OCEAN FREIGHT MARKET UPDATE

JULY 2024 –
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DHL Global Forwarding

Content

Ocean Freight Market Outlook July 2024

Capacity Outlook

- The ongoing conflict in the Red Sea led to a 17% capacity rise on the Asia-Europe route. However, effective capacity only grew by 2% due to the longer detour around Africa.
- Port congestion at 18 months high. Further escalation expected following strike actions at German ports, leading to omitted port calls and further blanked sailings.
- Equipment issues persist, especially in Asia.

Freight Rates

- Spot rates out of China continue to rise. SCFI recorded its 11th consecutive week increase. Spot rates from Shanghai to California are nearly five times higher than a year ago.
- Weekly PSS on all Asia outbound trades introduced.
- Steep increase in secondary trades like intra-Asia as well in June.

Demand Outlook

- Shippers have brought forward order volumes in light of the crisis leading to a prolonged peak. Historically, seasonal demand peaked in August in US ports.
- Heightened demand on TP due concerns over potential changes in customs regulations after the US election.
- Wage negotiations among port workers on the US east coast are scheduled for Sept.

Regulations/News

- The Suez Canal Authority has extended discounts for containerships on specific long-distance trades to address the decline in vessel transits and revenues.
- The Panama Canal Authority has raised its maximum authorized draft to 13.7 meters due to an early rainy season. As a result, the canal can now accommodate thirty-two ships per day.
- Labor tensions are rising in German, French and ports.

Source: DGF, Accenture Cargo

Geopolitical tensions, economic shifts, environmental regulations and capacity management are reshaping the ocean freight landscape in 2024

TRENDS

1 Geopolitical Tensions and Conflicts

Conflicts in the Middle East and Ukraine continue to cause route diversions and increased operational costs

2 Economic Recovery

GDP outlook from IMF is modest on the back of economic uncertainties; demand for OFR is strong in Q1

3 Capacity, Equipment and Rates

Carriers managing capacity in current environment; rates influenced by supply-demand balance and geopolitical factors

4 Port and Labor Issues

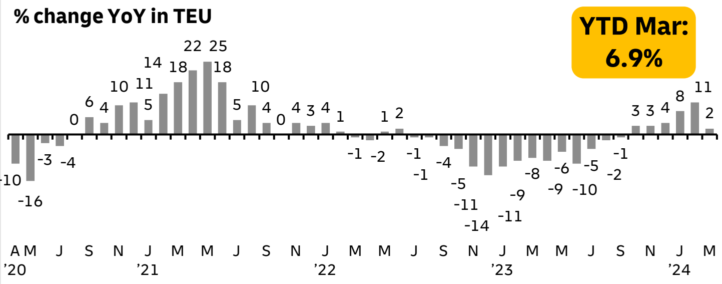
Potential disruptions from US port labor negotiations and Panama Canal challenges

5 Environmental Regulations

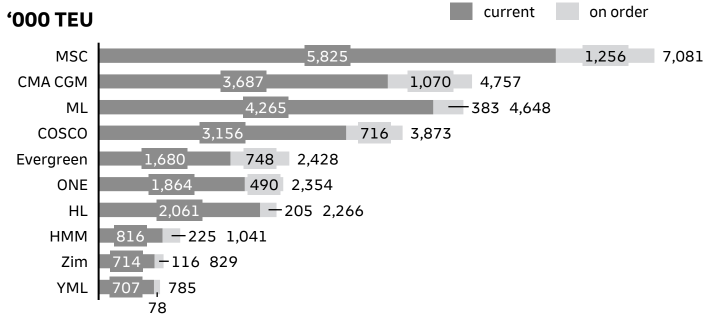
New emissions rules driving up operational costs and affecting ocean freight rates

