The global economy is projected to contract sharply by –3% in 2020.

In a baseline scenario—which assumes that the pandemic fades in the second half of 2020 and containment efforts can be gradually unwound—the global economy is projected to grow by 5.8% in 2021 as economic activity normalizes.

For this year, growth in advanced economies is projected at -6.1%.

Emerging market and developing economies with normal growth levels well above advanced economies are also projected to have negative growth rates of -1% in 2020, and -2.2% excluding China (1.2% and 9.2% in 2020 and 2021 respectively).

Source: IMF
World merchandise trade is set to plummet by between 13 and 32% in 2020.

A 2021 recovery in trade is expected, but dependent on the duration of the outbreak and the effectiveness of the policy responses.

Nearly all regions will suffer double-digit declines in trade volumes in 2020, with exports from North America and Asia hit hardest.

Trade will likely fall steeper in sectors with complex value chains, particularly electronics and automotive products.

Services trade may be most directly affected by COVID-19 through transport and travel restrictions.

Merchandise trade volume already fell by 0.1% in 2019, weighed down by trade tensions and slowing economic growth. The dollar value of world merchandise exports in 2019 fell by 3% to US$ 18.89 trillion.

The value of commercial services exports rose 2% to US$ 6.03 trillion in 2019.

The figures are indexes, representing the world trade merchandise volume; 2015 = 100, readings greater than 100 suggest above-trend growth while readings below 100 indicate below-trend growth.
According to IATA, in March, international air cargo demand declined sharply, by 15.8% compared to its year-ago level - less severe compared to the passenger market (where volumes fell by 52.9% year-on-year). An important reason for cargo’s current outperformance is the ongoing demand for transporting products such as pharmaceuticals, e-commerce purchases and medical equipment.

Across all of the main trade lanes there is a divergence between belly cargo and freighter capacity. Although a number of airlines have converted some of their passenger aircraft to cargo-only flights, the grounding of most of the world’s passenger fleet meant international belly cargo capacity declined significantly, by 43.7% year-on-year in March. Recall that around 50% of cargo volumes are flown in the belly of passenger aircraft.

While freighter capacity increased in all trade lanes, especially for the Within Asia market, the increases clearly do not offset the loss in belly capacity, leading to the double-digit decline in total cargo capacity noted above. In turn, this shortage of capacity has caused a spike in air cargo freight rates.

Looking forward, the capacity shortage is likely to be temporary as the belly capacity gradually returns to service and the impact of the global recession dampens demand. Overall, based on the WTO’s latest scenarios for world trade, we estimate that cargo volumes (CTKs) could decline by between 14-31% in 2020.
This week, global air cargo capacity is 29% lower than last year. Transpacific cargo capacity is ~5% lower than last year, while Transatlantic cargo capacity is over 50% lower.

Global widebody belly capacity increased 23% since last week, mainly driven by “passenger freighter” flights. Freighter capacity has increased consistently over the past months.

Cargo capacity out of Asia Pacific is now back at 78% of 2019 levels; even though Asia Pacific saw the largest decline in passenger capacity, this was partially compensated by strong freighter capacity growth. The total increase of freighter capacity out of Asia Pacific equals

China, South Korea, USA and Russia account for ~50% of global freighter capacity growth. Freighter capacity from South Asian markets such as India and Bangladesh is strongly reduced.

Belly capacity at large global cargo hubs is recovering due to passenger freighters. PVG sees a strong uptick in widebody belly capacity since the end of February, driven by demand for Personal Protective Equipment (PPE). Widebody belly capacity at other airports started to increase since April.

China’s outbound cargo capacity is now 6% higher than last year, in strong contrast to the -30% decline reported in March. Most of the growth is driven by freighter capacity out of PVG, driven by PPE exports.
The outbreak of the coronavirus has disrupted container supply chains around the world and depressed the demand for vessels and boxes. It will lead to a contraction in the shipping container fleet and keep prices and lease rates under pressure in 2020, although better than in 2019.

Drewry’s latest published Container Equipment Forecaster report shows that in 1Q20 newbuild prices and lease rates for all of the main categories of containers were up on 4Q19 and 2019 as a whole.

Total box output (dry freight and reefer) in 1Q20 was one of the lowest in a quarterly period; 33% lower than 4Q19 and 35% below that of the corresponding period of 2019. The dry box sector was the worst affected with a year-on-year decline in production of 40%. This compared with a 4% increase in the output of reefer containers as the shift of cargo from specialised reefer and air freight services to liner services and containers continued.

The remainder of the year is expected to be challenging with orders dominated by ocean carriers’ and lessors’ needs to replace ageing inventories. With few companies expected to expand their fleets this year, the ocean-borne fleet of containers is also expected to decline marginally, but it could be worse depending on the recovery in trade volumes. This would represent the first reduction since the financial crisis of 2009 when the pool of equipment declined by 4%.

When it comes to prices, Drewry expects dry freight newbuilds to sustain their quarter-end value through the remainder of the year. Based on the poor financial position of most Chinese manufacturers, they will rather mothball some capacity rather than lower prices.

