

XENETA

October 21, 2021

Ocean & Airfreight Newsdesk

Xeneta Hosts:

Michael Braun, VP Customer Solutions

Thorsten Diephaus, Dir. Strategic Accounts



Looking back at Summit 2020...



Global
Commodity
but
**Regional
Markets**



Higher cost
does **NOT** lead
to higher rates

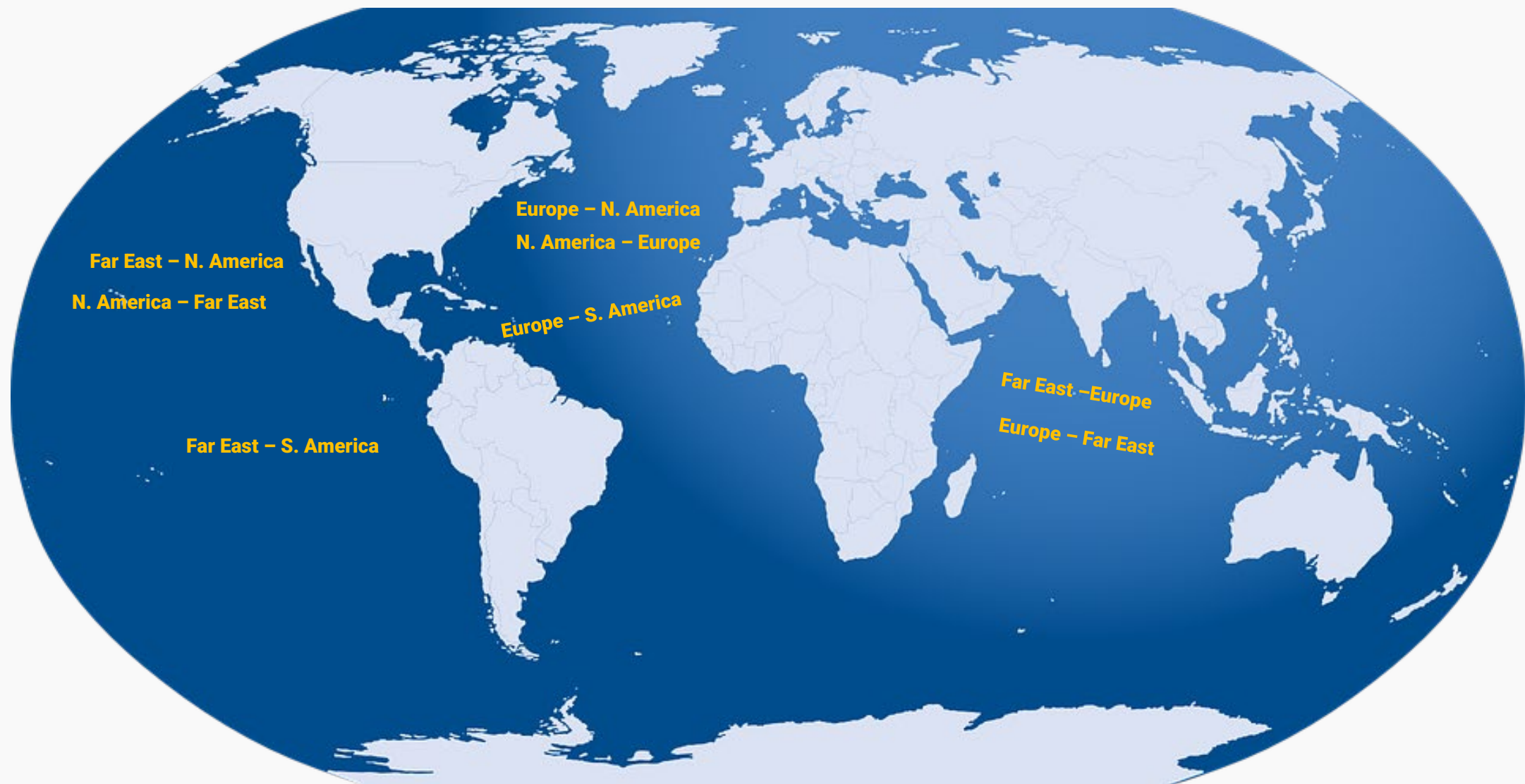
Lower cost
does **NOT** lead
to lower rates
either



Only **Supply**
and **Demand**
move Markets



Watch out for
outside events
and influences



Far East - N. America
N. America - Far East

Far East - S. America

Europe - N. America
N. America - Europe

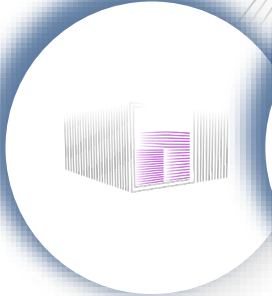
Europe - S. America

Far East - Europe
Europe - Far East

Leveraging the world's largest real-time, independent database of contracted ocean freight rates

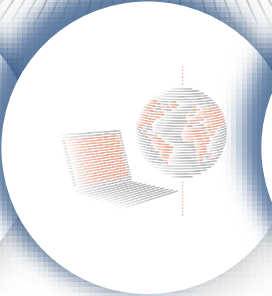
Long-term market

- rates >3 months validity
- contracted within last 3 months
- only contracted rates carrier-direct or via NVOCC



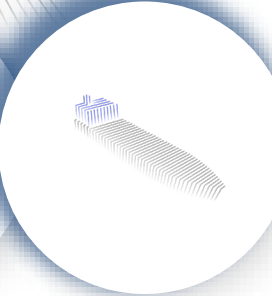
Shippers

>20bn \$ spend



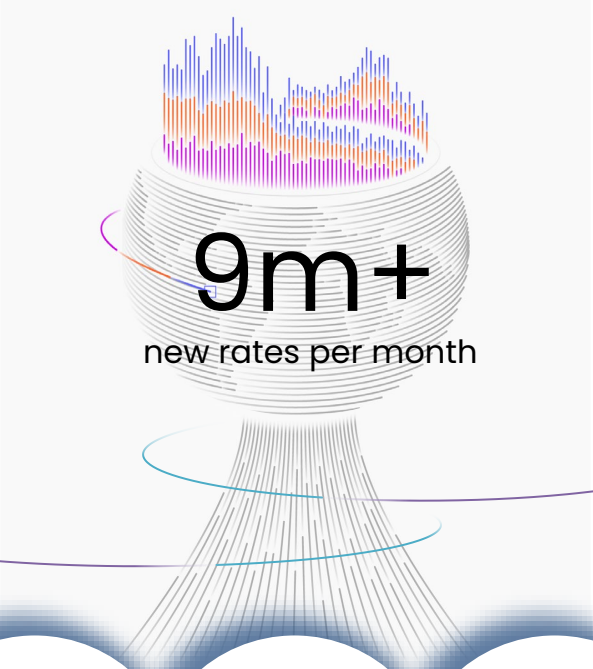
Freight Forwarders

7 out of Top 10



Carriers

3 out of Top 5

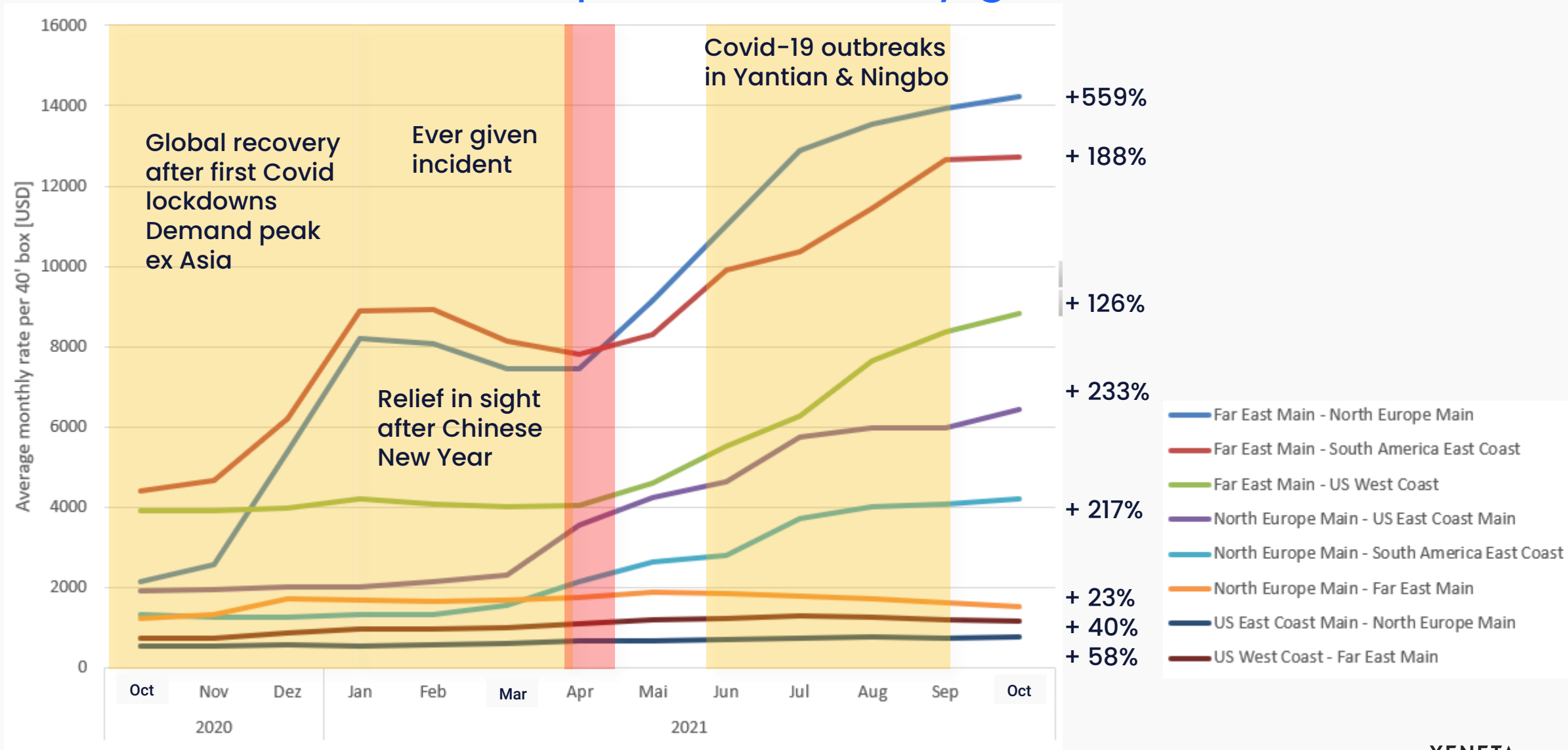


Short-term market

- rates mostly week/month validity
- only contracted rates from freight forwarders