Market Developments

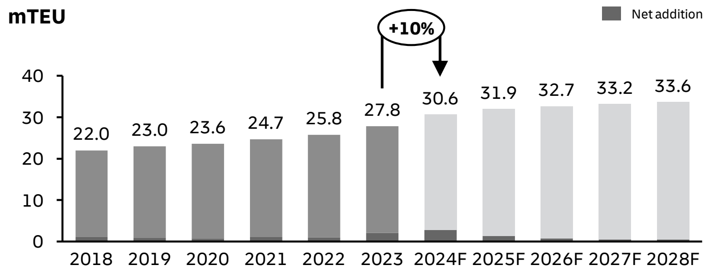
Demand Development[1)]



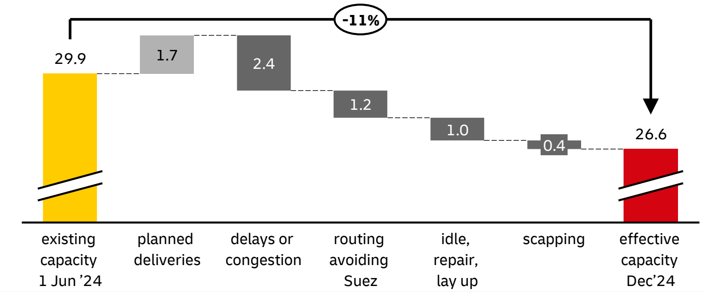
Orderbook by Carrier[3)]



Nominal Capacity Development[2)]



Effective Capacity Development[2)]

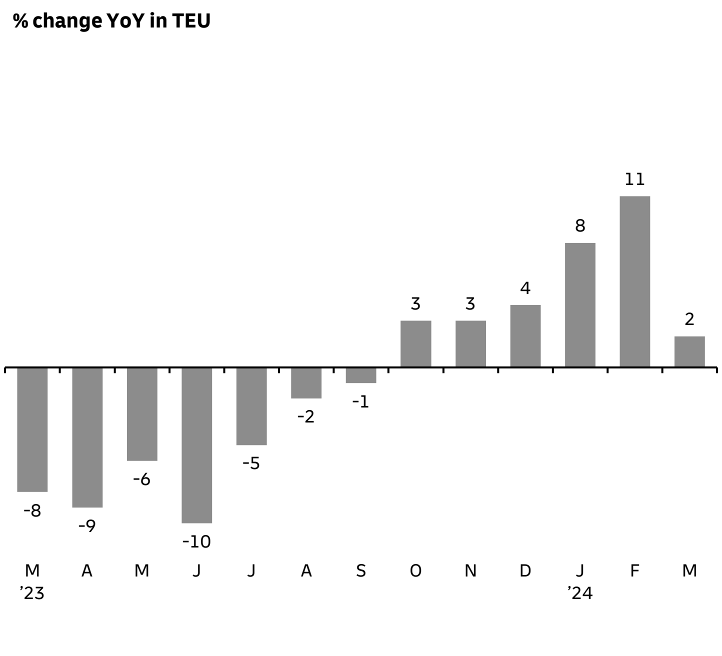


- OFR market demand continues to be higher than previous year.
- Monthly deliveries remain high but are all absorbed due to the Red Sea situation.

