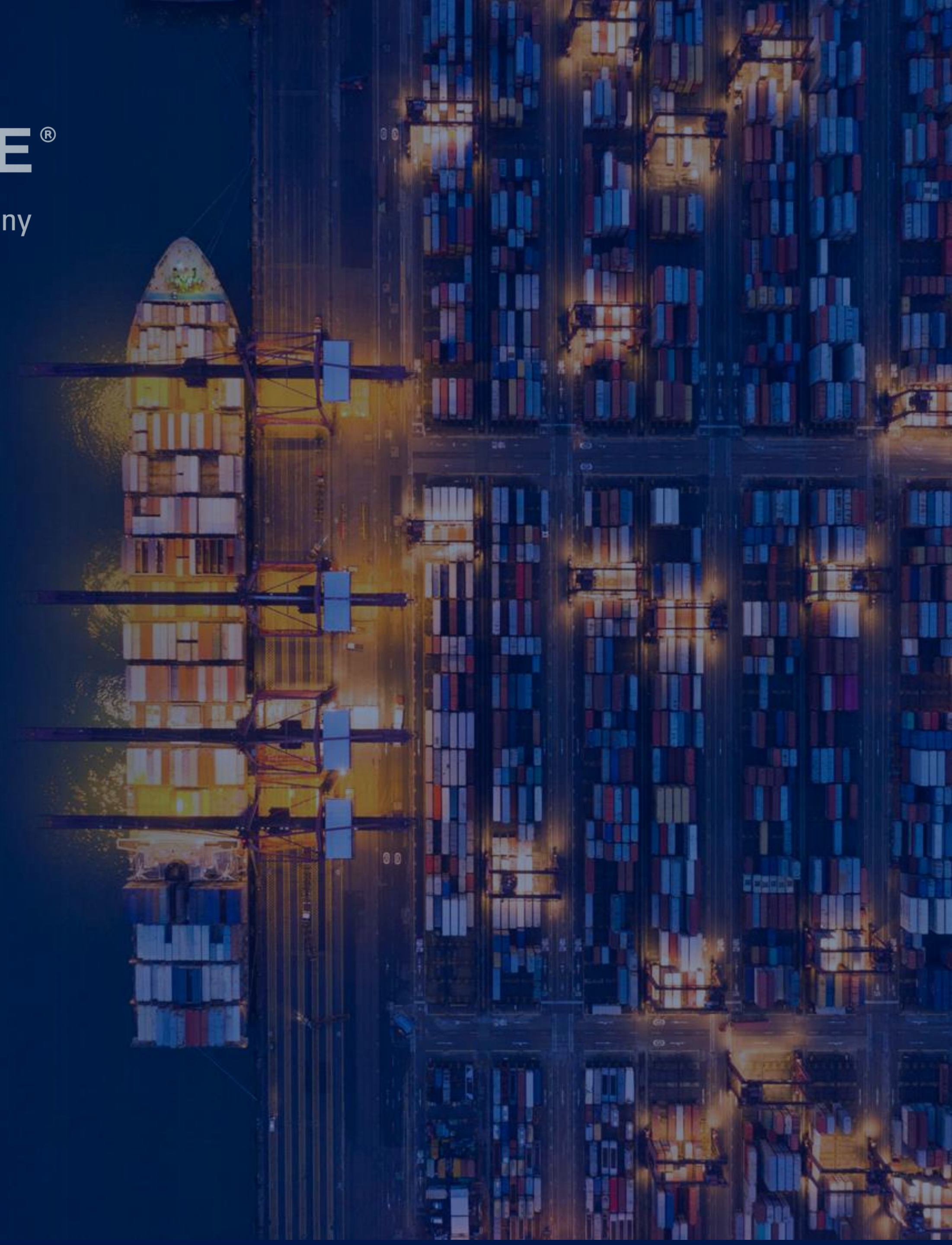
SAVINO DEL BENE®

Global Logistics and Forwarding Company

GLOBAL OCEAN MARKET REVIEW

April 2023



AGENDA

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

1 OVERVIEW

GLOBAL DEMAND

Global demand measured in TEU declined by -5% in February on a y/y basis.
Some of the most important head-haul trades show a much more significant drop in demand.

PORT CONGESTION

On week 16/2023, global port congestion was set at 1.73M TEU = 6.5% of the entire fleet.
Port labor tensions remain high, with the Los Angeles/Long Beach terminals shutting down for two shifts before Easter, adding to the market uncertainty.

SCHEDULE RELIABILITY

Global schedule reliability recorded a relatively sharp increase of 7.7% m/m in February 2023 and reached 60.2%, bringing it very close to the 2020 figure for the same month. On a y/y level, schedule reliability was a staggering 26% higher.

CAPACITY

On TPEB, TAWB and Asia-North Europe & Med, 51 canceled sailings were announced between weeks 15 and 19, out of a total of 675 scheduled sailings, = 8% cancellation rate. During this period, 51% of the blank sailings occurred in the TPEB, 45% in Asia-North Europe and Med, and 4% in the TAWB.

RATES LEVELS

The Drewry index has been relatively stable for the past couple of weeks. In the meanwhile, carriers have announced GRIs on several trades. The SCFI has started to reflect this trend, rising by 3.6% last week for its most substantial weekly gain since May 2022.

BUNKER/ENVIRONMENT

The price of ship fuel is now down to around half the post-Ukraine-invasion peak. Moreover, second-quarter fuel surcharges for containerized cargo shippers promise more savings ahead.

