Market update

DSV Air & Sea

January 2024

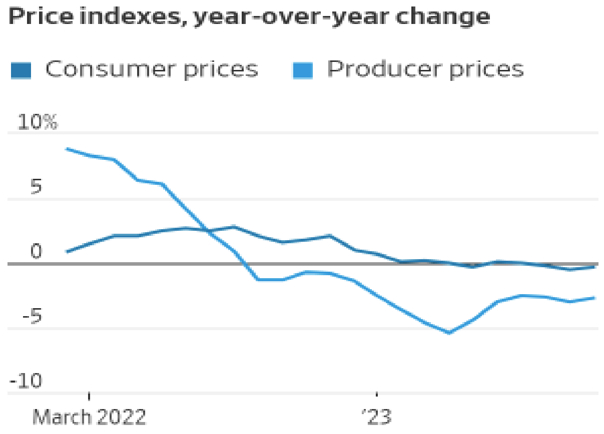
Global Transport and Logistics

General update

Deflation Worries Deepen in China

With domestic demand weak, fears are growing that China will try to export its way out of trouble, raising trade tensions.

- China’s deflation has become a bigger source of concern. It signals continuing economic distress in China, which could mean weaker sales for Western brands that do business there.
- It also augurs more efforts by Chinese companies to unload excess goods elsewhere, competing with Western companies and exacerbating trade tensions, which are already high.
- The latest trade data, released by China’s customs authority on Friday, underscored some of the risks. While the country’s exports picked up some momentum in December, gaining 2.3% from a year earlier, imports were weak, a sign that Chinese consumers remain wary of spending.
- Forecasts by global investment banks point to a growth rate ranging from 4% to 4.9% for China’s economy this year—relatively high by global standards but a marked slowdown from earlier years. Many economists expect Beijing to maintain a slightly higher target of around 5%, which could signal more stimulus will be on the way.



Source: Haver Analytics

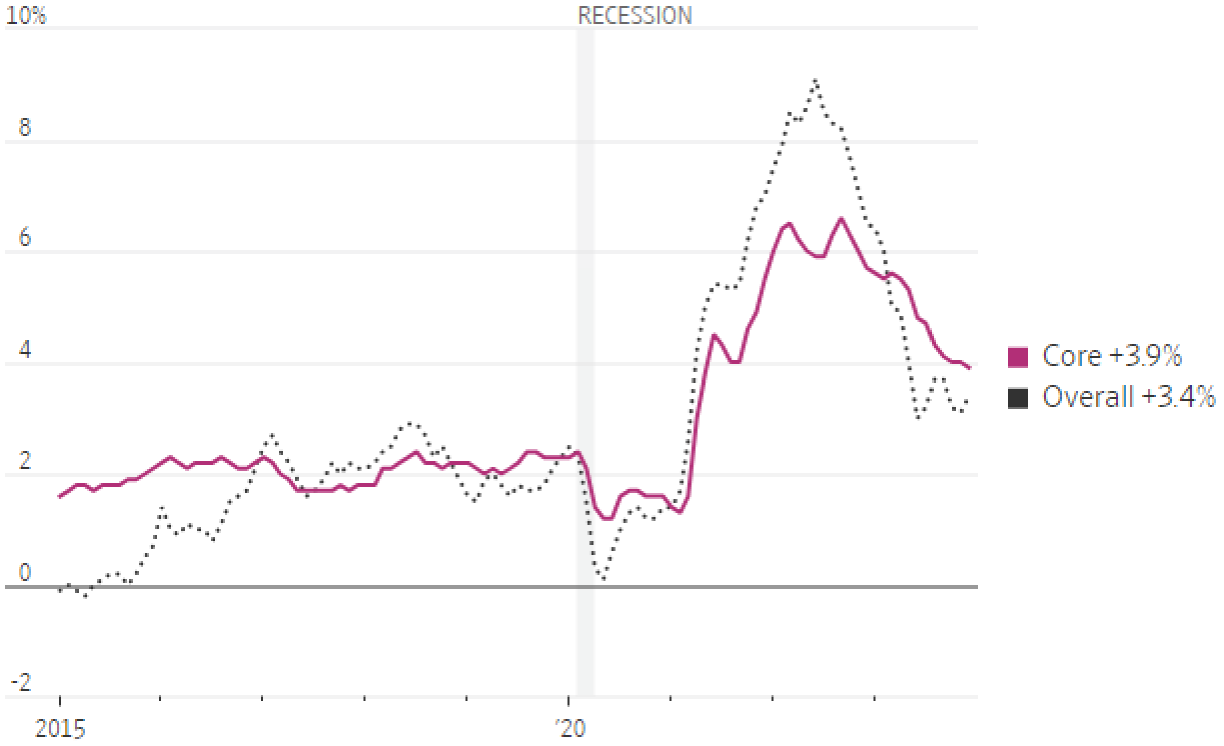
US: Inflation Edged Up in December After Rapid Cooling Most of 2023

- Prices ticked up in December, a reminder of the pressures still facing consumers after a year when inflation fell by nearly half and paychecks grew, delivering real wage gains in 2023 for the first time in three years. it would be a challenge to complete what is called the last mile in bringing inflation all the way down to the Fed’s 2% target

- The rapid cooling of price increases has raised hopes of a soft landing, where inflation can be tamed without a surge in unemployment or a recession. .

- Most officials have indicated that they made their final rate increase last July, when they lifted their benchmark rate to a range between 5.25% and 5.5%, a 23-year high.

Consumer-price index, change from a year earlier



Note: Core excludes food and energy prices.
Source: Labor Department

Eurozone Inflation Rose Less Than Expected, Keeping Rate-Cut Talk on Track

- Eurozone inflation rebounded in December, but by less than expected, potentially fuelling further speculation that the European Central Bank could soon signal its readiness to cut interest rates.

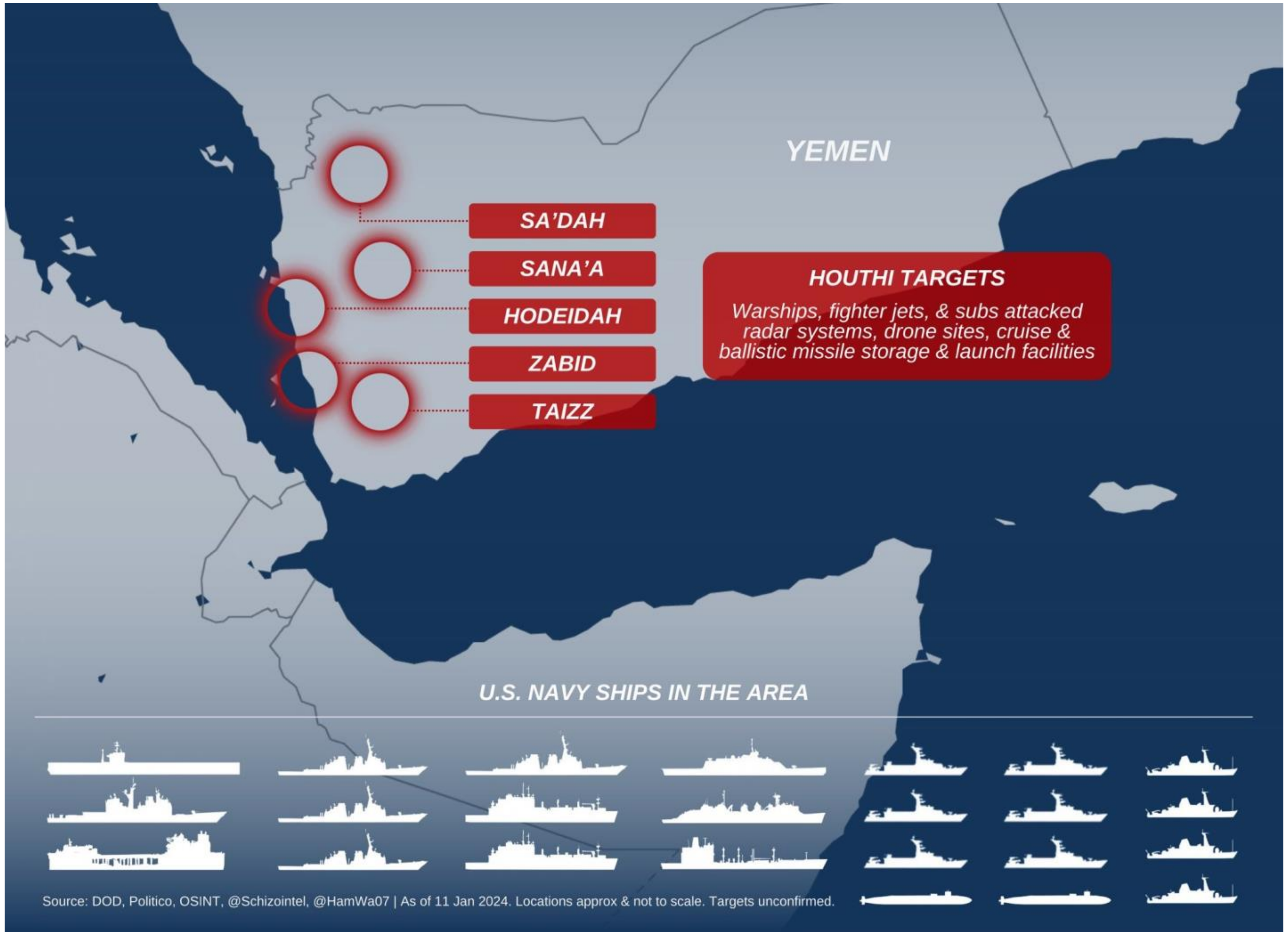
- The bloc's consumer price index—a measure of the cost of goods and services—rose 2.9% on year, from 2.4% in November, according to preliminary data published by the European Union's statistics agency Eurostat on Friday.

- Meanwhile, core inflation—which removes volatile energy, food, alcohol and tobacco prices and is watched as a reflection of underlying inflationary trends—dipped to 3.4% in December from 3.6% in November. That reading was again below the consensus, at 3.5%.

Missile attacks in the red sea

U.S and allies Launches Strikes Against Houthis

U.S & allies conducted massive air & missile strikes in Yemen: Guided-missile submarine fires Tomahawk missiles



- These strikes are in direct response to unprecedented Houthi attacks against international maritime vessels in the Red Sea—including the use of anti-ship ballistic missiles for the first time in history.
- The joint assault, which involved U.S. & U.K. aircraft, ships & submarines, came after the Houthis ignored weeks of warnings to stop their attacks.
- Coalition forces struck: 60x targets and 16 Iranian-backed Houthi militant locations (munitions depts, launch systems, production facilities, air defense radar systems etc)

Red Sea Insurance Soars After US Airstrike

French FS Languedoc escorting two CMA-CGM vessels through Bab el mandab

- The cost of war-risk insurance for vessels sailing through the Red Sea is spiraling, adding a further potential impediment to trade passing through a waterway already labeled too dangerous for merchant shipping by the US Navy.

- Underwriters are now charging between 0.75% and 1% of the value of the ship to sail through the region, according to people familiar with the matter, jumping significantly since US and UK airstrikes targeted the Houthi rebels in Yemen at the end of last week. Just a few weeks ago, quotes for cover were about one tenth of that amount. The sharp increase runs the risk of making it too expensive to traverse the vital waterway.

- A war insurance cost of 1% for a newbuild ship worth $100 million would mean having to pay $1 million just to sail through the riskiest parts of the Red Sea and Gulf of Aden. Cover is generally quoted as a percentage of the value of a vessel over a given time period.

Source: Bloomberg

The escalation in the Middle East Continues

- Israel is fighting on six different theatres. The War against Hamas has become a regional conflict, stretching from the Red Sea, to Iraqi Kurdistan.The War of Israel - Hamas has shifted into a “multi-arena war” where Israel is attacked by forces in Gaza and the West Bank, Lebanon, Syria, Iraq, Yemen, Iran

- In Iraq, U.S. army retaliated against Iran-backed militias that wounded 3 service members in a drone attack to a base in Erbil, in the Kurdistan. USA is directly blaming Iran for carrying out a drone attack on a chemical tanker linked to a Israeli company, travelling from Saudi Arabia to India.

- The region is one of the most important in terms of oil production. Here, the US keeps a strong military & diplomatic presence

- These events significantly expands the range of drone attacks in the Red Sea, the Bab el-Mandeb Strait and the Gulf of Aden triggered by emen's Houthi operations.

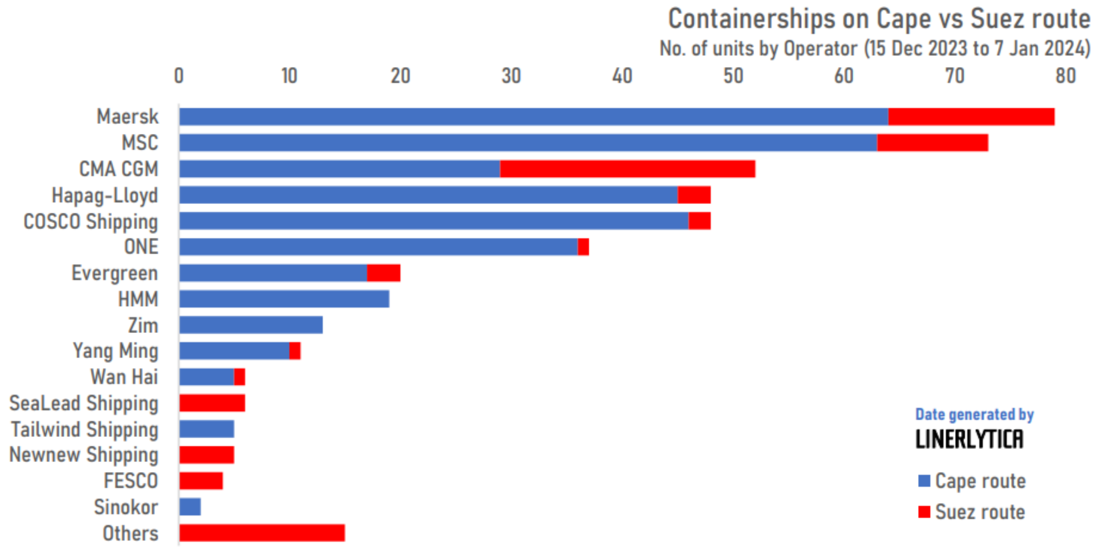
Different approaches by carriers

80% of all containerships on Suez route have diverted to the Cape of Good Hope

Updated Carrier overview as per 12 January 24

Red Sea / Gulf of Aden Shipping crisis — Update 12.01.2024

	Routing via Cape of Good Hope	Comments
MSC	Y	New services from West Mediterrean to offer Red Sea ports
Maersk	Y	
CMA CGM	Y	50% of services going through Red Sea but not official
Cosco	Y	All Israel port suspended, Some Africa / Local services served via Red Sea
Hapag-Lloyd	Y	New service via Tangier to serve Red Sea ports
ONE	Y	
Evergreen	Y	All Israel port suspended
HMM Co LTD	Y	All Israel port suspended
Tang Ming Marine	Y	
ZIM	Y	



