MARKET UPDATE OCEAN FREIGHT

Update 23.03.2022

Topics

Europe to Asia/EMEA

Europe to Americas

Asia to Europe

Asia to US and ROW

Intermodal

Europe to Asia/EMEA

SPACE EQUIPMENT RATES

Market Expectation / Space, Volume & Rates

As several volume commodities such as timber are currently not moving, space to **Asia**, especially to China, is open again. Rates go further down also in April, as vessels are not fully utilized.
Contrary to that vessels to **IPBC and Middle East** are still fully booked, space is tight and fresh bookings can hardly be placed, especially to non-direct ports such as Pakistan or Qatar. Transshipment via Colombo is delayed, and Mundra is facing extended port stays of the vessels.
Vessels to **AUNZ** remain fully booked, especially all direct services. Rates to Australia remain on a high but stable level, rates to NZ go up again.

Still all vessels are delayed by up to 17days from Europe to Asia. Carriers continue to omit ports to limit the lengthy delays. We won't see any improvement prior to the 2nd half of 2022.

To **South Africa** MSC implemented an Emergency Operation Surcharge of USD 300/TEU. Other carriers are going to increase their rates as of April. Still Durban & Cape Town face berthing delays of 2-3 days.

To the **Mediterranean** vessels continue to be fully booked and congestion at transshipment hub Piraeus is not going to ease.
Bookings to **Ukraine, Russia and Belarus** have been suspended. Cargo already underway will add to the already existing congestions at European transshipment hubs as terminal operators refuse to handle cargo destined to Russia

We are again faced with lockdowns in China due to Covid-19 outbreaks. Shenzhen was under lockdown in week 11 and cargo handling at all freight stations and regional distribution centers were impacted. If the lockdown persists, vessels will most likely again either divert to other ports and/or omit Yantian/Shekou.

Announcements:

- ZIM starts with a direct Nhava Sheva/Mundra call ex Europe April 21st
- Hapag Lloyd is going to acquire DAL subject to regulatory approval
- MSC does plan sailing omissions end March until mid April sailing from China due to the on-going schedule delays and congestions, hitting Europe approx. 4 weeks later

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Europe to Americas

SPACE EQUIPMENT RATES

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North America

The demand to North Americas continues strong and Long Beach and Los Angeles continue to see record import volumes resulting in congestion and delays.
On the US west coast numbers of vessel at anchor dropped down to round about 75 with LAX/LGB counting 45 vessels waiting. It is expected that numbers might increase again after Chinese new year and recent lock downs in China due to covid outbreaks.
Charleston on the US East Coast is counting 29 vessels at anchor and Houston, Norfolk and NYC are reporting vessels waiting.
Demand to Canada is also high, services in Vancouver are delayed due to congestion situation on the US west coast.
The rail and intermodal situation is tense. Schedule reliability is impacted, and we continue to see port omissions.
Some services from north Europe are fully booked till mid of May already. Without pre bookings nearly impossible to get short notice space to the US. We expect demand to stay high. For Q2 we have seen mainly rate increases up to 2000,00 USD per TEU to the US west coast from MSC.

The **Mexico** trade is still seeing high demand and all services sailing under outmost capacity. Short notice space without allocation is not available. Some carriers are already full till end of April. The Alliance service AL4 to Mexico is heavy disrupted, due to operational constraints in Hamburg on the CTA terminal. Hapag placed a 3 weeks booking stop on all services leaving from the CTA in order to be able to clean the backlog on this terminal. Still ongoing disruptions on train delivery of container at this terminal.
Rates for Q2 mainly increased by up to 1000 USD per TEU. CMA CGM extended rates till end of April, but we assume that PSS might increase in the next weeks.

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South America

Space remains tight on all services, especially on the west coast trade. Cosco, CMA CGM, Hapag and OOCL reported fully booked up to beginning of May.
Maersk still offering spot rates on the SAEC. No signs of relief at the moment.
Rates to south Americas for Q2 increased up to € 300,00 per TEU on the east coast and € 600,00 per TEU on the west coast.

