MARKET UPDATE
May
2023

United Kingdom

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Capacity utilisation remained high from Asia, primarily due to blank sailings and a slight recovery in cargo volumes. Nevertheless, it is anticipated that the utilisation levels will decline in early May as a result of China's Golden Week Labour holidays.

Global air freight capacity was up 15% last month, with large increases in most regions and trade-lanes, taking rates down from their record 2021 levels, but still remain far above pre-pandemic 2019 levels.

Road and rail operations across Europe continue to be affected by industrial action in multiple countries. In the UK, train drivers across 16 operators announced strikes for the 12th, 13th, and 31st May and 3rd June, causing disruptions to passenger and freight transport across the country.

The blank sailing program in Asia continues to balance out demand and supply which is seeing full vessels in the coming weeks.

May is shaping up to be similar to April, with flat market volumes and rates stabilising, but any recovery in the container shipping market is likely to be overwhelmed by the flood of new vessels entering the market, putting pressure on carriers to keep rates stable.

- Rates in April were pretty stable and we are expecting to see the same in May
- BAF is expected to increase in May however not to levels originally expected
- Global schedule reliability has now risen 60.2% (53% Asia-North Europe)
- Carrier's still actively looking to secure long term business with fixed rates on the table

The air freight market, which stabilised in April, is starting to see a downward rate trend due to additional capacity being deployed, during the busy summer period, with carriers now starting to compete for belly cargo.

Rate developments through April were somewhat inconsistent, with some routes seeing reductions, while others have seen little or no change due to unpredictability of supply and demand, while jet fuel prices in Europe have been fluctuating more than usual due to the upcoming summer travel season

- Prices fell from all major outbound locations
- Rates from multiple origins are being held up by strong eCommerce activity
- Glut of new China-Europe capacity will depress air freight rates
- You can lock in longer term rates on core lanes, including SHA, HKG, SZX

While it's typical for road freight rates to dip after the holiday season, this year's drop is hitting harder than usual and the market appears to be recalibrating after a hefty, double-digit surge in 2022, but it's doubtful we'll return to pre-pandemic conditions, especially with capacity shortages remaining a major concern.

Spot rates in the European road freight market have experienced their second consecutive quarter of decline, marking a significant shift since the onset of the Covid pandemic.

- Some trades have seen a softening of rates, with volume falls and rising capacity
- Rates are expected to soften, but are likely to remain elevated due to supply side pressures
- Fuel surcharges remain high and are yet to be reduced
- Two million unfilled European driver positions forecast for 2026

Ocean Freight

Capacity utilisation remained high both in Asia-Europe and Asia-Mediterranean primarily due to blank sailings and a slight recovery in cargo volumes, leading to stable rates, but utilisation levels are expected to decline in May as a result of China's Golden Week Labour holidays.

The spring weather is in full swing and operations across European ports are running smoothly, with no significant space constraints, which makes it easier to react to and deal with unexpected disruptions.

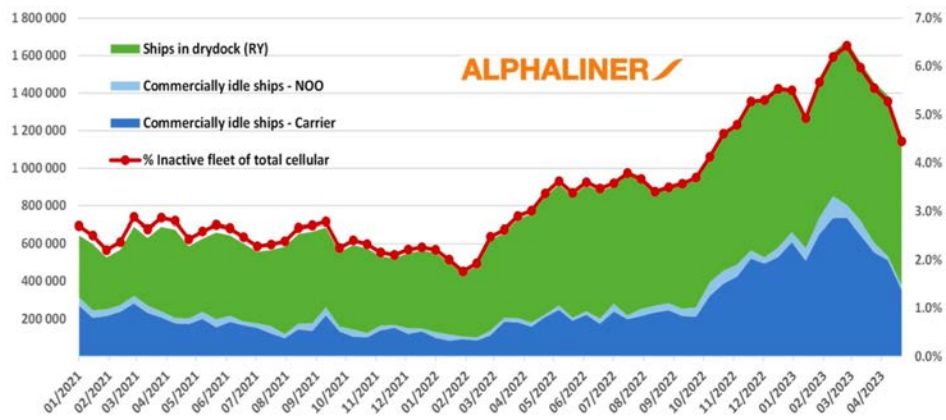
In France, the series of strikes that started earlier this year remain ongoing and as the situation surrounding the strike action is still subject to change, we continue to monitor the situation, but any impact on out traffic is minimal.

In preparation for the summer period and any potential reduction in labour at ports during the holiday season, we encourage customers to share forecasts, so we can plan the best options for their cargo in this period.

Although the worst of the disruptions seen during the COVID-19 pandemic have eased, some will persist, and new challenges will emerge. Demand on Asia – Europe trade picked up during March, with some growth on the import side throughout Q2 and the potential return to peak seasonality in the summer.

To increase resilience of our customers' supply chains, our teams are working on optimising Asia - Europe traffic flows, to mitigate the impact of potential disruptions.

