

OCEAN FREIGHT MARKET UPDATE

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Ocean Freight Market Outlook May 2024

Economic & Demand Outlook

- Pickup in growth momentum but could be vulnerable to geopolitical risks. E.g. a major escalation of the conflict in the Middle East would materially impact growth.
- S&P has revised their real GDP growth forecasts for 2024 upwards in some major economies in their April forecast round. These include the eurozone, Canada, Japan and Russia.
- PMIs continued to signal a pickup in global growth momentum in March.

Capacity Outlook

- A new containership deliveries drives a 9.6% annual fleet growth rate. Vessel diversions and additional summer service deployments absorb available supply.
- In the upcoming weeks, the number of vessels redirected to the Cape Route is expected to reach 5 million TEU.
- The idle container vessel fleet currently stands at 0.4% (62 vessels) only.
- Equipment issues across Asia Pacific increasing.

Freight Rates

- Carriers have announced significant rate hikes on all Asia outbound lanes due to the increased demand and load factors coupled with equipment challenges in more ports now.
- We expect these increases to continue at least into the summer.

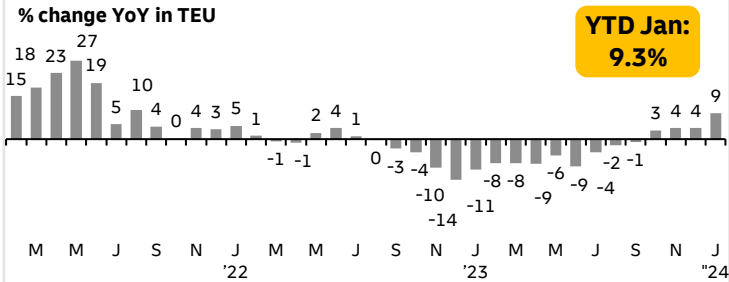
Regulations/News

- The third release of the European Union's customs pre-arrival safety and security systems – ICS2 – goes live on 3 June 2024
- Denmark is to ban open-loop scrubber use from 2025. A subsequent ban on closed-loop scrubbers is expected to be introduced on 1 July 2029.

