



NEW ZEALAND
FOREIGN AFFAIRS & TRADE
Manatū Aorere

APRIL 2023

Monitoring Global Supply Chains: January-March 2023

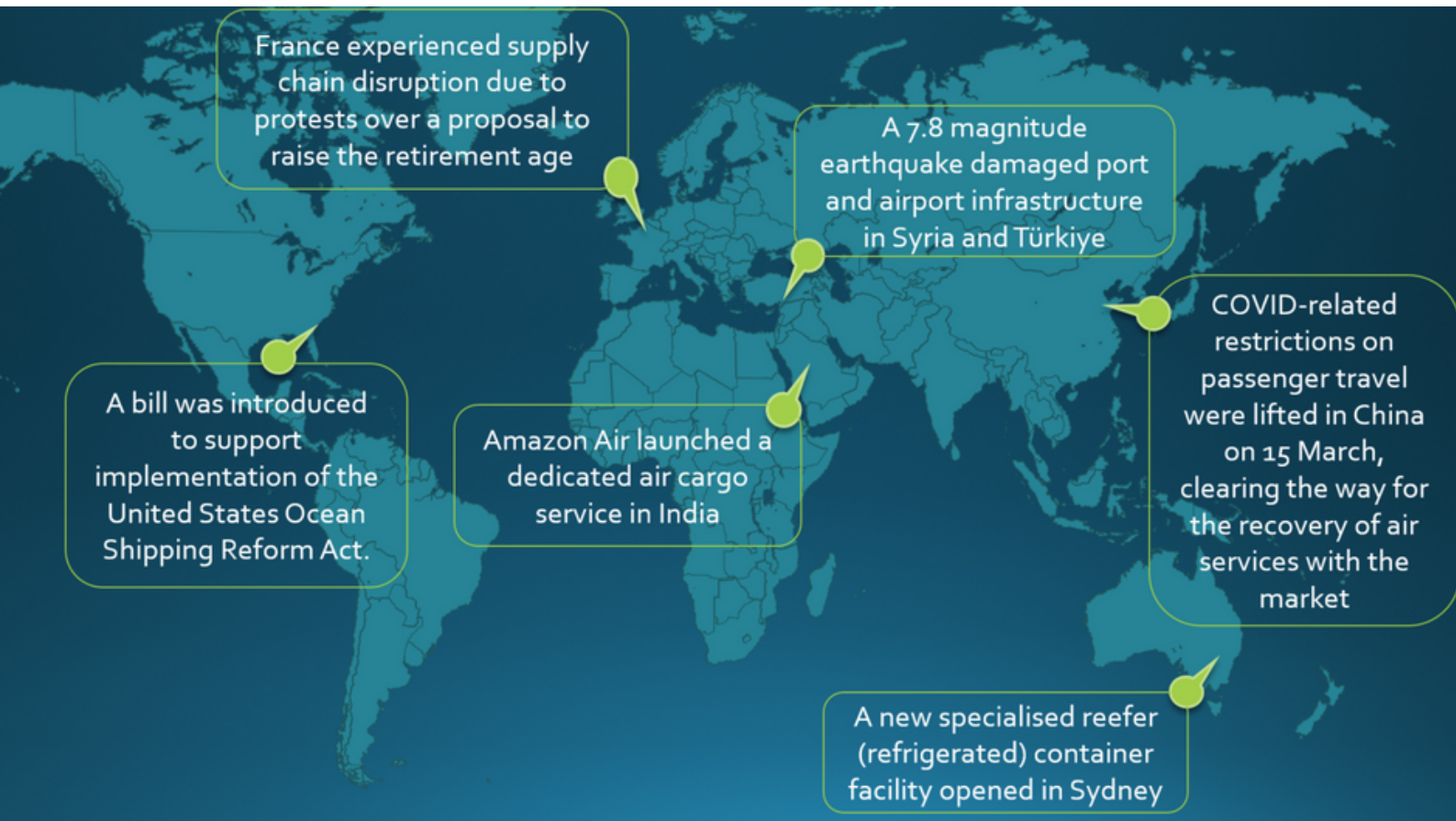
A MARKET INTELLIGENCE REPORT

Summary

Prepared by the Economic Division in Wellington

- MFAT's network of Posts and the Trade Recovery & Resilience Unit have been monitoring global supply chain disruptions and developments since June 2020. With the stabilisation of international supply chains following removal of COVID-related border restrictions in all major markets, and a rebalancing of global freight supply and demand, this report will be the final one in the series.
- It provides an update on global trends, including improvements in sea freight as well as recovering air connectivity.
- The report also canvasses significant regional developments, from the opening of a new refrigerated container facility in Australia that could increase supply of containers to New Zealand, to an extension of the Black Sea Grain Initiative that facilitates agricultural exports from Ukraine as well as fertiliser exports from Russia.
- We hope you have enjoyed our supply chain reports. To provide feedback on the series or request a topic for future reporting, please contact exports@mfat.net.

Report



France experienced supply chain disruption due to protests over a proposal to raise the retirement age

A 7.8 magnitude earthquake damaged port and airport infrastructure in Syria and Türkiye

COVID-related restrictions on passenger travel were lifted in China on 15 March, clearing the way for the recovery of air services with the market

A bill was introduced to support implementation of the United States Ocean Shipping Reform Act.

Amazon Air launched a dedicated air cargo service in India

A new specialised reefer (refrigerated) container facility opened in Sydney

Mārunga moana – sea freight

- Reliability of global sea freight has continued to improve throughout the quarter. Shipping giant Maersk noted in a recent industry newsletter that supply chains are “finally beginning to stabilise and find equilibrium.” While prices and delivery times have not returned to pre-COVID levels, some level of disruption has become widely accepted across the industry as ‘business as usual.’
