

# NEWSLETTER MARKET INTELLIGENCE – No. 1 – Semaine 16 – (22/04/2021)

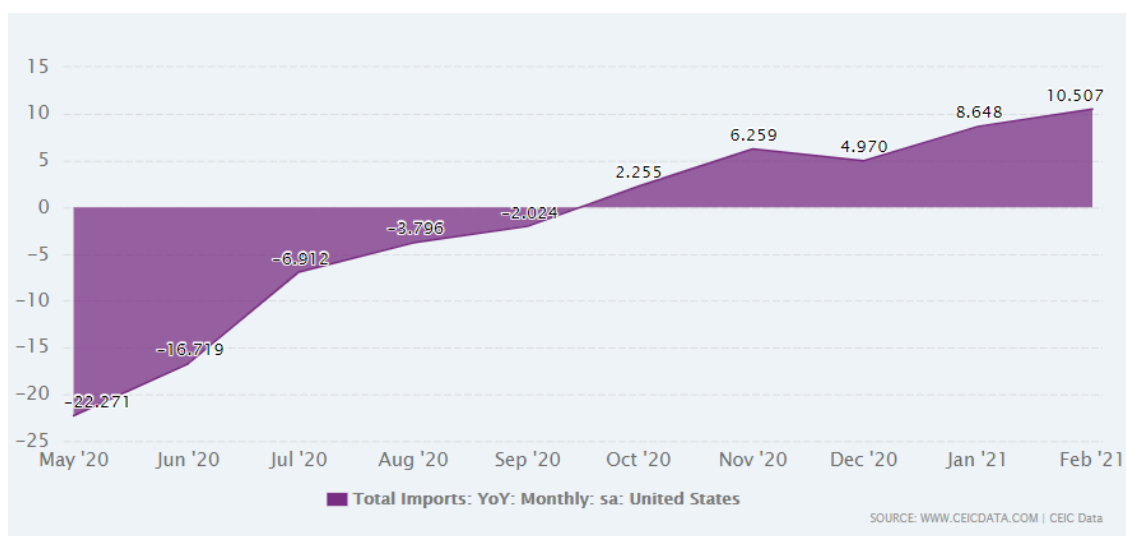
Sea freight rates remain high due to low capacity caused by very high demand for containers. The market is expected to remain tight throughout 2021. It is quite unlikely to have a return to pre-Covid freight levels and the era of overcapacity in the coming months, if not years.

## EUROPE / NORTH AMERICA

The US economy has rebounded strongly to an all-time high. Demand is very strong, the level of American imports is currently at its highest in recent years. Vessels from Europe close about 4 weeks in advance and freight rates, which have already risen significantly in recent weeks, are expected to rise again by \$ 500 x 40 'in May.

Canada is still being affected by the conflict with dockers at the Port of Montreal, lasting for several months.

### Increase of USA Imports in recent months



## EUROPE / ASIA & MIDDLE EAST

Space on vessels is always the crux of the matter. Equipment is also a major problem on this route.

Some Shipping Lines ship empty containers in Europe rather than full ones, in order to make them available more quickly in Asia.

