



Global Market Update

June 2024



PENTAGON

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1 Market Brief

- World Container Index increased a further 7%, week 25 to USD5,111 per 40ft.
- Q3 Forecast to remain strong. Pre-Christmas ordering and EV China surge.
- Impact of the Red Sea vessel diversions on global trading.
- Global trade forecast to grow to 2.6-3% this year.
- New vessel builds capacity to reach 2m TEU in H2 2024.
- UK trade growth forecast of 0.7% compared to euro area, 0.8%, and USA, 2.5%.
- Core inflation forecast to cool to broadly target-consistent levels by end-2024.
- Global schedule reliability M/M declined a further 2.5% in April 2024.
- Oil prices forecast to rise to USD84 per barrel in H2 2024.
- Regional trade focus – Port congestion, capacity constraints.

2 Market Update

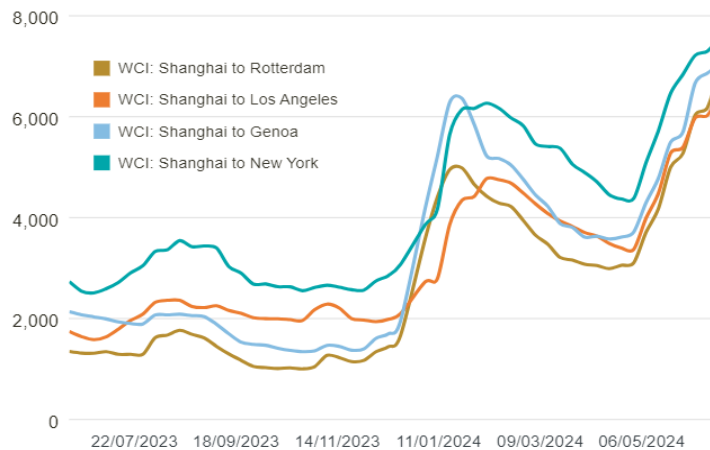
2.1 World Container Index

2.1.1 Drewry Report, June 20

- Drewry's World Container Index increased by 7% to USD5,117 per 40ft.
- The composite index increased by 7% to USD5,117 per 40ft container.
- 233% increase year-on-year.
- 260% more than the average 2019, pre-pandemic rates of USD1,420.
- The average composite index year-to-date is USD3,510 per 40ft.
- USD778 higher than the 10-year average rate of USD2,742.

- Freight rates from Shanghai to Rotterdam increased 11% or USD690 to USD6,867 per feu. Similarly, rates from Shanghai to Los Angeles grew 7% or USD416 to USD6,441 per 40ft box. Likewise, rates from Shanghai to New York rose 3% or USD253 to USD7,552 per 40ft container.
- Rates from Rotterdam to Shanghai and Shanghai to Genoa increased 2% to USD672 and USD7,029 per feu respectively. Conversely, rates from New York to Rotterdam and Rotterdam to New York decreased 1% to USD633 and USD2,093 per 40ft box respectively.
- Rates from Los Angeles to Shanghai remain stable. Drewry expects that freight rates from China will continue to rise next week due to congestion issues at Asian ports.

Drewry WCI: Trade Routes from Shanghai. USD/40ft:



Drewry World Container Index: 20 June 2024. USD/40ft:



Drewry's assessment across major East-West trades:

Route	Route code	06-Jun-24	13-Jun-24	20-Jun-24	Weekly change (%)	Annual change (%)
Composite Index	WCI-COMPOSITE	\$4,716	\$4,801	\$5,117	7% ▲	233% ▲
Shanghai - Rotterdam	WCI-SHA-RTM	\$6,032	\$6,177	\$6,867	11% ▲	422% ▲
Rotterdam - Shanghai	WCI-RTM-SHA	\$642	\$661	\$672	2% ▲	18% ▲
Shanghai - Genoa	WCI-SHA-GOA	\$6,664	\$6,862	\$7,029	2% ▲	239% ▲
Shanghai - Los Angeles	WCI-SHA-LAX	\$5,975	\$6,025	\$6,441	7% ▲	292% ▲
Los Angeles - Shanghai	WCI-LAX-SHA	\$695	\$693	\$694	0%	-32% ▼
Shanghai - New York	WCI-SHA-NYC	\$7,214	\$7,299	\$7,552	3% ▲	197% ▲
New York - Rotterdam	WCI-NYC-RTM	\$626	\$640	\$633	-1% ▼	-20% ▼
Rotterdam - New York	WCI-RTM-NYC	\$2,136	\$2,118	\$2,093	-1% ▼	-35% ▼

