



MARKET UPDATE **SEAFREIGHT** **SEPTEMBER 2022**



TVK CONSULT
Unternehmerberatung

Contents

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

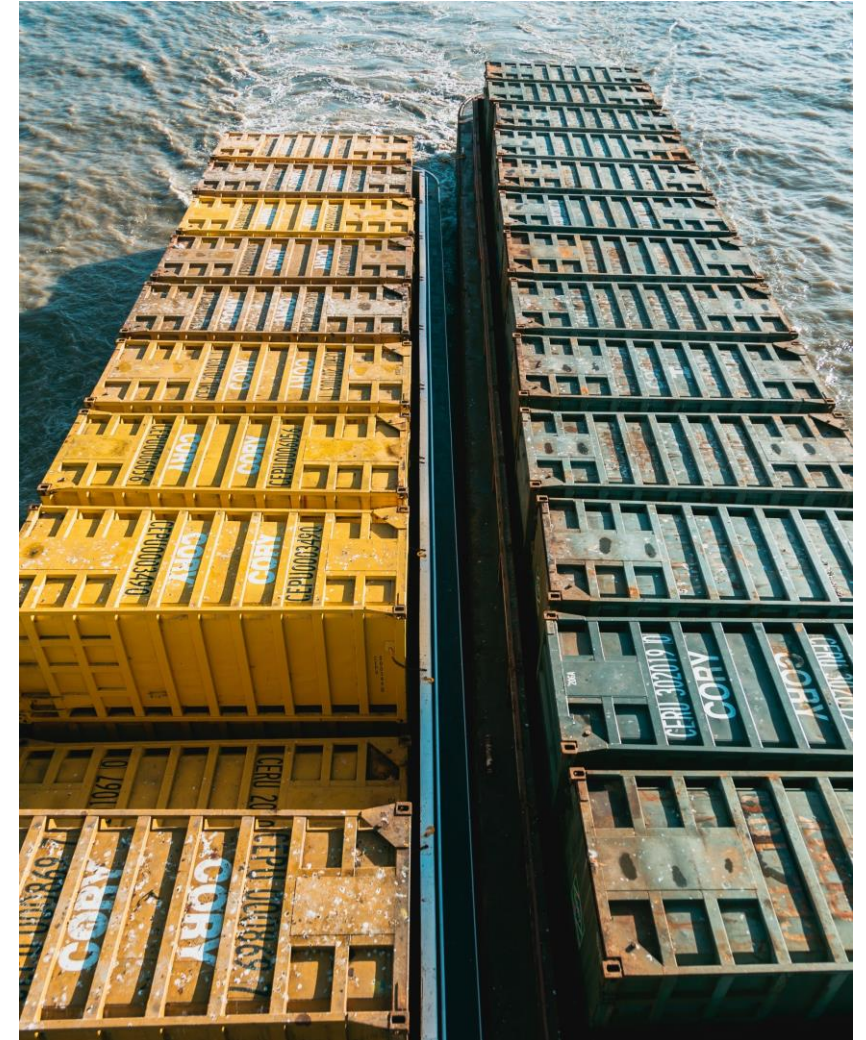


Container prices continue to fall, but where is the limit?

1. Topic of the month

Current spot prices remain well above historical averages

- While Drewry's WCI composite index is currently 40% below the peak of \$10,377 per FEU it reached in September 2021
 - However, this is still 71% higher than the 5-year average of \$3,631 per FEU
- While the situation has improved in many places, supply chain disruptions are far from over
 - Ports on the US coast are increasingly congested
 - The Port of Felixstowe has been on strike for a week, following disruptions at other major European ports
 - China's zero covid policy means continued uncertainty around full operation of key export facilities
- All these factors should lead to a sustained high level of spot rates compared to the 5-year average.
 - Shipowners may continue to be able to achieve substantial contract rates in renewed rounds of negotiations
 - Even if not at the current level

