Leschaco Market Update Sea Freight

May 2025

Content

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Ocean Freight Market Outlook May 2025

Demand Outlook

- The WTO has issued a new outlook, forecasting a -0.2% decline in global merchandise trade volume for 2025, a sharp revision from the previous 2.7% growth estimate, mainly driven by the US trade war.
- The IMF lowered its 2025 global growth forecast to 2.8% (from 3.3%), mainly due to escalating US-China tariffs, which have since risen far beyond the levels assumed in their projection.
- Reduced US-bound imports due to Chinese tariffs are causing blank sailings, impacting US West Coast ports with expected effects on the East Coast soon.

Capacity Outlook

- Despite escalating tensions between India and Pakistan, container shipping operations currently remain largely unaffected. However, risks of broader regional disruptions persist if the conflict escalates, given India's major role in global trade and containerized exports.
- Around 2.83 mTEU, accounting for 8.9% of the global fleet, is currently affected by port congestion.
- Far East to US blanked capacity for week 19 surged by +387% (USWC) and +98% (USEC) within just two weeks (April 4–18). Carriers are expected to continue announcing blank sailings in response to demand shifts.

Freight Rates

- Despite a sharp drop in US bookings due to tariff uncertainty, spot rates from China to USWC and USEC remained stable to slightly higher, likely supported by pre-tariff cargo surges from other Asian origins and general market uncertainty.
- Several carriers are announcing new GRIs and PSSs:
  - MSC: PSS of $1000/40’ from N. Europe to N. America (May 13).
  - Maersk: PSS of $2000/40’ from Asia to US/CAN (May 15).
  - Hapag-Lloyd: PSS of $2000/40’ from East Asia to N. America (May 12).

Regulations / News

- IMO MEPC 83: approves first-ever Global GHG Pricing Mechanism for Maritime Industry
- In a CNBC survey, 89% of companies reported canceling orders, 75% expect consumer spending to fall, and most are seeking production alternatives in lower-tariff countries instead of moving back to the US.
- Xeneta reports a 14% rise in global container shipping emissions in 2024, driven by longer Africa rerouting (Red Sea crisis), 5% faster sailing speeds, and lower vessel utilization from trade imbalances.

Source: Linerlytica, Xeneta, Drewry, EC.EUROPE, CNBC, WTO

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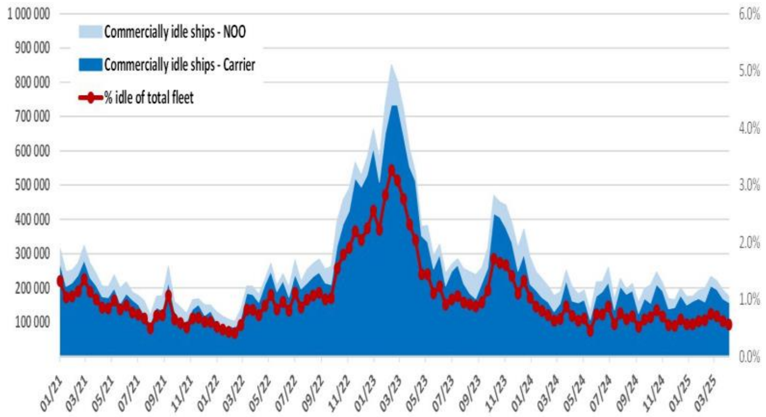
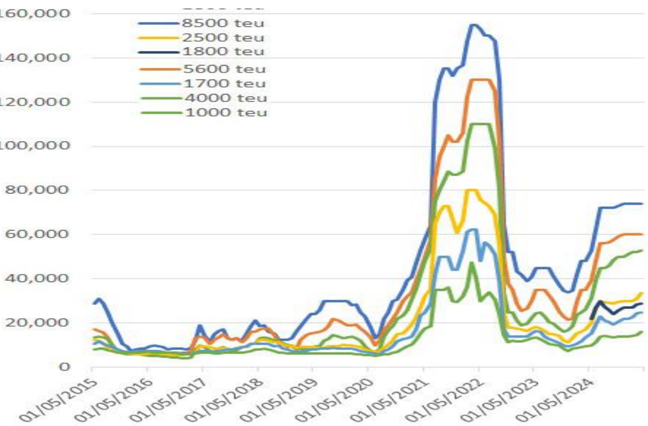
Market Developments

