

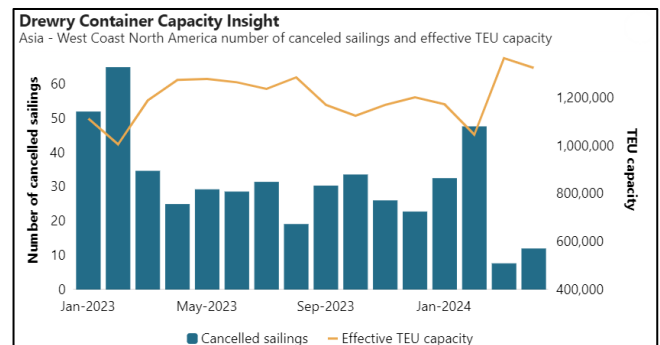


CURRENT STATE

- The Ocean Alliance consortium of container shipping companies has decided to extend their partnership for an additional five years. Established in 2017 under an initial 10-year agreement, the coalition, consisting of CMA CGM, Cosco Shipping, Evergreen, and OOCL, has reached an agreement to prolong their vessel-sharing arrangement until March 2032. This development comes as the other two major global shipping alliances undergo changes, with the 2M alliance between Maersk and Mediterranean Shipping Co (MSC) set to expire next year, and German liner Hapag-Lloyd announcing its departure from THE Alliance, which includes HMM, Ocean Network Express (ONE), and Yang Ming, in favor of a newly announced partnership named Gemini Cooperation with Danish counterpart Maersk, scheduled to begin in February 2025. Although there had been speculation in the market that a member of the Ocean Alliance might consider joining THE Alliance in 2027 to help fill the void left by Hapag-Lloyd's departure, this scenario is unlikely to occur within the current decade.
- The surge in empty container repositioning is highlighted in a recent analysis by Sea-Intelligence, emphasizing the growing trade imbalances. The report underscores that the demand to relocate empty containers has outpaced the growth in filled container volumes. "This makes it very clear that the need to move empty containers has grown significantly more than the need to move full containers, with the back-haul trades growing 2½ times faster," said Alan Murphy, CEO at Sea-Intelligence. This shift burdens head-haul shippers with escalating costs for moving empty containers. Meaning that the actual costs related to moving head-haul containers has grown, and de-facto this means that head-haul shippers need to cover an increasing cost of moving empty containers going forward. Blue Alpha Capital's John McCown, examining container imbalances at key American ports, reveals a 54% increase in cargo imbalances from 2018 to 2023 compared to the previous ten years from 2018. McCown observed that the inefficiency in the container system stems from the imbalance between revenue-generating outbound loads and inbound loads, putting a financial burden on multiple parties.
- Labor unions in the United States are advocating for the imposition of fees on vessels built in China that dock at US ports, citing concerns about unfair shipbuilding practices by the People's Republic of China (PRC). The proposed fees would contribute to a shipbuilding revitalization fund aimed at bolstering investments in the domestic shipbuilding industry, including its capacity, supply chains, and workforce. The [petition](#), filed under Section 301 of the Trade Act of 1974 by the United Steelworkers (USW), calls on the United States Trade Representative (USTR) Katherine Tai to initiate a comprehensive investigation into the PRC's trade practices in the shipbuilding sector. The unions argue that these practices undermine American workers and pose national security risks. Among the proposed remedies outlined in the petition is the imposition of fees on Chinese-built vessels docking at US ports, aimed at leveling the playing field and incentivizing the elimination of unfair practices by China. The suggested fees would be based on the tonnage and age of the vessels, with larger and newer ships incurring higher costs. Additionally, the petition recommends the establishment of a "US Commercial Shipbuilding Revitalization Fund" funded by these fees, aimed at supporting programs such as the Construction Differential Subsidy program, which historically aided the domestic shipbuilding industry.
- Amid the evolving geopolitical tensions and disruptions in maritime trade routes, particularly due to the conflicts affecting the Red Sea passages, the shipping industry has seen a dramatic shift in charter rates and strategies. Following the commencement of missile attacks by the Houthis in mid-December, a significant redirection of Asia to Europe shipping services around the African Cape necessitated additional vessels, thereby pushing charter rates upward unexpectedly. Originally, rates were anticipated to decline, but the unforeseen geopolitical events have led to a revised forecast, with charter rates soaring. Major shipping companies have been actively securing extra tonnage to manage their Mediterranean routes amidst the limited supply, leading to a 5% increase in Linerlytica's charter index and a 46% rise in Braemar's container charter market index, Boxi, signifying a tight and competitive market.

