



EVERYTHING YOU NEED TO KNOW  
TO NAVIGATE A FLUID MARKET

# OCEAN FREIGHT MARKET OUTLOOK 2022-2024

DHL Global Forwarding - The Freight Forwarding Experts. Since 1815.



Since the start of the COVID-19 pandemic at the end of 2019, the ocean freight industry and global trade as a whole have been facing unprecedented times.

The challenges faced by shippers all over the world are set to persist in the near future. To help you design a resilient supply chain and keep store shelves and warehouses full, we have sourced data from our research partners along with key information from the Freight Forwarding Experts on the ground with you everyday.

From ocean schedule reliability to a briefing on the current state of equipment availability, from a summary of the U.S. disruptions to our predictions for 2022, 2023 and beyond, this document will equip you with the best knowledge available, so you can make informed decisions. Enjoy the read, and reach out our Freight Forwarding Experts for further support. I wish you an excellent start into 2022.

Best regards,

Dominique von Orelli  
EVP Global Head of Ocean Freight  
DHL Global Forwarding



# IN YOUR MARKET OUTLOOK CONTENTS

1.  Current Market Situation

2.  Market Fundamentals

3.  Outlook

4.  Our Recommendations



## CURRENT MARKET SITUATION

# UNDERSTANDING THE STATUS QUO



**2021 has been marked by severe capacity constraints and equipment shortages.**

The lack of available space on a reduced number of containerships and available containers cannot satisfy the shipping demand.

**Ocean freight rates have therefore risen to historically high levels.**

Some carrier adopted opportunistic approaches.

**In addition, multiple disruptions have caused port congestions across the globe, e.g. in the USA.**

With schedule reliability at an all-time low, supply chain disruptions have multiplied.

