MARKET UPDATE

FEBRUARY 2022

noatum logistics

EXECUTIVE SUMMARY

The rise and spread of the Omicron variant in many countries, confirms that the end of the pandemic is not yet on the horizon yet and while conditions may be improving in some regions, we expect that operations across all transport modes will continue to be disrupted and far from normal for the time being.

The continuous lack of sea freight capacity is keeping the gap between supply and demand at all time highs. Carriers calculate that there is 15-20% less sea freight capacity available, due to vessels being tied up through port congestion and other schedule delays.

Omicron is directly impacting air freight operations globally, with flight cancellations, lockdowns and labour shortages for airline staffing and cargo ground handling operations, as well as travel restrictions.

Ocean Freight

The anticipated slow down in the ocean freight market, ahead of the 2022 Lunar New Year holidays, has been added to by the Omicron outbreak in China impacting production schedules, with factories looking to slow down early this year.

- Softening prior to CNY has prompted carriers to void multiple sailings
- Freight rates showing slight increase
- Fuel and surcharges are rising and set to go higher in 2022
- Space and equipment availability remains tight and challenging to secure
- Schedule reliability still not great, with +5-8 days on average transit
- Delays now are mainly being caused by inefficiencies on the land-side

Air Freight

Demand for air freight continues to grow, amid a continuing congested ocean market and capacity will remain tight, with volatile conditions expected for the short term. More ocean to air conversions, maintenance breaks for freighters, and the effects of Omicron on airline staffing are contributing to overall market congestion, that may lead to higher prices and longer transit times

- Rates have softened slightly going into the new year, but anticipate increases after CNY
- Fuel costs increasing and expected to keep rising
- Capacity reduced due to ongoing Covid outbreaks
- Main air freight options are still via freighters and regional hubs like the Middle East
- Congestion and delays at main hubs still in play
- Hong Kong COVID restrictions slash capacity

Overland (Road/Rail)

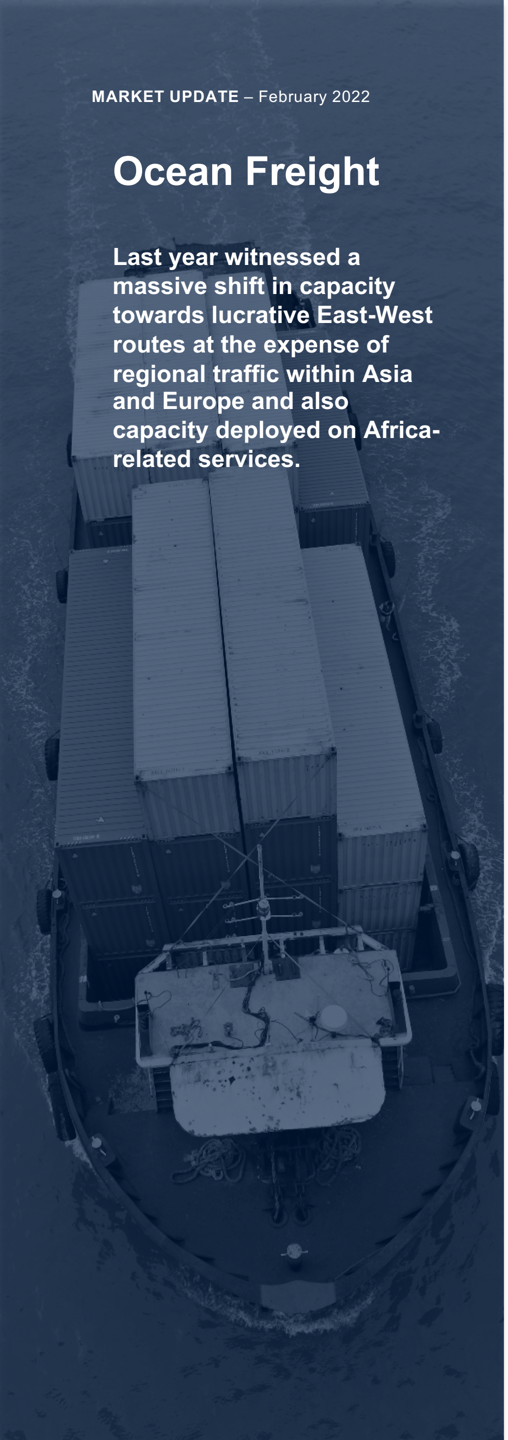
The European Road Freight Rate Benchmark reached record highs three times last year and shows few signs of relaxing soon.

