

Monthly Container Shipping Barometer



JANUARY 2024

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Container shipping sector hit by multiple disruptions

World maritime trade is unsettled in this early part of the year, with geopolitical uncertainty the main factor.

Since October 2023, the Yemeni Houthis have been carrying out attacks in the Red Sea, which have resulted in shipping companies diverting some of their ships via the Cape of Good Hope. Let's try to draw some conclusions from this conflict.

- **An exogenous factor which cannot be compared to the pandemic**

The attacks of the Houthis have succeeded in **momentarily destabilising freight rates**, reshuffling the cards in a year which the shipping companies began without many trump cards in their hands. For the time being, however, the disruption has been confined to the Red Sea and the Arabian Peninsula and its authors are known. We are not in the state of total, global uncertainty which hit the market just four years ago, when the Covid-19 pandemic made its appearance.

The market is experiencing some upheaval, but **stock levels are generally under control and numerous alternative solutions** are available. It is unlikely, therefore, that we will experience the massive disruption we saw when health restrictions were removed following the Covid-19 lockdowns.

For cargo transported under contract, the disruption has resulted in a **temporary surcharge of a few thousand euros per 40' container and two weeks of additional transit time**. Of course, the situation is causing disruption, particularly from a budgetary point of view, but, in most cases, it does **not represent a serious threat to supply chain resilience**. Many companies learned from their experience in the preceding crisis and made sure that their stock levels were adequate.

Despite the warnings from some of a "black swan"-style event, therefore, there are no reasons for thinking that the crisis in the Red Sea could lead to a return to high inflation in Western economies.

- **Not all ships targeted**

The second thing to note in January is the fact that the Houthis are not attacking any ship any old how. Rather, they are targeting ships "with links with Israel" and, following the strikes carried out by the US and Britain against Houthi positions in Yemen, British and US ships. These ships are being targeted in the old way, visually, using Iranian observation ships in the Red Sea and ships' GPS signals. **Container ships left the area rapidly after the attacks began and other ships**, mainly ro-ro ships and gas carriers followed their example.

Houthi leaders let it be known that Chinese and Russian ships would not be targeted. These ships are invited to signal their presence in the area and are able to continue to make extensive use of the Suez Canal. Crude oil tankers which are often Russian-controlled, are also able to continue their activities, which suits most countries, since this reduces the risk of speculation on oil prices.

- **The role of the insurance companies**

The insurance companies also play a key role in traffic diversions. **Some simply refuse to cover ships going through the Red Sea, while others only agree to cover the war risk in return for an increase in premium.** This can represent \$1m for a ship with an estimated value of \$100m.

- **The American riposte**

On 18 December, the United States announced that it was launching "Prosperity Guardian", an international military operation under American command aimed at countering the Houthi attacks. It would seem that the most recent strikes it carried out on 22 January, which were presumably extensive and well targeted, delivered a decisive blow to the Houthis' capacities.

The US Congress is concerned, however, about the "white knight" policy being pursued by the Biden administration in its efforts to restore free passage for world trade and has criticised it for not having sought its approval before beginning its operations in the Red Sea. The US initiative has also raised reservations among its allies. France announced that it supported the initiative but said that any resources it deployed would be under its command.

- **The positions of the shipping companies**

Members of the THE Alliance, meanwhile, **are sending all their ships round the Cape of Good Hope until further notice.** The same goes for MSC, which is particularly in the sights of the Houthis because of its partnership agreement with Israeli shipping company Zim. A third of CMA CGM's ships on Asia-Europe routes are continuing to transit through the Red Sea, escorted by the French navy frigate Languedoc. For a long time, some of CMA CGM's ships continued to transit through the Red Sea on the Asia/Europe route, escorted by the French navy frigate Languedoc. But after a new attack, the company announced on February 2 that it was suspending its Red Sea traffic until further notice.

- **Prospects**

We think that the new Suez crisis should not be a long-term phenomenon, since it is not in the interest of any of the parties involved. The fact remains, however, that, at this stage, **the disruption is going to have a negative impact on operating conditions and increase costs in the first quarter** - which was not provided for in shippers' budgets.

Very quickly, two fundamental factors are going to re-emerge - overcapacity and the political and economic situation in China.

