

## Ocean carriers unable to cover demand despite huge capacity injection



*OOCL this week named its sixth 24,188-TEU vessel the OOCL Denmark. Photo credit: OOCL.*

**Greg Knowler, Senior Editor Europe | Jun 26, 2024, 12:09 PM EDT**

The strong demand for vessels on Asia's export trade lanes is absorbing huge amounts of capacity being injected by carriers, frustrating efforts to manage unseasonally heavy volume and cope with longer voyages around southern Africa and congestion in key ports.

Ocean carriers have taken delivery of almost 1.6 million TEUs of capacity so far this year, according to Alphaliner, but it has done little to address the supply/demand imbalance on Asia-Europe and the trans-Pacific.

“Despite a record increase in nominal capacity from new deliveries, effective demand currently exceeds it,” DHL Global Forwarding told customers in a June market update,

adding capacity shortages are likely to last through the usual August-October peak season.

However, Sea-Intelligence Maritime Analysis noted in its latest Sunday Spotlight newsletter that blank sailings data indicated carriers were planning to increase capacity sharply on both the trans-Pacific and Asia-Europe trades in the weeks ahead.

“Their ability to do this, and hence alleviate at least part of the pressure on the market, will critically depend on whether port congestion allows them to operate the envisioned vessels in the sailing schedules,” the analyst wrote.

The low levels of ships sitting idle is another sign that carriers are deploying into service whatever capacity they can find. An Alphaliner survey showed commercially idle tonnage represented an average of just 0.7% of the total global container shipping fleet in the first half of 2024, a level last seen during the pandemic.

The survey found just 77 ships totaling 217,038 TEUs of capacity without revenue-generating activity in the latest two-week period as carriers called on all available tonnage to maintain weekly services.

## Equipment in short supply

But it is not only vessel capacity that is under pressure. The heavily disrupted trades out of Asia are also having a dramatic impact on equipment availability, illustrated by a 112% increase in the average price of a 40-foot-high cube container in China. In the past two months, the FEU price has risen from \$1,700 in April to \$3,600 in June, according to container availability data provider Container xChange.

The DHL Global Forwarding update warned that container equipment shortages have worsened in many Asian locations, with all new boxes fully booked until August.

Although congestion is improving slightly in Asian ports, the wait times for ships remains high as terminals battle to handle sharply rising throughput. Container volumes at Tanjung Pelepas in Malaysia have soared 20% so far this year, partly due to vessel diversions from Singapore, while Port Klang’s Northport terminal saw container volumes climb 26% in May to 335,361 TEUs from a year earlier due to ad-hoc calls by carriers.

## Frontloading scramble

The scramble for imports on the trades out of Asia is the result of several factors, including Red Sea-related disruption, congestion at key load ports in Asia and the possibility of labor strife this fall along the US East and Gulf coasts. That is

causing importers on Asia-Europe to jump sooner than they normally would, with knock-on effects for the West Coast supply chain.

Whether the early start to the traditional peak season will result in an early end has left analysts divided.

“We think the demand momentum could sustain during Q3 as shippers are keen to front load their cargoes ahead of Christmas to evade further disruptions, potential tariffs and further increases in freight rates,” Parash Jain, global head of transport and logistics research at HSBC, noted in a report this week.

Christian Roeloffs, cofounder and CEO of Container xChange, was not so sure, and said although container prices and rate levels remain significantly elevated, the volume of boxes being traded has decreased, which he pegged to growing caution among buyers.

“This trend indicates a potential reversal of prices in the near future as the market adjusts to the current disruptions and the high levels of volatility,” Roeloffs said in a June market update this week.

