

OCEAN FREIGHT MARKET UPDATE

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Ocean Freight Market Outlook February 2024

Economic & Demand Outlook

- OFR market volume back to year-over-year growth since October.
- High Inflation levels remain, exceeding historical levels, driven by emerging supply chain risks, e.g the situation in the Red Sea, industrial actions etc.
- PMI index rose to 51.0 in Dec'23, up from 50.5 in previous month.

Capacity Outlook

- Longer route around Cape of Good Hope necessitates more vessels, leading to capacity redistribution from other trades.
- Vessels involved in the 1st diversion to Cape of Good Hope were originally planned back in Asia for container loading Lunar New Year holidays.
- Equipment issues now prevail in Asia.
- Low water situation in Panama Canal adds further constraints.

Freight Rates

- Capacity shortage drives SCFI to a 16-month high.
- Transpacific routes catching up with Asia-Europe surge after mid-January GRIs.
- Carriers announce further rate hikes in February, nearing peak with post-Lunar New Year slack expected.
- Freight rate escalation has peaked, with slower weekly gains after consecutive hikes since November.

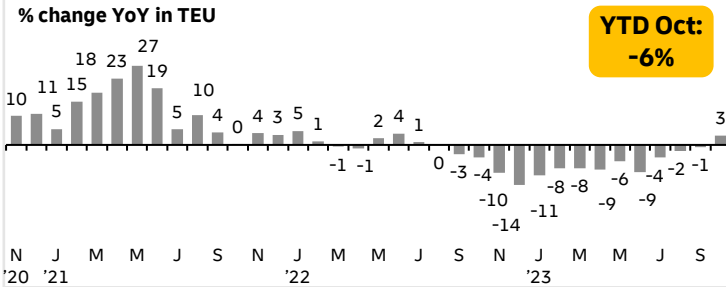
Regulations/News

- EU's ETS (Emission Trading System) surcharges being implemented by carriers will increase as CO2 emissions increase due to longer route around Cape of Good Hope.
- Maersk and Hapag-Lloyd have announced a new partnership called 'Gemini Cooperation' starting in February 2025.

