

LINER SHIPPING 2035

LARS JENSEN

VESPUCCI MARITIME



50th CONFERENCE
ANNIVERSARY
S.C. International
TRADE CONFERENCE

OCTOBER • 16 • 18 • 2024

Liner Shipping 2035



We seem to be inundated with problems - How to think about the future?

- What is going on right now?
- What will happen in 2025?
- What is in store for the next decade?
- How to future-proof your business



Red Sea status

Status as of 13th October 2024:

- Houthies have resumed attacks on merchant vessels
- Major container carriers continue to deviate around Africa
- Local niche carriers provide services through the risk area – in the process building a stronger regional foothold in Asia
- There is very limited hope that this will be resolved before 2025

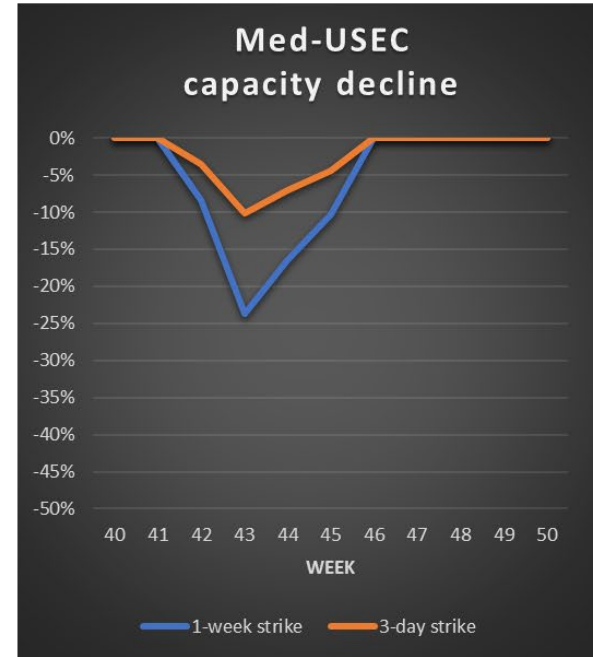
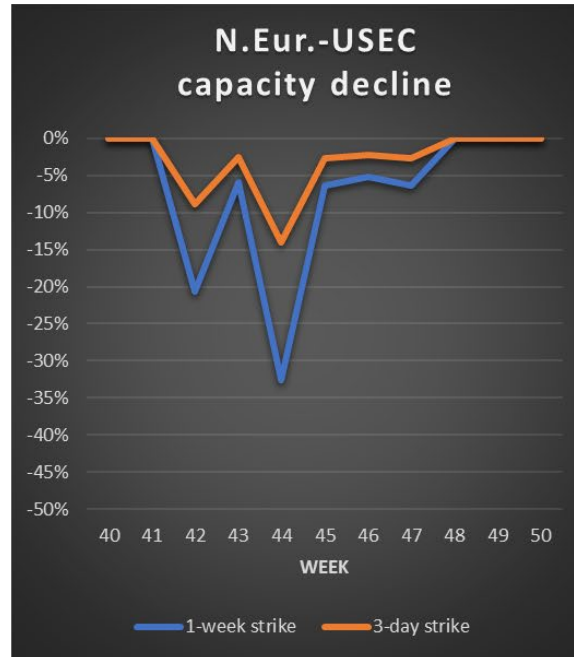
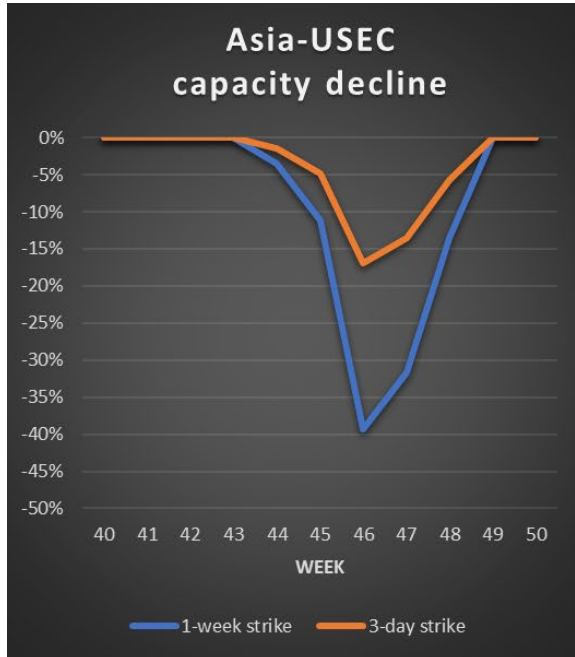