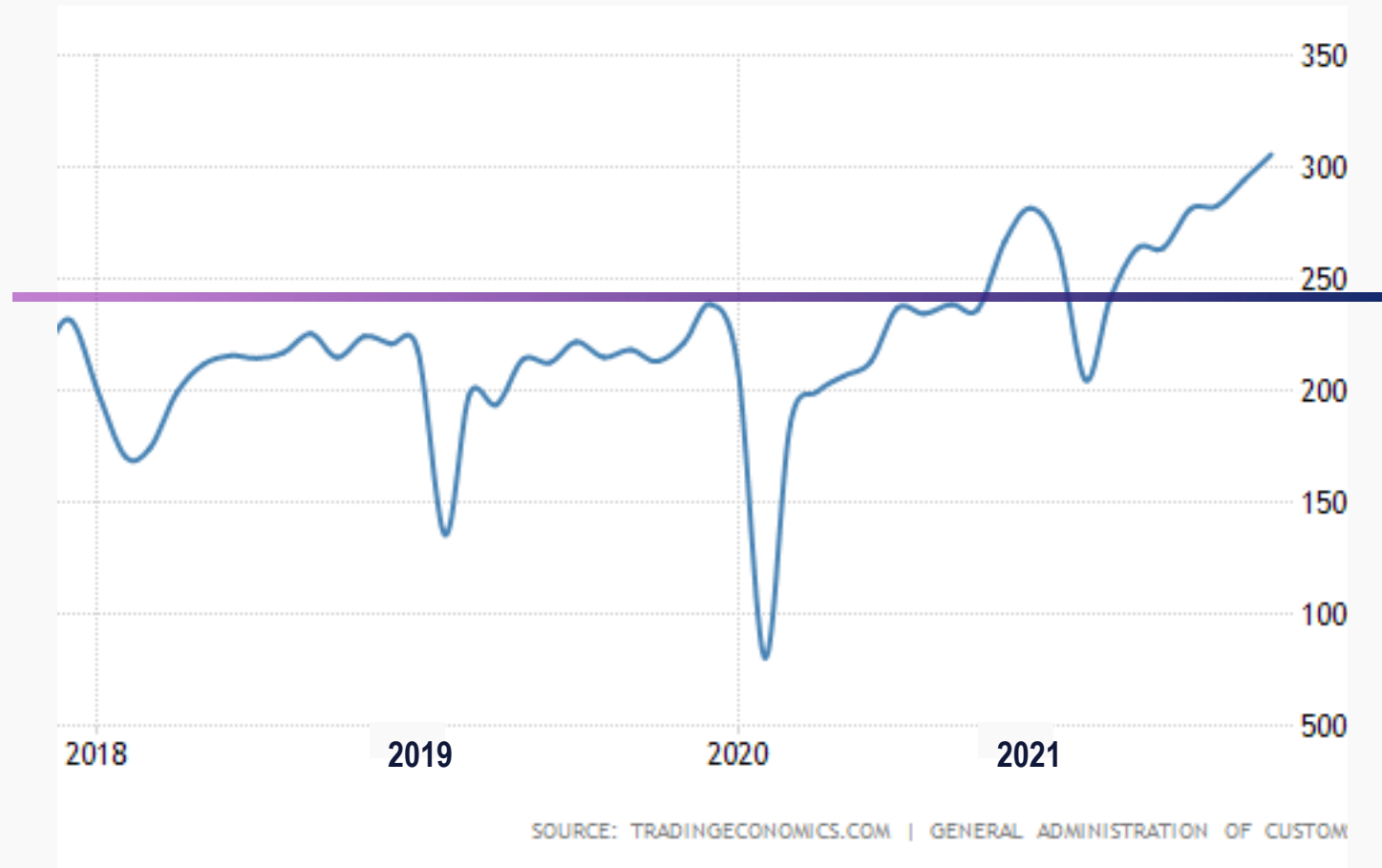


Short-term peaks driven by global events



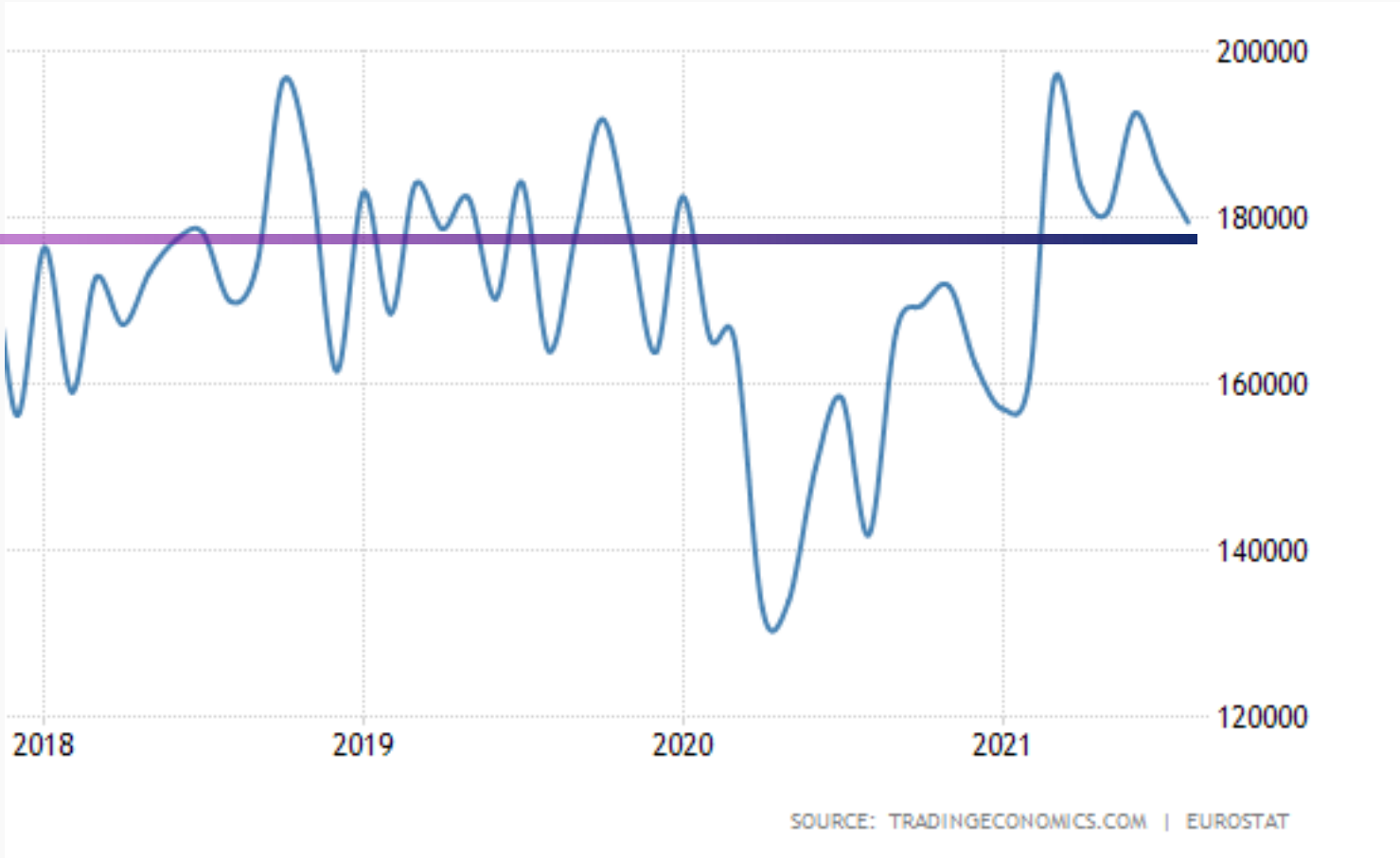
Chinese Exports recover quickly after first Covid-19 lockdowns

Demand peak already end of 2020, lasting on in 2021



EU Imports heavily impacted by three Covid-19 lockdown periods

Strong recovery end of 2020; 2021 levels back on track



Interview:

Peter Sand, Chief Shipping Analyst,
BIMCO

The background of the slide features a tall, spiral-patterned lighthouse on the left side, illuminated from within. The lighthouse is set against a dark, moody sky with some clouds. The overall color palette is dominated by dark blues and greys, with a bright blue diagonal shape that cuts across the middle of the slide, serving as a backdrop for the text.

Making sense of an extraordinary Container shipping market

Chief Shipping Analyst Peter Sand

Xeneta Summit

October 2021, Virtual

Main conclusions

Container shipping: onshore disruption leading to record delays and profits

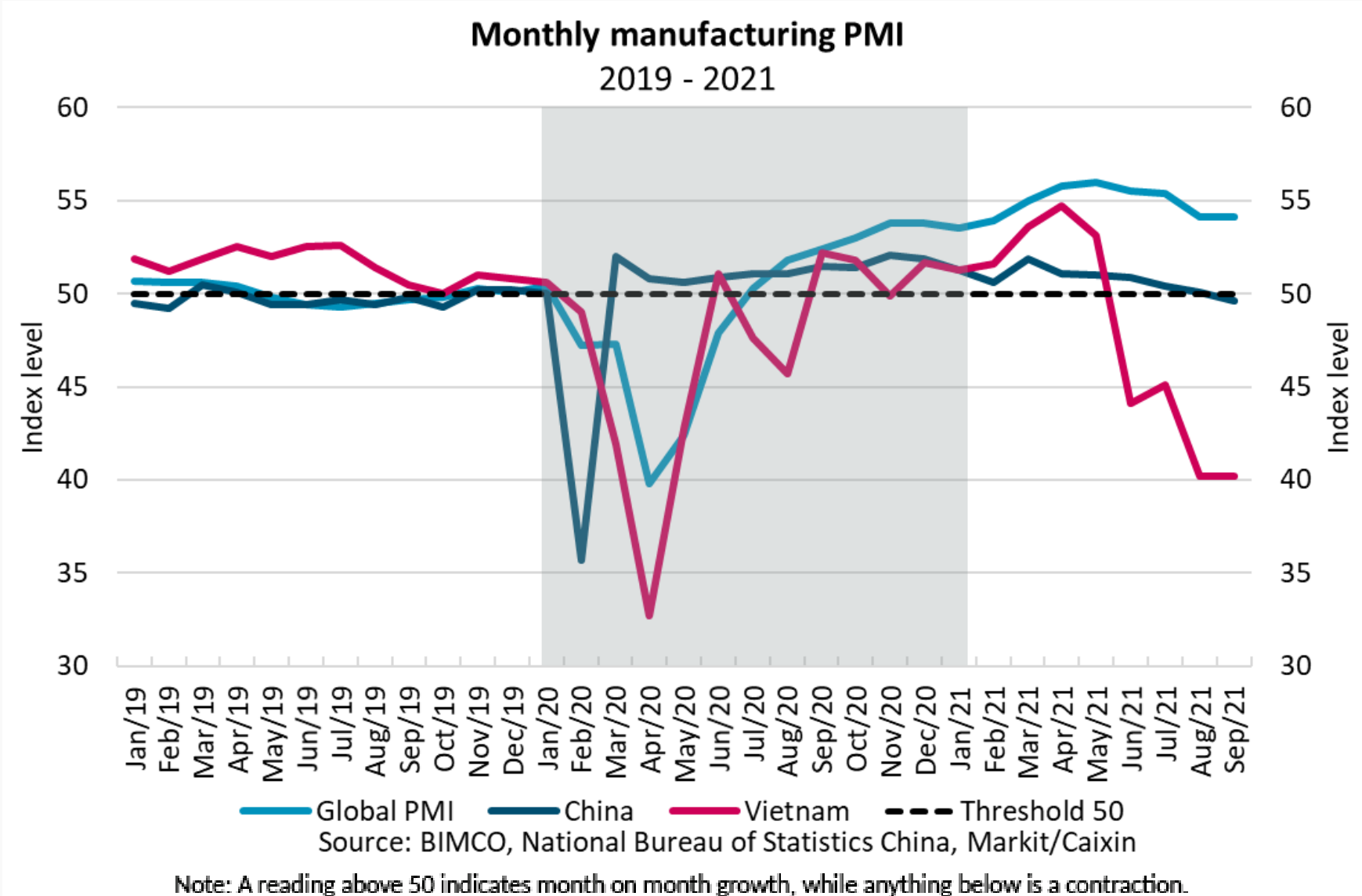
A: Onshore bottlenecks are holding back a return to normal in the container market with owners struggling to maintain schedules while at the same time pulling in record high profits

B: Adding capacity doesn't solve the problems on land, with the extra ships instead finding themselves adding to the list of ships waiting to berth

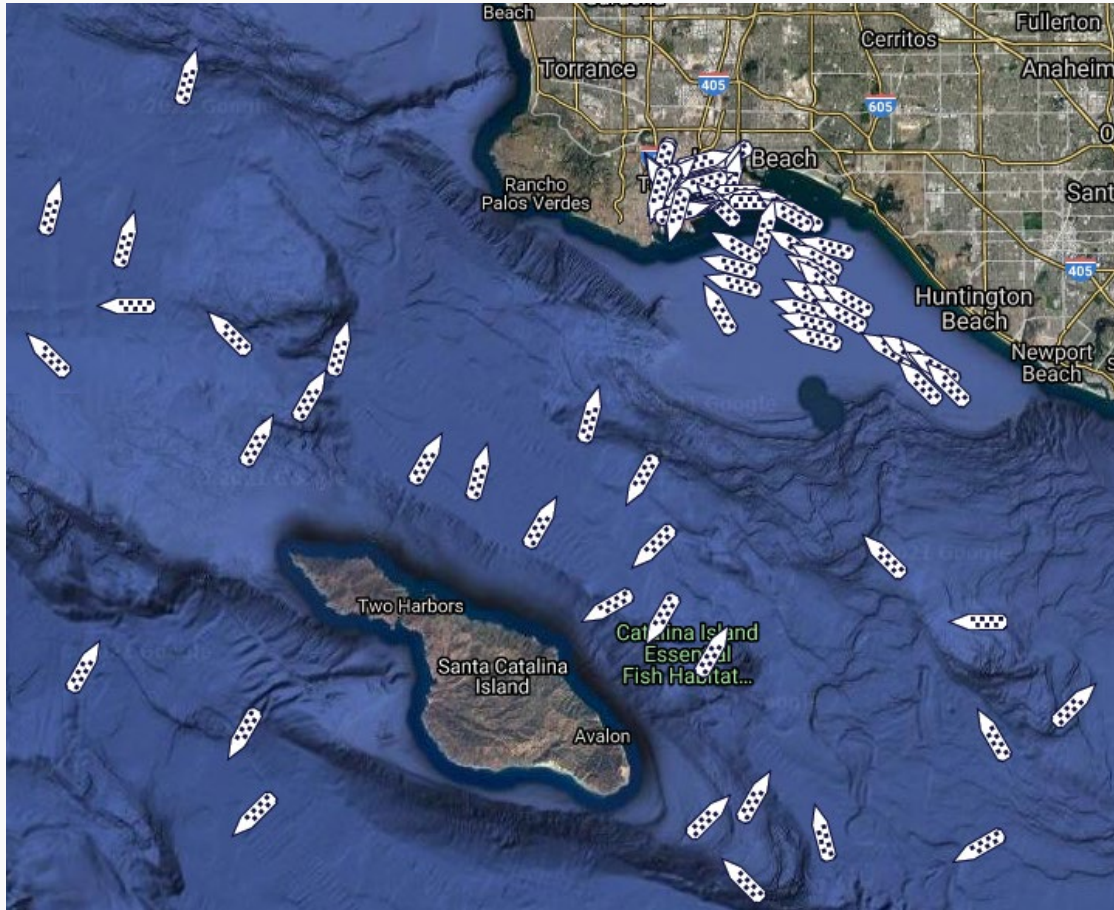
C: Current market conditions expected to last well into 2022, but when the market inevitably falls, strength of the long-term contracts being signed today will be tested

Lockdowns continuing to cause disruption

Measures take to limit impact from US-China trade war, now fall short to covid19-measures taken to control the virus

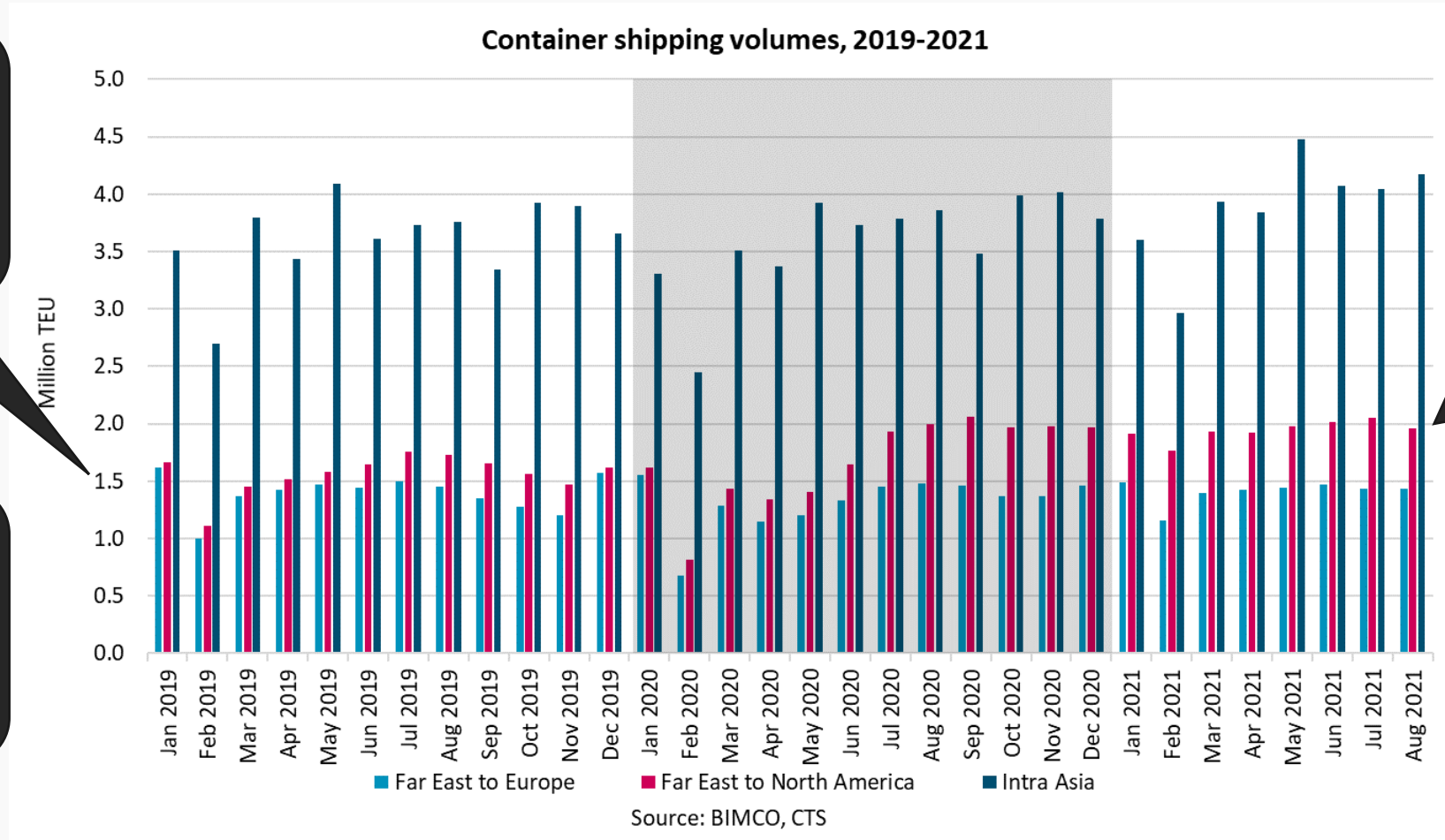


Hinterland connectivity has proven to be the weak link in the global supply chains



Some shippers are currently trying to direct their goods towards the US Gulf Coast (for instance, the Port of Houston) in the hope of lower congestion levels compared to the US West Coast where major ports such as the Port of Long Beach and the Port of Los Angeles

Global demand jumps by 10.7% in 8m-2021 But it's very unevenly distributed



Far East to Europe is up by 11.3%, but flat on 2019!

