

OCEAN FREIGHT MARKET UPDATE

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Ocean Freight Market Outlook November 2024

Demand Outlook

- The global economic outlook focuses on decreasing inflation, easing monetary policies, and achieving a soft landing.
- In September, the output, new orders, and employment indexes remained in contraction, indicating a decline in economic activity. Additionally, the new export orders index reflected weaker global trade dynamics in the second half of the year.
- Still, DHL sees strong demand post-Golden Week.

Capacity Outlook

- Record-high new containership deliveries this year (2.5 mTEU delivered, 0.5 mTEU scheduled). Also, fleet renewal for some carriers.
- Golden Week Holiday sees slight increase in idling, still idle fleet unusually low for this time of the year
- Scrap sales remain low for now but 683 ships of the top 10 carriers are >20 years old (2.6 mTEU).

Freight Rates

- Rates have dropped for the past three months from their peak in July. But are now picking up again post-Golden Week.
- Carriers plan to implement rate hikes in November, but the sustainability of higher rates is uncertain as carriers have not adjusted capacity to match lower demand during the slack season.
- Rates remain significantly higher than same time last year.

Regulations/News

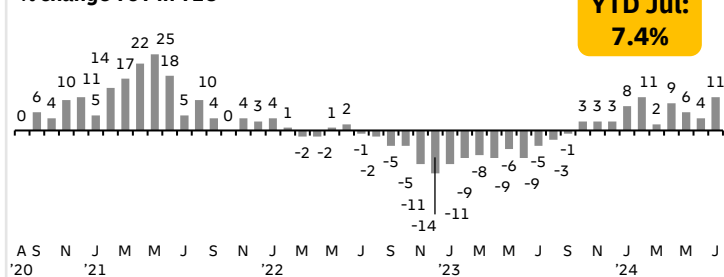
- The USEC Port strike ended on Oct 3rd, allowing operations to return to normal. Wage levels for the new contract have been agreed upon in principle, but other matters, like automation, are still unresolved. The existing contract has been extended until Jan 15th, 2025, with ongoing negotiations. If no agreement is reached by then, there may be another work stoppage.
- LNG ship orders dominating as future availability of green methanol is a concern.

