DHL Global Forwarding

OCEAN FREIGHT MARKET UPDATE

January 2021

publication date January 5th, 2021

DHL Global Forwarding - Excellence. Simply delivered.

OCEAN FREIGHT MARKET UPDATE – JANUARY 2021

CONTENTS

TOPIC OF THE MONTH

Strong cargo demand continues, equipment shortage worsening, schedule reliability deteriorating

Due to the persistent strong cargo demand most carriers have deployed additional capacity leading to infrastructure challenges in many ports, especially in the US.

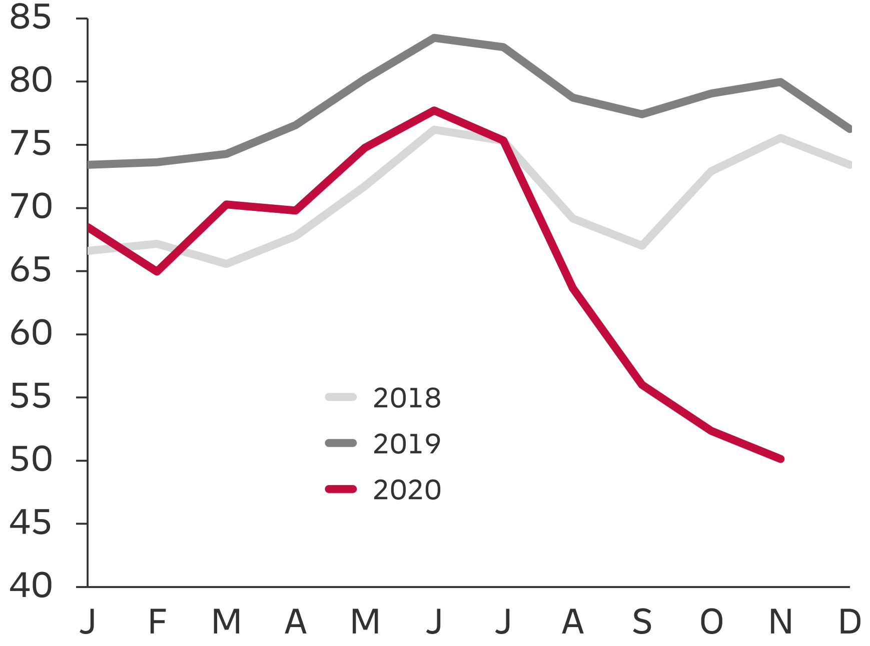
The port congestion combined with COVID-19 related workforce constraints has led to massive delays with a high number of vessels waiting at anchorage to berth. As a result the much needed empty equipment is not returning to origin fast enough and the vessel schedule reliability is suffering.

The schedule reliability has been on a sharp decline over the past few months and fell to as low as 50.1% in November, down -29.5% compared to the same period a year ago. Most affected were shipments on the Transpacific to the US East Coast (26.4% reliability). The average delay of vessels globally rose to over 5 days.

The situation might ease slightly during the CNY break, however we expect the severe equipment imbalance to last until end of Q1, 2021 and potentially also into Q2, 2021.

This situation is unprecedented and requires a lot of flexibility from customers, forwarders and ocean carriers.

SCHEDULE RELIABILITY (%)



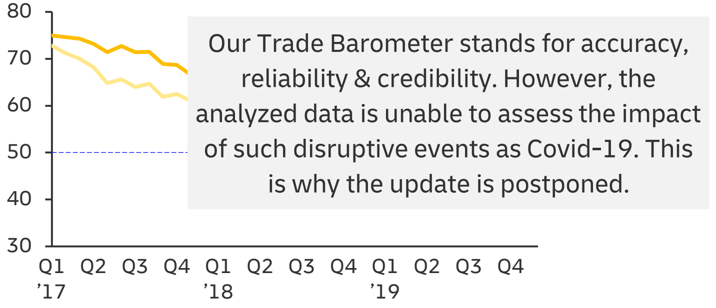
Source: Alphaliner, Dynaliners, Sea Intelligence, DHL

HIGH LEVEL MARKET DEVELOPMENT

ECONOMIC OUTLOOK
GDP GROWTH BY REGION[1)]

	2021F	2022F	2023F	2024F	2025F	CAGR (2022-25)
AMER	3.2%	2.6%	2.5%	2.8%	2.9%	2.7%
ASPA	5.5%	4.4%	4.4%	4.4%	4.4%	4.4%
EURO	3.5%	3.6%	2.2%	1.9%	1.7%	1.9%
MEA	3.3%	3.9%	3.7%	3.4%	3.2%	3.4%
DGF World	**4.1%**	**3.6%**	**3.2%**	**3.2%**	**3.2%**	**3.2%**

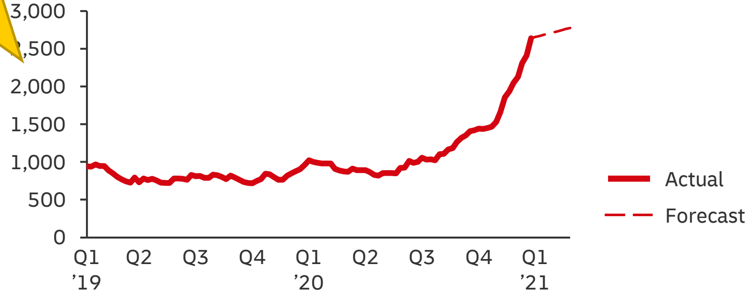
DHL TRADE BAROMETER[2)]