US East Coast Port strike

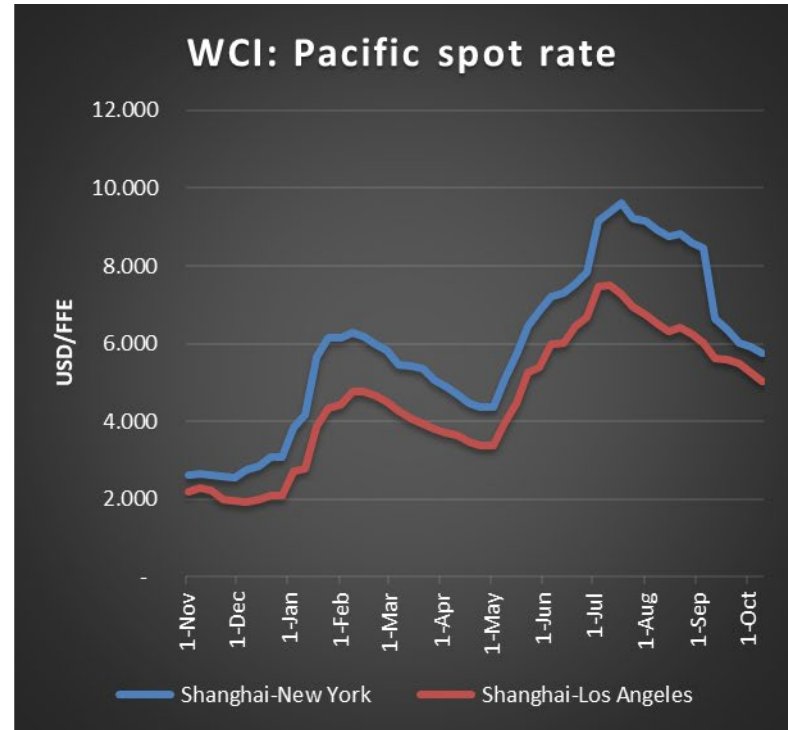
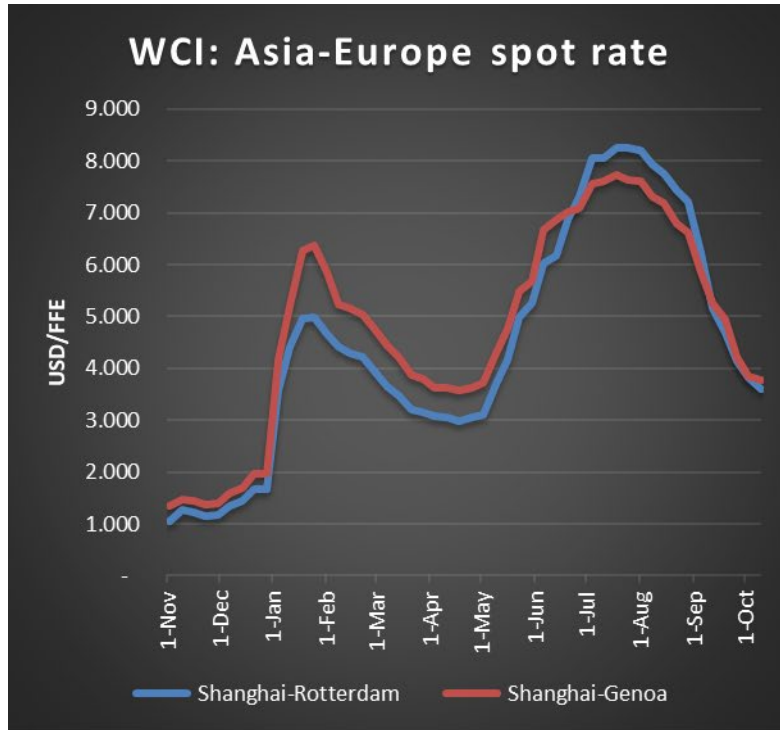
- Strike lasted only 3 days
- Problem is not resolved: New deadline for contract finalizing is 15th January 2025
- Main issue: ILA is against automation
- Prepare contingencies for another strike in January 2025



