










# OCEAN FREIGHT MARKET UPDATE

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# Ocean Freight Market Outlook February 2025




### Demand Outlook

- Concerns over potential early implementation of higher US import tariffs leading to a rush in cargo to avoid these tariffs.
- Holiday lull is expected after Lunar New Year.
- December PMI® data, indicate subdued global goods inflation. Growth disparities widened by region, with the US outperforming the other major developed economies. India continued to far outpace the other major emerging markets. However, Business confidence slipped lower worldwide.




### Capacity Outlook

- Liner Capacity increase slows after record 2024 and estimated at 5% in 2025.
- Global port congestion at 3-month high (10.3%), especially in Chinese ports before Lunar New Year, potentially affecting transition to new alliances network and causing blanked sailings.
- Liner sector fully employed with only 0.2% (30 vessels) currently idle.
- 16k TEU ships are set to become the mainstay as carriers move away from ULCS.



### Freight Rates

- SCFI has dropped by 17% since the start of the year, following the averted port strike on the US East Coast.
- Continued rate volatility expected from service disruptions from Alliance reshuffling and developments in the Red Sea.
- Blank sailings Far East westbound of 30% expected.



### Regulations/News

- As of Jan 1<sup>st</sup>, 2025, EU ETS increased its coverage of maritime emissions from 40% to 70%, leading to a significant rise in the ETS surcharge.
- ICS2 Release 3, European Union's electronic security screening system, to go live for the ocean, road, & rail on 1 April '25
- The USTR warned of possible actions against Chinese ships over concerns of unfair dominance in shipbuilding. Chinese-built ships account for 17% of U.S.-bound vessels

Source: DHL, Accenture Cargo, S&P Market Intelligence, Drewry, Linerlytica

## ICS2 Release 3 to become operational on 1 April 2025

ICS stands for 'Import Control System'. This is the **electronic security screening system** for goods **destined to, or in transit through, the European Union<sup>1</sup> (EU), Switzerland, Norway and Northern Ireland** (e.g. a shipment from a non-EU country, transiting EU/NO/CH, and then moving to another non-EU country).

The EU regulations on ICS are intended to **ensure security and safety of all people** living in the European Union (EU), Switzerland, Norway and Northern Ireland, and **elevate the mitigation of security related risks & possible terrorist threats**, such as explosives hidden in consignments.

ICS2 is the **enhanced EU security screening system with improved data-driven customs security processes** for goods destined to (or transiting via) the European Union, Switzerland, Norway and Northern Ireland.

The Import Control System 2 (ICS2) **will be operational in three releases**. Each release affects different Economic Operators (EOs) and modes of transport<sup>2</sup>.

**Release 1** – 15 March 2021 – Air Express Pre-Loading / Postal Air Pre-Loading

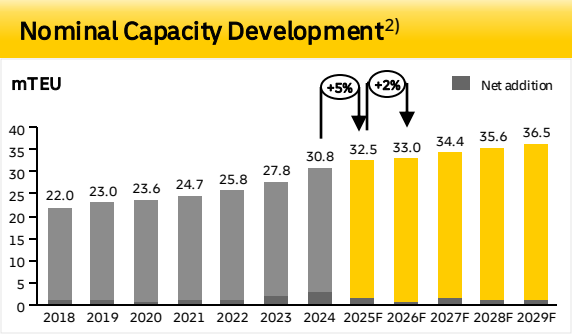
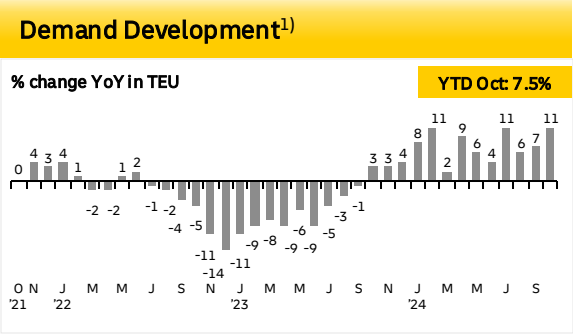
**Release 2** – 01 March 2023 – Air General Cargo / Air Express Full / Postal by Air Full

