

A nighttime photograph of a busy port. In the foreground, a large gantry crane with the PSA logo is illuminated. Below it, stacks of colorful shipping containers are visible. In the background, other port buildings and cranes are lit up against a dark blue sky.

# BDPT Ocean Europe Market Update

August 2024

# Market Spotlights

- ### Container spot rates have peaked as all major trades see prices fall

There was more evidence in this week's container port freight markets that peak prices on the main east-west deepsea trades have passed. All three major indices recorded single-digit declines on the back of lower utilisation of ships loading in Asia. The most significant drops were seen on the transpacific Asia-North America route, where Drewry's World Container Index (WCI) Shanghai-Los Angeles declined 5% week on week, to yesterday's level of \$6,934 per 40ft, while Xeneta's transpacific XSI saw a 6% drop, to \$7,322 per 40ft, and the Freightos FBX dropped 4%, to \$7,738 per 40ft. Meanwhile, pricing on the Asia-North Europe route was either flat or saw slight declines: the WCI and XSI were flat, at \$8,260 and \$8,474 per 40ft respectively; while the FBX dropped 2% week on week, to finish at \$8,420 per 40ft. Asia-Europe freight forwarding sources confirmed that space over the past fortnight had become easier to procure, suggesting that either demand has begun to wane, or that the large-scale capacity additions since the beginning of the year are finally beginning to make their presence felt. "It has definitely become easier to get space in the past two weeks, although we are still being held to allocation, and anything over that is having to move to spot/FAK pricing," one forwarder told The Loadstar this morning. The WCI's Shanghai-Genoa leg saw spot rates decline 1%, to finish at 7,645 per 40ft, while the FBX's Asia-Mediterranean trade was down 3% week on week, to \$7,508 per 40ft. Every major carrier – with the exception of Yang Ming – has seen capacity increase in the first half of the year, according to data from Alphaliner this week, with MSC leading the way, adding around 400,000 teu to its fleet since January, breaching 6m teu fleet-wide capacity. There is a lot more to come: both MSC and CMA CGM have around 1.2m teu of capacity on order across this year and next, and Alphaliner noted "there is good chance" the French carrier will surpass Maersk to become the second-largest carrier within the next two-to-three years. Meanwhile, the spot freight rate declines bring to an end more than three months of consecutive spot rate increases, and this has begun to bleed into the charter market, with this week's Hamburg and Bremen Shipbrokers Association (VHBS) commentary noting carriers becoming increasingly cautious in negotiations with owners. VHBS director Alexander Geisler wrote: "This prudence is legitimate, considering that spot cargo rates are weakening; the SCFI registering last Friday its second week of fall, after 13 weeks of uninterrupted rise. "The continued injection of newbuilding capacities is slowly eroding the market's current strong fundamentals. "The reduction in cargo demand, which might happen sooner than expected this year, considering an early start of the peak season will test the market's resilience to the abundance of new ships. "With more than 1.3m teu of new vessels yet to be delivered by the end of the year, and a further 2m teu in 2025, there could be some turbulent times further down the road for owners and operators," he added. (Source: The Loadstar)

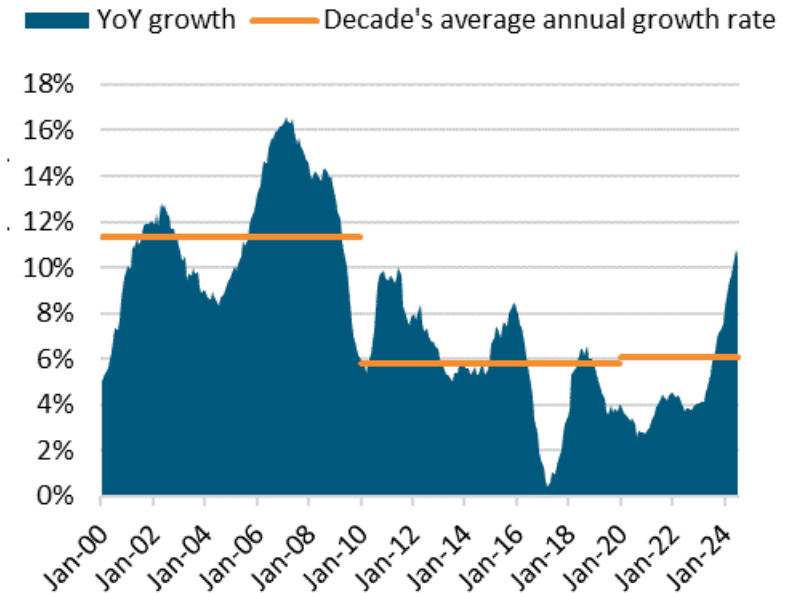
- ### Record Growth in Containership Fleet Capacity, BIMCO Reports