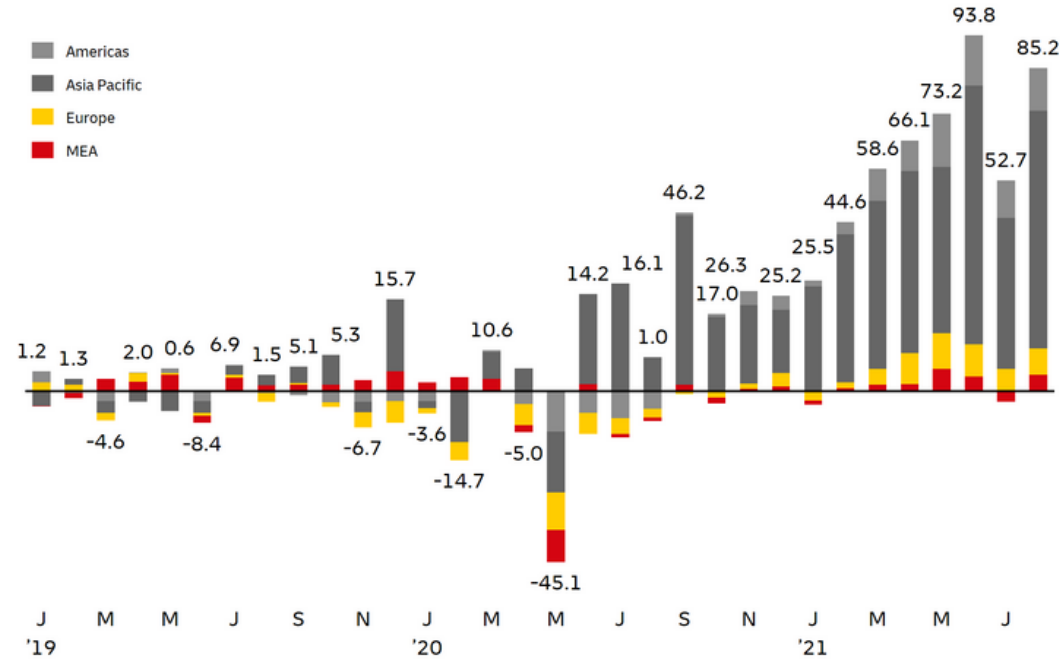


# CURRENT MARKET SITUATION

## THE MAIN DRIVER: AN UNPRECEDENTED DEMAND VOLATILITY

### Global container volume Year-on-Year import change, by destination region

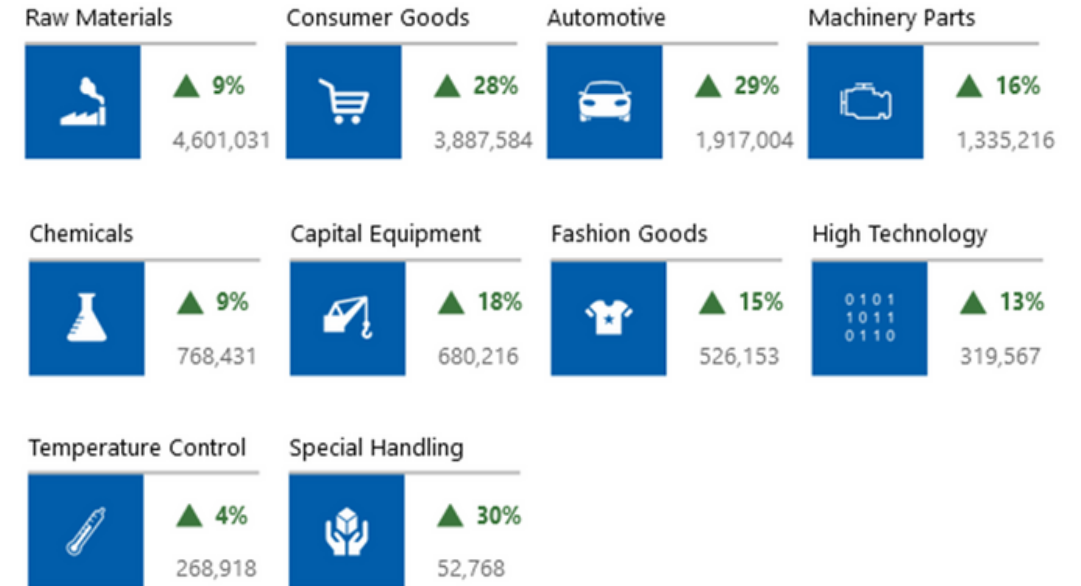
in mTEU



### Global industry trade summary, September 2021 Year-to-Date

YTD growth %

Absolute TEU change



Source: Seabury, Nov '21 Update  
TEU = Twenty-foot Equivalent Unit

## CURRENT MARKET SITUATION

# USA, THE BOTTLENECK OF GLOBAL TRADE: 5 KEY FACTS



### BACKLOG OF CONTAINER SHIPS AT LOS ANGELES & LONG BEACH PORTS

Very substantial: 50-75 ships at any given time. Waiting time to obtain a berthing window is 8-10 days. Fines for idle containers have been announced.



### LACK OF RAIL CARS, SHORTAGE OF TRUCKERS & CHASSIS DEFICIT

Ports are running out of space and containers are piling up at docks because delivery is heavily delayed.



### HEAVY CONGESTION & DRAYAGE AT US EAST COAST PORT OF SAVANNAH

Vessel waiting times outside the harbor average 8 to 10 days. Since Oct 18th 2021, Any unit sitting on the dock for more than 30 days will be drayed to an off-site location at an additional expense.



### LONG DWELL FEES IN WASHINGTON & HUSKY UNITED TERMINALS, TACOMA

Respectively USD 315 & USD 310 for all local import units that have exceeded 15 calendar days on the terminal since November 1, 2021.



### ADDRESSING THE INFRASTRUCTURE CHALLENGES ON THE LANDSIDE

The US Government tries to influence and take measures to overcome the disruptions.



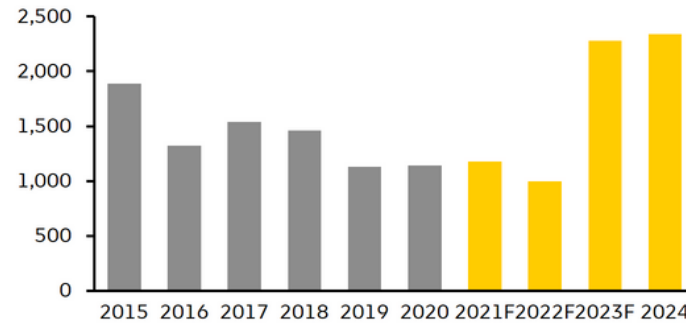
# MARKET FUNDAMENTALS

## SUPPLY & DEMAND GROWTH

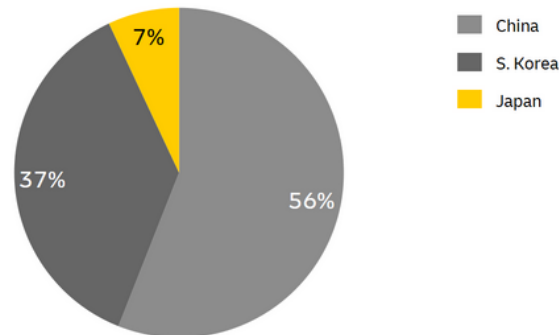
**ECONOMIC OUTLOOK GDP GROWTH BY REGION<sup>1)</sup>**

