TVK CONSULT

Unternehmerberatung

Market Update Sea Freight November 2022

Agenda

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

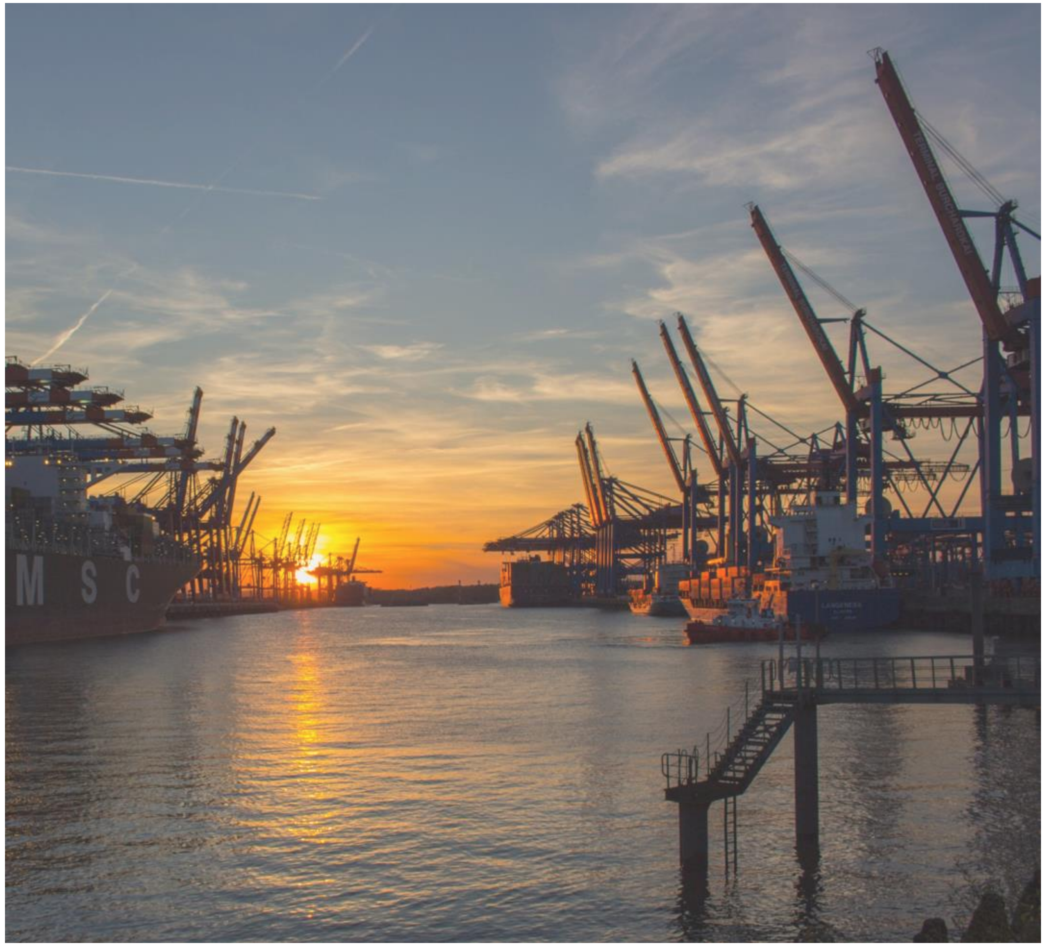
China participation in container terminal in Hamburg: Controversial debate about opportunities for cooperation and risks of influence

TVK CONSULT
Unternehmerberatung

1. Topic of the month

German cabinet approves reduced stake

- China's state-owned shipping company Cosco may acquire shares in a terminal in the Port of Hamburg owned by port logistics company HHLA, but the deal is controversial
- The federal cabinet has now approved a limited stake of 24.9% instead of the 35% previously planned – Despite headwinds from several federal ministries, such as the Foreign Office or the Economics Ministry, and warnings from specialist departments
- Critics see China's participation as a strategic interference in the critical infrastructure of the Federal Republic of Germany. They point to experiences with gas supplies from Russia. They fear the creation of new dependencies. President Steinmeier commented that the lesson from the Russian attack is that economic exchange does not bring political convergence
- Chancellor Scholz defends the decision and supporters expect a strengthened future for HHLA, the Port of Hamburg and ultimately the Federal Republic as an export nation. China, which already owns port terminals in 14 European ports, also welcomes the decision
- The reduced stake of 24.9% is below the blocking minority - meaning that important decisions cannot be blocked by the shareholder. In addition, special rights had been prohibited to prevent strategic shareholding



