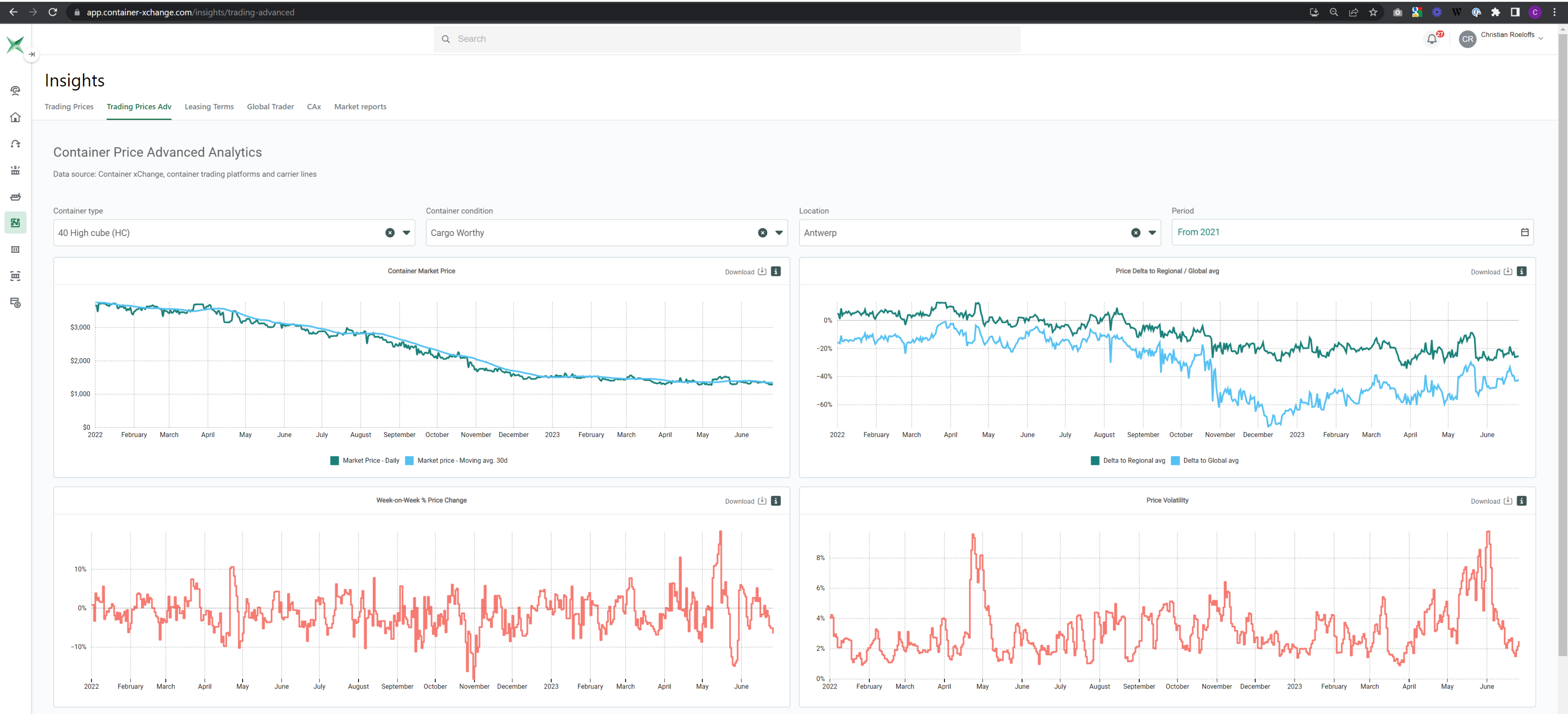
Connecting
Global
Container Logistics

xChange

Container xChange: Shipping trends with a focus on Europe

Intermodal Shanghai, July 2023

EU container prices down>50% from peak, now also 20-40% below global avg.