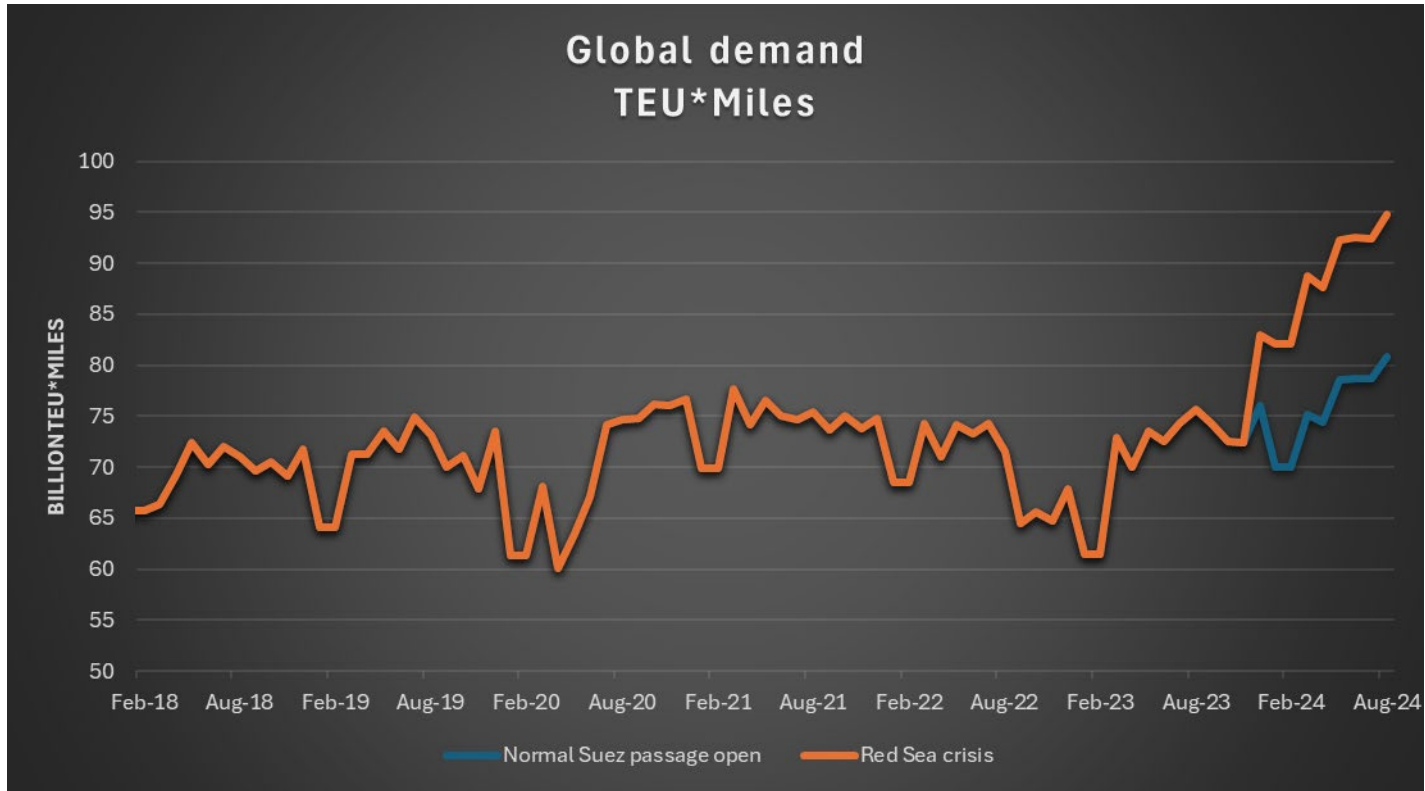
The 3-day strike will have impact



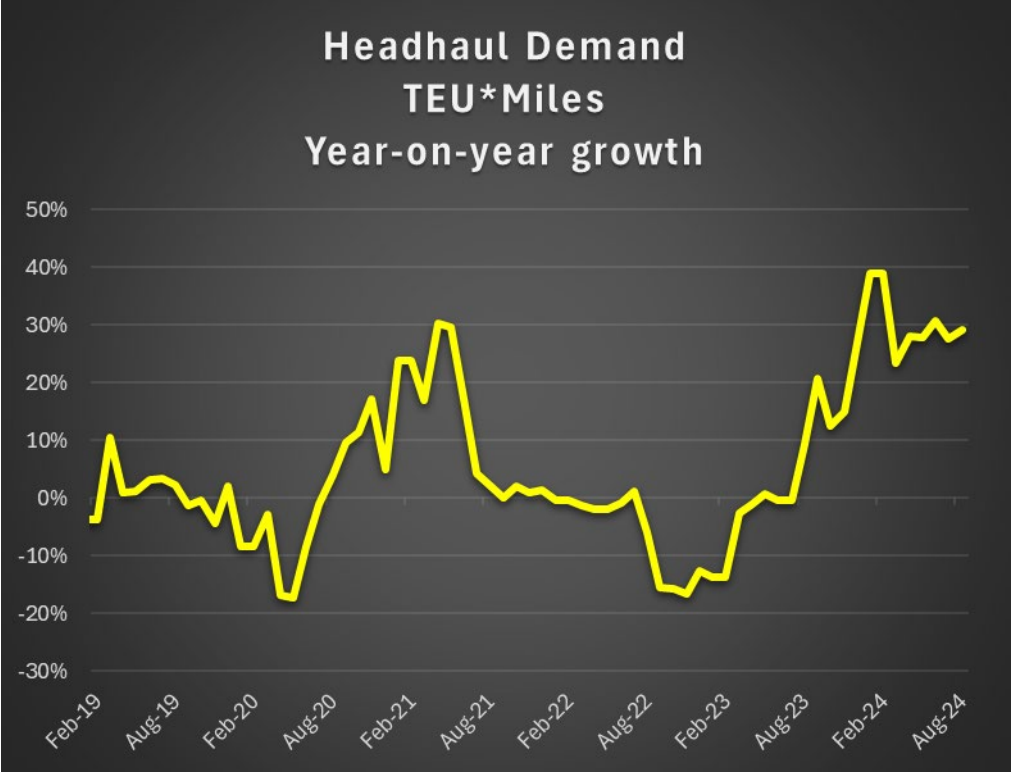
Market is cooling after early peak



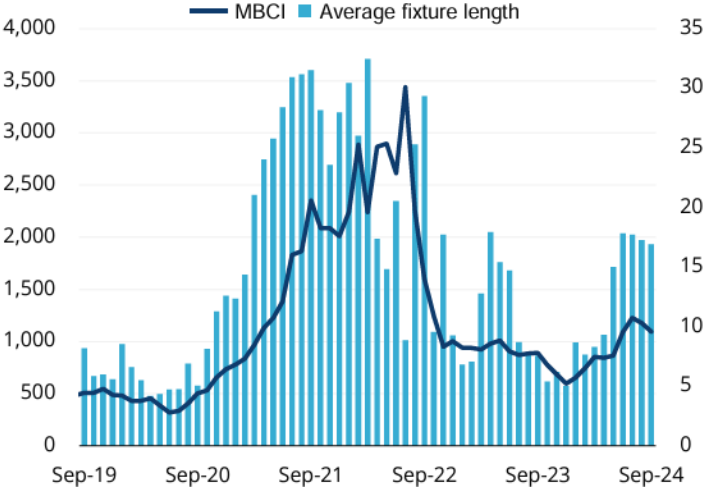
Demand is strong – mainly due to Red Sea



Demand growth exceed capacity growth



