



MARKET UPDATE SEAFREIGHT

MARCH 2023



TVK CONSULT
Unternehmerberatung

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TvK Consult Market Update

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Earthquake in Turkey and Syria causes major fire at port of Iskenderun and massive damage to logistics infrastructure

1. Topic of the month

Large fire at port site in Iskenderun after devastating earthquake in Turkey and Syria

- The earthquake that struck Turkey and Syria on February 6 has had a significant impact on the transport infrastructure in the affected regions
- Port operations in Iskenderun, which handled around 40,000 TEU per month, had to be completely suspended until further notice as a result of the natural disaster
- It took three days to extinguish a major fire at the port site that had set fire to 3,670 containers
- The port management said it would take about three months before the port on the Mediterranean coast in the southern province of Hatay could resume normal operations
- Currently, it is not possible to book any capacity that is handled through the affected port in Eastern Turkey

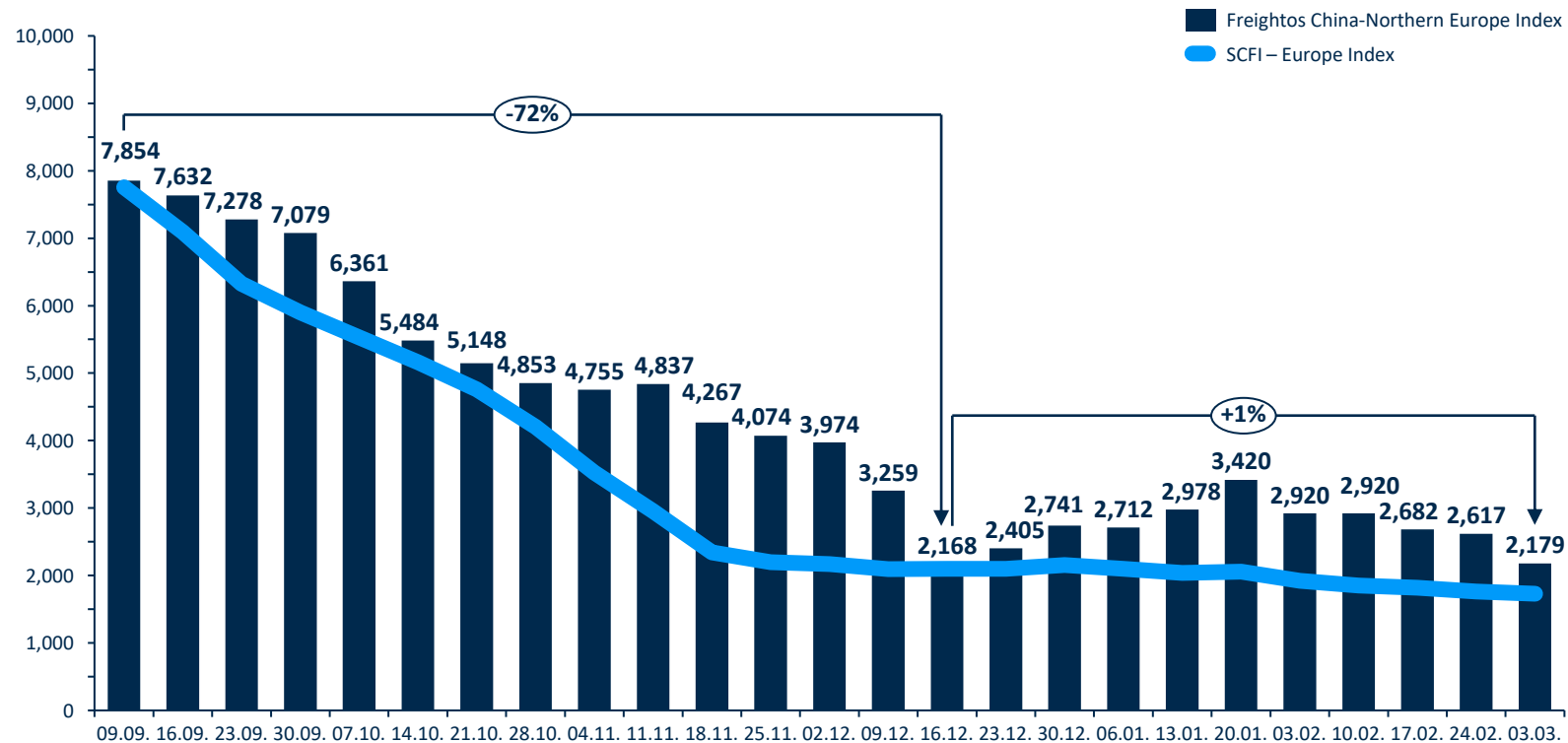


SCFI: Steady sideways trend and decline in market volatility; economic development in the euro area sends mixed signals

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)



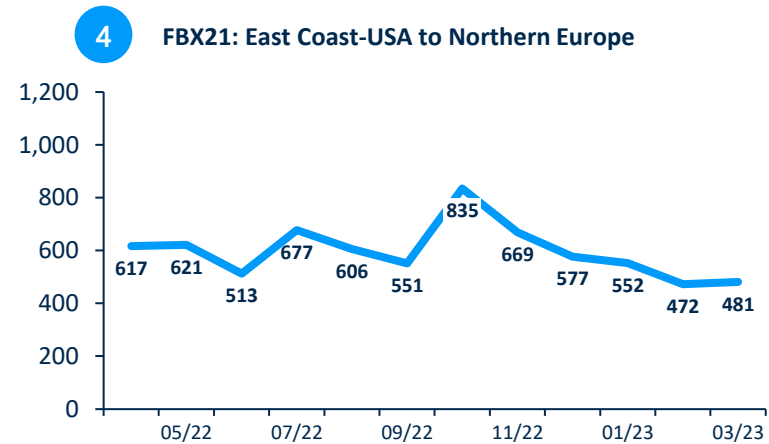
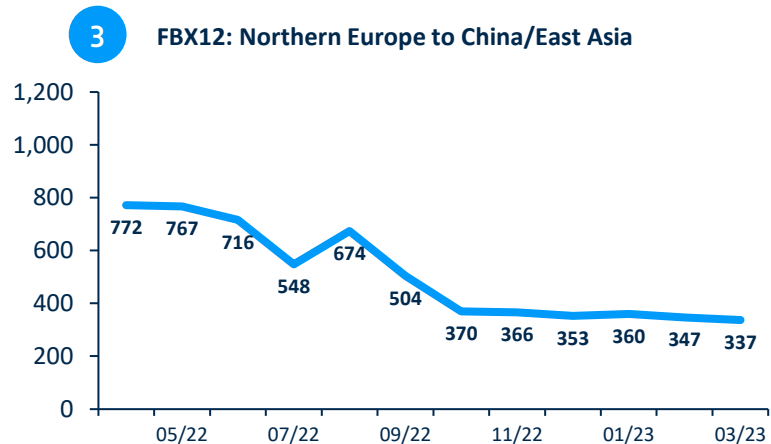
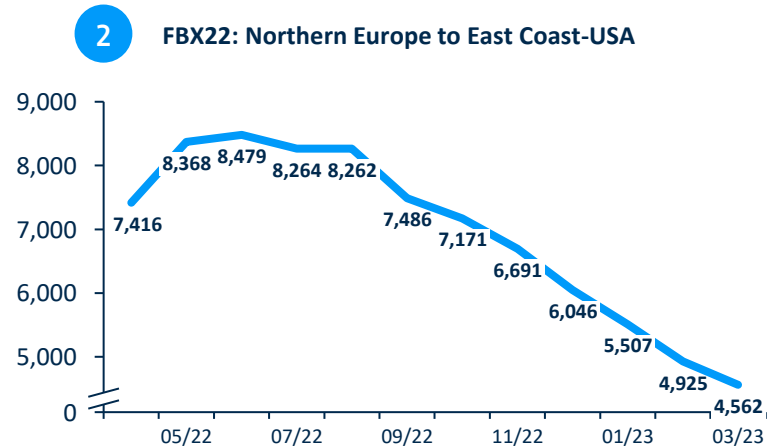
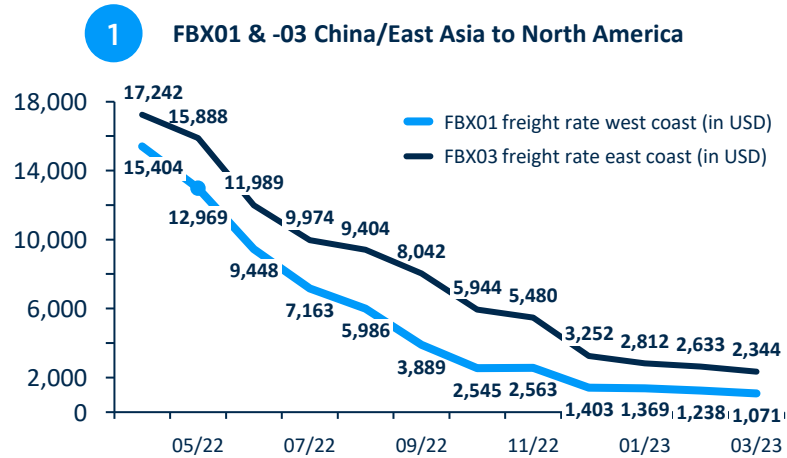
Sideways movement of freight prices confirmed again since mid-December

