

Vespucci Maritime

A group of people in a colorful raft navigating a turbulent waterfall in a lush, green forest. The raft is yellow and red, and the people are wearing blue jackets and yellow helmets. The waterfall is surrounded by dense tropical vegetation, including large ferns and moss-covered rocks.

The dawn of a new era

October 2022

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Vespucci Maritime

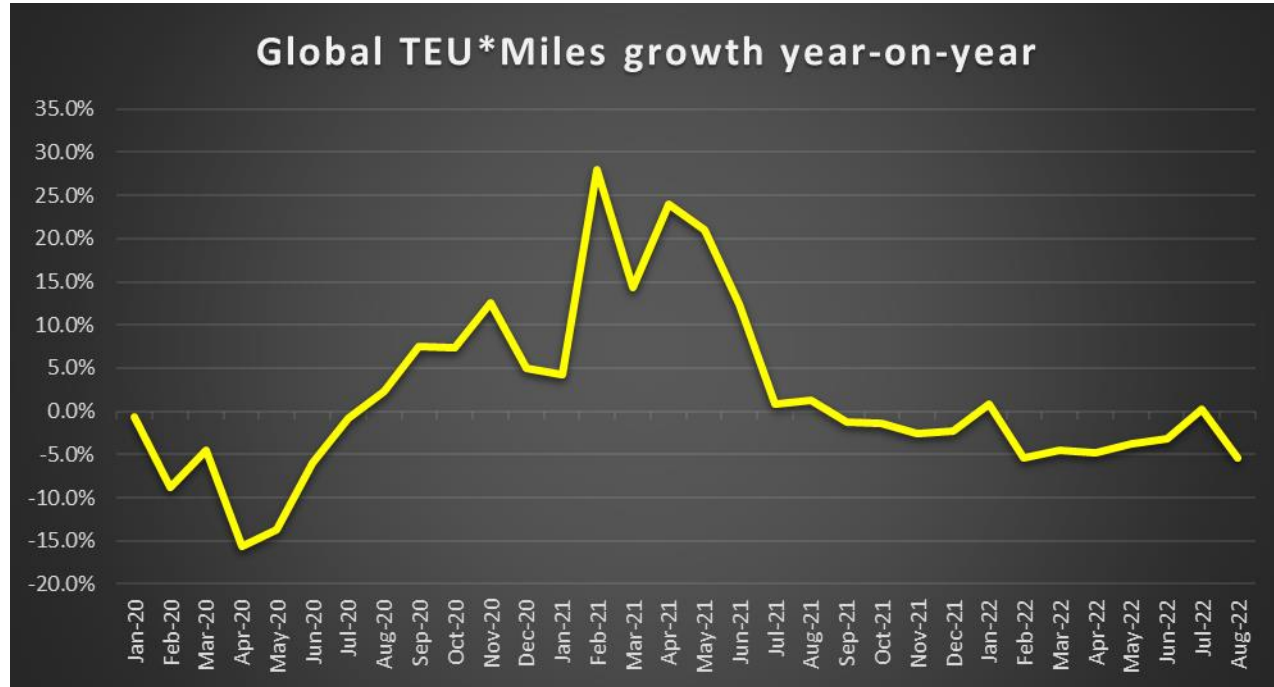
Agenda

- What is going on right now?
- What will happen in 2023?
- What will happen beyond 2023?
- How should shippers prepare themselves for the coming changes?

