

MONTHLY CONTAINER SHIPPING BAROMETER

SEPTEMBER 2023

upply

The level of ocean freight rates should be of concern to the market

Pending the gradual implementation of ETS surcharges, the collapse of prices is continuing in containerised maritime transport. Asia-North Europe spot freight rates are now below 4 digits.

Highlights

- *A limited peak season on the Transatlantic routes*

Reducing the number of ship departures in Asian ports has not been enough to halt the drop in freight rates on the Asia-Europe and Trans-Pacific corridors. **Demand is sluggish, although some hopes of a rebound remain plausible from December** onwards for restocking campaigns or new orders relating to the launch of new product ranges out of China.

The weak demand from Western shippers is maintaining the down cycle for exports from Asia this month, which will undoubtedly allow them to arrive in a strong position [during the new annual contract negotiations](#).

Unlike the complete lull on the Asia-Europe corridor, **the Transatlantic routes are experiencing a slight high-season phenomenon**, to fuel the demand related to the Christmas holidays with short transit times to the United States. As a result, by the end of September, the fall in rates seemed to have stalled on transport to the United States from Europe, **but at compensation levels that are far from making up for the losses of the other two major trades lanes for the shipping companies**.

- *The deafening silence on the reversal of the market*

Not so long ago, some representatives of mass retailers stigmatised shipping companies, and accused them of being "war profiteers" guilty of fuelling inflation. The subject had grown sufficiently for the politicians to take action.

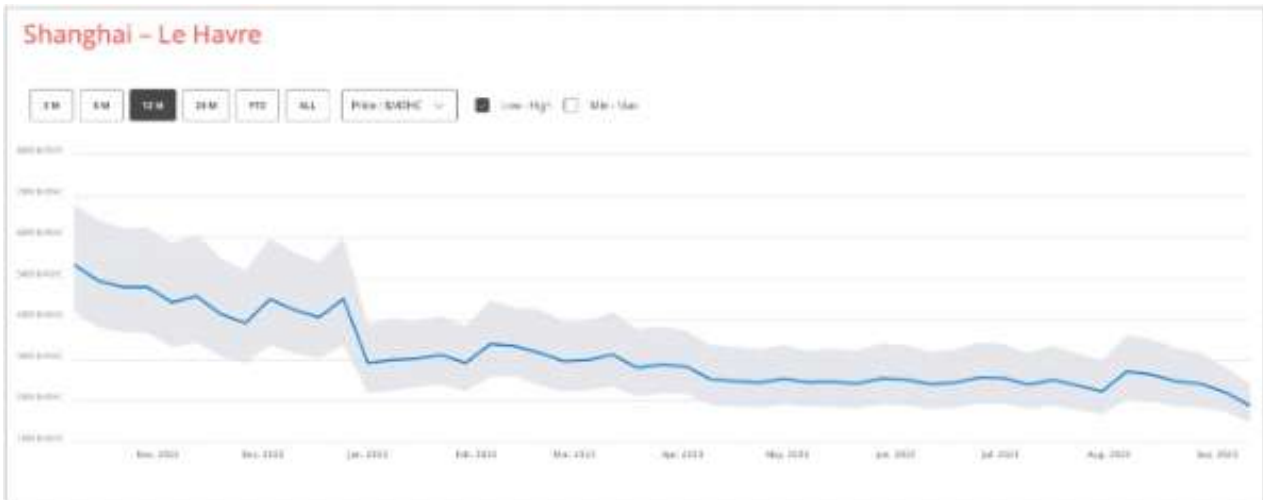
Will the parliamentarians who a few months ago interviewed the CEO of CMA CGM, Rodolphe Saadé, to ask him to account for his super profits soon call him back in to inquire and worry about the recent situation? Or even propose public policies to support the activity? There is good reason to doubt this will occur...

When a shipping company makes big profits, it is blamed for earning money on the backs of economic actors who suffer from inflation. But **when it works at a loss, it seems to be seen as a kind of "normalcy"**, and even as one of the positive factors in trying to curb inflation that is becoming more and more structural.

Some retailers, who were particularly upset that their suppliers were able to weather the pandemic better than themselves, are now in a logic of catching up through their profit margins.

