



**SAVINO DEL BENE®**

Global Logistics and Forwarding Company

# GLOBAL OCEAN MARKET REVIEW

MAY 2022

EXTERNAL



# AGENDA

## 1. OVERVIEW

## 2. LATEST UPDATES AROUND THE WORLD

- SHANGHAI LOCKDOWN
- BY TRADE

## 3. PORT CONGESTION

## 4. ALBERTO RIVOLA'S PROSPECTIVE

## 5. TRENDS

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- RATES BY TRADE
- CAPACITY BY TRADE
- BUNKER
- SCHEDULE RELIABILITY

## 6. SAVINO DEL BENE FEEDBACK





# 1. OVERVIEW

## LATEST UPDATE

Essentially, in the past few weeks, there are no changes on Shanghai lockdown, with logistics still heavily impacted.

Although Beijing is currently evaluating stimulus packages. Official data shows how lockdowns are impacting the Chinese economy, threatening the 5.5% GDP growth target.

1-in-5 container vessels globally are waiting outside a congested port, and of those vessels, 24.3% are waiting outside a Chinese port.

## RATES LEVELS

Monitoring the rate trends of the last few weeks, we can say now that certain trades are deviating below the line from the standard seasonality drop. Historical data tells us that by May we should see an upward trend, but we're currently failing to see it.

## BUNKER

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

## SCHEDULE RELIABILITY

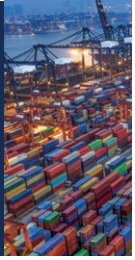
Global schedule reliability improved M/M in March 2022 by 1.5 percentage points comparing last month, reaching 35.9%.

The average delay for LATE vessel arrivals also improved M/M, decreasing by -0.32 days to 7.26 days in March 2022.

## PORT CONGESTION

Port congestion continued to ease last week, thanks to improvements in China and North America.

In Europe, there's no meaningful improvement in the Mediterranean area. North Europe situation is worsening: German and Benelux ports suffering from high yard utilization; UK waiting times are improving



## 2. LATEST UPDATES AROUND THE WORLD > SHANGHAI LOCKDOWN

### CHINA SITUATION

Essentially, there are no changes on the Shanghai lockdown in the past few weeks. The majority of the factory is still in lockdown. “Zero tolerance policy” is still in place, however, with dynamic changes as the city of Shanghai slowly takes some ad-hoc measures to ease the lockdown. We have seen some small signs of improvements in the logistics and trucking movements, as well as, for the congestion at the ports.

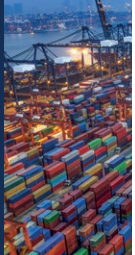
Although Beijing talks up stimulus packages, official data shows how lockdowns are impacting the Chinese economy threatening the 5.5% GDP growth target set for 2022.

Data from Windward’s Maritime AI platform shows that lockdowns in China are impacting the congestion outside Chinese ports: “the number of container vessels waiting outside of Chinese ports today is 195% higher than it was in February”.

[\(https://windward.ai/blog/chinese-port-congestion-stalls-container-vessels-worldwide/\)](https://windward.ai/blog/chinese-port-congestion-stalls-container-vessels-worldwide/)



source: windward



## 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. Expect more blank sailings and problems with equipment.

Asia to North America: space on the East Coast is still tight. With labor negotiation to start only on May 12<sup>o</sup>, possible important shift of capacity and demand to the U.S. East Coast, which should push the rates up.

Demand and rates from Asia to ECSA keep dropping. Schedule reliability to ECSA improved. Demand and rates for Mexico, CAM, CAR and WCSA are stable after a sharp deterioration following the Chinese New Year.

Soft demand from Asia to the Middle East, North Africa. Trades are still affected by blank sailings, and lack of equipment.

Intra-Asia: still strong demand. Carriers are adding services to meet the demand.

### FROM EUROPE:

Space problems and equipment issues in the entire North Europe and Mediterranean region to the Americas. Congestion at LAX/LGB and fewer services to the West Coast are adding pressure to the rail services across the U.S., resulting in higher dwelling times at USEC ports. Expects growing congestion at USEC ports. Europe to the Middle East and Asia are quite relaxed, with rates going down. No space issues. 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. Carriers are sliding the sailing in order to recover the schedules. 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. Expect rate increases.

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 bunker increase, 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.

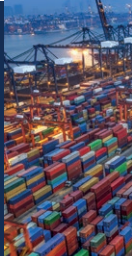
In general, despite some GRIs announcements and some recent rate increases, carriers are open for new export business but they are very selective on the type of business, with priority to port-to-port moves, rather than cargo originating from inland points.