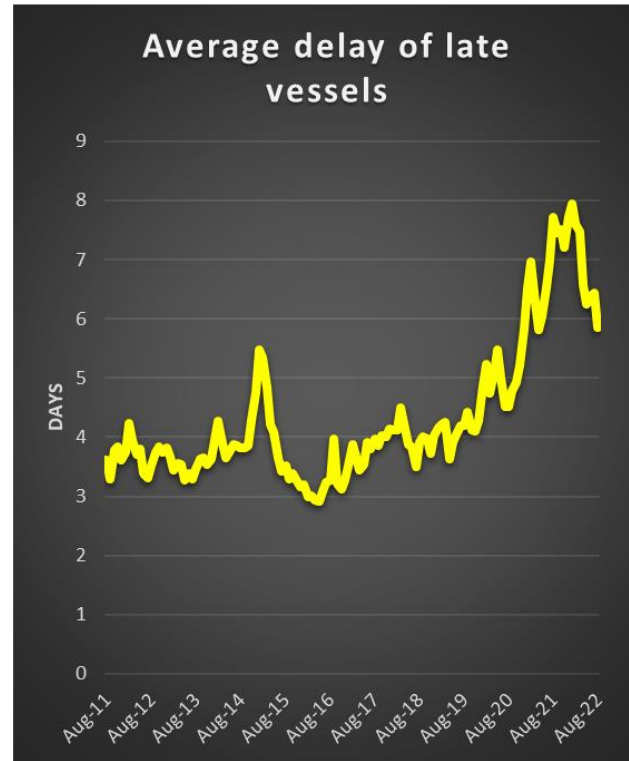
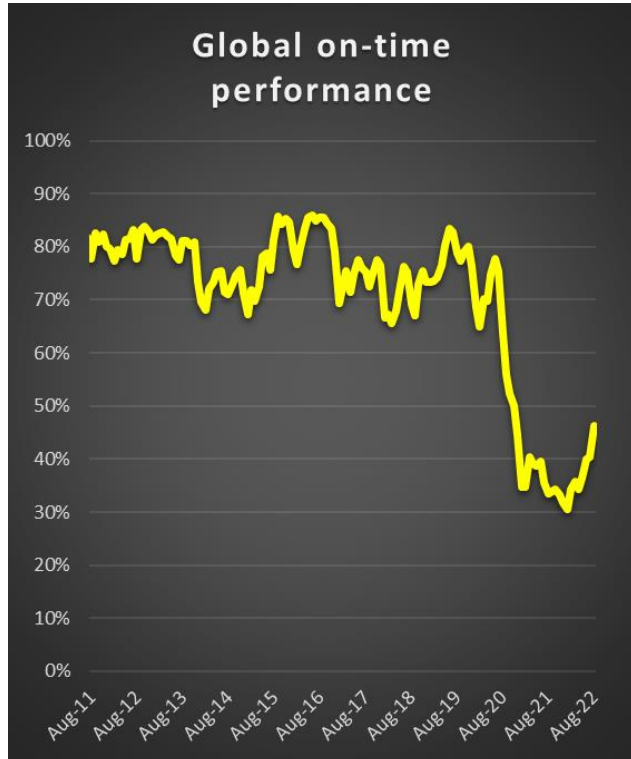
Demand growth remains weak



