

# MONTHLY CONTAINER SHIPPING BAROMETER



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# CONTAINER SHIPPING: SIGNS OF TENSION ON MARITIME CAPACITY

**As a passage by the Cape of Good Hope becomes commonplace, a certain strain on capacity is being felt.**

Houthis who are losing some of their striking power, sailors who are organising themselves and no longer want to be targets in the Red Sea and a destroyed bridge in the United States of which the effects are still being felt: here are the main markers of this month of April that has brought us its share of surprises, in a context of strengthening demand with ships announced fully laden for May departures from Asia to Europe.



**“ This month of April has brought us its share of surprises ”**

# Highlights

## The Houthis, a declining threat but over a wider distance

While the number of attacks on merchant ships seems to be decreasing around the Strait of Bab-el-Mandeb, threats and intimidation are now more spread out.

Between Somalia which is returning to “traditional” piracy, wishing to profit from the confusion in the area, and Houthis who are trying with Iranian support to fire long-range missiles in the aim of reaching merchant ships in the Indian Ocean, we can have doubts on the possibility of a rapid return of traffic via the Suez Canal.

Personally, I interpret this headlong rush as a swan song of the Houthi threat, although the Yemeni rebels [are still holding the Galaxy Leader and its crew hostage](#), following their capture on November 19. Their strike capability is beginning to suffer significantly from the joint actions of US and European naval forces. As of today, the Houthis do not have the capability to globally threaten Asia-Europe merchant traffic voyaging

via the Cape of Good Hope. On the one hand, it's too far for them. Long-range missile attacks are more easily detectable and leave more time for the navies present in the area to counter them. On the other hand, ships are increasingly avoiding the northwestern area of the Indian Ocean by cutting to the south as early as possible. Some ships leaving Colombo and the west coast of India, however, must be wary and sail south before heading west to follow the East African coast, in order to minimise the risk of attacks.

The fact remains that we are now entering a semester of disruptions in the Red Sea, which, from an economic point of view, is no longer an epiphenomenon or an occasional variable. It is now known that this parameter will affect the current fiscal year and that the initial forecasts for 2024 were largely erroneous.

## Seafarers who increasingly refuse to sail in the area.....

On 12 March, the International Bargaining Forum (IBF), which brings together representatives of employers and maritime transport employees, unanimously decided to designate the Red Sea and the Gulf of Aden as “warlike”, whereas they were until now considered as high-risk areas, “to emphasise the seriousness of the situation”, says [a press release entitled “Seafarers lives matter”](#).

This decision was taken unanimously by the IBF Warlike Operations Area Committee, after the attack on the ship *True Confidence* which claimed the lives of three seafarers. In particular, it allows seafarers to obtain wage compensation if they sail in the zone, but also, if necessary, to refuse to enter this warlike zone without being penalised. A relief for seafarers because today, a majority of container ship crews

do not consider a military escort to be sufficient protection. While the risk premiums paid to move into the “hot” zone can range from a few dollars to a one-off double salary (the average monthly salary of a sailor on a container ship is about 800 USD), many now assert their right of withdrawal.

Regardless of the specific guidelines of each company, we had announced that two factors would have to be taken into account in this crisis: the position of insurance companies and that of seafarers. Without wanting to oversimplify, it seems that today, on this subject, insurers are more open to negotiation than crews!

## A New Front in the Strait of Hormuz .....

While the tension seems to be durably setting in around the Red Sea and the Gulf of Aden, with a widening of the threat to the Somali coast or even to the northwestern tip of the Indian Ocean, a new front opened on the side of the Strait of Hormuz since the capture of the *MSC Aries* by the Iranian Revolutionary Guards.

Even though this action has affected a container ship, the Strait of Hormuz is mainly strategic for oil transport, with about 20% of the hydrocarbons consumed in the world passing through this route. Tension in the area can therefore lead to upward speculation on petroleum products. The risk is proven, even if for the moment, the markets remain calm. It is true that stock levels are good, and that the United States is able to mobilise strong production

capacity. Moreover, Iran has no interest in closing the natural exit route of its oil products and the Gulf countries are acting in the role of moderators while we observe that China is increasingly buying its oil from Russia.