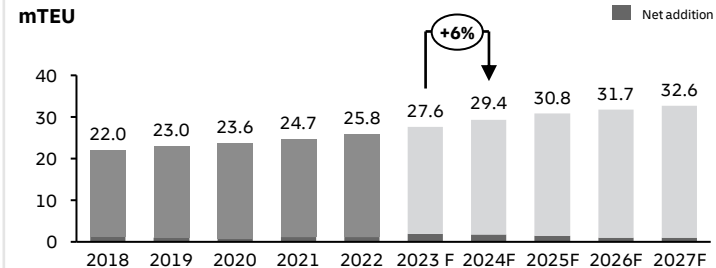
Source: DGF

Market Developments

Demand Development¹⁾

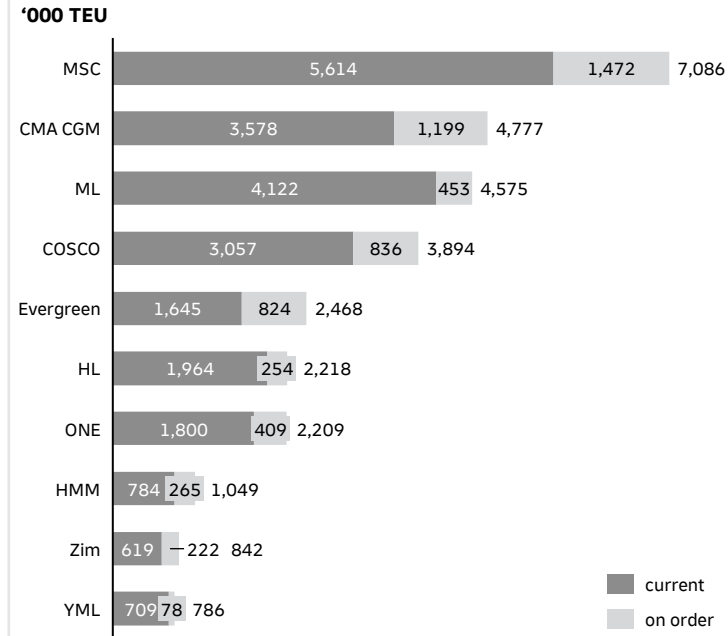


Capacity Development²⁾



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

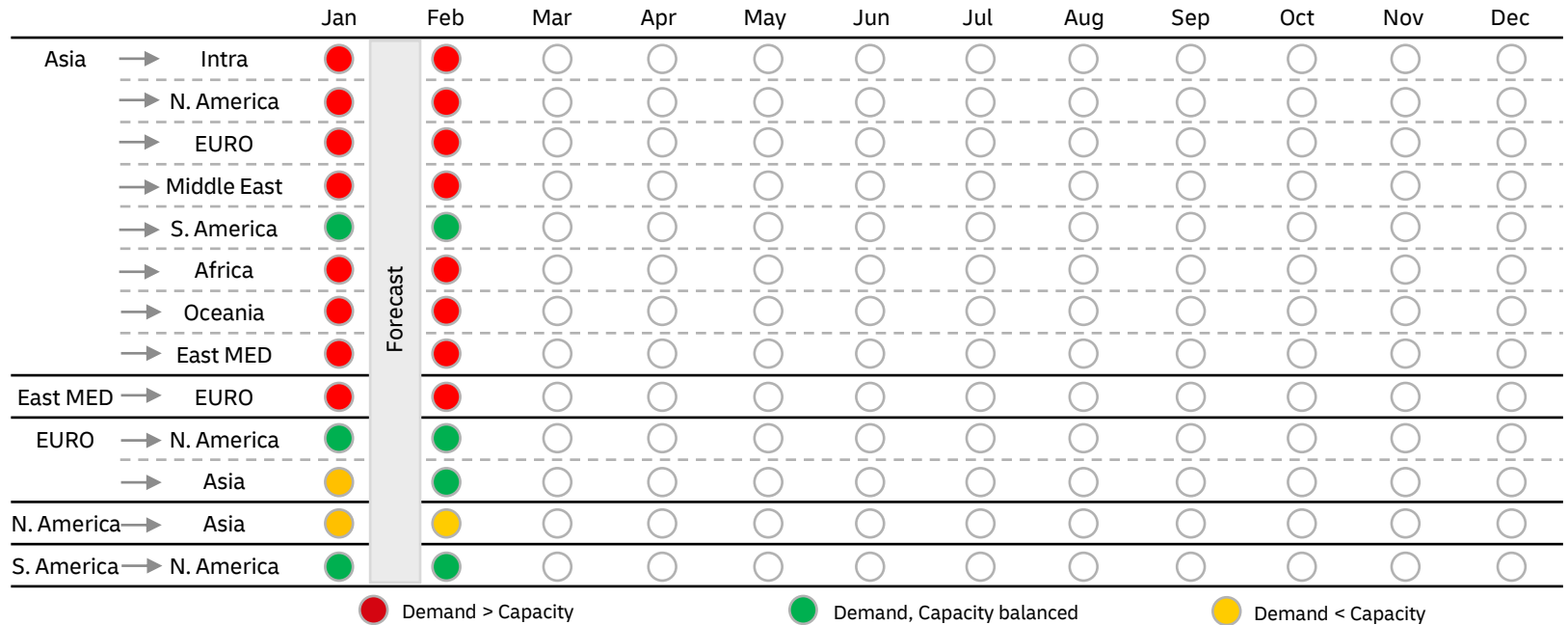
Orderbook by Carrier³⁾



- OFR market volume back to year-over-year growth since October.
- MSC continues to dominate newbuilding orders.
- Global capacity to grow at similar rate in 2024.
- Extraordinary capacity demand in Q1 2024 due to situation in the Red Sea.

