

# OCEAN REEFER MARKET UPDATE

TEMPERATURE CONTROLLED BUSINESS

November - December 2023

DHL Global Forwarding – Excellence. Simply delivered.



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Reefer Container Ownership Shifting



## **Topic of the Month – November 2023**

### **Impact of EU ETS Regulation on Reefer**

There has been a lot of discussion within the industry about sustainability and the need to become carbon-neutral in shipping as soon as possible.

In reality, we still see a very low number of our Reefer shipments decarbonized. There are aims to convert from Air Freight to Ocean Freight to save emissions and use products like our LCL, which are carbon-neutral.

The new EU ETS regulation might make a real impact as no one can exclude themselves from it, and more such laws will follow.

When it comes to Reefer Containers, we need to be aware that their emissions are about 70% higher than Dry Containers, when considering the entire supply chain. Thus, it also means that shipping a Reefer Container carbon neutral costs significantly more, which we see in particular in the very competitive perishable world as a real threat.

We are highly aware that this cannot be avoided and should be done as soon as possible. As DHL, we have developed a high-end, tailor-made solution to offer you this at competitive prices for your Reefer Containers.

Please reach out to our Teams and inquire about our offer, and please make use of it when you ship with us. Everyone has to take his part to save the future.

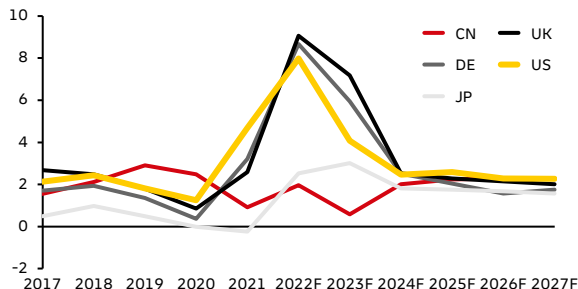
Source: DHL,

# High level market development, November 2023

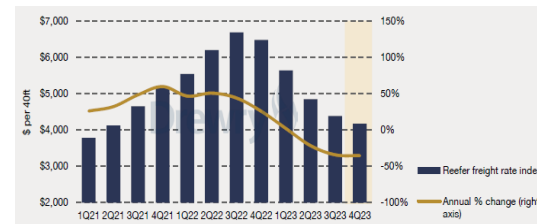
## ECONOMIC OUTLOOK GDP GROWTH BY REGION<sup>1)</sup>

	2023F	2024F	2025F	2026F	2027F	CAGR (2024-27)
AMER	2.1%	1.5%	1.6%	1.9%	2.0%	1.8%
ASPA	4.2%	4.1%	4.3%	4.3%	4.2%	4.2%
EURO	0.8%	1.0%	1.7%	1.8%	1.7%	1.8%
MEA	2.4%	3.4%	3.8%	3.3%	3.3%	3.5%
<b>DGF World</b>	<b>2.5%</b>	<b>2.4%</b>	<b>2.7%</b>	<b>2.8%</b>	<b>2.8%</b>	<b>2.8%</b>

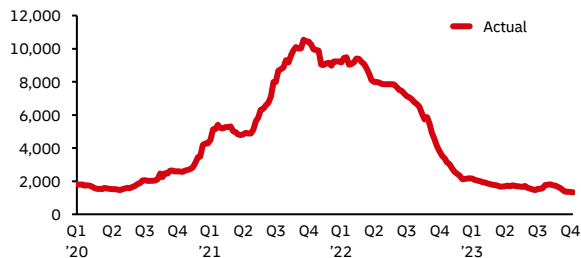
## INFLATION, YOY in %<sup>2)</sup>



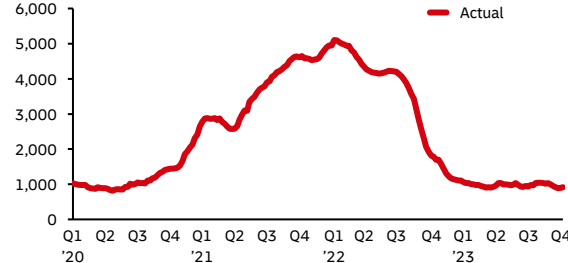
## DREWRY GLOBAL REEFER CONTAINER FREIGHT RATE INDEX<sup>4)</sup>



