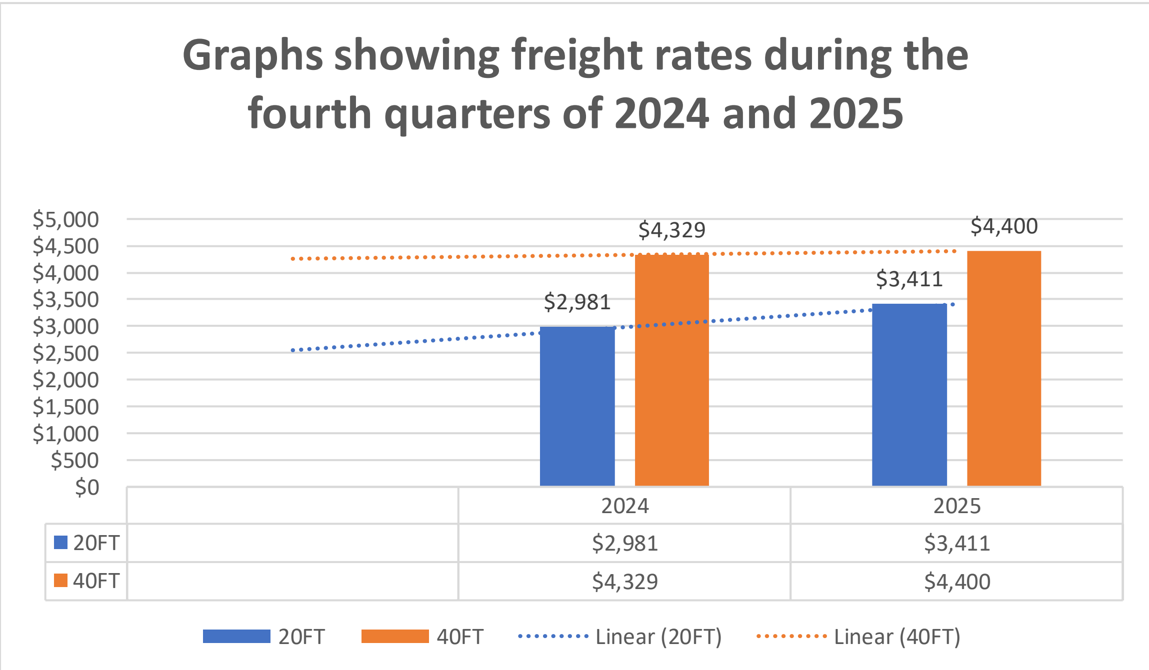
FREIGHT RATE ANALYSIS AND REPORT FOR FIRST QUARTER (JANUARY-MARCH) 2025

1.0 Introduction

According to Drewry Supply Chain Advisors Global Freight Rate Index decreased by 17% to $2,526 for a 40ft container in the first quarter, 2025. Freight rates are enormously 52% higher than pre-pandemic levels.

Global Freight Rates fell for the second month in a row and are approaching the level before the Red Sea attacks at the end of 2023. The decline in rates is driven by increases in shipping capacity while demand falters. After 5 years of near continuous operational disruption, market fundamentals are starting to dictate freight rates again.

2.0 Nigeria's Major Trading Routes Freight Rate Index



	20FT	40FT
2024	$2,981	$4,329
2025	$3,411	$4,400

3.0 Interpretation of the Above Graphs /Table:

The graphs and table show graphically the freight rates charged on 20 and 40 teu's on Nigeria's major trading routes for the period of first Quarter of 2024 to the first Quarter of 2025. The blue-coloured graph represents a 20-foot container while the yellow one is for a 40-footer. The graphs show that during the 1st Qtr. 2024 freight rates for 20teu was $2,981 while that of 40 teu was $4,329. In the corresponding period in 2025, the freight rate for 20teu was $3,411 Year on Year-YoY (14% increase from that of 2024) and that for 40teu stood at $4,400 (1.6% increase from that of 2024).

