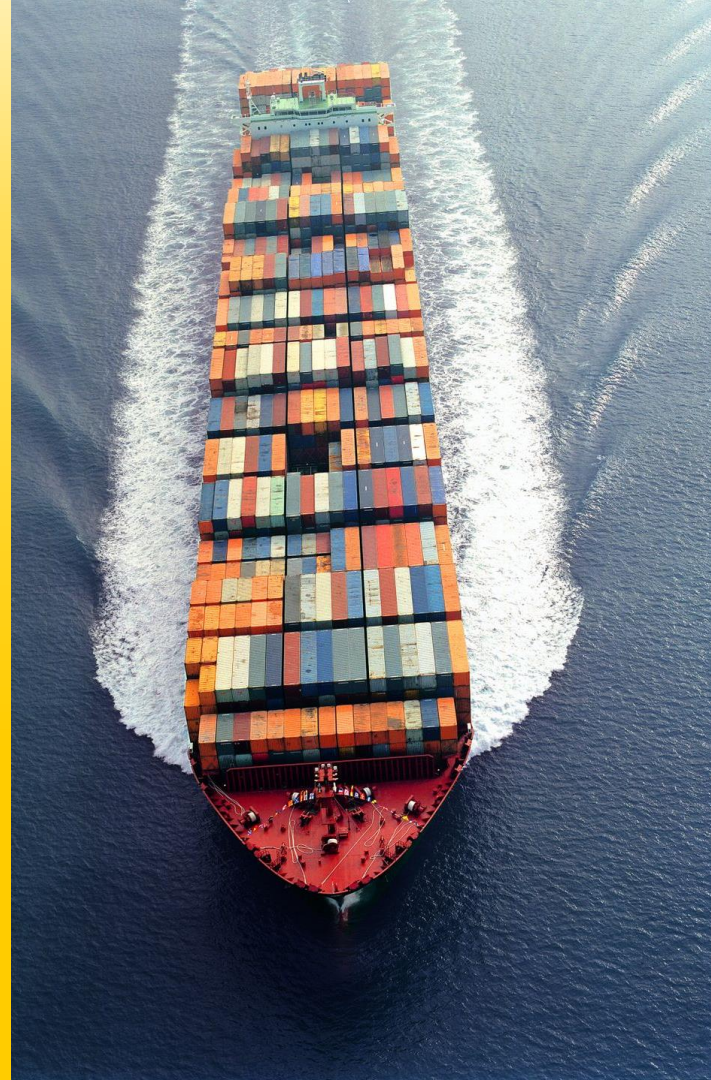


# OCEAN FREIGHT MARKET OUTLOOK 2025

PUBLICATION DATE DECEMBER 20<sup>TH</sup>, 2024

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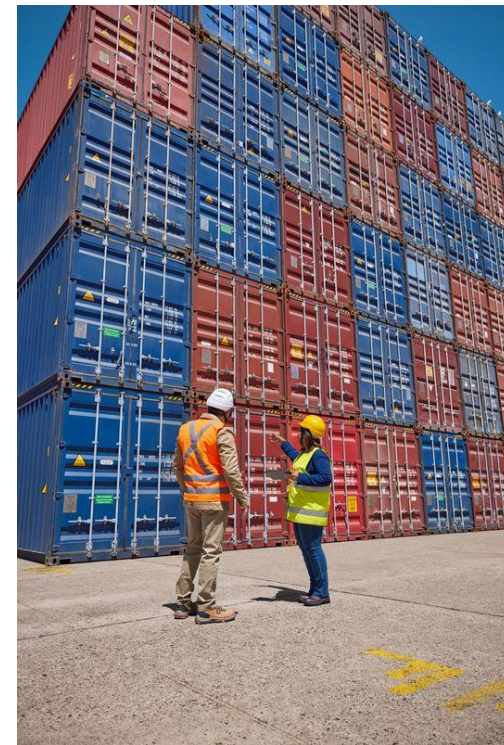
