



MARKET UPDATE SEAFREIGHT

January 2023



TVK CONSULT
Unternehmerberatung

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TvK Consult Market Update

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China overturns zero-covid strategy – relaxations boost freight market, growth outlook more optimistic, Corona wave clouds overall picture

1. Topic of the month

After almost 3 years of strict zero covid strategy, China's government suddenly relaxes it, with far-reaching consequences for the economy and sea freight.

- The problems in the supply chains can thus be gradually solved and the Chinese economy can return to its pre-Corona growth path. An increase in imports and exports would boost demand in the freight market
- Morgan Stanley analysts upgrade emerging markets for first time since pandemic outbreak – growth outlook for Asia and Europe more optimistic

High inventory levels of companies and around 250 million people infected with Corona according to WHO cloud overall picture

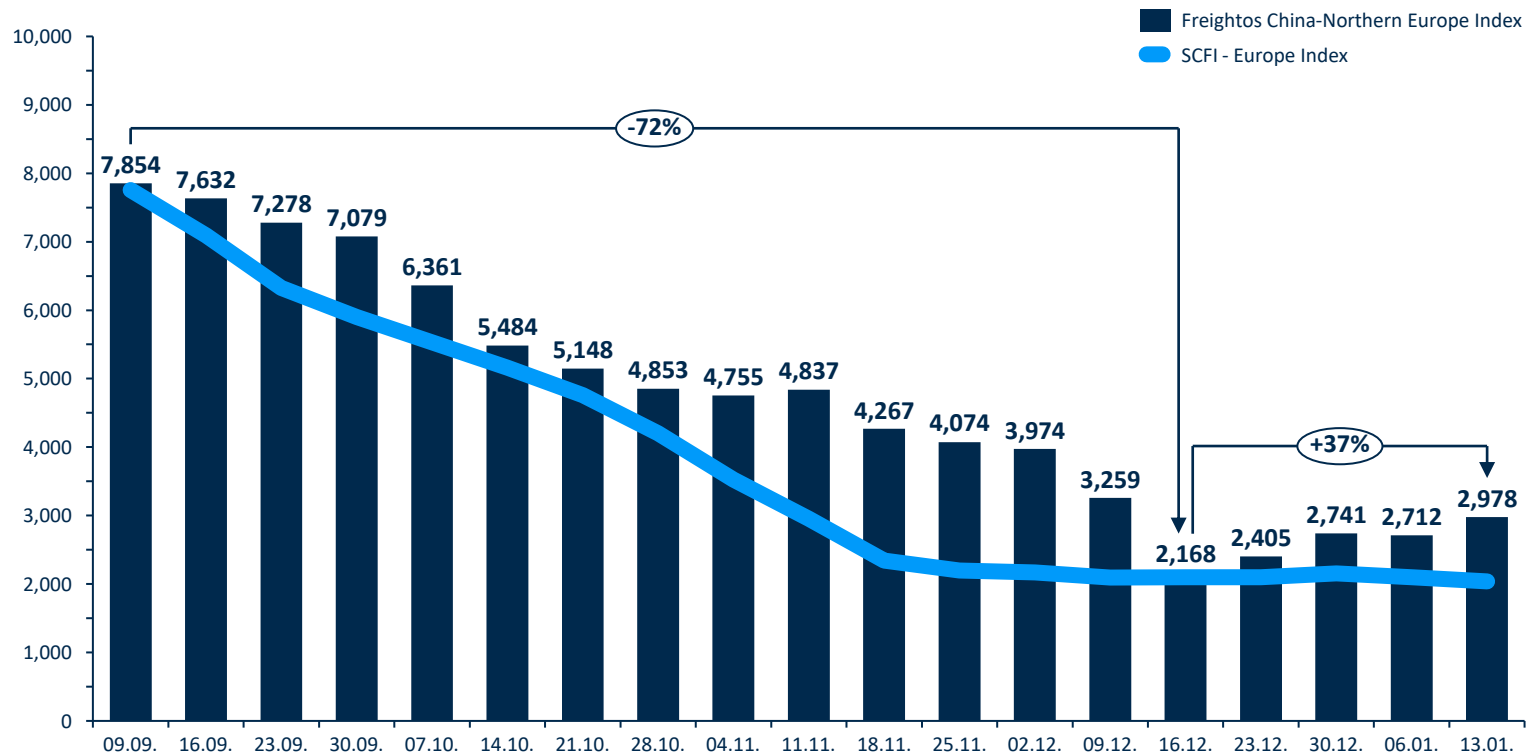
- Inventories of European companies remain above average. In addition, uncertainty remains regarding China's possible response to the ongoing escalation of the epidemic. In addition, the high incidence levels could have a lasting impact on production as well as loading and transport.



