

OCEAN FREIGHT MARKET UPDATE

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Ocean Freight Market Outlook April 2024

Economic & Demand Outlook

- S&P Global Market Intelligence revised its 2024 global GDP forecast from 2.3% to 2.5%, mainly due to improved US predictions. Canada, eurozone, UK, and Russia's forecasts also rose, but Western Europe's sluggish growth persists.
- JPMorgan's Global Composite PMI showed a seven-month peak in January, signaling potential economic enhancement going forward.
- Hostilities in the Red Sea are ongoing.

Capacity Outlook

- Idle containerships continue to decline due to demand related to the Red Sea diversions and Far East market's recovery after Lunar New Year holidays.
- Continued Africa-round sailing, caused by Red Sea conflict, uses all recently delivered capacity. Yet, this crisis might be hiding potential overcapacity risk post-conflict.
- Vessel charter rates continue to rise despite new capacity influx.

Freight Rates

- Freight rates fell by -10% in March so far, marking a 21% drop since their peak in January. Carriers were unable to achieve a rate increase in mid-March, but April increases are planned with AP-EU futures rebounding 10-15%.
- Contract rate negotiations on the Transpacific for May 2024 are still unsettled due to a significant discrepancy between asking prices and what shippers are prepared to pay.

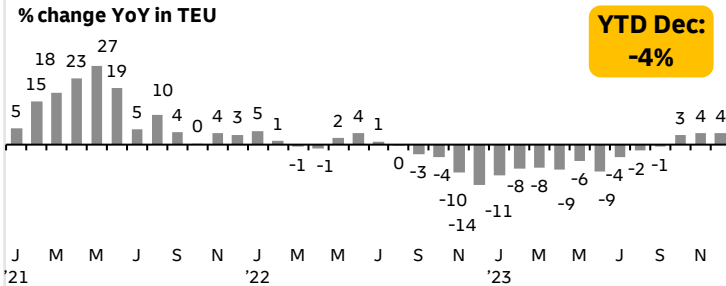
Regulations/News

- OCEAN Alliance have extended their partnership to at least 2032.
- The US Federal Maritime Commission (FMC) issued the final rule on Demurrage and Detention Billing Practices on February 23, 2024.

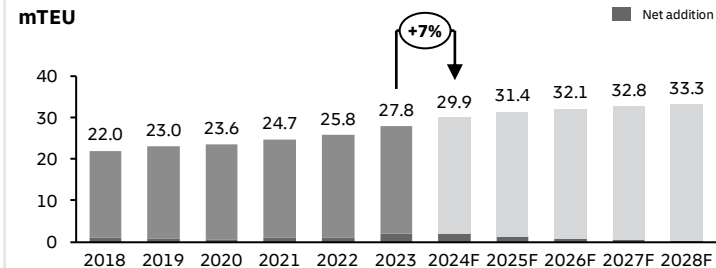
Source: DGF

Market Developments

Demand Development¹⁾

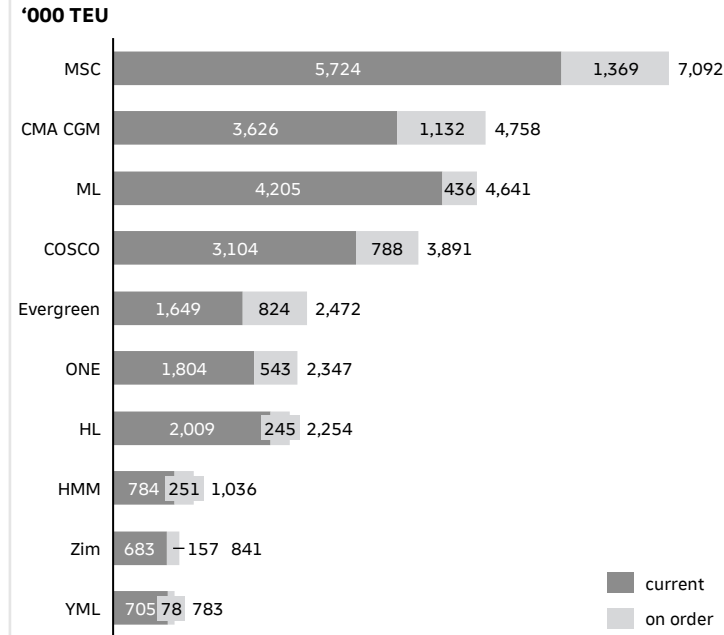


Capacity Development²⁾



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

Orderbook by Carrier³⁾



- OFR market demand has grown YoY since October, trend continues into 2024.
- Growth YoY in Asia exports but also seeing signs of recovery on the Transatlantic.
- Ongoing hostilities in the Red Sea necessitate continued Africa-round sailing, absorbing over 1.26m TEU additional capacity and using all new capacity delivered in recent months.

