



# ADVISORY: MARKET OUTLOOK

AIR | OCEAN | RAIL

SCAN GLOBAL  
LOGISTICS

January 12 2021 #1

## The records keep tumbling!

Dear customer,

If anyone had a small hope that the Christmas holidays would bring some relieve to an overheated global transportation and logistics sector these hopes have quickly faded away. For that reason, we will continue to keep you updated and encourage you to keep a close dialogue with us to find the needed solution.

**Airfreight** has to a large extent entered a new normal in comparison with the situation in most of 2020. Rate levels will remain elevated from a historic perspective as belly-hold capacity is only increasing slowly. This situation is only expected to change when we enter the second half of 2021 where passenger flights are expected to resume to a significant higher level.

Traditionally the coming period up to Chinese New Year period implies a strong pressure on capacity to ensure all volumes are lifted ahead of factories in China closing down. This is also expected this year, we do however foresee a stable operation where solutions can be found.

The effects of the COVID-19 vaccine (COVAX) distribution have not hit the airline markets yet, with many of the vaccines being produced in close proximity to distribution points. This is however expected to change once COVAX distribution goes truly global and multiple vaccines are in full use.

**Ocean freight** remains dire and borderline chaotic. Operational disruptions are apparent across all geographies with no immediate expectation that the situation will improve.

What now remains to be seen is the mid and long-term effects, in particular when it comes to the trading relationship between carriers, customers and forwarders. We foresee an increase in interest, and demand for long-term agreements with firm and secure mutual commitment in place with a lesser degree off speculation. The current level of supply chain disruption is unsustainable for all parties and this will drive a different behaviour in the years to come.

For **rail freight** the outlook mirrors ocean freight.

Enjoy the following in-depth description of the transport modes or go directly to the traffic lights at the end where a number of updates have been made.



## OCEAN FREIGHT

### Equipment shortage

The equipment shortage issue remains most critical in Asia and especially China, with more or less all major ports affected by the current situation.

What started as a container equipment challenge amongst other due to a high number of cancelled sailings from all carriers has turned into a full blown 360 supply chain crunch. There is a lack of especially 40' equipment, vessel space is scarce, and this topped off with inland congestion impacting container pick-up and loadings.

### Rates

As a natural consequence rate levels keep setting new records illustrated by a new record on the Asia-Europe trade clocking in at USD 4452/TEU. For shipments ex Asia to Europe where guaranteed loading is needed it is now no longer unusual to pay in excess of USD 13.000/40'.

We do however assess that we are at a rate tipping point as we head into the Chinese New Year period. It is expected that rates will drop significantly in March, albeit settling at levels that are significantly higher than same period 2019. This is validated by the full year contract season that has commenced, where indications of a return to a more stable market is clear both rate and capacity wise.

For Export to Asia from both Europe and US, rate levels have stabilized although at a higher level compared to 2019.

From US there is a growing trend that equipment is returned empty to Asia instead of waiting for full container loadings, simply to ensure equipment is returned to Asia as quickly as possible.



## AIRFREIGHT

The turn of the new year on the airfreight side marked a modest softening ex Asia with spot rates slightly decreasing, however rate levels remain at a high level and a significant pressure on capacity remains.

### Capacity

The trend of a steady increase in capacity continues, however still some 20 % below same period one year ago. The last 2 weeks of December though marked the first weeks of 2020 where global volumes were higher than the comparable period in 2019 offering the first sign of full recovery to pre-COVID-19 levels.

As expected, technology launches during Q4 has been a major contributor to the high level of demand, as well as many customers have chosen to boost inventories ahead global distribution of COVID-19 vaccine with this expected to impact available supply in Q1 2021 and onwards.

### Rates

Mirroring the situation on ocean freight, rates ex Asia to Europe are at a significantly higher level vs. Europe to Asia evidenced of Asia-Europe rates being 4 times higher according to the latest TAC index. The same picture is evident on the US trade where rates from Asia-US are 2.5 times higher than from US-Asia.

For the global distribution of COVAX it is expected that governments around the world will be willing to pay higher for the available capacity leaving traditional airfreight customers at a disadvantage.

We overall expect a slight softening of rate levels for the foreseeable future as well as a capacity situation from Asia-Europe improving hence we have updated traffic lights from red to yellow accordingly.



## **RAIL FREIGHT**

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.

This information is given to the best of our knowledge and is prone to change.

On behalf of

Scan Global Logistics

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COO Air, Ocean & Rail



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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**

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- 
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**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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## AIR FREIGHT

TRADE UPDATES	SPACE (CAPACITY)	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)

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of normal capacity

30%-69%  
of normal capacity

Less than 29%  
of normal capacity

### SCHEDULE RELIABILITY

No challenges

Medium  
challenges

Major challenges

### PRICE DEVELOPMENT

↑ Up

→ Stable

↓ Down



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## RAIL FREIGHT

TRADE UPDATES	SPACE (CAPACITY)	EQUIPMENT	SCHEDULE RELIABILITY	PRICE DEVELOPMENT
Asia-Europe (Westbound)	●	●	●	➡
Europe-Asia (Eastbound)	●	●	●	➡

### 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