



LOGISTICS

FOR A BETTER WORLD

# Visy Global Logistics

MARKET UPDATE

May 2023



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# Visy Global Logistics – Executive GM Address

I am pleased to provide you with an update on our progress in the global logistics and supply chain markets, as we navigate through the challenges of 2023.

As we continue to expand our operations worldwide, our team at Visy Logistics is committed to becoming expert consultants, partners, and solution providers to our customers. We are constantly striving to improve our efficiencies and provide innovative solutions, focusing on supporting our clients' sales and margin growth objectives.

During Q2, we observed various industry insights, including rising raw material costs due to global inflationary pressures, weak customer demand, and supply chain disruptions such as labour strikes and localised COVID-19 outbreaks. Despite these challenges, we remain committed to providing our customers with reliable and cost-effective logistics solutions.

Visy continues to invest in initiatives that align with our strategic imperatives of building a more sustainable future and enhancing our circular economy business model and offering. In April, Visy was delighted to announce that Visy Recycling was selected as an official network operator for the Victorian government's Container Deposit Scheme, creating numerous job opportunities in the Victorian economy.

In May, Visy announced the acquisition of Zenexus, a major supplier and distributor of moving and storage boxes, hardware, and retail products. This acquisition has positioned Visy as one of the largest suppliers to the Bunnings hardware chain and provided us with an entry into retail sales.

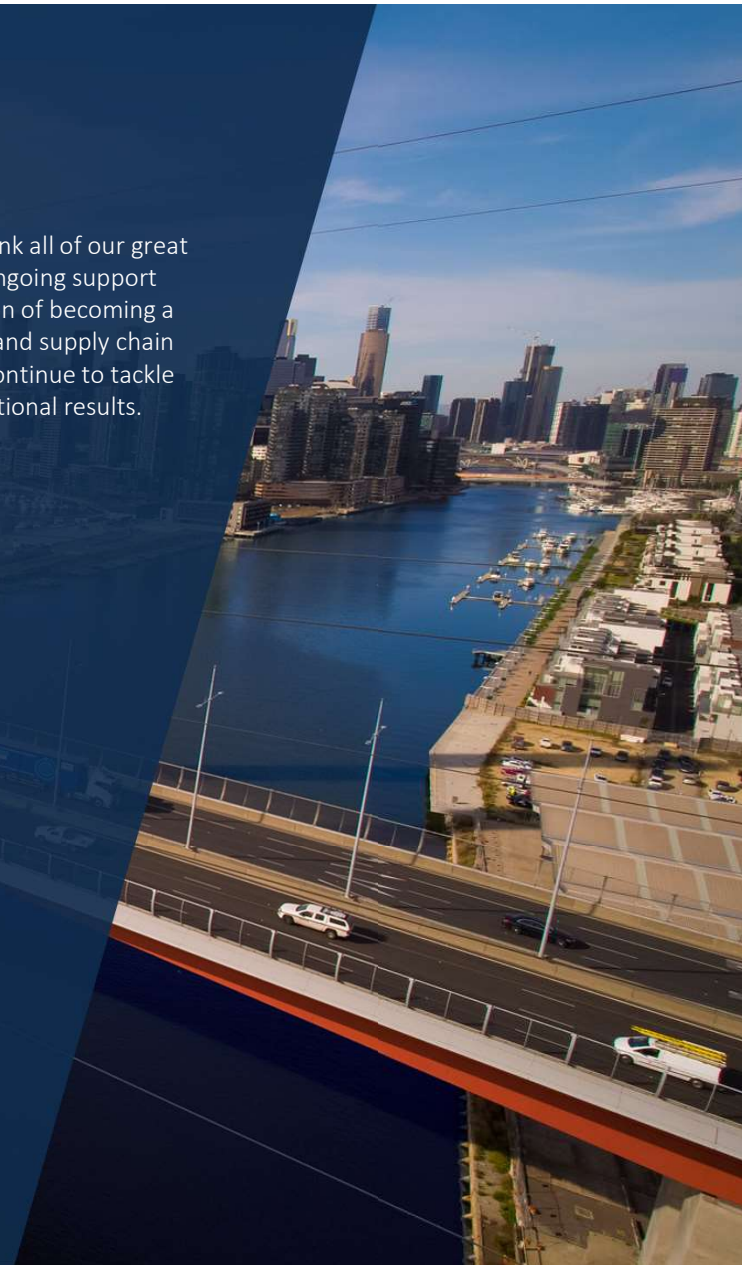
Visy's continued investment and expansion in the retail sector are supported by the logistics solutions that Visy Global Logistics provide. We are confident that our growing capabilities and networks will provide opportunities and solutions for our customers and pave the way for the development of long-term relationships that position all stakeholders for sustainable growth.