The container ship fleet's capacity has surged by 1.6 million TEU since the beginning of the year and has seen an 11% year-over-year increase to 29.5 million TEU, marking the fastest growth in 15 years, according to Niels Rasmussen, Chief Shipping Analyst at BIMCO. In the first half of 2024 alone, 264 new ships with a combined capacity of 1.6 million TEU were delivered, setting a new record high. This amount is two-thirds more than during the first half of last year when the previous record was set. Meanwhile, high demand for ships and strong cargo volume growth, along with rerouting via the Cape of Good Hope, have kept ship recycling low, with only 36 ships recycled totaling 51k TEU capacity. "Despite the record, shipowners have continued to place orders for new ships. Year-to-date, a total of 63 ships with a combined 0.4m TEU capacity have been ordered and the order book-to-fleet ratio remains high at 19%," says Rasmussen. The order book already contains orders for delivery in 2028, with an average of 1.5 million TEU scheduled for delivery each year between 2025 and 2027. BIMCO highlights that the 12k-17k TEU ship segment has experienced the fastest growth, now comprising 22% of the container fleet. The segment's capacity grew 25% year-over-year in the first half, contributing nearly 50% to the overall fleet's growth. It was the main growth driver in 2022 and 2023 and will continue to dominate future growth, accounting for over 50% of the capacity on order. This marks a change from 2015-2021, when ships larger than 17k TEU dominated growth. Now, they constitute only 17% of the order book capacity, according to BIMCO, as shipowners have shifted focus due to operational limitations in Asia and Europe, with existing ships already covering these trade lanes. "The container fleet's capacity is expected to exceed 30 million TEU for the first time at the end of the third quarter and hit 30.5 million by the end of 2024. By the end of 2027, the current order book will add another 4.3 million TEU. As cargo volume growth is unlikely to match this expansion, we expect ship recycling to increase and temper overall fleet growth. In addition, if ships can eventually return to the Red Sea and the Suez Canal, demand for ships will fall," added Rasmussen. (Source: GCaptain)

- ### Chinese Container Ships Take Arctic Shortcut Avoiding Red Sea

Two Chinese container ships have set course for the Arctic. The vessels intend to use Russia's Northern Sea Route as a shortcut to connect ports in China with destinations in Europe. The Arctic route allows operators to avoid the troublesome waters of the Red Sea without detouring via the Cape of Good Hope. Xin Xin Hai 1 departed from the Port of Taicang near Shanghai on July 5 and has since passed through the Bering Strait and onto the Northern Sea Route. The 21,279 deadweight tonnes (DWT) vessel can carry 1,220 standard containers (TEU). While parts of the route are already free of sea ice for the summer, more challenging conditions in the East Siberian Sea mandate an icebreaker escort for the light ice-class vessel. Xin Xin Hai 1 is currently being escorted by nuclear icebreaker Sibir. Meanwhile its sister ship Xin Xin Hai 2 follows around a week behind. The 29,008 DTW vessel departed from the Chinese port of Rizhao in mid-July and is currently en route to the Bering Strait. The vessels are operated by New New Shipping Line. The company began operating in the Arctic last summer completing seven voyages between July and December, including a controversial trip by the NewNew Polar Bear resulting in damage to subsea infrastructure in the Baltic Sea. This summer it aims to expand its operations. Both vessels are bound for the northwest-Russian port of Arkhangelsk before traveling on toward ports in the Baltic Sea. Several Panamax container ships, able to carry around 5,000 TEU, have also received permission to sail along the route. They would become the largest box carriers to traverse the route. Flying Fish 1, SFT Turkey and SFT Egypt are all registered to Safetrans Line out of Hong Kong. Safetrans Line describes itself as a specialist for the China-Russia containerized liner service. Without ice classification SFT Turkey and SFT Egypt will be limited to operations starting after August 1. Among the world's major Western container shipping operators, Danish Maersk remains the only company to have completed a journey via the Arctic route. Its feeder vessel Venta Maersk completed an Arctic transit in August 2018. Even prior to the full-scale invasion of Ukraine in 2022, operators including MSC, CMA CGM, and Hapag Lloyd had publicly backed away from using the route due to environmental reasons. MSC reaffirmed its decision as recently as last week. (Source: GCaptain)