Source: DGF, Accenture Cargo, S&P Market Intelligence, Drewry

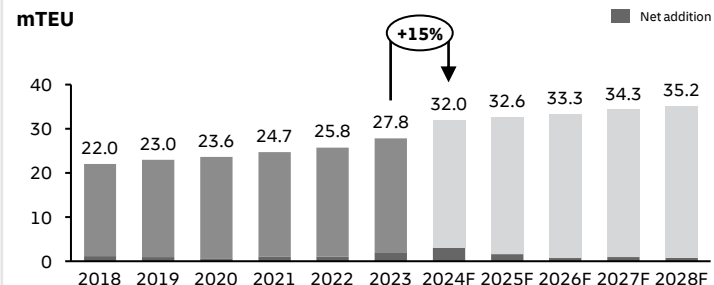
Market Developments

Demand Development¹⁾

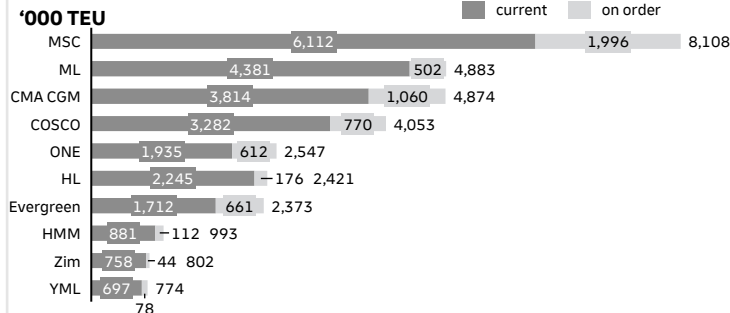
% change YoY in TEU



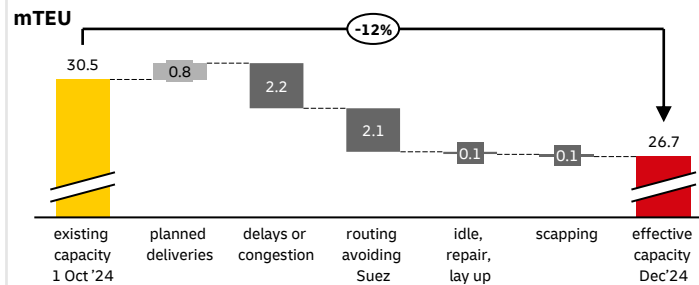
Nominal Capacity Development²⁾



Orderbook by Carrier³⁾



Effective Capacity Development⁴⁾

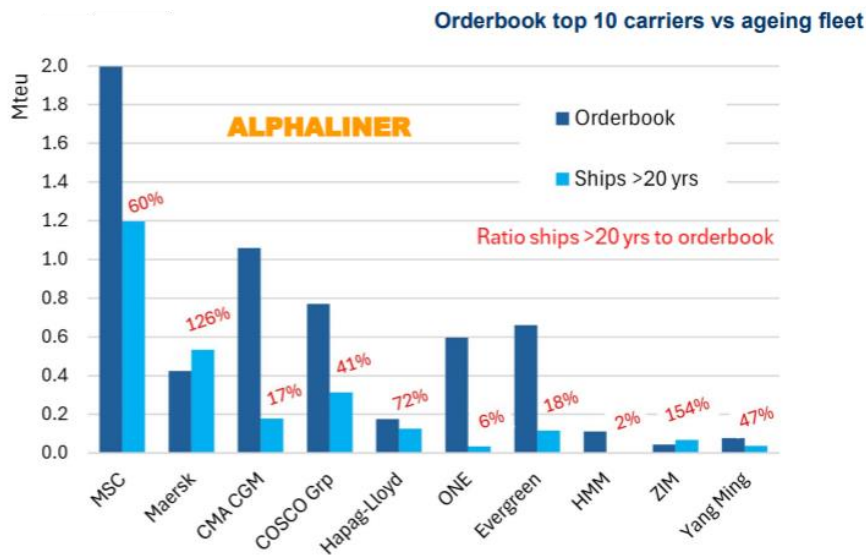


Source: 1) Accenture Cargo; 2) Drewry, net addition = delivery minus scrapping; 3) Alphaliner; 4) Alphaliner, Linerlytica

- Strong demand despite cautious consumer sentiment.
- Vessel bunching increasing strain on port infrastructure especially on Asia-Europe.
- Red Sea remains chokepoint with re-routings causing higher fuel consumption and operational costs. Other disruptions e.g., explosions on board, adverse weather exacerbate situation.

Scrapping of old ships expected to gain steam as new deliveries arrive...

Orderbook vs. Ageing Fleet

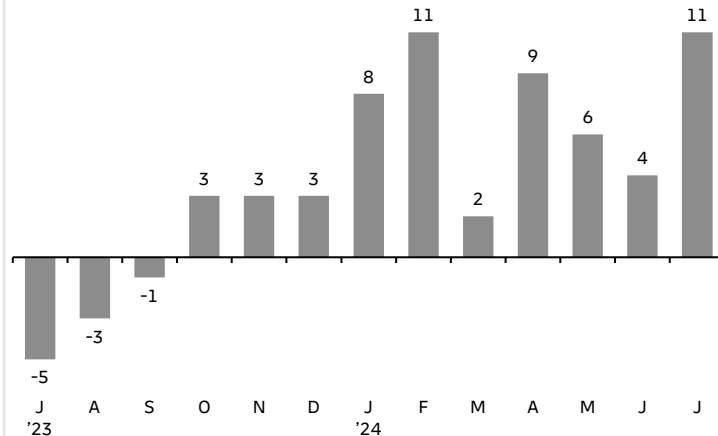


- Top ten ocean carriers have 431 container ships on order, with over 5.9 mTEU capacity.
- 2.6 mTEU >20 yrs, not scrapped yet because of current capacity situation.
- Some carriers need new tonnage to rejuvenate their fleets, not to grow it.
- Replacement tonnage varies among carriers, with MSC having 60% of its orderbook for replacing aging vessels.

