

OCEAN FREIGHT MARKET UPDATE

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Ocean Carrier Alliances

Ocean Freight Market Outlook October 2024

Demand Outlook

- According to the IMF, and despite the bold start to the US rate-cutting cycle, GDP outlooks continue to be modest due to persistent geopolitical tensions.
- PMI figures in August signaled continued weakness in manufacturing activity.
- Underlying disinflationary trends continue

Capacity Outlook

- Carriers have set a new record with 1.4 mTEU ordered in August.
- Rerouting via Cape of Good Hope will remain for longer, impacting schedule integrity, port productivity, and causing delays.
- Recurrent schedule changes and port omissions further reducing the actual available capacity.

Freight Rates

- For now the USEC port strike had little impact on rates as shippers have moved supply forward, however cost recovery surcharges implemented by all carriers.
- Muted pre-Golden Week rush.

Regulations/News

- The USEC port strike has been called off after three days, with a tentative deal and extension of contract until 15 Jan 2025. While in Montreal, there was also industrial action at the port by unionized workers.
- New Alliances announced with implementation in Q1-2025
- Carriers had positive financial results in H1 2024, despite the Red Sea crisis. Top carriers like CMA CGM, Cosco Shipping, OOCL, and Evergreen earned over USD 1 bn.

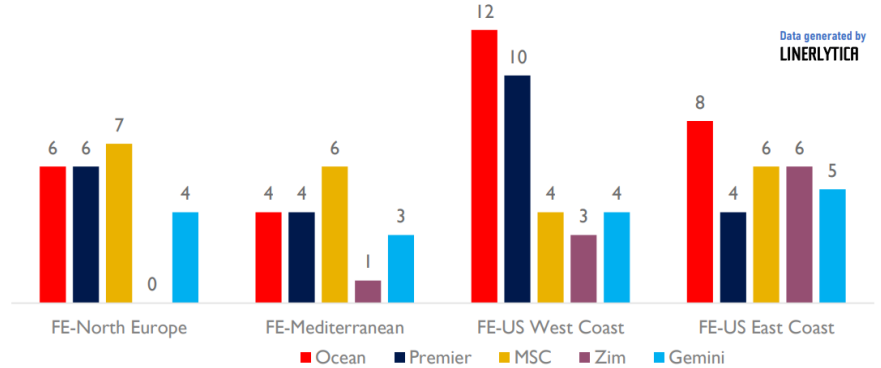
Source: DGF, Accenture Cargo, S&P Market Intelligence, Drewry

Carrier Alliances Update (1/2)

New alliance structures are reshaping the East-West trades, while non-alliance trades are mostly unaffected:

- 2M (Maersk and MSC) will split in January 2025.
- The **Gemini Cooperation** between Maersk and Hapag-Lloyd will begin in February 2025.
- The **OCEAN Alliance** (CMA CGM, COSCO, Evergreen, OOCL) extended their collaboration until March 2032.
- After Hapag-Lloyd's departure, THE Alliance members HMM, ONE, and Yang Ming will form the **Premier Alliance** from February 2025.
- **MSC** will operate its East-West network independently and offer additional services by entering VSAs or taking slots on vessels of other operators: MSC and the Premier Alliance announced a new partnership for 9 Asia-Europe services starting in February 2025, while Zim and MSC announced a 3-year-long slot sharing agreement on the Transpacific East Coast.

No. of weekly services by Alliance per Trade (2025)

