June 2024

Global Ocean Market Update

Contents

- The Current Market
- Supply and Demand
- Hot Topics
- Market Outlook
- Carrier Updates

The Current Ocean Market

June 2024

Industry Trends

Capacity and demand will continue to be a focal points in 2024. Blank sailings will continue to affect rate movement for the foreseeable future.

Global long-term ocean freight rates have risen by an average of 4% over the past 3 months.

Carrier blank sailings continue at an average of 3% of total capacity over the previous 12-weeks.

Key Indicators

52.1%

Global Schedule Reliability Average

Monthly, Year-over-Year

-3.1%

Global Demand vs Global Supply

Demand Growth Less Supply Growth

+151%

Rates vs. the same week in the previous year

Container shipping rates composite index

-$14

Average daily rate change over the last 2 weeks

Global 20 Ports Average Bunker Price

Carrier News

Carrier GRI strategies continue to revolve around issues in the Middle East and water levels in the Panama Canal.

Rerouting options will remain a hot topic over the coming months as carriers hope to recoup losses caused by overcapacity and decreased demand in 2023.

Green Initiatives

LNG dual-fueled box ships comprise 30% (5% increase YoY) and Methanol-fueled units have risen to 12% of the orderbook (a remarkable jump from just 1% a year ago).

The E.U. Emissions Trading System (ETS) remains on track to begin in 2024 for carriers and shippers to pay for their carbon emissions entering and leaving the E.U.

The IMO 2023 regulation will make the ocean freight industry more sustainable, but it may also make costs rise for shippers as carriers modify their vessels.

Market Outlook

Red Sea diversions of container ships have resulted in a continuous reconfiguration of port calls and vessel sizes as carriers adjust Asia to Europe loops to cope with the latest demands.

Carriers continue to share their plans on different networks heading into 2025. Shippers should pay mind to change in routings and transit time heading into the 2nd half of 2024.

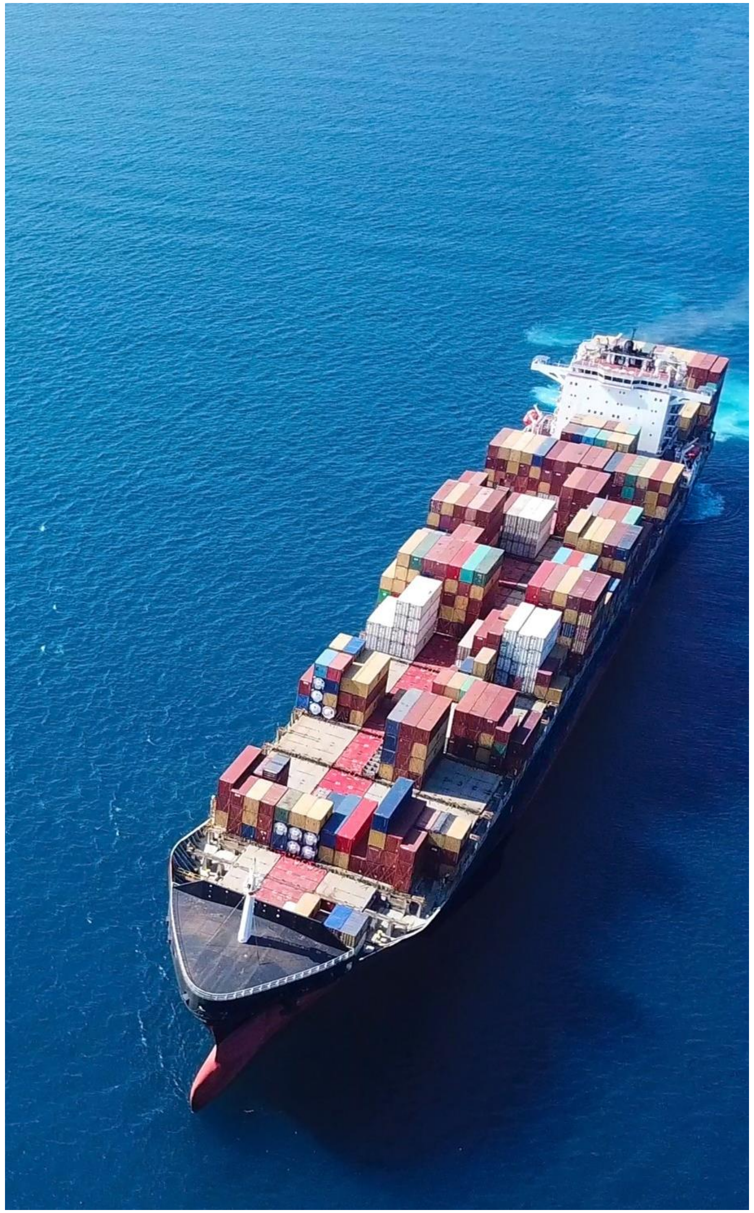
Sources: SeaIntelligence, Drewry, Journal of Commerce, American Shipper, Big Schedules, Ship & Bunker, WCI index, World Bank, IMF, Seatrade Maritime, Xeneta

