

MARKET UPDATE OCTOBER 2024

FJT LOGISTICS
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Ocean Freight Market Outlook – October 2024

Typhoon Bebinca Wrecks Havoc on Chinese Ports

The powerful Typhoon Bebinca has brought shipping operations to a standstill in Shanghai and Ningbo. Both ports have experienced substantial delays due to the storm, forcing vessels to wait for up to 60 hours in Shanghai and 48 hours in Ningbo. The disruption extended to other ports in southern China and Vietnam, which are still recovering from previous weather events.

Gemini 2025

Maersk and Hapag-Lloyd are teaming up to launch the Gemini Cooperation in February 2025. This joint venture aims to create a more efficient and streamlined East-West shipping network. By reducing port calls and simplifying routes, they are looking to optimize operations and improve service reliability. This new network will also prioritize terminals with high productivity and efficiency. They recently announced their initial plans, including a route through the Suez Canal and an alternative path around the Cape of Good Hope

Port strikes

The International Longshoremen's Association (ILA) and United States Maritime Alliance (USMX) agreement, which covers most U.S. East Coast (USEC) and U.S. Gulf Coast (USGC) ports—36 ports from Maine to Texas—ended on September 30, 2024. Negotiations for a new agreement target the upcoming six years. No new agreement was reached by the deadline and ILA launched a strike on October 1, 2024.

If continued, the impact of that strike would have been as follows :

- 1 day strike : 5 days to clear backlog
- 1 week strike : slowdowns until mid-November
- 2 weeks strike : backlog would not clear until 2025

Global economic growth has remained strong in the first half of 2024, with full-year growth expected to average around 2.7%.

The Global Composite PMI indicates favorable economic conditions, particularly in advanced economies. However, momentum in the Manufacturing PMI weakened in July, dipping below the neutral 50 mark due to a slowdown in U.S. manufacturing activity.

Manufacturing export orders remain below the 50 thresholds in July, casting doubts on the strength of the ongoing recovery in industrial activity.

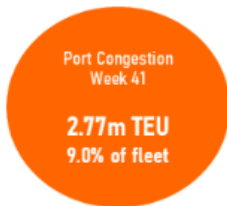
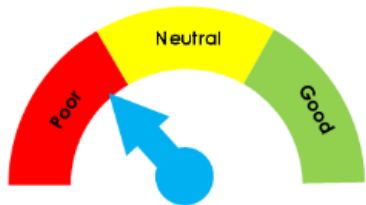
In Europe, the region is gradually emerging from a prolonged period of stagnation, with GDP growth forecasted to reach 0.8% in 2024

Retail sales increased by 0.7% in Q2, supported by wage growth and improving consumer confidence.

In China, economic momentum has softened, but GDP growth is still expected to be around 4.8% for the year.

While producer prices have fallen, increased investment in manufacturing may lead to overcapacity. Nevertheless, robust export activity remains a key driver of China's economic growth.

CONTAINER MARKET BAROMETER 2024 WEEK 41

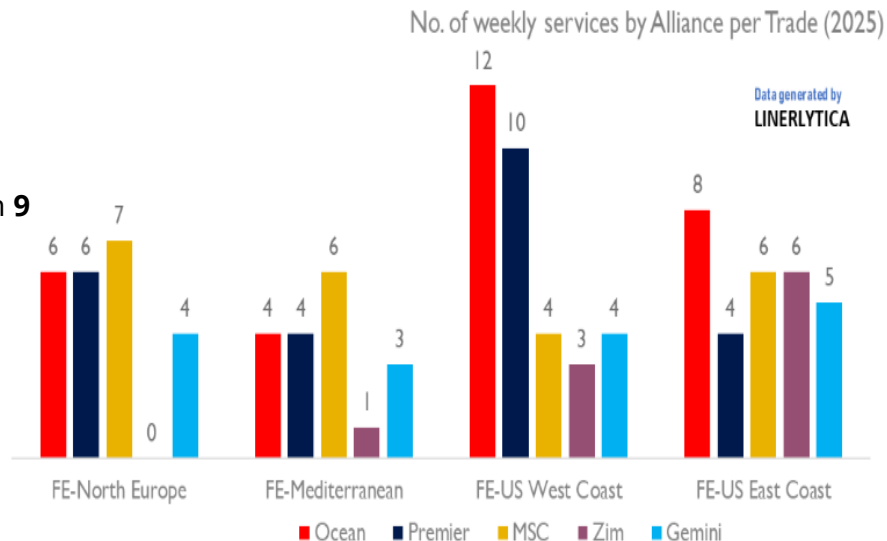


MSC and Premier Alliance Form Partnership on Far East-Europe Trade Route

MSC has announced a new collaboration with Premier Alliance, the rebranded entity comprising ONE, HMM, and Yang Ming (formerly known as THE Alliance).