Inactive fleet capacity (TEU) and proportion to

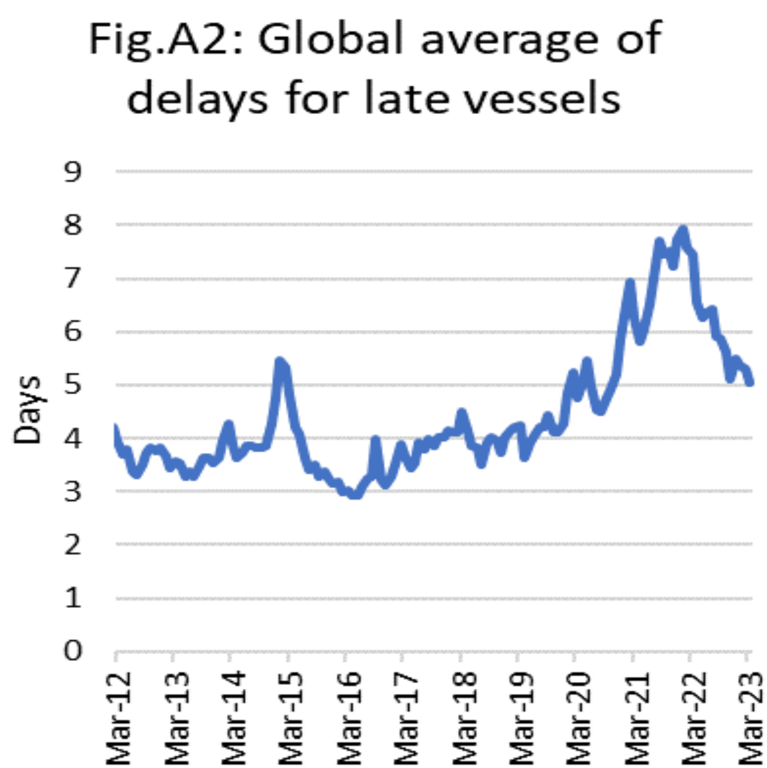


Source: Alphaliner

Our teams are continuing to evaluate the market situation and acting in the interest of keeping our customers' supply chains moving with ease and predictability. Stay up to date with all the latest operational information on our advisory page.

Ocean Freight

Global average delays



Source: Noatum Logistics

The blank sailing program in Asia continues to balance out demand and supply which is seeing full vessels in the coming weeks.

Asia backhaul space situation is relaxed and while there are no issues with capacity, some vessel delays and blank sailings/suspension of services are still in place. Rates are stable on a very low level.

Market

On the transpacific, carriers implemented a GRI on 15th April and have announced another increase on May 1st. The transpacific shipping lines regularly impose increases at this time of year, to increase base rate levels, ahead of annual contract negotiations with their biggest volume (BCO) shippers. but with volumes softening there are doubts about them sticking.

Some shippers are concerned by a USWC strike as ILWU negotiation continues on the West Coast.

There were noticeable improvements across all metrics of schedule reliability and average delay on a global, carrier, carrier alliance, and trade lane level in the 1st quarter, with metrics closer to pre-pandemic levels than the historic lows of the pandemic-impacted years.

On a global level, schedule reliability increased to 58.3%, which was a 3.4% increase Q/Q, and a 24.9% improvement on 2022.

The average delay for ALL vessel arrivals improved to 1.70 days, dropping by -2.88 days Y/Y, while the average delay for LATE vessel arrivals improved to 5.23 days, a notable -2.43 day improvement Y/Y.

Ocean Freight

May is shaping up to be similar to April, with flat market volumes and rates stabilising, but any recovery in the container shipping market is likely to be overwhelmed by the flood of new vessels entering the market, putting pressure on carriers to keep rates stable.

An interesting recent trend – which we believe has not received the attention it deserves – has been a slowdown of the sailing speeds of container ships since mid-2022, helping the carriers save on fuel consumption and with their blank sailing programme.

Rates

Rates in April were pretty stable, with mixed demand recovery signs and we are expecting to see the same in May, while BAF is expected to increase the short terms, but probably not to the levels originally expected.

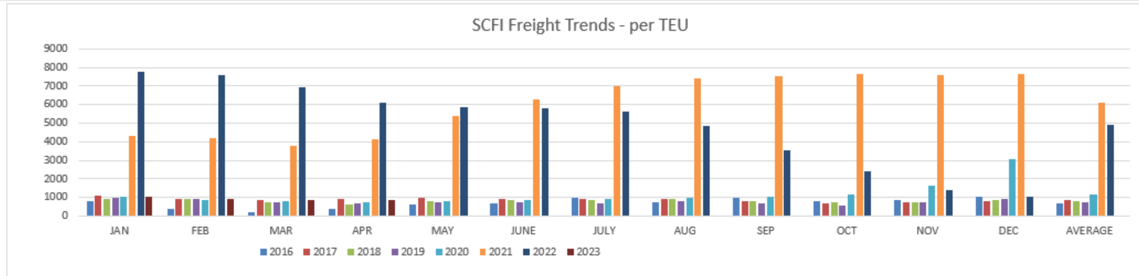
Spot rates from Asia-Europe rose slightly in April, gaining 1.9% but are still nearly down 88% from the same time last year.

