cargo-partner

April 2020

Seafreight Insights

Content March 2020

COVID-19: Impact on the Shipping Industry

The COVID-19 outbreak and resulting quarantines have led to a **record number of blank sailings**. **Inactive fleet size has swelled to 2.04 million TEUs** or 8.8 % of global capacity. Just to show the size of this impact: In 2009, the year of the financial crisis, 1.52 million TEUs were cancelled.

This massive capacity reduction has created equipment imbalances which are now heavily impacting European export. At the beginning of March, the container inventory in Shanghai was 47% higher than a year ago, while Hamburg was 33% lower. There are increasing warnings that the **container shipping industry is set to see some of the largest volume declines** in living memory. According to liner analyst “SeaIntelligence”, the possibility of a 10% decline in global container shipments seems to be within the bounds of possibility.

Major challenges:

- Complete lockdown in certain countries
- Blank sailings, sometimes with very short pre-notice
- Reefer plug shortage (slightly improved in Shanghai and Ningbo)
- Container equipment imbalance and massive equipment shortage in Europe
- Extremely tight space situation on Europe export
- Additional costs for port storage/demurrage/detention

The situation is unforeseeable and carriers have implemented various surcharges.
Any surcharges will be communicated pro-actively and will be billed forward to our customers.

cargo-partner solutions:

- ECONOMY, PRIORITY, EMERGENCY for LCL and FCL
- Trans-Siberian Rail Services for LCL and FCL
- Managed Account / Open Book Solutions
- Sea / Air Service
- Management of non-containerized loads, unconventional freight and heavy packages
- Full end-to-end visibility with our Intelligent Container Tracking

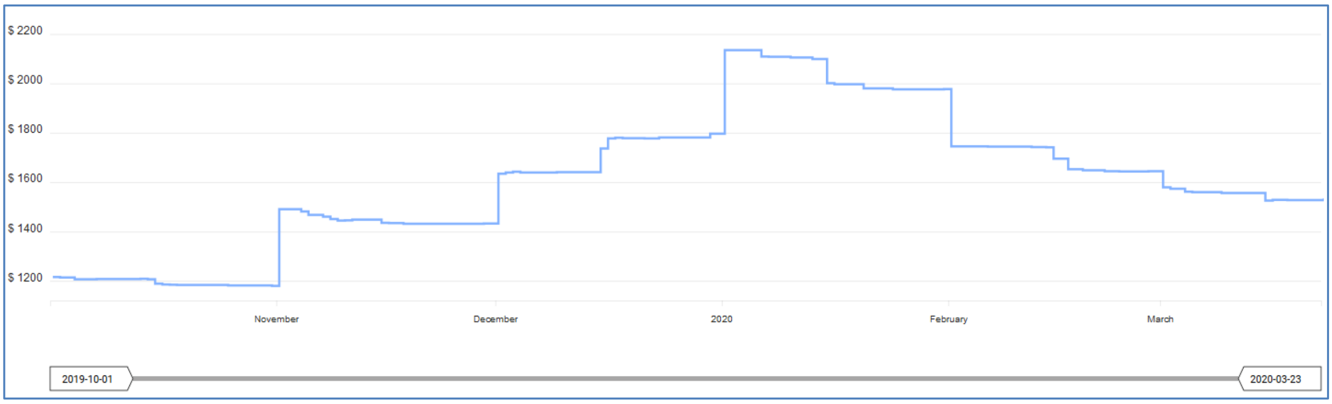
On the following pages you can find an overview over the development of the market average rates and the general trade outlook on major trade lanes.

For any questions, please get in contact with our expert teams.