- With regard to the first factor, **the world container fleet is expected to increase by more than 10% per year in 2024 and 2025**. If use of the Cape of Good Hope and Cape Horn routes becomes widespread, this could lead to new capacity being brought into service to compensate for the greater distance involved and to allow the frequency of port calls to be maintained at acceptable levels. If this does not happen and the shipping companies return in number to the Suez Canal, it will not be in their interest to bring the new capacity into service too soon or too quickly.
- The Chinese question is more complex. As the country prepares to start the Year of the Dragon, it is in the grip of sharp political tensions, notably over Taiwan, where the recent presidential elections brought to power a candidate [in favour of independence](#). **China also faces major economic problems**, symbolised clearly by the [bankruptcy of property developer Evergrande](#), which was announced on 29 January. To meet its growth objectives, China must be successful on international markets, which, theoretically, should mean it has less scope for escalating geopolitical tensions. Its strategy of conquest can be seen in the flamboyant way it is progressing in the automobile sector. China has dug deep into its resources to take control of worldwide electric vehicle production. It has made an incredible effort which promises all-out success. After swallowing up MG for starters, it is now preparing to launch BYD [on the European market](#) in a commercial offensive which has been calibrated to have the impact of a tsunami.

1/ Prices

- **Asia – Europe**

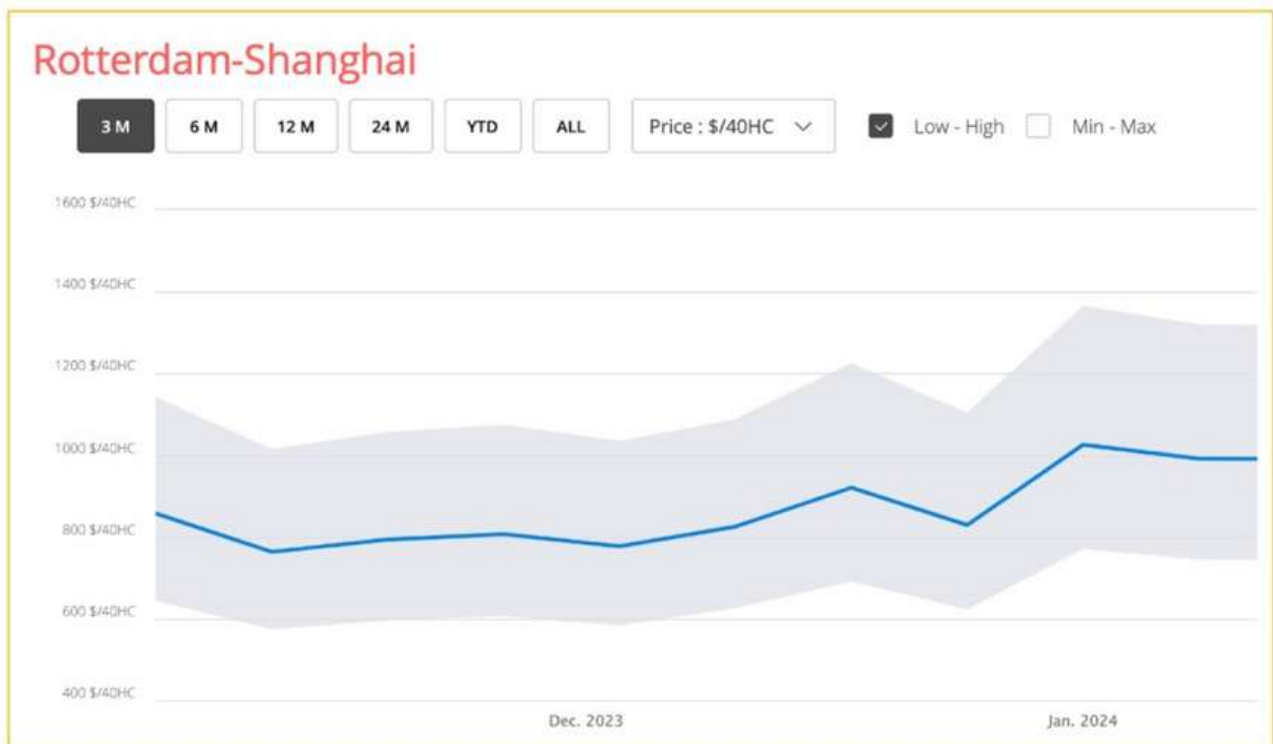
Continuing on from December, **spot prices began to climb sharply during the first half of January before levelling off.** Contrary to what happened during the Covid-19 pandemic, shippers are not ready this time to buy anything at any price. Some shipping companies even changed the spot rates they announced for loadings before the Chinese New Year in the second half of January. Because of weak demand, they were obliged to offer China-Europe sailings round the Cape at around USD5,500/40' dry instead of the USD7,000 they announced originally.

