BOLLORÉ LOGISTICS

OCEAN FREIGHT MARKET UPDATE

JANUARY 2022

Contents

HIGHLIGHTS (1/2)

2021 is ending as it began, with disruptions at every level of the supply chain (**elevated freight rates, poor schedule reliability, congestion in terminals, and inland infrastructures in important ports**).

After several weeks of relative stability, **freight rates resume increasing as carriers continue to resort to blank sailings or port omissions to recover their schedules**. Despite a record number of canceled calls on the Asia/North Europe trade, the estimated deployed capacity in December was 19 % year on year. However, **space on board is still a genuine concern for shippers**.

According to Project44 data, **congestion has improved slightly in some ports**, except in Los Angeles, up 47 % in November. However, **the situation is still very complicated in many terminals**. Carriers are involving themselves to encourage shippers to pick up their containers. Most observers think that, until the situation normalizes in the US, all the other trades will suffer and expect that the entire 2022 will be very complicated.

Various risk elements, which are at the same time "unpredictable" and likely to happen, hang over the outlook for 2022.

Some of them are directly linked to the pandemic, especially government responses to the new variants. Restrictions and their impact on the supply chain can be more or less critical from one country to another.

The amount of demand is difficult to estimate given that it is measured based on freight being moved (loaded by carriers or handled in ports or cleared by Customs). Considering the amount of cargo waiting in ports, warehouses, or factories, this estimation is currently impossible. Moreover, demand could be impacted by economic reasons (inflation, end of government supports to consumers).

Furthermore, nobody knows how long it will take to unravel the myriad of bottlenecks.

Lastly, the carriers' pricing behavior is still unknown, but limited deliveries of new vessels are expected to keep freight rates elevated.

HIGHLIGHTS (2/2)

Service

Schedule reliability recorded a marginal -0.6 percentage point decline month-on-month, dropping to 33.6% in November 2021, maintaining the range of 33%-40% that has been seen throughout the year. On a Y/Y level, schedule reliability in November 2021 was -16.4 percentage points lower.

The average delay for late vessel arrivals recorded an improvement, decreasing by -0.57 days M/M to 6.93 days. That said, the level of delays in 2021 continues to be the highest across each month when compared historically. On a Y/Y level, the November 2021 figure was 1.71 days more elevated than in 2020.

Carriers go on struggling to improve vessel reliability and are in the odd position of having to increase deployed capacity to cover ship delays while at the same time being forced to blank large numbers of sailings to recover lost schedules.

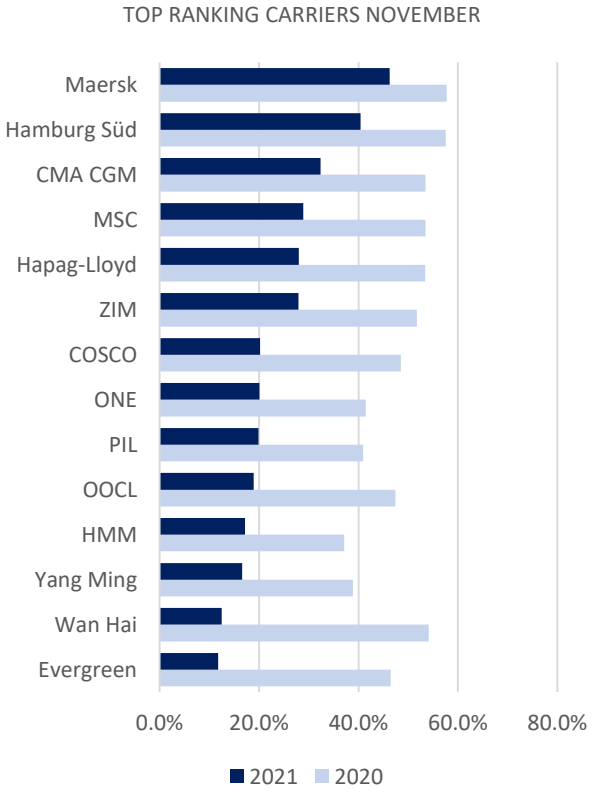
Shipping industry

After record profits, some carriers are making considerable investments to pursue their diversification.

