

Perspectives and insights on shipping amidst a pandemic

Impact on Container Shipping

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Sea-Intelligence

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BIMCO Webinar

Sea-Intelligence

Container Shipping Analysts

- Founded January 6th, 2011
- Fully independent, private company with no interests from brokers, banks or others.
- 10 Analysts, Developers & Consultants in Copenhagen, Hong Kong, and Singapore.
- 4-person Management Team with 80+ years of experience in Container Shipping

Core values:

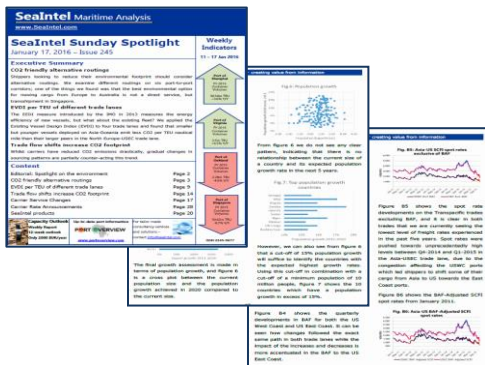
- Integrity
- Methodology
- Assumptions
- Data Quality

Major Milestones:

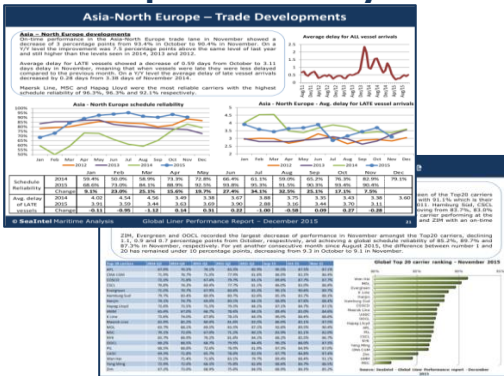
- 1,200+ Research & Analysis articles published since March 2011
- 5,000+ citations in Industry Press (Lloyd's List, JoC, Splash247, etc.)
- Regular contributor of Lloyd's List's "Between the Lines" Column
- World's most comprehensive database on Carrier Reliability
- Curriculum provider at the World Maritime University
- Curriculum provider at the Blue MBA at Copenhagen Business School

SeaIntel subscription reports

SeaIntel Sunday Spotlight (SSS) - Weekly



Global Liner Performance (GLP) report - Monthly



Tradelane Capacity Outlook (TCO) report - Weekly



- Weekly report with ground-breaking container market analysis
- Quantitative insights into important market drivers
- Regular topics include: Supply/Demand, deployment patterns, freight rate analysis, environmental issues, reliability, and much more

- World's largest study of carrier on-time performance
- Report covering 65+ carriers, 300+ distinct carrier services/loops, 300+ ports, across 34 trade lanes
- 116 pages including global carrier performance Top15 and niche operators, benchmarking alliances and detailed trade performance

- 12-week trade outlook on container slot supply
- Most accurate and updated capacity deployment figures for 23 trade lanes between Asia, Europe, North and South America
- Based on actual vessel schedules of individual named vessels on all services in major trade lanes

Pandemic Blank Sailings

Important:

Week numbers/Dates refer to departure from last port in Origin region

- E.g. for Asia-Europe, the week number when the vessel departs last port in Asia

Blanked Capacity: Average 12-week nominal capacity of vessels deployed on service

Abbreviations:

NAWC = North America West Coast, NAEC= North America East Coast,

NEUR = North Europe, MED = Mediterranean, ECSA = East Coast South America,

EUR = Europe = NEUR+MED, NAM = North America = NAWC+NAEC

Methodological Considerations

How to separate coronavirus from Chinese New Year (CNY)?

- Container trades out of Asia usually see significant number of blank sailings in CNY weeks +1 to +3, usually 15-20%.
- CNY 2020 fell on January 25th (Saturday, Week 4)
- This means CNY 2020 period was weeks 5-8
- We started seeing the first unscheduled blank sailings citing production shortages due to coronavirus for week 6
- This means that CNY 2020 and coronavirus periods overlap

Important information:

- Blank sailings for CNY are usually announced 5-6 weeks in advance, although some years as late as 3 weeks before
- On January 1st alliances had announced CNY 2020 blank sailings
- No new blank sailings for weeks 5-8 for the next four weeks
- First “new” blank sailings announced on Feb 2nd for week 7
- A few unannounced blank sailings in week 6

Our Solution:

- All blank sailings announced before Jan 27th ascribed to CNY
- All subsequent blank sailings ascribed to coronavirus