MB Container Index (MBCI) & Fixture Length Index, Jan 95 = 1,000 (lhs), months (rhs)



Monthly Comparison	Oct-19	Oct-20	Oct-21	Oct-22	Oct-23	Latest
MBCI	508	532	2,086	1,241	777	1,097

Source: MR Shinbrokers

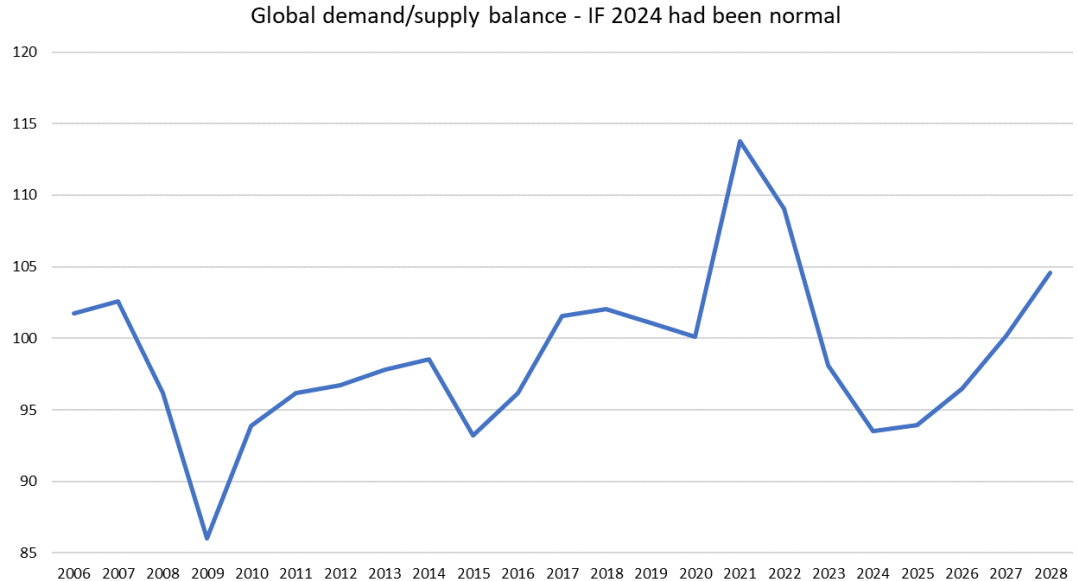
Baseline in the absence of Red Sea crisis

