

The background image shows a large container ship with a blue hull and a deck stacked with red and white containers, sailing on the water. In the sky above, an airplane is flying. The sky is a mix of blue and orange, suggesting a sunset or sunrise. The right side of the image is partially obscured by a white diagonal shape.

# BIMONTHLY MARKET OUTLOOK

31/08/2021 – V25

# KEY POINTS

UPDATED

- 🌐 **Global merchandise trade is continuing its robust recovery from the shock of the COVID-19 pandemic according to the WTO's Goods Trade Barometer, which hit a record reading of 110.4 in its latest reading issued on 18 August. The rise in the barometer reflects both the strength of current trade expansion and the depth of the pandemic-induced shock in 2020 (see slides 3&4)**
- ✈️ **Air cargo capacity was down 9% between August 9-22, compared to the same weeks in 2019. Transpacific capacity remains strong in response to high demand, up +8% vs. 2019.**
- ✈️ **Shanghai PVG air cargo capacity has dropped ~20% between Jul 26 Aug 1 and Aug 16 22 due to handling manpower constraints.**
- ✈️ **As of 2<sup>nd</sup> August 2021, 18 974 929 commercial flights have been flown, 19% more than 2020 and 32% less than 2019.**
- 🚢 **17 cancelled sailings have been announced between weeks 35 and 38 on major trades - Transpacific, Transatlantic and Asia-North Europe & Med, out of a total of 504 scheduled sailings, representing a 3% cancellation rate.**
- 🚢 **Drewry's composite World Container index increased by 2.1% to reach \$9,817.72 per 40ft container, 351% higher than the same week in 2020. This is the 19th consecutive week of increases.**
- 🚢 **In July 2021, schedule reliability dropped by -3.8 percentage points M/M to 35.6%. On a Y/Y level, schedule reliability was down a massive -39.7 percentage points.**

Source: Seabury, Flightradar24, Drewry, Sea Intelligence



# ECONOMY – GOODS TRADE BAROMETER

NEW

Global goods trade continues to recover after registering a sharp decline in the second quarter of 2020 during the early stages of the pandemic. The volume of merchandise trade was up 5.7% year-on-year in the first quarter of 2021, the largest increase since a 5.8% rise in third quarter of 2011.

The recovery has been marked by regional disparities, with North America, Europe and Asia regaining lost ground and other regions lagging. The latest barometer reading suggests that goods trade will see an even bigger year-on-year increase in the second quarter, with growth moderating thereafter.

The pace of recovery could be restrained by supply chain disruptions, e.g., the semiconductor shortage that has recently hampered vehicle production.

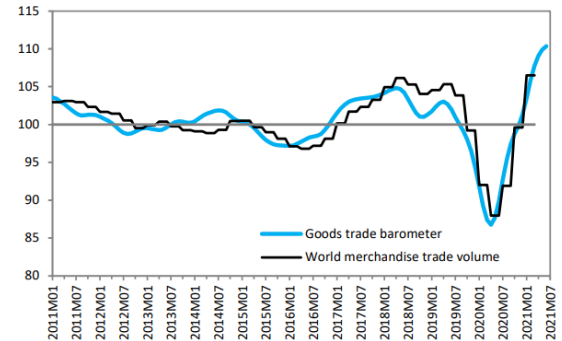
## Goods Barometer hits record high, confirming strength of trade recovery

### Goods trade barometer

Index value, June 2021 = 110.4



Index history, trend = 100



The Goods Trade Barometer is a composite leading indicator for world trade, providing real-time information on the trajectory of merchandise trade relative to recent trends. The latest reading of 110.4 is up more than 20 points year-on-year, reflecting the strength of the ongoing recovery and the depth of the pandemic-induced shock last year. Data suggest that the trade recovery may be slowing as the barometer index has started to rise at a decreasing rate. These results are consistent with the WTO's most recent forecast of 8% growth in world merchandise trade volume in 2021.