- Low of 16.12.22 of the China North Europe Index reached again. The SCFI has been in a sideways trend since mid-November
- The freight market is highly dependent on consumption and economic development. The economy in the Euro-Zone has recently been sending mixed signals, resulting in increased uncertainty.
- The Euro-Zone economy picked up momentum in February. The purchasing managers' index, which indicates growth from 50 points, rose to 52.3 points in January (+2.0 points)
- Euro-Zone inflation has also been falling since November (10.1%); in December it stood at 9.2% and most recently at 8.6% in January. For February, Eurostat expects a slight decline to 8.5%
- However, core inflation, which is indicative of cost pass-through from companies to consumers and future developments, is higher: Eurostat revised the annual rate from 5.2% to 5.3%

Global freight market easing is manifesting itself. Sideways and downward movements in freight prices are observed on the ocean trade routes

2. Recent development of sea freight rates

In USD



Fortsetzung der Entwicklungen seit Dezember

- 1 FBX01 & -03:** The sideways movement continues since December 2022
- 2 FBX22:** The downward trend in freight rates from Northern Europe to the USA continues. While Chinese imports have fallen by around 90% since April 2022, European imports have only fallen by around 40%
- 3 FBX12:** Continuation of freight prices at lower level in the range of USD 330 to 370 for China/East Asia Export freight from Northern Europe since October
- 4 FBX21:** U.S. import freights have been running in a range between \$472 and \$677 for the past year, except for a temporary spike in October 2022 to \$835

After Chinese New Year: Chinese output rises and share of blank sailings falls

3. Vessel capacities & shipping routes

End of Chinese New Year slowdown reached

- Shipping volumes increase week by week as production and warehouse operations resume in China

Ten percent cancellation rate for departures between week 8 and week 12

- Between the 8th and 12th calendar week of 2023, 71 sailings were cancelled (Transpacific, Transatlantic, Asia-North Europe and Mediterranean Routes). The Alliance (Hapag-Lloyd, Yang-Ming, ONE and HHM) leads the empty sailings race with 43 cancellations
- The Asia-Northern Europe route accounted for a total of 28% or 20 cancellations
- Drewry reports the period of extensive blank sailings and disruptions during the Chinese New Year (171 cancellations from CW4 to CW8) is followed by fewer cancelled trips in March, resulting in increased capacity release

