



SAVINO DEL BENE®

Global Logistics and Forwarding Company

GLOBAL OCEAN MARKET REVIEW

APRIL 2022

EXTERNAL

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1. OVERVIEW

LATEST UPDATE

23 Chinese cities have implemented either full or partial lockdown, which collectively is home to an estimated 193 million people, contributing to 22% of China's GDP. Data shows that Chinese ports are operational, but the major problem is in the logistic activities around the harbors. This situation could impact the entire supply chain.

Back to normality?

The good news is that the market will indeed eventually normalize, but the process by which we will return to normal will be gradual and it will run into some extra bumps on the road.

RATES LEVELS

Downward trends for almost all lanes out of Asia on a spot basis, mainly due to the current lockdown in China. However, generally speaking, rates are still much higher on every trade on a Y/Y basis.

On the other side, medium-long term contracted rates are still very high.

Trans-Atlantic rates are on the rise.

BUNKER

Several carriers adjusted the bunker formula from quarterly to monthly for medium-long term deals, in order to balance the recent spikes in fuel price, and possibly also for the future ones.

SCHEDULE RELIABILITY

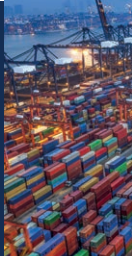
Global schedule reliability improved M/M in February 2022 by 4.0 percentage points, reaching 34.4%. This is the first significant M/M improvement that we have seen in schedule reliability since March 2020.

PORT CONGESTION

Port congestion has continued to ease last week. Even if lockdown measures are improving in China, ports remain operational.

North America's situation is not homogeneous. The congestion continues to ease at LA/LB and this has helped to bring the vessel queues at the US West Coast to their lowest levels since October 2021.

The situation in the US - East Coast and Europe remains critical.



2. LATEST UPDATES AROUND THE WORLD > SHANGHAI LOCKDOWN - 1/2

The main topic of the month is the lockdown for three weeks in Shanghai, in order to contain the surge of Covid cases. Besides the Shanghai situation, industrial areas in other major cities/provinces of China have been affected, such as Dalian and Tianjin in the North, Ningbo in the East, and Xiamen and Dongguan in the South. Mass testing currently undergoing in Guangdong province.

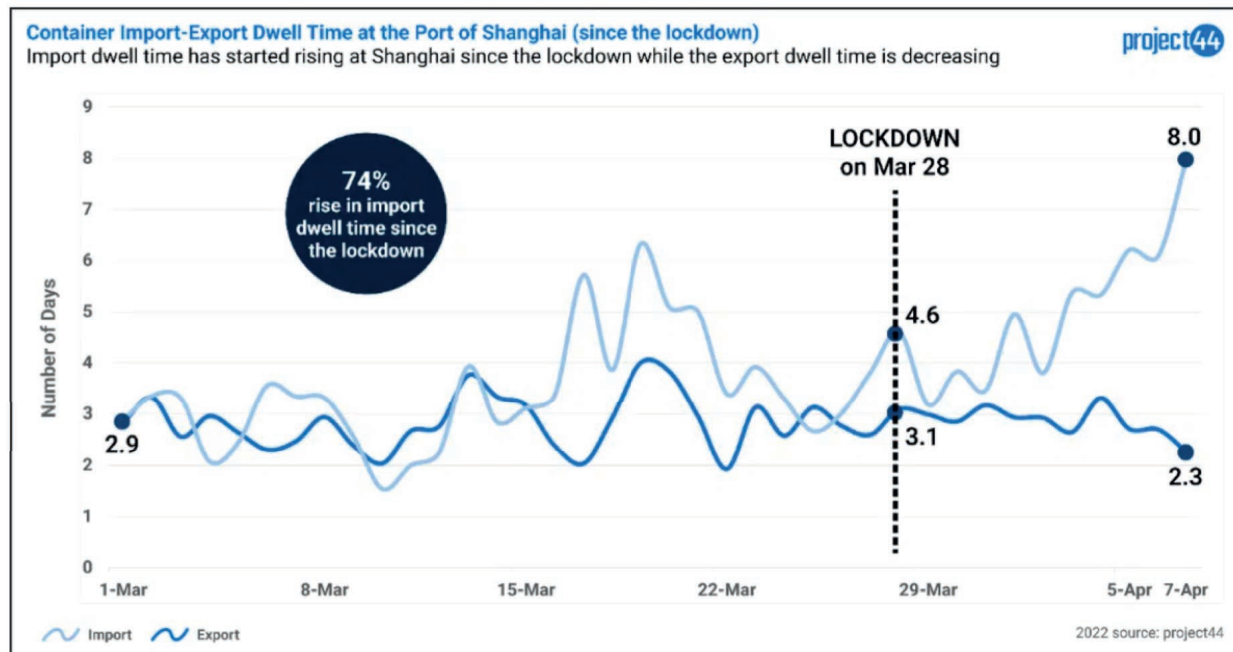
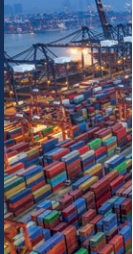


Figure 1 - Container Import-Export Dwell Time at the Port of Shanghai source (Project44, Supply chain crisis tracker, available on <https://www.project44.com/supply-chain-crisis-tracker>)

Figure 1 shows the dwell time at the Port of Shanghai. As we can see, the port is actually operational: even if there are problems with the import containers, the export dwell time is decreasing. This means that the main problem it's the logistic around the port activities. Following Jon Gold (vice president of supply chain and customs policy for the National Retail Association): "Ongoing challenges include factories struggling to get materials needed for production, difficulty moving products to the ports in part because of the driver shortage, as well as increased consumer demand. While the impact of the Shanghai lockdown is limited right now, it will grow the longer the restrictions are in place."



2. LATEST UPDATES AROUND THE WORLD > SHANGHAI LOCKDOWN – 2/2

According to Linerlytica, the major implications of the lockdown are: “Congestion at Shanghai/Ningbo has picked up slight in the last week with operations hampered by high yard utilization. Limited trucking availability has affected inbound cargo clearance, with several carriers restricting imports of refrigerated and dangerous cargo. Several services will omit calls at Shanghai, with outbound cargo remaining weak due to a shortfall of cargo with most of the ships currently diverted to Ningbo. Waiting times at both Shanghai and Ningbo remain under control at less than 2 days on average.” (Linerlytica, Market Pulse week 14 2022)

