

# Fracht News

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## ◀ LOGISTICS MARKET REPORT ▶

### Global Market



OCEAN FREIGHT



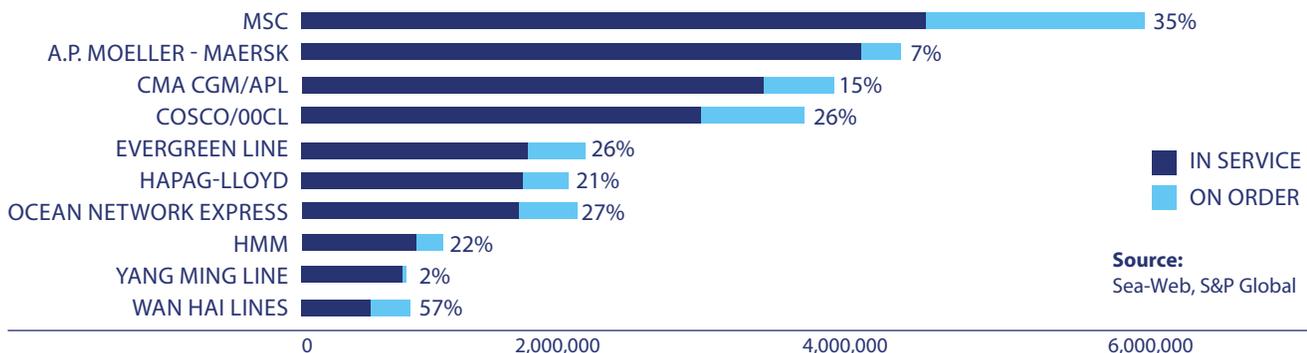
## Maersk & MSC Splitting Alliance Ending in 2025

After a 10-year relationship, carrier giants, Maersk and MSC, will separate. In a joint statement, Vincent Clerc, the new CEO of A. P. Moller – Maersk, and Soren Toft, MSC's CEO, said, "Discontinuing the 2M alliance paves the way for both companies to continue to pursue their individual strategies."

The influx of order books puts MSC in a position where they will not need to partner with Maersk to serve all key trades and feeder connections. The battle between the two, recognized as the #1 carrier, will put MSC on top and puts Maersk in an uncomfortable position. Although Maersk will still have a network to substantiate global dominance, it will still want a partner. Their choices and what carrier partners with them will certainly alter the alliances as we know them today.

### MSC SET TO DWARF OTHER MAJOR CONTAINER LINES

TOP GLOBAL CONTAINER FLEET OPERATORS WITH PERCENTAGES OF ON-ORDER TO IN-SERVICE TEU, AS OF JAN. 25, 2023.



Source: Sea-Web, S&P Global

**Source:**

Knowler, G, (2023, Jan 25) MSC, Maersk to end 2M Alliance amid divergent strategies on ocean capacity. [joc.com](https://www.joc.com/article/msc-maersk-end-2m-alliance-amid-divergent-strategies-ocean-capacity_20230125.html)

# Maersk Retiring Hamburg Süd and Sealand

## Strategic Move for Changing Needs

**M**aersk is strategically ending the two brands in a move to improve and streamline operations and unify its structure to best meet the needs of customers. Maersk acquired Sealand in 1999 and Hamburg Süd in 2017. In a notice released to customers, Maersk said, "We aim to unify our brands and our structure in a way that better reflect the reality of our customers. We are convinced that this will allow us to better respond to your logistical needs on a daily basis."

Maersk has not yet finalized the timeline for the retirement of each brand but is in the process of making these determinations. The company will be reviewing the outlook of each brand in its various markets. Maersk said it will be adhering to all existing contracts and agreements.

The move comes as the company's presence across the logistics and transport supply chain increases. With this increase, Maersk said, it is focused on ensuring that third-party data it obtains from a customer or supplier relationship does not flow to another part of Maersk that competes against that third-party.

