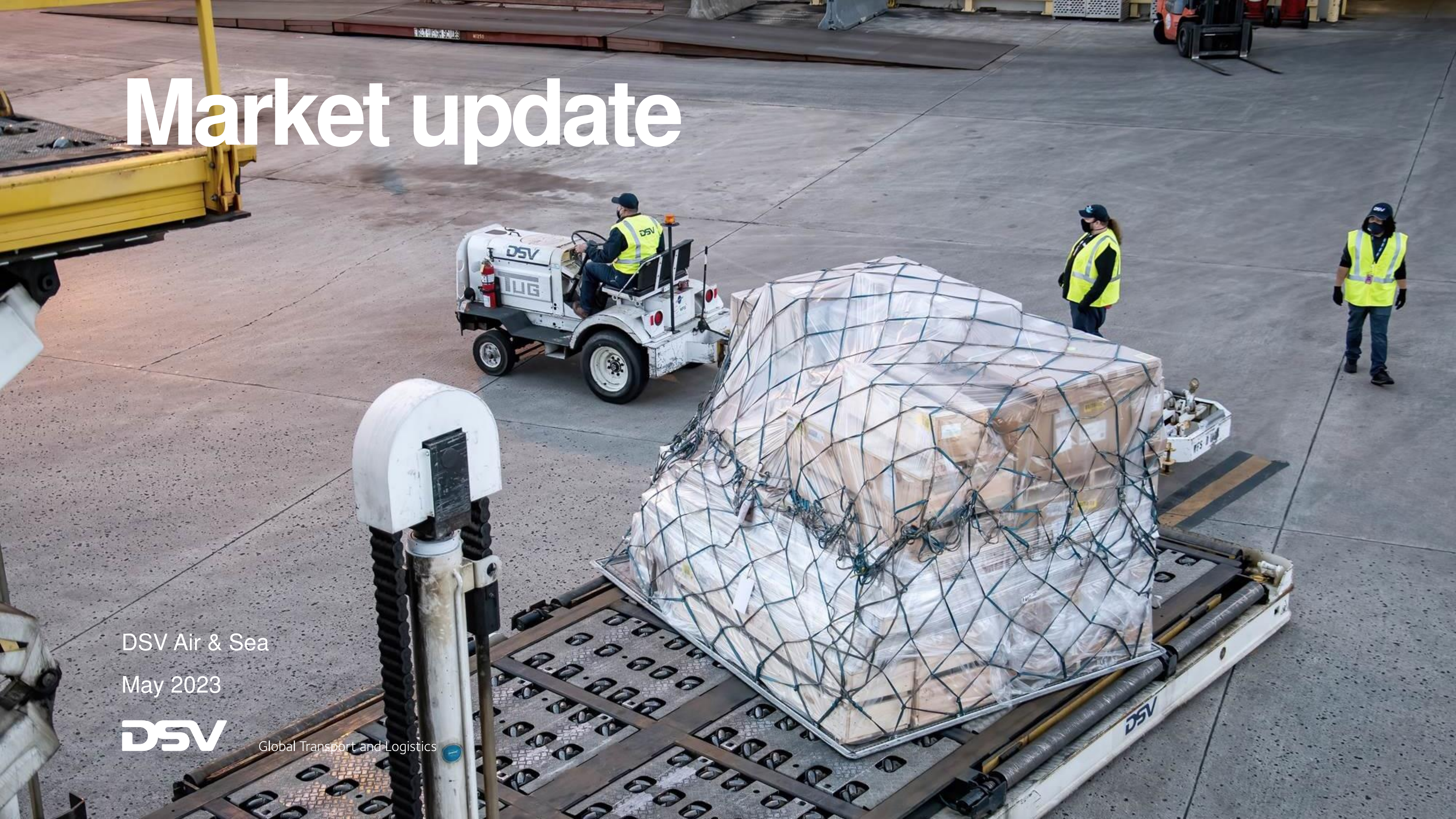


Market update

DSV Air & Sea

May 2023

Global Transport and Logistics

General update

Chinese export growth slowed in April as global trade cooled

- April's export increase benefited from a comparison with weak figures in April 2022, when Shanghai was locked down in an effort to control an outbreak of the fast-spreading Omicron variant. When compared with March in month-over-month terms, exports from China to the rest of the world in April shrank 6.4%, to $295 billion.

- The world's second-largest economy grew an annual 4.5% in the first three months of the year and is expected to notch a faster pace of growth in the second quarter, putting it on course to match or exceed the government's target of around 5% expansion for the year as a whole. Gross domestic product rose just 3% in 2022, one of its worst results in decades.While inflation appears to be easing in the U.S., the Federal Reserve is likely to consider another interest-rate rise in May, a move that could curb consumer spending for a longer period of time.

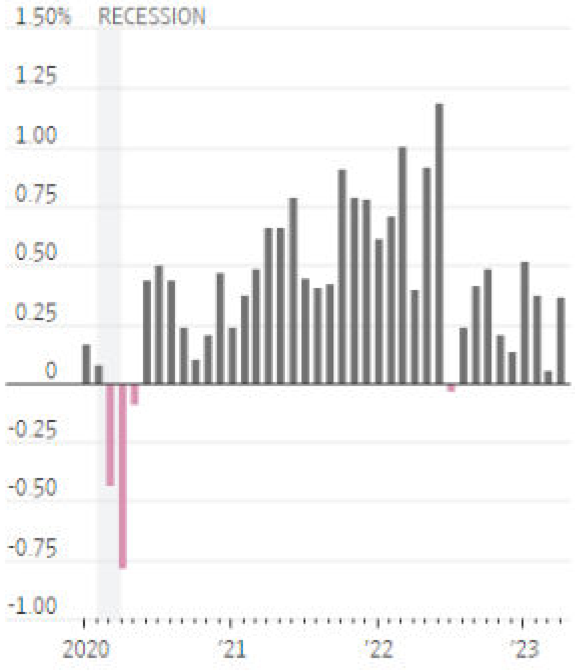
- That weakness in imports boosted China's trade surplus in April to more than $90 billion, from $88 billion in March, despite the slowdown in exports. Exports to the U.S. fell by an annual 6.5%.

Source: WSJ,

US Inflation Eased in April but Remains Stubbornly High

- **The consumer-price index rose 4.9%** in April from a year earlier, the Labor Department said Wednesday, down from March’s 5% increase.
- The inflation reading has declined from a recent peak of 9.1% in June 2022, but remains historically high. Recent data show the infrastructure boom may already be taking off, households are cautious about job and income prospects, expect fixed investment in infrastructure growing 5-10% for the year, in the first half of the year, there's going to be strong growth in fixed-asset investment
- Fed officials, at their meeting last week, approved raising their benchmark federal-funds rate to a range between 5% and 5.25%, the highest level in 16 years.

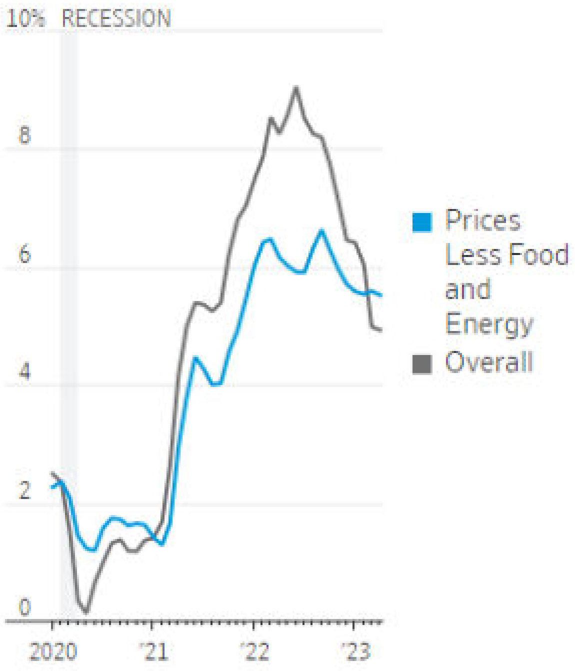
Consumer-price index, change from prior month



Note: Seasonally adjusted.
Source: Labor Department via St. Louis Fed

Consumer Inflation

Consumer-price index, change from a year earlier



Source: Labor Department via St. Louis Fed

European Central Bank Slows Pace of Rate Increases

- In a statement, the ECB said it would increase its key **rate by a quarter percentage point, to 3.25%,** a near 15-year high. It was the smallest move since the bank started raising rates last July. The bank also said it would reduce its bondholding at a faster pace starting in July, a move that is likely to weigh further on economic growth and inflation.

- Like the Fed, the ECB is trying to balance the need for tighter monetary policy to curb stubbornly high inflation against the risk of going too far in an environment of weak growth and banking-sector turmoil. For months, the ECB has had to raise rates while taking care not to cause a deep recession in a currency bloc shaken by Russia’s invasion of Ukraine, or to destabilize its most indebted nations, whose borrowing costs have rocketed. Fed officials, at their meeting last week, approved raising their benchmark federal-funds rate to a range between 5% and 5.25%, the highest level in 16 years.

Bankrupt Bed Bath & Beyond goes after container shipping lines

- Bed Bath & Beyond filed for bankruptcy protection on April 23 and is closing all 475 of its stores. COVID-era supply chain disruptions played a key role in the company's demise. Now, the bankrupt retailer is pursuing tens of millions of dollars in claims against container shipping lines, which it alleges did not perform during the supply chain crisis.

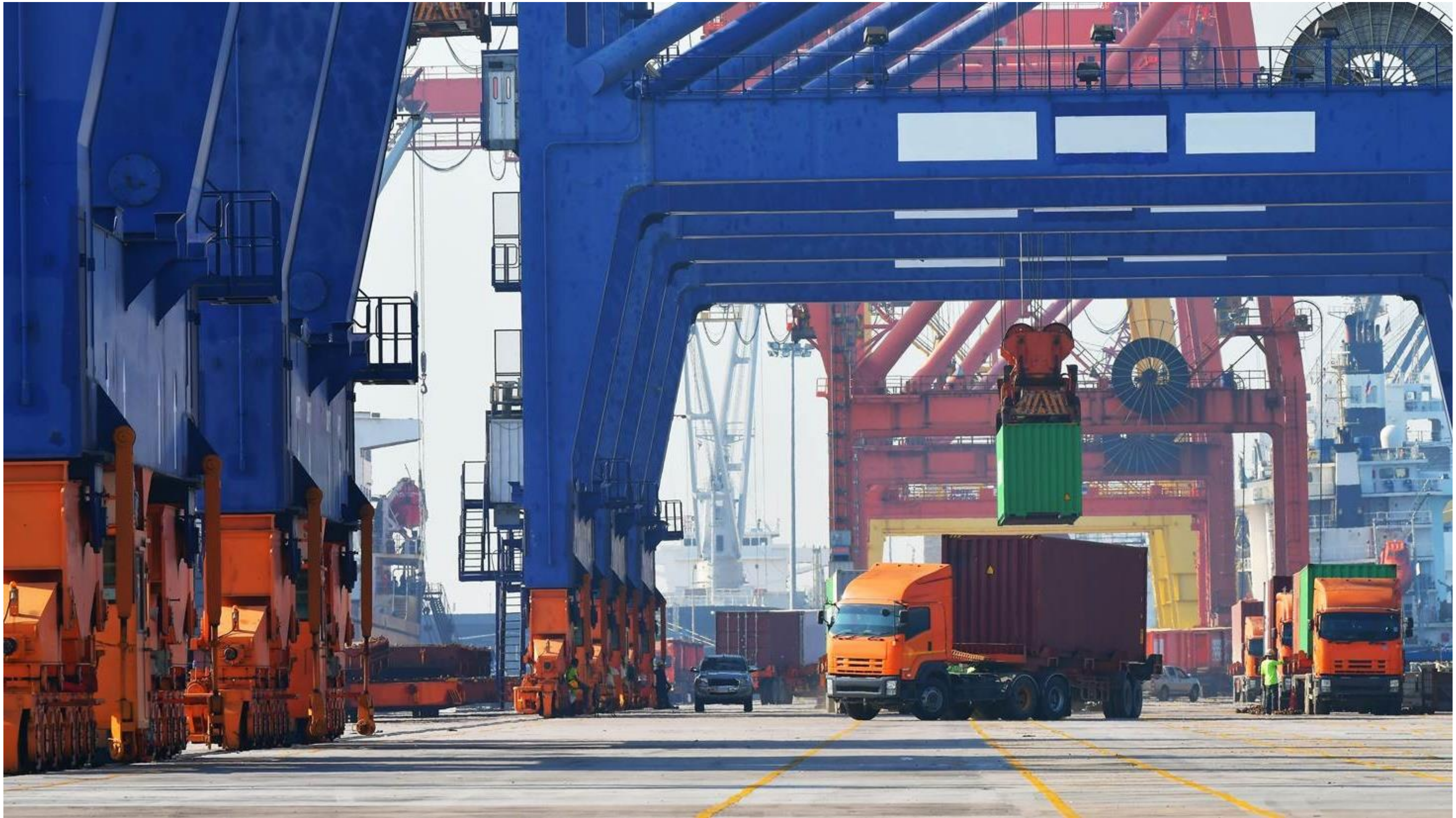
- It filed a claim with the Federal Maritime Commission (FMC) seeking at least $31.7 million from OOCL, a subsidiary of China's Cosco.It's poised to pursue at least $7.8 million in claims against Taiwan's Yang Ming, according to a legal filing in the Southern District Court of New York.

