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## Ocean freight code red amidst severe capacity crunch

News



In recent weeks, a severe ocean freight capacity crunch across most major trades has sent freight rates on a skyrocketing trajectory. This rather sudden change in supply and demand has been fueled by high demand and network bottlenecks in part due to the Red Sea situation.

Our traffic light update has turned red across all trades, except Intra-Asia and the current freight rate development mirrors that of the COVID-19 pandemic days. The latest SCFI update today shows an average price on Asia to North Europe of USD 7.898/40', and as we speak, the coming weeks show no relief for shippers across the globe. A similar picture is apparent on the Trans-Pacific trade from Asia to the US, and also here, there is no outlook for short-term improvement.

Capitalising on the situation all ocean carriers have imposed General Rate Increases (GRIs), Peak Season Surcharges (PSS) and an array of other charges. The current situation yet again also puts a spotlight on the difference in rate levels between short and long-term rates. However, it is also worth noting that allocation cuts are being made on long-term rates as well, forcing all shippers into the short-term market or alternatively accepting revision of rate levels.

#### Hapag Lloyd CEO provides his assessment of the current situation

Hapag Lloyd CEO Rolf Habben Jansen describes the situation in an update to customers and investors on Wednesday, June 5, as follows: 'Container rates have reached corona levels, and shipping companies' capacity is stretched to the limit at the moment due to bottlenecks and high demand, but the situation is only temporary.'

And continued; 'I still think it's a temporary thing. Then we can argue about how many weeks it will still last, but I don't think that it will last until the end of the year," says Jansen about the current unusually high spot rates and capacity shortages.[1]

#### **MARKET UPDATE: 7 JUNE 2024**

This assessment mirrors our current outlook on the market where the expectation is that the coming weeks and months will continue to be very challenging in terms of available capacity. There is a consensus, that as we speak we are at the peak of the storm, but also that any form improvement will only be gradual.

See further down the latest SCFI numbers updated today and as well our traffic light update covering both ocean and airfreight.

Trade	202420	202421	202422	202423	Average	Chg. pa	st 4 weeks	Chg. p	ast week
Europe (base port)	6.100	6.818	7.480	7.898	7.074	1.798	29%	418	6%
MED (base port)	7.914	8.496	9.440	9.568	8.855	1.654	21%	128	1%
USWC	5.025	5.189	6.168	6.209	5.648	1.184	24%	41	1%
USEC	6.026	6.482	7.206	7.447	6.790	1.421	24%	241	3%
ANZ (MEL)	2.518	2.578	2.684	2.880	2.665	362	14%	196	7%
Gulf & Red Sea (DXB)	4.442	4.782	5.084	5.710	5.005	1.268	29%	626	12%
Korea (Pusan)	322	322	326	326	324	4	1%	0	0%
South America (Santos)	13.372	14.130	14.816	15.872	14.548	2.500	19%	1.056	7%
Southeast Asia (Singapore)	812	900	1.094	1.254	1.015	442	54%	160	15%
Average	5.170	5.522	6.033	6.352	5.769	1.181	23%	318	5%

### Airfreight

Airfreight overall remains hot as well, although not to the same chaos-like extent as seen on ocean freight. It is though clear that the same dynamic with sustained higher demand has kicked in with no immediate outlook that this will change.

We wish to stress that we fully acknowledge the gravity of the situation, and our teams are working around the clock to mitigate the worst effects of the situation. Equally, we appreciate the cost impact due to the recent development, and we are doing our utmost to ensure as minimal impact to your business as possible.

