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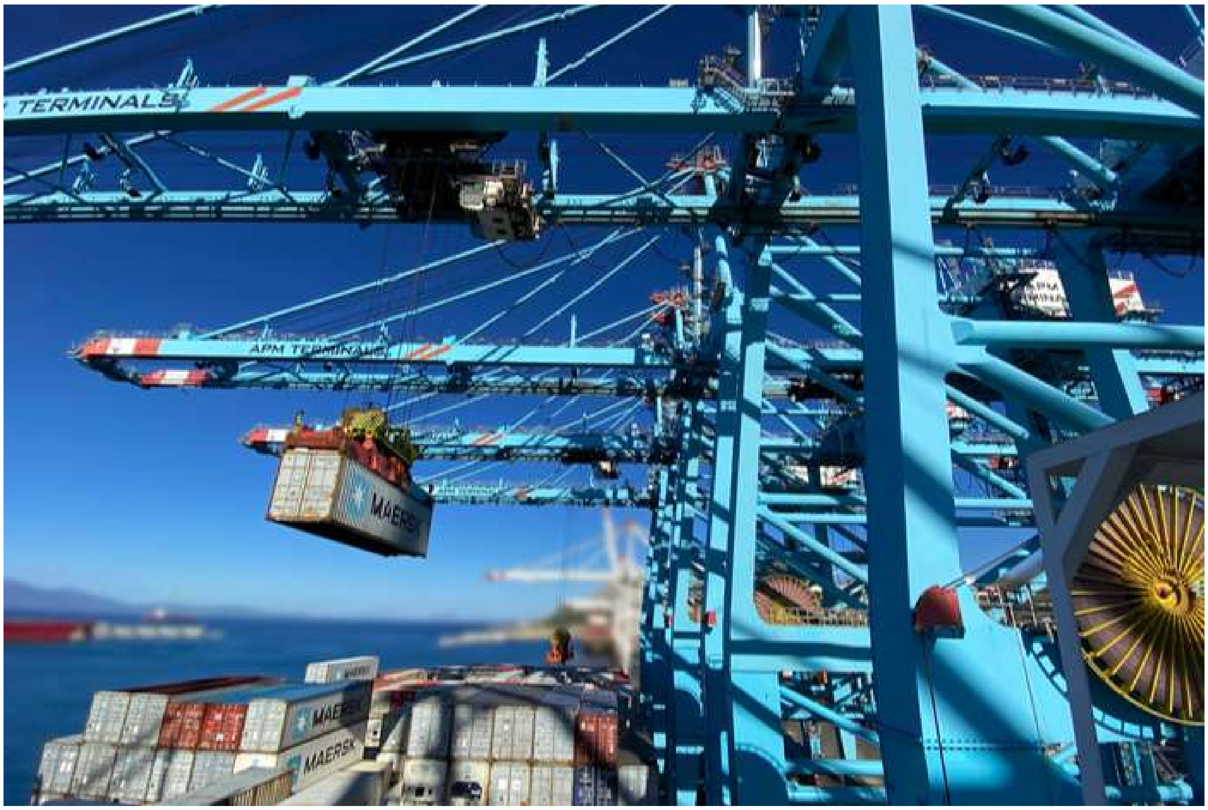

Global demand is forecast by analysts to outstrip container shipping capacity this year. Photo credit: Shutterstock.com.

Container shipping rates will remain at record levels for the rest of the year and into 2022 as demand significantly outpaces capacity in an environment that will further drive up carrier profitability, according to Moody's Investors Service.

"We expect financial performance to be even better in 2021 than it was in 2020," the ratings agency said in a statement Wednesday. "Consumer and industrial demand for goods remains very strong while a limited supply of new vessels is entering the market."

Moody's expects the strong financial and operational performance to extend to the dry bulk and tanker sectors, prompting its decision to upgrade the shipping segment rating from stable to positive. The firm added that its base case scenario may even be too conservative with demand in all three sectors increasing and capacity remaining tight.

Global demand is forecast by analysts to outstrip container shipping capacity this year. Moody's expects volume growth of between 5 and 7 percent against capacity growth of 4 percent; Clarksons Research Services is predicting volume growth of 5.7 percent with capacity growth of 4 percent; and IHS Markit, parent company of JOC.com, is forecasting 7.5 percent growth in container volume and 3.2 percent growth in capacity.

Simon Heaney, senior manager of container research at Drewry, told JOC.com landside disruption was expected "for most of 2021," adding that the London-based maritime research firm has forecast demand to outstrip supply through

2022.

The supply-demand imbalance has been in the carriers' favor for months. Operating profits of the 11 reporting carriers, measured in earnings before interest and taxes (EBIT), reached $16.2 billion in the first quarter, greater than the sum of the previous 10 first quarters combined, according to Sea-Intelligence Maritime Analysis.

The highly positive start to the year followed a calendar year 2020 in which operating profits for all container shipping lines, as calculated by Drewry, totaled $26.6 billion, up from about $5 billion in 2019.

Carriers to blow past profit estimates

Drewry estimated in March that the container shipping industry will achieve operating profits of $35 billion in 2021, but the analyst expects to increase this estimate soon to reflect continued high levels of demand and a steady increase in both spot and contract rates on the major east-west trades this year.

Spot rates of 28 days or less on China-US West Coast this week were $4,553 per TEU, up 400 percent compared with the same week in pre-pandemic 2019, according to rate benchmarking platform Xeneta. China-North Europe spot rates hit $5,726 this week, up 636 percent compared with 2019, while North Europe-US East Coast spot rates of $3,010 per TEU are up 218 percent on the same week in 2019.

Contract rates for 90 days and over on China-US West Coast routes are up 92 percent compared with 2019, at $1,941 per FEU; China-North Europe contract rates are up 117 percent at $1,614 per TEU; and North Europe-US East Coast contract rates are 52 percent higher at $1,307 per TEU.

Despite the record rate levels, demand is so strong and capacity so limited that carriers require shippers to pay significant premiums to guarantee space, charges that can be as high as $2,500 per container, Xeneta has advised.

Online rate marketplace Freightos confirmed in a market update Wednesday that the disruption from congestion that severely affected Yantian International Container Terminals for the last six weeks, combined with persistent demand, was making empty containers scarce and keeping upward pressure on rates.

"Importers are paying dearly as a result, with most spot importers paying thousands more in above-market premiums just to actually secure space," Freightos said.

Robert Khachatryan, COO of forwarder Freight Right Global Logistics, which offers services on the Freightos.com marketplace, told Freightos that importers with annual contracts were moving some containers at contracted prices, but about 90 percent of his cargo was moving at premium rates. Khachatryan, quoted in a Freightos update Wednesday, said the premiums meant rates for early July bookings from Asia to the US East Coast were up to 10 times higher than at the same time last year.

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