Constant freight prices since mid-December – will China opening and a more positive economic development lead to rising freight rates in the future?

2. Recent development of sea freight rates

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

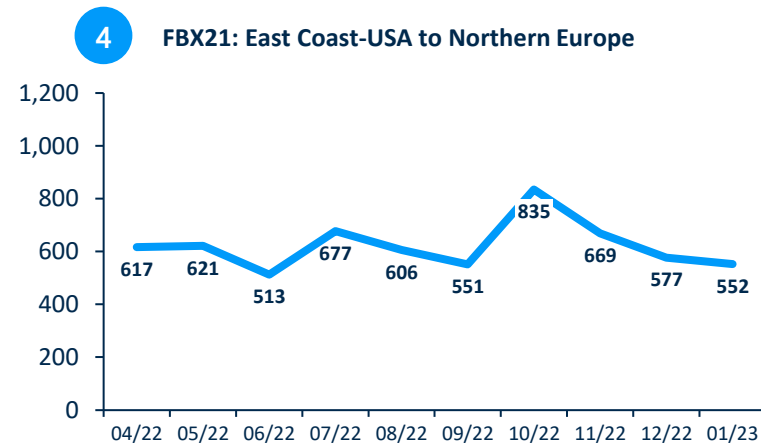
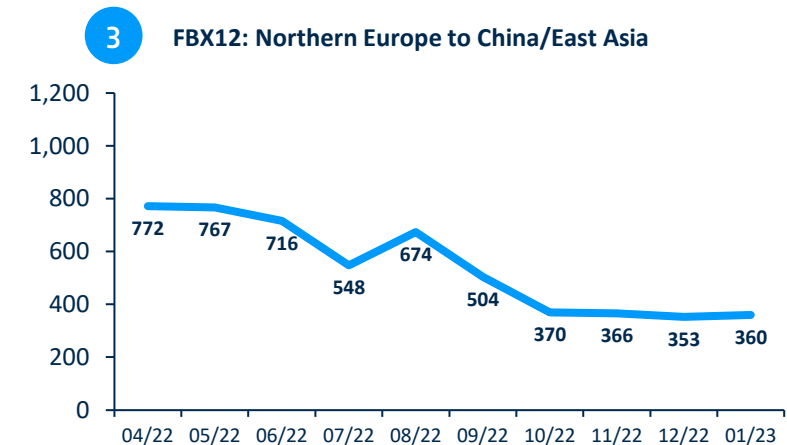
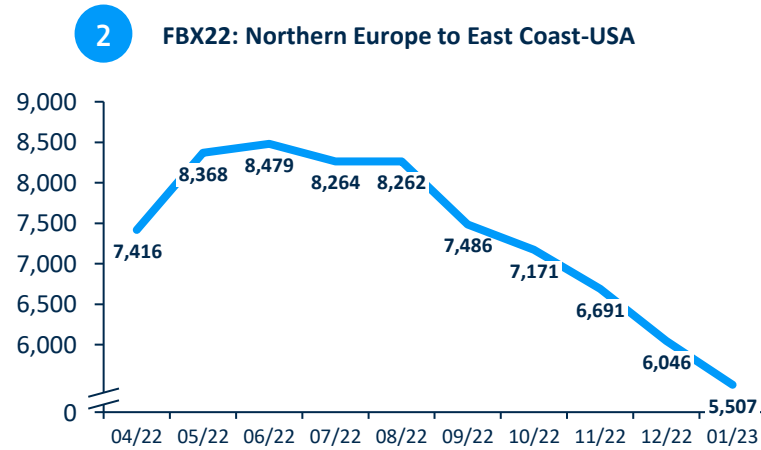
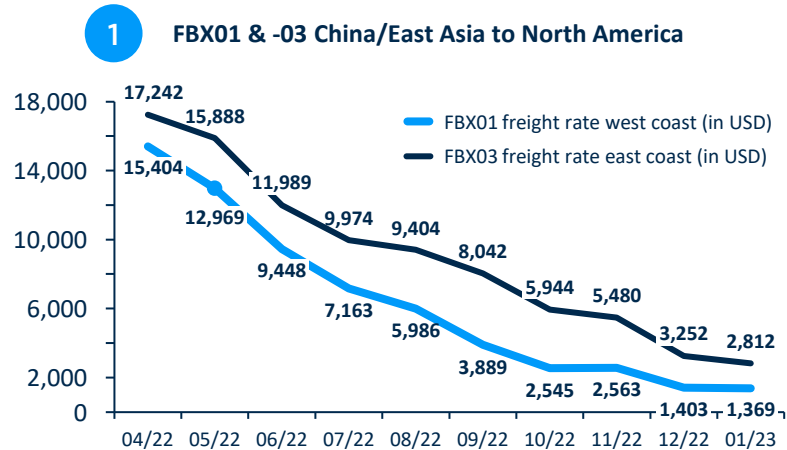


