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# **MARKET UPDATE**

## **UK & International**

**FEBRUARY 2023**

## SNAPSHOT

### OCEAN:

Maersk and MSC will dissolve their 2M alliance, effective January 2025. [\[read more\]](#)

Chinese New Year brings blank sailings and equipment issues. [\[read more\]](#)

Major carriers are expecting delivery of hundreds of new container ships [\[read more\]](#)

### AIR:

Chinese new year slows down January's market momentum in China and South East Asia [\[read more\]](#)

Removal of China's COVID restrictions is seeing an increased demand of travel in and out the country [\[read more\]](#)

Reductions in fuel costs for some markets in February [\[read more\]](#)

### WAREHOUSING & TRANSPORT:

Significant shortages in the supply of medicines, particularly those used to treat flu and colds and drug shortages continue. [\[read more\]](#)

Logistics UK has raised concerns over the government's new Net Zero Review [\[read more\]](#)

### EUROPEAN TRANSPORT:

French strikes cause major disruption throughout the country [\[read more\]](#)

### ENVIRONMENTAL COMPLIANCE:

Virtual festival to ignite environment change in businesses to be held between 6-9<sup>th</sup> March [\[read more\]](#)



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## OCEAN FREIGHT GLOBAL MARKET OVERVIEW

### GLOBAL MARKET OVERVIEW

- Maersk and MSC will dissolve their 2M alliance, effective January 2025. The implications will be far reaching and the potential for supply chain challenges increased. As always, where there's challenges, there are opportunities. Changing in pricing may occur with Maersk and MSC pursuing their own differentiators. Capacity and fleet sizes and equipment inventories could change. New services will happen, and they'll be port-pair changes for both carriers. Lastly, what will the impact be on the other alliances? Will Maersk and MSC go it alone, or will they seek to enter new agreements? Time will tell, and the editorial team will follow this story closely. Whatever happens, we wish both carriers the best of luck and success in their future endeavours.
- Chinese New Year brings blank sailings and equipment issues as lack of Chinese imports to ISC results in less containers being repositioned and causes blank sailings in India Subcontinent (ISC) services. This is expected to continue into early February.
- While capacity is being removed as carriers implement blank sailings, rates continue to drop week over week.
- Spot rates which cover average of 30-40% ocean container shipments are in free fall as recession looms, inflation is sky-high and customer demand deteriorates.



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## OCEAN FREIGHT GLOBAL MARKET OVERVIEW

### GLOBAL MARKET OVERVIEW...CONTINUED

- With the container market facing a hard landing, carriers have reduced the number of orders for new vessels. Overcapacity could lead to price war, says one analyst.
- After nearly three years of self-imposed isolation, China reopened its borders on January 8th. People arriving from abroad will no longer have to quarantine. After opening the border on said date, China will have spent 1,016 days closed to the outside world. Dozens of countries placed restrictions on travellers from China, as covid-19 continued to tear through the country.
- Flexport announced it is trimming the number of staff it employees by around 20% in response to expected reduced volumes following increasingly challenging economic conditions. The note indicated that staff across the US, Canada, Europe, and Asia Pacific would be impacted by the redundancies.
- The Indonesian government is pursuing a significant increase in investment this year to spur economic growth and to compensate for a projected slowdown in export earnings and household spending.
- Engineering in Singapore will become much greener with the launch of a plan by the Institution of Engineers, Singapore to advance sustainability here by 2030. The institution hopes to develop sustainability solutions in collaboration with more than 30 government and partner organisations. This is in line with
- Major carriers are expecting delivery of hundreds of new container ships, which amplifies risk as carriers already have more ships than they need to handle shrinking demand.
- North American importers have to put up with lower levels of reliability from carriers than their European colleagues, Sea-Intelligence concludes in a recently published analysis of carriers' schedule reliability spanning from 2011 to 2022.
- US small and medium-sized enterprises (SMEs) are moving their supply chains closer to their home market at a faster rate than predicted to help minimise supply chain disruption. A survey from Gartner-owned consultant Capterra shows that 88% of the 300 SMEs surveyed plan or are currently in the process of switching at least some of their suppliers closer to the US in 2023. "While industry experts predicted nearshoring to happen slowly over the course of several years, [SMEs] have already or are making a rapid shift to nearby suppliers," the company said.
- Singapore's goals of wanting to cut its planet-warming carbon emissions to 60 million tonnes by 2030 and achieving net-zero emissions by 2050.