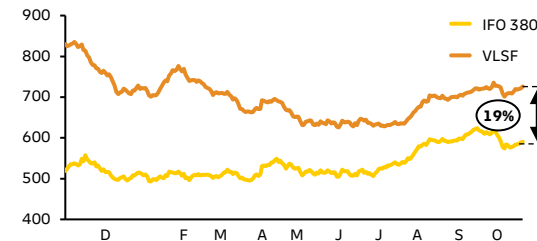
## WORLD CONTAINER INDEX (WCI)<sup>3)</sup>



## SHANGHAI CONTAINERIZED FREIGHT INDEX (SCFI)<sup>4)</sup>



## BUNKER PRICES<sup>5)</sup>



1) Real GDP, Copyright © IHS Markit, now part of S&P Global, All rights reserved; 2) IHS Markit, now part of S&P Global. All rights reserved; 3 & 4) Surcharges related to e.g., equipment & space availability are not reflected in WCI & SCFI; 3) Drewry, in USD/40ft container, including BAF & THC both ends, 8 individual routes, excluding intra-Asia routes; 4) Shanghai Shipping Exchange, in USD/20ft ctnr & USD/40ft ctnr for US routes, including BAF, EBAF, CAF, PSS, WRS, PCS & SCS/SCF/PTF/PCC, excl. THC, 15 routes from Shanghai; 5) Source: DHL, in US\$ 6) Drewry Reefer Rate Index Q2 2023

## Market Outlook, November 2023

### Economic & Demand Outlook

- Moderate demand increase following the Chinese Golden Week October holidays.
- Global inflation is expected to ease via tighter monetary policy and lower commodity prices.
- The PMI Index remains below the 50 mark, indicating a cooling demand environment.
- Elevated inventories and stagnant purchasing power contribute to a weak demand.

### Capacity Outlook

- 1.6 mTEU new capacity delivered Sep 2023 YTD, a 7.1% increase YoY.
- Massive blank sailing program implemented following Golden Week, resulting in space constraints on several Asia outbound lanes.
- Inactive container fleet growing considerably to 1.18 mTEU, i.e. 4.3% of global container vessel capacity.

### Freight Rates

- GRIs for November announced on Asia-South America West Coast & MX, Asia-South America East Coast, Asia-East Med, Asia-Africa, intra-Asia, and Asia- SPAC.

### Regulations/News

- EU's ETS will come into effect for the shipping sector as of 1 Jan 2024.
- Stricter environmental regulations will prompt more scrapping of elderly tonnage and slow-steaming, potentially impacting schedule reliability.

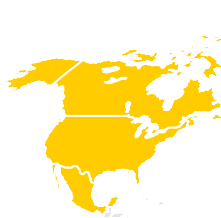
## Major trades – Market outlook November 2023 vs last update (1/2)

### EUROPE



Import region	Capacity	Rate
AMNO	=	=/-
AMLA & MX	=	=/-
ASPA	=	=/-
MENAT	=	=/-
SSA	=	=/-

### NORTH AMERICA



Import region	Capacity	Rate
EURO	=	=
AMLA	=	=
ASPA	=	=
MENAT	=	=
SSA	=	=

### ASIA PACIFIC



Import region	Capacity	Rate
EURO	-	-
AMNO	-	-
AMLA	= EC / = WC	- EC / - WC
ASPA	-	+
MENAT	--	+
OCEANIA	--	+

### LATIN AMERICA




Import region	Capacity	Rates
EURO	+	=/-
AMNO	=	+
ASPA	-	=
MENAT	=	-
SSA	=	=/-

Source: DHL

**KEY**
Strong Increase **++**Moderate Increase **+**No Change **=**Moderate Decline **-**Strong Decline **--**

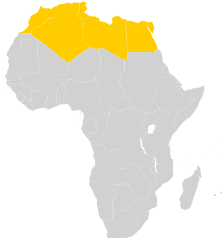
## Major trades – Market outlook November 2023 vs last update (2/2)