Bottom forming after strong pullback

- Since mid-December, the downward momentum on the freight market has eased
- Meanwhile, from the low on 16.12.2022, the China-North Europe Index has risen 37%. SCFI already in sideways movement since mid-November
- The freight market is highly dependent on consumption and the economy. First indicators point to a better economic development than expected in Q4 2022
- In addition to the opening of China, this is also due to a mild winter in Europe and the resulting relaxation of the energy market. Ultimately, this will curb inflation and restrictive monetary policy measures by central banks could be less severe
- Thus, instead of an expected recession, the economists at Goldman Sachs are now forecasting moderate growth of 0.6% for the euro zone

China and Europe export cargoes to the USA continue to fall in price. Europe-China exports and USA-Europe imports increasingly constant

2. Recent development of sea freight rates on selected routes



Mixed picture in route comparison – declining momentum discernible

- 1 FBX01 & -03:** Downward momentum reduced since December. Nevertheless, freight rates continue to decline
- 2 FBX22:** Freight rates from Northern Europe to the East Coast of the USA continue to decline since August – rates fall again by around 10% since December 2022
- 3 FBX12:** Export freight rates from Europe to China/East Asia steady in the USD 350 and USD 370 range since October
- 4 FBX21:** USA import cargoes in a range between USD 513 and USD 677 for 10 months, except for a short-lived increase in October 2022 to USD 835

Empty runs on transpacific trade lane; COSCO orders 12 Megamax container ships with new fuels

3. Vessel capacities & shipping

Blank sailings again in December and January

- Carriers have announced 59 blank sailings for the month of December for the transpacific trade lane eastbound
 - This represents a 29.1% reduction in normal capacity and is due to record inventory levels in warehouses due to the conversation from “just in time” to “just in case”

COSCO Shipping Holdings announces orders for 12 Megamax container vessels with new fuel

