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# GLOBAL LOGISTICS UPDATE

FEBRUARY 2022

# Higher Rates and Capacity Constrains to Continue in 2022

The outlook remains very similar to the previous month. Omicron’s fast spread confirmed the pandemic is not yet over. Severe winter storms caused supply chain disruptions across North America. Around 50,000 truck drivers gathered in a “Freedom Convoy” in Ottawa, Canada to protest a vaccination mandate imposed by the government for drivers returning from the U.S. A similar event is now being organized on the U.S side which will likely create further supply chain disruption due to unavailable trucks. Illness-related absenteeism caused by COVID-19 variants is temporarily impacting freight flows in all modes (air, ocean and road). Average dwell time at the ports remains high (+28 days at LA, +20 days at NY). Our goal is to keep you informed as we monitor this dynamic and crucial part of our supply chain.

# OCEAN

# OCEAN: High Level Summary

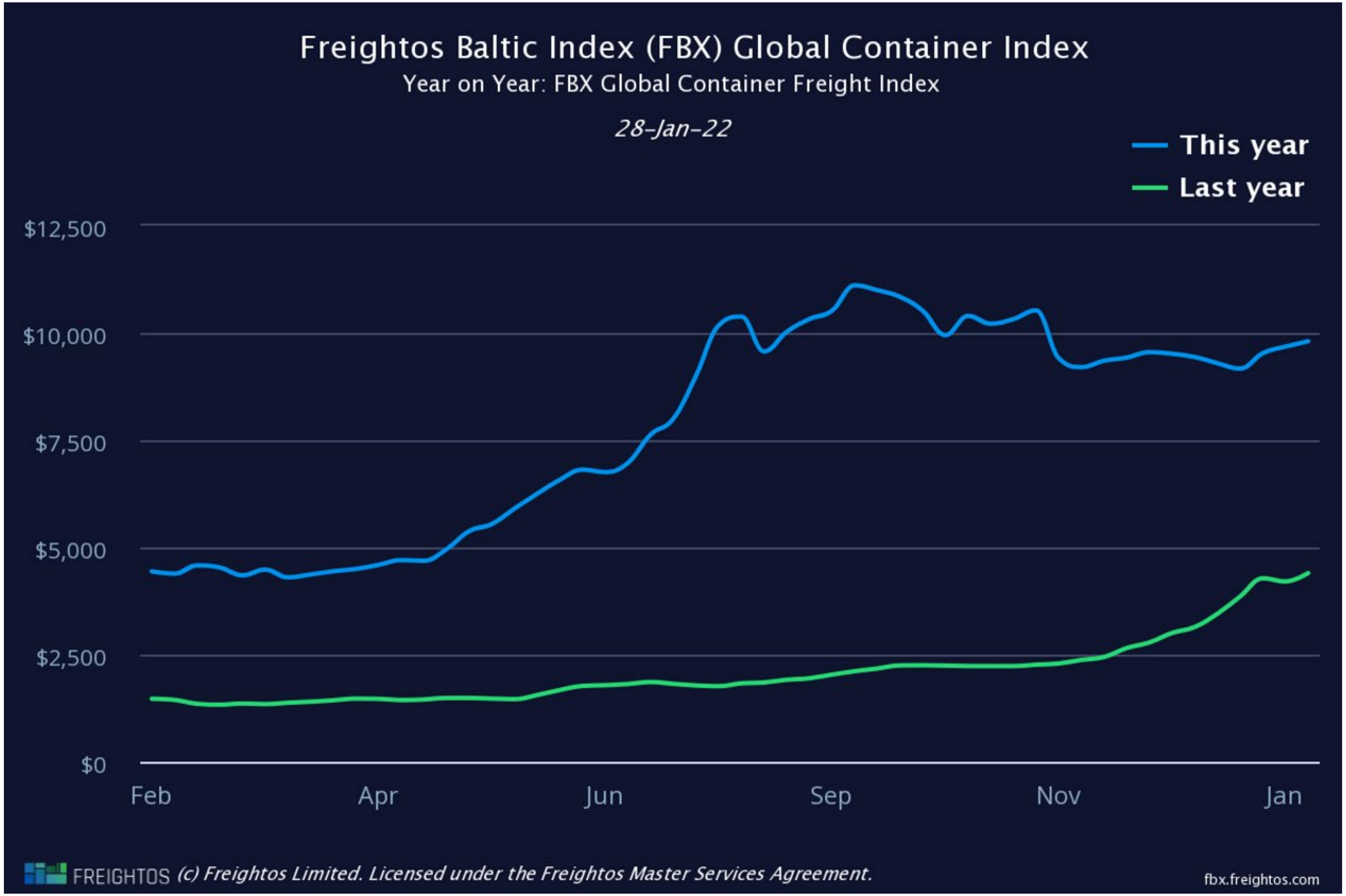
- Global demand remains strong, and capacity is tied up due to congestion delays at ports in North America and Europe. North American ports are responsible for approximately 80% of global disruptions.

