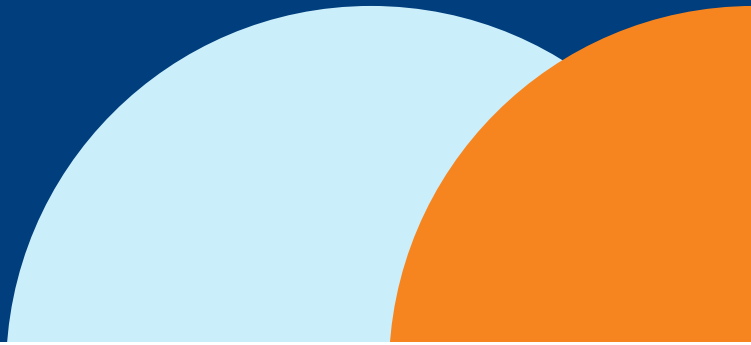


HARDERS Quarterly



Carriers, Capacity & Rates



The introduction of blank sailings by the carriers in recent months has led to supply chain challenges as demand finally outpaces available supply.

The Northeast Asia to Australia market has seen the largest surge in demand during November, however it is envisaged to slow in the first half of December. Despite this, Australian businesses have opted to continue to trade throughout the festive season with vessels continuing to be heavily utilised.

Shipping lines are well positioned to react promptly to the slowdown by imposing further cuts to capacity and cancelling voyages, with approximately 7 blank sailings expected across various consortiums over the next five weeks. This will create a shortage of space, giving shipping lines confidence to implement further rate increases.

Carriers are planning another rate rise of USD 150 per TEU via a Rate Restoration (RR) from Northeast Asia to Australia and New Zealand on December 15th.

The pre-Chinese New Year rush will commence in January 2024, resulting in continued volatility in the Northeast Asia to Australia and New Zealand markets over the next four to six weeks.

East-West trades of the Trans-Pacific, Trans-Atlantic, and Asia to North Europe and the Mediterranean rates have seen an average 6% drop this week.

However, the Northeast Asia to Australia and New Zealand market will not experience a decline until the Chinese New Year holidays begin as carriers push to increase rates again in early January 2024.

DP World, Australia's prominent terminal operator who controls approximately 40% of the country's goods, has been contending with a recent cyber-attack and ongoing industrial action showing no signs of abating. This has exacerbated various sailing schedules, resulting in delays, disruptions and additional costs.



In Focus

China

China

The shipping industry is experiencing a surge in demand, with 7 blank sailings expected to take place by the end of the year. Rates are expected to increase to four-digit figures per TEU, driven by external factors such as DP World's disruptions and shipping line's capacity cuts. Freight rates into the West Coast of Australia – Adelaide and Fremantle are more stable, however may come under more pressure soon with some carriers reporting delays in Singapore due to congestion at Australian terminals having adverse effects on vessel turnaround.

The next spike in demand is expected in mid-January 2024, before Chinese New Year (CNY) Celebrations on February 10th, 2024. The market may experience higher than expected demand versus available supply, leading to higher contracted rate levels for a traditional 12-month calendar year contract. In our opinion the best outcomes are expected after CNY, when the market will slow down its off-peak period otherwise known as the "slack season".

2024 is expected to be another challenging year, with major shipping lines' order books of larger vessels coming to fruition. This potentially leads to an oversupply of tonnage and a continued blank sailing program enforced by carriers to balance supply and demand. Forecasting is crucial, as longer lead times and frequent schedule changes may occur due to industrial unrest at DPW terminals which is expected to continue into December. To minimize delays, clear communication is essential this quarter to match required sailings to supply chain needs amidst blank sailings and port/terminal disruptions.

