Freight markets

Freight markets look to stay firm in 2024 amid disruptions, longer voyages

- **Supply likely to stay tight amid trade flow disruptions**
- **Low amount of newbuilds to keep market snug**

Chemicals shipping companies and traders are expecting the liquid chemicals freight market to be stable to firm in the second half of the year amid trade flow disruptions even though movement of ships through the Panama Canal has increased, sources said in May.

"I guess [the] market stays tight, but we saw more vessels crossing Panama, which would make the market softer later," said a trader that frequently ships benzene and other chemicals from Northeast Asia to the US Gulf.

With the May-December rainy season in Panama, the Panama Canal Authority has said it would increase the number of ships allowed to pass through the canal, S&P Global Commodity Insights reported earlier. Canal transits have been restricted since November due to a severe drought.

There is congestion currently at key ports in these locations, however, this could be a short-term issue with no significant problems persisting in H2 2024, barring unforeseen circumstances such as tensions in the Red Sea, said a major Indian supplier that frequently ships to the Persian Gulf and some ports in Far East Asia.

Red Sea remains an issue

When Yemen-based Houthi militias began to attack ships passing through the Red Sea at the end of 2023, many companies started to reroute their cargoes away from the area and usually on longer voyages.

This led to longer transit times between Europe and Asia and the Middle East, as well as fewer cargoes being transported, according to a quarterly report released in May by chemicals shipping company Odfjell.

"Odfjell delivered a record result in the first quarter of 2024. This reflects the tightened market situation due to the increased ton-mile demand. We also continued to increase the rates in our COA portfolio," CEO Harald Fotland said in the report.

Odfjell did not expect the Houthi attacks to end soon and added that it was "less likely" to have a full normalization of flows through the Panama Canal in 2024, although the situation was improving.

Another chemicals shipping company Stolt-Nielsen said freight rates have risen to "record levels," in a report released in April.

"Together with a firm product tanker market, which is keeping swing tonnage out of our segment, the low order book provides a solid foundation for favorable chemical tanker markets to continue," the Stolt-Nielsen report said.

The current situation in the Red Sea is unpredictable and it's uncertain for how long the conditions will persist, a Middle East-based trader said. Even in Jubail, rates are currently higher than Red Sea with fewer ship availability. Rates are only expected to normalize once there is adequate number of ships, the source added.

The Middle East market is currently experiencing high volatility and dynamism, with frequent changes and tensions. The rapid pace of new developments makes long-term planning a challenge in the current climate, the source said.

"The contracts of affreightment have helped in dealing with market volatility as they have been more advantageous in recent months compared to spot market decisions. However, last year spot market numbers were more favorable," the trader said.

Gas, container freight

Other ships that carry petrochemicals and their feedstocks have also been affected by the global trade disruptions and would likely continue to do so.

"The very large gas carrier freight rate is expected to remain strong in the second half of 2024," said Charles Kim, senior principal research analyst at S&P Global Commodity Insights, in May.

"The US LPG production is expected to continue increasing, leading to a strong demand for US tons, with price advantage versus other supply regions," Kim said, adding that on top of the Panama Canal risk, "the strong petchem demand and winter stockpiling demand for heating will contribute to the demand for US LPG."

For polymers, container freight rates could surge in H2 2024 due to Asian port congestions and labor negotiations, according to Commodity Insights' container team.

Carriers are increasing freight rates by imposing surcharges and rate restoration charges as major container ports in Asia like Shanghai, Ningbo, Singapore, Port Klang, Colombo and Jebel Ali are currently facing congestion due to bad weather, bunching up of ships and increasing transshipment and bunker calls. In the near future, carriers will continue to reroute ships via the Cape of Good Hope, impacting transit time, container rotation, schedules and freight rates, the Commodity Insights' container team said.

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> *S&P Global Commodity Insights*

South Korea to US Gulf freight rising in H1-2024 amid trade flow disruptions