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Market Update Seafreight
December 2022

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TvK Consult Market Update

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Forecast of record deliveries for 2023 and 2024 - with possible negative impact on container prices and schedule reliability

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1. Topic of the month

Large number of new container ships, but falling demand due to economic downturn

- The traditional peak season for liner shipping barely occurred in 2022, and many industry observers believe the slump is structural rather than seasonal and and fear a global recession
- War risks, sharply rising energy costs, political instability and general inflation will impact overall consumer spending and thus trade volumes, especially for industrial goods
- In addition, the relaxation of corona-related travel restrictions appears to have led to a shift in consumption patterns back to services. This change in focus to travel and vacations in particular may be at the expense of purchasing
- In 2023 and 2024 alone, a total of 5.1 million TEU of new tonnage will join the fleet, with 2.3 million TEU expected next year and 2.8 million TEU in 2024. By the end of 2025, a total of 7.3 million TEU of new tonnage is expected to enter the market, representing 28.3% of the existing containership fleet

Source: Businessinsider, Tagesschau, Handelsblatt, Deutschlandfunk, DHL

China / East Asia - Northern Europe Freight rate drops by almost 60% in last 3 months - Shanghai Container Freight Index dropped even more

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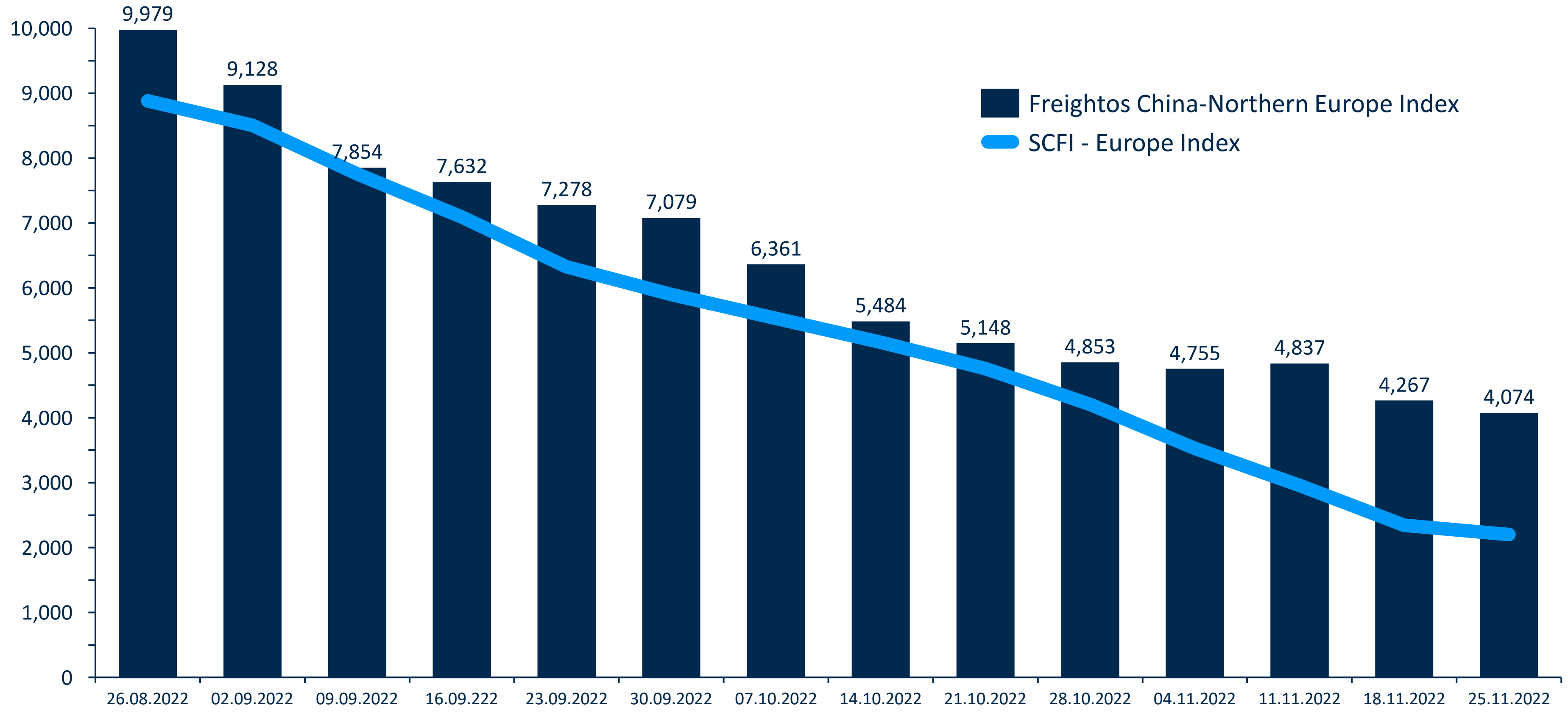
2. Recent development of sea freight rates