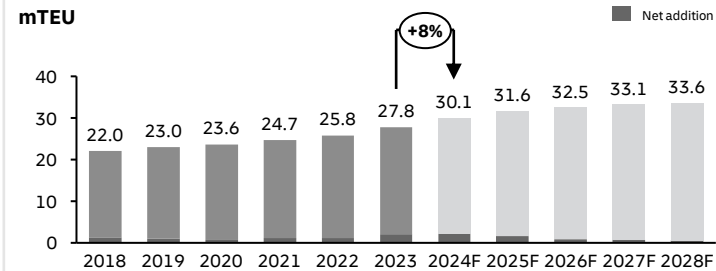
Source: DGF, S&P

Market Developments

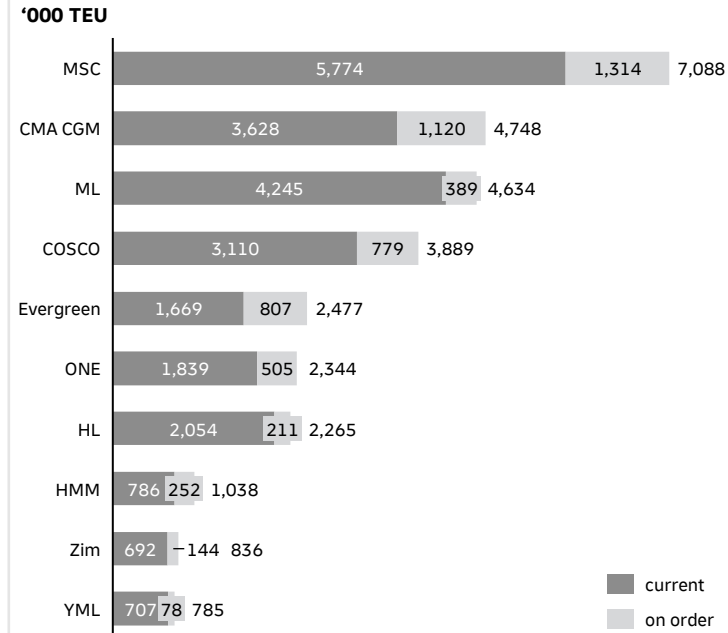
Demand Development¹⁾



Capacity Development²⁾



Orderbook by Carrier³⁾






Source: 1) Accenture Cargo; 2) Drewry, net addition = delivery minus scrapping; 3) Alphaliner

- OFR market demand has grown YoY since October.
- A 9.6% annual fleet growth rate is observed.
- Daily deliveries since March continue, with over 300,000 TEU scheduled monthly from April to June.
- Vessel diversions to the Cape of Good Hope, strong demand increase, and additional summer service deployments absorb available supply.

Regional Market Development – Major Trades

Market Development on Key Regional Tradelanes

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Asia	→ Intra	R	R	A	R	Forecast	R	○	○	○	○	○	○
	→ N. America	R	R	A	A		A	○	○	○	○	○	○
	→ EURO	R	R	R	A		R	○	○	○	○	○	○
	→ Middle East	R	R	R	R		R	○	○	○	○	○	○
	→ S. America	G	G	G	G		R	○	○	○	○	○	○
	→ Africa	R	R	R	A		R	○	○	○	○	○	○
	→ Oceania	R	R	R	A		R	○	○	○	○	○	○
	→ East MED	R	R	R	A		R	○	○	○	○	○	○
East MED	→ EURO	R	R	R	R		R	○	○	○	○	○	○
EURO	→ N. America	G	G	G	G		G	○	○	○	○	○	○
	→ Asia	A	G	G	G		G	○	○	○	○	○	○
N. America	→ Asia	A	A	G	G		G	○	○	○	○	○	○
S. America	→ N. America	G	G	G	G		G	○	○	○	○	○	○

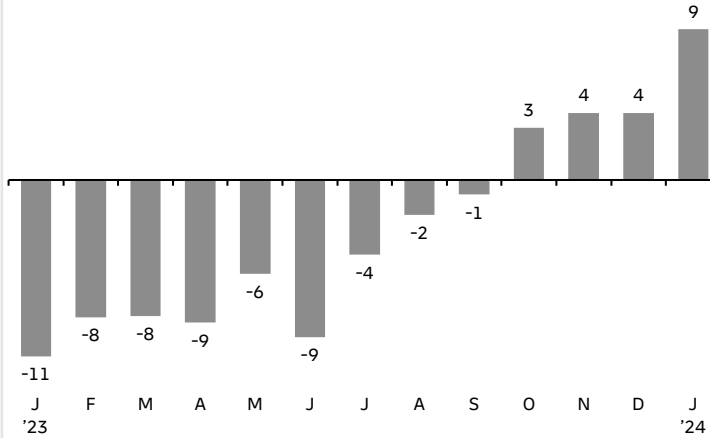
 Demand > Capacity
  Demand, Capacity balanced
  Demand < Capacity

