

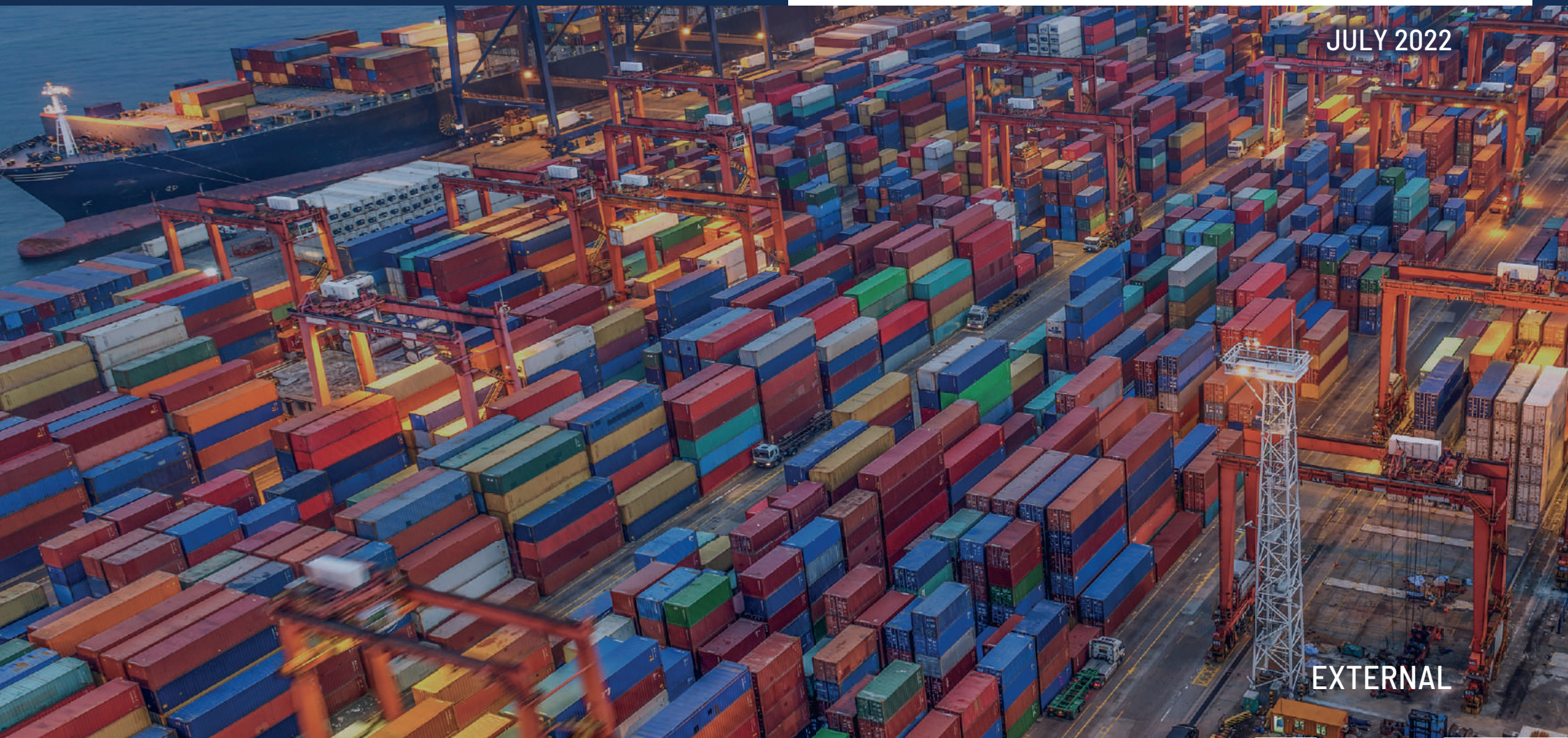


SAVINO DEL BENE®

Global Logistics and Forwarding Company

GLOBAL OCEAN MARKET REVIEW

JULY 2022



EXTERNAL

AGENDA

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3. PORT CONGESTION

4. ALBERTO RIVOLA'S PROSPECTIVE

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- CAPACITY BY TRADE
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- NEW SERVICES

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1. OVERVIEW

GLOBAL DEMAND

Global demand is now down by 2.8% year-on-year, it is the 4th month of consecutive decline.

In the next months we expect annualized global demand to be below 2019 levels.

CAPACITY

Ocean carriers are opting to a more aggressive blanking strategy to manage a dip in demand.

Moreover, carriers are increasing the trend to divert vessels to “more profitable” routes, leaving some network trades as “ghost” services – without a ship assigned.

PORT CONGESTION

North Asia, North America and North Europe saw increased disruptions. Based on several sources, port congestion in July absorbed about 13% of total capacity, up 1.6% compared to June.

Port congestion in North America shifted from USWC to USEC ports.

North European ports are also showing critical situations.

RATES LEVELS

Rate levels are dropping. Compared to week 27 of the previous year, FBX index is 9% less than 2021's rates.

SCHEDULE RELIABILITY

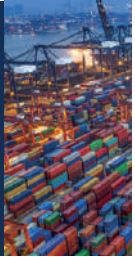
Schedule reliability has improved once again, this time by 2.1 percentage points M/M, reaching 36.4% in May 2022, which is the highest figure recorded in 2022, so far.

BUNKER

The spread between VLSFO and IFO380 is around 400\$/mt.

Increase of bunker did little or nothing to prevent the decline of position in shipping rates.

From 2022, most of the vessels will have to go drydock to make technical changes to reduce Co2 emissions.