Global demand trend year-on-year

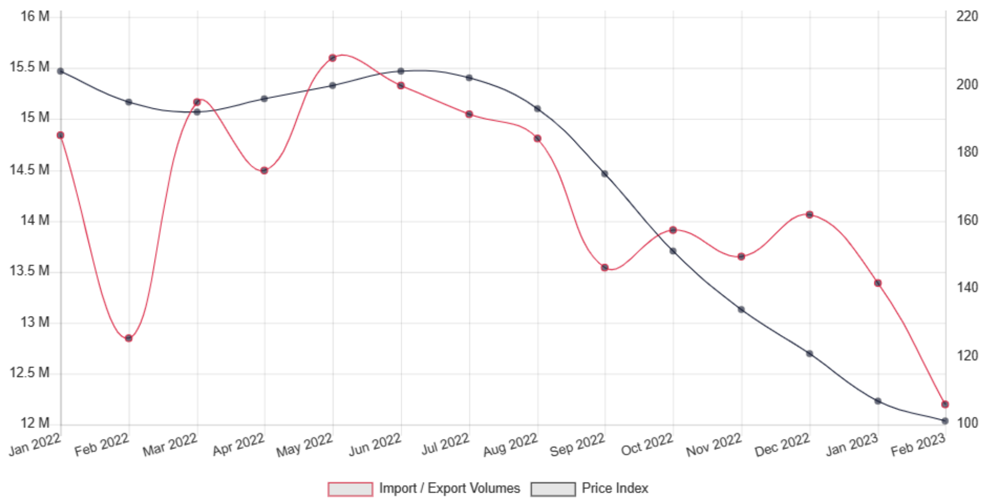


Figure 1: CTS data February 2023

- **Head-haul** demand in February 2023 declined by -12.1%. The head haul is the money-making leg for the shipping lines, and such underlying numbers show the current weakness in the market.
- The decline in **back-haul** volumes is improving, albeit very slowly, with the February 2023 figure at -1.9%.
- The **intra-regional** volume growth turned negative for most of 2022 but has returned to a positive growth figure of 2.5% y/y.

US Import Feb 2023 vs March 2023 +6.9%. March 2019 vs March 2023 + 4.2%

Global demand measured in TEU declined -5.0% Y/Y in February 2023, which is a continuation of the sharp decline that began in September 2022.

Jan & Feb combined saw global volumes in TEU decline -7.5%. If the numbers are further broken down into head-haul TEU*Miles, the decline in Jan & Feb was -13.4%. <u>This is a very small improvement, as the declines seen from September to November were in the range of -15% to -17%.</u>

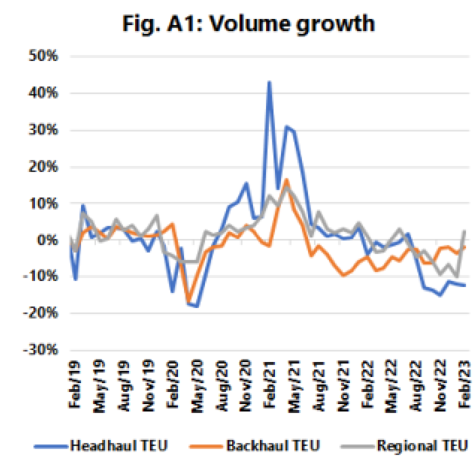
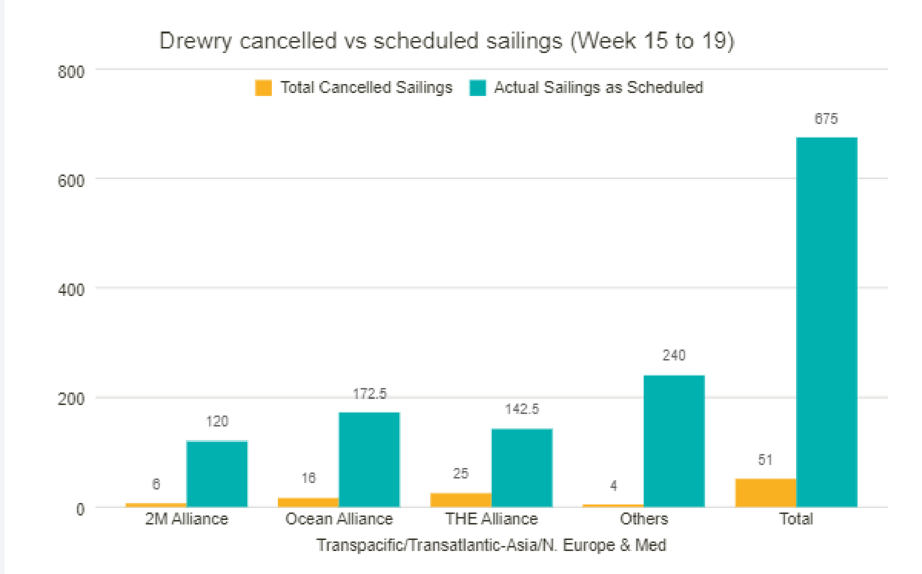


Figure 2: Sea-Intelligence Sunday Spotlight issue 609

Asia-NAM -31.2% y/y in February 2023

Asia-Europe -14% y/y in Feb.2023

3 CAPACITY

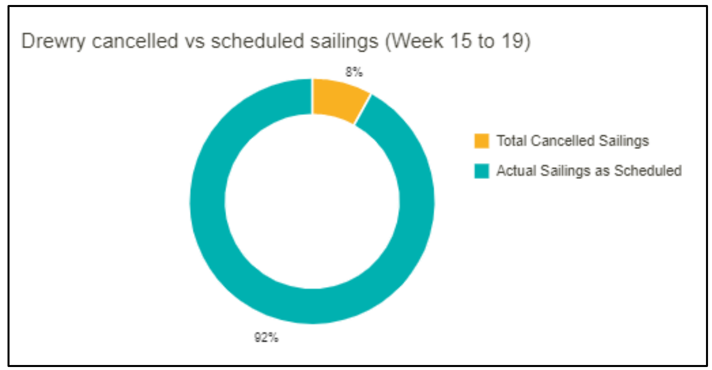


Across the major East-West head-haul trades: Transpacific, Transatlantic and Asia-North Europe & Med, 51 cancelled sailings have been announced between weeks 15 (10 April-16 April) and week 19 (8 May - 14 May), out of a total of 675 scheduled sailings, representing **8% cancellation rate**.