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## OCEAN FREIGHT GLOBAL MARKET OVERVIEW

### GLOBAL MARKET OVERVIEW...CONTINUED

- In the US, trucks pick up some of the 11 million cargo containers that pass through the twin ports of Los Angeles and Long Beach each year. A proposed regulation, likely to be approved this spring, would allow only zero-emission trucks to be added to a registry of vehicles authorised to work at California ports starting in 2024; all diesel trucks would be phased out by 2035.
- The port of Los Angeles handled almost 10 million containers in 2022, marking a year-on-year decline turning 2022 into its second-best year to date.
- LONDON, Jan 20 (Reuters) - Shipping companies are still waiting for “real green” fuel solutions as part of decarbonisation efforts to clean up the industry, a leading industry official said.
- There's a school of thought that ocean shippers may 'pay up' for secure capacity despite a weak market. Observers generally agree that while weakness will prevail in the container shipping market in the first half of 2023, demand will return in the second half, although it's too soon to gauge the extent of the rebound. We will monitor with interest.
- Ocean carriers are slowing-down their ships and deploying extra tonnage on more robust routes as they endeavour to soak up surplus capacity.
- And the transatlantic trade lane, which has so far avoided the worst of the freight rate collapse contagion affecting export services from Asia, is seen as a good option.
- In the last month, crude oil has pushed back up, and is hovering at around US\$89 per barrel.
- Shipping's persistent piracy problem has all but disappeared off the radar. Attacks are still happening, but according to the International Maritime Bureau's latest annual report maritime piracy and armed robbery attacks have reached their lowest recorded levels in 30 years.
- Europe's factories are kicking off the year looking like a slowdown in activity won't last long.
- The purchasing managers index for the euro area released showed a third straight month of improvement in manufacturing.
- Uniserve were named winners of the Ocean Services category at the annual BIFA Freight Service Awards held in January. [Find out more]



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## OCEAN FREIGHT GLOBAL MARKET OVERVIEW

### FAR EAST & SOUTH EAST ASIA

- Normally, liner operators look forward to the weeks leading up to Chinese New Year in February with ballooning spot rates on account of last-minute shipments going out before closing shop over the holiday. Spot rates for containers out of China continue dwindling going into the Chinese New Year in February where volumes and rates usually go up. Lead-up to the holiday has been the worst in 13 years.
- A whopping total of 53 westbound sailings have been cancelled by the three major carrier alliances on the Asia-Europe trade in the first seven weeks of this year. This represents 27% of the original scheduled capacity. Watch this space, as we have a suspicion that the carriers may well continue along this path post Chinese New Year.
  - Ocean Alliance blanked voyages at 22% to NEUR and 25% to MED
  - 2M have blanked voyages at 29% to NEUR but just 14% to MED
  - THE had the largest blanking program in place with 34% for NEUR and 38% for MED which the consulting
- on the report attributes to THE Alliance diverting the back haul voyages via the Cape of Good hope at slow steaming to save on the Suez toll fees which added an extra 2 weeks to the return voyage and took the vessels out of rotation availability.
- Senior executives at Yang Ming Marine Transport held a media briefing to say that while the upcoming Chinese New Year has boosted fleet utilisation to nearly 100%, the outlook for early 2023 remains uncertain and shippers have sought to reduce contracted rates for long-haul lanes.
- The Taiwanese liner operator's chief financial officer Peter Su and chief commercial officer Frank Chang said that as of now, Yang Ming has no idle ships and they are optimistic that US and European retailers will start restocking inventories in mid-2023.
- CHINA's Shenzhen port handled over 30 million TEU last year, up 4.39 percent year on year, a record high, said the local transportation bureau. The Port of Shanghai handles the highest amount of TEU's compared to all other ports, handling 39,080,000 between January to October 2022!