2. GLOBAL DEMAND

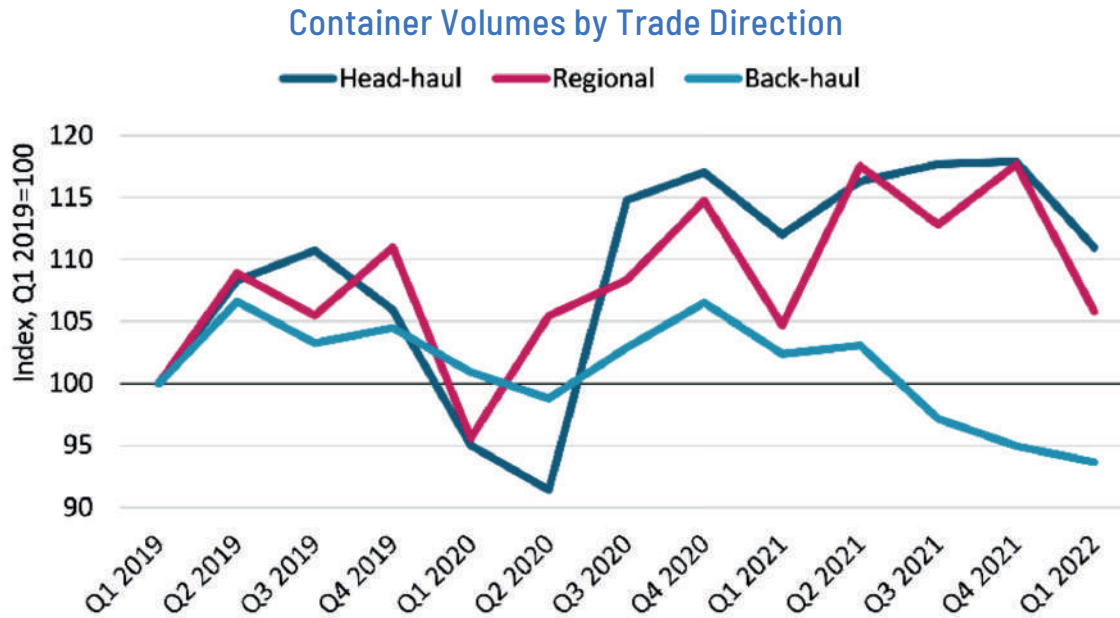


Figure 1 - Container Volumes by Trade Direction - Source Container Trade Statistics

According to Container Trade Statistics latest release, global demand is now down by 2.8% year-on-year. Comparing to April 2022 this means an improvement, but it is the 4th month of consecutive decline. As it is shown by figure 1, decrease is not homogeneous: head-haul lanes are down by 1.1%, this means that the main dominant trade lane, such as Trans-pacific East Bound or Trans-Atlantic West Bound, are far better than back-haul lanes (Source Container Trade Statistics).

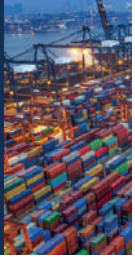
TEU demand growth year-on-year



Figure 2 - TEU demand growth Y-on-Y - Source Sea Intelligence, Sea-Intelligence Sunday Spotlight Issue 572

Focus
The US imports from China are still high, even though showing strong signs of decrease, while European imports estimated to fall by 11.1% in 2022

The annual growth rate compared to 2019 is rapidly approaching zero and is on a declining trend. In the next month's global demand will be below 2019's demand levels (Source: Sea Intelligence, Sea-Intelligence Sunday Spotlight Issue 572).



3. PORT CONGESTION

Port Congestion
Week 26

3.39m TEU
13,3% of fleet
Up 1.6%

Figure 3
 Port congestion.
 Source Linerlytica,
 Market pulse week 26

According to Linerlytica, North Asia, North America and North Europe saw increased vessel delays, with the largest increase coming in North Asia surpassing North America due to severe weather conditions in North and South China last week which resulted in a brief closing of the ports.

(Source: Linerlytica, Market Pulse week 26 2022)

Congestion Watch

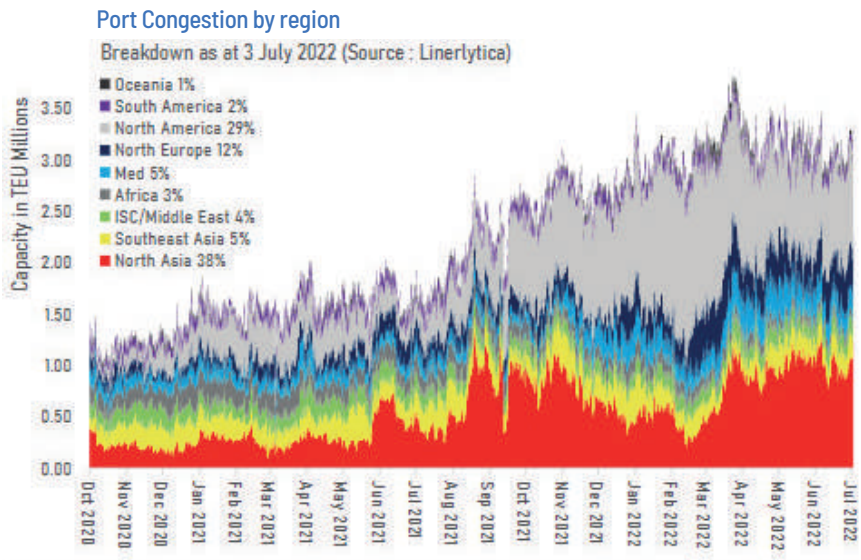


Figure 4 - Port congestion by region - Source Linerlytica, Market pulse week 26 2022

Port congestion in North America is focused on USEC ports. As it is shown on figure 5, from the start of this year the number of vessels that are awaiting port calls are rapidly increasing.

