MONTHLY CONTAINER SHIPPING BAROMETER

May 2024

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CONTAINER SHIPPING:

CONTAINER BUBBLE READY TO BURST

Freight rates continued to climb in May, more because of the geopolitical situation than excessive demand. The turnaround in the marked promises to be violent, however, given the threat posed by overcapacity.

The big shipping companies made a profit in the first quarter, thanks to an increase in freight rates. In the first half of the second quarter, shippers continued to find themselves under pressure, as they faced not only a further increase in freight rates but also difficulties in getting access to capacity on certain shipping routes, like those from Asia to Europe.

The bubble could burst quite quickly, however. Certainly, the geopolitical situation remains unstable. The Houthis claim they are able strike in both the Mediterranean and the Indian Ocean, which is maintaining market tension. Their attacks are continuing, moreover, to prevent container ships from returning en masse to the Suez Canal. The situation remains tense, too, in the Strait of Hormuz. The MSC Aries, the container ship which was seized by the Iranian authorities in April, was still being detained, as we went to press.

At the same time, however, from an operational point of view, the resurgence of overcapacity looks to be inevitable. It is still too early to say what the consequences will be in terms of costs, but the general mood and economic situation suggest that there will be changes before too long. Overcapacity will burst back into the foreground, probably with devastating consequences.

Let us try to list here the factors which could tip the market in one direction or another.

> **“Overcapacity will burst back into the foreground, probably with devastating consequences”**

Latest developments

The state of the Asia-Europe market until the end of June

- Among the major shippers, which deal directly with the shipping companies, BCO (beneficial cargo owner) contracts have risen to USD3,500 per 40' container, mainly as a result of the surcharges imposed for war risks. Space is generally difficult to find but not for VIP clients, whose contracts are generally being honoured by the shipping companies.

- Among the big forwarders, NAC Quarterly and NAC Basket rates, which are valid until the end of June, generally stand at around USD4,200/40'. On this market, access to capacity is generally tight for everyone.

- Among smaller forwarders, it is virtually impossible to load a container for less than USD5,000/40' and this has risen in June to USD6,000.

“ On this market, access to capacity is generally tight for everyone ”

Shippers try to keep control

According to the time-honoured formula, the market is always right, but, currently, most players consider that there is too much speculation and that the Covid phenomenon, which saw freight rates go into five figures, is unlikely to be repeated. Importing shippers need to reconstitute their stocks but they will not do this in any way and at any cost.

They are going to use other methods, delaying orders or taking delivery from suppliers closer to centres of consumption. The move to “nearshoring“ is already well under way, moreover.

The threat of overcapacity

The shipping companies, which are currently taking advantage of the market boom risk being subjected to a particularly violent boomerang effect in the second quarter, as they are perfectly well aware. Easing geopolitical tensions is a complicated matter but all the big economies need it to happen, China among them. Despite its proclaimed non-interference strategy, China has begun to send signals. It has demanded, in particular, that attacks on merchant shipping should cease.

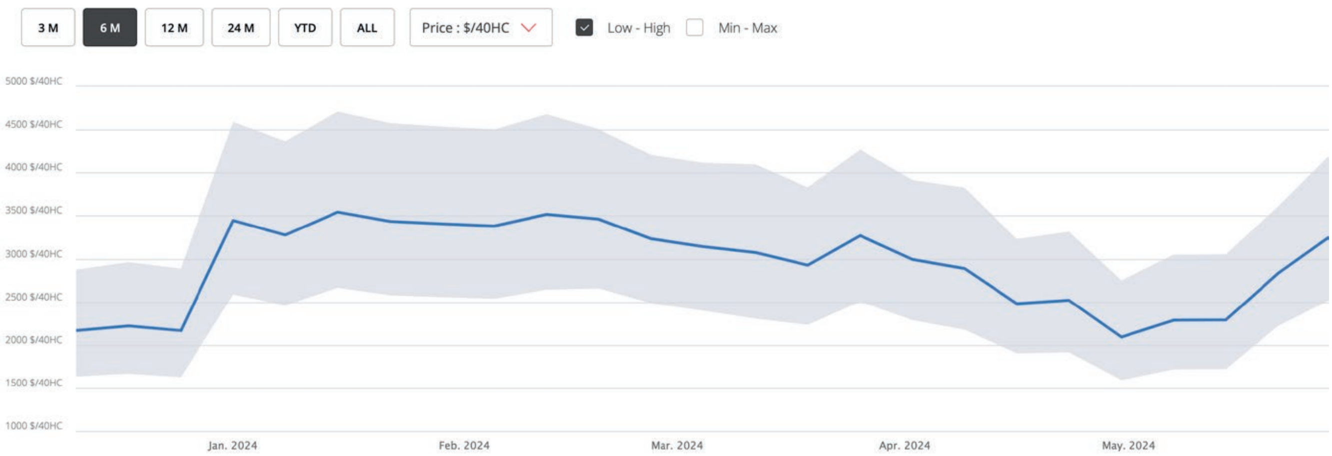
If geopolitical tensions are eased and there is no longer any need for ships to go round the Cape of Good Hope, freight rates from China to North Europe could quickly drop to below the four-figure mark.

