Advisory

A bumpy 2025 on the horizon

20 Jan, 2025 | Share

MARKET
UPDATE

As we enter 2025, the global transportation and logistics landscape is defined by a duet of known and unpredictable forces battling each other. On the one side of the 2025 equation stands a historically volatile geopolitical environment, while on the other side is a supply-and-demand situation with a projected supply surplus.

All factors for a bumpy ride are in place

A fresh ceasefire between Israel and Hamas is dominating the headlines and thereby also a potential resolution to the attacks by Houthi rebels on commercial vessels in the Red Sea. This marks an optimistic start to 2025. However, geo-political factors continue to torment the global ocean and airfreight industry. The war in Ukraine and Russia has entered its third year, and despite a new administration in the USA taking office on 20 January, promising to end the war within 24 hours, a short-term resolution has a very low probability.

While these armed conflicts unfold on the public centre stage, we have seemingly entered a decade of *hybrid warfare*. News of multiple cases of sabotage on communication cables in the North Sea has emerged, as well as sabotage on underwater gas pipelines, prompting NATO to increase its presence in the area, with this being just one example.

Add to this is the ever-looming threat of a conflict between China and Taiwan, which would have a monumental impact on East-West trades, dwarfing the impact of the Red Sea conflict.

Adding to the misery, potential trade wars remain a constant risk, partly driven by the new administration in the USA. The risk of trade wars follows the potential effect of changes in sourcing and production patterns.

Other factors predicted to impact the global supply chain in 2025 include the continued impact of climate changes, infrastructural challenges pertaining to a lack of labour, such as truck drivers and port workers, and, lastly, a threat that can keep any executive awake at night; the rapidly increasing risk of cyber-attacks, be it on private or public critical infrastructure.

On the positive side, news emerged from the US that the potential US East and Gulf Coast port strike had been averted after the ILA and USMX reached a master agreement shortly before the 15 January deadline. The sigh of relief was noticeable across the entire industry and came as somewhat of a surprise to most analysts.

Overall, the 2025 disruption barometer reads dark orange, and extensive supply chain scenario planning, ensuring multiple alternatives are in place at any given point in time, will be critical in order to mitigate the array of potential impacts.

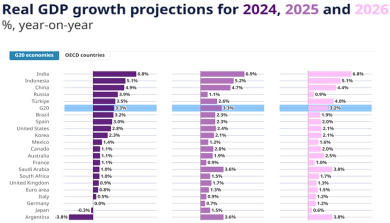
As you can read further, the current troubled geopolitical environment will not necessarily lead to increased rate levels, considering that ocean and airfreight levels remain elevated from a historical perspective. Supporting this narrative is also the fact that there, on paper, is sufficient capacity in the market due to a generally subdued financial climate limiting volume growth.

On the ocean freight side, the changing container alliance landscape is also expected to lead to some form of market share battle between the leading carriers that could eventually benefit shippers across major trade lanes.

Economic crystal ball outlook for 2025

According to the OECD, the global economy is projected to remain resilient despite significant challenges. The outlook projects a global GDP growth of 3.3 % in 2025, up from 3.2 % in 2024.

Inflation levels are expected to continue to moderate further from 5.4 % in 2024 to 3.8 % in 2025 and 3.3 % in 2026.



Graph Source: OECD

As can be seen above, growth prospects vary significantly across regions:

- GDP growth in the US is projected to be 2.8 % in 2025 before slowing to 2.4 % in 2026.
- In the euro area, the recovery in real household incomes, tight labour markets and reductions in policy

- interest rates continue to drive growth. Euro area GDP growth is projected at 1.3 % in 2025 and 1.5 % in 2026.
- Growth in Japan is projected to expand by 1.5 % in 2025 and then decline to 0.6 % in 2026.
- China is expected to have a GDP growth of 4.7 % in 2025 and before slowing to 4.4 % in 2026.

