

OCEAN FREIGHT MARKET OUTLOOK 2024

DHL Global Forwarding



Ocean Freight Market Outlook March 2024

Economic & Demand Outlook

- According to IMF global economy projected to grow by 3.1% in 2024, despite potential risk from Red Sea crisis
- Germany experienced recession in 2023 and faces potential recession in 2024
- US inventory-to-sales ratio declining, driven by wholesalers reducing inventories. While retailers increasing inventories.
- No reduction in Houthis' vessel attacks despite bombing campaign by US Forces, assisted in part by allied forces.

Capacity Outlook

- All carriers are routing their ships via the Cape of Good Hope due to tensions in the Red Sea. CMA-CGM is about to start a few tests but insurance coverage is expensive.
- Market sentiment remains positive after Lunar New Year break, carriers keeping rate gains and expecting tight capacity in March due to extended Red Sea diversions.
- Some carriers committing to vessel delivery up to 6 months in advance, showing confidence in the market.

Freight Rates

- Freight rates remained firm ahead of Lunar New Year holidays, with transpacific rates to US West Coast significantly higher than last year. The Red Sea situation and Lunar New Year contributing to sharp increase in spot rates, particularly impacting Asia-Med route.
- Rates have maintained most of their recent gains despite post Lunar New Year slack period.

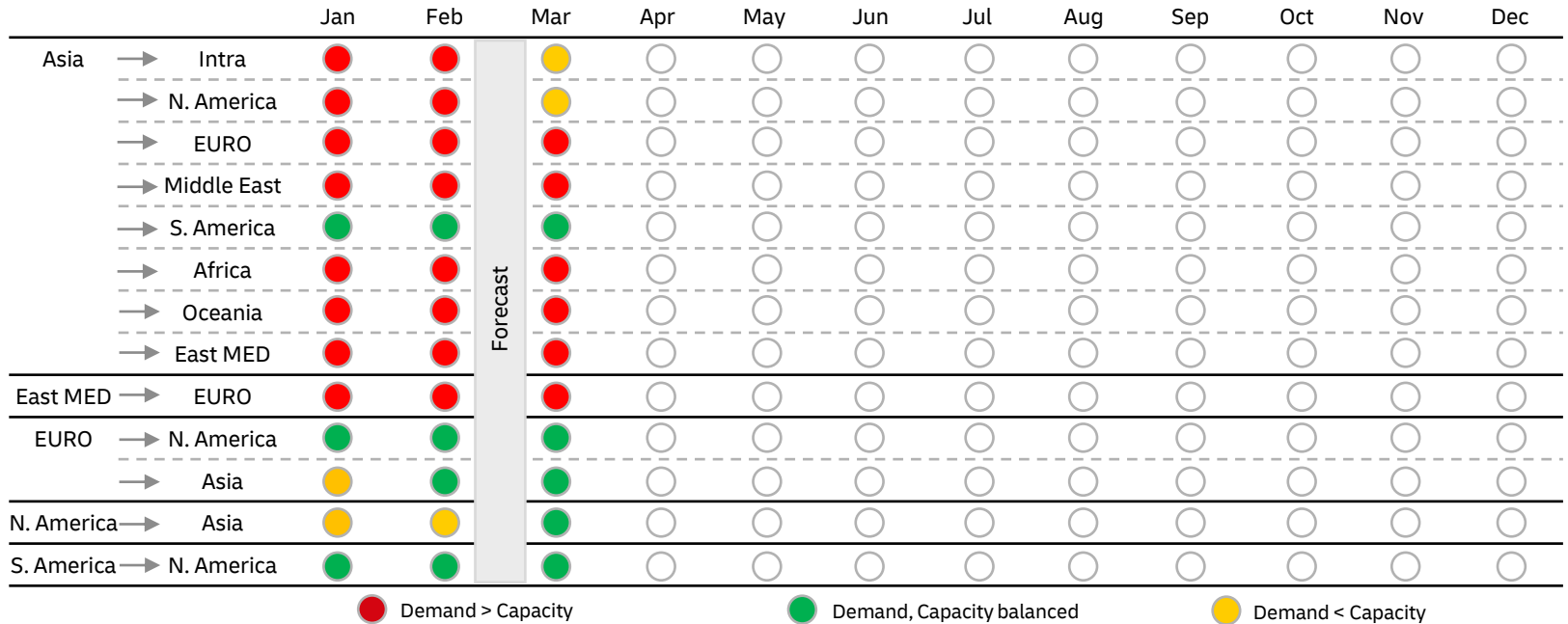
Regulations/News

- UK Competition and Market Authority (CMA) advises not to renew UK liner block exemption.