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

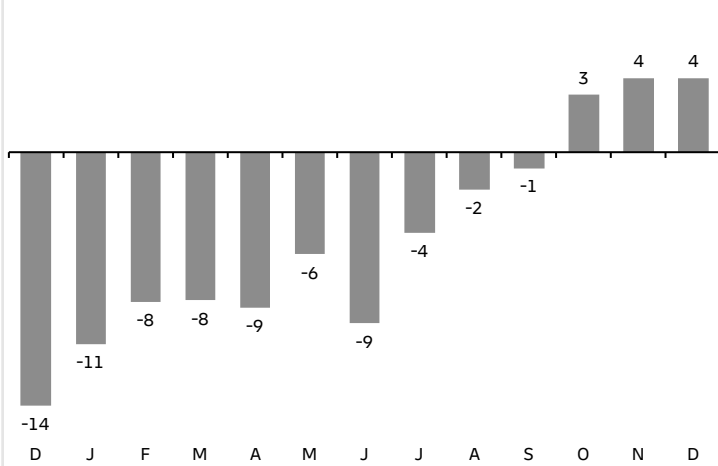
R Demand > Capacity
 G Demand, Capacity balanced
 A Demand < Capacity

Source: DHL

Demand

Global Demand Development¹⁾

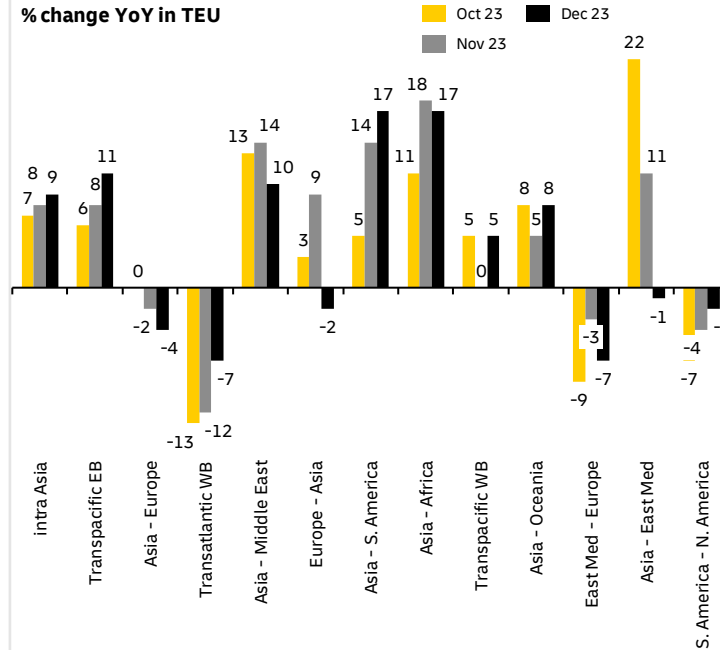
% change YoY in TEU



Source: Accenture Cargo

Volume Development by Trade³⁾

% change YoY in TEU

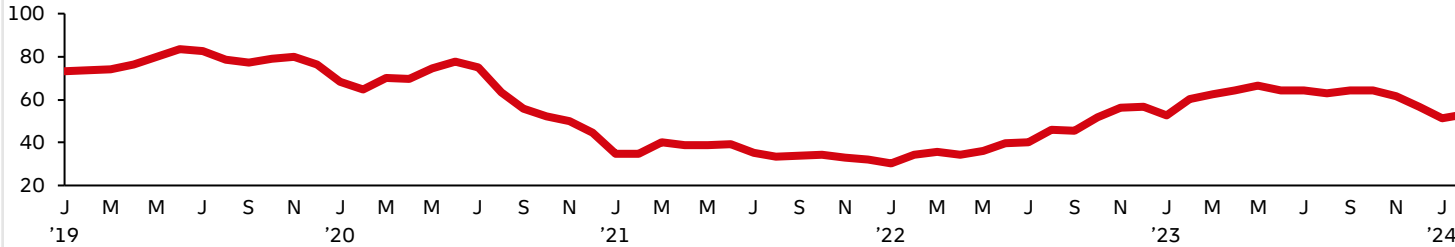


- Global ocean cargo demand rose +4% YoY vs Dec'22.
- Significant growth ex-Asia Pacific observed in Q4'23 and early 2024 leading up to Lunar New Year holidays.
