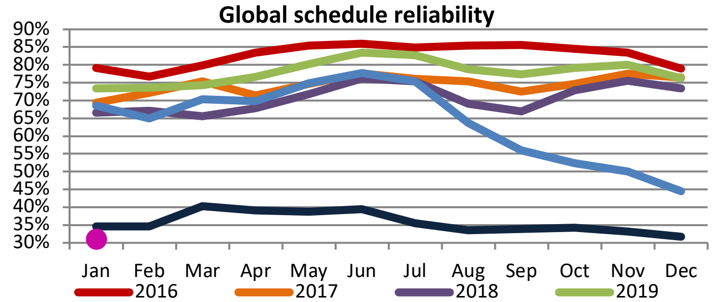
CRANE WORLDWIDE LOGISTICS

OCEAN MARKET UPDATE

MARCH 2022

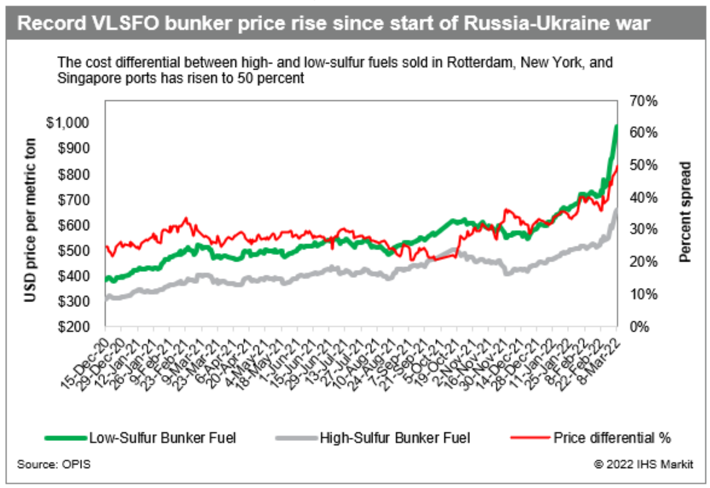
CURRENT STATE

- Several ocean carriers, including Maersk, MSC, CMA-CGM, Hapag Lloyd, ONE, ZIM, suspended bookings for Russian cargo in response to tightening global sanctions following the invasion of Ukraine. To minimize the disruption, carriers have introduced "relief packages" for shippers of cargo to and from Ukraine and Russia, such as free change of destination services with no booking cancellation fees.
- Maersk, MSC, Hapag-Lloyd, and One Network together account for about 47% of global container shipping capacity, according to Alphaliner. Xeneta estimates that Russian exports and imports of containerized goods make up around 3% of world volumes.
- Average weekly capacity between Asia and North America stands at nearly 673,000 TEU, up 27.6% from early 2021. Non-alliance carriers have jointly added 39,300 TEU slots per week. The average weekly capacity between Asia and Europe has increased from 411,500 TEU in early 2021 to almost 450,000 TEU this month (+9.3%).
- The combined market share of non-alliance operators on the Asia – North America trade has increased from 8.5% in January 2021 to 12.5% this month.
- The global inactive containership fleet showed a significant increase since last month, reaching its highest levels since September.
- Global schedule reliability has reached the lowest level on record in January 2022 at 30.9%, dropping -3.8% compared to last year.
- The global average delay for late vessel arrivals improved by -0.30 days to 7.38 days sequentially. Although, comparing year-over-year, the January 2022 figure is 0.86 days higher. Vessel delays have registered over seven days since August 2021.
- Maersk had the greatest schedule reliability with on-time performance at 46.9%. Hamburg Süd recorded reliability at 42.8%, the only other carrier performing above 40%. MSC and HMM recorded reliability at 30-40%, six carriers at 20-30% and four carriers were at under 20%. Evergreen recorded the lowest performance at 15%.