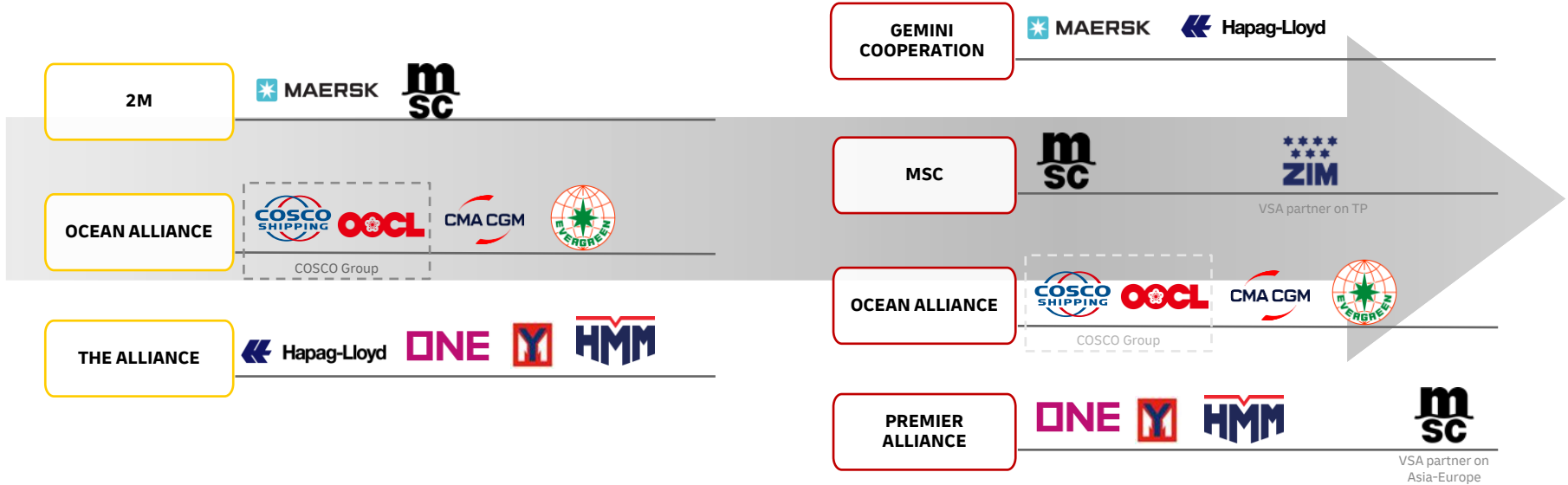


- Gemini adopts a 'hub and spoke' network, while other alliances will continue to serve smaller ports directly.
- MSC offers the most direct services, followed by the Ocean Alliance and Premier Alliance. Gemini offers fewer direct connections due to its deliberate network design strategy.
- Certain ports like Singapore, Cai Mep, Felixstowe, and Hamburg will benefit, while ports like Antwerp, Yantian, and Tanjung Pelepas will see fewer mainline vessel calls.
- Shippers can begin planning their supply chains with the current information, although transit times and vessel sizes are still unknown.

Carrier Alliances Update (2/2)

Current Alliances

Future Alliances/Cooperations



US East & Gulf Coast Port Strikes



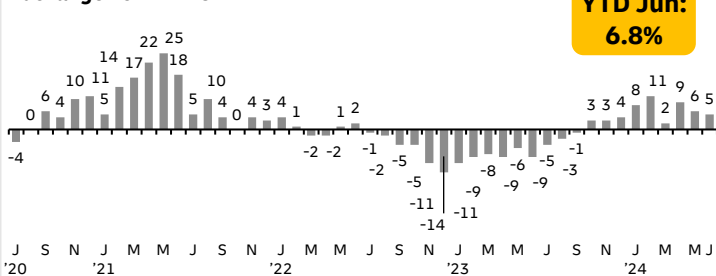
- The strike at the US East & Gulf Coast ports that started on October 1st has been called off after three days, as a tentative deal has been reached and the contract has been extended until January 15, 2025.
- In Montreal unionized workers from the Maritime Employers Association too have voted in favor of 72-hours industrial actions starting 1 October.
- DHL expects that it will take 3-4 weeks to clean up and get vessels back on their rotation schedules following the strike.

