Ocean Market Update

3rd Quarter 2023

Publication 06.2023

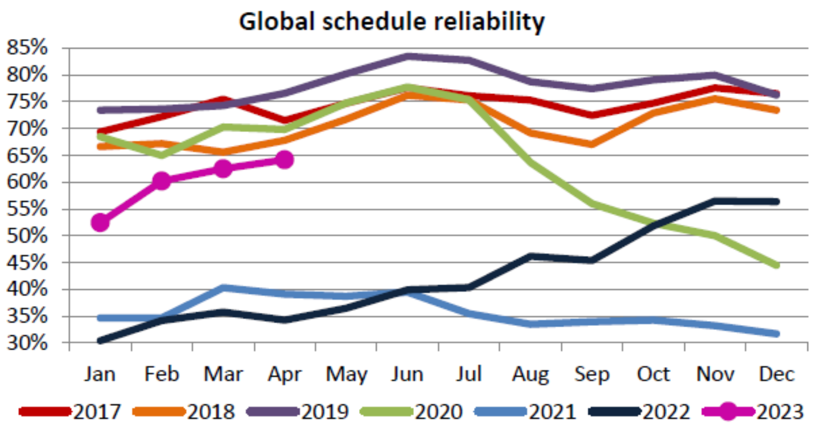
OCEAN MARKET SITUATION

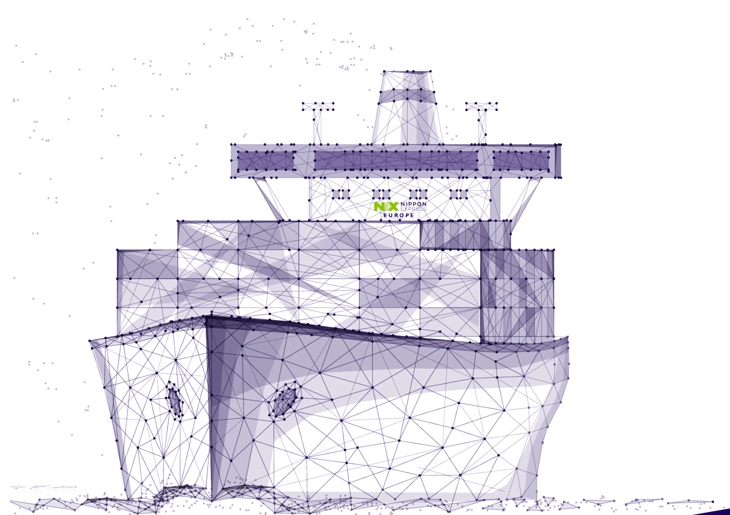
Supply & Demand

Demand remains low on most major global trades, the expected recovery in 2nd half of 2023 (after inventory clean-up) is delayed.

Despite increasing energy costs, heavy inflation, decrease consumer confidence, no severe recession is expected.

Orderbook for vessel newbuilds (29,7% of existing fleet, +900 vessels, 7,8Mteu).





Equipment availability / Fleet Capacity

Vessel new-builds are expected during Q2 (+800K TEU).

Scrapping ratio remains below expectation as charter market rates have increased.

Total liner capacity: 26.725 Mteu (+4,65% YoY).

Impact of IMO2023 regulations on capacity/ lead times, remains unclear.

=>Overall, over-capacity is to be expected in 2023 with new-builds coming in.

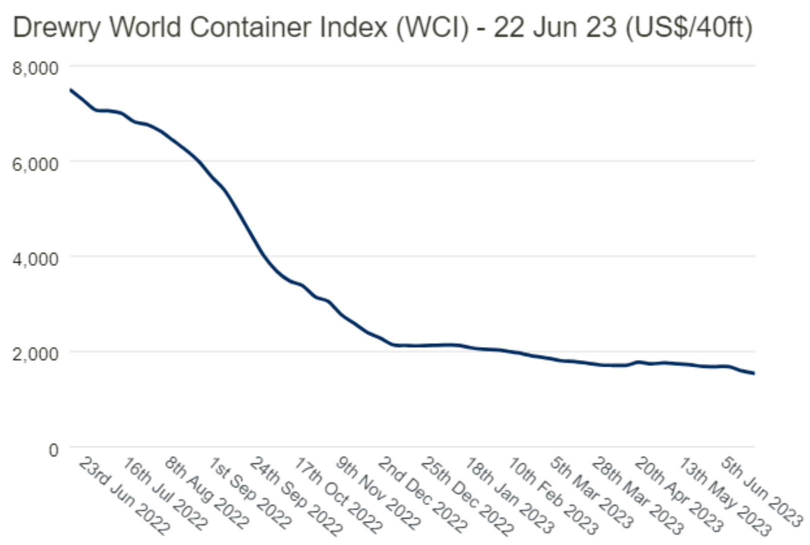
Schedule reliability

Global schedule reliability continues to trend upwards but less strong.