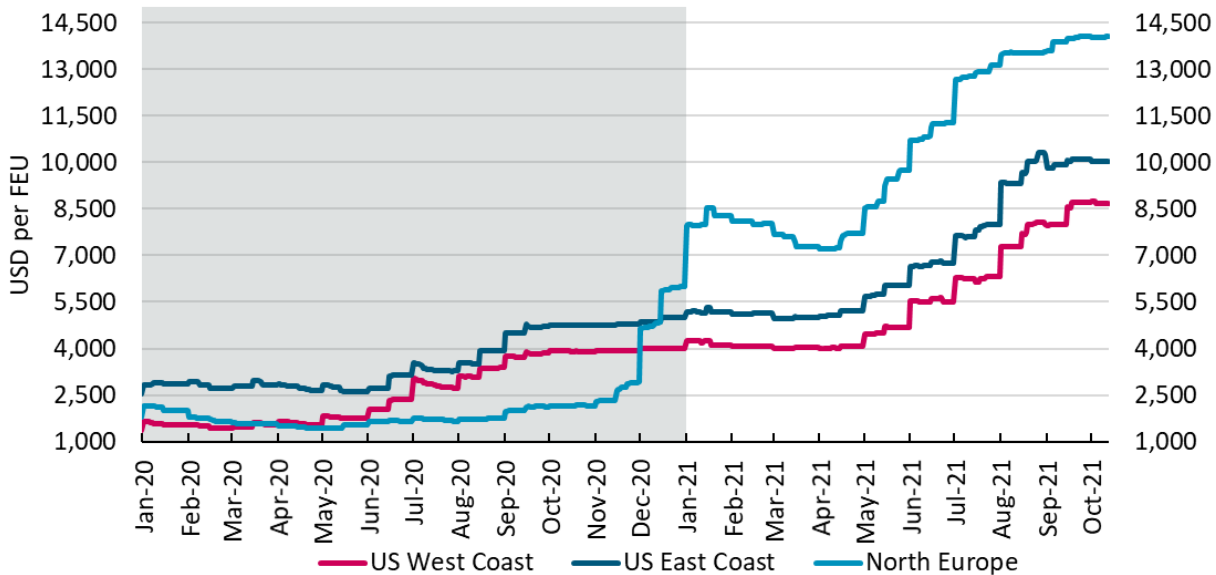
Intra Asia up by 11.4% in first 8 months

This is the real driver
Far East to North America is up by 27.6%, and 24.9% on 2019!

Global demand up by 5.6% on 2019!
Not spectacular

Contract rates are most essential to world ahead of us

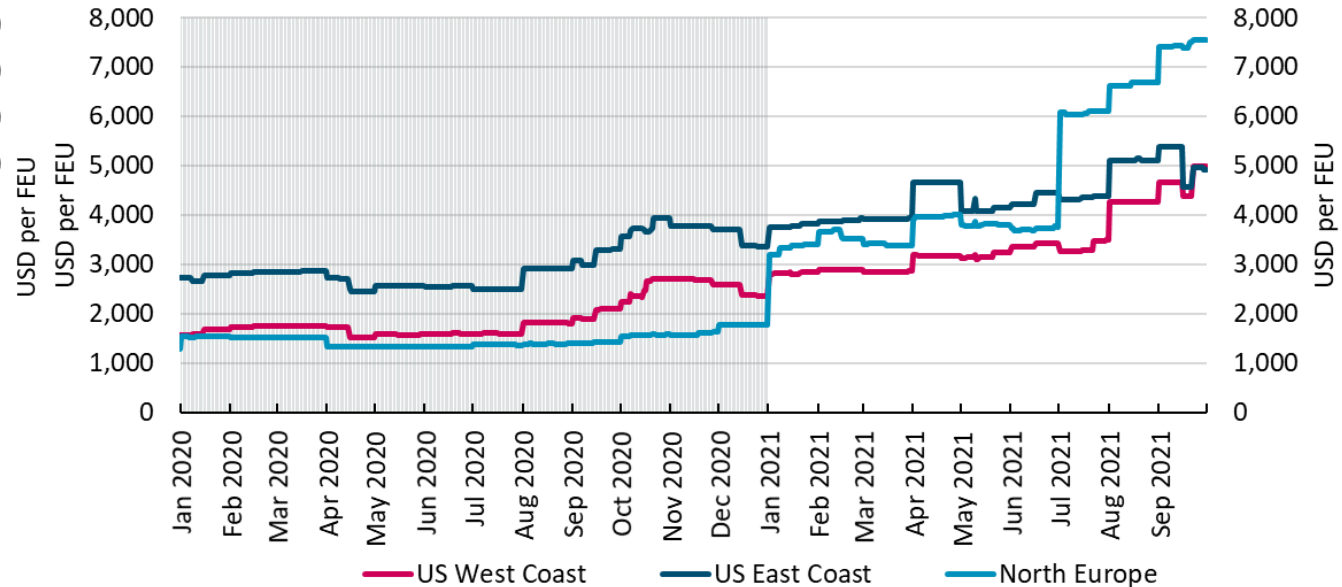
Container shipping spot freight rates out of Far East
2020 - 2021



Source: BIMCO, Xeneta

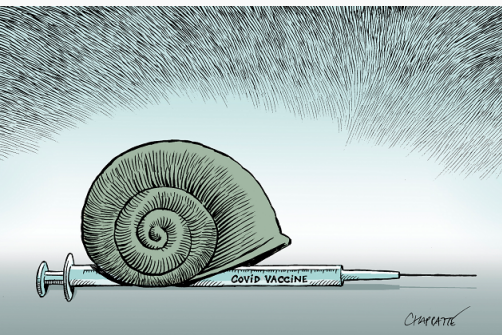
Note: rates to US include destination terminal handling charges, those to Europe do not.

Container shipping long-term freight rates out of Far East
2020 - 2021



Source: BIMCO, Xeneta

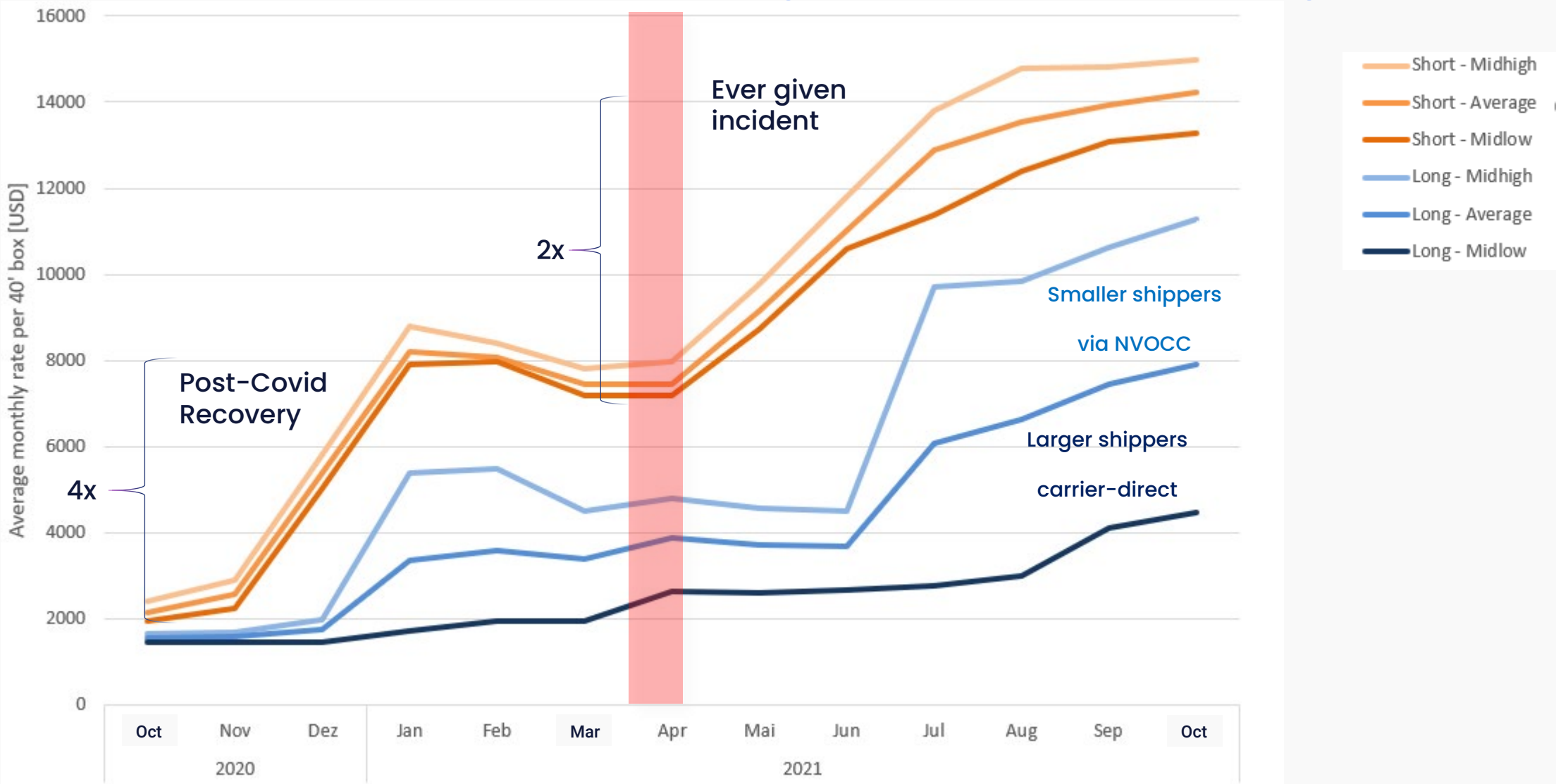
Note: rates to US include destination terminal handling charges, those to Europe do not



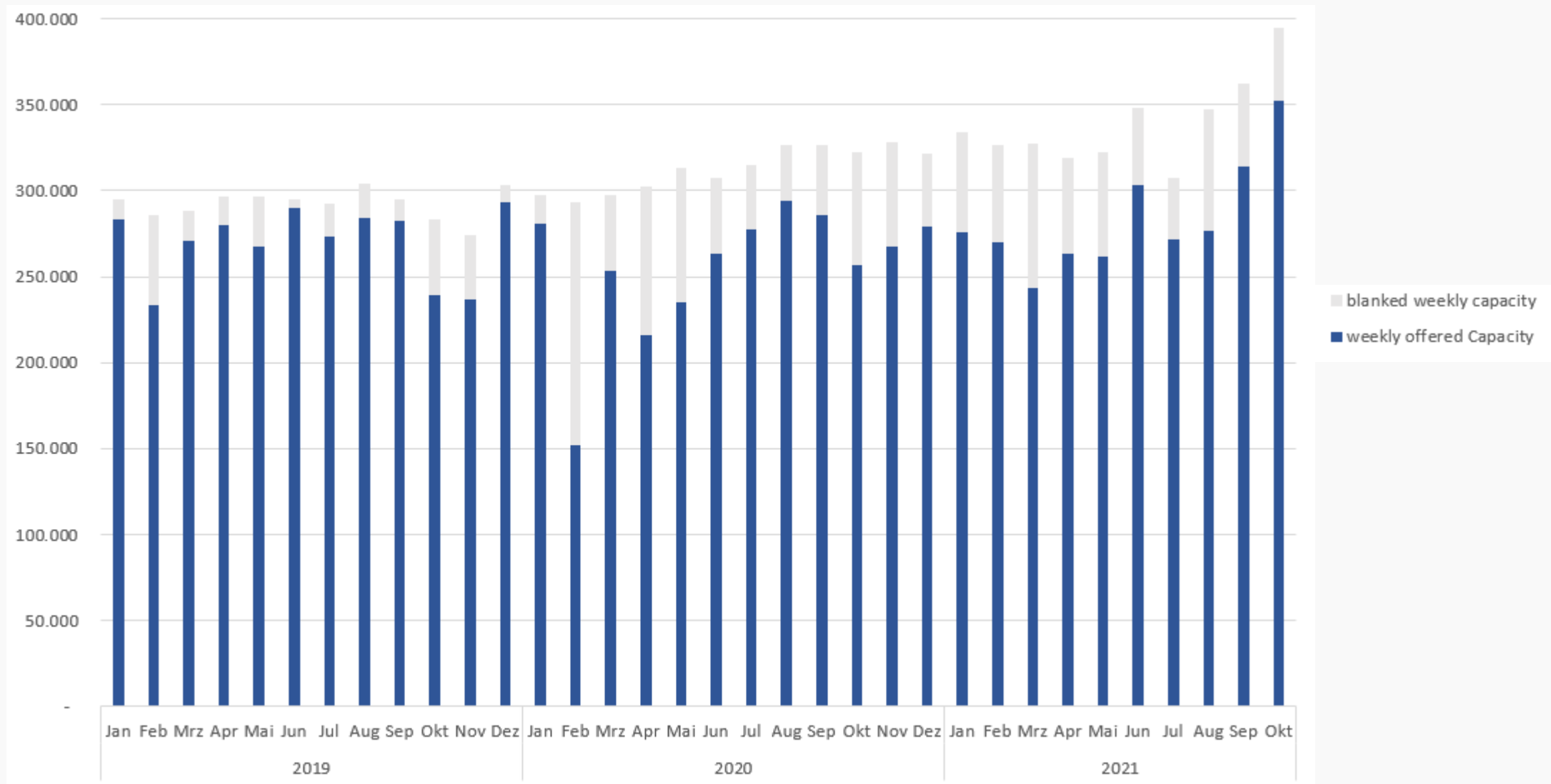
Pandemic dragging with unequal vaccine distribution, causing an uneven recovery globally.