- Reduced demand persists inbound Europe and on the Transatlantic Westbound trade.

Schedule Reliability

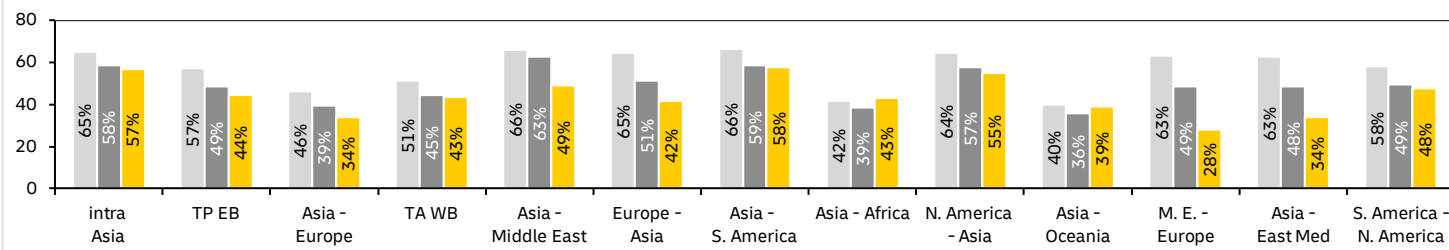
Global Schedule Reliability

% Reliability



Schedule Reliability by Trade

% Reliability

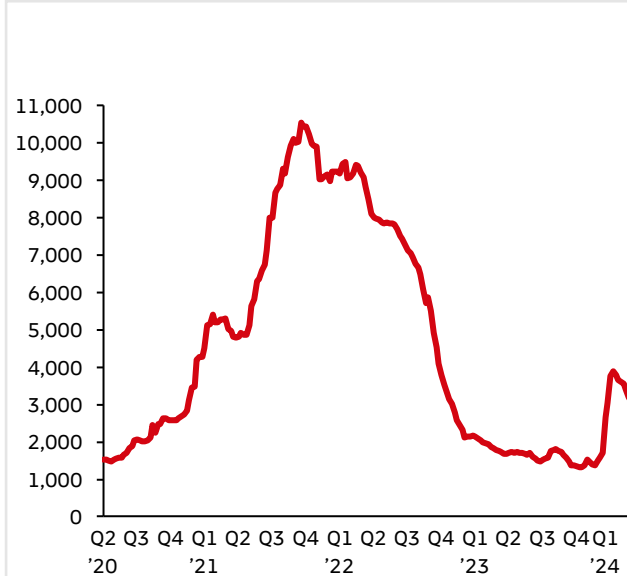


Source: Sea-Intelligence, Linerlytica; intra Asia = Asia – IBPC, TP EB = Asia-NAWC, Asia-Europe = Asia-N. Europe, Asia-AML = Asia-WCSA, AMNO-Asia = Transpacific WB, Asia-East Med = Asia-Med

