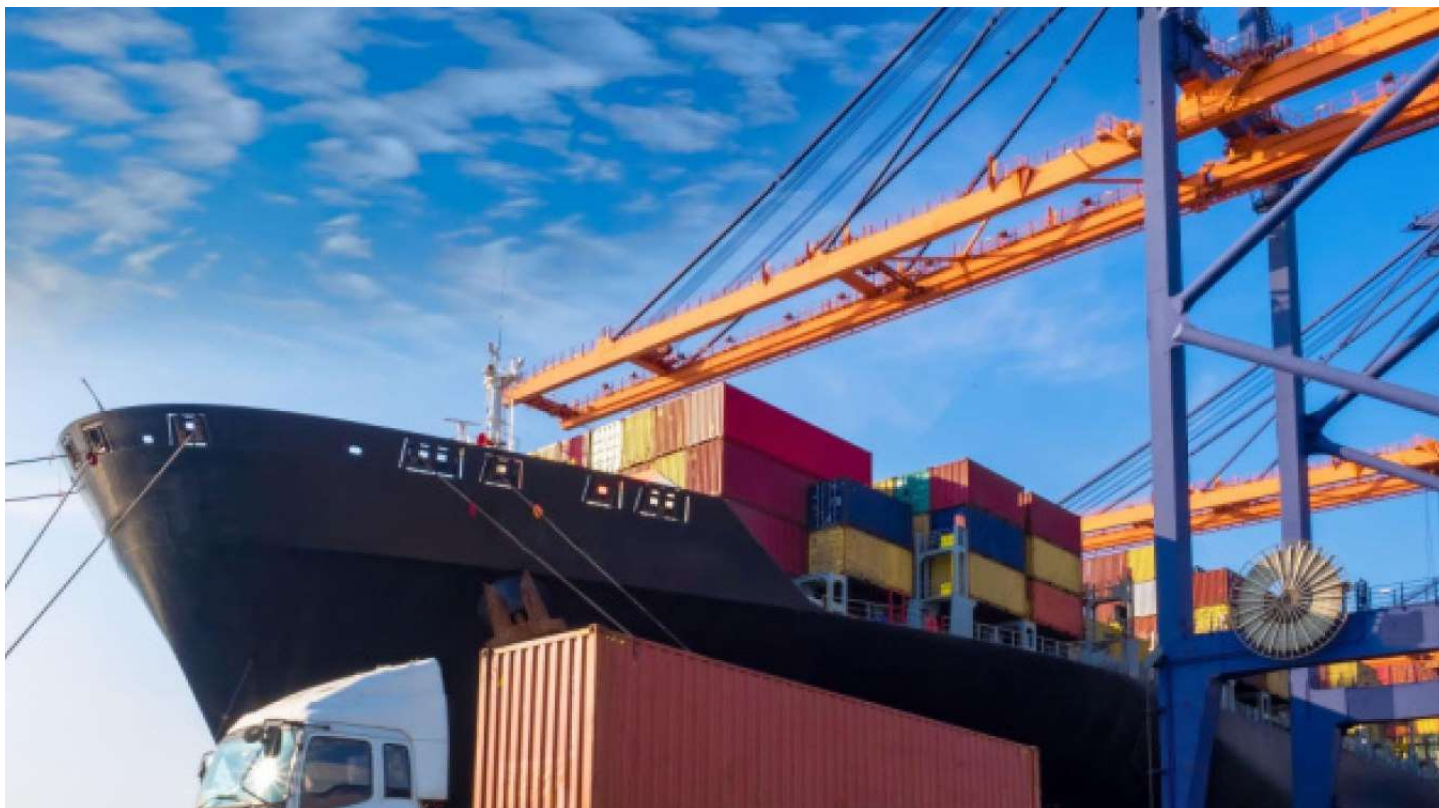


Spot rate gains puts pressure on shippers delaying Asia-Europe contracts: Xeneta



Forwarders are expecting a huge round of blank sailings on the Asia to North Europe and Mediterranean trade lanes through the fourth quarter. Photo credit: Mr. Amarin Jitnathum / Shutterstock.com.