Quelle: Businessinsider, Tagesschau, Handelsblatt, Deutschlandfunk

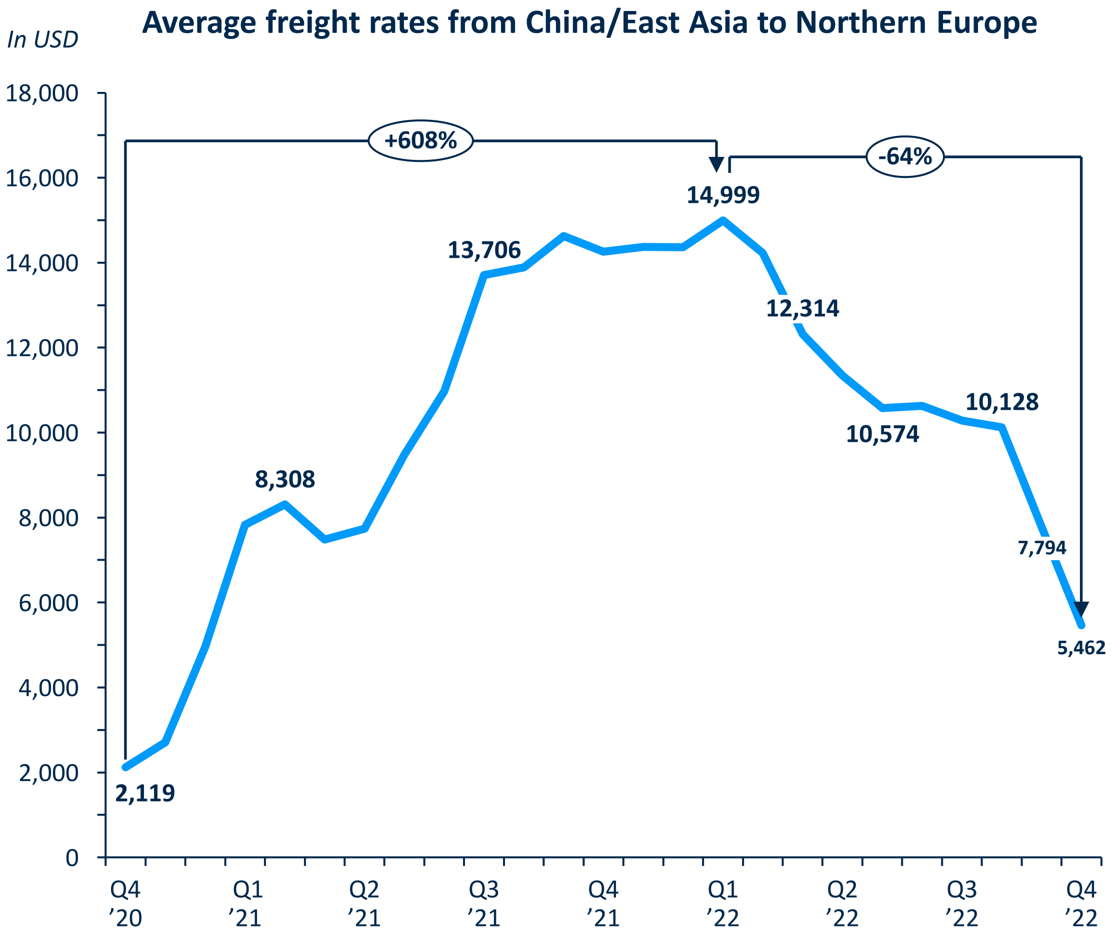
East Asia – Northern Europe freight rate corrected from highs by over 60% - current level nevertheless significantly higher than before pandemic

