



LOGISTICS

FOR A BETTER WORLD

Visy Global Logistics

MARKET UPDATE

June 2023



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Visy Global Logistics – GM VGF Address

Global Logistics markets have been subject to significant fluctuations in recent years, influenced by several factors including Covid and varying consumer behaviour.

Whilst we do not expect a significant upturn in demand over the next three months, we are 'hopeful' of a recovery in 2023, albeit without a clear timeline. Global container prices have so far failed to pick up ahead of the usual peak season, despite congestion in NZ, bottlenecking issues with west coast US ports and Panama Canal water levels.

We need stable volumes/demand which ensures service and price predictability, and more importantly sustainability as current price levels are unsustainable in the long term which will lead shipping lines to withdraw capacity in order to push freight rates up.

In the second half of 2023, the following trends are likely to be observed:

Stabilisation: After a period of extreme volatility, ocean freight rates are expected to stabilise to some extent. However, factors like geopolitical tensions, natural disasters, and unexpected disruptions can still impact rates in certain trade lanes.

Carrier Alliances and Capacity Management: Shipping lines are likely to continue forming alliances and managing capacity to ensure rate restoration to more sustainable levels.

At Visy, we understand that success lies in leveraging digital technologies, prioritizing sustainability, and adapting to changing market dynamics.

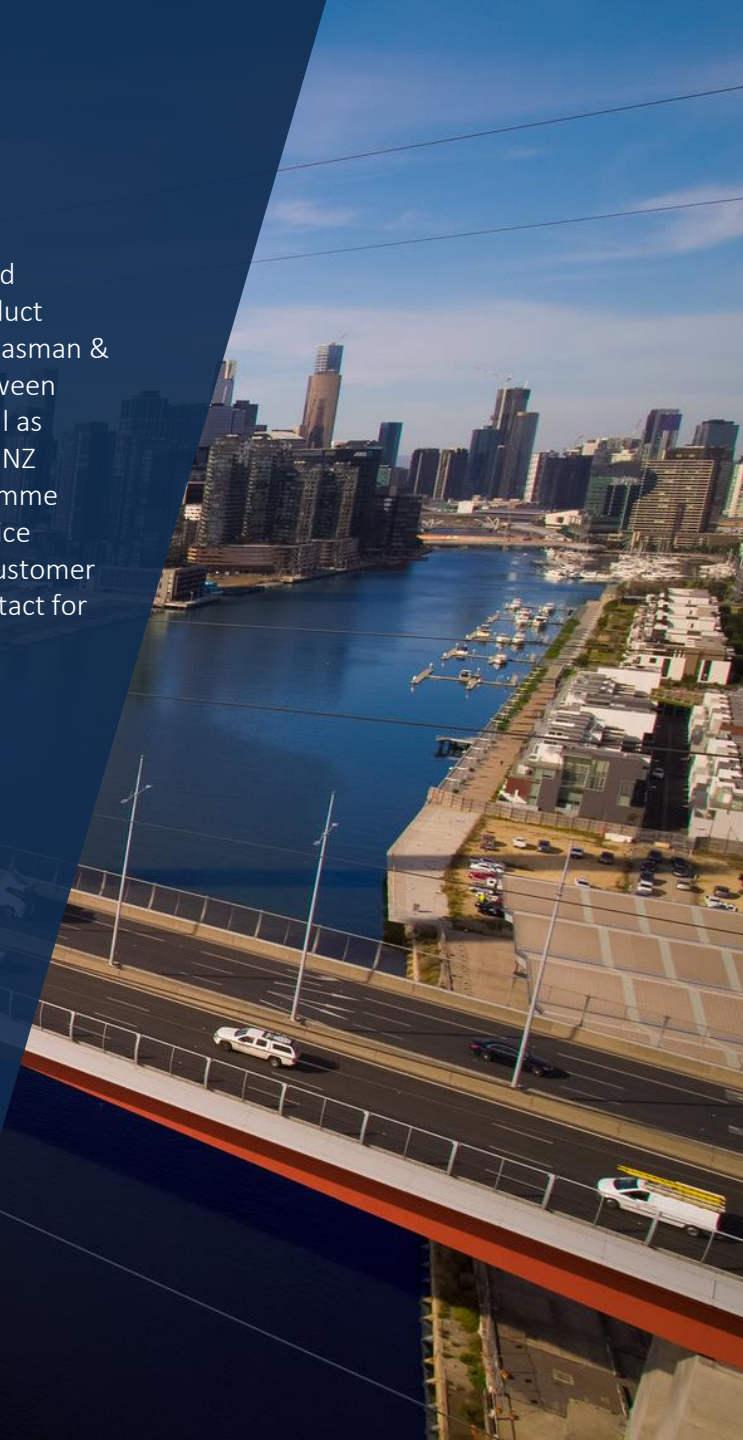
Our focus is to remain agile, proactive, and focused on providing reliable and efficient services to our clients in an ever-evolving global trade landscape.

