

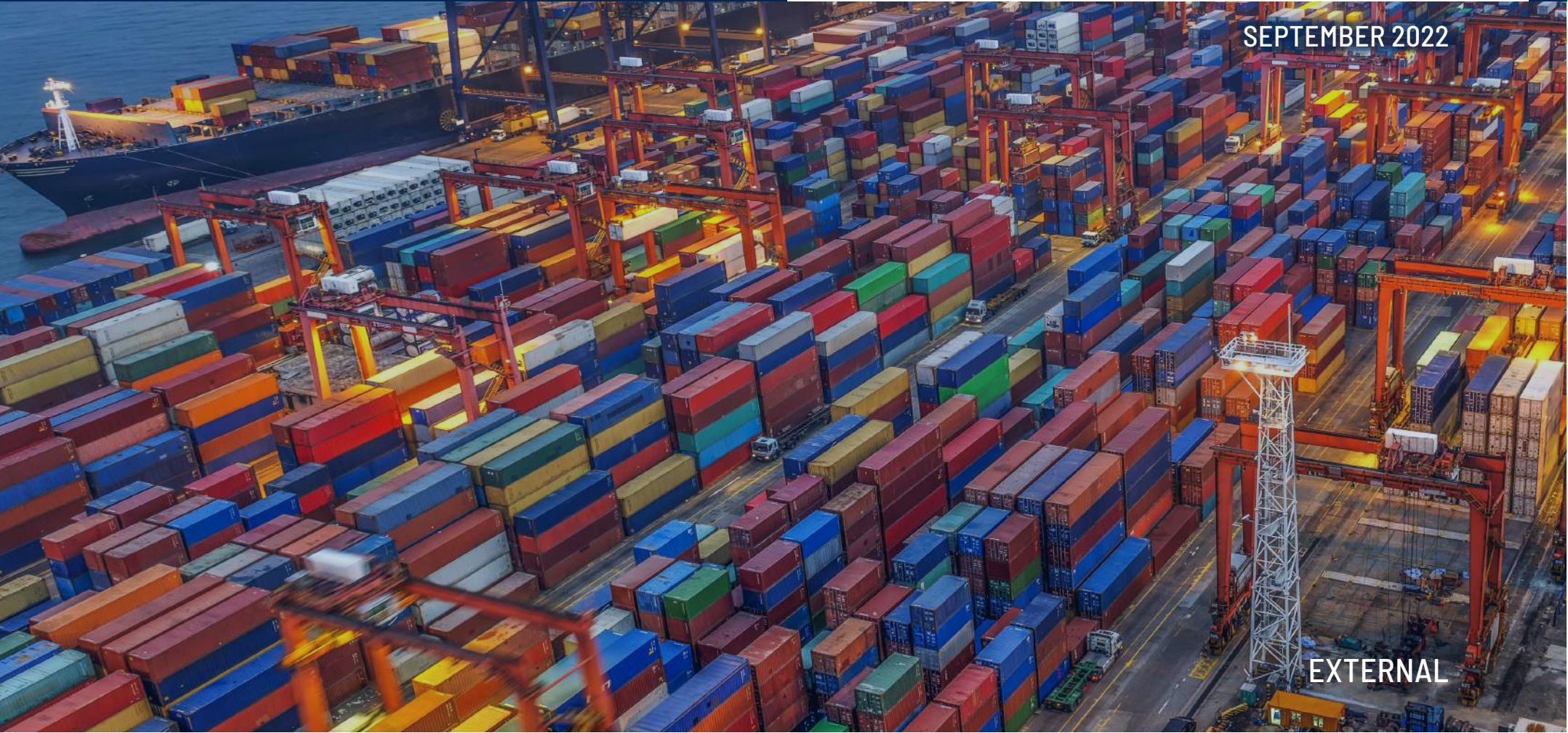


SAVINO DEL BENE®

Global Logistics and Forwarding Company

GLOBAL OCEAN MARKET REVIEW

SEPTEMBER 2022



EXTERNAL

AGENDA

1. OVERVIEW

2. GLOBAL DEMAND

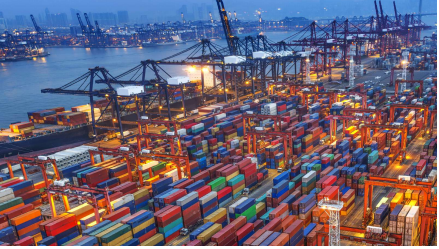
3. PORT CONGESTION

4. ALBERTO RIVOLA'S PROSPECTIVE

5. TRENDS

- RATES AND CAPACITY BY TRADE
- RATES BY TRADE
- CAPACITY BY TRADE
- BUNKER
- SCHEDULE RELIABILITY
- NEW SERVICES

6. SAVINO DEL BENE FEEDBACK



1. OVERVIEW

GLOBAL DEMAND

According to Container Trade Statistics latest release, global demand grew by 0.6% year-on-year in June.

The “growth engine” of North American imports have almost come to a halt. Volumes are sustained at a high level, but the largest growth rate is no longer present.

CAPACITY

Global demand was consistently at a level 10% higher than capacity, from November 2020 to January 2022.

Today the gap is below 2% vs pre-pandemic levels. This normalization is driven by gradual improvement of schedule reliability and vessel delay.

PORT CONGESTION

Port congestion absorbs the 12.1% of the total fleet for a value of 3.12m TEU, recording a decrease of 0.3% comparing with the week 33.

SCHEDULE RELIABILITY

“Schedule reliability is now trending upwards: July 2022 was the third consecutive month that schedule reliability improved M/M. With the July 2022 schedule reliability figure of 40.5%, it is now up 5.0 percentage points Y/Y, which is the second time we have seen a Y/Y improvement since December 2019 (the first being June 2022).

BUNKER

Bunker price is going down, and also the spread between the VLSFO and IFO380. Zero-carbon fuels will cost 2.5 to 4.0 times as much as conventional VLSFO.

RATES LEVELS

By monitoring the rate trends of the last few weeks, we can state that from a rate perspective, market is turning conditions are favoring shippers again.

