

Market update

DSV Air & Sea

Aug 2024



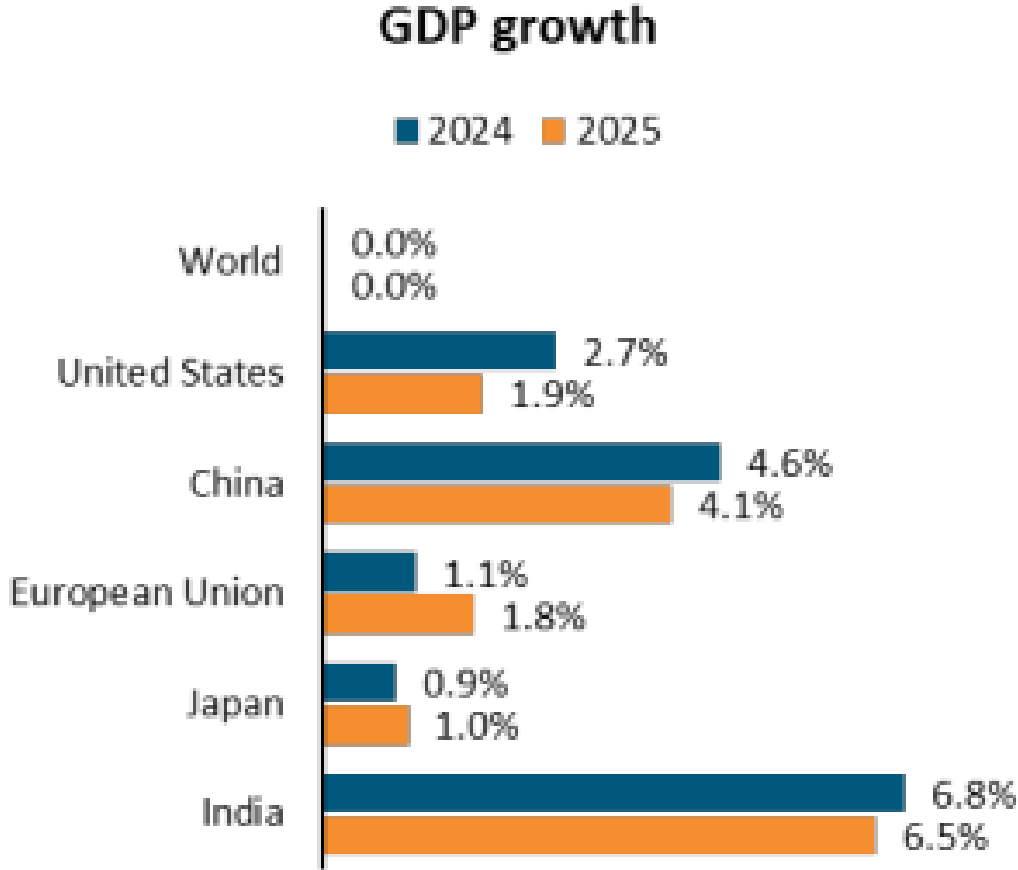
Global Transport and Logistics

General update

DSV

Global economy grew 3.2% in 2023 and is forecast to grow at the same pace during both 2024 and 2025

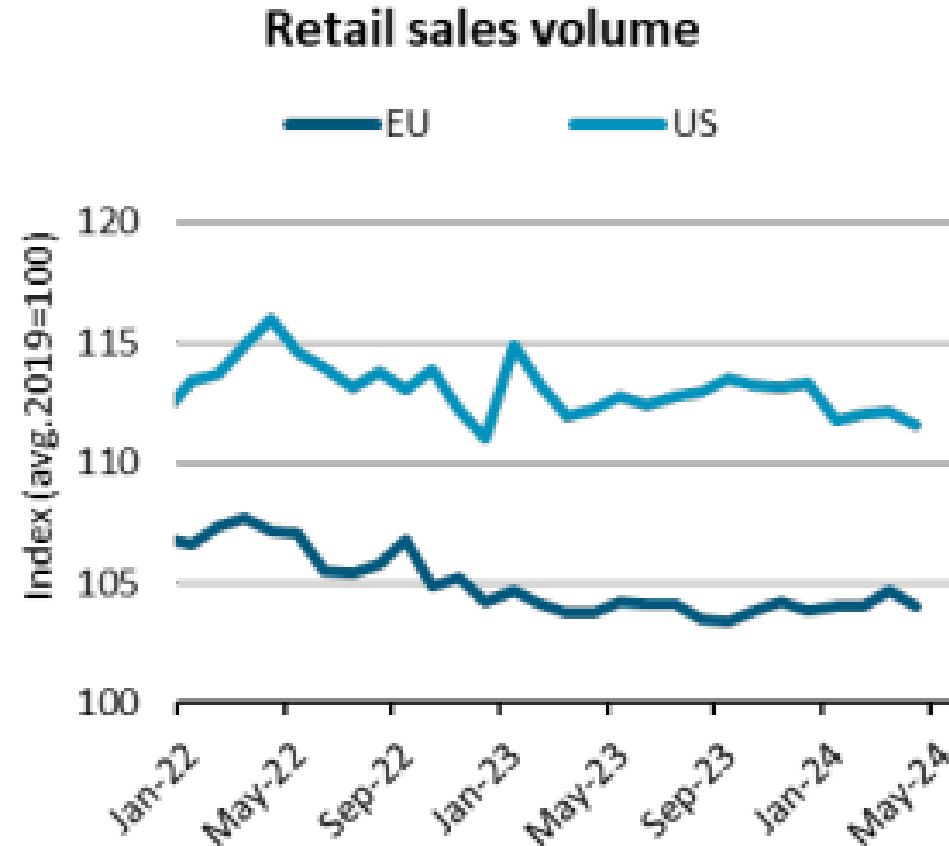
- Key economies such as the US, China, Japan and India are all forecast to grow slower on average during 2024-2025 than they did in 2023.
- Of the world's five largest economies, it is only the European Union that is expected to grow faster than in 2023.
- On a regional basis, the Europe & Mediterranean, South & West Asia, Sub-Saharan Africa, and South & Central America regions are forecast to grow faster during 2024-2025 than they did in 2023



Source: IMF

Retail sales in both the EU and US have remained mostly static despite improving consumer confidence

- Conditions for consumers and businesses in both the EU and the US may improve towards the end of 2024. Inflation has fallen to 3.3% in the US and 2.6% in the EU, which has already prompted the European Central Bank to lower interest rates, with further reductions expected later in the year.
- In the US, the Federal Reserve Board is widely expected to begin easing interest rates later in the year.



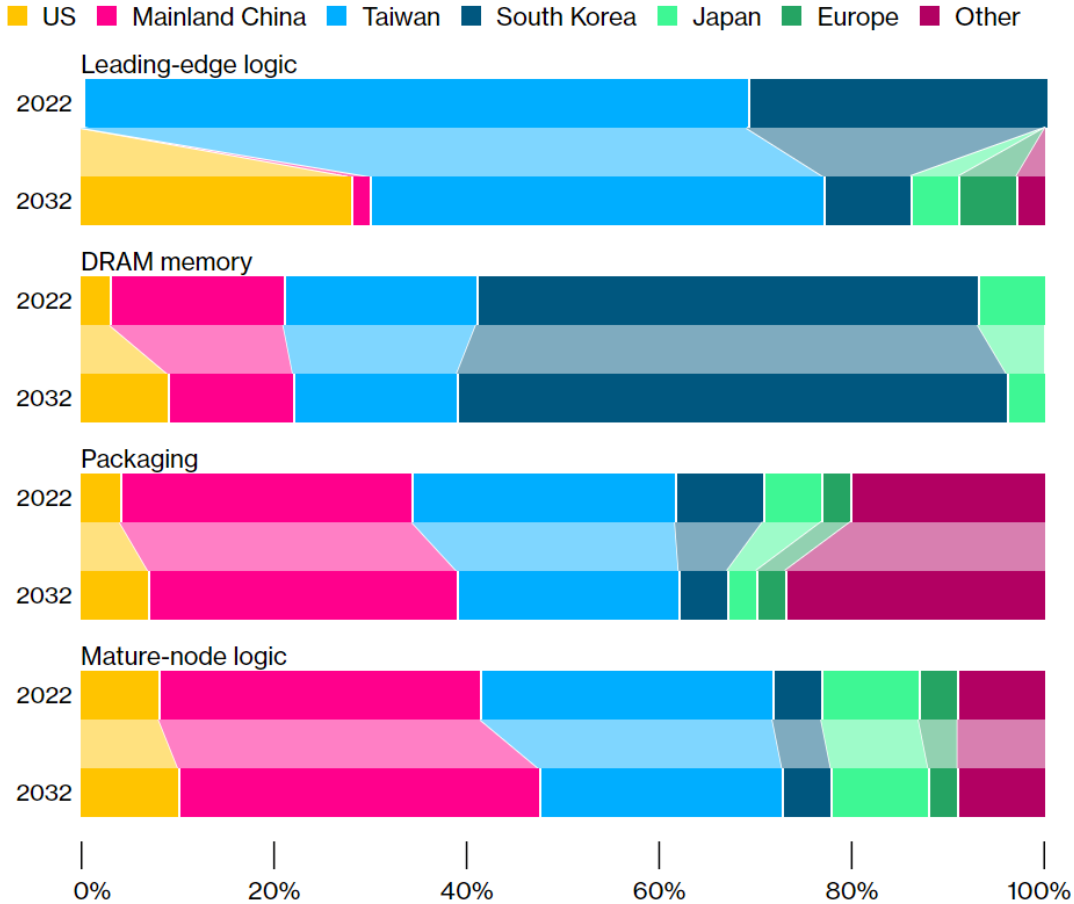
Source: Eurostat, Federal Reserve Bank of St. Louis, National Bureau of Statistics of China

The developing trade disputes between the EU & US and China could impact global trade

- The increased import tariffs that the EU and US have decided to apply to specific Chinese products are not immediately a major concern, but a further escalation of the disputes could be. So far, China has not reacted by increasing its import tariffs but is studying possible increased tariffs on pork imports from the EU which could hurt reefer volumes.
- In addition, if Donald Trump wins the US Presidential Election in November, he has announced plans to impose 10% tariffs on all US imports and specifically apply a 60% tariff on imports from China. This could hurt US import volumes by both increasing costs for the average consumer as well as shifting production from China to the US and Mexico.
- On the other hand, some volumes could also shift towards Southeast and South Asia increasing sailing distances and increasing demand for ships and airfreight