- Tight supply of shipping space is expected through Chinese New Year, although this could ease during weeks 5, 6 and 7 (February 1-20).

- Global reliability schedule dropped again and to the lowest point ever at **32%.** Variation has been soft despite the fact it has been constantly low during 2021.

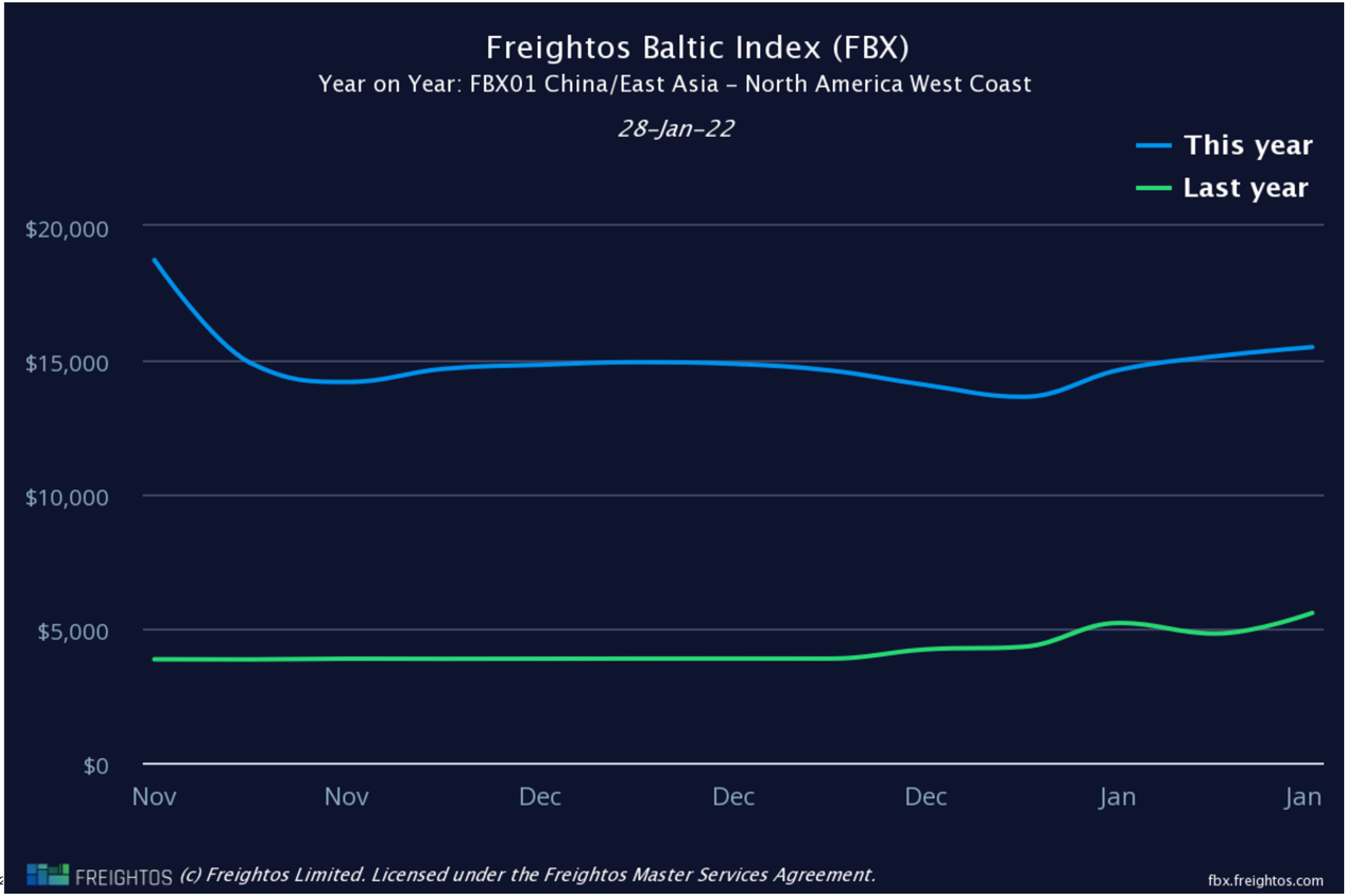
- 56 cancelled sailings have been announced between weeks 5 and 8, out of a total of 553 scheduled sailings, representing a **10% cancellation rate**.