- S&P Global Market Intelligence attributes steadier supply chains to slower demand. For example, US container import volumes have been falling for eight months, and March 2023 levels were 23% lower than March 2022. As the pressure on sea freight has reduced, supply chains have rebalanced.
- It may take time for the benefits of falling global shipping prices to be fully realised in New Zealand due to factors such as our distance from major global supply lines, recent weather events, and inflation.
- Maersk and Mediterranean Shipping Company have [announced](#) that they will end their 10-year alliance in 2025. With only a handful of major shipping companies operating on a global scale, alliances can enable the partners to offer their customers better coverage

of trade routes than if they were operating individually. The implications of the announcement are not yet clear. While it could lead to reduced coverage on certain routes, it is also possible that it could help to boost competition and bring down prices.

- Maersk has withdrawn its Coastal Connect service from New Zealand. This was a dedicated coastal shipping service introduced last year that connected Auckland, Tauranga, Nelson, Timaru, and Lyttleton. Maersk will now use the Port of Melbourne as a hub instead, which could improve shipping capacity on trans-Tasman routes. Domestic coastal shipping services are still available in New Zealand through another carrier, Pacifica Shipping, which has been in the market for over 30 years. International lines can also sell space on the domestic legs of their voyages for coastal shipping.

Waka rererangi – air freight

Direct flights available to and from New Zealand in March 2023



Source: New Zealand Customs Service. This data includes both passenger and freight-only flights.

- As with sea freight, capacity and reliability in the aviation industry continues to recover. Supply chain platform Flexport said in its latest industry newsletter that air freight capacity on the major global trading lane between North America and Europe is back to 2019 levels, although prices remain elevated due to high fuel costs.
- New Zealand's growing air connectivity reflects this trend. As at January 2023, international passenger numbers had recovered to 69% into Auckland Airport and 57% into Christchurch Airport when compared with January 2019 figures. Queenstown Airport reached 126% of the pre-pandemic equivalent, reflecting a strong recovery of tourism in that region, especially from Australian visitors.

