

MONTHLY CONTAINER SHIPPING BAROMETER



Market tests low points in ex-China container trades

Spot rates for goods leaving China are now lower than contract rates but, on other routes, prices have stayed at acceptable levels.

Latest developments

"All that for that!" is what one is tempted to say as we leave a month of February which was disappointing for shipping companies and forwarders. Spot rates were a long way short of the record levels they reached in 2021 and **currently stand at a low point of around \$1,000 for goods leaving China for North Europe and \$2,000 for those bound for the West Med.**

Sharp fall in rates ex-China

The phenomenon was expected but the fall in revenues and cargo volumes was striking in its suddenness. For the shipping companies, as for the forwarders, monthly performance indicators are in the doldrums and **demand is still on a downward trend.** These sharp ups and downs are difficult to deal with on the basis of traditional financial logic.

We should not, however, take too catastrophic a view of the situation. Excepting exports from China, **the other shipping markets are holding up quite well in general.** In this situation, it is important to recall that there is always a big difference between a low freight rate and one which enables a container to be actually loaded rapidly aboard a ship. This is currently truer than ever. Indeed, we are seeing **a welcome rehabilitation of commercial relations between shippers and shipping companies.**

For groups which have opportunities for growth in other segments of the transport and logistics market, moreover, things are going better, since some of these other activities offer good prospects.

Better transit times

In this situation, port terminals are on the look-out for ships again and container dwell times are returning to their pre-pandemic level. Congestion has clearly come to an end, and this will inevitably have **a positive impact on transit times**, even if services continue to be irregular.

Container availability is also returning to normal in the major global demand zones. China now has a lot of empty containers in stock and does not need fresh supplies in the short term.

Overcapacity threat

In short, market tensions have disappeared, whether it be over access to ships, containers or infrastructure. At the same time, we are seeing the arrival on the market of the first of the new ships which were ordered by the shipping companies when they had abundant spare cash.

These ships are arriving at the worst time since there is insufficient demand to meet them. Even if older ships are taken out of service, **the shipping companies will not be able to balance out new arrivals with an equivalent level of demolitions** over the next few months. This imbalance will have a negative impact on the shipping companies in 2023 and probably in 2024 as well.

Shippers retake control in contract negotiations

On the demand side, the tender call period is continuing. Among shippers, we are seeing **two contrasting kinds of behaviour**:

- Some have not got over the excesses they suffered in 2021 and are determined to make the most of the negotiating power they have recovered following the recent reversal of the balance between supply and demand.
- Others, who are pursuing longer term strategies, are keeping in mind that the shipping companies need to break even and know that it is in their interest that rates do not drop to too low a level.

For many shippers, the spot market is sufficiently comfortable at the moment for them **not to need to seek firm contractual rates**. They will always be able to issue a tender call later, when the market shows signs of becoming tighter - which is by no means an imminent prospect.

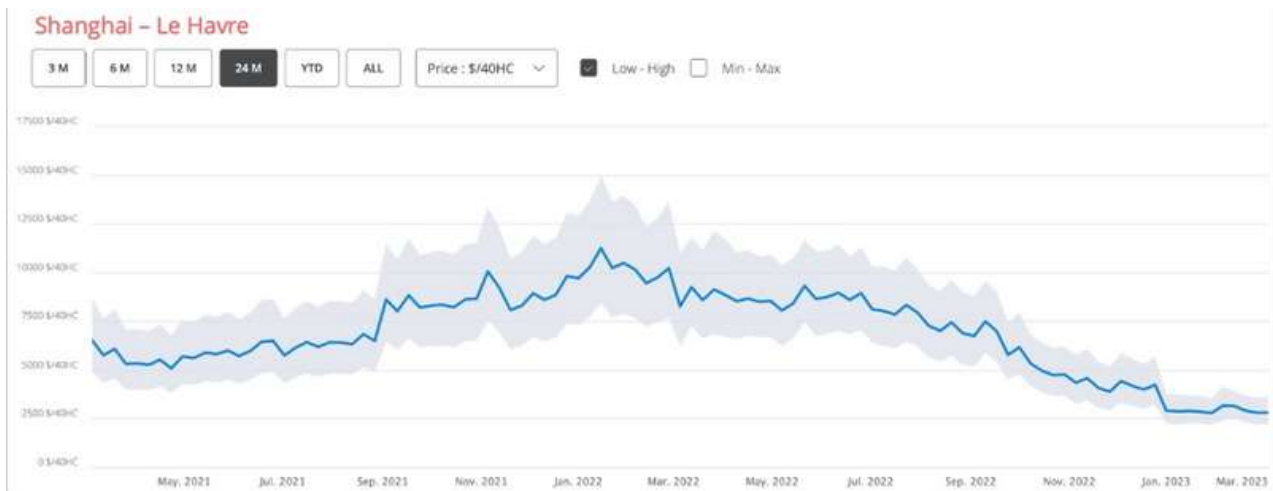
The fact that spot rates are now below contract rates is clearly not good news for the shipping companies, who need to be able to provide secure transport services. The situation could nevertheless encourage them to promote their digital offerings. Dynamic pricing software enables them to be reactive. It also enables shippers to seize opportunities and rewards loyal customers. When spot prices overtake contract prices again, which will be an indication that the market has stabilised, it will be more difficult for the shipping companies to introduce this new way of selling their services.