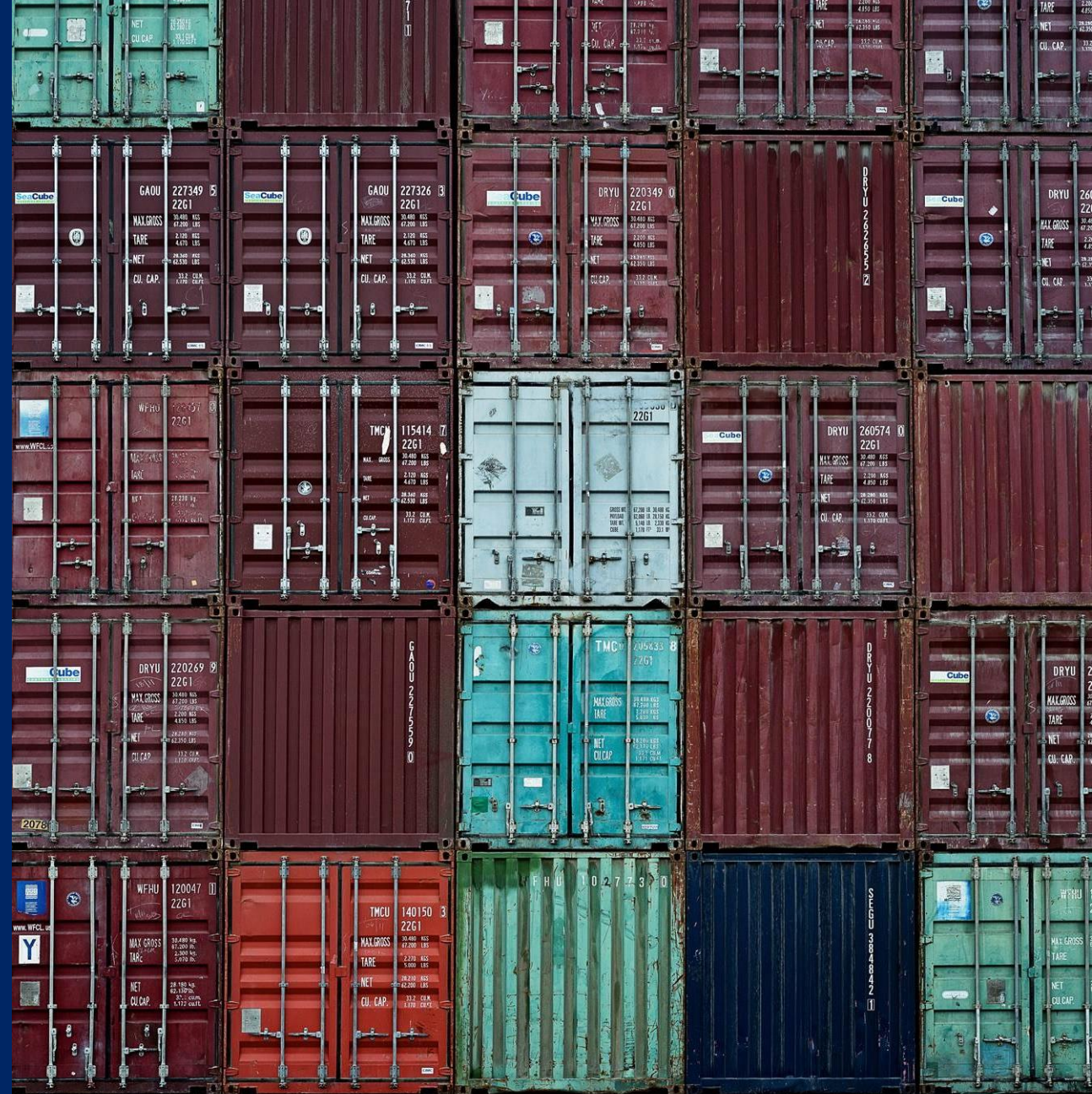
US Gains Ground in Global Chip Market



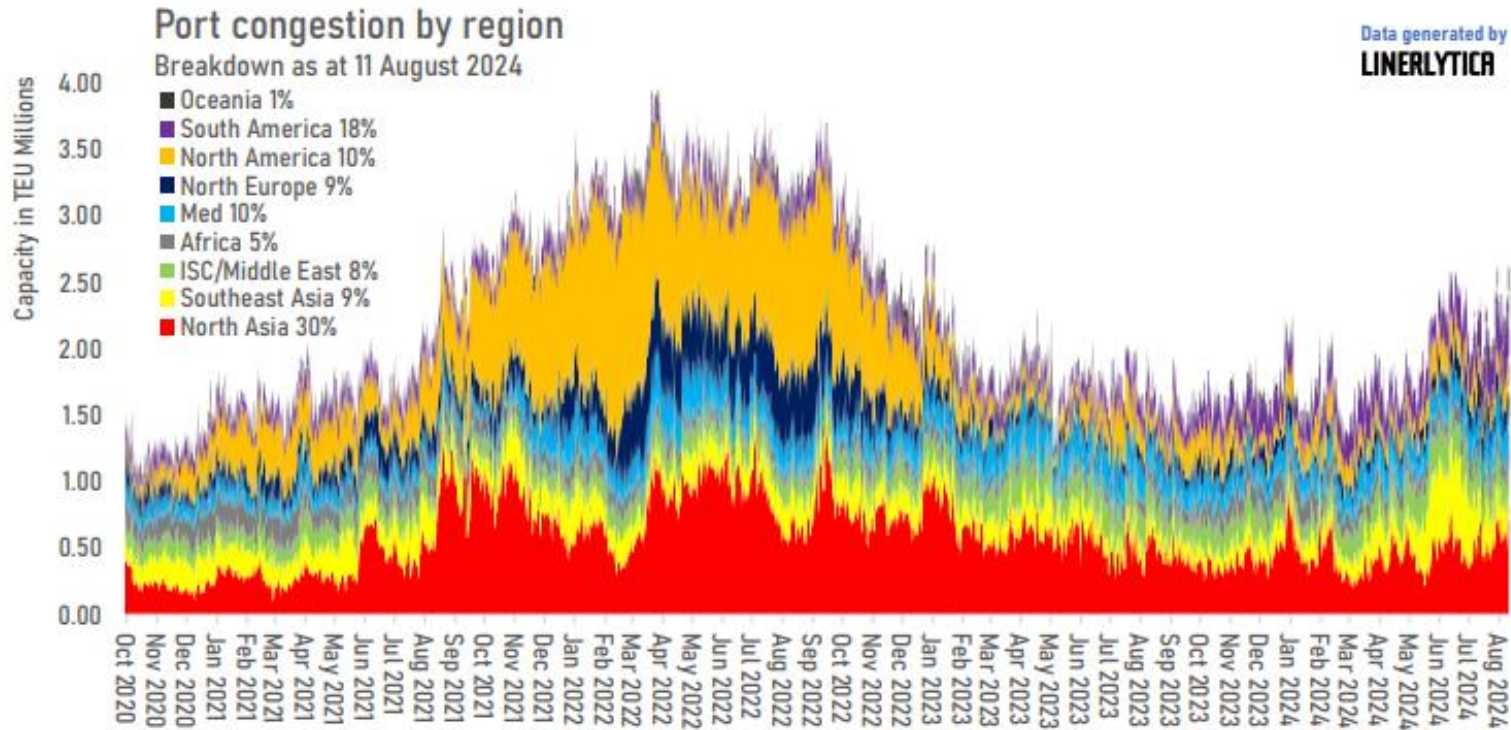
- US share of worldwide fab capacity is projected to reach 14% by 2032 up from 10% today. It would have slid to 8% without the chips Act.

Sources: Semiconductor Industry Association, Boston Consulting Group
 Note: 2032 data represents SIA forecasts. Leading-edge logic is defined as below 10 nanometers; mature-node logic is defined as 28 nm or above. US production plans include other technologies not represented here.

Port Congestion & Port Disruptions

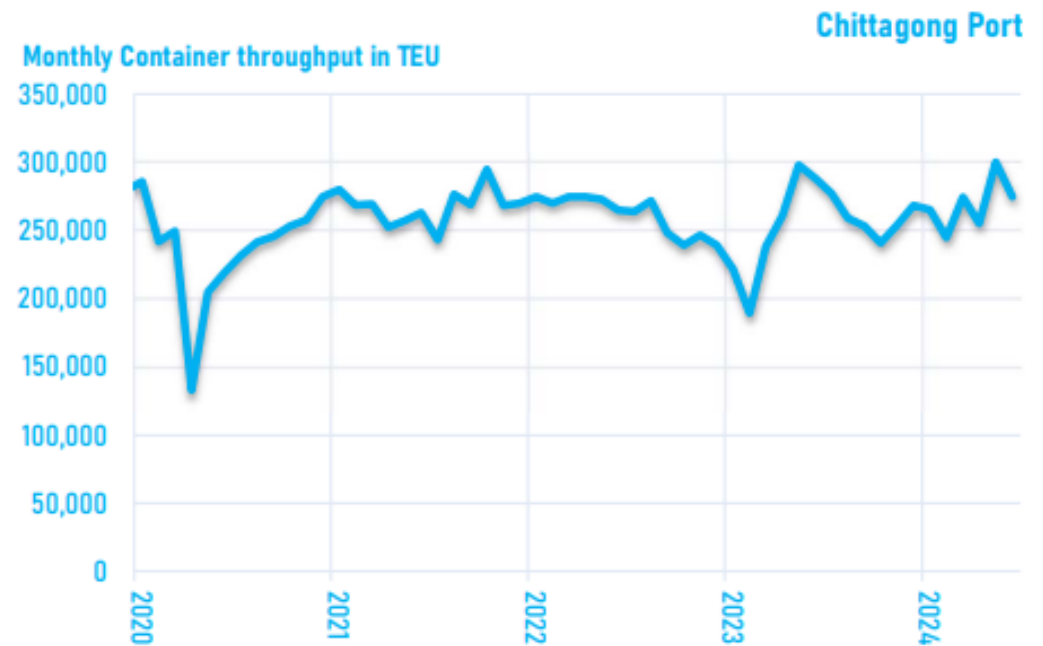
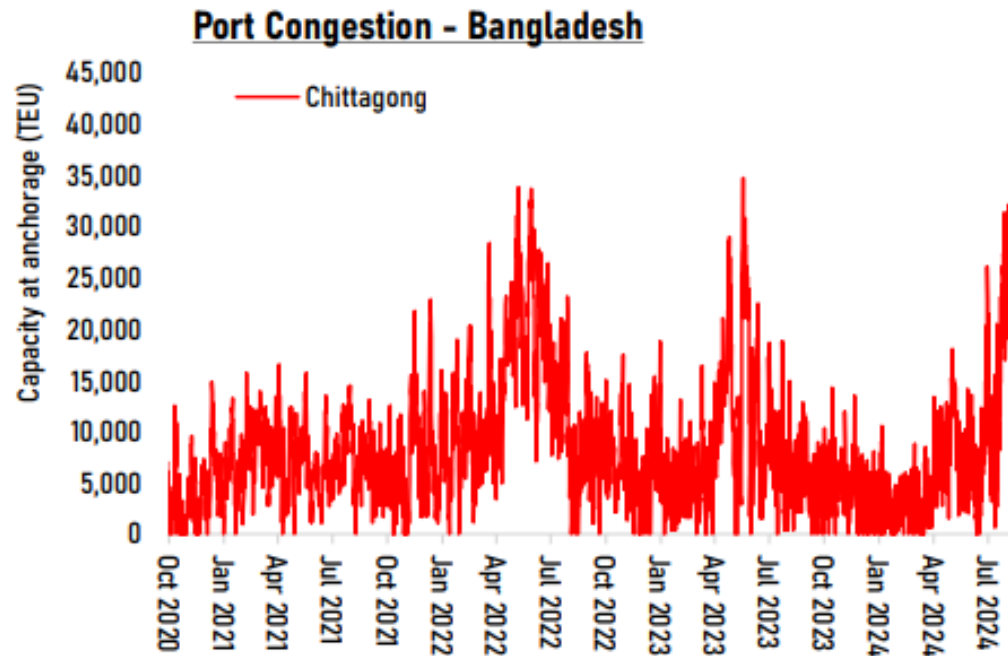


Port congestion is peaking up again at 2,4m TEU (7,9% of fleet)



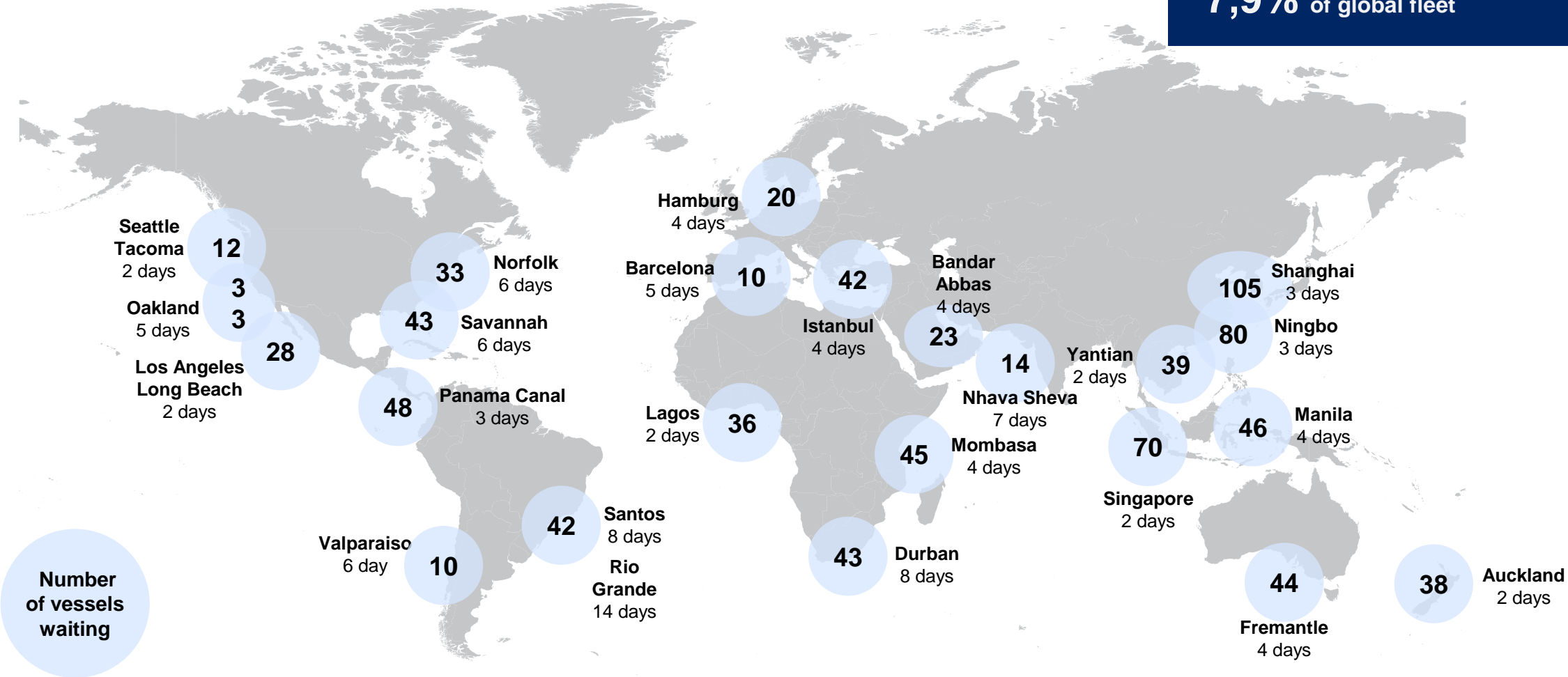
- The recent increase in global congestion has been due to increasing delays in South America especially in Brazil, Mexico and Panama with the situation expected to persist through the next 2 months
- There is a large increase of congestion in North Asia (Shanghai and Ningbo) due to peak season cargo and bath weather.
- It is expected a large amount of cargo into Los Angeles and Long Beach in the coming weeks with 21 container vessels expected to arrive per week and adding additional pressure
- Bangladesh is a black spot at the moment, Although an interim government was formed on 8 August, there has been no improvements in the port situation with more than 20 containerships currently waiting to berth at Chittagong and average delays rising to 7-10 days.

Bangladesh port congestion continues to build up over the past weeks



Global port congestion

Port Congestion Week 33:
2,4m TEU
7,9% of global fleet



Ningbo port (China) explosion adds pressure to trans-Pacific container trade



The closure of Ningbo Beilun's Phase III Terminal is expected to have cascading effects on the main trans-Pacific trade lanes out of Asia, and the supply chain at large, in the midst of the peak shipping season.

Container traffic has been halted at Ningbo following a shipboard explosion involving hazardous materials at one of the world's busiest intermodal hubs.

The explosion aboard the Yang Ming vessel YM Mobility on Friday reportedly involved organic peroxide materials. There were no injuries in the blast, but the terminal has been closed until further notice.

Ningbo is the world's third-busiest container port, with volume of 33.35 million twenty-foot equivalent units in 2023.

