

MONTHLY CONTAINER SHIPPING BAROMETER



NOVEMBER 2023

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Container shipping market struggles with low rates and geopolitical tensions

Freight rates remained critical for the shipping companies in November, while geopolitical tensions complicated their operations.

Freight rates remained depressed in November. Despite the reserves built up during the post-Covid years, **the shipping companies and leading forwarders are having to restructure.** When it published its financial results in early November, Maersk announced that it planned to eliminate another 3,500 jobs, taking its job cut total in 2023 to 10,000.

The state of the container shipping industry reflects the moroseness of the economy generally, generating fears of a significant increase in unemployment. **It is as if the shock wave created by the pandemic was being felt now,** after the withdrawal of government economic aid packages and the restoration of the profit margins of the big business groups.

Latest developments

- *Freight rates at preoccupying levels*

The freight rate market is causing concern, particularly the Asia to Europe segment. **The market is over-reacting to a fall in cargo volumes, which, ultimately, is relatively limited in scope.** This is why the shipping companies reduced capacity to an extreme degree in November, increasing the number of blank sailings in an attempt to stop the terrible downward rate spiral.

Even MSC, which has gained most market share in 2023, seems to have called off its rate offensive, setting its official December FAK rates for port-to-port services from Asia to Europe at around the psychologically important USD2,000/40' mark. CMA CGM followed suit, with a fairly similar announcement of comparable rates.

We should be wary, however, about these announcements. The December market is already 95% covered by the established operators on terms identical or close to those which applied in November. **Restoring freight rates as 2024 approaches will not be easy but the need for all operators to do so has become obvious.**

- *Suez Canal access under greater threat*

On 19 November, the ro-ro vessel, Galaxy Leader, was captured in the Red Sea by Houthi rebels from Yemen. The attack, which was carried out by helicopter, was violent. Its authors published a shocking video of the event, which was choreographed like a video game. We can only be astonished by the military efficiency of the rebel group, which announced that it had chosen its target because the owner of the vessel was of Israeli nationality.

This show of force was worrying because it showed that there are organised militias, which are clearly well trained and have at their disposal substantial airborne resources. There were other attacks in the Red Sea on 3 December. The American army said that it had good reason to believe that these attacks had been made possible with Iranian support. A CMA CGM vessel, with financial links to Israel, was also targeted in the Indian Ocean.

The deteriorating security situation in the area is causing a threat to access to the Suez Canal. Foreign navies have positioned a number of ships to counter possible attacks. The geopolitical situation is nevertheless causing concern among insurers and shipping company managers. Zim, which is particularly under threat, has decided to cease transiting via the canal in favour of the Cape of Good Hope route (see p.13). The low level of freight rates in relations to the risks involved in using the Suez Canal has added to the interest of this safer option.

- ***Panama Canal transit conditions deteriorate***

The Panama Canal, which is another important point of passage for world trade, is also under threat. The drought conditions, which have obliged the authorities to limit traffic through the canal, have become [a long-term phenomenon](#). Operating conditions have seriously deteriorated, and the shipping companies are faced with **additional costs, long waiting times and passage programming problems**. As a result, some ships are starting to take the long route round Cape Horn (see p.14).

Will the merchant navy return in 2024 to the great 19th century shipping routes round Cape Horn and the Cape of Good Hope, as they existed before the opening of the Panama and Suez canals? It would be an extreme measure, of course, given the additional time and fuel involved, but **it could be an attractive option insofar as it slows down shipping movements and requires more ships to be brought into service at a time when the market is suffering from overcapacity**. Many consider that this is the only way to increase freight rates.

Could this be the new post-pandemic set-up? Shipping services would be more costly and slower but also more regular, with less blank sailings and with better respected timetables and frequencies. As such, they could be modelled again in shippers' lead time management systems.

- ***Fears over start of EU Emissions Trading System***

The European Union's Emissions Trading System (ETS) is due to come into force in the shipping sector on 1 January 2024. In October, several southern European countries warned that there was a risk of traffic being diverted to neighbouring ports not involved in the system. In [an implementing regulation on 26 October](#), the European Commission included Tanger Med and Port Said in the list of neighbouring container transshipment ports involved in the system. This was not enough to calm the fears of the port industry, however.

On 30 November, the Federation of European Private Port Companies and Terminals (FEPORT), which represents the interests of cargo-handlers, along with other maritime professions, issued [a joint communique](#) calling on the European Commission to carry out a study immediately into the risk of traffic being diverted from European ports and into possible solutions for preventing this from happening.

