DHL Global Forwarding

OCEAN FREIGHT MARKET UPDATE

April 2021

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OCEAN FREIGHT MARKET UPDATE – APRIL 2021

CONTENTS

Suez Canal Blockage

TOPIC OF THE MONTH

The Suez Canal in Egypt has been blocked in both directions since Tuesday, March 23, 2021. One of the world's largest container ships, the Ever Given, on its way from Asia to Europe, was presumably pushed off course by strong wind at the Southern end of the canal, thereupon became grounded and turned sideways, effectively blocking all vessel traffic in the canal. As of 29th March, the container ship has been freed and moved to the Great Bitter Lake for safety inspection.

Approximately 370 vessels, carrying goods worth some US$ 9bn, were queuing on both sides of the grounded vessels and it will take an estimated 4- 6 days to clear the backlog. First information from carriers shows realistic delays of about 1 to 2 weeks for either canal passage or route changes around the Cape of Good Hope (Africa). Overall heavy disruption to the Asia-Europe schedules in particular, but also on US bound routes via the Suez Canal are to be expected.

Heavy port congestion in Europe has to be expected as of next week leading to infrastructure constraints. As a result the empty equipment situation will further worsen globally as vessels are not rotating timely.

Most carriers have enforced booking stops and a rigid blank sailing program will be introduced in order to get the schedule back under control. Therefore, capacity and allocations are being cut drastically. Rates are expected to climb further.

The full impact of this marine traffic jam will be felt in the coming two months and we expect that it will not be fully sorted out before Q3 this year.

This all happens at a time when the global container shipping industry is already under severe pressure because of port congestions, empty container shortage and a schedule reliability at an all time low. Customers, forwarders and carriers will have to continue to work jointly to overcome this industry challenge initially caused by the pandemic and now aggravated by the Suez Canal incident.

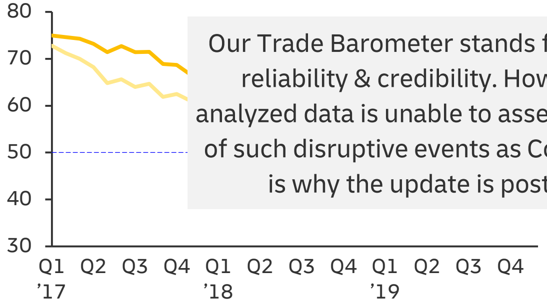
Source: DHL, carriers

HIGH LEVEL MARKET DEVELOPMENT

ECONOMIC OUTLOOK
GDP GROWTH BY REGION[1)]

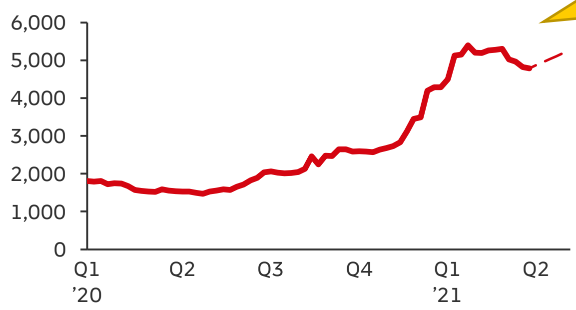
	2021F	2022F	2023F	2024F	2025F	CAGR (2022-25)
AMER	5.3%	3.9%	2.3%	2.6%	2.6%	2.5%
ASPA	5.9%	4.6%	4.3%	4.4%	4.3%	4.4%
EURO	3.7%	4.0%	2.1%	1.9%	1.7%	1.9%
MEA	3.7%	4.2%	3.8%	3.6%	3.2%	3.6%
DGF World	**5.0%**	**4.2%**	**3.1%**	**3.1%**	**3.0%**	**3.1%**

DHL TRADE BAROMETER[2)]



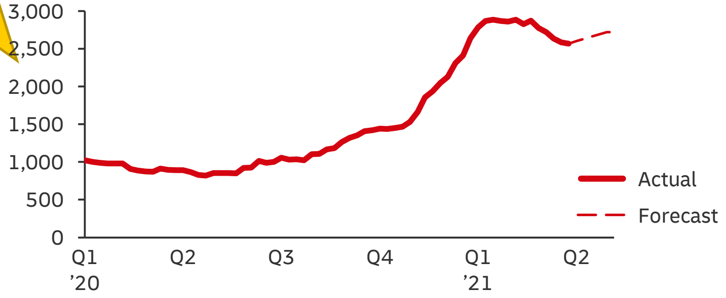
Our Trade Barometer stands for accuracy, reliability & credibility. However, the analyzed data is unable to assess the impact of such disruptive events as Covid-19. This is why the update is postponed.