**Source:**

Howard, G, (2023, Jan 27) Maersk plans to retire the brands of 152-yearold Hamburg Süd and containerisation pioneer Sealand. [seatrade-maritime.com. https://www.seatrade-maritime.com/containers/maersk-kill-hamburg-sd-and-sealand-brands](https://www.seatrade-maritime.com/containers/maersk-kill-hamburg-sd-and-sealand-brands)



## Global Air Freight Market Grim Outlook for 2023

**T**he 2022 air cargo market told a tale of two contrasting halves, switching from the buoyant to the bleak in a brief period. While COVID resulted in a desperate need for air freight over two years, the Ukraine/Russia conflict initiated a steep downturn. Despite many positive indications in the 2022 market in mergers/acquisitions and investments for the future of air freight, the massive slump in demand is made evident by a lack of peak before Christmas 2022 and Chinese New Year 2023, showing that the slowdown is here to stay.

Data figures for the overall picture of 2022 are beginning to be released, with European Airports reporting a significant decline in volumes for the year, prompting predictions for an even grimmer period in 2023. Operator Fraport attributes several reasons to the change in numbers, "The main factors contributing to this decline included the airspace restrictions related to the war in Ukraine, the Zero-Covid strategy pursued by China through almost the entire year, and the overall economic slowdown." In addition, commentators now believe

that with the threat of recessions, resumption of pre-Covid level belly capacity, and a fall in sea freight rates, there will be a continued detrimental effect on global air cargo.

TIACA, in a recent global newsletter, however, believes there are still positive signs to look out for in the year ahead, "structurally, the industry is in a good place, and towards the second half of 2023, we could see demand picking up." The newsletter goes on to indicate that we will continue to see a further softening of the market, counter measures used to control the impact of the Russia/Ukraine crisis on global economies, should slowly give consumers more confidence in spending, bringing down inventory levels, and therefore increasing demand for air transportation in the long term.

**Source:**

Lennane, A, (2023, Jan 16) 2022: a poor year for Europe's airports, and there may be worse to come. [theloadstar.com. https://theloadstar.com/2022-a-poor-year-for-europes-airports-and-worse-may-be-to-come/](https://theloadstar.com/2022-a-poor-year-for-europes-airports-and-worse-may-be-to-come/)

# Global Air Charter Market Demand Positive for 2023

Statistics on charter operations often remain elusive to analysts due to their fragmented nature, but a recent report by US market research company Fact.MR has estimated that the total value of the global air charter market will be \$31.9bn in 2023. The company's research further projects that by 2033 valuation of the market will be at \$54bn.

Fact.MR added, "Technology and digitalization have made it easy to book charter planes, where customers can schedule routes, the timing of the flight, the date of the flight, and others as per their comfort, which is escalating the demand for these services from the commercial sector. Additionally, the market growth is projected to have a suitable rise in the forthcoming period with the growing disposable income of people in developed and developing economies."

**Source:**

Jeffrey, R (2023, Jan 20) 2022: Air charter demand rising. Aircargonews.net. <https://www.aircargonews.net/services/charter-company/air-charter-demand-rising>

# Amazon Air's Innovative Strategy to Adapt Offering Space to Third Parties

In response to a downturn in consumer spending in the e-commerce industry, Amazon Air is reportedly set to sell space on its aircraft to third parties to optimize its current routings. Amazon Air's current fleet remains at around 88 aircraft, following rapid growth in 2021. Despite the slowdown, the company announced in the final quarter of last year the addition of 10 A330-300 converted freighters from lessor Altavair, demonstrating an internal need for capacity.

Reports suggest that Amazon Air is looking to offer capacity to perishable exporters in markets such as Latin America and Hawaii into the US, citing examples of moving flowers for Valentine's Day or even seafood from key hubs.

Amazon Air's strategy demonstrates how air freight players now recognize a need to innovate and maintain flexibility in a global market that can be impacted worldwide by localized events.