- The retailer alleged that OOCL gave away BBB's allocated space "to other shippers to maximize [its] own profits," forcing BBB "to obtain space on the spot market at enormous expense during a period of unprecedented high spot rates.

- BBB had an MQC for 3,796 FEUs under its May 1, 2021-April 30, 2022, service contract. It said OOCL came up 1,363 FEUs short, equating to $9.4 million in extra freight costs.

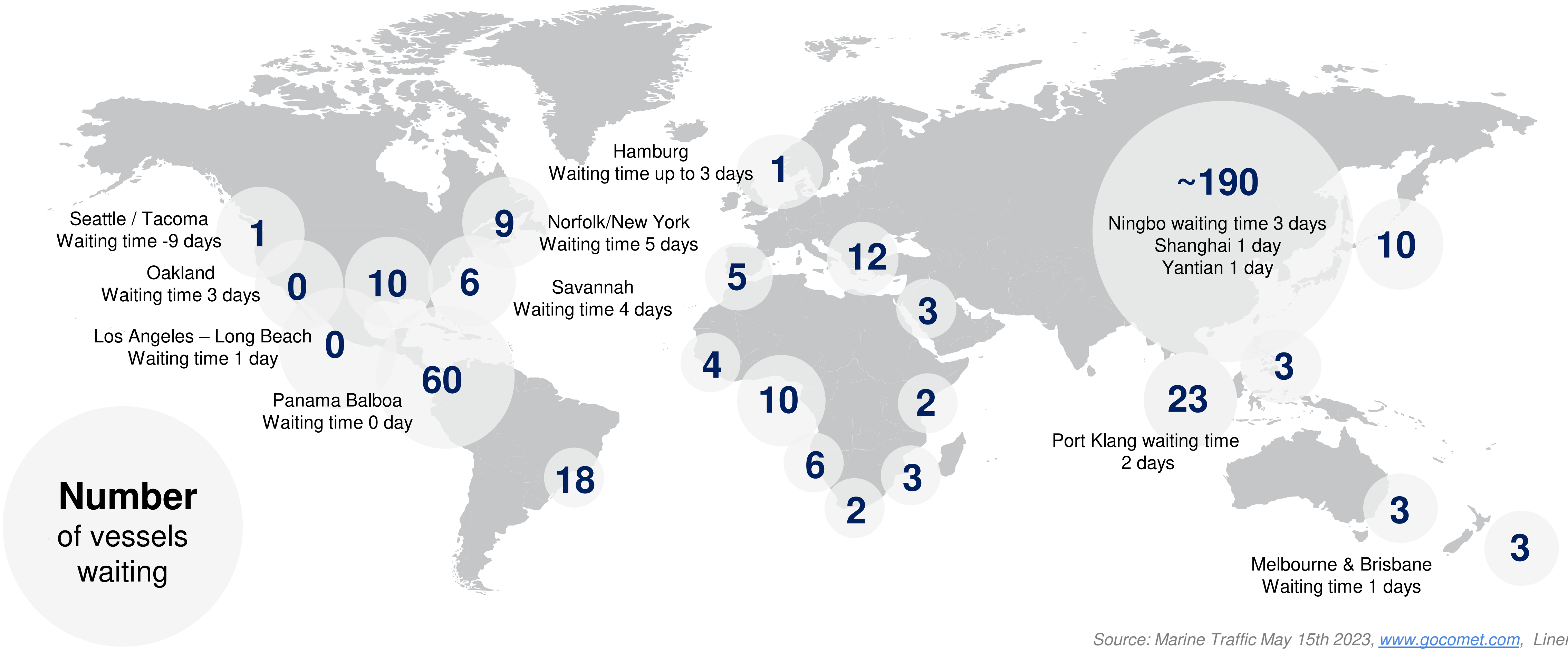
Source: Freightwave

Port Congestion



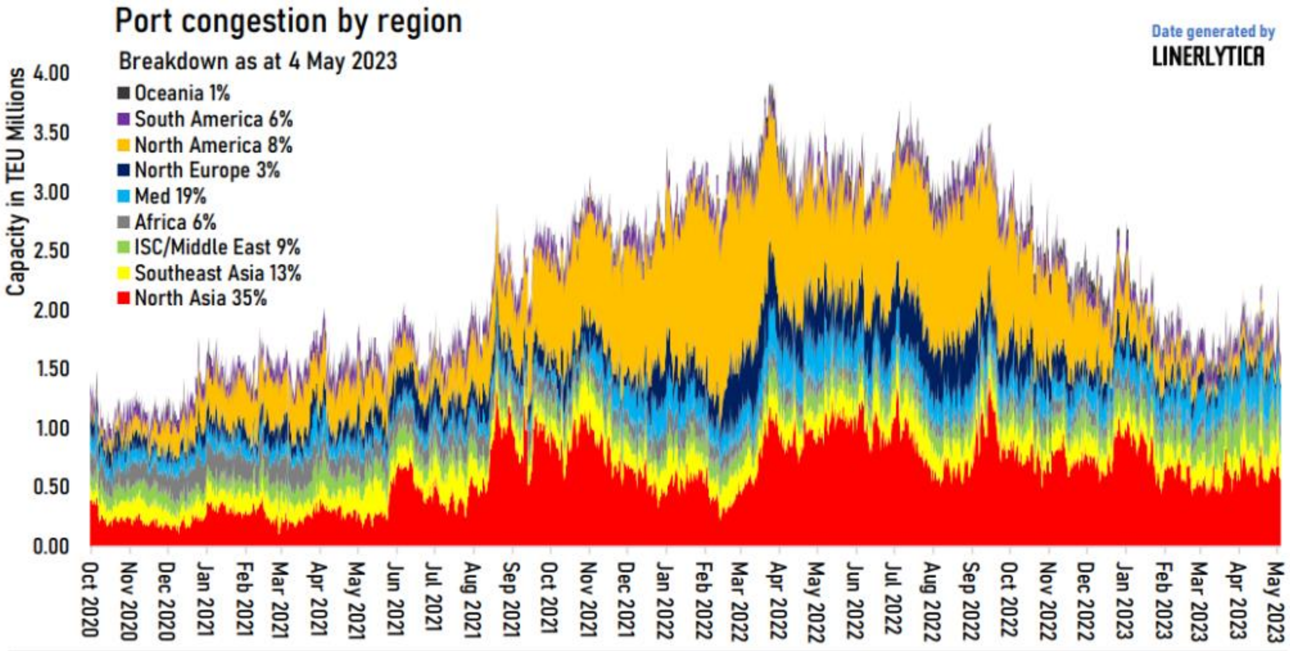
Global port congestion

6 % of the global vessel capacity effectively removed – 1,6m TEU affected



Source: Marine Traffic May 15th 2023, www.gocomet.com, Linerlytica

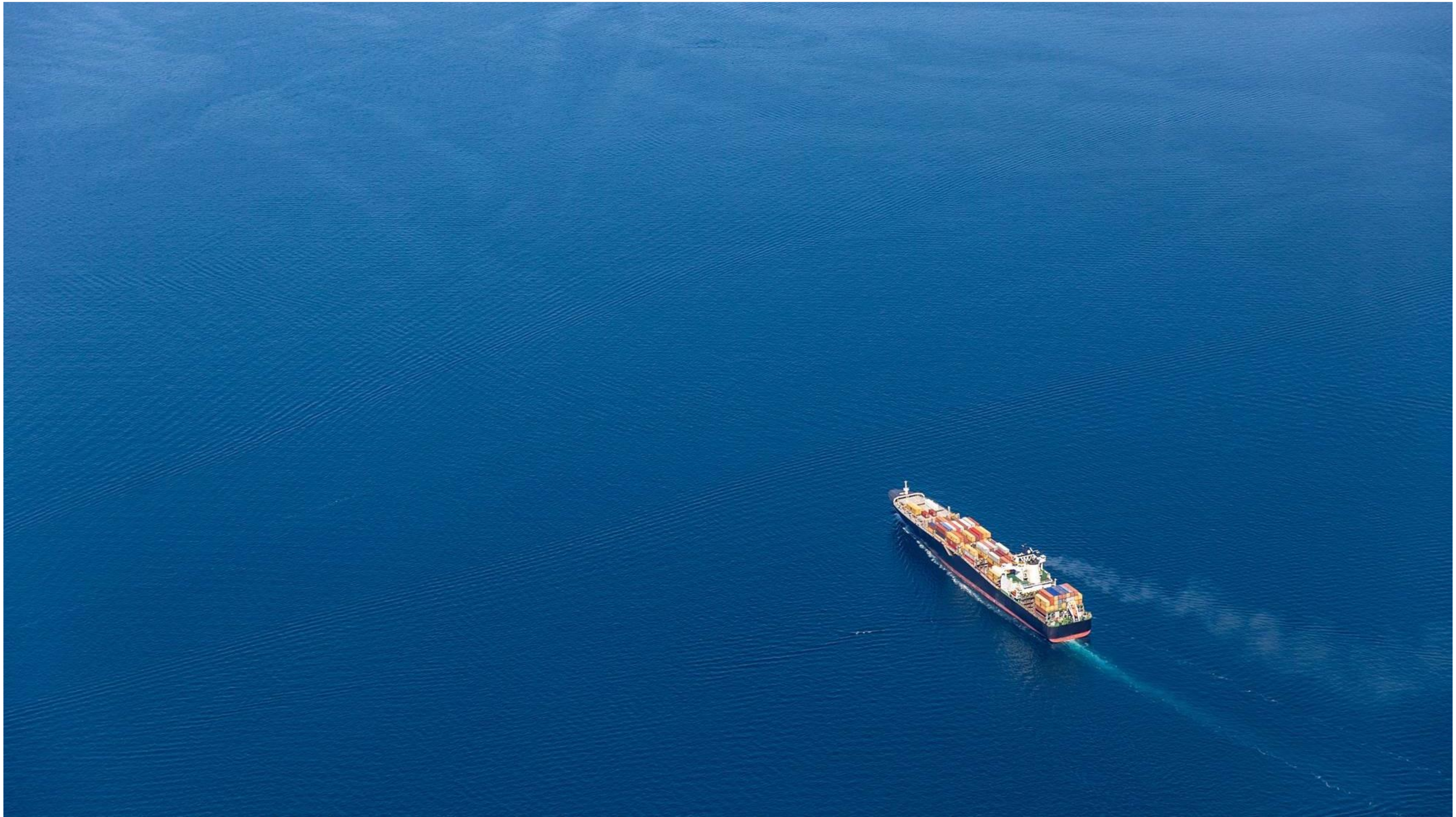
Global congestion is returning to normality



