

HARDERS Quarterly



Carriers, Capacity & Rates



Global economic pressures and weak demand continue to add to enormous pressure on ocean freight rates.

Notwithstanding volatility escalates this month as we once again find ourselves at the cusp of a possible rate increase on the North East Asia to Australia Trade Lane with news that major shipping lines are planning on implementing a RR (Rate Restoration) in other words a general rate increase to restore unsustainable low spot freight rates.

2023 has seen its first casualty with one shipping line entering liquidation, ceasing trading between Australia & New Zealand.

We may see several mergers, acquisitions and service changes in the market, which will dictate the ocean freight levels in Q3 & Q4. There are already major differences between Spot FAK rate levels and longer term 12 month agreements.

Fewer longer-term contracts are being signed as Beneficial Cargo Owners (BCO) and Freight Forwarders are being forced by to engage in contracts with penalty clauses in exchange for committed volumes to increase vessel space utilisation.



In Focus

China South East Asia

China

Blank sailings were introduced to cope with weaker demand over the CNY holiday period, however this had little effect to combat the unrelenting decline in freight rates.

More capacity adjustments are under way in May with over 6 blank sailings and temporary service suspensions to stabilise the low spot market rates.

Established carriers are going head-to-head with smaller carriers to maintain market share. Long term quarterly contracts are not being entertained as readily, due to market fluctuations as the preference to move under Spot FAK levels continues to dominate.

Time will tell if enough supply will be rationalised to stabilise spot rates and which smaller carriers can survive long term, given their extremely high daily vessel chartering costs vs. ocean freight levels being paid.

Schedules are having to be restructured as a result and carriers may push general rate increases also known as rate restorations to slowly restore freight rates to sustainable levels.

South East Asia

The trade is experiencing reductions, however not as fast as China or to the same extreme levels.

With shipping lines restructuring services and some more invested on this trade, there are no general rate increases being announced this quarter. Carriers are using their direct port calls, i.e. Laem Chabang, Ho Chin Minh & Jakarta as unique selling points to gain advantage over competitor's transshipment sailings with some even introducing direct calls in Mundra and Nhava Sheva as a point of difference however not on fixed weekly rotations.

These unique services to and from Indian ports will be on a monthly rotation. We can expect this trade to continue to remain volatile as there will only be minor adjustments to capacity based on each shipping lines requirements.

In Focus

Europe United States New Zealand

Europe

Carriers offering a direct service are under pressure due to strong competition from Asian transshipment carriers.

The direct service currently operates 16 vessels (an increase from 14 last year) with both CMA & MSC adding 1 extra vessel each in 2022 to be compliant with IMO2023. The plan is to continue to run this service with no further changes to vessel sizes or any upgrades well into late 2024.

USA

Port congestion has eased however labour shortages remain a challenge and delays will continue. Ocean freight levels have remained stable on this trade with more options now being offered as Asian carriers open space via transshipment hubs from these origins.