Global Trades In-Depth Analysis

Asia – Europe driven by strong recovery and Evergiven

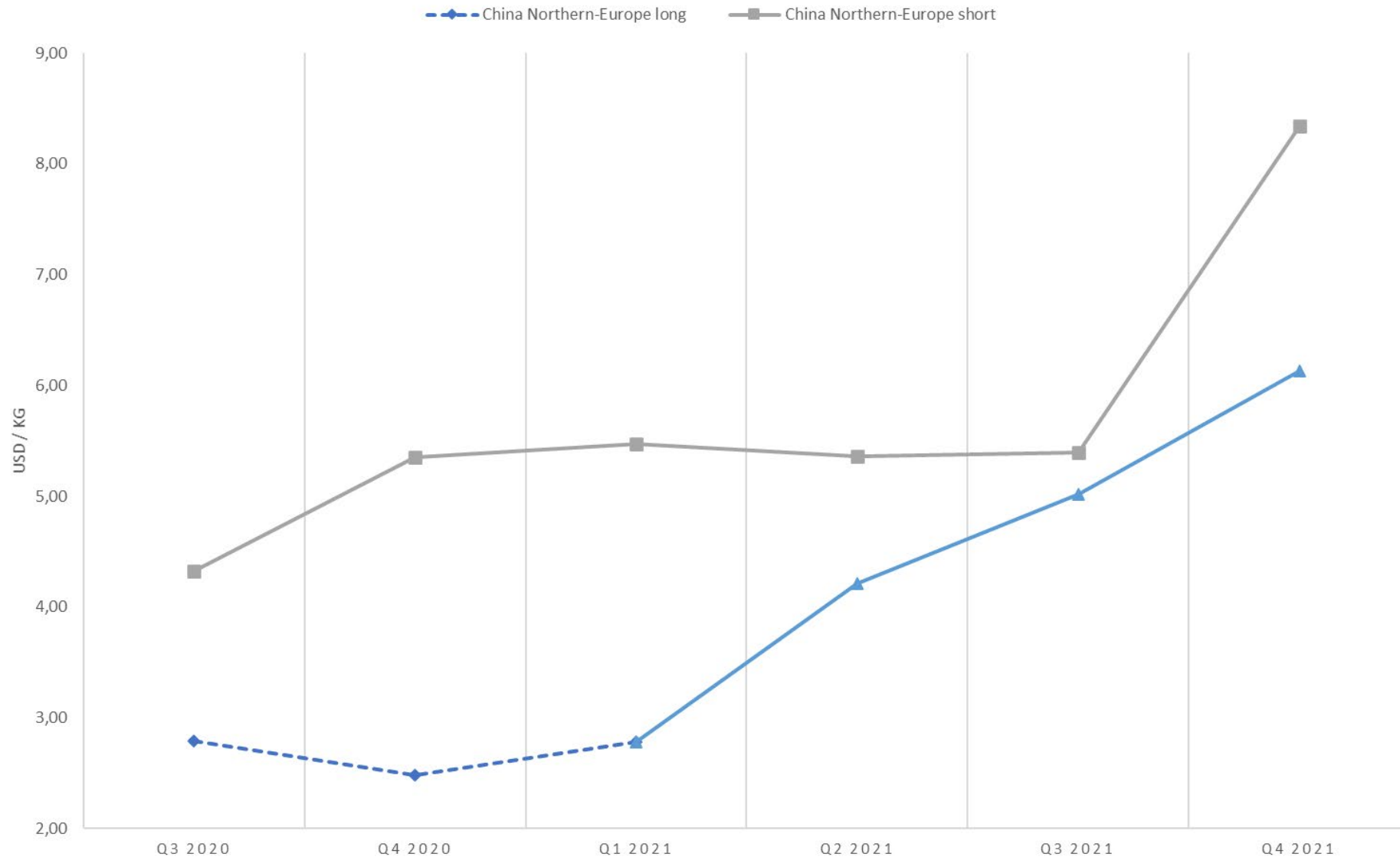


Far East – North Europe Capacity remains stable

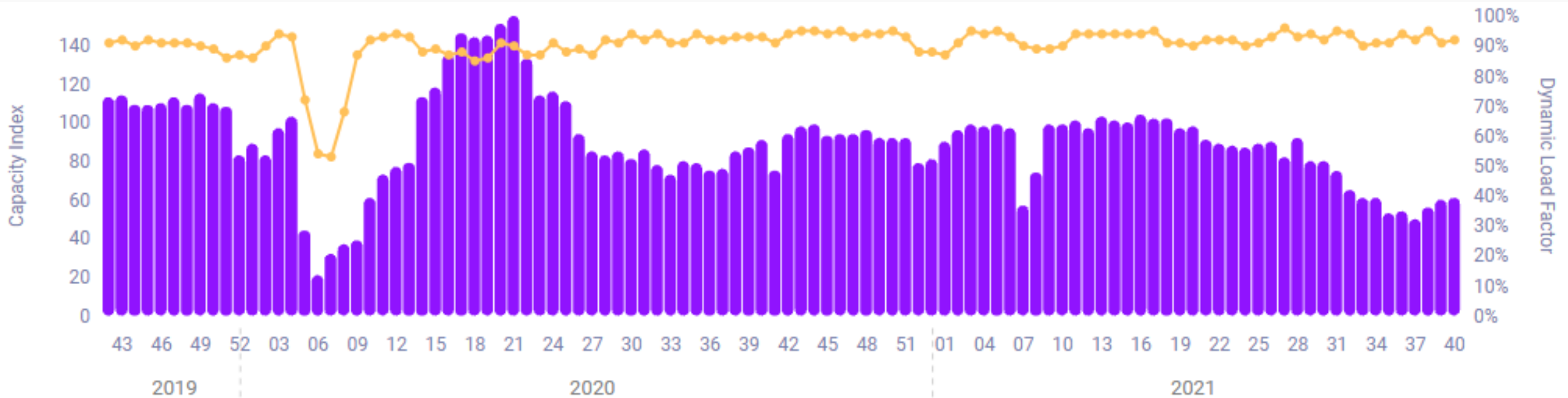


Air freight market development CN to EU

QUARTERLY AF SHORT AND LONG TERM RATE DEVELOPMENT



Air freight capacities CN to Europe and Middle East

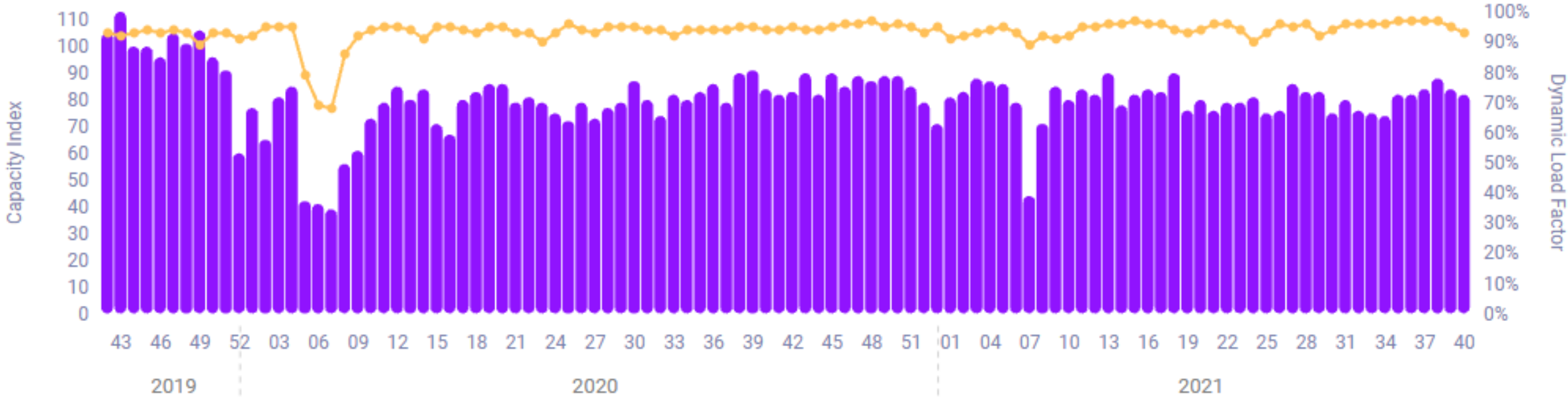


■ Capacity Index ■ Dynamic Load Factor

Capacity Index value of 100 is based on the average for calendar weeks 10-13 in 2019

Last updated on: Week 42 (Oct 4 - Oct 10)

Air freight capacities HKG to Europe and Middle East

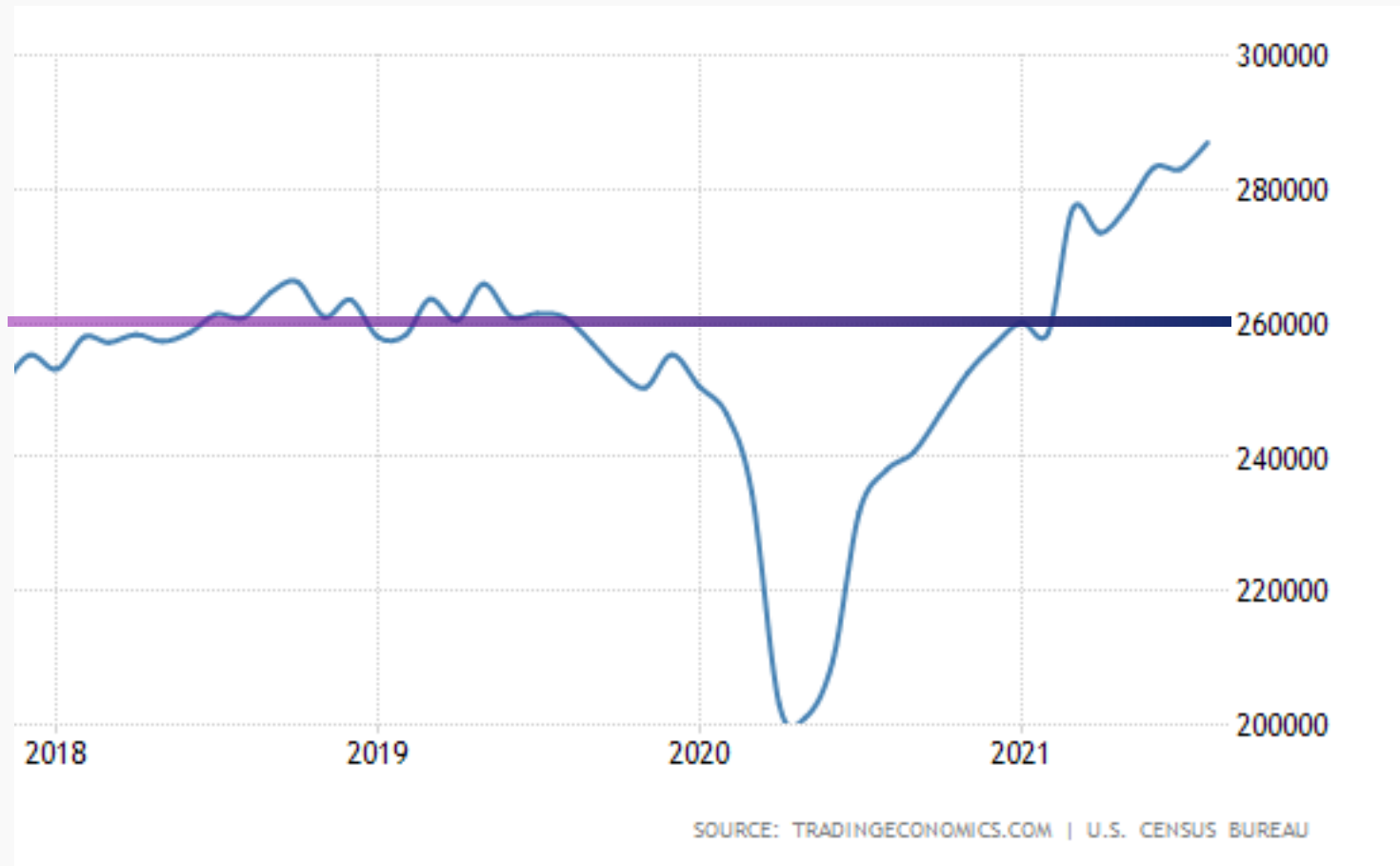


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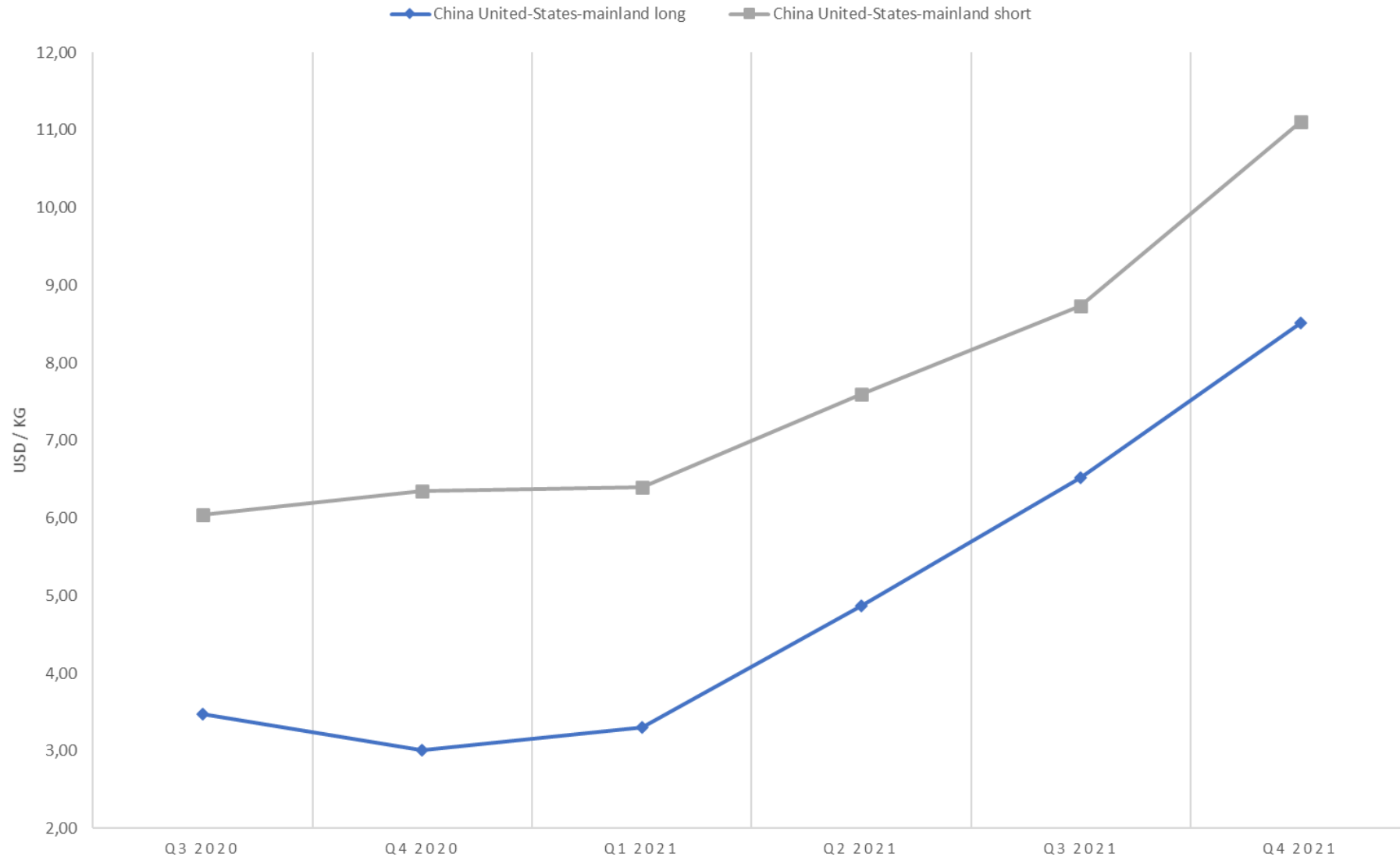
Last updated on: Week 42 (Oct 4 - Oct 10)

US Imports driving global demand. Full recovery already end of 2020 with 2021 being significantly above average