I am also very proud of the continued development of our profile and product offering having launched our Trans-tasman & Coastal Trade-Lane Programme between Australian main ports and NZ, as well as coastal offering within Australia and NZ respectively. The Trade-Lane programme offers an integrated end to end service offering supported by a dedicated customer service team as a single point of contact for our customers.



Goran Miljanic
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

	●	●	●
Space (Capacity)	70-100% of normal capacity	30-69% of normal capacity	Less than 29% of normal capacity
Equipment Availability	No challenges	Medium challenges	Major challenges
Schedule Reliability	No challenges	Medium challenges	Major challenges

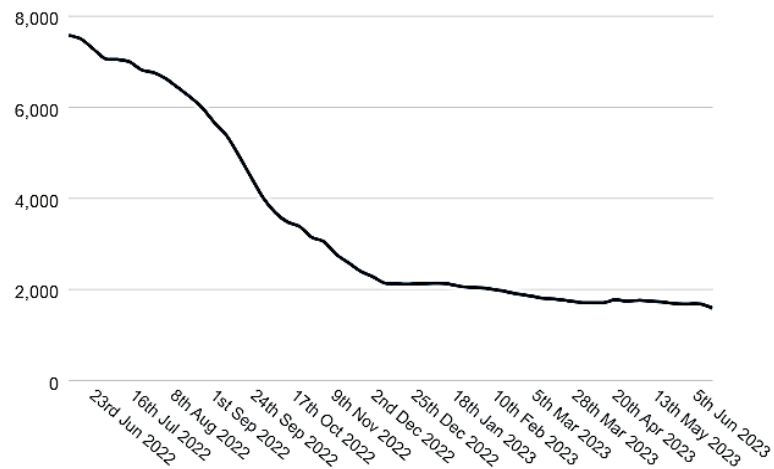
KEY #2

Spot Price Development	↑ Up	→ Stable	↓ Down
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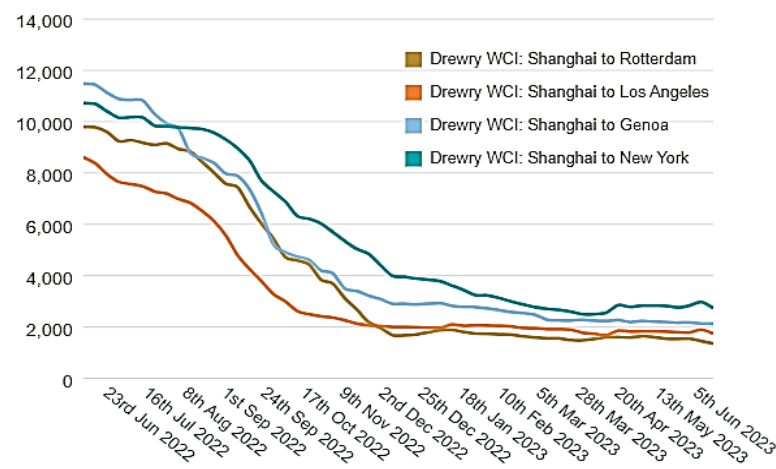
Ocean Freight Market Update