Rail congestion increased again in the lead up to the CNY Holidays, with the lockdown of Xian City, ocausing the main congestion. There is ongoing disruption in Brest, Belarus and Malaszewicze, Poland, which is increasing transit times from China, with a minimum of 25-35 days to Germany.

- Road haulage rates still increasing
- Road fuel surcharges being imposed at higher levels
- Ongoing truck driver shortages contributing to delays in delivery and transit times
- Train cargo space tight pre CNY due to lockdown of Xian City, a primary rail gateway
- Transit times extended with congestion at various hubs
- Rail is unpredictable. Please contact us for updates

MARKET UPDATE – February 2022

Ocean Freight



Last year witnessed a massive shift in capacity towards lucrative East-West routes at the expense of regional traffic within Asia and Europe and also capacity deployed on Africa-related services.

At the start of this year, 22% of the total container fleet was deployed between Asia and North America, up from 17.5% on 1 January 2021.

Carriers added 1.30 Mteu of capacity over the course of last year, but not to meet a corresponding surge in cargo demand. This extra tonnage was not needed to cope with a corresponding surge in cargo demand, but to compensate the huge efficiency loss as many ships faced long waiting times at anchorages, particularly outside the west coats ports of Los Angeles and Long Beach.

The Asia/North America capacity upgrades came at the expense of the intra-Asian trade, with 331,200 TEU slots removed, representing a capacity reduction of 10.8%. Liner offerings to and from Africa had a capacity reduction of 6.4% and the intra-European trade had a reduction of 4.5%.

The capacity on the Asia to Europe trade increased by 10.2%, largely due to the delivery of 16,000—24,000 teu new builds, with 21.7% of the cellular fleet deployed, up from 20.6% on 1 January 2021. This means that 43.7% of the total fleet is now trading in the two biggest East-West trades, up from 38.1% year-on-year.

Market

Ongoing blank sailings and port omissions, followed by last minute vessel sliding reduce the overall capacity in the market and remain an industry-wide challenge.

Current Covid-19 travel restrictions mean fewer workers travelling home for the LNY holidays and while we may not see the traditional levels of closures, carriers have still announced actions to reduce capacity in February.

Space and equipment remains tight, as a result of frequent service changes and congestion at various ports and more delays may be expected in Q1 due to LNY blank sailing arrangements by carriers.

Rates

The SCFI made a new all time high in Jan 2022. Bunkers are on the rise and set to go higher, while UK Fuel surcharges are also on the increase.

Carriers are starting their roll-pool strategy and implementing multiple blank sailings in February, though market rates in the first half of February should remain stable, as adjustments are not traditionally made during the holiday period.