....and even weaker in TEU*Miles

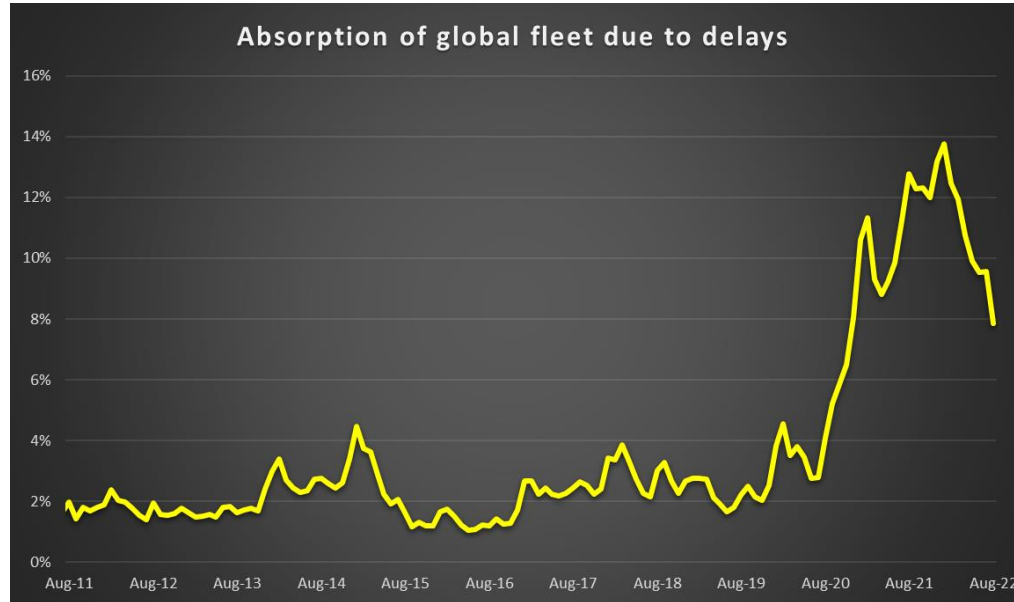


Reliability is slowly improving

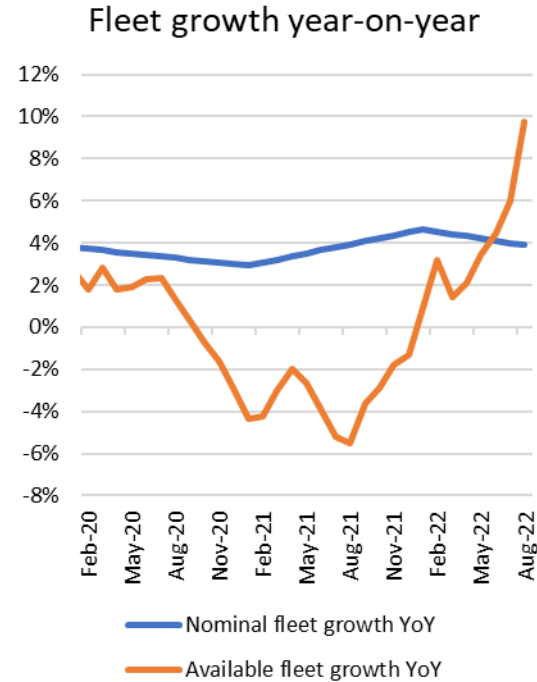
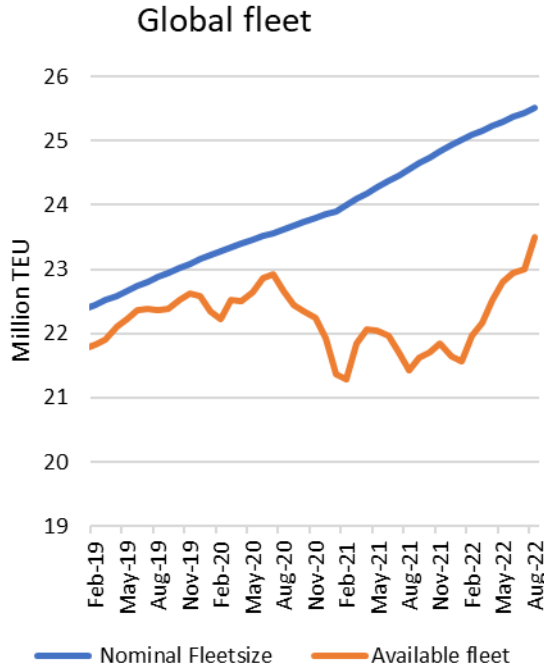


Capacity is released back into the market

- Global capacity reduction in August 2022 was 7.9% and peaked in January at 13.8%

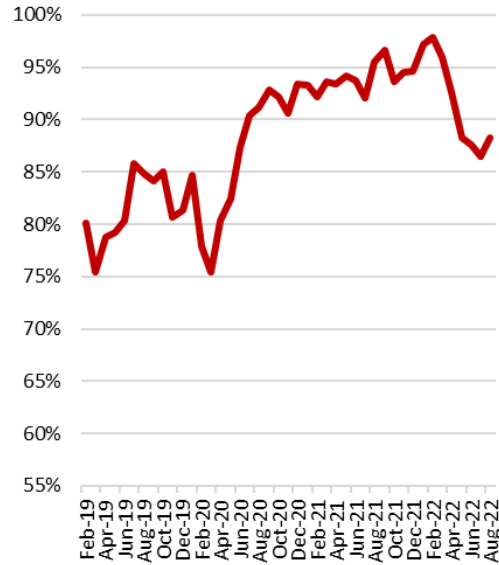


Capacity being released back into the market

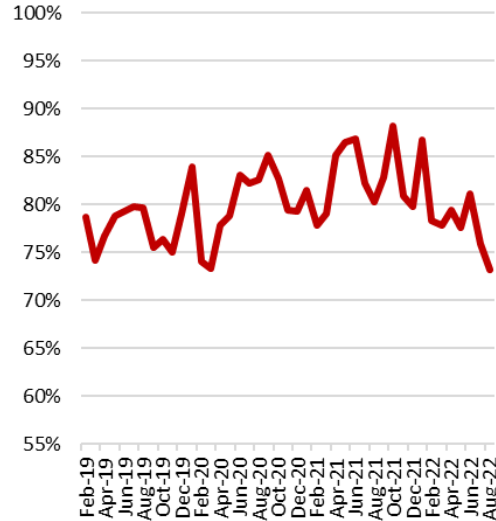


Vessel utilization is declining

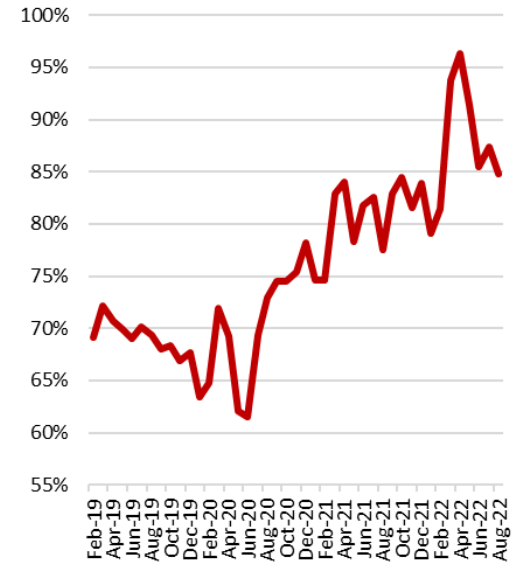
Pacific capacity utilization
2 month rolling avg.



Asia-Europe capacity
utilization
2 month rolling avg.

