



V N O N C W

INFO SESSION

**Unprecedented developments
in the container linersshipping
market:**

The issues & prospect

WTI EU & VM
15 november 2021

INFO Session Agenda

- **Welcome & Introduction**
(secretaris Marco Wieseahn / VNO-NCW & MKB Nederland)
- **Presentation container market developments & prospect**
(Philip Damas, managing director Drewry shipping Consultants)
- **Questions**
(all attendees)
- **Conclusions & wrap up**
(secretaris Marco Wieseahn / VNO-NCW & MKB Nederland)

Container shipping crisis and freight rates

VNO-NCW meeting – presented by

Philip Damas, Managing Director / Head of Practice

Drewry Shipping Consultants

supplychains@drewry.co.uk

November 15, 2021



Agenda

Container market update

- About Drewry Shipping Consultants
- “Extreme” container shipping prices
- Port congestion and delays
- The shipping crisis - how we got here
- The shipping crisis - what needs to happen to recover
- Current issues facing global shippers
- What should you expect?
- Global container shipping supply/demand outlook
- Global freight rate outlook for 2022
- China – Europe freight rate outlook for 2022
- Conclusions and questions/answers



Drewry: The primary source of market insight, analysis and advice trusted by a global audience of maritime and shipping industry stakeholders.

About Drewry Shipping Consultants

We combine rigorous analysis with practical advice

In boardrooms across the globe, decisions are made based on the analysis and insight provided by our Maritime Research teams. This rich industry knowledge and understanding provides the unique intelligence that underpins our advisory services.



RESEARCH

ADVISORY



Maritime Research

Independent, market-leading research on every key maritime sector

Maritime Financial Research

An Investment Research Service on listed companies operating in the industry

Maritime Advisors

Expert project-based advisory services to the shipping industry and financial institutions

Supply Chain Advisors

Ocean freight procurement support and cost benchmarking services to global retailers and manufacturers