This assumes no Red Sea crisis

This assumes continuation of gradual vessel slow-down as per the past 15 years

The assumes port congestion and delays revert to the norm seen pre-pandemic

This assumes a GDP multiplier at parity globally for 2025 and beyond but a 5.2% growth in 2024



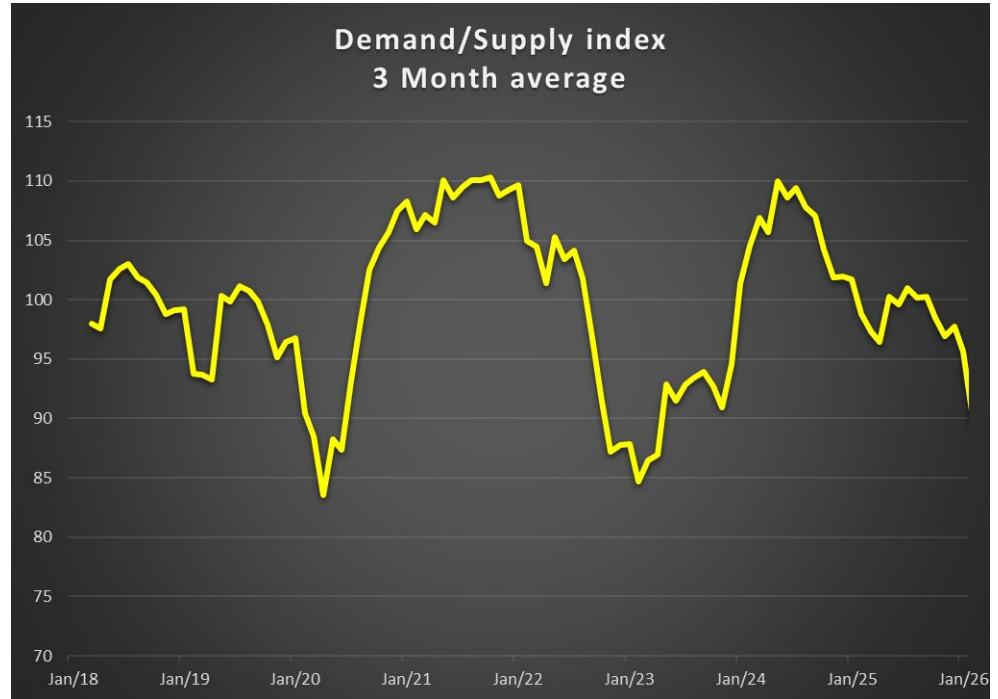
Monthly level, Red Sea crisis 2024 and 2025

Assuming a mid-position of vessel speed impact

Assuming demand growth rest of 2024 continues as seen in the beginning of 2024 versus 2019