On the contract market, we saw average rates in January come close to the "right price" that we calculated [in our previous barometer](#) at about USD3,500/40' dry from Asia to North Europe via the Cape.

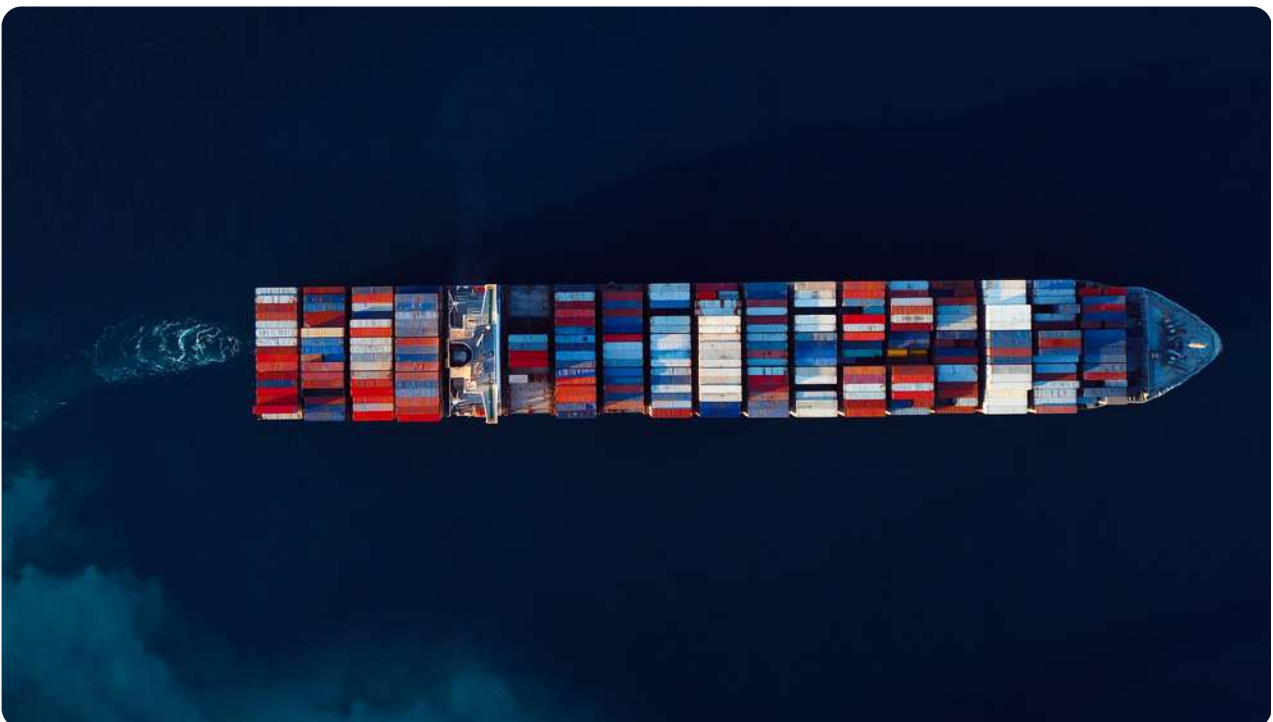


Port-to-port rates (spot and contract combined) billed for sailings from Shanghai to Le Havre, THC included, for a 40' HC DRY container carrying dry, non-dangerous goods. Source: [Upply](#).

- 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

In the transatlantic trades, we also saw a **slight recovery, but this was more in December**, when there was some competition between the usual transatlantic freight rates for goods from Europe and those bound for the east coast of the United States from China.



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](#).