Europe is also in a critical situation, particularly in Rotterdam and Bremerhaven, causing an ongoing operational disruption across the global supply chain which impacts yard density levels and vessels waiting times. (Maersk line Asia Pacific Market update June 2022)

Port Congestion - US Ports

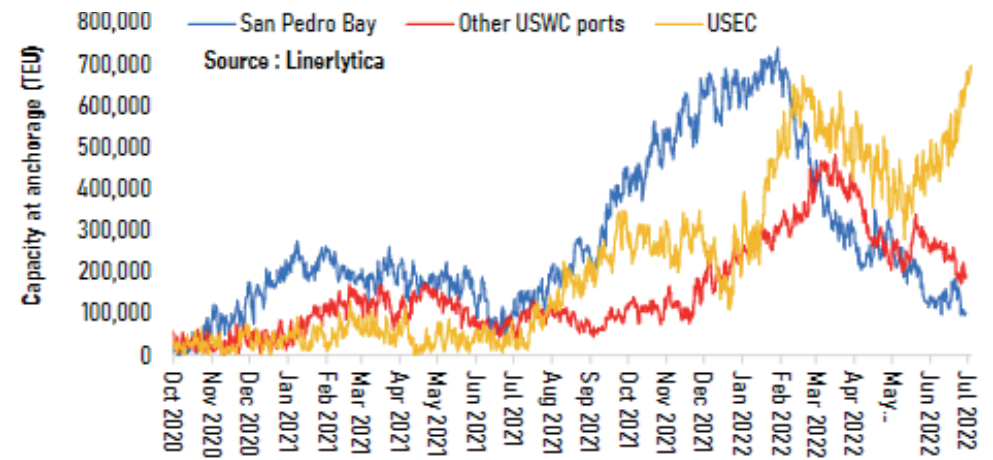
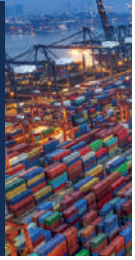


Figure 5 - Port congestion - US Ports. Source: Linerlytica, Market pulse week 22



4. ALBERTO RIVOLA'S PROSPECTIVE



Alberto Rivola

Head of Global Ocean Procurement

In my commentary last month, I mentioned that June was going to be a key month for our industry, and that by July we may have had a better picture of what the future would hold for us for the second half of 2022.

According to Drewry's latest Container Forecaster report, the container market has certainly turned however we should not expect a swift normalization. While high inflation, higher inventory, consumer's confidence is telling us that volumes will not stage much of a comeback, at the same time, port congestion and other logistics bottlenecks are not giving any signs that they are going away.

Labor issues at ports in North America and Europe are still looming over the shipping industry, the same applies for truckers in Korea and railways in the UK. On top of it, partial lockdowns for Covid mass-testing in China makes importers quite nervous about the right direction to take in the second half of 2022.

There are still mixed feelings on whether the market is going to grow in 2022. The supply/demand balance will weaken, and this should lead to lower freight and charter rates as well as second-hand ship prices. I do not think rates will fall back down to pre-Covid levels, considering that IMF and economists are downgrading the GDP projections every month, we may see a negative year in terms of global demand. But it is not a given. What happened in the last two years should have taught us that we cannot make too many firm predictions.

Nevertheless, a sudden and strong slowdown of volume, along with important decrease of spot rates should give some relief to ports and accelerate the recovery from the current port and rail congestion.

At that point, we will see if shipping lines will be able to maintain capacity discipline and enforce the long-term contracts. Blank sailings could be the answer for carriers to improve schedule efficiency, but also to avoid a strong and speedy deterioration of the rates.

The fleet will on average grow faster over the next two years than in the recent past, faster than head-haul and regional trade demand. However, according to Bimco, the introduction of regulatory measures to reduce greenhouse gas emissions is going to add an additional layer of complexity to forecasts but overall, the effective capacity supply will also grow faster than demand.