- Trans-Pacific Eastbound: 51%.
- Asia – North Europe & Med: 45%.
- Trans-Atlantic Westbound: 4%.

- THE Alliance: 25 cancelations.
- OCEAN Alliance: 16 cancelations
- 2M: 6 cancellations.
- Non-alliance: 4 blank sailings.

- Capacity utilization on all inter-regional head haul routes has started to pick up in the last two weeks but remains below the average of the last 2 years.
- The Asia-Europe and Transpacific routes have seen the strongest improvements in utilization rates, with capacity remaining constrained due to blanked sailings and the withdrawal of the smaller ships from the trade, with freight rates starting to turn upwards in recent weeks on stronger demand.
- The Transatlantic and Asia-Oceania routes have seen the sharpest drops in utilization levels, and freight rates continue to head southwards on both trades.



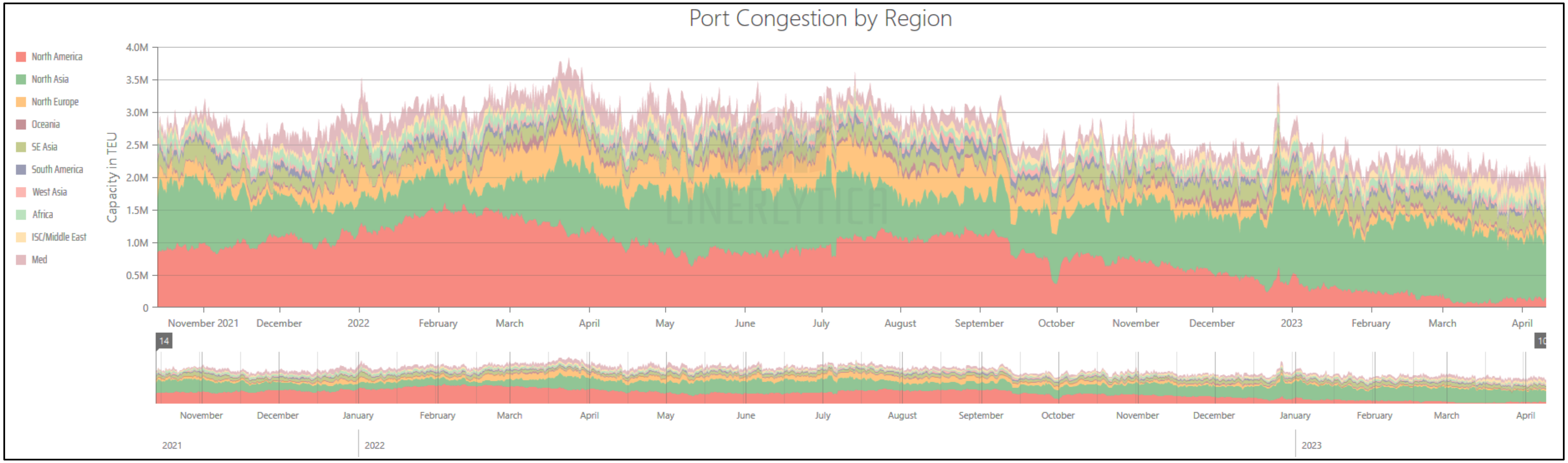
Figures 3 & 4 and content: Drewry, April 7, 2023

Congestion Watch

Global Containership Fleet Snapshot as of 10 apr 2023

Ship Status	Ships	TEU	Total TEU
Ships at port	947	4,367,998	
Active Ships	4,785	18,593,467	
Inactive Ships	193	971,513	
Ships at anchorage	533	2,123,870	
Ships in shipyard	195	798,419	

Port Congestion Week 2/2023	Port Congestion Week 11/2023	Port Congestion Week 15/2023
2.32m TEU 8.9% of fleet	1.53m TEU 5.8% of fleet	1.73m TEU 6.5% of fleet



Figures 5 & 6 Linerlytica, Market Pulse week 2/2023 - 15/2023

5 ALBERTO RIVOLA'S PERSPECTIVE

Alberto Rivola
Head of Global Ocean Procurement

Towards the end of March and the beginning of April, the shipping market woke up from a quite long sleepy winter with low volumes and continuous rate deterioration, and it finally gave some signs of awakening. Volume is not even close to what used to be a year ago, but if we look at some of the data for March and April, we see that volume for March was better than the previous months, and rates have been quite stable, except for a couple of trades. Inventory is still quite full, but overall, the market is permeated now by positive sentiment if compared with the negative trends of the past six months.

Shipping lines are closing the yearly deals with major BCOs for the new contract season. There is indeed a lot of new capacity., which will be injected into the market throughout 2023 and 2024, but in March and April, we didn't see many vessels being idled, and we did not notice much scrapping activity either.

