

India-to-US Shippers Scramble for Space Amid Container Capacity Crunch

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Ocean carrier network redesigns on the trade lane cut shipping capacity just as Indian exports saw strong summer growth, pushing spot rates to roughly \$11,000 per 40-foot container. AFP VIA GETTY IMAGES



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U.S. importers **sourcing from India** are heading into the fourth quarter with scarce vessel space on **India**-North America services, as strong Indian export growth collides with changes to carrier networks and rising operational pressure at some of the country's major gateways.

The squeeze is particularly evident on the U.S. East Coast trade, where **Mediterranean Shipping Company (MSC)** withdrew its Indus Express service in May and Ocean Network Express (ONE) replaced its West **India** North America service with a redesigned India North America Express loop two months later.

Freight forwarder OEC Group said Wednesday that the changes have left shippers competing for a smaller pool of vessel space, with longer booking lead times and more cargo rollovers that have contributed to higher container prices.

OEC estimates MSC's withdrawal led to a 20 percent to 25 percent reduction in market capacity, while ONE's shift cut space by an additional 2 percent to 5 percent.

"Carriers have become much more aggressive about managing supply," said Craig Lind, manager of OEC Group's Seattle branch.

"Suspending services and blanking sailings has dramatically reduced available capacity and put upward pressure on **freight rates**."

According to data from S&P Global, India-to-U.S. East Coast spot **freight rates** sat at roughly \$11,000 per 40-foot container as of Sept. 22—up a whopping 461 percent from the \$1,960 average price to transport a box on the trade lane on May 8.

DHL Global Forwarding echoed OEC's assessment, saying in its September ocean freight market update that demand on the Indian subcontinent-to-U.S. trade lane is exceeding available capacity and keeping the rates elevated. DHL also pointed to broader constraints on effective capacity from **Asian port congestion** and vessel detours.

Through September, premier carrier sailings from western India were "largely sold out," according to U.K.-based freight forwarder Metro Global's market note on Wednesday, with 40-foot equipment "especially scarce" at Jawaharlal Nehru Port (also known as Nhava Sheva Port). Additionally, container shortages have been reported at inland container depots across northern India.

There is a strong cargo backdrop as shippers scrap for space. India's merchandise exports to the U.S. jumped 21.8 percent year over year to \$8.4 billion in August, according to India's Commerce Ministry. August was also a particularly strong month for India's overall exports, which climbed 26.1 percent to \$43.8 billion.

India's major container gateways are moving substantial volumes as more merchandise floods out of the country. Nhava Sheva Port handled a record 831,956 20-foot equivalent units (TEUs) in August, up 19.5 percent from a year earlier. Mundra Port saw its throughput increase 12.9 percent to its own record of 819,046 TEUs that month, according to the gateway's operator Adani Ports and Special Economic Zone (APSEZ).

Kuehne+Nagel's latest port update, covering the week of Sept. 23-29, shows the average vessel waiting time at Mundra reaching 1.57 days over the latest seven-day period, up from one day in each of the three preceding weekly periods. The freight forwarding giant classified Mundra as heavily disrupted beginning with the week ending Sept. 22. At Nhava Sheva, meanwhile, the latest seven-day average was 1.67 days. That port had reached a 2.2-day peak in the week ending Sept. 15 before easing.

The pressure is not confined to India's gateways. Sri Lanka's Port of Colombo, a major transshipment hub for south Asian cargo, has also become a bottleneck for the India-U.S. trade. Flexport's Sept. 17 market update identified the South India-Sri Lanka-to-U.S. East Coast corridor as the most constrained route, saying carriers had cut booking intake and omitted Colombo calls as backlogs built at the port.

As regional ports handle the aftereffects of MSC's withdrawal and ONE's network restructuring on India-to-U.S. cargo, other carriers have sought to pick up the slack.

Maersk has begun deploying eight vessels of roughly 9,000 TEUs on its **MECL India-U.S. East Coast service**, sequentially replacing ships in the 6,000- to 8,000-TEU range, according to a report from the Journal of Commerce.

The first larger vessel, the 9,000 TEU-carrying Maersk San Cristobal, called Nhava Sheva on Sept. 21, with additional larger ships expected later this year. According to the JOC report, larger vessels could add roughly 1,000 to 1,500 TEUs of weekly capacity starting in November.

Maersk has acknowledged that capacity remains insufficient. In its September North America market update, the carrier said demand from India, the Middle East and Africa into North America remained strong while capacity was limited, advising customers to book at least six weeks ahead. The MECL service has also resumed Suez Canal transits, cutting transit times by eight days.

CMA CGM's India America Express (INDAMEX) route remains a weekly service with an 11-vessel fleet, calling both Nhava Sheva and Mundra before serving New York, Norfolk, Savannah and Charleston. The carrier also plans to add a direct call at Canada's Port of Halifax beginning in November.

The two carriers continue to prop up freight rates with extreme surcharges amid the regional pressures. Effective Thursday, Maersk applied a \$11,650-per-container peak season surcharge (PSS) from northwest India to U.S. East and Gulf Coast destinations. On the same day, CMA CGM implemented \$10,000 PSS for Indian Subcontinent and Bangladesh cargo moving to the U.S. East and Gulf Coasts.

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