TVK CONSULT Unternehmerberatung

2. Current development of sea freight rates

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

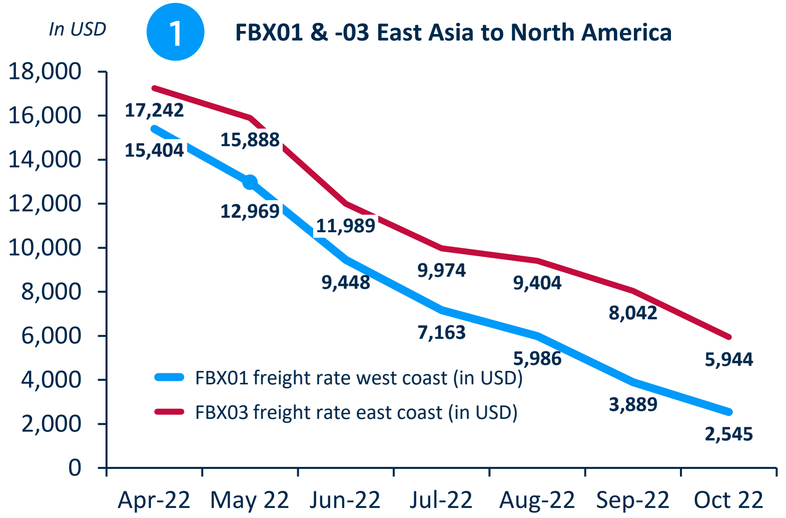
- Subdued peak season and decline in freight rate levels - reduced demand in key import destinations due to full inventories and clouded outlook due to inflation
- "This year, we have not seen the usual rush to the space ahead of Golden Week when factories close in China," says Kelvin Leung, CEO of DHL Global Forwarding Asia Pacific
- There are signs of easing port congestion on the U.S. West Coast and in Asia, although congestion has increased at other hubs
- Looking at trade routes in October, the outlook for Asia-Europe trade is gloomy due to the Golden Week holidays in China and weaker demand in Europe
- In addition, congestion at European ports and associated longer vessel turnaround times continue to disrupt sailings back to Asia

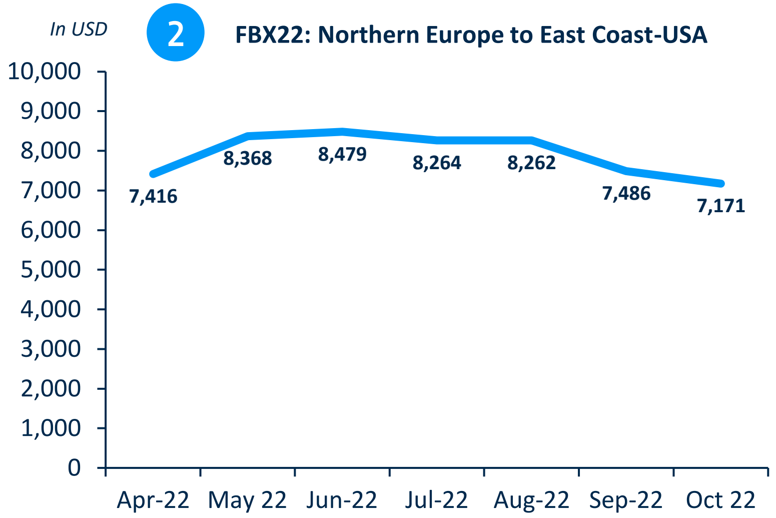


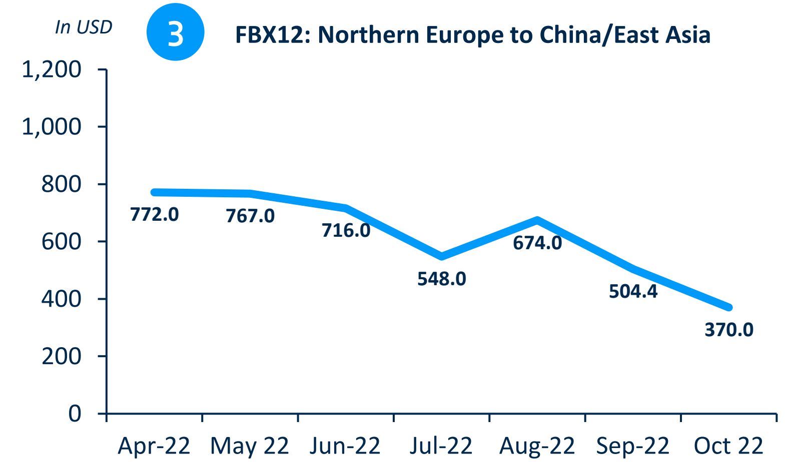
Source: DHL Ocean Freight Market Update, TvK Analysis