Demand

Global Demand Development¹⁾

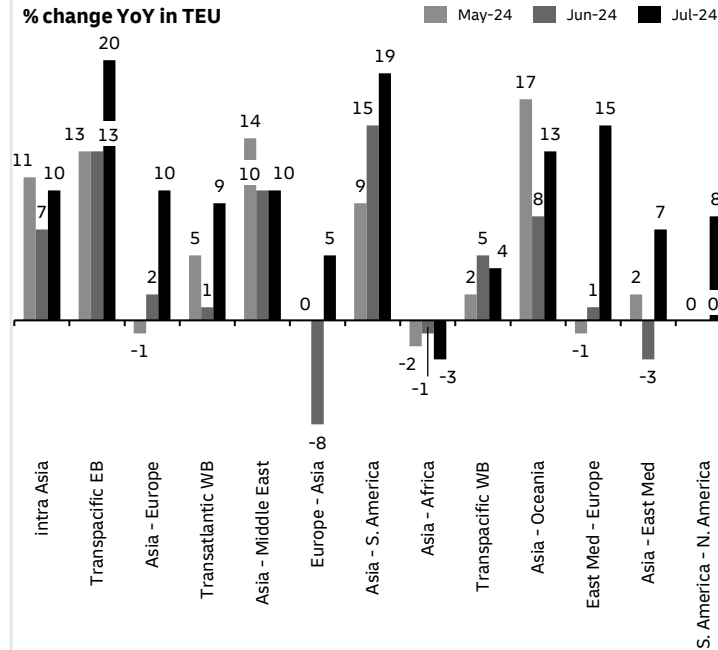
% change YoY in TEU



Source: Accenture Cargo

Volume Development by Trade³⁾

% change YoY in TEU



- Global container market was recovering in H1 2024, particularly on the Asia-AMLA, intra-Asia, and AMNO import lanes.
- Strong demand post-Golden Week.
- However, global PMI data continue to flag deteriorating prospects for the manufacturing sector.
- Mid-term outlook more uncertain than the current market conditions suggest.

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	R	R	R	R	R	A	A	A
	→ N. America	R	R	A	A	A	R	R	R	R	A	A	A
	→ EURO	R	R	R	A	R	R	R	R	R	A	R	R
	→ Middle East	R	R	R	R	R	R	R	R	R	A	R	R
	→ S. America	G	G	G	G	R	R	R	R	G	A	A	R
	→ Africa	R	R	R	A	R	R	R	R	R	R	R	G
	→ Oceania	R	R	R	A	R	R	R	R	R	R	A	A
	→ East MED	R	R	R	A	R	R	R	R	R	G	R	R
East MED	→ EURO	R	R	R	R	R	R	R	G	R	R	R	R
EURO	→ N. America	G	G	G	G	G	G	G	A	R	R	R	A
	→ Asia	A	G	G	G	G	A	A	A	A	A	A	A
N. America	→ Asia	A	A	G	G	G	G	G	G	G	G	G	G
S. America	→ N. America	G	G	G	G	G	G	G	A	R	R	R	R

