State of the Industry
May 2024

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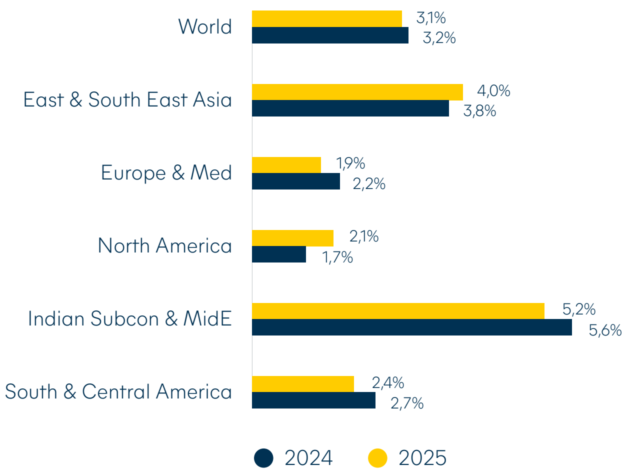
Steady global container demand...

<u>Positive global volume growth continues...</u>

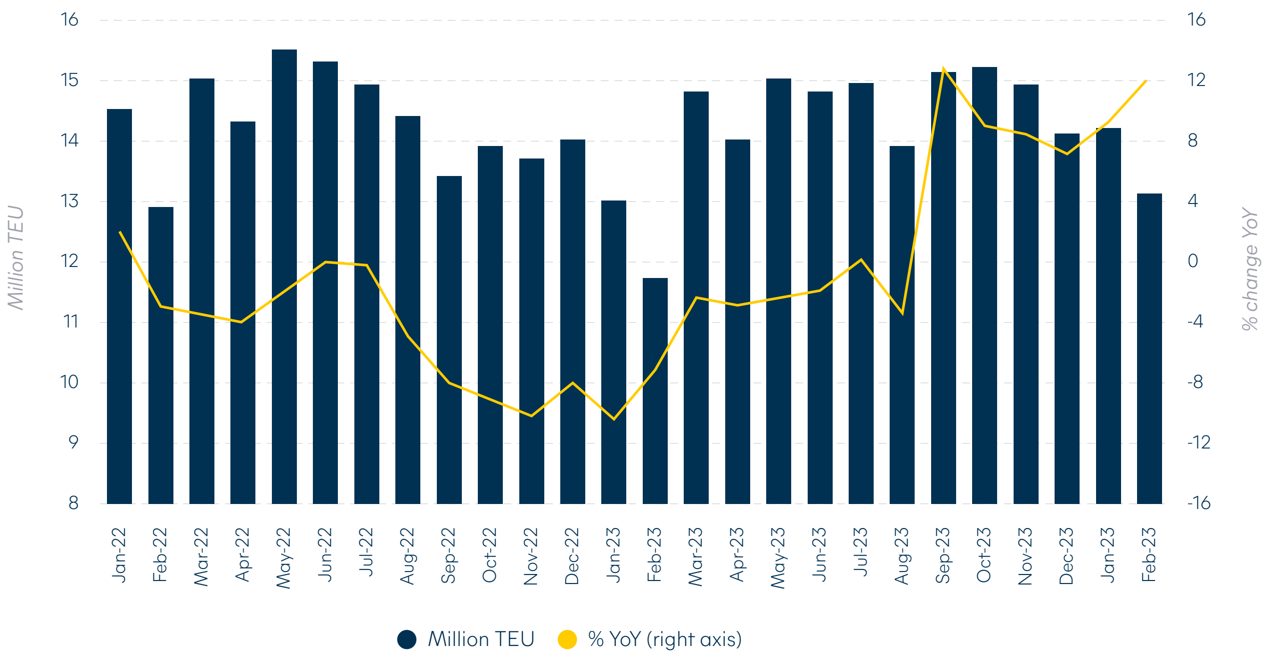
After a strong 8% year on year positive development recorded for Q4 2023 container demand continued to grow in the first quarter of this year.

Besides GDPs outlooks remain modest according to the IMF, on the back of economic uncertainties and strong geopolitical tensions, overall demand grew close to 11% YOY in the first months of the year.

GDP growth forecast



Word loaded container traffic



As stronger demand spreads across all trades,

With inflation now down to more regular patterns, and interest rates reducing in most parts of the world, **consumer spend is increasing and restocking is accelerating,** especially in Oceania (up 20%) as well as North (up 20%) and Latin America (up 12%).

Though more modest, imports into Europe were also up over 7% in the first part of the year.