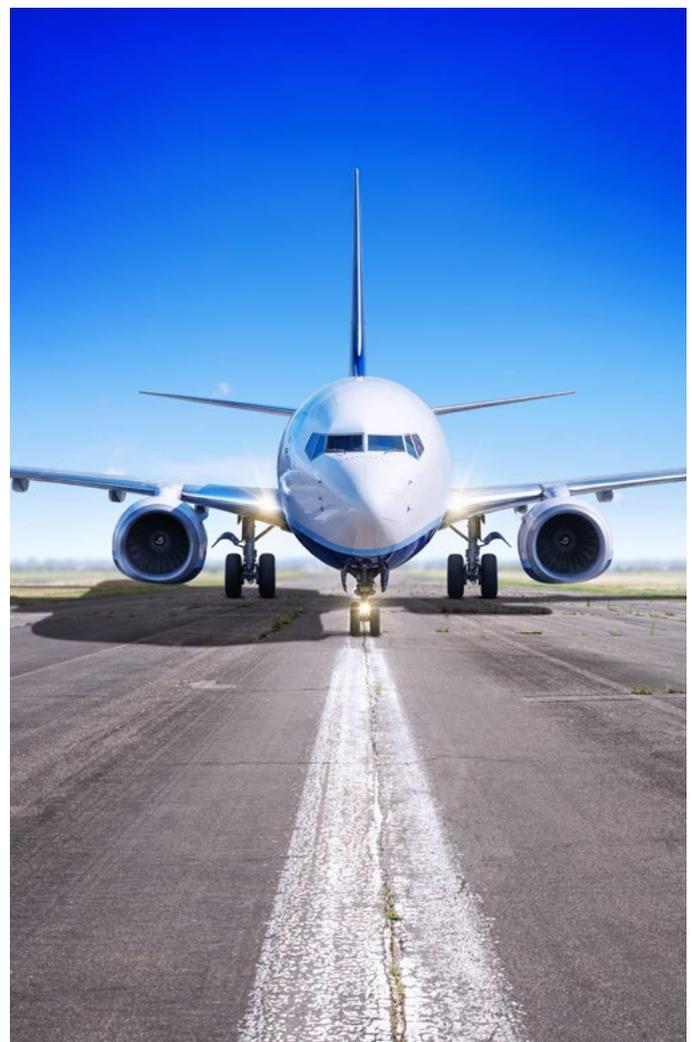
## Air Cargo Market Yield Vs. Weight Tracker

The Champ Market Analytics Air Cargo Market Tracker is a useful tool that provides insight into the monthly trends in demand and yield in the air freight industry. You can access the chart using the link below.



**Access Chart Here:**

<https://www.aircargonews.net/data-hub/champ-cargo-systems-air-cargo-market-tracker/>





North American Market



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USA

# Intermodal 2023 Struggles

Experts expect intermodal logistics to struggle in 2023 due to a weak economy, less demand, shifts from West coast ports to the East coast, and Gulf providing shorter transits as well as a strong trucking market.

According to Todd Tranausky (FTR Vice President for Rail and Intermodal), "Growth could happen in the fourth quarter amid peak season. There is light at the end of the tunnel, but it's just a little bit further out."

Intermodal's ability to compete with trucks has steadily eroded since the second half of 2022, and that will persist through the middle point of this year, according to Tranausky.

Rail intermodal could improve around that period, but the segment is still expected to be negatively positioned throughout 2023.

"Intermodal will have an uphill climb relative to truckload in terms of attracting volume, and this just piles on in addition to the port shifts that call for more short-haul than long-haul movements."

**Source:**

Marsh, J, (2023, Jan 17) Rail intermodal to 'struggle' in 2023, consulting firm says. [freightwaves.com](https://www.freightwaves.com/news/rail-intermodal-to-struggle-in-2023-consulting-firm-says).  
<https://www.freightwaves.com/news/rail-intermodal-to-struggle-in-2023-consulting-firm-says>



## Port Congestion

PORT	VESSELS AT ANCHOR/DRIFT
LA/LGB	15
OAKLAND	4
VANCOUVER	3
SEA/TAC	1
CHARLESTON	2
SAVANNAH	2
NY/NJ	1
HOUSTON	9
NORFOLK	2

\* Anchor/drift/loitering/slow steaming



CANADA

# Canadian Air Cargo

## Canadian Carriers Ramp-up Cargo Fleets

The transformation of the Canadian air freight market is led by three carriers announcing a series of cargo network and fleet developments.

2023 will see the entry of Canadian-based WestJet Cargo, hoping to start operations in March with newly converted Boeing 737-800 BCF freighters. The air cargo division of WestJet will be connecting customers via its hub in Calgary to intra-Canadian, and U.S. destinations, including flights to/from California and Florida.