Market Developments

Demand Development¹⁾

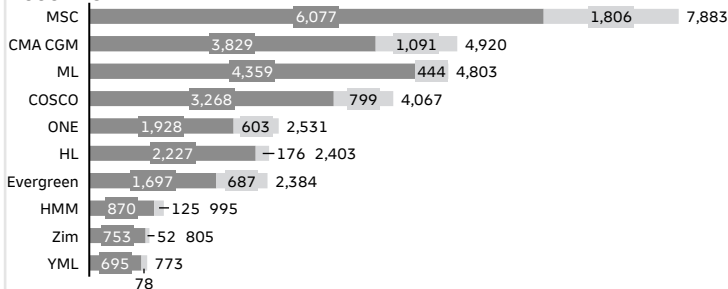
% change YoY in TEU

**YTD Jun:
6.8%**



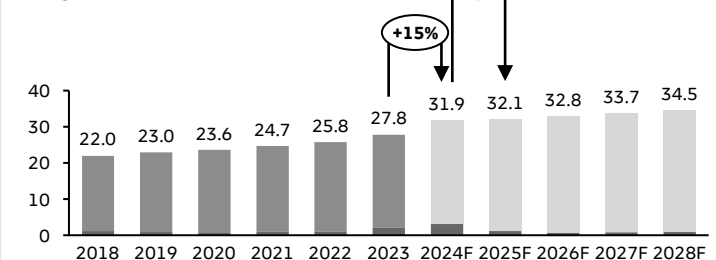
Orderbook by Carrier³⁾

'000 TEU



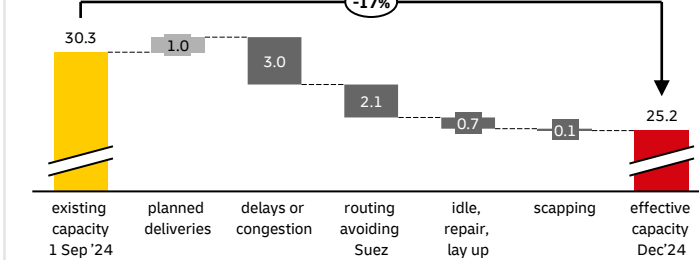
Nominal Capacity Development²⁾

mTEU



Effective Capacity Development⁴⁾

mTEU



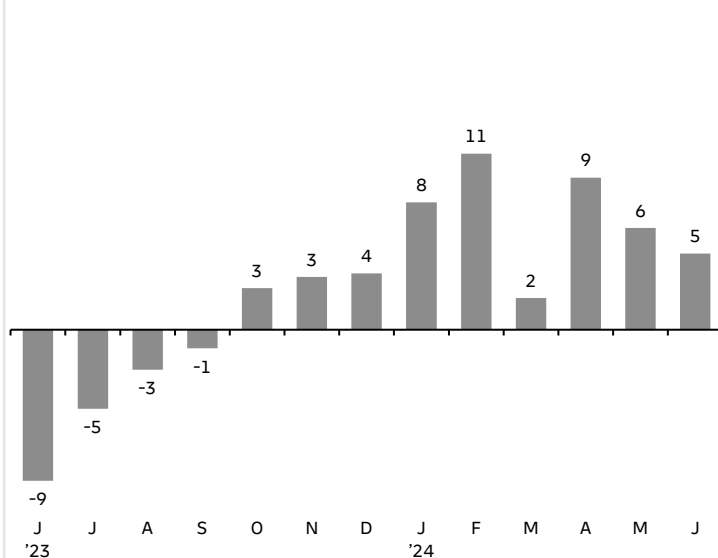
Source: 1) Accenture Cargo; 2) Drewry, net addition = delivery minus scrapping; 3) Alphaliner; 4) Alphaliner, Linerlytica

- Positive global container market trends continue over the summer, but uncertainty persists due to upcoming U.S. presidential elections and port terminal strikes.
- Around 360 ships (4.7 mTEU) diverting from the Red Sea via the Cape route, limiting effective capacity at 7.0% of global containership fleet. Longer voyages increasing fuel consumption and running costs.

