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OCEAN FREIGHT

CORONAVIRUS IMPACTS

EXECUTIVE SUMMARY

The Coronavirus outbreak in China has created a series of impacts that are severely disrupting Chinese trade-lanes and several other international ocean routes.

A complete stop on manufacturing in China, from 3 - 15 February, has hindered recovery in output and impacted the handling of cargo/goods at ports, Container Freight Stations (CFS) and trucking operations which has led to:

- Ocean carriers voiding a substantial number of sailings and idled ships in various areas around Asia
- Container (and vessel) shortage at European and USA origin ports due to lack of return flows
- Delayed shipments into China due to the closure period resulting in increased bookings as of 24 February compounded by the equipment and vessel shortages

In the next few weeks, we expect a severe shortage of capacity and equipment flows towards China resulting in delays to ship schedules and in increased pricing. The restoration of cargo flows out of China will depend highly on the speed of manufacturing recovery and the phasing back-in of capacity by carriers. The peak of difficulties should be witnessed over the second half of March.

Other areas which are adversely affected include: the flows in and out of other ports in Asia because of the China driven blank sailings and shipments to and from India and Australia due to lack of transshipment capacities.

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CONTEXT

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Ocean carriers are drastically reducing the number of vessels as a measure to mitigate the impact of very weak demand for containerized goods out of China. Ships calls at major Chinese ports have been reduced by 20%.

The impact goes beyond China in terms of market disruption as more and more vessels are idling in quarantined zones.

The number of vessels are reduced in and out of China and consequently into Hong Kong, India, USA, Canada, Australia, Europe and West Africa until mid March.

PORT AND EQUIPMENT SITUATION

Ports in China remain open and handling cargo and operating with skeleton crew, except in Wuhan.

Ports are suffering from container surplus as a consequence of discharging vessels, but containers not being picked up for re-export.

Backlogs and congestion are expected and it should take 6 to 8 weeks to be back to normal operation.

Shipyard activities for vessels retrofitting have been mostly stopped and minimum of three weeks delays are expected.

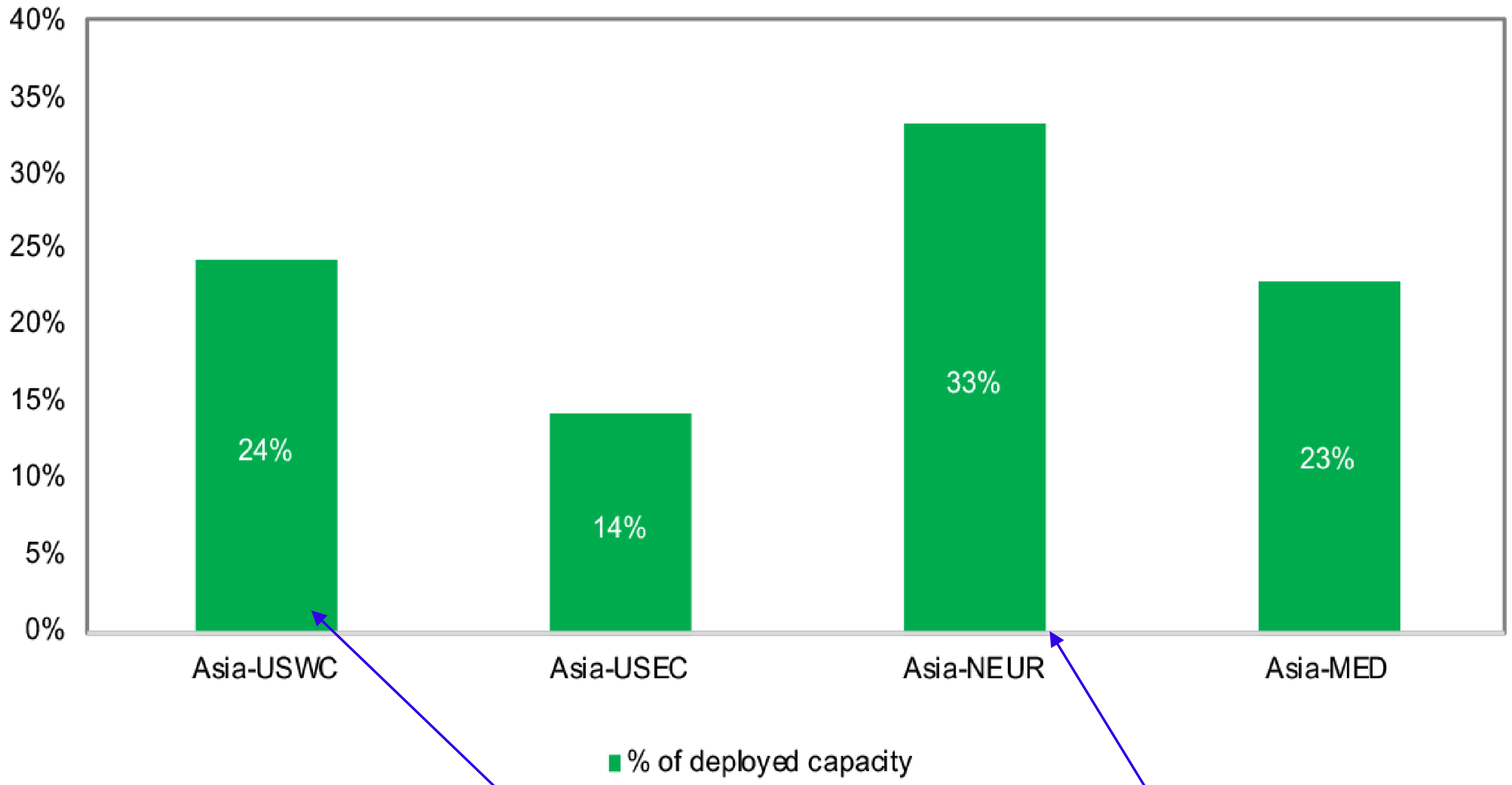
LEADTIME

The closure of manufacturing plants, the blank sailing programs, quarantine measures and potential backlogs will impact supply chain leadtimes and cause:

- Slowdown of operations
- Trucker shortages
- Equipment shortage, exacerbating by blank sailings
- Vessels not calling in South Korea.