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## AIR FREIGHT MARKET OVERVIEW & REGIONAL REVIEW

### AIR FREIGHT SUMMARY

- Sustainable Aviation Fuel (SAF) is an environmental solution that many carriers are investing in, along with the longer-term technology on battery powered flight. The Uniserve Group is in discussions with a number of our partner carriers to develop solutions which our customers can participate in, to support their own sustainability targets. More news to follow on this initiative in the coming months.
  - The air freight market from China & South East Asia just managed to get going in January, before the early Chinese New Year saw factories closing and a fall in demand. With a return to work this week, we expect volumes to pick up through February. Other markets have made a steady start to the year, though it is obvious that the cost-of-living increases and high inflation in the USA and more so the EU and UK, are affecting consumer confidence, keeping demand soft.
  - With China's removal of COVID restrictions and strict testing, demand for travel in and out of the country has jumped. Flight numbers are increasing to meet this demand, and this will bring with it more cargo. We would expect to see freight rates continue a slow decline in the coming months, before stabilising nearer pre-COVID levels.
- 
- We are also seeing reductions in fuel costs in some markets for February. However, with a more active Chinese market, increased demand from them may put some pressure on the future cost globally.
  - Our focus is on ensuring we can pass on these market reductions to our customers and offer some longer-term pricing stability for those that want it.





## AIR FREIGHT MARKET OVERVIEW & REGIONAL REVIEW

### AIR FREIGHT SUMMARY - FAR EAST & SOUTH EAST ASIA

- The Ministry of Commerce of the People's Republic of China (MOFCOM) announced its approval of Korean Air's business combination with Asiana Airlines on December 26.
- MOFCOM has demanded that the merged Korean Air-Asiana entity reduce its market share due to competition concerns, to which Korean Air has submitted remedies proposing to transfer slots to any new airlines wishing to start air services on nine routes where both Korean Air and Asiana Airlines operate.
- Cathay Pacific will more than double its flights to the Chinese mainland and increase its belly capacity as China has eased pandemic restrictions. Cathay Pacific will significantly increased its belly capacity by more than doubling its flights into the Chinese mainland, operating 61 return flights per week between Hong Kong and 13 mainland cities from 14<sup>th</sup> January 2023 .
- The world's largest cargo airport, Hong Kong International, registered a double-digit percentage volume decline last year as economic conditions and Covid restrictions took their toll. In total, the airport handled 4.2m tonnes of cargo in 2022 – a decline of 16.4% compared with a year earlier. Things are opening for Hong Kong, and there's various recruitment drives to get workers back into the industry.
- Lufthansa Cargo Recently opened its newest station in Hanoi, adding the Vietnam City to its global route network. The cargo airline services Hanoi twice a week with B777F freighters, which connect Hanoi with Lufthansa's main hub in Frankfurt.
- Etihad Cargo is the latest to add extra capacity to the China market with additional freighter and passenger flights to Shanghai. The new Abu Dhabi-Shanghai B777 freighter flight began on 2<sup>nd</sup> February and will operate on a weekly basis.
- Cathay Pacific reported underwhelming cargo figures for December 2022 because of overall "flat market demand", but increased passenger flights are providing a boost for belly capacity.
- Cathay Pacific chief executive Ronald Lam said air cargo is due to face continuing challenges into February. "Concerning cargo, the easing of restrictions for cross-border trucking between Hong Kong and the Chinese Mainland is welcome news. On the other hand, with Covid-19 still impacting various parts of the country, coupled with Chinese New Year occurring in January, the air cargo market will continue to experience challenges until mid-February.



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## AIR FREIGHT MARKET OVERVIEW & REGIONAL REVIEW

### AIR FREIGHT SUMMARY

#### INDIA SUBCONTINENT

Overall, India Sub-Continent is witnessing a slow demand from air cargo perspective from start of the year 2023 and is expected to continue in Feb,2023. It is almost impossible to be resilient in this market as the shipping companies would lure cargo away from air freight.

