

MARKET UPDATE SEAFREIGHT

MARCH 2023



TVK CONSULT
Unternehmerberatung



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TvK Consult Market Update

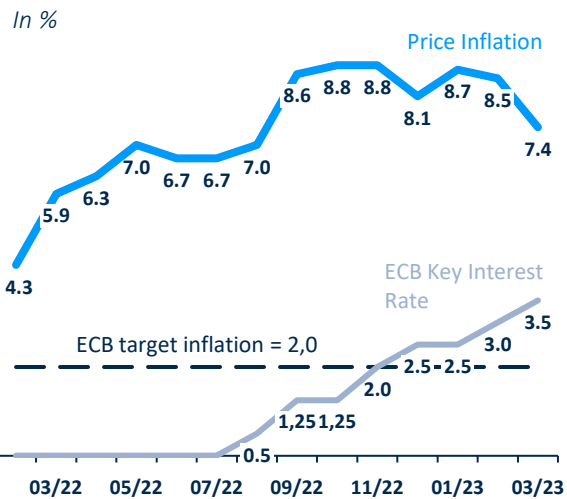
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Inflation declines significantly in March. Business climate index implies improvement in sentiment since September. Import climate stronger.

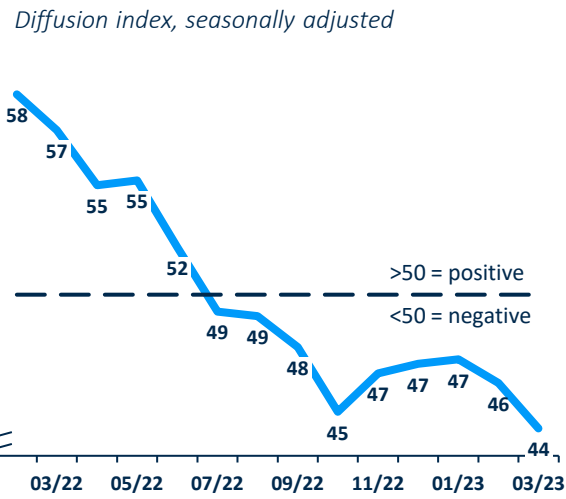
1. Facts & Figures

Consumer Price Inflation vs. Key Interest Rate



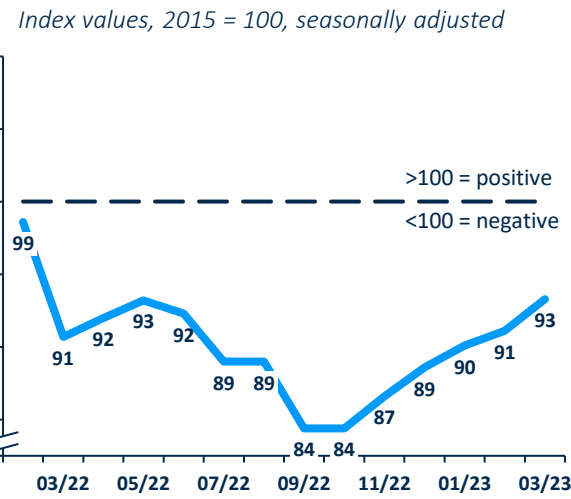
- The inflation rate refers to the price level in the same month of the previous year
- The key ECB interest rate was raised in August 2022 for the first time since March 2016
- The current main interest rate is at its highest level since 2008

Purchasing Managers' Index



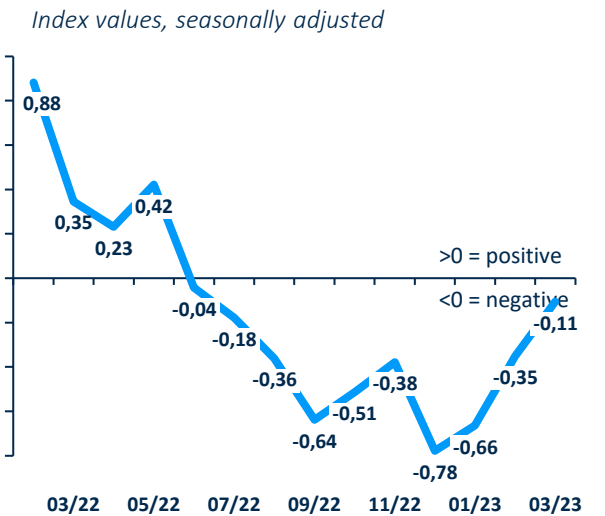
- The Purchasing Managers' Index is an important economic indicator. Purchasing managers are surveyed on the development of business, employment, orders, inventories and prices in the manufacturing industry
- If the value is above 50, the development compared to the previous month is positive and vice versa

ifo Business Climate Index



- The Ifo Business Climate Index is a monthly survey-based leading indicator of economic development. The expected business development of companies is surveyed.
- If the value is above 100, the sentiment is positive and vice versa

ifo import climate



- The Ifo Import Climate is the first leading indicator for forecasting German imports. For the calculation, the expected export developments of the 38 most important German trading partners are surveyed and weighted according to their relative share
- A value >0 implies the expectation of an increase in Germany's imports

