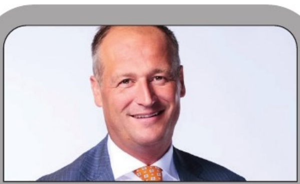
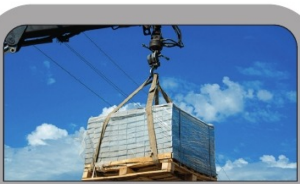
Voice of the Independent

MAY 2023 SERVING THE INDEPENDENT FREIGHT FORWARDING COMMUNITY No.137





Bad news for carriers: rates have further to fall

World's largest shipping lines claim "no sign" of demand recovery

QUARTERLY results from the world's largest shipping lines suggest maritime analyst Drewry may have been on to something when it claimed rates could have further to fall.

Against a bumper 2022, Hapag-Lloyd, HMM, Maersk and Yang Ming reported Q1 profits well down – Maersk $5 billion down on last year, with Hapag expecting to only break even for the remainder of the year and all four claiming "no sign" of demand recovery.

Maersk's chief executive Vincent Clerc said there was no firm evidence of a demand recovery, and that the next quarters would be "the reality" of a challenging year.

"If you look at the guidance we have provided, and take out what we have delivered this quarter, at these levels the industry is certainly not creating economic profit," said Clerc.

> "at these levels the industry is certainly not creating economic profit"

"If you are very exposed to the spot market and very exposed to east-west trades, you may actually be in loss-making territory."

Hapag may have been the happiest of the bunch, a robust performance on its largest Latin America market and eight per cent growth in its transatlantic services leaving its Q1 liftings down by a better-than-industry-par 4.9 per cent on the same period of 2022, to 2.8 million teu.

Even so, it could not offset tumbling spot rates, in turn dragging down its contract rates for a fall of a third in revenues to $6 billion.

Claiming the first quarter would be the strongest of the year, Maersk reported a whopping 37 per cent slump in revenues, to $9.9 billion, after carryings dropped from six to 5.4 million teu and an average rate of $1,436 per teu compared with Hapag's $1,999 per teu.

After 2022's $6.1 billion surplus, Yang Ming's profit nose-dived to $112 million in the first three months of 2023; HMM's plummeted 91 per cent after revenues dropped 58 per cent.

Prior to the results season, some suggested that the recent uptick in spot rates was indicative of the industry if not rebounding then having certainly reached its nadir, but Drewry suggested otherwise, warning the industry could be facing a cumulative $10 billion in losses in 2024.

Continued on page 3

Professionals find satisfaction in supply chain careers

THE slower market notwithstanding, conditions have been good for supply chain professionals. A global study of career prospects and remuneration tabled by the Association for Supply Chain Management (ASCM) found a high degree of job satisfaction among professionals. It helped that the majority have found it relatively easy to get new positions and pay has gone up.

For its global 'Salaries and Careers' report, ASCM used input from 3,953 supply chain professionals in the first two months of this year. The largest contingent (27 per cent) hailed from the industrial/manufacturing sector, followed by pharma and healthcare (14 per cent), consumer packaged goods (10 per cent) and tech firms (7 per cent). Employees of logistics providers made up 5 per cent of the total – the same percentage as the automotive, chemical industry and retail sectors.

Career satisfaction was high among respondents, with 65 per cent rating it eight or higher on a scale from one to ten, and 96 per cent stated that they were planning to stay in the supply chain sector at least for the next five years. More than four in five (82 per cent) said they were proud of the work they do, and 58 per cent felt appreciated, indicating positive reinforcement from their companies.

Nearly three-quarters (74 per cent) of European supply chain professionals had salary increases last year, with an average rise of 11 per cent, while 23 per cent had increases of 15 per cent or more. In the US 32 per cent reported rises between eight and 15 per cent, and 16 per cent saw their pay grow more than 15 per cent.

The gains in salary were most pronounced for professionals who changed employers. For Europeans who started a new job, pay went up on average by 18 per cent, compared with 9 per cent average increases for professionals who stayed in their job. The corresponding numbers in the US were 13 per cent average rises for professionals on the move and 7 per cent for those who stayed put.

Among US professionals, a higher salary was the biggest reason for changing jobs (28 per cent), while 24 per cent were seeking more responsibilities or a promotion. Among Europeans, 40 per cent said they changed jobs in pursuit of a promotion or increased responsibilities.

