XENETA NEWS

Xeneta Sees Mixed Fortunes for Container Segment's Peak Season, as Surging US Demand is Offset by European Woes

October 3, 2017 -- **Oslo, Norway** -- Peak season is fast approaching for container carriers and Xeneta, the leading global benchmarking and market intelligence platform for containerized ocean freight, predicts it could well be a tale of two Christmases.

Xeneta, which crowd-sources real-time global shipping data from a community of over 700 leading businesses, covering more than 160,000 port-to-port pairings, has charted an eye-catching recovery for the container segment in 2017. US ports, it says, have never been busier, while in September Xeneta data revealed Chinese to Northern Europe main port long-term freight rates for 40-foot containers had jumped by a staggering 65% year-on-year.

However, the notoriously fickle sector is in flux yet again, with, as Xeneta CEO Patrik Berglund remarks, decidedly mixed fortunes on the horizon.

"We are now entering THE most important period for both the carriers and the global retailers they service," he says, noting that, traditionally, retailers earn between 25 and 40% of their annual sales in November and December. "High consumer confidence and strong job growth in the US bodes well for the industry, with shops intent on stocking up for the expected Thanksgiving-Christmas rush. The Washington DC-based National Retail Federation has forecast US container imports to grow by as much as 13% in October (year-on-year). Demand is impressively strong… but in Europe it's a different story.

“Stubbornly high unemployment, sitting at 9.1% in the Eurozone (compared to just 4.3% in the US), combined with Brexit uncertainty and the sluggish growth of several large economies are factors combining to give the lowest scores in the EU economic confidence index since 2009 (August 2017). And not surprisingly, those who are unemployed, under-employed, or afraid they soon will be one of those two things, aren’t in the mood to spend too much on discretionary retail items. That weak confidence and demand naturally hits the carriers.”

Berglund says the impacts are already being seen. Maersk, he notes, recently decreased capacity on its Asia-Europe routes by 10%, while both the Ocean Alliance and THE Alliance have each cut one of their Asia-European runs, reducing eleven weekly sailings to nine. In addition, industry reports point to the fact that carriers are reducing vessel speeds to save fuel costs, some by 10% – suggesting that margins are now so fine that every cent saved makes a difference.

These actions will, Berglund says, help maintain rates and create the appearance of a still healthy market. However, this is merely a short-term fix in the hope that broader economic factors will eventually correct the supply/demand balance. But, of course, there is no guarantee of when that will happen.

“It’s a worrying time for those servicing European ports, and the shippers who rely on predictability of service,” he states, “and the rate development paints a clear picture of that.”

With access to over 35 million contracted rates, Xeneta’s software platform can give unparalleled insight into the very latest market trends. Its data shows that, in the period mid July 2017 to end of September 2017, short-term rates for a 40-foot container on the Asia to main European ports declined from USD 1880 to USD 1633, a fall of some 10%. Contrast that with developments in the US. Here the short-term rates, across the same period, climbed from USD 1430 to USD 1611, an increase of 13%.

“The contrasting fortunes are so strong that Maersk CEO Soeren Skou recently commented that ‘Christmas will come to America, but probably not to Europe’,” notes Berglund. “However, things in this most dynamic of sectors are never quite that clear cut.

“The container segment can change overnight and all stakeholders within the industry have to follow the very latest developments to ensure they achieve the best rates for their assets, services and cargoes. Xeneta is one way of doing this, giving users the ability to benchmark accurately against the market and negotiate to deliver optimal value for their businesses.

“In an uncertain world, you need to be certain you’re making the right decisions - especially in the very busiest trading times, with the very highest of stakes.”

About Xeneta

Xeneta is the leading ocean freight rate benchmarking and market intelligence platform transforming the shipping and logistics industry. Xeneta's easy-to-use yet powerful reporting and analytics platform provides shippers and freight forwarders the software data they need to compare their shipping prices against the world's largest database of contracted rates – reporting live on market average and low/high movements. Xeneta's data comprises of over 35 million contracted rates and covers over 160,000 global trade routes optimizing companies' container rates procurement. Xeneta is a privately held company and is headquartered in Oslo, Norway. To learn more, please visit www.xeneta.com.

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