SeatradeMaritime
NEWS

Lines pour capacity into mainline container trades to meet demand

File photo: CMA CGM Liberty

A surge in demand on the major container trade lanes has seen tonnage redeployed from secondary routes, which in turn will see higher freight rates as a result.

Nick Savvides | Jul 16, 2024

Xeneta is warning shippers to expect a capacity shortfall in these secondary services where capacity has been redeployed to mainline trades, which will ultimately push up rates.

Global container volumes topped 74 million teu in the first five months of this year, overhauling the 2021 record by 150,000 teu as Chinese exports boomed and shippers front loaded their orders.

Related: Container freight rates take a breather

This surge in demand has encouraged liner shipping companies to shift capacity from less lucrative services on to the high yield trades, and that will eventually have a knock-on effect on freight rates.

Xeneta figures, sourced from Container Trade Statistics, also show a 5.2 million teu increase compared to volumes seen from January to May 2023, with this year's May volumes alone topping 15.9 million teu.

Related: South African storms delay cape diverted container ships

Whereas increasing demand on backhaul trades has little significant impact due to the high level of spare capacity in the backhaul market, said a Xeneta market briefing: "Any change in demand on the major deep sea fronthaul trades is quickly felt in the market."

In the first five months of 2024, fronthaul volumes increased by 10.4% compared to the same period in 2023 while growth on backhaul and intra-regional trades has increased by 4.4% and 5.5% respectively.

Spot rates on the European and US backhaul trades to Asia have softened substantially from their peak earlier this year, which was caused by the Red Sea crisis.

In contrast: "Spot rates on the fronthaul from the Far East into North Europe have increased by almost 150% since the end of April. From the Far East into the US East Coast and US West Coast, average spot rates have increased by 132% and 140% respectively."

As a result, Xeneta believes that carriers who are shifting tonnage from less lucrative trades into the booming major trades could see the secondary markets starved of capacity, which in turn will drive up rates in these trades too.

“The message to shippers who use secondary trades is, ‘enjoy it while it lasts’, because it is likely increasing spot rates will trickle down from the major trades.”

In fact, these increases may have already begun with consultancy Linerlytica reporting today that capacity injections have been seen in the Indian subcontinent, Latin America and US West Coast routes “where freight rates are the most lucrative currently”.

“The Far East to the Indian Subcontinent, Latin America and US West Coast routes have seen a significant increase in new capacity injections in the last month, reported Linerlytica, “with capacity rising by 9.0%, 6.0% and 4.7% respectively with a slew new services and extra loaders added since June.”

Additions to capacity in these trades is expected to continue through August, keeping the charter market tight as carriers are still short of tonnage needed on these routes.
