# Diminished box demand and continued capacity expansion is leading to a decline in freight rates

In the aftermath of the Chinese New Year, Asia has witnessed a decrease in concerns regarding an empty repositioning crisis. This shift comes as a result of diminished demand and continued capacity expansion, leading to a decline in freight rates. Linerlytica, a Hong Kong-based analyst firm, observed a significant "freight rate correction," highlighting that carriers were unable to maintain their pre-Chinese New Year rate levels. The firm noted a 6.2% reduction in the SCFI over the preceding week.

Weak demand has been pinpointed as a key factor preventing carriers from implementing substantial General Rate Increases (GRIs) before the annual contract negotiations set for March 1. This scenario has contributed to a softening of global rates across major east/west trade routes. Additionally, a slight adjustment in the trade imbalance between the US and Asia was observed, with US imports from Asia dropping by 3.7% in 2023, according to Simon Heaney, a container shipping consultant at Drewry. Conversely, US exports to Asia experienced a 3.1% increase.

Heaney suggests that container trade imbalances should be analyzed across seven regions, noting a slight global imbalance increase from a ratio of 1.61 in 2022 to 1.62 last year. However, North America saw a minor improvement in its trade imbalance. Despite a 20% increase in empty repositioning since 2019, measured by TEUs, the growth in full containers has also risen globally, with an 8% increase in TEU miles.

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