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NNR Ocean News

Europe Edition
Week 43 2019

Asia-Europe Capacity Cuts in Q4

November is a critical month for the ocean carriers to increase rates on the Asia-Europe trade. Depressed freight rates have dominated the market this year with vessel utilization sitting between 60 and 88 percent, following a relatively flat Q3 'Peak Season'. Capacity is set to reduce by 2.2% in the fourth quarter compared with the capacity deployed on the same trade in the third quarter. Global outlook and manufacturing remaining weak and the cost of compliance on the new Low Sulphur cap have resulted in slim profit margins for the carriers.

It is expected that carriers will seize the small window of opportunity to increase freight rate levels in the lead up to the historic buoyant period for the trade, noting an early Chinese New Year on the 25th of January 2020. It is therefore no surprise that we will see further capacity cuts on the Asia-Europe trade with the removal of 24 SAILINGS over the next 3 months.

The OCEAN Alliance (CMA Group, Cosco Group, Evergreen) will cancel 8 sailings on the Asia-North Europe routes and 6 on the Asia-Mediterranean routes in November, December and January. Together with THE ALLIANCE (Ocean Network Express, Hapag Lloyd, Yang Ming Line), there are now 10 blank sailings confirmed on the route and higher on the Asia-Med.

The 2M Alliance (Maersk and Mediterranean Shipping Co.(MSC) will not remove any further capacity but have confirmed that they will be extending the suspension of the AE2/Swan loop by two weeks, until the end of November 2019.

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