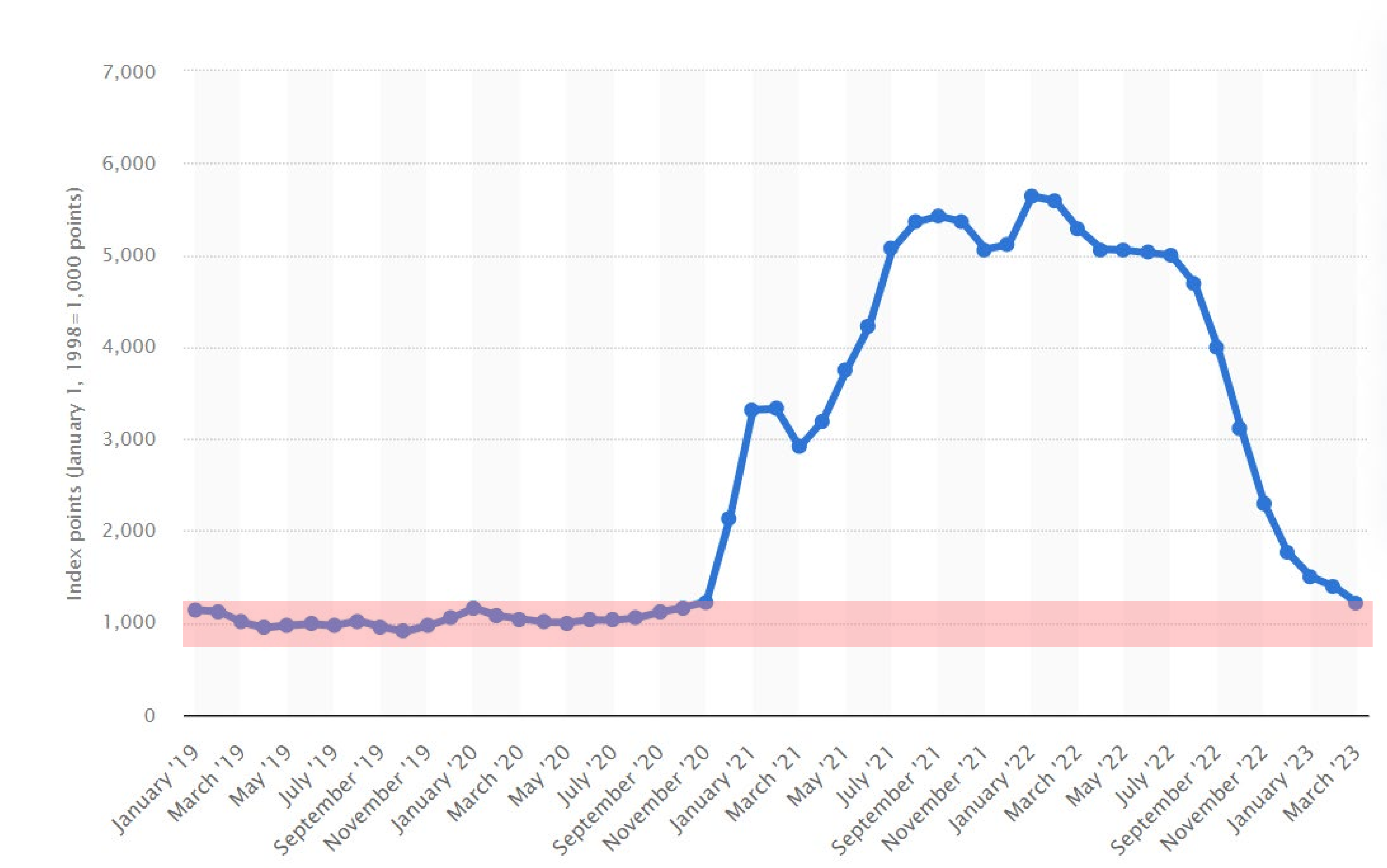


Source: xChange

Freight rates ex Asia into Europe have collapsed in line with the overall market

FE-Europe freight rates now back on the level of 2019

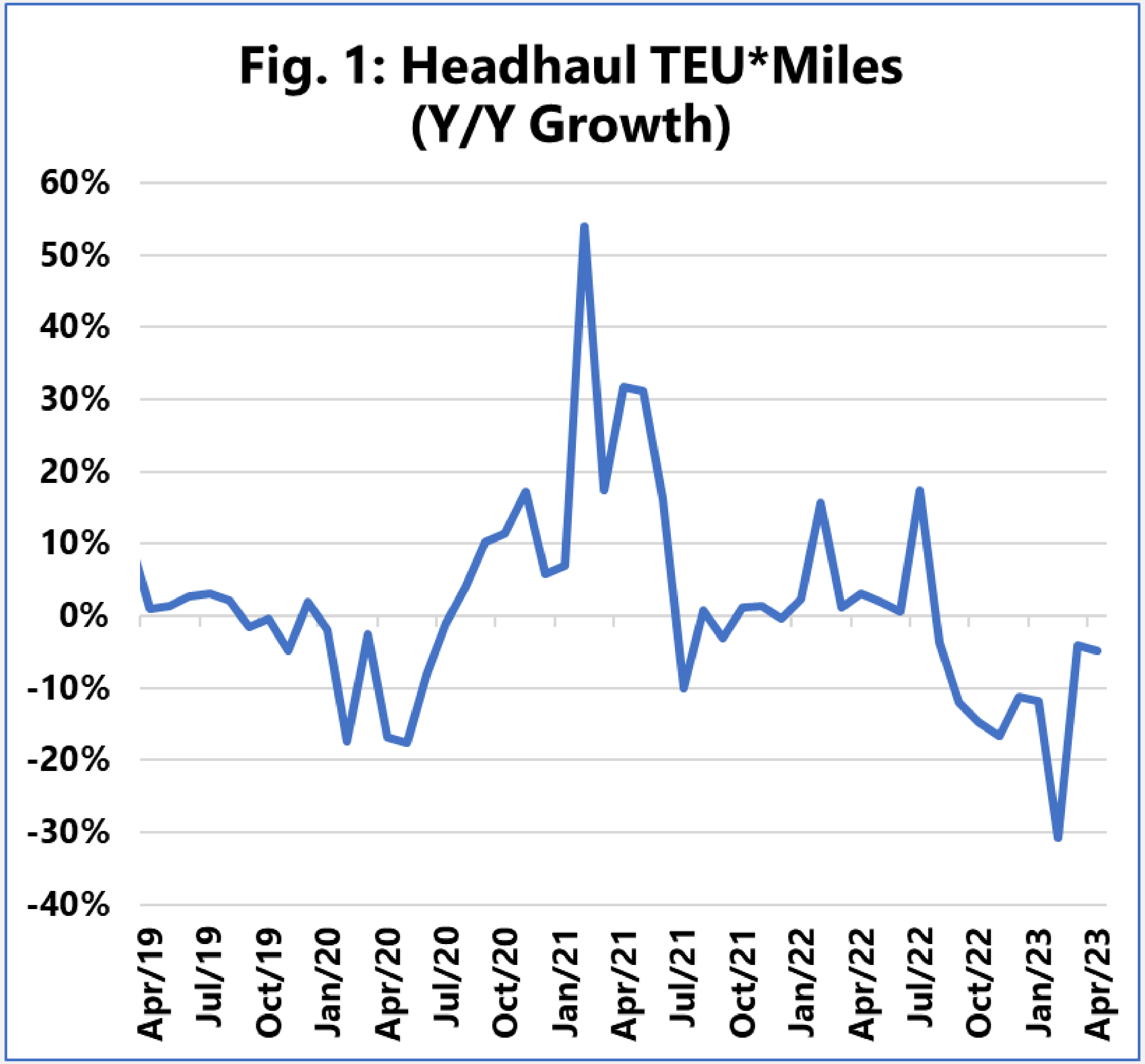