CNY 2020 outlook as of December 8th

Fig. A1: Asia-NAWC - Cap Offered

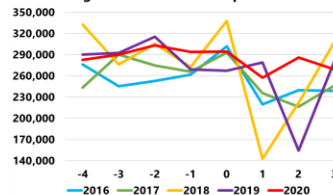


Fig. A2: Asia-NAWC - % Cap Reduced

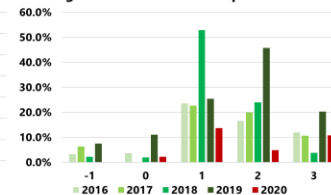


Fig. A3: Asia-NAEC - Cap Offered

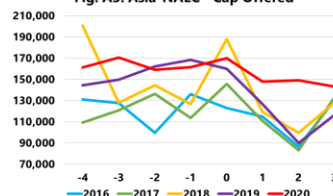


Fig. A4: Asia-NAEC - % Cap Reduced

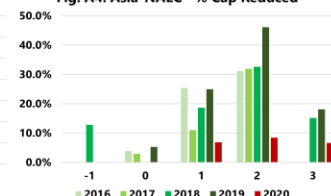


Fig. A5: Asia-NEUR - Cap Offered

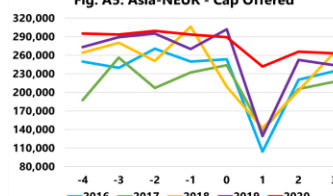


Fig. A6: Asia-NEUR - % Cap Reduced

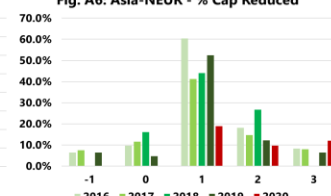


Fig. A7: Asia-MED - Cap Offered

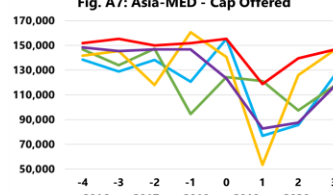
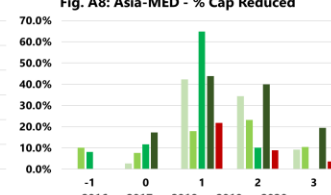
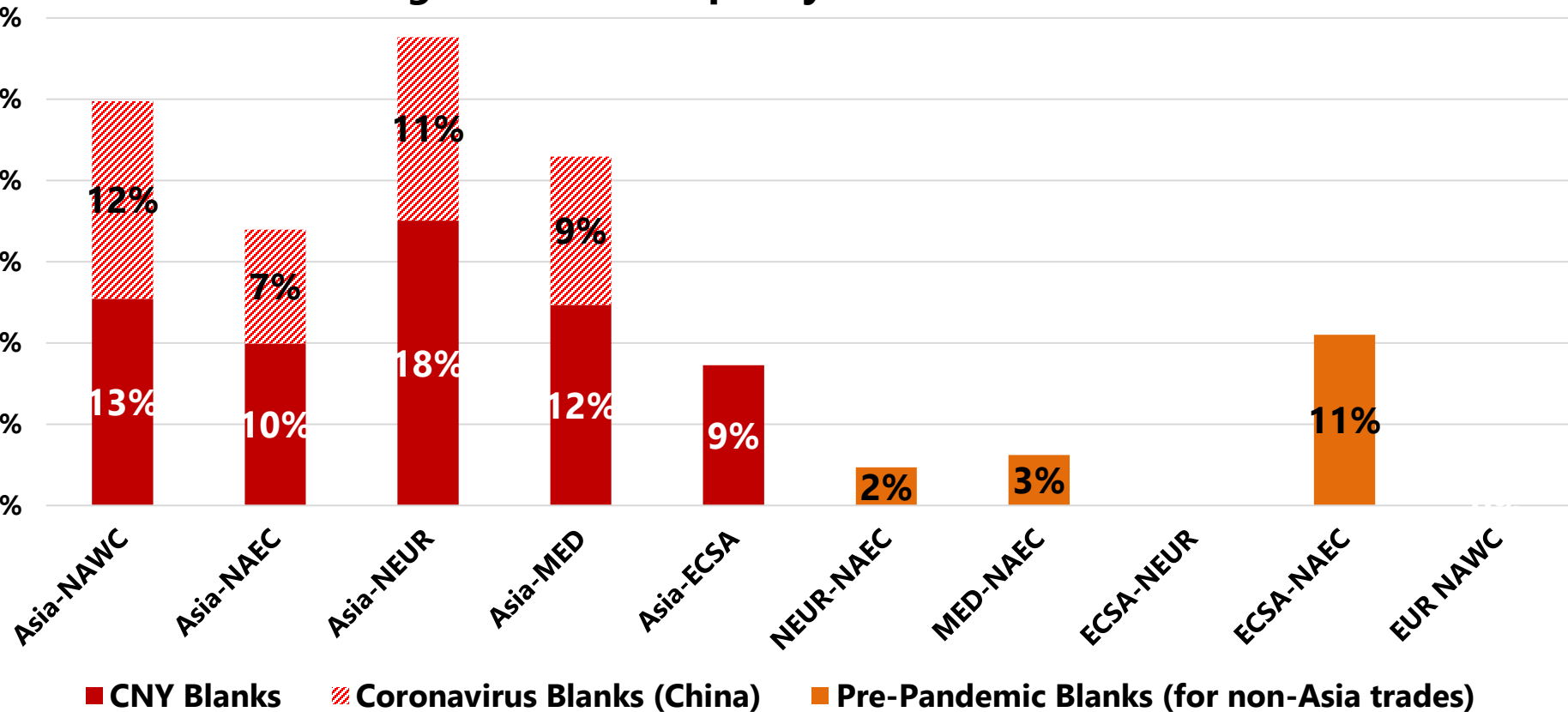


Fig. A8: Asia-MED - % Cap Reduced



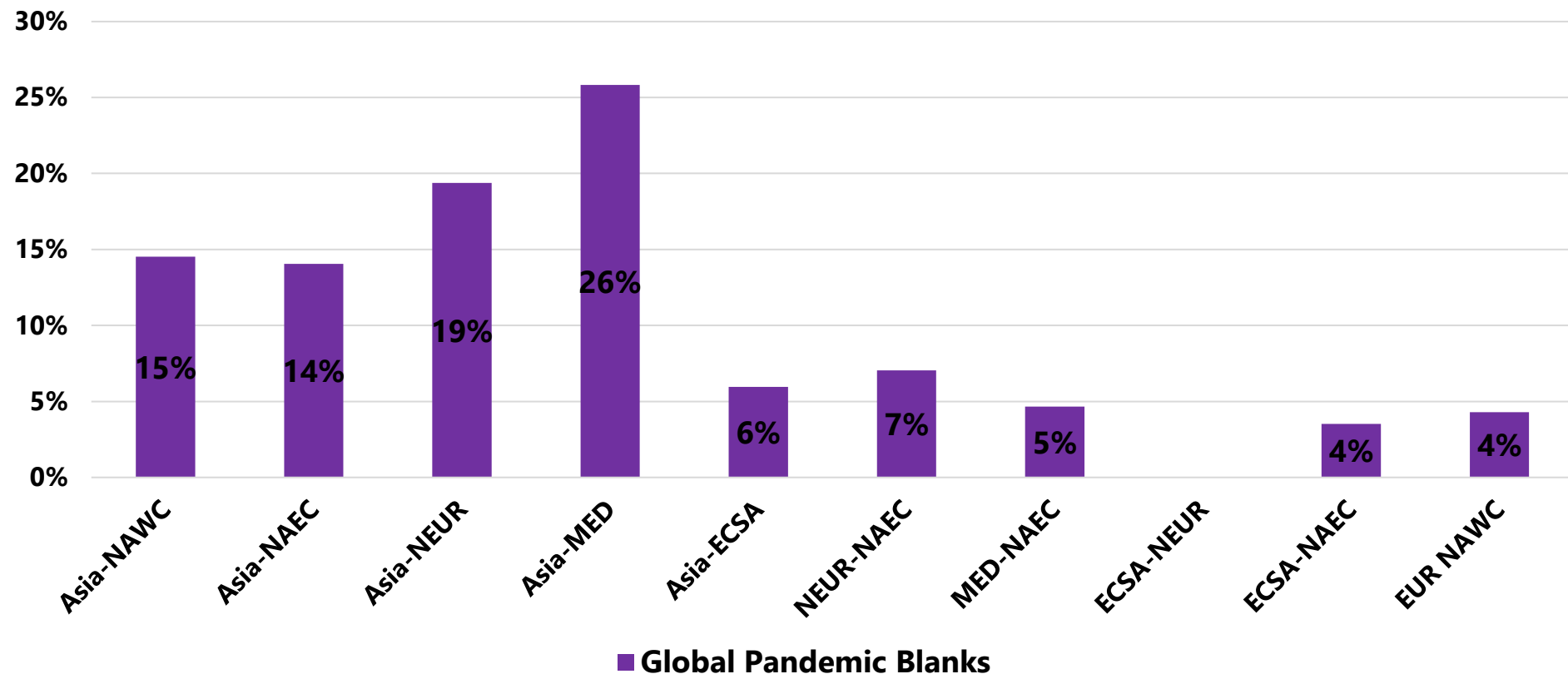
Main Trades, already blanked, as of April 10th