For container trading companies and those involved in container leasing, this incident presents some straightforward challenges worth accounting for. The disruption at the Ningbo Port, combined with pre-existing congestion at major Asian ports, will lead to a deterioration of ocean schedules and further delays in container availability.

Source: Bloomberg

East Coast Longshore Contract Clock Ticks Down



Source: Labornotes



Union negotiations covering longshore workers on the East and Gulf Coasts have been stalled since June 10, bringing the union closer to a potential strike at the September 30 contract expiration.

Leaders of the International Longshoremen's Association have called a September 4-5 delegates meeting to discuss demands and strike strategy. Last week the union sent the employer association, known as USMX, a strike notice that federal law requires 60 days before a strike.

The contract between the ILA and the USMX is one of the largest expiring this year, and a strike would have massive economic impact—billions of dollars per day.

Negotiations broke down in June over union allegations that the port of Mobile, Alabama, as well as other unnamed ports, had automated some processing of trucks entering and leaving the docks—work traditionally done by ILA members.

For now, the conflict is largely playing out in press releases and media coverage. Until the union walked away from negotiations, members were completely in the dark about demands and progress. The Journal of Commerce reports, citing industry sources, that the ILA is seeking a \$5-per-hour increase for each year of the contract.



5 Key factors to watch in the second half of 2024

Demand: Longer sailing distances increase TEU mile while shippers response by frontloading imports

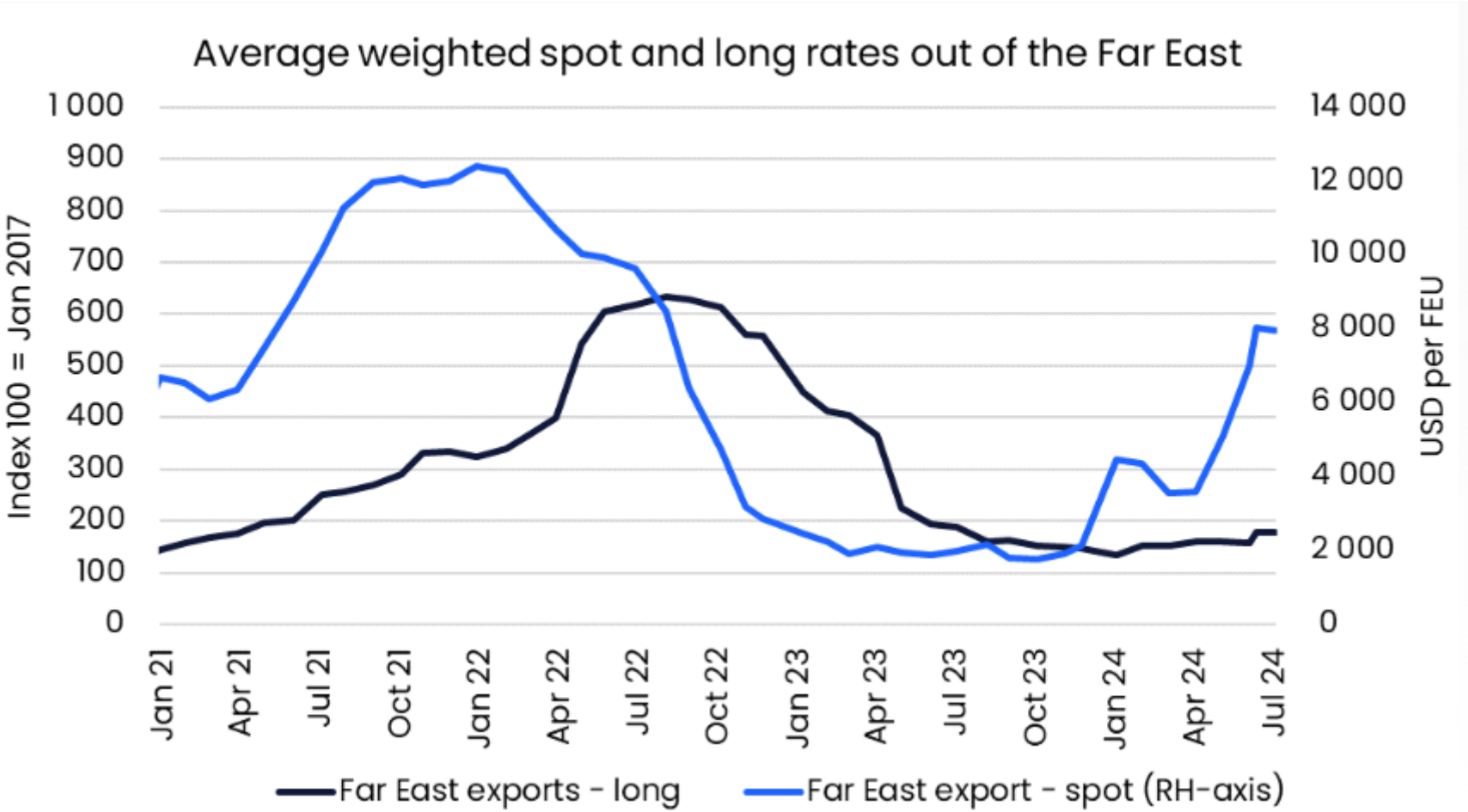
Capacity: 2024 has seen a record number of ships being delivered but overcapacity has not materialized.

Spot rates vs Long term rates:
The spread between spot and contract rates present a big risk to shippers.

Industrial action on the US East & Gulf Coast
Union action is being seen in US and Europe with a potential risk

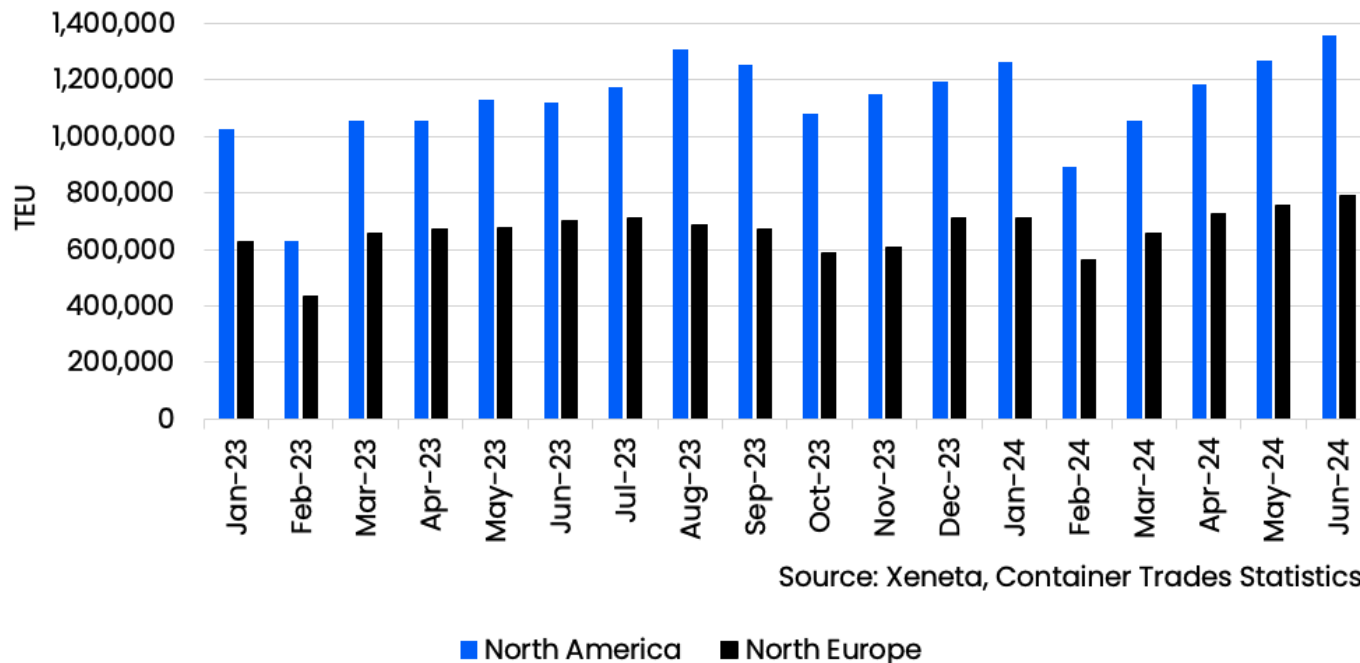
Break up of alliances
This will be a risk in the future with new services on the other hand can be an opportunity

We have the largest gap ever on Spot vs Long-term rates since the Pandemic – Carriers are applying PSS



Another record-breaking month for container shipping demand from China to North America and North Europe,

Exports from China to North America and North Europe



Ocean container shipping demand from China to North America and North Europe continued to break records in June as importers rushed to protect supply chains amid the global disruption caused by conflict in the Red Sea.

The latest data, released this week, shows 800 000 TEU (20ft equivalent container) were shipped from China to North Europe in June, which is the highest ever monthly figure on this trade (Source: Xeneta, Container Trades Statistics).

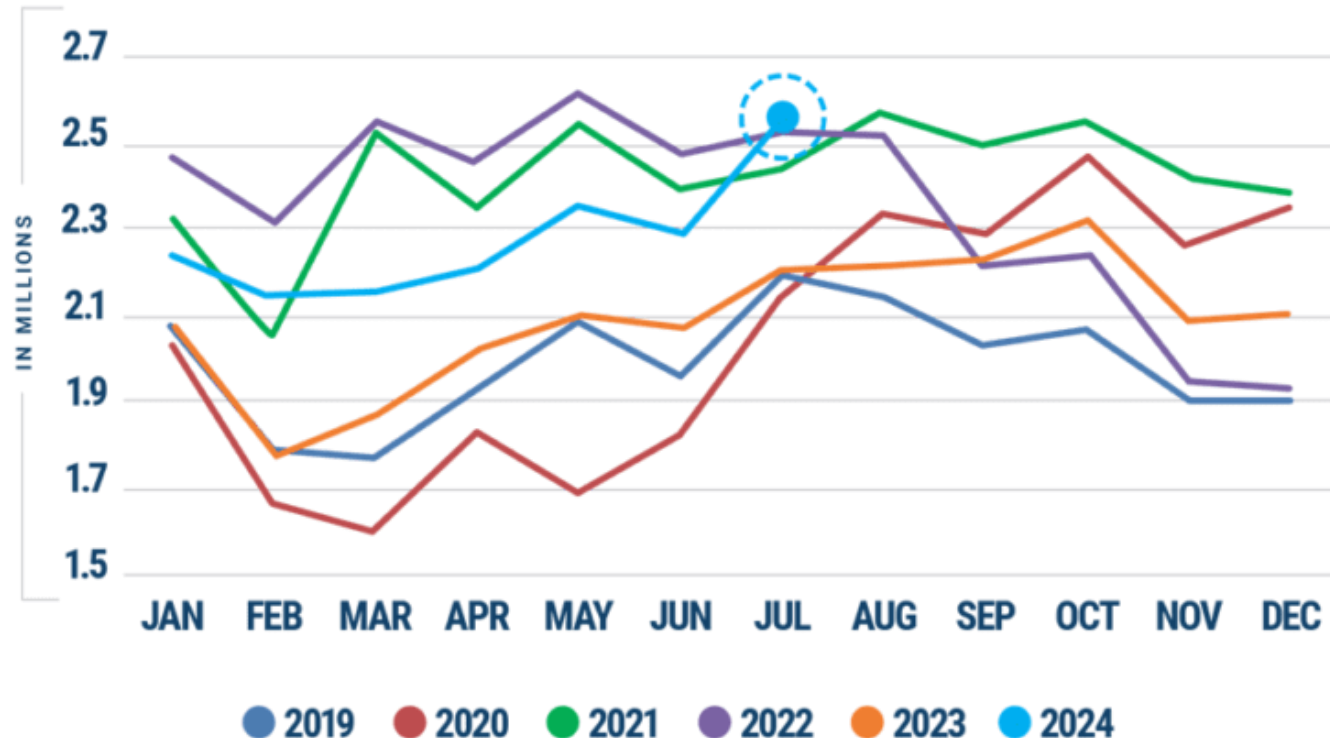
While the trade from China to North America did not set a new all-time high, it was still the highest volume of containers to have ever been shipped in the month of June at 1.36m TEU. This makes June 2024 the eighth highest month on record and is beaten only by the extraordinary volumes shipped at the height of Covid-19 pandemic disruption in late 2020 and 2021.

There are signs that the record-levels of demand for container shipping from China to North America and North Europe may have peaked.

Average spot rates from the Far East to US West Coast and East Coast are now softening, having fallen by 17% and 3.2% respectively since 1 July. Average spot rates from the Far East to North Europe have held a little stronger, but have now fallen slightly by 1.6% since 31 July.