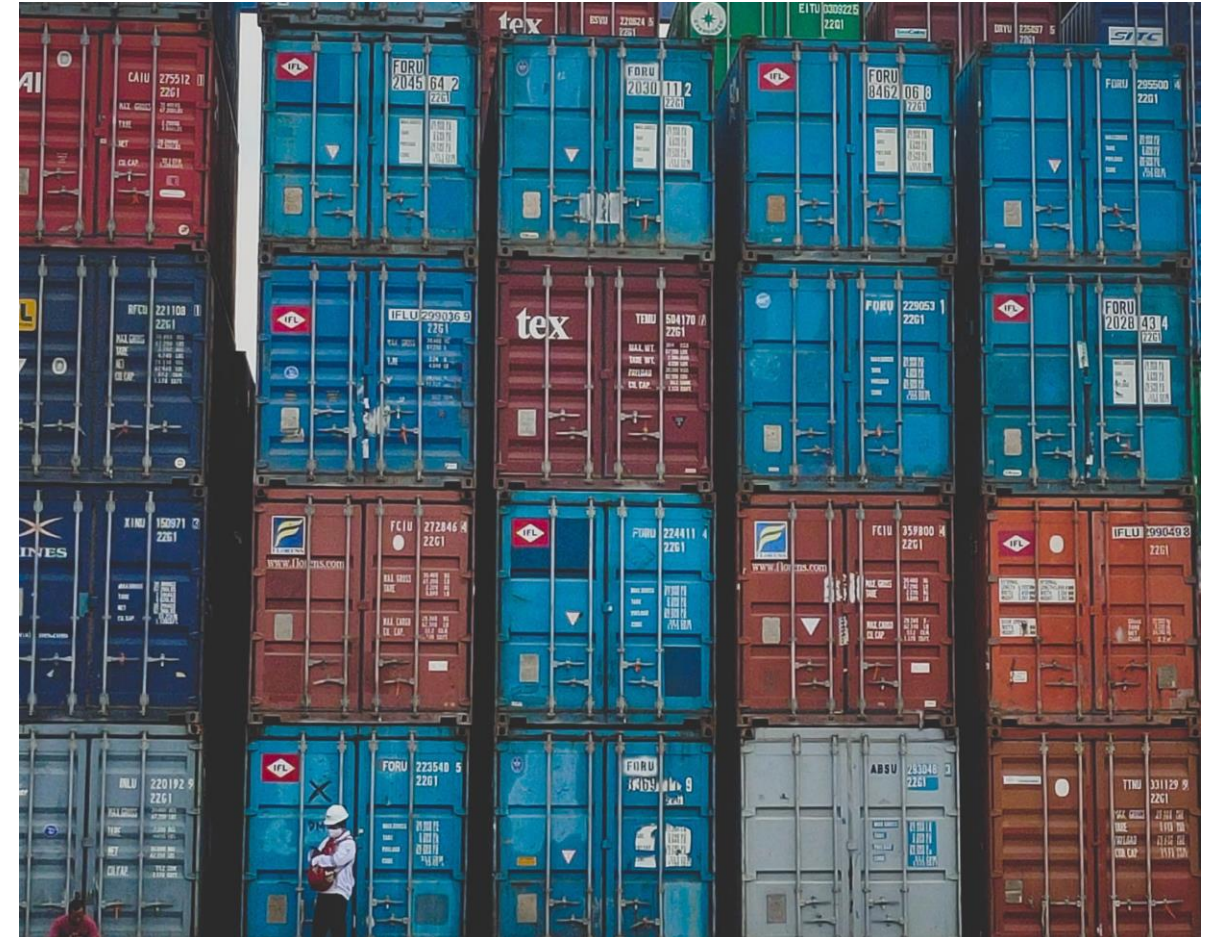
*all indices and consumer price inflation refer to the Federal Republic of Germany

Strike in Hamburg caused Elbe river to be closed to large ships and put strain on supply chains in Germany

1. Topic of the month

A warning strike by the ver.di labor union ensured that no pilot boats were running in Hamburg. Large container ships thus had to wait in the bay, as they were not allowed to navigate the Elbe without the pilots