CMA CGM is to acquire the commerce and lifecycle services business of US-based contract logistics and e-commerce specialist Ingram Micro. In contrast, Maersk will purchase the Hong Kong-based LF Logistics.

FOCUS

SHIPPING LINES GLOBAL SCHEDULE RELIABILITY



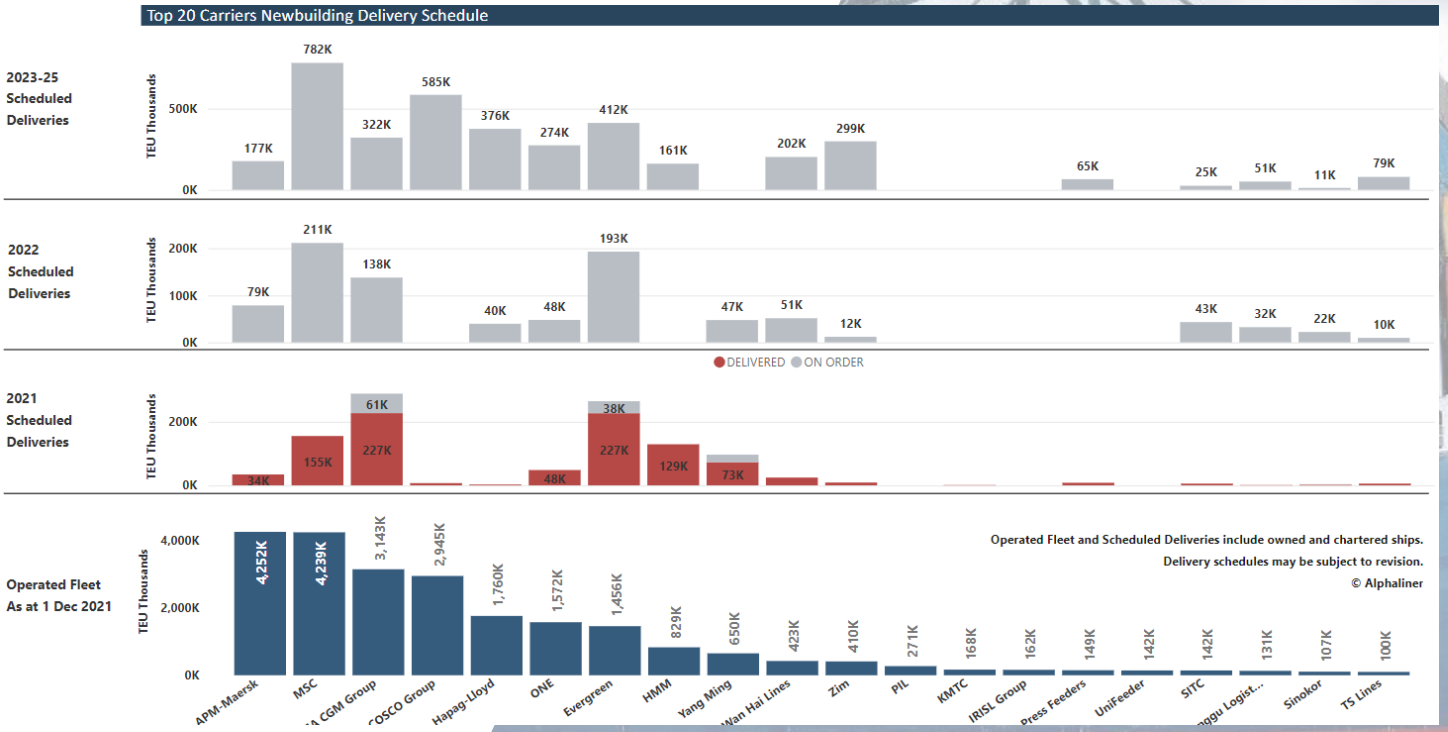
Top-14 carriers	2020-Q3	2020-Q4	2021-Q1	2021-Q2	2021-Q3	Sep/21	Oct/21	Nov/21	Nov 21 Arrivals
CMA CGM	66.0%	50.5%	35.1%	36.5%	30.7%	30.1%	31.6%	27.9%	3,352
COSCO	62.8%	47.1%	30.2%	29.6%	21.4%	22.0%	22.1%	20.2%	2,863
Evergreen	63.3%	43.1%	25.7%	25.0%	13.1%	11.6%	13.4%	11.8%	1,752
Hamburg Süd	74.1%	54.7%	41.8%	43.2%	38.5%	37.1%	38.1%	40.4%	1,908
Hapag-Lloyd	65.2%	49.2%	35.8%	39.6%	31.4%	29.1%	30.8%	28.9%	3,001
HMM	57.6%	33.9%	24.5%	31.1%	21.0%	19.5%	19.1%	19.9%	1,137
Maersk Line	71.2%	55.9%	46.4%	47.3%	45.6%	44.1%	46.3%	46.3%	3,240
MSC	68.7%	50.0%	35.8%	37.9%	32.7%	31.0%	30.8%	32.4%	2,555
ONE	56.7%	37.4%	25.9%	30.0%	21.8%	19.8%	20.6%	20.1%	2,171
OOCL	62.5%	45.0%	28.8%	27.7%	20.1%	20.2%	20.5%	17.2%	2,495
PIL	50.8%	38.6%	30.4%	32.5%	18.9%	17.2%	20.6%	18.9%	925
Wan Hai	56.1%	50.2%	33.9%	29.2%	17.6%	19.1%	14.2%	12.5%	463
Yang Ming	55.5%	34.8%	23.6%	26.6%	18.8%	17.4%	18.0%	16.6%	1,293
ZIM	67.1%	48.6%	35.5%	40.1%	29.0%	28.7%	27.8%	28.0%	1,132