		To...							
	Jan-Feb 2024 vs Jan-Feb 2023	Far East	Europe	North America	Oceania	Middle East/ ISC	Sub-saharan Africa	Latin America	Total Exports
From...	Far East	6,9%	11,5%	25,4%	30,2%	29,8%	23,0%	22,2%	15,0%
	Europe	2,4%	7,4%	8,8%	6,5%	-12,7%	-0,8%	0,5%	2,6%
	North America	11,7%	1,9%	-4,3%	-7,2%	-3,1%	-5,4%	6,9%	6,2%
	Oceania	7,6%	21,2%	7,9%	0,9%	52,6%	25,8%	13,9%	11,3%
	Middle East/ ISC	3,0%	0,7%	27,2%	31,7%	-1,7%	-5,0%	30,6%	3,6%
	Sub-saharan Africa	20,7%	7,9%	1,3%	-9,4%	21,0%	-9,8%	-1,4%	13,0%
	Latin America	19,9%	1,9%	5,4%	27,1%	21,1%	20,9%	4,6%	9,2%
	Total imports	7,5%	7,9%	20,1%	20,4%	10,6%	8,1%	12,1%	**10,7%**

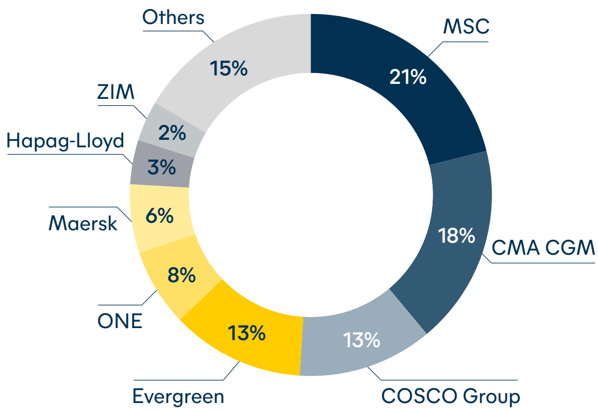
Supported by impressive capacity injection!

The **nominal container fleet** grew 8% in 2023, and the order book shows over 9% further growth in 2024.

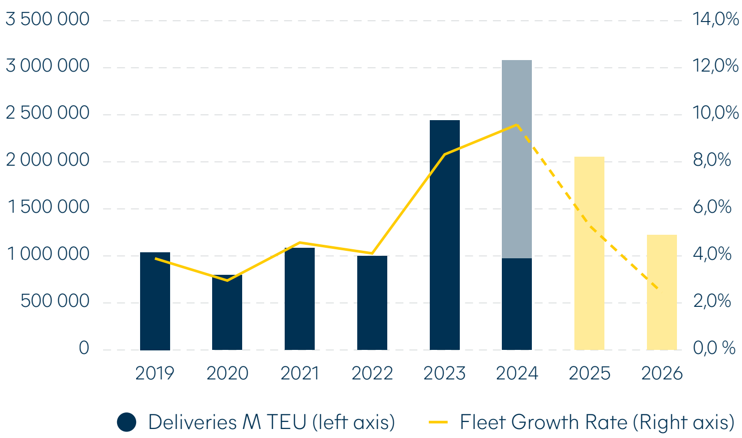
Though impressive, slippage, scrapping, slow steaming, the Red Sea deviations or port delays, are cutting the actual growth to a way more modest real capacity influx.

As of today, 65% of the new capacity on order stand with MSC, CMA, Cosco and Evergreen.

Orderbook distribution in April 2024



Deliveries and Orderbook



Challenged by severe operational disruption...

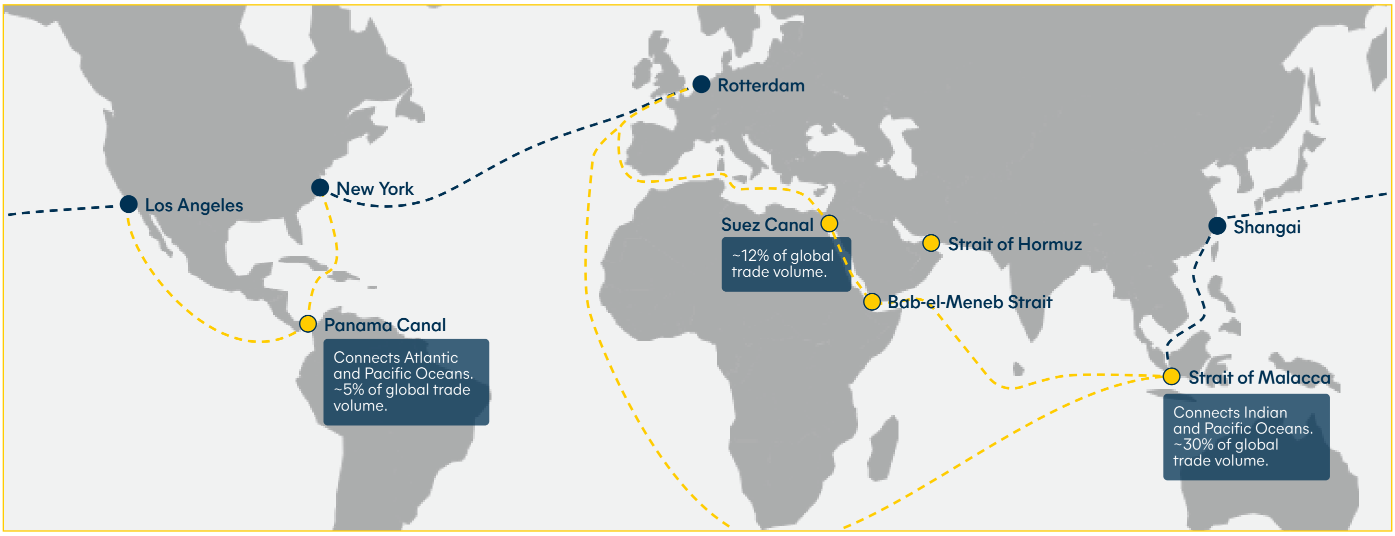
<u>Sensitive maritime chokepoints impact liner operations,</u>