Alternatively, Canadian registered airline Cargojet announced a string of B777-300ER and B777-200LRMF with options for two -300ERMFs and two additional -200LRMF passenger to freighter conversions with intentions to deploy on long-haul Asian routes and emerging South Asian markets so that they service and easily connect with select European and South-Central and North American cities already in Cargojet's network.

Meanwhile, Air Canada took delivery of its third B767 freighter last year, allowing the airline to strengthen its connections to Atlas, Dallas, and Bogota. In addition to being poised to take delivery of five more converted freighters, plus two production freighters from Boeing next year, with additional 777s in 2024, bringing the cargo fleet to over a dozen aircraft. Air Canada's investment will also go beyond its fleet, with the re-development of several of its hubs, including Toronto, Vancouver, and Europe.

## Latin American Market



# Port Congestion

PORT	DWELL TIME (DAYS)
<b>BRAZIL</b>	
PECEM	18
MANAUS	4
SANTOS	1
<b>CHILE</b>	
VALPARAÍSO	5
SAN ANTONIO	0
IQUIQUE	0
<b>ARGENTINA</b>	
BUENOS AIRES	3
<b>PERU</b>	
CALLAO	2
<b>MEXICO</b>	
VERACRUZ	1
LAZARO CARDENAS	0
<b>COSTA RICA</b>	
CALDERA	2
MOIN	1



BRAZIL

# Politics in Brazil

## No Effect on Commodities

On January 8, supporters of Brazil's far-right former President Jair Bolsonaro stormed the country's presidential palace, Congress, and Supreme Court demanding a coup to reinstate him to power.

So-called "Bolsonaristas" smashed windows and furniture in the Supreme Court building. They climbed onto the roof of the Congress building and unfurled a banner that read "intervention." They destroyed and stole works of art and broke glass panels. They roamed the presidential palace chanting pro-Bolsonaro slogans. Politics in Brazil now is very fragile, but still, no signs that this can affect the growing export side in Brazil, especially in agricultural commodities.

CHILE

## Chile's San Antonio Terminal Expanding Capacity

Chile's San Antonio Terminal International (STI) is set to expand capacity to 1.6m TEU with new equipment. Two new Ship-to-Shore (STS) Super Post-Panamax and two electric Rubber Tyred Gantry (RTG) cranes, representing an investment of \$23.5M, have arrived at the terminal.

## Asia – LATAM Blank Sailings

ECSA has a small rush before CNY, loading over 90% of the capacity. Some carriers have rolled cargo during this period. WCSA is much slower, with rates already dropping to a negative level.

As expected, carriers are trying not to drop their rates, so they all have different "bottom" rate levels. However, with a small gap between carrier rates, shopping around will lead to a very competitive rate.

There will be several blank sailings after Chinese New Year, as announced by COSCO; for example, they will have three blank sailings for ECSA. Clients and FWOs are monitoring closely if carriers will have more blank sailings as it is hard to predict how the market will further adjust in the early weeks of 2023.

# 2023 Expectations

## Inflation & Recession

A survey of supply chain business leaders found that inflation and recession are the main fears for companies as they enter 2023. Inflation and recession topped the list of worries, with 88% of respondents noting them as factors for 2023, followed by implications of war with 57%, the impact of COVID in China at 53%, and worker strikes at 23%. The expectation is for a year of falling rates and rising industrial action, with the report highlighting 23 trends for 2023. Among the trends were container vessel deliveries, ongoing port congestion, increasing fines and storage fees, a container price war, capacity cuts, friendshoring, and changing work cultures post-pandemic.

"Due to inflation increasing, there will be more unrest in the labor market which will certainly lead to more strikes, specifically in Europe, the UK, and North America. And as we have seen before, strikes result in slow operations within the port, which can exacerbate supply issues," said Amir S. Mir, COO, of Caspian Container Company SA, as part of an interview.

Latin America will have to deal with the slow growth caused by its dependency on commodities. There needs to be more than a national resolution to solve the lack of international demand for their commodities. An alternative for this dependency will not be feasible in 2023, making the economic levels pre-COVID still not possible in the coming year.