# OCEAN: Global Ocean Container Index (YoY)



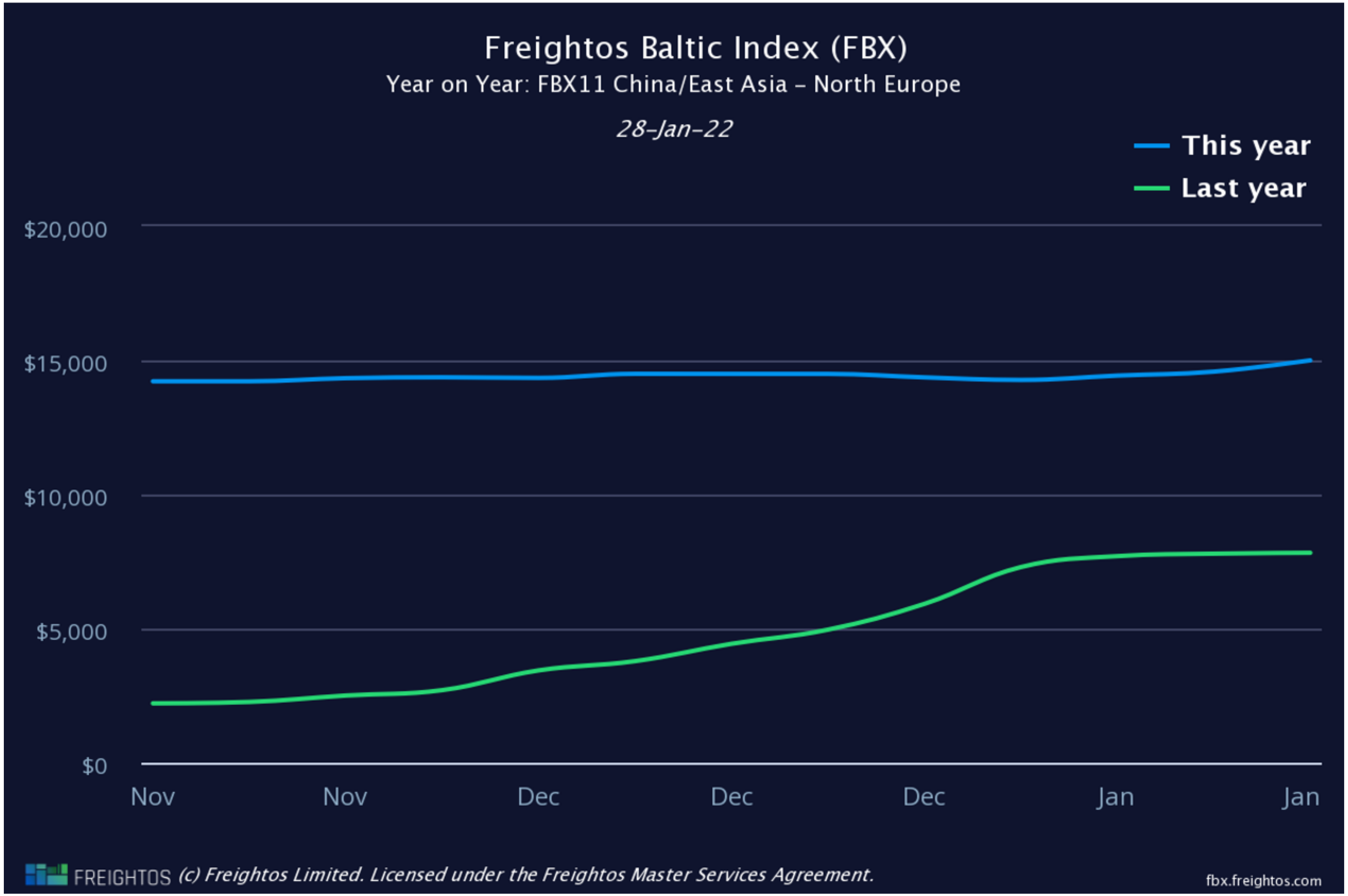

Container index is 2.2x higher vs. 2021

# OCEAN: China to NA West Coast




Container index is <u>2.8 x higher</u> vs. 2021

# OCEAN: China to North Europe




Container index is <u>1.9x higher</u> vs. 2021

# ROAD

# ROAD: Regional Dynamics

## North America

### Tight Capacity

- Current market has 9 available loads per 1 available truck, vs. pre-pandemic levels of 2 to 1