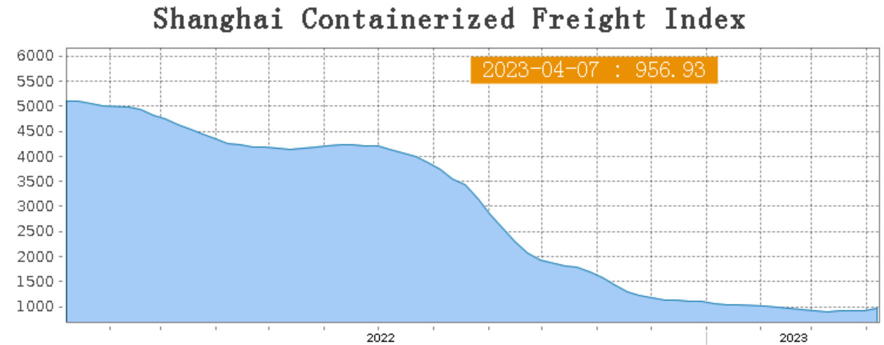
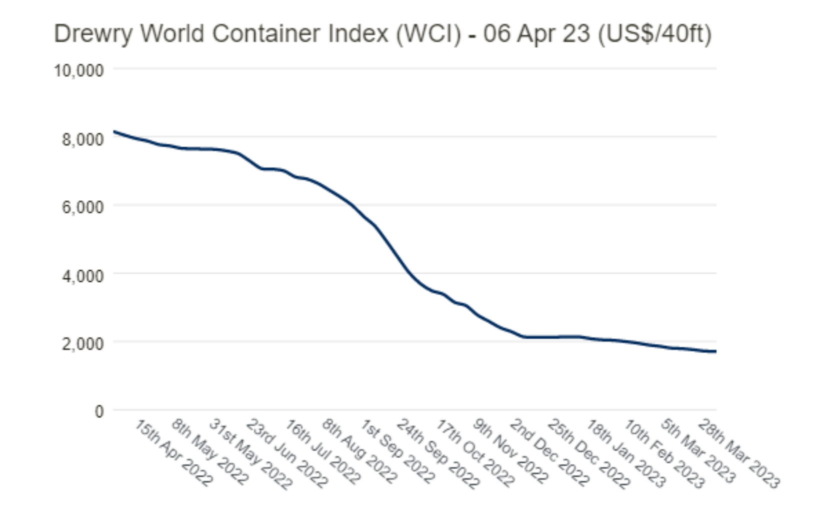


Figure 7: SCFI April 13, 2023

Charter rates are stable after a few months of decreases. It means that, somehow, carriers are gearing up for a possible rebound in the second half of 2023. For this reason, in the last few weeks, carriers announced GRI on several trades as they expect a possible climb in demand. As a matter of fact, rates in specific trades even posted some small gains. For example, the SCFI registered a weekly gain of 3.6%, the largest since May 2022. In addition, regular use of a blank sailings program has helped the shipping lines prevent rates from falling even more in the last four to six weeks. Nevertheless, space pressure on the vessels is still going down, and carriers have no choice but to maintain capacity discipline in the next few months to avoid another rate war such as the one we have experienced in the past six months. At the same time, during the first week of April, at the port of LAX/LGB, some labor actions limited the port operation for a few days. We will closely monitor the development of the contract negotiations, as its outcome could be a significant game changer in the dynamics of the shipping world in 2023. My mantra for the past year or so has always been that the industry will have to get used to sudden changes in the market, with spikes up or down, depending on multiple factors. Therefore, I suggest buckling up and being ready for possible adventurous rides in the coming months!

6 TRENDS > RATES

Drewry's composite World Container Index remained relatively stable at $1,709.76 per 40ft container this week. Drewry expects East-West spot rates on routes other than the transatlantic to plateau in the next few weeks.



Route	23-Mar-23	30-Mar-23	6-Apr-23	Weekly change (%)	Annual change (%)
Composite Index	$1,757	$1,717	$1,710	0%	-79% ▼
Shanghai - Rotterdam	$1,490	$1,479	$1,532	4% ▲	-86% ▼
Rotterdam - Shanghai	$693	$701	$678	-3% ▼	-53% ▼
Shanghai - Genoa	$2,249	$2,285	$2,245	-2% ▼	-82% ▼
Shanghai - Los Angeles	$1,897	$1,775	$1,736	-2% ▼	-80% ▼
Los Angeles - Shanghai	$1,075	$1,069	$1,058	-1% ▼	-17% ▼
Shanghai - New York	$2,598	$2,494	$2,500	0%	-78% ▼
New York - Rotterdam	$1,153	$1,097	$1,070	-2% ▼	-10% ▼
Rotterdam - New York	$5,061	$4,978	$4,936	-1% ▼	-28% ▼

Figures 8 and content: Drewry World Container Index – 06 April 2023

The composite index remained relatively stable (decreased a marginal 0.4%) this week and dropped by 79% compared to last year.

The latest Drewry WCI composite index of $1,710 per 40-foot container is now 84% below the peak of $10,377 reached in September 2021. It is 36% lower than the 10-year average of $2,689, indicating a return to more normal prices, but remains 20% higher than average 2019 (pre-pandemic) rates of $1,420.

The average composite index for the year-to-date is $1,923 per 40ft container, which is $767 lower than the 10-year average ($2,689 mentioned above).
Spot rates on the trans-Atlantic westbound trade lane are now following the steep rate decline that haunted Transpacific and Asia-Europe head-haul during 2H22. Still, carriers continue to enjoy profitable opportunities as rates are a staggering 120% above the pre-pandemic level.

