Market update

DSV Air & Sea

Nov 2024

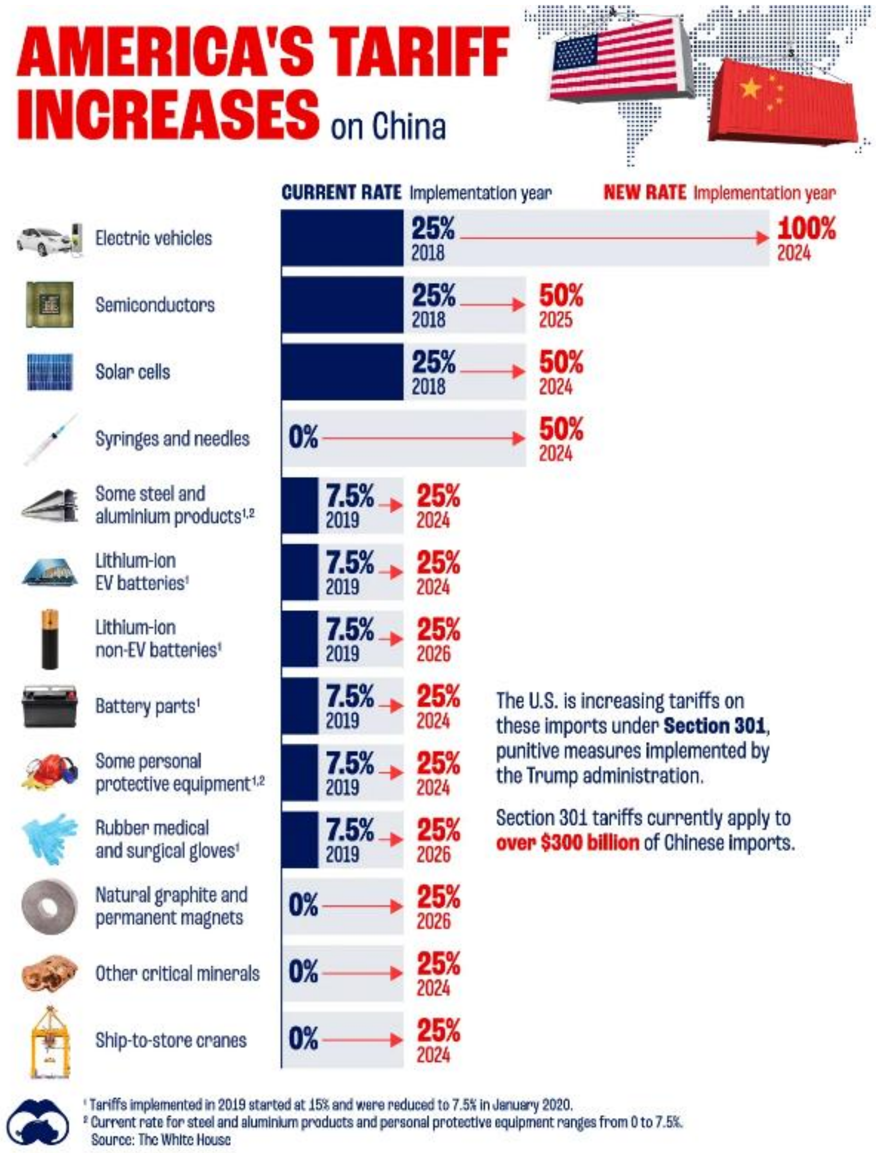
Global Transport and Logistics

General update

What to Expect: The Return of U.S. Tariffs as a Central Policy Tool

- Trade is expected to take center stage under President Trump's administration, with unilateral tariffs likely to become a primary lever in U.S. economic strategy. President Trump has consistently signaled his preference for tariffs, proposing measures that include a universal 10% or 20% tariff on all imports, and a substantial 60% tariff on goods from China.

- President Trump has also hinted at additional, situational tariffs, including a 200% tariff on imports from vehicle makers that relocate manufacturing outside the U.S., and a potential 100-200% tariff on Chinese automobiles made in Mexico. These heightened tariffs underscore President Trump's focus on reshoring U.S. manufacturing jobs, reinforcing domestic supply chains, and maintaining a trade balance favourable to the United States.



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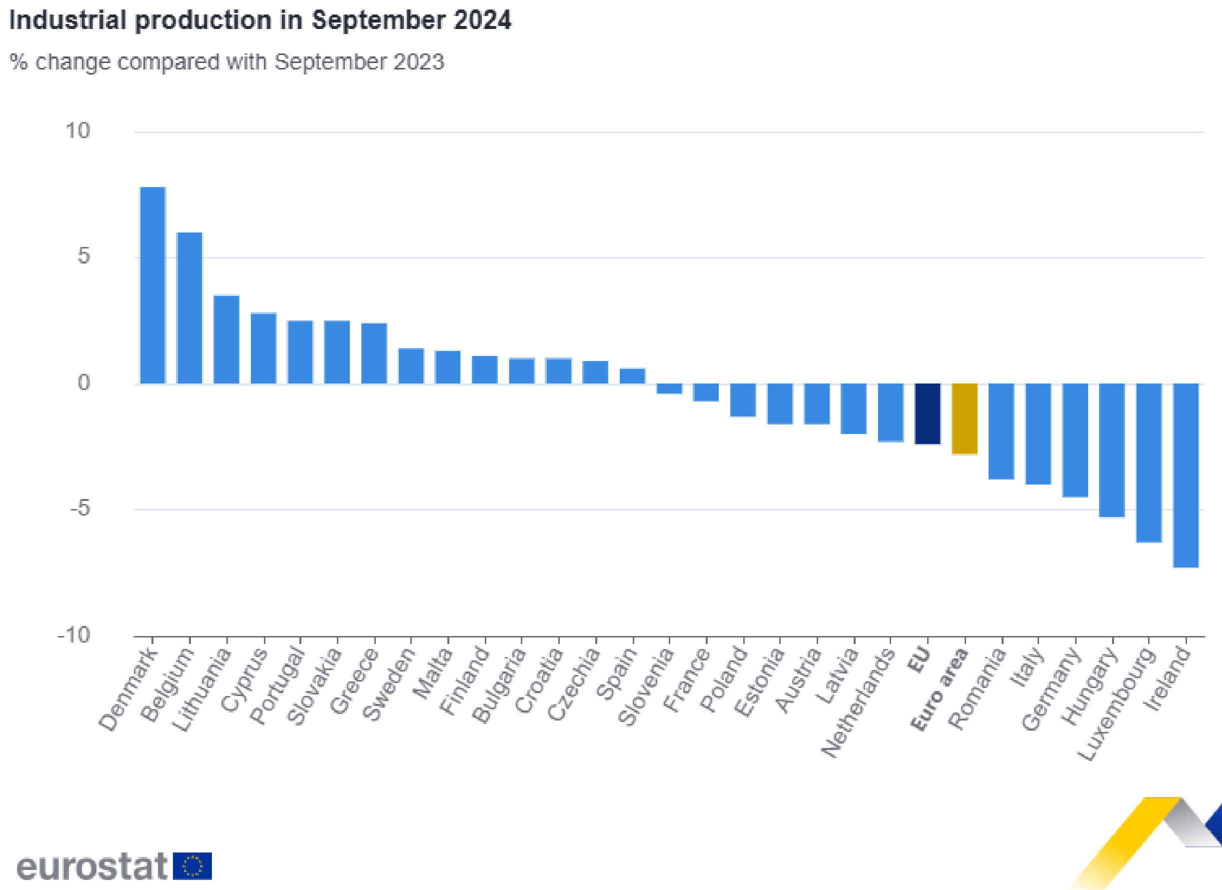
Eurozone Industry Falters Again as Trade Troubles Loom

- Eurozone industrial output fell in September, underlining the fragility of the currency area's economic recovery as exporters brace themselves for the possibility of higher U.S. tariffs.

- Total output decreased 2% across the 20 nations that share the euro, a sharper decline than was expected by economists, European Union data showed Thursday. Sliding 0.4% over the quarter as a whole, output marked a fresh downturn in an industrial sector that has struggled to gain a firm footing as it looks to recover from the energy shock sparked early in 2022 with Russia's full-scale invasion of Ukraine. Compared with January 2022, just before the invasion, production has fallen 6%.

- Many of Europe's industrial export sectors are struggling in the face of weak demand, including chemicals and chip makers, and several car makers and suppliers have begun planning reduced operations and layoffs.



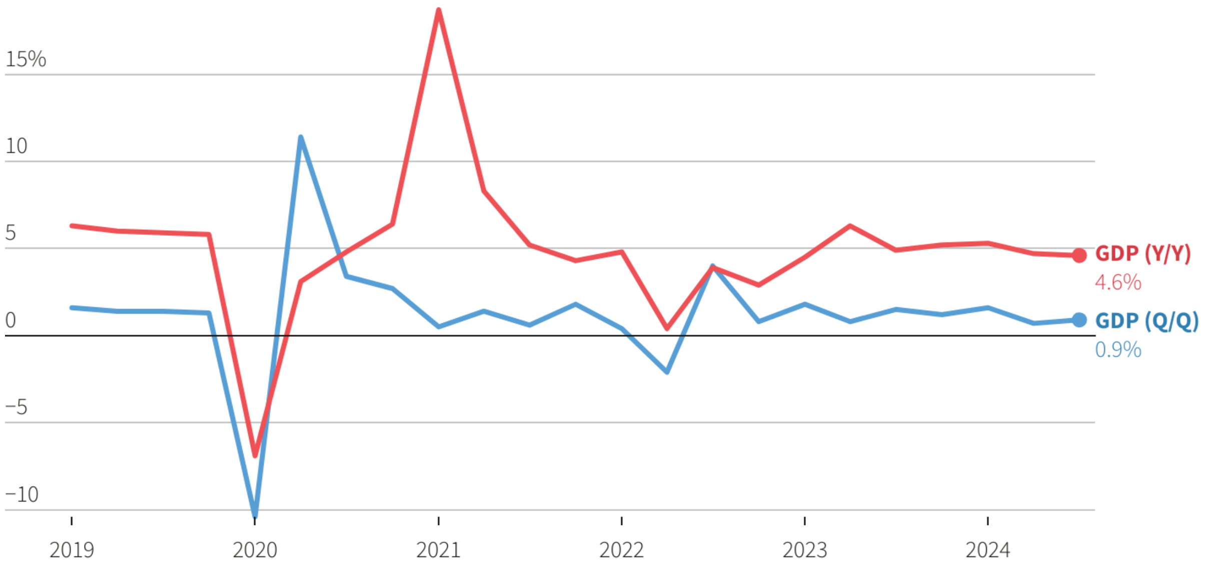
China's Economy Picks Up, but Still Needs More Help

- Chinese industrial production slowed slightly in October and the real-estate sector remained in a deep slump. But retail sales popped higher and investment in buildings, equipment and other fixed assets held steady.

- Industrial production slowed somewhat in October, rising 5.3% from a year earlier, compared with September's 5.4% year-over-year increase, the National Bureau of Statistics said.

- Most economists think China's economy is back on track to meet the government's goal of around 5% growth this year, after authorities in September cut interest rates and pumped up the stock market with pledges of financial support. Last week, they announced a $1.4 trillion plan to help cash-strapped local governments manage their swollen debts.

China GDP growth (missing 5% growth target)



Source: LSEG Workspace | Reuters, Oct. 18, 2024 | By Kripa Jayaram

Canada’s Government Intervenes to End Port Shutdowns

- Canadian Prime Minister Justin Trudeau’s government is stepping in to force the country’s major seaports to resume operations, ending lockouts on both coasts and pushing employers and labor unions into binding arbitration.

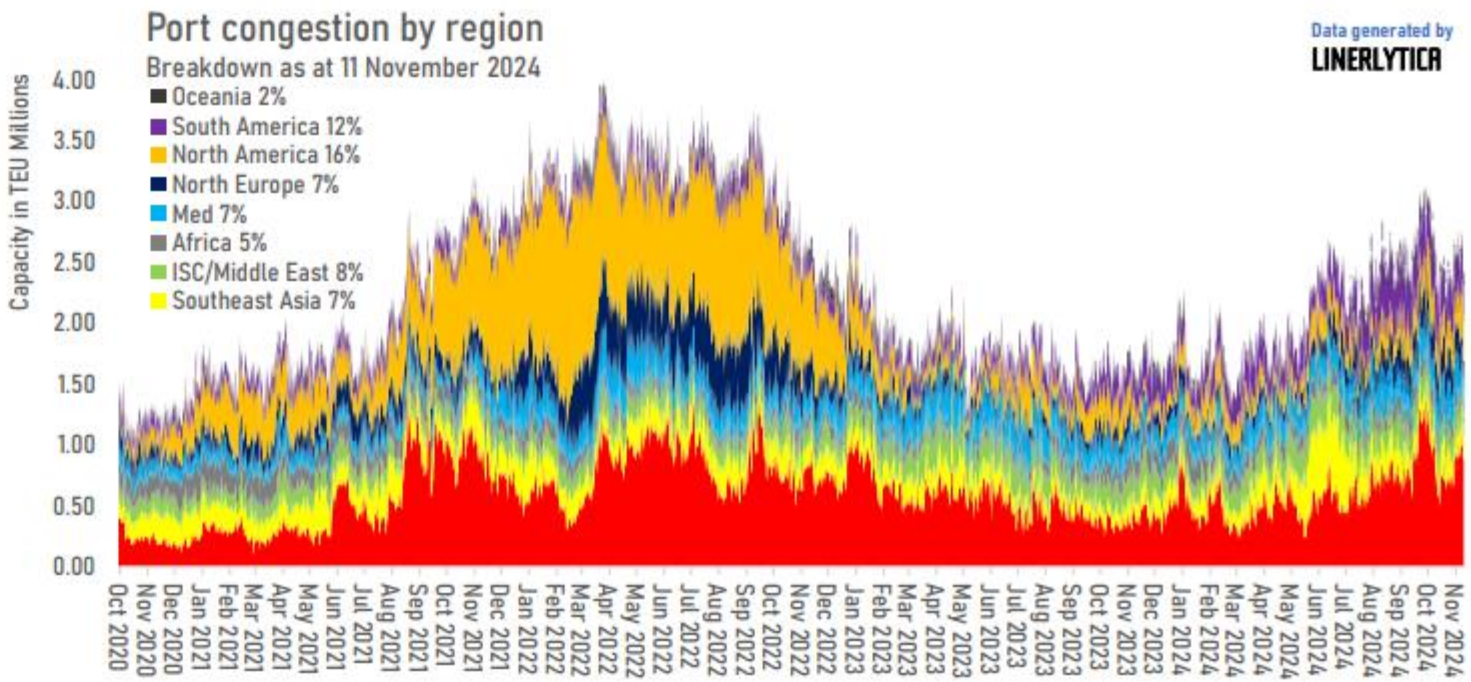
- The decision affects the Port of Montreal, the Port of Quebec and seaports on British Columbia’s coast including in Vancouver, the country’s busiest gateway for seaborne trade. Employer groups welcomed the intervention, though labor unions attacked the decision.

- The move marks the second time this year that Ottawa has intervened in a labor dispute after it forced Canada’s two big freight railroads into binding arbitration to end a brief shutdown of freight rail operations across the country.

- Queue of vessels waiting to dock in Western Canada was growing. Some carriers had started to divert ships to ports not affected by shutdowns, which would cause congestion and capacity issues at yards, leading to further delays and increased costs, the firm said.

Port Congestion & Port Disruptions

Global container port congestion increased at 2,40m TEU (7,8% of fleet)



- Global port congestion remains elevated through the past week with poor weather continuing to affect port operations in South China, with the escalation of the industrial action at Canadian ports has also worsened the congestion situation in North America.
- The port strike in Canada has halted operations at Vancouver and Prince Rupert, with the British Columbia Maritime Employers Association (BCMEA) locking out the dockworkers since 4 November. Although some of the affected ships are starting to divert to US West Coast ports, there are more than 12 ships currently waiting to berth.
- The dockworker strike at Montreal escalated with the initial work stoppage at terminals operated by Termont now extended to other terminals at Bickerdike, Cast, Racine and CanEst with rail operations also suspended.