Forecast



Demand > Capacity



Demand, Capacity balanced



Demand < Capacity

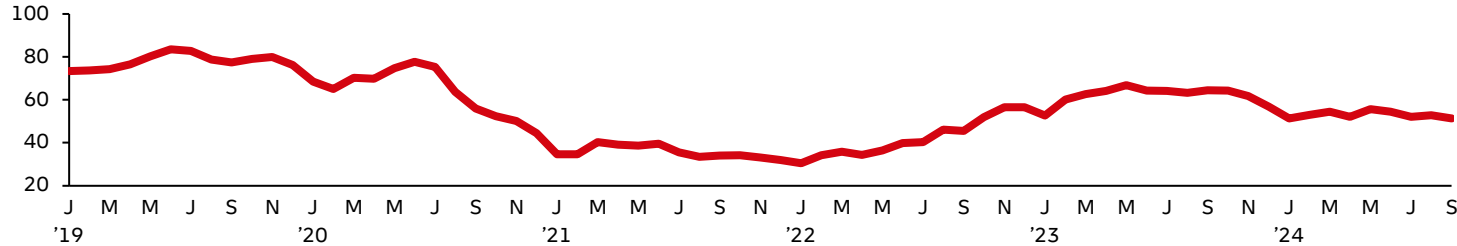
Source: DHL

- Freight rates declining during slack season but increasing again post-Golden Week.
- Carriers not adjusting vessel capacity for winter season.
- Carriers preparing for competitive battle for market share in upcoming alliance reshuffling.

Schedule Reliability

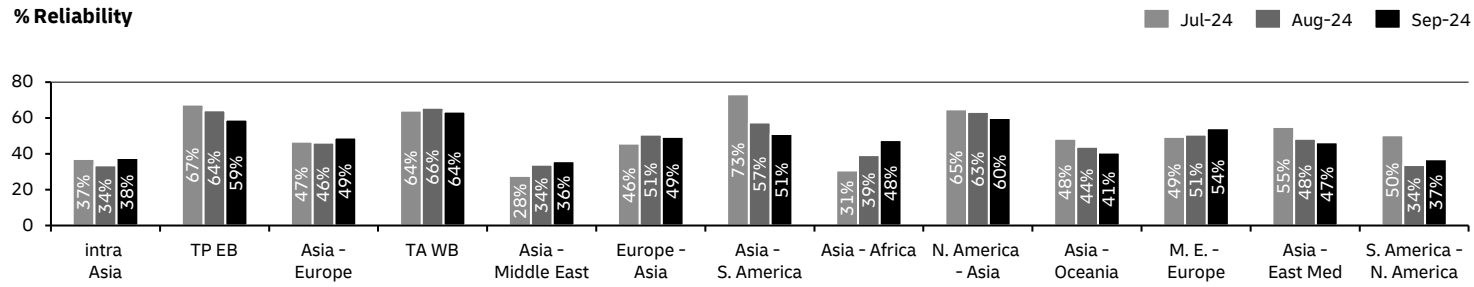
Global Schedule Reliability

% Reliability



Schedule Reliability by Trade

% Reliability

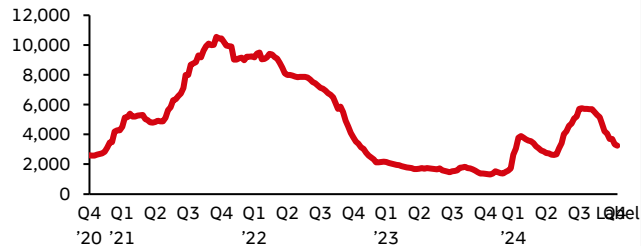


Source: Sea-Intelligence, Linerlytica; intra Asia = Asia – IBPC, TP EB = Asia-NAWC, Asia-Europe = Asia-N. Europe, Asia-S.America = Asia-WCSA, N. America-Asia = Transpacific WB, Asia-East Med = Asia-Med

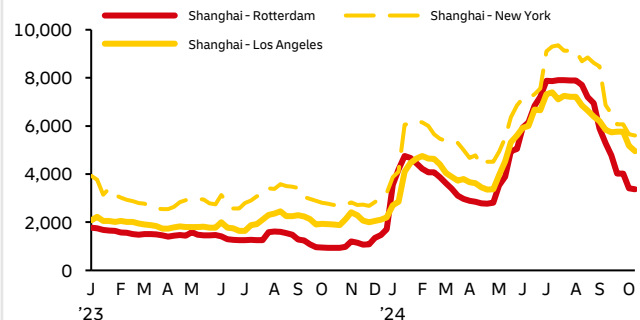
- Low volatility in schedule reliability provides predictable expectations for shippers.
- Port congestion increased due to delays caused by Typhoon Trami in VN, PH, CN, and Southeast Asia.
- South America (PA, MX, BR) and US East Coast ports face severe congestion.
- European ports (UK, DE) and Mediterranean hubs (Algeciras, Tangier, Valencia, Piraeus) sporadic delays.