Current global performance is improving (slightly): 64,2% (average delay: 4.34 days)

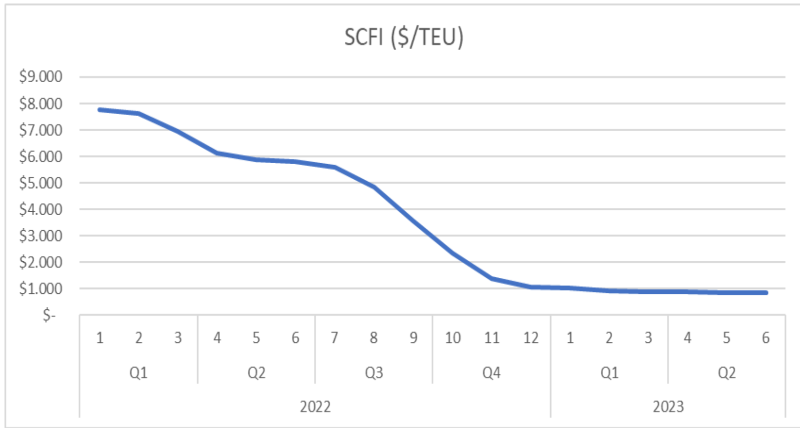
Port congestion North Continent eases. North Atlantic remains challenging due to instability USWC labor negotiations (agreement has now been reached-14/06) which led to container diversion to US East Coast.

MARKET DEVELOPMENT



World Container Index (WCI)

WCI: the index is a composite of container freight rates on 8 major routes to/from the US, Europe and Asia.



Shanghai Containerized Index (SCFI)

SCFI: index that reflects the fluctuation of spot freight rates on export container transport market from Shanghai (Comprehensive Index includes all major trades ex Shanghai).

Bunker World: VLSFO

VLSFO (4 ports average): very low sulphur fuel oil-type of marine fuel that contains less sulphur and therefore complies with the IMO2020 regulations.

NOTE: premiums or surcharges related to equipment availability are not included in WCI/SCFI. Charges paid can be well above WCI/SCFI levels

OCEAN DEEP-DIVE FEWB (ASIA-EUROPE) Q3 2023

Over the past month(s), spot market rates continued to decrease but has stabilized. SCFI marks $793/TEU on 21/06/2023. Asia-Mediterranean levels remain significantly higher compared to rate levels into North Continent.

It's expected that rate levels will not decrease further, significantly.

Despite many blank sailings (27%), rate levels have not gone up, but no additional blanking required.

Although schedule reliability increases, the high number of late blank sailing announcements, make it unpredictable when containers will actually depart.

Slow steaming introduced to meet IMO2023 obligations & compensate for capacity injection in soft market.

Due to heavy inflation in most European countries, demand remains soft. Some economic forecast models predicted demand picking up again after Q2-2023 but at the moment, peak season is expected to remain soft (or be delayed). At some point, it's expected that stock must be replenished.

Bunker/BAF: Bunker levels picked up after OPEC announcement on production reduction (short term effect only) as BAF levels are flattening.

Carriers softened side-conditions (e.g. demurrage/detention free times).

OCEAN DEEP-DIVE FEEB (EUROPE-ASIA) Q3 2023

NIPPON EXPRESS

Rate levels continued to decrease (mainly to China) but have now reached very low levels, that further decrease is unlikely

Long term rate agreements (>6 months validity) continued to decrease over the past few weeks and are expected to remain low (below pre-covid rate levels).

Space situation is normal but may be impacted by the blank sailings, introduced by carriers to get a grip on the rate erosion on Far East Westbound trade.

Australia/New Zealand:
Rates continued to come down over the past weeks.

Japan:
decreasing rate levels on spot market. Long-term rates levels have come down and will continue to be under pressure.

China:
Compared to other Asian countries, China rates had decreased month over month but are more stable again (below pre-covid rate levels).

South Korea:
Rate levels are again in line with China main ports. No space/equipment issues.

OCEAN DEEP-DIVE TAWB Q3 2023

After long stability, rate levels have started to decrease.
Both short-term and long-term levels are impacted.

