MONTHLY CONTAINER SHIPPING BAROMETER

November 2024

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CONTAINER SHIPPING COMPANIES

OBTAIN SOME END-OF-YEAR RESPITE

The prospect of an increase in customs duties is currently pushing freight rates up on lines serving the United States. On Asia-Europe routes, however, the market fundamentals remain worrying.

Main developments

- **Tense negotiations**

The overriding feeling in November is that the container shipping market is once again marked by short-termism on the part of the parties involved against a background of falling freight rates. The shipping companies are trying to fix rates that at levels that exceed their operating costs, while the top five global forwarding groups are targeting higher margins as they prepare their 2025 budgets, by pursuing extremely aggressive purchasing strategies, encouraged by a balance of power which is currently in their favour. The long-term contract negotiating season, which is currently under way, is set to last a long time.

- **Record blank sailings between Asia and Europe**

Port call cancellations are like to reach a record level during the period up to the start of the Chinese New Year celebrations on 29 January. For the shipping companies, these cancellations are the sole arm of defence at their disposal to limit capacity. However, the fall in cargo volumes on Asia-Europe routes in 2024, combined with big increases in operating costs, will lead to results which will certainly be up on those of 2023 but disappointing nevertheless, with, notably, a reduction in slot operating margins. Moreover, preparations for the deployment of the new alliances on 1 February 2025, will further disorganise services and reduce available capacity.

- **Buyers favoured by alliance recomposition**

As part of the recomposition of the alliances, the shipping companies know that they will have to find ways of attracting customers and differentiating their offers if they want to achieve top performance on a market which we know already will be difficult for them, once again because of excess capacity. The remodelling of the alliances currently under way will sharpen up competition. Already, in early December, Maersk announced that it was softening its spot market rate policy.

- **Ownership change at ZIM: a warning of things to come?**

Israel entrepreneur Idan Ofer, who was ZIM's leading shareholding through Kenon Holdings, announced at the end of November that he was withdrawing completely from the company's capital a few months after having already sold a large part of his holding. This operation follows a spectacular financial recovery in 2024 after a catastrophic 2023. In recent years, ZIM is probably the liner shipping company which has been most managed like a purely financial company. Ofer's move is clearly an excellent operation from his point of view and one which has been carried out at the best possible time. One can also see it, however, as an indicator that container shipping is about to embark on a downward phase in the shipping cycle.

- **Donald Trump's threats**

The month of November was marked by announcements from the future president of the United States regarding his plan to increase customs duties on US imports. During his election campaign, Donald Trump announced his intentions. Duties on goods from Europe would increase by 10-20% and those on goods from China by 60%.

Since then, however, a second salvo has been fired. The president-elect has threatened to impose an additional 25% increase on goods from Mexico and Canada. In this way, it would seem that he wants to renegotiate the 2026 revision clause in the US-Mexico-Canada free trade agreement concluded in 2020 during his first presidential mandate. Clearly in the firing line are China's investment in the Mexican automobile sector and particularly the BYD group's plans to set up a production facility there.

From the point of view of the container shipping sector, the switch of cargo flows towards Mexico as a means of getting round US sanctions against China will be under closer surveillance than expected, which could put the brake on the nearshoring trend.

Trump clearly wants to ensure that Mexico and to a lesser extent Canada continue to serve as labour pools as part of his US reindustrialisation strategy. For him, it is out of the question that these two countries should be allowed to serve as transhipment hubs for Chinese goods, close to the land borders they share with the US. Even before taking any action, however, he has succeeded in opening breaches in their defences. Justin Trudeau announced that he planned negotiate directly with the Trump administration to find the kind of compromises that Trump's plans would make necessary.

- **Hydrocarbons prices start to fall**

With costs generally on the increase, the good news for the shipping companies is that hydrocarbons prices are on a downward trend, despite the tensions in the Middle East. These tensions are being counterbalanced by strong output from the United States, which has reduced the influence of the OPEC+ countries, and the ongoing morosity affecting the Chinese economy, which has reduced demand. Lower fuel prices will perhaps give the shipping companies additional elbow room, enabling them to reduce their own prices, if necessary, for clients ready to agree long-term contracts. Fuel price trends could change, however, if sanctions against Russia's "ghost fleet" are reinforced.

