Further container rate weakness forecast for Q4

Mike King 2 days ago

Image: Shutterstock

Spot container shipping rates will continue to subside in the coming weeks following a tepid peak shipping season, according to analysis by Alphaliner.
"With Chinese factories due to close for the Oct. 1 Golden Week holidays, marking the traditional start of the container shipping slack season, carriers have slashed rates ahead of the holidays to build their cargo booking pipeline," said Alphaliner's latest weekly report.

"Further rate weakness is expected for the rest of the year, with carriers' capacity management efforts ineffective so far in stemming the rate decline."

As reported in FreightWaves, World Container Index spot freight rates on the Shanghai-to-Genoa lane plummeted 13% last week, dragging the global composite index down 6% as a result, according to London-based shipping consultancy Drewry.
Alphaliner noted that spot freight rate indices on the SCFI (Shanghai Containerized Freight Index) have slumped to a four-month low and are down 18% year-on-year — evidence, believes the analyst, that while the slew of container line voided sailings may

have helped manage seasonal short-term drops in cargo volumes, they have been ineffective in dealing with a "structural deficit" in demand.
"Carriers have limited room to keep capacity out of the market for extended periods, as the cost of keeping ships inactive will be substantial, while a steady stream of new ships is still expected to be delivered in the coming months and the scrapping of older ships remain very low," said the report.

"The 2M carriers' decision to withdraw their FE-North Europe AE-2/Swan service in late September will be short-lived, with MSC already suggesting that the service could return by mid-November.

"Although some of the withdrawn 2M ships will be replacing ships that are undergoing scrubber retrofits, a number of ships that have completed their retrofits are already back in service."

HMM's decision to withdraw its FE-North Europe AEX service in September also will be more than compensated for in the second quarter of 2020, when 12 of the line's new 23,000-TEU newbuilds are phased into the trade, dwarfing the 5,000-TEU ships that were deployed on the old AEX, according to Alphaliner.

However, the rush to fit container vessels with scrubbers ahead of the introduction of IMO 2020 low-sulfur fuels at the start of next year is taking some capacity out of the market.
Blanked sailings and scrubber retrofits pushed up the inactive fleet to 148 units totalling 641,259 TEU of capacity as of Sept. 16, or 2.8% of the total fleet.

"Of these, 25 units for 277,611 TEU are recorded to be undergoing scrubber retrofits," said the analyst.

"The unemployed ships, excluding those ships undergoing retrofits, have increased to 123 units for 363,648 TEU, compared to 111 units for 223,791 TEU two weeks ago.

"The inactive fleet is expected to rise further in the coming month with more blank sailings already announced, while the number of ships undergoing retrofit is also on the rise."

More FreightWaves articles by Mike