**GLOBAL SHIPPING UPDATE : May 23 2020**

Source: www.agility.com/insights/COVID19/

**Air Freight Update**

* **Global air cargo capacity was 26% below levels for the same week in 2019**, according to Seabury. Eastbound Transpacific cargo capacity was 4% ahead of 2019 levels; Asia-Europe down 10%; Asia-Latin America down 13%. But capacity along Transatlantic lanes was significantly below 2019 levels, Seabury reports.
* **Seabury says week-to-week capacity increases are being driven by passenger-freighters.**Freighter capacity remains stable; widebody belly capacity is growing, particularly along routes to/from Asia.
* **European air cargo capacity has increased only 7% since mid-April,**according to Seabury.
* **Transatlantic belly capacity is off 81% since February and shows no sign of recovery,** Seabury says. Transatlantic freighter capacity, now stable, has increased only 8% since early February.
* **Seabury reports that Intra-Asia belly capacity increases have been strongest at Shanghai (PVG), Incheon (ICN) and Tokyo-Narita (NRT), and mostly flat at other Asian airports, such as Taipei (TPE), Hong Kong (HKG) and Singapore (SIN).**
* **Airport congestion is slowing the growth of China outbound freighter capacity.**Among those airports most affected by congestion are Shanghai Pudong International Airport (PVG) and Chongqing Jiangbei International Airport (CKG), Seabury says. Other Asian airports are not as severely affected.

**IATA Issues New Guidelines for Safe Transport of Cargo in Passenger Cabins**

* The International Air Transport Association (IATA) has issued [new guidelines](https://www.iata.org/contentassets/094560b4bd9844fda520e9058a0fbe2e/guidance-safe-transportation-cargo-passenger-cabin.pdf) for the safe transport of cargo in the cabins of passenger aircraft. Airlines around the world have been using their widebody aircraft for cargo-only flights that use belly space to move air shipments. Now some wish to use passenger cabins to carry additional air freight.
* IATA’s guidelines include recommendations and a detailed safety risk assessment for carriers. A letter about the new guidelines from IATA’s CargoIS team is [here](https://knowledge.cargois.iata.org/hc/en-us/articles/360046413293-Safe-Transport-of-Cargo-in-Passenger-Cabin-IATA-Guidelines-).
* IATA has added an [Airlines Cargo Operations Status](https://www.tact-online.org/covid-19?Dir=&Sort=&carText=Qatar&car=&ost=Normal&ost=Pending+Airline+Information&ost=Service+Suspended&ost=Some+service+impacts&ost=Unknown&submit=search) page that offers status updates for nearly all of the world’s cargo carriers. On the page, which is searchable by carrier, operations are classified as Normal, Pending Information, Status Suspended, Some Service Impact, and Unknown.
* IATA last week released its second [COVID-19 Air Cargo Impact](https://knowledge.cargois.iata.org/hc/en-us/articles/360046978314-2nd-Edition-COVID-19-Air-Cargo-Impact-Report-Focus-on-CN-HK-DE-US) report, focusing on market dynamics in mainland China and offering analysis of Hong Kong, Germany, the US and other key cargo markets.

**Asia Pacific**

**Cargo Impact:**

* **Declines on all Asia routes:** Wide-body capacity decreases have taken place across all routes to and from Asia-Pacific, according to Seabury.
* **Declines at all key cargo airports:** All major Asian airports are showing declines in cargo capacity. Hong Kong, Shanghai and Beijing show the largest declines in cargo capacity.
* **Continued pressure on China outbound and inbound, but with some signs of recovery:** Outbound air freight capacity is under tremendous pressure among all mainland China export markets as production resumes and passenger flight cancellations are sustained. A trend of ocean-to-air conversions exacerbates pressure on capacity outbound China. However, more freighters are entering the market.
* Customers may want to explore alternative transport models (Sea/Air option or Cross-border truck).
* Inbound capacity constraints from Europe, the Americas and the Middle East continue as all regions have reduced passenger operations to China.
* **Unprecedented rate surge on intra-Asian lanes**: Massive capacity reduction resulting from passenger flight and freighter cancellations. Air freight rates on Intra-Asia lanes are extremely high, volatile and have been increasing rapidly, which are in turn constraining the long-haul export capacity to both Europe and US.
* **Hong Kong**: Intra-Asia lanes are experiencing heavy congestion from South China, but the export market from Hong Kong to Europe and US is picking up gradually. We have seen a sharp increase in rates to both Europe and US triggered by new entry restrictions; charter rates have surged.