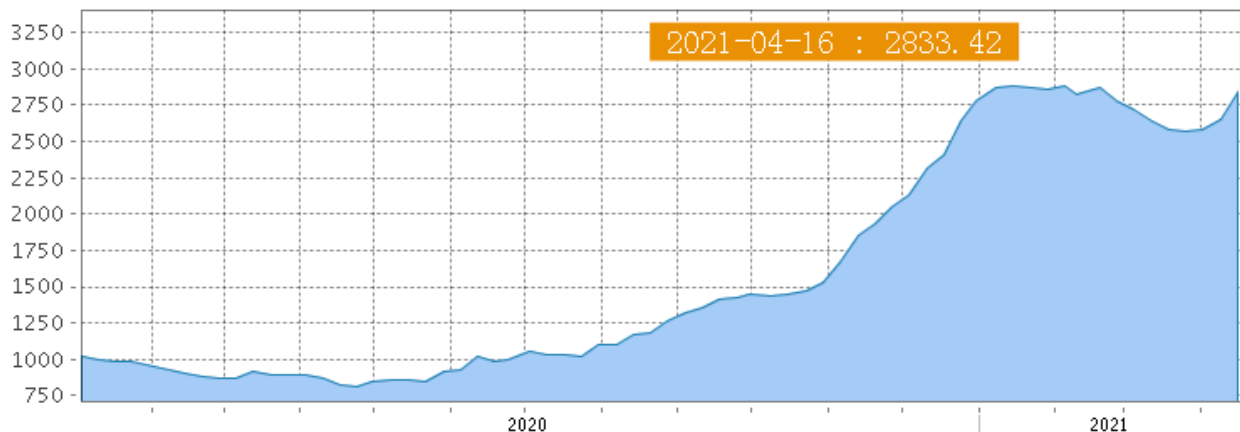
As for the USA, shipowners favor bookings with the most profitable freight

## ASIA / EUROPE

Container freight rates are starting to rise again. The companies are reducing their commitments to contract volumes, in favor of much higher FAK tariffs.

The Freightos Baltic Index (FBX) China-North Europe climbed to \$ 7,316 per 40 'this week, and market reports from The Loadstar suggest prices are set to climb again next week, returning to their high of 8,430. \$ in mid-February, and maybe more.

### Shanghai Containerized Freight Index



## CONGESTION IN PORTS

The congestion in the ports of Asia is decreasing. On the other hand very important congestion remains in the US ports and the ports of Europe. Cancellations of stopovers are expected in northern Europe so that vessels can catch up with the delay caused by the Suez Canal incident.

## TURKEY FOCUS

Strong demand out of Turkey for few imports. Turkey suffers from a significant container deficit. Despite restocking of empty containers leading to "equipment" overloads, Turkey is reportedly short of 2,000 containers every week to meet export demand.

## EQUIPMENT

The production capacity of new containers has not yet returned to the level before the pandemic of March 2020. After dropping to 35% during the first lock down, the capacity is painfully to 62%. It is therefore well below the pre-crisis level, and with even stronger demand. Container shortages are expected throughout 2021.

Due to the expected "post-Suez" stopover cancellations, equipment shortages will be felt for the next 6/8 weeks.

According to a recent analysis by John Fossey, Senior Container Equipment Analyst at Drewry Shipping Consultants, the typical turnaround time of a container in Asia-Northern Europe trade, before the arrival of Covid, was around 65 days. - today it is about 100 days.

In response, Hapag-Lloyd announced on 04/15/2021 that it had invested € 550,000,000 in new containers, hoping to be able to meet demand in the coming months.

## BLANK SAILINGS FOLLOW-UP - 16 april

On the main traffics : Transpacific, Transatlantic and Asia-Northern Europe & Mediterranean, 32 crossings were canceled between weeks 16 and 19, out of a total of 483 crossings planned, for a cancellation rate of 7%. Over the next 4 weeks, The Alliance announced 15.5 cancellations, followed by Ocean Alliance and 2M, with 7.5 and 4 cancellations respectively.

