

Carriers limit box repositioning costs on backhaul Europe-Asia trade: Xeneta



A total of 1.55 million TEUs was shipped from Asia to Europe in May, while just 534,000 TEUs were on the backhaul route, according to Container Trade Statistics. Photo credit: Hamburg Port Authority.

Greg Knowler, Senior Editor Europe | Jul 30, 2024, 1:44 PM EDT

The highly profitable Asia-Europe headhaul trade has allowed ocean carriers to focus on returning equipment to Asia to serve the strong early peak season demand and resist the collection of backhaul cargo at unattractive rates, according to the chief analyst for rate benchmarking platform Xeneta.

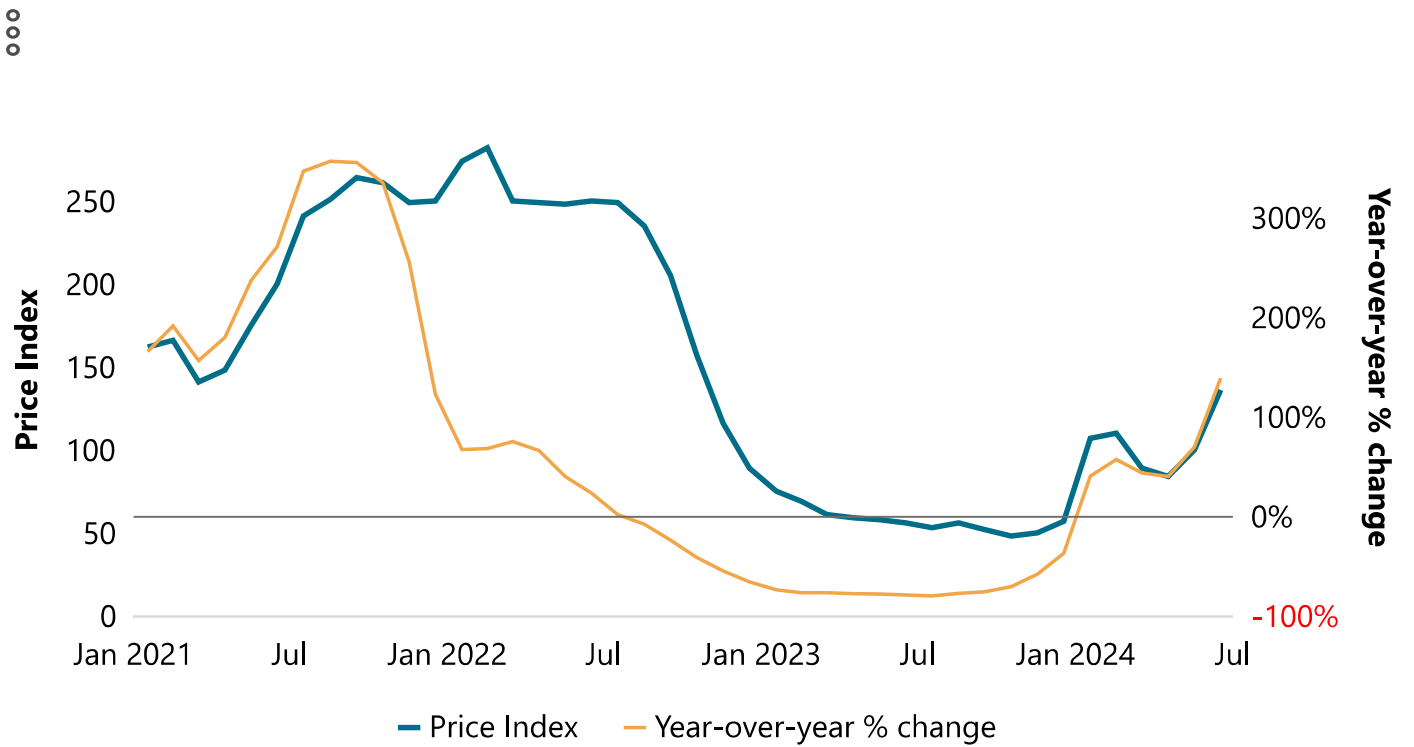
Peter Sand told the *Journal of Commerce* Tuesday that spot rates on the Europe-to-Asia trade lane have fallen sharply since topping out on Feb. 1, with the supply of containers brought in to cover fronthaul demand inevitably spilling over into the backhaul trades.

