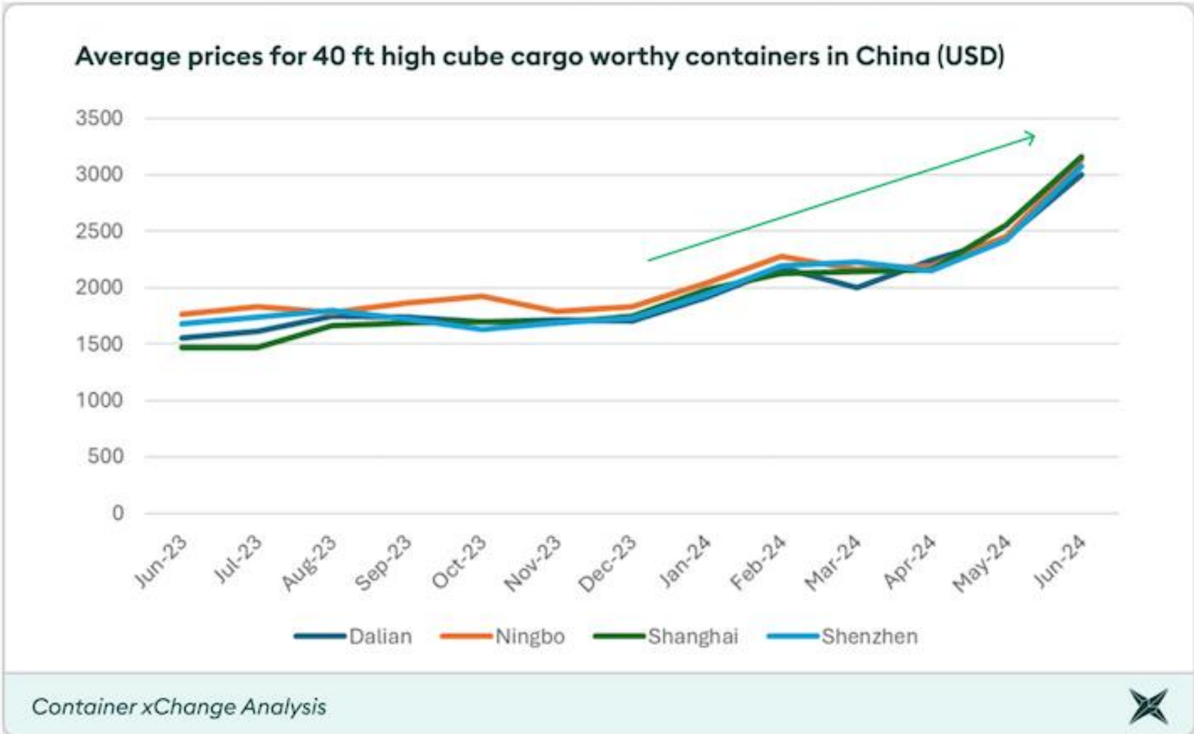
Container prices double, leasing rates triple in China – China Container market update

posted by AJOT | Jun 26 2024 at 10:26 AM | Maritime | Liner Shipping

The average container prices in China have reached its highest in two years, at $3600 this week for 40 ft high cube cargo worthy containers in China. These prices were somewhere around $1700 in March – April 2024. This is a 112% increase in a span of two months.



Note: The average container prices as recorded from customer interactions are yet to be reflected in the chart above. According to the chart, it shows the average prices at $3250 as on 24 June 2024.

