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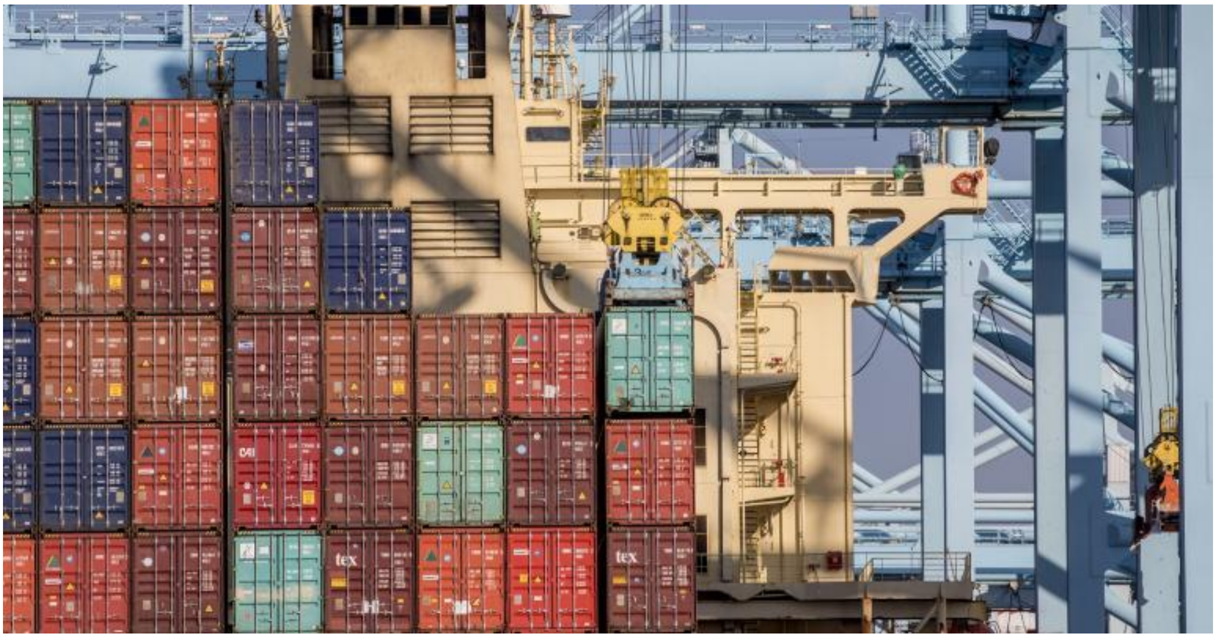
Warning: container freight rates could hit pandemic record highs



As port congestion and a surge in demand pile on top of Red Sea diversions, analysts believe box rates could repeat record levels seen in the pandemic.

Marcus Hand | Jun 13, 2024

Speaking at TOC Europe this week Lars Jensen, CEO and Partner of Vespucci Maritime, explained diversions from the Red Sea sailing via the Cape of Good Hope to avoid Houthi attacks have soaked up all available capacity in the market leaving "literally zero excess capacity".

"There is no way we could deal with any other crisis on top and what then happened over the last month and a half is basically massive congestion problems," said Jensen.

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With some vessels waiting a week at major ports, and massive congestion in the West Med, Jensen said we are heading into a situation that was seen in the pandemic where, at its worst, port congestion removed 14% of capacity. On top of this, we now have a massive demand boom that is pushing more volume into a supply chain already lacking capacity.

“It might be that this is just a very, very early peak season. If that is the case, the demand boom should abate once we get into the beginning of July, and we'll get a little bit of respite or at least a cap on the rates. If this is not just an early peak season, but stronger demand we're looking at, rate levels that will very likely go up and try to push the record levels that we saw during the pandemic; that is entirely possible,” he said.

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Asked by *Seatrade Maritime News* how likely this was to happen Jensen said he could not put a percentage on it.

A similar scenario is painted by fellow analysts Sea-Intelligence who believe rates could break pandemic levels if the additional sailing distance around the Cape of Good Hope is taken into account. As to just how high rates could go, they said no-one really knows the answer.

“The easiest answer to “how high can rates go?” would be to point to the maximum level seen during the pandemic. This, however, does not account for the increased round-Africa sailing distances that weren’t present during the pandemic,” said Alan Murphy CEO of Sea-Intelligence.

If freight rates increase in line with the additional nautical miles sailed due to diversions Murphy said, “we arrive at the scary scenario for shippers”.

“If the rate paid per nautical mile reaches the same level as during the pandemic, we will see spot rates of $18,900 per FFE from Shanghai to Rotterdam, $21,600 per FFE from Shanghai to Genoa, and $2,200 per FFE on the back-haul from Rotterdam to Shanghai."

Providing some small comfort to shippers, Drewry's World Container Index (WCI) was up just 2% week-on-week on 13 June at $4,801 per feu, moderating from recent double-digit percentage weekly rises.

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