Ocean freight rate halved since August due to decline in demand and general normalization, but level still higher than before Corona

- Freight rates continue to decline and port congestion begins to ease
- As demand has declined, so have contract rates, but there is continued pressure on spot prices due to low demand
- According to TvK, the Shanghai Container Freight Index (SCFI) reflects the current situation more accurately than the container index published by Freightos

Average Freight Rates August to November 2022 - Freightos China-North Europe Index vs. Shanghai Container Freight Index



Source: DHL Ocean Freight Market Update, Freightos Data, DSV SCFI, TvK Analysis

Freight costs for Asian imports down sharply, Europe-US freight rates constant

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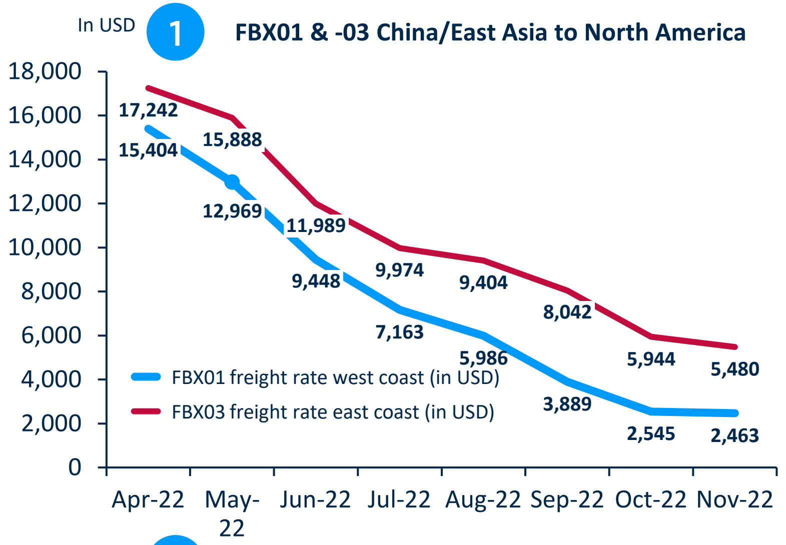
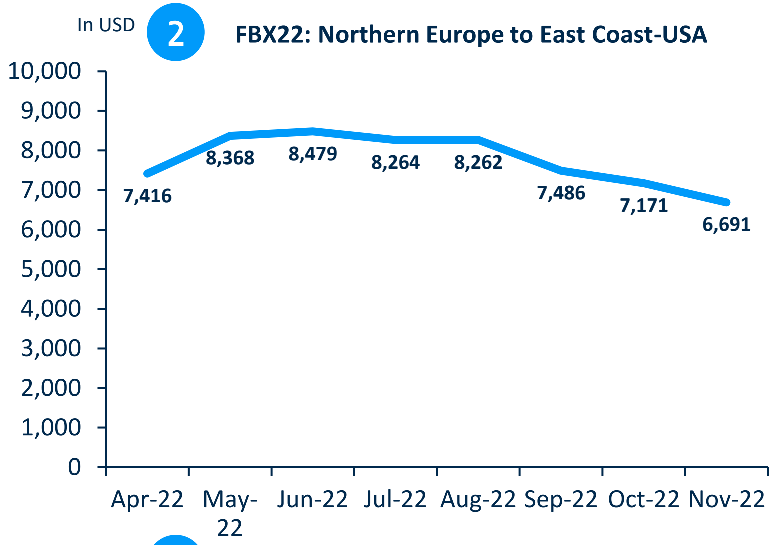
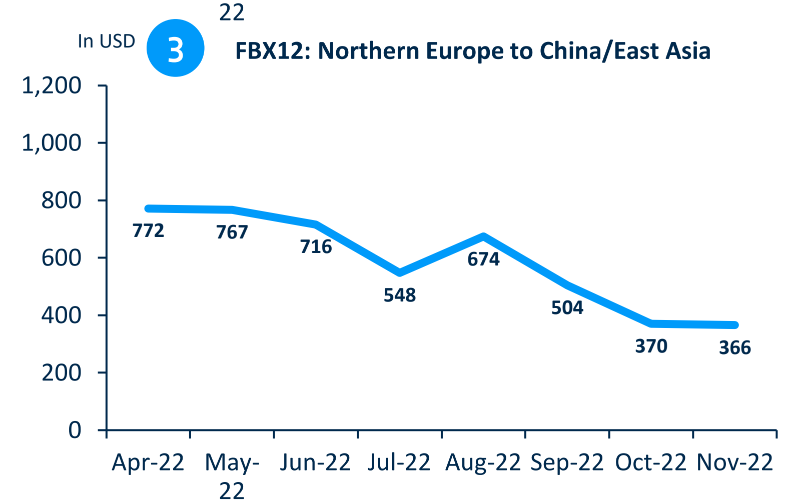
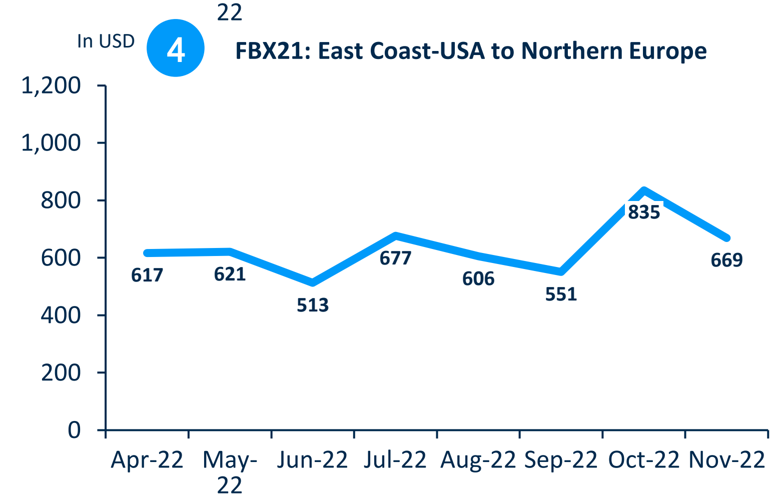
2. Recent development of sea freight rates on selected routes