**Release 3** – 01 April 2025 – Maritime / Road / Rail

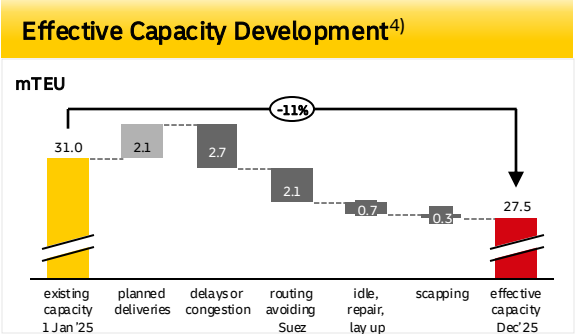
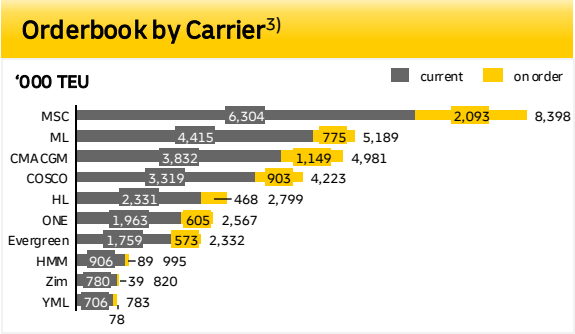
The most significant change applicable with ICS2 - Release 2, was that **pre-arrival security filing messages must be submitted to European Country Customs Authorities in a much more granular level in form of a complete Entry Summary Declaration (ENS)** e.g. without a detailed goods description per commodity (on line item level), and the respective Harmonized System (HS) code, the shipment security filing cannot be submitted on time.

<sup>1</sup> European Union (EU) countries: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden. It should be noted that Northern Ireland is considered an entry point to the European Union, therefore shipments to (or transiting via) Northern Ireland are also impacted, as well as shipments destined to (or transiting via) other EU territories (e.g. French Guyana, etc.).<sup>2</sup> European Commission Taxation and Customs Union website: [Import Control System 2 \(ICS2\) \(europa.eu\)](https://ec.europa.eu/taxation_customs/ics2/)

# Market Developments



Source: 1) Accenture Cargo; 2) Drewry, net addition = delivery minus scrapping; 3) Alphaliner; 4) Alphaliner, Linerlytica



Strong demand continues up to Oct'24 with 7.5% YTD growth. December PMI® data indicate solid growth, with the US outperforming other developed economies and India leading among emerging markets.

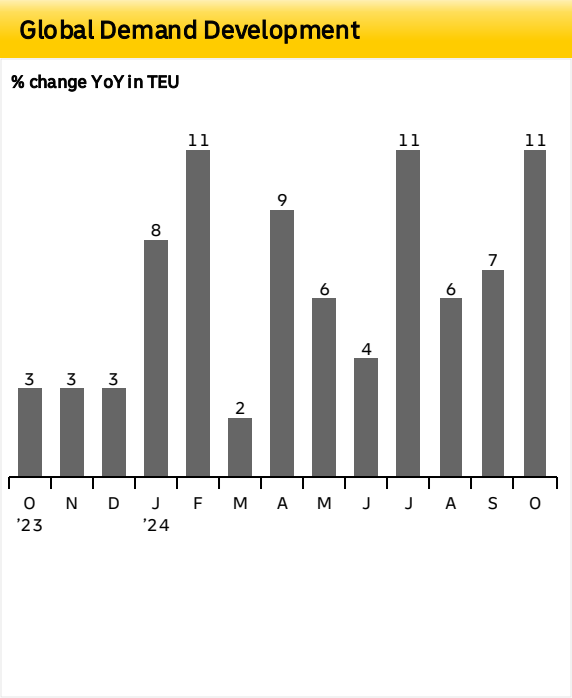


Liner capacity growth projected to slow to 5% (1.5 mTEU) in 2025, with the top ten carriers holding 2.6 mTEU of vessels over 20 years old. Scrapping expected to rise as new deliveries arrive.