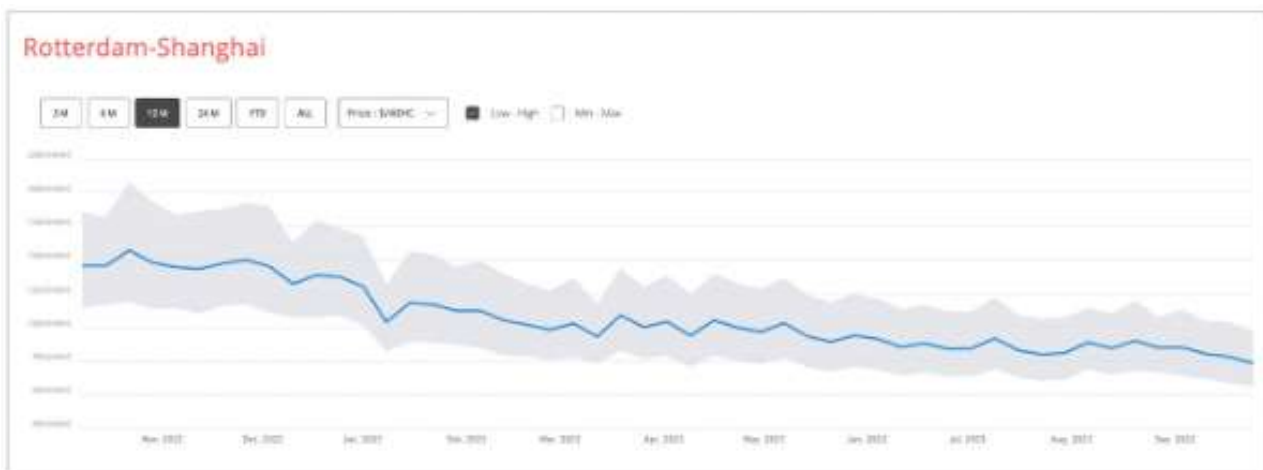
1. PRICES

- Asia-Europe



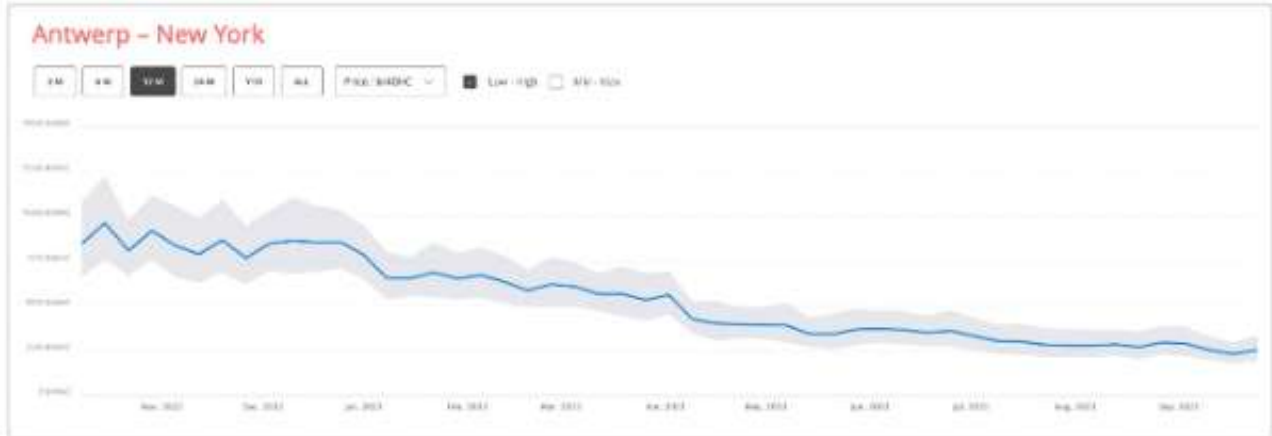
Port-to-port rates (mix of spot and contract) billed for sailings from Shanghai to Le Havre, THC included, for a 40' HC DRY container carrying dry, non-dangerous goods. Source: [Upply](#).

- Europe-Asia



Port-to-port rates (mix of spot and contract) billed for sailings from Rotterdam to Shanghai, THC included, for a 40' HC DRY container carrying dry, non-dangerous goods. Source: [Upply](#).

- Europe-USA



Port-to-port rates (mix of spot and contract) billed for sailings from Antwerp to New York, THC included, for a 40' HC DRY container carrying dry, non-dangerous goods. Source: [Upply](#).

Shipping companies experienced **a gloomy month of September**. Only the Westbound transatlantic routes have seen a small improvement, with a proper peak season before Christmas, but which only serves to stabilise freight rates. It is true that the number of sailings from Europe has been limited.

On the Asia-Europe corridor, a rebound is expected. Shipping companies are seeing a flicker in December's booking forecasts, but we are far from seeing orders flooding in. The additional capacity, now more or less lying idle, is on the lookout. **The risk of a reintroduction of capacity that is too abrupt, if this flicker is confirmed, could kill any attempt to reverse the trend in freight rates.** A scenario that has often happened in the past.