- In the US, congestion remains in check specially in the US West Coast where there is no vessel berthing delays at the 3 main gateways in Southern California and Puget Sound.
- The negotiations in for the workers in Los Angeles / Long Beach are progressing and it seems to be an agreement in manual and automated task to be performed at the port
- It is expected to have a potential agreement by July 1st 2023

Source: Linerlytica (May 2023)

Ocean update

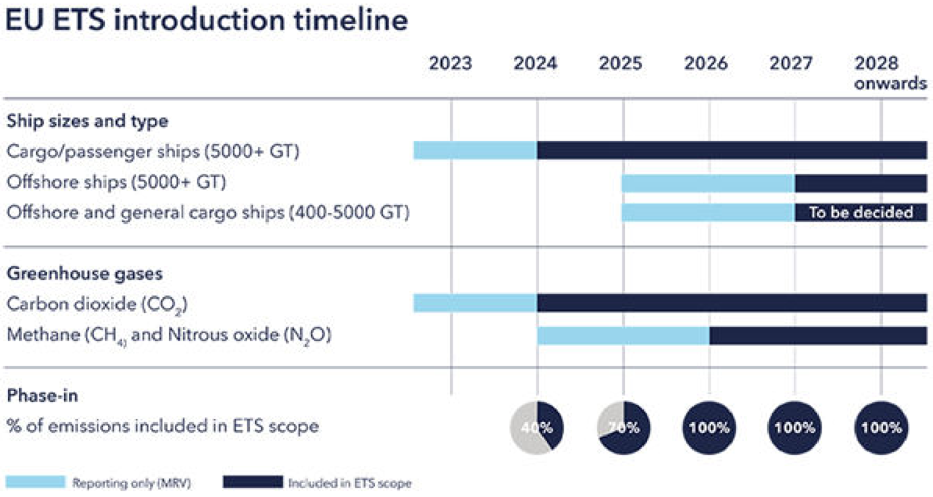


EU Emission Trading System (EU ETS)

- The European Community follows their own / additional plans to reduce CO_2 emissions. The EU Emissions Trading System (ETS) directive will stimulate the shipping industry to reduce greenhouse gas (GHG) emissions in line with the EU's targets. EU ETS uses CO_2 pricing and revenue redistribution to achieve these aims. It is a "cap and trade" mechanism, in which CO_2 allowances are allocated and traded within a certain restricted level.

- Emission trading obligation phasing **In 2024 ocean carriers must purchase certificates for 40% of their emissions** In 2025 ocean carrier must purchase certificates for 70% or their emissions **In 2026 ocean carriers must purchase certificates for 100% of their emissions** Application scope By 2024 all sailings between the EU ports fall under the EU ETS umbrella by 100%. For sailings between an EU port and a third country port, 50% are being considered. Next to CO_2, also other critical greenhouse gases such as methane and laughing gas will be considered in the calculations as well from 2026 onwards.

- **The high-level cost assumption for the cargo owner is in the range of USD 80-100 / TEU (dry containers)** This is only the rough image of potential additional cost and based on current available information. There is no guarantee on future cost structure of the EU ETS costs. The exact quantum and structure need to be validated before the actual implementation timing.



Labour Deal at West Coast Ports Comes Into View

- The sides have been negotiating for almost a year on a contract covering more than 22,000 dockworkers at ports from California to Washington state.
- The International Longshore and Warehouse Union, which represents dockworkers, and the employers' group, the Pacific Maritime Association, declined to comment on the negotiations.
- The union and the PMA reached a tentative agreement on healthcare benefits last July, soon after talks began. The negotiations bogged down over local issues at individual ports after that and the employer group accused the ILWU recently of undertaking job actions that slowed the movement of cargo containers.
- Shipping industry officials say local issues have been resolved and a tentative agreement was reached last month on terms for the use of automation on the docks, one of the most contentious issues at the ports.
- That leaves the issue of wages and pensions. Shipping officials familiar with the talks say the ILWU is likely to expect a pay increase in the first year of the new contract to at least match a deal reached recently with an ILWU local chapter in Hawaii of 10%.

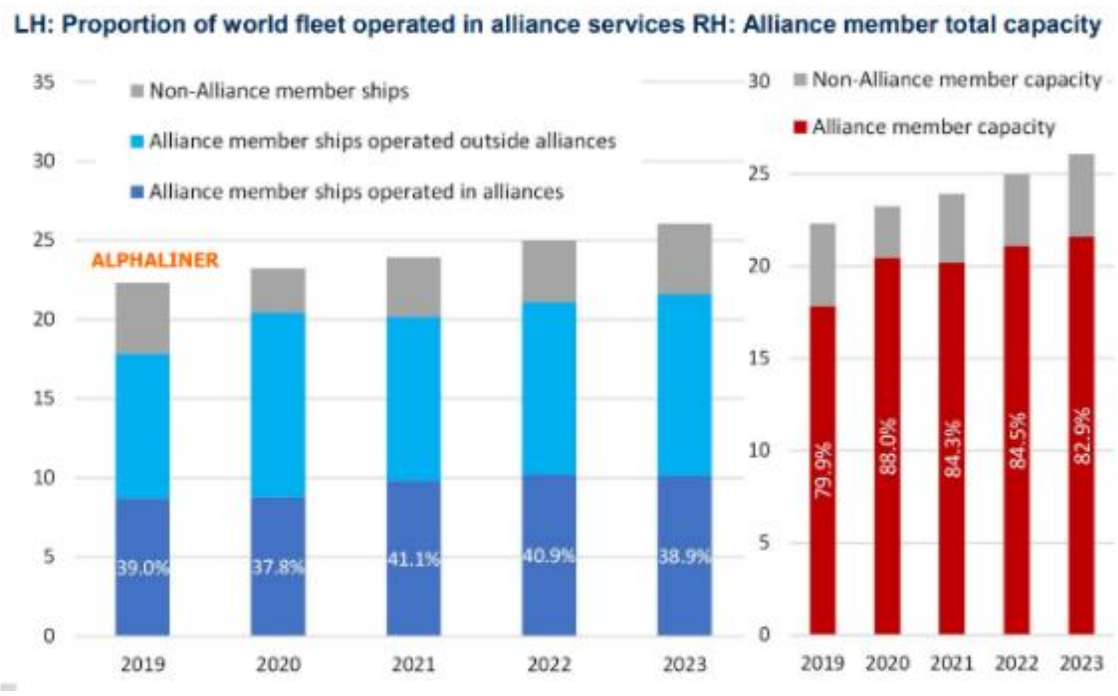
Global capacity operated under alliance services drops to 39%

- The amount of container ship capacity operated under alliance agreements reached a three-year low in January 2023.

- Despite frequent claims the alliances control 80% of the container fleet, an Alphaliner survey shows the nine carriers that form the three major alliances operate the majority of their capacity outside their alliance agreements.The actual amount of capacity operated under ‘alliance services' is equivalent to a steady 38%-41% of the total fleet based on data from the last five years.

- As of 1 January 2023, some 38.9% of container capacity was entered in a service operated in conjunction with alliance partners. By contrast, alliance members (MSC, Maersk, CMA CGM, COSCO Group, Evergreen, ONE, Hapag-Lloyd, HMM, Yang Ming) control total capacity equivalent to nearly 83% of the global fleet but operate most of this independently.

- The higher statistic has frequently been quoted in debates on carriers’ market concentration and the possible termination of vessel sharing agreements.



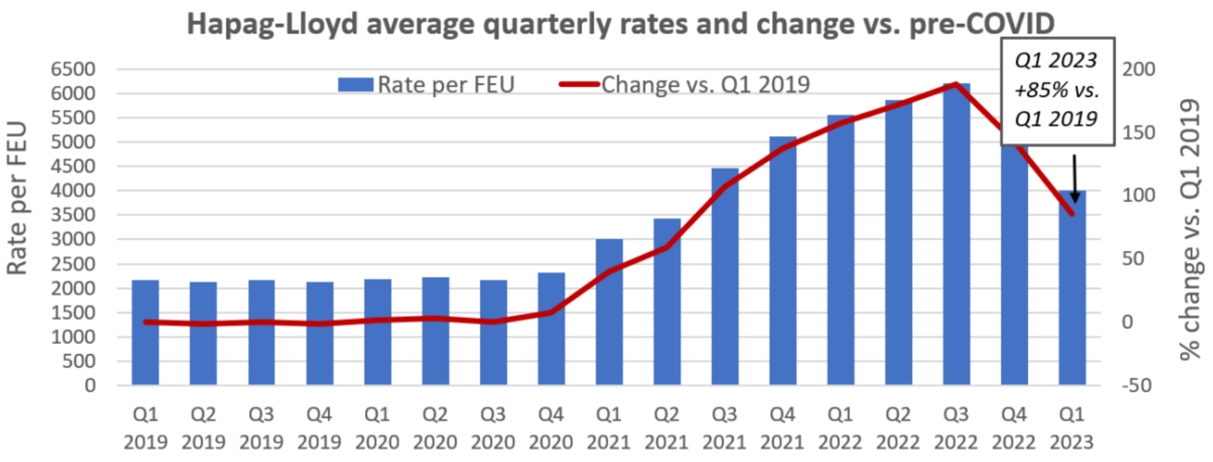
Hapag-Lloyd: Higher costs will inevitably push up shipping rates

- Average rates — including both contract and spot — are set to fall further starting in the second quarter due to renewals of annual trans-Pacific contracts at much lower levels than last year.

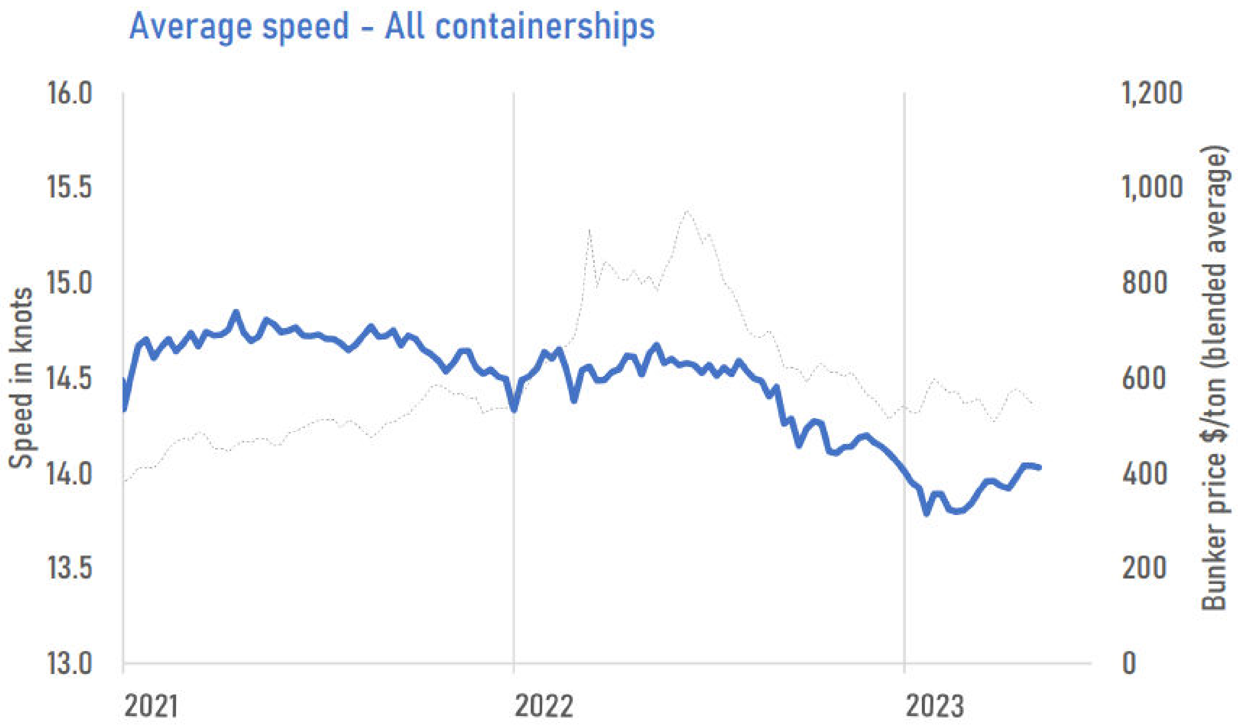
- In the medium and longer term, the big challenge for shipping lines is the orderbook. An unprecedented amount of new capacity is being delivered starting this year and continuing through 2025. “It is a very significant orderbook. There are quite a lot of ships in the pipeline,” said Habben Jansen.