WORLD CONTAINER INDEX (WCI)[3)]

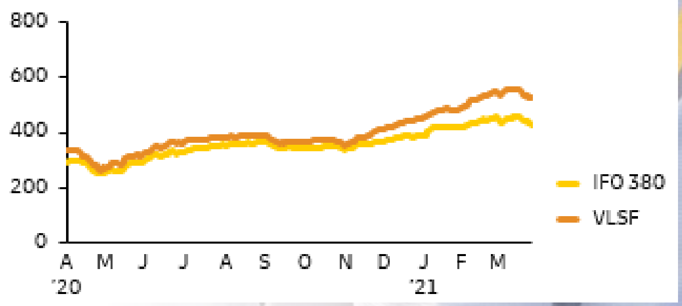


surcharges related to e. g. equipment & space availability are not reflected in WCI & SCFI

SHANGHAI CONTAINERIZED FREIGHT INDEX (SCFI)[4)]



BUNKER PRICES[5)]



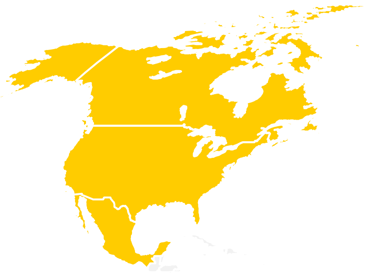
1) real GDP, Copyright © IHS Markit, Q1 2021 Update 2 Mar '21, Venezuela is excluded from aggregates due to hyperinflation. All rights reserved. 2) DHL Global Trade Barometer Dec19, index value represents weighted average of current growth and upcoming two months of trade, a value at 50 is considered neutral, expanding above 50, and shrinking below 50. 3) Drewry, in USD/40ft container, including BAF & THC both ends, 42 individual routes, excluding intra-Asia routes. 4) 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. 5) Source: DHL.

MARKET OUTLOOK APRIL 2021 month-on-month development

MAJOR TRADES

EUROPE

Import region	Capacity	Rates
AMNO	=/-	++
AMLA & MX	-	+
ASPA	--	+
MENAT	--	+
SSA	=/-	=/+



NORTH AMERICA

Import region	Capacity	Rates
EURO	-	+
AMLA	-	+
ASPA	-	+
MENAT	=	+
SSA	-	+

ASIA PACIFIC

Import region	Capacity	Rates
EURO	-	+
AMNO	=	=
AMLA	=	=
ASPA	=	=
MENAT	=	=
OCEANIA	=	=

SOUTH AMERICA

Import region	Capacity	Rates
EURO	=	=
AMNO	-	+
ASPA	=	=
MENAT	=	=
SSA	-	+

KEY

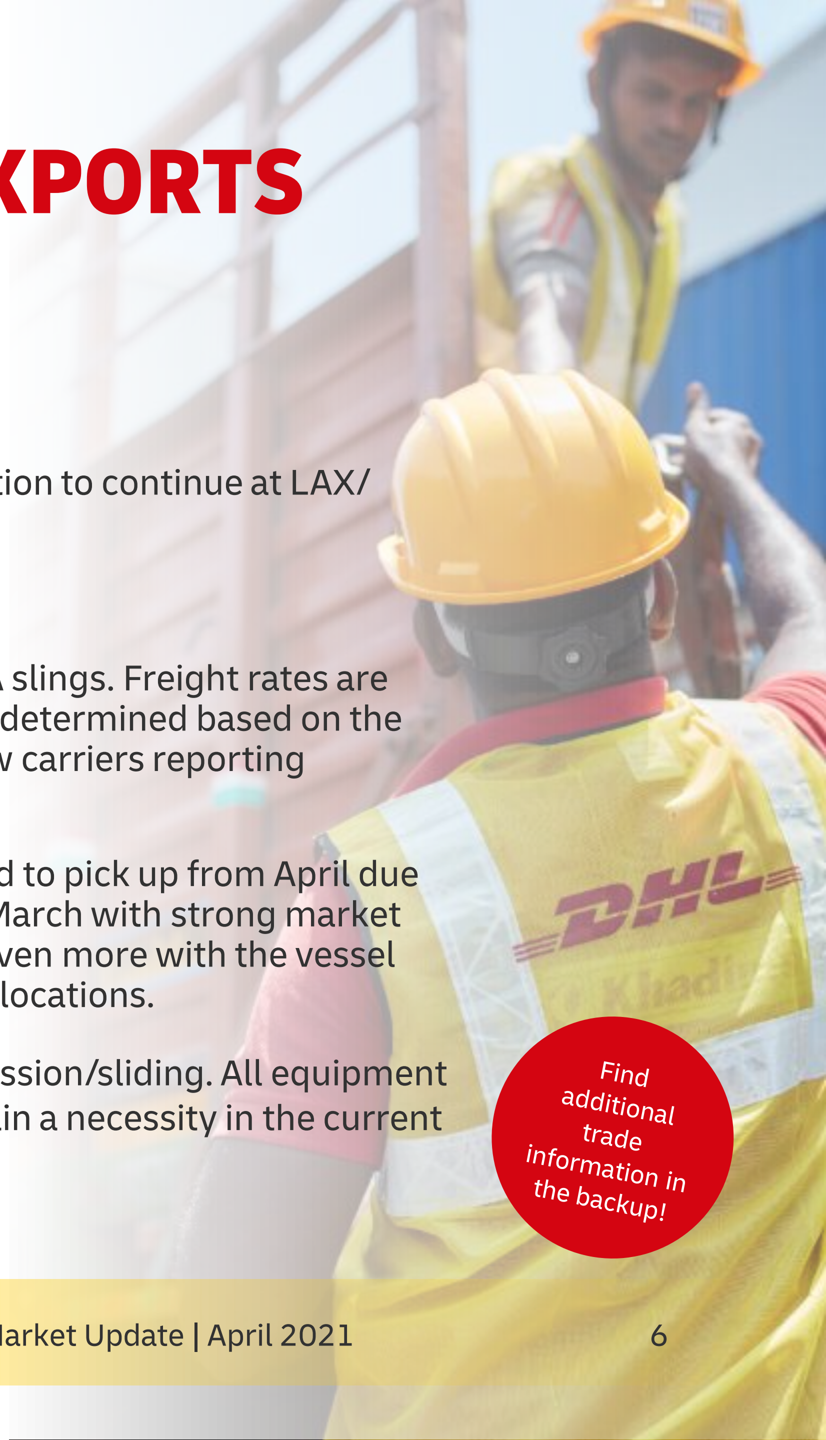
Strong increase ++	Moderate increase +	No change =	Moderate decline -	Strong decline - -