Commercially idle capacity



Charter Rates since April 2015



In yard capacity

Rates for 12-month charters

Daily Charter Rates by TEU Size	1 April (USD/day)	15 April (USD/day)
8,500 teu	74,000	74,000
5,600 teu	60,000	60,000
4,000 teu (Panamax)	52,000	53,000
2,500 teu	31,500	33,500
1,800 teu (Bangkokmax)	28,000	29,000
1,700 teu	25,000	25,000
1,000 teu	15,000	16,000

Source: Alphaliner

Key Notes:

- Only 0.6% of the total fleet (63 ships / 175,529 TEU) was idle as of early April, close to historical lows despite the slack season.
- Carriers are still heavily utilizing available vessels across most size segments, especially 1,000–5,100 TEU ships, with no idling of ships over 18,000 TEU.
- Very few ships are undergoing repairs or maintenance (only 2.2% of the fleet ‘in yard’), keeping capacity tight.
- Tariffs between the US and China have introduced market instability, causing carriers to delay some chartering decisions.
- Despite geopolitical uncertainties and a cautious market mood, charter rates for all ship sizes continue to stay strong.

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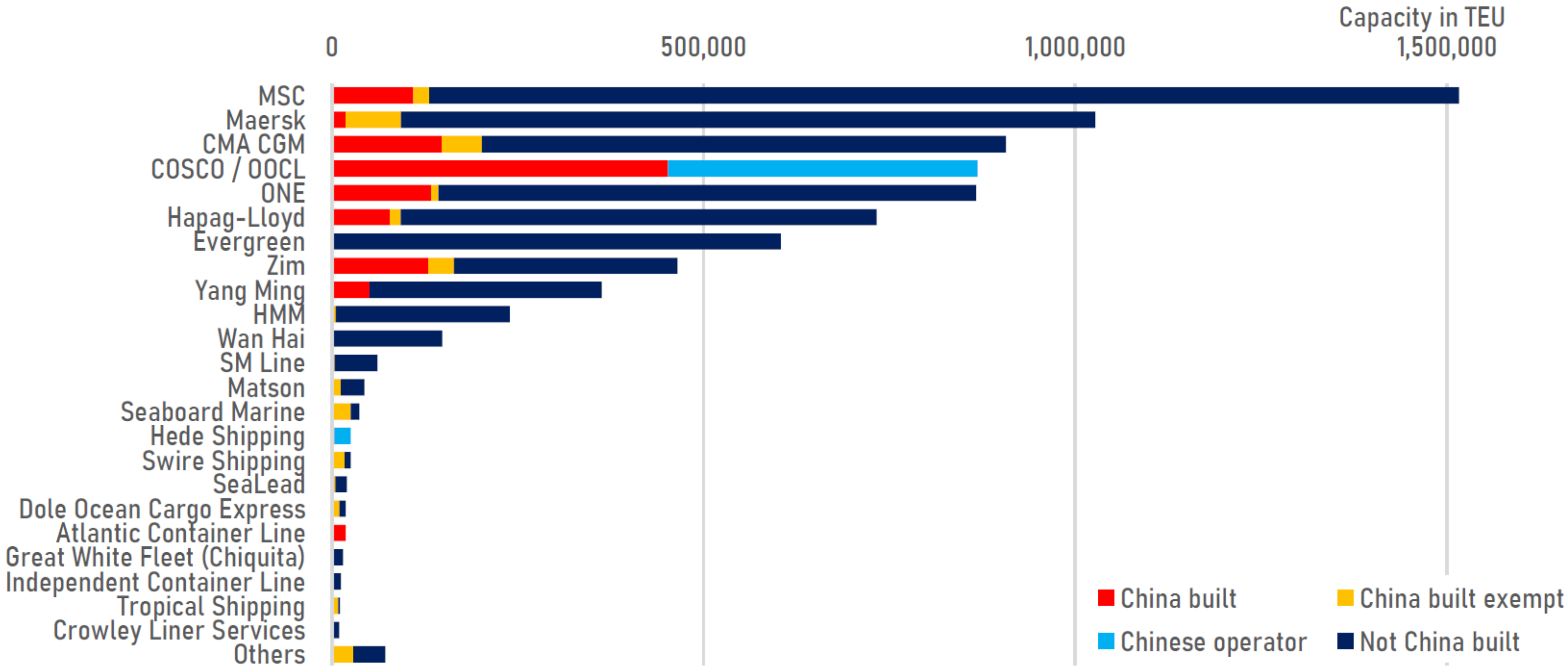
USTR Revises Fee Proposal on Chinese Shipping Under Trump's Executive Order

