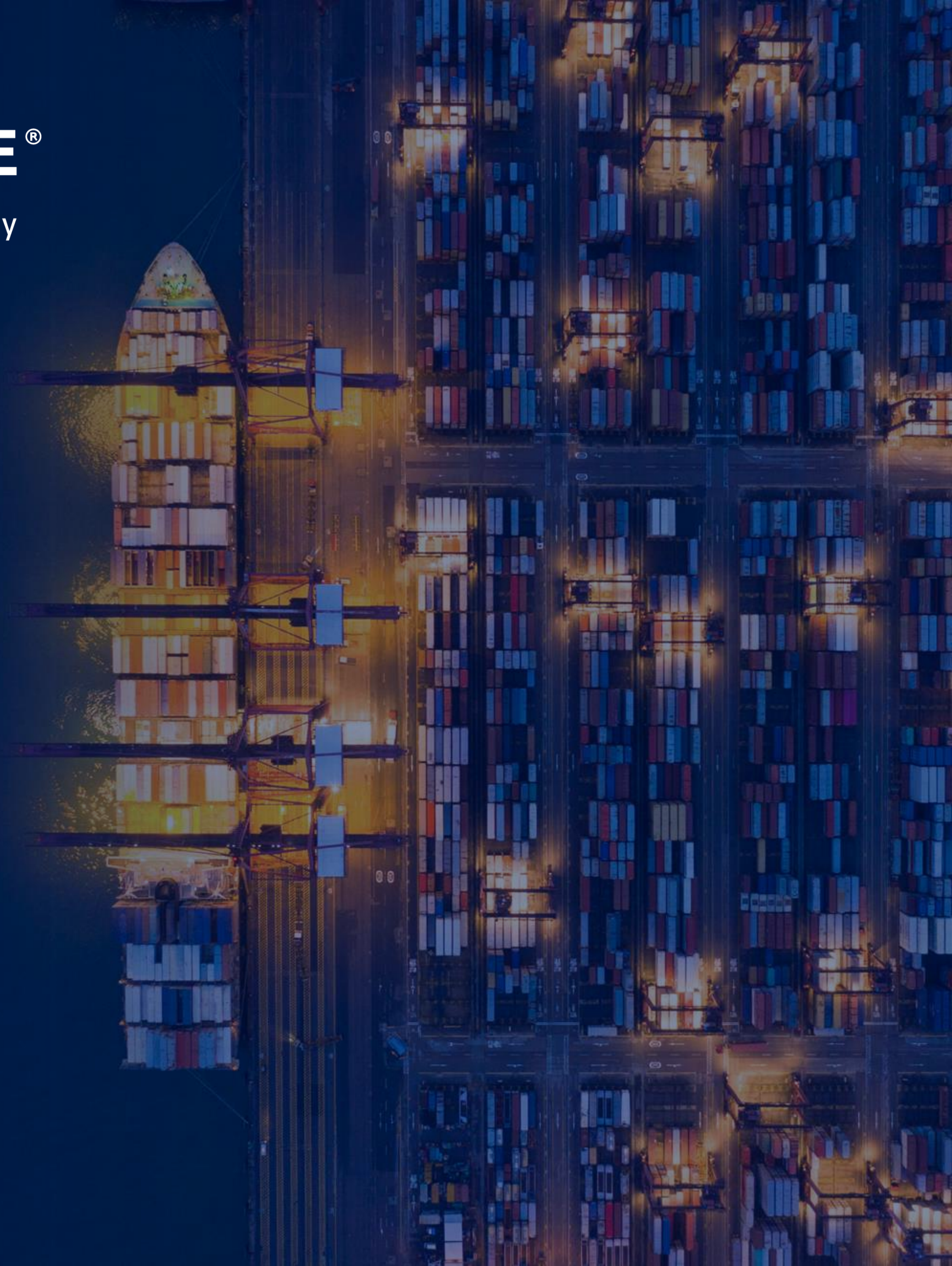
SAVINO DEL BENE®

Global Logistics and Forwarding Company



GLOBAL OCEAN MARKET REVIEW

November 2022

AGENDA

1. **OVERVIEW**

2. **GLOBAL DEMAND**

3. **CAPACITY**

4. **PORT CONGESTION**

5. **ALBERTO RIVOLA'S PERSPECTIVE**

6. **TRENDS**
    - RATES
    - RATES AND CAPACITY BY TRADE
    - BUNKER
    - SCHEDULE RELIABILITY
    - VESSELS' ORDERBOOK

7. **SAVINO DEL BENE FEEDBACK**

1 OVERVIEW

GLOBAL DEMAND

CTS shows a steep decline in global demand for September 2022: about -9% year-on-year. The decrease drove by poor export demand from Asia to North America and Europe.

CAPACITY

In October, we noticed a mix of a rapid drop in demand for capacity and aggressive rescheduling of sailings away from Asia outbound routes to pick up higher-paying cargo on the Transatlantic routes.

PORT CONGESTION

With a few exceptions, mainly in North America, port congestion is generally easing with vessel waiting times reducing, ports operating at less capacity, and container turnaround times decreasing which ultimately frees up the capacity in the market.

RATES LEVELS

The Drewry composite index decreased by 3% this week to £3050/40', the 36th consecutive weekly decrease, and has dropped by 67% compared with the same week last year but remains 115% higher than average 2019 (pre-pandemic) rates of $1,420.

SCHEDULE RELIABILITY

Schedule reliability reversed its improving trend in September 2022 and declined M/M by -0.7 percentage points, reaching 45.5%.
Despite the slight decline, schedule reliability in September 2022 is still 11.5 percentage points higher than it was at this point in 2021

BUNKER

No significant changes in bunker prices in the last four weeks, with bunker prices gradually going down. The spread between VLSFO and IFO380 is slowly reducing but still around $230-$310/mt.