2. SERVICES

Blank sailings are back in force. In the first place, to justify this movement, the shipowners evoke the Golden Week in China (national holiday celebrating the arrival of the Communist Party to power on October 1st). A week during which the Chinese economy slows down, which affects exports and imports. In its monthly report, Xchange notes that **the three major alliances have announced blank sailings from Asia to Europe and the Mediterranean ports**. These are expected to arrive in the early days of October and are likely to last throughout the month.

According to preliminary estimates, the cancellation rate is expected to reach about 16% between September 18 and October 22, according to Xchange. Drewry suggests 88 blank sailings from October 2 to November 5, or 13% of scheduled trips. According to the British firm, Ocean Alliance expects 29 cancellations, against 18 for The Alliance and 14 for 2M. In total, for the three alliances, 61 blank sailings are planned. The other 27 concern shipping companies operating outside these alliances.

While China's Golden Week remains an important cause of the increase in blank sailings, **it is clear that very low freight rates are also influencing the strategy of shipping companies**. To maintain a capacity that is adapted to the market, they have withdrawn certain rotations for better operational profitability. Finally, disruptions remain in some ports, prompting shipping companies to cancel stopovers.

- **Europe-Asia**

The maritime subsidiary of the Lidl group, **Tailwind Shipping**, is integrating a new stopover in the Sri Lankan port of Colombo for its Panda Express service. As a result, the Tiger Express service that connects Chittagong to Colombo and then the Mediterranean and Northern Europe will serve as a feeder for the containers destined to board the Panda Express. As such, in the new configuration, the Panda Express connects the ports of Ningbo, Qingdao, Shenzhen, Colombo, Koper, Barcelona and Rotterdam. The Tiger Express runs between Chittagong and Colombo.

- **Trans-Pacific**

The Alliance announces a review of its routes between Asia and North America. This announcement made on the occasion of the Golden Week should extend beyond this period, according to the shipping companies themselves. It is planned to suspend the PN3 service sine die. The PN2 service will be extended to take over part of the calls from the PN3. As such, the new PN2 loop will serve Singapore, Laem Chabang, Ho Chi Minh, Haiphong, Yantian, Yangshan, Busan, Vancouver, Tacoma, Tokyo, Kobe, Kaohsiung, Hong Kong and return to Singapore.

- **Middle East**

MSC began a stopover in the Saudi port of Duba, 600 km north of King Abdullah Port. This port is part of a major government urban project called Neom.

- **India**

The Indian market suffers from congestion in its main ports. To remedy this, the service provided by **Hapag Lloyd, ONE, OOCL and Yang Ming** (marketed under the names IEX/IO3/IP3/IEX) has switched ports. It has replaced the port of Chennai with Kattupalli's. The change is expected in early December. Thus, the service will serve Rotterdam, London, Hamburg, Antwerp, Le Havre, Damietta, Jeddah, Colombo, Visakhapatnam, Krishnapatnam, Kattupalli, Cochin, Damietta, Piraeus and Rotterdam.

It should also be noted that the Indian government has proposed **new regulations to develop national cabotage**. Until now, domestic shipping links have been reserved for vessels flying the Indian flag. The government wants to open this market to other foreign-flagged companies. The objective is in particular to allow international shipping companies to carry out traffic for transshipment flows and the repositioning of empty containers. However, this project does not seem to have the consent of the Indian shipping companies, grouped together in the Indian National Shipowners Association. In India, maritime cabotage accounts for 7% of domestic traffic.

- **Europe-Mediterranean**

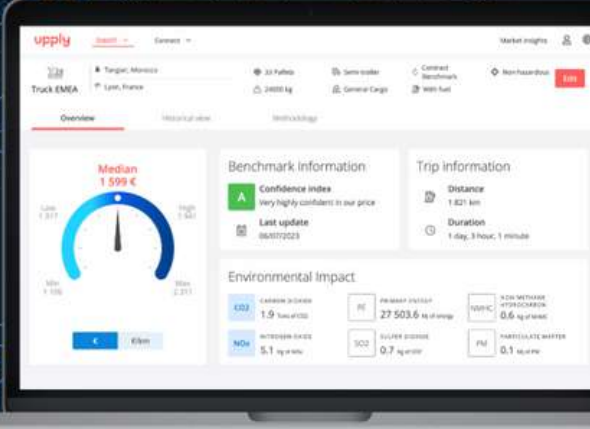
ZIM and **MSC** have agreed to combine their services between the Eastern Mediterranean and Northern Europe. Israeli shipowners announced a participation in MSC's Mediterranean-Europe service by supplying two vessels of 6,700 TEUs out of the five in this service. According to Dynamar, the question remains what will happen to the ZMI service, operated by ZIM. It constitutes an extension of the line between India and Northern Europe by adding stops in the Eastern Mediterranean. For the Dutch consultant, the ZMI service could either be merged into the new partnership with MSC or completely redefined. The answer is expected in the coming weeks.