Trade Outlook

Asia-Europe

Main Ports: Far East to North Europe



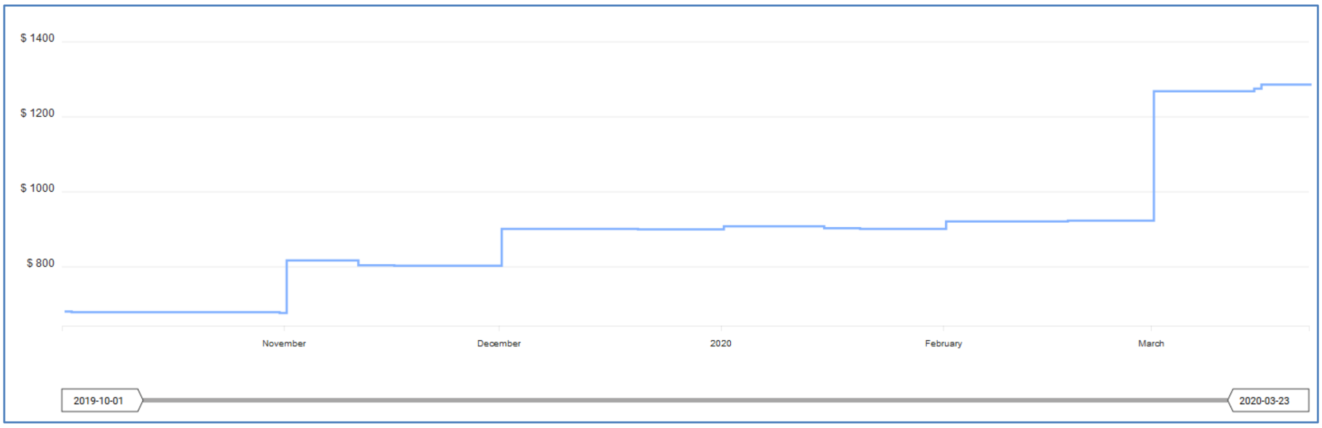
Source: Market average rates for 40‘ containers according to www.xeneta.com

The Asia-Europe trade was hit as many others with big volume drops caused by the COVID-19 outbreak in China. The outcome was an unprecedented 89 blank sailings announced by carriers on this trade until week 23. This helped keep the rates at 4 digits for 40' containers after CNY. We are seeing volumes pick up in the second half of March, which should continue and peak in April.

We expect that production in China will be almost back to normal by the beginning of April and there will be some increase of cargo. On the other hand, the situation surrounding the COVID-19 outbreak in Europe is now very serious. We expect that this will affect supply chains in Europe and demand for new products will decrease, which will cause the volumes from Far East to drop again, leading to more blank sailings in Q2.

Europe-Asia

Main Ports: North Europe to Far East



Source: Market average rates for 40‘ containers according to www.xeneta.com

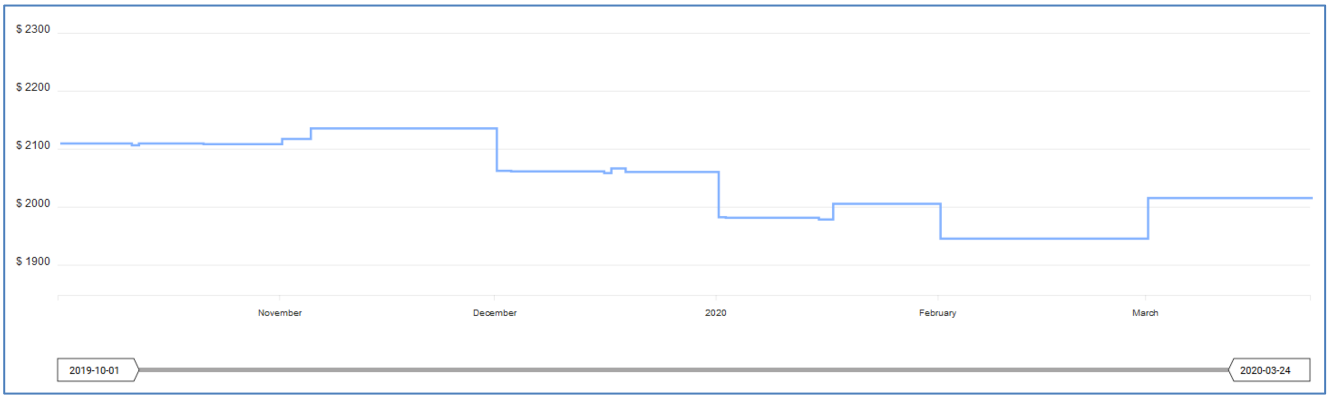
The container shipping industry is facing extreme shortages of empty equipment in Europe and the situation could worsen in the coming weeks. This is a result of the coronavirus and record numbers of blanked sailings.