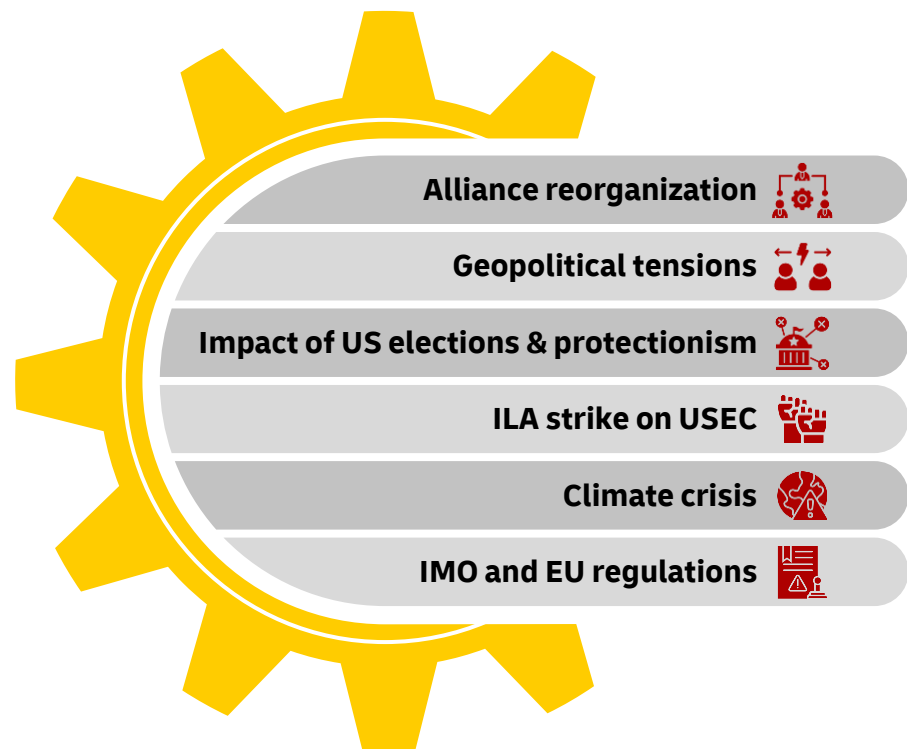


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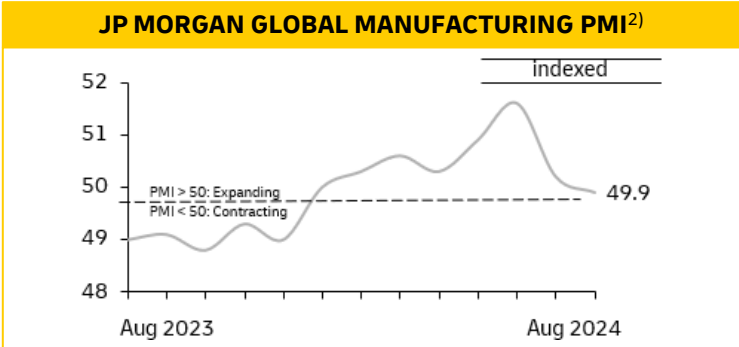
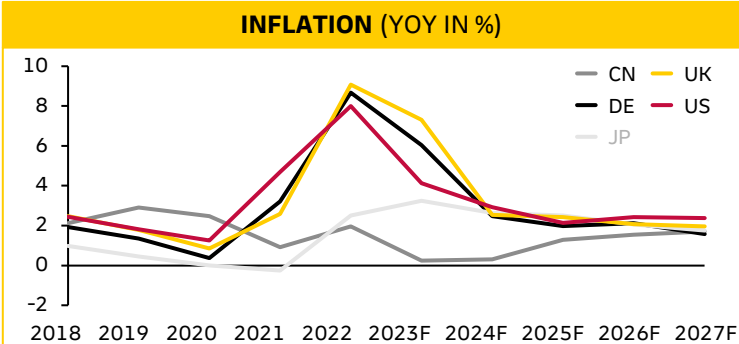
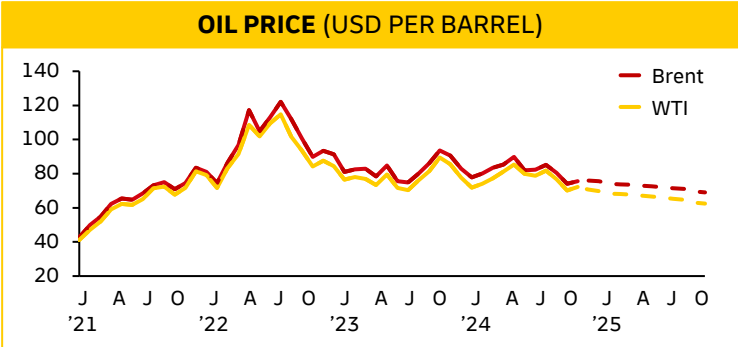