Major shift from punitive flat fees to scalable per-call charges with significant market implications



Source: ustr.gov, Linerlytica – Market Pulse 16

Key Notes:

- Revised USTR proposal lowers fees significantly from the original plan:
  - Now $50/net ton (rising to $140 by Apr 2028) for Chinese-operated vessels (regardless of build origin).
  - Originally proposed $1,000/net ton (capped at $1M).
- Chinese-built vessels calling US ports:
  - Pay $18/net ton or $120/container discharged (whichever is higher); rising to $33/net ton or $250/container by Apr 2028.
  - Previously a flat $1.5M fee per call.
- Exemptions:
  - Vessels <4,000 TEU and voyages <2,000 nm.
  - Fees now apply once per voyage, not per port.

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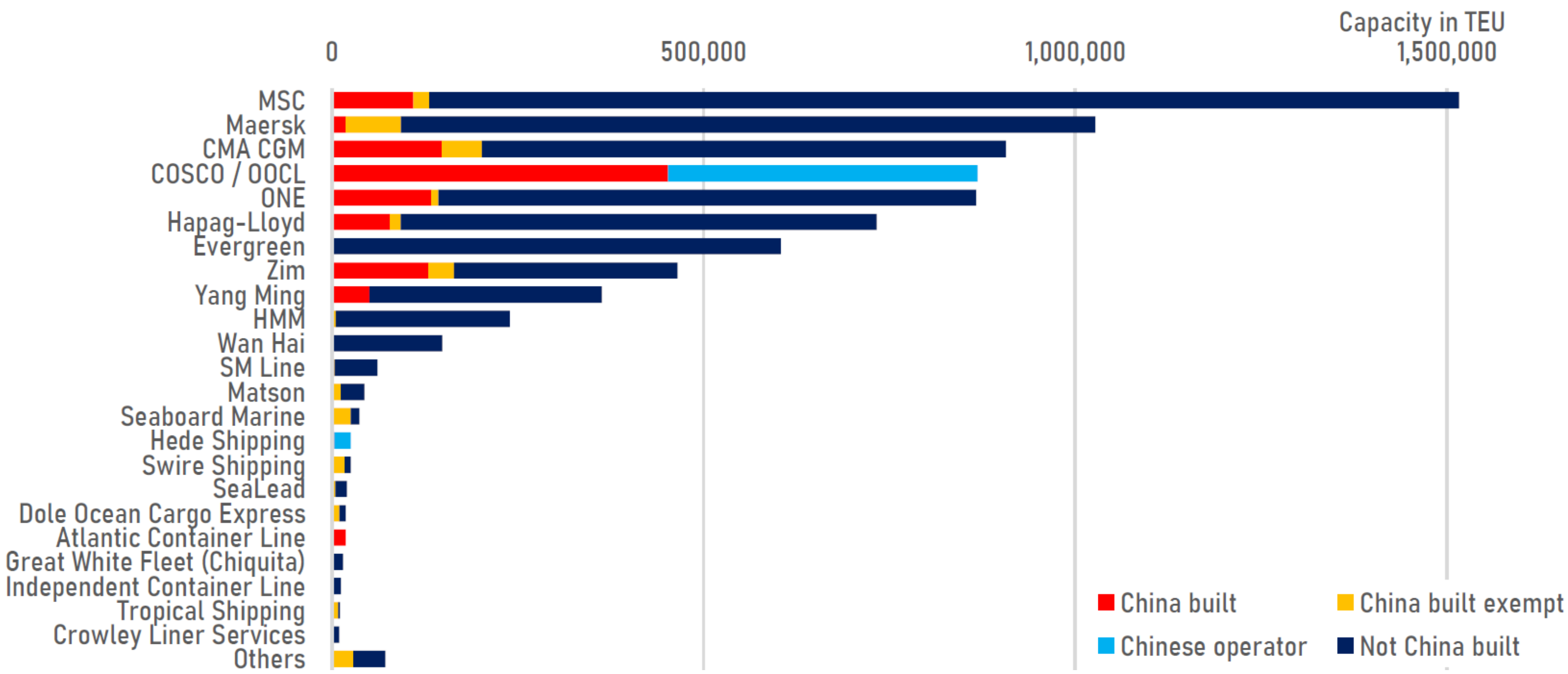