Equipment imbalance is a major challenge for the entire shipping industry, already costing the industry an average of 20 billion US dollars every year – for 2020, this will be much higher.

Due to the severe capacity and equipment imbalances as well as global ripple effects, ocean freight carriers were forced to take measures and introduced a number of related surcharges, like peak season surcharge, emergency space surcharge or equipment imbalance surcharge.

Transatlantic

Main Ports: North Europe to US East Coast

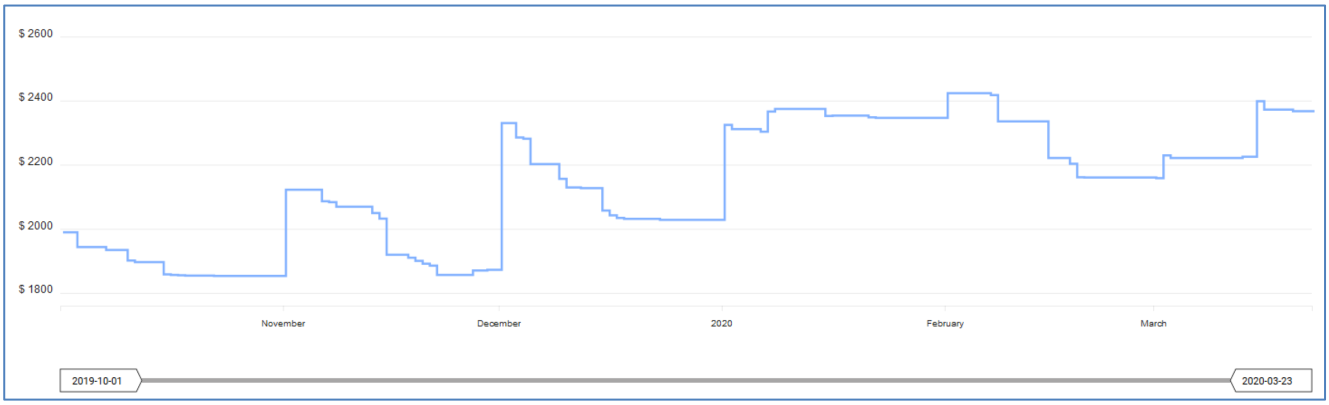


Source: Market average rates for 40‘ containers according to www.xeneta.com

Equipment shortage is heavily impacting the Transatlantic trade as a direct result of the ocean carriers’ blank sailing strategy which is triggered by declining volumes on major shipping routes. The equipment situation in combination with the increased volumes and demand on the transatlantic trade are now resulting in short-term GRI announcements by various ocean carriers.

Transpacific

Main Ports: Far East to US East Coast



Source: Market average rates for 40‘ containers according to www.xeneta.com

Volumes on the Transpacific trade have been heavily impacted. Although carriers have announced 111 blank sailings for the months of February till April so far, the falling container volumes appear to outweigh their measures taken to maintain rate levels.

Rates have fallen by 8% on the China-US West Coast trade, and by 6% to the China-US East Coast in the last 4 weeks. Factories in China are starting to produce under regular conditions again, and we can expect a sharp rate increase due to missing capacities in the market.

Short Sea Services Turkey

cargo-partner offers short sea services from/to Turkey as an environment-friendly transport alternative to trucking services.

Benefits for our customers:

- Economical transport solutions
- Cost savings
- Regular and reliable departures
- High availability of container equipment
- Short transit times

Please find below an overview of routings to Mediterranean (MED) and Northwestern Continental (NWC) ports.

MED Routings via PRIORITY Service
Ambarli, Gebze: TRS 7 days, KPR 18 days
Mersin: TRS 11 days, KPR 14 days
Izmir: TRS 3 days, KPR 5 days

NWC Routings via PRIORITY Service
Ambarli, Gebze: ANR 16 days, RTM 16 days, HAM 14 days
Mersin: ANR 14 days, RTM 14 days, HAM 17 days
Izmir: ANR 14 days, RTM 12 days, HAM 10 days

Bunker Development

Bunker prices and especially low sulfur (0.5% VLSFO) **increased sharply by the end of December** and beginning of January and came close to 700 USD per ton. This was a reaction to increased demand by shipping companies following the IMO2020 rule implemented as of January 1, 2020. Many carriers were **behind schedule in fitting their vessels with filter mechanisms** that would allow them to further bunker cheaper heavy sulfur (3.5%). This was reflected by increased prices in ocean freight.

