

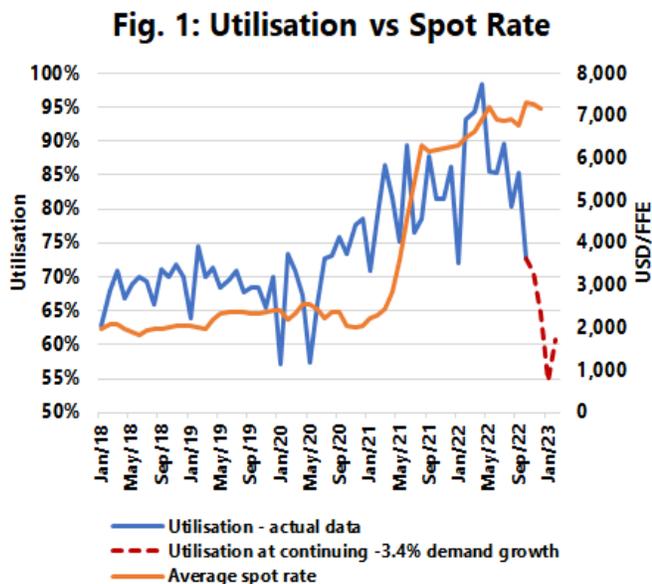
## Atlantic spot rates about to collapse

While freight rates have been dropping consistently on most trades, they have remained elevated on the Transatlantic due to capacity issues. However, this is about to change, as carriers are injecting serious amounts on capacity on the trade lane.

From North Europe, capacity growth is scheduled to begin spiking from mid-December 2022, reaching a temporary apex at the end of the month, with capacity growth at 43% Y/Y. Once we head into February, the current deployment indicates a capacity growth of 48%.

Compared to 2019 (pre-pandemic), from mid-December 2022, the operated capacity on North Europe-North America East Coast will shift from being roughly at the same level as in 2019, to being 20% higher. And as we get into mid-February 2023, this is poised to jump even further to 30%. However, this is not even the largest increase, as capacity from the Mediterranean will grow at an average of 25% over 2019 in January-February 2023.

This is at odds with demand growth (or lack thereof), as demand was down -3.4% Y/Y in Aug-Oct 2022, certainly not warranting the level of capacity injection currently planned.



If we calculate vessel utilization by matching capacity and demand on the head-haul, (with the assumption that demand continues to decline at the same -3.4% rate), and then match it against the spot rates, we get the data in figure 1. Here we can clearly see that there is a link between spot rates and vessel utilization, but what is also clear is that there is a time lag of several months. Given this time lag, and based on the current drop in utilisation, spot rates on the Transatlantic are primed to collapse in the coming months.

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