- **Transpacific**

These routes remain highly profitable for the shipping companies and look likely to remain so, following a fairly solid recovery in cargo volumes from Asia to the west coast of the United States. This market, which is serving as a locomotive for the container shipping sector, has returned to fundamentals with cargo levels which can now be described as post-pandemic.



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

2/ Services

As a result of the crisis in the Red Sea, service reliability deteriorated. According to Sea Intelligence's 29 January report covering the month of December, **average reliability fell by 5% from one month to the next.** Sea Intelligence CEO Alain Murphy said that the reduction was the biggest month-on-month drop since February 2021. In December 2023, only 56,8% of services respected their timetables. Year-on-year, however, this was still 0.4% up on December 2022, when logistics chains were heavily disrupted by port congestion.

In another indication of falling quality of service, **late vessel arrivals increased by 0.3 days by comparison with November** to 5.35 days, according to Sea Intelligence.

Detailed analysis showed that Evergreen headed the firm's listing, which covered 60 or so shipping companies in 34 different trades. The Taiwanese company achieved a reliability rate of 63.6%. Evergreen also topped the list in November with a 70% reliability rate. CMA CGM came second with a reliability rate of 60% in December, down on its 64% score in November.

Overall, six shipping companies scored over 60% in November, with some coming close to 70%, but things were more complicated in December. Six achieved rates of 50-60% (Mærsk, COSCO, OOCL, Wan Hai, MSC and ONE), while Hapag Lloyd, HMM and ZIM were below this mark. Yang Ming came last with a reliability rate of 45%.

Chinese New Year

As the Chinese New Year approaches, **the shipping companies are revising their schedules**, making changes to their Europe-Asia services as much as to their transpacific links.

MSC announced that it was cancelling its Jaguar, Emerald and Maple services in week 6 (from 5 February) and the Asia-North America leg of its Pearl and Orient services in week 7 (from 12 February). Its America, Amberjack, Lone Star and Emerald services from Asia to the east coast of the United States will also be cancelled from 12 February. America service calls by the Gjertrud Maersk are also to be cancelled in week 7, while America service's Asia-US east coast leg was cancelled in week 5 (starting 29 January). MSC has also revised its services between Asia and the Mediterranean. The Jade service was cancelled in week 5, while the Phoenix service was due to be cancelled in the week beginning 12 February and the Tiger service in the week beginning 19 February. MSC announced that it was cancelling its New Falcon service from Asia to the Middle East in week 7 (starting 12 February). Because of the alliance between MSC and Maersk, MSC's reorganisation of its services for the Chinese New Year also affected some **Maersk** services.

Hapag Lloyd followed the trend. Between Asia and the Mediterranean, it cancelled its MD1 service in weeks 3 and 7 and its MD2 and MD3 services in weeks 7 and 10. Among its Asia-Europe services, the Condor and Albatros services were cancelled in week 6, the Lion service in weeks 7 and 8 and its Griffin service in weeks 7, 8 and 9.

The Ocean Alliance (CMA CGM, COSCO/OOCL and Evergreen) announced that it was cancelling 15 services between Europe and Asia until the end of March. These cancellations will make up for the longer transit times resulting from ships being diverted round the Cape of Good Hope.

Red Sea and Suez Canal

Houthi attacks in the Red Sea are causing shipping companies to divert many of their services round the Cape of Good Hope.

MSC announced that it was bringing in new ships to take account of longer transit times. The itineraries of the Condor, Griffin, Jade, Phoenix, Tiger, Empire and Dragon services were changed. The Albatros, Silk, Lion, Swan, America, Emerald, Elephant and Santana services maintained their itineraries despite being diverted round the Cape of Good Hope. Shippers were warned that delays could be expected because of the longer transit times. MSC is to serve the Red Sea ports, moreover, using its feeder service from Turkey to King Abdullah, Jeddah and Aqaba.

Given that the Red Sea crisis is also affecting services to Mediterranean ports, **Hapag Lloyd** has decided to serve this zone via a feeder service from Tangiers to Damietta and Jeddah. From Jeddah, it offers sailings to Aqabah and Port Sudan. By way of an alternative, Hapag Lloyd is opening an overland service to the ports of the Arab peninsula. Containers are unloaded in Dubai to be transported overland to Jeddah, Dammam and Jubail.