1. PRICES

- **Asia - Europe**

On this route, rate reductions are concentrated on a certain number of low points. These rates are ones which get goods aboard ship, since Upply's data is based on transactions which have been completed, charged and billed for. We can see here **the difference between the loss leader prices which can be heard about here and there on the market and the rest of the market, which is less caught up in the excessive downward pricing trend.**

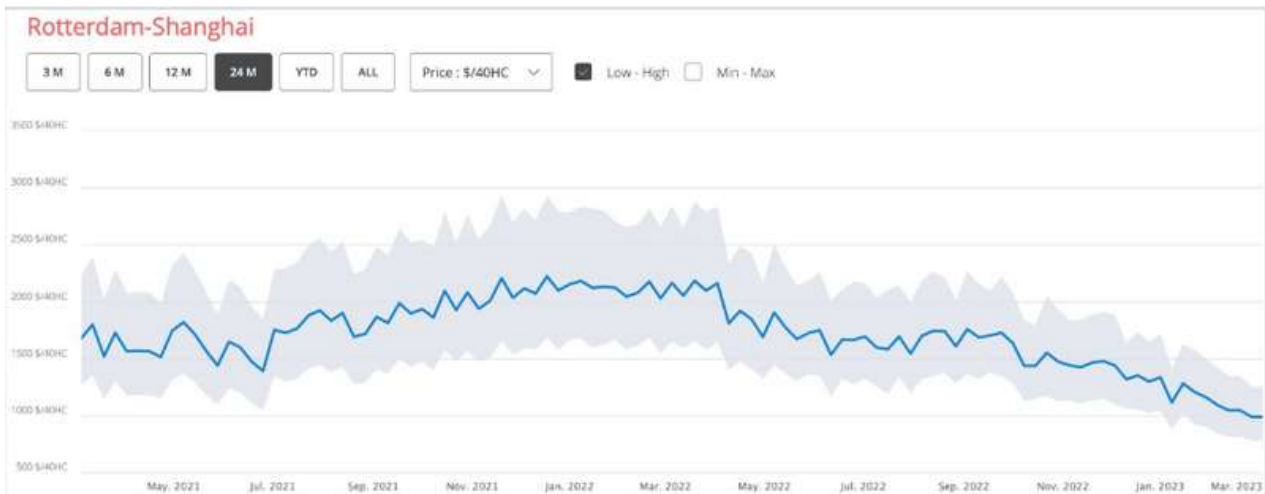


Port-to-port rates (spot and contract) billed for sailings from Shanghai to Le Havre, THC included, for a 40' HC DRY container carrying dry, non-dangerous goods.

Source : [Upply](#).

- **Europe - Asia**

This route is characterised by its **great stability**. Demand is low, as are freight rates, and there are no space problems or shortages of containers. The only exception is reefers, which are suffering from chronic low supply even though reefer freight rates are continuing to fall.

