CONTAINER NEWS

Weak demand puts paid to talk of empty box crisis

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Fears that there is a looming empty repositioning crisis in Asia have subsided as weak demand and the continued growth in capacity have combined to see rates slide in the post-Chinese New Year period.

Hong Kong analyst Linerlytica reported that the "freight rate correction has gathered pace," as "carriers failed to defend their pre-Chinese New Year gains." According to Linerlytica the SCFI had lost 6.2% during the previous week.

The analyst attributed the slide in rates to weak demand that had prevented carriers from launching "serious GRI attempts for 1 March, ahead of the annual contract negotiations".

As global rates on the headhaul routes, in the major east/west trades had softened, so backhaul freight had also seen a decline as US imports from Asia fell 3.7% in 2023, said Drewry container shipping consultant Simon Heaney, slightly narrowing the trade imbalance as the much smaller US export trade showed an increase of 3.1%.

However, Heaney said that container trade imbalances were best looked at through the seven regions, Oceania, North America, Europe, Asia, Sub-Saharan Africa, Southeast Asia and the Middle East and Latin America.

"Globally the imbalance had increased slightly, according to Drewry statistics, from a ratio of 1.61 in 2022 to 1.62 last year, but in North America, there was an improvement from 2.32 to 2.31," said Heaney, but reflected that both headhaul and backhaul trades were "fairly flat at the moment".

Empty repositioning had seen a 20% increase since 2019, if measured by TEUs, compared to last year, but growth in full containers also increased by 2.5% globally, with an 8% increase in TEU miles, according to an analyst who used Container Trade Statistics.

"The need to move empty containers has grown significantly more than the need to move full containers, with the back-haul trades growing 2½ times faster," wrote the analyst.

Dynamar analyst Darron Wadey, however, argued that although empty box statistics were close to the 2021 highs the critical and intense nature of the 2021 imbalance was not being replicated.

"Despite the similarities in size of the global imbalance, we are not experiencing anything like the same mass hysteria of 2021 with everybody trying to secure apparently scarce container equipment," noted Wadey.

This year's imbalance has softened considerably as the key US imbalance, in all trades, has reduced considerably more than Europe's imbalance has expanded, he claimed.

What is more the "total imports to these two regions [Europe and the US] – the headhaul routes – are also smaller than in 2021," said Wadey. "In fact, global cargo volumes have shrunk or maintained station since 2021. Yet, over the same period, the container equipment fleet has kept growing."

Dynamar statistics show that the container fleet growth had surpassed container trade growth, having increased by 2.5% on average for the last nine years.

"There should be sufficient flexibility within the system, to service global demand for equipment and avoid a repetition of 2021's scramble for

container boxes, and any extra costs related to any perceived shortage,” concluded Wadey.

Meanwhile, Xenata’s Emily Stausbøll, reported, "Similar to the fronthaul trades, spot rates on the backhauls have been softening slightly in recent weeks as everyone adjusts to the new service schedules and it seems more apparent there is enough capacity to manage this demand."

Xenata’s backhaul rate analysis shows that both the Pacific and Asia to Europe secondary legs have softened. Out of the United States, rates had slipped to US$892 from US$933 high in January. The Europe to Asia trade, which has seen the biggest impact from the Red Sea crisis, had declined from a January high of US$1,017 to US$926/FEU.

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