



ADVISORY: MARKET OUTLOOK

AIR | OCEAN | RAIL

SCAN GLOBAL
LOGISTICS

DECEMBER 1, 2020 #2

Business as Unusual – Navigating through the perfect storm

Dear Customer,

Following up on our advisory issued in week 47, the short sum up is that the critical situation within the global ocean, air and rail market continues and with no immediate outlook of any form of stabilization.

We still expect the situation to last minimum until we have passed Chinese New Year in February 2021. For the same reason we continue to encourage constant dialogue with our customer teams to ensure prioritization of your most critical shipments.

As also highlighted in our previous advisory it is assessed that surcharges, premiums and general rate increases are here to stay for the short and mid-term, and for this reason we recommend including this into your 2021 financial forecasting.

As always, we wish to emphasize that we remain confident in our ability to find solutions to the challenges presented to us. There is no one-size fits all solution and the market overall remains very volatile, however the pro-active and constructive dialogue we experience every day is making a true difference in terms of finding the optimal solutions.

We recommend that you take special notice of our traffic light update included in this advisory, where there are a few, yet important changes.

Enjoy the reading!

OCEAN FREIGHT

As a consequence of the supply and demand situation heavily favouring the supply side, ocean rates have continued to skyrocket, setting new records on a weekly basis. This situation is this essentially driving forward a bidding war behaviour where accepting premium rates will allow you to get the needed capacity.

Within ocean freight the root cause continues to be a global shortage of container equipment. This is in large owed to four main factors.

- A surge in consumer demand that has caught all by surprise as an economic downturn was expected.
- The wave of blank sailings introduced by ocean carriers during 2020 has impacted the repositioning of empty container equipment, ultimately leaving equipment stranded in the wrong locations.

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- Unstuffing of full containers is taking longer than expected as many customers do not have the workforce in place to keep up with the number of inbound containers.
- Finally, the equipment shortage is fundamentally also rooted in a year-long under investment in new container equipment, and while production of new container equipment is increasing rapidly, it will take time before this will have an effect.

Some analysts predict that ocean carriers will continue to use the instrument of blank sailings to manage capacity, with the ultimate aim of maintaining current levels. As a result of this, there is an increasing regulatory focus from both Chinese and US authorities on the practise of purposely managing supply and demand. It is however not expected that this will change the *rules of the game* short and mid-term.

AIRFREIGHT

Within the airfreight market the trend of a volatile year of 2020 continues and on top the mammoth task of distribution of COVID-19 vaccine looming in the horizon. Capacity continues to be low compared to demand, with this playing its part in sustaining very high rate levels as well as its causing frequent delays and cancellations.

Illustrating the continued dynamic situation within airfreight, we now also increasingly see an impact on imports to US from both Europe and Asia which so far has been less impacted compared to other trades. A building of backlogs in major hubs is apparent ultimately causing schedule disruption as well as flight cancellations.

RAIL FREIGHT

For Rail freight the outlook mirrors ocean freight, as the situation of container equipment shortage is as ever present and challenging. As a natural consequence rate levels have surged within this transport mode as well.

We can see a positive effect by placing bookings well in advance with this giving us the opportunity to research all potential options in the market.

On behalf of

Scan Global Logistics

Mads Drejer, COO for Air, Ocean and Rail Freight



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OCEAN FREIGHT

TRADE UPDATES	SPACE (CAPACITY)	EQUIPMENT	SCHEDULE RELIABILITY	PRICE DEVELOPMENT
Asia-Europe (Westbound)	●	●	●	↑
Europe-Asia (Eastbound)	●	●	●	→
Europe-US	●	●	●	→
US-Europe	●	●	●	→
Asia-US	●	●	●	↑
US-Asia	●	●	●	→
Intra-Asia (incl. AU)	●	●	●	↑

COLOR CODES



SPACE (CAPACITY)

70%-100%
of normal capacity

30%-69%
of normal capacity

Less than 29%
of normal capacity

EQUIPMENT

No challenges

Medium challenges

Major challenges

SCHEDULE RELIABILITY

No challenges

Medium challenges

Major challenges

PRICE DEVELOPMENT

↑ Up

→ Stable

↓ Down



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