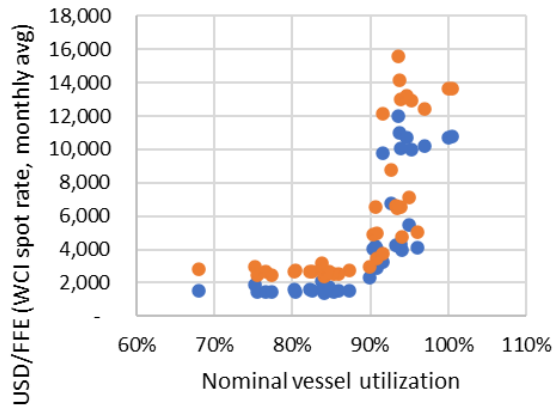


Atlantic capacity utilization
2 month rolling avg.



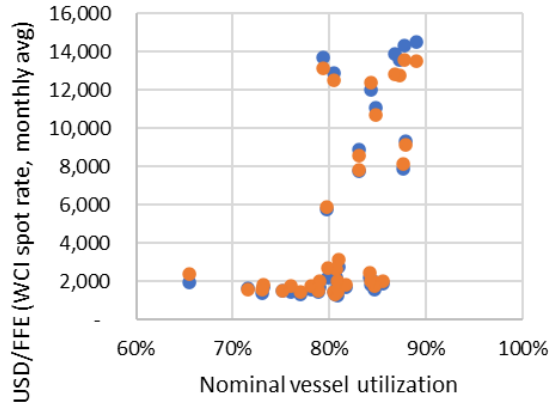
No longer above critical threshold

Pacific utilization versus spot rate



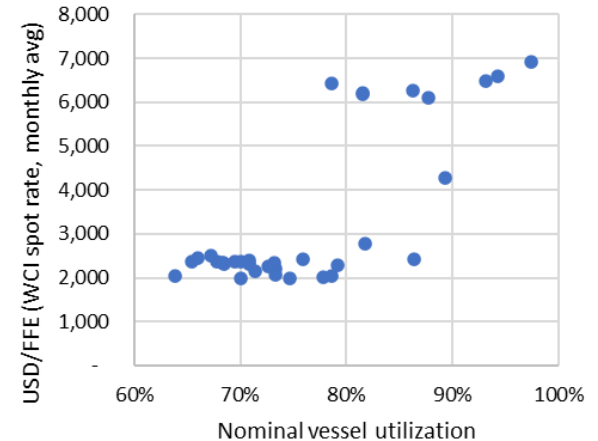
- Shanghai-Los Angeles spot rate
- Shanghai - New York spot rate

Asia-Europe utilization versus spot rate



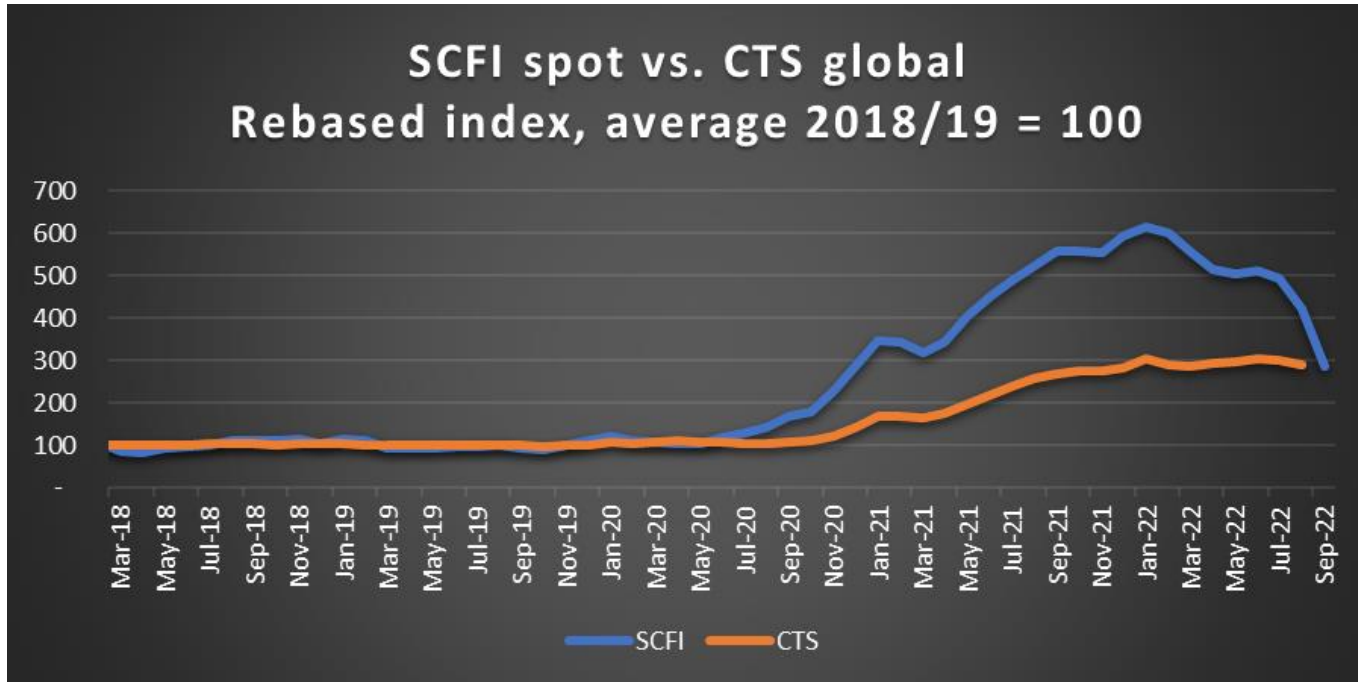
- Shanghai-Rotterdam spot rate
- Shanghai - Genoa spot rate