- A supply chain disruption is expected due to unavailability of trucks if an organized “convoy” moves forward in protest vaccination regulations in the U.S. (following the event that took place at Ottawa, CA last week)

### Rates

- Van rates with slight variation vs. previous month, however still ~30% higher vs. last year

## Europe

### Long Lead Times

- Critical situation – illness related absenteeism due to Omicron affecting haulers' staff severely leading to delays of shipments

### Rates & Capacity

- Across Europe capacity is down by ~18% vs. last year

- EU-wide regulation changes (“The Mobility Package”) expected to impact rates from Feb 1 onwards

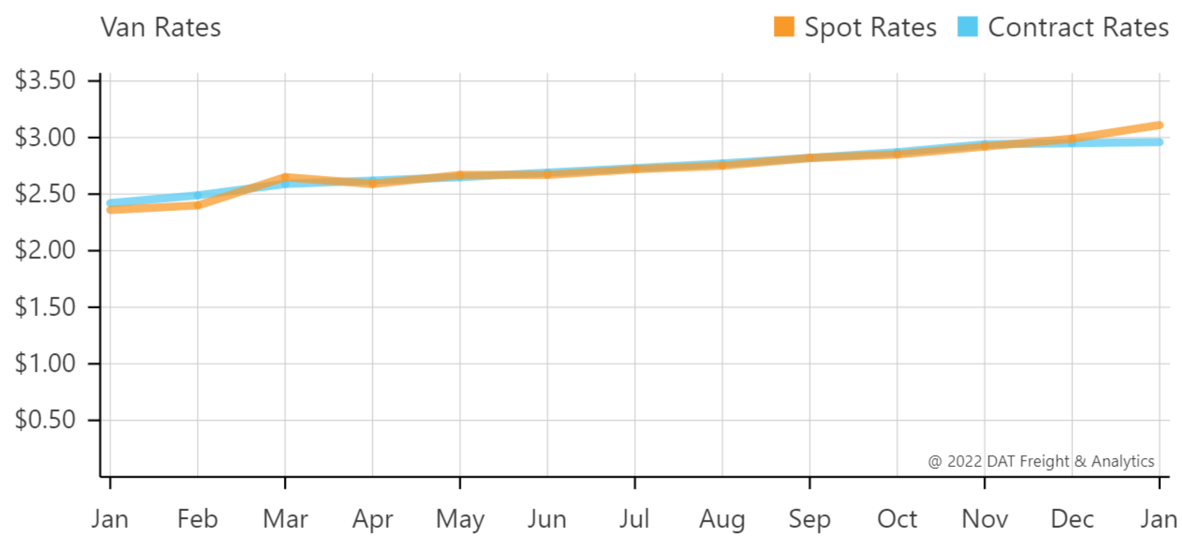
## Asia Pacific

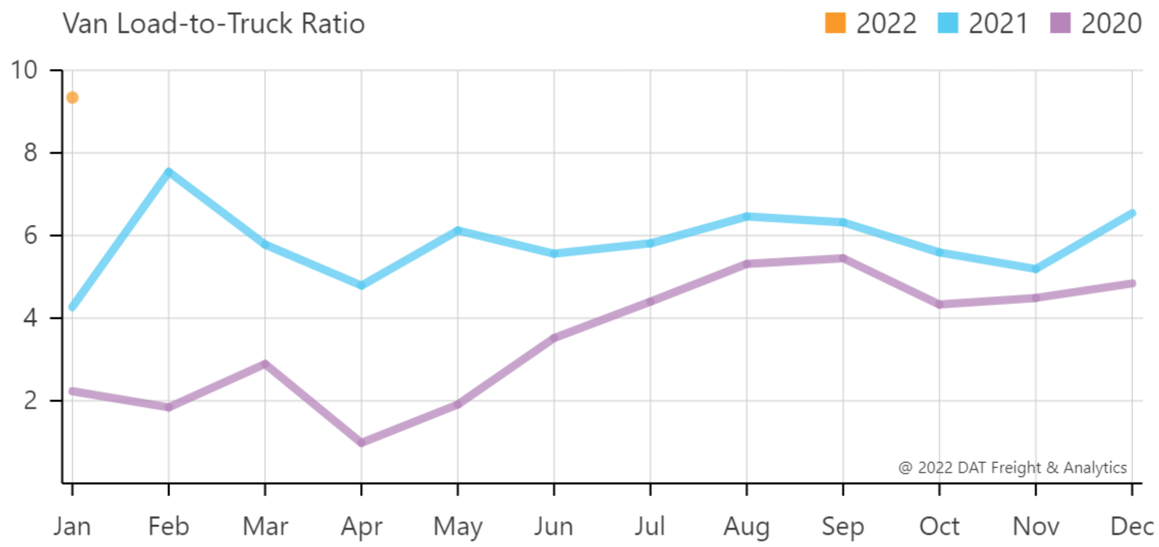