In Drewry’s opinion, even though the Covid-19 pandemic will result in a decline in the size of the container equipment fleet in 2020, newbuild prices and leasing rates are expected to firm. A strong recovery in trading volumes in 2021 will reinforce this situation.
SEA FREIGHT - IMPACT ON THE MARKET AS AT 1st OF MAY 2020

- COVID-19 outbreak
- Scrubber installations due to IMO 2020
- China’s extended Lunar new year holidays
- Blank sailings

An additional 19 sailings have been withdrawn on the Transpacific, Transatlantic & Asia-North Europe/Mediterranean trades in week 22 (25-31 May 2020), bringing the total of blank sailings in May to 82 cancellations as opposed to 457 scheduled sailings for this period (18%).

The Alliance has the highest number of cancelled sailings during this period (34%), followed by 2M (30%) & Ocean Alliance (21%). Transpacific Trade is the most affected by the reduction of capacity with 45 blank sailings, which represents 55% of the total blank sailings in May’20, followed by Asia-North Europe & Mediterranean trade 34%, and Europe & Mediterranean-North America trade 11%.

Overall the number of cancellations has decreased from April’20 to May’20 by 12%, apart from the Transpacific trade where we see an increase of cancelled sailings by 32%.
<table>
<thead>
<tr>
<th>Trade Lane</th>
<th>Highlights</th>
<th>Upcoming 12 weeks (Y/Y)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia - North Europe</td>
<td>In the Asia-North Europe trade lane the weekly capacity decreases drastically in week 18 and 20, and increases significantly in week 28 and 29, as twelve blanks will occur in week 18 and 20. On the backhaul, the weekly capacity increases significantly in week 22, and decreases drastically in week 23, 24 and 26.</td>
<td>-9.9%</td>
</tr>
<tr>
<td>Asia - Mediterranean</td>
<td>In the Asia-Mediterranean trade lane the weekly capacity decreases drastically in week 19 and 20, and increases significantly in week 28 and 29, as nine blanks will occur in week 19-20. On the backhaul, the weekly capacity increases significantly in week 18 and 19, and decreases drastically in week 24 and 25.</td>
<td>-19.6%</td>
</tr>
<tr>
<td>Asia - North America East Coast</td>
<td>In the Asia-NAEC trade lane the weekly capacity decreases significantly in week 19, and increases drastically in week 28, as six blanks are expected for week 19.</td>
<td>-4.1%</td>
</tr>
<tr>
<td>Asia - North America West Coast</td>
<td>In the Asia-NAWC trade lane the weekly capacity decreases significantly in week 20, and increases drastically in week 29, as ten blanks are expected for week 20. On the backhaul, the weekly capacity increases drastically in week 19, and decreases significantly in week 20.</td>
<td>-16.5%</td>
</tr>
<tr>
<td>Asia - East Coast South America</td>
<td>In the Asia-ECSA trade lane the weekly capacity decreases significantly in week 20, and increases drastically in week 27, 28 and 29. On the backhaul, the weekly capacity increases significantly in week 18, and decreases drastically in week 25, 27 and 29.</td>
<td>-20.6%</td>
</tr>
</tbody>
</table>
### Highlights

**Upcoming 12 weeks (Y/Y)**

<table>
<thead>
<tr>
<th>Trade Lane</th>
<th>Capacity Change Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America East Coast - East Coast South America</td>
<td>In the NAEC-ECSA trade lane the weekly capacity decreases significantly in week 18 and increases drastically in week 27. In the ECSA-NAEC trade lane the weekly capacity increases drastically in week 18, and decreases significantly in week 19.</td>
<td><strong>4.8%</strong></td>
</tr>
<tr>
<td>North Europe - East Coast South America</td>
<td>In the North Europe-ECSA trade lane the weekly capacity decreases significantly in week 19, and increases drastically in week 20 and 29. In the ECSA-North Europe trade lane the weekly capacity decreases drastically in week 23, and increases significantly in week 26.</td>
<td><strong>2.4%</strong></td>
</tr>
<tr>
<td>North Europe - North America East Coast</td>
<td>In the North Europe-NAEC trade lane the weekly capacity decreases significantly in week 18, and increases drastically in week 25 and 27. In the NAEC-North Europe trade lane the weekly capacity increases significantly in week 18, and decreases drastically in week 21.</td>
<td><strong>-3.7%</strong></td>
</tr>
<tr>
<td>Mediterranean - North America East Coast</td>
<td>In the MED-NAEC trade lane the weekly capacity decreases significantly in week 19, and increases drastically in week 27. In the NAEC-MED trade lane the weekly capacity increases significantly in week 18 and 28, and decreases drastically in week 19.</td>
<td><strong>4.6%</strong></td>
</tr>
<tr>
<td>Europe - North America West Coast</td>
<td>In the Europe-NAWC trade lane the weekly capacity decreases in week 20, and increases in week 21. In the NAWC-Europe trade lane the weekly capacity decreases significantly in week 22, and increases drastically in week 28.</td>
<td><strong>-4.8%</strong></td>
</tr>
</tbody>
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