Q4 2024

# **Ocean Freight** Rate Tracker

# OCEAN FREIGHT TRACKER Q4 2024

The container shipping market continues to sustain what was originally perceived to be a reaction to an emergency. It is now approaching a year since the Houthis in northern Yemen started attacking ships passing through the straits around the Beb-El Mandeb. The impact has been less dramatic than originally forecast, with container shipping still functional and global trade continuing more or less as before the crisis. However, the effects have been more profound than perhaps expected in late 2023. The route around the Cape of Good Hope appears to have become a semi-fixed feature of global container shipping. It has led to a substantial increase in the journey time for the 'East-West/West-East' routes that would normally pass through the Suez Canal, with the World Bank suggesting that times for "cargo vessels" have increased by 50% in total. Yet the sector has coped reasonably well. There has been some congestion in certain ports as a result of attempts to optimise cargo and utilisation of vessels is high, however service levels are not terrible and shippers are able to make their supply chains function at a reasonably normal level. Such is the functioning of the Cape Route that it appears to be a viable- if not necessarily desirable – option for the long term.

# GLOBAL INDEX

## WHAT DOES THE DATA SAY?

*Global Ocean freight rates spiked earlier this year as a result of the Red Sea crisis. The resulting uncertainty and diversions have kept rates elevated, however they are trending downwards. Container freight rates have fallen further from their summer peaks.*

*Globally, headhaul rates in November 2024 have fallen slightly month on month, by 5.6 points compared to October 2024. Quarter on quarter, average headhaul rates have fallen 54.6 points.*

*Rates on major shipping lanes rose sharply in July of this year, peaking at 352.3 index points (compared to recent periods) as a result of multiple factors but supply chain bottlenecks were key. However, since rates have dropped by 85.9 to 266.4 points. Despite this fall rates remain elevated, standing at 117.6 points above their January 2024 levels.*

*As carriers work around supply chain issues, and the demand environment improves, this can sustain rates and prevent intense rate rises in the coming quarters.*

