

CANADA Daily News and Updates January 30th 2024

Ocean Updates

- Red Sea-Driven Surge in Container Shipping Rates Loses Momentum

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Mass diversions of container ships around Africa's Cape of Good Hope caused spot rates to surge, but the Red Sea effect has a limit, which may have already been reached.

Upward momentum has slackened. Rates in most lanes have leveled off. Several indexes for European lanes have pulled back.

The Shanghai Containerized Freight Index (SCFI) dropped 2.7% in the week ending Friday versus the prior week, the first weekly drop since late November.

The rate dynamic now is very different than in the pandemic boom. The 2020-2022 supply chain crisis was driven by demand, as consumers bought more goods amid the pandemic. The current rate surge is driven by supply.

Liner diversions around the Cape of Good Hope extend voyage time, tying up ship and container equipment supply. But as liners adjust schedules to the longer routes, rates should theoretically stop rising, barring higher demand.

Read more in an [article from American Shipper](#).