FEPORT and its fellows are concerned about traffic leaving European ports at a time when cargo volumes are already at a low level. Part of the market is also wondering about the wisdom of introducing a regional regulation in an industry which is naturally global. The communique calls, moreover, on the European Commission "to continue to raise its voice within IMO in favour of a global ETS and concurrently to immediately explore the possibility of concluding bilateral agreements with EU neighbouring countries that could adopt legislation similar to ETS and with converging timelines".

MSC chief executive Soren Toft has also said publicly that he considers that it is not desirable to introduce the new regulation on 1 January in the current state of the shipping market. His opinion is relevant, given that it comes from the man who is arguably the most powerful regular line operator in Europe and the world generally.

SMART by **upply**

Benchmark your freight rates

& follow their evolution by road, sea & air freight worldwide

Benchmark your freight rates

The image shows a laptop displaying the upply dashboard. The dashboard includes a gauge for benchmarking freight rates, a confidence index, and a table of environmental impact data.

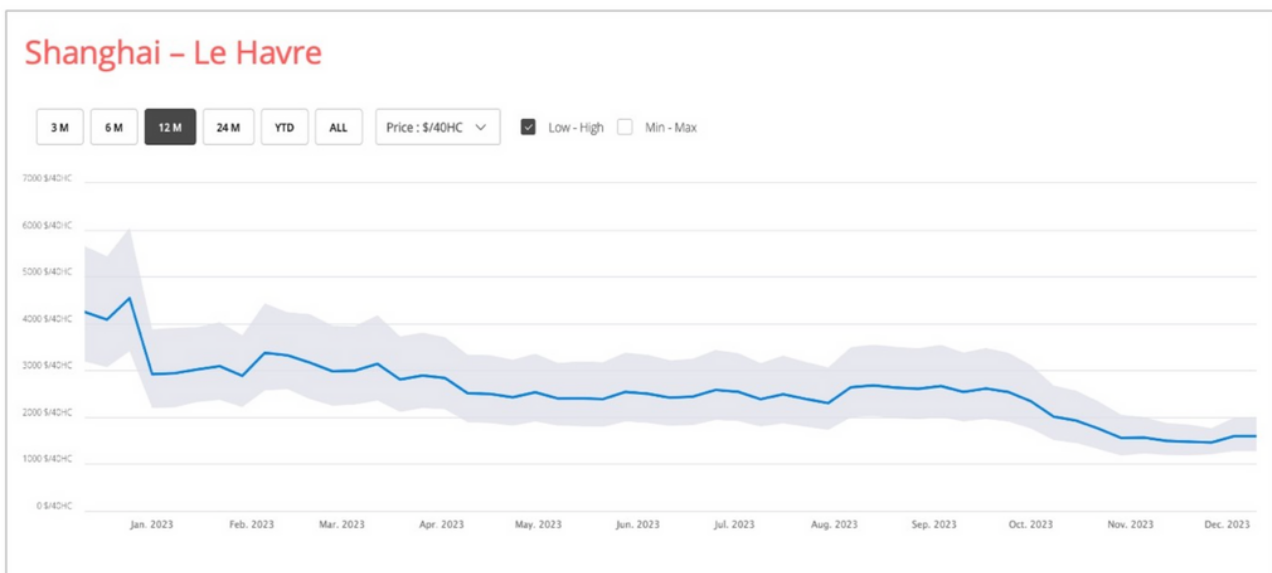
Environmental Impact	
CO ₂	1.9 tCO ₂ e
NO _x	5.1 kg/m³
PM	0.7 kg/m³
SO ₂	0.7 kg/m³
PM ₁₀	0.1 kg/m³
PM _{2.5}	0.1 kg/m³
PM ₁₀ + PM _{2.5}	0.2 kg/m³
PM ₁₀ + PM _{2.5} + SO ₂	0.9 kg/m³
PM ₁₀ + PM _{2.5} + NO _x	5.8 kg/m³
PM ₁₀ + PM _{2.5} + NO _x + SO ₂	6.5 kg/m³
PM ₁₀ + PM _{2.5} + NO _x + SO ₂ + PM ₁₀ + PM _{2.5}	7.2 kg/m³
PM ₁₀ + PM _{2.5} + NO _x + SO ₂ + PM ₁₀ + PM _{2.5} + PM ₁₀ + PM _{2.5}	7.9 kg/m³