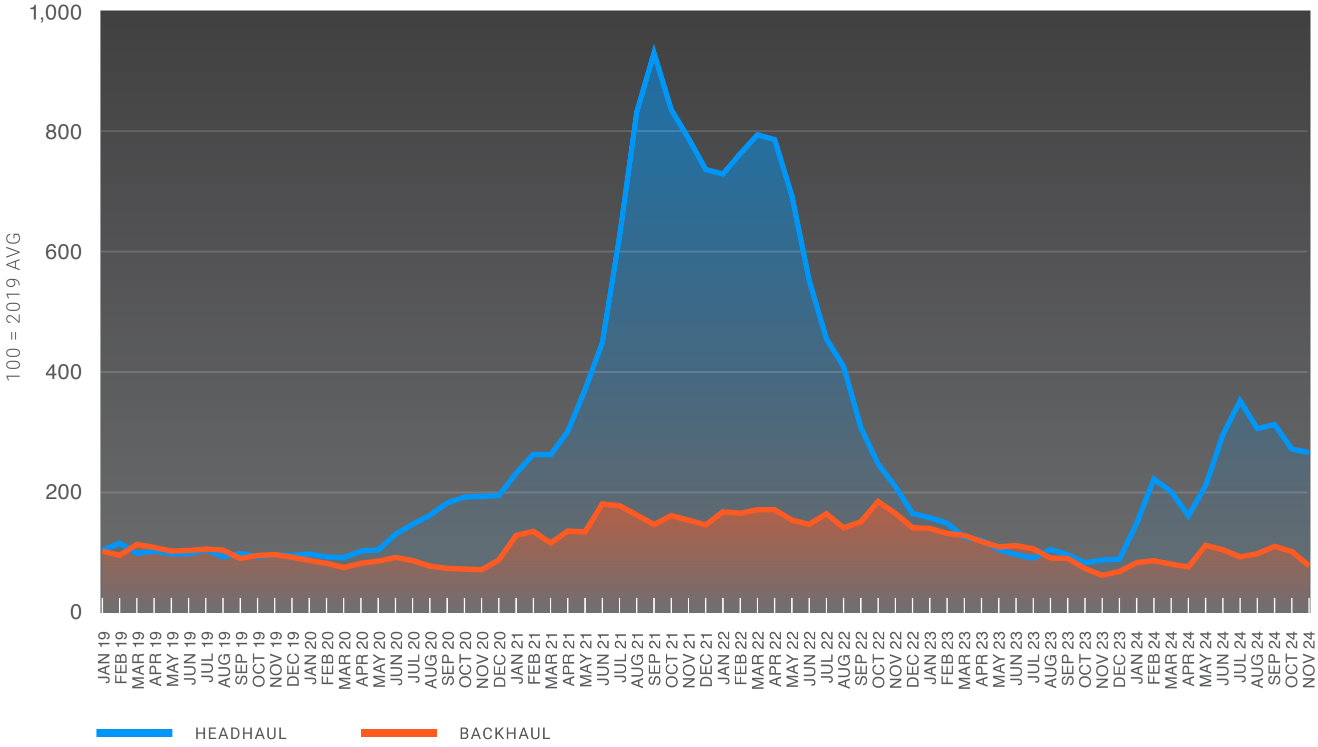
## WIDER MARKET ANALYSIS

Although attention is drawn to issues such as the Red Sea crisis or the various wars taking place in the Middle East and Eastern Europe, by far the most important long-term development for container shipping has been the change in the policies of western governments towards global trade. The background to the market is profoundly volatile. On the one hand Chinese export volumes continue to grow, with regions such as South East Asia now an important destination alongside North America and Europe. On the other hand, the US and various economies in Europe have taken measures to effectively exclude certain categories of Chinese goods from their markets. These policies appear as if they will increase in intensity and the clear implication is that they are an attempt to influence the pattern of global trade. Such policies must have enormous implications for the container shipping market. To a degree this has already been seen with the shift of many assembly operations to South East Asia paralleled with an increase in container freight volumes from China into South Asia. There has been a movement of activity outwards from China, however the pattern of supply chain geography has just adjusted to the new dispensation, with sub-components still being sourced from China even if the final assembly takes place in Vietnam or Laos. It is possible that this is what is evolving at a wider global scale. From quarter-to-quarter scale this may be though not immediately apparent, however the simple numbers probably disguise considerable underlying volatility in the nature of demand. The implications for predictions on the trajectory of short-term demand are that extrapolating from previous growth numbers may be an inadequate guide to the future of specific routes. Huge swings in traffic volumes are quite possible over the next year or so.

LINK

**GLOBAL OCEAN FREIGHT RATES INDEX (JAN 2019 = 100)**

SOURCE: FREIGHTOS



# GLOBAL DEMAND

## WHAT DOES THE DATA SAY?

*In 2024, global volumes have shown a steady upward trend. Year-on-year, volumes rose by 8.3%, moving from 111.3 index points in Q3 2023 to 120.6 in Q3 2024. Quarter-on-quarter, there was also a 4.1% increase, with volumes rising from 115.6 index points in Q2 24 to 120.6 in Q3 24.*

*Regionally, North America led with the largest year-on-year increase, seeing an 18.2% rise. This was followed by Asia-Pacific ports, which recorded a 5.8% increase, and Europe, where volumes grew by 1.6%. However, on a short-term basis, while North America and Asia-Pacific continued to see volume growth of 9.8% and 3.0%, European volumes saw a slight decline of 1.5%.*