- The Elbe was closed to all large ships. More precisely, this means that all ships with a length of 90 meters and a width of 13 meters or more were prohibited from accessing the river
- Multiple large ships for the import and export of goods anchored in the German bay, including container ships, bulk carriers and tankers, waiting to continue their journey on the Elbe River
- The warning strike started on Monday, March 27 at 06:00 and lasted for 24 hours. The aim of the employees had been to give more emphasis to their own negotiating position
- The workers are demanding 10.5% or at least €500 for around 2.5 million public sector employees at federal and local government level across Germany. The employers, on the other hand, are offering a one-off payment of €2,500 and a 5% wage increase to date

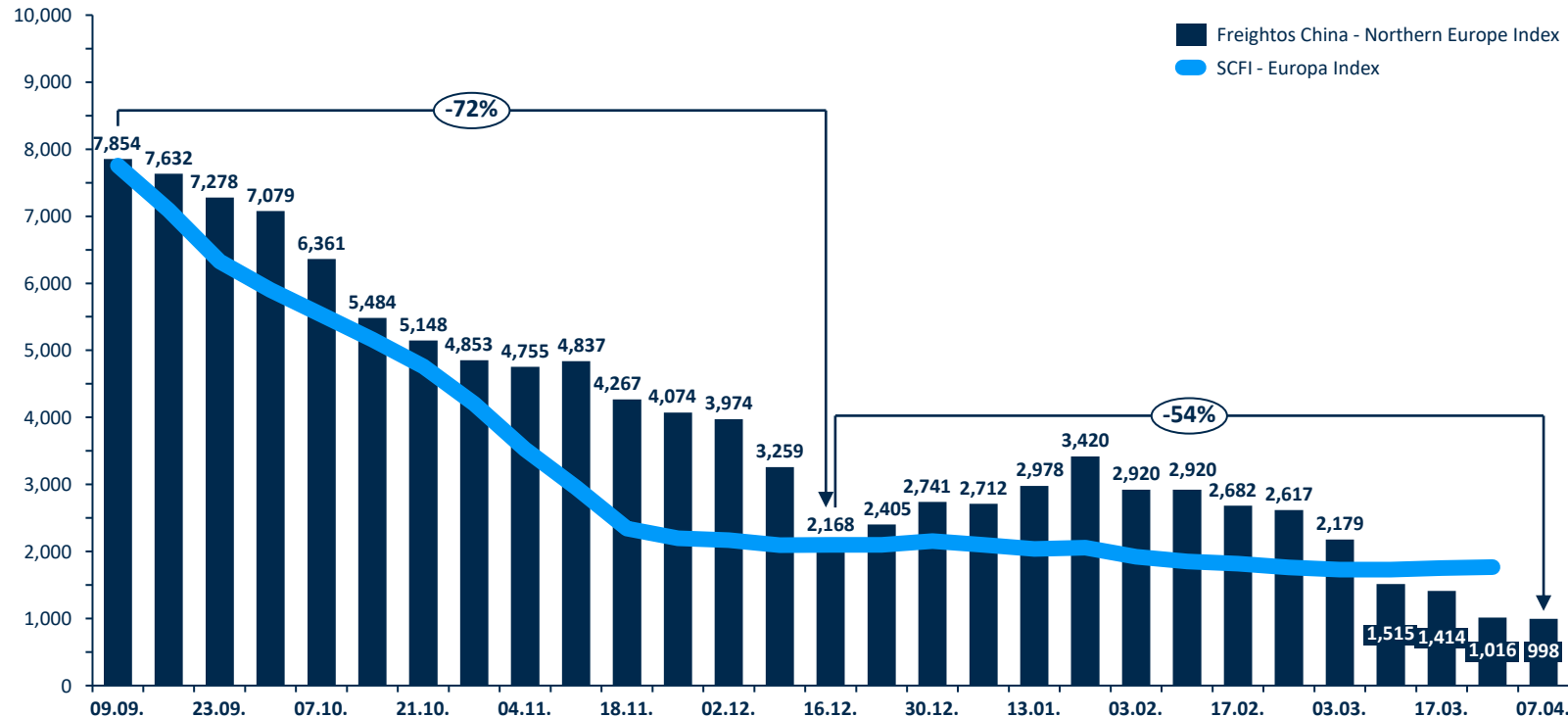


SCFI Europe continues to move sideways, Freightos - China - Northern Europe index declines; inflation data in euro area send mixed signals