Global demand growth year-in-year

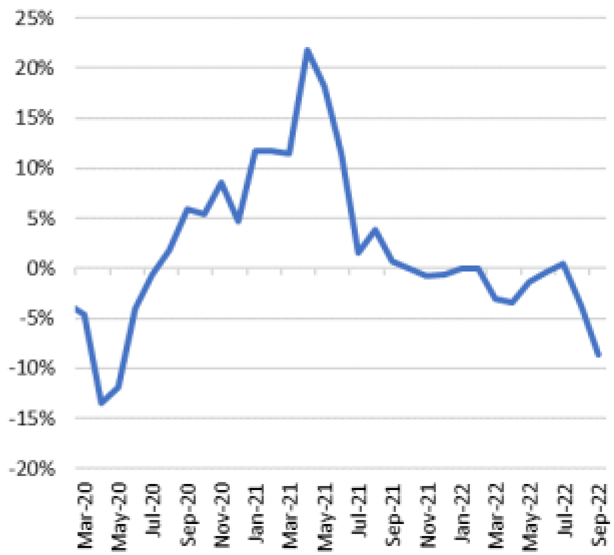


Figure 1
Global demand growth year-in-year (source: Sea Intelligence Spotlight - Issue 589)

New CTS data for September shows a sharp decline of -8.6% compared to September 2021.

The decline in global demand is not only lower than Sept. 2021, but it's 3% lower than Sept. 2019.

According to Sea-intelligence, this sharp decline does not quite match the decline seen in the early pandemic phase in 2020; the trend could lead to something equally damaging.

The concern is that this decline is triggered by a combination of an inventory correction and the beginning global recession. As such, we might expect developments to worsen by the end of 2022.

Maersk has lowered its estimate for 2022 global container demand from minus 2% to minus 4%, down from plus 1% to minus 1% in early August. The actual number is eventually closer to the most negative prediction.

Regional demand growth year-in-year

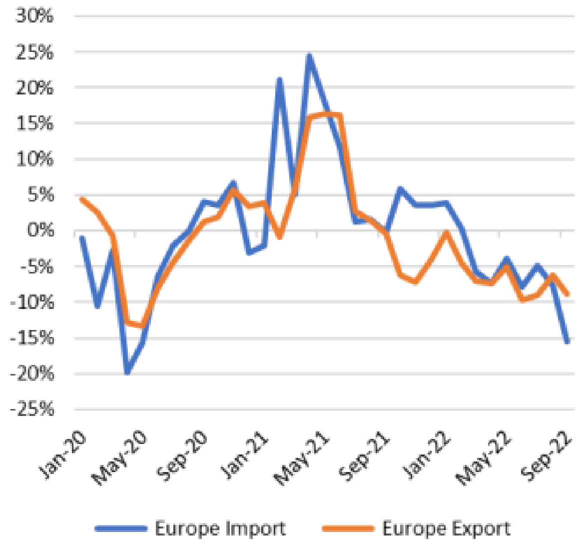


Figure 2
Demand growth Europe year-in-year (source: Sea Intelligence Spotlight - Issue 589)

In Europe, imports are seen to take a very sharp drop in September as volumes decline -16%. Exports also decline –by 9%; however, this is more in line with the general weakness in the export market seen in 2022 – it is the sharp drop in imports that is noteworthy.
This is also very low compared to pre-pandemic levels, as import volumes are -12% lower than in September 2019.

The collapse in imports in North America is even worse than seen in Europe, with a decrease of -19% year-on-year. This is an even sharper drop than the one seen in the early pandemic period in 2020. Compared to 2019, the North American imports are also down by -1%, which means that the demand boom of the past 2 years have now been more than negated.

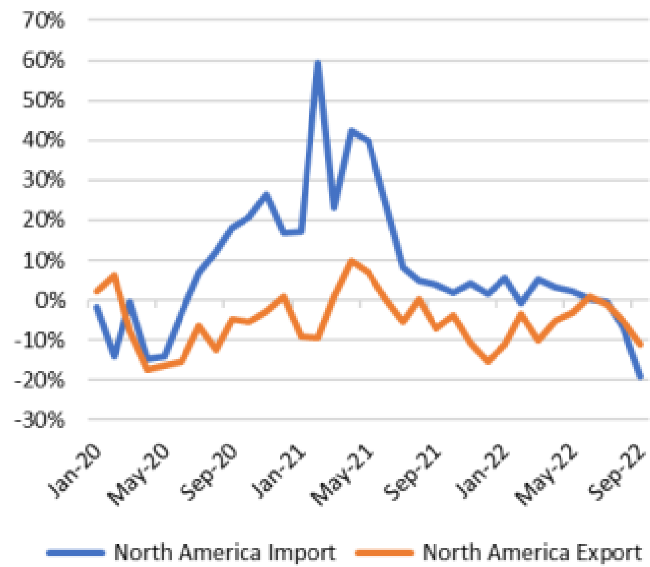


Figure 3
Demand growth N. America year-in-year (source: Sea Intelligence Spotlight - Issue 589)

Regional demand growth year-in-year

Figure 4
Demand growth South and Central America year-in-year
(source: Sea Intelligence Spotlight - Issue 589)