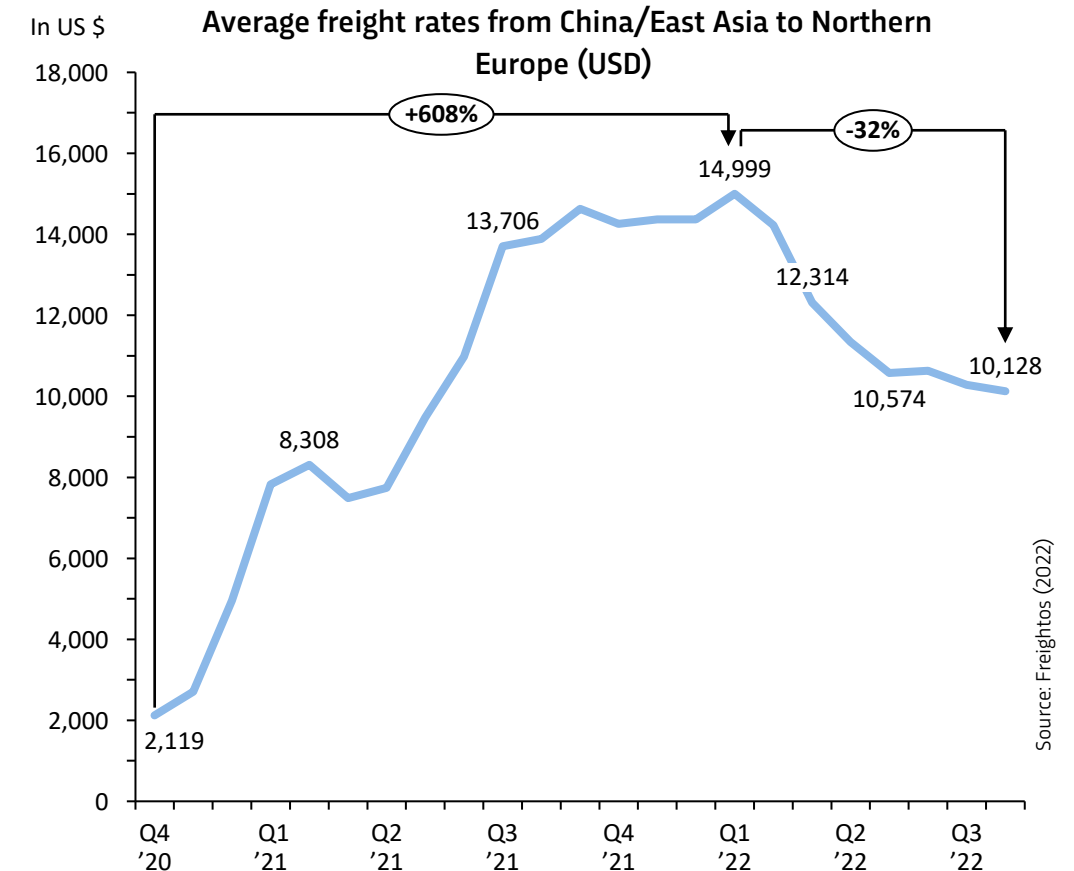


Rates drop by 30% but settle at a stable high level

2. Recent development of sea freight rates

Ocean freight rates at a stable high level

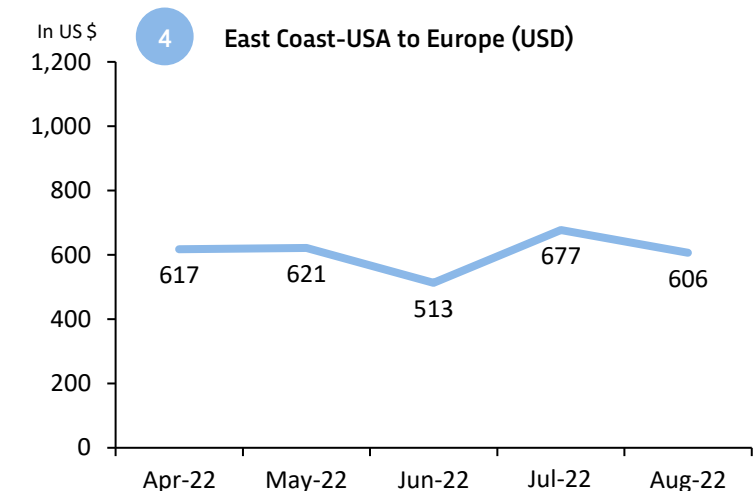
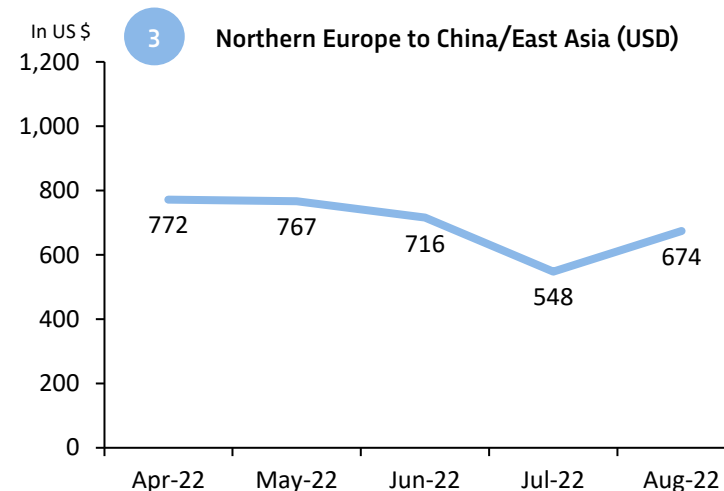
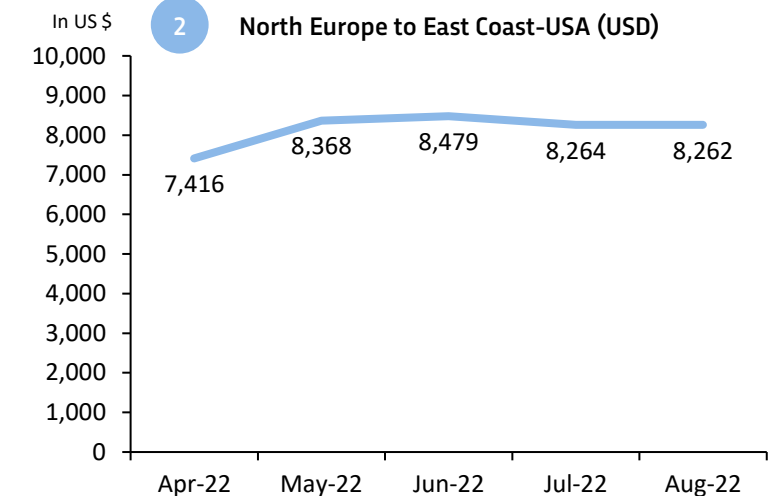