A SPECIALIST THAT COMBINES **RICH MARKET INSIGHT** WITH **EXPERIENCE AND EXPERTISE**

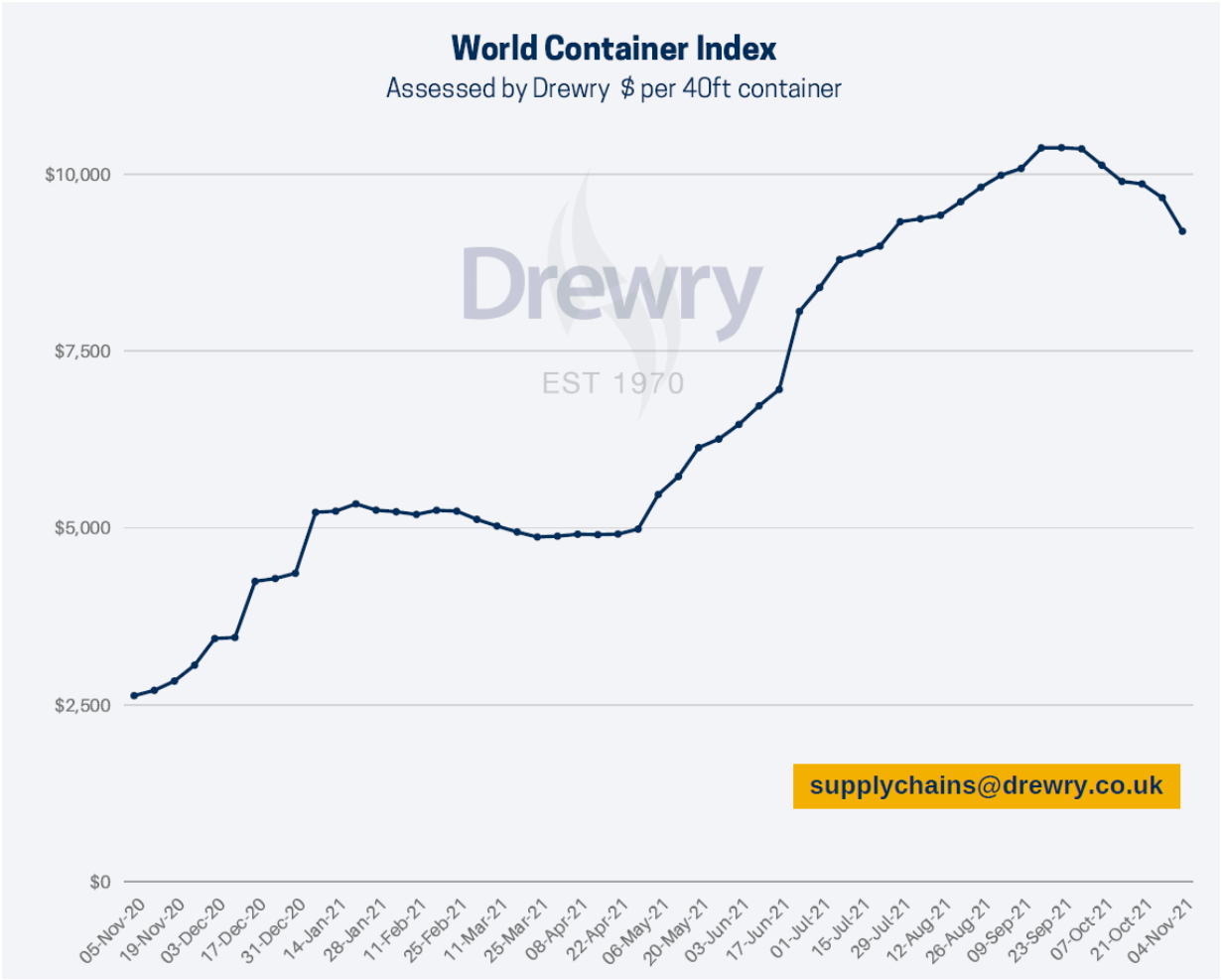
Drewry World Container Index

Every Thursday, Drewry provides an 'open' update on prevailing container freight rates across eight major container trade routes to/from the US, Europe and Asia.

Composite index of spot container freight rates on 8 major routes to/from Asia, North America and Europe

Extreme Container Shipping Market Rates

The container shipping market is chaotic and a licence to print money. Spot freight rates have increased 5x since 2020



Freight rates have reached record levels



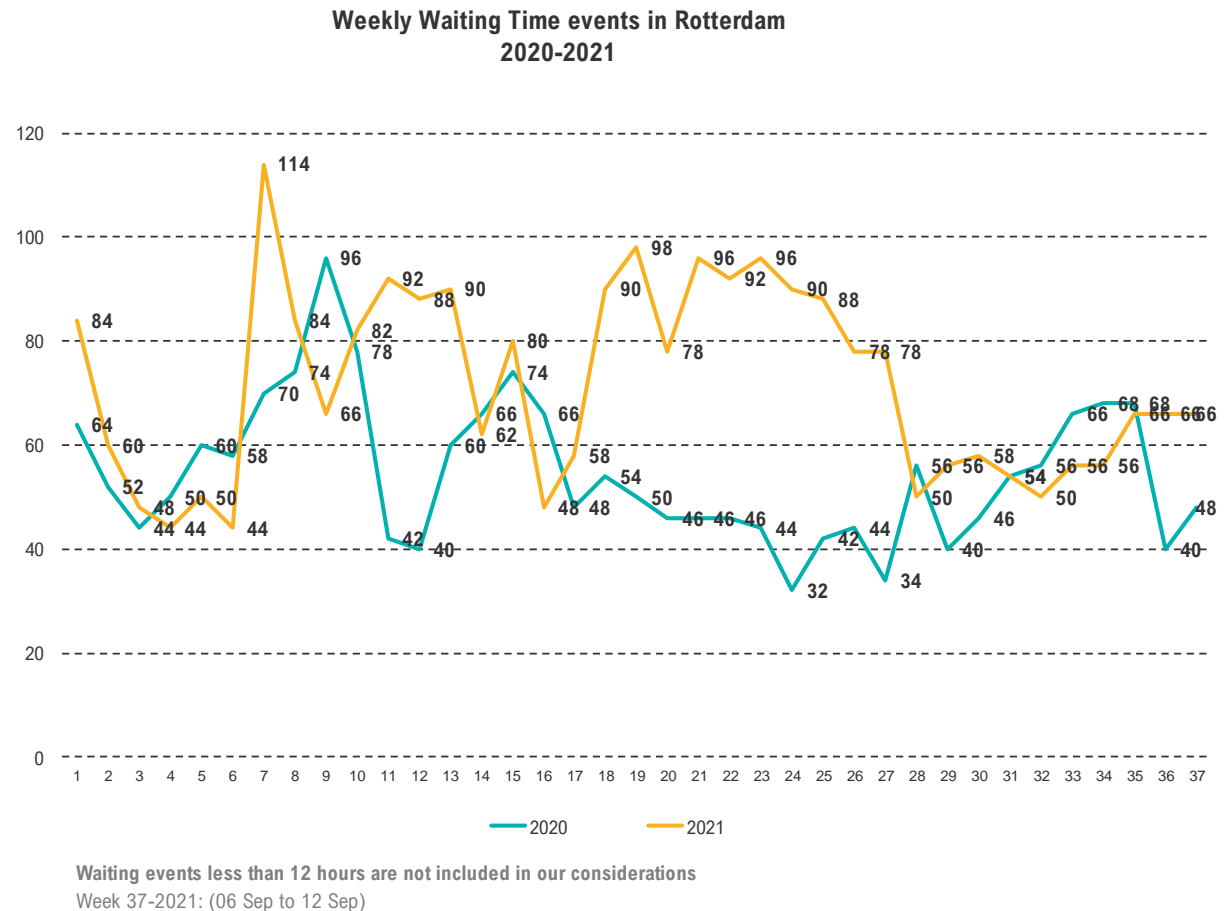
The average number of waiting time events for a berth window in Rotterdam port from the beginning of the year until present is around 72 vs a yearly average of 56 during the same period last year. This a 29% y-o-y growth