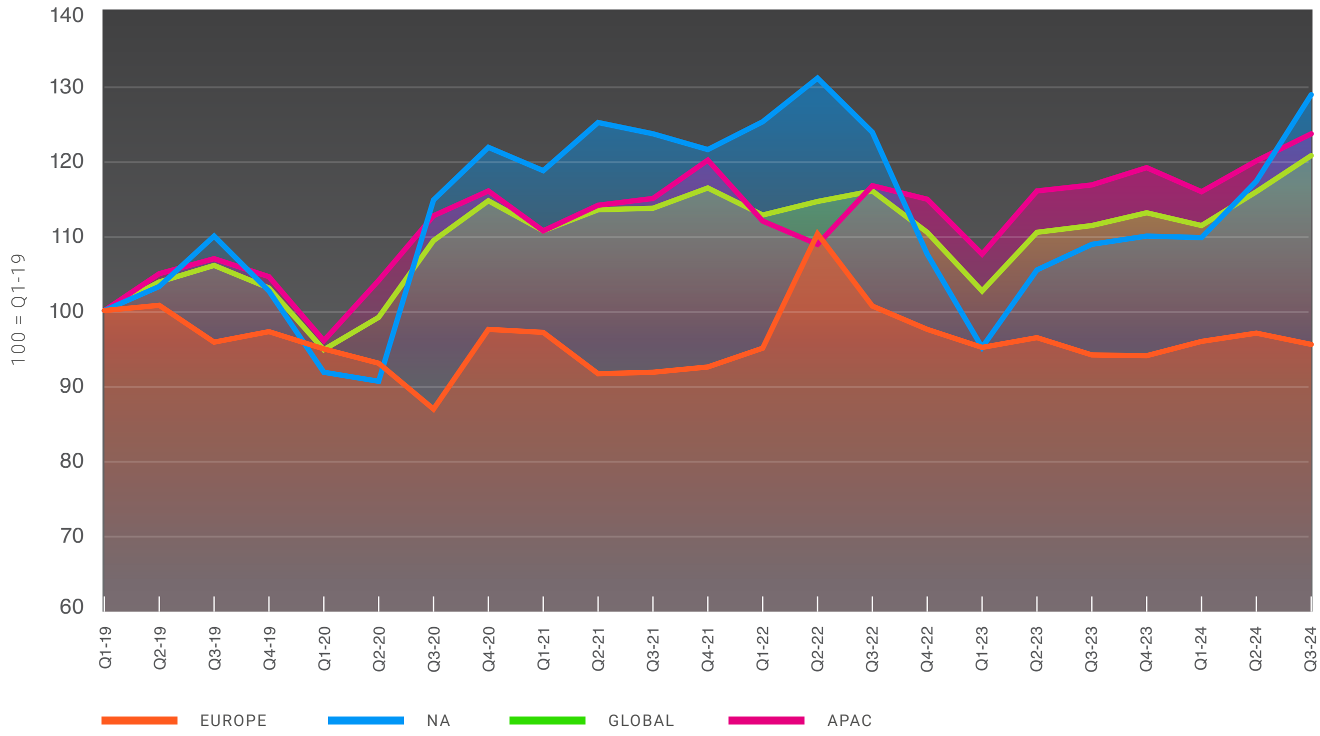
*Overall, this global rise in volumes is exerting upward pressure on rates.*

## WIDER MARKET ANALYSIS

The theme of the year has been in moderation of the role of the US consumer and an increase in Chinese exports and that has been sustained in the third quarter of 2024. Demand from North America has been continued to be strong, however there have been some reasons for uncertainty over the driver of that growth. 'Peak Season' is more uncertain not so much in its size than in its timing. US consumer demand has been oscillating slightly in the period, with the late summer seeing the appearance of weaker demand levels which was reversed in September and October. By the end of the third quarter and at the beginning of the fourth quarter consumer demand levels were more robust and possibly heading higher. In this context 'peak season' may be re-visited in the fourth quarter. Much of the rest of the world was in a different place. The various European economies generally have lower growth trajectories, although Spain and Poland are quite robust and Germany is experiencing a shrinking economy. The result is although volumes to North America are still moderately strong, both imports and exports out of many parts of Europe are weak. The problems of German industry are depressing its export activity as well as import activity. Chinese exports have been strong into Europe over the past several quarters although this now looks uncertain. South East Asia continues to be very busy, but the varying performance of economies such as Thailand and Vietnam make the regional picture less clear. China of course, has seen continued vigorous export activity. Imports are much less vigorous and the domestic market remains in uncertain health. Although China remains a location with high container shipping volume growth its future is very uncertain. In contrast India continues to generate sustained volume growth in container traffic.

