

# ROHLIG EXPERTS

 Röhlig LOGISTICS UPDATE

## Röhlig Australia Market Update – March 2023

March 2023

Dear Valued Customer,

Welcome to our March issue of Röhlig ANZ Market Update. We will continue to be in contact with you, letting you know what is happening in the world of freight forwarding and logistics. If you have any questions and would like to address them, please send them to [rohlig.australia@rohlig.com](mailto:rohlig.australia@rohlig.com). We appreciate your suggestions and feedback.

### AIR FREIGHT

#### Oceania

In a classic case of two steps forward, one step back, we have been pushing up to our highest flight numbers post covid, with upwards of 90 flights a day for our Sydney benchmark. This is right in time for passenger demand to weaken and airlines are scrambling to re-route aircraft.

Multiple factors are causing this. Stubbornly high ticket prices born from higher operating costs, are beginning to stagnate passenger demand, which is already weaker in a higher interest rate economy, creating what looks to the humble forwarder as a knee jerk oversupply of seats. The reaction so far is not holiday ticket sales, but sharp reactions on aircraft types and routings. The most obvious in Oceania is Air New Zealand halving their wide bodies Sydney-Auckland.

What that means is passenger demand is still way down on pre-covid levels, we cannot yet get back to 2019 flight numbers.

On the upside, we have seen freight costs drop during the last few months. Downside - we are now looking at a period of uncertainty for carriers. The rate slide can continue if we see these flight numbers hold and/or increase. The alternative is we see a local bottom in costs for a while if we see a capacity draw down.

All eyes are on the development of Q2, 2023 and also, the US federal reserve and our own reserve bank decisions on interest rates. This holds the key to unlocking passenger travel, retail sales and energy costs.

#### Oil and Jet fuel prices

Oil is continuing it's amazing downwards run from the mid 2022 highs of over 120 USD per barrel. We have a weekly price view in the chart, though switching to a daily view shows a very typical crashing pattern with no real sign of strength. We expected this pattern in the last newsletter and still expect further price downward slide.

This drop in demand is particularly interesting. As OPEC have cut production late last year, it has not stemmed to bleeding in price. Fuel surcharges are dropping which should be noticeable on freight invoices and your hip

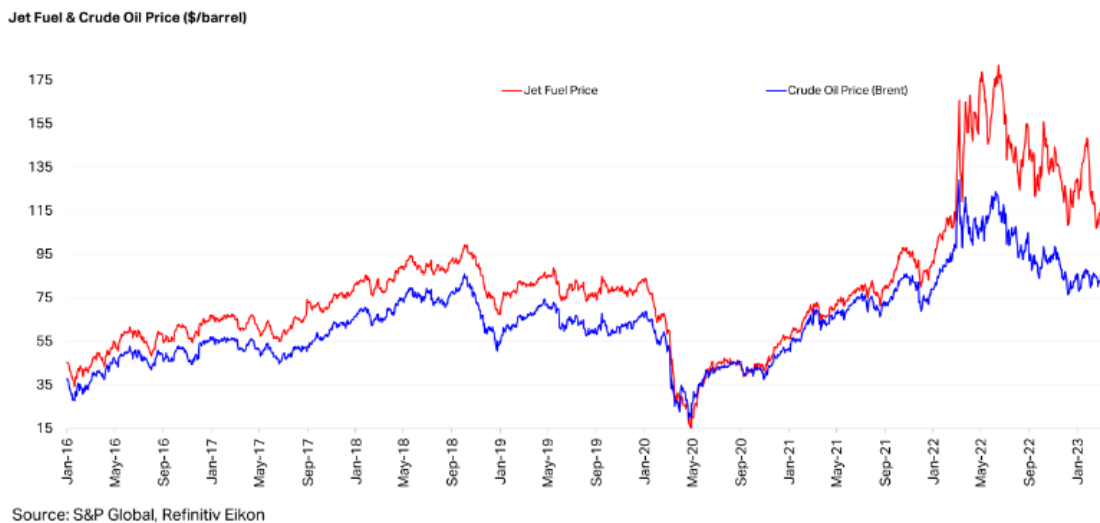
pocket at the bowser. Unfortunately, this shows concerns for economic resiliency in a higher interest rate environment, and we suspect this demand will factor in more than ever on interest rate decisions.