However, congestion, delays, labor disputes, geopolitical situation still represent troubles for the industry.



2. GLOBAL DEMAND

According to Container Trade Statistics latest release, global demand grew by 0.6% year-on-year in June. In general, we are seeing a slowdown in global shipping container demand in 2022 amid weakening consumer confidence, high inventories, supply chain congestion, and geopolitical crisis. (Source *Container Trade Statistics*). As it showed by the figure 1, this slowdown is driven especially by declines in Europe (import& export) and Oceania.

Figure 1 also shows that the “growth engine” of North American imports have almost come to a halt. Volumes are sustained at a high level, but the largest growth rate is no longer present.

The combination of North American imports and European demand points to the potential for a sharp downwards spiral in market conditions, once the bottlenecks which are keeping capacity out of the equation, are fixed.

(Sea Intelligence Spotlight – Issue 576)



Figure 1 Demand growth 2022-Q2 vs 2021 Q1 (source: Sea Intelligence Spotlight – Issue 576)



3. PORT CONGESTION – 1/3

Port Congestion
Week 34

3.12m TEU
12.1% of fleet
Down 0.3%

Figure 2
Port congestion.
Source Linerlytica,
Market pulse week 34

Following Linerlytica data, port congestion absorbs the 12.1% of the total fleet for a value of 3.12m TEU, recording a decrease of 0.3% comparing with the week 33.

As it showed from the figure 3 the main region involved from the port congestion remain North Asia (23% of total global port congestion), North America (39%) and North Europe (16%). (Linerlytica, Market pulse week 34)

Even if the number are high, North Asia ports are extremely efficient and the dwell time are quite low.