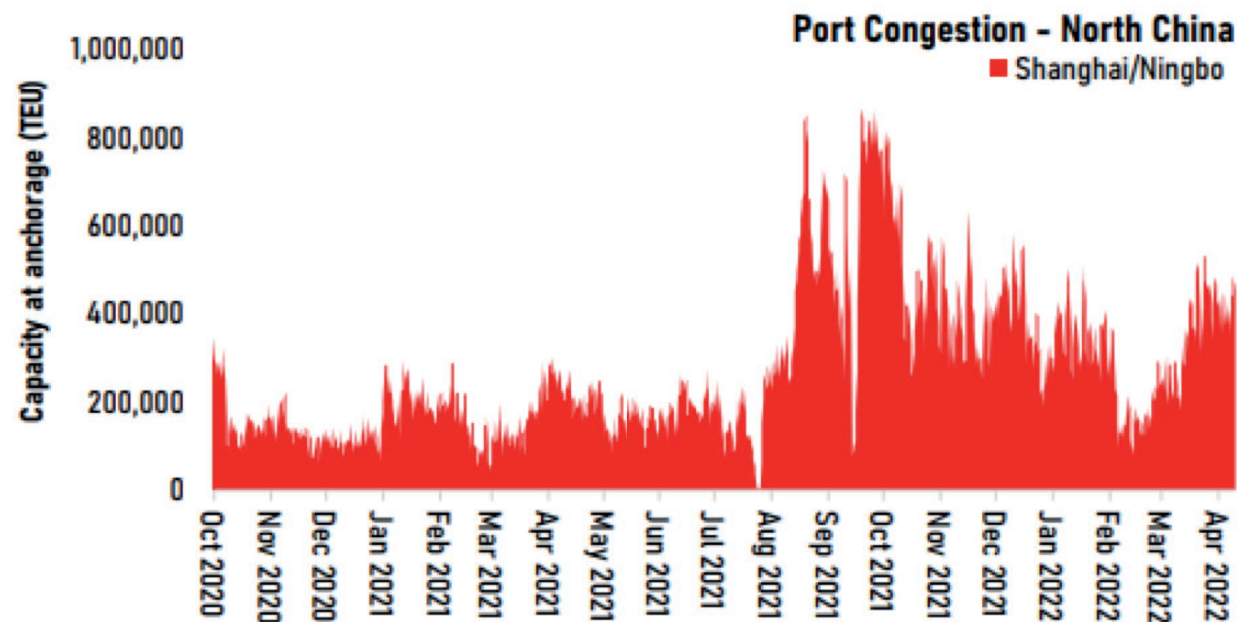
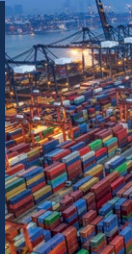


Figure 2 - Port Congestion North China -
Source: Linerlytica, Market pulse week 14

This lockdown will have a significant impact on the global supply chain. If lockdown is not lifted soon, in the short term the demand will slow down, as well as, the spot rate pressure. Once finished, this will be followed by a surge and upward pressure. The whiplash effect will lay waste to all the potential progress made in the U.S. The carriers will again not have enough equipment on the ground, because insufficiently of these came to China, during the port lockdowns, and just a very few vessels will be available which could lead again to higher rates.



2. LATEST UPDATES AROUND THE WORLD > BY TRADE

FROM ASIA:

In general, for all shipments out of the Far East, the current Covid outbreak in China means softer market demand, at least for the next couple of weeks, followed by a possible sharp rebound. More blank sailings and problems with equipment are expected.

From Asia to North America: space on the East Coast is still tight. With labor negotiation to start only on May 12, possible important shift of capacity and demand to the U.S. East Coast, which should push the rates up.
Schedule reliability to ECSA improved. Schedule reliability to WCSA is stable.

FROM EUROPE:

Space and equipment issues in the entire North Europe and Mediterranean region to the Americas. Europe to the Middle East and Asia are quite relaxed, with rates stable. Expect possible issues with equipment and blank sailings due to lockdown in China.

Space and rates to Australia and New Zealand, worsen by the congestion at t/s ports in Asia. In general, we don't expect any improvement in the short term.

Direct services are fully overbooked. Rates keep increasing.

Very tight capacity and rate increases to Mexico, Central and Latin America.

Still a very tight space situation in South Africa. Booking windows for East and West Africa is 6-8 weeks.

FROM NORTH AMERICA:

To Europe space situation is stable, but rates in Q2 may slightly increase due to rising bunker, and some blank sailings due to congestion on both sides of the ocean.

To Australia/NZ: a huge backlog of cargo. Capacity reduced. Demand exceeds the supply by far.

For Asia, carriers are trying to use regular services to move empty containers back to Asia. Increase capacity to India.

In general, despite some GRIs announcements and some recent rate increases, carriers are open for new export business but they are very selective on the type of business, with priority to port-to-port moves, rather than cargo originating from inland points.

FROM CENTRAL AND LATIN AMERICA:

Bottlenecks and challenges of the supply chain, such as port omissions, blank sailing and congestion are creating a lot of issues for export cargo from WCSA. Lack of equipment availability.

ECSA is also affected by blank sailings, but not as much as WCSA.

In general, carriers still prefer spot cargo. Rates fluctuate.

Strong demand by Asian countries for reefer, but also for other commodities. Vessels getting full, but rates are stable, probably due to equipment imbalance, and carriers need to reposition containers to Asia. Export from Mexico is still strong.



3. BACK TO NORMALITY?

According to Sea-Intelligence, the good news is that the market will indeed eventually normalize, but the process by which we will return to normal will be gradual and it will run into some extra bumps on the road.

