Container freight rates fall but Red Sea return will be tipping point

Spot container freight rates continue to fall as capacity rises, but a return to Red Sea transits will push the demand – supply dynamic in shippers' favour.

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Credit: Pixabay

The [Drewry](#)World Container Index (WCI) shed a further 6% to $2,696 per feu on Thursday compared to a week earlier. The drop in freight rates moderated from the 10% fall seen in the previous seven day period. Meanwhile the [Shanghai Containerized Freight Index](#) (SCFI) index fell 5% to 1,515.29 points on Friday compared to the previous week.

While container freight rates have fallen significantly since the Houthi announced they would no longer attack international shipping, apart from Israeli owned or flagged vessels, in the Red Sea major container lines are yet to return to transiting the region keeping the supply -demand balance in check.

The 2025 Container Shipping Outlook Report by Alix Partners noted that the industry consensus for a resolution to the crisis and return of carriers to the Red Sea and Suez Canal would not take place in the first half of the year.

"But whenever the crisis is resolved, the return of diverted capacity and the addition of a massive supply of newbuilds could swamp the supply-demand balance, drive rates down, and tip profits into losses," the report said.

Last year nearly 11%, or 3 million teu, of new capacity was added to the container shipping trades, but this was soaked up by the additional capacity required diversions via the Cape of Good Hope. The total fleet on the European trade lanes grew by 31% according to Alix Partners.

Related:[Container rates fall 10% in a week](#)

This year another 200 newbuilds are due to be delivered this year adding 2 million teu to the fleet, or around 6% growth, after expected scrapping. "Once the Red Sea crisis is resolved, the supply-demand dynamic will shift in favour of shippers, and rates could fall as quickly as they rose," the report said.