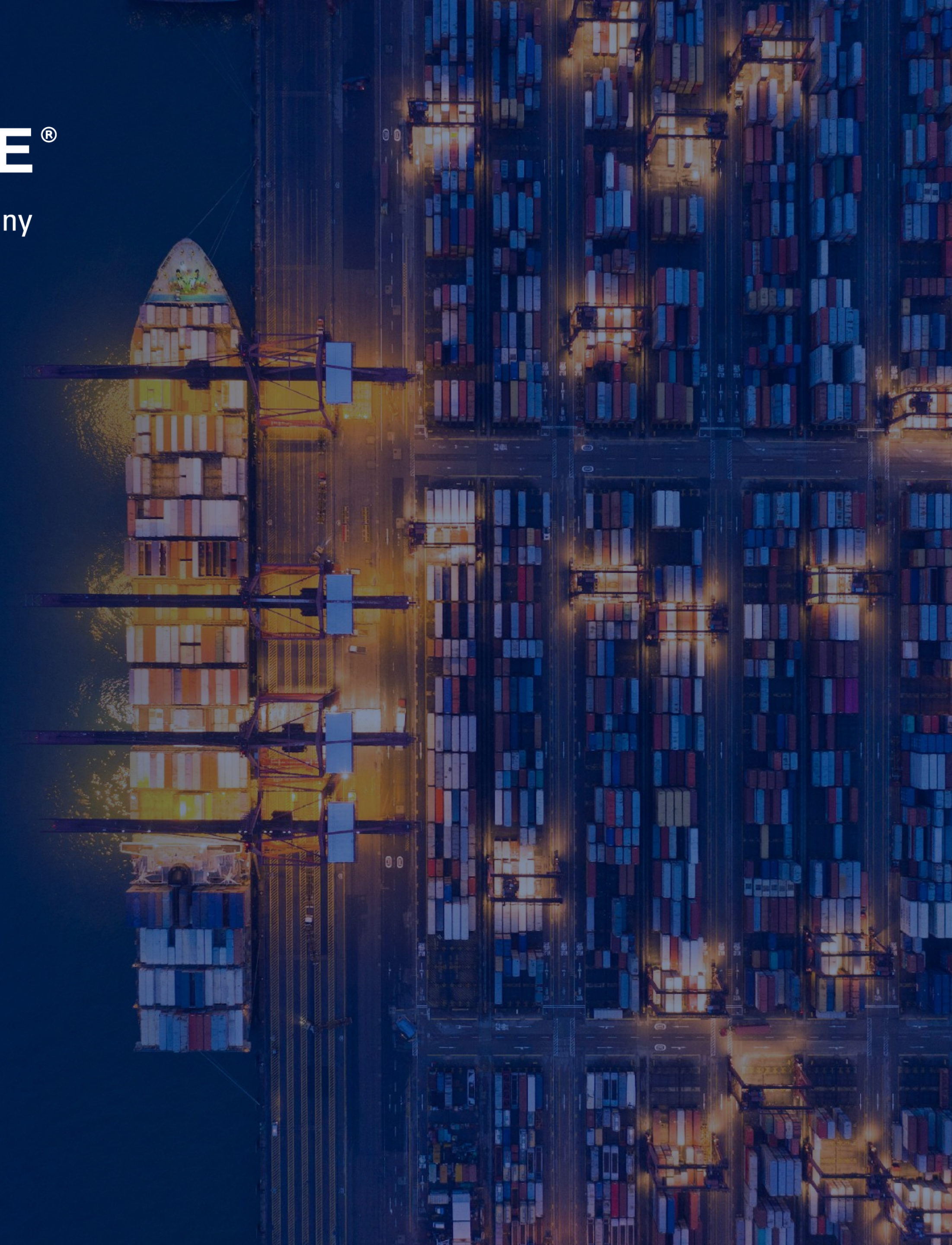
SAVINO DEL BENE®

Global Logistics and Forwarding Company

GLOBAL OCEAN MARKET REVIEW

December 2022



AGENDA

1. **OVERVIEW**
2. **GLOBAL DEMAND**
3. **CAPACITY**
4. **PORT CONGESTION**
5. **ALBERTO RIVOLA'S PERSPECTIVE**
6. **TRENDS**
   - RATES
   - RATES BY TRADE
   - BUNKER
   - SCHEDULE RELIABILITY
   - VESSELS' ORDERBOOK
7. **SAVINO DEL BENE FEEDBACK**

1 OVERVIEW

GLOBAL DEMAND

Following the large drop in September, the month of October was even worse according to CTS data. Global demand measured in TEU declined -9.3% in October on a year-on-year basis and is also down -4.3% compared to October 2019 before the pandemic.

CAPACITY

Even though carriers have aggressively managed capacity over the past three months, rates have continued to decline. Container lines have blanked over 1.18 m teu from September to November, 30% more than they did in the same months last year. Carriers are planning to cut half of the sailings in Q1/2023.

PORT CONGESTION

Global port congestion is trending down with the delays at ports easing gradually on slowing cargo demand and improved terminal operations. Threat of the US rail strike now averted. ILWU dockworker contract negotiations on the US West Coast still unresolved.

RATES LEVELS

First half of December shows a softer decline of the rates compared to previous months. Generally speaking rates seems stable on most of the trades . The overall WCI index is still down 77% year-on-year, led by Asia to North Europe which is down 88% year-on-year

SCHEDULE RELIABILITY

Global schedule reliability improved to 52%, the highest level in two years, as a direct result of less volume arriving at the ports, and continuous improvement at port congestion around the world. 28 out of the 34 trade lanes measured shows an improvement in reliability in October.

