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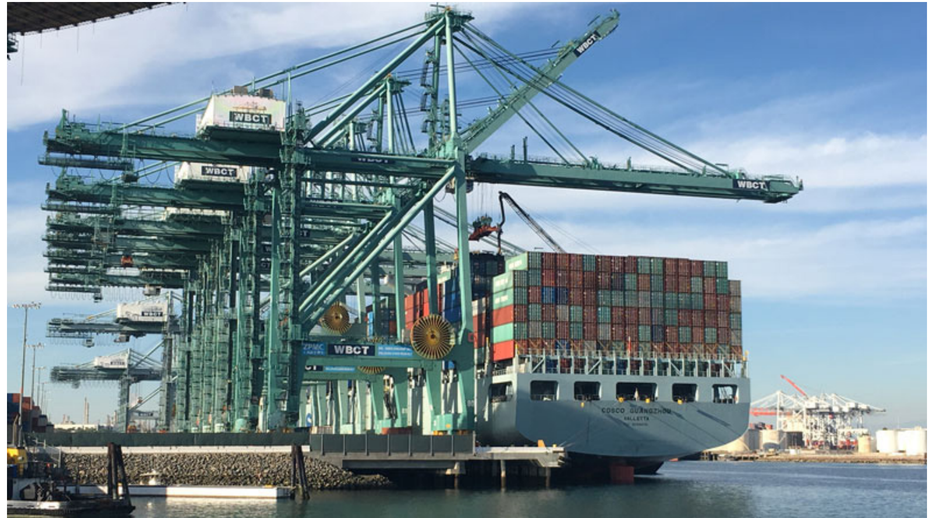
Container market recovery extends through November



CONTAINER VOLUMES ON the principal deepsea trades continued their ascent in November, as the market recovery gained further strength through the fourth quarter of 2020.

The latest figures published by Container Trades Statistics show that global volumes carried that month were recorded at 15.2m teu, a rise of 8% on November 2019 to prolong the trend of rising box numbers way beyond the sector's traditional peak season.

Despite a slight drop on October traffic, the marked rise in figures brought the global year-to-date total up to 152.9m teu, which is down just 1.7% on volumes reported through the first 11 months of 2019, according to CTS.

This too marks a significant turnaround from earlier in 2020, when analysts and container lines themselves were forecasting a substantial drop in full-year volumes owing to the coronavirus backdrop.

Initial estimates were for a fall of double-digit percentage propositions or of high single digits at the very least.

Volumes on the transpacific have led the charge. The latest data shows headhaul volumes edging up to 2.03m teu in November, a rise of 38% on the corresponding month of 2019.

"The strong second-half rally brings the year-to date total to 18.2m teu, which is 6.4% up on last year," said CTS.

Despite healthy numbers, too, on the Far East-Europe and intra-Asia trades in the second half of the 2020, shipping association BIMCO noted how volumes on either trade remained in negative territory

on an accumulated full-year basis, down by 5.3% and 1.3% respectively.

"BIMCO now expects global container volumes to have fallen by less than 1.5% in 2020 , which is far better than what we anticipated when the pandemic raged in the second quarter, although even this figure hides how profitable a year it has in fact been for container line companies," said BIMCO chief shipping analyst Peter Sand.

"Strong capacity management when volumes fell allowed them to minimise their loses, and they have since been able to cash in on low bunker prices and record high spot freight rates on many trades as volumes have improved."

Taking the latest monthly increase into account, global volumes through July-November last year tracked 4.3% above 2019 levels such has been the rebound since the coronavirus-induced slump. Volumes in the first half of 2020 were down by 5m teu, or 7.3%, such was the knock-on effect of the virus on box numbers. With reports of unwavering demand in December, supported by yet new spot rate highs most notably on the Asia-Europe and transpacific routings, this strong sentiment is expected to have continued throughout the second half of 2020.

In November, CTS also cited "notable developments" in its Global Price Index, measuring the change in the weighted monthly average teu freight rate on 2008 levels, which tends to be less volatile as it covers both spot and contract rates.

With the Global Price Index rising to 81 points in November, a rise of 15 points on its year ago level, this too represents its highest level since February 2015.

"A change of this magnitude at the global level bears witness to the huge pressures on supply chains as carriers do everything they can to meet not only record volumes but also demand for empty containers," said CTS.