# Many uncertainties impacting container shipping market



# Global economic outlook cautiously optimistic, but with a lot of uncertainty

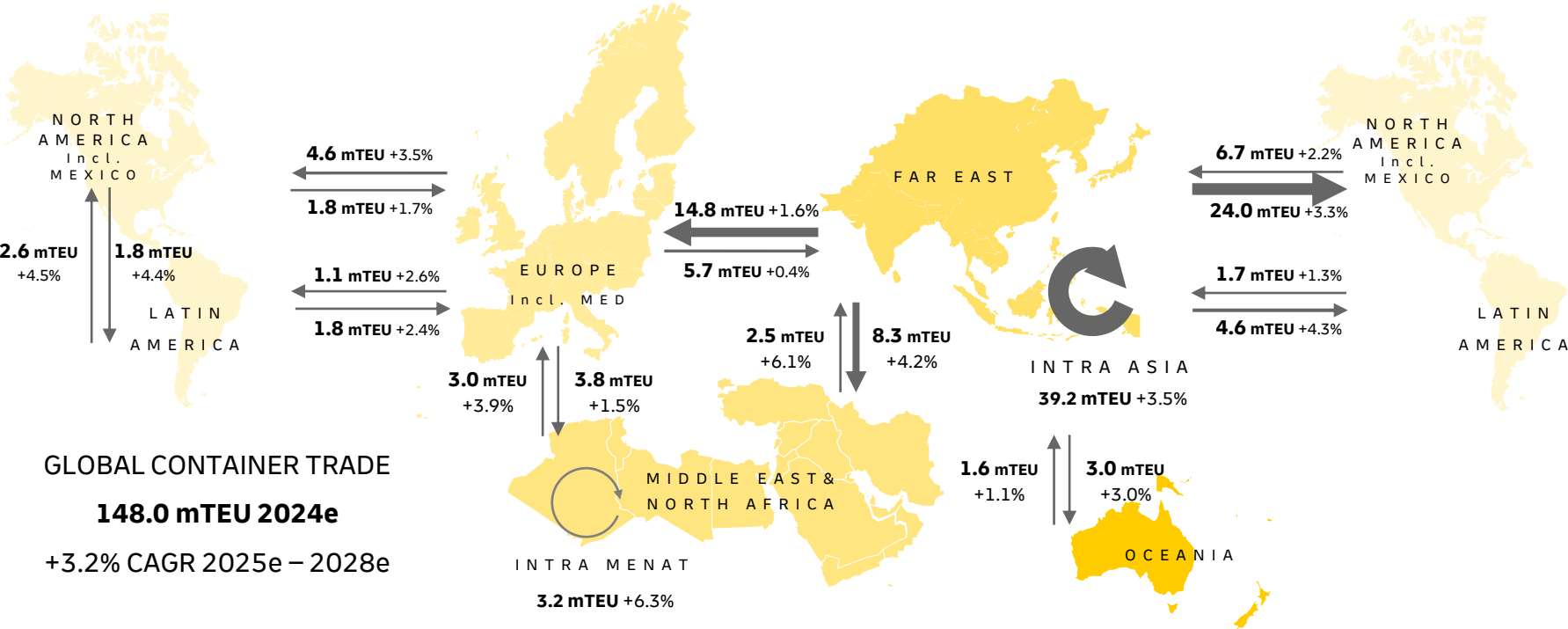
ECONOMIC OUTLOOK GDP GROWTH BY REGION <sup>1)</sup>						
	2024F	2025F	2026F	2027F	2028F	CAGR (2025-28)
AMER	2.3%	1.8%	1.9%	2.0%	2.1%	2.0%
ASPA	4.2%	4.1%	4.0%	4.0%	4.0%	4.0%
EURO	1.3%	1.8%	1.8%	1.8%	1.7%	1.8%
MEA	2.4%	3.4%	3.9%	3.8%	3.7%	3.8%
DGF World	2.7%	2.7%	2.7%	2.8%	2.8%	2.7%



