

**Dear Valued Customer,**

Hope you and your families, along with your staff, are in good health.

The COVID infection trajectory has been coming down in the last two weeks. We hope the situation is back to normal, but the uncertainties around COVID and waves are likely to continue. The business community is impacted from an overall perspective. DB Schenker in India has started planning for back to the office in conjunction with reinforcing COVID protocols (sanitization of offices at a regular frequency, masks usage, common area sanitization, and many other initiatives to protect our staff from getting infected). The relevant update from various products will follow: -

**- Air Freight:**

**General:**

- ✓ The market demand vs. capacity remains out of sync in 2022, with a total deficit in wide-body aircraft capacity( approximately -35% -40%)
- ✓ The air cargo volumes continue to be strong, driven mainly by automobile, high-tech, capital equipment, and pharmaceuticals sectors.
- ✓ Restriction on passenger flights was further extended to Feb'22 to contain the spread of a new strain of COVID-19 (Omicron) in India, and it is likely to be extended further.
- ✓ Some localized restrictions on commercial vehicles across various state agencies; however, no significant impact on the first mile or last mile is witnessed.
- ✓ Abrupt flight cancellations are noticed in Dec and early in Jan by multiple airlines due to COVID-19 at their hubs and also conversion into charter flights, which continues to cause backlogs at airports for export cargo.
- ✓ Oil and jet fuel prices continue to trend upwards after a slight drop due to the spread of Omicron, which will keep the freight rates high as operating costs climb up for airlines.
- ✓ Challenging labor situations remain mainly in the USA and China; Airport is handling agencies, carriers, warehouse staff, and truck drivers are mostly affected due to increased cases of Omicron and restrictions by authorities on staff strength.

**Intra-Asia:**

- ✓ The capacity to Intra-Asia is tight with higher demand and limited capacity.
- ✓ Cathay has announced temporary disruption to their long haul flights, HKG to EU & US under new stringent measures introduced by HK government which limits the crew availability for operations, some impact on India capacities is also seen in last few weeks with frequency reduction.
- ✓ Carriers are being selective in shipment acceptance and prioritizing high-yield cargo.
- ✓ Transit time increased for all significant APAC destinations, IN-PVG significantly higher to 8-10 days, the backlog to CN is expected to increase further due to lockdowns in CN and post CNY holidays.
- ✓ Country regulations limit access to additional capacities (e.g., China CAA regulation that freight cannot be loaded in the pax cabin of aircraft anymore).
- ✓ With the upcoming Winter Games, Beijing will commence stringent traffic control on vehicles. The significant impact is on land transportation in Beijing, indirectly affecting other modes.
- ✓ Singapore ground handling operations (SATS Gateway) are struggling with staff shortages due to the Omicron variant's high infection rate, causing increased processing time of cargo at Changi cargo terminal.
- ✓ The current situation in other SEA countries remains challenging but stable.

### **Europe & Transpacific:**

- ✓ Omicron continues to impact air freight operations globally and has resulted in flight cancellations, lockdowns, shortage in the workforce, and travel restrictions.
- ✓ Recently LH also announced the suspension of long haul routes due to challenging situations at the FRA hub due to the high number of Omicron cases among the workforce. The carrier later canceled this announcement but stated that the situation at their FRA facilities remains turbulent.
- ✓ Specific to the USA, the market labor situation is now further impacted by shortages of the Omicron variant. The overall terminal warehouse congestion at large airports -Chicago, Atlanta, Dallas, Seattle, New York, etc. has become worse, creating delays in processing cargo with effects on transit times and performance.
- ✓ The 5G network rollout in the US is delayed, minimizing the impact on flight operations; however, the situation remains volatile.
- ✓ The transit lead time from India to the US has increased to an average of 8+ days, with backlogs at all significant carrier hubs and slow cargo processing due to a limited workforce.
- ✓ Options to LATAM remain very limited with an acute shortage of space, and since most routings to LATAM are via the USA, the structural challenges in the US are limiting connectivity to LATAM.

### **- Ocean Freight**

#### **Europe**

- ✓ Rate increase announced from 1st Feb, marking the level of approx. USD 8K for Exports.
- ✓ Antwerp Port of Call has been omitted from the IOS service.
- ✓ Grapes Exports are expected to start from mid of Feb; this will bring a shortage of overall capacity due to priority loading.

#### **Transpacific**

- ✓ There are regular changes / Omission in the Port Rotation on almost all the various services.
- ✓ Freight Rates are expected to increase from Feb 2022 onwards. MSC might impose USD 4000/contr PSS from 15th Feb.
- ✓ Booking strictly on the allocation available with the carriers
- ✓ Congestion at USWC is min 2-3 weeks with more than 100 vessels waiting to berth.

#### **MEA**

- ✓ PSS announced by most of the carriers to the level of USD 150/TEU for gulf ports.
- ✓ Space to be checked on a week-on-week basis.
- ✓ West / South Africa is open for booking with the carriers.
- ✓ East Africa is facing severe space issues.

#### **Far East**

- ✓ Freight levels are stable as of now.
- ✓ Due to the congestion in Singapore / Colombo, vessel blanking is regular.

#### **China to the Far East**

- ✓ Freight rates are stable as of now, and demand has not picked up as expected in Jan. Post CNY, higher flow of shipments are expected.
- ✓ The trucking issue expected during the Chinese New Year.

### **- Contract Logistics**

Operations at our sites in the country are running smoothly, ensuring all COVID Safety protocols, sanitization, and hygiene of areas are regular.

- **Land Transportation**

Operations are running smoothly for PAN India.

- **Bangladesh Overview**

The daily confirmed cases of COVID in Bangladesh is around 11596, with deaths being 33 in the last 24 hours (3<sup>rd</sup> Feb 2022)

- **Global update:**

Please refer to the [global COVID updates on the corporate website](#).

Feel free to contact us at [marketing.india@dbschenker.com](mailto:marketing.india@dbschenker.com) for any support. Let us maintain social distancing, but we can remain digitally close.

Wishing you a safe & healthy period.

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