Source: Linerlytica (November 2024)

ILA Breaks Off Negotiations Over Automation Issues for East Coast Ports

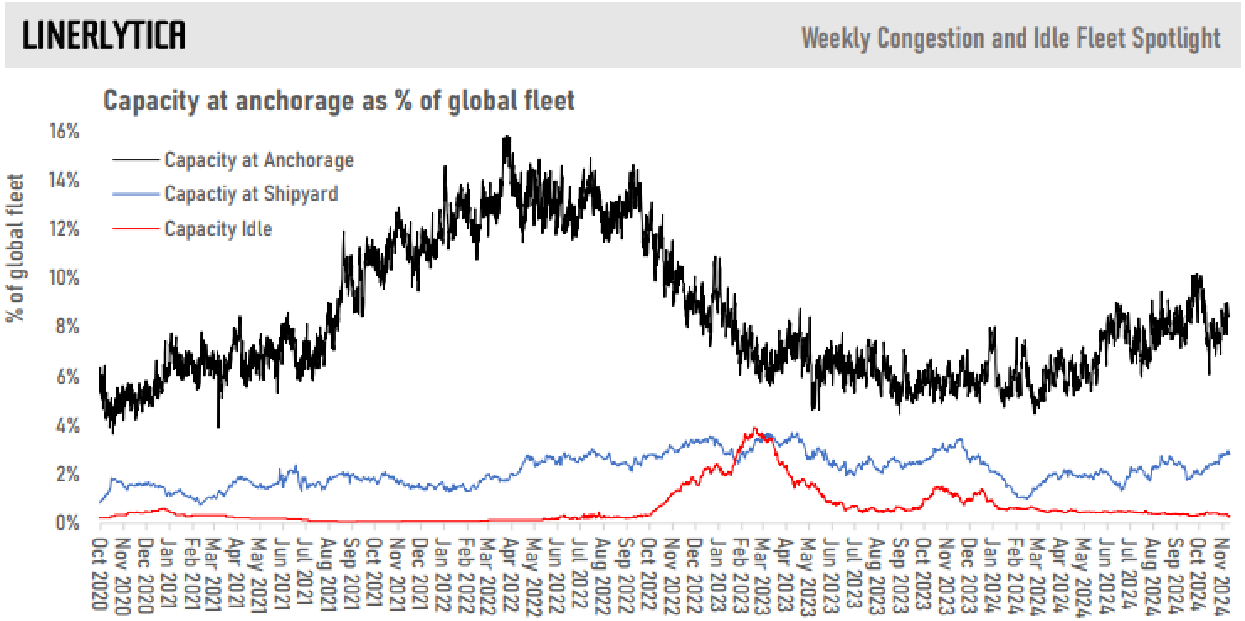
- The ILA is asserting that the employers "continued pushing automation and semi-automation language in its master contract proposals that will eliminate ILA jobs." The union says USMX introduced new language for semi-automated equipment to be used at the ports.

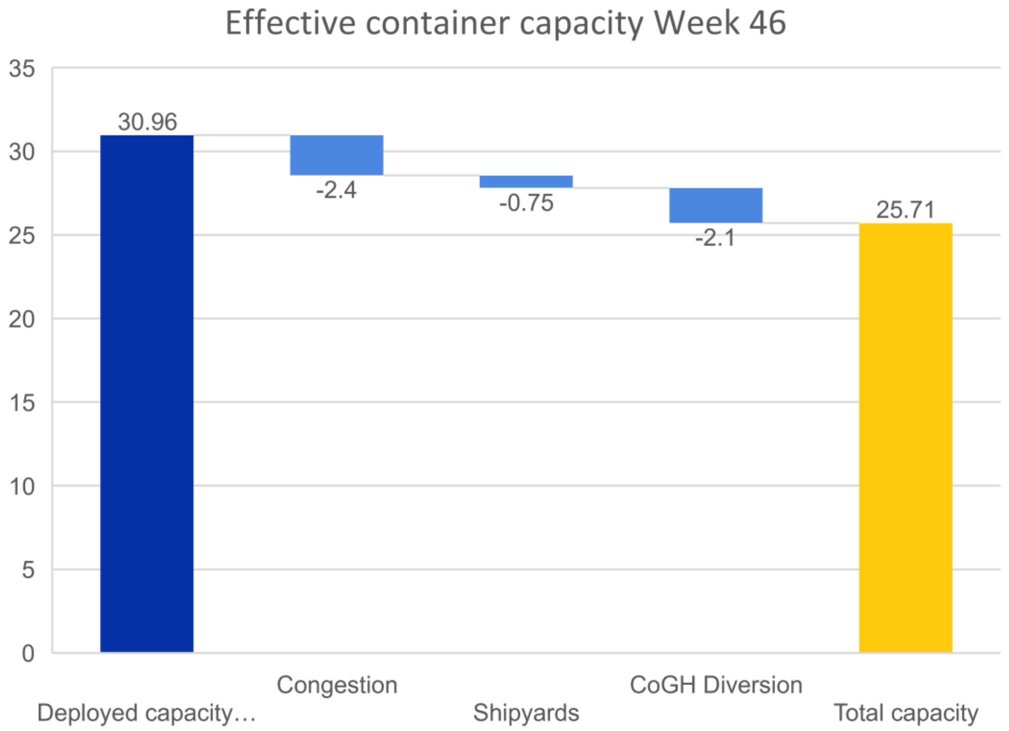
- The issue of automation was left unresolved when the ILA and USMX reached an agreement to end the strike with a 62 percent wage increase over six years. They agreed to extend the contract till January 15, 2025, to resume negotiations on the remaining issues including automation, healthcare benefits for members and retirees, work jurisdiction, and container royalties.

- The January 15 contract expiration is just five days before the U.S. presidential inauguration setting the potential stage for a longshore strike at the start of the new Trump administration. The Biden administration was supportive of the union and pressured the employers to increase the wage offer. Dagget says that President-elect Donald Trump "promised to support the ILA in its opposition to automated terminals."

Source: The Maritime Executive

Despite of +200K TEUs added of new vessels, active capacity remains at 25,71 M Teus





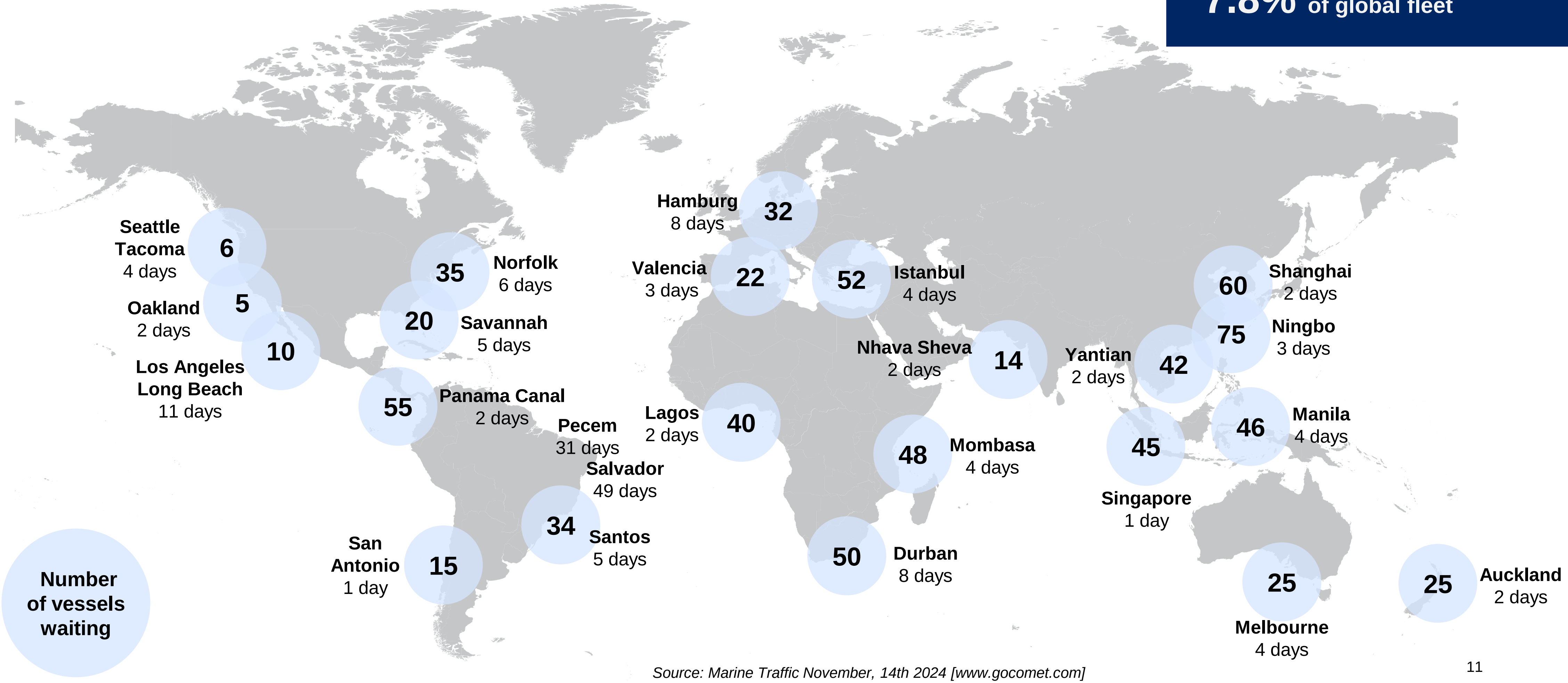
25 new ships were delivered last month adding 217,185 Teu of additional capacity and only 3 ships with 6,177 Teu being scrapped last month

Global port congestion

Port Congestion Week 46:

2,40m TEU

7.8% of global fleet



Source: Marine Traffic November, 14th 2024 [www.gocomet.com]

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Ocean update

Market predictions for 2025

Demand: Demand to grow by 4% in 2025. Total demand break though 180m TEU
Massive demand growth from China to Mexico expected to continue

Capacity: Fleet growth to slow to 4.5% in 2025, less than half the growth in 2024
Global ocean container shipping fleet to hit 32.7 million TEU by the end of 2025

Drop of spot rates:
We see a large gap between spot rates and long term rates, we can foresee a drop in demand after CNY

Impact of Red Sea on Teu-mile demand
Large-scale return to Red Sea demand reduce by 11% in 2025
Partial return to Red Sea change of between +3% and -11%

Break up of alliances
Less capacity to manage supply
Best carrier network will vary tremendously from trade to trade
OCEAN Alliance has most capacity and service loops in 2025

2025 will be another year of significant market events

1. USA East Coast: Contract extended until Jan 15th

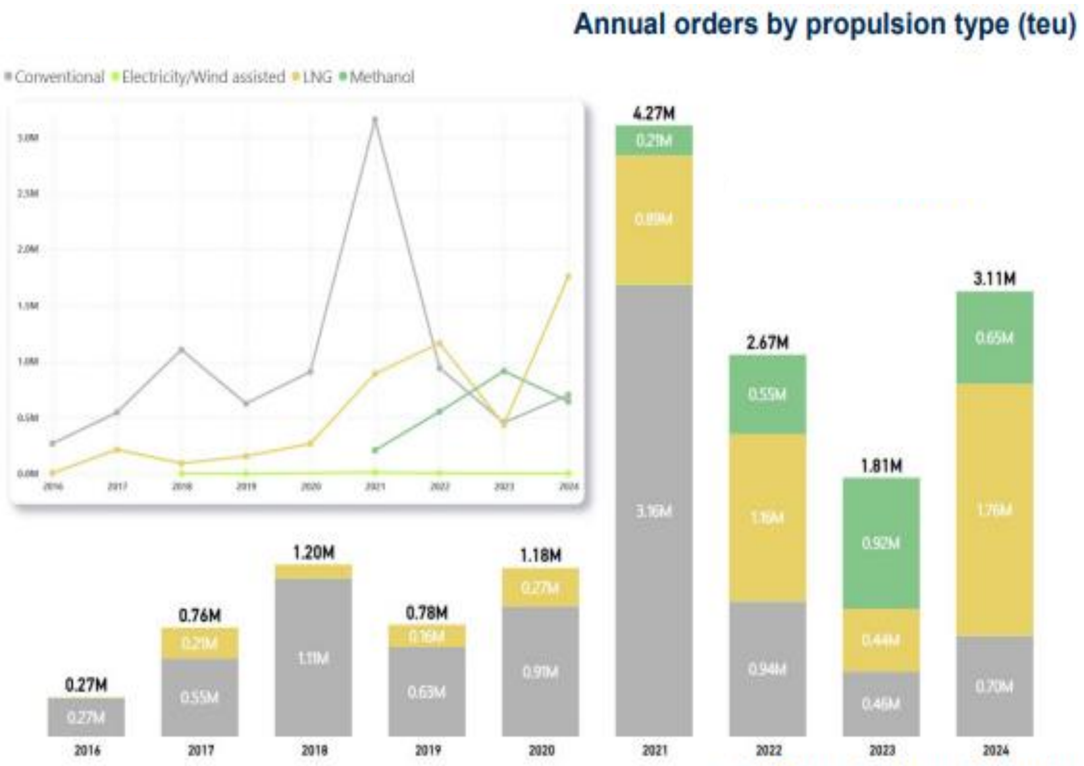
2. Conflict in the Middle East: 30% of Container traffic transit the suez canal

3. Conflict in Ukraine: Russia still accounts for 12% of global production

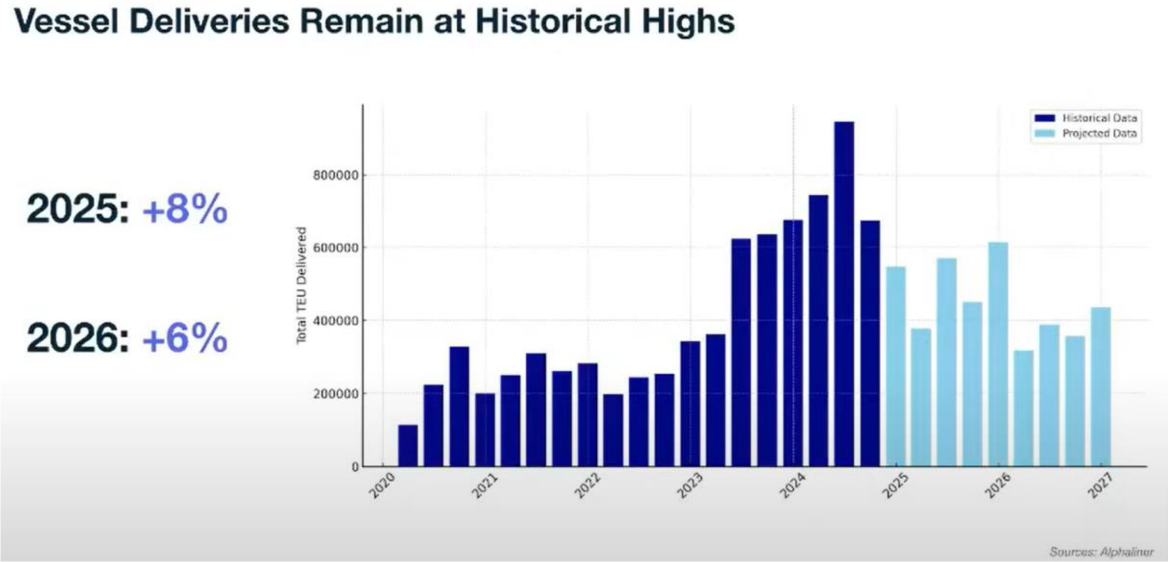
4. China – USA: Continue challenges and election

5. New Alliances: Gemini changing concept to connect

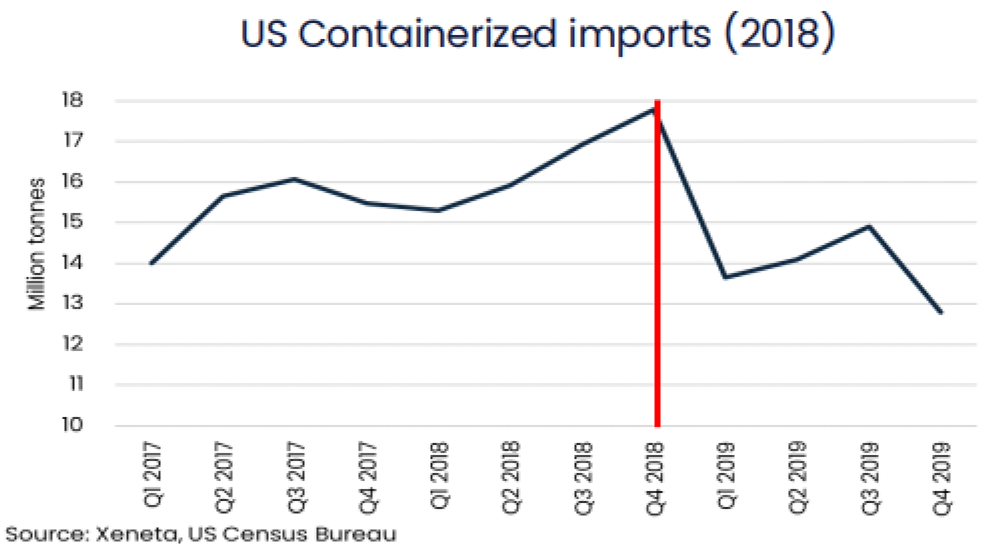
Container orderbook is now 8 million TEU, breaking the record during the pandemic years, current orderbook is 26% of current capacity



© Alphaliner database 14 October
LNG/Ammonia/Methanol-"ready" capacity grouped under Conventional propulsion



What can we learn from Trump's first term in office?