# ECONOMY – DRIVERS OF GOODS TRADE

NEW

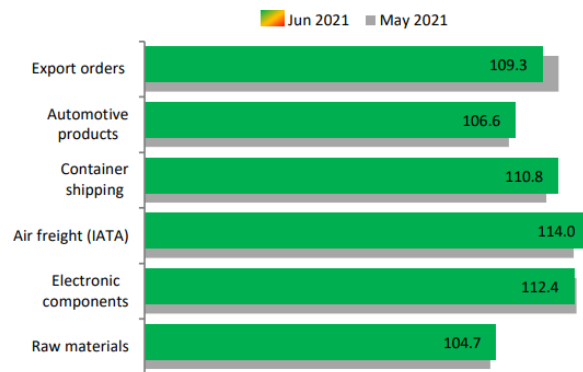
All the barometer's component indices were above trend in the latest month, illustrating the broad-based nature of the trade recovery. Indices for air freight (114.0), container shipping (110.8) and raw materials (104.7) were rising, indicating faster than average growth.

The automotive products index (106.6) also rose even though car production and sales fell in July in some countries due to a shortage of semiconductors (the rise can be explained by smoothing of the underlying data). This shortage is also reflected in a small drop in the index for electronic components (112.4).

The forward-looking export orders index (109.3) has also turned down, suggesting that upward momentum in trade may have peaked.

## Drivers of goods trade

Component index values, trend = 100





# AIR FREIGHT – SHANGHAI PVG OPERATIONS UPDATE

Positive COVID-19 cases were discovered at PACTL Terminal in Pudong International Airport (PVG). This has led to a lack of manpower and many airlines have cancelled their freighter flights.

Consequently, a significant backlog is expected in PVG in the coming weeks.

Bollre Logistics is offering alternative solutions in order to minimize the impact on customer's business activities.

We have transferred our weekly charter capacity to Zhengzhou Xinzheng International Airport (CGO).

CV (one of our largest cargo airline partner) continues to fly to PVG though on a very reduced schedule.

PVG International Airport being the largest cargo airport in China, there is no alternate airport that can accommodate single-handedly equivalent volumes. We are therefore considering sustainable alternative solutions based on cargo origins, destinations and cargo mix.

|                          | Inbound  | Outbound  |
|--------------------------|--|---|
| <b>EU trade</b>          | <p>We are working with our airlines partners to obtain the bonded transfer from CGO to PVG</p> <ul style="list-style-type: none"> <li>Inbound transit time will be affected: overall forecast 2-3 days for CGO to PVG transfer, + 1-2 days from Terminal to Warehouse</li> <li>DG cargo – Restrictions are in place for any kind of DG cargo on our charter flights or commercial carriers.</li> </ul> | <p>Marginal impact as we have secured the capacity for our key accounts (if alternative solutions via CGO works). We will limit spot business acceptance for now and until we have more visibility.</p> <ul style="list-style-type: none"> <li>QR Charter Operations will not land in CDG anymore in the meantime. The rotation will be only LUX-CGO-LUX (this is pending final landing rights confirmation and paperwork processing in CGO)</li> </ul> |
| <b>US trade</b>          | No impact on our CGO BSA to ORD so far. We are monitoring very closely the situation.  |   |
| <b>Intra ASPAC trade</b> | We expect to see prices surge, but the disruption is so far less impactful than long haul/Transpacific/Westbound Europe as we have more passenger aircraft options on these routes.  |   |



# AIR FREIGHT – MARKET TRENDS (16/08– 22/08)

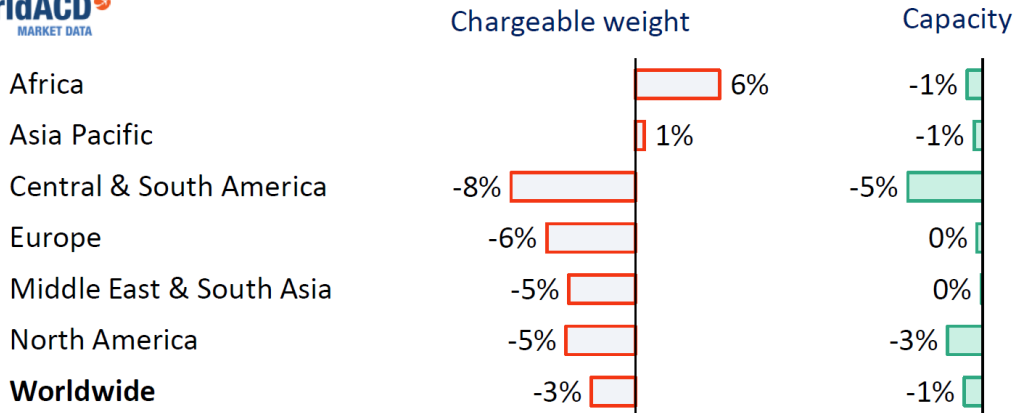
**UPDATED**

In week 33 (16 – 27 Aug.), worldwide volume decreased by -3% compared with the previous week. Worldwide capacity decreased by -1% week-over-week.