On the Asia-Mediterranean trade, the spot market also ticked up 1% in the April, as this relatively "stronger trade lane" experienced healthier demand levels and a comparatively balanced supply and demand situation.

Capacity utilisation remained high both in Asia-Europe and Asia-Mediterranean primarily due to blank sailings and a slight recovery in cargo volumes. Nevertheless, it is anticipated that the utilisation levels will decline in early May as a result of China's Golden Week Labour holidays, which are expected to cause some reduction in cargo volumes.

Carrier's are still actively looking to secure long term business with fixed rates on the table.

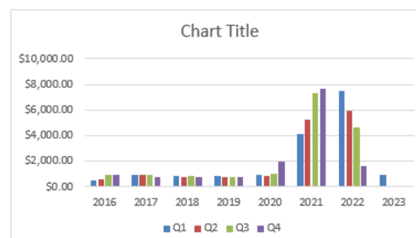
Shanghai containerized freight rate index trend



YEAR	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEP	OCT	NOV	DEC	AVERAGE
2012	$700.00	$800.00	$1,000.00	$1,400.00	$1,450.00	$1,888.00	$1,763.00	$1,517.00	$1,208.00	$1,165.00	$1,241.00	$1,201.00	**$1,277.75**
2013	$1,341.00	$1,279.00	$1,184.00	$926.00	$687.00	$754.00	$1,309.00	$1,338.00	$920.00	$693.00	$1,207.00	$1,403.00	**$1,086.75**
2014	$1,659.00	$1,322.00	$983.00	$1,140.00	$1,267.00	$1,153.00	$1,288.00	$1,237.00	$979.00	$855.00	$914.00	$1,113.00	**$1,159.17**
2015	$1,095.40	$1,000.25	$683.00	$431.00	$530.00	$320.00	$721.00	$633.00	$530.00	$405.00	$483.00	$527.00	**$613.22**
2016	$784.00	$363.00	$224.00	$381.00	$622.00	$660.00	$950.00	$755.00	$950.00	$793.00	$836.00	$1,039.80	**$696.48**
2017	$1,073.75	$928.75	$841.40	$900.75	$964.50	$929.00	$947.50	$931.25	$783.00	$706.25	$722.50	$789.00	**$876.47**
2018	$895.75	$911.75	$739.20	$640.00	$804.25	$865.40	$888.00	$940.60	$801.75	$738.50	$745.00	$868.50	**$819.89**
2019	$976.25	$906.75	$719.80	$663.25	$746.07	$735.25	$697.50	$795.60	$654.00	$586.25	$722.40	$916.00	**$759.93**
2020	$1,012.20	$840.75	$804.50	$740.50	$800.80	$882.75	$906.20	$948.00	$1,064.25	$1,128.20	$1,622.25	$3,060.75	**$1,150.93**
2021	$4,325.20	$4,215.25	$3,771.25	$4,151.40	$5,377.75	$6,268.00	$7,014.40	$7,397.00	$7,502.25	$7,659.60	$7,574.50	$7,641.80	**$6,074.87**
2022	$7,784.25	$7,616.00	$6,949.00	$6,113.60	$5,885.00	$5,814.25	$5,601.60	$4,841.50	$3,557.40	$2,410.75	$1,378.25	$1,061.80	**$4,917.78**
2023	$1,028.00	$919.50	$871.00	$878.00									
2022 vs 2023	-$6,756.25	-$6,696.50	-$6,078.00	-$5,235.60									

Average per Quarter - per TEU

YEAR	Q1	Q2	Q3	Q4
2016	$457.00	$554.33	$885.00	$889.60
2017	$947.97	$931.42	$887.25	$739.25
2018	$848.90	$769.88	$876.78	$784.00
2019	$867.60	$714.86	$715.70	$741.55
2020	$885.82	$808.02	$972.82	$1,937.07
2021	$4,103.90	$5,265.72	$7,304.55	$7,625.30
2022	$7,449.75	$5,937.62	$4,666.83	$1,616.93
2023	$939.50			
2022 vs 2023	-$6,510.25			