The Global Liner Performance database covers the majority of the deep-sea service identified from 60 different carriers. Currently, the GLP database cover more than 295 active services and more than 165 inactive services, based on more than 430.000 individual vessel arrivals, across 34 major trade lanes.

Sources: Global Liner Performance November 2021

FOCUS

CARRIERS' NEWBUILDING DELIVERY SCHEDULE



Sources: Alphaliner Monthly Monitor

CLICK TO GO TO EACH TRADE LANE

MARKET OUTLOOK | ASIA

The SCFI index (Shanghai/SIN) between November and December has increased by US$800. It is expected that the January rate will be on an uptrend till Lunar New Year. The upsurge is due to the port congestion and the disruption in logistics supply chains, particularly due to the upcoming LNY (Lunar New Year). If China continues its policy of shutting its own areas in the face of minor outbreaks, the chance of port closures remains high, and more disruption will occur.

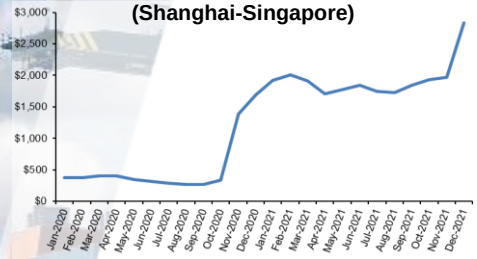
High demand can be witnessed from Shanghai to Southeast Asia ports.

Due to Beijing Olympics and strict quarantine regulations, the Chinese government might even tighten domestic travel as there will possibly be factories closures during the LNY will be expected. The market will continue to be busy with space and equipment issues.

High spot rates (with no space protection) will continue to prevail especially in January in order to tap a higher generating market.