5. TRENDS > RATES AND CAPACITY BY TRADE

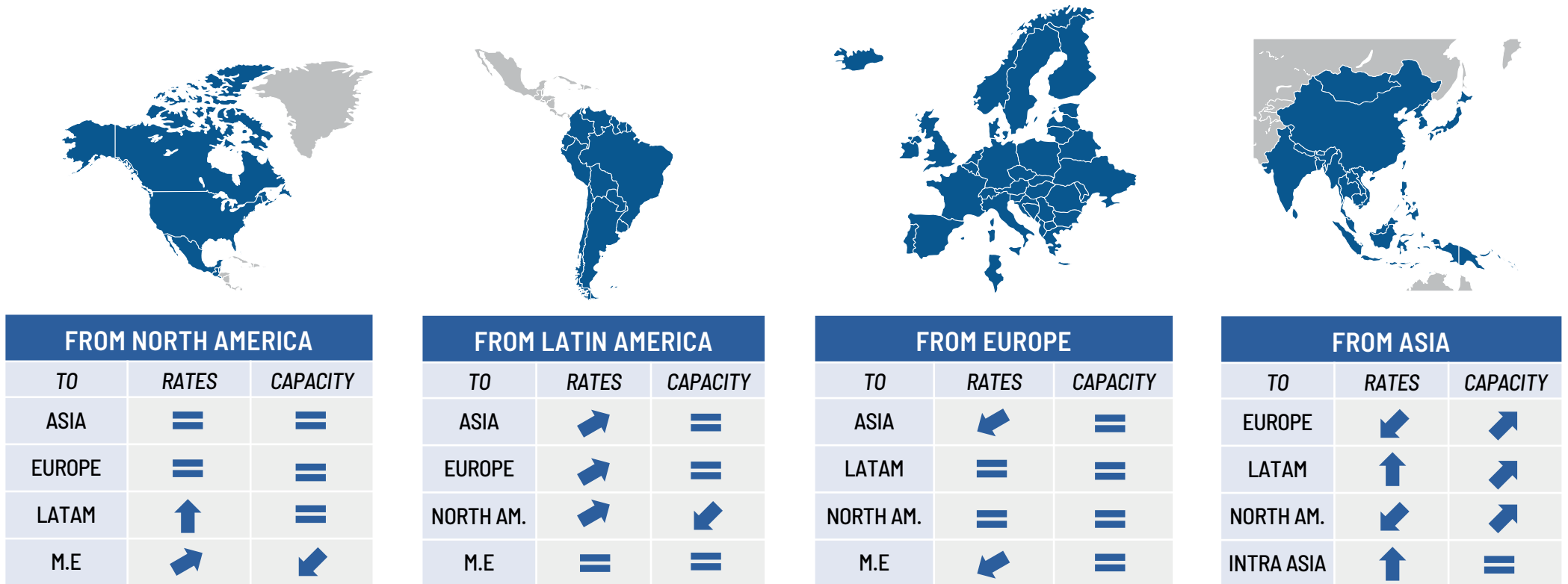


Figure 6 - Rates and Capacity by trade July 2022. Source Savino Del Bene

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



5. TRENDS > RATES BY TRADES

By monitoring the rate trends of the last few weeks, we can observe from a rates perspective, the market is turning. Index is mainly driven down by the Trans-pacific lanes. Compared to week 27 of the previous year, the current index is 9% lower than in 2021. However, it is still four times higher than the pre-pandemic period.



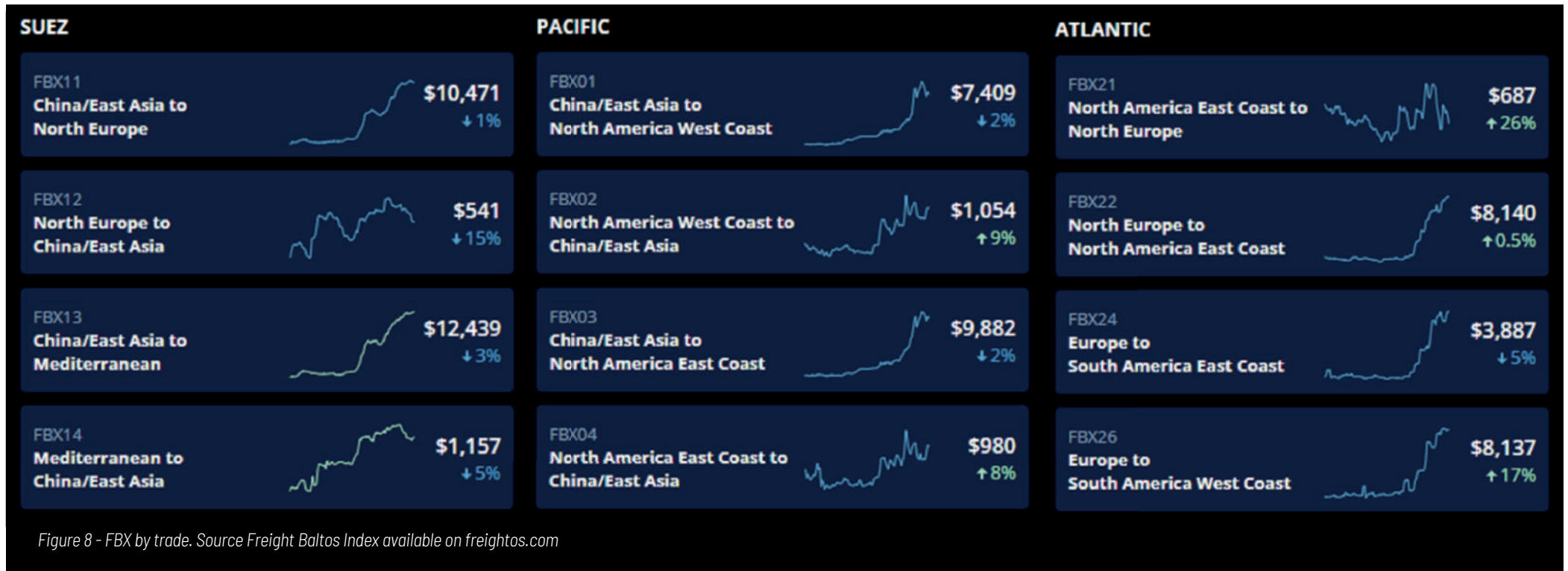
Figure 7 - FBX. Source Freight Baltos Index available on [freightos.com](https://www.freightos.com)



5. TRENDS > RATES BY TRADES

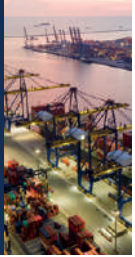
The largest mover of this month is North America to North Europe, which is +26%. Export from North Europe to China/East Asia has recorded a decrease of 13%.