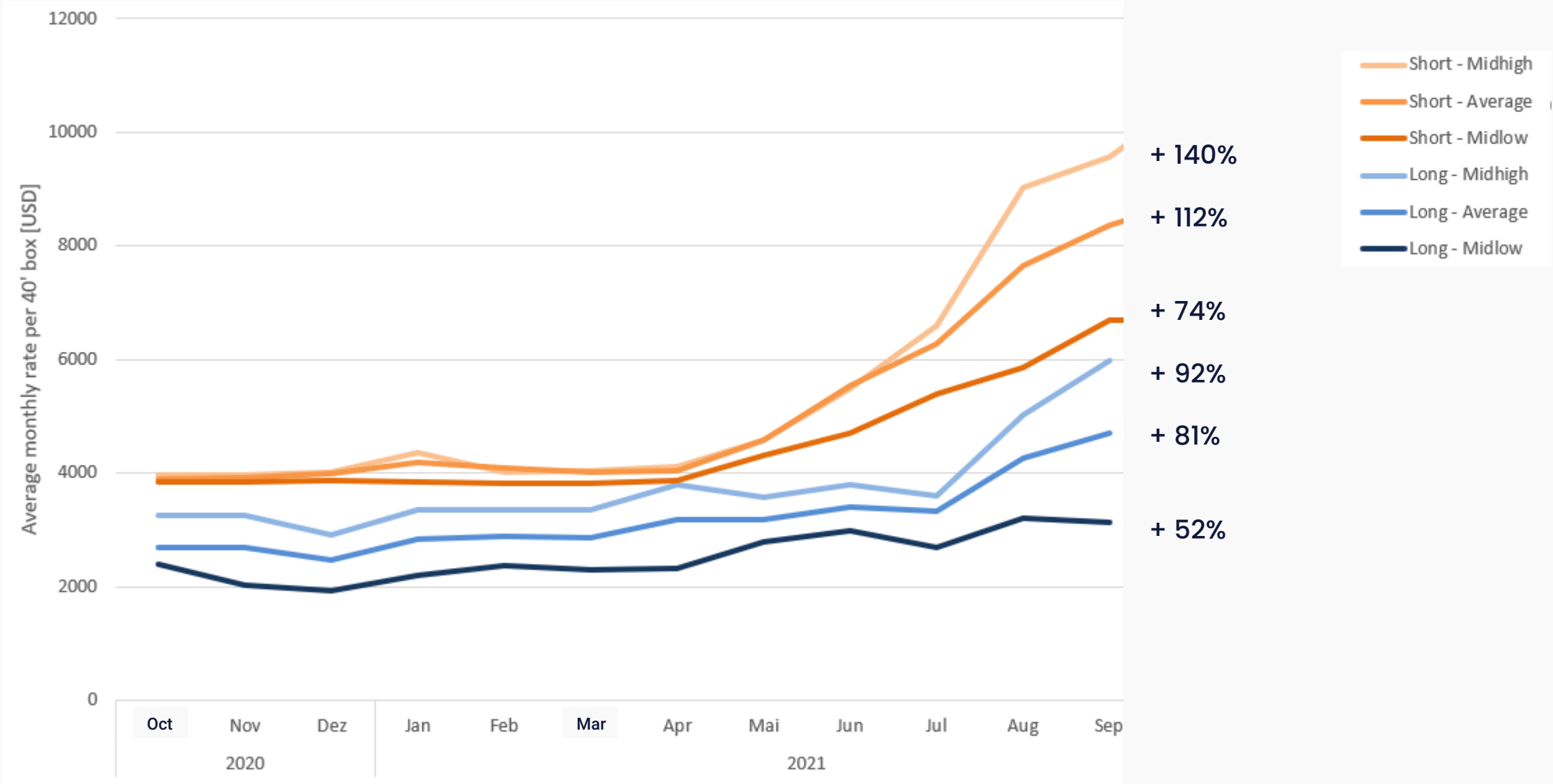


Air freight market development CN to US

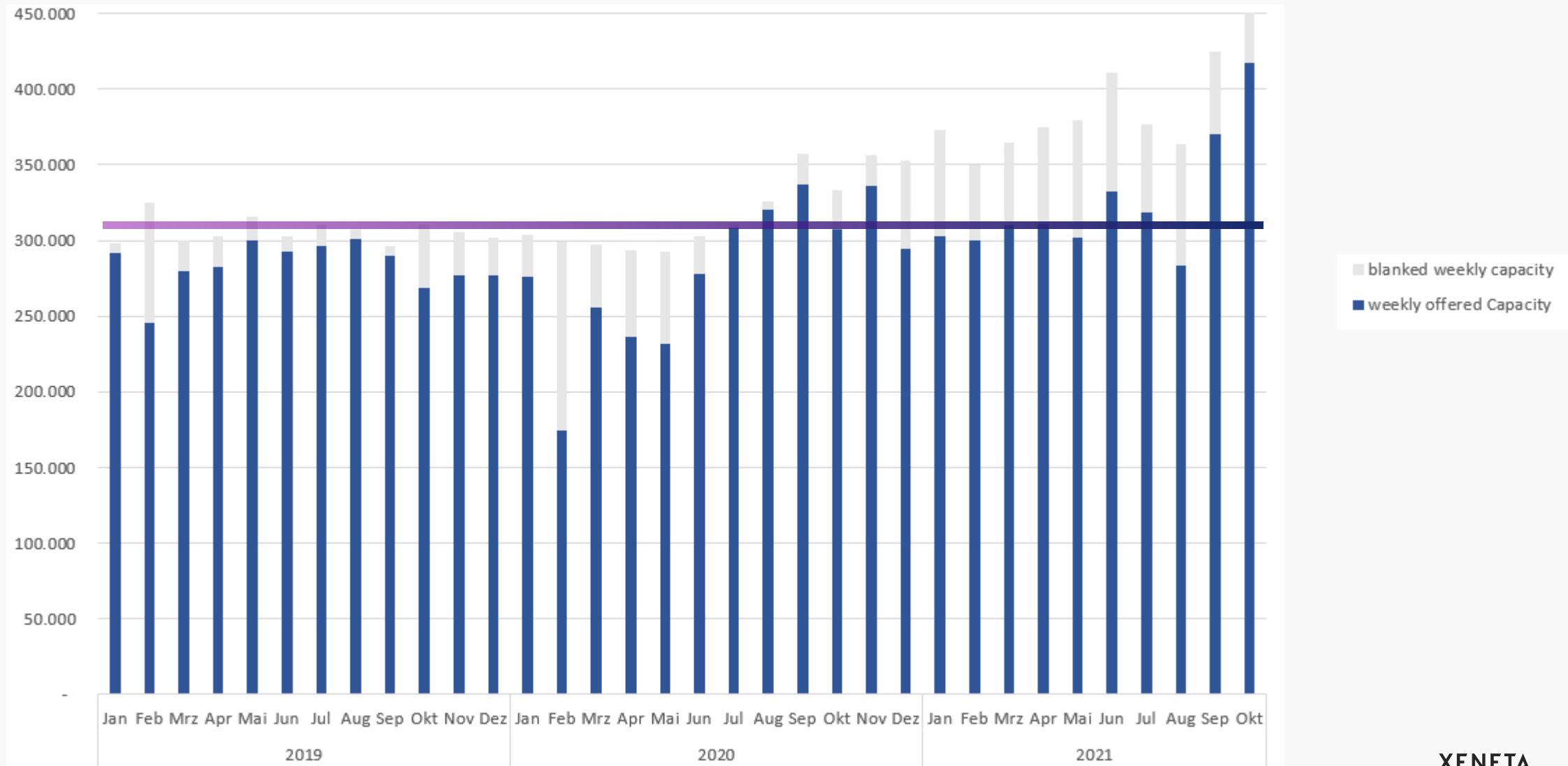
QUARTERLY AF SHORT AND LONG TERM RATE DEVELOPMENT



Continuous demand drives **Transpacific** rates further up



Far East – US WC Capacity strongly growing despite Congestion





Interview:
Bill Mongelluzzo, Senior Editor,
JOC.com

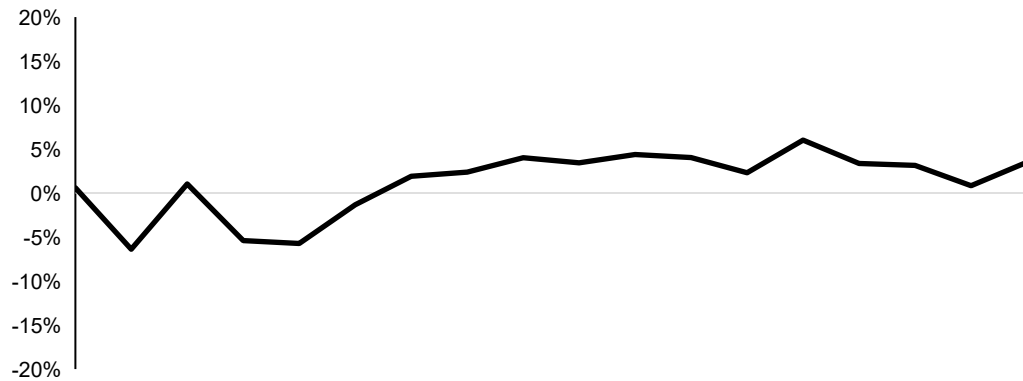
Interview:

Steve Saxon , Partner – Travel,
Transportation and Logistics,
McKinsey & Company

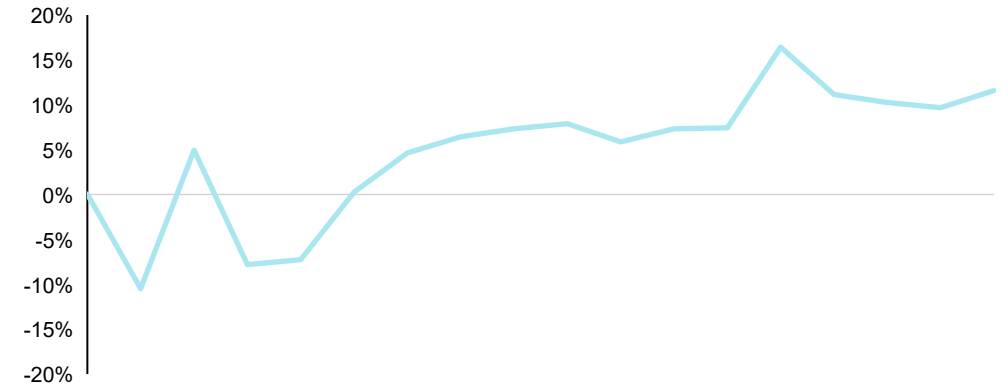
But it's not driven by global demand – North America sees a peak

2021 vs 2019, Annual container average growth

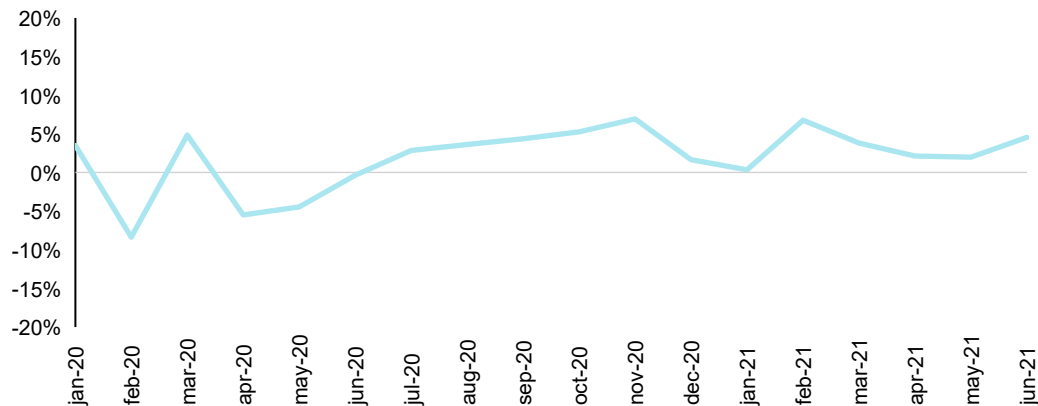
Global import/export growth



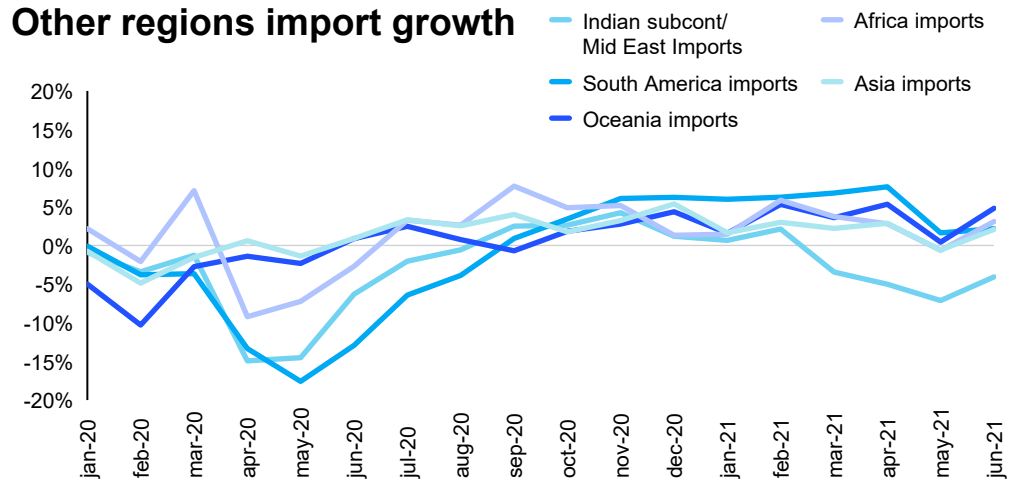
North America import growth



Europe import growth

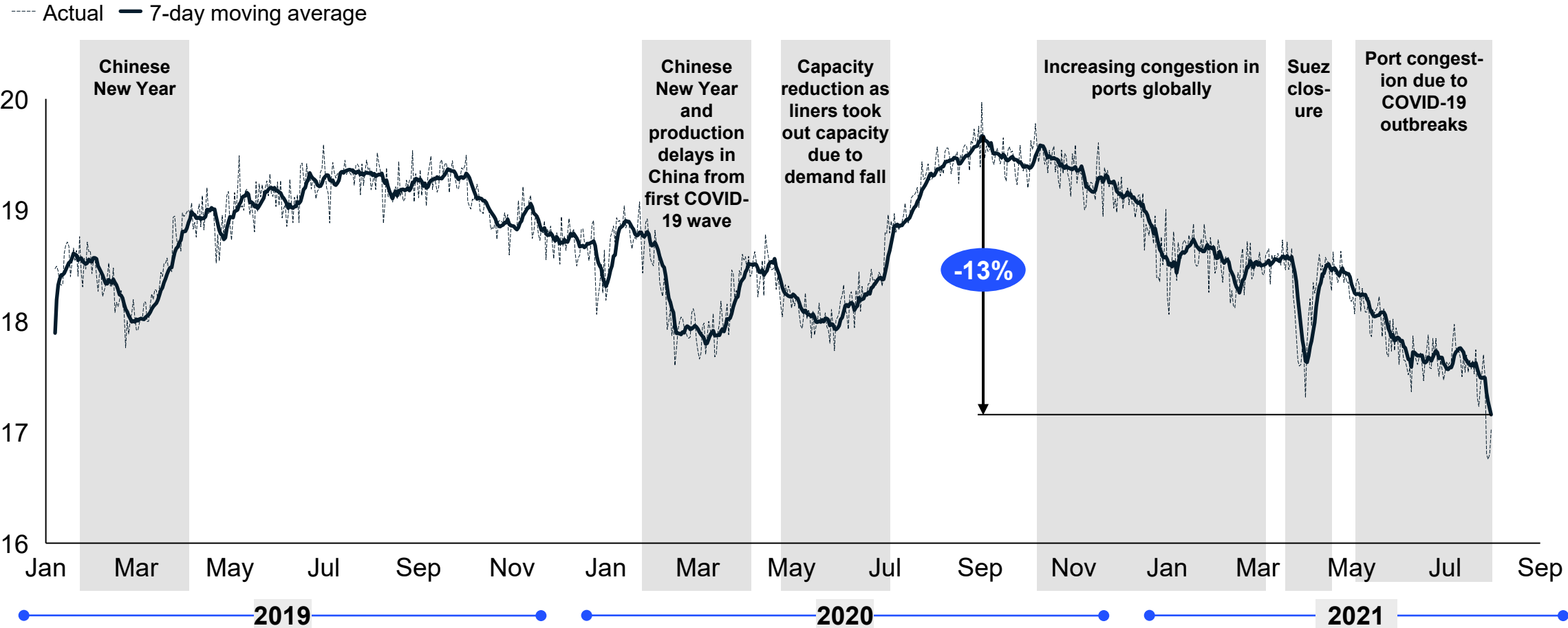


Other regions import growth



The N.A. demand surge and COVID-issues create congestion at ports, impacting supply