In Focus

South East Asia

South East Asia

The current market conditions are showing signs of improvement on this trade lane. Most carriers are finally boasting full ships and we do expect this trend will continue for another few weeks. This is largely due to the excess cargo coming from Northeast Asia (NEA) region which is transiting via Southeast Asian hubs of Singapore, Port Kelang or Tanjung Pelepas. This surplus of cargo has played an essential role in boosting the market and is expected to continue to do so in the foreseeable future. Freight rates are continuing to show signs of upward trend with some carriers advising of congestion in the major hub of Singapore with delays of up to two weeks being experienced. Some countries like Thailand, are experiencing a higher than usual demand and space pressures on vessels are being felt. This surge in demand and shortage of space has given carriers the confidence to increase freight rates from this origin. However overall, this market has been relatively stable not showcasing the peaks shown in Northeast Asia to Australia and New Zealand trade lanes.

“Freight rates are continuing to show a sign of upward trend with some carriers advising of congestion in the major hub of Singapore with delays of up to two weeks.”



In Focus

Europe

Europe

Inbound volumes to Australia and New Zealand ex Europe were down by approximately 17.5% year to date. Lower demand this quarter has forced some clients to entertain more support on transshipment services due to lower freight rates. This has placed pressure on the direct services as booking forecasts to Oceania on these services have shown a decline. We expect the mounting pressure on freight rates to see volatility continue in 2024 as market share has been lost by the direct carriers who will ensure their strategy for 2024 will align with regaining this and be more cost competitive.

Carbon pricing has long been a central element of climate mitigation strategies, helping countries transition to net-zero greenhouse gas emissions. Policymakers face choices between carbon taxes and emissions trading systems (ETS).

The European (EU) Emission Trading System (ETS) was first introduced in 2005, with the goal of reducing greenhouse gas emissions of high-polluting sectors through an emissions cap-and-trade system. New regulations are being presented to incorporate the maritime industry into the ETS from January 1st, 2024.

It will be the responsibility of shipping companies or ship owners to adhere to the EU ETS. On an annual basis they will need to monitor and submit certified CO2 emissions to the governing authorities.

As a result, shippers will likely have to pay surcharges – leading to a rise in shipping fees. Several carriers have already outlined their ETS surcharges, which will apply on each trade lane to dry and reefer cargo and will be reviewed on a quarterly basis. We encourage you to contact our team of professionals to see how these surcharges will affect you.

In Focus

United States

USA

As of October 2023, the United States has witnessed a 4.5% month-over-month increase in maritime import volume, a significant rise compared to the same period last year.

US East Coast bookings to Australia have decreased due to changes in the sailing schedules where port omissions have been prevalent and delays have been experienced. Shipping lines are focused on improving schedule reliability and ANL CMA CGM introduced another vessel in week 47 to assist.

US West Coast terminal dwell times have improved, and no major delays are being experienced apart from rail connections mainly in Los Angeles which cause disruptions as vessel cut offs are missed.

Forecasts are suggesting that we will see a gradual increase in volumes in Quarter 1 and 2 of 2024.

Despite the low spot rates on online platforms offering freight rates from the US West Coast to Australia, we can advise that overall, we are seeing freight rates stabilising.

In Focus

Trans Tasman

Trans Tasman

The Trans-Tasman Trade is experiencing a peak season throughout this Christmas period, with robust growth predicted to continue.

Cargo volumes are growing in each direction on the Trans-Tasman trade, and freight rates have stabilized.

This trade however continues to grapple with the challenges at hand as industrial action at DP World terminals throughout Australia has added to the disruptions in schedules.

Terminals throughout Australia are experiencing congestion, and this is expected to remain until at least the festive season.