"Equipment has been in short supply on key trade back-haul routes that, even in normal circumstances, are imbalanced."

On the headhaul transpacific trade, the CTS Price Index moved up 10 points to 119, however, high price indices on other routes reflect how the trend is spreading.

This includes both the Far East to Indian Sub-Continent & Middle East and Far East to Australasia & Oceania trades, which reported among the highest month-on-month rises, rising by 18 points to 110 and 106 points, respectively, according to CTS.

"Along with volumes, both trades' indices have been veering upwards over the past couple of months, but November takes them to highs not seen since June 2012 in the case of the former, and not seen at all in the case of the latter, at least since we began reporting indices in January 2009," added CTS.

Mr Sand said that, looking ahead, there will be a strong focus on the repositioning of empties to even out the imbalanced caused by the "stop-and-go demand of 2020".

"Focus will now turn towards the Chinese New Year, which is set to be different to any other in terms of both celebrations and exports."

Container lines set to blank fewer sailings

AS STRONG ocean freight demand continues on the major trades, container lines look set to blank far fewer sailings around Chinese New Year than in previous years.

Less than six weeks are left before the usual annual shutdown of China's manufacturing capacity and the normally associated slowdown of the ocean logistics systems that support it.

In a "normal" year carriers would announce significant numbers of blank sailings in connection with the lunar new year, in order to balance supply to the lower container shipping demand, due to factories closing over the lunar new year holiday, said container shipping analysts Sea-Intelligence.

"However, 2020 has been far from normal, and there does not seem to be any consensus forecast on the production impact of CNY in 2021," said chief executive Alan Murphy. "With these uncertainties, carriers are likely having a difficult time planning their capacity management for 2021, but with under six weeks left, the clock is ticking."

Carriers had announced just five blank sailings on the transpacific trade as of January 1, with seven on the Asia-Europe trade in the three-week Chinese New Year period (weeks seven to nine).

"This is against 88 combined blank sailings in 2020 — 73 if we discount the ones that were announced due to coronavirus — and 67 in 2019," Mr Murphy

said. "For 2021, this translates to a scheduled capacity reduction of 2%-4% on transpacific and 6%-13% on Asia-Europe."

Analysis of the scheduled capacity deployment for the Asia-North America west coast trade four weeks before Chinese New Year to three weeks after for 2021, and compared with the same weeks in 2016-2020, indicates that ``reductions are hardly visible for 2021".

As the 2020 blank sailings period was heavily affected by the subsequent blank sailings due to coronavirus, in order to provide a more reasonable comparison with 2021 and previous years, Sea-Intelligence has conducted a comparison that only includes the 2020 blank sailings that were announced four weeks prior to Chinese New Year in 2020, so as not to include the coronavirus blanks.

"At present, 2021 CNY blank sailings are far below previous years, and if the relative capacity reductions of previous years should be reached, carriers would need to blank 37-41 sailings on Asia-NAWC, and 12-15 sailing on Asia-North America east coast," Mr Murphy said.

"On Asia-northern Europe, an additional 14-17 sailings would have to be blanked to reach previous relative levels, while on Asia-Mediterranean, an additional four-six sailings would have to be blanked."

He said it is not possible to predict the optimal level of blank sailings, but that it was clear that carriers are scheduled to blank far less than in previous years.

If they are to reach the level of previous years ``a raft of blank sailings would have to be announced very soon," he said.

A separate analysis of pricing and demand noted that 2020 ended with ocean freight rate increases on Asia-US lanes.

It suggests that the continued surge in demand — including added Chinese New Year pressure — would be enough "to push up transpacific rates that had plateaued following mid-September pressure from Chinese regulators. But carriers walked back those increases to start the new year, as prices dropped to their previous plateaus," the research by freight rates and digitalisation specialist Freightos showed.

Nevertheless, while rates from Shanghai to the US dropped back slightly in the first week of January, average prices to the US west coast remain above $4,000 per feu, and above $4,700 to east coast ports, according to the Shanghai Containerised Freight Index.

Meanwhile, transpacific backhaul rates for US exporters jumped 36% for the west coast to $703 per feu, and 25% to $769 per feu from the east coast, as carriers try to balance export demands with pressure to move empty containers, Freightos noted.

And these same market forces kept pushing rates up from Asia to northern Europe and the Mediterranean, where prices increased by about 30% on both lanes this week, Freightos highlighted, adding: "Rates on both lanes are now at the incredible $7,000 per feu level before surcharges, having tripled since the end of October, and also tripled year over year."