Source: DHL

MARKET OUTLOOK APRIL 2021

OCEAN FREIGHT RATES – ASIA-PACIFIC EXPORTS

- **ASPA-EURO** The Suez Canal incident leads to cut capacity and increased rates.
- **ASPA-AMNO** Space and equipment expected to remain tight in April especially to USEC. Port congestion to continue at LAX/LGB.
- **ASPA-AMLA** Space is expected to remain tight, with stronger utilization leaning towards MEX/WCSA slings. Freight rates are expected to remain stable at least for 1st half or April, and the GRI’s for 2nd half will be determined based on the equipment and demand. Equipment situation varies from carrier to carrier. We see a few carriers reporting tight/lack of 40’hc in week 12 and 13.
- **ASPA-MENAT** Space remains tight for EMED and Africa markets while Middle east demand is expected to pick up from April due to expectation of Ramadan seasonal peak. Equipment situation deteriorates from end March with strong market demand. Carriers are facing challenges to increase inventory supply in the short term even more with the vessel delays which are making it difficult to supply equipment regularly to core Asia demand locations.
- **ASPA-ASPA** Space remains tight as increasing backlog at ports resulted from blank sailing/port omission/sliding. All equipment types remain tight across Asia. Accurate forecast and 3-4 weeks advance booking remain a necessity in the current market.



Find additional trade information in the backup!