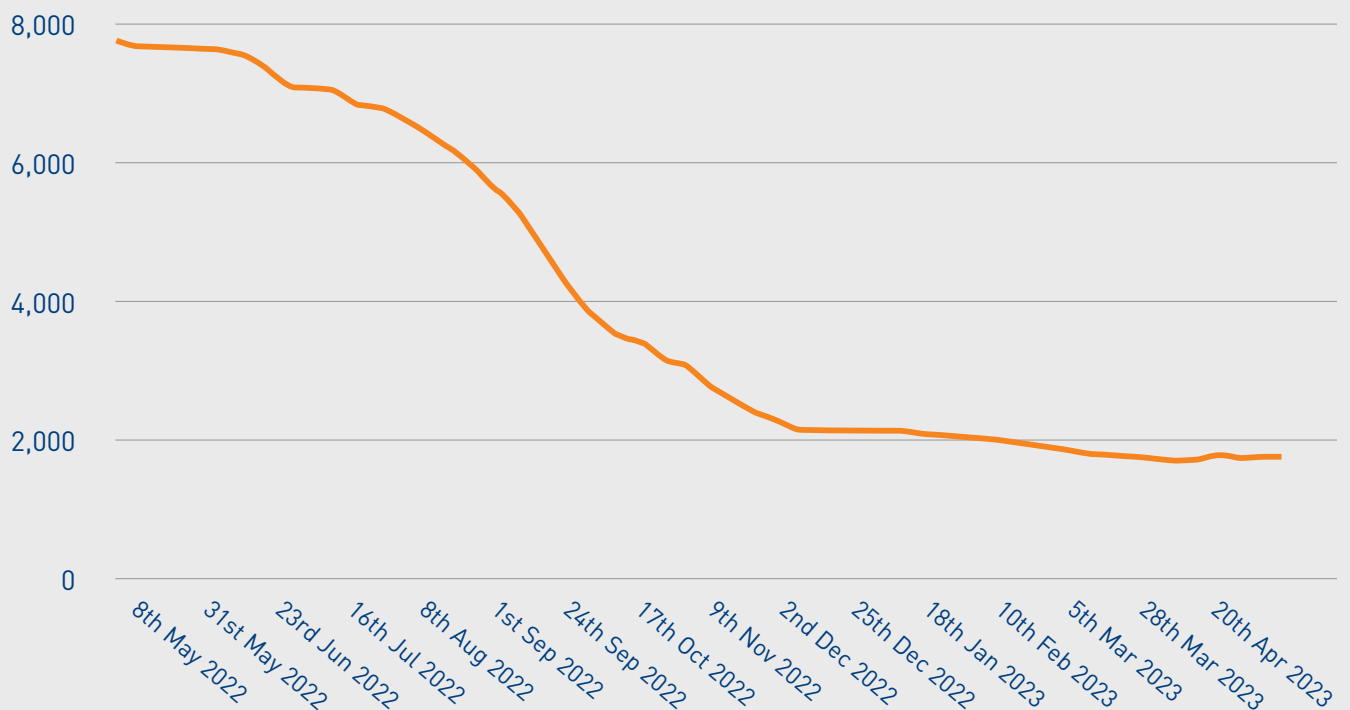
New Zealand

COSCO , OOCL and Neptune PDL have all entered the market with new “fortnightly” services. It is anticipated the market is going to be over-tonnaged, and many dedicated services may not survive. ANL is committed to the trade, with capacity of all vessels being 2200 – 2700 TEU.

In Numbers

Drewry World Container Index [WCI]

11 May 23 (US\$/40ft)



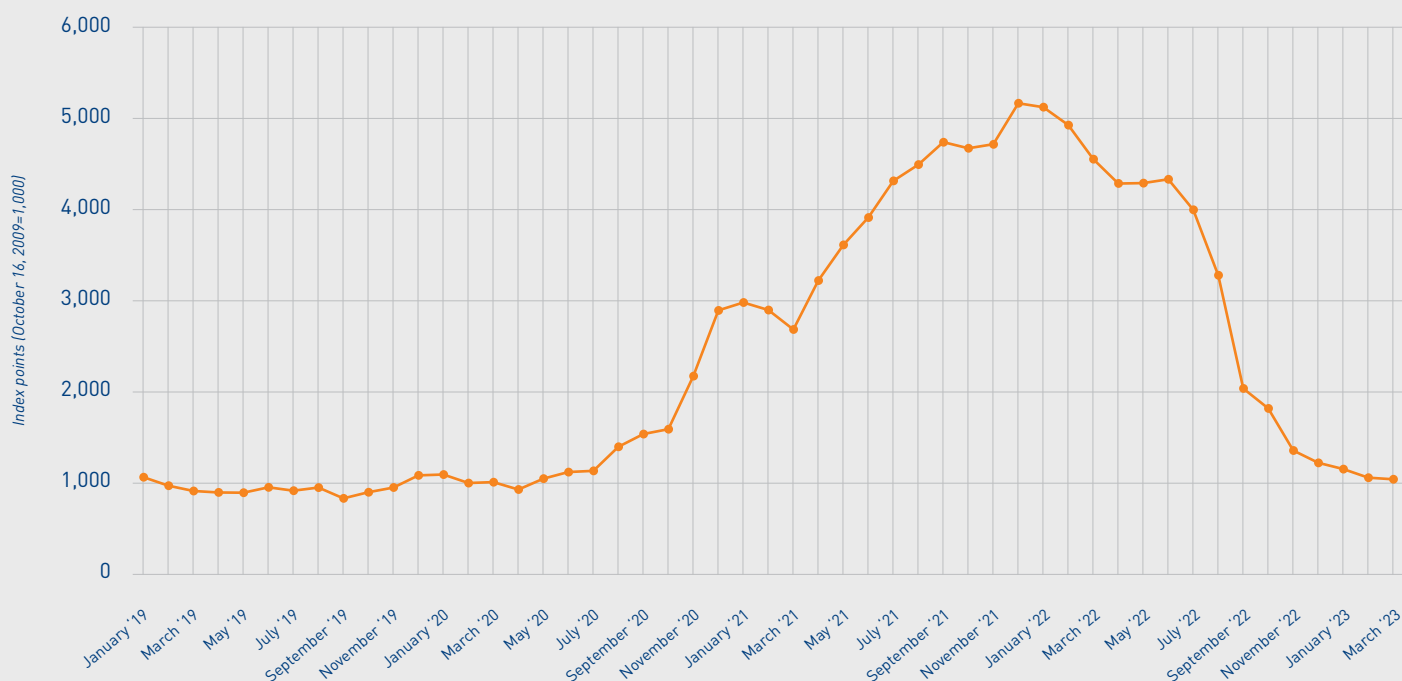
Source: Drewry World Container Index, Drewry Supply Chain Advisors