As always, I would like to thank all of our great business partners for their ongoing support and commitment to our vision of becoming a global leader in the logistics and supply chain industry. Together, we will continue to tackle challenges and deliver exceptional results.

Sincerely,



**Sean Richards**  
Executive General Manager,  
Visy Global Logistics



# Ocean Freight update

## Space, equipment, schedule and spot freight price trends for major trade lanes

| Trade Updates               | Space (Capacity) | Equipment Availability | Schedule Reliability | Spot Price Development |
|-----------------------------|------------------|------------------------|----------------------|------------------------|
| Asia – Europe (Westbound)   | ●                | ●                      | ●                    | ↑                      |
| Asia – US/Canada            | ●                | ●                      | ●                    | ↑                      |
| Asia – Oceania (Southbound) | ●                | ●                      | ●                    | ↓                      |
| Asia – LATAM                | ●                | ●                      | ●                    | ↑                      |
| Intra-Asia (Short Sea)      | ●                | ●                      | ●                    | →                      |
| Oceania – Asia (Northbound) | ●                | ●                      | ●                    | ↓                      |
| Oceania – US/Canada         | ●                | ●                      | ●                    | →                      |
| Europe – Oceania            | ●                | ●                      | ●                    | ↓                      |
| ISC – Oceania               | ●                | ●                      | ●                    | ↓                      |
| S.Africa – Oceania          | ●                | ●                      | ●                    | →                      |
| Trans Tasman                | ●                | ●                      | ●                    | →                      |
| US/Canada – Oceania         | ●                | ●                      | ●                    | ↓                      |
| Europe – Asia (Eastbound)   | ●                | ●                      | ●                    | ↓                      |
| US/Canada – Asia            | ●                | ●                      | ●                    | ↓                      |
| Australia Coastal           | ●                | ●                      | ●                    | →                      |
| New Zealand Coastal         | ●                | ●                      | ●                    | →                      |

### KEY #1



|                               |                            |                           |                                  |
|-------------------------------|----------------------------|---------------------------|----------------------------------|
| <b>Space (Capacity)</b>       | 70-100% of normal capacity | 30-69% of normal capacity | Less than 29% of normal capacity |
| <b>Equipment Availability</b> | No challenges              | Medium challenges         | Major challenges                 |
| <b>Schedule Reliability</b>   | No challenges              | Medium challenges         | Major challenges                 |
| <b>KEY #2</b>                 |                            |                           |                                  |
| <b>Spot Price Development</b> | ↑ Up                       | → Stable                  | ↓ Down                           |

## Ocean Freight Market Update

Despite weak demand, total global vessel order book now stands at a record 30% of existing fleet:

