

# PREMIERE LOGISTICS



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**JANUARY 2015 NEWSLETTER**

## 2015: Freight Rate Movements and Shipping Suggestion

**Middle East Areas:** The price is expected to only go down, so if your goods are not so hurried to be shipped, you could consider waiting for a while, as the shipping price to Middle East countries is falling these days.

**India and Pakistan:** The freight cost is basically similar with the prices in December. In general, the price will not have big difference in January.2015.

**The Red Sea Countries:** Prices in December can continue to be used for reference until Jan. For some vessel companies, if you can confirm the order to them earlier, they can apply heavy-charge-free for you.

**South America: Mexico/West of South America/Central America.** The shipping prices will not have a big difference until 14th of January. After 14th of January, the shipping cost is expected to go up. 20ft containers are expected to increase USD500 and 40ft/40HQ containers are expected to go up by USD1000. To ship goods from China to South America in January, we suggest you to let us push your suppliers to prepare the goods well as soon as possible and load the goods up to the ship

**Australia:** For East/West Australia the shipping prices will not have a big difference until 14th of January. After 14th of January, the vessel companies plan to increase the shipping price by about USD300 to USD600. Therefore, Shipping space in Australia began to be more limited than before, probably there will be no spaces for all the vessel companies soon.

**New Zealand,** the shipping prices will not have a big change until 14th of January, after that the prices will increase about USD100 to USD200 per container.

**South East Asia:** For Japan, the shipping price will have a slight increase by about USD10 to USD20 per containers. For other countries in South East Asia, at the moment the prices can continue to be used until January.

**Europe:** From January, there will be a new charge-LSS (Low Sulphur Fuel Surcharge) for shipments to Europe. There are price differences from different vessel company. Shipping price can continue to be used until January. After that prices will increase by about USD600 to USD1200 per container.

**The countries in Middle Sea:** Prices can also be used until January. Price from UASC Vessel Company is good because there are a lot of spaces at the moment. If you have a large amount of goods need to ship, shipping space is absolutely available for you.

**Africa:** Prices of December to East Africa are valid until January. At present the lowest shipping price is provided by EMC but they will soon increase their price.

**South Africa** there is price-difference in different vessel company. Shipping space for 20ft container is very limited.

**West Africa** shipping price are still valid until 14th January and will generally not have a big change after that.

**America and Canada:** Prices of December to East Africa are valid until January. Shipping prices for shipment to GRR will have an increase from USD320 to USD450 per container.



## IATA's Business Outlook

According to IATA's Index, most airline heads of cargo expect cargo volumes to increase and pricing to remain stable or improve over the next 12 months, in what is one of the most significant shifts in air freight pricing expectations for several years.

The quarterly survey of airline heads of cargo indicated that air freight rates declined at a slightly slower pace compared to the previous year, consistent with improvements in cargo demand. Moreover, the outlook for cargo yields for the next 12 months has improved. While a majority of respondents said they expected no change during this year ahead (57%), an increasing proportion believes there will be a rise in yields (31%). Only 11.9% of respondents predicted that average air freight prices would reduce over the following 12 months.

The survey of airline heads of cargo also confirmed that the outlook for cargo volumes remained positive, with 56% of respondents expecting an increase in demand over the next 12 months.



### 2015 OIL PRICES

**Oil Prices:** Oil prices have fallen substantially in recent months and this is expected to continue into 2015 with the full-year average price expected to be \$85/barrel (Brent). If that assumption is correct, it would be the first time that the average oil price has fallen below \$100/barrel since 2010 (when oil averaged \$79.4/barrel).

**Fuel Prices:** Jet fuel prices are expected to average at \$99.9/barrel in 2015 for total fuels spend of \$192 billion which represents 26% of total industry costs. It is important to note that the impact of lower fuel prices will be realized with a time lag, due to forward fuel-buying practices. Improving fuel efficiency continues to be a priority for airlines. Fuel efficiency is estimated to have improved by 1.8% in 2014 and a further improvement is expected in 2015. Fuel efficiency improvements could be accelerated by reducing the 5% of wasted fuel burn as a result of airspace and airport inefficiencies.

**Cargo Trends:** Cargo volumes are expected to grow by 4.5% in 2015 (slightly ahead of the 4.3% growth expected for 2014). The air cargo business has faced weak markets and increasing competition since 2011. There has been an uptick in demand recently but cargo remains a tough business. The real cost of transporting goods in 2015 is expected to fall by 5.8%. In total, some 53.5 million tonnes of air cargo is expected to be flown in 2015. Total cargo revenues are expected to rise to \$63 billion, but that is still some 5% lower than in 2010.

# PUDONG WILL OPEN 4<sup>TH</sup> RUNWAY IN MARCH

Pudong International Airport 4<sup>th</sup> runway will open in March 2015. Aircraft will be able to take off and land simultaneously on all 4 runways and this is expected, to reduce the number of flights delayed

Currently, passenger aircraft, have to taxi a long way to one of the three runways at the airport and takeoff one after another

The fourth runway, is 3,800 meters long and 60meters wide

With the new runway, the airport's annual capacity is expected to reach 60 million

Passengers with 555,000 takeoffs and landings

## WEST COAST PORT WOES WILL CONTINUE IN 2015

West Coast ports will enter the New Year with the same congestion problems and labor uncertainty that plagued them for much of 2014.

The ILWU has maintained all along that port congestion is due to a number of factors, including big ships discharging thousands of containers in each vessel call, shortages of chassis and truck capacity and intermodal rail service problems.

It looks like the work slowdowns and port congestion will continue into 2015, despite concerns expressed from many importers and exporters.

Each weekend vessels back up at anchorage in Los Angeles-Long Beach and then dissipate in the ensuing days, only to return the following weekend. The Marine Exchange of Southern California reported Wednesday that five containerships were at anchor and awaiting berths, which was two more than on Tuesday. A total of 17 container ships were scheduled to arrive through Saturday.

Terminals in Southern California regularly send emails to customers advising of sections of their facilities that are closed to truck traffic due to labor shortages. Some terminals occasionally also refuse to accept import or export containers due to congestion.

## ECONOMICS:

### EFFECTS OF EXCHANGE RATES ON BUSINESS

The exchange rate will play an important role for firms who export goods and import raw materials. Essentially

- Depreciation (devaluation) will make exports cheaper and exporting firms will benefit.
- An appreciation makes exports more expensive and reduces the competitiveness of exporting firms.

#### Effect of depreciation in the exchange rate

If there is depreciation in the value of the Pound, it will make UK exports cheaper, and it will make imports into the UK more expensive.

#### Impact of an appreciation on business

If there is an appreciation in the value of the Pound, e.g. between July 2013 and October 2014 the value of the Pound increased from £1 = €1.1 to £1 = €1.25 The impact will be:

- Exports will be more expensive. This will lead to lower demand for UK exports or firms will have to reduce their profit margin.
- Imports will be cheaper. The import of raw materials will be cheaper

**T = TOGETHER**  
**E = EVERYBODY**  
**A = ACHIEVES**  
**M = MORE**

TEAMWORK IS  
IMPORTANT  
COMING TOGETHER  
IS A BEGINNING  
KEEPING TOGETHER  
IS A PROGRESS  
WORKING TOGETHER  
IS SUCCESS