The congestion index has surged from 48 waiting time events in week 37/2020 to 66 during the same period this year (+38%)

From May 21, Rotterdam typical waiting time, for containership waiting to get a berthing window is mostly around 1-2 days and can sometimes go up to 4 days and over

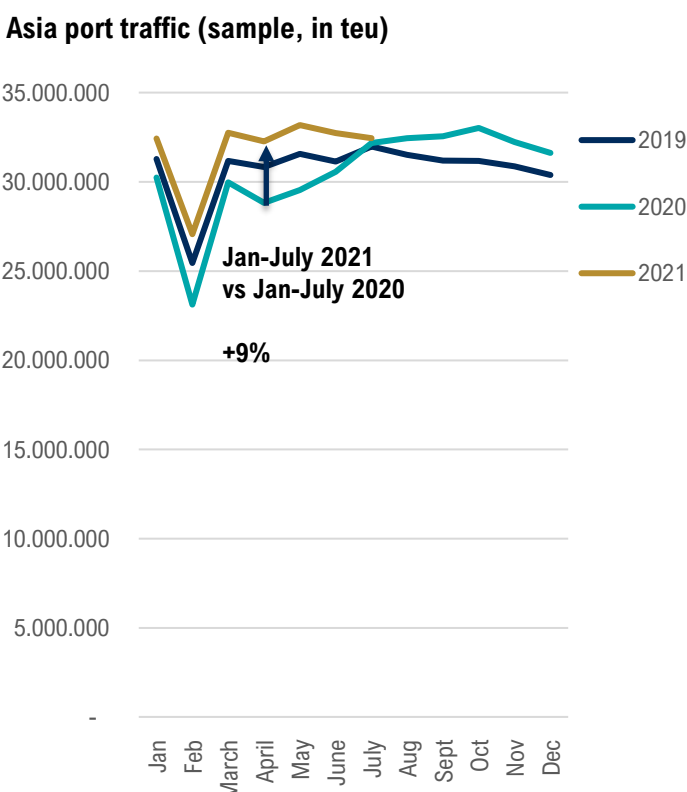
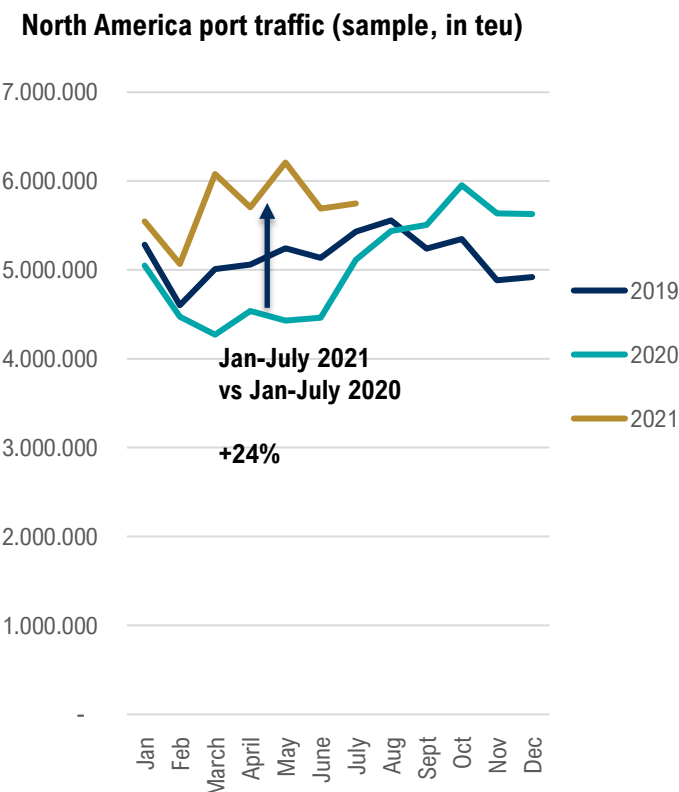
Port Congestion in Rotterdam