Mærsk announced that it would no longer be taking reservations to and from Djibouti. "Due to the continuing situation, we are temporarily cancelling all bookings from Europe, South America, North America, and West Africa to Djibouti, as our priority remains the safety of our seafarers, vessels, and your cargo," the group said on 30 January, adding that containers bound for Djibouti which were loaded before 30 January would be delivered.

ONE, meanwhile, has suspended its AR1 service because of events in the Red Sea. This service calls in Busan, Shanghai, Ningbo, Singapore, Jeddah, Aqaba and Sokhna.

COSCO SL decided to stop calling at Israeli ports via its joint service with ZIM. The Israeli carrier will take sole charge of the service to Mediterranean ports, therefore, calling in Ashdod, Haifa, Marseilles, Genoa, Salerno and back to Ashdod.

Finally, **Hyundai Merchant Marine** announced that it was diverting its services round the Cape of Good Hope. Mediterranean ports will be served by transshipment from the Spanish port of Algeciras.

The general trend is to avoid the Suez Canal but **Vistar Shipping** has gone against this. The United Arab Emirates-based carrier offers a service from Russia to Indonesia and India via the Suez Canal and the Bab-el-Mandeb Strait. It has chosen to buck the general trend to try to obtain additional market share. **CU Lines** has followed its example by running a monthly service between China and the port of Jeddah.

According to Lloyd's List, a new shipping company has come into the Asia-Mediterranean market. **Sea Legend**, an affiliate of Transfar Shipping, which broke into the transpacific market when there was a shortage of capacity and left it again when market conditions returned to normal, offers a service between China, the Red Sea and the eastern Mediterranean. It says that it has reinforced security by putting armed guards aboard its ships. Its service calls in Qingdao, Shanghai, Ningbo, Guangzhou, Djibouti, Sokhna, Aqaba, Port Saïd, Alexandria and Istanbul.

Panama Canal

With restrictions on use of the Panama Canal because of the drought, **Maersk** announced that it would be turning to the railway to cross the Isthmus of Panama. For the time being, only its Australia-North America service is concerned. Because the transit time is longer, the shipping company decided to cancel calls in the port of Cartagena in Colombia, which will be covered in future by other services. For customers, this alternative route means a longer transit time.

Algeria

Calling at Algerian ports has taken a political turn. Recent statements from the Algerian president have increased tension with Morocco. For shipping services, this means route changes. Algerian ports are no longer served by transshipment from Tangiers. **CMA CGM** has cancelled calls at Tanger Med by two of its services. On the Agapome service, goods destined for Ghazaouet are now transhipped from the Spanish port of Algeciras. The Euronaf service, meanwhile, calls in Livorno, Geno, Marseilles, Valencia, Algeciras (instead of Tanger Med), Oran and Mostaganem.

Mærsk has also decided to change its services in and out of Algerian ports, which it has generally covered by transshipment from Algeciras. Now, Algiers and Skikda are served from Barcelona. Services from Barcelona to Algiers will be offered weekly and services from Barcelona to Skikda fortnightly. The port of Bejaia, meanwhile, will be served on a weekly basis from Algeciras and Barcelona.

India – Mediterranean

ONE announced that it was starting a loop between India and the Mediterranean from 28 January. It will serve the ports of Nhava Sheva, Mundra, Karachi, Algeciras, Valencia, Barcelona, Genoa, Piraeus, Damietta and back via Algeciras and Karachi.

Transatlantic

Two companies in the THE Alliance, **Hapag-Lloyd and ONE**, have added another ship to the AL4 service, which now calls in Le Havre, London Gateway, Antwerp, Hamburg, Wilhelmshaven, Vera Cruz, Altamira and Houston before returning to Le Havre.

Europe

ONE is reviewing its service in the Adriatic. It has made no reference to the current situation in the Red Sea, but it is clear that its services to Mediterranean ports are directly affected by diversions round the Cape of Good Hope. ONE has announced plans to deploy a reinforced Adriatic feeder, serving Valencia, Alexandria, Koper, Ancona and Damietta before returning to Valencia.

With the crisis in the Middle East, **Maersk** has caused a stir by cancelling calls by its Europe-Mediterranean service in the ports of Ashdod and Haifa. The service now calls in London, Rotterdam, Antwerp, Bremerhaven, Alexandria, Iskerendun and Port Said.

