

RATE INCREASES IN THE PAST 4 WEEKS

Announced increases were 95-99% successful, but are they perception or reality driven?

Freight rates have increased significantly on the key trade lanes from Asia to Europe and North America in the past 4 weeks, and particularly so in the last 2 weeks.

We have this week taken a closer look at these rate increases from a few different angles.

We will touch upon the supply/demand situation, however as we will outline, it is not – yet – possible to make a credible quantitative analysis of this aspect.

We will take a closer look at the rate increases in the context of the rate increases announced by the carriers recently – and we will analyze the recent rate increases in the context of the rate developments seen over the past 18 months.

Supply and demand

In the last few weeks of December the SeaIntel Sunday Spotlight reviewed the supply developments in these key east-west trades, and concluded that the announced, and also implemented, capacity reductions were insufficient to bring the supply/demand situation back into balance. Since we made this analysis, no new solid quantitative information has been released to alter the conclusion.

From a strictly analytical viewpoint, the challenge is that an objective measurement of the demand situation is only known with considerable lag time.

If we look at the demand from Asia to Europe, a key data source is Container Trade Statistics. They are constrained by EU legislation which results

THE COST OF LATE DATA

Presently we have seen rate increases in the main trade, however as we outline here today, it not yet possible to obtain unbiased data as to the actual fundamentals in the market until long after the fact. This is a significant structural problem in the container shipping market. All too often we find that accurate and unbiased information is only available after the fact. This results in a business climate where pricing, and negotiations, are much more susceptible for the prevailing market perceptions rather than actual fundamental knowledge. In an increasingly commoditized market this results in higher short-term volatility, and hence more risk for all parties involved.