


MONTHLY CONTAINER SHIPPING BAROMETER



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SHIPPERS TAKE A DIFFERENT PATH

The shippers have found out how to get round the artificial pressure to increase rates in the container shipping market. Freight rates are no longer soaring despite persistent geopolitical tensions.

The route round the Cape of Good Hope, which is a regression if ever there was one in terms of shipping economics, is now almost accepted as a necessary evil and even a buffer solution which has allowed the shipping companies to bring new capacity on to the market without creating excessive turbulence. Now that the route has been in use for nearly a new year, however, the surprise effect has worn off. The new route has become the norm, even though fresh capacity is continuing to come on to the market and force freight rates down.

“A necessary evil”



The main developments

Demand trends

Cargo volumes in the transpacific trades remain solid, [as first half port results show](#). According to preliminary statistics, the favourable trend held up throughout the summer. It can be explained by demand growth but also by the expectation of new orders. This is due in part to [the imposition of additional customs duties on certain products from China since 27 September](#). At the same time, there has been a deterioration in the industrial relations climate between the cargo-handling companies and port workers on the east coast of the United States and in the Gulf of Mexico as they negotiate a master agreement covering relations between the companies and their employees. As the days went by, strike action from 1 October became increasingly likely and this encouraged shippers to place their orders early. There was industrial action, but a provisional agreement was found on 3 October to bring the standstill in the ports to an end.

On Asia-Europe routes, on the other hand, cargo volumes are still disappointing, in line with the economic performance of the European Union. According to latest World Bank estimates, the Eurozone should see [its gross domestic product increase by just 0.7%](#) in 2024, compared to 2.5% for the United States.

Finally, traffic in the intra-Asian trades and the Indo-Pacific region is continuing to develop and grow, stimulating the development of shipping activity in this part of the world.

“ On Asia-Europe routes, on the other hand, cargo volumes are still disappointing, in line with the economic performance of the European Union ”

Middle East conflict deepens

The conflict in the Middle East is not easing. On the contrary. The war in Gaza is continuing and spreading, since Israel is now carrying out air strikes in Lebanon. Yemen Houthi leader Abdel Malik Al-Houthi has let it be known that he will not hesitate to support the Hezbollah.

As a result, shipping movements are continuing to be disrupted in the Red Sea, even though the number of attacks carried out by the Houthis has dropped. War risk insurance prices have shot up to up to 2% of the value of ships attempting to pass through the Bab-el-Mandeb Strait.

Increase in climate risk

Winter navigation in the southern hemisphere has shown that the Cape of Good Hope route does not always offer smooth passage. A number of containers have been lost at sea.

At the same time, the increase in ocean temperatures has brought more typhoons and waterspouts. In early September, Typhoon Yagi caused the death or disappearance of 329 people in Vietnam and left close to 2,000 others injured. It also caused heavy damage to property and disrupted operations in the ports of Shanghai and Ningbo. Meanwhile, in the United States, Hurricane Helen caused problems in southern and east coast ports.

Forwarder consolidation

September was marked by a major event in the forwarding sector, as it was announced that DSV was taking over DB Schenker. Subject to the successful completion of negotiations and regulatory approval, the operation will bring into being a new leader on the international forwarding market. [In 2023, the combined forwarding revenues of DSV and DB Schenker totalled \\$11.9bn](#) for a cargo total

of 4.9 million TEU. This would put the new group ahead of Kuehne+Nagel which generated revenues of \$11.1bn from a cargo total of 4.4 million TEU in 2023. Demand concentration should be seen in exactly the same way as capacity concentration.

Prices

The Kaizen system, zero stock, lean management and the rest, which constitute the pillars on which the logistics business has been built since the 1980s and 1990s, collapsed suddenly under the impact of the first wave of Covid, and then again as the Middle East conflict returned to the fore. Shippers have distanced themselves from these fundamentals, based on constant improvement of delivery times and cost savings, preferring to reconstitute high stock levels and diversify their key supply sources and suppliers. The logic now is to have three months of supply visibility, including two, if possible, guaranteed by suppliers, instead of just one week previously.

The level of service currently offered by the shipping companies is uneven and mediocre ([see p.7](#)). Not so long ago, the shippers would have protested, calling for an increase in ship speeds and a regularity of service enabling them to maintain the regularity of their deliveries and keep control of transit times. According to the new logic, however, transit times have become more elastic. If an order is running one or two months late because of operational problems such as a lack of empty containers, blank sailings, unexplained delays or the dropping of a planned port call, this is seen as being not too serious since the risk of a supply chain breakdown has been avoided.

