

SUNDAY SPOTLIGHT

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SEAINTEL MARITIME ANALYSIS

Indicators from the week 28 May – 3 June 2012



Global and tradelane reliability across 52 carriers. **New measurements for performance in April 2012.** See page 16 for details.

POSSIBILITIES TO TIGHTEN THE MARKET

Carrier action can indeed support rate increases – but action will be needed.

This week saw spot rates decline further on the main deep-sea trade lanes, confirming the trend we have seen in the past 4 weeks of weakening freight rates. The momentum the carriers were able to generate in the first 4 months of 2012 for rate increases therefore appear to have stalled.

Given the very poor financial results experienced by the carriers in 2011 as well as Q1 2012, it appears beyond question that the industry would not be able to shoulder another price war of the same magnitude as the one seen last year. Quite the contrary, carriers will be looking for ways to become profitable in 2012 – although some carriers have expressed reservations as to whether this is an achievable target.

The outlook for demand growth on the main head haul trades from Asia to Europe and North America do not lend much support for the notion that improved supply/demand balance will be able to support a strong rebound of rates.

We have therefore taken a closer look at the tools carriers have at their disposal to reverse the recent rate declines and drive through further increases. We find that the tools are clearly available, and it would also

A state of flux

Markets appear to be in a state of flux presently. Following months of rapidly rising freight rates on the back of new-found carrier discipline and even some capacity reductions, the market now appears more jittery. It is clear carriers need to regain profitability, but the recent announcement of a new Asia-Europe service did not help matters. It appears we are at a cross roads where carriers look to each other to see which way to take the market. Given recent financial losses, it appears likely that more capacity will be pulled.

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