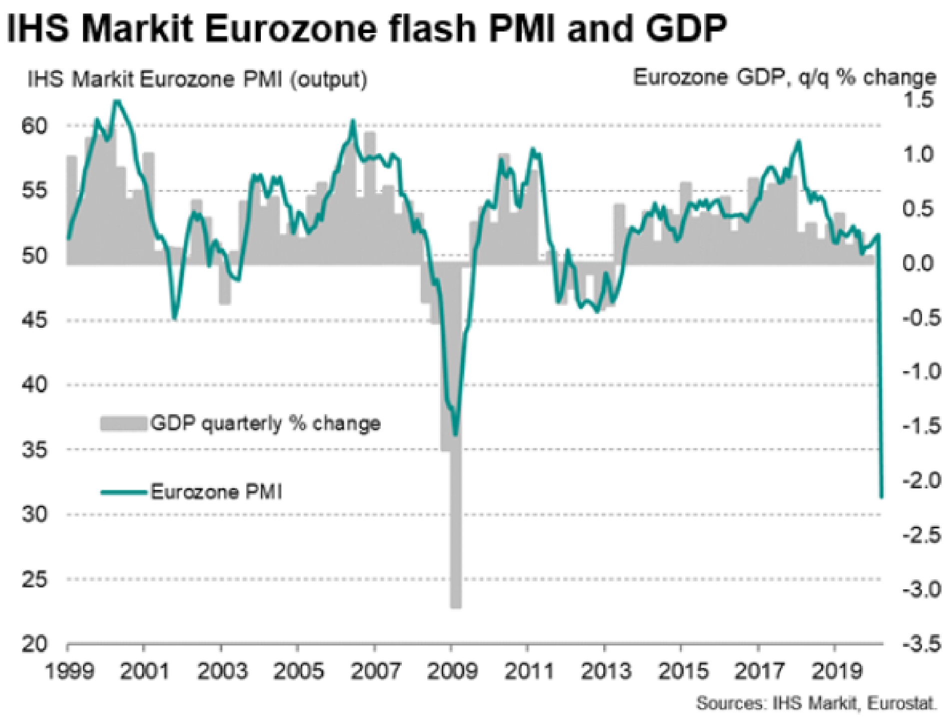
Coming into the Lunar/Chinese New Year celebrations, we saw a drop in prices with a sharper decline after the COVID-19 outbreak in China, which caused many factories to close for longer periods than expected and carriers to cancel their services due to low demand. The drop amounted to almost 50%, as China is the second-largest oil consumer in the world. We are seeing a further drop in oil prices mainly due to the currently uncertain COVID-19 situation in USA and in Europe. It is **hard to predict the further development of prices,** but it is expected that prices will not remain so low. We have seen prices increase sharply in the past and expect this to repeat later this year.

Source: https://shipandbunker.com/prices/av/global/av-glb-global-average-bunker-price

Economic Outlook - Eurozone

The COVID-19 outbreak leads to the largest decline of business activity across the Eurozone ever recorded – to an extent far exceeding that what we have seen even at the height of the global financial crisis in 2008.

- Flash Eurozone PMI suffers record fall to 31.4 in March as COVID-19 outbreak hits business
- Service sector leads downturn but manufacturing also sees sharpest output fall since 2009
- Steep falls in activity across the region, with 'periphery' reporting largest downturn



The current situation is unforeseeable and we are monitoring the developments closely. For any questions regarding tailored transport solutions, please get in contact with our expert teams.