Source: DGF

Regional Market Development – Major Trades

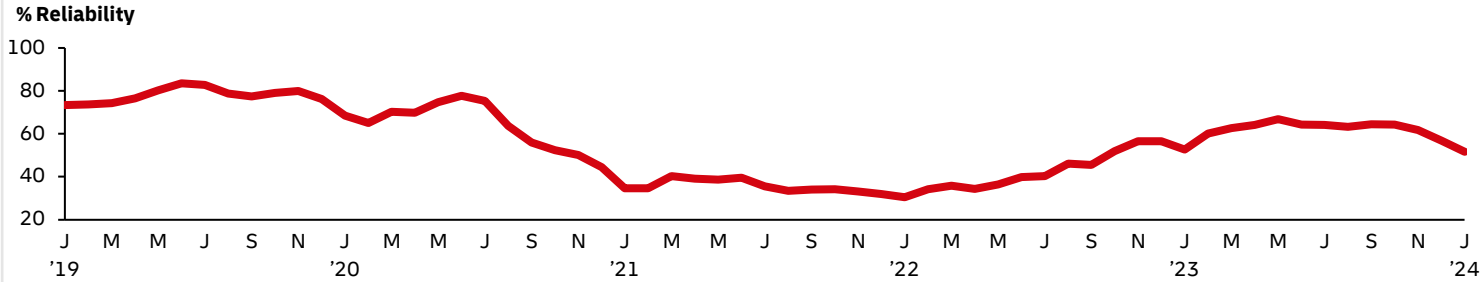
Market Development on Key Regional Tradelanes



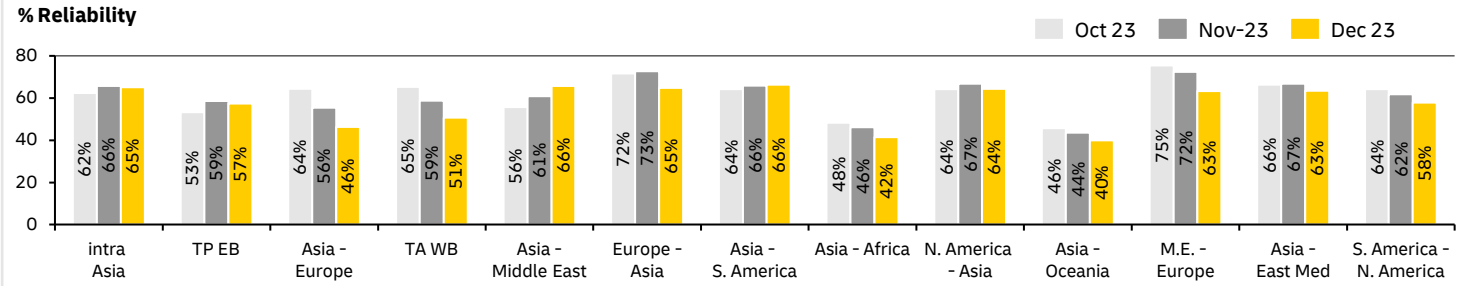
Source: DHL

Schedule Reliability

Global Schedule Reliability



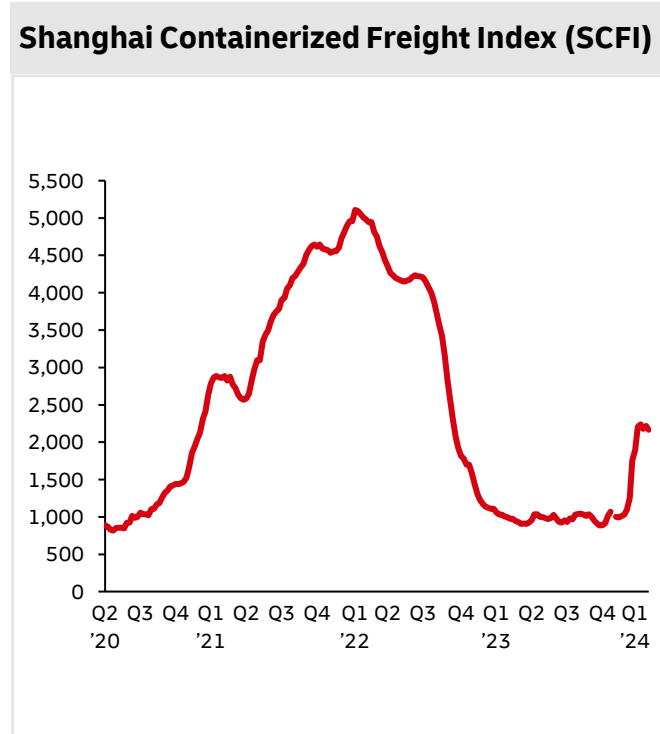
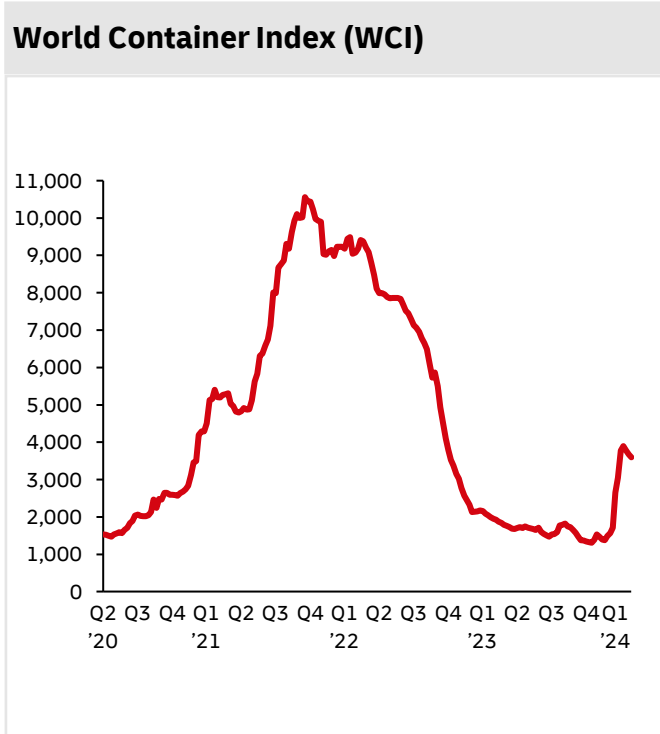
Schedule Reliability by Trade