- “If you look back in history, there have only been short periods of time when rates were really far below costs. That is because 65% of the costs of every voyage are variable costs. As soon as the market drops too much, carriers will start taking out costs [by canceling sailings]. Over time, that helps rates go back to a level that is at least at or hopefully slightly better than costs.

- “So, your long-term outlook on rates should be that they will remain 25-30% above what we saw in 2018-19 simply because if they don’t, we would end up with a lot of cash-negative shipments. And with 65% of the costs being variable, we would have to take action to mitigate costs.”

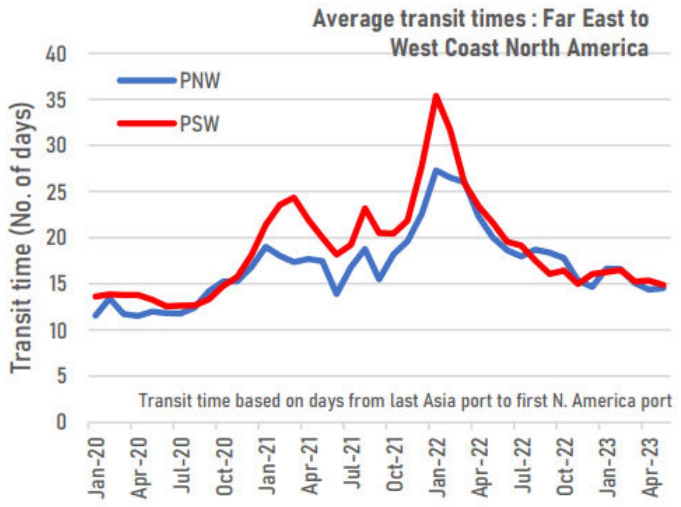


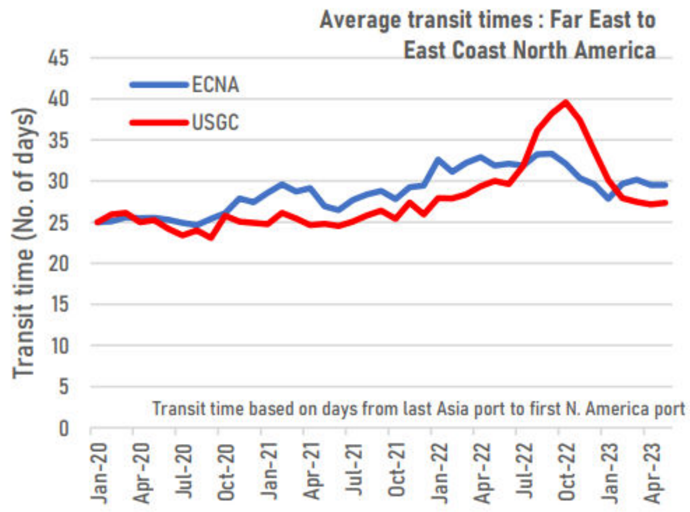
Container speeds have fallen by 5% since last year as carriers implemented slow steaming to cut costs

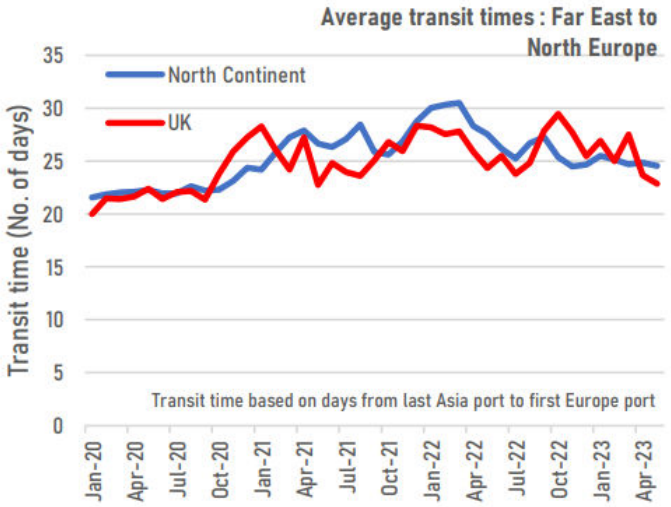


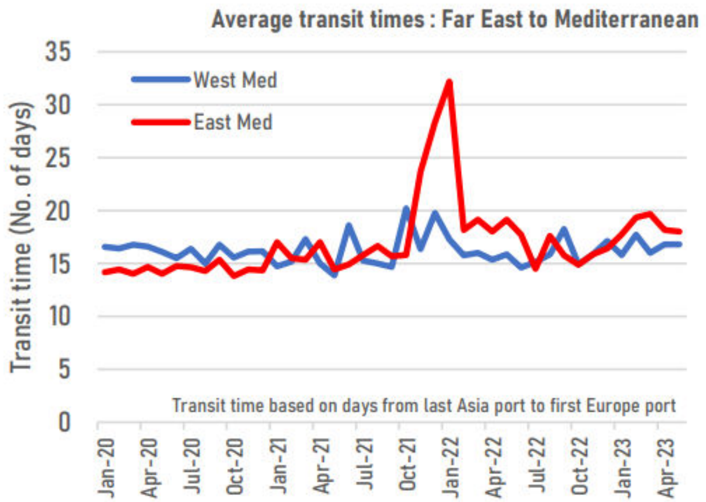
- The speed reduction is more apparent in the largest size segments above 4,000 teu where operating speeds dropped by between 1 to 2 knots compared to just 0.5 knots reduction for ships below 4,000 teu.
- Slow steaming has helped to remove up to 6% of the effective vessel supply globally but the impact has started to reverse as average vessels speeds have picked up again after reaching its lowest level since January this year.

No changes/improvements in transit times



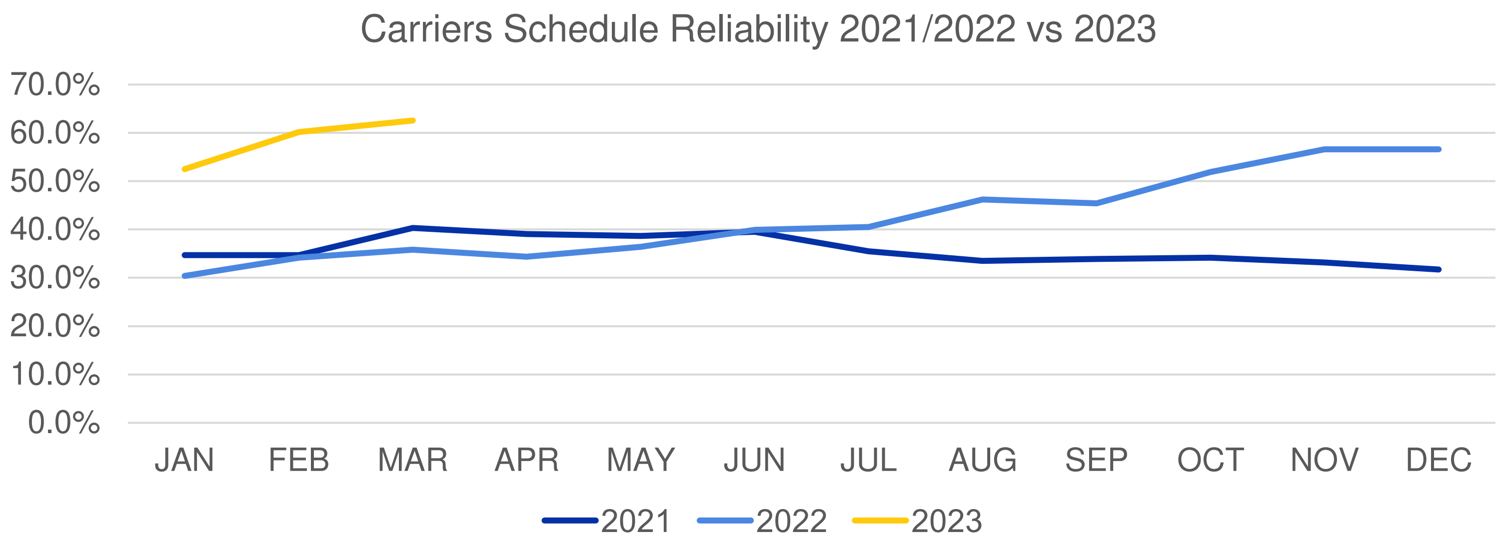


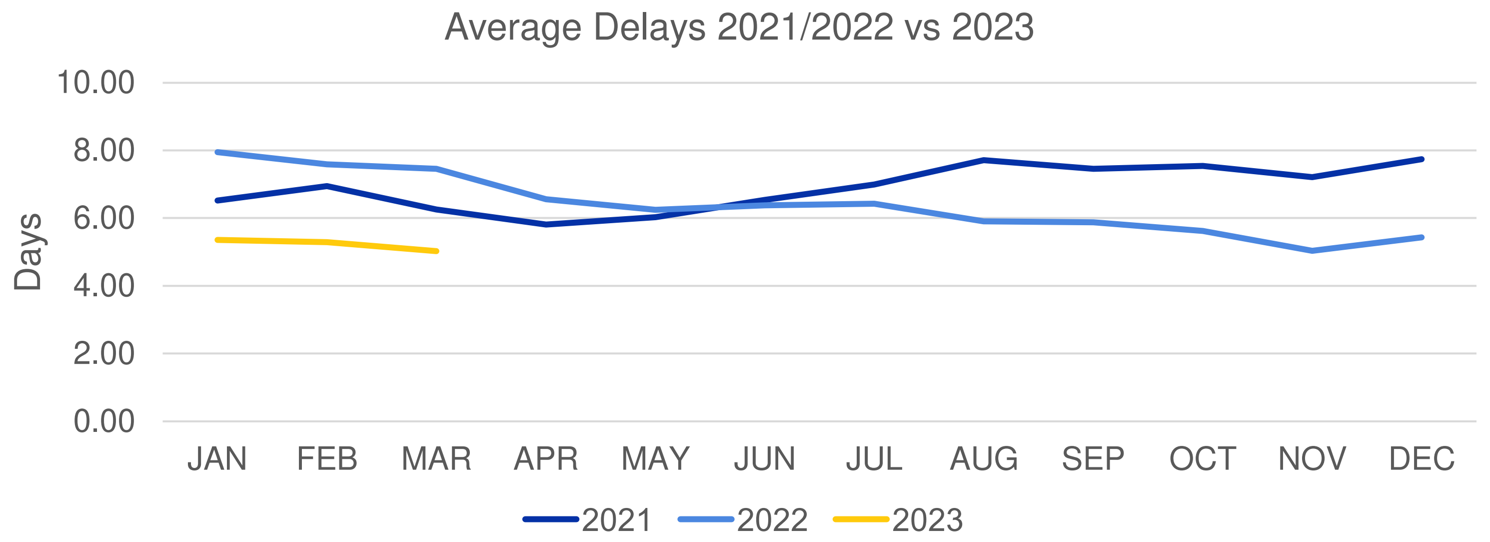




Source: Linerlytica (May 2023)

Global schedule reliability recorded another improvement in March 2023, this time of 2.4 percentage points, reaching 62.6% (near 2020)



