Q3 2024

# Ocean Freight
Rate Tracker

# OCEAN FREIGHT TRACKER Q3 2024

In the words of Jeff Musser, CEO of Expeditors, the second quarter of 2024 was “another erratic quarter for our industry”. If anything, market conditions have become more volatile than in the first quarter of the year. Of course, a good deal of this is due to political issues, in particular the Red Sea crisis. However not all problems can be blamed on this. For example, the global sea and air freight markets have been affected by the boom in e-retail volumes from China. Of course, most of the effect has been on the airfreight market, however it threatens to have an uncertain impact on sea freight moving into what might be quite a fraught ‘peak season’. Even the underlying economic picture is confused. The US is less of a driver of demand than it was a year ago, however there are some signs that US retail spending is continuing to moderate. This may conflict with the current opinion that shippers need to buy freight early and build-up inventory for Christmas. It may be hard for US retailers to get it right. In addition, there are certainly signs that sourcing patterns are changing, with western purchasers moving away from Chinese production in some areas. So there are many ‘moving parts’ in the present market and its remains had to predict how they will all interact.

# 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 recently rates have been rising.*

*Globally, headhaul rates in August 2024 are 167.4 points above their January 2024 level, and 154.6 points above their April 2024 level. In August 2024 the global backhaul index sat 17.5 points above it's January 2024 level and 24.7 points above it's April 2024 level.*

*Rates on major shipping lanes rose an average of 19.1% in July 2024, however fell 10.3% in August 2024. Rates rose as a result of multiple factors but supply chain bottlenecks were key. As supply chain issues ease, and improved demand environment coupled with higher utilisation of capacity can translate into less intense rate falls in the coming quarters.*

## WIDER MARKET ANALYSIS

The trajectory of freight rates reflects the uncertainty of the wider market context. At the beginning of the year the expectation was that the Red Sea crisis was short-term and could ease. The initial panic about the viability of the Cape Route abated, reflected in a fall in rates in the first quarter. However, this reversed in second quarter as the Cape Route was found to be more complex than first assumed. Notable has been the problems using trans-shipment ports to ensure high utilisation of vessels. This has resulted in congestion as the number of movements at terminals has increased. It is hard to estimate the precise impact on demand for container ship capacity, but it certainly has affected prices. This illustrates that the calculations made early on in the crisis about its impact were overly ambitious. As is so often in logistics the issue of 'complexity' has emerged as an operational issue, making the management of the Cape Route more difficult as well as having knock-on effect on the wider global market. Measuring the latter is difficult. However, the increased congestion at major ports such as Singapore and less ship capacity generally must be having an effect beyond the Asia-Europe trades. It is also a good question what the impact of greater 'supply chain complexity' is having on the market. For example, India continues to show growth in demand and the intensity of services continues to rise. This must be a less straight-forward task at present than when the Suez Canal was accessible to all vessels.