Regional Market Development – Major Trades

Market Development on Key Regional Tradelanes

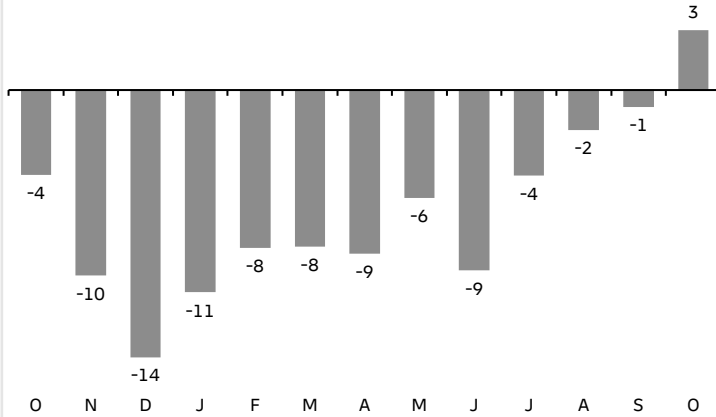


Source: DHL

Demand

Global Demand Development¹⁾

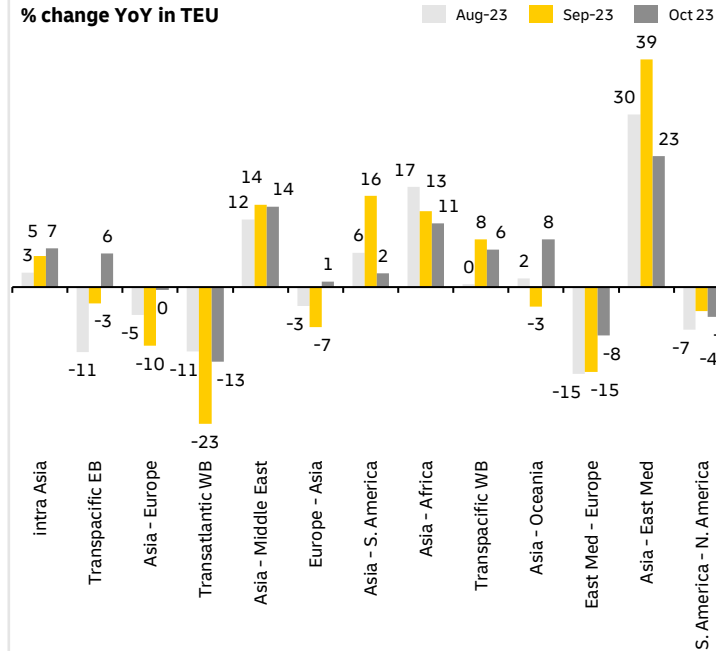
% change YoY in TEU



Source: Accenture Cargo

Volume Development by Trade³⁾

% change YoY in TEU

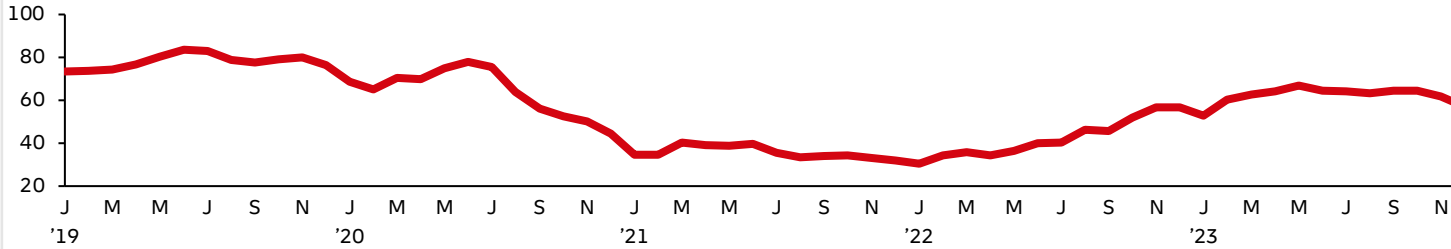


- Ocean container trade back to year-over-year growth since October.
- Asia Pacific container exports grew to emerging markets like the Middle East & South Asia, Latin America, and Africa.
- Western Europe and North America experienced a decline in container imports in 2023.