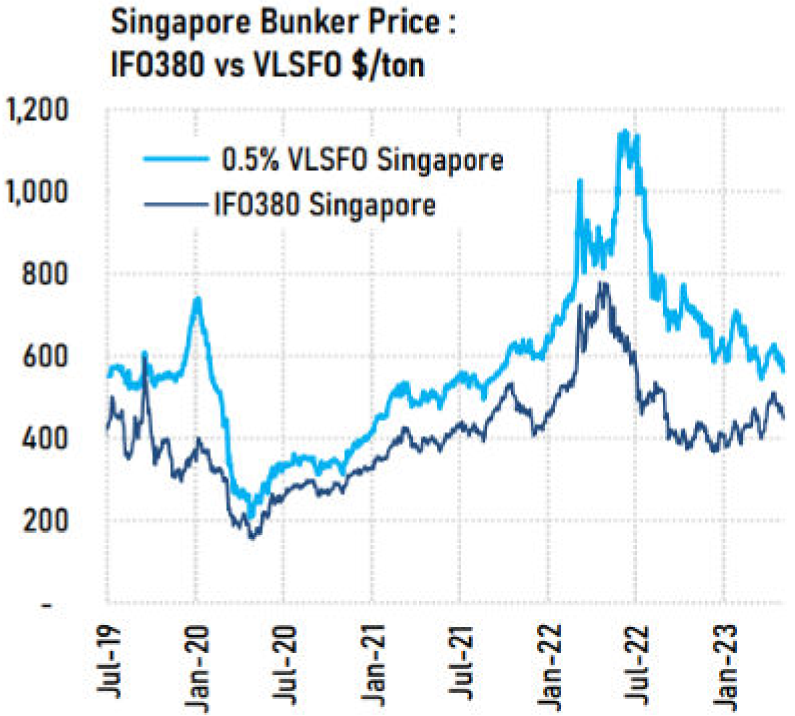


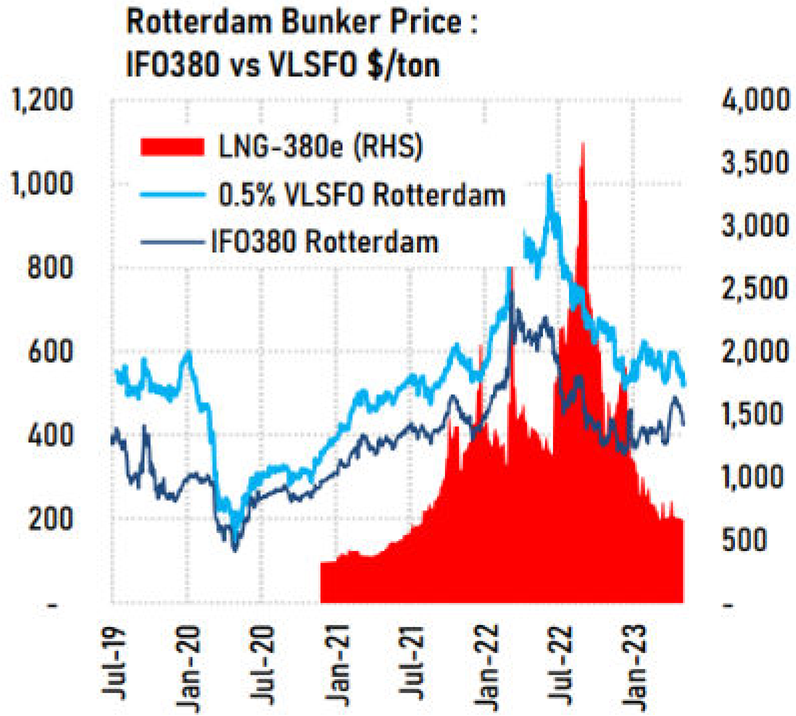
Vessel reliability per tradelane on March:

- Global schedule reliability recorded another M/M increase in March 2023, this time of 2.4 percentage points, reaching 62.6%, and bringing it almost in line with the 2020 figure for the same month. On a Y/Y level, schedule reliability was a staggering 26.8 percentage points higher.
- The average delay for LATE vessel arrivals also continued to decrease, dropping by -0.26 days M/M in March 2023 to 5.03 days. It is now only marginally higher than at the same point in 2020, and a significant -2.41 days lower Y/Y.
- .

Source: Sea-Intelligence Maritime Analysis

The spread between IFO380 and VLSFO is still reducing now at $95 per ton



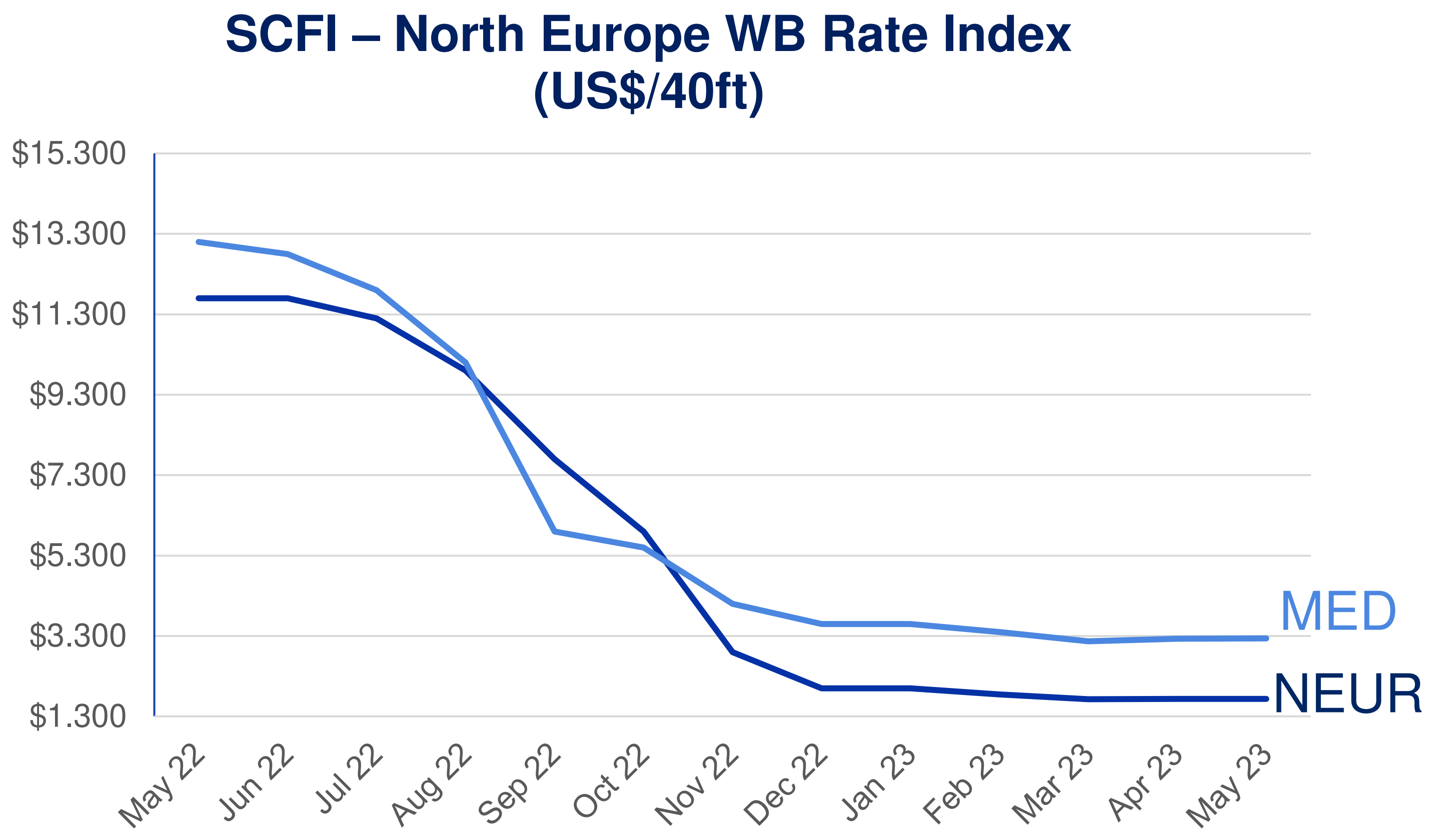


Last week average	VLSFO $/mt	IFO380 $/mt	VLSFO-HSFO spread	LNG-380e $/mt	VLSFO-LNG spread
Rotterdam	533	438	95	656	-123
change vs last week	*-3%*	*-6%*	*8%*	*-2%*	*7%*
change vs last year	*-36%*	*-30%*	*-54%*	*-53%*	*-78%*
Singapore	575	462	113		
change vs last week	*-3%*	*-3%*	*-4%*		
change vs last year	*-32%*	*-38%*	*12%*		

Source: Ship&Bunker - LinerLytica

Ocean Freight Asia - Europe

Rates are stable since the beginning of 2023



Source: SCFI Week 15-2023

It seems that we have reached to an equilibrium and carriers are performing less blank sailings

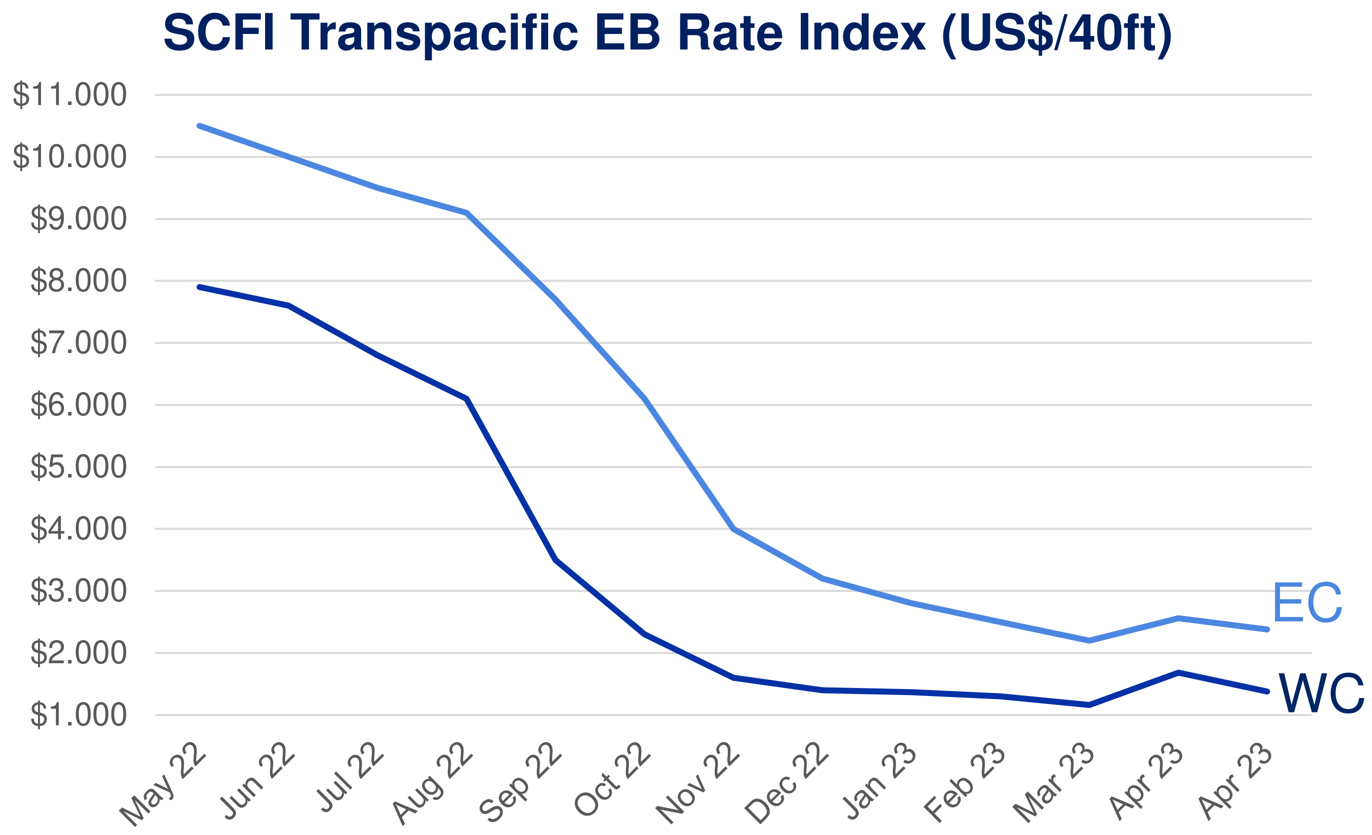
SCFI Levels Week 19-2023:

Shanghai – North Europe: USD 1,740/ FEU
Shanghai – Mediterranean: USD 3,248/ FEU

- Ocean freight rates are back to Pre-Covid levels.
- Rates remain stable without any clear indices to increase or decrease shortly.
- Traditional summer slack is coming which carrier will most likely react with a bunch of new blankings in order to keep rates stable.