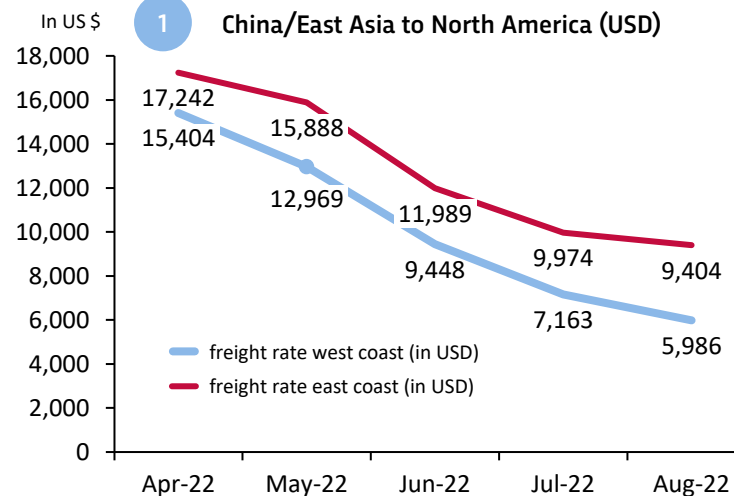
- Ocean freight rates continue on a downward trend
 - Still far from "pre-Corona" prices
- Prices have fallen 32% since the beginning of the year
 - Still almost 400% higher than in 2020 on the route from China/East Asia to Northern Europe



