

MONTHLY CONTAINER SHIPPING BAROMETER



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CONTAINER

TRAFFIC DISRUPTION SET TO CONTINUE IN RED SEA

Traffic is still being disrupted in the Red Sea, but this has not prevented freight rates between Asia and Europe from flattening out.

Thierry Blein, supply chain risk manager at the Renault automobile group, who was invited to speak at a conference entitled [“Fifty shades of risk : what strategies should be adopted in an era of uncertainty”](#) at the SITL 2024 transport and logistics trade fair in Paris on 19 March, came up with a powerful expression which spoke volumes about the current situation. “We are certain that the chaotic world that we have known during the last three or four years, with major crises coming one after another, is going to exist for a long time yet,” he said. “It is what we at Renault call the New Never Normal.” The automobile group has adapted to the situation by taking three major decisions. It has attached its supply chain department to the group’s general management structure, created the post of supply chain risk manager and invested massively in digitalisation and artificial intelligence.

The least one can say is that the container shipping sector is very much part of the new reality, with its crises and uncertainty. The most recent example has been the resurgence of conflict in the Middle East, with its consequences for the ocean freight rate market following the start of the Houthi attacks on shipping in the Red Sea. Just as the sector was preparing for a period of low rates and weak demand, this sudden and unexpected event occurred, completely changing the situation during the final part of the fourth quarter of 2023 and the first quarter of 2024.

“Major crises coming one after another, is going to exist for a long time yet”

Latest developments

Freight rates no longer overheating

The month of March completed a first quarter which turned out to be as positive as it was unexpected for the financial results of the shipping companies and the big international forwarders. The break in the clouds was a surprise, since the financial results of the big shipping companies in the fourth quarter of 2023 had deteriorated markedly, even if the profits earned at the start of the year were enough to keep full-year results positive.

At the end of March, however, the rates boom came to an end, even though the cape routes, particularly the route round the Cape of Good Hope, have become the normal mode of operation in the ongoing geopolitical situation.

New conditions

The “new normal” involves longer voyages but with a lower number of breaks. The journey round the Cape of Good Hope also brings with it sailing conditions which involve greater variations of climate, given that it repeatedly switches from one hemisphere to another. This needs to be taken into account in several ways:

- Crew management needs to change, given the impact on working conditions.
- Engines are having to function at different temperature and hygrometry levels.
- Goods in dry containers need to be better protected according to their sensitivity to the risk of condensation. Shippers need to rethink the conditioning of certain cargoes to take account of variations in temperature and hygrometry levels.

If the route changes last, they are going to have an impact which goes well beyond increases in freight rates, transit times and ship fuel consumption. For the time being, these issues are little known about, since there has only been limited feedback, but the points raised above should not be neglected.

“ The route changes are going to have an impact which goes well beyond increases in freight ”

Situation in Red Sea still unclear

The Western powers have responded to the Houthi attacks militarily but the battle to re-establish normal navigational conditions in the area has not yet been won.

Moreover, the situation is more complex than official communications suggest. According to Bloomberg, China and Russia came to [an agreement with the Houthis](#) in mid-March, guaranteeing safe passage to their ships transiting through the Red Sea and the Gulf of Aden. A few days later, however, a Chinese oil tanker was hit by missiles. A targeting error perhaps but one which nevertheless raises doubts about the reliability of the agreement reached.

The instability in the Red Sea creates a problem for the shipping companies, which have stated loud and clear that crew safety is their priority. They are, therefore, looking, with the help of their local partners, for alternative ways of meeting the needs of clients with merchandise which cannot withstand the long detour round the Cape of Good Hope on a long-term basis. CMA CGM has thus formed a partnership with Saudi Arabian short sea shipping company Folk Maritime ([see p.9](#)).

A resurgence of Somali piracy has been seen, moreover, in the area. Two Somali gang members told the Reuters news agency that they were taking advantage of the distraction provided by the Houthi attacks hundreds of nautical miles to the north to [resume pirate attacks after 10 years of inactivity](#).