The Panama Canal and the Suez Canal are traditionally referred to as the two major gateways for global trade : **The Panama canal** accounts for around **5% of global container trade volumes, whilst 12%** of world volumes usually transit via Suez.

By their strategic situations, they also represent major vulnerable chokepoints!

As recent situations illustrate, these chokepoints can easily get affected either due to climate change (Panama), incidents (Suez blocked by a stranded vessel...), or geopolitical and piracy tensions (Red Sea, Strait of Hormuz...)...

When tensions happen, **the entire Global Trade gets affected**, as vessel operators need to adapt or deploy alternative services, often leading to exacerbated disruption (ports cancelled, services suspended, transit times not guaranteed, equipment availability, ports congestion...), which all cascade to geographies beyond where tensions do happen...



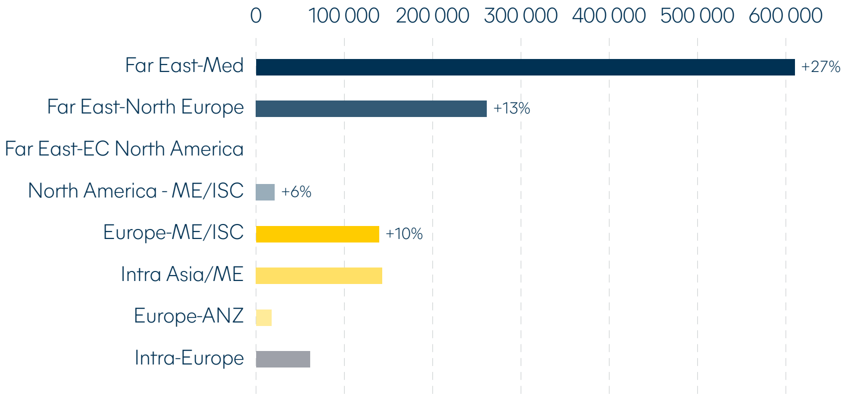
And starting with the Bab el Manded strait in the Red Sea,

The Houthis actions continue in the Bal el Manded strait, and actually led to **human casualties in March.** With few regional destinations exceptions, all container vessels are now transiting via the Cape of Good Hope.

Even CMA CGM, besides the French Navy protection, have not crossed the Suez Canal since April 7th.

Routings via South Africa have meant a large injection of new capacity, and greatly impacted **equipment availability,** due to the longer transit times involved. The recent seizing of the MSC Aries by Iran, has also taken tensions to new heights.

Change in capacity in TEU deployed since Oct 2023
(Red Sea affected trades only)



Global disruption, in many aspects, is not going away...

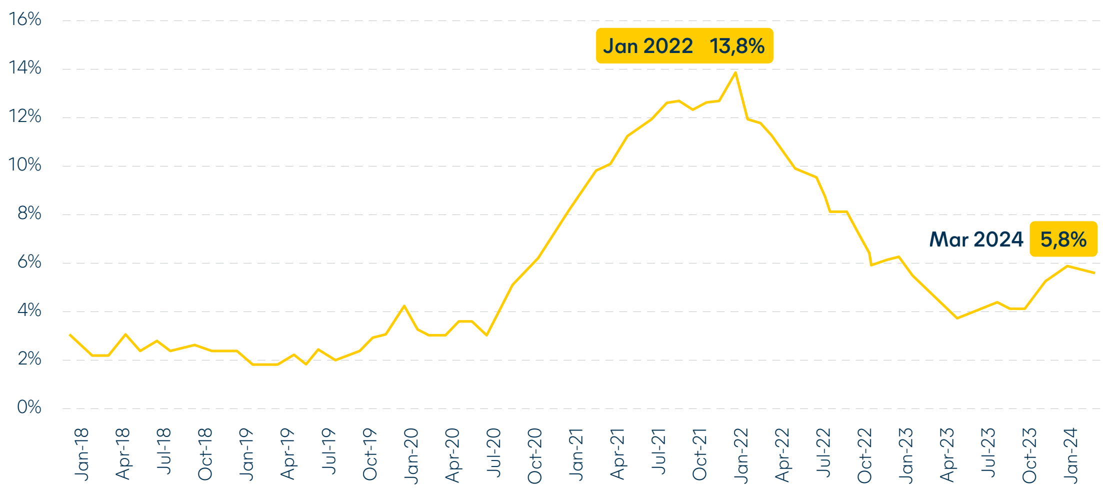
The Red Sea situation has absorbed some **8 to 10% of the capacity**, with two to three more vessels needed per loop between Asia and Europe...