Different situation is for the North European ports. Although the number of vessels in queue is lower than Asia, dwell time are completely different. See figure 4

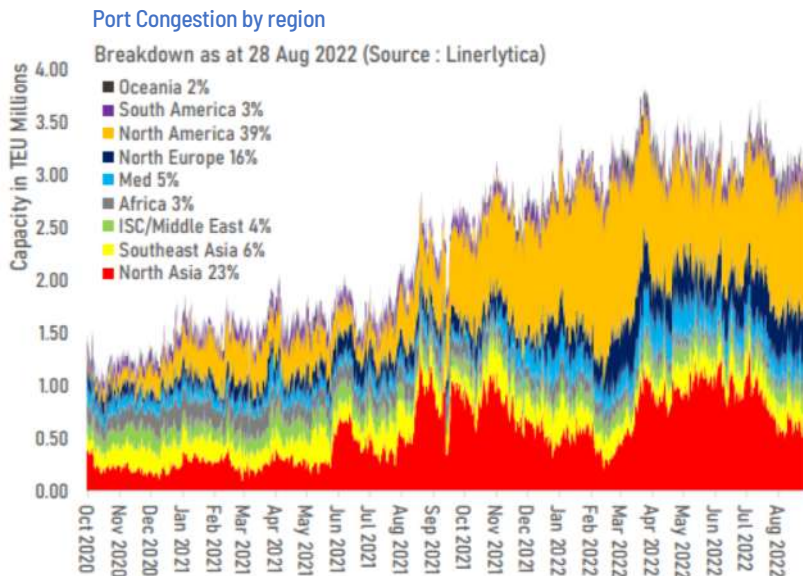


Figure 3 Port congestion by region - Source Linerlytica, Market pulse week 34 2022



Figure 4 Europe's supply chain - Source: CNBS Supply Chain Heat Map - week 35/2022



3. PORT CONGESTION – 2/3

Port Congestion – US Ports

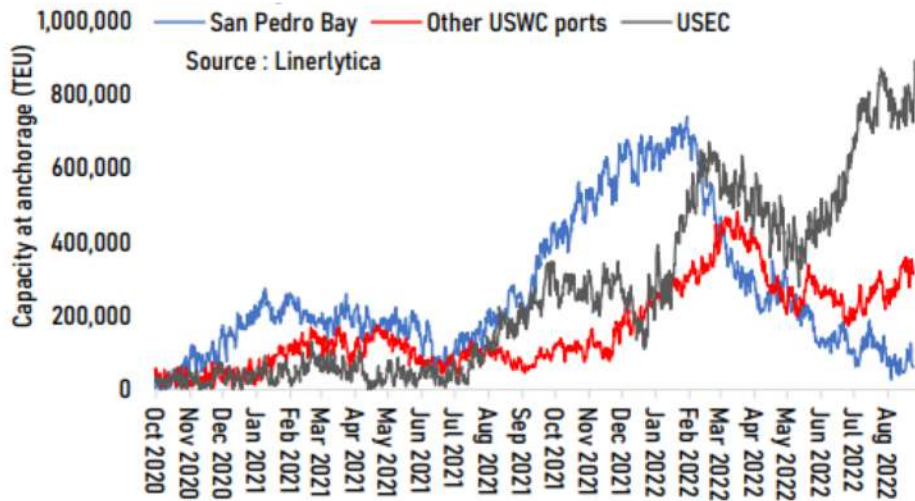


Figure 5 Port congestion – US Ports. Source: Linerlytica, Market pulse week 34

Port congestion in North America is particularly serious at USEC ports. As it's shown on the figure 5 from the start of this year the number of vessels that are waiting for port calls increased rapidly.