### 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 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. PORT CONGESTION

The improvements in China and North America have helped to reduce the global port congestion to 12,6% of the global fleet compared to a peak of 15% at the end of March. (Linerlytica, Market Pulse Week 17)

Port Congestion  
Week 17

3.19m TEU  
12,6% of fleet  
Down 0.9%

Figure 1 - Global port congestion  
Source Linerlytica week 17

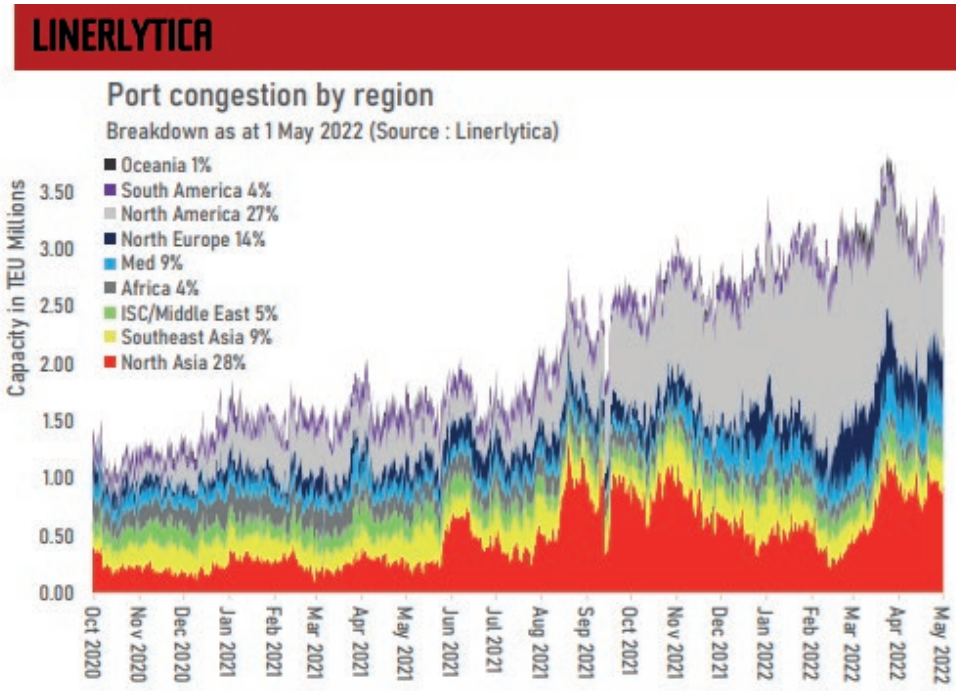
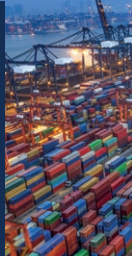


Figure 2 - Port congestion by region - source Linerlytica, Market pulse week 17

In Europe: there's no meaningful improvement in the Mediterranean area. North Europe situation is worsening: German and Benelux ports suffering from high yard utilization; UK waiting times are improving.

To elude Chinese congestion, some carriers have redirected cargo from China to South Asia, causing the same congestion problem in this area. For example, waiting times in Port Klang are increasing. Source Linerlytica, Market pulse week 17.



## 4. ALBERTO RIVOLA'S PROSPECTIVE



**Alberto Rivola**

*Head of Global Ocean Procurement*

The month of April did not bring any major changes to the current industry's situation.

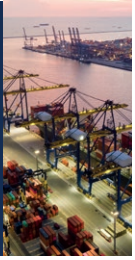
The blank sailings initially expected to balance the possible lower demand due to the Shanghai lockdown did not materialize. At the same time, the current zero-tolerance policy against Covid in China is definitely affecting the demand and the movement of goods in China and other regions of the world.

The softening of the rates that we detected in April, and what we perceived last month as in line with the seasonality is now longer than expected and below the seasonality trend. However, I still believe that it is still too early to say that we are in a reverse trend. Most of the indicators that we have access to, and the market intelligence information and leading exporters are still telling us that major importers and exporters around the world are still seeking capacity for the medium-long term period, and that lower spot rates may still be just a momentarily development, albeit longer than anticipated.

Such slowdown in demand in certain areas of the world are the result of 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.