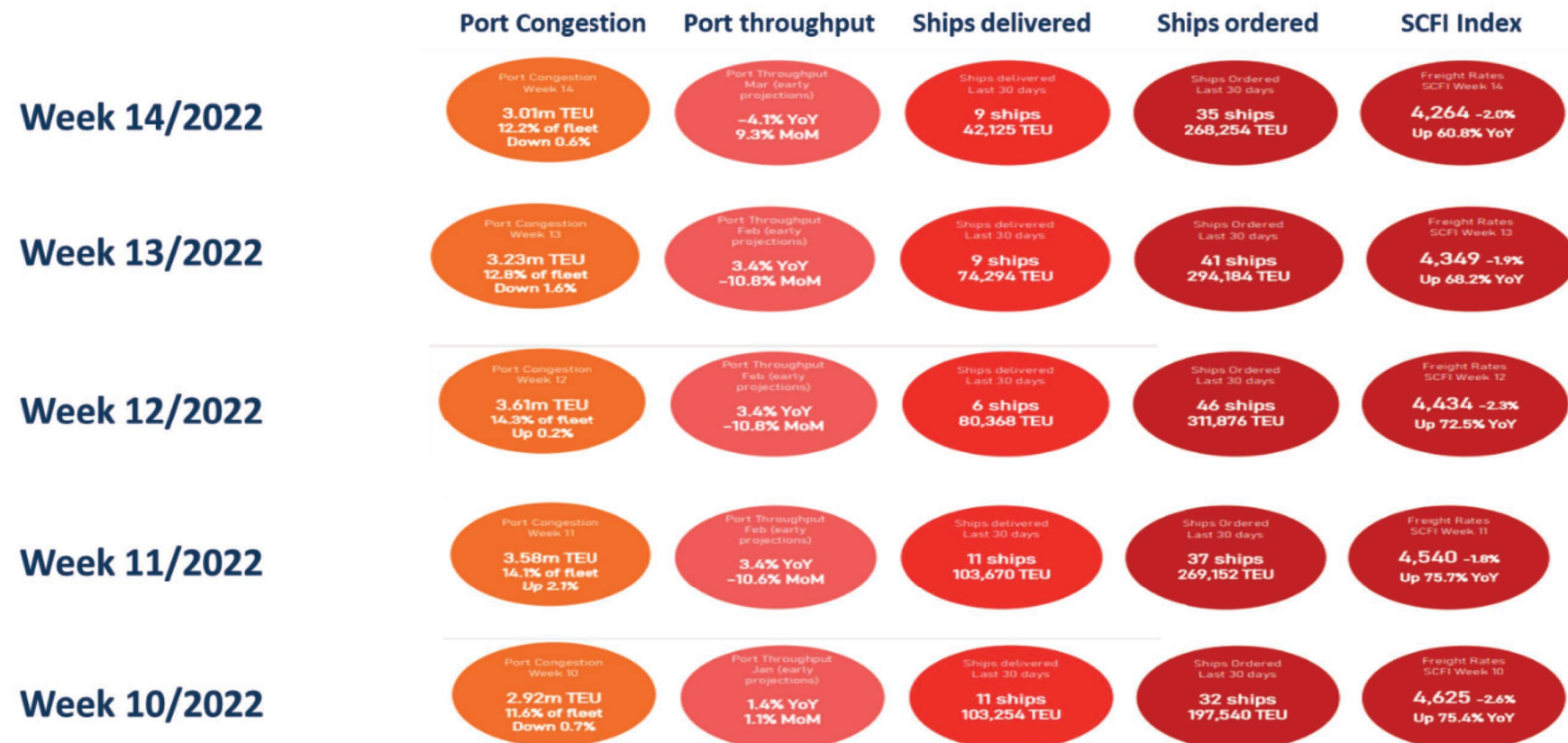


Figure 3 Back to normal - Source Linerlytica, Market Pulse Week 10-14 2022



3. BACK TO NORMALITY?

IS DEMAND SHOWING SOME TREND OF NORMALIZATION?

Depend on if we compare the demand with 2020 or 2019. As in figure A3a, January and February global demand is still high. However, comparing the Y/Y, we can observe a slight decline similar to 2019 levels.

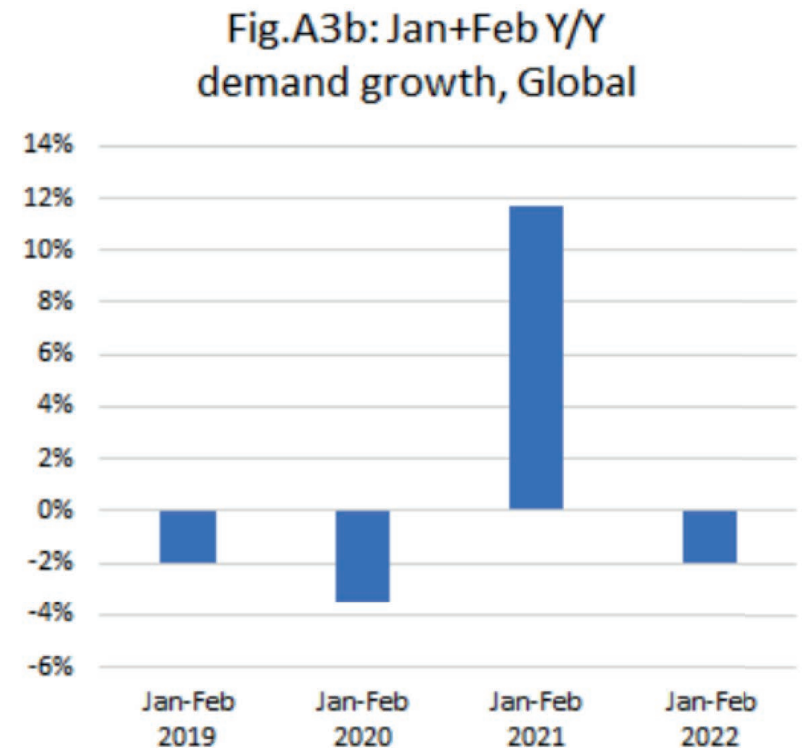
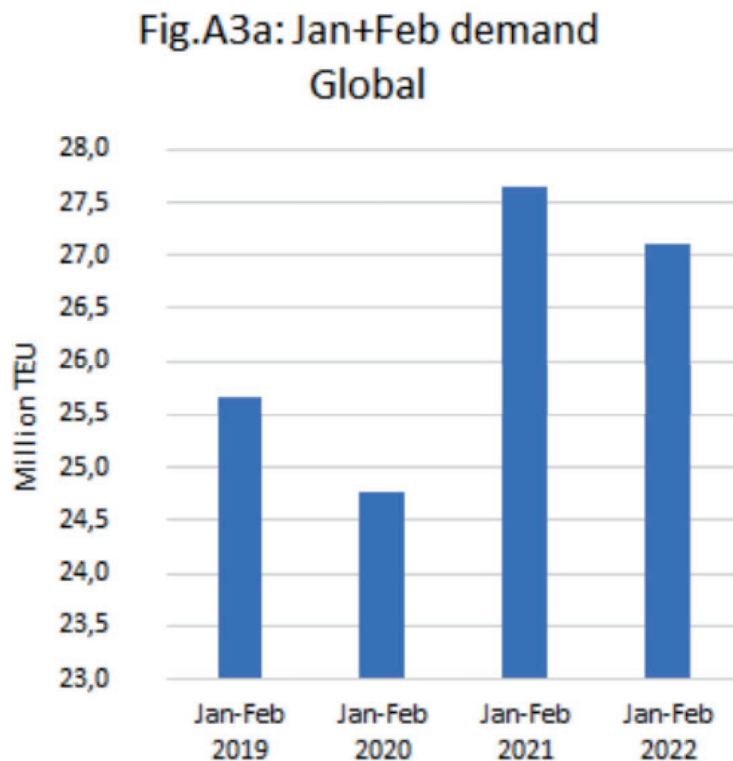
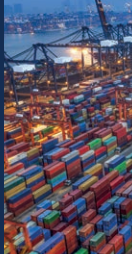


Figure A3a – A3b: Jan+Feb Global demand – Source Sea-Intelligence, Sea-Intelligence Spotlight issue 559, 2022



3. BACK TO NORMALITY?

Same situation comparing global demand by trade. Figure A1 shows that confronting Jan+Feb global demand with the past years, we can observe that almost all trends are decreasing. However, the trend is reversed.

