



June 2020

# Seafreight Insights

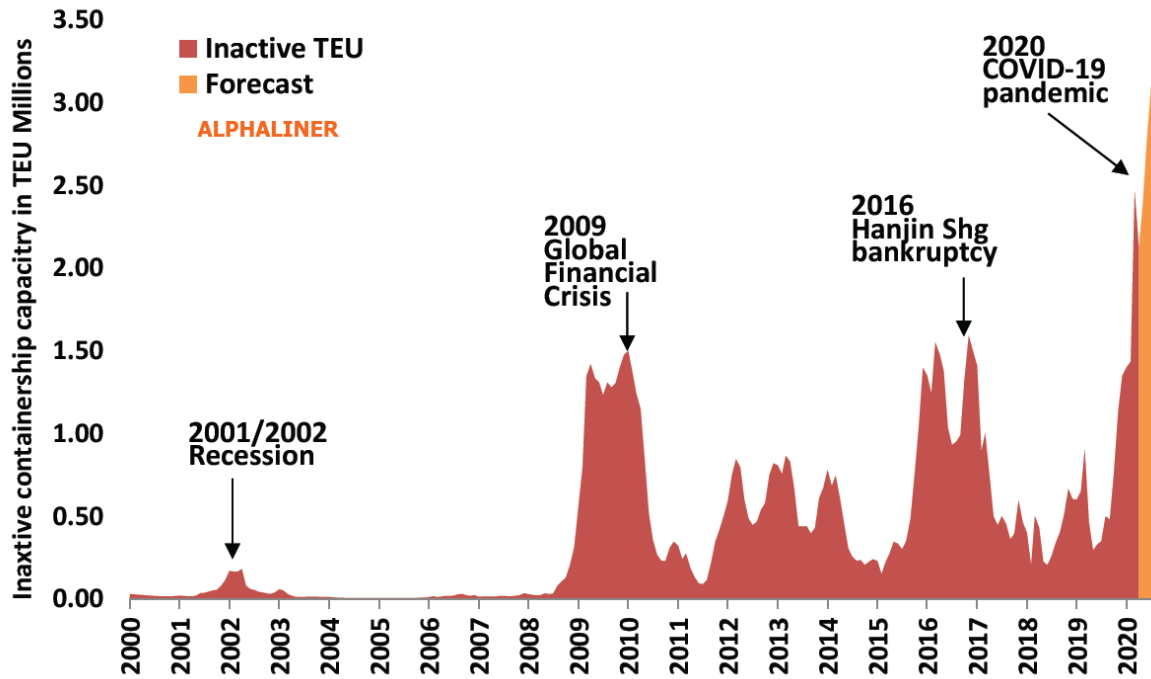
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## Shipping Industry Update

The COVID-19 outbreak and resulting quarantines have led to a **record number of blank sailings**, with more than 250 service withdrawals only in Q2, and the **inactive containership fleet has swelled to an all-time high of 2.72 million TEUs**. That's the equivalent of 11.6% of the global fleet capacity and nearly double the size of the inactive capacities of 2009, the year of the financial crisis.

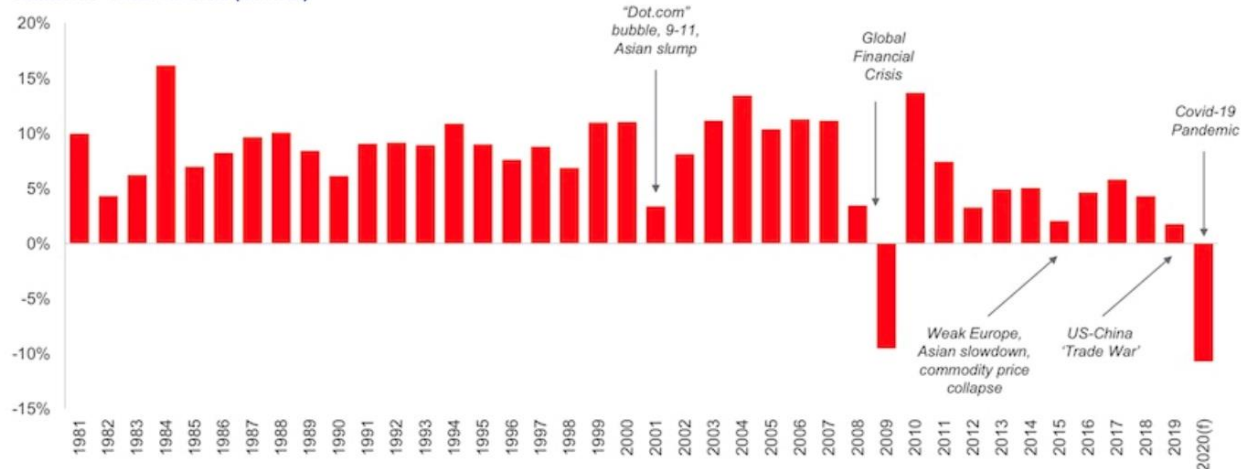
**Inactive containership capacity 2000-2020(F)**