"*The global economy has proved resilient. Inflation has declined further towards central bank targets, while growth has remained stable*," said Mathias Cormann, OECD Secretary-General. "*Significant challenges remain. Geopolitical tensions pose short-term risks, public debt ratios are high and medium-term growth prospects are too weak. Policy action needs to safeguard macroeconomic stability – through monetary policy easing that is carefully calibrated to ensure inflationary pressures are durably contained and through fiscal policy that rebuilds fiscal space to preserve room to meet future spending pressures. To boost productivity and the foundations for growth, we must enhance education and skills development efforts, undo overly stringent constraints to business investment and successfully tackle the structural increase in labour shortages.*"[1]

Let's dive in

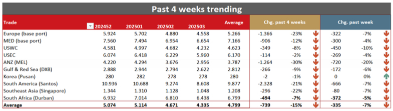
Enjoy the reading from here on out, where we will aim to provide you with our take on the general market development within the global ocean and airfreight industry.

Ocean Freight rates embark on a downward trajectory

The first three weeks of 2025 marked a significant change in rate development, especially from Asia to Europe, where rate levels have dropped around USD 1500/FFE. This development is expected to continue in the coming weeks, considering the Lunar New Year festive period, which always marks a volume slack period. On top of that, there is growing speculation on the Suez Canal passage resuming shortly, following the ceasefire between Israel and Hamas and Houthi rebels announcing attacks to stop effective from 19 January.

It is worth highlighting that rate levels remain elevated from a historical perspective, and there is no outlook that rate levels will fall off a cliff, neither prior to nor after the Lunar New Year.

The development from Asia to the US East and West Coast has been more stable, with rate levels better than on the Asia-Europe trade, although a clear downward trend is also noticeable in this trade following the averted US East and Gulf Coast port strike.



Past 4 weeks trending

Trade	202452	202501	202502	202503	Average	Chg. past 4 weeks			Chg. past week		
Europe (base port)	5.924	5.702	4.880	4.558	5.266	-1.366	-23%	↓	-322	-7%	↓
MED (base port)	7.560	7.494	6.954	6.654	7.166	-906	-12%	↓	-300	-4%	↓
USWC	4.581	4.997	4.682	4.232	4.623	-349	-8%	↓	-450	-10%	↓
USEC	6.074	6.418	6.229	5.960	6.170	-114	-2%	↓	-269	-4%	↓
ANZ (MEL)	4.220	4.294	3.676	2.956	3.787	-1.264	-30%	↓	-720	-20%	↓
Gulf & Red Sea (DXB)	2.888	2.944	2.794	2.622	2.812	-266	-9%	↓	-172	-6%	↓
Korea (Pusan)	280	282	278	278	280	-2	-1%	↓	0	0%	↑
South America (Santos)	10.936	10.688	9.274	8.608	9.877	-2.328	-21%	↓	-666	-7%	↓
Southeast Asia (Singapore)	1.344	1.310	1.128	1.048	1.208	-296	-22%	↓	-80	-7%	↓
South Africa (Durban)	6.932	7.014	6.810	6.438	6.799	**-494**	**-7%**	↓	**-372**	**-5%**	↓
Average	**5.074**	**5.114**	**4.671**	**4.335**	**4.799**	**-739**	**-15%**	↓	**-335**	**-7%**	↓

US East & Gulf Coast port strike averted

Negotiations between the International Longshoremen's Association (ILA), representing the dockworkers, and the United States Maritime Alliance (USMX) were successfully concluded on January 9, 2025, with a 6-year temporary agreement, averting the strike.

This agreement establishes a six-year Master Contract, with the parties stating, "*This agreement protects union jobs and allows ports on the East and Gulf Coasts to modernize with new technology, making them safer and more efficient, creating the capacity they need to keep our supply chains running*".[2]

This agreement, which now awaits ratification by ILA members in the coming weeks, ensures continued operations at major ports, safeguarding the stability of supply chains that handle nearly half of US imports. Under the tentative deal, dockworkers will continue operating under the current contract until the new agreement is ratified by both parties.