SOURCE: [Drewry – World Container Index, Weekly Update. June 20, 2024.](#)

2.1.2 Drewry Report, June 17

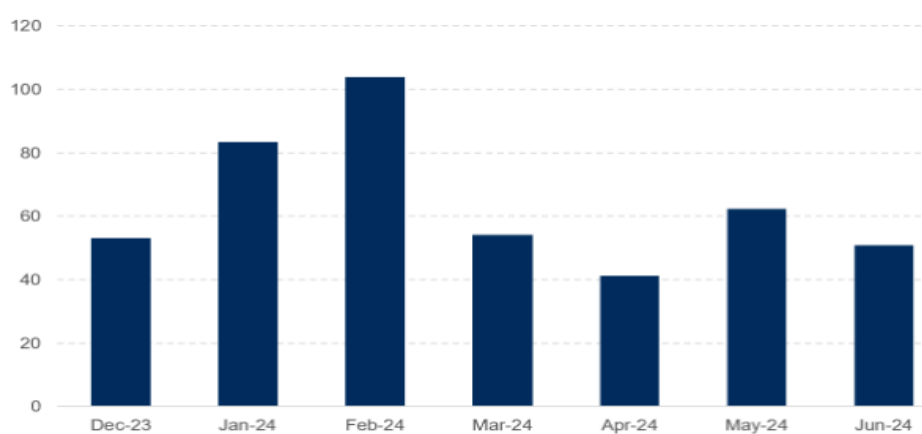
Drewry reported that, “Carriers are adding new services or reinstating old ones, significantly expanding the supply for the peak season”. Adding, “More competition (Ellerman, BAL Container, and SeaLand) is increasing the range of available shipping options. Meanwhile, established carriers are working to restore some of their disrupted schedules. The result being that Ocean carriers will add 10 transpacific loops and 4 Asia-North Europe services between May and July.”

Drewry stated that “Deliveries of new ships will fill gaps in carriers’ disrupted schedules, reducing the number of cancelled sailings.” Drewry container capacity insight, “The number of cancelled sailings on the transpacific and Asia-North Europe/Mediterranean routes will have declined from 62 in May to about 51 in June and to less than 41 in July”.

New or reinstated peak season loops on the Asia-Europe and transpacific routes:

Trade route	Carrier/alliance	Service name	Average ship capacity (teu)	Frequency (days)	New or reinstated?	From
Asia-North Europe/Med						
Asia-North Europe	Hapag-Lloyd	China Germany Express	6,036	7	Reinstated	Jun-24
Asia-North Europe	CMA CGM	French Peak Service	7,000	14	New service	Jun-24
Asia-North Europe	Ellerman Lines	TBN	2,500	28	New service	Jul-24
Asia-North Europe	MSC	Britannia	TBN	TBC	New service	Jul-24
Transpacific						
Asia-ECNA	Maersk	TP20	4,160	7	Reinstated	May-24
Asia-WCNA	Wan Hai / ONE	AP1	10,009	7	New service	May-24
Asia-WCNA	Hede Shipping	HEX	3,457	7	New service	May-24
Asia-WCNA	THE Alliance	PN3	11,956	7	Reinstated	May-24
Asia-WCNA	COSCO/OOCL	WSA5/TLP5 (Transpacific Latin Pacific 5)	4,361	7	New service	Jun-24
Asia-WCNA	Wan Hai	Asia America 1	3,520	7	New service	Jun-24
Asia-WCNA	COSCO/OOCL	China Pacific Northwest Vancouver/Pacific North West 5	4,253	7	New service	Jun-24
Asia-WCNA	BAL Container	CMX	TBC	TBC	Reinstated	Jun-24
Asia-WCNA	SeaLead	Asia West Coast	TBC	7	New service	Jul-24
Asia-WCSA / Asia-WCNA	Maersk	AC1	TBC	7	New service	Jul-24

