

# MONTHLY CONTAINER SHIPPING BAROMETER



August 2024 | 

**upply**

# CONTAINERS: SPOT AND CONTRACT RATE GAP STARTS TO CLOSE

Attacks in the Red Sea are continuing to disrupt shipping activities, but spot rates are stationary. On the other hand, an increase in shipping company break-even levels, is impacting the contract market.

## Main developments

### Situation in the Red Sea

Eight Houthi attacks on ships were registered in August. A tanker, the MV Sounion, caught fire and there were [difficulties getting salvage operations under way](#). These attacks, some of which were carried out with sophisticated missiles, are tending to move southwards towards the Gulf of Aden.

Navigational conditions through the Suez Canal showed absolutely no improvement, therefore, in August. On the contrary, the situation seemed to be at stalemate. The Red Sea is currently a war zone and avoidance of it is the most reasonable way of safeguarding the security and interests of those involved. Tankers, which had been continuing to make good use of the canal, are now opting generally to go round the Cape of Good Hope or to take advantage of renewed interest in the Arctic summer route.

“ Navigational conditions through the Suez Canal showed absolutely no improvement, therefore, in August. On the contrary, the situation seemed to be at stalemate ”



## Longer transit times for the foreseeable future .....

When the shipping companies began to reroute in number round the Cape of Good Hope to avoid coming under attack in the Red Sea, no one imagined that this would become a long-term solution. It is clear, however, that this solution has been the rule on Asia-Europe routes for most of the current financial year and that this has had [an impact on the profitability of the shipping companies](#). Certainly, unit revenues per container are generally showing a profit, which was not the case in the second half of 2023. However the shipping companies are having to take into account a big increase in operating costs. A year ago, we estimated that the average break-even rate for shipping companies operating directly from port to port via the Suez Canal between Asia and Europe was USD1,800 per 40' container. According to our latest estimates, this rate has risen to USD3,400/40', taking account of rerouting round the Cape of Good Hope, with its increased insurance costs and the additional fuel

consumption it engenders, as well as the reduction in the number of round trips possible per year using the longer route. This means a lower cargo volume potential, whatever the level of demand.

Market leader, MSC, which has just increased its share of worldwide container shipping capacity worldwide to more than 20%, is performing strongly, thanks to a much lower break-even level than its rivals, according to our estimates. We estimated that break-even level to be USD1,400/40' dry a year ago and, today, we reckon that it stands at USD3,000/40' dry. The fact that this is lower than the industry average is mainly due to its policy of making extensive use of scrubbers. Like its fellows, MSC is burning more fuel but is paying much less for the high-sulphur fuel it is able to use, which costs around USD200 per tonne less than the low-sulphur fuel used by its competitors.

## Shippers' transport costs increase .....

As the new tendering season gets under way, with a first round which is bound to set rates above shipping companies' current break-even levels, we are naturally seeing a closing of the gap between the spot and contract market rates.

On an annual basis, supposing that the Cape of Good Hope route stays in general use, shippers need to prepare for a strong increase in their transport budgets, which will at least double in relation to last year and perhaps triple during the initial round of tenders.

The shipping companies have little room for manoeuvre. If they increase their rates too much, they will potentially accelerate the nearshoring trend, which is not in their interest. If they increase them too little, they risk quickly being unable to cover their operating costs. The bottom end of the long-term market is, therefore, showing a strong increase in rates.

At the same time, the top end of the short-term market is on a strong downward trend. It is in the interest of the shipping companies not to leave this market segment totally under the control of the forwarders, even if the latter are important customers for them. In the first half, the shipping companies were annoyed to discover that the forwarders were awarding themselves significant profit margins, as they took advantage of the tense geopolitical situation. They are trying, therefore, to persuade clients to use the digital booking systems in which they have invested heavily - perhaps too much so - via attractive FAK spot rates.

This double action has led, therefore, to a certain convergence between spot and contract rates. We should be careful though. Contrary to what happened in 2023 against all market logic, FAK rates remain higher than spot rates.

