

AIR MARKET UPDATE

March 2022



CURRENT STATE

In YoY terms, available cargo ton-kilometers (ACTKs) rose by 11.4% in February, slightly below the 12.6% increase in January. Although the slowdown in capacity growth was lower than that of CTks, it played a key role in weak outcomes. Indeed, seasonally adjusted, ACTKs dropped by 7.5% MoM, the worst performance since April 2020

Due to the ongoing conflict between Russia and Ukraine, air rates and fuel surcharges are increasing weekly. Last week the Platts Fuel Index was +800. This is the highest level in years, and some expect the Index to hit possibly 1000.

Most carriers have ceased all flights into and out of Russia. All Russian-based carriers have been banned from flying into the U.S. and Canada, and many other countries in Europe.

Due to COVID - Omicron Variant, all cross-border trucking from HKG to S. China has been severely affected; drivers must quarantine for 21 days if positive. Our offices have advised us to look for alternate routes until further notice.

Alternative routes out of China, in particular sea-air, are expected to see a surge in bookings following news that the country is to close Shanghai Pudong (PVG) Airport to inbound passenger flights.

The CAAC said on Friday that all inbound international passenger flights from Thursday would be diverted to 13 other cities for six weeks in a bid to stop the spread of new COVID cases.

MARKET FORECAST

There will likely be broader knock-on effects from the Ukrainian crisis for the haulage industry, warned pan-European air freight road feeder services (RFS) provider, Wallenborn Transports.

However, it said it has yet to feel any negative impact on its business from the war in Ukraine. The latest elements [of the package] require drivers to return to their home countries after three weeks and trucks to return (mostly empty) to base every eight weeks. If all operators comply with the legislation, we estimate available truck capacity will be reduced between 10% and 15%.

Airfreight capacity has indeed shrunk, according to the first data following Russia's invasion of Ukraine and the consequent restrictions on Russian and other airlines. North-East Asia – Europe capacity has shrunk by up to 22% in the last week, compared with the week before.

According to Clive Data Services, load factors have risen 1.5% and are now at 84% while – as expected – rates have risen.

There has also been a rash of cyber attacks. Unprecedented opportunities for catastrophic disruption, it seems that the European logistics chain is not, so far, a prime target for Russian cyber-attacks, as many had feared.

RED
Demand exceeded capacity available. Rates increased.

YELLOW
Demand higher and or capacity is limited. Rates increasing.

GREEN
Both demand & capacity are at normal levels.

IMPACTED IMPORT MARKETS


DEMAND & CAPACITY

ORIGINS	WEEK#	N. AMERICA	LATAM	EMEA	INDIA	N. ASIA	S. ASIA
	N. AMERICA						
LATAM							
EMEA							
INDIA							
N. ASIA							
S. ASIA							

IMPACTED EXPORT MARKETS

ORIGIN REGION	DESTINATION REGION	STATUS	SPECIFICS
N. America	LATAM		Capacity is starting to ease up as more flights come back online as COVID restrictions relax. That said, rates are still above pre-COVID levels. We anticipate the rates to drop in March 2022 somewhat. With summer schedules starting in late March, we should see a slight rate reduction and added capacity.
	N&S ASIA		Space is starting to get much better into ICN/HKG/NRT. There is a lack of capacity for other parts, primarily SIN/KUL/SGN; however, as COVID restrictions start to relax, we hope to see more flights come back into operation. Due to COVID breakouts, PVG has stopped all passenger flights, and Shenzhen also reported lockdowns through March 20. Last week, trucking from HKG to South China stopped due to COVID.
	India		Currently, there is a significant spike in traffic going to BOM at much higher levels; demand exceeds current capacity. Bookings can be up to 8 days out. As for other destinations, HYD space is not as backlogged compared to BOM rates which are changing weekly—leaving this as a red lane.
	US Domestic		Capacity is opening as more carriers continue to add more flights back into rotation with the omicron subsides.
LATAM	N. AMERICA & India/S. Asia		No change: Slowly seeing capacity coming back into all markets as carriers reintroduce flights suspended due to COVID. Though not at 100%, it has increased closer to 75%. We expect this positive trend to continue barring any further COVID outbreaks.
EMEA	N. AMERICA & LATAM		Capacity crunches due to the Ukraine crisis, rates into LATAM and Americas doubled – also several carriers increased their fuel surcharges.
	Asia		Capacity crunches due to the Ukraine crisis, rates into Asia tripled to some locations due to detours the airlines need to take because of the closed airspace in Russia. Also, several carriers increased their fuel surcharges.
INDIA	All Regions		Capacity continues to be constricted into all regions. 2 to 3 days of advanced bookings are required. Rates to all areas have increased.
N. ASIA	All Regions		Still experiencing stricter quarantines. Capacity into all markets has eased as demand has softened after CNY.
S. ASIA	All Regions		SIN SIN, HKG, TPE into India, USA, Europe, Africa, and all regions are operating at normal capacity post CNY. However, capacity exit AU is still tight in all markets.

ORIGIN REGION	STATUS	SPECIFICS
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U.S.		<p>The issues with 3rd party carrier providers seem to be easing following the holidays. Though better still not at pre-COVID levels, cities affected include JFK, ORD, LAX, ATL, MIA, SFO, and DFW-IAH (to a lesser extent.) Some truckers are now even charging waiting times. Another issue is the 5G update that could affect both domestic and international flights into the US. This involves some 777 aircraft's ability to use the onboard computer to land and would have to be done manually. More to come.</p>
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