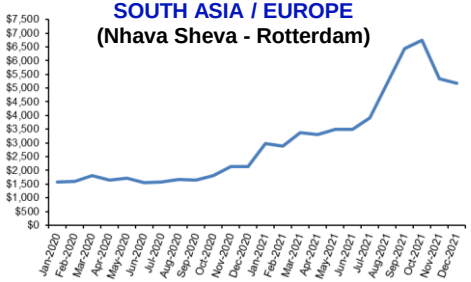
RATE EVOLUTION

INTRA ASIA
(Shanghai-Singapore)



RATE EVOLUTION

SOUTH ASIA / EUROPE
(Nhava Sheva - Rotterdam)



OUTLOOK

	CAPACITY	DEMAND	UTILIZATION	RATES
Q4 2021	→	↗	↗	↗
January 2022	→	↗	↗	↗
Q1 2022	→	→	→	→
Q2 2022	→	↗	↗	↗

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↗ Upward trend
→ Flat trend
↘ Downward trend

In average the spot rates are extended compared to December owing to the below reasons:

- Sustained demand in Europe still planned till the end of the year
- Shortage of containers
- Limited space that leads to severe congestion in main transhipments ports like Colombo

Mid/long term conditions have been increased compared to those given for Q3/Q4 2021.

Carriers will still push for spot rates and premium rates to have space and equipment's in priority for short and mid-term solutions

This situation will persist for at least the major part of 2022.

Source: Bolloré Logistics, Drewry Index

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MARKET OUTLOOK | ASIA

US retailers are expecting year-over-year import growth to continue at least for the next 6 months to continue inventory replenishment prior to another early peak season

The ports of Los Angeles/Long Beach delayed the implementation of additional storage fees for containers with excessive dwell times for the 4th time until 12/27/2021
Transit time from China to New York is faster than to Los Angeles
Blank sailings continue to regain schedule integrity or to dry-docking ships.
Additional blanks sailings are expected as towards LNY starting February 1st.

Partial factory/city closures in China continue following China's "0" tolerance COVID policy.
Ocean shipping challenges causing extended delays on U.S. Inland Transits and the US intermodal congestion are expected to continue through 2022.
Port congestion is expected to last through 2022.

RATE EVOLUTION

ASIA / NORTH AMERICA
(Shanghai-Los Angeles)

OUTLOOK

	CAPACITY	DEMAND	UTILIZATION	RATES
Q4 2021	↘	↗	↗	↗
January 2022	↘	↗	↗	→
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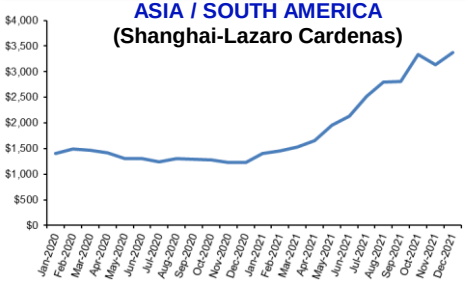
Q2 2022	↘	↗	↗	→

RATE EVOLUTION

ASIA / SOUTH AMERICA
(Shanghai-Lazaro Cardenas)



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Q2 2022	↘	↗	↗	→

↗ Upward trend
→ Flat trend
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Space remains tight for December with ongoing impromptu port omissions/ sliding of vessels / blank sailings caused by vessel delays due to congestions at both origin and destinations.

These actions are taken by the Carriers in order to minimize on the impact on their schedule integrity.
Equipments in general are still tight and (CMA particularly).
CMA has expanded its FAKs until January 2022. Still subject to Quarterly BAF review and PSS if any.
As space is tight, premium spot rates are required in order to get bookings or equipments.
Carriers are continuing with their actions on non acceptance or refraining from accepting Chile bound bookings during certain weeks to minimize their imports due to congestions and move count at destination. Carriers' pricing strategy remains the same as no offers for quarterly or long-term NACs and tenders as their commitment for long term tenders and BCOs is over their allocations. Solution to use NVOCC or on premium for space and equipments

Source: Bolloré Logistics, Drewry Index

MARKET OUTLOOK | ASIA

Global Africa market is stabilizing for December. Situation remains tight but space is easing up for the coming weeks on WAF market. We can see that demand is less important compared to last year, at the same period.

