

News

## Ocean freight code red amidst severe capacity crunch

07 Jun, 2024 | Share



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.<sup>[1]</sup>

#### 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. past 4 weeks | Chg. past week |
|----------------------------|--------|--------|--------|--------|---------|-------------------|----------------|
| Europe (base port)         | 6.100  | 6.818  | 7.480  | 7.898  | 7.074   | 1.798 29%         | 418 6%         |
| MED (base port)            | 7.024  | 8.096  | 9.440  | 9.568  | 8.855   | 1.834 21%         | 228 1%         |
| USWC                       | 5.025  | 5.189  | 6.168  | 6.209  | 5.648   | 1.184 24%         | 41 1%          |
| USFC                       | 6.026  | 6.482  | 7.206  | 7.447  | 6.790   | 1.421 24%         | 241 3%         |
| AKO (MEX)                  | 2.538  | 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 | 14.100 | 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

| ORIGIN REGION | TRADE-LANE                    | CAPACITY             | SCHEDULE RELIABILITY | RATE DEVELOPMENT |
|---------------|-------------------------------|----------------------|----------------------|------------------|
| Asia          | Asia – Europe                 | Capacity constrained | Major challenges     | Up               |
|               | Asia – North America          | Capacity constrained | Major challenges     | Up               |
|               | Asia – Asia Pacific           | Normal capacity      | Medium challenges    | Stable           |
|               | Asia – Middle East / Africa   | Capacity constrained | Major challenges     | Up               |
|               | Asia – Latin America          | Capacity constrained | Major challenges     | Up               |
| Europe*       | Europe – Asia Pacific         | Normal capacity      | Medium challenges    | Stable           |
|               | Europe – North America        | Normal capacity      | Medium challenges    | Stable           |
|               | Europe – Middle East / Africa | Normal capacity      | Medium challenges    | Stable           |
|               | Europe – Latin America        | Normal capacity      | Medium challenges    | Stable           |

\* Continental Europe & Nordics combined

| ORIGIN REGION | TRADE-LANE                   | CAPACITY        | SCHEDULE RELIABILITY | RATE DEVELOPMENT |
|---------------|------------------------------|-----------------|----------------------|------------------|
| North America | NorAm – Asia Pacific         | Normal capacity | Medium challenges    | Stable           |
|               | NorAm – Europe               | Normal capacity | Medium challenges    | Stable           |
|               | NorAm – Middle East / Africa | Normal capacity | Medium challenges    | Up               |
|               | NorAm – Latin America        | Normal capacity | Medium challenges    | Stable           |
| Latin America | LatAm – NorAm                | Normal capacity | Medium challenges    | Stable           |
|               | LatAm – Europe               | Normal capacity | Medium challenges    | Stable           |
|               | LatAm – Asia Pacific         | Normal capacity | Medium challenges    | Stable           |
|               | LatAm – Middle East / Africa | Normal capacity | Medium challenges    | Down             |

|                      |                             |                         |
|----------------------|-----------------------------|-------------------------|
| <b>CAPACITY</b>      | <b>SCHEDULE RELIABILITY</b> | <b>RATE DEVELOPMENT</b> |
| Capacity open        | No challenges               | Down                    |
| Normal capacity      | Medium challenges           | Stable                  |
| Capacity constrained | Major challenges            | Up                      |

### OCEAN FREIGHT

| ORIGIN REGION | TRADE-LANE                      | CAPACITY             | EQUIPMENT         | SCHEDULE RELIABILITY | RATE DEVELOPMENT |
|---------------|---------------------------------|----------------------|-------------------|----------------------|------------------|
| Asia          | Asia – North Europe             | Capacity constrained | Major challenges  | Medium challenges    | Up               |
|               | Asia – West Med                 | Capacity constrained | Major challenges  | Medium challenges    | Up               |
|               | Asia – Black Sea & Adriatic     | Capacity constrained | Major challenges  | Medium challenges    | Up               |
|               | Asia – North America            | Capacity constrained | Major challenges  | Medium challenges    | Up               |
|               | Asia – Middle East              | Capacity constrained | Major challenges  | Medium challenges    | Up               |
|               | Asia – Africa                   | Capacity constrained | Major challenges  | Medium challenges    | Up               |
|               | Asia – East Coast South America | Capacity constrained | Major challenges  | Medium challenges    | Up               |
|               | Asia – West Coast South America | Capacity constrained | Major challenges  | Medium challenges    | Up               |
|               | Asia – Australia/New Zealand    | Capacity constrained | Major challenges  | Medium challenges    | Up               |
| Intra – Asia  | Capacity open                   | No challenges        | Medium challenges | Stable               |                  |

| ORIGIN REGION  | TRADE-LANE                        | CAPACITY          | EQUIPMENT         | SCHEDULE RELIABILITY | RATE DEVELOPMENT |
|----------------|-----------------------------------|-------------------|-------------------|----------------------|------------------|
| EMEA & Nordics | Europe – Asia                     | Normal capacity   | Medium challenges | Medium challenges    | Stable           |
|                | Europe – Middle East              | Normal capacity   | Medium challenges | Medium challenges    | Stable           |
|                | Europe – Africa                   | Normal capacity   | Medium challenges | Medium challenges    | Stable           |
|                | Europe – North America            | Normal capacity   | Medium challenges | Medium challenges    | Up               |
|                | Europe – East Coast South America | Normal capacity   | Medium challenges | Medium challenges    | Stable           |
|                | Europe – West Coast South America | Normal capacity   | Medium challenges | Medium challenges    | Stable           |
|                | Europe – Australia/New Zealand    | Normal capacity   | Medium challenges | Medium challenges    | Stable           |
| Intra – Europe | Normal capacity                   | Medium challenges | Medium challenges | Stable               |                  |
| Americas       | North America – Europe            | Normal capacity   | Medium challenges | Medium challenges    | Stable           |
|                | North America – Asia              | Normal capacity   | Medium challenges | Medium challenges    | Stable           |
|                | North America – Middle East       | Normal capacity   | Medium challenges | Medium challenges    | Stable           |
|                | North America – Africa            | Normal capacity   | Medium challenges | Medium challenges    | Stable           |
|                | North America – Austr./New Zeal.  | Normal capacity   | Medium challenges | Medium challenges    | Stable           |
| Intra Americas | Normal capacity                   | Medium challenges | Medium challenges | Stable               |                  |

|                      |                   |                             |                         |
|----------------------|-------------------|-----------------------------|-------------------------|
| <b>CAPACITY</b>      | <b>EQUIPMENT</b>  | <b>SCHEDULE RELIABILITY</b> | <b>RATE DEVELOPMENT</b> |
| Capacity open        | No challenges     | No challenges               | Down                    |
| Normal capacity      | Medium challenges | Medium challenges           | Stable                  |
| Capacity constrained | Major challenges  | Major challenges            | Up                      |

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 possible.

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

[1] <https://shippingwatch.com/carriers/Container/article17167103.ecs>



On behalf of Scan Global Logistics

Mads Drejer

Global COO & CCO

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#### Headquarter

Jernholmen 49, 2650 Hvidovre  
Denmark  
Tel +45 32 48 00 00  
Fax +45 32 48 01 01

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