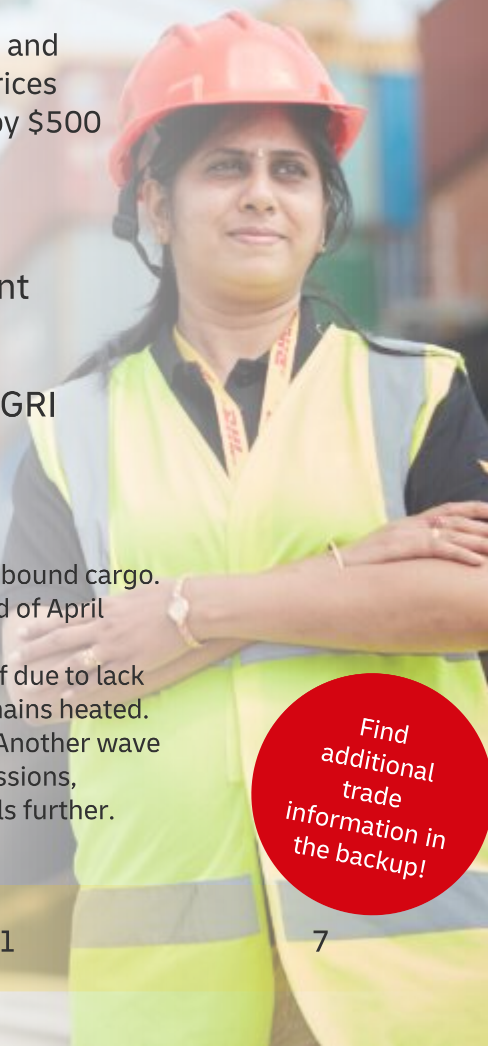
Source: DHL

MARKET OUTLOOK APRIL 2021

OCEAN FREIGHT RATES – OTHER MAJOR TRADES

- **EURO-AMNO**: Carriers continue to apply or even increase surcharges, i.e. Peak Season and Equipment Imbalance. Bunker prices are increasing. High GRI implemented for April 2021. Carrier prioritize high paying cargo. Blank sailings to continue resulting in reduced available capacity. All services fully booked until end of April, partly mid of May. Several Carriers reporting high rolling pool. To support our customers DHL decided to start an own Charter program on TA-WB. Strike in Montreal may come at any time with only 72 hours pre-notice as truce period ended March 21, 2021.
- **EURO-ASPA +MEA**: Space is still very tight on all services. Equipment is also still a major issue in the market. Due to the Suez Canal incident delays and congestions are expected. Rates are still high with slight increases from March to Apr (or Q1 to Q2). Due to the increasing oilprices bunker charges increased by approx. 20 - 25 %. For AU/NZ: space is still tight and situation is not improving; rates increased by $500 - $600 per TEU; congestions at POD's in AU are cancelled. In NZ still ongoing.
- **AMNO-EURO**: Carriers are seeking increases for Q2 from $ 25 up to $400 /40ft . The restructuring of THE Alliance services starting in Q2 will disrupt the market, by removing capacity and reducing the numbers of port of calls. Current market environment is facing huge space constraints.
- **AMNO-ASPA**: Strong decline in capacity, as carriers are still limiting the space back to Asia. Strong increase in rates due to GRI every 15 days.
- **AMLA Exports**: **AMLA – AMNO & INTRA :** Facing similar conditions as USA in terms of space/equipment , with addition of blank sailings and delays due to Asia inbound cargo. WCSA under extreme pressure with backlogs and congestion. Some carriers i.e. CMA / MSC are omitting ports (i.e. CLSAI / PECLL) until mid-end of April when situation improves. This is adding more stress to the market. Rate levels are sky rocketing. Forecast and pre-booking is key.
  AMLA – ASPA : Commodity exports remain very strong. Some carriers will continue releasing 40´HC no more than 7 days before cargo´s cut-off due to lack of equipment in all Brazilian ports. Hamburg Sud will continue to reposition voids from other regions to meet the demands of reefers, which remains heated.
  AMLA – EURO, MENAT & SSA : Carriers continue to focus on decreasing free times at origins and increasing charges after expiry in their tariffs. Another wave is hitting in Q2. Equipment shortages in BR, and more severely, on the west coast of Mexico. Strengthening blank sailing programs and port omissions, particularly exporting from west coast Mexico, as well congestion and port operations delays at transshipment points are damaging service levels further.

Source: DHL



Find additional trade information in the backup!

Global economic growth will strengthen in the second quarter

ECONOMIC OUTLOOK & DEMAND EVOLUTION

EUROPE

Containment measures introduced in late 2020 to check the resurgence of the COVID-19 virus continue to drag on activity. Consumer-led growth is forecast to rebound starting in the second quarter. Relatively slow progress with vaccination rollouts and a pickup in COVID-19 cases in some countries highlight the risk that the growth spurt may arrive a little later.

AMERICAS

After a 3.5% decline in the US in 2020, real GDP growth is forecast to increase 5.7% in 2021 and 4.1% in 2022. The American Rescue Plan (ARP) Act signed in to law on 11 March costs close to USD1.9 trillion. Against the backdrop of falling COVID-19 infection rates, a relaxation of states' containment measures, and an acceleration of the national inoculation campaign, the certainty of additional fiscal stimulus has caused term yields in the US to rise. This has halted the recent slide in the US dollar, which will appreciate moderately rather than depreciate further. One consequence is reduced near-term inflation pressures despite tightening labor markets. Another is the facilitation of a shift in GDP from net exports to the private and public consumption supported by the stimulus.

ASIA PACIFIC

The outlook for external demand has improved in JP, driven by the US—thanks to its fiscal stimulus measures—and Asia. This has boosted JP'sexports of capital goods and electronic parts and devices. The weaker yen outlook, in response to wider US-JP interest rate differentials, supports the competitiveness of JP's exports.

Mainland China's economic expansion continues. Aside from restrictions on out-of-town travel, the recently contained COVID-19 outbreaks did not significantly affect economic activities during the Lunar New Year. The government's travel advisory boosted in-town consumer spending during the new year holidays. Moreover, the incentives that Chinese firms offered for workers to stay put and work boosted output.

LATIN AMERICA

The fiscal challenge: In order to palliate the economic impact of lockdowns and restrictions due to the pandemic, most large economies in the region—except Mexico—have executed sizeable fiscal stimulus programs. In 2021, some countries will continue to spend resources and transfer money the to the most vulnerable segment of their populations. However, there is not much room for additional spending and sooner than later governments must return to fiscal prudence.

DEMAND DEVELOPMENT

IHS Markit Purchasing Managers' Index (PMI) surveys showed wide variations in performance across countries in January. Slower growth in China and contractions in the United Kingdom, eurozone, Japan, and Brazil offset solid expansion in the United States, Australia, and India.

Source: IHS Markit, IHS Purchasing Manager Index Manufacturing, a PMI at 50 is considered neutral, expanding above 50, and business shrinking below 50.

