$20,000 a box? Spot rates on Asia-Europe ready to eclipse pandemic highs

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A leading container consultancy has warned shippers of the very real prospect of spot rates surpassing $20,000 per feu on the Asia-Europe tradelane.

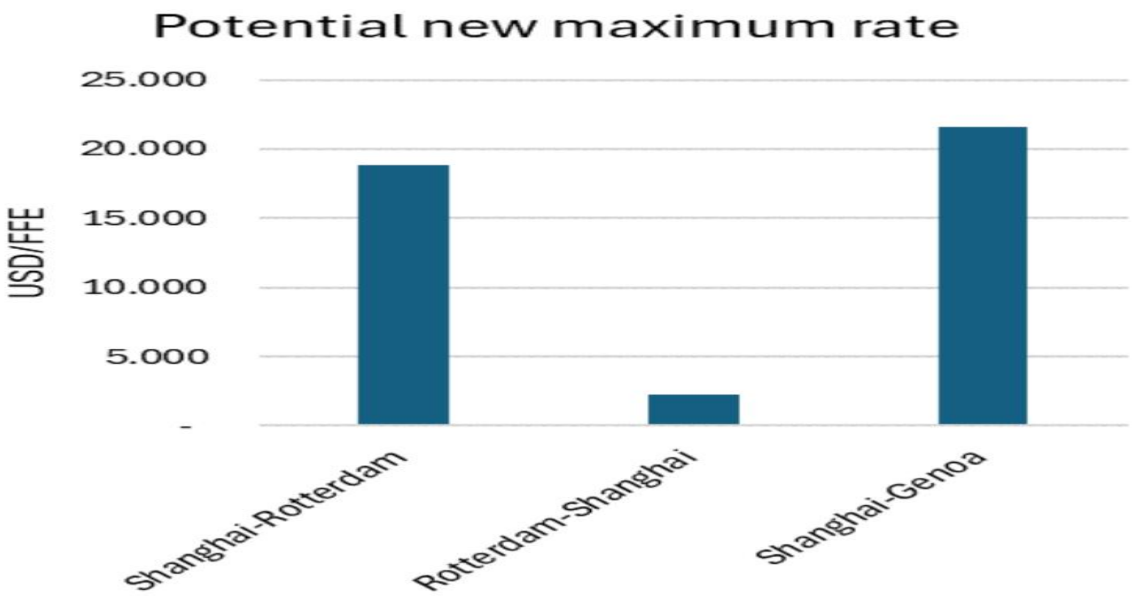
Rates have leapt dramatically over the past month across the board to highs never experienced outside the pandemic era.

“The container market remains very tight with healthy demand, constrained vessel capacity, out-of-position boxes and congestion in Asia leading to a more frantic pace of bookings on the part of shippers and retailers,” Jefferies, an investment bank, noted.

