Seatrade Maritime NEWS

Stay cool and make better choices - Xeneta

High flying rates, increasing demand and greater congestion requires shipping lines to make “smarter choices”, while shippers need to “keep their cool” and not simply ship greater number of boxes, Xeneta analysts said in their latest market webinar.

Nick Savvides | Jun 28, 2024

In an increasingly febrile atmosphere, mirroring the pandemic but not yet at that intensity, shippers are questioning the reasoning behind the massive rate increases, while carriers are again having to deal with appearing to profit from the chaos caused by unforeseen circumstances.

In a webinar that looked at some of the specifics, Peter Sand, chief analyst at Xeneta and his colleague Market Analyst Emily Stausbøll addressed some of the shippers concerns and gave advice to the industry aimed at mitigating some of the more major effects of the current crisis.

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Sand said that the pandemic and the Red Sea crises are very different in their cause, with the Covid congestion caused by an unexpected and very large surge in US consumer spending, while in Europe the congestion and disruption from the Red Sea crisis is caused by a supply side contraction.

“The uptick in rates… is more to do with operational inefficiencies and challenges,” explained Sand, with “European shippers deciding to front load to avoid the traditional squeeze in the third quarter peak season.”

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Shippers have told Seatrade Maritime News that the front loading may be happening, or it may be that delayed shipments are now coming through, or a combination of these factors. However, while shippers expected the initial disruptions, they had then believed that “service patterns would settle,” and that rates would also find some equilibrium.

That rates have continued to climb is not for the want of trying on the part of the carriers, said Stausbøll, “Carriers are working hard to get capacity in place, they are not artificially blanking [services] to keep rates up,” she said.

Stausbøll noted that the carriers want to be earning these high rates so it is in their interests to get capacity deployed. “Carriers maybe benefitting from the situation and pushing their luck when it comes to rates, but in capacity terms they are working hard to get as many ships as possible into the trades because they are making so much money.”

Sand pointed to the limitation on deployment in such circumstances - with emerging congestion, deploying more ships on the same trades will just lead to vessels waiting in longer lines outside the same ports.

“To deal with this problem carriers need to make smarter choices and at the same time shippers need to keep their cool, not just ask for more boxes to get shipped at an earlier stage, but to wait around for some of the new solutions carriers are likely to find,” said Sand.

He pointed to Hapag-Lloyd’s newly reinstated China Germany Express (CGX) which has been relaunched with the westbound service from Yantian leaving on 16 June and the first eastbound service leaving Wilhelmshaven on 23 July and calling at only a few ports in West Africa, China and Europe. The only port calls in Asia are Yantian and Singapore, while Tema can connect the service to other West African freight sources, and in Europe Antwerp is the only other European stop.

MSC will start a similarly speedy service calling at ports in China and Vietnam, before heading directly to Liverpool on the UK’s northwest coast, then to Hamburg, Rotterdam, Antwerp and London Gateway before returning to Singapore and China.

Shippers were urged by Sand to look for these solutions that can alleviate the congestion currently building in both Europe and Asia, and now emerging in North America too.

Rates will go higher in July, said Sand, adding the old maxim that “things will get worse before they get better”. With average rates currently at $8,000/feu that will be cold comfort to shippers.
Demand is up, capacity is constrained by a combination of elevated congestion levels and the need to travel longer distances, and now congestion in critical transhipment ports including Singapore and Jebel Ali has also emerged.

Darron Wadey, a consultant at Dynamar, argues: “One characteristic of the 2021-22 situation was that, ironically, there was actually sufficient global capacity available to meet global demand. The complication was the highly uneven nature of the demand with its massive imbalances; in essence vessels and empty containers were stuck at destination when they were (desperately) needed at origin.”

A more detailed view of those US West Coast figures reveals that the tendencies apparent then are beginning to reappear.

“Loaded imports accounted for over 49% of port handlings. Loaded exports, in contrast, only account for 36% of the total. This exaggeration of the imbalance is where the shortage comes in and why so many services, requiring so many ships, have been launched,” said Wadey.

The comparison is an important one with Xeneta showing that demand for capacity to Mexico is rising fast, more than 32% in the first four months of the year, and demand for US West Coast services is also rising, again squeezing the available capacity.

With GDP growth in Europe now at 0.5%, there is a mismatch with the “dramatic increase in volumes” according to Sand.

“Carriers are spoilt for choice on where to put their ships in order to make the most of them,” said Sand, with rates rising on the Pacific, Atlantic and Asia to Europe trades.

In conclusion Sand urged shippers to analyse the situation moving forward, warning that port strikes in Germany, could be mirrored by similar events in France in July and in the US where talks between employers and unions have broken down.

Although the focal point of the crisis is on the European trades, the effects, as with the pandemic, will continue to ripple out to take in other regions. Shippers can try and mitigate some of the worst effects by shipping smarter, for some that will not be possible, and they will pay the price.