Prices

With Asia-Europe freight rates declining, despite the greater distances covered by ships going round the Cape of Good Hope, there are fresh fears that operating costs could overtake freight rates. The shipping companies responded by publishing increases in FAK rates for the month of April.

With average freight rates around USD3,000/40' on Asia-North Europe routes, when the average shipping company break-even level is around USD2,800/40', one can easily understand how the meagre reserves built up by the shipping companies have come to disappear in a matter of weeks. Break-even levels have become difficult to attain in the second quarter for the shipping companies, particularly since longer rotations have made it difficult for them to increase cargo volumes, even supposing that they existed.

There seems to have been a small response to the rate increase in early April but the attitude of number one container shipping company MSC will be crucial. Will it opt to continue to make its competitors suffer by seeking to obtain additional market share, particularly now that the Gemini

Cooperation partnership between Hapag Lloyd and Maersk is on the way, or will it try to calm things down and safeguard a certain level of profitability? We will have the answer in a few weeks!

If we look beyond the Asia-Europe trades, the picture is a little less dramatic, particularly for transpacific operators, who are continuing to show good profits without coming under any particular pressure. Short and medium distance container shipping is also doing well in Asia, Europe and among the states of the Persian Gulf. The climate overall means that [2024 can be expected to be profitable for the shipping companies overall](#).

North-South routes, on the other hand, are not providing much profit at the moment because of low demand.

“ Break-even levels have become difficult to attain in the second quarter ”

Asia-Europe

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: [Upply](#)

Europe-Asia

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

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](#)

Transpacific

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 | [Upply](#)

Services

British shipping consultants Drewry warned that there would be new “blank sailings” in April. Between 1 April and 5 May, a total of 48 services will not be provided. The figure is relatively low, since it only represents 640 voyages. Eastbound transpacific sailings from the United States to Asia account for 46% of the cancellations and transatlantic sailings 21%. The Alliance plans to cancel 14 sailings, Ocean Alliance 13 and 2M 6. Another 15 cancellations involve services provided by shipping companies which do not belong to these alliances.

East-West

After having announced that they were maintaining the Ocean Alliance for another five years, the four shipping companies concerned - CMA CGM, Cosco Shipping, Evergreen and OOCL - indicated that they would be launching a new programme in April called DAY 8 Product. It involves the deployment of 35 services representing a combined capacity of 4.5 million TEU on the main east-west routes. “Due to the unstable situation in the Red Sea, ships must be routed through the Cape of Good Hope, disrupting supply chains,” CMA CGM said in a statement. “CMA CGM and its partners are stepping up coordination and adapting the rotations of the DAY 8 Product. This will maintain the same high standards of visibility, reliability, and punctuality, which are the strengths of the OCEAN Alliance.”

With a total of 321 ships, the programme will provide six services between Asia and northern Europe, four between Asia and the Mediterranean and 20 in the Pacific - eight between Asia and US east coast ports and 12 between Asia and US west coast ports and Canada. On the Atlantic, two services will link Europe to the east coast of North America. Another three services will link Asian ports to the Persian Gulf.

Ocean Alliance recalled that two Asia-Red Sea services were not being operated because of the ongoing disruption in the Red Sea.

Transatlantic

MSC is remodelling its service between northern Europe, the US east coast and Ecuador. With demand growing, it has added a call in the port of Hamburg. Its ships will call in the German port on the Europe-US east coast leg of their journey. The service’s new rotation will take in Paita, Cristobal, Moin, Anvers, Rotterdam, Bremerhaven, Klaipeda, Gdynia, Goteborg, Hamburg, Antwerp, Felixstowe, Le Havre, Boston, New-York, Philadelphia, Norfolk, Jacksonville, Freeport, Rodman, Guayaquil, Puerto Bolivar and Guayaquil. The call in Hamburg confirms MSC’s interest in the German port, where it recently acquired a capital stake in cargo-handling group HHLA.