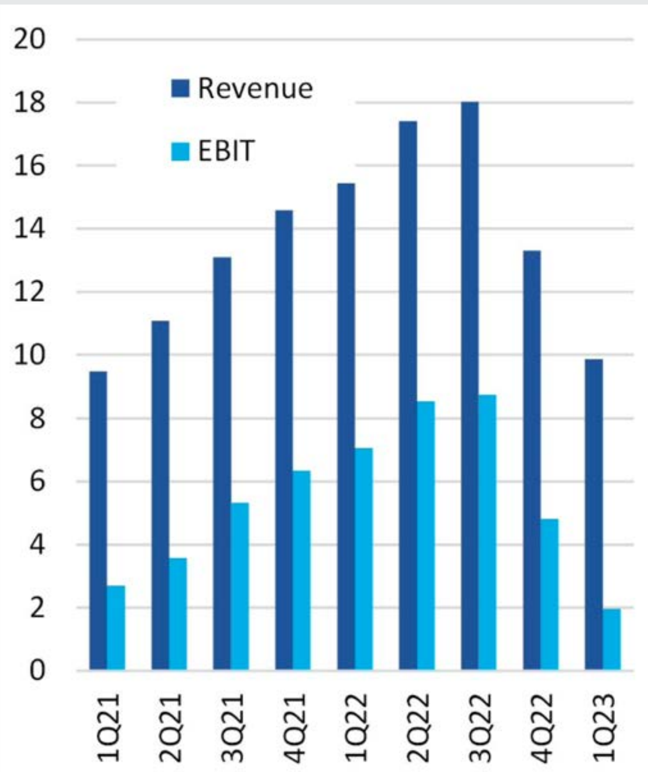


SCFI
Week 18
$878.00

Source: Statista

Ocean Freight

Maersk ocean revenue and EBIT (USD BN)



Source: Alphaliner

The world's second-largest shipping company reported a 56% decline in first-quarter operating profit and with waning consumer demand, falling shipping rates, reduced freight volumes and elevated global inventory levels, warned of weaker results for the rest of 2023.

Maersk's global trade warning

Maersk, which ships around 20% of global container volumes saw freight volumes decline 9.4% in the quarter while freight rates fell 37% versus the same period in 2022 and despite being disciplined on capacity the line may have to idle more vessels later this year, Global sea freight rates have fallen by about 16% so far this year and container volumes declined 5% in February, led by a 31% drop in Asia-to-North America routes, according to Bloomberg Intelligence and while it's possible that the shipping industry could see some positive momentum due to improvements in China's consumer and industrial sectors, it remains unclear exactly when container volumes will return to levels that are more in line with consumer demand.

"It is always difficult to find the exact month where the inflection point is going to be," Maersk CEO Vincent Clerc said. "Our expectation has been that we will see this in the second half of the year. It is certainly hard to see right now."

"The financial performance that we enjoyed in the last couple of years were very much as a result of the extraordinary circumstances with Covid and some of the disruptions that we saw in the supply chain," Maersk CEO Vincent Clerc. "As we see this normalisation we will see a normalisation of prices and a normalisation of revenues as a consequence."

Air Freight

The air freight market, which stabilised in April, is starting to see a downward rate trend due to additional capacity being deployed, during the busy summer period, with carriers now starting to compete for belly cargo.

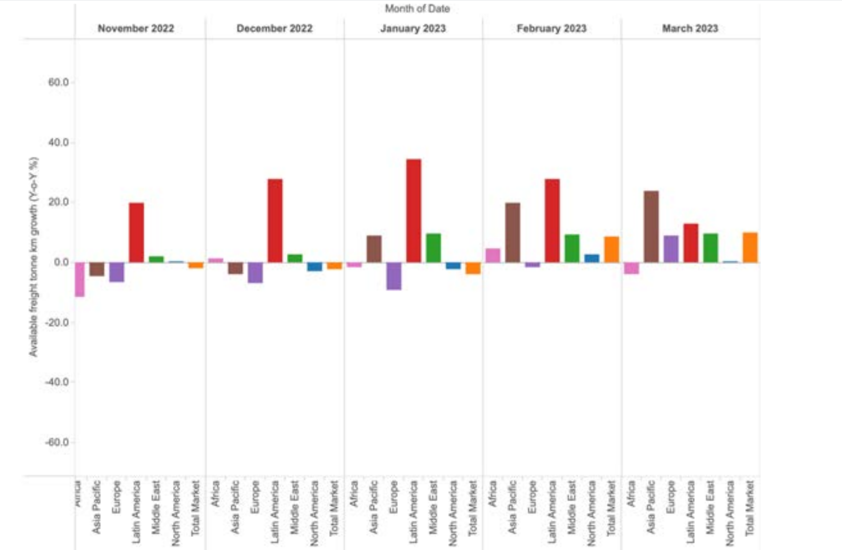
Inflation, high interest rates and the geopolitical situation continues to impact air freight, with global air freight volumes down 11.1% compared to 2022, while capacity has grown by 4.5% compared to the same period in 2019.

Export volumes out of China have also declined due to low demand in the West, while corporate sentiment is actually improving and other positive indicators, such as production and new orders, have reached 9 and 12 month highs respectively.

Rate developments through April were somewhat inconsistent, with some routes seeing reductions, while others have seen little or no change due to unpredictability of supply and demand, while jet fuel prices in Europe have been fluctuating more than usual due to the upcoming summer travel season and refinery outages in France related to strikes.