PSA | BDP

Transport Status

Ocean Transportation

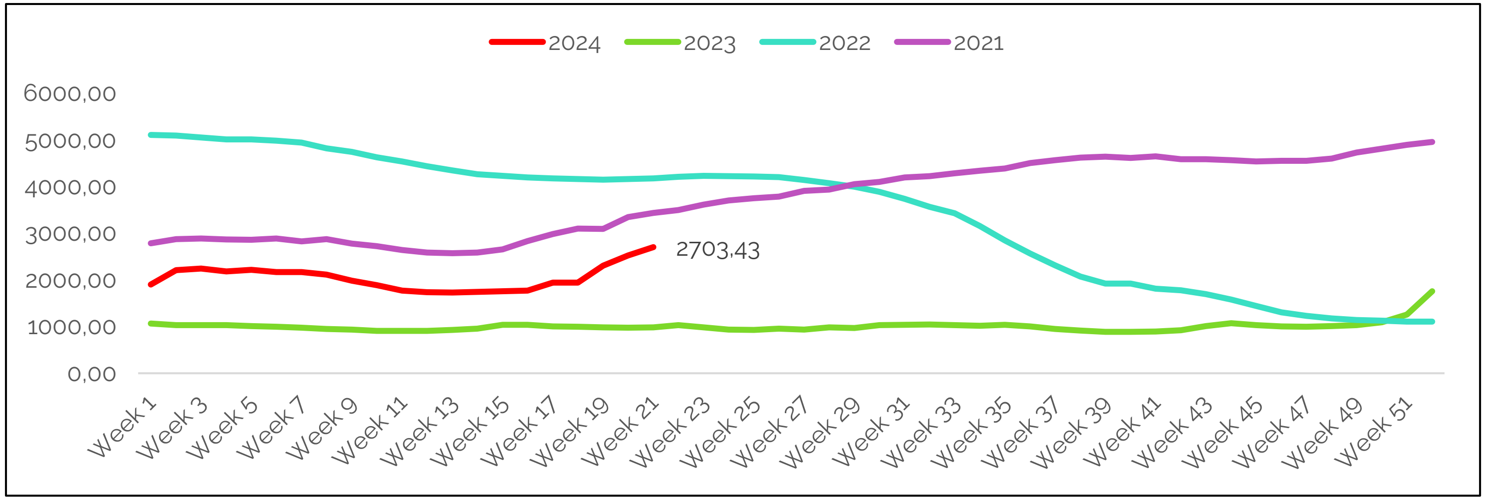
Trade Lane Status & Impacted Trade Lanes



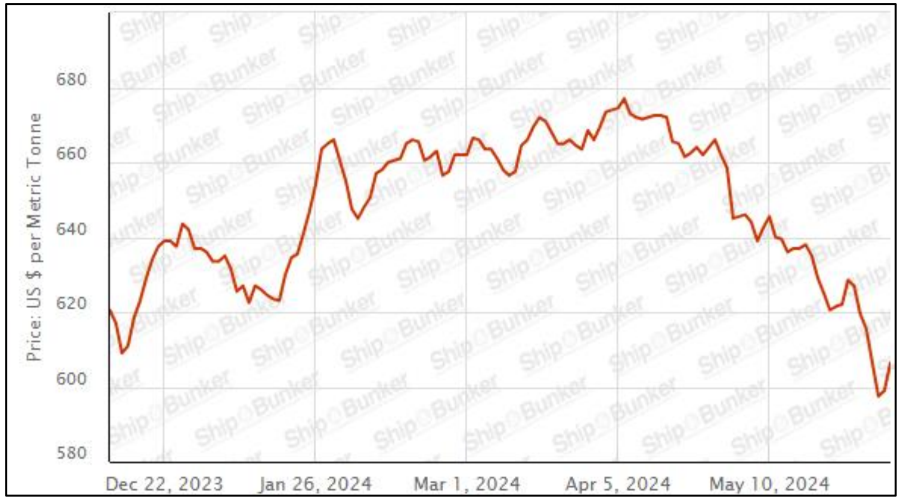
Follow the latest ocean transportation updates here

