



MARKET UPDATE SEAFREIGHT

FEBRUARY 2023



TVK CONSULT
Unternehmerberatung

Contents

TvK Consult Market Update

- 1 Topic of the month
- 2 Recent development of sea freight rates
- 3 Vessel capacities & shipping routes
- 4 Bunker prices
- 5 Schedule reliability
- 6 Newsroom
- 7 TvK Outlook



MSC and Maersk agree to end 2M alliance in 2025

1. Topic of the month

After 10 years of alliance, the world's two largest container shipping companies intend to follow their individual strategies

- The shipping companies refer to different strategic orientations: MSC focuses mainly on cargo capacity; Maersk wants to increase its service depth
- MSC is the world's largest shipping company in 2022 and acquired massive numbers of second-hand ships last year. Maersk, on the other hand, focused its own strategy on enlarging its logistics activities with acquisitions and is satisfied with its current sea freight capacities, according to ex-CEO Skou
- Alliances share space on ships as part of their agreements and provide regular schedules on major ocean trade routes by combining vessels - according to the shipping companies, the alliances aimed to ensure competitive and cost-effective operations. Approximately 90% of ocean freight capacity on key shipping routes is handled by the three global alliances, 2M, Ocean Alliance and The Alliance
- The dominance of these three alliances has recently come under more frequent criticism from competition authorities and government representatives, particularly because of the massive increase in freight costs during the pandemic