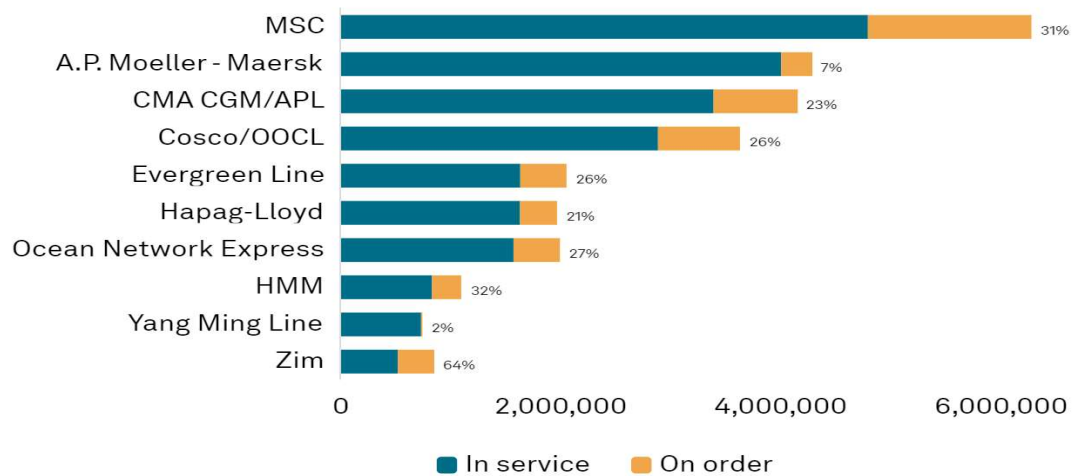
- 2.5 million TEU to hit the water in 2023
- 3 million TEU in 2024
- 1.7 million TEU in 2025

With freight rates dropping 60% this year and a further 10% in 2024, effective capacity growth (after discounting scrapping) expected to be 25% in 2023 and 10% in 2024.

Due to this supply overhang, new contracts for the 2023-24 season are expected to be signed at rates below those during COVID-19.

### Orderbook extends to almost 30 percent of in-service fleet

Top 10 carriers' global existing fleet and capacity on order



Source: Sea-Web, S&P Global

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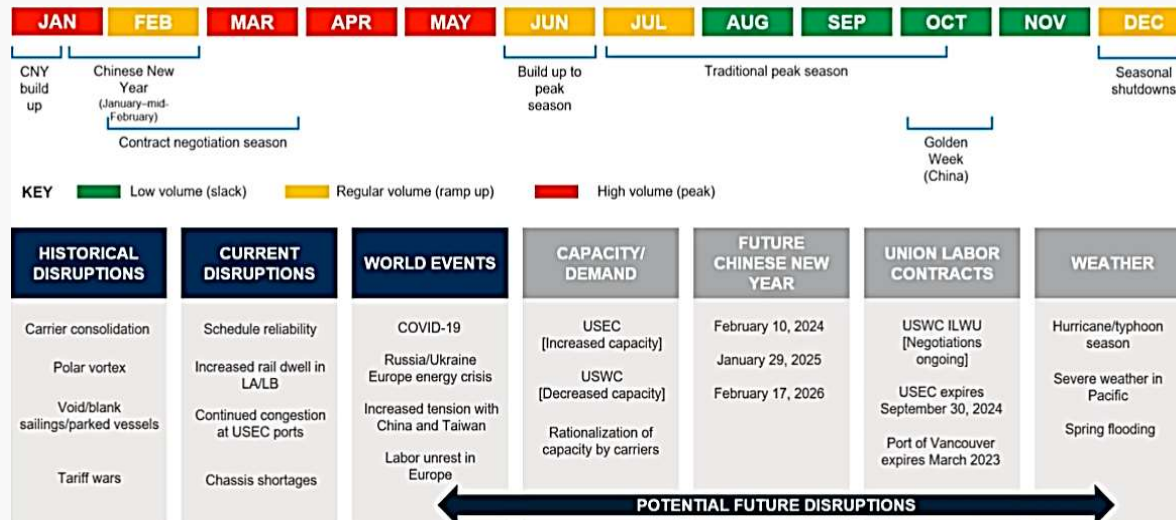


# Ocean Freight Market Update

Ocean freight supply chain disruptions are expected to intensify due to:

- a) ongoing US ILWU contract negotiations with port management, impacting LA|LB port operation
- b) New Zealand port service disruptions in Auckland and Wellington
- c) Nhava Sheva (India) port congestion due to expansion works
- d) labour strike in France against government’s pension reform, disrupting all modes and terminal operations
- e) localised COVID-19 disruptions in China
- f) adverse weather conditions impacting vessel schedules and port operations