Source: ustr.gov, Linerlytica – Market Pulse 16

Key Notes:

- Waiver available if a US-built vessel of equal/larger tonnage is ordered and delivered within 3 years – unlikely in practice due to strict "US-built" criteria and tonnage limits.
- Eliminated fees:
    - No more fee for non-Chinese-built vessels or those on order from Chinese yards.
    - US exporters no longer required to use US-flagged tonnage (except LNG).
- Additional USTR proposal: 20–100% tariffs on Chinese ship-to-shore cranes, containers, and chassis.
- Container Shipping Impact:
    - COSCO/OOCL hit hardest – possible >$10M per US call.
    - Ocean Alliance shift – CMA CGM & Evergreen to focus on US services.
    - More transshipment in Caribbean and increased use of smaller vessels.

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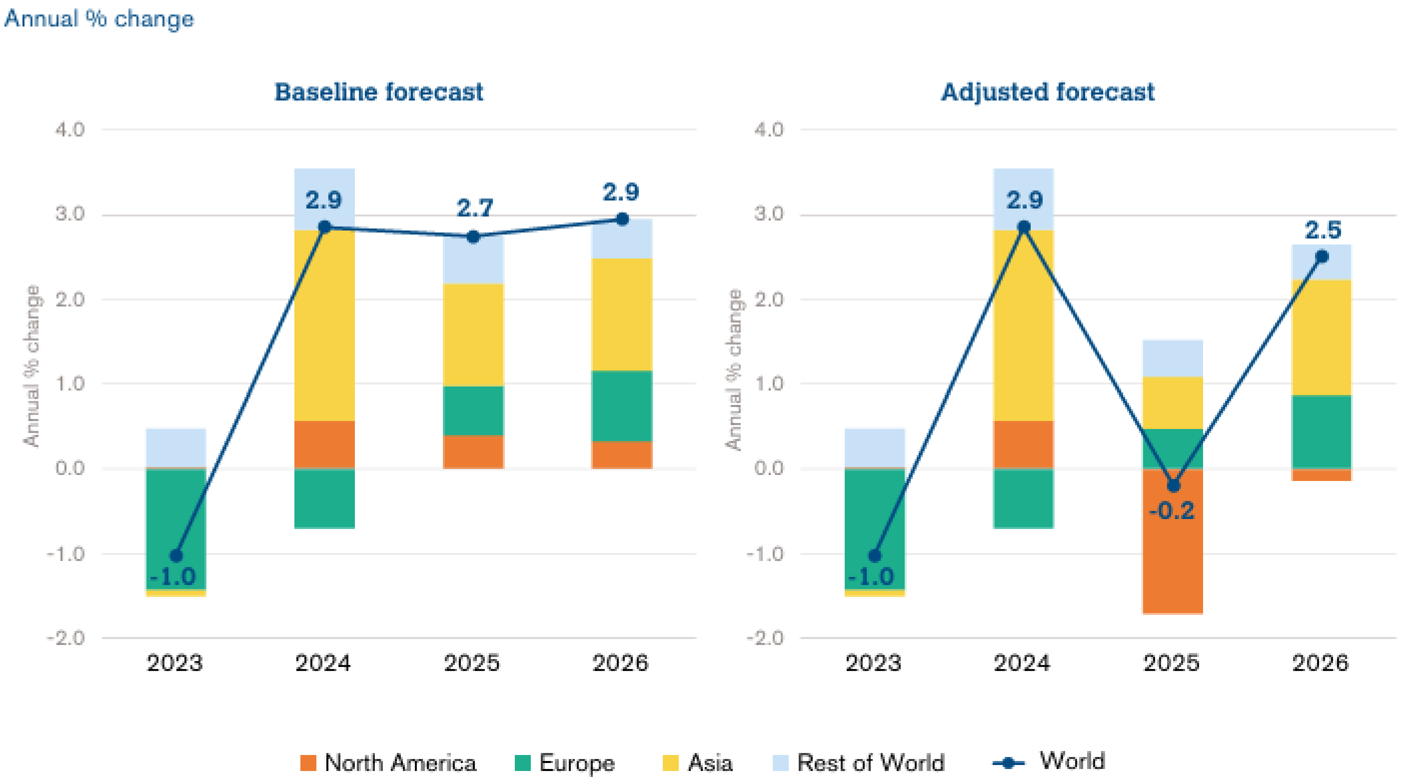
WTO Slashes Global Trade Forecast Amid Rising Trade Tensions

Global merchandise trade now expected to decline in 2025, with North America facing the sharpest downturn and container shipping demand under pressure.



Source: WTO Secretariat estimates | Note: Trade refers to sum of exports and imports. Figures for 2025 and 2026 are projections.

Key Notes:

- WTO revises 2025 global merchandise trade forecast from +2.7% to -0.2% due to the US trade war.
- North America hit hardest: exports -12.6%, imports -9.6% in 2025.
- Further declines expected in 2026: exports -1.2%, imports -0.8%.
- Reinstating suspended tariffs could deepen 2025 drop to -1.5%.
- Would mark only the 6th decline in global trade since 1965.
- Past major declines: 2020 (-5.3%), 2009 (-12.2%), 2001 (-0.2%), 1982 (-2.0%), 1975 (-7.0%).
- Container shipping outlook: sharp demand correction, especially on US routes.