Average freight rates on different routes

2. Recent development of sea freight rates

- 1 • Freight costs from China/East Asia to North America also decline in Q3
• Still at a high level
• Delivery to the East Coast more expensive than to the West Coast
- 2 • Freight costs from Northern Europe to the East Coast of the USA fell slightly in Q3 '22
- 3 • Freight costs from Northern Europe to China/East Asia increased by 23% last month
• Still at a very low level, as there is an oversupply of containers for this route
• Many ships return to Asia empty
- 4 • Freight costs from the east coast of the USA to northern Europe fell by 10% last month
• However, compared to the reverse route, the freight costs are almost 14x cheaper



Source: Freightos (2022)

Maersk acquires Danish logistics company for project logistics

3. Vessel capacities & shipping routes

Maersk acquires Danish project logistics company Martin Bencher Group for \$61 million

- Kildahl, regional managing director of Maersk in Europe, says the acquisition of Martin Bencher Group strengthens capabilities to provide project logistics services to global customers
- The company of the Martin Bencher Group currently employs 170 people at 31 locations.
 - Maersk's capacities in this sector are currently limited to Europe and North America
 - With the acquisition of the specialist for integrated project logistics, Maersk will launch a global offering under the name Maersk Project Logistics
- Project logistics refers to the special transportation of goods that are often oversized and require extensive technical planning and coordination with special lifting equipment and route planning for extreme loads