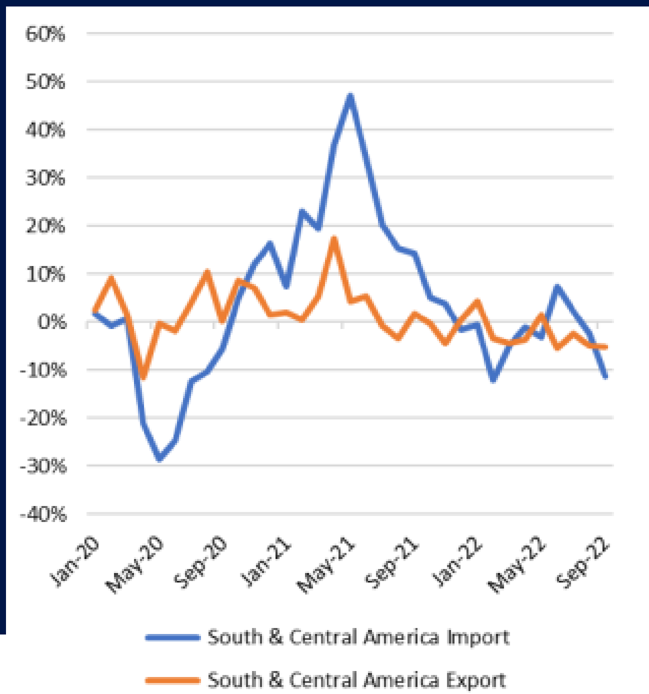
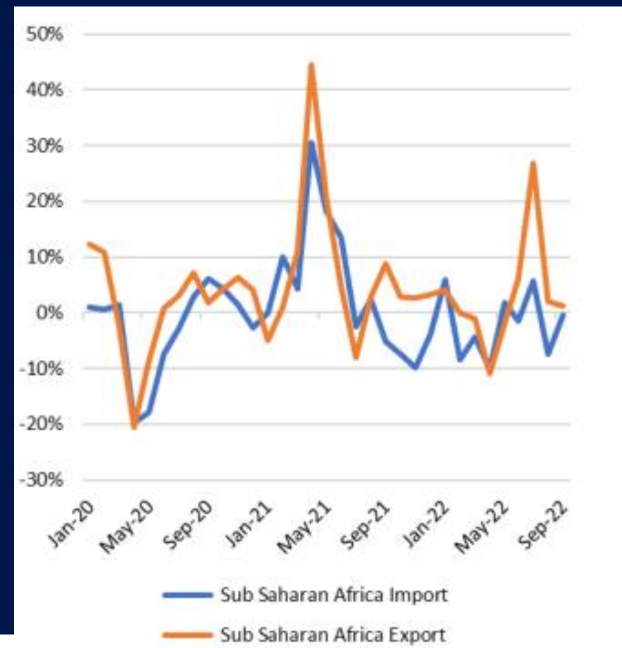


Figure 5
Demand growth South Saharan Africa year-in-year
(source: Sea Intelligence Spotlight - Issue 589)



The sharp contraction in demand in Central and South America, as imports to the region, dropped -11% compared to 2021, and they are also down by -4% compared to 2019. Additionally, volume export growth showed a continuing trend of declining volume growth and was down -5% compared to 2021 and down -3% compared to 2019.

In Africa (SSA region), the development is highly volatile; however, for September 2022 specifically, the changes are relatively benign compared to the significant deep-sea trades at 0% for imports and +1% for exports.

2 GLOBAL DEMAND

Regional demand growth year-in-year

Figure 6
Demand growth Australia and Oceania year-in-year (source: Sea Intelligence Spotlight - Issue 589)

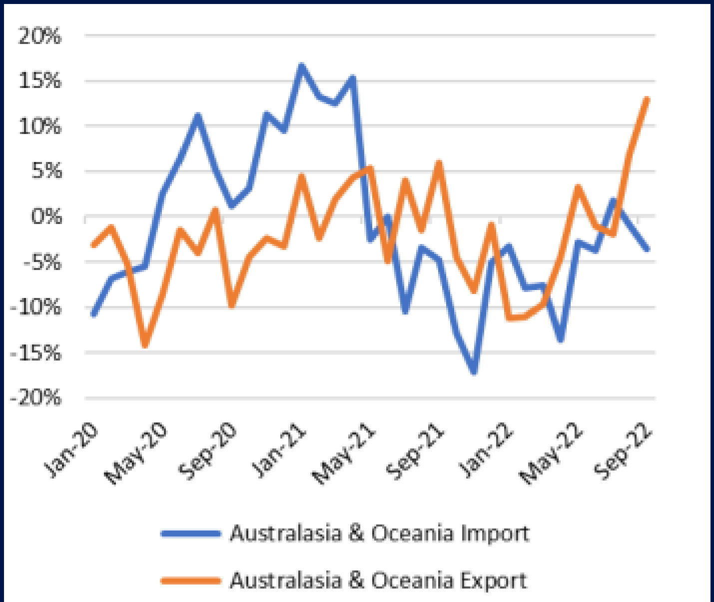
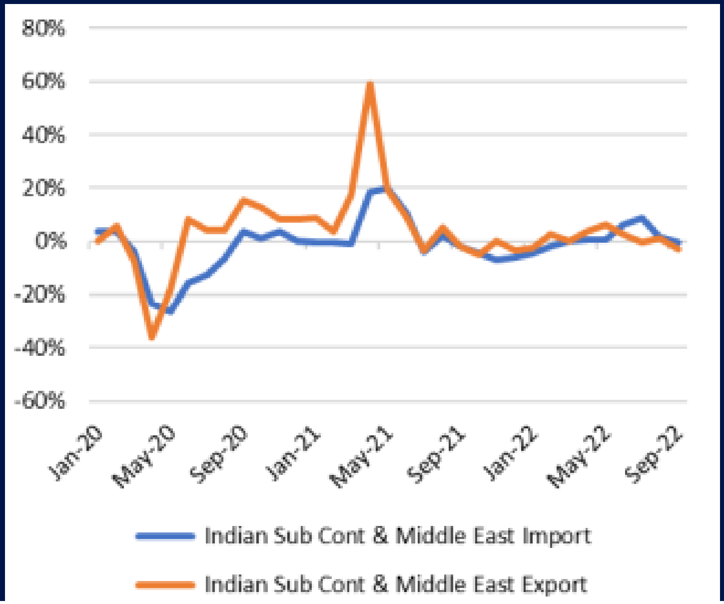


Figure 7
Demand growth ISC and Middle East year-in-year (source: Sea Intelligence Spotlight - Issue 589)



Here we see export volumes continue upwards, leaving this as one of the few places with positive growth, as volumes climbed 13% year-on-year and are also up 8% compared to 2019.
The imports worsened, though, with a -4% decline year-on-year and down as much as -7% compared to 2019.

