

MONTHLY CONTAINER SHIPPING BAROMETER



DECEMBER 2023

upply

Geopolitical developments drive up freight rates

December 2023 was marked by the start of a recovery in freight rates, after a particularly bearish year for the shipping companies.

Latest developments

- **End of the fall in freight rates**

We highlighted the possibility of a drastic reduction in the number of container ship passing through the Suez Canal in our November barometer. We based our analysis on the attack on the Galaxy Leader by Houthi rebels, which we saw as a real threat to shipping, crews and cargoes. It seemed clear to us, too, that this situation represented an **opportunity for the shipping companies to restore their profit margins** if they dropped the canal and went round the Cape of Good Hope instead.

The main source of uncertainty at the time concerned the ability of the shipping companies to coordinate their ripost. In the end, however, they showed impressive discipline. Following an announcement from Maersk, with just a few rare exceptions, **all east-west container traffic had ceased transiting via the Red Sea within 48 hours**. Some ships had even paid to transit through the Suez Canal in both directions before opting to turn round because of the real threat posed by drones and missiles. **We should recall that, under maritime law, merchant shipping companies must take measures to protect the cargo entrusted to them by shippers if they learn that there is a risk or hazard on the route taken by their vessels.** This is clearly the case at present.

The impact on January FAK rates was immediate. In November, we estimated that a rate of about USD3,500 per 40' container would be needed to restore profitability on the Asia-Europe spot market in the event that the Suez Canal route became impracticable. This is clearly **the rough minimum which shippers** need to pay today for cargo already registered for loading in January on ships **now taking some 15 days longer to reach Europe via the Cape of Good Hope.**

So long as there is a threat to ships transiting through the Red Sea and the Gulf of Aden, there will be a risk which will inevitably have an impact on freight rates in one way or another. The fact that some shipping companies are still hesitating as to whether or not to transit through the Suez Canal has only disorientated the freight market further by creating additional confusion and increasing tension.

- **Solutions difficult to find**

To try to protect the canal, which is essential for world trade, the United States announced on 18 December that it was launching "Prosperity Guardian", **an international operation under US command intended to counter the Houthis' attacks.** This initiative is struggling to gain support, however. France has said that it will back it but has specified that any forces it deployed would remain under French command. It drew on its own resources, moreover, to escort a certain number of ships, including some container vessels operated by CMA CGM. India, which is one of the major power in the "Global South", has also [engaged its own military resources to escort Indian container ships.](#)

The number of attacks on ships in the Red Sea has almost caused the initial assault on the Galaxy Leader to be forgotten. It should be remembered, however, that the vessel's crew is still being held hostage. This had been an obstacle to direct military intervention. In the night of 11-12 January, however, American naval and air forces, backed by Britain, carried out strikes against ["targets in Yemen used by Houthi rebels".](#)

- **New inflationary threat to retail prices**

Apart from the logistical complexities visited on shippers by the longer transit times, the increase in **freight rates has raised fresh fears of uncontrolled inflation for end-consumers.**

The price paid by the cargo side in the shipping sector depends on supply and demand. In the degraded geopolitical situation in which we find ourselves, **we can suppose that there is a pivotal price on each of the three main east-west corridors which enables shipping companies to make a profit without causing retail price inflation.** Here are our estimates of this average pivotal rate for dry, non-dangerous cargoes shipped directly from port to port without transshipment.

- Asia/Europe: USD3,500/40' HC DRY via the Cape, USD2,500 via Suez
- Asia/US east coast: USD2,500/40' HC DRY
- North Europe/US east coast: USD2,500/40' HC DRY

These average levels allow shipping companies to generate sufficient financial resources to cover their operating costs and make the environmental and operational investment required for their development. At the same time, these levels are reasonable enough to prevent shipping companies being accused by importers and exporters of fuelling an increase in retail prices. **Today, we are not far from this happening.** Some importer-distributors have started to blame the increase in ocean freight rates to justify price increases, whereas, until now, these pivotal rates had barely been exceeded. The shipping companies could soon be accused again of fuelling inflation if the temptation to take advantage of the current situation makes them too greedy.