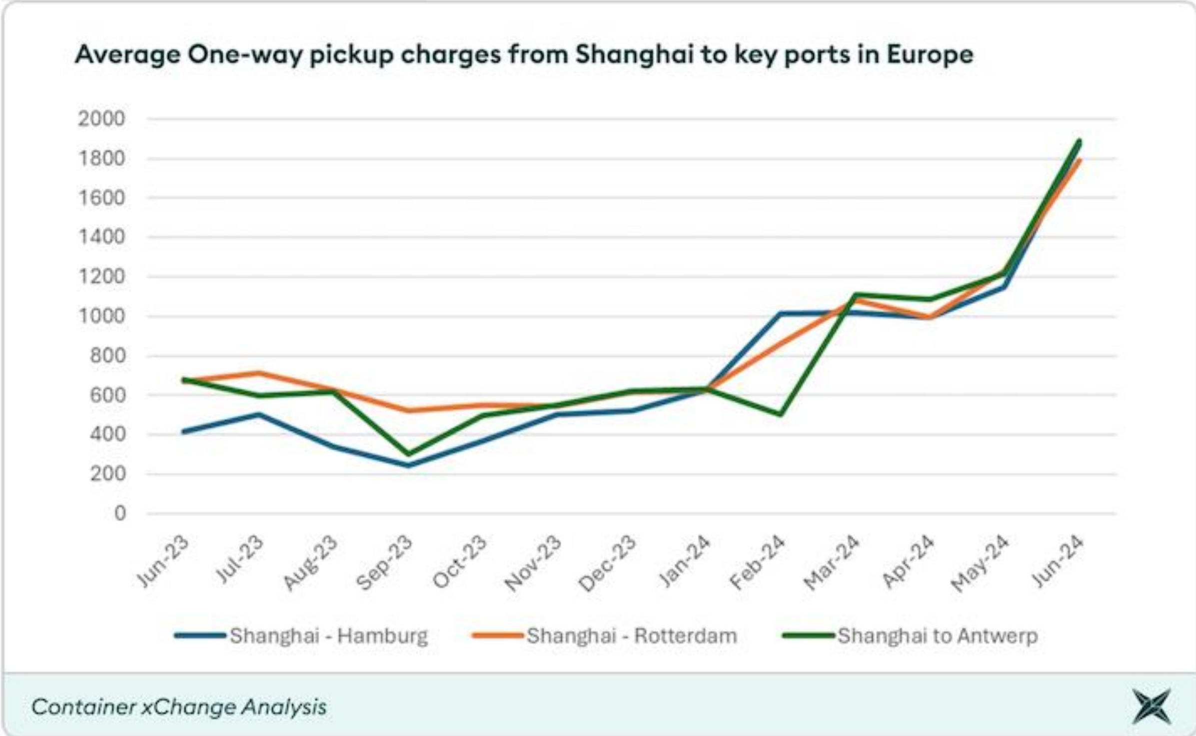
While the average container prices (for purchasing containers) are on a significantly upward trend, the average one-way pick-up charges (for leasing containers) continue to develop at a staggering rate so far in June.

The chart below illustrates the development of average pick-up charges for 40 ft high cube cargo-worthy containers from the peak COVID-19 period until June-2024, focusing on routes from China to the US and Europe.

"While prices and rates are significantly up, trading volumes have decreased as buyers are becoming more cautious. This trend potentially indicates a potential reversal of prices in the near future, as the market adjusts to the current disruptions and the high levels of volatility." shared Christian Roeloffs, cofounder and CEO of Container xChange.

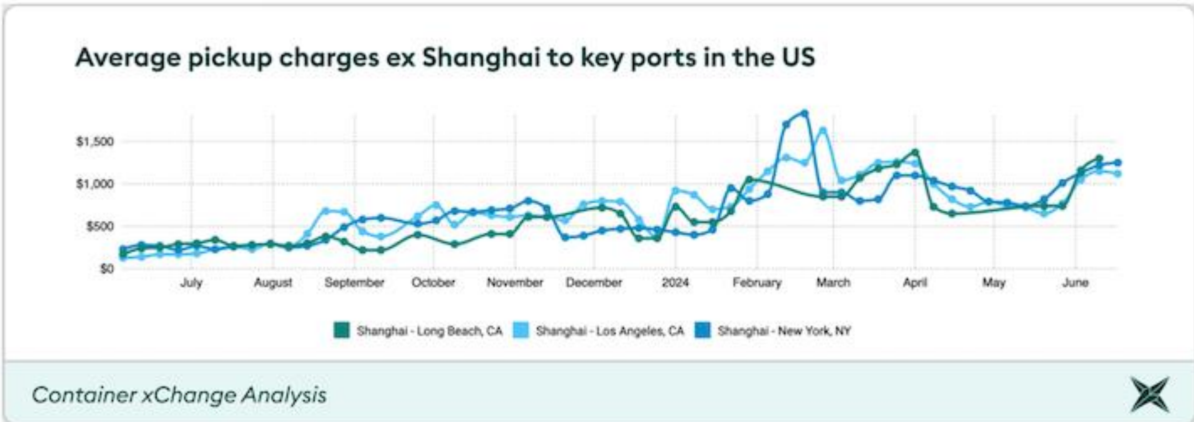
Leasing rates on the China to Europe stretch rise by 3X

The average pickup charges ex Shanghai to Rotterdam were somewhere around $500 in November 2023 which are now 3X, somewhere around $1700, to Hamburg is $2030 and to Antwerp is $1888 (as on 23 June 2024).