Ocean Freight Asia - North America

End of contract season, not succeed with GRI implementation



Source: SCFI Week 15 2023

The market seems to be slowing further and we are seeing some slack to the USWC

SCFI Levels Week 19-2023:

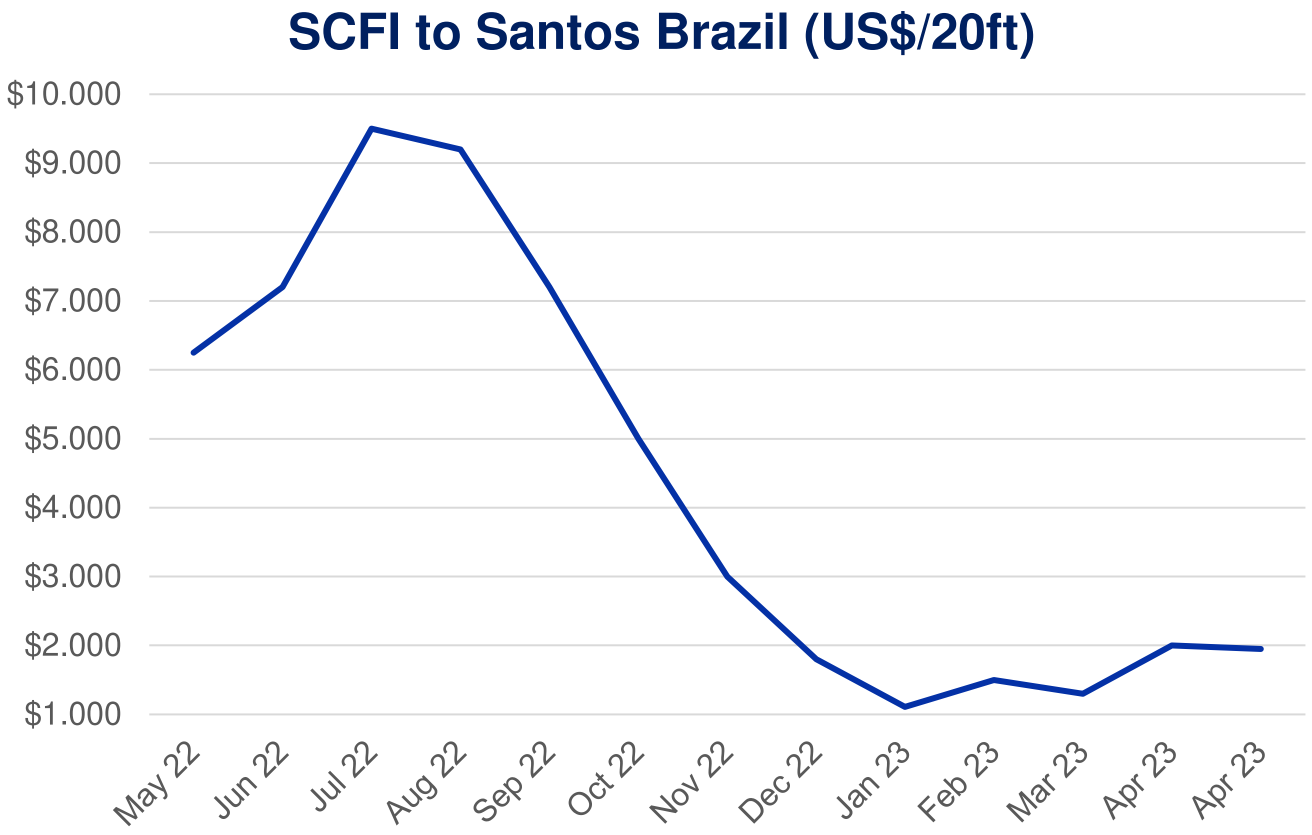
Shanghai – US West Coast: USD 1,385/ FEU
Shanghai – US East Coast: USD 2,381/ FEU

May 1st GRI did not succeed – May 15th GRI not expected to succeed.

Carriers report that not all BCO contracts/tenders are finalized.

Ocean Freight Asia – South America (East Coast)

Carriers implementing blank sailings for east coast south america



Source: SCFI Week 15-2023

SCFI Levels Week 19-2023:

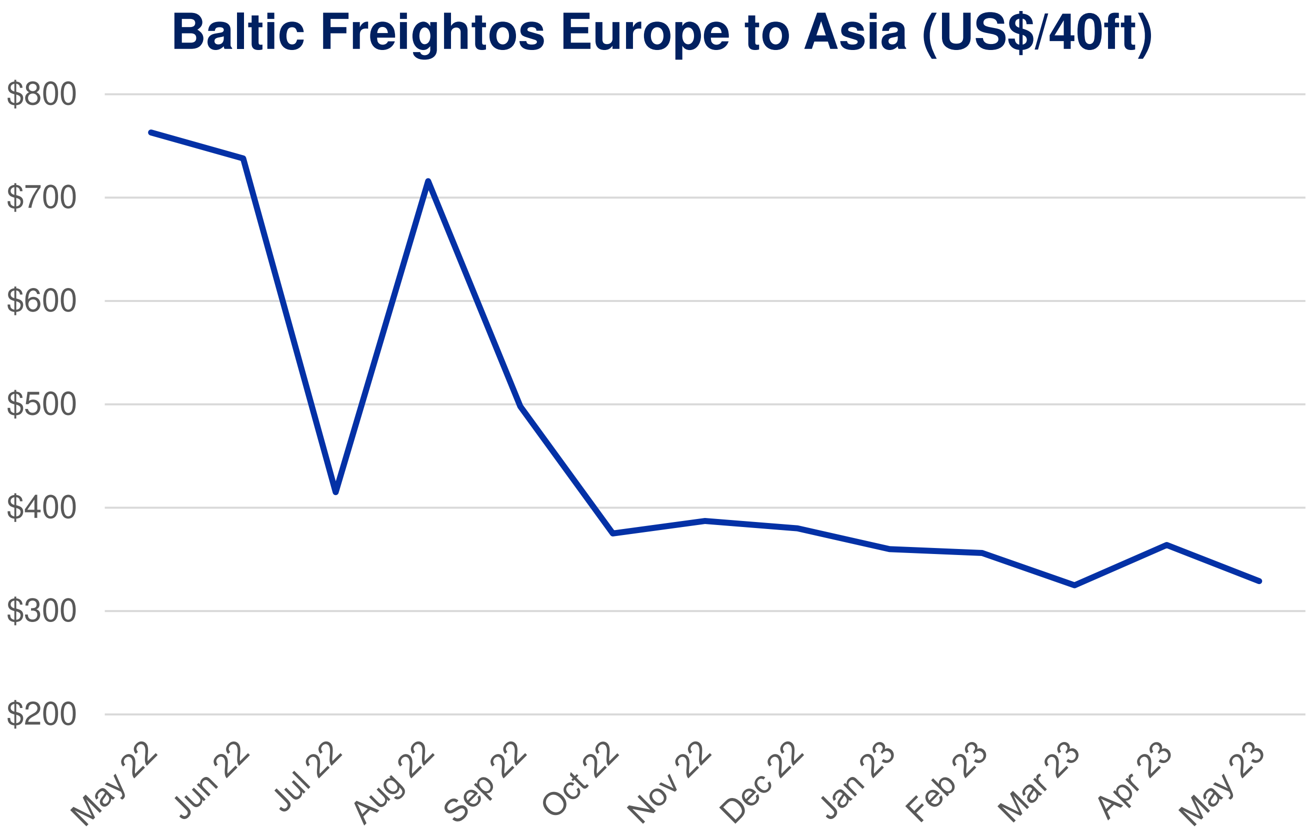
Shanghai – Santos: USD 1,955/ TEU

ECSA: demand is stable but being pushed by blank sailing program during consequent weeks

WCSA: demand is quite stronger with current vessel situation. Carriers start to applying GRI in order to recover the rates and avoid spot negotiation

Ocean Freight Europe – Asia

Rates still at lowest level



Source: Freightos Baltic Week 15-2023

Freightos Baltic (FBX12) index Levels 19-2023:

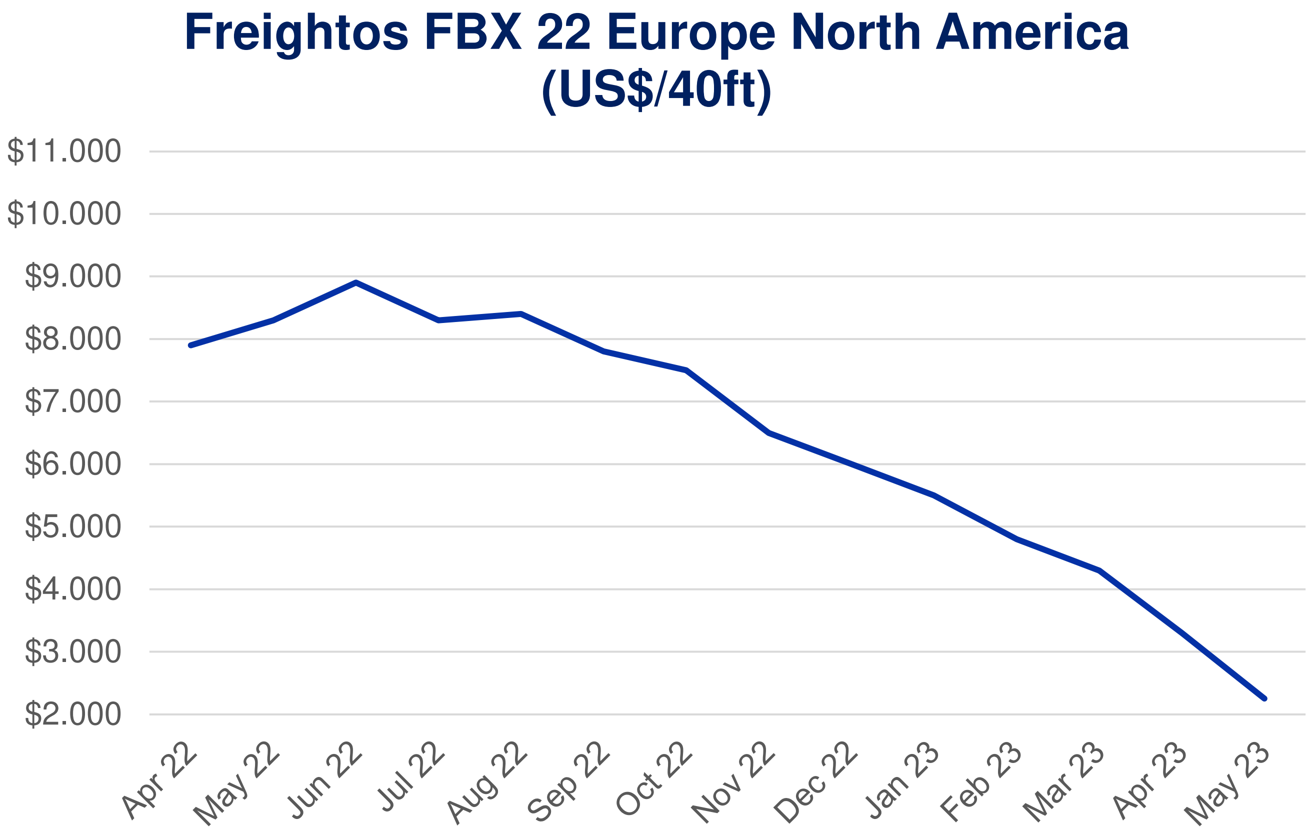
- Europe to ASIA : USD 329/ FEU

Ongoing softening in the spot market

- Sufficient space available on the majority of loops
- Ongoing operational challenges due to port congestion, vessel delays and equipment availability problems
- Rates have stabilized at low level, and we had a small increase in the last month.