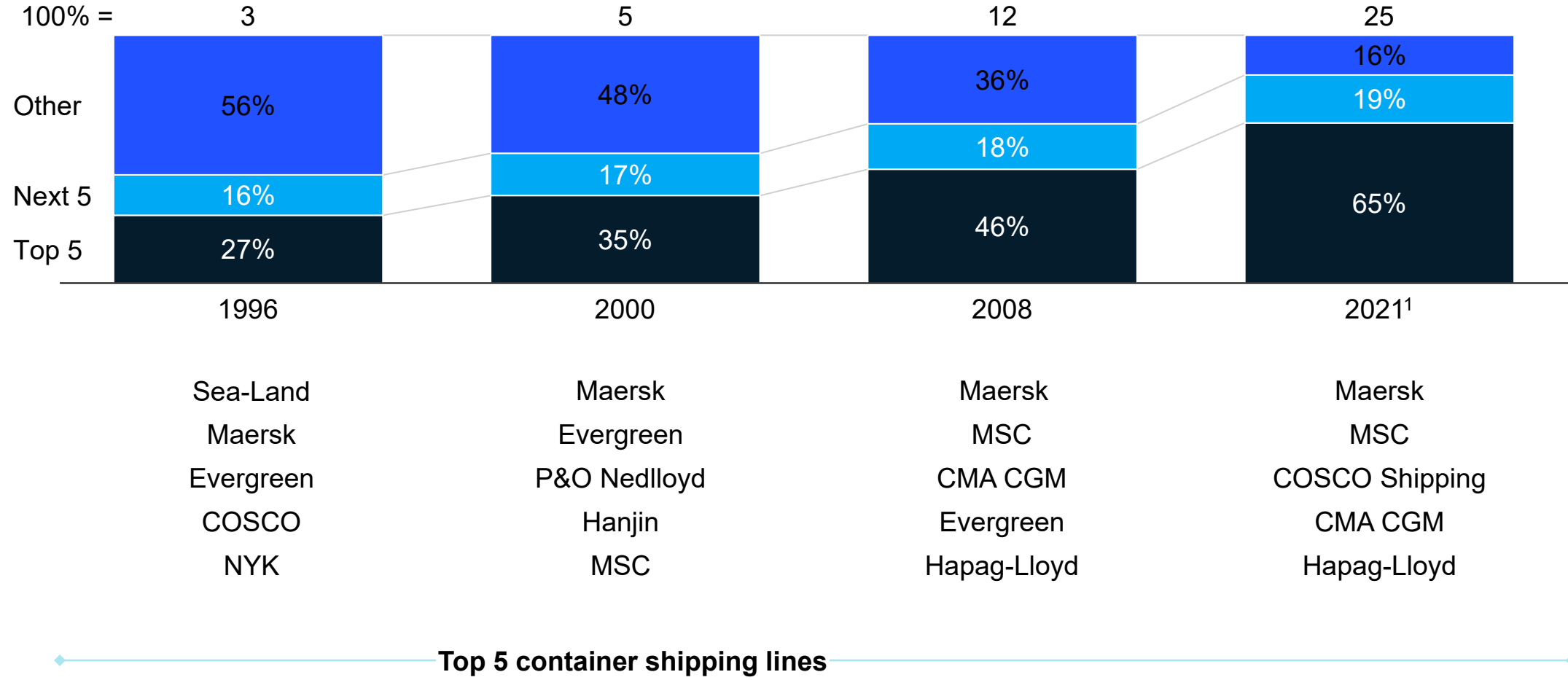
Daily containership sailing capacity¹, Mn TEU



1. Daily containership sailing capacity is measured as the TEU capacity of ships traveling 7.5kts or more

Consolidation in the container shipping industry may help disciplined supply management when new capacity is delivered

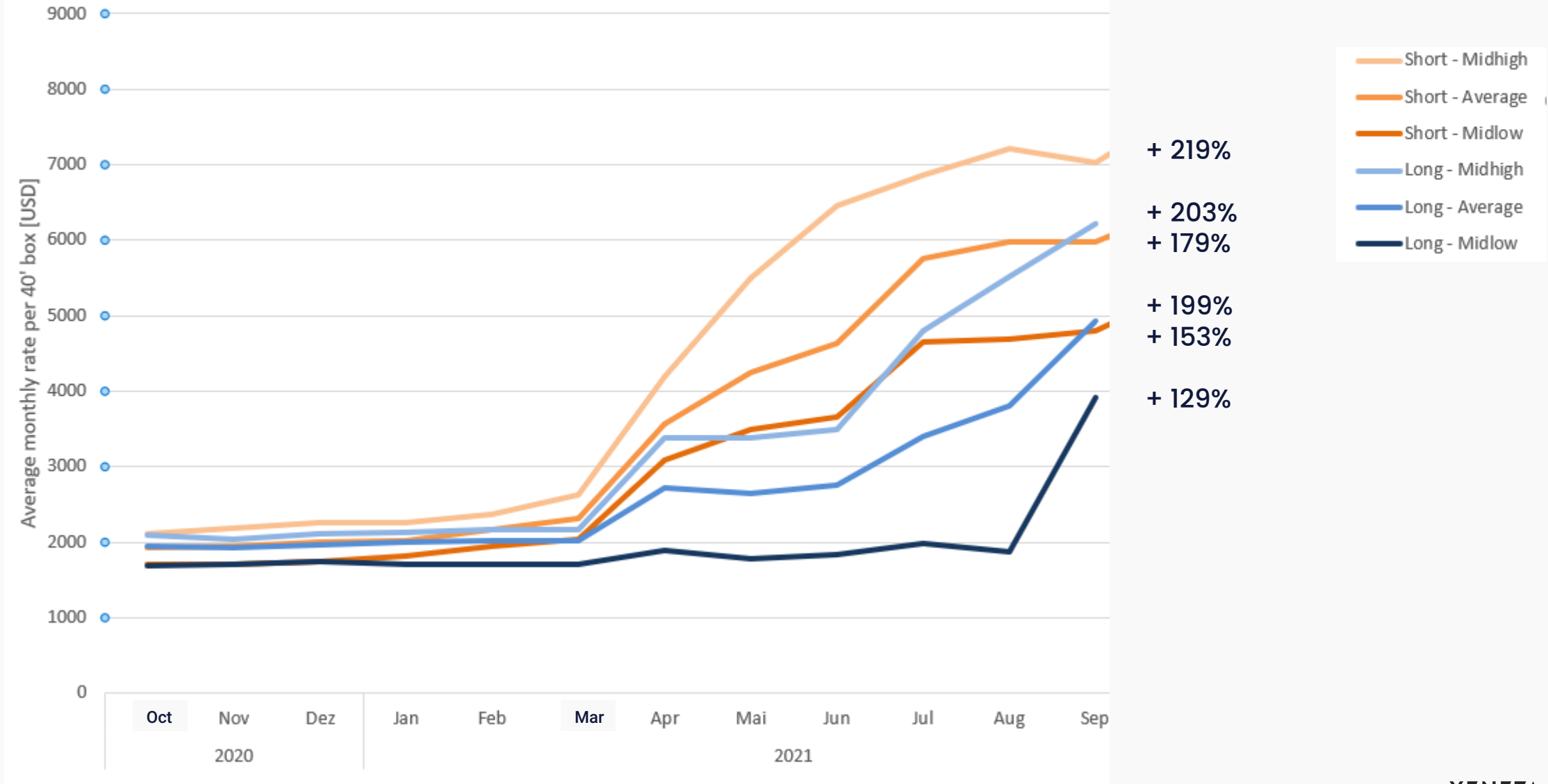
Container capacity, Mn TEU



1. As of June 17, 2021

Global Trades In-Depth Analysis (cont'd)

