iXRT

Ocean Market News by Xeneta

January 23, 2025

The Xeneta Ocean iXRT provides an overview of long and short term market movements, the key risks and issues to be aware of and insight on how these may develop in the coming weeks and months.

Topics covered in this iXRT Report include:

- A different perspective on rate movements
- Rate developments – Shanghai to Santos
- Intra-Asia freight rate increases
- Will more shippers seek to source from India?
- Delayed impact of Red Sea on long-term rates
- Looking ahead to long-term market in 2025

MARKET RECAP

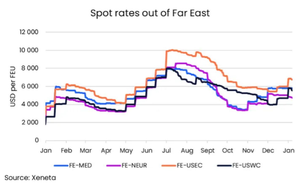
The first month of 2025 has already provided plenty of potential disruptions for shippers, carriers and freight forwarders alike. While the threat of port strikes on the US East and Gulf Coasts has passed following agreement of a new deal for workers, a ceasefire in the Middle East has raised the question of when carriers will return to the Red Sea with renewed urgency.

Meanwhile, Trump's inauguration brought more tariff threats at a time when carriers and shippers are days away from a new alliance structure coming into force.

Spot rates out of the Far East on diverging paths

The start of the year brought the first spot rate increases between the Far East and the US, up USD 1 110 per FEU into the West Coast and USD 890 into the East Coast on 1 January. However, these increases are fewer than carriers initially pushed for – and rates have shown weakness since, down by 11% and 5% respectively. As of 22 January, the spot rate between the Far East and US West Coast stands at USD 5 175 per FEU, and USD 6 542 into the East Coast.

An interesting development is carriers turning to certain Asian shippers, as well as global freight forwarders, and offering rates for exports out of China considerably below these levels (around USD 4 200 per FEU from China main to the US West Coast). These rates are in line with Xeneta's market low. Importantly, even those shippers being offered these rates are not guaranteed to be able to ship all their volumes on the lower rates, but rather splitting their volumes between the regular FAK rates and these lower offers. Carriers are keen to keep their FAK rates up, but are choosing to offer these lower rates in the hope of filling up their ships.



Source: Xeneta

Spot rates from the Far East to Europe dropped at the start of the year, after six weeks of increases at the end of 2024. Since 31 December, the average spot rate from the Far East to North Europe has fallen by 16.9% to USD 4 175 per FEU on 22 January, and down 7.2% to USD 5 400 into the Mediterranean.

Across the top 10 carriers, the biggest decreases since the end of last year come from Asian carriers, with COSCO down 28%, ONE down 24% and HMM down 20%. Unlike on the eastbound Transpacific trades, the drops in average rates from these carriers aren't from 'promo' rates, but rather a wider lowering of regular FAK rates. Overall, Hapag-Lloyd is the carrier offering the lowest spot rates between the Far East and North Europe on 22 January, closing in on USD 4 000 per FEU. This mark looks set to be breached by the market average come February, with rates from all carriers expected to fall further.

On a global level, the average spot rate has fallen since the start of the year, down 7.4%, driven by the falling rates from the Far East. In contrast, looking at trades out of Europe and North America spot rates are flat, within one percentage point of where they started the year. The developments on the major trades out of the Far East will be reflected on other trades, as carriers make adjustments to networks in search of profits. Shippers can expect this weakening to be reflected on other secondary trades in the coming weeks and months.

However, there are different dynamics at play. Considering just backhaul trades, what has happened in the past 13 months must be taken into account. Unlike during the pandemic, equipment availability wasn't a major issue in 2024, meaning backhaul rates didn't follow fronthaul rates upward as they did in 2021 and 2022 when carriers demanded higher rates in exchange for not rushing an empty container back to the Far East.

Long term rates

The softening spot rates on the major trades come at a welcome time for the many shippers currently in tender negotiations, but the still substantial spread between spot and long term rates means they can't expect falling long term rates just yet. For those shippers signing annual tenders, they can expect higher rates than they got at the start of 2024 – rates shippers struggled to ship all their volumes with as the spot/long spread rose.

Partly for this reason, as well as the uncertain outlook for container shipping, many shippers are reluctant to repeat their process from last year of investing time in an annual tender only to be burnt. The alternatives vary from delaying new tenders until there is more uncertainty, shortening the validity of new contracts, adding re-negotiation clauses in or looking towards indexing. The best option will vary trade by trade and shipper by shipper, but a move towards more flexible solutions is clear, as shippers seem to settle into a new reality in contract shipping with more volatility.

Take long term rates from the Far East to North Europe as an example. Compared to January 2024, the average long term rate entering validity within the past three months is up almost 50% this year, at USD 2 2780 per FEU. This is, however, still considerably lower than the USD 4 100 per FEU being charged on the spot market.