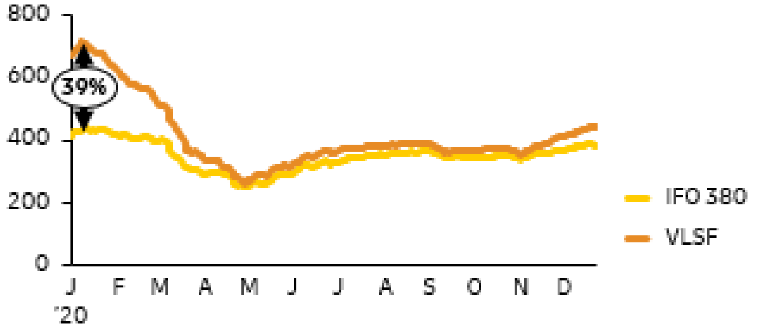
surcharges related to e. g. equipment & space availability are not reflected in WCI & SCFI

WORLD CONTAINER INDEX (WCI)[3)]

SHANGHAI CONTAINERIZED FREIGHT INDEX (SCFI)[4)]



BUNKER PRICES[5)]



1) real GDP, Copyright © IHS Markit, Q4 2020 Update 4 Nov`20, Venezuela is excluded from aggregates due to hyperinflation . All rights reserved. 2) DHL Global Trade Barometer Dec19, index value represents weighted average of current growth and upcoming two months of trade, a value at 50 is considered neutral, expanding above 50, and shrinking below 50. 3) Drewry, in USD/40ft container, including BAF & THC both ends, 42 individual routes, excluding intra-Asia routes. 4) Shanghai Shipping Exchange, in USD/20ft ctnr & USD/40ft ctnr for US routes, including BAF, EBAF, CAF, PSS, WRS, PCS & SCS/SCF/PTF/PCC, excl. THC, 15 routes from Shanghai. 5) Source: DHL.

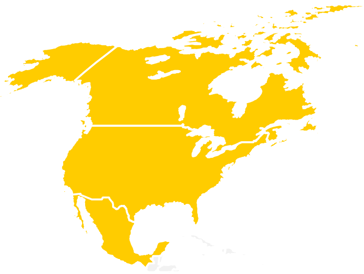
MARKET OUTLOOK JANUARY 2021 month-on-month development

MAJOR TRADES

EUROPE

Import region	Capacity	Rates
AMNO	=/+	+
AMLA	=	=/+
ASPA	--	++
MENAT	-	+
SSA	=/-	=/+

NORTH AMERICA



Import region	Capacity	Rates
EURO	-	=
AMLA	+	=
ASPA	--	++
MENAT	=	+
SSA	=	=

ASIA PACIFIC

Import region	Capacity	Rates
EURO	=	++
AMNO	=	+
AMLA	=	+
ASPA	=	++
MENAT	=	++
OCEANIA	=	+

SOUTH AMERICA

Import region	Capacity	Rates
EURO	=	=
AMNO	=	+
ASPA	=	=
MENAT	=	=
SSA	=	+

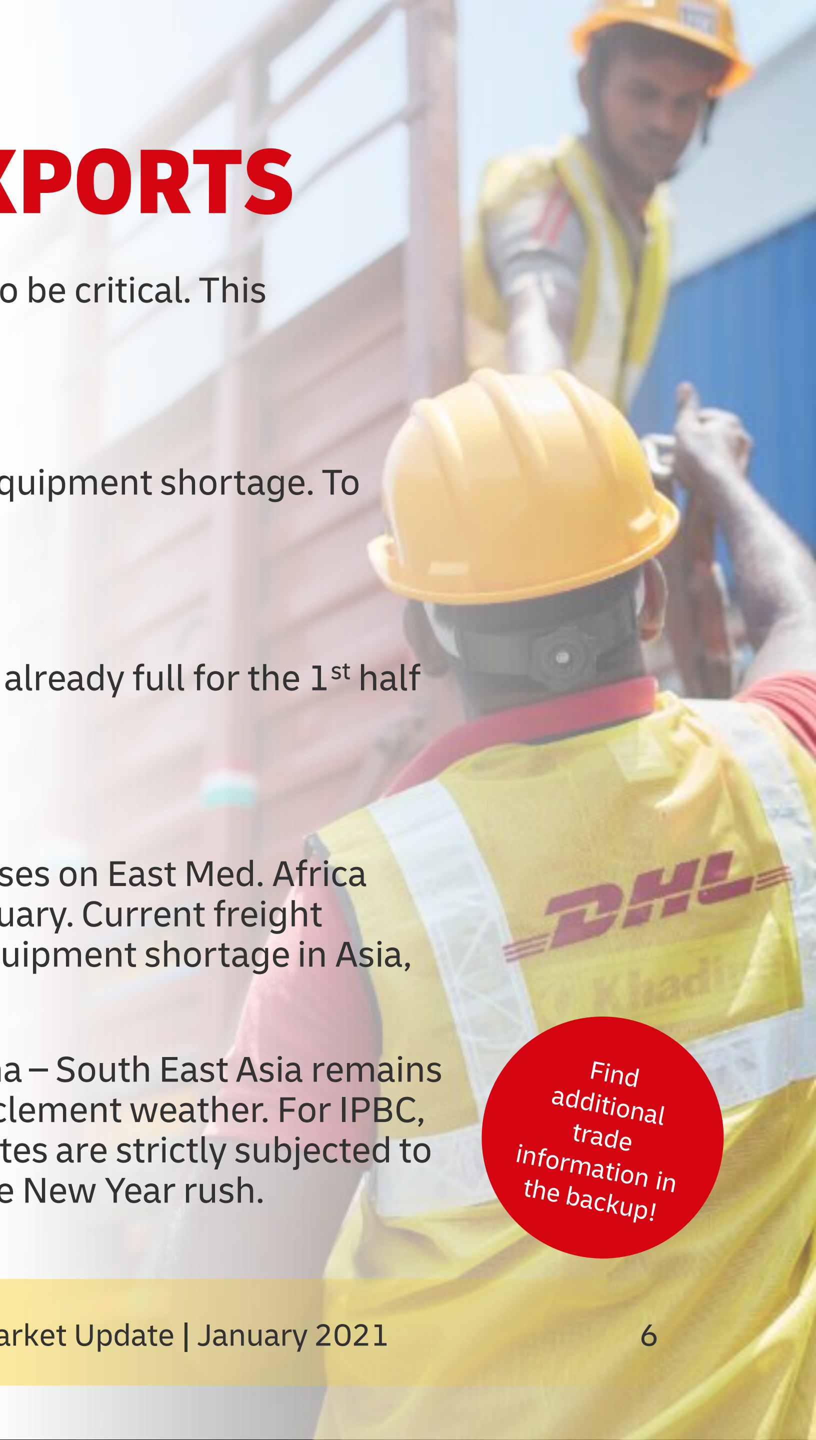
KEY	Strong increase	Moderate increase	No change	Moderate decline	Strong decline
	++	+	=	-	- -