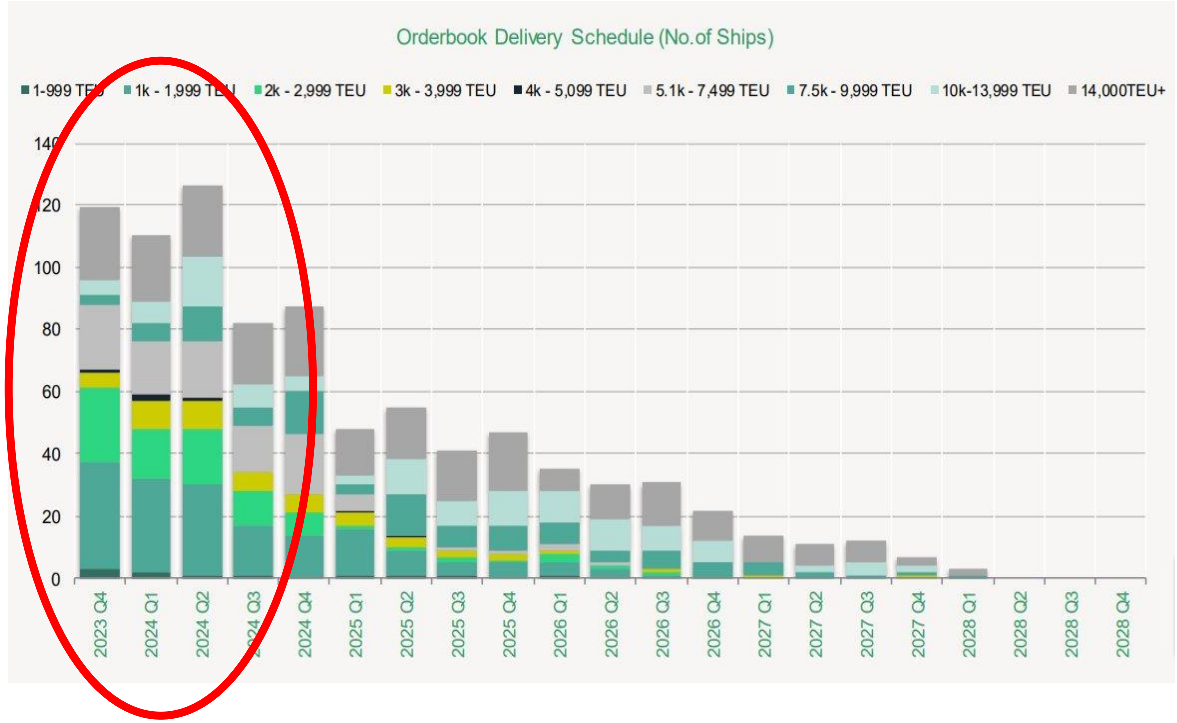
- The number of containerships that has been diverted from the Suez to the Cape route has reached 354 ships since 15 December 2023, accounting for 80% of all the ships moving between the Atlantic/Med basins and the Indian Ocean. The number will continue to grow over the coming week with most of the main carriers currently opting for the Cape route

- Only CMA CGM and a small number of niche carriers operating in the Asia to East Med and Baltic markets that have continued to use the Suez route with reports emerging that some carriers have negotiated with Houthi forces in Yemen for safe passage through the Red Sea.

Source: Linerlytica & DSV

Direct and mid-term outlook scenarios

- **Equipment constraints** - strong likely hood for cut back on equip. free times
- Limited solutions to Red Sea ports
- **Longer transit times** and increasing freight rates due to COGH routing
- **More transhipment activities** – especially into the Mediterranean
- **Increasing port congestion** (currently at ~ 5,8% / 1,6 million TEU – week2/24) New **decline with schedule reliability** as vessel rotation is out of synch
- Due to COGH diversions, **a capacity shortfall of ~ 40% is expected for week 4-6 on the Asia – Europe + US East Coast trade**
- **We still see ~ 250.000 TEU of new capacity** from the new build programs joining the trades



Transit time impact with new routing via Cape of Good Hoope

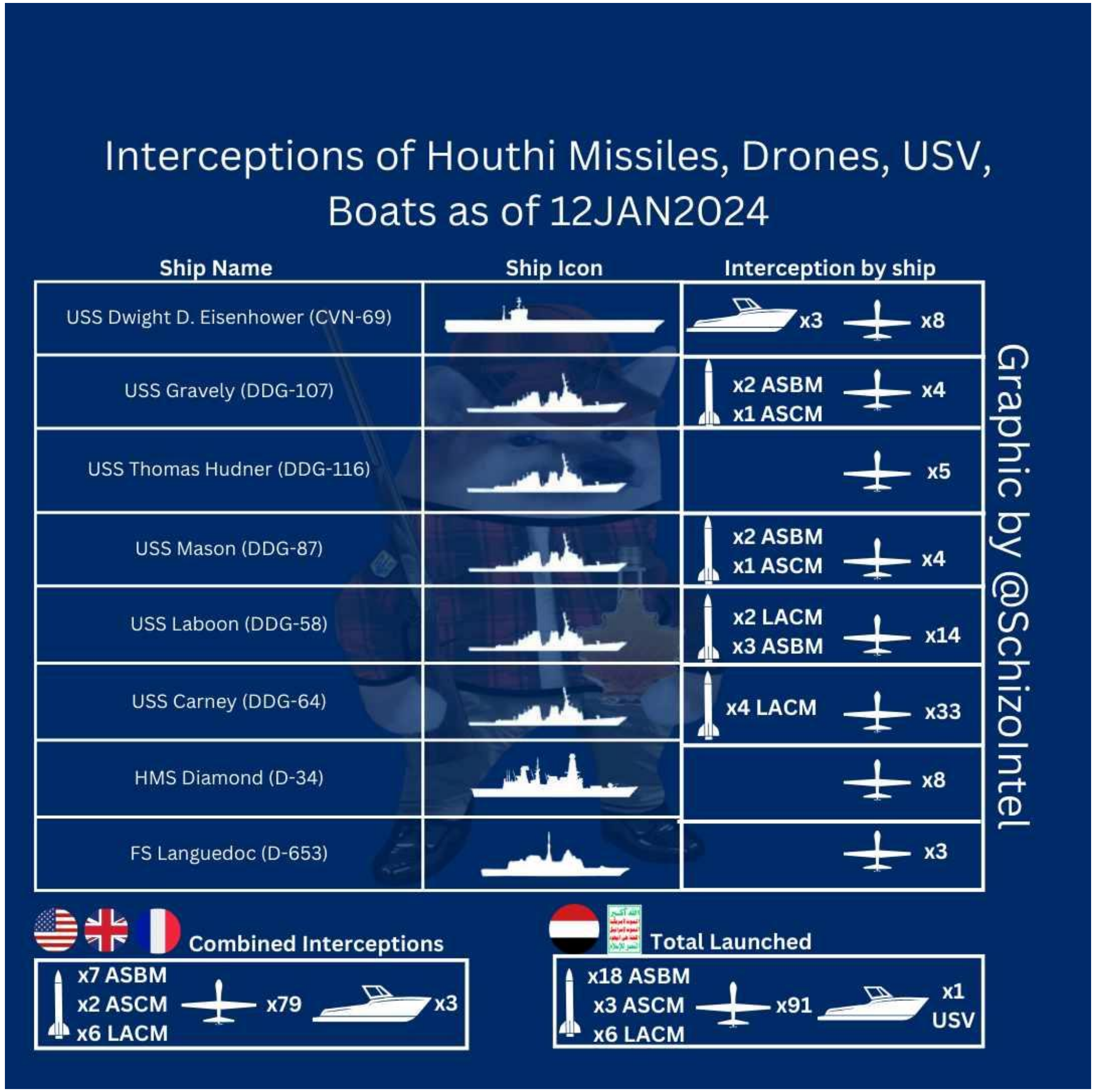
From	To	Via Suez Days	Via Cape of Good Hope Days	Difference Days
Shanghai	Rotterdam	33	45	12
	Hamburg	35	47	12
	Le Havre	32	44	12
	Antwerp	34	46	12
	Felixstowe	36	48	12
	Algeciras	24	32	8
	Istanbul	24	50	26
	Genoa / La Spezia	30	43	13
	Barcelona	32	42	10
	Valencia	31	41	10
	Haifa	24	51	27
	Pireus	26	50	24

- The re-routing of container ships affects not only the Europe-Asia trade lane but also has repercussions on other global trade routes.

- As vessels are redirected, there could be a redistribution of shipping capacity and changes in market dynamics, affecting freight rates and service levels across multiple trades. With this we see carriers implementing additional surcharges (cost recovery) on other trades, disconnected from the Red Sea or Cape of Good Hope routing as well.

- The extended transit times and potential delays at ports can disrupt supply chains, impacting inventory management and production schedules.

More than 28 attacks registered in a asymmetric warfare



- While the drones and missiles launched by the Houthis have failed to strike targets in Israel, the Houthis pose a growing threat to Red Sea shipping and vital energy infrastructure in Saudi Arabia and the United Arab Emirates (UAE). Adept at asymmetric warfare, the Houthis understand the importance of leverage.

- Now, the Houthis are using the same strategy to stave off retaliatory attacks by the US and Israel and to assert themselves as a regional power. If Israel and the US launch air strikes against the Houthis, the Houthis, in turn, can escalate with asymmetric attacks against Red Sea shipping and regional energy infrastructure.

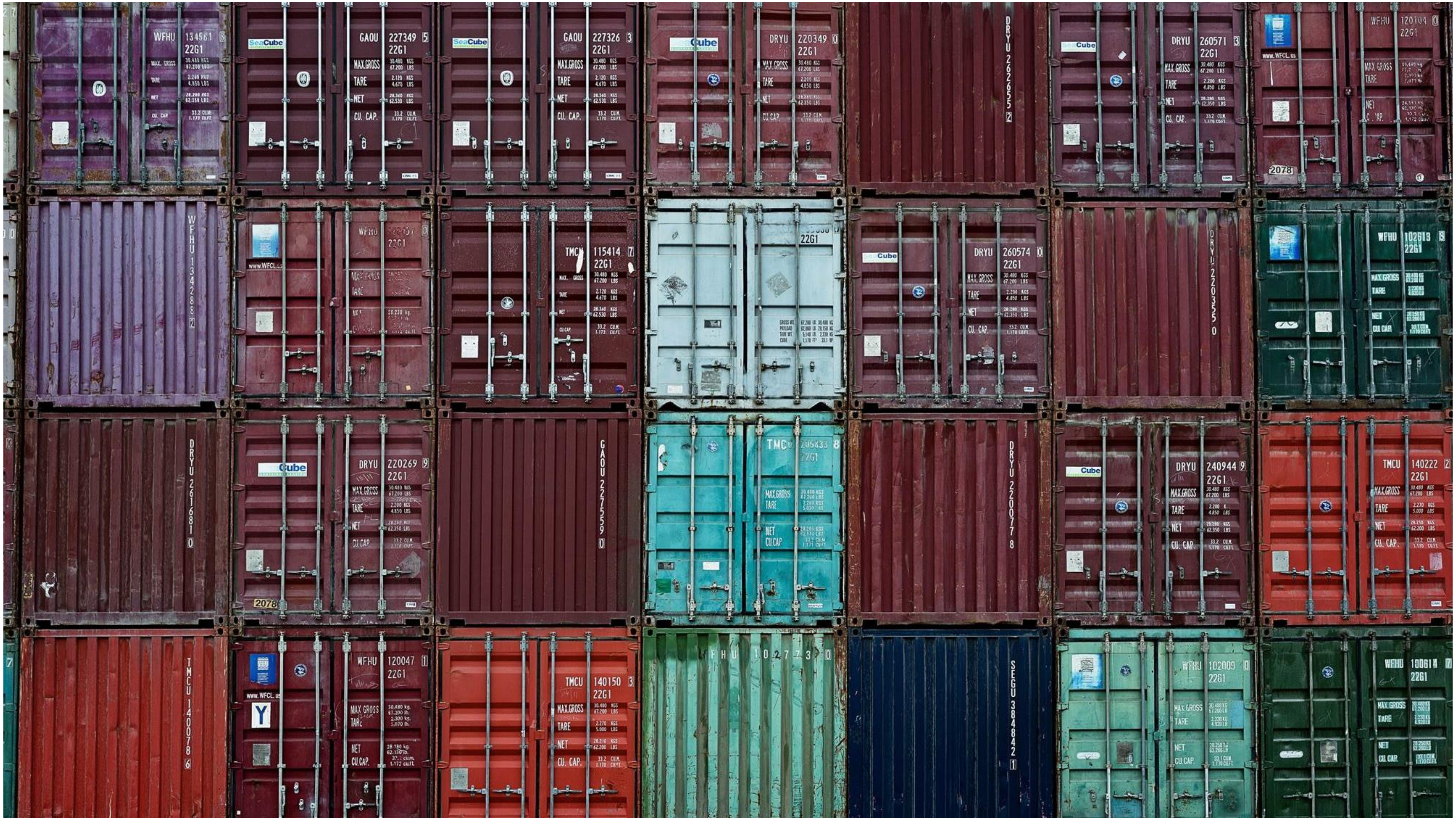
Tesla To Halt Production At Berlin Plant Amidst Red Sea Disruption

- Tesla to pause production at Berlin plant for two weeks due to parts delays amidst attacks on ships in Red Sea

- Tesla has said it will halt most production at its plant near Berlin for two weeks due to parts deliveries delayed by attacks on ships in the Red Sea.

- Most production will stop from 29 January to 11 February, the firm said, meaning about 5,000 to 7,000 cars would not be built.