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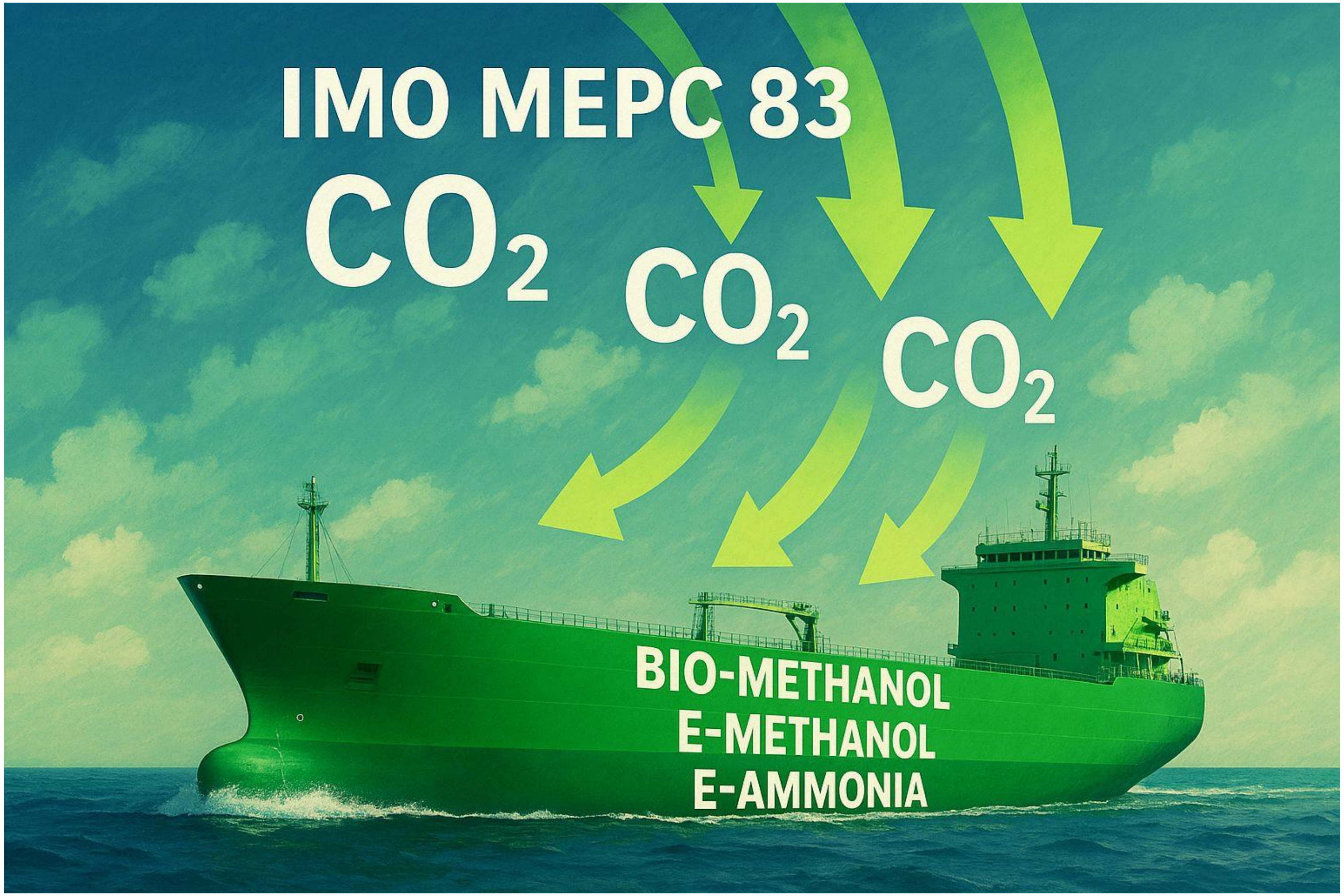
Shipping Enters a New Era of Decarbonization

| IMO Approves First-Ever Global GHG Pricing Mechanism for Maritime Industry



Source: IMO

Key Notes:

- New Compliance System from March 2027: Vessels ≥5,000 GT must meet GHG Fuel Intensity (GFI) targets – up to 43% reduction by 2035; penalties up to \$480/t CO_2e for non-compliance.
- Financial Impact by Fuel Type: High penalties for conventional fuels (HFO, MGO, VLSFO); green fuels like Bio-/E-Methanol and Green Ammonia remain penalty-free.
- Political Breakthrough: 63 nations approved the framework, including EU, China, Brazil, and the UK; the US voiced concerns but did not block the agreement.
- Strategic Shift for the Industry: Fuel choices will drive operational costs and competitiveness; investment in green fuels now carries a clear financial advantage.
- Green Fuels as Transition Leaders:Bio-/E-Methanol and Green Ammonia positioned as the strategic energy base for achieving net-zero fleets.