As a commodity exporter, Latin America will struggle in 2023 to achieve considerable growth as inflation grows in the USA and Europe and as China experiences slower growth. However, this weakness and the pressure on new governments can lay the foundation for further developing cooperation in the region, mainly South America, aiming to solve the social problems it faces due to dependent economies and the lack of regional response to the pandemic.





# Flower Season

## Weak Demand Ahead of Valentines

Latin American exporters and airlines hopes for a small peak ahead of Valentine’s Day for flower traffic which weak consumer demand, a strong U.S. dollar, and growth in belly air freight capacity have dampened. While in the second half of 2022, other regions show to have experienced a sharp decline in volumes, Latin American routings appeared to have sustained the wave until now. The most significant effect on demand is a big increase in capacity on the market for Latin America to the U.S. However, Air Canada Cargo has stated that, in contrast, “Yields have been stable for Latam to Europe and APAC,” perhaps indicating that flower cargo flows will be subject to regional competitiveness.



**Source:**  
Putzger, I, (2023, Jan 17) Prospects for Latin flower exports for Valentine’s Day fading. theloadstar.com.  
<https://theloadstar.com/prospects-for-latin-flower-exports-for-valentines-day-fading/>

## European Market



# Trans-Atlantic Trade

## Container Spot Rates

After the prolonged decline in container spot rates, transatlantic trade has become the most profitable trade for shipping lines replacing the Trans-Pacific trade.

Ocean freight capacity deployed on the Trans-Atlantic trade has been greater than demand, which has led shipping lines to add more capacity and capitalize on high rates. As a result, shipping lines have earned three times more revenue per nautical mile on transatlantic routes. This oversupply of capacity has resulted in rate competition and has caused freight rates to drop on this route.

Rates have been stable for the past month. Rate levels were negotiated and have improved for Northern Europe and WMED for December and the first months of 2023. The average rate in the market is around 6.5k, with 6k the lowest rate available and 7k the higher one for a standard N.EUR-US route (4k cheaper than 6 months ago). On the other hand, WMED rates are closer to N.EUR rates than 6 months ago when they were significantly higher, with 6k on the lower side, 7.5k on the higher side, and 6.75k on the average for a common WMED-US route.



Space has improved significantly compared to Q2 & Q3 2022. As demand for European goods declined due to overstock in US warehouses and economic issues, carriers are open to secure spot bookings with no risk of getting the cargo rolled.

The explosion in fuel costs is undoubtedly the main difficulty faced by European road transport in 2022. In addition, the impact of inflation has led to higher diesel prices, and the invasion of Ukraine, followed by restrictions on oil and gas supply to European countries, has increased pressure on prices.

In 2022, the increase in the full cost price of heavy goods vehicles operating in road freight transport averaged 18.5% for a vehicle running on diesel fuel and 43.3% for a vehicle running on natural gas. On an annual average, commercial diesel increased by 45.7% in 2022 compared to 2021, while Natural Gas Vehicles saw an increase of 127.5%.

Inflation has strongly impacted the purchasing power of households, favoring wage demands. As a mirror of the employee’s protest, the trade union organizations organized strikes in Liverpool, Germany, and Felixstowe in 2022. The protests and the Rhine’s low water levels resulted in congestion across Europe. Nowadays, congestion is stable and manageable. Schedule reliability rose by 5% month by month in the last quarter of 2022 and waiting times normalized in January 2023.



## Liege Airport Woes New Environmental Permit

Having already reported a double-digit percentage reduction in air cargo volumes last year due to weak demand and the loss of a key airline customer (Russian Operated Airbridge Cargo), Liege Airport is now planning to appeal a new environmental permit which will limit its cargo

operations over the next twenty years. The two key problems introduced to the airport by the permit are a maximum limit of 50,000 aircraft movements per year for aircraft over 34 tons and an obligation to reduce aircraft noise by 5% per year from 2024, as well as a noise quota on night flights, in direct conflict with Liege's development plans for growth for the future. The Airports Council International (ACI) Europe has called on the local government to reconsider the limitations placed on Liege, mainly as the airport is considered a "best in class" airport for environmental policies in Europe.