1. PRICES

Attempts to introduce general rate increases on east-west markets in November continued to mark time. **Companies are battling to increase the value of their customers average "shopping baskets" by applying surcharges but these are having little impact on bills overall.**

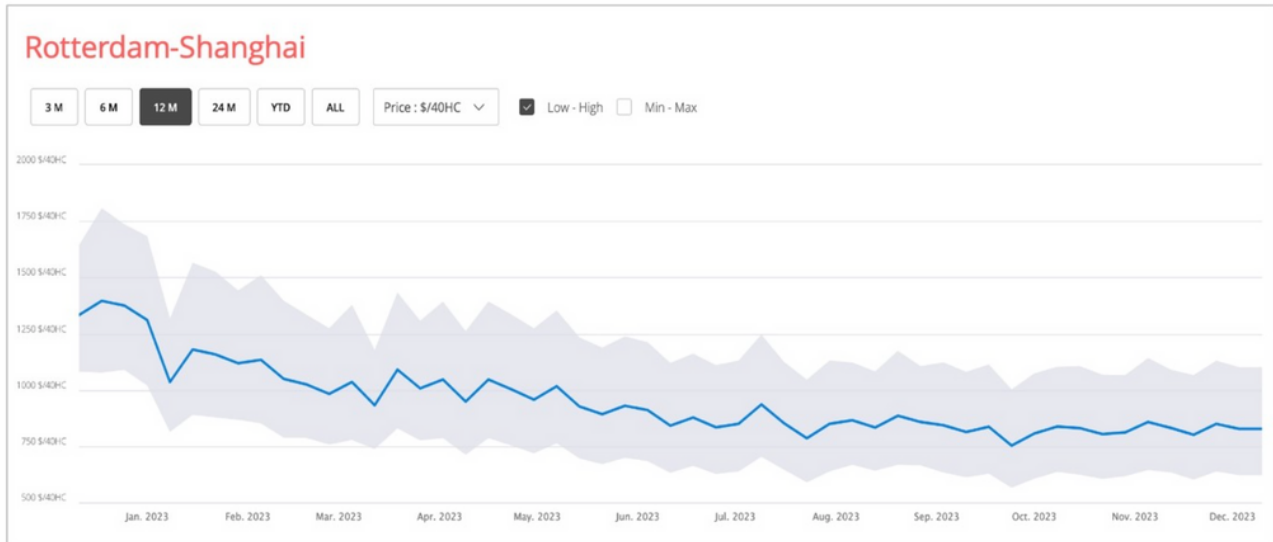
We are seeing soaring surcharges on the Panama Canal, which are increasing the cost of "all water" services from Asia to the east coast of the United States. Hapag Lloyd, for example, announced that it was imposing [a \\$130 \(€120\)/TEU Panama Canal surcharge](#) from 1 January 2024. The change in the situation on the Panama Canal is encouraging a return to the more usual west coast ports, which clients abandoned when post-Covid congestion was at its height. The ports now find that their cargo volumes are close to the high points they registered after the first Chinese lockdown.

• Asia - Europe



Port-to-port rates (spot and contract combined) billed for sailings from Shanghai to Le Havre, THC included, for a 40' HC DRY container carrying dry, non-dangerous goods. Source: [Upplly](#)

• Europe - Asia



Port-to-port rates (spot and contract combined) billed for sailings from Rotterdam to Shanghai, THC included, for a 40' HC DRY container carrying dry, non-dangerous goods. Source: [Upply](#)

• Europe - USA



Port-to-port rates (spot and contract combined) billed for sailings from Antwerp to New York, THC included, for a 40' HC DRY container carrying dry, non-dangerous goods. Source: [Upply](#)

• Transpacific



Port-to-port rates (spot and contract combined) billed for sailings from Shanghai to Los Angeles (Long Beach), THC included, for a 40' HC DRY container carrying dry, non-dangerous goods. Source: [Upplly](#).

2. SERVICES

The trend towards improved service reliability seems to have come to a standstill in October 2023. [Sea Intelligence](#)'s monthly analysis, which covered 34 routes operated by 60 shipping companies, found that **service reliability stabilised at 64.4% in October**. Year on year, however, service reliability was up 12.6%.