## Container ship fleet



Source: Clarksons Shipping Intelligence Network

# Space Overview At a Glance

August 2024 Europe

Origin	Destination	Status	Details
Europe	Asia	●	Space is available ex NWC and Med, with a prenotice of abt.2- 3 weeks..
Asia	Europe	●	Space is severely scarce. Vessels are fully booked for many weeks in advance. Carriers are cutting allocation for contracted cargo, giving priority to spot-cargo and higher rates. Long term rates are still not obtainable at this stage.
Europe	Africa	●	For all Sub Sahara Africa destinations, we recommend a prenotice of 2-3 weeks ex Europe. Congestion in many African ports, mainly South Africa, Consider extended transit times to SAF.
Europe	Europe/Med	●	Space situation varies, depending on the port pairs and carriers. Recommend to book 1-2 weeks in advance ex NWC and Med.
Europe	LATAM/Mexico	●	Please consider 2 weeks booking prenotice for West Coast and Mexico. Space to East Coast Is available. Ex Med carriers are introducing Peak Season Surcharges.
Europe	North America	●	Space is generally available, varying from carrier to carrier and depending on the service string. Carriers have appetite for increases and/ or Peak Season Surcharges from end Q3 on.
Europe	MEA/ISC	●	Recommend to book 2-3 weeks in advance for export bookings.
Europe	Oceania	●	Please consider a prenotice of 3 weeks ex all Europe. Tight space due increasing demand and port congestion in Singapore. Some carriers are cancelling the feeder services via Singapore and offer only direct services.
Europe	ALL Trades	●	As a result of increasing port congestion, we are seeing more and more equipment shortages across Europe, especially in hinterland depots and in the Med Region



## Europe to North America



- **Capacity:**
  - USA & Canada trade still open for all bookings, however some shipping lines & services require minimum pre-booking of 2-3 weeks.
  - Med, namely Italy main ports are still congested causing delays in operation and surcharges for all shipments.
  - Generally, there is sufficient chassis availability as well as trucking capacity in most of the ports and inland ramps in the USA.
- **Rates Outlook:**
  - USA & Canada rates got extended until end August / September.
  - Shipping lines start to announce Peak Season Surcharges (PSS) from September 1<sup>st</sup> onwards.
- **Schedule and Service Updates :**
  - Due to expiring master contract end September "The International Longshoremen's Association (ILA)" is threatening the transportation market with coastwide strike on October 1, 2024.

## Europe to Asia and Oceania



- **Capacity:**
  - No space issues ; our recommended booking prenotice is 2 weeks.
- **Rates Outlook:**
  - Far East: Rates are slightly softening. Some carriers offer very aggressive spot rates.
  - Australia: Some carriers started to increase the rates. PSA BDP has contracts with some carriers at extended rate levels.
  - Carriers are open for long term agreements in both trades, however long-term rates are higher than spot.
- **Schedule and Service Updates :**
  - Blank sailings continue. Routings via Cape of Good Hope and port congestions (namely Singapore) cause unreliable schedules.
  - CatLai terminal as final destination doesn't accept DG cargo anymore and other terminals/ICDs in Vietnam have to be used.
  - Barge suspension schedule in South China due to National Holiday (from 28th September till 8th October).
  - MSC suspended its transshipment service to Australia and New Zealand in mid July and announced reshuffle of its Asia-Oceania network. The new transshipment service starts in mid August and will be served via China. Details to follow.

## Asia to Europe



- **Capacity:**
  - Vessels are still almost fully utilized for the next weeks and only limited slots are available.
- **Rates Outlook:**
  - Some carriers keep rates stable while others slightly reduce rates in August. The rates may have peaked for now, but considering the holiday season in Europe, it might be a temporary effect only.
  - Carriers still abstain from offering long term deals.
- **Schedule and Service Updates :**
  - Blank sailings and routings via Cape of Good Hope continue.
  - The congestion in Asian and European Ports still impacts transit times and schedules.

## Europe to Middle East And ISC



- **Capacity:**
  - A substantial capacity cut to India in favor of Far East services has effectively reduced the available capacity and space is getting tighter on both trades. We recommend book 3-4 weeks in advance.
- **Rates Outlook:**
  - Middle East rates are increasing. Peak Season Surcharges are being introduced. The rates to India stagnate for now. Increases can be expected, although the container demand in India is still high.
- **Schedule and Service Updates :**
  - Typhoon season is starting in South-East-Asia which can cause schedule disruptions, port omissions or delays.
  - Hapag Lloyd updates the IEX service, which is also used by some Ocean Alliance carriers. From end of July on, HL will stop calling Le Havre and Vishakapatnam, will add a Valencia call and switch from Gateway Terminal to PSA Terminal in Antwerp, Belgium.

## Europe to Europe/Med/Africa



- **Capacity:**
- East-Med and Egypt capacity is available, even on short notice. East and West Africa destinations are bookable within 2 weeks. Space to South Africa is available within 2-3 weeks in advance.
- **Rates Outlook:**
- Short term rates to Turkey and Greece destinations are increasing. Sub Saharan Africa rates remain stable.
- **Schedule and Service Updates :**
- CMA CGM tipped to develop a new Hamburg terminal with Eurogate. The project is still in evaluation stage.



## Europe to Latin America



- **Capacity:**
- We recommend booking 2-3 weeks in advance. No space issues to South America East Coast. For West Coast, Mexico and Central America, vessel capacity is somewhat scarcer, and random rollings are possible. Services ex West Med are hampered by port congestion (e. g. Genoa ).
- **Rates Outlook:**
- PSS implementations ex both North-West continent & West Med ports to South America West , Central America and Mexico. East Coast rates remain stable for now.
- **Schedule and Service Updates :**
- Slight service delays due to general traffic issues across LATAM.



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