## Ocean Freight Risk Calendar



Source: Various



# Air Freight update

## Space, schedule and price trends for major trade lanes

| Trade Updates      | Capacity / Demand | Schedule Reliability | Price Development |
|--------------------|-------------------|----------------------|-------------------|
| Asia – Australia   | ●                 | Tight / Steady       | ➡                 |
| Europe – Australia | ●                 | Tight / Steady       | ➡                 |
| USA – Australia    | ●                 | Tight / Steady       | ➡                 |
| Australia – NZ     | ●                 | Tight / Steady       | ➡                 |
| Australia – Asia   | ●                 | Tight / Steady       | ➡                 |
| Australia – Europe | ●                 | Tight / Steady       | ➡                 |
| Australia – USA    | ●                 | Tight / High         | ➡                 |

KEY #1



Schedule Reliability

No challenges

Medium challenges

Major challenges

KEY #2

Price Development

↑ Up

➡ Stable

↓ Down





# Air Freight market update

## Capacity

- Overall capacity has improved and is sufficient to support current softening demand.
- Due to increases in passenger travel, limited belly capacity has become available due to majority of new space offered being on A380 aircraft.

## Carriers

- Carriers are increasing flight schedules across most regions.
- Added PAX capacity is mainly on A380 cargo types , this offers a limited increase in belly space.
- Airspace closures continue in EU, UK, Asia, and others for Russian airlines and vice versa

## Jet fuel

- UA-RU war situation continues to disrupt supply and exert pressure on Jet Fuel \$101 / BBL in April but is expected to rise in the coming months due to the OPEC supply cuts.

## Rates

- Aggressive spot market pricing across most trade lanes
- Increase in long terms rates expected in the 2nd half of 2023 as market conditions consolidate

## Regulations/News

- UA-RU airspace remains closed
- Looming energy crisis continues in EU





# Airfreight Update – Macroeconomics and Fuel update

## 2023 – Current Airfreight Market

|   |  |  |  |
|---|--|--|--|
| <p><b>Demand remains low</b></p>  <ul style="list-style-type: none"> <li>Slight increase in volumes post Lunar New Year slowdown</li> <li>No surge expected</li> </ul> | <p><b>YoY capacity growth</b></p>  <ul style="list-style-type: none"> <li>Belly capacity continues to improve with more PAX frequency</li> <li>MoM improvement in capacity continues</li> </ul> | <p><b>Carrier Development</b></p>  <ul style="list-style-type: none"> <li>More returning airlines</li> <li>A380's can lead to lower cargo capacity</li> </ul> | <p><b>Jet fuel prices per barrel remain high</b></p>  <ul style="list-style-type: none"> <li>Crude oil and jet fuel prices going down gradually</li> <li>Remains high as demand higher than supply</li> </ul> |
|---|--|--|--|

Source – DHL April Brief

## IATA comments

“With January cargo demand down 14.9% and capacity up 3.9%, 2023 began under some challenging business conditions,” said **Willie Walsh, IATA’s Director General**.

“That was accompanied by persistent uncertainties, including war in Ukraine, inflation and labor shortages. But there is solid ground for some cautious optimism about air cargo. Yields remain higher than pre-pandemic.”

“And China’s much faster expected shift from its zero COVID policy is stabilizing production conditions in air cargo’s largest source market. That will give a much-needed demand boost as companies increase their engagement with China,” Walsh concluded.

## Market Analytics Air Cargo Market Tracker



## Jet fuel price developments – longer term perspective



## Regional update: Asia

### Market Update

- Oceania import market outlook stable and gradually picking up from post-CNY slack. SPOT product remains to be the main tool to support customers' short-term needs
- Slight increase in demand from mid-March compared to January-February. Expect positive demand to continue in April and remain stable in May prior to the upcoming Q2 end uptick
- With June expected to be traditional peak for Oceania Trade, expect gradual growth in demand, especially from GCA. Nevertheless, existing surplus capacity may not support carriers' rate restoration initiatives unless capacity drastically reduced to create "artificial demand"
- As for SEA, demand is on downward trend, and carriers are more aggressive on new opportunities.