Ocean Freight

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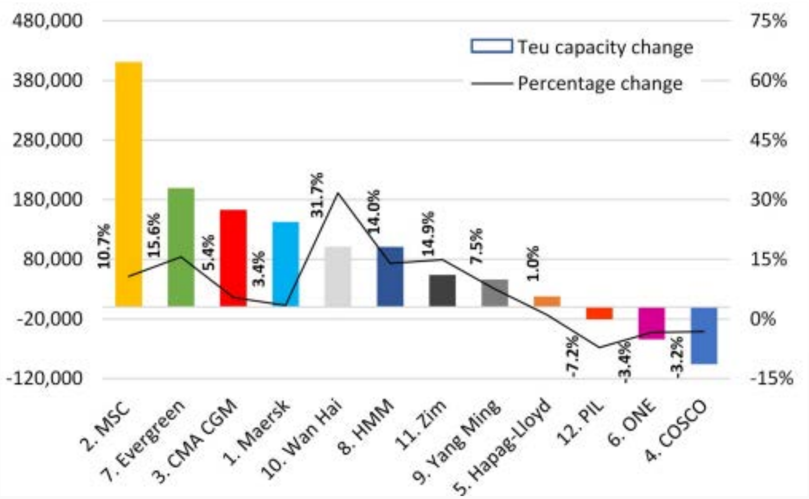


Shipping lines

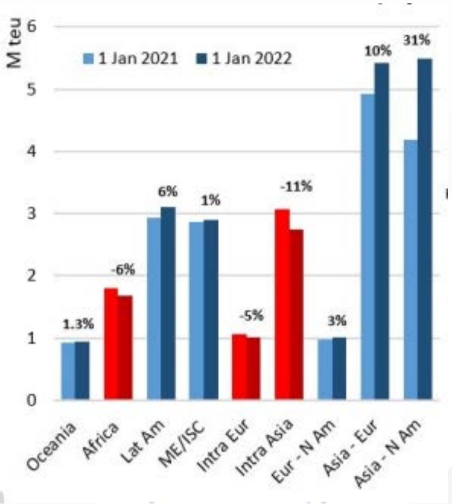
The dynamics of supply and demand observed in the container charter market throughout 2021, with a chronic lack of ships and carriers desperately looking for tonnage, remain very much in place, in the context of a continuously disrupted supply chain.

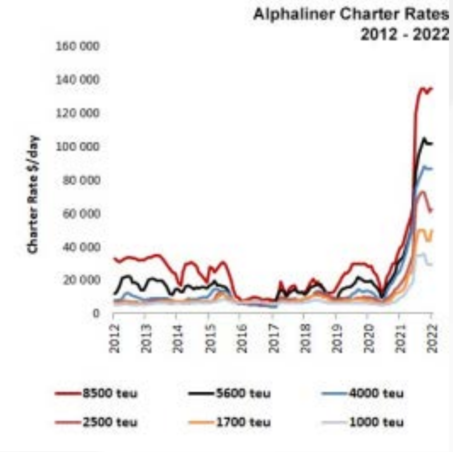
Charter rates meanwhile continue to evolve at historic highs across the board, and, after a pause, have started rising again, particularly in the 1,700-2,800 teu sizes.

It is unlikely that the charter market will soften until at least the second half of the year and charterers will continue to struggle to find tonnage to charter, having little choice but to accept the terms offered by NOOs.

The alternative will be to buy ships, but increasingly pricey assets and a shrinking availability of quality tonnage is making this option less appealing for some carriers, particularly the smaller ones.

On the 5th of January 2022, MSC became the world's largest container carrier, with 645 ships and an overall slot capacity of 4.28 MTEU, just 1,888 TEU ahead of the now 2nd placed Maersk Group.





Air Freight

Thousands of flights have been grounded as winter storms rocked the US and IATA calls on governments to lift travel bans and restore cargo capacity.

The air freight market has remained volatile since December, with on going flight cancellations in January, due to local COVID outbreaks and the China CNY slow down starting early.

In response to stricter aircrew quarantine rules, Cathay Pacific has made substantial reductions to their long-haul freighter network for the first quarter (Q1), with NO flights operating to Europe.

The Chinese New Year holiday began on the 1st February and we are expecting airlines to cancel more flights during this period. At this stage, the impact of air cargo operations is unpredictable, but it is expected that any disruption will pile further pressure on air cargo supply chains and of course elevate rate levels.

