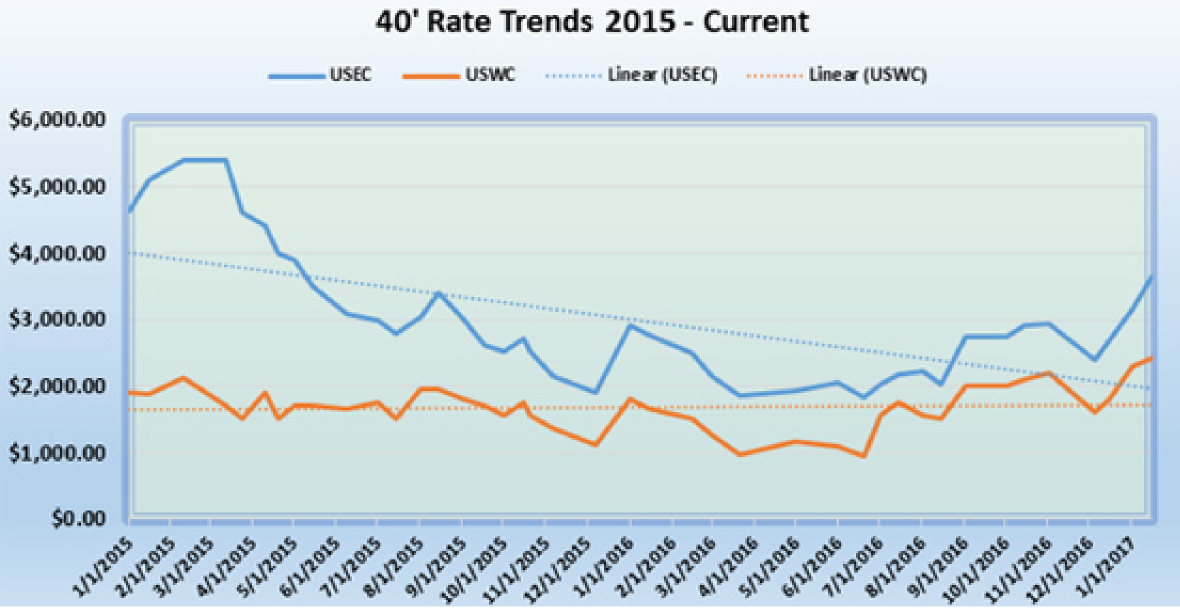
Rising Rates from Asia to USA: What's Driving These Changes?

by Rich Roche - Monday, January 23, 2017

Ocean container rates in 2015 witnessed a nearly year-long slide that ended with a sharp increase on January 1, 2016 from a fully implemented General Rate Increase (GRI). As Chinese New Year 2016 passed, rates continued their slide until they bottomed out at historic lows in June. Continued monthly announcements of GRIs through the summer did little to increase the freight rates for carriers.

Then in September 2016, Hanjin applied for receivership which quickly resulted in a $5 billion bankruptcy that rattled the market. The withdrawal of over 100 Hanjin vessels from worldwide trade, combined with a slowdown in deliveries of new vessel orders globally, caused space to tighten even through the traditional fourth quarter slack season. In fact, vessels remained overbooked into January, ahead of this year's Chinese New Year rush.



Where do we go from here?

While upwardly mobile rates seem to be the current trend for the greater recovery cycle, we anticipate a more immediate drop in rates through the end of the first quarter and just prior to the May 1 contract renewal season. Rates will continue to slowly climb away from their historic lows, as vessel consortiums regroup and individual mergers and acquisitions come to fruition by the end of summer. Fewer carriers will exist in 2017 than in years past, giving them the advantage of less competition and more control on rate setting. Expect another bumpy ride in 2017.

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