

Oversupplied Asia-Europe ocean trade readies for two December rate hikes



Volume from Asia to Europe was almost 13% higher year over year in the third quarter, but there is a widening gap between supply and demand. Photo credit: Cosco Shipping.

Greg Knowler, Senior Editor Europe | Nov 29, 2023, 11:16 AM EST

Ocean carriers on Asia-Europe trades will hit the market with two rate increases in December in an urgent attempt to raise prices ahead of annual contract talks, even as excess capacity continues to undermine rate-hiking efforts.

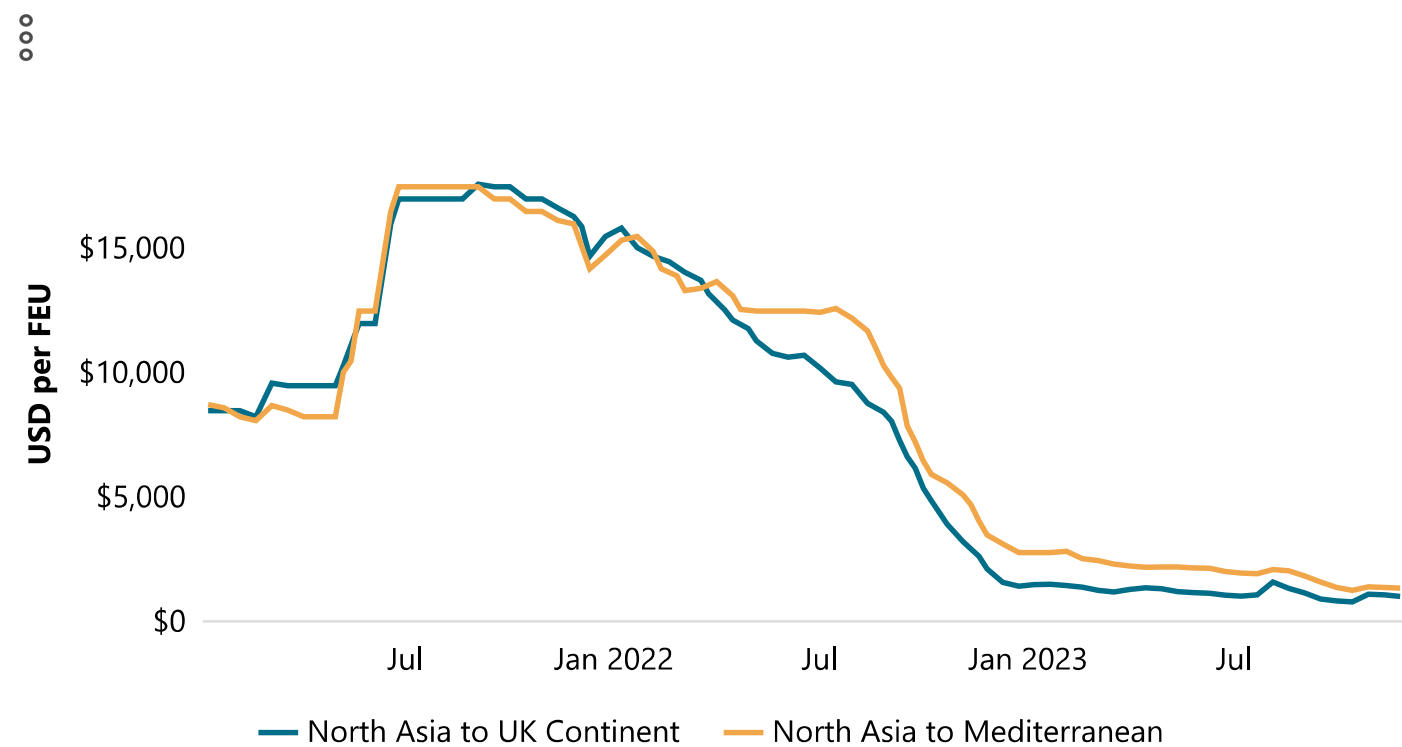
Several carriers have announced freight-all-kinds (FAK) rate increases for Dec. 1 and again on Dec. 15. Unlike general rate increases on the trans-Pacific, carriers on European trades can only set aspirational FAK levels.

On Dec. 1, carriers will be looking for rates between \$1,750 and \$1,800 per FEU. On bookings from Dec. 15, the North Asia to North Europe FAK rates will range from

\$2,000 to \$2,200 per FEU and \$2,700 to \$2,800 per FEU on the Asia-Mediterranean trade.

Steady slide in rates from North Asia to Mediterranean, UK despite rate hikes

Platts container rate North Asia to Mediterranean and North Asia to UK in USD per FEU



Source: Platts, S&P Global

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But the FAK levels remain far above current spot rates. Data from Platts, a sister company of the *Journal of Commerce* within S&P Global, pegs North Asia-North Europe rates at \$1,400 per FEU this week, with Asia-Mediterranean at \$1,600 per FEU.

Judah Levine, head of research at online freight rate marketplace Freightos, said in a weekly market update Wednesday that Asia-North Europe rates on their platform fell 6% last week to \$1,211 per FEU, 17% lower than the same week in 2019.