Source: Xeneta

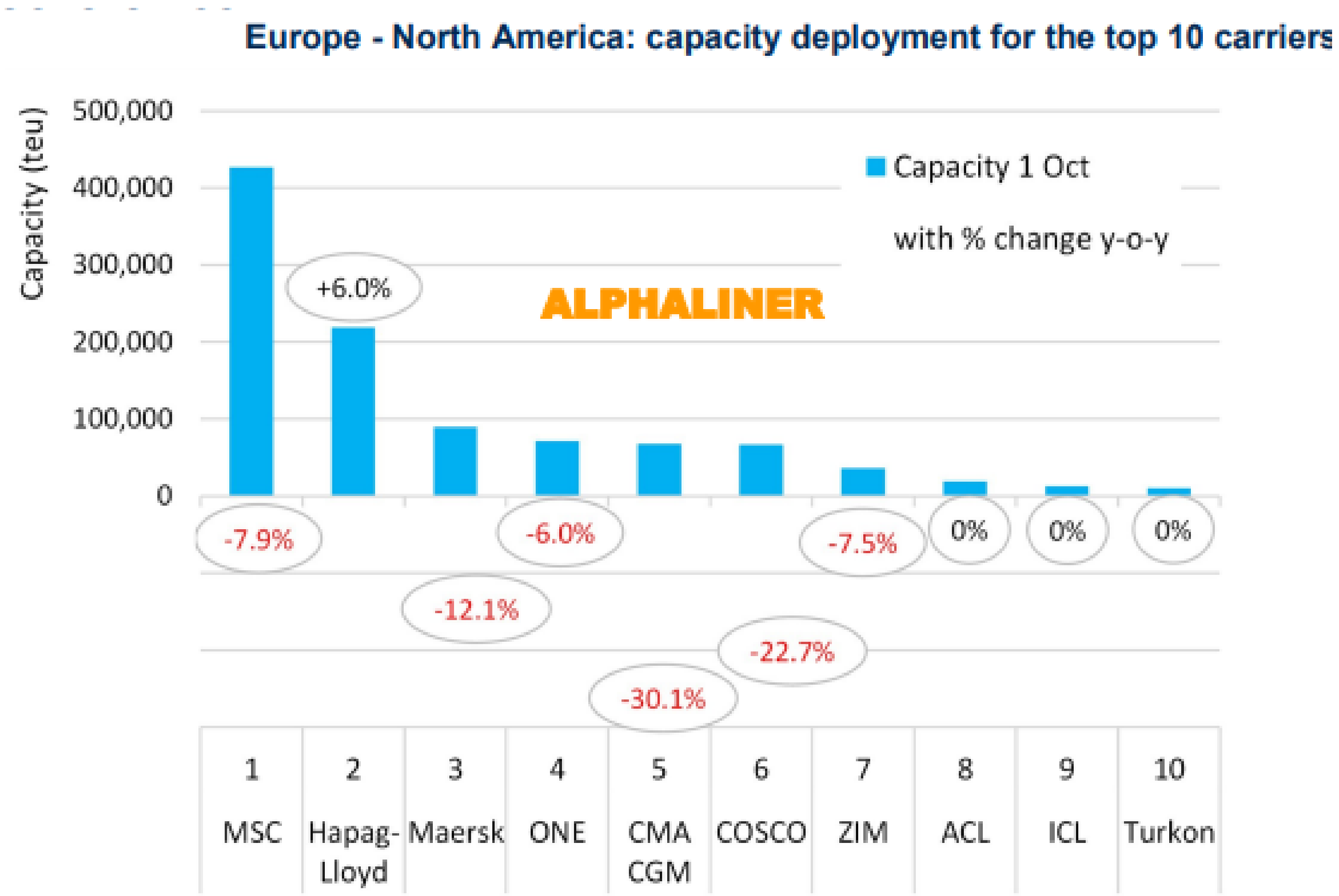
Back in 2018, Donald Trump escalated the US-China trade war through new import tariffs. Xeneta data shows this resulted in ocean container shipping freight rates spiking more than 70%.

US importers and exporters will be fearing more of the same this time around and higher tariffs will place upward pressure on ocean container shipping rates. But it would be unwise to assume an exact repeat of 2018, because there are key differences between then and now.

Will frontloading be at the same level as 2018?

There is likely to be a frontloading of imports this time around compared to Trump's first tariffs in 2018, if new tariffs are being implemented.

Most Transatlantic top 10 carriers have reduced capacity



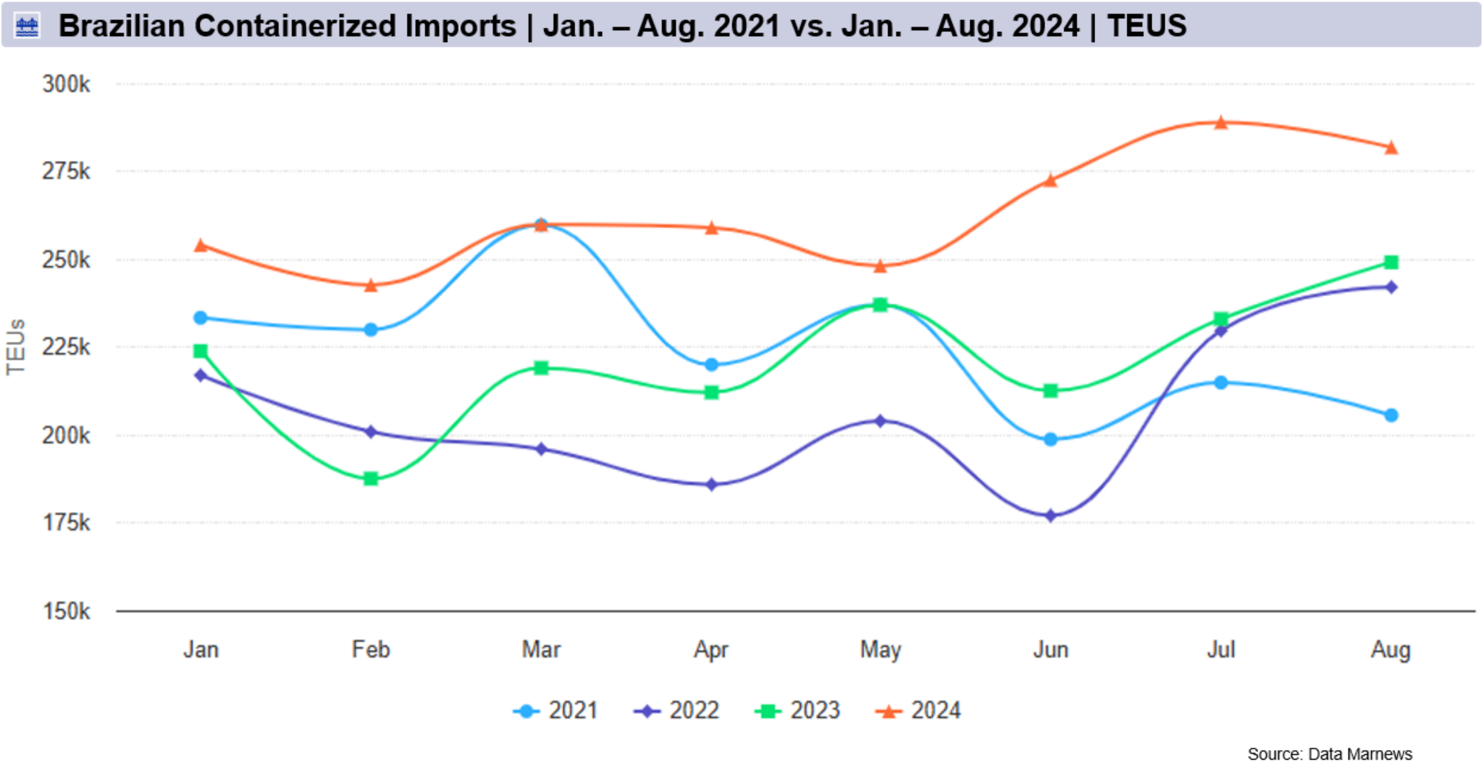
CMA CGM (-30.9%) and COSCO SHIPPING Lines (-22.7%) have percentagewise withdrawn the most tonnage from the North Atlantic.

Evergreen normally also provides one ship to the Ocean Alliance 'TAT2',but temporarily withdrew the 9,466 teu EVER LIVING in July. After filling a gap in an Asia – North Europe loop, the ship will rejoin the Transatlantic on 31 October

Hapag-Lloyd is the only carrier which increased its Transatlantic fleet, adding 12,500 teu (+6%) over the past twelve months. The German operator in fact now deploys two more vessels on the trade. This tonnage was not previously available in 2023 due to capacity demands elsewhere on the network.

Maersk will replace the current 2M services by new Gemini Cooperation loops in partnership with Hapag-Lloyd. The German carrier leaves THE Alliance, but will continue its cooperation with ZIM bettween the Med and North America.

Brazil import TEUs hitting record year for 2024

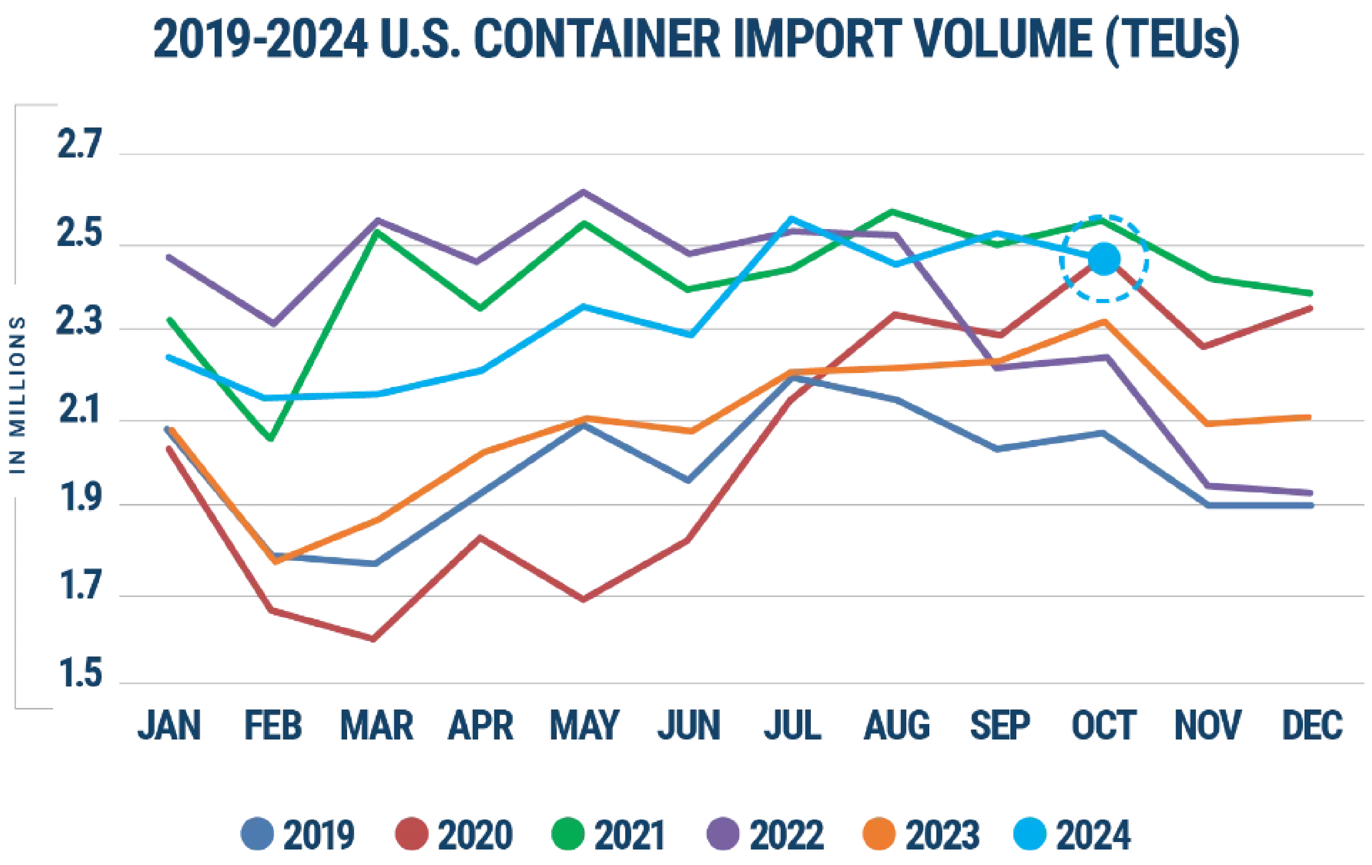


In the first nine months of the year, Brazil imported a volume 19% higher than that between January and September 2023.

China was the main source of Brazilian imports, having sent a volume 29.7% higher to our country in the first nine months of 2024 compared to the same period in 2023, followed by the United States (+22%) and Germany (+8.2%).

The most imported product via containers by Brazil in 2024 was plastic, with a volume received in the first nine months of 2024 28.2% higher than in the same period in 2023, followed by reactors, machines and boilers, whose imports were 14.5% higher in the same comparison. Considering only the month of September, the increase in imports was 17.9% compared to September 2023.