Big Movers	
North America East Coast to North Europe	↑26%
North Europe to China/East Asia	↓15%



On the major trade lanes, only Trans-Atlantic prices are higher than at the start of the year. TAWB is higher (+13%) than the beginning of the year and year on year (+42%). If demand continues to erode, then we may face an atypical decrease of rates during a traditional peak season time which could lead to blank sailings to match capacity with demand.

Disclaimer: Shipping indexes do not capture the rate levels set by the so-called "premium" services such as Diamond Tier, SPGO, Shipping Guarantee, etc.

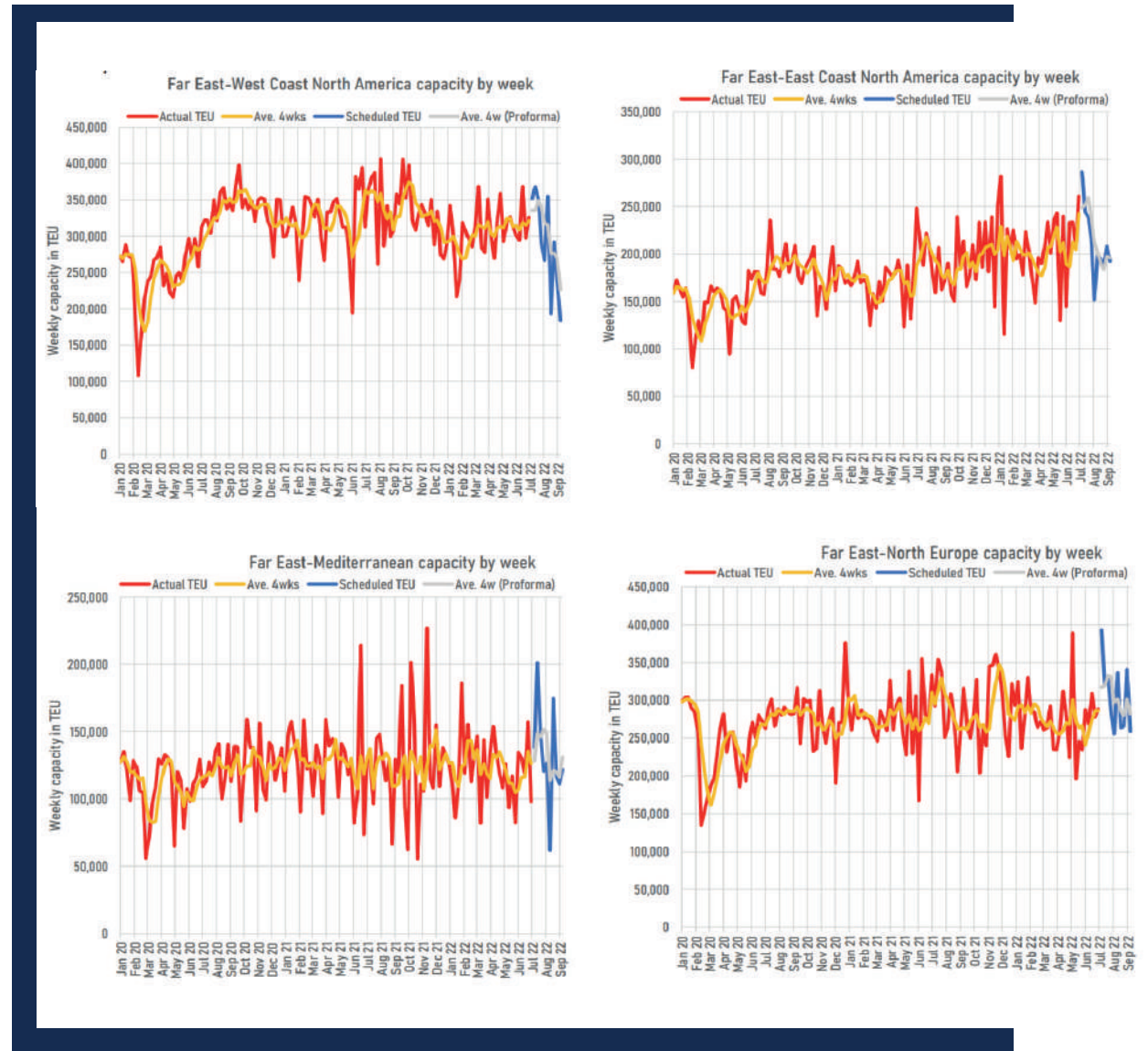


5. TRENDS > CAPACITY BY TRADE

According to the latest report from Project 44, ocean carriers are opting for a more aggressive blanking strategies to manage a dip in demand. “Other tactics”, including more slow steaming, would be employed by shipping lines to underpin rates and mitigate the impact of soaring bunker costs. Moreover, Project 44’s report notes that the increasing trend of carriers to divert vessels to “more profitable” routes, leaves some network trades as “ghost” services, without a ship assigned.