BUNKER

IFO380 and VLSFO keep the trend downwards, now at the same levels or currently below the costs of a year ago. Shipping lines are gearing up to meet IMO2023 environmental targets for abatement of CO_2 emissions.

Global demand growth year-on-year

New CTS data for October shows a very sharp decline of -9.3% compared to October 2021. it is also down -4.3% compared to October 2019 before the pandemic.

Of the 49 region-to-region trades CTS split the world into, 12 of them showed a demand decline worse than -20% Year-on-Year in October – hereunder the two largest deep-sea trades of importance for the alliance carriers.

According to Sea-Intelligence, the level of demand decline does not fully match the depth of the initial phase of the pandemic, however it is not far from it.

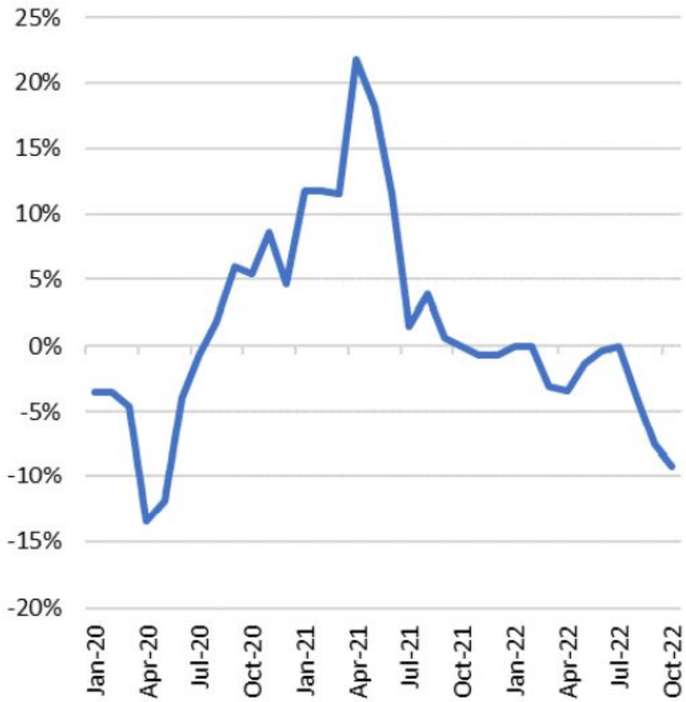


Figure 1
Global demand growth year-on-year (source: Sea Intelligence Spotlight - Issue 594)

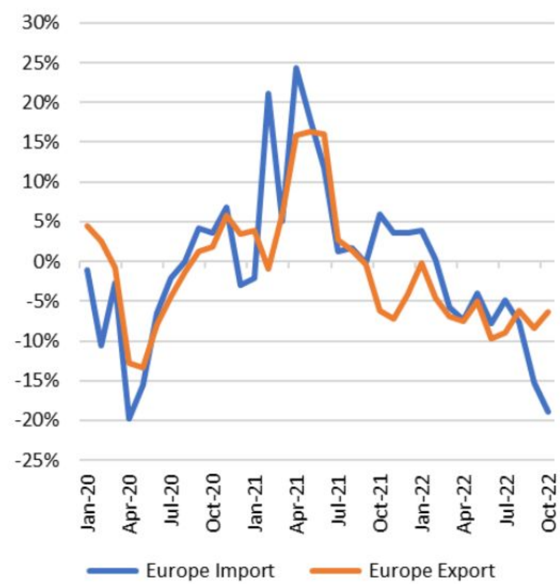


Figure 2
Demand growth Europe year-on-year (source: Sea Intelligence Spotlight - Issue 594)

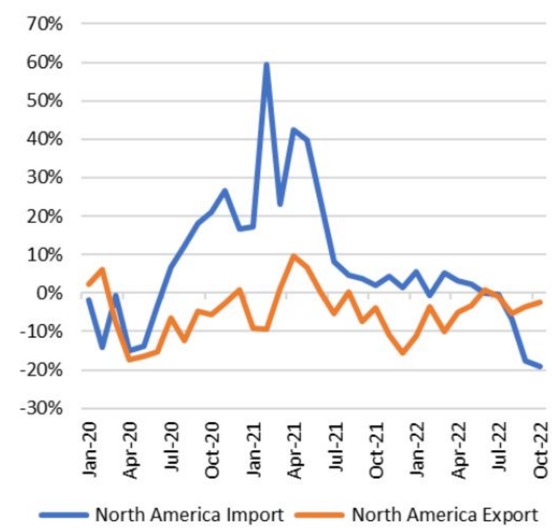


Figure 3
Demand growth N. America year-on-year (source: Sea Intelligence Spotlight - Issue 594)