On a regional level, volumes from Africa did best with a volume increase of +6% week-over-week, while Central & South America experienced the largest decrease (-8%).

The average worldwide yield/rate in week 33 increased compared with week 32.

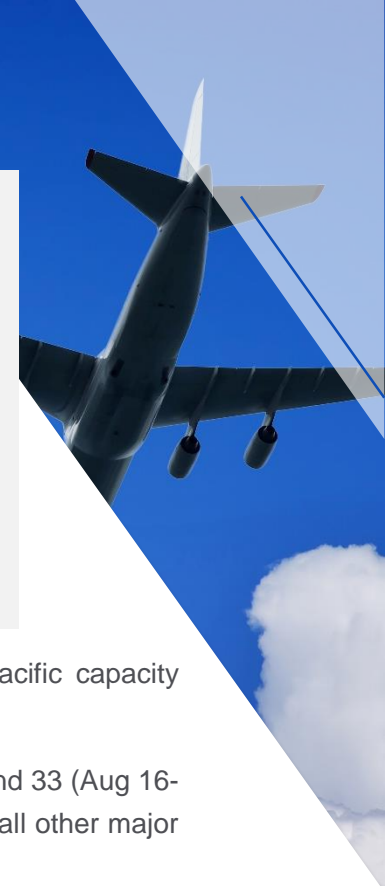
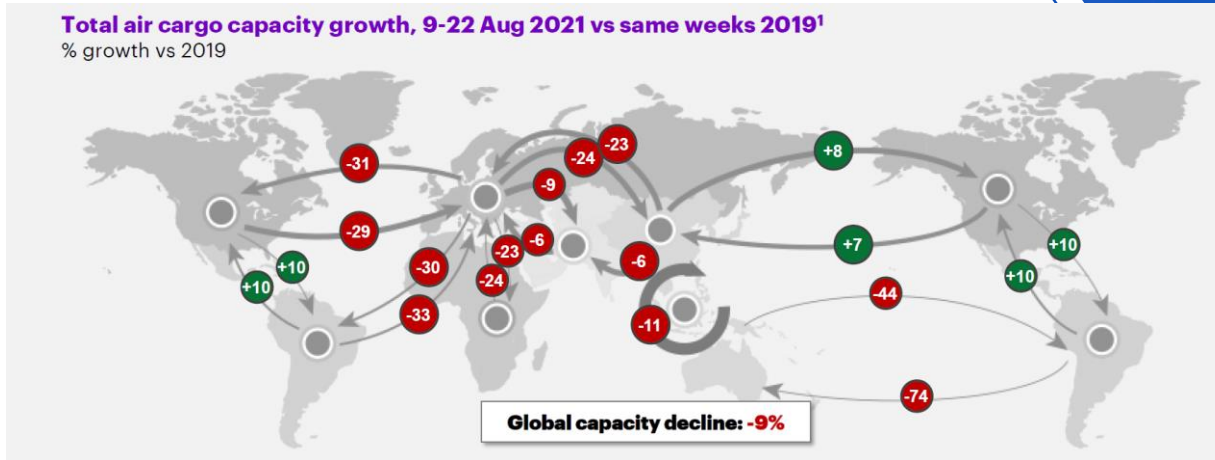
Week 33 compared with Week 32 (WoW)





# AIR FREIGHT – MARKET TRENDS (9/08 – 22/08)

**UPDATED**



Air cargo capacity was down 9% between August 9-22, compared to the same weeks in 2019. Transpacific capacity remains strong in response to high demand, up +8% vs. 2019.

International air cargo capacity out of Shanghai PVG has dropped ~20% between weeks 30 (Jul 26-Aug 1) and 33 (Aug 16-22) due to handling manpower constraints. In response, international air cargo capacity increased at almost all other major Chinese airports, as cargo is relocated.



