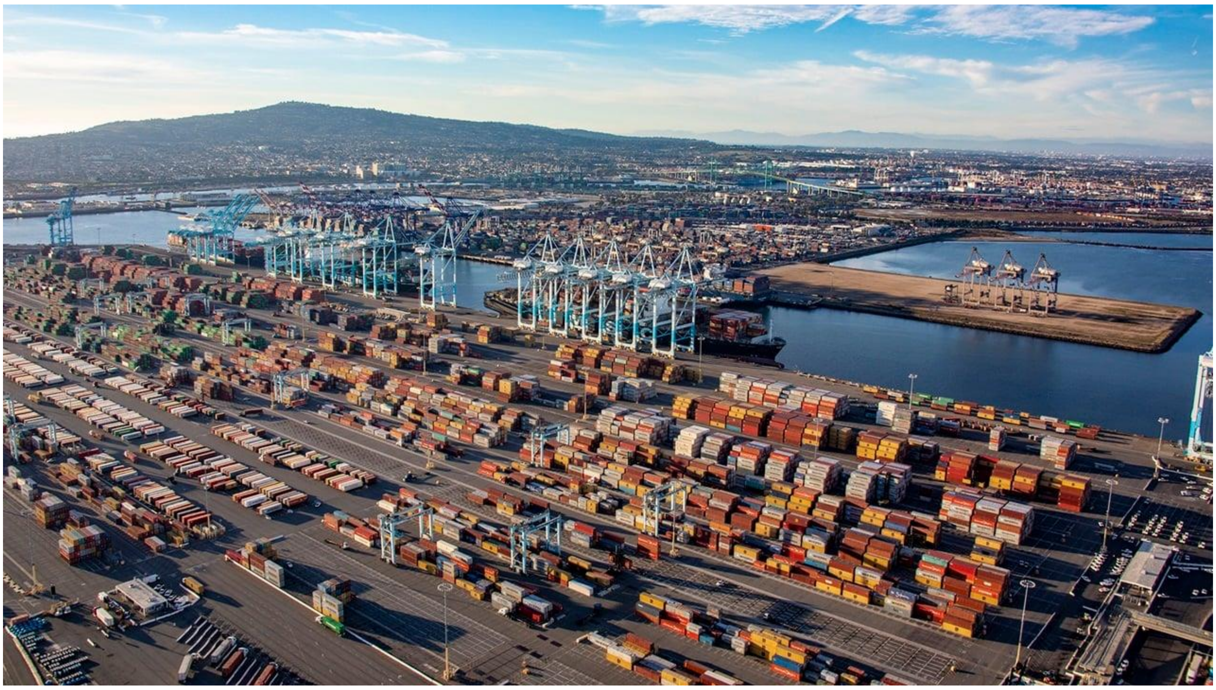
A year is a long time in supply chain and logistics

In early January 2024 container lines were grappling with diverting vessels from the Red Sea to avoid Houthi attacks – how has the situation changed over the last 12 months?

Nick Savvides, Europe correspondent

January 8, 2025



Credit: Port of Los Angeles

Twelve months ago, container shipping suffered another potentially trade-defining moment when the Houthi effectively closed the Red Sea forcing vessels to divert thousands of miles around the African Cape.

Hot on the heels of the pandemic, the Ever Given crisis in Suez, the trade dispute between the US and China, the Panama Canal drought and last but not least the Ukrainian war, the Middle East crisis again sent container trades into turmoil.

Supply chain managers were both lucky and swift in their response to the major challenges posed by this enforced change in the logistics landscape, with 3 million teu of new capacity on order, and the switch to the longer Asia to Europe trade managed rapidly by the lines.

This week Linerlytica, accidentally, sent out last year's new year's newsletter offering an opportunity to compare this year's logistics landscape and perhaps to shed more light on what's in store for 2025.

"With no clear timeline for the resolution of the Red Sea crisis, carriers have extended their diversions to the Cape route with the number of containerships re-routed rising to 354 units for 4.65 million teu or 16.4% of the fleet as at 7 January 2024. These diversions will result in an expected capacity shortfall of up to 40% for departures from Asia to Europe and the US East Coast in weeks 4 to 6, with freight rates expected to surge further over the coming weeks," wrote Linerlytica in 2024's January newsletter.

Related:NYK looks ahead to a year of Trump opportunities and regional delegation

In this year's first Market Pulse the situation has changed considerably.

"Freight futures to Europe have slumped in the past week with carriers already rolling back their recent rate gains even as forward rates are expected to fall continuously through the rest of 2025. The Transpacific market is moving in the opposite direction, with carriers able to secure an early January rate hike on strong capacity utilization ahead of a potential US East Coast port strike," said the consultant.

This year with Chinese New Year arriving early the rush to beat Donald Trump's threatened tariffs has boosted US bound Pacific traffic, while the Asia to Europe trade is expected to see a raft of blanked sailings in February, 50% higher than last year, as demand tails off and carriers implement their new arrangements in the Gemini and Premier alliances.

Listen to a podcast on the container shipping market outlook for 2025

Supply chains are already showing signs that a change is coming, the idle fleet is down to 36 ships aggregating 58,192 teu, compared to 82 vessels of 138,241 teu last year. Some 25 vessels have been delivered in the last month, totalling 160,015 teu, compared to 39 ships of 249,572 teu last year.

Related: No short-term overcapacity for container lines

And while port congestion is up this year, at a two year high said Linerlytica, particularly in Europe and the US, with the threat of a looming strike on the US East Coast in a week's time if this week's talks, beginning Tuesday, fail.

Over the year these factors have shifted the rates dial upwards, not to pandemic levels, but substantially higher than the pre-pandemic era. In recent months, the increases appear to be slowing.

According to Linerlytica, with the SCFI at 1,987, up 12.8%, last year, and at 2,505, 1.8% this year. Drewry's WCI index, however, shifted from $2,670 per feu on 4 January last year to $3,905 per feu on 2 January 2025.

An increase in the number of blanked sailings, "could provide some respite to the anticipated rate slump next month," said Linerlytica.

Whether this is a temporary "slump" remains to be seen. Carriers, however, do not believe that is the case with a buoyant charter market now having little tonnage over 2,700 teu open.

"The strong demand will continue, with the upcoming Lunar New Year holidays in Asia not expected to dampen the buoyant market as carriers are still competing to secure open tonnage for as long as the freight market holds at profitable levels," the consultant said.

Maersk and Cosco were the major movers in this year's early charter market guidance, last year with the Red Sea crisis just beginning to take shape the surge for tonnage was also just getting started.

"Charter market interest has picked up with all ships above 1,700 teu enjoying healthy gains. Several private deals have emerged in the past week of which the most notable one is Maersk's charter of the 13,458 teu WAN HAI A12, one of 18 Wan Hai A-class units ordered in 2021 and 2022. These ships were originally aimed at Wan Hai's transpacific and LTAM trades," wrote the Hong Kong consultant.