(Source: Project 44)

Figure 9 - capacity by trade. Source Linerlytica, Market pule week 26





5. TRENDS > BUNKER

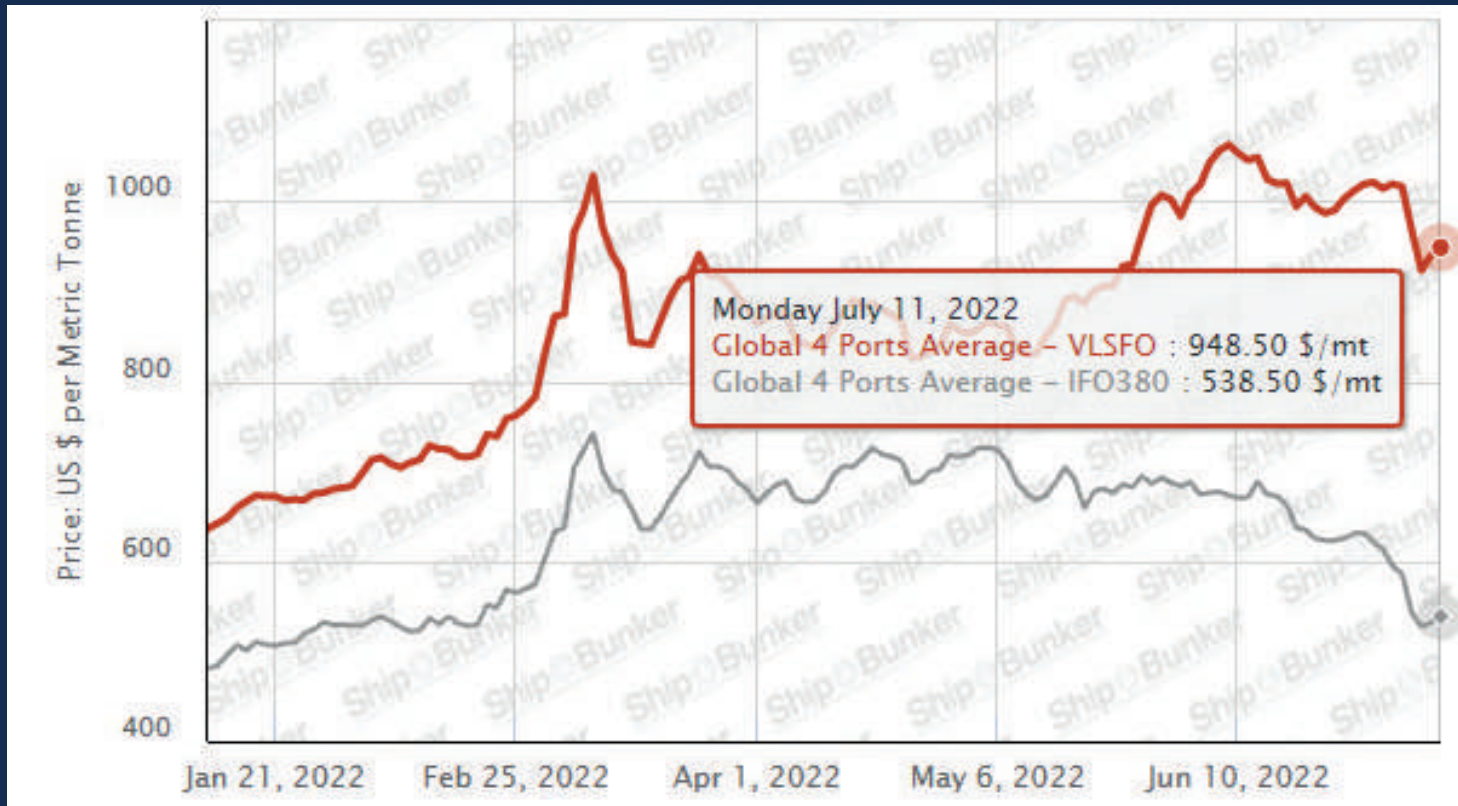


Figure 10 – Bunker price. VLSFO vs IFO380. Source: Shipandbunker available on <https://shipandbunker.com/prices/av/global/av-g04-global-4-parts-average>

The spread between VLSFO and IFO380 is around 400\$/mt. Based on multiple sources, a quick estimate shows that scrubber-fitted vessels may save about 15.000\$/day compared to no scrubber vessels.

The increase of bunker did little or nothing to prevent decline of position in shipping rates.

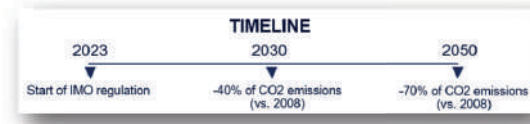
From 2022 most of the vessels will have to go drydock to make technical changes to reduce Co2 emissions: change of propellers, change of bulbs, engine adjustments, etc...



5. TRENDS > BUNKER

IMO 2023

REGULATORY CONTEXT per ship basis



VESSEL DESIGN		VESSEL OPERATIONS	
 EEXI → 2023 Limit Engine Power & max. speed	 VESSEL DESIGN EFFICIENCY COMPLIANCE	 CII → Every year from 2023	 YEARLY CO₂ EMISSION COMPLIANCE
>55% of the World Fleet is not compliant → Investment needed to optimise Engine Power Limitation and speed		Yearly ranking 	

... Leading to the following consequences

- From 2022, most of the 6 000 containerships worldwide will have to go on Drydock to make technical changes to reduce marginally CO2 emissions (between 2% and 7,5%): **change of propellers, change of bulbs, minimum Engine power limitation etc.**
- To remain compliant, most of the vessels will have to **reduce their speed** as a **result more ships will be needed to maintain weekly frequencies, reducing further global capacity**

Figure 11 - IMO 2023 EEXI regulation - Source CMA-CGM & IMO.org



5. TRENDS > SCHEDULE RELIABILITY

According to Sea-Intelligence: "Schedule reliability has improved once again, this time by 2.1 percentage points M/M, reaching 36.4% in May 2022, which is the highest figure so far recorded in 2022. Schedule reliability has improved once again, this time by 2.1 percentage points M/M, reaching 36.4% in May 2022, which is the highest figure so far recorded in 2022". (Sea-Intelligence, Maritime Analysis Global Liner Performance Report –June 2022)