Source: Alphaliner 14/2020

The container sector seems amongst the most exposed to the COVID-19 impacts and the global decline in volumes is expected to reach minus 10.3% for 2020, according to Clarkson Research.

**Seaborne Trade Growth (tonnes)**



Source: Clarksons Research. 2020 forecast as at mid-April 2020; subject to significant uncertainty.

Source: Clarkson Research

**Major challenges:**

- Disruption of supply chains by many different factors
- Lockdowns in several countries and sudden changes in terms of supply and demand
- Blank sailings and capacity reductions
- Carriers started re-routing to/from Asia via the Cape of Good Hope (longer transit times)
- Container equipment imbalance
- Severe equipment shortage at European ports and the hinterland as a result of capacity reductions
- Extremely tight space situation on Europe export

The situation is unpredictable and **carriers have implemented various surcharges**. Any such surcharges will be communicated pro-actively and must be paid by the principal/cargo owner. We work diligently to avoid additional costs for our valuable customers, but ask for your kind understanding.

**cargo-partner solutions:**

- ECONOMY, PRIORITY, EMERGENCY for LCL and FCL
- Trans-Siberian rail transport services for LCL and FCL
- Managed Account / Open Book Solutions
- Full end-to-end visibility with our Intelligent Container Tracking

On the following pages you can find an overview over the development of the market average rates and the general trade outlook on major trade lanes.



## Trade Outlook

### Asia-Europe

Main Ports: Far East to North Europe



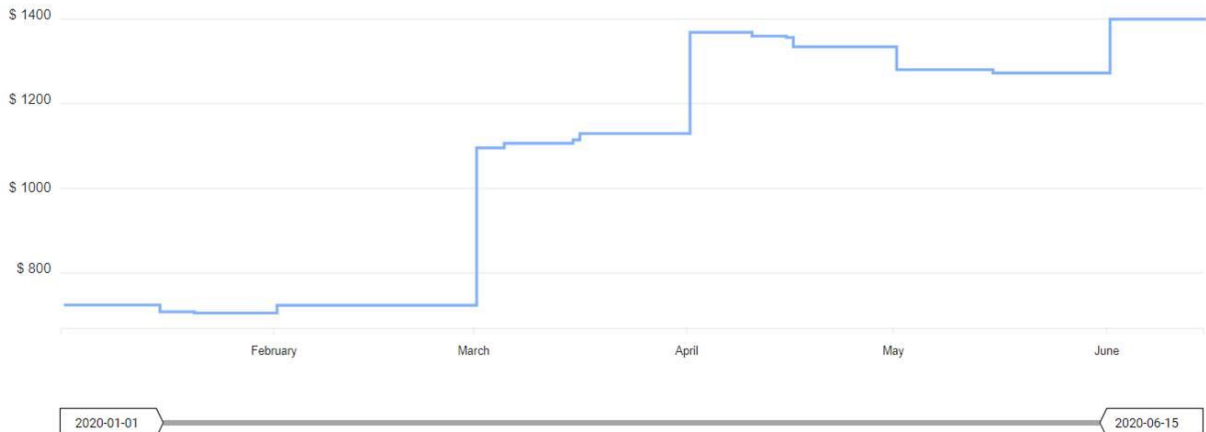
Source: Market average rates for 40' containers according to [www.xeneta.com](http://www.xeneta.com)

The Asia-Europe trade registered a **historically high amount of 96 blank sailings** which corresponds to a capacity of 1,400,000 TEUs that were taken out of the market. This was the shipping lines' reaction to the low demand following COVID-19 restrictions in Europe and the lockdown of some countries in Asia. However, since the situation in Europe has started to improve and the demand for space has increased from the beginning of May, space became critical, which also led to an increase of rate levels (see graphic above).