US: October volumes remain elevated, Second highest month of October in history despite less volume than in September



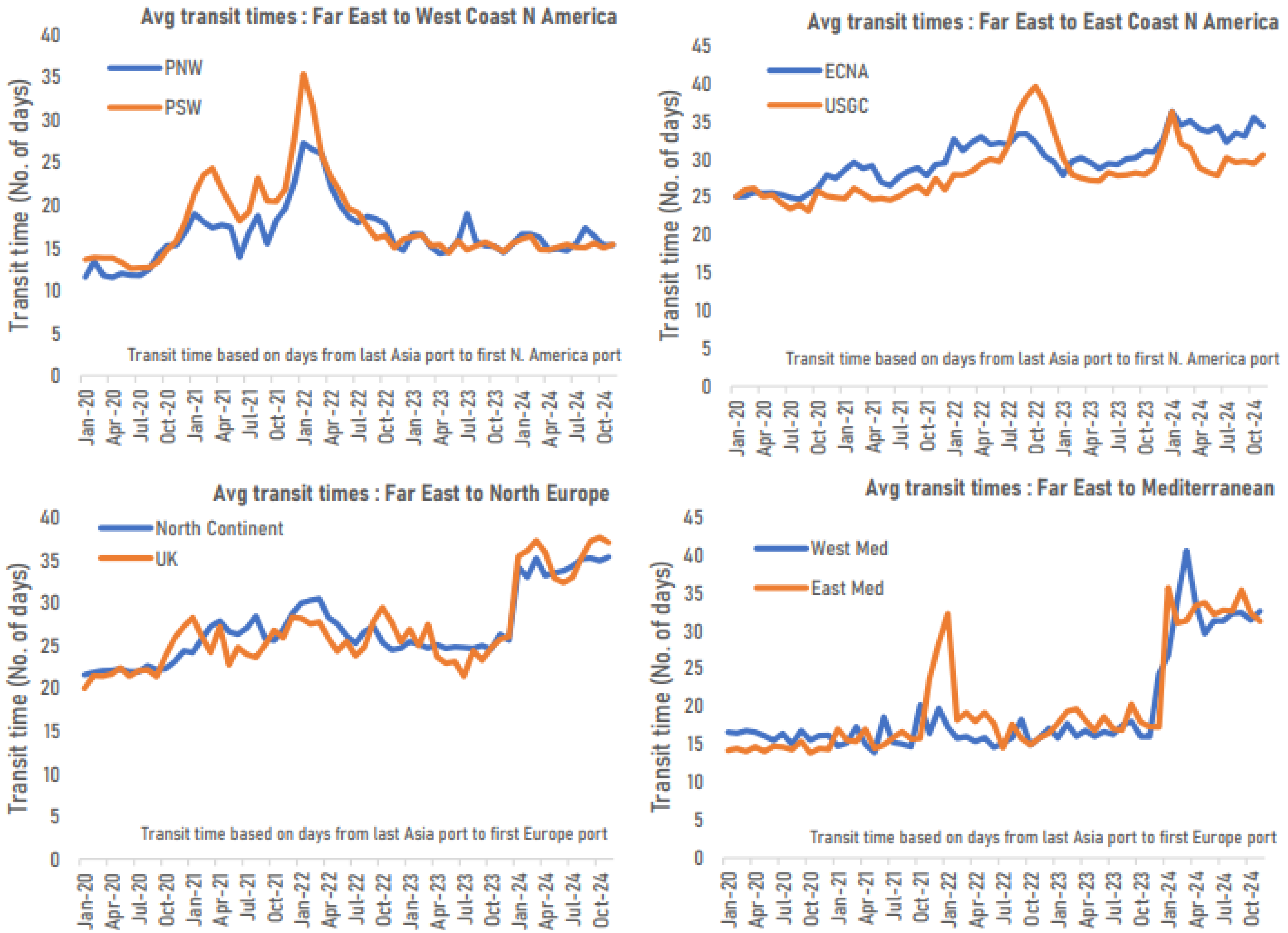
At 2,494,635 TEUs, October 2024 volumes were up 8.1% over October 2023 and 20.5% over pre-pandemic 2019.

For the first 10 months of 2024, **volumes grew by 13.1%** over the same period in 2023 and by 16.9% over the same period in 2019.

By contrast, volumes for the first 10 months of 2023 grew by just 3.4% over 2019, underscoring again the impressive performance of container imports in 2024.

Compared to September 2024, October volumes were down by 1%. While modest, this decrease reverses the trend seen in each of the previous six years where import volumes increased from September to October due in part to October being one day longer and having no major holidays

Stabilization of transit times



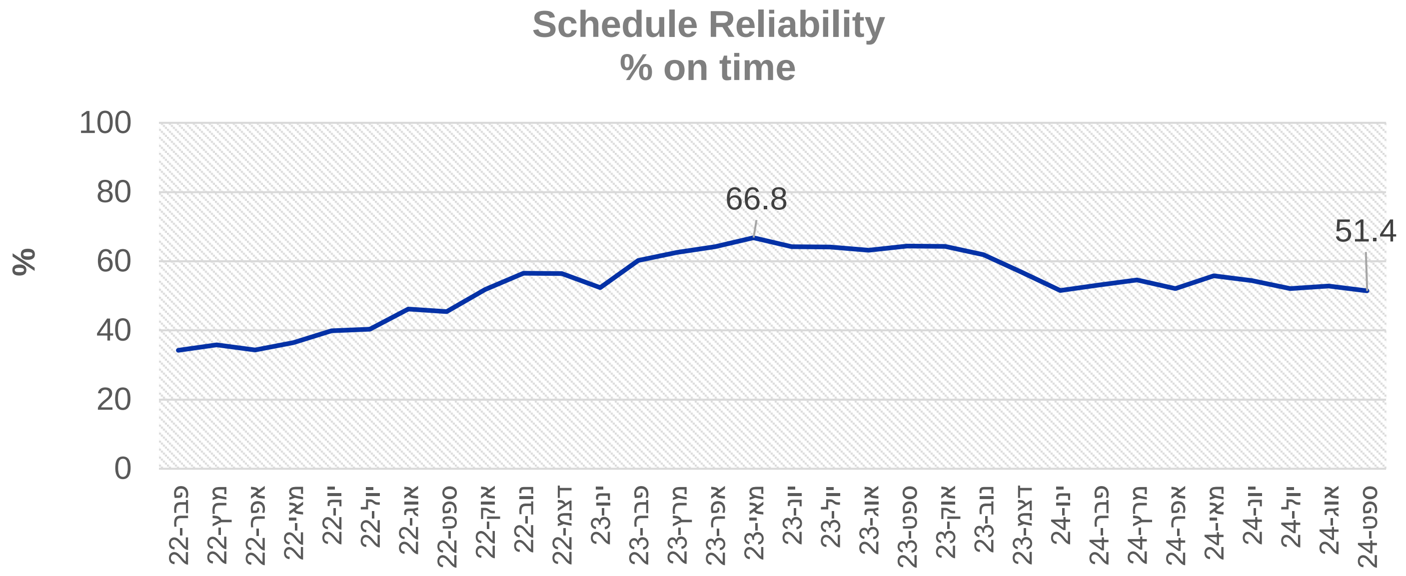
Source: Linerlytica (November - 2024)

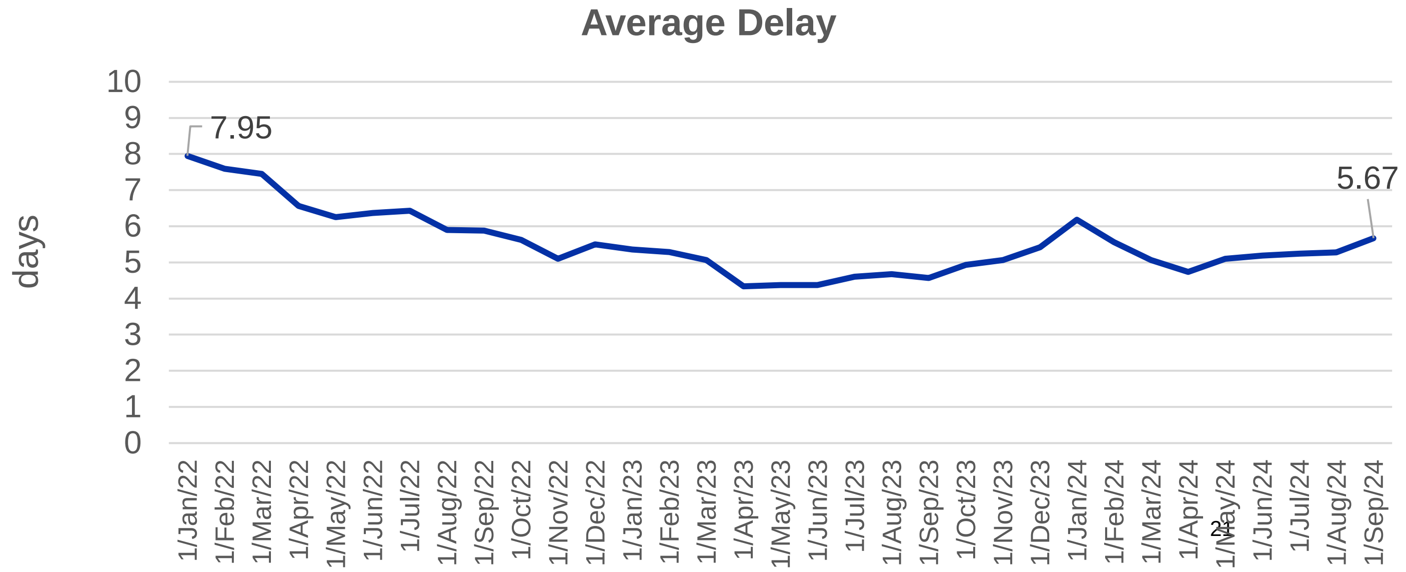
Carrier Performance

Reliability at **51.4**% on September

Global reliability continued to decline slowly and is now at the lowest point seen in 2024 after the impact of the Red Sea crisis.

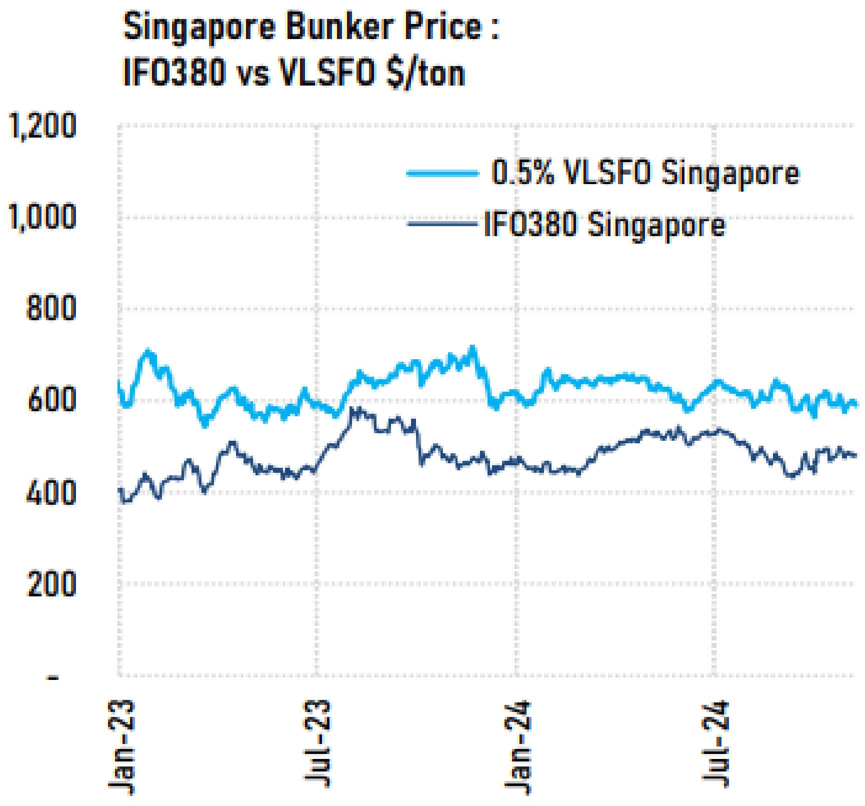
At the same time the duration of vessel delays increased to the 2nd highest level seen since the outbreak of the crisis, only superseded by the delays seen in January 2024.

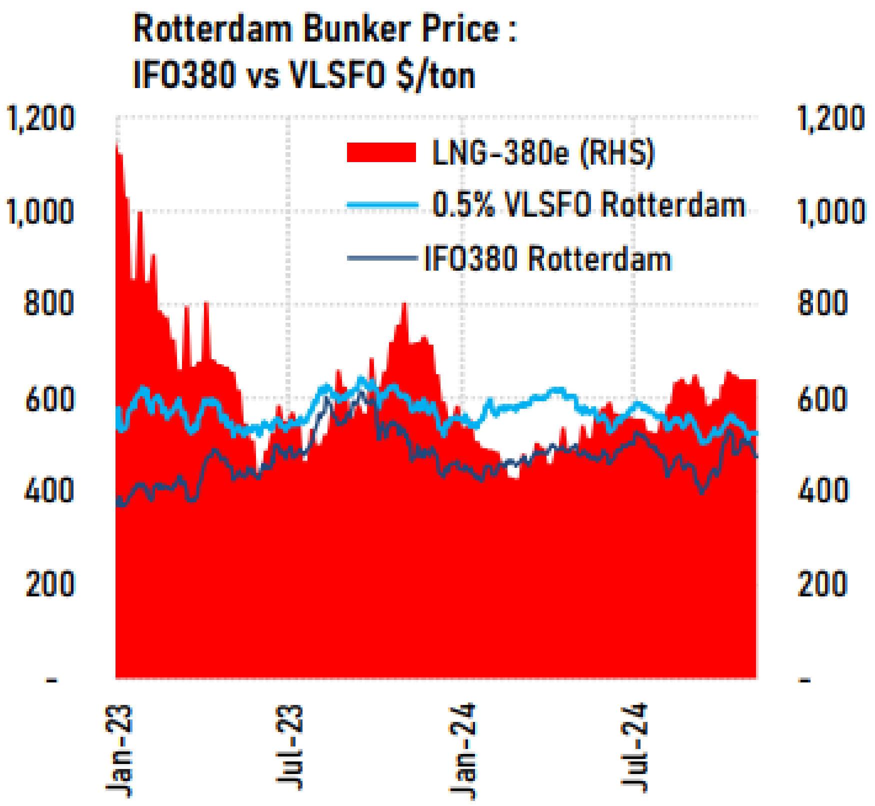




Source: Sea-Intelligence Maritime Analysis - Global Liner Performance Report Sep 2024

Oil prices are down, and the spread between IFO380 and VLSFO is being reduced to $44 -$115 per ton (smaller scrubber advantage)

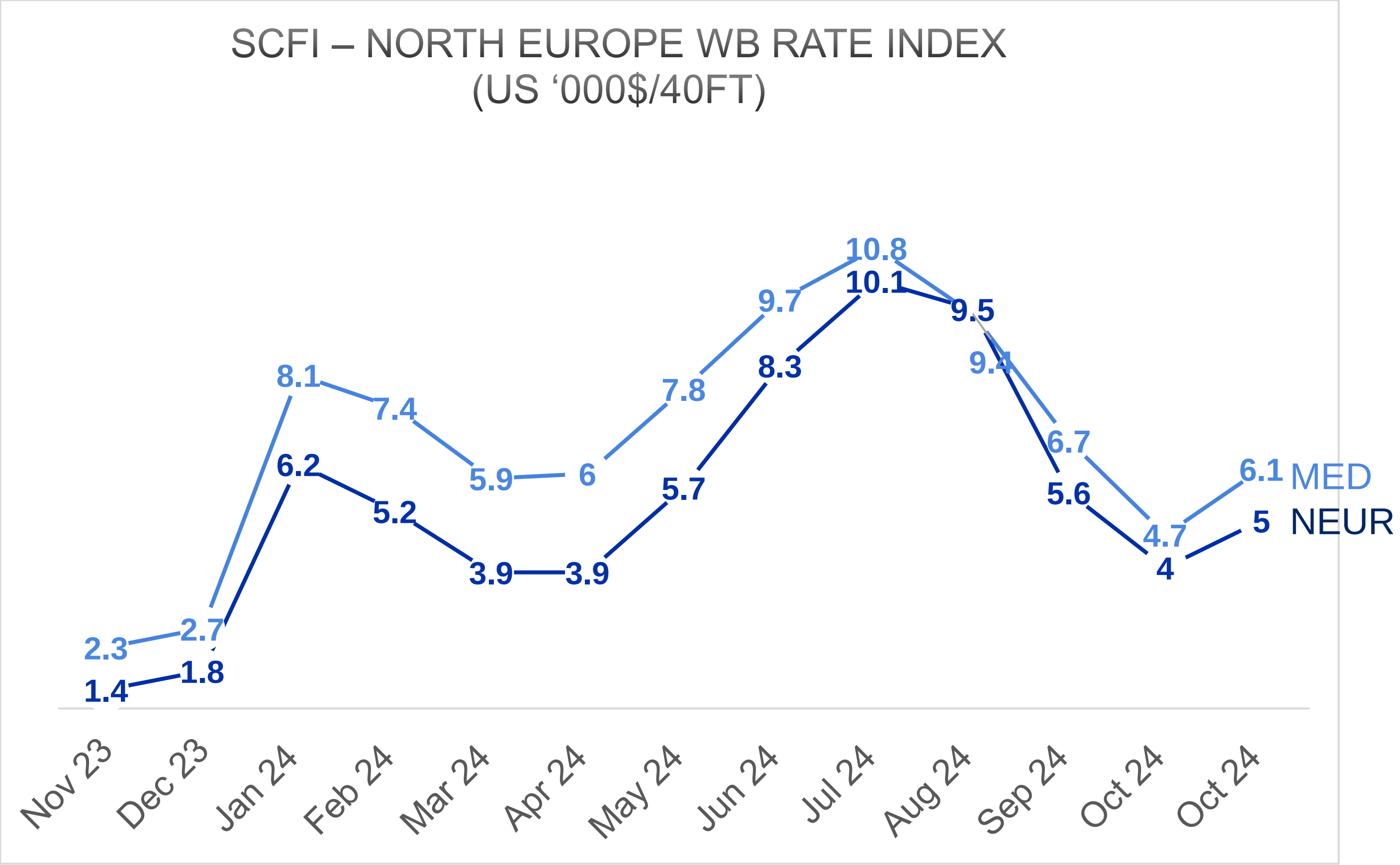




Source: Ship&Bunker - LinerLytica

Ocean Freight Asia - Europe

Blank sailings are keeping low capacity available and carriers are pushing for increases