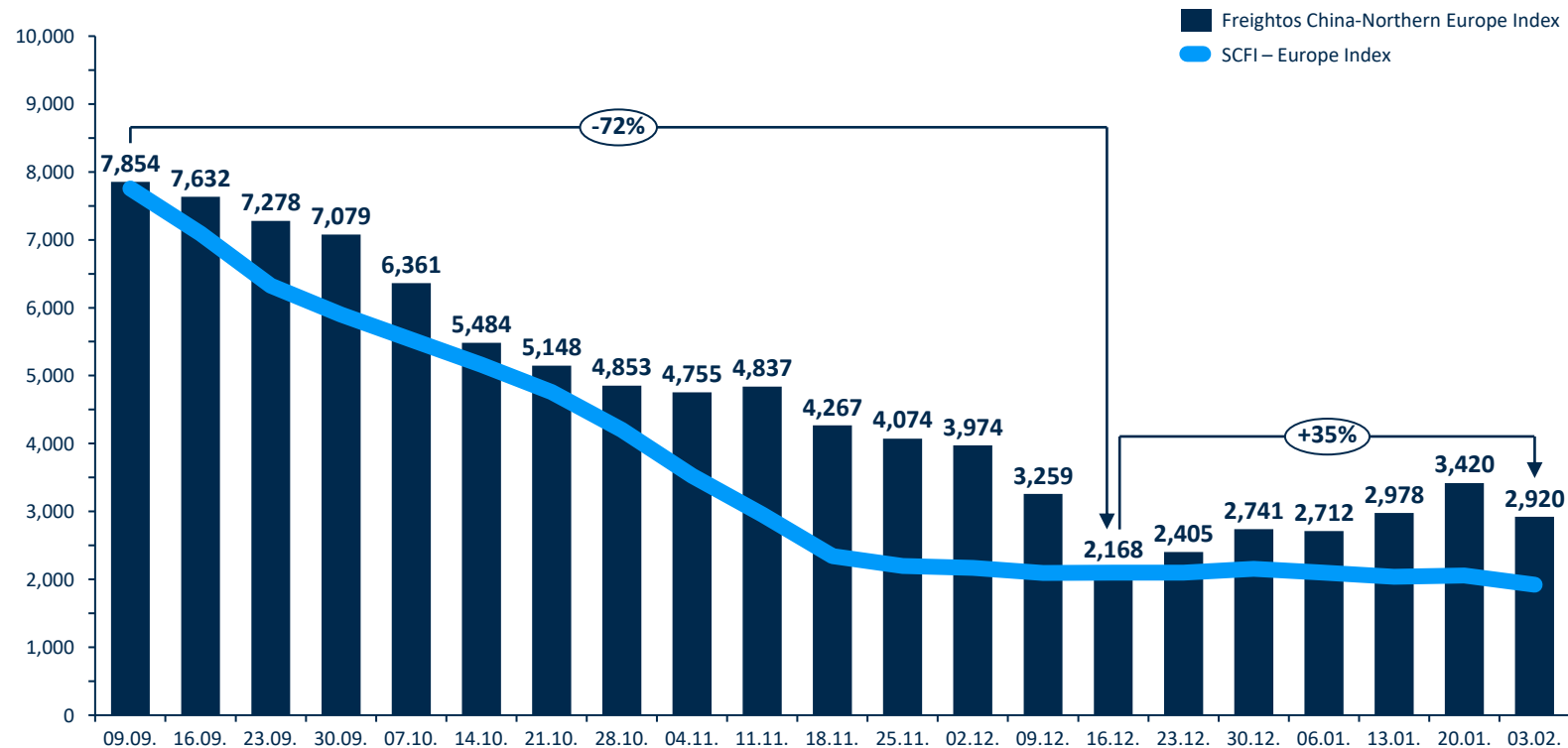


Rock Bottom reached? The SCFI Europe has been constant since mid-December. Freightos China North Europe Index shows increase

2. Recent development of sea freight rates

In USD

Average Freight Rates per 40" Container - Freightos