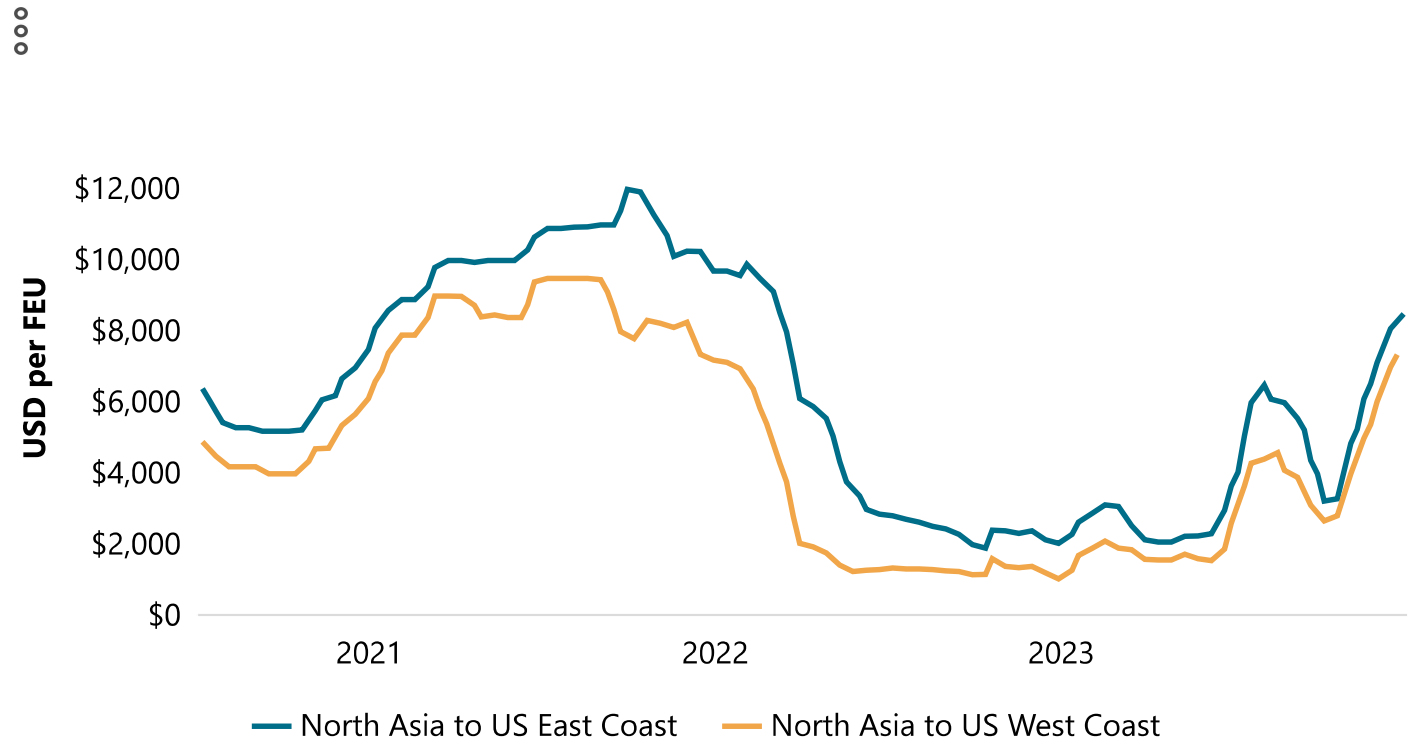
Niels Rasmussen, chief shipping analyst at BIMCO, also believes the overburdened trade lanes are heading for a slowdown in the second half.

“Compared to historical seasonality patterns, European imports in particular appear very strong and we believe that a portion of the normal third quarter peak season volumes have been shipped earlier than normal due to the supply chain disruptions caused by the re-routing via the Cape of Good Hope,” he noted in a BIMCO report released this week.

“Consequently, we forecast a weaker than normal peak in head-haul trades which, combined with a relatively stronger second half of the year in 2023, will result in a lower growth rate in the second half of 2024 than in the first half.”