Findings

- The Composite Index has shown a decrease of 1% this week
- Rates overall seeing a drop of 77% when compared to same time 2021
- The latest index of USD 1741 per/ 40' is 83% below the peak of over USD 10,377 per 40' reached in September 2021
- However it is 35% lower than the 10 year average of USD 2692 but remains 23% higher than the average 2019 (pre covid) rates of USD 1420
- These all point to a return to more normal prices and stability

Shanghai Containerized Freight Index

Shanghai containerized freight rate index
from January 2019 to March 2023



Source Statista 2023

Findings

Freight rates depicted from Shanghai on a per teu basis oscillated between January 2019 (pre covid pandemic) and March 2023 showing the never-before-seen historical high freight rates in 2021 where it reached a peak value of USD 5000 per 20' container. The graph depicts evidence again of normalisation of freight rates back to the pre- pandemic levels of 2019. This is all signalling a return to traditional off-peak period (slack season) commencing in February post Chinese New year and a possible return to peak season in Q4 2023 if the same path of 2019 is mirrored in 2023. This of course will be subject to market demand versus available supply and how quickly shipping lines will react to control their capacity and influence the spot market freight rates.

In Numbers

Major Routes – Spot Rates

Assessment across eight major East-West trades

Route	27-Apr-23	04-May-23	11-May-23	Weekly change (%)	Annual change (%)
Composite Index	\$1,740	\$1,763	\$1,741	-1% ▼	-77% ▼
Shanghai - Rotterdam	\$1,592	\$1,645	\$1,605	-2% ▼	-84% ▼
Rotterdam - Shanghai	\$596	\$594	\$593	0%	-59% ▼
Shanghai - Genoa	\$2,193	\$2,232	\$2,207	-1% ▼	-81% ▼
Shanghai - Los Angeles	\$1,820	\$1,825	\$1,827	0%	-79% ▼
Los Angeles - Shanghai	\$1,017	\$1,017	\$1,017	0%	-21% ▼
Shanghai - New York	\$2,780	\$2,829	\$2,831	0%	-74% ▼
New York - Rotterdam	\$926	\$924	\$889	-4% ▼	-25% ▼
Rotterdam - New York	\$4,806	\$4,783	\$4,530	-5% ▼	-37% ▼