This new situation brings significant changes to relations between shipping companies and shippers regarding rate negotiations. Many clients no longer allow themselves to be fooled by artificial market tensions that these bring and opt to use their time and money to find better solutions enabling them to avoid having to submit to the new situation which the shipping companies present as the new negotiating framework. The shippers are now operating outside this framework and the shipping companies have not yet fully understood this new state of affairs. Shippers have changed, really changed, because they no longer want to be dictated to.

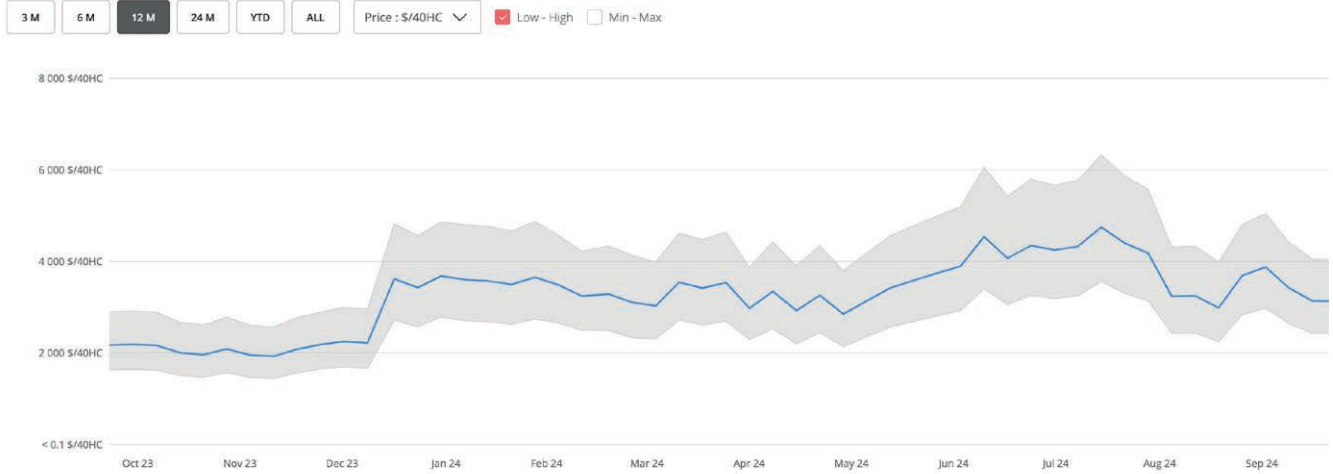
This state of mind change is having an impact on freight rates. Shippers are now ready to sign contracts, knowing how little they are really worth, but not at prices which are two or three times higher than what they paid the previous year. This is true whatever the changes in shipping companies' operating costs between Asia and Europe.

What we saw in August continues to apply. In September, spot market rates fell, while contract prices increased. This means that the gap between them is closing, as median rates come under pressure.

Rate erosion is affecting virtually all markets served by the new capacity which is being brought into service as the new alliances announce their sailing schedules ([see p.8](#)).