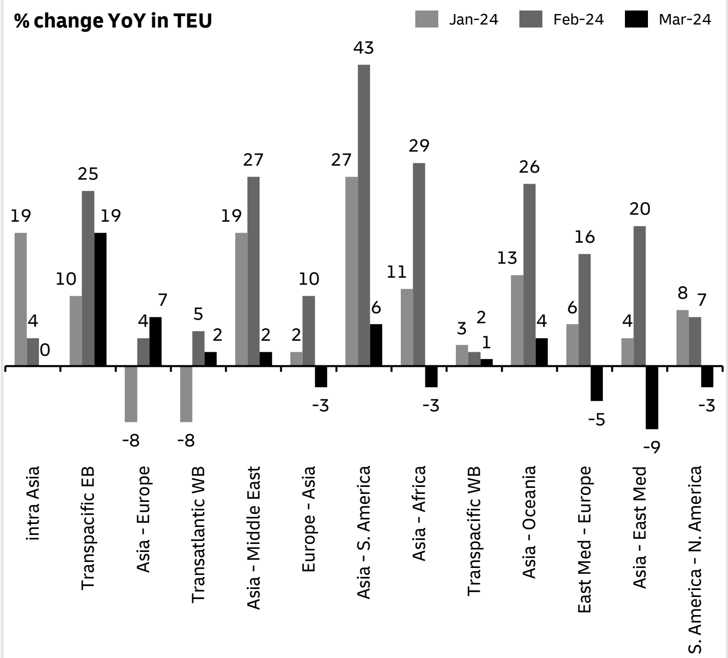
Source: 1) Accenture Cargo; 2) Drewry, net addition = delivery minus scrapping; 3) Alphaliner; 4) Alphaliner, SeaIntel, Linerlytica, Drewry

Demand

Global Demand Development[1)]



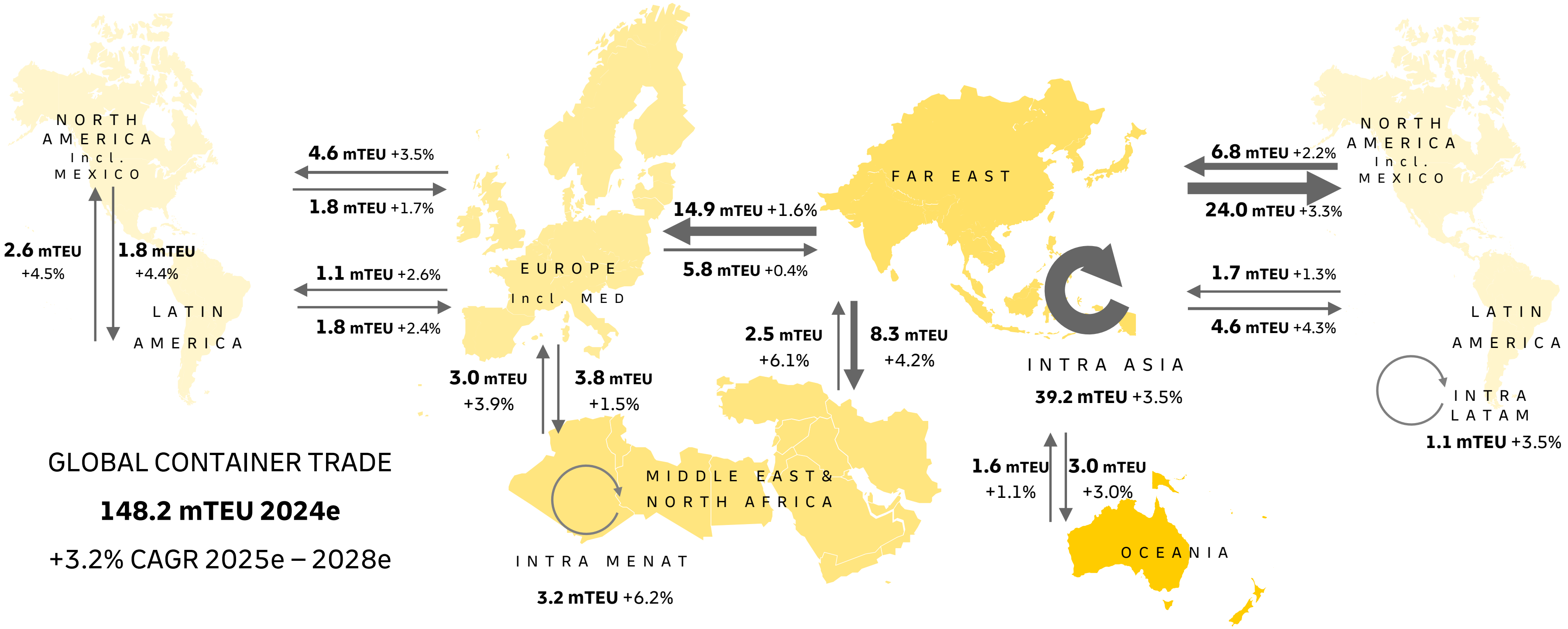
Volume Development by Trade[3)]



Source: Accenture Cargo

- OFR market demand continues to be higher than previous year.
- Accenture Cargo predicts a growth of around 5% in the 1st half of this year.
- We expect Asia outbound lanes to continue to grow above global growth.

