Container lines fluctuating fortunes in uncertain market

As contract negotiations approach their zenith next month spot rates are causing carriers issues with the Pacific rates in particular sliding faster than other major trades.

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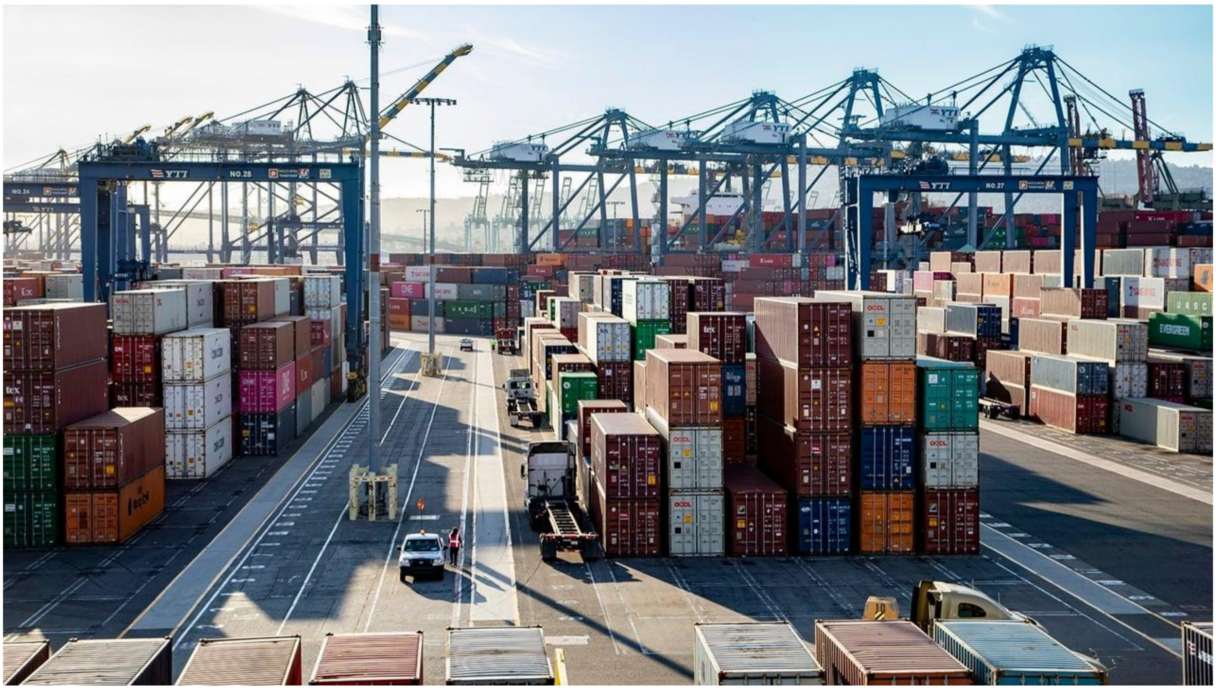

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In its latest World Container Index Drewry Shipping Consultants average spot rates fell 4%, to $2,264 per feu globally, but spot rates from Asia to the US West and East coasts fell 9% and 7% week-on-week, respectively. While in the same week spot rates to North Europe and the Mediterranean were down 2% and 1%.

Antonella Teodoro, an analyst at MDS Transmodal commented: “The uncertainty created by the tariffs announced and or implemented by the US, followed by retaliatory measures announced and or implemented from their counterparts, compounded by new agreements among the main shipping lines within an unstable geopolitical landscape, will increase the difficulty of separating the ‘causes’ from the ‘effects’ of the simultaneous changes we are witnessing.”

Alvin Fuh VP ocean freight at Taiwan forwarder Dimerco Express Group said: “As transpacific eastbound contract renewals approach in April, market rates are expected to fluctuate as carriers push for general rate increases.”

Dimerco also noted that US tariff policy adjustments under the Trump administration have caused customers to take a wait-and-see approach, reducing cargo volume.

“The reduced capacity on the USWC lane, due to new alliances and lower cargo volume, has led to a more balanced supply and demand,” said Dimerco.

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Even if the Pacific is more balanced the slide on rates has continued even as capacity management measures have been made by the lines in an attempt to bolster spot charges during the crucial contract season.

On the Pacific the MDS Transmodal data reveals a very different story as the carriers withdraw capacity in an effort to bolster plummeting spot rates.

Teodoro commented: “The number of services [on the Pacific] was stable at 77 from December to January, but then drops to 74 by March, down three services. Scheduled capacity had increased to 2.73 million teu in January, 1.2%, but then declined through February and March, -0.6% and -3.3%. The net change from December to March is -2.8% — the only corridor showing a sustained decline in capacity.”

Teodoro asks: “Are these signs of weakening demand or strategic service reductions in this corridor?”

With rates declining fast and there is evidence that carriers are beginning to ‘park’ tonnage in the Atlantic, in a similar way to what was seen last year as vessel deliveries ramped up.

Xeneta Chief Analyst Peter Sand had said in January this year that carriers had “parked” tonnage on the Atlantic trades last year.

According to Sand: “Volumes into the US and Europe are trending down, according to February data, with utilisation across all the main trades declining.”

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Teodoro pointed to emerging evidence that carriers are increasingly redeploying capacity to the Atlantic.

“Moderate, steady growth in the number of services, 41 services from December to January, rising to 43 by February 2025, plus two services. This masked an impressive capacity surge, from 731,000 teu in December to 802,000 teu in February, +9.6%, and 809,000 teu in March, +10.6% overall. Notably, February saw a standout 7.9% month-on-month capacity rise — the strongest surge among all routes,” said Teodoro.

Teodoro added: “The Atlantic corridor shows the most robust capacity growth: is this a reaction to higher demand or market repositioning?” She asked.

On the Far East to Europe trades, including the Subcontinent and Arabian Gulf MDS Transmodal reports a steady increase in services, rising from 180 in December to 187 by March.

“Strong growth in scheduled capacity in February, saw the available capacity reach 4.31 million teu, an increase of 3.2% month-on-month and 3.8% from December; a minor pullback in March saw a capacity decline of -1.1%, but available capacity was still well above December levels with a 2.7% net gain,” said Teodoro.

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Market fluctuations are causing supply chains to be amended as carriers look to maintain elevated margins, however, MDS Transmodal concluded that the political developments are having a destabilising effect on trade patterns.