### TÜRKIYE



Import region	Capacity	Rate
AMNO	++	=
AML & MX	--	++
ASPA	=	-
MENAT	=	--
SSA	-	+

### MEA EAST MED & NORTHWEST AFRICA



Import region	Capacity	Rate
AMNO	=	-
AML & MX	=	-
ASPA	=	+
MENAT	-	+
SSA	--	+

Source: DHL

KEY

Strong Increase ++

Moderate Increase +

No Change =

Moderate Decline -

Strong Decline --

## Capacity, November 2023

**THE Alliance suspends the Transpacific Northwest loop as a result of low cargo demand.** With immediate effect, the China – Korea – West Coast of North America ‘PN3’ loop will be The geographical coverage of this Transpacific Northwest loop is fully taken over by the Southeast Asia & South China WCNA ‘PN2’ service. The last ‘PN3’ sailing was on 23 September ex Kaohsiung.

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**The European fleet of feeder vessels of 300-1,500 TEU is aging fast, with little newbuilding replacement on order.** The average age of the fleet currently stands at 20 years. Especially in the sub-1,000 TEU sizes, the number of new orders is next to zero, apart from a handful of contracts placed for some specific niche routes. Currently, the European feeder fleet consists of 465 vessels.

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A total of 187 container ships were ordered in the first nine months of this year, representing a total capacity of 1.75 mTEU. **Methanol-powered newbuildings** are the favorite option, representing 52% of the new capacity ordered this year, while **LNG-powered vessels** accounted for 31% of the 2023 orders, bringing the total share of ‘green’ ships to 83%. These ‘green’ orders underline carriers’ efforts to **decarbonize liner shipping**.

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**MSC and Maersk have published a winter capacity management program for the Asia–North Europe trade.** Following the blanking of 5 joint 2M Asia - North Europe voyages in the weeks during and after the Golden Week holiday in China, the 2M alliance partners will continue to skip one of their five weekly sailings on the trade from the end of October (week 43) until the first half of December (week 49). The extra blanked sailings are meant to address the continued erosion of freight rates, fueled by a growing mismatch between insufficient demand and rising capacities.

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**The inactive fleet rises above one million TEU again.** The rising number of commercially idled vessels, as well as vessels entering repair yards, has pushed up the inactive fleet significantly which stands at 315 vessels of a total of 1.18 mTEU on 9 October. This represents an inactive capacity of 4.3% of the total container vessel fleet, up from 3.4% two weeks earlier.

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**THE Alliance suspends two East-West loops.** One of these is the Asia – Europe loop ‘FE5’, and the other is the transpacific service ‘EC4’. Both services will be shut down until further notice in mid-November. The suspensions are an effort to stop the further erosion of freight rates, which are bending under the pressure of increased oversupply in the deep-sea liner market. After eleven consecutive months of decline, spot freight rates from Shanghai to Northern Europe finally stopped falling last week.

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Source: Alphaliner, Dynaliners, Carriers



## Market Update, November 2023 – Europe Exports by Trade



### To North America

Some capacity was cut end of September by multiple carriers on different Alliances. The vessels still not fully utilized, but the filling factor is going up. Some carriers started the first actions to bring rates up, especially on reefers.

For the USA, Canada, and Mexico rate-development is the same, but rate levels are slightly different.

Space is so far not an issue, and schedule-reliability improved.

As usual, some blank sailings are planned for year's end.



### To South America

South America is fully back to normal market levels seen pre-covid. Some further drop is possible until capacity is cut, or demand is picking up.

New service into AMLA-Eastcoast will also ensure a competitive environment.

South America is a demand area and carriers continue to appreciate any reefer business in this region.

Also, here schedule-reliable improved and neither space nor plug, or EQ-availability, is an issue.



### To Asia Pacific

The market has reached all-time low levels, and some carriers are still willing to drive down further.