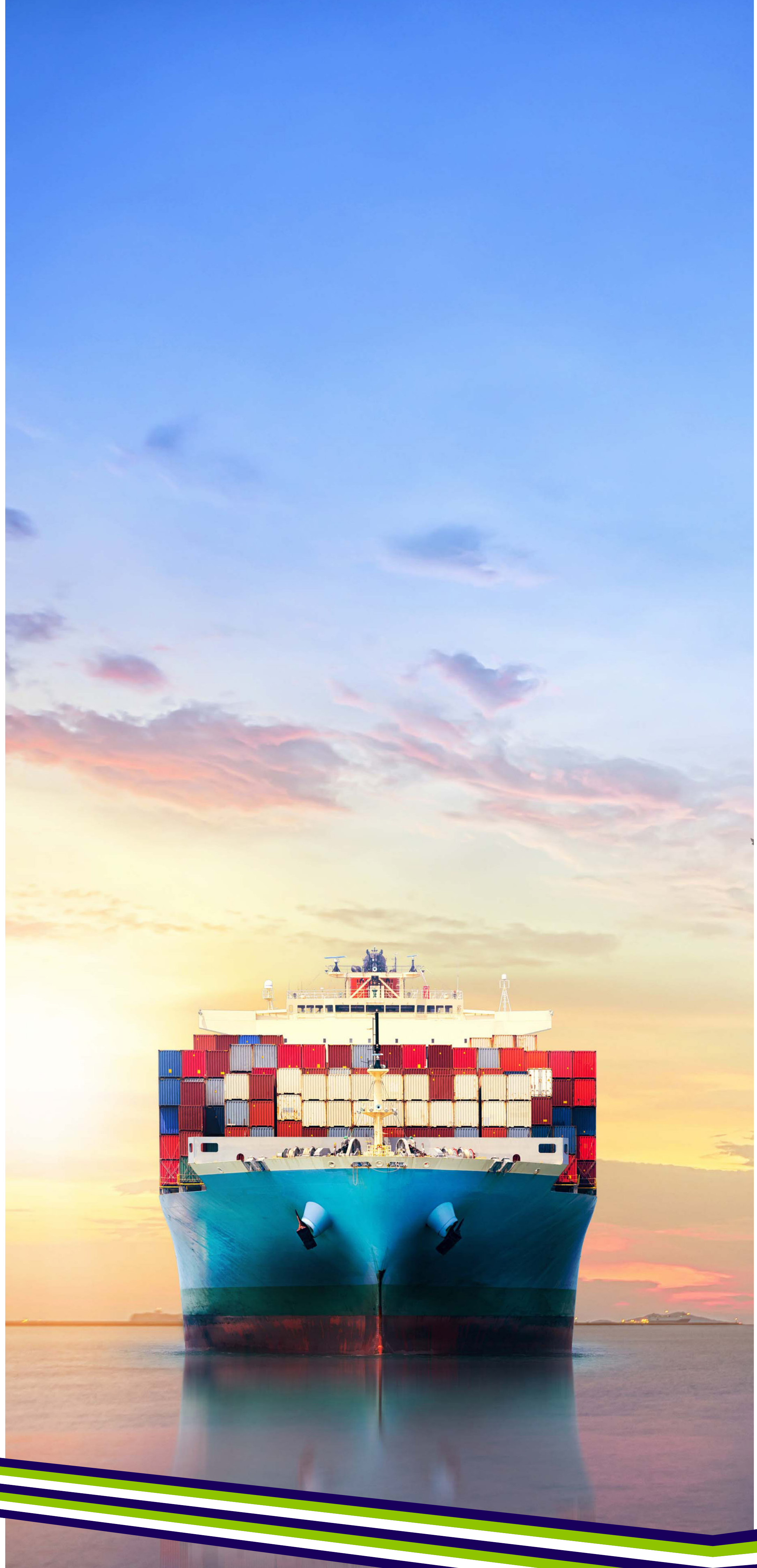
Rates are at same levels as pre-covid rates. Long term agreements continue to remain higher compared to pre-covid.

Demand remains soft for now and no signs that market volumes will recover on short term.

Number of port omissions has been reduced.

Bottlenecks at inland terminals and services are improving.

Overall employment levels have picked up in US. Expected growth is modest but still reflects positive numbers for 2023-2024.



TRADE DEVELOPMENT

Europe-North Americas
Capacity: open
Rates: moderate decrease

Europe-Asia
Capacity: open
Rates: moderate decrease
No space issues (follow-up impact FEWB blanked sailings).