CAPACITY 1/2

Heavy port congestion in Los Angeles and Long Beach has prompted **Maersk** and **MSC** to **decouple** the **Transpacific strings** of the two Europe – Asia – US WC pendulum services in their joint 2M network to **reduce the exposure** of the Europe – Far East string to port delays. The Far East – North Europe 'AE1 / Shogun' service which used to be coupled to the Asia – USWC 'TP6 / Pearl' service in a pendulum service is now turning in Shanghai. In a similar move also the Far East – Europe 'AE6 / Lion' service has been disconnected from the Transpacific 'TP2 / Jaguar'.
The two carriers have also **temporarily removed** Liverpool and the westbound **call** at New York from the rotation of their joint 'TA2 / NEUATL2', which is one of the three North Europe – US services of the 2M Vessel Sharing Agreement. The removal is necessary to **address service delays** caused by adverse weather and port congestion and the 2M partners aim to revert to a regular schedule in mid-May. The rotations of the other two North Europe – US services 'TA1 / NEUATL1' and 'TA3 / NEUATL1' will not be changed. However two **sailings** will be **blanked** allowing all vessels to slide by 1 week in order to **tackle the delays** on these Transatlantic loops.

MSC has **announced** the start of a **direct South East Asia – California 'Sentosa' service**. The new loop will compensate for the loss of a connection from Singapore and Laem Chabang to Long Beach that results from the split of the 2M Europe – Asia – USWC 'AE6 – TP2 / Lion – Jaguar' pendulum service into separate Far East – Europe loop 'AE6 / Lion' and the transpacific service 'TP2 / Jaguar'. The 'Sentosa' service will be launched in early April. MSC has announced the 'Sentosa' as a dedicated service, operated outside the scope of the 2M Vessel Sharing Agreement with Maersk. The 'Sentosa' will not only offer fast transit times from Laem Chabang and Cai Mep to Long Beach, but will also allow MSC to reposition empty boxes from Long Beach to Central China on the way back to Singapore.

Maersk and **MSC** have both confirmed their intentions to **launch** an **additional Asia – US East Coast service**. The loop will become operational in May as part of the Asia – North American portfolio of the 2M Vessel Sharing Agreement. The new 'TP23 / Palmetto' service will include direct calls in Vietnam and it will replace the significant number of extra loaders on ad-hoc routings deployed in the past months. Full details on fleet deployment, port rotation, starting date, etc. have yet to be announced.

Source: Alphaliner, THE LOADSTAR, Dynaliners, carriers

CAPACITY 2/2

CMA CGM has announced that it will, as from October, introduce **6 LNG-powered 15,000 TEU newbuildings** on the **Transpacific**. The ships are to join the South China – California 'Pearl River Express' (PRX), also known as the 'PSW1' loop of the OCEAN Alliance. Overall, CMA CGM intends to operate 32 LNG-fueled ships by the end of 2022. These include 9 x 23,112 TEU mega max ships in the Far East – North Europe trade, 11 x 15,000 TEU between Asia and the Mediterrean, 6 x 15,000 TEU on the Transpacific and 6 x 1,3800 TEU vessels in Intra-European services. CMA CGM considers LNG as an initial response to the challenge of tackling the climate change. The group aims to achieve carbon neutrality by 2050.

Following a very short-lived uptick in early March, the **inactive container ship fleet** now is **back on a downward path**. This is supported by the carrier's forecasts of a continuously strong cargo demand, particularly in the lead-up of the upcoming summer peak season. Carriers also expect today's port congestion problems in the East-West mainline trades to persist well into the peak season, further stretching the already strained supply of tonnage and helping to keep the inactive fleet count low. The inactive fleet which represents the sum of commercially idle ships plus vessels in shipyards, stood at 151 vessels for 631,590 TEU according to Alphaliner's latest survey on 15 March. It thus accounted for **2.6%** of the **global cellular fleet capacity**.

