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Container leasing rates reach for the skies

US shippers are diverting east coast cargo, already shifted from the Panama Canal to via Suez, to west coast ports, boosting southern California port volumes and raising box leasing prices through the roof.

Nick Savvides | Feb 16, 2024

Online box leasing and trading company Container xChange reports that leasing rates to the US west coast have soared by more than 220% following the onset of the Red Sea crisis in late November/December.

One Container xChange client said: “We anticipate equipment shortages due to the lack of container repositioning in Asia for eastbound goods. Furthermore, disruptions in the Suez, Red Sea passage, and Panama Canal will likely lead to increased demand for routing through the West Coast.”

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In fact, southern Californian ports reported similar volume increases in January. The Port of Los Angeles handled 855,652 teu in January, recording "the second-best start to the year on record".

Only during the pandemic affected surge of freight in January 2022, the sixth consecutive month of year-on-year increases, and an 18% increase on January 2023.

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At Long Beach a 17.5% volume rise in January, year-on-year saw the port handle 674,015 teu. Imports increased 23.5% to 325,339 teu, while exports were down 18.1% to 86,525 teu. Empty containers moved through the Port increased 28% to 262,151 teu.

Blue Alpha Capital analyst John McCown recently looked at the container imbalances with the three major ports of Los Angeles, Long Beach and New York recording the greatest mismatches, which have significantly increased since 2010.

LA recorded an import export imbalance of 3.44, import boxes to exported freight. An increase of 1.28 over 2010 and 0.76 over 2019. New York figures show an imbalance of 3.1 in 2023, an increase of 1.41 and 2.58 in 2010 and 2019 respectively. Long Beach has seen similar freight imbalances, reaching 2.97 last year from 2.55.

McCown said: "While the upward trend in the overall imbalance ratio has been consistent, it has accelerated in recent years."

According to McCown's research the five-year period from 2018 saw a 54% increase in cargo imbalances in the US major ports, compared to the previous 10 years from 2008.

"The economics of having so little revenue generating outbound loads, relative to inbound loads makes a container system less efficient than it would otherwise be. Mulitple parties share the resulting economic burden," said McCown.

It is the US exports poor performance that has exacerbated the imbalance issues and McCown points to the "impact of the China tariffs," as the major reason for the decline in US exports since 2018, a decline of 12.2% in the five years to 2023.

That imbalance could be about to get worse as Christian Reoloffs, Co-Founder and CEO of Container xChange points out: "The gains in consumer spending and retail sales figures suggest that our industry can expect decent demand recovery for goods, which translates into relatively higher container demand on the cards, as retailers restock inventory and fulfil consumer orders."

US consumer spending is increasing, up to 3.3% annually, in the fourth quarter of last year with lower inflation and "solid" household spending the US economy has a positive economic outlook said Container xChange.