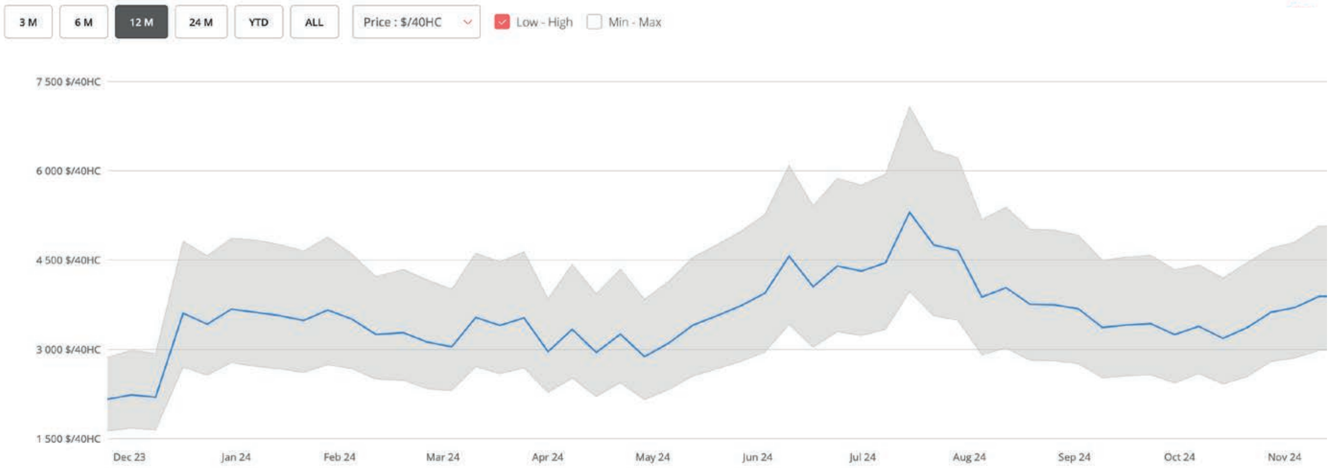
- **Decarbonisation**

The two big Italian groups, MSC and ENI, have announced that they have signed a framework agreement to speed up the search for less polluting, alternative fuels. Although the finger is being pointed at MSC because of the competitive advantage it has attained through the "scrubberisation" of its fleet, this announcement marks a turning point. In France, CMA CGM has been collaborating with TotalEnergies since 2017.

Prices

Asia-Europe

Shanghai - Le Havre

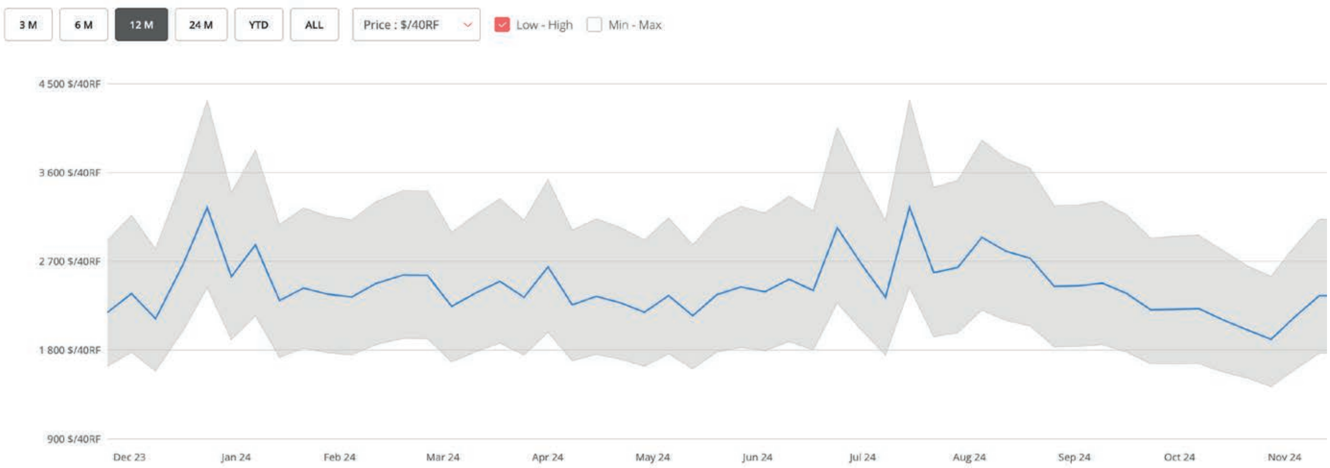


Port-to-port rates (spot and contract combined) billed for direct sailings from Shanghai to Le Havre, THC included, for a 40' HC DRY container carrying dry, non-dangerous goods. NB: diagram shows median not average rates. Source | Upply

In November, as in the previous month, the shipping companies have had to make a superhuman effort to stop the decline in freight rates on Asia-Europe routes. Although they failed to restore rates to the levels they were looking for, they at least succeeded in stopping the decline. MSC opened the way, but it remains to be seen how long the current situation will last.
The shipping companies are now hoping for a jump in reservations before the start of the Chinese New Year festivities. In general, this period is marked by a slowdown in factory output which importers are able to anticipate.