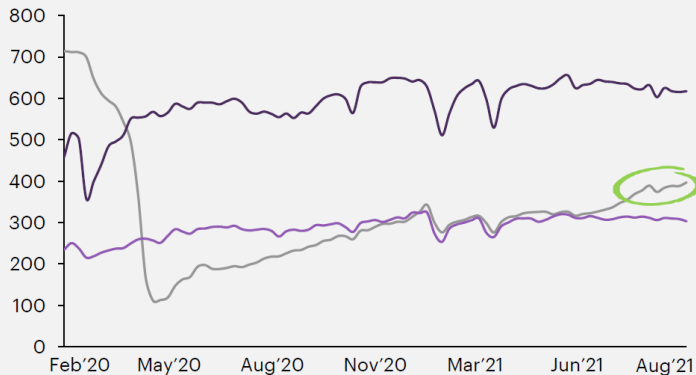
# AIR FREIGHT – MARKET TRENDS (9/08 – 22/08)

**UPDATED**

Global air cargo capacity's recovery to a single-digit decline (vs. 2019) is driven by continuing belly recovery, as global widebody belly capacity increased by another +2% in the last two weeks.

## International air cargo capacity, Feb 2020 – Aug 2021

Thousand tonnes per week



|  | vs. 2019 <sup>1</sup> | vs. previous two weeks <sup>2</sup> |
|--|-----------------------|-------------------------------------|
| <b>Total capacity</b>                            | <b>-9%</b>            | <b>0%</b>                           |
| <b>Freighters</b><br>Airline operations          | <b>+36%</b>           | <b>-1%</b>                          |
| <b>Passenger belly</b><br>Widebody aircraft only | <b>-49%</b>           | <b>+2%</b>                          |
| <b>Freighters</b><br>Integrator operations       | <b>+34%</b>           | <b>-1%</b>                          |

Note: Direct international capacity only; All freighters and widebody passenger aircraft only; 1) Comparing the weeks of 9-22 August 2021 to the same weeks in 2019; 2) Comparing the last two weeks available versus the previous two weeks; Source: Seabury Cargo Capacity Tracking database, Seabury Cargo analysis (August 2021)

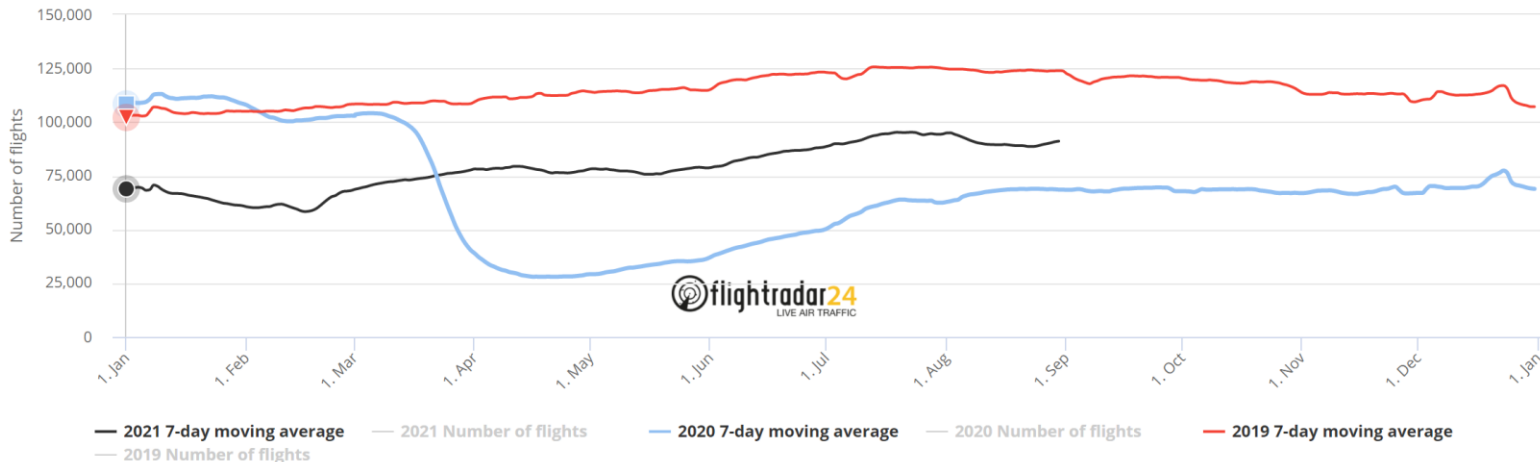




# AIR FREIGHT – COMMERCIAL FLIGHTS TRACKER

**UPDATED**

Number of commercial flights tracked by Flightradar24, per day (UTC time), 2019 vs 2020 vs 2021



As at 30<sup>th</sup> of August 2021, **91 096** commercial flights were flown, compared to **68 561** and **123 911** in 2020 and 2019, respectively.