With Suez avoided, West Med ports (Algeciras, Barcelona...) have become "relay ports" for East Med cargoes, but the surge of demand now impacts their productivity!

Overall, **ports congestion deteriorates**, leading to increased delays, impacting real capacity available.

Congestion and disruption which also gets further exacerbated by not always foreseeable **labor unrest** risks or **climate events**...

Absorption of global fleet due to delays



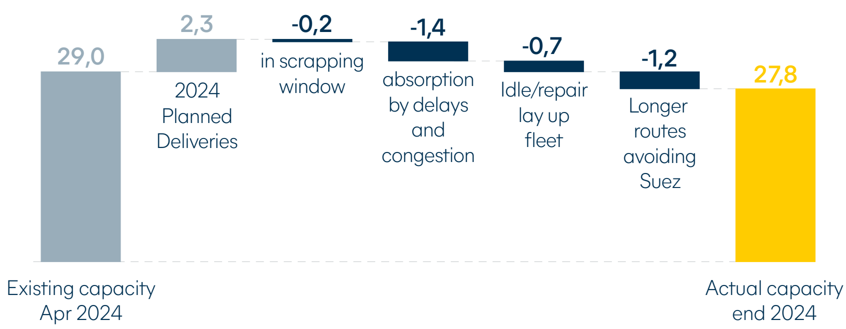
Balancing out supply-demand, and pushing costs up...

While demand is expected to keep growing 5% in 2024, "on paper" capacity will increase another 8% this year with the deliveries still to come ; But the actual capacity growth may prove negative by year end...

- Scrapping, vessels taken out for IMO upgrades,
- Cape of Good Hope routes likely lasting, with need for yet more vessels,
- Congestion and port delays worsening, including labor unrest...
- Higher fuel needs - Maersk reported for Q1 2024 their highest fuel consumption since 2018 - and forcing further slow steaming...
- Which slow steaming is putting pressure on vessels demand, now pushing charter rates up !

Ship size	Dec 2023 USD /day	Apr 2024 USD /day	% Change
8500 teu	34 000	48 000	↑ 41%
5600 teu	21 500	35 000	↑ 63%
4000 teu	16 750	26 250	↑ 57%
2500 teu	11 250	17 000	↑ 51%
1700 teu	9 500	13 250	↑ 39%
1000 teu	7 500	9 500	↑ 27%

End 2024 net capacity (million TEU) projection



Coming next ...?

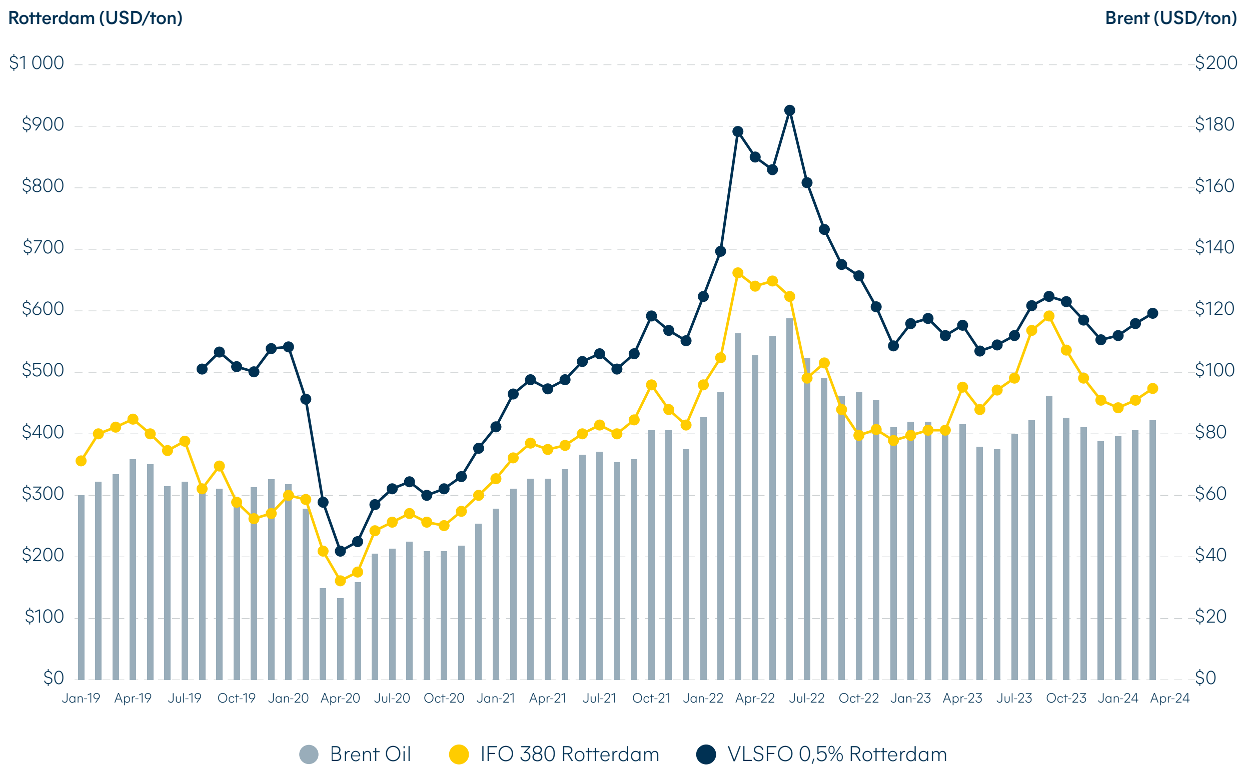
With ocean carriers financials in negative territories...