## GLOBAL VOLUME INDEX

SOURCE: PORT AUTHORITIES



# GLOBAL SUPPLY

## WHAT DOES THE DATA SAY?

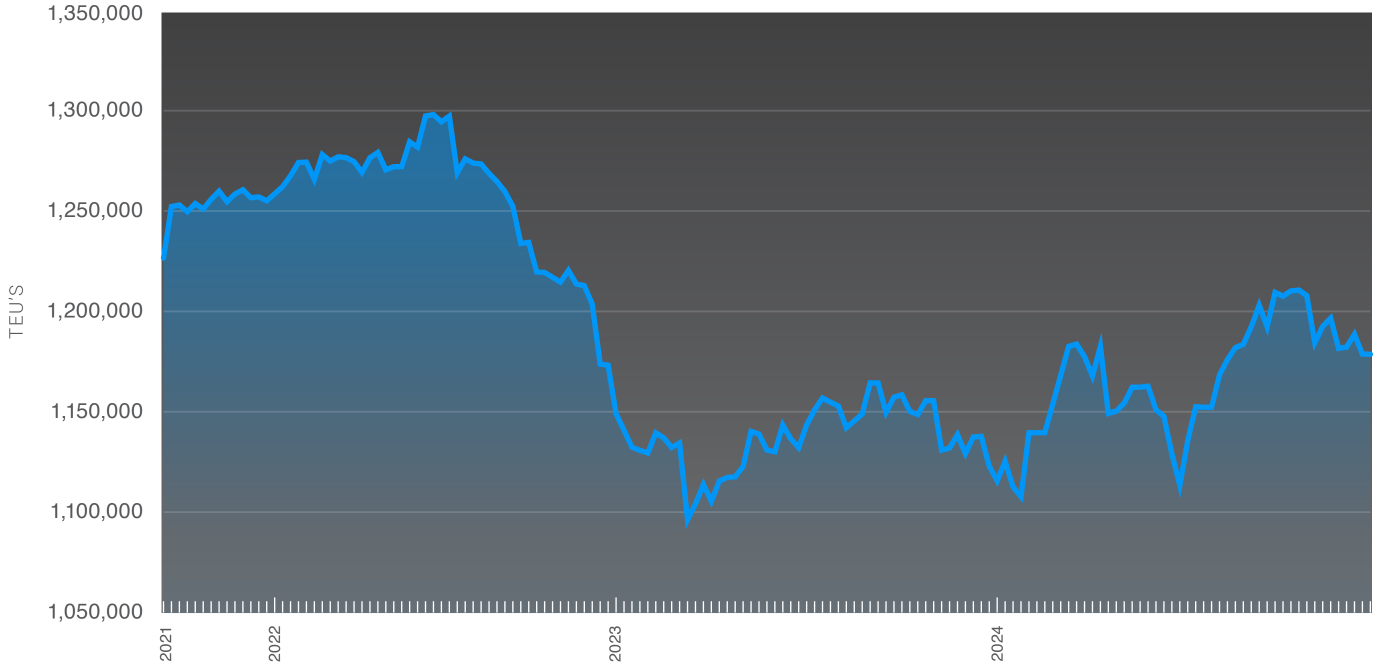
*In Q3 24, year-on-year, global capacity has increased by 4.9%, but quarter on quarter, it has decreased by 0.8%, with a slight month-on-month decline of 0.7%. According to our observations, maximum capacity was reached in June 2022; since then, capacity has decreased significantly by 7.4%. During the Golden Week Holiday, there was a slight increase in idling, yet the idle fleet remains unusually low for this time of year. Looking ahead, carriers plan to implement rate hikes in November, though the sustainability of these higher rates is uncertain, as carriers have not fully adjusted capacity to align with lower demand during the slack season.*

## WIDER MARKET ANALYSIS

The overcapacity boot has again failed to drop. Looking at the year-on-year figures in Q3, the capacity of the global container vessel fleet has hit a two-year high and those numbers are only in comparison to the exception conditions of 2022. The fleet is being worked very hard with low levels of idling and high levels of utilisation. The reason for this of course, is due to the combination of sufficient demand and the impact of having to route so many vessels around the Cape of Good Hope. This meant that, even though intra-Asian and trans-Pacific routes are working more or less normally, the impact of the Cape-route is driving up general mileage per TEU. Possibly as the growth of the latter number has slowed in the third quarter, the market equilibrium has re-asserted itself leading to an edging down of freight rates. Of course, fundamental to this is the continued delivery of new vessels. However, it is worth noting that, even as new deliveries have been sustained, scrappage has remained at very low levels. This must offer options for future fleet rationalisation and thus capacity reduction. The number of new vessels to be delivered will fall over the next year, however the third quarter of 2024 has still seen major shipping lines placing orders for large, new container vessels. Indeed, there is a clear flavour that some of the more cautious lines are feeling a need to buy new capacity in order to resist the deterioration of their position in the marketplace. The implication is that those who took the gamble to order large new capacity in the recent past might prove to have been correct as the market has the appetite to consume it. This is all the more so if scrappage returns at a high level. The sharp market correction in terms of freight rates does seem a little further away as we enter Q4 2024.