Source: DHL

MARKET OUTLOOK JANUARY 2021

OCEAN FREIGHT RATES – ASIA-PACIFIC EXPORTS

- **ASPA-EURO** Pre Chinese new year rush is around the corner and the equipment situation continues to be critical. This combination pushes a further increase of rate levels.
- **ASPA-AMNO** Outlook for January 2021 remains strong at higher FAK/premium levels with ongoing equipment shortage. To secure space on FAK, advanced bookings up to 3-4 weeks are required.
- **ASPA-AMLA** Most carriers are selling FAK premium rates to secure space, but even with that space is already full for the 1st half of January 2021. Demand and freight rates are expected to remain high in January.
- **ASPA-MENAT** High demand coupled with equipment shortage continues to drive record freight increases on East Med. Africa market while having shown signs of relaxation during early Dec is also picking up in January. Current freight environment is expected to persist at least throughout January. Due to the persistent equipment shortage in Asia, carriers have started to reduce detention free time.
- **ASPA-ASPA** Shortage of all container types across Asia continues to be a challenge. Space from China – South East Asia remains tight due to port omissions/schedule slide down from China base port resulting from inclement weather. For IPBC, carriers are still introducing blank sailing in January to keep the supply balanced. FAK rates are strictly subjected to space and equipment availability and are expected to increase in view of the pre-Chinese New Year rush.



Find additional trade information in the backup!

