



SCHENKER

Market Update

Region MEA



April 2022

150 Years
Elevating Lives

The logo graphic features a stylized green leaf on the left and a series of colorful, curved lines in shades of blue, green, and orange on the right, resembling a rising sun or a path.



Developments in the Middle East and Africa

- Egypt devalued its pound by 14% after Russia's invasion of Ukraine prompted foreign investors to pull billions of dollars out of Egyptian treasury markets, putting pressure on the currency
- TotalEnergies and Shell discovered oil off the coast of Namibia (estimated 3 billion barrels)
- Ghana will tax non-resident online businesses beginning in April, aiming to generate approximately USD 227m
- Google's subsea internet cable – Equiano – landed in Togo, aiming to increase access to the internet, boost speed, reduce costs, and indirectly create 37,000 jobs in Togo alone. Other destinations who will benefit from this project are Nigeria, Namibia, and South Africa
- Saudi Arabia's National Development Fund will inject investments of USD 152bn in order to achieve the target of non-oil GDO of USD 161 bn by 2030
- The UAE and the Netherlands have signed an MoU on hydrogen energy
- Egypt plans substantial infrastructure investments in 2022/23 including 45 road projects, expansion of a metro network, completion of 47 express train stations

Air Freight

- Market capacity has decreased by approximately 20%, which means a tonnage reduction of 1000 tons per day – due to the current Ukrainian crisis
- Airlines are generating 108% more revenue in February 2022 than in February 2019. In addition, airlines from all regions show significant increases in revenue in February 2022 versus 2019 –Asia Pacific (+139%), the Middle East and South Asia (+100%), Europe (+93%), Central and South America (+95%), North America (+89%) and Africa (+46%).
- The capacity impact from the conflict situation in Ukraine have stabilized
- New lockdown measures in Shanghai continues to bring challenges for import and export cargo
- Market rates are remaining extremely volatile
- Hong Kong – China Border: All truck border crossings remain extremely challenging
- Flight operation services currently face disruptions according to the latest bans on air space and COVID-19 restrictions, hence adjustments to the flight schedule are unavoidable

Ocean Freight

- Geopolitical situation in Ukraine/Russia and covid lockdown in main port Shanghai is impacting the market negatively
- With an uncertain outlook on vessel utilization and partly huge impacts on port terminals, expect
 - changing schedules and transit times
 - sudden / unexpected delays in uplift
 - increased bottlenecks of equipment availability
 - inconsistent departures
 - sudden surcharges possibly resulting in higher costs for the supply chain
- With the current increase in the fuel price in the region, the transport charges are expected to increase
- All the carriers have stopped accepting bookings to Ukraine, Russia, Belarus, and Odessa

Market Update from Greater China



Market update and major operational impact in China East Area (including Shanghai):

Business disruption: High impact on operations

COVID current state:

- The lockdown in Puxi region (west side of Huangpu River) of Shanghai has been in effect since 1st April. Lockdown measures continue in the areas of Shanghai's Pudong, Punan (south of Huangpu River) and adjacent regions, where positive cases have been detected during the COVID-19 screening in the past four days. Lockdown in Shanghai is being extended, with the municipal government reviewing and the measures daily in lieu of current COVID-19 situation. All Shanghai staff will continue to WFH.
- Kunshan and Taicang (cities located in Jiangsu Province) announced citywide lockdown until further notice.
- Almost all public transport services are suspended in lockdown cities. Only vehicles used for pandemic control measures, emergency medical services, security, urban operation and emergency response are permitted on the roads after obtaining official approval.

Impact on service operation:

- In general, all operations, deliveries in/out Shanghai and Kunshan are suspended. The traffic restriction measures released by the other regions in Area East are getting stricter and are adjusted frequently. All our products (incl. pre-carriage, on-carriage, as well as domestic transport & int'l land-bridge) are impacted and delays are expected.
- Ocean: Port operations of all container terminals in Shanghai are faced with labor shortage, and container delivery to/from terminals suspended (incl. from/to surrounding cities.) CFS stopped handling in/out-bound cargo, container depots are suspended.

- Air: Operations in PVG cargo terminal continue, but the delivery to and from CFS is suspended.
- LT: Cross province truck delivery in most of the regions in Area East have been impacted, constraints and challenges persists.
- CL: Most of the WHs in SHA, Kunshan and Taicang are closed. The capacity in Wujiang site is constrained due to traffic control imposed.