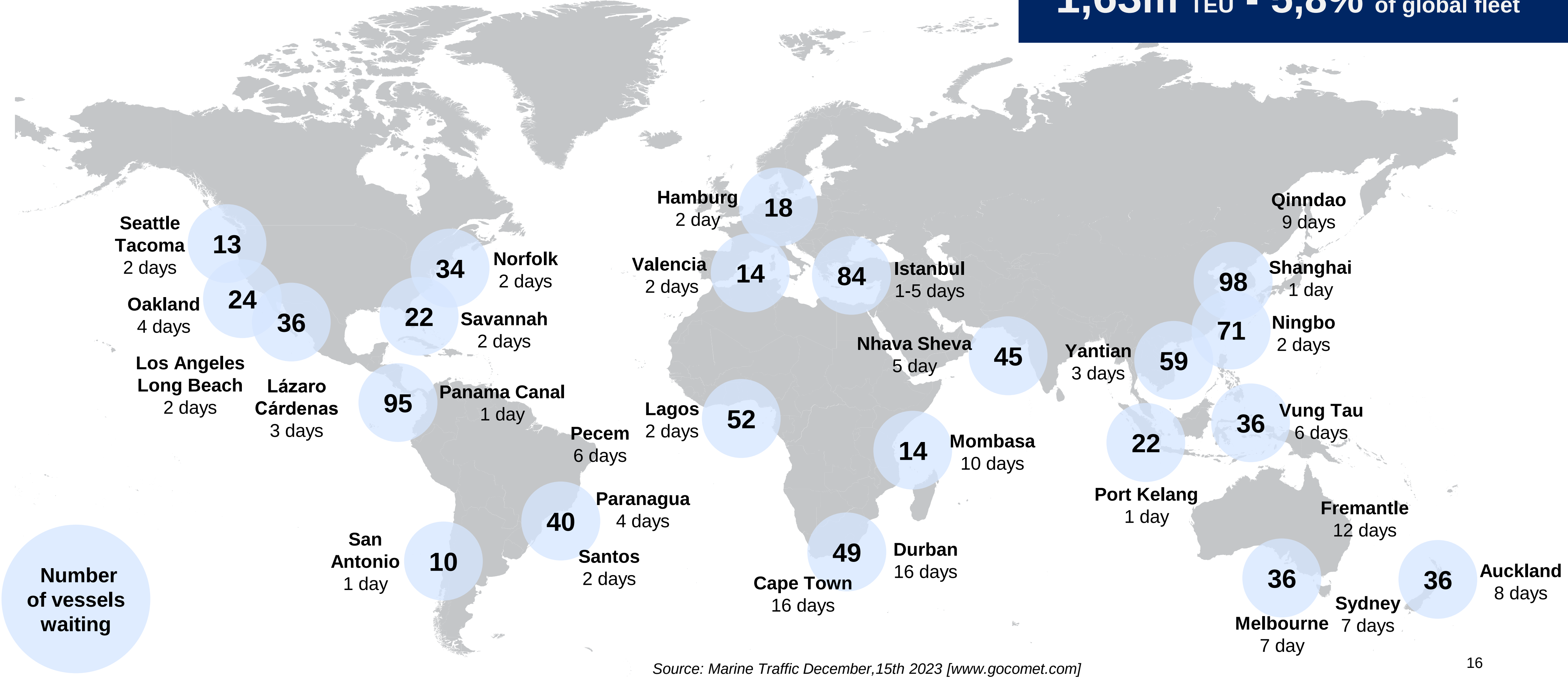
Port Congestion



Global port congestion

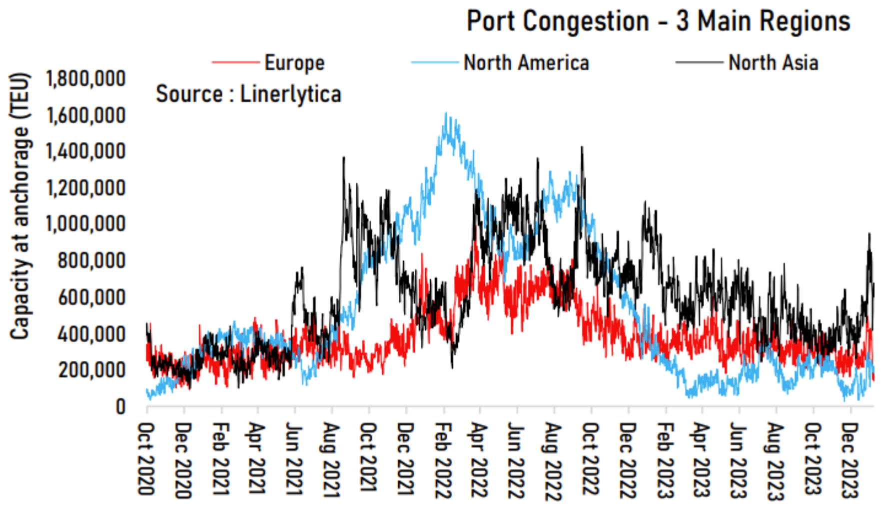
Port Congestion Week 02

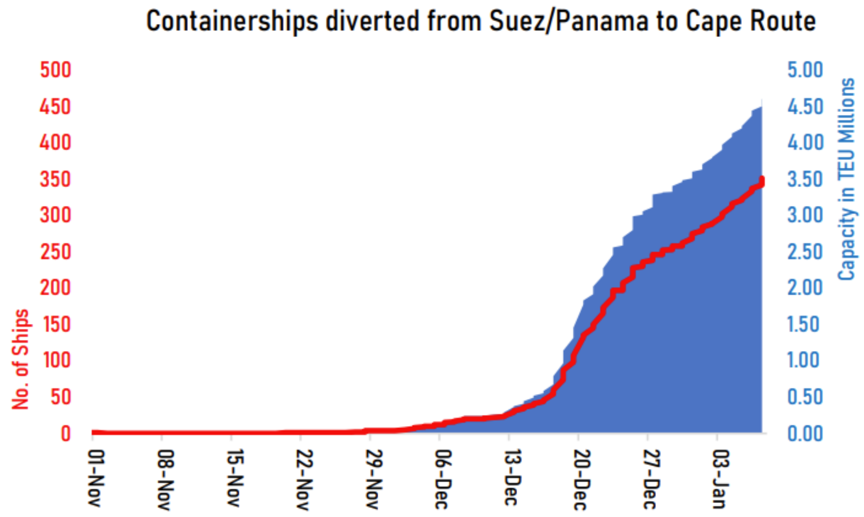
1,63m TEU - 5,8% of global fleet



Source: Marine Traffic December,15th 2023 [www.gocomet.com]

It is expected a large port congestion on February





- With an armada of container vessels having re-routed in recent weeks, there are growing concerns that port congestion will potentially add to current issues. This situation will not be comparable to the port congestion during the pandemic

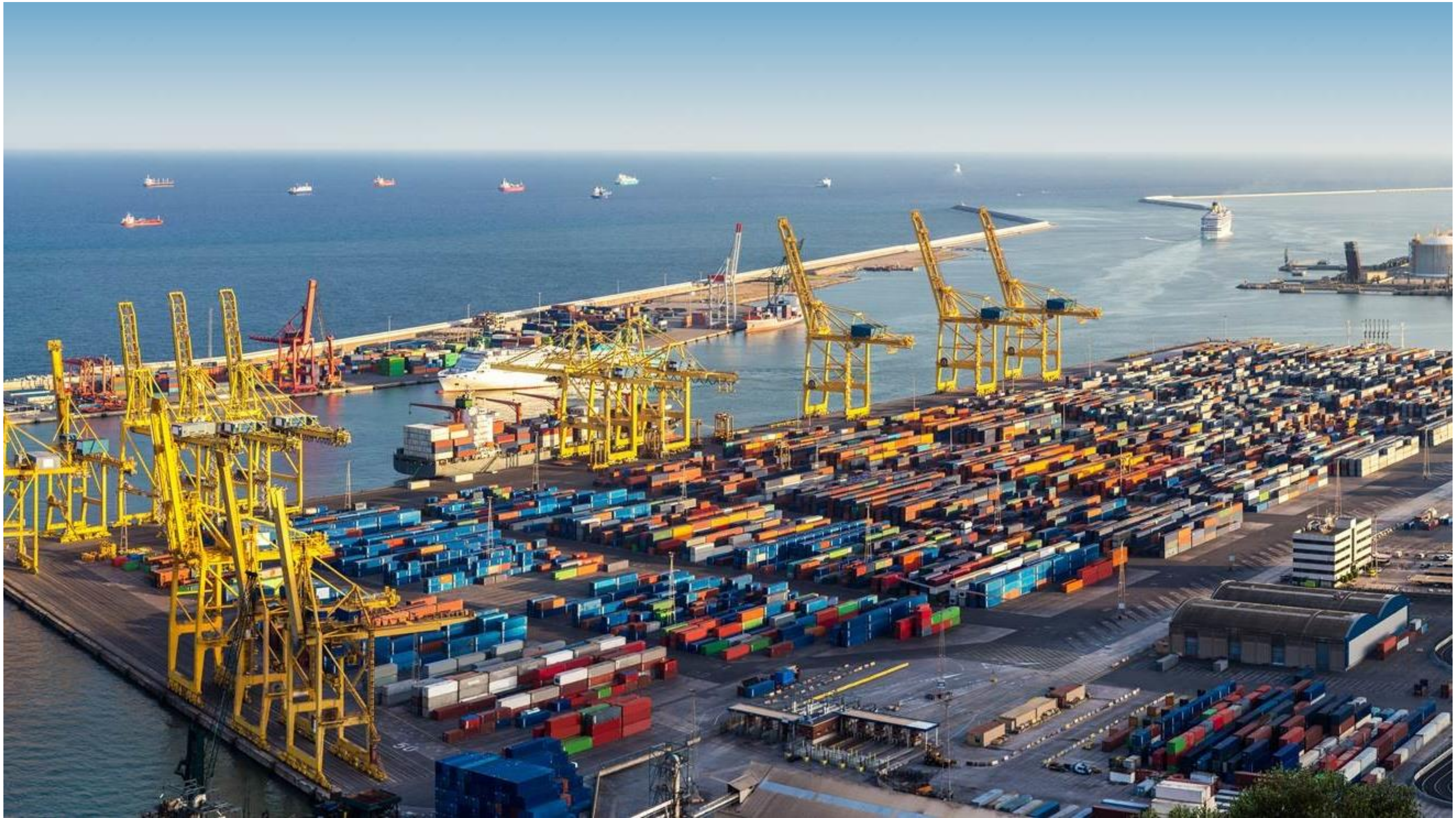
- North Asia continuing to account for the largest share (37%) of global congestion which stood at just over 1.6m teu as at 7 January or 5.8% of the global fleet.

- Ports in Central and Northern China continues to be affected by intermittent port closure on adverse weather conditions and strong win, with waiting times of up to 2-3 days at Shanghai, Ningbo and Qingdao.

- The situation is improving slightly with delays in the arrival of ships from Europe and North America, with arrivals delays gathering pace over the coming weeks.

- Delays also persists in Australian ports o operated by DPW with waiting times of up to 2 weeks in the worst cases at Melbourne and Sydney.

Source: Linerlytica (Jan 2024)



Chinese New year 2024 is coming with few capacity available

Mid January
Factories slow down production

DSV

18-25 January
Business halt and Chinese ports experience a rush to ship goods

恭禧发财!

26 January – 9 February
Worker start leaving factories and ports have limited operations

10-17 February
Chinese New Year

27 February onwards
Workers return to factories and operations return to normal

- The attacks started 26 days, (4 weeks ago) the vessels that got involved in the first diversion to Cape of Good Hope where the ones planned to load container in the last two weeks of January 2024 before Chinese new year
- This year the holiday period will be two week, official celebration and closure of factories will be **10-17 February the year of the dragon**.
- Shippers typically order extra inventory before the closing and **DEMAND is HIGH.**
- The ocean carriers have confirmed that due to rerouting through Cape of Good Hope there will be a **CAPACITY SHORTFALL of ~40%** is expected for the last two weeks of January... the busiest of the year!

Panama Canal Drought – Increase in Daily transits

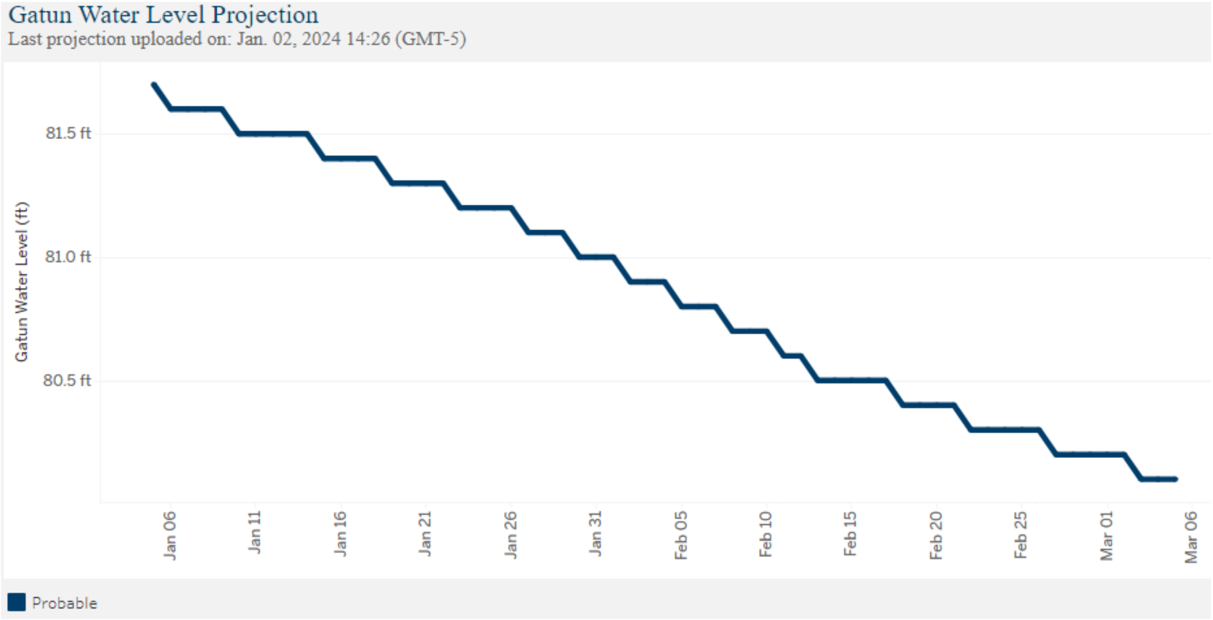
4 more vessels will be able to transit the canal per day in January.

The number of vessels waiting to cross the canal has significantly dropped. However, we are entering a 5 month dry season so things could get worse

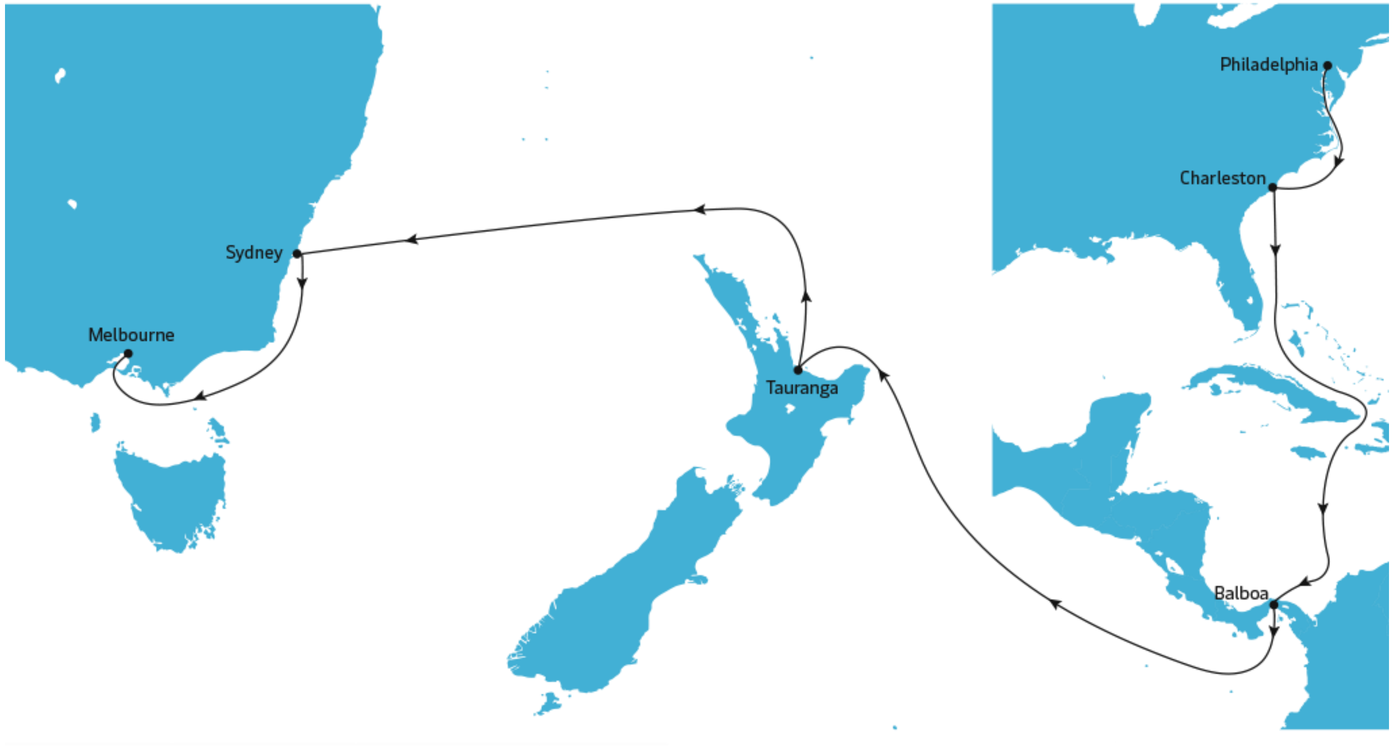
Due to receiving more rainfall than expected in November the Panama Canal Authority has decided to increase the number of daily transits. The number of daily transits will increase to 24 vessels in January and will stay in effect until further notice.

