



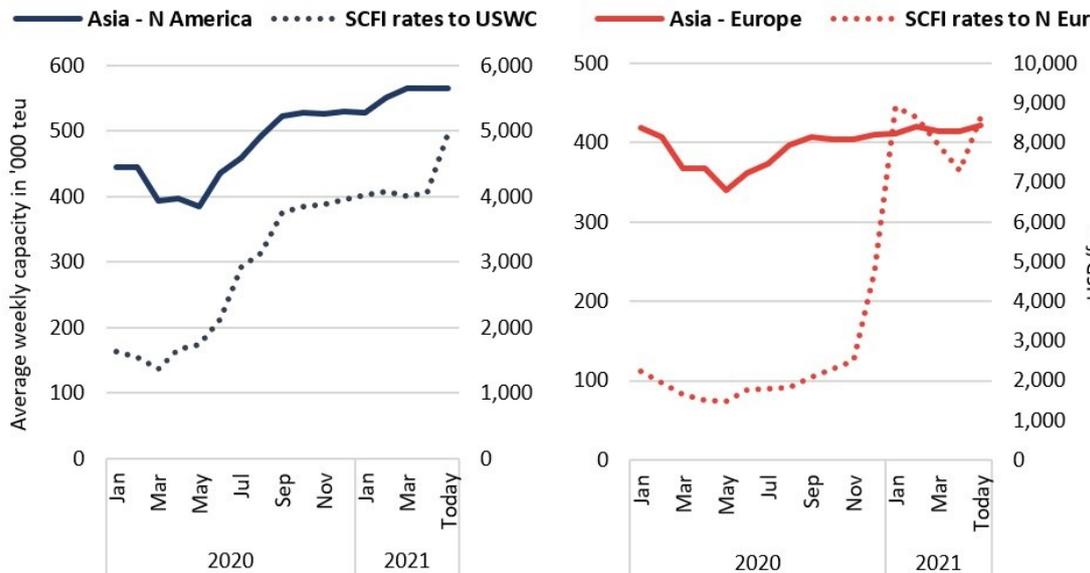
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Chart of the week

Average weekly capacity versus SCFI freight rates

More liner disruption caused by the week-long Suez blockade has pushed freight rates upwards again with the SCFI reaching a new historical high on 23 April.

- Carriers have increased Asia to North America average weekly capacity by 45.7% y-o-y
- Port congestion remains a problem at LA/LB with a waiting time of 7.5 days
- Disruptions expected to continue until end of Q2



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Anti-trust action will not stop freight rates from rising, as cargo demand exceeds liner capacity

The Shanghai Containerized Freight Index (SCFI) has reached a record high of 2,979.76 points last week with average freight rates on the spot market nearly breaching a new historical benchmark of USD 5,000 per feu between Shanghai and the US West Coast.

Meanwhile, spot rates in the Shanghai - North Europe trade increased to an average of USD 8,650 per feu, only USD 250 less below the record seen in early January.

The overheated market cooled down somewhat in Q1, with Asia - North Europe rates losing some USD 1,600 or 18% between early January and the end of March. However, freight rates on this route started soaring again in April after the Suez Canal incident.

Traffic through the canal was blocked for 6.5 days by the grounded vessel EVER GIVEN (20,388 teu). This blockade delayed many ships by one or two weeks, forcing carriers to blank sailings in both directions which reduced their possibilities to reposition badly needed empty containers.

The Global Shippers' Alliance will organize a webinar this week about the consequences of the Suez Canal incident. The European Shippers' Council (ESC) will very likely repeat their plea for the European Commission to take action.

In late March, the ESC already expressed disappointment that the EU had not proposed any steps. "The crisis cannot be left on its own in a market which is

CORPORATE UPDATES

right: Over the last few weeks and months, the Shanghai Containerized Freight Index, has crept up to record highs.

chart: Shanghai Shipping Exchange



only regulated by the Consortium Block Exemption Regulation. This seems to give shipping lines a free pass on EU competition without any monitoring by regulators”, the ESC said.

UNCTAD also reacted recently to the surging freight rates, citing three considerations for policy makers in a briefing. One of the suggestions was “to ensure that national competition authorities have the resources and expertise to investigate potentially abusive practices in the liner shipping industry.”

Shortage of Containers remains a problem for carriers and shippers

Port congestion is not only immobilizing ship capacity, but also increasing container usage time.

Hapag-Lloyd has confirmed that this usage time has increased by 20% over the last three months.

This basically means that the Hamburg-based carrier needs 20% more boxes to continue carrying the same amount of cargo over a given time period.

Box availability will be tight in the next weeks, as equipment remains tied up on ships waiting outside ports.

Furtehr to this, extended dwell and transit times on the land side also contribute to the equipment shortage.

Repositioning of empty boxes has been further slowed down due to the recent Suez Canal incident.

The lack of available container ships on the charter market also precludes carriers from fixing vessels on a voyage charter basis to return full ship loads of empties to Asia.

More competition monitoring however will not change the dynamics of the current market, where skyrocketing rates are simply a consequence of cargo demand exceeding maritime capacity.

Prices are being pushed upwards by cargo owners with urgent shipments who are prepared to pay premium rates to obtain an empty box and a booking guarantee. These premiums, amounting to several thousands of dollars, are not reflected in the SCFI rates.

Our chart of the week on page 1 shows that carriers have effectively increased capacity on the major East West trades. Weekly average nominal capacity in the Asia to North America trade this week stands at 568,351 teu, the highest level ever recorded and up 45.7% on a year-on-year-basis. This compares to 423,689 teu for the - Asia to Europe trade, up 24.7% compared to a year ago. All available ships are currently sailing.

Easing port congestion would be the best remedy to get more container ships actively sailing again. Congestion remains a big problem in California. The number of container ships at the San Pedro anchorage has dropped to just under twenty vessels, but average waiting time for a berth at Los Angeles or Long Beach is still 7.5 days. This situation is not expected to improve soon as most Asia – USWC voyages arriving at LA/LB in May are reported to be fully booked.

The need to blank more sailings on East West trades in the coming weeks to restore schedule reliability and get vessels back in place will see liner service disruption continue throughout Q2. A normalization can be expected only in Q3 at the earliest.