Ship waiting time events in the port of Rotterdam (and in other major ports) are getting worse.



The Shipping Crisis - how we got here – demand side

Traffic volume falls and rises have overwhelmed the container shipping system.



In Jan-July 2020, North America box volumes were down 10% due to Covid-19

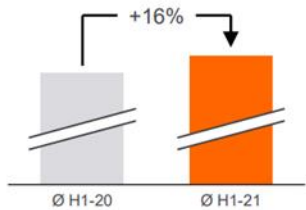
Not only have box volumes recovered fast, they have also surged beyond current capacities.

* teu – 20ft equivalent unit (typically about 20 tonnes of paper/cardboard)

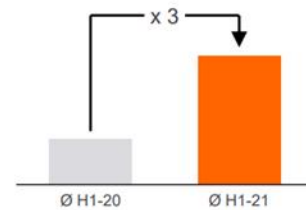
The Shipping Crisis - how we got here – shipping network deterioration

Supply chain performance is much worse

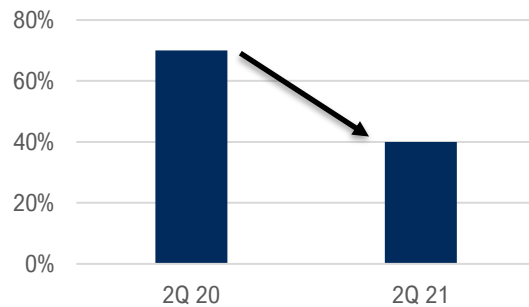
Increasing container usage
[days]



Average voyage delay
[days]



Vessel ontime arrivals %



Port congestion driving trans-Pacific vessel reliability to new lows

Bill Mongelluzzo, Senior Editor | Sep 24, 2021 3:26PM EDT

Covid-19 affected supply chains in many areas:

- Stop-start of production,
- Lower transport capacity,
- Shipping containers in the wrong place or unable to leave the port,
- Port closures etc...

The Shipping Crisis - how we got here – and what needs to happen to recover





What should we expect?