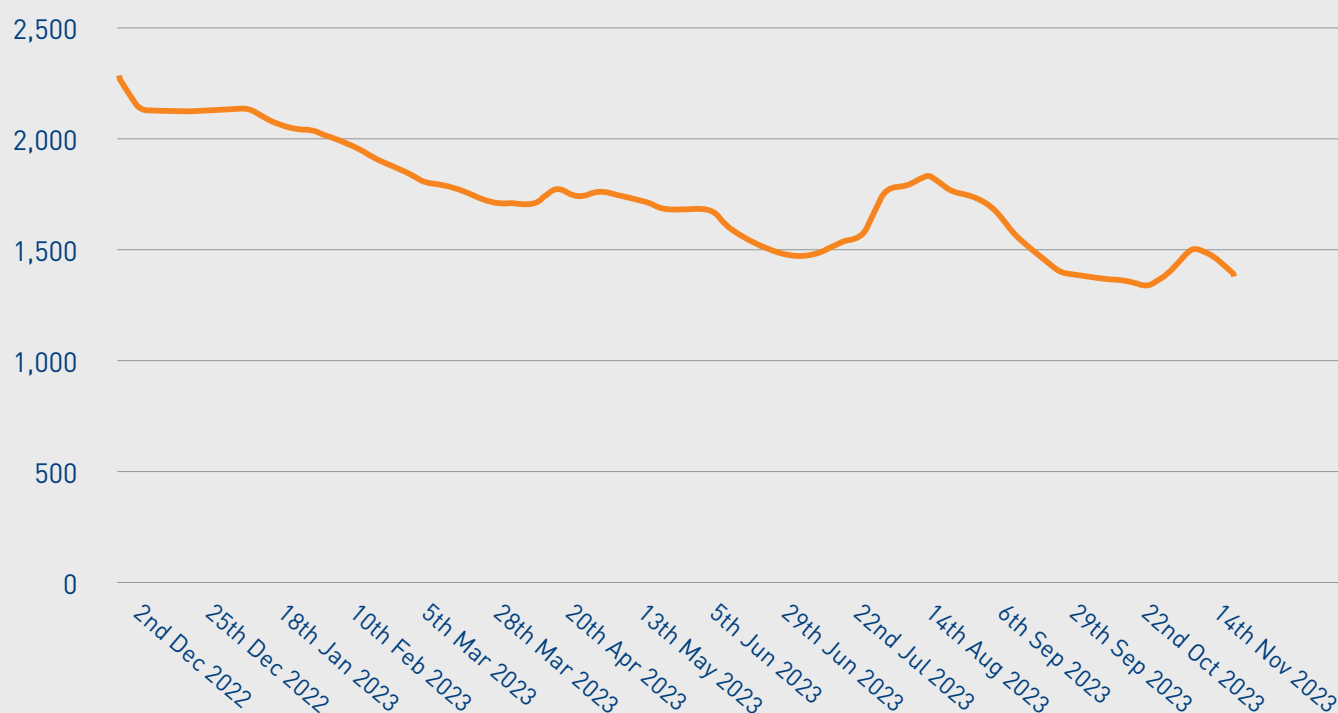
The port of Auckland continues to face its port congestion challenges, where delays are projected to persist until the end of Quarter 1 2024

On a positive note, ANL CMA CGM will change its service rotation in early December, this may enhance coverage and function well regardless of the current industrial action.

This carrier will also modify its Shuttle service, whereby both of their vessels will now be calling Brisbane-Noumea-Tauranga-Brisbane.

Drewry World Container Index [WCI]