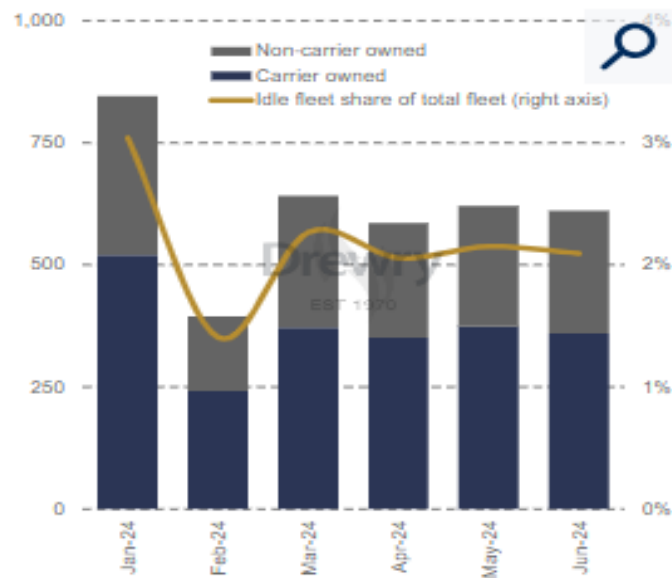
Number of cancelled sailings per month on transpacific and Asia-Europe routes:



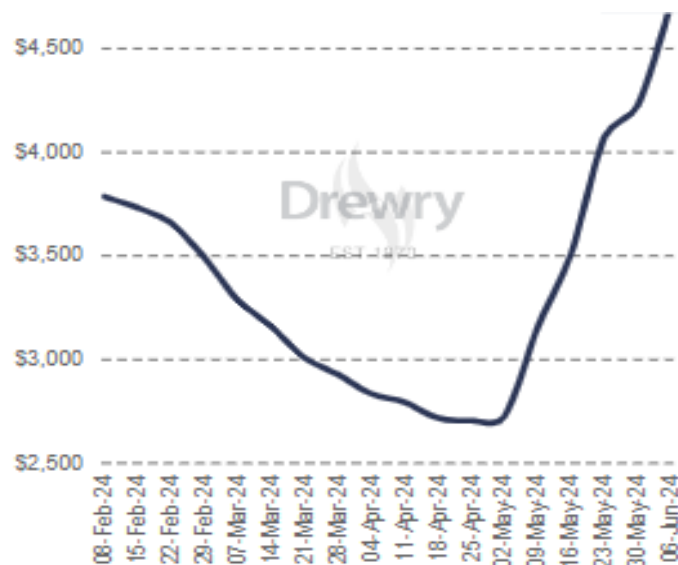
Drewry’s view is that planning is still uncertain and challenging due to chronic congestion in Asian and Mediterranean ports, the Red Sea crisis re-routing shipping, extending lead times, and the additional risk of port strikes on the US East and Gulf coasts. Additionally, the 24-48hr strikes over wage negotiations in Germany affecting the ports of Hamburg, Bremerhaven, Bremen, Emden, and Brake. These factors continue to affect container supply and disrupt services.

Newly delivered capacity has been absorbed into the system so that idle capacity is less than 3% of the global fleet compared with global demand, which is forecast to grow by 3-4% and is likely to have grown further than predicted once mid-year figures are in. With the peak season starting earlier this year on the major Asia transpacific and Asia-Europe trades, the capacity/demand ratio appears to continue to look tight into Q3. It is possible that freight rates could decline from October 2024 as demand weakens against increasing capacity.