- With slow steaming, service withdrawals, vessel idling, and blanking sailings, global freight level is gradually stabilising.
- However, for some trades e.g. Asia - Oceania, recent rate restoration programme is bearing fruit.
 - Following capacity cut announced by A3 consortium in Asia-Oceania trade, we see an increase in vessel utilisation.
 - Carriers are optimistic and expect increase in cargo demand, especially from China export.

Drewry World Container Index (WCI) - 15 Jun 23 (US\$/40ft)



Drewry WCI: Trade Routes from Shanghai (US\$/40ft)

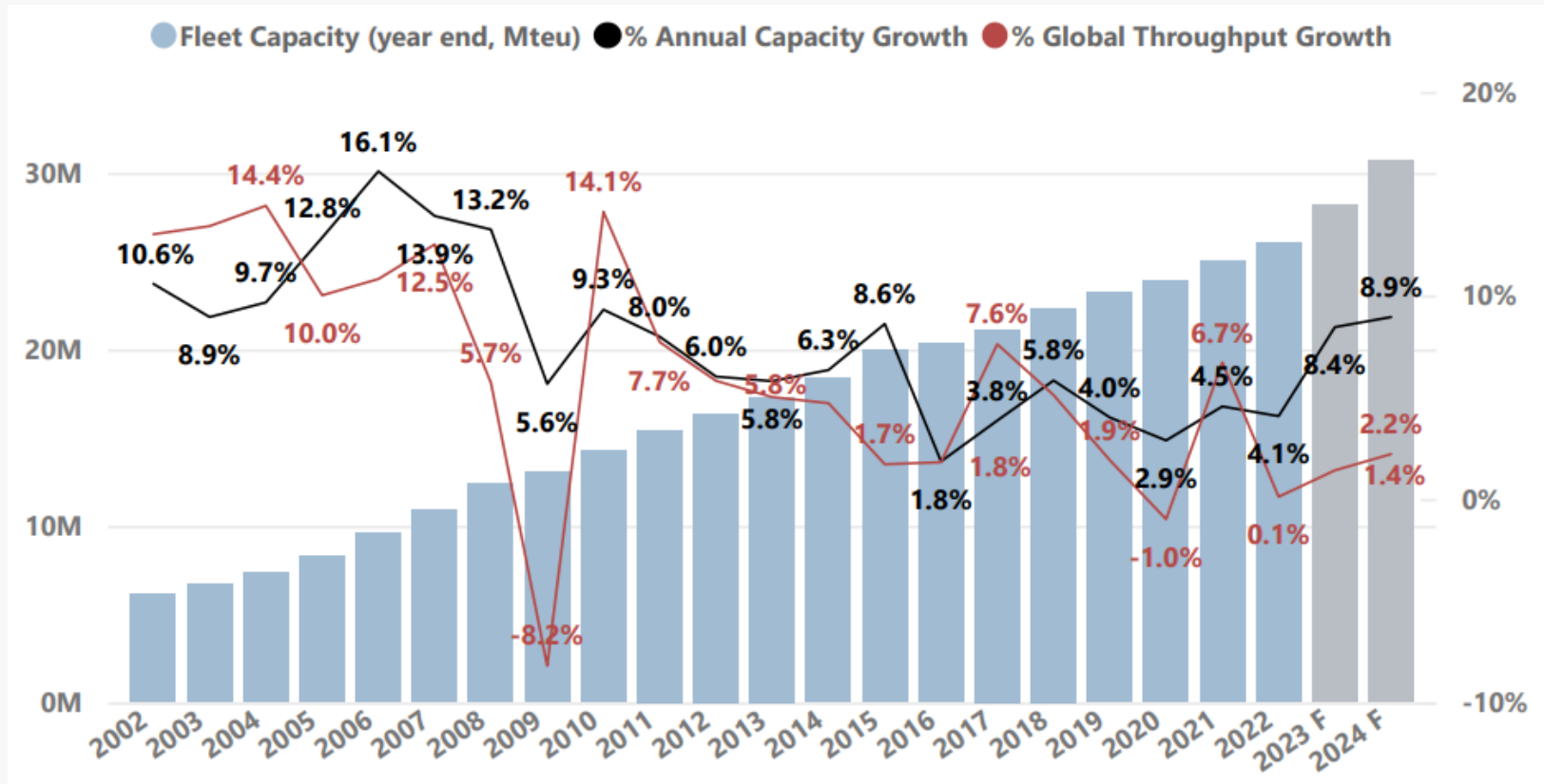


Source: Drewry World Container Index, June 2023



Ocean Freight Market Update

- Whilst in 2023 we can expect a supply overhang (vessel capacity > cargo demand) of 7%, this level is predicted to reduce slightly only to 6.7% in 2024.
- The primary driver for this supply glut can be attributed to the aggressive vessel orderbook of 7,590 Mteus. This orderbook constitutes 28.5% of current fleet.
- Unless cargo demand significantly picks up in 2024, we can expect freight levels to remain flat in 2024.



Source: Alphaliner Monthly Monitor, June 2023



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

- Remains sufficient considering low and softening demand. Belly capacity has increased following increased passenger travel demand.
