

## OCEAN MARKET UPDATE

September 2024

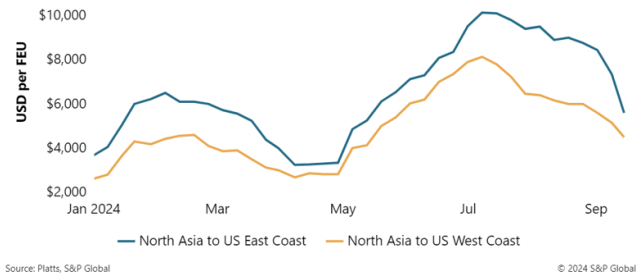


### CURRENT STATE

- Front-loading of shipments in anticipation of the potential ILA dockworker strike on the US East and Gulf coasts ports, combined with heightened rate pressures has caused container spot rates from Asia to the US East Coast to plummet more rapidly than usual over the last few weeks. Furthermore, as peak-season shipments decline and retailers shift cargo to the West Coast due to strike fears, carriers are now offering special "bullet" rates to compete in a slowing market, further driving down prices. The East Coast spot rate fell roughly 25% (according to Platts, S&P Global), with carriers becoming more flexible on pricing. Meanwhile, West Coast rates saw a decrease as well, dropping roughly 12% this week. However, West Coast rates may start to stabilize or even rise as retailers begin shipping holiday merchandise and react to the looming ILA strike threats.

Asia-US ocean rates down from early-July peak

Container rate from North Asia to US East and West coasts in USD per FEU



Source: Platts, S&P Global

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- Shipments to and from Shanghai and Ningbo's container terminals are now facing delays following Typhoon Bebinca, which led both ports to temporarily close. The closures have created significant vessel bunching and potentially severe disruptions to shipping schedules. Ships that had previously moved away from Shanghai in anticipation of the storm will return over the coming days, likely resulting in delays extending beyond a week. In preparation of the storm, vessel arrivals at Shanghai halved from Friday to Saturday and were minimal on Sunday. At Ningbo there was a similar 90% drop in arrivals, and container operations were halted on Saturday. Both ports are experiencing extended berthing wait times as they deal with the backlog. Additionally, ports in southern China and Vietnam, still recovering from Typhoon Yagi, are facing further delays, with ships in Yantian waiting up to four days to berth. Despite these disruptions, Linerlytica notes that the congestion is unlikely to reverse the decline in long-haul freight rates as cargo demand remains subdued.

- While container spot freight rates have generally been declining on major east-west trade routes, the Trans-Atlantic trade has seen a notable increase in pricing recently. The cost of shipping a 40ft container from North Europe to the North America East Coast, which had been stable for most of the year, rose roughly 14% in early September, according to the Xeneta XSI index. Similarly, the Drewry World Container Index reported a 16% per 40ft weekly increase in rates for the Rotterdam-New York route. This surge has been partially attributed to European shippers rushing to secure space before a potential strike by the ILA set for October 1. However, the primary driver behind the price hikes is the successful implementation of peak season surcharges by transatlantic carriers. Despite some concerns about the ILA strike, it is believed the rate increase reflects carrier initiatives rather than a severe shortage of capacity. The early September rate increase, while significant, falls short of the higher targets carriers had set for peak season surcharges.

### MARKET FORECAST


- With the contract between maritime employers and the International Longshoremen's Association (ILA) set to expire in just two weeks, the possibility of a dockworkers strike at US East and Gulf Coast ports is becoming increasingly likely. The White House is now saying it will not invoke its powers to intervene and some US Ports are announcing extended gate hours in anticipation of the strike deadline. The ILA has once again said it will not work beyond the September 30 expiration if an agreement isn't reached. While the United States Maritime Alliance (USMX), representing maritime employers, has announced that no progress has been made in securing a new master contract as the two sides have not re-entered negotiations.

For further information on the impact of the possible strike, and CWW's contingencies, please visit:

[www.craneww.com/knowledge-center/latest-news-and-info/](http://www.craneww.com/knowledge-center/latest-news-and-info/)

- Germany's new border control measures, effective September 16, are anticipated to significantly disrupt the logistics industry in the region, particularly causing shipping delays. These controls will include spot checks on individuals crossing borders to address irregular migration and enhance security. However, there are concerns that they could lead to severe delays for freight traffic, especially at key routes like the Germany-Netherlands border where around 1,000 trucks cross daily. This could lead to costly disruptions for industries reliant on just-in-time delivery. Shippers are advocating for "green lanes" to allow commercial vehicles to bypass some controls and reduce congestion, a strategy previously used during the COVID-19 pandemic. Without such measures, the economic impact of delays could reach tens of millions of euros daily, potentially undermining the EU's single market and causing widespread supply chain issues. While Germany defends the measures as necessary for addressing illegal migration, the transport and logistics sectors are pushing for solutions that balance security with economic impacts. The debate over the measures' effects continues even after the effective date.

- From February 2025, the global container shipping line alliances will shift with the dismemberment of the 2M Alliance and the creation of the Gemini Cooperation. The below chart indicates the alliance make up after this shift:

| OCEAN ALLIANCE  | PREMIER ALLIANCE  |
|---|---|
|     |    |
| MSC   | GEMINI COOPERATION  |
|    |     |

\*ZIM will operate independently while collaborating with MSC on their Trans-Pacific services

Sources: Alphaliner, Journal of Commerce (JOC), The Loadstar, Freightos Terminal, Sea-Intelligence, Container-News.com, Bloomberg, Logistics Business, Linerlytica, scangl.com/news