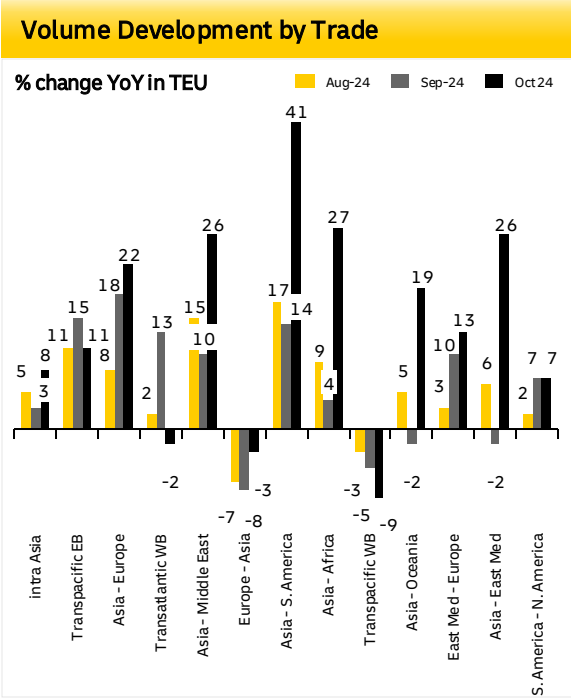


An additional 2 million TEU of vessel capacity is expected to return to the market when Red Sea diversions end, which may increase available capacity significantly.

# Demand

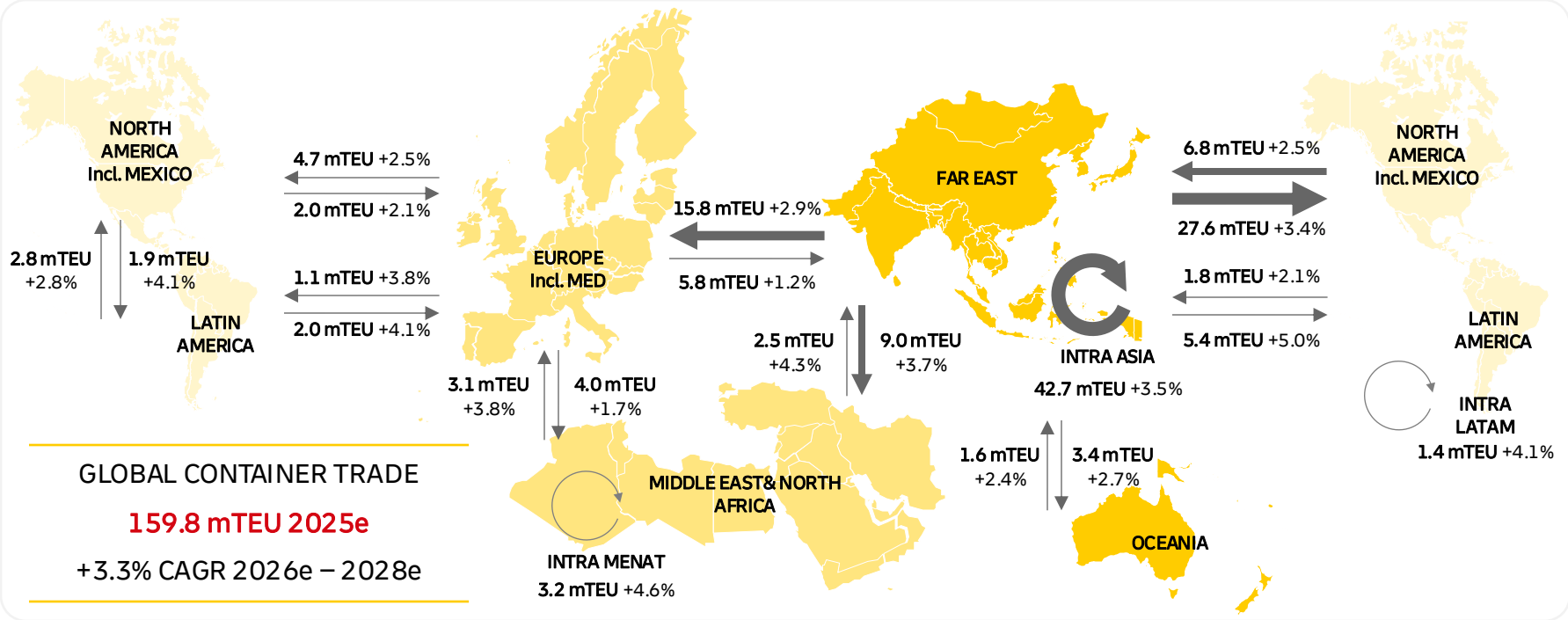


Source: Accenture Cargo, DHL



-  AMNO demand strong while EU exports subdued.
-  China's exports exceed forecasts ahead of trade tariffs despite export tax rebate cuts.
-  Demand remains healthy in January driven by early Lunar New Year but expected to soften afterwards in February.
-  Business confidence declined globally, ending 2024 at a low point due to concerns over economic growth, particularly in the UK.