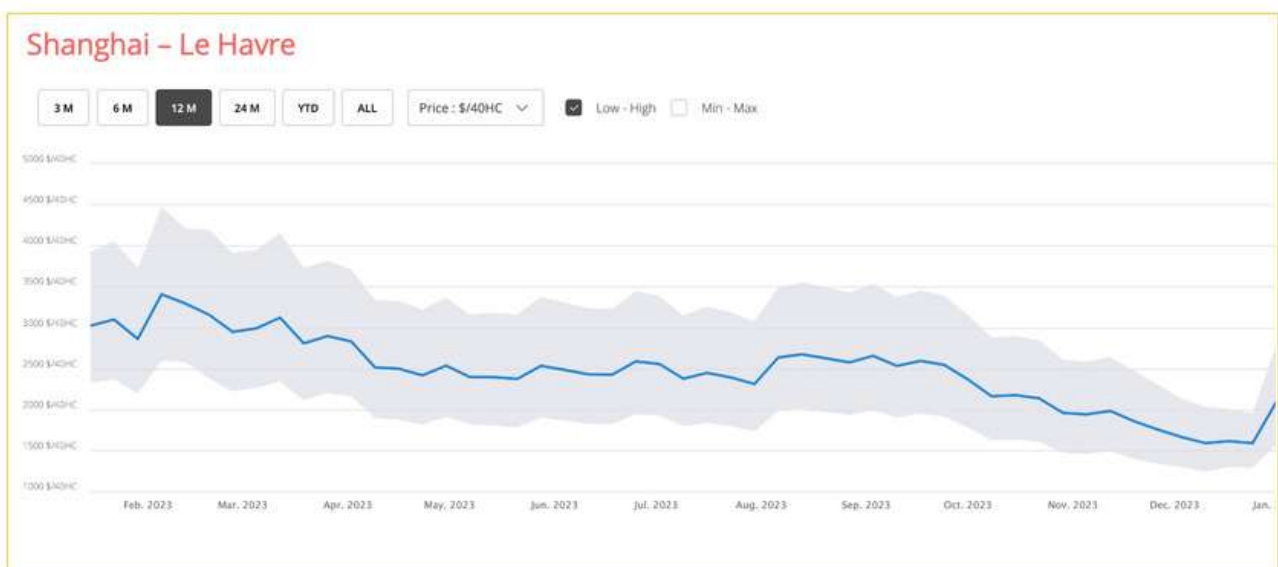
Inflation certainly rose in December but the blame for it lies elsewhere. In the meantime, the European Central Bank, which had been looking to anticipate the end of inflation in the euro zone by reducing interest rates to encourage economic recovery, will now need to reconsider its strategy.

1/ Prices

In December, prices were still largely on a downward trend. **The impact of the geopolitical situation in the Red Sea and the large-scale abandonment of the Suez Canal began to be felt in real terms at the end of the month on the Asia-Europe corridor** in the form of an increase in basic freight rates and surcharges. There was an increase, too, in rates on Europe-Asia routes, while transatlantic rates remained fairly stable in December.