## Riyadh Airport New Expansion Plans

Saudi Arabia has announced new plans for Riyadh Airport to develop six runways and a logistics hub with the capacity for 3.5m tons of cargo by 2050. The project aims to facilitate Riyadh's ambitions of being a global logistics center, enabling it to support transport, trade, and tourism, using its geographical advantage of linking the east to the west. Development of the country's airport is part of a broader vision to transform Riyadh into one of the world's top ten economic cities, supporting growth in Saudi Arabia's capital's population to be 15-20m people by 2030.



## Challenge Airlines' New Destination Adds New Istanbul Service

Freighter carrier, Challenge Airlines started its first service to Istanbul on January 25th, 2023. The airline will operate two flights weekly from its hub in Liege, Belgium to Istanbul, operating two Boeing B747F flights per week – on days three and seven – offering a capacity of up to 240 tons.

The new destination connects customers across Challenge's freighter network in Europe, the U.S., and the Far East. The carrier hopes to support Turkish exports of garments/ fabrics and automotive products through its services.



## Australian Ports Container Terminal Operators

Australia to investigate soaring profits of container terminal operators. Container terminal companies' profit margins have soared since the start of the COVID-19 pandemic to levels not seen for around a decade, according to the Australian Competition & Consumer Commission (ACCC).



Its Container Stevedoring Monitoring Report 2021-22 reveals margins have surged by 14%, reaching levels last seen during the DP World / Patrick Terminals duopoly of a decade ago, and substantially higher than the 10% achieved in 2019-20.



## Asian Market



OCEAN FREIGHT

# Trans-Pacific Blank Sailings

## Reduced Vessel Capacity

While it is normal to see blank sailings leading up to Chinese New Year, the first 12 weeks of the year are seeing a surge in reduced vessel capacity. Carriers are responding to the decreasing consumer demand post-pandemic, and spot rates are nearly at a 3-year low. As a result, the 5th week of 2023 will see a 50% capacity cut, with 31 of 71 transpacific sailing to the US being blank. A total of 148 were announced for the major trades.

ALLIANCE	BLANK SAILINGS
<b>FAR EAST - NORTH EUROPE</b>	
2M	13
OCEAN ALLIANCE	10
THE ALLIANCE	10
OTHERS	2
<b>FAR EAST - US EAST COAST</b>	
2M	9
OCEAN ALLIANCE	11
THE ALLIANCE	19
OTHERS	7
<b>FAR EAST - US WEST COAST</b>	
2M	9
OCEAN ALLIANCE	12
THE ALLIANCE	40
OTHERS	6



AIR FREIGHT

# Chinese Air Cargo Capacity

## Increasing Passenger & Cargo Operations

The decision to allow international travel without quarantine on January 8<sup>th</sup>, 2023 and the relaxing of "Zero Covid" measures by the Chinese government, are an integral step towards "supporting the recovery of the Chinese airline industry, and the broader economy as a whole" says Dr. Xie Xingquan, IATA's RVP for North Asia.

Several Airlines have announced new services to support the renewed travel demand, increasing access to belly capacity for air cargo.

Air France will add a third weekly flight connecting Shanghai and Paris from February 4<sup>th</sup>, with KLM introducing three more weekly flights between the Netherlands and China as of January 30<sup>th</sup>.