Atlantic utilization versus spot rate

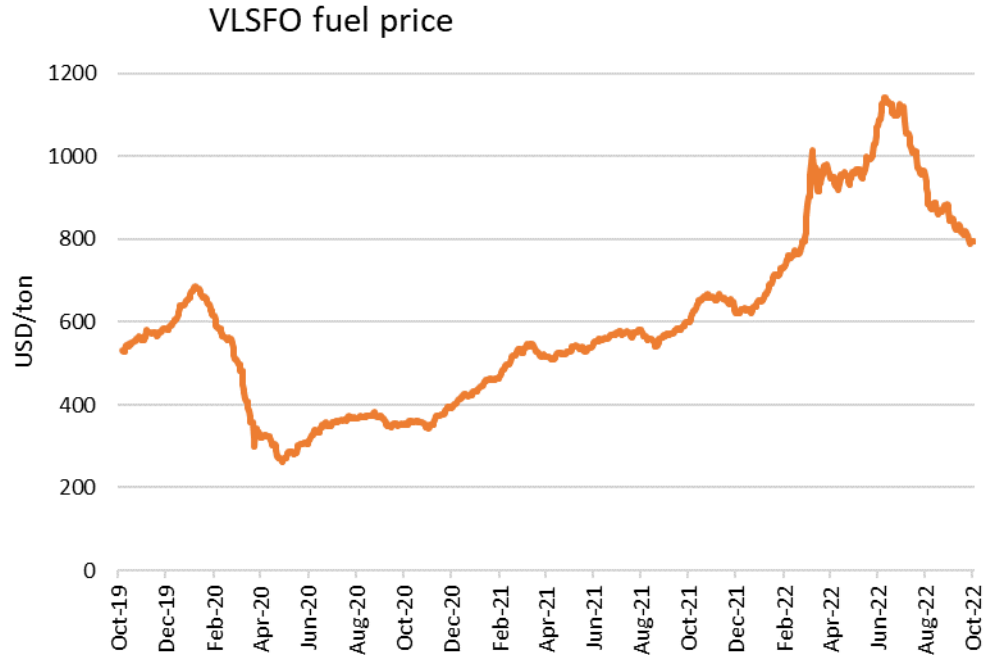


- Rotterdam - New York spot rate

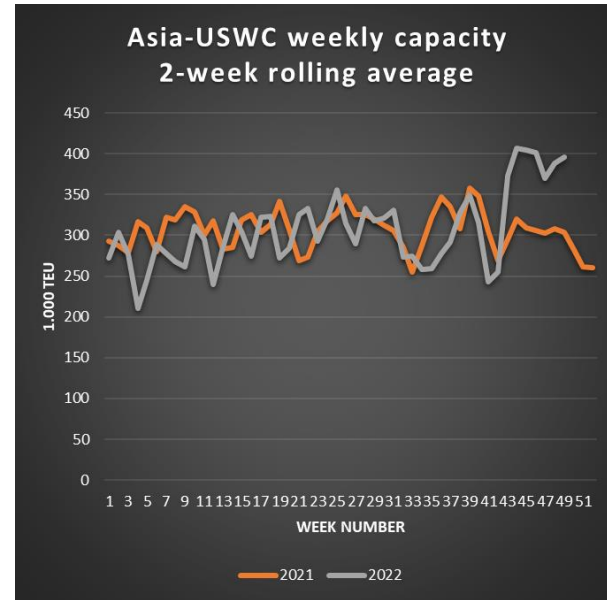
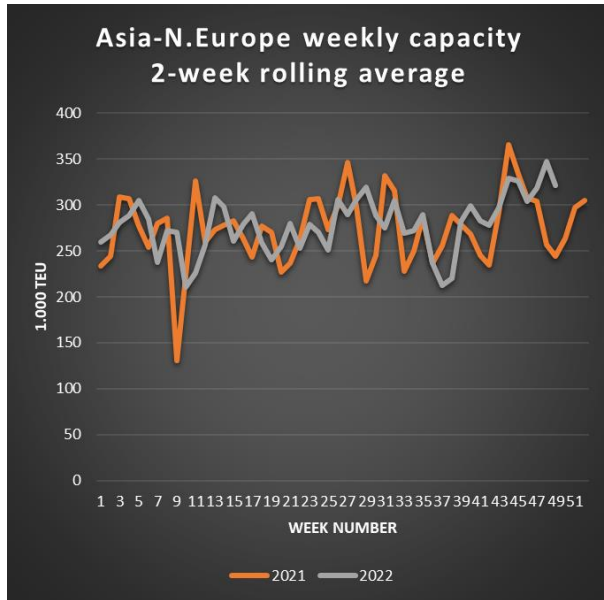
Spot rates are not the full market