Source: Sea-Intelligence, Linerlytica; intra Asia = Asia - IBPC, TP EB = Asia-NAWC, Asia-Europe = Asia-North Europe, Asia-AML = Asia-WCSA, AMNO-Asia = Transpacific WB, Asia-East Med = Asia-Med

- Sea-Intelligence's January data shows another 5 ptp drop in global reliability, down to 51.6% triggered by the situation in the Red Sea.
- In February global port congestion expected to ease during Lunar New Year.
- Congestion elsewhere is limited, with some delays in certain US ports, like Oakland, Tacoma and Savannah.

Rates



Note: Surcharges related to e.g., equipment & space availability are not reflected in WCI & SCFI; Source: Drewry, in USD/40ft container, including BAF & THC both ends, 8 individual routes, excluding intra-Asia routes; Shanghai Shipping Exchange, in USD/20ft ctnr & USD/40ft ctnr for US routes, including BAF, EBAF, CAF, PSS, WRS, PCS & SCS/SCF/PTF/PCC, excl. THC, 15 routes from Shanghai

- Heading into the post Lunar New Year slack period rates have retained most of their recent gains. The WCI and SCFI indices are 87% and 118% higher compared to the same period last year.

State of the industry – Ocean Carrier Alliances

THE ALLIANCE



YM + HMM + ONE: Looking for a partner

OCEAN ALLIANCE



2M ALLIANCE



GEMINI COOPERATION