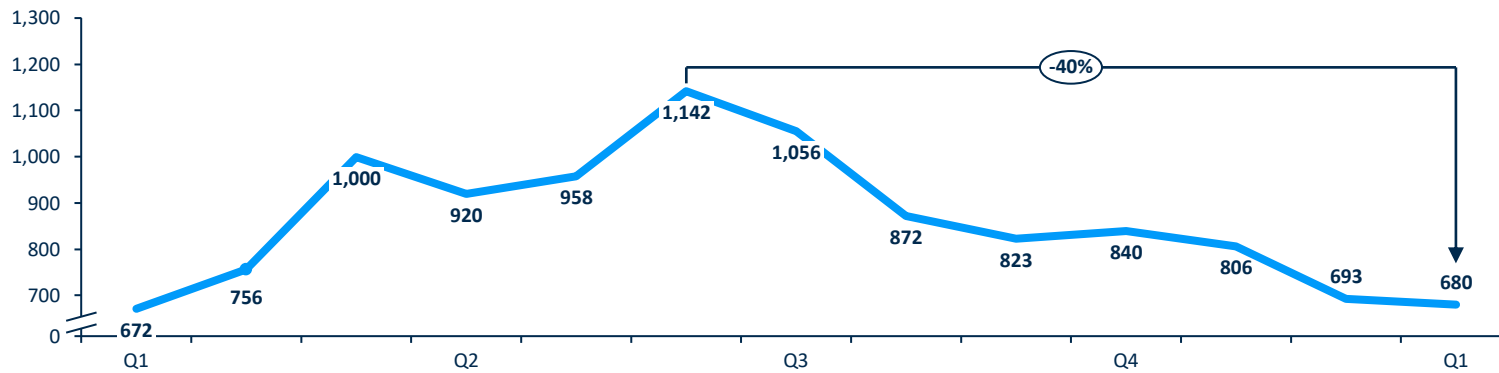
- In early November, COSCO released the order for the 12 24,000 TEU Megamax class vessels with dual-fuel methanol propulsion systems
- The 12 ships are COSCO’s first foray into the “new” fuel sector
- According to a notice filed with the Shanghai Stock Exchange, the vessels will be split between OOCL and COSCO Shipping. The contracts were awarded to COSCO joint ventures Nantong COSCO KHI Ship Engineering (NACKS) and Dalian COSCO KHI Ship Engineering (DAKKS) and are scheduled for completion by mid-2028



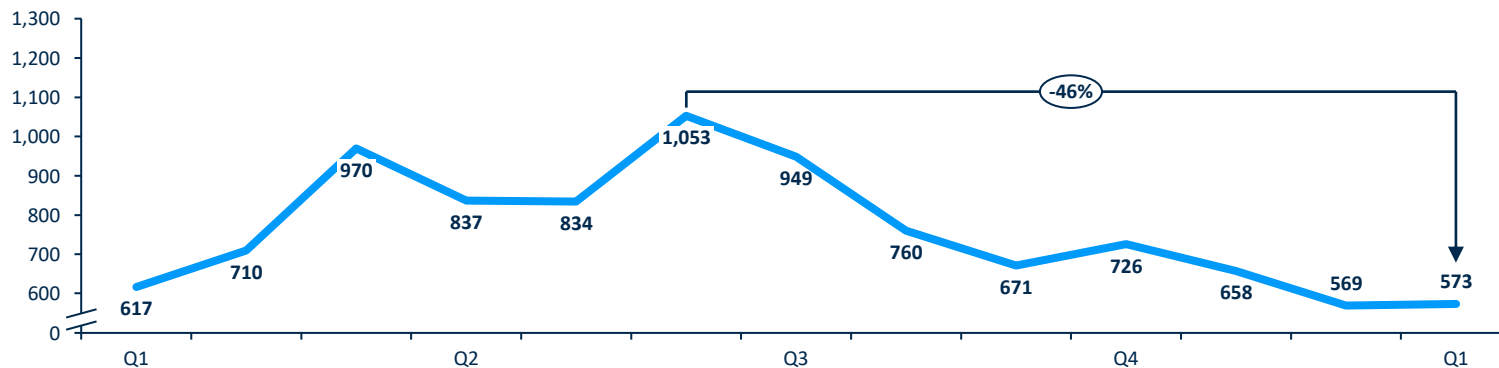
Pre-war level reached: average global bunker price down due to lower crude oil prices since June 22