Asia remains heavily “overstocked” on reefer equipment so any carrier will hide this trade as soon as they can. So far, we have not seen it, but trade into Asia is the first trade where a turnaround of trend may be visible.

Oceania follows this trend because Asia to Australia vessels are also not fully booked. Direct carriers tried to turn around this development but failed.

### **The equipment situation in Europe (North and South) remains at “good but not perfect” levels.**

Sufficient equipment is available, and only minor issues to be expected in the coming months. However, we still recommend keeping the proper (pre)booking flow, etc., in place as reefers demand some more pre-notice than any dry.

### **Space situation OK in nearly all Export-Trades!**

Space issues are OK in all trades which is bringing back to be preferred for Reefers into demand-areas. Equipment and plugs on board are important factors, but these days not an issue in any trade. The importance of forecasting becomes less important but is strongly recommended.

Source: DHL, Shipping Lines

## Market Update, November 2023 – Middle East and Africa Exports by Trade



### From East Africa

The main destinations are Europe, the Middle East, and North America.

Market rates are currently stable for Reefers with a longer validity period.

Bookings must be placed at least 7 – 10 days before sailing to obtain space.

Source: DHL, Shipping Lines



### From MEA East Med/ Northwest Africa

The main destinations are Europe, the Middle East, and North America.

We expect a moderate increase in the Morocco reefer market, especially in the EU, and a rate reduction for export to the EU & AMNO.

Market rates in Egypt are reducing, and carriers are open to accepting reefer containers to Gulf countries, Australia, Canada Europe & US.

Bookings need to be placed at least 7 - 10 days before sailing to obtain space.



### From Southern Africa

The main destinations are Europe and Asia, with the UAE growing at a rapid rate, and the USA is a very big Bulk market for South Africa. Southern Africa's volumes are also growing for exports to UAE, with Maputo Port looking like a good alternative to export from.

The Reefer equipment is stable at the moment. However, we are having berthing delays in Cape Town, and cargo is being diverted to Durban.

Bookings are still need to be placed well in advance.

Reefer rates appear to be stable.



### From Türkiye

We have enough space from Turkey to the Middle East and US East Coast ports.

Citrus season will start in mid of November.

Mersin terminal is congested, alternative terminal Iskenderun to be used.

## Market Update, November 2023 – North America Exports by Trade



### To Europe

Market rates remain stable with available plug capacity from North America to North and South Europe.

Large Reefer Export volume is creating a deficit of 40' Reefer equipment in Norfolk, VA, Oakland, CA, Seattle, WA, and Vancouver, BC.

Port congestion continues to improve in New York, Norfolk, Los Angeles, Oakland, and Savannah.

Reefer Trucking Capacity in the USA continues to improve but lead times of 14+ days are suggested to obtain capacity/service.

Lack of chassis and GENSET in USA, we need to ask and make reservation also at origin to ensure GENSET will be provided at POD.

Source: DHL and Shipping Lines



### To Asia Pacific

Market rates continue to stay high to cover the empty positioning cost of empty RFs from Asia.

Large Reefer Export volume is creating a deficit of 40' Reefer equipment in Norfolk, VA, Oakland, CA, Seattle, WA, and Vancouver, BC.

Port congestion continues to improve in New York, Norfolk, Los Angeles, Oakland, and Savannah.

Reefer Trucking Capacity in the USA continues to improve but lead times of 14+ days are suggested to obtain capacity/service.

Lack of chassis and GENSET in the USA. We need to ask and make reservations at the origin to ensure GENSET will be provided at POD.



### To South America

Market rates remain stable with available plug capacity to South America.

Large Reefer Export volume is creating a deficit of 40' Reefer equipment in Norfolk, VA, Oakland, CA, Seattle, WA, and Vancouver, BC.

Port congestion continues to improve in New York, Norfolk, Los Angeles, Oakland, and Savannah.

Reefer Trucking Capacity in the USA continues to improve but lead times of 14+ days are suggested to obtain capacity/service.