Idle Capacity – 000 TEU

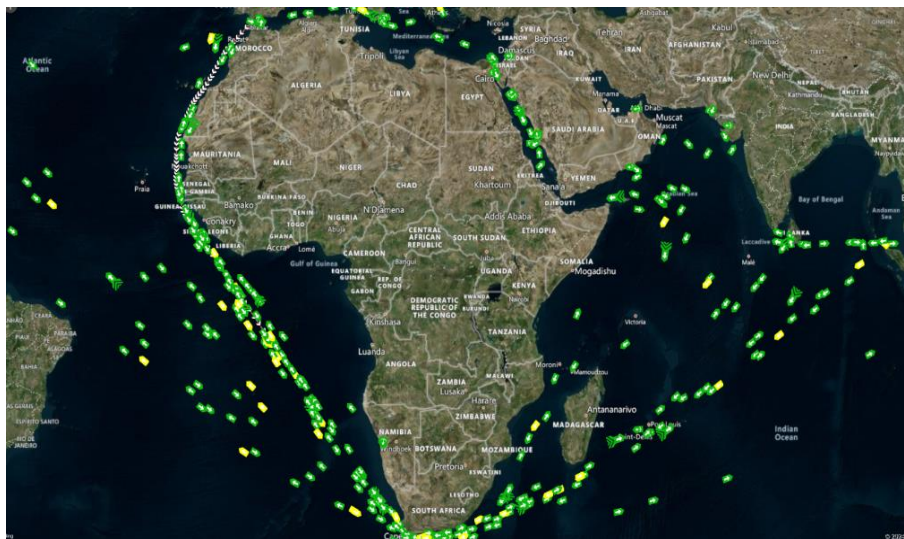
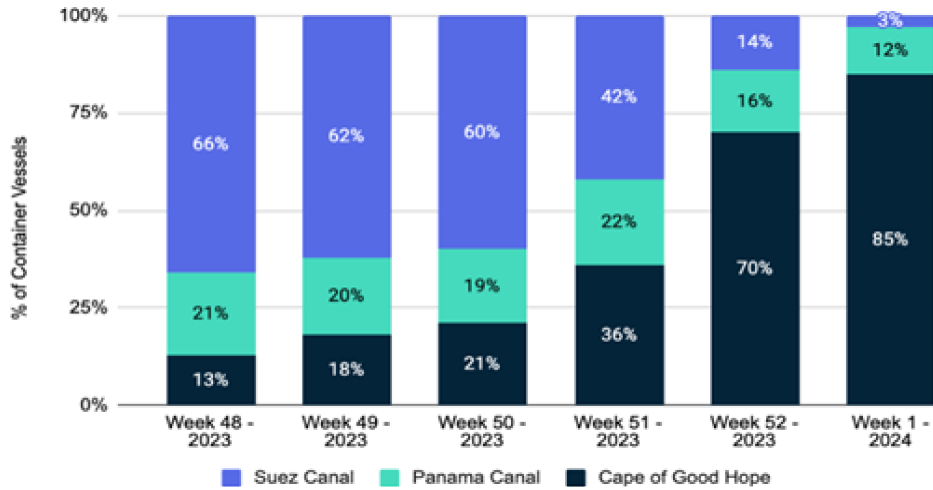


East-West Composite – USD/40ft:



SOURCE: [Drewry – Logistics Executive Briefing.](#)

Routings of Container Vessels with More Than 7.5k TEU Capacity:



- In the month of May, UKMTO issued 14 warnings and updates across five incidents off the coast of Yemen. As of June 17, the organisation had issued 25 warnings and updates across 11 incidents month-to-date.

SOURCES:

[SeaTrade-Maritime – Global Ocean Carriers Halt Red Sea Transits.](#)

[GCaptain.com](#)

3 Global Growth

Global trade growth is set to increase by more than two-fold this year, driven by low inflation and a booming US economy. The IMF's latest World Economic Outlook puts world trade growth at 3% and 3.3% for 2024 and 2025.

SOURCE: [World Economic Forum](#).

3.1 US Economic Outlook

S&P Global Ratings forecasts US GDP growth of 2.5% in 2024, much better than the consensus of economists surveyed at 1% by Bloomberg at the start of the year. Although it predicts that the economy will slow over the next 2 years. Inflation is expected to remain above the 2% target throughout 2024, due to higher service and goods price inflation, limiting the Fed's ability to ease interest rates at 5.25%-5.5%.

SOURCES:

[SP Global](#).

[Bloomberg](#).

3.2 EU and UK Economic Outlook

The European Commission's (EC) Economic Forecast stated that the "EU economy staged a comeback at the start of the year, following a prolonged period of stagnation." Though the growth rate of 0.3% estimated for the first quarter of 2024 is still below estimated potential, it exceeded expectations. Activity in the euro area expanded at the same pace, marking the end of the mild recession experienced in the second half of last year. Meanwhile, inflation across the EU cooled further in the first quarter.

This Spring Forecast projects GDP growth in 2024 at 1.0% in the EU and 0.8% in the euro area. The EC predicts that inflation is projected to continue, declining to 2.7% in 2024 and 2.2% in 2025 and in the euro area to 2.5% in 2024 and 2.1% in 2025. The pickup of trade on the Asia-Europe trade could offset the slowing of trade volumes on the Asia-Transpacific trade.