(Source: <https://www.tradingview.com/chart/?symbol=TVC%3AUSOIL>)

The 'lower high' / 'lower low' crashing pattern is more obvious in Jet fuel pricing, with fuel surcharge cuts on the way in the next week.

### Jet fuel price developments - longer term perspective



Source: S&P Global, Refinitiv Eikon

(Source: <https://www.iata.org/en/publications/economics/fuel-monitor/>)

### Australia

Rates from Australia into New Zealand continue to be stable for now. Our immediate concern is the slashing of wide bodies Trans-Tasman. However, in April, we are expected to see a drop in demand for cargo, which is enough to keep us in a happy balance of space and cost.

With Q2 around the corner, we are yet to see if we get some further airline competition to NZ with a risky proposition with lower passenger demand. Exports elsewhere continue on their rate stability for now; however, we have seen some costs ease now to Asia and America.

## New Zealand

In reference to the Australia's update, Trans-Tasman is stable - though space will tighten through April without a drop in cargo demand.

Europe and the Americas are still challenging for air imports, with a potential upside on the horizon of passenger demand slow to the point of making A380s unviable. If costs into NZ do not begin improving at the rate of costs seen into AU, this may end up in the unseen scenario, where it is cheaper to fly cargo to Australia, than re-export to NZ. Definitely a situation we are watching closely.

## Asia

We aren't bristling with flights out of China yet - which the world somewhat expected - nor have rates dropped dramatically. Compared to Q1 2022, we are in a better position, with some genuine good rates that can be had on bigger/heavier shipments, as Chinese carriers play heavy on the spot market.

Thailand and Malaysia are both now positioning with genuine viable rates, with the closest costings to pre-covid we have seen yet. Worth putting a call in for airfreight over that LCL shipment you were considering 😊.

## USA

Expected mild decreases in costs in April, as airlines manage the squeeze of lower demand against ballooning cost bases.

Freighter capacity is expected to drop off with flights being pulled from rotation. With that being said, the question will be, if increased space on passenger aircraft caused by dropping demand can pick up the slack. We shall see.

We are operating LAX, ORD (Chicago) and JFK now, as space availability does open up flexibility.

## Europe

If you're shipping out of Europe, you would have noticed the cost decreases. A nice win for importers and hopefully there is more juice to squeeze yet.

With the increase of carriers operating based near the equator, it has become easier to service Europe. This is allowing us to look at traditional B-services via Asia as viable options.

I would caveat this with thinking of a B-service as a balance between that LCL job you need a bit quicker rather than saving on an urgent airfreight, as some of these cheaper carriers can seriously blow out on transit time. Either way, if you are interested then please reach out to your Account Manager!

For more information about our Air Freight services, please click [Rohlig Air Freight](#).

## SEA FREIGHT

### Oceania

Rates from Asia to Oceania continue their downward trend as we head into Q2. Carriers did attempt a rate increase effective 1<sup>st</sup> April of USD500/TEU, however, their efforts were thwarted by weak demand and overcapacity in this market. We observed a small rush of bookings pre-Q2 which lead to space being tight for a few sailings. There is currently sufficient empty equipment storage in various yards and terminals in China.

The accumulation of empty containers is indicative that the supply chain has yet to recover after the Spring Festival holidays. The balance between supply and demand is not ideal, the freight rate of most ocean route markets continues to decline.

Furthermore, the current economic climate is contributing to consumers tightening their spending habits and customer inventory for the most part remains high and warehouses full. There is low confidence that this will improve in the immediate future.

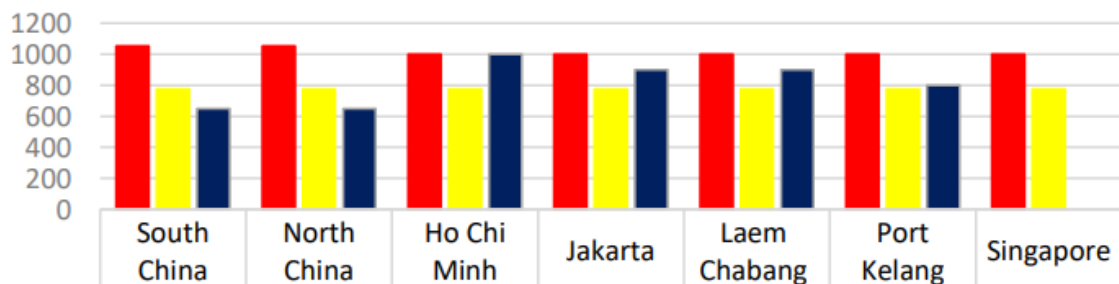
Carriers continue with their blank sailing programs and port omissions which may ramp up if the desired effect is not achieved, that is, to constrict space to restore freight rates back to a profitable level.