Several countries were also hit by strike action last month, leading to flight cancellations or significant delays, particularly in Germany, the UK and France.

IATA capacity growth

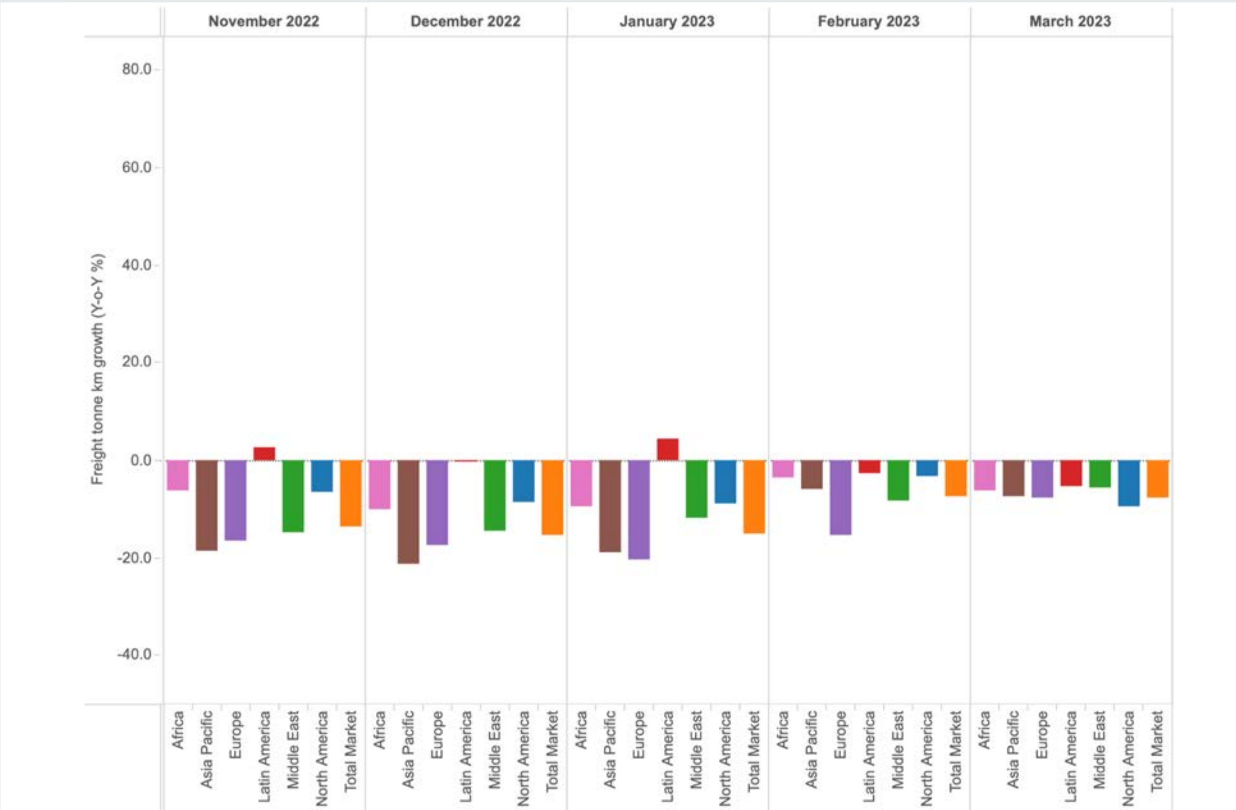


Source: Air Cargo News

"Policymakers are expected to ease economic cooling measures and that would stimulate demand."

Air Freight

IATA Monthly Demand Growth



Source: IATA - Air Cargo News

With slack consumer demand supply chain congestion has abated, which has impacted demand for air freight, but there is some indication that inventory restocking which, even if modest, may see the re-emergence of a peak season in 2023, Air Cargo News reported earlier this month.

Market

Supply chain networks are adapting and evolving as shippers, particularly in the US, seek to diversify production sources across suppliers and geographies after geopolitical shocks and three years of hard-learned lessons on supply chain resiliency.

IATA is downbeat for the short term in its most recent market assessment, although it is more positive for the latter part of the year.

Figures from the airline association show that air cargo demand in cargo tonne kms (CTK) terms declined 7.7% year on year in March, which is an improvement on the percentage declines registered for most of last year.

However, IATA said that demand had slipped back into negative territory compared with pre-Covid levels after having shown an improvement in February.