China-Northern Europe Index vs. Shanghai Container Freight Index (SCFI)



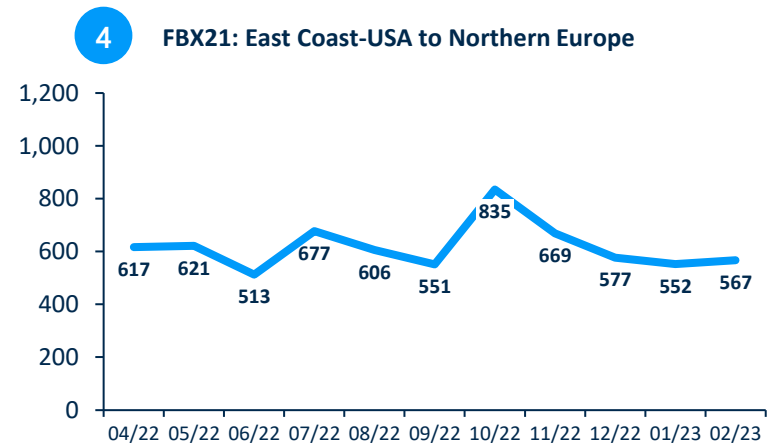
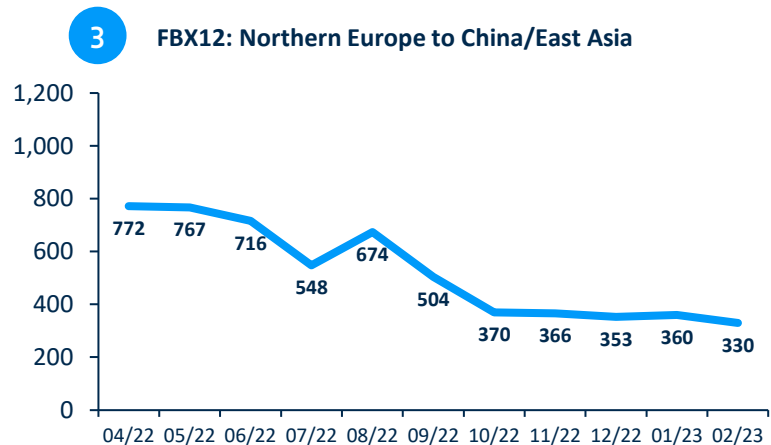
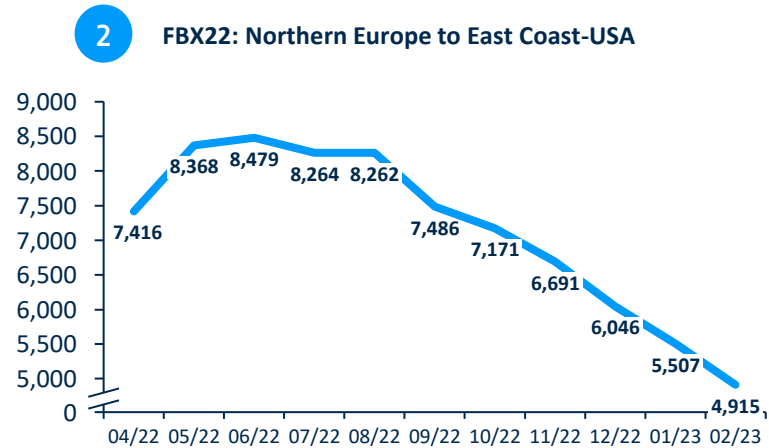
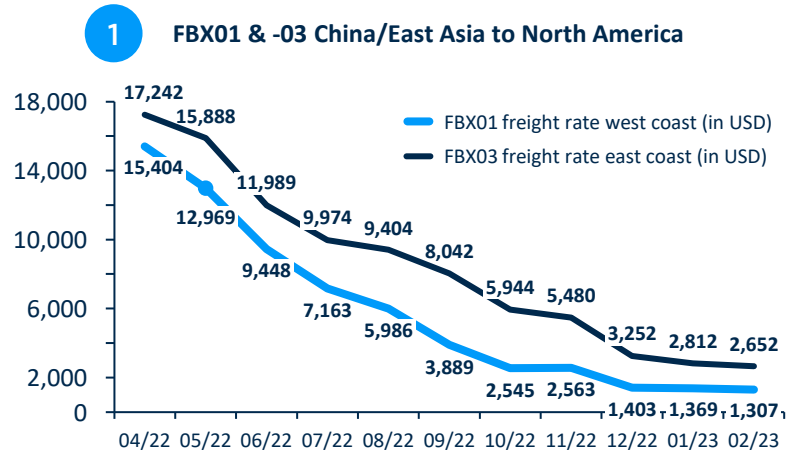
Downward trend in freight costs stopped