Fig. A11: Total Capacity Blanked, Wk 5-14



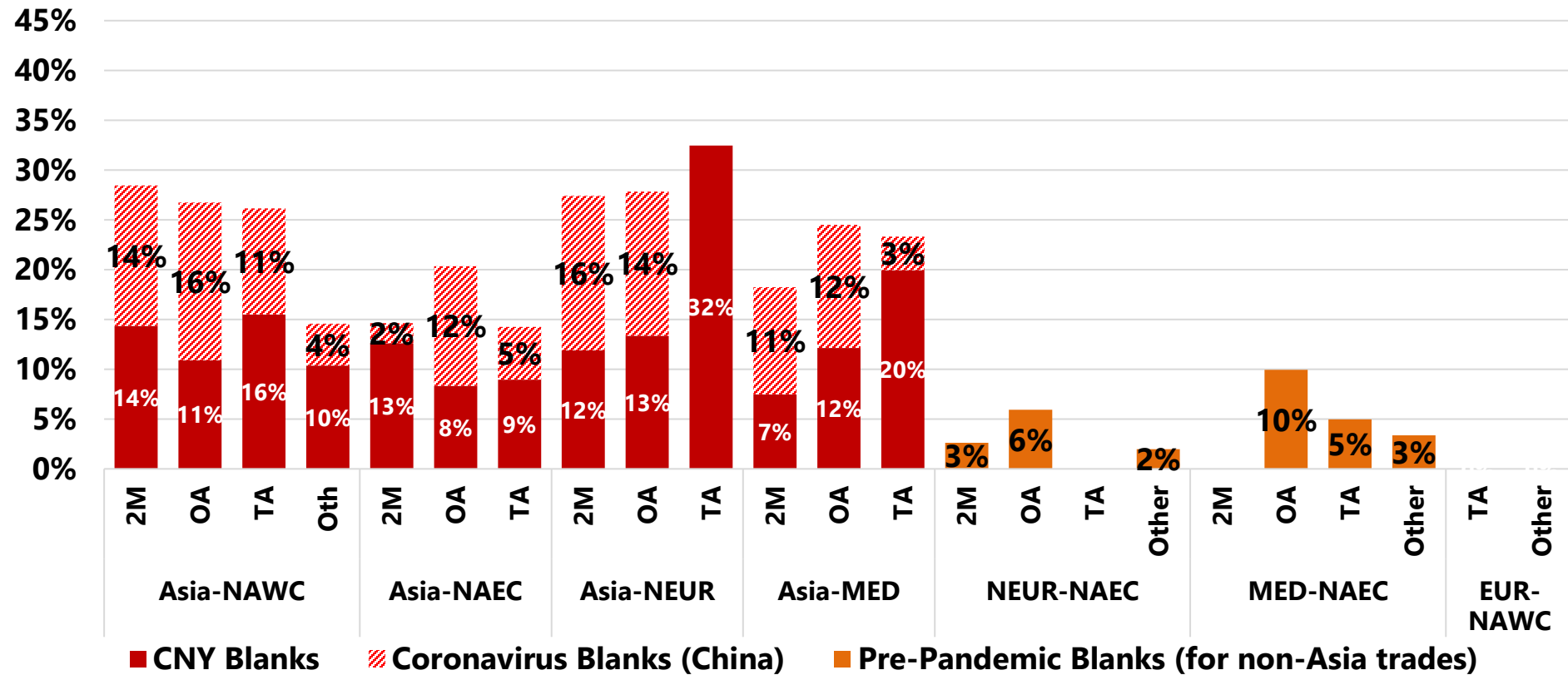
Main Trades, to be blanked, as of April 10th

Fig. A13: Total Capacity Blanked, Wk 15-26



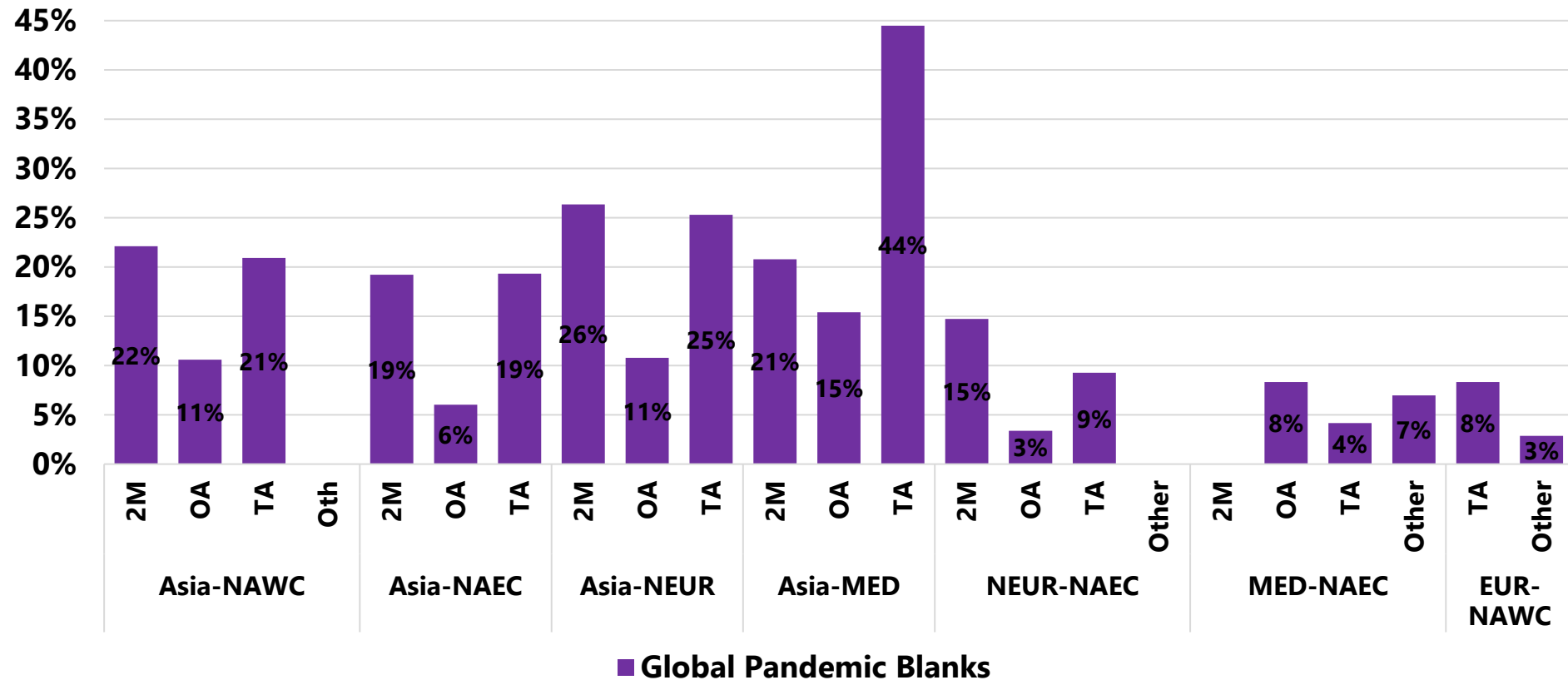
Alliances, already blanked, as of April 10th