**“ The shipping companies have little room for manoeuvre ”**

# Prices

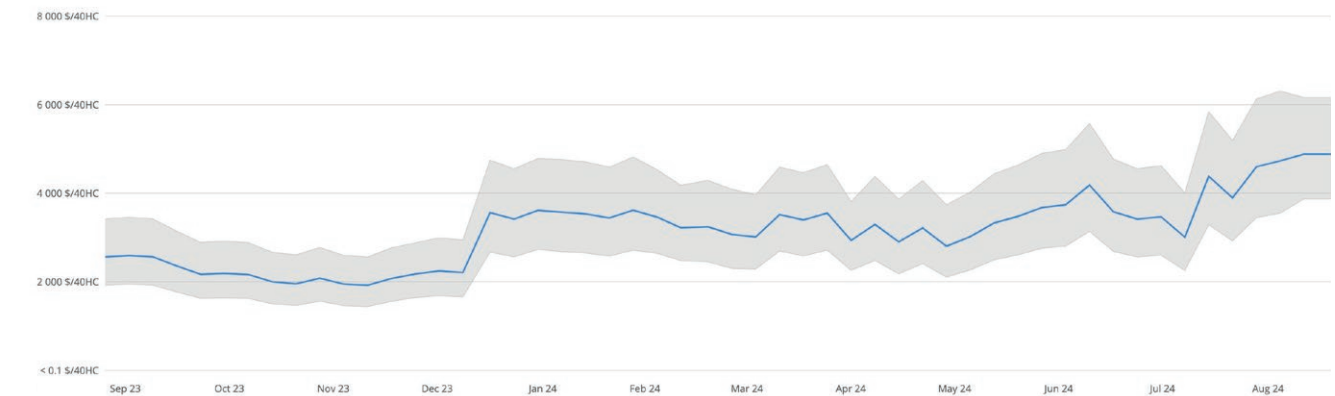
The closing of the gap between and spot and contract rates has led to a reduction in the spread between the highest and lowest freight rates, which is currently in evidence mainly on Asia-Europe routes. The transpacific market is still offering

the shipping companies fairly good returns, with activity still at a good level. The transatlantic market, meanwhile, is stable, offering slim profits but with a high level of available capacity.

## Asia-Europe

### Shanghai - Le Havre

3 M 6 M 12 M 24 M YTD ALL Price : \$/40HC  Low - High  Min - Max

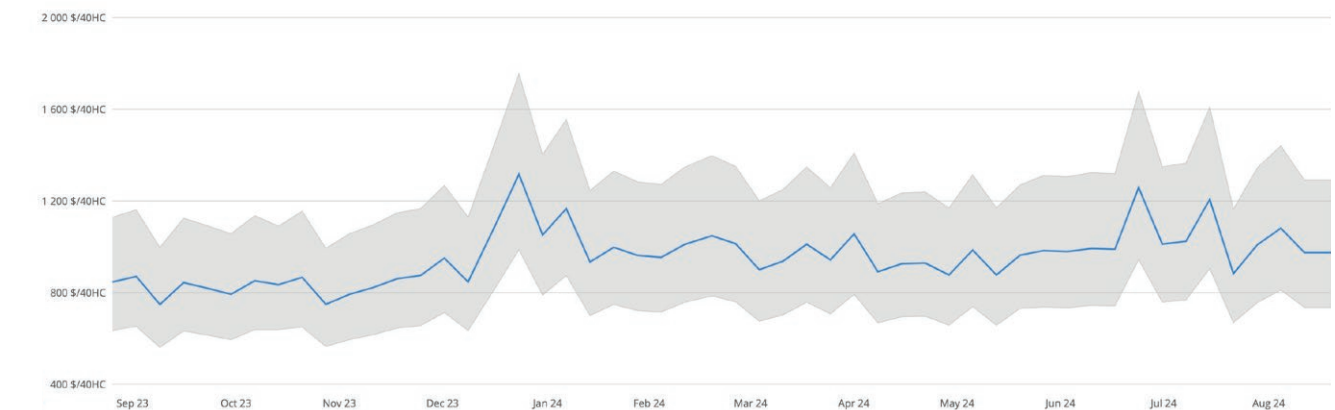


Port-to-port rates (spot and contract combined) billed for direct sailings from Shanghai to Le Havre, THC included, for a 40' HC DRY container carrying dry, non-dangerous goods. NB: diagram shows median not average rates. Source | [UPLY](#)

