Manufacturing dips as container outlook slides

Carriers, already under pressure from softening demand, will be further dismayed by the latest global Purchase Managers Index's (PMI) New Export Orders Index which had its fastest decline in eight months.

Nick Savvides, Europe correspondent

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Image: Medlog

The NEOI fell to 48.9 in August from 49.6 in July, indicating deteriorating trade conditions for the third consecutive month. Traded goods slowed in both developed and emerging markets, but India maintained a modest growth in goods exports during August, the last month for which figures are available.

In addition, the global PMI has shown a contraction of manufacturing, signalling a further deterioration in cargo levels in the immediate future.

"China's goods exports fell for the first time in 2024, signalling a broader decline in manufacturing as the year progresses," said global freight forwarder Dimerco.

Headquartered in Taiwan, the Taipei-listed forwarder said that the Federal Reserve's recent interest rate cut may revive global goods trade.

August trading in the US continued to grow amid concerns about a US East Coast strike, and a November election that could see major import tariffs imposed on goods, said Dimerco.

"The early peak season suggests an earlier-than-usual start to the slow season, with expected declines in handling volume from September to December, projected at 2.31m, 2.08m, 1.92m, and 1.89m teu, respectively. If these forecasts hold, total port volume for 2024 could reach 24.98m teu, a 12% increase from 2023," said Alvin Fuh, VP - ocean freight at Dimerco Express Group.

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Dynamar analyst Darron Wadey, said: “Approaching 470 vessels bringing around 3.2m teu in capacity are expected to be delivered by the end of 2024.”

That massive increase in capacity, and the fact that much of this increase is for larger sized vessels, means that any correction in freight rates should have started up to a year ago, according to Wadey.

“It is only the happenstance of the Red Sea and US East Coast situations that have, artificially, buoyed the markets. When the markets do correct therefore, the falls will only be more dramatic because the inevitable has been delayed whilst the stream of new ships coming online continues,” said Wadey.

Drewry Shipping Consultants’ analysis shows that blank sailings are expected to increase between 9 September and 7 October with an additional 53 blanked sailings, totalling 90 for the period. Some 67% of these cancelled services were on the Pacific eastbound, while a further 21% on the Asia to Europe trades and 12% on the Atlantic.

Even with these cancelled services, rates are continuing to fall on all the major trades, according to Dimerco.

New entrants are said to be another element to failure of lines to maintain rate levels.

“While the three major alliances are increasing blank sailings, several individual carriers have deployed 11 extra vessels for Europe WB and 14 for TPEB to handle the expected cargo surge before China’s Golden Week. However, the anticipated pre-October 1 cargo rush in China did not materialise this year, leaving no backlogs or rollover cargo for these extra loaders to transport,” said Dimerco’s monthly analysis.

Rebalancing trade can only be achieved through the long-term and steady growth of trade, said Wadey, combined with “a strategic rather than knee-jerk ship ordering policy". These required shifts are generational, he said, “in the short term, political events in the US might lead to an end-2024 rush for cargoes again... but then where does that leave 2025 and beyond?”

Drewry’s WCI index fell a further 7% this week, closing at $3,691/feu.