Fig. A12: Alliance Capacity Blanked, Wk 5-14

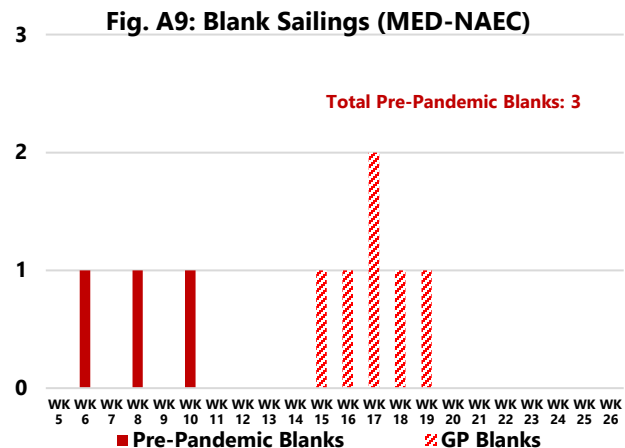
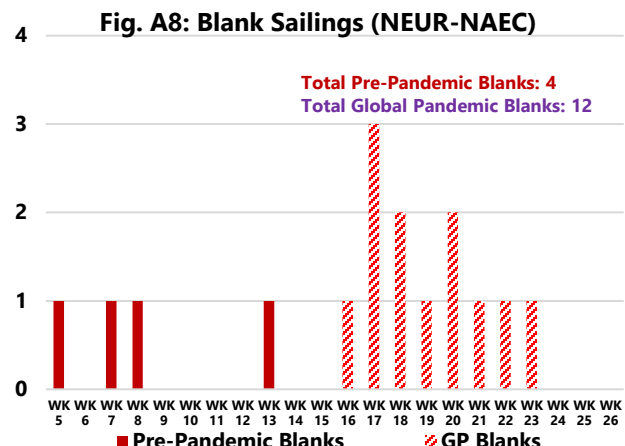
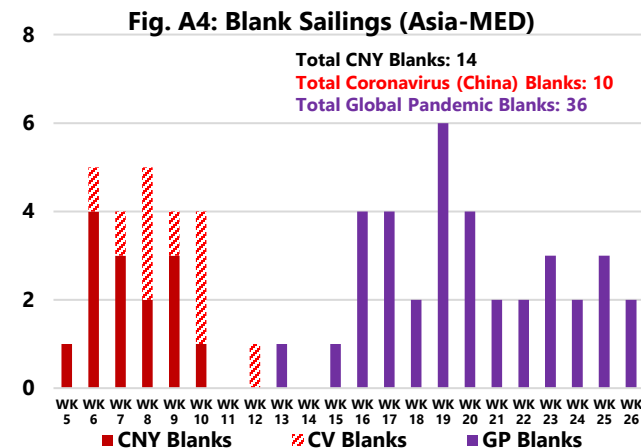
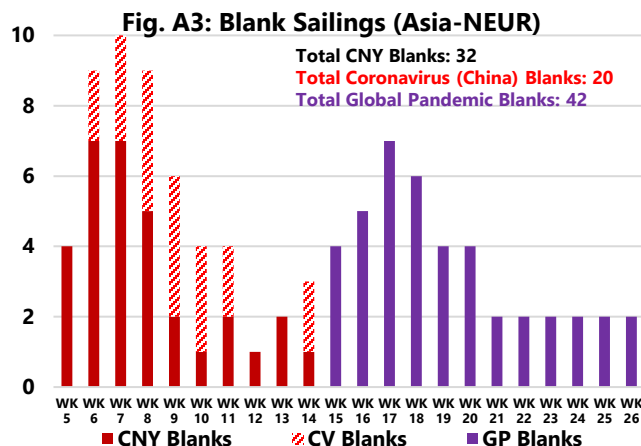
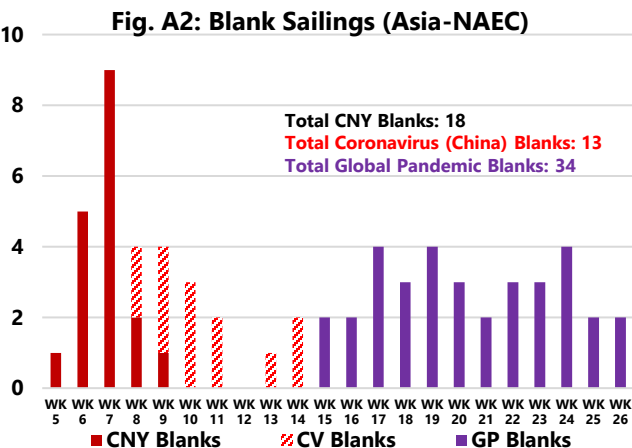
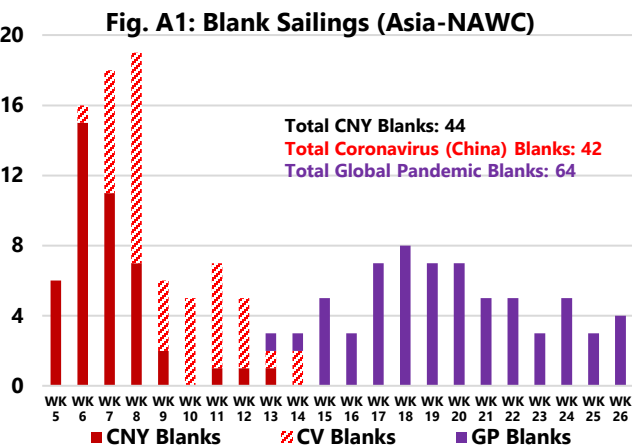