On a year-to-date basis, **18 974 929** commercial flights have been flown this year, **19%** more than 2020 and **32%** less than 2019.

Commercial flights = Commercial passenger flights + cargo flights + charter flights + some business jet flights.



# AIR FREIGHT – AIRLINE FINANCIAL RESULTS

NEW



Airline industry net-losses diminished in Q2 2021, in particular in the U.S.

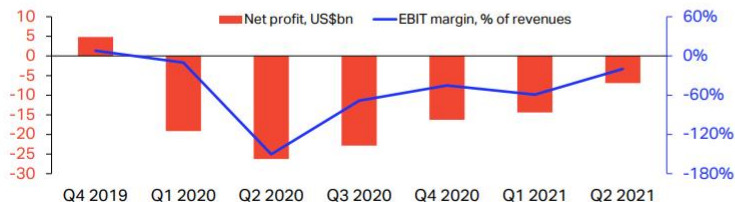
## Airline Financial Results

| Number of airlines in sample | Regions             | Q1 2021                  |                                  | Q2 2021                  |                                  |
|------------------------------|---------------------|--------------------------|----------------------------------|--------------------------|----------------------------------|
|                              |                     | EBIT margin <sup>1</sup> | Net post-tax profit <sup>2</sup> | EBIT margin <sup>1</sup> | Net post-tax profit <sup>2</sup> |
| 13                           | North America       | -70.2%                   | -5,228                           | -13%                     | 96                               |
| 9                            | Asia-Pacific        | -43.5%                   | -2,064                           | -34%                     | -1,671                           |
| 8                            | Europe              | -54.2%                   | -4,956                           | -33%                     | -4,594                           |
| 8                            | Latin America       | -37.9%                   | -2,091                           | -18%                     | -702                             |
| 3                            | Others              | -15.9%                   | -50                              | -13%                     | -42                              |
| <b>41</b>                    | <b>Sample total</b> | <b>-59.1%</b>            | <b>-14,389</b>                   | <b>-20%</b>              | <b>-6,913</b>                    |

<sup>1</sup>% of revenues      <sup>2</sup>US\$ million

Sources: The Airline Analyst, IATA

Sample Historical Profitability



Source: IATA Economics using data from the Airline Analyst

- Initial Q2 2021 results show that net losses of airlines at the aggregated level moderated compared with Q1 2021. North American airlines' bottom-line at the aggregated level turned to positive since the domestic traffic rebounded in the U.S. amidst vaccine progress.
- North American and Latin American airlines were the best performers in Q2 as domestic and regional traffic had been improving during the quarter. On the other hand, improvement of Asia Pacific and European airlines was small due to still muted international travel, which represented an important source of these airlines' revenues before the crisis.
- Although the initial Q2 2021 financial results show that net losses narrowed down, downside risks for further recovery are increasing for the coming quarters since new COVID-19 restrictions are affecting some domestic markets that are on the recovery track, i.e. China. Moreover, international travel restrictions remain tight.



# SEA FREIGHT – CANCELLED SAILINGS – 27/08

**UPDATED**

Across the major trades: Transpacific, Transatlantic and Asia-North Europe & Med, 17 cancelled sailings have been announced between weeks 35 and 38, out of a total of 504 scheduled sailings, representing a 3% cancellation rate.

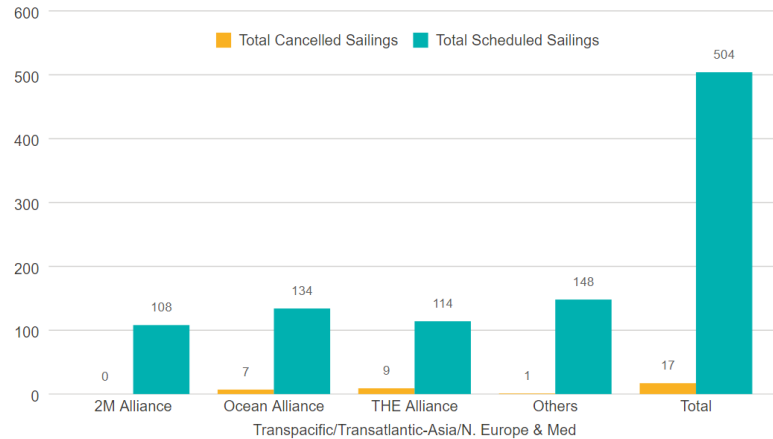
Over the next 4 weeks The Alliance has announced 9 cancellations, followed by Ocean Alliance with 7 cancellations.