The face of oil trade is changing, as is the balance of power, which is for once in favour of the West in the current dynamic. This is not to say that oil prices will not [continue to increase structurally](#) in 2024, but a new sharp oil shock remains unlikely at this stage, even assuming an occasional closure of the Strait of Hormuz.

## Further Investigations into the Baltimore Bridge Accident

As expected, the collapse of the Francis Scott Key Bridge in Baltimore, despite the disruption it causes, did not fundamentally affect the market for regional freight rates. The activity shifted to nearby ports, with the exception of coal and some automotive traffic. The opening of the provisional channel also allows the movement of 80% of the vessels. In mid-May, the ship *Dali* should in principle be freed from the pier of the bridge it hit. This risky operation will be decisive in order to continue the gradual reopening of the port.

The surprise came rather from the announcement of [the opening of a criminal investigation by the FBI](#), which wants to determine if the crew left port knowing that the ship had serious systems problems. The City of Baltimore also [sued the owner and operator of the vessel](#), Grace Ocean Pte Ltd and Synergy Marine Group, for damages. The city accuses the companies of negligence in the operation of the ship, and claims that the collapse of the bridge led to the economic engine of the city grinding to a halt.

In addition, the ship declared itself in general average late, which means that the goods on board become financially jointly and severally liable for the incident. This may be very expensive for shippers who had merchandise on board not covered at least by a "FPA except" guarantee. The overall amount of the claim promises to be colossal since it is valued at almost \$4 billion.

If the court succeeds in establishing that the ship was not technically fit to navigate at the time it left the dock, this could lead to new maritime jurisprudence perhaps less favorable to the interests of vessels in the future, which could penalise very large units more widely.

Given the investigative power of law firms and insurance companies in the United States, but also their pugnacity, the case promises to be a drawn out one.

# Prices

To fully understand the pricing dynamics in April, it is necessary to integrate three parameters.

- The market leader, MSC, is giving a strong fare restoration signal on its FAK rates for May between Asia and Europe. This will have a real impact, because the market knows very well that the big shippers have already negotiated lower rates for the second quarter. But the impact of the news may provoke a certain mimicry on the part of the other companies, which will therefore also reposition a FAK rate around USD 4,000/40' on an Asia-Europe route via the Cape of Good Hope.
- Once the market leader has set the pace for the other competitors, everyone will look at their operating accounts and position the average rates above their profitability thresholds, i.e. above the crucial USD 2,800-3,000 /40' on an Asia-Europe trip via the Cape of Good Hope. This is called "carrier discipline", i.e. an adjustment that results from observing the fundamentals of the market and not from an agreement.

- The last parameter concerns the pressure on the capacity. A shrewd and if possible simultaneous communication, combining announcements of full ships for the May departures in Asia and reduction or even elimination of blank sailings, will warn of difficulties for European shippers in being able to load quickly in Asia. Shipping companies can also mention a risk of scarcity of empty containers available in Asia.

By combining these three parameters, we obtain the cocktail leading to rate increases above the operating thresholds that the majority of the market expected after the "errors" of the 4th quarter of 2023.

**“An adjustment that results from observing the fundamentals of the market and not from an agreement”**

## Asia-Europe

On the Asia to Europe route, rates are therefore repositioning themselves slightly above the profitability thresholds. The decline has come to a halt and a rise in rates will begin.

### Shanghai - Le Havre



Port-to-port rates (spot and contract combined) billed for direct sailings from Shanghai to Le Havre, THC included, for a 40' HC DRY container carrying dry, non-dangerous goods. Source: [Uapply](#)

## Europe-Asia

On the Europe to Asia route, rates remain low but at least take into account the lengthened voyage and its additional costs, even if the logic of “better than empty” remains.

### Rotterdam - Shanghai



Port-to-port rates (spot and contract combined) billed for direct sailings from Rotterdam to Shanghai, THC included, for a 40' HC DRY container carrying dry, non-dangerous goods. Source | [Upply](#)

## Europe-USA

On the Westbound transatlantic route, the combination of low demand and an excess of supply is hurting the sector in terms of freight rates.