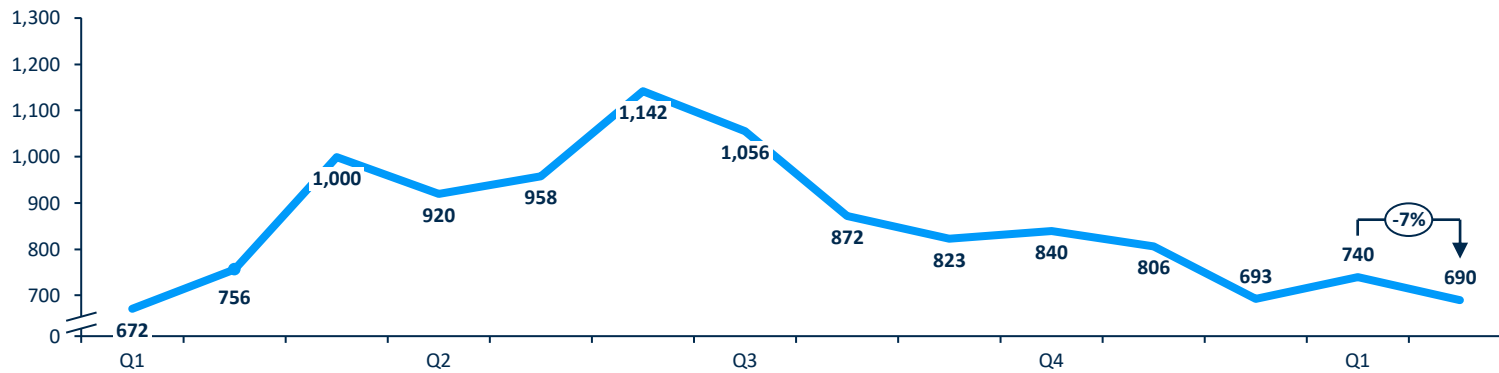


WTI and BRENT consolidate after pullback: Bunker prices in sideways movement at pre-Corona levels. Uncertainty remains high

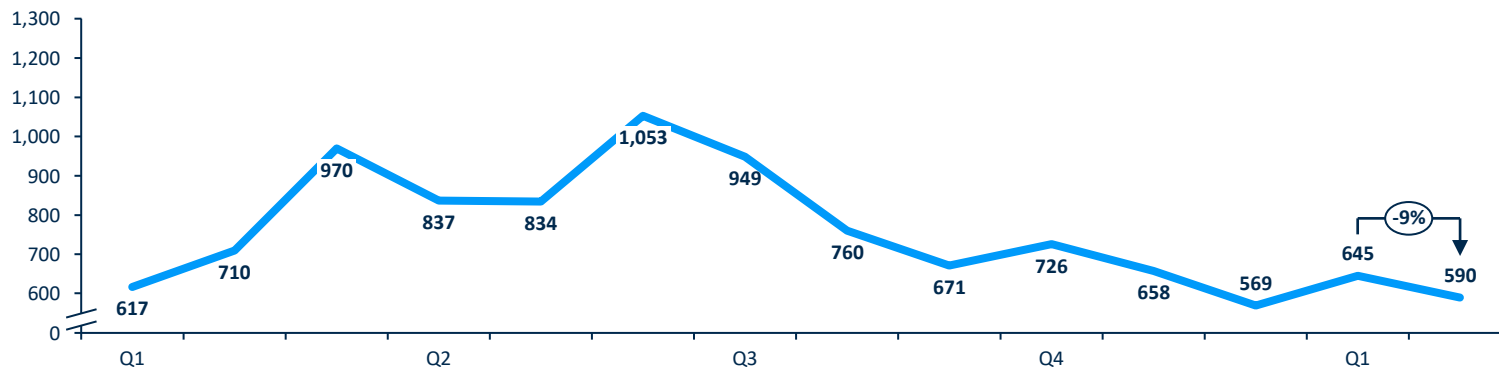
4. Bunker prices

In USD

Global Average Bunker Price (VLSFO) per Metric Tonne



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



*Linear average of the ports of Singapore, Rotterdam, Fujairah and Houston (together representing about 25% of global bunker volume)