With no detectable let-up in demand, observers are now predicting congestion, delays, equipment shortages and high rates to possibly persist even past Chinese New Year and into the second quarter of 2021, Freightos added.

"But there may also be a couple bright spots for shippers," said Freightos chief marketing officer Eytan Buchman. "Carriers have announced far fewer than normal blanked sailings around the [annual] lull, which may indicate they will use that time to help relieve the empty container imbalance."

WHAT TO WATCH

Crew-change restrictions tightened to combat mutant coronavirus

SEVERAL countries across the world have tightened restrictions for ships entering their ports to curb the spread of a new, highly contagious variant of coronavirus.

According to shipping agency GAC, countries tightening their restrictions include the Philippines, Japan, South Korea, France, Singapore, Russia, Indonesia and Mauritius.

The Philippines Port Authority has temporarily suspended entry to foreign seafarers from 21 major shipping maritime nations until January 15.

Banned countries include Denmark, France, Germany, Hong Kong, Japan, Singapore, South Korea, the UK, US, Australia, Canada, Iceland, Ireland, Israel, Italy, Lebanon, the Netherlands, South Africa, Spain, Sweden and Switzerland.

The authority added that additional countries could be included in the list by order of the office of the Philippines president and the ban could also be extended.

Filipino seafarers coming from the prohibited countries are also facing similar restrictions. They will be allowed to disembark at the port of Manila if they have a negative coronavirus test and are transported by their shipping agents to designated coastguard quarantine facilities where they would have to stay for 14 days.

The quarantine is required regardless of a negative result from a PCR test.

Indonesia has also prohibited entry to foreigners and suspended the disembarkation of foreign crew in the Batam area until January 14. In Surabaya, a five-day quarantine is required for disembarked crew while awaiting their test results before flying back to their home countries.

Foreigners holding passports from the UK, Australia, Italy and Denmark are currently unable to apply for an Indonesian visa. Flights from England are prohibited from entering Indonesia.

Japan has also restricted entry to visitors of any nationality from abroad effective from December 28 last year. However, this regulation does not apply to on-signing and off-signing crew, according to GAC, but the restriction might make crew movements difficult due to flight cancellations.

However, crews who have visited the UK or South Africa in the previous 14 days will not be allowed to enter.

South Korea has mandated PCR tests for all vessels making crew changes at any country from January 15. For six countries — Bangladesh, the Philippines, Russia, Nepal, Kyrgyzstan and Uzbekistan — certification will only be valid if it is issued by South Korean government-approved facilities within 72 hours before departure, GAC said.

The port of Novorossiysk in Russia has stopped all crew movements or visits except for Russian crew or inspectors. The port has instructed ships to provide medical declarations of health and a list of the ports of call in the past 30 days. This must be accompanied with arrival and departure dates and body temperatures for all crew.

OPINION:

Breaking down the barriers to mentoring

THERE has never been such a compelling case in favour of mentoring at sea than during a global health crisis when too many seafarers have been on board ship for a year or more, *writes Richard Clayton*.

And rarely has the case been made so clearly as it was on a webinar run this week by the Nautical Institute.

Its senior vice-president André LeGoubin set out the urgency with which the industry should prioritise mentoring, while inviting a panel of senior officers to tackle the barriers erected to prevent what is often thought to be yet another onerous task for stressed seafarers.

Mentoring is so simple that its value is overlooked.

It's listening to a shipmate who needs to talk but may not have opened up. It's taking the time to make sure a piece of advice or a command is fully understood. It's asking the simple question, "Are you OK?" It's a few minutes' training to support what was taught in college.

In short, it's relationship building at an elemental level. It's the transfer of professional knowledge in an unstructured way to encourage best practice, create stronger team spirit, and build morale.

Mentoring brings few immediate rewards, although it can be said to raise levels of safety and encourage improved teamwork.

In the same way, the Nautical Institute's many years of work to raise awareness of the need for mentoring has been quietly supported by the Teekay Foundation, which is unlikely to see much of a

return in funding, although the foundation's vision and support have been exemplary.

So what is the greatest barrier to mentoring? Some believe senior officers' lack the time while others point to language and culture. Some even think social media has become a greater attraction than the opportunity to share and receive professional knowledge. None of these barriers stand up to scrutiny.