|                  | 2021F       | 2022F       | 2023F       | 2024F       | 2025F       | CAGR<br>(2022-25) |
|------------------|-------------|-------------|-------------|-------------|-------------|-------------------|
| AMER             | 6.0%        | 4.2%        | 2.3%        | 2.4%        | 2.4%        | 2.4%              |
| ASPA             | 6.1%        | 4.9%        | 4.4%        | 4.3%        | 4.3%        | 4.3%              |
| EURO             | 5.1%        | 4.2%        | 2.2%        | 1.8%        | 1.7%        | 1.9%              |
| MEA              | 3.6%        | 4.4%        | 4.3%        | 3.8%        | 3.5%        | 3.8%              |
| <b>DGF World</b> | <b>5.7%</b> | <b>4.5%</b> | <b>3.2%</b> | <b>3.0%</b> | <b>3.0%</b> | <b>3.1%</b>       |

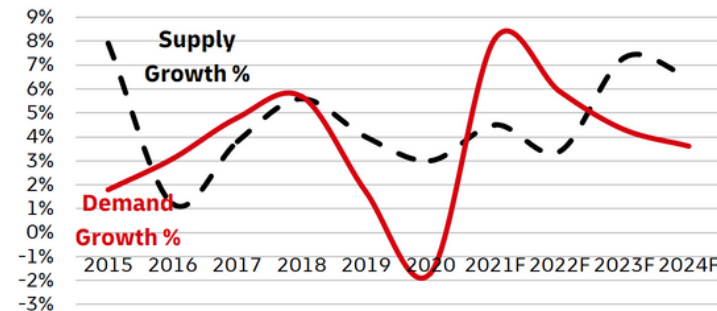
**CONTAINER FLEET ORDER BOOK ('000 TEU)<sup>2)</sup>**



**CONTAINER FLEET ORDER BOOK BY BUILDING COUNTRY<sup>3)</sup>**



**SUPPLY/DEMAND GROWTH RATE (% ANNUALIZED)<sup>4)</sup>**



### OBSERVATIONS

- Global GDP growth will settle as of 2023, when pent-up demand is satisfied.
- Container vessel order books are at the highest level in 10 years.
- Majority of container vessels is going to be built in China and is therefore dependent on a stable production there.
- Supply growth will overtake demand growth in 2023 as recent orders start to be delivered.

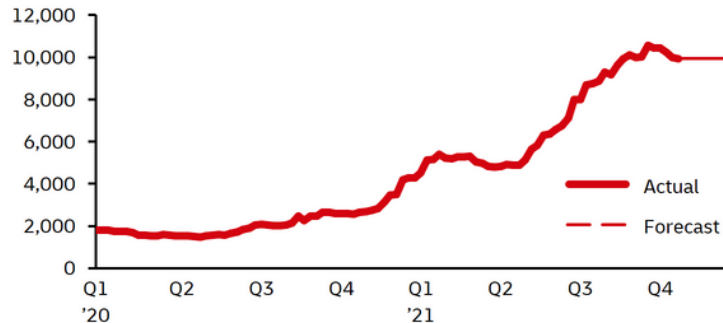


1) Real GDP, Copyright © IHS Markit, Q2 2021 Update 3 Sep '21, Venezuela is excluded from aggregates due to hyperinflation. All rights reserved;  
2 + 3) Alphaliner; 4) Drewry Maritime Research. Demand growth = Port-to-Port Container Traffic growth. Supply growth = Fleet Growth