Asia-Europe

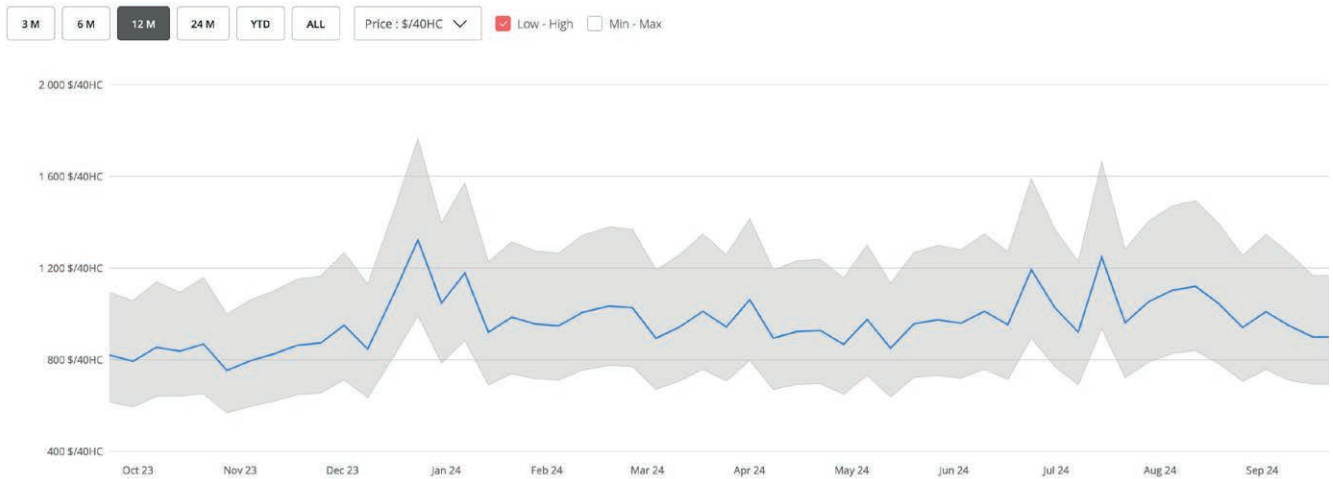
Shanghai - Le Havre



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](#)

Europe-Asia

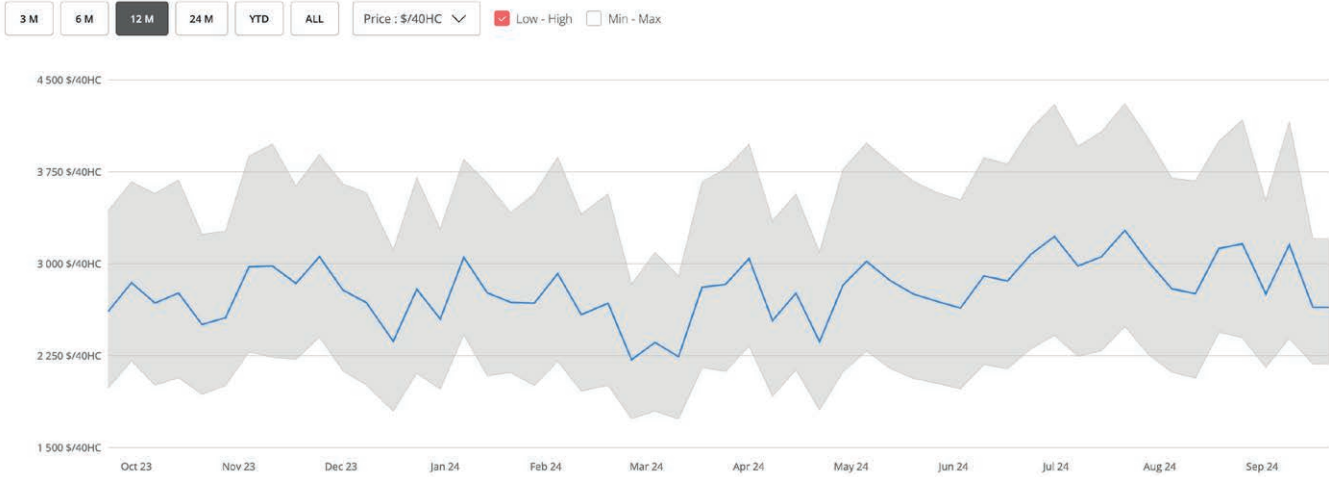
Rotterdam - Shanghai



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

Europe-USA

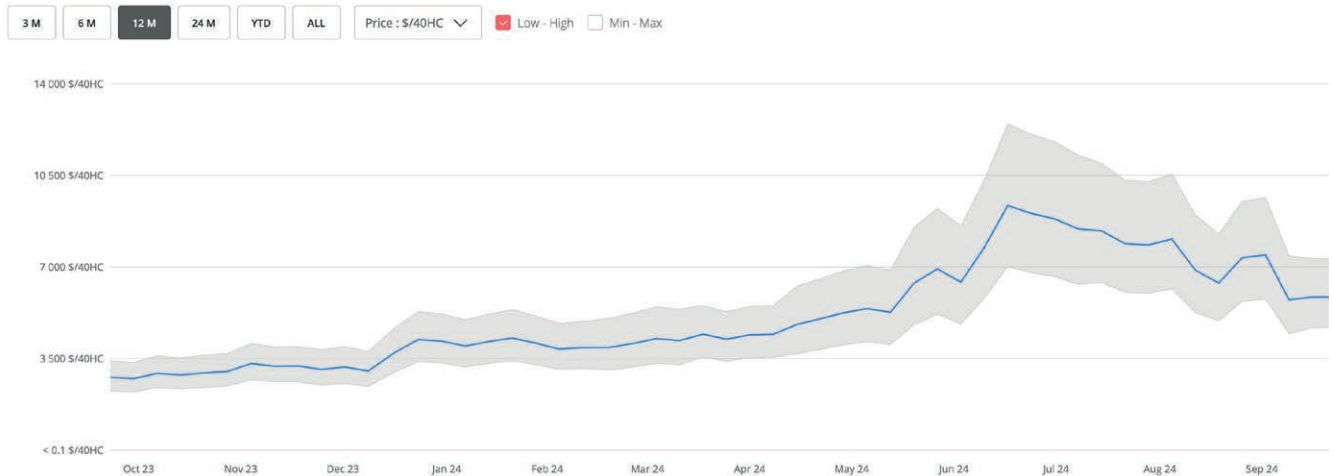
Antwerp - New York



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](#)

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](#)

Services

Service reliability, as measured by Sea Intelligence, improved slightly. In August 2024, the reliability level stood at 52.8%, up 0.7% on July but down 10 points on August 2023.