Rates

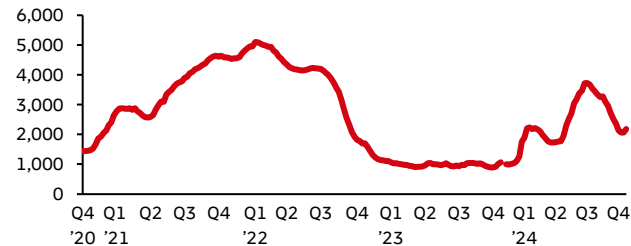
World Container Index (WCI)



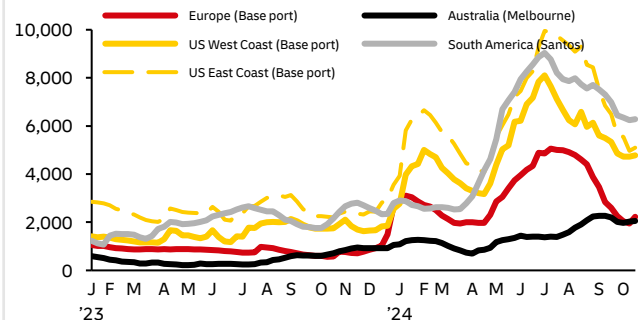
WCI Deep Dive Key Trades



Shanghai Containerized Freight Index (SCFI)



SCFI Deep Dive Key Trades



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 ctnr & USD/40ft ctnr for US routes, including BAF, EBAF, CAF, PSS, WRS, PCS & SCS/SCF/PTF/PCC, excl. THC, 13 routes from Shanghai

- After reaching a plateau rates have started to decline but still much higher than one year ago.
- Pre-Golden Week stronger than anticipated and rates raising again.
- Carriers have still not adjusted vessel capacity for the winter season, however schedule of the new alliances begins in December and will last through Q1.

A photograph of two men, one younger and one older, looking at a tablet together. The younger man is pointing at the screen. They are standing on a balcony or rooftop with a city skyline in the background.

Outlook

Container shipping sector disrupted for 4 years now, with an uncomfortably large range of uncertainties remaining:

- Risk of strikes on the US East & Gulf coasts if no new agreement is reached between the ILA and USMX by January 15th, 2025
- Frontloading expected due to early Chinese New Year at end of January
- Potential tariffs depending on the outcome of the US elections
- Anticipation of service disruptions during the transition to the new alliances
- Red Sea diversions lasting longer than expected, squeezing effectively available capacity
- Port and hinterland infrastructure may become the bottleneck once the crisis is over
- Weather-related disruptions adding to the uncertainties
- Good demand still seen despite these uncertainties

As a result of these factors, freight rates are not expected to return to pre-pandemic levels.

Source: DHL

BACKUP

Regional Market Development – Additional Trades

Market Development on Additional Regional Tradelanes

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Forecast	Nov	Dec
Europe	→ East MED	A	R	A	A	A	G	G	G	G	G		G	G
	→ Africa	A	A	A	A	A	A	A	A	R	R		R	R
	→ S. America	A	A	A	A	A	A	A	A	A	G		G	G
	→ Middle East	A	G	G	G	R	R	R	R	G	G		G	G
	→ Europe	G	A	A	A	A	A	A	A	G	G		G	G
Middle East	→ Asia	G	G	G	G	G	A	A	G	A	A		A	A
	→ Middle East	G	G	G	G	G	A	A	G	G	G		G	G
N. America	→ S. America	G	G	G	G	G	G	G	A	R	R		R	R
	→ Europe	G	G	G	G	G	G	G	R	G	G		G	G
	→ N. America	G	G	G	G	G	G	G	A	A	A		A	A
Oceania	→ Asia	G	G	G	G	G	G	A	A	A	A		A	A
S. America	→ Europe	G	A	G	G	G	G	A	A	A	A		A	A
	→ Asia	A	A	A	G	A	A	A	R	A	A		G	G
		R	Demand > Capacity					A	Demand, Capacity balanced			G	Demand < Capacity	