Fuel impact : From underpinning rates to weakening them

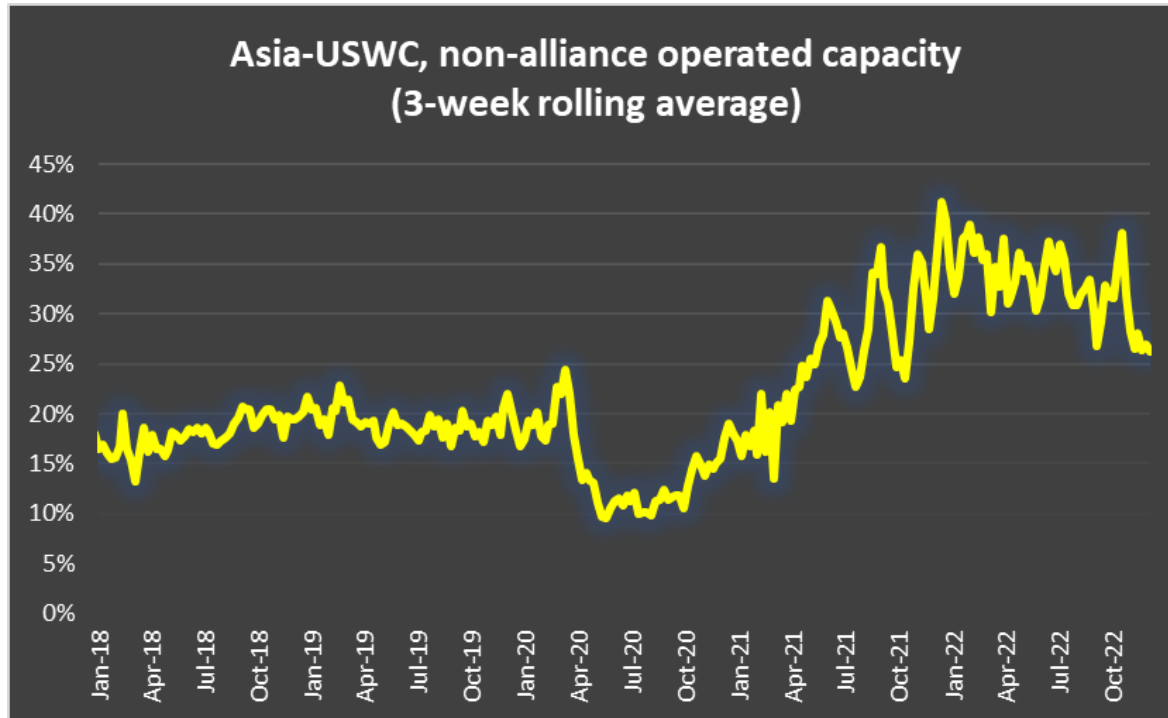


Capacity poised to grow @ tradelane level



- Asia-USWC, Blank Sailings announced Oct'22: 48
- Oct'21 Blank sailings: 73
- Oct'22 capacity vs. Oct'21: +0.4%

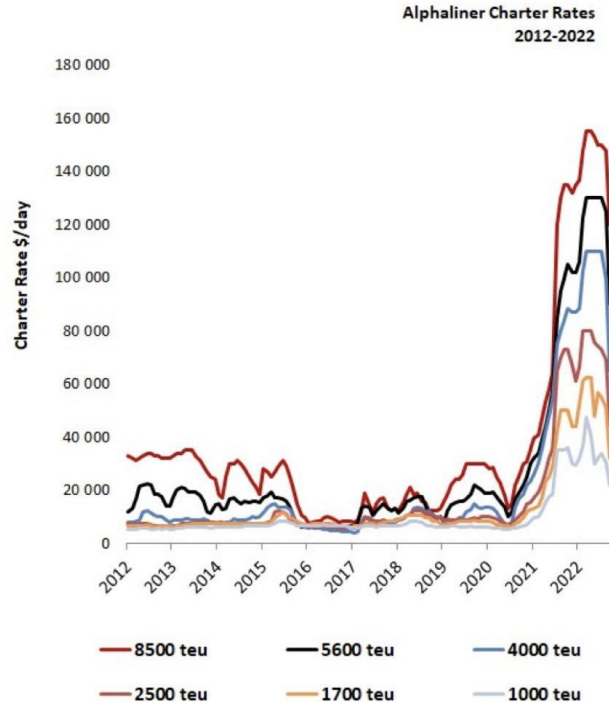
Alliances have less control on Asia-USWC