Finding a new job was easy. In the US, 76 per cent of job seekers took less than three months to land a new job, and nearly 3 per cent of them almost doubled their pay increase over the one received the year before. The hunt was barely more challenging for US college graduates, with 70 per cent securing employment in under three months.

> "Companies are offering career paths to keep people"

Employers have been visibly looking to groom supply chain talent. At all degree levels (graduate, undergraduate, associate), salaries in this sector were about $30,000 higher than the national average in the US. Moreover, pay rises in the US have been higher for younger employees than for long-time staff. This is in contrast with

HELMUT BERCHTOLD
adi Consult

Europe, where professionals with experience of at least ten years have seen the most substantial increases in pay.

Remuneration is not the only attraction. "Companies are offering career paths to keep people," noted Helmut Berchtold, head of the US arm of logistics recruitment specialist adi Consult.

Preferences in academic qualifications are shifting, ASCM found. For more than 60 per cent of supply chain professionals older than 30, a Master of Business Administration degree is the favoured graduate title, whereas 57 per cent of those under 29 favour a Master of Science degree.

Interestingly, women earn higher salaries than men in the first two years of employment in supply chain jobs, but beyond this initial span men are paid increasingly higher, culminating in average salaries of $130,000 a year for men with 20 years or more experience, versus $107,000 for women.

In the US, the median income for supply chain professionals reached $98,570 last year. US supply chain directors earn between $125,000 and $180,000 a year, supply chain managers are paid between $96,000 and $137,000 and logistics managers $80,000-$120,000. Supply chain analysts earn between $66,000 and $90,900.

In Europe, total compensation ranges from €38,308 to €148,285, with an average base salary of €62,886.

ASCM found that European supply chain professionals enjoy a better work-life balance than their US counterparts, reflected in longer holidays and shorter average working hours. While 61 per cent of European respondents have five weeks or more of vacation, only 21 per cent of US and 14 per cent of Canadian supply chain professionals enjoy such lengthy holidays. Globally, 72 per cent work 35-45 hours a week, but 29 per cent of US professional reported working more than 45 hours in a typical week, versus 20 per cent in Europe.

The drastic lay-offs at Amazon, FedEx and in the logistics departments of the likes of Walmart in recent months signalled a sharp correction in expectations for e-commerce growth, but forwarders have refrained from staff cuts, observed Berchtold.

"The attitude is more 'we're still busy; let's see what the future brings'," he said.

Still, the days of the ultra-tight labour market are over and the situation is approaching pre-pandemic conditions, albeit not in terms of pay, as those raises cannot be reverted, he remarked. More professionals are actively looking for jobs than a year ago, and they are less firm on demands like not wanting to work in the office.

Sales people are still in short supply, though, and Berchtold does not expect this to change, especially when it comes to sales executives with a good track record. "Successful people are even more highly sought after," he said.

Slow-steaming not so green after all?

CARRIERS may need to find an alternative to slow-steaming after its environmental credentials came under scrutiny and may have been "grossly overestimated".

Slow-steaming is many carriers' preferred strategy for complying with IMO CII regulations aimed at reducing carbon emissions, but studies by Simpson Spence & Young, corroborated by research from Clarksons, suggests incorrect calculations may have been used.

Clarksons lead analyst Jon Leonhardsen said: "The reason for a misconception is that calculations are based on textbook speed-consumption curves.

"These have an exponential growth across an entire speed range. However, if you factor-in all the consumers of a ship and the variables of real-world sailing conditions, the curve becomes less exponential (or flatter) at lower speeds."

This threatens to undermine many of the maritime industry's long-held beliefs, and even brings into question the assumptions underlying the IMO CII regulation.

Sea freight consultant Mike Wackett said re-emergence of the debate on the questionable benefits of super-slow-steaming came at a bad time for carriers as they attempt to persuade shippers increased transit times would nonetheless cut emissions.

Voice of the Independent
Contacts
Production & Design: Mandy Warren
mwarren@worldlogisticsmedia.com
Editorial Team: Editor
editorial@worldlogisticsmedia.com
UK Office
Talon House, 6 Blackthorne Road, Colnbrook, Berks, SL3 0AL, UK
Phone: +44 7736 034153