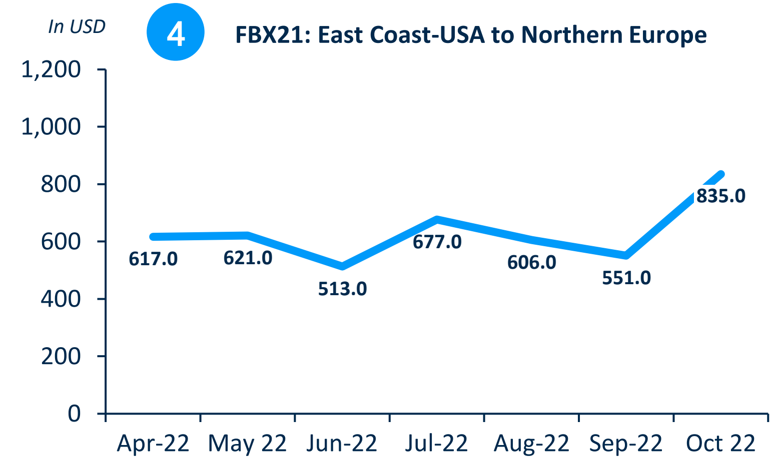
Freight costs for Asian imports down sharply, Europe – US freight rates constant

2. Recent development of sea freight rate 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 in sideways trend since April – relatively constant rates between USD 7,000 and USD 8,500
3. **FBX12:** Lower demand causes freight rates to fall further – export freight from Europe to China/East Asia halved since summer
4. **FBX21:** Freight rates from the East Coast of the USA to Northern Europe leave longer sideways trend - rise above July high to USD 835

Quelle: Freightos, TvK Analysis

Disruption at the Port of Ningbo; empty runs on transpacific trade lane and ongoing strike at the Port of Liverpool.

TVK CONSULT
Unternehmerberatung

3. Vessel capacities & shipping routes

Impairment of the port in Ningbo

- Since Oct. 18, sea cargoes to or from Beilun County in Ningbo, China, have been affected by prevention and control measures for the benefit of public health
  - Closure of all factories within the affected areas
  - Terminals continue to operate, but delays may occur due to lack of manpower and stricter Covid-19 requirements
  - Truck transportation of full container loads and partial loads will be affected by the closure of the Container Freight Station

Empty runs in October and November

- Reporting 62 empty runs for eastbound transpacific trade lane
  - Reduction of normal capacity by 30.6%
  - November: 4 announced empty runs so far

Strike in the port of Liverpool

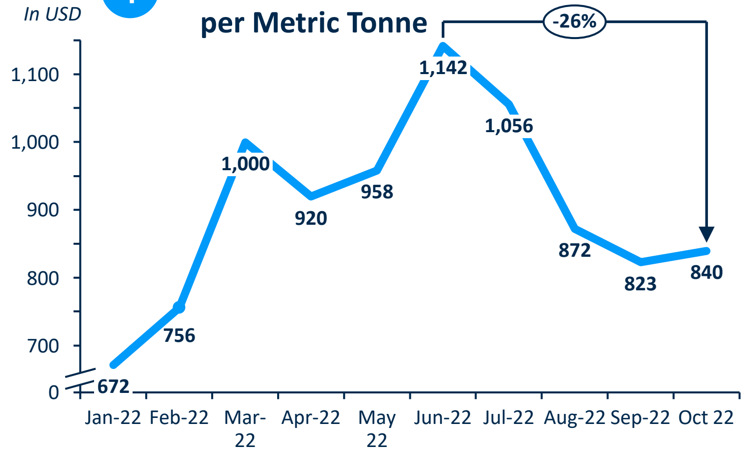
- 600 port workers have announced to extend their strike for two more weeks until 7th of November
  - Delays and congestion in the UK supply chain expected in the coming weeks