Regional demand growth 2019 vs 2022

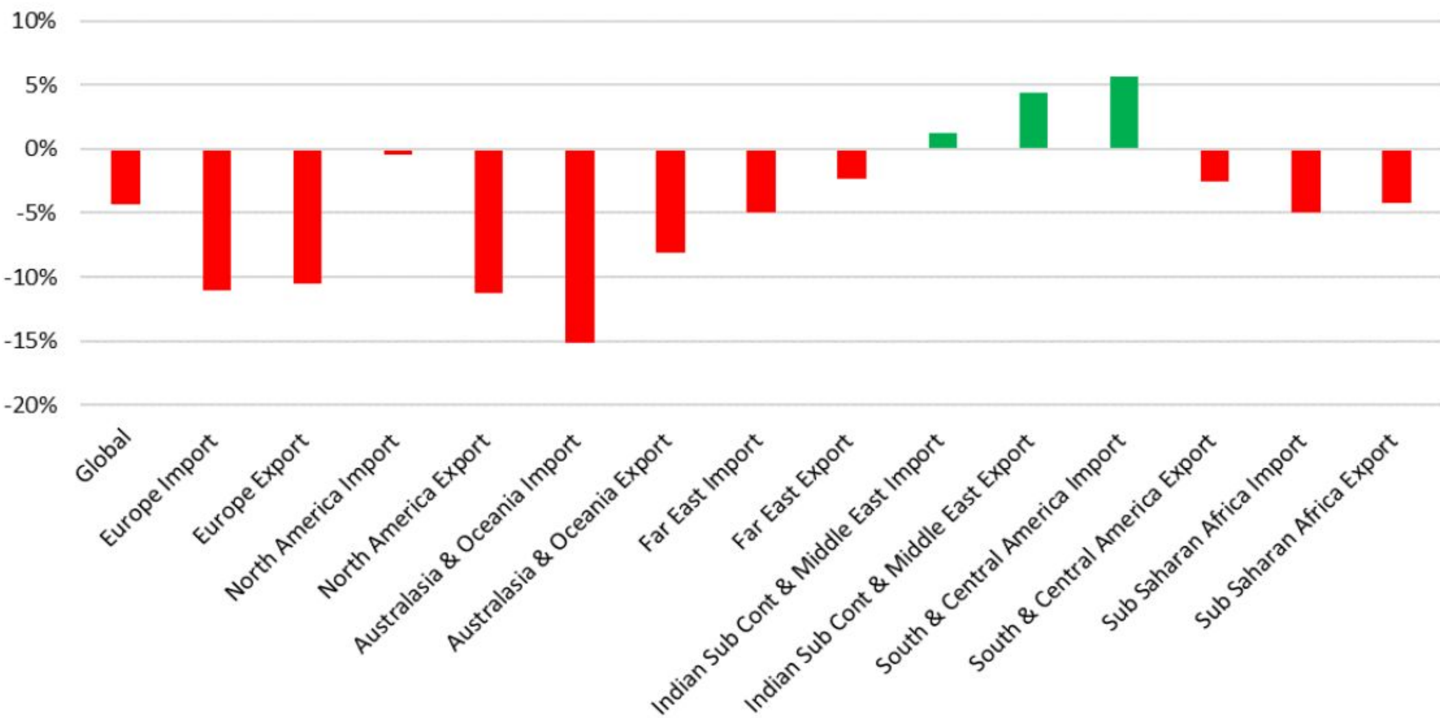
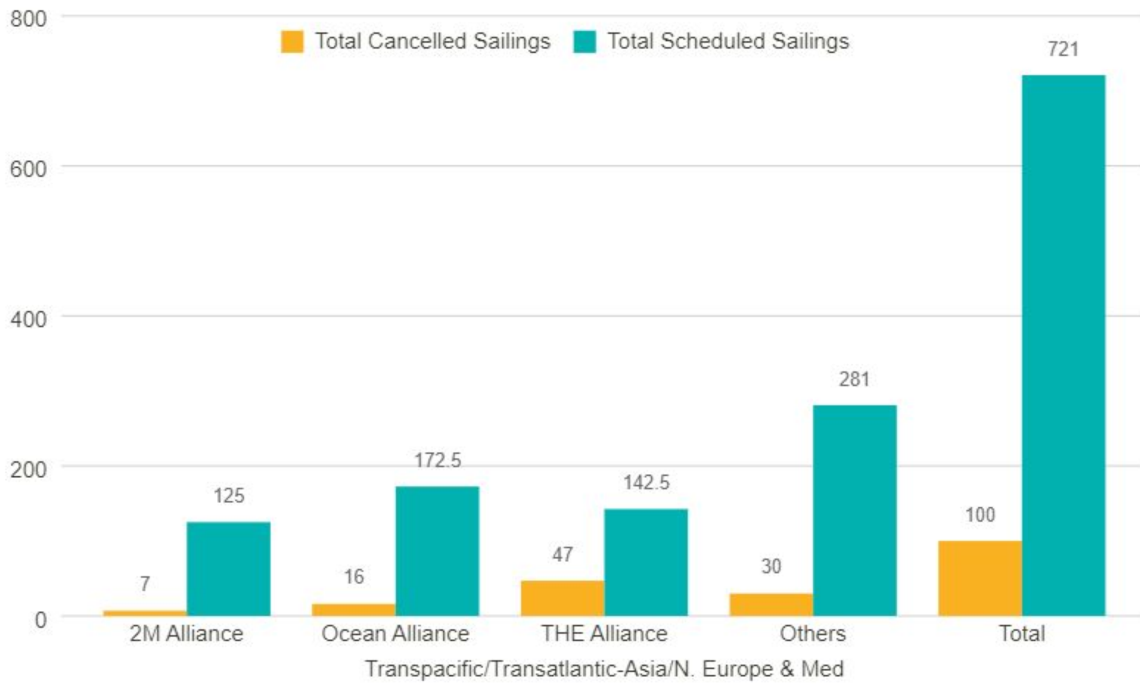