The index is 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 the 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	=	=

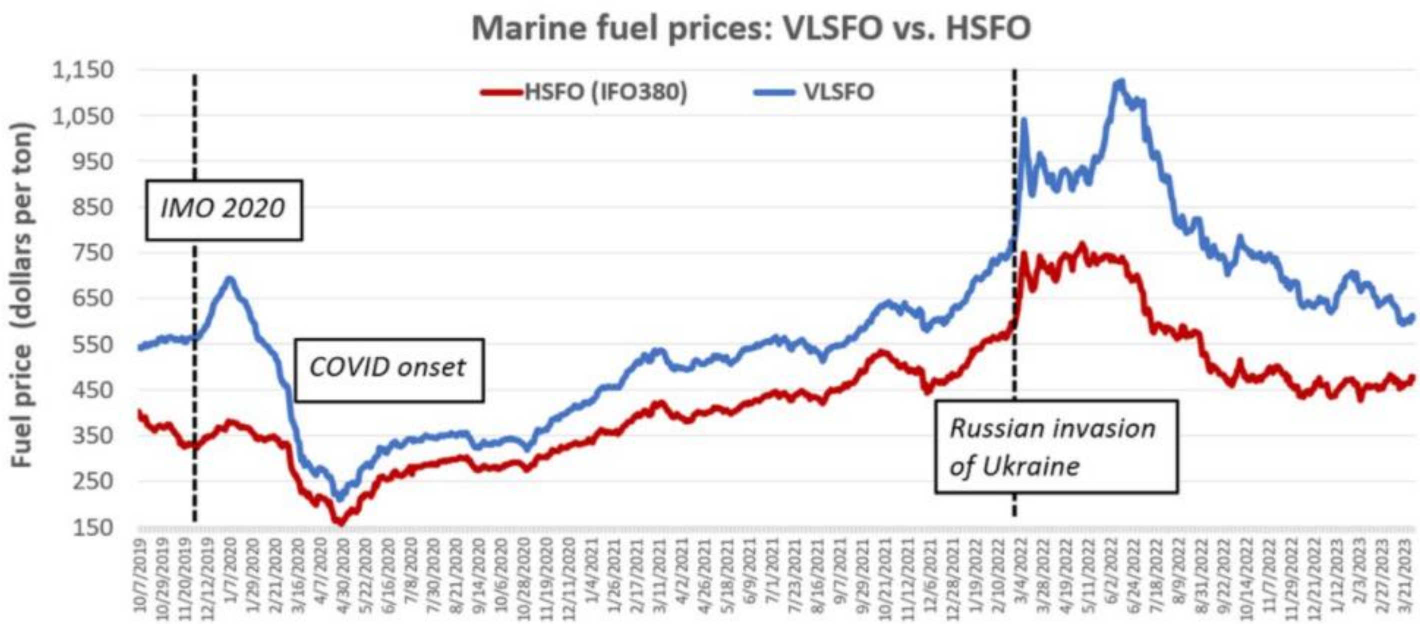
FROM ASIA		
TO	RATES	CAPACITY
NORTH AM.	=	=
EUROPE	=	=
LATAM	+	=
M.E	=	=

FROM MIDDLE EAST		
TO	RATES	CAPACITY
ASIA	-	=
EUROPE	--	=
LATAM	-	=
NORTH AM.	--	=

Figure 9
Rates and Capacity by trade April 2023. Source Savino Del Bene

6 TRENDS > BUNKER

The price of ship fuel is now down to around half the post-Ukraine-invasion peak. Moreover, second-quarter fuel surcharges for containerized cargo shippers promise more savings ahead. Conversely, ultimately switching from fuel oil to LNG or methanol as part of the industry's energy transition, future fuel costs will likely skyrocket back to levels seen after the invasion — or worse.



Price is average for top 20 bunkering hubs. (Chart: FreightWaves based on data from Ship & Bunker)

Figures 10 and content: American Shipper and Ship & Bunker.com

- Most commercial ships currently burn fuel oil with 0.5% sulfur content, known as very low sulfur fuel oil (**VLSFO**).
- Before implementing the IMO 2020 regulations on Jan. 1, 2020, they burned cheaper fuel oil with 3.5% sulfur content, known as high sulfur fuel oil (**HSFO**). Ships with exhaust-gas scrubbers continue to burn HSFO.
- According to Ship & Bunker, the average price of VLSFO at the top 20 marine fuel supply hubs was $608 per ton on Thursday. That's down 46% from the all-time high of $1,125.50 per ton reached on June 14. VLSFO pricing is back to where it was in October 2021.
- Ship & Bunker put the average price for HSFO at the top 20 hubs at $476 per ton on Thursday, down 38% from the May 2022 post-invasion high and back to September 2021 levels.