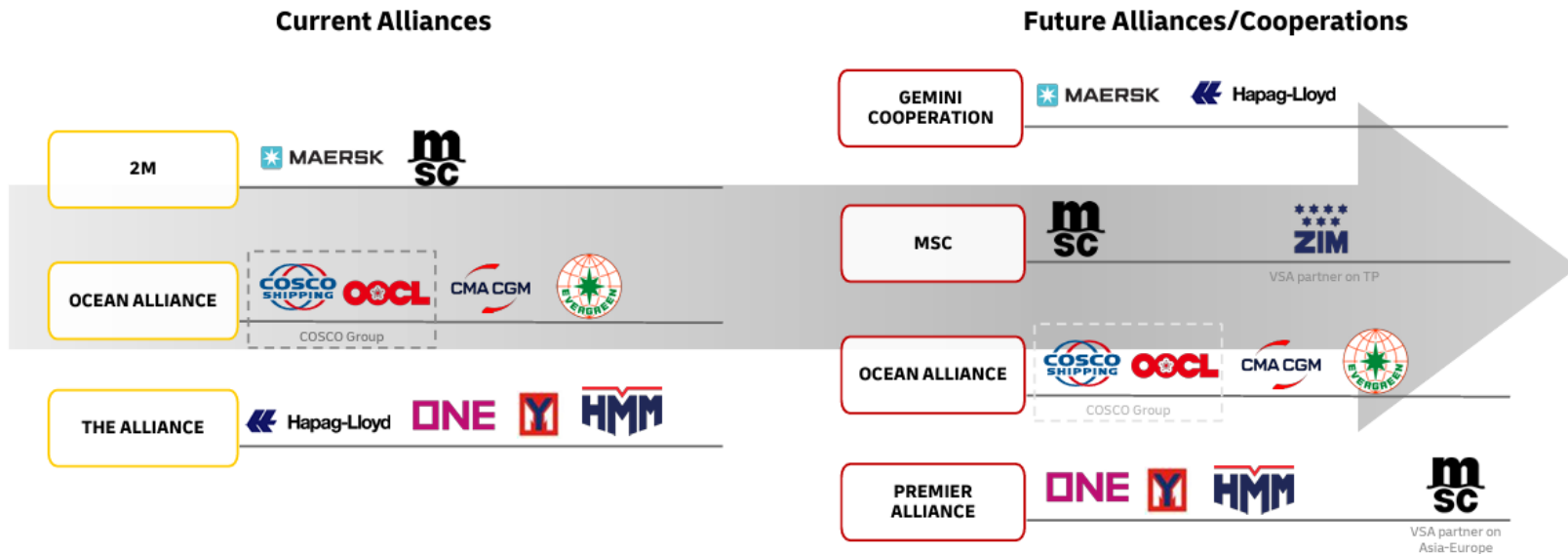
This partnership, set to launch in February 2025, will exchange slots on **9** services: **5** to North Europe and **4** to the Mediterranean.

MSC will also operate **4** additional services independently, maintaining its position as the largest carrier on the Far East-Europe route. The Premier Alliance will run **1** smaller North Europe service on its own, ensuring it has the same number of weekly sailings as the OCEAN Alliance. This leaves the Gemini Cooperation with the fewest weekly services on the route.

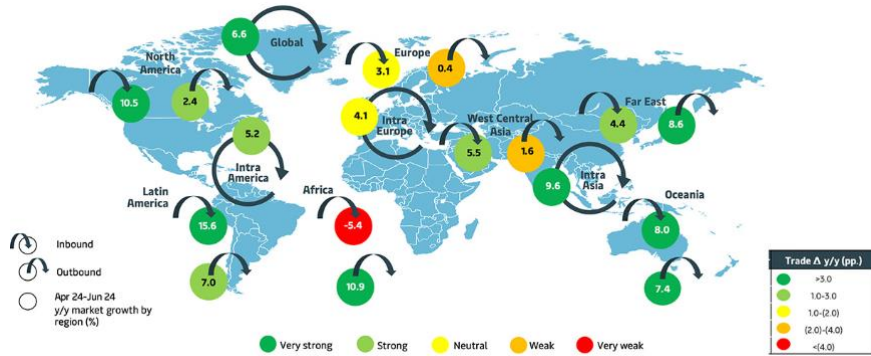


Other alliances:

- 2M (Maersk and MSC) will split in January 2025.
- The Gemini Cooperation between Maersk and Hapag-Lloyd will begin in February 2025.
- The OCEAN Alliance (CMA CGM, COSCO, Evergreen, OOCL) extended their collaboration until March 2032.