## Europe-Asia

### Rotterdam - Shanghai

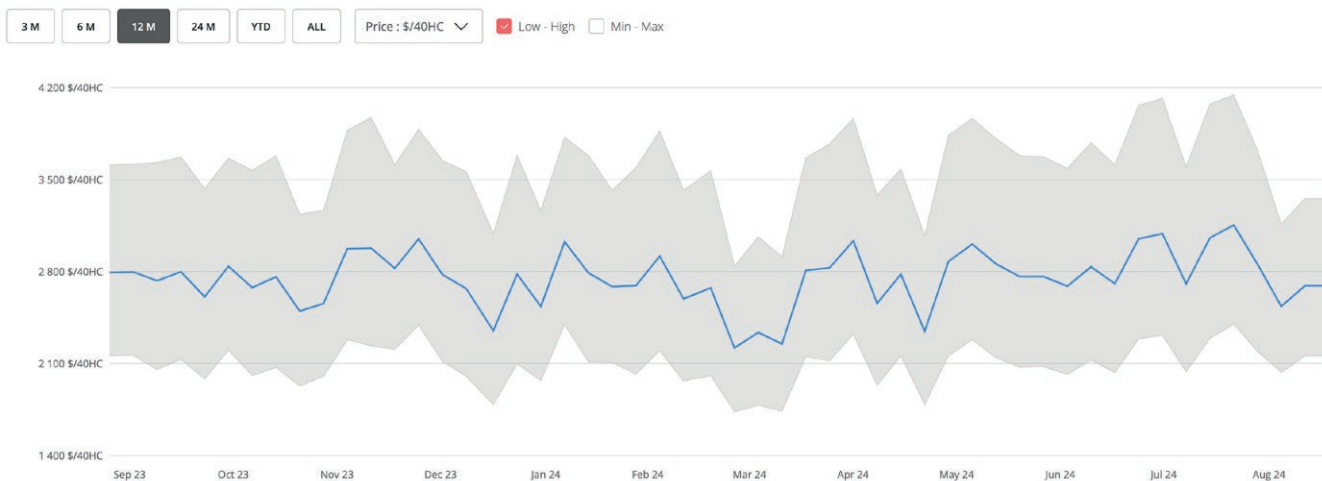
3 M 6 M 12 M 24 M YTD ALL Price : \$/40HC  Low - High  Min - Max



Port-to-port rates (spot and contract combined) billed for direct sailings from Rotterdam to Shanghai, THC included, for a 40' HC DRY container carrying dry, non-dangerous goods. NB: diagram shows median not average rates. Source | [UPLY](#)