4. Bunker prices

Global Average Bunker Price (VLSFO) per Metric Ton



Global 4 Ports Average Bunker Price (VLSFO) per Metric Ton



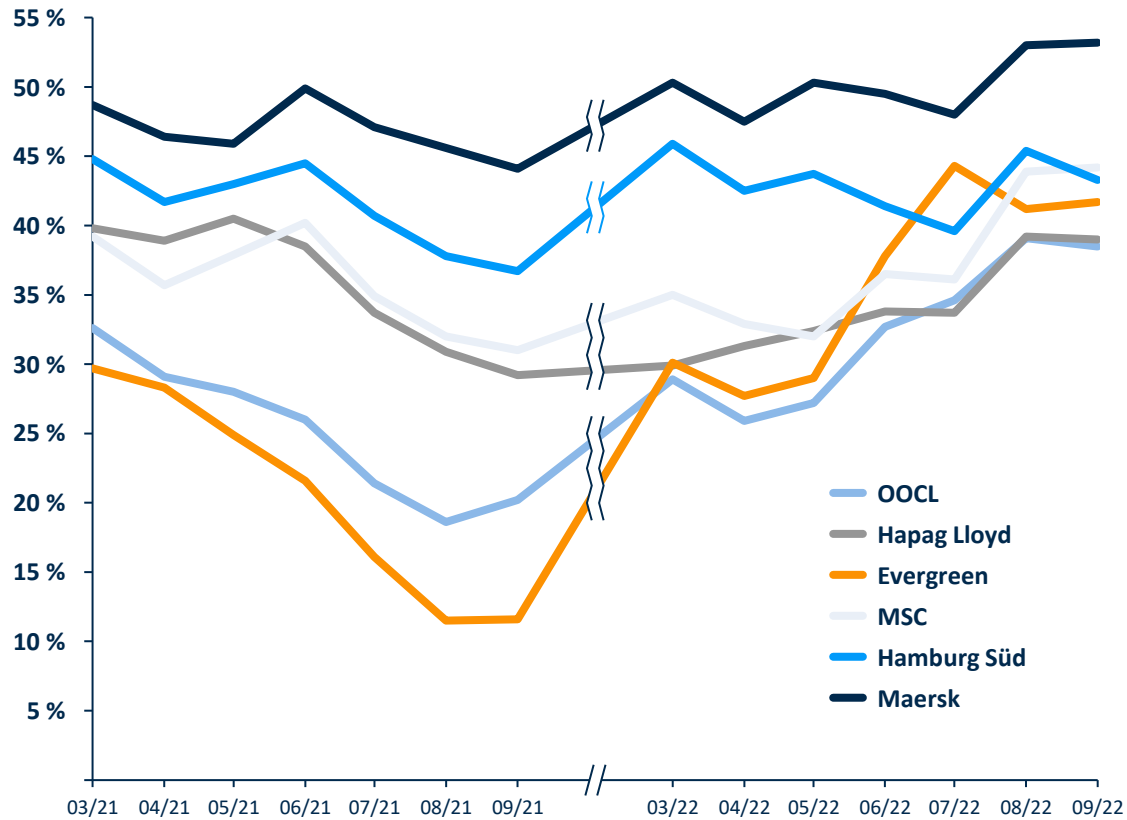
Slowdown on global oil market has a significant impact on bunker prices

- Global Average Bunker Price has fallen by 40% 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
- The Global 4 Ports Average Bunker Price has declined even more, 46% since mid-June and is about USD 100 below the Global Average Bunker Price