It had been previously announced that the number of daily transits in January would be 20 vessels.

Vessel Type	Previous Years	Dec-24	Jan-24
Neopanamax	10	6	7
Panamax	26	16	17
Total	36	22	24



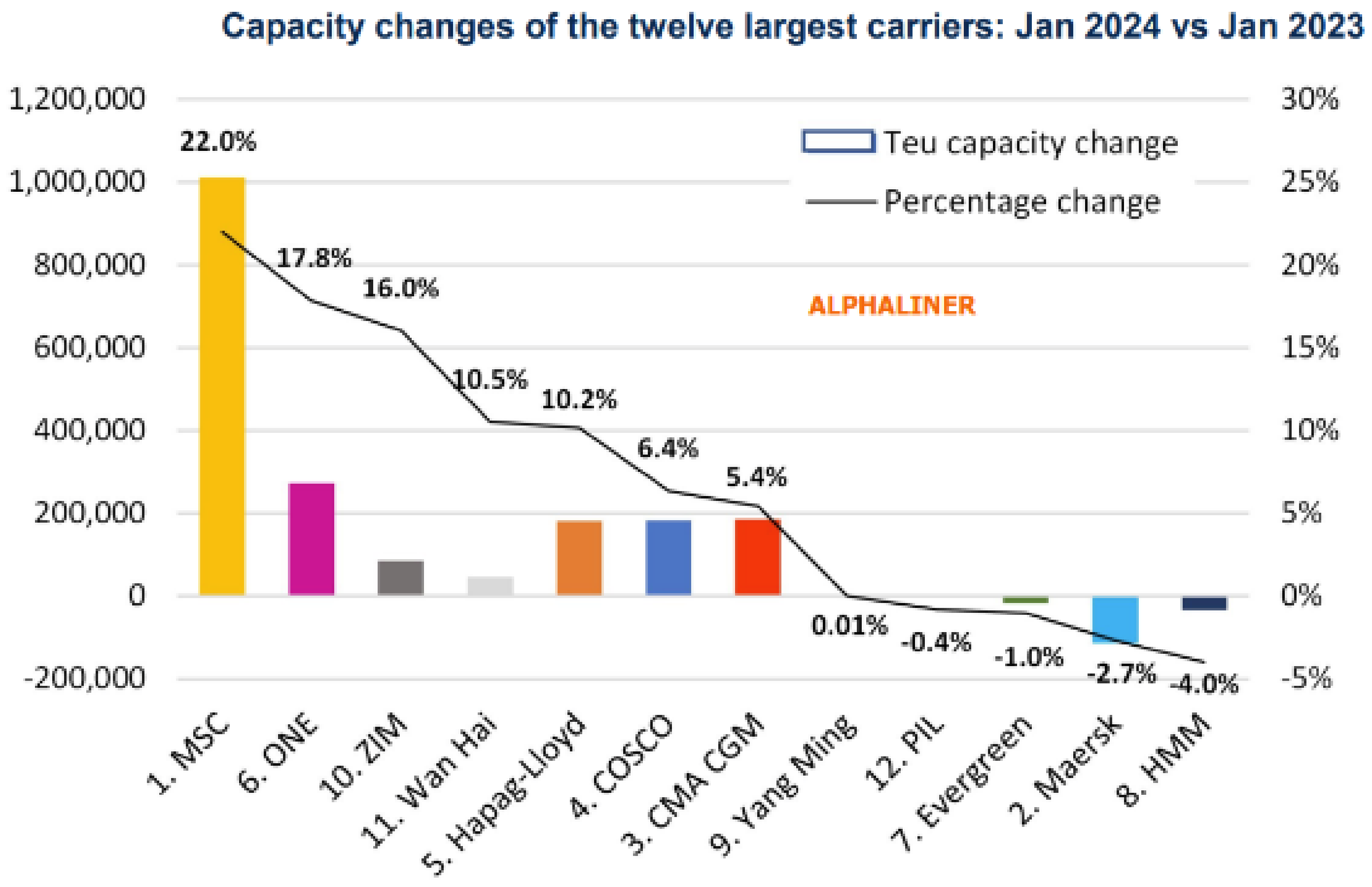
Maersk to use freight rail to circumvent Panama Canal amid drought



- Maersk ts Oceania-Americas (OC1) service, which normally uses cargo ships to transit the canal, will instead utilize the Panama Canal Railway, a 47-mile railroad running adjacent to the canal that connects the Atlantic and Pacific oceans.
- Maersk's OC1 service connects Australia and New Zealand with ports in Philadelphia and Charleston, South Carolina.
- Maersk said vessels that used the Panama Canal will now use a "land bridge" creating two separate rail loops, one for cargo headed to the Atlantic and another for the Pacific.

Source: Linerlytica (Dec 2023)

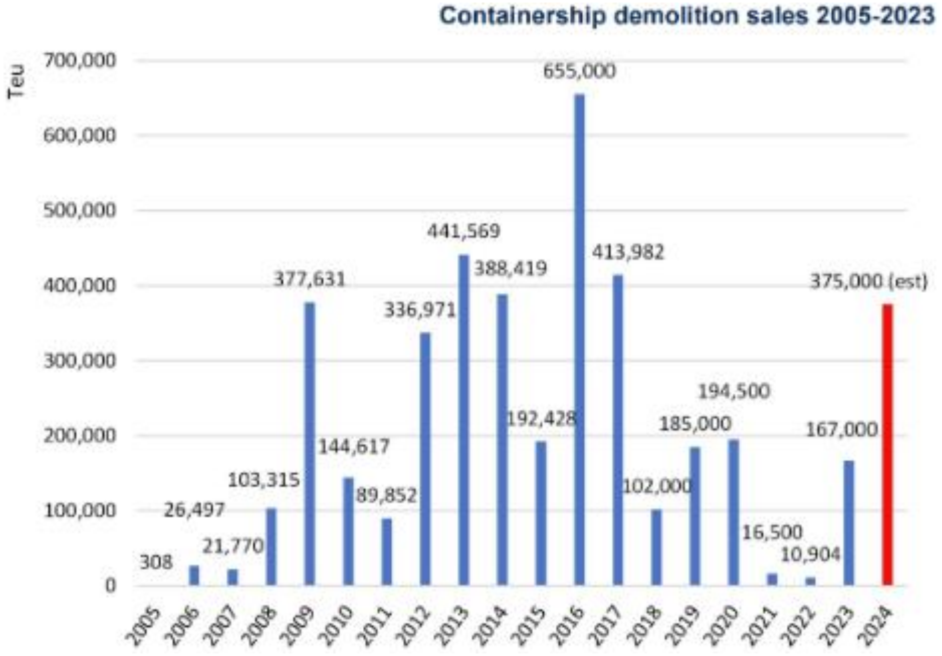
MSC widens gap to second-ranked Maersk by 1.1 Mteu in 2023



- On 1 January 2024 the cellular container fleet comprised 5,977 ships for a total capacity of 28.13 Mteu. This represents a year-on-year net increase of 271 ships and 2.14 Mteu - or 8.2%.
- MSC clearly led the fleet expansion and the Geneva-based carrier added more than 1 Mteu of capacity over the past twelve months. To put things in perspective: MSC on its own accounted for not less than 47.4% of the total fleet growth in 2023.
- A substantial number of MSC's new neo-panamax ships were deployed in the carrier's standalone East - West services such as the Far East - Med 'Dragon' or the Asia - North America 'Santana' and 'Sentosa Shikra' loops.

Source: Linerlytica (Dec 2023)

Aging containership fleet has not driven an increase in vessel scrapping



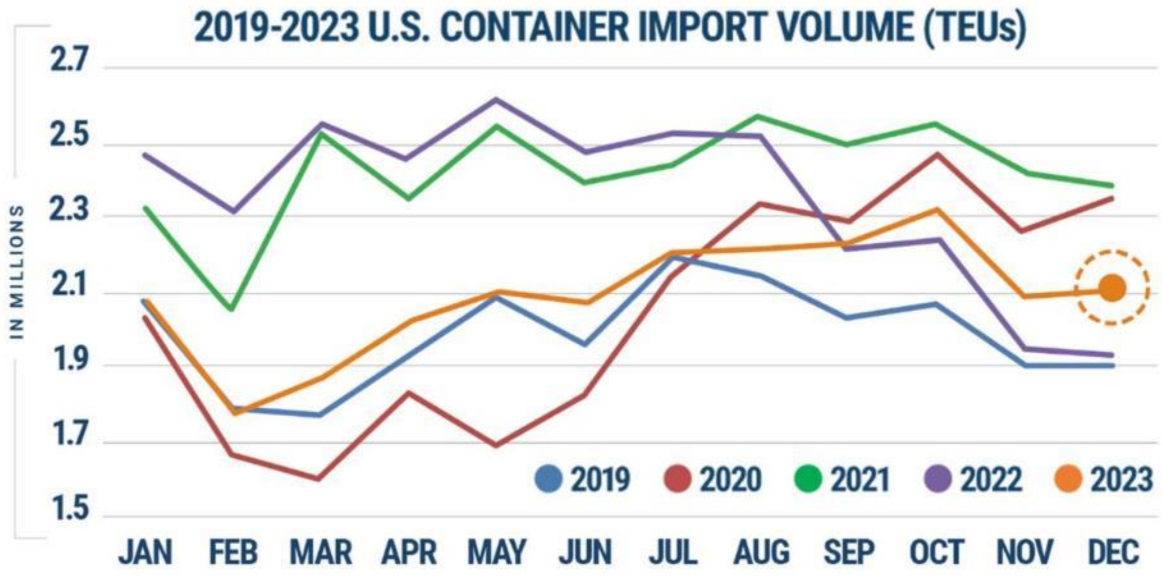
- Container tonnage demolition sales bounced back in 2023, with 87 vessels for a total of 167,000 teu reaching recycling facilities. This is a major rally compared to the 10,904 teu scrapped in 2022 and the 16,500 teu disposed of in 2021, two record low years during which vessel owners preferred to keep trading their older ships, in a context of booming Covid-related cargo demand.

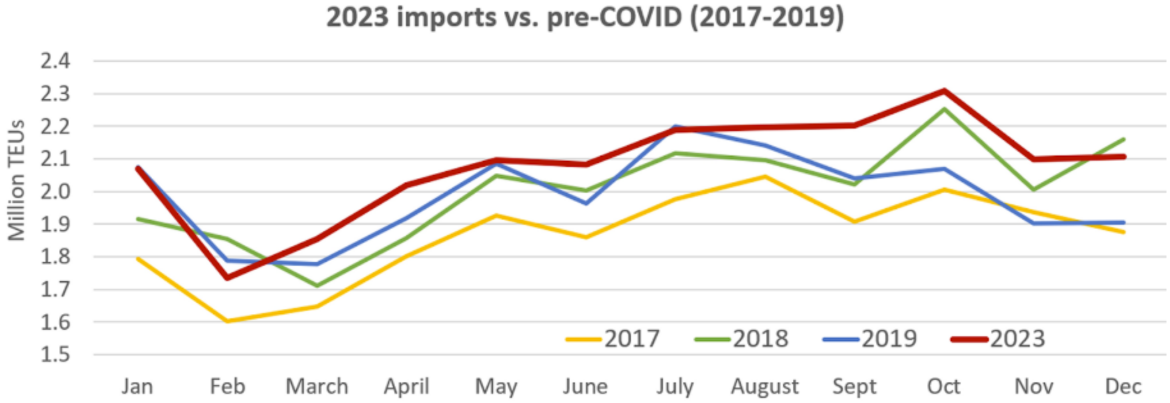
- The 2023 demolition figures remain however well below expectations and in sufficient to address the rising overcapacity that the container shipping industry is facing, with a staggering 2.3 Mteu of newbuild capacity hitting the water in 2023, twice as much as in previous years.