Figure 4
Demand growth Oct. 2022 versus Oct 2019 (source: Sea Intelligence Spotlight - Issue 594)

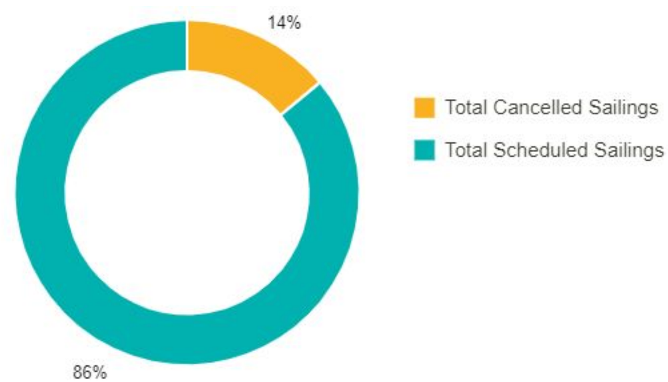
Most regions are now substantially below pre-pandemic levels, a fact depicted in figure 4, where each region for imports and exports is measured by comparing October 2022 to October 2019.

Data seem to confirm that the trend for November is going to be worse, while forecasted numbers for December and January should show more positive numbers.

3 CAPACITY



Across the major trades: Transpacific, Transatlantic and Asia-North Europe & Med, 100 cancelled sailings have been announced between weeks 51 (19 - 25 December) and week 3 (16 - 22 January), out of a total of 721 scheduled sailings, representing 14% cancellation rate. During this period, 53% of the blank sailings will be occurring in the Transpacific Eastbound, 24% on Asia-North Europe and Med, and 23% on the Transatlantic Westbound trade.



Over the next five weeks, THE Alliance has announced 47 cancelations, followed by Ocean Alliance and 2M with 16 and 7 cancellations, respectively. During the same period 30 blank sailings have been implemented in non-Alliance services. According to The Loadstar, carriers plan to cancel half of their sailings from Asia to Europe and Asia to USA after Chinese New Year.

Figure 5&6
Drewry cancelled vs scheduled sailings (week 51 to 03) (source:Drewry cancelled sailings tracker – Dec. 16)

Congestion Watch

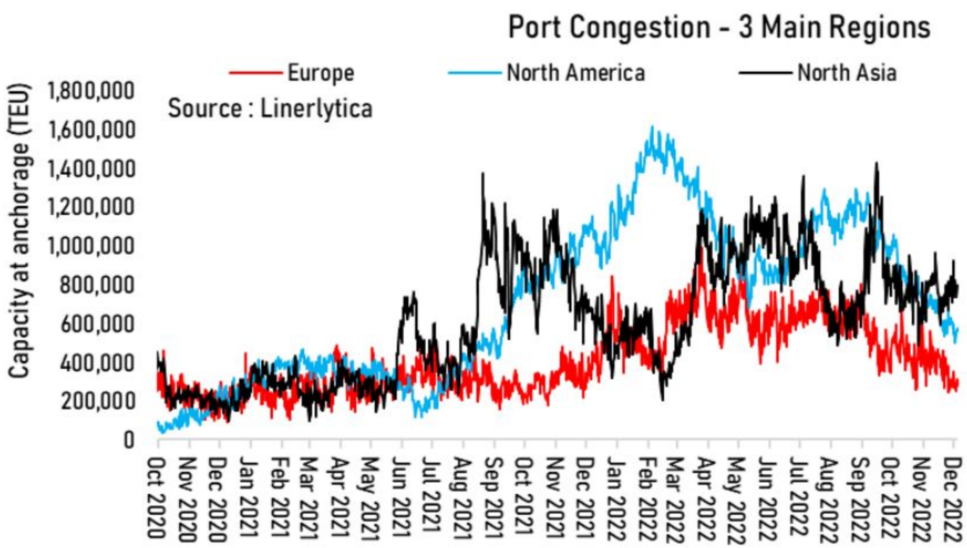


Figure 7 Port congestion by region - Source Linerlytica, Market pulse week 48/2022

According to Sea-Intelligence, continuing reliability improvements resulted in further release of capacity, as congestion eased from a global perspective. The pace of improvement indicate reversal to normal in 2023-Q1.

Linerlytica reports that absorption of global fleet due to delay is now down to 8.8%, compared to 10.5% on week 40 and 12% on week 32.

Data clearly show that the recovery predicted by many market intelligence agencies is now on track. The slowdown in global demand and the easing of bottlenecks should accelerate this trend in the coming months.. Labour issues at various ports and railways terminal around the world still pose a potential high threat to such positive development.

Port Congestion Week 32	Port Congestion Week 36	Port Congestion Week 40	Port Congestion Week 44	Port Congestion Week 49
3.07m TEU 12.0% of fleet	3.13m TEU 12.2% of fleet	2.7m TEU 10.5% of fleet	2.71m TEU 10.5% of fleet	2.28m TEU 8.8% of fleet

Figure 8 Port congestion. Source Linerlytica, Market pulse week 32-49

4 ALBERTO RIVOLA'S PERSPECTIVE

Alberto Rivola
Head of Global Ocean Procurement

In this final part of the year the shipping market is very different from what we witnessed in the first half, before demand and shipping rates started to take a downturn trend. We are probably at the end of a cycle, and we are now heading to a challenging 2023. I would say that the common denominator between 2022 and 2023 is going to be the uncertainty of the market and of the global economic and geo-political situation. Despite the multiple assumptions and all the possible predictions that each of us can make, nobody really knows where the world is heading to, and what actions will the shipping industry take in order to defend itself, mitigate or counter-attack the challenges of the next few months, in particular for the first half of 2023.