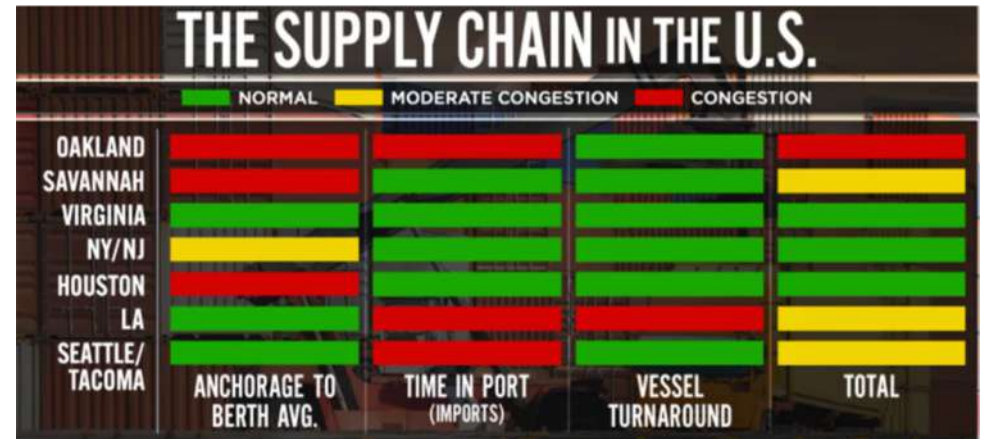


Figure 6 Europe's supply chain - Source: CNBS Supply Chain Heat Map - week 35/2022



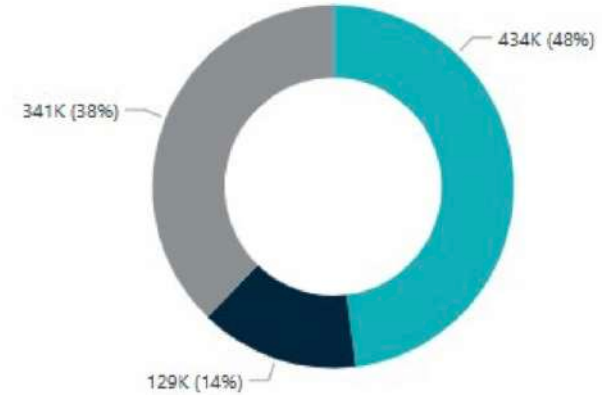
3. PORT CONGESTION – 3/3

Global Port Congestion

Empty containers problem?

- Increasing pile of empty containers in key destination regions.
- Not enough vessel capacity to repatriate the empty containers.
- Lower volume demand.
- Increasingly high container availability in Asia.
- Large amount of empty containers in USA and Europe.
- Limited space to store containers.

● Import Loaded ● Export Loaded ● Empties



Source: WAVE Port of Long Beach - week 34/2022



Terminals may limit the return of empty containers to the port to avoid another congestion problem.

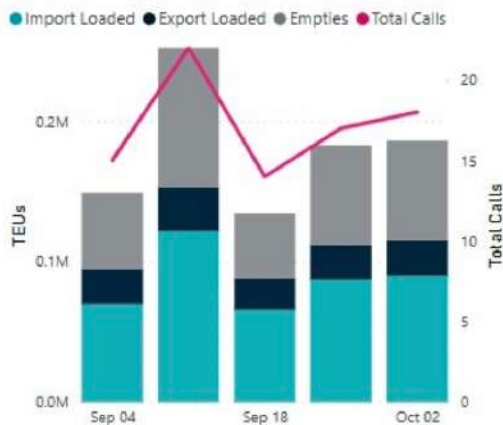


- Operational issues. Where to store the containers? What about chassis availability?
- Inland depot overflow and congested



"When ocean carriers continue to bring thousands of containers per month to a port and only pick up a fraction of that number, it creates an untenable situation for terminals, importers and exporters, trucking companies, and the port itself. The Commission has already been investigating reports of carriers charging per diem container charges even when the shipper or trucker cannot possibly return the container due to terminal congestion."

FMC Chairman Daniel Maffei



Source: WAVE Port of Long Beach - week 34/2022

Legal battles over high demurrage and detention bills.