## Europe-USA

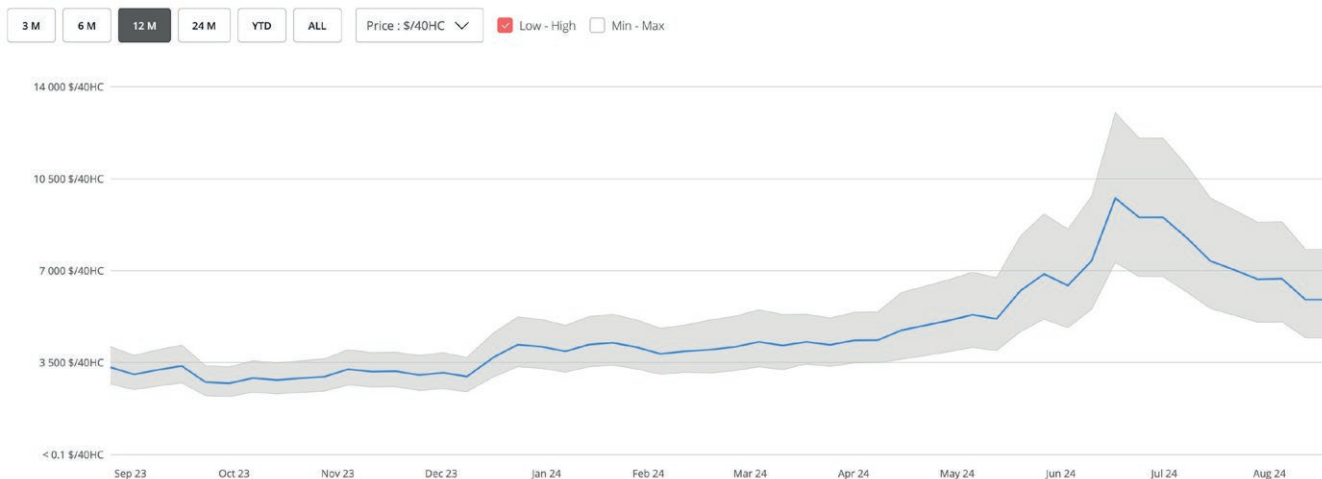
### Antwerp - New York



Port-to-port rates (spot and contract combined) billed for direct sailings from Antwerp to New York, THC included, for a 40' HC DRY container carrying dry, non-dangerous goods. NB: diagram shows median not average rates. Source | [UPLY](#)

## Transpacific

### Shanghai - Long Beach



Port-to-port rates (spot and contract combined) billed for direct sailings from Shanghai to Long Beach, THC included, for a 40' HC DRY container carrying dry, non-dangerous goods. NB: diagram shows median not average rates. Source | [UPLY](#)

# Services

Golden Week, which marks the foundation of the People's Republic of China, will take place from 1 to 7 October. During this week, numerous Chinese industries and public services will close their doors, which will affect cargo flows from early September and throughout autumn.

British shipping consultancy Drewry calculates that 68 out of a total 696 sailings planned in September will be cancelled, which is to say virtually 10%. Fifty-one per cent of cancellations will affect transpacific services from the US to Asia, compared to 28% for services between Asia, Europe and the Mediterranean and 21% for transatlantic services from Europe to North America. More generally, The Alliance has announced that it will cancel 17 east-west sailings of all types, Ocean Alliance 12 and 2M 10.

## Golden Week

**Mærsk** has announced several sailing cancellations because of the fall in demand in Golden Week.

**On the transpacific market**, from Asia to the United States, the TP8 sailing on 1 October, the TP2 sailing on 10 October and the TP6 sailing on 11 October have all been cancelled. **From the United States to Asia**, the cancellations concern the TP8 sailing on 29 October, the TP2 sailing on 9 November and the TP6 sailing on 10 November. **From Asia to the US East coast**, the TP11 sailing on 22 September has been cancelled. The same goes for the TP16 sailing on 10 October and the TP11 sailing on 13 October. In the opposite direction, the cancellations concern the TP11 sailing on 10 November and 1 December and the TP16 sailing on 17 November.

The blank sailings planned over the next few weeks will affect service reliability, which has been deteriorating since May. According to Sea Intelligence, service reliability fell 2.1% in July, compared to the previous month, and 12% year on year to 52.1%. After improving at the start of the year, the May, June and July figures brought the reliability of container services down to the same level as at the beginning of the year. In terms of late arrival in port, ships showed an average delay of 5.24 day - a level that has not been seen since the worst days of the Covid pandemic in 2020.

Mærsk registered the highest reliability rate at 50%. MSC, CMA CGM and Evergreen scored over 50%, while Hapag Lloyd, OOCL, ZIM, Cosco, HMM, Yang Ming, ONE, PIL and Wan Hai all recorded rates of 40-50%.

On **Europe-Asia** routes, the company plans to cancel six sailings: the AE6 sailings on 22 September, 26 September and 4 October, the AE7 sailing on 6 October, the AE10 sailing on 26 September and the AE55 sailings on 4 October. It also plans to cancel AE15, AE12 and AE11 sailings on 2 October, 25 September and 26 September.

## Asia-Mediterranean

**Mærsk** is reorganising its AE11 service between Asia and the Mediterranean because of port congestion in both regions. Its call in Tanger-Med on the west-east leg has been replaced by a call in Port Saïd.