The new agreement includes a whopping +60 % salary increase for ILA dockworkers over the period. Container carriers are expected to pass on these increases without delay. Accordingly, our expectation is that we will see increased port handling charges in the short term, and we wish to notify you of this proactively, pending further details.

Machines Don't Feed Families: Support ILA Workers

Picture: USA Today Money

Gemini launch is around the corner

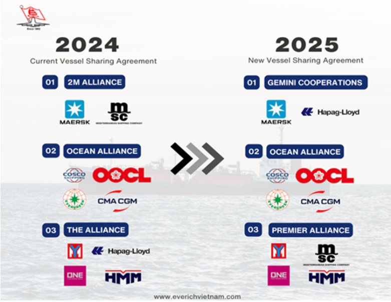
The start of 2025, or more precisely, 1 February, also marks the official launch of the Gemini operational cooperation between Hapag Lloyd and Maersk. This also means a goodbye to the longstanding 2M alliance between MSC and Maersk, launched back in 2015.

The Gemini Cooperation Hub & Spoke design is based on a significant reduction of main vessel port calls. This aims to enable faster and more reliable transit times, targeting 90% schedule reliability through the usage of shuttles connecting main and outports.

On paper, the Gemini Cooperation brings the most notable transformation. It is aiming to cut port calls between Asia and Northern Europe by 50%, effectively reducing transit times by several days.

At the same time, the world´s leading carrier, MSC, will largely operate independently and maintain a service network with a high focus on direct main port calls. MSC has entered a slot exchange program covering 9 services from Asia to Europe with the newly formed Premier Alliance, consisting of ONE, HMM, and Yang Ming.

Below, you will find an overview of the new alliance landscape. We are at your disposal to clarify potential questions on this.



Panama Canal political arm wrestling

In December 2024, President-elect Donald Trump expressed intentions to reclaim US control over the Panama Canal, citing concerns about increased fees and alleged Chinese influence. The President-elect suggested that military or economic measures might be employed to achieve this objective.

Panama's government, led by President José Raúl Mulino, firmly rejected Trump's statements. Foreign Minister Javier Martínez-Acha emphasized that only Panamanians control the canal and will continue to do so.

These developments have sparked significant diplomatic tensions. These tensions can lead to disruptions in one of the main routes within ocean freight and potentially raise additional charges, either due to re-routings or delays.

For now, this is assessed as being political arm wrestling, and there is no expectation that one of the main global trade routes will be disrupted due to this.

Houthi rebels announce halt on attacks on non-Israeli vessels effective 19 January

News ticked in Sunday evening that the Houthi rebels have announced they will halt attacks on all non-Israeli vessels in the Red Sea following the ceasefire between Israel and Hamas.

In an e-mail, amongst others shared with shippingwatch.com, a spokesperson for the Houthi rebels informs that attacks will cease effective 19 January.

Vessels fully owned by Israeli companies or sailing under Israeli flags will still be subject to Houthi sanctions and, thereby, risk of attacks until all phases of the ceasefire have been implemented.

It is further explained that if attacks are resumed between Israel and Hamas, the threat of attacks will persist.

It is too early to speculate on how the leading carriers will act. So far, it is considered that firm guarantees must be in place before carriers resume passage through the Red Sea and the Suez Canal.

Initial reactions to the ceasefire and the prospect of the Houthi´s ceasing attacks prompted the following reaction from Gemini Cooperation partners, Hapag Lloyd and Maersk: "*Shipping line partners Maersk and Hapag Lloyd suggested to Reuters that they would not be so easily coaxed back to Suez*". On Monday morning, a Maersk spokesperson commented to Shippingwatch.com, *"We are taking no chances with the safety of our colleagues on board, and for the time being, we continue to sail around the Red Sea*", while a Hapag Lloyd on Monday comments: "*We will closely analyze the latest developments and their impact on the security situation in the Red Sea. Otherwise, the following applies unchanged: we will return to the Red Sea when it is sufficiently safe to do so.*[3]

The following days will provide further insight into when actual Red Sea passage will resume; however, the latest development has moved a return to Suez Canal passage significantly closer.