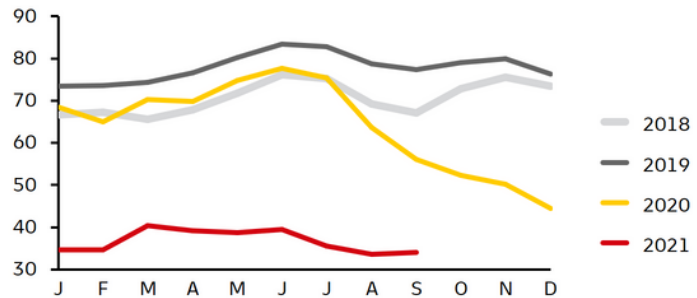
# MARKET FUNDAMENTALS

## RATES, RELIABILITY & CARRIER OPERATING PROFIT MARGINS

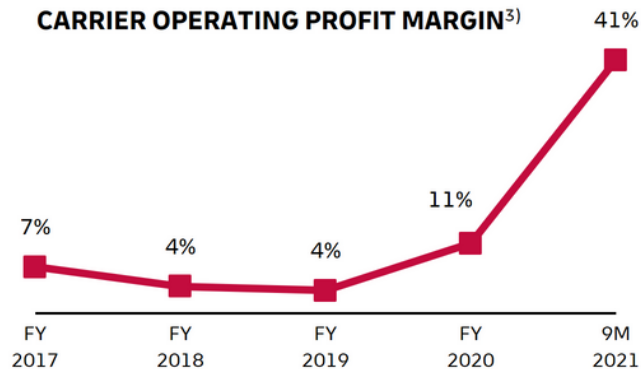
### WORLD CONTAINER INDEX (WCI)<sup>1)</sup>



### OCEAN SCHEDULE RELIABILITY<sup>2)</sup>



### CARRIER OPERATING PROFIT MARGIN<sup>3)</sup>



## OBSERVATIONS

- Container rates at all time highs.
- Schedule reliability at all time lows on all trades. Asia-US 10%, Asia-Europe 30%.
- Record carrier results, now covering cost of capital and more.



1) Drewry, in USD/40ft container, including BAF & THC both ends, 42 individual routes, excluding intra-Asia routes;

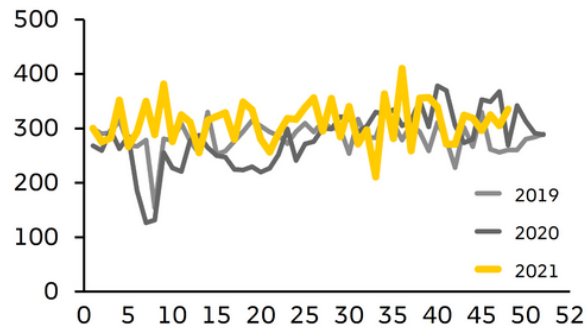
2) SeaIntelligence; 3) Source: Carriers and DHL



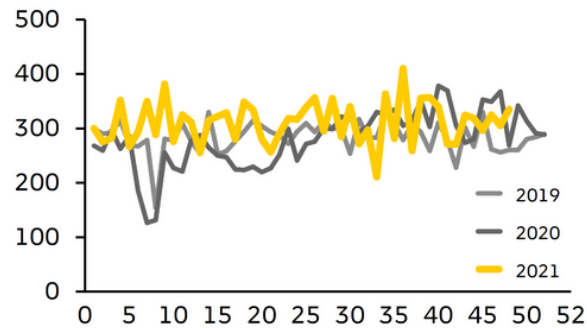
# MARKET FUNDAMENTALS

## THE MAIN DRIVERS 1/2: CAPACITY & INFRASTRUCTURE

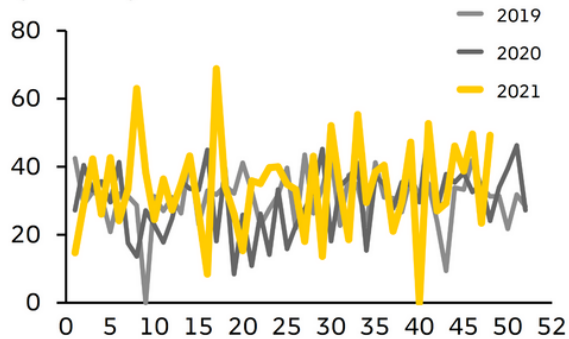
Asia-USWC Average Deployed Weekly Capacity ('000 TEU)