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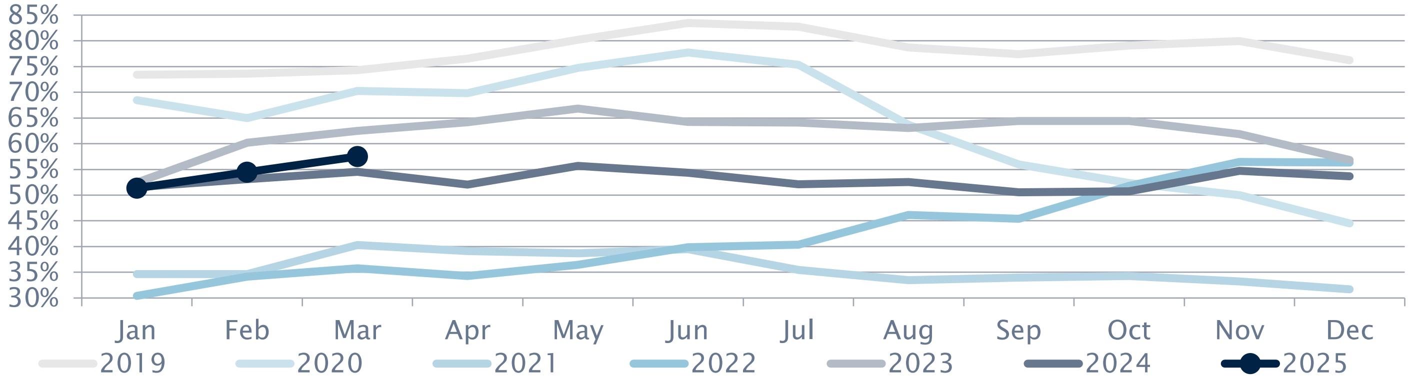
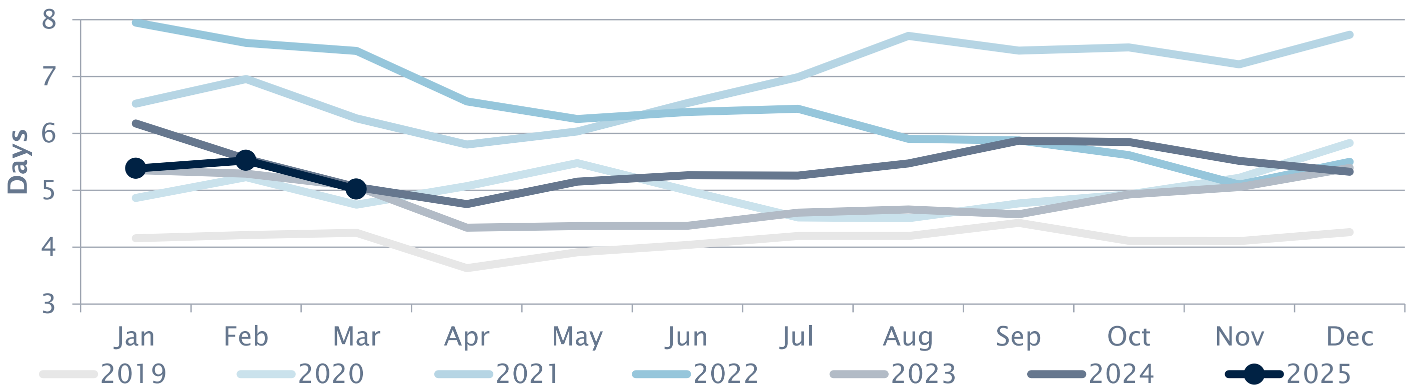
Schedule Reliability

