



Classified – External

Global Market Update

August 2024



PENTAGON

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1 Xeneta H2 2024 Outlook

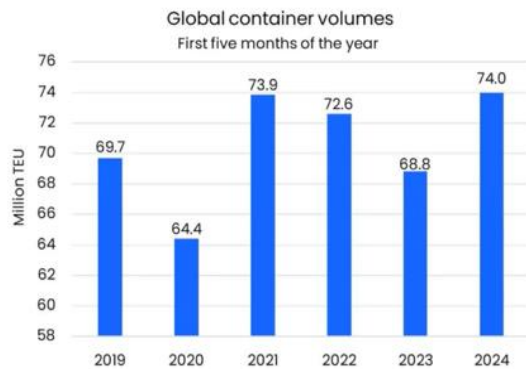
Xeneta focused on six factors impacting on ocean freight in its 31st July Webinar:

- The 17.9% increase in TEU miles avoiding the Red Sea absorbing capacity
- Supply to grow by 8.4% but that over capacity is no longer the driving factor
- Capacity management is “out of the window”
- Spot Rate volatility
- US market volatility with the upcoming Presidential elections
- The break-up of the M2 Alliance
- Carbon emissions are not weighed by carrier selection

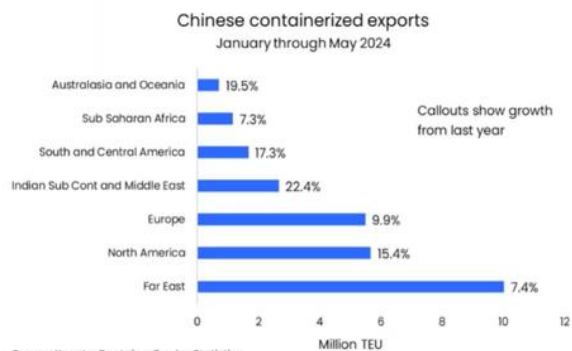
1.1 New Vessel Capacity

Xeneta’s chief analyst Peter Sands stated that the additional capacity on top of the 1.8m TEU’s already added this year, can be absorbed if carriers add port calls to their services, adding that a key factor will also be the need for greater port efficiency than is operating currently on the back of record-breaking demand that has been largely driven by Chinese exports.

Record breaking demand – largely driven by Chinese exports



Source: Xeneta, Container Trades Statistics

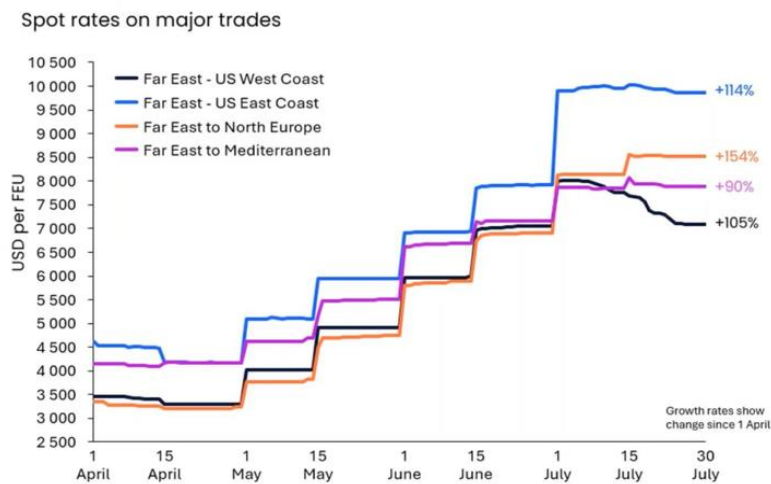


Source: Xeneta, Container Trades Statistics

1.2 Spot Rate Volatility

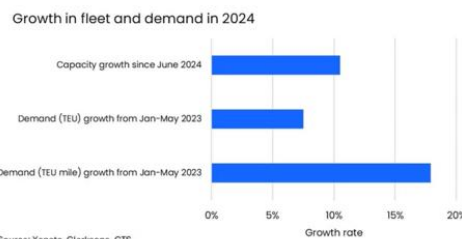
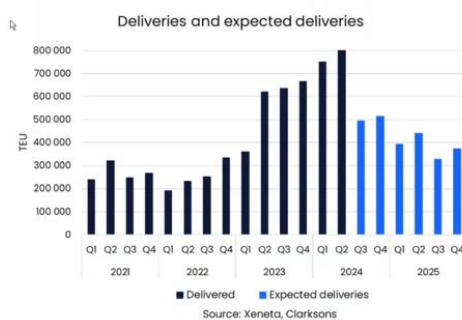
Xeneta pointed to the Spot rate volatility and the impact this has had across the major trades with the Far East to North Europe most affected with rates up 154% at around USD8,500 per FEU in July compared with under USD3,500 FEU in April this year. As the Peak Season's for the US and North Europe comes to an end in Q3 and the increased tariff's now being applied on Electric Vehicles from China, Spot rates appear to be softening and long-term contract rates are rising. However, Geopolitical factors will remain a key feature affecting freight rates leading into Q4 2024.