Likely payout:

- Increased blank sailings
- Gradual removal of smaller new carriers and non-alliance services

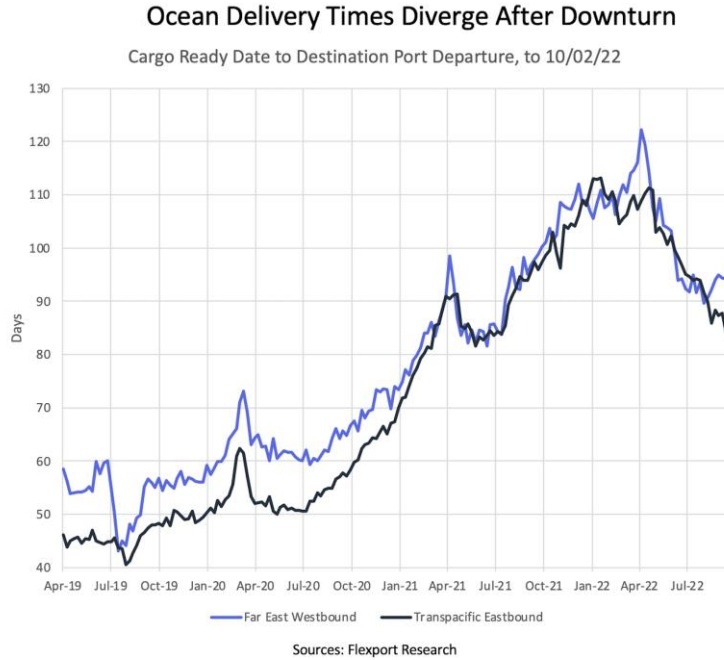
Timecharter market reversing rapidly



This will have a severe impact especially on smaller new carriers who have expanded in deep sea trades in 2021-22

It will have longer-lasting impact in regional trades where local carriers had to sign up for 2-3 year charter extensions at highly elevated levels in 2021

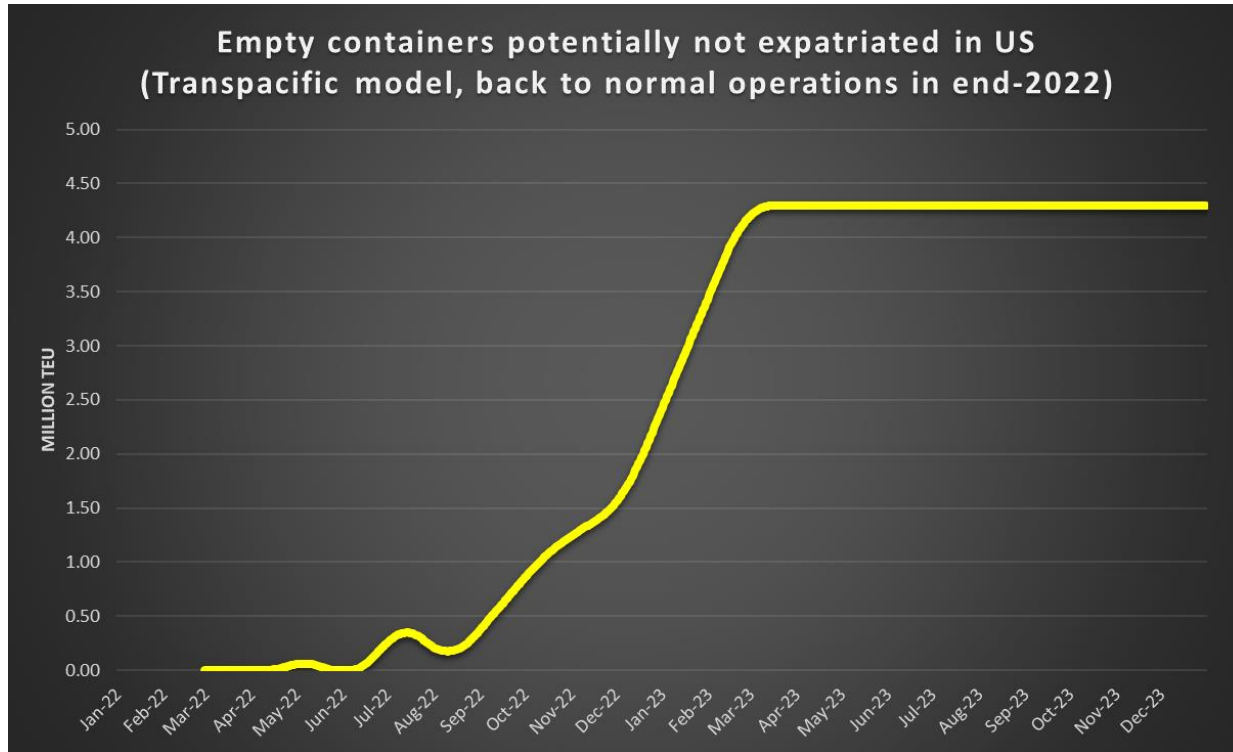
Container Bullwhip effect



Lengthening supply Chain ->
more containers are needed to
move the same amount of cargo