## BUNKER / FUEL

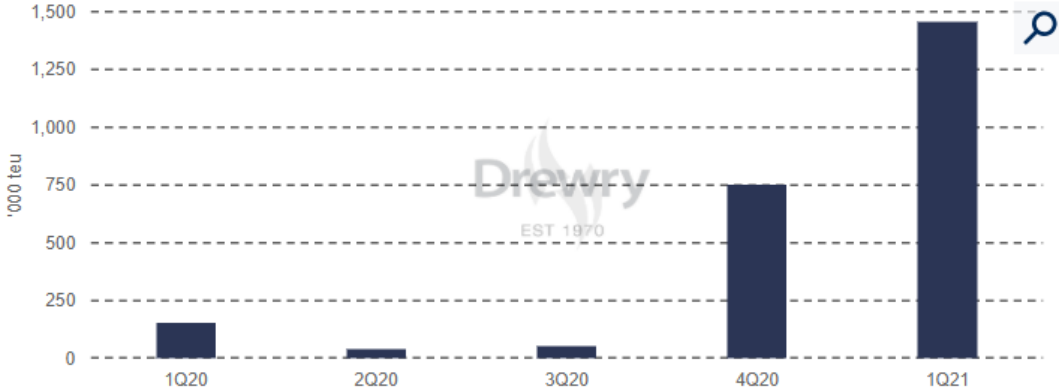
After months of increases, a lull was observed at the end of March, but since April 10 the trend of Very Low Sulfur Fuel Oil (Rotterdam index) starts to rise again to reach the threshold of USD 500 x tonne again. The tariff was around USD 150 x ton last year at the same time.



# VESSELS ORDERS : RETURN TO MORE CAPACITY (horizon 2022~2024 ?)

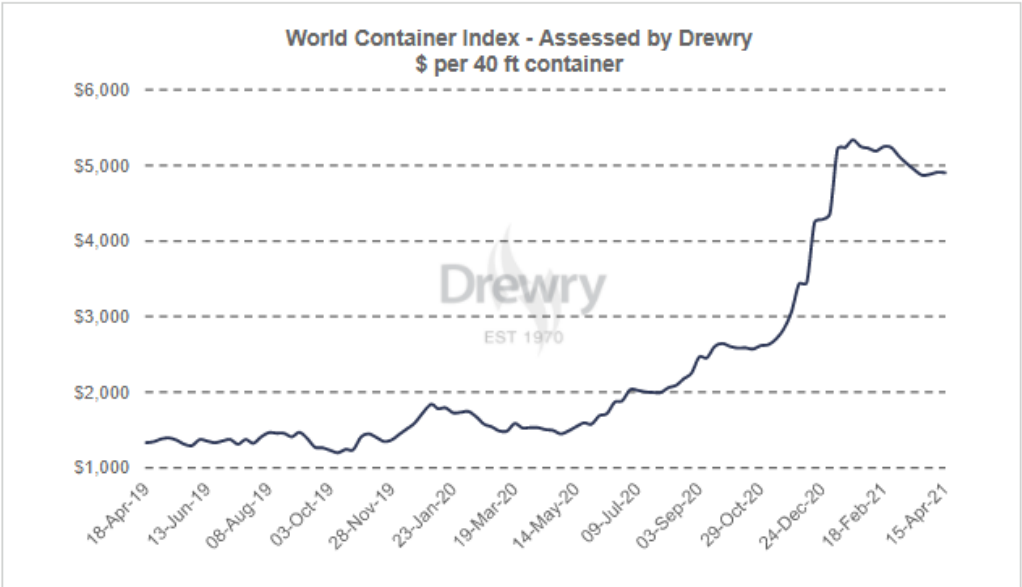
The rapid escalation in vessels building contracts is a sure indicator of the current pressure in the sector. In the fourth quarter of 2020 only, the volume of new orders was more than 3x higher than the previous nine months, and contracts signed this year already far exceed forecasts for the year 2020, with a staggering figure of 1.45 million TEUs registered in just three months (see Figure 2). In addition, other highly speculated contracts have yet to be confirmed.

**Figure 2: Estimated newbuild contracting since 1Q20**



Source: [Drewry Maritime Research](#)

# WORLD FREIGHT RATE INDEX



## FACED WITH THIS, LET'S KEEP IN MIND THE GOOD PRACTICES :

Anticipate your bookings by around 3 weeks, at least, but not beyond 6 weeks.

Maintain the commitments with regard to the already accepted bookings, namely, limit postponements and cancellations to D-8 of the vessel's ETD, to the strict minimum