Demand Development 2024 – 2028



GLOBAL CONTAINER TRADE

148.2 mTEU 2024e

+3.2% CAGR 2025e – 2028e

Source: Accenture Cargo Jun24 update

Regional Market Development – Major Trades

Market Development on Key Regional Tradelanes

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

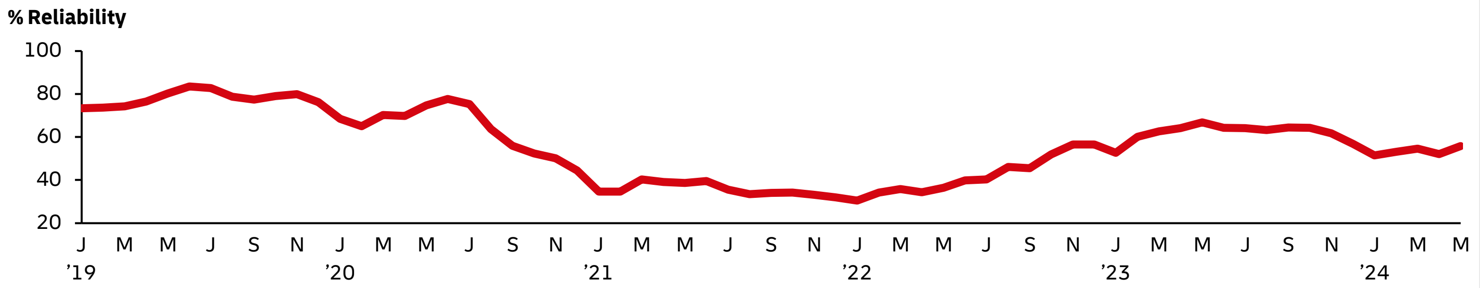
R: Demand > Capacity G: Demand, Capacity balanced A: Demand < Capacity

Source: DHL

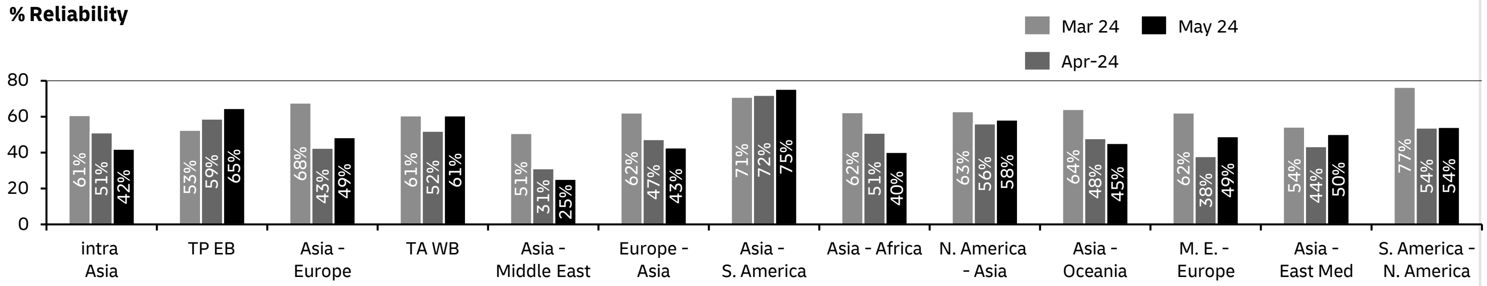
- We expect demand to be strong on Asia outbound lanes for at least the next 3 months.
- We are closely monitoring whether capacity is being shifted to strong outbound lanes, which may create challenges on lanes that are currently balanced in terms of capacity.