Lack of chassis and GENSET in USA, we need to ask and make reservation also at origin to ensure GENSET will be provided at POD.

Shipping Lines promoting NOR especially from USA East Coast ports to South America East and West Coast ports.

## Market Update, November 2023 – South America Exports by Trade



### To Europe

Market rates remain stable with available plug capacity to Europe.

Argentina, Brazil, Chile, Mexico, and Peru are progressively recovering inventories of 40' Reefers.

Request a lead time of 15 days before sailing to obtain space and equipment, especially from all WCSA ports.

Port congestion tends to be overcome in Colombia, Panama, and Peru.

COSCO and ONE Line started a new service from ECSA to North Europe.

Focus on developing much-needed Live Reefer cargo from Europe into Buenos Aires and Santos.

Source: DHL and Shipping Lines



### To Asia Pacific

Market rates are stable after an increase to cover the empty positioning costs of Reefers from Asia to Latin America.

Slight concerns with the supply of empty 40' Reefer equipment positioning into LATAM; especially to East Coast South America.

Market Reefer volumes remain strong with strong exports, especially to China.

Request a lead time of 15 days before sailing to obtain space and equipment, especially from all WCSA ports.

ZIM will start a new service from WCSA/Mexico to Asia.

Focus on developing much-needed NOR from Asia into Buenos Aires and Santos.



### To North & South America

Market rates trending to get stable after increases due lack of Reefer equipment in Latin America. Most services show that available plugs are fully maximized.

Request a lead time of 30 days before sailing to obtain space and equipment, especially from WCSA ports.

Focus on developing much-needed NOR from New York into Buenos Aires and Santos.

Continue to review and develop the USA – Mexico cross-border market due to the lack of truck capacity both in Mexico and the USA.

ONE Line has started a new service from South America to the U.S. East Coast.

# Market Update, November 2023 – Asia Pacific Exports by Trade



## To Europe /Middle East/Africa

- Carriers were announcing new Nov GRI and adding more blank sailings. GRI ranging from 200-300/TEU at least for the 1H of Nov.
- In view of continuous blank sailings at 20-30% level, especially that led to an overall capacity reduction, please place bookings 3-4 weeks in advance for a higher chance of booking acceptance.
- The EU ETS will be extended to shipping from January 1st, 2024, as an incentive to reduce the sector's environmental impact and accelerate the use of low-carbon fuel. EU ETS will apply to all maritime services with at least one call within the EU: 100% of emissions will be considered for legs between 2 EU ports, and only 50% of the emissions for legs between EU ports and non-EU ports.
- Since the new regulation and reporting procedures will take place in a couple of months, we will communicate our surcharge levels per trade in the next few weeks.
- ZIM continues to operate and accept bookings to and from Israel. At this time, despite the war situation in Israel, all local terminals in Ashdod, Haifa, and Eilat are operating as usual, with some limitations on DG cargo that will be accepted on a case-by-case basis. An additional \$100 / TEU War Risk Premium (WRP) on the ZMP line for cargo to/from Israel will be implemented effective October 27th Gate-In date.



## Intra-Asia/Oceania

- ZIM has merged their service with MSC on their ZAX/ZAO/ZOX service in Oct'23. Direct VN to AU calls will be unavailable with this merger. All VN cargoes will have to be transhipped via SGSIN.
- CN-AU space is tight due to multiple blank sailings in the market, which reduces the overall capacity.
- Majority carriers have announced further GRI USD150-200/TEU for NEA-AU/NZ eff 1<sup>st</sup> Nov 23.
- OOCL to enhance its current direct connections between China, Cambodia, and Thailand by taking slots on 2 Intra-Asia services next month. CCT1 and CCT2 maiden voyages will depart Bangkok on 5th November and 4th November, respectively.
- **Service name: CCT1:**
- Service rotation: Ningbo, Shanghai, Laem Chabang, Bangkok, Laem Chabang, Ho Chi Minh City, Ningbo.
- **Service name: CCT2:**
- Service rotation: Ningbo, Shanghai, Shekou, Sihanoukville, Bangkok, Laem Chabang, Ningbo.