Source: Alphaliner (Jan 2024)

US: December imports surprisingly high amid Panama

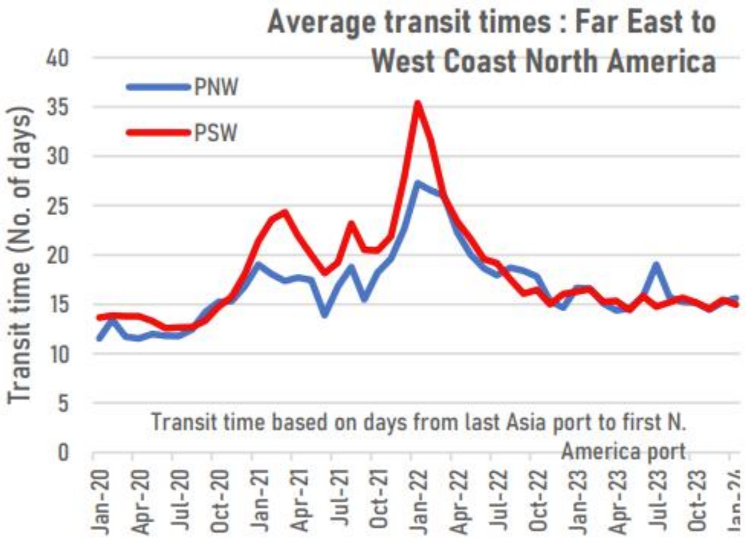
U.S. imports in December up 0.4% versus November

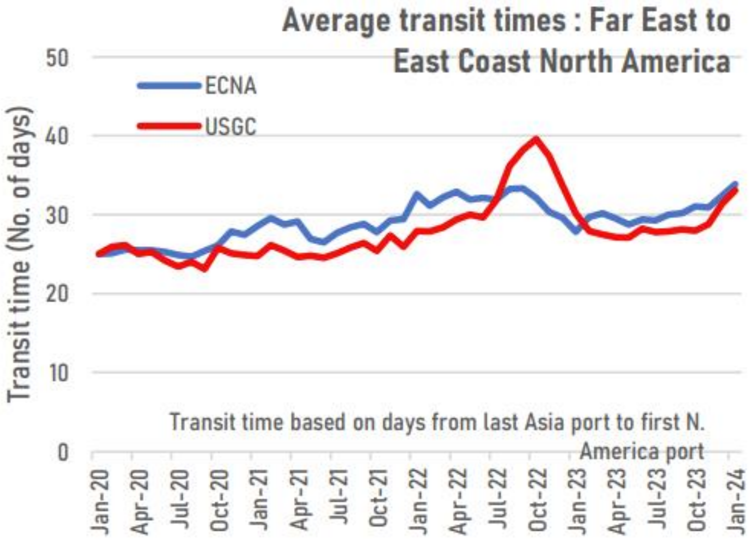


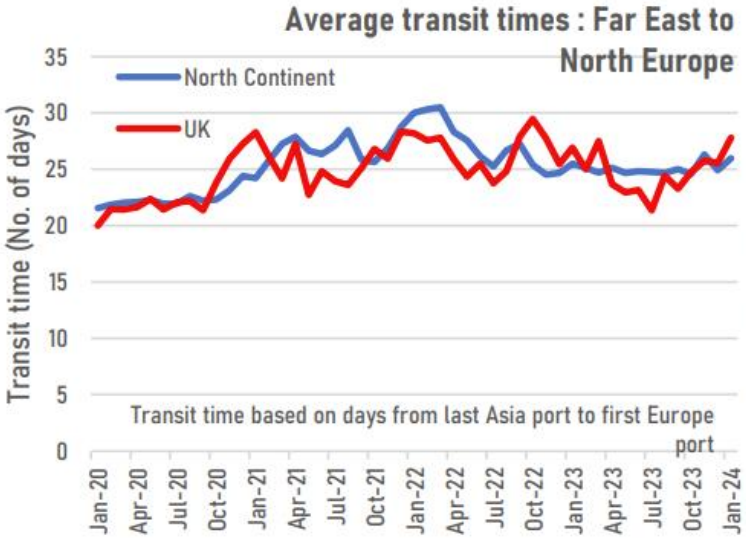


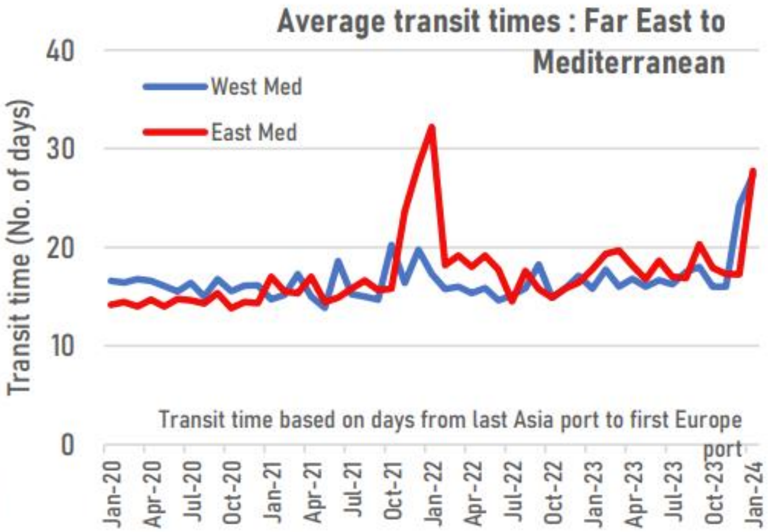
- December is traditionally slow from a seasonal perspective — and there was another headwind this year.
- A drought in Panama significantly reduced transits of larger Neopanamax-class container ships in November and December, with transit constraints intensifying last month.
- Container vessels that traditionally used the Panama Canal to bring Asian goods to East and Gulf Coast ports switched to the Suez Canal. Those ships then rerouted from the Suez Canal to longer voyages around the Cape of Good Hope, with diversions starting in late November and accelerating in recent weeks.
- Intuitively, this should have led to some pressure on U.S. import volumes in December, with weakness centered on East and Gulf Coast ports, as had been the case in November. Instead, it points to continued import strength in December versus November, driven by higher volumes to East and Gulf Coast ports, with these ports sequentially outperforming those on the West Coast.

Transit times increased Far East to Mediterranean and US East Coast







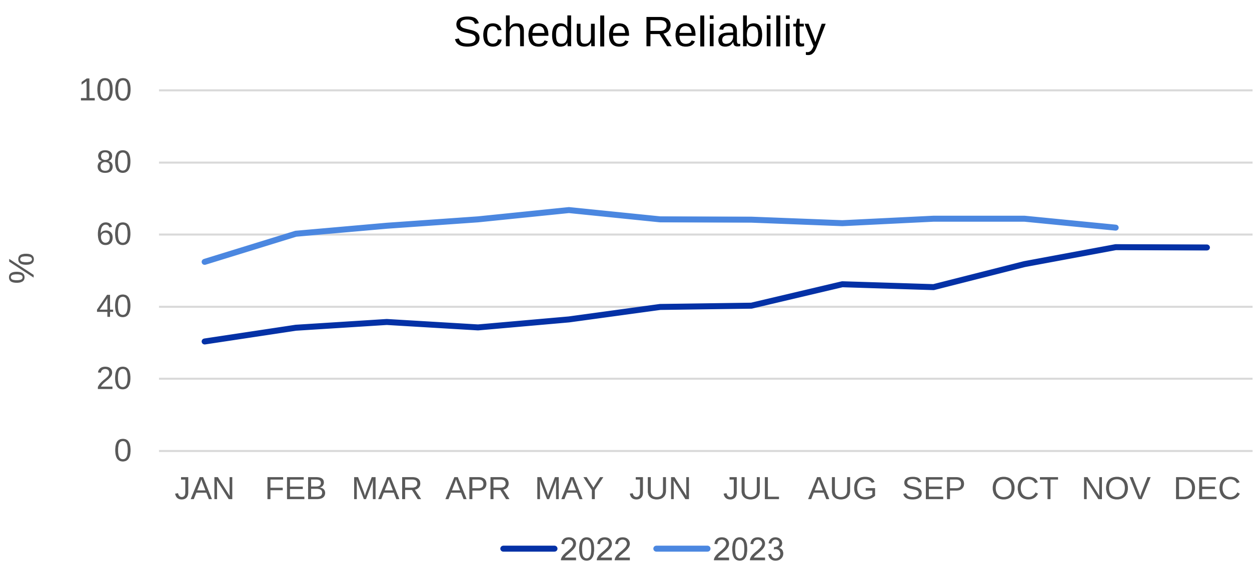


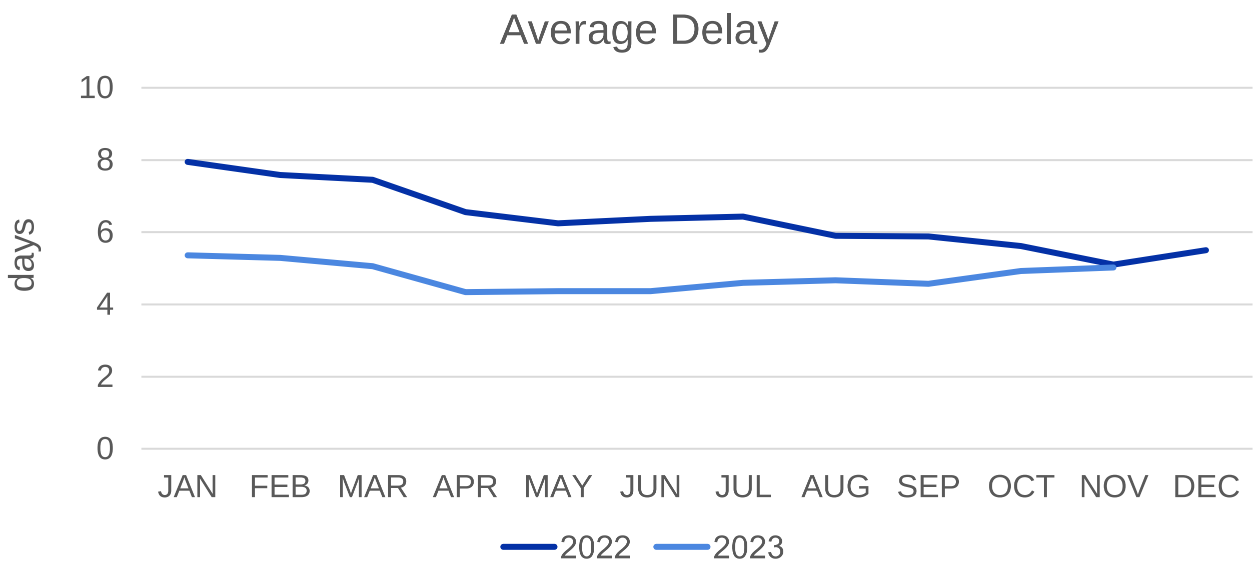
Source: Linerlytica (Jan- 2023)

Schedule relibility data from November (pending of ship re-routings)

Global schedule reliability decreased M/M in November 2023 by -2.5 percentage points to 61.9%. This is the first proper M/M decline of the year, bringing the November score in line with that of March 2023. On a Y/Y level however, schedule reliability in November 2023 was 5.4 percentage points higher.

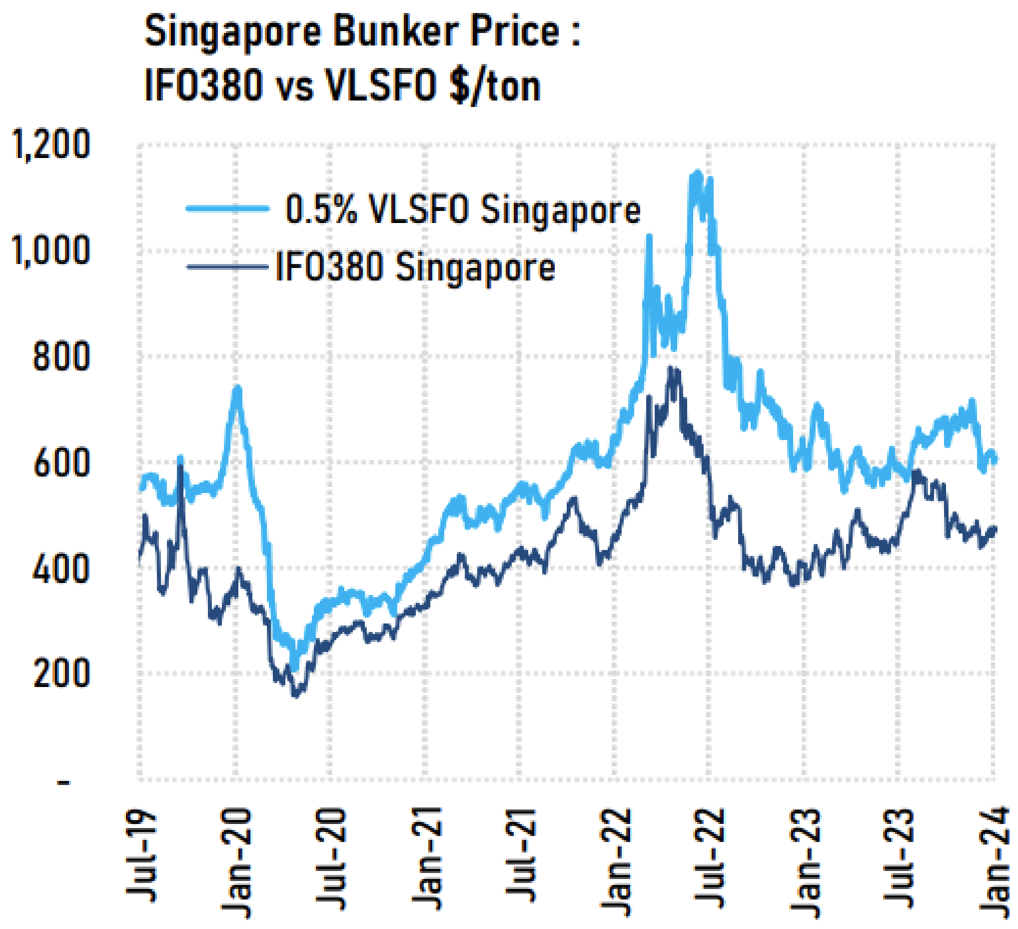
The average delay for LATE vessel arrivals also deteriorated, increasing by 0.10 days M/M to 5.02 days. The average delay figure has been creeping up slowly since June 2023, and is now in line with the November figures of 2020 and 2022, with the difference from the latter now of only -0.08 days.

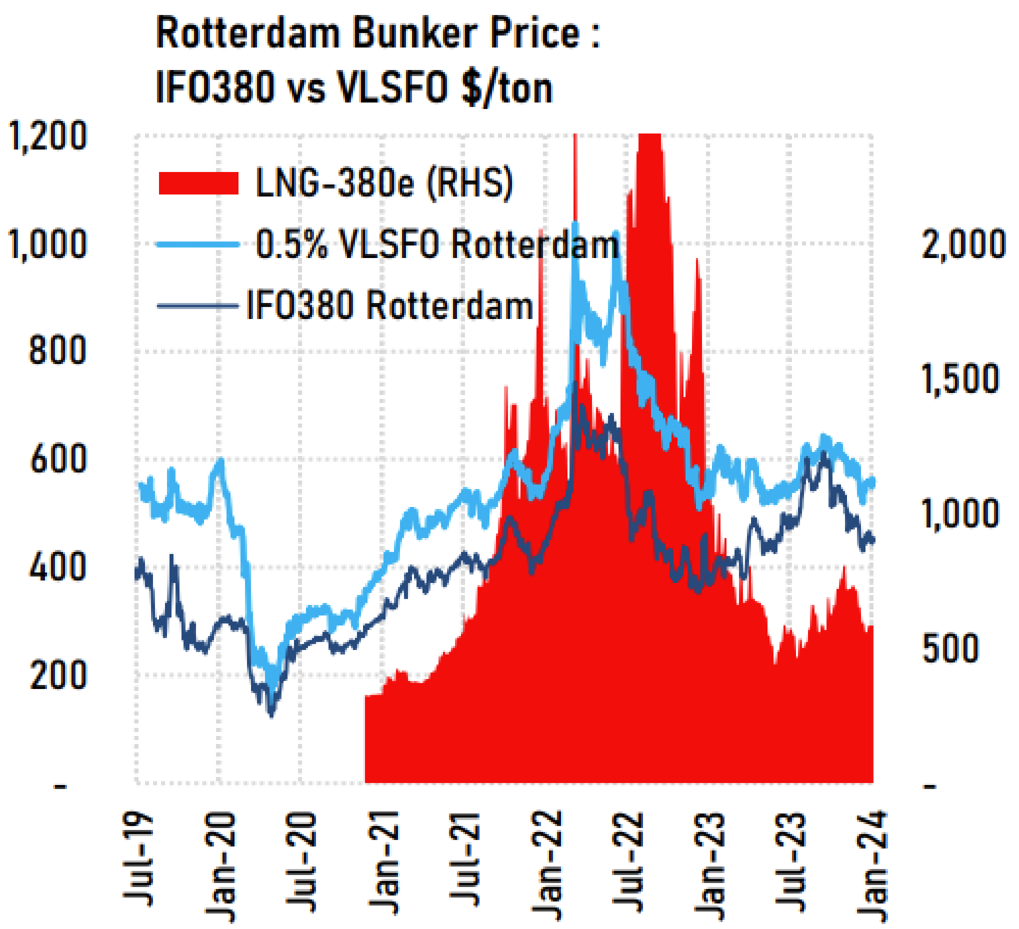




Source: Sea-Intelligence Maritime Analysis - Global Liner Performance Report November 2023