Supply and Demand

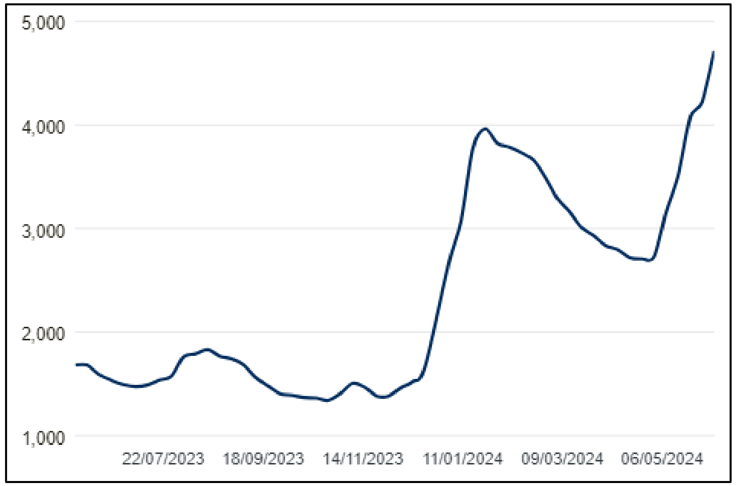
Shanghai Containerized Freight Index (SCFI)



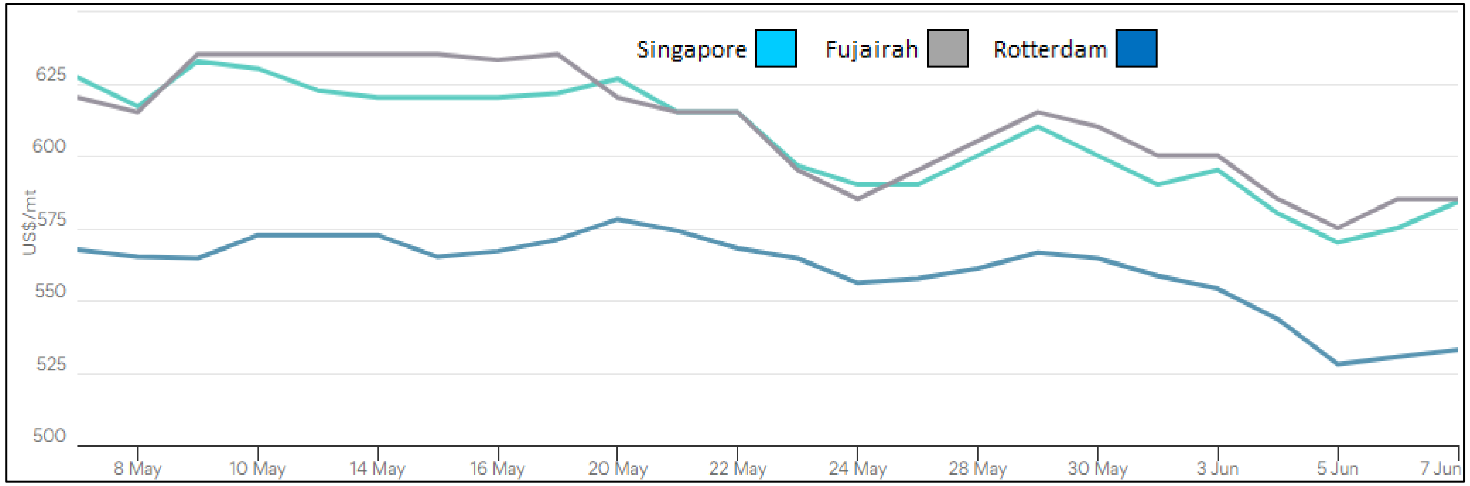
Bunker Price Index



World Container Index (WCI)