2. Recent development of sea freight rates

In USD

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



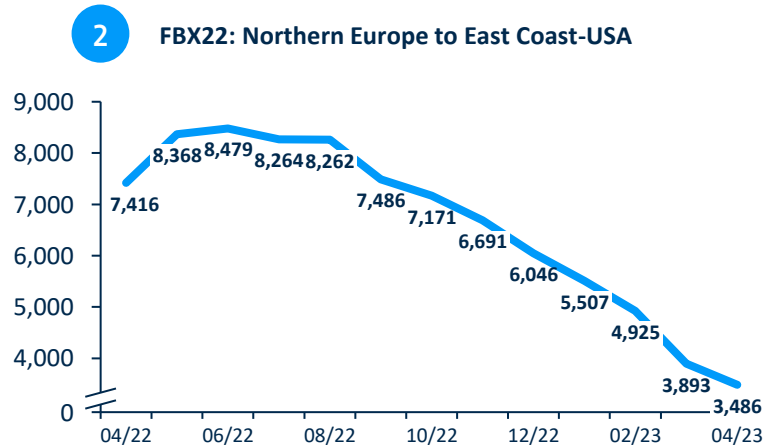
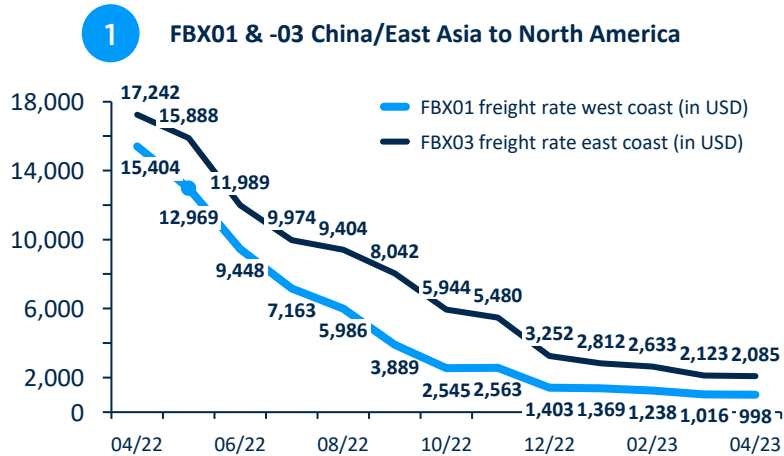
SCFI stable, Freightos Index down again

- While the SCFI - Europe index was more or less stable in March, the Freightos - China - Northern Europe index fell back more sharply at the beginning of the month, but then remained constant
- The slight increase in trade volumes following the end of the Chinese New Year festivities on the Asia Pacific - Northern Europe route has subsided. An uncertain economic outlook continues to make for clouded, cautious consumer behavior. European port operations are currently stable and without major delays, apart from the one-day strike in Hamburg
- Inflation (Harmonized Index of Consumer Prices, HICP) in the euro area has continued to decline since October (10.6%); in February, it stood at 8.5%, and in March a significant drop to 6.9% was recorded
- However, core inflation, which strips out prices that are susceptible to fluctuation and is indicative of the costs passed on by companies to consumers and future developments, rose further from 5.6% in February to 5.7% in March

Freight rates on the main trade routes have been moving sideways for the most part. European exports to the USA continue to fall in price

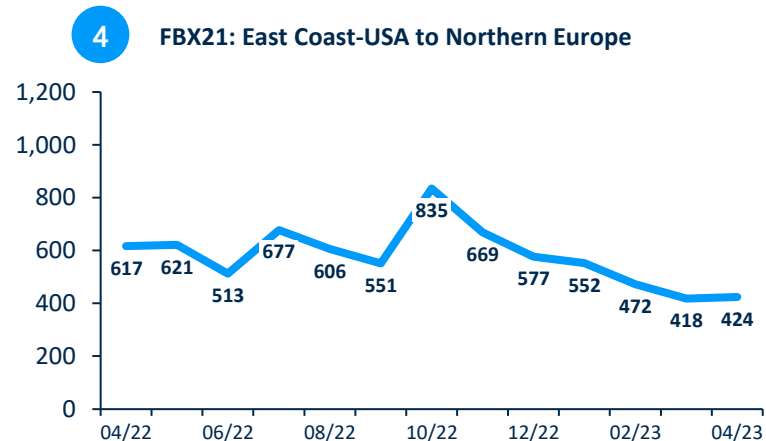
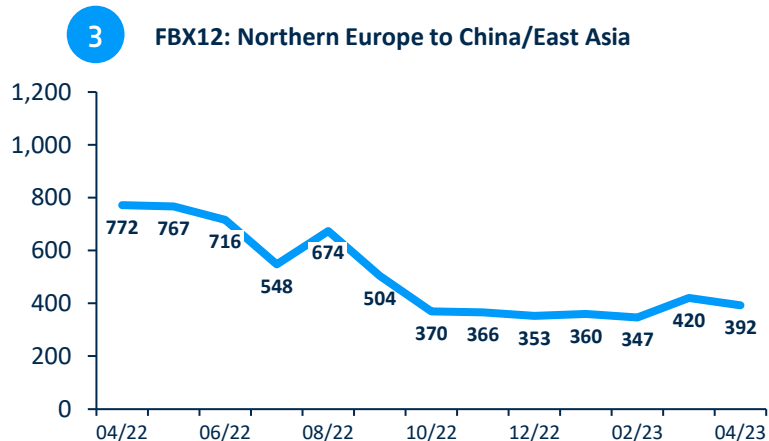
2. Recent development of sea freight rates