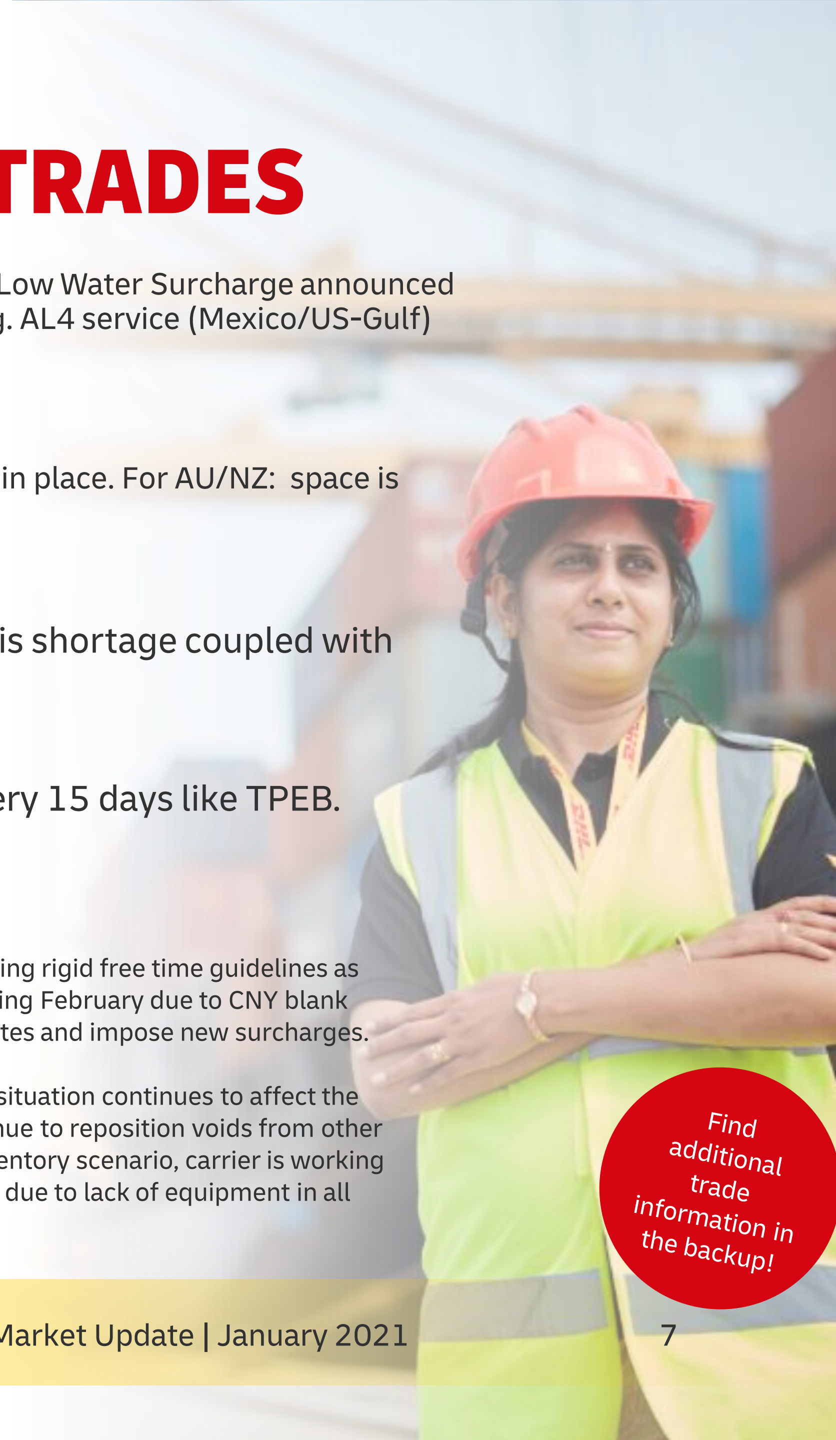
Source: DHL

MARKET OUTLOOK JANUARY 2021

OCEAN FREIGHT RATES – OTHER MAJOR TRADES

- **EURO-AMNO**: Increasing costs to be expected, either through PSS, Equipment Imbalance and/or GRI. St. Lawrence Low Water Surcharge announced by first carriers. Equipment issues remain. Vessels still sailing at capacity. Prebooking time increasing. AL4 service (Mexico/US-Gulf) returning to weekly service. No further blanks expected.
- **EURO-ASPA +MEA**: Asia: Space is very tight on all services. Equipment is also tight.
  Rates are increasing between USD 200 - 350 per 40', PSS and/or Equipment Imbalance Fees are still in place. For AU/NZ: space is tight, rates are increasing; congestions at POD's in AU & NZ still ongoing.
- **AMNO-EURO**: Blank sailings will continue in January but rates remain stable. Severe truck and chassis shortage coupled with port and terminal congestion especially NYC & Los Angeles.
- **AMNO-ASPA**: Strong decline in capacity. Space is very limited. Strong increase in rates due to GRI every 15 days like TPEB.
- **AMLA Exports**: **AMLA – AMNO, EURO, MENAT & SSA :** Equipment shortages continue through the region, alongside with carriers exercising rigid free time guidelines as measures for quick box turn around. Sporadic increases announced as Peak Season Surcharge. Expected bottlenecks during February due to CNY blank sailings ripple effect. Carriers continue to control capacity through blank sailings in an effort to maintain higher freight rates and impose new surcharges. Short and long term negotiations are being scrutinized for increases.
  AMLA – ASPA : Strong exports projected to continue through next couple of months, especially out of Brazil. Tight space situation continues to affect the market. Container imbalance impacting Latam region and freetime detention / demurrage. Maersk / Hamburg Sud continue to reposition voids from other regions into Brazil to meet the demands of reefers, which remains heated. In view of the current demand vs. available inventory scenario, carrier is working with priority list on the 40'DC /HC releases. Some carriers will release 40´HC no more than 7 days before cargo´s cut-off due to lack of equipment in all Brazilian ports.

Source: DHL



Find additional trade information in the backup!

Top 10 IHS Economic Predictions for 2021

Economic Outlook & Demand Development

1

While the COVID-19 virus will stay with us, **effective treatments and vaccines** will be widely available to large segments of populations by mid-2021, facilitating a **transition to the post-pandemic economy.**

2

The global economy will **enter 2021 at a subdued growth rate** and accelerate to a **brisk pace in the second half.**

3

In 2021, the focus of investors and policymakers will shift **from COVID-19 to the environment**.

4

Monetary policies will remain accommodative, and more central banks will lean towards the US Federal Reserve's **flexible average inflation targeting (FAIT)) policy**.

5

The global financial sector should avoid major crises in 2021 – at least in advance economics – but **banking risks will rise**.

6

Finished goods **prices** will accelerate in 2021.

7

The **US economy** will start 2021 slowly and **accelerate** in the second half.

8

Europe's 2021 annual growth rates will **fall short** of market consensus expectations.