Alliances, already blanked, as of April 10th

Fig. A14: Alliance Capacity Blanked, Wk 15-26

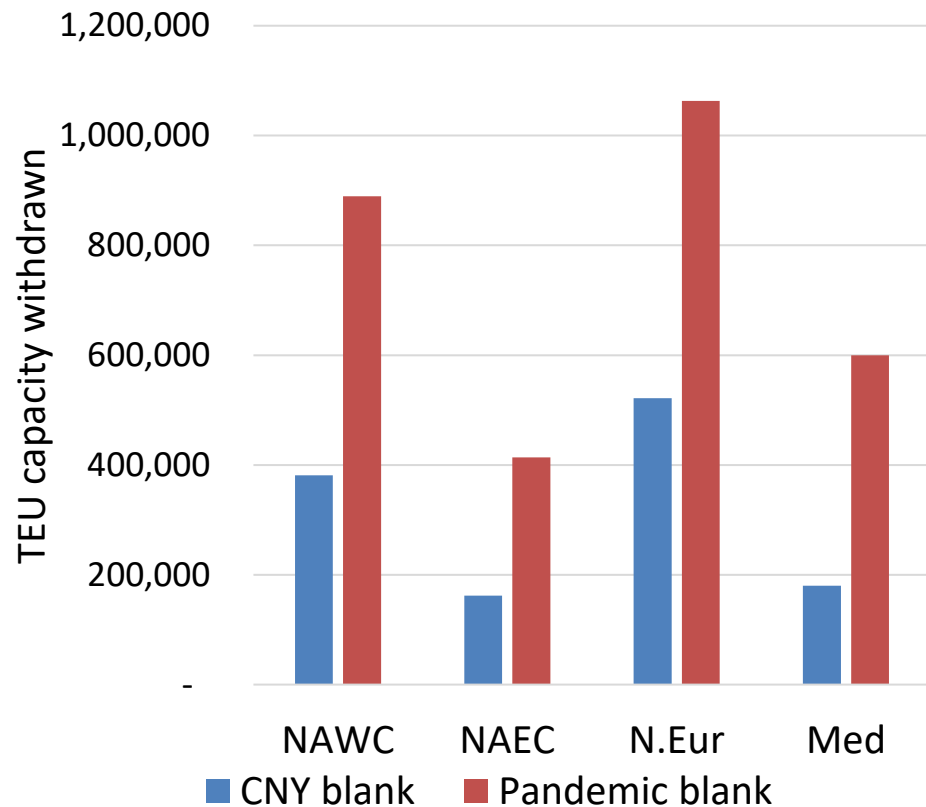


East-West Blank Sailings as of April 10th

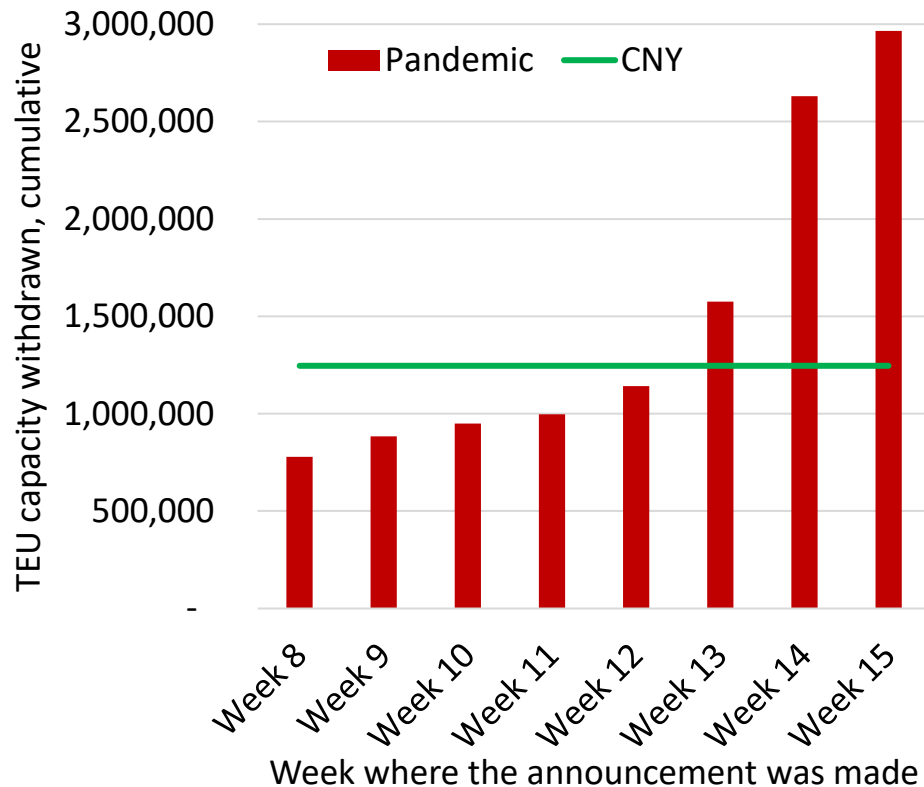


Coronavirus blanks outpaces CNY

Total capacity reduction week 5-26

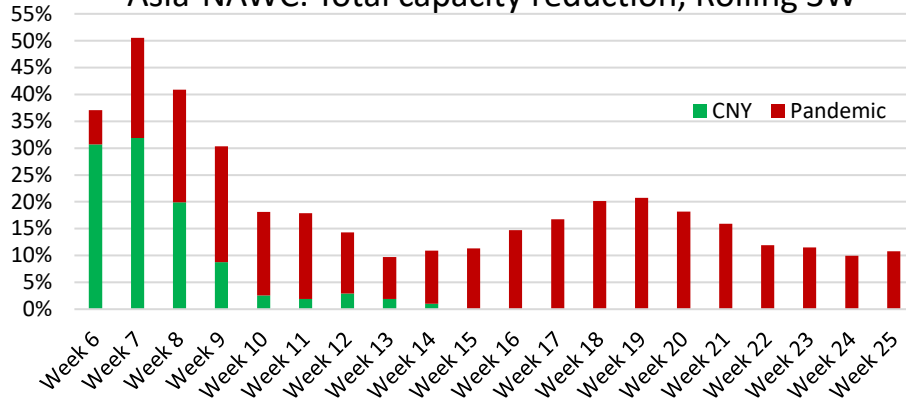


Total Capacity blanked Asia-Europe and Transpacific, week 5-26, announcement week

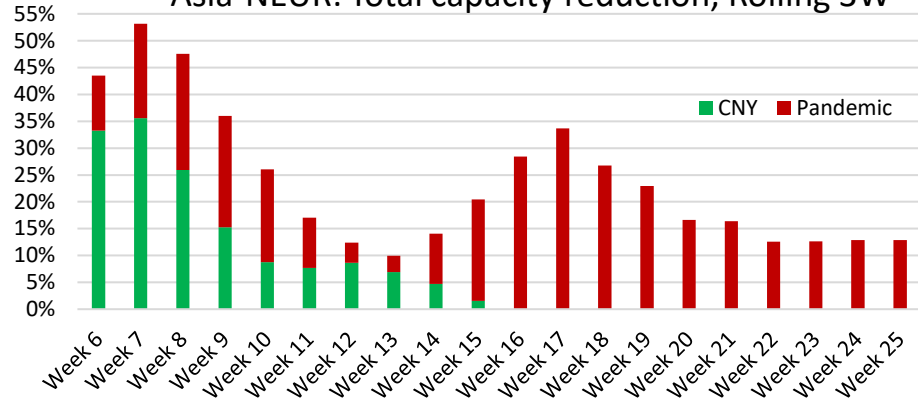


AE/TP Relative Blanked Capacity, rolling 3W

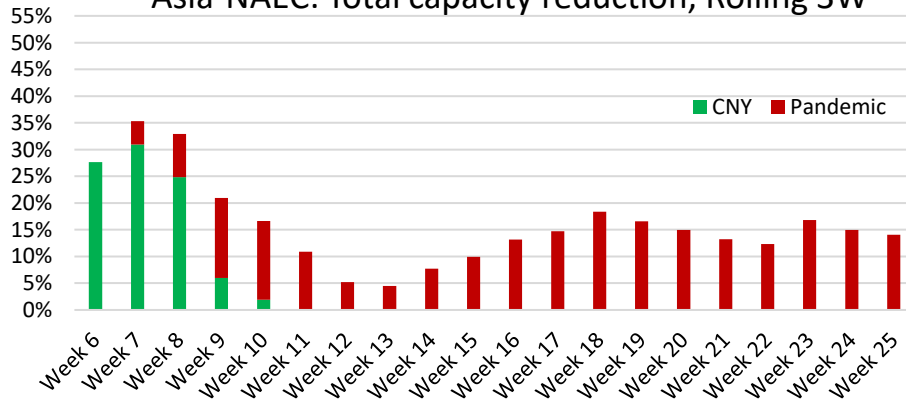
Asia-NAWC: Total capacity reduction, Rolling 3W



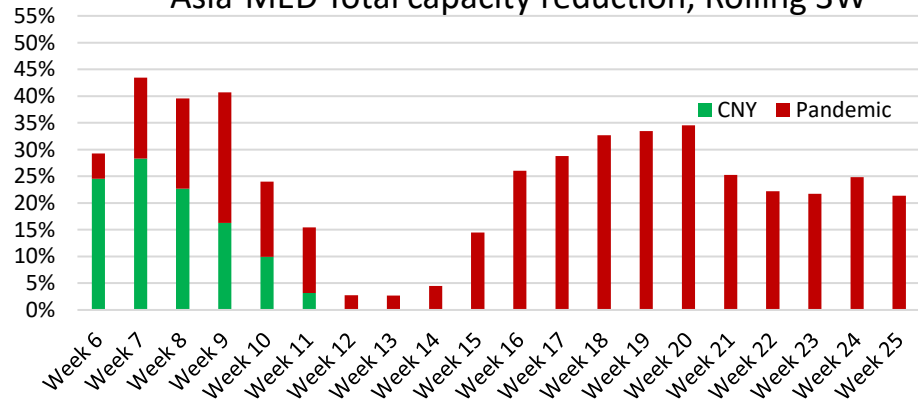
Asia-NEUR: Total capacity reduction, Rolling 3W



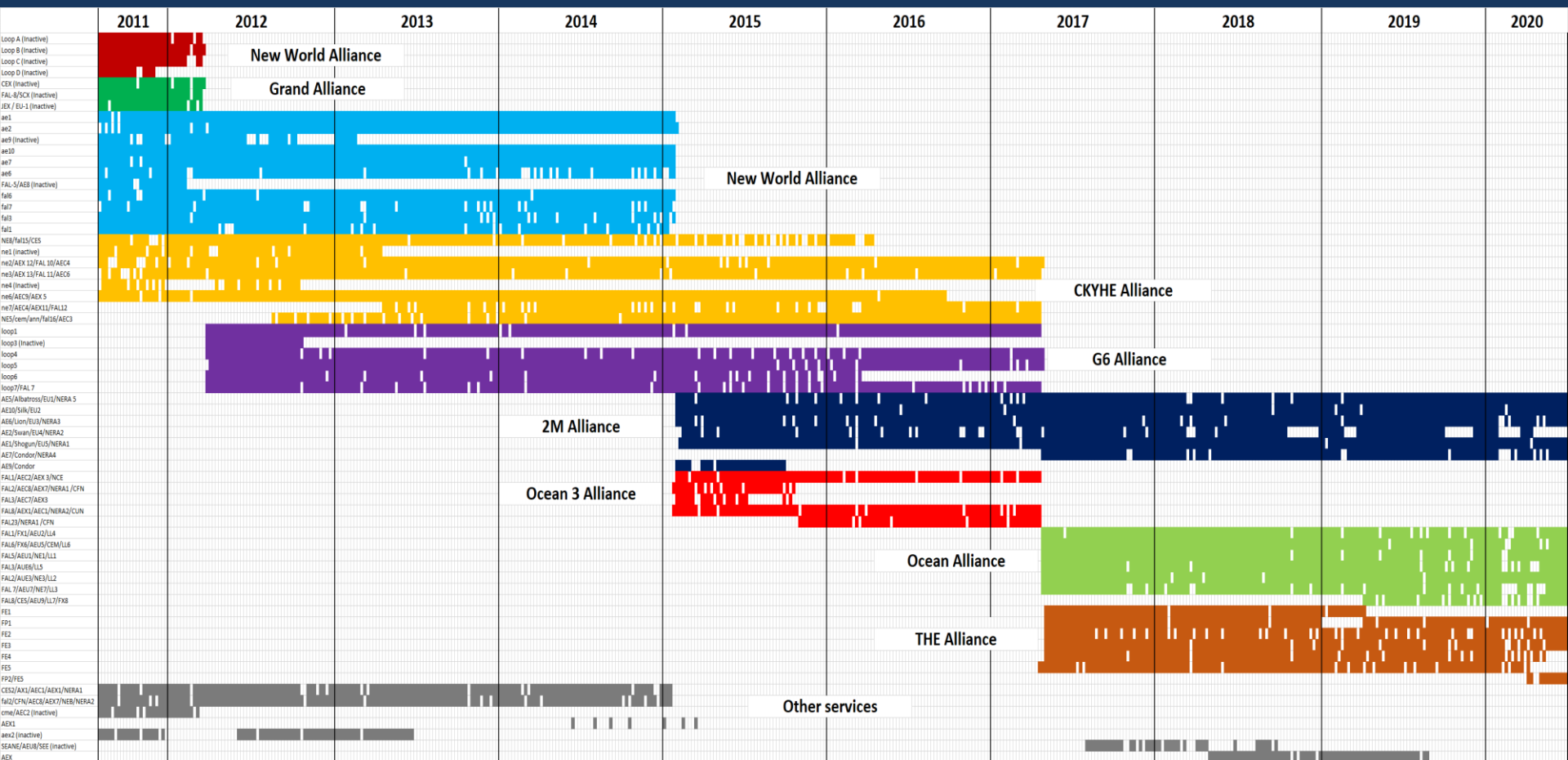
Asia-NAEC: Total capacity reduction, Rolling 3W