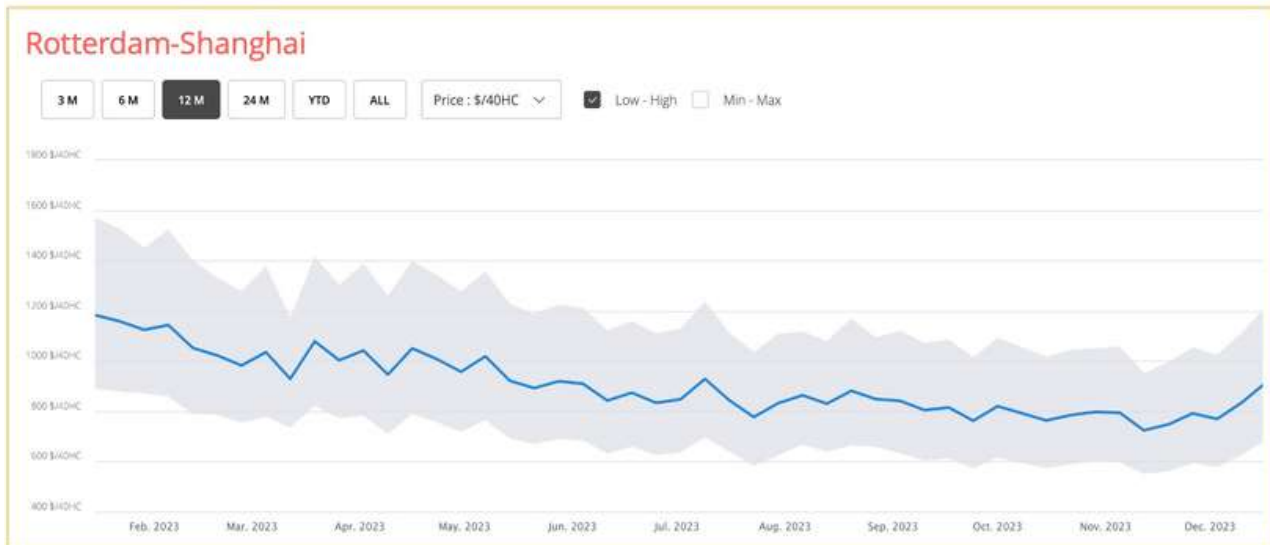
Rates are set according to the nuisance capacity of the Houthi rebels. **The strategies of the shipping companies in terms of the organisation of their services** depend essentially on the gravity of the attacks they carry out. Since the first attack on the Galaxy Leader, the situation has tended to deteriorate, creating a movement of panic. Independently of the extra cost generated by the journey round the African coast, it is this psychological factor which explains the constant increase in freight rates. For now, nothing seems to calm the prevailing bout of acute "Houthi-itis".

- **Asia-Europe**



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

2/ Services

After several months of improving quality of service, November saw a decline (latest data available). According to Sea Intelligence, the monthly service **reliability rate stood at 61.9%**. The decline was slight, however, **with the rate falling just 2.5 points compared to that for October**. Reliability was higher, moreover, than in November 2022. The service reliability rate in November 2023 was 5.5 points up on that for November 2022. As for late arrivals in port, **Sea Intelligence estimated that the average delay as 5.02 days**, which is to say 0.1 days more than in the previous month.

On a company by company basis, Evergreen offered the most reliable services. The Taiwanese company achieved a reliability rate of 70%, which was a good improvement on the 65% rate it registered in the previous month. **Overall, the shipping companies are making an effort to improve service reliability**. Some have nevertheless lost ground. Such is the case for Maersk, which saw its reliability rate fall from 71% in October to 65% in November.

Of the six shipping companies with a reliability rate of more than 60% (Evergreen, Wan Hai, Maersk, CMA CGM, COSCO and OOCL), four registered an improvement - Evergreen, Wan Hai, COSCO and OOCL. Both CMA CGM and Maersk saw their reliability rates fall, although MSC performed the least well, seeing its reliability rate fall from close to 70% in October to 61% in November.

Sea Intelligence's analysis covered 34 shipping routes and more than 60 carriers. In November, ships were not yet being diverted from the Red Sea and the Suez Canal. We can therefore expect a new decline in reliability rates in December. According to the operators, rerouting round the Cape of Good Hope can be expected to go on for some time. They consider that the situation will not improve until after the Chinese New Year festivities.

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Asia-Europe

At the end of December, **The Alliance** (Hapag Lloyd, HMM, ONE and Yang Ming) unveiled its service schedule from the month of April.