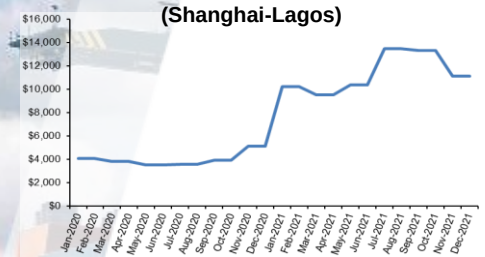
Rates should be extended for the 1rst half of December. Market is expected to start increasing again from January 22, before CNY peak season period. Asia/West Africa freight rates will be extended for December.

Lack of space/equipment is still present, but space should soon be available. No change on capacities. NAF trade remains the highest freight rate market in Africa. Weak capacity and lack of service solutions available are keeping the trade under strong tensions. CMA CGM's ban of booking to TUNISIA will continue until further notice.

EAF/SAF markets will face more space difficulties in December as demand is remaining strong on those axes.
Freight rates are stabilizing for December.

RATE EVOLUTION

ASIA / AFRICA
(Shanghai-Lagos)



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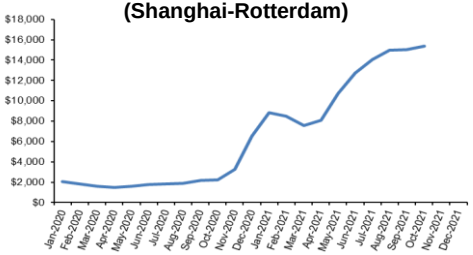
RATE EVOLUTION

ASIA / EUROPE
(Shanghai-Rotterdam)



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Spot rates from Asia to Europe persist to increase, boosted by a strong demand ahead of the early CNY.

Due to COVID and a lockdown in the Ningbo district, part of the volumes are shifting to congested Shanghai.
In Ningbo, container loading and discharge is operating normally, but the impact on trucking and access to the port is severe.

End of December SCFI to NC versus December 2020 at the same time is reflecting this big increased + 89% to reach USD 15 502/40'DV,

The traditional peak season is materialized by few blanks sailing & omits.

At the same time, the combination between demand and equipment shortage continues to remain very high

Source: Bolloré Logistics, Drewry Index

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MARKET OUTLOOK | EUROPE

Demand will stay strong in 2022.

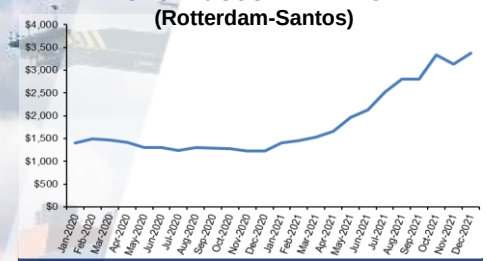
After an announcement in December, Maersk & Hamburg Sud decided to not offer rates anymore to forwarders.

Therefore only two carriers (MSC and Hapag Lloyd) remain available on the Le Havre/South America East Coast trade lane. To South America West Coast, only one carrier (MSC) is still calling Le Havre.

Rates will logically increase to those destinations because demand is still strong.
SAWC is still affected by congestion and delay issues because the increase of Trans-Pacific businesses is still impacting ports of destination such as Valparaiso, Callao or Guayaquil.

RATE EVOLUTION

EUROPE / SOUTH AMERICA
(Rotterdam-Santos)



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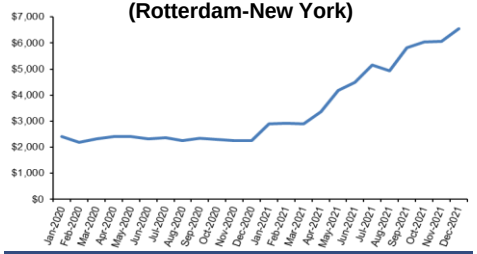
RATE EVOLUTION

EUROPE / NORTH AMERICA
(Rotterdam-New York)



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2022 will very certainly resemble 2021 as demand is still stronger than ever.

Carriers confirmed that there will be no extra capacity in 2022.

Congestions in the US will persist, therefore blank sailings and omissions in North America and Europe should be expected.

The US is still suffering from a lack of truckers and chassis, so we will also struggle with oncarriages at destination. Please note that carriers are increasing their oncarriages rates in North America.