- Global Capacity - +14% higher than 2023, no significant backlogs

Carriers

- Higher flight frequencies in general for increased travel demand.
- Most airlines have available freight capacity in hand absorbing low yields amidst low volumes and softening demand.

Jet Fuel

- Prices expected to remain comparatively high.
- OPEC + cut production will keep demand and price under pressure.
- Economic slowdown indicates lower fuel consumption, which may result in lower demand and associated price adjustments.

Rates

- Competitive spot rate markets across most trade lanes
- Expecting more stability on long-term rates in Q3-4 2023.



Airfreight Analysis: Current State and Future Prospects of Air Cargo Market in Australia

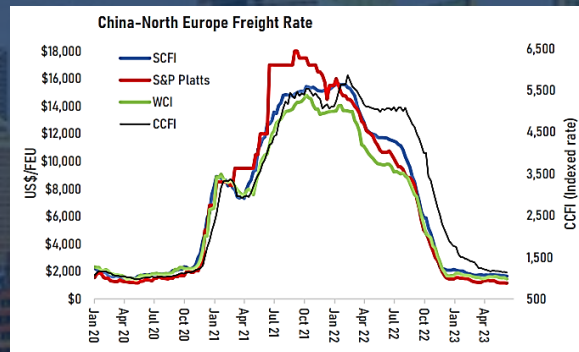
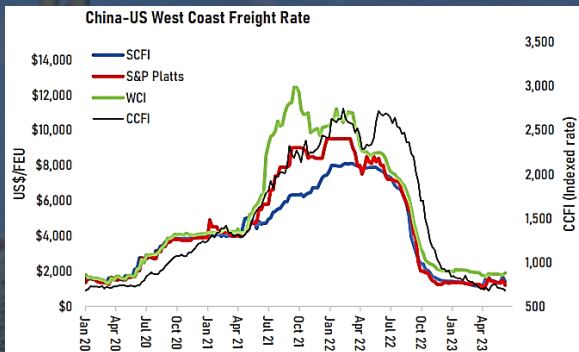
- Australian airfreight market enjoying annual average growth rate of 3.2%.
- Total airfreight increased from 1.1m tonnes in 2010-11 to 1.5m tonnes in 2019-20.
- Australian air cargo market expected to grow in the future, driven by factors such as increasing demand for e-commerce, expansion of network, and adoption of technology.
- However, air cargo industry in Australia can face challenges such as impact of pandemic outbreak and environmental concerns.
- Stakeholders in airfreight industry must continue to adapt to changing environment to leverage opportunities for growth.