EY predicts that the UK's economy is expected to grow by 0.7% in 2024 and by 2% in 2025, and for inflation to fall below 2% in H2 2024 due to lower energy, food and goods prices. This would signal an interest rate cut to 4.5%.

SOURCES:

[Europa – European Economic Forecast, Spring 2024.](#)

[EY, UK.](#)

3.3 Asia Economic Outlook

EIU forecasts that regional economic growth in Asia will soften to 3.9% in 2024, due to tighter monetary and fiscal policy dampening expansion. Political outlook is dominated by elections across the region, including in strategically important economies such as India, Indonesia and Taiwan. Risks associated with the Taiwan Strait, South China Sea and Korean peninsula will again require careful monitoring in a volatile global geopolitical environment.

According to Goldman Sachs: “We don't think the last mile of disinflation will be particularly hard”. The supply and demand of goods have grown more balanced, and the impact of this on core goods disinflation is still unfolding and is forecast to continue through most of 2024. Shelter inflation is expected to have considerably further to fall

SOURCES:

[EIU.](#)

[IFO Institute.](#)

3.4 Industry Growth

3.4.1 Container Trade Growth

Maersk stated that a strong start to the year has improved the outlook for the container trade worldwide, predicting a 4.5% growth this year compared with 2023,

This equates to around 210.3 million TEU's, in line with Maritime Strategies International forecasts.

SOURCES:

[Maersk.](#)

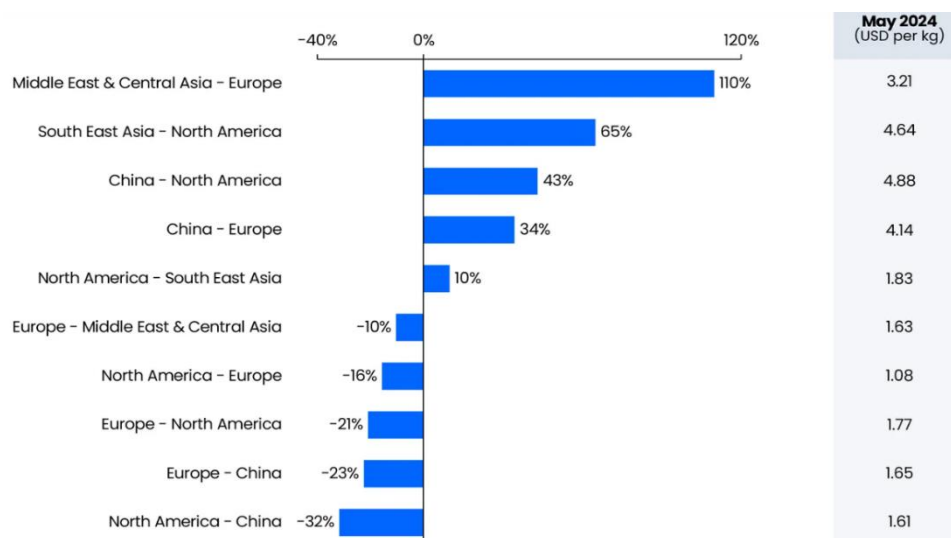
[MSI.](#)

3.4.2 Airfreight Trade Growth

Air cargo demand has grown at double-digit rates for the sixth consecutive month and double-digit growth for the year is possible, according to data analysis by Xeneta.

A major shift of volume from ocean to air is unlikely, according to Xeneta. Compared to the onset of the Red Sea crisis or the Covid pandemic, cost spikes this time around are most likely triggered by shippers frontloading imports ahead of the ocean peak season to eliminate impacts from increased supply chain disruptions.

Air Cargo Spot Rate Developments for Selected Global Corridors (May 2024). Year-on-year:



SOURCES:

[Air Logistics International.](#)

[Air Logistics International – Xeneta.](#)

[Boeing.](#)

3.4.3 Baltic Exchange Dry Bulk Sea Freight Index

The Baltic Exchange's main sea freight index, measuring global shipping costs, 'is expected to trade at 1908.65 points by the end of this quarter, according to Trading Economics global

macro models and analysts' expectations. Looking forward, we estimate it to trade at 2219.56 in 12 months' time'. This would indicate that volumes may slow in the 4th Quarter once, the pre-season orders have been shipped

Baltic Dry Index:



SOURCE:

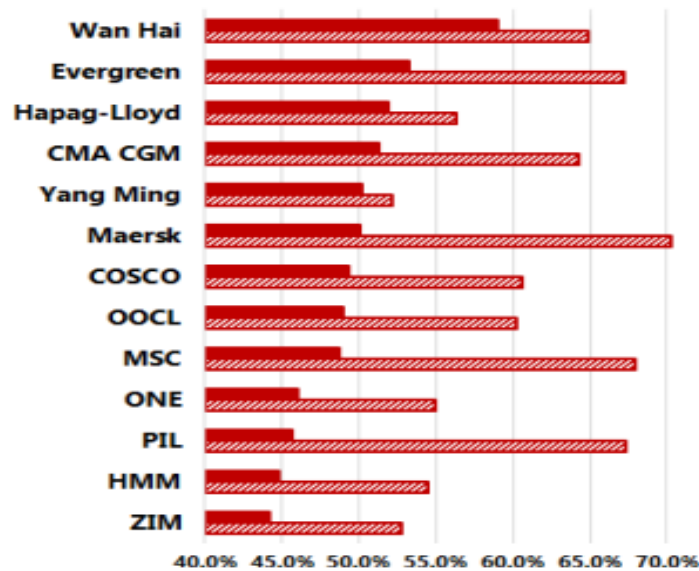
[TradingEconomics.com](https://www.tradingeconomics.com)

4 Industry Update

4.1 Ocean Carrier Reliability

Carrier reliability is also subject to the realignment of scheduling on the major Asia-Europe and Asia-Med trades. Port congestion and dock labour disputes are likely factors in May's figures dropping back when they are released.

Carrier Scores for April 2024 vs April 2023:



SOURCE:

[Sea Intelligence – Press Release.](#)

4.2 Port Update

Congestion at Mediterranean and Asian ports is contributing to the worsening vessel schedule reliability, reported in the Journal of Commerce prompting concerns about further supply shocks for container capacity persisting through the rest of the summer. ‘With the global container fleet expected to reach 30million TEU’s in June, between 6% and 7% of that capacity is getting tied up by port congestion, according to Fabio Santucci, president of MSC’s US operations.

Added to this is the equipment that is also tied up and not being repositioned and the schedule realignments skipping ports and adding to equipment shortages and shipment delays as reported recently in Singapore, Tanjung Palapas and Shanghai specifically in recent weeks.

This week's strike by Dock unions in Germany and concerns over US port labour negotiations for east and Gulf US ports would exacerbate an already difficult balancing act of vessel and equipment supply and add further pressure to ports taking in diverted vessel and container traffic.

SOURCES:

[Journal of Commerce.](#)

[Reuters.](#)

[Drewry.](#)

[GoComet.](#)

4.3 Fuel and Energy

Global oil markets face a myriad of challenges in the medium-term as structural shifts reshape oil demand and trade flows, while rising oil supplies could potentially weigh on prices through the end of the decade.

- Brent forecast raised to USD84.62 a barrel for 2024.
- WTI projection lifted to USD80.46 a barrel.
- Geopolitical risk continues to vex oil markets.
- Global oil markets navigate a challenging landscape.
- Electricity, renewables generation, and grids through to 2050.

SOURCES:

[IEA.](#)

[Economies.com](#)

[Reuters](#)

[IEA – Oil Market Report.](#)

[DNV.](#)

5 Regional Trade Focus

5.1 Asia

5.1.1 China

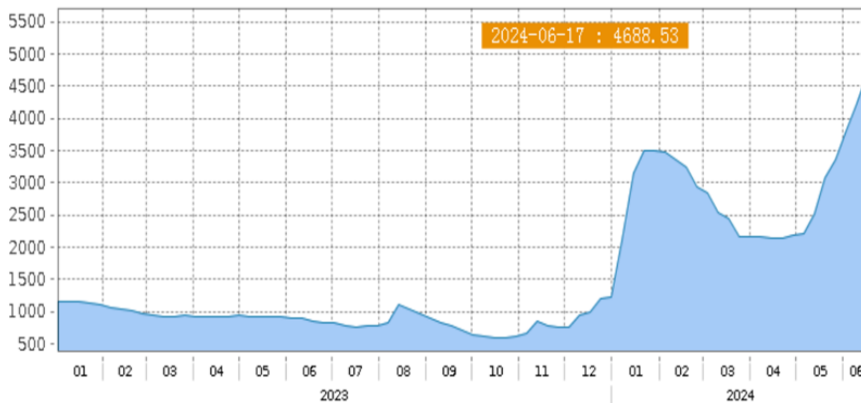
Freight rates at 2-year high amid US and EU import tariff threat and Red Sea disruptions.