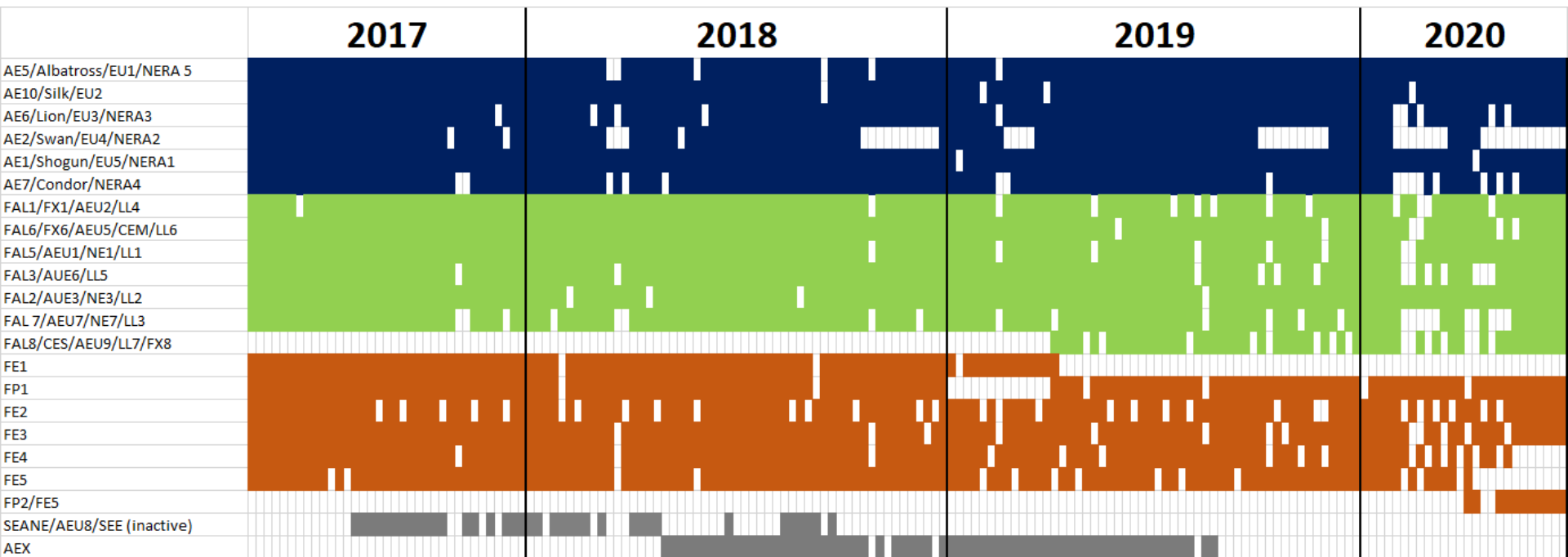
Asia-MED Total capacity reduction, Rolling 3W