Source: Bolloré Logistics, Drewry Index

BOLLORÉ LOGISTICS

MARKET OUTLOOK | EUROPE

The same challenges as in 2021 are foreseen in Q1 2022 without any fresh capacity entering the market.

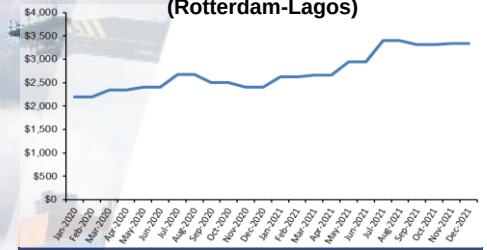
West Africa's market is still the most dynamic with a 14% increase in 2021. Demand continues to be strong. Carriers continue to apply EIS and PSS in January, however first indications show that carriers intend to extend rates over February.

The trade lane from Europe to East Africa is experiencing a volume slowdown (-10% in 2021 compared to the same period last year). In January, rates will be extended and no capacity issues should occur.
The NAF market has been stable in 2021 vs 2020 and the same is expected in 2022.

The SAF market showed a good recovery in the second half of 2021 with +10% , with the total market back to 2020 levels. For Q1 2022, we foresee spaces issues due to limited service options..

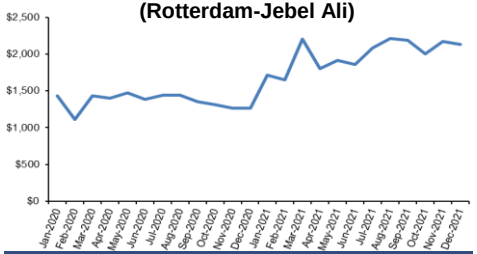
RATE EVOLUTION

EUROPE / AFRICA
(Rotterdam-Lagos)



RATE EVOLUTION

EUROPE / MIDDLE EAST
(Rotterdam-Jebel Ali)



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The Europe/Middle East trade lane also has been affected by the global supply chain situation in 2021 : it has been a complicated year with heavy congestions in ports and terminals.
Carriers had to face with heavy backlogs in transshipment ports, delays in rotations, blank sailings, and Covid constraints.
Shippers had no other choice than to live with supply chain disruptions and high rates.

This situation will continue in 2022.
It is expected that rates growth will eventually flatten in January of the first quarter of 2022.
It is however not expected to witness any improvement in capacity until the end of the year minimum.

Source: Bolloré Logistics, Drewry Index

BOLLORÉ LOGISTICS

MARKET OUTLOOK | EUROPE

West Indies continues its growth in the same trend as previous months. Vessels are fully booked, facing disruption with cut&run and delays due to the congestion at Le Havre and strike at Montoir.

The situation remains tight but space should ease up in the coming weeks on the West Indies market from Atlantic only.

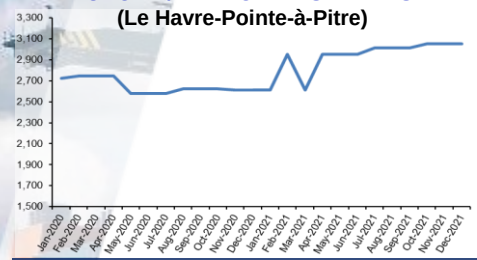
It is still very complicated to sail to the West Indies from MED and to French Guyane (ATL & MED).

Bookings have to proceed at least 2 or 3 weeks before departure to secure space and equipment but forecast is not allowed.

Equipment in general is still tight.

RATE EVOLUTION

EUROPE / FRENCH WEST INDIES
(Le Havre-Pointe-à-Pitre)



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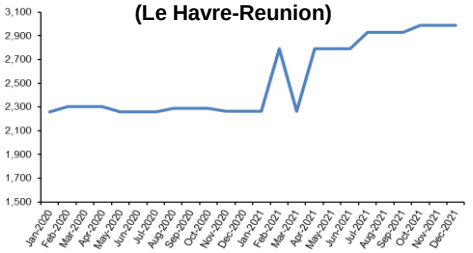
RATE EVOLUTION

EUROPE / INDIAN OCEAN
(Le Havre-Reunion)



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Demand has been gradually recovering and is still stronger than the capacity from carriers, even with vessels running fully on the Indian Ocean trade.