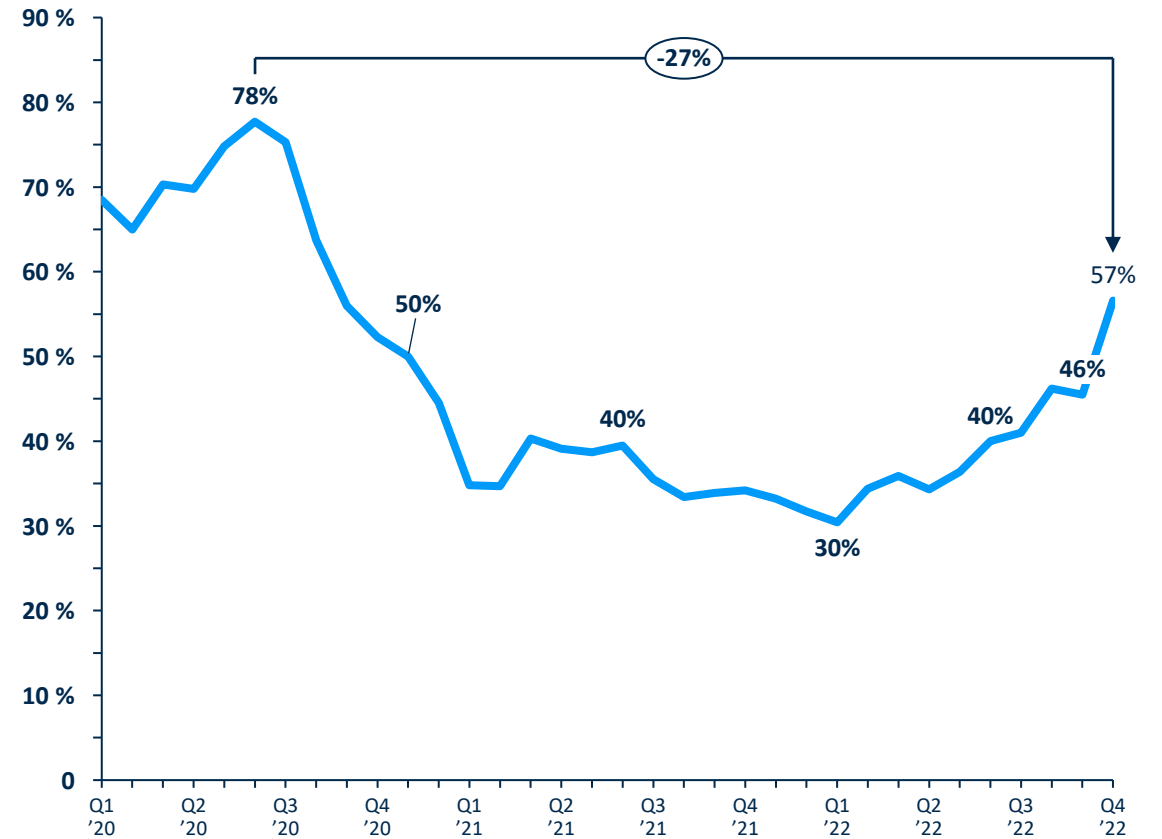
Significant improvement in schedule compliance in second half of 2022

5. Schedule reliability

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



Average schedule reliability of large container ships globally (%)



Experts disagree on forecast for economic development in 2023; energy prices fall again

6. Newsroom

Economic development in 2023 is assessed increasingly positive

- After Morgan Stanley experts predicted a recession for Europe until recently, as companies would no longer be able to pass on the costs of inflation to customers, the financial house upgraded emerging markets and emerging markets in Europe such as Poland for the first time since the start of the pandemic – growth outlook for Asia and Europe more positive overall
- Goldman Sachs is more pessimistic about Europe. However, they forecast – albeit slower – growth for the global economy. India is expected to lead the way with 7.2%, while China is expected to grow by 4.2%

Energy prices almost back to pre-war levels

- Energy prices are almost back to pre-war levels by the end of 2022 and could stimulate the freight market, acting as a brake on the one hand and an economic driver on the other



Recession canceled? Recession softened? Economic growth?

7. TvK Outlook

The development remains dynamic and is characterized by uncertainty. According to TvK Consult, planning security through longer-term freight contracts with fixed prices at currently favorable rates is advantageous – specially to prevent increased volatility.

- Inflation in the euro zone remains high but has been falling since November. In the U.S., the picture is similar - but inflation has been falling since June 2022, which is due not least to a more reactive monetary policy by the Fed and the country's reduced dependence on energy.
- The largest asset manager BlackRock speaks of the markets experiencing the "biggest macro storm in decades" and continues to warn of an imminent recession in 2023
- The IMF, on the other hand, expects lower growth than last year, but does not expect the global economy to slip into recession. This is based on the departure from China's zero-covid policy as the engine of the global economy.
- Most recently, actual economic development was better than forecast on average



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