Route dependent price development

1. **FBX01 & -03:** Freight rates from China/East Asia to the East and West Coasts of the USA confirm downward trend
2. **FBX22:** Freight rates from Northern Europe to the East Coast of the USA on a slight downward trend since August - rates down by almost 20%
3. **FBX12:** Lower demand causes freight rates to fall further - export freight from Europe to China/East Asia halved since summer and now heading towards sideways trend
4. **FBX21:** Freight rates from the east coast of the USA to northern Europe fall by 20%, following a sharp increase in October

Source: Freightos, TvK Analysis

Empty runs on transpacific trade lane; strike in port of Antwerp and low demand in November and persistent delays

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3. Vessel capacities & shipping routes

Again, many empty runs in November and December

- As of November 7th, shipping lines have reported 53 empty voyages for the month for the eastbound transpacific trade lane
  - This corresponds to a 26.1% reduction in normal capacity
- For December, shipping lines have already announced 30 empty runs for the transpacific trade lane eastbound

Strike in the port of Antwerp

- Following the one-day strike in the port of Antwerp, Belgium, on November 9th, disruptions and delays are to be expected on various routes
- The strike was due to the rising cost of energy

Low demand in November and continued delays in European ports

- In the first half of November, demand remains low, and prices also continue to decline
- Space is plentiful on container ships, but schedule reliability is severely compromised
- Port congestion in Europe continues to cause delays and delayed return of ships to Asia

Average global bunker prices down by almost 30%; pre-Corona level not yet reached