Bunker prices remain stable despite the geopolitical situation



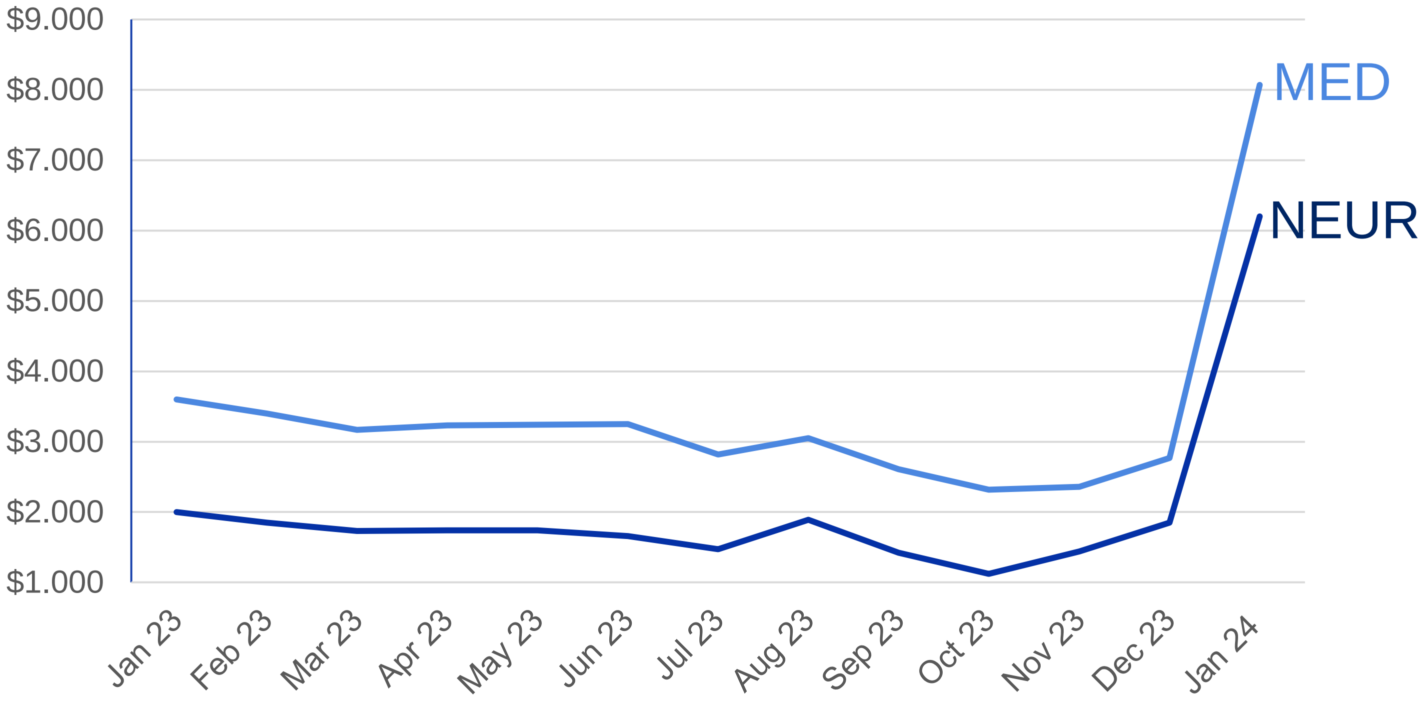


Source: Ship&Bunker - LinerLytica

Ocean Freight Asia - Europe

We see first impact on Red Sea Crisis in prices and lack of containers

SCFI – North Europe WB Rate Index (US$/40ft)



Source: SCFI Week 02-2024

Carriers implementing a massive blank sailing programme

SCFI Levels Week 02-2024:

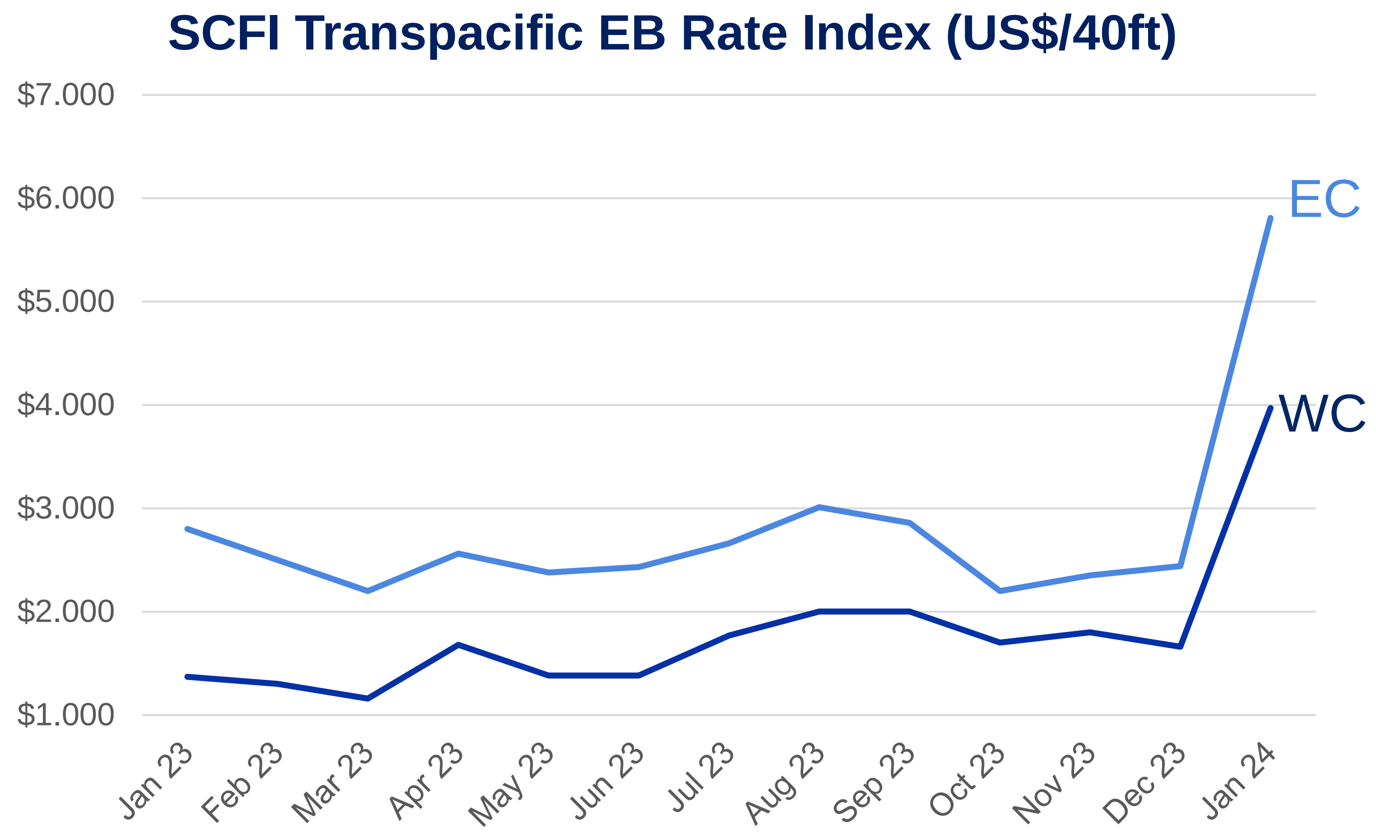
Shanghai – North Europe: USD 6,206/ FEU
Shanghai – Mediterranean: USD 8,074/ FEU

- Container equipment will be misplaced for several weeks which will affect service schedule
- Due to Red Sea crisis all schedules are heavily disrupted. In FEB we will face a big number of blank sailings although demand is high. Some carriers are working with Extra Loaders to cover the demand/supply mismatch.
- Blank Sailings to NWC

Alliance	Wk 4	Wk 5	Wk 6	WK 7	Wk 8
O.A.	2	1	2	0	2
THE A	0	0	1	2	1
2M	0	0	2	2	2

Ocean Freight Asia - North America

West Coast and East Coast shipping rates surge as Red Sea fallout goes global



Source: SCFI Week 52 2023

The market seems to be slowing further and we are seeing some slack to the USWC

SCFI Levels Week 02-2023:

Shanghai – US West Coast: USD 3,971/ FEU
Shanghai – US East Coast: USD 5,813/ FEU

- Space is tight but still manageable
- Equipment will become more and more tight during Chinese New year rush, and potentially last over next few months, as there will be a lot of equipment on water on the way to destinations

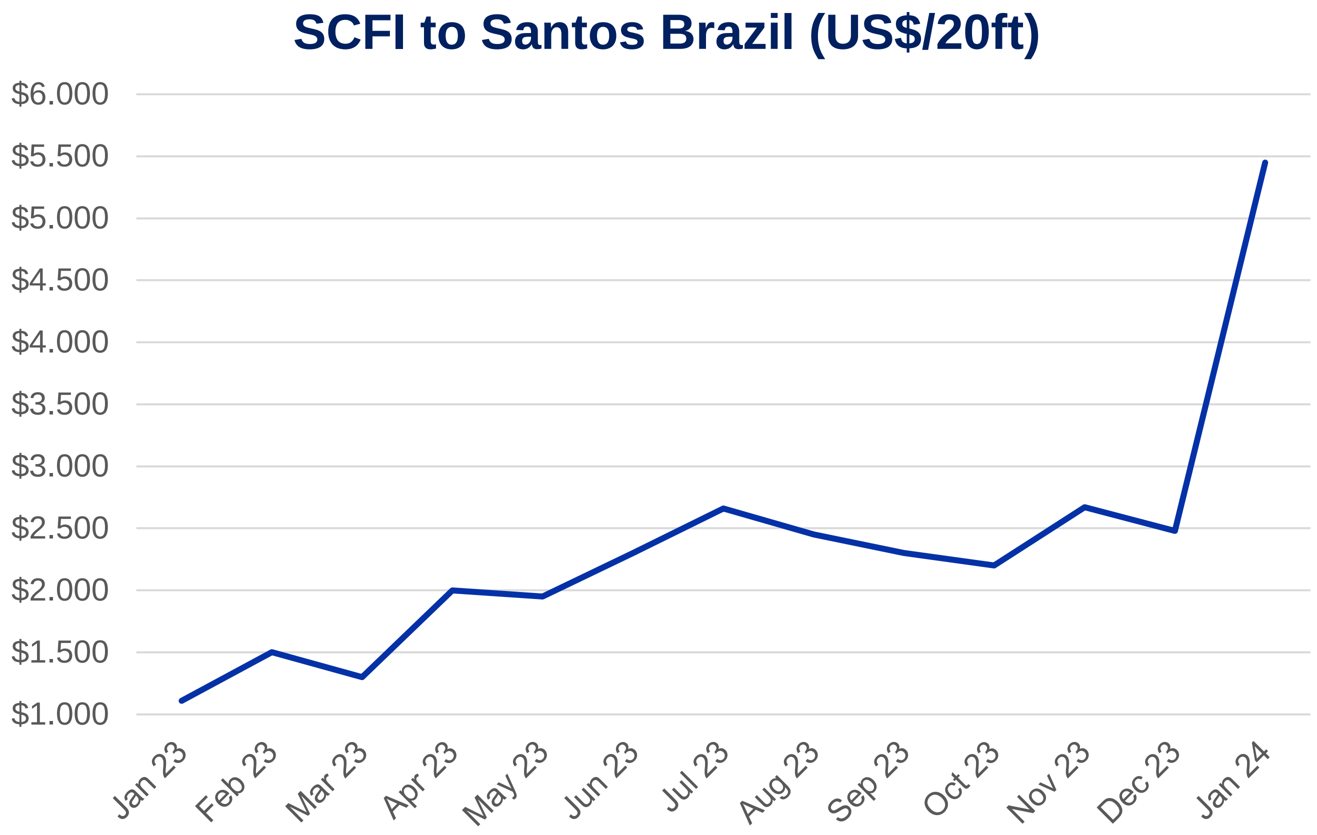
- Potential equipment return issue build up once COGH vessels start to arrive US

- Dec 1, Dec 15 and Jan 1 GRI have all been successful so far after the outbreak of Red Sea tension

- Panama Canal Charge is now applicable in full force

Ocean Freight Asia – South America (East Coast)

Rates going up from Red Sea events and Chinese new year effect



Source: SCFI Week 02-2024

SCFI Levels Week 02-2024:

Shanghai – Santos: USD 5,454/ TEU

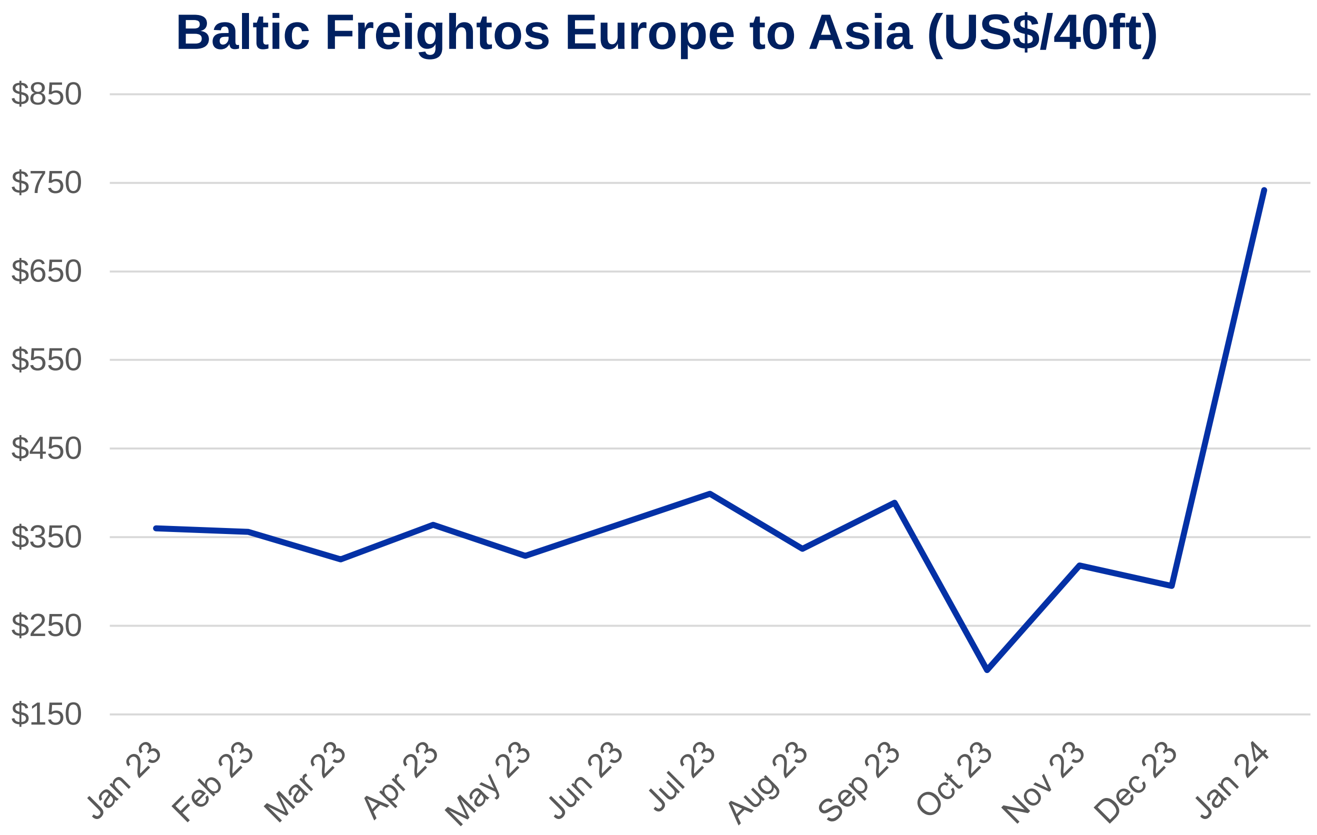
We start to see lack of equipment and Chinese new year rush