- Also in January, the sideways movement in freight rates that has been in place since the end of 2022 continues
- Since the low on 16.12.22, the China-Northern Europe Index has risen by 35%. SCFI already in constant sideways trend since mid-November
- The freight market is highly dependent on consumption and economic factors. Initial indicators point to better economic development than expected in Q4 2022
- This has recently been supported by positive inflation data: In the USA, the inflation rate fell to 6.5% in December (compared with 7.1% in November). In the Euro-Zone, the inflation rate fell to 8.5% in January (compared with 9.2% in December)
- FED also reacts more optimistically: By raising its key interest rate by 0.25 percentage points, the U.S. central bank slows the pace of its restrictive monetary policy measures

Freight rates for US imports from China confirm their sideways trend. Freight rates for US imports from Northern Europe continue to fall

2. Recent development of sea freight rates

In USD



Possible effect of the Inflation Reduction Act of the USA?

- 1 FBX01 & -03:** The downward momentum in freight rates for U.S. imports from China has slowed sharply since December and a bottom is starting to emerge
- 2 FBX22:** Freight rates from Northern Europe to the USA continue to fall significantly. A correlation with the USA's Inflation Reduction Act, which favors domestic companies, cannot be ruled out
- 3 FBX12:** Constant pricing of USD 330 to 370 for China/East Asia export freights from Northern Europe since October
- 4 FBX21:** USA import freight has traded in a range between \$513 and \$677 for about a year, except for a brief spike in October 2022 to \$835. Volatility has eased since December

900 new ships by 2027, termination of China Germany Express and less capacity in Far East-Europe-Mediterranean traffic

3. Vessel capacities & shipping routes

New ships meet an environment of cooled demand

- As a result of the record profits in the shipping industry during the pandemic, many shipping companies have invested in expanding their fleets: The order backlog of new containerships is mostly scheduled for delivery between 2023 and 2027 and is estimated by Drewry to be around 900 vessels, representing an additional capacity of around a quarter of the current transport capacity
- According to Simon Heany of Drewry, shipping companies will try to counteract overcapacity and prevent depressed freight rates by postponing commissioning, decommissioning old ships and cancelling voyages

Hapag-Lloyd to terminate stand-alone China Germany Express in February

- The connection between Far East and the German market will then be replaced by a new Far East-North Europe service (FE9) and ensured with slots in the FAL3 service of CMA CGM, the Ocean Alliance member

Less capacity in Far East-Euro-Mediterranean traffic

- The major alliances recently reduced sailings due to lower space requirements and to support freight rates: 2M (-24%), Ocean Alliance (-23%) and The Alliance (-36%)