China – Port Developments

Top 30 Container Ports in China : 2019 vs 2018

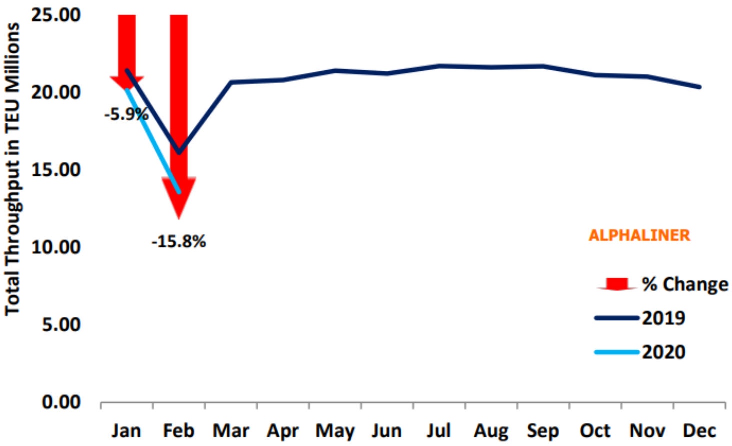
Throughput in Mteu	2019	2018	% change
1 Shanghai	43.30	42.01	3.1%
2 Ningbo-Zhoushan	27.53	26.35	4.5%
3 Shenzhen	25.77	25.74	0.1%
4 Guangzhou	22.83	21.62	5.7%
5 Qingdao	21.01	19.32	8.8%
6 Hong Kong	18.36	19.60	-6.3%
7 Tianjin	17.30	16.01	8.1%
8 Xiamen	11.12	10.70	3.9%
9 Dalian	8.76	9.77	-10.3%
10 Suzhou	6.27	6.36	-1.4%
11 Yingkou	5.48	6.49	-15.6%
12 Lianyungang	4.78	4.73	0.7%
13 Rizhao	4.50	4.02	12.1%
14 Foshan	4.44	3.99	15.5%
15 Dongguan	3.68	3.19	15.6%
16 Fuzhou	3.54	3.34	6.0%
17 Nanjing	3.31	3.21	3.1%
18 Yantai	3.10	3.00	3.4%
19 Qinzhou	3.02	2.32	33.4%
20 Tangshan	2.94	2.96	-0.5%
21 Quanzhou	2.58	2.40	7.3%
22 Zhuhai	2.56	2.31	10.7%
23 Haikou	1.97	1.85	6.8%
24 Jinzhou	1.88	1.62	15.9%
25 Jiaxing	1.87	1.72	8.3%
26 Wuhan	1.70	1.57	10.9%
27 Nantong	1.54	0.97	68.5%
28 Zhongshan	1.41	0.86	-1.5%
29 Shantou	1.35	1.31	14.4%
30 Zhanjiang	1.12	1.01	10.4%

Source: www.alphaliner.com

Container volumes handled at the Chinese ports dropped by 10.1% in the first two months of 2020.

Port	Feb 2020 Mteu	y-o-y change %	YTD Mteu	y-o-y change %
1 Shanghai	2.30	-19.6%	5.90	-10.7%
2 Ningbo	1.54	-21.0%	4.06	-10.7%
3 Shenzhen	1.21	-24.4%	3.50	-12.8%
4 Hong Kong	1.19	2.6%	2.54	-11.1%
5 Guangzhou	1.15	-17.9%	2.85	-13.7%
6 Qingdao	1.35	-6.9%	3.17	-1.4%
7 Tianjin	0.91	-17.3%	2.28	-3.9%
8 Xiamen	0.64	-15.8%	1.56	-8.0%
9 Dalian	0.42	-38.2%	1.06	-24.0%
10 Lianyungang	0.37	-2.6%	0.77	-2.2%
All Coastal Ports	13.57	-15.8%	33.73	-10.1%