Source: DHL

Demand

Global Demand Development¹⁾

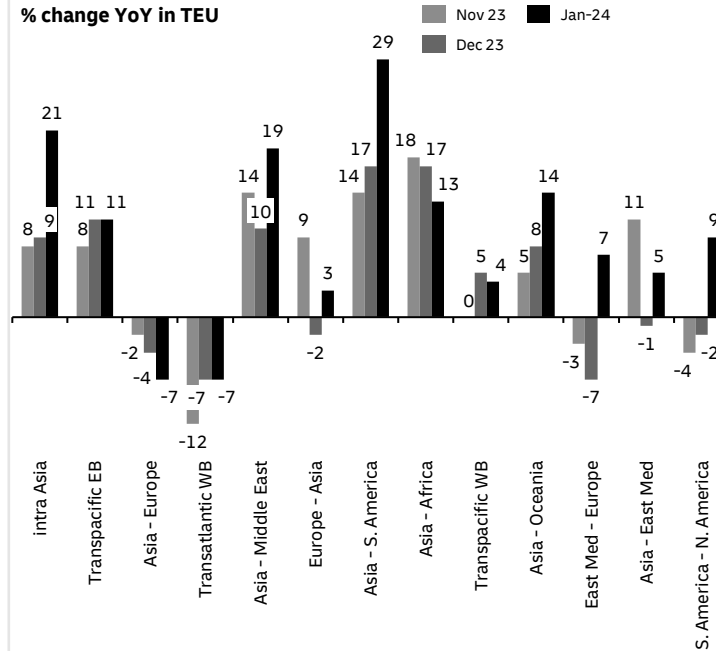
% change YoY in TEU



Source: Accenture Cargo

Volume Development by Trade³⁾

% change YoY in TEU

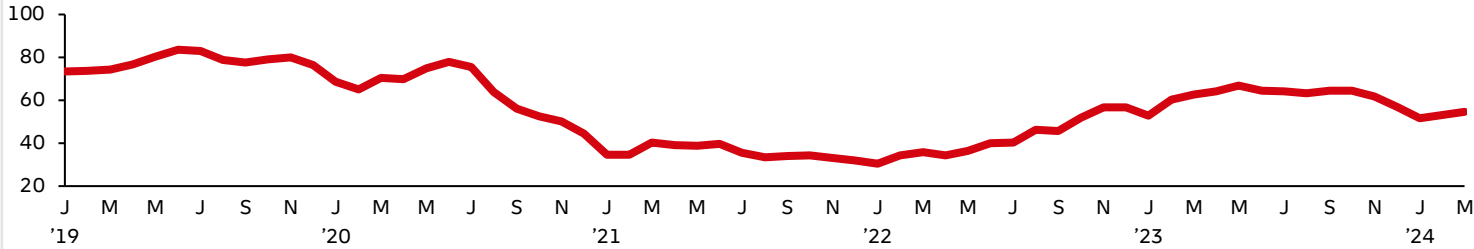


- Global ocean cargo demand rose +9.3% YoY vs Jan'23 and is bound to increase further in the coming months.
- The Asia Pacific region grew +14.9%, followed by South America with +12.1%. Africa 5.9%, Middle East +5.2%, North America 4.9%.
- Only Europe saw a decline in demand of -2.3% YoY in January, impacted by the late arrivals of vessels diverted around the Cape of Good Hope.