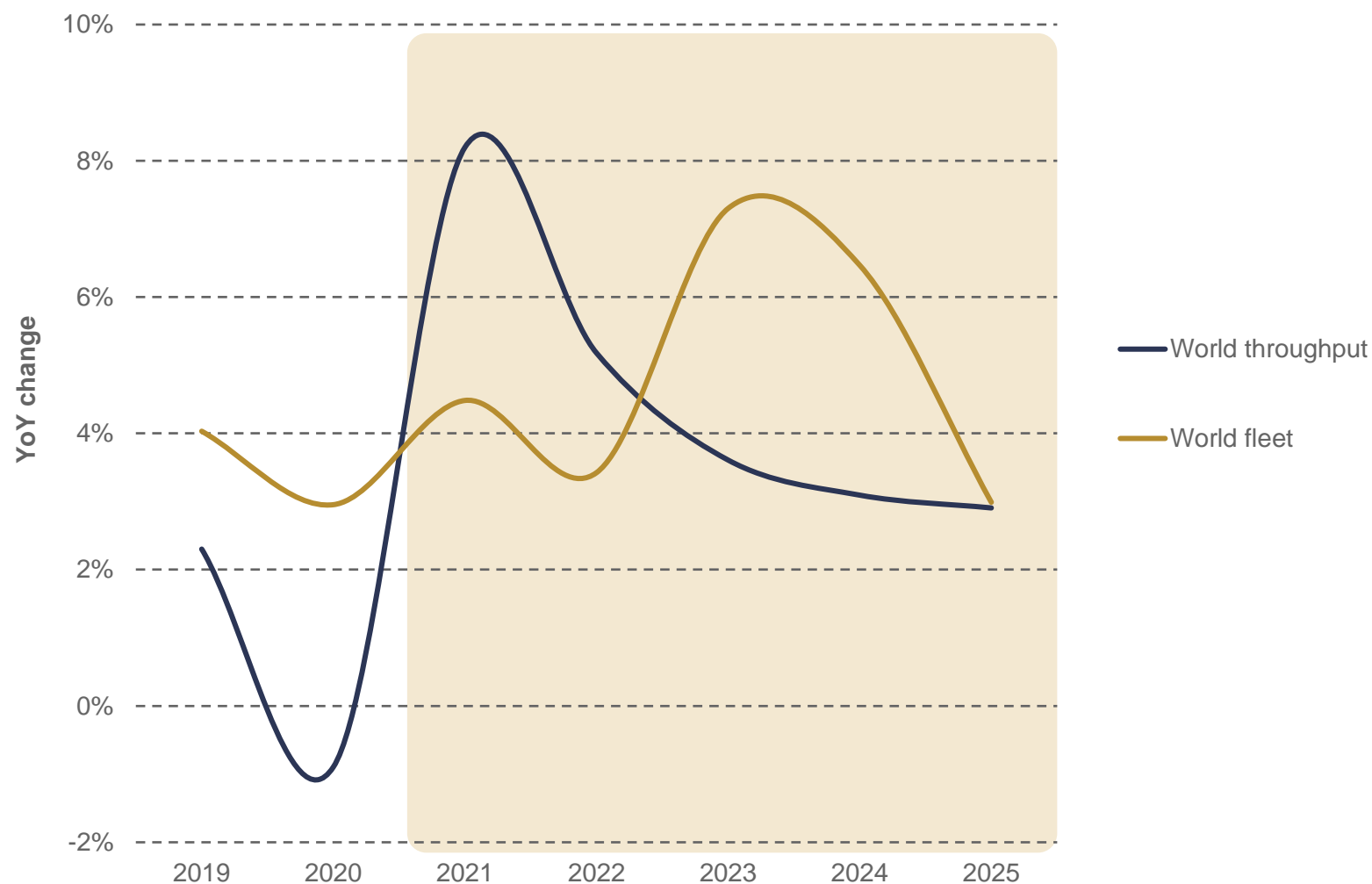
CELEBRATING
50
YEARS



Drewry is predicting that fleet growth will lag behind demand growth this year and next, but that the story will flip from 2023 onwards as the record amount of recent newbuild orders start to be delivered.

The anticipated mismatch between supply and demand from 2023 presents a risk to carriers of overcapacity returning to the market.