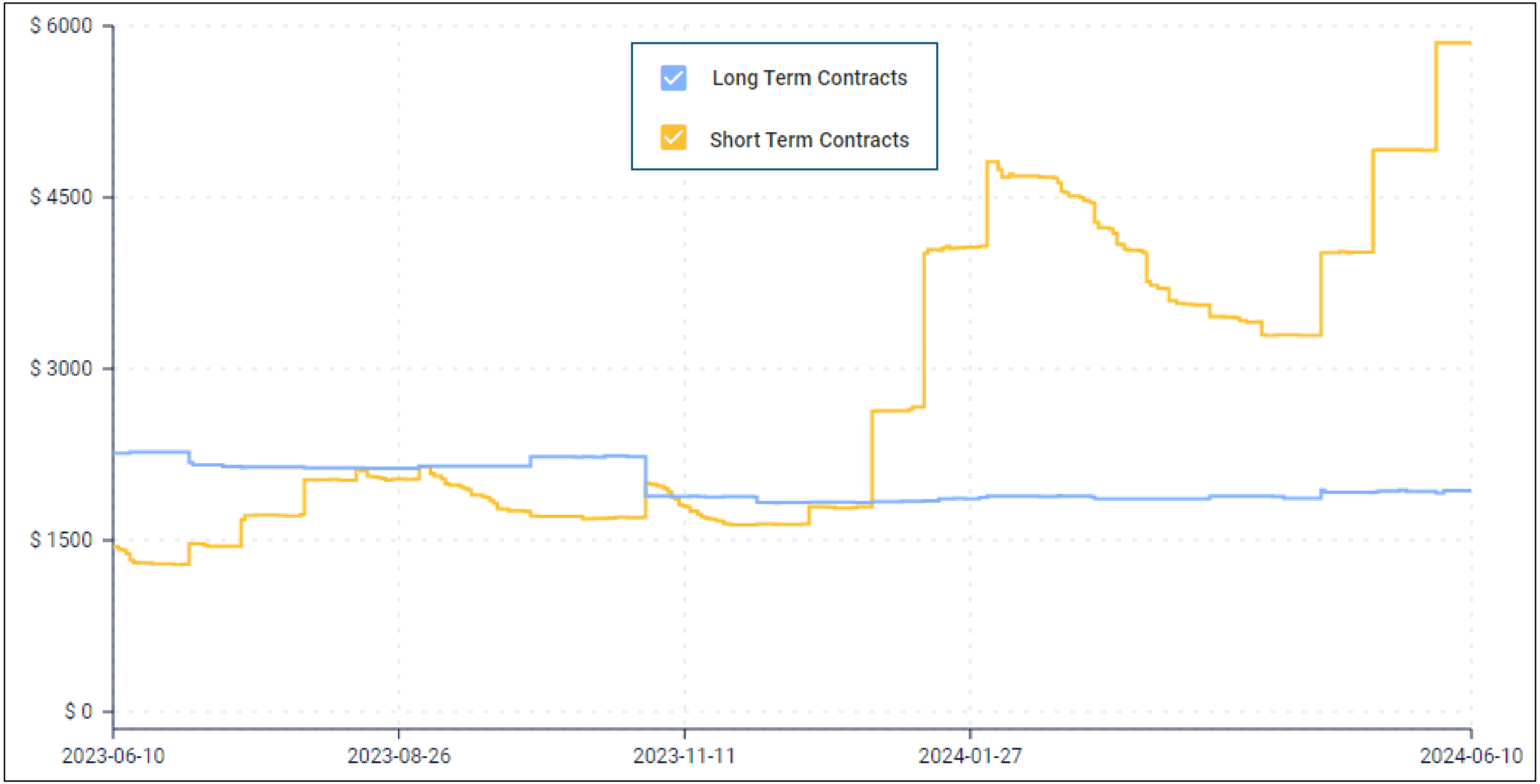


Port Trend Comparison



Sources: Drewry, SCFI, Ship & Bunker, Bunker Index

Avg. Container Shipping Costs – Short vs. Long Term



*Figures are based on 10,000+ Short-term & Long-term contracts from "Far East Main to USWC Main," 40' standard container