Demand

Global Demand Development¹⁾

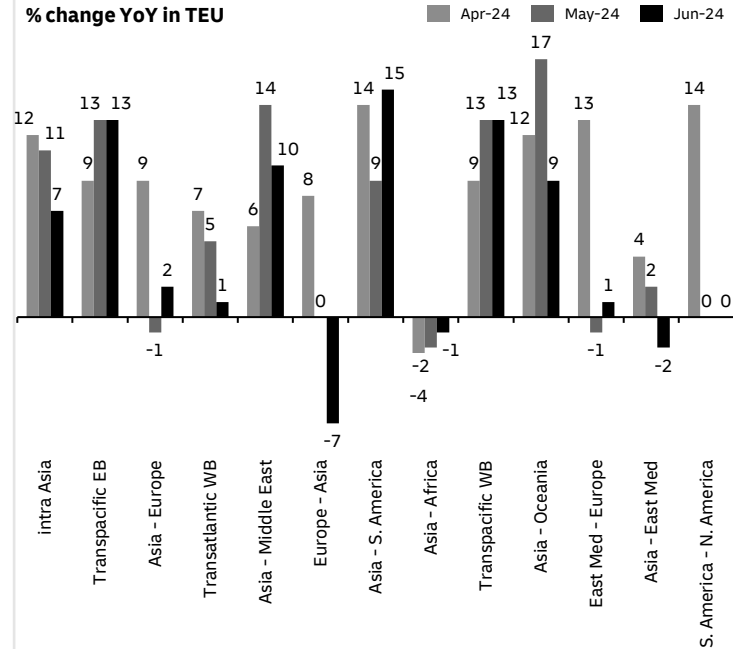
% change YoY in TEU



Source: Accenture Cargo

Volume Development by Trade³⁾

% change YoY in TEU



- Global container market was recovering in H1 2024, particularly on the Asia-AMLA, intra-Asia, and AMNO import lanes.
- However, global manufacturing output, new orders, and employment indexes contracted in August.
- Mid-term outlook more uncertain than the current market conditions suggest.

Regional Market Development – Major Trades

Market Development on Key Regional Tradelanes

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Forecast		
		Oct	Nov	Dec									
Asia	→ Intra	R	R	A	R	R	R	R	R	R	A	A	A
	→ N. America	R	R	A	A	A	R	R	R	R	A	A	A
	→ EURO	R	R	R	A	R	R	R	R	R	A	R	R
	→ Middle East	R	R	R	R	R	R	R	R	R	A	A	R
	→ S. America	G	G	G	G	R	R	R	R	R	A	A	A
	→ Africa	R	R	R	A	R	R	R	R	R	R	R	G
	→ Oceania	R	R	R	A	R	R	R	R	R	R	R	R
	→ East MED	R	R	R	A	R	R	R	R	R	R	G	A
East MED	→ EURO	R	R	R	R	R	R	R	G	R	R	R	R
EURO	→ N. America	G	G	G	G	G	G	G	A	R	R	A	A
	→ Asia	A	G	G	G	G	A	A	A	A	A	A	A
N. America	→ Asia	A	A	G	G	G	G	G	G	G	G	G	G
S. America	→ N. America	G	G	G	G	G	G	G	A	R	R	R	R

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

Source: DHL

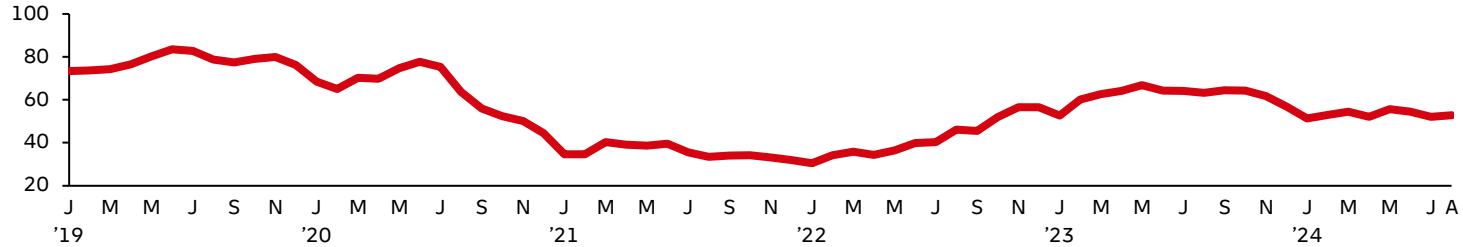
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- Weak cargo demand, congestion in China after Typhoon Bebinca, & Golden Week holidays contribute to weaker rates.
- Rates on Asia-EU and TP routes under pressure due anticipated ILA dockworker strike on USEC.
- Shifting cargo volumes to USWC not significantly supporting rates for now.