Among the changes to note: **the suspension of the FE5 service between Europe and Asia and PS4 transpacific service is being maintained.** The two services were suspended during the final quarter of 2023 because of low demand. Moreover, with regard to these east-west services, particularly those calling on the east and west coasts of the United States, **the shipping companies are paying attention to conditions for transiting the Panama Canal.** Currently, they are offering calls on both coasts, but the situation could change rapidly if conditions for going through the canal deteriorate. The Alliance's spring catalogue **offers a number of new destinations.** Between Asia and Europe, member companies plan to introduce calls in Damietta, Jeddah, Ho Chi Minh, Colombo and London. In the Mediterranean, consideration is being given to a call in the Israeli port of Ashdod. Given the situation in the Red Sea and the Bab El Mandeb Strait, however, the calls in Damietta and Ashdod will depend largely on developments in Israel and the Red Sea area.

The **Ocean Alliance** (CMA CGM, Cosco, OOCL and Evergreen), meanwhile, is adding a call in the port of Shanghai in its AEU7 service, which is operated by COSCO and OOCL. Vessels in the service will thus call in Shanghai, Xiamen, Guangzhou, Hong Kong, Shenzhen, Ho Chi Minh, Singapore, Piraeus, Hamburg, Rotterdam, Zeebrugge, Valencia, Piraeus, Khalifa, Port Klang and Singapore.

Transatlantic

Arkas and Turkon Line are launching a new service from Turkey to the United States. The two carriers will field six 1,800-2,000 TEU vessels, of which five provided by Turkon and one by Arkas. The partnership between the two companies follows the end of cooperation between Turkon Line and Hapag Lloyd at the end of 2023. The line's itinerary has not yet been finally decided but calls in Spain, Egypt, Morocco and Turkey are planned before the crossing to the east coast of the United States.

Transpacific

The **MSC Sentosa** service is being extended. The service operates between the west coast of the United States and China, Singapore, India, Sri Lanka and Thailand but will take in the port of Karachi in Pakistan. The call in Karachi will come between the service's eastbound call in Mundra and its westbound call in Nhava Sheva.

Russia

In previous articles, we announced that new loops were being started by Russian operators between China and Russia. The aim of these operators is to maintain these services without falling foul of sanctions. **Neco Line** has now launched a fortnightly service between Saint Petersburg and China, calling in Taicang, Qingdao, Ningbo, Nansha, Dubai and Saint Petersburg before returning and including a call in the port of Mundra. Neco Line currently operates a service to China from the Russian far eastern port of Vostochny.

Along the same lines, **Aurora Line** has announced that it is opening a line between Nansha, Ningbo, Shanghai, Qingdao and Saint Petersburg, using just one 2,000 TEU vessel. The carrier has not indicated what its frequency will be.

Red Sea

The attacks carried out by the Houthi rebels against merchant ships in the Bab El Mandeb Strait is leading to ships being diverted via the Cape of Good Hope. The shipping companies reacted quickly after the first attacks. **Today, Europe-Asia services are suffering from delays** as a result of this rerouting. On average, Europe-Asia services via the Cape of Good Hope are taking 10 days longer than they would via the Suez Canal. According to Dynamar, some Mediterranean ports will be served by feeder vessels in future via the Gibraltar Strait transshipment ports of Algeciras and Tangiers.

According to the weekly newsletter of Pacific International Line, the diversion via South Africa means that services need to add 1,700 TEU of additional capacity to take account of the longer transit time.

Some shipping companies are reactivating ships currently in lay-up to meet demand but have not yet reached this level of additional capacity.

Otherwise, **COSCO and OOCL** have decided to refuse all merchandise bound for Israel and, when politics get mixed up with trade, things tend to go further. The Malaysian authorities have decided to deny access to all ships under Israeli flag, as well as ships operated by ZIM. The Port Klang and Tanjung Pelepas transshipment hubs are concerned by this measure. As a result, ZIM has decided to change the itinerary of its ZMP Mediterranean-Asia service. ZIM now no longer calls in Port Klang and carries out its transshipments in the Sri Lankan port of Colombo. It has also added a call in the Vietnamese port of Ho Chi Minh to the service.

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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.

The Upply logo, featuring the word "upply" in a lowercase, rounded, red font.

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