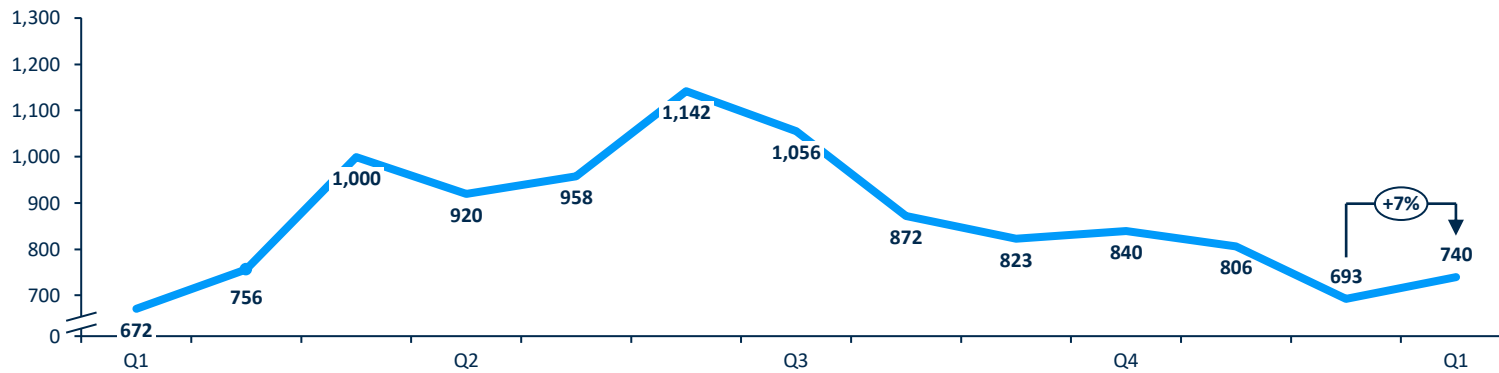


Bunker prices after strong price correction back to slight increase in January

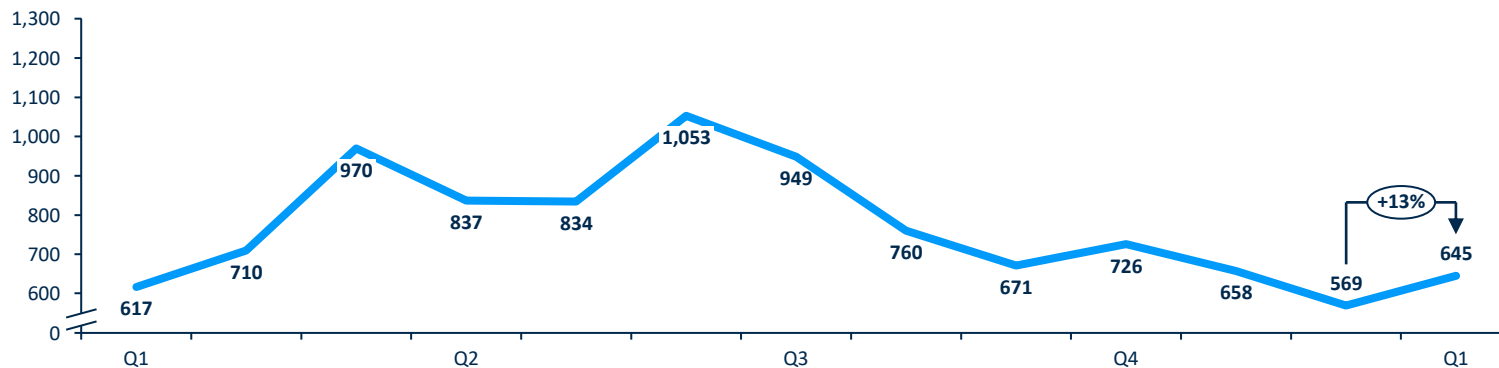
4. Bunker prices

In USD

1 Global Average Bunker Price (VLSFO) per Metric Tonne



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



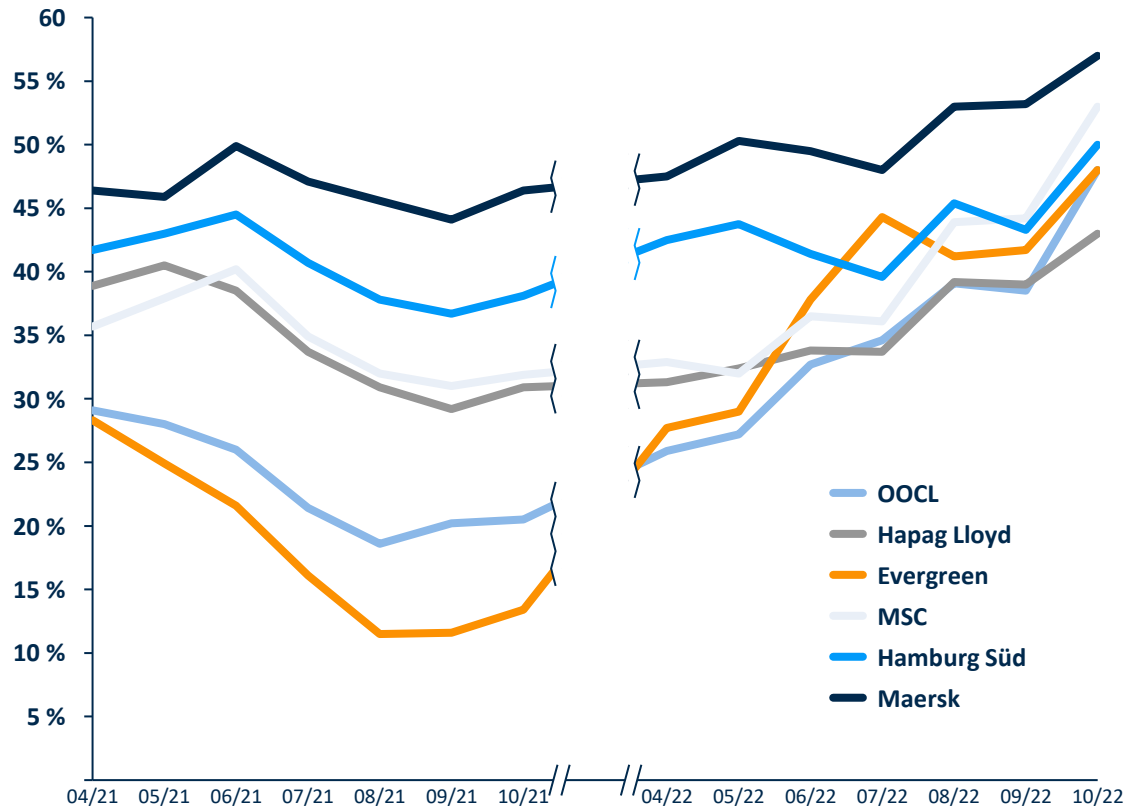
Slight increases in bunker prices compared to the previous month

- 1 After dropping by 40% from June to December, the Global Average Bunker Price has recently recorded an increase in January. The increase compared to the previous month was 47\$ or about 7%
- 2 The Global 4 Ports Average Bunker price shows a simultaneous direction, but the upward movement of \$76, or about 13%, is more significant both in relative and absolute terms