Assuming GDP parity with TEU in 2025

Assuming port congestion does not worsen and is resolved in 2026

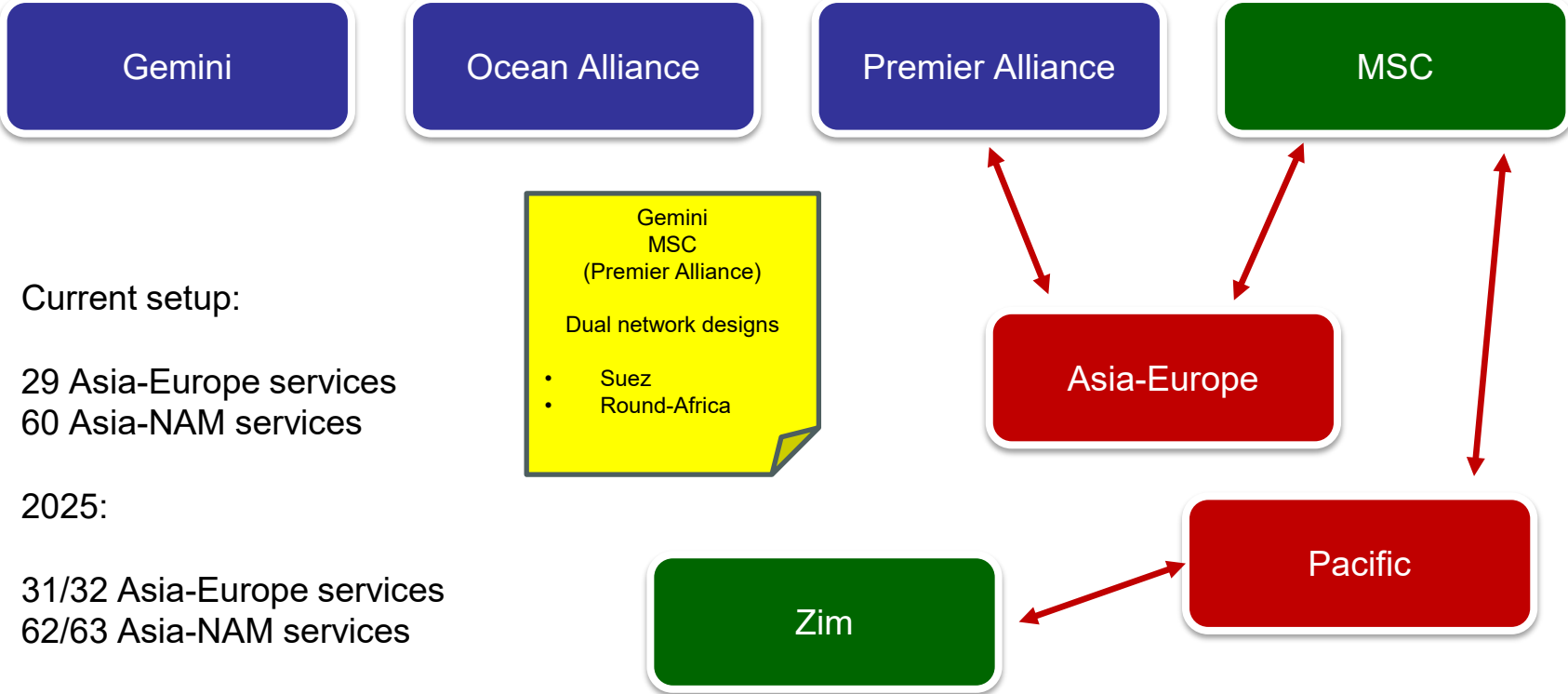


Major turmoil when Red Sea re-opens

- Vessels through Suez will overtake vessels around Africa
- 1-2 weeks with double arrivals and double cargo in Europe
- Port congestion
- Shortage of trains, truck and barge
- Pressure on warehouses
- Large temporary bottleneck problems
- 2-3 months later: Shortage of empty containers in Asia
- And then a collapse in freight rates
- The transition to go back should therefore be seen to be very turbulent for several months and will place a dampener on rate decline to Europe



New alliances, new networks



Current setup:

29 Asia-Europe services
60 Asia-NAM services

2025:

31/32 Asia-Europe services
62/63 Asia-NAM services

Gemini
MSC
(Premier Alliance)