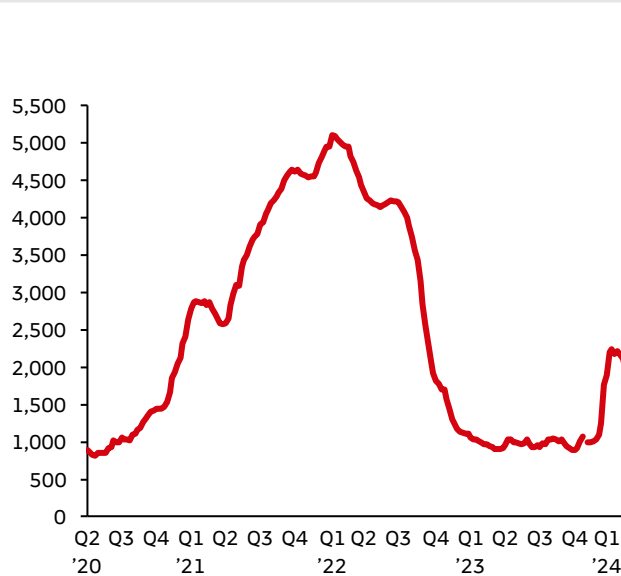
- With the Cape of Good Hope route normalizing global reliability is also stabilizing which is reflected in a +1.7 ptp improvement in February to 53.3%.
- Congestion, particularly around Southern Spain and UK ports, has increased due to higher vessel arrivals. This trend is likely to persist due to increased vessel calls at key western Med hub ports as a result from the Red Sea diversions.

Rates

World Container Index (WCI)



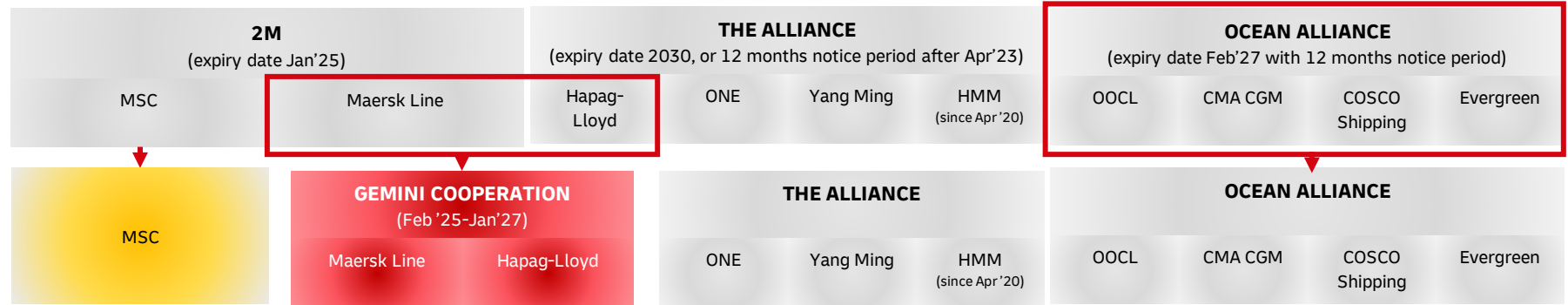
Shanghai Containerized Freight Index (SCFI)



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 ctnr & USD/40ft ctnr for US routes, including BAF, EBAF, CAF, PSS, WRS, PCS & SCS/SCF/PTF/PCC, excl. THC, 15 routes from Shanghai

- Rates have seen minor correction following the Chinese New Year holidays.
- The WCI and SCFI indices are 74 % and 95 % higher compared to the same period last year.

Carrier Alliances Reshuffling



- The 2M alliance will dissolve as Maersk and Hapag-Lloyd initiate a new collaboration, 'Gemini Cooperation', from February 2025, while MSC pursues independent operations.
- In the meantime, OCEAN Alliance has extended their collaboration until 31 March 2032, reinforcing their position as the leading global carrier alliance, surpassing competitors on all East-West trades except Transatlantic.
- This leaves THE Alliance as the smallest of the four global carrier alliances, with limited capacity on Asia-Europe and Transatlantic routes.

Source: Carriers, Linerlytica, Alphaliner

BACKUP

Regional Market Development – Additional Trades

Market Development on Additional Regional Tradelanes

		Jan	Feb	Mar	Forecast	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
EURO	→ East MED	A	R	A		A								
	→ Africa	A	A	A		A								
	→ AMLA	A	A	A		A								
	→ Middle East	A	G	G		G								
	→ EURO	G	A	A		A								
Middle East	→ Asia	G	G	G		G								
	→ Middle East	G	G	G		G								
AMNO	→ AMLA	G	G	G		G								
	→ EURO	G	G	G		G								
	→ AMNO	G	G	G		G								
Oceania	→ Asia	G	G	G		G								
AMLA	→ EURO	G	G	G		G								
	→ Asia	A	A	A		G								