A week before the accident involving the Dali in the port of Baltimore ([see p.10](#)), Mærsk announced that it was making changes to the rotation of its TA6 transatlantic service. The 27 March sailing from Gioia Tauro was cancelled, as was the 28 April sailing from Vera Cruz. The other vessels in the service have had their schedules altered to enable them to stick to their planned dates and times. According to Maersk, a number of external factors, including terminal congestion, have created some disruption. If the east coast ports were experiencing queuing even before the accident involving the Dali, the diversions resulting from the accident are not going to improve the situation. Some shipping companies are offering to take containers further south, towards the Gulf of Mexico, so that they can be transported on by train.

Black Sea

Russian shipping company FESCO is developing its service between the Black Sea and India. It is offering coverage of the ports of Calcutta, Tuticorin and Chennai by transshipment from the port of Mundra.

Meanwhile, a new Turkish shipping company has begun operating in the Black Sea. ULD Shipping is operating a service between Istanbul and Novorossiysk with 700 TEU vessels. The service is calling in Izmit, Istanbul and Novorossiysk before returning to Izmit.

Transpacific

The Alliance, which includes Hapag Lloyd, HMM, ONE and Yang Ming, has announced the return of its PN3 service between Asia and the US west coast and the EC4 service to the US east coast. The PN3 calls in Hong Kong, Haiphong, Shenzhen (Yantian), Shanghai, Busan, Vancouver, Tacoma, Busan and Kaohsiung before returning to Hong Kong. The EC4 calls in Kaohsiung, Xiamen, Shenzhen (Yantian), Ho Chi Minh, Singapore, Norfolk, Savannah, Charleston, New York and Singapore before returning to Kaohsiung.

As it prepares to end its alliance with MSC, Maersk is launching a new service to the US east coast with 4,500 TEU vessels. Marketed as the TP20, it serves Qingdao, Shanghai, Shenzhen, New York, Baltimore and Houston before returning to Qingdao. The start of this service was announced before the accident in Baltimore, and it seems certain that there will be no calls there in the immediate future.

Chinese company Hede Shipping is extending its service network. The company, which operates services between China, South Korea and Japan, announced that it would be starting a service between Shanghai and Los Angeles in early April, using 4,250 TEU ships.

The Alliance member ONE, meanwhile, has presented the transpacific service programme it plans to introduce in February 2025 with HMM and Yang Ming. It is thus anticipating the departure of Hapag Lloyd, which will then be starting its [Gemini Cooperation partnership with Maersk](#). "The core products will include sufficient sea speed buffers and are designed so that the impact of Hapag's departure in 2025 will have a minimal impact on ONE's network and customers over the post CNY disengagement period," said ONE CEO Jeremy Nixon. ONE will offer 16 services from Asia to the west and east coasts of the United States. To ports on the south west coast of the US, ONE will offer eight services: the FP1, PS3, PS4, PS6, PS7, PS8, AP1 and the AHX Hawaii service. It should be noted that the FP1 is a service from Europe which will be extended to US west coast ports. As for the PS3, it will leave from India via the ports of Nhava Sheva, Pipavav and Colombo. There are three services to the US north west coast: the PN1, PN2 and PN3. They will connect Asian ports to Tacoma and Vancouver. Finally, five services will serve US east coast ports: the EC1, EC2, EC5, EC6 and Win.

“ The Alliance member ONE has presented the transpacific service programme it plans to introduce in February 2025 ”

Red Sea

Since the beginning of April, CMA CGM has been offering a service between the port of Jeddah and the ports of Sokhna, Aqaba and Yanbu, in partnership with Saudi short sea shipping company Folk Maritime. For the French group, the service will expand logistic capabilities in the North Red Sea and reinforce Saudi Arabia's growing strategic position as a global logistics hub. Operated by two vessels, the service began its first rotation on 9 April.

Events in the Red Sea are encouraging shipping companies to [re-establish butterfly services](#). The idea is to offer connections between Asia and the Indian Ocean and then others between the northern Red Sea and Europe. In this context, negotiations for slots on ships operating on one or the other of these segments are well underway between the shipping companies. Emirates Shipping, for example, has secured space aboard CU Lines' ships between Asia and the Red Sea. This service remains one of the few to use the Bab el-Mandeb Strait to access Red Sea ports. In similar fashion, CU Lines has secured space on Emirates Shipping's Far East and Middle East service, which starts in Busan and calls in Xiamen, Guangzhou, Shenzhen, Port Klang, Dubai and Dammam.