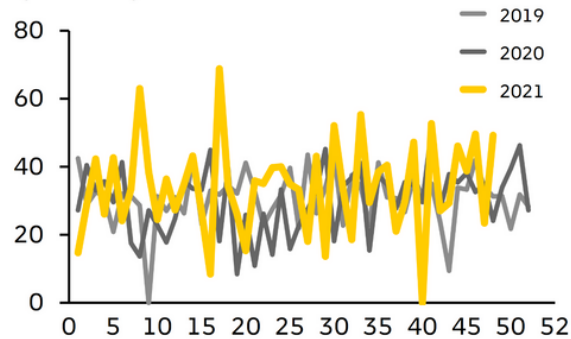
Asia-USWC Average Deployed Weekly Capacity ('000 TEU)



Asia-ECSA Average Deployed Weekly Capacity ('000 TEU)



Asia-ECSA Average Deployed Weekly Capacity ('000 TEU)



### WHERE ARE ALL THE CONTAINERSHIPS?

- Ocean Carriers put anything that can float into the Transpacific trade and the Asia to Europe trade.
- 47 % capacity of the Asia to Indian Sub-Continent has been shifted to the Transpacific trade creating a giant vacuum against the demand.
- Port Congestion and Vessel delays are soaking up supply with more than 10% of the global fleet at anchor due to delays.



## MARKET FUNDAMENTALS

# THE MAIN DRIVERS 2/2: WHERE ARE ALL THE CONTAINERS?



Many are in inland depots, others are piled up in cargo ports and are onboard vessels, especially on the transpacific trade.



The largest container shortage is in Asia due to the longer turnaround time to reposition the containers due to port congestion.



Europe is also having a deficit, especially in the hinterland.



North America currently faces 40% imbalance. For every 100 containers, only 40 are exported; the remaining 60 accumulate at depots, pushing carriers to send the containers back to Asia empty.

# MARKET FUNDAMENTALS

## CARRIER FINANCIAL RESULTS 9 MONTHS 2020–2021 (USD MIL.)

| Carrier                                  | Revenue |        |            | Operating Profit |        |             | Operating Profit Margin |              | Net Profit |        |              |
|--|---------|--------|------------|------------------|--------|-------------|-------------------------|--------------|------------|--------|--------------|
|  | 2020    | 2021   | %          | 2020             | 2021   | %           | 2020                    | 2021         | 2020       | 2021   | %            |
| COSCO SHIPPING Holdings <sup>6)</sup>    | 15'690  | 33'317 | 112%       | 884              | 14'404 | 1529%       | 5.6%                    | 43.2%        | 567        | 10'464 | 1746%        |
| CMA CGM <sup>2), 5)</sup>                | 16'915  | 31'058 | 84%        | 3'223            | 14'093 | 337%        | 19.1%                   | 45.4%        | 768        | 11'224 | 1361%        |
| Maersk Group <sup>8), 10)</sup>          | 17'749  | 29'566 | 67%        | 4'337            | 14'095 | 225%        | 24.4%                   | 47.7%        | 1'599      | 11'848 | 641%         |
| Hapag-Lloyd <sup>5), 10)</sup>           | 10'976  | 17'381 | 58%        | 2'131            | 7'906  | 271%        | 19.4%                   | 45.5%        | 631        | 6'446  | 922%         |
| ONE <sup>3), 10)</sup>                   | 5'917   | 13'333 | 125%       | 1'342            | 7'496  | 459%        | 22.7%                   | 56.2%        | 682        | 6'760  | 891%         |
| Evergreen Marine Corp. <sup>1), 7)</sup> | 4'914   | 11'972 | 144%       | 579              | 6'899  | 1092%       | 11.8%                   | 57.6%        | 435        | 6'353  | 1360%        |
| Yang Ming                                | 3'324   | 7'389  | 122%       | 301              | 3'910  | 1199%       | 9.1%                    | 52.9%        | -11        | 2'247  | 20527%       |
| HMM                                      | 3'632   | 8'295  | 128%       | 173              | 4'810  | 2680%       | 4.8%                    | 58.0%        | 70         | 3'954  | 5549%        |
| Zim                                      | 2'631   | 7'262  | 176%       | 503              | 4'236  | 742%        | 19.1%                   | 58.3%        | 158        | 2'941  | 1761%        |
| Wan Hai                                  | 1'861   | 5'651  | 204%       | 145              | 3'011  | 1977%       | 7.8%                    | 53.3%        | 124        | 2'489  | 1907%        |
| <b>Average <sup>4)</sup></b>             |         |        | <b>96%</b> |                  |        | <b>498%</b> | <b>15.8%</b>            | <b>48.3%</b> |            |        | <b>1235%</b> |