Carrier results have deteriorated steeply throughout last year in the context of oversupply, and most operators proved in the red in Q4 2023.

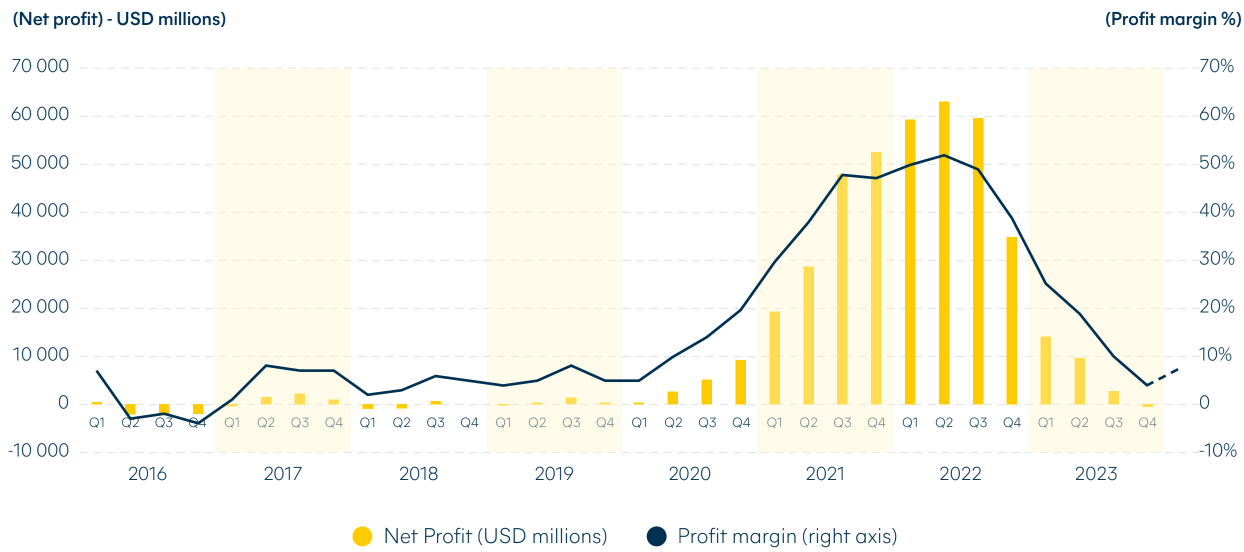
In the first quarter 2024, operational costs further increased due to Red Sea context (port operations, vessels chartering costs, greater number of vessels required, equipment, fuel consumption...).