Source: Sea-intelligence Spotlight - Issues 577 & 578



4. ALBERTO RIVOLA'S PROSPECTIVE



Alberto Rivola

Head of Global Ocean Procurement

Excess of inventories, inflation, change in consumers' habits, uncertain geo-political situations, energy crisis are among the factors that slowed down seaborne trade below traditional or expected trends. Many retailers around the world advanced peak season order earlier in the year in order to avoid the same delays they faced the previous year. All the above put increasing pressure to freight rates, along with a schedule reliability that has been consistently improving since January 2022.

A decrease in global demand gives ports some relief, allowing them to ease congestion at the terminals, which in turn allows vessels to keep moving, and releasing more available capacity in the market.

The slide in spot market rates that started earlier in Q2 accelerated in the month of August. Based on several analysts, spot rates are currently below long term contracted rates in several east-west markets.

With this being said, the spot market rates are still 3.5 to 4 times higher than pre-pandemic levels, and the long term contracted rates are much higher than the levels of the previous years. Such numbers are driving shipping lines profitability for 2022. Carriers posted record high financial figures for the first half of 2022, and they are looking a possible combined yearly profit of about \$300 billion in net income, smashing old record by 73%. However, the disparity between current profits and worsening macroeconomic expectations, along with a very low tax rates are raising a lot of question within political circles around the world.

The outlook for the future tells us that based on current vessel delivery schedule, capacity will increase in the next couple of years, against a demand expected to slow down. As a matter of fact, an HSBC's recent report estimated a possible decline in profit by shipping lines by more than 80 percent over the next two years.

All in all, it is clear that market shifted, and it does favor shippers now. At the same time, there are still several issues that it is worthwhile monitoring in the coming months, such as the development of Covid during winter months in the Northern hemisphere, with a special look to China, cybercrime that may affect ports and shipping lines, development and negative consequences of the conflict in Ukraine, labor issues such as the ones seen in Europe throughout this summer, as well as the longshoremen contract negotiation on the U.S. West Coast.



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	↑	=



FROM MIDDLE EAST		
TO	RATES	CAPACITY
EUROPE	↙	=
LATAM	=	=
NORTH AM.	↙	=
INTRA ASIA	=	=

Figure 7 - 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 state that from a rate perspective, market is turning and the Index is going down. As we can see from the Figure 7, comparing the FBX Index with the last year we can observe that the trend is completely different. Nevertheless, if we compare current freight levels with pre-pandemic level, we notice that rate levels remain three times higher.



Figure 8 - Figure 9 FBX - Source Freight Baltos Index available on [freightos.com](https://www.freightos.com)



5. TRENDS > RATES BY TRADES

The big mover of this month is North America WC to China/East Asia +11%. Export from North Europe to China/East Asia has recorded a decrease of 21%.

Big Movers	
North America West Coast to China/East Asia	↑ 11%
North Europe to China/East Asia	↓ 21%



Figure 9 – FBX by trade. Source Freight Baltos Index available on freightos.com

Table 1 confirm the rate trend. Note that Europe to US East Coast is an exception to current downwards trend, with an increase of 40% compared with last year.

FBX Lane	Global	Asia - US West Coast	Asia - US East Coast	Asia - North Europe	North Europe - US East Coast
This Week	\$5,608	\$5,405	\$9,073	\$9,579	\$8,302
Last Week	-1%	0%	0%	-4%	0%
Last Year*	-46%	-71%	-55%	-31%	40%

* Compared to the corresponding week in 2021



5. TRENDS > CAPACITY BY TRADE

Demand is definitely tapering off. Albeit low, the trend is still positive. Then why rates are going down?

One answer to this question could be that congestion is easing and that is at the same time releasing more capacity into the market.

Global demand was consistently at a level 10% higher than capacity, from November 2020 to January 2022. Today the gap is below 2% vs pre-pandemic levels. This normalization is driven by gradual improvement of schedule reliability and vessel delay.

Some 8.8% of capacity is due to be pulled from the Asia to Europe market by ocean carriers over the next 12 weeks.

CMA CGM will blank five sailings on FAL services in the period surrounding China's Golden Week, removing close to 100,000 teu from the Asia to Europe trades.