Demand is expected to rise further in Q3 as more countries in Europe return to normal. However, **shipping lines remain cautious**, as two out of three shipping alliances have already announced they will continue their blank sailings program in Q3. It is expected to be less severe than Q2, but with the upcoming summer peak season and the obligatory cargo rush before the Chinese Golden Week holiday, the **space situation will remain tight** and therefore keep the rate levels high. We recommend planning your transports well in advance to avoid disruptions in your supply chain.

## Europe-Asia

Main Ports: North Europe to Far East



Source: Market average rates for 40' containers according to [www.xeneta.com](http://www.xeneta.com)

Due to reduced volumes resulting from the spread of coronavirus and a corresponding collapse of demand, ocean carriers have **reacted by pulling out capacities**. These reduced capacities have resulted in challenges concerning container positioning and we are seeing shortages of equipment and space problems, especially on the Europe to Far East market.

As a result of this situation and the need to transport empty containers to locations with deficits, several carriers have **implemented equipment imbalance surcharges** and other fees.

## Transatlantic

Main Ports: North Europe to US East Coast



Source: Market average rates for 40' containers according to [www.xeneta.com](http://www.xeneta.com)

Consumer lockdowns and massive impacts on to the automotive industry in Europe and the US have forced some ocean freight carriers to **further reduce capacities** on the transatlantic trade lane and to extend the blank sailings program at least until the end of June. The transatlantic carriers have blanked 12% of the scheduled 199 sailings in May and 4% out of the 184 advertised sailings for June, but there could be more blankings to come in order to stabilize the freight rates on the transatlantic market. The price of a 40ft container from North Europe to North America's east coast is down by 7% year on year.

## Transpacific

Main Ports: Far East to US East Coast



Main Ports: Far East to US West Coast



Source: Market average rates for 40' containers according to [www.xeneta.com](http://www.xeneta.com)

Transpacific eastbound trade in Q2 was driven by carriers and their blank sailing programs. **We saw a record of 80 blank sailings to the west coast and 43 to the east coast** in Q2. This was the result of COVID-19 impacts as well as the ongoing trade dispute between China and the USA.

This capacity reduction helped carriers in the period of annual contract negotiations, where contracted rates remained similar to the levels agreed for 2019. With the limited space in the market, the short term pricing surged in June, especially for shipments to the west coast.

The scenario for Q3 is still unclear. If carriers continue to keep capacities low, the pressure on short term pricing will remain. The volume development will **very much depend on how the economic situation** and unemployment rate will evolve in the near future.

## Global Economic Outlook

The COVID-19 outbreak has led to the **largest decline of business activity across the globe** ever recorded – to an extent far exceeding what we have seen even at the height of the global financial crisis in 2009.

**TABLE 1.1 Real GDP<sup>1</sup>**

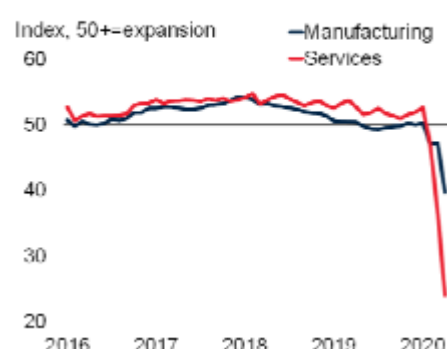
(Percent change from previous year)