GLOBAL CAPACITY

SOURCE: ALPHALINER



# FUEL

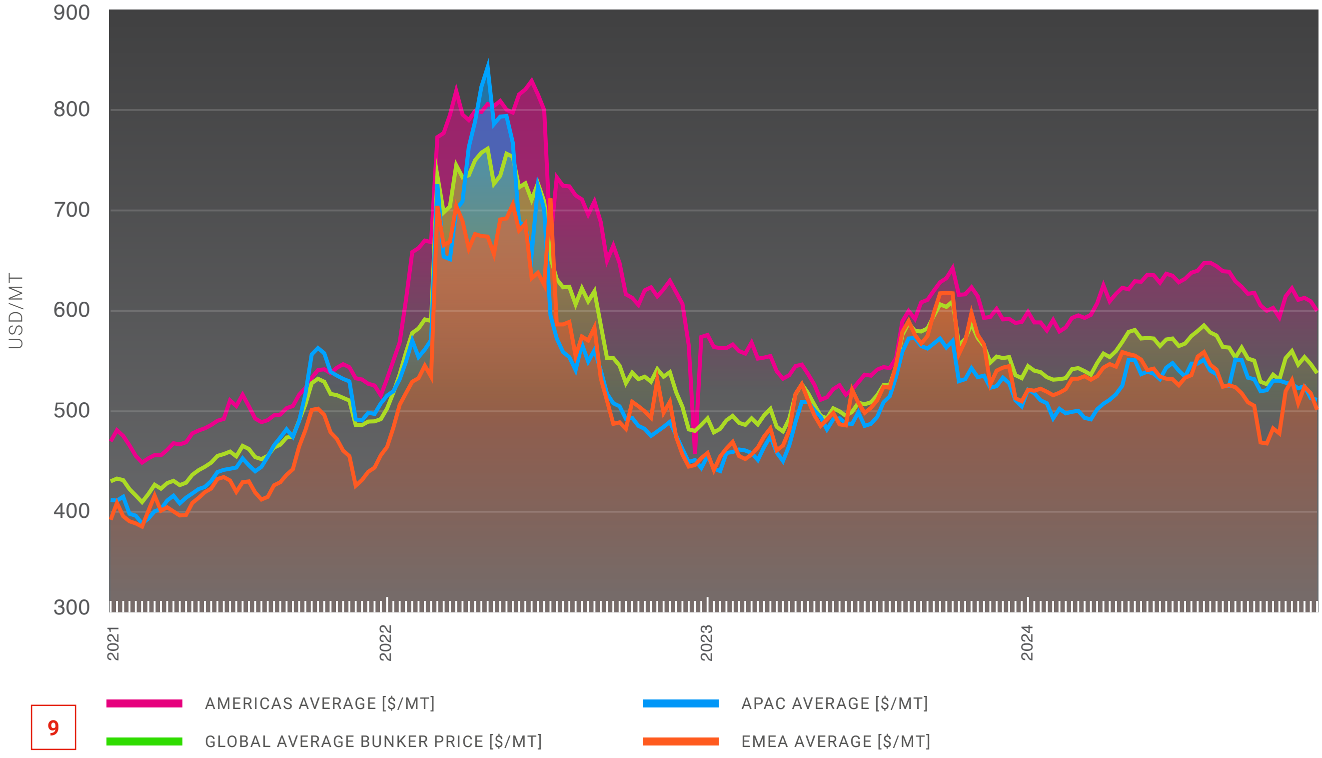
OPEC has revised its global oil demand growth forecast downward for the fourth consecutive time, cutting projections for both 2024 and the coming year. Following this adjustment, bunker fuel costs have dropped across all regions. Month-on-month, global bunker fuel prices fell 2.0% to $542/mt. Regional declines include a 1.7% drop in the Americas (still the highest at $605/mt), a 2.6% decrease in APAC to $512/mt, and a 2.1% fall in EMEA to $510/mt. Quarter-on-quarter, global prices declined by 0.9%, with decreases of 1.9% in the Americas and 2.5% in APAC, while EMEA saw a 1.1% increase. Year-on-year, global prices fell 1.1%, with a 1.9% rise in the Americas, a 0.9% increase in APAC, and a significant 5.2% drop in EMEA.