Perhaps a more realistic barrier is a shipmate's lack of confidence.

One question asked whether mentoring can only be done by competent people, and the answer is that everyone with knowledge to share or time to listen can be a mentor.

"Sometimes you don't see the benefits at all," concluded Capt LeGoubin. However, he accepted that an awful lot of good can be achieved if mentors offer a listening ear and carry a packet of biscuits.

"For 2021," he said, "I'd like the most asked question to be, 'Are you OK?'"

ANALYSIS:

Pandemic acts as a boon for Hong Lam Marine's fleet renewal plans

HONG Lam Marine's executive chairman Lim Teck Cheng does not view the coronavirus pandemic as a bane so far for his Singapore-based bunker craft business.

The founder of the decades-old bunker business sees the pandemic-triggered market dynamics as inadvertently supporting the company's fleet renewal exercise that is currently under way.

Monthly marine fuel sales in Singapore, the world's top bunkering hub, have risen year on year most of last year, save for dips seen in May and June.

Traders suggested the lower than expected prices for compliant fuel with 0.5% sulphur, or very low sulphur fuel oil, were encouraging shipping lines to lift more bunkers during each vessel call at Singapore.

Singapore's VLSFO prices saw a brief spike last January to $700 per tonne but fell sharply days after.

Bunker craft supply in Singapore, on the other hand, remained mostly tight through the first three months, causing volatility in a key fleet availability indicator.

The delivery premium for VLSFO traded in Singapore spiked to over $70 per tonne last January and hovered above $50 per tonnes for weeks more thereafter before softening to range between $25 and $50 towards the latter half of the first quarter, Argus Media assessments showed.

Data from the agency also reflected a second spike in Singapore's VLSFO delivery premium in May, which came after top-ranked oil and marine fuel trader, Hin Leong turned insolvent.

"Hin Leong's insolvency also took seven to eight large bunker tankers out of the working fleet at one juncture," Mr Lim noted.

But other industry players soon stepped in to fill the gap — bunker craft utilisation in Singapore rose as average cargo turns for each available tanker ramped up.

Amid such rapidly changing market forces, Hong Lam has pressed forward with its committed fleet renewal exercise.

Its first newbuilding 8,000 dwt bunker tanker went on a term charter with a supermajor following its delivery from the shipyard in the first quarter of 2020.

The tanker is designed to operate with 25% less crew compared with vessels of similar specifications.

The client chose to redeploy the highly automated tanker later on in the same year from Singapore to Australia, where crew wages are more expensive.

Hong Lam has invested in the construction of four other such tankers, orders which Mr Lim clarified, were placed with the yards before the coronavirus outbreak.

However, there is no denying the coronavirus backdrop has boosted the business case for Hong Lam's fleet renewal exercise.

"The outbreak bolstered interest in our new tankers as it has motivated the industry at large to reduce human contact during bunkering operations," Mr Lim said.

"The average age for our bunkering fleet will reduce to seven to eight years by July, with less than a handful above 10 years of age, when the four newbuildings enter operation.

"We would have about 20 bunker tankers in operation by then."

Hong Lam charters out most of its bunker fleet, which will number around 20 following the new additions by July.

About 90% of these tankers carry and bunker VLSFO.

Hong Lam will next review newbuilding possibilities for liquefied natural gas bunker tankers, Mr Lim said.

Singapore has announced its intention to issue more LNG bunkering licences.

The two present licence holders, FueLNG and Pavilion Energy, have each invested in one LNG bunker tanker.

FueLNG took delivery of its newbuild tanker from yard operator, Keppel Offshore & Marine, last week.

MARKETS:

Japan Club confirms 10% general increase

THE Japan Club has confirmed a 10% general increase and higher deductibles for impending renewals, citing the impact of coronavirus, two unspecified 'significantly large' claims on its own book, and the record level of major claims on the International Group pool scheme.

The move places the marine mutual at the upper end of the spectrum of 2020-21 P&I rate hikes, which runs from 5% at Shipowners, Steamship and the American Club to 7.5% at West and 10% at Standard, London, the UK Club, Swedish Club and North.

In addition, two clubs have said they will seek additional premiums via ship-by-ship pricing, with Gard aiming between 2.5%-5%. Britannia is seeking high single digits in terms of percentage points.