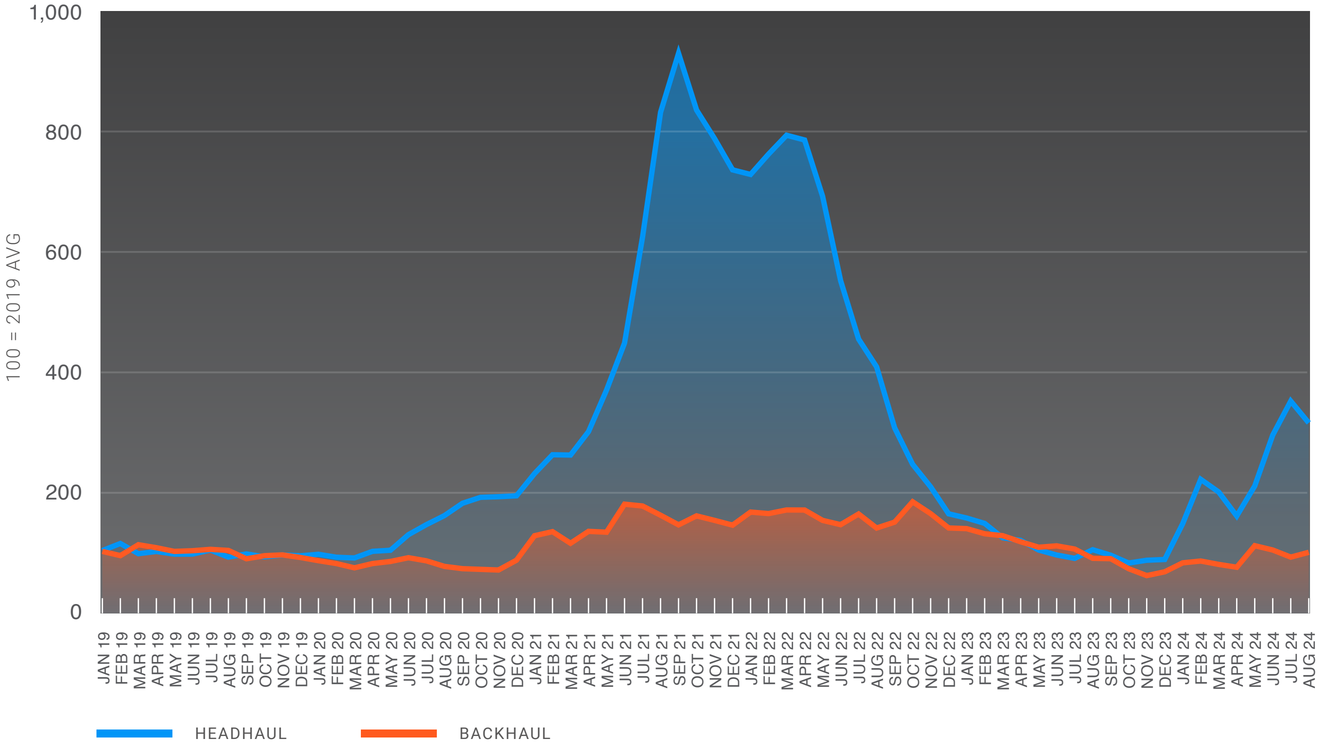
Because of all of this unpredictability, the outlook for the container shipping market not only remains uncertain, but has become even more uncertain over the past quarter. The Red

Sea Crisis shows no sign of abating, indeed the prospect of war with Iran could make the problem even more acute. However, there are also some signs of lower demand from the US in particular, which might moderate demand in the medium-term. However, at the end of the second quarter it is probably reasonable to suggest that prices will remain high in the short-term, with political instability remaining a major influence on the market.

LINK

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

SOURCE: FREIGHTOS & TI



# GLOBAL DEMAND

## WHAT DOES THE DATA SAY?

*Based on the available data for the World Ocean Freight Volumes Index, global volumes have been generally trending upwards since the beginning of this year. Year-on-year, the global volumes increased slightly by 1.1 index points, from 102.4 to 103.5. Quarter-on-quarter, the index rose by 1.7 index points. North American volumes saw a significant year-on-year increase of 11.1%, with a quarter-on-quarter increase of 6.8%, the most notable among the observed regions. European ports experienced a 0.7% year-on-year increase and a 1.2% quarter-on-quarter rise. In contrast, Asian port volumes decreased by 2.7% year-on-year and saw a smaller quarter-on-quarter decrease of 0.4%. Overall, volumes are still 6.0% below their peak in Q4-21. As volumes are slightly increasing across regions this might exert upwards pressure on rates.*