Asia-NEUR – “Normal” service disruptions

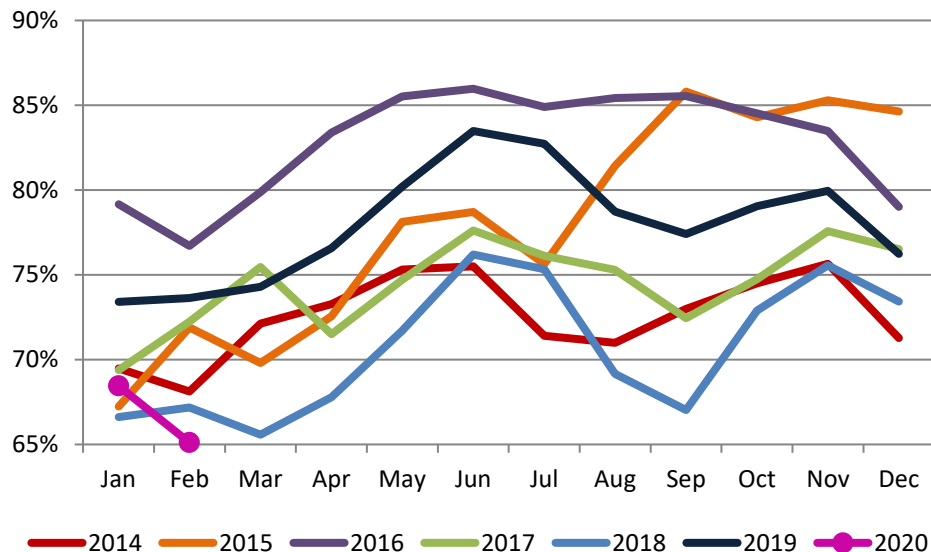


Asia-NEUR – 2017-2019 service disruptions

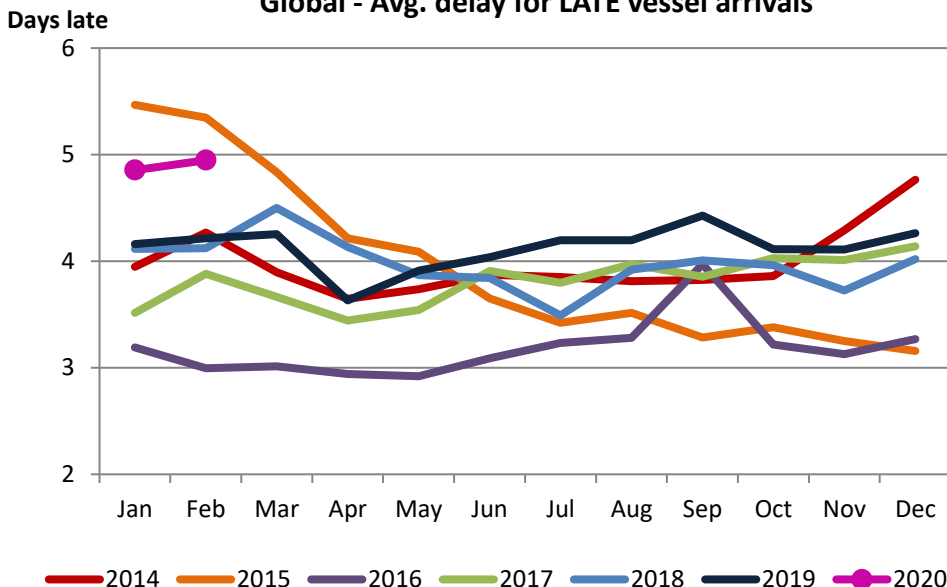


Unsurprisingly, schedule reliability is at all-time low

Global schedule reliability



Global - Avg. delay for LATE vessel arrivals

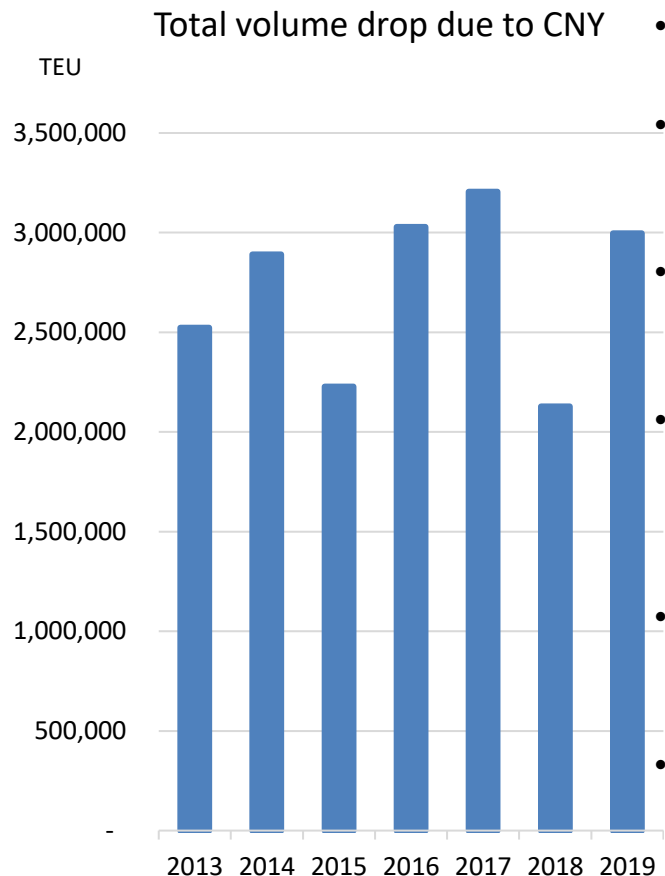
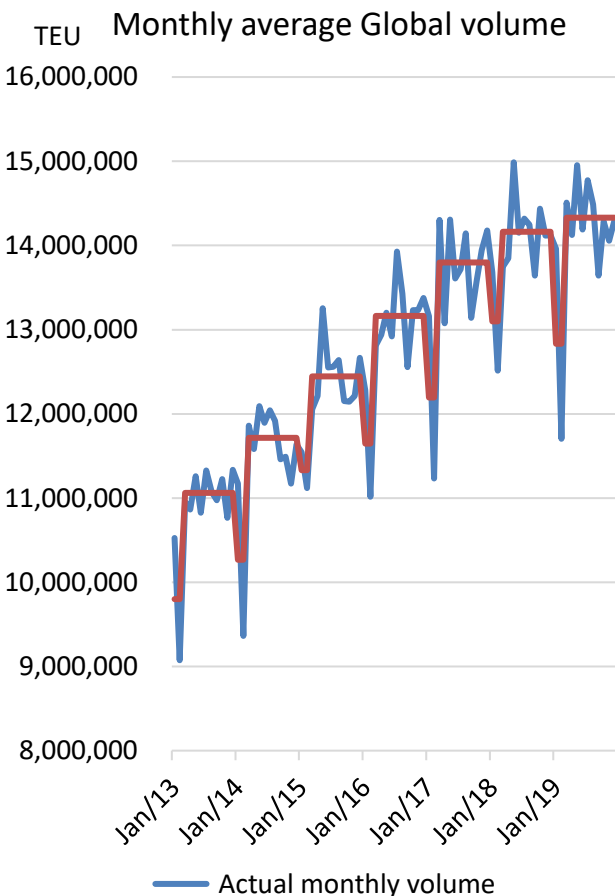


Global

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Schedule Reliability	2019	73.4%	73.6%	74.3%	76.6%	80.2%	83.5%	82.7%	78.7%	77.4%	79.1%	80.0%	76.2%
	2020	68.4%	65.1%										
	Change	-5.0%	-8.5%										
Avg. delay of LATE vessels	2019	4.16	4.22	4.25	3.63	3.91	4.04	4.20	4.20	4.43	4.11	4.11	4.26
	2020	4.85	4.95										
	Change	0.69	0.73										

Carrier Impact: Volume and Rate loss

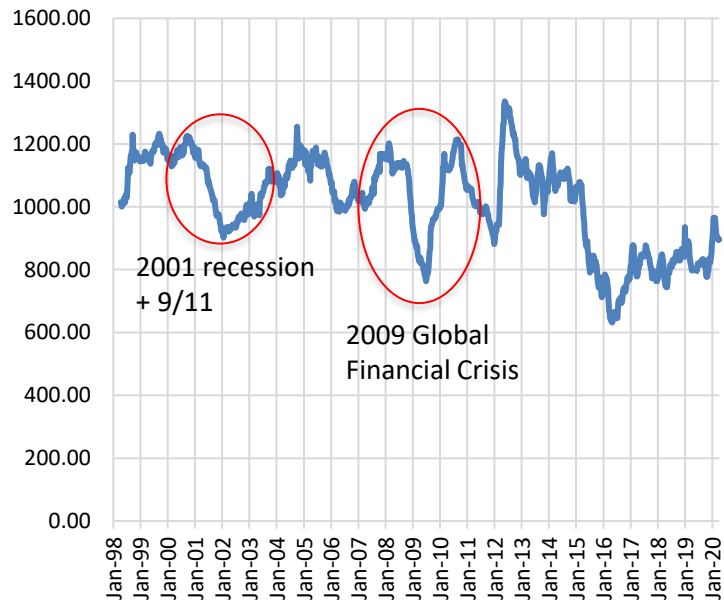
No hard volume data yet, but CNY is a guide



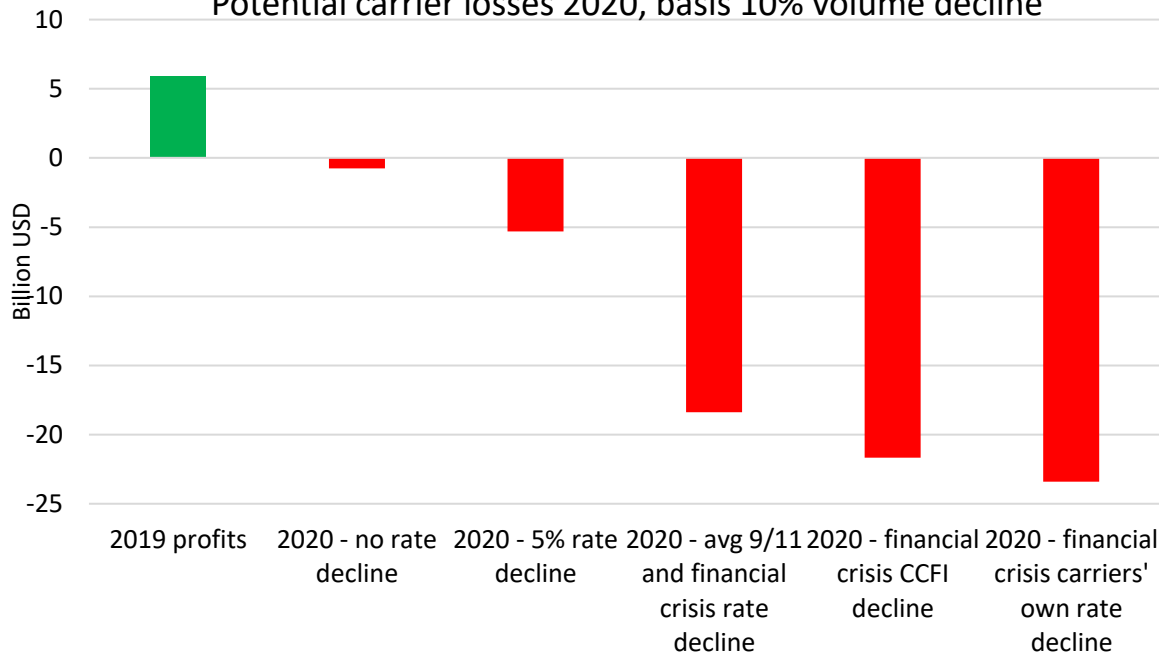
- On average, CNY results in a global volume drop of 2.7M TEU.
- Week 5-26 Asia-Europe + Transpac pandemic blanks currently stand at 238% of 2020 CNY blank capacity.
- If we apply this globally, we reach a volume loss estimate of 6.5M TEU, or 4% of 2019 volume.
- This is under the very optimistic (and unrealistic) assumption that there will be no further blanks / volume loss in coming weeks.
- For reference, following the financial crisis, 2009 saw a volume loss of 15% Y/Y
- We're rather pessimistic, and expect more blank sailings, and project a FY2020 volume loss of 10%.