Hence, April did not help us to answer the questions we had last month about the current uncertainties and ongoing challenges of the shipping world. We still have mixed feelings about the 2H/2022. For sure, the current slowdown in demand, and softening of the rates in certain trades are giving us some signals. On the other side, demand and bookings remain strong in some main trades, inventory in the USA is building up, but the inventory-to-sales ratio is still low. China's re-opening could lead to a surge in volume, and congestion is still very alive and extremely volatile. Let's monitor very closely the situation at Northern European ports and U.S. East Coast and U.S. West Coast ports in the coming weeks and months.

Also, even in case of a persistent drop in volume and declining rates, shipping lines learned that capacity discipline to address the drop in volume could deliver very significant financial results. Last but not least, IMO2023 green targets will push for the scrapping of the old vessels, which means a partial offset of the new important capacity that will be delivered from the end of 2022 onwards.



## 5. 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	=	=

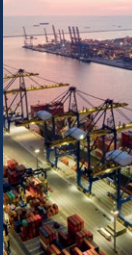
FROM EUROPE		
TO	RATES	CAPACITY
ASIA	=	=
LATAM	↗	=
NORTH AM.	↗	=
M.E	=	↘

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

Figure 3 - Rates and Capacity by trade - Source Savino Del Bene

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



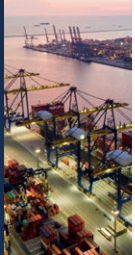


## 5. TRENDS > RATES BY TRADES

Monitoring the rate trends of the last few weeks, we can say now that certain trades are actually deviating below the line from the standard seasonality drop. Historical data tells us that by May we should see an upward trend, but we're currently failing to see it.



Figure 4 - FBX - Source Freight Baltos Index available on [freightos.com](https://www.freightos.com)

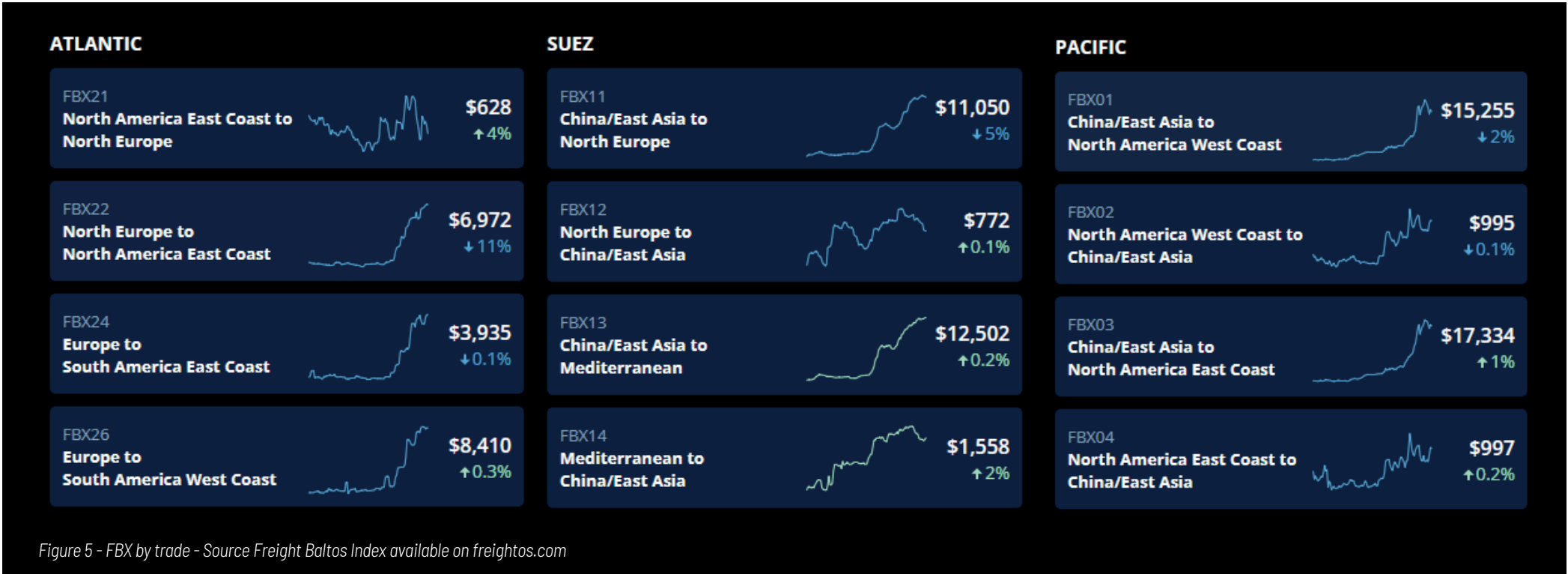


## 5. TRENDS > RATES BY TRADES

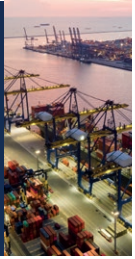
The big movers of this month are: Europe to South America East Coast +10%; and the export from North Europe to China/East Asia -9%