“There is a clear mismatch between demand and supply, but what is keeping rates from falling through the floor is that carriers can turn down the picking up of boxes if they are outright loss-making,” Sand said.

“Carriers are making good money on the front-haul and the back-haul is about limiting the losses of repositioning [containers], and there is a limit to what they will accept from shippers,” he added.

Back haul Europe to China spot rates up on last year

Monthly containerize price index from China to Europe, with year-over-year change



Source: Container Trades Statistics © 2024 S&P Global

1M	6M	1Y	YTD	MAX
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Average spot rate levels for the North Europe to Asia trade is at \$325 per FEU this week. Although that is down sharply from the \$1,014 per FEU on Feb. 1, the rate has not fallen below the \$100 per FEU reported by some forwarders last November despite the huge amount of eastbound capacity available to European exporters.

Data from Container Trades Statistics (CTS) for May, the latest volume figures available, shows that vessels will be two-thirds empty returning to Asia. In May, 1.55

million TEUs were shipped from Asia to Europe while just 534,000 TEUs were on the backhaul route. That ratio was near 1:2 before the pandemic.

A spokesperson for Hapag-Lloyd said lower demand for European products in Asia and returning vessels mostly empty on the backhaul trade were contributing factors to the low rate levels.

“[There are] lower sales of machinery, automotive and chemicals from Europe to Asia plus capacities injected into the roundtrip to capitalize on the booming Far East westbound market ... need to be returned to Asia quickly,” the spokesperson told the *Journal of Commerce*.

He said shippers of low-paying commodities such as forestry products were also taking advantage of the spot market on the backhaul trade, with carriers trying to load that cargo to compensate for any return leg losses.

Margin pressure on backhaul trade

The head of ocean freight at a global forwarder said the only reason backhaul rates took off after the attacks on commercial shipping in the Red Sea was because of the huge carrier surcharges levied on the market and the additional cost per TEU of Europe's Emissions Trading System (ETS).

But the source said rates have fallen significantly since then — even below what's reflected by various indices, with the spot rate per FEU as low as \$250 for freight-all-kinds (FAK) and down to \$100 per FEU for named accounts.

“It's obvious that with those rate levels carriers will not earn money, but they subsidize this with the higher rates on Far East westbound,” the executive told the *Journal of Commerce*, adding that it was “not really possible” for forwarders to have margins when the rates were so low.

But Marc Meier, managing director of air and sea logistics for Europe, Middle East and Africa at Germany-based forwarder Dachser, did not share that view, saying the backhaul trade to Asia remained profitable for both carriers and forwarders despite the falling rates.

“The carriers' main interest is the re-positioning of the container equipment to Asia where they obviously make the money,” Meier said. “However, without equipment, no money.”

Sea-Intelligence Maritime Analysis wrote in its Sunday Spotlight newsletter this week that spot rate developments on the backhaul trade following the start of the Red Sea

militant attacks were short-lived, unlike the long and steady upward trend seen during the pandemic that peaked in mid-2021.

The analyst said this was a strong indicator that the equipment shortage that plagued the market during the peak of pandemic disruptions is not as severe this time.

“There have been some cases of short-term equipment issues in 2024, but these have mainly been tactical and temporary in nature, and not of the severe structural kind seen during the pandemic,” Sea-Intelligence CEO Alan Murphy noted.

“Unless new calamities befall the market, back-haul shippers should not be overly worried over a replay of the pandemic rate spikes,” Murphy added, although he warned that a potential labor strike along the US East and Gulf coasts would represent such a calamity.

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