Asia – Europe

After being banned from calling in Indonesian ports, Israeli shipping company **ZIM** has revised the route of its ZMP Europe-Asia service. Its hub has been transferred from Port Klang to Colombo in Sri Lanka and a call in Ho Chi Minh has been added. ZIM has also switched its Izmit call from Yarimca to Derince. The new loop will call in Busan, Qingdao, Ningbo, Shanghai, Shenzhen, Ho Chi Minh, Colombo, Haifa, Ashdod, Mersin, Izmit and Istanbul before returning via Shenzhen and Xiamen.

Transatlantic

CMA CGM has announced that it is reactivating its Namex (North American Express) on a seasonal basis. According to Dynamar, this concerns a segment of the Columbus Jax service linking US west coast ports, Asia and US east coast ports via the Suez Canal. Because of the tensions in the Bab-el-Mandeb Strait, the service has been ending in Asia. So, CMA CGM has added a service linking Tangiers, Halifax, New York, Philadelphia, Norfolk, Savannah and Charleston.

Europe – Africa

MSC announced that it was making a call in the French port of Dunkirk as part of its service between West Africa, the Canary Islands and North Europe. The first call there was made on 24 January by the MSC India.

For Dunkirk, this represents the return of MSC's Africa lines to the port. Others have a different interpretation, however. MSC is understood to have ended its feeder service between Dunkirk and Antwerp. By adding Dunkirk to its Africa-Europe service, therefore, MSC has softened the impact of the closure of the feeder service on the French port.

3/ Port operations

- **Europe**

European terminals, which have been operating in slow mode for three weeks, saw ships return in great numbers in January but with too many ships arriving at the same time. Recalibrating services is going to be a headache for the Ocean Alliance, which is continuing to use the Suez Canal but also to send ships via the Cape of Good Hope.

This could expose cargo owners to **the risk of detention and demurrage fees** in the absence of road haulage capacity to remove boxes from terminals.

- **United States**

If traffic continues to grow on the west coast of the United States, as a result of disruption in the Red Sea, new transit records should be set in Los Angeles and Long Beach. The US west coast ports are benefiting from the switching of cargoes bound for the east coast, which are being penalised in terms of rates and transit times by restrictions on traffic through the Panama Canal. This represents a return of the pendulum in a certain sense, since the west coast ports saw traffic switched to the east coast during the post-pandemic recovery because of the congestion from which they were suffering at the time.

The west coast ports have another argument in their favour, moreover, since they have completed their wage negotiations with port workers. The agreement ratified on 1 September 2023 with the International Longshore and Warehouse Union runs until 1 July 2028. This gives the west coast ports **an advantage over their east coast counterparts, where negotiations between the International Longshoremen's Association (ILA) and the United States Maritime Alliance** are still in progress. The existing agreement is due to expire at the end of September, which coincides with the start of the peak season for the shipment of goods for the end-of-year festivities. This was pointed out recently by the National Retail Federation, which called for a new agreement to be struck before the existing one expires.

Uncertainty about this could induce importers to route their goods via the west coast, even though this means transporting a large part of them on to the east coast by rail.



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- **Operators**

Livorno: a manager looks to have been found at last for the port of Livorno's Darsena Toscana container terminal. The Grimaldi group has bought the terminal from Gruppo Investimenti Portuali, a company owned by the investment companies, Infravia and Infracapital. The new terminal management company is a joint venture between Grimaldi Euromed (80%) and Grimaldi Deep Sea (20%).

Ethiopia: the Ethiopian government has negotiated an agreement with Somaliland, giving it space in the port of Berbera. It will have a 50-hectare area in the port and could build a terminal there to meet its supply needs. The overland route between Berbera and Ethiopia will need to be improved however. Ethiopia could also build a naval port in Berbera. In return, it has agreed to recognise the self-declared Republic of Somaliland.

The French Caribbean: CMA CGM has signed an agreement with the French government and the local authorities in Guadeloupe and Martinique under which it will set up a regional hub in the two French overseas territories. Some €600m is to be invested to lengthen the quays in the two local ports, which will see their annual handling capacity increased to 300,000 TEU. The project also provides for CMA CGM to invest in new, environment-friendly ships.

AUTHOR



Jérôme De Ricqlès

Ocean Shipping Expert at Upply

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

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