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

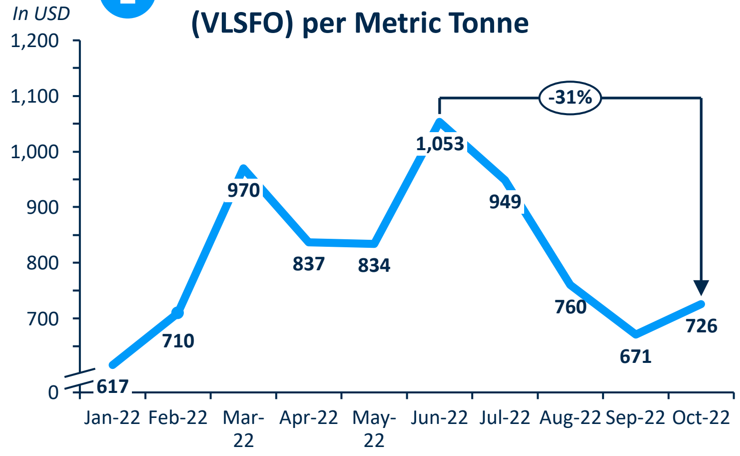
TVK CONSULT
Unternehmerberatung

4. Bunker prices

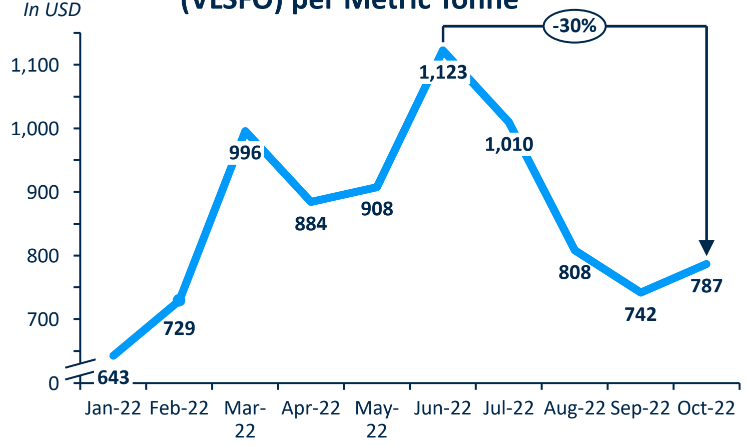
1 Global Average Bunker Price (VLSFO) per Metric Tonne



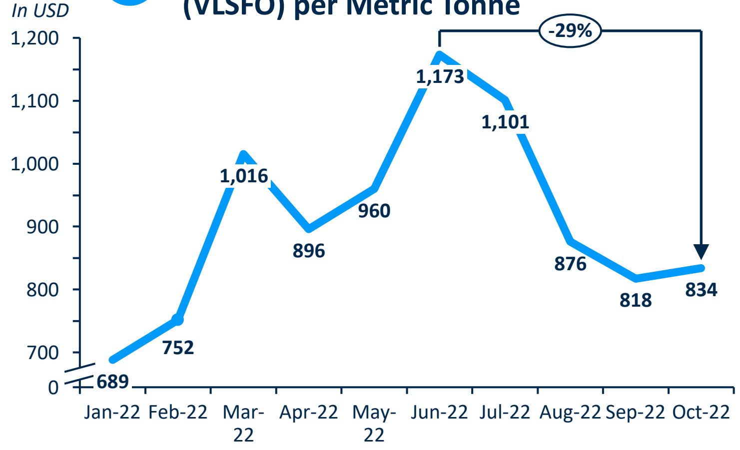
2 Global 4 Ports Average Bunker Price (VLSFO) per Metric Tonne