Schedule Reliability

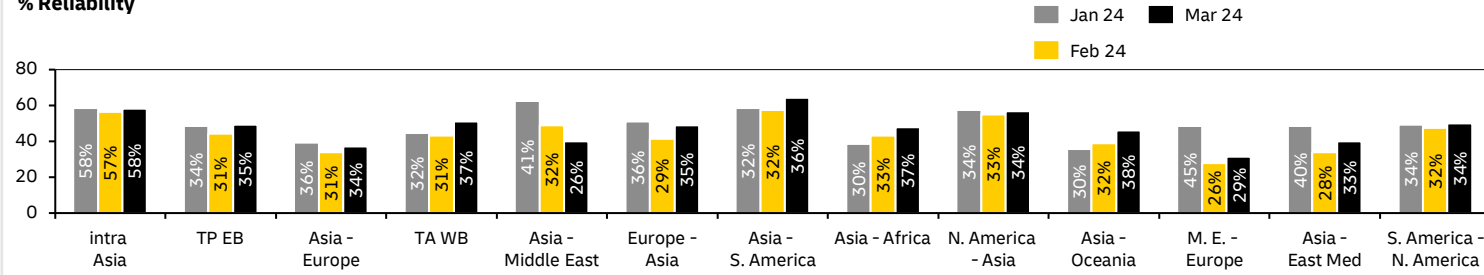
Global Schedule Reliability

% Reliability



Schedule Reliability by Trade

% Reliability

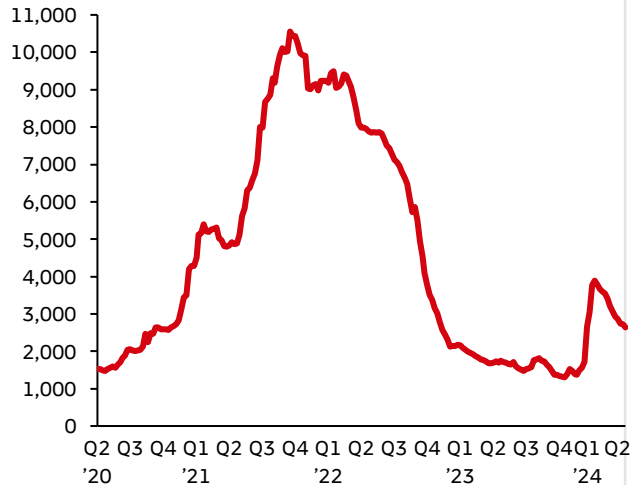


Source: Sea-Intelligence, Linerlytica; intra Asia = Asia – IBPC, TP EB = Asia-NAWC, Asia-Europe = Asia-N. Europe, Asia-AML = Asia-WCSA, AMNO-Asia = Transpacific WB, Asia-East Med = Asia-Med

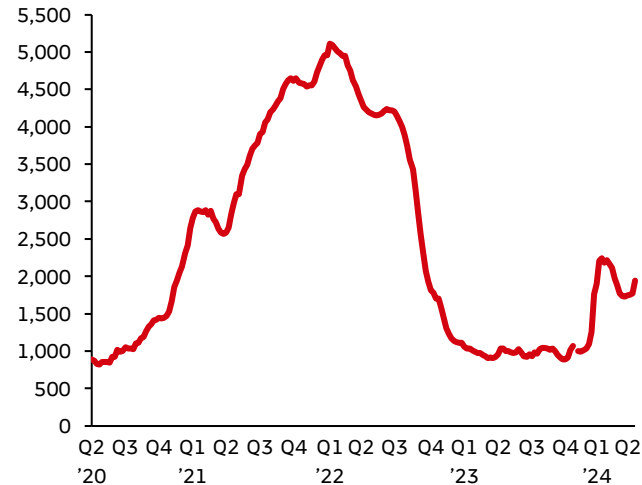
- Global schedule reliability score further improved by 1.6 ptp to 54.6% as the round-Africa routings via the Cape of Good Hope route normalise.
- Port congestion situation remained unchanged while it steady declined over the past months.

Rates

World Container Index (WCI)



Shanghai Containerized Freight Index (SCFI)



Note: Surcharges related to e.g., equipment & space availability are not reflected in WCI & SCFI; Source: Drewry, in USD/40ft container, including BAF & THC both ends, 8 individual routes, excluding intra-Asia routes; Shanghai Shipping Exchange, in USD/20ft ctrn & USD/40ft ctrn for US routes, including BAF, EBAF, CAF, PSS, WRS, PCS & SCS/SCF/PTF/PCC, excl. THC, 15 routes from Shanghai




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- The WCI and SCFI indices are 66% and 94% higher YoY.
- The SCFI rose for a 4th week, driven by gains in Latin America, Middle East, and Australia.
- We see signs for increasing rates on all Asia outbound lanes well into May as carriers have announced rate hikes in May.
- Transpacific contract rates are settling higher than last year, and current spot rates are prompting shippers to negotiate at these elevated levels.