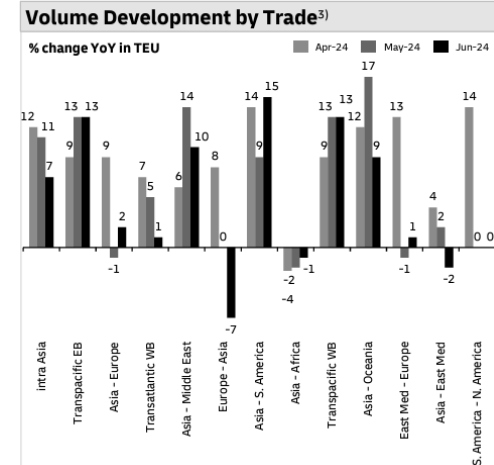
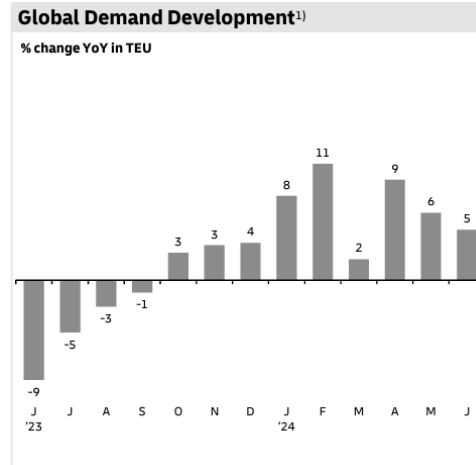


Market Demand



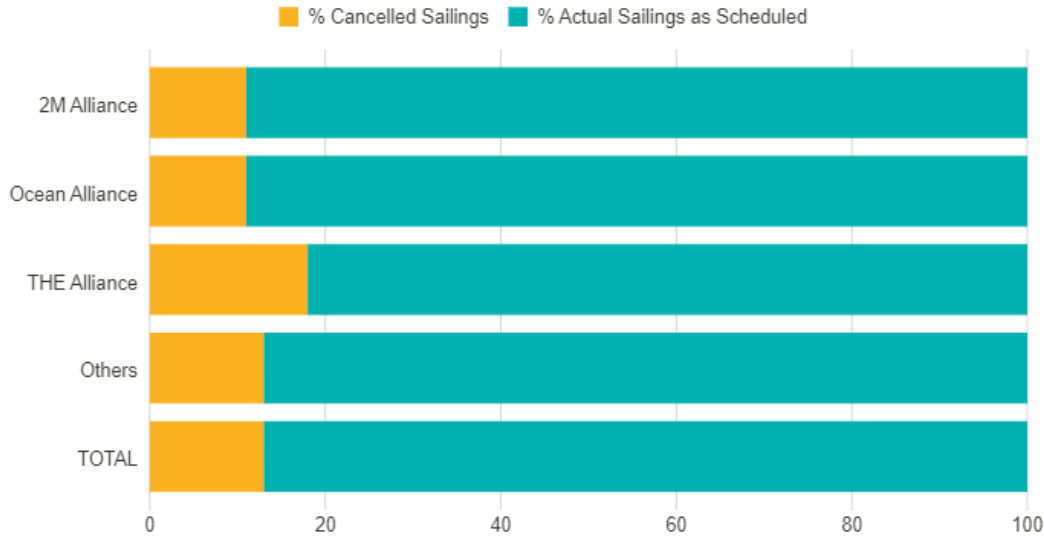
- As we move into the latter part of 2024, container demand remains robust but is influenced by evolving factors. Global container volumes increased by 6.6% year-over-year in the second quarter of 2024, driven by increased imports into North America, Latin America, and sustained strong exports from the Far East Asia region. Intra-Asia trade has also seen growth, whereas exports from the U.S. and Europe are slower.

- Positive global container market trends continue over the summer but uncertainty persists due to upcoming U.S. presidential elections.
- Around 360 ships diverting from Red Sea via Cape Route, limiting effective capacity at 7% of global containership fleet → Longer voyages increase fuel consumption and running costs.