Market updates and major operational impact in China South area (including Hong Kong S.A.R):

- COVID-19 situation in Hong Kong S.A.R remains very critical. Cross-border transportation with HK is severely constrained.
- Several areas locked down in Nanchang, with office staff WFH since today. Some logistics parks in Nanchang were closed, which impacted pickup and delivery.
- Some areas in Guangzhou lockdown, with no impact to Schenker so far, operations as normal.

Market updates and major operational impact in China North area:

- Some cities, including Changchun, Jilin city, Shenyang, Tangshan, are in lockdown. DB Schenker employees in these cities are working from home.
- Pick-up and delivery are constrained in some locations around Qingdao within Beijing, Hebei, Shenyang and Shandong area. Covid tests with a 48-hour validity are mandatory for drivers who pick up cargo in those areas.



Demand

- Global Air cargo growth has eased in the past few months, with a YoY growth of 2.9% in February
- Supply-chain congestion and modal shift from ocean to air has resulted in increased demand for airfreight
- Shifts in e-commerce patterns are fueling demand for airfreight from China
- Supply and demand imbalance is likely to continue due to the Ukrainian crisis and covid situation worldwide

Rates

- In February, average rates increased in Europe (+3%), North America (+2 %), Central and South America (+2%) and Africa (+2%)
- All the top 20 markets experienced an increase in charges and rates in February versus 2019. Seven markets demonstrate an increase in revenue more significant than 100% (KR, CN, JP, SG, BR) and two markets greater than 200% (KR, CN)
- Ongoing supply chain issues, inflation and increase in fuel prices will keep a constant pressure on rate increase, for example, global Air Freight Rates Index has increased >100% compared to 2019

Carriers

- All ABC flights (Antonov fleet) are currently grounded due to the closure of the Russian airspace
- All China Eastern 737–800 aircrafts are grounded in China due to the crash of the China Eastern 737-800
- EK has begun operating two weekly flights ex PVG
- Emirates SkyCargo to reactivate Dubai South hub after Covid consolidation, a move that will mark a return to dual hub cargo operations in Dubai after nearly two years
- Etihad Cargo achieves Cargo iQ recertification, achieving outstanding results in an independent audit and being awarded two stars in the “Corporate Social Responsibility” and “Innovative Spirit” categories
- Ethiopian Airlines inks partnership agreement with international Djibouti Industrial Park Operation and Air Djibouti for sea-air transport

Jet Fuel

- Jet fuel prices are currently around USD 141 per barrel, up 27% on the month, making some flights unprofitable for airlines and air cargo more expensive for businesses

Jet Fuel Price Index (2000 = 100)



Source: Platts

Recent jet fuel price developments

DATE	INDEX
18 March	383.4
11 March	363.2
04 March	387.4
25 February	303.8

Regulations/News

- Shanghai continues to remain in lockdown. Operations are constrained, with terminals facing heavy backlogs. CV and QR have announced cancellations, and many others are expected to follow suit. The border from China to Hong Kong is still closed, and no trucks are crossing between CN and HK
- As of 25 March 2022, 36 countries, including EU countries, the UK, and the US, have closed their airspace to Russian airlines. Russia has, in turn, banned airlines in most of those countries from entering or flying over Russia
- Russia accounted for 2.5% of global total dedicated cargo flights in 2021, according to data provided by FlightRadar24. The importance of these flights for global heavy-weight cargo is significant, and the corresponding capacity will be difficult to replace

Capacity

MEA

- Middle Eastern carriers experienced a 4.6% decrease in cargo volumes in January 2022 and a 2.2% drop compared to the previous month – one of the weakest performance of all. The decrease was due to a deterioration in traffic on several key routes such as Middle East-Asia, and Middle East-North America
- Capacity was up 6.2% compared to January 2021 but remains constrained compared to pre-covid levels – down 11.8% compared to the same month in 2019

Americas

- North American carriers posted a 1.2% decrease in cargo volumes in January 2022 compared to January 2021. This was significantly below December's performance (7.7%)
- Capacity was up 8.7% compared to January 2021