Schedule Reliability

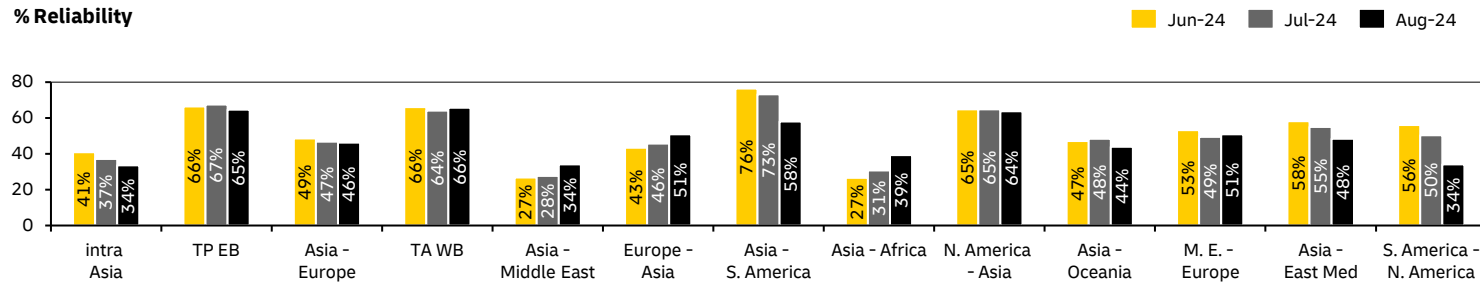
Global Schedule Reliability

% Reliability



Schedule Reliability by Trade

% Reliability

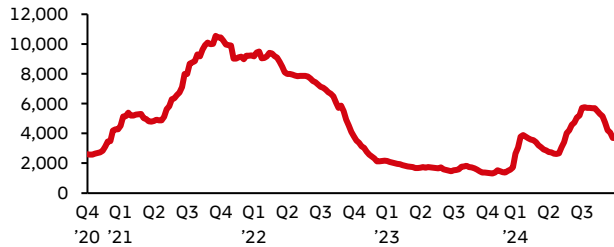


Source: Sea-Intelligence, Linerlytica; intra Asia = Asia - IBPC, TP EB = Asia-NAWC, Asia-Europe = Asia-N. Europe, Asia-S.America = Asia-WCSA, N. America-Asia = Transpacific WB, Asia-East Med = Asia-Med

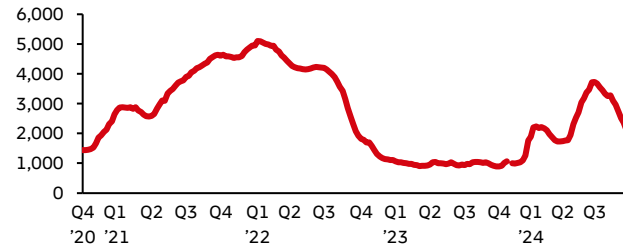
- 9.9% (>3m TEU) of global fleet currently wait at anchorages, highest level recorded outside COVID pandemic.
- Limited congestion at LA/LB.
- Vessel bunching at Shanghai and Ningbo ports after Typhoon Babinka causes congestion, impacting other Asian ports.
- Up to 5-day waiting times in MX, BR, and Caribbean ports.

Rates

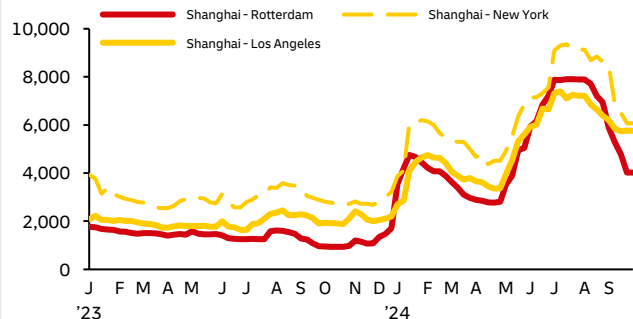
World Container Index (WCI)



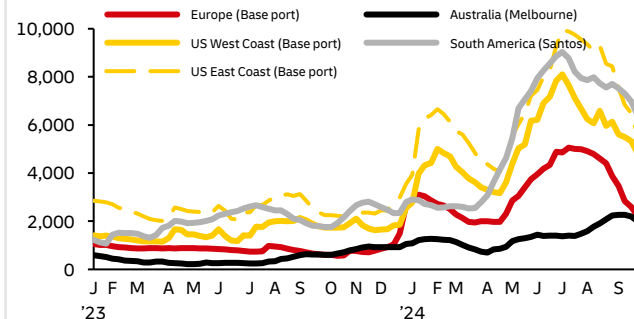
Shanghai Containerized Freight Index (SCFI)



WCI Deep Dive Key Trades



SCFI Deep Dive Key Trades



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

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- After reaching a plateau the WCI has started to decline lately.
- The SCFI has dropped by 33% since its peak on July 5th with two consecutive 8% week-on-week declines. Though still much higher than same time last year.
- The ILA dockworkers' strike will have a significant impact on the container markets in the upcoming weeks, as it will determine the direction of freight rates in October.