Source: SCFI Week 45-2024

Increases in the short term

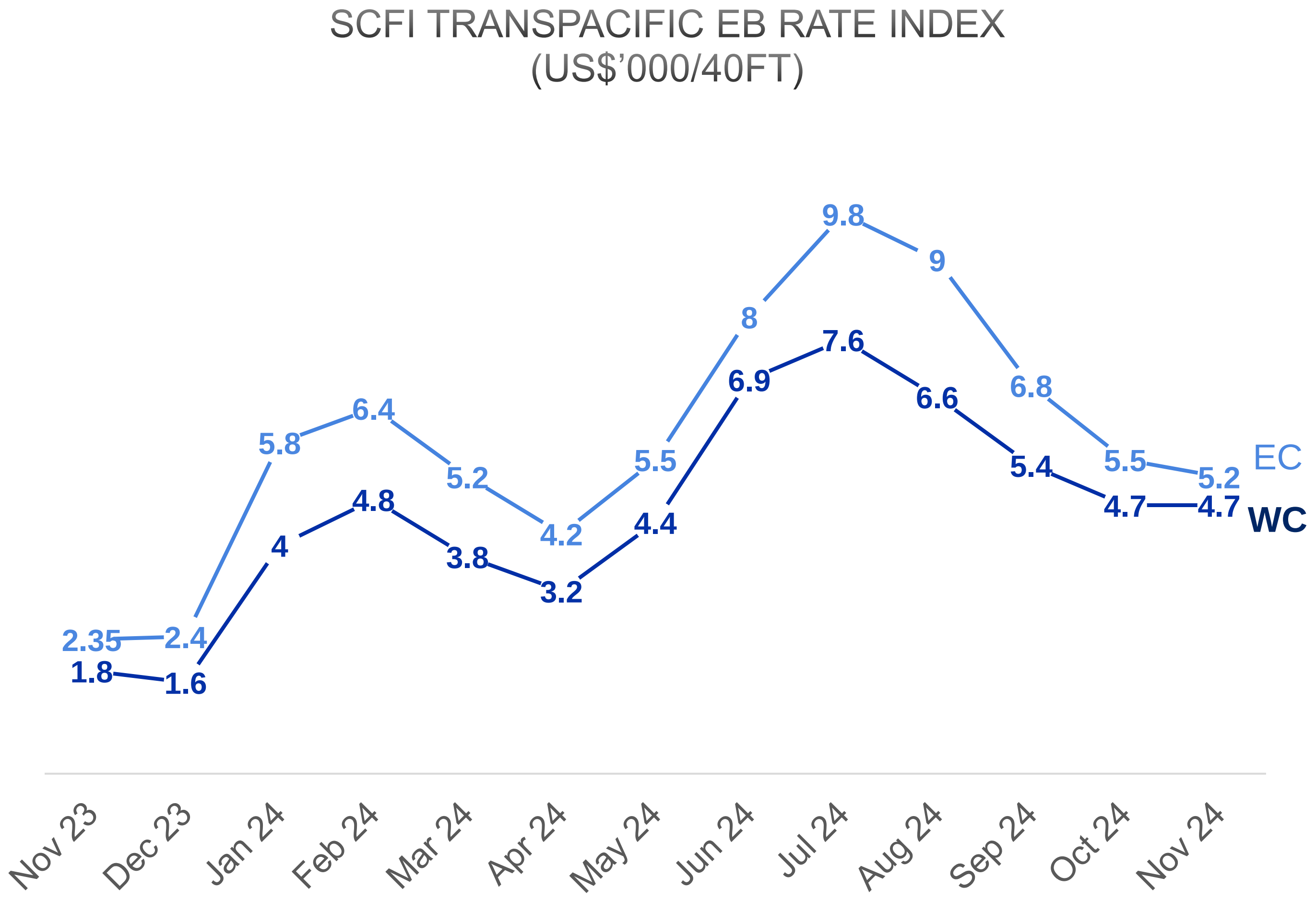
SCFI Levels Week 45-2024:

Shanghai – North Europe: USD 5,082/ FEU
Shanghai – Mediterranean: USD 6,110/ FEU

- Space will remain tight in the second half of November due to ongoing blank sailings and a continuously growing roll pool. With bookings being deferred to avoid arrivals during the Christmas and New Year holidays in Europe, the November GRI may not materialize, and carriers are instead preparing for a December increase.
- Another slight increase in SCFI is expected in the coming week, with rates likely stabilizing or decreasing based on December GRI developments.
- Equipment shortages are occurring sporadically at major ports in China but remain manageable. For those needing firm space with earlier estimated times of departure (ETDs) or specific service and transit times, premium options are available.

Ocean Freight Asia - North America

Volumes are high on potential ILA strike on January 2025 and tariff increases



Source: SCFI Week 45-2024

Volumes from Asia remain strong.

SCFI Levels Week 45-2024:

Shanghai – US West Coast: USD 4,729/ FEU
Shanghai – US East Coast: USD 5,281/ FEU

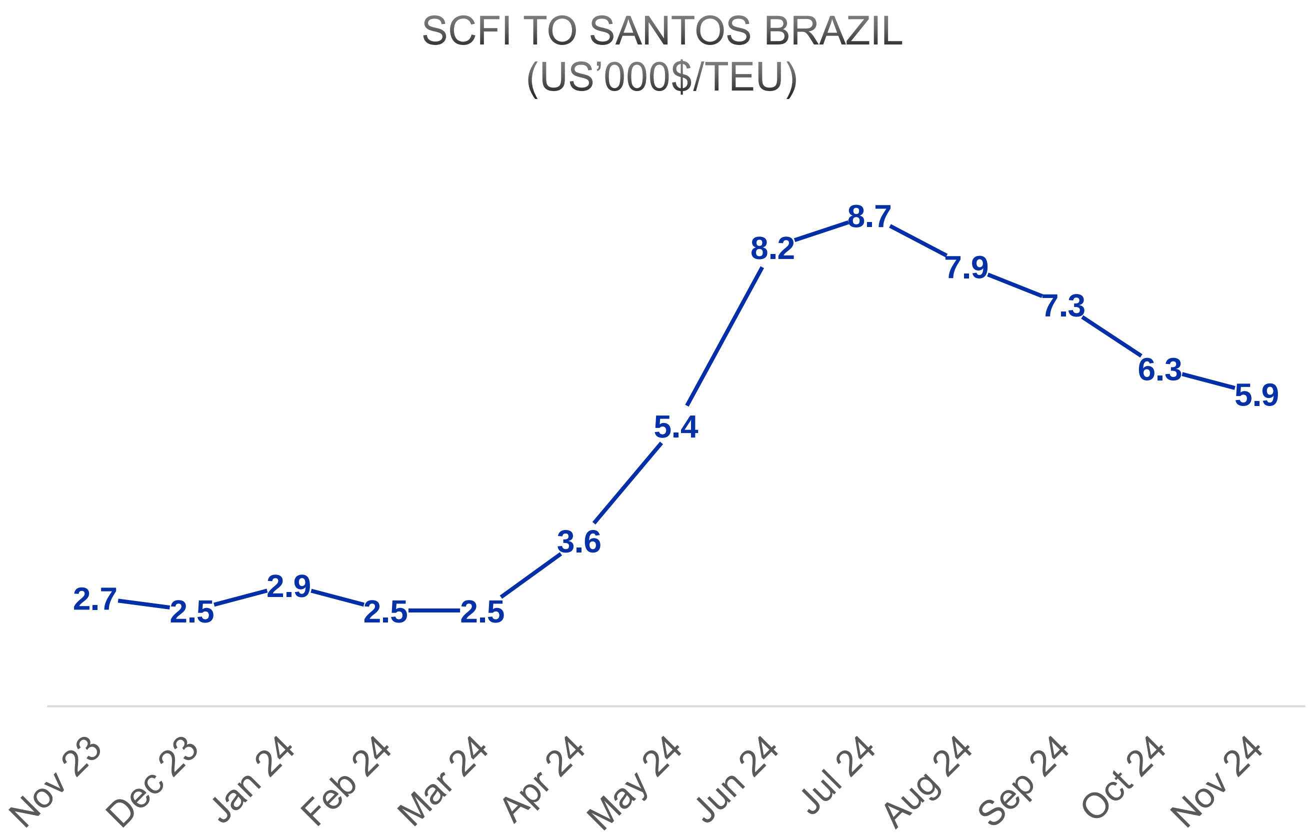
- Volumes from Asia have remained strong through the first two weeks of November, driven partly by anticipated tariff increases and the potential ILA strike expected in early January, along with the early Lunar New Year in 2025. Rates continue to vary across routes between China and Southeast Asia, though we're seeing increased pressure on routes to the U.S. West Coast.

- East Coast volumes are normalizing, but certain carriers and service routes are already fully booked or facing capacity constraints through November.

- Fixed rates and Peak Season Surcharges (PSS) have been steady in the first half of the month, though some PSS adjustments may occur given the highly volatile short-term market.

Ocean Freight Asia – South America (East Coast)

Rates to LATAM remain stable - Heavy congestion in Brazil and Mexico ports



Source: SCFI Week 45-2024

SCFI Levels Week 45-2024:

Shanghai – Santos: USD 5,931/ TEU

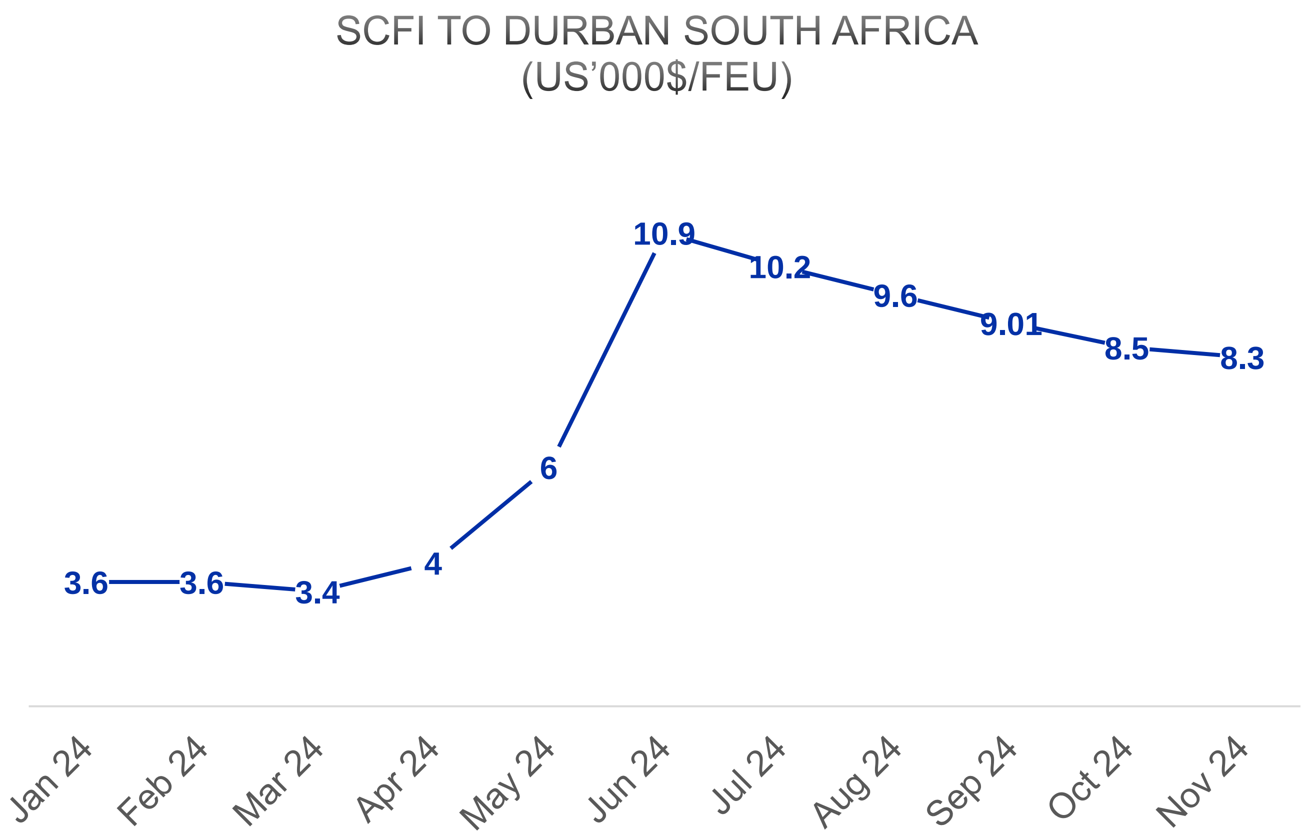
Due to the surge in volumes there is heavy congestion in Mexico and Brazil ports:

- ECSA: Demand and rates are softening, but there is delays to deliver cargo at the main ports.