Europe-Asia

Rotterdam - Shanghai

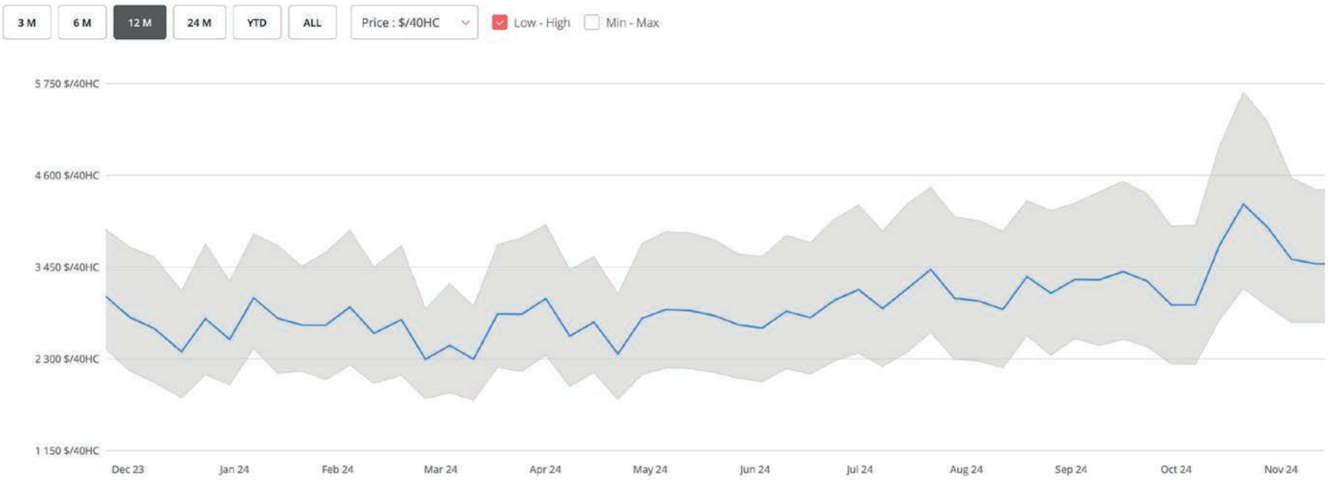


Port-to-port rates (spot and contract combined) billed for direct sailings from Rotterdam to Shanghai, THC included, for a 40' HC Reefer. NB: diagram shows median not average rates. Source | Upply

The price trend on Asia-Europe routes shows a slight improvement in the reefer market, which has its own growth pattern, in which the eastbound leg is dominant.

