JOC.com

Published on *JOC.com* (https://www.joc.com)

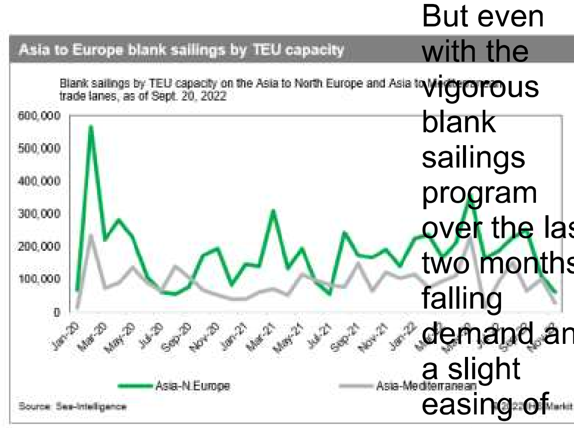
Greg Knowler, Senior Europe Editor | Sep 23, 2022 11:49AM EDT

Congestion at the main North Europe hubs remains elevated, tying up capacity and throwing out carrier schedules. Photo credit: Hapag-Lloyd.

Carriers on the Asia-North Europe trade lane have blanked almost half a million TEU in capacity over the past two months to put the brakes on freefalling spot rates ahead of the coming contract tender season.

With demand falling through the traditional peak shipping period and rates tumbling, carriers withdrew 228,715 TEU of capacity in August and 251,089 TEU through September, 15 percent more than during the same two months last year, according to Sea-Intelligence Maritime Analysis.

Click to enlarge.



But even with the vigorous blank sailings program over the last two months, falling demand and a slight easing of port congestion in North Europe has seen average spot rates falling 28 percent since Aug. 1 to the current level of $4,160 per TEU, according to data from rate benchmarking platform Xeneta. The rate has fallen 50 percent since Jan. 1 but is still almost five times higher than in September 2019.

Peter Sand, chief shipping analyst at Xeneta, said the blanked sailings are influencing market rates, but it may be “too little too late” to stem the rate freefall, in part because the cancellations have not been spread evenly across carriers.

“In the early days of the pandemic, it was really useful as a massive erosion of rates was prevented … all carriers did the same,” Sand told JOC.com Friday. “Today, not all carriers are blanking sailings. This lack of uniformity looks to be too little too late from the outside. Right now, carriers see different dominant strategies as opposed to the early days of 2020 when they all saw one.”

Volume trending down

Spot rates are suffering primarily from a lack of freight demand. Volume data for August is not yet available, but European imports from Asia have fallen on a year-over-year basis in every month since

January. Through July, westbound Asia–Europe volumes have fallen 6.5 percent to 6.65 million TEU compared with the same seven-month period in 2021, according to Container Trades Statistics.

“Falling demand for ocean freight, whatever the drivers — inflation, fears of a looming recession, an extremely early peak season — is making capacity more readily available than it has been in a very long time and rates continued to fall this week as a result,” said Judah Levine, head of research at freight marketplace Freightos, in a market update this week.

Despite the decline in demand, North Europe’s four main hubs — Rotterdam, Antwerp, Hamburg, and Bremerhaven — remain congested. The 60-day average dwell time for imports at those four ports reached seven days as of Sept. 23, up from just over six days at the beginning of the year, according to data from freight visibility provider FourKites.

Many Asia–Europe shippers will soon enter contract negotiations with carriers for 2023. However, Jérôme de Ricqles, a consultant at digital freight transportation marketplace Upply, said the change in market conditions from last year will cause both parties to approach the talks differently.

“Shippers will go into negotiations with far more arguments and far more aggressivity,” de Ricqles said during an Upply webinar last week. “But shippers will enter the tender negotiations with global volume below what was on the table for the past two years, and that will deplete their negotiating power.”

On the other side of the table, “carriers know they are not in a place where if they lower the prices, they will get more business,” de Ricqles added. “Business is sluggish because of falling demand.”

Contact Greg Knowler at greg.knowler@ihsmarkit.com and follow him on Twitter: @greg_knowler.

Maritime News › Trade Lanes › Asia-Europe
Asia
Asia › China
Europe