Fig.A1: Jan+Feb 2022 year-on-year growth

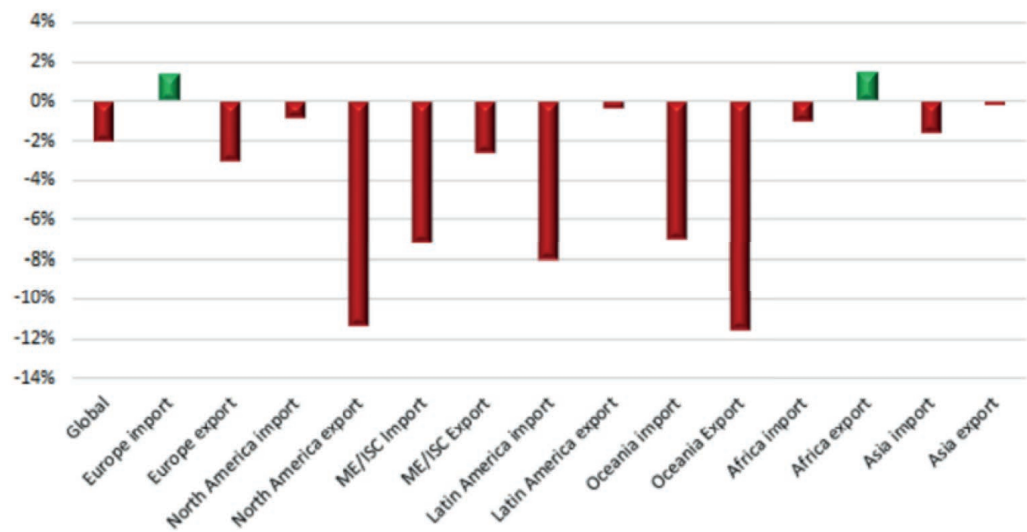


Fig.A2: Jan+Feb 2022 versus Jan+Feb 2019

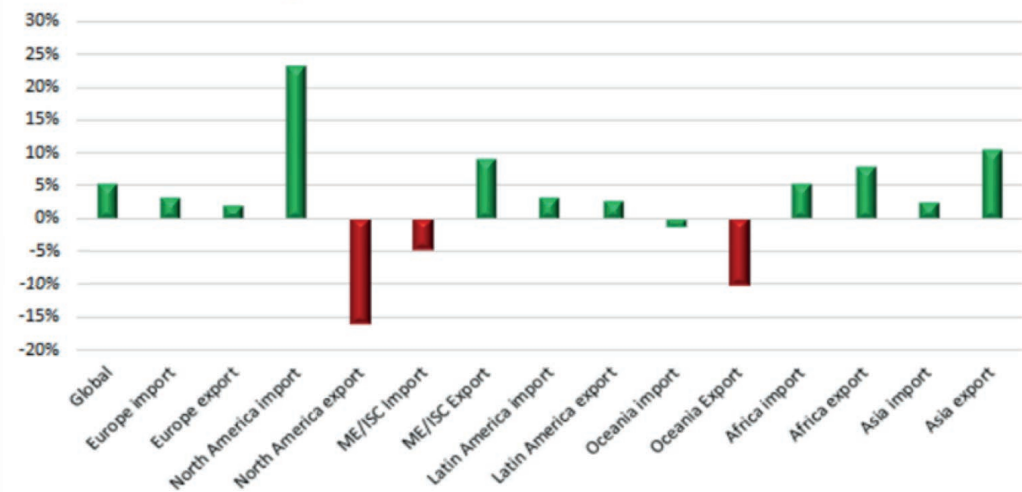
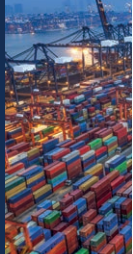


Figure 4 Jan+Feb Global demand by trade- Source Sea-Intelligence, Sea-Intelligence Spotlight issue 559, 2022



4. PORT CONGESTION

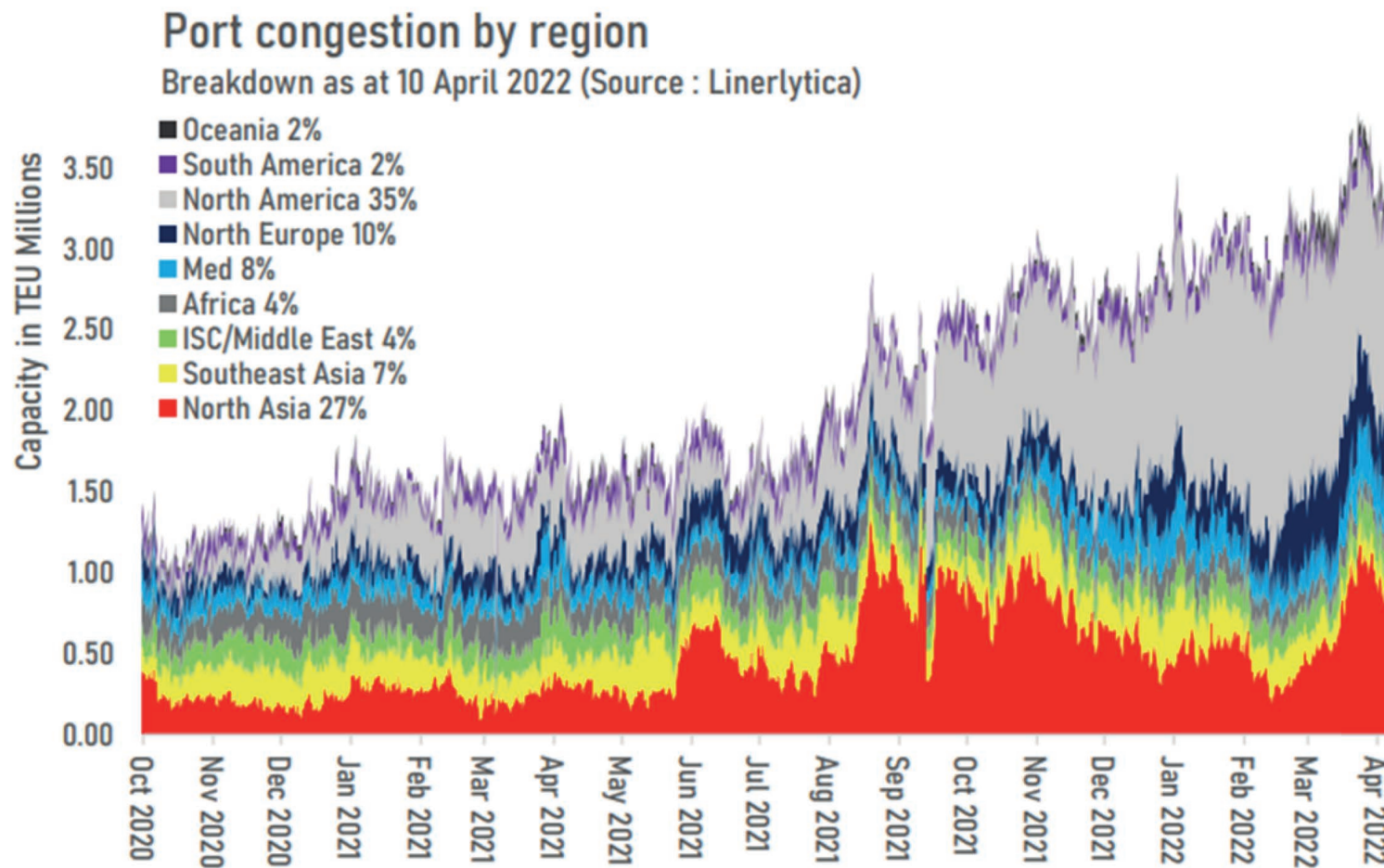


Figure 5 Port congestion - Source Linerlytica, Market pulse week 14

As it's shown in figure 5, port congestion continued to ease last week. Even if lockdown measure is improving in China, ports remain operational.



