Container lines get surprise boost in spot rate blip

Spot freight rates on the Asia to Europe trades showed a minor increase as European shippers enter into contract negotiations with the carriers.

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Credit: Marcus Hand

As spot rates move upwards analysts are encouraging shippers not to be "spooked" by November general rate increases (GRIs).

Drewry Shipping Consultant's WCI composite index showed a 4% week-on-week bulge, almost entirely due to the Asia to North Europe and Mediterranean rates which increased by 8% and 11% respectively.

In monetary terms Drewry said this was around $264 and $352 per feu and Drewry analyst Simon Heaney cautioned that the consultants were "not predicting a huge upswing," and he played down the significance of the increase saying this was "just one week" and amounted to a comparatively minor rise, after 14 weeks of decline, which had seen rates fall by around 50%.

James Hookham, the director at the Global Shippers' Forum, agreed: "We shouldn't read too much into one week's figures, I don't think this will change the negotiations for contracts."

Xeneta's chief analyst Peter Sand urged shippers to hold firm in contract negotiations as the overall direction of travel for rates in the container shipping market was downwards.

"European shippers could be spooked by the spot rate hike in early November, but they should not be," said Sand

It appears clear cut to Sand, who added: "Carriers are desperate to keep the spot market elevated and halt the recent heavy declines. It is clear there is still volatility in ocean supply chains and carriers

will point to the ongoing impact of conflict in the Red Sea, but the fundamental direction of the market is downward and the November rate increase is unlikely to stick for too long."

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As European importers are locked in contract negotiations the broader picture reveals that average spot rates from Asia to North Europe and the Mediterranean are $3,396, up from $3,132 and $3,648 per feu, up from $3,296, respectively, according to Drewry, but Heaney pointed out that these rates were still around 50% lower than the July peak.

Xeneta data showed a 55% and 49% in the Asia to North Europe and Mediterranean trades since the end of August.

Xeneta also monitors contract rates and the latest index for October declined 5.6%, while the ocean rate monitor's sub-index showed Asian exports were down 7.5% this month.

Sand said that the spread between spot and contract rates had now narrowed to just $389, but he added, "most importantly for shippers, it is because the short-term market is falling rather than the long-term market rising."

Heaney, however, said that Drewry believes "contract rates will be higher than last year."

The minor spike in Asia to Europe rates has been caused by blanked sailings and a seasonal shift in demand, "Anecdotally we're hearing that the lines are well booked for the next few weeks," said Heaney.

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The source of the carriers' anxiety that Sand highlighted, can be seen in shipbroker Braemar's fleet data, with vessel ordering comfortably outpacing demand by some margin.

Braemar reports the International Monetary Fund (IMF)'s data on world GDP growth at 3.2% in October, while the US growth was 2.8% and the Eurozone 0.8%.

In comparison fleet growth since January this year is up 8%, to 29.81 million teu, from 26.97 million teu a year ago, while the idle fleet stood at 0.5%, compared to 3.3%.

Perhaps most pertinent for the coming year is the current orderbook, which currently stands at 7.96 million teu, up from 7.93 million one year ago, however, there have been 2.73 million teu in deliveries since 1 January this year according to Braemar data.

Xeneta points out that both the shipping lines and their customers can adopt "compelling arguments" with the carriers pointing to rates that remain 224% above the spot rates of one year ago, while shippers will accentuate the current trajectory, which has seen spot rates decline fast since mid-July, in spite of continued demand growth.

"It is crunch time for shippers and carriers because neither side wants to be exposed to ongoing market volatility in 2025 by locking into long term rates that are either too high or too low. That is why the market is turning more towards index-linked agreements which work in the interests of both parties in the event of significant market movements," concluded Sand.