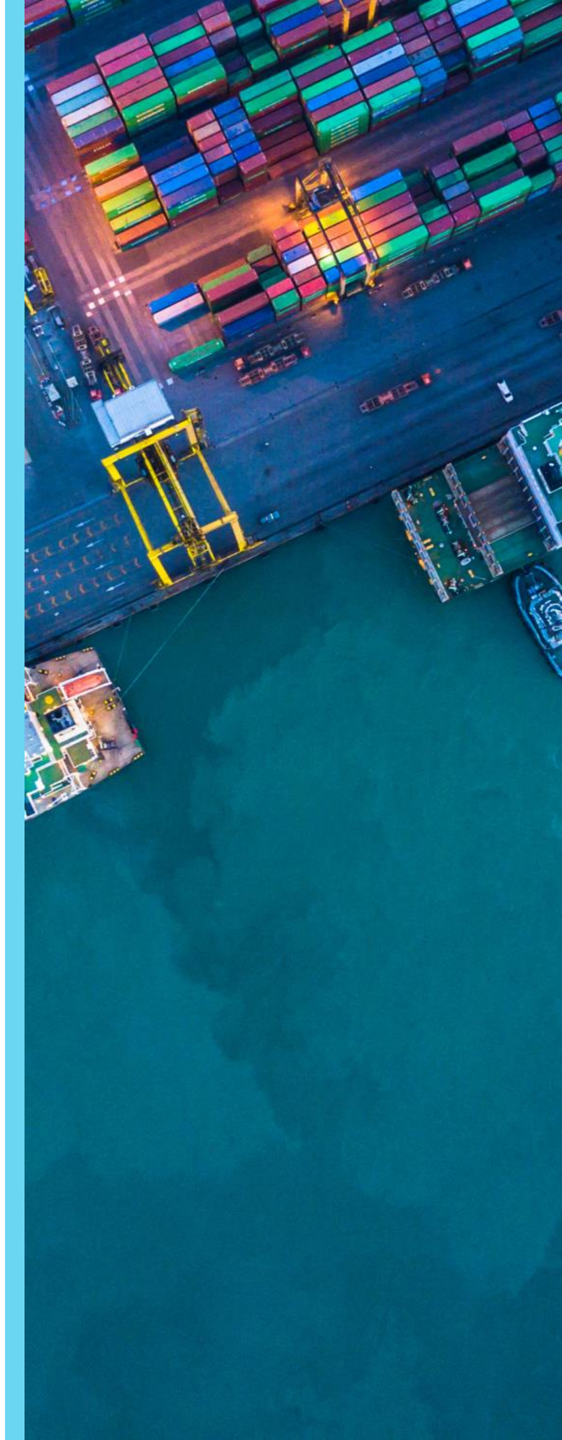
PSA | BDP Sources: Xeneta

Hot Topics

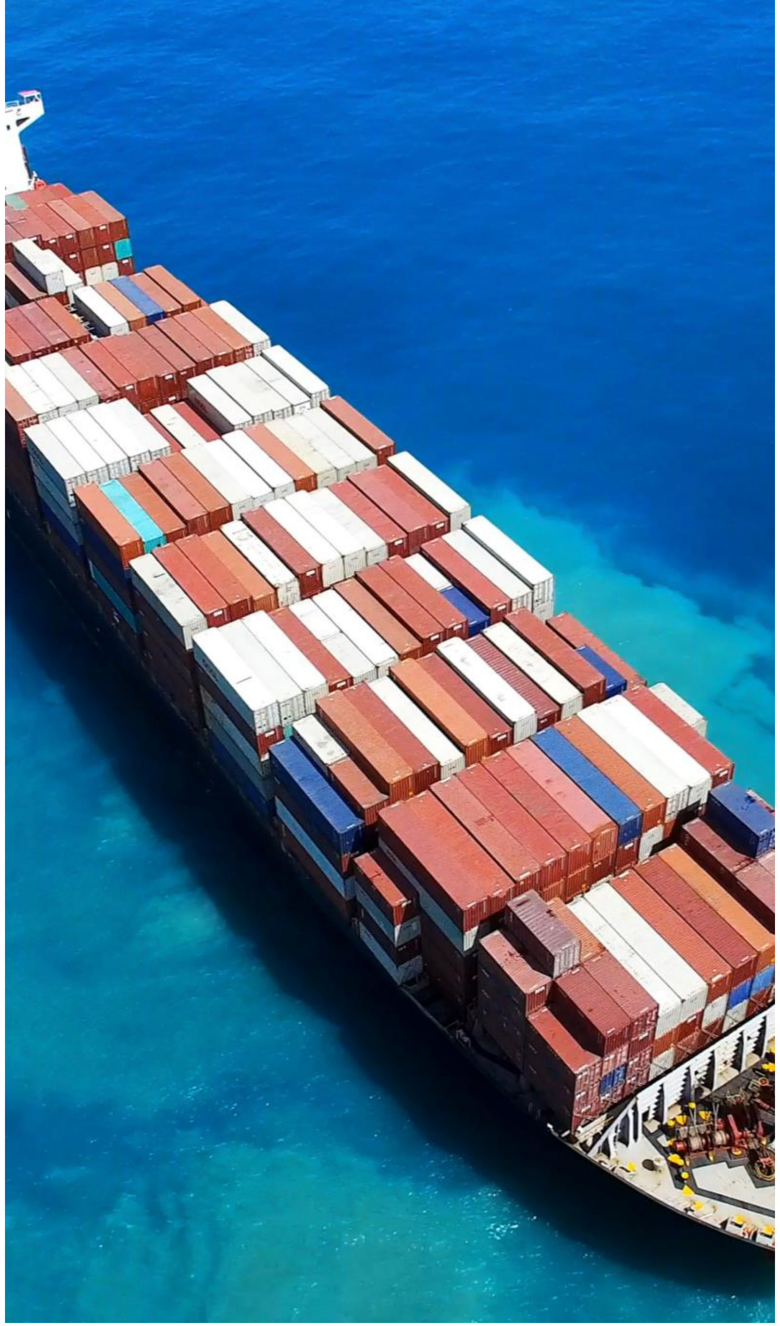
Port Congestion returns to haunt the container markets

- Worsening port congestion has removed more than 2% of container vessel supply since March. Singapore, Dubai and the Mediterranean are deemed as congestion hot spots, while Asian box availability remains tight.
- Nearly half of all Asia-Europe westbound sailings have failed to depart on time as congestion escalates in Asian ports. Linerlytica's latest report says last week only six out of 11 Asia-North Europe sailings departed on schedule.
- Shanghai and Qingdao are also experiencing a huge build-up of boxships at anchor. Dwell times at Shanghai are now at three-year highs.
- Such inefficiencies of cargo movement have led carriers to omit regional calls and blank sailings in their longer haul routes to restore schedule reliability, which has further reduced the already tight capacity. Delays and omissions are contributing to reports of empty container shortages and congestion due to vessel bunching at some ports in China, with congestion also a problem in Singapore and Malaysia.
- Potential disruptions can be seen in ports in Northern China that are starting to experience congestion caused by container availability due to a combination of Red Sea-related disruptions (containers are on the water for longer) and buildups of empty containers in ports where they are not needed. The port congestion in Asia and the sudden surge in demand now soaks up even more capacity – capacity which the market does not have ; carriers are blanking sailings, not in attempt to restrict capacity, but simply because they do not have free vessels to maintain weekly services, when vessels get stuck in congestion.