North Americas-Europe
Capacity: open
Rates: decreasing

Asia-Europe
Capacity: open
Rates: moderate decrease
Blank sailing/service terminations due to continued low demand.
No traditional recovery during Q2 and low peak season expectations for Q3.

FOOD FOR THOUGHT

Global Carbon Tax?

A tax on carbon emissions from ships could help the industry achieve climate neutrality in 2050, says Bimco. Danish Shipping supports the measure as well.

French-led efforts to impose a climate tax on commercial ships have been well received by two of shipping's most influential industry associations. Bimco and Danish Shipping are both supportive of the efforts in France to adopt a levy at the next IMO climate meeting already.

"At Bimco, we have for several years now called for a global market-based measure and welcome a push towards such a global levy on greenhouse gas emissions," says Deputy Secretary General of Bimco Lars Robert Pedersen.

Danish Shipping is also in favor of demanding shipping companies to pay for their pollution.
"A levy on carbon emissions from ships is a good idea that we are working on ourselves. We need to keep in mind, though, that a levy can't stand alone but must be accompanied by demands for the carbon footprint of fuels," states CEO Anne H. Steffensen in a comment.
The French initiative was first described this week by Financial Times. According to the news outlet, Japan, Mexico, Denmark, Panama, Kenya, Marshall Islands and Solomon Islands are all supporting the French proposal.

The new development is welcomed at Bimco, whose members cover more than 60 percent of the global merchant fleet across all shipping segments.

"A market-based measure putting a price on carbon is an essential part of the solution to incentivize investment in, and operation of, low-carbon emitting ships," states Robert Pedersen in a written response.

ShippingWatch has so far not been able to get full confirmation that Denmark supports the French proposition.

However, Danish Shipping makes it clear that Denmark in general works towards a significant raise of shipping's green transformation ambitions.
"It's a good thing that France now follows suit and puts forth a proposition that the Danish government and Danish Shipping have fought for for a long time: Climate neutrality in 2050 along with technical and economic means of pushing the industry in the right direction," says Steffensen.

The IMO currently follows a target of reducing global shipping emissions by at least 50 percent before 2050.
However, a lot of countries want to adopt more ambitious targets when the member nations convene at a crucial climate meeting at IMO's London headquarters on July 3-7.

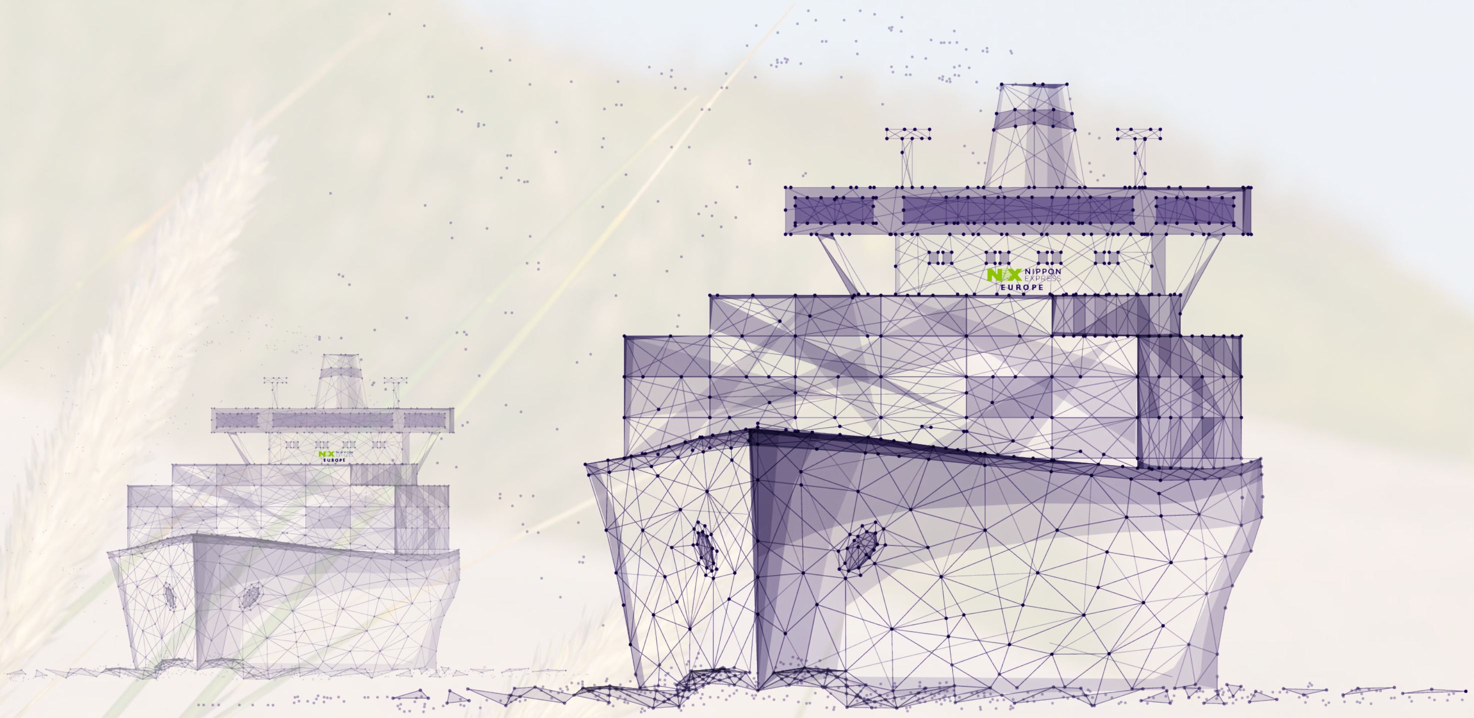
Bimco also supports a revised target of aiming for climate neutrality in 2050 and believes a carbon tax is an important part of that journey.
"We believe a global market-based measure can help our industry get there," says Robert Pedersen.