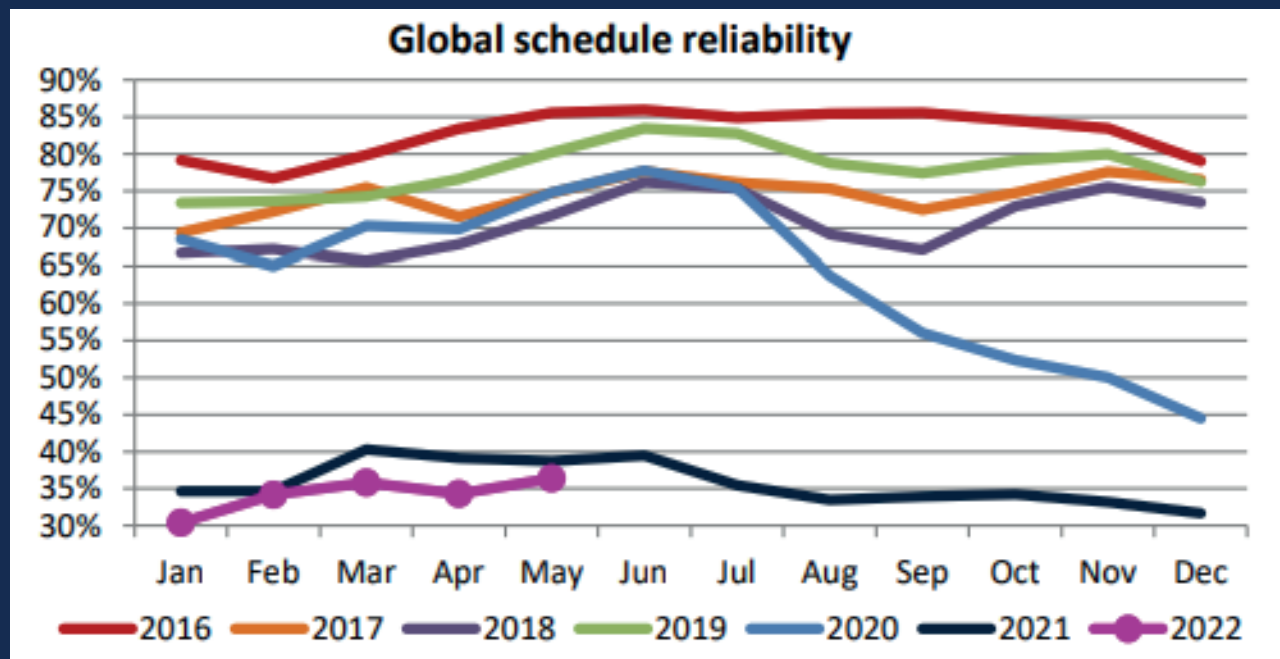


Figure 12 - Global schedule reliability. Source: Sea-Intelligence, Maritime Analysis Global Liner Performance Report – May. 2022

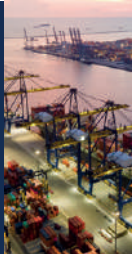


5. TRENDS > SCHEDULE RELIABILITY BY TRADE

Trade Lane	APR/MAY 2021	MAR/APR 2022	APR/MAY 2022	M/M change	Y/Y change
Asia-NAWC	23.5%	20.9%	21.9%	1.0%	-1.7%
Asia-NAEC	29.0%	21.7%	19.8%	-1.9%	-9.2%
Transpacific WB	26.5%	30.9%	34.5%	3.6%	8.0%
Asia - North Europe	23.5%	18.9%	25.7%	6.8%	2.2%
Asia - Mediterranean	33.2%	31.8%	34.3%	2.5%	1.1%
Europe - Asia	24.2%	35.5%	33.7%	-1.8%	9.5%
Transatlantic EB	41.1%	18.3%	28.9%	10.5%	-12.2%
Transatlantic WB	38.1%	19.9%	24.1%	4.2%	-14.0%
Europe - South America	62.8%	50.9%	45.1%	-5.8%	-17.7%
South America - N. Europe	50.9%	43.1%	51.3%	8.2%	0.4%
South America - Med.	76.2%	52.0%	46.5%	-5.5%	-29.7%
N. America - South America	63.7%	39.4%	26.9%	-12.5%	-36.8%
South America - N. America	64.5%	22.6%	28.9%	6.2%	-35.6%
Europe-Oceania	41.1%	22.5%	44.9%	22.4%	3.8%
N. America - Oceania	27.6%	48.7%	61.5%	12.8%	33.9%
Oceania - N. America	36.8%	51.5%	64.4%	12.9%	27.6%
Asia - Oceania	16.9%	17.3%	18.3%	1.0%	1.4%

Trade Lane	APR/MAY 2021	MAR/APR 2022	APR/MAY 2022	M/M change	Y/Y change
Oceania - Asia	22.2%	23.5%	25.1%	1.6%	2.9%
Asia - Middle East	36.6%	31.1%	29.3%	-1.7%	-7.3%
Middle East - Asia	24.0%	30.9%	27.7%	-3.2%	3.7%
Europe - Middle East	52.1%	42.6%	47.6%	5.0%	-4.5%
Middle East - Europe	56.2%	43.3%	43.8%	0.5%	-12.4%
Asia - Indian Sub.	28.5%	27.9%	23.5%	-4.4%	-4.9%
Indian Sub. - Asia	24.2%	25.6%	25.7%	0.1%	1.5%
Europe - Indian Sub.	57.2%	49.3%	52.3%	3.0%	-4.9%
Indian Sub. - Europe	47.7%	30.9%	33.8%	2.9%	-13.9%
Asia - Africa	32.9%	41.8%	40.0%	-1.8%	7.1%
Africa - Asia	30.6%	46.3%	45.7%	-0.6%	15.1%
Europe - Africa	35.3%	33.1%	31.8%	-1.3%	-3.6%
Africa - Europe	47.6%	42.7%	39.8%	-2.9%	-7.9%
Asia - ECSA	39.9%	63.4%	44.5%	-18.9%	4.6%
ECSA - Asia	29.7%	56.0%	56.6%	0.7%	27.0%
Asia - WCSA	69.4%	49.4%	45.9%	-3.5%	-23.5%
WCSA - Asia	47.0%	39.2%	37.0%	-2.2%	-10.0%