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



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



Slight increase in bunker prices

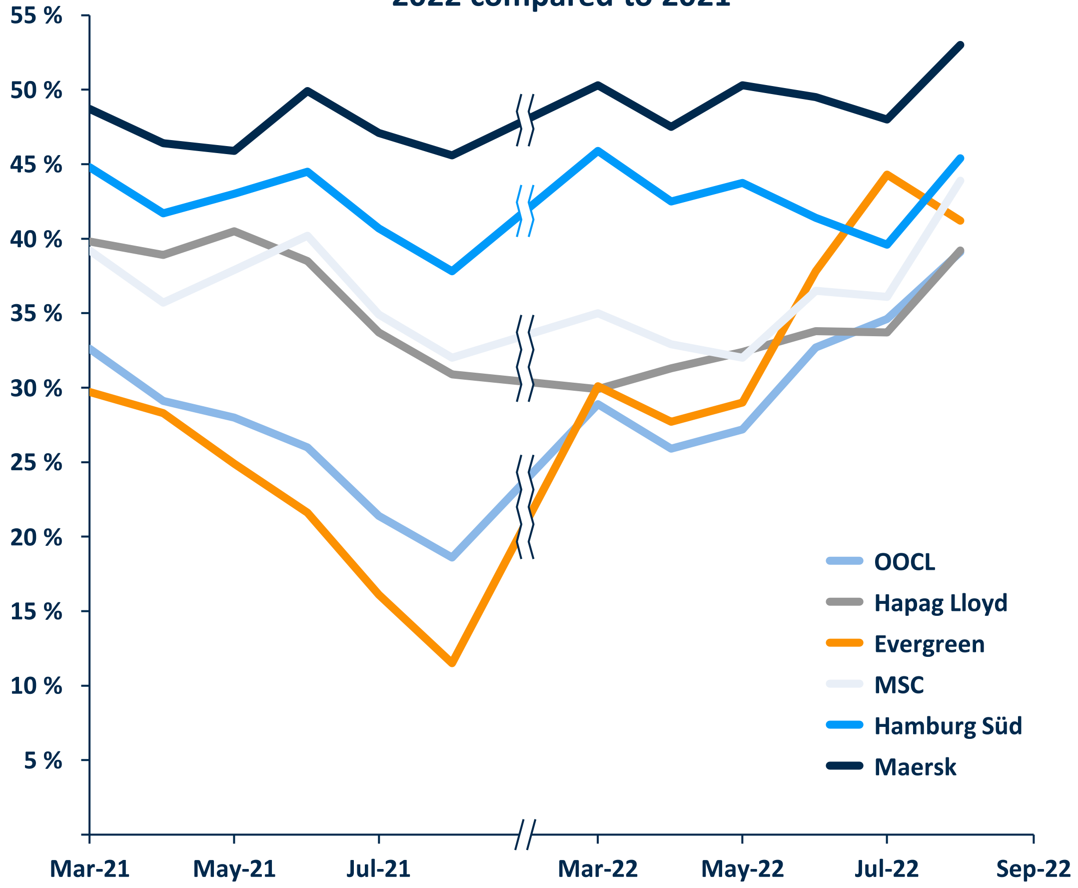
1. Global Average Bunker Price, Global 4 Ports Average, Global 20 Ports Average and APAC average Bunker Price increased slightly from September to October
2. Compared to Q2 2022, bunker prices have decreased
3. The Global Average Bunker Price decreased by 26% from June to October
4. The Global 4 Ports Average Bunker Price has actually fallen by 31% over the same period