Sea Intelligence sounded a note of caution, however, pointing out that, except in May, monthly service reliability had not improved by more than two percentage points since the month of March. Has worldwide post-pandemic reliability peaked? It is still too early to say. It would seem, however, that disruption linked to the conflict between Israel and Hamas and the imminent end of shipping consortia will not encourage a return to normal during the months to come.

At the same time, the lateness of arrivals in port is increasing. The average arrival delay increased by 0.33 days in October, compared to September. **This brought the average delay to 4.9 days.** Sea Intelligence noted that this increase took the industry back to its 2020 level.

To take just one example, ONE notified its customers of delays to its services in Europe, Asia and North America by email. In November, it sent five or six emails every day to announce delays in its services. It blamed them on port congestion, particularly in Asia and Europe, and disruption due to weather conditions. Recently, ONE delayed a number of services because of thick fog in Rotterdam.

- *Asia - Europe*

CMA CGM announced improvements to its FAL1 and FAL3 services between Asia and Europe. Since 1 December, calls in Cai Mep (Vietnam) have been suspended. The group said in a communique that it could restore calls at Cai Mep in 2024 if sailing conditions improve. The port is still served by the group's FAL 7 service and the group has set up a feedering service between Singapore and Ho Chi Minh City to maintain its coverage of Vietnam.

CMA CGM has also switched its call in Tangiers from the FAL 1 to the FAL 3 service. This means that the FAL 1 service's first port of call in Europe will be Le Havre, followed by Dunkirk.

- *Transatlantic*

Hapag Lloyd has modified its AL4 service between Europe, North America and Mexico. It has added a call in Wilhelmshaven from January 2024. The new itinerary will be Le Havre, London Gateway, Antwerp, Hamburg, Wilhelmshaven, Veracruz, Altamira and Houston.

- *Mediterranean - North America*

The Medgulf service operated by **CMA CGM** and **COSCO Shipping Lines** has dropped its call in Miami. At the same time, the two companies have added a call in the Colombian port of Cartagena. This call is being made on a trial basis, since it still has to be confirmed for sailings in January. The service will thus rotate between Tangiers, La Spezia, Genoa, Barcelona, Valencia, Veracruz, Altamira, Houston, Cartagena before returning to Tangier.

- *Transpacific*

The fall in demand is continuing to affect services, particularly those between Asia and North America. **Maersk** announced that it was cancelling two sailings in its TP6 service in December. Similarly, **MSC** has adjusted its capacity. It has cancelled sailings by the MSC Camilla on its Santosa service and by the Maersk Cleveland on its Pearl service.

MSC's Santosa service is being reorganised. From December on, the service will no longer call in Norfolk. It will call in future in Yantian, Ningbo, Shanghai, Qingdao, Busan, Manzanillo, Cristobal, Caucedo and New York.

Hapag Lloyd, meanwhile, has confirmed that it will call in the Mexican port of Ensenada. Since March 2020, the call at the port by the company's TPM service between Asia and Mexico has often been cancelled. From the week starting 18 December, however, the service will call at the port every week.

After having cancelled its eCommerce Express (ZEX) service in March, **ZIM** has decided to revive it. The new version of the service will call in Xiamen, Shenzhen and Los Angeles before returning to Xiamen.

- *Europe - India*

Maersk's ME7 service between India and Europe is to be reconfigured. Its London Gateway call is to be replaced by one at Felixstowe from the first week in the new year. The new itinerary will take in Ennore, Colombo, Salalah, Algeciras, Rotterdam, Felixstowe, Bremerhaven and Jedda before returning to Ennore via Salalah and Colombo.

- *Asia - Africa*

Maersk and **CMA CGM's** services between Asia and South and West Africa have been reorganised. Currently, the two companies operate four services between the two continents (the WAX1, WAX3, AFEX and Safari). They also offer space to COSCO Shipping Lines and Hapag Lloyd on CMA CGM's ASAF service and Maersk's FEW6 service.