Low water in the Rhine due to extreme heat and lack of precipitation

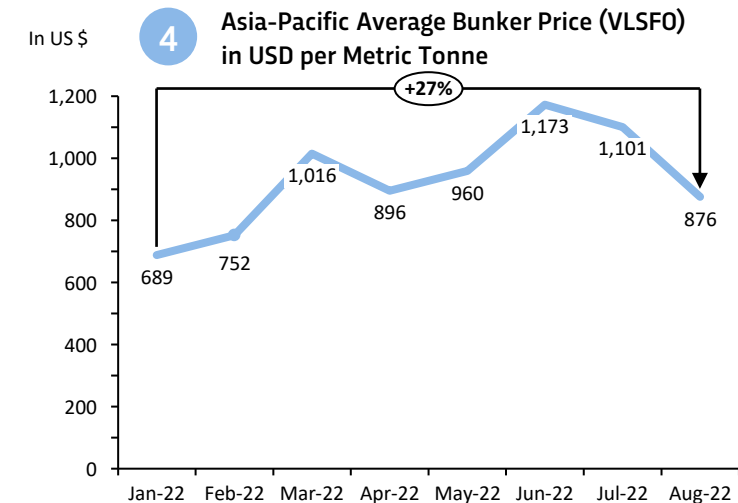
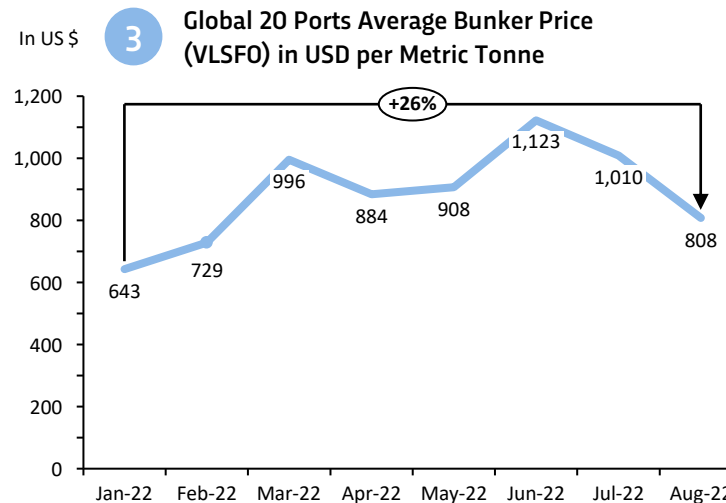
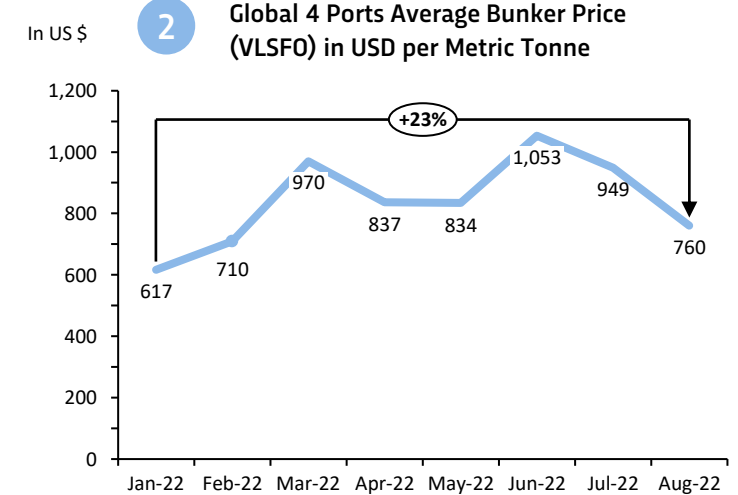
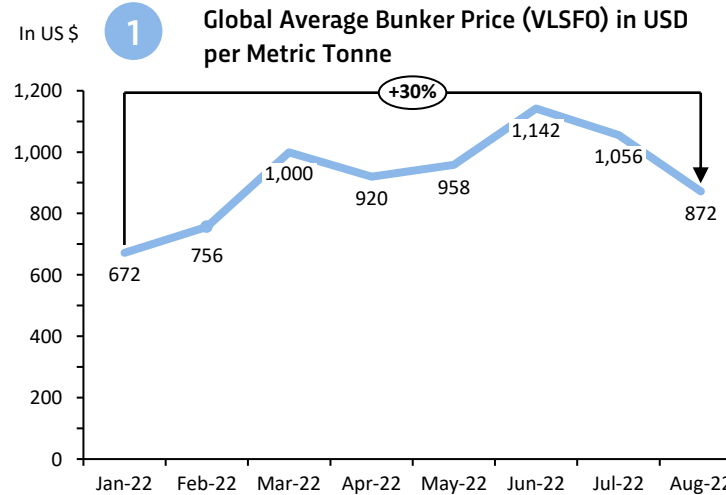
- The low water level of the Rhine in Germany prevents the passage of large cargo ships
- Alternative transportation options will be considered
- Delays are to be expected



Bunker prices are on the downward trend

4. Bunker prices

- 1 • Global bunker price has fallen by 24% in the last two months
- However, it has increased by 30% since the beginning of the year
- 2 • 4 Ports Average Bunker Price is \$110 below the global BAF
- Ports: Singapore, Rotterdam, Fujairah, Houston
- 3 • Average of the bunker price at 20 ports worldwide
- Down 28% in the last two months
- Is \$70 below the global BAF
- 4 • Bunker price at ports in Asia and the Pacific up almost 30% since January 2022
- Highest price in comparison in June at \$1,173 per metric ton



Source: Freightos (2022)

Volume at Yantian port increased by 9.6% in the first half of the year

5. Market volume

Volume in the South China port was 8,259 TEU between January and July

- In July, the port recorded a container volume of 1,338 million TEU
 - This corresponds to a growth rate of 27.3% compared to the previous year
- From January to July, the port opened 14 new shipping services
- The hub port of Yantian was strengthened by a combination of various logistics services
- In September, the port of Yantian expects a peak season

Empty runs continue to increase

- As of August 15, carriers have announced 25 empty sailings on the Trans-Pacific East trade and 10 empty sailings on the Asia to Europe trade for the month of August
- This represents a decrease of 12% and 8.7% respectively compared to normal capacity
- For September, carriers have so far announced 7 empty runs for the Trans-Pacific-East trade and 3 for Asia-Europe
 - However, strikes, weather conditions, etc. can increase these figures at any time

Container volumes in China recently increased again

In 8 of the most important ports in China, container volumes increased by 26.8% year-on-year