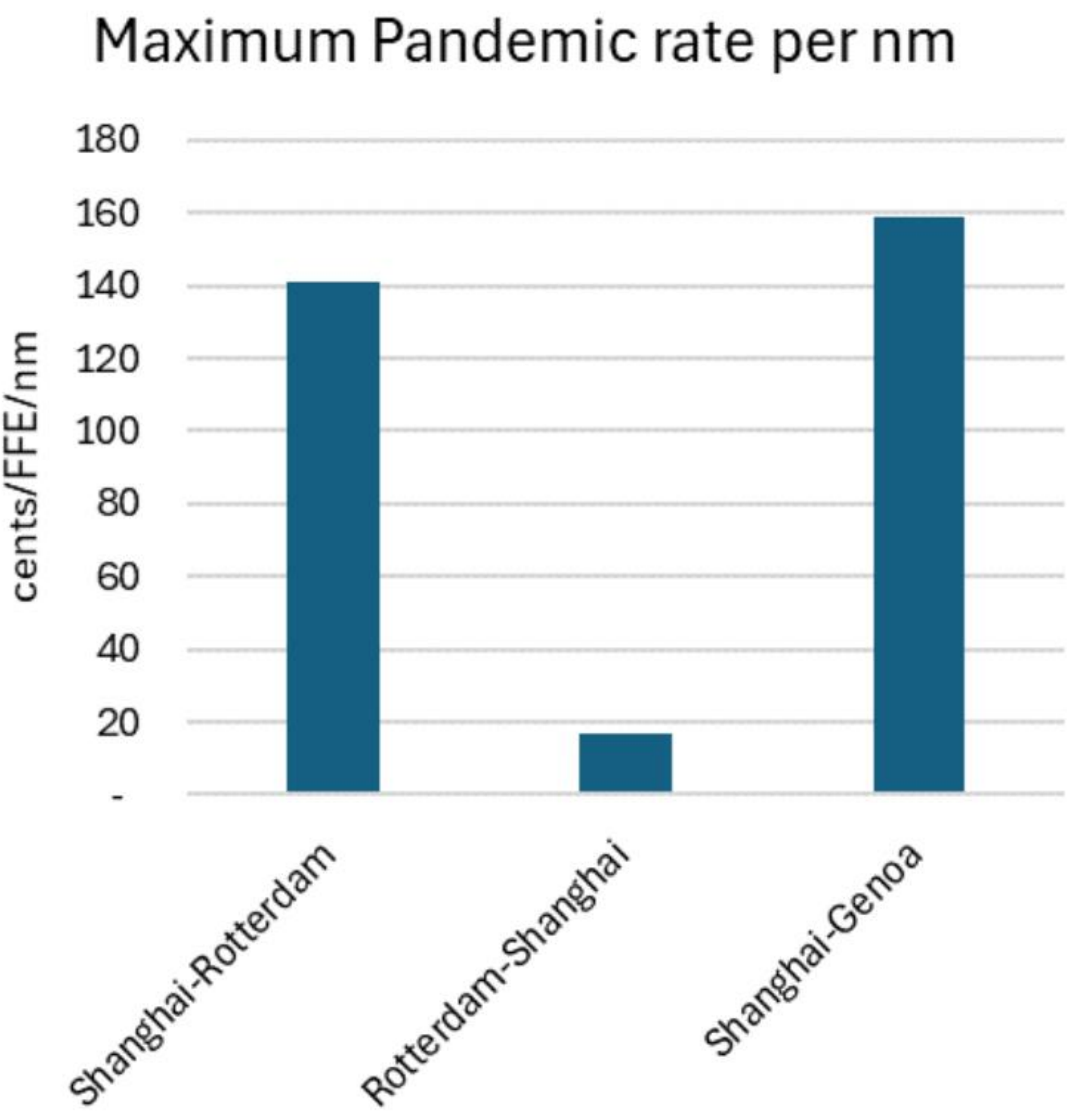
Peak season normally begins in June, but appears to have begun earlier than normal in May with shippers anxious about the longer sailing times via the continent of Africa on the Asia-Europe tradelane thanks to the Houthis from Yemen largely closing off the Red Sea to most in the liner community.

“The current rapid rate spike resembles the pandemic surge on Asia-Europe. In addition, the longer sailing distance could result in new maximum rate levels, substantially higher than the pandemic spike,” analysts at Copenhagen-based Sea-Intelligence warned in their latest weekly report.

If the rate paid per nautical mile reaches the same level as during the pandemic, analysis from Sea-Intelligence shows spot rates would hit $18,900 per feu from Shanghai to Rotterdam, $21,600 per feu from Shanghai to Genoa, and $2,200 per feu on the backhaul from Rotterdam to Shanghai. At their absolute peak during the pandemic, rates on Asia-Europe just surpassed the $14,000 per feu mark at the start of 2022.



Source: Sea-Intelligence



"The carriers learned [from the pandemic] that it is possible to increase spot rates, much further and much faster, than anyone had ever thought possible. If the current crisis persists, all bets are off, in terms of where the marginal spot rates might go," Sea-Intelligence suggested.

Several liners are planning to implement peak season surcharges starting in mid-June that suggest a further $1,000 per feu increase in freight rates from current levels across the transpacific and Asia-Europe routes.

“The prevailing positive sentiment continues, with widespread agreement that favourable trading conditions could persist throughout the year,” broker Braemar suggested in a new container market report.

The Shanghai Containerized Freight Index (SCFI), out last Friday, was up by another 140 points to 3184.87, its highest level since August 2022, while Drewry’s composite World Container Index, published last Thursday, jumped 12% to $4,716 per feu, up 181% compared to the same week last year. The Drewry index stands at 232% more than the average 2019, pre-pandemic rates of $1,420.

A recent survey from Freightos, a box booking platform, found that since early May, nearly 70% of BCOs and forwarders with long-term ocean contracts have had containers rolled or pushed to the spot market, or are facing contract renegotiations with carriers to increase their long-term rate levels.

Emily Stausboll, an analyst at Xeneta, a freight rate platform, said: “The relationships between carriers, shippers and freight forwarders become critical during times such as these when the spot market increases dramatically and long-term rates do not follow suit. The bigger the spread between long and short-term ocean freight shipping rates, the bigger the risk of cargo being rolled.”