## Asia

**FAK rate  
ex Far East to Australia base ports  
15-31 Mar 2023**



**FAK rate  
ex Far East to New Zealand base ports  
15-31 Mar 2023**

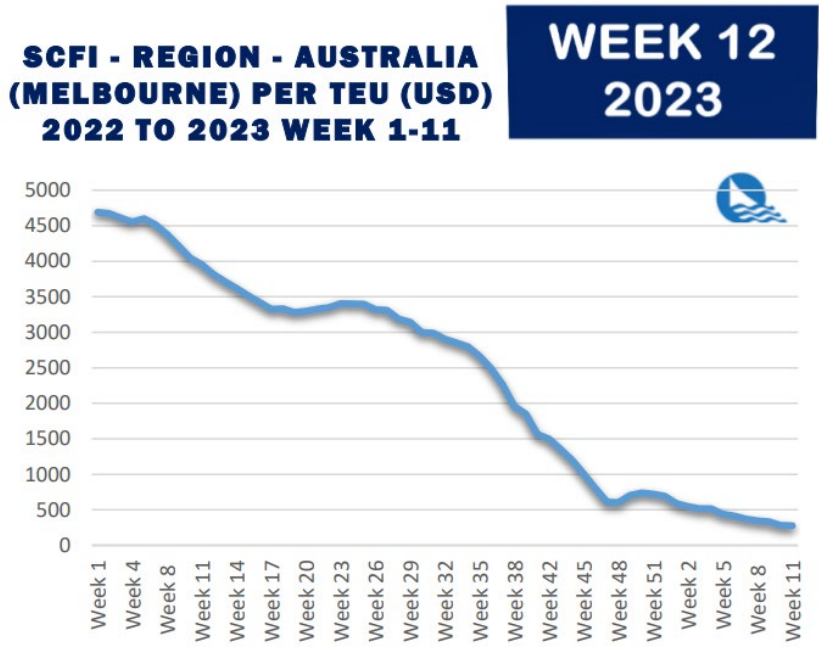


(\*As a comparison over 3 carriers)

