China reopens after Chinese New Year, container rates plateau - March Container Market Forecaster by Container xChange

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Geopolitical risks are impacting the supplier strategy of many companies globally. While majority (63%) of the companies surveyed by Container xChange in the month of February’24 are looking to diversify their supplier portfolio, 37% are still going to reduce the number of suppliers they aimed to diversify in the year 2021 in response to the pandemic and its resulting repercussions.

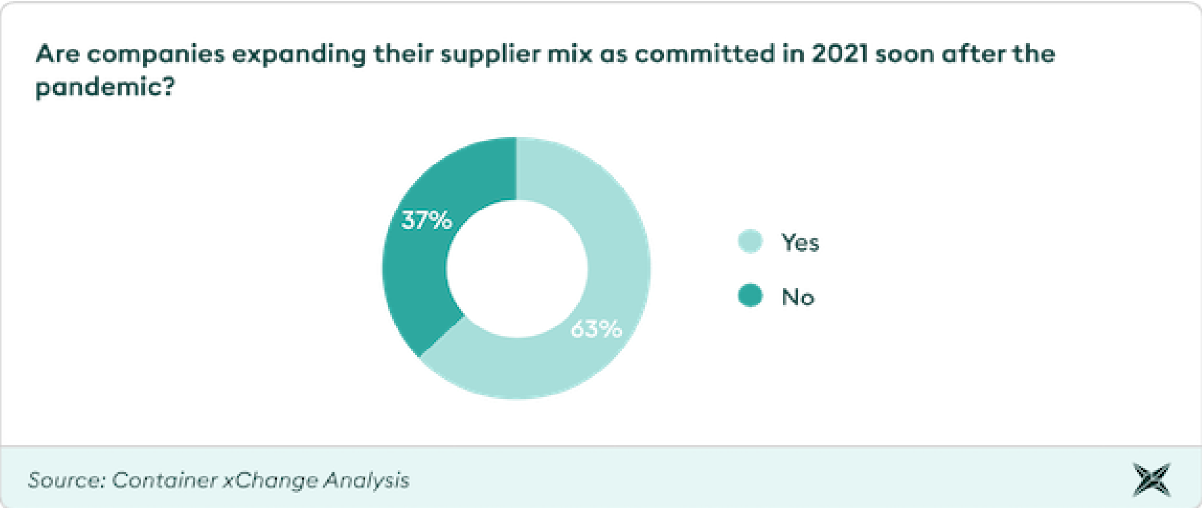


Chart 1: Container xChange Supplier Diversification Survey Results, February 2024

Persistent geopolitical tensions in eastern Europe and the Middle East, have led to shifts in trade patterns, requiring industry players to redesign supplier mix for their supply chain.

"We are uncertain about who to partner with and who to discontinue our associations with. The situation is getting trickier for us as freight forwarders due to the ongoing war in the Middle East, leading to fewer partners in the east. The risks of sanctions and increased uncertainty are significant factors driving our need for trusted partners." - A freight forwarder from the USA and a Container xChange customer

Container Trading and Leasing rates plateau

The month of February 2024 marked a pivotal moment in the trajectory of container leasing and trading rates, which had been on the rise since past three months (starting November 2023), coinciding with the onset of the Red Sea crisis. This inflection point closely aligned with our forecast from the preceding months, as Container xChange had anticipated a reduction in demand and subsequently a reduction in average container prices and leasing rates post Chinese New Year.

Chart 2: Average container trading prices for 40 ft High cube containers in China

As the Chinese New Year holiday period concluded and business activities resumed, the rates failed to sustain their upward momentum.

Our forecasts predict that the container prices will fall by a measure of 8-16% in the coming two months (March and April 2024) in China going by the cyclic nature of price developments as an impact of the post Chinese New Year demand reduction. We also foresee potential decline in container prices across the United States, ports of Vancouver and Toronto, and in Europe in the coming two months. *

(*It's important to note that these forecasts assume that other macro and micro factors remain constant. Any significant changes in these factors could impact the accuracy of these forecasts.)

Locations	2022			2023			2024		
	Feb	Mar	Apr	Feb	Mar	Apr	Feb	Mar**	Apr**
Shanghai	5234	4969	4612	1812	1716	1710	2110	2001	1925
Dalian	5030	4931	4429	2075	1932	1779	2160	2064	1877
Guangzhou	5461	5241	4936	2032	1942	2049	2202	2109	2106
Ningbo	5487	5228	4871	2090	2018	2081	2257	2165	2125
Qingdao	5180	4960	4443	2045	1936	1983	2170	2066	1983
Shenzhen	5622	5369	4941	2264	2158	1962	2137	2039	1865
Tianjin	5240	4939	4458	2054	1944	2010	2091	1975	1912

Table 1: Year-on-year comparison of average container prices** for 40 ft cargo-worthy containers in China.