In USD



The FBX22 continues to fall, otherwise hardly any significant price movements

- 1 FBX01 & -03:** The downward sideways movement since December 2022 continues. The downward direction is easing
- 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 50%
- 3 FBX12:** Continuation of freight prices at lower level in the range of around USD 350 to 400 for China/East Asia Export freight from Northern Europe since October
- 4 FBX21:** U.S. import freights have been running in a range between around USD 420 and 680 for the past year, except for a temporary spike in October 2022 to \$835



The world's largest container ship with a capacity of 24,346 TEU is received by MSC

3. Vessel capacities & shipping routes

Two container ships with a capacity of over 24,000 TEU handed over to MSC in one day in China.

- On March 9, the two boxships MSC Irina (24,346 TEU) were handed over to the shipping company in Zhoushan and MSC Tessa (24,116 TEU) in Shanghai as part of MSC's expansion plans.
- In the coming months, MSC plans to add more than a dozen comparable vessels with the largest capacity to its fleet.
- The construction of the ships is proceeding rapidly: Construction of the MSC Irina began Nov. 29, 2021, and the container ship was floated for the first time in August 2022. The Chinese shipyard Hudong-Zhonghau says the ship was in dry dock for just 144 days

World Shipping Council WSC opposes new U.S. legislation to eliminate vessel sharing between shipping lines

- H.R. 1696 legislation, according to WSC CEO John Butler, would prevent so-called vessel sharing agreements, undermining the competitiveness and choice in liner shipping that vessel sharing makes possible in the first place. Liner shipping is a highly competitive market, he said, with no shipping line having a capacity share above 20%. Freight rates have fallen 60% from 1998 to 2019 and have been deflationary, he said

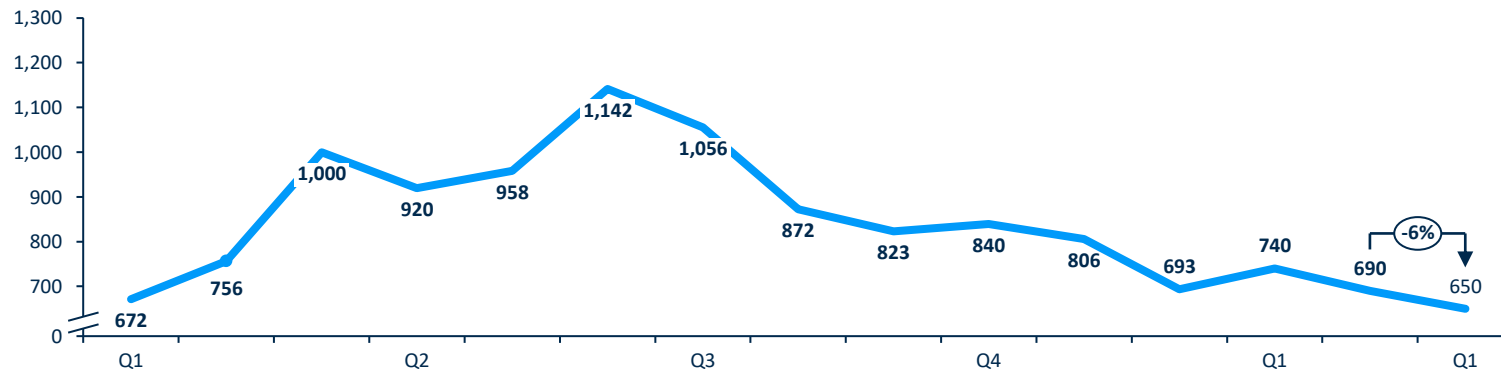


Bunker prices almost halved since Q2 2022. Since September, the speed of the price decline has eased, but the downward movement continues