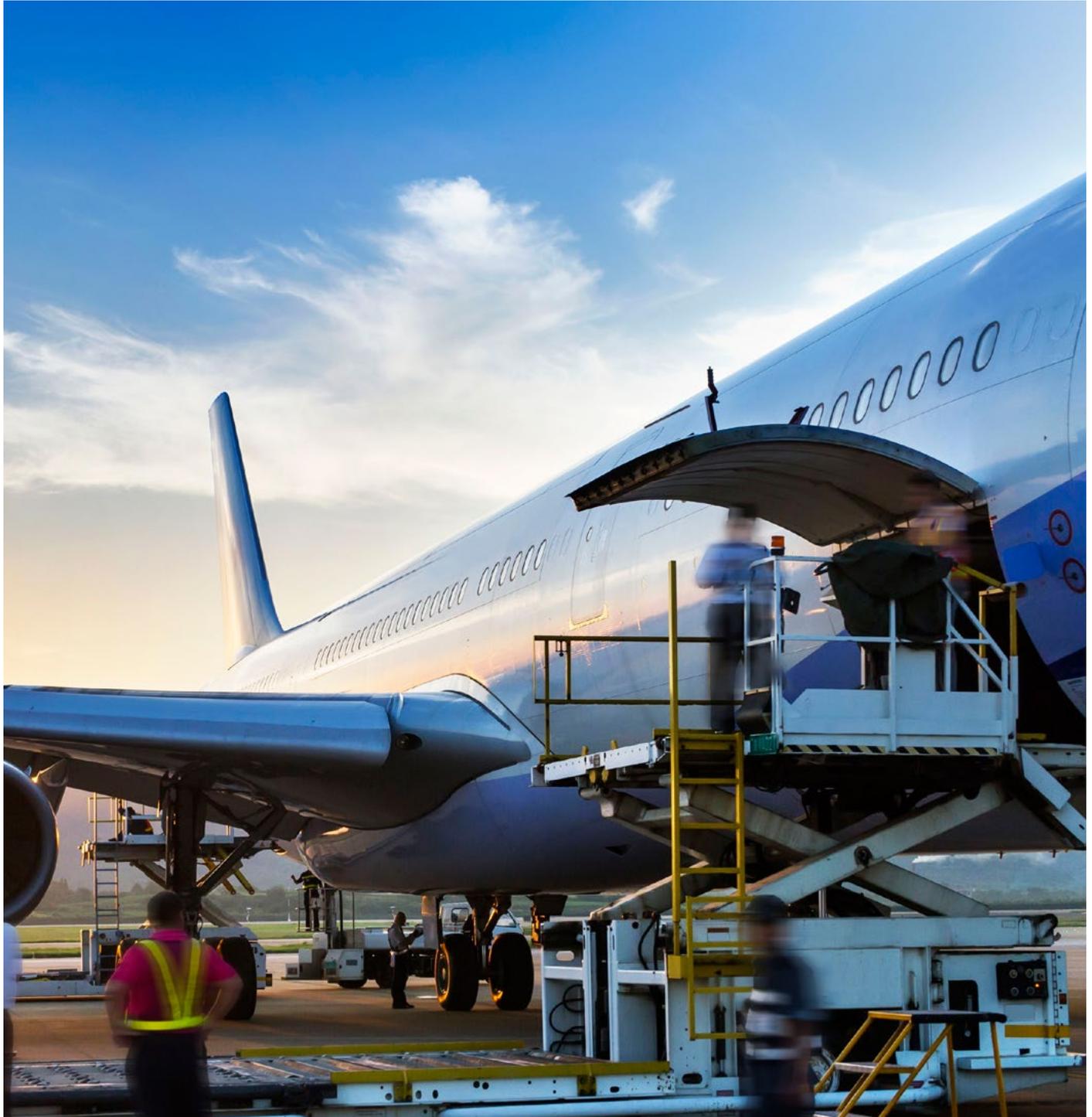
As of March, African-based Ethiopian Airlines will operate a total of 28 weekly passenger flights to China, restoring the airline's capacity to pre-Covid levels.

UAE-based Etihad Airways will double its passenger schedule to Shanghai to two flights weekly, increasing overall passenger flights from China to five. Additionally, Etihad will increase its freighter flights from seven to eight flights a week from China to its hub in Abu Dhabi.

Cathay Pacific has announced it will also be doubling its belly capacity to China. "As a Group, we anticipate that we will be operating around 70% of pre-pandemic passenger flight capacity by the end of 2023, to return to pre-pandemic levels by the end of 2024," said Cathay.

Despite the slowdown in air freight demand and an increase in global belly capacity, the opening of China has yet to make cargo carriers turn the other way. Instead, various freighter airlines are increasing Chinese frequencies, such as DHL Express, which launched new air routes. Connecting Wuxi, Jiangsu province and Leipzig, Germany, in November 2022, with their latest Chinese gateway in Wuxi starting operations late last month.

However, the speed of turnaround has been scrutinized, as many commentators in the market question the ability of global airports to handle the sudden increase in flights without returning staff to pre-Covid levels. An added concern is also found in reports of surges in Covid cases across China, impacting cross-border traffic to Hong Kong and causing severe bottlenecks and delays.



**General Fracht News Sources:**

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**We will navigate these storms together.**