- Global GDP growth remains 2.7% for 2025 and beyond.
- Eurozone faces geopolitical risks, manufacturing struggles, and financial volatility.
- North America's growth slowing to 1.8% in 2025.
- Asia-Pacific's GDP growth driven by industrial production in China and rising domestic demand in other Asian economies.
- Latin America's growth down due to business sentiment; Mexico's forecast downgraded post-elections.
- Middle East & Africa's growth prospects improved.

Source: IHS Markit, now part of S&P Global, Q4 2024 Update 5 Dec '24; 1) Real GDP, 2) Purchasing Manager Index Manufacturing

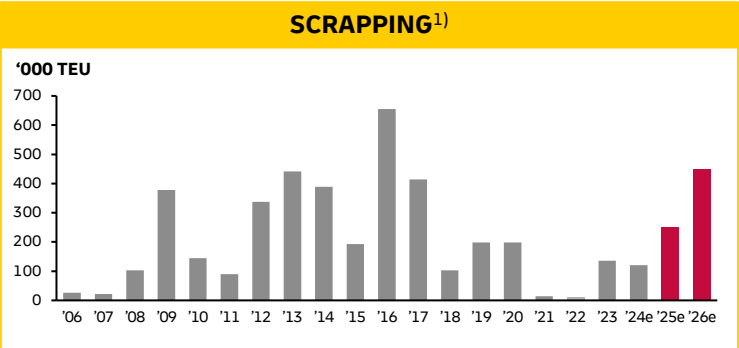
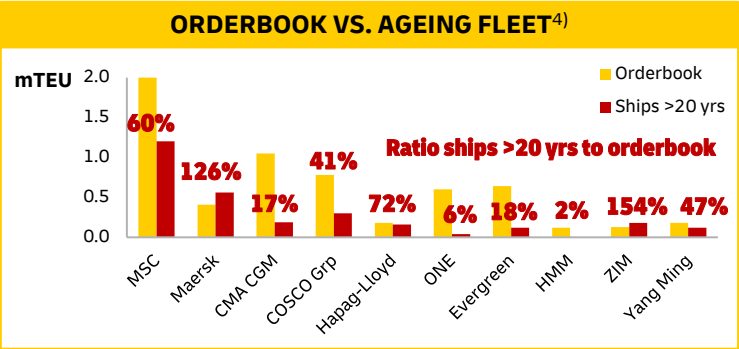
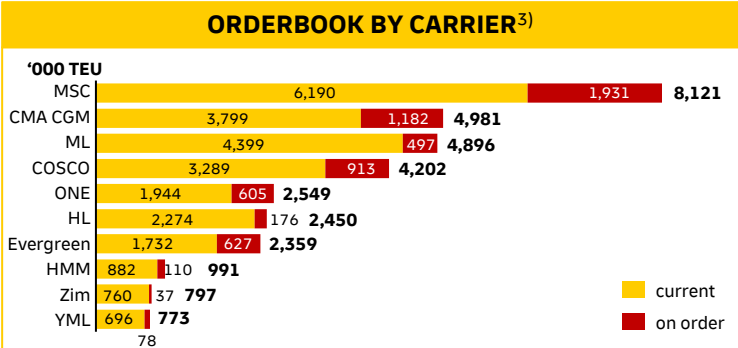
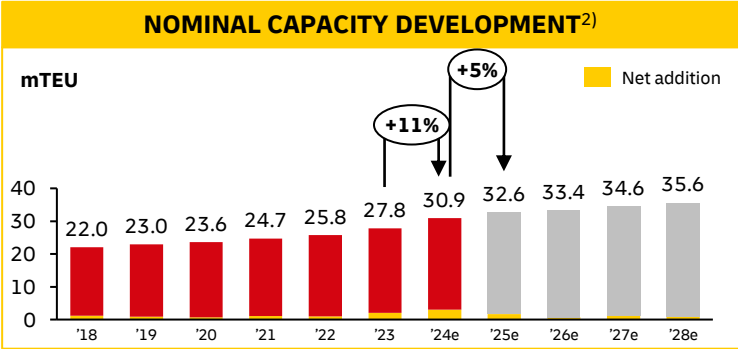
Demand remains stable and seeing increased demand on intra-regional trades