#### **AIRFREIGHT**

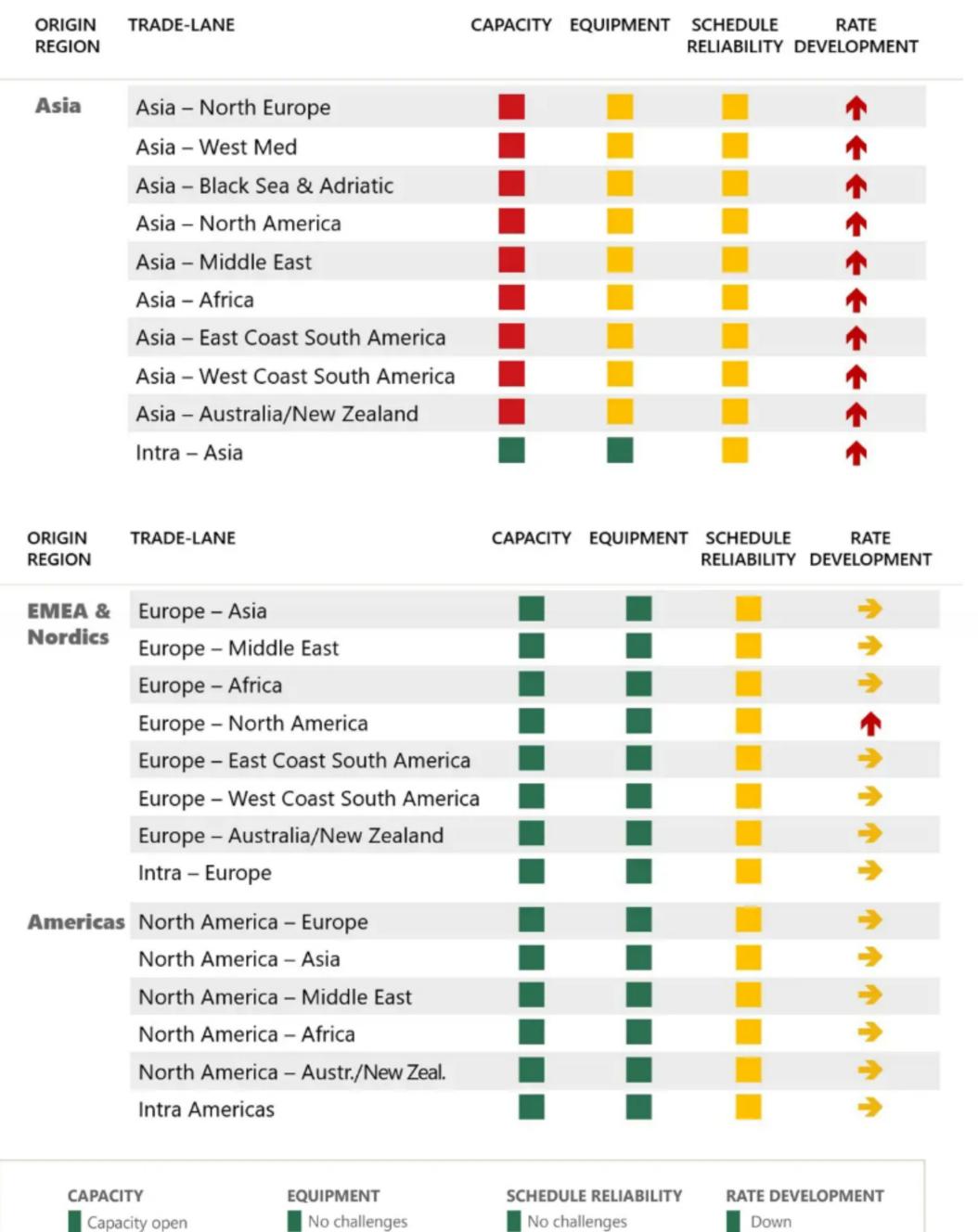
combined

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	ORIGIN REGION	TRADE-LANE	CAPACITY	SCHEDULE RELIABILITY DEV	RATE /ELOPMENT	
	Asia	Asia – Europe			<b>→</b>	
		Asia – North America			<b>^</b>	
		Asia – Asia Pacific			-	
		Asia – Middle East / Africa			-	
		Asia – Latin America			<b>^</b>	
	Europe*	Europe – Asia Pacific			-	
		Europe – North America			<b>→</b>	
		Europe – Middle East / Africa			->	
		Europe – Latin America			->	
		* Continental Europe & Nordics				

ORIGIN REGION	TRADE-LANE	CAPACITY	SCHEDULE RELIABILITY	RATE DEVELOPMENT
North	NorAm – Asia Pacific			->
America	NorAm – Europe			->
	NorAm – Middle East / Africa			<b>^</b>
	NorAm – Latin America			-
Latin	LatAm – NorAm			->
America	LatAm – Europe			-
	LatAm – Asia Pacific			->
	LatAm – Middle East / Africa			•

CAPACITY	SCHEDULE RELIABILITY	RATE DEVELOPMENT
Capacity open	No challenges	Down
Normal capacity	Medium challenges	Stable
Capacity constrained	Major challenges	Up

# **OCEAN FREIGHT**



We wish to stress that we fully acknowledge the gravity of the situation, and our teams are working around the clock to mitigate the worst effects of the situation. Equally, we appreciate the cost impact due to the recent development, and we are doing our utmost to ensure as minimal impact on your business as

Medium challenges

Major challenges

possible. This information is given to the best of our knowledge and is subject to change.

Medium challenges

Major challenges

[1] https://shippingwatch.com/carriers/Container/article17167103.ece



Normal capacity

Capacity constrained

On behalf of Scan Global Logistics
Mads Drejer Global COO & CCO

Stable

Up

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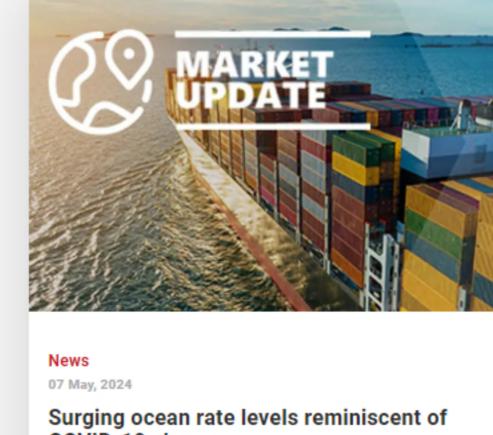
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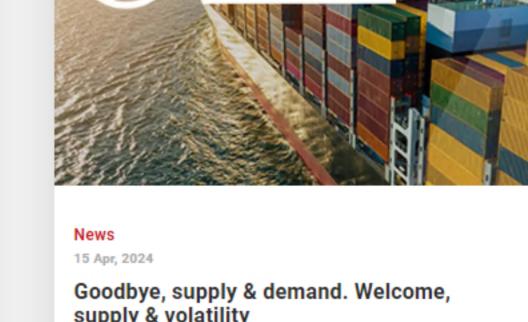
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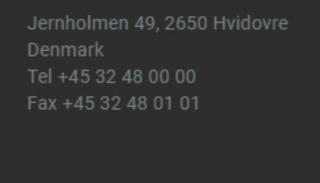
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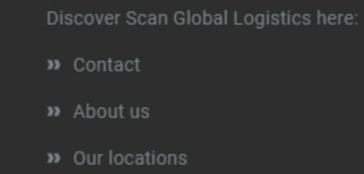


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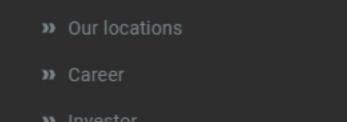


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