4. PORT CONGESTION

North America's situation is not homogeneous. The congestion continues to ease at LA/LB and this has helped to bring the vessel queues at the US West Coast to their lowest levels since October 2021. (Lynerlitica, Market pulse Week 14)

Congestion at US East Coast and European ports remains critical.

(See figure below)

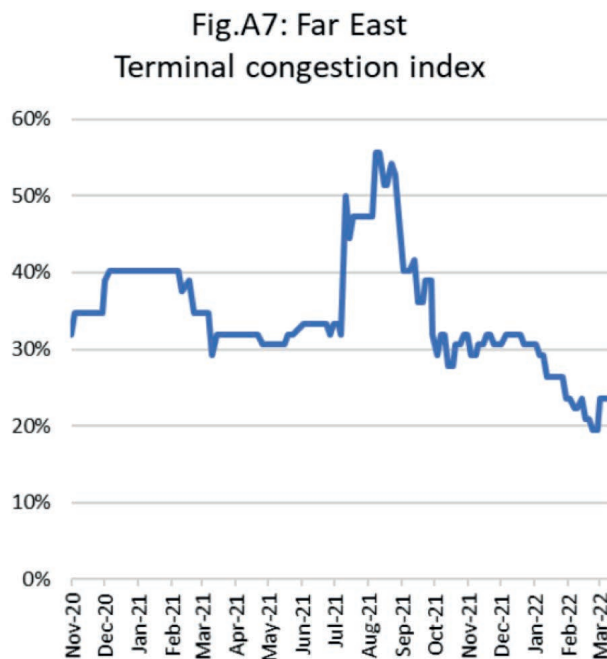


Figure 6 - Far East Terminal congestion, source Sea-Intelligence Spotlight issue 558, 2022

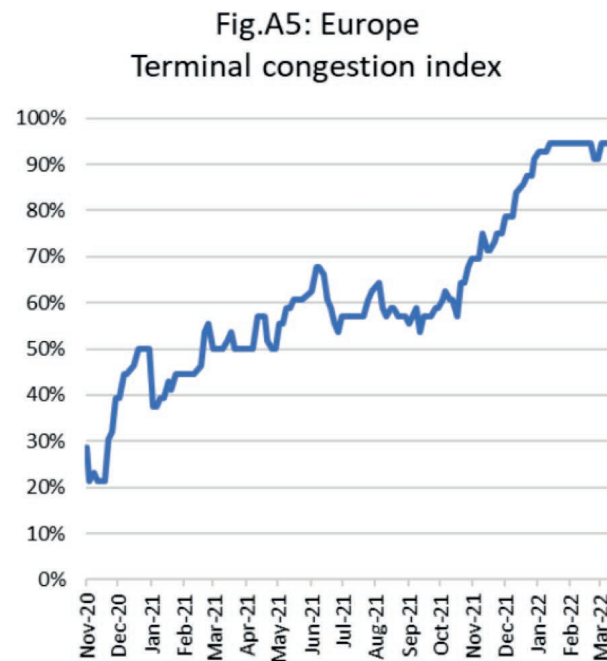
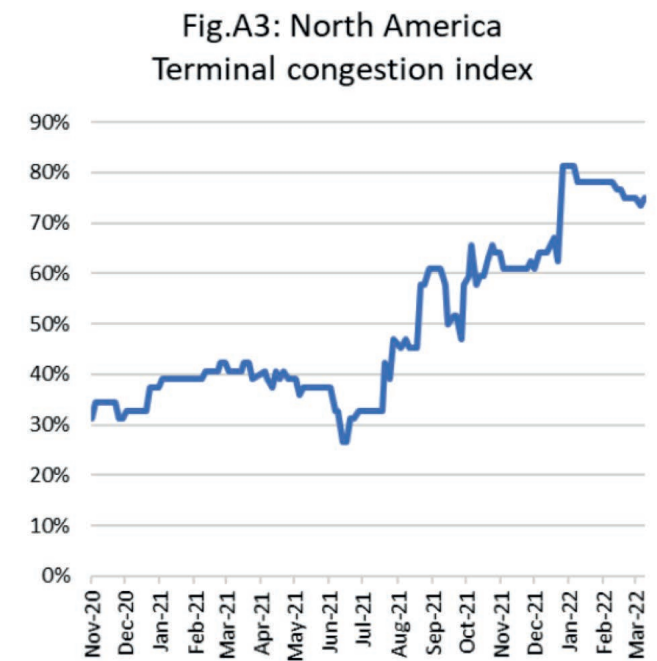
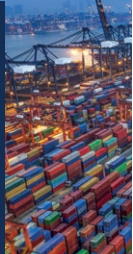


Figure 7 - Europe and NA Terminal congestion, source Sea-Intelligence Spotlight issue 558, 2022





5. ALBERTO RIVOLA'S PROSPECTIVE



Alberto Rivola

Head of Global Ocean Procurement

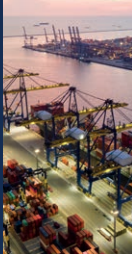
The widespread lockdowns in China are affecting the import & export business in Asia. The softening of the rates we have noticed after the Chinese New Year is now longer than expected. However, it may not necessarily only due to the Covid impact in China, but it may also have to do with rising inflation in several Countries, higher level of inventory, and less purchasing power by consumers who are no longer enjoy the extra influx of money provided by governments' economic stimulus of the past couple of years.

It's still too early to say whether this rate trend downwards is going to be the new trend. We have to wait for the development so the next few months. The experience that we had two years ago tells us that after such a lockdown there will be a strong push to export cargo left on hold at origins. And, in any case, current spot rates are still well above the numbers we had just a year ago.

Hence, most likely the next couple of quarters will be characterized by uncertainties. How long the lockdown is going to last? How carriers will react to a possible lack of demand? How many blank sailings? Will we see another dislocation of equipment, with a shortage or lack of containers where needed? Will the longshoremen negotiation in the USA affect the port's productivity and what kind of effect is going to have on trans-pacific market dynamics? These are just a few of the topics that we will have to monitor in the coming months.

The congestion situation on both sides of the Atlantic Ocean is also a major concern for importers and exporters. Schedules are deteriorating, rates are increasing, and equipment is not always available.