BACKUP

Regional Market Development – Additional Trades

Market Development on Additional Regional Tradelanes

		Jan	Feb	Mar	Apr	Forecast	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
EURO	→ East MED	A	R	A	A		A	○	○	○	○	○	○	○
	→ Africa	A	A	A	A		A	○	○	○	○	○	○	○
	→ AMLA	A	A	A	A		A	○	○	○	○	○	○	○
	→ Middle East	A	G	G	G		R	○	○	○	○	○	○	○
	→ EURO	G	A	A	A		A	○	○	○	○	○	○	○
Middle East	→ Asia	G	G	G	G		G	○	○	○	○	○	○	○
	→ Middle East	G	G	G	G		G	○	○	○	○	○	○	○
AMNO	→ AMLA	G	G	G	G		G	○	○	○	○	○	○	○
	→ EURO	G	G	G	G		G	○	○	○	○	○	○	○
	→ AMNO	G	G	G	G		G	○	○	○	○	○	○	○
Oceania	→ Asia	G	G	G	G		G	○	○	○	○	○	○	○
AMLA	→ EURO	G	G	G	G		G	○	○	○	○	○	○	○
	→ Asia	A	A	A	G		A	○	○	○	○	○	○	○
		 Demand > Capacity				 Demand, Capacity balanced				 Demand < Capacity				

Source: DHL

GDP Growth & Bunker Prices

GDP Growth by Region¹⁾

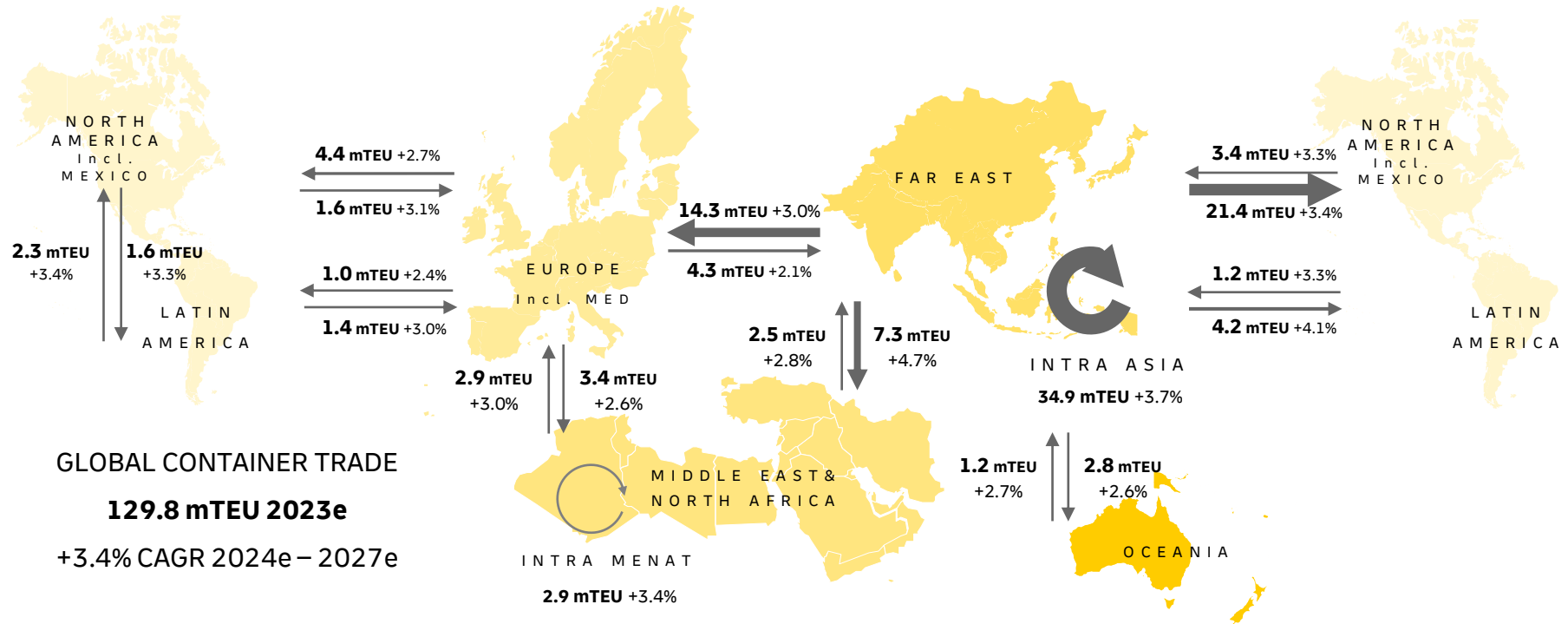
	2024F	2025F	2026F	2027F	2028F	CAGR (2025-28)
AMER	2.2%	1.8%	2.0%	2.0%	2.0%	2.0%
ASPA	4.1%	4.1%	4.1%	4.0%	4.0%	4.0%
EURO	1.0%	1.8%	1.9%	1.8%	1.7%	1.8%
MEA	2.5%	3.1%	3.8%	3.7%	3.4%	3.7%
DGF World	2.5%	2.6%	2.8%	2.7%	2.7%	2.7%