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

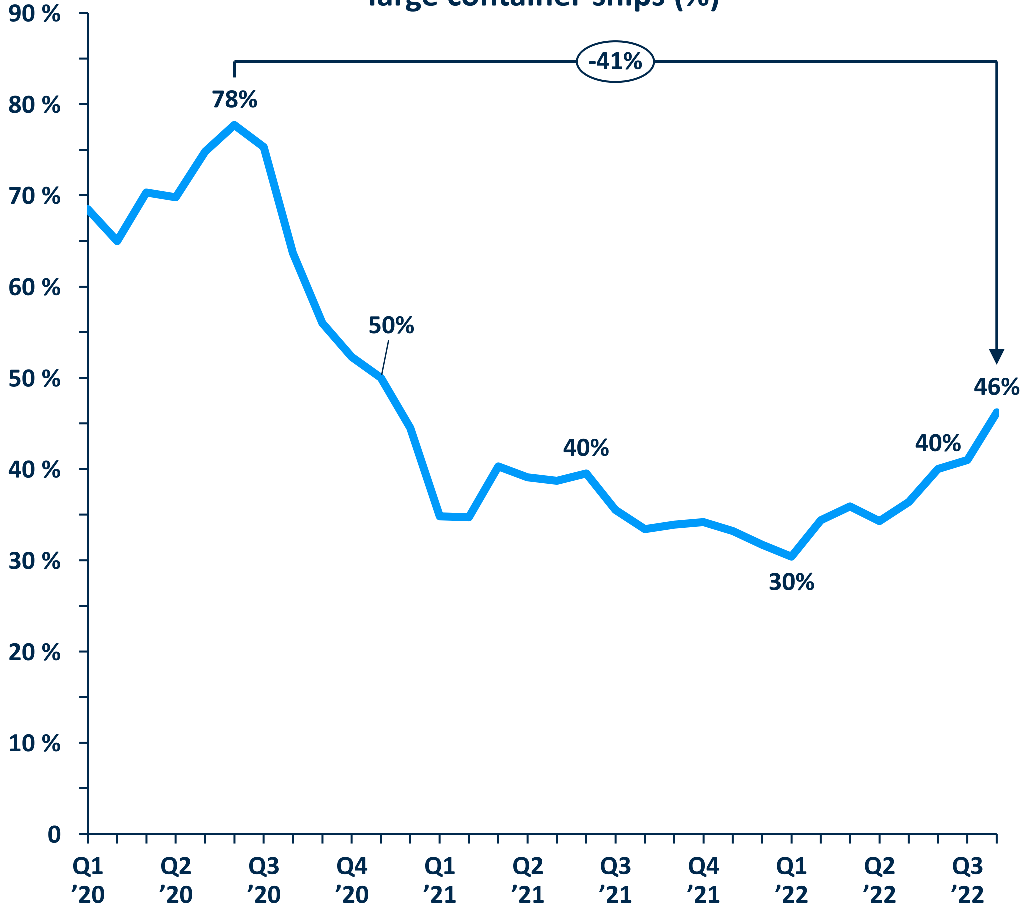
TVK CONSULT
Unternehmerberatung

5. Schedule reliability

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



Global average schedule reliability of large container ships (%)



Port congestion eases but remains above average; shipping lines maintain empty run strategy to support freight prices

Easing congestion at ports, load remains above average

- According to Clarkson Research's port congestion indices, ocean-going vessels in port this month represent 30.6% of total capacity
- This represents a decrease of 32.1% compared to the first half of the year - between 2016 and 2019, the average occupancy rate was 29.7%
- A detailed comparison shows clear differences in the individual shipping areas
  - With regard to container shipping, where congestion has caused massive disruptions, particularly in China, on the US coasts and in the UK, 33.9% of the shipping fleets were tied up in ports in October
  - Compared to the record value of 37.2% in July 2022, a recovery is emerging with a convergence to the average value from 2016-2019 (31.6%)

Shipping companies stick to their empty voyage strategy as container prices continue to fall

- Shipping companies are trying to manage their service capacity to counteract the decline in demand so that freight rates can be fixed at a higher level
- While shippers and BCOs are benefiting from declining spot rates on key east-west trades, they should also keep a close eye on other transportation-related costs that could be inflation-related

Quellen: Clarkson Research, Drewy, TvK Analysis

Extremely negative sentiment exerts sustained pressure on freight market - externalities may lead to rapid counter movements