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worldwide

Benchmark freight rates



The screenshot shows the upply dashboard with the following data:

- Overview:** Median 1,599 €, Confidence index A (Very highly confident in our price), Last update 06/07/2023.
- Environmental Impact:**

CO2	CARBON DIOXIDE	1.9 tons/1000	PM	PM10/PM2.5	27 503.6 µg/1000kg	NOx	NOx	0.6 µg/1000kg
SOx	SULFUR DIOXIDE	5.1 µg/1000kg	SO2	SULFUR DIOXIDE	0.7 µg/1000kg	PN	PARTICULATE MATTER	0.1 µg/1000kg
- Trip Information:** Distance 1,821 km, Duration 1 day, 3 hour, 1 minute.

- **Mediterranean**

MSC continues to grow its network. The group took over 49% of Moby Lines, which operates lines from Italy to Corsica, Sardinia, Sicily and the island of Elba. By operating Ro-Pax type ships, it carries out part of its activity in the freight segment.

MSC is thus continuing to develop its activity in the ferry sector. Indeed, in addition to the interests in Moby Lines, MSC has been a shareholder in Grandi Navi Veloci since 2013. The latter celebrated its 30th anniversary at a reception in Barcelona in September. The shipping company's strategy aims to consolidate its market share on the Tunisian and Moroccan markets. As for the hypothesis of a new line to Algeria, Matteo Catani, CEO of GNV, indicated that discussions are underway but have not been finalised for the moment. In addition, Matteo Catani indicated that GNV does not envisage the creation of lines to Casablanca or Dakhla in Morocco. It is difficult to compete with road transport in Morocco. A line from Spain or France to Casablanca should take into account the cost of road transport and that of passing through Spain.

- **West Indies**

CMA CGM is reviewing the services of its feeder operations in the West Indies, the Guyanas Carribbean Service. The port of Pointe-à-Pitre in Guadeloupe, has been removed from this service. Now the ships call at the ports of Fort-de-France, Port of Spain, Paramaribo, Dégrad-des-Cannes and return to the Martinique port.

3. OPERATIONS

- *Port terminals*

In a global climate of palpable international tensions, **the issue of controlling port terminal operators is more sensitive than ever.**

As such, **the proposed acquisition of a 49.9% stake in HHLA by MSC is causing a stir.** This project is creating a lot of noise in the political and economic circles of the city of Hamburg, but also among port workers, who have also expressed their opposition. The trade union ver.di organised a demonstration in mid-September that brought together about 2,500 people. The slogan was: "Our port, not your casino". Employees believe that the company should remain in the public domain, as it is a "critical infrastructure" for commerce. They are also concerned about the potential impact on working conditions.

Several other developments are expected in ports in the coming months. Firstly, [the newspaper El Mercantil](#) **revealed that DP World is withdrawing from the container terminal in Tarragona, Spain.** As the traffic commitments have not been met, the port authority has taken back the concession and is now working to "find a viable solution in the first half of 2024".

You win some, you lose some... **The Emirati group has also signed a 30-year concession contract with the port authority of Deendayal, India.** This contract provides for the construction of a new terminal in the port of Kandla. It is expected to be operational in 2027, with 1,100 linear metres of dock and a capacity of 2.9 M TEUs.

Also in India, **MSC** is gaining a foothold in the country by taking over **26% of the shares of the Bharat Mumbai Container Terminal in Nhava Sheva**. Opened in 2019, this terminal has 1,000 linear metres of docks and is building an extension of an additional 1,000 m.

In Egypt, the General Authority of the Suez Canal Economic Zone (SCZONE) celebrated the announcement of the concession contract for container terminal No. 2 in the port of Port Said East to **Suez Canal Container Terminal (SCCT), of which APM Terminals** is the majority shareholder. This new terminal will add 2 M TEUs of capacity to the existing 5 M TEUs.

- **Railways**

Shipping companies are also very interested in gaining control of the pre- and post-shipment phases. In Spain, **MSC has just won the tender launched by the Spanish rail freight company Renfe Mercancías, beating CMA CGM and Mærsk. Renfe** did not disclose the precise terms of the agreement, but the Spanish newspaper El País reported that initial negotiations had focused on the creation of a 50/50 joint venture between Renfe Mercancías and Medlog, MSC's logistics arm. The interest of this Italian-Swiss shipowner for the railway world is not new. In 2016, MSC took over CP Carga, Portugal's rail freight company. This company is now part of Medway, the Swiss shipowner's rail subsidiary.

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The "Services" section of this barometer is produced in collaboration with Hervé Deiss, who is a journalist specialized in maritime transport and port issues.

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