Service Update MSC

MSC is to launch in early April a direct Baltic - US East Coast 'Scan Baltic to USA' service which will also serve Goteborg. The new Transatlantic loop will turn in six weeks with 6 x 4,250 - 6,700 TEU ships calling at Klaipeda, Gdynia, Goteborg, Bremerhaven, New York, Philadelphia, Norfolk, Klaipeda.

MSC has extended its WCSA - Central America - Europe 'Ecuador to NWC' service this month to St Petersburg, Klaipeda and Gdynia.
Westbound calls at Boston, Philadelphia and Charleston are removed as the ships will return directly from Poland to Central America, thus cutting the Transatlantic westbound leg of the service.
Source: Alphaliner

Asia to Europe

SPACE EQUIPMENT RATES

Market Expectation / Space, Volume & Rates

Space/Allocation
First small signs of space relaxation can as well be detected.
Many carriers have briefly accepted more bookings under our FAK contracts and basket deals. OOCL, for example, has removed the purchase limit of its spot shipping platform.
For the moment we don’t expect further cuts of our allocated space, but might either be able to accommodate higher volumes under our collect deals.

Rates
The SCFI has dropped from USD 7780 beginning of February down to USD 6797 mid of March which equals to a reduction by 12,6%.
Those reductions are mainly driven by the fact that carriers have deployed several extra loaders and also redeployed some of the vessels from Russia services.
In response to the Ukraine / Russia conflict, all carriers have announced a temporary stoppage on all cargo bookings to/from Russia, covering all access areas including Baltics, Black Sea and Far East Russia services.
Meanwhile many factories are affected with delays to production due to the Covid-19 lockdown in Shenzhen which in summary resulted in slightly lower rates for March.

We have been approached from several branches stating that customers suddenly confront them with new rate discussions, and we are grateful for all the feedback reported.
We just started our Q2 negotiations, and the first proposals settle somewhere in the range of USD 11.000/40' all-in, but it will probably take another week to get a clearer view of the picture.

Outlook
It's not yet fully predictable in which direction we are heading for the coming weeks and months. According to the sources of 'THELOADSTAR', carriers like MSC or Maersk already decided to push through more blank sailings in April in response to the current market trend, but it will only have an impact if other alliances going to follow accordingly. In addition, we are facing daily increasing bunker prices which shipping lines will start to cover by implementing new emergency bunker surcharges.

The question remains open whether the current market movements are just based on the mentioned events or if a permanent decrease in demand will force carriers to really get back to the table.

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Asia to US and ROW

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General situation China :
As the numbers of Covid cased are rising in China, the measures by the government are becoming stricter again. Some major cities saw already full lockdowns for at least one week (i.e. Shenzhen and Suzhou) , others like Shanghai or Qingdao are trying a different way by locking only partially either districts or residential areas respectively hot spots where the virus got detected. Hong Kong as we all know had to experience the number of cases in a hard way like the rest of the world. This ongoing situation at China mainland however will most probably cause further interruptions in the supply and transport chain, domestically for international business. It is to expect that that factories can't produce due to their location in hot spot areas, or which is even more severe that labor won't get to their working places due to the lockdowns in their communities. The Chinese government is working on it to keep the interruptions as little as possible, but it is to expect that there will be issues. Truckdrivers for example cannot cross province boarders easily without being tested one or twice within the last 48 hours and when they return for example to Shanghai the test mustn't be older than 48 hours. Considering the distances and traffic in some areas plus unloading/loading times of containers at factories it may become a challenge for the truck drivers to succeed.

However, as the worldwide demand for export goods from China is cooling down currently due to geopolitical issues in Eastern Europe and the drastic increase of energy costs for fuel, gas and electricity, it is to expect that some consumer goods will become less required than the last two years during the pandemic. Consumers will concentrate on the fundamental supplying as also the costs for food and logistics are going to rise at all kinds.