Global Schedule Reliability



Global average delay for late vessel arrivals



Source: Sea-Intelligence, Disclaimer: Data is published with 4-8 weeks of delay

Key Notes:

- Global schedule reliability improved by 3.0 percentage points M/M in March 25, reaching 57.5%, while average delay for late vessels dropped to 5.02 days.
- Maersk led the top-13 carriers in March 25 with 66.9%, followed by HLAG and MSC, both above 60%.
- 10 out of 13 major carriers recorded M/M improvements in reliability, with PIL achieving the largest gain (+14.5 percentage points).
- Across the new alliances, Gemini achieved a strong 90.3% schedule reliability for February/March 25, outperforming MSC (74.4%) and Premier Alliance (51.2%).
- Avg. delays dropped notably across key East-West trades, with Europe-South America seeing the sharpest M/M improvement (-1.71 days), although Europe-Middle East delays worsened (+1.59 days to 7.42 days).

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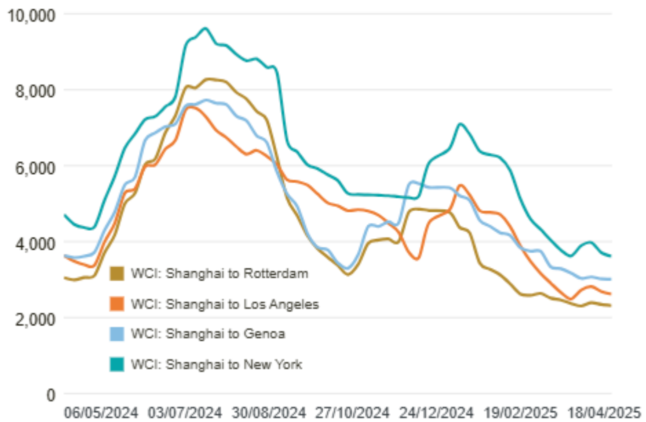
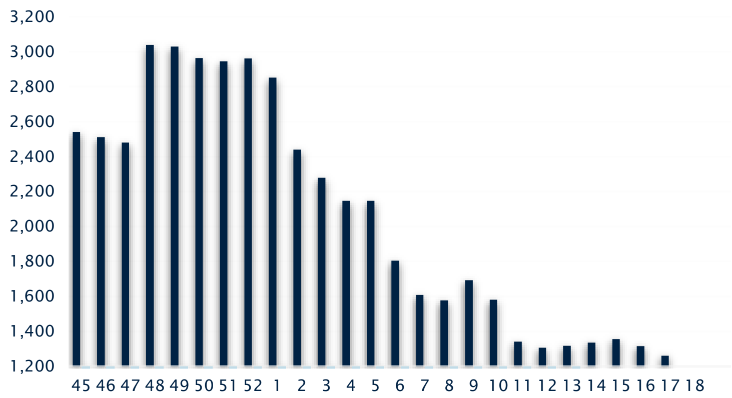
Rates

WCI: World Container Index

WCI: Trade Routes from Shanghai



SCFI: Shanghai Container Freight Index



Source: Drewry, SCFI

WCI Analysis:

- WCI fell 2% to $2,157 per 40ft container (24 April 2025).
- WCI is 79% below the September 2021 pandemic peak ($10,377) but 52% higher than the 2019 pre-pandemic average ($1,420).
- YTD avg. WCI is $2,854, slightly below the 10-year average of $2,891.
- Key Route Price **Drops**:
  SHA → NYC: ↓ 3% ($3,611)
  SHA → LA: ↓ 2% ($2,617)
  RTM → SHA: ↓ 2% ($481)
  SHA → RTM: ↓ 1% ($2,312)
  RTM → NYC: ↓ 1% ($2,109)
- Slight **Increases**:
  NYC → RTM: ↑ 1% ($825)
- Outlook: Rates expected to continue declining due to uncertainty from reciprocal tariffs.

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Disclaimer

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Thank you