Going a step further, many shippers are seeing year-on-year increases higher than 50%, with BCOs getting rates at the higher end and freight forwarders securing lower rates. In contracts from the past three months, the average rate for BCOs is up at USD 3 100 per FEU, while freight forwarders are getting rates below USD 2 800 per FEU.

This diversion can also be found between the Far East and Mediterranean, though year-on-year increases on this trade are smaller. BCO rates are up around 37% from last year, while rates secured by freight forwarders are up 18%.

MARKET OBSERVATION

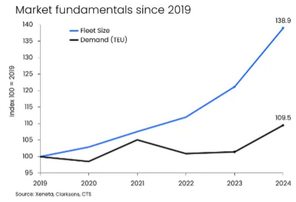
A return to the Red Sea is top of mind for many stakeholders these days, following the ceasefire between Israel and Hamas, however anyone hoping for a quick return to the Red Sea is likely to be disappointed.

A return to the Red Sea would lead to significant disruption. As carriers adjust their schedules, congestion at ports would build and shippers would need to re-adjust to shorter transit times. While the past 13 months have been far from normal, supply chains have adjusted to the situation, and will need time to return to 'normal' conditions.

To minimize the disruption, carriers will want to avoid a short-term return to the Red Sea, only for the situation to once again deteriorate. We should therefore expect them to require more than this Phase 1 ceasefire to return on a large scale.

On top of the disruption a full return to the Red Sea would cause, it will also bring downward pressure on freight rates. The overcapacity that the market was facing in the second half of 2023, as well as the record high deliveries of new ships in 2024 was, and continues to be, largely absorbed by the diversions. A sudden drop in the average distance containers are moved, and therefore the amount of work to be done by container ships, would see carriers struggling to fill all their ships.

In 2024, 2.9m TEU of new ships was delivered, beating the record set in 2023 of 2.3m TEU. It leaves the fleet 10.1% higher at the start of 2025 than it was at the start of 2024. Compared to the start of 2019, the fleet is 8.9m TEU bigger, a growth of 39%.



Source: Xeneta, Clarksons, CTS

In contrast, demand measured in the number of containers moved is up 9.5% from the start of 2019, with 14.6m TEU more containers moved in the first 11 months of 2024 compared to the same period of 2018. A return to normal sailing distances would see carriers having to deal with this huge gap between demand and supply growth.

For now, as carriers continue to divert, the idle fleet remains low, at just 0.6% in mid-January (source: Alphaliner) and charter rates are up, as carriers' appetite for extra tonnage remains high. A return to the Red Sea would see charter rates fall and the idle fleet grow. There are plenty of typically older and smaller ships ripe for demolition, having been spared thanks to high charter rates since 2020. Demolitions will lower fleet growth this year, but will not be enough to re-balance the market fundamentals. Carriers will also have to look towards blanking sailings to fill up their ships.

Xeneta expects fleet growth to fall to 4.7% this year with around 1.7m TEU to be delivered and demolition expectations currently set to 200 000 TEU. Even a halving of fleet growth compared to last year will still see fleet capacity grow faster than demand, meaning yet another year of worsening fundamentals from the carriers' perspective.

MARKET OUTLOOK

Part of the explanation behind softening spot rates can be found in an early Lunar New Year which will be celebrated on 29 January. Plenty of blank sailings have already been announced as the industry prepares for the lower volumes out of the Far East, which this year coincides with the rolling out of the new alliances.

Between the Far East and US East Coast, carriers have announced the blanking of 196 000 TEU worth of capacity in February and 317 000 TEU from the Far East to North Europe in the same four week period. These levels are in line with post Lunar New Year blankings in recent years. This means that, compared to the four week period leading up to Lunar New Year, capacity from the Far East to North Europe will fall 30% and be 17% lower into the US East Coast.

The post Lunar New Year lull will be offer the carriers some breathing space as they adjust to their new service offerings in the new alliance structures, as shifting from one to the other will add pressure on capacity which may otherwise have pushed rates up.

Another big topic in 2025 will be tariffs and other trade barriers as Trump returns to the White House. At the time of writing, new tariffs are being threatened rather than officially entering into force. The first round of threats include 25% tariffs on all imports from Canada and Mexico, as well as 10% on imports from China. During the campaign, threats of tariffs of between 60 -100% for all imports from China as well as a blanket 10-20% on imports from the rest of the world.

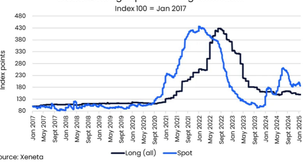
The exact format and timing of these tariffs is as-yet-unknown, leaving shippers in the dark but still having to manage their supply chains. Many businesses turned towards Mexico in the years following the first trade war in 2018, decisions that suddenly look a lot less attractive should all imports from Mexico face tariffs of 25%.