The development for Indian Subcontinent/Middle East, which is also relatively modest compared to the major trades.
In this case, imports are down -1% and exports are down -3% but seen in the light of the developments in Europe and the Americas, which is relatively stable.

3 CAPACITY

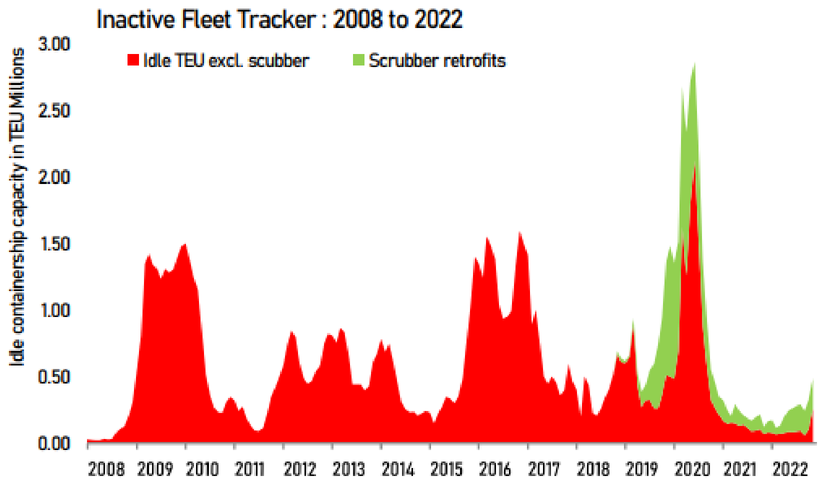


Figure 8
Inactive Fleet tracker: 2008 to 2022 (source: Linerlytica- Issue 44/2022)

According to The Loadstar, the idled containership fleet has breached the 1m TEU capacity milestone – and is set to jump significantly higher as carriers prepare to suspend services rather than blank sailings temporarily.
According to Alphaliner, as of 24 October, inactive containerships either in drydock or seeking employment had reached 284, for a capacity of 1.2m TEU, representing 4.6% of the global cellular fleet. At the peak of demand in February, as carriers squeezed the charter market dry in pursuit of every serviceable vessel, Alphaliner recorded 154 ships, for a capacity of 442,000 TEU, as inactive, many in drydock, representing just 1.8% of the global fleet.

Shipping lines are reacting to falling demand by removing capacity, seeking to prevent an even more extreme rate of deterioration.

According to recent data, around 15% of capacity has come out between the Pacific and Asia-Europe trades. We must expect we will see more capacity adjustments in the coming quarters. However, the distribution of such blank sailings is unequal among the trades.

The number of blank sailings has been ramped up drastically in the Transpacific but not in the Asia-Europe trade over the past two weeks.
If we had to look deeper at the number of blank sailings announced for weeks 48-52, we'd notice the lack of change for the last two weeks of 2022. The carriers have not yet decided how they want to approach the potential pre-Chinese New Year rush. It appears more to be a wait-and-see approach in terms of whether there will be a seasonal demand spike or not.

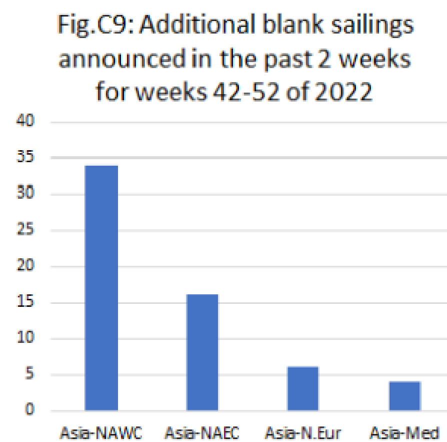


Figure 9
Additional blank sailings Nov-Dec/2022 (source: Sea Intelligence Spotlight – Issue 589)

4 PORT CONGESTION

Congestion Watch

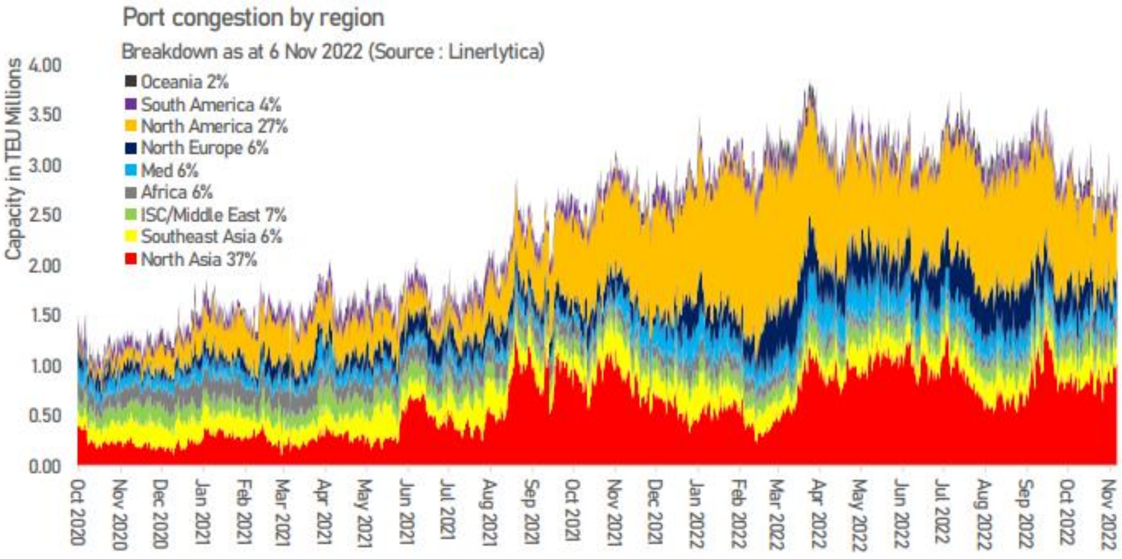


Figure 10 Port congestion by region - Source Linerlytica, Market pulse week 44/2022

European congestion remains flat, with Rotterdam, Hamburg and Southampton recording the most prolonged delays.