The new loop, which was due come into effect on 14 September, will take in Qingdao, Busan, Ningbo, Shanghai, Xiamen, Nansha, Yantian, Singapore, Valencia, Barcelona and Gioia Tauro before returning to Qingdao via Port Said, Singapore and Yantian.

## Asia-Europe

Faced with delays in Asian and European ports, **Mærsk** is reorganising several services between the two continents. It is reducing the number of calls in Antwerp and Rotterdam. The AE7 and AE55 calls in the port of Le Havre have been cancelled, moreover. They will be covered instead by the AE6 service. The new loops will be as follows:

- AE6: Ningbo, Shanghai, Yantian, Tanjung Pelepas, Sines, Le Havre, Antwerp, Felixstowe, Algeciras, Singapore, Laem Chabang.
- AE7: Ningbo, Shanghai, Nansha, Yantian, Tanjung Pelepas, Colombo, Tanger Med, Felixstowe, Hamburg, Antwerp, London Gateway, Tangiers, Abu Dhabi, Jebel Ali.
- AE55: Shanghai, Ningbo, Xiamen, Yantian, Tanjung Pelepas, Felixstowe, Rotterdam, Tanger Med, Hong Kong.

**MSC** has also blamed port congestion to justify the reorganisation of its Lion, Griffin, Britannia and Condor services. Since 5 August, the Griffin service has ceased calling in the port of Le Havre, while a call has been added in Yantian. The new itinerary, therefore, is Shanghai, Ningbo, Xiamen, Yantian, Tanjung Pelepas, Felixstowe, Rotterdam, Tanger Med, Hong Kong and back to Shanghai.

The Lion service, on the other hand, is now calling in Le Havre. Its itinerary covers Ningbo, Shanghai, Yantian, Tanjung Pelepas, Sines, Le Havre, Antwerp, Felixstowe, Algeciras, Singapore, Laem Chabang before returning to Ningbo. In the Britannia service, Le Havre has been chosen instead of London Gateway. The new itinerary takes in Shanghai, Ningbo, Yantian, Vung Tau, Liverpool, Rotterdam, Hamburg, Antwerp, Le Havre, Pointe des Galets, Port Louis and Singapore before returning to Shanghai. On the Condor service, MSC has dropped its calls in Le Havre since the start of August. The service now calls in Ningbo, Shanghai, Nansha, Yantian, Tanjung Pelepas, Colombo, Tanger Med, Felixstowe, Hamburg, Antwerp, London Gateway, Tanger Med, Abu Dhabi and Jebel Ali before returning to Ningbo.

In October, members of The Alliance - **Hapag Lloyd, HMM, ONE and Yang Ming** - are to return to their Colombo hub with their FE4 Asia-Europe service. The loop will now take in Tianjin, Qingdao, Busan, Shanghai, Shenzhen, Colombo, Algeciras, Rotterdam, Hamburg, Antwerp, London Gateway, Tanger Med and Singapore before returning to Tianjin.

## Transpacific

**TS Lines** has been operating a second service, the AWC2, since August. Using two 2,200 TEU vessels, it

calls in Guangzhou, Xiamen, Busan and Long Beach before returning to Guangzhou.

## Asia-Middle East

**ONE** is to operate three new services between Asia and the Middle East. The first, which goes under the brand name GLX, will call in Busan, Qingdao, Xiamen, Da Chan Bay, Port Klang, Jebel Ali, Dammam, Bahrain before returning to Busan. It will begin operating on 29 October. The second, which is being marketed under the name GMX, will start on the same day and will call in Shanghai, Ningbo, Shekou, Singapore, Jebel Ali, Sohar and Port Klang before returning to Shanghai. The third, which has been given the name SMX, will be launched on 8 November. It will call in Nansha, Da Chan Bay, Port Klang, Jebel Ali and Hamad before going back to Nansha.

**MSC** is to open a service between China and Saudi Arabia which will be marketed under the name of Clanga. The port of Dammam will be served in future by the Clanga service but not the Falcon service. The new service will serve the ports of Shanghai, Ningbo, Shenzhen, Singapore and Dammam before returning to Shanghai. Dropping the call in Saudi Arabia allows the company to include calls in Nansha. The loop will take in Tianjin, Busan, Qingdao, Shanghai, Ningbo, Xiamen, Nansha, Shenzhen, Singapore, Jebel Ali, Khalifa, Hamad, Umm Qasr and Khalifa before returning to Tianjin.