Regional update: Asia

Market Update

- For Asia –Oceania, we can expect a slight increase in cargo flow in July, especially from China exports.
- Asia – USWC and USEC rates have plateaued and expected to remain stable in July as import volume not expected to be strong 2nd half of 2023.
- Asia- NEUR rates are expected to drop further in July due to vessel upsizing from 10-15K teus vessels to 18-23 teus vessels.
- Asia-WMED continues to look strong, with freight-level holding firm.



Source: LINERLYTICA

Major ports update

China, Shanghai:

Congestion situation is improved, 1 day waiting time to berth.

China, Ningbo:

Situation improves, delay is within 1 day now.

China, Yantian:

Operation normal, no berthing delay.

China, Qingdao:

Berthing delay about half a day.

Singapore

Berth waiting time is about 1 day due to vessels bunching upon arrival

Thailand, Bangkok

Average 14 hours delay at PAT

Malaysia, Port Klang

Congestion for about 1 day.

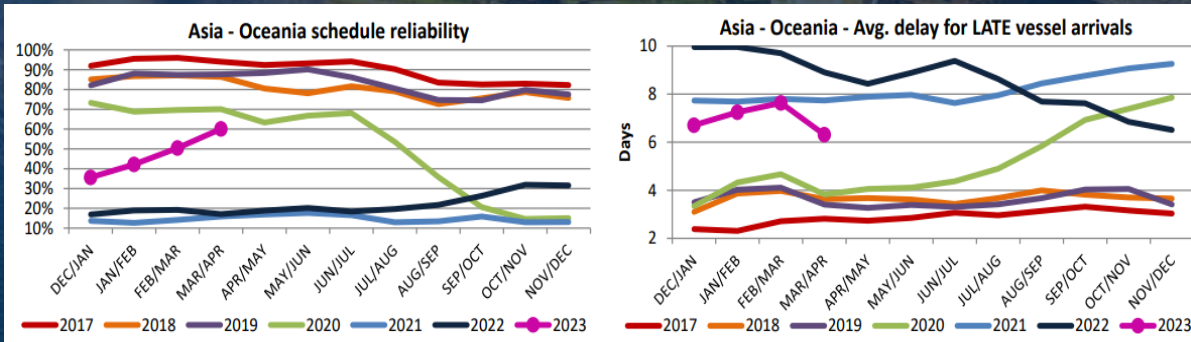
Pusan

Berthing delay within half a day. Laden yard density is at about 83%.

Country update: Australia

Congestion & Schedule Reliability Update

- Container vessels have reduced average speed significantly as freight demand has dropped.
- Current sailing cancellations between 15 May and 18 June 2023 are at 3%, a significant decrease from recent months and the lowest level observed since COVID-19.
- Port congestion is less of a concern, and global ocean freight schedule reliability of all 14 of the largest carriers vastly improved compared to 2022, with Maersk remaining the most reliable.



Source: Global Liner Performance (May 2023) SI

Operational update

- Landside port charges across Australia’s five major container ports have grown significantly from 2022 to 2023.

Patrick terminals

- Brisbane: Working with minimal delays, approx. 0-0.5 day
- Fremantle: Working with minimal delays, approx. 0-0.5 day
- Sydney: Working with minimal delays, approx. 0-0.5 day

DP World Terminals

- Brisbane: Working with minimal delays, approx. 0-0.5 day – severely hampered by equipment and IT outages of late, therefore may see a drop in this number and an increase in costs due to delays.
- Fremantle: Working with minimal delays, approx. 0-0.5 day
- Sydney: Working with minimal delays, approx. 0-0.5 day
- Melbourne: Working with minimal delays, approx. 0-0.5 day