US port congestion continues to ease, with the LA/LB vessel queue down to less than two ships – the lowest levels in more than two years. Congestion remains critical at Savannah, Houston, Oakland and Vancouver.

Typhoon Nalgae affected port operations in South China, which had a momentarily upward trend in congestion, but it has already started to ease up.

Port Congestion Week 40	Port Congestion Week 41	Port Congestion Week 42	Port Congestion Week 43	Port Congestion Week 44
2.7m TEU 10.5% of fleet Down 0.9%	2.79m TEU 10.8% of fleet Up 0.3%	2.66m TEU 10.3% of fleet Down 0.5%	2.58m TEU 9.9% of fleet Down 0.6%	2.71m TEU 10.5% of fleet Up 0.6%

Figure 11 Port congestion. Source Linerlytica, Market pulse week 40-44

5 ALBERTO RIVOLA'S PERSPECTIVE

Alberto Rivola
Head of Global Ocean Procurement

October has clearly provided strong indications about the global demand trend on the main East-West lanes. However, a few main lanes still show signs of resilience, such as trans-Atlantic trade and the Far East to the Middle East, as well as some niche trades in the North-South shipping lanes globally.
Evidently, in the last three months, most of the lanes out of Asia deteriorated rapidly. We are still slightly above the 2019 levels; however, considering the drop in demand that we estimate for the foreseeable future, we might get closer to pre-pandemic rate levels sooner than anticipated. From my point of view, we are just witnessing the gradual normalization of the rates that several shipping analysts expected for the second half of 2022. However, normalization has occurred at a much faster pace than we predicted in the first half of 2022.
In terms of capacity, the current efforts made by the carrier to be capacity-disciplined did not have the results they hoped for. As a matter of fact, with global demand slowing down, the carrier's reduction of capacity under various forms has been offset by the capacity made available in the market by the decrease in congestion. With a few exceptions, mainly in North America East Coast and Gulf, port congestion is generally easing with vessel waiting times reducing, ports operating at
less capacity, and container turnaround times decreasing, which ultimately frees up the capacity in the Market. Transit time and schedule reliability are also showing improvements, even though we are still very far away from the performances that the industry was familiar with before Covid.

5 ALBERTO RIVOLA'S PERSPECTIVE

Based on a recent publication of AXSMarine, the outlook for 2023 is still complicated to determine, but the overall feeling is that the expectations are quite low. Based on many conversations I had with customers, shipping lines, and other role players, we all agreed that the current market situation is quite difficult to read for all players in the industry.

On one side, we have many drivers that may sustain the current erosion of the rates. These drivers include the fleet capacity expansion in 2023 and 2024, the possible economic recession, a slowdown in consumer demand, higher energy costs, geo-political tensions, a pricing war among shipping lines, a lack of vessel capacity discipline, and eventually, even the possibility that carriers will not be able to enforce medium-long term freight contracts.

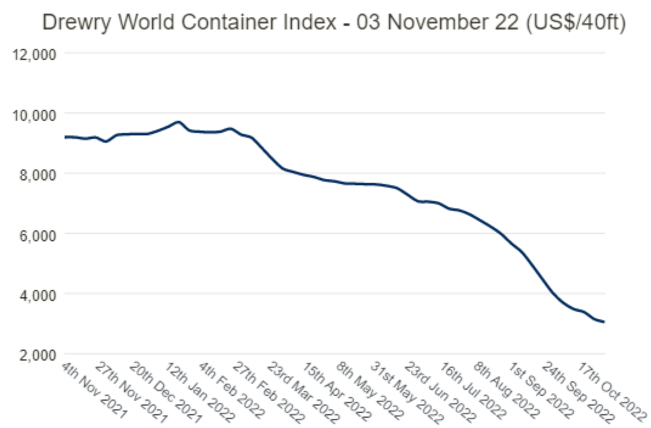
On the other side, there are indeed several factors that, if materialized, may allow shipping lines to shift the market conditions again. Among these factors, we see the increasingly high possibility of labor disruptions at ports, railways and road transportation, consolidation among shipping lines and/or NVOCC, IMO2023 environmental regulations, vessel scrapping, vessel orderbook delays, solid and meaningful capacity management, and the highly unpredictable new waves of Covid.

As you can read every month at Savino Del Bene, we regularly monitor all these topics and trends to ensure we have the right tools and knowledge to help our customers in their decision-making processes and provide them with the best possible shipping solutions.

6 TRENDS > RATES

Route	20-Oct-22	27-Oct-22	3-Nov-22	Weekly change (%)	Annual change (%)
Composite Index	$3,383	$3,145	$3,050	-3% ▼	-67% ▼
Shanghai - Rotterdam	$4,436	$3,845	$3,684	-4% ▼	-73% ▼
Rotterdam - Shanghai	$887	$887	$876	-1% ▼	-45% ▼
Shanghai - Genoa	$4,614	$4,200	$4,087	-3% ▼	-68% ▼
Shanghai - Los Angeles	$2,497	$2,412	$2,364	-2% ▼	-76% ▼
Los Angeles - Shanghai	$1,175	$1,180	$1,165	-1% ▼	-10% ▼
Shanghai - New York	$6,214	$6,034	$5,694	-6% ▼	-55% ▼
New York - Rotterdam	$1,308	$1,319	$1,318	0%	11% ▲
Rotterdam - New York	$7,264	$7,284	$7,426	2% ▲	21% ▲

Figure 12
Spot freight rates by major east-west lanes. Source: Drewry



The index is usually published every week. However, right now, rate updates by the carriers multiple times during the week. Hence, there is at least a week of lag of about one week between index publications and the most recent market rates

The composite index decreased by 3% this week, the 36th consecutive weekly decrease, and has dropped by 67% compared to the same week last year.