Schedule Reliability

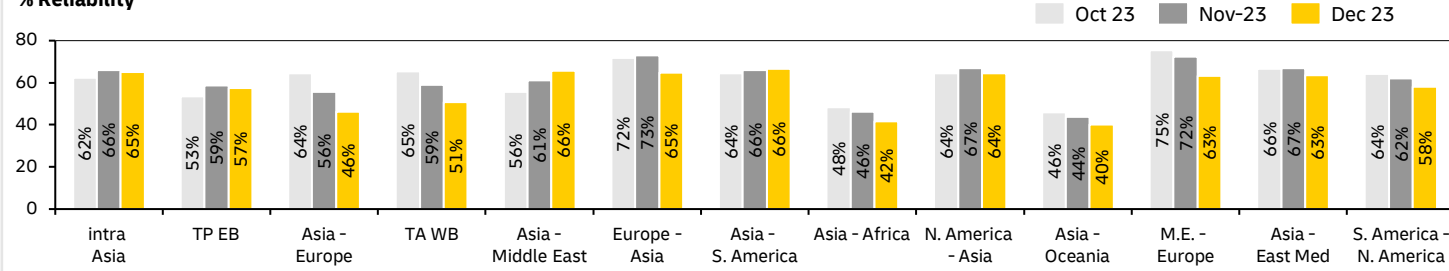
Global Schedule Reliability

% Reliability



Schedule Reliability by Trade

% Reliability

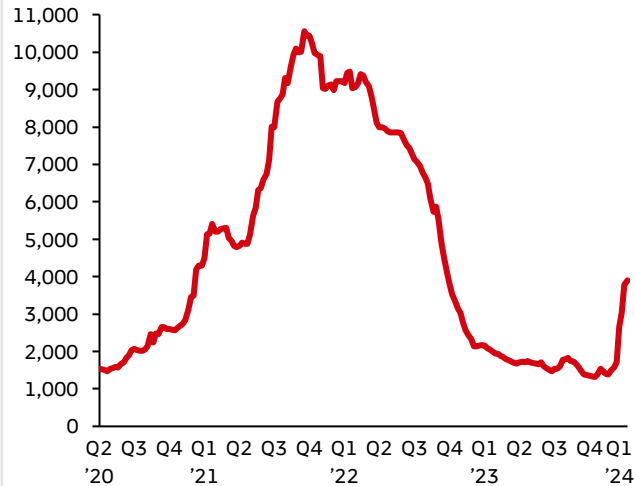


Source: Sea-Intelligence; intra Asia = Asia –IBPC, TP EB = Asia-NAWC, Asia-Europe = Asia-North Europe, Asia-AMLA = Asia-WCSA, AMNO-Asia = Transpacific WB, Asia-East Med = Asia-Med

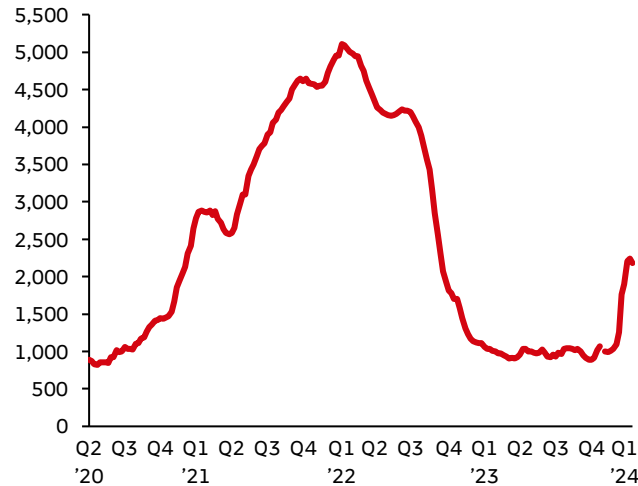
- Sea-Intelligence's December data shows a 5 ptp drop in global reliability, down to 56.8%.
- As carriers implement new schedules following the situation in the Red Sea, reliability is expected to increase again.
- Longer transit times are anticipated, but there is potential for improved reliability.

Rates

World Container Index (WCI)



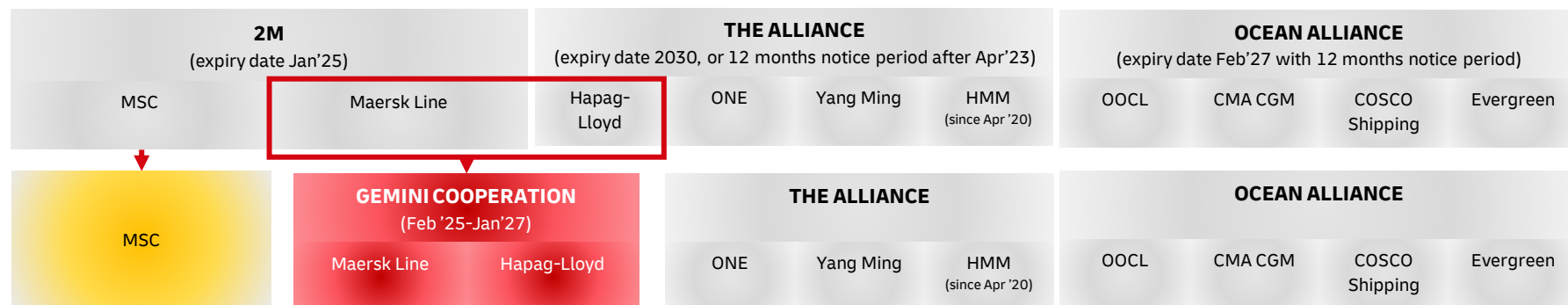
Shanghai Containerized Freight Index (SCFI)