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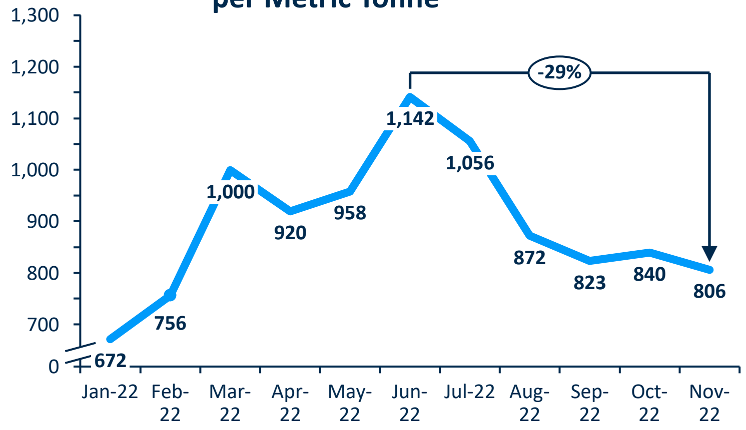
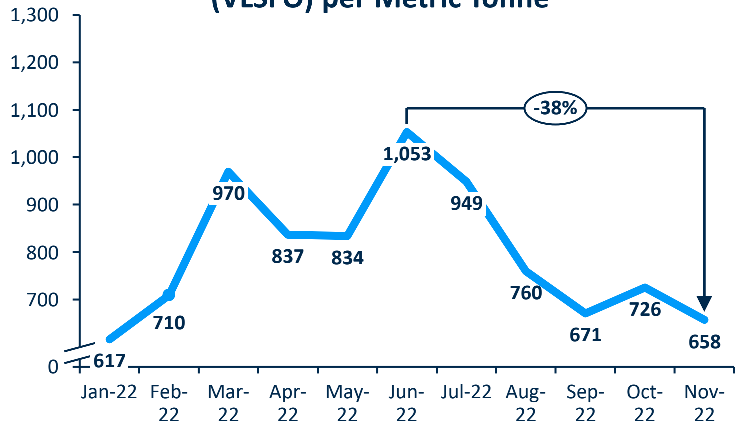
4. Bunker prices

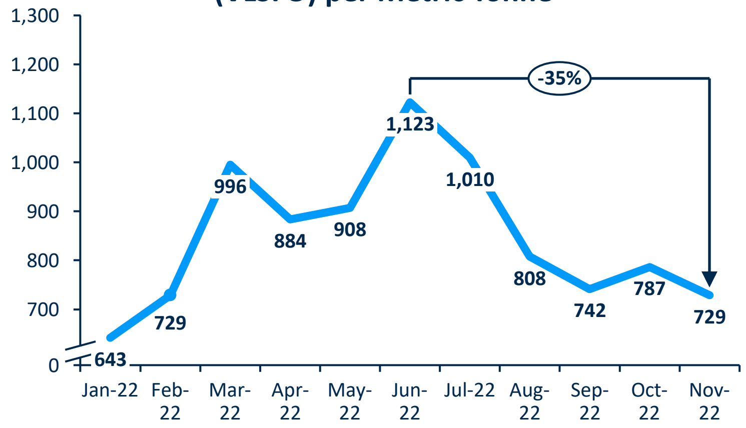
In USD **1** **Global Average Bunker Price (VLSFO) per Metric Tonne**



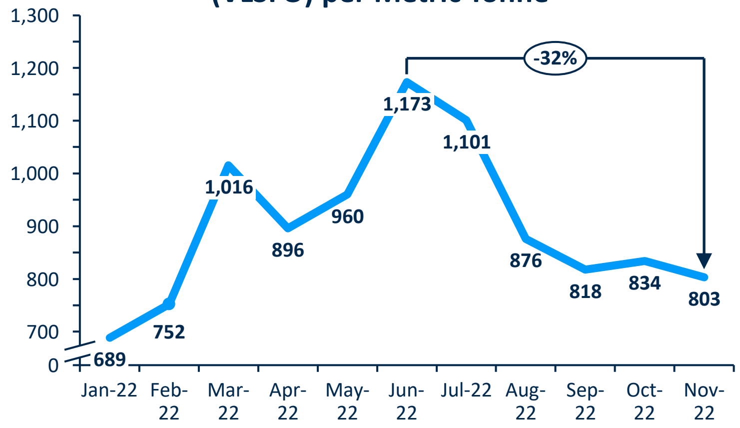
In USD **2** **Global 4 Ports Average Bunker Price (VLSFO) per Metric Tonne**