“Carriers are facing increasing pressure to push spot rates up on this lane as they serve as the basis for annual contract levels typically finalized by the end of the year,” Levine noted.

“Some carriers are reportedly extending current annual contract terms through January to buy more time for spot rate gains and strengthen their position for contract negotiations crucial to their profitability in 2024,” he added.

Drewry has estimated combined spot and contract rates will fall 60% this year and another 33% in 2024, leading the container shipping industry to an expected combined EBIT loss of \$15 billion next year.

Supply-demand gap widens

Surplus capacity continues to erode the carriers’ rate-increasing efforts. While data from Container Trades Statistics (CTS) shows volume from Asia to Europe in the third quarter was almost 13% higher year over year, there is a widening gap between supply and demand.

Shipping association BIMCO, in a market update Wednesday, forecast that Europe and Mediterranean import volumes will grow between 2% and 3% in 2023 after falling 8% in 2022. Growth is expected to end 2024 at between 2% and 3%, and between 2.5% and 3.5% in 2025.

“Despite forecasting growth for three years in a row, our forecast for 2025 is nevertheless lower than the actual volumes were in 2019,” noted Niels Rasmussen, chief shipping analyst at BIMCO and author of the report.

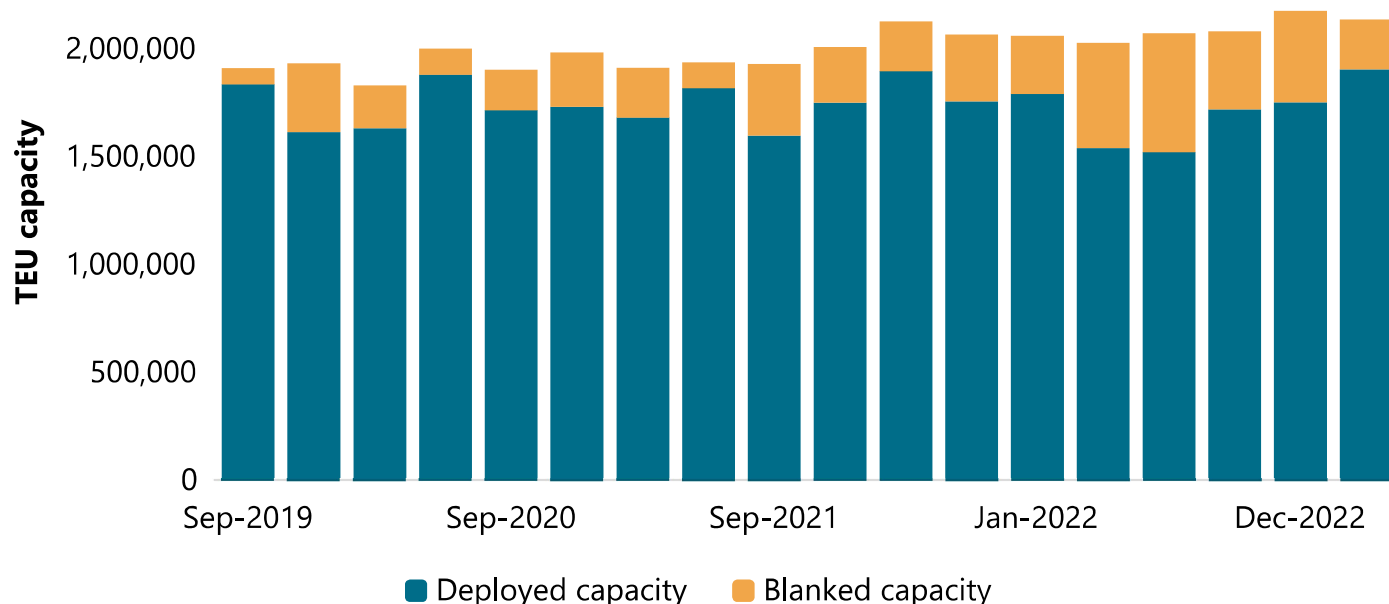
The demand will be far outstripped by the growth in the container shipping fleet, with BIMCO estimating capacity will increase 12% in 2023, 6.8% in 2024 and 6.4% in 2025.

“Global supply is forecasted to grow at an average annual rate of 8.4% between 2023 and 2025,” Rasmussen wrote, adding that even during the best of times, ship demand would not see similar growth.

Weak European import demand leaves carriers oversupplied

Asia–Europe deployed and blanked ocean capacity measured in TEU





The total fleet is expected to hit the 30 million TEU mark in late 2024 and 31.9 million TEU at the end of 2025. Data from Sea-web, a sister company of the *Journal of Commerce* within S&P Global, puts the current order book at 7.4 million TEUs, or 27.5% of the in-service fleet.

“Though we do not believe that liner operators will be able to significantly increase freight rates, we do believe that they will be significantly more focused on adjusting their operated fleet to actual demand,” Rasmussen noted in the BIMCO report.

Carriers will have withdrawn 21% of their capacity through blank sailings in November, with 24% to be withdrawn in December, according to Sea-Intelligence Maritime Analysis. To date, 12% of available capacity is scheduled to be blanked in January.

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