And meanwhile, **fuel is on the rise again.**

Fuel costs monthly averages



Container shipping estimated net income and profit margin



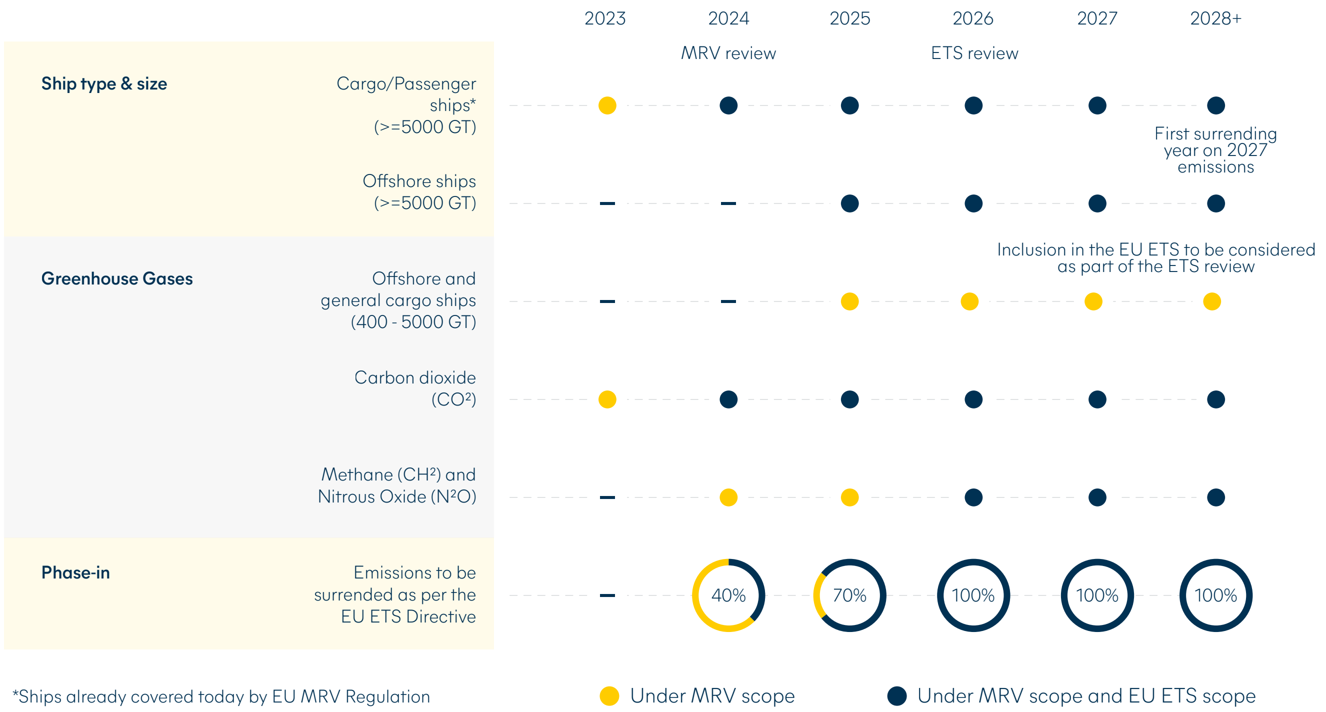
Fuel regulations getting stricter...

The European Emissions Trading System began January 1st 2023 for the shipping sector, when carriers had to start reporting emissions, which became "payable" from Jan 1st 2024 onwards.

Started with CO2 emissions (carbon dioxide), will then cover CH4 (methane) & N2O (nitrous oxide) in 2026. The ETS system operates on a **"cap and trade"** concept, with a global Green House Gases cap tolerated that decreases each year, for which shipping companies have to surrender carbon permits ; **Comes January 2025, 70% of emissions** (vs 40% this year) will need be compensated by shipping companies.

Non-compliance could result into possible complete EU trading ban.

The whole legislation creates a clear interest for carriers to slow steam, and deploy greater number of vessels into rotations for compliance.



And carrier alliances reshuffling ahead,

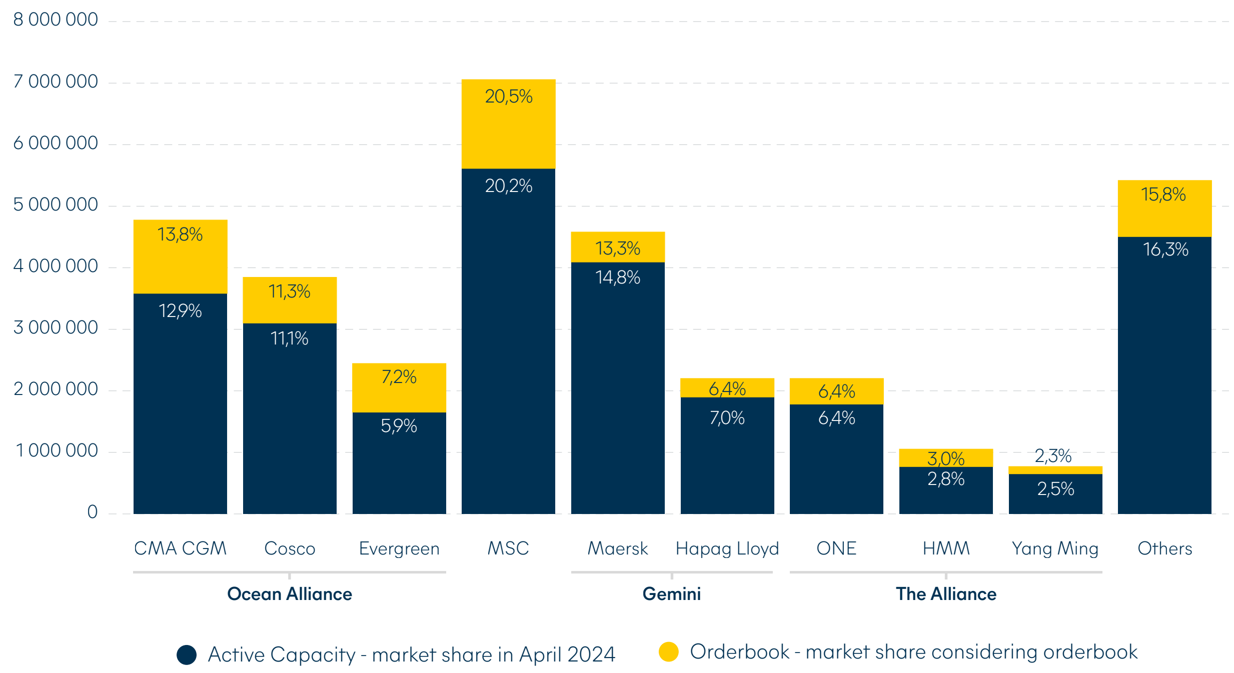
The global carrier landscape sees partnerships revamped and stronger **capacity concentration** ahead.

