SUNDAY SPOTLIGHT 5 JUNE 2011

SEAINTEL MARITIME ANALYSIS

SPOT RATES MAKE CORRECT FORECAST

SeaIntel's model launched 6 weeks ago accurately predicted the new contract freight rate data

In the SeaIntel Sunday Spotlight on 24 April it was shown that the SCFI spot rates on Asia-Europe were statistically a highly reliable leading indicator for the contract rates in the same market as measured by Container Trade Statistics (CTS).

The model showed a 98% correlation between the SCFI spot rates and the CTS contracts rates – however only when the SCFI spot rates are seen as a leading indicator of the contract rates in the CTS index with a one month lead time.

In other words, the spot rates have historically been a reliable indicator of the contractual rates one month in advance for the Asia to Europe trade lane.

As the SCFI data are released the SCFI data can be used to forecast CTS data two months ahead of time.

We therefore used the statistical model to predict the developments in the CTS for March and April 2011, as those measurements were unknown at the time.

With the release of the April freight rate indices by CTS two days ago, we are now able to analyze the accuracy of the forecasting model. It is apparent that the forecasts made were highly reliable, and as such the SCFI continues to be an accurate indicator of contract freight developments.

CTS RATE INDEX DECLINED 10% VERSUS SEAINTEL'S FORECAST OF 9.5%

The latest CTS numbers saw the Asia-Europe rate index decline from 88 to 80 – a decline of 10%.

SAVINGS POTENTIAL IN DEPLOYMENT

We have previously in the SeaIntel Sunday Spotlight looked at the competitive advantages to be gained from optimizing sailing schedules. CSAV and CSCL are with their latest change demonstrating the principle. They are rearranging their 2 services from China to East Coast South America. In the process they eliminate Qingdao from the rotation, otherwise basically all port combinations are still served. This rearrangement shortens the combined sailing distance for the two services from 51128 nautical miles to 48661 nautical miles. This is a distance, and therefore fuel, saving of 4.8%.

It begs the question how much sailing distance could be eliminated if all carriers were asked to design their