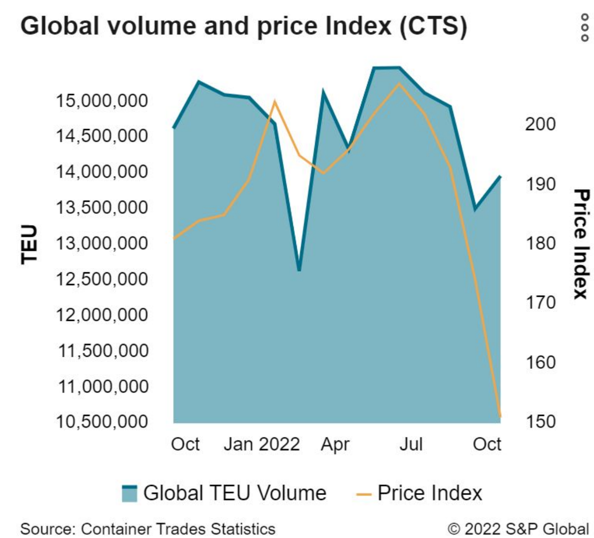


Figure 9 Global volume and price index. Source: CTS, S&P Global

Costs for shipping lines are getting higher. Environmental regulations set by IMO2023 bear a cost that all players in the supply chain will have to contribute to, in order to move forward with sustainability goals. The first visible result will be slower speed and longer transit times. More vessels will be needed in order to maintain weekly sailings. Also, majority of the vessels are not fully compliant. Retrofitting or engine adjustment will momentarily absorb about 3-5% of the capacity. In the longer time, we expect more scrapping of non-compliant vessels, about 5% which will lead to a reduction of available capacity in the market.

4 ALBERTO RIVOLA'S PERSPECTIVE

We will have to closely monitor consumers' changing spending patterns. Consumers shifting from consumer products to services. Consumers with conservative spending attitude due to higher inflation, higher energy prices, and uncertain economic outlooks in various areas of the world. Inventory-to-sales ratio in the U.S. is still higher than at the beginning of this year, but still far from the highest peak of early 2020. In my opinion, considering also the current slowdown in demand, a contraction of China economy, and an early Chinese New Year, this data could actually mean a possible rebound in demand by end of March and beginning of April.

Labor issues in the manufacturing and supply chain sectors may bring additional risks to the supply chain. The approach to Covid from China is going to affect the supply chain, in a way or the other. To a certain extent It has already impacted some trades, with different volume outlooks for 2023 depending on the various activities of near-shoring and/or sourcing diversification.

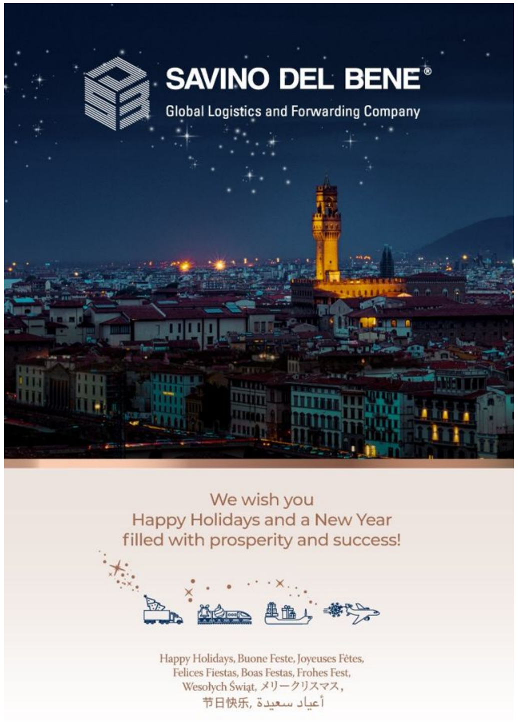


Figure 10 US retail and manufacturing sales to inventory. Source: U.S. Census Bureau, S&P Global

The market eventually will normalize, with dynamics more in line to what we experienced before the pandemic. However, we will have to get used to sudden and swift changes in the market. My best advice is to keep a lean and agile supply chain, partner up with a good mix of reliable service providers who value the relationship and share common values for the medium-long term period. Integrity, mutual commitment, transparency, good forecast will go a long way, and will help to navigate tough waters.

On behalf of the Savino Del Bene family, I thank you for the support for 2022. Thank you for entrusting SDB with your business. It is important to us, and we will do whatever it takes to make you proud of choosing Savino Del Bene.

In the meanwhile, best wishes for this holiday seasons, and I'll see you in the next edition of the Global Ocean Market Review.