### Major ports update

#### Shanghai:

Average berth-waiting time is 0-1 days at Shanghai Terminal and WGQ Terminal

#### Ningbo:

Average yard level is normal. Average berth-waiting times of 1 to 2 days, due to bad weather

#### Yantian:

Average waiting for vessel berthing 0-24 hours

#### Qingdao:

Average waiting time is 1 to 2 days, due to vessel bunching

#### Singapore

Average berth waiting time is 0 to 24 hours. Yard utilisation is at 65%

#### Thailand

=> D-5Laem Chabang – berth waiting time 0-6 hours

=> Yard utilisation: HPT Terminal C – 54% and Terminal 3%

#### Malaysia

=> Westport, average berth waiting time 0-24 hours, and yard utilisation is 79%. Delays due to vessel bunching and berth congestion

=> Northport berth is on arrival and yard utilisation at 88%

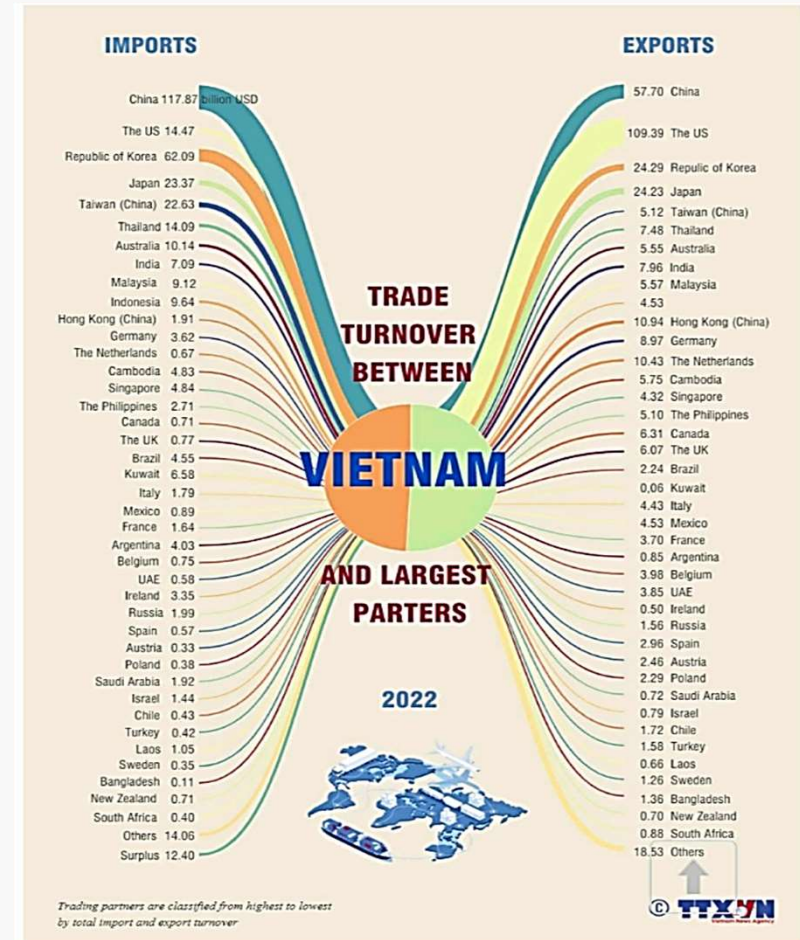
## Country update: Vietnam

### Air freight market update

- Market has been picking up since 2H March, causing rates to increase and hub capacity to tighten
- This uptrend expect to continue to last until end April as Vietnam enters into long national holiday (30 April to 3 May)
- Rates gradually increasing, compared to Q1/2023 for most routings to EU and US. Intra-Asia rates remain stable

### Ocean freight market update

- Market demand stable for Vietnam-US and Vietnam-Europe lanes as rates bottomed out. Liners implemented GRI wef 15 April and are determined to apply higher GRI from 15<sup>th</sup> May onwards
- TPEB/TPWB: Service capacity is expected to remain unchanged going into Q2
- Vietnam-Oceania rates are declining and spaces available, with no equipment issue
- Europe and Middle East: Freight rates increase slightly.
- Space available across all major trades, with carriers looking for volume