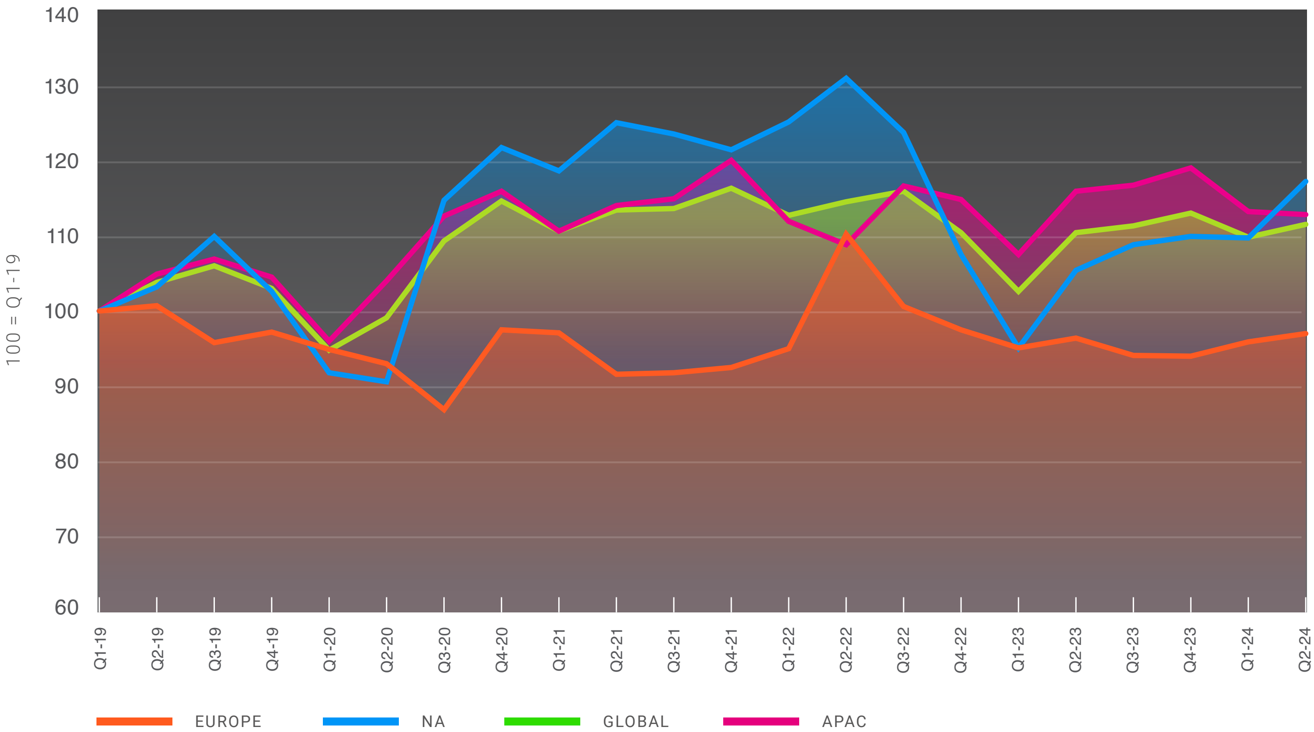
## WIDER MARKET ANALYSIS

On the face of it, the demand for container shipping remains reasonable. Whilst at the global level the growth rate is not emphatic, it is still growing consistently. The temptation to compare with the 2020-23 period ought to be resisted as the volatility was huge, however taken on its own terms, underlying demand over the past two or three quarters has been on occasions surprisingly robust bearing in-mind the present level of political instability. The profile of that growth has changed. The proportion of growth delivered by US consumer demand is less, although it is still significant. Exports from China have continued to grow in importance as a quite specific driver, something that has heightened the imbalance in the profile of demand. Yet there has also been a continued increase in trade from South East Asia and South Asia. Towards the end of the past quarter there have been noticeable interruptions in trade for Bangladesh due to political instability, however generally the region has remained a gradually increasing source of demand. European economies also generally sustained some growth, although Germany remains a problem.

The outlook for global demand may appear to be hard to estimate, however the past few quarters have confounded the pessimists and this trajectory is likely to continue. The level of growth of US consumer demand did appear to wobble during the second quarter. Although there were some talk of US retailers bringing forward inventory replenishment during the quarter there also was some suggestion of a recession in the US, although so far this has not materialised. The issue of Chinese exports is real, with the huge surpluses both driving demand for shipping, airfreight and land freight transport but also annoying its trading partners.

GLOBAL VOLUME INDEX

SOURCE: PORT AUTHORITIES



# GLOBAL SUPPLY

## WHAT DOES THE DATA SAY?

*Global capacity in Q2 2024 saw a slight decline of 1.1% compared to the previous quarter (Q1 2024). However, over the longer term, capacity has grown by 1.3% compared to the same quarter last year. The latest data from August 2024 indicates a 3.1% increase in capacity compared to July 2024. The increase in rates and demand might help in reviving the global capacity in the coming months.*

