

# Long-term Rates Trends: 2023

Customer-Exclusive Analysis



Bids and contracted rates for 2023 show large drops in the average rates offered by carriers and freight forwarders compared to last year on the major trade lanes.

All trades are witnessing this decline at a different pace.



# Far East to North Europe

The biggest fall compared to the average rate in January 2022 appears on the Far East to North Europe trade. Here the average rate for new contracts has dropped to USD 3 500 per FEU, with bids ranging from USD 2 000 per FEU to USD 7 000.

Whereas the low bid is below certain carrier's break-even cost level, the upper end of the range seems to appear very opportunistic. In January 2022, the average rate for new long-term contracts was USD 9 100 per FEU.

The new long-term rates and bids for 2023 are just over USD 3 000 per FEU lower than mid-December. The average for long-term rates entering validity in the past three months is.

It is, however, still USD 1 200 per FEU higher than the current spot market average (USD 2,300 per FEU), highlighting why some shippers are choosing to delay signing new long-term contracts or adding extra measures to avoid being locked in for long periods given the expectation for the market to drop further.

This includes signing shorter long-term contracts or including renegotiation clauses or other trigger points. In January 2019, the average long-term rate on this trade stood at USD 1 300 per FEU.



Source: Xeneta

# Far East to the US

Tendering for imports into the US is at a much earlier stage than elsewhere. But the new rates and bids for 2023 show large drops.

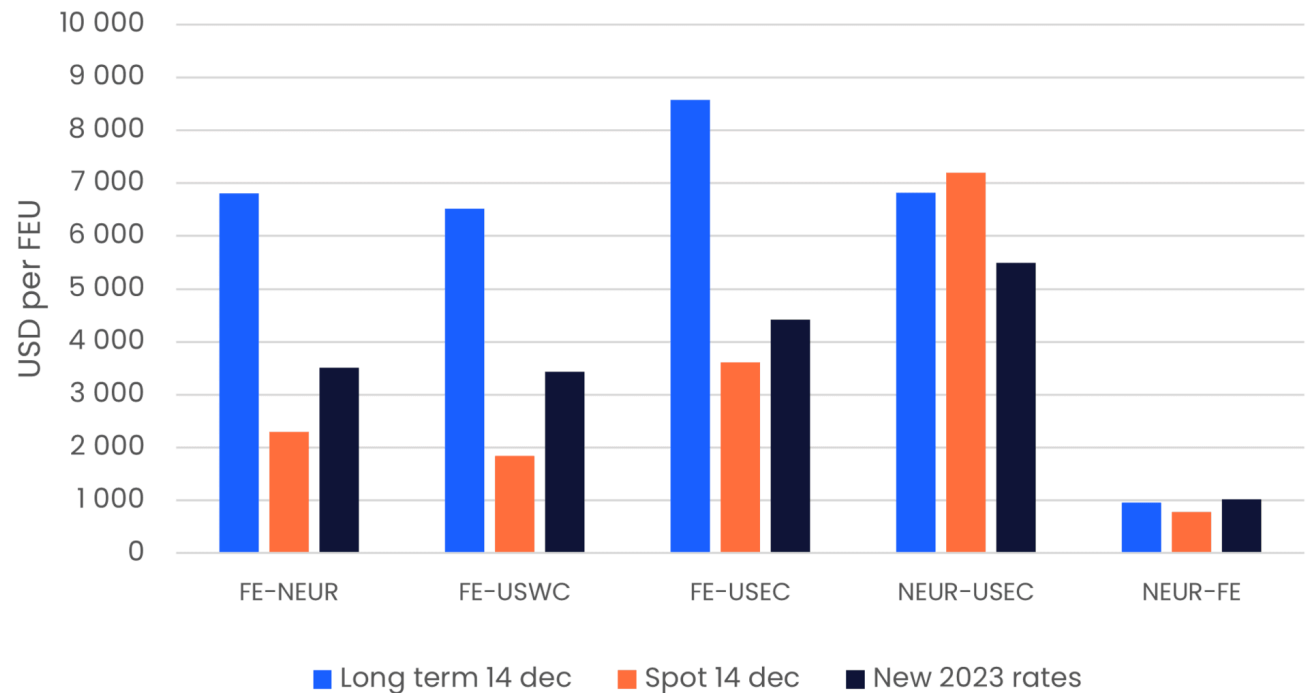
From the Far East to the US West Coast, the average rate for 2023 contracts has fallen to USD 3 400 per FEU, down from its peak of USD 8 500 per FEU in Q2 2022.

Compared to the current average of valid long-term contracts, new rates for 2023 are USD 3 000 per FEU lower.

Though they are still USD 1 600 per FEU higher than current spot market rates.

For many carriers, these spot market rates are below breakeven, as securing volumes has been the bigger priority. But we expect long-term contracts will be profitable for carriers.

Difference between mid-December and 2023 rates



Source: Xeneta

From the Far East to the US East Coast, rates for 2023 look to be landing at around USD 4 400 per FEU.

At their peak, long-term rates on this trade reached USD 11 800 per FEU, many of which were 12-month contracts valid until Q2 2022.

Out of the five trades covered here, the Far East to the US East Coast has the largest drop compared to the current average for long-term rates, down by over USD 4 100 per FEU.

It is also the one trade out of the three out of the Far East where long-term rates for 2023 have the smallest positive difference compared to today's spot market (+800 USD per FEU).

In January 2020, the average rate on new long-term rates from the Far East to the US West Coast stood at USD 1 600 per FEU and to the US East Coast at USD 2 800 per FEU.

## North Europe to US EC

The only trade where long-term rates and bids for 2023 are lower than the current spot market average is from North Europe to the US East Coast.

Here new long-term rates are averaging USD 5 500 per FEU, a fall of USD 1 700 from today's average spot rate.

This trade has generally stuck out in recent months, with its rates being much more resilient than elsewhere. Carriers and shippers are aware that this trade can't defy gravity indefinitely.

The rates will fall in 2023, and hence the lower long-term rates for the new contracts.

In January 2019, the average rate for new long-term contracts stood at USD 2000 per FEU.

## North Europe to the Far East

This backhaul trade has got the smallest drop in long-term rates, with the average for 2023 coming in at USD 1 000 per FEU. This is down by just USD 100 from the average rate in January 2022.

While the highest offers are still upwards of USD 4 000 per FEU, many carriers are also offering rates with a negative base rate. In several cases, the base rate is negative by several hundred dollars, with bunker, and other surcharges, bringing the rates into positive territory.

On these backhaul trades, breakeven is less important to carriers as the ships are sailing anyway.

So recouping at whatever cost possible by adding volumes is more important for many carriers than offering profitable rates.

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