# New July 1 GRIs to extend steep rise in Asia-US spot rates

Container rate from North Asia to US East and West coasts in USD per FEU



Source: Platts, S&P Global

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3M	6M	2Y	YTD	MAX
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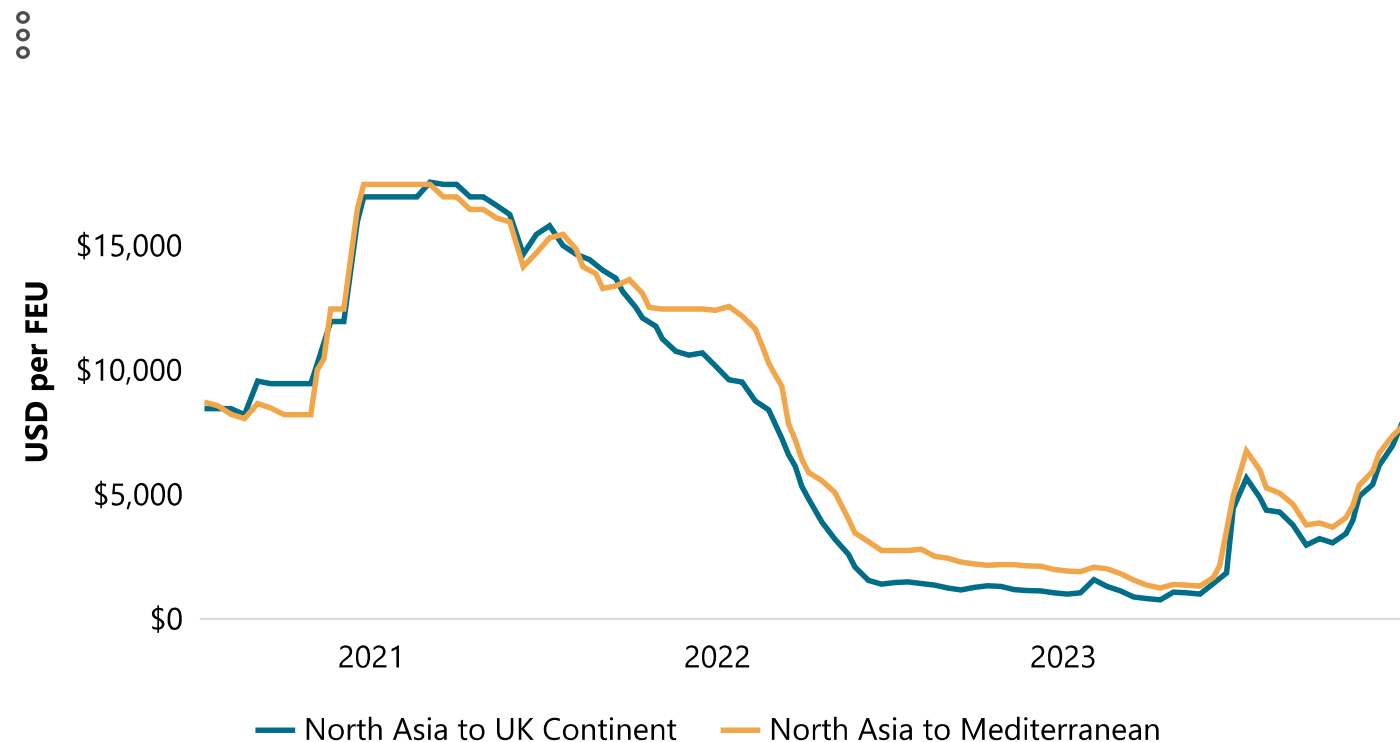
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There is no sign of any slowdown in rising spot rates from Asia to North Europe that are now halfway to the record \$17,000 per FEU levels reached in late 2021 and early 2022. Peak season surcharges (PSSs) of up to \$2,000 per FEU on top of the spot rate are likely to stick in the current tight market.

## Spiking Asia-Europe rates hit highest levels since mid-2022

North Asia to Europe and Mediterranean container short-term rates in USD per FEU



Source: Platts, S&P Global

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6M 1Y YTD MAX

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Average Asia-North Europe rates rose 13% sequentially over the last week to \$8,250 per FEU, more than six times higher than the same week last year, according to Platts, a sister company of the *Journal of Commerce* within S&P Global. Asia-Mediterranean rates were at \$7,900 per FEU on June 25, up 9% from last week and three times the rate at the same time last year.

Mediterranean Shipping Co. has announced July 1 freight-all-kinds rate increases that, if successful, will push the spot rate on Asia-North Europe close to \$10,000 per FEU and past \$9,000 on Asia-Mediterranean.

[A host of general rate increases \(GRIs\) on the trans-Pacific](#) will also be imposed on July 1, ranging from \$1,000 to \$2,000 per FEU, with CMA CGM levying a PSS of \$2,400 per FEU on top of its \$2,000 GRI.

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