**Big Movers**

North America East Coast to North Europe	↑ 4%
North Europe to North America East Coast	↓ 11%



**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 \$\$\$ higher than standard fak.



## 5. TRENDS > CAPACITY BY TRADE

- Capacity to North Europe dropped to 224,000 TEU last week, due to schedule slippage.
- Capacity to the Mediterranean dipped to 105,000 with 15,000 TEU slipping into the vessels' delays.

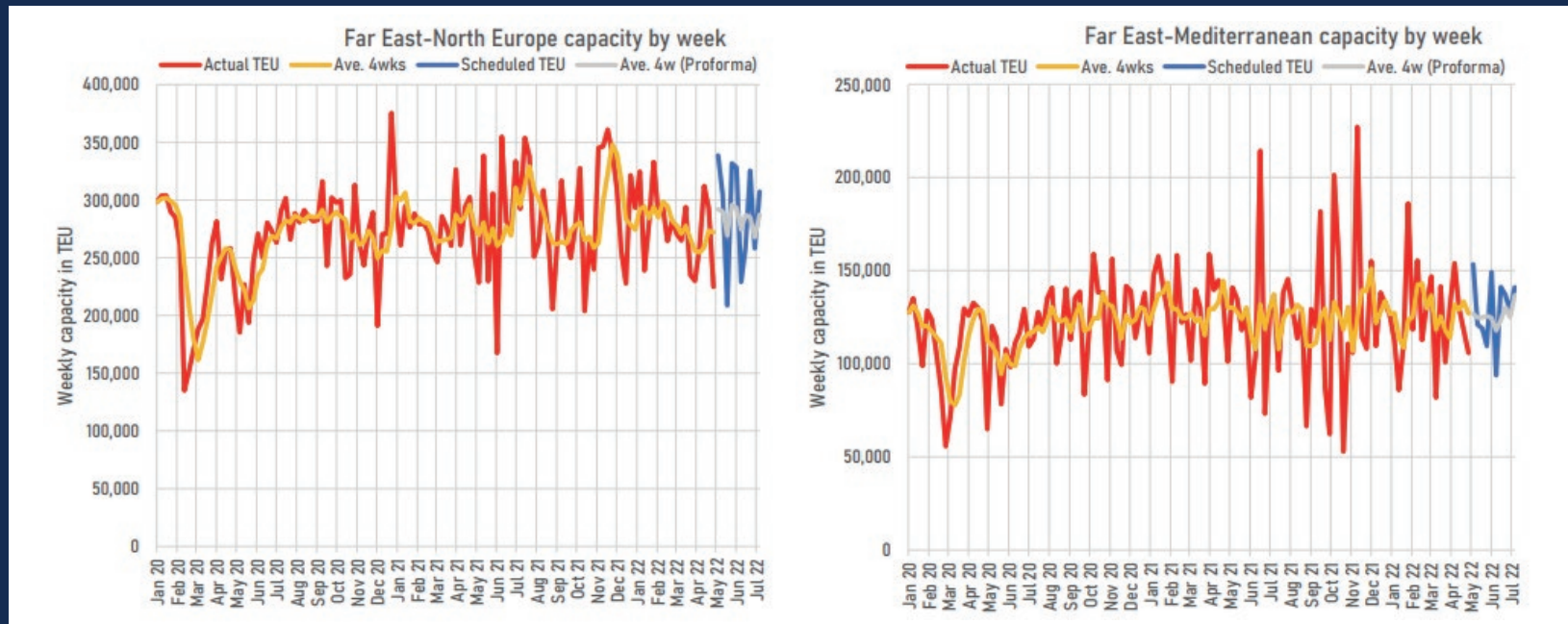
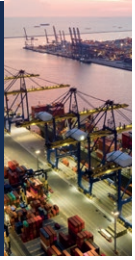


Figure 6 - capacity by trade, source Linerlytica, Market pulse week 17





## 5. TRENDS > CAPACITY BY TRADE

- Capacity to the US West Coast increased to 343,000 TEU last week.
- Capacity to the US East coast dropped to 200,400 compared to 230,000 TEU a week ago.