OPEC said world oil demand would rise by 1.82 million barrels per day (bpd) in 2024, down from growth forecast of 1.93 million bpd last month. The group also cut its 2025 global demand growth estimate to 1.54 million bpd from 1.64 million bpd.

Another factor that could limit oil demand growth is the foreign policy team Trump is putting together. Trump is expected to tap U.S. Senator Marco Rubio to be his secretary of state, sources said, Rubio's tough policies and enforcement are likely to further reduce oil demand. As the market regulates, we expect fuel prices to have a downward pressure on rates on the short to medium term, with the long-term outlook remaining volatile as the geo-political landscape evolves.

LINK **BUNKER FUEL PRICES**

SOURCE: SHIP & BUNKER



# SENTIMENT TRACKER

The Ti Market Sentiment Index reveals that, globally, most respondents anticipate a slight increase in rates for Q4. This marks a shift from last quarter, when respondents predicted a more significant rise. Compared to Q3, expectations now suggest a smaller magnitude of increase, with 63% of respondents forecasting some level of rate growth in Q4.

On the transatlantic route, a majority expect a slight increase in rates, contrasting with last quarter's overwhelming sentiment predicting no change.

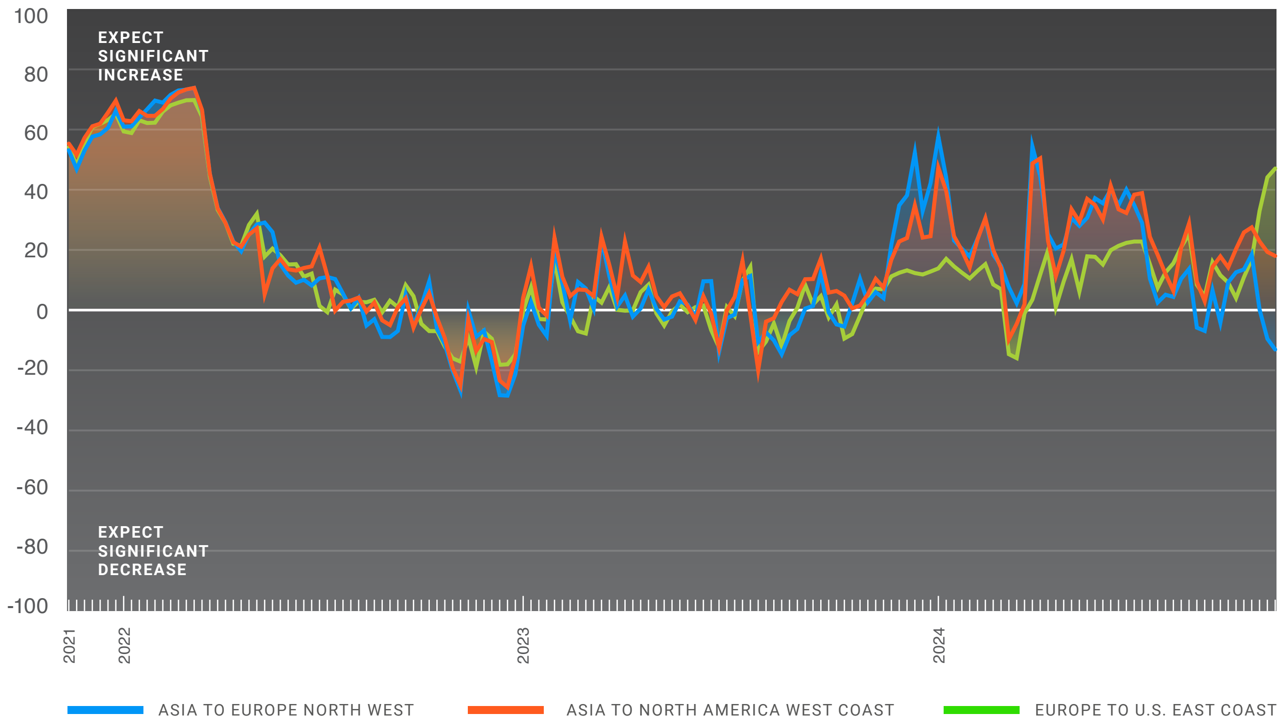
On the transpacific route, sentiment has shifted towards a less intense increase. While last quarter, most respondents expected a moderate rise, this quarter, opinions are divided between a moderate and a slight increase.