- MSC moves on as standalone operator, as Maersk and MSC terminate 2M end 2024,
- Hapag Lloyd quits THE Alliance to join Maersk under Gemini, a "hub and spoke" proposition,
- Yang Ming, ONE and Hyundai likely to rethink their strategy and deployment.

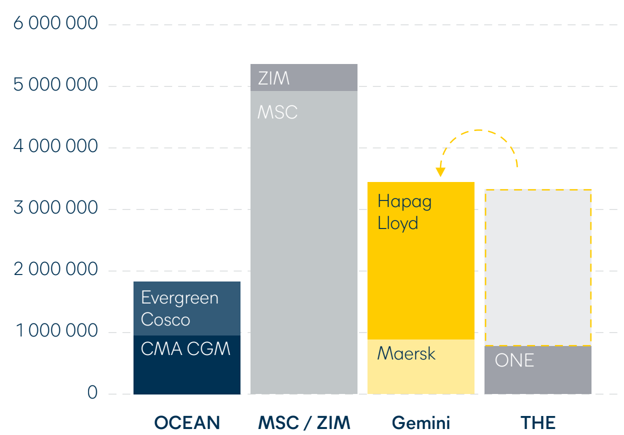
Capacity concentration increases, with the **6 largest carriers accounting for 70%** of the world capacity!

Including their respective order books, Ocean Alliance would account for 32% of the World capacity, MSC close to 21%, Gemini 20%, and THE Alliance 11,5%!

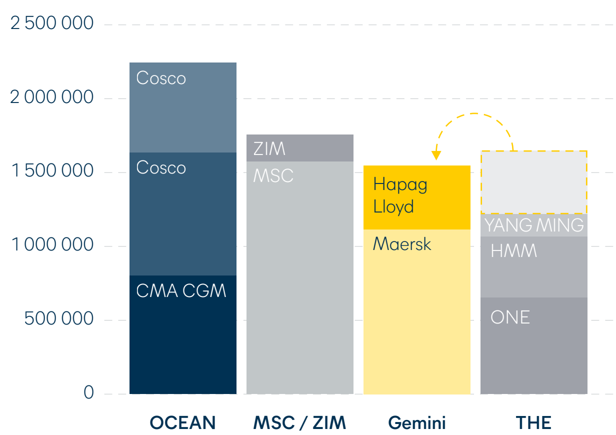
April 2024 - Active capacity plus orderbook (TEU)