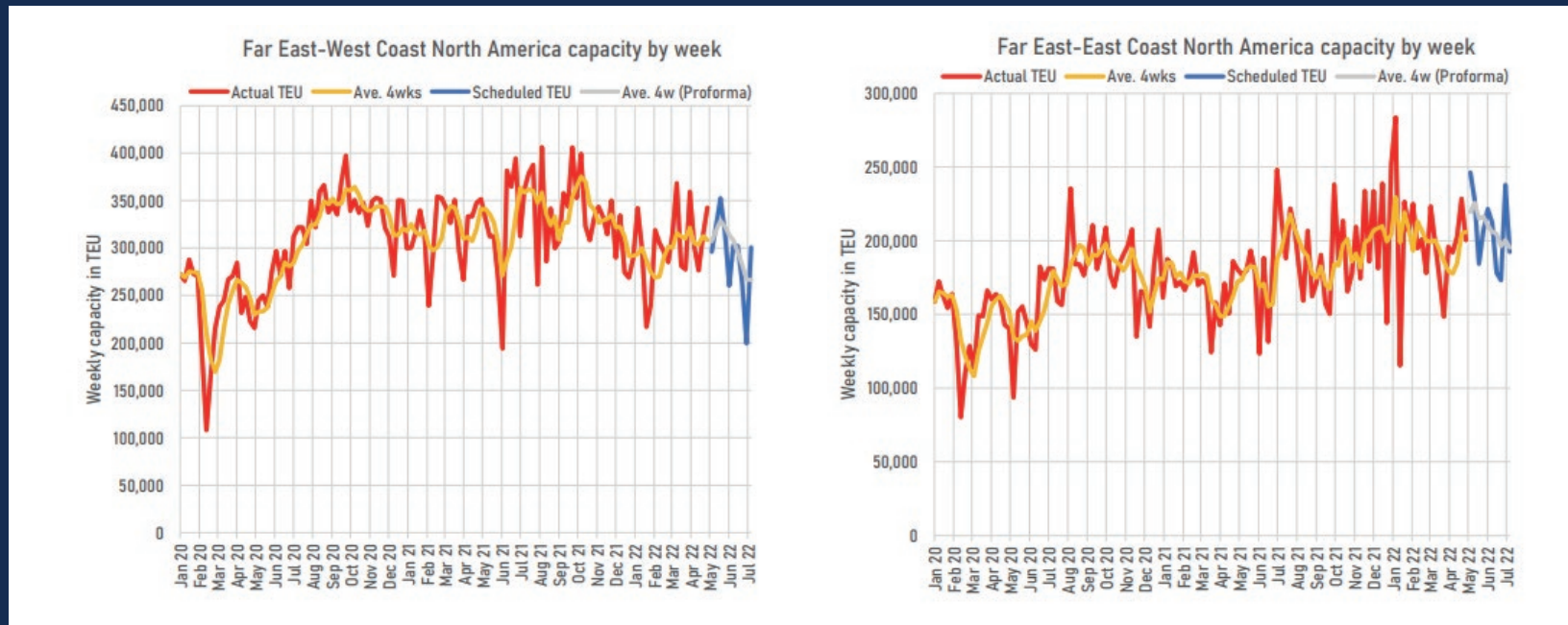
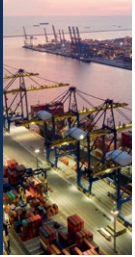