### Antwerp - New York

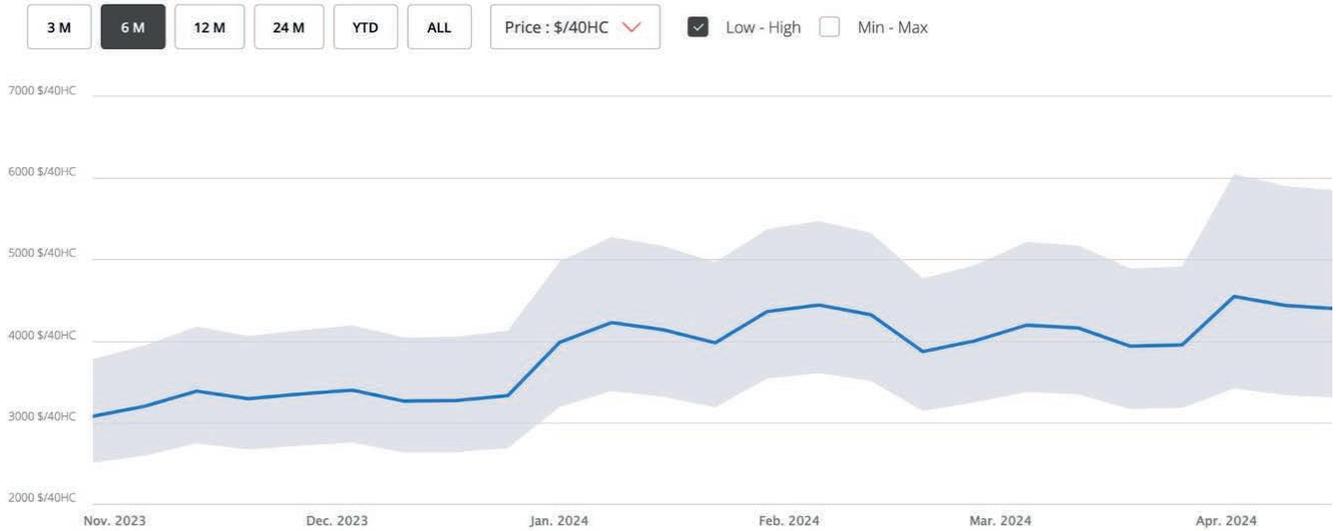


Port-to-port rates (spot and contract combined) billed for direct sailings from Antwerp to New York, THC included, for a 40' HC DRY container carrying dry, non-dangerous goods. Source | [Upply](#)

## Trans-Pacific

On the Transpacific route Eastbound, prices are dwindling. Demand is strong, but there is also a lot of supply around. The remuneration levels have been very good for operators for some time now, which is very beneficial financially for the companies most present in this market. There is also an improved quality of service and speed on this route, not directly impacted by the geopolitical tensions in the Middle East. The debate on surcharges on imports of Chinese products into the United States will perhaps calm the ardour.

### Shanghai - Long Beach



Port-to-port rates (spot and contract combined) billed for direct sailings from Shanghai to Long Beach, THC included, for a 40' HC DRY container carrying dry, non-dangerous goods. Source | [Uapply](#)

“ There is also an improved quality of service and speed on this route ”

# Services

During the first quarter of 2024, the overall reliability of containerised liner shipping services remained severely deteriorated. Added to the Red Sea crisis, which has caused massive diversions via the Cape of Good Hope, were the restrictions of the Panama Canal and the effects of the collapse of the Baltimore Bridge. According to Sea Intelligence, the figures for February and March 2024 show signs of improvement, even if we are far from the pre-pandemic levels.

Between April 29 and June 2, 47 cancellations are planned out of the 643 trips analysed by the British consultancy firm Drewry on the East-West routes (Europe-Asia, Transatlantic and Transpacific). This represents 7% of trips, down from 8.5% in April. 49% of these cancellations occur on services operating on the Trans-Pacific route from the United States to Asia. Next come connections between Asia and Europe (34% of cancellations), then the Transatlantic route (11%). These proportions remain substantially the same from one month to the next. OCEAN Alliance announced 16 cancellations, followed by THE Alliance and 2M with 12 and 5 cancellations respectively. The remaining 14 blank sailings come from shipping companies that do not operate in an alliance.

## India-Europe

Mærsk announced an improvement in its service between India and Europe. Since April, the ME2 service has included new calls at the ports of Rotterdam, Felixstowe and Bremerhaven. In this way, the new rotation of the ME2 makes calls at the ports of Tangier Med, Algeciras, Rotterdam,

Felixstowe, Bremerhaven, Tangier Med, Salah, Jebel Ali, Mundra, Nhava Sheva and returns to Tangier Med. The shipowner does not specify whether the ships will take the route through Suez or via the Cape of Good Hope.