VICT

- VICT announced implementation of VGM Weight Discrepancy Fee and Reefer Temperature Discrepancy Fee effective 1 June.
- VICT is also increasing its landside charges and infrastructure surcharges.
- Working with an average delay of 0.5 day

AAT

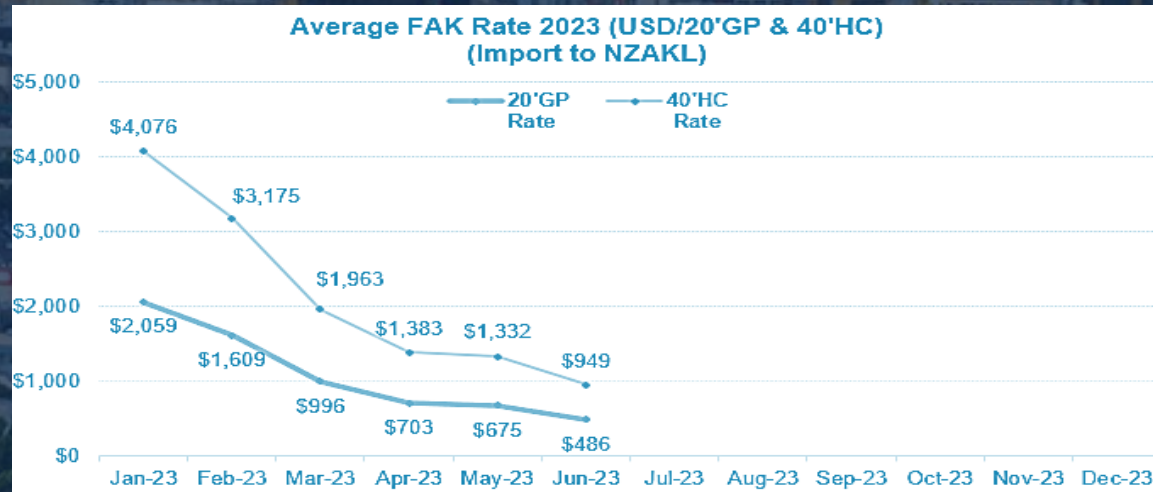
- The Port of Brisbane and Port Kembla were affected by severe congestion in May due to contamination. This is expected to clear by early June.



Country update: New Zealand

Market Update

- We expect Asia – NZ rates to slightly increase in July due to blank sailing and service rationalisation.
- Transman & NZ Coastal Trades rates are stabilising as space opens up



Source: Various Carriers, June 2023

Operational update

- NZ Customs & MPI Clearance operating smoothly vis NZ Trade Single Window
- Coastal Trade: Pacifica carrier holding good schedule integrity
- Lyttleton Port: Infrastructure investment with a 4th container crane & 4 x new reefer towers, double capacity and expected to enhance productivity
- Port of Tauranga : Ordered 4 x Kalmar hybrid straddle carriers due for delivery in Q4
- Grimaldi Line (IT) made its first call to NZ, which can boost RO/RO & project cargo options



Country update: Vietnam

Air Freight market update

- Demand for airfreight expected to remain weak in July.
- An increase in passenger capacity for the summer schedule is keeping overall capacity (freighter + passenger) relatively abundant, along with soft rates.
- Ad hoc spot quotes preferred to Block Space Agreement (BSA) rates.

Ocean Freight market update

- VN-US: Rates continue to decline as demand remains low and capacity is open.
- Vietnam-Oceania: Rates are stabilising and space remains open, with no equipment issue.
- VN-Europe and Middle East: Freight rates are relatively stable
- Nevertheless, prospects in Intra-Asia trade look promising as carriers introduce new products e.g. Ocean Network Express's new service 'Korea China Straits 2' (KCS2), connecting to Cat Lai Port.