2M Alliance of Maersk and MSC will pull 10% of its capacity on the trade between now and the Chinese holiday, blanking seven sailings.

THE Alliance pulls 18%, blanking 10.

(Source: *The Loadstar* 31 AUG 2022)





5. TRENDS > BUNKER



Figure 10 Bunker price. VLSFO vs IFO380. Source: Shipandbunker available on <https://shipandbunker.com/prices/av/global/av-q04-global-4-ports-average>

Bunker price is going down, and also the spread between the VLSFO and IFO380

VLSFO at \$703.5/mt

IFO 380 at \$472.5/mt

July 5 >> \$1020,5/mt

June 5 >> \$624/mt

High >> Jun 14 \$1125,5/mt

High May 5 >> \$769,5/mt

Low >> Jan 3 \$628,5/mt

Low Jan 3 >> \$482/mt

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... Some vessels use LNG to reduce Co2 emission but nowadays price differential is not in favour of LNG.





5. TRENDS > BUNKER

IMO 2023

REGULATORY CONTEXT per ship basis



... 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 is now trending upwards: July 2022 was the third consecutive month that schedule reliability improved M/M.

With the July 2022 schedule reliability figure of 40.5%, it is now up 5.0 percentage points Y/Y, which is the second time we have seen a Y/Y improvement since December 2019 (the first being June 2022).

7 of the top-14 carriers recorded a M/M improvement in schedule reliability in July 2022, with 5 of those carriers recording an increase of over 2 percentage points." (*Sea-Intelligence, Maritime Analysis Global Liner Performance Report -August 2022*)

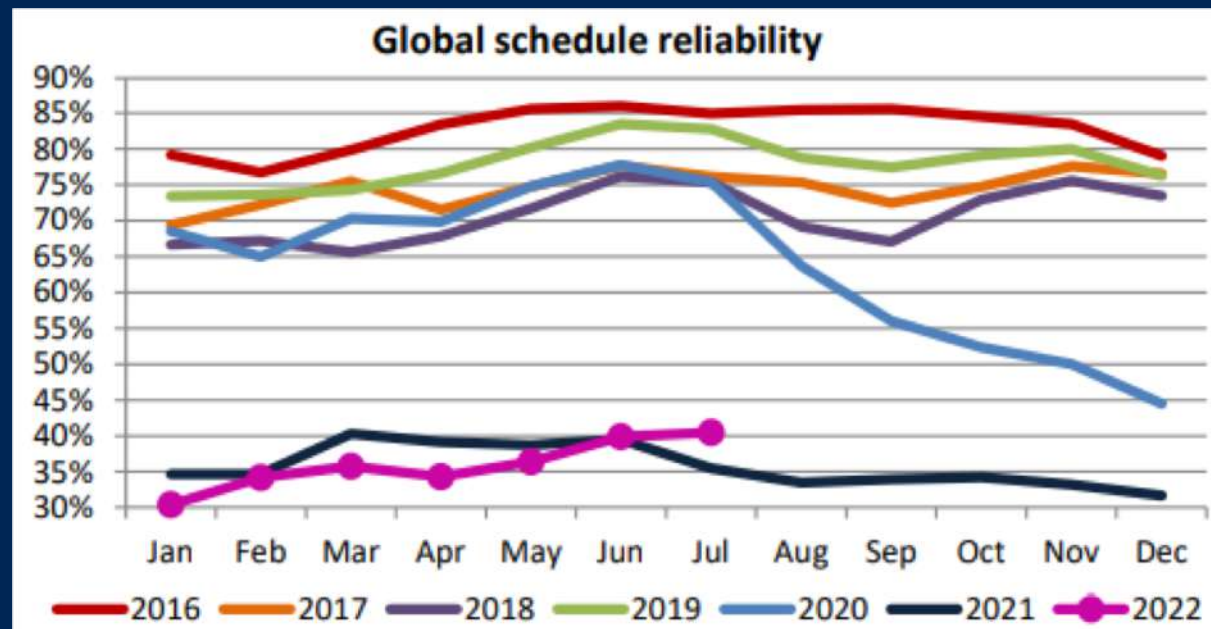


Figure 12 - Global schedule reliability. Source: Sea-Intelligence, Maritime Analysis Global Liner Performance Report - July. 2022