Shortening supply chain ->
increases the amount of idle
empty containers

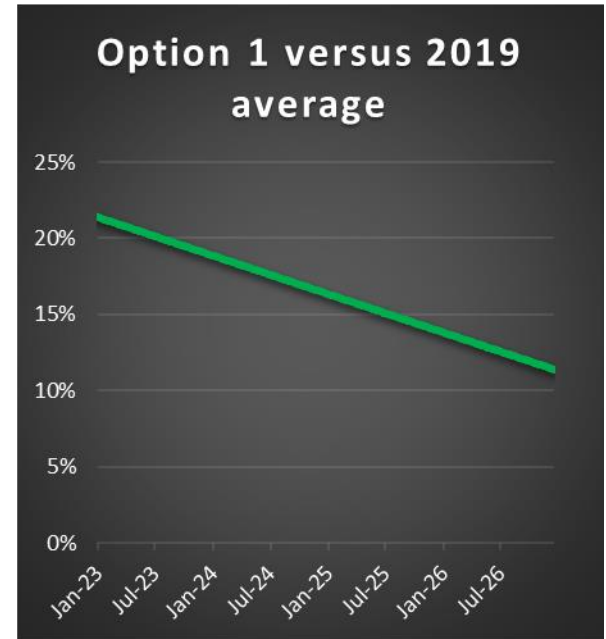
Container Bullwhip effect



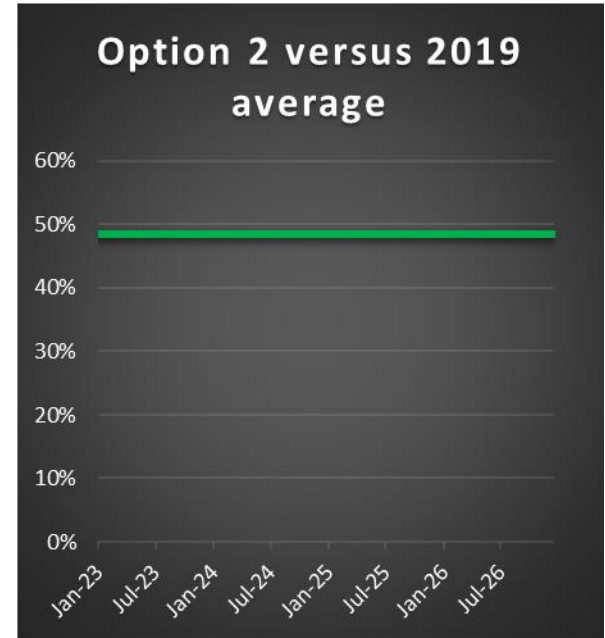
Possible rate-play out longer term



Possible rate-play out longer term



Possible rate-play out longer term



Possible rate-play short term



IMO2023

IMO 2023

- Focused on vessel fuel efficiency
- Will decrease global fleet capacity by potentially 10% over 2023-2024
- Will together with scrapping severely reduce the anticipated 8-9% capacity injection in 2023 and 2024
- Will lead to increased price differential between mainports and outports

Decarbonization

Decarbonization

- Carriers will pursue full decarbonization, and do so as rapidly as possible
- Highly unlikely to be fully accomplished until 2040-2050 at the earliest
- Key issue: Measuring carbon footprints and keeping track of the increased share of genuinely carbon neutral TEU*Miles

Coming rest of 2022 and 2023

- "Hard landing", with spot rate levels likely bottoming out post-CNY 2023
- Peak season rebound (timing and magnitude depending on depth of recession)
- IMO2023 to dampen additional capacity injection
- Significant increase in usage of blank sailings
- Major issues in empty container overflow
- Eventual levelling out at "new normal" rate levels – which for headhauls are higher than pre-pandemic
- Continued risks of strikes causing temporary disruptions

Major Strategic changes

- Increased usage of data visibility tools
- Increased focused on exception handling/customer service
- Possible re-organization of existing alliances
- Continued consolidation across regional carriers
- Gradual shift of production out of China and into the wider Asian area – in turn causing potential bottleneck problems
- Large geopolitical risks

Shipper considerations

- Continued high risk of supply chain disruptions
- Need strong approach to balance transactional costs versus risks
- Need strong methodological approach on how to assess carbon footprints
- Prepare for permanent long-term higher rate levels than seen pre-pandemic (but lower than that last disruptive years)