Source: Accenture Cargo Dec24 update



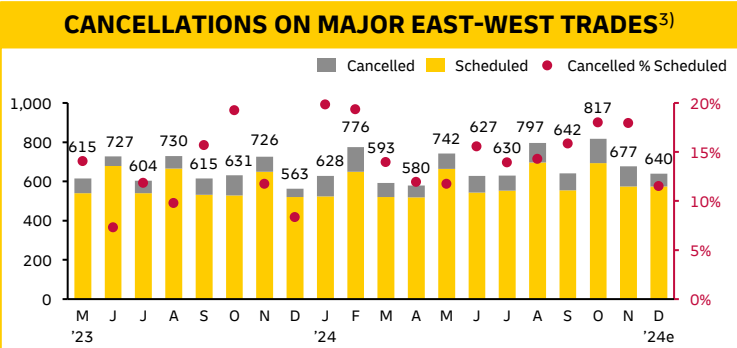
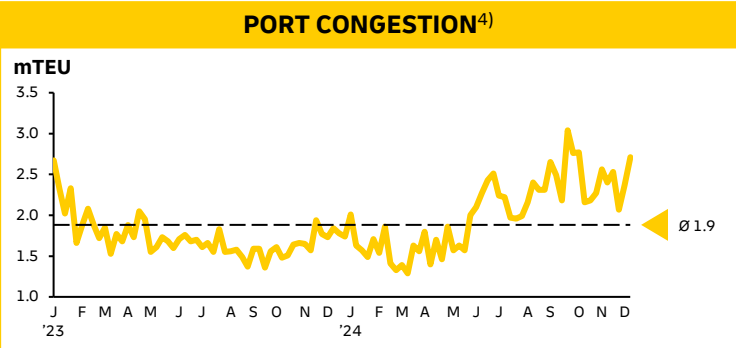
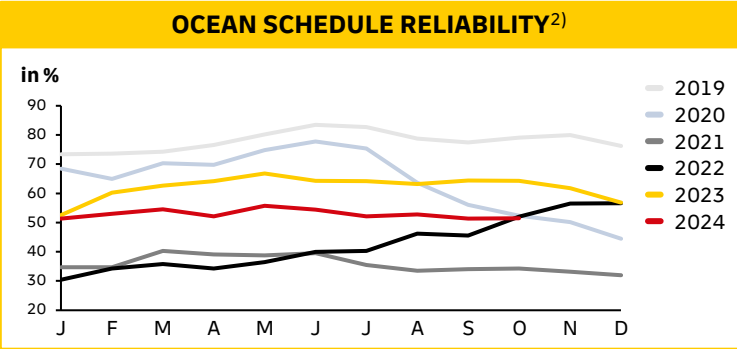
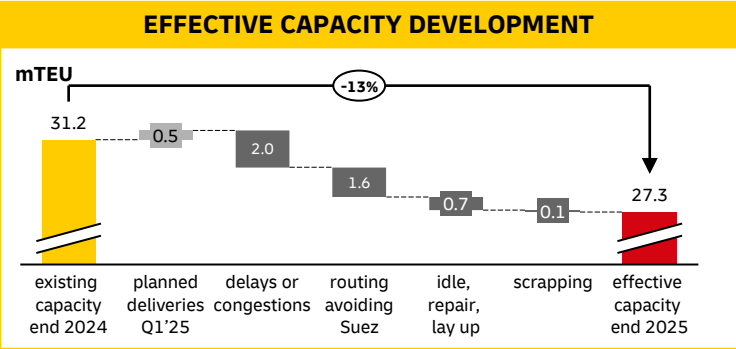
# Despite record-high new vessel orders, effective supply growth will slow