Prices

Thanks to careful capacity management, the shipping companies have succeeded in maintaining some tension between supply and demand. We consider this to be largely artificial, but it has nevertheless had an effect on freight rates.

Asia-Europe

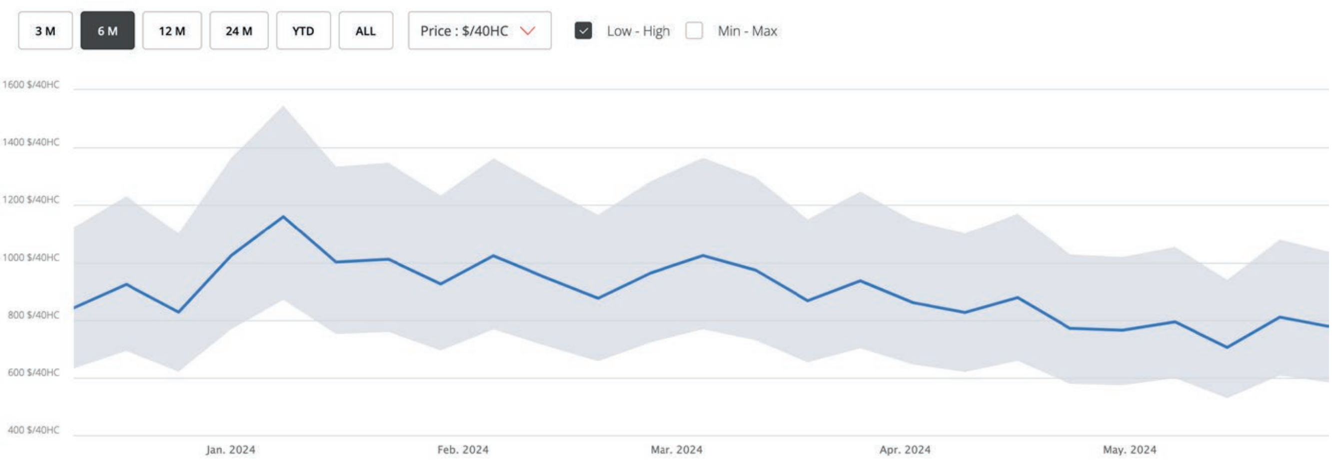
Shanghai - Le Havre



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.
Source: Upply

Europe-Asia

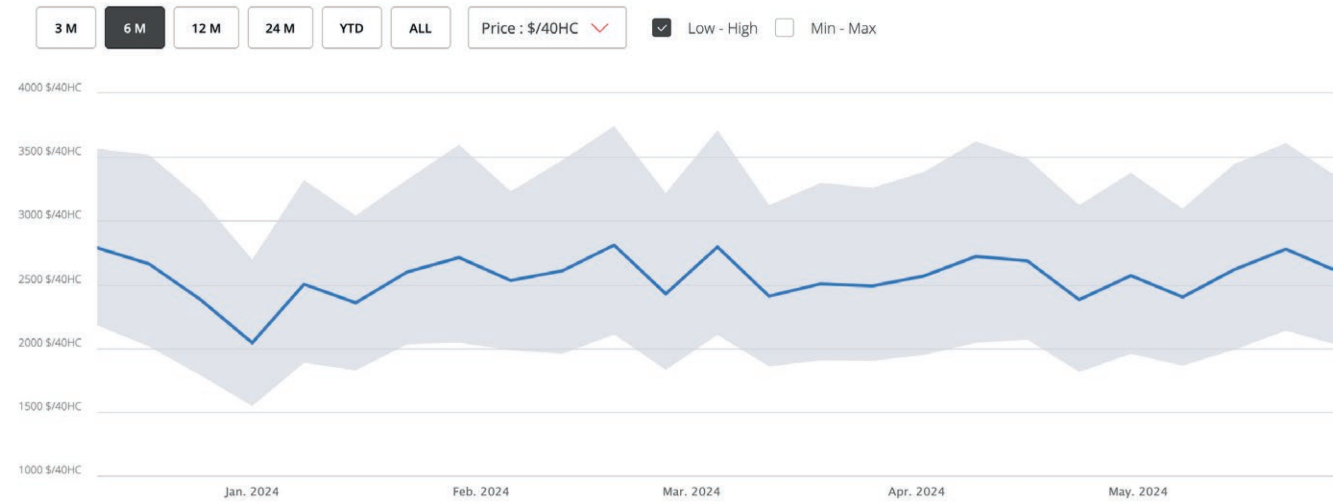
Rotterdam - Shanghai



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.
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.
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.
Source | Upply

Services

Service reliability diminished in April, falling back 2.5 points month on month and 12.1 points year on year, according to data from Sea Intelligence. After three months of improvement, service reliability was just 0.6 points up on January 2024. Conversely, there has been a real improvement in ships' punctuality. Ships are currently arriving in port 4.74 days behind schedule, 0.31 days less than in March. This figure is close to the lowest lateness levels achieved during the pandemic. Year on year, however, ships are still arriving 0.4 days later on average.

Detailed analysis, shipping company by shipping company, show that Wan Hai achieved the highest level of reliability in April at 59%, followed by Evergreen at 53.2% and Hapag Lloyd, CMA CGM, Yang Ming and Mærsk, which were all above the 50% mark. On the other hand, Cosco, OOCL, MSC and ONE saw their reliability collapse in relation to last year, with levels of between 30% and 40%. The biggest drop was recorded by ZIM, which saw its reliability fall 11.9 points to around 42%.

According to a study carried out by Sea Intelligence, the transit time between Asia and the Mediterranean increased 39% in the first quarter, compared to the July-December 2023 period of reference. Over the same period, Asia-North Europe trips were 15% longer.

The loops most affected by the longer transit times were those between Asia and the eastern Mediterranean (+60%), followed by those serving the central Mediterranean (+30% on average). Services to northern Europe were less affected (15% on average), as were those to the Baltic Sea area (+7%).