We're probably on the path towards normalization, which will take probably the entire 2022. Such normalization will still come with a few hurdles along the road. All players in the industry must be well prepared to face those hurdles.



6. TRENDS > RATES AND CAPACITY BY TRADE



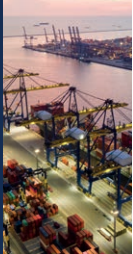
| FROM NORTH AMERICA | | |
|--------------------|-------|----------|
| TO | RATES | CAPACITY |
| ASIA | ↘ | = |
| EUROPE | ↗ | = |
| LATAM | ↑ | ↘ |
| M.E | = | = |

| FROM LATIN AMERICA | | |
|--------------------|-------|----------|
| TO | RATES | CAPACITY |
| ASIA | = | = |
| EUROPE | ↗ | ↘ |
| NORTH AM. | ↑ | ↘ |
| M.E | ↗ | = |

| FROM EUROPE | | |
|-------------|-------|----------|
| TO | RATES | CAPACITY |
| ASIA | ↘ | = |
| LATAM | ↗ | = |
| NORTH AM. | ↗ | = |
| M.E | = | ↘ |

| FROM ASIA | | |
|------------|-------|----------|
| TO | RATES | CAPACITY |
| EUROPE | = | ↗ |
| LATAM | ↘ | = |
| NORTH AM. | = | ↘ |
| INTRA ASIA | ↑ | ↘ |

↑ Strong increase | ↗ Moderate increase | = No change | ↘ Strong decline | ↙ Moderate decline

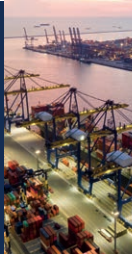


6. TRENDS > RATES BY TRADES

Although the FBX index is going down after the Chinese New Year, rates levels are still high compared to past years.

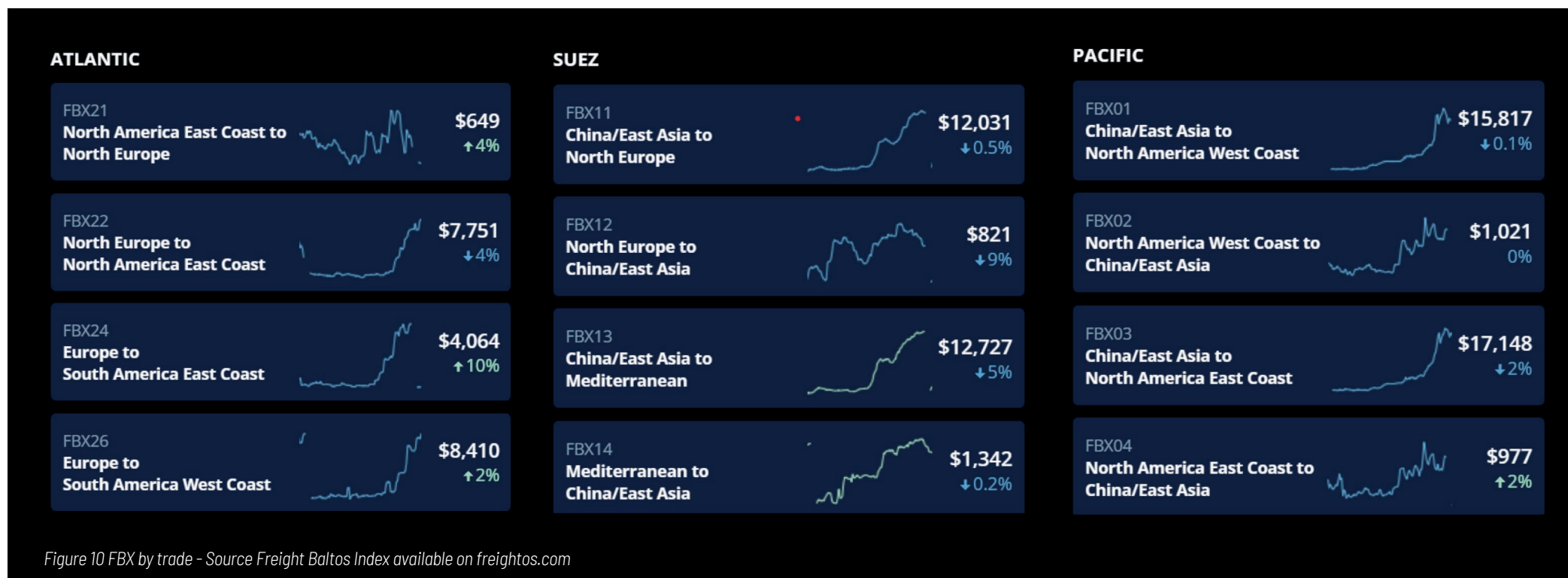


Figure 9 Figure 9 FBX - Source Freight Baltos Index available on freightos.com

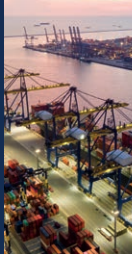


6. TRENDS > RATES BY TRADES

The big movers of this month are: Europe to South America East Coast +10%; and the export from North Europe to China/East Asia -9%



Disclaimer: Shipping indexes do not capture the rate levels set by the so-called «premium» services such as Diamond Tier, SPGO, Shipping Guarantee, etc...
As of mid-February, surcharges to guarantee space and equipment on the major trades can be several thousand dollars higher than standard FAK.



6. TRENDS > CAPACITY BY TRADE

- Capacity to North Europe increased to 264,000 teu last week, compared to 230,000 a week earlier.
- Capacity to the Mediterranean rebounded further to 150,000 teu last week compared to 130,000 teu a week earlier.