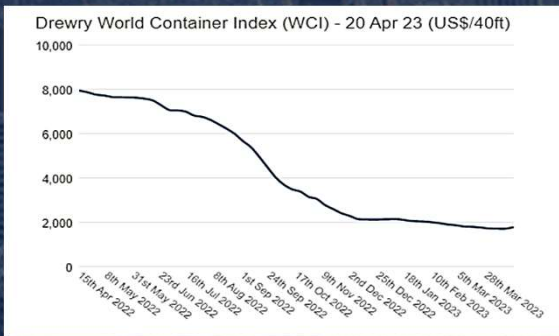




## Country update: USA

### Ocean freight market update

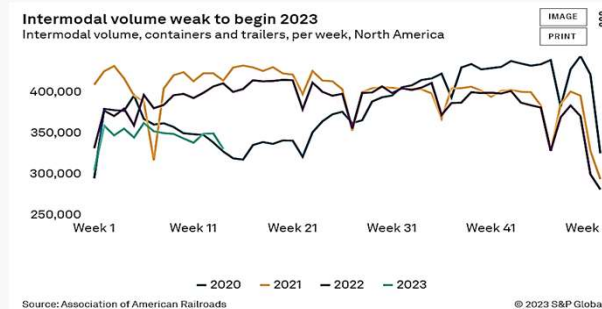
- **Trans-Pacific Eastbound Ocean Freight Rates** are on the uptick, as both Drewry's WCI and the Shanghai Containerized Freight Index (SCFI) rose in spot rates last week (April 16th). Analysts are pointing out this could be the trend over the next weeks. This upward movement may suggest rates have bottomed and demand is increasing.



- After roughly 4 years of negotiations and stalemate, the **Oakland A's** baseball team signed an agreement to buy land in Las Vegas, NV, and will relocate the team. This brings the talk of developing the **Howard Terminal at the Port of Oakland** to an end.
- The plan to turn the terminal into a stadium, with residential and commercial developments to follow, was strongly opposed by the ILWU, shipping lines, terminal operators, drayage industry, and western US railroads, who claimed: "building a ballpark at the 55-acre terminal site would disrupt the flow of traffic in and out of the port and create a security risk."

### Ports, Domestic Railroad and Trucking Operations

- Possible agreement between **ILWU and Pacific Maritime Association** was announced on April 20th. The ILWU said the parties have a "tentative agreement" on "certain key issues", but an actual deal is still being discussed. This comes as good news after the 3 weeks of job action has slowed down cargo handling at the Ports of Long Beach and Los Angeles.<sup>2</sup>
- On a good note, terminals across the US and Canada have seen huge drops in vessel waiting time, truckers are experiencing normal in & out times and there is no reported shortage of empty containers or chassis.
- **US Intermodal** providers are suffering from a massive glut of domestic shipping containers sitting in their yards as demand dropped in Q1. Large inventories of empty containers are building as international and domestic rail moves have dropped 14% Y-O-Y and there are no signs of a market rebound.<sup>2</sup>



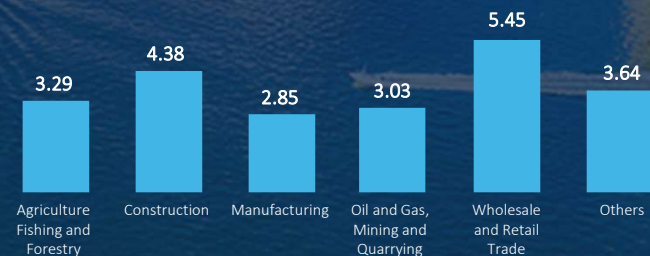
- **Spot truckload and drayage rates** have stabilized, but there is still plenty of capacity on offer, lending itself to allow shippers to negotiate rates close to pre-pandemic levels.