- 6.5 mTEU to be delivered by 2027.
- Aging fleet with 5.6 mTEU over 20 years old.
- 87% of current order book could be needed to replace aging fleet
- Replacement tonnage varies among carriers, with MSC having 60% of its orderbook for replacing aging vessels.
- IMO regulations forcing older vessels to run at lower speed.
- Idle fleet of containerships reached an all-time low of less than 1% in 2024.

Source: 1, 3, 4) Alphaliner, 2)Drewry

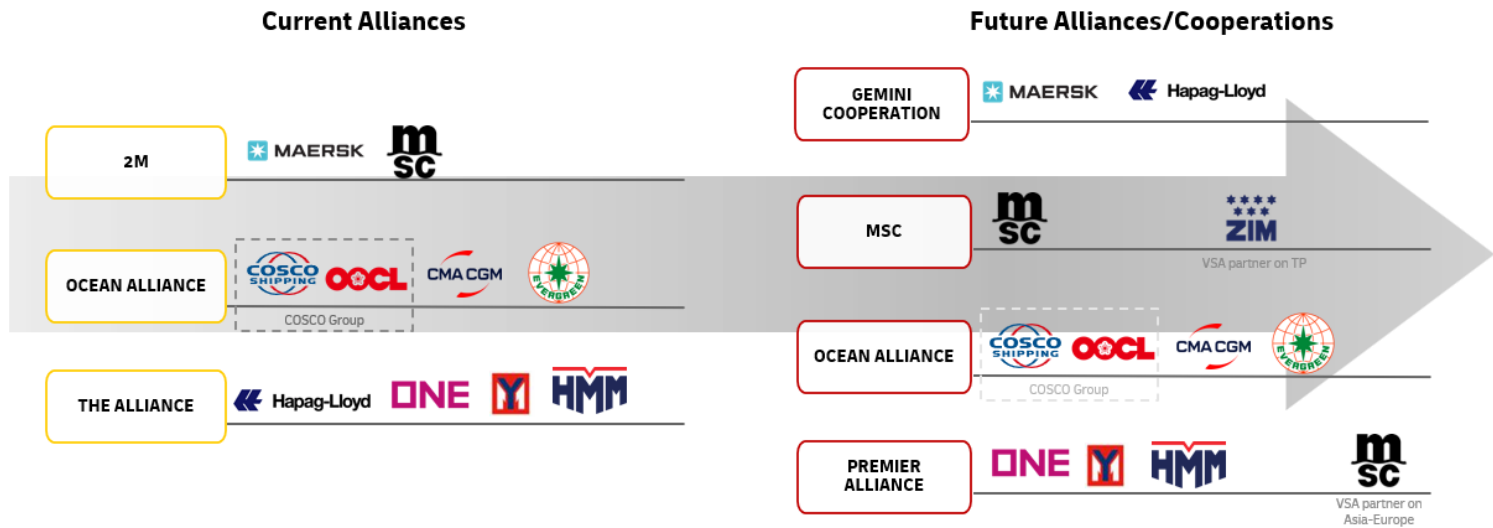
# Disruptive elements soaking up effective capacity



- Growing geopolitical tensions are increasing instability.
- Crisis in Red Sea persisting longer than anticipated, increasing transit time & limiting effective capacity.
- Potential strike in USEC ports as ILA USMX negotiations reached stalemate, deadline of Jan 15th.
- Increasing potential for industrial actions in other regions.
- Average 2 mTEU tied up in port delays this year.
- Continuation of infrastructure bottlenecks into 2025