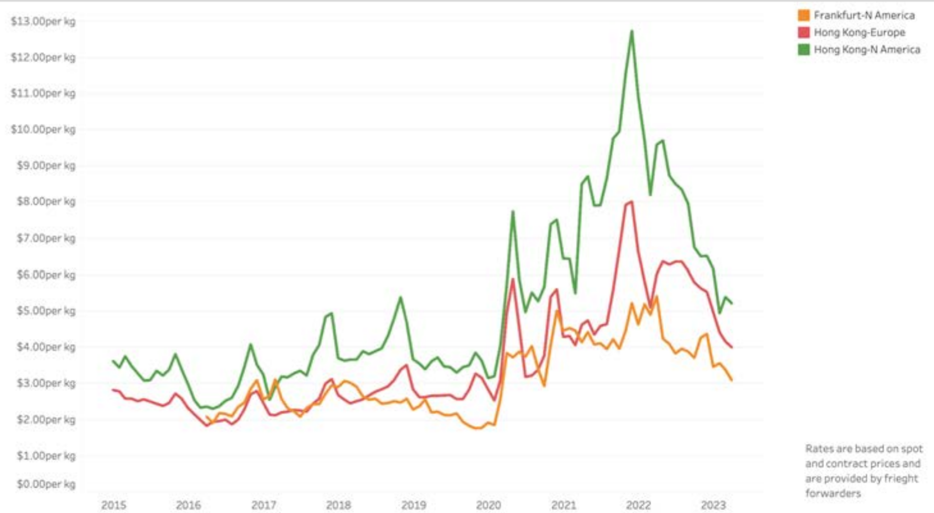
IATA figures show that CTKs in March fell 8.1% compared with 2019.

The airline association said that purchasing managers' indices for new export orders and for China had both fallen below the 50-mark in March indicating declining confidence.

Air Freight

Source: Air Cargo News

Baltic Exchange Air Freight Index



Source: Air Cargo News

Global air freight capacity was up 15% last month, with large increases in most regions and trade-lanes, taking rates down from their record 2021 levels, but still remain far above pre-pandemic 2019 levels.

Purchasing managers' indices for new export orders and for China had both fallen below the 50-mark in March indicating declining confidence.

Rates

Air freight rates on major east-west trade lanes declined in April as indicators of a recovery in March showed signs of fading, with the latest statistics from Baltic Exchange Air freight Index (BAI) showing falls on Asia and Europe, Asia and North America and across the Atlantic.

The falls are unusual as rates tend to rise slightly – or at least stay flat – in April compared with March.

BAI Hong Kong to North America trade prices are down 45.7% on 2022, but remain far above the rates for the month in pre-Covid 2019.

It was a similar trend on services from Hong Kong to Europe where rates declined 33.6% compared with last year, but are above the month in 2019.

Market indicators had suggested that the market may have been seeing a slight improvement in the early part of the year, but the drop in rates suggests this development eased in April – at least temporarily.

Carriers

With the start of airline summer schedules at the start of April, the air freight market has seen the addition of significantly more capacity, with industry analyst CLIVE Data Services reporting a flood of summer belly-hold capacity on major lanes which, coupled with a 4% drop in demand in April, means that the industry is facing a challenging four or five months.

Air Cargo News reports that CLIVE believes that the global air cargo market may have to wait will October for any meaningful recovery.

In April, air freight spots rates fell by 41% compared to the same month of 2022, as a 7% rise in cargo capacity resulted in lower load factors and a 14th consecutive month of falling year on year volumes, the analyst's figures revealed.

The extra summer schedule belly-hold capacity had its usual impact on the air cargo market linking Europe to North America, with capacity up 26% in comparison to March 2023.

These are really tough times for air cargo and we do not currently see this changing until much later in the year or early 2024, with a difficult few months ahead.

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Road Freight

While it's typical for road freight rates to dip after the holiday season, this year's drop is hitting harder than usual and the market appears to be recalibrating after a hefty, double-digit surge in 2022, but it's doubtful we'll return to pre-pandemic conditions, especially with capacity shortages remaining a major concern.

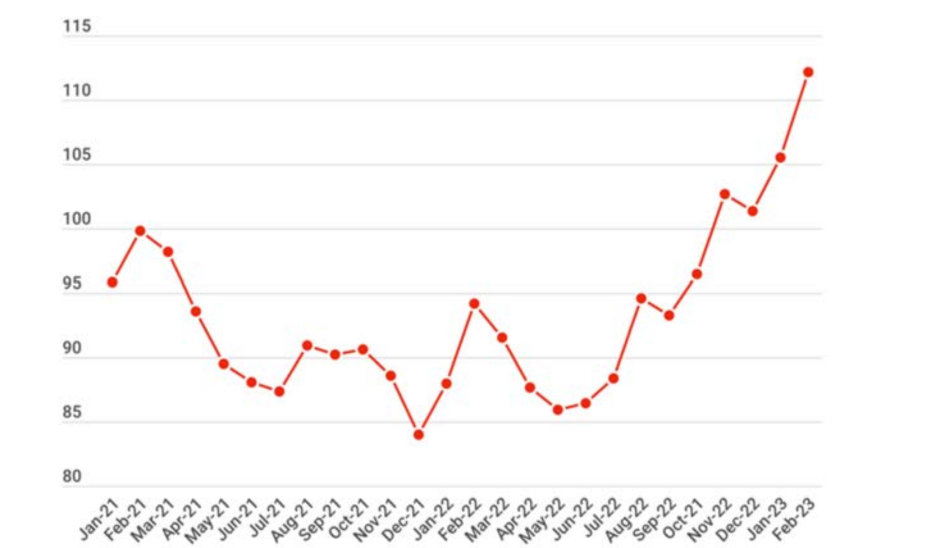
Road and rail operations across Europe continue to be affected by industrial action in multiple countries. In the UK, train drivers across 16 operators announced strikes for the 12th, 13th, and 31st May and 3rd June, causing disruptions to passenger and freight transport across the country.