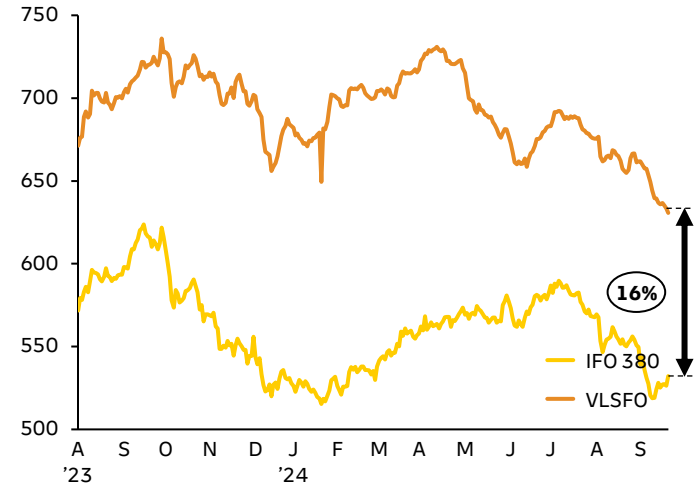
Source: DHL

GDP Growth & Bunker Prices

GDP Growth by Region¹⁾

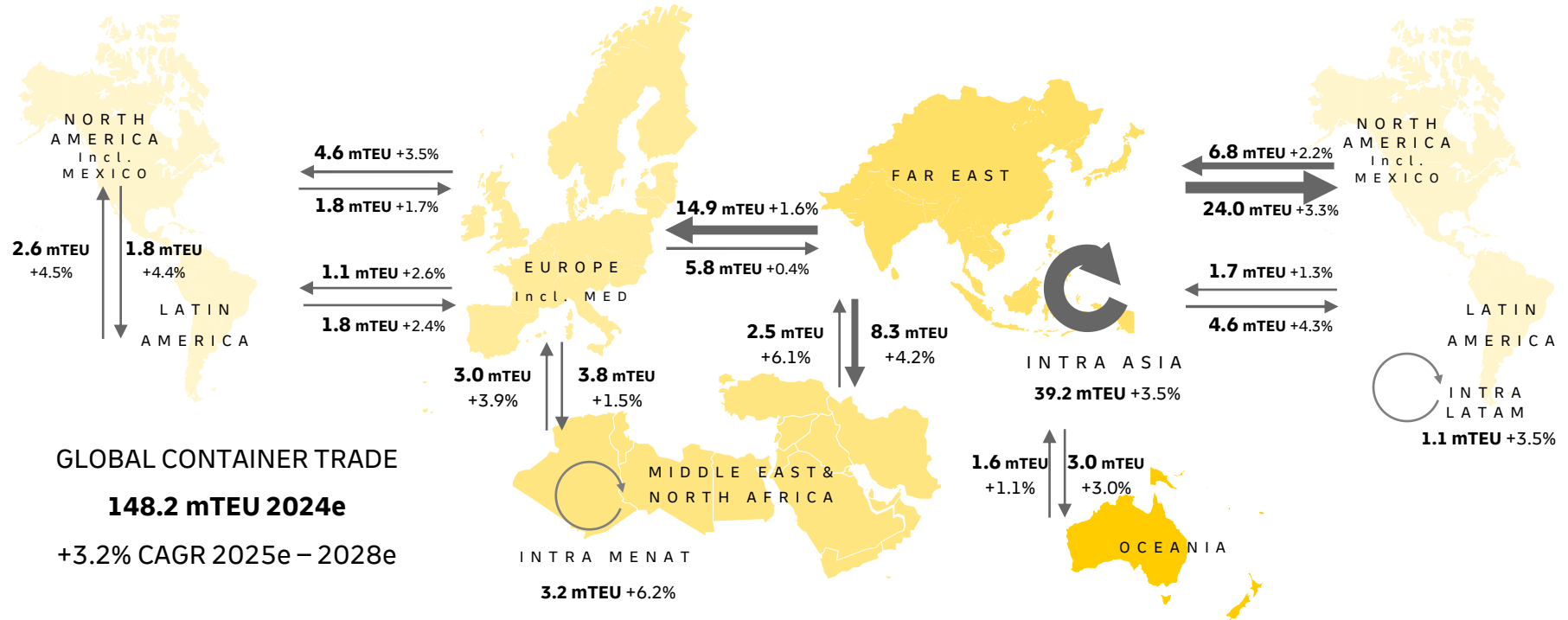
	2024F	2025F	2026F	2027F	2028F	CAGR (2025-28)
AMER	2.3%	1.8%	1.9%	2.0%	2.1%	2.0%
ASPA	4.2%	4.1%	4.0%	4.0%	4.0%	4.0%
EURO	1.3%	1.8%	1.8%	1.8%	1.7%	1.8%
MEA	2.4%	3.4%	3.9%	3.8%	3.7%	3.8%
DGF World	2.7%	2.7%	2.7%	2.8%	2.8%	2.7%