The latest Drewry WCI composite index of $3,050 per 40-foot container is now 71% below the peak of $10,377 reached in September 2021.

It is 19% lower than the 5-year average of $3,754, indicating a return to more normal prices, but remains 115% higher than average 2019 (pre-pandemic) rates of $1,420.

The average composite index for the year-to-date is $7,115 per 40ft container, which is $3,361 higher than the five-year average ($3,754 mentioned above).

The composite index decreased by 3% to $3,049.73 per 40ft container and is 67% lower than the same week in 2021.

Freight rates in Shanghai – New York dropped 6% or $340 to $5,694 per feu.
Spot rates on Shanghai – Rotterdam fell 4% or $161 to $3,684 per 40ft box.
Shanghai – Genoa slid 3% to $4,087 per feu.
Shanghai – Los Angeles dipped 2% to $2,364 per 40ft container.
Los Angeles – Shanghai and Rotterdam – Shanghai fell 1% each to $1,165 and $876 per feu, respectively.
Rotterdam – New York gained 2% or $142 to $7,426 per 40ft box.
New York – Rotterdam hovered around the previous week's level.

Drewry expects smaller week-on-week reductions in rates in the next few weeks.

6 TRENDS > RATES AND CAPACITY BY TRADE

+ + Strong Increase | **+** Moderate increase | **=** No change | **-** Moderate decline | **- -** Strong decline

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
NORTH AM.	- -	- -
EUROPE	- -	-
LATAM	-	=
M.E	+ +	=

FROM MIDDLE EAST		
TO	RATES	CAPACITY
ASIA	-	=
EUROPE	=	=
LATAM	-	=
M.E	=	=

Figure 13
Rates and Capacity by trade October 2022. Source Savino Del Bene

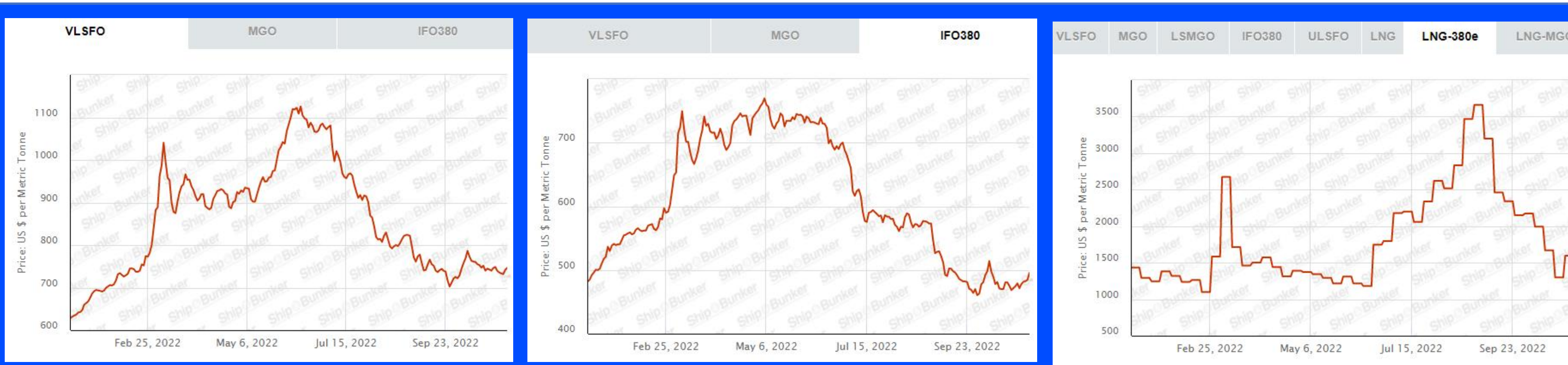
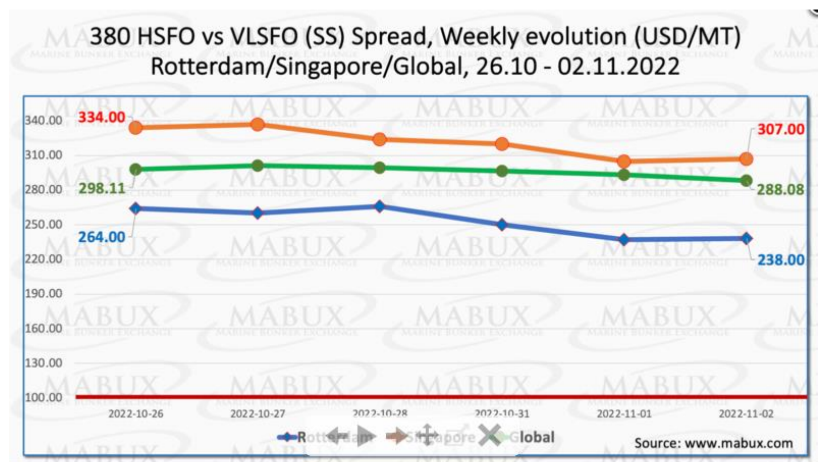


Figure 14
Bunker price. VLSFO vs IFO380 &LNG. Source: Shipandbunker available on https://shipandbunker.com/prices/av/global/av-g04-global-20-ports-average

The bunker price is decreasing, with the spread between the VLSFO and IFO380 also following.

- VLSFO at $746/mt, IFO380 at $495.5/mt, LNG-380e at $1595/mt (Rotterdam)
- VLSFO Oct 4 >> $722/mt, IFO380 at $463/mt, LNG-380e at $2173/mt (Rotterdam)
- VLSFO High >> Jun 14 $1125,5/mt, IFO380 May 5 at $759,5, LNG-380e Sept. 2 $3660/mt (Rotterdam)
- VLSFO Low >> Jan 3 $628,5/mt, IFO380 Sept. 28 at $460,, LNG-380e Feb. 23 $1097/mt (Rotterdam) 202 most vessels will have to go drydock to make



MABUX: Bunker Weekly Outlook, Week 44, 2022

Figure 15
MABUX: bunker weekly outlook, week 44, 2022

6 TRENDS > SCHEDULE RELIABILITY

Schedule reliability reversed its improving trend in September 2022 and declined M/M by -0.7 percentage points, reaching 45.5%. Despite the slight decline, schedule reliability in September 2022 is still 11.5 percentage points higher compared to the same time in 2021.
With 53.2% schedule reliability in September 2022, Maersk was once again the most reliable top-14 carrier, followed by CMA CGM with 45.5% schedule reliability. Another four carriers recorded schedule reliability of 40%-50% in September 2022. All remaining carriers recorded schedule reliability of 30%-40%. Yang Ming was the least reliable top-14 carrier in September 2022, with a schedule reliability of 35.1%.