Market

Air freight's traditional new year peak, has been softer than expected, but the market is seeing some capacity declines as airlines battle COVID, 5G and Chinese restrictions.

Volumes are being impacted by production issues and the Olympics and while the market started to pick up in the second half of January, it has not been as strong as expected.

COVID continues to affect airline operations and not just staff on the ground in Hong Kong and China, but also in the US and Europe.

There are big volumes ready to ship in the first quarter, but they are waiting for the Chinese New Year peak and rates aren't coming off as much as anticipated.

Key shipments of test kits and COVID-related cargo are expected to move in February and March, which will be competing for capacity with general cargo and with production ramping up after the new year holiday, expect demand to spike again.

Rates

Air freight rates out of China reduced from December highs until mid-January, when they began to rise ahead of the earlier-than-usual Chinese New Year.

Last year, rates began to rise nearly a month before the Chinese holiday in mid-February, and fell sharply during. A rise was not significant again until late March/early April.

Oil and jet fuel prices continue to trend upwards after a slight drop due to the spread of Omicron.

Air Freight

Main air freight options are still via freighters and regional hubs like the Middle East.

Carriers

Operational disruption due to unforeseeable regional COVID-19 outbreaks continue to impact carriers, eg Cathay Pacific's flight suspension fromHong Kong.

Country regulations are limiting carrier access to additional capacities, such as China's CAA regulation that freight cannot be loaded in the pax cabin of aircraft anymore.

The market is experiencing many freighter cancellations due to carriers converting to charter flights.

Singapore ground handling operations (SATS Gateway) are under massive pressure, due to a high infection rate of the Omicron variant.

The 5G network roll out in the US has been delayed minimising the impact on carrier operations.

Omicron continues to impact air freight operations globally and has resulted in flight cancellations, lockdowns, shortage in manpower as well as travel restrictions (e.g. FRA Hub).

Overland

Restrictions to contain COVID and the Omicron variant are continuing in some European countries and is, in part, directly or indirectly affecting the transportation of goods, while rail services from Asia continue to be unviable.

We have pre-defined contingency plans to keep cargo flowing and adapt our transport services to the prevailing circumstances and needs of our customers.

Due to rising infection rates, some European countries have imposed lockdown measures to minimise transmission. We monitor the situation closely, with our European office network, so that we can react swiftly to changing border situations due to regulations imposed by individual countries.

Chinese COVID control measures have resulted in queues and congestion at the road export borders of PingXiang and DongXing, with delays exceeding 30 days.

Circumventing the queues via rail services is still not recommended, due to significant delays and transit times that are entirely unpredictable.

Market

Road transport faced a new challenge as soon as the New Year began, with full customs checks on EU imports into the UK. As well as disruption at the border, this change is likely to lead to costs incurred through non-compliance.

Express van services will also come up against more bureaucracy from May 2022, when drivers will need a new licence to enter the EU.

Brexit and COVID continue to be the main challenges for the road freight industry. Brexit has not only caused many drivers to leave the industry, it has also resulted in much more red tape and delays whenever drivers cross borders.

Further changes in 2022 will require the logistics industry to adapt yet again and we could also see more delays in recruiting new drivers, as the new Omicron variant leads to more people quarantining.

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Overland

Driver shortages blight transport operations in the UK, Europe and US, while rail services from Asia are no longer viable.

Carriers

From the 2nd February UK operators of HGVs and vans traveling within the EU member states, Norway, Iceland and Liechtenstein for commercial purposes will need to register the journey on an online government website.