Source: Alphaliner, THE LOADSTAR, Dynaliners, carriers

CARRIERS

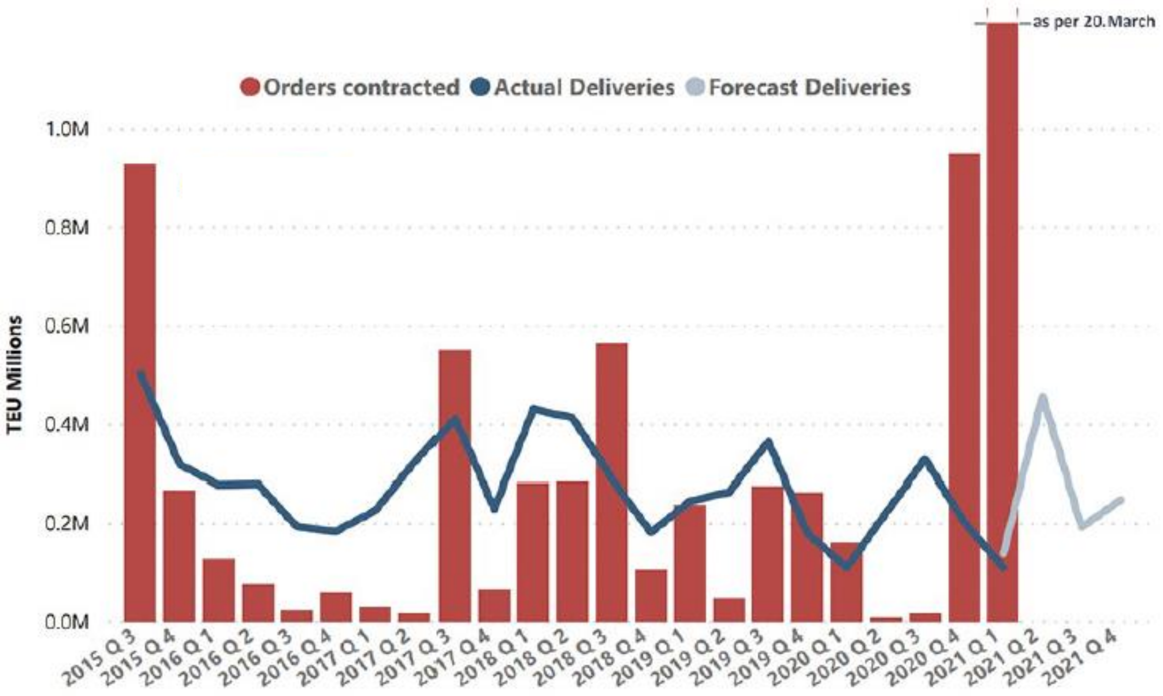
The German ocean carrier **Hapag-Lloyd** and Rotterdam-based **NileDutch** signed a **sale and purchase agreement** on 17 March. Hapag-Lloyd intends to acquire all shares of the Dutch container shipping company. Completion of the transaction remains subject to approval by antitrust authorities. NileDutch is a niche carrier with a focus on container services to and from West Africa. With a fleet of 12 chartered ships, representing a capacity of just over 34,000 TEU. Rolf Habben Jansen, CEO of Hapag-Lloyd, stated "Africa is an important strategic growth market for Hapag-Lloyd. The acquisition of NileDutch **strengthens** our **position in West Africa** and will be an excellent addition to our existing activities on the continent".

Source: Alphaliner, Dynaliners, carriers

Did you Know?

Massive Box ship order wave in Q4 and Q1

Container ship orders by quarter – last five years



Following years of restraint, the last two quarters have seen a massive wave of fresh container ship newbuilding orders, especially for ultra large vessels. High freight rates and the shipping lines' strong financial results have finally renewed confidence in the carriers' ability to generate money in the very capital intensive liner shipping industry.

- Over the past six months, carriers, non-operating owners and lessors have placed orders for approx. **2.00 MTEU of new container ships**.
- The **orderbook-to fleet ratio** has jumped from 8.8% six months ago to **14.2% today** and will exceed 15% when some preliminary orders are firmed.
- The vast majority of newly-ordered capacity will be for 12 KTEU, 15 KTEU and 24 KTEU vessels.
- One fifth of the new ships will be LNG-powered. Most vessels will be conventionally powered and fitted with scrubbers. A minor part will come with dual-fuel capabilities and natural gas power.

Some vessels will be delivered in 2022, but the vast majority are scheduled for delivery through 2024 and to mid-2024.