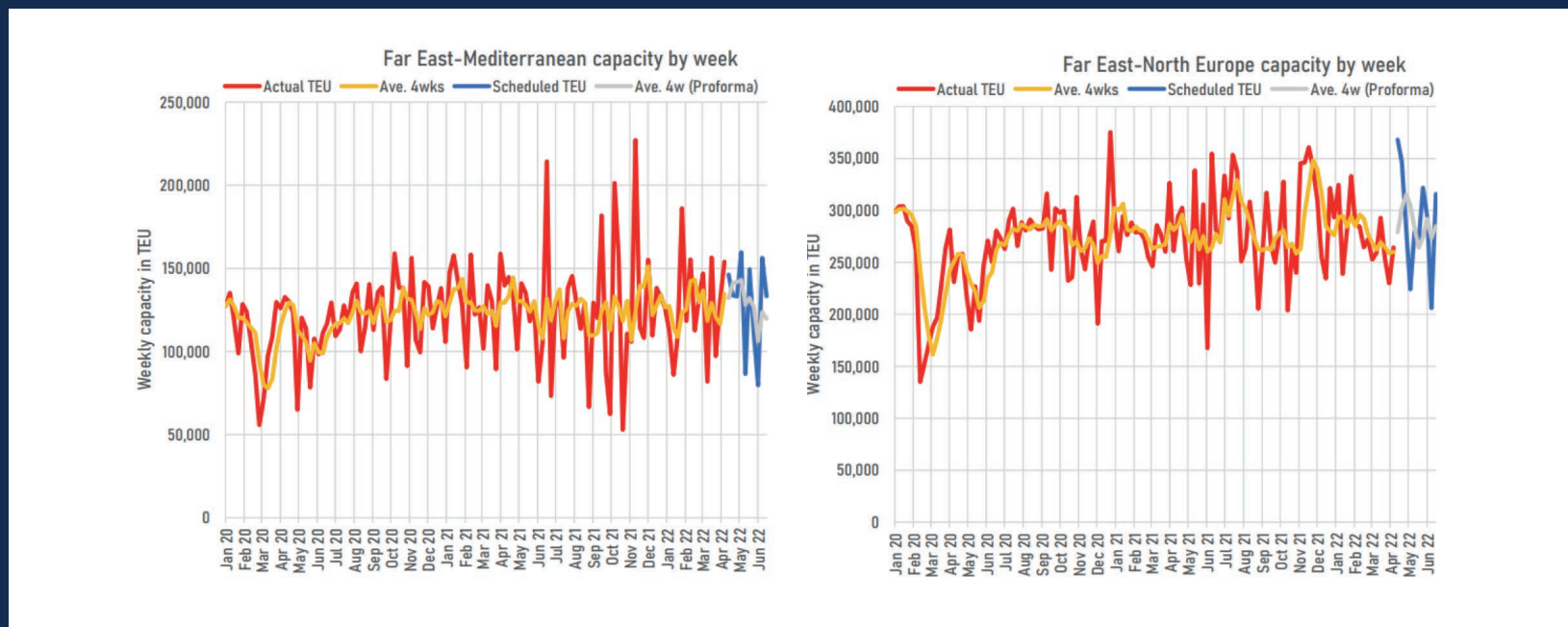
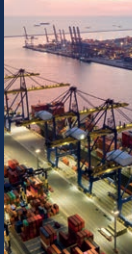


Figure 11 capacity by trade, source Linerlytica, Market pulse week 14



6. TRENDS > CAPACITY BY TRADE

- Capacity to the US West Coast dipped last week to 290,000 teu, compared to 356,600 teu a week earlier.
- Capacity to the US East coast dropped to 181,000 teu last week compared to 200,000 teu a week earlier, with sliding schedules pushing some 32,000 teu to next week.

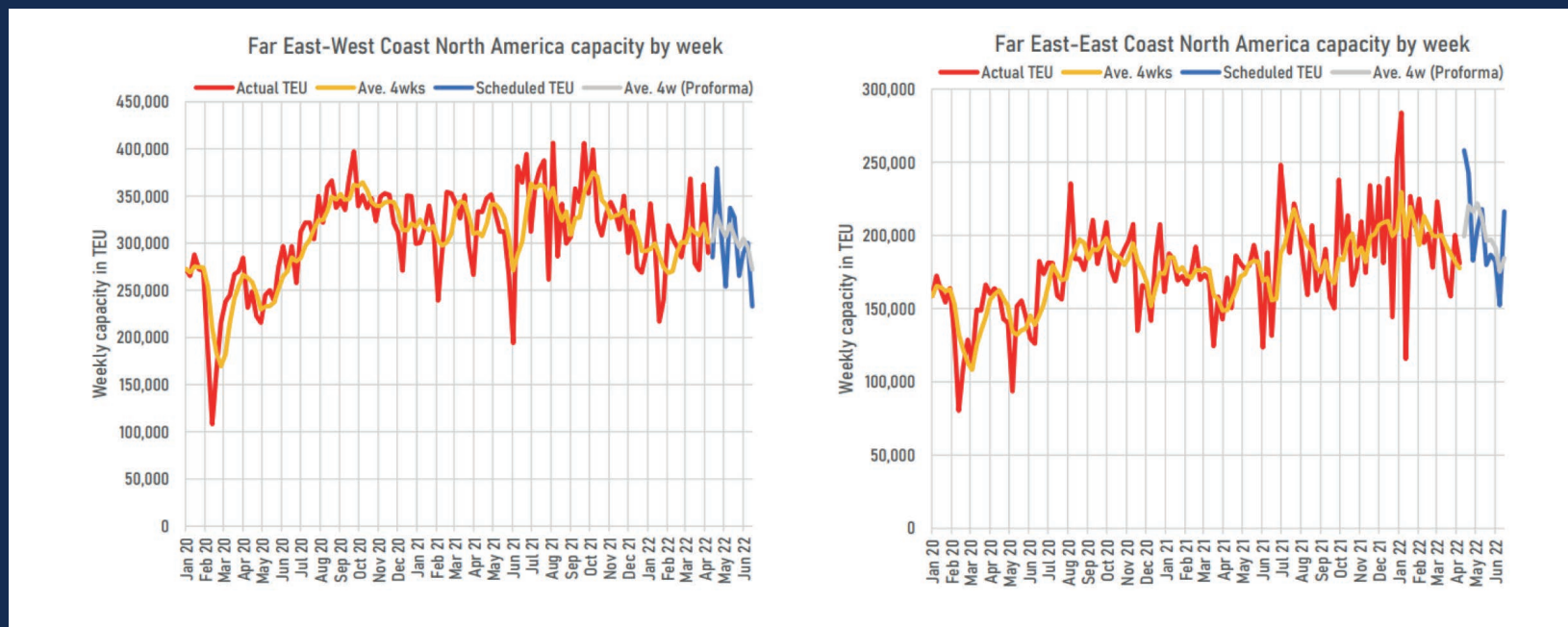
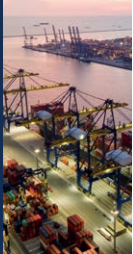


Figure 12 Figure 10 capacity by trade, source Linerlytica, Market pule week 14



6. TRENDS > BUNKER



Figure 13 Bunker price. VLSFO vs IFO380. Source: Shipandbunker available on <https://shipandbunker.com/prices/av/global/av-g04-global-4-ports-average>

Several carriers adjusted the bunker formula from quarterly to monthly for medium-long term deals, to balance for the recent spikes in fuel price, and possibly also for future ones.

We are expecting fuel to be a crucial factor in the coming months.