- Rates will likely recede closer to pre-pandemic levels, though fuel prices and labour costs may combine to put upward pressure on rates, preventing a fall below the norm.
- The rising inflation will severely impact the air freight industry as consumers will become conservative in their spending habits.
- India is the third market, after the United States and Europe, where Amazon Air has launched its services. Quikjet, a Bengaluru-based freight carrier which is a unit of Europe's ASL Aviation, already operates one plane for Amazon and from Feb,2023 will begin its second across cities including Mumbai, Delhi, Bengaluru, and Hyderabad.
- The Air Cargo Agents Association of Pakistan (ACAAP) has issued an official statement that foreign airlines are considering

stopping their services for Pakistan after banks stopped remitting freight charges to them for lack of dollar availability for over three months. Officials said that factories such as textile manufacturers were closing or cutting hours to conserve energy and resources. The difficulties were compounded by a nationwide blackout on 23<sup>rd</sup> Jan, 2023 that lasted more than 12 hours.

- Hapag-Lloyd continues to expand its terminal portfolio with an ownership stake in one of India's leading private terminal and inland transport service providers, J M Baxi Ports & Logistics. HL is buying 35% of the business from a Bain Capital Private Equity affiliate and has also struck a deal with J M Baxi Ports & Logistics' and its promoters, the Kotak family, to subscribe to a capital increase and lift its shareholding to 40%.
- The warehousing segment witnessed one of the strongest years in 2022. This rise can be attributed largely to the growth of digital economy that has aided the rise of e-commerce, as well as the improvement in the manufacturing sector. As the momentum grows, the demand for warehousing space will further accelerate in 2023. The demand for warehousing space will be more significant in tier 2 and 3 cities with trends like near and in-city warehousing gaining importance.



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## WAREHOUSING & TRANSPORT UPDATE