Europe-USA

Antwerp - New York

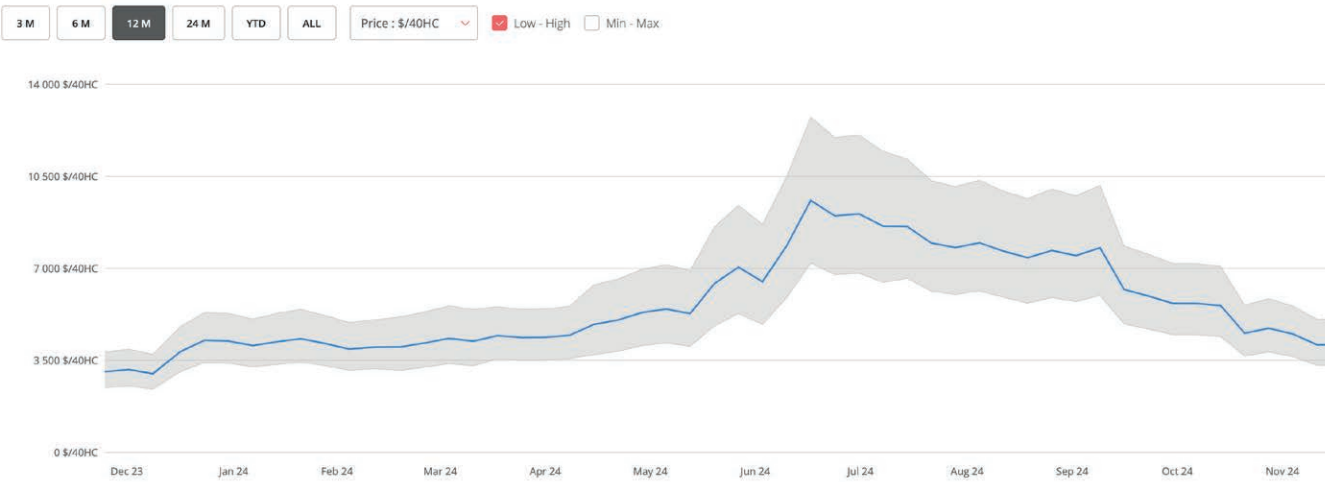


Port-to-port rates (spot and contract combined) billed for direct sailings from Antwerp to New York, THC included, for a 40' HC DRY container carrying dry, non-dangerous goods. NB: diagram shows median not average rates. Source | Upply

After a little bit of overheating, probably due to the disruption caused by the dockers' strike at US east coast port in October, rates in the transatlantic market began to decline again in November. The prospect of an increase in customs duties, combined with the threat of further strike action by the dockers from 15 January (see p.8) over terminal automation, is likely to generate fresh tensions in the market, which will help to maintain freight rate levels in the final days of 2024 and early 2025.

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 | Upply

In this trade, which has suffered less from disruption and been boosted at the same time by strong demand, the shipping companies have earned a great deal of money in 2024. Freight rates are being eroded but progressively. The announcement of additional customs duties to come on imports from China should lead to a rush of early orders, which, combined with the approach of the Chinese New Year, should give freight rates a temporary boost. The prospects of the American economy remain favourable in 2025 and it is unlikely that freight rates will collapse subsequently, unless there is a major trade war.

Services

After falling almost continuously from May to September, service reliability levels edged up 0.9% in October year on year to 51.5%. This is clearly still a very modest level but its low volatility “does give shippers a relatively good idea of what to expect month on month”, according to Sea Intelligence CEO Alan Murphy.

Mærsk was the best performer, with a reliability level of 57%, followed by MSC with 52% and CMA CGM with around 50%. The 10 other companies registered levels of between 40% and 50%, with the exception of PIL, which came last in the listing with a score of 37.2%. Of the 13 companies covered by the survey, eight recorded higher levels in October than in September.
These figures nevertheless show a sharp deterioration year on year. In October 2023, most shipping companies recorded levels of 60-70%, while Maersk scored a few hundredths of a point over 70%.

Sea Intelligence also created an index to measure reliability levels over the first nine months of the year. Maersk came out top of the first five, ahead of ZIM, CMA CGM, MSC and PIL, while ONE was in last position.

Service reliability remains a real preoccupation. Hapag Lloyd CEO Rolf Habben Jansen said in an interview with his clients on 3 December that the hub and spoke system to be deployed by the future Gemini alliance was intended precisely to remedy the deficit in service reliability.

> **“Service reliability remains a real preoccupation”**

Europe-Asia

CMA CGM plans to make changes to its FAL 1 and FAL3 services, both operated within Ocean Alliance, in early 2025. The port of Busan is to be included in both services and Tanger Med is to replace Algeciras. Also, Dunkirk and Southampton will receive calls from the FAL 3 service in future, rather than FAL 1.

Even before the new alliances start operations in February, **Gemini** has decided to make changes to its Europe-Asia services. In the NE2/AE1, NE3/AE3 et NE4/AE4 services, the port of Felixstowe, which was announced as the UK port of call when the alliance was set up, is to be replaced by London Gateway. This change indicates that the British east coast port is little by little being dropped from the shipping companies’ service schedules. Also, **Hapag Lloyd** is to modify its CGX (China Germany Express) service. In early January, two new Chinese port calls will be introduced, while, in Europe, the call in Antwerp will be dropped, while calls in Rotterdam and Southampton will be introduced. The service will, therefore, call in Yangshan, Ningbo, Yantian, Singapore, Tema, Southampton, Rotterdam and Wilhelmshaven.

OVP Shipping has included Nankin in its China-Europe service. The service will be split into two different legs - one serving the Black Sea and the other the Baltic. The loop will, therefore, take in Nankin, Qingdao, Shanghai, Ningbo, Guangzhou, Port Klang and Novorossiysk one week and Saint Petersbug the other.

FESCO is to modify its China-Black Sea service. In future, it will call directly in Novorossiysk. The company will serve Guangzhou, Rizhao, Ningbo, Shanghai and Novorossiysk every two months, using a 1,700 TEU ship.