Congestion on US West Coast creating spillover to **Transatlantic**



+ 219%

+ 203%

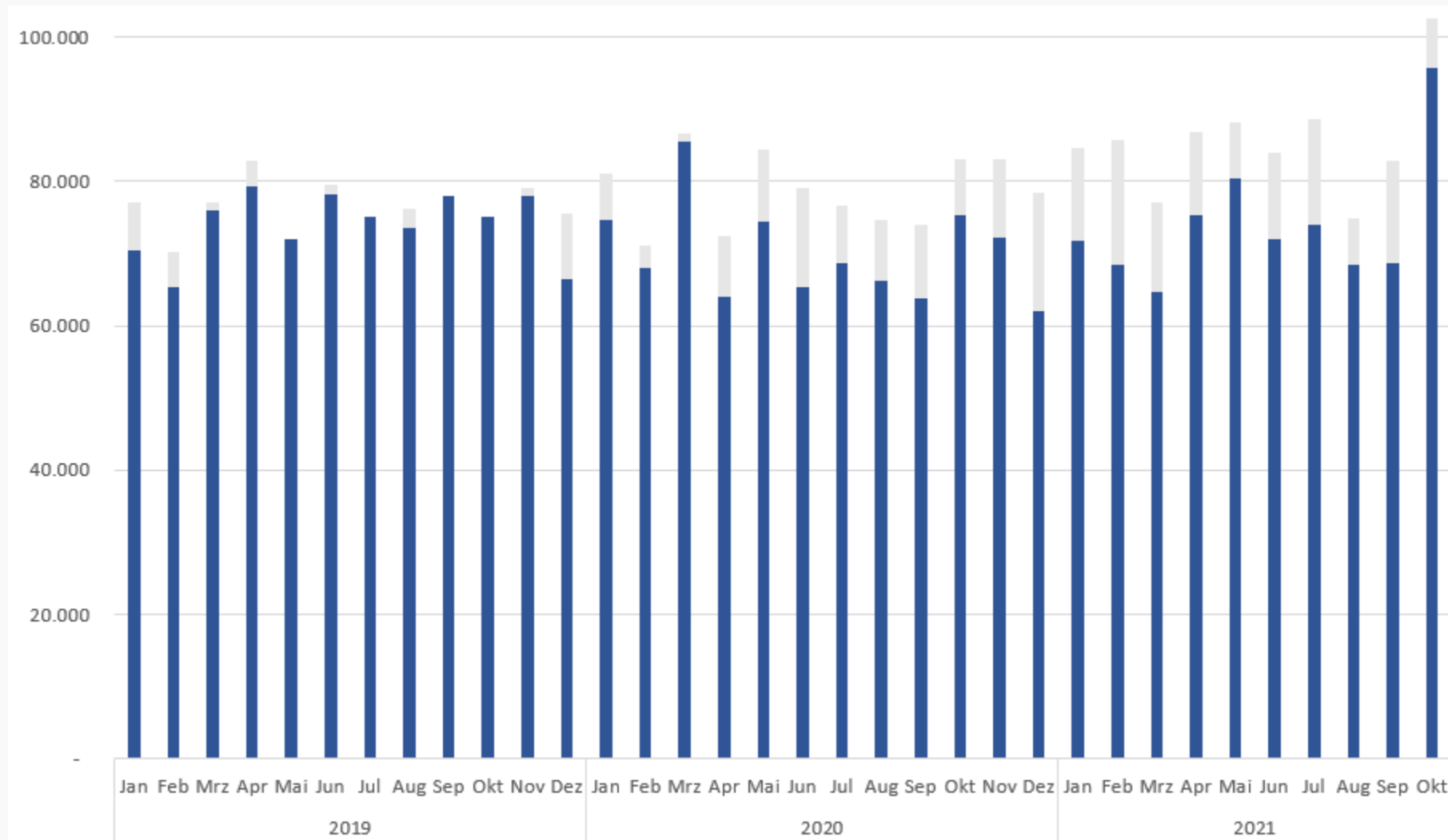
+ 179%

+ 199%

+ 153%

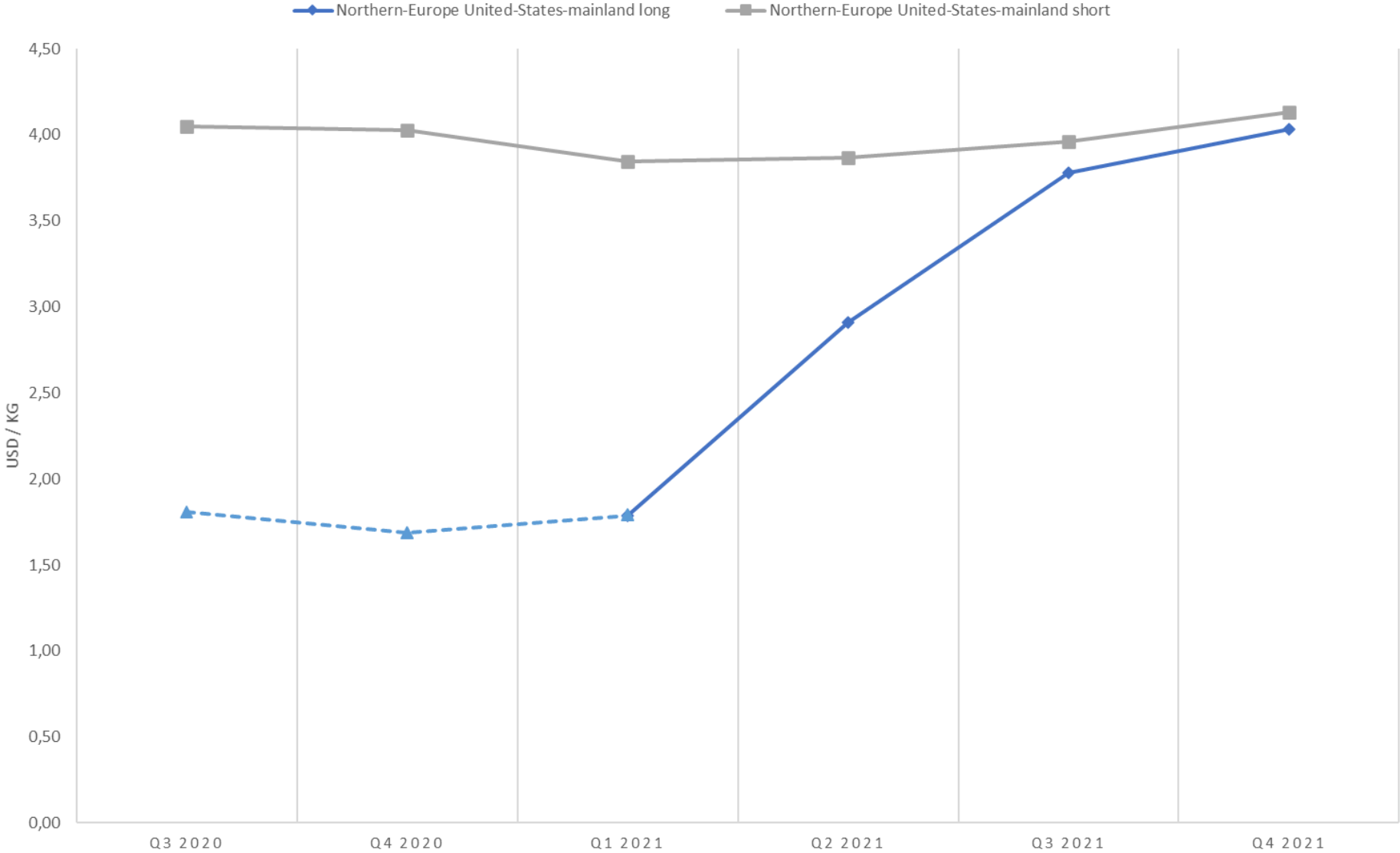
+ 129%

Capacity on Transatlantic remained stable until October

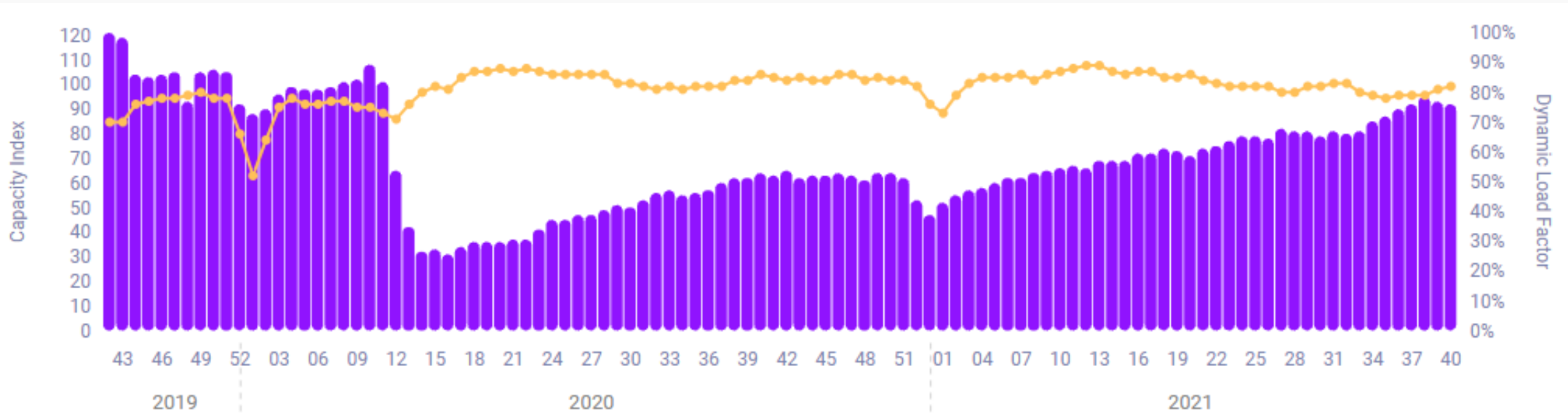


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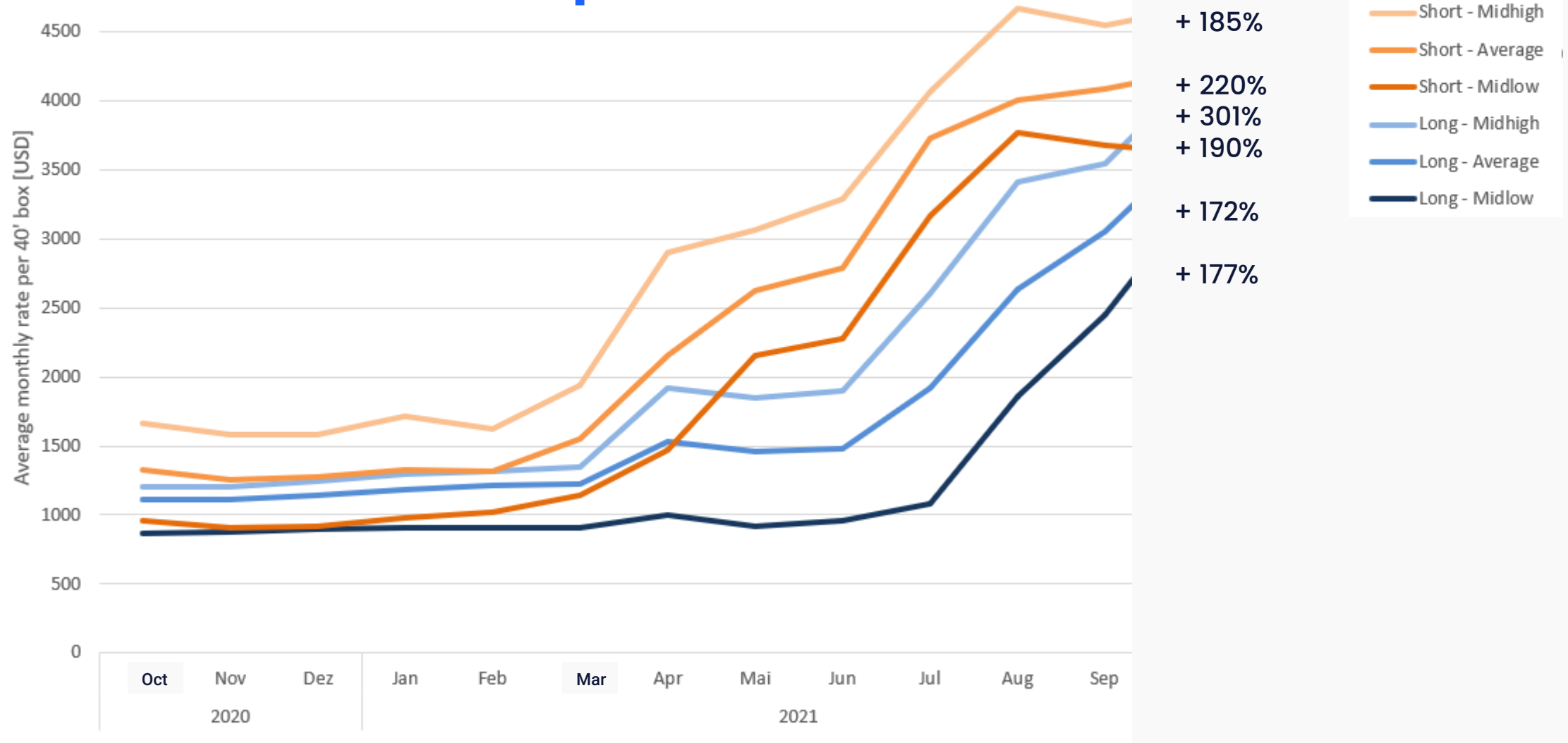


Interview:

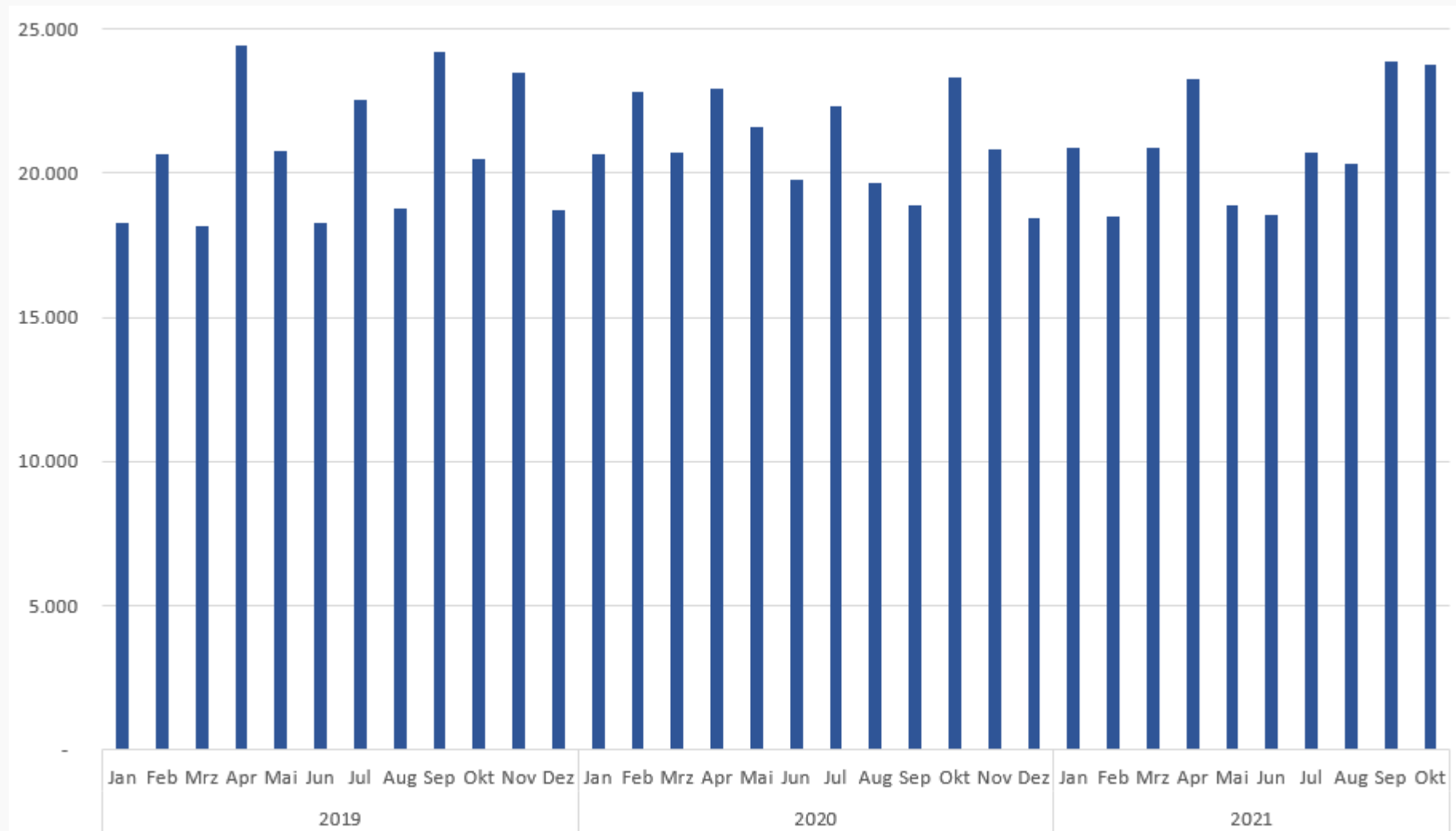
Niall van de Wouw, Managing
Director, CLIVE

Global Trades In-Depth Analysis (cont'd)

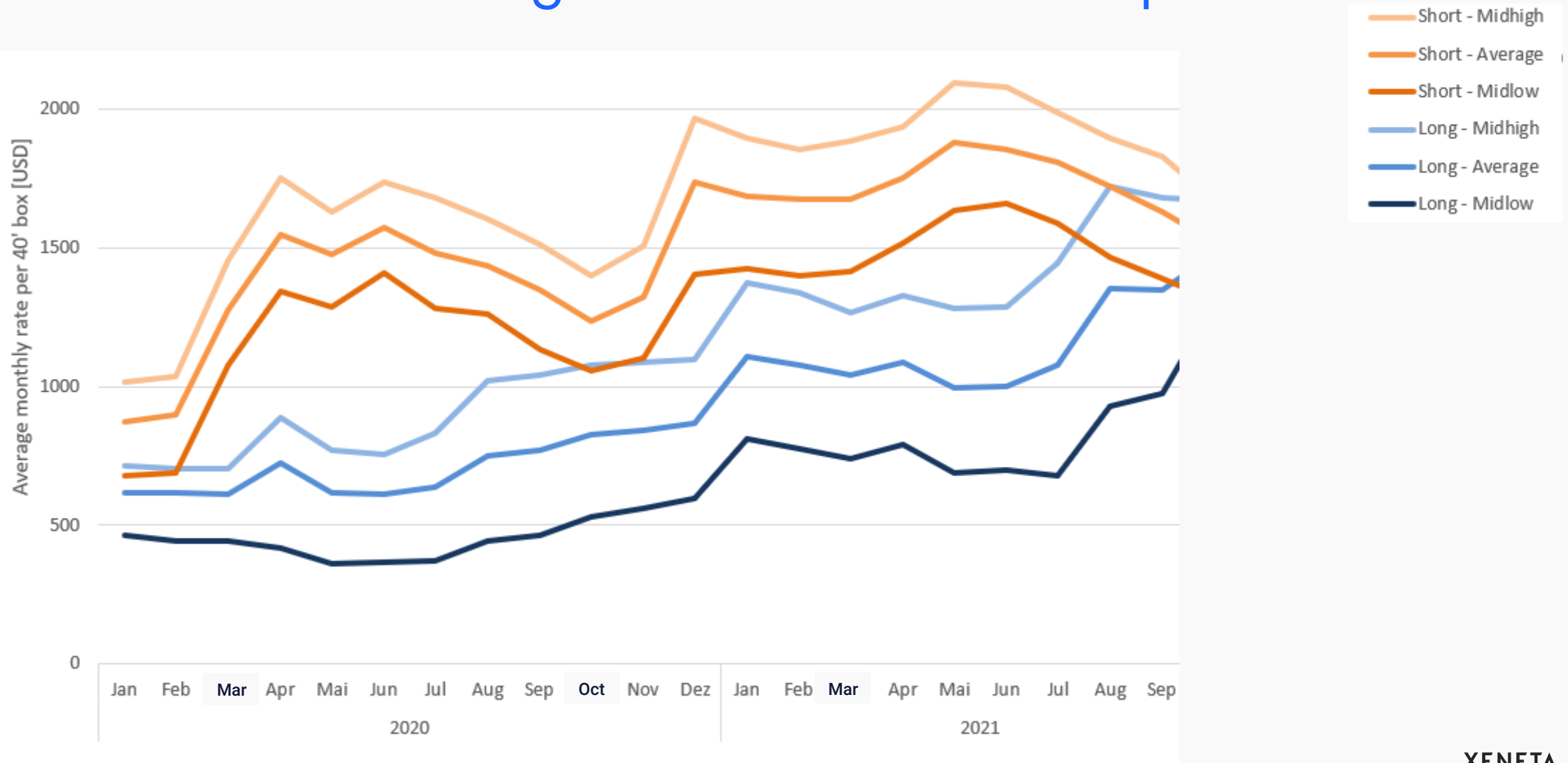
Equipment imbalances also driving up rate levels from Europe to South America



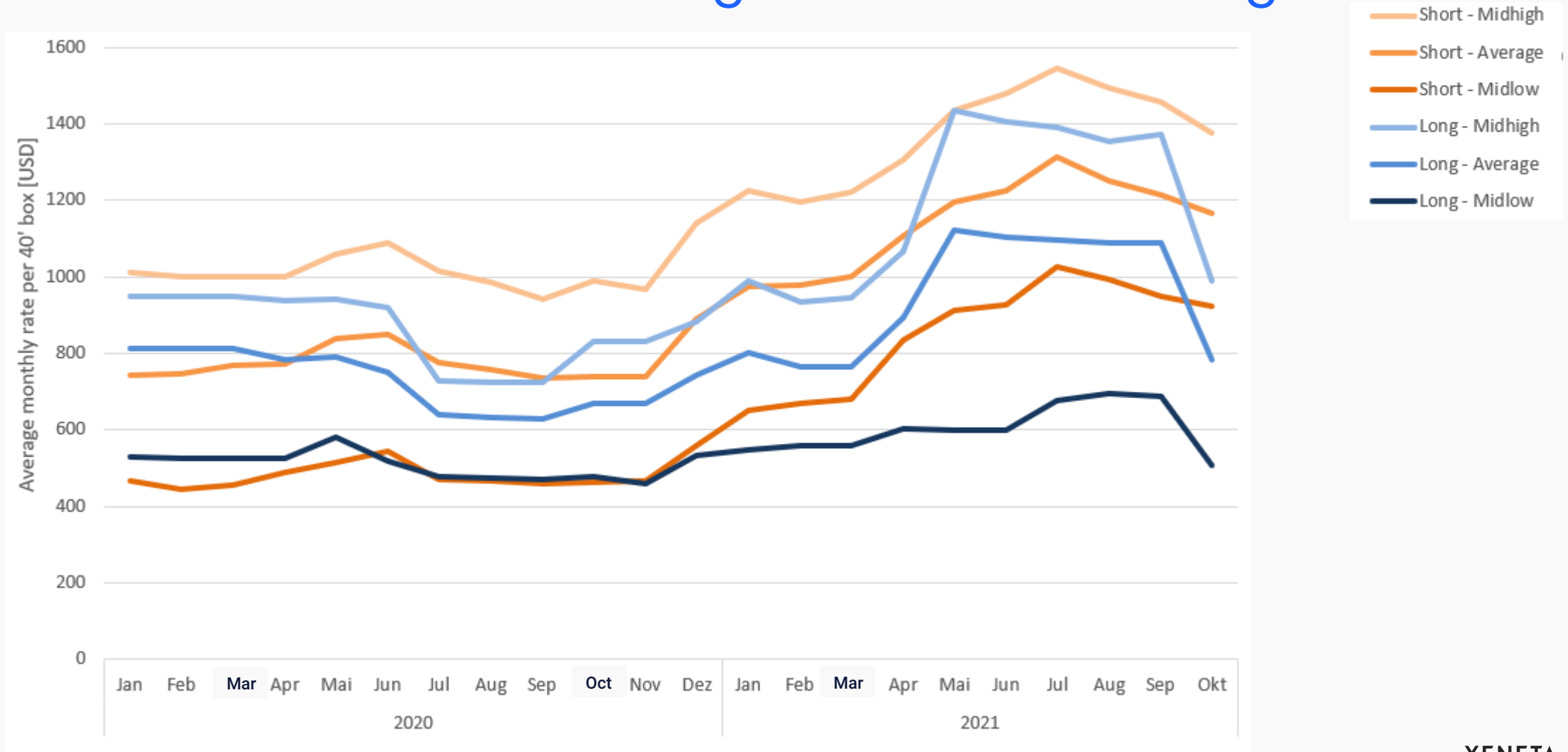
Capacity from Europe – South America remained stable



Backhaul Trade **North Europe – Far East** also affected but at least showing downward trend on spot market



Backhaul Trade **US West Coast – Far East** also affected but at least showing downward trend again

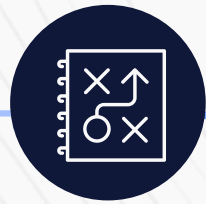


State of the Market | Where Are We Now?