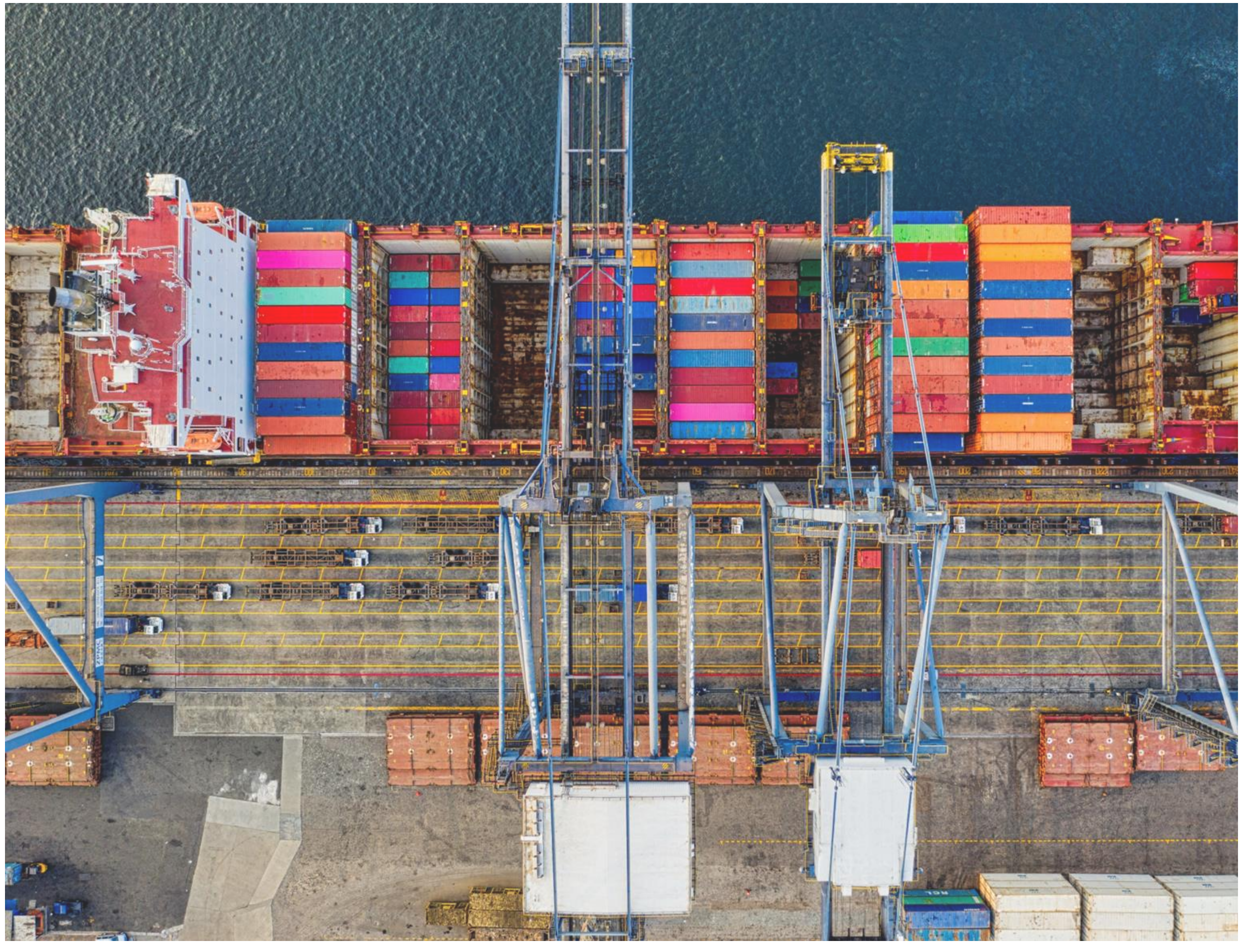
TVK CONSULT
Unternehmerberatung

7. TvK Outlook

Freight rates have fallen sharply and now offer the opportunity to conclude long-term contracts that are capped on the upside and thus protected against countermoves

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

- Externalities / macro factors that can lead to rapid price developments and disruptions:
  - A weakening economy, recession concerns and full warehouses are exerting sustained pressure on the global freight market - due to an overall very negative sentiment, a more positive economic development can lead to rapid counter movements
  - China keeps extremely strict Corona policy reinforced at party congress → only recently the port in Ningbo had to be partially closed
  - Renewed and ongoing strikes at European ports lead to risk of congestion and supply chain disruptions, increased inflation raises risk of wage strikes
  - The Ukraine war continues - an end or intensification of the warlike actions holds great potential for influence



Quellen: TvK Analysis

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