Shipping lines are reacting already to the new situation of less demand and start a new round of blank sailings from April on. That will surely lead to a tightening space and shipping options which might also end up in another delay of schedules and longer transit times. Considering that a lot of former rail containers from China to Europe now also getting shipped by oceanfreight it might just boost the space issues once bottle necks occur again.
It remains to be seen how much the industry will feel the impact and change of supply and demand within the next few weeks.

Far East -Europe
HPL launches an extra service from Da Chan Wan(near SZX) to HAM in April. Fast and direct service with limited space to book Some co-loader are starting to offer USD9000/40'HC with vessel ETD April 05. But this can be seen as short term offers to fill up their space.

Transpac:
HPL will omit Hong Kong starting with MV Basle Express V 043E at Kaohsiung on April 8, 2022.(on EC1) ZIM launches a new Ecommerce Xpress service ex Yantian to USEC with bi-weekly frequency from April on with the routing Yantian–Cai Mep–Baltimore–New York–Boston–Yantian. First sailing April 8th. BAL launches a new service ex Vietnam/China to USWC in March Ho chi Minh-Yantian-Ningbo-Qingdao-Xiamen-Seattle-LA, first sailing Mar 29th.

Latam:
The April rates this time are expecting to be valid for the first half of April hence biweekly instead of a weekly adjustment. The trade volume has been stable for months now and rates are only declining slowly. According which POD and country space and equipment can still be tight to book.

South Africa:
The trade keeps a stable rate for several months now. The demand on goods into South Africa regarding automotive and general consumer goods from China is unbowed. Rate levels around $9000/40'HC became meanwhile the standard.

Others:
CMA starts to calculate ocean freight based on ATD for all trades except TP with effect of April 01 st.

Intermodal/Others

Europe

The congestion at **European seaports, especially at Hamburg/CTA** Terminal got worse after North Europe was hit by 2 storms in February. Still there is a back log of cargo/trains to clear.

Due to the war in Ukraine, we see a shortage of trucks and drivers in North Europe. Quite several drivers, who are Ukrainian nationality, went back home.

The rise in the price of crude oil has pushed the price of gasoline and diesel to record levels**.** All inland vendors did rise their costs and implementing additional surcharges to cover the costs. For Germany SENATOR had no other choice as to implement an emergency fuel surcharge of 13% as of March 15th, review every 2 weeks.

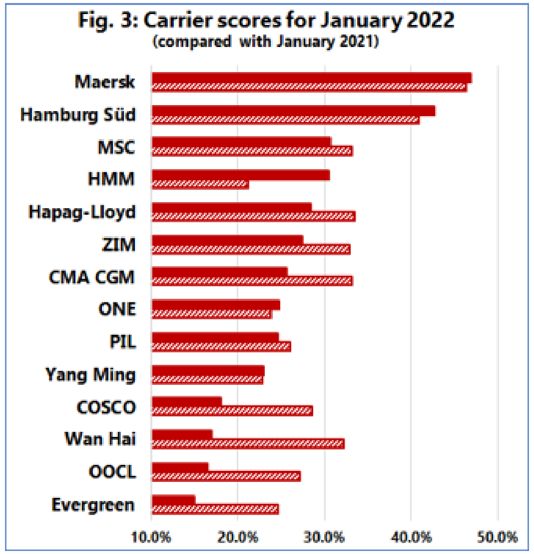
Equipment Situation is not going to ease and is further impacted by the sanctions towards Russia. All shipments/equipment which was/is on its way to Russia have been stopped by the carriers/transsnipment ports in Europe.
The lower import volumes from Asia over CNY is adding to the equipment shortage

Others

MSC will recalculate the Global Fuel Surcharges on fortnightly basis instead of monthly basis from April 15.

The Global schedule reliability drops to record low

According to Sea-Intelligence the schedule reliability dropped again to 30,9% in January 2022. On a year-to-year level, the reliability was down by 3,8 percentage points.
Looking at the carriers, Maersk was the most reliable top 14 carrier in January with 46,9%, followed by Hamburg Sued. MSC and HMM had a reliability between 30-40%, and six carriers are between 20-30%. All remaining carrier had a schedule reliability of under 20%, with Evergreen recoding the lowest.



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THANK YOU