Transpacific

CMA CGM's EXX service is to call at Dutch Harbour in Alaska and Busan in a change which is due to be introduced in February. The changes will allow the company to use six ships instead of seven. The service will call once a fortnight in Kwangyang, Ningbo, Shanghai, Los Angeles, Oakland and Honolulu.

Evergreen has negotiated space aboard CMA CGM ships in the WSA5 service between China and Mexico, which will call in Shenzhen, Ningbo, Shanghai, Qingdao, Tianjin, Busan, Manzanillo and Lazaro Cardenas. The agreement will enable it to transport goods from Mexico before the new duties announced by president-elect Donald Trump come into force.

Following the announcement that it will be cooperating with MSC from February on, **ZIM** has announced plans to modify its transpacific sailing schedules. The ZXB Asia-US east coast service will call in Boston rather than Baltimore, which will be covered in future by ZIM's Z7S service. This service will also call at the port of Colombo on its return leg. The loop will, therefore, take in Singapore, Laem Chabang, Yantian, Ho Chi Minh, Singapore, New York, Baltimore, Norfolk and Colombo. Finally, the ZGX service will include a call in the port of Busan, which will be its last call in Asia before it leaves for the Panama Canal.

MSC is to substitute the Mexican port of Manzanillo for the port of Lazaro Cardenas on the westbound leg of its California Express service. Lazaro Cardenas will continue to be served on the eastbound leg. The new loop order of call will be Gioia Tauro, Civitavecchia, Marseilles, La Spezia, Barcelona, Valencia, Sines, Balboa, Manzanillo, Los Angeles, Oakland, Los Angeles, Lazaro Cardenas, Balboa and Cristobal.

Transatlantic

Hapag Lloyd is dropping its cooperation agreement with the Grimaldi group's **Atlantic Container Line**. The agreement dates back to the 1980s, according to Dynamar. Although this has not been specified, it would seem that this decision has been taken in the light of the alliance changes due in February. The service concerned calls at Hamburg, Antwerp, Liverpool, Halifax, Newark, Baltimore, Norfolk, Halifax and Liverpool.

Mediterranean-United States

MSC has announced a change in its Med Canadian Service between the Mediterranean and the United States. It has dropped the port of Naples from the loop, replacing it with Salerno. The loop now takes in Gioia Tauro, Salerno, Livorno, Genoa, Valencia, Sines, Halifax and Montréal.

NB : from February on, the recomposition of the alliances will result in a major transformation of the services concerned, details of which you can find in our dedicated study.

Operations

United States

The ports of the east coast of the United States and the Gulf of Mexico are still faced with the threat of industrial action from 15 January on. Between now and then, talks are planned between the dockers of the International Longshoremen's Association (ILA) and employers' body, the United States Maritime Alliance (USMX), in line with the agreement struck in October to suspend the dispute after just three days of strike action.

Negotiations on the next six-year master agreement resumed in November but seem at this stage to have got off to a bad start, with the automation of terminal operations the stumbling block. "At the center of this impasse is the employers' push to expand the use of semi-automated rail-mounted gantry cranes (RMGs)," said ILA executive vice president Dennis Daggett in a message posted on 2 December on the union's website. "The ILA is not against progress, innovation, or modernization," he pursued, "but we cannot support technology that jeopardizes jobs, threatens national security, and puts the future of the workforce at risk."

"USMX is not, nor has it ever been, seeking to eliminate jobs," the employers' body retorted. "We cannot risk moving the industry backward with unworkable restrictions on the implementation of modern technology already in use – and permitted by the existing contract – which would serve only to decrease efficiencies at ports, reduce existing capacity, prevent increased cargo volumes and throughput, and block further growth in union jobs and wages. The USMX insists that it is necessary to automate port operations to develop port activity. "Due to the lack of available new land in most ports", it said in the same statement, "the only way for U.S. East and Gulf Coast ports to handle more volume is to densify terminals – enabling the movement of more cargo through their existing footprints."

These opposing positions after the first round of talks indicate that the discussions due to take place over the next few weeks are likely to be extremely difficult.

France

In France, too, there is a serious risk of industrial action. The **CGT Ports et Docks** union called for **strike action on two days in December and 10 days January**. The union called on its members to stop work for four hours between 10 am and 4 pm on these days. It also urged its members to refuse overtime working and exceptional shifts from 1 January. The action was finally called off, but it could be reinstated in February. The union is protesting over the terms of application of France's national retirement reform to dockers and other port workers. At a time of particular political instability in France, the situation could change rapidly.

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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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