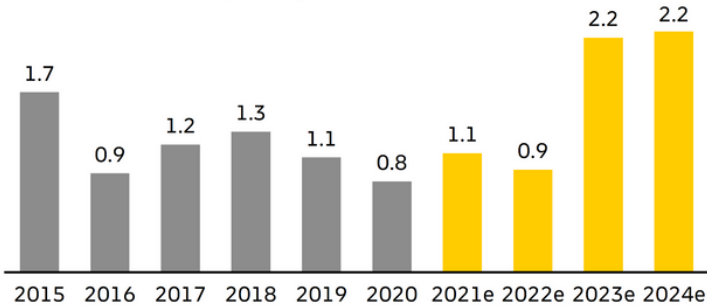


Source: Alphaliner, DynaLiners; 1) container shipping segment only, excl. CEVA Logistics, Net Profit for Group; 2) result is Q1 of Japanese financial year, i.e. Apr-Jun not calendar year; 3) Average excluding ONE; 4) container shipping business incl. OOCL; 5) not consolidated for Evergreen Group; 6) Ocean segment only

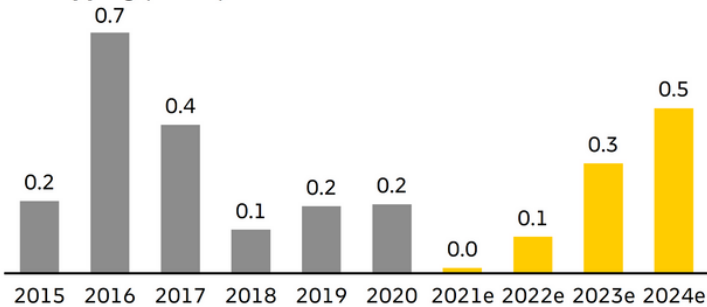
# OUTLOOK

## NO REAL CAPACITY INCREASE BEFORE 2023

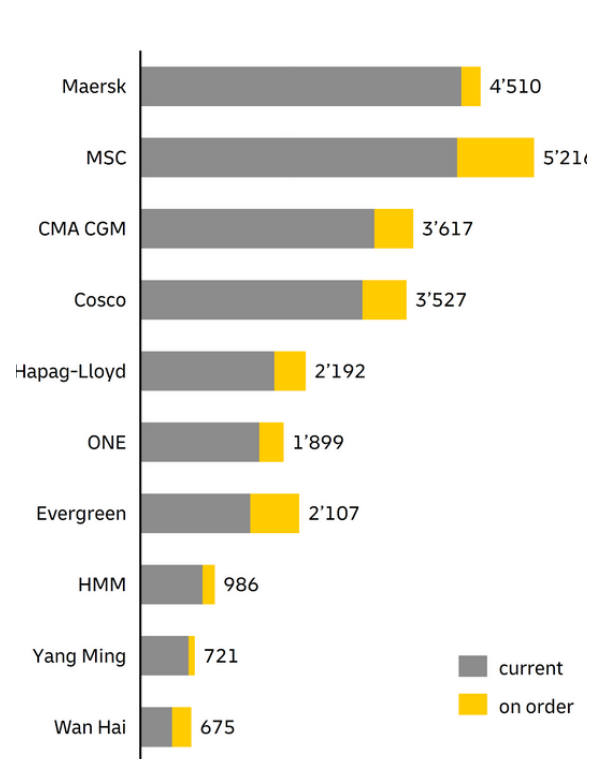
Vessel Deliveries (mTEU)



Scrapping (mTEU)



Top 10 Carriers by capacity ('000 TEU)



### MORE VESSELS, BUT ALSO MORE SCRAPPING

- Having enjoyed outstanding financial results during the pandemic, shipping companies have placed record levels of new orders for container vessels during 2021.
- A flood of new vessel capacity will ease rate pressures, but not before 2023.
- However, ocean carriers also seem to have learnt how to manage capacity better in their alliances. They may continue to take capacity out of the system at short notice, reducing the price-dampening impact of new capacity coming on-stream.



