

## Asia-Europe box recovery takes industry by surprise

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- by [Janet Porter](#)

Volumes back at 2008 levels and carriers are bullish over prospects for summer months

VETERANS of the container shipping industry are confessing total astonishment at the speed with which mainhaul routes, led by the Asia-Europe trades, are recovering from the crash of 2009.

**Nicolas Sartini**

"Everyone is amazed," one seasoned hand admitted this week. "I never expected the market to bounce back this fast, not at all.

Another six to 12 months of the sort of market conditions endured last year, "and at least one line would have folded," he said.

Instead, volumes and freight rates in the Asia-Europe trades started to recover late last year, and are now back to 2008 levels, with most carriers contacted by Lloyd's List confident that the recovery would continue at least until the fourth quarter of 2010 despite the introduction of six additional services so far this year, and with two more to come.

This extra capacity has already added around 29,000 teu a week to the trade, while CMA CGM and Maersk Line are about to bring in a new loop that will be operated with 13,000 teu ships.

In the opinion of Maersk Line's Lars Reno Jakobsen, the new services will not add as much tonnage as would seem to be the case at first glance, since many lines have been operating extra-loaders in recent weeks to meet cargo requirements.

"So the net increase is not as dramatic as it appears," he said.

"There is still a good balance between supply and demand."

CMA CGM senior vice-president Nicolas Sartini confirms that the additional capacity has been fully utilised, even though six new loops were launched during a traditionally quiet part of the year.

"We still have very strong demand and we are not always able to satisfy all of our customers, despite the additional capacity already on the water," he said. "The market is so dynamic that the extra capacity has been easily absorbed."

Based on forward bookings, carriers in the Asia-Europe trades are confident of obtaining peak season surcharges.

"Summer is a done deal," said one trade director of the northern hemisphere peak months. "The ships are full now, there are extra loops coming in, and that's totally logical and rational. There needs to be growth in the market. We have not over-cooked things."

Longer-term prospects are less certain, though, with one industry executive describing prospects for the Asia-Europe trades as "poisonous", given economic uncertainties hanging over Europe.

US consumer spending is likely to hold up far better than European retail demand, the same source said.

Freight rates in the Asia-Europe trades have eased in recent weeks from the peak touched just before Chinese new year, but most liner executives say that is normal, with the second quarter usually a flatter period.

Even so, some analysts are starting to warn that too much capacity is being brought back. Ships are no longer at 100% capacity, and that is beginning to put pressure on ocean rates after they peaked at around \$4,000 per feu earlier in the year. Since then, forwarder rates have come off a few hundred dollars.

"We anticipated a little bit of softening, and a little bit is okay," says Neptune Orient Lines' chief executive Ron Widdows.

Nevertheless, he expressed some surprise that a new loop of 13,000 teu ships was being launched at this time of the year.

"If you were an observer and watching the deployment of a 13,000 teu loop in the slack period, that might concern you a little bit," he said.

But it is what happens in the final quarter of 2010 and beyond that is of even greater concern.

With interbank lending rates increasing, alarm bells are ringing about another financial crisis that could put renewed pressure on those ocean carriers that rely heavily on bank debt, should their lenders withdraw credit lines.

None of the big global carriers appears to have seen any significant downturn in cargo volumes to Greece or other European countries now entering a period of economic austerity, but lines are keeping a close watch on industrial and retail activity across Europe. Motor manufacturers and their suppliers are top of their list as government sponsored stimulus packages come to an end.

But of the immediate future, most senior executives say additional capacity is being brought back in a responsible and measured way so as to ensure peak season surcharges are successfully applied, while promising to withdraw tonnage quickly again should the market start to soften too much later in the year.

"We all have to be cautious but I don't think (the euro crisis) it is going to have any impact on this peak season," said an industry insider.

But beyond that, all lines can do is wait and see.

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