Index, Jan/1998 = 1000



Source: Statista

Demand changes as key driver of rate development, levelling off expected

Global situation levelling off—but transpacific lagging



Source: Sea Intelligence

At the same time: Massive orderbook will drive up capacity overhang further

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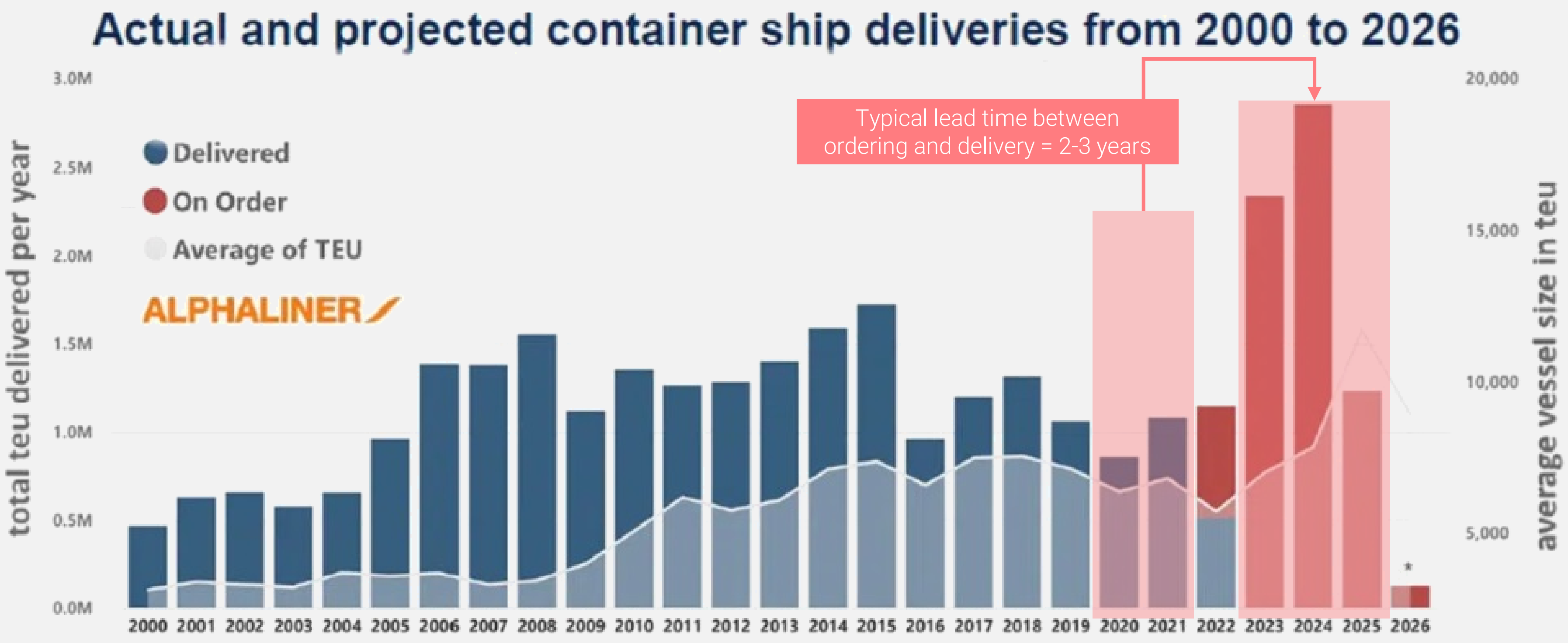
Freight rate spike has led to major ordering spree for vessels (and containers!)