**Emirates Shipping** has added a third loop to its Asia-Middle East service. The SMX service is to be operated in partnership with Global Feeder Shipping, KMTC and T.S Lines. It will call in Guangzhou, Shenzhen, Port Klang, Jebel Ali and Hamad before returning to Guangzhou.

## Asia-India-Red Sea

**SeaLead** is launching an Asia-India service on 12 September. It will leave Shanghai for Ningbo, Shekou, Nhava Sheva and Mundra. The company is also starting the FID service, which will serve Asia,

India and Djibouti, using four 4,600 TEU ships. It will call in Shanghai, Ningbo, Nansha, Port Klang, Colombo, Nhava Sheva, Mundra, Djibouti and Colombo before returning to Shanghai.

## Black Sea

The shipping companies are returning to the Black Sea despite the Ukraine-Russia conflict. **ONE** is to double its service between Turkey and countries

bordering on the Black Sea. From 22 October, it will add a service between Istanbul, Poti and Constanta to its existing BT1 service.

# Operations

## Port strike threat

There are threats of strike action in ports in different parts of the world. In Germany, after several days of strike in July, the social partners have resumed negotiations at the instigation of the federal

authorities. The unions, notably Ver.Di, have rejected the latest salary offer from the employers, however, and are threatening fresh action in Hamburg and Bremerhaven if their claims are not met.



Also under threat of strike action are the ports of the east coast of the United States and the Gulf of Mexico, which could be affected by wide-ranging action in October. The main dockers' union, the International Longshoremen's Association (ILA), and the cargo-handling companies of the United States Maritime Alliance began negotiations on salary claims and working conditions, including the threat posed by automation, in May. The ILA claimed that it had the support and understanding of the public on the basis of a Gallup poll reported on by CB News, which indicated that 71% of Americans approved its action. "The ILA is working hard to avoid a strike come October 1st, but we're confident that the

American public will side with ILA workers who are fighting for a fair and decent contract from foreign shipping companies that are earning billion-dollar profits at U.S. ports," said ILA President Harold Daggett. Maersk and CMA CGM are among the port operators on the US east coast.

In India, on the other hand, the threat of strike action was averted as negotiations came to an end. Dockers at the country's main ports were on the point of stopping work but the social partners finally reached agreement on salary increases and pension payments.

## Explosion aboard the YM Mobility .....

On 9 August, a number of [containers exploded aboard the YM Mobility](#) while it was moored in the port of Ningbo. The ship was operating on a service between Asia and the Middle East for The Alliance. The port of Ningbo's Beilung Terminal was closed for several days before being reopened on 12 August.

The causes of the explosion have not yet been fully determined. Over the last four months, there have been four explosions aboard container ships, two involving vessels in port and two on vessels at sea. One seafarer died in the explosions.

## Canadian rail companies hit by industrial action .....

Two Canadian rail companies, Canada National (CN) and Canada Pacific & Kansas City (CPKC), have been faced with work stoppages since 22 August, which stopped all rail services within Canada, as well as services to the United States. Traffic resumed on 23 August at CN and on 26 August at CPKC.

The action caused serious disruption at port terminals in Montreal and Vancouver, according to the shipping companies, and demurrage charges were suspended in these terminals as a result between 22 and 26 August.

## Panama Canal returns to normal .....

On 15 August, on the 110th anniversary of the canal's opening, the Panama Canal authority announced a new relaxation of operating restrictions. On the basis of higher water levels, the authority is now allowing ships drawing up to 50 feet (15.24m) to use the canal's neo-panamax locks. The number

of panamax ships allowed to transit daily was increased from 25 to 26 on 1 September. Neo-panamax passages are still being limited to 10 per day, however. Altogether, 36 transits can now be made daily, compared to 24 in February.



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*The "Services" and "Operations" sections of this barometer are produced in collaboration with Hervé Deiss, who is a journalist specialized in maritime transport and port issues.*



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