	2017	2018	2019e	2020f	2021f	Percentage point differences from January 2020 projections	
						2020f	2021f
<b>World</b>	<b>3.3</b>	<b>3.0</b>	<b>2.4</b>	<b>-5.2</b>	<b>4.2</b>	<b>-7.7</b>	<b>1.6</b>
<b>Advanced economies</b>	<b>2.5</b>	<b>2.1</b>	<b>1.6</b>	<b>-7.0</b>	<b>3.9</b>	<b>-8.4</b>	<b>2.4</b>
United States	2.4	2.9	2.3	-6.1	4.0	-7.9	2.3
Euro Area	2.5	1.9	1.2	-9.1	4.5	-10.1	3.2
Japan	2.2	0.3	0.7	-6.1	2.5	-6.8	1.9
<b>Emerging market and developing economies</b>	<b>4.5</b>	<b>4.3</b>	<b>3.5</b>	<b>-2.5</b>	<b>4.6</b>	<b>-6.6</b>	<b>0.3</b>
Commodity-exporting EMDEs	2.2	2.1	1.5	-4.8	3.1	-7.4	0.2
Other EMDEs	6.1	5.7	4.8	-1.1	5.5	-6.2	0.3
Other EMDEs excluding China	5.4	4.8	3.2	-3.6	3.6	-7.6	-0.8
East Asia and Pacific	6.5	6.3	5.9	0.5	6.6	-5.2	1.0
China	6.8	6.6	6.1	1.0	6.9	-4.9	1.1

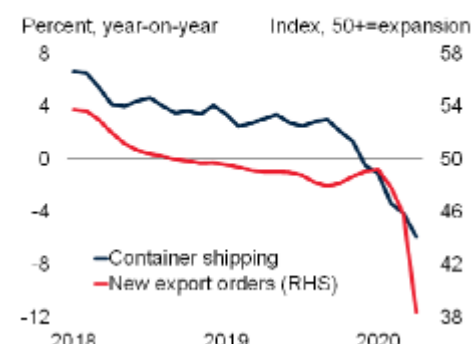
**B. Change in container throughput volumes**