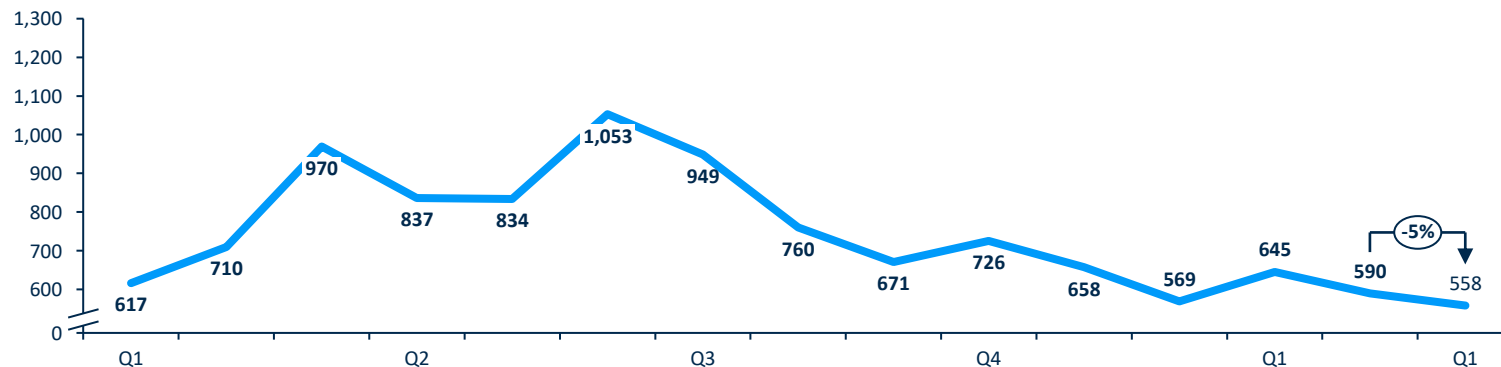
4. Bunker prices

In USD

Global Average Bunker Price (VLSFO) per Metric Tonne



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



Cooling on the oil market causes additional cooling on the freight market

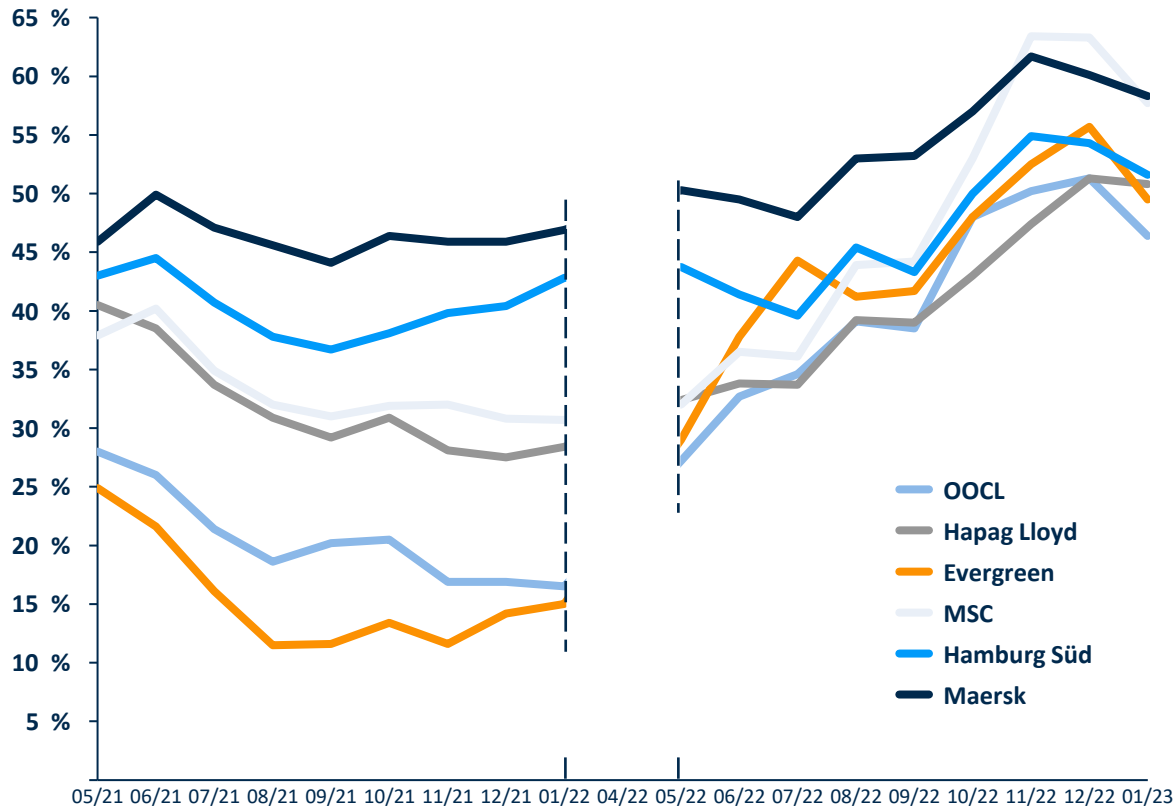
- After global bunker prices almost doubled from January to June 2022 as a result of the massive oil price increases, the current global bunker price of USD 650 is for the first time again below the level of January 2022 (USD 1,142) and has thus almost halved within 9 months
- After marking the high in June (USD 1,142), a strong price correction followed, the momentum of which has weakened since September 2022, but continues unbroken overarchingly
- Compared to February, the Global Average Bunker Price and the Global 4 Ports Average Bunker Price have decreased again by 5-6%
- The course of the war in Ukraine and global economic developments remain decisive for future development