# Country update: Australia

## Freight and Logistics Market Trends

- Australian freight and logistics market registered a growth of 5.38% YoY in 2022, and it is expected to record a CAGR of 4.04% during the forecast period (2023-2029)
- Government investment in infrastructure development of road, rail, air, and water transport facilities is anticipated to drive the Australian logistics and warehousing industry's growth in coming years through investment, including USD 50.79 billion allocated for transport infrastructure from 2014 to 2021 and USD 54.71 billion for funding road and rail infrastructure from 2018 to 2027

## Australia Freight and Logistics Market, CAGR, %, By End User, 2023-2029



Source: Mordor Intelligence

## Ocean Freight and Operational update

- Import freight rates from China have hit lows and are expected to hold stable until after Chinese Labour Day
- Speculation exists that rates may increase with an anticipated increase of blank (cancelled) sailings to reduce supply
- Rate restoration is expected to be announced to maintain services.
- In line with the projected increase in trade with the sub-continent, SeaLead Shipping offers a new service connecting major ports in Australia directly to India and Pakistan
- The government is investing USD 79.81 billion in land transport infrastructure across Australia over the next 10 years
- This program is part of the government's larger plan to reduce traffic congestion, improve regional connectivity, and address the national freight challenges





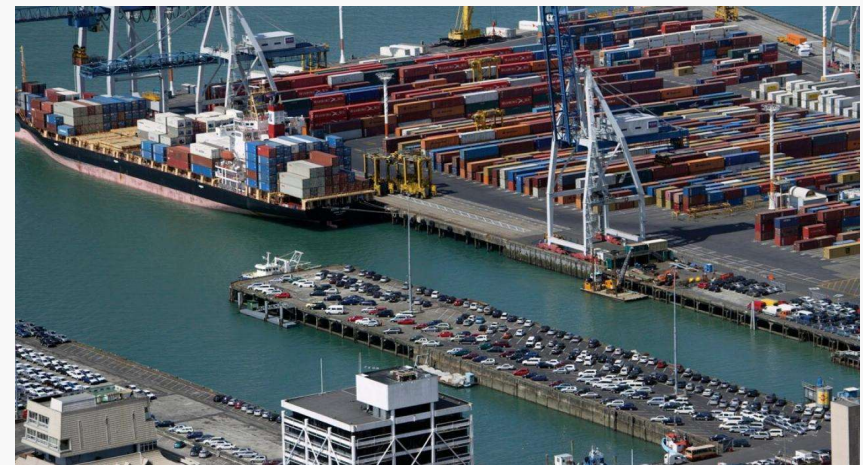
## Country update: New Zealand

### Market update

- With New Zealand Ports reinstating fixed vessel slots, ports such as Lyttleton has started to experience port congestion. However, in the medium to long term, this should bring about operational efficiency

### Ocean Freight and Operational update

- Import freight
- Due to weak demand, ocean freight rates ex-Asia continue to reduce
- Rate restoration is expected to be announced to maintain services
- NZ Coastal: Pacifica's change in rotation and International options have brought the market into a state of flux
  - We will continuously monitor and evaluate the wider market/modes to ensure clients have a range of options as new schedules are embedded to safeguard the supply chain.
- NZ Customs fully operational
- MPI - BMSB season will end on 30th April





Born from within Visy, we put partnership with our customers, transparency and sustainable solutions at the heart of everything we do



### Creating value for our customers

We put partnership with our customers, transparency and sustainable solutions at the centre of everything we do.

- Australian owned
- End-to-end logistics solutions
- Competitive and reliable



### We grow and flex with you

Our tailored solutions give you choice and flexibility as your business grows and evolves.

- Road, rail, sea, air and intermodal freight
- Warehousing
- Supply chain solutions, including project cargo and customs clearance



### The next generation logistics company

We take a fresh perspective on your operations to design innovative solutions, with a focus on next-generation services.

- Systems integration
- Automation
- Data analytics



### We're always at the ready

We are highly responsive to your needs, helping you build a competitive edge or resolve an issue to get back on track fast.

- Safely streamlining supply chain processes
- Innovating to create value
- A safety-first culture to protect your products and reputation



### Together we can all be part of better

Providing logistics solutions to reduce emissions and help you achieve your sustainability targets.

- High-performance freight vehicles, including Class-leading A-Doubles
- Investment in domestic rail capacity, taking pressure off local roads
- Full utilisation of truck and shipping container capacity



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