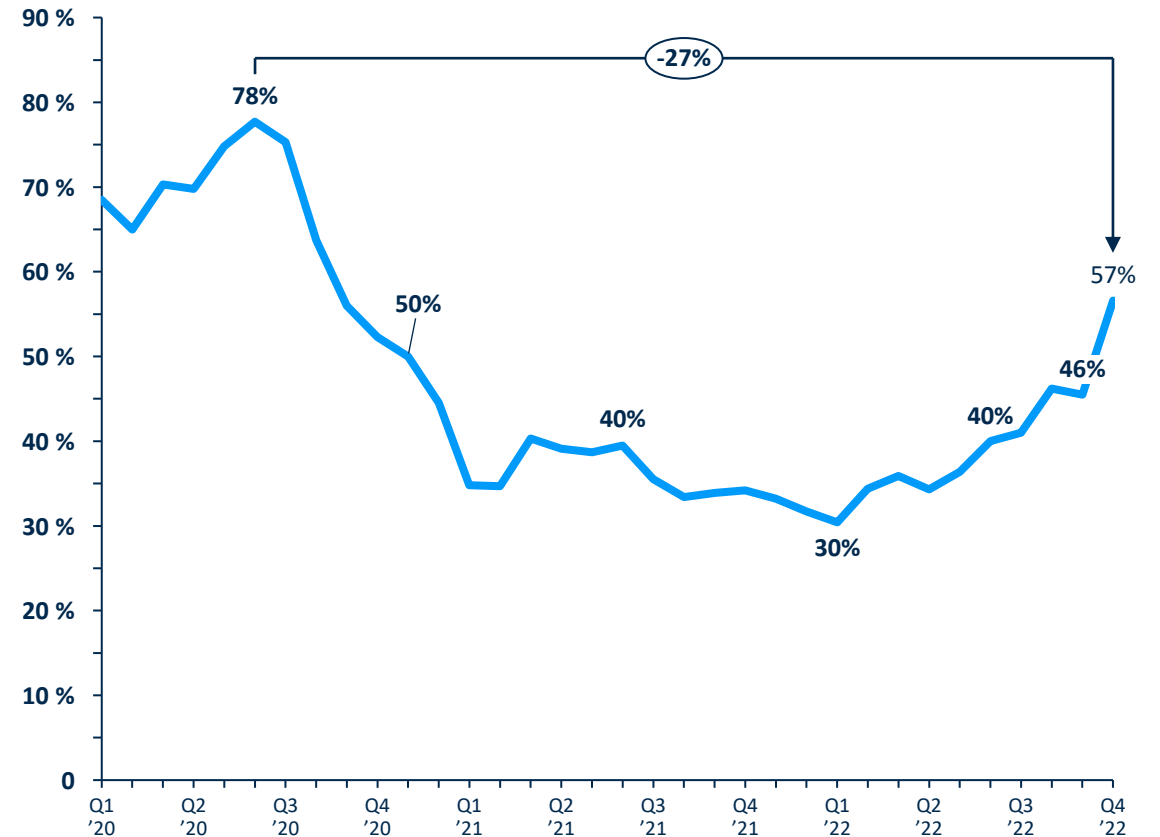
Improvement in schedule reliability in second half of 2022 continues

5. Schedule reliability

Average schedule reliability of major shipping companies 2021 vs. 2022 (%)



Average schedule reliability of large container ships globally (%)



Maersk plans integration of Hamburg Süd and Sealand. SCFI moves sideways near 3-year low

6. Newsroom

Maersk to integrate Hamburg Süd and Sealand

- The Danish shipping company has announced its intention to unify its brands by integrating Hamburg Süd and Sealand
- The current brand structure does not ideally reflect the supply chain structure and customers' demand for end-to-end solutions, and it is hoped that this step will reduce logistical problems. A profound review process takes place before concrete decisions are made
- Existing agreements and contracts as well as their confidentiality shall be preserved and respected despite the foregoing

SCFI near 3-year low in January

- The Shanghai Containerized Freight Index fell again by 2% on January 13, reaching USD 1,031, its lowest level since July 2020. Since then, the index has been moving sideways. On January 20, the SCFI was trading steady at USD 1,030. This means that the index is currently only slightly above the historic three-year low of USD 1,022, which was marked in January 2020



Positive inflation data in the USA and Euro-Zone support improved economic expectations

7. TvK Outlook

The improved economic expectations discussed in the January Market Update are supported by a continued decline in inflation rates. In addition, central banks are signaling a reduction in the pace of their restrictive interest rate policy. The broken downward momentum of freight prices is manifesting itself. An absence of previously expected recessions may stimulate the freight market and thus trigger cost increases

- The US inflation rate fell to 6.5% in December (expectation 6.5% / previous month 7.1%). In the Euro-Zone, January data is already available, showing a decline to 8.5% (expectation 8.9% / previous month 9.2%), which is more positive than expected
- Depending on individual expectations, either a rate model linked to an index such as the SCFI can be chosen to optimize freight costs (if freight rates are expected to continue to fall) or a long-term rate with price certainty can be chosen (if freight rates are expected to rise in the future and/or in order to minimize market risks)
- An individual trade-off between upside opportunity and downside risk from any market movements should be considered in the contract setup to ensure an ideal positioning



FCO Expertise - Your contact persons

Experienced. Success-oriented. Integer.



Dr. Thomas van Kaldenkerken

Partner

 +49 173 299 02 01

 +49 2159 995 30 00

 tvk@tvkconsult.com



Dr.-Ing. Maxime Goubeaud

Manager

 +49 170 226 98 09

 +49 2159 995 30 00

 mg@tvkconsult.com



Florian van Kaldenkerken

Consultant

 +49 173 403 70 39

 +49 2159 995 30 00

 fvk@tvkconsult.com



Julian Marpert

Consultant

 +49 170 185 93 36

 +49 2159 995 30 00

 jm@tvkconsult.com