For the Asia-to-Europe route, the outlook has undergone a significant change. A majority now foresee a moderate decrease in rates, a sharp contrast to last quarter's expectation of a significant increase.

LINK

**OCEAN FREIGHT CONFIDENCE INDEX**

SOURCE: Ti



# Global Outlook

| | Q4 2024 | Q1 2025 | Q2 2025 | Q3 2025 | Q4 2025 |
|---|---|---|---|---|---|
| **Supplier disruption** | | | | | |
| Operating costs | ↗ | = | = | = | = |
| Trade restructuring | ↗ | **↗** | **↗** | = | = |
| Trade finance | ↗ | **↗** | **↗** | = | = |
| Production utilistion | ↗ | ↗ | ↗ | ↗ | = |
| **Consumer / business demand** | | | | | |
| Consumer confidence | = | = | ↗ | ↗ | ↗ |
| Industrial demand | ↗ | ↗ | ↘ | ↗ | ↗ |
| Interest rates* | **↗** | ↗ | ↗ | = | = |
| Inventory levels | **↗** | ↗ | ↘ | ↗ | **↗** |
| **Shipping and logistics** | | | | | |
| ETS | = | = | = | **↗** | **↗** |
| Supply chain bottlenecks | ↗ | ↗ | = | = | = |
| Supplier price power | ↗ | ↗ | = | = | = |
| Labour shortages | **↗** | ↗ | = | = | = |
| Shipping capacity* | = | = | ↘ | ↘ | ↘ |
| Port capacity / congestion | ↗ | ↗ | = | = | = |
| Intermodal capacity and costs | ↘ | ↘ | ↗ | ↗ | ↗ |
| Warehouse capacity and cost | ↗ | ↘ | ↘ | = | = |
| Bunker costs | ↘ | ↘ | ↗ | = | = |
| **Shipping Rates*** | | | | | |
| | ↗ | ↗ | = | = | = |

** Capacity is in terms of TEUs*
** Disruption lifts rates up and stays elevated*

| Key | |
|---|---|
| = | No Change |
| ↘ | Deflationary pressure on rates |
| ↗ | Inflationary pressure on rates |

### How should I interpret this chart?

- The chart shows how different factors are expected to affect freight rates over upcoming quarters. It then shows expectations for freight rates themselves.
- The arrows for the sections "Supplier disruption", "Consumer/ business demand" and "Shipping and logistics" indicate how changes in this factor will affect freight rates in each quarter.
- The arrows in the "Ocean freight rates" section indicate the expected change of freight rates in each period.
- Across all rows the arrows depict change versus the prior quarter
- Smaller arrows indicate a lesser degree of change, larger arrows indicate a greater degree of change.



*Freight rate outlooks for the Transpacific, Transatlantic and China / East Asia – Europe trade lanes are available on GSCi.*

## ABOUT TI

**Ti Insight** is a leading logistics and supply chain market research and analysis company providing:

- Supply Chain and Logistics Market Research Reports
- Global Supply Chain Intelligence (**GSCi**) online knowledge platform
- Consulting and Market Research projects
- Training, Conferences and Webinars. Ti has acted as advisors to the World Economic Forum, World Bank, UN and European Commission as well as providing expert analysis to the world's leading manufacturers, retailers, banks, consultancies, shipping lines and logistics providers.

Expertise includes:

- Analysis of corporate strategies of leading express, freight forwarding and logistics companies.
- Global usage and perception studies of shipper and logistics provider behaviour.
- Micro-economic analysis of key logistics segments: express, freight forwarding, road freight, contract logistics, warehousing, air cargo, shipping and e-commerce logistics.
- Analysis of supply chain strategies employed in industry vertical sectors: pharmaceutical, fashion, high tech, oil and gas, consumer, chemical, cold chain, automotive and retail.
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