## Mediterranean-Black Sea

The CMA CGM group extends its WEMED 2 service, between Malta and North Africa to Greece, says Alphaliner. The group made the first stopover in the port of Piraeus on April 17. This service, which originally connected Mersin, Beirut, Alexandria and Algiers, withdrew its port calls in Turkey and Lebanon. It then became a service between Egypt, Malta and Algiers, this service now however calls at the ports of Alexandria, Port Said, Piraeus, Marsaxlokk, Algiers and back to Alexandria.

The situation in the Black Sea seems to be settling down. According to Dynamar, the Turkish freight forwarder Sea Pioneer Denizcilik has started a rotation between the port of Constanta and that of Odessa with a vessel of 370 TEUs. Until now, containers destined for the port of Odessa used the Danube waterway.

At the same time, MSC is changing its service between Gioia Tauro and the Black Sea, amalgamated with that which rotates between Turkey and North Africa, Alphaliner says. A reorganisation that allows MSC to offer a service from Georgia to North Africa (Algiers and Casablanca), Portugal (Sines) and Valencia. The rotation of this service calls at the ports of Tekirdag, Derince, Nemrut, Marsaxlokk, Algiers, Casablanca, Sines, Valencia, Gioia Tauro, Bourgas, Batumi and returns to Tekirdag.

“ The situation in the Black Sea seems to be settling down ”

## Red Sea

According to Alphaliner, MSC is starting a new service between Asia and the Red Sea. It serves the ports of Singapore, Colombo, Djibouti, Salalah and Colombo.

Dynaliner reports that Sea Legend, a subsidiary of Transfar Shipping, Alibaba's maritime arm, is starting its rotations between Asia and the Red Sea. The ships call at the ports of Qingdao, Shanghai, Ningbo, Guangzhou, Aden, Djibouti, Jeddah, Sokhna, Hodeida and return to Qingdao.

Ocean Alliance is modifying the ANP service operated by Evergreen on behalf of the Asia Red Sea Alliance, adding the ports of Nagoya, Ho Chi Minh and Dammam and removing the stopover at Laem Chabang in Thailand. Thus, the new rotation of this service calls at the ports of Kaoshiung, Shenzhen, Shanghai, Ningbo, Tacoma, Vancouver, Tokyo, Nagoya, Osaka, Shanghai, Ningbo, Kaoshiung, Shenzhen, Port Kelang, Dammam, Umm Qasr, Dubai, Port Kelang, Laem Chabang and Ho Chi Minh.

## Asia-US East Coast

The promises made last month by the shipping companies of THE Alliance for a strengthening of the links between Asia and the East Coast of the United States were not to be fulfilled. The shipowners invoke the complicated situation in the Red Sea. The EC4 service therefore remains suspended. The vessels assigned to these rotations are positioned on other services. THE Alliance therefore continues to serve the East Coast of the United States from Asia with both the EC1 and EC5 services. To compensate for the absence of the EC4, the alliance is adding stopovers in some services. Thus, on the EC1, the ships now call at Xiamen between Kaoshiung and

Yantian and use the Panama Canal to reach New York, Norfolk, Savannah and return via Manzanillo. As for the EC2 service, it includes an additional stopover in the port of Yantian, between Qingdao and Ningbo. The EC5 service for its part calls at the ports of Laem Chabang, Cai Mep, Singapore, Colombo, passing the Cape of Good Hope. It then makes a loop via Halifax, New York, Norfolk, Savannah, Jacksonville, Charleston, New York, and Halifax, then takes the route by the Cape of Good Hope to serve Jebel Ali (provided the situation allows it, warns Hapag Lloyd), before joining the rotation by Singapore.

## Trans-Pacific

Hede Shipping, which had announced the opening of a route on the Trans-Pacific lane ([see our barometer published in April 2024](#)), gave details on its future service. It is planned that the rotation will be carried out by four vessels from 1,800 to 4,300 TEUs each between Shanghai and Los Angeles with a weekly frequency.