23 Nov 23 (US\$/40ft)



Source: Drewry World Container Index, Drewry Supply Chain Advisors

Findings

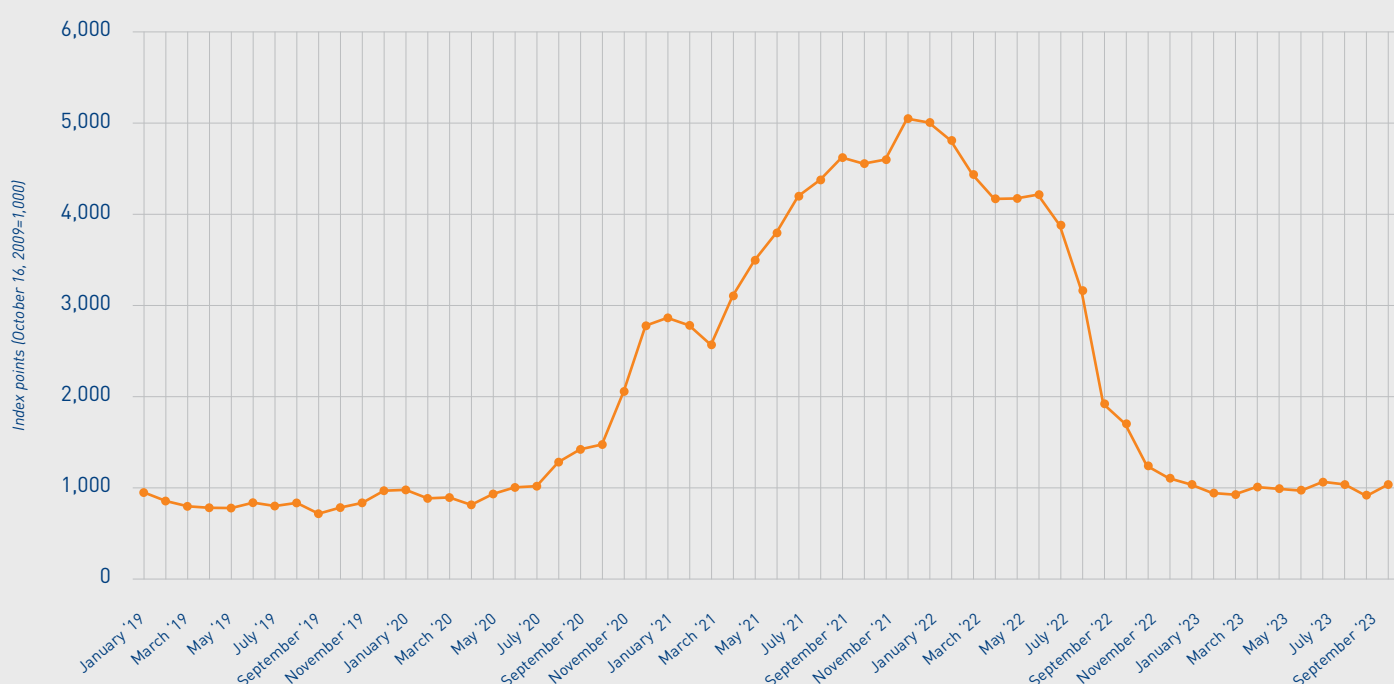
The World Container Index has seen a 6% decrease this week. However, when compared to the same week in 2022, overall rates have dropped by 42%.

The current index is USD 1,469 per forty – foot equivalent (FEU), which is 3% less than the average rates in 2019, before the pandemic.

The year-to-date average composite index is \$1,688 per FEU, which is \$986 lower than the 10-year average of \$2,675 (which was inflated by the Covid period of 2020-22). All these indicators suggest a return to more normal prices pre Covid.

Shanghai Containerized Freight Index

Shanghai containerized freight rate index
from January 2019 to October 2023



Source Statista 2023

Findings

Between January 2019 and October 2023, the cost of shipping goods per twenty-foot equivalent unit (TEU) from Shanghai experienced fluctuation. In 2021, it reached an unprecedented high of USD 5000 per TEU. The current data indicates that freight rates are gradually stabilising and returning to pre-pandemic levels. This suggests a return to traditional off-peak periods after the Chinese New Year in February and a “manufactured” peak season in Quarter 4 2023. The spot market freight rates will be influenced by market demand, available supply, and the shipping lines’ capacity. It is worth noting

that shipping lines are currently implementing measures, such as cancelled sailings from China, to stabilise freight rates. This is being achieved by cutting back on weekly space through blank sailings and pushing multiple rate increases this quarter.

During Quarters 1 & 2 2024, we can expect to see a similar pattern emerge to that of 2019 as we bid farewell to the exceptional years of 2021 and 2022, which heralded the unprecedented escalation of historical highs, leading to repercussions across all supply chains.