6 TRENDS > RATES

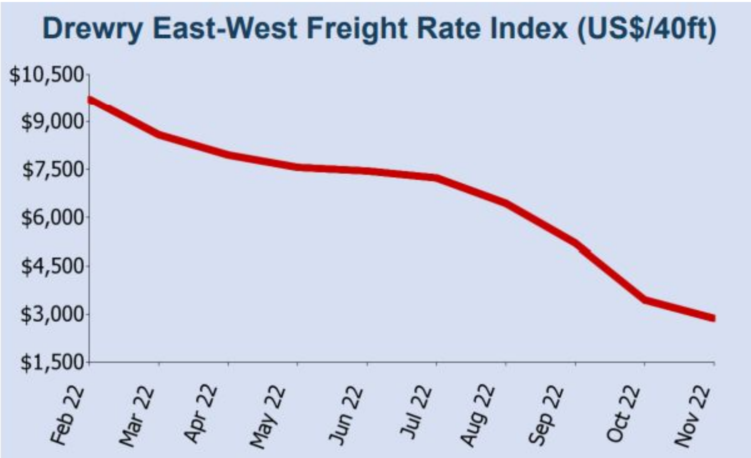


Figure 11
Monthly spot freight rates global & by major east-west lanes. Source: Drewry

The composite index decreased by 1% this week, the 42nd consecutive weekly decrease, and has dropped by 77% when compared with the same week last year.

The latest Drewry WCI composite index of $2,127 per 40-foot container is now 79% below the peak of $10,377 reached in September 2021.
It is 21% lower than the 10-year average of $2,692, indicating a return to more normal prices, but remains 51% higher than average 2019 (pre-pandemic) rates of $1,420.

The average composite index for the year-to-date is $6,547 per 40ft container, which is $3,855 higher than the 10-year average ($2,692 mentioned above).

Drewry expects smaller week-on-week reductions in rates in the next few weeks.

Route	1-Dec-22	8-Dec-22	15-Dec-22	Weekly change (%)	Annual change (%)
Composite Index	$2,284	$2,139	$2,127	-1% ▼	-77% ▼
Shanghai - Rotterdam	$1,965	$1,686	$1,674	-1% ▼	-88% ▼
Rotterdam - Shanghai	$820	$799	$797	0%	-49% ▼
Shanghai - Genoa	$3,085	$2,908	$2,909	0%	-77% ▼
Shanghai - Los Angeles	$2,039	$1,997	$2,000	0%	-80% ▼
Los Angeles - Shanghai	$1,182	$1,182	$1,175	-1% ▼	-10% ▼
Shanghai - New York	$4,408	$3,993	$3,952	-1% ▼	-70% ▼
New York - Rotterdam	$1,322	$1,322	$1,269	-4% ▼	7% ▲
Rotterdam - New York	$7,240	$7,151	$7,050	-1% ▼	12% ▲

Figure 12
Drewry World Container Index – 15 Dec 2022) . Source: Drewry

Index usually published on a weekly basis. However, right now rate updates by the carriers multiple times during the week. Hence, there is at least a week of lag of about one week between index publications and most recent market rates

6 TRENDS > RATES AND CAPACITY BY TRADE

+ + Strong Increase | **+** Moderate increase | **=** No change | **-** Moderate decline | **- -** Strong decline

FROM NORTH AMERICA		
TO	RATES	CAPACITY
ASIA	=	=
EUROPE	-	=
LATAM	-	=
M.E	-	=

FROM LATIN AMERICA		
TO	RATES	CAPACITY
ASIA	-	=
EUROPE	--	=
NORTH AM.	-	=
M.E	-	=

FROM EUROPE		
TO	RATES	CAPACITY
ASIA	-	=
LATAM	-	=
NORTH AM.	-	=
M.E	-	=

FROM ASIA		
TO	RATES	CAPACITY
NORTH AM.	- -	-
EUROPE	- -	-
LATAM	--	-
M.E	-	=

FROM MIDDLE EAST		
TO	RATES	CAPACITY
ASIA	--	=
EUROPE	--	=
LATAM	-	=
M.E	-	=

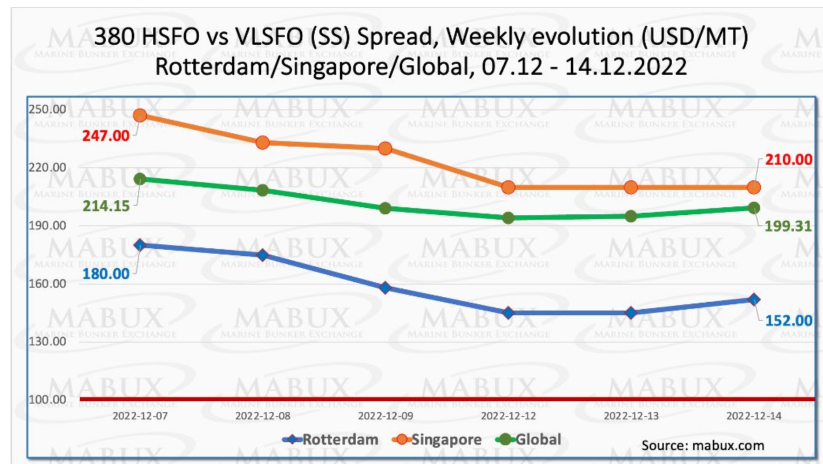
Figure 13
Rates and Capacity by trade December 2022. Source Savino Del Bene

6 TRENDS > BUNKER

Figure 14

Bunker price. VLSFO vs IFO380 &LNG. Source: Shipandbunker available on https://shipandbunker.com/prices/av/global/av-g04-global-20-ports-average

- As expected, MABUX global bunker indices continued firm declining over the Week 50. However, there are signs of slight upward correction last few days.