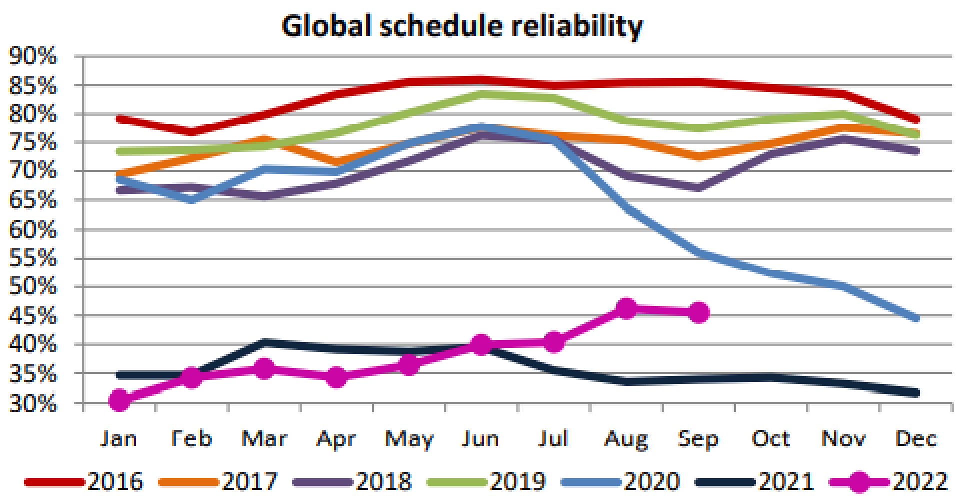


Figure 16
Global schedule reliability. Source: Sea-Intelligence, Maritime Analysis Global Liner Performance Report – October. 2022