### Long Lead Times & Some Capacity Constraints

- Congestion at the Chinese road export borders (PingXiang and DongXing) causing long lead times and shortage of assets for freight out of and into China
- Remaining intra-Asia FTL / LTL road service is generally running in time

# ROAD: NA Price & Capacity Index (VAN)

## *Rates continue to climb and capacity available is volatile*




**Rates increased 32% YOY and 4% vs Dec 2021**
**Load-to-truck ratio increased 122% YOY and 45% vs. Dec 2021**

**Van Load-to-Truck Ratio:** # loads available / truck
e.g., In Jan22 it shows there are **~9.3** loads to tender for every available truck.

# ROAD: EU Price & Capacity Index (VAN)

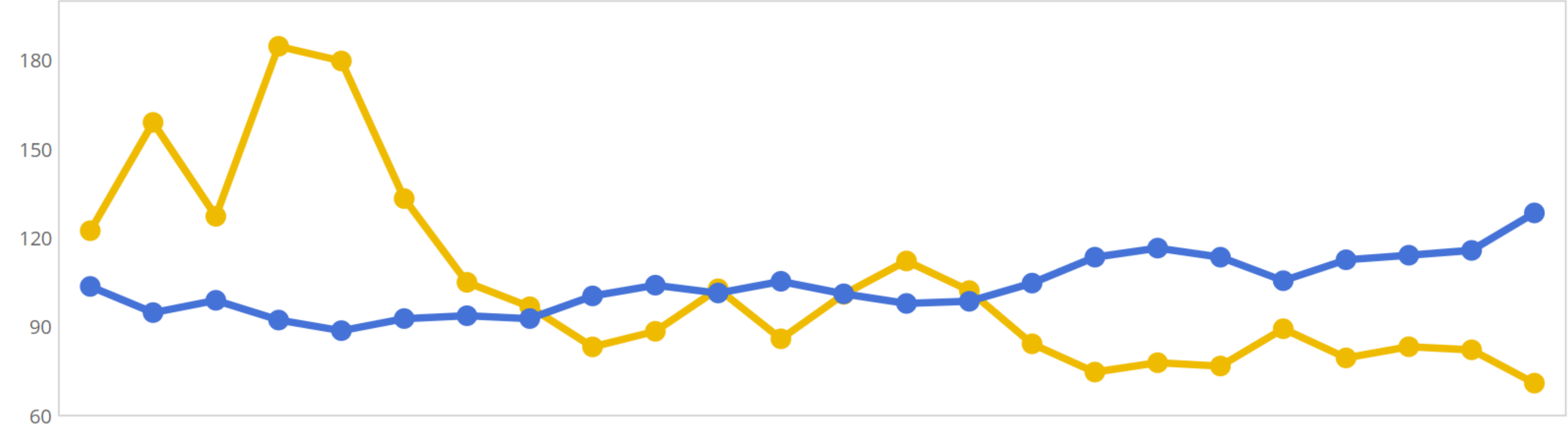
*Rates and capacity available are volatile*