What is clear is that rather than being solely focused on trade balances, the new US administration see tariffs as part of wider negotiating tactics, whether that is over ownership of TikTok, or European economies buying 'insufficient' quantities of US oil. While shippers have to be ready for new tariffs, this shift in the reasoning behind tariffs could mean more tariffs are threatened, without actually being (fully) implemented compared to 2018/9.

The looming threat of tariffs and ceasefire in the Middle East means plenty of uncertainty remain for shippers, with many of them looking at soon to start or ongoing tender negotiations for 2025 rates.

Shippers will be cautious after they were burnt last year when many months of tender negotiations were rendered useless following the Red Sea crisis and large jumps in the spot market. This year, the expectation is for spot rates to soften – a softening that will be much accelerated should there be a large-scale return to the Red Sea.

For shippers, 2025 may well turn out to be another year in which solid partnerships and service agreements with their suppliers are more valuable than securing the cheapest possible rate.



Source: Xeneta

Xeneta spot and long term rates index

Index based in January 2017

Spot rates	Xeneta Index	Change from 1 month ago	Change from 1 year ago
Global	186.3	-4.5%	7.3%
Europe Import	162.5	-6.7%	-5.3%
Europe Export	153.0	1.1%	11.6%
Far East Import	162.5	-6.7%	-5.3%
Far East Export	212.8	-5.6%	8.1%
North America Import	218.1	4.5%	31.1%
North America Export	162.2	-2.3%	5.6%

Long term rates	Xeneta Index	Change from 1 month ago	Change from 1 year ago
Global	149.1	-1.0%	-7.6%
Europe Import	174.5	0.2%	-2.5%
Europe Export	114.1	-2.7%	-30.1%
Far East Import	100.5	-3.3%	-19.8%
Far East Export	193.8	-0.2%	15.3%
North America Import	141.3	-1.8%	-14.1%
North America Export	110.6	3.1%	-4.5%



Selected Indices

Public Indices Report

Disclaimer

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Xeneta's powerful reporting and analytics platform and data density provide liner-shipping stakeholders the insights they need to understand current and historical market behavior – reporting live on market average and low/high movements for both short and long-term contracts.

Xeneta's data is comprised of over +450 million contracted container rates and covers over 160,000 global trade routes. Xeneta is a privately held company with headquarters in Oslo, Norway and regional offices in New York and Hamburg. To learn more, please visit www.xeneta.com

NOTE: The XSI® public indices reports are based on long-term contracts only.

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Selected Indices

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Ocean - Long term rates

quarterly market average, 40' container

Origin	Destination	THCs	Q2 2024	Q3 2024	Q4 2024	Q1 2025
China main	North Europe main	NONE	2 118	3 314	2 772	2 761
North Europe main	China main	OTHC	447	419	278	125
China main	US West Coast	DTHC	1 959	3 047	3 288	3 138
US West Coast	China main	DTHC	953	833	921	501
US East Coast	North Europe main	DTHC	756	761	777	725
North Europe main	US East Coast	Both	1 745	1 808	2 256	2 137
China main	South America East Coast	NONE	2 409	2 935	4 203	4 061
North Europe main	South America East Coast	OTHC	775	588	651	634

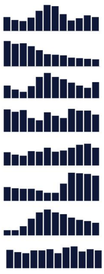


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Ocean - Short term rates

monthly market average, 40' container

Origin	Destination	THCs	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
China main	North Europe main	NONE	4 330	3 428	3 163	4 200	6 383	8 230	7 871	5 323	3 340	4 060	5 000	4 457
North Europe main	China main	OTHC	805	720	740	641	513	385	376	347	271	249	245	222
China main	US West Coast	DTHC	4 711	3 880	3 348	4 519	6 531	7 429	6 484	6 021	5 277	4 687	4 225	5 392
US West Coast	China main	DTHC	736	715	731	648	622	711	672	649	742	729	727	682
US East Coast	North Europe main	DTHC	692	677	671	701	700	726	698	708	728	745	756	725
North Europe main	US East Coast	Both	2 250	2 179	2 153	2 139	2 063	1 926	1 939	2 427	2 998	2 956	2 945	2 858
China main	South America East Coast	NONE	3 118	3 069	4 299	6 570	8 483	9 288	8 402	7 881	6 808	6 111	5 870	5 345
North Europe main	South America East Coast	OTHC	858	829	811	849	854	873	814	893	909	836	867	856



Ocean - Long term rates

quarterly market average, 40' reefer HC

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Origin	Destination	THCs	Q2 2024	Q3 2024	Q4 2024	Q1 2025
North Europe main	China main	OTHC	2 111	1 991	1 864	1 609
North Europe main	US East Coast	BOTH	3 716	3 470	4 183	4 062
North Europe main	South America East Coast	OTHC	1 656	1 651	1 491	1 300