Source: Alphaliner

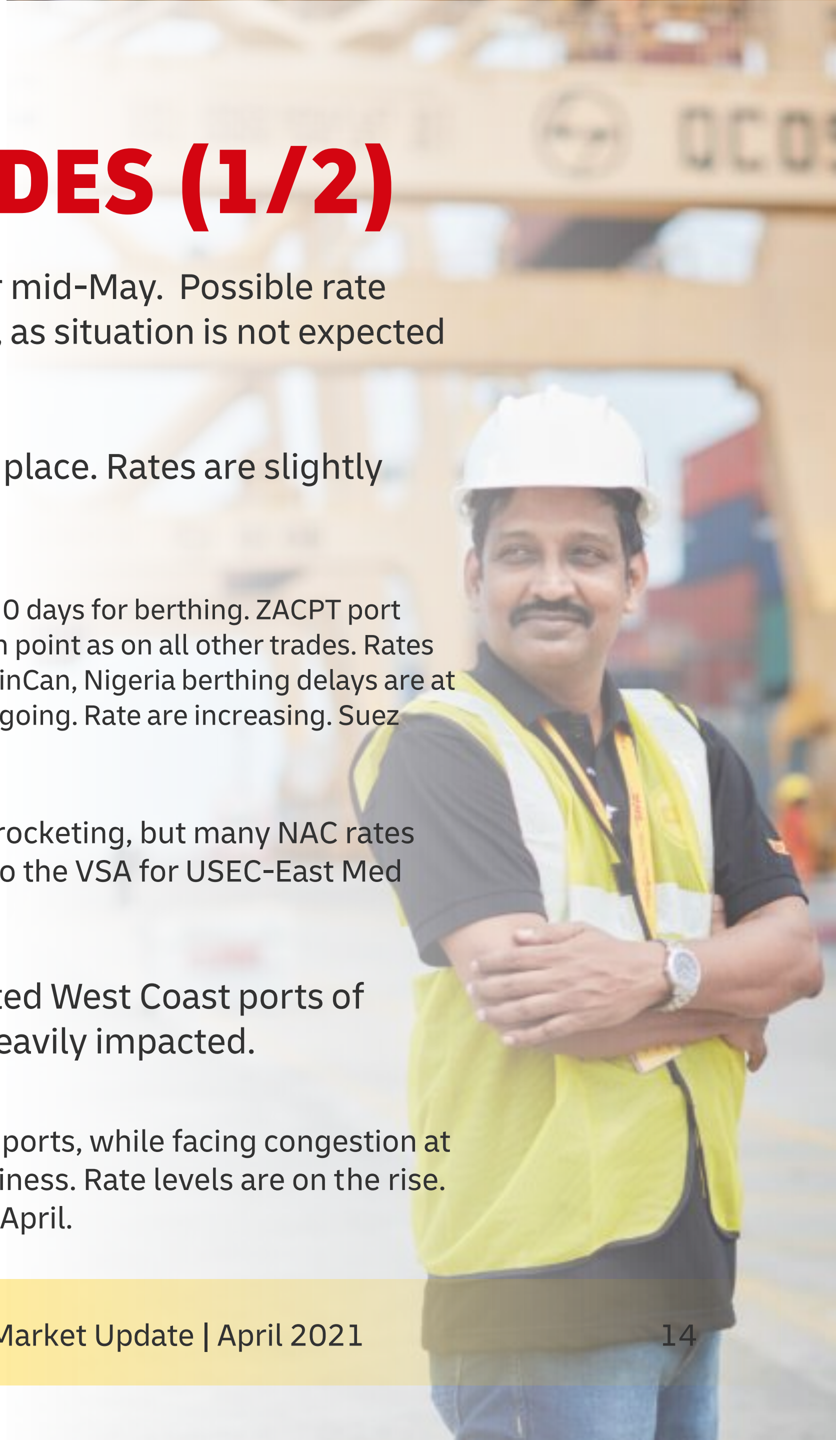
BACK-UP

MARKET OUTLOOK APRIL 2021

OCEAN FREIGHT RATES ADDITIONAL TRADES (1/2)

- **EURO-AMLA+MX**: April space no longer open, with carriers currently confirming ETDs on average for mid-May. Possible rate increase as from May, plus possible increases on PSS/EBS surcharges on Q2 rates, as situation is not expected to stabilize until Q3.
- **EURO-MENAT**: The space- and EQ-situation is similar to Asia. Several carriers have PSS and EIS in place. Rates are slightly increased.
- **EURO-SSA**: South Africa: delays in South Africa are ongoing caused by an approx. Waiting time in ZACPT of about 7-10 days for berthing. ZACPT port omissions are happening. Capacity is not an issue, space is available, but equipment availability is the pain point as on all other trades. Rates are increasing. West Africa: capacity is an issue across all carriers with ongoing delays and congestions. TinCan, Nigeria berthing delays are at approx. 50 days. Rates are increasing. East Africa: space remains tight and delays and congestions are ongoing. Rate are increasing. Suez situation not considered in this update yet.
- **AMNO-MENAT**: Superficial GRIs continue to hit the Mideast market at 15 to 30 day intervals. FAK levels are skyrocketing, but many NAC rates can still be negotiated at levels closer to what was seen at the end of 2020. Expecting changes to the VSA for USEC-East Med service, EMA (Cosco, OOCL, ONE & YML).
- **AMNO-SSA**: Increases in the form of congestion fees, port additional or PSS/GRI to the congested West Coast ports of Africa continue to be realized. Kenyan and Nigerian destinations being the most heavily impacted.
- **AMNO-AMLA**: Market challenges continue with space / equipment / weather & vessel bunching delays at USA ports, while facing congestion at transshipment hubs. All carriers facing different pain points affecting their appetite for new business. Rate levels are on the rise. Rate increases have been successful on the FAK market during March, and more announced for April.