U.S. Container Imports Reach Record Levels in July

2019-2024 U.S. CONTAINER IMPORT VOLUME (TEUs)



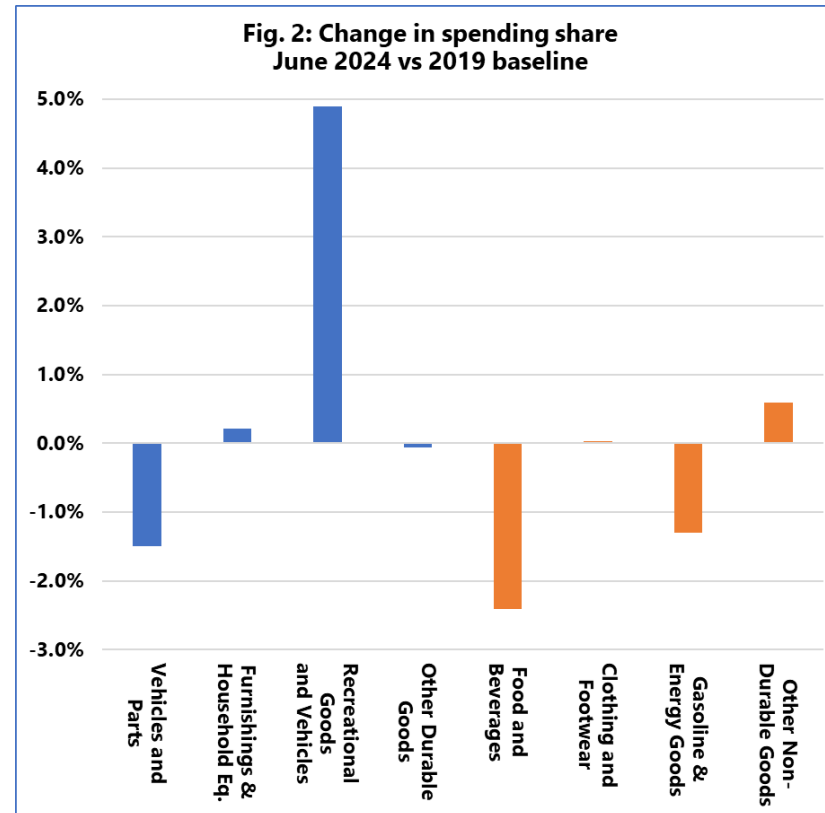
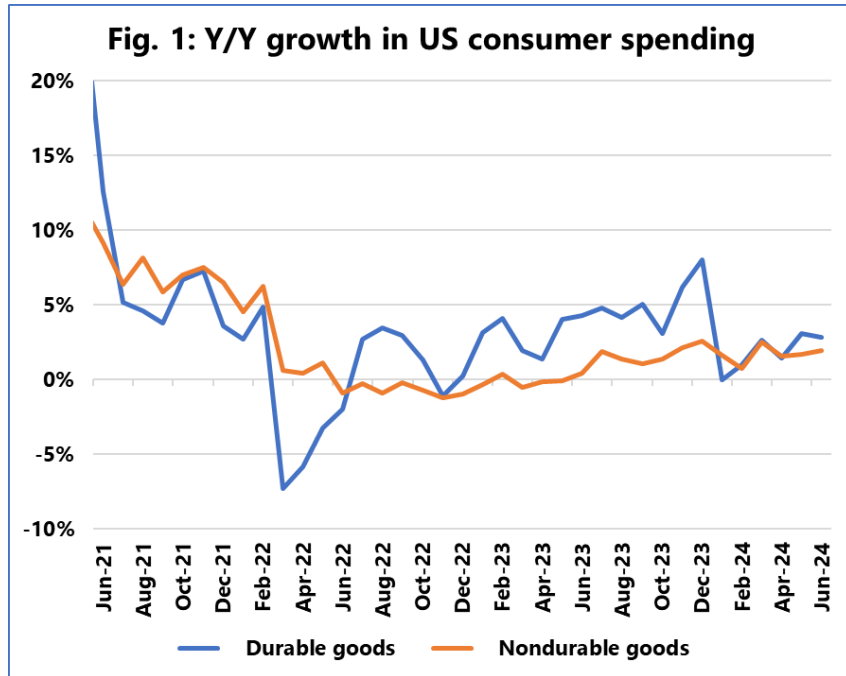
July's U.S. container import volumes rose by 11.2% from June 2024, reaching 2,556,180 twenty-foot equivalent units (TEUs).

This marks the first time in 26 months that volumes have exceeded the 2.4 million TEU threshold that previously caused port congestion and delays during the pandemic. Compared to July 2023, TEU volume increased by 16.8% and by 16.3% versus pre-pandemic July 2019.

The growth in import volume over the first seven months of 2024 is 15.6% higher than the same period in 2019

July also saw a record 1,022,913 TEUs imported from China, a 14.7% increase over June totals and a 19.9% increase over July 2023. While West Coast ports experienced a slight increase in container import volume share, East and Gulf Coast ports remained flat compared to June.

US inventories data gave no warning of rate spike

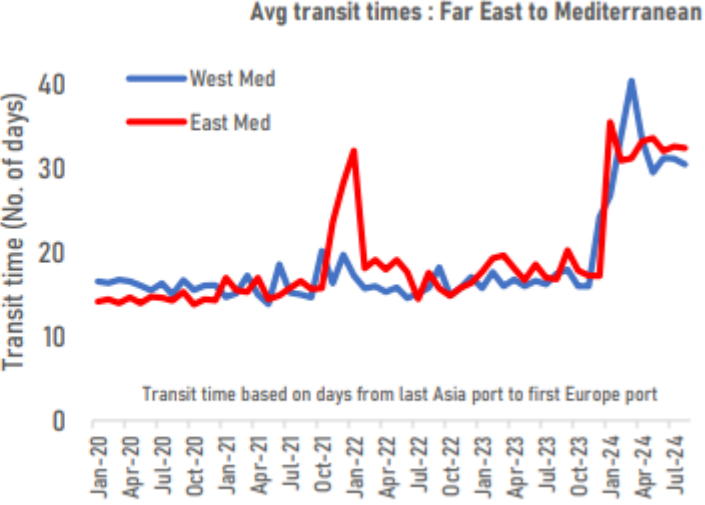
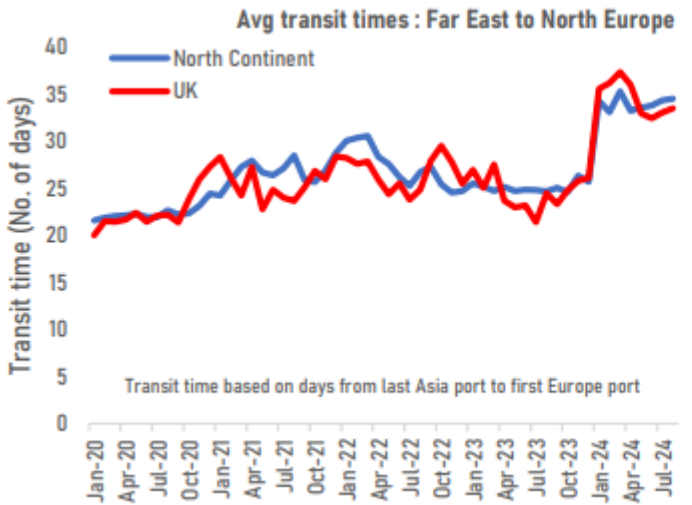
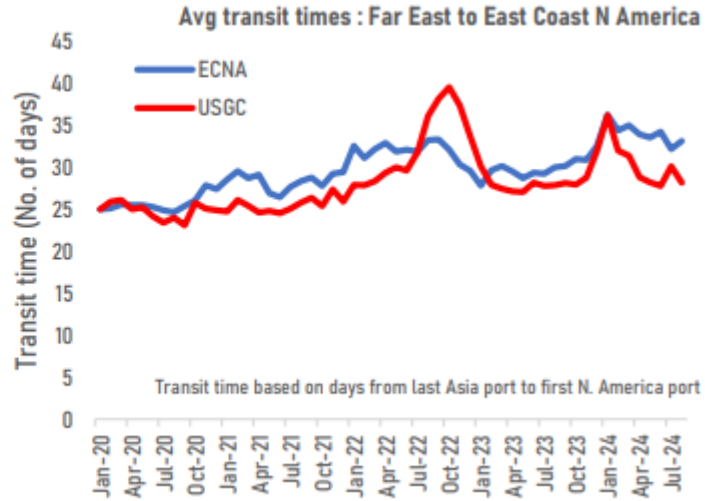
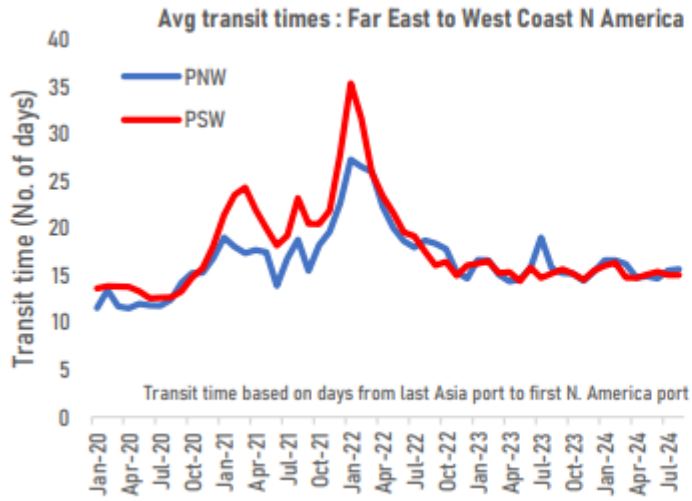


New data from the US Census Bureau, detailing both sales and inventory changes in the US up until the end of April 2024, shows absolutely no signs of a sudden surge in container demand prior to the sharp rise in container spot rates in early May 2024

Figure 1 shows that the overall trend for all three categories of US sales remained flat from the end of the pandemic through April 2024. Similarly, inventories by category and inventory-to-sales ratios show no deviations from long-term trends.

Source: Sea Intel

US Gulf and North Europe destination increase transit time from Asia



Source: Linerlytica (August - 2024)

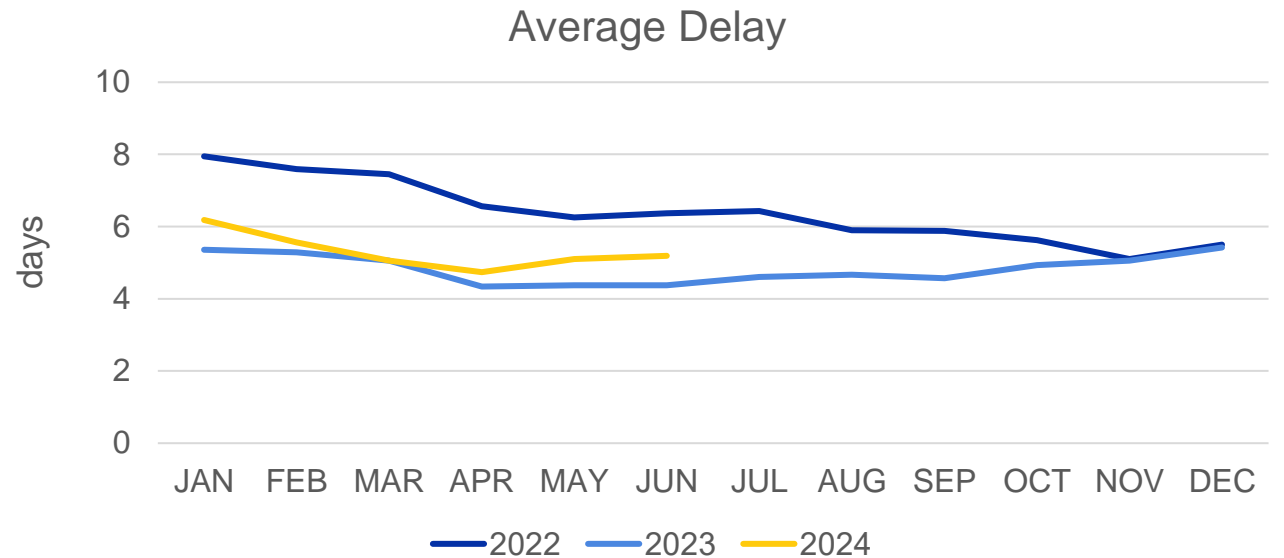
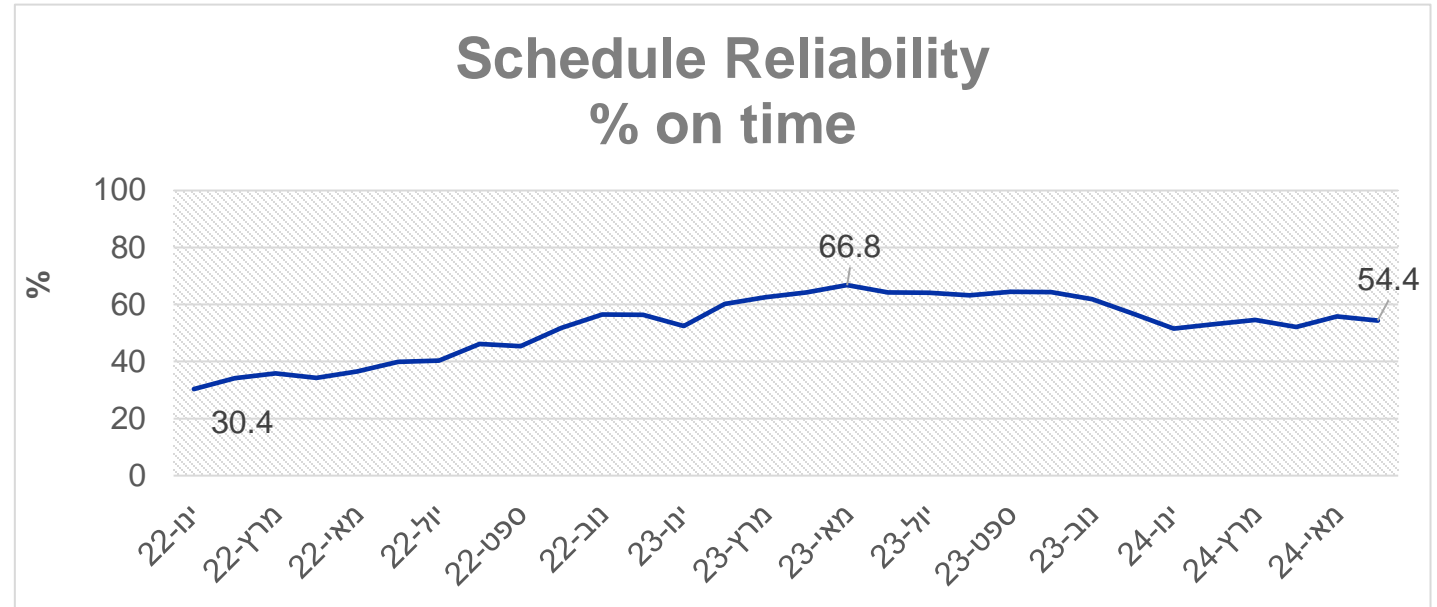