## Price & Capacity Index

Price Index

Capacity Index

| Price Index | | | Capacity Index | | |
|---|---|---|---|---|---|
| ▲ | 21.9% | Dec 2021 vs Dec 2020 | ▼ | 17.4% | Dec 2021 vs Dec 2020 |
| ▲ | 10.9% | Dec 2021 vs Nov 2021 | ▼ | 13.7% | Dec 2021 vs Nov 2021 |




| | 2020 | | | | | | | | | | | | 2021 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
| Price Index | 103.6 | 94.8 | 98.9 | 92.3 | 88.7 | 92.8 | 93.7 | 92.8 | 100.4 | 104.0 | 101.4 | 105.3 | 101.1 | 97.9 | 98.6 | 104.7 | 113.5 | 116.6 | 113.5 | 105.5 | 112.6 | 114.2 | 115.8 | 128.4 |
| Capacity Index | 122.4 | 159.0 | 127.3 | 184.7 | 179.8 | 133.3 | 105.0 | 96.8 | 83.2 | 88.5 | 102.8 | 85.9 | 100.9 | 112.2 | 102.2 | 84.2 | 74.7 | 77.9 | 76.7 | 89.3 | 79.5 | 83.2 | 82.2 | 70.9 |

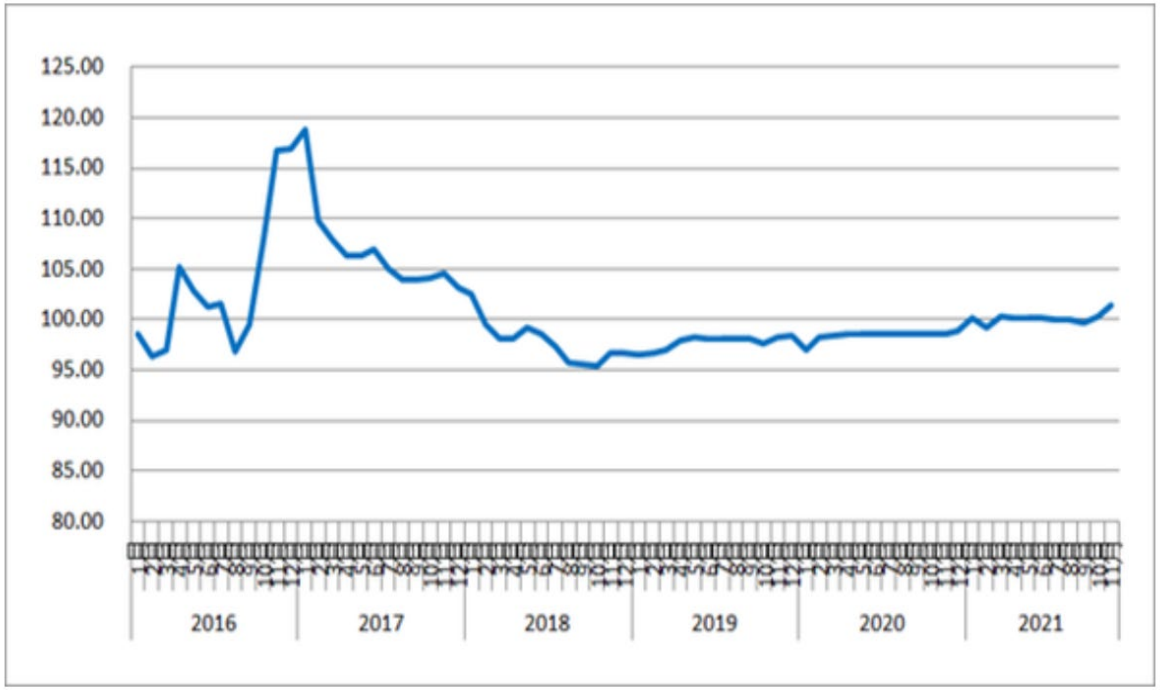
*Please note: All TMM Charts are based on real transports. For some combinations sufficient data required for building our index is not available. In this case you will see gaps.*