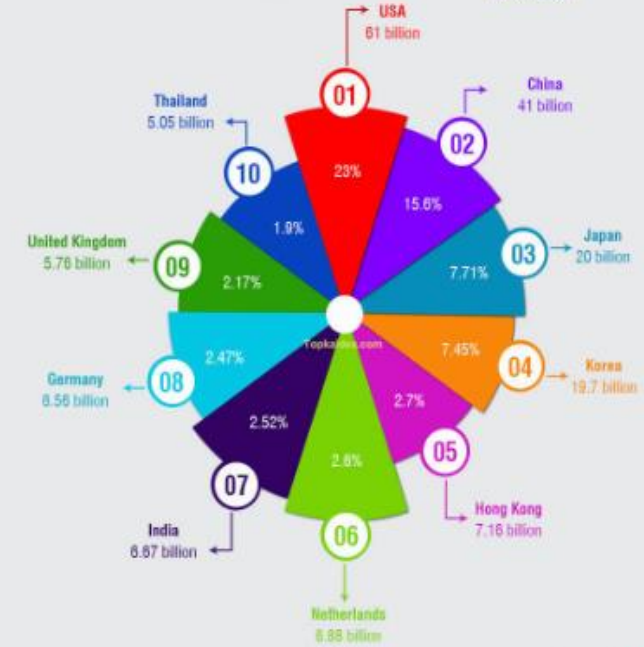


ORIGIN	ETA/ETD	TERMINAL
Pusan	THU/THU	BPT (Old Port)
Kwangyang	FRI/FRI	GWCT
Shanghai	SUN/SUN	WGO 2
Shekou	WED/THU	CCT
Singapore	MON/TUE	PSA
Port Klang	WED/THU	WSP
Penang	FRI/SAT	Penang Port
Singapore	SUN/MON	PSA
Cat Lai	WED/WED	Cat Lai Terminal
Nansha	SAT/SUN	NICT

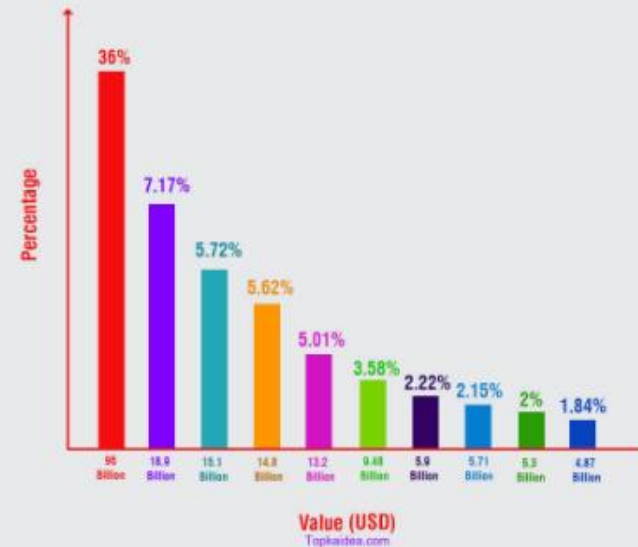
Turnaround days: 28

Source: Ocean Network Express, June 2023

Top 10 Export Vietnam Countries



Vietnam Top Export Goods

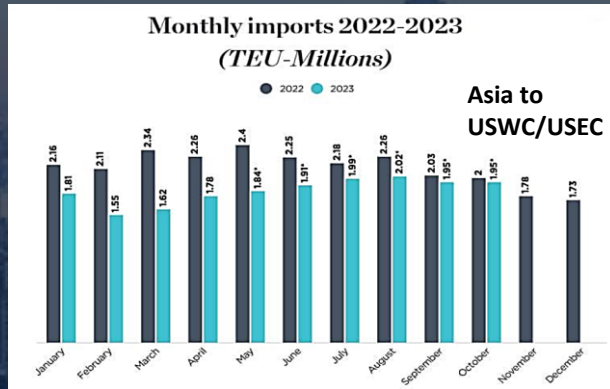


- Electrical machinery
- Footwear, gaiters
- Clothing accessories
- Clothing accessories, not knitted
- Nuclear reactors, boilers
- Furniture; bedding
- Fish, crustaceans
- Edible fruit and nuts
- Optical, photographic
- Plastics