MARKET FORECAST

- In 2024, global trade is anticipated to rebound from the dip experienced in 2023, as highlighted in a recent report from the United Nations Conference on Trade and Development (UNCTAD). The report reveals that in 2023, global trade decreased by 3% from the previous record-breaking year, with a sharp 5% drop in goods trade totaling a \$1.3 trillion decline. Conversely, the services sector grew by 8%, adding \$500 billion. The latter part of 2023 witnessed stabilization in both merchandise and services trade, with growth primarily in developing regions such as Africa, East Asia, and South Asia. The report also noted disparities in trade performance, with declines in major economies except for notable growth in China and India, whereas Russia and the European Union saw reductions in trade. Developing countries experienced a 4% trade decrease, whereas developed countries had a steeper decline of 6%. Trade between developing economies, or South-South trade, decreased by about 7%, though it recovered in the last quarter, along with an uptick in trade among developing countries. Looking into 2024, early indicators point towards continued trade improvement, driven by easing global inflation, positive economic growth forecasts, and rising demand for environmental goods like electric vehicles. However, geopolitical tensions and supply chain disruptions remain potential threats to trade stability. Concerns include security challenges in the Red Sea and Suez Canal and climate impacts on the Panama Canal, which could increase shipping costs and disrupt global supply chains.
- The Panama Canal Authority (ACP) has unveiled plans to boost the number of daily transit opportunities in the older Panamax Locks due to current and projected water levels in Gatun Lake and heightened demand for transit reservations. Effective March 18, two extra Panamax slots will be made available for auction, with an additional slot to be introduced from March 25. This adjustment will elevate the daily transits to 27, an enhancement from the current 24 slots, though still notably below the usual 36 daily transits. The initiative aims to improve the likelihood of vessels securing reservations for passage through the Canal. In response to low water levels in Gatun Lake, which prompted the ACP to curtail waterway capacity in 2023 through daily transit and draft restrictions to preserve freshwater, the recent increase in rainfall allowed the ACP to maintain 24 daily transits instead of reducing them to 18 in February as initially planned. The ACP, closely monitoring the water situation, will uphold the current measures until conditions evolve.
- With inflation easing but still lingering, the US is moving towards what's termed as a "softer economic landing," which is brightening the outlook for stronger import volume growth. S&P Global has raised its projection for US real gross domestic product (GDP) as the economy has surpassed expectations in early 2024. The US GDP is now expected to expand at a rate of 2.4% this year, up from the initial forecast of 1.7%. There are minimal signs of an impending recession in the US or elsewhere. Globally, factories are gradually returning to pre-pandemic production levels, with an index tracking the upstream supply chain from manufacturing lines indicating a recovery in demand. Despite financial services leading the subdued global economic recovery, manufacturing is beginning to exhibit strength, highlighted by S&P's global manufacturing purchasing managers' index (PMI) reaching an 18-month high in February. This surge signifies the first growth since August 2022. Global manufacturing output and goods exports are showing promising signs of improvement, with trade and exports demonstrating signs of stabilization. Moreover, US consumers continue to exhibit high demand for goods, as evidenced by the National Retail Federation's upgraded expectations for US imports through the first half of 2024, now anticipated to increase by 7.8% compared to the first half of 2023.



Sources: Container-News, Freightwaves, gCaptain, Journal of Commerce (JOC), Sea-Intelligence, Splash247, The Loadstar, Xeneta