## To North America & LATAM

- ZIM will launch a 2nd Asia-WCSA direct service in mid-Dec; the same is ZIM Albatros with Xingang, Qingdao direct call to MXZLC, COBUN, ECGYE, PECLL, CLSAI. Details are to be further announced in due course.
- Effective 1<sup>st</sup> Nov, CMA has announced a GRI quantum to the US - All Asia, Far East\*, Bangladesh, India, Sri Lanka, and Pakistan Ports of Load to all U.S. and Canada Ports of Discharge and inland points via said ports.

From: Asia, Far East\*, Bangladesh, India, Pakistan and Sri Lanka Ports of Load  
To/ Via: U.S. West Coast and Canada Port of Discharge

Equipment Type	Currency	20'	40'	40'HC	45'	53'HW
Dry/ All types	USD	180	200	200	255	320
Reefer-	USD	180	200	200	-	-

From: Asia, Far East\* and Bangladesh Ports of Load  
To/ Via: All U.S. East Coast, U.S. Gulf Coast, and Canada Port of Discharge

Equipment Type	Currency	20'	40'	40'HC	45'
Dry/ All types	USD	180	200	200	255
Reefer	USD	180	200	200	-

From: Asia, Far East\* and Bangladesh Ports of Load  
To/ Via: All Inland Points via U.S. and Canada Port of Discharge




Equipment Type	Currency	20'	40'	40'HC	45'
Dry/ All types	USD	180	200	200	255
Reefer	USD	180	200	200	-

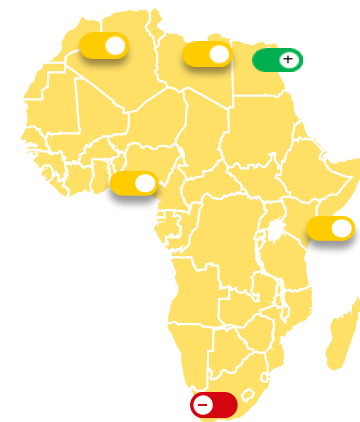
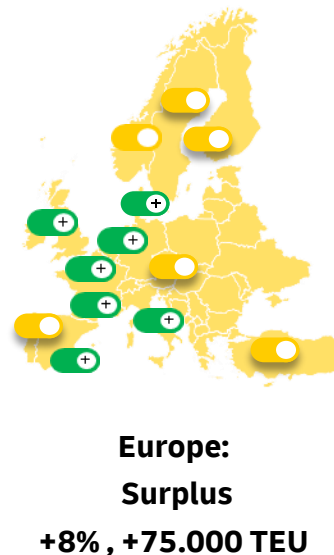
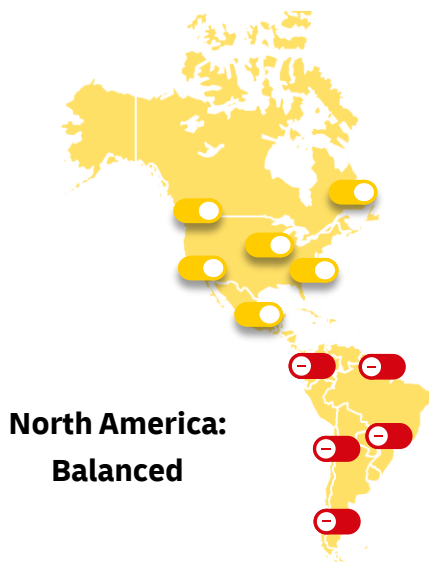
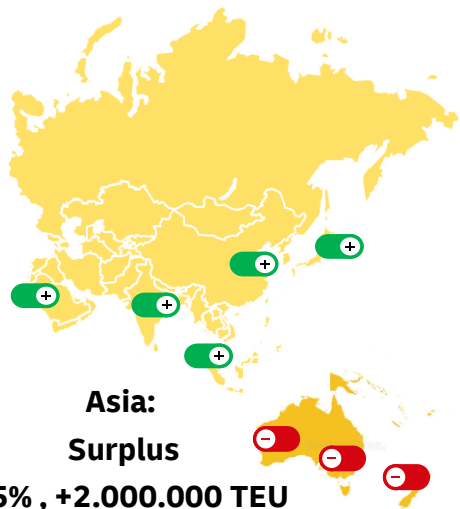
From: India, Pakistan, Sri Lanka Ports of Load  
To/ Via: All Inland Points via U.S. West Coast and Canada Ports of Discharge