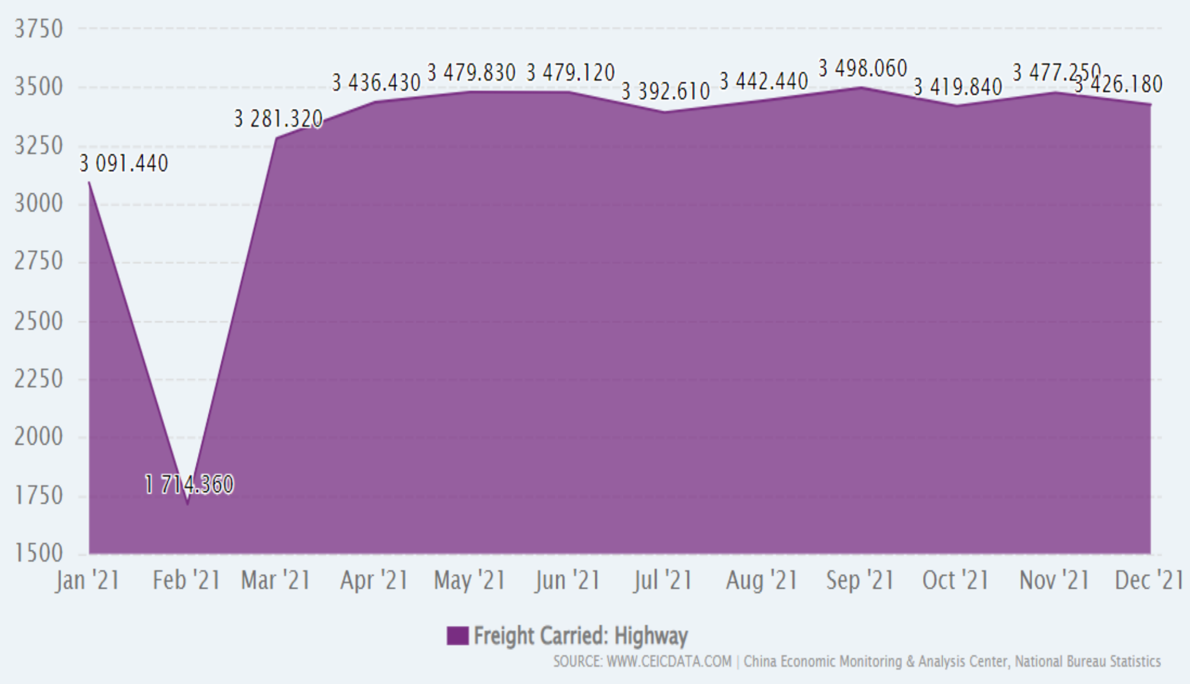
**Price increased 21.9% YoY and 10.9% vs. Nov 2021**

**Capacity reduced 17.4% YoY and 13.7% vs. Nov 2021**

# ROAD: China Road Freight Index & Volumes Carried

## *Freight index shows low fluctuation and mostly stable capacity*




**Freight rate index of China's highway logistics was 101.5 points in Nov21, representing 1.21% over the previous month and 3% YOY**