R Demand > Capacity
 G Demand, Capacity balanced
 A Demand < Capacity

Source: DHL

GDP Growth & Bunker Prices

GDP Growth by Region¹⁾

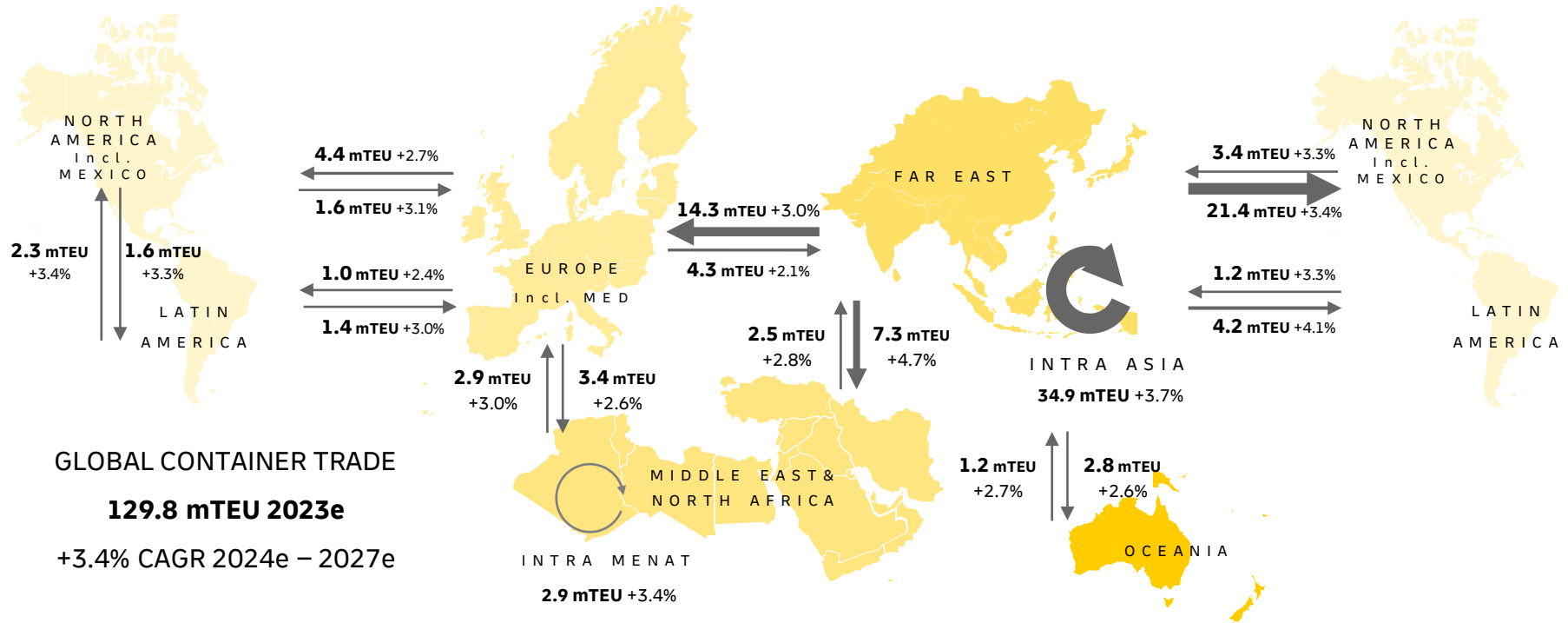
	2024F	2025F	2026F	2027F	2028F	CAGR (2025-28)
AMER	2.2%	1.8%	2.0%	2.0%	2.0%	2.0%
ASPA	4.1%	4.1%	4.1%	4.0%	4.0%	4.0%
EURO	1.0%	1.8%	1.9%	1.8%	1.7%	1.8%
MEA	2.5%	3.1%	3.8%	3.7%	3.4%	3.7%
DGF World	2.5%	2.6%	2.8%	2.7%	2.7%	2.7%

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

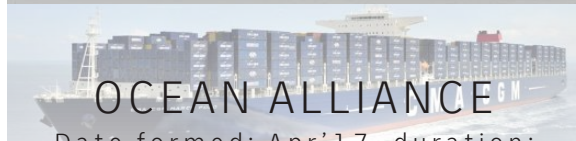
State of the industry – Ocean Carrier alliances



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