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MARKET NEWS BY XENETA

WEEK OF MARCH 30, 2021

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RECAP>

At the end of 2020, most ocean freight experts would have said that 2021 “can only get better.” Not even three full months into the year, and this opinion has most probably changed. The answer today trends more towards: “What else is going to happen? Anything else that can go wrong?"

In the US, congestion at berth has been a hot topic. At peak times, US consumer demand for import goods reached, and is still reaching all-time highs. Port infrastructure is severely under pressure. Schedule reliability is at lowest level ever with a delay of up to two full weeks for imports into the US. Still, ports are doing their best to cope with the dramatic situation, handling significantly more volume than ever with less workforce. But congestion will most probably stay around throughout the summer. The good news is that the backlog of ships waiting to berth has gone down from over 30 to 25 ships.

Shippers, however, have experienced the doubling to tripling of their freight budgets, while receiving the worst service levels ever. That hurts.
On the plus side, industry experts were relieved to see that, at least, the other routes to and from Asia saw some kind of consolidation with box availability improving and rate levels on the spot market moving slightly downward again.

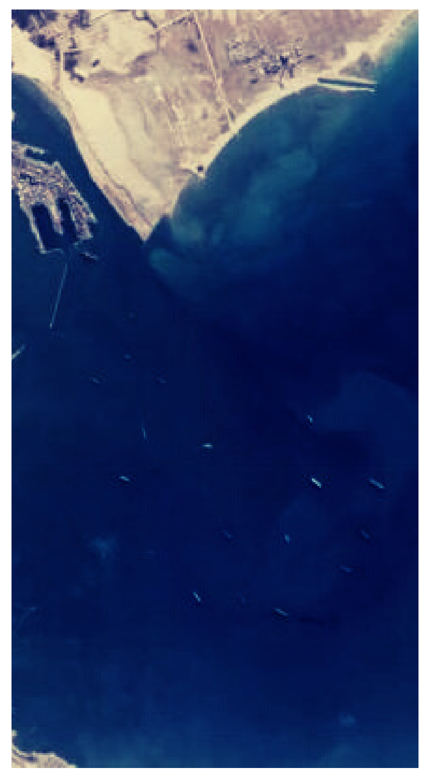
The Ever Given turned sideways and blocked the Suez Canal on March 24, 2021 (Julianne Cona/ Instagram)

CURRENT EVENTS>

LIGHT AT THE END OF THE TUNNEL. AND THEN, A CANAL.

Up until March 23rd, some light at the end of the long, dark tunnel was seen. Then, the canal.

The ultra-large 20.000 TEU vessel “Ever Given” from Evergreen ran aground the Suez Canal during a dust storm -blocking completely, of course, one of the one-way passages. A worst-case scenario. The artery of global transport handling 12% of global volume completely clogged for the first time in many years. Ocean freight experts saw themselves back upstairs again with the C-levels, not only because of the recent budget increases and profitability shocks driven by ocean freight spend, but now because of a canal. Now, they had to report on possible production standstills and out-of-stock scenarios.



Aerial photo of ships waiting off the Suez Canal after "Ever Given" went aground.
Photo: Planet Labs Inc/VIA REUTERS / X80001

Fortunately, the nightmare has come to an end, at least better than expected. No one is injured. The ship is still moving and the record backlog of roughly 300 ships (10 times the amount the US West coast experienced the past months) is starting to dissolve. Now, the question is what are the effects of this debacle?

EXPECTATIONS>

NOW WHAT?

Schedule reliability is not going to improve, and we will probably experience the record-low levels of the trans-Pacific also in Europe and Asia. The question will be if we will see any in-time delivery soon.

The Suez logjam accounted for 7 days, which is also a good ballpark average delay for all the ships currently sailing that route. The vessels first in line will leave soon without further delay. Others, which got blocked days later, will have to wait for a few more days until the traffic jam is dissolved.

Ships that detoured via the Cape of Good Hope are expected to experience a delay of one week, as well, due to the longer distance. Ironically, the poor reliability levels of the past weeks also has some good sides. Most of the ships had to wait 1-3 days due to congestion in Europe and Asia. The ports still have some old backlog to handle before they go into a somewhat quiet Easter break.

No Peace After Easter

The vessels caught in the Suez logjam are going to arrive at ports in Europe and Asia.