The Economist estimates that the Houthis may earn as much as USD 2.1 bn a year stemming from cutting deals for safe passage through the Red Sea.[4]

In another analysis, Destine Ozuygur, Head of Forecasting & Operations at eeSea commented: "*Putting aside the question of what to do with successfully absorbed capacity and the need for reassurance that the Houthis will not attack vessels despite a freshly announced ceasefire, there is also the stark reality that carriers are on the cusp of actualizing carefully planned network overhauls for 2025´s new alliances*".

"*Restructuring the vessel schedules for the Premier Alliance and Gemini Cooperation that are slated to begin as early as 1st February would be a massive undertaking that requires full confidence in political reparations, along with a willingness to shoulder a short-term loss in capital gains*".

According to recent Drewry estimates, a business-as-usual scenario in the Red Sea and Suez Canal would see container shipping capacity increase by around 25 % overall.

Ms. Ozuygur added that, given recently reported ad hoc transits, CMA CGM, Cosco, and OOCL were the most likely carriers to first return to Suez transits.

"*While we cannot definitively say which will be the first to formally dip its toes back in this water, the relatively generous timing for Ocean Alliance´s new Day 9 network roll-out in April and previous tests from CMA CGM, OOCL and Cosco on their partnered non-alliance services, suggest we could see an early appearance on these schedules first*," she writes.[5]

From a schedule and network rotation perspective, our projection is that it will take at least 4-6 weeks to return to a full normal schedule rotation. Accordingly, schedule reliability will also be impacted when carriers decide to return to the Red Sea.

We will monitor the situation and keep you updated as the situation develops.

Chancay port opens as China´s gateway to South America

In November, China expanded its presence in the Latin America region by inaugurating the Chancay mega-port in Peru. Developed by Cosco Shipping Ports, the port will become the largest deepwater port on the Western coast of South America. It will be capable of docking container vessels that cannot go anywhere else in South America, thereby significantly reducing transit times from China. The new port, described by Peru´s Transport Minister as the "Singapore of Latin America", is projected to handle one million containers annually, with future investments planned to further increase capacity.[6]

New trading patterns combined with the new alliances between carriers, activity at ports could undergo significant changes.

The bumpy air ride continues

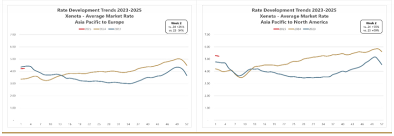
As we enter 2025, continued volatility within the airfreight industry is likely to persist.

In 2024, the air cargo sector demonstrated resilience amidst an array of disrupting factors, achieving an unexpected double-digit demand growth of 18 %. While double-digit growth is not in the cards for 2025, the expectation remains that demand will be healthy, sustaining elevated freight rate levels.

Airfreight demand is also sustained by the prolonged Red Sea crisis. However, with recent news emerging, of a halt on attacks in the Red Sea, this can have an impact on airfreight demand. Many retailers have opted to prioritise airfreight for certain product categories to meet consumer demand amidst prolonged ocean transit times.

E-commerce volumes continue to take up a significant portion of available capacity outside China and Asia. The latest emergence of "social commerce", with TikTok and Instagram venturing into commerce, will further accelerate this development. Consumers are increasingly abandoning physical stores in favour of shopping from the couch at home, driving retailers to focus on the flagship store concept only.

As we exit the peak season period, a modest decrease in rate levels is overall apparent, as can be seen in the index overview provided by Xeneta below.



According to Xeneta, the world economy in 2025 will be like the past year, with flattish GDP growth and easing inflation supporting increased consumer spending and, with it, demand. Helping the industry big time is e-commerce powering ahead and looking likely to do so for the coming few years, at 14 % growth annually, said Neil Van der Wouw, citing American Bureau of Commerce and unnamed consultancies projections. "*There is still a lot of growth*," he said. [7]

Capacity outlook in the coming time

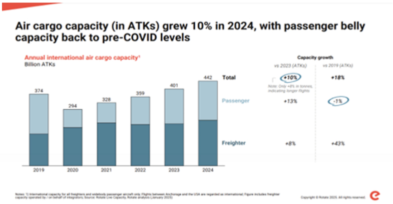
With the Lunar New Year period kicking in and many factories in China being closed in the period from 15 January to 5 February 2025, we do not foresee any major capacity constraints for volumes ex-China in the coming weeks, albeit it is likely to change quickly once factories re-open.