These figures should be treated with precaution, however. The shipping companies have revised their itineraries since the start of the year. Some ports have been added and others removed. They nevertheless give an idea of the impact of the rerouting carried out in response to the Houthi attacks in the Red Sea.

“The loops most affected by the longer transit times were those between Asia and the eastern Mediterranean”

Asia-Europe

Faced with disruption and congestion on services between Asia and Europe, **Mærsk** is adjusting its AE7 service. The departure from Ningbo due on 3 June was delayed until 9 June. The 10 June departure was put back until 16 June. The Danish group has also announced that it is cancelling two Asia-Europe sailings - that of the AE11 service on 17 June and that of the AE15 on 24 June. The first will resume on 1 July and the second on 2 July from Busan. These cancellations are linked to congestion in Asian and Mediterranean ports, according to the group.

MSC has revised its Swan service between Europe and Asia by introducing a new loop from 3 June, which includes a call in Hamburg. In future, the group's ships will call in Ningbo, Shanghai, Yantian, Tanjung Pelepas, Felixstowe, Antwerp, Hamburg, Gdansk, Gdynia, Klaipeda, Bremerhaven, Antwerp and back via Singapore.

Hapag Lloyd is launching a service between Asia and northern Europe, the CGX, which will call in Africa. It is due to start on 16 June from Europe and on 23 July from Asia. The service calls in Yantian, Singapore, Tema, Wilhelmshaven and Antwerp. The ports of Singapore, Tema and Antwerp are serving as hubs for neighbouring destinations. The company is also revising the itinerary of its FE9 service from Europe. Singapore has been removed and replaced by Port Klang. The new itinerary takes in Rotterdam, Southampton, Antwerp, Le Havre, Port Klang, Qingdao, Shanghai, Ningbo and Yantian.

Ocean Alliance (CMA CGM, CoscoSL/OOCL and Evergreen) has cancelled the Dunkirk call in its FAL1 service and transferred it to the FAL3. The new FAL1 loop takes in Ningbo, Shanghai, Shenzhen, Singapore, Le Havre, Hamburg, Gdansk, Rotterdam, Algeciras and Port Klang. As for the FAL3, it loses an eastbound call in Singapore. Its new itinerary includes Dunkirk, Rotterdam, Southampton, Antwerp, Le Havre, Port Klang, Qingdao, Shanghai, Ningbo, Shenzhen and Singapore.