**D. Global manufacturing and services PMI**



**A. Container shipping and new export orders**



Source: The World Bank

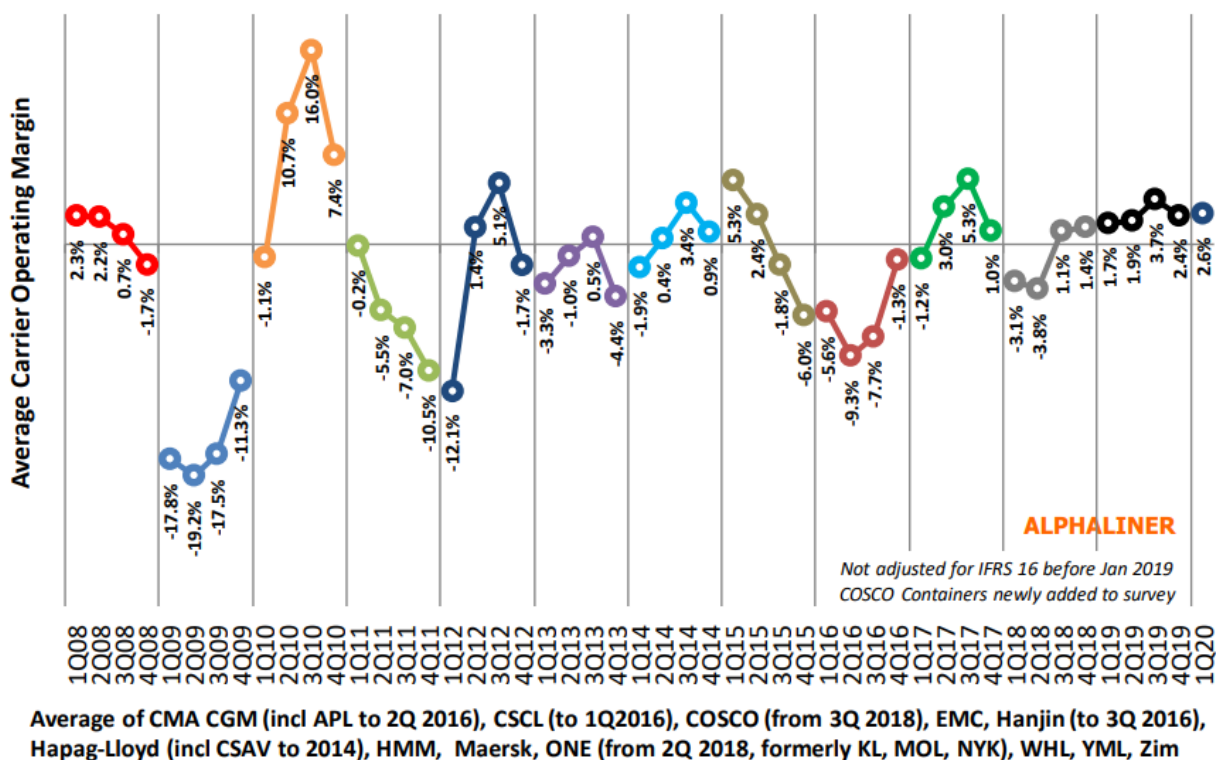


## Carriers – Financial Results

Container carriers have successfully managed to navigate the supply-disrupted first quarter of 2020 with an **aggressive blank sailings strategy**, involving the withdrawal of some 36% of Asia-Europe and 28% of Transpacific sailings.

The top ten carrier's average operation margin reached 2.6% in Q1.

Main container carriers' average operating margins by quarter, 2008-2020:



Source: [www.alphaliner.com](http://www.alphaliner.com)

## HMM Algeciras – World's Largest Container Ship

The HMM Algeciras is currently the **world's largest container ship** and is the new flagship of the South Korean shipping company HMM (formerly Hyundai Merchant Marine). It is **the first of twelve 24,000 TEU ships** of the so-called Megamax-24 container vessel class. The number 24 relates to the number of containers stacked across the deck (24 in width), above and below the hold (12+12 in height). With 400 m vessel length and 61 m in width, it has a nominal capacity of 23,964 TEU.



Copyright: HHLA / Dietmar Hasenpusch



Copyright: HHLA / Dietmar Hasenpusch

## Suez Canal – Cape of Good Hope

Carriers have recently started to re-route their services to Asia via the Cape of Good Hope instead of choosing the route through the Suez Canal. The reason is a simple question of cost, taking advantage of the current low bunker prices and saving tolls for the Suez Canal passage. The Suez Canal toll fee for a 16,000 TEU ship is around USD 500,000 compared to around USD 200,000 for a routing via the Cape of Good Hope. In this case the transit time is 7-10 days longer than usual.

From March to the end of May 2020, a total number of 32 container ships passed the cape.

Updated breakdown of containerships using the cape route:

Route	March	April	May
Asia – Europe (westbound)	1	2	0
Europe – Asia (eastbound)	0	7	8
US East Coast – Asia (Eastbound)	0	7	7



Copyright: Suez Canal Port Authority



## Temperature-Controlled Ocean Freight

From foodstuffs and perishables like fish, meat, fresh fruits, cheese or chocolate up to pharmaceuticals and healthcare products – the transport of temperature-sensitive goods requires special care and expertise as well as high process quality and reliability. **We keep your refrigerated cargo cool and safe.** Our Foodstuffs & Perishables specialists can provide you with a quick price quote for all main markets to support your fast decision-making process.

We offer:

- Worldwide transport and warehousing services for ambient, chilled and frozen goods at a temperature range from -30°C to +30°C
- Door-to door solutions
- **Dedicated service team** in each cargo-partner office
- 24/7 monitoring with SPOT Platform
- **Long-standing experience** in reefer transport
- Complete veterinary/phytosanitary clearance and consultancy in all ports
- Independent **real-time monitoring** of position, humidity and temperature conditions
- Logistics solutions compliant with **International Featured Standards** (IFS – food logistics) and **Good Distribution Practice** (GDP – pharmaceutical products)

Especially in today's times, maintaining an unbroken a cold chain is challenging due to a lack of equipment in various markets. Our long-term planning offers equipment availability even in the hardest times in cooperation with specialists from shipping lines, trucking companies, terminal and port operators.



## iLogistics Center Ljubljana

Perfectly located on the northern tip of the Adriatic Sea, Slovenia is a natural link between Central and South-East Europe, with the port of Koper as a major gateway. Transit times from Asia via Koper can be **up to seven days faster than via Northern Europe ports**. These advantages in connection with the country's importance for cargo-partner's business operations in CEE have led to the opening of the new iLogistics Center in Ljubljana in 2019.