Ocean Freight Europe – North America

Vessel utilization is falling



Source: Freightos Baltic W15-2023

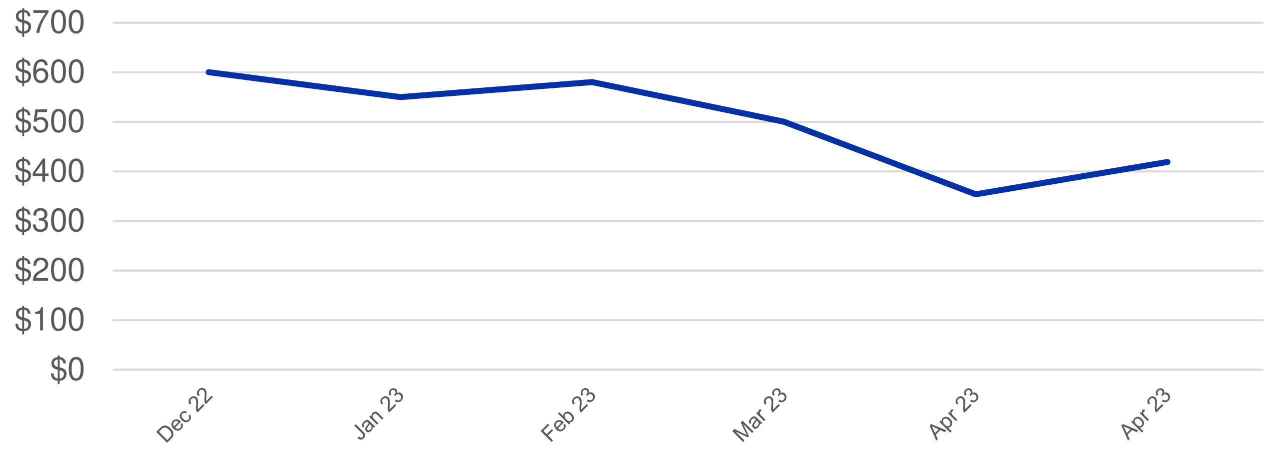
Freightos Baltic index (FBX22) Levels Week 15-2023:

- Rotterdam – New York: USD 2,225/ FEU
- Rates have reached levels close to pre-covid-times, which is for the majority of carriers not cost covering anymore. Stabilization of rate levels is expected soon.
- Although capacity and reliability has improved, volume forecast remain necessary with bookings to be placed 2-4 weeks in advance

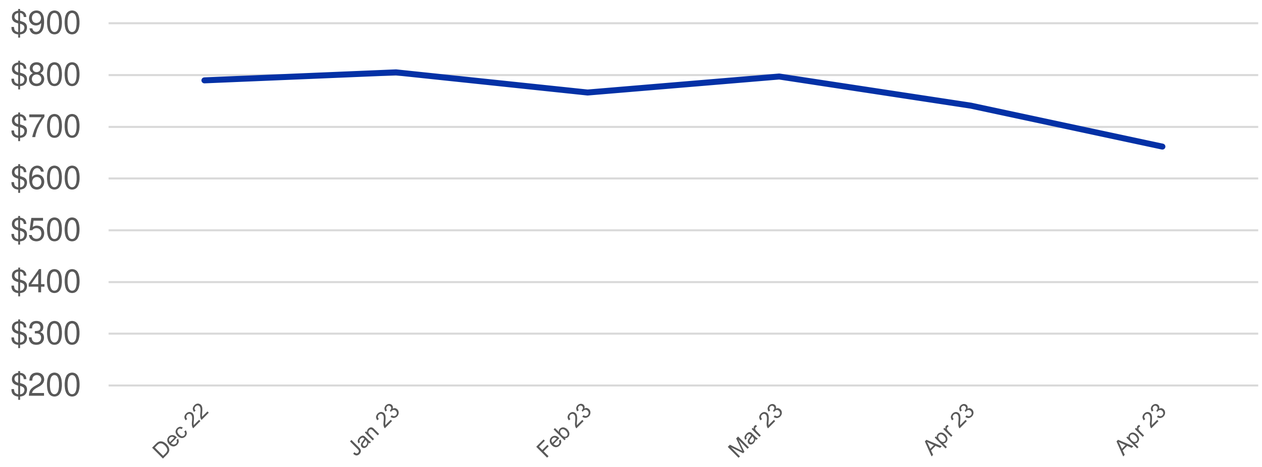
US outbound lanes

Vessel utilization is falling, terminals are still handling over capacity of empty containers

Freightos FBX 21 North America to Europe (US$/40ft)



Freightos FBX 02 North America to China (US$/40ft)



Freightos Baltic index (FBX21) Levels Week 19-2023:

- New York - Rotterdam: USD 419/ FEU

- Demand has seen a slight increase, mainly from the Gulf region
- PNW ports still a challenge for the TAEB trade, CMA-CGM service is routed over HOU, providing alternative to the all water service of MSC and ONE.
- Demand from US Gulf to NEUR remains strong. Carriers reporting full vessels on this routing.
- Demand has stabilized on USEC to NEUR/MED services and with the market being a little flat, carriers strategically looking for more support based on the load ports.
- Reefers in high demand.

Freightos Baltic index (FBX02) Levels Week 19-2023:

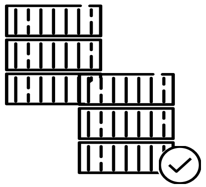
- Los Angeles - Shanghai: USD 662/ FEU

- Long term, demand will be stabilized, however, still driven by the fluctuations in the global economy as well as changes in customers sourcing strategies.

Source: Freightos Baltic W15-2023

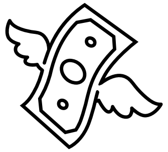
Intra Asia

Demand



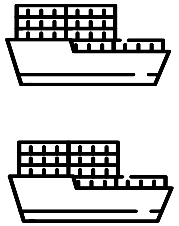
- Service reliability is improving for the intra regional trades.
- Utilization is trending upwards as carriers are fitting the capacity better to the demand output which is resulting in increasing freight levels on various corridors.
- Capacity variation due to service disruption week over week as the charter market remains hot and the carriers are struggling to get access to vessel between 1-2000 Teu which is the preferred intra-asia vessel sizes.
- with no overstocking nor shortage to report on.

Rate



- The market is set to increase as more and more cargo is contracted long term to be protected in the historical summer peak.
- Outbound CN – VN/JP/KR rates are increasing whereas we are seeing the traffics from SEA – China is remaining stable.
- We recommend customers to contract their cargo long term to avoid being caught in the market once the peak is here and the carriers will increase the rate levels as a result of the supply/demand challenges we will see in every peak.

Supply



- Capacity remains fully open and there is only space constraints into specific ports in Korea, Japan and Bangladesh as well as selected vessels into Thailand. The feeder space for inland ports in China is as well fully back and open.
- We don't see the same pace of new service launches in the Intra-Asia market any linger.
- There is s shortage of 20DC's in Ningbo as the only place where we are seeing a equipment challenge.

Ocean freight market overview – Rates have stabilized

TRADE LANE	COMMENTS	RATES AND SPACE
ASIA to Europe	• Rates are stable at the moment • We can expect a seasonal ”summer jump” for a later decrease • M2 has announced slow steaming with +3 days North Europe and +2 days mediterranean	→
ASIA to NAM	• Rates are stable • Carriers failed to push GRI • Still waiting for the end of “contract season”	→
Europe to NAM	• Less congestion in both North American and European ports affects service • There is space available are rates are normalizing pre-covid • Demand has normalized	↓
Exports from India	• Space is open • Shipping lines are opening long term contrat rates to negotiate • Ports, terminals and ICD continue to work normally	↓
ASIA to LATAM	• Flexibility to place booking • Cargo to West Coast is strong while East Coast carrier implementing black sailings • Equipment is available	→
INTRA ASIA	• Port congestion improving in some south Asian ports • New bunker level. • We see a potential increase on rate	→

Demand Market Outlook

Q2 outlook

- Demand Air Cargo remains sluggish
- CLI is levelling off – first signs of recovery April/May
- PMI continues back in a decline
- Export demand APAC very volatile
- Inventory levels still high but indications of restocking

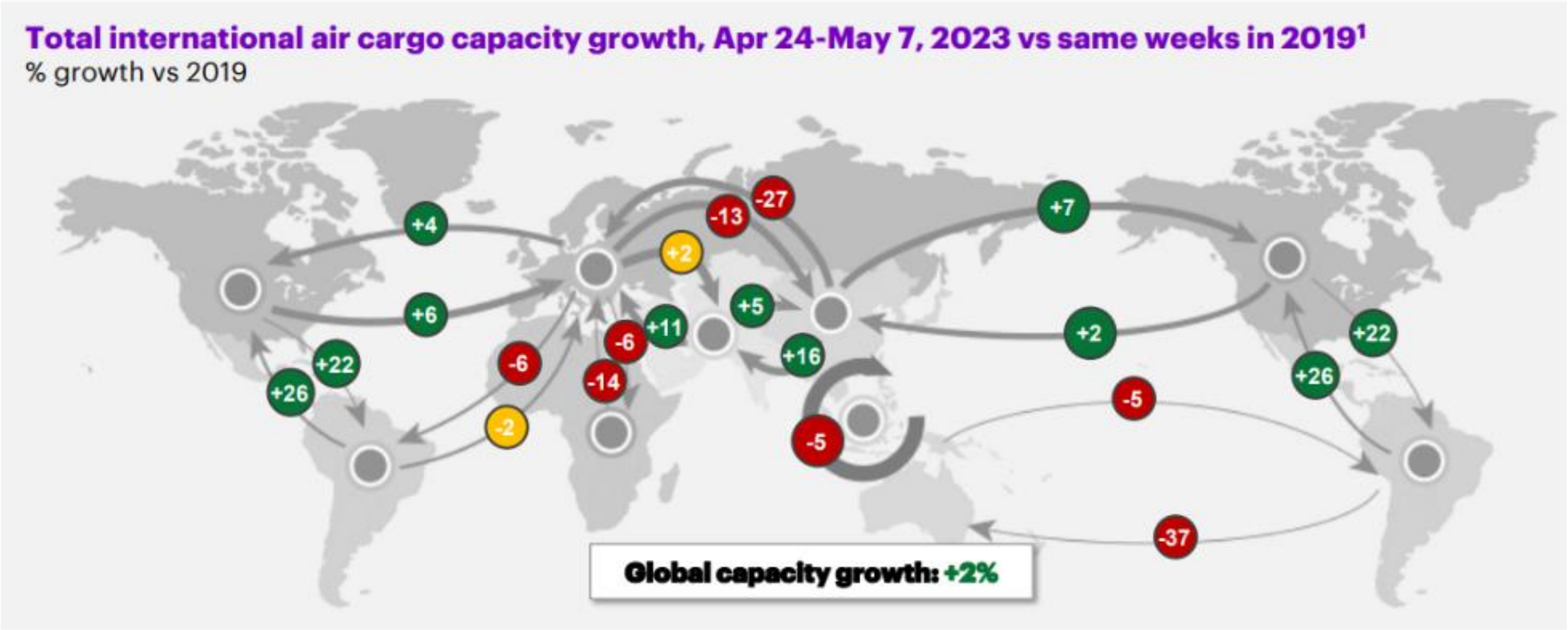
H2-2023 and what to expect beyond

- Demand to pick-up later in the year with a potential ‘’modest’’ Peak Season
- Production shift to Southeast Asia, Mexico and Eastern Europe to continue
- Investments in electrification of Automotive industry and Semicon will create pockets of increased demand for Air Cargo

