

# Ocean rates keep sliding, but some rebound for air: Freightos analysis

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In the latest development in the Red Sea crisis, Houthis recently announced threats to expand their attacks to Indian Ocean traffic, aimed at disrupting vessel flows already diverting away from the Red Sea toward the Cape of Good Hope.

In the meantime, with most container traffic already avoiding the Suez Canal, demand easing, and operations stabilizing, ocean rates continued to decrease across the major trade lanes.

Weekly rate averages out of Asia last week fell another 7% to N. America and 7-10% to N. Europe and the Mediterranean. Prices have continued to drop so far this week with rates to N. America is now about 25% lower than its February peak, and prices to N. Europe and the Mediterranean are about 30% lower than their respective peaks in late January.

Most observers expect rates to remain well above normal levels while diversions continue, as carriers are facing higher costs and the longer routes soak up capacity. Still, current rates are around 2.5X their levels in 2019, suggesting there may be further fall before prices settle at a new, elevated floor.

Optimistic N. American demand projections could also help keep N. America rates above normal, with carriers reportedly adding capacity for the coming month in anticipation of improving volumes. Easing Panama Canal restrictions announced last week – which will increase daily transits to 27 – is also a good sign for transpacific shippers to the East Coast. However, concerns over the looming October deadline for the East Coast and Gulf port worker union and port operators to reach an agreement may pull some demand to the earlier months of peak season this year or shift some volumes to the West Coast, though many are hopeful that labour disruptions can be avoided.

Though ocean flows out of India are improving, there is still additional pressure on air cargo in the region which started in late January due largely to Red Sea-driven disruptions, with demand for sea air out of Dubai also still elevated. Freightos Air Index rates out of S. Asia reached US\$4.60/kg to N. America last week, 55% higher than in December, with prices to Europe nearly double their end-of-year level at US\$3.55/kg.

Demand out of China has also climbed in the last couple of weeks, with growing e-commerce volumes one factor. Rates reached US\$5.94/kg to N. America and US\$3.93/kg to N. Europe last week. American passenger carriers opting to still not to fully restore weekly schedules to China due to lagging tourism demand may also represent some capacity restraint for this lane.

Ocean rates - Freightos Baltic Index:

- Asia-US West Coast prices (FBX01 Weekly) fell 4% to \$4,244/FEU.
- Asia-US East Coast prices (FBX03 Weekly) fell 4% to \$5,875/FEU.
- Asia-N. Europe prices (FBX11 Weekly) fell 10% to \$3,871/FEU.
- Asia-Mediterranean prices (FBX13 Weekly) fell 7% to \$4,155/FEU.

Air rates - Freightos Air Index

1. China - N. America weekly prices increased 50% to \$5.94/kg
2. China - N. Europe weekly prices increased 32% to \$3.93/kg.
3. N. Europe - N. America weekly prices increased by 3% to \$2.15/kg.

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***The article was written by Judah Levine, Freightos' Head of Research***