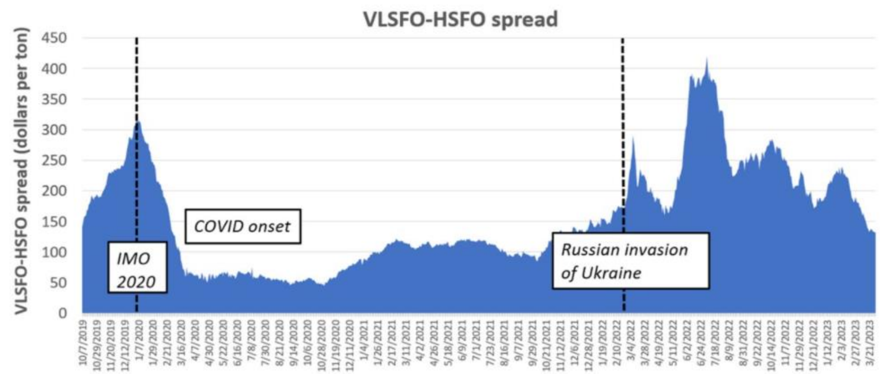
5 TRENDS > BUNKER

Figures 11 & 12 and content:
American Shipper and
Ship&Bunker.com

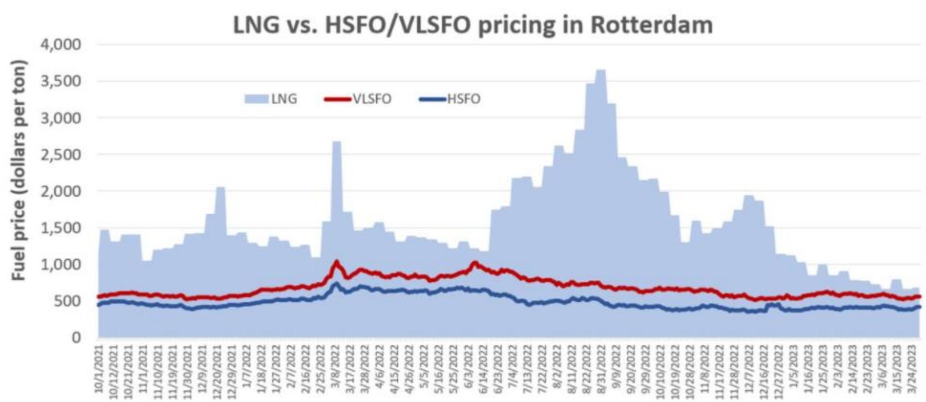
The VLSFO-HSFO spread has fallen sharply over the past two months, a negative for shipowners investing in scrubbers.

The spread hit an all-time high of $420.50 per ton on July 5, 2022, according to Ship & Bunker data on average pricing at the top 20 hubs. It was still very high in early February, at almost $240 per ton. However, as of Thursday, it was down to $132 per ton.

Clarkson's Securities calculates the dollar-per-day spot rate effect of scrubbers for various ship types. It estimates that among various ship types, those with scrubbers earned a premium of $6,400 per day versus non-scrubber VLCCs as of last week. In July, the premium was almost quadruple that: $24,000 per day.



Spread based on average at top 20 bunkering hubs. (Chart: FreightWaves based on data from Ship & Bunker)

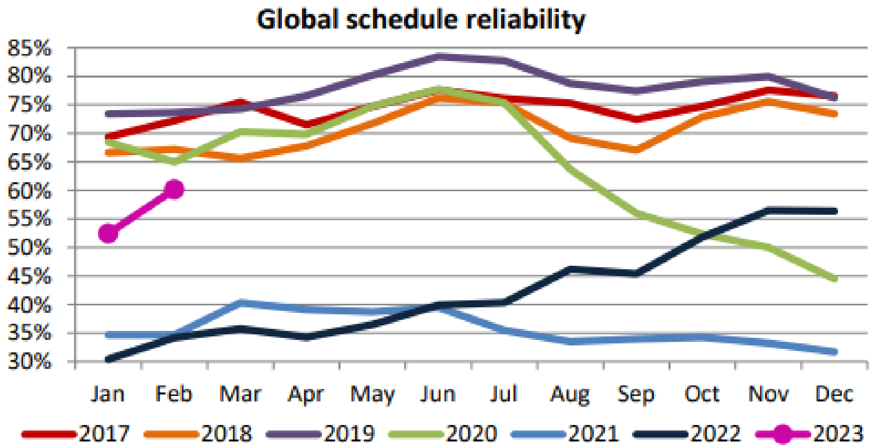


LNG price is the price for the volume of LNG that produces the equivalent energy as 1 ton of HSFO. (Chart: FreightWaves based on data from Ship & Bunker)

Many dual-fuel container ships are being built. Virtually all these dual-fuel vessels are designed to burn either traditional fuel oil or LNG. A small but growing minority of dual-fuel new builds are designed to burn traditional fuel oil or methanol, not LNG. As of Thursday, bunkering with LNG was 62% more expensive than with HSFO. That's minimal compared to the spread in the recent past. Since October 2019, LNG bunker prices have, on average, been more than triple HSFO prices in Rotterdam, according to Ship & Bunker data. Just because a new ship is designed to use LNG or methanol doesn't mean the ship will burn LNG or methanol. A dual-fuel ship can keep burning traditional fuel oil.

As expensive as LNG is compared to fuel oil, **green methanol** looks even more problematic from a sourcing perspective. It remains to be seen whether the private sector alone, without government intervention, can make the pricing work. On Monday, Drewry estimated that switching to green methanol would increase fuel costs by about 350%.

6 TRENDS > SCHEDULE RELIABILITY - **Global**



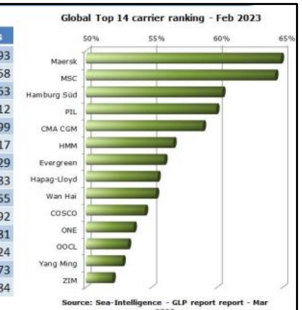
Global schedule reliability recorded a relatively sharp increase of 7.7% m/m in February 2023 and reached 60.2%, bringing it very close to the 2020 figure for the same month. On an annual level, schedule reliability was a staggering 26% higher.

Global		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Schedule Reliability	2022	30.4%	34.2%	35.8%	34.3%	36.5%	39.9%	40.3%	46.2%	45.4%	51.8%	56.5%	56.4%
	2023	52.5%	60.2%										
	Change	**22.0%**	**26.0%**										
Avg. delay of LATE vessels	2022	7.95	7.59	7.45	6.56	6.25	6.37	6.43	5.90	5.88	5.62	5.10	5.50
	2023	5.36	5.29										
	Change	**-2.59**	**-2.30**										

- With 64.9% schedule reliability in February 2023, Maersk was the most reliable top-14 carrier, followed by MSC with 64.4% schedule reliability and Hamburg Süd with 60.4%.