Index, Jan/1998 = 1000



Note: Currently orderbook stretches out only to early 2026 (*) Low value for 2026 is not a forecast (Chart: Alph...r)

Graph slightly outdated, but current orderbook stands at ~25% of total fleet with majority of delivery expected in H2/23 and 2024

Source: Statista

Our perspective

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1. Globally, we expect container prices and rate levels to remain depressed at/below variable cost for the foreseeable future because it will take time to "grow out of overcapacity" as demand picture is sluggish
2. This will be true across all tradelanes/regions because capacity is highly mobile and carriers have every incentive to deploy capacity at the most profitable lanes
3. Aggressive market share play of key carriers will result in continuous price war, newer/smaller carriers already leaving market
4. Only if rates fall below variable cost, carriers will remove effective capacity as every TEU transported has a negative contribution margin

Source: xChange

With regards to Europe: Slow pickup expected, no driver of global demand

Inflation: Stickier than in other parts of the world

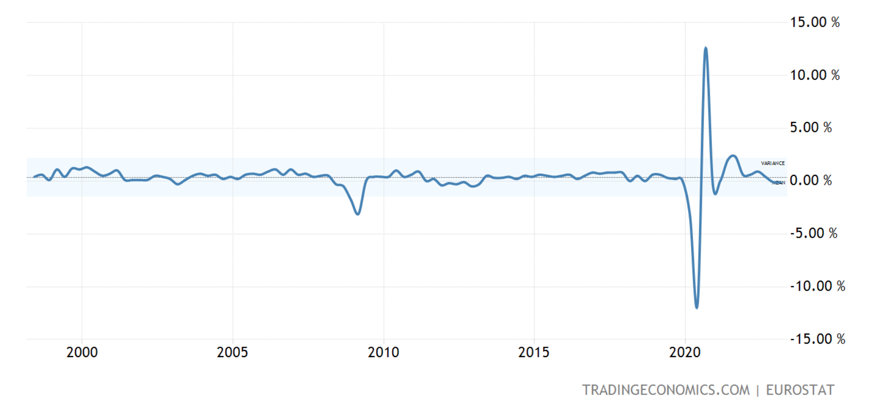
Core inflation y-o-y (%)

Interest rates: Still increasing

ECB main refinancing operations rate (%)

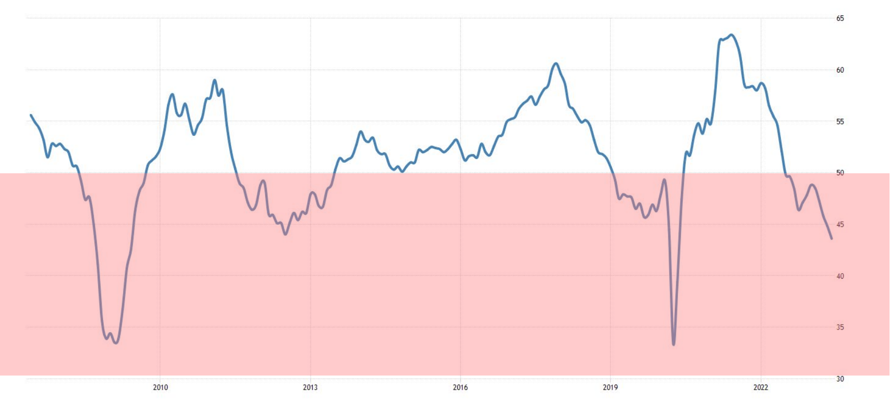
GDP growth: EA now in technical recession

GDP growth q-o-q (%)



Manufacturing PMI: Contraction expected

GDP growth q-o-q (%)



Source: Tradingeconomics.com

What does this mean for the industry?

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1. Focus on efficiency: Leverage technology across your entire value chain (sourcing, booking, execution, payments, etc.) —> you need to act now to remain competitive in the long run
2. Focus on data: Improve decision-making with analytics tools
3. Expand your horizon: Actively seek out “pockets of growth” and find partners to collaborate with

Source: xChange