9

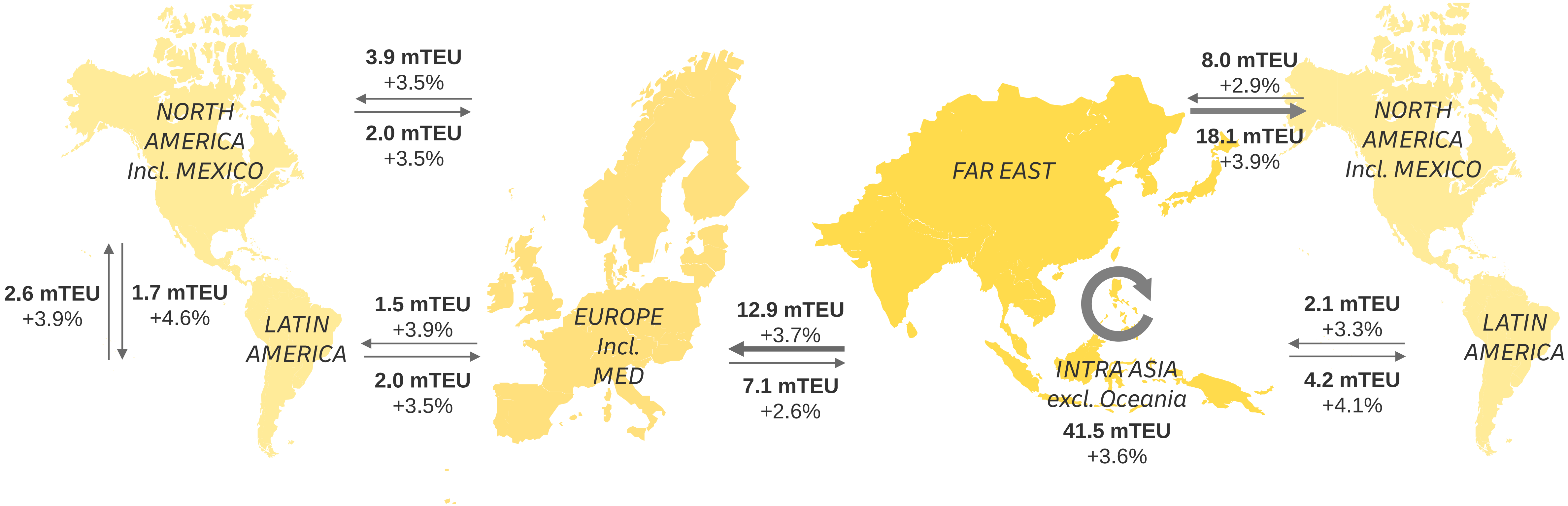
Mainland **China's** economy will accelerate to the strongest growth rate in recent years, but the **rebound will wane**.

10

The **US dollar** should **weaken** in 2021 in a lagged response to the Fed's sharp pivot to monetary accommodation in early 2020, an increase in investor risk tolerance, and a widening trade deficit.

Source: Global Executive Summary, IHS, Dec 2020

MARKET VOLUME 2020 - 2024



GLOBAL CONTAINER TRADE

147.6 mTEU 2020e *+3.7% CAGR 2021e-2024e*

Source: Seabury Dec20 update

CAPACITY 1/3

THE Alliance has published a first overview of its **revised** offering on the **East West trades** as from **April 2021**. The updated network includes the relaunch of the Far East – North Europe 'FE4' service. Hapag-Lloyd, HMM, ONE and Yang Ming will revert to a set up of 5 Asia – North Europe loops as was the case before the outbreak of the COVID-19 virus. The most important changes on the Transpacific are the start of a new Far East – US Gulf 'EC6' service and the upgrade of the Asia – US East Coast 'EC1' from ships of 8,000 – 9,500 TEU to a fleet of 13,500 TEU. Except of these highlights the up-dated network will remain largely unchanged.

MSC, Hapag-Lloyd and **ONE** are to **extend** by one week the **rotation** of their jointly operated **Asia – ECSA weekly service**, branded respectively 'Ipanema', 'AS2' and 'SX1' to tackle delays created by congestion issues in Asian ports. The measure, valid for 13 weeks, will see a schedule sliding of seven days on the westbound leg. MSC, Hapag-Lloyd and ONE aim to revert to their proforma schedule as from the 2nd half of February.

CMA CGM, COSCO Shipping Lines, Hapag-Lloyd and **ONE** are forming a **new Vessel Sharing Agreement** (VSA) covering the trade between **North Europe, the Middle East, and the Indian subcontinent.** The 4 carriers are to offer as from January 2021 two weekly loops with 8 x 8,500 TEU ships each. The new set up will replace the current 'IOS / EPIC 2' service and the shipping lines' involvement in the 'IPAK / EPIC 1 / IOS 2' service, operated jointly by MSC. MSC is expected to continue the Europe – Red Sea – ISC 'IPAK' service on its own by replacing the vessels from Hapag-Lloyd and CMA CGM with it's own tonnage.

ONE is to launch two **North Europe – East Med services** in January as **participant** in the **new CMA CGM 'NC Levant'** and **'New FEMEX' loops** which the French carrier was to start as standalone operations following the end of a cooperation with Sealand Europe. With its involvement on these loops ONE will for the first time offer direct services between North Europe, the Near East and Turkey. ONE is expected to provide one of the five vessels for the 'NC Levant', which it will brand as 'North Europe East Med Express' (NEX) and take slots on the 'New FEMEX' service which it will brand as 'North Europe Turkey Express' (NTX).

Source: Alphaliner, THE LOADSTAR, Dynaliners, carriers

CAPACITY 2/3

MSC has launched a **new Transpacific North West 'Chinook' service** between **China, South Korea and Canada**. This allows MSC to remove Vancouver and Busan from the rotation of its standalone 'Santana' loop which will become a dedicated Pacific South West service between China and California. The new 'Chinook' service is expected to be a MSC standalone operation outside the scope of the carrier's 2M Vessel Sharing Agreement with Maersk. The launch of a dedicated service to/from Vancouver and the streamlining of the 'Santana' rotation will not only allow MSC to increase capacity on the Transpacific corridor, but should also improve schedule reliability as port activities are currently impacted by the exceptionally strong cargo demand.

CMA CGM ends its **weekly Asia – West Africa "Round the Africa" service**, a line launched in July 2020. The loop 'RTA' was different from all other Asia – West Africa services, since was routed via the Suez Canal on its westbound leg and via the Cape of Good Hope in the eastbound direction. Among other things the 'RTA' provided a direct connection from Asia to Dakar and Freetown without any transshipment. CMA CGM meanwhile continues to connect Asia to West Africa via the Cape of Good Hope with five weekly services.