HUB+SPOKE MODEL

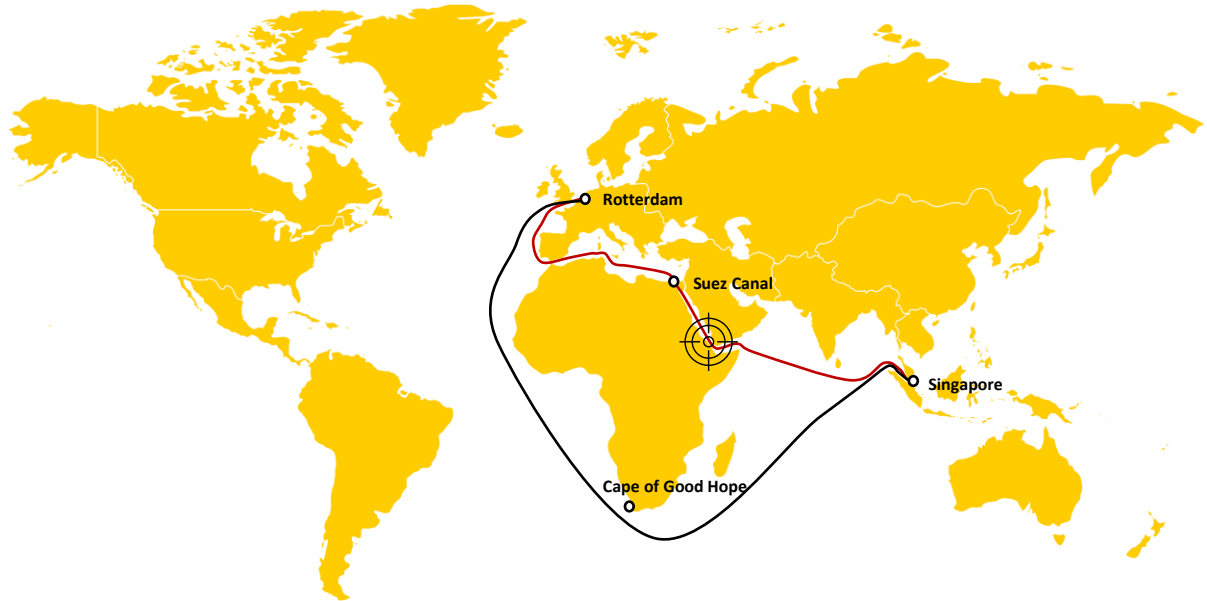


Source: DHL

Red Sea Crisis – Affected Services

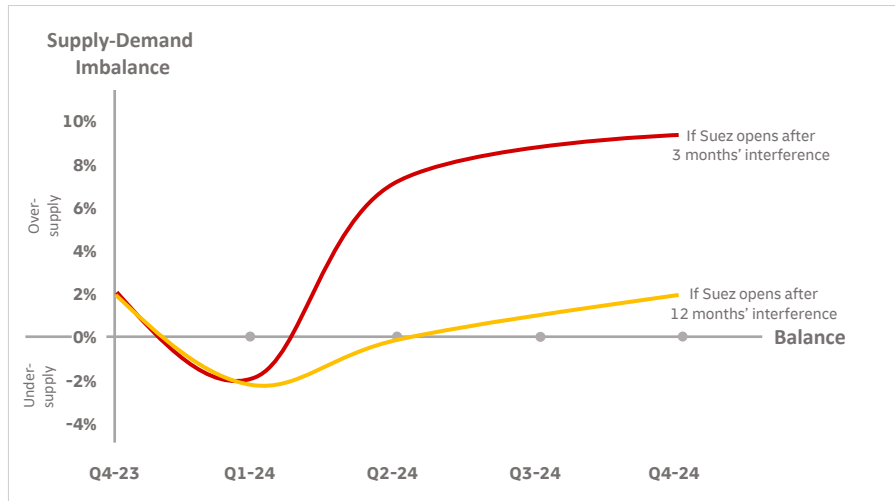
- Longer transit time 12 to 20 days plus 4 – 5 days additional waiting time for berthing windows
- There is an effect of a total round-trip delay of 30 to 40 days.
- 3 alliances operate on the Europe x Asia trade, 9 loops each, and every loop needs 4 additional vessels to operate on a weekly basis.
- 120 additional ships are required, whereas just 60 are available.
- The longer transit times and the additional vessels brought in service absorb container equipment. The equipment was short in Asia in February. The situation is improving in March.

Asia to Europe diversion – Costly Detour

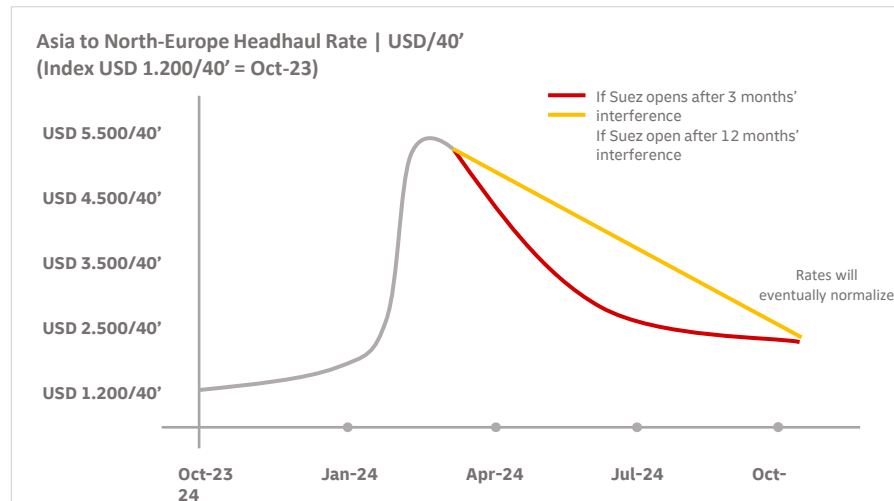


Red Sea Crisis: Supply-Demand + Rates Outlook

Supply-Demand



Rates Outlook



Suez Canal reopening in 3 months:

- Supply-demand imbalance likely to rise again
- Rates from Asia to Europe expected to decline over time



Suez Canal reopening in 12 months:

- Similar impact, but results anticipated at a much slower pace

Post-crisis and canal reopening:

- Rates expected to eventually return to December 2023 levels

Insurance coverage:

- Not covering the risk of Red Sea transit