BACKUP

Regional Market Development – Additional Trades

Market Development on Additional Regional Tradelanes

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Forecast		
											Oct	Nov	Dec
Europe	→ East MED	A	R	A	A	A	G	G	G	G	G	G	G
	→ Africa	A	A	A	A	A	A	A	A	R	R	G	G
	→ S. America	A	A	A	A	A	A	A	A	A	G	G	G
	→ Middle East	A	G	G	G	R	R	R	R	G	G	G	G
	→ Europe	G	A	A	A	A	A	A	A	G	G	G	G
Middle East	→ Asia	G	G	G	G	G	A	A	G	A	A	A	A
	→ Middle East	G	G	G	G	G	A	A	G	G	G	G	G
N. America	→ S. America	G	G	G	G	G	G	G	A	R	R	R	R
	→ Europe	G	G	G	G	G	G	G	R	G	G	G	G
	→ N. America	G	G	G	G	G	G	G	A	A	A	A	A
Oceania	→ Asia	G	G	G	G	G	G	A	A	A	A	A	A
S. America	→ Europe	G	A	G	G	G	G	A	A	A	A	A	A
	→ Asia	A	A	A	G	A	A	A	R	A	A	A	A

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

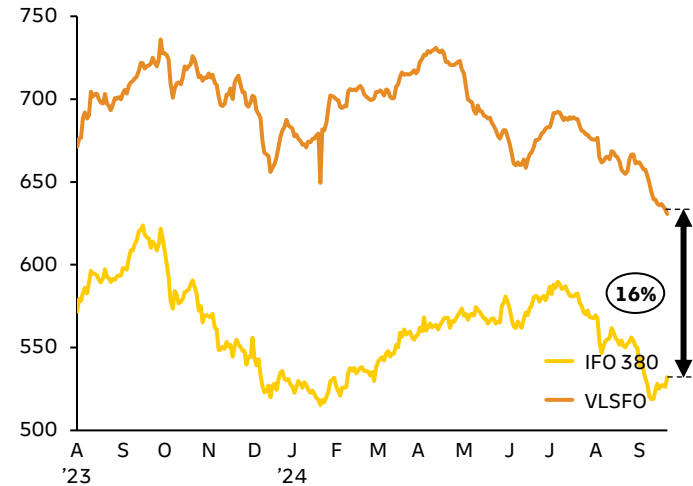
Source: DHL

GDP Growth & Bunker Prices

GDP Growth by Region¹⁾

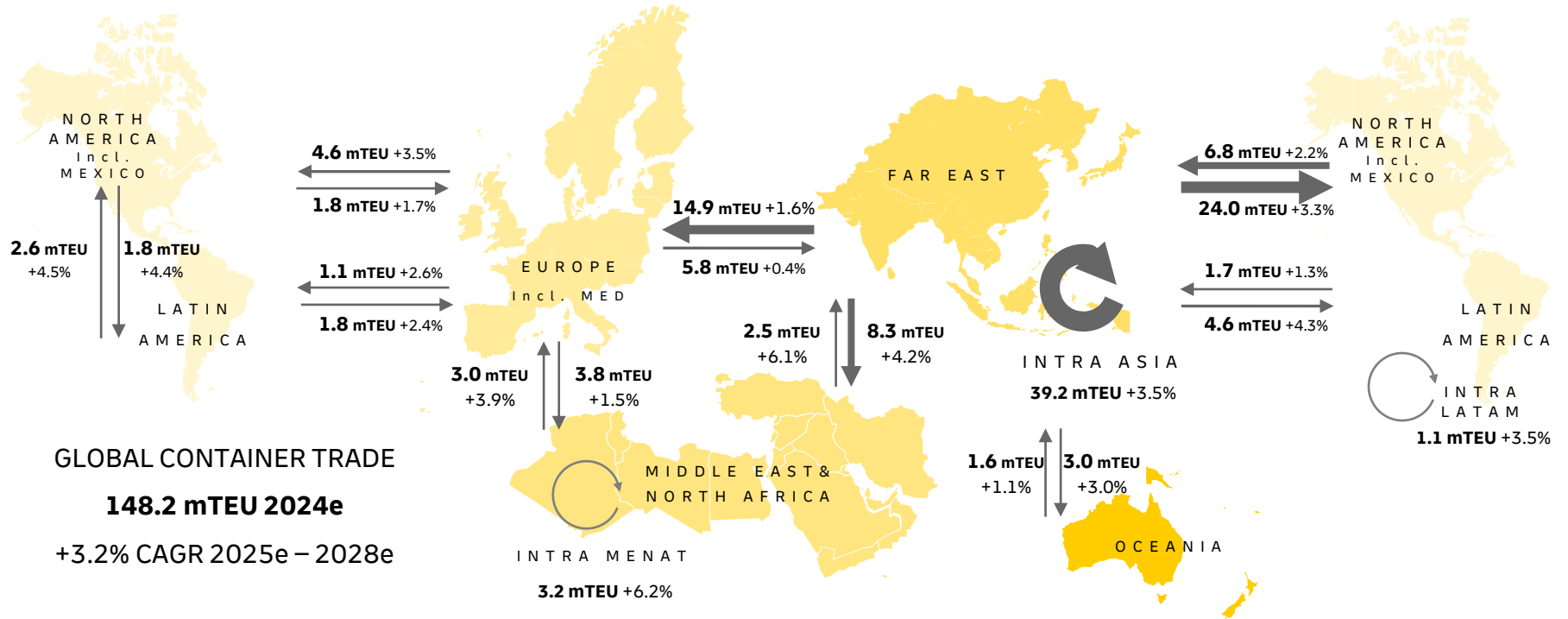
