

AIR FREIGHT MARKET UPDATE

DHL GLOBAL FORWARDING

June 30, 2022



Introducing our speakers...

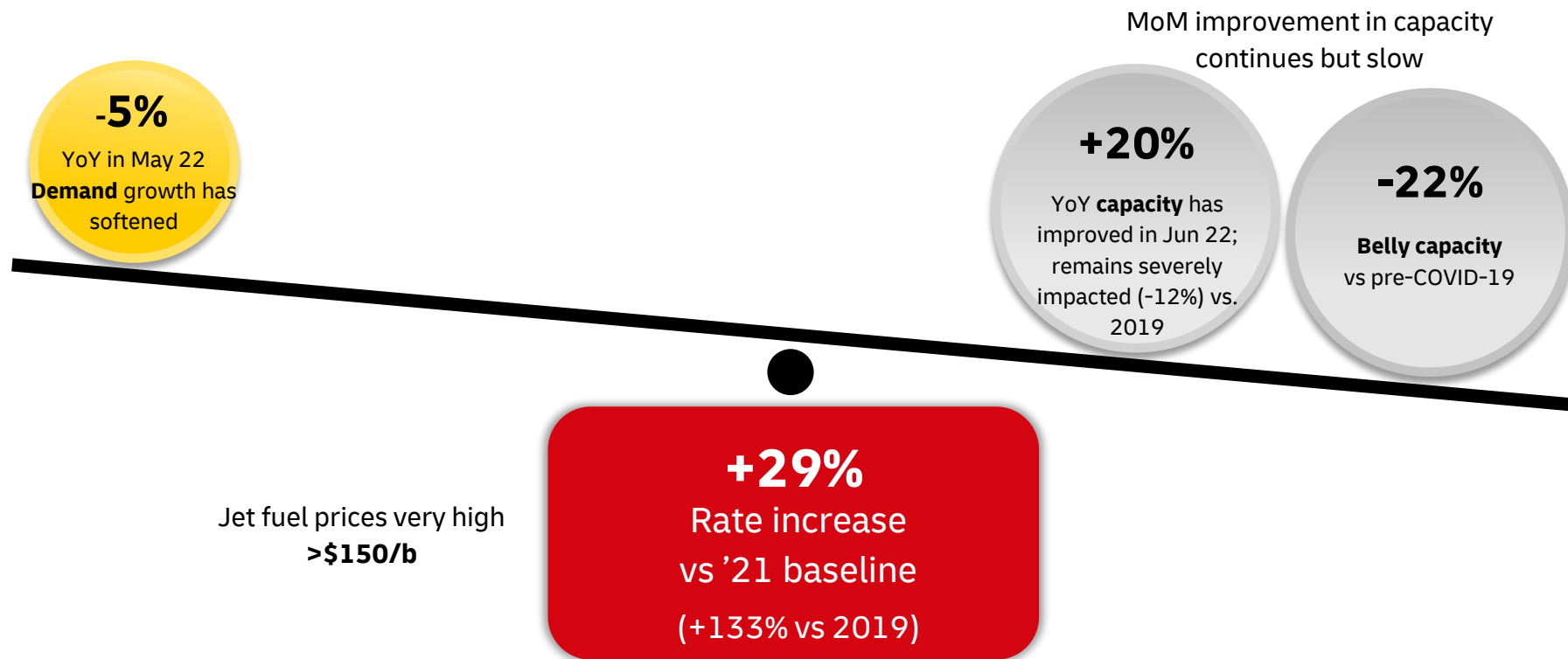


Julius Mar Villangca
Head of Commercial, Air Freight,
Asia Pacific, DHL Global Forwarding



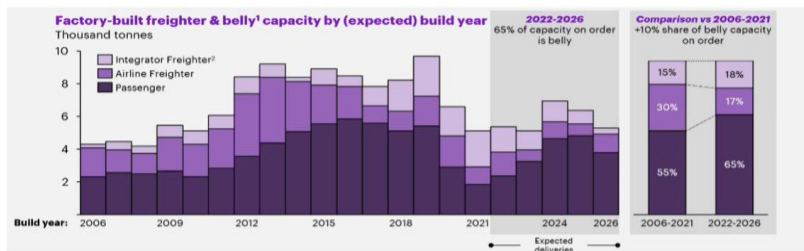
Vanya Dimitrova
Head of Sales Strategy
and Marketing,
DHL Global Forwarding

2022 – Current Market



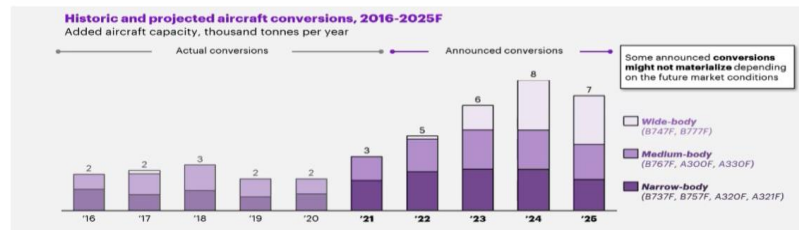
Global Capacity Situation- concerns remain