Dual network designs

- Suez
- Round-Africa

Asia-Europe

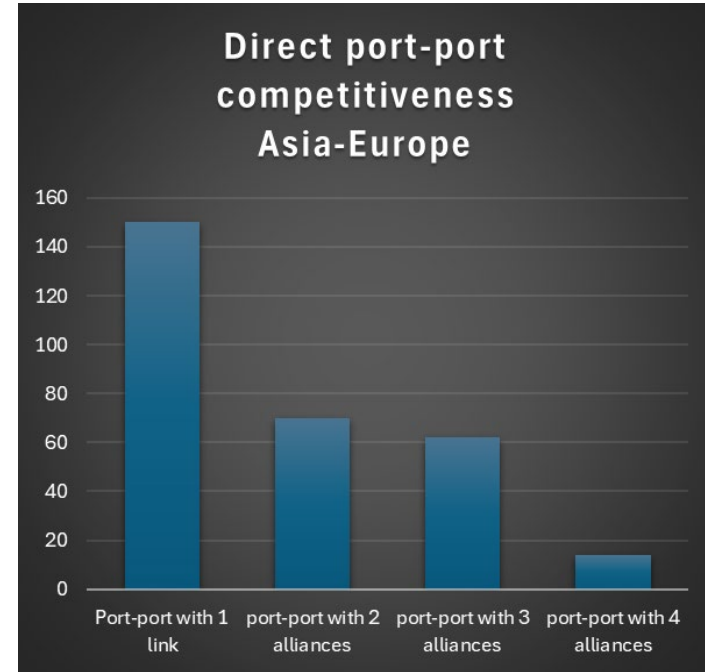
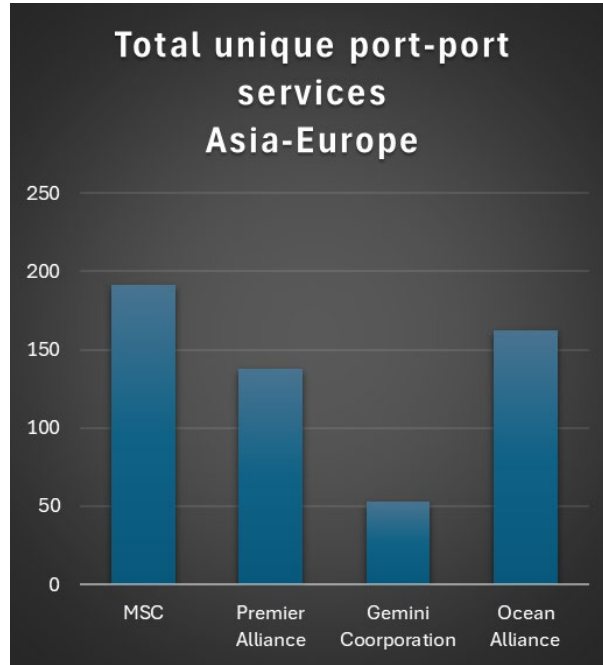
Pacific

Zim

Asia-Europe network impact

There are 532 port-pairs with no direct connections

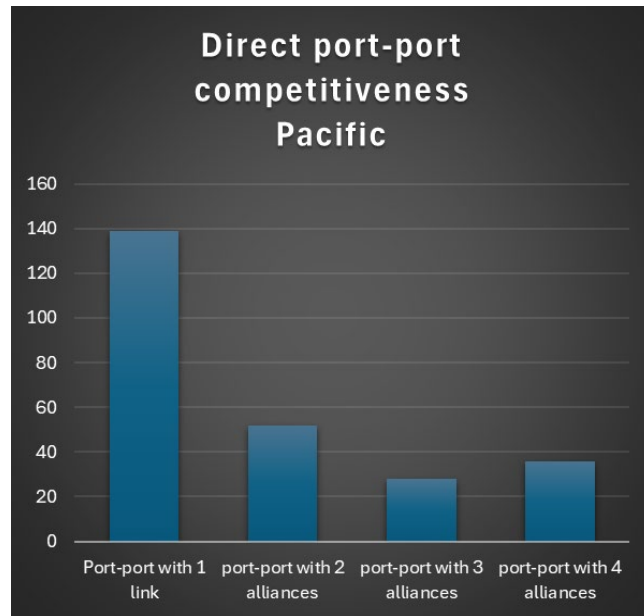
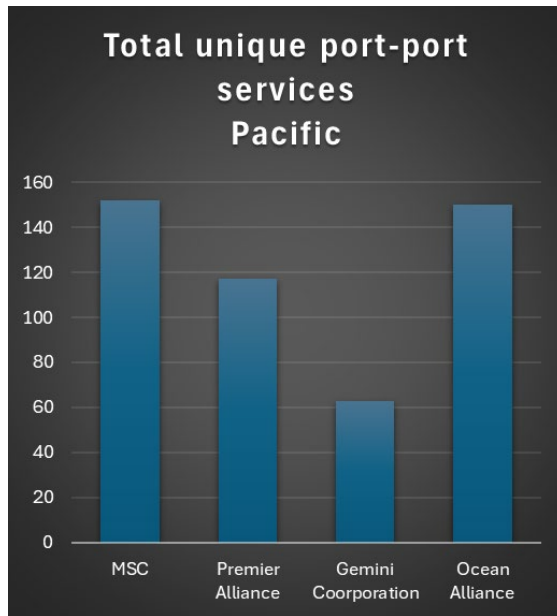
The port-pair with the highest service frequency is Shanghai-Rotterdam with 14 weekly connections