Figure 13 - Global schedule reliability by trade. Source: Sea-Intelligence, Maritime Analysis Global Liner Performance Report - May, 2022



5. TRENDS > NEW SERVICES

Service Name	Operator	Route	Rotation	Ships deployed	Launch Date
PNG Service (PNG)	Blue Water Shipping	FE-ANZ	Port Klang, Lihir, Brisbane, Port Klang	3 x 336 teu	5 Jun 2022
Ireland-Baltic X-Press (IBX)	X-press	Intra-N.Eur	Rotterdam, Dublin, Rotterdam, Riga, Klaipeda, Rotterdam	3 x 1,025-1,803 teu	9 Jun 2022
E-Commerce Express 1 service (EPX1)	SITC	NEA-SEA	Xiamen, Manila, Xiamen	1 x 698 teu	11 Jun 2022
Qingdao Vostochny service (QVS)	Inteco	China-Russia FE	Qingdao, Vostochny, Qingdao	1 x 489 teu	24 Jun 2022
Ningbo Vostochny service (NVS)	Inteco	China-Russia FE	Ningbo, Vostochny, Ningbo	2 x 264 teu	2 Jul 2022
China Vietnam Thailand (CVT)	Pan Ocean / HMM	NEA-SEA	Incheon, Qingdao, Shanghai, Ho Chi Minh City, Laem Chabang, Shekou, Incheon	3 x 1,800 teu	25 Jun 2022
Qingdao Russia shuttle (QRS)	Sinokor	Intra-NEA	Qingdao, Kwangyang, Busan, Vladivostok, Busan, Kwangyang, Qingdao	2 x 1,129-1,608 teu	25 Jun 2022
Turkey North Africa Express 2 (TURAF2)	CMACGM	Intra-MED	Damietta, Marsaxlokk, Casablanca, Damietta	3 x 1,700 teu	27 Jun 2022
Asia Central South America 5 (WSA5/ACSA5)	CMA CGM / COSCO	FE-WCCA/WCSA	Hong Kong, Shekou, Ningbo, Shanghai, Manzanillo, Puerto Quetzal, San Antonio, Hong Kong	5 x 3,300-5,090 teu	28 Jun 2022
NCX/CTV/RNT2	CNC/PIL/RCL	NEA-SEA	Xingang, Dalian, Incheon, Qingdao, Shanghai, Laem Chabang, Ho Chi Minh City, Xingang	4 x 2,400-2,800 teu	1 Jul 2022
South China-Philippines service (SEG)	CUL	NEA-SEA	Nansha, Shekou, Manila, Nansha	1 x 694 teu	2 Jul 2022
SC Express (SCX)	Containerships	Intra-N.EUR	Rotterdam, Teesport, Grangemouth, Rotterdam	1 x 801 teu	2 Jul 2022
West Coast South America Express (WSX 2)	X-Press	Intra-SAM	Balboa, Guayaquil, Balboa	1 x 868 teu	3 Jul 2022
Far East-Australia 'A3 Express' service (A3X)	A3 Consortium	FE-ANZ	Shanghai, Shekou, Brisbane, Sydney, Melbourne, Shanghai	5 x 4,250 teu	7 Jul 2022
China Haiphong Express (CHX)	Zim/Gold Star Line	NEA-SEA	Shanghai, Ningbo, Haiphong, Xiamen, Shanghai	2 x 1,000 teu	7 Jul 2022
North Italy feeder service	Maersk	Intra-Med	Port Said East, Vado Ligure, Port Said East	2 x 2,900 teu	8 Jul 2022
Pertiwi service	MSC	NEA-SEA	Busan, Qingdao, Incheon, Dalian, Xingang, Cai Mep, Laem Chabang, Singapore, Tanjung Pelepas, Jakarta, Panjang, Singapore, Tanjung Pelepas, Busan	5 x 2,500 teu	8 Jul 2022
St Petersburg-Nhava Sheva service (SPNS)	Modul	Eur/Med-ME/ISC	Nhava Sheva, St Petersburg, Nhava Sheva	1 x 1,094 teu	11 Jul 2022
West Coast South America 6 (WS6)	PIL / WHL / YM	FE-WCCA/WCSA	Ningbo, Shanghai, Qingdao, Busan, Manzanillo (Mexico), Lazaro Cardenas, Puerto Quetzal, Buenaventura, Valparaiso, Ningbo	10 x 3,300 teu	13 Jul 2022
New Asia-US Gulf Coast and South Atlantic service (Zephyr)	MSC	FE-ECNA	Shanghai, Ningbo, Busan, Cristobal, Houston, Port Everglades, Savannah, Lazaro Cardenas, Shanghai	11 x 4,231-6,422 teu	20 Jul 2022

Figure 14
New services.
Source: Linerlytica,
Market pulse week 26, 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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