- WCSA: Volumes are stable. Rates are still above May 2025 levels

Ocean Freight Asia – South Africa

Rates remain steady, carriers still offer limited capacity



Source: SCFI Week 45-2024

SCFI Levels Week 45-2024:

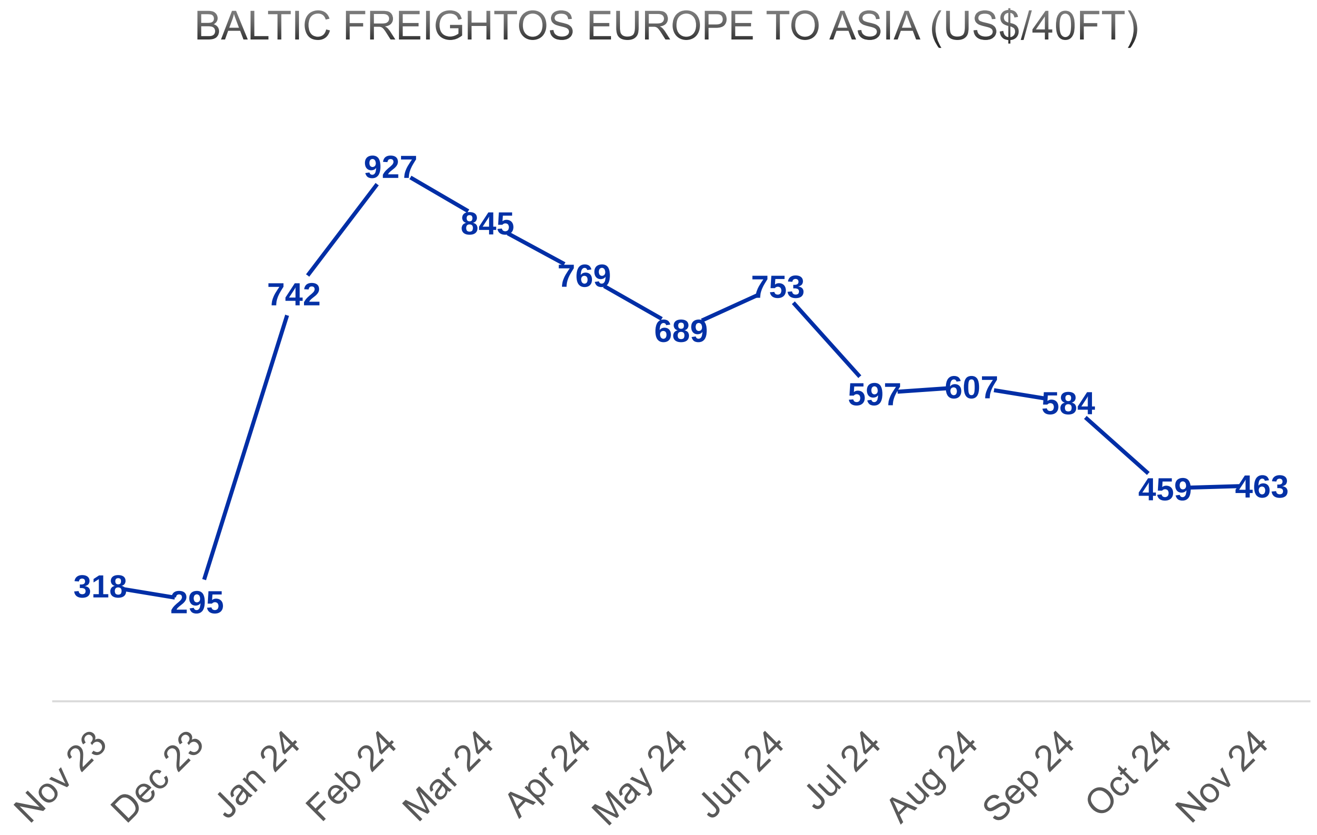
Shanghai – Durban: USD 8,298/ 40'

Weather have improved but there is still congestion at the ports

- Still limited capacity due to blank sailings in Europe, carriers offer capacity to European destination and rates are still premium out of Asia

Ocean Freight Europe – Asia

Soft demand – Congestion and blank sailings affect capacity



Source: Freightos Baltic Week 45 -2024

Freightos Baltic (FBX12) index Levels Wk 45-2024:

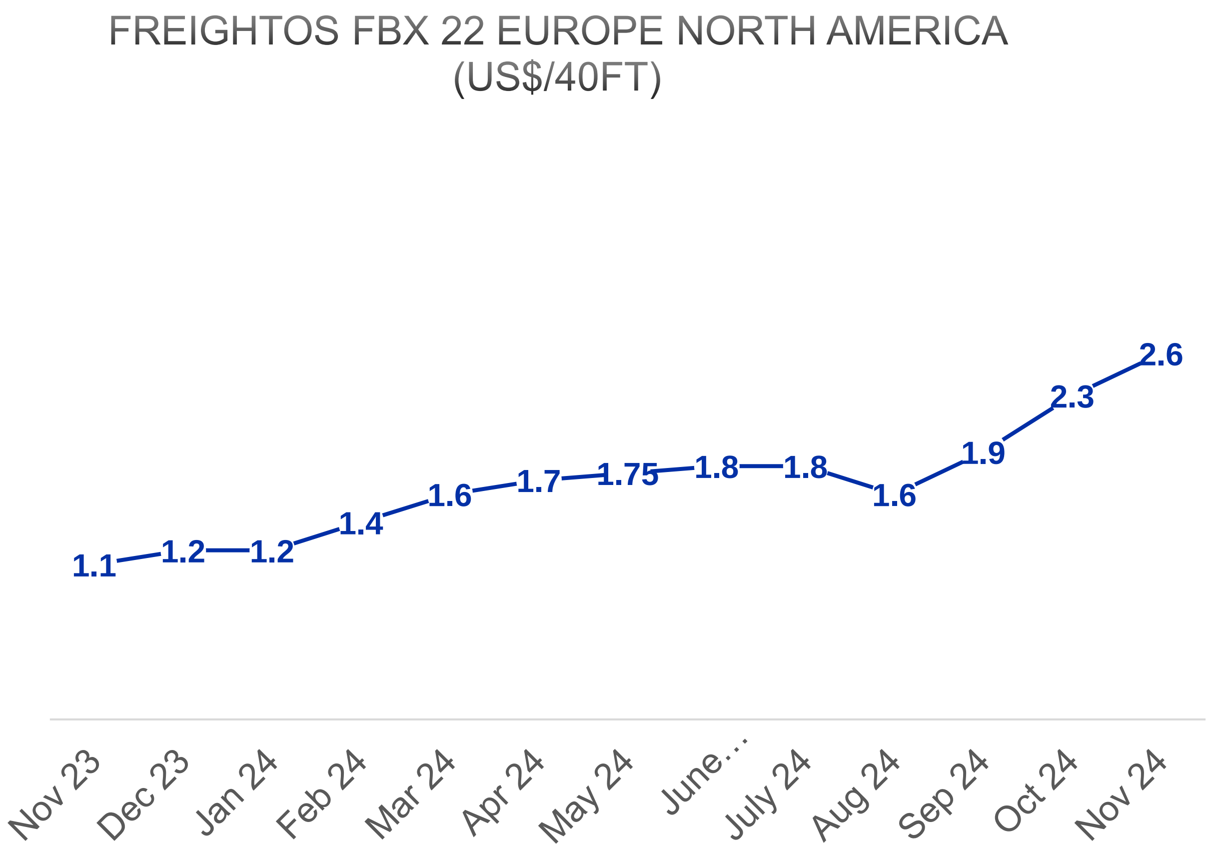
- Europe to ASIA : USD 463/ FEU

Critical situation again

- Soft demand on all cargo segments
- 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

US East Coast port situation has increased rates



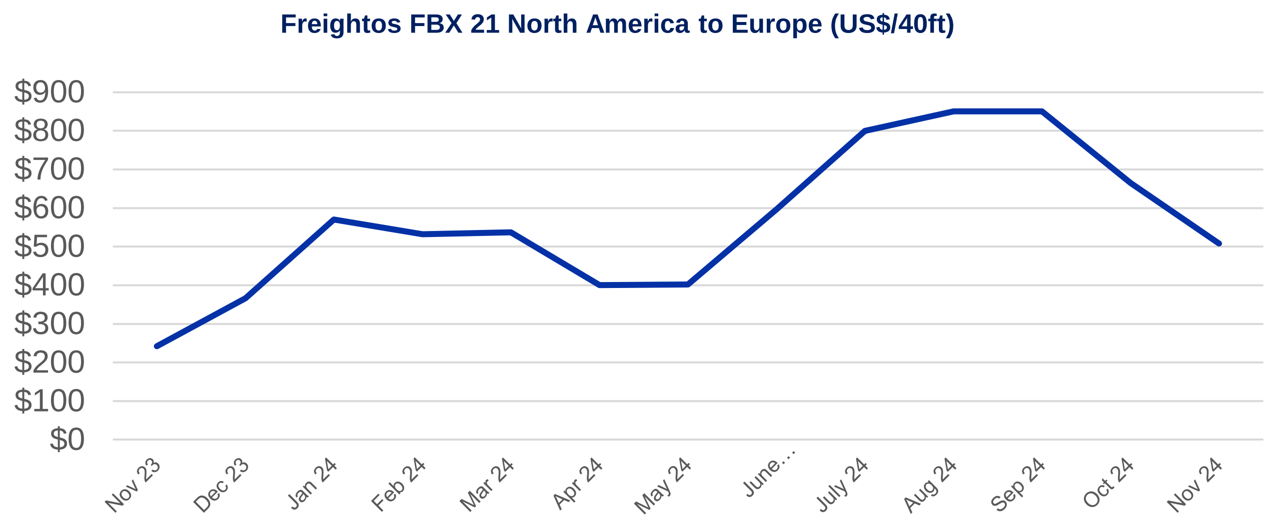
Source: Freightos Baltic W45-2024

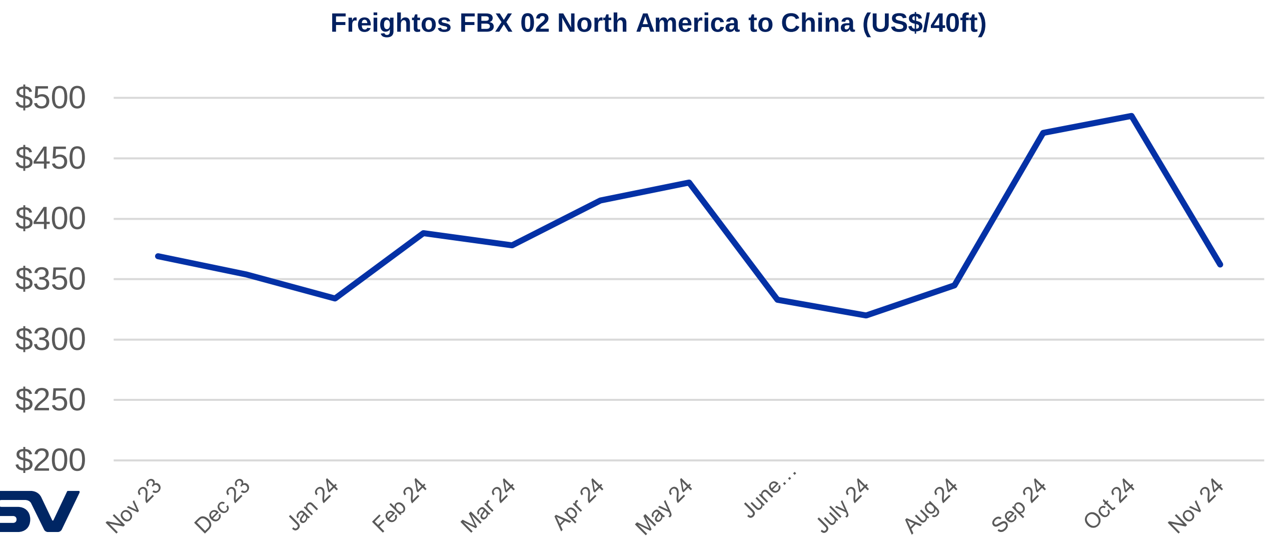
Freightos Baltic index (FBX22) Levels Week 45-2024:

- Rotterdam – New York: USD 2,609/ FEU
- In Northern Europe, demand remains stable and strong. Most services to New York are fully booked, while there is more available capacity in the main Southeast ports. Rates have held steady through the second half of November.
- In the Western Mediterranean, carriers are overbooked, with utilization exceeding 100%. Most carriers successfully implemented rate increases in November and are now assessing the market for December adjustments.
- In the Eastern Mediterranean, capacity is tight due to high demand in recent months. However, the market remains highly competitive, with carriers reviewing rate increases to ensure alignment with market conditions.

US outbound lanes

Rate decreases





Freightos Baltic index (FBX21) Levels Week 46-2024:

- New York - Rotterdam: USD 508/ FEU

- After cancelation of port strike rates are soften
- There is some cargo rolling due to vessel cancelations
- There is a backlog of cargo at the moment after the 3 days strike and operation are still disrupted

Freightos Baltic index (FBX02) Levels Week 46-2024:

- Los Angeles - Shanghai: USD 362/ FEU
- Still some backlog at rail terminals in Shanghai.
- Truck Power has stabilized

Source: Freightos Baltic W46-2024

Intra Asia

China to Australia rates remain stable, with high volatility in other trades

Demand

- The demand out of China is remaining strong on the back of the golden week holidays. Utilization is trending in the high 90% ex NEA – SEA.
- We are seeing a relieved pressure on the main hubs in South East Asia, Singapore hence the pressure remains high on Shanghai and Busan. Incl Manilla as the port congestion is severe.
- The demand out of South-East have stabilized and we are seeing a strong output on the trades between SEA – SEA, whereas the SEA-NEA into particular China is trading weak with weak outputs.
- Stock inventory is being replenished in an advance cycle hence we've not seen the massive slow down in output we usually see on the other side of the golden week holidays.

Rate

- The market remains elevated on selected Intra-Asia corridors hence the market is slopping downwards on key corridors. We've seen new capacity being brought into trades where the market in particular have witnessed some highly elevated rates. Bangladesh inbound, Vietnam inbound to focus 2 example where additional capacity is injected from weaker trading corridors in Asia. We are seeing a strong pressure into PH as a result of the port congestion, yard density and the limitation of new berthing windows for fresh capacity into PH.
- Outbound CN – SEA rates are remaining elevated and is despite the decrease in rates from the top, down 19% MOM the rates are trading 288% higher than the same period in 2023, YOY.

Supply

- Service reliability is decreasing on the Intra-Asia trade with weather related delays in North Asia as well as growing congestions in the main hubs in North Asia.
- Utilization is stable on the HH ex China as IA services are utilized as feeders for the long haul trade on the head haul trades and capacity have been shifted towards other trade lanes.
- Charter market is still very elevated for every vessel segment hence significantly for 1700 TEU vessels and above the market is holding it's breathe to see the output on the other side of the Golden week holidays.
- Open charters for hire is under pressure and we've seen the larger lines taken some very aggressive charters in the beginning of July/August for 3 months.