Global Container Shipping Supply/Demand Outlook

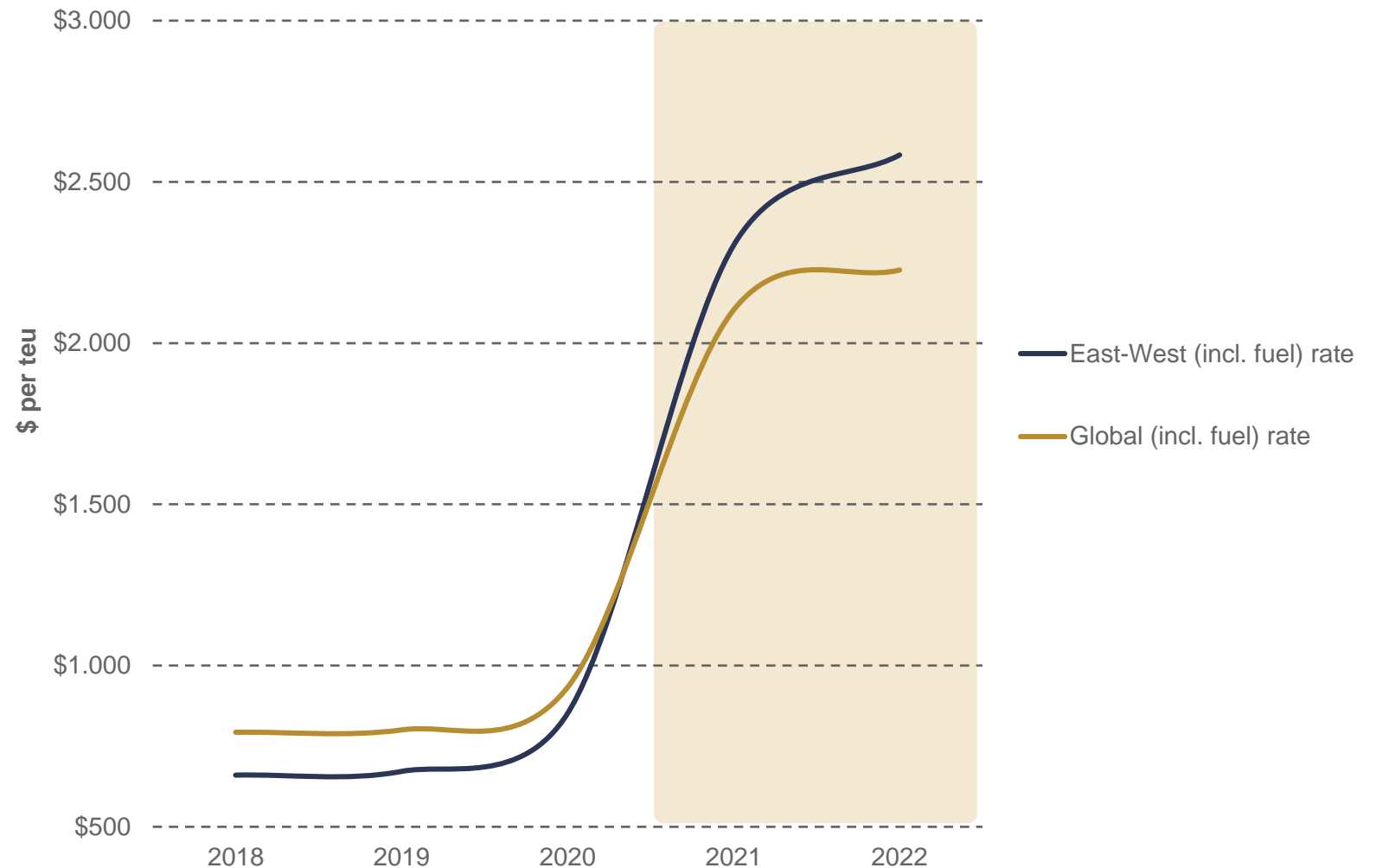


Very high freight costs will continue into 2022.

We are now expecting global rates (spot + contract) to rise by 130% in 2021 on average (varies by route).

For 2022, much higher contract freight rates (increases of up to 100%), but lower spot freight market, resulting in an expected overall increase of about 10% on average (depends on the route and type of shipping contract).

Drewry annual freight rate forecast (US\$/teu)



2022 bid season for Asia-Europe started in September 21

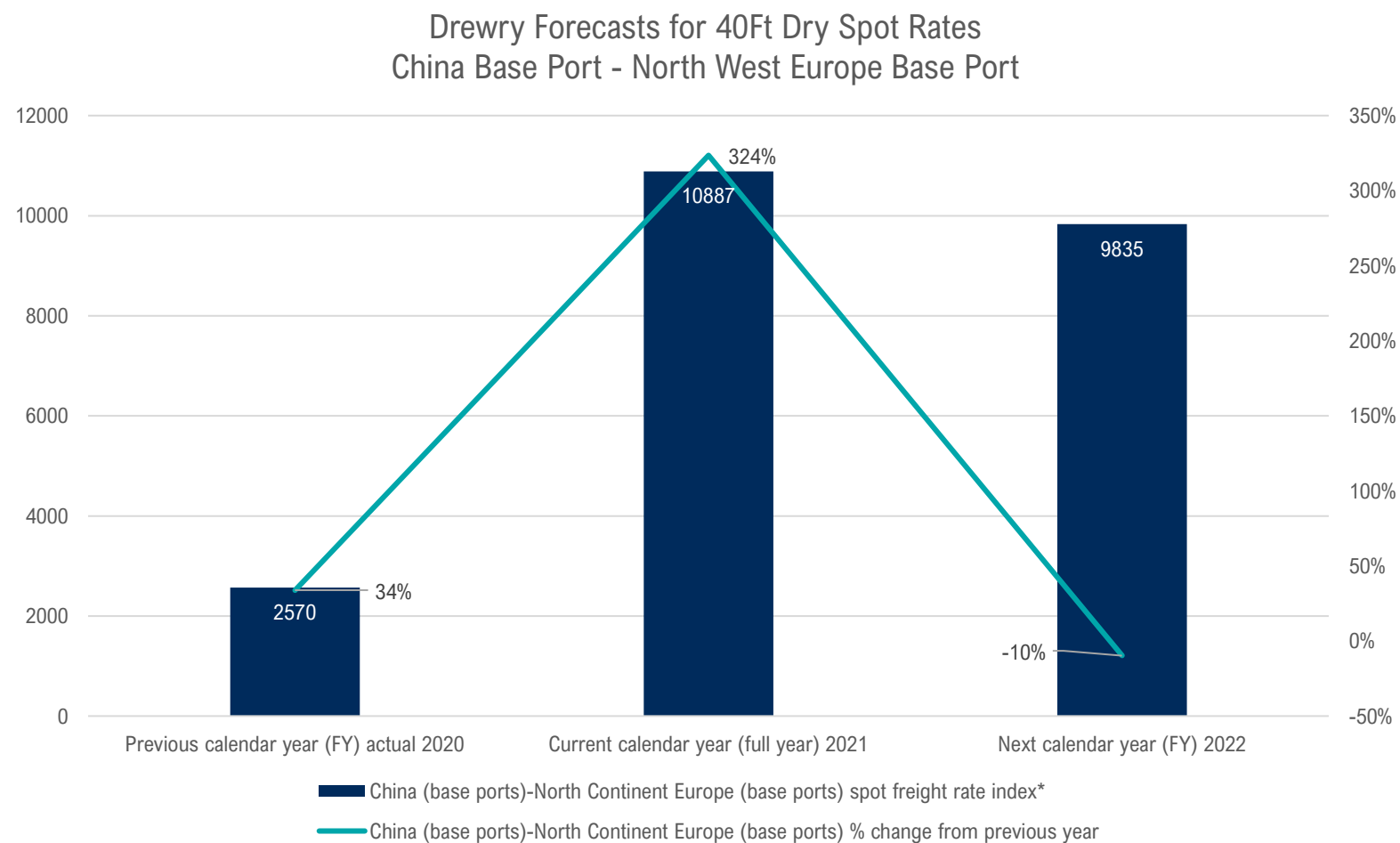
Capacity expected to remain tight due to continuing port congestion / market disruptions until the end of 2022