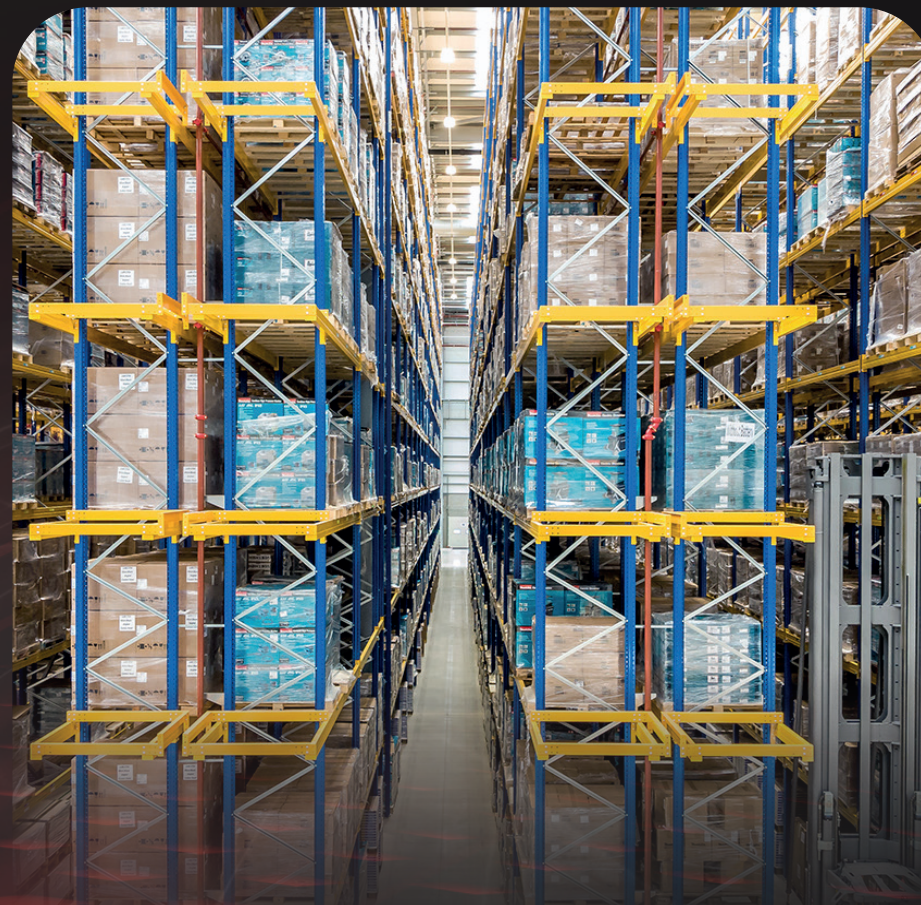
### KEY TOPICS

#### HEALTHCARE

- This winter has seen a shortage in the supply of medicines, particularly those used to treat flu and colds and drug shortages continue into 2023. Several well-known brands have been affected with UK pharmacies reporting shortages. With a rise in cases of colds and flu, demand for medicine has risen which adversely impacted by supply chain shortages have seen empty shelves in pharmacies and supermarkets. Global supply chains are still heavily affected post pandemic, however there is a responsibility across the supply chain to ensure that the right medicines are delivered to the right patient.
- Did you know that Uniserve holds the internationally recognised WDA and GDP accreditations for our logistics facility in Northampton.
- For further information or to make an enquiry please email - [T+WCommercial@ugroup.co.uk](mailto:T+WCommercial@ugroup.co.uk)

#### TRANSPORT

- The RHA has reported that the Chancellor is planning to continue the freeze on fuel duty, which is welcome news for the sector. Fuel duty was cut by 5 pence per litre in March 2022 in response to the rise in prices at the pumps. Initially the cuts were due to end in March 2023 with predictions of fuel duty rising by up to 25 percent.



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## WAREHOUSING & TRANSPORT UPDATE

### KEY TOPICS

#### SKILLS & LABOUR...CONTINUED

- Pressures because of Brexit and the increase of ecommerce demand have impacted the industry which has seen a significant decrease in the number of forklift truck and HGV drivers against the increase in demand for warehousing and logistics facilities. Predicted shortfalls for the industry are estimated at 128,000, or 8 per cent of total number of workers in the sector.
- The report from the review is likely to be available by the end of March with implementation of changes due to take place on Q3 of this year.
- National apprentice week will run between 6th to 12th February and Uniserve is delighted to present its hugely successful apprenticeship programme.
- Our apprenticeship programmes offer a wide range of opportunities across the group in a variety of disciplines to keep the entrepreneurial spirit alive.
- We take a partnership approach with our training providers, all of whom are recognised experts in their field, and we supplement their delivery with our Uniserve Apprentice Induction, ongoing learning opportunities through our Uniserve Passport, and dedicated coaching and mentoring throughout the duration of your programme and beyond.
- Our programmes are released throughout the year, with our next applications window due to open 6<sup>th</sup> February 2023, for programmes starting between May and September 2023. For further information please visit: <https://uniserve.co.uk/early-careers/>
- Opinion remains strong that the fuel duty freeze will continue with the RHA continuing to campaign for unnecessary costs being placed upon transport operators. Further to the fuel duty cuts the RHA is also asking ministers for a 15 pence per litre fuel duty rebate for commercial vehicles in a bid to boost the economy. On-going speculation continues and confirmation is not expected until the Budget is announced in mid-March.
- UKWA in combination with industry trade bodies Logistics UK, BIFA, Chemical Business Association, Cold Chain Federation and RTITB, have launched a joint campaign to highlight the serious labour shortages being transsuffered by the warehousing and logistics sector.
- In advance of the Shortage Occupation List (SOL) review, a letter has been submitted to the Minister for Immigration, outlining that despite UK initiatives and companies working to recruit and train a workforce, timings will require a short to medium-term labour boost. The SOL provides details of roles that the UK government considers to be in short supply within our domestic labour market alongside eligibility criteria for sponsored work visa applications.



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## WAREHOUSING & TRANSPORT UPDATE

### KEY TOPICS

#### ENERGY & ENVIRONMENT

- Logistics UK has raised concerns over the governments new Net Zero Review with concerns over a lack of support for business energy bills and the possibility that the fuel duty may rise later in the year. With the industry already facing pressure from inflation, future energy bill increase will divert funds from the industry needed to invest in achieving the Net Zero objectives. Upgrades to current facilities for electric vehicle recharging have reportedly costed millions to upgrade power supplies and any further impact to base costs likely to stall movement towards greener technologies.
- The current energy scheme caps the unit cost of gas and electricity for all businesses, however from the beginning of April the discounts are set to reduce with a detrimental impact to the industry and may result in business closures.
- Logistics UK continues to campaign with the government for further support to the industry ensuring our industry continues to trade and support the UK economy.
- Uniserve's commitment to sustainability is at the heart of all our business operations. As the UK's largest privately-owned logistics business, Uniserve has a responsibility to safeguard the

environment – through corporate responsible business practices and our commitment to meeting the UN Global Compact and UN Sustainable Development Goals. – click here to find out more

<https://uniserve.co.uk/sustainability/>



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## UNIEUROPE OVERVIEW

### EUROPEAN TRANSPORT

#### FRENCH STRIKES

General strike action in France during Jan caused significant disruption to haulage operations. Cross channel operations were halted, and queues of truckers were unable to move until the strike was lifted.