Bunker Prices²⁾



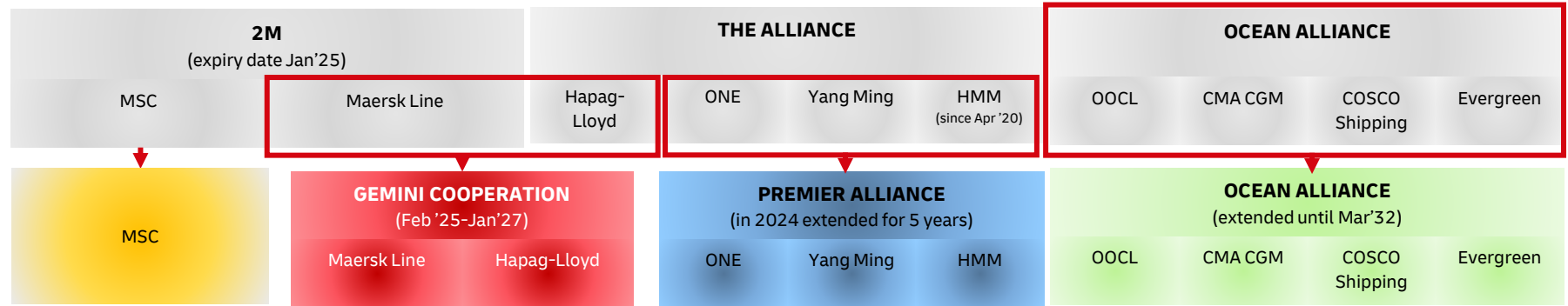
1) Real GDP, Copyright © IHS Markit, now part of S&P Global, Q3 2024 Update 5 Sep '24. All rights reserved; 2) Source: Bunkerindex, in US\$

Demand Development 2024 – 2028



Source: Accenture Cargo Jun24 update

Carrier Alliances Reshuffling



- **2M** will split in January 2025.
- The **Gemini Cooperation** between Maersk and Hapag-Lloyd will begin in February 2025.
- The **OCEAN Alliance** extended their collaboration until March 2032.
- After Hapag-Lloyd's departure, THE Alliance members HMM, ONE, and Yang Ming will form the **Premier Alliance** from February 2025.
- **MSC** will operate its East-West network independently and offer additional services by entering VSAs or taking slots on vessels of other operators.
- Gemini adopts a 'hub and spoke' network, while other alliances will continue to serve smaller ports directly.

Source: Carriers, Linerlytica, Alphaliner

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)
IBPC	- Indian Sub-continent	THC	- Terminal Handling Charge
IFO	- intermediate fuel oil	VLSFO	- Very Low-Sulphur Fuel Oil
M.E.	- Middle East	TP	- Transpacific
MEA	- Middle East and Africa = MENAT + SSA	WB	- Westbound
MENAT	- Middle East and North Africa	WRS	- War Risk Surcharge
ML	- Maersk Line	YoY	- Year-on-Year
mn	- Millions	YTD	- Year-to-Date
MoM	- Month-on-Month		

THANK YOU