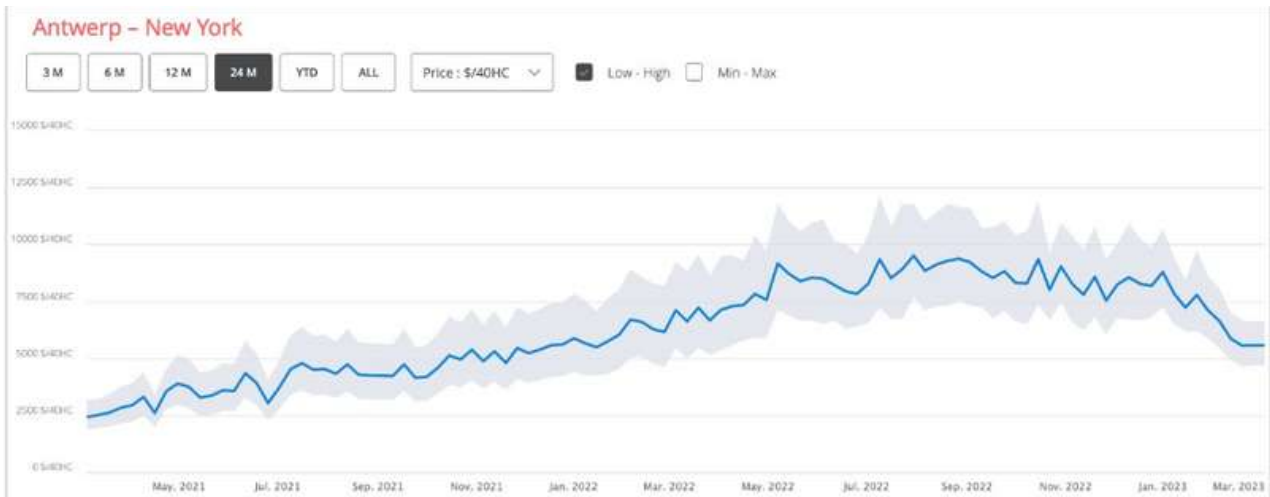


Port-to-port rates (spot and contract) billed for sailings from Rotterdam to Shanghai, THC included, for a 40' HC DRY container carrying dry, non-dangerous goods.

Source : [Upply](#).

- **North Europe-US East Coast**

Rates are holding up for now at levels which are **two or three times higher than they were before the pandemic**. An eye should be kept open, however, for announcements from MSC, which is set to bring a massive amount of additional capacity into the trade, which could change the position in this segment of the shipping market.



Port-to-port rates (spot and contract) billed for sailings from Antwerp to New York, THC included, for a 40' HC DRY container carrying dry, non-dangerous goods.

Source : [Upply](#).



2. SERVICES: REGULAR IRREGULARITY

→ Blank sailings

The return of regular services is not expected in the next few weeks, even if there have been some improvements. In its latest study, Drewry estimated that there would **65 voyages would be cancelled in March out of a total of 645, which is to say 10% of all sailings**. This is an improvement nevertheless on February, when the cancellation rate was 24%.

Service reliability also leaves a lot still to be desired. According to Sea Intelligence, it increased from 30.3% in January 2022 to 56.6% in December. These figures are a long way short, however, of those applying in 2020, when service reliability stood at 63.9%. The lesson to be drawn is clear: service irregularity has become regular over the last two years.

The situation is unlikely to improve in March. **MSC** announced that it would be cancelling the Shogun and Lion services in the final week of March. The same thing happened to the Pearl transpacific service in the final week of February. The same fate awaits the Jaguar transpacific service and the Shogun Asia-Europe service in March. **ONE**, meanwhile, is presenting things differently. Delays in port during cargo-handling operations have accumulated with the result that services overran by three or four days, according to their destination. As for **Maersk**, it cancelled several services, including the AE1 Europe-Asia service and the TP6 transpacific service.

In France, the social situation is causing concern. In February, **Hapag Lloyd** advised shippers of possible difficulties because of protests against the government's plans to reform retirement pensions. Action planned for 7 and 8 March could lead to numerous delays on services calling in French ports and further, tougher action has not been excluded. The trade unions are currently holding meetings to decide what action to take as part of the countrywide protest, which could take on massive proportions and last for several days. Announcements were due in early March.