Major Routes – Spot Rates

Assessment across eight major East-West trades

Route	Route code	09-Nov-23	16-Nov-23	23-Aug-23	Weekly change (%)	Annual change (%)
Composite Index	WCI-COMPOSITE	\$1,504	\$1,469	\$1,384	-6% ▼	-42% ▼
Shanghai - Rotterdam	WCI-SHA-RTM	\$1,272	\$1,227	\$1,148	-6% ▼	-48% ▼
Rotterdam - Shanghai	WCI-RTM-SHA	\$461	\$466	\$474	2% ▲	-42% ▼
Shanghai - Genoa	WCI-SHA-GOA	\$1,470	\$1,449	\$1,373	-5% ▼	-57% ▼
Shanghai - Los Angeles	WCI-SHA-LAX	\$2,287	\$2,208	\$2,000	-9% ▼	-3% ▼
Los Angeles - Shanghai	WCI-LAX-SHA	\$769	\$771	\$765	-1% ▼	-35% ▼
Shanghai - New York	WCI-SHA-NYC	\$2,661	\$2,621	\$3,573	-2% ▼	-47% ▼
New York - Rotterdam	WCI-NYC-RTM	\$602	\$614	\$613	0%	-54% ▼
Rotterdam - New York	WCI-RTM-NYC	\$1,488	\$1,510	\$1,486	-2% ▼	-79% ▼