The Meishan Island International Container Terminal (MSICT) at Ningbo-Zhoushan port, which was partially closed last week, resumed operations on Wednesday, 25 August.

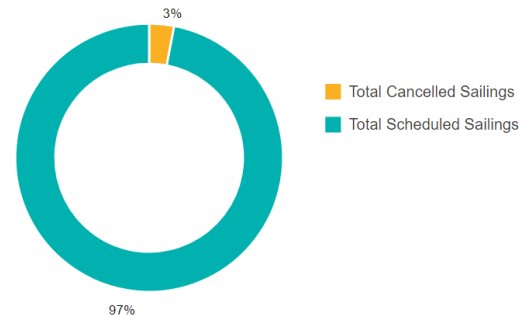
The ripple effect of the partial closure of one of China's largest ports will extend far beyond the nearby ports of Shanghai and Hong Kong, where port congestion has spiked these last 2 weeks, to the rest of the world and the main US West Coast gateways in particular.

As a result of ongoing port congestion around the world; backlogs, delays and shortages of equipment are increasing further, while ocean spot rates continue to hold their extreme levels.

Drewry cancelled vs scheduled sailings (Week 35-38, 2021)



Drewry cancelled vs scheduled sailings (Week 35-38, 2021)





# SEA FREIGHT – WORLD CONTAINER INDEX (WCI) – 26/08

**UPDATED**

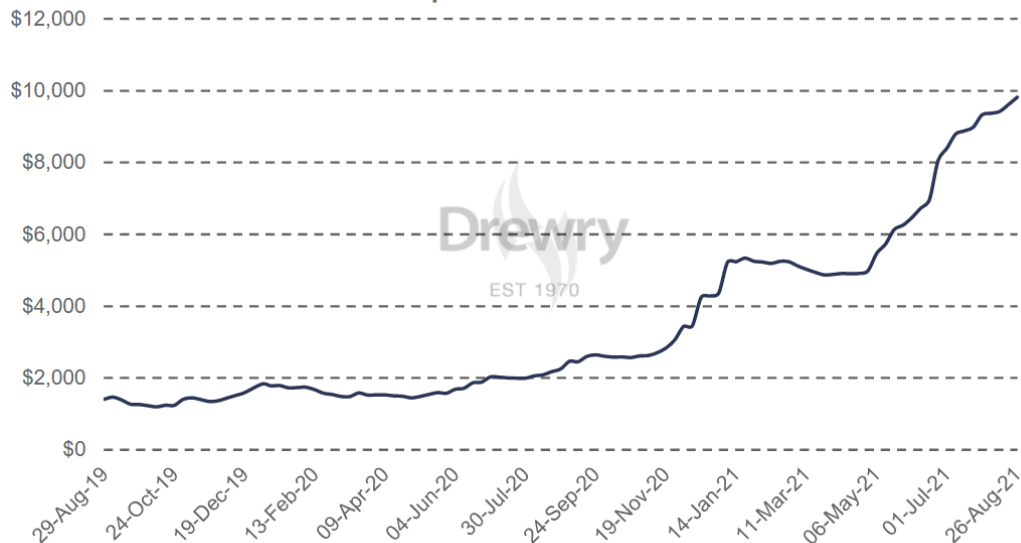
Drewry's composite World Container index increased by 2.1% to reach \$9,817.72 per 40ft container, 351% higher than the same week in 2020. This is the 19th consecutive week of increases.

Freight rates on Eastbound Transpacific lanes surged 4% from Shanghai to Los Angeles and 5% from Shanghai to New York per 40ft container.

Spot rates on Shanghai to Genoa changed by 594% Y-o-Y. Similarly, rates on Los Angeles to Shanghai grew 3% per feu.

Drewry expects rates to increase further in the coming week.