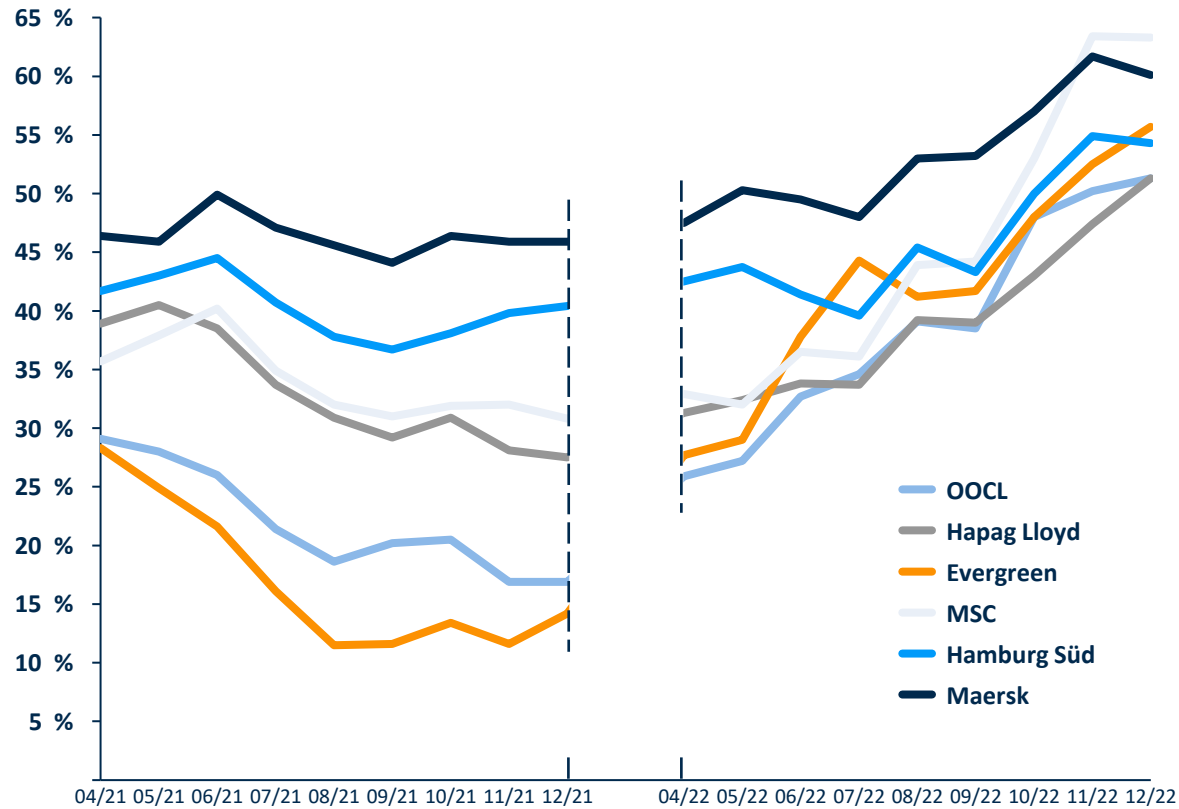
Sideways movement leads to increased planning ability in general but uncertainty remains high

- Following the extreme increases in global oil and thus bunker prices as a result of the Russian invasion, prices began to fall back to pre-Corona levels
- Now, a slightly downward sideways movement is increasingly manifesting itself with significantly lower volatility, which considerably increases the planning ability
- The lower price level on the oil market significantly reduces the pressure on the freight market in terms of bunker prices
- However, future developments are still linked to two major uncertainties: Firstly, the course of the war in Ukraine and, secondly, global economic developments

