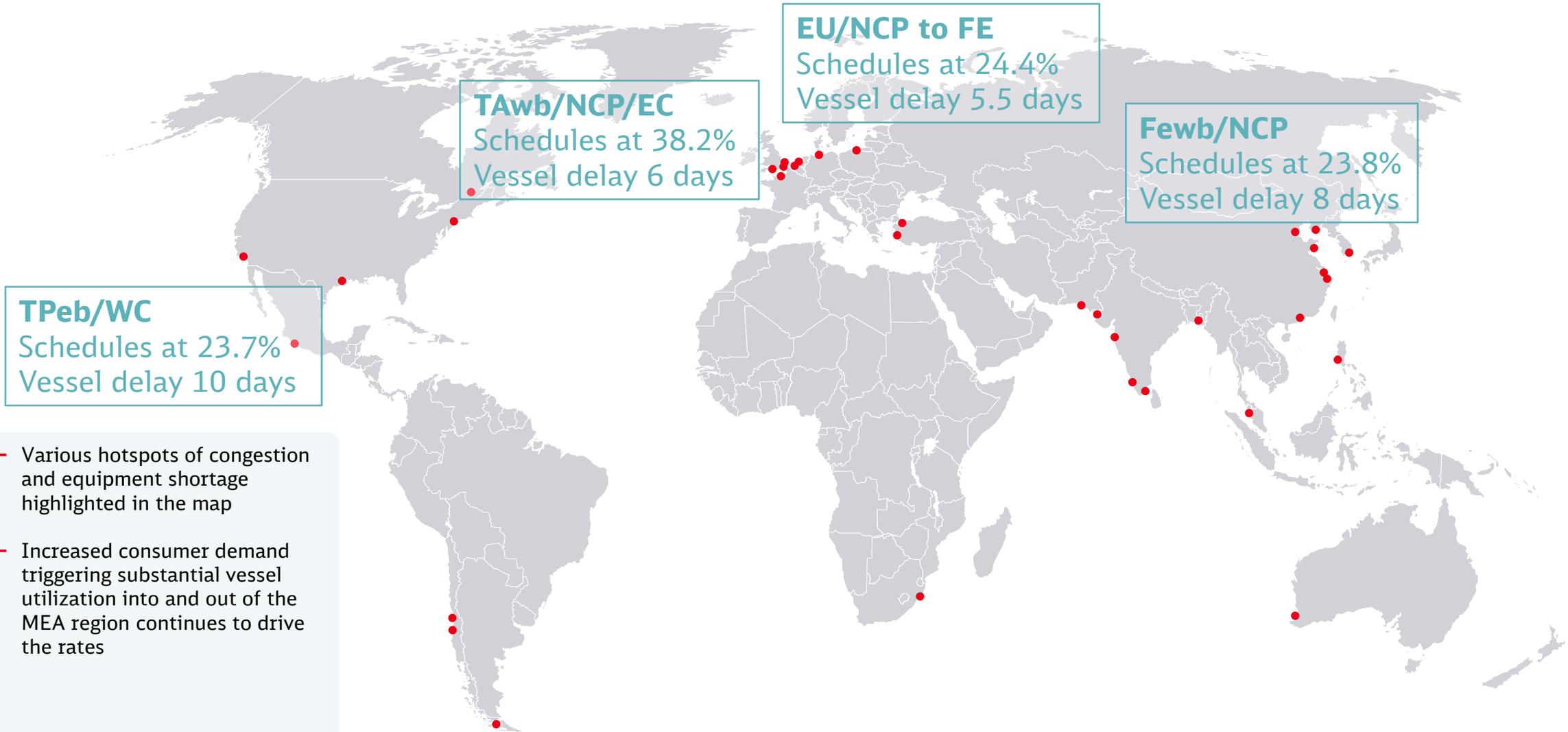
- The outlook for Africa stays strong at 4.9% growth for 2021 and ME at 2.5%. The global economic outlook continues to be strong for 2021, with an average of 6%
- Given the V-shaped economic recovery and vaccine developments across the world, air freight and ocean freight demand is expected to further increase during the year



Source: ©IMF, 2021

Main Port Analysis worldwide

Hotspots of Equipment Shortage and Congestion



- Various hotspots of congestion and equipment shortage highlighted in the map
- Increased consumer demand triggering substantial vessel utilization into and out of the MEA region continues to drive the rates



Market Outlook



APAC

Americas

Europe

MEA

Ex MEA

Space

- Open to most destinations

Rates

- ISC rates increased by USD 50/TEU

Equipment

- Available

Space

- Limited to USWC

Rates

- PSS implemented by all carriers

Equipment

- Available

Space

- Acute shortage experienced with blank sailings. Prior forecast and booking is the only option to secure confirmed space
- Cancellation charges being implemented by all carriers in this trade

Rates

- PSS/GRI implemented for the month of August by Hapag & CMA
- MSC likely to revise the rates without any prior notice, depending on the space situation

Equipment

- Available

Space

- Space challenges expected in Saudi Arabia due to surge in booking

Rates

- PSS/GRI implemented by carriers to balance the equipment and space shortage in the region

Equipment

- Saudi Arabia is experiencing a shortage of equipment for exports

Into MEA

Space

- Severe shortage

Rates

- Continue to take a steady hike and expected to climb up as well

Equipment

- Selective, 40'HC deficit. 20' are surplus but carriers not accepting heavy cargo
- Right combination of light cargo in 20' is the currently prioritized by carriers

Space

- Open on Transatlantic
- Space constraints ex USWC

Rates

- Stable

Equipment

- Available on main ports, but shortage at hinterlands

Space

- Critical

Rates

- At an increase

Equipment

- Shortage continues

Saudi Customs Regulation Alert

Latest update of New Saudi regulations on imports



- Free-zone goods to be excluded from Saudi preferential tariffs
- Goods using Israeli input, made by Israeli firms also excluded
- Latest move represents another Saudi challenge to UAE
- Neighbors competing for business as national interests diverge

Want more information?

Get in touch!

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Source: <https://www.reuters.com/world/middle-east/saudi-arabia-amends-import-rules-gulf-challenge-uae-2021-07-05/>



Abbreviations

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
USWC	U.S. West Coast
VLSFO	Very Low Sulphur Fuel Oil