- Read the official statement from the Maritime Port Authority in Singapore on vessels' extended waiting time



Source: The Loadstar, HSBC, Linerlytica, Freightos, S&P Global, Sea Intelligence



Hot Topics

Red Sea diversions create Western Med. Port congestion

- The mass diversion of container ships away from the Red Sea since December has raised fears of congestion across west Mediterranean container ports, as carriers from Asia drop boxes destined for the eastern Mediterranean. Instead of entering the Mediterranean Sea dead end, created by the effective closure of the Suez Canal, Ultra-large container ships from the Far East are offloading containers at western Mediterranean ports such as Barcelona, with smaller feeder vessels transporting them to final central and eastern Mediterranean destinations.
- Transshipment traffic in Barcelona was up year on year by 22%, 64% and 63% in January, February and March, while Algeciras, Valencia and Las Palmas grew at 7%, 18% and 33% in Q1 2024. And while the ports managed the first quarter's throughput, they are operating at (or are close to) operational capacity, which means that any continuation or increase in volumes could lead to a dangerously high level of utilization and potentially serious congestion.
- Alternatives, to spread volumes out, include the Moroccan hub of Tangier Med, but its utilization is already sitting at 83%, so even a relatively small increase in volumes could fill it up. The southern Portuguese port of Sines has capacity to handle an additional 1.4m TEU, while the ports of Malaga and Castellon may also be worthy of consideration, to avoid a potential supply chain bottleneck.
- The seven-day average vessel waiting time at Barcelona increased two days due to increased cargo flow, lowered productivity, IT issues and bad weather. Shipping lines are asking customers to pick up both their import units and empty containers as early as possible, due to congested line-up and increased waiting times.
- There are two potentially significant negative outcomes due to the current Mediterranean situation. First, transshipment networks require more ships for the feeder services and carriers may remove ships from other trades, particularly those in North Europe, which could create a capacity squeeze and push rates up.
  Second, port congestion creates a de-facto reduction of available vessel capacity, which leads to an increase in blank sailings, because there is a schedule gap when vessels are unavailable, which squeezes capacity and can also push up rates.

Source: Metro Global News

Market Outlook – Asia

Intra-Asia	The Intra-Asia Freight Rate Index remained stable and crawled up 1% or $8 to $855 per FEU. Rates were 3.8% higher compared to May 2019 (pre- Covid), however we expect rates to increase in June. China's PMI remained over 50 in May 2024, indicating stronger manufacturing activity, aided by strong demand in various consumption hubs. A strong market with lower vessel capacity due to the Red Sea crisis is tightening vessel and container supply across trades. Particularly, North China ports are hit as vessels continue to be rerouted via the Cape of Good Hope, increasing the sailing time. Port Congestions were also reported at ports in China and Singapore, with vessel waiting times of 3 to 14 days.
Asia to Europe	Capacity remains extremely tight, due to the longer Cape route, blank sailings, equipment shortage, port congestion in Asia and also Mediterranean ports. Vessels are fully booked through July at this stage. Rates continue to increase considerably and carriers continue to focus on highest paying cargo.
Asia to META	The expansion of the Red Sea situation has led to a rapid reduction in capacity, and various routes are competing for volume. Equipment shortages are getting serious due to longer transit time avoiding the Red Sea. Shipping costs may reach Covid time levels. If the situation in the Red Sea continues to escalate, and the recent Houthi armed forces claim that they will not only attack the Red Sea but also expand into the Indian Ocean, this will bring greater operational pressure to our industry. Space is extremely tight. Advance booking is strongly recommended.
Asia to North America (TPEB)	Spot rates are surging as demand exceeds capacity on major ocean trades. Carriers have successfully implemented the last few GRI's at the announced amount and have even higher GRI's, as well as PSS, announced for June and July. The strong demand and elevated freight rates could easily last through the Golden Week holidays in Asia, which occur in the first week of October.
ISC to North America	Ocean rates from India to the US East Coast have continued to slide in June. Cosco Shipping is the latest carrier to become a co-loading partner on ONE's new standalone West India-North America (WIN) loop. The new service has disrupted the market with aggressive pricing tactics to fill space amid persistent demand challenges. The heightened competition among carriers has pushed India-US spot rates sharply lower.