Figure 7 - capacity by trade, source Linerlytica, Market pulse week 17



## 5. TRENDS > BUNKER

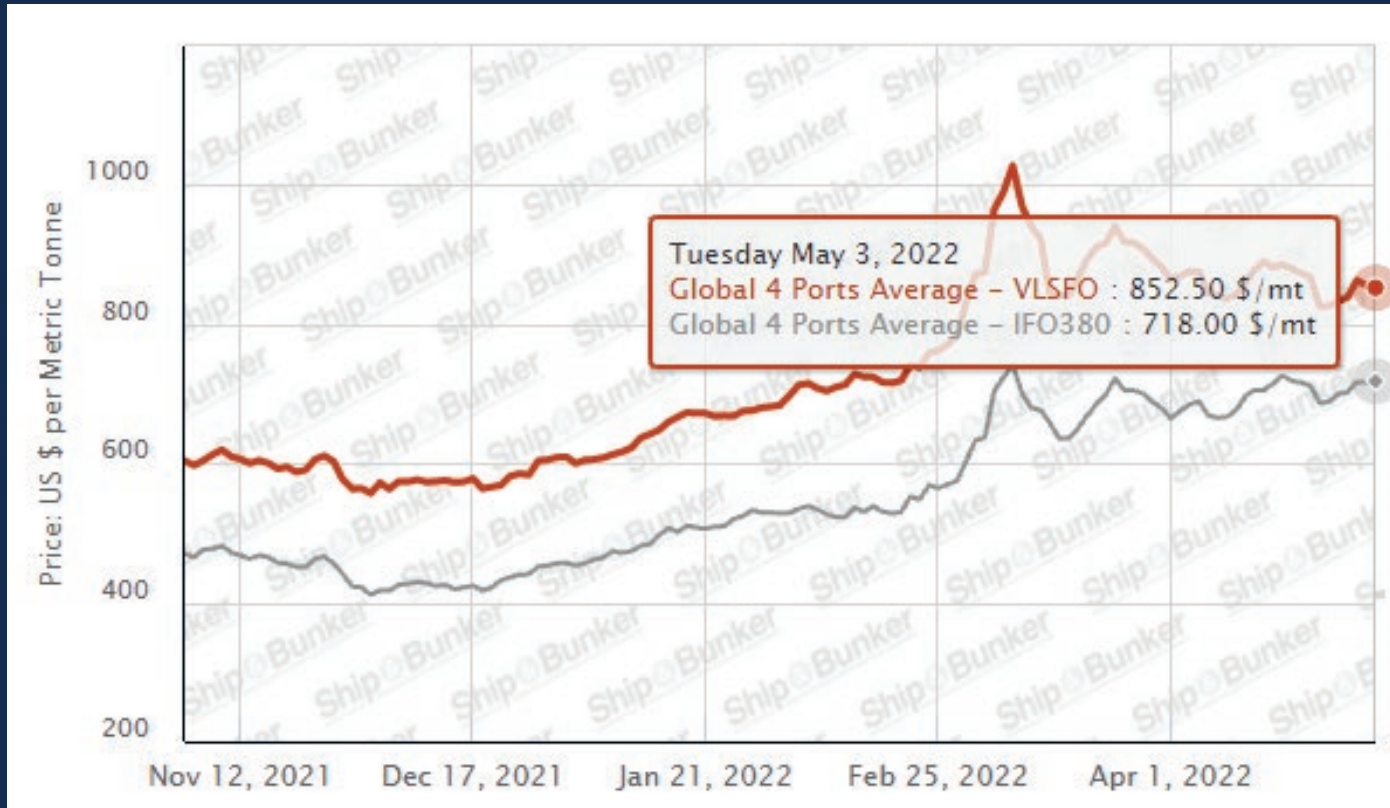
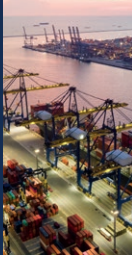


Figure 8 - Bunker price. VLSFO vs IFO380. Source: Shipandbunker available on <https://shipandbunker.com/prices/av/global/av-q04-global-4-ports-average>