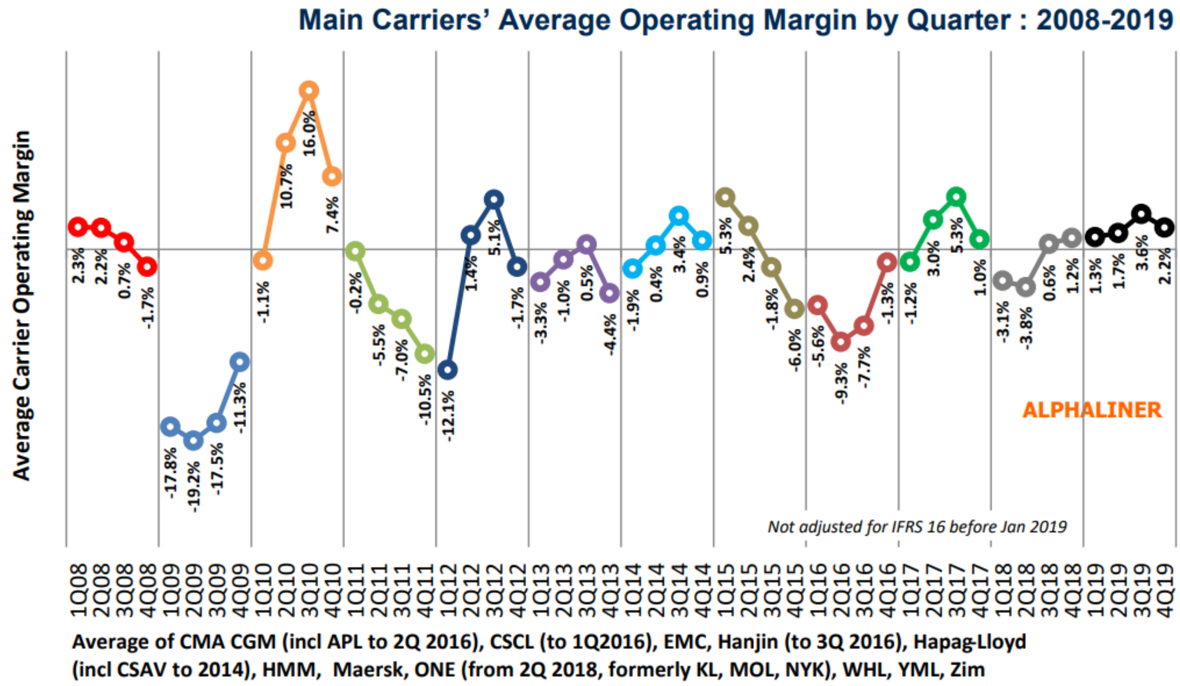
Chinese coastal ports container volumes by month : 2020 vs 2019 (including Hong Kong)



Source: www.alphaliner.com

Carriers – Financial Results

Main container carriers' average operating margins by quarter, 2008 – 2019:



Source: www.alphaliner.com

SPOT

SEA - Container Tracking

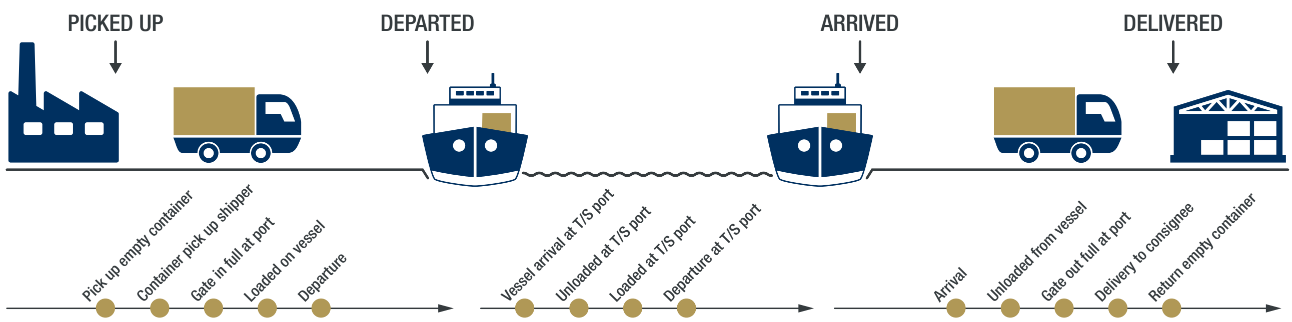
24/7 real-time information | updated ETAs based on GPS info
high data reliability | more detailed milestones, more control
management by exception

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:



cargo-partner

we take it personally | transport + iLogistics

cargo-partner GmbH
Airportstrasse 9
2401 Fischamend, Austria
www.cargo-partner.com

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.

cargo-partner GmbH
Airportstrasse 9, 2401 Fischamend, Austria
www.cargo-partner.com