MARKET FORECAST

- The Russia-Ukraine war will continue to have far-reaching effects on global trade, technology, and shipping. For shippers, it is important to identify and understand the implications of the war and sanctions on Russia that will have on shipping and the freight market.
- The most significant potential ripple effect would be if the overland rail link from China to Europe was stopped. With the flow on the rail link from China to Europe approximating 500,000 TEU, it would push close to 10,000 TEU of weekly demand onto the Asia-Europe services, dealing with severe space shortages on vessels. Cargo sent by railroad is usually of high value, so those customers will pay higher rates to move their cargo to ships. That will put further pressure on spot rates.
- With surface and air routes between Asia and Europe that traverse Russia likely unavailable for commercial cargo movement, those volumes will be forced to travel by ocean, further pressing already tight vessel and equipment capacity.
- Asia–Europe trade is expected to see more demand for maritime shipments and equipment out of Asia due to a modal shift. That increase in demand for ocean services could result in shortages of empty containers and further congestion at destination ports in Europe.
- Port congestion at US West Coast ports is not expected to ease anytime soon. According to Sea-Intelligence, it took the shipping industry eight to nine months to return to normal service after a deal was reached in the previous 2014-2015 labor negotiations. The International Longshore and Warehouse Union and the Pacific Maritime Association are scheduled to start contract negotiations in April.
- The huge spike in bunker fuel prices over the last two weeks driven by oil market volatility after Russia invaded Ukraine promises a significant increase to container freight rates at a time shippers already face record spot prices in the trans-Pacific and elevated rates globally. Prices for very low sulfur fuel oil (VLSFO) have jumped 26% since the Russian invasion of Ukraine on Feb 24.
- Shippers will start seeing the higher fuel costs via the traditional bunker adjustment factors (BAFs) that typically lag fuel price increases by one to two months. Customers of the container lines have to prepare for an extra bill as costs will increase in accordance with the soaring fuel prices.



Sources: JOC, Alphaliner, Shipping Watch, Xeneta, Alphaliner

RED Demand exceeded capacity available. Rates increased.

YELLOW Demand higher and or capacity is limited. Rates increasing.

GREEN Both demand & capacity are at normal levels.

DEMAND & CAPACITY

ORIGINS

WEEK#	N. AMERICA	LATAM	EMEA/ME	INDIA SUB	N. ASIA	S. ASIA
N. AMERICA		YELLOW	YELLOW	YELLOW	YELLOW	YELLOW
LATAM	YELLOW	RED	YELLOW	YELLOW	YELLOW	YELLOW
EMEA/ME	YELLOW	YELLOW	YELLOW	YELLOW	YELLOW	YELLOW
INDIA SUB	YELLOW	YELLOW	YELLOW	GREEN	YELLOW	YELLOW
N. ASIA	RED	RED	YELLOW	YELLOW		YELLOW
S. ASIA	RED	RED	YELLOW	YELLOW	YELLOW	

IMPACTED EXPORT MARKETS

ORIGIN REGION	DESTINATION REGION	STATUS	SPECIFICS
NORTH AMERICA	ALL	YELLOW	Bookings are 3-4 weeks out. GRI announced by carriers to Asia, LATAM and Europe. Savannah and Charleston are dealing with congestion. USWC ports are seeing ongoing congestion as well. There is limited availability from rail origins with load port in USWC. Port omission is being reported for all destinations.
LATAM	ALL	YELLOW	There is an ongoing delay in export bookings. Terminals and hubs are reaching maximum operational capacity due to Heavy import cargo. LATAM region is still dealing with capacity issues and equipment shortage. Free time is being reduced by carriers due ongoing shortage of equipment and high demand for empty equipment. 4 weeks advanced booking is recommended.
EMEA/ME	ALL	YELLOW	Ocean carriers continue adding GRI and PSS. Space remains tight but there has been an improvement with equipment availability both at ports and inland container yards. Bookings are 6 weeks out. Bookings are being rolled due to ocean carriers change of schedule. Ports in Middles East reported normal operations with no issues.
INDIA SUB	ALL	YELLOW	Space and equipment availability remain challenging and have not changed since last month. Due to congestion and berthing delays, carriers are omitting port calls to manage their schedule. USEC berthing delays causing port omission on INDAMEX service for Savannah and Charleston. Space to USWC ports is expected to remain challenging for the next few months. Equipment availability remains as an issue at smaller Indian ports in the South and South-East as well as inland container depots (ICDs).
ASIA	ALL	RED	Both Asia to US and Asia to Europe rates lowered in February and March. Overall rates are approximately 86% higher to the rate level in early March last year. Bookings are more than 4 weeks out. TPEB fixed BCO rates are doubled this year compare with last year in addition to capacity reduction. Asia to Europe rates are starting to lower and NAC rates are being considered.

IMPACTED IMPORT MARKETS

DESTINATION REGION	STATUS	SPECIFICS
NORTH AMERICA	YELLOW	USEC and USWC ports continue seeing congestion. Ocean carriers are starting to review inland rail moves. Empty container return can be challenging due to lack of available location or slow response time from ocean carries.
ADDITIONAL INFORMATION	YELLOW	European Ports are more congested compare with last month. Feeder vessels arrive with delay due to low volume. There is an average of a 2-week delay with vessel arrival. In India Sub and Asia, following a slower period after Lunar New Year, we are now starting to see some volume recovery and increased booking intake. Space and equipment continue to be tight due to a very high amount of blank sailings. Capacity shortage and equipment availability continue to various destinations. Carriers ask for flexibility with equipment type and size required to be able to accommodate booking requests. Premium options are available to most destinations.