## WIDER MARKET ANALYSIS

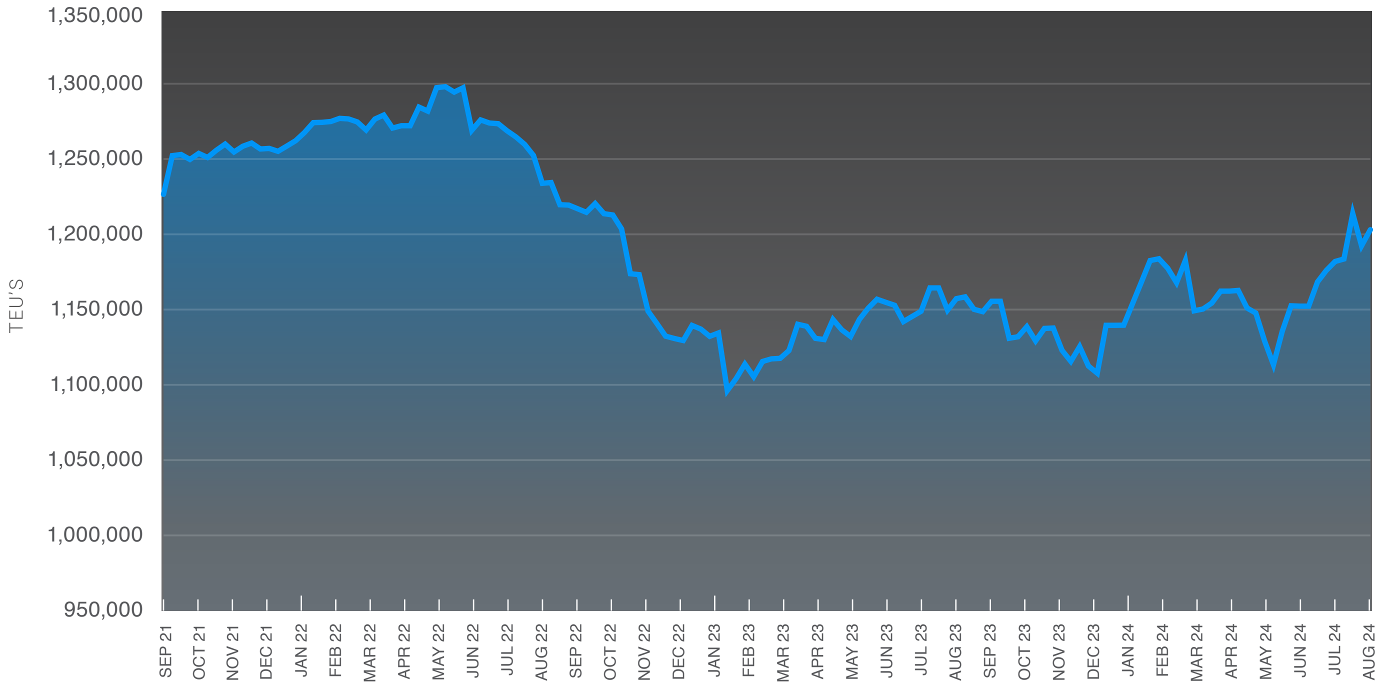
The supply-side of the container shipping market is as extraordinary as any aspect of the market. The huge orders for ships seen through 2021-2023 appeared to promise significant over capacity, something that seemed to be realised in the third and fourth quarters of 2023. The Red Sea Crisis during the first quarter of 2024 appeared to offer some very temporary delay from an over-supplied market, however as the crisis has continued through the second quarter the ‘crisis’ is beginning to look less temporary.

The fundamentals are that vessel utilisation has remained at high levels, not just because of the longer Cape Route but also due to congestion at ports. This means that in effect there is something approaching a shortage of container shipping capacity. The implications in the market are clear, with aggressive pricing by container lines and whilst instances of ‘rolling’ of cargo seem limited, the shipping lines are generally unreceptive to shippers attempts to bargain rates down. It is also worth noting that freight forwarders report that rates for buying capacity are ‘hard’ where as rates for forwarders to sell to their customers are ‘softer’. The latter might be interpreted as illustrating the irritation with high prices by shippers and the former the confidence that shipping lines can sell their capacity at what might be called ‘full price’ who ever is the customer.

What has not been seen is the shortage of containers experienced during 2021-2023. Shippers can get their consignments collected and moved, however on routes in and out of Europe, the Mediterranean, the Middle East, South Asia and South East Asia, this is taking longer than in 2023.