Equipment Type	Currency	20'	40'	40'HC	45'
Dry/ All types	USD	180	200	200	255
Reefer	USD	180	200	200	-

Source: DHL, Shipping Lines

# Market Update, November 2023 – Overview Reefer Equipment

-  Balanced
-  Tight
-  Deficit



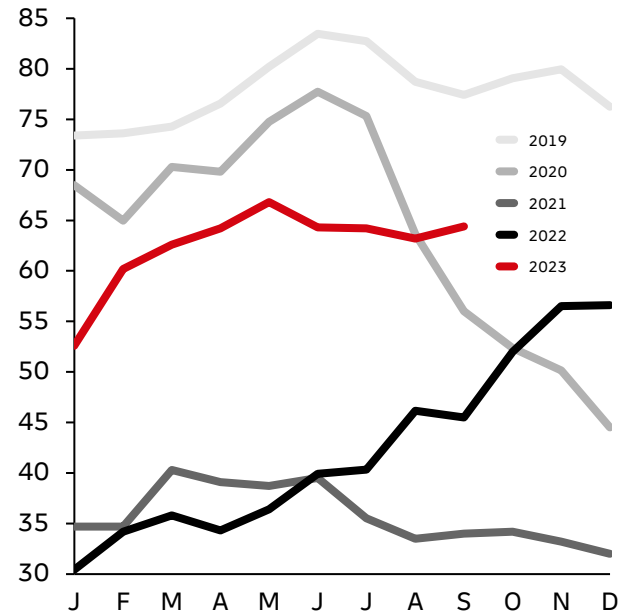
Source: DHL, Shipping Lines, Drewry

## Ocean Schedule Reliability, November 2023

### Reliability remains below historical global averages

- Global schedule reliability improved by 1.2 ptp to **64.4% in September** compared to August. Compared to the reliability level a year ago, the reliability is still 19.0 percentage points higher.
- The **Europe to Oceania** trade was again the best-performing trade in September with a reliability of 94.4%, a rise of 3.1 ptp compared to August. On the other end of the list is **Asia to East Coast South America** with meager reliability of just 37.6% (-8.4% compared to August), directly followed by **Asia to North America East Coast** with 38.7%.
- Asia to North Europe** declined to 65.3% (-1.6 ptp MoM), and **Asia to the Mediterranean** improved to 60.4% (+4.3 ptp MoM).
- On the **Transatlantic Eastbound**, reliability decreased slightly by -1.0 percentage points to 73.8% and decreased considerably by -4.0 ptp to 67.6% on the **Westbound** trade.

SCHEDULE RELIABILITY (%)



Source: Sea Intelligence, DHL

# **DID YOU KNOW?**

## REEFER CONTAINER OWNERSHIP



## **Did you know Reefer Container Ownership Shifting**

Market and Investments are changing rapidly, and we see a lot of shipping lines investing in vessels, forwarders and terminals. However, did you know that they are also increasing their Reefer Container fleet rapidly?

To put this statement in relation, in 2020 and 2021, Leasing companies purchased more than double the amount of Reefer Containers compared to the shipping lines.

In 2023, carriers purchased approximately six times more Reefer Containers than leasing companies. This raises the question of whether there is still a place for leasing companies in a market that is already oversaturated with reefers: containers that are producing low revenues.

In addition, we should not forget that nearly all shipping lines are equipping their newly built Containers with technology to ensure compliance with increased visibility requirements by the customers. We will likely see carriers increase their own fleet.

# THANK YOU! STAY INFORMED.

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