Asia

- Asia-Pacific airlines saw their air cargo volumes increase 4.9% in January 2022 compared to the same month in 2021. This was significantly below the previous month's 12% expansion
- Available capacity in the region was up 11.4% compared to January 2021. However, it remains heavily constrained compared to pre-covid levels, down 15.4% compared to 2019
- The Asia-North America trade lanes accounted for 26.7% of global international CTKs. Flight bans and sanctions will cause a loss of capacity

Europe

- European carriers saw a 7% increase in cargo volumes in January 2022 compared to the same month in 2021
- Capacity was up 18.8% in January 2022 compared to January 2021 and down 8.1% compared to pre-crisis levels (2019)
- The Europe-Asia market represented 20.6% of all international CTKs over the past 12 months, and within Europe, 2.2% (including Russia) over the same period. Flight bans and sanctions will cause a loss of capacity, especially affecting Europe-Asia and exacerbating the current capacity crunch

Equipment/Capacity

Global

- The Russian invasion into Ukraine and the lockdown in the largest port Shanghai/China has a domino effect on markets across the world
- Further lockdowns may be possible in ports like Ningbo and Guangzhou as number of cases rise
- Overall, for 2022, market supply and demand expectations point towards a delta in supply (supply around 3-4% vs demand of about 6%)
- Currently, the total order book reads 5.8 mi TEUs – this might suggest an oversupply of capacity for 2023 / 2024, however impacts from the revised carbon emission regulation on the actual vessel capacity have not yet been considered.

MEA

- Equipment and space shortage, especially for 20ft
- Port Operations in Durban resumed prioritizing all imports and reefer exports
- Average berthing delays seen are 2-7 days (slot pending). There has been lot of congestion in Durban and Cape. Some vessels arrive and berth asap while other wait for days. This also depends on CTOC slots, if vessels arrive late, they are treated differently.
- Equipment and space constraints with CMA CGM to European ports from Oman. Temporary bookings have been halted to clear the backlog in Jebel Ali
- From Oman, severe equipment and space constraints from Sohar to Chittagong. The carriers strictly monitor non-performance and overperformance on committed allocation

- Space constraints to Americas with HPL/CMA. MSC has a limited allocation to Americas
- From Saudi Arabia, MSC/CMA has started accepting bookings to Europe, North Africa, and Red Sea with limited allocation
- From Kenya, sailings have been reduced by 50% due to massive congestion in Tanzania. Inventory in Mombasa is stable. Due to congestion at transshipment port Colombo/Tanjung Pelepas/Singapore, transit time to India and Pakistan is constantly fluctuating
- From Egypt, space constraints to North Africa and Americas

Americas

- Equipment constraints continue. Space ex USWC is getting better but facing challenges at USEC

Asia Pacific

- Equipment and space availability is getting better

Europe

- The general situation stays critical in Germany. Limited container availability to the depot within Germany, Austria, Switzerland, Hungary, and Czech Republic/Slovakia. Vessel delays at the port of Hamburg, causing significant congestion of export containers
- Hapag Llyod has temporarily stopped accepting new bookings from Germany and central Europe
- Area north (Poland, Denmark, Sweden, Finland) is still struggling with empty 20ft availability in inland terminals
- Rail capacity remains a general problem. In most terminals, the waiting time is two weeks to book transport—there is no space on regular trains to move empties in most cases

Rate development

MEA

- A steep increase from the region, outbound to Europe
- From Egypt, CMA has announced a GRI of USD 200/20ft and USD 100/40ft to North Africa
- Outbound Kenya, reefer rates are competitive compared to dry units
- Outbound to Americas, MSC continues to apply PSS of USD 2000/container
- Carriers apply space premium guarantees over published rates for confirmed space

Americas

- Rates remain stable, especially from base seaports.

Asia Pacific

- Declining demand for the other major trades has forced carriers to re-deploy capacity on the long haul APAC-MEA trade. As a result, the rates from Far East ports continue to decrease, especially from China. But carriers are still not open to long-term negotiations.
- But rates from India to MEA continue to remain strong due to lack of space and equipment availability.