Hapag Lloyd has announced an improvement in its Jeddah Express service between Europe and the Red Sea. It plans to add a call in Valencia between those made by the service in Antwerp and Damietta.

Finally, after having suspended bookings to Port Sudan, Mærsk has announced that it is ready to start taking them again. Until now, Mærsk has only accepted bookings from Europe, due to events in the Bab el-Mandeb area, but, starting in April, it is due to take bookings again from Asia, the Middle East and Africa. Cargo from Asia to Port Sudan will transit round the Cape of Good Hope, before making its way to the Sudanese port via the Mediterranean, the Suez Canal and the Red Sea.

“Events in the Red Sea are encouraging shipping companies to re-establish butterfly services”

India

ONE is reviewing ports calls on its services between the U.S. and India. From May on, services to India will no longer pass through the Mediterranean and the Red Sea. Calls at the ports of Damietta, Algeciras and Jeddah have been cancelled. Its ships

will instead go round the Cape of Good Hope. The new rotation will call in Karachi, Hazira, Nhava Sheva, Mundra, New York, Savannah, Jacksonville, Charleston and Norfolk before returning to Karachi.

Haiti

The chaotic situation in Haiti is causing shipping companies to review their services to the island. Mærsk is not taking reservations to or from Haiti and the same goes for CMA CGM. In a letter to its customers, the French company said that, in view of the deteriorating security situation in Port-au-

Prince (Haiti), it had decided to stop calling at the Lafiteau terminal until further notice. It said that it would take no bookings to the ports of Port-au-Prince and Lafiteau but assured that it would continue to call in Cap Haitien.

Operations

Port of Baltimore

On March 26, the Baltimore Bridge collapsed after being hit by the container ship, Dali. As a result, maritime traffic to and from the port has been suspended until further notice. On 3 April, the port authority and the US Coast Guard announced that a first access channel was being opened but that it would not allow normal operations to be resumed. Due to the narrowness of its width, it is mainly reserved for use by vessels involved in clearance operations. As a result, a number of containers and ships remain stranded in the port.

The shipping companies have adapted to the situation by diverting ships to nearby ports like New York, New Jersey and Norfolk. CMA CGM has announced that it has implemented a contingency plan in line with clause 10 of the general conditions of lading. It said that, “unless otherwise specified”, containers currently stored in the port of Baltimore would remain at the terminal until the port reopened. In addition, as the port has not accepted containers for export since 26 March, alternative solutions need to be considered. CMA CGM has warned, however, that, in either case, the cost of re-routing to another port would need to be borne by shippers.

Overall, the impact on US container traffic remains limited. The port of Baltimore handles approximately 1.1 MTEU per year. [The main east coast gateway is the port of New York](#), which absorbs about 59% of container traffic, according to Drewry, compared to 25% for Norfolk (Virginia Ports) and around 9% for Baltimore.

The port of Baltimore is nevertheless the second biggest roll-on/roll-off port in the United States. The automotive industry will therefore have supply chain challenges to overcome, as it is not as easy to divert car traffic as it is to divert containers.

“Maritime traffic to and from the port has been suspended until further notice”

Panama Canal

In mid-March, given the then existing and projected water levels in Gatun Lake, which feeds the Panama Canal, the canal authority announced a slight

increase in the number of [transits authorised for certain categories of vessels](#).

South Africa

South Africa is one of the last countries in sub-Saharan Africa looking to leave the management of its port in the hands of a state-owned company, in its case Transnet. In 2023, however, given the scale of the projects to be undertaken and to enable itself to qualify for loans from international donors, Transnet decided to allow international partners to

participate in the construction of a new container terminal in the port of Durban. After “receiving numerous offers”, according to the regional press, Transnet awarded the 25-year concession for the operation of Durban Container Terminal 2 to Filipino group ICTSI.



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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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