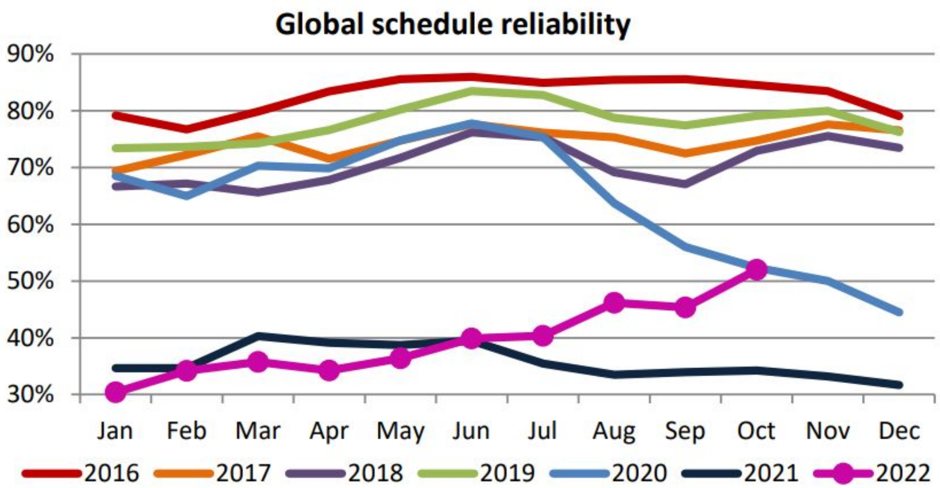


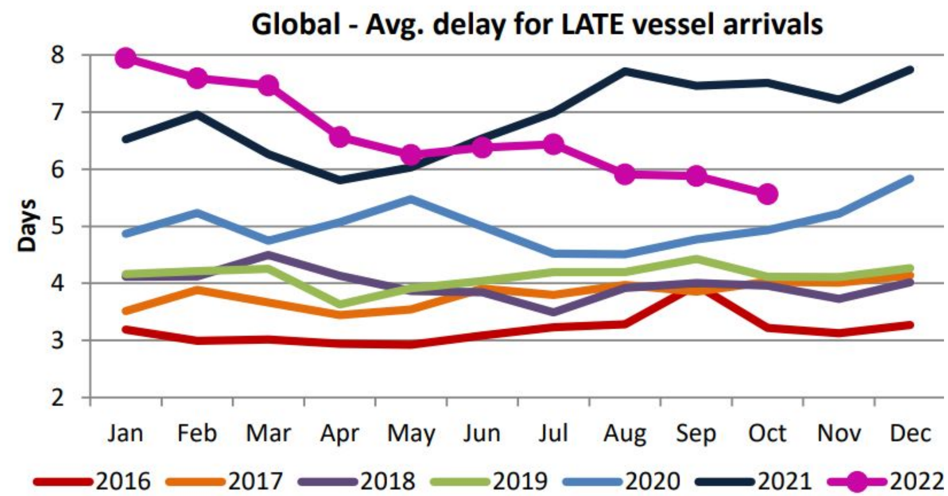
The bunker price is going down, and also the spread between the VLSFO and IFO380.

- VLSFO at $640/mt, IFO380 at $441/mt, LNG-380e at $1871/mt (Rotterdam)
- VLSFO Nov 4 >> $746/mt, IFO380 at $495.5/mt, LNG-380e at $1595/mt (Rotterdam)
- VLSFO High >> Jun 14 $1125,5/mt, IFO380 May 5 at $759,5, LNG-380e Sept. 2 $3660/mt (Rotterdam)
- VLSFO Low >> Jan 3 $628,5/mt, IFO380 Dec. 12 at $434, LNG-380e Feb. 23 $1097/mt (Rotterdam)

The Global fuel market is still waiting for Russia's reaction to the price cap imposed by the European Union on December 05 on Russian oil. In this situation, we expect the downtrend in the global bunker market may continue next week.

6 TRENDS > SCHEDULE RELIABILITY





Global		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Schedule Reliability	2021	34.7%	34.7%	40.3%	39.1%	38.7%	39.5%	35.5%	33.5%	33.9%	34.2%	33.2%	31.7%
	2022	30.4%	34.2%	35.8%	34.3%	36.4%	39.9%	40.3%	46.2%	45.4%	52.0%		
	Change	**-4.2%**	**-0.5%**	**-4.5%**	**-4.8%**	**-2.3%**	**0.4%**	**4.8%**	**12.7%**	**11.4%**	**17.8%**		

Figure 15
Global schedule reliability. Source: Sea-Intelligence, Maritime Analysis Global Liner Performance Report – Niovember. 2022

Schedule reliability continues to trend upwards, and in October 2022 improved M/M by 6.6 percentage points and reached 52.0%. This was the largest M/M increase in 2022 so far. Schedule reliability in October 2022 is 17.8 percentage points higher Y/Y, bringing it very close to the 2020 level.

With 56.4% schedule reliability in October 2022, Maersk was once again the most reliable top-14 carrier, followed by MSC with 52.7% schedule reliability. CMA CGM was the only other carrier with schedule reliability of over 50%. The remaining carriers were very close to each other, all recording schedule reliability of 40%-50%.

The average industry schedule reliability on the East/West trades increased by 3.5 percentage points M/M in September/October 2022, reaching 41.3%. Ocean Alliance was the most reliable carrier alliance with schedule reliability of 43.5%, with a M/M increase of 4.8 percentage points. 2M followed with schedule reliability of 38.8% and a M/M increase of 1.6 percentage points. THE Alliance was the least reliable carrier alliance in September/October 2022 with schedule reliability of 38.2%, despite recording the largest M/M increase of 5.7 percentage points.