Maersk has confirmed that the **North Europe – US East Coast 'TA4 / NEUATL4' service** operated jointly with MSC under the framework of the **2M** Vessel Sharing Agreement, is **not to return until further notice**. The fourth Transatlantic 2M loop was temporarily suspended in April due to a reduction in cargo demand related to the COVID-19 pandemic. This suspension was extended several times and was to last until the end of 2020. As the 'TA4 / NEUATL4' is not to return in January 2021, Maersk and MSC have decided to send their 2nd 'TA2 / NEUATL2' loop to Liverpool at the expense of Felixstowe.

Hapag-Lloyd disclosed that is has **ordered** a set of **six LNG-powered 23,500+ TEU container vessels** at Daewoo Shipbuilding & Marine Engineering (DSME) of South Korea. Hapag-Lloyd's latest vessels class is planned for delivery between April and December 2023. With this order, the world's fifth-largest container line has replenished its vessel pipeline which has been down to zero since its last delivery of new buildings in 2017. According to Hapag-Lloyd, the ships will operate on LNG, but have alternatively sufficient tank capacity to operate on conventional fuel to increase flexibility.

Source: Alphaliner, THE LOADSTAR, Dynaliners, carriers

CAPACITY 3/3

ONE announced that it has entered into a **procurement contract** with the Japanese non-operating owner Shoei Kisen Kaisha to **long-term charter six purpose-built ‘megamax’ container ships** for delivery in 2023 and 2024. The charters will run for periods of 15 years at an undisclosed rate. According to ONE, the ships will have a capacity of more than 24,000 TEU, which would make them the largest container ships in the world. Nevertheless, the vessels are expected to remain within the standard ‘megamax’ footprint. ONE’s vessel commitment is part of a coordinated effort with the carrier’s THEA partner Hapag-Lloyd. The new ships are earmarked for the Far East to Europe trade.

Source: Alphaliner, THE LOADSTAR, Dynaliners, carriers

CARRIERS

Hapag-Lloyd lifts earnings forecast again due to better than expected trading conditions in the 4th quarter 2020. The carrier expects EBITDA for the full year to come in at EUR 2.6 – 2.7 Bn, up from a previous forecast of EUR 2.4 – 2.6 Bn issued in October. The new prediction includes EUR 100M in impairment charges for the first time linked to a planned optimization of the company's vessel portfolio. Hapag-Lloyd said market demand for capacity continued to be surprisingly strong, and confirmed that it is currently deploying every available ship. The new forecast represents a doubling in EBITDA compared to 2019.

Five South Korean Carriers **HMM, SM Line, Pan Ocean, Sinokor Merchant Marine and Heung-A Line (Sinokor Group)** have signed a **codeshare agreement** for services between South Korea and South East Asia. They will form a **regional alliance** as of Q2 2021. Dubbed "K-Alliance", the agreement is aimed at consolidating the fragmented South Korean liner industry and the respective carrier's South East Asia routes. So far, the Korean carriers compete intensely on these route corridors. The agreement has been established at the urging of South Korea's Ministry of Oceans and Fisheries. The South Korean government expects that the K-Alliance will enable Korean carriers to enhance competitiveness through optimization of service duplication, ship deployment and joint use of port facilities and containers.

Pacific International Line (PIL) has **sold** a total of **22 ships** so far this year, **raising USD 800M to pay down secured debt**. PIL, which is fighting to get creditor approval for a comprehensive refinancing by an arm of the Singapore government, finally released its audited results for 2019 in early December 2020. The carrier made a loss of just USD 120M in the 1st half of the year, but this figure rose to USD 850M for the full year (USD 795M attributable to equity holders) after an impairment loss of USD 590M was booked on ship values in the 2nd half. Most of the ships affected by the charge will be sold as part of PIL's asset disposal plan. As the end of November, PIL had received support for its refinancing plan from 80% of creditors by value. Accounts were audited on a going concern basis, with 'reasonable grounds' to believe that the company will be able to restructure its major debts.

Source: Alphaliner, Dynaliners, carriers

Did you Know?