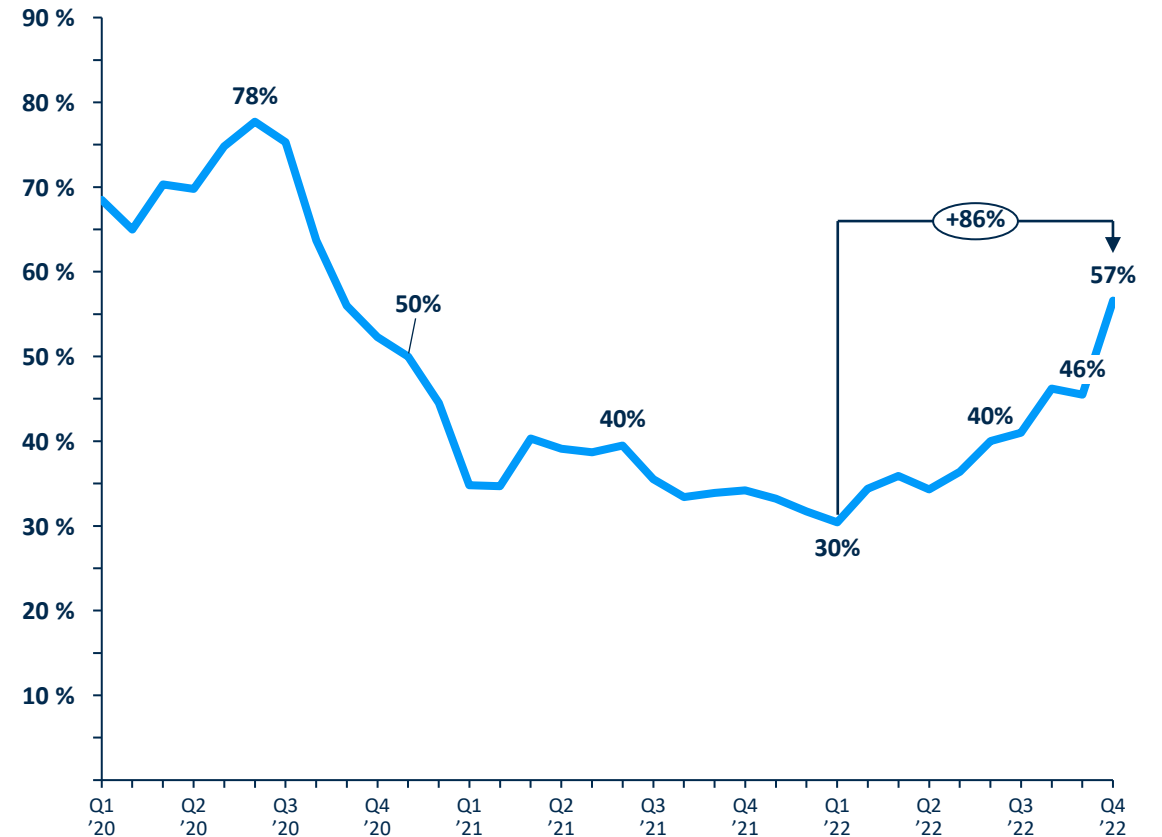
Pre-Corona levels getting closer: schedule reliability up 86% since low in January 2022

5. Schedule reliability

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



Average schedule reliability of large container ships globally (%)



WCI below US\$2,000 for the first time in 32 months. Increased production volumes in China could end rate decline