This can be seen as a glass half full or a glass half empty. For the optimists, service reliability is stabilising in 2024. "While disappointingly low, the minimal volatility this year does give shippers a relatively good idea of what to expect M/M," said Sea Intelligence CEO Alan Murphy. Pessimists, however, point to the 52.8% reliability level and say that shippers have only one chance out of two of seeing their containers arrive on time.

The average delay for port calls stood at 5.28 days, which is to say 0.3 days more than in July but 0.62 days more than in August 2023.

Analysis of individual shipping company figures shows a general fall in reliability. Eight of the 13 shipping companies monitored by Sea Intelligence had a reliability level of more than 50%. Maersk was in first place with 54.7% but this is less than the 70% level it registered in August 2023. Hapag Lloyd came second with 54.3%, compared to 56% in August 2023, and OOCL claimed third place with 54%.

In August, several shipping companies saw their reliability levels fall sharply. Apart from Maersk, CMA CGM only just got over the 50% mark after having scored 65% in August 2023. The same goes for MSC, which was the most reliable shipping company in August 2023 with a score of over 70%, but which managed only 52% in August 2024. At the bottom of the table, PIL was in last position with a reliability level of 37.2%, 20 points less than last year. Only two companies saw their reliability level improve in August. HMM got itself up above the 50% mark and Yang Ming improved its score by some five points to just 50%.

In addition to the fall in reliability, there were service cancellations. In October, British shipping consultancy Drewry announced that 100 cancellations were expected among the 693 services programmed between week 40 (from 30 September to 6 October) and week 44 (from 28 October to 3 November). This amounts to a cancellation rate of 14%. "Blank sailings" are one of the strategy tools used by the shipping companies.

Among the cancellations, 63% concern eastbound transpacific routes (from Asia to North America), 23% Europe-Asia and Asia-Med routes and 14% westbound transatlantic routes (from Europe to North America). Among the major alliances, The Alliance is expected to cancel 23 sailings, Ocean Alliance 22 and 2M 13. Services not operated within these alliances account for the remaining 42 cancellations.

Europe-Asia

Confronted by congestion in the port of Felixstowe, MSC has added a call at London Gateway to its Europe-Asia Swan-Sentosa service. This call will be the service's first and last call in Europe. Felixstowe still figures in the service's itinerary, after London Gateway on the inward leg.

Transit Line is doubling the capacity of its service between the Far East, Turkey and Saint Petersburg through the addition of a second 2,000 TEU vessel. The service will offer a departure every 40 days. Transit Lines offers services between Asian countries, including, notably, Vietnam, Thailand China and Taiwan, and Turkey and Russia (Saint Petersburg and Vladivostok).

Asia-Europe-United States ...

MSC has added a call in the ports of Ningbo and Caucedo to its Liberty service between Asia, Europe and the east coast of the United States. To maintain frequency, it has added a ship, bringing the number of vessels on the line to 12. The Ningbo call comes after Shanghai and before Busan. The Caucedo call comes after Busan and before Miami.

The 2M alliance has reorganised its AE6/Lion Asia-Europe service. Antwerp and Rotterdam have been withdrawn from the service itinerary to concentrate traffic on Le Havre. The new itinerary covers Ningbo, Shanghai, Shenzhen, Tanjung Pelepas, Sines, Le Havre, Antwerp, Felixstowe, Algeciras, Singapore and Laim Chaban.

Transatlantic

MSC has added a second loop between Europe and Canada, according to Belgian magazine Flows. The company, which already operates the Montreal Express, has now added the Canada Express, calling at London Gateway, Antwerp, Zeebrugge, Le Havre, Montreal and Halifax.

Transpacific

At the end of November, The Alliance will add a call in the Mexican port of Manzanillo to its Asia-East Coast US service via the Panama Canal. The itinerary now takes in Busan, Qingdao, Shenzhen, Ningbo, Shanghai, Busan, Manzanillo, Lazaro, Cardenas, Savannah, Charleston, Wilmington and Norfolk before returning via Cartagena.