Space remains tight for January under VSA between CMA & MSC with ongoing impromptu port omissions/ sliding of vessels/cut&run. This is majorly caused by vessel delays due to port congestions.

The situation is expected to last up to mid-2022 at least.

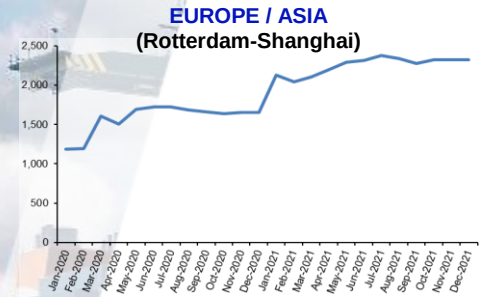
MSC has announced a GRI As from February for all POLPOD, 200€.teu but it still under negotiation

Equipement, in general, is still tight and CMA is still suffering badly on their équipements, especially in RF from Montoir and Fos-Sur-Mer and Marseille

Source: Bolloré Logistics, Drewry Index

MARKET OUTLOOK | EUROPE

RATE EVOLUTION



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There will be more demand than the offer this year as no additional capacity is expected.

Carriers are more and more focused on main ports corridors, light Cargo, and 40’ equipment. Some pages decreased rates for JAN from North Europe, from MED space situation will be tight in January (Ocean Alliance), and rate levels are not decreasing.

The usual December export rush volumes from Europe to Asia didn’t happen this year. Presently books from North Europe to the Far East are weak.

Source: Bolloré Logistics, Drewry Index

MARKET OUTLOOK
| NORTH AMERICA |

Capacity remains steady, USEC to Europe services are wide open.

The average delay for late vessel arrivals is six days due to congestions.

Selective base ports are being omitted to avoid further delay.

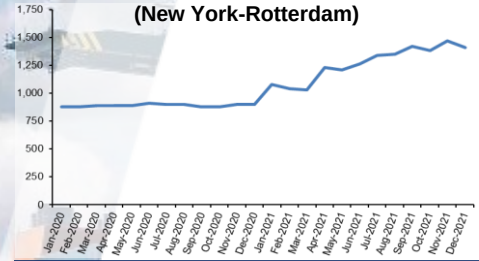
USEC to North Europe :
The rate level remained flat in January due to the high demand for empty equipment in the European market despite the Q1 2022 BAF increase.

US Gulf Coast and US West Coast to North Europe :
An average increase of $300/container is being implemented in January due to the severe congestion.

The majority of the origin and destination Arbitrary will increase in January due to the increased operational cost.

RATE EVOLUTION

NORTH AMERICA / EUROPE NC
(New York-Rotterdam)



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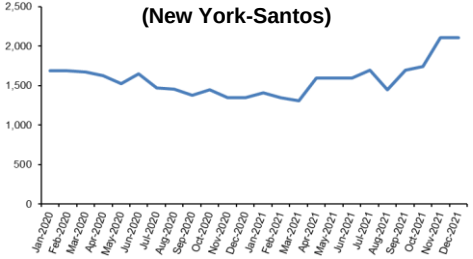
RATE EVOLUTION

INTRA AMERICAS / NORTH SOUTH
(New York-Santos)



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Capacity will be reduced in January mainly due to vessels delay.

Carriers are shifting the volume into secondary ports to ease the heavy congestion.

Demand remains strong; all vessels are full except USEC-ECSA service.

The rate level is going up in January due to the BAF increase.

Hamburg Sud and Sealand have been gradually integrated with Maersk Line :
Hamburg Sud will no longer offer NAC conditions as of Jan 1st; FAK rates will be provided in Q1 2022 under standard terms and conditions only.
Sealand will stop providing FAK rates starting January the 1st; rates are to be obtained via Maersk SPOT.

Source: Bolloré Logistics, Drewry Index

BOLLORÉ LOGISTICS