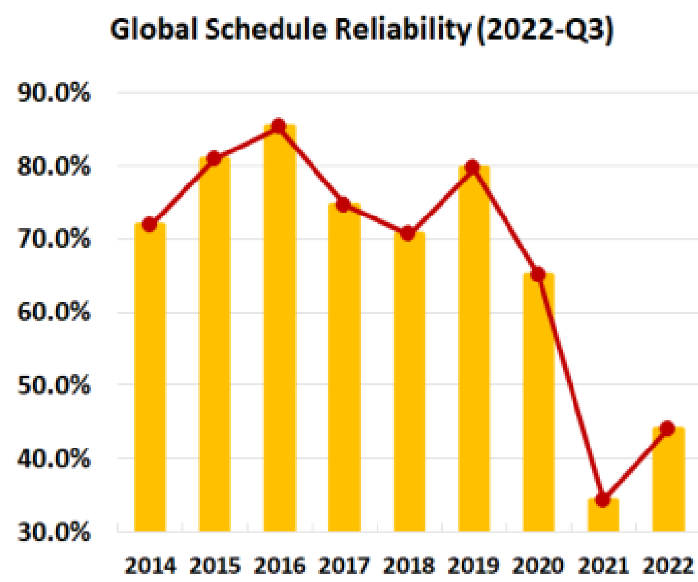


Figure 17
Sea-Intelligence Quarterly Global Liner Performance report - 2022-Q3

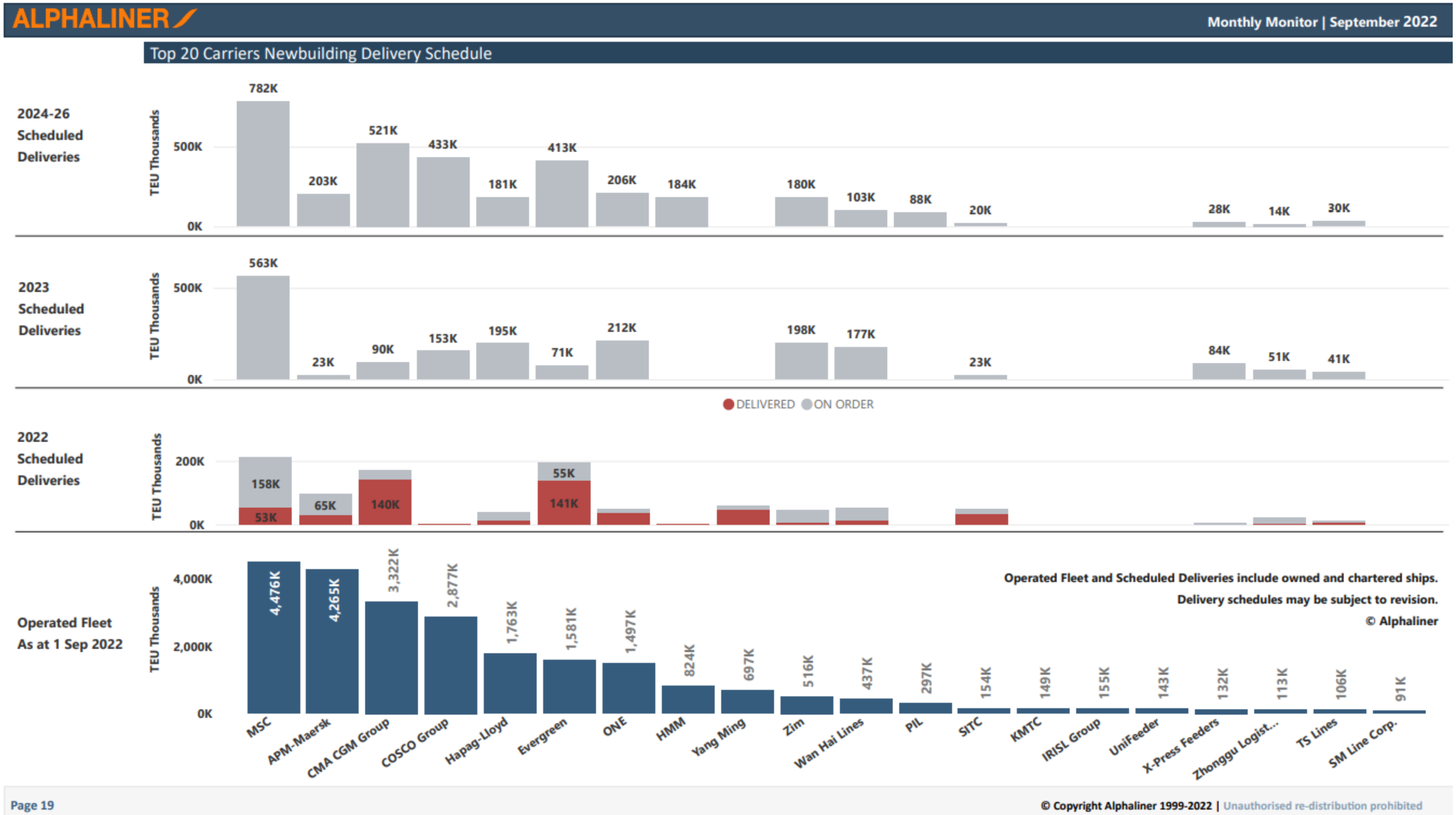
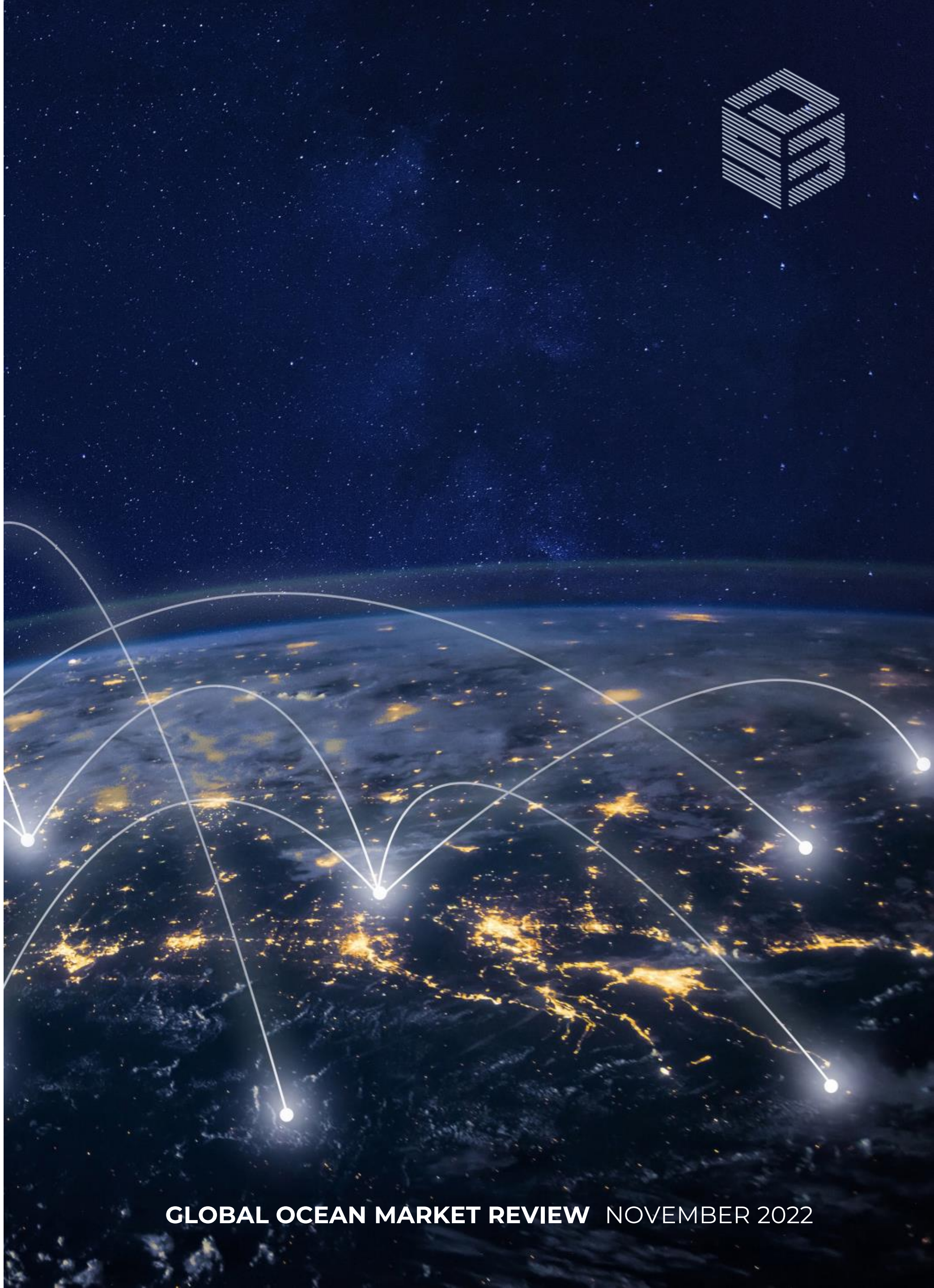


Figure 18
Alphaliner Monthly Monitor – September 2022

7 SAVINO DEL BENE FEEDBACK

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

With over 300 offices around the world, Savino Del Bene is ready to find your freight forwarding and logistic solutions for your business needs.



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