Source: Loadstar

MACRO ECONOMIC

Region	Port and Strike	Cargo Movement	Economic Indicators
AMERICAS	Labor-management negotiations at U.S. West Coast ports have reached a tentative agreement. The next step is the ratification process for the collective agreement. Representatives from the 29 West Coast locals will meet to carefully review the draft agreement, followed by a vote of the general membership. No details will be made public until the process is complete, which is expected to take several months.	Container handling volumes in April were down y/y at all major North American ports. Cargo movements to/from the U.S. continued to decline due to inventory buildup and a drop in consumer confidence caused by inflation. However, many ports exceeded their March figures and are gradually recovering.	New unemployment insurance applications (seasonally adjusted) for the week ending June 17 were 264,000, the highest level since October 2021, according to the U.S. Labor Department. This may indicate a softening labor market against a backdrop of aggressive tightening by the Federal Reserve.
EMEA	–	6.46 million tons handled at Valencia in May, down 6.2% y/y. Of this total, containerized cargo fell 0.5% to 5.07 million tons, or 448,108 TEUs, down 6.4% on a piece basis. Among containers, exports down 22.0%, imports down 9.4% and transshipment up 5.4%.	The preliminary Eurozone consumer confidence index for June, released by the European Union's Statistics Authority, was minus 16.1, an improvement of 1.3 points from minus 17.4 in the previous month.
E.ASIA	–	The Port of Busan handled 1.97891 TEUs of containerized cargo in May, up 0.4% y/y, with exports up 0.6% to 479,912 TEUs, imports down 1.3% to 470,224 TEUs, and tranship up 1.1% to 1.029 million 755 TEUs. Cargo to/from Japan declined 5.5% to 240,070 TEUs, of which exports up 4.8% to 38,056 TEUs, imports down 17.5% to 55,639 TEUs, and tranship down 2.6% to 150,376 TEUs.	Analysts at U.S. financial giant Citi lowered their forecast for China's 2023 economic growth rate to 5.5% from 6.1% on June 20. According to a survey by the European Chamber of Commerce in China (EUCCC), the biggest challenge among European companies operating in China is not tension or decoupling in the US-China relationship, but the slowdown of the Chinese and global economies.
NSAO	–	–	Ratings agency Fitch Ratings announced on June 22 that it has raised its economic growth forecast for India for the current fiscal year from 6.0% to 6.3%.
JAPAN	–	According to the preliminary trade report for May from the Port of Tokyo, exports decreased 4% y/y 535.6 billion yen, the first decline in two months. Exports of semiconductor and other manufacturing equipment, plastics, and other products decreased. Imports increased 2% to 1,294.1 billion yen, a record high for May. The trade balance showed a deficit of 758.5 billion yen.	The national consumer price index (, core CPI) for May was 104.8, up 3.2% y/y, according to the Ministry of Internal Affairs and Communications. Although the growth rate was lower than 3.4% in April due to the government's reduction of the levy to promote renewable energy generation, the growth rate of food, excluding fresh food, expanded and exceeded market expectations. The composite index, excluding fresh food and energy, rose 4.3%, the fastest growth rate since June 1981.

Source: Shipping Guide, Kaiji Press,The Japan Maritime Daily, Reuters



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