As for North America rates are also going up

ECSA: demand is strong and carriers announcing stop booking,

Ocean Freight Europe – Asia

Longer transit times will affect vessel availability



Source: Freightos Baltic Week 02-2024

Freightos Baltic (FBX12) index Levels 02-2024:

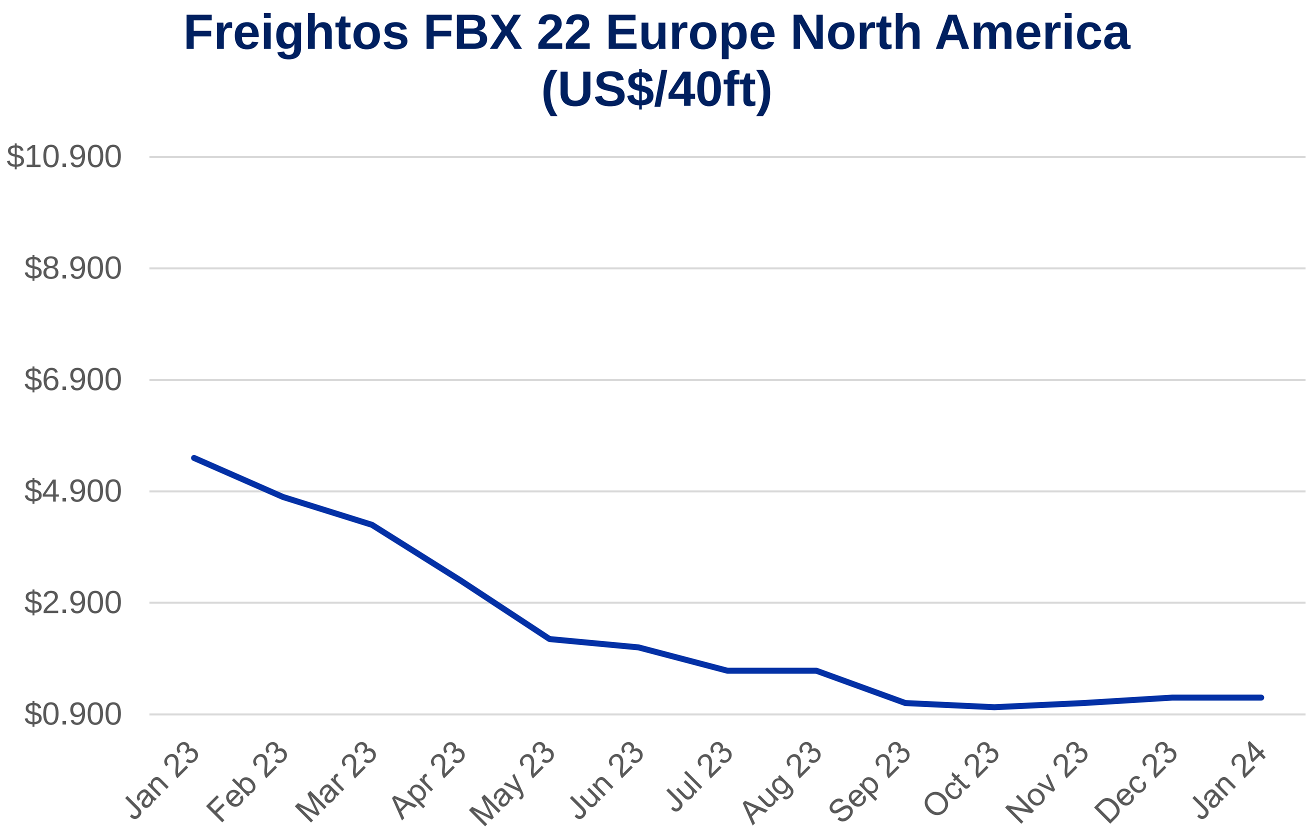
- Europe to ASIA : USD 742/ FEU

Stabilization at lowest level

- Ocean Freight rates remained stable, but all carriers have imposed Red Sea related emergency surcharges which are fully applicable until further notice
- Depending on further developments additional surcharges (port congestion, equipment imbalance surcharges etc.) might be introduced on short notice

Ocean Freight Europe – North America

Ripple effects are expected with rate increases from Red Sea events



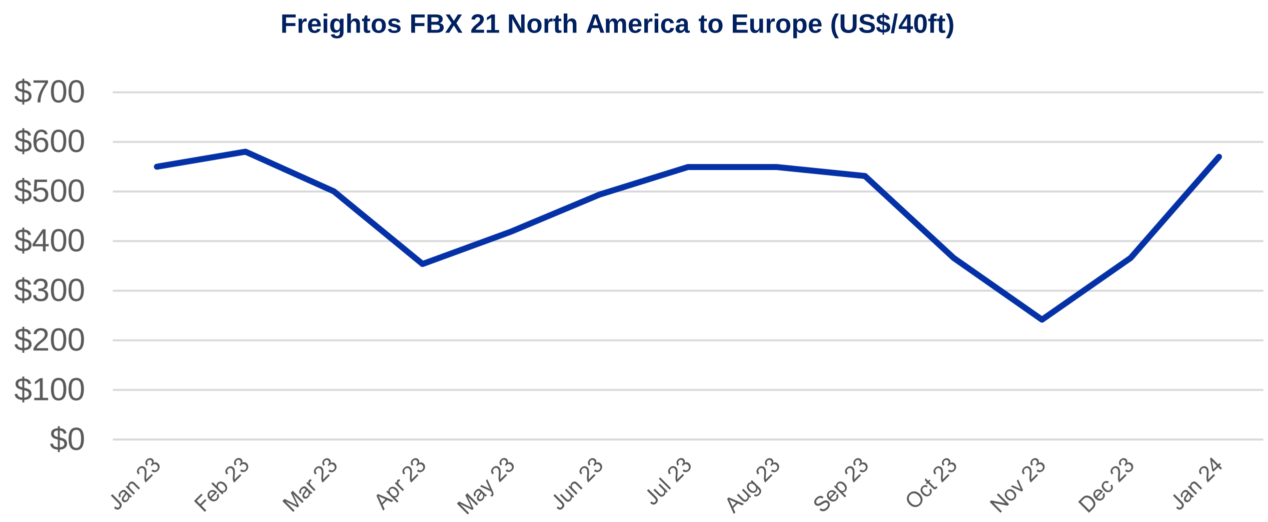
Source: Freightos Baltic W02-2024

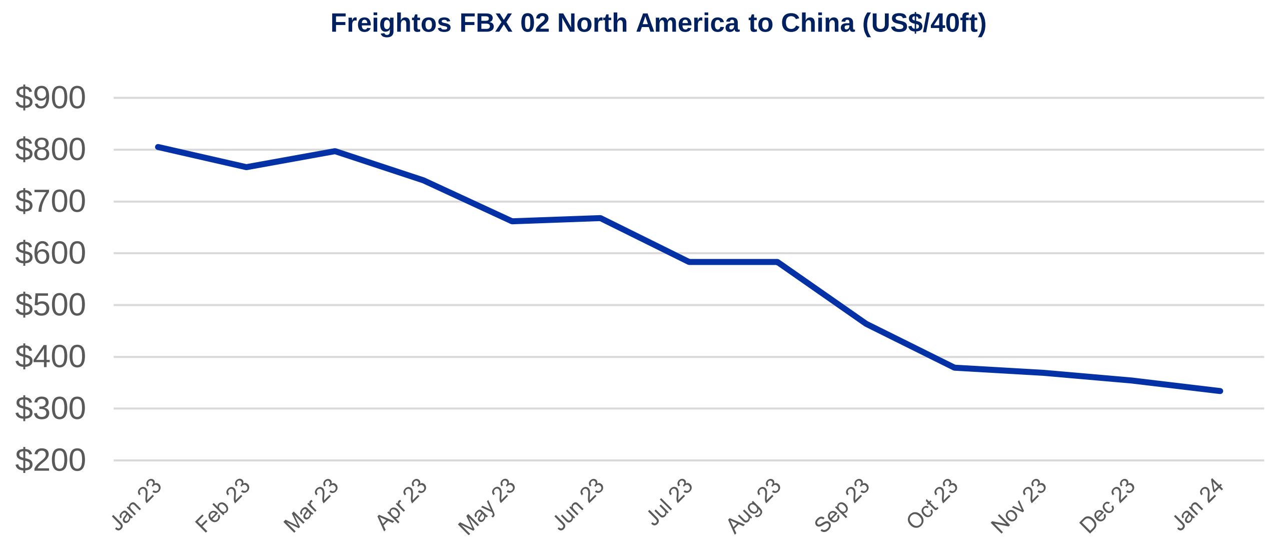
Freightos Baltic index (FBX22) Levels Week 02-2024:

- Rotterdam – New York: USD 1,200/ FEU
- Carriers are pushing on the Red Sea situation and announced rate increases on the TAWB as well (either through standalone emergency/contingency surcharges or by lifting their general ocean rates
- Rates had long been unhealthily low, so a bit of recovery seemed long overdue.
- It is not clear how far can go the rate increase

US outbound lanes

Rates are stable for the time being





Freightos Baltic index (FBX21) Levels Week 02-2024:

- New York - Rotterdam: USD 570/ FEU

- Soft market through December 2023
- Carrier preference to maintain quarterly rate reviews
- Service reliability at 70%

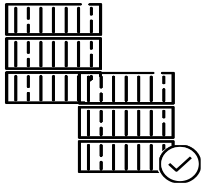
Freightos Baltic index (FBX02) Levels Week 02-2024:

- Los Angeles - Shanghai: USD 334/ FEU
- Soft and Stable market through December 2023, blank sailings might affect capacity
- Truck Power has stabilized

Source: Freightos Baltic W49-2023

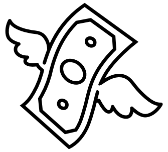
Intra Asia

Demand



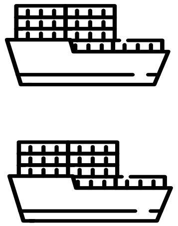
- The demand out of China is trending very strong. Various carriers reports space sold out for the month of January already as the shippers are increasing the output up to Chinese New Year. Utilizaton is above 100% with roll pools being created to keep the few
- The demand out of South-East have stabilized and we are seeing utilizations above 97% 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 higher demand vs a disrupted capacity supply is the new norm GRI’s/RR’s are widely implemented on the front haul lanes in the short sea market.
- Outbound CN – SEA rates are trading stronger and stronger up to Chinese new year and additional space is only available against premium rates. South East Asia – South East Asia is trending stronger as well as a result of rolling vessels and stronger outputs from China over the T/S hubs as Singapore. SCFI rates are up 30% The last month underlying the increase in rate momentum In the carriers favor.
- We recommend customers to make a quick decision for excess bookings as the rates are increasing on a daily and weekly basis up to CNY.

Supply



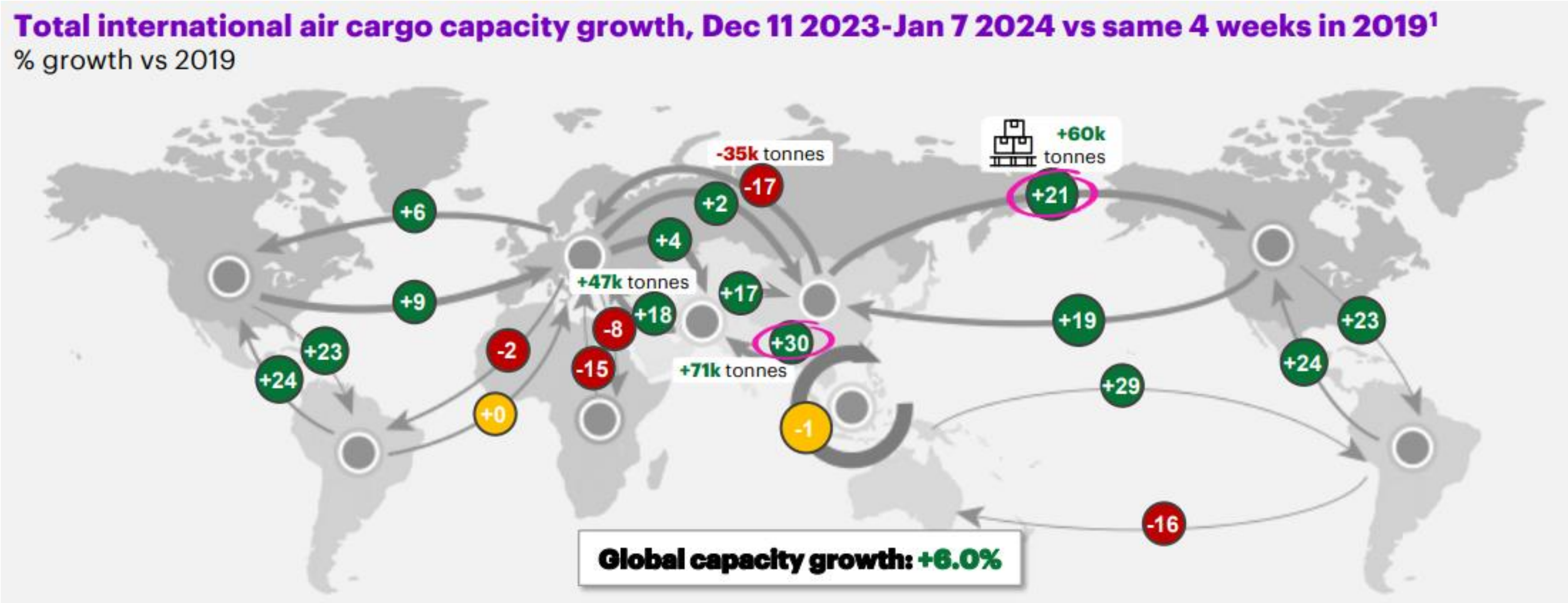
- Service reliability greatly affected by the continues port closures in Central and northern China as a result of the adverse weather conditions and strong wins. Waiting times are 2-3 days in Shanghai, Ningbo, Qingdao which is causing delays in every arrival and departure.
- Utilization is trending upwards as carriers are fitting the capacity better to the demand output which is resulting in GRI’s across various short sea corridors ex China in particular. The injected capacity is fully utilized for the short-sea corridors up to the Chinese New Year where most of the capacity Is blanked.
- 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.