In USD **3** **Global 20 Ports Average Bunker Price (VLSFO) per Metric Tonne**



In USD **4** **Asia-Pacific Average Bunker Price (VLSFO) per Metric Tonne**

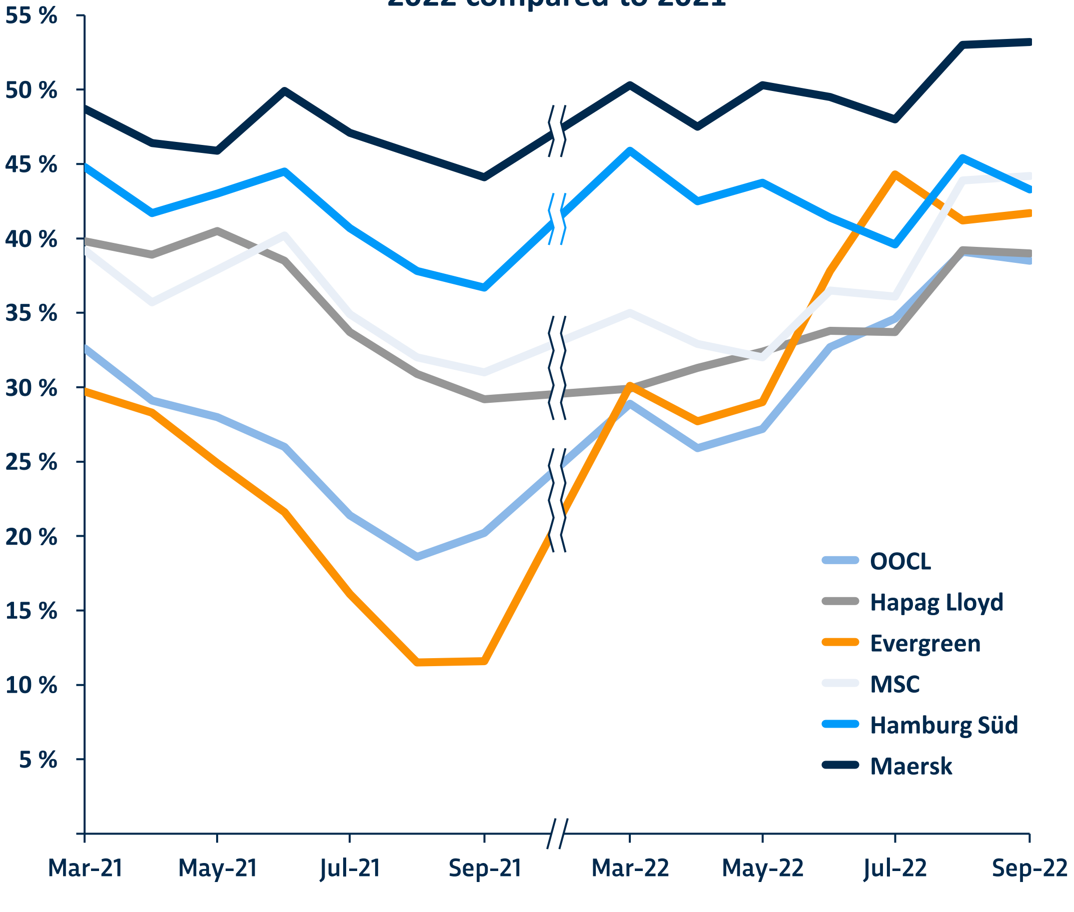


Slight increase in bunker prices

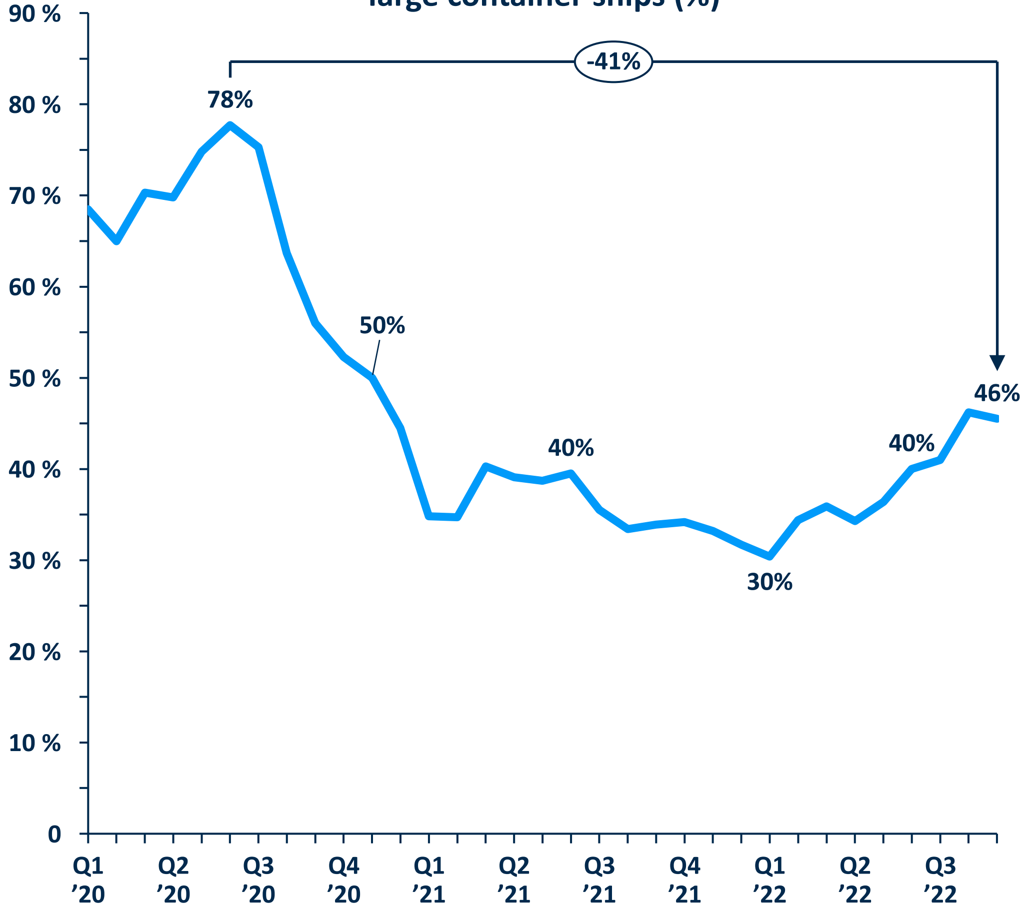
1. Global Average Bunker Price has fallen by 29% since June. It is now only USD 130 above the price at the beginning of the year. Compared to Q2 2022, however, the bunker price has fallen
2. The Global 4 Ports Average Bunker price has dropped 38% since mid-June and is USD 250 below the Global Average Bunker price
3. The Global 20 Ports Average Bunker Price has decreased by 35% during the same period
4. The APAC Average Bunker Price has fallen by 32% since the middle of the year. At USD 803, it is USD 3 below the Global Average Bunker Price and thus closest to it

Average schedule reliability of large container ships continues to rise; pre-Corona level not yet reached

Average schedule reliability of major shipping companies (%) 2022 compared to 2021



Global average schedule reliability of large container ships (%)



More intra-European container capacity through new routes; forecast for gas prices in 2023 and tight LNG market

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6. Newsroom

Ports in Europe to be connected by CMA CGM through new routes

- CMA CGM's "Containership" route will connect the ports of Kalipeda in Lithuania and Gdynia in Poland with Gävle in Sweden. "Containerships" will also offer new connections to the ports of Bremerhaven and Wilhelmshaven in Germany and Rauma in Finland
- This new intra-European line will allow for higher container capacity

Gas prices expected to fall by 30% in 2023

- The anticipated decline in gas prices is due to the fact that the EU's gas storage facilities are full for the coming winter and less liquefied natural gas (LNG) is being used
- Total EU storage is currently at 95%, 5% above its five-year average. In Germany, storage capacity is 97%, in France 99%, and in Belgium and Portugal 100%
- The LNG market is expected to remain tight until at least 2024, as it depends on LNG imports from China and Russian pipeline gas supplies
    - This may create a supply-demand gap and could limit LNG deliveries to the European market in 2023