Our transport planners are working closely with our rail freight providers to mitigate any impact on our customers' cargoes, and we expect to share next steps as more information becomes available.

In Germany, train drivers' strikes have been recurring since the beginning of the year, while talks remain ongoing between rail union EVG and Deutsche Bahn, with the next round of negotiations scheduled for the end of May.

From the beginning of the year, France saw frequent strike action across many different industries, including inland transportation, with operations particularly impacted in March and April, and further disruption is possible in the coming weeks.

European Road Freight: Capacity Index (Monthly)

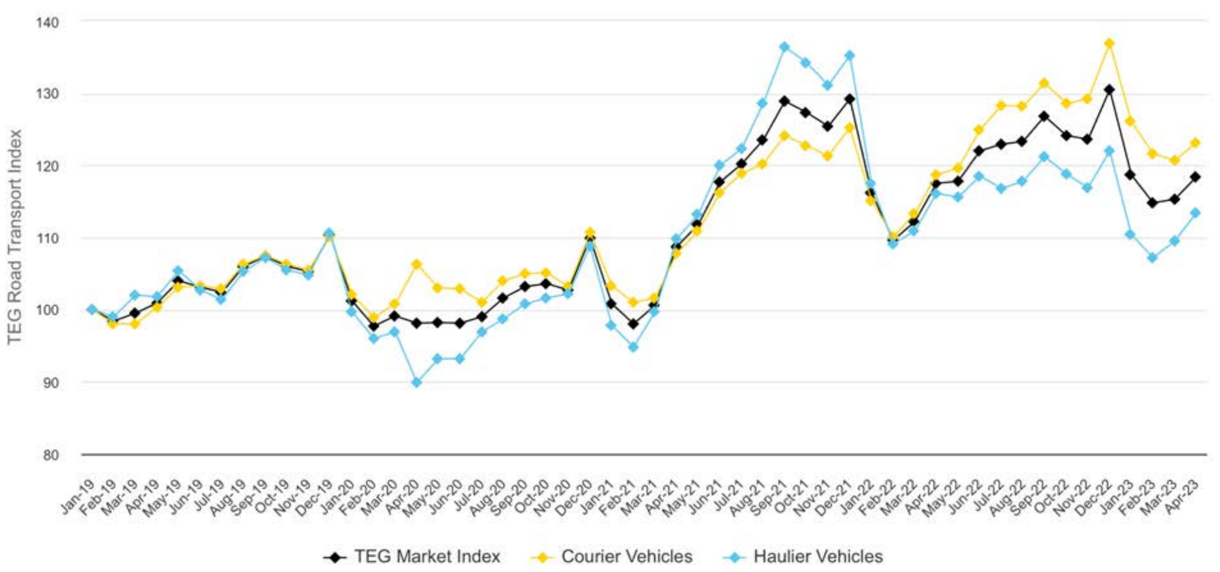


Source: Ti-Insight

"Toward the end of the year volumes are expected to start recovering, applying upward pressure on rates."

Road Freight

TEG Road Transport Price Index



Source: Transport Exchange Group

Market

Despite some easing of inflation and marginal growth in seasonally adjusted monthly consumption figures in Spain (+1.0%), France (+0.4%), and the UK (+0.5%), the year-on-year figures reflect the ongoing impact of persistent inflation over the past 12 months.

Average seasonally adjusted monthly consumption is down year-on-year by 6% in Germany, 3.9% in France, 2.8% in Italy, and 4.3% in the UK. As wage growth lags behind inflation, the cost-of-living crisis worsens, reducing the appetite and ability to consume goods. This will further reduce demand-side pressure on road freight rates, allowing for further rate falls in both markets.

In commentary, Ti Insights (the source for this section) said that while it’s typical for road freight rates to dip during Q1 after the holiday peak season, this year’s drop is hitting harder than usual and the market appears to be recalibrating after experiencing a hefty double-digit surge in 2022.

The stagnation in freight demand from Q4 2022 has continued into 2023, flattening the driver shortage curve, but nothing has changed in the long-term outlook of the profession, with the share of young drivers extremely low and any jump in demand from European economies will further exacerbate the shortage of drivers, which in turn will limit economic growth.