Despite the traditional December peak season easing up, capacity constraints are though apparent on China/Taiwan-US routes due to the high demand for semiconductors and AI components.

According to IATA, air cargo volumes are predicted to increase by 5.8 % in 2025, reaching 72.5 million tonnes year on year. This increase, as highlighted, is driven predominantly by e-commerce volumes.[8]

As is the case for ocean freight, trade and tariff wars can potentially impact trading patterns, especially for North American trade lanes. On the other hand, the new US administration is considered "business-friendly," which can further fuel airfreight growth.

One interesting metric to take note of is the fact that the bellyhold (passenger) capacity level is now back to pre-COVID-19 level following a 10% increase in 2024. With pure freighter cargo capacity above pre-COVID-19 levels, we can now conclude that a full recovery has been made from a supply perspective.



Graph:Rotate

Overall, the coming weeks are expected to be calmer than seen in a long time. The overall consensus remains that 2025 could spell yet another turbulent year for the airfreight industry.

EU mandatory Sustainable Aviation Fuel blending quota

As part of the global drive toward sustainable transportation, the European Union (EU) has implemented a mandatory 2% Sustainable Aviation Fuel (SAF) blending quota for all flights departing from EU countries and the UK starting January 1, 2025.

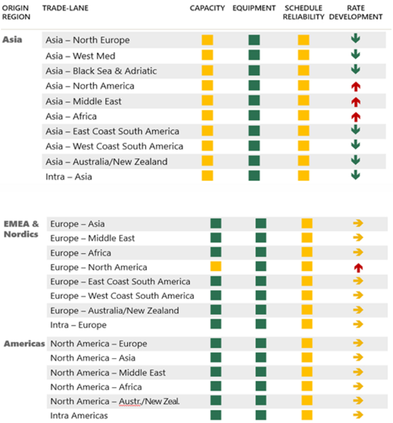
This initiative marks a significant step in the EU's commitment to achieving net-zero emissions by 2050 under the ReFuelEU Aviation initiative.

While the mandate begins at 2% in 2025, it will progressively rise to:

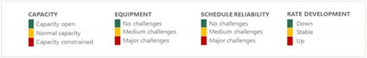
- 6% by 2030
- 20% by 2035
- 70% by 2050

Similar initiatives are expected by other countries outside in the years to come, with India, Singapore, and Japan having indicated similar measures effective 2026 and onwards.