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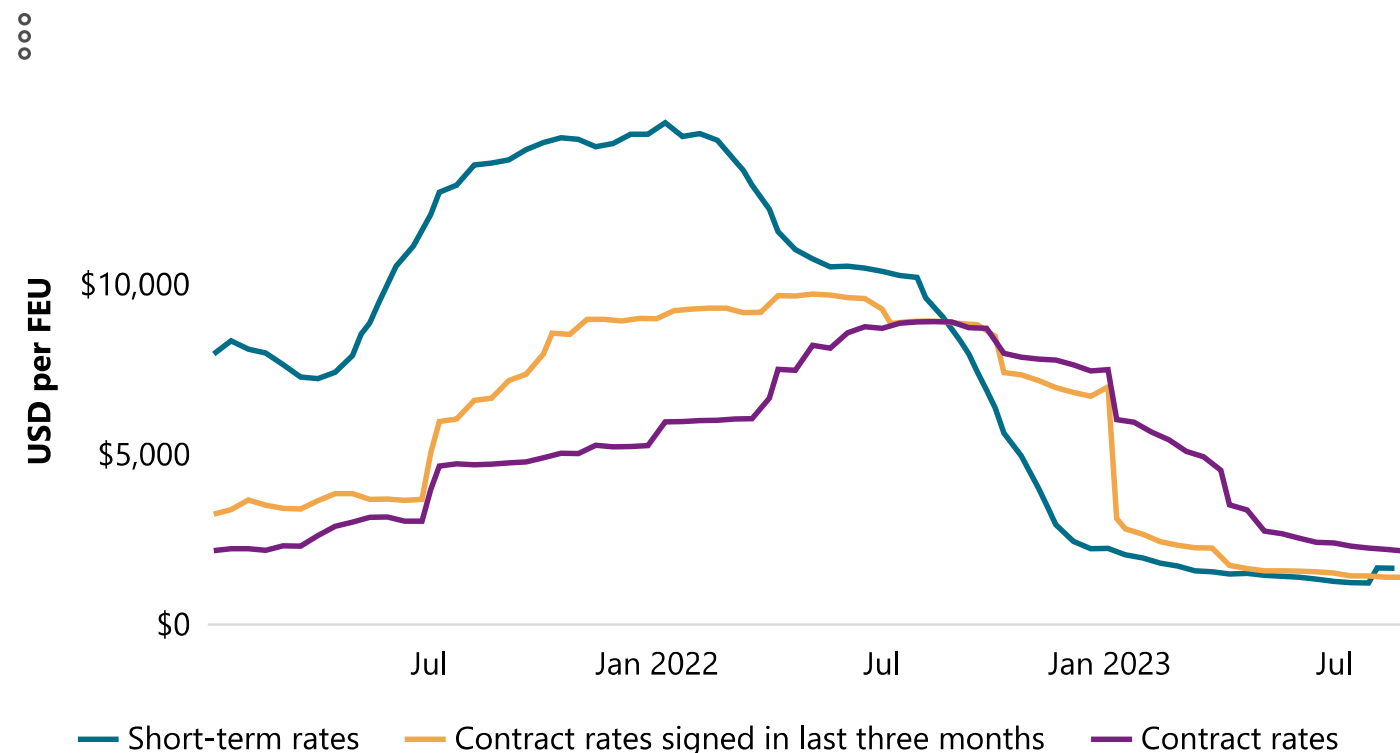
Spot rate increases levied by Asia-North Europe carriers on Aug. 1 have pushed average short-term rates above contract prices for the first time in a year. And Peter Sand, chief analyst for rate benchmarking platform Xeneta, is warning that the sudden turnaround in spot rates is “a wake-up call” to shippers delaying signing new long-term contracts with carriers.

“The average rate for new long-term contracts signed within a month, rather than the average signed in the past three months, is no longer falling,” Sand noted in a Xeneta market update Wednesday.

“August is the first time since April that there has been a month-on-month increase in the average rate of new contracts signed,” he added. “Though small, the \$30 per FEU increase in the average rate for new long-term contracts from the Far East to North Europe suggests rates have bottomed out and will soon start following spot rates upwards.”

Asia-North Europe spot rates finally move above long-term contracts

Asia to North Europe short-term rates vs long-term rates



Source: Xeneta

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After spot rates languished below long-term rates since Aug. 17, 2022, carriers announced a set of Aug. 1 freight-all-kinds (FAK) increases, which increased rates by \$500 per FEU to \$1,765 per FEU, according to Xeneta. Carriers in European trades are required to set aspirational rate levels rather than impose general rate increases.

The spot rate moderated slightly through August and was at \$1,629/FEU on Wednesday.

Spot rates now hold a 15% premium over the average contract rate of \$1,418/FEU. On Aug. 15, 2022 when the spot market fell below contract prices, the long-term rate stood at \$9,100/FEU and the spot rate was at \$9,039/FEU.

Demand rebound

Supporting rate levels is a rebound in demand on the Asia-North Europe and Mediterranean routes. The latest data from Container Trades Statistics (CTS) shows Asia–North Europe volume grew 3.1% year over year to 915,284 TEUs in June, while volume shipped from Asia to the East Mediterranean and Black Sea jumped 39% to 297,000 TEUs. Asia–West Mediterranean volume rose 21% to 279,908 TEUs during the month.

Additional upward pressure might soon be brought to bear on spot rates, with forwarders expecting carriers to ramp up blank sailings on the Asia to North Europe and Mediterranean trade lanes through the fourth quarter to mitigate a significant injection of new capacity.

Just 2.7% of available capacity is currently set to be blanked in September on Asia-North Europe and 6.2% in October, while on Asia-Mediterranean routes, 5.5% is set to be cut in September and 5.8% in October, according to Sea-Intelligence Maritime Analysis.

This is despite the capacity of the global orderbook closing in on 30% of the active fleet at more than 7 million TEUs, with Drewry estimating 2.5 million TEUs of that capacity will be delivered by the end of this year. At least 65% of the ordered capacity consists of vessels with a capacity greater than 15,000 TEUs that will mostly be deployed on the Asia-Europe trade lanes.

“We expect a certain rate disruption after Golden Week [the Chinese holiday in the first week of October] or connected strong countermeasures with massive blankings,” Markus Panhauser, senior vice president for ocean freight/Europe at DHL Global Forwarding, told the *Journal of Commerce* last week.

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