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

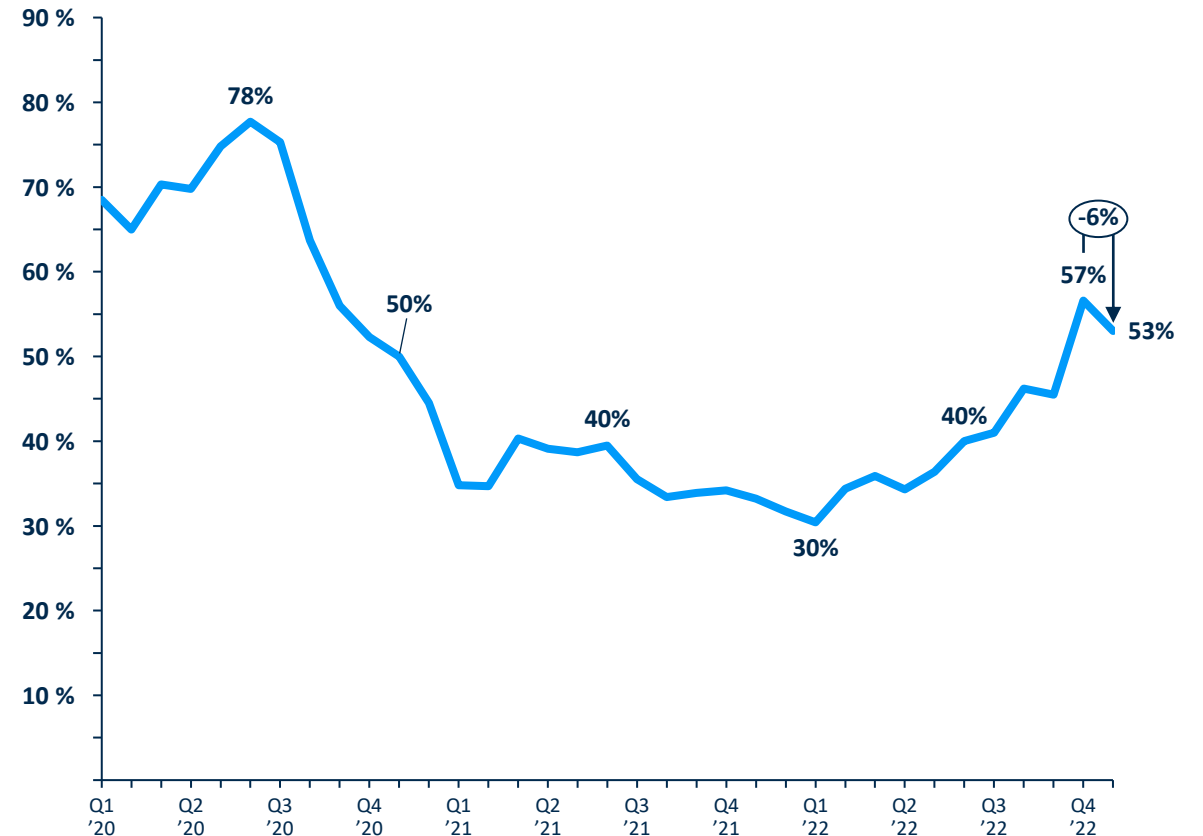
Average global schedule reliability declines slightly in January. Maersk most reliable at just under 60%

5. Schedule reliability

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



Average schedule reliability of large container ships globally (%)



CMA CGM reinvests 90% of historic profits and a large proportion of German buyers are again focusing on expanding China operations

6. Newsroom

CMA CGM invests around 90% of record 2022 profits in the future

- Last year, despite weakening performance in Q4, the French shipping company reported a net profit of \$24.9 billion. This represents an increase of almost 40% year-on-year. Sales, meanwhile, rose 33% to USD 74.5 billion
- According to CEO Rodolphe Saadé, the historical results enabled CMA CGM to make significant investments, drive the energy transition and share the value created with employees
- As part of the investment, Ingram Micro's Commerce & Lifestyle Service, Gefco and Cols Privé were acquired to expand depth of logistics services