# OUTLOOK

## SCHEDULE RELIABILITY: AN ALL-TIME LOW TO PERSIST IN 2022

# 10%

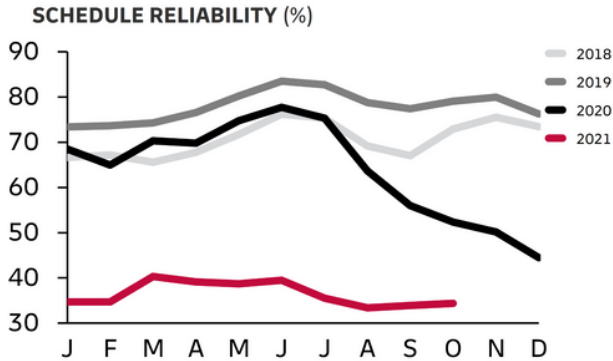
SHARE OF GLOBAL FLEET AT ANCHORAGE DUE TO DELAYS

Port Congestion and vessel delays are soaking up supply.

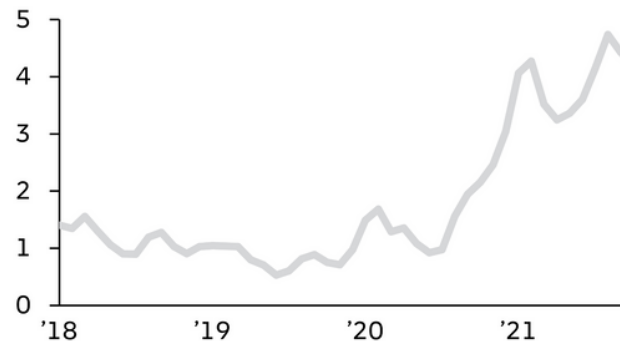
# 45%

ON-TIME PERFORMANCE OF THE BEST CARRIERS

Schedule reliability is an all time low, with the worst carriers below 20%.



AVERAGE DELAY FOR ALL VESSEL ARRIVALS (DAYS)



### HOW CARRIERS TRY TO REDUCE DELAYS

- Multiple port omissions: consequences for the Customers shipping via the missed ports are significant & measuring reliability is difficult.
- Carriers also try to fill the gaps in the schedule with extra sailings.

# 54

NUMBER OF EXTRA DAYS NEEDED FOR A ROUND TRIP

in comparison with the proforma schedules, ships need more time

# 6

AVERAGE DAYS OF DELAY FOR LATE VESSEL ARRIVAL

Carrier services are sliding.



# OUTLOOK

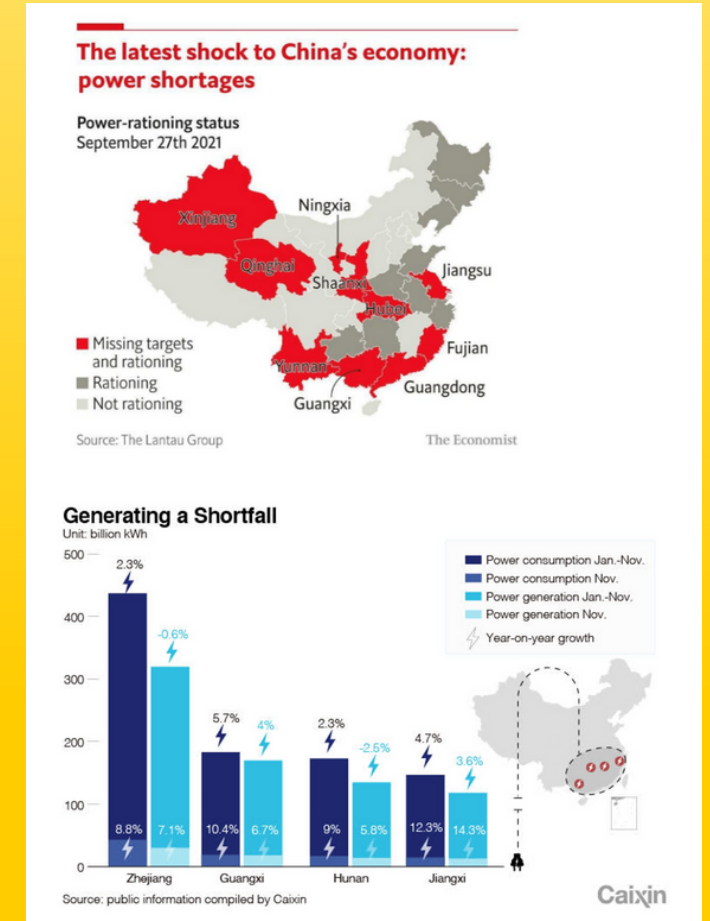
## CHINA'S ENERGY CRISIS: THE NEXT CURVEBALL?