#### FRENCH FUEL INCREASE

- The French governments last remaining fuel rebate of €0.10 of per litre has come to an end, leading to an immediate increase in pump prices.
- The French government confirmed in November, when the aid dropped from €0.35 per litre to €0.10 per litre, that it would be expiring at the start of the 2023 (1<sup>ST</sup> January).

#### WEEKLY SAILINGS FROM SPAIN AND PORTUGAL

- Due to the immediate success of Ellerman City Liners Iberian service and following the introduction of a second vessel, sailings from Southern Spain to the UK are now on a weekly basis.
- February will see the launch of a new service connecting Bilbao in Northern Spain to the UK. The service will also be calling at Antwerp, Rotterdam, and Hamburg.

Contact [unieuropecommercial@ugroup.co.uk](mailto:unieuropecommercial@ugroup.co.uk) for more details.

#### SPAIN RAIL FREIGHT INVESTMENT

- Spanish national railway company Renfe will invest €122,7 million euros for the improvement of the rail freight transportation system. The funds will be used to acquire new, greener, rolling stock and to implement new technologies on the Spanish fleet. The project is partly financed by the EU with a deadline for 2025.



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## UK TRANSPORT OVERVIEW

### UK TRANSPORT

- Unsurprisingly as the Cost of Living for consumers in the UK continue to rise the volumes of containers arriving from the Far East continue to fall. Sources locally suggesting a drop off between 25% and 30% compared to first quarter last year.
- Capacity in the Transport Market is currently at a very high level with many haulers struggling to find consistent work needed to keep their businesses both profitable and sustainable.
- James Kemball have recently started a daily service into Europe for one of its customers as we look to diversify our Transport offering to fill the void left by the downturn in the container market, something that we will look to expand on in the coming months.
- Haulage capacity is readily available across all ports in the UK and Train/Rail space is also available.





**UNISERVE MARKET UPDATE:** FEBRUARY 2023

## ENVIRONMENTAL COMPLIANCE AND CONSULTANCY

### COMPLY DIRECT

Comply Direct is a B Corp certified, market leading environmental consultancy and compliance scheme, supporting and empowering organisations to achieve their sustainability obligations and aspirations.

#### HOT TOPICS!

Comply Direct, host virtual festival to ignite environment change in businesses!

This momentous event of 2023 will enhance your understanding of environmental expectations and guide your goals for becoming a 'business for good' and key driver for change. The Comply Direct specialists will be joined by industry experts and exemplar businesses, promising an in-depth session and insightful discussion guaranteed to inspire and educate.

Click here to view our poster and register -

<https://go.complydirect.com/beyond-tomorrow-festival- uniserve>





## ENVIRONMENTAL COMPLIANCE AND CONSULTANCY

### COMPLY DIRECT..CONTINUED

#### Measuring Scope 3 emissions: the importance and getting started!

Positively, the interest in companies wanting to assess their scope 3 emissions is soaring, largely because of the various demands and pressures from suppliers and customers up and down the supply chain.

Whilst scope 1 and 2 emissions largely capture emissions from activities which are owned or controlled by an organisation, such as fuels used in company cars and purchased electricity, scope 3 emissions are a consequence of an organisation's activities but occur at sources which they do not own or control.

**Receive a proposal today to assess your full scope 1, 2 & 3 company emissions!**

For any further information on the topics above, please do get in touch on [marketing@complydirect.com](mailto:marketing@complydirect.com)



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The background features a dynamic, abstract design with diagonal streaks of light in shades of red and blue. A large, semi-transparent red 'X' shape is positioned on the left side, extending from the bottom left towards the center. The text 'uniserve' is centered in a bold, white, sans-serif font, with the 'i' in 'uniserve' being lowercase. Below it, the tagline 'your global business' is written in a smaller, white, sans-serif font, with 'global' in bold.

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