- Highlights from the quarter include:
 - Delta Airlines has announced that it will enter the New Zealand market in October. It will operate daily flights between Auckland and Los Angeles, bringing additional capacity and competition to the popular route.
 - China placed New Zealand on a list of 20 approved destinations for group tourism, and reopened its borders to tourists on 15 March. The New Zealand Herald reports that there will be approximately 21 flights per week between New Zealand and China by May 2023 – about half of what was on offer in 2019.
 - Emirates has restarted daily services from Christchurch to Dubai.
 - Auckland Airport’s Chair, Peter Strange, projects that full recovery is still another two years away. The aviation industry faces ongoing challenges with lack of available aircraft, labour shortages, and high fuel prices.
 - Additionally, some New Zealand exporters faced difficulty getting product to market due to a carbon dioxide shortage affecting dry ice supplies this quarter. Dry ice is typically used as a refrigerant for exports airfreighted from New Zealand. The shortage has eased to a degree with the resumption of domestic production of liquid carbon dioxide, although production is not yet at pre-incident levels.
-

Regional updates

Australia

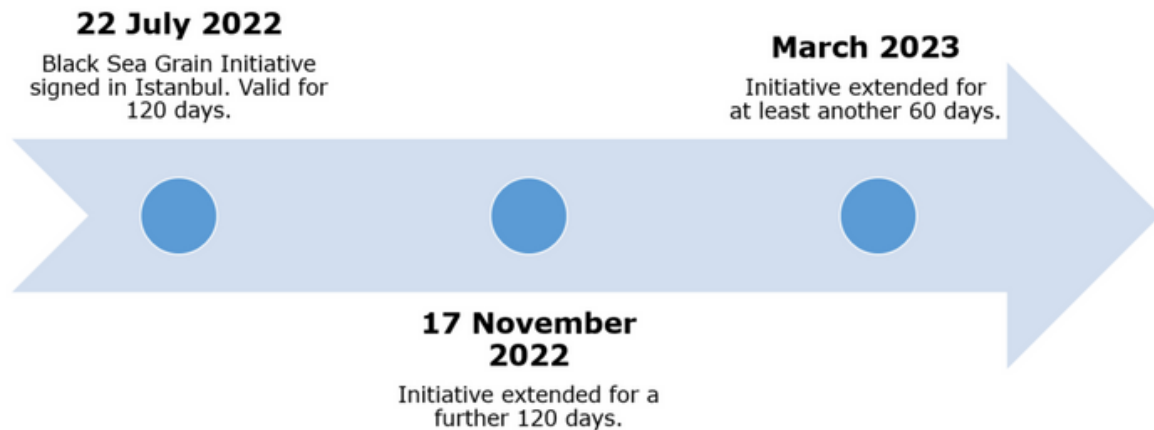
- DHL has upgraded the planes that it uses for air freight on its Auckland to Melbourne route. It plans to operate five overnight services per week using the new aircraft, which will double capacity. DHL has also added a stop in Christchurch on its Auckland to Sydney express route. This will offer faster delivery options for exports from the South Island, including high-value perishable goods.
 - DP World, a supply chain solutions firm, has opened a specialised facility for reefer (refrigerated) containers in Sydney called Reefer World. This has the ability to provide cleaning and repair services for over 100 reefers per day. The new facility is one of the biggest in Australia, and DP World [expects](#) that reefer supply to Auckland and Tauranga will increase as a result.
 - Focus Container Line has gone into liquidation. The shipping company previously launched a route in November 2022 that connected Ningbo, China to Auckland, Brisbane, Sydney and Melbourne. Ships have now been withdrawn from the trans-Tasman route. At the same time, ZIM International Shipping has [added](#) a new shipping route travelling between Melbourne, Sydney, Auckland, Lyttelton and Napier. Australia National Line (ANL) has also [added](#) a stop in Napier to their trans-Tasman service.
-

Americas

- Domestic supply chains are facing some disruption in the US because of delays with land transport. Labour shortages across the industry mean that containers are experiencing long wait times to be loaded onto trains or trucks from ports. Chicago is one of the cities most affected, with containers facing delays of up to 2-3 weeks.
 - Following the passage of the US [Ocean Shipping Reform Act](#) last year, a new bill called the [Ocean Shipping Antitrust Enforcement Act](#) has been introduced to assist with its implementation. If enacted, this would make foreign-owned ocean carriers subject to federal anti-trust laws and “address unfair practices that harm American businesses, producers, and consumers.” For example, shipping companies would not be allowed to impose unjustified container rate increases, or unfairly refuse cargo bookings for American exports. The impacts of the new Ocean Shipping Antitrust Enforcement Act on global container supply are still to be determined. However, if empty containers were required to wait in the US to be filled with product before leaving, this could potentially slow down international container movements.
-