# Demand Development 2025 – 2028



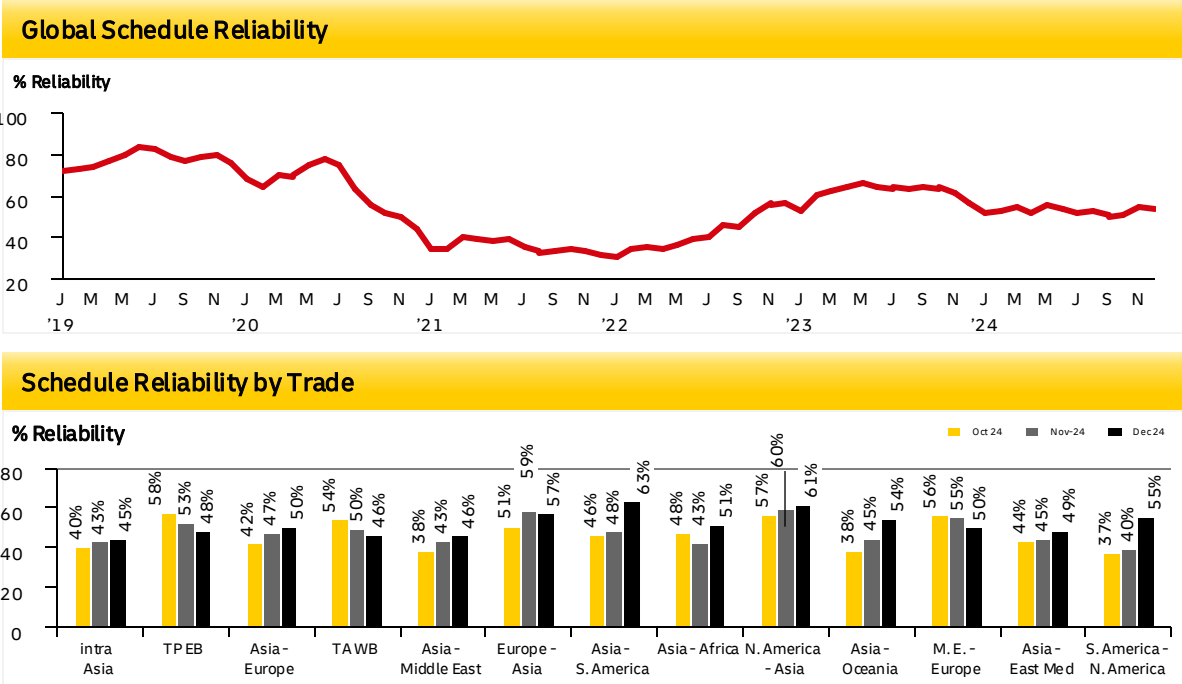
Source: Accenture Cargo Dec24 up date



8



# Schedule Reliability



Source: Sea-Intelligence, Linerlytica; intra Asia = Asia – IBPC, TP EB = Asia-NAWC, Asia-Europe = Asia-N. Europe, Asia-S. America = Asia-WCSA, N. America-Asia = Transpacific WB, Asia-East Med = Asia-Med

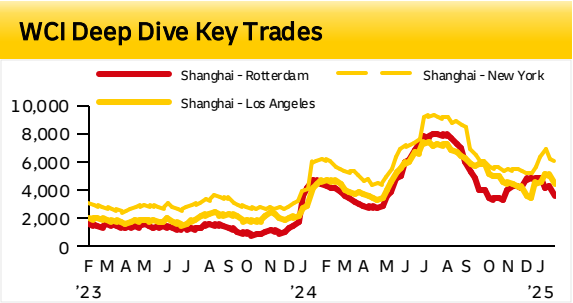
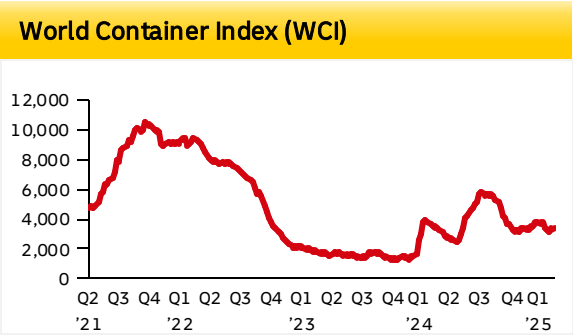
Throughout 2024, schedule reliability has largely remained within the 50%-55% range.

