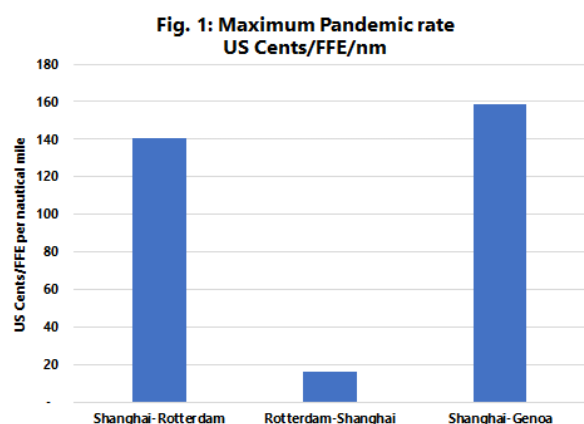


Asia-Europe spot could exceed 20,000 USD/FFE

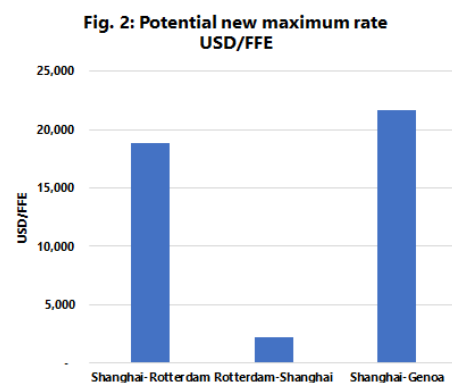
Spot rates continued to skyrocket this week and shippers are clearly getting anxious, in relation to high rates may go. But the truth is, nobody really knows. Simply put, prices will increase until sufficiently many shippers cannot afford to ship their goods. This will lower container demand, to the point where it matches the available vessel capacity. But the actual level where this happens is not known. The easiest answer to “how high can rates go?” would be to point to the maximum level seen during the pandemic. This, however, does not account for the increased round-Africa sailing distances that weren’t present during the pandemic.



To account for the longer sailing distances, we can look at the rates in relation to the distance sailed, i.e. US Cents/FFE for each nautical mile sailed. For the pandemic, this is shown in Figure 1. While Figure 1 is simply a display of historical fact, it also does is set a precedent, which is that during times of severe distress, freight rates per nautical mile can reach these very high levels.

If we extrapolate the data from Figure 1 as an indication of how high the market can indeed go based off the pandemic surge in rates, we can now apply the new (longer) sailing distances and calculate how high the spot rates per FFE could possibly go, if the current crisis persists.

The result of this calculation is shown in Figure 2. And here we arrive at the scary scenario for shippers. If the rate paid per nautical mile reaches the same level as during the pandemic, we will see spot rates of 18,900 USD/FFE from Shanghai to Rotterdam, 21,600 USD/FFE from Shanghai to Genoa, and 2,200 USD/FFE on the back-haul from Rotterdam to Shanghai. This is not to say that the rates couldn’t go any higher, this is just to say that rates per nm go as high as during the pandemic, then spot rates would go as high as shown in Figure 2.



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All quotes can be attributed to: Alan Murphy, CEO, Sea-Intelligence.

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Sea-Intelligence is a leading provider of Research & Analysis, Data Services, and Advisory Services within the global supply chain industry, with a strong focus on container shipping. Combining strong quantitative analytical skills with a deep understanding of the supply chain industry, based on many decades of experience at all central parts of the Ocean supply chain, Sea-Intelligence supports customers across all stakeholder groups.