**Light volume's fluctuation of -1,4% vs. Nov21 and ~10% YOY**

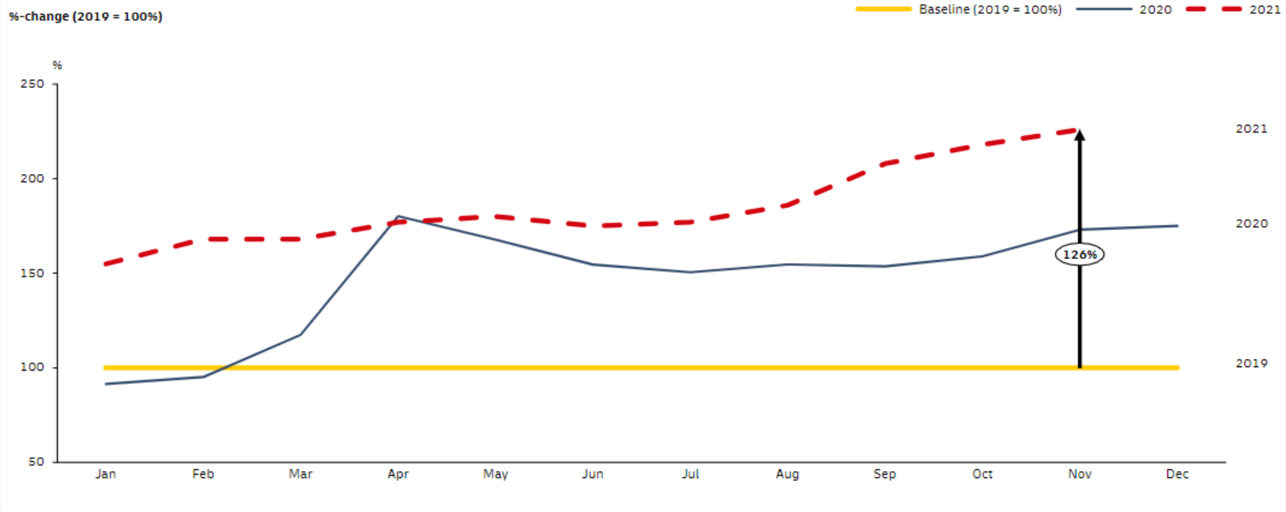
# AIR

# AIR: High Level Summary

- Global capacity still affected and -17% down compared to Dec 2019.
- Air cargo yields reach all-time high, mainly due to the supply and demand imbalance and increased fuel prices.
- Emergence of COVID variant Omicron around the globe adds further pressure on a volatile market, reducing air space available and disrupting airline operations.
- ASPA capacity expected to be limited until end of 2022. Beijing Winter Olympics, Chinese Holiday Spring Festival and strict quarantine measures leading to flight cancellations; belly recovery affected.
- Rates to and from Asia Pacific, especially China, likely to remain high due to ongoing space constraints, new COVID variants and Winter Olympics. Overall **rates are 126% higher** than 2019 baseline and 30% higher than 2020 baseline.

# AIR: Global Air Freight Index

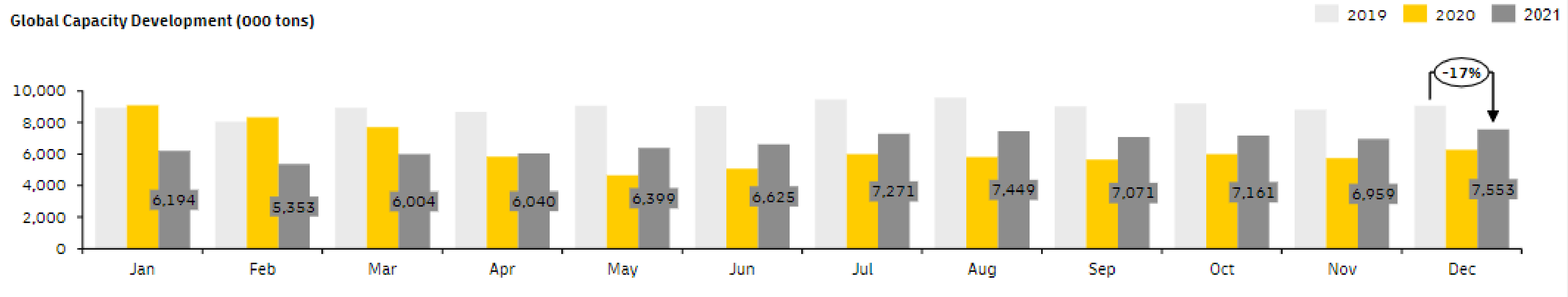
## Carrier Rate




**Current rates are 126% higher vs. 2019 baseline**

**Global capacity down 17% vs. 2019 baseline**

## Global Capacity Development



# RAIL

# RAIL: High Level Summary for North America

- Rail volumes reduced 9.5% vs. Jan 2021 (carloads + intermodal).
- Demand seems to be over exceeding existing rail capacity at times.
- Railroads are investing more in technical capabilities in order to streamline operations and boost service levels.
- Rail represents ~28% of freight movement in NA.
- Record container import volume is straining rail capacity.

# Looking Forward

- The rise and distribution of Omicron in many countries confirmed that an end of the pandemic is not on the horizon yet.
- The COVID pandemic persists and has reshaped the world. It has accelerated many things, from population decline to digital revolution.
- The ocean freight market is not likely to improve before Q1 2023.
- Country regulations limit access to additional capacities (e.g. China CAA regulation that freight cannot be loaded in the pax cabin of aircraft anymore).
- The mode shift from ocean to air is adding continuous pressure to the congested market situation, leading to high air freight rates.
- European driver shortages and higher demand likely to persist, influencing higher freight rates.

# H.B. Fuller's Response

- Our long-standing relationships with several freight forwarders are helping us to get the best service levels possible in this environment and have mitigated market impact to H.B. Fuller.
- Where inbound freight is coordinated by our suppliers, our H.B. Fuller Logistics team is intervening to help where possible when our suppliers run into problems.
- H.B. Fuller Supply Chain and Logistics teams working closely together to build in the increased lead times for international freight in order to avoid any supply disruptions to our customers.
- Where needed and possible we are investing in dedicated trucks and our carriers are showing high performance (from the moment we have product ready to ship).
- Hiring additional resources for our Supply Chain departments to manage logistical challenges.

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