Global congestion has reached a three-month high, particularly at Chinese ports before the Lunar New Year, amid concerns over new US import tariffs.

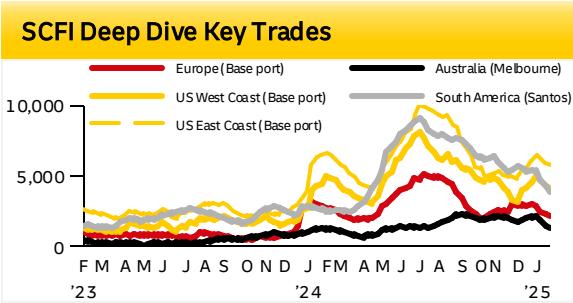
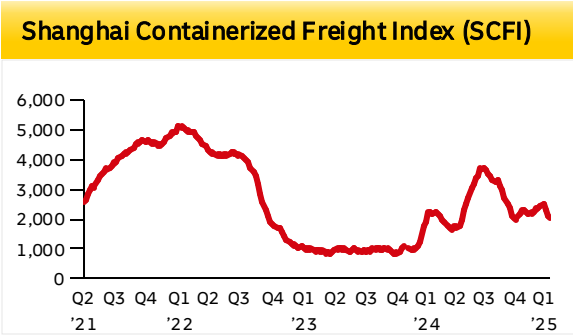
Global port congestion currently ties up 10.5% of global fleet (3.3 mTEU).




Normalization not expected soon with Alliance shakeup in February.

# Rates



Note: Surcharges related to e.g., equipment & space availability are not reflected in WCI & SCFI; Source: Drewry, in USD/40ft container, including BAF & THC both ends, 8 individual routes, excluding intra-Asia routes; Shanghai Shipping Exchange, in USD/20ft ctnr & USD/40ft ctnr for US routes, including BAF, EBAF, CAF, PSS, WRS, PCS & SCS/SCF/PTF/PCC, excl. THC, 13 routes from Shanghai



-  Rates dropping across all trades. The SCFI has decreased by 17% and the WCI by 12% since the start of the year.
-  Despite strong volumes and capacity utilization leading up to the Chinese New Year, freight rates have continued to decline.
-  Continued rate volatility expected from service disruptions from Alliance reshuffling and developments in the Red Sea.

# BACKUP

# Regional Market Development – Additional Trades

R Demand > Capacity   A Demand, Capacity balanced   G Demand < Capacity

Market Development on Additional Regional Tradelanes															
		May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Forecast	Feb	Mar	Apr	
Europe	→ East MED	A	R	A	A	A	G	G	G	G		G	G	G	G
	→ Africa	A	A	A	A	A	A	A	A	R		R	R	R	R
	→ S. America	A	A	A	A	A	A	A	A	R		R	R	R	R
	→ Middle East	A	G	G	G	R	R	R	R	G		G	G	G	G
	→ Europe	G	A	A	A	A	A	A	A	G		G	G	G	G
Middle East	→ Asia	G	G	G	G	G	A	A	G	A		G	G	G	G
	→ Middle East	G	G	G	G	G	A	A	G	G		G	G	G	G
N. America	→ S. America	G	G	G	G	G	G	G	A	R		A	A	A	A
	→ Europe	G	G	G	G	G	G	G	R	G		R	R	R	R
	→ N. America	G	G	G	G	G	G	G	A	A		A	A	A	A
Oceania	→ Asia	G	G	G	G	G	G	A	A	A		G	G	G	G
S. America	→ Europe	G	A	G	G	G	G	A	A	A		G	G	G	A
	→ Asia	A	A	A	G	A	A	A	R	A		A	A	A	A