**Europe**

**Cargo Impact:**

* **Cargo-only “passenger” flights compensate for a small portion of lost belly capacity.** As per Seabury’s latest report, more than 20 carriers have announced cargo-only flights with passenger aircraft; but even if all passenger flights only carried cargo, their current belly capacity would still be 75% lower than it was in January
* **Europe – US:** Capacity shortages and considerable increases to spot price rates. Space available with constraints.
* **Europe – China:** Significant capacity constraints and surge in rates.
* **Europe – South East Asia:**Significant capacity constraints in Europe- South East Asia trades due to the reduction in passenger flights. Rates are soaring.
* **Europe-Middle East:**Significant capacity constraints and high rates.

**Ocean Freight Update**

**General Updates**

* The biggest current impact of COVID-19 is on space and container availability throughout the world.
* Due to reduced volumes, resulting from the fast spreading Coronavirus and a corresponding collapse in demand throughout numerous key markets, the ocean carriers have reacted by pulling out capacity in the form of additional blanks sailing and by eliminating complete strings, reducing total capacity by 50%+ in some large volume trades. These reduced capacities have resulted in an upheaval of traditional container positioning patterns, and we are seeing a number of shortages of equipment and space to accommodate the still robust trades, such as Europe to Far East.
* It is very difficult to predict how these patterns will develop over the next few weeks and months, as a number of countries have stopped all commercial containers coming in and out of the country during these extended lockdown periods. We expect carriers to apply Equipment Repositioning Charges/Fees and Peak Season Surcharges where commercially feasible during Q2 2020 and beyond.

**Asia Pacific**

**Export Volumes are under pressure**

* The shutdown of most countries in the region have resulted in lower demand. Consequently, the numbers of blank sailings have peaked, resulting in substantial reduction of capacities on major trade lanes.
* Volumes started to decrease in April and we expect a similar trend in May.
* Production in China has returned to normal, however the cancelled orders and the missing new orders from overseas are keeping volumes at a lower level than usual.
* **Asia to North Europe and Mediterranean:** With current utilization levels at 90% and above, supply and demand are balanced. Additional blank sailings and service suspension for the 2nd quarter have been announced. We are seeing capacity constraints on some occasions.
* **Transpacific:** Carriers have adapted the supply to the lower demand by reducing capacity to USWC and USEC substantially, leading to high utilization of vessels and even space constraints.
* **ME, Indian Subcontinent, Intra-Asia:** Capacity reductions during recent weeks are keeping rate levels to the Middle-East, Pakistan and South East Asia high, with utilization above 95%.

**Ports Operations and Carriers**

* In general, ports are open and operational with some countries suffering from congestions due to idling import cargo (Philippines, India and Bangladesh).
* Carriers are operating as normal, very few still with flexible work-from-home arrangements.

**Trucking capacity**

* In countries under lockdown, trucking capacity remains impacted due to the lack of drivers and restrictions on inter-provincial transportation. Most Container Freight Stations (CFS) are open and operational, but shippers are advised to check for cargo acceptance in advance.

**Europe**

**Expected Asia Eastbound constraints for May, including Middle East/Indian Sub-Continent and Oceania trades**

* In response to the COVID-19 effect in Europe, carriers have announced service suspensions and further blank sailings.
* The operational service options are limited driven by the large blank sailing schedule.
* Some carriers have also introduced routing around the Cape of Good Hope leading to an additional transit time of 5-7 days on certain services. It allows them to avoid paying the canal fee through the Suez Canal and ease congestion at customers’ warehouses for inbound cargo from Asia.
* Due to capacity constraint, space continues to be tight throughout May and June
* Carriers continue to impose Peak Season Surcharges of $200-$350 per container.

**Equipment shortages**

* Most of the carriers have announced Equipment Imbalance Surcharges for areas where shortages are especially acute.
* The lack of dry equipment availability has improved but shortages of reefer equipment remain in various locations throughout Europe.

**European port operations and shipping lines:**

* All ports are functional and operating at 60%-80% due to reduced work force.
* Shipping lines have implemented business continuity plans and announced that skeleton crews will do essential work in their offices with the rest of the staff working from home.
* Some carriers have introduced slow steaming on certain strings with additional transit times of up to 5 days to ease congestion at customers’ warehouses for inbound cargo.