Ellerman City Liners announced plans to provide two sailings between Asia and Europe using 2,500 teu ships. The first was due to take place in June and the second in July. It is still too soon to know if this announcement is the prelude to a permanent return to the route by Ellerman.

Asia-Mediterranean

ZIM is to cease calling in Colombo with its ZMP Asia-Mediterranean service, which allows it to add a call in Valencia. The new route takes in Busan, Qingdao, Ningbo, Shanghai, Shenzhen, Ho Chi Minh, Valencia, Haifa, Ashdod, Mersin, Izmit, Istanbul, Shenzhen and Xiamen.

Ocean Alliance has removed Port Said from its Phoenician Express service between Asia and the Mediterranean. The ports of Beirut and Tripoli have been added by way of compensation. The service is again going through the Suez Canal and the Red Sea, according to consultancy Dynamar. The new itinerary comprises Alexandria, Beirut, Tripoli, Koper, Trieste, Rijeka, Alexandria, Jeddah, Port Klang, Shenzhen, Shanghai, Ningbo, Busan, Shenzhen and Singapore. The consortium has removed Genoa and Beirut, moreover, from its MEX Asia-Mediterranean service, as well as the service's second call in Malta.

Black Sea

Hapag Lloyd opened a river service in April 2023 to enable itself to continue serving Ukraine. Since vessel occupancy is high, it has been offering departures from Chornomorsk to Constanta every five days since 27 May.

India-Middle East–Africa

CMA CGM has reinforced its services between India, the Middle East and Africa by introducing modifications to four loops. It has added a call in the South African port of Coega, between Cape Town and Jebel Ali, to its Midas 1 service, which now calls in Jebel Ali, Mundra, Nhava Sheva, Pointe Noire, Tema, Apapa, Cape Town and Coega before returning to Jebel Ali. Its Midas 2 service will make just one call in Africa, in Durban, following the transfer of the call in Port Réunion to another service. Midas 2 will now call Jebel Ali, Mundra, Nhava Sheva and Durban before returning to Jebel Ali.

The group's HAX service is being replaced by the Karibu service, calling in Jebel Ali, Mombasa, Port Reunion, Mombasa, Mogadiscio and back again to Jebel Ali. Finally, the Noura service has been improved by the introduction of shorter transit times. It now calls in Jebel Ali, Mogadiscio, Mombasa, Beira, Nacala and Port Victoria, before returning to Jebel Ali.

Asia-India-Middle East

CMA CGM began a new service between Asia, India and the Middle East on 16 May. Marketed as the VGI, it offers two loops: a first one taking in Laem Chabang, Singapore, Port Klang, Nhava Sheva, Jebel Ali, Dammam, Nhava Sheva, Port Klang and a second covering Vung Tau, Djakarta, Port Klang, Mundra, Jebel Ali, Dammam, Mundra, Port Klang and Laem Chabang.

Asia-US East Coast

Mærsk is suspending its TP20 service between Asia and the east coast of the United States because of the knock-on delays caused by the Red Sea crisis. The last sailing from Asia was due to take place on 13 June and the last one in the opposite direction will leave Newark on 17 July. Maersk also cancelled the planned 3 June sailing from Xiamen of its TP16 Asia-US East Coast service. In the opposite direction, the 14 July departure from the port of Savannah has also been cancelled.

Ocean Alliance has removed calls in Laem Chabang and Singapore from its Chesapeake Bay service but added Port Klang. The service now calls in Port Klang, Hai Phong, Shenzhen, Ningbo, Shanghai, Busan, Yokohama, Norfolk, Savannah, Charleston and Miami.

Haïti: resumption of calls in Latifeau

CMA CGM began calling in Latifeau again on 30 May after having suspended calls for several weeks because of social unrest. The port is served by transhipment from Kingston. As regards, service to Haiti from the Caribbean islands, CMA CGM is continuing to call at Cap Haitien but is taking no bookings for Port-au-Prince.

Maersk, meanwhile, has said it will begin calling again in Port-au-Prince from 1 July. Booking are being taken again but with a surcharge for political risk.

Evergreen is following the trend by including calls in Port-au-Prince in its service between Colon, Kingston and Port au Prince.