Source: Alphaliner, Linerlytica, Sea Intelligence, 3) Drewry; cancelled = complete round voyage skipped, excl. intra-regional and feeder services




# Disruptions on services expected as Alliances are shifting to new set up



- New alliance structures in Q1 2025 will reshape East-West trades.
- End of 2M, Gemini starting, The Alliance reorganizing, MSC standalone strategy.
- Gemini's new hubs-and-spoke model aims for 90% reliability by mid-2025; impact remains to be seen.
- Service disruptions and spillovers into other trades expected during transition.
- US FMC requested more details from ONE, HMM, and Yang Ming on their Premier Alliance, possibly delaying the planned start on Feb 1<sup>st</sup>.



# Regulatory environment increasingly complex and costly

<div><div>EU EMISSIONS TRADING SYSTEM (ETS)</div><div><ul style="list-style-type: none"><li>• Aims at emission reductions through trading of emission allowances under a cap-and-trade mechanism</li><li>• Maritime sector included since 2024, with 40% of emissions covered</li><li>• From Jan 01, 2025: 70% of emissions covered</li><li>• DGF has a standard Dammar Line ETS surcharge, updated quarterly</li></ul></div><div><p><b>Impact:</b> Strong increase (75% -90%) of already existing surcharge in 2025</p></div></div>	<div><div>FUEL EU MARITIME</div><div><ul style="list-style-type: none"><li>• Vessels need to progressively use more sustainable fuels and technologies</li><li>• From Jan 1<sup>st</sup>, 2025: vessels must achieve a 2% reduction in the average GHG intensity of the energy used on board compared to the 2020 baseline</li><li>• Increased requirements every 5 years</li></ul></div><div><p><b>Impact:</b> Most carriers seem to include the additional cost into the EU ETS surcharge</p></div></div>	<div><div>CARBON INTENSITY INDEX (CII)</div><div><ul style="list-style-type: none"><li>• A measure introduced by the IMO to assess the energy efficiency and carbon intensity of ships</li><li>• Implemented since 2023</li><li>• Review is planned for 2026</li><li>• Very small impact of the overall carbon footprint</li><li>• DGF &amp; customers benefit indirectly from slightly lower CO2/TEU figures</li></ul></div><div><p><b>Impact:</b> No explicit surcharges have been imposed by carriers yet</p></div></div>
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- Regulatory pushes to accelerate green technology adoption
- Shipping lines need to plan for a more complex set of rules
- In addition to new compliance costs, investments in new fuels, technologies and fleet upgrades may have an impact on shipping rates

# Ocean Freight Market Outlook 2025



The container shipping sector has been disrupted for 4 years, with significant uncertainties remaining:

- Cautiously optimistic outlook on demand growth globally, with diverging pictures from region to region.
- Potential US policy shifts create mid-term uncertainty, probably impacting China, Mexico, and Canada due to higher tariffs.
- Up to 87% of current carrier orders are replacements, limiting available capacity.
- The Red Sea crisis is lasting longer than expected, further squeezing capacity.
- Port and hinterland infrastructure are the bottlenecks and will continue to be so.
- Risk of strikes on the US East & Gulf coasts if no ILA-USMX agreement reached by 15 Jan 2025.
- Strike potential in other regions as well.
- Service disruptions are anticipated during the transition to new alliances.
- Weather-related disruptions add to uncertainties.
- Regulatory rules increasing shipping costs.

Due to these factors, freight rates are not expected to return to pre-pandemic levels.

## Recommendations



- Consider “what-if” scenarios to stay flexible
- Build in inventories and alternative routes to markets
- Balance between short term and long term shipping contract commitments
- Spread your volume across alliances and carriers – even consider building in mode flexibility
- Allow for sufficient lead times in case of disruptions
- Support electronic data exchange – increased visibility is key
- Select sustainable logistics offerings to off set increased regulatory cost
- Employ flexible sourcing strategies
- Resilience comes at a price – accept different rate set up than the past



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