The new service network will use 14,000 TEU vessels, which will be a first for West Africa. The WAX1 and AFEX services will be merged into a single service calling in Xiamen, Qingdao, Kwangyang, Shanghai, Ningbo, Shenzhen, Guangzhou, Singapore, Tanjung Pelepas, Tema, Lekki, Abidjan, Pointe Noire, Colombo, Singapore and Xiamen. The WAX3 service will call in Singapore, Tanjung Pelepas, Lomé, Lagos and Cotonou. The Safari service will call in Shanghai, Ningbo, Shenzhen, Shekou, Tanjung Pelepas, Port Louis, Durban, Port Louis and Tanjung Pelepas before returning to Shanghai. The WAX4 service, on which COSCO and Hapag Lloyd have space, will leave Qingdao for Shanghai, Ningbo, Guangzhou, Tanjung Pelepas, Singapore, Pointe Noire, Kribi, Luanda, Walvis Bay and then return via Singapore. The new feature in this service is the call in the Cameroonian port of Kribi.

Finally, because of the cancellation of the ASAF service call in Cape Town, CMA CGM and Maersk will offer a feeder service between Cape Town and Port Louis, which will be known as the Cape Town Express.

- *Black Sea*

Although the war between Ukraine and Russia has disrupted services to the Black Sea, it seems that the situation could improve during the first few weeks of 2024. **ONE** has announced plans to open a service from the Turkish port of Istanbul to Bulgaria and Romania, according to Dynamar. The Dutch consultancy does not say whether or not the company will use its own ships or take space on other services. The service should call at Istanbul, Varna and Constanta before returning to Turkey.

3. OPERATIONS

- *South Africa*

South African ports are experiencing **major disruption due to lack of equipment and difficulties removing containers**. Observers have counted up 100 ships waiting to enter the country's ports. In this situation, the shipping companies have decided to reorganise their services temporarily. By way of example, CMA CGM has modified its two Midas services. The Midas 1 service is no longer calling in Durban, although the group said that there were possible solutions for the Midas 2 service, involving the addition of alternate calls in Port Elizabeth and La Reunion. CMA CGM uses La Reunion as a hub for the southern Indian Ocean region. Maersk has taken similar action, except that it has maintained its calls in Durban. To try and maintain reliability, its Protea service is dropping calls in La Reunion and Port Elizabeth every other week.

- *Port strikes*

In France, the CGT FNPD took **industrial action in French ports on 23 November, but the situation is not better in Belgium and Australia**. On 6 December, Belgian ports were affected by widespread industrial action, which prevented vessels berthing. As a result, there were delays in unloading and it will take some time before things have returned to normal. Maersk has warned that changes in service timetables are likely. In Australia, the industrial relations situation does not look to be much better. The main dockers' union has announced widespread action throughout the country at DP World terminals. The ports of Brisbane, Sydney, Melbourne and Fremantle were due to suffer disruption from 27 November to 11 December.

- *Gulf of Aden*

Given the number of attacks which have taken place in the region (see p.3), **ZIM has announced that it is diverting some of its ships**. From now on, services transiting the Red Sea are being diverted via the Cape of Good Hope in South Africa. Services have been reorganised to take account of the longer journey time. At the same time, the Israeli company is continuing to serve ports in the Eastern Mediterranean, particularly the Israeli ports of Ashdod and Haifa.

On the other hand, Kalypso Line, which operates a service between China, Bangladesh and the Mediterranean, announced that it was ceasing to call at Ashdod and Haifa. The Bengali company indicated that it had taken this action for political rather than security reasons.

- *Syria*

The political and security situation in Syria **has persuade the Maersk group to leave the country**. "Maersk would like to inform you that after careful consideration and a thorough evaluation of available options, we have decided to formally wind down our operations in Syria effective 1st December 2023," the group said in a communique.

It said that all containers already loaded would be delivered to Syria in the normal way but that it would be taking no further bookings from 1 December. In its newsletter, Dynamar pointed out that the group serves the port of Latakia via a service operated by Arkas. So far, however, Arkas has not indicated whether or not it will continue to serve the Syrian port.

- *Panama Canal*

The drought being suffered by Panama, with its consequences on the activity of the canal, is continuing to perturb the shipping world. Container shipping companies are now following the example of bulker operators, who have opted to go round Cape Horn, particularly when they are carrying minerals, coal and cereals destined for Asia. Yang Ming and Hapag Lloyd have indicated that their services between Asia and the west and east coasts of North America are now being diverted via the Suez Canal. **This means considerably longer transit times and considerable delays to ship arrival times over the coming weeks.** Currently, 18 ships are transiting the Panama Canal daily. Even though container ships and methane carriers are being given priority, many ships are still waiting at the canal's entry points.

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The "Services" and "Operations" sections of this barometer is produced in collaboration with Hervé Deiss, who is a journalist specialized in maritime transport and port issues.



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