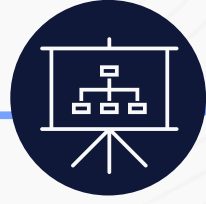
October 2021



**Fronthaul
Markets have
shown clear
upward trend
for short
and long -
are we done?**



**Supply chain
Insecurity, e.g.
Transit time,
Rollovers
Shippers
adjusting
to Just-in-case**



**Alternative
Modes to
Ocean Freight?
Nearshoring?**



**Record profits
for Suppliers,
especially
Carriers**



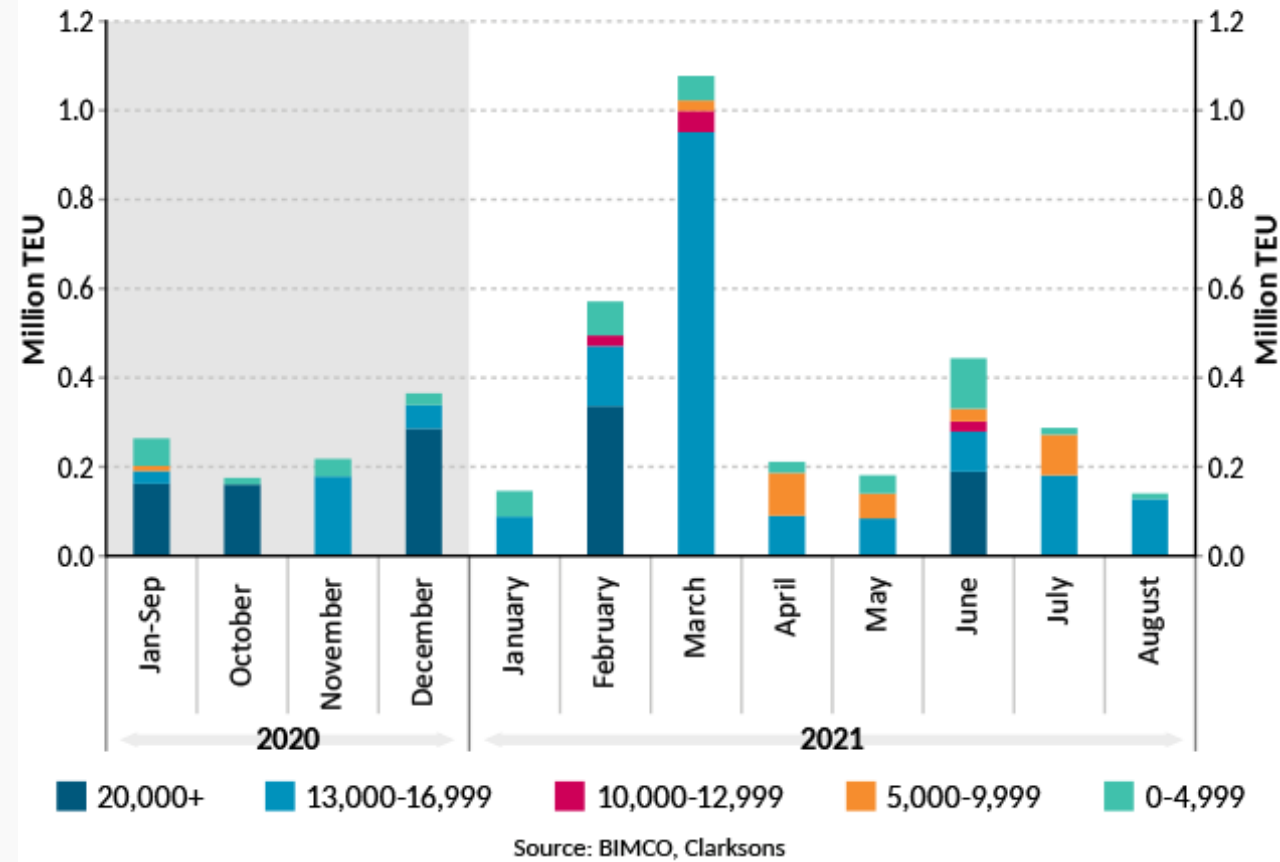
**Covid-related
Terminal and
Electricity
Shut downs
in China**

Interview:

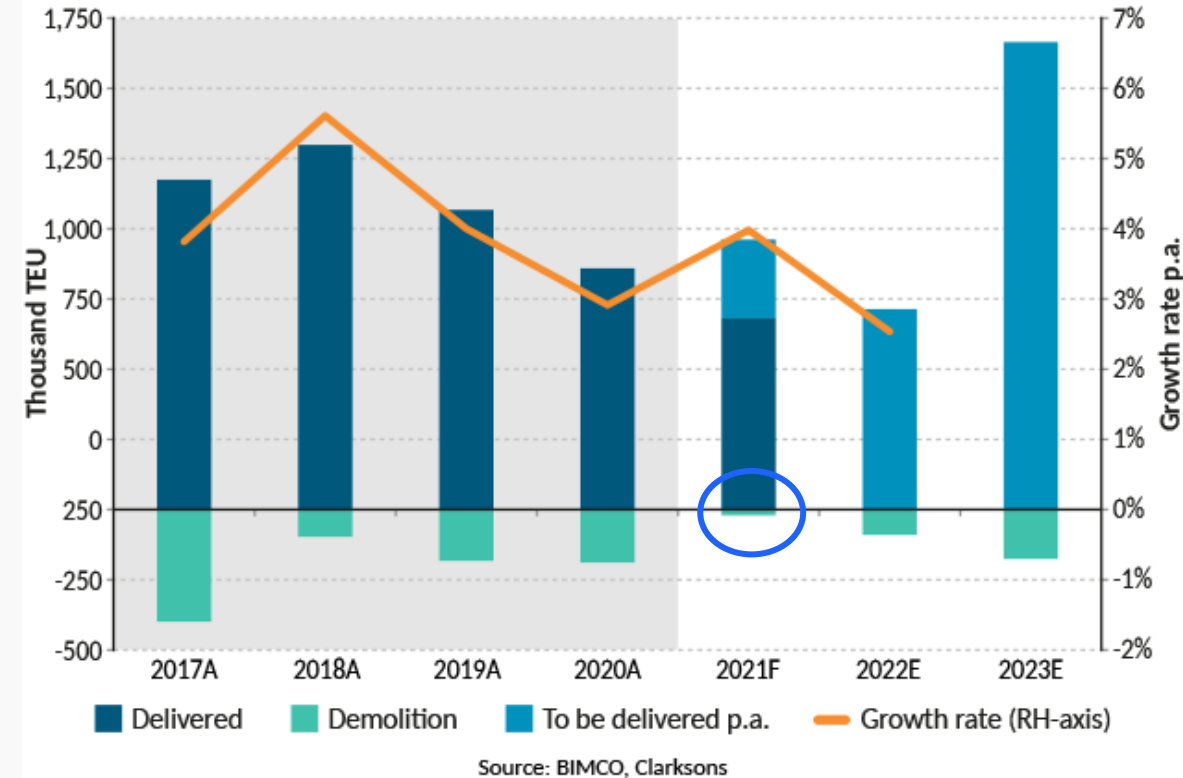
Peter Sand, Chief Shipping Analyst,
BIMCO

Record high profits being spent in shipyards

Container ship ordering 2020-2021



Container ship fleet growth 2017A-2023E



A is actual. F is forecast. E is estimate which will change if new orders are placed. The supply growth for 2021-2023 contains existing orders only and is estimated under the assumptions that the scheduled deliveries fall short by 10% due to various reasons and 20% of the remaining vessels on order are delayed/postponed.

Supply Chain Disruptions – what to do about it?

Diversification approaches to futureproof supply chains set to be

Focused on four main options:

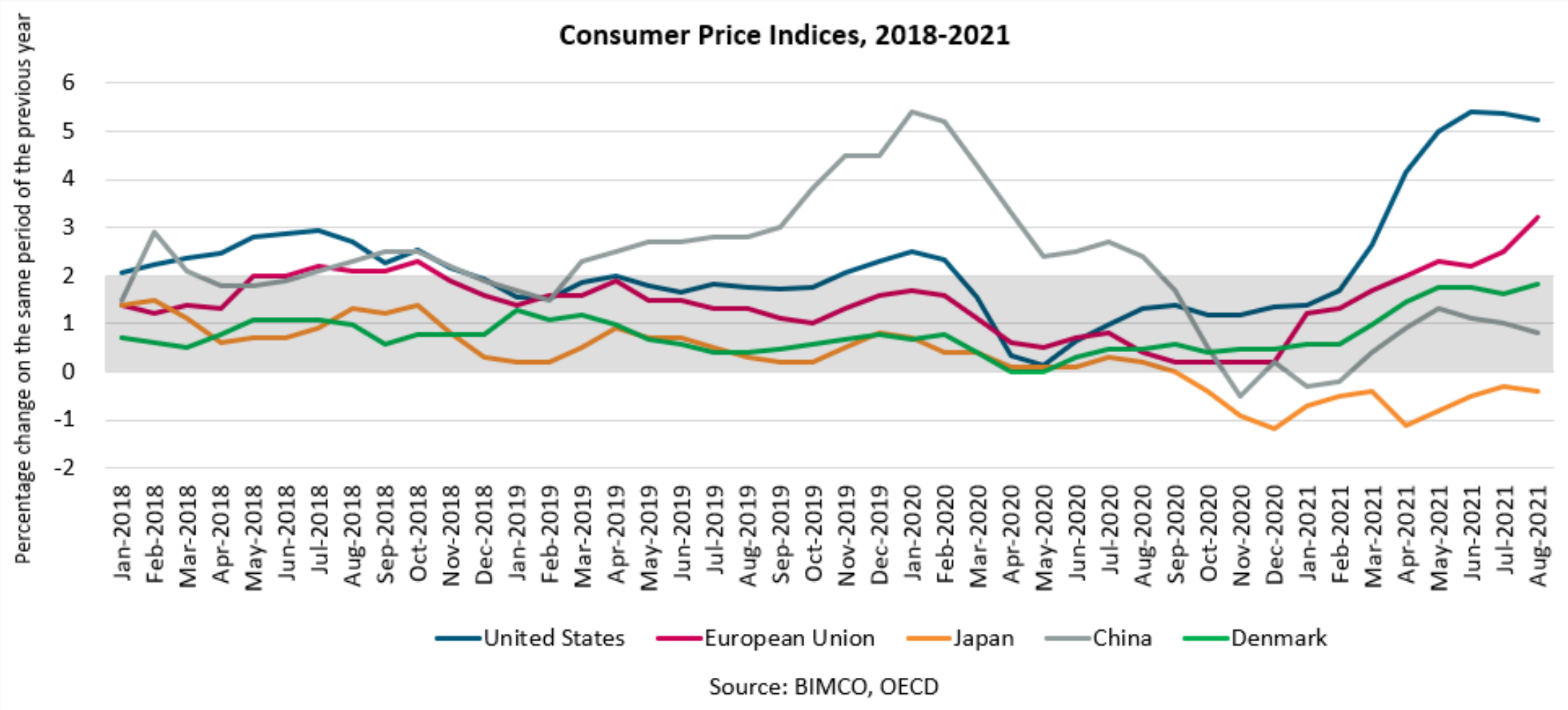
More multi-modal movement of goods globally and regionally

Increased appliance of near-shoring and re-shoring strategies

JIC (Just-in-Case) inventory management adding to JIT supply chains

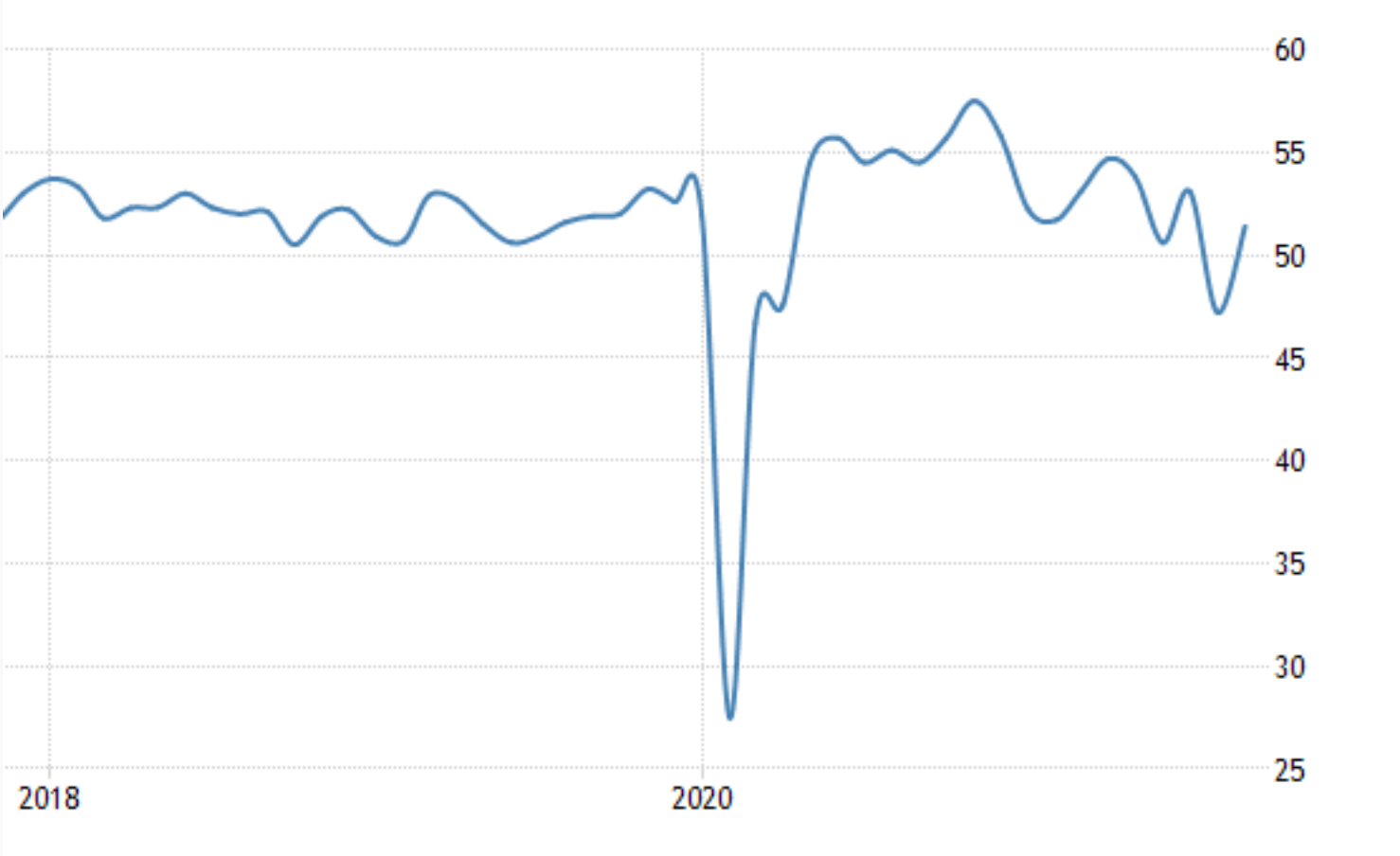
Higher inventories

Should we worry about inflation?



Global Trades In-Depth Analysis (cont'd)

China Production Index (PMI) shows downward trend



Even in 2021... these factors stay unchanged!



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Commodity
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Only **Supply**
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Watch out for
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Thank You! Questions?



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