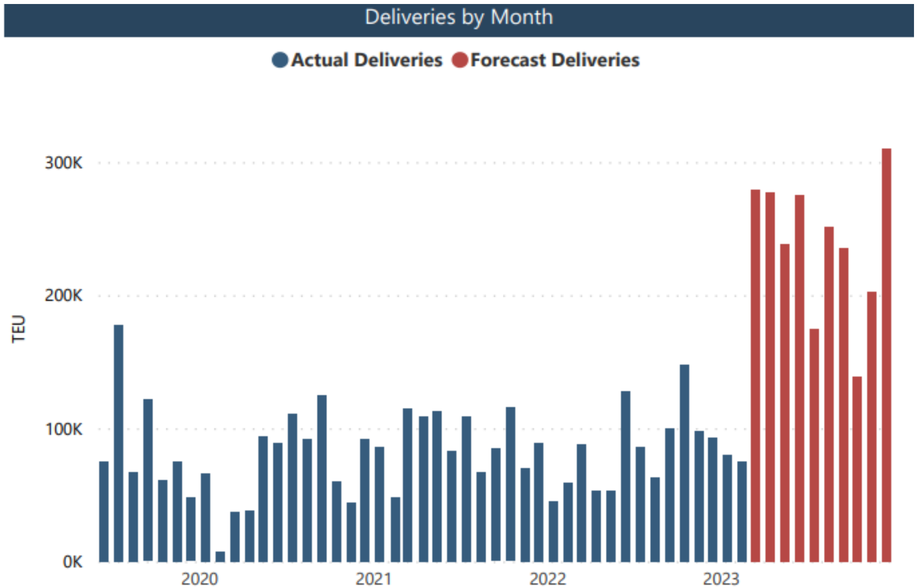
- The remaining carriers all had schedule reliability of 50%-60%.
- ZIM was the least reliable carrier in February 2023 at 52.0%.
- All top-14 carriers recorded a monthly improvement in schedule reliability in February 2023, with PIL, Wan Hai, and ZIM all recording double-digit improvements.
- Hapag-Lloyd recorded the smallest monthly improvement of 4.7%.
- On a Y/Y level, all 14 carriers recorded double-digit improvements, with Wan Hai recording the most significant improvement of 36.2 percentage points.

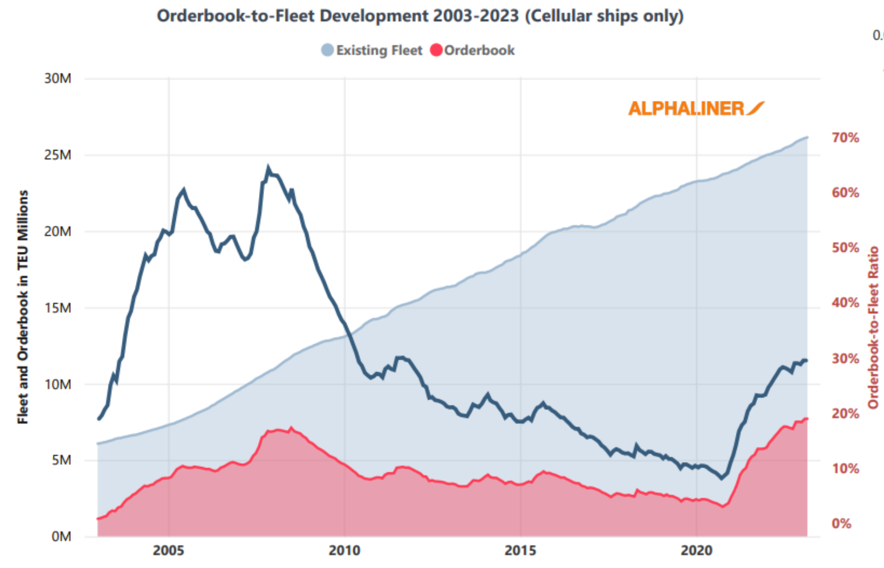
Top-14 carriers	2021-Q4	2022-Q1	2022-Q2	2022-Q3	2022-Q4	Dec/22	Jan/23	Feb/23	Feb 23 Arrivals
CMA CGM	28.7%	30.8%	34.8%	44.7%	54.0%	55.7%	51.9%	58.9%	3,393
COSCO	20.5%	24.1%	30.0%	39.8%	50.2%	52.4%	47.4%	54.5%	2,758
Evergreen	13.0%	22.5%	31.7%	42.3%	52.2%	55.9%	49.4%	56.0%	1,763
Hamburg Süd	39.3%	42.9%	41.8%	43.5%	53.1%	54.3%	51.6%	60.4%	1,712
Hapag-Lloyd	28.8%	28.7%	32.4%	37.2%	47.1%	51.2%	50.8%	55.5%	2,699
HMM	21.8%	29.6%	33.8%	37.8%	50.8%	54.3%	47.9%	56.7%	1,117
Maersk	46.0%	47.9%	48.8%	52.0%	59.2%	59.5%	58.1%	64.9%	2,829
MSC	31.2%	32.3%	33.8%	41.4%	59.7%	63.0%	57.5%	64.4%	2,283
ONE	21.2%	26.8%	33.5%	37.3%	47.7%	52.4%	48.7%	53.6%	2,155
OOCL	18.1%	22.5%	28.5%	37.3%	49.5%	51.4%	46.3%	53.2%	2,492
PIL	22.4%	29.3%	31.5%	38.7%	48.0%	51.6%	43.7%	59.9%	981
Wan Hai	14.0%	19.7%	22.8%	35.3%	52.5%	59.5%	44.1%	55.3%	524
Yang Ming	17.9%	23.6%	27.4%	31.8%	44.6%	47.7%	43.8%	52.8%	1,273
ZIM	27.0%	30.9%	30.7%	35.6%	48.9%	47.0%	40.9%	52.0%	984