2021 had the lowest total of newly delivered belly cargo capacity since 2006 mainly due to order deferrals



The share of airline freighter orders is significantly lower than in the past 15 years

Conversions of passenger aircraft could potentially add a significant amount of capacity to the market by 2025



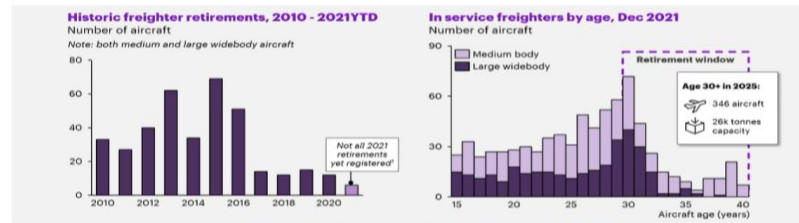
Conversions could add up to 8 thousand tonnes of freighter capacity per year by 2025

Highlights

- Reduced freighter share
- Conversion from PAX to FRT affected
- Ageing freighter fleet
- Affected belly capacity

Source: Seabury

Freighter retirements dropped in the past 5 years with only 10 to 15 aircraft retiring annually



As a result, the in-service freighter fleet is ageing: almost 350 aircraft will be 30+ years old by 2025

The War Situation – Impact

FINANCIAL BREAKDOWN

- Potential long-term damage to country GDPs
- Soaring energy prices; Inflation fears
- Currency and government bond crash
- Soaring food prices

MANUFACTURING AND AGRICULTURE AFFECTED

- Production of wheat, barley, corn, sunflower, etc. to get seriously affected
- RU main exporter of agricultural fertilizers
- Metal exports to be affected which can increase prices for several dependent industries ranging from automobiles to kitchenware



FUEL PRICE INCREASE

- Jet fuel prices >\$150/b
- Brent crude prices already increased +60% over last 12 months
- EIA forecasts Q1 '23 average at \$100/b

CAPACITY CONCERNS

- Airspace restrictions
- Flights cancelled due to schedule uncertainties; sanctions in place
- New routes impacting capacity; transit times longer due to alternate routing

HIGHER RATES

- Lost capacity at a premium; longer routes
- Existing sanctions may continue affecting supply chains

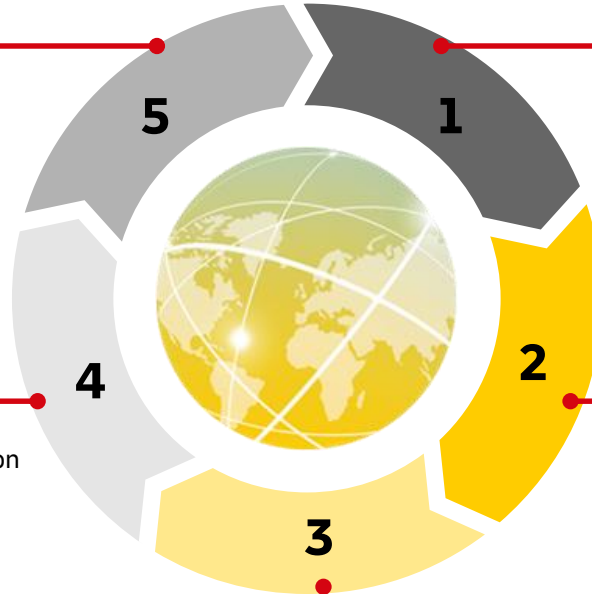
2022 2H – What to expect?

SERVICE DISRUPTIONS

- COVID outbreaks impacting operations
- Airport backlogs amid staff shortage
- War situation yet to unfold
- Unforeseen circumstances can affect further

UA-RU WAR

- Airspace restrictions
- Capacity affected; demand adding pressure on alternate routes; higher prices
- Soaring energy and food prices; oil prices extremely high



STABLE DEMAND

- Demand is expected to remain stable on certain tradelanes; filling inventories
- PMI index has fallen below 50; indicates volume softening
- UA/RU conflict impact to continue

CAPACITY RECOVERY

- Capacity at MoM recovery but slow; will remain restricted
- PAX resumption on certain Tradelanes; addition of belly capacity
- War situation can affect recovery

RATES REMAIN ELEVATED

- Rates remain high vs 2019,2020
- Demand supply imbalance expected to continue
- Extra capacity at a premium

Q&A SESSION

If you have any further questions, contact your usual Account Manager or Customer Service Representative or visit us at [dhl.com](https://www.dhl.com)



State of the Industry

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