The missing ships and the additional capacity bound on water will for sure have a negative impact on supply chains in Q2. At this point, it is hard to say if we will see a further increase of the already record-high-rate levels from Q1, or if the upcoming capacity squeeze is going to be handled via the already well-used “guaranteed shipping/space”, “no-roll-over” or “feel free to enter your own” surcharges.

The current tiny downward trend will most probably disappear immediately with the long-term contracts remaining high as well. Any shipper who has speculated that the market will calm down towards the summer will probably experience global RFQ/tenders as tough as the ones before and after Chinese New Year.

CARRIER HEADACHES & THE MAYBES

Carriers will have to sort out how to cope with the delayed ships. Speeding up the vessels will not save much and will only be a means to align the ships to come into the ports in sequence and not all on the same day.

Maybe they will skip one of the stops. This will put pressure on haulage and create further disruptions for individual customers in the short-term, but at least the ship can turn around quicker, start the next loop earlier and avoid an endless string of delays. Maybe they will concentrate on quicker empty returns, putting further pressure on backhaul flows and D&D, making sure that the delayed returns and upcoming box shortages in Asia are tackled. Maybe they will simply blank some sailings to catch up with the one-week delay on the trade overall, and just to mention, there are no extra vessels available to balance it out.

Whatever they decide, and most probably it will be a blend of various measures, the situation on the global ocean freight market is going to remain a tough battlefield for space and reliable schedules. Many shippers will reconsider their global supply chain setup with regards to just-in-time delivery and minimized inventory levels in the future.

AND RATES?

Rate levels are going to remain high, most probably throughout the summer. However, it is not yet decided if the current situation is going to last into the next RFQ/tender season. Some experts don't expect any relief, but carriers themselves seem not to fully believe in stable prices yet.

Carriers continue with their temporary surcharges and not fixed all-in rates. They do not expect rates to stay on that level forever and prefer some flexibility to adjust partially, if required. Compared to previous years, where multi-year contracts incorporated risk premiums, today's 3-year offers trend towards (current) market low levels. Even carriers believe that the market uproar will come to an end, perhaps, towards the end of the year, IF, nothing unexpected happens...

SELECTED INDICES

RATE MOVEMENT
OCEAN

Short-term rates, monthly market average, 40' container

Lighter blue lower values. Darker blue higher values.

Origin	Destination	THCs	MoM dev.	Apr	May	June	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
China Main	N.Europe Main	NONE		1,401	1,432	1,626	1,695	1,740	2,094	2,163	2,657	5,706	8,533	8,554	7,937
N.Europe Main	China Main	OTHC		1,458	1,364	1,470	1,376	1,313	1,228	1,116	1,207	1,587	1,554	1,523	1,514
China Main	US West Coast	DTHC		1,615	1,755	2,198	2,852	3,276	3,844	3,960	3,942	4,003	4,211	4,043	3,979
US West Coast	China Main	DTHC		615	658	684	604	594	586	560	561	714	800	807	832
US East Coast	N.Europe Main	DTHC		748	785	777	687	708	708	747	763	783	760	770	788
N.Europe Main	US East Coast	BOTH		2,017	1,996	2,011	2,000	1,964	1,971	2,026	2,040	2,080	2,100	2,219	2,340
China Main	S. America East Coast	NONE		1,589	1,592	1,481	1,039	1,602	3,043	4,361	4,655	6,254	8,939	8,879	8,096
N.Europe Main	S. America East Coast	OTHC		1,418	1,419	1,346	1,357	1,375	1,297	1,308	1,244	1,264	1,321	1,306	1,536

Long-term rates, quarterly market average, 40' container

Lighter blue lower values. Darker blue higher values.

Origin	Destination	THCs	QoQ dev	Q2 2020	Q3 2020	Q4 2020	Q1 2021
China Main	N.Europe Main	NONE		1,323	1,385	1,617	3,527
N.Europe Main	China Main	OTHC		595	616	781	1,039
China Main	US West Coast	DTHC		1,594	1,738	2,328	2,625
US West Coast	China Main	DTHC		623	600	694	641
US East Coast	N.Europe Main	DTHC		607	648	612	692
N.Europe Main	US East Coast	BOTH		2,035	1,980	1,978	2,030
China Main	S. America East Coast	NONE		1,679	1,588	1,799	2,841
N.Europe Main	S. America East Coast	OTHC		1,147	1,138	1,137	1,181

Questions?
Please contact your Xeneta Customer Success Manager.