Source: DHL



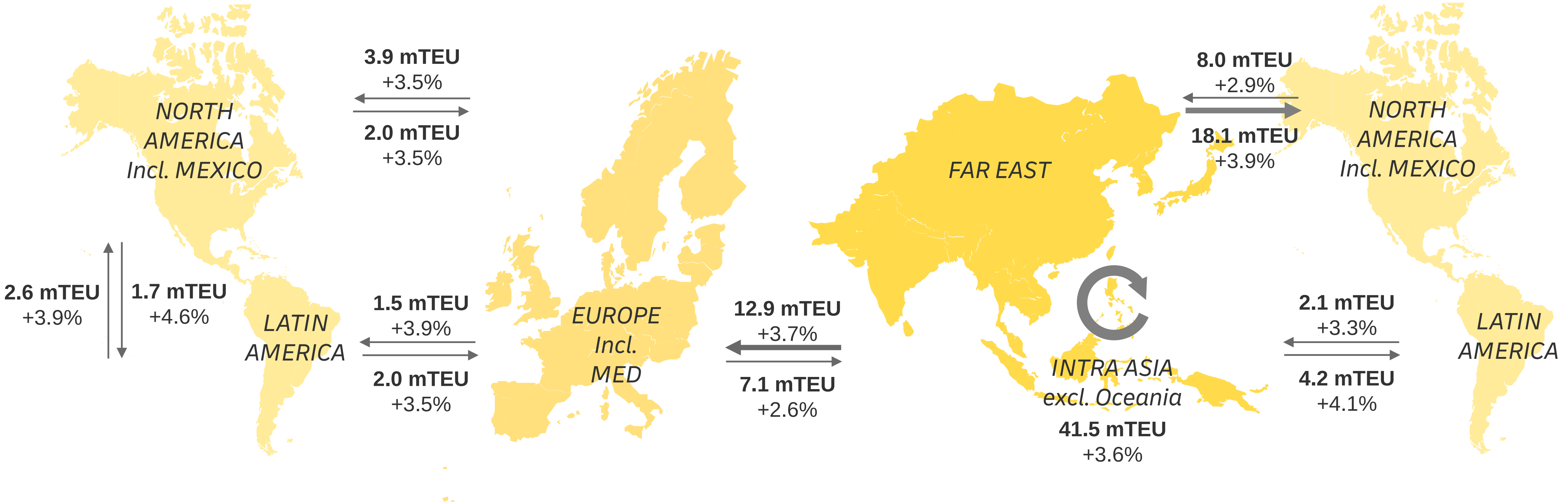
MARKET OUTLOOK APRIL 2021

OCEAN FREIGHT RATES ADDITIONAL TRADES (2/2)

- **EURO MED-AMNO**: Space constraints, equipment shortage and congestion at origin / destination ports continue. Rates will increase in April.
- **EURO MED-AMLA**: In accordance with equipment shortage surcharges are imposed (PSS / EBS).
- **EURO MED-ASPA and MENAT**: Stable situation with rather high rate levels.
- **EURO MED-SSA**: Unchanged / stable.
- **ASPA-SPAC**: Equipment situation remains tight. All bookings would need to be placed at least 14 days before vessel ETA. Market expected to be peak till at least end of Q2 with current backlogs and shortage of equipment.

Source: DHL

MARKET VOLUME 2020 - 2024



GLOBAL CONTAINER TRADE

147.6 mTEU 2020e *+3.7% CAGR 2021e-2024e*

Source: Seabury Dec20 update

OCEAN CARRIER ALLIANCES

HAPAG-LLOYD
ONE
YANG MING
HMM

OOCL
CMA CGM
CHINA COSCO SHIPPING
EVERGREEN

MAERSK LINE
MSC

Source: Carriers

ACRONYMS AND EXPLANATIONS

OCEAN FREIGHT GLOSSARY

AMLA - Latin America
AMNO - North America
AR - Argentina
ASPA - AsiaPacific
BR - Brazil
CAGR - Compound Annual Growth Rate
CENAC - Central Amercia and Caribbean
CNC - CNC Line (Cheng Lie Navigation Co. Ltd.)
DG - Dangerous Goods
DWT - Dead Weight Tonnage
EB - Eastbound
ECSA - East Coast South America (synonym for SAEC)
EGLV - Evergreen Marine Corp
EURO - Europe
GRI - General Rate Increase
HMM - Hyundai
HL - Hapag-Lloyd
HSUD - Hamburg Süd
HWS - Heavy Weight Surcharge
IA - Intra Asia
IPBC - India Pakistan Bangladesh Ceylon (= Sri Lanka)
IPI - Inland Point Intermodal
ISC - Indian Sub Continent (synonym for IPBC)
MENAT - Middle East and North Africa
ML - Maersk Line
mn - Millions
MoM - Month-on-Month
NOO - Non-operating (vessel) owners
OCRS - Operational Cost Recovery surcharge
OOCL - Orient Overseas Container Line
OWS - Overweight Surcharge
PH - Philippines
PNW - Pacific North West
Ppt. - Percentage points
PSW - Pacific South West
QoQ - Quarter on quarter
SAEC - South America East Coast
SAWC - South America West Coast
SOLAS - Safety of Life at Sea
SPRC - South People's Republic of China – South China
SSA - Sub-Saharan Africa
SSL - Steam Ship Line
T - Thousands
TEU - Twenty foot equivalent unit (20' container)
TSA - Trans Pacific Stabilization Agreement
USGC - US Gulf Coast
US FMC - US Federal Maritime Commission
USEC - US East Coast
USWC - US West Coast
VGM - Verified Gross Mass
VLCS - Very Large Container Ship
VSA - Vessel Sharing Agreement
WB - Westbound
WCSA - West Coast South America (synonym for SAWC)
WHL - Wan Hai
WRS - War Risk Surcharge
YML - Yang Ming Line
YoY - Year-on-Year
YTD - Year-to-Date
THEA - THE Alliance

Source: DHL