Source: Clarkson Research, Drewy, TvK Analysis

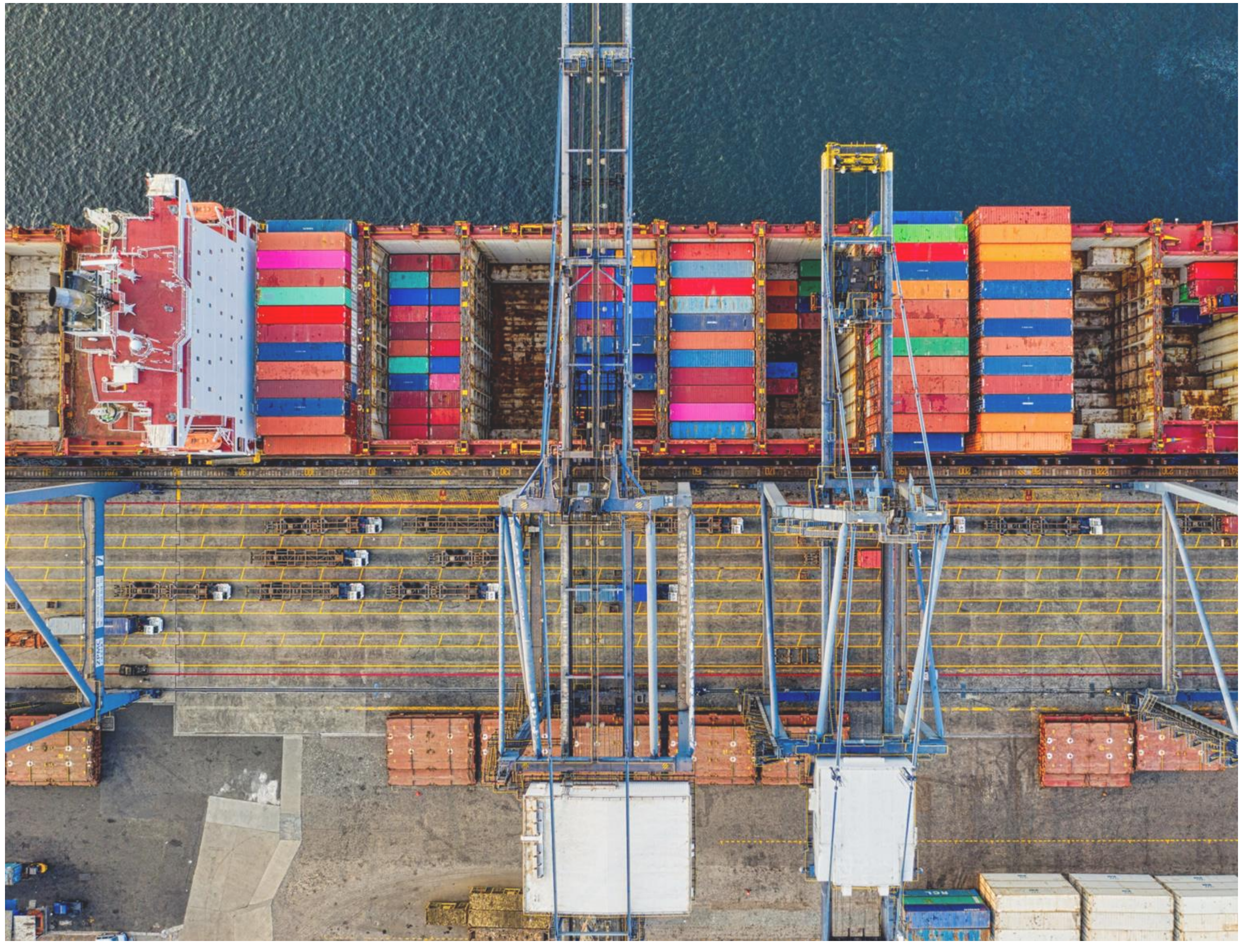
Continued pressure on freight market due to unpredictable externalities - Flexible planning necessary

7. TvK Outlook

Freight rates continue to fall sharply and offer the opportunity to conclude long-term contracts that are capped on the upside and thus protected against counter moves

The complexity and unpredictability of external influences makes it difficult to make a valid assessment of future freight market and cost developments

- In 2023, a large number of new large container ships will set sail (see Topic of the month) at a time of stagnating demand
  - Tonnage supply could exceed shipping demand again next year
  - The liner shipping market could be heading for structural overcapacity
  - It is to be expected that shipping companies will withdraw container ships from service in order to counteract this development
- Long-term contracts at the current favorable conditions offer the chance of planning security and stability. In the event of a possible upward movement of the market due to economic easing or countermeasures by shipping companies, price-fixed contracts protect your company



Source: TvK Analysis

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