Asia-Red Sea

According to Alphaliner, Sidra Line is extending its Asia-Red Sea service by joining forces with OVP Shipping. The Turkish company is taking slots on the China-red Sea-Med service linking Ningbo, Guangzhou, Qingdao, Shanghai, Ningbo, Guangzhou to Sokhna, Jeddah and Djibouti. It is also taking slots on Sea Express Lines' SAR service between Port Klang and Jeddah.

Premier Alliance comes into being

Hapag Lloyd's planned departure from The Alliance in February 2025 to join Maersk in Gemini has caused a general reshuffle. The three other companies in The Alliance, namely HMM, ONE and Yang Ming, have set up a new alliance called Premier Alliance. The three companies plan to publish a new catalogue of east-west services, comprising seven services between Asia and Europe and four between Asia and the Mediterranean. On the Pacific, Premier Alliance will set up 11 services. From Asia to the east coast of the United States, the three companies will operate four services.

What is new about this alliance is that it is extending its activities. In future, it will offer three services between Asia and the Indian sub-continent and one service between Asia, the Indian sub-continent and the Red Sea. It has not yet given details of its transatlantic lines.

Alliances: MSC will not be going it alone

The changes among the alliances will leave MSC operating its east-west services alone. From February 2025, MSC will offer seven services between Asia and Europe, six from the Mediterranean to the Far East and 10 across the Pacific, comprising four to the US west coast and six to the east coast. It will also offer 11 transatlantic services.

Details of Asia-Europe services are given in two versions, one based on an itinerary through the Suez Canal, the other on the route round the Cape of Good Hope. The itinerary actually used will depend on the situation in February 2025.

MSC is regaining its independence but will not really be alone. It has negotiated a slot exchange agreement on some services with Premier Alliance. It will operate in partnership with Premier Alliance on five Europe-Asia services and four Asia-Mediterranean services. It has also negotiated a three-year agreement with ZIM, which provides for space-sharing on six services between Asia and the west and east coasts of North America.

Operations

Strike action in US ports

Ports on the east coast of the United States and in the Gulf of Mexico suffered strike action for the first time in 47 years from 1 to 3 October. The International Longshoremen's Association (ILA), representing the dockers, and the US Maritime Alliance (USMX), representing port cargo-handling companies, began negotiations in May on a master agreement covering relations between them over the next six years. They failed, however, to reach agreement before 30 September, when the preceding agreement expired. The negotiations ran into difficulty on two major issues - salary

increases and terminal automation. On 1 October, the dockers finally carried out their threat to take industrial action in all ports on the east coast of the United States and the Gulf of Mexico.

Canadian ports were affected by strike action at the same time. The Canadian dockers' union wanted to press its own salary demands but also to show solidarity with its US counterpart. "The underlying aim of this movement was to avoid seeing ships diverted from the United States to Canadian ports," a senior Canadian source told us.

Negotiations resumed

Fears of fresh disruption to shipping brought a sharp reaction in the United States and at the highest level. President Biden refused to use the Taft-Hartley Act to force the parties to resume negotiations but there was probably strong pressure to ensure that the industrial action did not last too long.

On 3 October, the ILA and the USMX concluded a preliminary agreement which brought the industrial action to an immediate end. The dockers were given a salary increase of 61.5% over six years.

The two parties also agreed to extend the existing master agreement until 15 January 2025. The intervening period will be used to negotiate other sections of the agreement, including the one dealing with port automation.

Operational disruption

In the morning of 3 October two days before the start of the industrial action, queues at the gates of US east coast ports started to get longer. The US authorities said that 43 ships were waiting to load or unload. Apart from the financial impact on the North American economy (one day of strike costs the US economy \$4-5 bn), the industrial action created major supply chain disruption. According to the forwarders, it takes five days to absorb the impact of one day of strike action. The impact of three days of strike action, therefore, will last for 15 days. Halloween and the end-of-year festivities are safe, however.

With just a few weeks to go to the presidential elections, the United States has avoided the worst. The end of the strike is clearly good news for the parties and for the American economy in general. Not everything has been settled however, and a sword of Damocles will remain hanging over the heads of shippers and other shipping operators so long as there is no final agreement on the new master agreement. The message from the powerful National Retail Federation was clear. "It is critically important that the International Longshoremen's Association and United States Maritime Alliance work diligently and in good faith to reach a fair, final agreement before the extension expires," it said in a press release. "The sooner they reach a deal, the better for all American families."



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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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