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

- Following the attacks in the Red Sea spot rates have seen a sharp and rapid increase, similar to the pattern observed during the pandemic.
- The impact of the pre-Lunar New Year rush further adds to the situation.

Gemini Cooperation



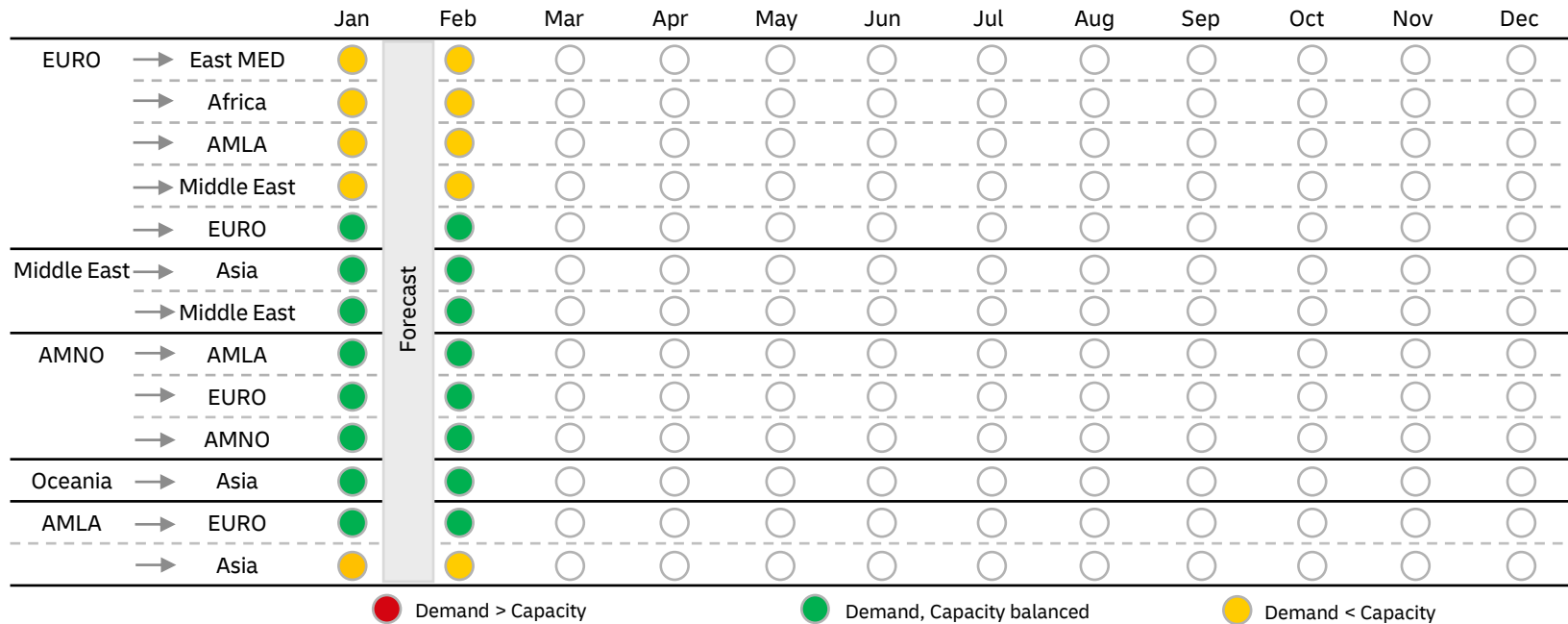
- Maersk and Hapag-Lloyd have announced a new partnership called 'Gemini Cooperation' starting in February 2025.
- 'Gemini' will establish a 'hub and spoke' network with limited port calls on deep sea loops and including coverage of the Europe - Middle East - Indian Subcontinent trade besides the East-West trades. The alliance will operate 26 mainline services and have dedicated regional shuttles in Europe, the Middle East, Asia Pacific, and the US Gulf.
- Maersk will contribute 60% of the 'Gemini' tonnage, while Hapag-Lloyd will provide the remaining 40%, resulting in a combined capacity of 3.4 million TEU. 'Gemini' will become the second-largest global container shipping alliance, trailing behind the Ocean Alliance and surpassing MSC and THE Alliance.
- Aim is to achieve >90% schedule reliability by minimizing the number of port calls per loop thus ensuring faster turnaround.