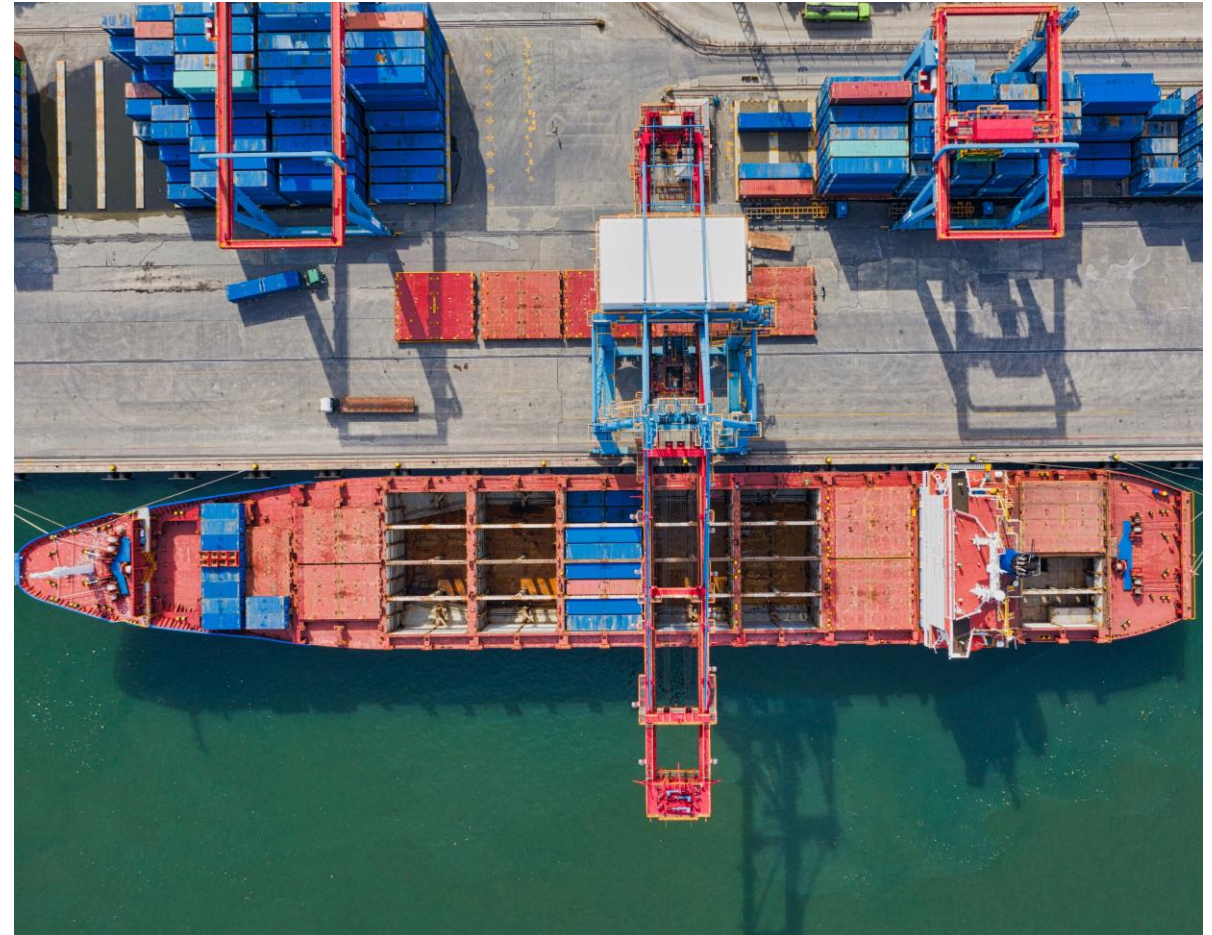
6. Newsroom

Drewry's World Container Index (WCI) falls below US\$2,000 for the first time in 32 months

- After the first prices were revealed following the Chinese New Year, the WCI fell below the psychological mark of US\$2,000 for the first time since July 2020. The last other time the WCI was quoted at this level was in 2015
- It is worth observing that production figures in China have been improving every month since the low point in December, which could counteract the decline in rates in the medium term

Thailand plans \$15 billion investment in infrastructure to boost economic growth

- In particular, the key container port of Laem Chabang (8.1 million TEU in 2019) - along with other large-scale water transport projects - will be modernized as part of the investment project to drive trade with export-oriented Southeast Asian countries
- The major investment, for which a feasibility study is currently being carried out, is intended to re-accelerate growth, which was recently halved to 2.1 percent