Drewry believes that the carriers' strategy for 2022 is to replicate what they did earlier in the transpacific:

- very large increases in contract rates (start negotiations at \$10,000/40ft for Asia to North Europe and Med)
- limited or no contract offer to small shippers / forcing them to the spot market

China – Europe Spot Rate Outlook - 2022

China Base Ports – North Europe Base Ports



Drewry expects a further doubling of contract rates on the China to Europe lane in 2022.

This will be partly offset by an expected reduction in spot rates on this lane.

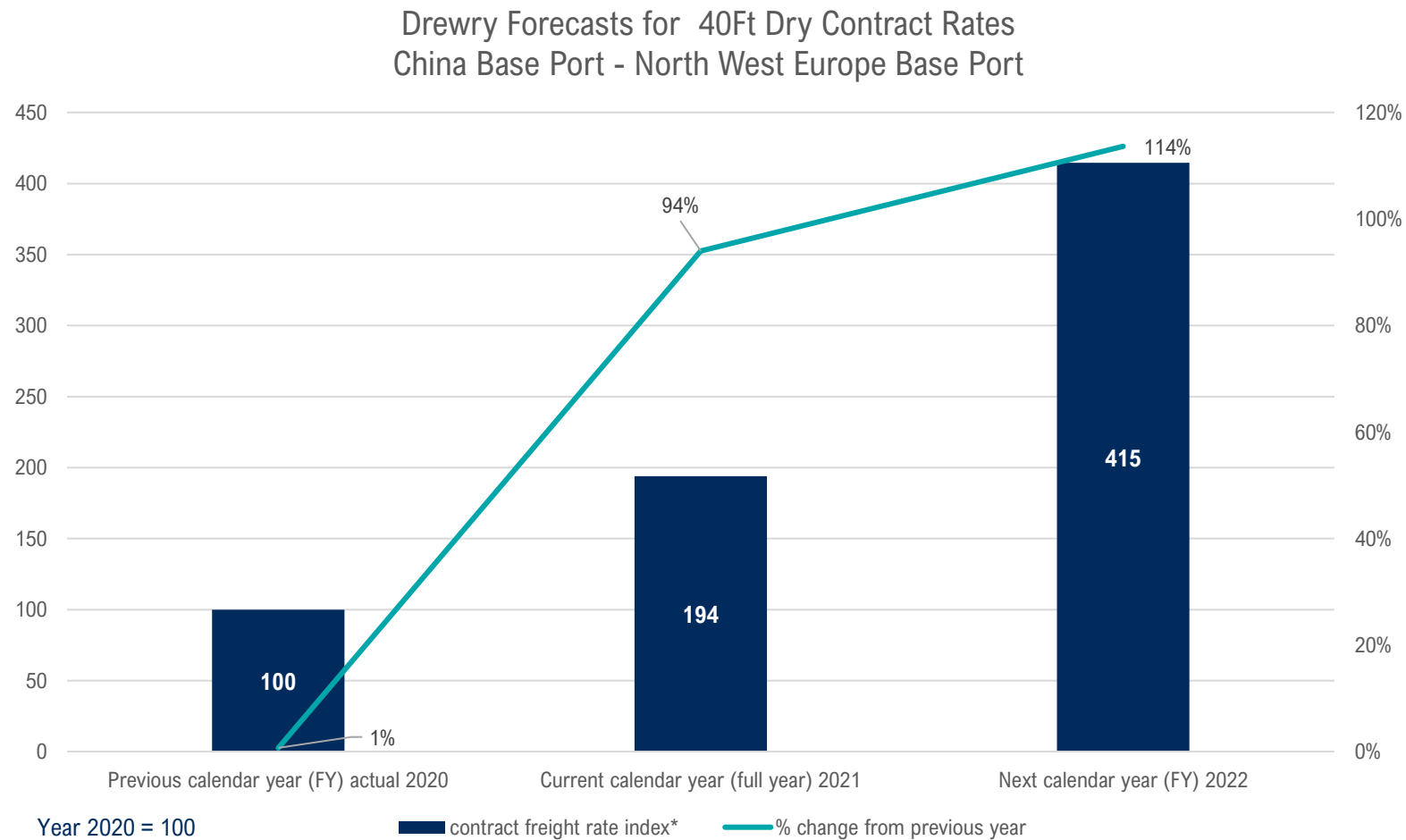
Detailed rate benchmarks and detailed 2022 rate forecasts are available from Drewry.

