

Asia-Europe carriers target pre-Lunar New Year demand with rate hikes, blank sailings



Carriers this year have kept idle capacity at low levels while adding significant numbers of new vessels. Photo credit: OOCL.

Greg Knowler, Senior Editor Europe | Oct 15, 2024, 2:02 PM EDT

Forwarders expect freefalling Asia-North Europe ocean spot rates to bottom out in October and then climb through the remainder of the year as carriers increase blank sailings and roll out rate hikes to target early Chinese New Year demand.

In an advisory to customers this week, a Europe-based global forwarder said there is less volume currently on the Asia-Europe trade because some factories and shippers were holding cargo back in anticipation of rates falling further. But that will change.

“November demand is expected to be strong because the blank sailings will limit capacity and the Chinese New Year peak will be earlier because of the longer transit

times [around southern Africa],” the advisory noted. Lunar New Year will be earlier in 2025, falling on Jan. 29 compared with Feb. 10 this year.

The head of ocean freight at a Germany-based forwarder who did not want to be identified agreed that rate levels were likely to rise through November with demand picking up from early in the month amid carriers withdrawing capacity.

Carriers have so far been unable to stem the rate slide in the traditionally slow post-Golden Week period that followed an early peak season on Asia-Europe, but they are pulling hard on capacity management levers in a bid to balance supply and demand.

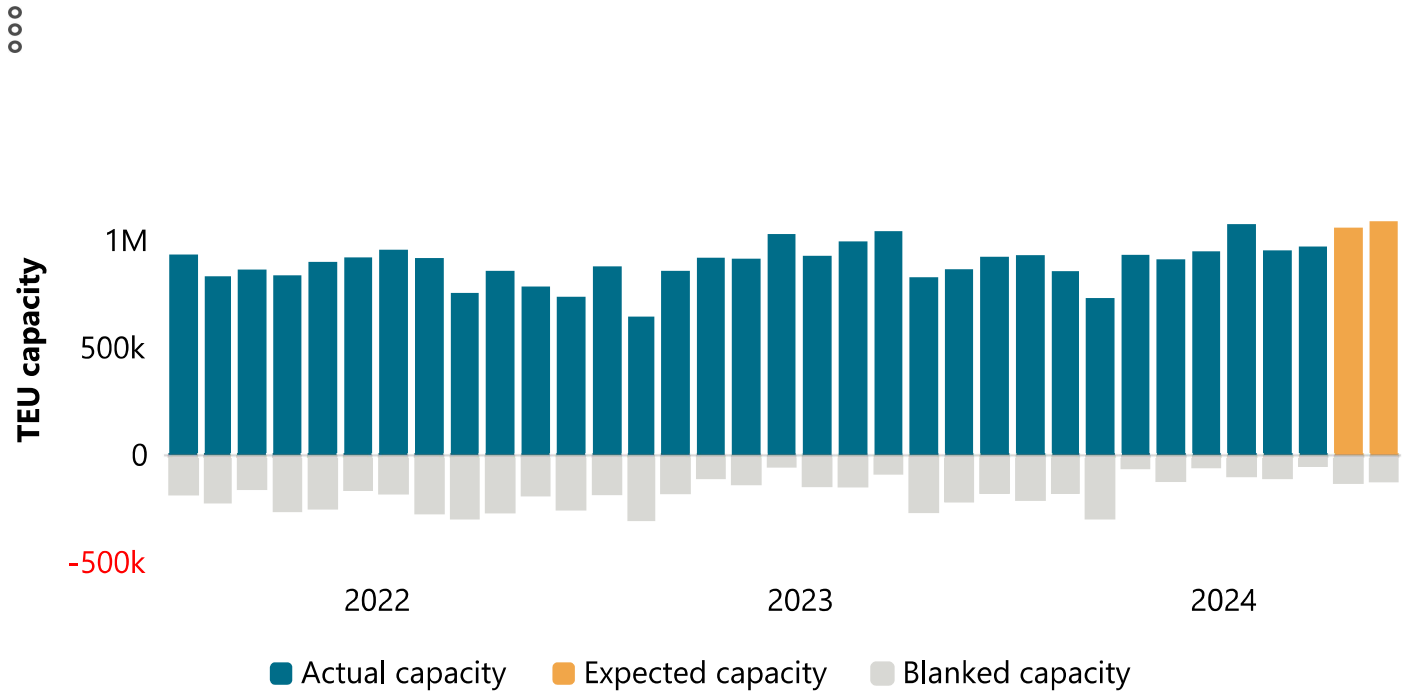
“As a consequence of the decline in demand, Maersk is looking to balance the network accordingly,” the carrier told customers in an advisory this week.