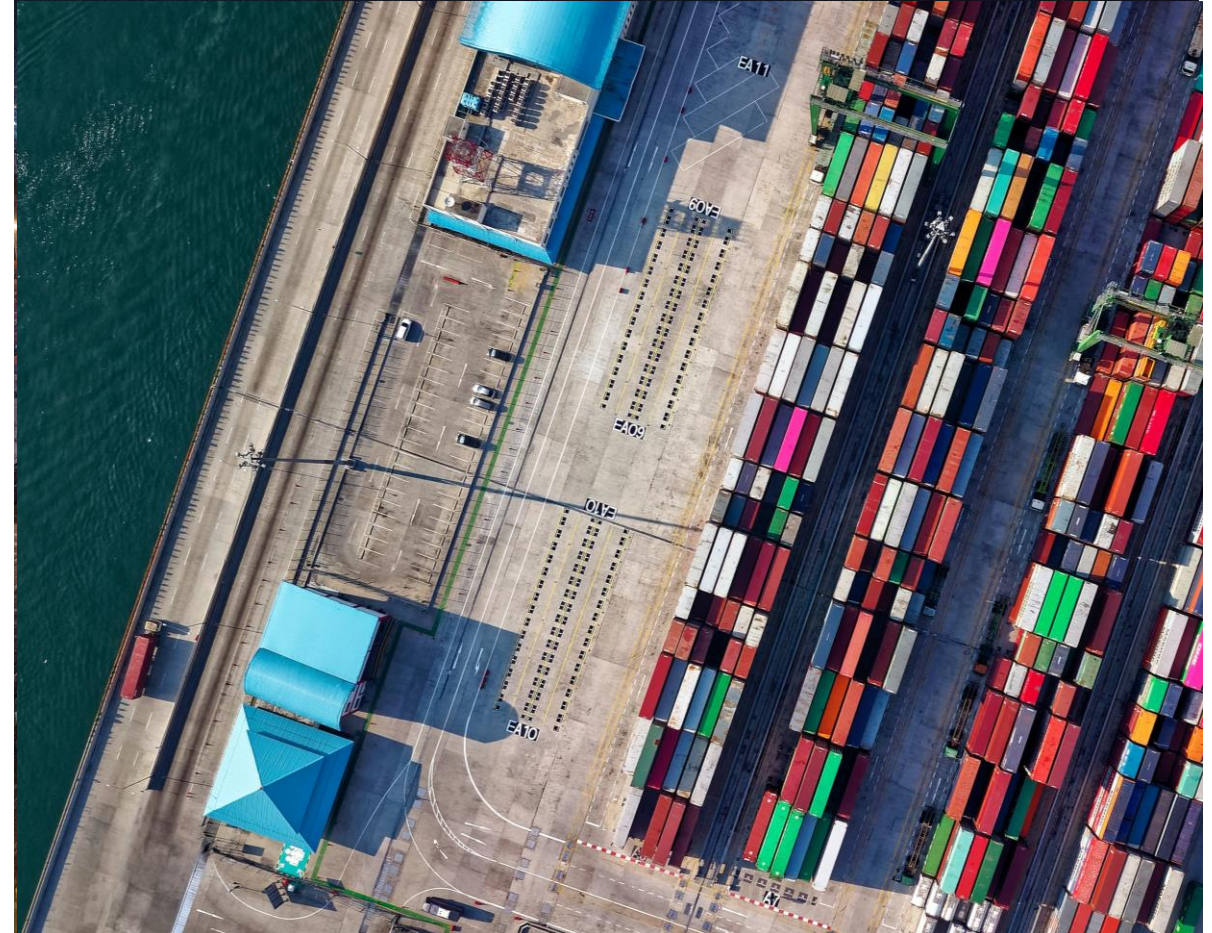


Profit in the long term from historically low freight rates in the short term through TvK solutions

7. TvK Outlook

Hedging through long-term freight contracts: Massive increase in planning security at historically favorable conditions with attractive risk/reward ratio

- Current freight rates are at pre-Corona levels. The savings potential from further declining freight rates is therefore low - with a simultaneous increased risk of countermovements to the upside
- TvK Consult expects freight rates to increase in the second half of 2023 driven by a general economic and market recovery. In particular, China developments after the strict zero covid policy have a supportive effect. The rising production volumes in the People's Republic since the December low support the thesis of rising freight rates in the medium term
- A direct comparison of the risk/reward ratio of a freight solution with e.g. monthly prices versus long-term contracts at current freight prices shows a clear picture: Short-term contracts could temporarily benefit from slightly further declining freight rates in the blue sky scenario. However, the probability of occurrence is low in view of the pessimistic economic development that has been priced in. Long-term hedging at a pre-Corona level, on the other hand, offers protection against stronger increases with a higher probability of freight prices rising in the medium term



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