Transatlantic



Asia - Europe

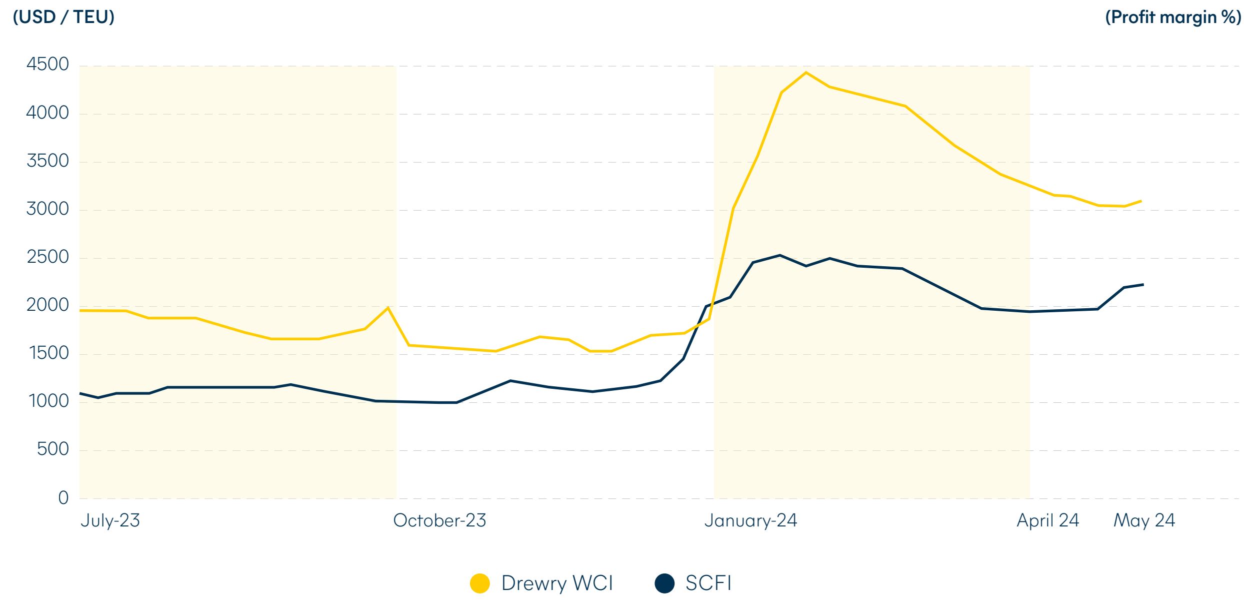


Ocean rates should continue strengthening!   zz z vvv

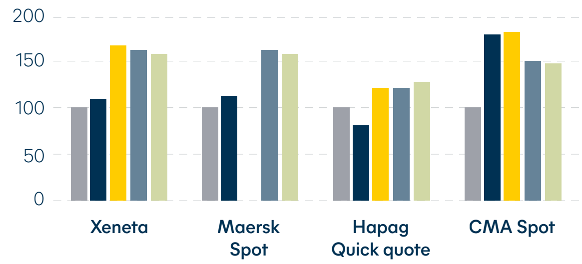
After hitting record low levels towards late 2023, **ocean rates have strongly appreciated** on most east – west routes from early 2024 in a context of strong demand, severe capacity management from carriers, and with the Red Sea crisis adding stress on supply.

With restocking happening in Europe and North America, most Asian **trades are expected to see rates firming up for the months ahead** ; And with the need for capacity and equipment in Asia, rates increases will cascade on the other trade routes.

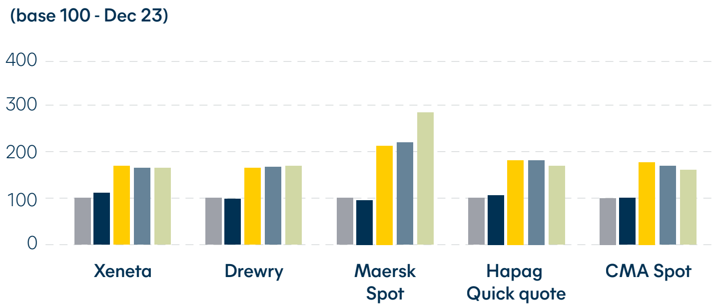
Global rates indices since July 2023



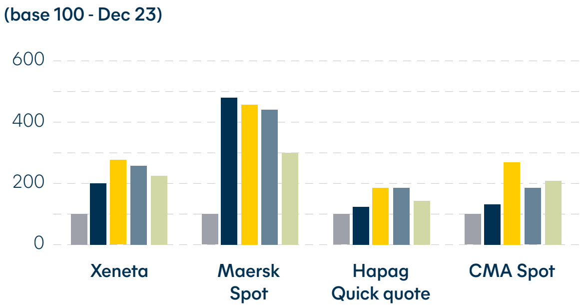
Genoa - New York (GIGO)



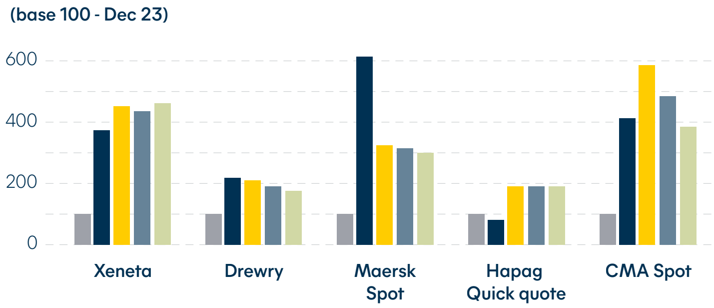
Antwerp - New York (GIGO)



Valencia - Shangai (GIFO)



Antwerp - Shangai (GIFO)



(base 100 - Dec 23) Dec 2023 Jan 2023 Feb 2024 Mar 2024 Apr 2024

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