The increases in rates from the 1st Quarter of 2024 to the 1st Quarter of 2025 which is low was as a result of the recovery in supply chains and vessels diversion to the Cape of Good Hope to avoid the Suez Canal/Red Sea due to ongoing crisis in the middle east and longer route translates to increased fuel consumption and other operational costs for shipping companies, which reflected in higher freight rates.

4.0 Observations:

Based on the above analysis, we wish to observe the following:

I. Global freight rates during the First Quarter 2025 decline in rates was driven by increases in shipping capacity while demand falters.

II. Nigeria's major trading routes freight rate for the First Quarter 2025 stood at $3,411 for 20Teu and $4,400 for a 40Teu.

III. There were increases in rates from 1st Quarter 2024 to the 1st Quarter 2025 which was as a result of the recovery in supply chains and vessels diversion to the Cape of Good Hope.

5.0 Freight Rates Composition

The freight Rates for **20**ft and **40**ft containers still consist of the followings:

- Base Ocean Rate-**20**ft (Base Rate=$1,549).
- Base Ocean Rate-**40**ft (Base Rate=$2,104).
- Terminal Handling Charges at Origin-**20**ft (OTHC=$127).
- Terminal Handling Charges at Origin-**40**ft (OTHC=$172).
- Destination Terminal Handling Charges-**20**ft (DTHC=$174).
- Destination Terminal Handling Charges-**40**ft (DTHC=$197).
- Fuel Surcharge-**20**ft (BAF=$137)

- ❖ Fuel Surcharge-**40**ft (BAF=$273) and all other charges apart from the Inland Cost. Other factors that may greatly affect rates include amongst others, the intended destination, Season and Fines/Fees.

6.0 <u>Recommendations/Advises:</u>

- ❖ **Advise to Shippers**: Shippers are still advised to ensure the following:
- ✓ Be ready to negotiate: Before entering negotiations, it's important to fully understand the latest market trends in the shipping industry and stay informed about currency fluctuations.
- ✓ Know your freight rates needs: You can negotiate freight rates with the carriers or freight forwarders after having clarity about your freight needs, and accordingly, you can place your terms and conditions.
- ✓ Try negotiating with multiple carriers: Interact with different carriers and compare the quotes (rates). This will enable you to ease the negotiation process, and you will be in a position to make competitive demands. The more you negotiate, the better price deals you will get.
- ✓ Contract and spot cost: Freight rates symbolize contract and spot rates in the shipping industry. Spot rates specify the current price for a shipping route; on the other hand, spot costs are negotiated in advance and fixed for a specific duration.
- ✓ Establish Strong Bonding: This will help you cultivate a strong relationship with them. Not only this, but you can come up with better negotiation terms every time you conduct a shipment.
- ✓ Consolidation of the shipments: You can opt for Less Container Load (LCL), this strategy can enable you to negotiate a competitive freight cost.
- ✓ Pay only for the required services: Try to negotiate with your carrier by checking the aspects of the price contract, which include added services, insurance, applicable fees, and other relevant services.
- ✓ Go through the fine print(document): Having a clear understanding of the document can help you check for restrictions and limitations and negotiate reasonable freight rates.
- ✓ Avoid peak seasons: You can compare the quotes of various shipping lines and book a vessel schedule in advance or after the peak season goes down. Most of the carriers offer a lower rate in the off-seasons to keep their business running smoothly.

- ✓ Avoid the hidden costs: Check out for any hidden costs or any additional surcharges that might create an obstacle to negotiating the required freight rates.
- ✓ Better coordination of origin and transport operations and hand offs (Inland transport disruptions).
- ✓ Shippers should continuously negotiate freight rates as findings have shown that shipping lines build their operations cost into freight rate charged as another way of recovering cost.

❖ **Shippers** should position themselves to steer their business in this period of economic volatility.

❖ **Nigerian Fleet-** Considering all the above findings, it becomes clear that the only path Nigeria can take to get out of the worsening challenges in her shipping services is to have her indigenous Shipping lines in place and compete with foreign shipping lines. This will bring about lower freight charges on Nigeria's route.