The Japan Club reported a deficit of ¥1.7bn ($16m) for the year ended March 31, reversing a surplus of ¥2.5bn for 2019, with brokers' reports at the time suggesting a deteriorating claims experience.

Director-general Shizuo Takahashi justified the drive to up premiums in the latest edition of the marine mutual's newsletter, which is available on its website.

The pandemic has meant severe restrictions on the movement of people and goods, which have forced seafarers to remain on board ships for long periods, threatening their physical and mental well-being, he pointed out.

"We have received a number of coronavirus-related claims, including for costs of prevention, and medical treatment for onboard infections," said Mr Takahashi.

In addition, the club offers special cover for carriers' liability to cargo interests in respect of deviations for crew changes caused by the coronavirus, without charging additional premium.

As part of the IG, the Japan Club is working with other industry groups to encourage governments to promote safe and efficient crew changes.

The situation is exacerbated by the trend of IG pool claims, which is at its highest for 25 years. Meanwhile, the club has seen two major claims, and its loss record has worsened.

"For these reasons, on the renewal for the upcoming policy year 2021, we regrettably have to ask for a 10% general increase in ocean-going vessel insurance and an increase in the standard deductible amount.

"We deeply understand the burden caused by the increase on our members already in a difficult business environment, and would appreciate their understanding and co-operation in these testing times."

IN OTHER NEWS:

Singapore gets first fully digitalised bunker trade

THE top global bunkering hub of Singapore has taken a step towards the use of blockchain technology in its bunkering sector and in the process ease some of the transparency concerns that have arisen amid the Hin Leong scandal of 2020.

The recent successful trial of a system backed by Singapore-based tech start-up BunkerChain marked the industry's first proof of concept operation of a fully digitalised marine fuel transaction.

This included the incorporation of physical transfer data from a range of devices and sensors on a bunker barge linked to the transaction and working within Singapore's flagship TradeTrust framework.

Maersk to launch new team to pursue decarbonisation goals

MAERSK is to establish a dedicated team to accelerate the company's decarbonisation efforts and ensure that the decarbonisation agenda is embedded in the business.

"Our decarbonisation efforts have matured over the past decade with increasing ambitions matching the maturity of the field and the expectations of our leading customers, and we are already frontrunners in our industry in many parameters," said chief executive Søren Skou.

"However, we want to reinforce our position. I strongly believe that we, as an industry leader and with the resources we have in APMM, have an obligation to do what we can to get to a carbon neutral fleet as fast as possible and that we must help our customers decarbonise their global supply chains end to end."

Japanese shipbuilders vow to regain competitive edge

IMABARI Shipbuilding and Japan Marine United have pledged to regain global competitive edge through a new joint venture between the major Japanese shipbuilders.

Executives said the partnership — launched on January 1 and to be known as Nihon Shipyard — will benefit from economies of scale and promote the research and development of next-generation, environment-friendly ships powered by alternative fuels.

The venture was delayed for several months by prolonged regulatory reviews overseas amid the coronavirus disruptions.

Odfjell considering green bond issue

ODFJELL, the chemical tanker owner, is considering issuing a sustainability linked-bond as it seeks to rapidly reduce its carbon footprint.

The Oslo-listed company said it would hold calls with fixed income investors beginning on January 11, which could culminate in the issuance of this four-year unsecured bond.

"Proceeds from the potential bond issue will be used for general corporate purposes, including the refinancing of existing bonds," it said in a statement.

Scorpio Bulkers to rename as Eneti

SCORPIO Bulkers, the US-listed owner that is exiting the dry bulk market in favour of the renewables sector, is to change its name.

The company, led by Emanuele Lauro, said it will become Eneti Inc, subject to approval at an extraordinary general meeting on February 3.

In August, Scorpio Bulkers said it saw opportunities in the wind turbine installation market, which was expected to have a shortfall of vessels.

US bans palm oil from Malaysia's leading producer

MALAYSIA's exports of palm oil are expected to reach an all-time high in 2020, delegates to a conference have heard.

But a recent ban imposed by the US could cut into shipments of the commodity for the coming year while also having an impact on the international supply chain for the commonly used commodity.

Malaysia's plantation industries and commodities minister Mohd Khairuddin Aman Razali this week said its palm oil and palm products exports were expected to surpass the RM70bn ($17.5bn) target in 2020.

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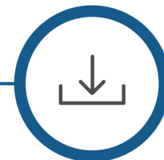

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