Cancelled Sailings Tracker

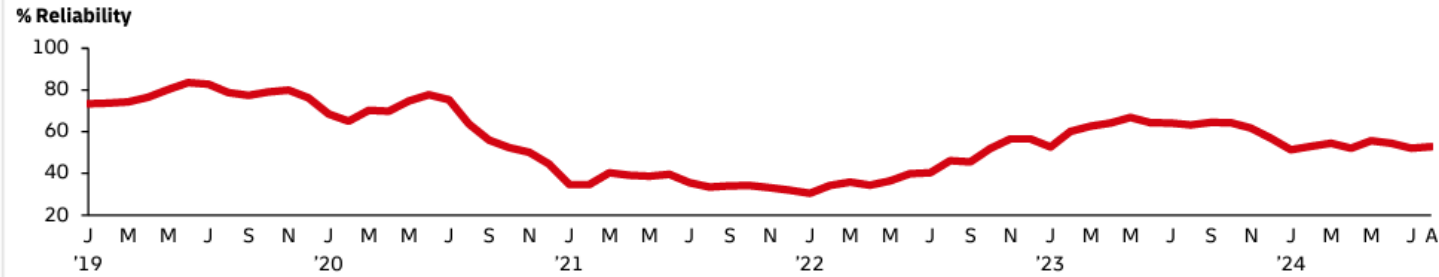
Drewry cancelled vs scheduled sailings (Wk 41 to Wk 45)



- Across the major East-West trades: Transpacific, Transatlantic and Asia-North Europe & Med, **90** cancelled sailings have been announced between week 41 and week 45, out of a total of **693** scheduled sailings, representing **13%** cancellation rate.
- During this period, **52%** of the blank sailings will occur on the Transpacific Eastbound, **28%** on the Asia-North Europe and Med and **20%** on the Transatlantic Westbound trade.
- **Service Reliability:** **87%** of ships are expected to sail as scheduled over the next five weeks.

Schedule Reliability

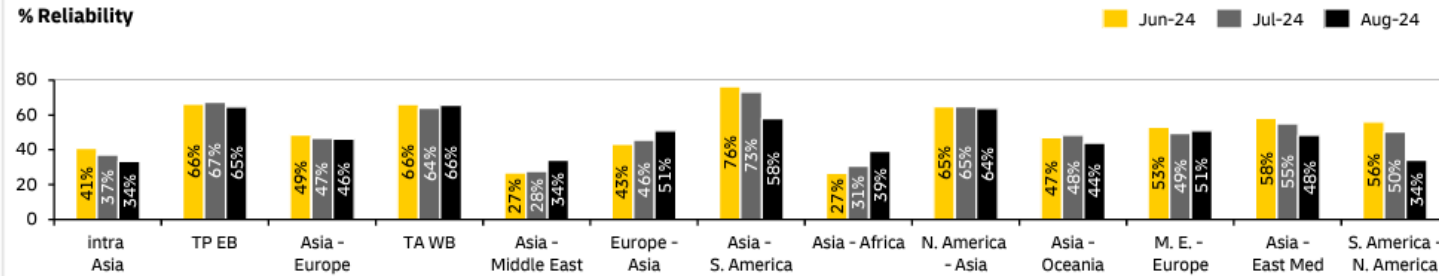
Global Schedule Reliability



- 9.9% (>3m TEUs) of global fleet currently wait at anchorages, highest level recorded outside COVID pandemic.

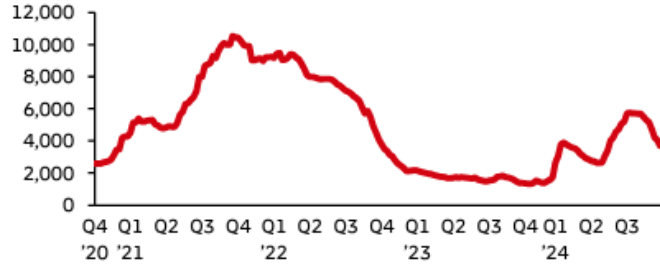
- Congestion at Shanghai and Ningbo Ports after Typhoon Babinka impacting other Asian main hubs.