If rates decline like 2009, carriers could lose up to USD 23Bn

CCFI Composite contract rate index



Potential carrier losses 2020, basis 10% volume decline



While 2020 rates have held so far, 2001/2009 suggests that freight rates will fall as the crisis takes hold. Our model assumes 10% volume decline for FY2020, and no rate loss in Q1. We do not expect a V-shaped recovery, and a volume bounce-back not happening before 2021. Even with no rate decline, the volume loss alone will result in USD 800M industry loss; a 5% average rate drop leads to industry loss of USD 5Bn.

- Model assumes 10% volume decline
- Volume-driven loss estimated using Maersk's volume sensitivity guidance of 100,000 FFE = USD 100M EBITDA loss
- Rate-driven loss estimated using Maersk's rate sensitivity guidance of -100 USD/FFE = loss of USD 1.3 Billion

For reference: Carrier combined 2012-19 EBIT = 21Bn

Major Liner Carrier EBIT/Operating Profit 2010-2019 in Million USD											Change Y/Y	SUM EBIT
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Delta 19-18	Sum 2012-19
Maersk*	2,642	-482	525	1,571	2,504	1,431	-396	641	409	1,725	1,316	8,410
MSC estimate**	N/A	-164	336	574	809	733	-285	912	545	1,174	630	4,799
COSCO	543	-997	-242	-161	165	121	-884	871	726	1,037	311	1,633
CMA CGM***	N/A	729	1,034	756	973	911	29	1,574	494	937	443	6,707
Hapag Lloyd	772	105	3	87	-467	416	133	493	509	911	402	2,084
ONE****	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-490	35	525	-455
Evergreen	N/A	N/A	-38	-26	118	-119	-242	162	30	156	125	41
OOCL	919	175	328	90	329	353	-138	232	263	N/A	N/A	1,457
Yang Ming	N/A	N/A	-67	-200	88	-200	-454	26	-185	-34	151	-1,027
ZIM	223	-276	-206	-191	-263	98	-52	135	-23	153	176	-349
HMM*****	509	-309	-478	-343	-215	-238	-690	-381	-503	-274	230	-3,123
Wan Hai	N/A	N/A	98	74	170	125	58	106	32	95	63	758
SUM	N/A	N/A	1,293	2,231	4,211	3,630	-2,922	4,770	1,806	5,915	4,109	20,935

*Maersk 2017-2019: Group EBIT, rest: Maersk Line EBIT

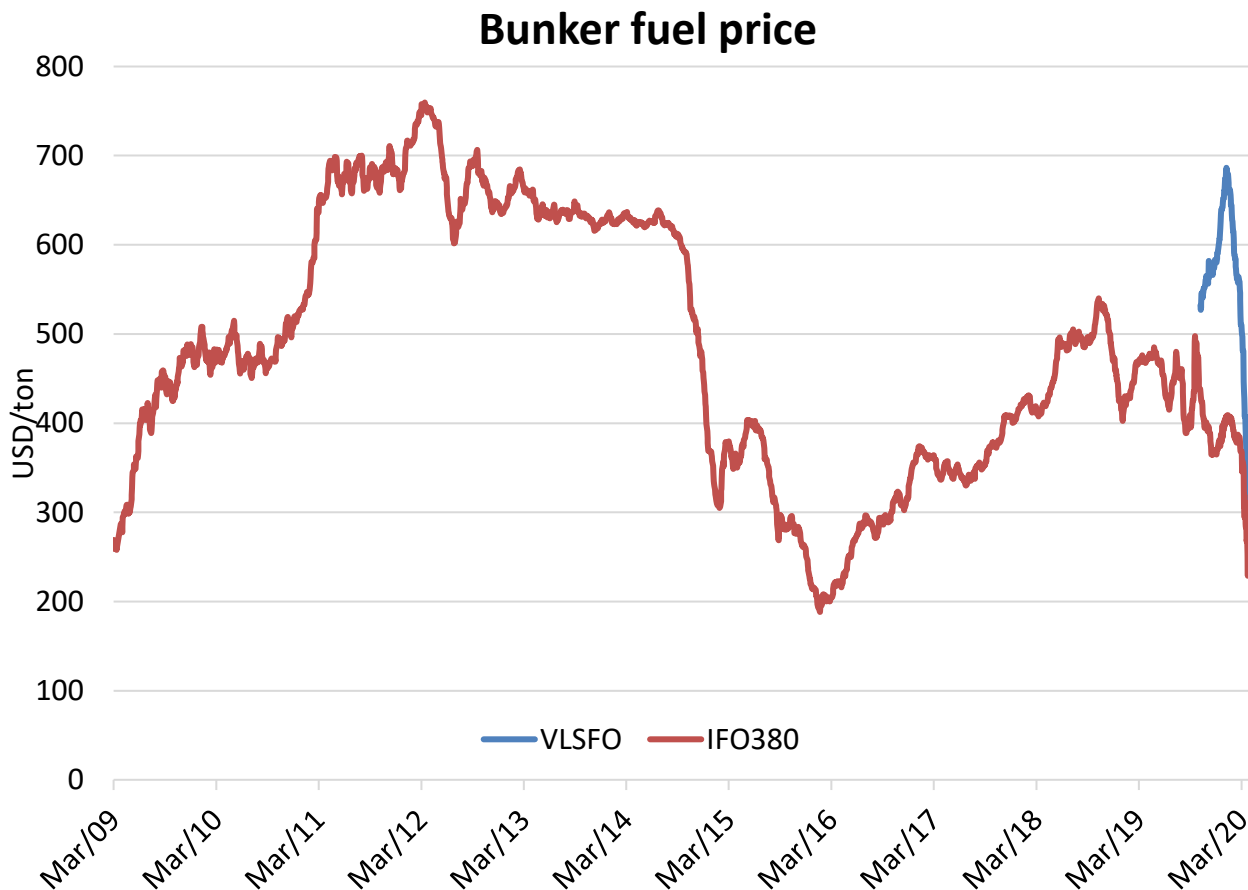
** VERY unscientific estimate for MSC

***CMA CGM 2019 EBIT is excl. CEVA

****Net Result for ONE

*****HMM's 2019 EBIT is taken from their Corporate Disclosure

Silver lining: Bunker oil prices have come down



- Due to the inherent delay of any BAF-mechanism, falling oil prices provide a short-term cash injection to carriers, as they are “buying low and selling high”
- This is **not** cheating shippers, as the reverse happens with rising oil prices
- Carriers are already going round-Africa on Europe-Asia back-haul, and a few sailings scheduled head-haul
- Round-Africa means longer transit times and heavier emissions