Source: DHL

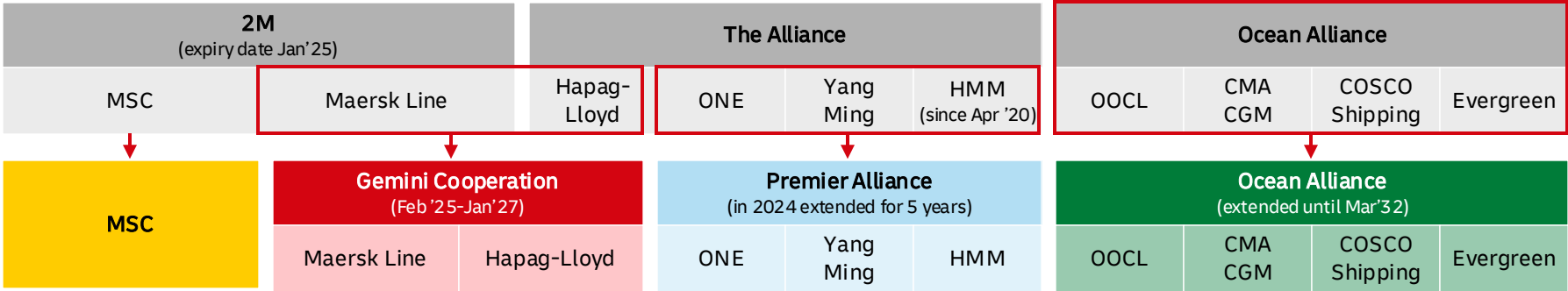
# GDP Growth & Bunker Prices

GDP Growth by Region <sup>1)</sup>						
	2024F	2025F	2026F	2027F	2028F	CAGR (2025–28)
AMER	2.3%	1.8%	1.9%	2.0%	2.1%	2.0%
ASPA	4.2%	4.1%	4.0%	4.0%	4.0%	4.0%
EURO	1.3%	1.8%	1.8%	1.8%	1.7%	1.8%
MEA	2.4%	3.4%	3.9%	3.8%	3.7%	3.8%
DGF World	2.7%	2.7%	2.7%	2.8%	2.8%	2.7%



1) Real GDP, Copyright © IHS Markit, now part of S&P Global, Q4 2024 Update 5 Dec '24. All rights reserved; 2) Source: Bunkerindex, in US \$

# Carrier Alliances Reshuffling



- **2M** will split in January 2025
- The **Gemini Cooperation** between Maersk and Hapag-Lloyd will begin in February 2025
- The **OCEAN Alliance** extended their collaboration until March 2032
- After Hapag-Lloyd's departure, THE Alliance members HMM, ONE, and Yang Ming will form the **Premier Alliance** from February 2025
- **MSC** will operate its East-West network independently and offer additional services by entering VSAs or taking slots on vessels of other operators
- Gemini adopts a 'hub and spoke' network, while other alliances will continue to serve smaller ports directly

Source: Carriers, Linerlytica, Alphaliner

# Acronyms and Explanations – Ocean Freight glossary

AMLA	-	Latin America	MX	-	Mexico
AMNO	-	North America	OOCL	-	Orient Overseas Container Line
ASPA	-	AsiaPacific	PCC	-	Panama Canal Surcharge
BAF	-	Bunker Adjustment Factor	PCS	-	Port Congestion Surcharge
CAF	-	Currency Adjustment Factor	PMI	-	Purchase Manager Index compiled by S&P Global
CAGR	-	Compound Annual Growth Rate	Ppt	-	Percentage points
East MED	-	Eastern Mediterranean	PSS	-	Peak Season Surcharge
EB	-	Eastbound	PTF	-	Panama Transit Surcharge
EBAF	-	Emergency Bunker Adjustment Factor	QoQ	-	Quarter on quarter
ETS	-	European Union Emission Trading System	SCF	-	Suez Canal Fee
EURO	-	Europe	SCS	-	Suez Canal Surcharge
GDP	-	Gross Domestic Product	SPAC	-	South Pacific Australia
GRI	-	General Rate Increase	SSA	-	Sub-Saharan Africa
HL	-	Hapag-Lloyd	T	-	Thousands
HMM	-	Hyundai	TEU	-	Twenty-foot equivalent unit (20' container)
IBPC	-	Indian Sub-continent	THC	-	Terminal Handling Charge
IFO	-	intermediate fuel oil	VLSFO	-	Very Low-Sulphur Fuel Oil
M.E.	-	Middle East	TP	-	Transpacific
MEA	-	Middle East and Africa = MENAT + SSA	WB	-	Westbound
MENAT	-	Middle East and North Africa	WRS	-	War Risk Surcharge
ML	-	Maersk Line	YoY	-	Year-on-Year
mn	-	Millions	YTD	-	Year-to-Date
MoM	-	Month-on-Month			