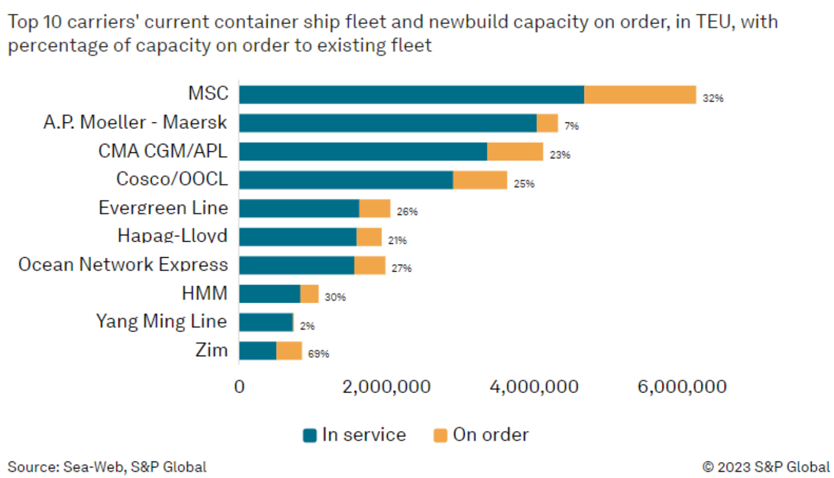
Figures 13&14: Sea-Intelligence Global liner Performance – March 2023

6 TRENDS > VESSELS' ORDERBOOK





Figures 15&16 : Alphaliner Monthly Monitor March 2023



CMA last week ordered 12x15,000-TEU ships capable of running on methanol fuel as well as traditional bunkers and 4x23,000-TEU dual-fuel liquefied natural gas (LNG) ships — with China State Shipbuilding Corporation. According to Xinhua, at a reported 21 billion yuan ($3.05 billion), it is the largest container ship order ever placed with a Chinese shipbuilder by value.

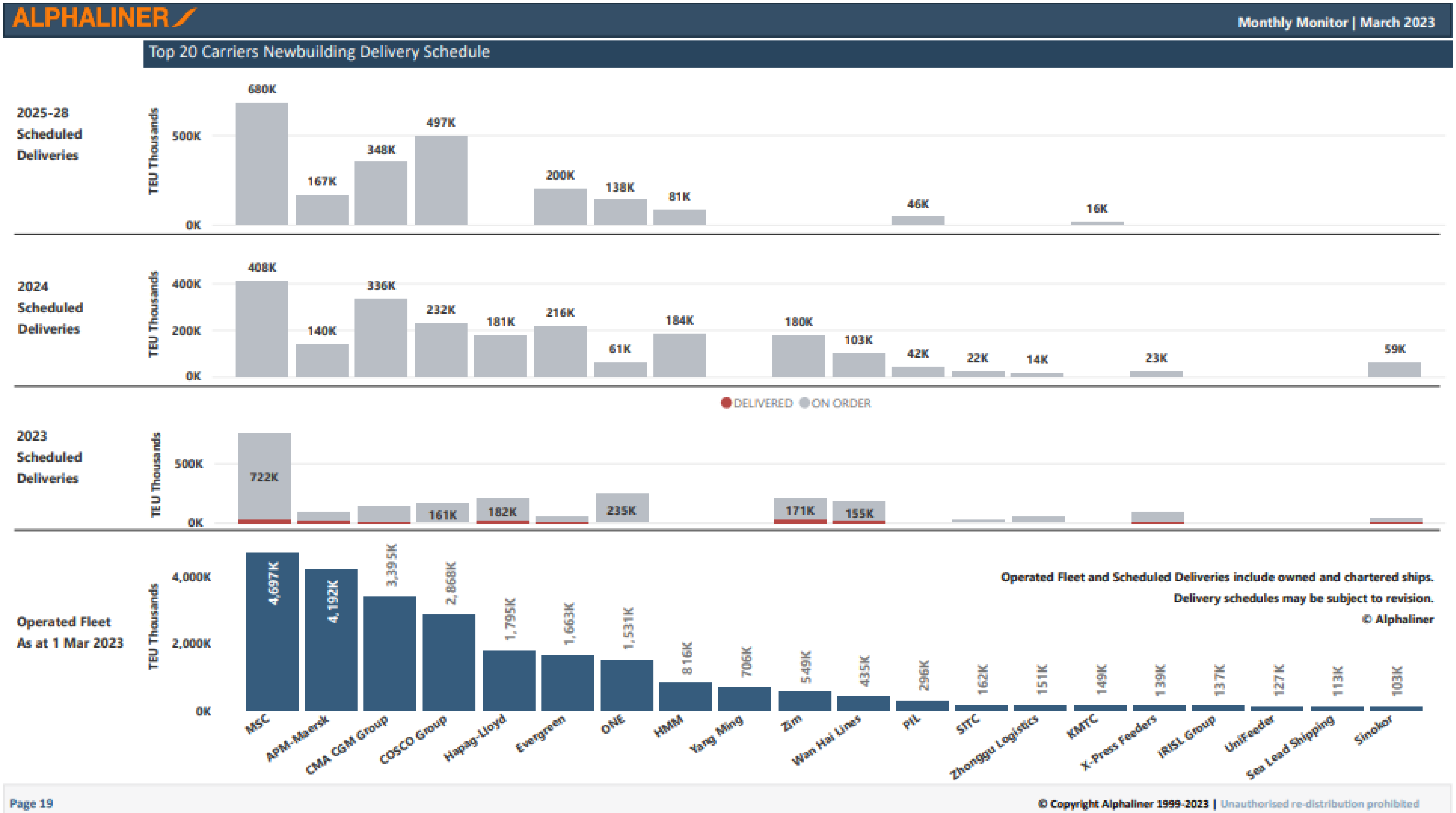


Figure 17: Alphaliner Monthly Monitor March 2023

SAVINO DEL BENE®

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