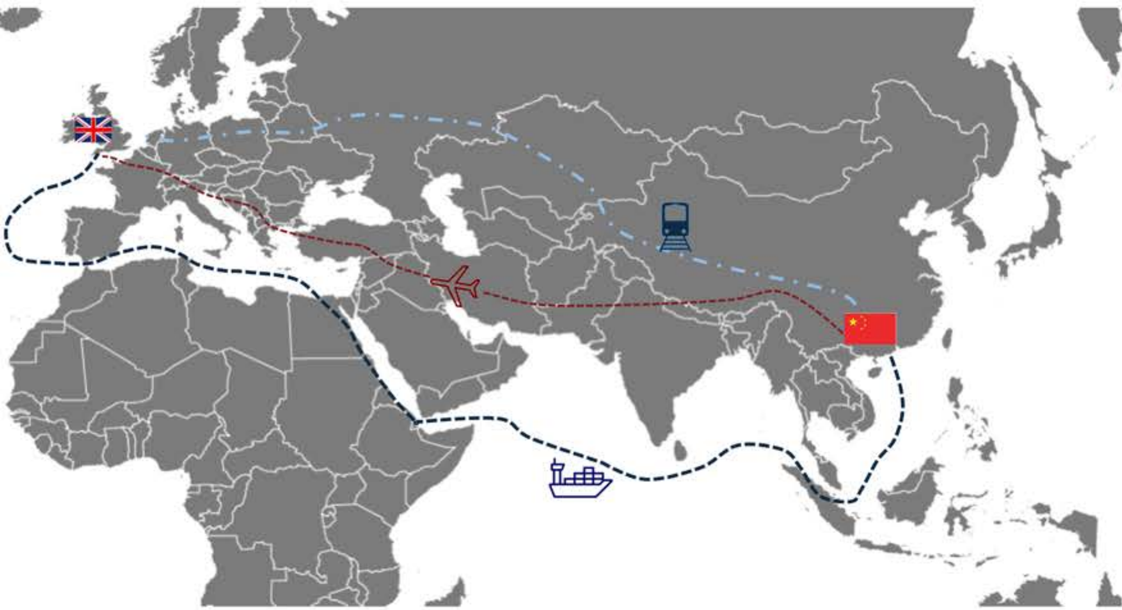
These Postings Declarations are required for any commercial journey between two points within this area and drivers must also ensure they are carrying certain documents in case the EU authorities should ask for them.

From May UK-based operators who use vans with an authorised mass between 2.5-3.5 tonnes now require a standard international goods vehicle operator licence to transport goods for commercial purposes.

Rates

Haulage rates are still being increased and fuel surcharges are also being imposed at higher levels.

Train operators floated reductions on their freight rates, for better promotion of rail transportation, but port congestion, especially in Europe, and service delays are expected to create headwinds for service schedules.



*based on Shanghai base ports

AIR

Pre Covid Port to Port Transit	Pre Covid Dwell at Origin	Current Port to Port Transit	Current Dwell at Origin
1 – 2 Days Direct	1 – 2 Days	7 – 10 Days No Direct	3 – 5 Days

OFR

Pre Covid Port to Port Transit	Pre Covid Dwell at Origin	Current Port to Port Transit	Current Dwell at Origin
32 Days	4 – 5 Days	40 – 50 Days	1 – 2 Weeks

+ Additional 5 - 7 Days Dwell at destination

RAIL

Pre Covid Ramp to Ramp Transit	Pre Covid Dwell at Origin	Current Ramp to Ramp Transit	Current Dwell at Origin
20 - 22 Days	4 – 5 Days	50 – 60 Days	1 – 2 Weeks

noatum logistics

www.noatumlogistics.com
info@noatumlogistics.com

North America
Chicago, IL

T +1 773 824 2386
infous@noatumlogistics.com

North Europe
London, United Kingdom

T +44 1784 480 100
infouk@noatumlogistics.com

South America
Lima, Peru

T +51 1 615 76 76
infosa@noatumlogistics.com

East Med
Istanbul, Turkey

T +90 216 422 85 85
infoem@noatumlogistics.com

Asia
Hong Kong

T +852 2410 6900
infoas@noatumlogistics.com

West Med
Barcelona, Spain

T +34 93 298 77 77
infowm@noatumlogistics.com