The Shanghai Containerized Freight Index jumped 12.6% last week to 3,044.77, breaking the 3,000-level for the first time since August 2022.

The cost of shipping a 20-foot container from Shanghai to Europe is over USD7,000, an increase of about USD1,000 from a month ago.

Pre-Christmas peak season shipments means that volumes are forecast to remain strong into the third quarter of the year.

Shanghai Containerized Freight Index (Export) – EUR Service:



Shanghai Containerized Freight Index (Export) – USVC Service:



SOURCES:

[SCMP.](#)

[India Times.](#)

[Shanghai Shipping Exchange.](#)

5.1.2 Singapore

Port congestion has intensified, leading to container shipping delays and price increases.

Starting from the second half of May, the number of 20-foot standard containers waiting to dock has reached a peak of 480,000. Currently, container vessels are experiencing extended waiting times of up to seven days for unloading, compared to the usual half-day timeframe.

Singapore has taken measures to increase manpower and container handling capacity. This includes reactivating previously closed berths and yards at Keppel Terminal and introduce three new berths later this year.

SOURCES:

[CGTN.](#)

[GC Captain.](#)

5.1.3 India

Shippers moving goods to Europe must contend with additional surcharges to secure confirmed bookings, CMA CGM has announced an emergency space surcharge (ESS) of USD500 per TEU to North Europe, the Mediterranean and North Africa, from 1 July. All major carriers have announced increases and equipment availability is predicted to tighten further.

SOURCE:

[The Loadstar.](#)

5.1.4 Australia

The Australian government declared the fourth wind zone after a review process. The government has launched an aggressive renewable energy program for the country.

SOURCE:

[Maritime Executive.](#)

5.2 EMEA

Pre-season ordering has started earlier this year to allow for the longer lead times from Asia over the horn, which coincides with the race to beat impending EV tariffs of 38% set by the EU and 100% by USA. This is adding pressure on equipment availability and pushing up freight rates.

With shipping avoiding the Red Sea, affecting services to North Africa, Mediterranean and Europe, according to carrier websites, MSC's service to/from East Africa to Europe has switched transshipment port from King Abdullah Port to Colombo. Maersk continues to tranship over Salalah.

Jebel Ali has a 4-day port delay, and Barcelona has become a key transshipment hub with a vessel turnaround time extended to 5 days. Port strikes in Germany could further disrupt vessel scheduling in the coming weeks and add pressure on other north European ports to handle cargo bound for German ports.

Shippers on the Asia-Europe/Scandinavia trades have no escape from rapidly rising spot rate levels as increasing demand in the capacity and equipment constrained market continues to boost the spot market with average rates approaching USD7000 per FEU

SOURCES:

[The Loadstar.](#)

[Journal of Commerce.](#)

5.3 Americas

5.3.1 USA

MSC, Mediterranean Shipping Company and Cosco Shipping are among the latest names to launch new transpacific services as freight rates continue to soar. The sharp rise came after lines pushed through peak season surcharge on the back of strong US demand and Red Sea-driven congestion. Asia-US West Coast prices increased 15%, or USD907, to USD6.865.

SOURCES:

[TradeWinds.](#)

[The Loadstar.](#)

5.3.2 Brazil

Rising trade, receding inflation, and a constructive political environment are all favourable conditions for growth. Overview In April 2024 Brazil exported USD30.9B and imported USD21.9B, resulting in a positive trade balance of USD9.04B. Between April 2023 and April 2024 the exports of Brazil have increased by USD3.82B (14.1%) from USD27.1B to USD30.9B, while imports increased by USD2.73B (14.3%) from USD19.1B to USD21.9B.

Oil companies operating in Brazil pumped an average 4.285 million b/d of oil equivalent in the first 10 months of 2023, a 2.2% increase from the previous record 4.194 million b/d pumped in 2022, according to data from the National Petroleum Agency (ANP). Production growth is forecast to be at a softer pace in 2024, according to Petrobras's USD102 billion 2024-2028 investment plan.

SOURCES:

[Bloomberg.](#)

[The Observatory of Economic Complexity.](#)

[S&P Global Commodity Insights.](#)