Equally escalated rates



Source: Xeneta

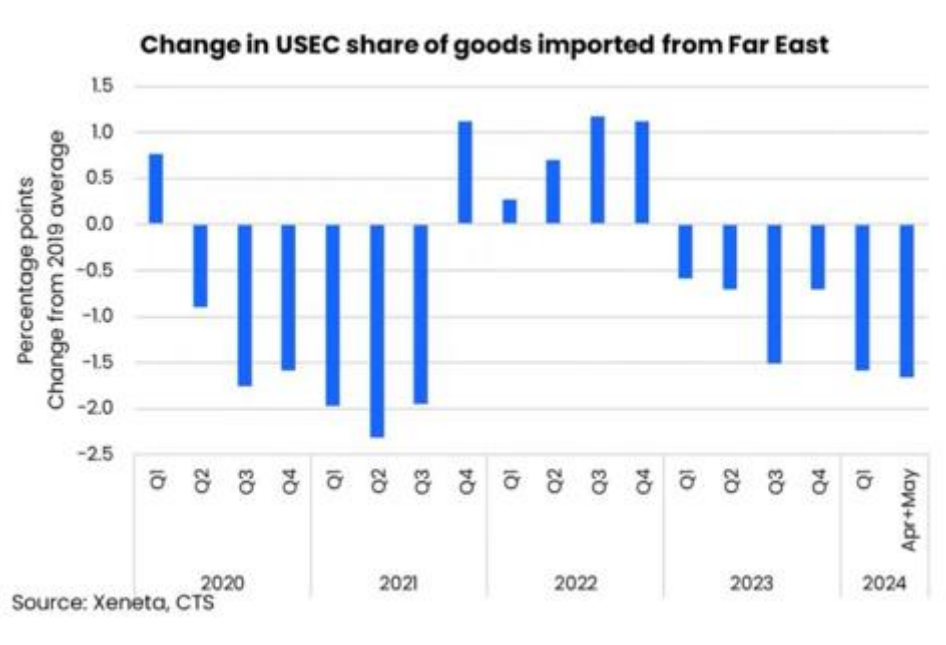
Growth in transport work absorbing the millions of TEU delivered in the past few years



1.3 US Market Volatility

1.3.1 US East & Gulf Coast Port Negotiations

Market share gained by the US East Coast ports due to congestion and threat of port strikes in 2021 and 2022 is being lost due to several factors: The impact of shipping through the Red Sea, Panama Canal and then Baltimore, further impacted by the threat of industrial action as there has been little in negotiations ahead of the 30th of September, when the existing agreement expires. US trade policy is another factor to consider with the Presidential elections in November as the two parties differ on trade tariffs and energy policies.



2 Singapore and Malaysia Focus

Singapore’s port handling “jumped 22% between January and May, significantly impacting port productivity” according to Drewry. The resulting port congestion has led to carriers reducing the number of vessels calls at the port adding to pressure on other ports in the region including Malaysia’s Tanjung Pelepas and Port Klang.

Pentagon Singapore’s Simon Cheng, Elvis Teo and Erik Lim provided an update of the situation and Sharzad Basir advised the latest situation in Malaysia.

2.1 Singapore

Elvis Tao, head of ocean operations reports that the Port of Singapore Authority (PSA), has opened its legacy terminal to reduce port congestion but he has been informed by Hapag Lloyd and MSC that some services are not switching back to Singapore and so there will be several blank sailings as a result. Simon Cheng, operations general manager states that: "most of the long-haul services are still fully booked for the entire month of Aug. Equipment wise, it appears to stabilise for general equipment for the majority of the carriers except for special equipment, i.e. 45', OT, FR etc, " adding that freight rates reduced a little in July and forecast to soften further in August and September". Explaining further that most carriers' rates are only valid for 14 days, so it is important that customers try to forward plan. Although that it is easier said than done due to the pressure on space with some services already fully booked for August. "We encourage our clients to provide foreseeable forecasts and try to secure space in advance" noting the need to negotiate with carriers over any slot cancellations so as not to be hit by cancellation charges.

Erik Lim, head of air operations stressed that "planning ahead and pre-booking in advance will be the best way to mitigate this but airlines are charging dead freight for cargo no show"

This particularly applies to South Africa, USA and ABZ lanes where at times, the first available flight may be up to 1 or 2 weeks after booking.

2.2 Malaysia

Sharizad Basir, Malaysia operations manager reports that: "Port Klang is fully capable and ready to handle the influx of containers and liners redirected to Malaysia to avoid longer wait times in Singapore due to the maritime log jam in the island republic, which includes berth congestion and delays". He added that "Malaysian ports have been able to clear vessels and liners more quickly, limiting delays and avoiding major yard congestion with strategies such as implementing measures to streamline gate openings and prioritise vessels".

Sharizad quoted a statement by the Port Klang Authority (PKA) general manager Captain K Subramaniam, that while the berth utilisation rate is very high, ship turnaround time would be good without delays: "Port Klang is not congested as we have 12 container ships waiting at outer anchorage, which (takes) not more than 12 hours to 24 hours to be cleared,"

Sharizad advised that analysts predict port congestion in Asia's busiest primary waterway will persist in August because of the Red Sea issue forcing shipping companies to alter routings via the Cape of Good Hope rather than the Suez Canal. Westports Holdings Bhd executive chairman and group managing director Datuk Ruben Emir Gnanalingam Abdullah reported that: "Westports has implemented several strategies to cope with the increased container volumes. Initially, Westports managed to avoid major congestion despite regional shipping disruptions".

Ruben said that the unprecedented situation underscores the importance of having multiple ports to handle regional trade, and these hubs work in tandem to ensure the resilience and reliability of global and regional supply chains. "When one port faces challenges, the other can absorb some of the ripple effects, demonstrating why liners need dual hubs in the region to maintain smooth operations," he said. Looking ahead, Ruben said Westports is investing in better planning systems and expanding its yard with the upcoming Westports 2 expansion to better cope with future volume increases.

<https://www.thestar.com.my/news/nation/2024/07/11/port-klang-ready-to-handle-backlog-diverted-from-singapore>

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