

Container rates drop sharply as Houthi Red Sea threat lifts

Spot container freight rates have continued to fall sharply as the Houthi threat to the Asia – Europe trade recedes.

[Marcus Hand](#), Editor

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Credit: MSC

The [Drewry](#) World Container Index (WCI) plunged 11% over the last week led by the Asia – Europe trade.

In a week that saw the Houthi in Yemen lifting its threat to international shipping, with the exception of Israeli-owned and flagged vessels, the WCI decreased 11% to \$3,445 per feu on 23 January compared to the previous Thursday.

Leading the sharp drop downwards was the Shanghai to Rotterdam trade which saw 19% week-on-week drop to \$3,434 per feu. On the Asia – Med trade rates fell 10% to \$4,562 per feu.

Container freight rates over the last year have been considerably higher than expected due to the attacks on commercial shipping by the Houthi in Yemen resulting in all the major lines of the Asia – Europe and Asia – US East Coast trades diverting vessels from the Red Sea and Suez Canal to go via the Cape of Good Hope. Adding an extra 10 – 14 days to a voyage in each direction the diversions acted to soak up excess capacity coming into the market that had been expected to put freight rates under pressure.

With the ceasefire in Gaza the Houthis have largely lifted their threat to shipping transiting the region and a gradual return to Red Sea and Suez Canal transits is expected which will in turn increase excess capacity. At present though lines are adopting a cautious approach with [Maersk](#), [Hapag-Lloyd](#), and [MSC](#) all saying they will continue with Cape of Good Hope transits for the time being.

The expectation of a change in market conditions has though started to filter through to spot container freight rates, combined with the lifting of a threat of a strike at US East Coast ports and seasonal weakness around Chinese New Year.

Drewry said that Shanghai to New York rates decreased 7% or \$448 to \$6,377 per feu, while rates from Shanghai to Los Angeles reduced 8% or \$415 to \$4,813 per feu.

The [Shanghai Containerized Freight Index](#) (SCFI) fell by lower 4% this week to 2045.45 points on Friday. However, in the previous two weeks the SCFI fell 7% and 8.6% respectively.

Looking ahead Drewry said: “Drewry expects spot rates to decrease slightly in the coming week on the back of the Chinese Lunar New Year holidays.”