The warehouse is located directly next to Ljubljana Airport, approximately 20 minutes from the city center and **one hour's drive from the port of Koper**. The iLogistics Center is **one of the largest warehouse complexes in the region** and serves our customers in Slovenia as well as other countries in Central and Eastern Europe. The warehouse has 44 truck loading docks and **offers 25,000 square meters of storage area**, over 20,000 pallet slots, a 6,000 m<sup>2</sup> small parts store and handling area, and 5,000 m<sup>2</sup> of cross-dock and block storage space. The iLogistics Center offers short and long term storage as well as a comprehensive portfolio of value added services.

Thanks to an **excellent cooperation with the Port of Koper**, we can assure our customers faster handling and processing of goods and highly efficient customs procedures. In addition, the **costs of handling goods are lower compared to larger European ports**.

cargo-partner in Slovenia is ISO and AEO certified, ensuring high quality standards and fast customs processing. Our iLogistics Center in Ljubljana is GDP compliant, follows HACCP and TAPA guidelines and provides the possibility of storing goods at temperature regimes of 2°C - 8°C or 15°C - 25°C.





# SEA - Container Tracking

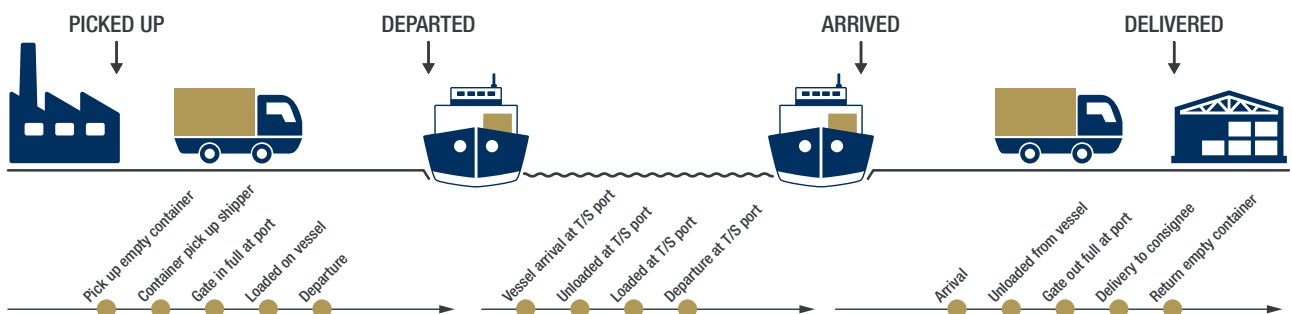
*24/7 real-time information | updated ETAs based on GPS info  
high data reliability | more detailed milestones, more control  
management by exception*

## Intelligent Container Tracking

Are you tired of carriers not updating the expected time of arrival in their systems, forcing you to build in a buffer in your supply chain? Are the container terminals still a black hole for you and would you like to have more detailed milestones to know what is the status of your container exactly? Then cargo-partner's Intelligent Container Tracking is just for you!

Based on artificial intelligence, the new technology combines data from a variety of sources: vessel location data sent via AIS, port and terminal information, shipping schedules and status information provided by carriers. The result: Highly detailed and reliable information about your container shipments, of course accessible from any web browser or as a mobile app.

### Container milestones visible in the cargo-partner supply chain platform:





# Sea

*centralized shipping and supply chain management  
more effective allocation planning | end-to-end container tracking  
long-term solution | full transparency with SPOT*

## Open Book Solutions

Do you ship 1,000 TEU or more per year? Then you could save time and costs with our Open Book Solutions. We negotiate freight rates with carriers on your behalf and charge the freight as per outlay, plus the agreed-upon handling fee. You make your own contracts and we manage your freight including any services required at origin and destination.

You are handled as beneficial cargo owner (BCO), benefiting from centralized shipping and supply chain management. This enables more effective planning of space and allocations with carriers, which can be negotiated by you directly or by us on your behalf. The supply chain management platform SPOT ensures full transparency and simple communication between all parties involved in the supply chain. Our Intelligent Container Tracking gives you detailed information about the status of your FCL shipments in real time.

For more information, don't hesitate to get in touch with your cargo-partner contact person.



we take it personally | transport + iLogistics

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