Leasing rates double on China to US stretch in June

Overall, the pickup charges doubled since November until June Ex Shanghai to key ports in the US. Shanghai to New York rates were around $568 in November 2023, which are now at $1200 so far in June 2024. Shanghai to Oakland rates were $370 in November 2023 which are now at $1663 as on 23 June 2024. Shanghai to Los Angeles rates were $643 in November 2023, reaching to $1107 as on 23 June 2024. Shanghai to Long Beach pickup charges also spiked from $610 to $1230 in the same duration.



We see similar trends Ex Ningbo, Qingdao and Shenzhen (barring Tianjin).

"We witness asking rates for leasing containers reaching $2600 this week in China. This is crazy. These pickup charges were not more than $300 only until October last year, and without any significant demand surge from the consumer side, these prices are increasing only because of the disruptions at sea and not driven by demand, which worries us because this means it’s not sustainable, highly volatile.” Shared a Container xChange customer from China, a container supplier based in Shanghai.

“The buyers and the lessees are waiting it out, hoping that this wave will wane out. But we do not see any immediate correction, as the market is too active, and freight demand continues to remain strong here in China.” The customer added.

Impact of positive US retail trends on China container demand

- US Retail Inventories and Sales Growth: The Monthly Retail Trade Survey shows a consistent rise in US retail inventories, from $769.3 billion in January to $793.5 billion in April 2024. Significant increases are seen in sectors like motor vehicle and parts dealers and building materials.
- Continued Retail Sales Growth: In May, retail sales increased by 0.1% month over month and 2.3% year over year, with core retail sales (excluding automobile dealers, gasoline stations, and restaurants) rising by 0.3% month over month and 2.9% year over year. This aligns with NRF's forecast for a 2.5% to 3.5% increase in retail sales for 2024.

The rise in US retail inventories, particularly in sectors like motor vehicles and building materials, indicates strong demand for container shipping services. This is expected to increase the need for container shipments from China, a major manufacturing hub.

Encouraging growth in China’s container throughput

- China's ports recorded a 9% YoY increase in container throughput in the first four months of 2024, handling 104.03 million TEUs. Foreign trade cargo throughput increased by 9.1% YoY
- Total cargo throughput reached 5.55 billion tonnes; a 5.2% rise compared to the same period last year.

Sanctions and Tariffs to Impact Euro-China Trade

The European Commission has proposed tariffs of up to 38% on Chinese electric vehicles, in addition to the existing 10% tariff, citing concerns over state subsidies. While Container shipping sector is not directly impacted by these EV tariffs, we view this development as an early signal of potential broader trade tensions. If the proposed tariffs are implemented, the cost of exporting Chinese EVs to Europe will rise, possibly leading to a tariff war. This escalation could result in increased tariffs on a wider range of goods, impacting global supply chains. Higher tariffs and trade barriers could lead to delays and additional costs in the supply chain, causing inefficiencies in container utilization and higher operational costs for shipping companies.

Market Outlook

"Despite the current tariff dispute, the long-term outlook for China's container market remains cautiously optimistic. The positive trends in US retail demand and robust growth in China's port throughput suggest sustained demand for container shipping services. However, the resolution of the EU-China tariff dispute will be crucial in shaping the short-to-medium-term market dynamics." Commented Christian Roeloffs, cofounder and CEO of Container xChange.

"Container shipping companies should prepare for potential shifts in trade patterns by diversifying their routes and enhancing logistics capabilities in other growing markets, such as Southeast Asia and South America. Investing in technology and infrastructure to improve efficiency and reduce costs will be critical in navigating the potential market volatility and maintaining competitiveness." Roeloffs added.