Europe

- Rates remain steady; long-term rates are not encouraged

Congestion

MEA

- Massive congestion in Tanzania. Taking 20 days for a vessel to berth at the port of Dar Es Salam
- Massive congestion faced in Abu Dhabi for transshipment cargo with MSC
- Sokhna port is still congested, impacting both imports and exports
- Cape Town continues to face congestion, which is impacting the port of Durban as well

Americas

- Facing congestion at Savannah port due to regular port omission

Asia Pacific

- Congestion at transshipment ports Singapore/port Klang is easing out

Europe

- Congestion at Rotterdam and Antwerp is still high, leading to difficulties in regard to the pick-up and drop-off of containers
- Trucking availability in England and Wales is back on track. Capacity outweighs the demand. Scotland is still an area of concern wrt ongoing congestion at rail terminals and ports

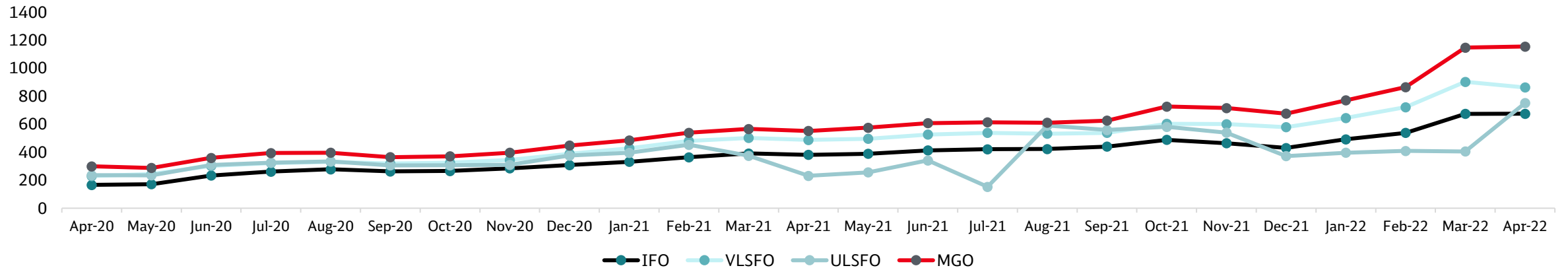
News/Highlights

- Hamad started accepting DG LCL, with exceptions
- Qatar was allowed to use a copy of documents for customs clearance which will end in March 2022. However, from April 1st onwards, the chamber attested invoice and COO are mandatory
- Arkas Suspended service from Port said to Casablanca – which will affect IMO shipments to North Africa as DG is not handled in Alex port
- Road tolls implementation expected on truck movements in Oman

Ocean Freight

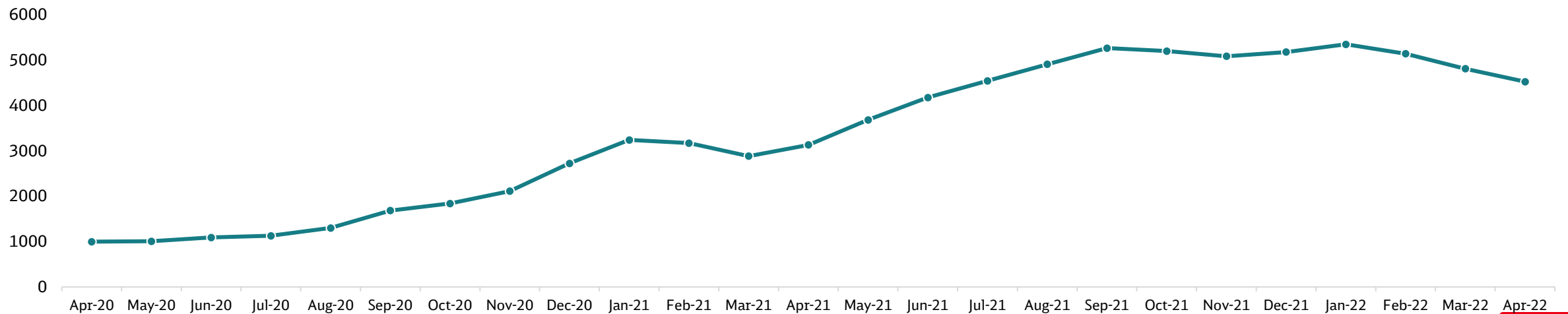


Bunker Development



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

Shanghai Containerized Freight Index



Source: Monthly Shanghai Containerized Freight Index, 2021

Highlights

Shaping the e-commerce industry, now with Schenker Ventures



Keeping the automotive industry's logistics wheels turning



DB Schenker begins its transformation journey from "HR" to "People & Organization (P&O)"



Through an employee challenge, DB Schenker raises EUR 300,000 for WeForest



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
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