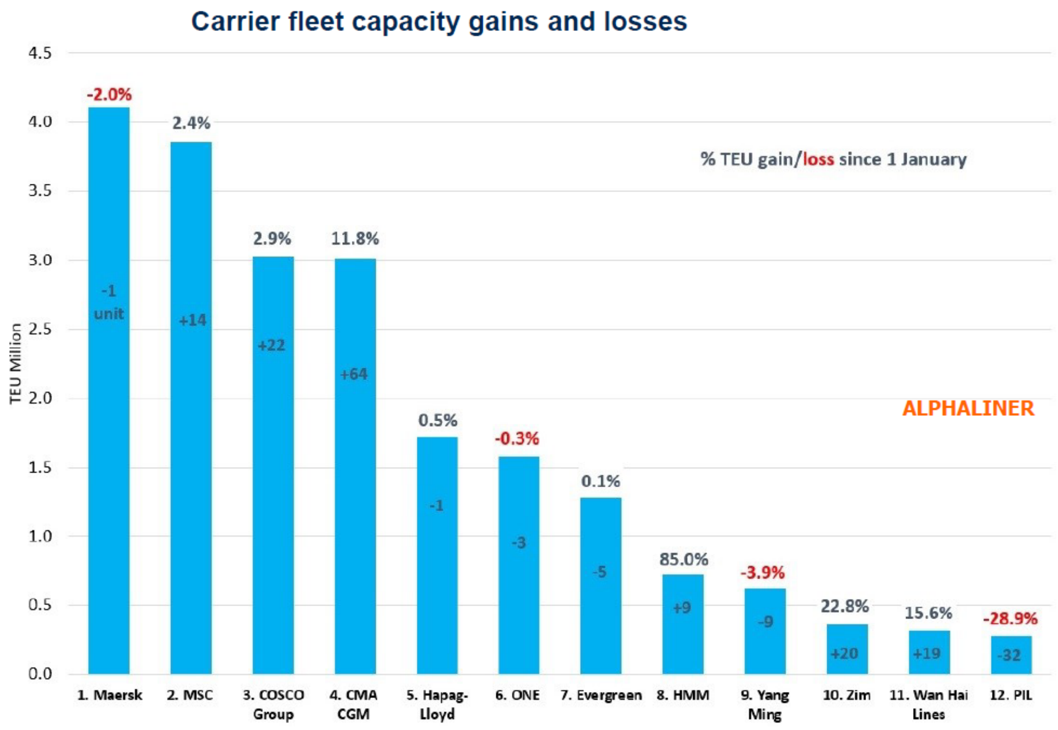
Fleet Growth 2020

Eight of the Top-12 carriers have increased their fleet in 2020

HMM has jumped from the 10th to the 8th rank after an 85% capacity increase thanks to the delivery of 12 x 24'000 TEU newbuildings and the recuperation of 9 vessels that had been sub-chartered to Maersk and MSC. With 11.8% also CMA CGM realized an impressive fleet growth as it took delivery of its first 4 x 23'112 TEU newbuildings and increased its chartered-in fleet from 382 to 452 vessels.

PIL on the other hand has slipped from the 9th to the last rank, following its departure from the TP trade, the sale of 16 vessels and a reduction of its chartered fleet by 16 units, resulting in a 28.9% fleet capacity reduction.

The gap between the world's two biggest carriers has narrowed to 251'000 TEU as MSC has witnessed a modest 2.4% growth while Maersk has ended the year with a 2% smaller fleet. The two are anyway still well ahead of COSCO and CMA CGM.



Source: Alphaliner

BACK-UP

OCEAN FREIGHT RATES ADDITIONAL TRADES (1/2)

- EURO-AMLA+MX

  Increasing costs to be expected, either through PSS, Equipment Imbalance and/or GRI. Vessels still sailing at capacity. Prebooking time increasing. Equipment issues remain. AL4 service (Mexico/US-Gulf) returning to weekly service. No further blanks expected.

- EURO-MENAT

  Space and Equipment availability in North Europe are getting tight. Rates increasing slightly.

- EURO-SSA

  Rates ex Europe to South Africa are remaining stable. Capacity is available. Equipment Imbalance Surcharges are in place. Space into West Africa is tight and several ports are congested with waiting times for berthing and unloading, caused by high season, operational issues and Covid 19 related restrictions. Carriers are calling for PSS and Emergency Congestion Surcharges and Equipment Imbalance Surcharges. Capacity is still tight into East Africa. Carriers are still facing delays, caused by congestions in transshipment ports in Middle East or IPBC, as well as in East Africa main ports. Carriers have implemented PSS, Equipment Imbalance Surcharges and congestion surcharges.

- AMNO-MENAT

  With space remaining tight, and expected to worsen with agri season, carriers have announced a second wave of GRI's for early January to Mideast destinations around $80/$100. Rates to Turkey remain very competitive. Space wide open on EMA service (Cosco, OOCL, ONE & YML) and Hapag has two direct offerings.

- AMNO-SSA

  No rate changes for SSA destinations.