World Container Index - Assessed by Drewry  
\$ per 40 ft container

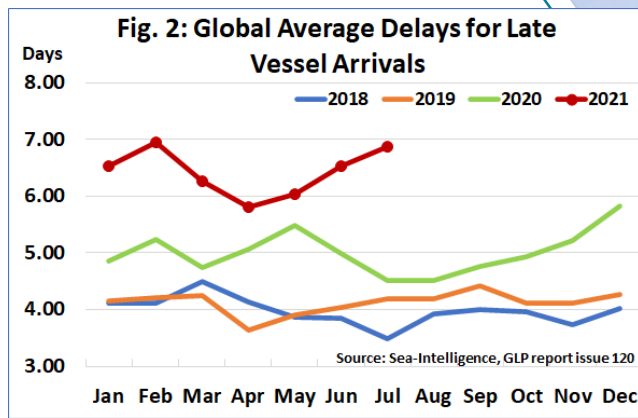
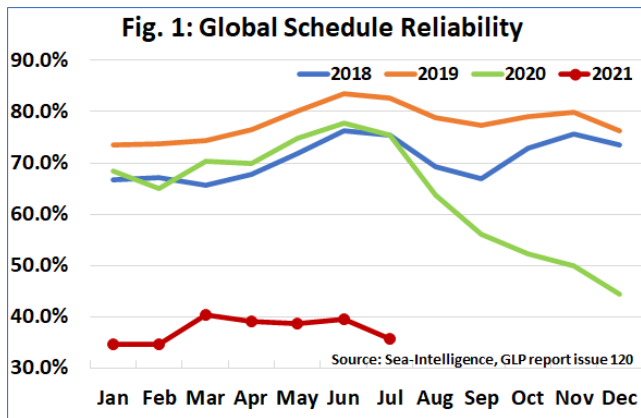


The World Container Index is a composite of container freight rates on 8 major routes to/from the US, Europe and Asia, assessed by Drewry.



# SEA FREIGHT - GLOBAL SCHEDULE RELIABILITY

**UPDATED**



While schedule reliability is not getting any worse, it is not getting better either, hovering around 35%-40% for most of the year.

In July 2021, schedule reliability dropped by -3.8 percentage points M/M to 35.6%. On a Y/Y level, schedule reliability was down a massive -39.7 percentage points.

The average delay for LATE vessel arrivals continued to deteriorate in July 2021, increasing by a further 0.35 days M/M to 6.88 days. The level of delays in 2021 have been the highest across each month compared to previous years.



# SEA FREIGHT – SHIPPING LINE FINANCIAL RESULTS

**NEW**

Maersk, Hapag-Lloyd, Zim, ONE, HMM, Evergreen, Yang Ming and Wan Hai have collectively reported revenues over USD 70 bn for the first half of 2021, and more than USD 25 bn in operating profits (EBIT). Carriers expect another uplift in profits in the second half of the year as capacity squeezes and congestion continue to push rates up.

Based on the figures so far, estimates suggest the eight carriers, which represent 45% of global container capacity, will likely make more than USD 65 bn in operating profits for the full year.

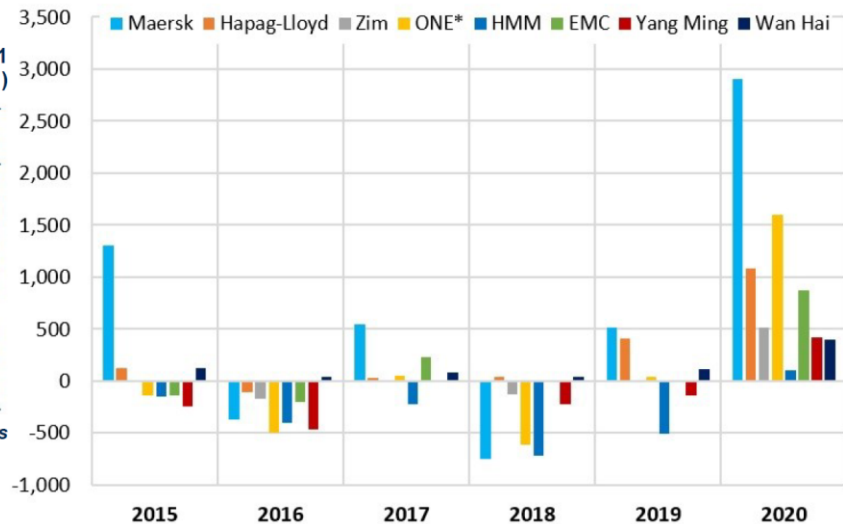
**Carrier Financial Performance H1 2021 (results reported as of 23/8/2021)**