Schedule Reliability

Global Schedule Reliability



Schedule Reliability by Trade

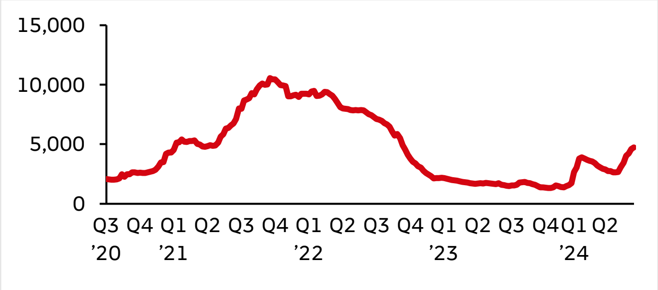


Source: Sea-Intelligence, Linerlytica; intra Asia = Asia – IBPC, TP EB = Asia-NAWC, Asia-Europe = Asia-N. Europe, Asia-S. America = Asia-WCSA, AMNO-Asia = Transpacific WB, Asia-East Med = Asia-Med

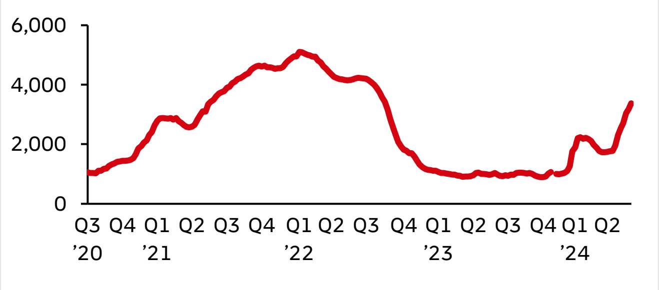
- Global schedule reliability rose by 3.8 ppt to reach 55.8%, the highest figure for the year.
- Southeast Asian hub ports, incl. Singapore, Port Klang, & Tanjung Pelepas, are congested. German port strike on June 17^{th} had minimal impact. Berthing delays in N. Europe, particularly at Rotterdam, have increased due to vessel bunching from Asia and backlog of ships.
- We do not foresee the situation to become any better soon.

Rates

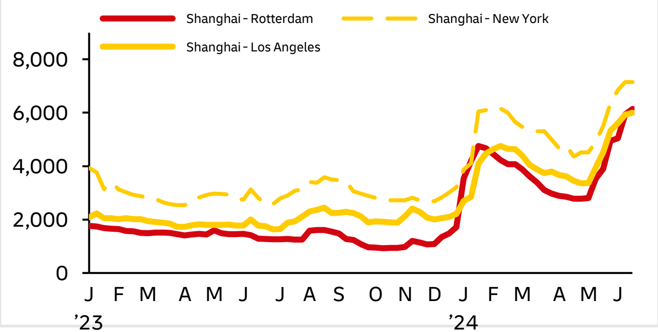
World Container Index (WCI)



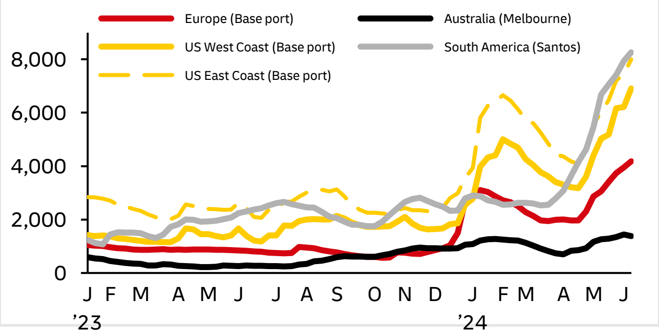
Shanghai Containerized Freight Index (SCFI)



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

- Spot rates ex-China on major East-West trade lanes continue to increase strongly amid strong demand, tight capacity and port congestion. On other lanes rates remain relatively stable.
- DHL expects this uptick to last into Q 3 and then eventually level out.

