

NEWSLETTER

March 2023

This Issue

EXTERNAL NEWS

OOCL PROFIT SOARS 40PC TO US\$10 BILLION AS SALES RISE 18PC

HONG KONG's Orient Overseas Container Line (OOCL), now a COSCO unit, posted a 40 per cent net profit increase in 2022 to US\$10 billion, drawn on revenues of \$19.8 billion, an increase of 18 per cent. OOCL shareholders will receive \$6.9 billion in dividends, or 70 per cent of the carriers 2022 net profit. Despite such pleasing results, OOCL warned that today's low demand and excess capacity would change before mid-year and only in the second half could it hope for an upturn. "Once importers in countries such as the US have made further progress in reducing inventories, we may see improvement during the second half of 2023," the carrier said. "There can be no certainty about that outcome, given the extent of perfectly valid concerns about the future impact of inflation, interest rate rises and broader economic and geopolitical instability," said OOCL. For now, OOCL is enjoying a balance sheet the carrier says "is strong enough to enable us both to withstand the challenges of cyclical markets and to allow us to provide attractive returns to shareholders."

(Source: Shipping Gazette)

2M ALLIANCE CONFIRMS CANCELLATION OF ASIA-NORTH EUROPE LOOP

THE 2M Alliance has confirmed that the Asia-North Europe loop is to be suspended after successive weeks of blank sailings, reports London's Loadstar. It is the first alliance service on the tradelane to be officially cancelled and is likely to be followed by the removal of more in the weeks to come as ocean carriers faced with much reduced demand. According to Alphaliner, the AE1/Shogun loop has been cancelled each week since early December by 2M partners Maersk and MSC. It had deployed twelve 13,000 to 20,500-TEU vessels, turning in 11 weeks, calling at Ningbo, Xiamen, Yantian, Tanjung Pelepas, Rotterdam, Bremerhaven, Rotterdam, Tanger Med, Salalah, Hong Kong and then back to Ningbo. Alphaliner said Maersk and MSC had announced changes to the Asia-North Europe networks of three of their other five loops to compensate for the service termination. A call at Xiamen had been added to the rotation of the AE10/Silk loop, and the double Rotterdam call would be covered by a westbound call on the AE6/Lion loop and an eastbound call on the AE55/Griffin service.

(Source: Shipping Gazette)

ZIM EXPECTS CUSTOMERS TO PAY A PREMIUM FOR GREENER FUEL

ZIM anticipates that customers in the US will be willing to pay more for low-carbon fuels due to pressure to decarbonize supply chains, reports London's Loadstar. The company is expected to receive its first delivery of 28 LNG-powered vessels, consisting of ten 15,000-TEU vessels and eighteen 7,700-TEU vessels, in the spring, with all arrivals scheduled for completion next year. These vessels were ordered by Seaspan, a non-vessel operator, and will be on long-term charter to ZIM. "We expect shippers such as Ikea, Home Depot, and Target will see ZIM as the first-choice carrier and will pay a premium to use services with LNG ships," said ZIM CEO Eli Glickman.

(Source: Shipping Gazette)

MAERSK LAUNCHES EUROPE-CHINA AIR FREIGHT SERVICE AFTER DELAYS

DANISH shipping giant Maersk has announced the inaugural flight of its new air freight service with scheduled flights between Billund, Denmark (BLL) and Hangzhou, China (HGH) after weeks of delays. The scheduled Eurasia operation commenced this week with three weekly flights introducing the first of three newly converted Boeing 767-300 freighters that have recently been added to the fleet of Maersk Air Cargo. Said a Maersk press release: "With the introduction of our new service between Europe and China, we have taken another leap with our customers in providing true integrated logistics. "We want to ensure that our customers have the visibility, reliability, and resilience in their supply chains. In this, air freight with scheduled flights and controlled capacity represents a crucial part of our customers' end-to-end logistics needs," the release said. The inaugural flight also marks the first scheduled air cargo operation between Denmark and Asia. The corridor from Billund Airport is expected to increase access for high value and time sensitive cargo between Scandinavia, northern Europe and the entire Asia-Pacific.