Ocean freight market overview – Rates declining

TRADE LANE	COMMENTS	RATES AND SPACE
ASIA to Europe	• 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 transhipment ports still a mayor issue.	
ASIA to NAM	• Rates are dropping to West Coast due to additional capacity, to East Coast rates have dropped dramatically. • Several ports are experiencing congestion, mainly on East Coast	
Europe to NAM	• In Northern Europe, demand remains stable and strong. Most services to New York are fully booked, while there is more available capacity in the main Southeast ports. • Rates have held steady through the second half of November.	
Exports from India	• 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 • The market continues to soften following the temporary resolution of labor disruptions on the U.S. East Coast.	
ASIA to LATAM	• SCFI index decreased • Some blank sailings are keeping rates elevated • There is still heavy congestion in Brazil and Mexican ports	
INTRA ASIA	• High pressure in the Philippines due to the high yard utilization creating additional congestion issues. • Rates to Australia are still elevated	

Airfreight update

5 Key factors to watch for 2025

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

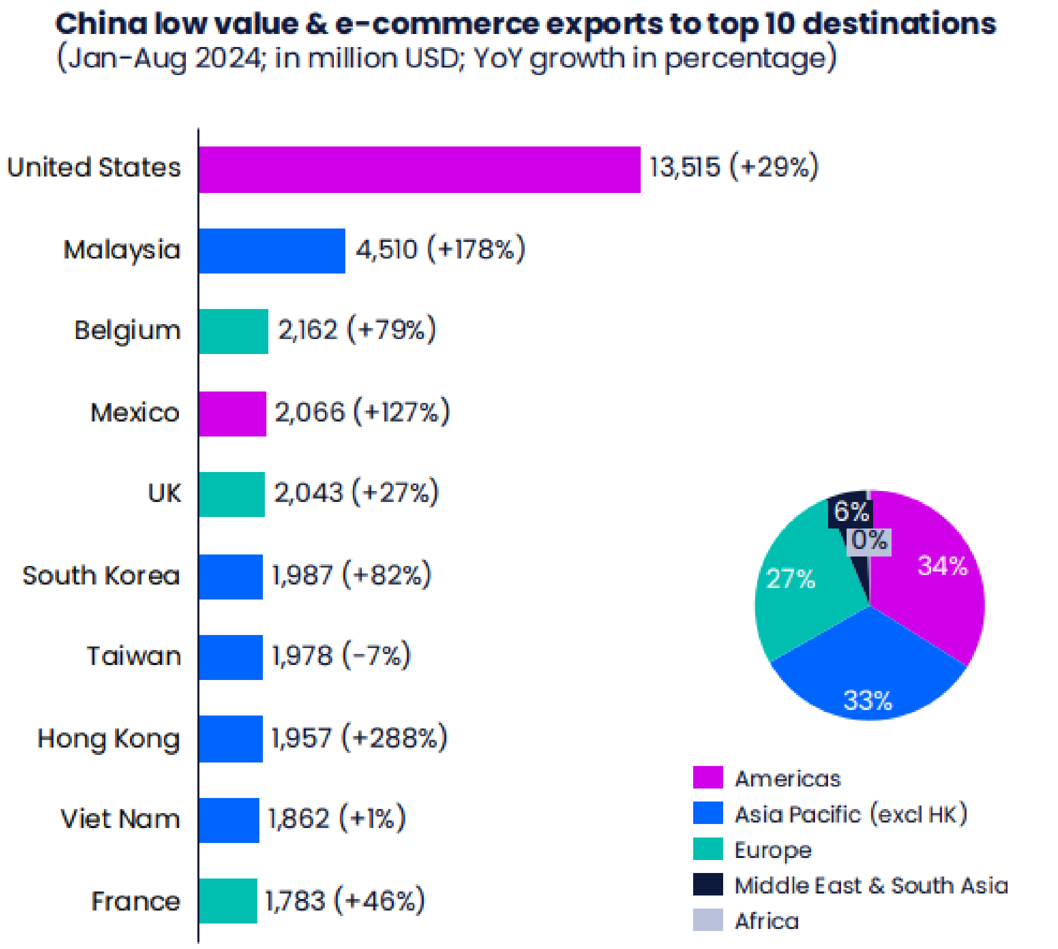
Capacity: On 2024-25 will remain stable as similar number of new deliveries and retirements keep similar capacity

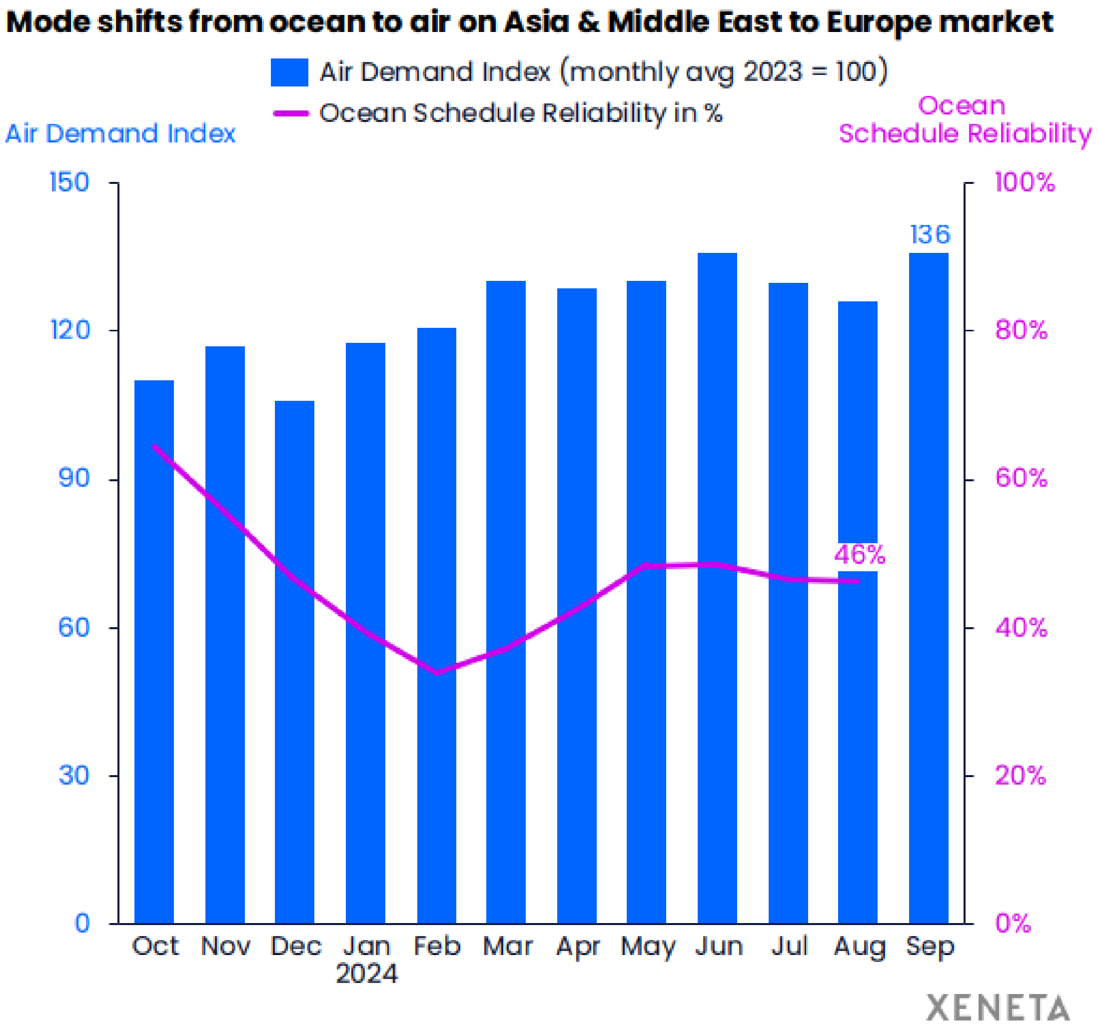
E-Commerce:
It is heavy rely on Airfreight and are projected to grow pushing demand up

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

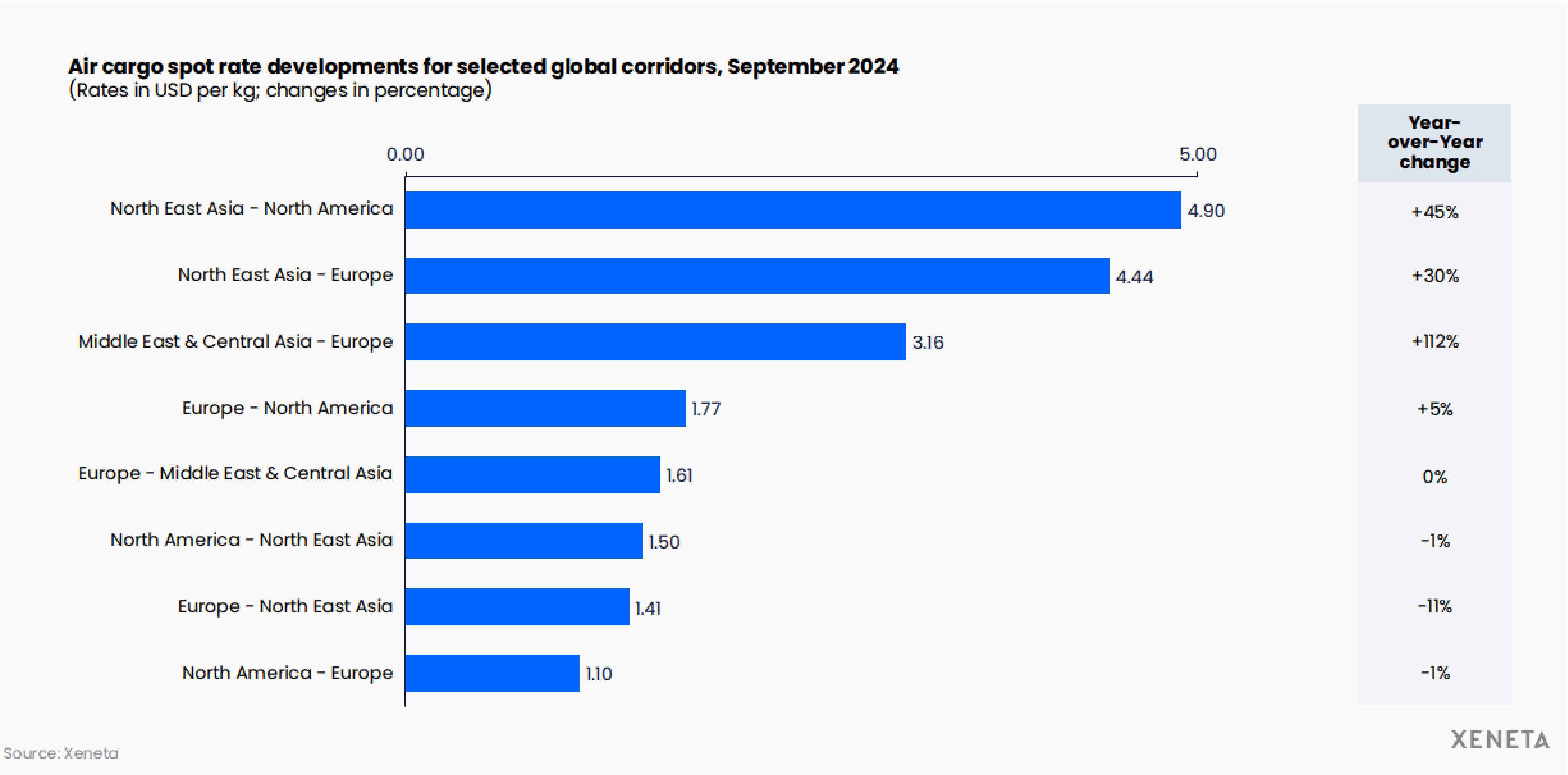
Two major topics for the rest of 2024: e-commerce and ocean disruptions





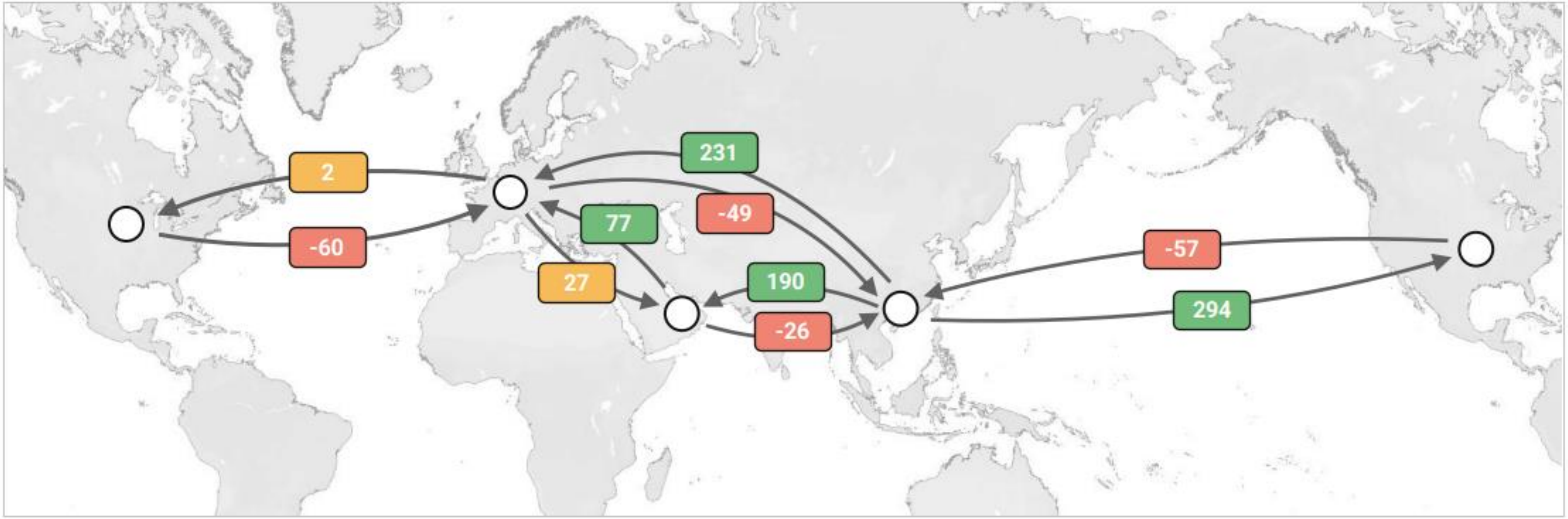
Source: Xeneta and Trade and Transport Group Analysis of China Customs Data, Sea-Intelligence

The global y-o-y rate growth of 26% shows the limitation of averages

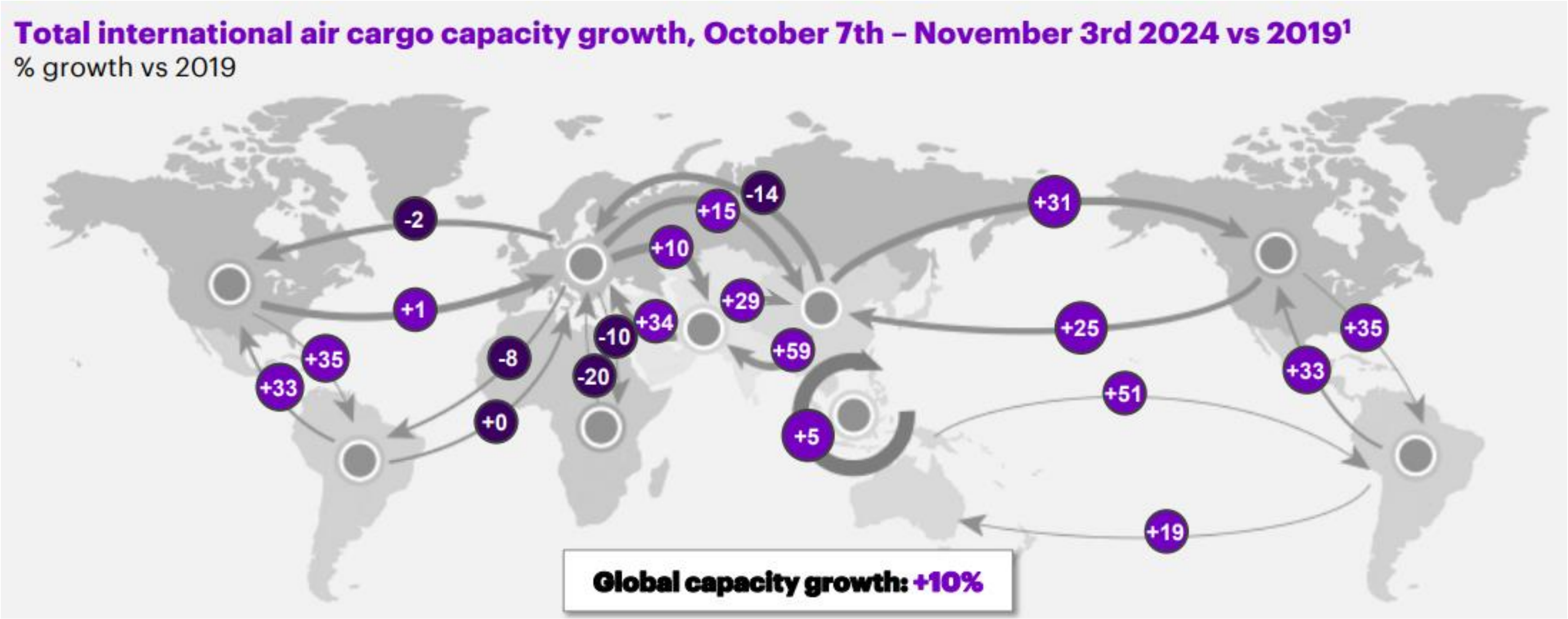


Trade imbalances are clearly reflected in the airline's flight contribution

Estimated contribution of B777 freighter flights by trade lane, September 2024
(Thousand USD)