While fuel costs have fallen from their 2022 high, they remain elevated compared to 2021 and any further freight rate falls from falling demand will be limited by supply-side pressure that has created a higher cost base and capacity constraints driven by driver shortages, which will prevent freight rates from reaching historic lows.

Road Freight

Freight rates are expected to continue to soften in Q2 2023, but will remain elevated in comparison to historic norms, as supply side pressure keeps costs high. Toward the end of the year volumes are expected to start recovering, which will apply upward pressure on rates.

Rates

Spot rates in the European road freight market have experienced their second consecutive quarter of decline, marking a significant shift since the onset of the Covid pandemic.

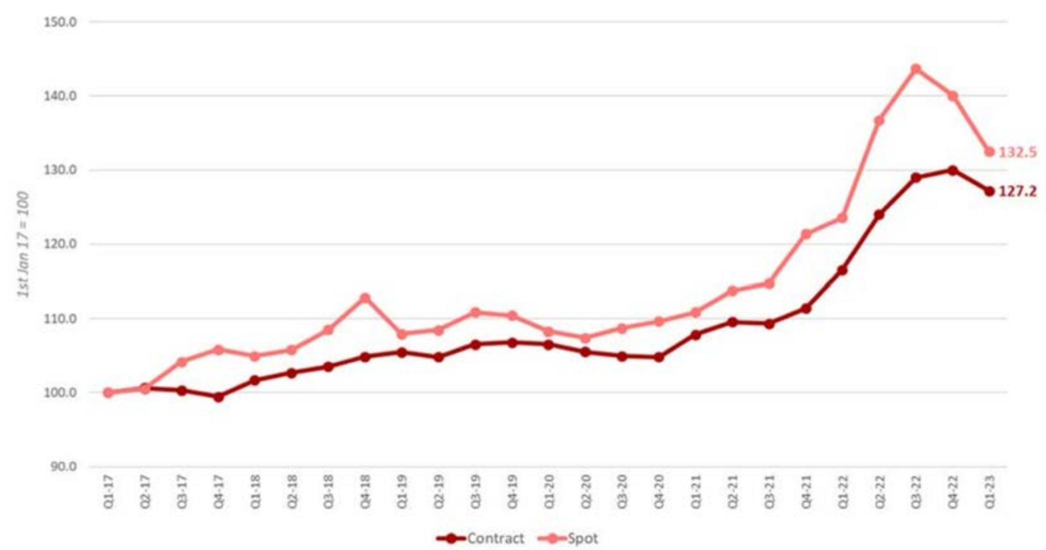
The Upply, Ti & IRU European road freight rates index for Europe shows the spot rates index fell by -7.5 points quarter-on-quarter (q-o-q) to 132.5 points.

This is the first-time rates have fallen for two consecutive quarters since Q2 of 2020.

Additionally, the spot market index has fallen below its Q2 2022 level, a time when costs rise following the invasion of Ukraine first became clear.

Despite this, spot rates remain up by 8.9 points year-on-year (y-o-y).

Ti x Upply x IRU European road freight benchmark European road freight rates index, Q1-2023



Source: Ti-Insight

Spot rates have declined 1.5 times faster than contract rates in the first quarter, as a result of falling demand from European economies, which is reducing the immediate demand-side pressure on spot market rates.

The contract rates index has also fallen by 2.8 points q-o-q, the first fall in six quarters, but it is still up 10.7 points y-o-y. With volumes slackening and available capacity improving, the downward trend in rates looks set to continue in 2023.

Road Freight

Fuel prices

Diesel

March	April	Variance
166.45	162.47	-3.98

Petrol

March	April	Variance
146.83	145.83	-1

Source: Transport Exchange Group

Border Target Operating Model & EU customs updates

In April, HMRC presented a new draft of the Border Target Operating Model that aims to regulate the import of live animals, animal products, plants, and plants products from the EU to the UK.

The government has delayed putting in place import checks, which are legally required under the Brexit trade deal, four times due to concerns over port disruption, leading to considerable friction with Brussels.

According to the model, customers will need to check the risk levels of their commodities to ensure they are prepared for upcoming changes in the border process. The project sets to simplify and digitise necessary controls, and the final version of the model will be available in June.

Current implementation timelines are: health certificates will be introduced from 31st October 2023, documentary and risk-based checks will start from 31st January 2024, while safety and security declarations will be required from 31st October 2024.

New changes for imports from the EU into UK include:
- Trusted traders scheme to avoid trade checks
- Reduced safety and security data requirements
- Introduction of the UK Single Trade Window
- Live animal products and by-products, plants and plant product controls will be determined by risk and country of origin
- Simplified and digitised health certificates
- Checks to take place at Border Control Posts to prevent port traffic

None of the proposed checks or controls in the model will apply to imports into Northern Ireland from the EU, following the Windsor Framework, but there will be further checks for goods arriving directly on the UK mainland from Ireland.

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