→ Service changes

• Transatlantic

Ellerman City Liner has extended its Europe-US East Coast service to Bilbao. Ships are now calling at Tilbury, Rotterdam, Antwerp, Hamburg and Bilbao in Europe before crossing to Wilmington and Jacksonville in the United States.

• Transpacific

On the transpacific market, there were the first signs of the expected reconfiguration of the alliances, as **ONE**, a member of The Alliance, took slots on the Columbus-Jax service operated by CMA CGM as part of the Ocean Alliance network. The slots involved only concern the transpacific link between the US West Coast and Asia and the ports concerned are Port Klang, Laem Chabang, Ho Chi Minh (Cai Mep), Shenzhen (Yantian), Los Angeles, Oakland with Shenzhen (Yantian), Ho Chi Minh (Cai Mep), Singapore and Port Klang on the return leg. ONE seems to have opted clearly to work with Ocean Alliance. The Japanese company has also taken slots on ships operating COSCO SL's AAC4 service, which is also operated as part of the Ocean Alliance network.

Since the beginning of March, **ZIM** has reorganised its eCommerce Xpress Baltimore service. The Israeli company has added the ports of Jakarta, Laem Chabang, Hai Phong and Kingston to the service. Ships operating the service now use the Panama and Suez canals, leaving Jakarta for Laem Chabang, Ho Chi Minh and Hai Phong before calling at the ports of Shenzhen and Kaoshiung. They then go through the Panama Canal and return to Jakarta via the Suez Canal.

Mærsk announced that it was ending its TP 20 transpacific service, which links South East Asia to the US East Coast before returning via the Suez Canal. To maintain service until the closure takes effect, the company has changed its rotations, providing feeder services to Asian ports to connect them to other services.

Difficulties on the transpacific market is obliging the shipping companies to reorganise their rotations. **Transfar Shipping**, a subsidiary of the Alibaba distribution group, has decided to end its sailings between Asia and the US East Coast.