HMM negotiated spaces on ONE and Wan Hai's AP1 service. Ships rotate between Hai Phong, Ho Chi Minh, Shenzhen, Xiamen, Taipei, Ningbo, Shanghai, Los Angeles, Oakland and return via Shenzhen. At the same time, Evergreen's TPN service has come to an end.

On the other hand, HMM and SM Line exchange spaces on the PSX and CPX services. This exchange concerns 300 TEUs per trip. The PSX service calls at the ports of Busan, Kwangyang, Incheon, Shanghai, Kwangyang, Busan, Los Angeles, Oakland and returns to Busan. The CPX service serves Busan, Kwangyang, Qingdao, Shanghai, Ningbo, Busan, Long Beach, Portland and returns to Busan.

## Asia-Central America

MSC inaugurates a new rotation between Chinese ports and Mexico. The ships will call at the ports of Qingdao, Ningbo, Shanghai, Busan, Manzanillo, Lazaro Cardenas and return to Qingdao. This rotation is in addition to the shipping company's

Andean, Aztec, and Santana services that call at ports in the region. The Port of Manzanillo is sometimes used as an alternative to Californian ports when these suffer from congestion.

## Asia - South America

The CMA CGM group is redesigning its services between Asia and South America, and the East Coast. The two current services, SEAS 1 and SEAS 2 are being revamped for a wider service to ports in the region. From now on, the SEAS 1 service focuses on Argentina and Uruguay. It starts on May 10. It will serve the ports of Shanghai, Ningbo, Yantian, Hong Kong, Rio de Janeiro, Santos, Navegantes, Montevideo, Buenos Aires, Paranagua, Santos, Singapore and Hong Kong.

SEAS 2 services are more focused on serving Brazil. The first ship will leave the port of Tianjin on May 5 to call at the ports of Qingdao, Shanghai, Ningbo, Shekou, Singapore, Rio de Janeiro, Santos, Paranagua, Itapoa, Navegantes, Santos, Colombo, Singapore and Hong Kong. The particularity of this service is that it serves two ports in North China.

## Panama Canal

The easing of restrictions imposed by the Panama Canal Authority opens up new capacity for passage through it. Mærsk decided to use this waterway for its OC1 service, which was until now divided into two rotations. The first was from Balboa to New Zealand and Australia. The second called at Manzanillo, Philadelphia and Charleston in the Atlantic region. The new rotation of this service, which is scheduled

to start on May 7, departs from Philadelphia to Charleston, through the Panama Canal then Balboa, Tauranga, Sydney, Melbourne, Port Chalmers, Tauranga and returns via the Panama Canal to Manzanillo, Cristobal and Cartagena.

**“ The easing of restrictions imposed by the Panama Canal Authority opens up new capacity for passage ”**

# Operations

## Port of Baltimore

The collision between the ship Dali and the Francis Scott Key Bridge in Baltimore Harbor is still having an effect on traffic. Three temporary channels of 20, 14 and 11 feet deep are currently in use. For several shipping companies, this set-up makes it possible to carry out transfers by barge from the external port to the internal terminals. This is necessary as the progress of the work does not allow a call in the port for the ships deployed on the East Coast of the United States. MSC continues to unload Baltimore-bound containers at nearby ports, including New York for the Empire and Emerald services.

The port has announced that the Fort McHenry Limited Access Channel, 45 feet (approximately 14 meters) deep, is scheduled to open “on or about May 10 following the expected removal of the Dali vessel” for commercially essential vessels. “Deep draft vessels using this channel will require a Maryland Pilot and a two tug escort.”

## Strait of Hormuz

The situation in the Strait of Hormuz is being closely monitored by shipping companies and all operators in the supply chain, following the capture of MSC Aries ([see p.4](#)). The closure of this strait would indeed have an impact on the ports of the Persian Gulf, which are therefore under the threat of a halt to all traffic and a diversion to other hubs. The main port affected by such a measure would be that of Dubai.

In addition, it would mean that a certain number of containers would be diverted to safer hubs such as Khor Fakkan, Sohar or Salalah. However, these ports are within the Houthis’ “firing range”. The Strait of Hormuz today performs its role, but with a sword of Damocles above its head.

**“ It would mean that a certain number of containers would be diverted to safer hubs ”**



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*The “Services” and “Operations” sections of this barometer are produced in collaboration with Hervé Deiss, who is a journalist specialized in maritime transport and port issues.*



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