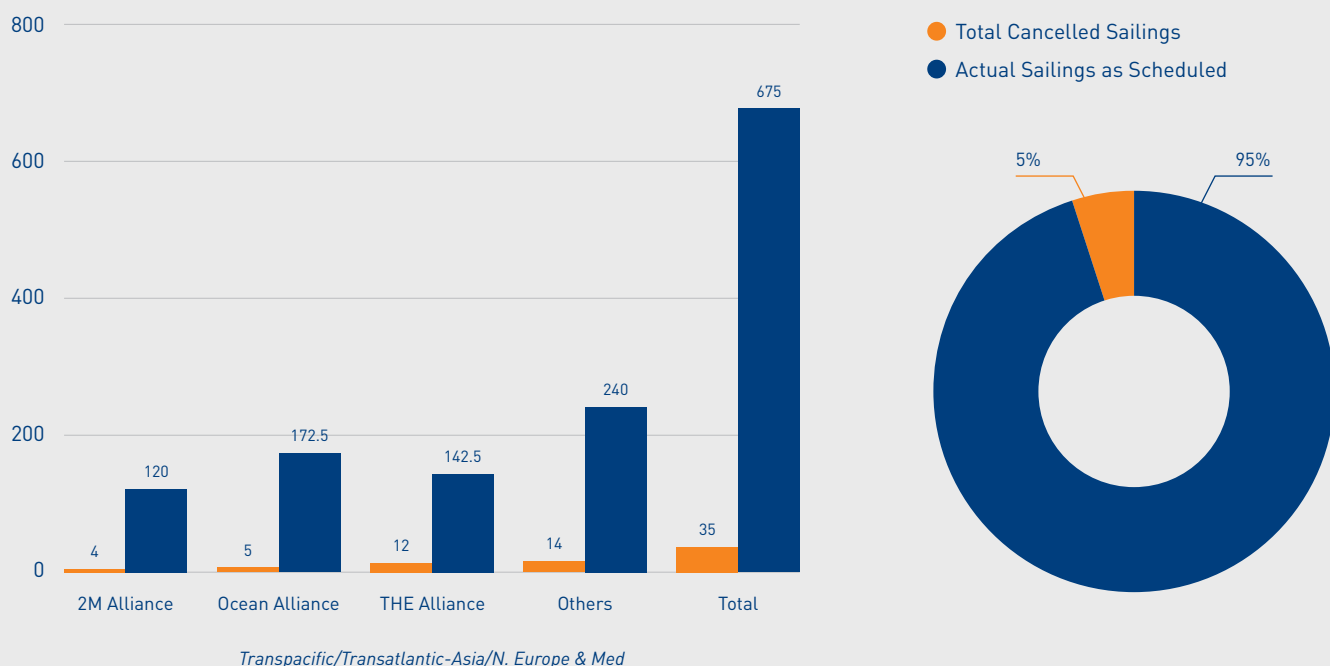
Source Drewry Supply Chain Advisors

Findings

Freight rates on all East to West trades are showing signs of stabilising in the coming weeks with the biggest fall seen this week on the Rotterdam to New York lane of 5%

Cancelled vs. Scheduled Sailings

Drewry cancelled vs scheduled sailings (Week 19 to 23)



Source: Drewry Supply Chain Advisors

Findings

We continue to see shipping lines adjusting their capacity to meet the market demand.

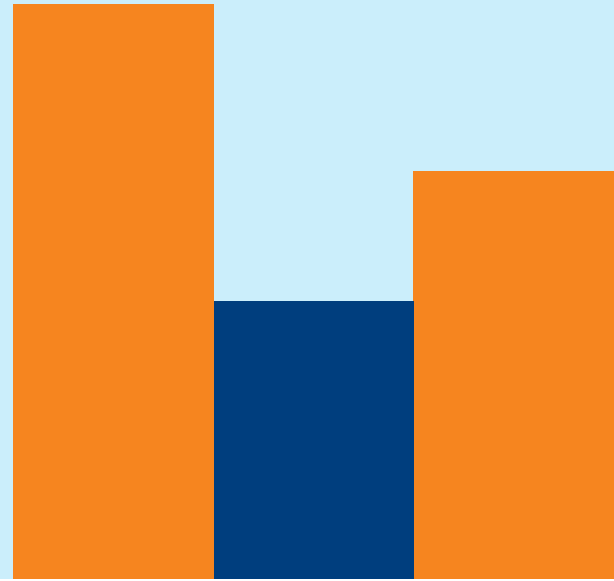
Above we can see that out of a total of 675 sailings, 35 cancelled voyages are being implemented equating to 5% of voyages being removed during the weeks commencing 8th of May and 5th of June 2023.

There will be fewer cancelled voyages over the next 5 weeks however this can quickly change if the spot market freight rates come under pressure forcing shipping lines to rationalise services once again.

With global economic pressures affecting demand, the shipping lines have suffered with low utilization and therefore have had to adapt to this by implementing capacity cuts and cancelling voyages.

Whilst we are seeing evidence of a return to normality in freight rates and a return to schedule reliability, the anticipated arrival of new builds set to be injected into these major trades will continue to pose challenges as carriers will struggle to balance their supply and demand and spot rates will once again remain volatile.

Expectations



Weak demand influenced by macro-economic conditions versus available supply will continue to dictate the SPOT market.

With an aggressive blank sailing program and rationalisation of services in May carriers will attempt to implement General Rate increases which have been announced at a quantum of USD 200 – 250 per 20' container and USD 400 – 500 per 40' container from China to Australia routes.

Demand versus market supply will influence the outcome of these proposed increases.

All trades will continue to be on the path of “renormalisation” as freight rates return to pre-pandemic levels. Carriers are reluctant to lose market share and therefore hesitant in making major capacity adjustments hence volatile freight rates will continue.

Q3 may see an overhaul with service disruptions creating an artificial peak that may influence rates towards an upward trajectory.



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