Carrier Performance

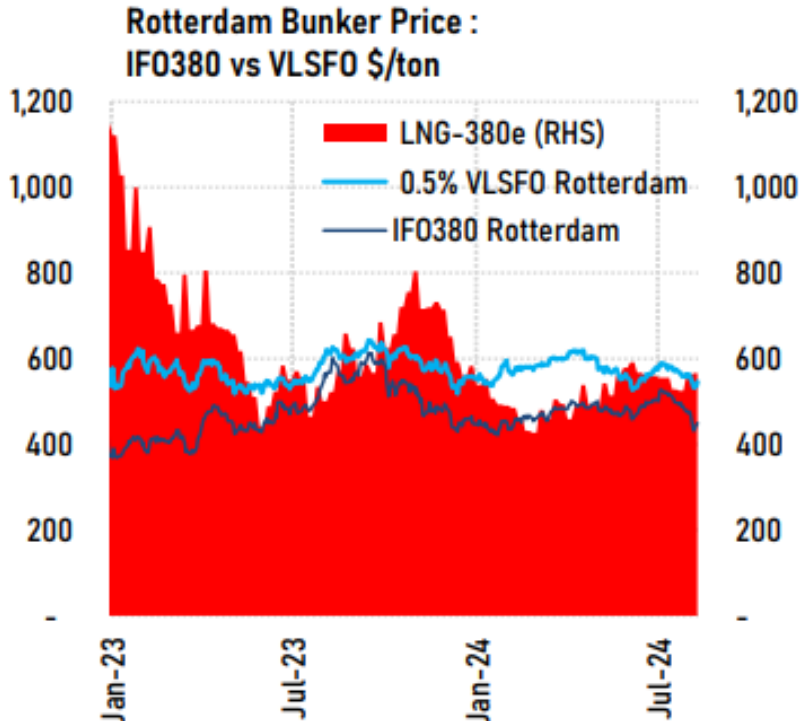
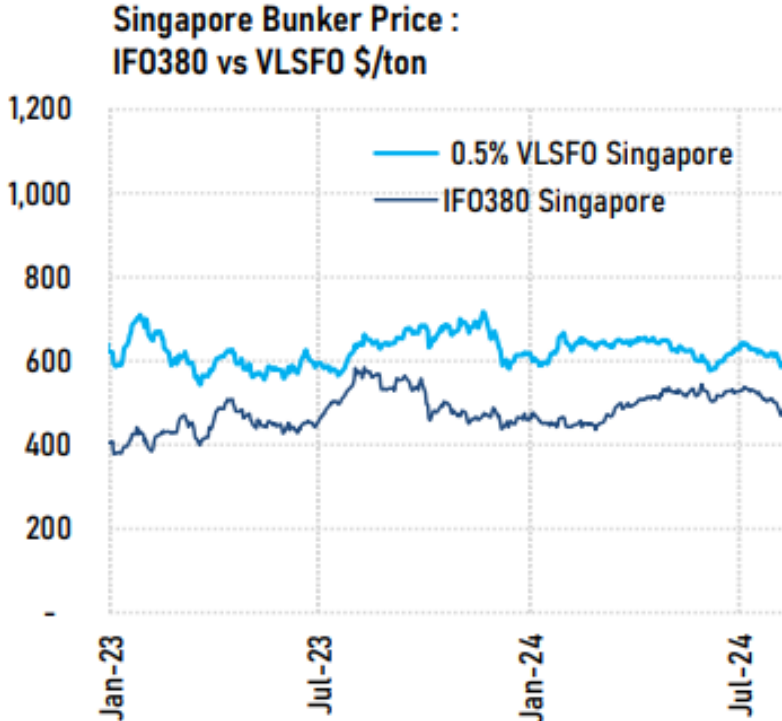
Reliability at 54.4% on June

In June 2024, global schedule reliability dropped by -1.2 percentage points M/M to 54.4%. This is keeping in line with the trends seen so far in 2024, where global schedule reliability has largely been within 50%-55%. On a Y/Y level however, schedule reliability in June 2024 was -9.8 percentage points lower.

The average delay for LATE vessel arrivals also deteriorated, increasing by 0.04 days M/M to 5.19 days. This is now the third highest figure for the month, only surpassed by the pandemic highs of 2021-2022. On a Y/Y level, the June 2024 figure was 0.82 days higher.

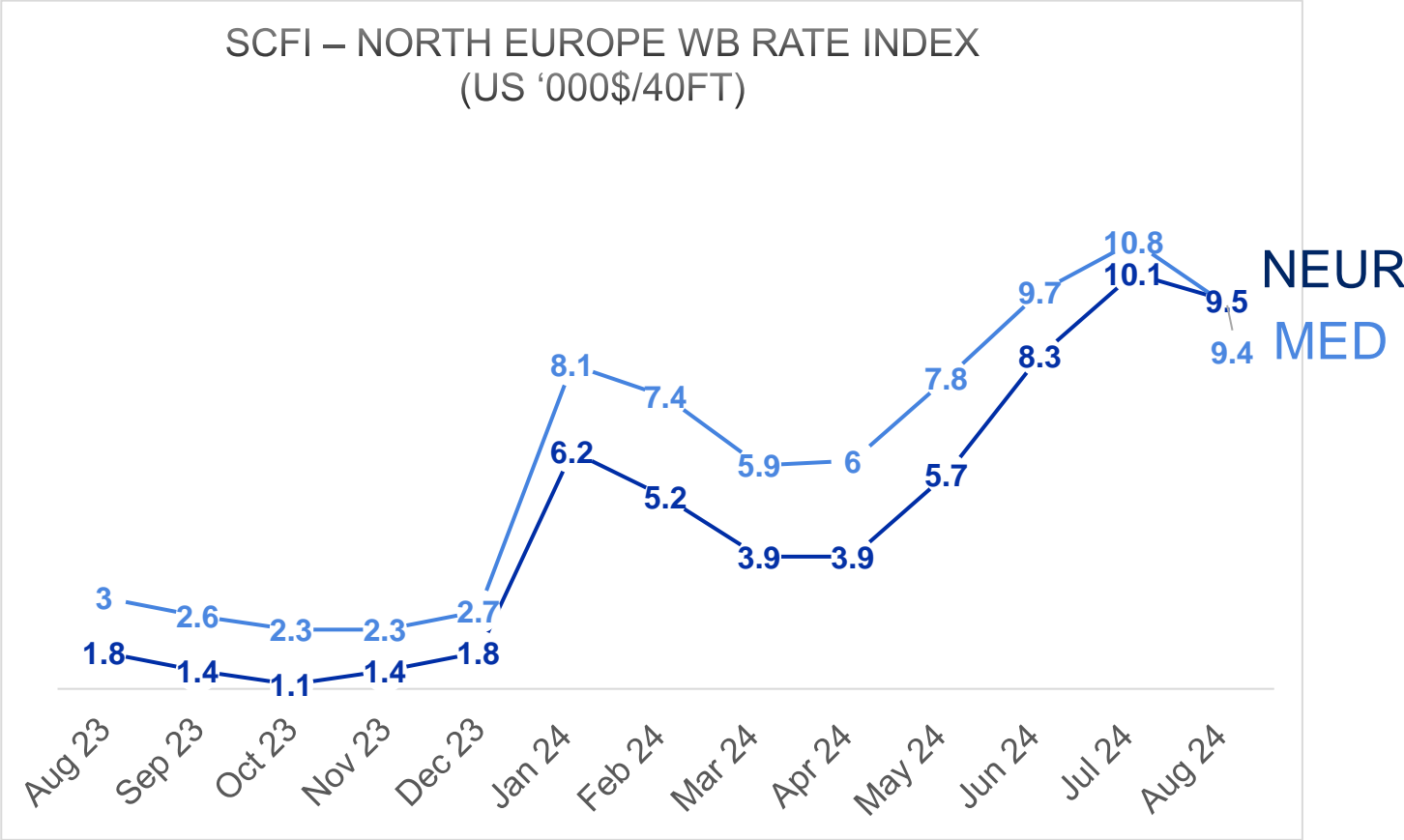


Bunker prices spread between VLSFO and IFO380 are between \$98 - \$115



Ocean Freight Asia - Europe

Rates to the Med have finally dropped below that to North Europe after maintaining a premium for the past 2 years.



Source: SCFI Week 32-2024

Slow down of rates

SCFI Levels Week 32-2024:

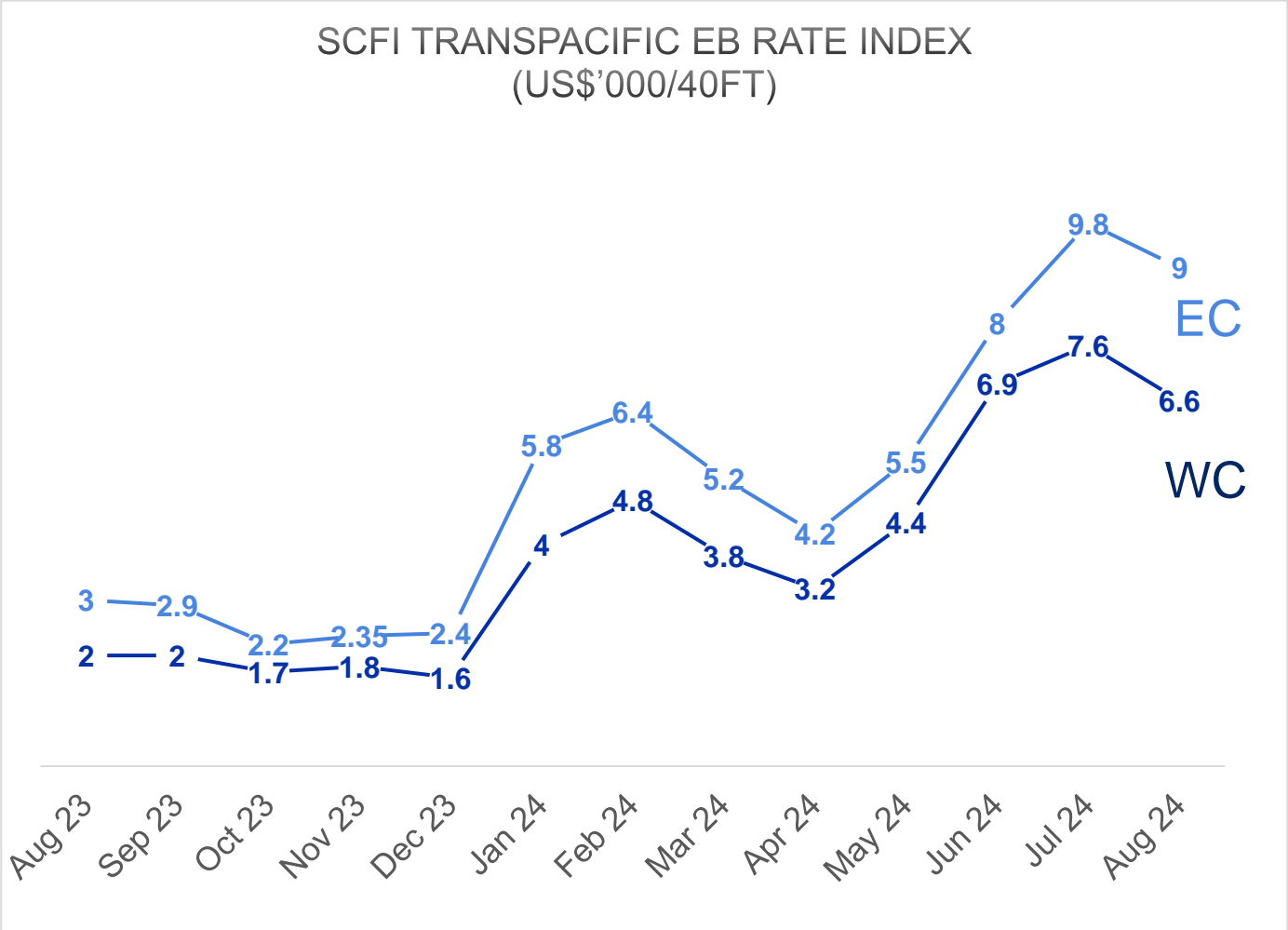
Shanghai – North Europe: USD 9,572/ FEU
Shanghai – Mediterranean: USD 9,466/ FEU

- The closing of the rate gap has more to do with supply side drivers rather than a drop in demand as vessel capacity to the Med has increased faster than that to North Europe, causing rates to be eroded as the supply/demand balance tilts back in favour of the shippers.
- Effective capacity to the Med has increased by 6.9% compared to last year, while effective capacity to North Europe is down 6.8%.
- Rates to North Europe continues to hold up much better due to the tighter market conditions despite the correction since early July, with average rates still holding at the ~8,000/feu level



Ocean Freight Asia - North America

The gap between rates from Asia to the US West Coast and US East Coast has continued to widen



Carriers offering deep rate discounts to the West Coast while largely holding their ground to the East Coast