6. TRENDS > SCHEDULE RELIABILITY

According to Sea-Intelligence: “Global schedule reliability improved M/M in February 2022 by 4.0 percentage points, reaching 34.4%. This is the first significant M/M improvement we have seen in schedule reliability since March 2020. In February 2022, the schedule reliability score was only marginally lower Y/Y, by -0.2 percentage points. The average delay for LATE vessel arrivals also improved M/M, decreasing by -0.77 days to 7.11 days in February 2022. That said, the delays have now been over 7 days since August 2021, and continue to be the highest across each month when compared historically, as the delay figure for February 2022 was 0.16 days higher Y/Y.” (Sea-Intelligence, Maritime Analysis Global Liner Performance Report – Feb. 2022)

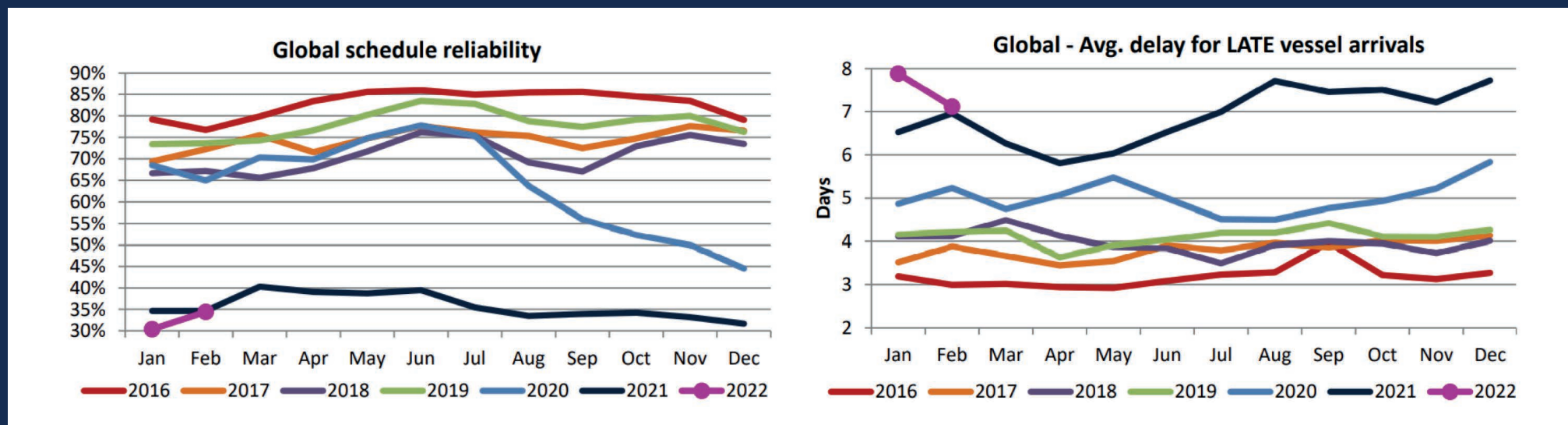


Figure 14 Global schedule reliability. Source: Sea-Intelligence, Maritime Analysis Global Liner Performance Report – Feb. 2022



6. TRENDS > SCHEDULE RELIABILITY BY TRADE

| Tradelane | JAN/FEB 2021 | DEC/JAN 2022 | JAN/FEB 2022 | M/M change | Y/Y change |
|----------------------------|-----------------|-----------------|-----------------|---------------|---------------|
| Asia-NAWC | 10.7% | 9.4% | 13.8% | 4.4% | 3.1% |
| Asia-NAEC | 13.1% | 17.0% | 15.5% | -1.5% | 2.4% |
| Transpacific WB | 22.1% | 22.2% | 26.1% | 3.8% | 3.9% |
| Asia - North Europe | 27.0% | 17.6% | 15.0% | -2.6% | -12.0% |
| Asia - Mediterranean | 31.0% | 20.6% | 27.1% | 6.5% | -4.0% |
| Europe - Asia | 21.2% | 26.4% | 31.5% | 5.1% | 10.2% |
| Transatlantic EB | 40.7% | 27.8% | 27.2% | -0.6% | -13.5% |
| Transatlantic WB | 23.8% | 17.3% | 14.7% | -2.6% | -9.1% |
| Europe - South America | 56.2% | 53.4% | 51.9% | -1.6% | -4.3% |
| South America - N. Europe | 59.1% | 45.2% | 37.3% | -7.9% | -21.8% |
| South America - Med. | 57.7% | 47.7% | 52.2% | 4.5% | -5.5% |
| N. America - South America | 68.0% | 47.7% | 39.8% | -7.9% | -28.2% |
| South America - N. America | 55.7% | 33.6% | 22.6% | -11.0% | -33.1% |
| Europe-Oceania | 50.0% | 18.4% | 15.6% | -2.8% | -34.4% |
| N. America - Oceania | 25.3% | 40.3% | 45.6% | 5.3% | 20.4% |
| Oceania - N. America | 37.0% | 42.9% | 43.8% | 0.9% | 6.8% |
| Asia - Oceania | 12.7% | 17.2% | 19.5% | 2.3% | 6.8% |

| Tradelane | JAN/FEB 2021 | DEC/JAN 2022 | JAN/FEB 2022 | M/M change | Y/Y change |
|----------------------|-----------------|-----------------|-----------------|---------------|---------------|
| Oceania - Asia | 15.5% | 20.4% | 27.9% | 7.6% | 12.4% |
| Asia - Middle East | 31.4% | 25.6% | 28.2% | 2.5% | -3.3% |
| Middle East - Asia | 22.0% | 23.1% | 26.8% | 3.7% | 4.8% |
| Europe - Middle East | 49.4% | 44.7% | 44.9% | 0.2% | -4.5% |
| Middle East - Europe | 53.9% | 39.9% | 40.5% | 0.6% | -13.5% |
| Asia - Indian Sub. | 21.1% | 21.7% | 24.1% | 2.4% | 3.0% |
| Indian Sub. - Asia | 18.5% | 16.3% | 19.1% | 2.8% | 0.6% |
| Europe - Indian Sub. | 70.8% | 55.3% | 52.9% | -2.4% | -17.8% |
| Indian Sub. - Europe | 52.6% | 29.3% | 30.7% | 1.4% | -22.0% |
| Asia - Africa | 19.7% | 38.4% | 37.3% | -1.2% | 17.6% |
| Africa - Asia | 26.5% | 28.6% | 32.0% | 3.5% | 5.6% |
| Europe - Africa | 26.7% | 28.2% | 31.3% | 3.1% | 4.6% |
| Africa - Europe | 36.7% | 38.3% | 35.9% | -2.5% | -0.9% |
| Asia - ECSA | 49.1% | 46.7% | 54.3% | 7.6% | 5.3% |
| ECSA - Asia | 21.3% | 23.8% | 30.7% | 6.9% | 9.4% |
| Asia - WCSA | 62.2% | 41.4% | 41.3% | 0.0% | -20.9% |
| WCSA - Asia | 39.5% | 31.2% | 35.9% | 4.8% | -3.6% |

Figure 15 Global schedule reliability by trade. Source: Sea-Intelligence, Maritime Analysis Global Liner Performance Report – Feb. 2022

6. SAVINO DEL BENE FEEDBACK

It is Savino Del Bene's top priority to ensure that customer needs are met, whilst evaluating and analyzing the market situation in order to ensure that such difficulties are mitigated as much as possible.

With over 293 offices around the world, Savino Del Bene is ready to find your freight forwarding and logistic solutions for your business needs.





SAVINO DEL BENE®

Global Logistics and Forwarding Company

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