|                   | Revenue | Net Profit |
|-------------------|---------|------------|
| Maersk USD m      | 26,669  | 6,463      |
| Hapag-Lloyd EUR m | 8,753   | 2,720      |
| Zim USD m         | 4,126   | 1,478      |
| ONE USD m         | 10,500  | 4,417      |
| HMM KRW bn        | 5,334   | 364*       |
| EMC TWD m         | 189,919 | 78,141     |
| Yang Ming TWD m   | 135,553 | 59,052     |
| Wan Hai TWD m     | 86,632  | 33,687     |

*\*HMM group results, all activities*

## Chart of the week

**Estimated Container Carrier Net Profits 2015-2020 (USD m)**



*\*MOL, K Line, NYK before 2018*



# SEA FREIGHT - CAPACITY OUTLOOK (WEEK 31 – WEEK 42)

## Highlights

Upcoming 12 weeks (Y/Y)

**Asia**  
-  
**North Europe**

In the Asia North Europe trade lane, the weekly capacity increases significantly in week 31 and decreases drastically in week 35. On the backhaul, the weekly capacity decreases drastically in week 32 and increases significantly in week 33 and 34.

**19.1%**

**Asia**  
-  
**Mediterranean**

In the Asia Mediterranean trade lane, the weekly capacity increases significantly in week 31 and decreases drastically in week 32 and 37. On the backhaul, the weekly capacity decreases drastically in week 35 and increases significantly in week 36.

**18.3%**

**Asia**  
-  
**North America East Coast**

In the Asia NAEC trade lane, the weekly capacity increases drastically in week 32, and decreases significantly in week 37 and 40.

**28.7%**

**Asia**  
-  
**North America West Coast**

In the Asia NAWC trade lane, the weekly capacity decreases significantly in week 32 and increases drastically in week 41. On the backhaul, the weekly capacity decreases drastically in week 32 and increases significantly in week 37.

**27.0%**

**Asia**  
-  
**East Coast South America**

In the Asia ECSA trade lane, the weekly capacity increases drastically in week 32 and decreases significantly in week 38. On the backhaul, the weekly capacity decreases significantly in week 34 and increases drastically in week 38,

**14.0%**



# SEA FREIGHT - CAPACITY OUTLOOK (WEEK 31 – WEEK 42)

## Highlights

Upcoming 12 weeks (Y/Y)

|   |   |              |
|---|---|--------------|
| <b>North America East Coast</b><br>-<br><b>East Coast South America</b> | In the NAEC ECSA trade lane, the weekly capacity increases drastically in week 31 and 40 and decreases significantly in week 34. In the ECSA NAEC trade lane the weekly capacity increases drastically in week 34 and decreases significantly in week 35.                 | <b>14.0%</b> |
| <b>North Europe</b><br>-<br><b>East Coast South America</b>             | In the North Europe ECSA trade lane, the weekly capacity increases drastically in week 31 and 33 and decreases in week 32 and 38. In the ECSA North Europe trade lane the weekly capacity increases significantly in week 31 and decreases drastically in week 38.        | <b>7.9%</b>  |
| <b>North Europe</b><br>-<br><b>North America East Coast</b>             | In the North Europe NAEC trade lane, the weekly capacity decreases drastically in week 31 and increases significantly in week 32. In the NAEC North Europe trade lane the weekly capacity decreases significantly in week 35 and increases drastically in week 37.        | <b>16.3%</b> |
| <b>Mediterranean</b><br>-<br><b>North America East Coast</b>            | In the MED NAEC trade lane, the weekly capacity increases significantly in week 36 and 37 and decreases drastically in week 38. In the NAEC MED trade lane, the weekly capacity increases significantly in week 31 and 39 and decreases drastically in week 33 41 and 42. | <b>7.0%</b>  |
| <b>Europe-</b><br><b>North America West Coast</b>                       | In the Europe NAWC trade lane, the weekly capacity increases drastically in week 37 and decreases significantly in week 38. In the NAWC Europe trade lane, the weekly capacity increases drastically in week 34 and decreases significantly in week 36 and 38.            | <b>11.8%</b> |