Europe

- Russia and Ukraine have agreed to extend the [Black Sea Grain Initiative](#). The United Nations [notes](#) that 25 million metric tonnes of grain and foodstuffs have been moved to 45 countries during its first two terms, helping to bring down global food prices. However, the length of the extension is unclear. Al Jazeera [reports](#) that Russia claims it has agreed to a 60-day extension, while Ukraine says that the deal has been extended for 120 days.



- Maersk has resumed some operations in Ukraine, serving freshwater ports along the Danube estuary in the northern part of the country. This may help to facilitate further exports from Ukraine.
- There have been a series of strikes in France over a government proposal to raise the retirement age from 62 to 64 years. Over a million people have participated, with train and air traffic disruptions. Freight Forwarder Think Global Logistics said that these disruptions have led to delayed deliveries and increased costs for businesses, including foreign companies that rely on French suppliers for inputs.

Africa and Middle East

- Türkiye and Syria experienced a 7.8 magnitude earthquake on 6 February. Docks at Iskenderun Port in Turkey collapsed, and fires broke out that affected hundreds of containers. While most airports in the region experienced damage, service was restored to all airports by 12 February.
 - Supply chain news platform The Loadstar [reports](#) that Maersk has filed a lawsuit against container shipping company Evergreen Marine over the blockage of the Suez Canal in 2021. The Suez Canal was obstructed for six days in March 2021 by an Evergreen Marine vessel, causing a queue of over 350 ships that Maersk alleges caused more than US\$40 million in economic damage. For further information on the incident and the importance of the Suez Canal to global trade, check out this [market intelligence report](#) prepared by the New Zealand Embassy in Cairo.
-

Asia

- Tech giant Amazon has [launched](#) a dedicated air cargo service, Amazon Air, in India. Amazon Air operates over 110 jets across its global network that exclusively carry packages for Amazon. Indian operations will begin with two planes initially, and possibly increase to six by the end of the year. Each plane can carry about 24 tonnes of cargo.
 - According to [Flexport](#), parts of Beijing Airport will be closed for maintenance during April. Approximately a third of the facility's air cargo volume will be temporarily unavailable during this time (roughly 2.6% of China's overall air cargo volume).
-

Supply chain resilience initiatives

- Two more negotiating rounds for the Indo-Pacific Economic Framework for Prosperity (IPEF) were held in New Delhi, India and Bali, Indonesia during the quarter. Work on the supply chains pillar continues at pace.
 - The European Commission has proposed a [Critical Raw Materials Act](#) (CRMA) under its [Green Deal Industrial Plan](#). The CRMA aims to accelerate and expand the EU's green transition securing an adequate and resilient supply of sustainable inputs. It is designed to enable regular supply chain monitoring and stress testing, as well as risk assessments of the global landscape of critical raw materials.
-

More info

More reports

Important to note:

This will be our last quarterly overview on global supply chains, although reports may continue to be published on significant developments in particular markets as they arise.

View full list of market reports from MFAT at www.mfat.govt.nz/market-reports

If you would like to request a topic for reporting please email exports@mfat.net

To get email alerts when new reports are published, go to our [subscription page](#).

To learn more about exporting to this market, New Zealand Trade & Enterprise's comprehensive [market guides](#) cover export regulations, business culture, market-entry strategies and more.

To contact the Export Helpdesk

email exports@mfat.net

call 0800 824 605

visit Tradebarriers.govt.nz

Disclaimer

This information released in this report aligns with the provisions of the Official Information Act 1982. The opinions and analysis expressed in this report are the author's own and do not necessarily reflect the views or official policy position of the New Zealand Government. The Ministry of Foreign Affairs and Trade and the New Zealand Government take no responsibility for the accuracy of this report.