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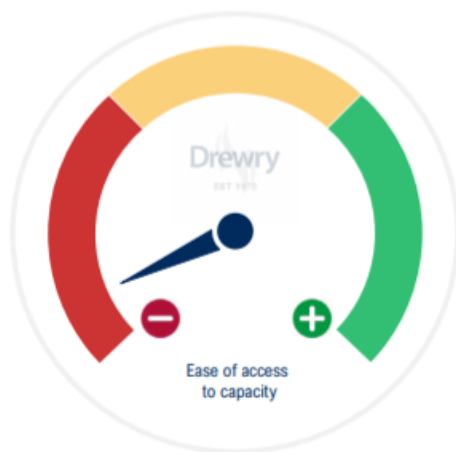
China – Europe Contract Rate Outlook -2022

China Base Ports – North Europe Base Ports

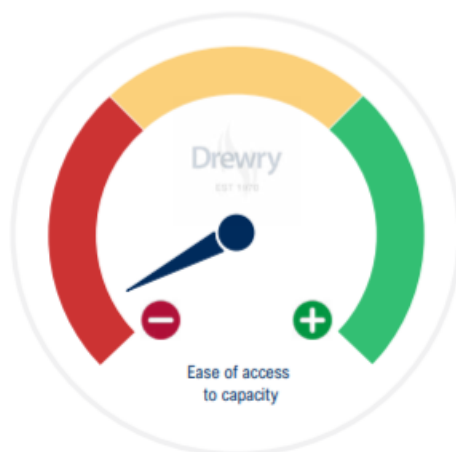


contract rate is in US\$/40ft container (including OTHC and DTHC)

2021-22 Current issues facing global shippers



Transpacific



Asia-North Europe & Mediterranean



Transatlantic

It is very hard for shippers to secure capacity.

Exporters/importers must work harder to position themselves as “a shipper of choice” to get the capacity



Conclusions

- Spot freight rates have increased 5x since 2020.
- On the major import routes for jute, spot freight rates rose a lot in the second half of 2020 and rose by another 50%-200% in 2021.
- Ship waiting time events in the port of Rotterdam (and in other major ports) are getting worse.
- Traffic volume falls and rises have overwhelmed the container shipping system.
- Supply chain performance is much worse.
- Many parts of the container shipping network need to improve and re-balance. Current crisis will last another year?
- Shipping under-capacity will continue into 2022.
- Very high freight costs will continue into 2022.
- Drewry expects a further doubling of contract rates on the China to Europe lane in 2022.
- It is very hard for shippers to secure capacity.
- Exporters/importers must work harder to position themselves as “a shipper of choice”.

Questions and answers

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The end

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