Sources: Drewry, SCFI, Container xChange, Bunker Index, JOC

Market Outlook – Europe

Europe to Asia	Capacity remains available, however blank sailings and port congestion, particularly in Mediterranean ports and in Asia, are disrupting schedules. Utilizing the longer Cape route delays schedules further. To India the space situation is a bit tighter but in general capacity is still available.
Europe to Latin America	Capacity is available to all South American coasts, including Mexico, with some service disruptions due to spillover effect from the Red Sea situation. Rio Grande port is operating despite floodings in the area. The Panama Canal situation is improving after it had been heavily impacted by droughts.
Europe to META	Tighter space situation to Middle East and more rollovers are taking place. Port operations in Dubai are still disrupted from recent floodings and there are delays in handling which can range from 5 to 10 days. Some carriers are using Abu Dhabi for the time being as alternative port. Capacity to the Eastern Mediterranean is generally available, as well as to all African coasts. Increasing congestion in North African ports.
Europe to North America	No capacity issues and sufficient chassis availability and trucking capacity. Baltimore port is operating again after the bridge collapse a few weeks ago. A potential rail strike in Canada is may disrupt inland transportation via rail.

PSA | BDP Sources: Drewry, SCFI, Ship & Bunker, Bunker Index

Market Outlook – LATAM

Intra-LATAM	Spot ocean freight rates have been rising rapidly since early April due to a combination of strong cargo demand in China and a shortage of vessels. Since March rates have continued to increase week after week, Shanghai- Santos experienced a 44% MoM rise, settling at $5,183 per TEU. While Ho Chi Minh City-Santos saw a 71% increase, reaching $5,592 for a 40ft container. Ocean peak season's early arrival together with Red Sea diversions straining capacity and schedules continued to result in worsening congestion, equipment shortages and elevated prices. In addition to port congestion in Asia, recent heavy rains in southern Brazil are further intensifying the existing pressure on rates. Many carriers are opting to omit southern Brazil ports. The number of ships waiting for a berthing window at the port of Rio Grande, which was significantly affected by the heavy rains, increased from 1 in week 13 to 19 vessels in week 18.
LATAM to Asia	Chinese EV makers including BYD are rushing to ship vehicles to Mexico and Brazil in preparation for tariff hikes and other trade restrictions. That comes as Washington announced 100% tariffs on Chinese EVs on Tuesday, May 14, a move that is expected to be followed by more trade actions aimed at electric vehicles from China by the U.S. and its allies. The rush-transportation of EVs from China to Brazil and Mexico began in March and will continue into June. The EV shipping rush has sparked a bidding war for space on cargo ships. As a result, overall shipping costs for the China to Brazil and China to Mexico routes have jumped in recent months.
LATAM to Europe	Freight rates to Europe have been rising in 2024, with some routes seeing increases of up to 31%. As of May 30, 2024, spot rates from the Far East to North Europe were between $6,000 and $7,500, with some analysts predicting they could reach $10,000. This is a significant increase from the same period in 2023, when rates were 198% lower. Some factors that may be contributing to the rise in freight rates include supply chain disruptions, container shortages, increased fuel prices, record market demand in Q1 2024, and pressure on shipping capacity from the Red Sea. Much of these increased volumes are moving on the spot market, which is putting upwards pressure on rates, particularly as rising port congestion and equipment shortages are further diminishing available capacity.
LATAM to North America	Fears of a renewed US-China trade war resurface after President Biden unveiled new tariffs on a broad range of Chinese products. The new tariffs vary significantly. EVs face a 100% increase, jumping from the existing rate to a staggering four times the previous cost. Transpacific Eastbound Index skyrocketed 35% to $5,158 per 40ft container in May amid strong demand, tight capacity and port congestion. Rates are expected to continue to climb well into Quarter 3. Peak season, which traditionally starts in July has started early this year with shippers booking slots in advance due to a shortage of equipment and vessels across trades, globally. Equipment shortage is looking close to that during the pandemic. The Red Sea crisis, along with issues in the Suez Canal accessibility have increased the sailing distance; additionally, the surprising increase in demand has reduced the idle capacity to <1% of the total global fleet, which has boosted rates.