Conclusion

The bottom of the Covid ‘’bullwhip’’ has been met and new norm shaping in 2023

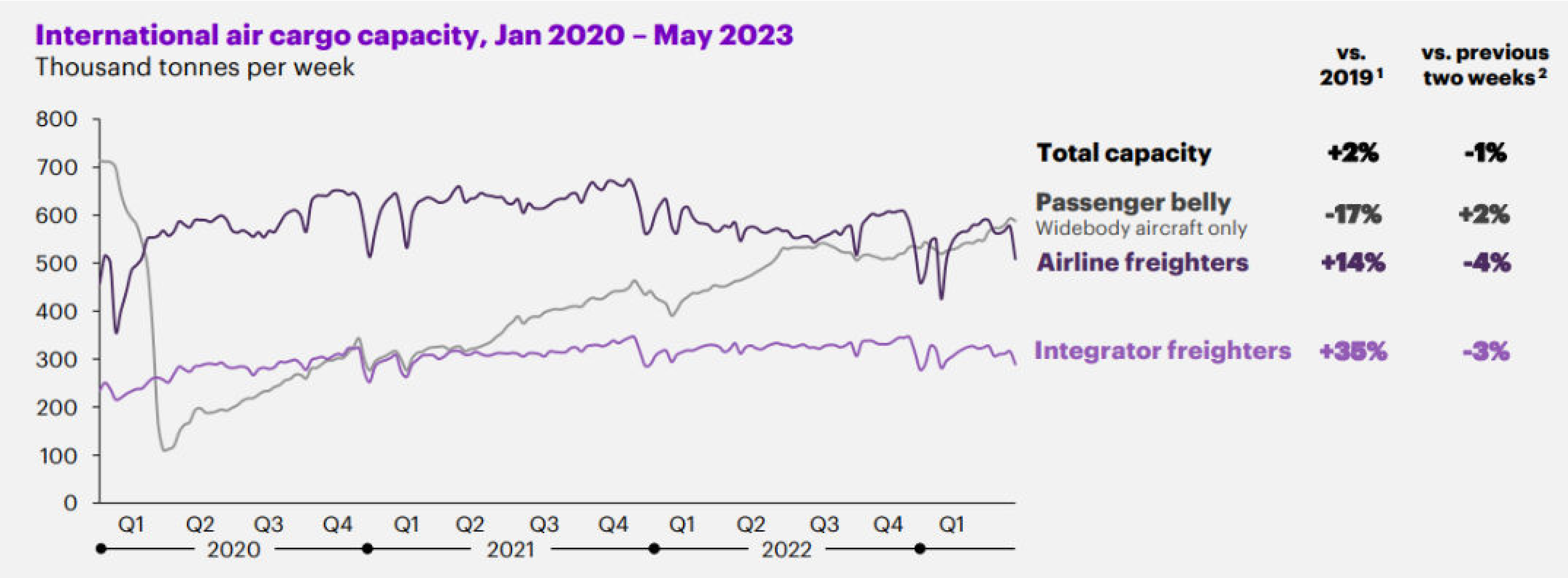
Global international air cargo capacity was up +2% (vs. 2019) between Apr 24-May 7, 2023



Both Transatlantic and Transpacific air cargo capacity are up on 2019
levels by low single digits

Source: Accenture

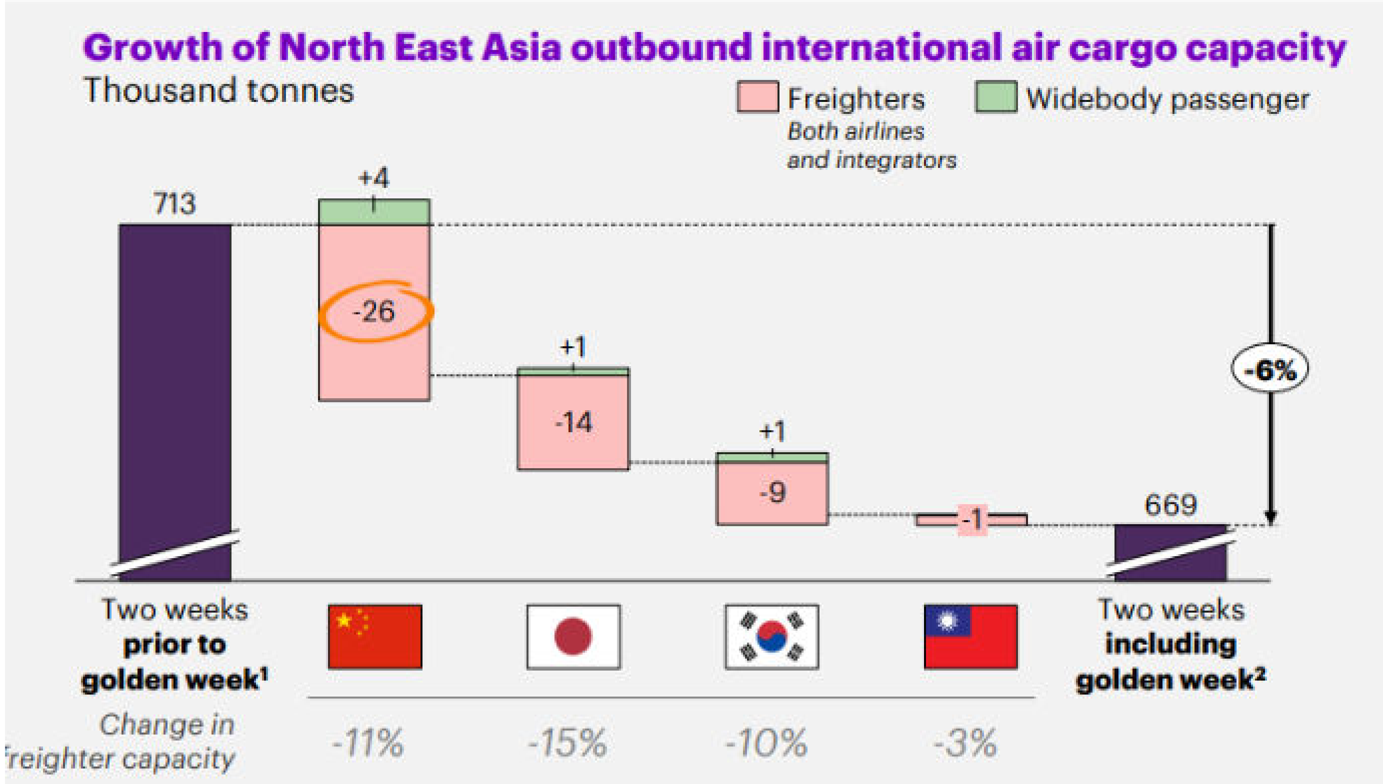
Global air cargo capacity decreased -1% over the last two weeks, solely caused by freighter declines



Airline freighter capacity shows significant decrease during China's Golden Week but is expected to rebound in coming weeks

Source: Accenture

Golden Week celebrations in China and Japan have caused a reduction in freighter capacity



Fully booked! China braces for record May Day holiday rush

By Sophie Yu & Brenda Goh
April 28, 2023

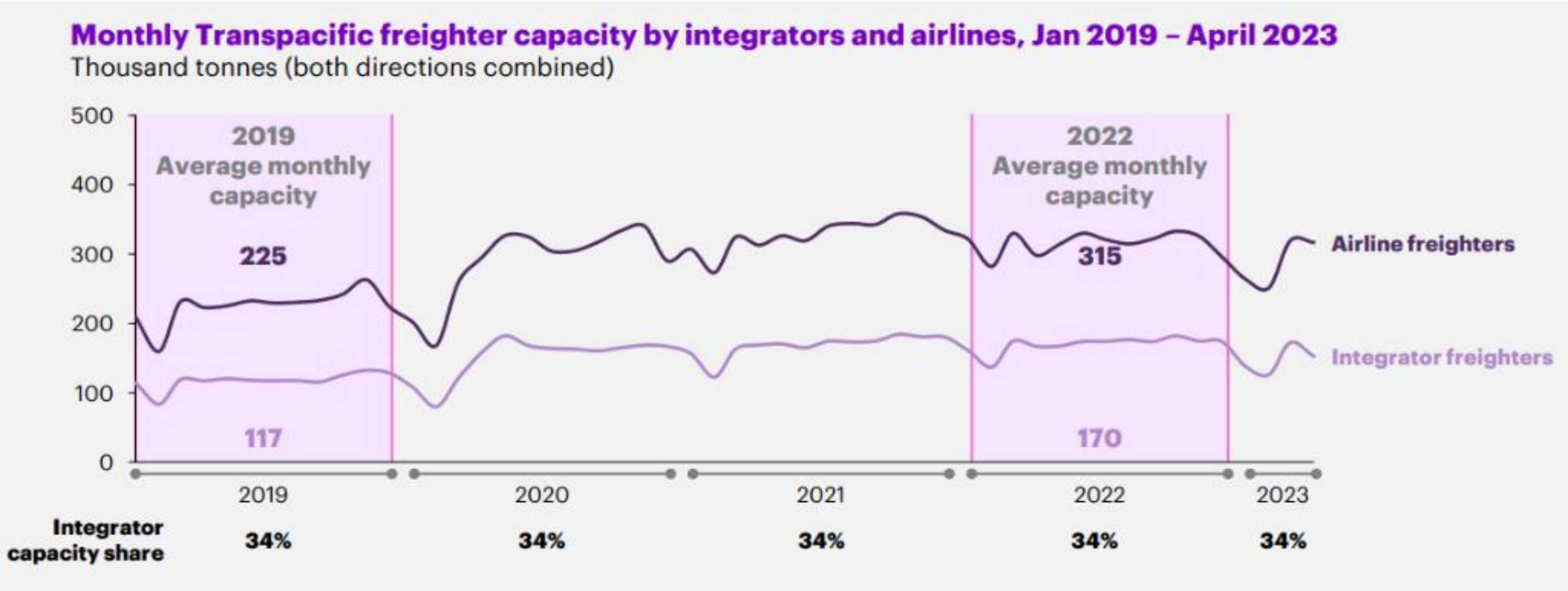
REUTERS

Outbound travel for the holiday continues to remain constrained, in part due to a shortage of international flights

In contrast, widebody belly capacity has not increased significantly over the holidays

Source: Accenture

Freighter capacity composition on the Transpacific in the wake of COVID-19 has remained unchanged



Growth of airline and integrator freighter capacity on the Transpacific has been largely synchronous

Source: Seabury

Air freight market overview

South Asia, demand is increasing and we start to see full planes

TRADE LANE	COMMENTS	RATES AND SPACE
Exports from China / Hong Kong	• US market persists and again e-comm owns the spotlight,.There is stable demand to Europe where we see recovery of volumes	→
South East Asia	• Space is open but stable both volume and prices, we expect some pick ups with product launches where e-commerce is also dominating the space	→
Exports from India/Bangladesh	• Demand is low and supply is increasing • Capacity is recovering	↓
Export from Europe	• The market continues to soften in both directions with demand continuing to decline. • A large amount of capacity will be added for the summer schedule by US and Europe airlines, and volumes and rates are both expected to rebound in Q3 with demand picking back up, driven by product launches	↓
Exports from NAM	• Export demand remains steady from all markets.US airports are running at a normal pace. Capacity is opening up further, especially into Europe	↓

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