(Source: Shipping Gazette)

CHINA CONTAINERIZED FREIGHT INDEX

ROUTE	LAST PERIOD 2023/3/17	THIS PERIOD 2023/3/24
CCFI	992.5	977.12
(JAPAN SERVICE)	906.79	939.67
(EUROPE SERVICE)	1234.78	1238.43
(W/C AMERICA SERVICE)	738.04	709.22
(E/C AMERICA SERVICE)	1065.24	1071.26
(KOREA SERVICE)	757.55	724.6
(SOUTHEAST ASIA SERVICE)	645.82	641.92
(MEDITERRANEAN SERVICE)	1766.54	1755.82
(AUSTRALIA/NEW ZEALAND SERVICE)	792.24	766.87
(SOUTH AFRICA SERVICE)	1061.65	984.29
(SOUTH AMERICA SERVICE)	590.59	571.29
(WEST EAST AFRICA SERVICE)	567.55	555.94
(PERSIAN GULF/RED SEA SERVICE)	1012.19	920.46

INTERNAL NEWS

CHINA CONTAINERIZED

FREIGHT INDEX

CHINA PUBLIC HOLIDAYS

RETAILERS SEE SLOW VOLUME CLIMB AFTER POSITIVE JANUARY TRADE OUTLOOK

POSITIVE trade numbers for January reported by the US government created the first glimmer of hope for a potential recovery for shipping volumes in 2023, reported Fort Lauderdale's Maritime Executive. Revised January trade data from the US Commerce Department showed imports increased three per cent to US\$325.8 billion overall. "We expect imports to show modest gains over the next several months," said National Retail Federation vice president Jonathan Gold. The retail trade association said in its monthly Global Ports Tracker: "Growth is a positive sign, but levels are still far below normal and retailers will remain cautious as they work to keep inventories in line with consumer demand." Consumer goods were up nearly four per cent with imports of motor vehicles, parts, and engines the highest on record. Imports of goods from China drove much of the growth with the overall trade numbers showing a fourth monthly decline breaking the steady growth trend that started back in September 2020.

(Source: Shipping Gazette)

PRECIPITOUS' FALL IN OCEAN SPOT MARKET NEAR BOTTOM: ZIM CFO

ZIM Integrated Shipping Services (ZIM) reported another highly profitable year Monday, with elevated rate levels through the first three quarters of 2022 offsetting a significant decline in the spot market through the second half. "We experienced a steep downfall in rates since August last year, but we believe we are near the bottom of falling rates and soft demand," ZIM CFO Xavier Destriau told the Journal of Commerce in an interview after the release of the Israel-based carrier's 2022 annual result. "It has been an extreme reaction on one hand and an extreme correction on the other," he added. "The situation will improve in the second half (of 2023) as the destocking from our US customers ends and demand starts to come back. When we talk with our customers, we clearly sense that the destocking that has been fuelling the rate erosion will come to an end quite soon."

(Source: Shipping Gazette)

US CHASSIS MARKET NEARING 'EQUILIBRIUM' AFTER DISRUPTIVE SHORTAGES

MUTED US port volumes combined with new chassis coming off assembly lines will result in an equilibrium in the market in which equipment shortages are no longer an issue by midyear, chassis providers and trucking executives believe. Most of the 2022 chassis orders have been fulfilled and enough units should be available to supply the needs of shippers by June, if not beforehand, according to chassis lessors. Mike Burton, president of C&K Trucking, which is owned by Mediterranean Shipping Co., said how well importers clear out inventory in March will be an important factor in determining the timing of chassis supply/demand equilibrium. "We see volume soft for several more weeks and we think that's going to give them time to continue to reduce the inventory levels, have less chassis held up, allowing us to return chassis," Burton said in remarks at the Journal of Commerce's recent TPM23 conference in Long Beach. "We also see more chassis coming into the marketplace. So, we're optimistically thinking by June, we should be close to equilibrium with chassis availability."

(Source: Shipping Gazette)

OCEAN CARRIERS ON TRANSNATIONAL REGULATORY DEFENSIVE OVER ANTITRUST IMMUNITY

While it's been decades since container lines utilized antitrust immunity to coordinate on rates, it remains the legal basis for their ability to collectively manage capacity through alliances. WITH one congressman pledging to soon propose legislation that would repeal the antitrust immunity of ocean carriers, and with similar legislation still active in the Senate, the question of what the industry could look like without the legal protections carriers have relied on since passage of the Shipping Act of 1916 will once again be front and center this year. Given that the European Commission is currently reviewing the Consortia Block Exemption Regulation, carriers this year will face transnational scrutiny of a core legal foundation underpinning the current structure of their industry.

(Source: Shipping Gazette)

CHINA PUBLIC HOLIDAYS

China offices will be closed on April 5th, 2023 for Ching Ming Festival, and resume work on April 6th, 2023.

(Qingdao, Shanghai, Ningbo, Xiamen, Shenzhen)

Hong Kong will be closed on April 5th, 2023 for Ching Ming Festival, resume work on April 6th, 2023, and will be closed from April 7th – 10th, 2023 for Easter Holiday, and resume work on April 11th, 2023.