**All average prices are rounded off in the nearest dollar.

Red Sea Update

On November 19, Iran-backed Houthi forces began attacking shipping vessels affiliated with Israel passing through the Red Sea. 102 days later, the shipping industry has emerged from this crisis better prepared than many had predicted.

As the industry typically responds to such crises, the initial impact was felt on rates. Freight rates immediately and persistently jumped as the world entered the last month of 2023. This timing also coincided with the pre-Lunar New Year rush, which builds up in January and culminates in February. Consequently, the freight rate boom continued well into 2024 as shippers aimed to deliver cargo for the cyclical demand, known as the pre-Chinese New Year rush.

Following the conclusion of the Chinese New Year on February 24, 2024, signs of fading demand and falling freight and container rates began to appear.

What Lies Ahead?

A continued decline in rates is expected, although not crashing. Freight rates typically fall by 30% every year from February to March and into April. Similarly, container rates are expected to fall by a measure of 18-6% depending on locations, with a higher percentage of decline expected in Asia.

Over the last 30 days (February 2024), container prices rose by 10% in Northeast Asia, 7% in Oceania, and 2.5% in Southeast Asia, remaining stable in North America. However, prices declined in Europe (5-7%), Japan and Korea (5%), and the Middle East and ISC region (2.4%).

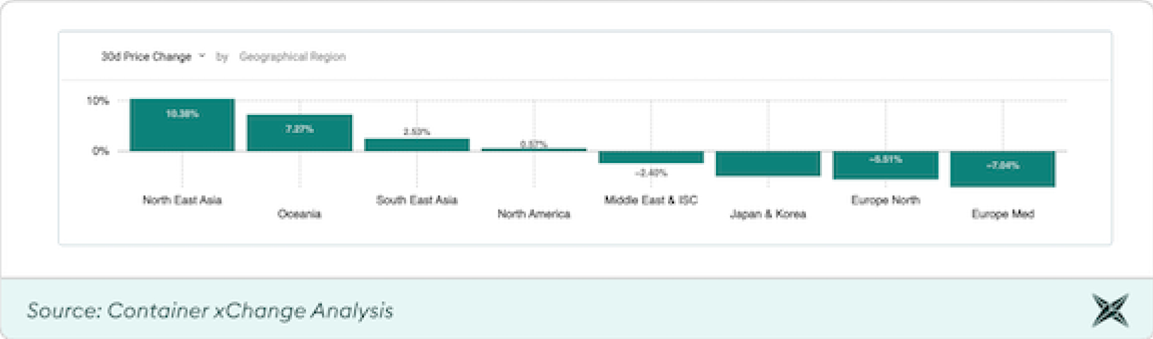


Chart 3: Region-wise change in container prices in February 2024

Container Market Price Trends

Despite the demand lull post-Chinese New Year, there have been significant week-on-week changes in market prices for containers:

Locations with biggest week on week growth (as on 1 March, 2024)

Locations with biggest week on week growth (as on 1 March 2024)

City Area	Market Price	Week-on-Week change
Mundra	$1,500	+18.11%
Ningbo	$2,340	+4.93%
Dalian	$2,210	+3.27%
Xiamen	$2,160	+2.37%
Fuzhou	$2,200	+2.33%

Source: Container xChange Analysis

Table 2: Locations with biggest week on week growth in container prices

Locations with biggest week on week declines (as on 1 March, 2024)

Locations with biggest week on week declines (as on 1 March, 2024)

City Area	Market Price	Week-on-Week change
Nhava Sheva	$1,410	-8.44%
Kolkata (Calcutta)	$1,670	-8.24%
Delhi	$1,430	-5.30%
Shenzhen	$2,080	-4.59%
Chennai	$1,540	-3.75%

Source: Container xChange Analysis

Table 3: Locations with biggest week on week decline in container prices

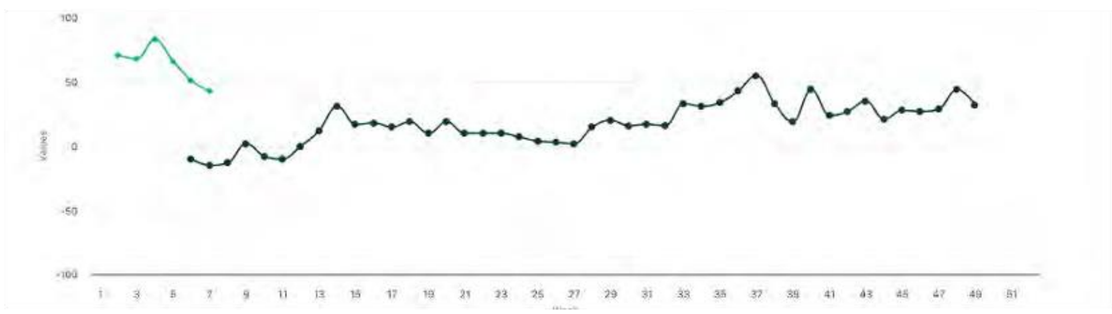
A significant development is that the rates did not decline drastically in the last week of February (as seen in the table) compared to previous years. This can be attributed to the volatility caused by the Red Sea diversions and capacity being tied up in the market.