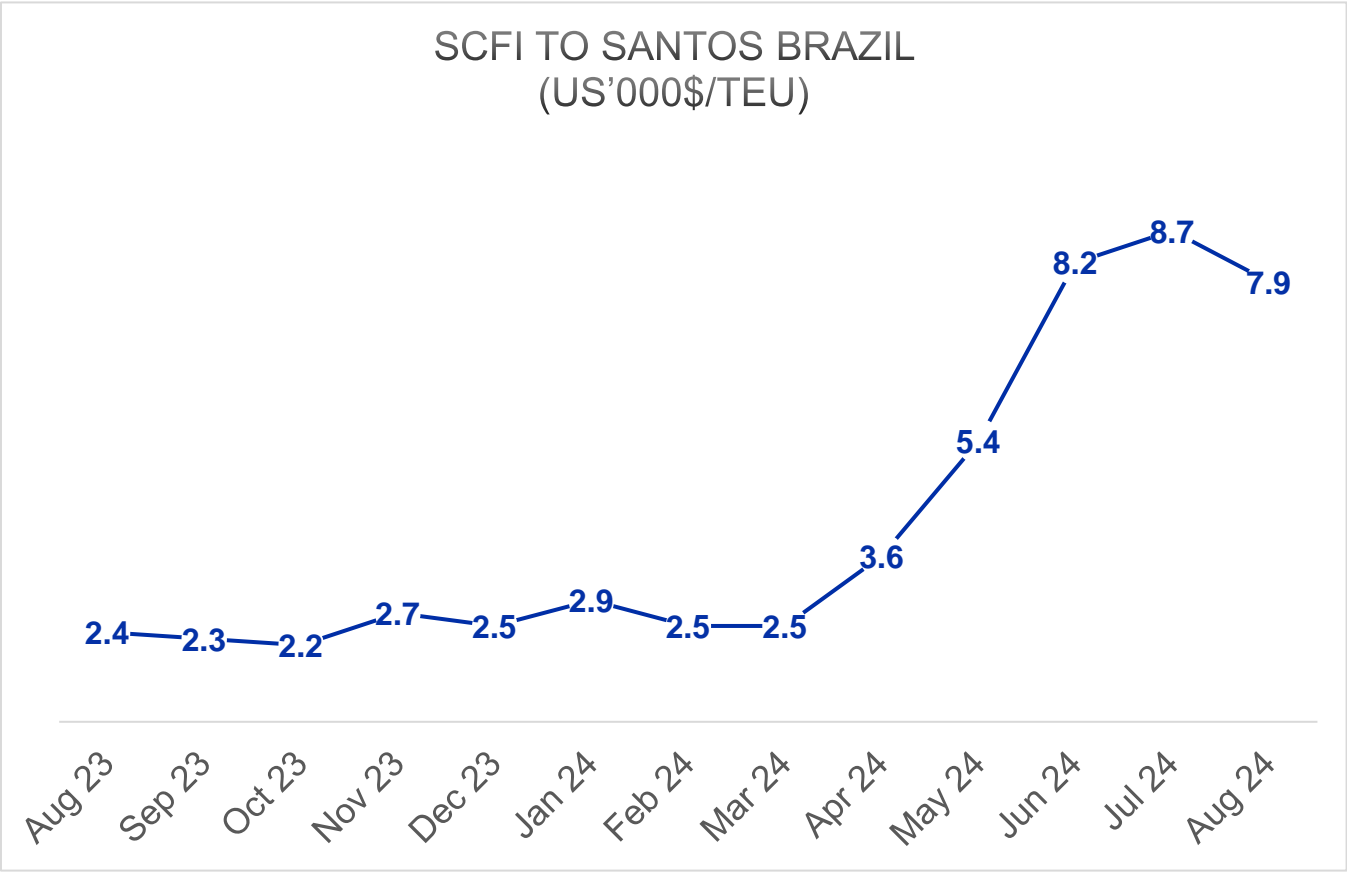
SCFI Levels Week 32-2024:

Shanghai – US West Coast: USD 6,654/ FEU
 Shanghai – US East Coast: USD 9,083/ FEU

- Spot rates to the West Coast have slipped below \$6,000/feu with some of the smaller carriers offering rates below \$5,000/feu ahead of the mid-August rate hikes which now appear increasingly unlikely to stick for the USWC where capacity is up 17.2% YoY.
- Rates to the USEC will fare much better as total capacity is down by 9.6% YoY, although concerns over a potential ILA strike could see volumes start to shift away from the East Coast as we get closer to September

Ocean Freight Asia – South America (East Coast)

Rates to LATAM remain stable



Source: SCFI Week 32-2024

SCFI Levels Week 32-2024:

Shanghai – Santos: USD 7,987/ TEU

Space is critical and market is booming:

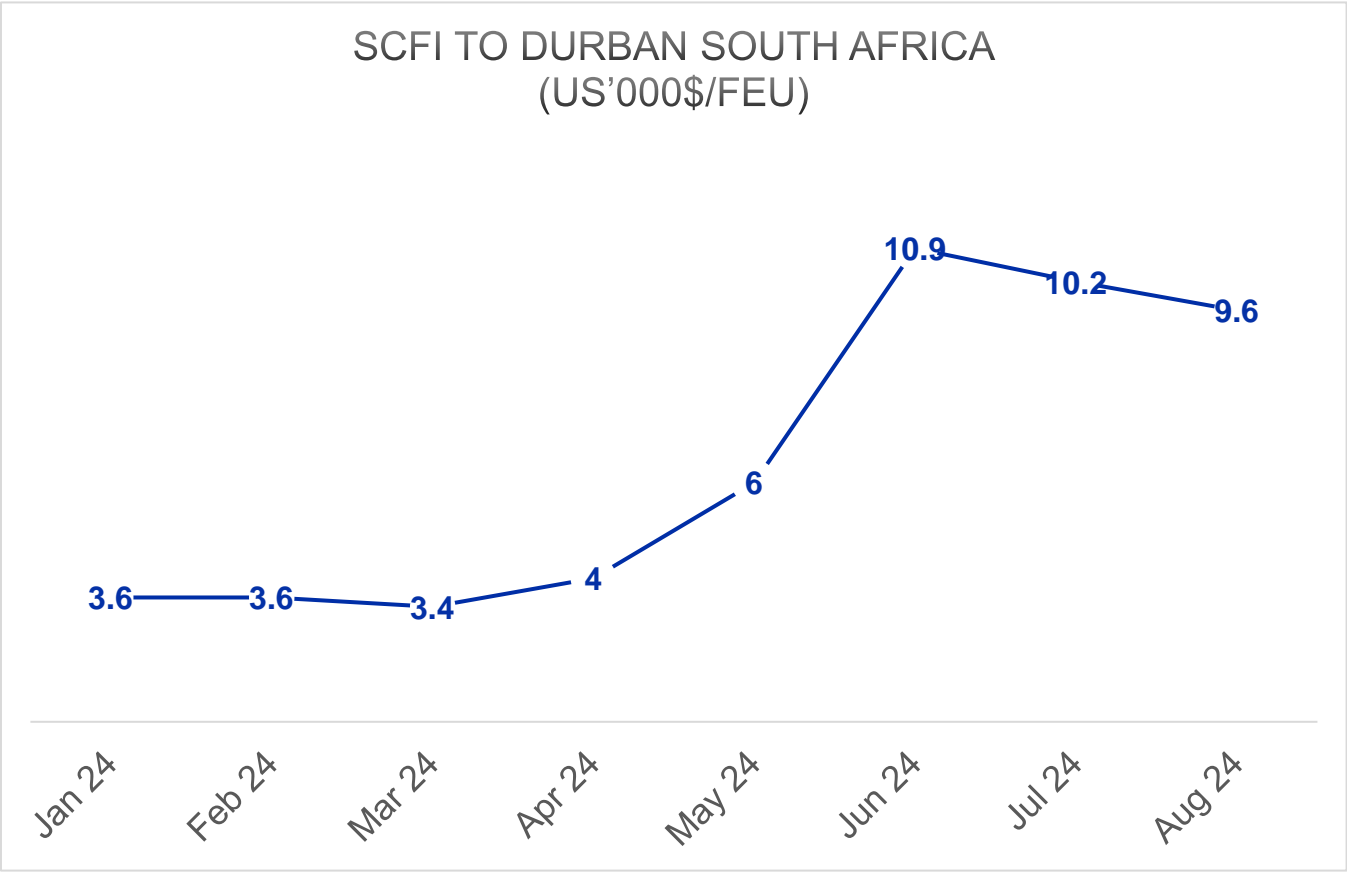
- Carriers have increased cargo allocation to South America opening new services and extra loaders
- They are also implementing regular port omissions to “improve” schedule reliability which further strains the capacity.

There is additional capacity on West Coast compared to East Coast. Prices seem stable after a small increase last week on SCFI.



Ocean Freight Asia – South Africa

Despite bad weather and congestion, rates remain steady



Source: SCFI Week 28-2024

SCFI Levels Week 32-2024:

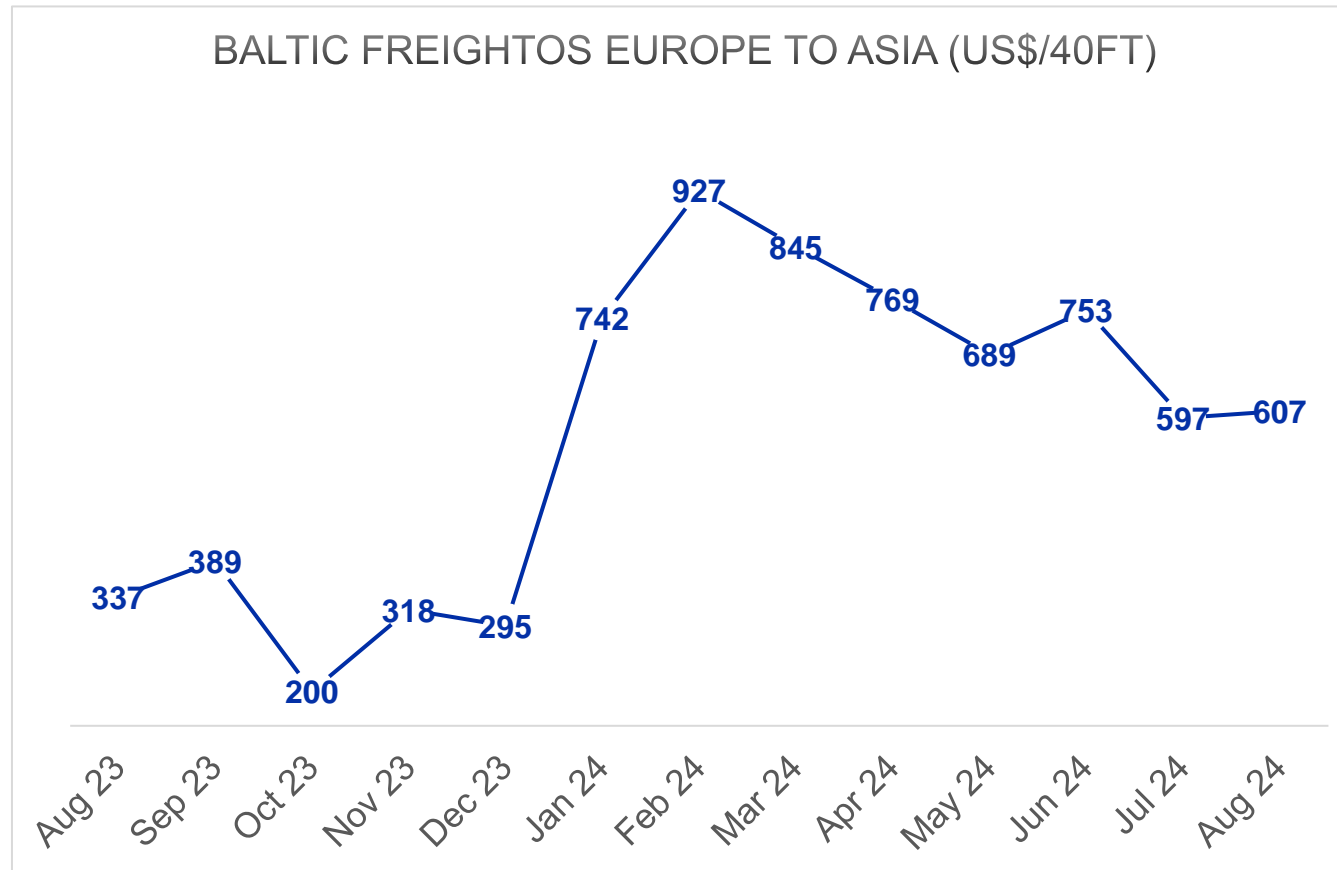
Shanghai – Durban: USD 9,600/ 40'

Space is critical and market is booming:

- Congestion in Durban remains an issue. Due to bad weather at the end of July carriers had to pause for a few days some sailings

Ocean Freight Europe – Asia

Volumes are expected to slow down due to upcoming holiday season



Source: Freightos Baltic Week 32-2024

Freightos Baltic (FBX12) index Levels Wk 32-2024:

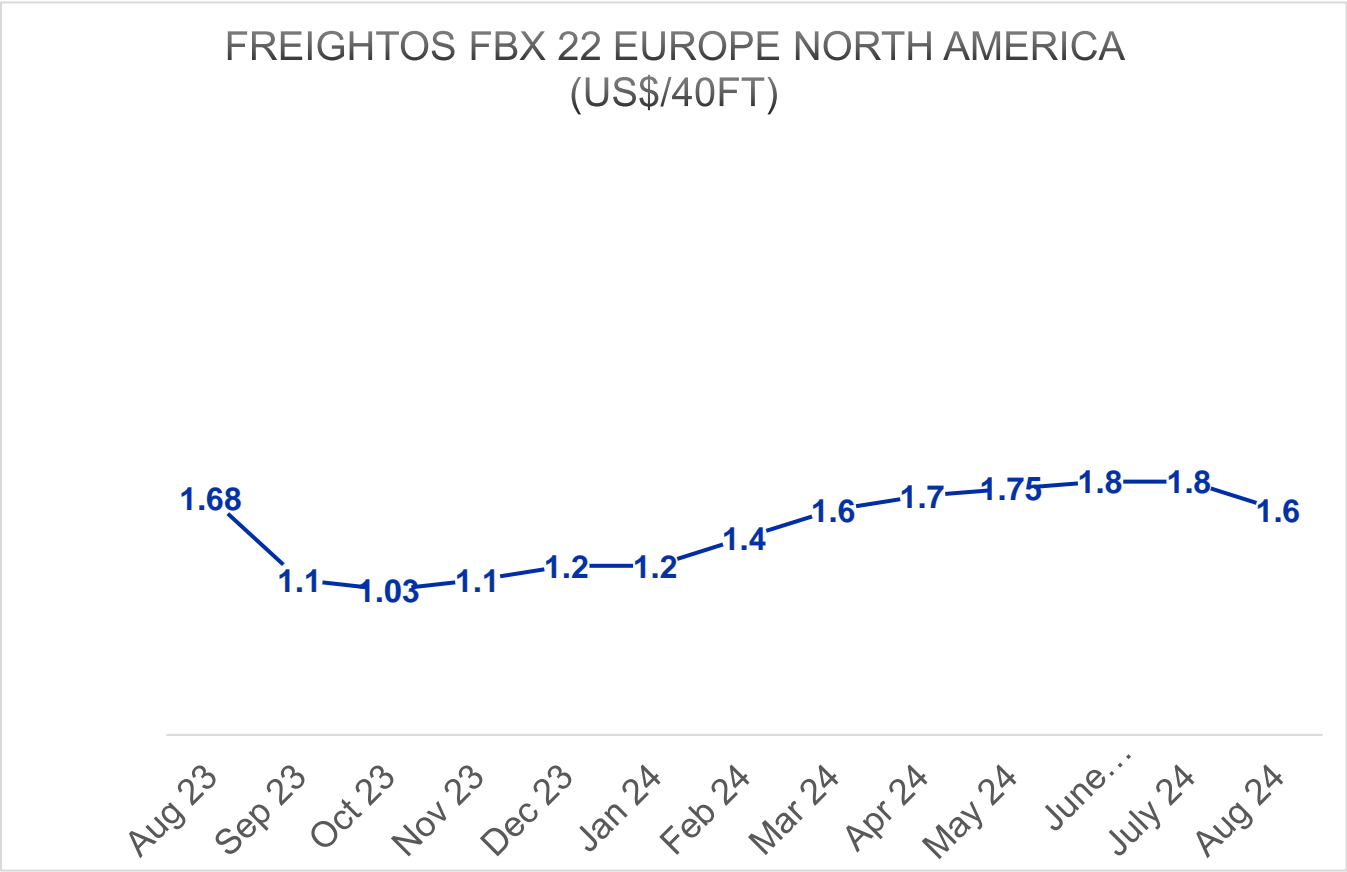
- Europe to ASIA : USD 607/ FEU

Critical situation again

- Pressure on spot rates continues, but mid/long-term market remains stable
- Red Sea related extra charges remain applicable until further notice (meanwhile some carriers have rolled this surcharge into the Ocean Freight – especially for short-term pricing)

Ocean Freight Europe – North America

Rates are back to one year ago levels



Source: Freightos Baltic W28-2024

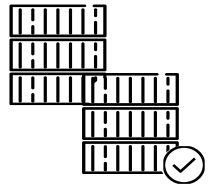
Freightos Baltic index (FBX22) Levels Week 32-2024:

- Rotterdam – New York: USD 1,618/ FEU
- Vessel utilization levels have increased, leading to more frequent space-related challenges
- Rates have noticeably stabilized and even show signs of strengthening again
- Carriers have started to review their US CY additional more closely, which has led to some announcing increases for selected ramps.

Intra Asia

China to Australia rates have increased with a +26% increase during last month

Demand



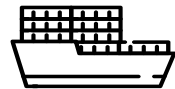
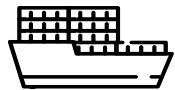
- The demand out of China is trending positive. Utilization is recovering
- The demand out of South-East have stabilized and we are seeing utilizations above 80% with demand on the rise out of Thailand, Indonesia and Vietnam.
- Stock inventory is being replenished in a normal inventory cycle where the stock is being filled up as a result of the halted production, during and after the Chinese new year.

Rate



- The market is increasing as the carriers are increase rates to contributing levels up to the contract season. The new norm GRI's/RR's are widely implemented on the front haul lanes in the short sea market into SEA to ensure contributing long-term rates for the carriers and profitable services.
- Outbound CN – SEA rates are strong in line with the rest of the market for lack of container and capacity
- We recommend customers to make longer contracts to avoid being caught in the summer peak which is the next catalysator for short term market increases. We recommend customers to pick up the equipment as early as possible and to place the bookings as far in advance as possible to get access to the equipment and avoid any disruption













Supply



- Service reliability is in general improving on the Intra-Asia trade with only smaller weather-related delays in North Asia.
- Utilization is softening on the backdrop of the Chinese new Year recovery which isn't picking up ex China as expected. We do still see sufficient capacity in the market as it's a limited amount of capacity which have shifted from IA to Gulf and Red-Sea.
- Charter market is picking up sharply for vessels above 1700 TEU as a result of the red-sea crisis with carriers willing to charter in new capacity to premium rates. Vessel types below 1.700 TEU's is still under pressure with a high number of capacity open for hire. New vessels below 1.700 TEU is delivered to the market every week which adds to the pressure on the charter hire rates for this vessel class.



Ocean freight market overview – Rates start to soften

TRADE LANE	COMMENTS	RATES AND SPACE	
ASIA to Europe	<ul style="list-style-type: none"> Influx of extra-loaders and just general good weeks ahead means capacity is looking fair. Whether enough to accommodate still high cargo values remain to be seen. Capacity to MED likewise fair to quite good. Congestion at transshipment ports still a mayor issue. 		
ASIA to NAM	<ul style="list-style-type: none"> Rates are dropping to West Coast due to additional capacity, to East Coast rates are strong. Several ports are experiencing congestion for different reasons i.e. spike of import volumes or construction projects Tacoma: 7-17 days and Charleston: 2-4 days 		
Europe to NAM	<ul style="list-style-type: none"> Congestion is growing in North American and European med ports are being affected Fear of a potential strike and service disruptions, as the contract between ILA and USMX for the US East & Gulf Coast will expire by end of September 2024. 		
Exports from India	<ul style="list-style-type: none"> The carriers are still blanking sailings, critical congestion situation in Bangladesh, There are new services by carriers opening new services to connect the red sea On going Global Carrier schedule reliability impacting arrivals / departures; delays overlong with high blank Sailings 		
ASIA to LATAM	<ul style="list-style-type: none"> SCFI index increased last week. Some blank sailings have pushed rates up There is still heavy congestion in Brazil 		
INTRA ASIA	<ul style="list-style-type: none"> Port congestion moved to North Asia, while South Asia stabilizes Some services to Australia are full at the moment 		



5 Key factors to watch in the second half of 2024

Demand: Difficult to predict due to global disruptions, with other events such as wars, natural disasters etc.

Capacity: On 2024-25 will remain stable as similar number of new deliveries and retirements keep similar capacity

E-Commerce: It is heavy rely on Airfreight and are projected to grow pushing demand up

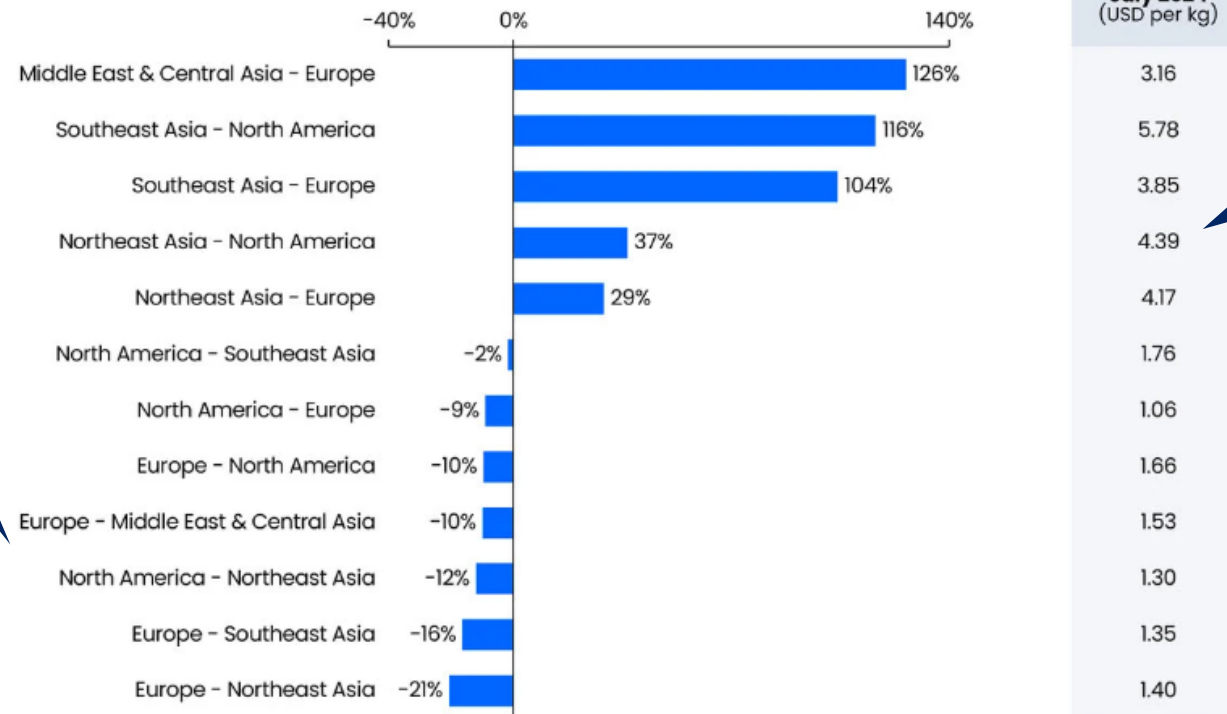
Red Sea disruption
Due to transit times are being extended, this is causing additional demand on Airfreight

Sustainability
More legislation on air cargo will drive cost up in the near future

It is expected a strong H2-24 for Airfreight between Asia to Europe and North America

Outbound Asia and Middle East regions led the freight rate growths

Air cargo spot rate developments for selected global corridors, in July 2024
(Year-on-year changes in percentage; rates in USD per kg)

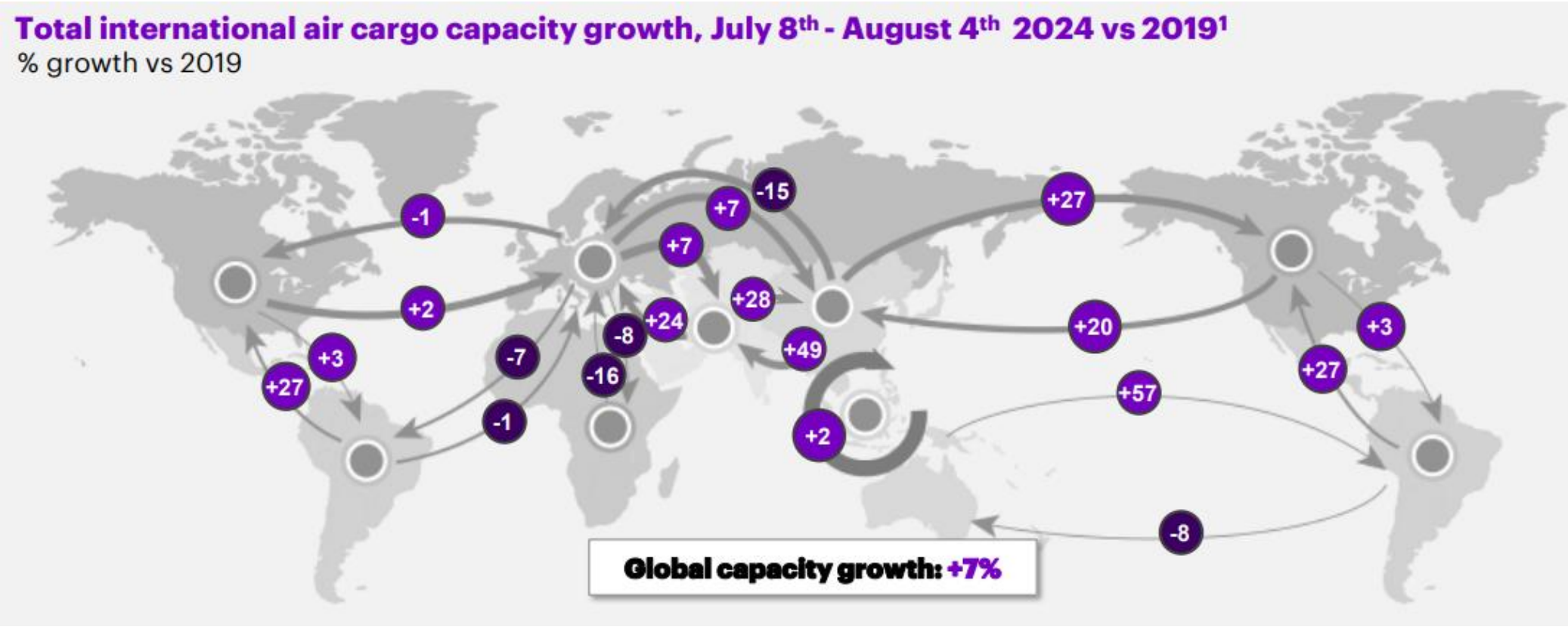


Source: Xeneta

Exports out of Europe and North America are “soft” and rates are below last year levels

Rates remain strong out of Middle East and Asia to North America and Europe, despite low seasonal months

Global international air cargo capacity up by +7% (vs 2019) between July 8th and August 4th in 2024