Bunker Prices²⁾



1) Real GDP, Copyright © IHS Markit, now part of S&P Global, Q1 2024 Update 7 Mar '24. All rights reserved; 2) Source: Bunkerindex, in US\$

Demand Development 2023 – 2027



Source: Accenture Cargo Dec23 update

State of the industry – Ocean Carrier alliances



THE ALLIANCE

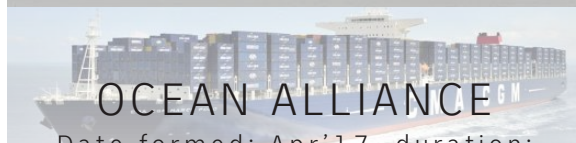
Date formed: Apr'17, duration:
10+3 years, earliest termination:
Apr'27, notice period: 1 year

HAPAG-LLOYD**

ONE

YANG MING

HMM



OCEAN ALLIANCE

Date formed: Apr'17, duration:
initially 10 years, in Feb24
extended to at least 2032, notice
period: 1 year

OOCL

CMA CGM

COSCO SHIPPING

EVERGREEN



2M

(to discontinue in 2025)
Date formed: Nov'14, duration: 10
years, earliest termination:
Oct'24, notice period: 2 years

MAERSK LINE**

MSC

Source: Carriers; ** to become "Gemini Cooperation" in 2025

Acronyms and Explanations – Ocean Freight glossary

AMLA	- Latin America	MX	- Mexico
AMNO	- North America	OOCL	- Orient Overseas Container Line
ASPA	- AsiaPacific	PCC	- Panama Canal Surcharge
BAF	- Bunker Adjustment Factor	PCS	- Port Congestion Surcharge
CAF	- Currency Adjustment Factor	PMI	- Purchase Manager Index compiled by S&P Global
CAGR	- Compound Annual Growth Rate	Ppt	- Percentage points
East MED	- Eastern Mediterranean	PSS	- Peak Season Surcharge
EB	- Eastbound	PTF	- Panama Transit Surcharge
EBAF	- Emergency Bunker Adjustment Factor	QoQ	- Quarter on quarter
ETS	- European Union Emission Trading System	SCF	- Suez Canal Fee
EURO	- Europe	SCS	- Suez Canal Surcharge
GDP	- Gross Domestic Product	SPAC	- South Pacific Australia
GRI	- General Rate Increase	SSA	- Sub-Saharan Africa
HL	- Hapag-Lloyd	T	- Thousands
HMM	- Hyundai	TEU	- Twenty-foot equivalent unit (20' container)
IFO	- intermediate fuel oil	THC	- Terminal Handling Charge
M.E.	- Middle East	VLSFO	- Very Low-Sulphur Fuel Oil
MEA	- Middle East and Africa = MENAT + SSA	TP	- Transpacific
MENAT	- Middle East and North Africa	WB	- Westbound
ML	- Maersk Line	WRS	- War Risk Surcharge
mn	- Millions	YoY	- Year-on-Year
MoM	- Month-on-Month	YTD	- Year-to-Date

THANK YOU