TRADE-LANE OVERVIEW OF OCEAN FREIGHT

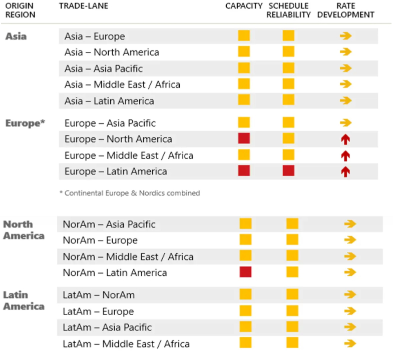


ORIGIN REGION	TRADE-LANE	CAPACITY	EQUIPMENT	SCHEDULE RELIABILITY	RATE DEVELOPMENT
Asia	Asia – North Europe	🟨	🟩	🟨	⬇
	Asia – West Med	🟨	🟩	🟨	⬇
	Asia – Black Sea & Adriatic	🟨	🟩	🟨	⬇
	Asia – North America	🟨	🟩	🟨	⬆
	Asia – Middle East	🟨	🟩	🟨	⬆
	Asia – Africa	🟨	🟩	🟨	⬆
	Asia – East Coast South America	🟨	🟩	🟨	⬇
	Asia – West Coast South America	🟨	🟩	🟨	⬇
	Asia – Australia/New Zealand	🟨	🟩	🟨	⬇
	Intra – Asia	🟨	🟩	🟨	⬇
EMEA & Nordics	Europe – Asia	🟩	🟩	🟨	➡
	Europe – Middle East	🟩	🟩	🟨	➡
	Europe – Africa	🟩	🟩	🟨	➡
	Europe – North America	🟨	🟩	🟨	⬆
	Europe – East Coast South America	🟩	🟩	🟨	➡
	Europe – West Coast South America	🟩	🟩	🟨	➡
	Europe – Australia/New Zealand	🟩	🟩	🟨	➡
	Intra – Europe	🟩	🟩	🟨	➡
Americas	North America – Europe	🟩	🟩	🟨	➡
	North America – Asia	🟩	🟩	🟨	➡
	North America – Middle East	🟩	🟩	🟨	➡
	North America – Africa	🟩	🟩	🟨	➡
	North America – Austr./New Zeal.	🟩	🟩	🟨	➡
	Intra Americas	🟩	🟩	🟨	➡



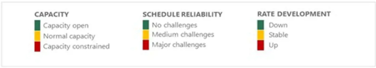
CAPACITY	EQUIPMENT	SCHEDULE RELIABILITY	RATE DEVELOPMENT
🟩 Capacity open	🟩 No challenges	🟩 No challenges	🟩 Down
🟨 Normal capacity	🟨 Medium challenges	🟨 Medium challenges	🟨 Stable
🟥 Capacity constrained	🟥 Major challenges	🟥 Major challenges	🟥 Up

TRADE LANE OVERVIEW OF AIRFREIGHT



ORIGIN REGION	TRADE-LANE	CAPACITY	SCHEDULE RELIABILITY	RATE DEVELOPMENT
Asia	Asia – Europe	🟨	🟨	➡
	Asia – North America	🟨	🟨	➡
	Asia – Asia Pacific	🟨	🟨	➡
	Asia – Middle East / Africa	🟨	🟨	➡
	Asia – Latin America	🟨	🟨	➡
Europe*	Europe – Asia Pacific	🟨	🟨	➡
	Europe – North America	🟥	🟨	⬆
	Europe – Middle East / Africa	🟨	🟨	⬆
	Europe – Latin America	🟥	🟥	⬆
North America	NorAm – Asia Pacific	🟨	🟨	➡
	NorAm – Europe	🟨	🟨	➡
	NorAm – Middle East / Africa	🟨	🟨	➡
	NorAm – Latin America	🟥	🟨	➡
Latin America	LatAm – NorAm	🟨	🟨	➡
	LatAm – Europe	🟨	🟨	➡
	LatAm – Asia Pacific	🟨	🟨	➡
	LatAm – Middle East / Africa	🟨	🟨	➡

* Continental Europe & Nordics combined



CAPACITY	SCHEDULE RELIABILITY	RATE DEVELOPMENT
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🟨 Normal capacity	🟨 Medium challenges	🟨 Stable
🟥 Capacity constrained	🟥 Major challenges	🟥 Up

[1] https://www.oecd.org/en/about/news/press-releases/2024/12/economic-outlook-global-growth-to-remain-resilient-in-2025-and-2026-despite-significant-risks.html

[2] https://www.usmx.com/assets/content/public-resources/1-8-2025_ILA-USMX_JOINT_STATEMENT_Tentative_Agreement_Reached_on_New_Master_Contract.pdf

[3] https://shippingwatch.com/carriers/Container/article17823508.ece

[4] https://www.economist.com/interactive/international/2025/01/18/inside-the-houthis-moneymaking-machine

[5] https://theloadstar.com/ceasefire-but-incentives-for-houthi-attacks-and-ship-diversions-remain/

[6] https://www.aiddata.org/blog/chancay-port-opens-as-chinas-gateway-to-south-america

[7] Turbulence ahead for airfreight - Air Cargo Week

[8] https://www.iata.org/en/pressroom/2024-releases/2024-12-10-01/

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