Country update: USA

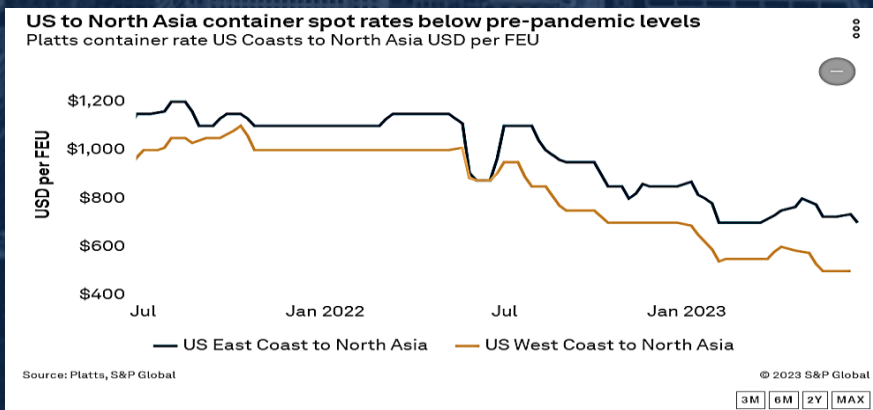
Ocean freight market update

- We do not foresee a surge in imports into the US in the coming months due to inventory overhang and weak consumer demands.



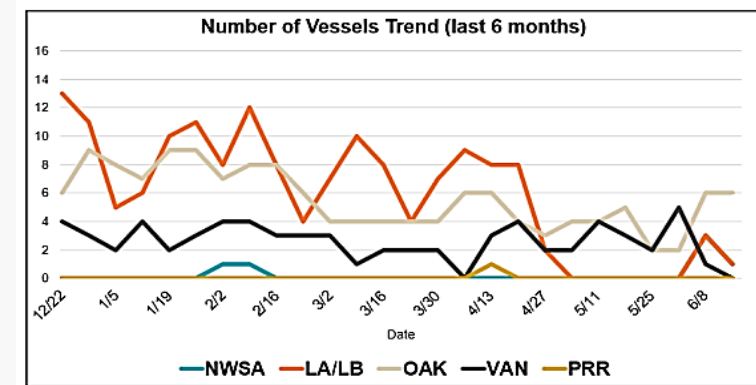
Source: NRF/Hackett Associates Global Port Tracker *Forecast

- Trans-Pacific Westbound rates continue to drop below pre-pandemic levels as carriers see slowing demand and lower exports.
- Spot rates in mid-June hit a low of \$500/FEU, down from USD1150/FEU in early May. However, large shippers are seeing rates below USD250/FEU.



Ports, Domestic Railroad and Trucking Operations

- On June 15th, ILWU and PMA struck a tentative deal with a huge victory to the USWC longshore workers, who secured 32% salary increase over the 6-year tentative contract, among other demands.
- The tentative agreement should end almost a year of negotiations and more recently, a slowdown in operations and random closures across different USWC terminals.
- Vessels waiting to berth at USWC ports continue to reduce, even as tensions between the ILWU and PMA grew. Now that there is a tentative agreement, we should see further easing. Two exceptions are Oakland and Vancouver, which are smaller ports and labour slowdown caused greater effects to productivity.



- Drayage capacity and equipment availability still abundant at major US ports
- Truckload spot rates likely hitting bottom; however, high-demand long-haul lanes have seen slight increases.
- With declining rail demand, Norfolk Southern Railway is restoring free time at select "tier 2" facilities, while also reducing storage fees. This is a story to follow and see if other railway operators will follow suit.

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



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- Automation
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