6 TRENDS > VESSELS’ ORDERBOOK

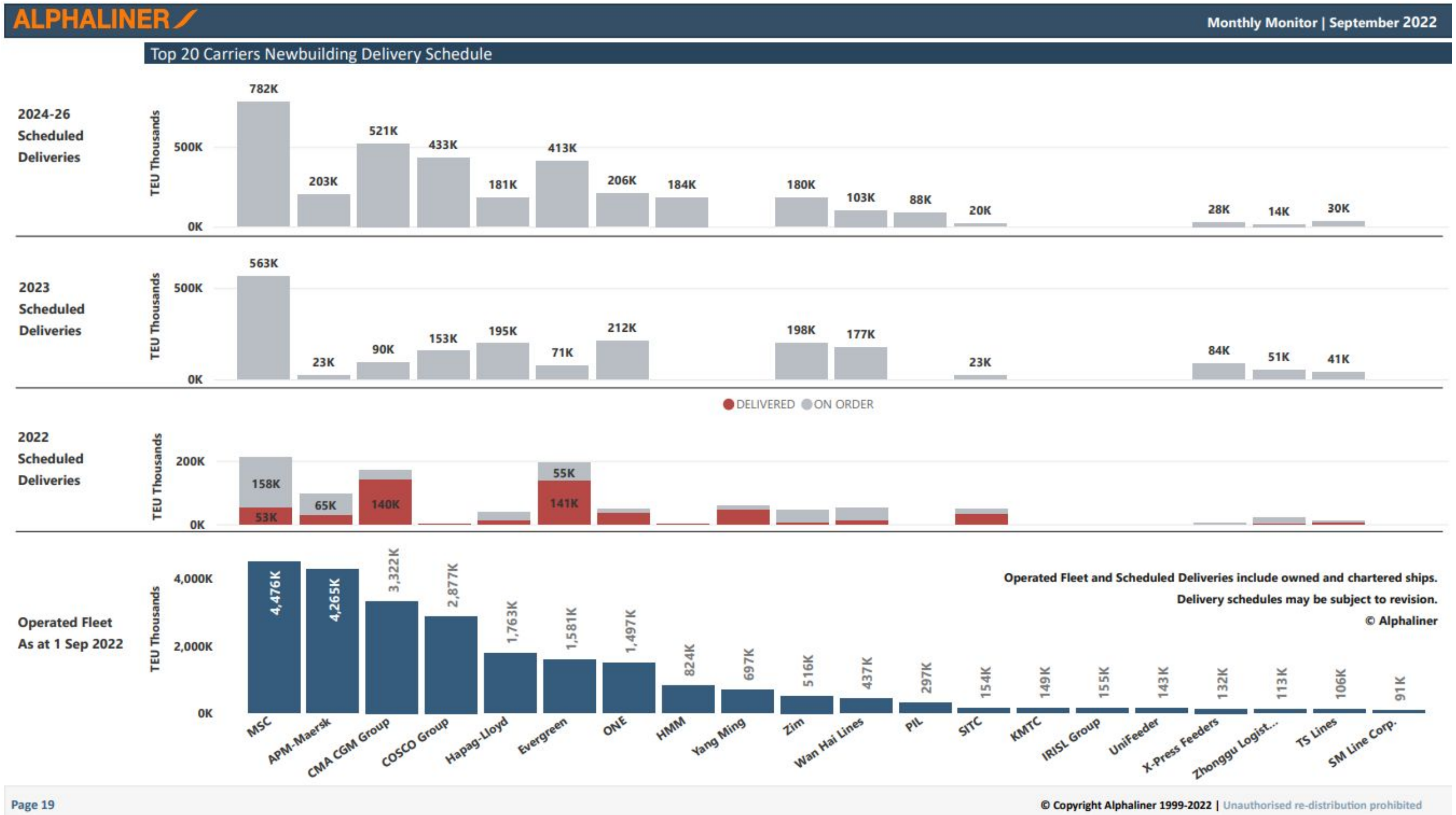


Figure 16
Alphaliner’s global fleet vessel orderbook – September 2022. Source: Alphaliner

The record boxship orderbook is about to reach 1,000 vessels, with the container market clearly passed its peak, and yet discussions are ongoing for another raft of newbuilds. Alphaliner is reporting that at least three of the top 10 carriers are close to announcing orders at Asian yards

Should all the reported orders go though in the coming weeks, they will push the global vessel orderbook to around 8m teu – around 34% of today’s cellular fleet capacity,

7 SAVINO DEL BENE FEEDBACK

It is Savino Del Bene's top priority to ensure that customer needs are met, whilst evaluating and analysing the market situation in order to ensure that such difficulties are mitigated as much as possible.

With over 300 offices around the world, Savino Del Bene is ready to find your freight forwarding and logistic solutions for your business needs.

SAVINO DEL BENE®

Global Logistics and Forwarding Company

SAVINO DEL BENE S.p.A.
WORLDWIDE HEADQUARTERS
Via del Botteghino, 24/26/28A
50018 Scandicci (FI) – Italy

Ph: +39 055 52191 Fax: +39 055 721288
headquarters@savinodelbene.com
www.savinodelbene.com