How Covid-19 impacts global supply chains

6. Newsroom

Covid-19 has accelerated the digitalization of the global supply chain

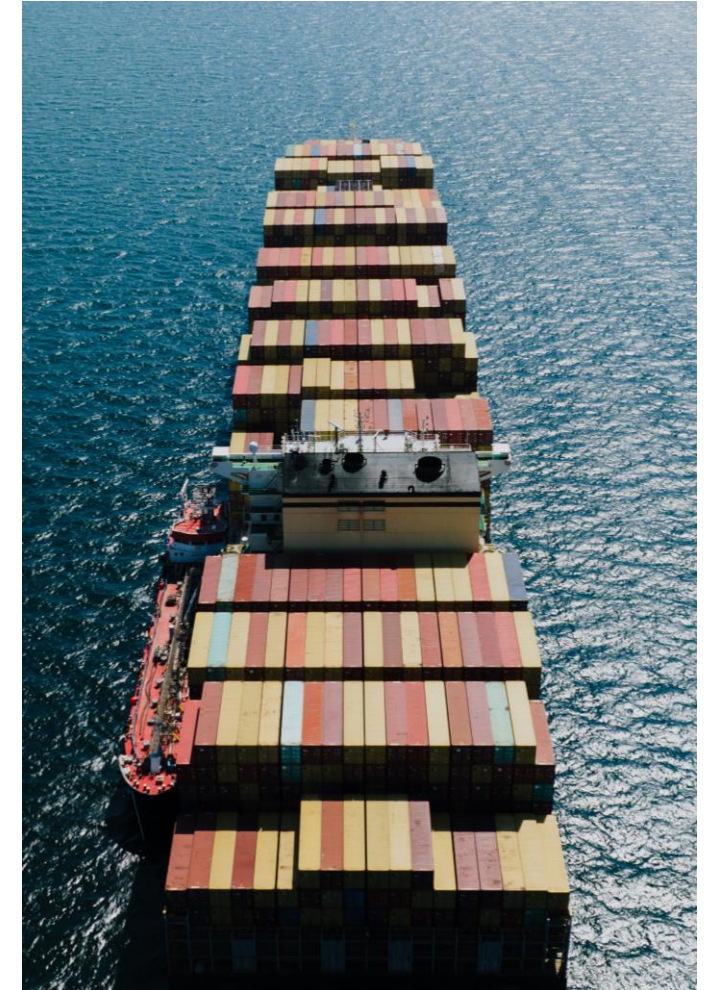
- Covid-19 has changed the priority of logistics in the business world
- The impact of Covid-19 and other unforeseen events in the last 2 years have had a major impact on global supply chains
 - Previously, companies emphasized "just-in-time" in order to reduce costs
 - Today, security of supply and inventory management are among the top priorities of corporate management
- Supply chain strength and confidence influence earnings potential and financial market response
- Even though companies have largely embraced supply chain digitization, artificial intelligence and data utilization are still lacking

Falling oil prices

- Oil prices fell to lowest level in 6 months
- Inflationary pressures and fears of an economic recession continued to increase

Strike in port of Felixstowe

- The strike in the United Kingdom, already announced in July, now took place from 21-28 Aug.
- Freight congestion is expected to be higher as requests for shipments in September are already increasing
- These delays could even lead to a standstill in production



Economic situation in Germany remains uncertain and influences consumer behavior

7. TvK Outlook

Outlook TvK

The economic situation in Germany remains tense and the future uncertain:

- Rising energy prices and high inflation rates cause great uncertainty and lead to declining consumer behavior among the German population
 - The war in Ukraine also continues to have a major impact on the economic situation in Germany
 - Continued uncertainty over potential restrictions from Q4/22 due to Covid-19.
 - If corona numbers rise during the winter, there may be renewed port closures, which could lead to a jump in container prices
- As the consumption behavior of the population, as well as economic developments are difficult to predict, companies are faced with a great deal of uncertainty and thus a major challenge in supply chain management. The actions of companies will also have an impact on the container market



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- [Ship & Bunker](#)