LINK GLOBAL CAPACITY

SOURCE: ALPHALINER



# FUEL

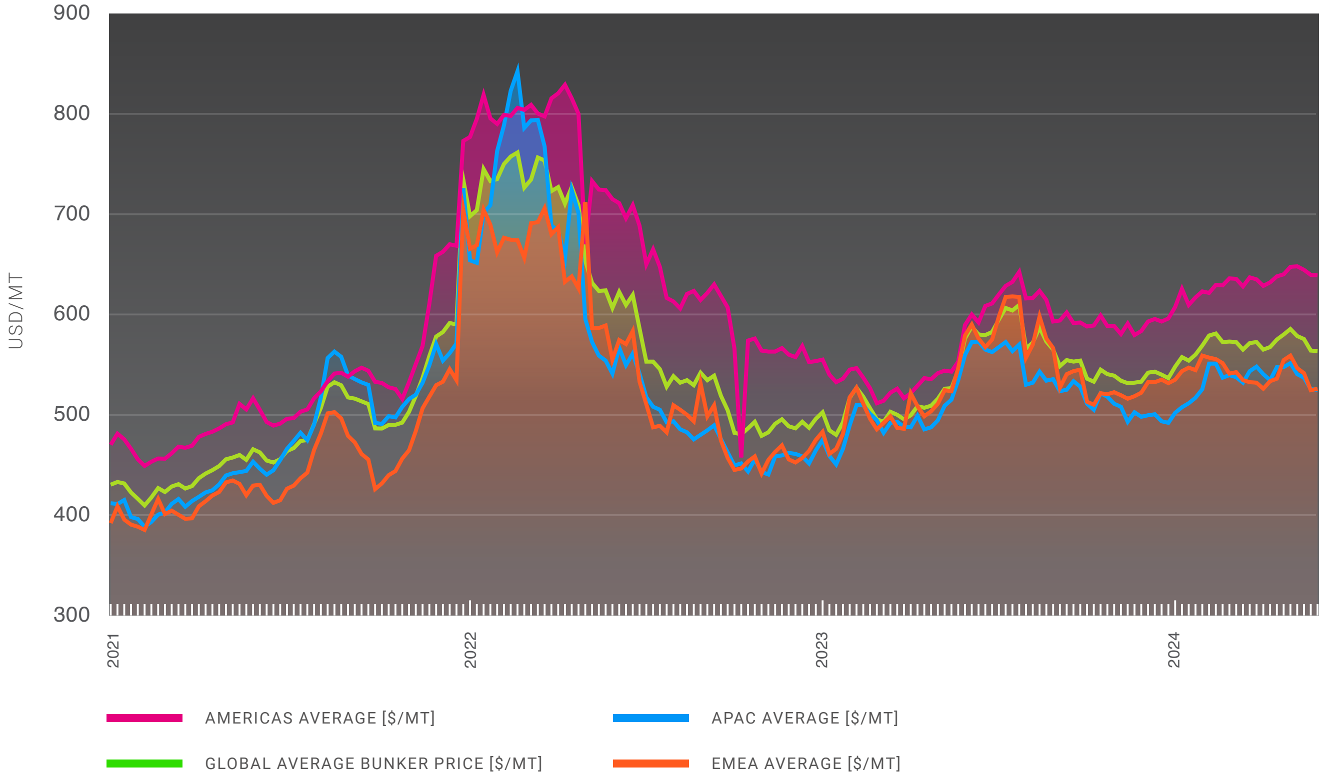
Global bunker fuel prices have followed a consistent trend across all regions, rising by 5.5% from their recent low in January 2024. Month over month, prices have remained relatively stable, with only a 2.1% decrease. In the Americas, bunker fuel prices remain the highest among the regions, though they have seen a slight decrease of 0.9%. Quarter over quarter, there's been an average increase of 1.9%, and compared to the same quarter last year, an 8.6% rise.

Globally, average bunker fuel prices remained steady, with only a 0.1% increase quarter over quarter, and a 0.3% increase compared to the same quarter last year. The APAC region saw the largest decrease, down 1% compared to the previous quarter, and a 2.7% decrease year over year. Despite geopolitical uncertainties, the oil basket price remains resilient. The price increase observed in April 2024 was driven by rising geopolitical tensions in the Middle East, but the prolonged period of high U.S. interest rates has raised concerns about demand growth, as higher borrowing costs can slow economic growth and reduce oil demand.

