

# SUNDAY SPOTLIGHT

SEAINTEL MARITIME ANALYSIS

## IMPACT OF DECLINING RATES

Barring action, carriers head for 2011 losses

Freight rates have been steadily declining in most trades since the peak in mid-2010. This is no surprise to market observers. However what has not been illustrated as yet is the magnitude of the decline and the possible ramifications on carriers' bottom lines in 2011.

The Shanghai Container Freight Index (SCFI) is one of the most reliable indices

available to gauge freight rate developments. The SCFI measures the development in spot rates on main trades out of Shanghai.

As the SCFI measures spot rates, this implies that carriers which are mainly exposed to customers shipping on spot rates, or rates following spot rates, will see their rates move largely in the same fashion as the SCFI. Carriers which have a larger proportion of their

the spot rates increase – as the contracts makes it difficult for them to increase rates as rapidly as the spot market. Conversely these carriers could also see a mitigating effect when rates go down if they are able to get their contractual customers to stick to the agreed freight rates. Usually,

however, this turns out to be problematic for a significant number of carrier-client relationships.

The SCFI measures rates specifically out of Shanghai, however rate levels out of other main ports in Asia will largely follow the same trend. If this was not the case, carriers would quickly re-allocate capacity to favor the higher rates in order to capitalize on the apparent arbitrage opportunity, thereby causing rates to decline and ultimately still to move in unison with the SCFI.

**TOP-10 CARRIERS  
COULD LOOSE 13 BILLION  
USD COMPARED TO 2010 –  
GIVING ALL A NET LOSS**

## WELCOME TO THE SUNDAY SPOTLIGHT

We bid our readers a warm welcome to our newsletter.

Each week we will take a look at developments in the container shipping market. Our focus will be to quantify developments we see in the market, and place the numbers into a context.

We will issue our newsletter each Sunday evening. This will ensure our readers have it fresh in hand as they face a new week.

The topics we elect to cover are chosen purely from the viewpoint that we wish to provide an analytical angle to critical developments in the market. We hope the information will assist our

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