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



## 5. TRENDS > BUNKER

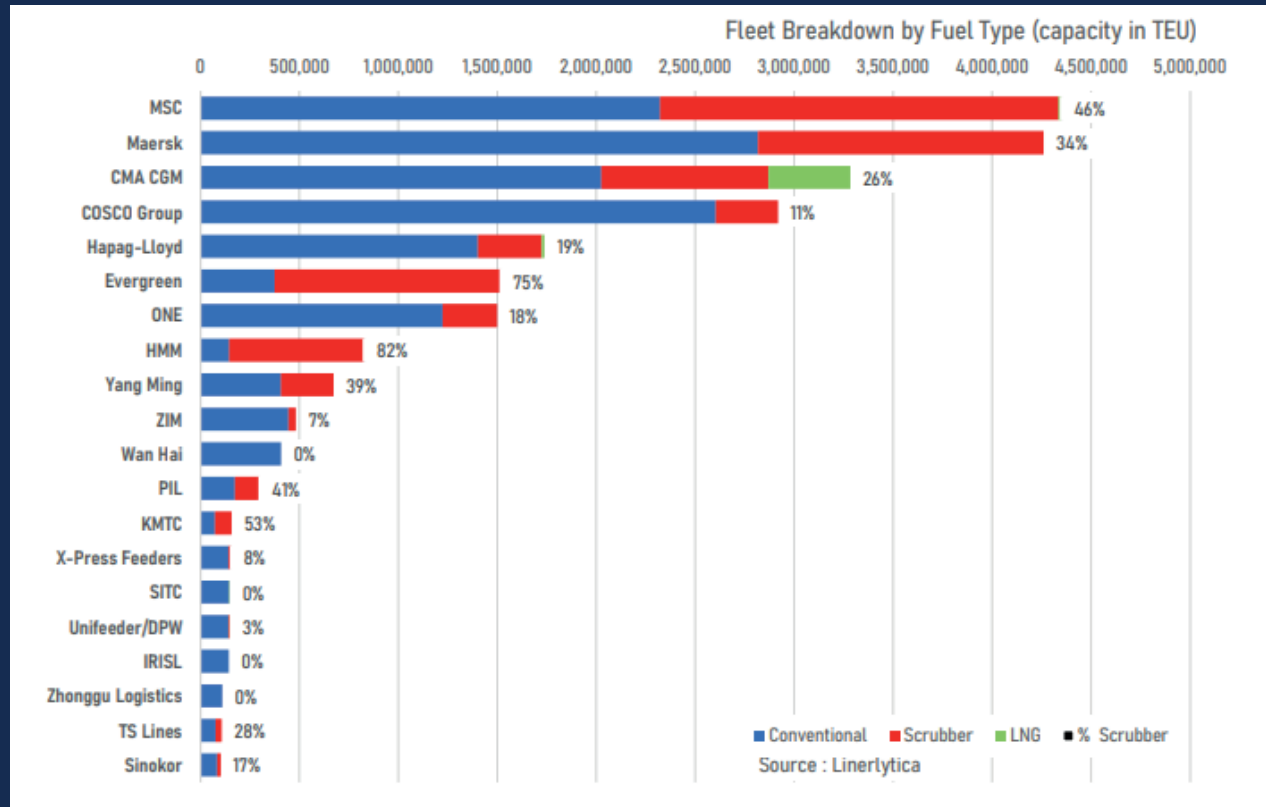
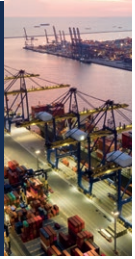


Figure 9 - Fleet Breakdown by Fuel Type - Source Linerlytica, Market pulse week 17

The higher the spread between VLSFO and IFO380, the higher the advantage for those vessels equipped with scrubbers, because they can reduce the impact of the bunker price on each voyage.





## 5. TRENDS > SCHEDULE RELIABILITY

**According to Sea-Intelligence:** “Global schedule reliability continues to slowly move upwards, recoding a marginal M/M improvement yet again. The March 2022 figure reached 35.9%, which, while the highest figure in 2022 so far, is still slightly below the respective 2021 score, by -4.4 percentage points. The average delay for LATE vessel arrivals also improved M/M, decreasing by -0.32 days to 7.26 days in March 2022. Despite the improvement, the average delay figure has now been over 7 days since August 2021 and continues to be the highest across each month when compared historically.” (Sea-Intelligence, Maritime Analysis Global Liner Performance Report – April. 2022)

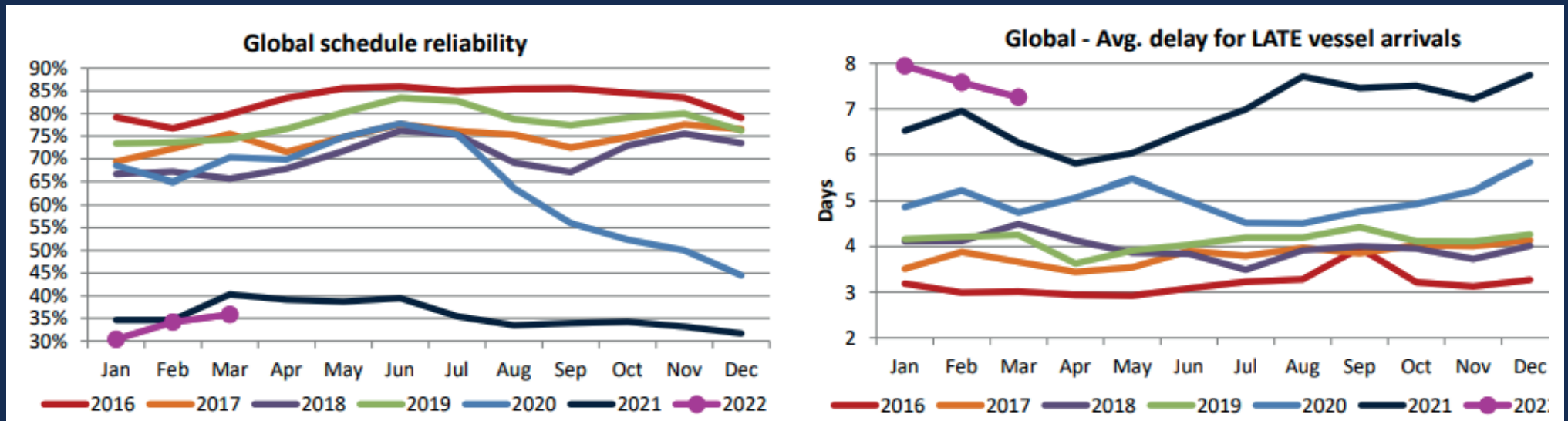
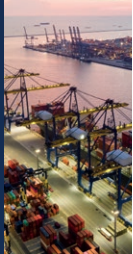