Blank Sailing

Percentage of vessel capacity removed via blank sailings by trade, Jan. 26-March.



Source: Source - Sea Intelligence Feb 23, 2020

82 Blank Sailings on Transpacific

34 Blank Sailings on Asia – Europe Lanes

Global Equipment Supply

With an increased number of blanks sailings and containers mounting up in ports, terminals or factories, the global equipment supply suffers significantly with low cycling as well as poor utilization and reduced repositioning.

European and North American exports are impacted severely, as empty containers are not shipped back from Asia.

Container factories are also not operating at full capacity in China due to lack of raw materials being supplied. According to IHS, production delays are expected to last until July.

On the Europe Eastbound Trade, **most ocean carriers have announced a premium** to get access to standard equipment from March until further notice.

The reefer container market is similarly seriously impacted in Europe on the back haul to Asia, and premiums to get access to specialized containers are now beeing implemented in the market.

High reefer and **China port congestion surcharges on reefer equipment** are being imposed as reefer plugs at terminals in China are at full capacity.

Disruptions of reefer equipment is not limited to China, and affecting **Europe and North America heavily.**

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Situations Across Asia-Pacific

SOUTH KOREA

Berth capacity at the main ports of Busan and Icheon is reduced by 25-30% because of blank sailings. Factory closures due to lack of parts and quanratine measures will reduce production output considerably.

INDIA

Export containers from Colombo are currentlly not being shipped. Equipment shortage of 20’ containers at Nhava-Sheva is imminent

CHINA

Inland transportation services are still restricted in some provinces and cities, which affect the pick up and delivery to ocean terminals.

High Reefer Surcharges are implemented.

AUSTRALIA

Blanks sailing from North Asia to Australia are progressively extended and may affect Australia exporters as well on the back haul to China.

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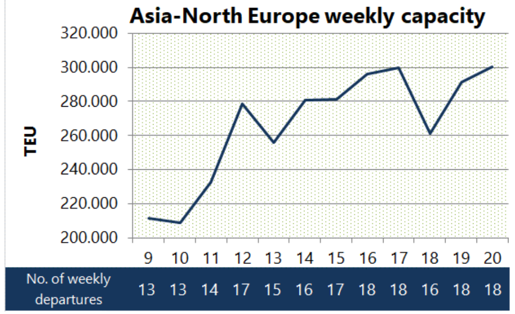
Capacity Outlook to Week 20

Asia to Europe North Continent

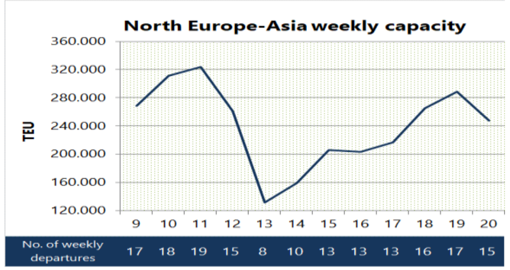


Weekly capacity in numbers (1.000 TEU)

Week	9	10	11	12	13	14	15	16	17	18	19	20
Total weekly capacity	211,2	208,6	232,6	278,7	255,7	281,0	281,5	296,1	299,9	261,2	291,6	300,1
Week-on-week change (%)	49,2%	-1,3%	11,5%	19,8%	-8,2%	9,9%	0,2%	5,2%	1,3%	-12,9%	11,6%	2,9%
Year-on-year change (%)	-14,6%	-26,9%	-13,3%	6,8%	-5,0%	-1,0%	0,6%	0,7%	5,8%	0,5%	16,7%	11,5%
2M	76,8	63,8	79,2	106,0	103,6	111,7	102,2	100,0	106,0	107,2	95,7	104,3
Ocean Alliance	77,3	92,7	111,0	121,0	110,0	111,4	107,5	124,5	122,6	82,1	123,4	123,8
THE Alliance	57,2	52,1	42,4	51,7	42,1	57,9	71,8	71,6	71,3	71,9	72,5	72,0

Asia to Europe NC capacity will recover slightly as of mid March and until week 17. 12.9% of capacity will be cut during week 18.

Europe to Asia



Weekly capacity in numbers (1.000 TEU)

Week	9	10	11	12	13	14	15	16	17	18	19	20
Total weekly capacity	268,7	310,9	323,3	261,3	131,7	159,4	206,0	203,8	216,8	265,0	288,5	247,9
Week-on-week change (%)	-18,3%	15,7%	4,0%	-19,2%	-49,6%	21,1%	29,2%	-1,1%	6,4%	22,2%	8,9%	-14,1%
Year-on-year change (%)	-2,1%	12,4%	19,8%	11,3%	-42,4%	-48,8%	-21,8%	-29,6%	-18,8%	-4,0%	4,8%	-12,8%
2M	98,7	84,0	69,3	99,8	68,0	70,3	78,0	76,7	65,0	104,2	110,6	90,9
Ocean Alliance	119,7	134,7	166,9	90,8	35,3	51,7	71,0	75,4	109,0	123,9	121,3	99,5
THE Alliance	50,3	92,2	87,1	70,7	28,4	37,4	57,0	51,7	42,8	36,8	56,6	57,6

On the backhaul, capacity is drastically reduced as of week 13 (-42%).

Source : SeaIntelligence

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Thank you for your attention!