LINK

BUNKER FUEL PRICES

SOURCE: SHIP & BUNKER



# SENTIMENT TRACKER

Individuals involved in the Ocean freight market are generally expecting further large rate increases on the horizon and those surveyed are now expecting larger increase in Q3 24 than they were expecting in Q2.

When asked what their expectations are for the development of ocean freight rates in the coming 3 months on a global level "Increase significantly" was the most common answer and was given by 24% of participants. When grouped, 65% of respondents expected some level of rate rise, 16% expected rate falls and 19.0% expected some level of rate fall.

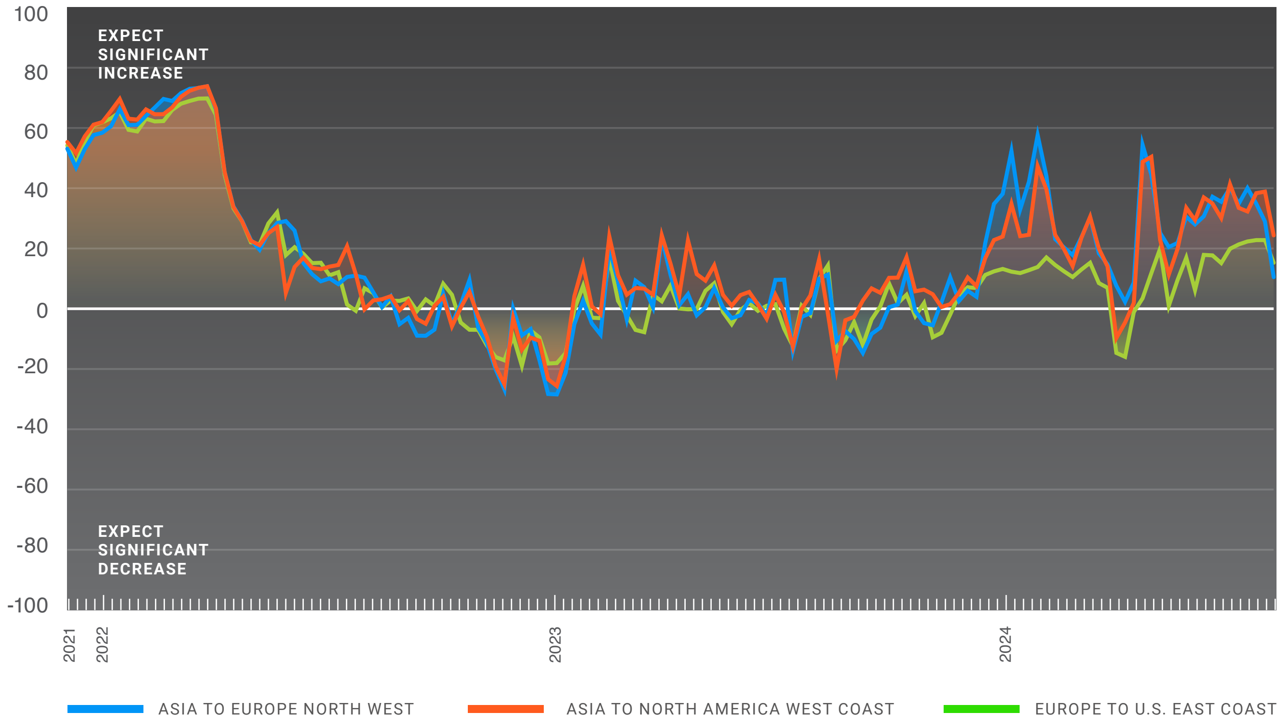
On a lane level, 'Increase significantly was also the most common answer for rate between Asia and Europe, a change from the last quarter when "Increase moderately" was the most common answer.

On transpacific routes an even number of people (28%) expected rates to increase significantly and moderately. A change from last quarter when moderate increase was the most common answer. Meaning that individuals are expecting larger rate rises in Q3 than the ones they saw in Q2.

LINK

**OCEAN FREIGHT CONFIDENCE INDEX**

SOURCE: Ti



# Global Outlook

| | Q3 2024 | Q4 2024 | Q1 2025 | Q2 2025 | H2 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:

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- 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.

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- 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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