Data from visibility provider eeSea shows carriers are so far expected to blank 271,382 TEUs in October on Asia-Europe, representing 20% of available capacity on the trade. That’s up from 16.5% in September and 15.3% in August. November blanks were not yet available.

Total Asia-North Europe capacity — comprising both available and blanked capacity — was 1.35 million TEUs in October, compared with just over 1 million TEUs during the same month last year, according to eeSea.

Asia-North Europe carriers pull capacity levers to balance supply-demand

Container ship capacity deployed from Asia to N.Europe, with historical blanked capacity, capacity estimates and blank sailings already announced.



Notes: As of Sept. 20, 2024

Source: eeSea

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6M

2Y

YTD

MAX

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Carriers this year have kept idle capacity at low levels while adding significant numbers of new vessels. So far this year, capacity delivered in the “ultra-large” vessel segment of 14,501 TEUs and above is at 658,048 TEUs, according to Sea-web, a sister company of the *Journal of Commerce* within S&P Global.

On a global level, shipping association BIMCO has forecast cargo volume growth at 3% to 4% in both 2024 and 2025, which will be easily outstripped by fleet growth due to top 9.5% in 2024 and 4.9% in 2025.

“In 2024, 478 container ships with a capacity of 3.1 million TEUs are scheduled for delivery, beating the 2023 record by 41%,” Niels Rasmussen, BIMCO’s chief shipping analyst, told the *Journal of Commerce* in a recent interview.

Nov. 1 rate hikes

The Asia-North Europe capacity cuts have yet to exert any upward pressure on rates during the traditionally slow post-Golden Week period in early October that followed an early peak season on Asia-Europe.

Spot rates from Asia to North Europe have lost more than \$5,500 since early July, when prices hit a 2024 high of \$8,500 per FEU. The average rate this week was \$2,900 per FEU, according to Platts, a sister company of the *Journal of Commerce* within S&P Global.

Several carriers have announced freight-all-kinds (FAK) rate levels from Nov. 1 in a move to capitalize on any rising demand and finish the year strongly. The increases are led by Mediterranean Shipping Co., which is setting its rate at \$5,000 per FEU. Maersk has told customers there will be a rate increase from Nov. 4, but did not provide a figure. Hapag-Lloyd, however, is setting its rate at \$2,500 per FEU, lower than the current market.

Potentially aiding carrier attempts to raise rate levels will be weather-related congestion that has been disrupting ports at both ends of the Asia-North Europe trade.

Kuehne + Nagel's visibility platform SeaExplorer is reporting the current average waiting time at Hamburg is near 1.17 days, but yard utilization is at 102% with the German port limiting empty returns for all carriers. Labor shortages at night and on weekends are adding to delays.

Across the English Channel in Felixstowe, SeaExplorer is reporting heavy disruption at the UK's largest container hub and noted that operator Hutchison Ports has threatened to close its gates to empties if stock levels are not reduced below 5,000 TEUs.

The recent typhoons Bebinca and Pulasan in Asia caused the bunching of vessels with the average waiting time in Shanghai over the past seven days at 2.61 days, according to SeaExplorer. Heavy berth congestion at the port's Waigaoqiao terminals is causing three-day delays while the larger Yangshan terminals are facing waiting times of up to two days.

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