PSA | BDP Sources: Drewry, Metro Global, Datamar News, Alphaliner

Market Outlook – META

Intra-META and India	The Jebel Ali Port is experiencing significant congestion, resulting in delays of 3-4 days for vessel berthing. Jebel Ali is the central hub station that all connections go through for the META region. This congestion is causing operational difficulties for shipping lines, customers and port operations involved in both imports and exports, along with equipment shortages that particularly affect small carriers and NVOCCs. Major shipping companies are still offering services to the Gulf area by going around the Cape of Good Hope. Both large & small carriers have started several new direct services from Turkey to Jeddah with transit times around 8-12 days. Some carriers are using these direct routes to Jeddah and then connecting to Jebel Ali/other Gulf ports through feeder services.
META to Africa	For East Africa, carriers are promoting Mombasa and Dar Es Salaam direct services from Jebel Ali. For South Africa, all main carriers have direct services to Durban, and carriers are applying extra surcharges because of Durban port congestion. For West Africa, mainly carriers are routing vessels through Cape of Good Hope. For North Africa, services are via Europe ports, facing space problems on vessels and rate increases.
META to Europe	Ships from Middle East to Europe are facing space problems with congestion in Jebel Ali port causing extra challenges. Small carriers have limited services to Mediterranean ports through Red Sea. Main services continue through Cape of Good Hope. Carriers are trying to increase rate levels to Europe ports. There are strikes in France ports and terminals in June which will cause delays for vessels.
META to Far East	The ports in Singapore and Port Kelang are both congested and may cause 2-4 weeks delays for indirect Far East destinations. Singapore and Port Kelang are the two main transshipment port for Australia & New Zealand and because of high congestion at these ports, 2-3 weeks delays are expected on arrivals to Oceania ports.
META to North America	The Red Sea situation continues to impact on-time performance and schedule reliability. Container availability for inland U.S. exporters is becoming much more challenging. This is a result of the global disruptions in container shipping and their subsequent impact to the flow of laden and empty containers. To ensure the smoothest loading experience, recommend booking 3-4 weeks in advance. The Panama Canal has been nearing a return to normal operations as water levels in Lake Gatun continue to improve. The daily number of ships allowed to transit has increased from 24 to 31, with further lessening of restrictions expected in June.

PSA | BDP Sources: Drewry, SCFI, Ship & Bunker, Bunker Index

Market Outlook – North America

North America to Asia	Peak season has started early this year as shippers book in advance due to a shortage of equipment and vessels across trades, globally. Equipment shortages are comparable to what was seen during the pandemic. The Red Sea crisis continues to cause issues in the Suez Canal and a surprising increase in demand has reduced the idle capacity <1%. Spot rates on the Transpacific Westbound trade lane marginally decreased 2% to $916 per 40ft container in May. Unlike the Transpacific Eastbound trade, freight rates on this trade have remained stable since the beginning of the year, and this trend is expected to continue in June.
North America to Europe	The Transatlantic Westbound Index decreased only 5% to $2,504 per 40ft container in May after a gain of 57% in 1Q24. Freight rates in the Transatlantic westbound trade are stabilizing and are expected to remain consistent in June. Freight rates for the Eastbound leg are still low but stable due to low vessel utilization and expected to continue through June.
North America to LATAM	Recent heavy rains in southern Brazil are causing service disruptions and in increases to rates in some trade lanes. Many carriers are opting to omit southern Brazil ports. The number of ships waiting for a berthing window at the port of Rio Grande, which was significantly affected by the heavy rains, increased from 1 in week 13 to 19 in week 18. Freight rates for the remainder of the region remain competitive and stable.
North America to META	The Middle East continues to be plagued with challenges. The Red Sea issue, Suez Canal accessibility, two more vessels attacked by Houthis and the Israel-Palestine conflict are causing residual challenges throughout the region. Rates remained relatively stable on some trades and increased on other trade routes. Equipment shortage is also a concern in this region. Some carriers have raised surcharges on the Red Sea, and some are implementing GRI's to ISC and Middle East as of July. We continue to monitor this trade closely.

Sources: Drewry, JOC

Carrier Updates

Hapag-Lloyd	Hapag Announced a PSS ($1,000 per cnt) to be effective from June 14th from Indian subcontinent & ME to USWC. Hapag Lloyd have reinstated their CGX service in June, calling at Yantian, Singapore, Tema, Wilhelmshaven and Antwerp. The carrier also posted a net profit of USD 325 mio. for the first quarter of the year, coming from a loss of USD 234 mio. in the preceeding quarter.
HMM	HMM's two largest shareholders, the state-owned Korea Development Bank and Korea Ocean Business Corp. Exercised stock conversion rights that will bring the Korean government's share in the carrier to 74% by next year. The two parties could have been in breach of their fiduciary duty, if they had not exercised those rights. However, this will make any possible sale of the carrier more challenging in the future. The carrier also reported ist highest operating profit in five quarters at USD 256 mio.
MAERSK	Unlike most other carriers, Maersk reported its third consecutive quarterly loss in the first quarter of 2024. The EBIT reached a USD 161 mio. loss, still showing a considerable improvement compared to the last quarter of 2023 which resulted in a loss of USD 920 mio. The carrier is also set to liquidate ist remaining subsidiaries in Russia, manifesting its exit from the country.
msc	MSC announced a GRI ($1,200 per cnt) to be effective June24th from India, Middle East to USA & CANADA West Coast. They also announced PSS ($2,400 per cnt) to be effective June from same countries to USA West Coast.
ONE OCEAN NETWORK EXPRESS	ONE has announced the launch of a new service, China-Vietnam-Thailand (CVT). The service, which commenced on the 27 May, will have the following port rotation: Busan (South Korea) - Shanghai (China) - Ningbo (China) - Cat Lai (Vietnam) - Laem Chabang (Thailand)

Sources: BDP Transport, Alphaliner, Container News, Xeneta