Source: Carriers, Linerlytica, Alphaliner

BACKUP

Regional Market Development – Additional Trades

Market Development on Additional Regional Tradelanes



Source: DHL

GDP Growth & Bunker Prices

GDP Growth by Region¹⁾

	2023F	2024F	2025F	2026F	2027F	CAGR (2024-27)
AMER	2.3%	1.4%	1.6%	1.9%	1.9%	1.8%
ASPA	4.3%	4.1%	4.1%	4.1%	4.0%	4.1%
EURO	0.8%	0.9%	1.7%	1.8%	1.7%	1.7%
MEA	1.9%	2.7%	2.9%	3.8%	3.5%	3.4%
DGF World	2.5%	2.3%	2.6%	2.7%	2.7%	2.7%

Bunker Prices²⁾



1) Real GDP, Copyright © IHS Markit, now part of S&P Global, Q4 2023 Update 4 Dec '23. All rights reserved; 2) Source: Bunkerindex, in US\$

Carrier Financial Results 9 Months 2022–23 (US\$ million)

Carrier's average profit margins fall to 1.5% in the 3rd quarter to below pre-Covid levels

Carrier	Revenue			Operating Profit			Operating Profit Margin		Net Profit		
	2022	2023	%	2022	2023	%	2022	2023	2022	2023	%
CMA CGM ²⁾	46'580	22'942	-51%	26'308	6'827	-74%	56.5%	29.8%	21'840	3'730	-83%
Maersk Group ⁷⁾	44'918	22'532	-50%	27'736	6'744	-76%	61.7%	29.9%	24'248	4'258	-82%
COSCO SHIPPING Holdings ⁵⁾	43'476	17'707	-59%	19'701	4'189	-79%	45.3%	23.7%	13'580	3'024	-78%
ONE ³⁾	18'386	7'314	-60%	11'702	1'266	-89%	63.6%	17.3%	11'019	700	-94%
Hapag-Lloyd	25'993	14'879	-43%	15'218	4'377	-71%	58.5%	29.4%	13'404	3'346	-75%
Evergreen Marine Corp. ^{1), 6)}	16'257	6'432	-60%	10'769	933	-91%	66.2%	14.5%	9'909	1'114	-89%
Zim	10'373	3'957	-62%	6'559	-1'225	-119%	63.2%	-31.0%	4'213	-2'541	-160%
HMM ¹⁾	9'848	3'911	-60%	6'012	285	-95%	61.0%	7.3%	6'049	523	-91%
Yang Ming ¹⁾	9'950	3'352	-66%	6'338	52	-99%	63.7%	1.6%	5'233	197	-96%
Wan Hai ¹⁾	6'910	2'333	-66%	3'567	-156	-104%	51.6%	-6.7%	2'934	-59	-102%
Average ⁴⁾			-54%			-82%	57.0%	22.5%			-87%

Source: Alphaliner, DynaLiners; n.a. = not available, n.m. = not meaningful; 1) local currency numbers were converted into US\$ using the average exchange rate for relevant financial period; 2) container shipping segment only, excl. CEVA and Airfreight activities, Net Profit for Group; 3) result is H1 Japanese financial year, i.e. Apr-Sep not calendar year; 4) Average excluding ONE, CMA CGM; 5) COSCO Shipping Lines and OOCL, excl. terminals; 6) not consolidated for Evergreen Group; 7) Ocean segment only; Net Profit for Group

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: 10
years, earliest termination:
Apr'24, notice period: 1 year

OOCL

CMA CGM

CHINA 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	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