Schedule Reliability by Trade

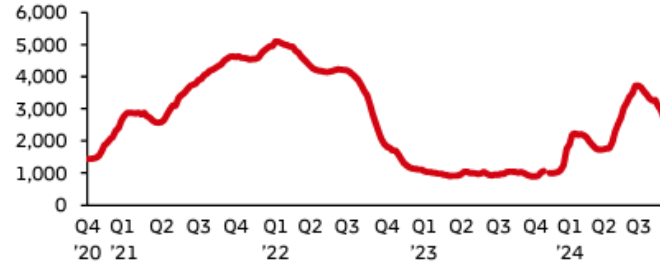


References : intra Asia = Asia - IBPC, TP EB = Asia-NAWC, Asia-Europe = Asia-North Europe, Asia-AMLA = Asia-WCSA, AMNO-Asia = Transpacific WB, Asia-East Med = Asia-Med

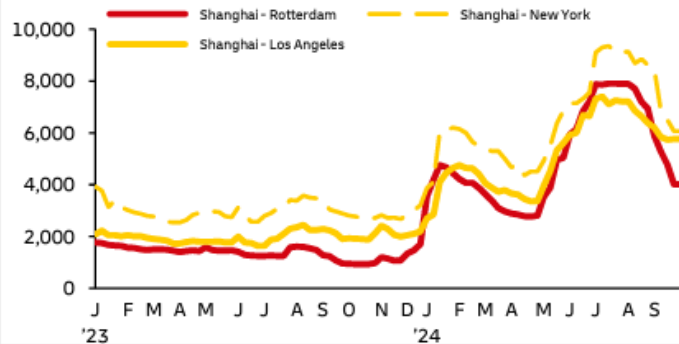
World Container Index (WCI)



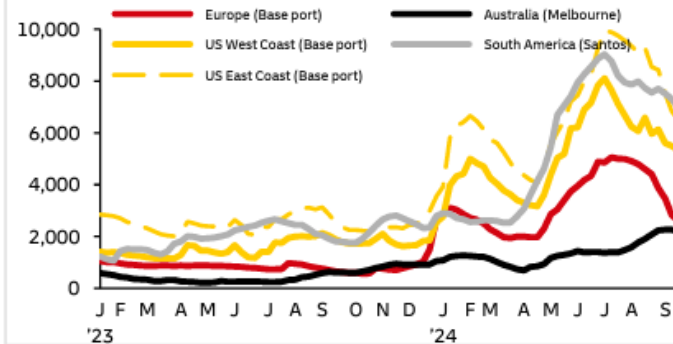
Shanghai Containerized Freight Index (SCFI)



WCI Deep Dive Key Trades



SCFI Deep Dive Key Trades



- Rates maintain their decrease, SCFI dropped by 33% since its peak early July.

- China to Australia : rates on this route still down, demand has been strong, but capacity management has kept rates from spiking dramatically. Carriers seek to fill up their vessels.

- China to Europe : rates on this route increased by 5-7% the past months. This is driven mainly by demand recovery and lower capacity, with carriers balancing volumes ahead of Golden week.

Note: Surcharges related to e.g., equipment & space availability are not reflected in WCI & SCFI;

Drewry, in USD/40ft container, including BAF & THC both ends, 8 individual routes, excluding intra-Asia routes;

Shanghai Shipping Exchange, in USD/20ft ctnr & USD/40ft ctnr for US routes, including BAF, EBAF, CAF, PSS, WRS, PCS & SCS/SCF/PTF/PCC, excl. THC, 15 routes from Shanghai

Port Congestions Outlook:

China: Port congestion has worsened at key Chinese ports like **Shanghai** and **Ningbo** due to a series of typhoons, including Typhoon Bebinca, which caused severe vessel delays. Ships in Shanghai faced delays of up to 60 hours, while Ningbo experienced waiting times of 24-48 hours.

Blank Sailings Outlook:

Overall, blank sailings from China to Australia have been limited, but carriers continue to monitor congestion and weather conditions closely, making adjustments to minimize disruptions.