Purchasing managers are once again increasingly focusing on sourcing goods from China. Skepticism is fading and a majority of buyers are planning to expand activities

- According to a survey of buyers from major German companies, which is exclusively available to Handelsblatt, 56% are planning to expand their activities in the People's Republic. In September, this figure was still 36%. At least partial withdrawals are now planned by only 13%, compared with 16% of respondents in September
- BME China expert Kurto explains that while companies are looking at scenarios and strategies to reduce dependencies in perspective, turning away from China is an option for very few of them

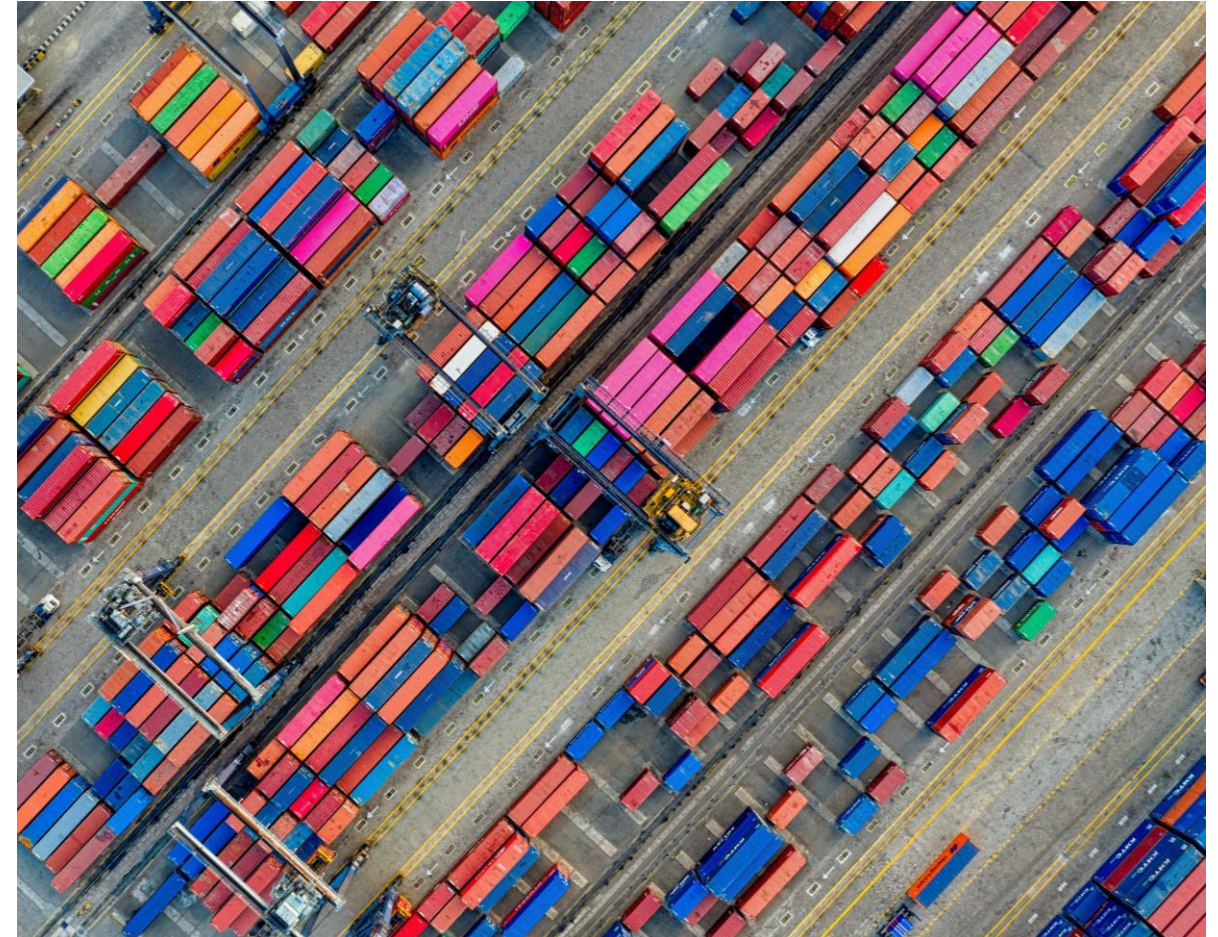


Secure favorable freight rates in the short to medium term for the long term and eliminate market risk through TvK solutions

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 still expects an increase in freight rates in the second half of 2023 driven by a general economic and market recovery. In particular, the China developments after the strict zero-covid policy have a supporting effect. In addition, this forecast is supported by the improving economic indicators (cf. p. 3)
- 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



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