Transatlantic

In the face of logistics disruption and congestion, **Maersk** has revised its services between Europe and the United States. The planned TA6 call in Gioia Tauro on 17 June has been cancelled and will be replaced by one on 20 June. The eastbound call in Veracruz planned for 22 July has been cancelled and brought forward to 16 July.

ONE, meanwhile, has cancelled the Miami call of the AL6 service it operates as part of The Alliance. The service was due to leave Livorno on 2 June.

Grimaldi subsidiary **ACL** has taken space aboard BG Freight Line ships to improve its transatlantic service and include a call in Ireland. Containers bound for Ireland are transhipped in Liverpool for loading aboard BG Freight vessels to Dublin and Belfast.

Transpacific

Following the return of the PN3, **The Alliance** (Hapag Lloyd, HMM, ONE and Yang Ming) has revised its PN2 service. It has dropped the service's calls in Shanghai, Busan, Kaoshiung, Hong Kong and Hai Phong, so that the new loop now takes in Singapore, Laem Chabang, Ho Chi Minh, Shenzhen, Tacoma, Vancouver, Tokyo and Kobe before returning to Singapore.

Ocean Alliance has announced that it is dropping calls in Tacoma by its HTW service, operated by Evergreen. The aim is to concentrate on the ports of Los Angeles and Oakland. In the ECX1/SAX service, calls have been added in Laem Chabang and Ho Chi Minh. Calls in the port of Colon have been dropped to allow for these adjustments. The service now calls in Laem Chabang, Ho Chi Minh, Hong Kong, Xiamen, Shanghai, New York, Savannah and Charleston.

In the week beginning 27 May, **MSC** cancelled its Sentosa service between Asia and the United States.

Port of Baltimore

Efforts to free the Dali, which is entangled in the debris of the Francis Scott Key Bridge, are continuing. A first access channel into the port has been opened to commercial shipping, allowing vessels drawing up to 13.5 m to enter port. In this situation, **Maersk** has decided to resume calls at the east coast port. In the transpacific market, the TP12 service was due to begin exporting again from Baltimore on 17 June and importing from 13 July. The TA2 and TA5 transatlantic services were due to resume import calls in Baltimore on 11 and 20 and export calls on 6 and 14 June.

MSC, meanwhile, was due to start calling in Baltimore again with its US-South America east coast service from 1 July.

Asia - South America

Several shipping companies have decided to cease calling in Puerto Coronel in Chile. This is due to the number of stoppages due to industrial relations disputes there. According to Dynamar, Hapag Lloyd, HMM, MSC and ONE have dropped the port in favour of San Vincente, 35 km to the north.

Operations

Industrial disputes in French ports

The main dockers' union, the FNPD CGT, announced plans for a number of protest actions in French ports in June. The union's notice of strike action included bans on overtime and exceptional working. It also called for stoppages from 10 am to 4 pm on 4 June, 6 June, 12 June, 14 June, 18 June, 20 June, 24 June, 26 June and 28 June, as well as 24-hour stoppages on 7 June, 13 June, 21 June and 25 June, with a national "Dead Ports" operation on 7 June. The union has warned that its action will be intensified in July if no progress is made in talks with the French government.

Port congestion

Port congestion is back with a vengeance. "Although the total capacity waiting at Singapore has eased slightly from 450,000 teu a week ago to 380,000 teu, the strain has shifted to Port Klang and Tanjung Pelepas," noted liner market analyst Linerlytica in a market report in early June. "Waiting times have also risen across all main Chinese port regions with Shanghai and Qingdao experiencing the longest delays."

Good news from Panama

The Panama Canal authority announced on 30 May that it was increasing the maximum authorised draft in the canal to 13.7 m, two days before the 15 June date originally envisaged. This was good news for the maritime sector. In the new locks, moreover, the number of daily transits has risen from seven to eight since 1 June. Along with the increase in the number of transits in the Panamax locks since 26 May, the number of passages authorised daily now stands at 32.

Inland waterway: high water on the Rhine

Mærsk announced that, from 1 June, it was suspending its services on the River Rhine because of high water levels. Containers which had been due to be transported by these services are to be sent by road and rail. The group warned shippers, however, that overall capacity would be reduced as a result of the switch. Some containers could be delivered late as a result.

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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.

THE TECHNOLOGICAL SOLUTIONS PLATFORM THAT BOOSTS SUPPLY CHAIN ACTORS' EFFICIENCY

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