Figure 10 - Global schedule reliability. Source: Sea-Intelligence, Maritime Analysis Global Liner Performance Report – Apr. 2022



## 5. TRENDS > SCHEDULE RELIABILITY BY TRADE

Tradelane	FEB/MAR 2021	JAN/FEB 2022	FEB/MAR 2022	M/M change	Y/Y change
Asia-NAWC	13.7%	13.1%	20.4%	7.3%	6.7%
Asia-NAEC	12.0%	15.3%	19.7%	4.4%	7.7%
Transpacific WB	22.9%	25.9%	29.8%	3.9%	7.0%
Asia - North Europe	24.5%	15.3%	14.4%	-0.9%	-10.1%
Asia - Mediterranean	31.4%	27.0%	30.6%	3.6%	-0.8%
Europe - Asia	32.7%	31.7%	38.0%	6.3%	5.3%
Transatlantic EB	35.7%	27.0%	20.2%	-6.8%	-15.4%
Transatlantic WB	25.9%	14.5%	17.9%	3.4%	-8.1%
Europe - South America	64.4%	51.7%	51.3%	-0.4%	-13.1%
South America - N. Europe	53.5%	37.0%	33.1%	-3.9%	-20.5%
South America - Med.	66.3%	51.9%	56.3%	4.4%	-10.0%
N. America - South America	61.2%	39.6%	41.8%	2.2%	-19.4%
South America - N. America	56.3%	22.4%	18.0%	-4.4%	-38.3%
Europe-Oceania	44.2%	15.2%	13.2%	-2.0%	-31.1%
N. America - Oceania	25.3%	44.8%	38.6%	-6.3%	13.3%
Oceania - N. America	33.3%	42.4%	51.5%	9.1%	18.2%
Asia - Oceania	14.2%	19.1%	19.7%	0.6%	5.5%

Tradelane	FEB/MAR 2021	JAN/FEB 2022	FEB/MAR 2022	M/M change	Y/Y change
Oceania - Asia	21.4%	27.6%	27.7%	0.1%	6.3%
Asia - Middle East	34.2%	29.6%	32.8%	3.2%	-1.5%
Middle East - Asia	30.8%	27.5%	33.8%	6.4%	3.0%
Europe - Middle East	51.7%	44.7%	45.9%	1.2%	-5.8%
Middle East - Europe	61.1%	40.4%	41.9%	1.5%	-19.2%
Asia - Indian Sub.	27.6%	25.0%	28.8%	3.8%	1.2%
Indian Sub. - Asia	25.8%	19.8%	24.8%	5.0%	-1.0%
Europe - Indian Sub.	71.9%	52.7%	50.3%	-2.4%	-21.7%
Indian Sub. - Europe	57.2%	30.5%	31.6%	1.2%	-25.6%
Asia - Africa	23.5%	37.3%	41.3%	4.0%	17.8%
Africa - Asia	32.0%	32.0%	41.9%	9.9%	9.9%
Europe - Africa	32.1%	31.3%	37.1%	5.9%	5.0%
Africa - Europe	42.2%	35.8%	40.8%	5.0%	-1.4%
Asia - ECSA	39.9%	54.3%	61.8%	7.5%	22.0%
ECSA - Asia	29.3%	30.7%	45.5%	14.8%	16.2%
Asia - WCSA	66.5%	41.3%	49.5%	8.2%	-17.0%
WCSA - Asia	43.2%	35.9%	37.3%	1.4%	-5.9%

Figure 11 - Global schedule reliability by trade. Source: Sea-Intelligence, Maritime Analysis Global Liner Performance Report - Apr. 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<sup>®</sup>**

Global Logistics and Forwarding Company

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