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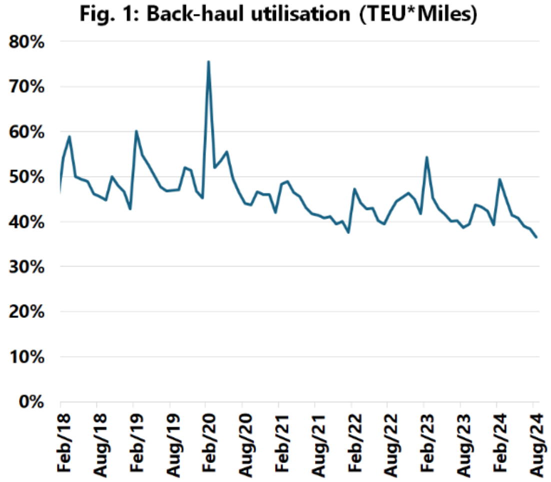
Sharply worsening trade imbalances

It is well-known that all deep-sea trades, to some degree, tend to be lopsided, with one end of the trade importing more than they are exporting. In this context, the head-haul is defined as the direction with the larger trade flow, and the return leg referred to as the back-haul.

In issue 686 of the Sea-Intelligence Sunday Spotlight, we analysed developments in trade imbalances and back-haul utilisation, in the post-pandemic period. Pre-Covid, the back-haul vessel utilisation was hovering around the 50% mark but has been declining since then and dropped below 40% in August 2024 for the first time. The way we have calculated back-haul utilisation, is by assuming all head-haul vessels to be 100% full, which means that the volume of back-haul cargo, as a ratio to the head-haul cargo, becomes equal to the back-haul utilisation.

Fig. 1: Back-haul utilisation (TEU*Miles)



If we also factor in the distance travelled by the container vessels, measured as TEU*Miles, we see back-haul utilisation drop below 40% for three consecutive months, with a record-low number of 36.6% in August 2024. This is shown in Figure 1.

It is therefore very clear that the trade imbalances, from a global perspective, have worsened sharply since before the pandemic. This is especially true for the five largest deep-sea trades in terms of volumes shipped, which have all seen a significant worsening in trade imbalance, compared to the situation pre-pandemic.

This means that either the head-haul trades will increasingly have to “pay” more for the repositioning of empty containers, as there are fewer back-haul containers “paying their own way”, or back-haul shippers will have to pay higher freight rates, as there are fewer paying back-haul containers, as a share of the vessel space. Whether a carrier will try to push this added cost imbalance onto the head-haul or the back-haul, will depend entirely on their strategy for serving either market.

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