### WHY THE POWER SHORTAGES?

- Strong demand has pushed Chinese factories into a production spree which translated into a surge of electricity consumption.
- Chinese IPPs couldn't generate more electricity due to the coal shortage, at a historical low of 14 days at the end August due to decarbonization efforts and reduced coal imports. There has been a minor pick-up in port inventories in recent weeks.

### WHAT'S NEXT?

- The worst of mainland China's power crunch appears to be over, as the government has mobilized state energy companies to increase coal production and imports.
- Some factories will still have to slow down or close production due to energy constraints. U.S. companies in China seem to have been more affected by the recent power rationalization.
- For the Winter Olympics the government is pushing for clean air / emission control.



# OUTLOOK

## MARKET RECOVERY AS OF 2024 ONLY



- Demand remains strong. Container imbalance persists.
- Ports not working at full capacity. Threat of short notice port closures due to local COVID-19 outbreaks.
- US congestion to continue.
- Very volatile labor market across the globe + ILWU negotiations in spring.
- Possible power shortages in China continue to impact manufacturing and the supply chain.

- Vessel deliveries delayed due to scarce raw material (steel) and shipyards running at their limits.
- Vessels not prepared for IMO 2023 regulation forces carriers to implement slow steaming, which reduces capacity further.
- Global port congestion manageable, allowing schedule reliability back to pre-COVID level
- Balanced equipment availability.
- Rates stabilizing at higher levels than pre-COVID.

- New capacity enters the market.
- Carriers learned their lessons and will carefully balance their supply.
- Stabilization on a high rate level and acceptable schedule reliability.



## OUR RECOMMENDATIONS

# 6 WAYS YOU CAN DESIGN A PREDICTABLE SUPPLY CHAIN TODAY




Enter legally-binding, long-term agreements in order to secure capacity.



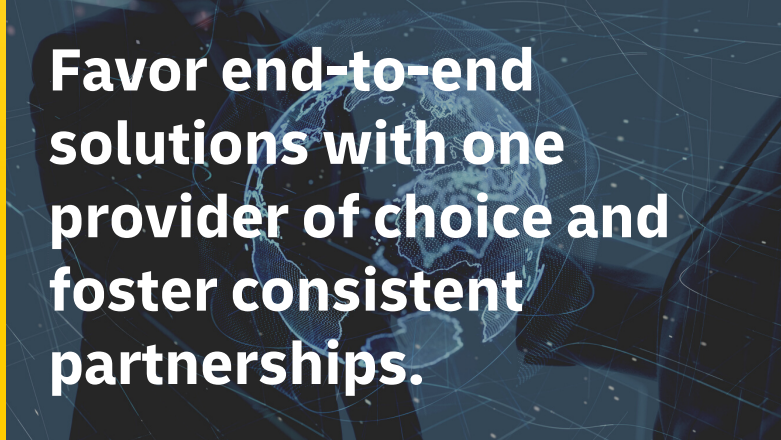
The budget should allow for a certain quantity to be shipped spot.



Calculate with sufficient lead time.



Forecast accurately & deliver consistently according to forecast.



Favor end-to-end solutions with one provider of choice and foster consistent partnerships.



Remember: capacity wins over price.





# STAY IN TOUCH WITH THE EXPERTS



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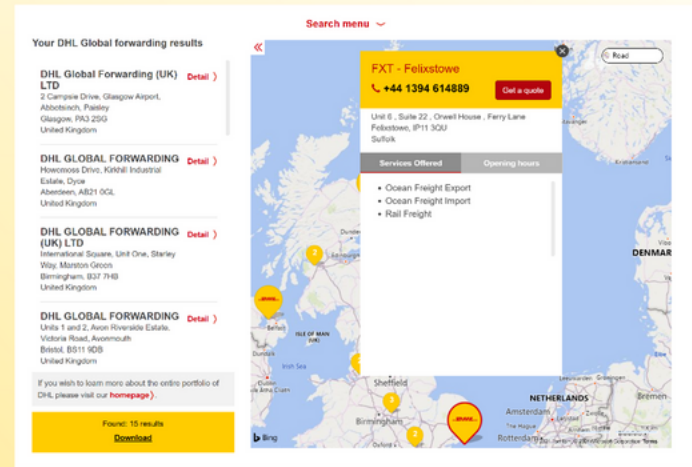
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