BACKUP

Regional Market Development – Additional Trades

Market Development on Additional Regional Tradelanes

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

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

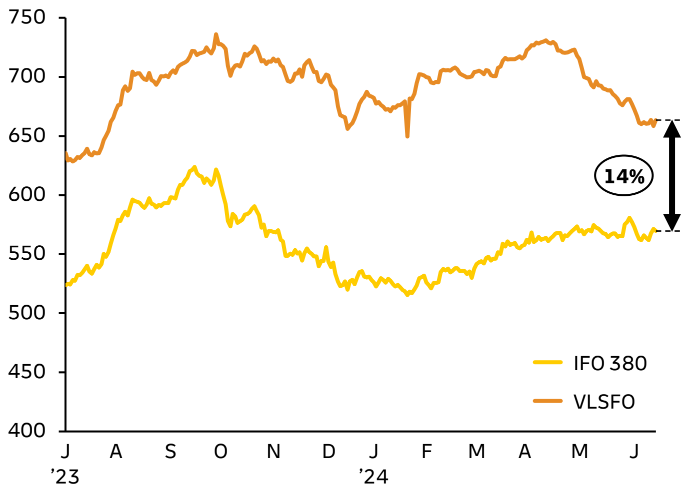
Source: DHL

GDP Growth & Bunker Prices

GDP Growth by Region[1)]

	2024F	2025F	2026F	2027F	2028F	CAGR (2025-28)
AMER	2.3%	1.8%	1.9%	1.9%	2.0%	1.9%
ASPA	4.2%	4.1%	4.0%	4.0%	4.0%	4.0%
EURO	1.2%	1.9%	1.8%	1.8%	1.7%	1.8%
MEA	2.3%	3.1%	4.0%	4.0%	3.6%	3.8%
DGF World	**2.6%**	**2.7%**	**2.7%**	**2.8%**	**2.7%**	**2.7%**

Bunker Prices[2)]



1) Real GDP, Copyright © IHS Markit, now part of S&P Global, Q2 2024 Update 5 Jun '24. All rights reserved; 2) Source: Bunkerindex, in US$

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
AMNO – North America
ASPA – AsiaPacific
BAF - Bunker Adjustment Factor
CAF - Currency Adjustment Factor
CAGR – Compound Annual Growth Rate
East MED - Eastern Mediterranean
EB – Eastbound
EBAF - Emergency Bunker Adjustment Factor
ETS - European Union Emission Trading System
EURO – Europe
GDP - Gross Domestic Product
GRI – General Rate Increase
HL – Hapag-Lloyd
HMM – Hyundai
IFO - intermediate fuel oil
M.E. - Middle East
MEA - Middle East and Africa = MENAT + SSA
MENAT – Middle East and North Africa
ML – Maersk Line
mn – Millions
MoM – Month-on-Month

MX - Mexico
OOCL – Orient Overseas Container Line
PCC - Panama Canal Surcharge
PCS - Port Congestion Surcharge
PMI - Purchase Manager Index compiled by S&P Global
Ppt – Percentage points
PSS - Peak Season Surcharge
PTF - Panama Transit Surcharge
QoQ – Quarter on quarter
SCF - Suez Canal Fee
SCS - Suez Canal Surcharge
SPAC - South Pacific Australia
SSA – Sub-Saharan Africa
T – Thousands
TEU – Twenty-foot equivalent unit (20‘ container)
THC - Terminal Handling Charge
VLSFO – Very Low-Sulphur Fuel Oil
TP - Transpacific
WB – Westbound
WRS – War Risk Surcharge
YoY – Year-on-Year
YTD – Year-to-Date

THANK YOU