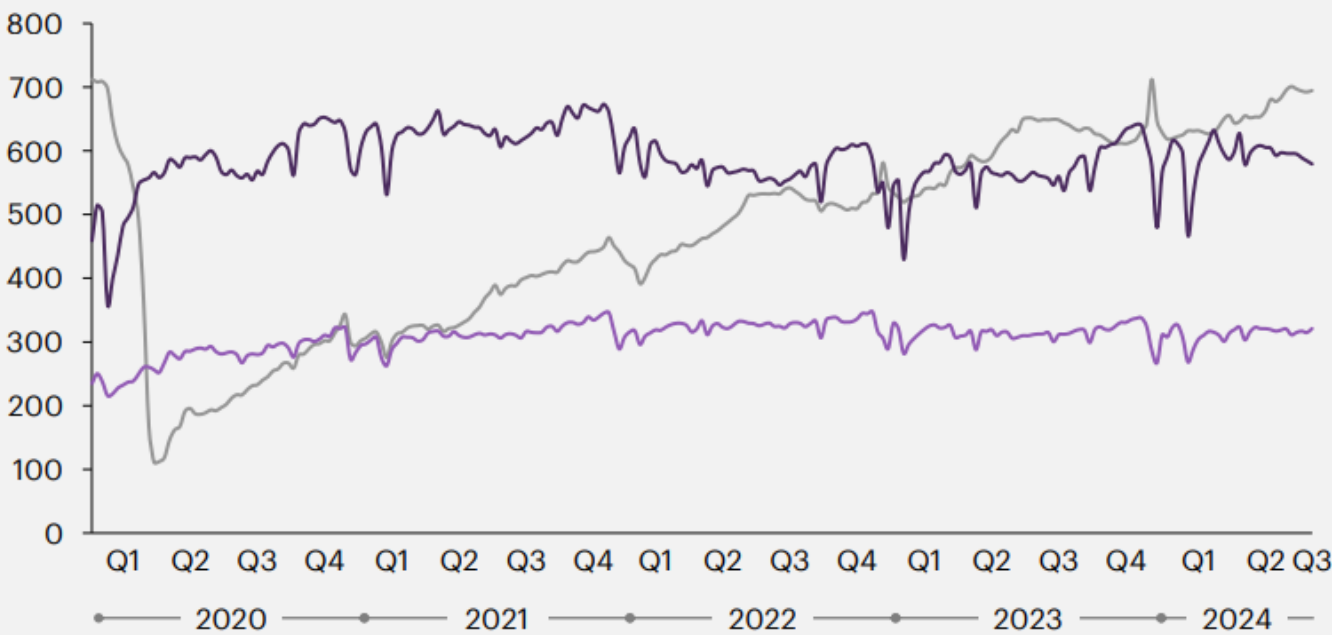
Asia Pacific continues its strong performance inbound and outbound barring routes into Europe over the last 4 weeks compared to 2019

Source: Accenture

Global international air cargo capacity growth remains stable in the last four weeks

International air cargo capacity, Jan 2020 – August 2024¹

Thousand tonnes per week



	vs. 2019 ²	vs. previous four weeks ³
Total capacity	+7%	0%
Passenger belly (43%) Widebody aircraft only	-10%	0%
Airline freighters (37%)	+22%	-1%
Integrator freighters (20%)	+35%	0%

Integrator freighters are driving capacity growth with a +35% increase compared to the same period in 2019

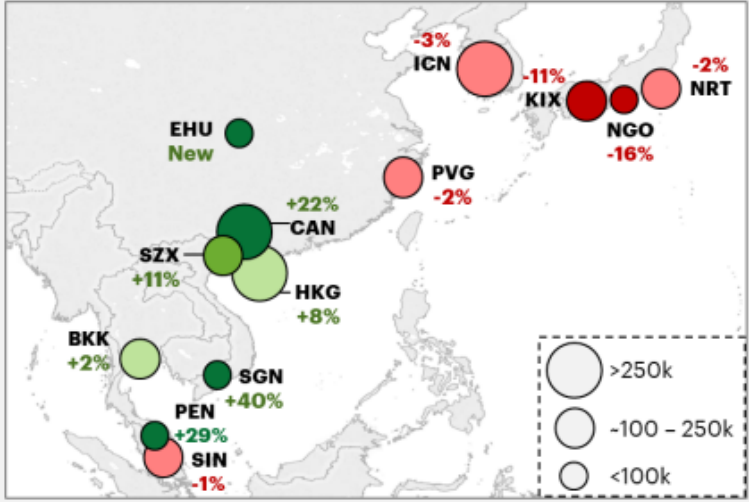
Source: Accenture



Integrator driven air cargo capacity growth from Asia shows a contrast between the North and South of the region

Air cargo capacity growth by express operators¹ out of Asia Pacific, 2024 YTD vs. 2023

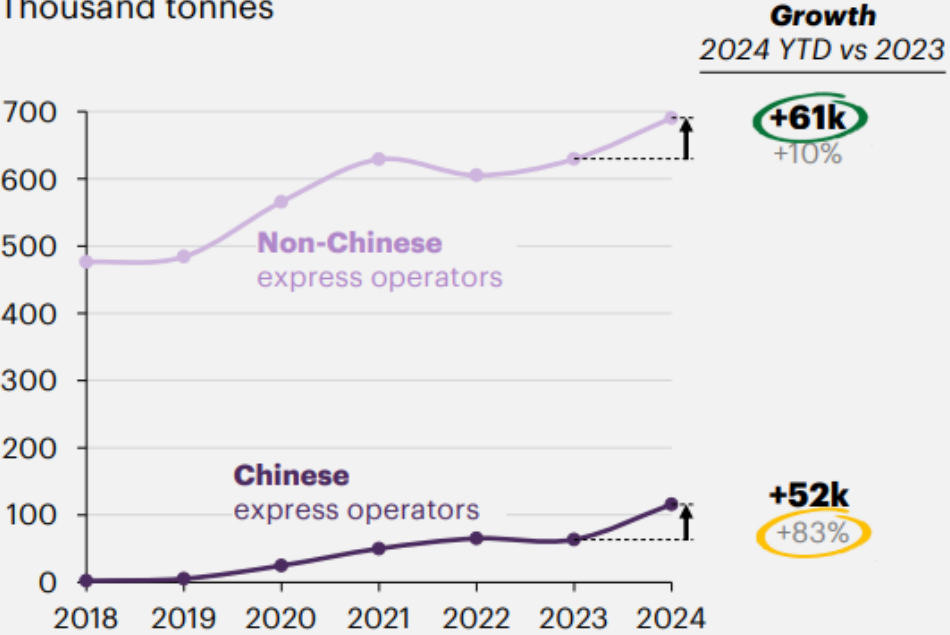
Growth (%)



Note: Bubble size indicative of airport capacity² size range in 2024; bubble color indicative of airport capacity growth compared to 2023

Outbound air cargo capacity of express operators¹ from China, Jan to Jul 2019 - 2024

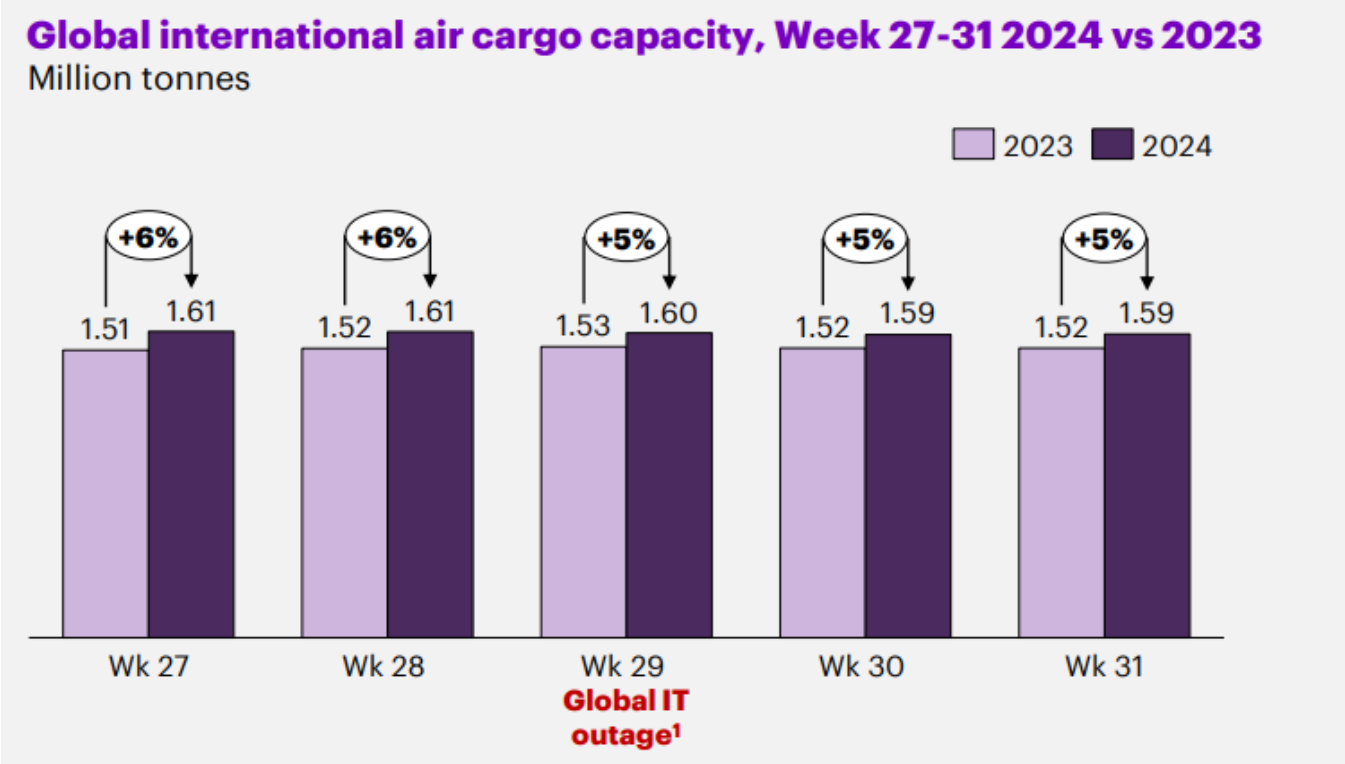
Thousand tonnes



Although Chinese express operators are expanding, foreign integrators remain ahead on international routes out of China

Source: Accenture

Global international air cargo capacity shows resilience after the major global IT failure



Despite concerns of the industry, total air cargo capacity shows no visible impact after the CrowdStrike IT Outage of July 19th

Source: Accenture

Global tonnages (+9%) and rates (+12%) continue to show strong YoY improvements

Week 32 – July 29th to August 4th

Origin Regions last 2 to 5 weeks



Origin Regions	Capacity ¹			Chargeable weight ¹			Rate ¹		
	Last 5 wks	2Wo2W	YoY	Last 5 wks	2Wo2W	YoY	Last 5 wks	2Wo2W	YoY
Africa		+0%	+1%		-4%	+10%		+2%	+6%
Asia Pacific		-1%	+7%		-2%	+13%		-2%	+22%
C. & S. America		-2%	+18%		-4%	+3%		+2%	-3%
Europe		-1%	+3%		+1%	+6%		-0%	-12%
M. East & S. Asia		-1%	+2%		+1%	+12%		+1%	+55%
North America		-5%	-3%		+0%	+4%		+0%	-7%
Worldwide		-2%	+3%		-1%	+9%		-1%	+12%

¹ 2Wo2W compares the last 2 weeks with the preceding 2 weeks this year. YoY compares the last 2 weeks with the same 2 weeks last year.

Source: World ACD

Average global rates rose by a further +2% in July compared with June, to US\$2.50 a kilo, based on a full-market average of spot rates and contract rates – a +44% increase compared with the last pre-Covid equivalent period, July 2019.






Worldwide rates have risen progressively from an average of around \$2.30 in the first quarter, to around \$2.45 in the second quarter, edging up slightly further in July to \$2.50 a kilo.

July's YoY rate increase of +12% is also by far the biggest YoY monthly increase this year, significantly above the +2% and +6% YoY increases achieved in May and June, respectively. However, this mostly reflects a progressive decline in average rates that occurred last year.

Asia Pacific to the USA was among the key lanes driving up overall average prices in July 2024, where spot rates averaging around \$5.80 a kilo across the month were up significantly compared with the already-elevated rates recorded in June. Compared with July 2023, spot rates from Asia Pacific to the USA were up by close to +70%.

Air freight market overview

Rates out of Asia still on the high side despite current slow season

TRADE LANE	COMMENTS	RATES AND SPACE	
Exports from China / Hong Kong	<ul style="list-style-type: none">Asia Pacific to the USA was among the key lanes driving up overall average prices in July 2024, where spot rates averaging around \$5.80 a kilo across the month were up. Compared with July 2023, spot rates from Asia Pacific to the USA were up by close to +70%.	↑	
South East Asia	<ul style="list-style-type: none">Asia Pacific volumes are growing 9% YTD, driving the overall market while capacity has increased 3%Volumes from Middle East are also growing 12% mainly driven by red sea ocean disruptions	↑	
Exports from India/Bangladesh	<ul style="list-style-type: none">Despite continuing political and logistical disruptions taking place in Bangladesh, air cargo tonnages from Bangladesh bounced back in week 31.Spot rates from Bangladesh to Europe rose even higher in week 31 to their highest level this year	↑	
Export from Europe	<ul style="list-style-type: none">Market is stableEuropean export rates declined YoY due to additional passenger capacity (passenger travel is on the rise).	↓	
Exports from NAM	<ul style="list-style-type: none">Export demand remains steady from all markets. US airports are running at a normal pace. Capacity is opening up further, especially into Europe	↓	



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