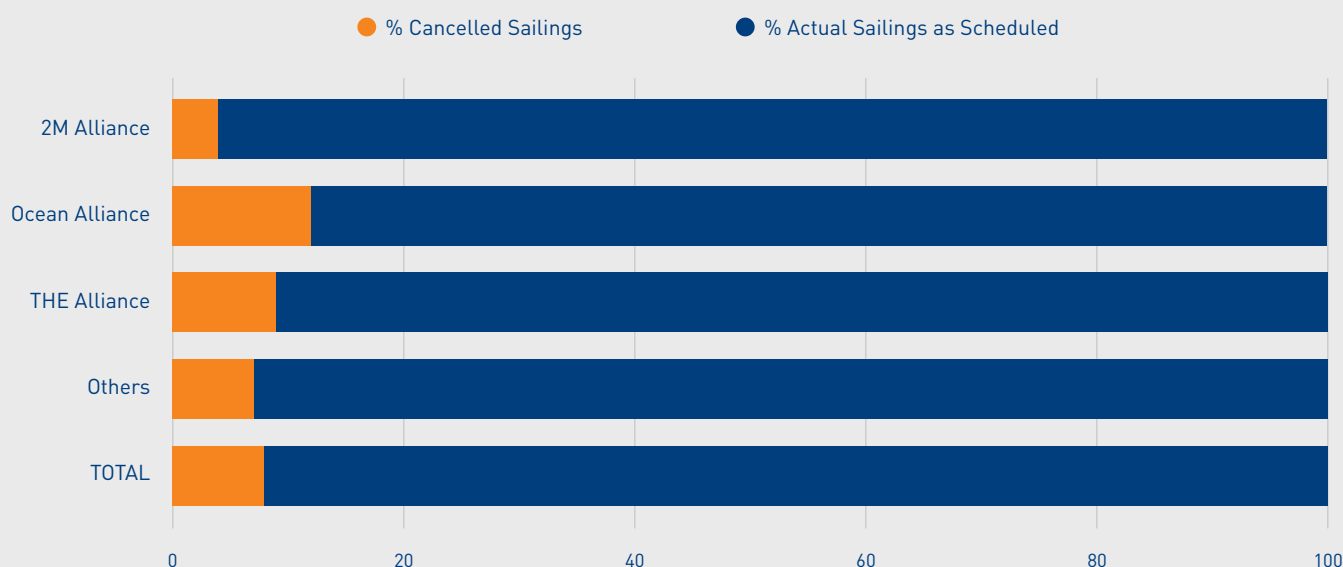
Source: Drewry Supply Chain Advisors

Findings

Rate volatility is evident on the major routes across the East-West trades as the spot rates continue to come under pressure. The rates on the Shanghai to Los Angeles, Rotterdam, and Genoa routes have decreased by 9%, 6%, and 5% respectively. The rates on the Shanghai to New York and Rotterdam to New York routes have also decreased by 2%. However, there has been a 2% increase in the rates on the Rotterdam to Shanghai route, while the rates on the New York to Rotterdam route have remained the same. Drewry, a shipping consultancy, predicts that the East-West spot rates on these routes will remain stable in the coming weeks.

Cancelled vs. Scheduled Sailings

Drewry cancelled vs scheduled sailings (Week 47 to 51)



Source: Drewry Supply Chain Advisors

Findings

Over the next five weeks, a total of 54 sailings were cancelled on the major East-West trades – Trans-Pacific, Trans-Atlantic and Asia-North Europe & Med. This represents an 8% cancellation rate out of a total of 650 scheduled sailings between week 47 (20 Nov-26 Nov) and week 51 (18 Dec-24 Dec). During this period, 43% of the cancelled sailings will occur on the Transpacific Eastbound, 37% on Asia-North Europe and Med, and 20% on the Transatlantic Westbound trade.

The OCEAN Alliance has announced 21 cancellations, followed by THE Alliance and 2M Alliance with 11 and 5 cancellations, respectively, over the next five weeks. Additionally, 17 blank sailings have been implemented in non-Alliance services.

It is important to note that, on average, 92% of the ships are expected to sail as scheduled over the next five weeks, apart from 2M Alliance, who expect to achieve 96% over the same period.

Unfortunately, the recovery in freight rate over the past two weeks was short-lived, with Drewry's Composite World Container Index falling by 6% to USD 1,469 per FEU.

The November General Rate Increases (GRIs) came under scrutiny as additional capacity re-entered the market. Carriers were forced to reduce rates mid-month as space became readily available. This additional supply is likely to undermine the capacity cuts made earlier and will significantly add to the downward pressure on freight rates.

It remains uncertain whether competing shipping lines, striving for market share, will exercise enough capacity discipline to maintain their GRIs scheduled for the coming month.

Expectations

As the shipping industry continues to face challenges due to the oversupply and reduced demand, shipping lines will need to either announce a massive blank sailing program or will continue to inject capacity into their routes and ride the wave of downward pressure on rates.

Global economic factors and consumer trends will continue to play a pivotal role in demand indicators.

In 2024 a significant increase in capacity of approximately 6.4% versus a demand growth of only 2% has been predicted by analysts. This will have a severe impact on revenue for the shipping lines and we may experience a contraction of services that will mean more disruptions for the industry.

It is estimated that the global containership fleet will surpass 28 million TEU with delivery of new builds expected to continue through the next 12 months.

Carriers will face a relentless challenge in maintaining their freight rates above their operational costs as indications and forecasts all point to supply outpacing demand.

With vessel scrapping and idling remaining at low levels despite an aging box fleet, carriers will adjust to market pressures and be forced to continue to slow steam their ships and remove capacity via blank sailing programs to stop freight rates from eroding. This will limit sailing schedules and affect port calls therefore we recommend lead times of two to three weeks to be factored into your shipment planning.

Quarter 1 2024 will see another demand increase prior to the Chinese New Year Holidays on February 10th 2024. Shipping lines already announce another rate increase at a quantum of USD 300 per TEU from January 1st 2024. This increase will affect the Northeast Asia to Australia and New Zealand trades.

Close communication with our experienced team of professionals to assist our valued clients to navigate through the challenges 2024 will bring, is recommended.



We wish to send our valued clients our warmest wishes for a wonderful festive holiday season and thank you for your trust and ongoing support of Henning Harders.

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Quarterly Global Shipping Update
November 2023

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