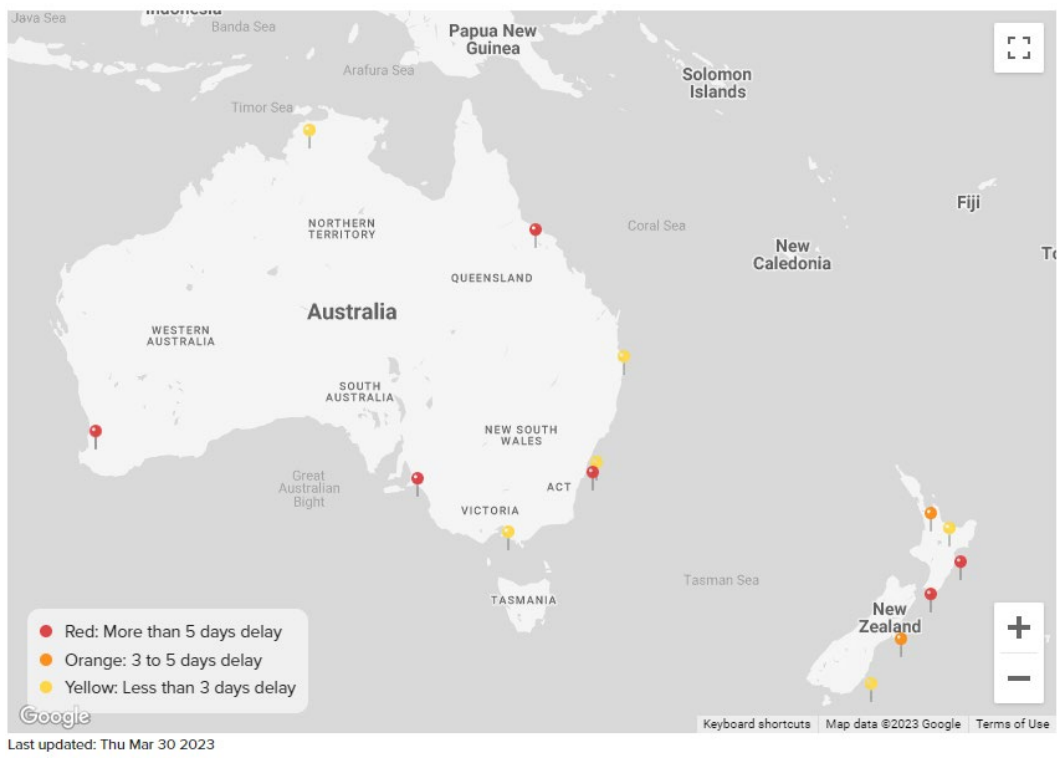
## Europe

Rates from Europe were quite stable for some time but have been declining steadily since February. Trans-shipment ports are not experiencing delays currently making trans-shipment options favorable. Schedule integrity continues to improve and is more reliable than it was in 2021.

SCFI index



ANZ Port Congestion



\*([Port Congestion: Real Time Worldwide Port Congestion Status - GoComet](#))

## TRANSPORT

### Cartage/transport

Flinders Warehousing & Distribution (FWD) will be increasing its import and export charges effective 1 April 2023. This is due to Flinders Adelaide Container Terminal (FACT) increasing their Terminal Access Charge (TAC).

We have been advised that the "TAC increase represents a necessary offset to operational costs and enables a longer-term recapitalisation of equipment, technology and infrastructure at FACT. The reinvestment program ensures the terminal can maintain service delivery and respond to the rapidly changing demands of the modern supply chain".

Fuel prices nationally have been steady with no further increases at this stage.

Storage space is still an issue nationally, with the hope this changes in the upcoming weeks as clients will start utilising their stock.

On another note, terminals and empty parks have been running well with no delays.

## QUARANTINE

### Department of Agriculture, Fisheries and Forestry (DAFF) is in dire straits.

Many Customers would have heard of the continuing challenges with the Department of Agriculture, Fisheries and Forestry (DAFF) and their extensive service delays, which include Quarantine Document processing and Quarantine Inspections.

The situation continues and recently hit the mainstream news headlines (refer [Agriculture department in dire straits as 'festering' finance problem reaches a head](#)) now also expressing concerns with references to restrictions on non-essential travel and the closure or deferment of a number of reform initiatives, which could include the Green Lane Program (refer [Green lane program information](#)) an initiative we were very excited about for our customers.

The department has now issued [Industry Advice Notice 72/2023](#) advising of proposed changes to biosecurity fees and charges.

The associated "[Consultation paper](#)" makes various recommendations including an increase to both the air and sea Full Import Declaration (FID) by \$5 for the 2023 / 2024 period (\$38 to \$43 for air / \$58 to \$63 for sea).

Note: We recently saw an increase whereby Sea FID's went from \$49 to \$58 on 16 January 2023!

An opportunity exists for you to complete a departmental survey by 5pm AEST on Monday 24 April 2023 - refer [HERE](#)

### Biosecurity Risk Material on new vehicles arriving in Australia

Australia's ports have seen an 88 percent increase in new vehicles arriving with biosecurity risk material contamination.

Over the same period, there has been an 17% percent increase in the total number of new vehicle imports into Australia.

This is delaying vessels and creating serious congestion at a number of Break Bulk terminals around Australia.

More information: [Updated statement on Biosecurity Risk Material on new vehicles arriving in Australia - DAFF \(agriculture.gov.au\)](https://www.agriculture.gov.au/daff/updated-statement-on-biosecurity-risk-material-on-new-vehicles-arriving-in-australia)

### **Brown Marmorated Stink Bug - End of Season is approaching**

BMSB Seasonal Measures will end on the 30<sup>th</sup> April.

Meaning BMSB high-risk cargo shipped after the 30<sup>th</sup> April will not require BMSB treatment.

The 2023/24 Season Measures are yet to be announced, however, we expect they will return on the 1<sup>st</sup> of September 2023.

For more information: [Seasonal measures for Brown marmorated stink bug \(BMSB\) - DAFF \(agriculture.gov.au\)](https://www.agriculture.gov.au/daff/seasonal-measures-for-brown-marmorated-stink-bug-bmsb)

Thank you for your ongoing support of Röhlig Australia and New Zealand. We will continue to keep you updated, however should you have any questions relating please do not hesitate to [contact](#) your Röhlig Account Manager or Customer Service Representative.

### **The Team at Röhlig Australia and New Zealand**