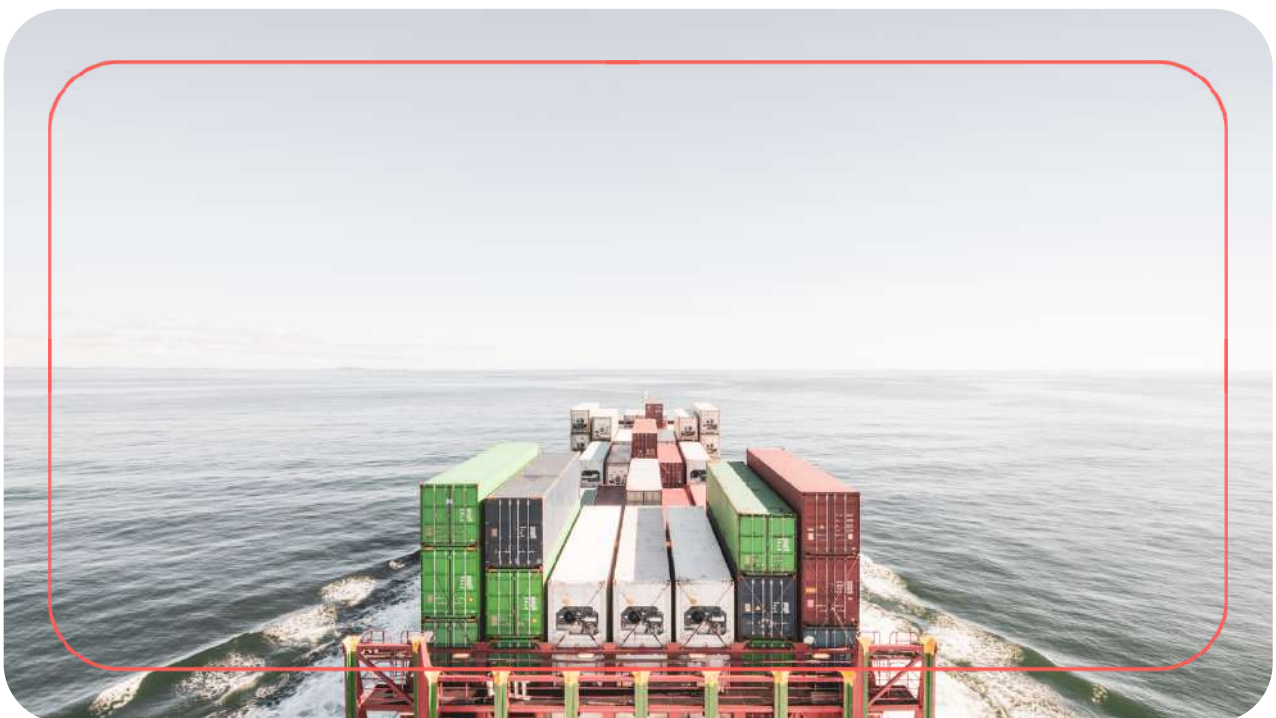
- **Europe-Asia**

Tailwind Shipping, the shipping branch of German retail group Lidl, has decided to extend its China coverage to include the port of Qingdao. To enable itself to do this, it has added a 4,000 teu vessel. The PAX service concerned serves the ports of Qingdao, Ningbo, Shenzhen, Koper, Barcelona and Rotterdam. The company has also decided to open a service between Bangladesh and North Europe in March. The Tiger Express will link Chittagong to Barcelona and Moerdijk in the suburbs of Rotterdam and call in Limassol on the return leg. Three 900 teu vessels will provide ports calls every 17 days or so.

In a first sign of a break-up of the 2M alliance, **MSC** has decided to revive its Dragon service between Asia and the Mediterranean without Maersk. It will serve the ports of Shanghai, Ningbo, Singapore, Ashdod, Naples, La Spezia, Genoa, Marseilles and Gioia Tauro, calling at King Abdullah and Singapore on the return leg. The service, which was operated as part of the 2M alliance network, was suspended during the health crisis in 2020.

Previously known as the National Shipping Company of Saudia Arabia, **Bahri** has returned to regular line shipping with the opening of a Europe-Asia service. It is not yet known when the first sailing will take place, but the service will call in Bremerhaven, Antwerp, Nantes Saint-Nazaire, then Ennore in India and the Chinese ports of Taicang and Shanghai before returning to Nantes Saint-Nazaire. The particularity of the service is that it will use con-ro ships, which will carry containers on deck, along with ro-ro goods and containers on trailers.

Following the earthquake in Turkey and Syria, the port of Iskenderun in Turkey was damaged. Several containers caught fire on the terminal following the tremours and checks will need to be carried out before shipping services will be able to return to a normal rhythm. According to the authorities, however, infrastructure at the port has not been damaged. **ZIM** decided, moreover, to have its Europe-India service call at Iskenderun instead of Mersin. For its part, **MSC** decided to include Turkey in its Mediterranean-West Africa service, with calls at Tekirdag, Izmit and Iskenderun. Neither company has indicated that it has any plans for further revisions of these services.



3. OPERATIONS

As mentioned above, work on the quayside has returned to a certain normality at terminals all over the world because of the relatively **low levels of cargo handled during ports calls and the reduced frequency** of services in recent months.

The social climate **at the ports of Los Angeles and Long Beach** is improving as contractual negotiations with the International Longshore & Warehouse Union near completion. American buyers of Asian products got used to importing via Panama and the US East Coast to ensure that traffic flowed more smoothly while there was congestion in the ports of the Bay of San Pedro. **Not all traffic which traditionally transited via the West Coast has yet returned** there but low transpacific freight rates and general port decongestion should speed up this trend.

In Hamburg, Rotterdam and the United Kingdom, low cargo volumes are causing concern and encouraging the trade unions to be realistic in their relations with their employers after the industrial action of recent months and the fragile ad hoc agreements which resulted from them.

In France, the ports and docks federation of the CGT union confederation has until now taken part in national protests over the government's pension reform plans without undue enthusiasm and port operations have not suffered greatly as a result. The 7 March day of protest is important, therefore, since the unions seem to be determined to fight for claims which go beyond the simple question of retirement pensions.

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

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