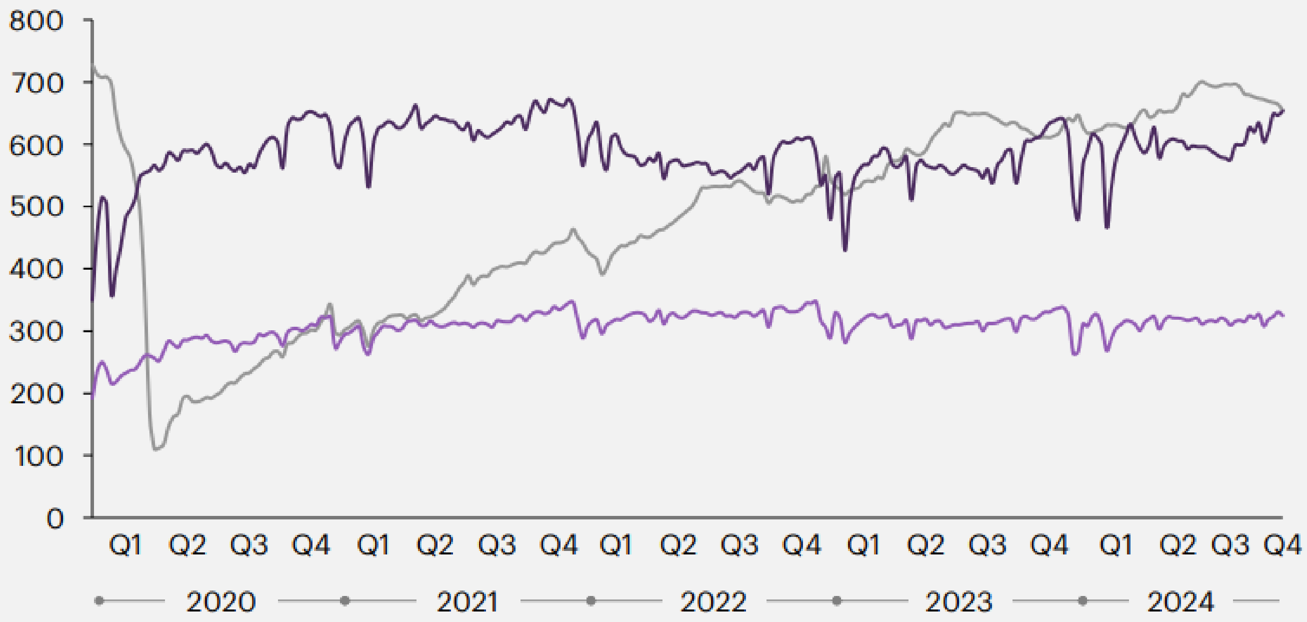
International air cargo capacity growth is up +10% (vs. 2019) between Oct 7-Nov 3, 2024



Middle East & South Asia region records double-digit air cargo capacity growth both East- and Westbound

Source: Accenture

Global international air cargo capacity increased (+1%) over the past 4 weeks as passenger belly capacity settles back

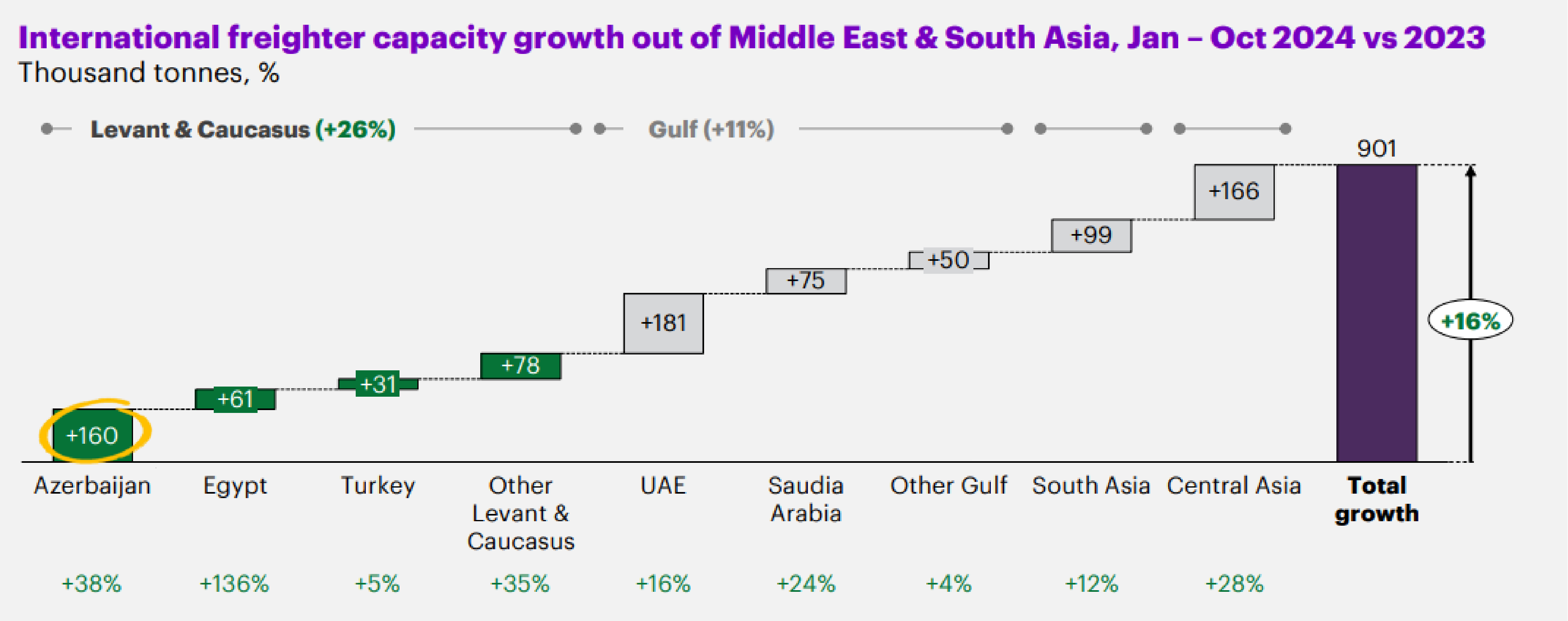


	vs. 2019[2]	vs. previous four weeks[3]
Total capacity	+10%	+1%
Passenger belly (45%) Widebody aircraft only	-6%	-2%
Airline freighters (43%)	+23%	+3%
Integrator freighters (22%)	+30%	+1%

Airline freighter capacity increases in anticipation of the Q4 ramp up

Source: Accenture

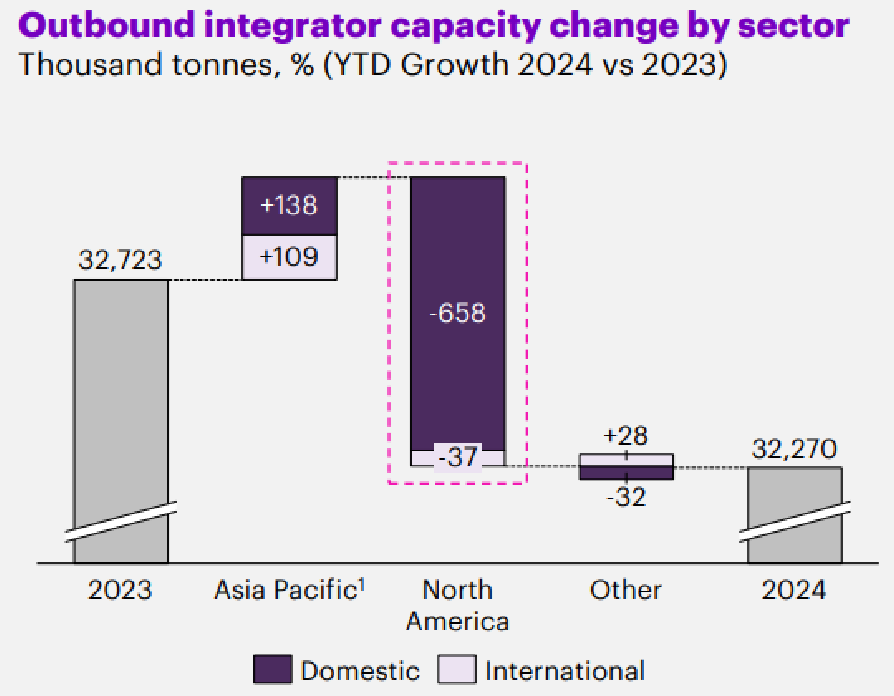
Levant & Caucasus is seeing notable air cargo capacity growth amidst strong expansions throughout the region

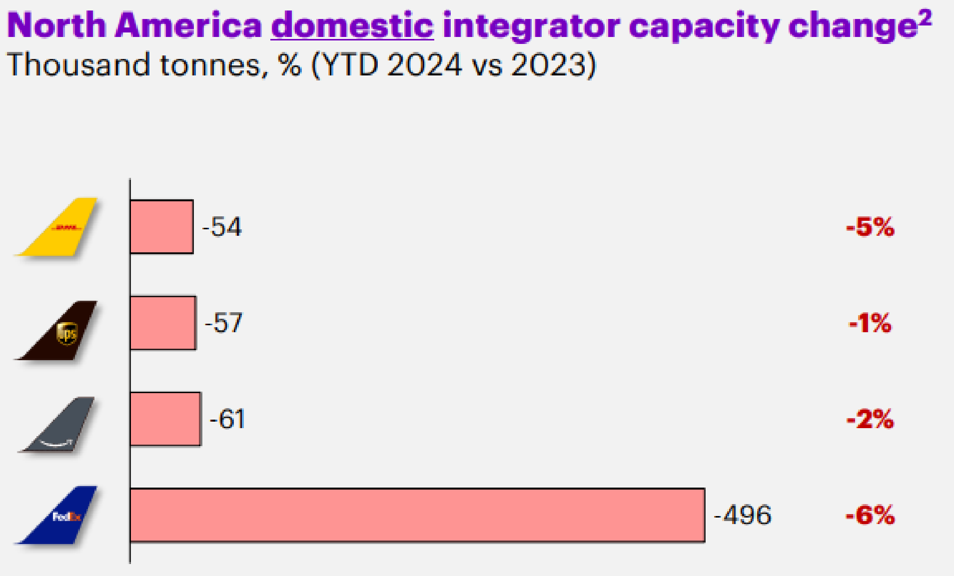


The rise in Azerbaijan's capacity reinforces its role as a primary air cargo hub in the Caucasus

Source: Accenture

North American integrator capacity is down, primarily due to a decrease in domestic capacity





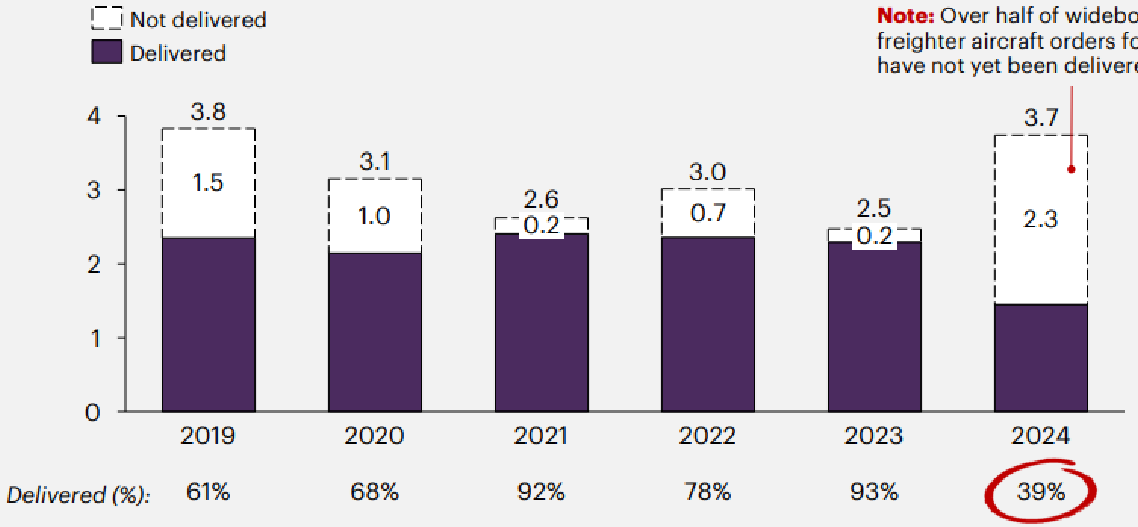
FedEx experiences the most significant decline in domestic North American air cargo capacity, with a reduction of ~500 tons

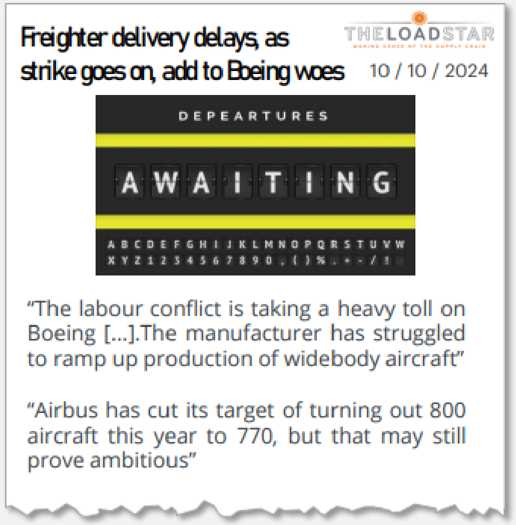
Source: Accenture

After a strong year in aircraft deliveries, 2024 presents new challenges in an already constrained aircraft market

On order vs. delivered air cargo capacity from widebody freighters, 2019 – 2024 YTD[1]

Thousand tonnes





Freighter deliveries have faced significant delays this year, reflecting ongoing backlog issues

Source: Accenture

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Global tonnages (+4%) and rates (+12%) continue to show strong YoY improvements

Week 44 – November 10th

Origin Regions last 2 to 5 weeks	Capacity[1]			Chargeable weight[1]			Rate[1]		
WORLD ACD	Last 5 wks	2Wo2W	YoY	Last 5 wks	2Wo2W	YoY	Last 5 wks	2Wo2W	YoY
Africa		+1%	-0%		-5%	-1%		-2%	+6%
Asia Pacific		+0%	-1%		-2%	+4%		+4%	+15%
C. & S. America		+2%	+4%		-4%	+8%		+4%	+7%
Europe		-7%	-4%		-5%	+3%		+5%	+3%
M. East & S. Asia		+0%	+0%		-8%	-3%		-1%	+49%
North America		-8%	-4%		-3%	+5%		+1%	-3%
Worldwide		**-3%**	**-2%**		**-4%**	**+4%**		**+3%**	**+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 spot rates recorded a further +5% WoW rise in week 45 (4 to 10 November), taking them +24% above their equivalent levels this time last year.

Spot prices from the biggest worldwide origin region, Asia-Pacific, rose by a further +6%, WoW, to US$4.43 per kilo, with the second-largest origin region, Europe, showing also a +6% WoW increase, to $2.49 per kilo,

Rates from Central & South America (CSA) rose even more steeply, by +10%, to $2.04 per kilo, with prices from North America recording a +5% increase, to $1.83 per kilo.

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Air freight market overview

We starting to see peak season rates and capacity issues

TRADE LANE	COMMENTS	RATES AND SPACE
Exports from China / Hong Kong	• Regional rate jumps: Spot rates from China to Europe increased +12% WoW to $4.68 per kilo, and Japan to Europe by +8% to $4.58 per kilo (+26% and +42% YoY). China to the USA reached $5.90 per kilo (+3% WoW), and MESA to Europe rose +4% to $3.29 per kilo—nearly double YoY.	
South East Asia	• Compared with the equivalent week last year, when various markets were already experiencing the effects of strong peak-season demand, spot prices this year remain significantly elevated, year on year (YoY), notably from Asia Pacific (+25%)	
Exports from India/Bangladesh	• Soaring airfreight rates see Dhaka cargo being moved via China • out of Dhaka, forwarders have reported hubs in the Middle East as congested in recent weeks, particularly as regional tensions increase and airlines were forced to cancel flights.	
Export from Europe	• Capacity is moving to Asia, this is increasing prices up from the continent • European export rates are increasing, the port strike in the US East coast had an effect on increase volumes	
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 • A potential spike on rates is possible due to capacity is moving to Asia	

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