- AMNO-AMLA

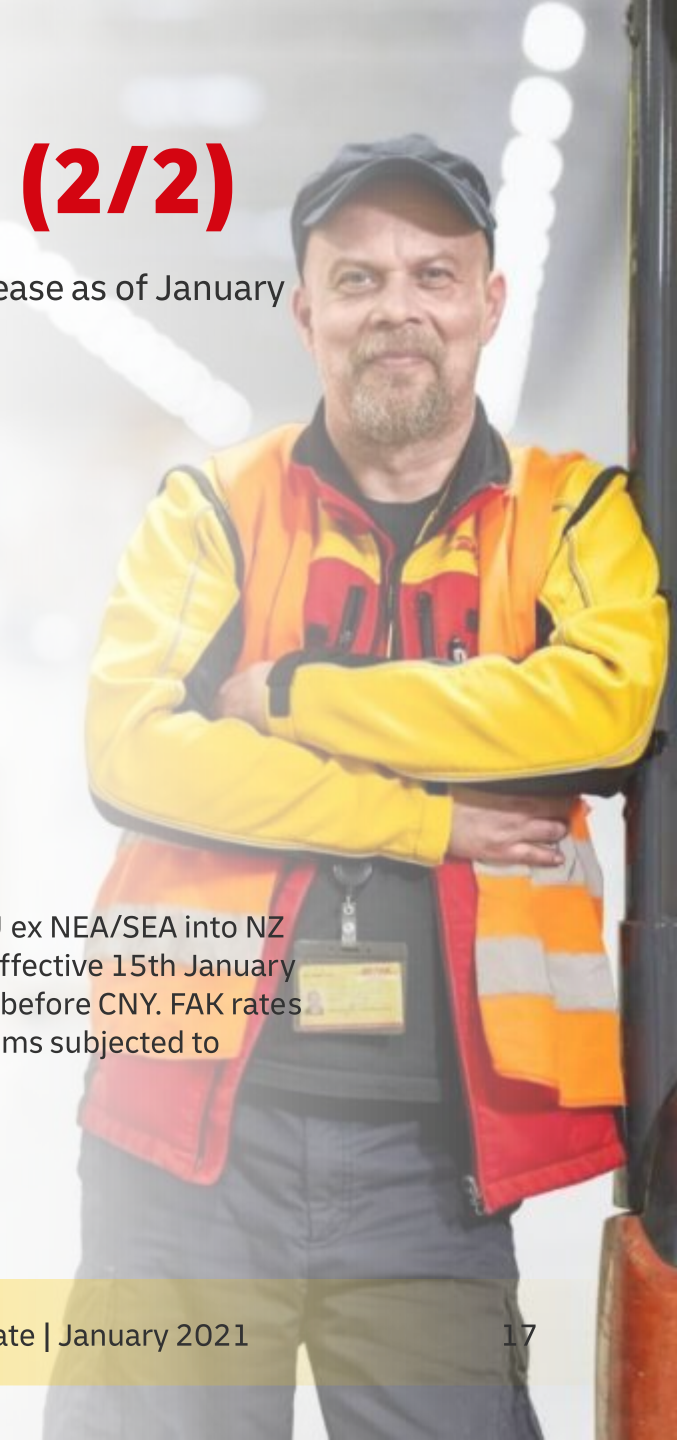
  Equipment shortages continue through the region, alongside with carriers exercising rigid free time guidelines as measures for quick box turn around. Sporadic increases announced as Peak Season Surcharge. Expected bottlenecks during February due to CNY blank sailings ripple effect. Carriers continue to control capacity through blank sailings in an effort to maintain higher freight rates and impose new surcharges. Short and long term negotiations are being scrutinized for increases.

Source: DHL

MARKET OUTLOOK JANUARY 2021

OCEAN FREIGHT RATES ADDITIONAL TRADES (2/2)

- EURO MED-AMNO — In accordance with space constraints, blank sailings and equipment shortage, rates will increase as of January 1st (Rates increases and / or EIS).
- EURO MED-AMLA — Unchanged / stable.
- EURO MED-ASPA and MENAT — Stable situation with rather high rate levels.
- EURO MED-SSA — Unchanged / stable.
- ASPA-SPAC — Market rates continue to increase in January 2021, especially for NZ destinations. GRI of USD500-800/TEU ex NEA/SEA into NZ in January. AU market rates maintain about the same for 1H January, however expecting rates to increase effective 15th January due to CNY rush. Equipment situation remains a huge issue and lack of equipment is expected to get worse before CNY. FAK rates strictly subjected to space and equipment availability. Space will have to be secured based on FAK + Premiums subjected to equipment.



Source: DHL

STATE OF THE INDUSTRY

OCEAN CARRIER ALLIANCES

HAPAG-LLOYD
ONE
YANG MING
HMM

OOCL
CMA CGM
CHINA COSCO SHIPPING
EVERGREEN

MAERSK LINE
MSC

Source: Carriers

ACRONYMS AND EXPLANATIONS
OCEAN FREIGHT GLOSSARY

AMLA - Latin America
AMNO - North America
AR - Argentina
ASPA - AsiaPacific
BR - Brazil
CAGR - Compound Annual Growth Rate
CENAC - Central Amercia and Caribbean
CNC - CNC Line (Cheng Lie Navigation Co. Ltd.)
DG - Dangerous Goods
DWT - Dead Weight Tonnage
EB - Eastbound
ECSA - East Coast South America (synonym for SAEC)
EGLV - Evergreen Marine Corp
EURO - Europe
GRI - General Rate Increase
HMM - Hyundai
HL - Hapag-Lloyd
HSUD - Hamburg Süd
HWS - Heavy Weight Surcharge
IA - Intra Asia
IPBC - India Pakistan Bangladesh Ceylon (= Sri Lanka)
IPI - Inland Point Intermodal
ISC - Indian Sub Continent (synonym for IPBC)
MENAT - Middle East and North Africa
ML - Maersk Line
mn - Millions
MoM - Month-on-Month
NOO - Non-operating (vessel) owners
OCRS - Operational Cost Recovery surcharge
OOCL - Orient Overseas Container Line
OWS - Overweight Surcharge
PH - Philippines
PNW - Pacific North West
Ppt. - Percentage points
PSW - Pacific South West
QoQ - Quarter on quarter
SAEC - South America East Coast
SAWC - South America West Coast
SOLAS - Safety of Life at Sea
SPRC - South People's Republic of China – South China
SSA - Sub-Saharan Africa
SSL - Steam Ship Line
T - Thousands
TEU - Twenty foot equivalent unit (20' container)
TSA - Trans Pacific Stabilization Agreement
USGC - US Gulf Coast
US FMC - US Federal Maritime Commission
USEC - US East Coast
USWC - US West Coast
VGM - Verified Gross Mass
VLCS - Very Large Container Ship
VSA - Vessel Sharing Agreement
WB - Westbound
WCSA - West Coast South America (synonym for SAWC)
WHL - Wan Hai
WRS - War Risk Surcharge
YML - Yang Ming Line
YoY - Year-on-Year
YTD - Year-to-Date
THEA - THE Alliance

Source: DHL