Supply Chain professionals hopeful of higher container prices in the coming weeks

While the cyclical forecasts indicate otherwise, Container xChange's price sentiment index (xCPSI) indicates that the supply chain professionals remain positive about the container price hikes further into the month of March owing to the persistent red sea situation and its implications on supply chains.

While the xCPSI was in the negative territory throughout Q1'23, indicating a market sentiment where majority expected prices to continue slashing off the floor, the sentiment index reached an all-time high this February'24 owing to the Red Sea crisis and its perceived impact on container prices globally.

Container Price Sentiment Index (xCPSI)



Source: Container xChange Analysis

Chart 4: Container Price Sentiment Index (xCPSI) by Container xChange as on 29 February, 2024

“In the shipping industry, March is a transitional period following the Chinese New Year (CNY). Historically, CNY has led to a slowdown in manufacturing and shipping activity in China, which can cause a temporary decrease in demand for shipping services. However, as businesses resume operations after the holiday, there can be a surge in demand for shipping, particularly for goods that need to be restocked after the holiday period.” explained Christian Roeloffs, cofounder and CEO of Container xChange, an online container trading and leasing platform.

“Additionally, March is often considered the beginning of the contract season for many shipping companies. This is when annual shipping contracts are negotiated and finalized for the upcoming year, which can influence shipping rates and capacity utilization in the industry. While March can be a period of increased demand compared to the immediate post-CNY period, it is not considered as robust as other peak seasons like the pre-holiday period leading up to Christmas.” Shared Roeloffs.

“Further into the year, rising inflation rates globally could potentially lead to higher production costs and increased consumer prices, thereby affecting trade volumes and container demand. As businesses grapple with inflationary pressures, they may need to reassess pricing strategies.” Added Roeloffs.

"Consumer concerns regarding prices remain a key factor influencing purchasing decisions, with many consumers waiting for items to go on sale and stocking up on goods less frequently, impacting various product categories. The impact of above-average inflation, geopolitical risks, and uncertainty regarding interest rates is expected to continue influencing consumer goods markets in the near term.” Commented Reoloffs.

“Additionally, monitoring global supply chain dynamics, including disruptions and changes in trade patterns, is crucial. These factors can significantly affect container trading and leasing rates on trade lanes, highlighting the importance of staying informed and agile in response to evolving market conditions."

India struggles with container rates volatility

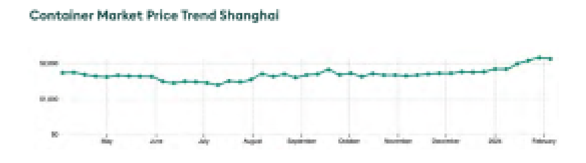
The average prices for 40 ft cargo-worthy containers remained robust in Nhava Sheva and Chennai, where customers are facing container scarcity and tightening capacity due to the impact of the Red Sea crisis. However, we anticipate a 5% reduction in these prices in the coming two months (March and April 2024).

Although the rates are currently lower than those in 2022 and even lower than 2023, there has been a slight month-on-month improvement. However, there has been a consistent year-over-year reduction in container prices during the subsequent months of March and April, both globally and in India.

The Struggle for SOCs (Shipper-owned containers) in China

There is a significant disparity between Carrier Owned Container (COC) prices and Shipper Owned Container (SOC) leasing prices. Despite a drop in COC prices, leasing prices for units remain high, leading SOC users to switch back to COC. However, this transition is slow, and market prices are taking time to stabilize. Customers anticipate that SOC leasing prices will eventually balance out, but this process is expected to be gradual.

Moreover, there seems to be a discrepancy between the price expectations of SOC users and the offers from suppliers. SOC users expect lower prices, while suppliers are offering higher prices. This mismatch is prolonging the adjustment process, as either suppliers need to lower their prices or users need to increase their target prices for the market to reach equilibrium. This feedback suggests a complex pricing dynamic in the container market in China, with multiple factors influencing price movements and adjustments.



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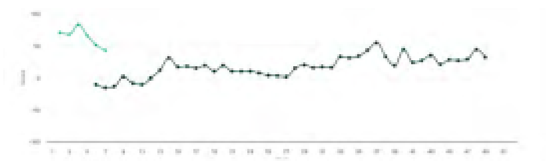
Container Price Sentiment Index (xCPSI)



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