	2024F	2025F	2026F	2027F	2028F	CAGR (2025-28)
AMER	2.3%	1.8%	1.9%	2.0%	2.1%	2.0%
ASPA	4.2%	4.1%	4.0%	4.0%	4.0%	4.0%
EURO	1.3%	1.8%	1.8%	1.8%	1.7%	1.8%
MEA	2.4%	3.4%	3.9%	3.8%	3.7%	3.8%
DGF World	2.7%	2.7%	2.7%	2.8%	2.8%	2.7%

Bunker Prices²⁾



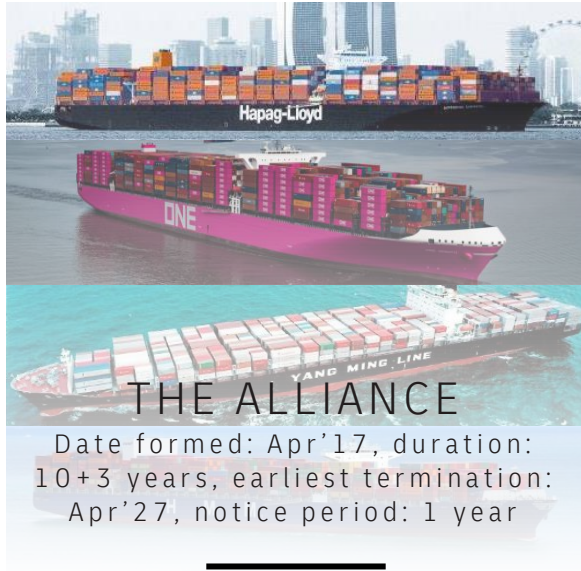
1) Real GDP, Copyright © IHS Markit, now part of S&P Global, Q3 2024 Update 5 Sep '24. All rights reserved; 2) Source: Bunkerindex, in US\$

Demand Development 2024 – 2028



Source: Accenture Cargo Jun24 update

State of the industry – Ocean Carrier alliances



HAPAG-LLOYD**
ONE
YANG MING
HMM



OOCL
CMA CGM
COSCO SHIPPING
EVERGREEN



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)
IBPC	- Indian Sub-continent	THC	- Terminal Handling Charge
IFO	- intermediate fuel oil	VLSFO	- Very Low-Sulphur Fuel Oil
M.E.	- Middle East	TP	- Transpacific
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