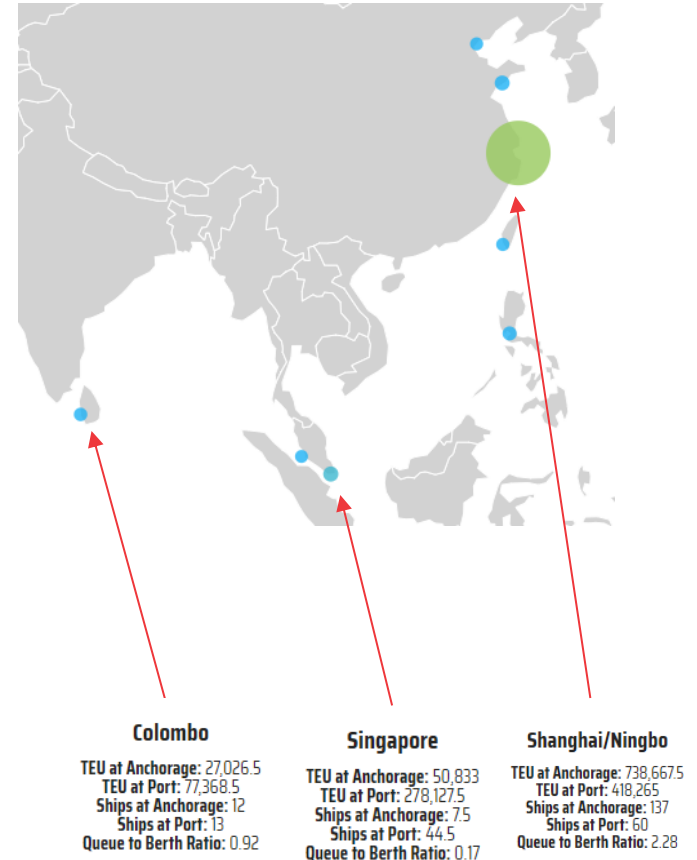
These cancellations are largely due to the expected reduction in cargo volumes around China's Golden Week holiday (October 1-7), a time when factories in China typically close, leading to a significant drop in exports. Carriers are adjusting their schedules to avoid overcapacity and maintain stable freight rates during this period.

Equipment Availability Outlook:

The equipment availability outlook for the China to Australia route in September 2024 shows persistent challenges, primarily driven by a combination of high global demand, port congestion, and delays.

Although there are expectations that the situation may ease later in the year, the China to Australia route will likely continue to face equipment shortages in the short term, particularly as demand spikes during the peak season in Q4 2024.

Current APAC Containership Port Congestion



Key Ports Update

European hubs are performing well and will be crucial in the new network. With a planned 30% capacity increase, these hubs offer a unique advantage. Weather conditions have been stable in Europe. In Germany, late customs declarations are leading to cargo rollings. To address this, carriers introduced a No Doc No Load policy.

European Port Operations

Rotterdam: faced a temporary backlog due to a damaged crane, but alternative solutions have been implemented.

Bremerhaven: network issues and labor negotiations are causing delays.

Mediterranean Hubs: Overall stable.

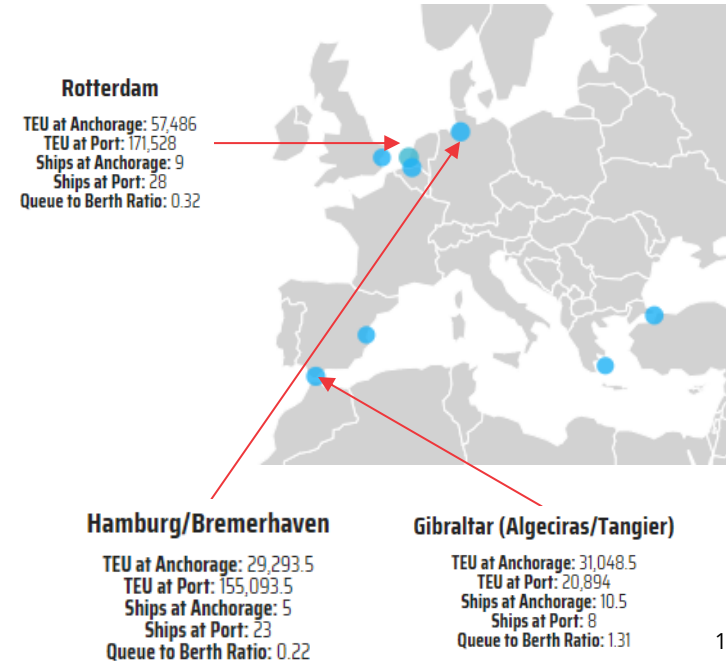
Algeciras: repairs and network issues.

Customs Update

A crucial deadline for EU CBAM (Carbon Border Adjustment Mechanism) reporting is looming. Businesses must submit accurate, real-world emissions data for imported goods by October 31st. This marks the last time they can use alternative methods to calculate emissions. Starting in 2025, only the EU's official method will only be accepted.

The EU is preparing to impose tariffs on Chinese electric vehicles due to concerns about unfair government subsidies. Despite negotiations, the EU has decided to implement these duties. This could significantly impact the cost of Chinese EVs in the EU market, affecting businesses involved in their supply chains.

Current Europe Containership Port Congestion



THANK YOU



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