Ocean freight market overview – Rates set to increase

TRADE LANE	COMMENTS	RATES AND SPACE
ASIA to Europe	• Carriers are implementing GRIs we see rates increases • Supply is not enough to cope with Chinese New Year • The problems in the Red Sea will remove capacity adding extra miles	
ASIA to NAM	• Rates are increasing including the Chinese New Year • Space is starting to become an issue • Panamá canal situation will be a long term issue and increase of rates to East Coast	
Europe to NAM	• Less congestion in both North American and European ports affects service • Ripple effect and situation with lack of space will start in coming months • Demand is stable	
Exports from India	• Space is starting to be tight • Big disruption on Red sea with shipping lines not calling Indian ports • Ports, terminals and ICD continue to work normally	
ASIA to LATAM	• Red Sea effects with problems of equipment • Cargo to East coast is strong and stable in West Coast • Congestion due to high volume in Brazil terminals	
INTRA ASIA	• Port congestion increased due to operational disruption • Cyber attack is still a problem in Australia has disrupted the ports • Rates are increasing	

Airfreight update

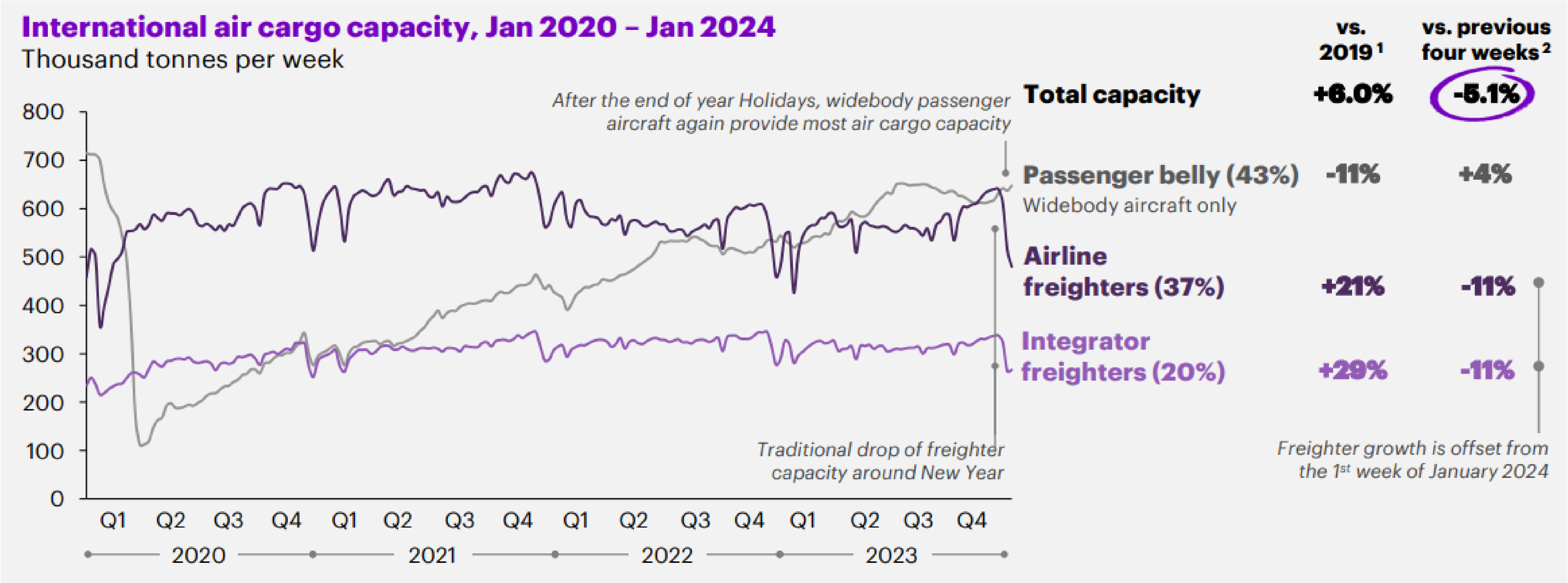
Global international air cargo capacity was up +6.0% (vs. 2019) between December 11th-January 7th in 2024



The strong absolute and relative increase of Transpacific and Asia-Gulf-Europe air cargo capacity over the past 4 weeks is largely driven by Ecommerce demand

Source: Accenture

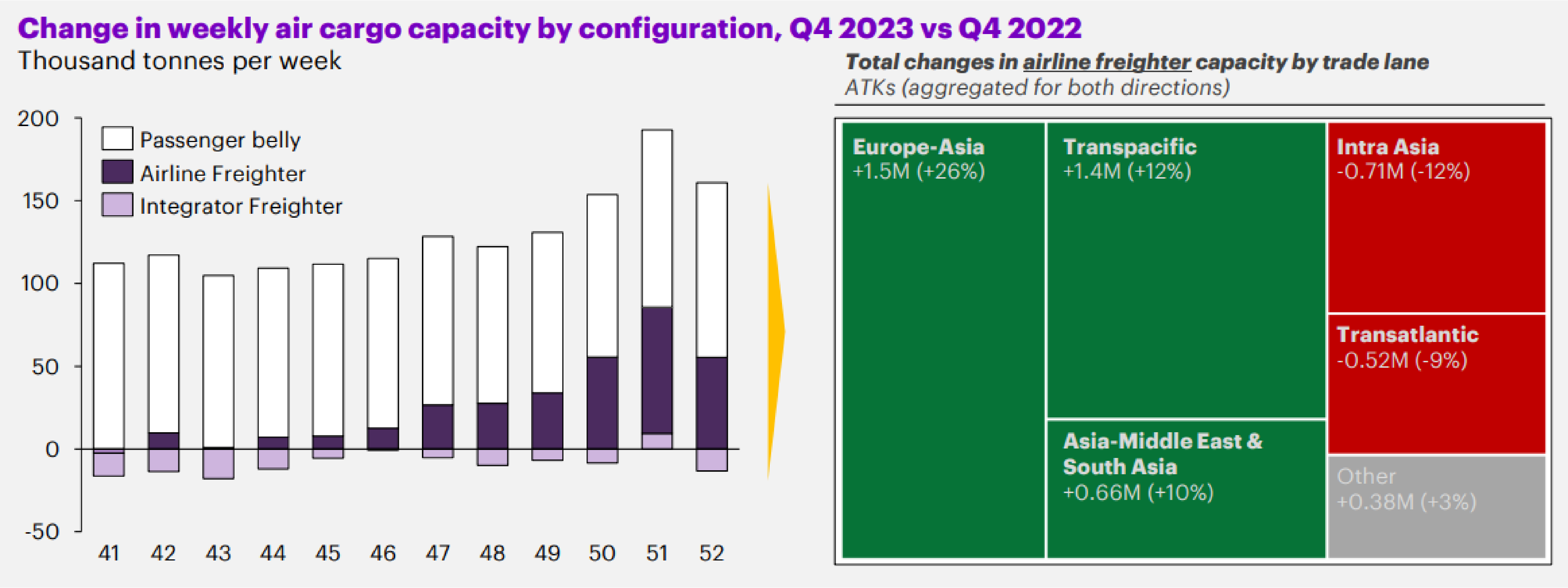
Global international air cargo capacity has decreased by -5.1% in the last four weeks (vs four weeks prior)



Airline freighter capacity recorded a pronounced strong Q4 2023

Source: Accenture

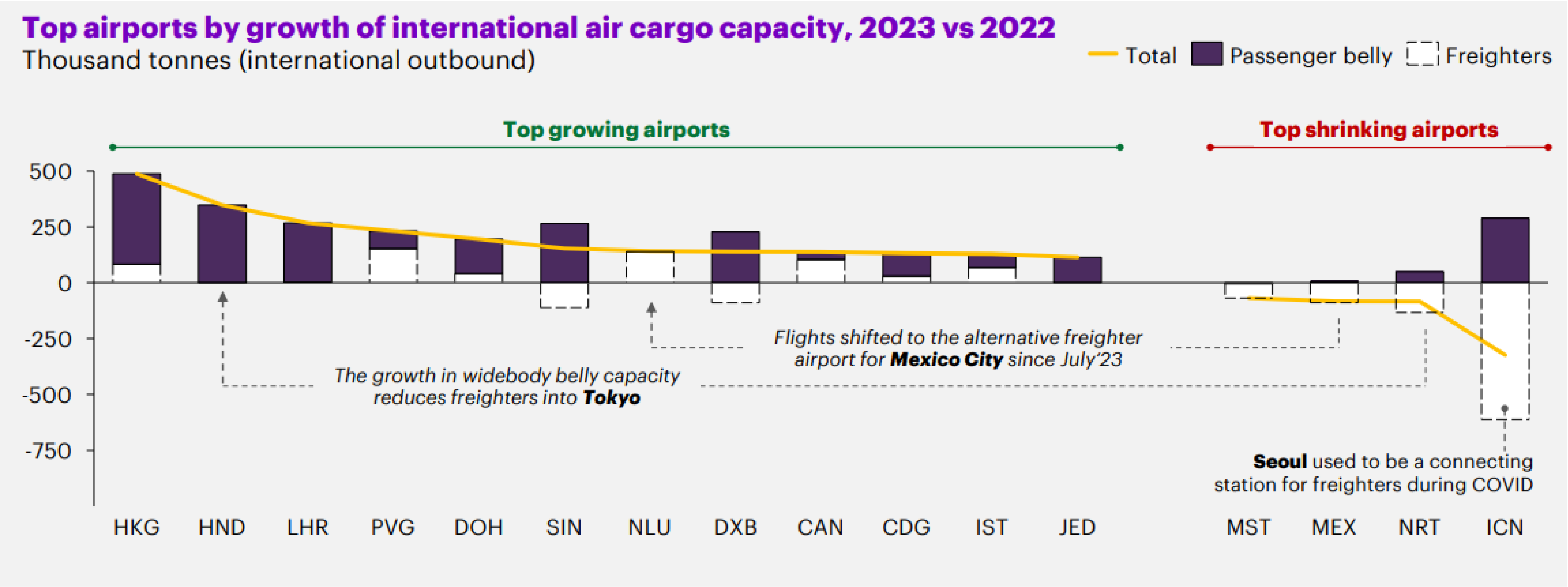
Airline freighter capacity increased strongly towards the end of year Holidays vs Q4 2022, mainly on Transpacific



The increase of widebody belly capacity in Asia reduced the need for freighters

Source: Accenture

Mostly major Asian and Gulf airports top the ranks of growth in international air cargo capacity over 2023



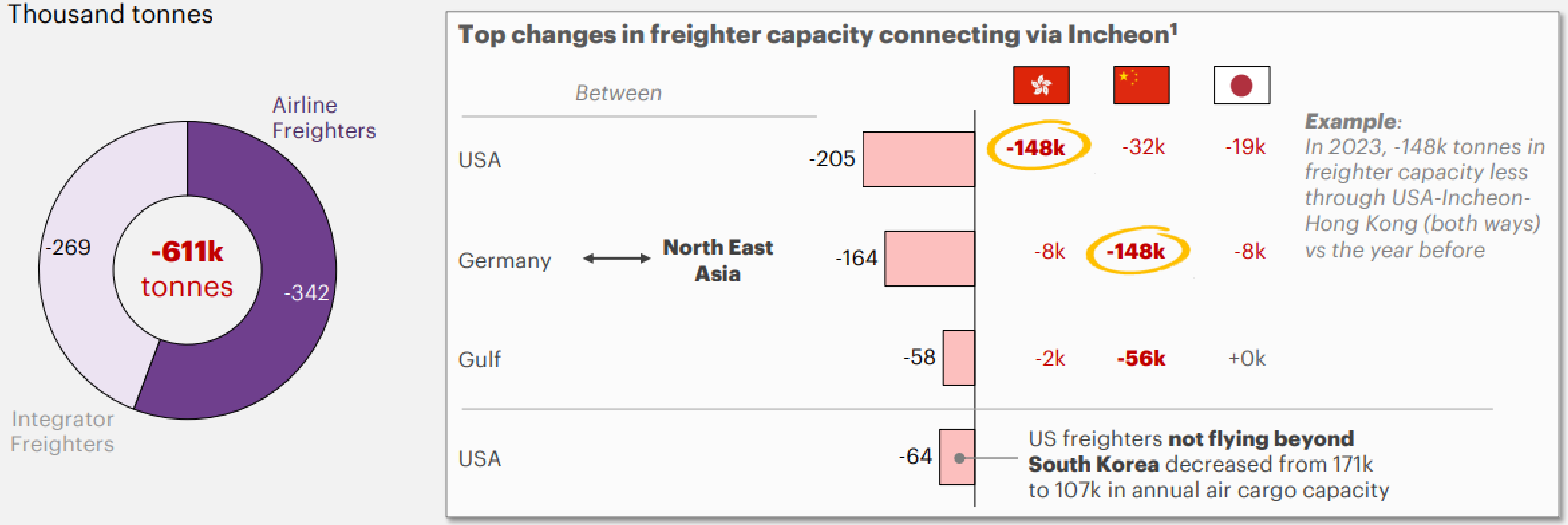
Hong Kong airport added ~400k tonnes of outbound passenger belly capacity in 2023

Source: Accenture

The 2023 decrease in freighter capacity at Incheon is mostly attributed to carriers from the US, Germany, and Gulf region

Total international freighter capacity decline at Incheon International Airport, 2023 vs 2022

Thousand tonnes



Incheon International Airport was used as a base for international freighters to serve the China/Hong Kong Market during COVID

Source: Accenture

Air freight market overview

Rates are slowly softening after the e-commerce large demand before holiday season

TRADE LANE	COMMENTS	RATES AND SPACE
Exports from China / Hong Kong	• For the time being there is no conversion on ocean to air by most of the shippers • We are starting to see the Chinese New year rush	
South East Asia	• End of the e-commerce campaign, no ocean conversion for the time being • More capacity being open of passenger flights both to Europe and North America	
Exports from India/Bangladesh	• Demand is low and supply is increasing • Capacity is recovering • Situation out of Bangladesh is normalizing	
Export from Europe	• Market is stable • A large amount of capacity has been added for the summer schedule by US and Europe airlines, and volumes and rates are both expected to rebound in Q3 with demand picking back up, driven by product launches	
Exports from NAM	• Export demand remains steady from all markets.US airports are running at a normal pace. Capacity is opening up further, especially into Europe	

Global Transport and Logistics