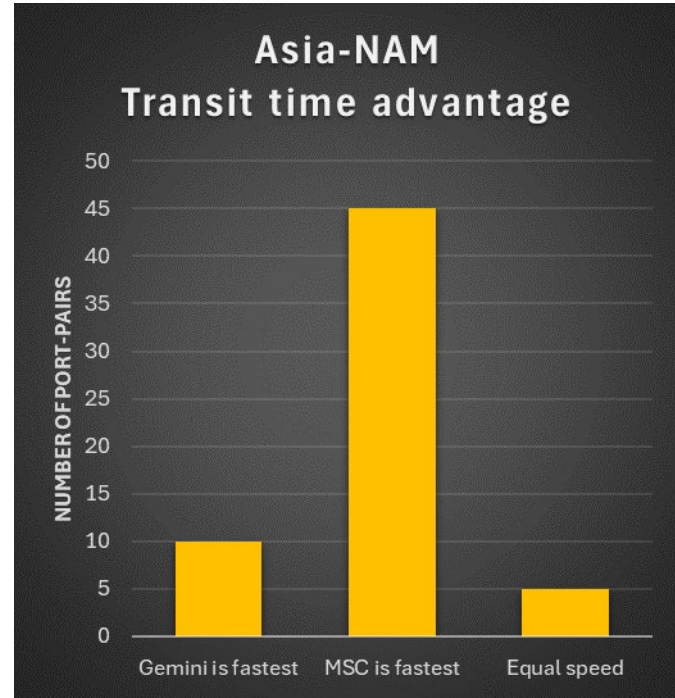
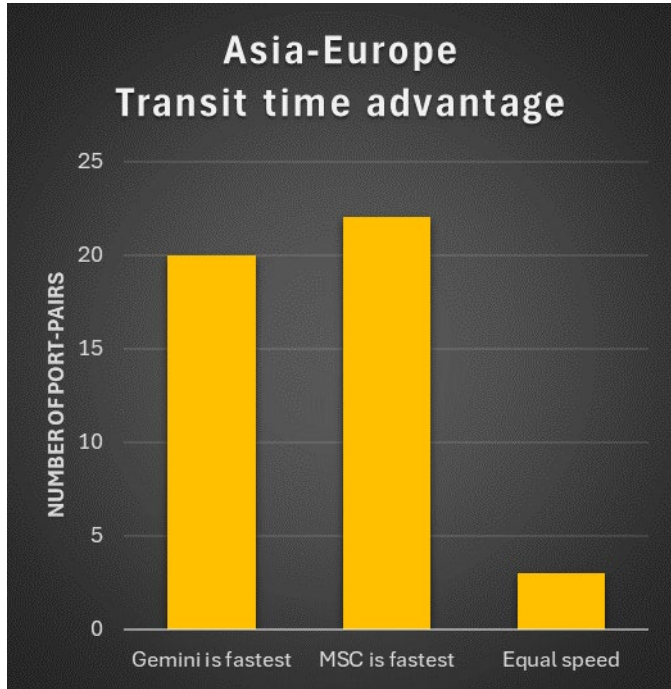
Asia-North America network impact

There are 382 port-pairs with no direct connections

The port-pair with the highest service frequency is Yantian-Savannah with 9 weekly connections



Direct is not the same as being fastest



Major 2024-25 issues

- Likely continuation of the Red Sea crisis into 2025
- Risk of another US port strike in January 2025
- Carriers' operational costs are not a main driver for price formation: Both up and down
- Increasing costs from EU ETS as well as FuelEU
- Trump presidency: Likely leads to a new short-term demand surge before new tariffs
- Continuing high risk: Cyber attacks

Major issues emerging over the next 10 years

- Transshipment hub “battle”. Hong Kong is already losing out.
- Decarbonization – increased regulation and pressure on shipyards. High likelihood that the industry as a whole will not meet the targets
- Increasing consolidation in smaller carriers – and emergence of larger new global players
- Geopolitical impact – increasing protectionism will skew competition and change trade patterns. Sanctions will be criss-crossing and make compliance more difficult.
- Artificial Intelligence will not provide sustained competitive advantage - It is increasingly the people which will make the competitive difference

How to navigate these challenges

- Do not assume the market environment will become stable and “normal”
- Flexibility is key to competitive advantage
- No-one wants to pay for resilience when the market is OK, and shippers will be angry at paying for access to it when the s**t hits the fan
- Expect more of the wild-swing disruption cycles
- AI and digitalization will not save you – but you need it

LINER SHIPPING 2035

LARS JENSEN

VESPUCCI MARITIME



50th CONFERENCE
ANNIVERSARY
S.C. International
TRADE CONFERENCE

OCTOBER • 16 • 18 • 2024