5. TRENDS > SCHEDULE RELIABILITY BY TRADE

Trade lane	JUN/JUL 2021	MAY/JUN 2022	JUN/JUL 2022	M/M change	Y/Y change
Asia-NAWC	15.6%	24.8%	27.1%	2.3%	11.5%
Asia-NAEC	20.8%	18.6%	15.9%	-2.7%	-4.9%
Transpacific WB	25.1%	36.2%	38.6%	2.4%	13.5%
Asia - North Europe	22.1%	30.0%	31.5%	1.5%	9.4%
Asia - Mediterranean	37.1%	38.8%	36.0%	-2.8%	-1.2%
Europe - Asia	18.2%	33.8%	33.8%	0.0%	15.7%
Transatlantic EB	50.6%	38.8%	39.6%	0.8%	-11.1%
Transatlantic WB	42.5%	29.2%	29.8%	0.6%	-12.7%
Europe - South America	59.6%	40.5%	46.2%	5.6%	-13.4%
South America - N. Europe	55.5%	53.5%	59.1%	5.6%	3.6%
South America - Med.	69.7%	57.2%	64.0%	6.8%	-5.7%
N. America - South America	60.0%	30.2%	34.3%	4.1%	-25.7%
South America - N. America	59.0%	33.0%	29.4%	-3.6%	-29.6%
Europe-Oceania	45.3%	50.8%	48.3%	-2.5%	3.0%
N. America - Oceania	31.7%	59.4%	45.2%	-14.2%	13.5%
Oceania - N. America	34.9%	70.6%	61.5%	-9.1%	26.7%
Asia - Oceania	16.7%	19.4%	19.0%	-0.3%	2.3%

Trade lane	JUN/JUL 2021	MAY/JUN 2022	JUN/JUL 2022	M/M change	Y/Y change
Oceania - Asia	23.4%	24.6%	25.2%	0.6%	1.9%
Asia - Middle East	23.7%	27.1%	26.5%	-0.6%	2.8%
Middle East - Asia	20.2%	27.1%	28.7%	1.6%	8.5%
Europe - Middle East	60.3%	54.6%	55.4%	0.8%	-4.9%
Middle East - Europe	58.7%	49.1%	50.4%	1.3%	-8.3%
Asia - Indian Sub.	19.4%	29.5%	35.2%	5.8%	15.8%
Indian Sub. - Asia	18.4%	29.0%	36.2%	7.2%	17.8%
Europe - Indian Sub.	72.3%	58.3%	63.1%	4.8%	-9.2%
Indian Sub. - Europe	51.1%	41.4%	41.4%	0.1%	-9.7%
Asia - Africa	28.7%	43.0%	50.2%	7.2%	21.4%
Africa - Asia	25.5%	44.0%	39.7%	-4.2%	14.3%
Europe - Africa	41.3%	38.3%	44.1%	5.7%	2.7%
Africa - Europe	49.6%	39.5%	49.6%	10.1%	0.0%
Asia - ECSA	29.2%	42.8%	49.6%	6.9%	20.4%
ECSA - Asia	14.0%	51.0%	49.5%	-1.4%	35.5%
Asia - WCSA	43.8%	49.4%	53.9%	4.5%	10.1%
WCSA - Asia	28.1%	38.9%	47.8%	8.9%	19.7%

