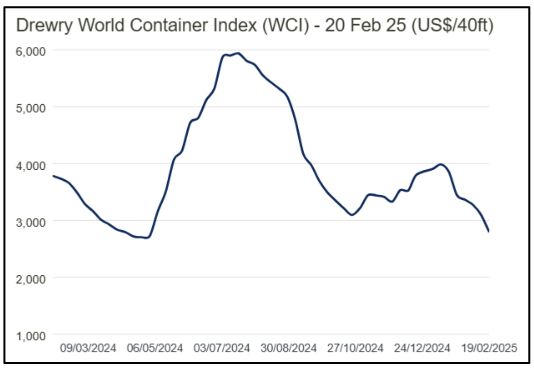
CRANE WORLDWIDE LOGISTICS

OCEAN MARKET UPDATE

CURRENT STATE

Container spot freight rates on major east-west trade routes have continued to decline due to weak demand, with the Drewry's World Container Index (WCI) showing a 10% drop week-on-week, bringing rates to levels not seen since April of last year. The transpacific market, especially routes to the US east and west coasts, experienced double-digit declines, with Shanghai-Los Angeles and Shanghai-New York falling 11% and 13%, respectively. This downward trend is attributed to limited shipping volumes following Chinese New Year and increased competition among carriers. Despite efforts from carriers to increase rates from March, industry experts warn that these hikes may not be successful without additional capacity reductions. The reshuffling of alliances may further reduce capacity on Asia-Europe routes, adding pressure on rates.



The ongoing strike action, which is centered on severance pay disputes, at Rotterdam's Hutchison Ports-owned ECT Delta terminal has led Dutch union FNV Havens to call for European ports to refuse handling ships diverted from Rotterdam. The strikes have disrupted the handling of deep-sea vessels, regional feeder ships, and inland-bound cargo. While no other ports have yet joined the call for solidarity, the shipping industry is closely watching the situation, with carriers considering adjustments to their rotations. The union has reached out to other European ports and the European Transport Federation for support. However, experts caution that any solidarity strikes could exacerbate congestion at European terminals already struggling with high cargo volumes from Asia and inclement weather. Rotterdam itself continues to face significant congestion, with limited yard space and waiting vessels, and has introduced measures to manage the growing backlog.

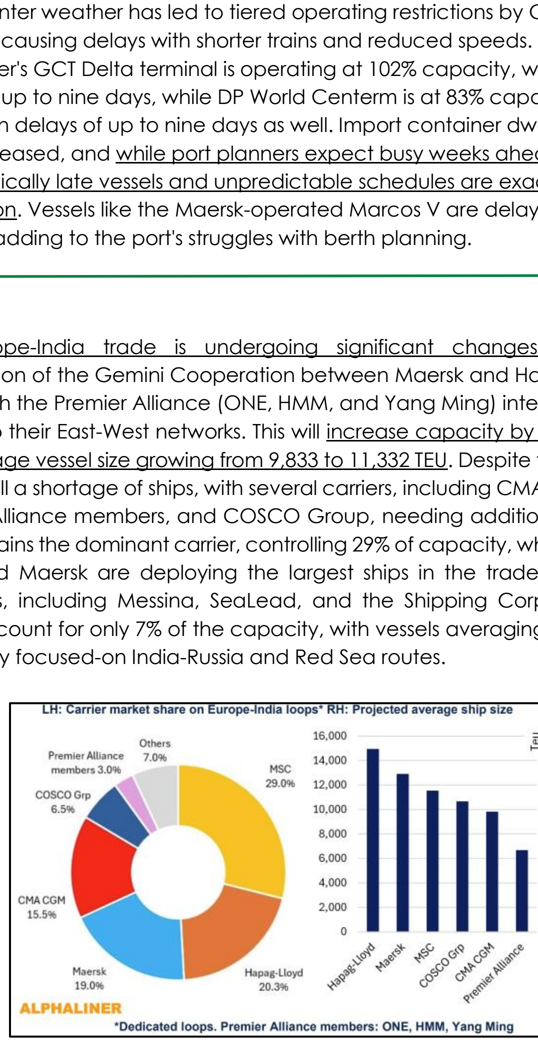
Congestion at Vancouver's west coast gateway is expected to worsen due to a combination of restricted access to inland rail links and unreliable liner schedules amid ongoing alliance reshufflings. Carriers' have reported that severe winter weather has led to tiered operating restrictions by Canadian railroads, causing delays with shorter trains and reduced speeds. Vancouver's GCT Delta terminal is operating at 102% capacity, with berth delays of up to nine days, while DP World Centerm is at 83% capacity, resulting in delays of up to nine days as well. Import container dwell times have increased, and while port planners expect busy weeks ahead, issues like chronically late vessels and unpredictable schedules are exacerbating congestion. Vessels like the Maersk-operated Marcos V are delayed by over 28 days, adding to the port's struggles with berth planning.

MARKET FORECAST

Ocean carriers will not return to the Red Sea and Suez Canal until there is a full and permanent ceasefire between Israel and Hamas, according to Inchcape Shipping Services. The ongoing instability and threats from Houthi militants at the Bab al-Mandab Strait have forced carriers to divert vessels around southern Africa for the past 15 months, adding significant delays and costs. Although some are willing to operate in the region despite security risks, most shipping companies are waiting for clear, stable conditions and reduced insurance premiums before resuming Red Sea transits. The decision to return will depend on the security situation and the willingness of insurance companies to cover the risks.

The future of container shipping presents significant challenges for shippers, as the industry grapples with capacity constraints and the transition to zero-emission shipping by 2050. As international regulations push for lower greenhouse gas emissions, carriers may face higher costs for alternative fuels, which they are likely to pass on to customers in an already constrained capacity environment. This shift, combined with slow steaming and vessel scrapping strategies, suggests that the era of abundant shipping capacity is over. Over the past 25 years, service quality has steadily declined, and costs have risen due to these capacity limitations, worsened by external shocks like the COVID-19 pandemic and geopolitical tensions. Internal factors, including blank sailings and chronic port congestion, have further impacted reliability. The combination of these pressures means the future will likely involve even higher costs and more unpredictable service for shippers.

The Europe-India trade is undergoing significant changes with the introduction of the Gemini Cooperation between Maersk and Hapag-Lloyd, along with the Premier Alliance (ONE, HMM, and Yang Ming) integrating the route into their East-West networks. This will increase capacity by 24.1%, with the average vessel size growing from 9,833 to 11,332 TEU. Despite this growth, there is still a shortage of ships, with several carriers, including CMA CGM, the Premier Alliance members, and COSCO Group, needing additional vessels. MSC remains the dominant carrier, controlling 29% of capacity, while Hapag-Lloyd and Maersk are deploying the largest ships in the trade. The small operators, including Messina, SeaLead, and the Shipping Corporation of India, account for only 7% of the capacity, with vessels averaging 1,915 TEU, and many focused-on India-Russia and Red Sea routes.



Sources: Alphaliner, Journal of Commerce (JOC), The Loadstar, Freightos Terminal, Sea-Intelligence, Contaier-News.com, Logistics Business, Containerlift.com