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



5. TRENDS > NEW SERVICES

Service Name	Operator	Route	Rotation	Ships deployed	Launch Date
Tailwind China Europe II Service	Tailwind	FE-N.Eur	Taicang, Ningbo, Duchan Bay, Barcelona/Koper(alternate), Rotterdam, Taicang	4 x 4,950-5,500teu	17 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 4,231-6,422teu	20 Jul 2022
TURKEY-RUSSIA SERVICE(TRS)	Medkon	Intra-Med	Ashdod, Evyap, Mardas, Novorossiysk, Evyap,Ashdod	1 x 707 teu	20 Jul 2022
Red Sea-India- East Africa(RIE)	Feedertech	ME/ISC-SAF/ EAF	Jeddah, Mandra, Mombasa, Jeddah	1 x 1,301 teu	26 Jul 2022
China Manila Express (CMX)	SummitShipping	NEA-SEA	Shanghai, Xiamen, Quanzhou, Manila, Shanghai	1 x 724 teu	29 Jul 2022
Haiphong- Ho Chi Minh City	Van SonShipping	DOMVN	Haiphong, Ho Chi Minh City, Haiphong	1 x 1,730 teu	30 Jul 2022
Matadi Shuttle X-PRESS(MSX)	X-Press	WAF Feeder	Pointe Noire, Matadi, Pointe Noire	1 x 618 teu	3 Aug 2022
S China-Philippines 9service (PH9)	Sealand Asia	NEA-SEA	Xiamen, Taichung, Hong Kong, Shekou,Sihanoukville, Bangkok, Laem Chabang, Ho Chi Minh City, Batangas, Manila, Yantian, Hong Kong,Cagayan de Oro, Cebu, Xiamen	1 x 1,756 teu	13 Aug 2022
Thailand-Vietnam- Philippines service	Iris Logistics	Intra-SEA	Manila, Bangkok, Laem Chabang, Ho Chi Minh City,Manila	1 x 1,118 teu	15 Aug 2022
Jebel Ali Bahrain ShuwaikhService (JBS)	Emirates	Intra-ME/ISC	Jebel Ali, Bahrain, Shuwaikh, Jebel Ali	2 x 1,341-1,678teu	18 Aug 2022
Shanghai Russia Service(SRS)	Sinokor	Intra-NEA	Busan, Kwangyang, Shanghai, Busan, Vladivostok, Busan	2 x 1,003-1,083teu	20 Aug 2022
Turkey Black Sea Express(TBX)	Diamond Line	Intra-MED	Piraeus, Ambarli, Poti, Constantza, Varna, Piraeus	2 x 1,267-1,296teu	25 Aug 2022
Limassol Greece Express(LGX)	Diamond Line	Intra-MED	Piraeus, Limassol, Ashdod, Iskenderun, Damietta,Piraeus	2 x 1,432 teu	30 Aug 2022
Asia Gulf India 2 service(AGI2)	COSCO	FE-ME/ISC	Singapore, Mundra, Abu Dhabi, Hamad, Khalifa binSalman, Abu Dhabi, Singapore	4 x 2,174 teu	31 Aug 2022
India-Africa Express (IAX)	ZIM / GSL	ME/ISC-SAF/EAF	Nhava Sheva, Mundra, Mombasa, Dar Es Salaam,Nhava Sheva	3 X 1,100 teu	7 Sep 2022
Seasonal Australia SouthAsia (SASA)	Sea Lead	ME/ISC- ANZ	Sydney, Melbourne, Brisbane, Nhava Sheva,Mundra, Karachi, Sydney	1 x 2,497 teu	Sep 2022
Straits Maldives Shuttle(SMS)	Maldives Stateshg	FE-ISC	Singapore, Port Klang, Male, Singapore	2 x 700 teu	Sep 2022
Mexico Central AmericaExpress (MCC)	ZIM	Intra-CENTRAM	Progreso, Veracruz, Altamira, Santo Tomas De Castilla, Puerto Cortes, Kingston, Progreso	1 x 966 teu	10 Oct 2022

Figure 14
New services.
Source: Linerlytica,
Market pulse week 34, 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

SAVINO DEL BENE S.p.A.
WORLDWIDE HEADQUARTERS

Via del Botteghino, 24/26/28A

50018 Scandicci (FI) - Italy

Ph: +39 055 52191 Fax: +39 055 721288

headquarters@savinodelbene.com

www.savinodelbene.com